

# INDIVIDUAL INCOME TAX LAW

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## Part One BASIC PROVISIONS

### Article 1

Individual income tax shall be payable, in conformity with the provisions of the present Law, by individuals who earn income.

The taxation of individual income shall be dealt with by the present Law exclusively.

Tax exemptions and facilities may be introduced by the present Law exclusively.

### Income

#### Article 2

Individual income tax shall be payable on income from all sources, other than those excluded under the present Law.

Taxable income shall mean the difference between gross income earned by a taxpayer on some of the grounds referred to in [Article 3](#) of the present Law and the expenses he/she had incurred in generating and preserving it, if so provided by the present Law.

Income shall be understood to mean the sum of taxable revenues referred to in paragraph 2 of this Article generated in a calendar year.

### Taxable Revenues

#### Article 3

Individual income tax shall be payable on the following kinds of revenues:

- 1) Wages and salaries;
- 2) Revenue from agriculture and forestry;
- 3) Revenue from self-employment;
- 4) Revenue from copyrights, rights related to copyrights and industrial property rights;
- 5) Revenue from yield on capital;
- 6) Revenue from real estate;
- 7) Capital gains;
- 8) Other revenues.

The revenues referred to in paragraph 1 of this Article shall be taxable regardless of whether they were received in money or kind, on the basis of performance or in some other way.

### Taxation of Various Kinds of Revenue

#### Article 4

Individual income tax shall be payable on the various kinds of revenue referred to in Article 3 of the present law as follows:

- 1) At source for each revenue individually;
- 2) As levied by the competent tax office.

## **Annual Individual Income Tax**

### **Article 5**

Annual individual income tax shall be payable on the revenue earned in a calendar year, as levied by the competent tax office, in conformity with the present Law.

### **Taxpayer**

#### **Article 6**

The taxpayer shall be any individual who is bound to pay tax under the provisions of the present Law (hereinafter: the taxpayer).

### **Resident**

#### **Article 7**

The payer of individual income tax shall be any resident of the Republic of Serbia (hereinafter: the resident) on the revenue earned in the territory of the Republic of Serbia (hereinafter: the Republic) and in some other state.

For the purposes of the present Law, a resident of the Republic shall be understood to mean any individual:

- 1) Whose residence or centre of business and vital interests is in the territory of the Republic;
- 2) Who resides in the territory of the Republic for 183 or more days, continuously or with breaks, over a period of 12 months beginning or ending in the respective taxation year.

A resident of the Republic shall also be understood to mean any individual who is sent to some other state for the purpose of working for an individual or legal entity, who/which is a resident of the Republic, or an international organisation.

### **Non-resident**

#### **Article 8**

The payer of individual income tax shall also be any individual who is not a resident (hereinafter: non-resident), on the revenue earned in the territory of the Republic.

## **Exclusions from Taxable Income**

### **Article 9<sup>11</sup>**

Individual income tax shall not be payable on the receipts generated on the basis of the following:

- 1) Regulations dealing with the rights of disabled veterans;
- 2) Parent and child allowance;
- 3) Allowance for being assisted and nursed by another person and compensation for bodily disability;
- 4) Unemployment benefit;
- 5) Sustenance granted in conformity with law;
- 6) Health insurance benefits, with the exception of compensation for wage/salary;
- 7) Property insurance indemnity, other than indemnity for lost profit, as well as personal insurance indemnity for damage suffered, unless it was made good by the perpetrator;
- 8) Indemnity for material and consequential damage, with the exception of indemnity for lost profit and compensation for wages (salary) or lost wages (salary);
- 9) Relief given in the event of death of an employee, member of his/her family or retired employee, up to 35,000<sup>11</sup> dinars;
- 10) Relief given because of destruction of or damage to property in consequence of natural disasters or other extraordinary occurrences;

- 11) Organised welfare and humanitarian aid;
- 12) Grants and loans to pupils and students amounting up to 6,000<sup>LI</sup> dinars a month;
- 13) Meal allowance paid to amateur athletes by amateur sport clubs in conformity with the law dealing with sports amounting up to 5,000<sup>LI</sup> dinars;
- 14) Remuneration and reward for the work done paid to convicts and juvenile delinquents kept in penitentiaries and reform establishments;
- 15) Remuneration and reward for the work done paid to inmates of psychiatric establishments;
- 16) Remuneration for the work done by persons in the bodies conducting elections or population census;
- 17) Old age pension and disability pension receivable on the basis of obligatory old age pension and disability and/or military insurance rights;
- 18) Retirement gratuity, up to the amount fixed as the lowest by the law governing labour;
- 19) Severance pay/gratuity paid by the employer to a redundant employee, in conformity with the law dealing with labour relations, up to the amount determined by that law;
- 20) Pecuniary compensation payable to a person whose employment has been terminated in the process of rationalisation, restructuring and preparation for privatisation in accordance with the Government enactment setting the programme for dealing with redundancy in the process of rationalisation, restructuring and preparation for privatisation – up to the amount fixed in that programme, and in the case of persons over 50 years of age – unlimited amount;
- 21) Remuneration for the work done by a sustainer and remuneration for supporting the beneficiary in the sustainer family;
- 22) Remuneration paid under the regulations governing the Army of Serbia to servicemen (serving their military obligation in the Army and civilian services), students of military academies, students of secondary military schools and persons attending reserve military officer training schools;
- 23) Remuneration paid to the students of secondary police schools in conformity with regulations;
- 24) Premiums, subsidies and bonuses and other funds intended to prompt agricultural development in the scope of the Republic Budget and the budgets of the autonomous provinces and local self-government units, which are paid to or in a special earmarked account of the payers of tax on the income from agriculture and forestry and farmers entered in the register of farms, in conformity with special regulations;
- 25) VAT refunds which are payable under the law governing the value-added tax to the persons who are the payers of tax on the income from agriculture and forestry on cadastral income, and heads or members of farming households;
- 26) Prizes awarded to pupils and students for the results achieved in the course of education and training, as well as those awarded at competitions staged in the scope of the education system.

The exercise of the right to tax exemption in the case of the receipts referred to in paragraph 1, items 10) through 13) of this Article shall be dealt with in greater detail by the Minister of Finance.

#### **Article 9a**

Deleted (RS Official Gazette, No. 31/09)

## **Dependent Members of Family**

### **Article 10**

For the purposes of the present Law, the dependent members of family supported by a taxpayer shall be understood to mean the following persons:

- 1) Underage natural children and adopted children;
- 2) Natural children and adopted children receiving regular education or while unemployed, if they live in the taxpayer's household;
- 3) Grandchildren, if they are not supported by their parents and live in the taxpayer's household;
- 4) Spouse;
- 5) Natural parents and foster parents.

For the purposes of the present Law, the spouse, parents, natural children, adopted children and adoptive parent of a taxpayer shall be deemed family members.

For the purposes of the present Law, a household shall be understood to mean a community of living, earning and spending the earnings.

## **Tax Credit**

### **Article 11**

For the purposes of the present Law, tax credit shall be understood to mean the amount by which the levied individual income tax is to be reduced.

## **Avoidance of Double Taxation**

### **Article 12**

Should a taxpayer who is a resident of the Republic earn revenue in some other country, on which tax was paid in another country, he/she shall be allowed a tax credit amounting to the income tax paid in another country, on the individual income tax levied in conformity with the present Law.

The tax credit referred to in paragraph 1 of this Article may not be higher than the amount that would be obtained by applying the provisions of the present Law to the income earned in another country.

## **Adjustment of Amounts in Dinars**

### **Article 12a<sup>[21]</sup>**

The amounts in dinars referred to in Article 9, paragraph 1, items 9), 12) and 13), Article 15a, paragraph 2, Article 18, paragraph 1, items 1), 2), 4), 5), 6) and 7), Article 21a, Article 83, paragraph 5, item 1), and Article 101a, paragraphs 1, 3 and 4, of this Law shall be adjusted to the annual retail price growth rate in the calendar year preceding the year in which the adjustment is made, in accordance with the data furnished by the republic authority in charge of statistics.

The Government shall announce the adjustment of amounts in dinars referred to in paragraph 1 of this Article.

The adjustment of the amounts in dinars referred to in paragraph 1 of this Article shall be applicable as of the first day of the month following the announcement of such amounts.

## **Part Two**

# **TAXATION OF VARIOUS KINDS OF REVENUE**

## **Chapter One**

### **WAGE/SALARY TAX**

#### **Taxability**

#### **Article 13**

For the purposes of the present Law, wage/salary shall be understood to mean the wage/salary stemming from employment, as defined by the law dealing with labour relations and other receipts of an employee.

For the purposes of the present Law, wage/salary shall also be understood to mean the remunerations and other receipts earned on the basis of temporary and occasional work done on the basis of contracts made with employers directly, as well as on the basis of contracts made through youth and student co-operatives, with the exception of those with persons up to 26 years of age who are attending secondary, college and university education establishments.

#### **Article 14**

For the purposes of the present Law, wages/salaries shall also be understood to mean receipts in the form of bonds, monetary certificates, shares other than those acquired in the ownership transformation procedure, or goods, those stemming from performance or provision of facilities, forgiving a debt, as well as covering the taxpayer's expenditures by a monetary compensation or direct payment.

The base for the wage/salary tax referred to in Paragraph 1 of this Article shall be as follows:

- 1) Nominal value of bonds, monetary certificates and shares;
- 2) Price that would be fetched when selling goods on the market;
- 3) Price that would be fetched on the market for the service or facility provided to the taxpayer;
- 4) Monetary value of covered expenditures, plus the public revenue commitments payable by employees from their wages/salaries.

The price, compensation and monetary value referred to in paragraph 2, items 2) through 4) of this Article shall be fixed by the payer of wages/salaries at the moment of payment.

If the competent tax office finds that the determined price or compensation referred to in paragraph 2, items 2) through 4) of this Article is lower than the one that could be fetched on the market, it shall fix that price or compensation, so that it corresponds to the one that could be fetched on the market.

The wage/salary tax determined in the ways provided by paragraphs 2 through 4 of this Article shall be reduced by the amounts of payments made in money by employees to their employer in connection with the receipts referred to in paragraph 1 of this Article.

#### **Article 14a**

The receipts based on the acts or provision of facilities as referred to in Article 14, paragraph 1, of the present Law shall be understood to mean the following in particular:

- 1) Use of an official vehicle or some other means of transport for private purposes;
- 2) Use of the residential buildings and dwellings that are owned by employers or are at their disposal on the basis of leasing or on some other grounds, with or without rent, except in the case of dealing with the housing problems of employees, elected and persons elected and appointed in keeping with the regulations dealing with the housing needs in government agencies

and organizations, agencies and organizations of the territorial autonomy and local self-government units, public services and other beneficiaries of budgetary funds.

The monthly amount of the receipts referred to in paragraph 1, item 2), of this Article for each started calendar month of using a vehicle shall be 1% of the market value of the official vehicle or some other means of transport used for private purposes, as published by the competent organization as on 31 December of the year preceding the year in which that vehicle is used for private purposes.

The amount of the receipts referred to in paragraph 1, item 2), of this Article shall be the amount of rent set in accordance with market prices existing at the place in which the residential building or dwelling is situated.

The provisions of Article 14, paragraphs 2 through 5, of the present Law shall be applied in setting the tax base for the receipts referred to in this Article.

#### **Article 14b**

The earnings referred to in Articles 13 and 14 of the present Law shall also mean the premiums for all kinds of optional insurance, as well as contributions to the optional pension fund, paid by the employer on behalf of his employees who are covered by optional insurance and employees who are members of an optional pension fund, in conformity with the law governing the optional insurance and optional pension funds and pension schemes.

Notwithstanding the provision of paragraph 1 of this Article, the following shall not be regarded as the earnings referred to in Articles 13 and 14:

1) Premiums paid by an employer for all employees in the case of collective accident insurance, including insurance against injury at work and professional diseases and collective insurance covering grave diseases and surgery;

2) Premiums for optional supplementary pension insurance and/or contributions to the optional pension fund paid by an employer for the employees covered by optional insurance and/or the employees who are members of the optional insurance fund, up to the amount which is exempt from payment of contributions in conformity with the law governing obligatory social security.

#### **Taxpayer Article 15**

The payer of wage/salary tax shall be any individual who earns a wage/salary.

#### **Tax Base Article 15a<sup>[3]</sup>**

The base of tax on the earnings referred to in Articles 13 through 14b of the present Law shall be the paid out or actual earnings.

For the purposes of the law governing labour, the base of the tax payable on earnings, shall be the earnings referred to in Article 13, paragraph 1, and Articles 14 through 14b of the present Law, less 5,000<sup>[3]</sup> Dinars monthly.

#### **Tax Rate Article 16**

The earnings referred to in Articles 13 through 14b of the present Law shall be taxed at the rate of 12%.

#### **Article 17**

In the case of individuals who are residents of the Republic and who have been sent abroad for the purpose of working for legal entities which are residents of the Republic, the base of tax

on their wages/salaries shall be the wages/salaries they would have been earning in the Republic on the same or similar jobs, in conformity with law, general rules and work contracts.

### **Tax Exemptions**

#### **Article 18<sup>[4]</sup>**

The wage/salary tax shall not be payable on any employee's receipts based on the following:

- 1) Public transport allowance (to and from the place of work), up to the price of monthly ticket or up to the actual cost, if monthly ticket is not available, but no more than 1,200<sup>[4]</sup> dinars;
- 2) Per diem allowance on business trips in the country shall amount up to 1,200<sup>[4]</sup> dinars and per diem allowance on business trips abroad, up to the amount fixed by the competent government agency;
- 3) Accommodation allowance on business trips, according to presented bills;
- 4) Transport allowance on business trips, against public carrier bills, and when the use of the employee's own motorcar for business trips or other business purposes is permitted under laws and regulations, up to 30% of the price of a litre of super petrol, but no more than 3,500<sup>[4]</sup> dinars a month;
- 5) Solidarity relief in the event of sickness, medical rehabilitation or disability of an employee or member of his/her family, up to 20,000<sup>[4]</sup> dinars;
- 6) New Year and Christmas gifts to the employees' children up to 15 years of age, up to 5,000<sup>[4]</sup> dinars per child yearly;
- 7) Jubilee awards to employees in conformity with the law governing labour, up to 10,000<sup>[4]</sup> dinars a year.

**The wage/salary tax shall not be payable on the receipts referred to in paragraph 1, item 4), of this Article earned by persons who although unemployed are earning an income for their work making them liable for the wage/salary tax pursuant this Law.**

The exercise of the right to tax exemption relating to the receipts referred to in paragraph 1, item 5) of this Article shall be dealt with in greater detail by the Minister of Finance.

#### **Article 19**

Deleted (RS Official Gazette, No. 31/09)

#### **Article 20**

The following shall be exempt from tax on the wages/salaries earned in foreign diplomatic and consular missions or international organisations or by working for the representatives or officers of such missions or organisations:

- 1) Heads of foreign diplomatic missions accredited in Serbia, staff of foreign diplomatic missions in Serbia, as well as members of their households, if such members of household are not citizens of Serbia or residents of the Republic;
- 2) Heads of foreign consulates in Yugoslavia and consular officials authorised to perform consular functions, as well as members of their households, if such members of household are not citizens of Serbia or residents of the Republic;
- 3) Officials of the Organisation of United Nations and its specialised agencies and technical aid specialists of the Organisation of United Nations and its specialised agencies.
  - 3a) Officials, specialists and administrative staff of international organisations, if they are not citizens of Serbia or residents of the Republic;
- 4) Employees of foreign diplomatic or consular missions and international organisations, if they are not citizens of Serbia or residents of the Republic;
- 5) Honorary consuls of foreign states, on their receipts from the states that have appointed them for the performance of consular functions;
- 6) Employees of the persons referred to in items 1) through 5) of this Article, if they are not citizens of Serbia or residents of the Republic.

**Notwithstanding the provision of paragraph 1 of this Article, the individuals who are citizens or residents of the Republic shall be exempt from tax on the wages/salaries earned by working for the Organisation of United Nations and its specialised agencies.**

#### **Article 21**

Tax shall not be payable on the wages/salaries of disabled persons employed in enterprises for the occupational training and employment of the disabled.

#### **Article 21a**

The wage/salary tax shall not be payable on the premiums for optional additional old age pension and disability insurance that are deducted and paid by the employers from the wages/salaries of the employees covered by optional old age pension and disability insurance, in conformity with the law dealing with optional old age pension and disability insurance, up to 3,000<sup>[5]</sup> dinars a month.

The wage/salary tax shall not be payable on the contributions to the optional pension fund, which the employer withholds and pays from the earnings of the employees who are members of optional pension funds in conformity with the law governing optional pension funds and pension schemes, altogether up to 3,000<sup>[5]</sup> dinars a month.

### **Tax Relief on the Employment of New Persons and Persons with Disabilities**

#### **Article 21b**

Any employer who employs new workers for an indefinite period of time in the period from 1 January to 31 December 2005 shall be relieved of the duty to pay the charged and withheld tax on the wages/salaries of new employees for a period of one year as of the date of employment of such workers.

A newly employed worker as referred to in paragraph 1 of this Article shall be understood to mean a person with whom an employer has concluded a work contract in conformity with the law dealing with labour relations and whom he had registered for obligatory social security with the competent social security organisations, where the persons taking up employment for the first time should have been registered as unemployed with the National Employment Service for at least three months running prior to taking up employment.

A newly employed worker as referred to in paragraph 1 of this Article shall not be understood to mean a person who prior to taking up employment was employed with an employer who is the founder of or a person linked with the employer with whom he is taking up employment, regardless of whether a discontinuation of employment had existed.

An employer may enjoy the tax relief referred to in paragraph 1 of this Article if by employing a new worker, he is increasing the total number of his employees in relation to their number on 1 January 2005.

If while enjoying the tax relief on newly employed workers, an employer reduces the number of employees in relation to their number on 1 January 2005, plus the number of newly employed workers for whom he is enjoying the tax relief, he shall lose the right to tax relief and if the tax relief was granted for several newly employed workers, he shall lose the right to tax relief for the newly employed worker, whom he had employed earlier.

Any employer shall pay the tax he would have had to pay, had he not enjoyed the tax relief, valorised by applying the retail price growth rate as published by the republic authority for statistics, within eight days from the date on which the number of employees was decreased pursuant to paragraph 5 of this Article.

Should the employment of a newly employed worker be terminated during the validity of tax relief and the employer employs instead of him a new worker at the same time or within 15 days, the employer may carry on enjoying the tax relief based on the employment of another new worker, provided that the number of employees is not reduced pursuant to paragraph 5 of

this Article, and the total period of enjoying the one-year relief shall also include the period of enjoying the relief for the newly employed worker whose employment was terminated.

The tax relief referred to in this Article may not be enjoyed by government agencies and organisations, public enterprises, public services and other direct or indirect budget beneficiaries.

The Minister of Finance shall lay down in greater detail the modality of and procedure for enjoying the tax relief referred to in this Article .

### **Article 21c**

Any employer who employs a person who is deemed a trainee as referred to in the law governing labour, who was under 30 years of age on the employment contract date and who was a jobseeker registered with the National Employment Service, shall be exempt from payment of the accounted and withheld tax on the earnings of newly employed persons over a period of three years from the starting date of that person's employment.

Any employer who employs for an indefinite period of time a person who was under 30 years of age on the date of the employment contract and who has been registered as a jobseeker with the National Employment Service for at least three months running prior to employment, shall be exempt from payment of accounted and withheld tax on the earnings of the newly employed person over a period of two years from the starting date of that person's employment.

For the purposes of paragraphs 1 and 2 of this Article, a newly employed person shall mean a person with whom an employer has concluded an employment contract in conformity with the law governing employment and registered with the competent obligatory social security organisation.

A person who prior to taking up employment was employed by an employer who is the founder of or linked with the employer with whom he/she is taking up employment shall not be regarded as a newly employed person referred to in paragraph 1 of this Article, regardless of whether an interruption of employment existed or not.

An employer may enjoy the tax facility referred to in paragraphs 1 and 2 of this Article, if by employing a new employee, he has increased the number of his employees in relation to that existing on 1 September 2006.

If while enjoying the tax facility accorded on account of newly employed persons, as well as in the next three years on account of the persons referred to in paragraph 1 of this Article or two years in the case of the persons referred to in paragraph 2 of this Article, an employer reduces the number of employees, following the expiration of facility, to less than that existing on 1 September 2006 plus the number of person on account of which he is enjoying the tax facility, he shall forfeit the facility and if the facility was granted on account of several newly employed persons, he shall forfeit first the facility accounted for by the newly employed person he had employed earlier.

An employer shall pay the tax he would have had to pay had he not enjoyed the tax facility, which is adjusted by applying the retail price growth rate in accordance with the data published by the Republic authority responsible for statistics, within 30 days from the date of reduction of the number of employees pursuant to paragraph 6 of this Article.

If a newly employed person's employment gets terminated while the tax facility is still valid, as well as in the period referred to in paragraph 6 of this Article, and the employer concerned employs another person instead of him/her within 15 days from the date of termination of the former's employment, the employer may carry on enjoying the tax facility on account of employment of another newly employed person to the same extent as that set for the previous newly employed person, on the proviso that he has not reduced the number of his employees pursuant to paragraph 6 of this Article. The total duration of enjoyment of the facility referred to in this Article shall be reduced by the time the newly employed person whose employment has been terminated had worked for the employer concerned.

If the employment of a trainee referred to in paragraph 1 of this Article gets terminated while the facility is still valid, the employer concerned may carry on enjoying the facility until the expiration of the term referred to in paragraph 1 of this Article, if he employs another new trainee.

If the employment of a person referred to in paragraph 2 of this Article gets terminated while the facility is still valid, the employer concerned may carry on enjoying the facility until expiration of the term referred to in that paragraph, if he employs another person under 30 years of age.

Government agencies and organisations, public enterprises, public services and other direct or indirect budget beneficiaries may not enjoy the tax facility referred to in this Article.

The mode of and procedure for application of the provisions of this Article shall be dealt with in greater detail by the Minister of Finance.

#### **Article 21d**

An employer who employs a handicapped person for an indefinite period of time in keeping with the law governing the prevention of discrimination against persons with disabilities, whose disability is substantiated by valid legal and medical documents, shall be exempt from payment of the accounted and withheld tax on that person's earnings in the duration of three years from the starting date of employment.

A newly employed person with disabilities referred to in paragraph 1 of this Article shall mean a person with whom an employer has concluded an employment contract in conformity with the law governing labour and whom he has registered for mandatory social security with competent obligatory social security organisations.

A person who prior to taking up employment was employed by an employer who is the founder of or a linked person with the employer with whom employment is being taken up, shall not be regarded as a newly employed person with disabilities referred to in paragraph 1 of this Article, regardless of whether employment has been interrupted or not.

The tax facility referred to in this Article may not be exercised by government agencies and organisations, public enterprises, public services and other direct and indirect budget beneficiaries.

The mode of and procedure for application of the provisions of this Article shall be dealt with in greater detail by the Minister of Finance.

#### **Article 21e**

An employer who employs a person who was over 45 years of age on the date of the employment contract and has the status of a recipient of unemployment benefit in the National Employment Service or has been registered as a jobseeker with that service for at least six months running, shall be exempt from payment of the accounted and withheld tax on that newly employed person's earnings.

An employer may enjoy the tax exemption referred to in paragraph 1 of this Article in the duration of two years from the starting date of the employee's employment.

If the employment of an employee referred to in paragraph 1 of this Article gets terminated while the facility is still valid, as well as within three years from expiration of the facility referred to in paragraph 2 of this Article, the employer concerned shall forfeit the facility and pay the tax he would have had to pay had he not been enjoying the tax facility, which is adjusted by applying the retail price growth rate in accordance with the data published by the Republic authority responsible for statistics, within 30 days from the date of termination of employment of that employee.

The provision of paragraph 3 of this Article shall not apply if employment gets terminated because of the employee's death or for other reasons beyond the employee's and employer's control as provided by the provisions of the law governing labour.

Notwithstanding the provision of paragraph 3 of this Article, the employer concerned may carry on enjoying the facility until the expiration of its validity, if the employee's employment gets terminated by a notice served by the employee and the employer employs another person referred to in paragraph 1 of this Article instead of that employee within 15 days from the date of termination of the latter's employment.

The tax facility referred to in this Article may not be enjoyed by government agencies and organisations, public enterprises, public services and other direct or indirect budget beneficiaries.

The mode of and procedure for application of the provisions of this Article shall be dealt with in greater detail by the Minister of Finance.

## **Chapter Two**

### **TAX ON REVENUE FROM AGRICULTURE AND FORESTRY**

#### **Taxability**

##### **Article 22**

The revenue from agriculture and forestry shall be understood to mean the cadastral or real revenue from these branches.

#### **Cadastral Revenue**

##### **Article 23**

Cadastral revenue shall be understood to mean the revenue that has been set in the land and real estate registry for each unit of land that can be used for agricultural production and/or forestry, irrespective of whether it is used as such or not.

#### **Actual Revenue**

##### **Article 24**

If a taxpayer opts before the beginning of a year for the determination of actual revenue from agriculture and forestry and notifies the competent tax office accordingly, the revenue from these branches shall be understood to mean the actual revenue determined in the way set by the provisions of the present Law dealing with the determination of revenue from self-employment.

#### **Taxpayer**

##### **Article 25**

The payer of tax on the revenue from agriculture and forestry shall be any individual who has earned revenue in the capacity of owner, holder of the right of use or usufructuary of the land entered in the land registry as on 31 December of the year preceding the year for which the tax is levied.

If a taxpayer referred to in paragraph 1 of this Article has leased out land on a long-term basis, the lessee shall be deemed the taxpayer as of the effective date of lease, if he/she reports the matter accordingly, with the lessor's consent, within 15 days from conclusion of the lease.

##### **Article 26**

If two or more co-owners, co-holders of the right of use or the right of usufructus live in the same household and have not partitioned the property, the taxpayer shall be one of the co-owners, co-holders of the right of use or the right of usufructus of legal age.

Should the persons referred to in paragraph 1 of this Article fail to reach an agreement by the beginning of the year for which tax is levied as to who is to be the taxpayer and do not notify the competent tax office accordingly, the tax office shall designate the taxpayer.

#### **Tax Base**

##### **Article 27**

The taxable revenue from agriculture and forestry shall be the cadastral revenue or actual revenue, if the taxpayer opts for the payment of tax on actual revenue.

### **Tax Rate** **Article 28**

The rate of tax on revenues from agriculture and forestry shall be 10%.

### **Tax Exemptions and Facilities** **Article 29**

Tax on the revenue from agriculture and forestry shall not be payable on the cadastral revenue from the following:

- 1) Land containing embankments, canals and dams, protective willow and other plantations, trenches and other facilities serving for flood control, irrigation or erosion control purposes;
- 2) Land the use of which is prohibited under law;
- 3) Land underlying the buildings belonging to foreign states and housing their diplomatic and consular missions, subject to reciprocity, as well as land underlying the buildings belonging to international organisations;
- 4) Land making up the protective surroundings of proclaimed cultural monuments and protected natural attractions, as well as land owned by churches, temples, monasteries and mosques declared as cultural monuments;
- 5) Courtyards of churches, temples, monasteries and mosques;
- 6) Formerly non-arable land that was made arable by the taxpayer's effort – within five years from bringing the land to its purpose;
- 7) Land on which new orchards and vineyards are being raised – within five years from commencement of planting the fruit trees and vines;
- 8) Land underlying the residential buildings owned by citizens and land serving for their regular use – up to 500 m<sup>2</sup>;
- 9) Land of a taxpayer if he/she and members of his/her household are over 65 years of age in the case of males and 60 in the case of females, provided that the taxpayer and members of his/her household do not generate revenues on some other grounds and have no family members or other persons who are bound to sustain them by law on some other grounds;
- 10) Land let by a taxpayer without compensation to a person who was exiled after 1 August 1995, on condition that the exiled person does not generate revenue on some other grounds.

The exemptions referred to in paragraph 1, items 1) through 5) of this Article shall be revoked if the purpose of the land concerned is changed.

The taxpayer concerned shall notify the competent tax office of the reasons for exemption within 15 days from the date of change.

The taxpayer concerned may exercise the right to the exemptions referred to in paragraph 1, items 6), 7), 9) and 10) of this Article by applying for that to the competent tax office by 31 December of the year in which the requirements for exemption have been fulfilled.

If the application referred to in paragraph 4 of this Article is not filed timely, the exemptions referred to in paragraph 1, items 6), 7), 9) and 10) shall be recognised as of 1 January of the next year, in which case the duration of the exemptions referred to in items 6) and 7) shall be reduced by the number of years elapsed.

The tax office shall render a decision on the exemptions referred to in paragraph 1, items 6) and 7) of this Article, having obtained the opinion of the authority dealing with agriculture.

### **Article 30**

The cadastral revenue for the land on which the yield had decreased by more than 25% of the average yield in the municipality concerned because of natural disasters, plant diseases and pests or because of other extraordinary occurrences that the taxpayer could not have prevented from taking place, shall be reduced in proportion to the decrease in yield.

The taxpayer concerned may enjoy the facility referred to in paragraph 1 of this Article by applying for it to the competent tax office within 15 days from the date on which the damage was sustained.

The tax office concerned shall decide on such application on the basis of a damage appraisal.

If damage was sustained in the territories covered by several land registries, the facility referred to in paragraph 1 of this Article may be granted on the basis of a global damage appraisal made by the ministry dealing with agriculture and forestry, without filing individual applications.

### **Chapter Three**

#### **TAX ON REVENUE FROM SELF-EMPLOYMENT**

##### **Taxability**

##### **Article 31**

The revenue from self-employment shall be understood to mean the revenue stemming from a business and provision of professional and other intellectual services, as well as from other activities, unless tax is payable on such revenue on some other grounds pursuant to the present Law.

The revenue stemming from self-employment shall also be understood to mean the revenue earned by using land, permanently or seasonally, for non-agricultural purposes (sand, gravel and stone extraction, production of lime, bricks, roof tiles, charcoal, etc.), incubator-based production of poultry and pursuing other activities, regardless of whether they are registered with competent authorities as self-employment ones.

##### **Taxpayer**

##### **Article 32<sup>[9]</sup>**

**The payer of tax on the revenue stemming from self-employment shall be any individual who earns income by engaging in the activities referred to in Article 31 of the present Law, including any individual who earns income from farming and forestry and any other individual who is a valued-added tax payer under the law dealing with value-added tax (hereinafter: the entrepreneur).**

##### **Tax Base**

##### **Article 33**

The taxable revenue stemming from self-employment shall be the taxable profit, unless otherwise provided by the present Law.

The taxable profit shall be determined in the tax balance sheet by adjusting the profit declared in the statement of income drawn up in conformity with international accounting standards and regulations dealing with accounting and audit, if the entrepreneur is keeping double entry accounts, and/or in line with the regulation referred to in [Article 49](#) of the present Law if the entrepreneur is keeping single-entry accounts, in the way determined by the present Law.

In the case of partnerships, the taxable revenue shall be determined in proportion to each partner's share in profit, in accordance with the partnership formation document.

#### **Revenue and Expenditure Harmonisation**

##### **Article 34**

Deleted (RS Official Gazette, No. 135/04)
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### **Article 35**

The harmonisation of revenues and expenditures, determination of capital gains and losses, tax treatment of losses incurred in previous years and transfer prices shall be declared in the sole proprietor's tax account in conformity with corresponding provisions of the law dealing with corporation profit tax, unless otherwise provided by the present Law.

### **Article 35a**

The depreciation of fixed assets shall be recognised as the sole entrepreneurs' expenditure to the amount and in the way determined for legal entities by the law dealing with corporation profit tax and the regulation enacted on the basis of that law.

### **Article 36**

Persons associated with an entrepreneur shall be understood to mean, besides the individuals and legal entities having that status under corresponding provisions dealing with enterprise profit tax, also the following:

- 1) Members of the taxpayer's family;
- 2) Taxpayer's brothers and sisters;
- 3) Spouse's parents and stepchildren.

### **Article 37**

In the case of a debt to a creditor having the status of associated person or of a credit taken by the taxpayer from a creditor having the status of associated person, the interest and related costs recognised as expenditure in the tax account may not be higher than those that would have been incurred, had it been possible to borrow on the market and/or take a loan in the accounting period.

In the case of a claim from a debtor having the status of an associated person or of a loan extended by the taxpayer to a debtor having the status of associated person, the interest and related costs included in the revenues included in the tax account may not be lower than those that would have been incurred, had it been possible to contract such claims on the market or extend loans in the accounting period.

The difference between the market interest rate and the one contracted on a loan between the associated persons referred to in paragraphs 1 and 2 of this Article, shall be included in taxable profit.

### **Article 37a**

The following shall be recognised as expenditure in the sole proprietors' tax balance sheets:

- 1) Charged and paid contributions for personal social security on the basis of self-employment;
- 2) Business travel costs up to the amount referred to in Article 18, paragraph 1, items 2) through 4), of the present Law.

### **Article 37b**

The entrepreneur's takings from business assets for private purposes shall be treated as business revenues.

The investment of personal assets into business assets, other than investment in fixed assets, shall be treated as the entrepreneur's business expenditure.

The taking and/or investment of assets referred to in paragraphs 1 and 2 of this Article, which is not in pecuniary form, shall be evaluated according to comparable market value, in conformity with the principle of permanence.

### **Tax Rate**

### **Article 38**

The rate of tax on the revenue stemming from self-employment shall be 10%.

## **Tax Incentives**

### **Article 39**

The tax incentives based on accelerated depreciation of fixed assets, investment in fixed assets used in an entrepreneur's registered business, investments made in conformity with the regulations dealing with incentives to investing in the Republic's industries and employment of new employees for an indefinite period of time, shall be granted to entrepreneurs on the same conditions and in the same way as to legal entities under the law dealing with corporation profit tax.

## **Lump Sum Taxation**

### **Article 40**

Any entrepreneur who in view of circumstances is unable to keep books, other than those relating to effected sales, or the keeping of which would impede the conduct of his business, may apply for being allowed to pay tax on the revenue from self-employment on a lump sum basis (hereinafter: the lump sum taxation).

The right to lump sum taxation may not be granted to an entrepreneur:

- 1) Who is a founder of a partnership;
- 2) Who is engaged in wholesale and retail trading, with the exception of motor vehicle maintenance and repair, hotel and restaurant keeping, financial mediation and activities associated with real estate;
- 3) Who has received investments also from other persons;
- 4) Whose total turnover in the year preceding the one for which tax is determined or whose planned turnover at the start up of business is higher than 3,000,000 dinars;
- 5) Who is a value-added taxpayer or who opts for the payment of value-added tax in conformity with the law dealing with the value-added tax.

Notwithstanding the provision of paragraph 2, item 2) of this Article, an entrepreneur whose business is trading or catering in a kiosk, trailer or some other prefabricated or mobile facility, may be allowed to pay lump sum tax on the determined revenue, at his/her own request.

### **Article 41**

If the requirements referred to in Article 40 of the present Law have been fulfilled, the lump sum revenue shall be determined in accordance with the following criteria and elements:

- 1) Average monthly salary/wage per employee in the Republic, municipality, city and district **reregistered** in the year preceding the year for which the lump sum revenue is determined;
- 2) Location of business premises;
- 3) Appointment of business premises;
- 4) Number of employees and working family members;
- 5) Market conditions under which the business is being conducted;
- 6) Floor area of business premises;
- 7) Age of the taxpayer and his/her capacity for work;
- 8) Revenues of another taxpayer conducting the same or similar business under the same or similar conditions;
- 9) Other circumstances affecting the generation of profits.

In the determination of lump sum revenue, the competent tax office shall also take into account all evidence, facts and data obtained by making inspections and in other ways.

The Government of the Republic of Serbia shall set in greater detail the conditions, criteria and elements for lump sum taxation.

### **Article 42**

The application for lump sum taxation may be filed with the competent tax office by 30 November of the current year for the next year and/or within 15 days from the date of entry in the

competent authority's register, **or within 15 days from receipt of the competent tax office's document confirming the deletion from the value-added tax records pursuant to the law dealing with value-added tax.**

The competent tax office shall decide on an entrepreneur's application within 30 days from its filing date.

Should the competent tax office fail to decide on the application within the term set in paragraph 2 of this Article, the application for lump sum taxation shall be deemed accepted.

Any entrepreneur who has been granted the right to lump sum taxation may enjoy such right until it is found that reasons for lump sum taxation have ceased to exist or that changed circumstances preclude the right to lump sum taxation.

In a case referred to in paragraph 4 of this Article, the competent tax office shall order the entrepreneur concerned to keep books from the middle of the current year onwards or from the beginning of the next year.

Any taxpayer whose right to lump sum taxation pursuant to Article 40, paragraph 2, item 5), of the present Law has expired shall keep books no later as of the date on which he became the payer of value-added tax pursuant to the law dealing with the value-added tax, without being ordered to keep books by decision of the competent tax office.

### **Books and Bookkeeping Documents**

#### **Article 43**

Entrepreneurs shall keep books and show in them the operating changes in the way provided by the present Law.

Entrepreneurs shall keep books on the single-entry basis, in conformity with the present Law or on the double-entry basis in conformity with the law dealing with accountancy and audit.

The entrepreneurs who have founded partnerships shall keep books on the double-entry basis.

The entrepreneurs who are paying tax on lump sum revenue shall keep the book of sales only.

#### **Article 43a**

Entrepreneurs shall keep books by the double-entry system in conformity with the law and regulations dealing with accountancy and audit.

#### **Article 44**

The books kept by the single-entry system entries shall include data relating to revenues, expenditures, fixed assets, tools and inventories with calculative write-offs, as well as other data, in conformity with the present Law and the regulation referred to in Article 49 of the present Law.

#### **Article 45**

Entrepreneurs shall keep the books referred to in Article 44 of the present Law up to date and orderly, so that it is possible to check on the accuracy of entries and provide for the keeping and use of data, as well as to get an insight into the chronology of operating changes.

Revenue shall be entered no later than a day after its realisation, expenditures shall be entered within seven days from the date on which they were incurred and other entries shall be made within the deadlines and in the way set by the present Law and regulations enacted on the basis of it and/or in accordance with the regulations dealing with accountancy and audit.

#### **Article 46**

Any operating change in assets, revenues and expenditures shall be entered on the basis of credible bookkeeping documents, which shall be drawn up so as to show operating changes and contain appropriate data for being entered in books.

#### **Article 47**

Entrepreneurs shall keep books and other bookkeeping documents on his/her business premises.

When bookkeeping is entrusted to a professional accounting firm, the books and other documents relating to financial operations may be kept on the premises of that firm.

#### **Article 48**

Books and bookkeeping documents shall be kept for at least five years from the last day of the business year to which they relate, unless otherwise provided by law.

#### **Article 49**

The Minister of Finance shall set in greater detail the kinds and contents of books and other records kept on the single-entry basis and the way of keeping them and declaring the financial result.

### **Tax Account**

#### **Article 50**

The entrepreneurs who keep books on the single or double entry basis shall draw up the annual tax accounts.

The Minister of Finance shall issue in greater detail the regulations dealing with the contents of tax accounts and the way of drawing them up.

### **Revenue and Expenditure Recording by Bank**

#### **Article 51**

Regardless of the taxation method he/she is subject to, any entrepreneur shall make all payments through a current account with a bank and keep funds in such account, including the payments made in cash, in conformity with the law dealing with payments.

## **Chapter Four**

### **TAX ON REVENUES STEMMING FROM COPYRIGHTS, RIGHTS RELATED TO COPYRIGHTS AND INDUSTRIAL PROPERTY RIGHTS**

#### **Taxability**

#### **Article 52**

The revenues from copyrights shall be understood to mean a taxpayer's receipts based on the following:

- 1) Written works (literary, scientific, publicist and other works, studies, reviews and the like);
- 2) Spoken works;
- 3) Dramatic and dramatico-musical works;
- 4) Pantomimic and choreographic works, the presentation of which is stipulated in writing or in some other way;
- 5) Works of music, with or without words;
- 6) Films and works created like films;
- 7) Fine art works;
- 8) Cartographic works;

- 9) Conceptual designs, sketches, drawings and plastic art works relating to architecture, geography, topography or some other field of science or arts;
- 10) Comic strips, crossword puzzles and the like;
- 11) Editorial works that in view of the selection and arrangement of contents, make up independent intellectual creations;
- 12) Translations, language corrections, music arrangements and other modifications of works of authorship;
- 13) Prizes awarded at competitions for artistic, scientific, technical and other works of authorship and conceptual designs, as well as prizes for accomplishments in the fields of science and arts, unless otherwise provided by the present Law;
- 14) Performance of music, literary and other works;
- 15) Use of performed music materials;
- 16) Making prototypes of artistic items to be handed over to enterprises as models for reproduction (production) of such items;
- 17) Fine art works in the field of applied arts;
- 18) Other works of authorship.

The fine art works in the field of applied arts referred to in paragraph 1, item 17) of this Article shall be understood to mean unique items created by their author according to his/her own concepts, as a drawing or in material, in the branches of applied arts such as:

- 1) Plastic art works in various materials (stone, precious stone, wood, metal, noble metals, glass, plastics, etc.);
- 2) Artistic ceramics;
- 3) Works in the fields of interior and exterior decoration, landscaping and supervision of the execution of such works;
- 4) Artistic designs in the field of horticulture;
- 5) Murals and fine art applications (techniques: fresco, mosaics, intarsia, stained glass, enamel, etc.), as well as intarsia and enamel items;
- 6) Artistic graphic designs (posters, graphics suited to the occasion, book, periodical and paper designs, packaging, yearbooks, catalogues, prospectuses, almanacs and the like);
- 7) Artistic photographs and works produced by methods akin to photography;
- 8) Artistic treatment of textile (tapestry, woven textile, and the like);
- 9) Artistic designs for scenography and costumography;
- 10) Fashion designs;
- 11) Industrial designs;
- 12) Restoration and conservation works in the fields of culture and arts;
- 13) Conceptual sketches and drawings in the field of applied arts, as well as sold applied art prototypes, if according to current existing, they have retained the character of original work.

#### **Article 52a**

The revenue from the rights related to copyrights (hereinafter: the related rights) shall be understood to mean the taxpayer's receipts stemming from the following:

- 1) Performer's rights;
- 2) Phonogram producer's rights;
- 3) Videogram producer's rights;
- 4) Broadcast producer's rights;
- 5) Database producer's rights.

#### **Article 53**

Revenue from industrial property rights shall be understood to mean the remuneration received by a taxpayer for the following:

- 1) Patents;
- 2) Petty patents;

- 3) Brands;
- 4) Models and samples;
- 5) Technical innovations.

### **Taxpayer**

#### **Article 54**

The payer of tax on the revenue stemming from copyrights and related rights and industrial property rights shall be any individual who is being remunerated on the basis of copyrights and related rights or industrial property rights, in the capacity of author, holder of related rights or industrial property rights.

The payer of tax on the revenue stemming from copyrights and related rights and industrial rights shall also be any successor to property copyrights and related rights and industrial rights and any other individual who is being remunerated on such grounds.

### **Tax Base**

#### **Article 55**

The taxable revenue from copyrights and related rights and industrial property rights shall be the difference between gross revenues and costs incurred by the taxpayer in generating and preserving the revenues, unless otherwise provided by the present Law.

### **Standardised Expenditures**

#### **Article 56**

The following standardised expenditures of a taxpaying author and/or holder of related rights shall be recognised:

1) For sculptures, tapestries, artistic ceramics, plastic ceramics, mosaics and stained glass works, art photographs, murals and space paintings in the following techniques: fresco, graphics, intarsia and enamel, intarsed and enamelled objects, costumography, fashion designs and artistic treatment of textiles (woven textile, printed textile and the like) – 50% of the gross revenue;

2) Paintings, graphics, industrial designs – including the fabrication of models and dummies, small plastic art items, works of visual communications, works of interior decoration and façade designs, space shaping, landscaping, artistic supervision over interior decoration and façade works, space shaping and landscaping and fabrication of models and dummies, artistic designs for scenography, scientific, technical, literary and publicist works, translation and/or translations, music and films, restoration and conservation works in the field of culture and arts, including the performance of the works of art (playing and singing, theatre and film acting, reciting), film shooting and conceptual drawings for tapestries and costumography when not done in material – 43% of the gross revenue;

3) Interpretation and/or performance of popular and folk music programmes, production of phonograms, production of videograms, production of databases and other copyrights and related rights not referred to under items 1) and 2) of this Article – 34% of gross revenue.

#### **Article 56a**

In addition to the standardised expenditures referred to in Article 56 of this Law, the actual expenditures referred to in Article 57, paragraph 1, of this Law shall also be recognised to authors and holders of related rights.

### **Actual Expenditures**

#### **Article 57**

The full amount paid by the taxpayers referred to in Article 54 of the present Law for the services rendered by an appropriate copyright agency, organisation for the protection of music

copyrights and enterprises and other legal entities authorised to sell and collect revenue from copyrights shall be recognised as expenditure in full amount.

At the request of a taxpaying author and holder of related rights, the actual expenditures he/she had incurred in the realisation and preservation of income, shall be recognised, if he/she presents evidence thereof.

The following actual expenditures shall be recognised as expenditures in the determination of the taxable income of a taxpaying holder of industrial property rights:

1) Taxes and charges payable for the protection of patents, petty patents, brands, models, samples and technical innovations, subject to confirmation by the authority competent for their protection;

2) Cost of preparing drawings and technical description of patents, petty patents, brands, models, samples and technical innovations constituting an integral part of the applications for their protection filed with competent authorities, as certified by the duly qualified person who had prepared such drawings and technical descriptions and subject to presentation of the opinion of the professional association of inventors that such cost is reasonable;

3) Cost of making the prototype necessary for testing the patent, petty patent, brand, model, sample or technical innovation involved, if registered and/or protected. If the prototype has been made in an enterprise or establishment, the maker shall issue the certificate of cost. If the prototype has been made by the inventor him/herself, his actual cost shall be recognised, subject to presentation of the opinion of the professional association of inventors that such cost is reasonable.

### **Tax Rate**

#### **Article 58**

The rate of tax payable on the revenue stemming from copyrights and related rights and industrial property rights shall be 20%.

### **Time Delimitation of Revenues**

#### **Article 59**

The revenues from copyrights and related rights and industrial property rights, which the taxpaying author, holder of related rights or holder of industrial property rights has realised for a work he/she had been working on for more than a year, may be divided in the revenue determination procedure, at the taxpayer's request, into a number of equal parts that corresponds to the number of years over which the work has been worked on, but not more than five.

In a case referred to in paragraph 1 of this Article, a proportionate part of revenue shall be taxable each year.

### **Tax Base Appraisal**

#### **Article 60**

Should the Taxation Administration find that a performer, manager or some other person engaged on the basis of a show business pop or folk music programme or some other entertainment programme has been remunerated without concluding a contract with the organiser of such programme or be of the opinion that the remuneration is higher than the contracted one, the gross income shall be established by making an appraisal in conformity with the law dealing with taxation procedure and taxation administration and taxed without allowance for standardised and/or actual costs.

## **Chapter Five**

### **TAX ON THE YIELD ON CAPITAL**

#### **Taxability**

##### **Article 61**

The yield on capital shall be understood to mean the following:

- 1) Interest on loans, savings and other deposits (term or sight) and debtor and related securities;
- 2) Dividends and shares in profits;
- 3) Receipts of employees and company directors on a profit-sharing basis – in money or own shares or option to buy the latter;
- 4) Takings from the assets and using the services of the company by the company owner for his/her personal needs, done in conformity with law (hereinafter: the taking from the company assets);
- 5) Receipts of a member of an open-ended investment fund based on the right to a proportionate share in the income of that fund's investment unit.

For the purposes of paragraph 1, item 1), of this Article, interest shall also mean the part of the revenue generated in the transfer or redemption of the discount debtor securities representing the difference between the procurement and redemption price of debtor securities.

The discount debtors securities referred to in paragraph 2 of this Article shall also be understood to mean the debtor coupon-free securities.

The interest on the coupon debtor securities shall not be understood to mean the part of the difference in price that represents a yield on capital.

The Minister of Finance shall set in greater detail the way of working out the interest and yield on capital referred to in paragraph 4 of this Article.

#### **Article 61a**

Prior to setting the tax base, the annual instalment of the sale price based on the purchase of socially and state owned capital and/or property by public auction pursuant to the regulations dealing with requirements and procedure for changing the title to socially owned and state capital paid before the dividend is paid out, shall be deducted from the revenue from dividends, up to the amount of the paid out dividends.

#### **Taxpayer**

##### **Article 62**

The payer of tax on the yield on capital shall be any individual who realises such revenue.

#### **Tax Base**

##### **Article 63**

The taxable yield on capital shall be the interest due pursuant to Article 61, paragraph 1, item 1), of the present Law, as well as the positive difference effected by transferring or redeeming the discount debtor securities referred to in Article 61, paragraphs 2 and 3, of the present Law, for the period from the date acquisition to the date of transfer or redemption of such securities.

The taxable yield on capital referred to in Article 61, paragraph 1, items 2) through 5) of the present Law shall be the yield paid (allotted) to the taxpayer or realised by being deducted from the company assets, as well as the receipts based on the right of a member of an open-ended

investment fund to a proportionate share in the investment unit's income. If the receipt was realised in non-pecuniary form, the value of such receipt shall be appraised in relation to comparable market value.

**Tax Rate**  
**Article 64**

The rate of tax on the yield on capital shall be 10%.

**Tax Exemptions**  
**Article 65**

The tax on the yield on capital shall not be payable on the interest accrued from the following:

- 1) Dinar savings and other deposits (term or sight);
- 2) On the basis of debentures, pursuant to the regulation dealing with the securities and other financial instruments market, issued by the Republic, an autonomous province, a local self-government unit or the National Bank of Serbia.

**Chapter Six**  
**TAX ON REVENUES FROM REAL ESTATE**

**Taxability**  
**Article 66**

Revenues from real estate shall be understood to mean the revenues a taxpayer realises by leasing or subleasing real estate, including the following in particular: land, residential and commercial buildings, parts of such buildings, apartments, parts of apartments, business premises and garages.

The revenues from real estate referred to in paragraph 1 of this Article comprise the rent collected and the value of performed duties and services to which the lessee or sub-lessee has committed itself.

**Taxpayer**  
**Article 67**

The payer of tax on the revenues from real estate shall be any individual who realises revenue by leasing or sub-leasing real estate.

Any entrepreneur who is leasing or sub-leasing real estate in the scope of his/her registered business shall not be regarded as a taxpayer referred to in paragraph 1 of this Article.

**Tax Base**  
**Article 68**

The taxable revenue from real estate shall be the gross revenue referred to in Article 66, paragraph 2, of the present Law, less the standardised expenditures amounting to 20%.

Notwithstanding the provision of paragraph 1 of this Article, in the determination of taxable income stemming from the letting of dwellings, rooms and beds to travellers, on which the visitors' tax has been paid, the recognised standardised expenditures shall amount to 50% of gross income.

At the request of a payer of tax on revenue from real estate, the actual expenditures he/she had incurred in the realisation and preservation of revenue may be allowed instead of the standardised expenditures, if he/she presents evidence thereof.

Actual expenditures shall also be understood to mean the amount of yearly depreciation calculated by the proportional method at the rate presented in the nomenclature of assets for depreciation.

If the taxpayer is a lessee who sub-leases real estate, the rent received shall be deducted from the rent paid to the lessor.

### **Tax Rate**

#### **Article 69**

The rate of tax on the revenue from real estate shall be 20%.

### **Lump Sum Taxation**

#### **Article 70**

If the declared income from real estate is lower than that which could be fetched on the market, the competent tax office shall determine the revenue from real estate in the amount that could be fetched on the market.

The revenue referred to in paragraph 1 of this Article shall be taken as rent that could be fetched under local circumstances, by making a comparison with the rent on similar facilities that are leased on approximately the same terms.

### **Time Delimitation of Revenues**

#### **Article 71**

The revenues from real estate in the form of rent received for several years in advance shall be divided in the determination of revenue, at the request of the taxpayer, into a number of equal parts corresponding to the number of years for which rent has been paid in advance, but not for more than five.

In a case referred to in paragraph 1 of this Article, a proportionate part of revenue shall be taxed each year.

## **Chapter Seven**

### **TAX ON CAPITAL GAINS**

#### **Notion of Capital Gains and Losses**

##### **Article 72**

A capital gain shall be understood to mean any revenue a taxpayer realises by selling or transferring in some other way against a compensation (hereinafter: the sale) the following:

- 1) Right of ownership to real estate;
- 2) Perpetual right of using and building on urban building land;
- 3) Copyrights, rights related to copyrights and industrial property rights;
- 4) Shares in the assets of legal entities, shares and other securities, other than debentures;
- 5) Investment units redeemed by an open-ended investment fund in conformity with the law governing investment funds;
- 6) Investment units of an optional pension fund;
- 7) Funds accumulated on the basis of scheduled payments from the account of a member of an optional pension fund.

Notwithstanding the provision of paragraph 1, item 4), of this Article, the capital gain based on coupon debentures shall mean the part of the difference in price that is determined in the way provided by the act referred to in Article 61, paragraph 5, of the present Law.

A capital gain shall be understood to mean the income accrued to a taxpayer as a member of an open-ended, closed-end or private investment fund as the difference between the selling and

redeeming price of an investment unit, shares and/or interests, in conformity with the law governing investment funds.

A capital gain shall be understood to mean the part of the difference between the accumulated funds drawn on the basis of a single payment, scheduled payments or purchasing annuities from the optional pension fund and the amount of pension contributions paid in.

A capital gain shall be the difference between the sale price of rights, shares and securities and their purchase price adjusted in accordance with the provisions of the present Law.

When the difference referred to in paragraph 2 of this Article is negative, a capital loss is involved.

Any taxpayer, who prior to sale, has been keeping his/her rights, shares or securities in his/her portfolio before 24 January 1994, shall not be deemed to have made a capital gain by selling them.

#### **Article 72a**

A capital gain need not be determined and taxed when rights, interests or securities are being transferred in the following cases:

- 1) Deleted (RS Official Gazette, No. 31/09)
- 2) If they are transferred between spouses and first line blood relatives;
- 3) If the transfer is taking place between divorced spouses in direct connection with the divorce.

The capital gain need not be determined and taxed in the case of income based on the transfer of debentures pursuant to the regulations dealing with the securities and other financial instruments market, the issuer of which was the Republic, an autonomous province, a local self-government unit or the National Bank of Serbia.

#### **Article 72b**

The transfer of an account from one to another optional pension fund, which is made by the fund on the instructions and for account of a member of the optional pension fund, in conformity with the law governing optional pension funds and pension schemes, shall not be regarded as a capital gain.

### **Determination of Capital Gains**

#### **Article 73**

For the purposes of the present Law, in the determination of capital gains, the sale price shall be understood to mean the contract price or the market price as determined by the competent tax office, if it finds that the contract price is lower than the market one.

The contract or market price referred to in paragraph 1 of this Article shall be the price in which the tax on the transfer of absolute rights is not included.

In the case of transfer of rights in exchange for other rights, the sale price shall be taken to be the market price of the exchanged rights.

The sale price of an investment unit shall mean the investment unit's redemption price consisting of net value of the public company per investment unit on the date of a fund member's request for redemption of investment units plus the purchase fee, if the management company charges it in conformity with the law governing investment funds.

In the case of withdrawal of accumulated funds from an optional pension fund, the sale price shall mean the amount of accumulated funds paid to an optional pension fund member as

his/her share in the pension fund net assets, in conformity with the law governing the optional pension funds and pension schemes.

#### Article 74

For the purposes of the present Law, in the determination of capital gains, the purchase price shall be understood to mean the price for which the taxpayer concerned has acquired the right, share or security and/or the price determined by the competent tax office in conformity with the present Law.

The purchase price of an investment unit shall be made up of the net value of an open-ended investment fund's assets per investment unit as on the date of payment, plus the purchase fee, if the management company charges it in conformity with the law governing investment funds.

In the case of withdrawal of accumulated funds from an optional pension fund, the purchase price shall mean the amount of money paid as contribution in the optional pension fund and/or the amount of money paid in the optional pension fund, corresponding to the percentage of the funds withdrawn on the basis of scheduled payments.

In the case of sale of a real estate built by the taxpayer him/herself, the purchase price referred to in paragraph 1 of this Article shall be the cost of construction and if the taxpayer concerned fails to prove the cost of construction, the market price of real estate that was or could have been taken as the property tax base in the year of origin of the property tax liability.

In the case of sale of real estate under construction, the purchase price referred to in paragraph 1 of this Article shall be the cost of construction the taxpayer had incurred up to the date of sale.

In the case of securities quoted on the stock exchange, the purchase price referred to in paragraph of this Article shall be understood to mean the price the taxpayer documents as actually paid and if not documented, the lowest registered price at which the trading was being done in the year preceding the sale of securities.

In the case of securities not quoted on the stock exchange, the purchase price referred to in paragraph 1 of this Article shall be understood to mean the price the taxpayer documents as actually paid and if not documented, their par value.

The purchase price referred to in paragraph 1 of this Article shall be increased by the retail price growth rate from the date of acquisition to the date of sale, as published by the republic authority dealing with statistics, and in the case of real estate, it shall be reduced on the basis of depreciation calculated by applying the proportionate method at the rate set in the nomenclature of assets for depreciation.

**Notwithstanding the provision of paragraph 8 of this Law, in the case of sale of the real estate built by the taxpayer himself and sale of an investment unit or programmed payment referred to in Article 72, paragraph 1, items 5), 6) and 7) of this Law, revalorisation of the purchase price shall be carried out for the investment and/or payment made for each year, in accordance with attached documents, starting from 1 January of the following year for the investment and/or payments made in the previous year, up to the date of sale. In the case of securities quoted on the stock exchange, the purchase price of which was established as the lowest registered price referred to in paragraph 6 of this Article, the purchase price shall be revalorised as of the first day after the lowest trading price was registered and until the date of sale.**

#### Article 75

If a taxpayer has acquired a right, interest or security as a gift or heritage after 24 January 1994, the purchase price referred to in Article 74, paragraph 1, of this Law shall mean the market price at which the donor or testator had acquired such right, interest or security, and if it is not possible to establish that price, then their market value at the moment of acquisition of that right, interest or security by the donor or testator.

If a taxpayer referred to in paragraph 1 of this Article has acquired a right, interest or security from a donor or testator who had acquired that right, interest or security before 24 January

1994, the purchase price shall be established according to the market value of that right, interest or security on 24 January 1994.

If a taxpayer has acquired a right, interest or security on the basis of a contract of sustenance for life, the purchase price referred to in Article 74, paragraph 1, of this Law shall mean the market price of the right, interest or security which was or could have been taken as the tax base for the transfer of absolute rights at the moment of their acquisition by the taxpayer.

#### **Tax Base Article 76**

The taxable revenue on which the tax on capital gains is payable shall be the capital gains determined in the way referred to in Articles 72 through 75 of the present Law.

#### **Tax Rate Article 77**

The rate of tax on capital gains shall be **10%**.

#### **Capital Gain and Capital Loss Offsetting Article 78**

A capital loss incurred through the sale of a right, interest or security may be offset with a capital gain resulting from the sale of some other right, interest or security in the same year.

If even after the offsetting referred to in paragraph 1 of this Article a capital loss still exists, such loss may be offset in the next five years at the expense of future capital gains.

#### **Tax Exemption Article 79**

Any taxpayer that invests the proceeds of the sale of real estate towards dealing with his/her own housing problem or that of a member of his/her family or household within 90 days from the date of sale, shall be exempt from tax on the capital gain made.

The taxpayer who invests the proceeds of the sale of real estate for the purposes referred to in paragraph 1 of this Article within 12 months from the date of sale shall be refunded the paid tax on capital gain.

The Minister of Finance shall set in greater detail the criteria for exercising the right to the tax exemption referred to in paragraph 1 of this Article.

#### **Article 79a**

The withdrawing of accumulated funds as a member's share in the net assets of an optional pension fund, which are to be invested, on the instructions and for account of the fund member concerned, in the annuities of an insurance company in conformity with the law governing optional pension funds and pension schemes, shall be exempt from tax on capital gains.

#### **Tax Credit Article 80**

If a taxpayer invests towards dealing with the housing problem referred to in Article 79 of the present Law only a part of the proceeds of the sale of real estate, his/her tax liability shall be reduced proportionately.

## **Chapter Eight**

### **TAX ON OTHER REVENUES**

#### **Taxability**

##### **Article 81**

Other revenues shall be understood to mean the following: revenue a taxpayer obtains by leasing out equipment, means of transport and other chattels, games-of-chance winnings, revenue from personal insurance, revenues of athletes and athletic specialists and other revenues, other than those that are expressly exempt under the present Law.

#### **Revenues from Leasing Chattels**

##### **Article 82**

The payer of tax on the revenue from leasing out equipment, means of transport and other chattels shall be any individual that leases out such chattels.

The gross revenue from leasing out equipment, means of transport and other chattels shall include the rent received and the value of all performed duties and services undertaken by the lessee.

The taxable revenue from leasing out chattels shall be determined by deducting 20% of standard expenditures from the gross revenues.

At the substantiated request of any taxpayer, the tax office shall recognise the cost of depreciation, financing and capital and current maintenance of property and other actual costs he/she had incurred in connection with the leased out chattels.

If the declared revenue from leasing out chattels is lower than that which could normally be fetched on the market, the competent tax office shall determine that revenue as that which could be fetched on the market, in conformity with Article 70 of the present Law.

#### **Games-of-Chance Winnings**

##### **Article 83**

The payer of tax on the games-of-chance winnings shall be any individual who wins in *the* games which are deemed games-of-chance under the law governing the games-of-chance.

The taxable revenue from the games-of-chance winnings shall be any such winnings, other than those that are exempt under the present Law.

The winnings referred to in paragraph 2 of this Article shall be understood to mean the total winnings based on all combinations in the games of chance played in several combinations.

If the winnings consist of things and rights, the taxable revenue referred to in paragraph 2 of this Article shall be the market value of the things or rights at the moment of winning.

The tax on the games-of-chance winnings shall not be payable on the following:

- 1) Games-of-chance winnings amounting to less than 15,000<sup>[6]</sup> dinars;
- 2) Lottery prizes associated with public loans;
- 3) Gains from the games-of-chance staged in playhouses (casinos) and using slot-machines.

#### **Revenues from Personal Insurance**

##### **Article 84**

The payer of tax on revenue from personal insurance shall be any individual who receives a benefit based on personal insurance, **less the amount of money paid in on the basis of insurance premium.**

The taxable revenue from personal insurance shall be any paid out benefit from personal insurance, unless it is exempt from taxation pursuant to [Article 9](#), paragraph 1, item 7), of the present Law.

**Notwithstanding the provision of paragraph 2 of this Article, when the accumulated assets based on a member's share in the net assets of an optional insurance fund are drawn at the order and for account of a fund members and invested in the purchase of annuities in an insurance company in keeping with the law dealing with optional pension funds and pension schemes, the taxable income stemming from personal insurance, shall be the paid out personal insurance compensation less the drawn accumulated funds invested in the purchase of annuities.**

### **Revenues of Athletes and Athletic Specialists**

#### **Article 84a**

The revenues of athletes and athletic specialists shall include the receipts earned by professional athletes, amateur athletes and athletic specialists and received from a sports organisation or organisation engaged in sport activities, sport society or association, which do not have the nature of wages as referred to in the regulations dealing with sports and labour relations.

The revenues referred to in paragraph 1 of this Article shall be understood to mean the following ones in particular:

- 1) Remuneration stipulated by contract (transfer, etc.);
- 2) Remuneration for the use of an athlete's image;
- 3) Aid in money given to particularly meritorious top athletes;
- 4) Deleted (RS Official Gazette, No. 135/04);
- 5) Grants extended to top athletes towards advanced training;
- 6) Monetary and other prizes;
- 7) National acknowledgements and prizes for special contribution to the development and affirmation of sports;
- 8) Remuneration and prizes paid to athletic specialists and specialists in sports (coaches, referees, delegates, etc.).

The taxable revenue in the case of athletes and athletic specialists as referred to in paragraphs 1 and 2 of this Article shall be set by deducting 50% of standardised expenditures from gross revenue.

### **Other Revenues**

#### **Article 85**

For the purposes of the present Law, other revenues shall also be understood to mean other revenues that by their nature make up the revenue of an individual, including the following in particular:

- 1) Revenues stemming from the contracts of hiring work;
- 2) Revenues stemming from the contracts of provision of temporary and occasional services concluded through youth or students co-operatives with persons up to 26 years of age who are receiving education at secondary schools, two-year colleges or universities;
- 3) Revenues stemming from extra work;
- 4) Revenues stemming from commercial representation;
- 5) Revenues stemming from volunteer work;
- 6) Receipts of members of the boards of directors and supervisory boards of legal entities;
- 7) Fees paid to members of parliament and councillors;
- 8) Fees paid in connection with the performance of duties relating to national defence, civil defence and protection against natural disasters;
- 9) Receipts of receivers, court experts, jurors and court interpreters;
- 10) Revenues stemming from the collection and sale of secondary raw materials, collection of forest products and herbs, growing and sale of mushrooms, raising and sale of bee swarms (bees), raising and sale of snails and/or the sale of other goods produced by engaging on temporary or occasional jobs, unless they are taxed as revenues from self-employment or as revenues from agriculture and forestry pursuant to the present Law;

- 11) Rewards, aid in money and other payments to individuals who are not employed with the payer; which according to their nature make up the income of individuals;
- 12) Receipts referred to in Article 9 of the present Law in excess of the prescribed non-taxable amounts;
- 13) Reimbursement for costs and other expenditures incurred by persons not employed with the payer;
- 14) All other revenues that are not taxed on other grounds or are not excluded from taxation or exempt from tax under the present Law.

The payer of tax on other revenues shall be any individual who generates the revenues referred to in paragraph 1 of this Article.

The taxable revenue in the revenues referred to in paragraph 1 of this Article shall be the gross revenue less the standardised costs amounting to 20%.

Notwithstanding the provision of paragraph 1, item 13), of this Article, the tax on other revenues shall not be payable on the documented reimbursements for business travel costs, up to the amount of such costs that are exempt from tax on the employee wages/salaries pursuant to Article 18, items 2) through 4), of the present Law, if payments are made to individuals who are not employed by the payer, including:

- 1) Those sent or invited by government agencies or organisations and entitled to reimbursement for expenses, irrespective of the source of payment;
- 2) Members of the representative and executive bodies of the Republic, territorial autonomy and local self-government, in connection with the performance of their functions;
- 3) Those sent to work in the Republic by foreign employers, in connection with the business of a resident payer;
- 4) If they co-operate, on voluntary basis or by invitation, for humanitarian, health-related, instructive/educational, cultural, sport, science research, religious and other purposes, and/or co-operate in trade unions, chambers of industry and commerce, political parties, unions and associations, non-governmental organisations and other non-profit organisations, without any other remuneration on the basis of such cooperation.

The tax charged on other revenues earned by the members of pupil co-operatives and members of youth or student co-operatives under 26 years of age, if they are receiving education in secondary schools, two-year colleges, as well as by individuals by collecting and selling secondary raw materials, forest products and herbs, shall be reduced by 40%.

#### **Tax Rate Article 86**

The rate of tax payable on other revenue shall be 20%.

**Notwithstanding the provision of paragraph 1 of this Article, that rate of tax on the income from personal insurance shall be 10%.**

### **Part Three ANNUAL INDIVIDUAL INCOME TAX**

#### **Taxable Income Article 87**

**The annual individual income tax shall be paid by resident individuals, including resident foreigners, whose income in a calendar year was greater than three times the average annual per employee wage/salary paid out in the Republic in the year for which the tax is being charged, as published by the republic agency in charge of statistics.**

The income referred to in paragraph 1 of this Article shall be understood to mean the annual sum of the following:

- 1) Wages/salaries referred to in Articles 13 through 14b of the present Law;
- 2) Taxable revenue from self-employment as referred to in Articles 33 and 40 of the present Law;
- 3) Taxable revenue from copyrights and related rights and industrial property rights as referred to in Articles 55 and 60 of the present Law;
- 4) Taxable revenue from real estate as referred to in Articles 68 and 70 of the present Law;
- 5) Taxable revenue from leasing chattels as referred to in Article 82, paragraphs 3 through 5, of the present Law;
- 6) Taxable revenue from personal insurance as referred to in Article 84, paragraph 2 and 3\*, of the present Law;
- 7) Taxable revenues of athletes and athletic specialists as referred to in Article 84a of the present Law;
- 8) Other taxable revenues as referred to in Article 85 of the present Law;
- 9) Revenues referred to in items 1) through 8) of this paragraph that have been earned and taxed in another state.

The wages/salaries referred to in **paragraph 2**, item 1), of this Article and the taxable revenues referred to in items 2), 7) and 8) of that paragraph shall be decreased by the tax and obligatory social security contributions paid in the Republic as a charge to the person who had earned the wage/salary or taxable revenues, and the taxable income referred to in items 2), 4), 5) and 6) of that paragraph shall be decreased by the tax paid on such revenues in the Republic.

**The wages/salaries referred to in paragraph 2, item 1) of this Law and the taxable income referred to in items 3), 7) and 8) of that paragraph shall be reduced by the obligatory social security contributions in an amount not exceeding the contributions paid as a charge to the person who had earned the wage/salary or taxable income, on the amount of the highest annual contribution base for the year for which the annual individual income tax is to be determined.**

The revenues referred to in **paragraph 2**, item 9), of this Article shall be decreased by the tax paid in another state.

The taxable income shall be the difference between the income determined in conformity with **paragraphs 2 through 5** of this Article and the non-taxable amount referred to in **paragraph 1** of this Article.

#### **Tax Base Article 88**

The annual individual income tax base shall be the taxable revenue, which represents the difference between the taxable revenue referred to in Article **87, paragraph 6**, of the present Law and the personal deductions amounting to:

- 1) In the case of the taxpayer – 40% of the average per employee wage/salary paid in the Republic in the year for which the tax is charged, as published by the republic agency in charge of statistics;
- 2) In the case of a dependent family member – 15% of the average per employee wage/salary paid in the Republic in the year for which the tax is charged, as published by the republic agency in charge of statistics, per member;

The total personal deductions referred to in paragraph 1 of this Article may not be higher than 50% of the taxable income.

If two or more members of a family are the payers of annual individual income tax, the deduction for dependent family members may be enjoyed by only one payer.

#### **Tax Rates Article 89**

**The annual individual income tax shall be payable on the base referred to in Article 88 of this Law at the following rates:**

- On up to six times the average annual earnings – 10%;**
- On over six times the average annual earnings – 10% on up to six times the average annual earnings + 15% on the amount exceeding six times the average annual earnings.**

Part Four  
**CHARGING AND COLLECTION OF TAXES**

**Chapter One**  
**GENERAL PROVISIONS**

**Article 90**

Deleted (RS Official Gazette, No. 80/02)
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**Chapter Two**  
**FILING THE TAX DECLARATION**

**General Public Notice**  
**Article 91**

Any citizen who earns the revenues referred to in the present Law shall file a tax declaration, unless otherwise provided by the present Law.

The competent tax office shall issue a general public notice, by 31 December each year, calling citizens to file their tax declarations.

**Annual Individual Income Tax Declaration**

**Article 92**

Any payer of annual individual income tax shall file a tax declaration, containing true data, with the competent tax office for the income realised in the year for which the tax is levied, after the end of that year, but no later than 15 March of the following year (hereinafter: the annual declaration).

## Self-employment Income Tax Declaration and Tax Account

### Article 93

Any entrepreneur and payer of tax on revenue from agriculture and forestry, who keeps books, shall file with the competent tax office the tax declaration and tax account containing accurate data, by 15 March of the next year.

**The taxpayers referred to in paragraph 1 of this Article shall file with the competent tax office, together with the tax declaration and fiscal balance sheet, also the financial statements which are to be presented to the competent office in keeping with the regulations dealing with accountancy and audit (balance sheet, statement of income), if they keep double-entry books, and the income statement, if they keep single-entry books, as well as other documents required by the competent office in keeping with the regulations dealing with taxation proceedings and taxation administration.**

In the case of an entrepreneur who pays tax on lump sum revenue, the extent of whose business or sales changes substantially or if circumstances affecting the right to lump sum taxation and tax liability arise in the year preceding the year for which the tax is levied, he/she shall file the tax declaration by 31 January of the year for which the tax is levied.

### Article 94

Any entrepreneur who starts up an independent business in the course of a year shall file a tax declaration containing an estimate of his/her revenues and expenditures and/or turnover until the end of the first business year, within 15 days from being entered in the register kept by competent authorities, or from starting to conduct business.

Any taxpayer, who withdraws from independent business on a lasting or temporary basis in the course of a year, shall file a tax declaration for the final determination of tax or until the date of temporary withdrawal, within 30 days from the date of withdrawal from business.

Any entrepreneur referred to in paragraph 2 of this Article, who keeps books, shall file the tax balance sheet together with the tax declaration, as well as the documents referred to in [Article 93](#), paragraph 2, of the present Law.

**In addition to the request for the flat rate taxation as referred to in Article 42, paragraph 1, of this Law, any entrepreneur whose status of a payer of the value-added tax has been terminated pursuant to the law dealing with value-added tax, shall also file a tax declaration within 15 days from receipt of a document from the competent tax office confirming deletion from the value-added tax records.**

### **Declaration of Tax on Capital Gains and Other Revenues on which Withholding Tax is not Payable**

### Article 95

Any taxpayer who earns or starts earning in the course of a year revenue from capital gains and other revenues on which withholding tax is not payable, shall file a tax declaration within 15 days from the date of starting to earn the revenues.

Any entrepreneur who pays tax on lump sum revenue shall file a separate tax declaration for the revenue from capital gains referred to in Articles 72 through 76 of the present Law.

Any payer of tax on the revenue from real estate as referred to in Article 67 of the present Law, as well as any payer of tax on the revenue from leasing out chattels as referred to in Article 82 of the present Law, shall file a tax declaration also when withholding tax is payable, within 15 days from the date of lease or sub-lease.

## **Non-resident Taxpayer's Declaration**

### **Article 96**

Any non-resident taxpayer shall file a tax declaration for each kind of revenue realised, on which withholding tax is not payable.

The declaration referred to in paragraph 1 of this Article shall be filed with the tax office in the territory of which the taxpayer has realised revenues or according to the taxpayer's place of residence.

In the case of a taxpayer referred to in paragraph 1 of this Article, the tax paid against the tax declaration referred to in paragraph 2 of this Article, together with paid withholding taxes, shall be regarded as the finally determined tax liability.

### **Article 97**

The Minister of Finance shall set the form and contents of the tax declaration.

## **Tax Office Competences**

### **Article 98**

Any taxpayer shall file a tax declaration for the following:

- 1) Revenue from self-employment, with the tax office in the territory of which his/her business is registered;
- 2) Revenue from real estate, with the tax office in the territory of which the real estate is registered;
- 3) Annual individual income tax, capital gains and other revenues on which withholding tax is not payable, with the tax office in the territory of which the taxpayer resides.

Tax declaration need not be filed for the revenues from agriculture and forestry that are taxable according to cadastral revenue.

## **Chapter Three**

### **TAX CHARGING AND COLLECTION**

#### **Way of Charging and Collecting Taxes**

### **Article 99**

Withholding tax shall be charged and paid on the following revenues:

- 1) Wages/salaries;
- 2) Revenues from copyrights and related rights and industrial property rights, if the payer of revenue is a legal entity or entrepreneur;
- 3) Yield on capital;
- 4) Revenues from real estate, if the payer of revenue is a legal entity or entrepreneur;
- 5) Revenues from leasing out chattels, if the payer of revenue is a legal entity or entrepreneur;
- 6) Games-of-chance winnings;
- 7) Revenues from personal insurance;
- 7a) Revenues of athletes and athletic specialists;
- 8) Other revenues, if the payer of revenue is a legal entity or entrepreneur.

For the purposes of paragraph 1 of this Article, a legal entity shall also be understood to mean a section of a legal entity or an operating unit of a non-resident legal entity that is registered with the competent government agency (representative office, etc.), as well as government agencies and organisations.

## **Article 100**

Taxes shall be charged and paid on the following revenues by decision of competent tax offices:

- 1) Revenues from agriculture and forestry;
- 2) Revenues from self-employment;
- 3) Capital gains;
- 4) Revenues referred to in Article 99, paragraph 1, items 2), 4), 5) and 8) of the present Law on which withholding tax is not payable and/or when the payer of revenue is not a legal entity or entrepreneur.

## **Withholding Taxes**

### **Article 101**

The payer shall charge, withhold and pay in the prescribed accounts the withholding tax referred to in paragraph 99 of the present Law, on behalf of each taxpayer and for each revenue paid out at the moment of its payment, in conformity with the regulations in force on the date of payment of revenue.

### **Article 101a**

In working out the tax base for wages/salaries pursuant to Article 15a, paragraph 2, of the present Law, the wages/salaries referred to in paragraph 1 of that Article shall be reduced by 5,000<sup>[7]</sup> dinars per month in the full amount for each employee who is working full time.

In the case of an employee working less than full time, the reduction referred to in paragraph 1 of this Article shall be proportionate to the time worked by that employee in relation to full time.

When an employee is reaching the full time by working for two or more employers, the reduction referred to in paragraph 1 of this Article shall be made by each employer in proportion to the time worked for each one of them in relation to full time, where the total reduction shall be 5,000<sup>[7]</sup> dinars per month.

When an employee is working less than full time for two or more employers, each employer shall make the reduction in proportion to the time worked for him in relation to full time, where the sum of reductions shall be under 5,000<sup>[7]</sup> dinars per month and/or proportionate to the employee's actual working time in relation to full time.

The method of and procedure for working out the tax wages/salaries referred to in paragraphs 1 through 4 of this Article and presenting data to the Tax Office shall be dealt with in greater detail by the Minister of Finance.

### **Article 102**

Deleted (RS Official Gazette, No. 135/04)
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### **Article 103**

In the case of revenue from capital based on interest, the bank or some other payer of revenue concerned shall charge the withholding tax in the course of the year at the moment of payment and/or at interest entry, though no later than the date of the interest account.

Notwithstanding the provision of paragraph 1 of this Article, when the balancing of money on the basis of transfer or redemption of debentures is done through the Securities Central Registry, Depository and Clearing Office (hereinafter: the Central Registry), at the moment of doing so, the Central Registry shall charge, withhold and pay in the appropriate account the tax on the

revenue from capital based on interest accrued from the date of acquisition to the date of transfer or redemption of debentures.

#### **Article 104**

Any entrepreneur who keeps books shall charge and collect withholding tax on the revenues generated by a non-resident legal entity in conformity with the law dealing with corporate profit tax.

#### **Article 105**

Deleted (RS Official Gazette, No. 135/04)
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#### **Article 106**

Any payer referred to in Article 101 shall issue to taxpayers, on each payment and at the end of the year, an account showing the following: gross revenue, costs, taxable revenue, facilities, paid social security contributions and paid taxes.

In a case where the Central Registry charges, withholds and pays the withholding tax on the interest stemming from the transfer or redemption of debentures in conformity with Article 103, paragraph 2, of the present Law, the payer referred to in paragraph 1 of this Article shall be understood to mean a Central Registry member bank that keeps an earmarked monetary account of the taxpayer for making payments on the basis securities sales.

#### **Article 107**

Any taxpayer who earns wages/salary and other revenues in/from another state, diplomatic or consular mission of a foreign state or an international organisation or representatives or officers of such mission or organisation, shall calculate and pay the withholding tax in accordance with the provisions of the present Law, if the tax has not been charged and paid by the payer of revenue.

The taxpayer shall be bound to calculate and pay tax pursuant to paragraph 1 of this Article also in case the other payer fails to calculate and pay the withholding tax, as well as if it obtains revenue from a person who is not bound to calculate and pay the withholding tax.

In the case referred to in paragraphs 1 and 2 of this Article, the taxpayer shall calculate and pay tax and file with the tax office a tax declaration relating to the calculated and paid tax within **30** days from receipt of the wage/salary or other revenue.

If the tax referred to in paragraph 1 of this Article is charged and paid by the payer of revenue, the taxpayer concerned shall present to the competent tax office evidence that tax has been charged and paid, within eight days from receipt of the wages/salary or other revenue.

The competence of the tax office referred to in paragraph 3 of this Article shall be determined according to the place of the taxpayer's permanent and/or temporary residence.

The Minister of Finance shall prescribe the tax declaration form referred to in paragraph 3 of this Article.

#### **Article 107a**

When charging the withholding tax on the revenue of a non-resident, the payer of revenue shall apply the clauses of the contract relating to the avoidance of double taxation, on condition that the non-resident concerned proves its status of a resident of a country with which Serbia has

concluded an agreement on the avoidance of double taxation and that he is the actual owner of revenue.

The non-resident concerned shall prove to the payer of revenue his status of resident of a country with which an agreement on the avoidance of double taxation has been concluded by presenting a certificate **of residence verified by the competent authority of the other contracting state whose resident he/she is, on a special form provided by a regulation enacted in conformity with the law dealing with taxation proceedings and taxation administration.**

If the payer of revenue applies the clause of the contract relating to the avoidance of double taxation and the requirements referred to in paragraphs 1 and 2 of this Article have not been fulfilled, resulting in the payment of a smaller amount of tax than required, he shall be bound to pay the difference between the tax paid and tax owed under the present Law.

At the request of a non-resident, the competent tax office shall issue a certificate of payment of tax in the Republic.

### **Article 108**

The Minister of Finance shall issue regulations dealing in greater detail with charging, payment and recording of the withholding tax.

## **Register of the Payers of Revenue to Performers**

### **Article 108a**

The Tax Administration shall keep the Register of payers of revenues based on staged pop and folk music programmes, on which the withholding tax is payable, to performers, in the capacity of authors or holders of related rights, ensembles and orchestras, imitators, illusionists and other performers (hereinafter: the performers), managers and other hired persons (hereinafter: the other hired persons).

For the purposes of the present Law, the following shall be understood to mean the payers of the revenues referred to in paragraph 1 of this Article:

1) Legal entities and individuals conducting a registered business in the fields of catering, tourism, mediation and other kinds of business, who organise the staging of popular and folk music programmes or other entertainment programmes, on their own or hired premises;

2) Legal entities and individuals registered for the production and broadcasting of radio and television programmes, which/who produce and broadcast television programmes of popular and folk music, entertainment, collage, New Year's and similar programmes, regardless of whether they have been issued the licence for broadcasting programmes pursuant to the law dealing with broadcasting, or not;

3) Legal entities and individuals conducting a registered business, unions, associations, organisations, groups, local communities and similar entities, which organise on their own or hired premises or elsewhere, concerts, cultural & artistic, tourist and other related events and performances, at which programmes of popular and folk music, New Year's and other related entertainment programmes or other entertainment events are staged.

Any payer of the revenues referred to in paragraph 2 of this Article shall file with the Tax Administration local office the application for being entered in the register referred to in paragraph 1, by 31 January 2005 at the latest.

The newly established payers of the revenue referred to in paragraph 2 of this Article shall file with the Tax Administration local office the application referred to in paragraph 3 of this Article within 15 days from the date of their entry in the appropriate register kept by competent authorities.

If the legal entities and individuals who are conducting a business referred to in paragraph 2 of this Article and are not the payers of revenues for the performance of popular and folk music programmes and other entertainment programmes, hire the performers and other hired persons referred to in paragraph 1 of this Article shall apply for entry in the register referred to in para-

graph 1 of this Article, within 48 hours from the date of actual start of staging popular and folk music programme and other entertainment programmes.

The Tax Administration shall render a decision placing a 30-day ban on the business of any payer of the revenue referred to in paragraph 2 of this Article in the event of that payer's failure to file with the Tax Administration within the set term the application referred to in paragraphs 3 and 4 of this Article for being entered in the register referred to in paragraph 1 of this Article.

Complaints may not be filed against the decisions referred to in paragraph 6 of this Article.

Any payer of the revenue referred to in paragraph 2 of this Article shall make a contract with the performer or some other person hired to perform a programme of popular and folk music programme or some other entertainment programme and report to the Tax Administration by the fifth day of the current month in writing the contracts made in the previous month.

The Tax Administration shall render a decision placing a 30-day ban on the business of any payer of the revenue referred to in paragraph 2 of this Article if the payer concerned stages a popular and folk music programme or some other entertainment programme by hiring the persons referred to in paragraph 1 of this Article without making a contract or if it fails to report concluded contracts in writing to the Tax Administration within the set term.

Complaints may not be filed against the decision referred to in paragraph 9 of this Article.

The Minister of Finance shall set the contents of the application referred to in paragraph 3 of this Article and the report referred to in paragraph 8 of this Article.

#### **Register of Employers Article 108b**

The Tax Administration shall keep the Register of legal entities and individuals, government agencies and organisations, territorial autonomy and local self-government agencies and organisations and other agencies and organisations in which earnings and/or wages are paid (hereinafter: the employer).

Any newly established employer shall apply to the Tax Administration for entry in the register referred to in paragraph 1 of this Article, within eight days from being entered in the appropriate register kept by a competent authority.

The contents of the application referred to in paragraph 2 of this Article shall be set in greater detail by the Minister of Finance and the Minister of Labour, Employment and Social Policy, by mutual agreement.

#### **Taxes Payable According to Decision Tax on Revenues from Agriculture and Forestry Article 109**

The tax payable on the revenue from agriculture and forestry shall be determined by decision of the competent tax office, rendered on the basis of land registry data, if tax is levied on actual revenue, in accordance with the provisions of the present Law dealing with determination of revenues from self-employment in the case of entrepreneurs that keep books.

#### **Tax on Revenues from Self-employment Article 110**

The tax payable on revenues from self-employment shall be determined by decision of the competent tax office on the basis of the following:

- 1) Data entered in the tax declaration, tax account and books and other data obtained by conducting inspection or in other ways, in the case of taxpayers that keep books;
- 2) Data entered in the tax declaration and criteria and elements determined pursuant to Article 41 of the present Law, in the case of taxpayers that pay tax on lump sum revenue.

Should the tax office find that the data entered in the tax declaration, tax account and books do not correspond to the actual state, tax may be determined in the way referred to in Article 111 of the present Law.

#### **Article 111**

Should any taxpayer fail to file the tax declaration, his/her tax liability shall be determined in one of the following ways:

- 1) By examining books, auditor's reports and other data available to the tax office;
- 2) By making comparisons with other taxpayers engaged in the same or similar business under approximately the same conditions, taking into account the following in particular: place of business, vocational training attainment, age, availability of equipment, number of employees, product and service range and other circumstances showing that the compared taxpayers are conducting business under approximately the same conditions, meaning that they have approximately the same opportunities for earning revenue;
- 3) By the principle of making comparisons with the average gross wage/salary of employees of the legal entities and entrepreneurs engaged in the same or a similar line of business, conducted under approximately the same conditions;
- 4) On the basis of an expert's finding and opinion.

#### **Article 112**

Pending the decision setting the tax advances for the current year, entrepreneurs and payers of tax on the revenue from agriculture and forestry, revenue from real estate and other revenues on which withholding tax is not payable, shall pay tax advances equal to the last advance in the previous year.

#### **Article 113**

At the request of the taxpayer concerned or at the initiative of the competent tax office, the monthly tax advance rate may be altered because of substantial changes in the revenue realised, changes in the taxation instruments or other circumstances affecting the tax liability substantially, in which case the taxpayer concerned shall draw up and file an interim tax account within 30 days from expiration of the period for which the interim tax account is drawn up.

At the taxpayer's request, tax advance may also be paid against the interim tax account.

The competent tax office shall render a decision on any taxpayer's request referred to in paragraphs 1 and 2 of this Article within 30 days from the request filing date.

Should the competent tax office fail to render a decision within the term referred to in paragraph 3 of this Article, the taxpayer concerned may carry on paying the advance determined in accordance with the interim tax account.

#### **Article 114**

If the amount of tax that is payable on the basis of the data entered in the tax account which is drawn up according to the final account for the year for which the tax liability is determined, is higher than the amount of taxes paid in the form of monthly advances, the taxpayer concerned shall pay the balance when filing the tax declaration and tax account.

Any taxpayer shall pay the difference between the paid tax and the tax set in the tax office's decision within 15 days from the date of the first-instance decision setting the final tax liability.

### **Tax on Capital Gains**

#### **Article 115**

The tax on capital gains shall be determined by a decision rendered by the competent tax office on the basis of the data entered in the tax declaration.

Should a taxpayer fail to file the tax declaration, tax liability shall be determined on the basis of the data available to the competent tax office concerning the capital gains made.

The right to the tax exemption referred to in Article 79, paragraph 1, and Article 80 of the present Law, shall be determined by decision of the competent tax office based on the documents relating to the dealing with a housing problem, which are filed together with the tax declaration.

The tax on capital gains referred to in Article 79, paragraph 2, of the present Law may be refunded at the taxpayer's request, to which the documents relating to the dealing with a housing problem are attached.

### **Tax on Other Revenues** **Article 116**

The tax on the revenues that are not subject to withholding tax under the present Law and/or which is not charged and paid by the taxpayer in conformity with Article 107 of the present Law, shall be determined by decision of the competent tax office based on the data entered in the tax declaration and other data of importance for the determination of tax liability.

### **Annual Individual Income Tax** **Article 117**

The annual individual income tax shall be determined by decision of the competent tax office based on the data entered in the tax declaration, books and other data of importance for the determination of tax liability.

### **Tax Maturity** **Article 118**

The taxes determined by decision of the tax office shall be paid as follows:

- 1) Within 45 days from the beginning of a quarter, in the case of revenues from agriculture and forestry, revenues from real estate and other revenues, on which the withholding tax is not payable and which are payable quarterly;
- 2) Within 15 days from the end of each month, in the case of revenues from self-employment on which tax is payable in the form of monthly advances;
- 3) Within 15 days from receipt of the decision determining the tax, in the case of individual income tax, capital gains and other revenues accrued from time to time.

### **Tax Determining Decision** **Article 119**

The competent tax office's decision determining the tax liability shall include the following in particular:

- 1) Taxpayer's name and surname;
- 2) Kind of tax;
- 3) Tax base;
- 4) Tax rate;
- 5) Determined tax facilities;
- 6) Payable tax, way of and deadline for payment;
- 7) Account in which the tax is to be paid.

The taxpayer concerned shall be advised in the tax determining decision of his/her right to file a complaint against that decision.

**Complaint**

**Article 120**

Deleted (RS Official Gazette, No. 80/02)

**Article 121**

Deleted (RS Official Gazette, No. 80/02)

**Reopening of proceedings**

**Article 122**

Deleted (RS Official Gazette, No. 80/02)

**Interest**

**Article 123**

Deleted (RS Official Gazette, No. 80/02)

**Chapter Four**

**FORCED COLLECTION OF TAX**

**Article 124**

Deleted (RS Official Gazette, No. 80/02)

**Decision Imposing Forced Collection**

**Article 125**

Deleted (RS Official Gazette, No. 80/02)

**Forced Collection Costs**

**Article 126**

Deleted (RS Official Gazette, No. 80/02)

**Forced Collection Objects and Means**

**Article 127**

Deleted (RS Official Gazette, No. 80/02)

**Decision Delivery**

**Article 128**

Deleted (RS Official Gazette, No. 80/02)

**Priority in Settlement**

**Article 129**

Deleted (RS Official Gazette, No. 80/02)

**Setting the Means and Time of Forced Collection**

**Article 130**

Deleted (RS Official Gazette, No. 80/02)

**Collection against Real Estate  
Article 131**

Deleted (RS Official Gazette, No. 80/02)

**Exemption from Forced Collection  
Article 132**

Deleted (RS Official Gazette, No. 80/02)

**Forced Collection from Funds in the Tax Debtor's Account  
Article 133**

Deleted (RS Official Gazette, No.80/02)

**Article 134**

Deleted (RS Official Gazette, No. 80/02)

**Forced Collection against Tax Debtor's Chattels  
Article 135**

Deleted (RS Official Gazette, No. 80/02)

**Inventory and Evaluation of Chattels  
Article 136**

Deleted (RS Official Gazette, No. 80/02)

**Article 137**

Deleted (RS Official Gazette, No. 80/02)

**Article 138**

Deleted (RS Official Gazette, No. 80/02)

**Article 139**

Deleted (RS Official Gazette, No. 80/02)

**Article 140  
Third Party Action**

Deleted (RS Official Gazette, No. 80/02)

**Article 141**

Deleted (RS Official Gazette, No. 80/02)

**Article 142**

Deleted (RS Official Gazette, No. 80/02)

**Seizure and Sale of Chattels  
Article 143**

Deleted (RS Official Gazette, No, 80/02)

**Article 144**

Deleted (RS Official Gazette, No. 80/02)

**Article 145**

Deleted (RS Official Gazette, No. 80/02)

**Article 146**

Deleted (RS Official Gazette, No. 80/02)

**Forced Collection against tax Debtor's Receivables**

**Article 147**

Deleted (RS Official Gazette, No. 80/02)

**Article 148**

Deleted (RS Official Gazette, No. 80/02)

**Article 149**

Deleted (RS Official Gazette, No. 80/02)

**Article 150**

Deleted (RS Official Gazette, No. 80/02)

**Legal Remedies in the Forced Collection Procedure**

**Article 151**

Deleted (RS Official Gazette, No. 80/02)

**Article 152**

Deleted (RS Official Gazette, No. 80/02)

**Continued Forced Collection Procedure**

**Article 153**

Deleted (RS Official Gazette, No. 80/02)

**Sequence of settlement in Forced Collection**

**Article 154**

Deleted (RS Official Gazette, No. 80/02)

**Collection Securing**

**Article 155**

Deleted (RS Official Gazette, No. 80/02)

**Tax Writing Off**

**Article 156**

Deleted (RS Official Gazette, No. 80/02)

**Chapter Five**

**SURETY, TAX REFUND AND  
UNENFORCEABILITY**

**Surety  
Article 157**

The payer of revenue shall stand surety solidarily for the payment of withholding tax.

### **Article 158**

All adult members of the taxpayer's household that make up his/her household pursuant to Article 10 of the present Law at the onset of tax liability, shall stand subsidiary surety for the payment of tax on the revenue from agriculture and forestry and on the revenue from self-employment with their assets.

If the records of the owner and/or holder of the right of using land kept in the land registry do not correspond to the actual situation, the person using the land and identified as such by the competent tax office, shall stand subsidiary surety for the payment of tax on the revenue from agriculture and forestry.

### **Article 159**

If in order to evade tax, a tax debtor transfers property by a legal transaction to persons who are not members of his/her household, the competent tax office may contest that transaction before a court, if the buyer was aware of such intention of the tax debtor.

### **Article 160**

A tax debtor who is transferring equipment or inventories serving for the conduct of his/her business or who transfers his/her sole proprietorship wholly, shall settle his/her tax commitments beforehand.

If the new owner takes over the property referred to in paragraph 1 of this Article and the tax has not been paid, he/she shall stand surety jointly and severally with the tax debtor, up to the value of the property taken over.

### **Article 161**

Any person who lets his/her residential or business premises to the owner of a travelling entertainment business or the stager of entertainment performances, with or without charging therefore, shall be jointly and severally liable with the tax debtor for all charges on the revenues in connection with the performance staged.

### **Article 162**

Should a tax debtor die before the tax is levied, the tax shall be levied on his/her successors. The tax to be collected from successors may amount up to the value of inherited property.

## **Tax Refund and Right to Interest**

### **Article 163**

Deleted (RS Official Gazette, No. 80/02)

## **Unenforceability**

### **Article 164**

Deleted (RS Official Gazette, No. 80/02)

### **Article 165**

Deleted (RS Official Gazette, No. 80/02)

## **Part Five PENAL PROVISIONS**

### **Article 166**

Any legal entity shall be fined 100,000 to 1,000,000 dinars for offence in the following cases:

1) If it fails to charge, withhold and pay in or charges incorrectly the withholding tax (Articles 21b, paragraph 6, Article 21c, paragraph 7, Article 21e, paragraph 3, Articles 101, 103 and 107a);

2) If it fails to present to the taxpayer an account of the paid revenues on which the withholding tax is payable (Article 106);

3) If it fails to file with the Tax Administration the application for entry in the Register of Payers of Revenues to Performers within the set deadline and organises popular and folk music programmes or other entertainment programmes (Article 108a, paragraphs 3, 4 and 5);

4) If it fails to make a contract with the performer, manager or some other hired person for the performance of a popular and folk music programme or other entertainment programme or fails to report to the Tax Administration in writing the contracts made within the set deadline (Article 108a, paragraph 8);

4a) If it fails to apply to the local Tax Office for entry in the Register of legal entities and individuals, government agencies and organisations, territorial autonomy and local self-government agencies and organisations and other agencies and organisations in which earnings and/or wages are paid, within eight days from its entry in the appropriate register kept by the competent authority (Article 108b, paragraph 2).

Any legal entity in which tax was evaded by a breach of regulations referred to in paragraph 1 of this Article, shall be fined two to ten times the tax debt, but not less than 100,000 dinars.

The responsible person in the legal entity for any act referred to in paragraph 1 of this Article shall be fined 5,000 to 50,000 dinars.

The responsible person in a government agency or a local self-government agency shall be fined 5,000 to 50,000 dinars for the acts referred to in paragraph 1 of this Article.

Any entrepreneur shall be fined 50,000 to 500,000 dinars for any act referred to in paragraph 1 of this Article.

Any entrepreneur shall be fined two to ten times the tax debt, but not less than 50,000 dinars, for breach of regulations if he/she evades tax by committing any act referred to in paragraph 1 of this Article.

### **Article 167**

Any entrepreneur shall be fined 50,000 to 500,000 dinars for breach of regulations in the following cases:

1) Failure to keep books in conformity with Articles 43 through 48 of the present Law;

2) Failure to present to the tax office all data of importance for the determination of capital gains (Article 35);

3) Failure to declare in the tax account separately the value of transactions with associated persons in accordance with the “beyond arm-reach” principle (Article 35);

4) Failure to report to the tax office, within the prescribed term, the transfer of fixed assets for which he/she had utilised a tax incentive (Article 39);

5) Failure to draw up the tax account or failure to do so within the prescribed term and in the prescribed way;

6) Failure to make payments through a current account with a bank or keep funds in the current account or pay the received cash in the current account (Article 51);

7) Failure to file the tax declaration and tax account within the prescribed term or entering incorrect data in the tax declaration and tax account, which could result in a reduction of the tax base or unfounded exercise of the right to tax incentives, or failure to attach other required documents and data to the tax declaration, or filing the tax declaration with an incompetent office (Articles 91, 93, 94, 95 and 98);

8) Failure to file the tax declaration or an estimate of revenue for the first business year within the prescribed term upon starting up his/her business (Article 94, paragraph 1);

9) In the case of permanent or temporary withdrawal from business, failure to file the tax declaration for the final determination of tax and determination of tax up to the date of temporary withdrawal (Article 94, paragraph 2);

10) Failure to charge, withhold and pay withholding tax on the revenue realised by a non-resident legal entity, or charging it incorrectly (Article 104);

11) Failure to pay the monthly tax advance or failure to do so within the prescribed term (Article 112 and Article 118);

12) Failure to pay timely the tax based on the tax account or the difference between the tax paid and the tax determined in the decision on final tax liability (Article 114).

Any entrepreneur shall be fined two to ten times the tax debt, but not less than 50,000 dinars, for breach of regulations, if he/she evades tax by committing an act referred to in paragraph 1 of this Article.

#### **Article 168**

Any tax-paying individual shall be fined 5,000 to 50,000 dinars for breach of regulations in the following cases:

1) Failure to file the tax declaration within the prescribed term or failure to file it with the competent tax office or failure to enter correct data on which the amount of tax depends (Articles 91, 92, 95, 96 and 98);

2) Failure to charge and pay in the withholding tax within the set term or failure to file with the competent tax office the tax declaration relating to charged and paid tax within the set term (Article 107);

3) Failure to pay tax or failure to do so within the prescribed term (Article 112 and Article 118).

Any tax-paying individual shall be fined two to ten times the tax debt, but not less than 5,000 dinars, for breach of regulations, if he/she evades tax by committing any act referred to in paragraph 1 of this Article.

#### **Article 169**

Deleted (RS Official Gazette, No. 135/04)

#### **Article 170**

Deleted (RS Official Gazette, No. 135/04)

#### **Article 171**

Deleted (RS Official Gazette, No. 135/04)

#### **Article 172**

Deleted (RS Official Gazette, No. 80/02)

### **TRANSITIONAL AND CONCLUDING PROVISIONS**

#### **Article 173**

The validity of the Individual Income Tax Law (RS Official Gazette, Nos. 43/94, 74/94, 53/95, 1/96, 12/96, 24/96, 39/96, 52/96, 54/96, 39/96, 52/96, 54/96, 16/97, 60/97, 20/98, 42/98, 18/99, 21/99, 25/99, 27/99, 33/99, 48/99 and 54/99) shall run out on the effective date of the present Law.

Pending the enactment of regulations in conformity with the provisions of the present Law, the regulations enacted on the basis of the law referred to in paragraph 1 of this Article shall apply.

#### **Article 174**

The procedure for setting the tax advances on the revenues from agriculture and forestry and revenues from self-employment in 2001, that was started up in conformity with the provisions of the law referred to in Article 173, paragraph 1, of the present Law, shall be completed in conformity with that law.

#### **Article 175**

Any procedure for the determination and collection of the tax on capital gain that was not effectively completed by the effective date of the present Law, shall be completed in conformity with the provisions of the present Law.

#### **Article 176**

The tax account for the 1 January – 30 June 2001 period shall be compiled in conformity with the regulations that were in force until the effective date of the present Law.

The tax account referred to in paragraph 1 of this Article shall be filed with the competent tax office by 15 July 2001.

#### **Article 177**

Any taxpayer who had acquired, prior to the effective date of the present Law, the right to tax exemption on the basis of newly opened business or the right to tax facility on the basis of foreign investment, in conformity with the law referred to in Article 173, paragraph 1, of the present Law, shall have the right to enjoy that tax exemption facility until expiration of the term for which it was granted.

#### **Article 178**

The individual income tax for the year 2001 shall be determined and paid in conformity with the provisions of the present Law and the amounts set in Article 87, paragraphs 1 and 2, Article 88, paragraph 1, and Article 89, paragraph 1, of the present Law shall be adjusted to the percentage of the wage increase/decrease from the effective date of the present Law to 31 December 2001.

#### **Article 179**

The tax on the yield on capital shall not be payable for the period from 1 January 1999 to the effective date of the present Law, on the interest accrued from the foreign exchange savings that were converted, without the savers' consent, into term deposits with authorised banks, which make up government debts, in conformity with the law dealing with settlement of the commitments based on household foreign exchange savings.

#### **Article 180**

The present Law shall come into force on the eighth day upon its publication in the Republic of Serbia Official Gazette and be applicable as of 1 July 2001, with the exception of the provisions dealing with tax on wages/salaries and other revenues, which shall be applicable as of 1 June 2001, and those of [Article 123](#), which shall be applicable as of the effective date of the present Law

## **PROVISIONS NOT INCLUDED IN UPDATED TEXT**

### **Law amending the Individual Income Tax Law (RS Official Gazette, No. 80/02)**

#### **Article 16**

The provisions of Article 13, paragraph 1, and Article 14 of the present Law shall be applied in the determination of the annual individual income tax for the year 2002.

#### **Article 17**

The present Law shall come into force on the eighth day upon its publication in the Republic of Serbia Official Gazette and be applicable as of 1 January 2003, with the exception of Articles [3](#) and [9](#), which shall be applicable as of the effective date of the present Law.

### **Law amending the Individual Income Tax Law (RS Official Gazette, No. 135/04)**

#### **Article 70**

The tax on the revenue from agriculture and forestry on cadastral revenue shall not be determined and paid for the years 2004 and 2005.

#### **Article 71**

The tax liability based on the final account for 2004 in the case of payers of tax on the revenues stemming from self-employment and revenues from agriculture and forestry, who pay tax on taxable profit, shall be determined in conformity with the regulations that were in force up to the starting date of application of the present Law.

The taxpayers referred to in paragraph 1 of this Article shall draw up the tax balance sheet for 2004 in conformity with the regulations that were in force up to the starting date of application of the present Law.

#### **Article 72**

The provisions of the present Law shall apply to the determination and payment of tax on the annual income of individuals in 2004.

### **Law amending the Individual Income Tax Law (RS Official Gazette, Nos. 62/06 and 65/06)**

#### **Article 33**

Any employer who is paying earnings and/or pays on the effective date of the present Law shall file with the Tax Administration the application for entry in the Register referred to in Article 29<sup>[81]</sup> of the present Law on the form referred to in that article, by 30 November 2006 at the latest.

#### **Article 34**

Any employer which is a legal entity shall be fined 100,000 to 1,000,000 dinars for breach of regulations, if it fails to file the application referred to in Article 33<sup>[81]</sup> of the present Law within the term set in that article.

The responsible person in the legal entity concerned for an act referred to in paragraph 1 of this Article shall be fined 5,000 to 50,000 dinars.

The responsible person in a government agency and a local self-government agency for an act referred to in paragraph 1 of this Article shall be fined 5,000 to 50,000 dinars.

Any entrepreneur shall be fined 50,000 to 500,000 dinars for an act referred to in paragraph 1 of this Article.

#### **Article 35**

The tax on the wages/salaries earned by November 2006 inclusive shall be worked out and paid in accordance with the regulations which were in force until the beginning of application of the present Law.

The employers who have paid out a part of the wages/salaries for December 2006 prior to the starting date of application of the present Law and paid the tax on wages/salaries, and are paying out the second part of wages/salaries for that month, shall work out and pay the tax on wages/salaries on final payment in conformity with the present Law.

#### **Article 36**

The facility referred to in Articles 9 and 10 of the present Law may be enjoyed by any employer who has at least the same number of employees on 1 December as that on the effective date of the present Law.

#### **Table 37**

The tax on the income from agriculture and forestry on cadastral income shall not be accounted and paid for the years 2006 and 2007.

#### **Table 38**

The provisions of the present Law shall apply to the determination and payment of annual individual income tax for the year 2006.

#### **Article 39**

The first adjustment of the dinar amounts pursuant to Article 3 of the present Law shall be made in January 2008.

Notwithstanding the provision of paragraph 1 of this Article, the first adjustment of the dinar amounts referred to in Articles 5 and 26 of the present Law shall be made in January 2007, for the period from the first day of the month following the effective date of the present Law to 31 December 2006.

The adjusted dinar amounts referred to in paragraph 2 of this Article shall be applicable as of the first day of the month following the publication of such amounts.

#### **Article 40**

The regulations supporting the enforcement of the present Law shall be enacted by 31 December 2006.

#### **Article 41**

The present Law shall be applicable as of 1 January 2007, with the exception of the part of Article 1, paragraph 9, dealing with VAT charges, as well as the provisions of Articles 4 and

8, which shall be applicable as of the effective date of the present Law, and Articles 2, 9 and 10, which shall be applicable as of 1 September 2006.

#### **Law Amending the Individual Income Tax Law (RS Official Gazette, No. 31/09)**

##### **Article 16**

The tax on the revenue stemming from agriculture and forestry on cadastral income shall not be levied and paid for the year 2010.

##### **Article 17**

The additional receipts of a resident alien employed by a resident or in a permanent operating unit of a non-resident, which have been paid up to the effective date of this Law, shall be exempt from the earnings tax under the regulations which were in force up to the effective date of this Law.

The receipts of the individual/resident alien as referred to in paragraph 1 of this Article, which were paid after the effective date of the present Law, shall be treated as the income referred to in [Article 87](#), paragraph 7, of the Individual Income Tax Law (Official Gazette of the RS, Nos. 24/01, 80/02, 80/02-other law, 135/04, 62/06 and 65/06-correction) for the purpose of levying the annual individual income tax.

#### **Law amending the Individual Income Tax Law (RS Official Gazette, No. 18/10)**

##### **Article 18**

**The tax on the cadastral income from agriculture and forestry shall not be determined and paid for 2011.**

##### **Article 19**

**The provisions of this law concerning the duty to determine and pay the annual individual income tax shall apply to the income generated in 2010.**

##### **Article 20**

**Exceptionally, for the 2009 individual income tax determination purposes, the taxable income shall mean the difference between the income determined in accordance with Article 87, paragraphs 4 through 7 of the Individual Income Tax Law (RS Official Gazette, Nos. 24/01, 80/02, 80/02-dr., 135/04, 62/06, 65/06-corrected, 31/09 and 44/09) and the non-taxed amount referred to in paragraph 1 and/or paragraph 2 of that Article, less the amount of the provisional reduction of wages/salaries, net remunerations and other receipts of individuals who are individual income taxpayers, in keeping with the Law on Provisional Reduction of Wages/salaries, Net Remunerations and other Receivables in Government Administration and Public Sector (RS Official Gazette, No. 31/09).**

**Exceptionally, any payer of individual income tax for the year 2009 shall file a tax declaration for the income earned in that year for the purpose of determining the annual individual income tax, by 15 April 2010.**

#### **Article 21**

**The individuals referred to in Article 3 of this Law who had the status of value-added tax payers on 1 January 2010 in accordance with the law dealing with value-added tax, with the exception of the persons who are already the payers of tax on the income from self-employment under the Individual Income Tax Law (RS Official Gazette, Nos. 24/01, 80/02, 80/02-dr, 135/04, 61/06, 65/06-corrected, 31/09 and 44/09), shall file with the competent tax office the tax declaration for the purpose of determining the tax on the income from self-employment, within 90 days from the effective date of this Law.**

#### **Article 22**

**The determination, accounting and payment of the tax liability on the basis of the taxation law liabilities occurring from 1 January 2010 onwards shall be carried out in accordance with the provisions of this Law, and in connection with self-employment and annual individual income tax, in accordance with the provisions of Articles 3, 4, 11, 12, 13, 15, 19 and 21 of this Law.**

#### **NOTE**

<sup>[11]</sup> First adjustment of the dinar amounts referred to in [Article 9](#), paragraph 1, items 9), 12) and 13) pursuant to [Article 12a](#), was carried out in January 2008 ([RS Official Gazette, No.7/08](#)), applicable as of 1 February 2008, in the following way:

- in item 9), the amount of 35,000 was replaced with the amount of 38,535 dinars;
- in item 12), the amount of 6,000 was replaced with the amount of 6,606 dinars;
- in item 13), the amount of 5,000 was replaced with the amount of 5,505 dinars.

Second adjustment of the dinar amounts referred to in [Article 9](#), paragraph 1, items 9), 12) and 13) and pursuant to [Article 12a](#), was carried out in January 2009 ([RS Official Gazette, No. 7/09](#)), applicable as of 1 February 2009, in the following way:

- in item 9), the amount of 38,535 was replaced with the amount of 41,155 dinars;
- in item 12), the amount of 6,606 was replaced with the amount of 7,055 dinars;
- in item 13), the amount of 5,505 was replaced with the amount of 5,879 dinars.

Third adjustment of the dinar amounts referred to in [Article 9](#), paragraph 1, items 9), 12) and 13) and pursuant to [Article 12a](#), was carried out in January 2010 ([RS Official Gazette, No. 3/10](#)), applicable as of 1 February 2009, in the following way:

- in item 9), the amount of 41,155 was replaced with the amount of 45,423 dinars;
- in item 12), the amount of 7,055 was replaced with the amount of 7,787 dinars;
- in item 13), the amount of 5,879 was replaced with the amount of 6,489 dinars.

<sup>[21]</sup> In January 2007, the dinar amounts were adjusted pursuant to [Article 39](#), paragraph 2 of the Law amending the Individual Income Tax Law (RS Official Gazette, Nos. 62/06 and 65/06) to the retail price growth rate for the August-December 2006 period, applicable as of 1 February 2007 ([RS Official Gazette, No. 10/07](#)).

In January 2008, the dinar amounts referred to in [Article 12a](#) were adjusted pursuant to [Article 39](#), paragraph 2 of the Law amending the Individual Income Tax Law (RS Official Gazette, Nos. 62/06 and 65/06) to the retail price growth rate in 2007, applicable as of 1 February 2008 ([RS Official Gazette, No. 7/08](#)).

In January 2009, the dinar amounts referred to in [Article 12a](#) were adjusted pursuant to [Article 39](#), paragraph 2 of the Law amending the Individual Income Tax Law (RS Official Gazette, Nos. 62/06 and 65/06) to the retail price growth rate in 2008, applicable as of 1 February 2009 ([RS Official Gazette, No. 7/08](#)).

In January 2010, the dinar amounts referred to in [Article 12a](#) were adjusted pursuant to [Article 39](#), paragraph 2 of the Law amending the Individual Income Tax Law (RS Official Gazette, Nos. 62/06 and 65/06) to the retail price growth rate in 2009, applicable as of 1 February 2010 ([RS Official Gazette, No. 7/08](#)).

<sup>[3]</sup> First adjustment of the dinar amounts referred to in [Article 15a](#), paragraph 2, of the present law was carried out in January 2007, applicable as of 1 February 2007 ([RS Official Gazette, No.10/07](#)) – the amount of 5,000 was replaced with the amount of 5,050 dinars.

Second adjustment of the dinar amounts referred to in [Article 15a](#), paragraph 2, of the present law was carried out in January 2008, applicable as of 1 February 2008 ([RS Official Gazette, No.7/08](#)) – the amount of 5,050 was replaced with the amount of 5,560 dinars.

Third adjustment of the dinar amounts referred to in [Article 15a](#), paragraph 2, of the present law was carried out in January 2009, applicable as of 1 February 2009 ([RS Official Gazette, No.7/08](#)) – the amount of 5,560 was replaced with the amount of 5,938 dinars.

Fourth adjustment of the dinar amounts referred to in [Article 15a](#), paragraph 2, of the present law was carried out in January 2010, applicable as of 1 February 2010 ([RS Official Gazette, No.7/08](#)) – the amount of 5,938 was replaced with the amount of 6,554 dinars.

<sup>[4]</sup> First adjustment of the dinar amounts referred to in [Article 18](#), paragraph 2, items 1), 2), 4), 5), 6) and 7) of the present law was carried out in January 2008 ([RS Official Gazette, No. 7/08](#)) pursuant to [Article 12](#), applicable as of 1 February 2008, in the following way:

- in item 1), the amount of 2,000 was replaced with the amount of 2,202 dinars;
- in item 2), the amount of 1,200 was replaced with the amount of 1,321 dinars;
- in item 4), the amount of 3,500 was replaced with the amount of 3,853 dinars;
- in item 5), the amount of 20,000 was replaced with the amount of 22,020 dinars;
- in item 6), the amount of 5,000 was replaced with the amount of 5,505 dinars;
- in item 7), the amount of 10,000 was replaced with the amount of 11,010 dinars.

Second adjustment of the dinar amounts referred to in [Article 18](#), paragraph 2, items 1), 2), 4), 5), 6) and 7) of the present law was carried out in January 2009 ([RS Official Gazette, No. 7/08](#)) pursuant to [Article 12](#), applicable as of 1 February 2008, in the following way:

- in item 1), the amount of 2,202 was replaced with the amount of 2,352 dinars;
- in item 2), the amount of 1,321 was replaced with the amount of 1,411 dinars;
- in item 4), the amount of 3,853 was replaced with the amount of 4,115 dinars;
- in item 5), the amount of 22,020 was replaced with the amount of 23,517 dinars;
- in item 6), the amount of 5,505 was replaced with the amount of 5,879 dinars;
- in item 7), the amount of 11,010 was replaced with the amount of 11,759 dinars.

Third adjustment of the dinar amounts referred to in [Article 18](#), paragraph 2, items 1), 2), 4), 5), 6) and 7) of the present law was carried out in January 2009 ([RS Official Gazette, No. 7/08](#)) pursuant to [Article 12](#), applicable as of 1 February 2008, in the following way:

- in item 1), the amount of 2,202 was replaced with the amount of 2,352 dinars;
- in item 2), the amount of 1,321 was replaced with the amount of 1,411 dinars;
- in item 4), the amount of 3,853 was replaced with the amount of 4,115 dinars;
- in item 5), the amount of 22,020 was replaced with the amount of 23,517 dinars;
- in item 6), the amount of 5,505 was replaced with the amount of 5,879 dinars;
- in item 7), the amount of 11,010 was replaced with the amount of 11,759 dinars.

Third adjustment of the dinar amounts referred to in [Article 18](#), paragraph 2, items 1), 2), 4), 5), 6) and 7) of the present law was carried out in January 2010 ([RS Official Gazette, No. 3/10](#)) pursuant to [Article 12](#), applicable as of 1 February 2010, in the following way:

- in item 1), the amount of 2,352 was replaced with the amount of 2,596 dinars;
- in item 2), the amount of 1,411 was replaced with the amount of 1,667 dinars;

- in item 4), the amount of 4,114 was replaced with the amount of 4,542 dinars;
- in item 5), the amount of 23,517 was replaced with the amount of 25,956 dinars;
- in item 6), the amount of 5,879 was replaced with the amount of 6.489 dinars;
- in item 7), the amount of 11,759 was replaced with the amount of 12,978 dinars.

<sup>[5]</sup> First adjustment of the dinar amounts referred to in [Article 21](#), pursuant to [Article 12a](#), was carried out in January 2008, applicable as of 1 February 2008 ([RS Official Gazette, No. 7/08](#)) – the amount of 3,000 was replaced with the amount of 3,303 dinars.

Second adjustment of the dinar amounts referred to in [Article 21](#), pursuant to [Article 12a](#), was carried out in January 2009, applicable as of 1 February 2009 ([RS Official Gazette, No. 7/09](#)) – the amount of 3,303 was replaced with the amount of 3,528 dinars.

Third adjustment of the dinar amounts referred to in [Article 21](#), pursuant to [Article 12a](#), was carried out in January 2010, applicable as of 1 February 2010 ([RS Official Gazette, No. 3/10](#)) – the amount of 3,528 was replaced with the amount of 3,894 dinars.

<sup>(6)</sup> First adjustment of the dinar amounts referred to in [Article 83](#), paragraph 5, item 1), pursuant to [Article 12a](#), was carried out in January 2008, applicable as of 1 February 2008 ([RS Official Gazette, No. 7/08](#)) – the amount of 16,515 was replaced with the amount of 16,515 dinars.

Second adjustment of the dinar amounts referred to in [Article 83](#), paragraph 5, item 1), pursuant to [Article 12a](#), was carried out in January 2009, applicable as of 1 February 2009 ([RS Official Gazette, No. 7/09](#)) – the amount of 16,515 was replaced with the amount of 17,638 dinars.

Third adjustment of the dinar amounts referred to in [Article 83](#), paragraph 5, item 1), pursuant to [Article 12a](#), was carried out in January 2010, applicable as of 1 February 2010 ([RS Official Gazette, No. 7/09](#)) – the amount of 17,638 was replaced with the amount of 19,467 dinars.

<sup>(7)</sup> First adjustment of the dinar amounts referred to in [Article 101](#), paragraphs 1, 3 and 4 of the present law, was carried out in January 2007, applicable as of 1 February 2007 ([RS Official Gazette, No. 10/07](#)) – the amount of 5,000 was replaced with the amount of 5,050 dinars.

Second adjustment of the dinar amounts referred to in [Article 101](#), paragraphs 1, 3 and 4 of the present law was carried out in January 2008, applicable as of 1 February 2008 ([RS Official Gazette, No. 10/08](#)) – the amount of 5,050 was replaced with the amount of 5,560 dinars.

Third adjustment of the dinar amounts referred to in [Article 101](#), paragraphs 1, 3 and 4 of the present law was carried out in January 2009, applicable as of 1 February 2009 ([RS Official Gazette, No. 7/09](#)) – the amount of 5,560 was replaced with the amount of 5,938 dinars.

Fourth adjustment of the dinar amounts referred to in [Article 101](#), paragraphs 1, 3 and 4 of the present law was carried out in January 2010, applicable as of 1 February 2010 ([RS Official Gazette, No. 3/10](#)) – the amount of 5,938 was replaced with the amount of 6,554 dinars.

<sup>(8)</sup> [The modification of the Law amending the Individual Income Tax Law](#) (RS Official Gazette, No. 65/06) made changes in Articles [33](#) and [34](#) of the Law Amending the Individual Income Tax Law (RS Official gazette, No. 62/06).

<sup>(9)</sup> The individuals referred to in [Article 32](#) of the present law who on 1 January 2010 had the status of value-added taxpayers, with the exception of the persons who are already the payers of tax on the revenue from self-employment, shall file with the competent tax office a tax return for the purpose of levying tax on the revenue from self-employment, within 90 days from the effective date of the present law, i.e., by 25 June 2010.