

December 2019

On 6 December 2019, the National Assembly of the Republic of Serbia adopted a set of laws amending and supplementing the laws governing the area of tax, including: Law on Amendments to the Law on Tax Procedure and Tax Administration, Law on Amendments to the Property Tax Law and the Law on Amendments to the Law on Corporate Income Tax, published in the Official Gazette of the Republic of Serbia No. 86 from 6 December 2019.

I LAW ON AMENDMENTS AND SUPPLEMENTS TO THE LAW ON TAX PROCEDURE AND TAX ADMINISTRATION

The Law on Amendments and Supplements to the Law on Tax Procedure and Tax Administration (hereinafter: the "**Amendments to the LTPTA**") entered into force on 14 December 2019. The main reason for adopting the Amendments to the LTPTA is to further simplify the tax procedure and improve electronic communication between tax authorities and taxpayers.

Below are the most important amendments to the LTPTA:

1) Amendments regarding the assigning and temporary seizure of the TIN

The Amendments to the LTPTA provide for an exception to the mandatory determining of the (non)existence of tax liabilities prior to the assigning of the TIN to founders and members who have acquired a negligible share in companies. It is stipulated that if a

legal entity, entrepreneur or natural person is a founder of a cooperative, fund, foundation, association, chamber of commerce, other legal entity, as well as a company with a share of less than 5%, the Tax Administration will assign the TIN without determining due non-settled tax liabilities on the basis of the public revenue of those persons.

In addition, it is specified that in cases of temporary seizure of the TIN, the Tax Administration may render a decision imposing a temporary measure prohibiting the registration of the acquisition of shares or shares in legal entities, i.e. the establishment of new legal entities, to founders with a share greater than 5% in companies whose TIN has been temporarily seized, during the period of temporary seizure of the TIN. This temporary seizure is registered with the Business Registers Agency.

2) Amendments regarding the delivery of acts of the Tax Administration

Amendments to the Law now enable the tax authority to electronically deliver to taxpayers the acts it adopts in the tax procedure, via the Tax Administration's portal, as well as to inform the taxpayer via a single electronic mailbox. Tax acts are delivered to natural persons in electronic form if they agree with this method of delivery.

In the case of delivery of the tax act in electronic form through the portal of the

Tax Administration, it is considered to be delivered on the day of posting to the portal of the Tax Administration.

3) Amendments regarding previous tax collection measures

By the Amendments to the LTPTA, the Tax Administration's powers regarding the previous measures of securing tax collection have been broadened so that now, in addition to the existing ban on the disposal of movable and immovable property, the Tax Administration may also establish a ban on the disposal and encumbrance of funds in the tax payers' business accounts, monetary and non-monetary claims, as well as a ban on the disposal and encumbrance of funds in current accounts and savings accounts.

II LAW ON AMENDMENTS TO THE PROPERTY TAX LAW

The Law on Amendments to the Property Tax Law (hereinafter: the "**Amendments to the PTL**") has entered into force on 1 January 2020. The Amendments to the PTL have been adopted as a consequence of the need to reduce the administration related to real estate transactions, which should contribute to the simplification of the administrative procedure, as well as to the legal and technical harmonization of certain provisions. The most important novelties brought by the changes to the PTL are the following:

Starting from 1 January 2020, taxpayers of inheritance, gift and transfer of absolute rights taxes, as well as taxpayers of property taxes that do not keep books of account, are no longer obliged to file tax

returns for the determination of tax on these grounds, when the said tax liabilities arise on the basis of the document drawn up, notarized or confirmed by a notary public (if a tax liability arises on the day of drawing up, certification or confirmation of the document), or by a decision of a notary public who makes it in the exercise of powers entrusted by law (if a tax obligation becomes effective on the day of validity of that decision).

In above-mentioned cases, the notary public shall submit documents/decisions, together with other documentation/data stipulated by the law, via the e-window to the republic authority the competent cadastral authority and the unit of local self-government for the purpose of determining property taxes. The cadastral authority shall, upon receipt of the relevant documents, ex officio, via the e-window, forward to the Tax Administration for the purposes of determining inheritance taxes, gift or transfer of absolute rights taxes.

Also, the Amendments to the PTL simplify the procedure when a taxpayer of inheritance and gift tax (when, in accordance with the law, there is an obligation to file) files a tax return for the inheritance/gift of more real estate that does not fall under the jurisdiction of the same organizational unit of the Tax Administration (because they are not in the same territory). In that case, one tax return is now filed for all real estate according to the place of residence of the natural person, that is, the seat of the legal entity, and not according to the location of all real estate.

Exceptionally, when the object of the gift is solely real estate, the tax return shall be submitted to the tax authority competent for the territory in which the real property received by the taxpayer as a gift is located.

III LAW ON AMENDMENTS AND SUPPLEMENTS TO THE LAW ON CORPORATE INCOME TAX

The Law on Amendments and Supplements to the Law on Corporate Income Tax (hereinafter: the "**Amendments to the LCIT**") entered into force on 14 December 2019, and applies to the establishing, calculating and payment of tax liability starting in 2020, i.e. for the tax period that commences in 2020, with the exception of the provision relating to the recognition of bank expenditures incurred in connection with the application of conversion rules for housing loans indexed in Swiss Francs, which shall apply to the calculation of profit tax for 2019. The most relevant changes enacted by the Amendments to the LCIT bring are as follows:

1) Obligation to report by country for members of an international group of related legal entities

The Amendments to the LCIT have introduced the so-called „country by country reporting“ system in domestic tax legislation, in order to comply with the requirements of the Organization for Economic Co-operation and Development (OECD), i.e. BEPS Action Plan 13, adopted to prevent tax base erosion and shifting profits to countries with low or non-existent tax rate.

Namely, the Amendments to the LCIT stipulate that resident taxpayers who are considered to be the ultimate parent legal entities of international groups of related legal entities have an obligation to submit to the competent tax authority an annual report on the controlled transactions of an international group of related legal entities, which will contain data (overview of tax jurisdictions in which the group members are located, sum of revenues by jurisdiction, number of employees, etc.) for the business year for which that person is required to prepare a financial statement. The obligation to prepare the annual report will exist from 2020 and the annual report will be submitted within 12 months of the end of the period for which such report is being prepared.

In this sense, the Amendments to the LCIT introduced the definition of an international group of related legal entities and the ultimate parent legal entity of an international group of related legal entities.

2) Tax credit for withholding tax paid in another country

The Amendments to the LCIT recognize the taxpayers' tax credit with respect to withholding tax paid in another country, in order to eliminate double taxation of resident taxpayers who do business abroad.

3) Investment fund relief

Tax reliefs for investment funds were inducted so that the Amendments to the LCIT stipulate that the income that a resident taxpayer, established in

accordance with the regulations governing investment funds, generates through the sale of assets on the basis of which capital gains are determined, is not included in the tax base, and the investment funds itself do not determine capital gain/capital loss in accordance with the law.

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