



Serbia

Introduction

Serbian legislation does not recognize the term extended business traveler.

A person's liability to Serbian tax is determined by tax residence status and the source of income derived by the individual. Income tax may be withheld and paid either at the time the income is paid (if it is Serbian-sourced income) or within 30 days of receiving the income (if income for work performed in Serbia is received abroad/ from abroad).

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Key messages

Taxation of extended business travelers' income is likely to be related to individual's employment and/or covering of business expenses in Serbia (such as expenses for rent and utilities).

Income tax

Liability for income tax

A person's liability for Serbian tax is determined by residence status.

A person can be a resident or a nonresident for Serbian tax purposes. A Serbian tax resident is an individual who remains (or has the intention to remain) in Serbia for more than 183 days in a 12-month period or whose residence or center of business and vital interest is within the territory of Serbia. A nonresident of Serbia is an individual who does not fulfill the above-mentioned conditions.

The general rule is that a person who is a Serbian tax resident is taxable on the individual worldwide income. A nonresident is generally taxable on income derived from Serbian sources. Serbian-sourced income is recognized as income paid by a Serbian entity (or expenses covered for an individual), as well as income derived for work performed in Serbia.

Tax trigger points

According to Serbian regulations, a business trip is limited to 30 days. If a person intends to spend more than 183 days in Serbia, the individual will be obliged to pay taxes on income related to the work performed in Serbia as of the first day of the extended business trip in Serbia.

Types of taxable income

For extended business travelers, the types of income that are generally taxable are employment income (for work performed in Serbia) and Serbian-sourced income (income from self-employment, immovable property, the lease of movable property, insurance and other income, and income from capital and capital gains). Expenses related to rent, utilities, and any other private expenses that are paid on behalf of extended business travelers by a Serbian entity are regarded as taxable "other income."

For tax residents, all of the above-stated income generated worldwide is subject to taxation. Tax residents are additionally subject to annual taxation (capital gains and income from capital are excluded from annual taxation).

Tax rates

There is a flat salary tax rate of 12 percent applicable on gross salary.

Other nonemployment income is taxed at a 20 percent tax rate except income from self-employment, which is taxed at a 10 percent tax rate.

For annual taxation purposes, the tax rate is progressive. The threshold for annual taxation of foreigners who are Serbian tax residents is three times the average annual salary in Serbia. The amount exceeding this nontaxable limit, up to six times the average annual salary in Serbia, will be subject to tax at the rate of 10 percent, while the amount exceeding six times the average annual salary in Serbia will be subject to tax at the rate of 15 percent.

Social security

Liability for social security

According to Serbian social security legislation, all foreigners, except those locally employed (who have a local Serbian legal employer), remain in their home country social security system and therefore do not contribute to social security funds in Serbia.

Compliance obligations

Employee compliance obligations

An extended business traveler who is liable for taxation in Serbia, based on work performed in Serbia, is obliged to pay tax and file a tax return within 30 days of receiving a salary abroad.

The same obligation exists for Serbian residents who are receiving income from abroad, who are also obliged to file an annual tax return.

The deadline for the annual tax return filing is March 15 of the current year for the previous year. The annual tax liability has to be paid within 15 days of receiving the Tax Authorities' assessment (usually in mid-May/June).

Other issues

Work permit/visa requirements

If an individual intends to stay in Serbia for work purposes, the individual is required to obtain a visa and a temporary residence permit from the Ministry of Internal Affairs and a work permit from the National Employment Bureau (work permit only in case of local employment).

Double taxation treaties

Serbia has entered into double taxation treaties with 47 countries, mostly in Europe, to prevent double taxation and allow cooperation with tax authorities in other countries in enforcing their respective tax laws.

Permanent establishment implications

There is the potential risk that an extended business traveler may create a permanent establishment if the individual has a fixed place of business in Serbia for a period longer than 183 days, dependent on the level of authority the employee has.

Indirect taxes

The general value-added tax (VAT) rate for the taxable supply of goods and service and import of goods is 18 percent, whereas the reduced tax rate is 8 percent. VAT registration is required for individuals who independently perform business activities whose total turnover in the 12 months exceeded or will exceed 4 million Serbian dinar (RSD).

Transfer pricing

Serbian law has basic provisions regarding transfer prices. Serbian tax authorities, however, do not have a developed transfer pricing practice.

Local data privacy requirements

Serbia has data privacy laws.

Exchange control

Serbia has certain restrictions in terms of flow of Serbian or foreign currency out of the country. When entering the country, residents and nonresidents can freely bring in unlimited amounts of foreign and domestic currency, but amounts in value over 10,000 euros (EUR) must be reported to the Customs Authority.

Foreigners may freely transfer funds abroad if all taxes have been duly paid in Serbia. Amounts exceeding EUR10,000 can be returned abroad if they were reported when entering the country.

Anti-money laundering regulations require that all financial transactions in amounts exceeding EUR15,000 must be reported, as well as all currency exchanges above EUR5,000.

Nondeductible costs for assignees

Serbian personal income tax law recognizes only statutory deductible costs of 20 percent. No other costs are deductible for assignees.

In terms of annual taxation, there are personal deductions of 40 percent of the average annual salary in Serbia for the taxpayer and an additional 15 percent of the average salary in Serbia for every dependant, up to 50 percent of the tax liability.

Tax paid abroad, related to income subject to annual taxation, is deductible for annual tax purposes.

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