

April 27, 2010  
2010-093

### **AMENDMENTS TO PERSONAL INCOME TAX LAW APPROVED IN SERBIA**

by KPMG d.o.o. Beograd,  
Belgrade (KPMG d.o.o.  
Beograd in Serbia is a KPMG  
International member firm)

On 23 March 2010, the Serbian Parliament adopted amendments to the Personal Income Tax Law.<sup>1</sup> These amendments have been published in the Official Gazette ("Službeni glasnik Republike Srbije") of Serbia no. 18/2010, dated 26 March 2010. They became effective on 27 March 2010.

Below we highlight some of the important changes.

#### **Exemption from Salary Tax**

Commuting expenses, per diems, and accommodations on business trips are not subject to tax up to the same limit as provided for regular employees for persons not employed with the payer, but receiving income which is regarded as salary (part-timers, directors engaged under contracts on arrangement of mutual rights and obligations, etc.).

Serbian tax residents working for the United Nations and its agencies are exempt from tax on income received for the work performed.

#### **Income from Capital**

The tax rate on income from capital (interest from foreign currency deposits, dividends, profit participation of employees, private 'consumption' of a company's assets by the owner, and proportional income of members of open investment funds) has been reduced from 20 percent to 10 percent.

The non-taxable amount for dividends received by resident taxpayers has been abolished. As a result, the effective tax rate for income from dividends for resident taxpayers is 10 percent, as well.

#### **Capital Gains**

The capital gains tax rate has been decreased from 20 percent to 10 percent.

#### **Income from Insurance**

The tax rate on income from insurance has been decreased from 20 percent to 10 percent. In addition, the tax base has been defined in greater detail specifying that it represents the difference between the insured amount received and paid in insurance premiums.

## Annual Taxation

For annual tax purposes, resident-foreign citizens will have the same non-taxable amounts as resident Serbian citizens. The tax rates are 10 percent on income amounting to between three and six times the average annual salary and 15 percent on income above six times the average annual salary.

## Taxation of Income from Abroad

The deadline for submission of a declaration of income from abroad has been extended to 30 days instead of 15.

Tax residence status is confirmed only on forms issued by the Serbian Ministry of Finance, which has validated the practice prescribed by the Law on Tax Procedure and Tax Administration.

### Footnote:

1 Zakon o porezu na dohodak građana. For the Web site (in Serbian) of the Official Gazette ("Službeni glasnik Republike Srbije"), see: <http://www.slglasnik.com>

\* \* \* \*

*For further information or assistance, please contact your local IES professional or one of the following professionals with the KPMG International member firm in Serbia:*

Vesna Ivkovic, Partner, [vivkovic@kpmg.com](mailto:vivkovic@kpmg.com)

Igor Loncarevic, Senior manager, [iloncarevic@kpmg.com](mailto:iloncarevic@kpmg.com)

Gordana Zekic, Assistant manager II, [gzekic@kpmg.com](mailto:gzekic@kpmg.com)

The information contained in this newsletter was submitted by the KPMG International member firm in Serbia. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

*Flash International Executive Alert* is a publication of KPMG LLP's International Executive Services practice. To view this publication or prior issues online, please visit <http://www.us.kpmg.com/ies/flashalerts>. To learn more about our IES practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.