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Monthly Newsletter

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RULEBOOK ON CONDITIONS AND MANNER OF EXERCISING THE RIGHT TO TAX EXEMPTION BASED ON EARNINGS OF EMPLOYEES IN RESEARCH AND DEVELOPMENT PUBLISHED

Based on the Law on Personal Income Tax and the Law on Compulsory Social Insurance Contributions, which prescribe a tax exemption for employers (legal entities) performing research and development within their activities on the territory of the Republic of Serbia, the Ministry of Finance has issued a Rulebook on conditions and manner of exercising the right to tax exemption based on the salaries of employees who work on research and development projects. The Rulebook entered into force on April 16, 2022.

The Rulebook regulates in more detail the conditions and manner of exercising the right to tax exemption based on the salary of employees directly engaged in research and development activities performed by the employer who performs research and development in Serbia.

The employer is entitled to the exemption from the obligation to pay 70% of the calculated and suspended tax on salaries of employees in research and development, in proportion to the time that employees spend directly working on research and development concerning full-time work.



The Rulebook prescribes:

1. What is considered to be a research and development project

- A research and development project is considered to be a project in which at least 90% of employees engaged in research and development work perform their activities on the territory of the Republic of Serbia.

2. Who are employees who work on research and development

- An employee who works on research and development is considered to be a person who is directly involved in identifying and solving relevant problems related to a specific project. Employees engaged in the activities of direct or indirect project supervision and support in connection related to the implementation of the project are not considered persons employed in research and development activities within the meaning of this Rulebook.

3. Which legal entities cannot use this tax exemption

- This tax exemption cannot be used by the employer if the research and development work is performed on behalf of other persons, as well as if the employer is a legal entity established abroad or is a branch or representative office of a foreign legal entity in the Republic of Serbia.

The Rulebook also regulates the formula for determining the tax exemptions, as well as the necessary employee records and documentation prescribed for each project that the employer must have from the moment of using the tax exemption, ie filing the tax returns.

REGULATION CHANGES IN THE FIELD OF FISCALIZATION

On April 28, 2022, the Government of the Republic of Serbia passed the Decree on Amendments to the Decree on Determining Activities for the Performance of which there is no obligation to record retail trade via the electronic fiscal device.

The decree stipulates that taxpayers engaged in the sale of goods and services at green markets and similar facilities are not obliged to record retail trade and received advances for retail trade via electronic fiscal device until the end of 2022.

Therefore, the mandatory application of the new fiscalization model for these taxpayers will begin on January 1, 2023.

In addition, the Decree on Amendments expanded the scope of activities that are exempted from the obligation to record retail trade via electronic fiscal devices related to passenger air transport (code 5110), which means that all air passenger transport is exempted from the obligation to record via the fiscal device.

Also, the Minister of Finance passed the Rulebook on Amendments to the Rulebook on Types of Fiscal Accounts, Types of Transactions, Methods of Payment, Reference to the Number of Other Documents, and Details of Other Elements of the Fiscal Account, which entered into force on April 28, 2022. The Rulebook was adopted to simplify the choice of means of payment when issuing a fiscal invoice.

Thus, by this Rulebook, payments made in cash, ie banknotes and coins, instant transfer of approval at the point of sale, card payments, and check payments are considered to be cash payments. Consequently, the taxpayer will no longer differentiate between these forms of payment, so all the mentioned forms of payment will be shown on the fiscal invoice as cash payments.

NEW REPORTING OBLIGATIONS FOR PAYMENT SERVICE PROVIDERS IN CASE OF CROSS BORDER PAYMENTS

The European Commission adopted an implementing Regulation on April 6, 2022, which provides essential details for payment service providers (PSPs) on how to report payment data in a harmonized format.

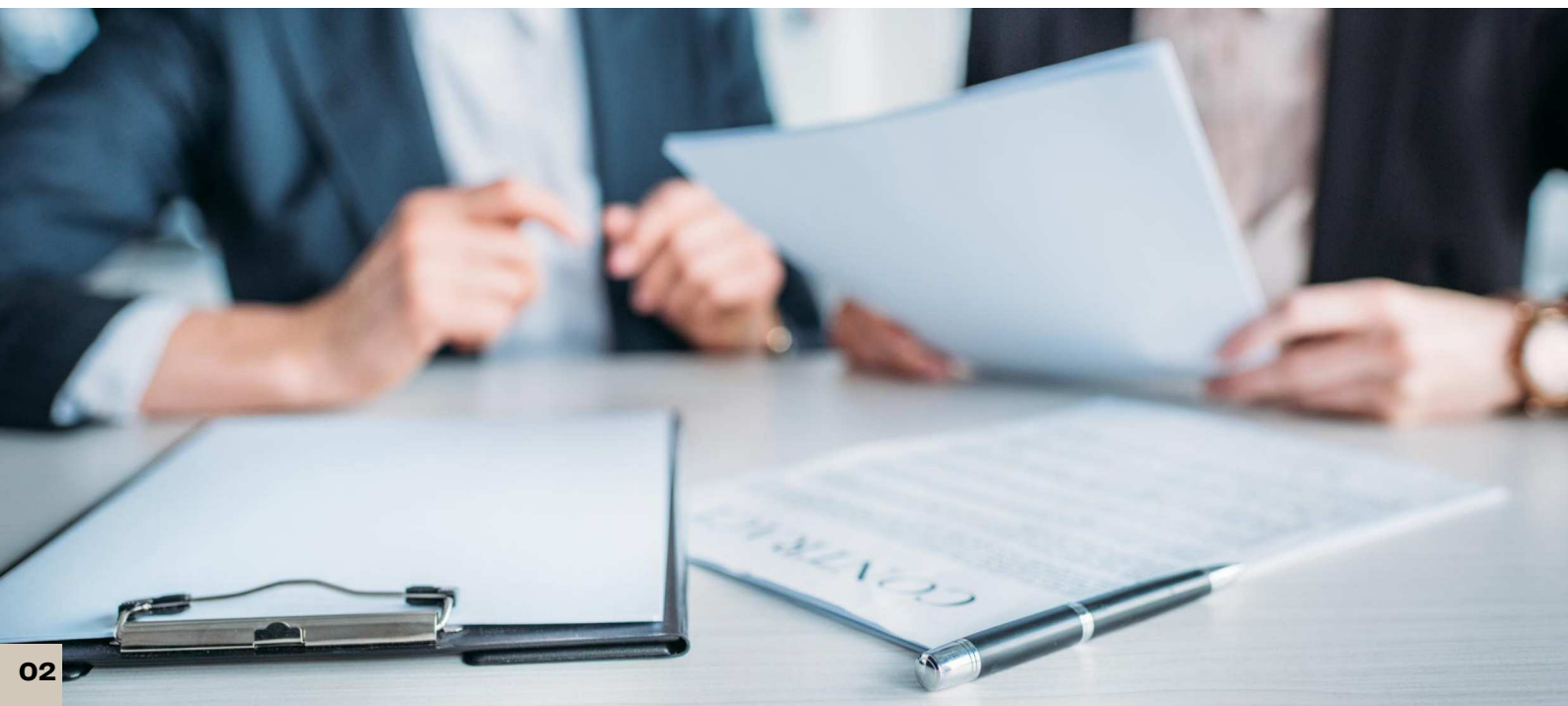
Starting from January 1, 2024, payment service providers, established in the EU, will be required to keep electronic records of payment data for cross-border payments and report this information to local tax authorities. The local tax authorities will then exchange the data with a central EU database called the Central Electronic System of Payment Information (CESOP).

Payment service providers include credit institutions, payment institutions, electronic money institutions, and post office giro institutions.

The PSPs offering payment services in the EU will have to monitor the payees of cross-border payments and transmit information on those who receive more than 25 cross-border payments per quarter to the administrations of the Member States.

The obligation of PSPs to report depends on the location of the PSPs of both the payee and the payer. If the PSP of the payee is not located in the EU, the PSP of the payer is subject to the reporting requirement, and if both the PSPs of the payee and the payer are located in the EU, the payee's PSP is subject to the reporting requirement. PSPs will need to report the information quarterly to the Member State where their office is registered or its Head Office, as well as any Member State where it has a branch or an agent.

The PSP Directive has been introduced to detect and combat VAT fraud within the framework of the digital economy, considering the difficulties in taxing cross-border e-commerce transactions in the digital era.



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DATA ON COMPANIES FROM THE REGION AVAILABLE ON THE BIFIDEX REGIONAL PLATFORM

The joint regional platform of business registers Bifidex is available at full capacity.

Bifidex is a platform for providing services of the regional portal of business registers of Southeast Europe. It contains data on 1.5 million legal entities and more than 2 million individuals and provides access to data necessary for the analysis of the business and financial performance of companies in the region.

Data are downloaded directly from linked official registers in the region in real-time. The platform offers insight into a comprehensive overview of the activities and economy of the region, as well as a comparison of the financial performance of different companies.

The portal is connected to the official registers in Serbia, Northern Macedonia, Albania, Montenegro, and Bosnia and Herzegovina (Republika Srpska), and the data are available in all official languages of the member states, as well as in English, while the financial data is available in regional currencies.

REFERENCE INTEREST RATE AT 1.5%

At its session held on April 7, 2022, the Executive Board of the National Bank of Serbia decided to raise the reference interest rate (RKS) to the level of 1.5%. The next session of the National Bank will be held on May 12, 2022.

STATISTICAL OFFICE OF THE REPUBLIC OF SERBIA PUBLISHED EARNINGS DATA FOR FEBRUARY 2022

In February 2022, the average gross salary amounted to 97,392 dinars, while the average salary without taxes and contributions (net) amounted to 70,605 dinars.

Compared to the same month last year, the average gross and net salaries for February 2022 are nominally higher by 13.4% and by 4.2% in real terms.

Growth in gross and net wages in the period January–February 2022, compared to the same period last year, amounted to 12.9% in nominal terms and 4.1% in real terms.

The median net salary amounted to 53,590 dinars in February 2022, which means that 50% of employees earned up to the stated amount.

CONSUMER PRICE INDICES IN MARCH 2022

In March 2022, prices of personal consumption goods and services have increased by 0.8% on average, compared to February 2022. Consumer prices in March 2022, compared to the same month last year, have increased by 9.1%, while compared to December 2021, they increased by an average of 2.8%.

Observed by the main groups of products and services classified by the purpose of consumption, in March 2022, compared to the previous month, price growth was recorded in the following groups: Equipment for housing and current maintenance (1.7%), Transport (1.5%), Food and non-alcoholic beverages and restaurants and hotels (1.1% each), Housing, water, electricity, gas and other fuels and Health (0.9% each), Alcoholic beverages and tobacco (0.3%) and Communications (0.1%). Price reductions were recorded in the groups' Recreation and culture (–0.9%) and Clothing and footwear (–0.2%).

There were no significant changes in the prices of other products and services.



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