

CONFIDA

Ideas that pay off.

Monthly Newsletter

November, 2022

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THE FIRST PUBLIC CALL WITHIN THE PROGRAM FOR THE DANUBE REGION 2021 – 2027

The first public call for submission of project proposals for the Danube Region 2021–2027 by the Ministry of European Integration is published. The program promotes economic, social and territorial cohesion in the Danube Region through the integration of policies in selected areas.

The public call was announced on September 29, 2022, and the deadline for submitting the project summary is November 21, 2022, by 2 p.m.

WHAT KIND OF PROJECTS DOES THE PROGRAM SUPPORT?

The program is focused on projects whose program priorities are:

- Smarter Danube Region,
- Greener Danube Region with low carbon emissions,
- Socially Oriented Danube Region, and
- Better Management of Cooperation in the Danube Region.

PROJECT FINANCING

91.75 million euros will be allocated for the financing of projects within the framework of the First Public Call, and the maximum EU contribution made to project budgets is 80%. Financial support will be provided to those projects of transnational cooperation that contribute to the development of a more innovative, sustainable and socially oriented Danube region.

COUNTRIES COVERED BY THE PROGRAM

The program covers the territory of 14 countries that make up the macro-region. Nine countries are members of the EU: Austria, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Romania, Slovakia and Slovenia, and five countries are not EU members: Bosnia and Herzegovina, Montenegro, Serbia, Moldova and Ukraine.

IMPLEMENTATION OF THE CALL IN TWO STEPS

The Public Call is carried out in two steps. In the first step, applicants must submit a project summary electronically through the program monitoring system (JeMS). It is necessary to present the intervention logic of the project proposal and its strategic importance. Additional supporting documentation is not required at this stage.

Selected project proposals submitted in the first step will be invited to submit an application package, which includes a fully developed application form, in the second step. The form must contain comprehensive project information and will represent the basis for selecting projects for financing.

Projects whose implementation is limited to a maximum of 30 months must include at least three financial partners from three different countries of the program area. This applies to the lead partner and at least two project partners.

You can find all the details on the Interreg Danube Transnational Program website.

TAX INCENTIVE FOR INVESTMENTS IN INNOVATIVE COMPANIES

Article 50j of the Corporate Income Tax Law stipulates the possibility of recognizing the right to a tax credit in the amount of 30% of the capital investment made in a newly established company that performs innovative activities.

A newly founded company that carries out innovative activities is considered to be a company that was not founded more than three years ago, which predominantly carries out innovative activities under the Law on Innovative Activities, as well as a company that fulfils the five cumulative conditions prescribed by the Corporate Income Tax Law.

Five conditions that must be cumulatively met:

- the company's annual income does not exceed RSD 500,000,000, by the latest financial reports available at the time of financial investment;
- since its foundation, the company has not distributed dividends, that is, profit shares, and will not distribute them within three years from the date of the financial investment;
- the centre of business activities is located on the territory of the Republic of Serbia;
- the company was not created by a status change under the Law governing commercial companies;
- the company fulfils any of the three alternative sub-conditions in each tax period, starting from the first subsequent period from the period in which it was established and ending with the period in which the investment is fully deposited:
 - research and development costs make up at least 15% of total expenditures,
 - highly qualified employees make up more than 80% of all employees,
 - društvo je vlasnik, odnosno korisnik deponovanog autorskog dela ili patenta koje je neposredno povezano sa inovacionom delatnošću koju obavlja.

Additionally, the following conditions must be fulfilled by the taxpayer to use the tax credit:

- before the investment, the taxpayer alone or jointly with all related parties did not own more than 25% of shares in the newly founded company;
- the investment that increases the capital of the newly established company that performs innovative activities has been fully deposited;
- the taxpayer has not reduced the investment continuously within three years from the date of investment.

There are also certain restrictions regarding the realization of the right to a tax credit, which relate to the highest amount of tax credit that can be recognized for an individual taxpayer, which is RSD 100,000,000, as well as the highest amount of tax credit that can be recognized in one tax year, which amounts to RSD 50,000,000.

Exercising the right to a tax credit based on the investment in the capital of a newly established company that performs innovative activities is closely regulated by the Rulebook on the conditions and manner of exercising the right to a tax credit for investing in the capital of a newly established company that performs innovative activities.



DRAFT LAWS ON AMENDMENTS OF SEVERAL LAWS PUBLISHED

The Ministry of Finance published drafts and amendments to the following laws on its website:

- Draft Law on Amendments to the Value Added Tax Law
- Draft Law on Amendments to the Fiscalization Law
- Draft Law on Amendments to the Property Tax Law
- Draft Law on Amendments to the Tax Procedure and Tax Administration Law

The proposed entry into force of the draft laws on amendments to the Value Added Tax Law and the Property Tax Law is January 1, 2023, while the proposed entry into force of the draft laws on amendments to the Fiscalization Law and the Tax Procedure and the tax administration Law is on the eighth day from the day of publication in the "Official Gazette".

Potential suggestions and objections of interested parties can be submitted to the Department for the Fiscal System by e-mail no later than November 14, 2022, by 3:30 p.m.

THE FUTURE FREELANCER TAXATION MODEL

Starting in January 2023, a new model of freelancer taxation will be introduced. The working group dealing with proposals for solving the status of freelancers in Serbia has published a new model according to which internet workers should be taxed in the coming year. The Association of Freelancers and Entrepreneurs of Serbia (UFPS), whose representatives are members of the working group, states that with the new proposal, the Ministry of Finance accepted most of the proposals made by freelancers' representatives.

Thus, in the upcoming period, the income taxation of freelancers will be done quarterly, by submitting quarterly tax returns, with a deadline of 30 days from the end of the quarter for filing a tax return for the income realized in that quarter.

Two taxation models are going to be available, the first of which includes standardized costs and a lower non-taxable income amount, while the second taxation model includes a higher non-taxable amount, without the recognition of standardized costs.

Until the end of 2022, freelancers' incomes are not taxed by submitting tax returns, but the Tax Administration delivers decisions to freelancers who earn more than RSD 768,000 per year.



CONSUMER PRICE INDICES, SEPTEMBER 2022

Consumer price indices measure changes in the prices of products and services that households purchase to meet their needs and are used as a measure of inflation.

In September 2022, the prices of personal consumption products and services have increased by 1.5% on average compared to August 2022. Compared to the same month of the previous year, consumer prices in September 2022 increased by 14.0%, while compared to December 2021, they increased by an average of 11.4%.

Observed by the main groups of products and services classified according to the purpose of consumption, in September 2022, compared to the previous month, price growth was recorded in the groups Housing, water, electricity, gas and other fuels (3.8%), Restaurants and hotels (3.7%), Food and non-alcoholic beverages (2.4%), Housing equipment and ongoing maintenance (2.0%), Health (0.6%), Clothing and footwear (0.5%), Alcoholic beverages and tobacco and Education (by 0.2% each) and in the Communications group (0.1%). The drop in prices was recorded in the Recreation and Culture (-2.8%) and Transport (-0.3%) groups.

The prices of other products and services did not change significantly.

According to the consumer price trends data:

- The consumer price index in the Republic of Serbia in September 2022 compared to August 2022 is 101.5.
- The consumer price index in the Republic of Serbia in September 2022 compared to December 2021 is 111.4.

PERIOD:

INFLATION:

August 2022 –
September 2022



1.5%

September 2021 –
September 2022



14.0%

December 2021 –
September 2022



11.4%

AVERAGE EARNINGS PER EMPLOYEE, AUGUST 2022

Average gross earnings calculated for August 2022 amounted to RSD 103 963, while average earnings without taxes and contributions – net earnings amounted to RSD 75 282.

Compared to the same period of the previous year, the nominal growth of average gross and net earnings for the period January–August 2022 was 13.8%. In the same period, earnings increased by 3.0% in real terms.

Compared to August 2021, average net earnings in August 2022 were nominally higher by 16.5% and by 2.9% in real terms.

Median net earnings amounted to RSD 57 911 in August 2022, which means that 50% of employees earned up to the stated amount.

EURIBOR INCREASE OF 0.75%

The European Central Bank (ECB) has announced an increase of the EURIBOR interest rate by another 75 points, which represents the third increase this year.

EURIBOR represents the rate at which a group of European banks lend money to one another. Borrowing money will become more expensive at the bank level due to the mentioned increase, which will consequently affect all EUR-indexed loans in Serbia.

The one-month EURIBOR will, thus, rise to around 1.88%, the three-month to around 2.32%, and the six-month EURIBOR to 2.85%.

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