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Monthly Newsletter

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RULEBOOK ON INTEREST RATES THAT ARE IN ACCORDANCE WITH THE "ARM'S LENGTH" PRINCIPLE FOR THE YEAR 2022

The Minister of Finance adopted the Rulebook on interest rates that are in accordance with the "arm's length" principle for 2022.

The Rulebook prescribes the interest rates calculated on loans between related parties for the year 2022, in accordance with the "arm's length" principle.

The prescribed interest rates for banks and providers of financial leasing and other companies are listed below.

Interest rates, in accordance with the "arm's length" principle:

➤ for banks and providers of financial leasing:

- 0.50% on short-term loans in RSD,
- 2.86% on long-term loans in RSD,
- 2.75% on loans in EUR and dinar loans indexed in EUR,
- 3.91% on loans in USD and dinar loans indexed in USD,
- 2.61% on loans in CHF and dinar loans indexed in CHF,
- 3.96% on loans in SEK and dinar loans indexed in SEK,
- 1.88% on loans in GBP and dinar loans indexed in GBP,
- 2.31% on loans in RUB and dinar loans indexed in RUB,

➤ for other companies:

- 3.12% on short-term loans in RSD,
- 3.39% on long-term loans in RSD,
- 2.25% on short-term loans in EUR and dinar loans indexed in EUR,
- 2.73% on long-term loans in EUR and dinar loans indexed in EUR,
- 6.94% on short-term loans in CHF and dinar loans indexed in CHF,
- 1.85% on short-term loans in USD and dinar loans indexed in USD,
- 3.54% on long-term loans in USD and dinar loans indexed in USD.

The Rulebook was published in the "Official Gazette of RS", no. 139/2022 of December 16, 2022, and entered into force on December 24, 2022.



UPDATE OF SEF TAX CATEGORIES

The Ministry of Finance announced the updated tax categories of the electronic invoice system on December 30, 2022.

The update refers to changes regarding the description of some tax categories, in terms of their use, and the following updated rules apply to the two mentioned tax categories, starting from January 1, 2023.

CATEGORY OE - NOT SUBJECT TO VAT 2

Tax category OE refers to amounts:

- of the transfer of multipurpose value vouchers,
- of transactions based on which the persons referred to in Article 9 of the VAT Law are not taxpayers,
- that are not included in the tax base following the Article 17, paragraph 4, point. 2) and 3) of the Law on VAT,
- of the instalments due for payment upon the transaction completion,
- of other transactions and claims based on which there is no obligation to calculate VAT (e.g. delivery of goods, i.e. provision of services free of charge, which is not subject to VAT taxation, claims based on damages, contractual penalties, deposits, etc.).

It was also noted that for claims based on the transfer of multipurpose value vouchers, damages, contractual penalties, deposits, interest for late payment and other claims based on which there is no obligation to calculate VAT, there is no obligation to issue an electronic invoice, except in cases when the payment request is sent to a public sector entity.

CATEGORY N – ANNULMENT

Tax category N refers to:

- the annulment of data on trade of goods and services that are carried out without compensation, including trade without compensation which is considered not to have been carried out following Art. 6. paragraph 1. item 1) and 6a of the Law on VAT,
- annulment of part of the payment amount due to the application of the VAT Act or another law (e.g. for sales between related parties where the basis for calculating VAT is determined following Article 17b, for sales of excise goods for which the supplier of excise goods does not have the obligation to pay the excise duty, for the sale of secondary raw materials and waste in cases when the tax is paid at the rate of 1%), as well as the annulments on other grounds.

Updates of this category also include two notes.

Starting from January 1, 2023, there is no obligation to issue an electronic invoice for the sale of goods, i.e. services that are carried out without compensation, regardless of whether it is a sale that is subject to VAT or a sale that is not subject to taxation, in accordance with the VAT Law. However, in case a public sector entity or a private sector entity issues an electronic invoice for the said transaction, after the data on that transaction is presented, disclosing that there is no obligation to pay the VAT is done by annulling the data on the transaction by stating the appropriate amount in the quantity section, with a "minus" sign.

Upon presenting data on the turnover of goods and services that is carried out for a certain fee, and in which there is a reduction in the payable amount, the reduction of the said amount is shown by specifying -1 in the quantity section, and reduction amount is stated in the price section.



EXTENSION OF THE DEADLINE LIMITING THE INCREASE OF THE TAX BASE FOR LUMP-SUM TAXPAYERS

In the "Official Gazette of RS", number 141 of December 23, 2022, an amendment to the Regulation on closer conditions, criteria, and elements for lump-sum taxation of self-employed taxpayers was published, which extends the limiting the increase in the tax base for lump-sum taxpayers to no more than 10% deadline to 2023. It is expected that in this way, many taxpayers, who pay a lump-sum tax, will avoid significantly higher tax obligations in 2023.

Thus, with the amendment of the Regulation, in case the method of determining the lump-sum tax changes, and the determined amount of the base increases by more than 10% compared to the amount determined for the previous year, an increase of 10% per year will be applied until the amount of the obligation reaches the amount that is under the new method of calculation, ending with 2023.

CHANGES IN THE JCI ELECTRONIC VERIFICATION METHOD

The Rulebook on Amendments to the Rulebook on the form, content, method of submitting and filling out declarations and other forms in the Customs Procedure, which entered into force on December 24, 2022, prescribes changes in terms of the filing declarations in electronic form, as well as filling out the unified customs documents (JCI).

Thus, from December 24, 2022, the Customs Administration certifies the declaration in electronic form with a qualified electronic certificate and delivers the customs debt notification in the electronic form to the declarant/representative.

Additionally, amendments were made to Annex 5 – Filling out a unified customs document, in part III – Filling out of the JCI sections for export, re-export, temporary export of goods and outward processing, as well as to part IV – Filling out the JCI sections for placing goods in free traffic, temporary import, active processing, re-import, customs storage and destruction of goods.

AMENDMENTS TO THE REGULATION ON DETERMINING ACTIVITIES FOR WHICH THERE IS NO OBLIGATION OF RECORDING RETAIL TRANSACTIONS VIA AN ELECTRONIC FISCAL DEVICE

At the session of the Government of the Republic of Serbia, which was held on December 22, 2022, the Regulation on Amendments to the Regulation on Determining Activities for which there is no obligation to record retail transactions via an electronic fiscal device was adopted.

One of the novelties introduced by the Regulation is that there is no longer an obligation to record retail sales and received advances for retail sales through the electronic fiscal device for the activity of providing marketing services in a retail establishment to legal entities, i.e. taxpayers of self-employment income tax.

Marketing services in a retail facility, among others, refer to:

- services of positioning goods,
- listing the goods in the sales range in the retail establishment, that is, assuming the obligation to purchase goods from a certain supplier,
- advertising in magazines and leaflets which are distributed in retail stores,
- placement of advertising shelves in retail stores, and similar services.

In addition, the amendments to the Regulation stipulate that those subject to fiscalization who are engaged in the sale of goods and services at market stalls and similar facilities do not have the obligation to record retail sales and received advances through the fiscal device until December 31, 2023.

The regulation was published in the "Official Gazette of RS", no. 141/2022 of December 23, 2022, and entered into force on December 31, 2022.

AMENDMENTS TO THE LAW ON TAX PROCEDURE AND TAX ADMINISTRATION

On December 9, 2022, the National Assembly of the Republic of Serbia adopted the Law on Amendments to the Law on Tax Procedure and Tax Administration. The Law was published in the Official Gazette of the Republic of Serbia and will enter into force on December 20, 2022

Below we present the most significant changes to the Law on Tax Procedure and Tax Administration.

THE TAXPAYER'S REQUEST FOR DEFERMENT OF TAX PAYMENT SUBMITTED WITHIN THE DEADLINE SPECIFIED IN THE TA'S ADMONISHMENT DOES NOT DELAY THE INITIATION OF THE COMPULSORY DEBT SETTLEMENT

The amendments to the ZPPPA delete the Article that provided a limitation for the Tax Administration – the Tax Authorities will not issue a Decision on compulsory debt settlement if the request for deferment of tax payment is submitted within the deadline specified in the TA's admonishment until the request has been decided. Following the changes that are adopted, the Tax Authorities no longer have this limitation, and even if the request for deferment of tax payment in accordance with the deadline is submitted, Tax Authorities can initiate the procedure of compulsory debt settlement.

The implications for the taxpayer are the increase in the tax debt during the compulsory debt settlement, the possible costs of compulsory debt settlement, regardless of the fact of the request submission, and the potential outcome of the decision on the taxpayer's submitted request.

THE DURATION OF THE BAN ON THE PERFORMANCE OF ACTIVITIES IMPOSED DURING TAX CONTROL

Taxpayers who are found to have irregularities during the tax audit (goods and services are not accompanied by reliable documentation of importance for tax determination, non-payment of the daily purchases, employment of a person without an employment contract or other act on employment and non-reporting of the person to the competent organization of mandatory social insurance, non-registration turnover through a fiscal cash register, an electronic fiscal device or in another prescribed manner) a ban on the performance of the activity is imposed:

- for a period of 15 days – if the irregularity occurred for the first time,
- for a period of 90 days – if the irregularity occurred a second time,

- for a period of one year – if the irregularity occurred for the third time.

THE POSSIBILITY OF IMPOSING A BAN ON THE PERFORMANCE OF CERTAIN JOBS TO A LEGAL REPRESENTATIVE IN A LEGAL ENTITY FOR A REPEATED OFFENSE

A legal representative of a legal entity may be sentenced to a fine and a measure of prohibiting the performance of certain activities if, within two years from the date of finality of the conviction, reoffends the following misdemeanors:

- failure to submit a tax return, failure to calculate, and failure to pay taxes,
- failure to submit a tax return, calculation but non-payment of taxes,
- submitting a tax return, but not paying taxes, and
- failure to submit a tax return in cases where it is prescribed by law not to carry out self-taxation, or by order of tax control.

Therefore, the amendment of the legislation, which ensures the possibility of an additional imposition of a prohibition measure with a fine, applies exclusively to returnees in the commission of the misdemeanors.

The prohibition measure can be imposed for a period of six months to three years.

APPLICATION OF ELECTRONIC INVOICES

As of January 1, 2023, the application of electronic invoices is also mandatory for transactions between entities of the private sector that are registered in the VAT system, which completes the process of introducing the electronic invoicing system (SEF) in the Republic of Serbia.

Until the beginning of this year, SEF was used for issuing and receiving electronic invoices by public funds users, as well as companies that do business with the public sector.

The Ministry of Finance expects that the implementation of electronic invoices will increase the competitiveness and attractiveness of the Serbian economy, due to business improvement, and greater transparency, as well as facilitate much faster VAT refunds. Thus, it is expected that, by matching outgoing and incoming invoices in SEF, the VAT amount refund will be possible within 24 or 48 hours, automatically, without additional checks, instead of the current 35 to 40 days deadline.

AVERAGE EARNINGS PER EMPLOYEE, OCTOBER 2022

Average gross earnings calculated for October 2022 amounted to RSD 104 039, while average earnings without taxes and contributions – net earnings amounted to RSD 75 353.

The growth of gross wages in the period January–October 2022, compared to the same period last year, was 14.0% in nominal terms, i.e. 2.4% in real terms. At the same time, net wages increased by 13.9% in nominal terms and by 2.3% in real terms.

Compared to the same month of the previous year, the average gross salary for October 2022 is nominally higher by 14.2%, and in real terms, it is lower by 0.7%, while the average net salary is nominally higher by 14.1%, and lower by 0.8% in real terms.

Median net earnings amounted to RSD 57 810 in October 2022, which means that 50% of employees earned up to the stated amount.

THE REFERENCE INTEREST RATE INCREASED TO 5%

At the session held on December 8, 2022, the Executive Board of the National Bank of Serbia decided to increase the reference interest rate to the level of 5%.

The increase in the reference interest rate directly reflects the increase in the default interest rate, as well as in the increase in the interest rate for untimely paid public revenues, therefore the annual default interest rate amounts to 13%, while the annual interest rate for untimely paid public revenues amounts to 15%.

The next session of the Executive Board will be held on January 12, 2023, when the decision regarding the reference interest rate for the upcoming period will be made.

NEW SALARY CALCULATION PARAMETERS

Following the Decision on the amount of the minimum labour price for the period January – December 2023, as well as with the amendments to the Law on Personal Income Tax and the Law on Contributions for Mandatory Social Security, below are the parameters for calculating wages in 2023.

PARAMETER	AMOUNT
The minimum labor price (per hour)	➤ RSD 230
Non-taxable salary amount	➤ RSD 21 712
Pension contribution rate	➤ 24%
The lowest contribution base	➤ RSD 35 025
The highest contribution base	➤ RSD 500 360

The new parameters apply to all salaries paid during 2023, regardless of the month for which the payment is made.



CONSUMER PRICE INDEX, NOVEMBER 2022

Consumer price index 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 November 2022, the prices of personal consumption products and services increased by 1.0% on average compared to October 2022. Compared to the same month of the previous year, consumer prices increased by 15.1% in November 2022, while compared to December 2021, they increased by an average of 14.6%.

Observed by the main groups of products and services classified according to the purpose of consumption, in November 2022, compared to the previous month, price growth was recorded in the groups Restaurants and hotels (1.7%), Clothing and footwear (1.3%), Food and non-alcoholic beverages (1.2%), Housing, water, electricity, gas and other fuels, Transport and Housing equipment and ongoing maintenance (by 1.0% each), Alcoholic beverages and tobacco, Recreation and culture, Health and Education (by 0.5% each) and in the Communications group (0.1%).

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 November 2022 compared to October 2022 is 101.0.
- The consumer price index in the Republic of Serbia in November 2022 compared to December 2021 is 114.6.

PERIOD:

INFLATION:

October – November 2022	➤	1.0%
November 2021 – November 2022	➤	15.1%
December 2021 - November 2022	➤	14.6%



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CONTACT

Confida - Consulting d.o.o.
AUDICON d.o.o.

Knez Mihailova 22,
Belgrade, 11000, Serbia

+381 11 3039104

www.confida.rs

Christian Braunig
Managing Partner
e-mail

Nevenka Petrović
Director
e-mail