

**CONFIDA**

# Ideas that pay off.

## Monthly Newsletter

October, 2023

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### **AMENDMENTS TO THE LAW ON PERSONAL INCOME TAX AND THE LAW ON CONTRIBUTIONS FOR MANDATORY SOCIAL SECURITY**

The Government of the RS approved the Bill on Amendments to the Law on Personal Income Tax and the Bill on Amendments to the Law on Mandatory Social Security Contributions and referred them to the parliamentary procedure.

#### **The proposed amendments to the Law on Personal Income Tax provide for:**

- The consumer price index in the Republic of Serbia in August 2023 was 108.4, compared to December 2022.
- Extension of the application of tax benefits from art. 21c and 21d of this law, which regulate the employer's right to refund part of the paid income tax, in the percentage of 65% to 75% based on the income of newly employed persons until December 31, 2024.

The proposed amendments to the Law on Contributions for Mandatory Social Security aim to extend the application of benefits outlined in articles 45 and 45v of this law. These benefits pertain to the employer's entitlement to a partial refund of salary contributions for mandatory social insurance. The adjustment will increase the refund percentage from 65% to 75% and apply to newly employed individuals until December 31, 2024.

### **SIMULTANEOUS ELECTRONIC REGISTRATION FOR BUSINESS COMPANY AND OWNER INFORMATION RECORDING ENABLED**

The Agency for Business Registers (ABR) has improved the service "eRegistration of Business Entity Incorporation", which enables the submission of an electronic registration application for establishing a business company and the registration of data on the beneficial owner simultaneously.

Business entities' founders are now allowed to record the data on the beneficial owner as of October 1, 2023, during the electronic process of incorporating a company if they wish. Suppose the founder chooses not to utilize this opportunity. In that case, the company's legal representative must record the data in the Central Register of Beneficial Owners within 15 days of registering with the Agency for Business Registers.

The legal representative bears responsibility for multiple aspects, including ensuring the timely recording of accurate data, maintaining the correctness of the recorded information about the actual owner, and keeping relevant, precise, and current documentation associated with this registration. The law also stipulates penalties in cases where a company fails to record information about the owner. These penalties range from fines of 500,000 to 2,000,000 dinars. Registered entities who intentionally hide the real owners, fail to register them in the Central records, provide false information, or alter or delete accurate details about the owner may face imprisonment from three months to five years.

## PACKAGE OF SERVICES FOR YOUNG AND FEMALE ENTREPRENEURS

A public call has been issued to implement a bundle of services tailored for young and female entrepreneurs as part of the 2023 Program for a standardized set of services designed for micro, small, and medium enterprises and entrepreneurs. The primary objective of this Program is to promote entrepreneurship development in Serbia through the provision of advisory, educational, and mentoring services delivered by accredited regional development agencies (ARRA).

The Program caters to two main categories: young individuals, specifically those aged 18 to 35, who aspire to become entrepreneurs, and business entities where either a woman is the founder or owner or a woman holds a majority ownership stake (at least 50%) and serves as one of the legal representatives.

### **The Program includes three types of services: advisory services, training, and mentoring:**

Advisory services within this Program, offered by ARRA, encompass a range of consultations aimed at assisting entrepreneurs. These services include guidance in preparing business plans, documentation, and applications for entrepreneurship support programs. These programs are administered by various entities, such as the Ministry of Economy, the Development Agency of Serbia, the Development Fund of the Republic of Serbia, National Employment Service, Guarantee Fund AP Vojvodina, and other sources of funding from the public, private, and civil sectors. Additionally, ARRA offers advisory support for those initiating businesses and seeking to apply for the EU Horizon Europe program.

Training that ARRA provides to existing and potential MSMEs includes nine modules:

- 1) Prepare a business plan and business with banks and investment readiness.
- 2) Financial management.
- 3) Export – for those who export for the first time.
- 4) Marketing and sales.
- 5) E-business and information technology in business.
- 6) Overview of quality standards and environmental protection relevant to business.
- 7) Innovations.
- 8) Preparation for the Single European Market.
- 9) Participation of SMEs in public procurement.

- Mentoring services include individual support from an expert from ARRA to the user of the service package to improve his business. Mentoring is carried out up to 25 to 50 hours per user.

Individuals utilizing the package of services designated for youth and women are ineligible to access any other services offered by the SSU Program for MMSPP 2023. Furthermore, those who have availed themselves of the youth and women's package from the SSU Program for MMSPP 2022 are not eligible to apply for the same package in 2023.

Please submit your applications, along with all necessary forms and documentation, either in person or by registered mail, to ARRA. Clearly label your submission with the note "Application for the Public Call to obtain a package of services for youth and women entrepreneurs in 2023." The deadline for application submissions is December 31, 2023.

For more information about the Program, conditions, and how to apply, you can check [\[here\]](#) or contact the Development Agency of Serbia by phone at +381 11 33 98 900 or e-mail [office@ras.gov.rs](mailto:office@ras.gov.rs).



## **SERBIA AND SWITZERLAND SIGNED A PROTOCOL ON THE AMENDMENT OF THE BILATERAL AGREEMENT ON THE AVOIDANCE OF DOUBLE TAXATION OF INCOME AND PROPERTY**

On September 19, 2023, in Belgrade, the Government of the Republic of Serbia and the Swiss Federal Council signed the Protocol to amend the Agreement between the Council of Ministers of Serbia and Montenegro and the Swiss Federal Council, which pertains to the avoidance of double taxation regarding income and property taxes.

The Protocol amends the Double Taxation Avoidance Agreement signed in 2005 between the Council of Ministers of Serbia and Montenegro and the Swiss Federal Council, which has been in force since 2007 and applies to economic relations between Serbia and Switzerland. The Protocol harmonizes the text of the Agreement with the provisions of the Multilateral Convention for the Implementation of Measures Related to Tax Treaties to Prevent Tax Base Erosion and Profit Shifting per the OECD/G20 BEPS Action Plan, which both countries signed in 2017 and entered into force in 2018.

The BEPS Action Plan, developed by the OECD and the G20, introduces new rules for cross-border taxation and prevents the abuse of tax treaties by multinational corporations. The Convention also modifies existing bilateral tax treaties but without the need for their ratification or consolidation. However, according to Swiss domestic legislation, bilateral contracts can only be changed by signing a protocol or a new contract, following the usual procedure for concluding bilateral agreements. That is why Switzerland proposed to comply with the Multilateral Convention by signing a protocol on amendments to the current Agreement with Serbia, which was accepted.

The Protocol contains several improvements and clarifications regarding the taxation of company profits, taxation of related companies, and capital gains, as well as the exchange of information between competent authorities of contracting states. It also includes minimum standards for cross-border taxation, which primarily relate to the treaty's preamble and prevention of treaty abuse, i.e., limiting the right to treaty benefits.

## **THE AMENDMENT OF THE AGREEMENT ON AVOIDANCE OF DOUBLE TAXATION BETWEEN SERBIA AND ROMANIA**

From October 5, 2023, Serbia began to apply the amended Agreement on the Avoidance of Double Taxation with Romania. This Agreement applies to all taxes other than withholding taxes. The Multilateral Convention amended it to Prevent Base Erosion and Profit Shifting.

This Agreement begins to apply in Romania from January 1, 2024, for all taxes other than withholding taxes. As for withholding taxes, the Agreement will apply in Serbia and Romania from January 1, 2024.

The competent authority of the Republic of Serbia prepared the amended text of the Agreement in consultation with the competent authority of Romania. It represents its understanding of the amendments introduced to the Agreement due to the Multilateral Convention.



## THE NEWS RELATED TO SEF AND ELECTRONIC INVOICING IN SEPTEMBER 2023

On September 18, 2023, the Ministry of Finance informed the public that it had begun consultations regarding drafting the Draft Law on Amendments and Supplements to the Law on Electronic Invoicing.

During this period, various representatives, including bodies and organizations, judicial authorities, international organizations, citizens' associations and other representatives of civil society, expert public, professors, academics, scientists, and other interested parties, will have the opportunity to give their proposals, comments, suggestions, and objections to the text of the Draft Law.

Please feel free to send all your feedback via email to [konsultacije.ef@mfin.gov.rs](mailto:konsultacije.ef@mfin.gov.rs). Especially significant changes are envisaged when recording VAT on SEF. In addition to the electronic recording of calculated VAT, there is a proposal to record previous taxes electronically.

## THE APPLICATION FOR FLAT-RATE TAXATION IN 2024

Entrepreneurs who pay personal income tax based on realized profit and wish to transition to flat-rate taxation in 2024 must submit their request by October 2024.

This deadline applies specifically to entrepreneurs who maintain business records for tax and contribution purposes and seek to change their taxation method to the flat-rate system.

Entrepreneurs who anticipate their sales revenue will be at most six million dinars in the coming year and prefer not to maintain business records must submit a tax return for enrollment in flat-rate taxation by October 31. The application process is exclusively electronic and should be completed through the ePorezi portal.

When it comes to newly established entrepreneurs, they decide whether they want to be flat-rate taxed or keep business books when registering with the Agency for Business Registers (APR). The status of existing flat-rate taxpayers is automatically extended, meaning the request does not have to be submitted again yearly.

The transition from maintaining financial records to the flat-rate taxation system is only allowed in the year when an entrepreneur exits the VAT system. During this period, entrepreneurs can submit their transition requests beyond the general deadline of October 31. The request should be filed within 15 days after receiving official confirmation from the tax authority, which verifies their removal from the VAT register. Conversely, a shift from the flat-rate taxation system to maintaining financial records during the year happens automatically if the entrepreneur becomes a registered VAT taxpayer. Whether the registration is voluntary or mandated by law due to exceeding a turnover of eight million dinars in the previous 12 months, entering the VAT system leads to the forfeiture of eligibility for flat-rate taxation.

The Personal Income Tax Law specifies certain activities ineligible for flat-rate taxation. Specifically, individuals engaged in advertising, market research, wholesale and retail trade, hotels, restaurants, financial intermediation, and real estate activities, or those whose actions are funded by others, are not entitled to opt for flat-rate taxation. This restriction applies when their total turnover in the year before the taxation year, or their projected turnover when commencing the activity, exceeds 6,000,000 dinars.





## REVISIONS TO THE EXCISE LAW IN SERBIA

The National Assembly of the Republic of Serbia adopted, on September 6, 2023, the Law on Amendments and Additions to the Law on Excise Duties, which will be in force as of October 1, 2023.

### The most critical novelties include:

- An increase in the amount of excise duty on oil derivatives, tobacco products, and alcoholic beverages, as well as coffee and liquids for filling electronic cigarettes by 8%;
- Starting January 1, 2025, an excise duty on natural gas will be introduced for both motor vehicles and heating purposes.
- Introducing a centralized information system, "e-akciza", will enable tracking of excise duty products, cigarettes and non-burning tobacco from the producer/importer to the end user of excise duty products. The "e-akciza" system is applicable starting from October 1, 2024;
- Introducing a control excise duty stamp with a QR code within the "e-excise" system will be applied only to cigarettes and non-burning tobacco. The obligation to mark products with control excise stamps containing QR codes starts from January 1, 2025;

- The law mandates the establishment of a register for importers of alcoholic beverages and coffee. Importers must register with the Customs Administration before releasing these products into free circulation.
- From January 1, 2024, a new product, nicotine pouches, will be subject to excise duty.
- An excise duty refund is now available for oil derivatives, precisely diesel fuel and biofuel, when used for agricultural purposes to power agricultural machinery. This refund is designed to alleviate costs for agricultural producers, including agricultural farms and individuals with family farms registered in the agricultural farm registry.

## AVERAGE SALARY FOR JULY, 2023

### According to the Announcement of the Republic Institute of Statistics of September 25, 2023:

- The average gross salary in the Republic of Serbia, calculated in July 2023, is 115,664.00 dinars, while the average wage without taxes and contributions-net earnings calculated in July 2023 is 83,781.00 dinars.
- Compared to the same period of the previous year, the nominal growth of average gross and net salary for January-July 2023 was 15.3%. In the same period, wages increased by 0.3% in real terms.
- Compared to July 2022, the average net salary in July 2023 was nominally higher by 14.6% and 1.9% in real terms.



## MONTHLY INFLATION FOR AUGUST 2023 IS 0.4%

The prices of goods and services for personal consumption in August 2023 were, on average, 0.4% higher than in July 2023. Consumer prices in August 2023 were 11.5% higher than in the same month of the previous year and 6.4% higher than in December 2022.

### According to data on consumer price trends:

- The consumer price index in the Republic of Serbia in August 2023 was 101, compared to July 2023.
- The consumer price index in the Republic of Serbia in August 2023 was 108.4, compared to December 2022.

## THE REFERENCE INTEREST RATE REMAINS AT 6.50%

The National Bank of Serbia's Executive Board, in its meeting on September 7, 2023, resolved to maintain the reference interest rate (RKS) at 6.50%.

The next meeting, where they will consider the decision regarding the reference interest rate, is set for October 10, 2023.

## MINIMUM WAGE FOR 2024 TO BE 271.00 DINARS ("NET") PER WORKING HOUR

The Government of the Republic of Serbia has approved a Decision for January - December 2024, establishing the minimum wage at 271.00 dinars per working hour, without taxes and social security contributions ("net"). This rate will be effective from January 1, 2024.

The minimum wage for 2024 has been increased by 17.8%, from 230 dinars per working hour to 271 dinars ("net") compared to the minimum wage for 2023.

### The net amount of the minimum wage, depending on the number of working hours per month, in 2024 will be:

- for a month with 160 working hours: 43,360.00 dinars;
- for a month with 168 working hours: 45,528.00 dinars;
- for a month with 176 working hours: 47,696.00 dinars;
- for a month with 184 working hours: 49,864.00 dinars.



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