

Serbia Knowledgebase

Payroll, compensation and benefits

Salary structure

Base pay is the fixed amount of money that an employer agrees to pay an employee for their services, typically calculated on a per-hour, per-day, or per-month basis.

Minimum wage - Employers must ensure that the base pay meets or exceeds the minimum wage (RSD 76789.87 gross) requirements set by law

In Serbia, mandatory allowances are meal allowance, holiday allowance and seniority payment after one year in company.

Taxable & non-taxable allowances are possible and allowed by law, non taxable allowances

https://www.paragraf.rs/statistika/pregled_uskladjenih_neoporezivih_iznosa_po_zakonu_o_porezu_na_dohodak_gradjana.html

Total employment cost (TEC) in Serbia encompasses all financial obligations associated with employing staff, including the base salary, mandatory contributions, and legally mandated benefits. Understanding this cost is crucial for businesses to effectively manage their budgets, ensure compliance with labour laws, and make informed decisions regarding hiring and compensation strategies.

TEC = Gross pay + employer contributions

*gross pay is net + employee contributions + PIT

*contributions are usually social security, health, pension insurance

*Benefits are usually part of gross salary or in case non taxable than added on net and total cost

Salary and wages

In Serbia, the official currency is the Serbian dinar (RSD). Salaries can be contracted in both foreign and domestic currencies; however, actual salary payments must be made in RSD. For 2024, the ceiling fee for contributions based on gross salary is set at 573,470 RSD.

Salary calculations for a full month are based on the actual working days, using the formula: gross salary divided by the nominal working days in the month (Monday to Friday)

Native Teams

multiplied by the number of worked days. Employees are typically paid over 12 months, and while 13th and 14th salary payments are not mandatory, they may be offered by some employers.

Although salaries can be contracted in foreign currency, actual payments must be made in Serbian dinars. The salary is calculated using the middle exchange rate from the National Bank of Serbia on the last day of the month, taking weekends into account. According to the Serbian Labour Code, salaries must be paid by the last day of the following month.

In terms of salary calculation specifics, mandatory allowances include a meal allowance, which is calculated monthly based on working days and only for days worked. There is also a fixed holiday allowance provided each month. Additionally, seniority payments are calculated once an employee reaches one year with the company, amounting to 0.4% of the gross salary for each year of service (0.4% for one year, 0.8% for two years, and so on). This payment is calculated monthly and only for days worked.

Allowances and deductions

In Serbia, mandatory allowances include a meal allowance, a holiday allowance, and a seniority payment that begins after an employee has completed one year with the company.

Currently, there is no private pension system offered; however, private health insurance is available through providers such as Generali and DDOR Novi Sad.

Employees must fill out reimbursement forms whenever they incur expenses that require reimbursement. Additionally, employers are obligated to provide employees with the Potvrda o Placenim Porezima i Doprinovima Po Odbitku (PPP PO) form or certificate of paid taxes and withholding contributions, which summarizes the income paid to each employee for the year; this form must be submitted by January 31st. It's important to note that if employees choose additional private health insurance, there may be associated costs that impact their overall compensation.

Bonus and incentives

In Serbia, performance bonuses are treated similarly to regular salaries for payroll purposes; the category of the bonus does not impact payroll calculations. Bonuses are taxed in the same manner as salary, ensuring consistency in taxation. As such, there are no specific bonus calculation details applicable in Serbia, as the taxation and calculation of bonuses align with standard salary procedures.

Employer contributions

In Serbia employer contributions are paid along with net salary each month. This includes Social Security contributions payment and Income tax payment.

There are no additional employer contributions beyond the mandatory pension contributions. Only in case private additional health insurance is chosen, additional cost occurs.

In Serbia, usually business expenses are paid on the same date as salary payment. This aligns with the company's payroll processing schedule, ensuring that both salary and any approved business expense reimbursements are handled simultaneously

Benefits packages

In Serbia, social security encompasses several mandatory insurances, including pension and disability insurance, health insurance, and unemployment insurance. These statutory insurances are essential components of the country's social security system. Notably, unemployment insurance is solely funded by employee contributions, while all other insurances are calculated as a percentage of the gross salary.

Mandatory pension insurance is set at 14% of the gross salary, whereas mandatory health insurance amounts to 5.15% of the gross salary. Once registered, employees are also eligible to access public health institutions.

Additionally, unemployment insurance in Serbia is paid at a rate of 0.75% of the gross salary. Regarding retirement benefits, it is mandatory to provide severance pay upon retirement.

According to Serbian Labour Law, employees are entitled to severance pay amounting to at least two average salaries, based on the latest published data from the relevant statistical authority.

Currency and payment considerations

Currency requirements

In Serbia, salaries must be paid in the domestic currency (Serbian dinar, RSD) to a domestic bank account, and it is not permitted to pay salaries in foreign currencies. While salaries can be contracted in foreign currency, actual payments must be made in RSD. This necessitates an exchange rate conversion, with salaries in foreign currencies converted

using the middle exchange rate from the National Bank of Serbia on the last day of the month, which may vary due to weekends.

There are risks associated with contracting salaries in fluctuating currencies, as the amounts may vary from month to month. To mitigate this risk, it is advisable to contract salaries in domestic currency, which helps minimize variations in salary payments. Additionally, when operating across multiple countries, businesses face risks related to currency fluctuations that can be influenced by various economic conditions.

Taxation and compliance

Employee and employer tax obligations

In Serbia, employee tax obligations require that income tax deductions are made from the employee's gross salary each month at a flat rate of 10%, after applying a monthly tax relief of 25,000 RSD. There are no specific income tax regulations that differ for new joiners.

Employers are responsible for calculating social security contributions based on the gross salary, with the rates set at 10% for pension and disability insurance and 5.15% for health insurance.

The country maintains tax treaties with various nations to prevent double taxation, and a complete list of these agreements can be found on the Serbian Tax Authority's website.

Reference:

<https://mfin.gov.rs/sr/propisi-1/ugovori-o-izbegavanju-dvostrukog-oporezivanja-1>

For cross-border hiring, it is possible to employ foreign workers, provided they have the necessary work permits, temporary residency, or permanent residency in Serbia. Taxation for these employees aligns with the regulations applied to Serbian citizens.

Non-compliance with tax and payroll regulations can result in financial penalties that vary based on the severity of the violation, alongside interest charges for delays in compliance. These measures are in place to ensure timely adherence to regulations and can significantly increase the financial impact of non-compliance.

Payroll declarations and reporting

In Serbia, employers are required to make monthly payroll declarations to report and pay taxes and contributions. Additionally, they must provide an annual payroll declaration, specifically the PPP PO form, which summarizes the income paid to each employee over the year. This form must be sent to employees by January 31st.

The submission of payroll tax declarations to the tax office must occur prior to net salary payments, but it can be done on the same day.

Furthermore, the deadline for paying taxes and contributions coincides with the net salary payment date, meaning that both must be paid on the same day.

Termination and severance

In Serbia, terminated employees receive their final payments on the regular salary payment date. If there are unused annual leave days, these must be paid out as part of the termination process.

Employees dismissed due to job position closure or reduced workload are entitled to severance pay, which is calculated as 1/3 of the gross salary for each year of service. Additionally, employees retiring are also eligible for severance. The payment deadline for terminated employees is the same as the regular salary payment date, ensuring timely compensation.