Native Teams

Serbia Tax Knowledgebase

Employee personal income tax: Annual PIT

This article outlines the personal income tax (PIT) regulations in Serbia, noting that residents are taxed on their worldwide income. In contrast, non-residents are taxed on their income from sources in Serbia. The PIT is self-assessed and due by May 15. Tax rates are progressive, with personal deductions available, and returns must be filed electronically. Authorisation for filing by others is allowed.

Taxpayer

Residents are subject to personal income tax on their worldwide income. Non-residents are taxed on their Serbian-source income only. Income tax is assessed in the year in which the income is earned on a current-year basis.

The annual income tax is paid by citizens (individuals) who earned an income which is three times higher than the average annual salary per employee paid in the Republic of Serbia in the year for which the tax is determined.

Tax report in question

PP GPDG form (Poreska prijava o obračunatom godišnjem porezu na dohodak građana) for annual personal income tax.

Tax year

The tax year is the calendar year.

Due date

The Annual PIT is paid through self-assessment on the income earned during the calendar year.
May 15 for the income from the previous year.

Tax rates

- On the amount up to six times the average annual salary - 10% (up to RSD 8,539,128);
- On the amount exceeding six times the average annual salary, 10% on the amount up to six times the average annual salary + 15% on the amount exceeding six times the average annual salary (from RSD 8,539,129).

Tax base

The tax base for the annual personal income tax is determined based on the total taxable income earned by an individual during the calendar year. This includes income from various sources. Types of income included in the Annual PIT
1. Income from employment;
2. Income from self-employment;
3. Taxable income from copyrights and related rights, and industrial property rights;
4. Taxable income from real estate;
5. Taxable income from leasing movable property;
6a. Taxable income of athletes and sports professionals;
6b. Taxable income from providing hospitality services;
7. Income from other sources (Article 85 of the PIT Act); and
8. Income 1-6 (including 7) from the list above earned abroad, the taxpayer paid tax in other countries.

Personal deductions in the case of annual PIT

In case of a taxpayer: 40% of the average annual salary per employee;
For a dependent family member: 15%.
Total deductions cannot exceed 50% of the taxable income.

Additional tax reliefs

Individuals below the age of 40 are eligible for an additional reduction in taxable income for the annual personal income tax. This reduction is equivalent to the non-taxable amount of annual personal income tax, which is set at RSD 4,269,564. These individuals were not taxed until 2024; however, the provision of the PIT Act prescribing it may be subject to a law change in 2025.

How to submit the tax return?

Tax return is submitted exclusively electronically on the Tax Authority's portal ePorezi, using the qualified electronic signature.

Is it possible to authorise others to submit the tax return on behalf of the taxpayer?

Yes.

Tax on income from capital

This article examines the tax rates applicable to various income types in Serbia, including interest, dividends, and royalties. It highlights the different rates applied to each category, reflecting the country's approach to taxing income. These regulations are relevant for both residents and non-residents earning income within Serbia.

Interest tax rates

Interest on loans, savings, and other deposits (time deposits or demand deposits) and on bonds and similar securities
15%.

Dividend tax rates

Dividend and share in profit
15%.

Royalty income Tax rates

20%
Royalties are separately defined under the Serbian PIT Act, within Chapter IV ("TAX ON INCOME FROM COPYRIGHTS, RELATED RIGHTS, AND INDUSTRIAL PROPERTY RIGHTS")

Employee tax - Special regimes to apply

This article discusses Expatriate Laws in Serbia, focusing on tax incentives for hiring returnees and foreign nationals. It outlines the requirements for employers to benefit from significant tax reductions on salaries for newly settled taxpayers.

Impatriate Law

How to apply and deadlines for employees

N/A

Expatriate Law

Serbia offers tax benefits to employers who hire repatriates and foreign workers, including a 70% reduction in taxes and compensation. They must meet the requirements and follow

them. This program helps attract skilled workers and young professionals, supporting economic growth and innovation.

How to apply and deadlines for employees

Tax incentives for hiring returnees and foreigners

Tax incentives for hiring returnees from the diaspora and foreigners (newly settled taxpayers) remain valid for 2024 and were introduced in March 2020. These incentives can be used for employing returnees from abroad, including young people, as well as foreigners. They are realised in the form of reduced taxes and contributions on the salaries of returnees from abroad.

An employer who establishes an employment relationship with a newly settled taxpayer can benefit from incentives in the form of a 70% reduction in the tax and contribution base for salaries. These tax incentives for hiring returnees and foreigners are available to companies, employers, and innovation-driven entrepreneurs who hire people from the diaspora or foreign nationals. Entrepreneurs who hire them will be able to pay 70% lower taxes and contributions on their salaries for a period of five years.

The incentives apply to tax exemptions for hiring returnees from abroad, as well as foreigners. Domestic employers who utilise these incentives can benefit from:
1. A 70% reduction in the tax base for salaries;
2. A 70% reduction in the contribution base.

To qualify for these incentives, returnees and foreigners (newly settled individuals), and the qualified employer must establish a permanent employment relationship. When signing the employment contract, additional conditions must be met, including:

The employment must be for a position requiring specialised professional education.
The position must be for an individual whose skills are in demand but not easily available on the domestic labour market.
The foreign national being hired by the employer must have the obligation to settle in the territory of the Republic of Serbia in order to be considered a tax resident.

Who can be considered a newly settled taxpayer?

Returnees from the diaspora, or newly settled individuals, are considered:
1. Returnees and foreigners:
Taxpayers who have not predominantly resided in the territory of the Republic of Serbia in the 24-month period prior to the date of signing an employment contract with a qualified employer (at least two years). This includes foreigners and returnees from the diaspora, regardless of their age.

2. Young returnees:
Taxpayers who, at the time of signing an employment contract with a qualified employer, are under 40 years old, and who, in the 12-month period before signing the employment contract with that employer, predominantly resided outside the Republic of Serbia for further education or professional development.

Thus, there are two categories of newly settled taxpayers. Each category has specific conditions that must be met for the individual to be considered a newly settled taxpayer, whether they are foreigners, returnees from the diaspora, or young returnees. It is sufficient for the worker for whom the incentive is applied to meet one of these categories, as well as the requirements related to the job position and specialised education (specifically for the amount of their minimum monthly gross salary).

The right to the tax incentive is maintained even if the employer changes, as long as the specified conditions regarding the job position and specialised education are met. The new employer who hires a newly settled taxpayer also gains the right to use the tax incentive for a period of 5 years starting from the date of employment.

70% reduced base for tax and contribution payments for the employment of foreigners

The first category of newly settled taxpayers applies to foreigners (and certain returnees). To qualify for the tax incentive in the form of a 70% reduction in the base for tax and contribution payments when establishing an employment relationship, certain conditions must be met:

1. The person being employed must not have predominantly resided in the territory of the Republic of Serbia in the 24-month period prior to the date of signing the employment contract with a qualified employer (i.e., they must have been abroad for at least two years—24 months);
2. The employment relationship must be established with a domestic employer for a position that requires specific professional qualifications and fulfils a labour market need that cannot be satisfied by the local workforce;
3. The agreed monthly gross salary must be higher than RSD 344,082.
An additional condition for newly settled taxpayers to reduce the tax base is that, by establishing the employment relationship, the individual must settle in Serbia and be considered a tax resident.
To verify the period of stay proving that the individual has not predominantly resided in Serbia in the 24 months before signing the employment contract with a qualified employer, the following documents must be submitted:
1. Certificate of change of residence or stay in Serbia, issued by the relevant authority in the Republic of Serbia;

2. Certificate of residence or stay in another country, issued by the relevant authority of the foreign country;
3. Certificate from the foreign employer regarding the employment relationship in another country and work in the territory of that country;
4. Proof from the relevant social insurance authority of the foreign country that the employee was insured under the regulations of that country;
5. Written statement that the individual, in the 24 months prior to establishing the employment relationship, predominantly resided in one or more other countries (the statement should include details about the country or countries where the person resided and confirm that the person did not reside in Serbia for more than 366 days, either continuously or intermittently, in the two years prior to the date of signing the employment contract).

Obligation to settle in Serbia

A newly settled taxpayer is entitled to a 70% reduction in taxes and contributions on salaries when:
1. Upon establishing an employment relationship or within a reasonable period after employment, they settle in the territory of the Republic of Serbia;
2. They meet the conditions to be considered a tax resident based on the centre of their business and personal interests in Serbia, as well as for the application of the Double Taxation Avoidance Agreement.

To prove residence, the following documents must be submitted:
1. Proof of ownership or the right to own property, either by the individual or their family members;
2. A written statement confirming that the individual, together with their spouse and minor children, is settled in Serbia;
3. Residence or stay certificate issued in Serbia;
4. Proof of approved temporary residence or permanent settlement;
5. Such proof for the spouse and minor children.

Deadline for obtaining documentation

A qualified employer is required to gather documentation about the newly hired taxpayer no later than the day when the first salary is paid, based on which they acquire the right to the tax relief and reduction.

If there is a change of the qualified employer (when a returnee from the diaspora concludes a work contract with another employer), the new employer also has the obligation to collect the documentation. This demonstrates the fulfilment of conditions for the right to use the tax relief. If there is a change of multiple employers, each subsequent qualified employer with whom a work contract is concluded has this obligation.

Double taxation agreements

The full list of DTTs concluded between Serbia and other countries can be found on the official website of the Serbian Ministry of Finance:
https://www.mfin.gov.rs/propisi/ugovori-o-izbegavanju-dvostrukog-oporezivanja

Employee - Tax reporting for individuals

This article provides an overview of the PPP-PO form in Serbia, which confirms taxes and contributions withheld by employers for employees. It emphasises the form's importance for tracking tax obligations and ensuring accurate personal income tax reporting. Additionally, it touches on the Impatriate and Expatriate Laws, highlighting tax incentives for hiring returnees and foreign nationals, as well as the relevance of double taxation agreements. Annual income report

Form PPP-PO - Confirmation of Paid Taxes and Contributions by Withholding for the Year 20___ / Obrazac PPP-PO - Potvrda o plaćenim porezima i doprinosima po odbitku za 20___ godinu

Tax withholding summary
The PPP-PO Form is used to confirm the taxes and contributions withheld by the employer and paid on behalf of the employee for a specific year. It is a declaration used by employers to report the taxes and social security contributions withheld from the employees' salaries and paid to the tax authorities.

This is particularly important for individuals who earn higher income and may be potential taxpayers for the annual personal income tax, and/or have the right to claim a refund of overpaid pension and disability insurance contributions, as they paid contributions on a basis higher than the highest legally prescribed base.

The PPP-PO Form is prescribed by the Rulebook on Tax Returns by Withholding.

This Form serves the income recipient as an attachment to the tax return for the Annual PIT (PPDG-2R).

According to Article 106 of the Personal Income Tax Law, it is stipulated that the income payer, on income subject to withholding tax, is obligated to provide the taxpayer with a statement at each payment, as well as at the end of the year, containing the following information:
1. Gross taxable income from employment and non-employment;
2. Standardised expenses and other reductions of taxable income;

3. Tax base;
4. Paid taxes, and
5. Paid contributions on behalf of the recipient and on behalf of the income payer.

This form provides confirmation of the payments made by the employer for withholding tax, pension contributions, health insurance contributions, and unemployment insurance contributions. The form is essential for employees to track their tax and social security status and for the proper calculation of annual income tax obligations.

Typically, on the payer's side, there are legal entities and entrepreneurs, while on the recipient's side, there are individuals they have hired. The form is issued for the calendar year, and it must be issued by no later than January 31 of the following year.

- Report on applicable tax allowances in that country
- Report on applicable general deductions in the PIT in that country.
- Tax Credits Report in general in that country
- Investment Interest Income Report

Freelancer's personal income tax

This article discusses the recent amendments to Serbia's tax laws affecting freelancers, highlighting their new options for income tax payment methods. It outlines who qualifies as a freelancer, the deadlines for tax submissions, available tax rates, and the implications of standardised and deductible expenses on their tax obligations.

Taxpayer
The amendments to the Law on Personal Income Tax and the Law on Contributions for Mandatory Social Insurance, adopted in December 2022, addressed the tax treatment of income and the rights of freelancers based on their work. Starting in 2023, this legal framework enables freelancers in Serbia to select from two available methods for paying income tax.

Who is considered a freelancer?
1. Domestic natural person - Serbian resident, who earns income by working in Serbia, from a foreign income payer (legal entity, entrepreneur, or natural person) or a domestic natural person, i.e., from another entity that does not calculate and pay tax and contribution obligations in Serbia at the time of income payment;
2. Domestic natural person - Serbian resident, who earns income by working in another country, from a foreign income payer (legal entity, entrepreneur, or natural person), i.e., from another entity that does not calculate and pay tax and contribution obligations in Serbia at the time of income payment;
3. Foreign natural person - non-resident, who earns income by working in Serbia, from a foreign income payer (legal entity, entrepreneur, or natural person) or a domestic natural

person, i.e., from another entity that does not calculate and pay tax and contribution obligations in Serbia at the time of income payment.

Note: the term "freelancer" is not a legally prescribed definition, as such cannot be found anywhere in relevant legislation.

Tax report in question

PP OPO-K Form / Obrazac PP OPO-K - Tax return on calculated tax through self-assessment and the corresponding contributions for income earned quarterly by an individual as a taxpayer / Poreska prijava o obračunatom porezu samooporezivanjem i pripadajućim doprinosima na na prihode ostvarene kvartalno, od strane fizičkog lica kao poreskog obvesnika

https://reg.pravno-informacioni-sistem.rs/api/prilozi/o2.html&doctype=reg&abc=cba&eli=true&eliActId=435253&regactid=435253

Due date
The deadline for submitting the PP OPO-K Form is 30 days after the end of the quarter. This means that the tax return for the first quarter is submitted by April 30, for the second quarter by July 30, for the third quarter by October 30, and for the fourth quarter by January 30. If the last day of the deadline falls on a non-working day or a public holiday observed as a non-working day, the deadline is extended to the next working day.

The calculated tax must be paid by the deadline for submitting the tax return for the specific quarter. The deadlines for submitting the tax return for the first quarter, second quarter, third quarter, and fourth quarter are April 30, July 30, October 30, and January 30, respectively.

Tax rates

- Option A: 20%;
- Option B: 10%;

Freelancers are in both cases obligated to calculate and pay contributions for pension and disability insurance at 24%.

The calculation of health insurance depends on whether the freelancer submitting the PP-OPO-K Form is already insured on a primary basis for mandatory health insurance, such as through an employment relationship. If the freelancer already has an employment agreement, they would not be obligated to calculate and pay health insurance; on the contrary, freelancers must calculate and pay 10.30% in the name of health insurance.

Personal deductions
Freelancers in Serbia are entitled to standardised expenses. The amount of these standardised expenses varies depending on the model:
- In case of Option A, standardised expenses are considered as a non-taxable portion of a salary in the amount of RSD 103,296 per quarter;
- In case of Option B, standardised expenses are recognised in the amount of RSD 62,300.

Deductible expenses
Standardised expenses expressed above are treated as deductible expenses. These are all business expenses that are recognised without any proof of being incurred and are also used to calculate the tax base.

Additional tax reliefs

/ Deductions or reductions for economic activities
/

Freelancer VAT

This article examines the Value Added Tax (VAT) system in Serbia, outlining its application to goods and services, applicable rates, and registration requirements. It outlines the general and special VAT rates, the filing frequency for VAT returns, and the obligations of businesses regarding invoicing and compliance.

VAT (if applicable)

VAT (Value Added Tax) is a general consumption tax that is calculated and paid on the supply of goods and services at all stages of production and trade, as well as on the import of goods, unless otherwise specified by the Serbian VAT Act.

The taxable items under VAT are:
1. The supply of goods and provision of services (hereinafter referred to as the supply of goods and services) performed by a taxpayer within the Republic for consideration, as part of their business activity;
2. The import of goods into the Republic.
Revenue from VAT belongs to the national budget.

VAT taxpayers are required to issue invoices for every supply of goods and services. All legal entities registered in the VAT system must issue invoices that contain all mandatory elements for every transaction carried out as part of their business activities.

VAT rate: Different types according to operations

According to the Value Added Tax Act, there are two VAT rates:

1. The general VAT rate of 20%; and
2. The special VAT rate of 10%.
The general VAT rate of 20% applies to the taxable supply of goods, services, or the import of goods. Everything else, whose supply is not exempt from VAT, is taxed at the special rate of 10%.

According to Article 4 of the Serbian VAT Act, the taxable supply of goods (trade of goods) subject to a 20% VAT rate includes the transfer of the right to dispose of tangible items to another person, enabling them to act as the owner. Water, electricity, gas, and energy for heating or cooling are also considered goods.

The supply of goods includes:
1. Transfer of the right to dispose of goods for compensation;
2. Delivery of goods under a deferred payment sales contract;
3. Delivery of goods under a lease or rental agreement for a specified period, for movable or immovable property;
4. Transfer of goods by the owner to a commission agent and by the commission agent to the recipient;
5. Supply of goods under a contract where commission is paid upon sale;
6. Transfer of goods by the owner to a consignee and from the consignee to the recipient;
7. Supply of goods manufactured or assembled at the order of the buyer, using materials provided by the supplier;
8. Transfer of the right to dispose of or ownership interest in buildings or economically divisible units within those buildings; and
9. Exchange of goods for other goods or services.

Supply of goods for compensation includes:
1. Withdrawal of goods that are part of the taxpayer's business assets for personal use by founders, owners, employees, or other individuals;
2. Any other supply of goods without compensation; and
3. Recorded losses (shrinkage, spoilage, damage, and breakage) exceeding the quantities determined by an act issued by the Serbian Government.

According to Article 4 of the Serbian VAT Act, the supply of services includes all activities that are not classified as the supply of goods but involve the performance of specific services.

The supply of services includes:
1. Transfer, assignment, and granting of copyrights and related rights, patents, licenses, trademarks, and other intellectual property rights;
2. Provision of services for compensation;
3. Delivery of goods manufactured or assembled at the request of the client, using the client's materials;

4. Exchange of services for goods or other services;
5. Serving of food and beverages for on-site consumption; and
6. Assignment of shares or rights.

The supply of services for compensation includes:
1. Use of goods that are part of the taxpayer's business assets for the personal needs of founders, owners, employees, or other individuals; and
2. Provision of services by the taxpayer without compensation for the personal needs of founders, owners, employees, or other individuals.

According to Article 23 of the Serbian VAT Act, a special VAT rate of 10% applies to the following goods and services:
1. Bread and other bakery products, milk and dairy products, flour, sugar, sunflower oil, corn oil, rapeseed oil, soybean oil, olive oil, edible animal and vegetable fats, and honey;
2. Fresh, chilled, and frozen fruits, vegetables, meat (including offal and other slaughter products), fish, and eggs;
3. Cereals, sunflower, soybeans, sugar beets, and rapeseed;
4. Medicines, including veterinary medicines;
5. Orthotic and prosthetic devices, as well as medical devices surgically implanted into the body;
6. Dialysis materials;
7. Fertilisers, plant protection products, seeds for reproduction, planting materials, compost with mycelium, complete and supplementary animal feed, and live animals;
8. Textbooks and teaching materials; daily newspapers; monographic and serial publications;
9. Firewood, briquettes, pellets, and similar products;
10. Accommodation services in hospitality facilities as per the Tourism Act;
11. Services charged through admission tickets (if such services are not VAT-exempt);
12. Natural gas; heating energy;
13. Transfer of the right to dispose of residential properties, economically divisible units within such properties, as well as ownership shares in such goods;
14. Services preceding the supply of drinking water through the water supply network, as well as drinking water (excluding bottled water);
15. Purification and disposal of stormwater and wastewater; municipal waste management; maintenance of public areas; maintenance of public green spaces and waterfronts; and
16. Passenger transport and their accompanying luggage; cemetery management and funeral services.

VAT filing frequency - How to submit it

The tax period for which the VAT return is calculated and submitted can be either one calendar month or a quarter. The deadline for submitting a VAT return is no later than 15 days from the end of the tax period: monthly or quarterly.

The tax return must be submitted regardless of whether the company has a VAT obligation to pay during that period or not. When reporting VAT, in addition to submitting the tax return, the company must also submit a VAT calculation overview. Otherwise, it is considered that the tax return has not been filed.

The submission of VAT returns electronically through the ePorezi portal is completely free of charge. The taxpayer is responsible for obtaining a qualified electronic certificate for signing the tax returns electronically and a smart card reader, at their own expense.

VAT report (if needed)

VAT Form / PPPDV Obrazac
When reporting VAT, in addition to submitting the PPPDV Obrazac / Form, the company must also submit a VAT calculation overview - POPDV Form. Otherwise, it is considered that the tax return has not been filed.

VAT registration threshold

Businesses operating in Serbia, whose total turnover in the previous 12 months did not exceed RSD 8,000,000, are exempt from calculating VAT. The same applies to companies conducting transactions abroad, provided their turnover does not exceed RSD 8,000,000. This exemption also applies to newly established businesses if it is estimated that their turnover in the next 12 months will not exceed RSD 8,000,000. However, a company can voluntarily join the VAT system.