

# *Ministry of Finance published two new Rulebooks related to assessment, reporting and payment of withholding tax*

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## *In brief*

The Ministry of Finance recently published two new Rulebooks, Rulebook on types of services, based on which non-resident legal entity generates income subject to withholding tax (Rulebook on Types of Services) and Rulebook on Withholding Tax Return.

Rulebook on Types of Services and Rulebook Withholding Tax Return, which bring certain changes with respect to determination of withholding tax, will come into force on April 1 2018.

The most important changes envisaged by these Rulebooks are summarised below:

### *Rulebook on Types of Services:*

Rulebook on Types of Services clarifies which types of fees for services are subject to taxation with withholding tax:

- Market research services represent services related to: collecting information from the market related to the submission of data to a resident legal entity, which are used for planning, organisation and control of business processes of the resident legal entity;

processing and analysis of collected data; determining market characteristics and measuring market potential; analysis of market share; sales analysis; examination of competition; testing new and existing products on the market; and do not include advertising and marketing services and services related to publishing of advertisements.

- Accounting and auditing services are services related to: preparation of financial statements; audit of financial statements in terms of review and assessment of financial statements, based on which independent expert opinion is given.
- Other legal and business consulting services relate to any form of legal and

business consulting, in particular to: tax consulting services; legal services; management of a resident legal entity, as well as any type of advice and consultancy related to the business of a resident legal entity. Organisation of seminars, lectures and workshops, as well as services of mediation in trade of goods and services are not to be considered as other legal and business consulting services in terms of rules for assessment of withholding tax.

The rulebook in question provides for a more narrow scope of withholding tax applicable on service fees compared to the previously applicable withholding tax rules. However, it is still not clear what types of services may be considered as other services in the field of legal and business consulting.

### **Rulebook on Withholding Tax Return**

The Rulebook on Withholding Tax Return brings the following changes:

- Resident income payer is not obliged to file a withholding tax return in case when income of non-resident is exempt from taxation in Serbia in line with the provisions of a relevant Double Tax Treaty,

provided that at the moment the payment of income the resident income payer has evidence that the non-resident income recipient is tax resident of the country with which Serbia has a Double Tax Treaty in place and is the beneficial owner of the income.

- The deadline for calculation and payment of withholding tax and filing of the tax return has been extended to 3 days from the

date of payment of income to a non-resident legal entity.

- Rulebook on Withholding Tax Return is updated with new codes for types of income (primary income from services fees) that need to be entered when compiling and filling a withholding tax return.

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## ***Let's talk***

For a deeper discussion of how this issue might affect your business, please contact:

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