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## ***Draft amendments to The Law on Property Taxes***

*28 August 2018*

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### ***In Brief***

Ministry of Finance has recently made publicly available a working version of The Law on Amendments to The Law on Property Taxes. The most significant amendment is related to the abolition of use of fair value of real estate as a basis for calculation of property tax, which will have a significant effect on the tax liability of all taxpayers who record real estate in their business records using the fair value method.

In mid-June 2018, the Ministry of Finance published on its website a working version of the Law on Amendments to The Law on Property Taxes. The proposed amendments to the Law introduce a significant novelty in the form of excluding the possibility for taxpayers which record real estate in their business records using the fair value method in accordance with IFRS, to determine the property tax for real estate in question by using the tax base that is equal to the fair value of such real estate stated in the taxpayer's business records. The value of such real estate will be determined by applying the price per square meter prescribed by the local self-government. Consequently, the proposed amendment will have a significant effect on the tax liability of all taxpayers who record real estate in their business records using the fair value method.

In addition, the most significant amendments to the Law on Property Taxes also include the following:

- It has been defined that the integral part of land for property tax purposes shall be considered, among others, trails and other open spaces covered with slag, asphalt, concrete, etc., as well as open parking spaces, fences, retaining walls, playgrounds and other;
- It has been defined that for property tax purposes, networks – lines incorporated within the facility are also considered as an integral part of the facility, as well as those that connect the facility and the location of connection to the network;
- It has been envisaged the possibility of reducing the value of property tax base for the amount of depreciation at the rate determined by the decision of the assembly of the local self-government unit, both for taxpayers who keep business records and taxpayers who do not keep business records;
- It has been specified that the tax base of a property that, in one of its parts, is classified into properties for which property tax base is determined on the basis of values stated in the taxpayer's business records (e.g. such as properties in which production facilities of the manufacturing industry are located) shall be determined as the sum of values of percentage share of that part of the property in the total useful area of the property and the value of the remaining part of the property determined in accordance with the provisions of the Law.
- It has been envisaged that an individual/legal entity, that acquires or alienates the right to immovable property on the basis of a document drawn up, notarised and certified by the public notary, files a tax return through a public notary.

The aforementioned amendments would be applicable for the purpose of calculating the property tax for 2019.

**Let's talk!!**

For a deeper discussion of how these changes might affect your business, please contact:

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