

Amendments to the Personal Income Tax Law and to the Law on Contributions for Mandatory Social Insurance

30 December 2019

In brief

The National Assembly of the Republic of Serbia has recently adopted amendments to the Personal Income Tax Law and to the Law on Contributions for Mandatory Social Insurance.

Documenting transportation costs

Amendments to the Personal Income Tax Law introduced an obligation of documenting payments made to employees for the non-taxable compensation of transportation costs for arrival and departure from work.

Other significant law amendments

Other significant changes to the Personal Income Tax Law and to the Law on Contributions for Mandatory Social Insurance are presented below:

- The tax rate for contributions for mandatory pension and disability insurance paid on behalf of employer has been reduced by 0.5 percentage points and now amounts to 11.5%.
- The monthly non-taxable threshold for personal income tax is increased for RSD 1,000, from RSD 15,300 to RSD 16,300.
- The amendments to the Personal Income Tax Law introduce a specific set of criteria for determining under what circumstances payments to entrepreneurs should be reclassified for taxation purposes as other income of individuals, without the right to deduct standardised expenditures.
- New tax incentives for hiring new employees who fulfil certain conditions:
 - For salaries paid to newly settled experts hired for an indefinite period, who have specific expertise not available on the domestic labour market, employers can benefit from a 70% reduction in personal income tax and contribution base reduction in the period of five years (under certain conditions);
 - Founders of a newly established company performing an innovative activity, who are also employed with the company, can benefit from an exemption from personal income tax and social security contributions applicable on their salaries (up to the prescribed thresholds) during a 36-month period from the establishment of the company;
 - An employer who employs a newly qualified employee is entitled to a partial exemption from personal income tax and contributions for mandatory pension and disability insurance, for salaries paid up to 31 December 2022.

Let`s talk!

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

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