TAX

1.29

Predictable Tax Policy – Key to Reform and Digitalization

Predictable tax policy, along with timely consultations with the business sector, is imperative for the efficient implementation of tax reform and digitalization processes.

Role of the FIC Tax Committee
The FIC Tax Committee monitors the alignment of Serbian tax legislation with EU standards, the application of existing laws, and the impact of tax regulations on member companies.

Global Initiatives and OECD Framework
Serbia participates in global initiatives against tax avoidance and evasion through the OECD BEPS (Base Erosion and Profit Shifting) framework, including Country-by-Country Reporting and the application of MLI (Multilateral Instruments) to prevent double taxation. However, the implementation of the OECD Pillar 2 initiative on a global minimum tax of 15% has not yet been considered, which may affect the competitiveness of tax incentives for foreign investors. The Tax Committee has proposed that the Ministry of Finance communicate plans regarding this initiative in a timely and transparent manner.

Bilateral Cooperation and Trade Agreements
Expansion of bilateral cooperation is positive – Serbia signed Free Trade Agreements during the year with: United Arab Emirates and Egypt.

Tax System Digitalization
The most significant focus in the past year relates to:
- Improvement of the e-invoice system
- Introduction of e-excise stamps
- Implementation of e-Delivery note, in progress (first deadline: January 1, 2026)

These changes are expected to contribute to simpler reporting for businesses and more accurate insight for the Tax Administration into company operations.

Challenge: Businesses must adapt their information systems, which requires significant time and resources. A current example is the implementation of the e-Delivery note, for which legal inconsistencies still exist, and the set deadline poses challenges for adjusting new processes and systems.

Necessary Improvements in Tax Policy
In addition to indirect taxes (VAT, excise duties, customs), which are being aligned with the needs of electronic business, further improvements are needed in the areas of personal income tax, property tax, and parafiscal charges to eliminate deficiencies that have been known for years but remain unresolved. Partial solutions to meet short-term needs lead to a lack of horizontal and vertical tax fairness, increasingly evident and hindering business operations. Considering that other tax laws have not been amended, there has been no progress on issues highlighted by the Foreign Investors Council for years.

Key Recommendations of the Tax Committee
- Implement predictable tax policy with consultations with the business sector
- Timely publication and public discussion of planned amendments
- Simplification and clear interpretation of regulations
- Reduction of fiscal burden and parafiscal charges through a transparent register
- Strengthening the capacity and communication of the Tax Administration
- Decisive measures against the gray economy for better tax collection

The Tax Committee will continue to actively participate in dialogue and present member's positions on relevant issues concerning the improvement of tax regulations and practices.

A. CORPORATE INCOME TAX (CIT) 1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Cancel or amend the controversial opinions of the Ministry of Finance on the tax treatment and documenting of reimbursement of employees' commuting expenses.	2019			√
Supplement the CIT Law with provisions to regulate taxation of company restructuring, treatment of liquidation or bankruptcy remainder that is below the threshold of invested capital, and through by-laws, provide guidelines on taxation of permanent establishments. Consistent interpretation and application of the domestic tax law and provisions of the international tax treaties on transactions with a foreign element should be ensured.	2010			√
Aligning domestic practices with respect to withholding tax with the best international practices and definitions applied in the relevant international treaties, (especially with respect to the treatment of proprietary software licensing). Introduce monthly, quarterly or annual filing of tax returns for withholding tax on services, in accordance with customary international practices, instead of filing a tax return for each taxable transaction separately. Also, confirmation on paid withholding tax should be automatically generated in the Tax Administration's system and obtained upon filing and payment of withholding tax, rather than through a separate procedure.	2012			√
Revisit the currently applicable rule that only paid taxes are recognized as an expense in the tax balance sheet and align the above provision with the IFRS rules that do not impose the payment of taxes as a condition for their recognition as an expense in the Profit and Loss Account.	2010			√
"Introduce detailed tax depreciation rules which will allow for the proper classification and depreciation of specific assets such as windmills, oil rigs etc. in accordance with their economic and useful life. Revise the CIT Law and Rulebook governing regulations on the classification of fixed assets by groups and the manner of determining depreciation for tax purposes to resolve the following issues: – Tax depreciation expenses should be recognized for fixed assets acquired before 2013 (present in the accounting records on 1 January 2013) whose individual value at the time of purchase did not exceed the amount of the average gross salary of an employee in Serbia. We suggest that this change be implemented in the Rulebook governing regulations on the classification of fixed assets by groups and the manner of determining depreciation for tax purposes. – Further clarify the method of calculation and recognition of tax depreciation costs for the first group of fixed assets, as at 31 December 2003 that caused numerous dilemmas and controversial interpretations in practice. – In case of acquisition of a bankruptcy debtor as a legal entity, tax depreciation should be calculated based on a proportionate share of the purchase price allocated to relevant assets."	2015			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Introduce tax incentives for investments in fixed assets amounting to less than RSD 1 billion in the form of a tax credit or reduced corporate income tax rate over a certain period, and in proportion to the amount invested.	2014			√
Prescribe that the historical cost model should apply for taxation purposes to assets for which the IFRS provides a free choice between historical cost and fair value accounting, irrespective of the chosen accounting method, to ensure the uniform and equitable tax treatment of taxpayers. However, if the intention is to allow application of the fair value model for taxation purposes, amend the rules relating to tax deductibility of impairment expenses, so that it is clear that decreases in the fair value of assets accounted for under the fair value model are not a nondeductible impairment, and so that fair value increases and decreases are treated equitably.	2017			√
Align the CIT law with accounting requirements set by new standards, including IFRS 9.	2023			√
Since the corporate income tax application and accompanying forms are submitted through the eTaxes portal, taxpayers should be allowed to submit transfer pricing reports in the same way. In this way, the cost of printing and storing reports in paper form would be avoided, the quality of data related to the determination of tax liability would be improved, and the reports would be more easily accessible.	2022			√

CURRENT SITUATION

The taxation of companies in Serbia is governed by the Law on Corporate Income Tax (hereinafter: the CIT Law) and ratified international agreements. The implementation of certain provisions of the CIT Law is regulated by several by-laws.

On November 27, 2024, the CIT law was amended and its new provisions entered into force on January 1,2025. The amendments will be addressed in this year's White Book edition.

POSITIVE DEVELOPMENTS

The recent amendments to the CIT law stipulate that, in the event of a taxpayer's liquidation or bankruptcy, the liquidation or bankruptcy trustee is responsible for filing CIT return and tax assessment form throughout the proceedings, as well as at their suspension or conclusion. Additionally, members of the liquidated company bear joint and several liability for any CIT obligations identified in tax returns filed after the completion of the liquidation process, up to the value of assets individually distributed to them during liquidation.

In the case of the deletion of a branch of a non-resident taxpayer, the deadline for submitting the tax return and tax balance has been specified as 60 days from the date of registration of the branch deletion, with the reporting date being the day preceding the date of registration of that decision with the Serbian Business Registers Agency (APR).

Regarding the question of who is responsible for submitting tax returns in the case of status changes, the amendments specify that in the event of a status change resulting in the termination of a company, the tax return must be submitted by the legal successor of the company that ceased to exist, within 60 days from the date of registration of the status change with the APR. Additionally, in cases of status changes involving division or spin-off, the legal successors are required to submit a report to the Tax Administration on the implementation of the division of rights and obligations within 60 days from the date of registration of the status change with the APR.

The above-described amendments clarify who is responsible for tax compliance (i.e., filing of tax returns) in cases where legal entity ceases to exist which was not the case in the past.

REMAINING ISSUES

I. In 2019, the Ministry of Finance issued a few opinions on the tax treatment and documentation of reimbursement

of employees' commuting expenses that caused a negative backlash from the business community and legal uncertainty among taxpayers. The opinions introduce cumbersome requirements for documenting these expenses, which is contrary to labour and tax laws, to the stance taken by the Supreme Court of Cassation and some previous opinions of the Ministry of Finance. As such, these opinions should be cancelled or amended without further delay.

II. The lack of regulations or their vagueness with respect to certain situations and issues lead to different interpretations consequently causing problems for taxpayers in practice. Specifically, the provisions governing the taxation of a permanent establishment are still incomplete and insufficiently clear; the CIT Law does not contain provisions regulating the taxation of company restructuring or provisions governing the treatment of losses arising from the liquidation or bankruptcy estate surplus. Consistent interpretation and application of the domestic tax law to transactions with a foreign element and of double tax treaties is increasingly important considering the ratification of the Multilateral Convention.

III. Occasionally, interpretations by the Ministry of Finance pertaining to withholding tax differ from provisions of the relevant double tax treaties and best international practices, especially in cases of proprietary software licensing. This leads to legal uncertainty and increases the tax burden for taxpayers, contrary to the rights provided in the relevant double tax treaties. Also, filing separate tax returns for withholding tax on services for each taxable payment of income subject to withholding tax is an administrative burden for businesses. Finally, the procedure for obtaining confirmation of paid withholding tax should be simplified and streamlined. In addition, taxpayers are faced with disproportionately long resolving tax issues procedures, such as deciding on the (non) existence of the obligation to pay capital gains tax with an element of foreignness. Consequently, this puts taxpayers in a situation where the realized funds, received through a non-resident account, cannot be taken out of the Republic of Serbia due to the slow action of the tax authorities, which again has the consequence of creating an unfavourable business climate.

IV. New rules on tax depreciation were introduced for newly acquired non-current assets from 1 January 2019. However, tax depreciation rules applicable to non-current assets acquired before 2019 remained largely unchanged since 2004, and their application in the contemporary business environment causes many difficulties and problems. Also, properly regulating the classification and depreciation of specific assets (e.g. windmills, oil rigs etc.) is particularly important. Provisions of the law pertaining to the method for calculating tax depreciation for assets acquired before 2019 continuously create discrepancies and permanently unrecognized expenses in the tax balance sheet in cases where, at the moment of disposal of an asset, the current accounting value is lower than the current tax value of that asset, as well as in cases where a fixed asset is being disposed of, where that asset was not previously depreciated for tax purposes, as its cost value at the moment of purchase was lower than the average salary in Serbia. The Ministry of Finance issued an opinion in 2017 which gave rise to additional dilemmas about the cessation of tax depreciation for written-off assets. Tax depreciation is not calculated on fixed assets purchased before changes to the CIT Law from the beginning of 2013, and whose individual value was below the average gross salary at that time. During 2015 and the first half of 2016, the Ministry of Finance published opinions regarding the method of calculation of the cost and recognition of tax depreciation for the first group of fixed assets on 31 December 2003, causing numerous dilemmas and controversial interpretations in practice. The Ministry of Finance issued an opinion in 2017 regarding the method of calculation of tax depreciation of assets in case of acquiring a bankruptcy debtor as a legal entity and took the position that tax depreciation should be calculated in the same way as before the filing of a bankruptcy petition. We are of the view that this is a debatable interpretation and that it would be more appropriate to calculate tax depreciation on the basis of a proportionate share of the purchase price allocated to relevant assets.

V. Accounting regulations, i.e. International Financial Reporting Standards (IFRS), provide for the possibility to either opt for the cost model or the fair value model for certain types of assets (investment property, biological assets, and financial assets). The CIT Law does not have clear rules regarding assets measured at fair value. Unrealized gains from the increase of fair value of assets are taxed before the asset is disposed of, i.e. before the gain is realized. The CIT Law does not clearly distinguish between impairment of assets and decrease of fair value of assets (e.g. investment property), for which the IFRS prescribes different rules and treatment. As a result, the decrease of fair value of assets is interpreted as an

impairment expense which is non-deductible until such assets are sold. On the other hand, every increase of fair value of assets is immediately taxable. This results in an unfair increase of taxable income for taxpayers. Due to the application of IFRS 9 which is mandatory since 2020, taxpayers are obligated to write-off receivables that have been outstanding for less than 60 days and therefore, in accordance with the CIT law, an unrecognized tax expense occurs in the period in which the write-off is made. As a result, this leads to continuous temporary differences between accounting and tax values due to misalignment of the law with the new IFRS.

VI. Taxpayers cannot submit transfer pricing reports electronically when filing the corporate income tax return and accompanying forms via the e-Portal. This makes it difficult to access information and collect data relevant for determining the tax base.

VII. The existing tax incentive is inapplicable for investments below a certain, high threshold, which leaves a significant segment of the economy (predominantly small and medium-sized enterprises (SMEs)) without adequate tax support for modernisation and capacity expansion.

FIC RECOMMENDATIONS

I. Cancel or amend the controversial opinions of the Ministry of Finance on the tax treatment and documenting of reimbursement of employees' commuting expenses.

II. Supplement the CIT Law with provisions to regulate taxation of company restructuring, treatment of liquidation or bankruptcy remainder that is below the threshold of invested capital, and through by-laws, provide guidelines on taxation of permanent establishments. Consistent interpretation and application of the domestic tax law and provisions of the international tax treaties on transactions with a foreign element should be ensured.

III. Aligning domestic practices with respect to withholding tax with the best international practices and definitions applied in the relevant international treaties, (especially with respect to the treatment of proprietary software licensing). Introduce monthly, quarterly or annual filing of tax returns for withholding tax on services, in accordance with customary international practices, instead of filing a tax return for each taxable transaction separately. Also, confirmation on paid withholding tax should be automatically generated in the Tax Administration's system and obtained upon filing and payment of withholding tax, rather than through a separate procedure.

IV. Introduce detailed tax depreciation rules which will allow for the proper classification and depreciation of specific assets such as windmills, oil rigs etc. in accordance with their economic and useful life. Revise the CIT Law and Rulebook governing regulations on the classification of fixed assets by groups and the manner of determining depreciation for tax purposes to resolve the following issues:
   - Tax depreciation expenses should be recognized for fixed assets acquired before 2013 (present in the accounting records on 1 January 2013) whose individual value at the time of purchase did not exceed the amount of the average gross salary of an employee in Serbia. We suggest that this change be implemented in the Rulebook governing regulations on the classification of fixed assets by groups and the manner of determining depreciation for tax purposes.
   - Further clarify the method of calculation and recognition of tax depreciation costs for the first group of fixed assets, as of 31 December 2003 that caused numerous dilemmas and controversial interpretations in practice.
   - In case of acquisition of a bankruptcy debtor as a legal entity, tax depreciation should be calculated based on a proportionate share of the purchase price allocated to relevant assets.

V. Prescribe that the historical cost model should apply for taxation purposes to assets for which the IFRS provides a free choice between historical cost and fair value accounting, irrespective of the chosen accounting method, to

ensure the uniform and equitable tax treatment of taxpayers. However, if the intention is to allow application of the fair value model for taxation purposes, amend the rules relating to tax deductibility of impairment expenses, so that it is clear that decreases in the fair value of assets accounted for under the fair value model are not a non-deductible impairment, and so that fair value increases and decreases are treated equitably. Align the CIT law with accounting requirements set by new standards, including IFRS 9.

VI. Since the corporate income tax application and accompanying forms are submitted through the e-Taxes portal, taxpayers should be allowed to submit transfer pricing reports in the same way. In this way, the cost of printing and storing reports in paper form would be avoided, the quality of data related to the determination of tax liability would be improved, and the reports would be more easily accessible.

VII. Introduce tax incentives for investments in fixed assets amounting to less than RSD 1 billion in the form of a tax credit or reduced corporate income tax rate over a certain period, and in proportion to the amount invested.

B. PERSONAL INCOME TAX 1.22

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Repeal or amend the disputed opinion of the Ministry of Finance regarding tax treatment and documentation required for the reimbursement of commuting costs of employees to and from work and amend the Law so that the documentation requirement is revoked or harmonized with the earlier judgment of the Supreme Court of Cassation.	2020			√
The application of schedular personal income taxation is still in force and this remains a problem of the Serbian system of taxation of personal income. Therefore, the Government of Serbia should consider the introduction of a synthetic taxation system, which is present in many advanced tax systems.	2008			√
The recommendation refers to the timely adoption of an appropriate bylaw that will regulate in detail the issue of per diems for business trips and reimbursement of expenses.	2017			√
The recommendation is to clearly define and specify the stance on the tax treatment of interest-free loans (i.e. loans with interest rates lower than market rates) granted by employers to employees through amendments to the Law, and to express this stance through an official explanation that would provide greater legal certainty in this regard.	2017			√
We believe it is necessary to establish cooperation between the Ministry of Finance and the Ministry of Labour, Employment, Veteran and Social Affairs in order to ensure the proper implementation of relevant regulations, specifically treating compensation for unused annual leave as compensation for damages (as recognized by the Labour Law) rather than as income.	2017			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Recognizing that social security rights represent one of the fundamental social and economic rights of employees or engaged individuals, we emphasize the importance of harmonizing certain provisions of regulations to enable foreign individuals seconded to work in Serbia (without establishing an employment relationship) and domestic citizens employed by foreign employers to be registered for mandatory social security. Additionally, we note that the Republic of Serbia should expand the network of international agreements regulating social security in order to avoid double payment of contributions.	2017		√	
Although progress has been made in terms of electronic communication, we believe there is significant room for increasing the functionality of the E-tax platform, as well as communication between taxpayers and the Tax Administration via email. It is necessary to expand the range of actions that can be carried out through the E-tax platform and introduce digital profiles for taxpayers.	2020		√	
In addition to the progress made in taxing freelancers and aligning the fiscal burden they face with that of taxpayers who have received the same types of income from payers under the Law, it is necessary to continue with further positive development of regulations, both in tax and labour law, in order to adequately regulate the position of individuals who have valid employment contracts with foreign employers in accordance with the regulations of the jurisdiction of the entity that engaged them. It is necessary to clearly define and specify in which cases and whether there is an obligation to calculate and pay taxes and contributions based on the lowest base according to the Contract on Rights and Obligations of Directors when directors do not receive compensation for work in the company and when they are employed by another employer, or when non-resident individuals are involved. The recommendation is to clearly specify whether there is an obligation to determine compensation in these cases, and if so, to establish a minimum amount of compensation (e.g. minimum contribution bases) for Directors of companies who have concluded contracts outside of an employment relationship and do not receive compensation for work in the company.	2023			√
The recommendation is for the Tax Administration to review and align the codes for types of income for income of individuals outside of an employment relationship in accordance with the Law on Social Contributions.	2023			√

CURRENT SITUATION

Taxation of personal income in Serbia is based on the schedular income tax system which has been abandoned by many advanced tax jurisdictions as unclear and unfair.

The Personal Income Tax (PIT) Law as the key regulatory instrument recognizes several categories of taxable income. Depending on each individual case, personal income tax is paid: (i) as withholding tax, (ii) based on the decision of the relevant tax authority or (iii) by self-assessment.

In 2025, there were no significant changes to the Law on Personal Income Tax, nor to by-laws. As every year, the non-taxable amounts of personal income tax in dinars and the amounts of average monthly wages are harmonized. Moreover, a new provision was added under Article 9, paragraph 1, point 32 of the PIT Law, specifying that income earned in accordance with the Law governing the establishment of a guarantee scheme and the subsidisation of a portion of mortgage interest, as a measure to support young people in purchasing their first residential property, is exempt from personal income tax liability.

Upon the ending of this White Book edition, Ministry of Finance announced public consultations on the Draft Law on Amendments to the Personal Income Tax Law, which will be addressed in the next White Book edition.

POSITIVE DEVELOPMENTS

In 2025, there were no significant changes to the Law on Personal Income Tax and related by-laws, and therefore no improvement in terms of the remaining issues.

REMAINING ISSUES

I. Free public transport in Belgrade began on 1 January 2025, and in Niš on 1 July 2025. This development has generated numerous uncertainties for employers regarding the reimbursement of commuting expenses (travel to and from work). The ambiguities intensified after the ministries responsible for labour and finance issued their respective opinions.

   The Finance Ministry's opinions reaffirm the positions adopted by the Ministry of Labour. The essential interpretation derived from these opinions is that any payment made to an employee as a reimbursement of transportation costs must be classified as a "reimbursement of expenses" under Article 118, paragraph 1, point 1 of the Labour Law. Consequently, the reimbursement may exceed the actual price of a public transportation ticket, and, in any case, such reimbursement is not to be regarded as remuneration or as "other income" under Article 120, point 4 of the Labour Law.

   We consider the positions expressed in the aforementioned opinions to be unsupported by the Labour Law. Specifically, Article 118, paragraph 1, point 1 of the Labour Law refers exclusively to reimbursements that are equal to the price of a public transportation ticket. Any amount exceeding the statutory limit (as set out in Article 8, paragraph 2 of the Labour Law) should be treated as "other income" under Article 120, point 4, which is, in turn, deemed earnings in accordance with Article 105, paragraph 3.The underlying premise of the ministries' opinions is that the Labour Law fixes the ticket price as the benchmark for transportation cost reimbursements because, at the time of drafting, the possibility of free public transport had not been contemplated. Now that free public transport is a reality, it is highly plausible that the legislator would define the reimbursement benchmark differently or provide several alternative methods for calculating transport-cost reimbursements.

II. Amendments to the Law from the end of the 2022 have stipulated that transportation costs for commuting to and from work must be documented in order for their reimbursement to be non-taxable up to a certain amount, but it is not specified what constitutes documented expenses. This has deepened the problem that arose from the issuance of the controversial opinion of the Ministry of Finance in 2019, which has caused negative reactions from the economy, different approaches in practice, and has imposed unnecessarily complicated requirements on taxpayers regarding the documentation of such expenses. The Finance Ministry's opinions from 2025 on the topic of the tax treatment of travel expense reimbursement to and from work have given examples regarding the documented costs however only for the case of company cards/vouchers, thus it is still required to precisely define what constitutes documented costs.

III. In the field of reimbursement of expenses for business trips abroad, there have been no advancements. This area is still not regulated in an appropriate manner, nor have there been any amendments to the Law that would help solve this problem. The same controversial provisions are still in force, which indicate that the amount of per diem is determined in accordance with the decision of a state authority, which creates uncertainties regarding which acts of state authorities it refers to. As a result, tax inspectors often use the provisions of the Regulation on Compensation of Costs and Severance Pay for State Officials and Employees, even though it exclusively regulates the public sector.

IV. Furthermore, the latest amendments to the Law do not mention the tax treatment of interest-free loans, i.e. loans with interest rates lower than market rates, provided by employers to employees. It remains unclear whether the granting of such a loan is considered a benefit or not.

V. Compensation for damages related to unused annual leave, which is paid to an employee who has not used their annual leave during their employment, is still treated as income. The reasons why the Ministry of Finance has decided on this tax treatment remain unclear, considering that the Labour Law states that this payment is compensation for damages, not income. This clearly implies that a satisfactory level of cooperation between these

two competent ministries has not yet been achieved, at least regarding the mentioned tax treatment.

VI. The tax treatment of individuals based on Contracts on Rights and Obligations of Directors outside of an employment relationship, when the representative of the company is in an employment relationship with another employer, or when the representative of the company is a non-resident individual and does not receive compensation for work in the company, causes certain uncertainties and divided interpretations in practice. The Labour Law does not prescribe the obligation of a contracted remuneration for directors, the payment schedule, and does not define the criterion for determining the amount or assessing the adequacy of the remuneration (the Ministry of Finance introduces the concept of adequate remuneration - Opinion no. 011-00-1137/2018-04). Even though recent opinions of the Ministry of Labour 011-00-00416/2021-07 from 15.10.2021 and 011-00-00383/2021-07 from 8.12.2021. have specified that the remuneration for the work of directors is a mandatory element of the Contract on the Rights and Obligations of Directors who are not in an employment relationship with the employer, it is still necessary to legally define the amount of adequate remuneration for the directors. The minimum amount of remuneration for the work of directors has not been determined by legislation, i.e. there are no minimum amounts prescribed by law, as is the case with salaries.

VII. Certain income type codes defined by the Rulebook on Tax Return for Withholding Tax are not adapted to the method of calculating taxes and contributions in accordance with the Law on Personal Income Tax and the Law on Contributions when it comes to Contracts outside of an employment relationship and cannot be applied in practice.

VIII. Due to the way in which the method of calculation of taxable net income for the purposes of calculating the annual tax is defined, taxpayers who have already paid tax abroad on income earned from abroad, are unable to use this tax as a tax credit in full and are exposed to double taxation. This arrangement directly affects experts whose expertise is in demand abroad, who, because of their wish to continue living and working in Serbia, suffer the burden of double taxation for the same type of income.

The law does not clearly define how qualified newly employed individuals, once they lose the right to this tax relief with their current employer, can regain the same right. Namely, the individual is the holder of the tax relief, and according to the opinion of the Ministry of Finance no. 011-00-59/2020-04 of February 11, 2020, a qualified newly employed individual, when terminating an employment relationship with one employer and establishing it with another, can still apply the tax relief, but in a situation when this right is lost with the same employer, it is not possible to regain it. The law should clarify this part so that taxpayers are not misled into thinking that once lost, the right can be regained.

FIC RECOMMENDATIONS

I. Since the Labour Law provides no alternative basis for calculating transport cost reimbursements other than the price of a public transport ticket, we consider that, in light of the new circumstances that did not exist when the Labour Law was enacted (i.e., free public transport), the legislature should amend the law. Such amendments would eliminate the present ambiguities and uncertainties that employers now face regarding this issue.

II. Repeal or amend the disputed opinion of the Ministry of Finance regarding tax treatment and documentation required for the reimbursement of commuting costs of employees to and from work and amend the Law so that the documentation requirement is revoked or harmonized with the earlier judgment of the Supreme Court of Cassation.

III. The recommendation refers to the timely adoption of an appropriate bylaw that will regulate in detail the issue of per diems for business trips and reimbursement of expenses.

IV. The recommendation is to clearly define and specify the stance on the tax treatment of interest-free loans (i.e. loans with interest rates lower than market rates) granted by employers to employees through amendments to the Law, and to express this stance through an official explanation that would provide greater legal certainty in this regard.

V. We believe it is necessary to establish cooperation between the Ministry of Finance and the Ministry of Labour, Employment, Veteran and Social Affairs in order to ensure the proper implementation of relevant regulations, specifically treating compensation for unused annual leave as compensation for damages (as recognized by the Labour Law) rather than as income.

VI. It is necessary to clearly define and specify in which cases and whether there is an obligation to calculate and pay taxes and contributions based on the lowest base according to the Contract on Rights and Obligations of Directors when directors do not receive compensation for work in the company and when they are employed by another employer, or when non-resident individuals are involved. The recommendation is to clearly specify a minimum amount of compensation (e.g. minimum contribution bases) for Directors of companies who have concluded contracts outside of an employment relationship and do not receive compensation for work in the company.

VII. The recommendation is for the Tax Administration to review and align the codes for types of income for income of individuals outside of an employment relationship in accordance with the Law on Social Contributions.

VIII. It is necessary that annual personal income tax return form be aligned with Article 12 of the Law (the right to tax credit) and agreements on the avoidance of double taxation, i.e., the taxpayer should be allowed the right to use the tax credit.

IX. The application of schedular personal income taxation is still in force and this remains a problem of the Serbian system of taxation of personal income. Therefore, the Government of Serbia should consider the introduction of a synthetic taxation system, which is present in many advanced tax systems.

X. Recognizing that social security rights represent one of the fundamental social and economic rights of employees or engaged individuals, we emphasize the importance of harmonizing certain provisions of regulations to enable foreign individuals seconded to work in Serbia (without establishing an employment relationship) and without applicable Social Security Convention to be registered for mandatory social security. Additionally, we note that the Republic of Serbia should expand the network of international agreements regulating social security in order to avoid double payment of contributions.

XI. Although progress has been made in terms of electronic communication, we believe there is significant room for increasing the functionality of the E-tax platform, as well as communication between taxpayers and the Tax Administration via email especially for the individuals whose income from abroad has been subject to temporary assessment audits and to whom Tax Authority has been issuing the assessments via regular postal services while they are living abroad without the possibility to obtain the assessments. It is necessary to expand the range of actions that can be carried out through the E-tax platform and introduce digital profiles for taxpayers.

XII. In addition to the progress made in the taxation of freelancers, namely the significant alignment of the fiscal burden borne by these taxpayers with that borne by those receiving the same types of income from payers under the Law, it is necessary to continue the positive development of regulations, both in tax and labour law, in order to adequately regulate the status of individuals who, in accordance with the regulations of the jurisdiction of the entity that engaged them, have valid employment contracts with foreign employers.

C. VALUE ADDED TAX 1.36

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Construction: It is necessary to prescribe that in the case of transactions in the field of construction, the parties can opt for taxation according to the general principle – the supplier calculates VAT. Additionally, in cases where the supplier has calculated and paid VAT, but the tax authority believes that the recipient should have calculated VAT as the taxpayer, it is recommended to prescribe that the supplier's invoice will be considered a valid invoice and that no misdemeanour proceedings will be initiated against either the supplier or the recipient.	2017			√
VAT Refund: It is necessary to align the handling of refund requests stated in the VAT return with the provisions of the VAT Law and the Law on Tax Procedure and Tax Administration, which means that the audit process cannot delay the VAT refund. The Ministry of Finance needs to issue a binding explanation in accordance with the VAT Law and the Law on Tax Procedure and Tax Administration, and the Tax Administration should align its procedures accordingly.	2017			√
VAT Rulebook: We propose that the VAT Rulebook form be completely abolished or significantly simplified in accordance with the previously mentioned comments.	2015			√
Issuing Advance and Final Invoices: We believe it is necessary to reassess the importance of the obligation to issue advance invoices if the final invoice is issued in the same month. The recommendation is to amend the legal framework and revert to the previous legal solution in accordance with the previous explanation.	2015			√
Reverse Charge Mechanism: When it comes to the application of the so-called reverse charge mechanism, it should be specified that for the supply of goods and services by a foreign entity, the obligation to calculate VAT for the recipient of goods and services arises either at the moment: 1. When the invoice for goods or services provided by the foreign entity is received, or 2. When advance payment is made to the foreign entity, whichever of these two events occurs earlier. Additionally, it should be considered to introduce an annual VAT return (monthly/quarterly returns would be treated as advance payments), which would be submitted by March of the current year for the previous year, through which taxpayers could make all necessary adjustments, including those related to transactions from abroad for which the recipient of goods or services has the obligation to calculate VAT as the taxpayer.	2013			√
Status Changes: We propose that in the case of the contribution of goods and services to the capital of a company and in the case of status changes, VAT should be calculated by the recipient of the goods and services (so-called reverse charge mechanism), in accordance with the previous explanation.	2015	√		

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Change of Tax Base: VAT regulations should allow that a credit note for a change in the tax base can be issued either by the person who supplied the goods and services or by the recipient of the goods and services. This practice is in line with VAT rules in other countries and common business practices. This cannot in any way jeopardize the collection of VAT. On the other hand, this would help companies reduce their administrative costs. It is also necessary to clearly define that in the case where a smaller quantity of products than invoiced is mistakenly delivered, the taxpayer can either issue a new amended invoice or a credit note. This corresponds to common business practice, and insisting on only one approach imposes additional costs, while from the aspect of VAT collection, there is no reason why both approaches should not be applied. In accordance with this, it is also necessary to define that in the case of returning goods, regardless of the expiration date, the supplier of the goods can issue a credit note or the buyer can issue an invoice/credit note, depending on their mutual agreement. This approach cannot jeopardize the collection of VAT, because, regardless of who issues the credit note, the same VAT rate applies.	2014			√
Customs Authority Certification: We propose to consider amending Article 95a of the VAT Rulebook, as it does not reflect the goal of the Electronic Invoicing Act and does not facilitate the possibility of obtaining tax exemption under Article 24 of the VAT Act. In this regard, we believe that it should be possible to send e-invoices to the competent customs authority in their integral form, and that customs authorities should be included in this process in such a way that taxpayers do not print and certify external representations of the same. This arises from the fact that such invoices have already been created, uploaded, and sent via the eInvoice portal, which certainly validates their authenticity.	2023			√
Invoice Cancellation or Reduction of Tax Base: We propose that a technical solution be enabled in the e-Invoicing System (SEF) environment for a digitized Statement from the invoice recipient regarding whether the previous VAT correction has been made. From the perspective of SEF users, the simplest solution would be to add some form of Statement that the VAT has not been corrected when rejecting the e-invoice, thereby providing confirmation from the taxpayer that they have not used the right to deduct the previous tax; conversely, by accepting the invoice, a Statement on the use of the previous VAT would be generated, confirming that the previous tax correction has been made. This would expedite the reduction of the calculated tax and reduce the increased administrative activities of taxpayers in the process of issuing and tracking the acquisition of these documents.	2024	√		
Disputed Claims: We propose that more relaxed conditions be prescribed for the refund of VAT that has not been collected from customers, and that EU practices be applied in accordance with the previous explanation.	2024			√
Tax Exemption with the Right to Deduct Previous Tax: We propose that Article 24 of the Law includes a tax exemption with the right to deduct previous tax for transactions arising from the donation of used IT equipment to schools and other state institutions, with adequate proof and documentation.	2024			√

CURRENT SITUATION

The value added tax is governed by the Law on Value Added Tax (RS Official Gazette No 84/2004, 86/04 – correction, 61/05, 61/07, 93/12 and 108/13, 142/2014, 83/2015, 108/2016, 7/2017, 113/2017, 13/2018, 30/2018, 4/2019, 72/2019, 8/2020 and 153/2020, 138/2022 and 94/2024 hereinafter: the "**VAT Law**") an by the VAT Rulebook (RS Official Gazette No 37/2021, 64/2021, 127/2021, 49/2022, 59/2022, 7/2023, 15/2023, 60/2023, 96/2023, 116/2023, 29/2024, 65/2024, 73/2024, 101/2024 and 107/2024; hereinafter: **VAT Rulebook**).

In the previous period, following the publication of the White Book 2024, significant amendments were made to the VAT Law and the VAT Rulebook. In accordance with these amendments, among other things:

- It has been made possible for a contract or decision under which the transfer of all or part of the assets is carried out to provide for the suspension of the rule stipulating that no supply is deemed to have occurred in the case of such a transfer.

- It is stipulated that, in the case of a supply of services whose consideration is included in the customs value of imported goods, the VAT base shall be the difference between the total amount of consideration for that supply and the amount included in the customs value of the imported goods.

- The application of the rule for determining the VAT base by estimation has been extended to all cases where, on the date the tax liability arises, the taxable person does not know the amount of the base (the rule no longer applies only to cases where the taxable person is the recipient). It is further specified that any subsequent adjustment of the estimated base shall be made for the tax period in which the base amount becomes known.

- The rules regarding subsequent changes to the VAT base and calculated VAT have been amended:

  - It is prescribed that, in the case of a subsequent increase in the taxable base for a supply, the VAT taxpayer who performed the supply (in addition to the obligation to calculate VAT on the increased amount) is also required to issue a document reflecting the increase.
  - It is prescribed that a VAT taxpayer who supplied goods or services to another VAT taxpayer may reduce the amount of calculated VAT if:
    1) a document on the reduction has been issued,
    2) the recipient has adjusted the deduction of input VAT, if the calculated VAT was used as input tax, and
    3) the supplier possesses a notification from the recipient confirming that the input VAT deduction has been adjusted, or that the calculated VAT was not used as input tax. Thus, the obligation to issue a document on the reduction is prescribed as an additional condition.
  - It is prescribed that a VAT taxpayer who has supplied goods and services to a person who is not a VAT taxpayer may reduce the amount of calculated VAT if:
    1) a document on the reduction has been issued, or another document confirming the reduction of consideration, verified by the recipient of the goods and services,
    2) possesses evidence of the reduction of the taxable base (such as a contract, return of goods, etc.), and
    3) possesses a notification from the recipient stating that no request for VAT refund has been or will be submitted for the reduced VAT amount.
  - In the case of a subsequent reduction of the taxable base for the supply of goods and services where the recipient is a VAT taxpayer – the tax debtor entitled to input VAT deduction; the taxpayer may reduce the amount of calculated VAT if:
    1) an internal invoice has been issued, and
    2) the input VAT deduction has been adjusted, if the calculated VAT was used as input tax.
  - In the case of a subsequent reduction of the tax base for the supply of goods and services where the recipient is the VAT taxpayer (tax debtor) and does not have the right to deduct input VAT, the tax debtor may reduce the calculated VAT amount if:
    1) an internal invoice has been issued, and
    2) a document confirming the reduction of compensation is held.
  - If the compensation for the supply of goods and services is expressed in a foreign currency, the amount of increase or decrease in dinars is determined by applying the exchange rate valid on the date of the increase or decrease, provided that the reduction cannot exceed the amount of the original tax base.

- It is prescribed that if a VAT taxpayer cancels an invoice with stated VAT, the tax base is reduced, and the VAT may be reduced if:
  1) a new invoice is issued, if there is an obligation to issue one, and
  2) a notification is received from the recipient (VAT taxpayer) confirming that the VAT from the invoice was not used as input tax and that no refund request will be submitted.

It has been specified that the conditions are considered fulfilled for the tax period if the VAT taxpayer meets both stated conditions by the day preceding the submission of the tax return for that period, and no later than the 10th calendar day of the month following that tax period.

- In cases where possession of an invoice, or an invoice certified by the competent customs authority, is prescribed as a condition for applying a tax exemption, this condition is considered fulfilled only if the invoice is issued or certified no later than the 10th calendar day of the month following the tax period in which the supply was made.

- Certain changes have been made to the conditions for exercising the right to deduct input VAT:
  - It is prescribed that for supplies where, in accordance with electronic invoicing regulations, there is an obligation to issue an e-invoice, the recipient of goods or services may deduct VAT exclusively based on an e-invoice accepted no later than the 10th day after the end of the previous tax period.
  - It has been specified that a VAT taxpayer who did not exercise the right to deduct VAT based on an advance invoice may exercise the right to deduct input VAT based on the invoice for the supply.
  - It is also prescribed that if an invoice contains formal deficiencies related to the identification of the invoice recipient—excluding the tax identification number (PIB)—this does not affect the VAT taxpayer's right to deduct input VAT.
  - As an additional condition for input VAT deduction in cases where the tax debtor is the recipient of goods or services, the prior issuance of an internal invoice is required.
- Certain amendments have been made to the provisions regarding the correction of input VAT deduction:
  - It is prescribed that the correction of input VAT deduction may be made based on the reduction of advance payments and the cancellation of invoices and other documents.
  - It is prescribed that a VAT taxpayer who has corrected - i.e., reduced - the input VAT deduction may submit a notification of that correction to another VAT taxpayer, if they received a document confirming the reduction in cases where its issuance is required.
- The rule has been abolished whereby a VAT taxpayer, in the tax period in which they receive an advance payment and perform the supply of goods and services for which the advance was received, is not required to issue an invoice for the received advance payment.
- It is prescribed that in the invoice for the supply of services for which it is possible to issue an invoice before the supply is made or before the advance payment is received (e.g., license transactions), the date of supply shall be stated as the date of invoice issuance. Additionally, in the case of cancellation and issuance of a corrected invoice for such services, the date of supply shall be stated as the date of the originally issued invoice.
- It is prescribed that in a new invoice issued in place of a canceled invoice, the date of VAT liability shall be stated as the actual date when the VAT liability arose.
- It is prescribed that a document increasing the compensation or tax base must also include the date of the increase, if the increase did not occur on the date the document was issued.
- It is prescribed that a document reducing the compensation or tax base must also include the date of the reduction.
- It is prescribed that for the supply of real estate, economically divisible units within real estate, and ownership shares, a separate invoice must be issued, which cannot include other types of supply.
- The deadline for issuing invoices for multiple individual deliveries made to the same entity within the same tax period

(so-called successive deliveries) has been abolished. Additionally, the method of stating the date of supply on such invoices has been standardized, regardless of whether it is an electronic invoice or another form of invoice. Specifically:
1) In an invoice issued for the entire tax period, the date of supply is stated as the last day of that tax period.
2) In an invoice issued for a period shorter than the tax period, the date of supply is stated as the last day of that shorter period.

- It is prescribed that an internal invoice must be prepared when the recipient is the tax debtor, specifically in cases of supply, advance payment, increase of the tax base for the supply, reduction of the tax base for the supply, and reduction of the advance payment. This must be done, as a rule, within ten calendar days from the end of the relevant tax period.

- The deadline for submitting the VAT registration report has been shortened to 5 days from the date the taxpayer's total turnover in the previous 12 months exceeds 8,000,000 dinars.

- The procedure for deregistering a VAT taxpayer due to a status change has been prescribed. Specifically, in such cases, the legal successor must submit a notification to the tax authority about the implemented status change within 15 days from the date of the change.

- A significant number of amendments and additions have been made regulating the format, content, and method of maintaining VAT records, as well as the method of reporting data in the POPDV form.

- It is prescribed that the POPDV form will be abolished starting from the first tax period of 2027, and a preliminary tax return will be introduced, which will be generated in the Electronic Invoicing System (SEF) based on the data available to that system starting from the first tax period of 2027.

The previous period was undoubtedly marked by further harmonization of VAT regulations with fiscalization and electronic invoicing rules. Additionally, during the year, amendments to electronic invoicing regulations were made, which may have significant effects on the application of VAT regulations.

In this regard, the regulations on fiscalization and electronic invoicing are analysed in a separate document where certain recommendations are given that are also important for the application of VAT regulations.

POSITIVE DEVELOPMENTS

The latest amendments to the VAT regulations have introduced certain useful simplifications of the existing rules and more precise regulation of specific situations.

A digital, i.e., electronic confirmation of the recipient's statement that the previous VAT from the initial invoice was not used has been enabled - functionality that the FIC has advocated for since the introduction of e-invoicing. This change was part of the FIC's recommendations for further improvements, and we expect it will have a positive impact on efficiency.

Additionally, the risk of interpreting VAT liability in previous periods has been partially reduced or eliminated (e.g., it is now possible for a contract governing the transfer to suspend the rule that stipulates that no supply has occurred in the case of a transfer of all or part of the assets; the abolition of the POPDV form is planned, along with the introduction of a preliminary tax return to be generated in the SEF starting from the first tax period in 2026).

However, certain issues remain that require further attention from the competent authorities, which we highlight below.

REMAINING ISSUES

I. **Construction:** The law prescribes special rules for VAT calculation in the case of transactions in the construction sector. These rules are linked to activity classification, which leads to many questions and ambiguities in practice, as the classification of activities was not originally designed for tax purposes. As a result, taxpayers face legal uncertainty due to differing interpretations by both the taxpayers themselves and the Tax Administration. Due to these varying interpretations, taxpayers are at risk of the Tax Administration calculating output VAT for the supplier, even though the recipient, as the tax debtor, has already calculated the VAT—or that the recipient, who calculated the output VAT, may be denied the right to deduct input VAT because the tax authority considers the supplier to be responsible for VAT calculation. In essence, neither of these approaches causes harm to the budget. Another frequently asked question is whether the procurement of combined equipment (e.g., solar panels), which becomes

operational upon installation, should be treated as equipment or integrated with associated construction works.

II. **VAT Refund:** The law prescribes that VAT refunds are to be made within 45 days of the deadline for submitting the tax return, or 15 days if it concerns predominant exporters. In practice, it has been observed that the Tax Administration delays VAT refunds. It has also been noted that VAT is not refunded because a tax audit has begun. Neither the VAT Law nor the Law on Tax Procedure and Tax Administration prescribe that VAT will not be refunded if the audit is ongoing. Additionally, the audit is not prescribed as a condition for the VAT refund. The Tax Administration has the right to audit regardless of the refund, and this can be done until the statute of limitations expires. Moreover, the Law on Tax Procedure and Tax Administration prescribes that if the VAT refund is not made to the taxpayer within the period prescribed by the VAT Law, interest is calculated from the next day after the expiration of that period. We emphasize that the VAT refund is not the result of an error or omission by the taxpayer, but a key mechanism for the functioning of this tax form. Any delay in the VAT refund directly affects the liquidity of companies that must make timely payments to their suppliers, which include VAT, and on which the ability of their suppliers to regularly meet their tax obligations depends.

III. **Issuing Advance and Final Invoices:** Prior to the adoption and implementation of regulations in the field of electronic invoicing, the VAT Rulebook stipulated that if advance payments were made in the same tax period as the supply of goods or services, the VAT taxpayer was not obliged to issue both an advance and a final invoice, but only a final invoice for the performed supply of goods or services. This was a significant administrative and financial relief for VAT payers based on practical experience. With the introduction of e-invoices in Serbia, the legal framework has changed so that VAT payers, including tax representatives of foreign entities, are now obliged to issue both an advance and a final invoice when advance payment and the supply of goods or services are made in the same tax period. The recommendation is to amend the legal framework and revert to the previous legal solution. It is considered necessary to reassess the importance of issuing advance invoices if the final invoice is issued in the same month. Namely, the introduction of this obligation has created an additional administrative burden for taxpayers in issuing additional documents and linking their numbers with final invoices. For the recipient, it has also resulted in additional reporting through the input VAT records. In certain cases, the introduction of this obligation has also affected commercial business conditions, as sellers now insist that buyers take delivery of goods on the same day the payment is made to avoid issuing both advance and final invoices.

IV. **Reverse Charge Mechanism and the Assessment of the Tax Base:** A taxpayer who is liable for VAT on the supply of goods and services provided by a foreign entity calculates VAT (applies the so-called "reverse charge" mechanism) at the moment the supply is made or at the moment of advance payment, whichever occurs earlier. In cases where there are no advance payments, VAT should be calculated at the moment the service is performed, which is often not applicable in practice, especially for services where the price is not agreed upon in a fixed amount but depends on the agreed calculation. At the moment of supply, or by the deadline for submitting the tax return, the taxpayer often does not have the supplier's invoice or information on the amount of the fee, and therefore cannot know the tax base on which to calculate VAT. This results in VAT being calculated based on estimates, followed by additional adjustments and administrative procedures related to modifying the tax base once the obligation is finally determined, thereby generating unavoidable costs for taxpayers.

V. **Change of Tax Base and "self-billing":** VAT regulations define that when the consideration for the supply of goods and services changes after the supply has been made, i.e., the tax base is altered (e.g., a discount is subsequently granted), the entity that made the supply must issue a document containing certain mandatory elements. The regulations do not allow this document to be issued by the entity to whom the goods and services were supplied, which is a common business practice in other countries. This imposes additional costs on companies, as they must change their usual business practices due to regulations in Serbia. The proposed change would be in line with the existing solution for issuing invoices prescribed by Article 43 of the VAT Law, which provides for so-called "self-billing," i.e., the issuance of invoices by the recipient of goods or services under certain conditions. Additionally, based on practical experience, many foreign companies planning to expand their business in the Serbian market often inquire about the possibility of applying self-billing. Therefore, we believe it makes sense to reconsider the application of this insti-

tute to other documents (documents on the change of the tax base) in addition to the invoice itself and align with the application of Article 46 of the Rulebook.

VI. **Customs Authority Certification:** Given that the VAT Rulebook has been further harmonized with the regulations governing e-invoicing, as well as the tendency for tax regulations to move towards digitalization, we believe that Article 95a of the VAT Rulebook should be reconsidered. Namely, according to this article, the tax exemption from Article 24 of the VAT Law can be achieved if the competent customs authority certifies a printed copy of the e-invoice (external display) that has been previously confirmed by the issuer's signature or stamp. We believe that the application of this provision further slows down the process, as it significantly complicates the fulfilment of conditions for obtaining a tax exemption, and its formulation is not in the spirit of the e-Invoicing Law, which promotes the digitalization of the invoicing process. Additionally, the new Article 101a of the VAT Rulebook stipulates that when possession of an invoice - or an invoice certified by the competent customs authority - is a condition for applying a tax exemption, this condition is considered fulfilled only if the invoice is issued or certified no later than the 10th calendar day of the month following the tax period in which the supply took place. In practice, this requirement has proven to be very difficult to meet, resulting in taxpayers often not applying exemptions subject to this condition, which further increases the cost of doing business for VAT taxpayers.

VII. **Change in VAT related to the amount of compensation that has not been collected:** The VAT Law should simplify the application of this institute by prescribing more relaxed conditions for the adjusting VAT on amounts that have not been collected from customers. The current solution stipulates that uncollected VAT can only be refunded based on a final court decision on the concluded bankruptcy proceedings or based on a certified transcript of the court settlement record. We point out that a significant number of neighbouring countries prescribe less stringent conditions for the refund of uncollected VAT. For example, in Croatia, it is possible to correct output VAT if the claim has been uncollected for more than a year, provided that measures have been taken to collect it (e.g., the claims have been sued, or enforcement proceedings have been initiated). The correction is carried out by the seller notifying the debtor of the correction using a special electronic form, and the debtor is obliged to adjust the input VAT deduction. In Bulgaria, the seller can, after taking measures to collect the claim, inform the buyer in writing that the claim is considered uncollected and issue a document reducing the tax base. In the Netherlands, for example, uncollected VAT can be refunded if the claim has not been collected for a year, with the refund possible even earlier as soon as it is determined that the claim is uncollectible.

VIII. **Donation of Used IT Equipment to Schools and Other State Institutions:** It is common for legal entities to use IT equipment (e.g., computers, monitors, printers, and other accompanying equipment) for a limited period, such as three years, in accordance with company policy that aligns the usage period with optimal efficiency. After this period, the IT equipment is replaced with new equipment, and the used IT equipment is recycled, sold, or donated. Used IT equipment is often still functional and fully capable of handling less demanding tasks, such as applications used in the educational system or other state institutions. Considering that IT equipment in the educational system is outdated or non-functional, and with the aim of encouraging legal entities to donate their used IT equipment, we propose that Article 24 of the Law be expanded to include this type of donation.

IX. **VAT Refund to Foreign Entities:** Article 271, paragraph 6 of the VAT Rulebook stipulates that the Central Office, after verifying the fulfillment of the conditions for a refund, shall issue a decision on the request within 30 days from the date of submission and deliver the decision to the applicant. In practice, however, it often happens that the Central Office of the Tax Administration decides on refund requests more than a year after the foreign entity has submitted the request. This creates legal uncertainty and may discourage foreign entities that purchase movable goods or services in the Republic of Serbia from making future purchases or investing in local business operations, given the significant delays in VAT refund approvals compared to other countries in the region. Furthermore, the additional documentation required from foreign taxpayers far exceeds what is specified in Article 271 of the VAT Rulebook. Therefore, it is necessary either to clearly define the additional documentation within the Rulebook or to adhere strictly to the existing provisions of Article 271.

FIC RECOMMENDATIONS

I. **Construction:** It is necessary to prescribe that in the case of transactions in the field of construction, the parties can opt for taxation according to the general principle – the supplier calculates VAT. Additionally, in cases where the supplier has calculated and paid VAT, but the tax authority believes that the recipient should have calculated VAT as the taxpayer, it is recommended to prescribe that the supplier's invoice will be considered a valid invoice and that no misdemeanour proceedings will be initiated against either the supplier or the recipient. The recommendation is to clarify whether, during the installation of equipment that is directly linked to construction works, the rules for construction or for equipment procurement should apply.

II. **VAT Refund:** It is necessary to align the handling of refund requests stated in the VAT return with the provisions of the VAT Law and the Law on Tax Procedure and Tax Administration, which means that the audit process cannot delay the VAT refund. The Ministry of Finance needs to issue a binding explanation in accordance with the VAT Law and the Law on Tax Procedure and Tax Administration, and the Tax Administration should align its procedures accordingly.

III. **Issuing Advance and Final Invoices:** We believe it is necessary to reassess the importance of the obligation to issue advance invoices if the final invoice is issued in the same month. The recommendation is to amend the legal framework and revert to the previous legal solution in accordance with the previous explanation.

IV. **Reverse Charge Mechanism and the Assessment of the Tax Base:** When it comes to the application of the so-called reverse charge mechanism, it should be specified that, for the supply of goods and services by a foreign entity, the obligation to calculate VAT for the recipient of goods and services arises either at the moment: 1) When the invoice for goods or services provided by the foreign entity is received, or 2) when advance payment is made to the foreign entity, whichever of these two events occurs earlier. Additionally, it should be considered to introduce an annual VAT return (monthly/quarterly returns would be treated as advance payments), which would be submitted by March of the current year for the previous year, through which taxpayers could make all necessary adjustments, including those related to transactions from abroad for which the recipient of goods or services has the obligation to calculate VAT as the taxpayer.

V. **Change of Tax Base and "self-billing":** VAT regulations should allow that a document on the increase or decrease of the tax base can be issued by the person who supplied the goods and services or the person who is the recipient of the goods and services. This practice is in line with VAT rules in other countries and common business practices. This cannot in any way jeopardize the collection of VAT. On the other hand, this would help companies reduce their administrative costs. It is also necessary to clearly define that in the case where a smaller quantity of products than invoiced is mistakenly delivered, the taxpayer can either issue a new amended invoice or a credit note. This corresponds to common business practice, and insisting on only one approach imposes additional costs, while from the aspect of VAT collection, there is no reason why both approaches should not be applied. In accordance with this, it is also necessary to define that, in the case of returning goods, regardless of the expiration date, the supplier of the goods may issue a credit or debit note, depending on their mutual agreement. This approach cannot jeopardize the collection of VAT, because, regardless of who issues the document, the same VAT rate applies.

VI. **Customs Authority Certification:** We propose to consider amending Article 95a of the VAT Rulebook, as it does not reflect the goal of the Electronic Invoicing Act and does not facilitate the possibility of obtaining tax exemption under Article 24 of the VAT Act. In this regard, we believe that it should be possible to send e-invoices to the competent customs authority in their integral form, and that customs authorities should be included in this process in such a way that taxpayers do not print and certify external representations of the same. This

arises from the fact that such invoices have already been created, uploaded, and sent via SEF system, which recognizes their validity. Additionally, we believe it is necessary to "relax" Article 101a of the VAT Rulebook, which has introduced conditions in practice that are difficult to meet for obtaining legally prescribed exemptions.

VII. **Adjustment of VAT for Unpaid Compensation:** We propose that more relaxed conditions be prescribed for the refund of VAT that has not been collected from customers, and that EU practices be applied in accordance with the previous explanation.

VIII. **Donation of Used IT Equipment to Schools and Other State Institutions:** We propose that Article 24 of the Law includes a tax exemption with the right to deduct previous tax for transactions arising from the donation of used IT equipment to schools and other state institutions, with adequate proof.

IX. **VAT Refund to Foreign Entities:** It is necessary for the Central Office of the Tax Administration to process VAT refund requests submitted by foreign entities within the legally prescribed period of 30 days, and to carry out the procedure in accordance with the documentation requirements set forth in Article 271 of the Rulebook on Value Added Tax.

D. PROPERTY TAX 1.60

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is recommended that the provisions of Article 7. of the Law should specify that the fair value is the property tax base for entities applying the fair value measurement according to the IAS/IFRS for SMEs and accounting policies.	2015		√	
To ensure the adequate calculation of the market value of immovable property, it is necessary to: harmonize the zoning criteria of local municipalities; prescribe corrective factors to differentiate between immovable properties in terms of quality, year of construction, purpose and characteristics; consider the adequacy of the methodology used for calculating the average prices of immovable property, simplify the method of calculating property taxes, if, for example, the storage area, the administrative building and the land represent one unit.	2014		√	
Rephrasing provisions regulating exemptions from the absolute rights transfer tax, so that it is understood that the exemption applies to the transfer and acquisition of absolute rights that are subject to VAT, not to those for which VAT is paid.	2021			√
Enable public access to data used by the tax authorities to determine whether the contractual price of an absolute rights transfer is in line with the market price.	2018			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is advisable that the property tax return form and supporting documents be simplified by linking the Portal with the Cadaster and storing of such data enabled. Also, it should be possible to list more than one cadastral parcel in a single municipality in Annex 1 on the territory of a specific local municipality, then automate the following data entries: a) all facilities of the same type (e.g. all taxpayer's warehouses in the territory of a particular local municipality); b) calculation of quarterly installments (e.g. based on Sub-Annexes); c) amended tax returns and d) automate the mathematical sequence (e.g. after entering market or accounting parameters). In line with the above, make appropriate technical adjustments after which, it would be possible, based on the data saved from the Cadaster (based on the plot number and property description, enter the zone and the average value per square meter), to automatically fill in the appropriate forms (PPI-1, Annex 1, sub-annex), for the purpose of filing property tax returns for each year.	2018		√	

CURRENT SITUATION

The property tax is regulated by the Law on Property Taxes ("the Law") ("Official Gazette of the Republic of Serbia", No. 26/2001, "Official Gazette of FRY", No. 42/2002 – decision of the Constitutional Court, and "Official Gazette of RS", Nos. 80/2002, 80/2002 – other law, 135/2004, 61/2007, 5/2009, 101/2010, 24/2011, 78/2011, 57/2012 – decision of the Constitutional Court, 47/2013, 68/2014 – other law, 95/2018, 99/2018 – decision of the Constitutional Court, 86/2019, 144/2020, 118/2021, 138/2022, 92/2023 and 94/2024), as well as by the Rulebook on Tax Return Forms for Assessed or Assessment-Based Property Tax ("the Rulebook") ("Official Gazette of RS", Nos. 93/2019, 151/2020, 143/2022 and 99/2024).

Property tax is an annual tax levied on all real estate located within the territory of the Republic of Serbia.

Real estate includes residential, commercial, and other buildings, apartments, business premises, garages, and other above ground and underground construction structures, as well as their parts.

Property tax is paid by every natural and legal person who owns real estate, regardless of whether the person resides in the Republic of Serbia or is a non-resident.

The taxpayer is obliged to report the ownership of each property to the competent authority, regardless of whether the property is in use or legalized.

The obligation to pay property tax arises on the day the property is put into use, the day it becomes functional, the day the occupancy permit is issued, the day possession is established, or the day the right subject to taxation is acquired.

In the previous edition of the White Book, member companies highlighted specific issues that remain unaddressed even after the latest amendments, despite being important for business operations:

- Legal entities that maintain accounting records determine the property tax base based on the market value of real estate (except in specific cases provided by law). The market value of real estate is represented by its fair value recorded in the taxpayer's accounting books, provided that the real estate is presented at fair value in accordance with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), and the entity's accounting policies.
- The introduction of the market value concept as the basis for calculating property tax has been accompanied by varying interpretations over the years, particularly regarding which taxpayers are eligible to apply this valuation method. This is due to the fact that the legal framework has not regulated this issue with sufficient precision. Over the years, the Ministry of Finance has issued Opinions that clearly expressed the position that small and medium-sized enterprises may use the fair value of real estate, as recorded in accordance with IFRS for SMEs, to determine the property tax base. However, based on practical experience, these Opinions have

created additional legal uncertainty regarding whether they will be applied by the competent authorities and whether they will be binding only for future tax calculations or also retroactively.

With the legislative amendments effective as of January 1, 2025, the competence for determining, collecting, and controlling inheritance and gift tax, as well as tax on the transfer of absolute rights, has been transferred from the Tax Administration to local self-government units (local tax administrations).

In addition to the standard exemption from property transfer tax for diplomatic and consular missions, as of January 1, 2024, tax on the transfer of absolute rights is not payable when a foreign state acquires real estate for the needs of its diplomatic or consular mission, based on the principle of reciprocity (this amendment has been in force since January 1, 2024.).

POSITIVE DEVELOPMENTS

The latest amendments to the Law and Rulebook, effective as of January 1, 2025, regulate the method of calculating the land area beneath buildings for the purpose of tax exemption and introduce new rules that affect the submission of tax returns, data processing, and the methodology for determining the tax base, along with improvements that have a positive impact:

- The method for calculating the land area beneath buildings considered for tax exemption has been further clarified (Article 9, Paragraph 6), including rules for buildings with multiple co-owners or different parts. It is specified that in cases of changes to usable area during the year, data on the exempted area should not be entered.

- One of the most significant changes relates to situations where local governments fail to publish average real estate prices within the prescribed timeframe. In such cases, the new Rulebook prescribes the use of property values determined according to other available criteria. This ensures timely determination of the tax base, even in the absence of price data.

- The Rulebook clarifies how the value of real estate is determined when the average price per square meter in a specific zone is not published (Article 13, Paragraph 21).

- The Rulebook refers to the term "comparable real estate in the best-equipped zone" to further specify the method for calculating the tax base for taxpayers who do not maintain accounting records. However, the definition of this term depends on the decision of the Local Tax Authority.

- New formulations have been introduced that include the value of buildings and land subject to taxation, in accordance with the Law on Tax Procedure and Tax Administration (Article 13).

- A new item 3a) has been added to Article 13, Paragraph 19, which prescribes the value that includes buildings and land subject to taxation, excluding buildings exempted by law.

- The Rulebook provides detailed guidance on how to record cases where a tax obligation arises due to an increase in usable area during the year. In such cases, it is mandatory to enter the date corresponding to the moment the change occurred, thereby introducing clearer practices in tax calculation (Article 20).

REMAINING ISSUES

I. In general, there is still inconsistent application of the concept of market value of real estate as the basis for calculating property tax, as well as ambiguity regarding the determination of the tax base for legal entities that do not report the value of real estate in their accounting records based on fair value in accordance with IAS/IFRS, but rather in accordance with IFRS for SMEs. It should be noted that the latest amendments to the Law introduced clarifications related to infrastructure facilities (Article 7, Paragraph 8) (excluding buildings and other high-rise structures), where the tax base is the book value of the facilities as of the last day of the taxpayer's fiscal year. For exploitation fields and facilities (Article 7, Paragraph 10), for which the tax obligation arises for a taxpayer maintaining accounting records, the tax base for that year is the acquisition cost recorded in the taxpayer's books.

II. The Accounting Law prescribes that small and medium-sized legal entities may apply IFRS for SMEs, and that micro legal entities may also opt to apply these standards. However, Article 7 of the Law does not explicitly state whether it applies to legal entities using IFRS for SMEs. Opinions issued by the Ministry of Finance have taken a rigid stance, asserting that there is no legal basis

for entities applying IFRS for SMEs to determine the property tax base using the fair value method.

III. When determining the property tax base using average prices published by local government units, one of the key parameters is the zone in which the property is located, as defined by local authorities based on utility infrastructure criteria. However, the process of assessing utility infrastructure is not sufficiently transparent. Additionally, no corrective measures are provided based on the quality/age, purpose, or area of the property, which in practice may result in the same tax base being applied to both newly built and significantly older properties. Consequently, market values of real estate often differ significantly from the values derived using average prices published by local governments, placing taxpayers who report fair value in their books at a disadvantage compared to those using other valuation models. The latest legal amendments emphasize that local governments should determine the comparative value of the best-equipped property in the best-equipped zone, and the implementation of this requirement should be monitored in practice.

IV. Significant administrative difficulties arise from the application of the Rulebook on Property Tax Return Forms, which requires taxpayers to re-enter data into the LPA Portal each fiscal year, even when no changes have occurred compared to the previous year. The taxpayer must submit a separate tax return for each local self-government unit where they hold taxable property rights, one Annex 1 for each cadastral parcel in that municipality, and one Sub-annex for each building on the parcel or for the land itself. The Council members concluded that, although the electronic filing system has been technically improved and allows data copying from previous tax years, a single data point must be entered across all related forms, leading to data duplication and frequent errors, especially for taxpayers with properties in multiple municipalities which can result in the need to complete hundreds of electronic forms.

V. Tax authorities have been granted discretionary powers in determining the tax base for the transfer of absolute rights. In practice, internally determined market prices (so-called "parities") are applied within specific local self-government units. These values are not disclosed to taxpayers, making it unclear in many cases whether the agreed price truly deviates from the market value.

VI. Regarding the provision of the Law that defines the exemption from taxation on the transfer of absolute rights—specifically, that transfers subject to VAT are exempt from this tax—it is considered that the term "payment" is inadequate. VAT is calculated and reported in the tax return, and certain transactions may be subject to VAT but exempt from its calculation and payment under the VAT Law.

Additionally, it should be noted that the failure of certain local governments to adopt decisions on average square meter prices and zone classifications for 2025 has caused uncertainty among taxpayers regarding the determination of property tax for that year.

FIC RECOMMENDATIONS

I. It is recommended that Article 7 of the Law be amended to explicitly state that the property tax base for real estate owned by taxpayers who maintain accounting records and report the value of real estate using the fair value method in accordance with IAS/IFRS for SMEs and adopted accounting policies shall be the fair value.

II. To fully eliminate uncertainties regarding whether legal entities applying IFRS for SMEs may determine the property tax base using the fair value method, it would be appropriate to further clarify the provisions of Article 7.

III. For the proper determination of the market value of real estate, it is necessary to: harmonize the criteria for zone classification among local self-government units; introduce corrective factors to distinguish based on quality, age, purpose, and characteristics of individual properties; review the adequacy of the methodology used to

calculate average real estate prices; and simplify the property tax calculation method when, for example, a warehouse, administrative building, and land constitute a single unit.

IV. Simplify the reporting process within the property tax return and accompanying forms – enable integration of the Portal with the Cadastre and data retention and allow for the possibility that multiple cadastral parcels located within the territory of a specific local self-government unit may be listed in Annex 1. Furthermore, automate the following data entries:
   a) data for all properties belonging to the same type (e.g. all warehouses of the taxpayer within the territory of a specific local self-government unit);
   b) calculation of quarterly instalments (e.g. based on the Sub-annex);
   c) amended tax returns; and
   d) automate mathematical sequencing (e.g. after entering market or book value parameters).

   In line with the above, implement technical adjustments that would enable, based on saved data and Cadastre records, automatic generation of appropriate forms (PPI-1, Annex 1, Sub-annex) for the purpose of annual property tax reporting, using the parcel number and property description to enter the zone and average square meter value.

V. Rephrase the provisions related to exemption from taxation on the transfer of absolute rights to specify that the exemption applies to the transfer or acquisition of absolute rights that are subject to value-added tax (VAT), rather than those on which VAT is paid.

VI. Make publicly available the data used by the Tax Administration to "verify" whether the agreed price in a transaction involving the transfer of absolute rights corresponds to the market value.

E. TAX PROCEDURE 1.17

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The electronic services of the Tax Administration should be further improved and developed in a way to enable the taxpayer to download all tax returns in a form customized to user, as well as to enable all taxpayers to electronically obtain TIN and all tax certificates. Propose an amendment to the Rulebook on the allocation of TIN, so that it is prescribed that the Tax Administration delivers the confirmation of the TIN allocation to the taxpayer in e-form.	2014		√	
Regulating the provisions of the Criminal Code concerning tax crimes in more detail and taking into account the size of the legal entity and the volume of taxable activities.	2014			√
Introduction of a time limit duration of the TIN temporary revocation.	2022			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The introduction of a statutory deadline for tax audit duration (or adopt the provision of Article 38 of the Law on Inspection according to which the control procedure is suspended after 8 days have passed from the date of submission of the taxpayer's request for the end of the control in a situation where the inspector does not make a decision after the end of the day of the end of the control after the end of the day of the end of the inspection supervision specified in inspection order), and a tacit acceptance procedure in the case of a failure by the Tax Administration to issue its decision within the deadline, both for the Tax Administration and the Ministry of Finance.	2011			√
Establishing the function of administrative supervision within the Ministry of Finance that will provide an effective mechanism for controlling legal compliance of the work of the Tax Administration's organizational units. The PTA Law should envisage offenses of employees in the Tax Administration who do not act in accordance with regulations (or decisions of immediate higher instances) during their work, especially in cases when they do not act within the deadlines prescribed by the PTA Law and in case of non-execution of the second instance body's decision in line with guidelines and understandings set forth therein. The PTA Law should be further aligned with provisions of the LIO. The LIO provides that inspectors are required to act not only to detect illegal activities and penalize entities violating the law, but also to prevent irregularities and provide advice to controlled entities to minimize risks from illegal acts.	2019			√
Introduction of the obligation in the PTA Law of the second-instance authority of the Ministry of Finance to resolve the administrative matter by itself, instead of the first-instance authority, if the first-instance authority does not act according to its order and does not issue a decision within the deadline, as stipulated in Art. 173 st. 3 GAP Law. In this way, the multi-year duration of tax proceedings would be resolved, where often the first-instance authority does not act according to the order of the second-instance authority, as well as the first-instance authority does not issue a decision in the re-procedure within the time prescribed by law, which jeopardizes the legal security of taxpayers and violates the principle of legality of the tax procedure.	2022			√
Amending Article 147(1) of the PTA Law, so as to read that an appeal suspends the enforcement of the decision.	2016			√
Eliminate legal uncertainty in the process of issuing of opinions of the Ministry of Finance by amending Article 80 of the Law on State Administration with regard to whether the ministry's opinions are legally binding if so prescribed by a separate law; amending the PTA Law to prescribe that the ministry's opinions are binding only if they are published or available to all parties in a public-legal relationship; defining a 30-day deadline for issuing an opinion defining the consequences in a situation where previously issued opinions are changed or disregarded; amending the PTA Law to prescribe that opinions of the Tax Administration sent by email are binding for the Tax Administration, and introducing provisions to the PTA Law to govern the liability of authorized officers and adequate penalties for failure to issue a binding opinion within the 30-day deadline. Introduce the obligation to publish a redacted request with the issued opinion.	2017			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Abolishing the provision of the PTA Law which prohibits the SBRA from erasing a taxpayer from the register, registering status changes, or amending information for the duration of a tax audit or procedures undertaken by the Tax Police.	2014			√
Abolishing the provision of the PTA Law which prohibits the SBRA from registering acquisition of shares in legal entities as well as establishment of new legal entities in cases when the founder of such entity is a legal entity or entrepreneur over whom tax audit or any other action performed by the competent tax authorities has been registered.	2021			√
Strengthen the capacity of the Administrative Court in terms of expertise, specialization and speed in resolving tax disputes.	2020			√
Adopt Ministry of Finance binding opinion for the actions of the Tax Administration in the domain of termination of tax liability by statute of limitations, for which termination of tax liability is prescribed that the Tax Administration issues a decision on the termination of tax liability ex officio and that the same one is in accordance with Art. 163 PTA Law transfers to off-balance sheet tax accounting. In the opinion in question, it is necessary for the Ministry of Finance to clearly state that this is a tax-legal relationship as a relationship of public law and that any tax paid in which the statute of limitations has expired does not represent a natural obligation.	2022		√	

CURRENT SITUATION

The regulatory framework for the tax procedure in Serbia is shaped by four principal laws:

- The Law on Tax Procedure and Tax Administration, (PTA Law);
- The Law on General Administrative Procedure (GAP Law);
- The Law on Administrative Disputes, (AD Law);
- The Law on Inspection Oversight, (LIO Law).

The tax procedure is a special type of administrative procedure governed primarily by the PTA Law (lex specialis), which regulates in detail the organization and functioning of the Tax Administration, as well as the procedures for the assessment, control, and collection of taxes. The PTA Law comprehensively regulates all tax misdemeanours. The general rules of the GAP Law apply to the tax procedure where a certain issue is not regulated by the PTA Law, while the rules of the LIO Law further specify the activities of the Tax Administration regarding inspections. The AD Law regulates the judicial review of administrative decisions issued by the Tax Administration as an additional taxpayer protection system (e.g. deciding on actions against second-instance decisions of the Ministry of Finance).

The latest amendments to the PTA Law were adopted on November 27, 2024 (Official Gazette of RS, No. 94/2024), and they take effect from January 1, 2025, with certain provisions postponed until January 1, 2026 (Official Gazette of RS, No. 138/2022). The most important amendments in 2024 introduced the following changes:

- **Establishment of a Register for Individuals:** The Tax Administration is responsible for establishing and maintaining an electronic database of individuals, including Serbian citizens, foreign nationals residing in or having tax obligations in Serbia, refugees, asylum seekers, and those under special protection. The purpose of this register is to enable efficient verification of compliance with laws and tax obligations, as well as to assess eligibility for certain rights. The data will be collected from official records of other governmental bodies and directly from taxpayers. The provisions introducing the register will take effect on January 1, 2026;

- **Clarification of Grounds for Cessation of Tax Liabilities:** The reasons for cessation of tax liabilities are categorized into four groups: (1) tax payment, (2) statute-barred tax liability (except when unpaid taxes and related tax liabilities are secured by a pledge or mortgage registered

with the competent authority from which taxes can be collected), (3) tax discharge, and (4) permanent uncollectibility of taxes. The term "tax write-off" has been replaced with "tax discharge," and the law prescribes cases when the Government, upon the minister's proposal, can issue a decision on discharge of tax and related tax liabilities. Additionally, a special provision defines when the Tax Administration can write off tax and related liabilities (e.g., in the case of discharge by Government decision) or tax overpayment (e.g., statute of limitations on refunds, tax credits, etc.). The amendments also define more precisely the cases of permanent tax uncollectibility as grounds for the cessation of tax liability;

- **Doubtful and Contested Claims:** The amendments define cases when unpaid tax liabilities are considered doubtful and contested claims, which the Tax Administration will monitor under a special regime due to the specific status of taxpayers (bankruptcy, forced liquidation, death of an individual, business incompetence, etc.);

- **Obligations of Legal Successors in Status Changes:** A new obligation is introduced for the legal representative of the legal successor or another authorized person to file a tax return prescribed by law when the deadline for filing occurs after the deregistration of the predecessor entity in a status change.

- **Payment of Taxes in Foreign Currency:** Non-residents may pay their tax liabilities in foreign currency by remitting the payments into foreign currency accounts designated for tax collection. This option will be applicable from January 1, 2026, and the responsible ministry will regulate the method of tax payment in foreign currency.

- **Deferral of Tax Payment:** The Tax Administration will no longer have discretionary rights to determine whether a taxpayer meets the criteria for deferring tax payments. If the legal conditions are met, specifically if the tax obligation represents an unreasonably heavy burden or payment of taxes would cause significant economic harm to the taxpayer, the Tax Administration is obliged to confirm, upon a reasoned request from the taxpayer, that these conditions are met and submit a written proposal to the competent authority for deferral of payment. Tax deferral is not possible for the annual personal income tax. These provisions will be applicable starting January 1, 2026;

- **Provisions on Statute of Limitations:** Amendments regarding the statute of limitations concern cases where the Tax Administration must issue a decision on the statute of limitations for tax liabilities/right to refund, tax credit, or tax rebooking upon request by a taxpayer or ex officio. It is also specified that statute of limitations provisions will not apply to contributions for mandatory pension and disability insurance and mandatory health insurance;

- **Abolishment of Off-Balance Tax Accounting:** Off-balance records will be abolished, and data entry into the existing records will be concluded by December 31, 2025. Unpaid tax obligations recorded in off-balance records from claims in bankruptcy proceedings up to December 31, 2025, will be transferred into tax accounting as doubtful and contested claims. For other unpaid tax obligations and overpayments transferred to off-balance tax accounting up to December 31, 2025, the Tax Administration will prepare reports ex officio;

- **Penalties for Non-Compliance with Tax Regulations:** Penalties for general tax offenses by legal entities and entrepreneurs, such as failure to file, late filing of tax returns, incorrect calculation, non-payment, and late payment of taxes, have been updated, introducing stricter penalties depending on the amount of owed tax liability. This applies equally to penalties for tax offenses committed by individuals.

When it comes to amendments to other laws affecting the domain of tax procedure, changes to the GAP Law were made at the beginning of 2023 in accordance with the decision of the Constitutional Court of the Republic of Serbia (Official Gazette RS, No. 2/2023). There have been no recent changes to the AD Law or the LIO Law.

POSITIVE DEVELOPMENTS

New amendments to the PTA Law have introduced provisions that clarify the obligation of the Tax Administration to issue a decision on the cessation of tax liabilities due to the statute of limitations on tax liabilities, tax refunds, tax credits, or tax rebooking. Specifically, regarding tax liabilities, the Tax Administration is obligated to issue a decision on their cessation upon the taxpayer's request. Additionally, the Tax Administration has the option (though not the obligation) to issue such a decision on its own initiative (ex officio), considering the efficiency of the procedure.

On the other hand, when it comes to the statute of limitations on the taxpayer's right to refunds, tax credits, and the settlement of due liabilities through tax rebooking, the Tax Administration is required to issue a decision on the cessation of these rights ex officio.

Although these changes represent significant progress, a legal solution mandating the Tax Administration to issue a decision ex officio on the cessation of tax liabilities due to the statute of limitations would enhance legal certainty for taxpayers.

Furthermore, the discretionary power of the Tax Administration to assess whether a taxpayer meets the conditions for deferring tax payments has been abolished. If the prescribed conditions are met—specifically, if the tax liability represents an unreasonably heavy burden or its settlement would cause significant economic harm to the taxpayer—the Tax Administration is required, upon a reasoned request from the taxpayer, to confirm that these conditions are satisfied and to submit a written proposal to the competent authority for deferral of payment. The conditions for granting tax deferrals are further regulated by a Government decree.

Introducing a range of penalties for tax offenses, which become stricter as the tax due is larger, enhances the fairness in penalizing taxpayers for failing to fulfil or for not timely fulfilling their obligations related to determining, reporting, and paying taxes.

Over the past year, there were no other significant changes affecting the regulatory framework governing tax procedures in Serbia. The issues addressed in previous years remain unresolved.

REMAINING ISSUES

I. The existing regulatory framework governing the tax procedure still does not provide sufficient protection for taxpayers against discretionary decisions of tax authorities. Additionally, the lack of capacity and competences jeopardizes the protection of legality in the control procedure, as well as in the appellate and court proceedings.

II. Rules on tax-related criminal offences still do not take into consideration the size and volume of taxable activities of taxpayers and apply the same threshold to both small businesses and large corporations in Serbia.

III. More often than not, tax inspectors do not apply the "substance over form" principle in good faith. This regularly leads to highly unfavourable decisions for taxpayers, which are practically impossible to change.

IV. Tax authorities routinely fail to comply with the deadlines for the issuance of decisions based on submitted appeals.

V. The existing rules regarding delayed execution of tax administrative acts via requests submitted to the second-instance authority do not provide for clear conditions for delaying execution, providing the second-instance authority with a very broad-set discretionary right.

VI. Rules that relate to the possibility of a tax refund in the event of the existence of matured tax liabilities in another respect are unclear and restrictive and do not take into account whether such tax liabilities are deferred or disputed (e.g. an appeal against a tax assessment issued by the Tax Administration). As a result of the foregoing, taxpayers are in a situation wherein uncollectible tax liabilities result in a complete discontinuation of the tax refund.

VII. The statutory 30-day deadline for issuing and publishing binding opinions upon request of taxpayers is not observed, so, in practice, taxpayers wait for opinions for more than a year.

VIII. Limiting the filing of amended tax returns to two times is not justified. In fact, in most cases mistakes are made unintentionally, or are technical, especially in the case of large taxpayers who have large-scale and complex internal organization systems. Given that a taxpayer cannot amend a tax return in the event of a tax audit for a specific period, abolishing this restriction would not create an additional burden for the Tax Administration. Quite the contrary, it would help increase the efficiency of tax collection and encourage taxpayers' co-operation, consequently reducing the scope of tax audits.

IX. During a tax audit, as well as during the period in which a taxpayer's TIN is temporarily withdrawn, and until it is reinstated, the SBRA cannot erase a taxpayer from the register, register status changes, or change any of the registered data. In addition, tax liabilities become due regardless of whether or not a company is actually

doing business (e.g. mandatory social security contributions, municipal taxes). Due to the vagueness and restrictiveness of this provision, the initiation of a tax audit may preclude the company from closing down business, which will lead to additional tax liabilities for the company, regardless of the outcome of the audit, thus de facto arbitrarily punishing the taxpayer for no reason. Additionally, taxpayers are unable to register changes that may even enable tax payment (capital increase, registration of a change of legal representative, etc.).

X. Prohibiting SBRA to register the acquisition of shares in legal entities or establishment of new legal entities in cases when the founder of such entity is a legal entity or entrepreneur over whom tax audit or any other action performed by the competent tax authorities has been registered. The restrictiveness of this provision leads to the business limitations of taxpayers, which de facto taxpayer represent a punishment for a taxpayer without any grounds.

XI. The PTA amendments introduced the possibility for the Tax Administration to secure the collection of a tax liability that is not due, but for which an audit procedure has been initiated, even though criteria or conditions for the implementation of this measure have not been prescribed, which is not in line with the legality principle. As a consequence, tax resolutions that impose the measure do not contain valid reasons why the Tax Administration considers that there is risk in tax collection.

XII. Amendments to the PTA Law abolished the function of administrative supervision within the Tax Administration. According to the amended text of the PTA Law, the Tax Administration has exclusive competencies to perform the function of internal control. The Ministry of Finance has not established supervision as a separate function, from the moment of the abolition of the function of administrative supervision within the Tax Administration.

XIII. The Serbian Administrative Court, as the final instance for tax disputes, does not have a sufficient level of specialization and expertise to adjudicate on tax matters. A court decision will typically take more than one year. Considering that the procedure before the court does not postpone a tax liability, i.e. the taxpayer still has to settle the previously disputed tax, even if he eventually does win the case, incurred costs for the taxpayer usually result in taxpayers receiving refunds of lower value in real terms. In addition, courts almost never decide on the merits of a case.

XIV. There is no prescribed length of time for the temporary confiscation of PIB by the Tax Administration, which in practice equates to the permanent confiscation of TIN and preventing taxpayers from performing their activities, as they cannot perform any payment transaction except paying taxes.

XV. Article 36 of the Law on Tax Procedure and Tax Administration (ZPPPA) regarding the delivery of tax documents is imprecisely formulated, especially in the part concerning electronic delivery to the email address of the taxpayer's proxy. In practice, it often happens that a tax document is sent to an inactive email address, resulting in a bounce-back message indicating the email address is inactive. However, the Tax Administration records this as a properly executed delivery, thereby depriving taxpayers of their legal right to appeal.

FIC RECOMMENDATIONS

I. The electronic services of the Tax Administration should be further improved and developed in a way to enable the taxpayer to download all tax returns in a form customized to user, as well as to enable all taxpayers to electronically obtain TIN and all tax certificates. Propose an amendment to the Rulebook on the allocation of TIN, so that it is prescribed that the Tax Administration delivers the confirmation of the TIN allocation to the taxpayer in e-form.

II. Regulating the provisions of the Criminal Code concerning tax crimes in more detail and taking into account the size of the legal entity and the volume of taxable activities.

III. The introduction of a statutory deadline for tax audit duration (or adopt the provision of Article 38 of the Law on Inspection according to which the control procedure is suspended after 8 days have passed from the date of submission of the taxpayer's request for the end of the control in a situation where the inspector does not make a decision after the end of the day of the end of the control after the end of the day of the end of the inspection supervision specified in inspection order), and a tacit acceptance procedure in the case of a failure by the Tax Administration to issue its decision within the deadline, both for the Tax Administration and the Ministry of Finance.

IV. Introduction of a time limit duration of the TIN temporary revocation.

V. Establishing the function of administrative supervision within the Ministry of Finance that will provide an effective mechanism for controlling legal compliance of the work of the Tax Administration's organizational units. The PTA Law should envisage offenses of employees in the Tax Administration who do not act in accordance with regulations (or decisions of immediate higher instances) during their work, especially in cases when they do not act within the deadlines prescribed by the PTA Law and in case of non-execution of the second instance body's decision in line with guidelines and understandings set forth therein. The PTA Law should be further aligned with provisions of the LIO. The LIO provides that inspectors are required to act not only to detect illegal activities and penalize entities violating the law, but also to prevent irregularities and provide advice to controlled entities to minimize risks from illegal acts.

VI. Introduction of the obligation in the PTA Law of the second-instance authority of the Ministry of Finance to resolve the administrative matter by itself, instead of the first-instance authority, if the first-instance authority does not act according to its order and does not issue a decision within the deadline, as stipulated in Art. 173 st. 3 GAP Law. In this way, the multi-year duration of tax proceedings would be resolved, where often the first-instance authority does not act according to the order of the second-instance authority, as well as the first-instance authority does not issue a decision in the re-procedure within the time prescribed by law, which jeopardizes the legal security of taxpayers and violates the principle of legality of the tax procedure.

VII. Amending Article 147(1) of the PTA Law, so as to read that an appeal suspends the enforcement of the decision.

VIII. Eliminate legal uncertainty in the process of issuing of opinions of the Ministry of Finance by amending Article 80 of the Law on State Administration with regard to whether the ministry's opinions are legally binding if so prescribed by a separate law; amending the PTA Law to prescribe that the ministry's opinions are binding only if they are published or available to all parties in a public-legal relationship; defining a 30-day deadline for issuing an opinion defining the consequences in a situation where previously issued opinions are changed or disregarded; amending the PTA Law to prescribe that opinions of the Tax Administration sent by email are binding for the Tax Administration, and introducing provisions to the PTA Law to govern the liability of authorized officers and adequate penalties for failure to issue a binding opinion within the 30-day deadline. Introduce the obligation to publish a redacted request with the issued opinion.

IX. Abolishing the provision of the PTA Law which prohibits the SBRA from erasing a taxpayer from the register, registering status changes, or amending information for the duration of a tax audit or procedures undertaken by the Tax Police.

X. Abolishing the provision of the PTA Law which prohibits the SBRA from registering acquisition of shares in legal entities as well as establishment of new legal entities in cases when the founder of such entity is a legal entity or entrepreneur over whom tax audit or any other action performed by the competent tax authorities has been registered.

XI. Strengthen the capacity of the Administrative Court in terms of expertise, specialization and speed in resolving tax disputes.

XII. Reformulate Article 36 of the Law on Tax Procedure and Tax Administration (ZPPPA) with regard to the delivery of tax documents via email.

F. ELECTRONIC BUSINESS MODEL 1.67

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
We propose the following amendments or clarifications to the Law on Electronic Invoicing:				
a. Enable simple and transparent access to the "European and Serbian standard for electronic invoicing"	2022			√
b. Further harmonize the terminology of VAT and ZEF, especially aligning with Article 42 of the VAT Law.	2022		√	
c. We propose that the SEF develop, and the ZEF regulations specify the digital signing of cancellation documents as proof of input VAT correction.	2022	√		
d. We propose clarifying whether the payment request applies/does not apply to proforma invoices issued to the public sector.	2023			√
e. We propose that when amending and supplementing legal regulations, for which technical adjustments of the taxpayer's system are necessary, the implementation period should be a minimum of 3 to 6 months. Additionally, we propose abolishing the POPDV form to eliminate duplicate record-keeping.	2024		√	
f. We propose suspending the manual transfer of fiscal receipt data until digital transfer within the SEF is established.	2024			√
With the introduction of digitalization, it is expected to simplify processes and save time in this regard, and we ask that the development of the SEF be considered in terms of digital verification of the formal correctness of e-invoice elements, such as logical and mathematical verification of e-invoice correctness, as well as error reporting.	2022		√	
Align the date of electronic recording of VAT calculation and input tax with the date for submitting the VAT return (by the 15th of the current month for the previous month).	2023			√
We propose more detailed regulation of the method of recording VAT calculation, in collective and individual records, as well as recording input tax, for already prescribed situations in which records are kept, and closer definition of situations in which individual and collective VAT calculation records are kept.	2023		√	

CURRENT SITUATION

The implementation of electronic business in the Republic of Serbia began in 2017 with the introduction of the Law on Electronic Document, followed by the adoption of the Law on Fiscalization, the Law on Electronic Invoicing (ZEF), the Law on Electronic Delivery Note, and the introduction of e-Excise. The most significant changes relate to the preparation, reporting, and exchange of electronic documents/invoices/delivery notes/excise stamps, electronic identification, as well as electronic data exchange in both the public and private sectors. The Republic of Serbia has taken a step further in the legal regulation and implementation of electronic business and the monitoring of the development of information technologies based on solutions contained in international practice, regulations, and standards of the European Union.

Members of the Foreign Investors Council support the introduction and modernization of e-commerce, whose aim is to stimulate more efficient in business entities' operations, contribute to a decrease in grey economy and develop a trusted market, make citizens' access to the services of public authorities easier and safer, while the introduction of electronic archiving is expected to simplify the access to financial documents.

Electronic business is regulated by the following laws and by-laws:

Law on Fiscalization ("Official Gazette of the RS", No. 153/2020, 96/2021, and 138/2022)

Entered into force on May 1, 2022, regulating new fiscalization model, entering new fiscalization model making fiscal invoice visible to the Tax Administration in real time, as opposed to the previous method of data transfer at the end of the day. Fiscal invoices are being tracked by generated unique QR code/hyperlink, that is a part of each fiscal invoice. Taxpayers are obliged to register for each retail point of sale, unless exempted based on the Law on Fiscalization, an electronic fiscal device, in addition to a cash register, can be a computer, tablet, or mobile phone and the QR code on each slip enables customers, i.e., users of services, to check the validity of the bill by a simple code scanning.

Law on Electronic Invoicing (ZEF) (Official Gazette of the RS", No. 44/2021, 129/2021, 138/2022, 92/2023 and 94/2024)

Fully implemented from January 1, 2023, with the aim to regulate the obligation of electronic recording of VAT calculations in the electronic invoicing system; regulate the use of the electronic invoicing system; provide basic instructions for handling electronic invoices, including how to accept/reject an electronic invoice, as well as other relevant instructions.

Rulebook on Electronic Invoicing (Rulebook) ("Official Gazette of the RS", No. 47/2023, 116/2023, 65/2024, 73/2024, 101/2024, 107/2024, 56/2025 and 85/2025)

Implemented from July 1, 2023, the consolidated rulebook replaces the previous three rulebooks and regulates the method and procedure for registering access to the electronic invoicing system (SEF); the application of e-invoice standards; the elements and attachments of e-invoices; the method and procedure for electronic recording of VAT calculations in SEF including input VAT; procedures in case of temporary interruptions in SEF operations; the use of data from SEF; and the procedures of the Central Information Intermediary.

Of significant importance is the Internal Technical Manual, published and additionally harmonized by the Ministry of Finance of the Republic of Serbia. The Electronic Invoicing System (SEF) has been introduced, which represents an information technology solution for sending, receiving, recording, processing, and storing e-invoices, managed by the central information intermediary. Additionally, the SEF records VAT calculations for public and private sector entities, as well as VAT for representatives of foreign entities registered for VAT in the Republic of Serbia, who are obliged to ensure technical capabilities and timely implementation in accordance with the Law on Electronic Invoicing (ZEF).

The introduction of electronic business and issuing invoices in electronic form is the biggest change since the introduction of VAT. In addition to the new regulations, further alignment with other relevant laws is required, primarily with the Law on VAT and the Law on Accounting, especially in terms of specifying the content and manner of issuing invoices.

Law on Electronic Delivery Notes (ZEO) ("Official Gazette of the RS", No. 94/2024)

The Law on Electronic Delivery Notes aims to regulate the obligation of sending and receiving electronic delivery notes during the movement of goods for entities in both the public and private sectors. It governs the use of the information technology system for managing electronic delivery notes, provides basic guidelines for handling

delivery notes and receipts, and defines the procedures for their acceptance or rejection, along with other relevant instructions and exemptions from the obligation of implementation.

Rulebook on Electronic Delivery Notes (PEO) ("Official Gazette of the RS", No. 21/2025)

The Rulebook on Electronic Delivery Notes regulates the method and procedure for sending, receiving, and processing electronic delivery notes within the system managed by the Central Information Intermediary. It specifies the standards for electronic delivery notes, their components, and the method of recording within the system, as well as procedures in case of technical difficulties. Of key importance is the internal technical guideline, published and additionally harmonized by the Ministry of Finance of the Republic of Serbia, which provides detailed instructions for system users and ensures compliance with legal requirements.

A phased implementation of the ZEO is planned as follows: The first phase, starting on January 1, 2026, includes the obligation for public sector entities to send and receive electronic delivery notes to and from other public sector entities, as well as the obligation for carriers to present the electronic delivery note issued for such movements of goods during inspection procedures, in accordance with the provisions of laws governing inspection oversight. Additionally, in the first phase, private sector entities are required to send electronic delivery notes in cases involving the movement of excise goods, to send electronic delivery notes to public sector entities, and for carriers to present the electronic delivery note issued for these movements of goods. The second phase, covering other types of goods' movement, will be implemented starting October 1, 2027.

In addition, the integration of the e-Delivery Note module with the e-Invoice system has begun, aiming to link issued delivery notes with the issuance of e-invoices. This integration is intended to facilitate business operations, accelerate administrative processes, and reduce the likelihood of errors. E-Delivery Note represents a significant shift in tracking the movement of goods and requires substantial system adjustments by all stakeholders, which are currently underway. We believe that the deadline for implementing the first phase is very short, especially considering that many uncertainties regarding the legal framework have only been clarified during this year, and ERP systems still need to be developed and configured accordingly.

The e-Excise System ("Official Gazette of the RS", No. 75/2023)

The system was regulated through amendments to the Excise Law during 2024, while the obligation to label excise goods with control excise stamps containing QR codes begins in 2025. The law was adopted with the aim of further harmonizing excise policy in the areas of energy products, tobacco products, and alcoholic beverages with EU standards, and introducing improved control over the movement of excise goods.

The e-Excise system is defined as a centralized information system managed by the Ministry of Finance. It retrieves data from other registers maintained by competent authorities, as well as data related to excise goods, excise taxpayers, and market participants. The system enables the submission of electronic requests for issuing control excise stamps and for issuing and renewing excise warehouse permits. It also facilitates business process management and communication among users of the e-Excise system regarding excise goods, and records, stores, and processes data related to the movement of excise goods.

Within the e-Excise system, control excise stamps with QR codes are introduced, containing data such as code, description and brand name, place and date of production, information about the production line and details about the market where the product will be sold.

POSITIVE DEVELOPMENTS

Since the transition to electronic business, the technical functionality of the SEF has been improved several times, enabling more efficient work for all users.

In line with last year's proposals, we believe that the amendments to the VAT Law and the Law on Electronic Invoicing have led to the following improvements:

- Provisions have been introduced to regulate the preliminary tax return, which is expected to eventually replace the need for preparing and using the POPDV form. It is necessary to consider whether the new provisions eliminate duplicate recordkeeping and enable simpler business documentation management within the electronic invoicing system.

- Internal technical guidelines have been issued by the Ministry of Finance covering VAT calculation in the SEF system, input tax records in SEF, and electronic delivery notes.

- Under the latest amendments to the Rulebook on Electronic Invoicing ("Official Gazette of the RS", No. 85/2025), a VAT taxpayer who has received goods or services may issue a notification via the electronic invoicing system stating that the deduction of input tax has been corrected, or that the calculated VAT was not used as input tax. The exchange of such notifications regarding input tax is available in the SEF environment as of October 11, 2025.

The Foreign Investors Council (FIC) has communicated proposals for clarifying the ZEF regulations, as well as the functioning of the information system, which have received a positive response to some extent from the working group of the Ministry of Finance responsible for establishing the e-invoice system. The most significant of these are the technical adjustments to the SEF.

REMAINING ISSUES

I. We will point out the remaining ambiguities regarding the interpretation of the Law on Electronic Invoicing, as well as the functioning of the SEF:

   a) The terms of the European and Serbian standards on electronic invoicing, which have not yet been applied in business, are listed. To better understand and adequately apply them, legal entities have researched the legal regulations, but it is not easy to find complete explanations, and even the standard itself is not publicly available. We believe that for a better understanding of the rights and obligations of private sector entities, it is important that the standards are transparent and publicly available.

   b) Certain terms in the VAT and ZEF laws still have terminological inconsistencies, especially regarding the application of Article 42 of the VAT Law. For example, the terms "invoice" and "e-invoice," "date of transaction," etc.

   c) In practice, the concept of a payment request remains unclear, particularly whether a pro forma invoice issued to a public sector entity is considered a payment request and, if so, which document type should be selected in the SEF system.

   d) Although regulatory changes are often announced in advance by the Ministry of Finance, the period between their adoption and practical implementation leaves very short deadlines for taxpayers to make all necessary technical system adjustments. This has proven difficult in practice, and the e-Invoice system itself is often not ready on time.

   e) Full integration with the fiscalization system has not been achieved. In the spirit of digitalization, it would be expected that all data already processed through fiscalization be made available and transferred to other records. Unfortunately, this functionality is not enabled in SEF and represents a significant administrative burden and risk for taxpayers. While we recognize that the greatest challenge to full integration lies in technical issues and the incompatibility between the platforms used for fiscalization and SEF, we believe that active efforts should be made to resolve this technical problem and enable database alignment. This would create the foundation for full integration, eliminate duplicate recordkeeping, significantly reduce the administrative burden for taxpayers, and most importantly, mitigate the risk of potential errors.

II. The functionality of the SEF has been fully implemented since January 1, 2023, and the FIC has communicated proposals for technical improvements on several occasions. With further enhancement of e-business, it would be significant to introduce automated data checks.

III. In addition to the VAT return submission deadline, which is the 15th day of the month, an additional deadline of 12 days after the end of the tax period has been introduced for electronically recording the VAT liability calculation as well as input tax. This imposes unnecessary additional administrative work and costs, while also shortening the time available to prepare for the already established VAT return deadline prescribed by the VAT Law.

IV. A list of SEF users has been created, but it has been observed that it is not regularly updated.

V. The planned implementation of the ZEO as of January 1, 2026, for private sector entities in cases involving the movement of excise goods, requiring them to issue an electronic delivery note, leaves an extremely short timeframe for implementation. It demands significant effort and resources from the affected entities to adapt

their information systems accordingly.

VI. The provisions of the ZEO foresee unequal application of the law between public and private sector entities. Specifically, Article 3, paragraph 2, item 5) stipulates that the obligation to issue an electronic delivery note does not apply to the movement of goods involving delivery within a single public sector entity. During the public consultation on the ZEO proposal, no explanation was provided as to why the obligation to issue an electronic delivery note applies to the movement of goods within a private sector entity, while the same obligation does not apply to public sector entities.

FIC RECOMMENDATIONS

I. We propose the following amendments or clarifications to the Law on Electronic Invoicing:

   a) Enable simple and transparent access to the "European and Serbian standard for electronic invoicing".

   b) Further harmonize the terminology of VAT and ZEF, especially aligning with Article 42 of the VAT Law.

   c) We propose clarifying whether the payment request applies/does not apply to proforma invoices issued to the public sector.

   d) We propose that when amending and supplementing legal regulations, for which technical adjustments of the taxpayer's system are necessary, the implementation period should be a minimum 6 months.

   e) We propose suspending the manual transfer of fiscal receipt data until digital transfer within the SEF is fully established.

II. With the introduction of digitalization, it is expected to simplify processes and save time in this regard, and we ask that the development of the SEF be considered in terms of digital verification of the formal correctness of e-invoice elements, such as logical and mathematical verification of e-invoice correctness, as well as error reporting.

III. Align the date of electronic recording of VAT calculation and input tax with the date for submitting the VAT return (by the 15th of the current month for the previous month).

IV. Regular updates of the SEF user list should be carried out to ensure proper information for users who need to determine whether an electronic invoice or a paper invoice will be issued for a specific entity.

V. It is necessary to extend the deadline for the implementation of the ZEO for private sector entities in cases involving excise goods, to allow uninterrupted trade of the relevant products and to enable these entities to adjust their internal information systems.

VI. We propose that Article 3, paragraph 2, item 5) of the ZEO be amended to extend the exception from the obligation to issue an electronic delivery note to private sector entities in cases involving the movement of goods that constitute delivery within a single private sector entity.

G. LATEST DEVELOPMENTS IN THE SERBIAN TAX SYSTEM (PARAFISCAL CHARGES)

1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Continuation of the reform of the non-tax revenue system, by eliminating all parafiscal charges that do not provide corresponding benefits in return, in terms of specific rights, services, or resources, while at the same time ensuring a consistent application of the Law on the Budget System, which regulates the basic principles of introducing and collecting non-tax public revenues.	2015			√
Adoption of the Law on Fees that should regulate all fees paid for a public service, while setting their level in line with Methodology and a new Law on the Financing of Local Governments, preceded by a comprehensive analysis of and alignment with solutions and tendencies of sectoral laws.	2014			√
Any new tax burden, or increase to an existing one, should be pre-announced to taxpayers and introduced through tax laws drafted by the Ministry of Finance, not by funds, agencies, or other ministries.	2013			√
Apply the business signage tax ceiling to the obligation of a single taxpayer, regardless of the number of facilities with displayed business signs that they have in the territory of any one municipality or whether they have more business facilities in other municipalities in Serbia (banks, insurance companies, telecom companies, etc.)	2014			√
Change the methodology and manner of determining the fee for the environment protection and improvement so that the fee is paid exclusively by taxpayers whose activities affect environmental pollution and use the funds to mitigate the negative consequences of these activities.	2020			√
Judicial protection of taxpayers' rights should be significantly improved through a reform of the Administrative Court, specialization of judges in tax matters, or the establishment of a special department within the Administrative Court with the sole jurisdiction to handle tax disputes.	2016			√

CURRENT SITUATION

There are numerous parafiscal charges in Serbia that exist in parallel with taxes, increasing the effective burden on the economy under conditions that are often non-transparent and unfair. As a kind of public levy, parafiscal charges actually impose an obligation that does not provide (at all or in an adequate proportion) a specific service, right, or good in return.

The authorities recognize this fact, which is why a parafiscal reform was carried out in late 2012, abolishing 138 parafiscal levies. The reform continued in 2013, with a first draft of the Law on Fees for the Use of Public Resources and the adoption of the final version of the Law at the end of 2018, but also by imposing new parafiscal levies such as a mandatory membership fee for the Serbian Chamber of Commerce in 2018. The reform process is still ongoing, which is especially reflected in the large number of changes that have been made to the regulations governing the manner of determining and reporting compensation for the protection and improvement of the environment.

POSITIVE DEVELOPMENTS

During the previous year no significant improvements

occurred in respect to FIC recommendations given earlier. As of January 2025, new rules regarding mandatory membership fees to the Chamber of Commerce and Industry of Serbia have come into effect. Micro enterprises with annual revenue below one million dinars are fully exempt from paying the membership fee. Additionally, companies with annual revenue up to twenty million dinars are now required to pay only the fixed portion of the fee, as the variable component has been abolished. Starting in 2025, the environmental protection and improvement fee is subject to a new reporting deadline and submission method. Taxpayers must now submit their declarations exclusively electronically, via the Local Tax Administration portal. Furthermore, the payment frequency has been changed to a quarterly basis, replacing the previous annual schedule. In June 2025, the government announced the establishment of a centralized database of parafiscal levies, along with planned amendments to the Budget System Law. These changes aim to create a unified register of fees and charges, which will be accessible for electronic payment, thereby enhancing transparency and simplifying compliance for businesses.

REMAINING ISSUES

I. The reform of non-tax revenues has not been completed yet. The remaining issue is related to fees that should be paid for a public service proportionally to the costs of its provision. Currently, only a part of the fees are regulated by the Law on State Administrative Fees, while numerous laws and by-laws have introduced levies that are by their fiscal nature fees, but which come under different names (charge, compensation, etc.). In addition, it is questionable whether the Rulebook on Methodology for Determining Costs of Public Service (Methodology) was applied when setting the levels of all these fees.

II. A particular problem that we deem should be highlighted concerns the local utility tax for displaying business signs (business signage tax). Business signage tax costs for remaining taxpayers has significantly increased since the regime for the payment of the business signage tax was changed. The overall liability of a business entity for business signage has reached significant amounts, inter alia, due to diverse practices amongst local governments.

III. To additionally point out, during 2019, the determining the fee method for the environment protection and improvement was changed on two occasions. The methodology initially established by the Law on Fees for the Use of Public Goods and accompanied by provided bylaws, inter alia, defined the fee to be paid according to the amount of pollutants emitted and the hazardous waste produced and disposed of. However, although the method of determining the fee was intended to be paid by legal entities and entrepreneurs who perform activities that negatively affect the environment, the calculating fee methodology was too complicated, which resulted in a very small number of applications fees for environment protection and improvement by taxpayers.

At the end of December 2019, the manner of determining the compensation for the environment protection and improvement was changed again by the bylaws amendments. The new methodology simplifies the calculating fee method and it envisages that the fee is paid in a fixed annual amount depending on the size of the legal entity in accordance with accounting regulations and the degree of environmental impact of the predominant activity performed in accordance with the prescribed classification. However, in this way, the obligation to pay compensation was imposed on almost all legal entities and entrepreneurs in Serbia, regardless of whether their predominant activities really have a negative impact on the environment. The current methodology for determining the amount of compensation is contrary to the provisions of the Law on Fees for the Use of Public Goods, which, among other things, stipulates that the basis of compensation for environmental protection and improvement is the amount of pollution, i.e. the degree of negative impact on the environment.

IV. The Law on Fees for the Use of Public Goods was amended at the end of October 2023. However, the amendments to the law would not affect the methodology in which the amount of compensation is determined.

V. The FIC reiterates that the introduction of new taxes and duties, or increasing existing ones, during the fiscal year, without prior notice to taxpayers that would enable them to adapt their business to the new fiscal burden, adversely affects the predictability of the business environment and the operating results of companies.

VI. The judicial protection of taxpayers' rights is ineffective. The proceedings before the Administrative Court are very lengthy and the Court usually simply confirms the decision of the Tax Administration, without providing an adequate statement of reasons for such a ruling. Alternatively, in exceptional cases, the disputed decision is annulled, and the case remanded back to the second-instance Tax Authority, without going into the merits of the case, which further protracts the entire process of the protection of taxpayers' rights. The Court almost never schedules any hearing where a taxpayer could explain its arguments before the Court or present its objections to the findings of the Tax Administration.

FIC RECOMMENDATIONS

I. Continuation of the reform of the non-tax revenue system, by eliminating all parafiscal charges that do not provide corresponding benefits in return, in terms of specific rights, services, or resources, while at the same time ensuring a consistent application of the Law on the Budget System, which regulates the basic principles of introducing and collecting non-tax public revenues.

II. Apply the business signage tax ceiling to the obligation of a single taxpayer, regardless of the number of facilities with displayed business signs that they have in the territory of any one municipality or whether they have more business facilities in other municipalities in Serbia (banks, insurance companies, telecom companies, etc.)

III. Change the methodology and manner of determining the fee for the environment protection and improvement so that the fee is paid exclusively by taxpayers whose activities affect environmental pollution and use the funds to mitigate the negative consequences of these activities.

IV. Adoption of the Law on Fees that should regulate all fees paid for a public service, while setting their level in line with Methodology and a new Law on the Financing of Local Governments, preceded by a comprehensive analysis of and alignment with solutions and tendencies of sectoral laws.

V. Any new tax burden, or increase to an existing one, should be pre-announced to taxpayers and introduced through tax laws drafted by the Ministry of Finance, not by funds, agencies, or other ministries.

VI. Judicial protection of taxpayers' rights should be significantly improved through a reform of the Administrative Court, specialization of judges in tax matters, or the establishment of a special department within the Administrative Court with the sole jurisdiction to handle tax disputes.