



NEWSLETTER

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

In the Official Gazette of the Republic of Serbia No. 44 as of April 29th, 2021 the Law on Amendments to the Law on Personal Income Tax (hereinafter referred to as: the „**Law on Amendments to LPIT**“) as well as the Law on Amendments to the Law on Contributions for Compulsory Social Insurance (hereinafter referred to as: the „**Law on Amendments to LCCSI**“) were published.

The Law on Amendments to LPIT regulates the amount of recognized expenses on the basis of income from copyright and related rights and the agreed compensation for performed work, on which tax is paid by self-taxation. The tax return is submitted within 30 days from the end of the quarter in which the incomes were generated, and the stated changes will be applied from January 1st, 2022.

Furthermore, it is prescribed that the tax authority determines the income tax on the basis of the agreed fee from copyright and related rights and the agreed fee for performed work, on which the tax

is paid by self-taxation, realized in the period from January 1st, 2015 until December 31st, 2021, unless:

- the statute of limitations for determining the tax liability in accordance with the regulations in force at the time of income generation has occurred;
- the procedure for determining the tax liability has been finalized or
- before the entry into force of this law, the tax liability was paid in accordance with the regulations in force on the day the tax liability arose.

According to the new solution introduced by the law, personal income tax is not paid on the income realized in the calendar year in the amount of up to 384,000 dinars per year, while the recognized expenses on taxable income are recognized in the amount of 50% of the realized income. The tax determined in this way by the decision of the tax authority is paid in 120 equal monthly amounts.

These amendments have been valid since the day of the entry into force of the Law on Amendments to LPIT and are of special importance for freelancers because, as stated, they introduced a non-taxable amount of 384,000 dinars per year (32,000 dinars per month), for the entire period of five years back, so that all those who earned less than 768,000 dinars a year are actually exempt from tax obligations for the past period.

In this way, all claims of the Tax Administration from January 1st, 2016 until the end of 2021 are written off for all freelancers who earned up to 64,000 dinars or 540 euros per month, bearing in mind the increase in recognized expenses to 50%, which reduced the tax base.

In accordance with Article 57 paragraph 2 of the Law on Contributions for Compulsory Social Insurance, a person who receives the agreed compensation is obliged to calculate and pay contributions when he/she receives that compensation from a person who is not obliged to calculate and pay contributions when paying the compensation.

The Law on Amendments to LCCSI introduces a new provision that refers precisely to the aforementioned persons and prescribes that contributions for persons referred to in Article 57 paragraph 2 of this Law, which in the period from January 1st, 2015 to December 31st, 2021 receive the agreed compensation from persons who are not liable for calculation and payment of contributions, are determined by the decision of the tax authority and paid in accordance with the provisions of the law governing personal income tax, which relate to the agreed compensation for which the tax is paid by self-taxation, realized in that period.

Therefore, the mentioned amendment specifies the determination and payment of contributions for compulsory social insurance on the basis of the agreed compensation that was realized in the specified period by a person who is not obliged to calculate and pay contributions when paying the compensation.

The Law on Amendments to LCCSI entered into force on the eighth day from the day of its publication in the Official Gazette of the Republic of Serbia, that is on May 7th, 2021.

For any additional consultations or legal assistance, you can contact the Tasić & Partners team by email at na office@tasiclaw.com or by phone at +381116302233.