

Amendments to the Law on Personal Income Tax ("Official Gazette of the Republic of Serbia" No.118/2021)

In the Official Gazette of the Republic of Serbia No. 118 from 9 December 2021 Amendments to the Law on Personal Income Tax ("Official Gazette of the Republic of Serbia", No. 24/2001, 80/2002, 80/2002, 135/2004, 62/2006, 65/2006, 31/2009, 44/2009, 18/2010, 50/2011, 91/2011, 7/2012, 93/2012, 114/2012, 8/2013, 47/2013, 48/2013, 108/2013, 6/2014, 57/2014, 68/2014, 5/2015, 112/2015, 5/2016, 7/2017, 113/2017, 7/2018, 95/2018, 4/2019, 86/2019, 5/2020, 153/2020, 156/2020, 6/2021, 44/2021 and 118/2021, hereinafter: the "Law"), were published and entered into force on the eighth day from the date of its publication in the Official Gazette of the Republic of Serbia, i.e. 17 December 2021, given that the provisions of this Law shall apply **from 1 January 2022**, with exception of provisions relating to tax reliefs for employers who hire new individuals and those who perform research and development on the territory of the Republic of Serbia, which shall apply **from 1 March 2022**.

The most important innovations introduced by the Law primarily concern the exemption from capital gains tax for taxpayers who bring copyrights and related rights, as well as industrial property rights as a non-monetary contribution to the company's capital. Furthermore, the application period of the existing tax reliefs for employers who hire new and qualified individuals has been extended, while additional tax reliefs have been introduced for newly founded

companies conducting innovative activities, as well as for legal entities conducting research and development in the Republic of Serbia.

When it comes to the right to exemption from capital gains tax in case of bringing copyright and related rights, as well as industrial property rights into the company's capital, it is necessary that the company is a resident of the Republic of Serbia, and that the market value of these rights is determined by an assessment of a certified appraiser. However, the Law also provides that the right to tax exemption might be lost in case the holder of copyright and related rights, as well as industrial property rights, **within two years from the date of acquisition, sells or gives them for use to a related party**. In that case, it is necessary to inform the competent tax authority about the loss of rights within 30 days.

The Law further envisages the extension of the application period of the tax exemption based on wage of a qualified new employee, for the wage paid no later than 31 December 2025 (previously it was until 31 December 2022), with the introduction of an additional condition for employers who, in order to exercise the right to the tax relief, it is necessary to have **no more than 30 employees at any time in the period from 1 January 2021 until 31 December 2021**.

In addition, **new tax reliefs** for employers are introduced in the form of exemption from paying 70% of taxes based on the wage of a newly employed individual (a person who was unemployed in the period from 1 January 2019 to 28 February 2022) paid no later than 31 December 2024. Employers who conduct research and development on the territory of the Republic of Serbia also

have the right to exemption from paying 70% of taxes based on employee' wage, in case they employ individuals who are directly engaged in research and development. As previously stated, the application of the new tax reliefs will begin on 1 March 2022.

Moreover, **the obligation to pay taxes based on the wage of a newly employed individual and the obligation of newly founded companies that conduct innovative activities are completely exempted.**

Finally, it is important to note that the amendments to the Law increase the non-taxable amount of wage, **from 18,300 to 19,300 dinars**, introduce exemption from taxation of income earned by students who learn through work and reduce income tax for annual taxes for taxpayers under **40 years of age**.

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