

Amendments to Tax Laws – Personal Income Tax Law and Social Security Regulations

In the Official Gazette of the Republic of Serbia No. 94, dated November 28, 2024, a set of amendments to tax laws was published, including amendments to the Personal Income Tax Law, the Mandatory Social Insurance Contributions Law, and the Pension and Disability Insurance Law. These amendments will take effect as of January 1, 2025. The adopted changes aim to improve business conditions, stimulate employment, and ensure a higher level of social security for citizens.

1. Law on Personal Income Tax Law

Tax Relief Measures

Per Diem Allowances: The tax-exempt amount for daily allowances during official travel abroad has been increased to a maximum of €90 per day (compared to the previous limit of €50).

Employment Incentives: Employers (legal entities, sole proprietors, flat-rate entrepreneurs, or agricultural entrepreneurs) who hire a new employee are entitled to a refund of a portion of the

paid income tax on salaries disbursed until December 31, 2025. The same entitlement applies to employers who establish employment relationships with at least two new employees, granting them a fixed refund of 75% of the paid income tax on salaries.

Seafarers' Income

Under the Personal Income Tax Law, individuals (taxpayers) who spend more than 174 days aboard a ship within a calendar year are exempt from paying income tax in Serbia. This provision represents an exception to the general rule that Serbian residents are taxed on their worldwide income.

Tax Credit

The law provides for a reduction of the tax base for annual personal income tax in cases of purchasing investment units in an alternative investment fund during the calendar year for which the annual tax is assessed. To qualify for this tax relief, the taxpayer's investment must remain tied to the fund for the next three years; otherwise, the tax benefit is forfeited. If the investment is disposed of before the end of the three-year period, the taxpayer is obligated to inform the Tax Administration and pay the full amount of tax, along with the applicable interest.

2. Mandatory Social Insurance Contributions Law

In light of the amendments to the Personal Income Tax Law, it is stipulated that the contribution base for mandatory health insurance for individuals categorized as seafarers must be at least twelve times the minimum monthly contribution base, as defined in Article 36 of the Mandatory Social Insurance Contributions Law.

Considering the tax relief measures provided under the Personal Income Tax Law, employers (legal entities, sole proprietors, flat-rate entrepreneurs, or agricultural entrepreneurs) who hire a new employee are entitled to a refund of the paid contributions for mandatory social insurance on the salary of the newly employed individual, for salaries disbursed up to December 31, 2025. The same entitlement applies to employers who establish employment relationships with at least two new employees, granting them a fixed refund of 75% of the paid contributions for mandatory social insurance.

3. Pension and Disability Insurance Law

The adjustment of pensions will henceforth be carried out starting from December of the current year (instead of January, as stipulated in the previously applicable Pension and Disability Insurance Law). Increased pensions will be paid to beneficiaries beginning in January 2025, thereby achieving positive effects on the standard of living for pension recipients.

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