

# EXPATRIATES

## Serbia

### Tax facts for International Assignees



#### INCOME TAX: WHO IS LIABLE/RESIDENCY

Residents of the Republic of Serbia are subject to personal income tax on worldwide income. Nonresidents are subject to personal income tax on their income from Serbia.

A resident of the Republic of Serbia is an individual who:

- Has residence or center of business and personal interests in the territory of the Republic, or
- Resides in the Republic of Serbia for a continuous period or periods exceeding in the aggregate 183 days in the twelve-month period that begins or ends in the fiscal year concerned.

An individual who was not a tax resident in the year preceding the year of arrival in the Republic of Serbia shall not be considered a tax resident for the period before the day when he/she first entered the territory of Serbia, provided that in the period preceding the day of first entry into Serbia, individual has not fulfilled conditions to be considered a tax resident on the basis of the criteria provided under point 1) and 2) of previous paragraph.

An individual who, at the moment of first entry into the territory of the Republic of Serbia, knows that he/she will fulfil the conditions referred to under point 1) or 2) of the first paragraph, shall be considered a Serbian tax resident starting from the moment when he/she first entered the territory of Serbia.

#### Personal Income Tax Treatment

Personal income tax is payable by individuals on different sources of personal income generated. The taxable income includes salaries, income from self-employment, income from royalties and industrial property rights, income from capital, income from real estate, capital gains and other income. The text below describes in more detail the taxation of salaries.

In the case when a resident individual of Serbia is assigned to work abroad for a legal entity (resident of Serbia), the tax base for salary is the amount of salary which would be earned in Serbia for the same or similar jobs (according to the law, general act and labor agreement).

According to Serbian regulations and most of the concluded Double Tax Treaties, the remuneration earned in other country (from employment) shall be taxable only in Serbia if the following conditions are met:

- If the assignee is present in the other country for a period or periods which does not exceed in the aggregate 183 days in the fiscal year concerned,
- If the remuneration is paid from or on behalf of an employer, who is not a resident of another state and
- If the remuneration is not borne by a permanent establishment or a fixed base which the employer has in another State.

If the above-mentioned conditions are met, the company from the Republic of Serbia from which the employee is assigned will have the obligation to submit a tax return and pay the tax on the day of payment at the rate of 10%.

Furthermore, depending on the provisions of the Double Tax Treaty, the taxes paid in the other country can be used as a tax credit for calculated tax in Serbia. Please note that such a credit cannot exceed the amount of taxes that would be calculated and paid in Serbia.

## INCOME TAX RATES

Tax rates	Type of tax and contributions
10%	Salary
20%	Other income
10%	Self-employment
20%	Royalties and industrial property rights
15%	Income from capital
20%	Income from real estate
15%	Capital gains
25%	Mandatory pension and disability insurance
10.3%	Mandatory health insurance
0.75%	Unemployment insurance

### Annual Personal Tax

In addition to the personal income tax paid during the year, an individual is obliged to pay the Annual Personal Income Tax at the end of the year if his income exceeds the amount of three times the average annual salary paid per employee in the Republic of Serbia. He will be obliged to submit the tax return by 15 May of the year following the year in which the income was realized (e.g. 15 May 2023 for income realized in year 2022).

Further, a resident individual whose income in the year exceeds the mentioned amount is obliged to pay Annual Personal Income Tax for worldwide income. Otherwise, a nonresident individual only pays Income Tax for income earned in Serbia.

The Annual Personal Income Tax shall be paid at the following rates:

- For realized income up to six times the amount of the average annual income - at a tax rate of 10%;
- For realized income exceeding six times the amount of the average annual income - at a tax rate of 15%.

For comparison purposes, please note that the threefold average salary in Serbia for year 2021 was approximately 27,700 EUR,

### SOCIAL TAX RATES

The Republic of Serbia has signed Social Security Conventions with certain countries. In the case where a Serbian employer assigns an employee to work in other country, for a limited period of time (12, 24 or more months, depending on the convention), the Serbian social security regulations shall apply.

In that case, the employer should pay tax as well as social security contributions at the following rates:

- For pension and disability insurance - 25%
- For health insurance - 10.3%
- For unemployment insurance - 0.75%

In order to exercise the right not to calculate contributions in the other country, it is necessary to obtain a Confirmation that the employee is socially insured in Serbia, on the prescribed form, as well as an assignment letter issued by employer from Serbia.

The base for social security contributions is the amount of salary which would be earned in Serbia for the same or similar jobs (according to the law, general act and work agreement).

The contribution base cannot be lower than double the amount of the prescribed lowest monthly contribution base.

Additionally, the legislation in Serbia provides the maximum base for calculation of mandatory social security contributions as a five times average salary in Serbia.

In case the income exceeds the maximum base, mandatory social security contributions would only be paid on the maximum base.

For comparison purposes, please note that monthly maximum base for calculation of mandatory social security contributions in Serbia for year 2022 is approximately 3,732 EUR, while the annual maximum base was approximately 44.786 EUR.

## REGISTRATION/FORMALITIES

The employer can assign an employee to work temporarily in other country for a period of up to 12 months, with possibility of extension (unless the law or international treaty otherwise regulated).

The employer who assigns an employee to work temporarily in another country has an obligation to notify the Ministry of Labor regarding the assignment no later than the day preceding the date of assignment, as well as to amend the basis for insurance, in the Central Registry of Social Security Insurance.

**For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)**

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