

Profile—The Republic of Serbia (Serbia for short)

I . Jurisdiction Background

The Republic of Serbia (hereinafter: Serbia) is a country in southeastern Europe with 6,62 million people and organized as a unitary parliamentary constitutional republic. Belgrade is the capital and largest city of Serbia, being a national, political, economic, cultural, educational, scientific and technological innovation center. The official language of the Republic of Serbia is Serbian. In recent years, Serbia has actively been carrying out economic reforms and improved the investment environment in order to sustain economic growth.

Serbia is a member of the United Nations, the Council of Europe, the Organization for Security and Cooperation in Europe, the Partnership for Peace, the Organization for the Black Sea Economic Cooperation, the Central European Free Trade Agreement, the Asian Infrastructure Investment Bank, and is acceding to the World Trade Organization. Since 2014, it has started the negotiations for the accession to the European Union. Since 2007, Serbia has formally adhered to a policy of military neutrality. The economy of Serbia is upper-middle income economy, with a dominant service sector, followed by the industrial sector and agriculture. The country has high rankings regarding the Human Development Index (65), the Global Social Mobility Index (41), and the Global Peace Index (54).

II . Organization Structure

The Tax Administration, being an administrative body within the ministry responsible for finance, carries out the procedures of assessment, collection and audit of public revenues, and in accordance with the law, is responsible for the rights and obligations of taxpayers, the registration of taxpayers and tax criminal acts and misdemeanors.

The internal organization and job classification in the Ministry of Finance regulates the organization of the Tax Administration and its internal units, their scope and mutual relationship, the manner of management of internal units, the powers and responsibilities of the heads of internal units, the manner of cooperation with other state bodies and organizations, the classification of high manager positions into groups, tax officer jobs into ranks, employee jobs into types, the name and job description of the jobs, the required number of civil servants, i.e. tax officers and employees for each job as well as the work conditions at each job. To perform the functions or responsibilities set out by the law, the following organizational units are established within the Tax Administration: Tax Administration Head Office, Large Taxpayers Center and Branches. To perform tasks under the scope of the Tax Administration in several interconnected areas of work, the following internal units are established at the Head Office: - Tax Police Sector; - Transformation Sector; - Tax Legal Affairs and Coordination Sector; - Audit Sector; - Asset Origin and Special Tax Assessment Sector; - Collection Sector; - Tax Accounting Sector; - Non-Core Activities Sector; - Human Resources Sector; - Material Resources Sector; - Information and Communication Technologies Sector;

- Taxpayer Services and Education Sector. The smaller internal units within the sector are: departments, units and groups. The special internal units at the Head Office of the Tax Administration outside the sector, which directly report to the Director of the Tax Administration, are established: - Office of the Director of the Tax Administration; - Group for Corporate Security and Personal Data Protection; - Internal Control Department; - Strategic Risk Department; - International Cooperation and Information Exchange Department; - Internal Audit Department. The number of branches in the territory of the Republic of Serbia is 37.

III. Current Tax System

Serbia's tax regulations provide a clear framework for tax residency, tax returns and deductions, ensuring transparency and compliance for both individuals and businesses. The Serbian tax system includes a range of taxes, including corporate income tax, personal income tax, value added tax and so on. [Click here for more detailed information.](#)

IV. Overview of tax preference policies

Serbia offers a variety of tax incentives aimed at encouraging investment, innovation, and employment. These incentives are designed to make the country an attractive destination for businesses and investors. The following are some of the incentives prescribed by the Serbian tax system that can be used to reduce corporate income tax, as well as to reduce employers' costs based on hiring of new employees.

◆ Corporate Income Tax Incentives

1) 10-Year Tax Holiday:

Eligibility: Companies that invest more than RSD 1 billion (approximately EUR 8.5 million) and employ at least 100 people.

Benefit: When it comes to corporate income tax, a 10-year corporate profit tax holiday is proportional to the investment made, which is applied the prescribed conditions are met in relation to the amount of investment and employment, starting from the first year in which the company generates the profit.

◆ Research and Development (R&D) Incentives.

Double Deduction of R&D Costs:

Eligibility: Companies incurring R&D expenses in Serbia.

Benefit: Double recognition of R&D-related costs, such as salaries, materials, and intellectual property, for corporate income tax purposes.

Other Exemptions (qualifying period):

Eligibility: Companies generating income from intellectual property developed through R&D in Serbia.

Benefit: 80% exclusion of qualified income from the tax base.

Employment Incentives

Eligibility: Employers hiring individuals registered with the National Employment Service for over six months without breaks.

Benefit: 65% reduction in paid payroll tax and mandatory social insurance contributions for 1-9 new employees.

70% reduction in paid payroll tax and mandatory social insurance contributions for 10-99 new employees.

75% reduction in paid payroll tax and mandatory social insurance

contributions for 100 or more new employees.

V. Tax Collection and Administration

◆ The Tax Administration of Serbia, an administrative body under the Ministry of Finance, is responsible for the overall management of tax-related tasks in the country. Its core functions include the registration, assessment, audit, and collection of public revenues, taxpayers' identification and registration, detection of tax criminal acts, as well as other functions regulated by the Law on Tax procedure and Tax Administration. Within the taxpayers' identification and registration process, the Tax Administration assigns tax identification numbers (TINs) and maintains a unified register of taxpayers. It performs regular and enforced collection of taxes, identifies and prosecutes tax criminal acts and files a misdemeanor proceedings initiation request for tax offenses at the competent misdemeanor court. Additionally, it ensures the application of international treaties for double taxation avoidance and develops a unified tax information system to support its operations.

◆ In recent years, the Tax Administration of Serbia has prioritized the digitalization of its services to enhance efficiency and transparency. The "e-Taxes" portal is a significant component of this digital transformation, offering electronic services that allow taxpayers to submit tax forms online, track their tax returns statuses, and access their tax records securely. This portal supports the automatic generation and submission of tax files through integration with accounting software, thus simplifying the tax filing process for taxpayers (individuals, entrepreneurs and businesses).

The e-Taxes system also facilitates electronic business authorizations and ensures high standards of data security to protect users' information.

◆ The Tax Administration is undergoing a comprehensive transformation program from 2021 to 2025 aimed at modernizing its operations. This program is defined as Transformation Programme for the 2021-2025 period adopted by the Government of the Republic of Serbia in May 2021, focusing on focuses on improving service delivery, enhancing business processes of the Tax Administration, and adopting advanced information and communication technologies.

The Tax Administration of the Republic of Serbia has clearly defined its mission, which is the public revenues collection, monitoring and improvement of the level of fiscal discipline, and creation of an environment in which every taxpayer voluntarily, without unnecessary costs, fulfills their tax liabilities, which enables the Government of the Republic of Serbia to provide quality public services to its citizens.

Key initiatives include upgrading electronic services, implementing a single sign-on mechanism, and enhancing the infrastructure needed to support these digital services. The Transformation Program has 3 strategic objectives:

- Ensuring business processes and internal organization comply with best global practice so as to enhance revenue collection,
- Improving quality of existing services and introducing new ones that are aligned with taxpayers' needs, and
- Introducing a new tax officer profile demonstrating exceptional

professionalism and competence as a result of further HR function development. These goals are to streamline tax administration processes, reduce the administrative burden on taxpayers, increase transparency, and promote voluntary compliance through better taxpayer education and support.

Through these efforts, the Tax Administration aims to create a more efficient, transparent, and taxpayer-friendly system that supports economic growth and ensures tax compliance. For more detailed information and updates, the official websites of the Serbian Ministry of Finance and the Tax Administration provide comprehensive resources.

The Transformation Program link:

<https://www.purs.gov.rs/en/about-us/Tax-Administratio-Transformation-Programme-2021-2025%27%27.html>

VI. Taxpayer Services

Since March 1, 2008, large taxpayers have been required to file tax returns exclusively electronically.

As of March 1, 2014, taxpayers have been filing tax returns electronically based on the unified collection of withholding tax and contributions, and as of July 4, 2014, tax returns for value added tax have also been filed electronically.

As of April 1, 2015, the electronic filing of tax returns has been introduced in phases, according to tax forms, which all legal entities and entrepreneurs are required to submit exclusively electronically. Individuals are also given the option of filing tax returns in written form - directly or by mail, with

the exception for annual personal income tax, starting in 2023.

As of January 1, 2023, all taxpayers who are registered VAT payers, as well as voluntary users of the System of electronic invoices (SEF) are required to electronically record VAT calculations in the SEF. Most Serbian companies are making progress with the implementation of a solution to address the new e-invoicing requirements. Automation of electronic recording of VAT calculations is possible via API connection. Taxpayers should consider automation of this process to save time, and to eliminate any potential error or omission.

VII. Tax Legislation Process

The Ministry of Finance is responsible for regulatory matters related to: the preparation of laws and other regulations governing the tax system and tax policy, the system and policy of other public revenues, in particular corporate income tax, excise duty, value added tax, tax on non-life insurance premiums, personal income tax, property tax, inheritance and gift tax, tax on the transfer of absolute rights, taxes on the use, possession and carrying of goods (tax on the use of motor vehicles, tax on the use of vessels, tax on the use of aircraft and tax on registered weapons), social security contributions, republican administrative fees and other public levies charged for the provision of public services, as well as fees for the use of public goods, tax procedure and tax administration, regulating the system of production and trade of tobacco and tobacco products and the system of recording turnover through fiscalization, preparation of decisions for issuing excise licences, preparation for concluding international

agreements on the avoidance of double taxation, as well as providing expert opinions in the application of regulations in these areas.

The Tax Administration implements tax laws and may initiate their amendments.

◆ The Law on Amendments and Supplements to the Law on Tax Procedure and Tax Administration, which entered into force on 6 December 2024 and is applied from 1 January 2025, except for the provisions listed below which shall apply from 1 January 2026:

The provisions of Article 8, Article 9, paragraphs 1-3 and Article 35, paragraph 1 of this Law regarding the introduction of records of natural persons for tax purposes;

The provisions of Article 16, paragraph 2 of this Law regarding the payment of taxes in foreign currency by non-residents (payment of taxes to non-residents in foreign currency to a foreign currency account for tax payment is allowed);

The provisions of Article 17, paragraph 1 of this Law regarding the deferral of payment of tax due (the discretionary right of the Tax Administration to decide on the deferral of payment of tax due, i.e. to assess whether a deferral should be granted or not in the specific circumstances of the case, is hereby abolished, except for annual personal income tax), which shall apply from 1 January 2026;

The provisions of Article 24 of this Law in relation to the new Article 115g and the provisions of Article 30 of this Law in relation to the deletion of off-balance sheet tax accounting.

The provisions of Article 2, Article 7, Article 9, paragraphs 4 and 5,

Article 11, paragraphs 1 and 2, Article 12, Article 13, Article 17, paragraph 2, Article 18, Article 19, Article 20, Article 25, Article 26, Article 29, Article 33, paragraphs 1-4 and Article 35, paragraph 2 of this Law regarding the competence of organizational units of the Tax Administration (which relate to local competence, the appropriate legal and technical harmonization of the provisions of the Tax procedure and Tax Administration Law is carried out, thereby ensuring legal assumptions aimed at functional centralization, i.e. determining competence by the Act on Internal Organization and Job Classification in the Tax Administration); The Law on Amendments and Supplements to the Value Added Tax Law, which entered into force on December 15, 2024, and shall apply from 1 January 2025, except for Article 15, paragraphs 2, 3 and 4 of this Law, which shall apply from 20 December 2024, and Article 14, Article 15, paragraph 1, Article 16 and Article 18 of this Law shall apply starting from the tax period January 2026, i.e. January-March 2026;

The Law on Amendments and Supplements to the Law on Excise Duties entered into force on 6 December 2024, and shall apply from 1 January 2025, except for the provisions of Article 14 of this Law, which shall apply from 6 December 2024, and the provisions of Article 10 of this Law, which refers to the deadline for filing a tax return, shall apply from 1 January 2026, and the provisions of Article 12 of this Law, which refers to the taxation of excise duty on compressed natural gas for the propulsion of vehicles, shall apply from 1 January 2026 until the date of the accession of the Republic of Serbia to the European Union;

The Law on Amendments and Supplements to the Law on Personal Income Tax entered into force on 6 December 2024 and shall apply from 1 January 2025;

The Law on Amendments and Supplements to the Law on Mandatory Social Insurance Contributions entered into force on 6 December 2024, and shall apply from 1 January 1 2025.

VIII. Future Tax Reform Plan

The goal of the reform of the Tax Administration of the Republic of Serbia is defined by the Transformation Program for the period 2021-2025 (link to the document:

<https://www.purs.gov.rs/en/about-us/Tax-Administratio-Transformation-Programme-2021-2025%27%27.html>):

1. Implementation of a new business model
 2. COTS procurement
 3. Service improvement for taxpayers
 4. Strengthening risk analysis
 5. Further development of education and HR function
- ◆ Enhancing tax enforcement to address challenges of the digital era.
 - ◆ Better aligning corporate income tax policies with modern business activities to collect more revenue.
 - ◆ Intensifying the focus on indirect tax collection: tax and customs administrations are enhancing compliance and enforcement efforts for indirect tax, including for digital products and services.
 - ◆ Creating a fairer business environment for enterprises, Serbian Ministry

of Finance published arm's length interest rates applicable for 2024.

◆ Encouraging foreign citizens to work and live in Serbia: simplify and speed up the processes related to the work and residence of foreign citizens in Serbia, and strengthen follow-up management measures and means.

IX. International Tax Cooperation

The Republic of Serbia became the 149th member of the Global Forum on Transparency and Exchange of Information for Tax Purposes on March 12, 2018.

International administrative exchange of information for tax purposes is carried out through the application of the following legal instruments:

- Treaties on Double Taxation Avoidance (69 concluded, of which 64 are in use),
- Convention on Mutual Administrative Assistance in Tax Matters ("Official Gazette of the Republic of Serbia - International Treaties", No. 8 as of 26.07.2019),
- Agreement on cooperation and mutual assistance between the Indirect Taxation Administration of Bosnia and Herzegovina, the Ministry of Finance - State Revenue Agency of the Republic of Bulgaria, the Ministry of Finance - Public Revenue Office of the Republic of North Macedonia, the Ministry of Finance - Tax Administration of the Republic of Montenegro and the Ministry of Finance - Tax Administration of the Republic of Serbia, as of 11.06.2006.
- Agreement on cooperation in the field of direct taxes concluded

between the Tax Administration of the Republic of Serbia and the Tax Administration of the Republika Srpska, dated 14.10. 2010.

- Memorandum of Understanding in the field of information cooperation between the Tax Police of Serbia and the Financial Police of Italy, from 2012.
- The Law on Tax procedure and Tax Administration ("Official Gazette of RS" No. 80/2002... 94/2024) – Article 157 defining international legal assistance.

In addition to the Global Forum on Transparency and Exchange of Information for Tax Purposes, international cooperation activities are also implemented through the following mechanisms:

FISCALIS – the EU program intended for tax officers of participating countries, whose objectives are achieved through workshops and seminars, project groups, but also through organizing outgoing and incoming working visits;

BRITACOM - The Tax Administration is one of the 12 founding member tax administrations of the The Belt and Road Initiative Tax Administration Cooperation Mechanism since April 2019, and through BRITACEG (the Belt and Road Initiative Tax Administration Capacity Enhancement Group) platform, which serves as a solid foundation for training of tax officers in a multilateral environment, tax officers from different tax administrations exchange knowledge and experience;

IOTA - The Tax Administration, as a long-standing full member of the Intra-European Organization of Tax Administrations - IOTA since 2002, actively participates in the technical and administrative activities of this

Organization;

TAIEX - Technical Assistance and Information Exchange instrument of the European Commission;

CEF – Center of Excellence in Finance is a leading regional institution promoting public finance capacity building across the southeastern Europe.

X. Other

None.