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LATEST TAX AND
LABOR NOVELTIES

JPM

JANKOVIĆ POPOVIĆ MITIĆ

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LATEST TAX AND LABOR NOVELTIES

During the past week the National Assembly of the Republic of Serbia has adopted the budget for 2018, as well as a large number of amendments of tax and labor laws.

JPM has prepared for you a brief overview of the most important amendments of these laws, so that you can familiarize yourselves in time with the changes in calculation of taxes and contributions for your employees, as well as with the new elements relating to obligations of employers in the area of labor law. Along with the novelties from this text, National Assembly has adopted Law on amendments and supplements of Law on employment and insurance in the case of unemployment, as well as the new Law on financial aid to family with children.

CHANGES TO SALARY TAX

As from January 1st, 2018, employers will no longer be in doubt as to how to treat payments relating to work for the employer owing to former employees, after termination of their employment, on the grounds of employment-related rights. Such payments will be treated as salary and salary tax will apply.

Furthermore, as from the same date, the non-taxable portion of salary will be increased to 15,000 dinars. Companies will not feel the financial effect of this change in connection with current employees. Namely, since employment contracts, in accordance with the Labor Law, specify the gross salary, the increase of the non-taxable portion of the salary will lower the amount due for tax; that is to say, this will increase the net sum that employees will receive in connection with such gross salary.

Article 18 of the Law on personal income tax, which regulates income on which salary tax is not paid, has been amended so as to increase the non-taxable amounts, with certain terminology-related changes, and a new case has been introduced - financial assistance for medical treatments of employees in Serbia or abroad, in the amount of the actual costs of the treatments, as documented by invoices from the healthcare center where the treatments were provided, as well as the documented travel and accommodation costs incurred for the requirements of such treatments of the relevant employee. The manner in which the right to this exemption will be exercised will be regulated by the Minister.

The duration of the tax incentives under Articles 21v and 21d of this Law is extended until December 31st, 2019, and a new incentive for newly-incorporated companies or entrepreneurs will be applied as from October 1st, 2018.

Finally, a change that is not directly related to salary tax, but which could be of importance to employers, is that financial assistance to natural persons not employed by the provider of the financial assistance, which assistance is not compensation for their work, or a counter-favor or counter-act for an activity of theirs in favor of the provider of the financial assistance, has been included in income on which income tax is not paid.

The highest sum of financial assistance that meets these requirements on which income tax is not paid is 12,375 dinars a year per payer. In connection with this change is the amendment of Article 86 of Law on personal income tax, under which other income of a natural person includes awards and other similar payments to natural persons who are not employed by the payer, but which arise from work or some other form of contribution to the business activities of the payer, and which exceed the amount of 12,375 dinars per year per payer. As opposed to received earnings and the amount of 12,375 dinars, such income is taxed by tax on other income.

CHANGES TO CALCULATION OF CONTRIBUTIONS

As from January 1st, the basis for contributions for social insurance will not include income received from the employer which is not taxed by salary tax. That means that all the incomes under Article 18 of the Law on Citizen Income Tax will not be included in the basis for calculation of contributions.

The manner of determining the lowest and highest monthly basis for contributions, as well as the highest annual basis for contributions, has also been changed, so that now a 12-month period is taken into account (November to November), instead of the 3-month period applied so far, or the latest data of the Statistical Office. In connection with these changes is the amendment of Article 67 of the Law on contributions for mandatory social insurance, so that as from January 1st the estimated highest annual basis will be equal to the highest annual basis determined for the year preceding the year for which the estimated highest annual basis is applied, increased by the estimated increase of salaries in the current year. These changes will primarily make calculation of contributions easier in situations where the lowest or highest bases are used. The total financial effect, if there is one, will be negligible, but the amounts paid will be equal throughout the year, which can be important to those just starting their business.

The duration of the tax incentives under Articles 45 and 45v of this Law is extended until December 31st, 2019, and a new incentive for newly-incorporated companies or entrepreneurs will be applied as from October 1st, 2018.

CHANGES TO THE LABOR LAW

The latest changes to the Labor Law have introduced new obligations for employers, clearly specified certain existing obligations, while the fines for certain offences have been increased.

Regarding new obligations, employers shall from now on be obliged to register employees for compulsory social insurance before they start work at the latest, so subsequent registration of employees will no longer be possible. Furthermore, the obligation of employers to maintain records of employee overtime has also been specified, without further guidelines as to how those records should be maintained.

As for the clearly specified preexisting provisions of the law, it is now clear that the employer is obliged to carry out the procedure for delivering warnings of the existence of cause for termination of employment contracts in the same manner as when delivering decisions on termination of employment contracts.

Finally, the fines for a certain group of offences have been increased from RSD 100,000 for the employer to a sum between RSD 150,000 and RSD 300,000, and from RSD 10,000 to a sum between RSD 10,000 and RSD 20,000 for the employer's responsible person.

CHANGES TO REGULATIONS ON FOREIGNERS

In the interest of harmonization with EU Directives, and in order to clearly specify the rights and obligations of foreign nationals, but also the powers of competent authorities, a new Law on Foreigners has been enacted, and amendments have also been made to the Law on Employing Foreigners.

The changes which are certainly of greatest importance to employers are the amendments to the Law on Employing Foreigners, which have introduced a new category of work permit, that is a work permit for training and specialization. The amendments specify that such a permit can be issued both at the request of the employer and of the foreign national, for a period of one year, with the possibility of extending the permit for a further year.

The said amendments also specify that work permits for persons assigned to work in Serbia and in the case of intra-company movements can be extended for up to two years at the most, and then only with the consent of the Ministry in charge of employment matters, following a previously obtained opinion of the Ministry in charge of the field regulating the employer's business activity for jobs or services of interest for the Republic of Serbia.

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