

TAX ALERT_ 28.02.2019.

ANNUAL PERSONAL INCOME TAX FOR INCOME GENERATED IN 2018. – NON-TAXABLE THRESHOLD 2.470.644 RSD

The deadline for submission of the annual income tax return for income generated in 2018 is 15 May 2019.

Individuals whose total personal net income in 2018 exceeds **RSD 2,470,644** (non-taxable amount) are required to file a personal income tax return. The total personal net income earned in 2018 and the non-taxable amount are reported in the tax return, where the difference represents taxable income.

A personal income tax return (PPDG-2R form) may be submitted either electronically or in paper – directly or via the postal service. The taxpayer/resident may submit the tax return in paper to the organizational unit of the Tax Authorities in accordance with the taxpayer's place of permanent residence or place of temporary residence. Non-resident taxpayer, may submit the tax return in paper to the organizational unit of the Tax Authorities in accordance with the place where the taxpayer earned income or the place of temporary residence or place of permanent residence or seat of the tax proxy. A qualified electronic certificate for accessing the Tax Administration's portal "E-Porezi" is required, or the individual should authorize someone to do so on their behalf using the PEP form.

In accordance with Article 87, paragraph 1 of the Individual Income Tax Law, annual individual income tax shall be paid by resident natural persons whose income in a calendar year was greater than three times the average annual wage/salary per employee paid out in the Republic in the year for which the tax is being charged, as published by the republic authority competent for statistics, and in particular the following:

- **Tax residents in Serbia report their world-wide income**
- **Persons who are not residents in Serbia report their income earned in the territory of Serbia**

For the purposes of this Law Article 7 stipulates that a resident of the Republic shall be understood to mean any individual:

- **Whose residence or centre of business and vital interests is in the territory of the Republic; or**
- **Who resides in the territory of the Republic for 183 or more days, continuously or with breaks, over a period of 12 months beginning or ending in the respective taxation year.**

Notwithstanding the provisions set forth in this Article, a resident of the Republic shall also be understood to mean any natural person who is sent to some other state for the purpose of working in a diplomatic or consular mission of the Republic, or working for the Republic in an international organization, for the duration of this activity in this or any other diplomatic or consular mission of the Republic, or an international organization.

In accordance with Article 87, paragraph 2, the income shall be understood to mean the annual sum of the following:

- 1) Wages/salaries referred to in Articles 13 through 15b of this Law;**
- 2) Taxable revenue from self-employment referred to in Article 33, paragraph 2 and Article 40 of this Law;**
- 3) Taxable revenue from copyrights and related rights and industrial property rights referred to in Articles 55 and 60 of this Law;**
- 4) Taxable revenue from real estate referred to in Article 65v of this Law;**
- 5) Taxable revenue from leasing out chattels referred to in Article 82, paragraphs 3 and 4 of this Law;**
- 6) Taxable revenues of athletes and athletic specialists referred to in Article 84a of this Law;**
- 7) Other taxable revenues referred to in Article 85 of this Law;**
- 8) Revenues on the grounds referred to in items 1) through 7) of this paragraph that have been earned and taxed in another state for taxpayers referred to in paragraph 1, item 1) of this Article.**

Revenues which are not specified in Article 87, paragraph 2 are not included in the revenue of an individual who is the subject of annual income taxes.

Income for taxation includes income that is paid or realized in the period from 01 January to 31 December 2018, regardless of the period which they relate to.

The annual individual income tax base shall be the taxable revenue, which represents the difference between the taxable revenue and the personal deductions (Article 88, paragraph 1) amounting to:

- **In the case of the taxpayer** – 40% of the average per employee wage/salary paid in the Republic in the year for which the tax is charged, as published by the republic agency in charge of statistics - **329.419 RSD**
- **In the case of a dependent family member** – 15% of the average per employee wage/salary paid in the Republic in the year for which the tax is charged, as published by the republic agency in charge of statistics, per member - **123.532 RSD**

The total personal deductions may not be higher than 50% of the taxable income.

If two or more members of a family are the payers of annual individual income tax, the deduction for dependent family members may be enjoyed by only one payer.

In accordance with Article 89, the annual individual income tax shall be payable at the following rates:

- On up to six times the average annual earnings at a rate of **10% - up to 4.941.288 RSD**;
- On over six times the average annual earnings – **10%** on up to six times the average annual earnings + **15%** on the amount exceeding six times the average annual earnings - **above 4,941.288 RSD**

The Tax Administration shall issue a hard copy tax assessment of the amount of personal income tax payable.

The **tax needs to be paid** no later than **15 days from the delivery date of the decision** on determining the annual income tax of citizens by the tax authority.

CONTACT US!

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