

TAX ALERT 11.04.2020.

DECREE ON FISCAL BENEFITS AND DIRECT PAYMENTS TO COMPANIES IN PRIVATE SECTOR AND FINANCIAL AID TO CITIZENS IN ORDER TO MITIGATE THE ECONOMIC CONSEQUENCES CAUSED BY DISEASE COVID-19

GOVERNMENT HAS ADOPTED THE DECREE IN ORDER TO MITIGATE THE ECONOMIC CONSEQUENCES OF THE PANDEMIA
"Official Gazette of RS" no. 54/2020 dated 10.04.2020.

FISCAL BENEFITS AND DIRECT PAYMENTS

WHO BENEFITS

The Regulation applies to legal entities, entrepreneurs, branches and representative offices of foreign legal entities.

The classification of business entities for the purposes of applying this Regulation is based on the financial statements for 2018.

Entities established during 2019 and 2020 are considered to be small legal entities.

FISCAL BENEFITS

- **Postponement of payment of taxes and contributions on earnings for three months** (March, April, May or April, May, June) / postponement of payment of advance payment of taxes and contributions on the income from self-employment for March, April and May until 04.01.2021. It is then possible to request payment in 24 installments
- **Postponement of payment of corporate tax advance payments** for March, April, and May month of 2020 until 04.01.2021. After that it is possible to request payment in 24 installments

All legal entities, entrepreneurs, branches and representative offices of foreign legal entities can apply for fiscal benefits.

DIRECT PAYMENTS

For entrepreneurs and legal entities classified as MICRO, SMALL AND MEDIUM in accordance with the law regulating accounting:

- payment of grants that can be used exclusively for payments of salaries to employees in May, June and July, based on the submitted PPP-PD form for March, April and May in the amount of RSD 30,367.04 per employee for each month for all legal entities.

For LARGE LEGAL ENTITIES:

- payment of grants that can be used exclusively for payments of salaries and wages to employees in May June and July, based on the submitted PPP-PD form for March, April and May in the amount of RSD 15,183.52 for each full-time employee the period for which the decision on termination of employment was issued, starting from 15 March 2020, in accordance with Articles 116 and 117 of the Labor Law (applicable proportionally to part-time employees)

Large legal entities - banks, insurance and reinsurance companies, voluntary pension fund management companies, financial leasing providers and payment institutions and electronic money institutions are not eligible for payment of grants. Large legal entities - banks, insurance and reinsurance companies, voluntary pension fund management companies, financial leasing providers and payment institutions and electronic money institutions are not eligible for payment of grants.

PREREQUISITE

That from 15.03.2020 until the date of entry into force of this Regulation, applicants **did not reduce the number of employees by more than 10%** (not counting the fixed-term employees whose contract expired from 15.03.2020 to 10.04.2020).

SUBSEQUENT CONDITIONS

In the period from 15.03.2020. until the expiry of the period of three months from the last payment of direct benefits applicant **shall not reduce the number of employees by more than 10%** (excluding employees who concluded a fixed-term employment contract before 15.03.2020 for the period ending in the period from 15.03.2020 to the expiry of a period of three months from the last payment of direct benefits).

Entities that choose to use fiscal benefits and direct payments cannot pay dividends until the end of 2020. The prohibition does not apply to the payment of dividends in shares.

HOW TO APPLY

Entities accept the use of fiscal benefits and direct benefits for all three months **by submitting a PPP-PD Form with a marked payment date 04/01/2021 until the end of April 2020.**

Not later than 25.04.2020, by electronic services of the Tax Administration, an entity should submit information on the name of the commercial bank at which it chooses to open a dedicated account for direct payments, if it has accounts with several banks. A special purpose account is opened by a commercial bank at the request of the NBS, which will receive information from the Tax Administration. A commercial bank terminates a dedicated account due to the termination of the direct payments program or the loss of the right to use the direct payments. In case a business entity does not transfer funds from the special purpose account to the current accounts of the persons for whom direct payments have been received by the date of termination of that special account, the bank shall return the funds from that account to the account of the Ministry of Finance-Treasury Department.

Large legal entities submit to the competent organizational unit of the Tax Administration and the competent organizational unit of the Treasury Department **in paper form a list of persons for direct payments no later than the 20th of the current month** for the payment of grants made in the following month.

FINES

A business entity that gains the right to direct benefits even though it is not entitled to it, uses these funds unintentionally or loses the right to direct benefits and fails to repay the amount of direct benefits received in full together with the associated interest until the initiation of the control procedure, **shall be punished by a fine of from 30-70% of direct payments received,** not less than 500,000 dinars for a legal entity, or 100,000 dinars for an entrepreneur. A fine in the amount of 50,000 to 100,000 dinars will be **imposed on the responsible person in the legal entity as well.**

A business entity that exercises the right to defer payment of public revenue even though it is not entitled to it or loses the right to defer payment of revenue and does not pay it in full together with the associated interest until the control procedure is initiated, **shall be fined 20-50% amount of deferred public revenue,** not less than RSD 250,000 for a legal entity, or RSD 50,000 for an entrepreneur. A fine in the amount of 25,000 to 50,000 dinars **will also be imposed on the responsible person in the legal entity.**

OUR NOTES

It is important to note that **all benefits must be used as a package** (deferred payment of taxes and contributions, income taxes and direct payments).

It is not an obstacle to use the benefits if, in the period before the application of the regulation, the business entity **fired and re-employed the employees.**

Business entities that apply Articles 116 and 117 of the Labor **Code** during a state of emergency may also apply.

VAT TREATMENT OF FREE OF CHARGE SALE OF GOODS AND SERVICES FOR HEALTH PURPOSES

VAT is not calculated and paid for the sale of goods or services performed free of charge by the VAT taxpayer to the **Ministry of Health, RFZO, or health institution in the public domain**, and the VAT payer is entitled to deduct the previous tax on the basis of that turnover.

The VAT exemption **applies to all shipments with a day of turnover during the period of emergency in the Republic of Serbia.**

For the sale of goods or services, the VAT taxpayer is obliged to keep special records:

- the name, address and PIB of the person to whom the goods or services were delivered
- the cost, that is, the purchase price of the goods or services that have been delivered.

FINANCIAL AID TO CITIZENS

After the end of the state of emergency, **all adult residents of the Republic of Serbia are to be paid one-time financial assistance in the amount of 100 EUR** in RSD equivalent.

The procedure, manner and conditions for payment shall be more closely regulated by the Government.

CONTACT US IN CASE YOU HAVE ADDITIONAL QUESTIONS!

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