



EY C19 Response

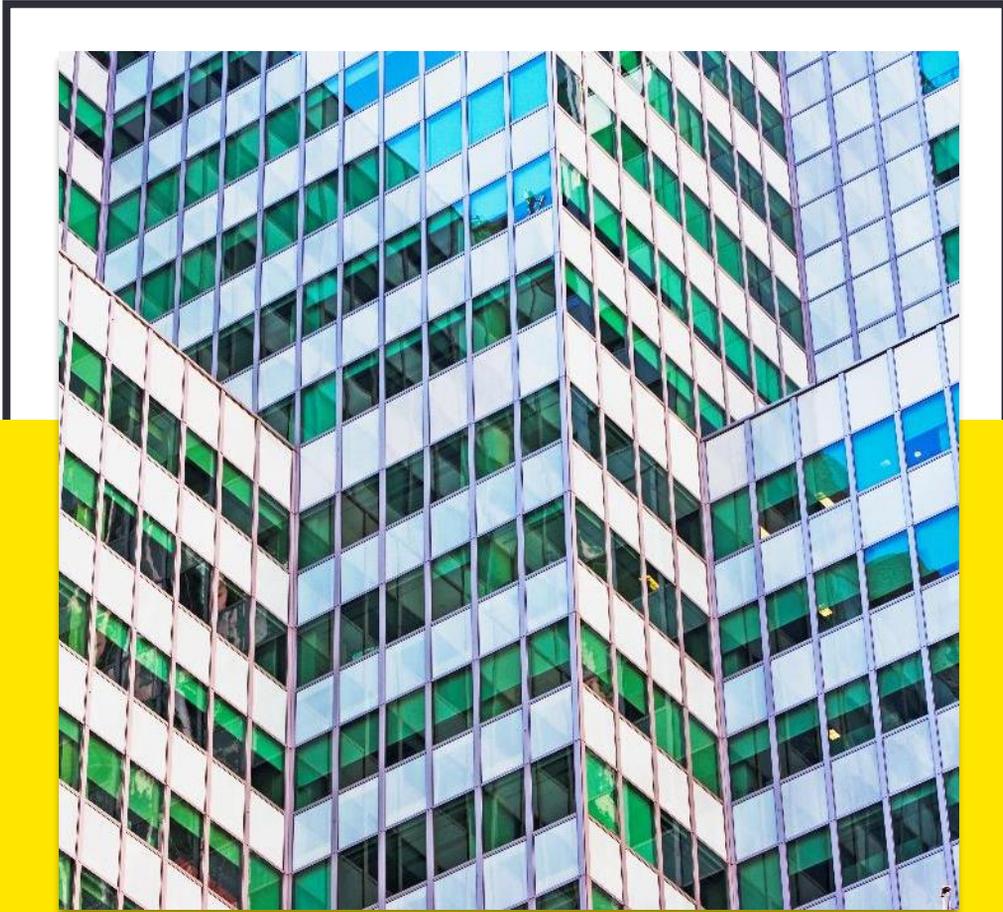
Tax Newsletter





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On April 10th 2020, the Government of the Republic of Serbia has adopted the Decree on Fiscal Benefits and Direct Aid to Companies within the Private Sector in order to Mitigate the Economic Consequences of COVID-19, which comes into force on the day of publication in the "Official Gazette of the Republic of Serbia".



The Decree regulates fiscal benefits and direct aid to companies, VAT treatment of supply of goods and services without compensation for health purposes, moratorium on payment of dividends, as well as payment of one-off aid to all adult citizens of the Republic of Serbia.

The Decree defines that the technical issues related to implementation of adopted measures, such as, deferral of payment of taxes through interest-free installments, as well as use of direct aid, will be regulated by special regulations (Rulebooks) which are to be adopted by the Ministry of Finance of the Republic of Serbia.



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What are the fiscal benefits?

- ▶ Fiscal benefits include the possibility to defer the obligation to pay certain types of taxes and contributions that are regularly due between April 1st and June 30th, 2020.
- ▶ Exceptionally, this applies to salary related tax and contributions for June 2020, which are due on July 31st, 2020.
- ▶ Deferred salary related tax and contributions are due in 24 interest-free monthly installments starting from January 4th, 2021.
- ▶ The taxes and contributions to be deferred are as follows:

Salary

Salary and salary compensation related tax and contributions until January 4th, 2021.

Income

Advance corporate income tax due on April 15th, May 15th and June 15th, up to the submission of the final corporate income tax return for 2020 (or tax period beginning or ending in 2020).

Entrepreneurs

Taxes and contributions on income from self-employment, i.e., salary and salary compensations according to rules applied for deferral of payment of corporate income tax, i.e. tax on salaries

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Direct aid

consist of payment of grants from the budget of the Republic of Serbia to private sector entities, only for salary purposes



Micro, small, medium and large legal entities, entrepreneurs, agriculturists, as well as branches and representative offices of foreign legal entities may use fiscal benefits and direct aid



Banks, insurance companies

voluntary pension funds, leasing companies and other payment institutions **cannot** use fiscal benefits and direct aid

Micro, small and medium-sized legal entities

will receive monthly payments of direct aid starting from May, and ending in July, in indicative amounts calculated as follows:

May

Number of employees
in Special PPP PD form
for March
x
RSD 30.367,04

June

Number of employees
in Special PPP PD form
for April
x
RSD 30.367,04

July

Number of employees
in Special PPP PD form
for May
x
RSD 30.367,04

Large legal entities

will receive a direct aid in a similar manner, but only for employees on „forced vacation leave“ in accordance with Article 116 and 117 of the Labor Law, in the amount of RSD 15.183,52 per employee for the mentioned months.

Conditions for using of fiscal benefits and direct aid

Who can apply?

Qualified business entities in private sector established and registered before March 15th, 2020.

Additional condition

Only business entities that have not reduced the number of employees by more than 10% during the period from March 15th to April 10th, 2020 (excluding employees with contracts concluded on definite time period before March 15th, and with a cut-off date before April 10th, 2020).

How to apply?

By submitting a special PPP PD form only for employees engaged on the basis of employment contract, and stating the payment date as 04/01/2021 in section 1.4. of the form (hereinafter: Special PPP PD)

Period of use

Business entities choose the right and the period of use of fiscal benefits and direct aid for themselves, which may be used for at least one and at most three months:

- ▶ *For 3 months - the business entity that submits a Special PPP PD by April 30th, 2020 at the latest*
- ▶ *For 2 months - the business entity that submits a Special PPP PD by May 31st, 2020 at the latest*
- ▶ *For 1 month - the business entity that submits a Special PPP PD by June 30th, 2020 at the latest*



The use of fiscal benefits and direct aid is a right, not an obligation. These benefits can be used simultaneously for a maximum of 3 months while conditions for acquisition and loss of such benefits are the same. However, the beneficiary may "waive" from any benefit or direct aid by either paying the deferred liabilities earlier, or by not using or repaying the funds received.

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Direct aid will be paid into special purpose account opened with a commercial bank for these purposes.





Loss of rights

Reduction the number of employees

A beneficiary that reduces the number of employees by more than 10% until October 31st, 2020 comparing to the number of employees on March 15th, 2020, shall lose the right to fiscal benefits and/or direct aid. The fulfillment of the conditions for the loss of rights is checked on the last day of each month starting from April until the end of October, 2020.

Dividend payment

A beneficiary that performs a dividend payment (except in shares) until December 31st, 2020 loses the right to use fiscal benefits and/or direct aid.

Consequences

The Beneficiary is obliged to pay all liabilities for which a deferred payment has been approved and to repay assistance payments alongside associated interest for outstanding tax liabilities.

Penalties

Depending of the type of offense, the beneficiary shall be fined in the amount of 30-70% of the received direct aid, and no less than RSD 500.000, and 20-50% of the amount of deferred public revenues, and no less than RSD 250.000, whilst the responsible person of a legal entity may be fined in the amount of RSD 50.000-100.000, and RSD 25.000-50.000.

VAT

For the supply of goods and services without compensation to the Ministry of Health, RFZO or state health institutions, VAT is not calculated and paid, with the input VAT deduction right, during the state of emergency

One-off aid to citizens

All adult citizens will receive one-off aid in the amount of EUR 100 in RSD equivalent after ending the state of emergency.





The citations and comments provided within this document provide only a general overview of information and guidelines regarding the possibility of using adopted economic measures.

It is extremely important to thoroughly and carefully review and analyze all the provisions of the Decree before potential applying for using of these economic measures.

In this respect, we would emphasize that the Decree is defined in a broad manner, and therefore, could be insufficient for full-scope practical application in certain segments.

Also, it should be pointed out that the Decree provides for the adoption of by-laws, which should regulate additional details, procedures and technical issues related to the use of adopted economic measures.

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