

Measures of the Serbian Government

to support Serbian economy
during COVID-19 pandemic-
**FISCAL STIMULUS AND DIRECT
FINANCIAL DISBURSEMENTS
PACKAGE**



Conditions for using regulations

Two most significant regulations of the package are :

- 1. Regulation on fiscal stimulus and direct financial disbursements*
 - 2. Regulation on financial support to entities for liquidity and current assets*
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Private-sector entities which can use fiscal stimulus and direct financial disbursements

- Legal entities, tax residents of the Republic of Serbia registered prior to 15 March 2020 or became VAT taxpayers during the aforementioned period;
- Sole proprietorships, tax residents of the Republic of Serbia registered prior to 15 March 2020 or became VAT taxpayers during the aforementioned period;
- Branches and representative offices of foreign legal entities registered prior to 15 March 2020 or became VAT taxpayers during the aforementioned period.

Entities which cannot use fiscal stimulus and direct financial disbursements

- Entities which reduced the number of employees by more than 10% from 15 March 2020 until 10 April 2020. Note: Reduction in number of employees does not take into account employees with fixed-term employment contracts concluded before 15 March 2020 and expired until 10 April 2020;
 - Public funds beneficiaries – entities included in the List of public funds beneficiaries defined by the Rulebook on list of public sector beneficiaries (official gazette of the republic of Serbia no. 93/2019);
 - Sole proprietorships which temporarily ceased operations before 15 March 2020;
 - Certain large-size legal entities in the specific industries – banks, insurance companies, reinsurance companies, pension funds management companies, leasing companies, payment institutions and electronic money institutions.
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Fiscal stimulus for legal entities

No.	Type of fiscal stimulus	Deferral period	Repayment
1.	<p>Option to defer payment of salary taxes and contributions (due by employer and employee) for March, April, and May 2020.</p> <p>Entities which paid March salaries prior to 10 April 2020, completely or partially, can opt for deferral of payment of salary taxes and contributions for April, May, and June salaries.</p>	Until 4 January 2021.	Maximum in 24 monthly installments, interest-free.
2.	<p>Option to defer corporate income tax advance payments for March, April and May 2020, i.e. advance payments due as of 15 March 2020, 15 May 2020, and 15 June 2020.</p>	Until submission of final tax return for tax period which includes period in which taxes were differed.	Maximum in 24 interest-free monthly installments in the amount of deferred taxes, maximum in the amount of final tax liability for the tax period.

NOTE:

- During months when deferral of salary taxes and contributions is used by entities, employees can claim their social security rights regularly and fully, like all the taxes and contributions are paid.

Fiscal stimulus for sole proprietorships

In specific cases, tax-lump-sum sole proprietorships have the option to defer sole proprietorship income taxes and contributions advance payments for March, April and May 2020 until 4 January 2021. Repayment is in 24 interest-free monthly installments.

No.	Type of fiscal stimulus	Deferral period	Repayment
1.	Option to defer payment of salary taxes and contributions (due by employer and employee) for March, April, and May 2020. Entities which paid March salaries prior to 10 April 2020, completely or partially, can opt for deferral of payment of salary taxes and contributions for April, May, and June salaries.	Until 4 January 2021.	Maximum in 24 monthly installments, interest-free.
2.	Option to defer sole proprietorship income taxes and contributions advance payments for March, April and May 2020, i.e. advance payments due as of 15 March 2020, 15 May 2020, and 15 June 2020.	Until submission of final tax return for tax period which includes period in which taxes were differed.	Maximum in 24 interest-free monthly installments in the amount of deferred taxes, maximum in the amount of final tax liability for the tax period.

How to apply for fiscal stimulus:

- Legal entities and sole proprietorships which want to use the fiscal stimulus should apply via submission of the tax return form PPP-PD, separately for employment income and non-employment income.
- In the tax return form PPP-PD, for the tax period for which fiscal stimulus is used, in the field 1.4 – date of payment, date 4 January 2021 should be filled.
- In order to use fiscal stimulus for all the three months, it is necessary the first tax return form PPP-PD to be submitted until 30 April 2020. If the tax return (filled in the aforementioned manner) is submitted first time until the end of May or June 2020, the stimulus shall be used only for two or one month, respectively.

Direct financial disbursements to private sector

No.	Description	All entities which have the right to use this measure, except large-size entities	Large-size entities
1.	Amount of disbursement	<p>30,367.04 RSD (minimum net salary for March 2020) multiplied by number of full-time employees.</p> <p>Number of employees is increased for number of part-time employees, proportionately to their engagement time, based on information from tax return form PPP-PD.</p> <p>Number of employees is decreased for number of employees which salary is borne by third parties (e.g. sick leave longer than 30 days).</p> <p>For sole proprietorships which have no employees, number of employees is increased by one, except when the sole proprietor is simultaneously an employee.</p>	<p>15,183.52 RSD (50% of minimum net salary for March 2020) multiplied by number of employees on so-called forced leave.</p> <p>A forced-leave employee is full-time employee who are temporarily dismissed (not coming to work) based on the company decision starting from 15 March 2020 in line with Articles 116 and 117 of the Serbian Labor Law.</p> <p>Number of employees is increased for number of part-time employees, proportionately to their engagement time, based on information from tax return form PPP-PD.</p>
2.	Payment dynamics	During May, June, and July 2020.	
3.	Submission of additional forms	No additional forms are required, beside the tax return form PPP-PD.	Required submission of list of employees for who payment is claimed, via hard-copy form SL, not later than 20th in the current month for payment in the subsequent month.
4.	Payment	<p>Disbursements shall be paid on the special-purpose account which shall be opened by the banks for all the entities which opted for direct financial disbursements.</p> <p>If entity has current accounts at more than one bank, it is required to deliver the name of the bank at which the special-purpose account shall be opened, not later than 25 April 2020. Information on the bank is delivered using the online portal of the tax authorities.</p>	

How to apply for direct financial disbursements

- A prerequisite for the private-sector entities to claim the right to the direct financial disbursements is to opt for using the financial benefits via submission of the tax return form PPP-PD filled in a way that field 1.4 – date of payment, date 4 January 2021 should be filled. It is not possible to claim only fiscal stimulus or direct financial disbursements separately, but direct financial disbursements can only be claimed coupled with the fiscal stimulus.
- After the tax return PPP-PD is submitted, the bank shall open special-purpose account for the entity (directly, if entity has the account only in one bank; or based on the entity's instruction, if it has accounts in more than one bank). Funds on the special-purpose accounts can be disposed by the authorized persons who have authorization to dispose with the funds on the regular current account.
- Serbian Government – Ministry of Finance, Treasury shall transfer the direct financial disbursement funds to special-purpose account. Entity can transfer the funds only to employees' accounts (transfer of funds from the special-purpose account to entity's current account is prohibited). In case the funds have not been transferred from the special-purpose account to employees' accounts, unused funds are returned to Treasury.

The following example is given for better understanding of the process:

Entity met all the requirements for using fiscal stimulus and direct financial disbursements and opted to use it. It paid April salary to employee in the net amount of 70,000 RSD. Entity has more than one current account in different banks.

The entity should follow the following process:

1. Entity should sign-in to online portal of the tax authorities (section where tax returns are submitted) and choose the bank at which the special-purpose account shall be opened (deadline is 25 April 2020).
 2. Entity should make payroll calculations and submit tax return form PPP-PD until 30 April 2020. In the tax return form PPP-PD, in the field 1.4 – date of payment, date 4 January 2021 should be filled.
 3. After tax return form PPP-PD is submitted, entity should not pay calculated salary taxes and contributions, but should only pay net salary to employee deducted for 30,367.04 RSD. In our example, it means entity shall pay 39,632.96 RSD to employee (70,000 RSD minus 30,367.04 RSD).
 4. In May entity shall receive direct financial disbursement at the special-purpose account in the amount of 30,367.04 RSD and should transfer the whole amount to employee's account.
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Loss of rights to fiscal stimulus and direct financial disbursements

Entity which opted to use the rights to fiscal stimulus and direct financial disbursements shall lose the aforementioned rights in the following cases:

1. If entity reduces the number of employees by more than **10%** from **15 March 2020** until three months after the last direct financial disbursement is received (not later than 31 October 2020). Note: Reduction in number of employees does not take into account employees with fixed-term employment contracts concluded before **15 March 2020** and expired during the aforementioned period.
2. If entity pays-out dividends before **31 December 2020**.

Entity which lost the rights to fiscal stimulus and direct financial disbursements is required to:

1. Pay all the liabilities for which deferral was granted, increased by appropriate interest calculated at interest rate used for tax default. Deadline for payment is 5 days after the date when the rights were lost.
 2. Return all the received direct financial disbursements, increased by appropriate interest calculated at interest rate used for tax default. Deadline for payment is 5 days after the date when the rights were lost.
- One of the frequently asked questions not clearly defined yet: do entities which opt for fiscal stimulus (taxes and contributions deferral) can repay deferred taxes and contributions before 4 January 2021, and if so, do entities lose the right to previously given fiscal stimulus and direct financial disbursements? Our opinion is the entities can repay previously deferred taxes and contributions without losing the right to previously given fiscal stimulus and direct financial disbursements. However, we strongly advise not to do so until the official opinion from the tax authorities is released.
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Other measures

In addition to aforementioned measures (fiscal stimulus and direct financial disbursements), Serbian Government has also passed the following measures:

- Exempting donors from the obligation to pay VAT, including the right to deduct input VAT. From VAT are exempted those taxpayers who donate their products or merchandise to institutions that are directly involved in activities aimed at preventing further pandemic and treatment of citizens from the Covid-19 (Ministry of Health, Health Insurance Fund of the Republic of Serbia, and public / state-owned health institutions). This measure is valid during the state of emergency started 15 March 2020.
 - Direct payment in the amount of EUR 100 (RSD equivalent) to all adult citizens of the Republic of Serbia, after the emergency state is ceased. Further information on the disbursement shall be officially regulated in the future.
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