

# Amendments to VAT rulebooks and Decree on exemption from customs duties on import of equipment

## Tax Alert

July 2018

The rulebooks on the application of the Law on Value Added Tax (hereinafter: "VAT Law") that regulate instances where there is no obligation for issuing an invoice, tax exemptions, keeping records and overviews of VAT calculations, as well as the Decree on Conditions, Method and Procedure for Exemption from Customs and Other Duties on Import of Equipment, have been published in the Official Gazette of the Republic of Serbia.

### **Rulebook on the Method and Procedure for Exercising Tax Exemptions for VAT with Right to Deduct Input Tax**

#### Tax exemptions for exports of goods

The Rulebook on amendments to the Rulebook on the Method and Procedure for Exercising Tax Exemptions for VAT with Right to Deduct Input Tax (hereinafter: "Rulebook") specifies tax treatment for situations in which exported goods have cleared customs in one tax period, while the customs authorities' certificate confirming that goods have left the territory of Serbia is issued in another tax period.

The Rulebook specifies that in situations in which exported goods have cleared customs in one tax period, while the customs authorities' certificate confirming that goods have left the territory of Serbia is issued in another tax period, the taxpayer who exported the goods is entitled to a VAT exemption in the period in which he obtains an export declaration.

On the other hand, if the export of goods is carried out in one period, but the customs authorities' certificate confirming that goods have left the territory of Serbia is not issued even in the immediately following tax period, the taxpayer who is exporting goods is required to calculate VAT and to file an amended tax return in the period in which exported goods have cleared customs. The taxpayer is entitled to deduct VAT calculated in this manner in the period in which he procures an export declaration.

In practice, if a company performs customs clearance for export of goods in March, and gets the export declaration in April of the same year, in the VAT return for April he shall declare a supply that is VAT exempt.

However, if the company gets the export declaration in May, it is required to calculate VAT in the VAT return for March, and in VAT return for May to decrease both the amount of the tax base and of VAT and to declare the supply which is VAT exempt.

#### Tax exemptions in case of entry of goods into a free zone

Instead of the requirement of possessing an invoice from the supplier of goods and a certified copy of the customs declaration, the Rulebook specifies that the taxpayer performing the supply of goods, or the recipient of goods, the tax debtor according to the VAT Law, meets the requirements for an exemption if he possesses:

- the invoice from the supplier of goods which are entering the free zone, certified by the competent customs authority, or alternatively
- the certified copy of the declaration confirming that the goods have entered the free zone in accordance with customs regulations.

#### VAT exemptions for supply performed by taxpayer to a foreign entity in a free zone

The Rulebook specifies the requirements for a tax exemption with the right to deduct input tax for supply of goods that enter a free zone, for supply of services related to entry of goods into a free zone and supplies performed by a VAT payer in a free zone to a foreign entity.

The Rulebook is effective as of 1 July 2018.

### **Rulebook on Determining Cases in Which There is No Obligation for Issuing an Invoice and on Invoices in Which Certain Data Can Be Left Out**

Amendments to the Rulebook on Determining Cases in Which There is No Obligation for Issuing an Invoice and on Invoices in Which Certain Data Can Be Left Out specifies that a VAT payer should issue an invoice:

- for supply without compensation for complete or partial transfer of assets, if the acquirer is a VAT payer or through such transfer becomes a VAT payer and continues to perform the same commercial activity,

- for supply that is part of realization of a public-private partnership contract with elements of a concession,
- for supply without compensation that according to the VAT Law is considered to have been carried out abroad.

In the invoices issued for the above supplies, the issuer of the invoice instead of information on:

1. the base amount;
2. the applicable tax rate,
3. amount of calculated VAT and
4. a note that a collection system is applied to such supply,

declares the value of the supply, or transfer (or amount of compensation in case of supply with compensation related to realization of a public-private partnership contract with elements of a concession).

The Rulebook is effective as of 7 July 2018.

### **Rulebook on Form, Content and Method of Keeping VAT Records and Form and Content of Overviews of VAT Calculations**

Amendments to the Rulebook on Form, Content and Method of Keeping VAT Records and Form and Content of Overviews of VAT Calculations specifies the method of recording supplies of investment gold.

Furthermore, it is specified that in the period from 1 July 2018 up to 30 June 2019 in tax audits, the Tax Authority will not consider inaccuracies reported in reviews of VAT calculations that do not impact the final amount of the VAT liability.

The Rulebook is effective as of 1 July 2018.

### **Conditions, Method and Procedure for Exemption from Customs and Other Duties on Import of Equipment**

The adoption of the Decree on Conditions, Method and Procedure for Exemption from Customs and Other Duties on Import of Equipment again specifies the conditions, method and procedure for exemption from customs and other duties on import of equipment by a foreign investor, according to the Law on Investments, which were cancelled in the middle of May 2018 with the adoption of the Decree on Conditions and Method for Attracting Direct Investments.

The Rulebook is effective as of 30 June 2018.

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