



# Opinion of the Ministry of finance regarding the compensation of travel expenses

## Tax Alert

March 2019

On 1 February 2019 the Ministry of Finance issued Opinion no. 011-00-12/2019-04 in which it presented the position that the right to tax exemption for compensation of travel expenses to and from work (prescribed by article 18 paragraph 1 item 1) of the Personal Income Tax Law), cannot be exercised without having a valid accounting document. A valid accounting document, inter alia, relates to the following: receipt for the purchase of a monthly ticket, a daily ticket or a single ticket for the use of public transport, a receipt for fuel, in case of use of own vehicle, etc.

In this Opinion the Ministry of Finance above all refers to the provisions of the Law on Accounting which regulate in greater detail which documents can be considered valid accounting documents based on which business transactions can be recorded in company books. Also, the Ministry of Finance draws attention to provisions of the Corporate Income Tax Law which specifies that non-expenses cannot be recognized as tax deductible.

Finally, the Opinion concludes that when the employer lacks a valid accounting document, compensation of an employee's travel expenses to and from work shall be considered to be undocumented expenses in the sense of article 7a item 1) of the Corporate Income Tax Law. Accordingly, such compensation of expenses is not exempt from payment of personal income tax in accordance with article 18 paragraph 1 item 1) of the Personal Income Tax Law which provides that tax is not payable on compensations up to the amount of the monthly ticket for use of public transport or up to the amount of actual transportation costs, and at most up to 3,914 dinars per month.

Given that this opinion was recently issued, there are uncertainties in respect of its application, e.g. whether usage of own vehicle for transport to and from work should be regulated by employer's internal acts, etc.

Furthermore, according to the Corporate Income Tax Law an employee's earnings that according to the Personal Income Tax Law are considered salary are recognized as an expense in the tax balance in the period in which they are paid. Accordingly, if cash payment to an employee as compensation of costs of travel to and from work is not documented with a receipt (but is documented in a bank statement, documents involving payments from petty cash, etc.), and is subject to salary tax in accordance with the Personal Income Tax Law, will such expense be recognized after all in calculating corporate income tax in the tax period in which payment is made to the employee.

### Contact details of our Tax & Legal Department – Global Mobility Services

#### Igor Lončarević

Partner  
Tax & Legal Department  
T: +381 60 20 55 570  
[iloncarevic@kpmg.com](mailto:iloncarevic@kpmg.com)

#### Biljana Bujic

Partner  
Tax & Legal Department  
T: +381 60 20 55 511  
[bbujic@kpmg.com](mailto:bbujic@kpmg.com)

#### Gordana Zekic

Senior Manager  
Tax & Legal Department  
T: +381 60 20 55 568  
[gzekic@kpmg.com](mailto:gzekic@kpmg.com)

#### KPMG d.o.o. Beograd

Kraljice Natalije 11  
11000 Belgrade, Serbia  
T: +381 11 20 50 500  
F: +381 11 20 50 550  
[tax@kpmg.rs](mailto:tax@kpmg.rs)

[kpmg.com/rs](http://kpmg.com/rs)

[KPMG Tax Alerts](#)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG d.o.o. Beograd, a Serbian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.