



# Rulebook on Exercising Rights to Tax Exemption for Organizing Recreation, Sports Events and Activities for Employees Published

## Tax Alert

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On 12 July 2019 the Ministry of Finance of the Republic of Serbia adopted the Rulebook on Exercising Rights to Tax Exemption for Organizing Recreation, Sports Events and Activities for Employees (the Rulebook), effective from 20 July 2019.

This Rulebook regulates in greater detail the conditions and criteria that must be met for an exemption to be granted to an employer for expenses related to the following:

- organizing sports events for the improvement of health and for building better interpersonal relationships among employees;
- construction or refurbishment of offices and/ or purchase of equipment for recreation in the workplace;
- compensation of the costs of collective recreation of employees.

### Right to tax exemption for costs of organizing sports events for the improvement of health and for building better interpersonal relationships among employees

This Rulebook specifies for the first time the number of employees that must take part in sports events.

The “significant number of employees” who are **entitled to take part** in sports events is defined, as well as the “significant number of employees” who **exercise the right** to take part in sports events.

The **significant number** of employees who are **entitled to take part** in sports events or activities must be **at least 70% of the total number of employees**.

The **significant number** of employees who **exercise their right to take part** represents an amount of **at least 70% of the total number of employees who are entitled to take part**.

The Rulebook provides for the possibility for the employer, in case of justified specificity of his business, to organize several individual sports events/activities of different sort and scope. The criterion of a significant number of employees is determined with respect to all events organized in a single business year, with the total number of employees for that business year.

The Rulebook specifies cases when absence of an employee from an organized sports event can be considered justified and when the employee is included in the number of employees who exercised their right to take part in organized activities. Such absences must be documented.

### Right to tax exemption for recreation of employees in the workplace

The Rulebook specifies what is considered recreation of the same type, quality and scope, which must be provided to all employees, if the employer specified in an internal corporate document the right to recreation of employees in the workplace.

### Right to tax exemption for compensation to employee of costs of collective recreation outside of the employer’s premises

The Rulebook specifies what is understood to be compensation of costs of collective recreation and it further specifies what is considered recreation of the same type and quality in terms of collective recreation of employees.

The Rulebook specifies that the employer can choose an option for individual or any other combination of compensation of costs of collective recreation, with the condition that payment must be made directly to the supplier’s account.

### Tax exemption when not all employees exercise their right to recreation of the same type, quality and scope

Criteria and conditions are specified for a tax exemption to be granted for a particular employee or group of employees who are provided with entitlement to specific recreation.

## **KPMG support**

In view of the new rules and possibilities for tax exemption, KPMG professionals are at your disposal to assist with:

- analysis of team building, recreation and similar activities organized by your company
- considering whether conditions are met for a tax exemption, including specification of activities that are taxable
- support in drafting internal corporate documents regarding the said activities
- establishing procedures for adequate monitoring of these activities and timely submission of documentation to the human resources / finance departments.

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