

Amendments to the VAT Law adopted

Tax Alert

December 2020

At its session held on 17 December 2020, Serbian Parliament adopted the Law on Amendments to the VAT Law (Law). The Law is published in the Official Gazette of the Republic of Serbia no. 153 dated 21 December 2020.

The Law enters into force on 29 December 2020 and is effective as of 1 January 2021.

Important amendments are presented below.

VAT in construction

The Law narrows the application of the special rule for supplies in construction according to which the tax debtor is the recipient of goods and services, by introducing a restriction that stipulates that such rule is solely applicable to supplies whose value is above RSD 500,000 excluding VAT.

The abovementioned rule is not applicable to supplies for which an advance payment is received by 31 December 2020, and which will be executed after 1 January 2021.

VAT exemptions

Supply of goods which are under the inward processing regime, for which the VAT payer – purchaser would have the right to deduct input tax if such goods were purchased with VAT, is VAT exempt with the right to deduct input VAT.

The transfer of virtual currencies and the exchange of virtual currencies for legal tender in accordance with the law governing digital assets is VAT exempt without the right to deduct input VAT.

Electronic invoice

For the first time VAT legislation defines the issuance of electronic invoices.

The Law stipulates that an invoice can be issued in paper or electronic form if there is consent by the recipient.

Consent by the recipient to accept the invoice in electronic form is not required if issuance of invoice in electronic form is prescribed by law as mandatory. Form and content of the consent are not prescribed, nor whether the consent must be in written form, nor whether the acceptance of the invoice shall be considered as consent as well.

An electronic invoice shall be issued as an electronic document in accordance with the law.

Investment funds

The definition of a VAT payer is extended so that it includes open investment funds and alternative investment funds which are not legal entities, and which are registered in a relevant register in line with the law.

Supplementary supply of goods or services

The Law prescribes that supply of movables goods cannot be considered as auxiliary supply of goods with supply of building or economically separable unit within a building which is considered real estate.

In addition, renting or granting of use of a building or economically separable unit within a building which is considered real estate cannot be considered as auxiliary supply of services.

VAT base

It is specified that amounts collected by the VAT payer on behalf of another person, which are transferred to that other person, shall not be included in the base for VAT calculation if such amounts are separately recorded.

Additionally, it is prescribed that amounts claimed by the VAT payer for expenses covered on behalf of the recipient of goods or services are not included in the tax base, if separately recorded.



Proportional deduction

It is prescribed that up to two supplies of shares, securities, postal securities and other stamp duties, in one calendar year, are considered as occasional supplies which shall not be included in the supply of goods and services for the purpose of calculating the percentage of the proportional tax deduction.

Registration form

A VAT payer who realizes revenues above MRSD 8 who has not submitted a registration form before the first deadline for the periodic VAT return, can submit it after the deadline, or the tax authorities will do so ex officio.

Such VAT payer has the right to deduct input VAT as of date of registration form submission.

Incorrectly calculated VAT

The Law regulates correction of calculated VAT in case when the invoice should not have been issued.

In such case, the invoice is canceled, and the correction of the calculated VAT is performed if a document of the recipient of the invoice, stating that VAT has not been used as input tax, i.e. that for that amount a refund request has not been submitted (e.g. refund to a foreign entity, humanitarian organization etc.) is obtained.

Supply of used goods

VAT payers engaged in sale of second-hand goods (second-hand motor vehicles, works of art, collectibles and antiques) have the right to opt to determine VAT base as the difference between the sale and purchase price of these goods, decreased for the VAT contained in that difference.

Respective right to opt applies to each individual supply.

The KPMG team is at your disposal for all your questions in respect of the application of the Law.

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