



The Government of Serbia issued Conclusion with Additional Fiscal Benefits and Direct Aid due to COVID-19

Tax Alert

August 2020

In the Official Gazette of the Republic of Serbia No. 104 of 31 July 2020, the Government of Serbia (**Government**) has issued the Conclusion, which grants additional Fiscal Benefits and Direct Aid to business entities due to COVID-19 pandemics (**Conclusion**).

For more detailed regulation of the qualifying conditions for additional incentives, the Conclusion refers to the Decree on Fiscal Benefits and Direct Aid to companies in the private sector and monetary aid to citizens aimed at reducing economic consequences due to COVID-19 (Decree), which has defined initial set of measures.

More info on the Decree can be found in our [Tax Alerts](#).

Who is eligible for the extended benefits and aid?

All business entities (entrepreneurs, micro, small, medium and large entities, as well as branch offices and representative offices) which have qualified and received last payment of Direct Aid in accordance with the Decree in July 2020 are eligible for the additional benefits and aid.

In addition, all business entities which could qualify but did not apply for the initial set of measures, or which are registered or VAT registered after the deadline for application for the initial set of measures (15 March 2020), but no later than 20 July 2020 are also eligible for the benefits determined by the Conclusion.

Who is not eligible for the extended benefits and aid?

1. Entities which have downsized labor force for more than 10% in the period from 15 March 2020 to 10 April 2020
2. Users of public funds covered by the List of Beneficiaries of Public Funds as of 24 April 2020
3. Entrepreneurs who have registered temporary cessation of business activity before 15 March 2020
4. Banks, insurance and reinsurance companies, voluntary pension funds, financial leasing providers, payment institutions and electronic money institutions
5. Legal entities which lost right to the benefits because of failure to maintain conditions prescribed by the Decree (prohibition of dividend payment, downsizing in labor force for more than 10%)

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Direct aid to previous measures users

| | | All entities except large entities | Large entities |
|---|---|---|---|
| 1 | Amount | 60% of the amount received in July 2020, i.e. RSD 18,220 per employee for whom direct aid was received in July 2020. | For June and July 50% of minimum wage for March (RSD 15,184) per qualified employee which has been on forced leave for at least 15 business days in June and/or July 2020. |
| 2 | Payment dynamics | August and September 2020 | |
| 3 | Payment of salary tax and social contributions on aid paid out to employees | The aid received must be paid in full to the employee, which means that these funds cover part of the employee's net earnings. There is no prescribed exemption from payment of salary tax and social security contributions (on behalf of the employee and the employer), based on this payment. The salary tax and contributions calculated in this way which are due in August 2020, the payment deferral described below may apply. | |
| 4 | Submission of additional forms besides PPP-PD Form | No. Payments will be automatically performed to all business entities which received previous aid according to the Decree. | It is required to submit by 15 August 2020 in paper form SL – List of employees for which large entity can obtain right to direct aid payment, which is prescribed in the Rulebook on form in which information on employees for which large entity can obtain direct aid payment are disclosed, and this form should include qualified employees for both, June and July 2020. |
| 5 | Payment | Payment will be made to a COVID-19 special purpose account which was used for the previous direct aid payments. | |
| 6 | Special Considerations | <ul style="list-style-type: none"> — The effect recorded through P&L statement based on direct aid is included in the tax base computation for Corporate Income Tax. — Unused funds in the special purpose account are automatically returned to the State Treasury after the expiration of the program on 31 October 2020. | |

Direct aid to new measures users

| | | Entities which submit PPP-PD | Entities which do not submit PPP-PD |
|---|------------------|---|---|
| 1 | Amount | 120% of minimum wage in March 2020 per qualified employee (approximately RSD 36,440) as disclosed in PPP-PD, which must be submitted by 15 September 2020 for August 2020. Employees whose labor agreement is terminated from 1 to 31 August 2020 are not eligible for the aid. | 120% of minimum wage in March 2020 (approximately RSD 36,440) to entrepreneurs without employees. |
| 2 | Payment dynamics | September 2020 | |
| 3 | Payment | COVID-19 special purpose account will be automaticity created after registration for all new direct aid users and will be used for disbursement of direct aid. | |

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Deferral of payment of salary tax and contributions on salaries

| Previous users | | New users | |
|----------------|--|--|--|
| 1 | All business entities and entrepreneurs who pay lump sum tax | Liability of business entities and advance payments liabilities for entrepreneurs for taxes and contributions which are due in August 2020 are deferred until 5 January 2021, when the liability must be paid in full, without possibility of payment in instalments. | Novi korisnici podsticajnih mera mogu odložiti plaćanje obaveza/akontacija obaveza koje dospevaju u septembru 2020. godine do 5. januara 2021. godine, kada obaveza mora biti plaćena u celosti bez mogućnosti plaćanja na rate. Privredna društva koja podnose PPP-PD moraju u polju 1.4.- datum plaćanja uneti datum 5. januar 2021. godine. |
| 2. | Other income derived from personal business activities | Advance payments of tax and contributions for the income derived from personal business activities which are due in August 2020 are deferred until the day of submission of final tax return for taxes and contributions for 2020, when the liability has to be paid in full, without possibility of payment in instalments. | Advanced payments of tax and contributions for the income derived from personal business activities which are due in September 2020 are deferred until the day of submission of final tax return for taxes and contributions for 2020, when the liability has to be paid in full, without possibility of payment in instalments. |

How to opt out from additional fiscal benefits and direct aid?

If the company does not want to use the additional benefits and direct benefits provided by the Conclusion, it has an option of not using the funds paid into a special account, which will be automatically returned to the State Treasury after 31 October 2020. Additionally, it is necessary not to use the benefit of deferring the payment of taxes and contributions on salaries due in August 2020.

Loss of the right to fiscal benefits and direct aid

1. If the number of employees is reduced by more than 10% (excluding temporary employees with whom contract is concluded before 15 March 2020), in the period from 15 March 2020 until the expiry of the period of three months from the last payment of direct benefits (no later than 31 December 2020).
2. If user of benefits pays out dividends until 31 December 2020.

Consequence of the loss of the right to fiscal benefits and direct payments include liability to pay all deferred taxes and contributions increased for a late payment interest, and a repayment of received direct aid increased for late payment interest.

If you have any questions or need the support of our professionals, feel free to contact us at tax@kpmg.rs

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