

Amendments to the Rulebook on transfer pricing

Tax Alert

October 2021



The Ministry of Finance has adopted the Rulebook on Amendments to the Rulebook on transfer pricing and methods which are used, in accordance with the “arm’s length” principle, for determination of prices of the transactions between related parties (“Rulebook on Transfer pricing”), which was published on October 1, 2021 in the Official Gazette of the Republic of Serbia No. 95/2021 and enters into force on October 9, 2021.

Amendments to the Rulebook on Transfer pricing refer to a more detailed regulation of the conditions, content and manner of submitting the annual report on controlled transactions of the international group of related legal entities - CbC Report (Country by Country Report).

In accordance with the Article 61v of the Corporate Income Tax Law, each taxpayer is obliged to provide information in the documentation on transfer pricing within the analysis of a group of related parties:

- whether the taxpayer is a member of an international group of related legal entities;
- whether it is considered the ultimate parent entity, i.e.
- information on the identity and country of residence of the ultimate parent entity if the taxpayer itself is not considered the ultimate parent entity.



As a remainder, starting from 2020, the obligation to compile and submit an annual report to the tax authority was introduced. The CbC Report is submitted only by the ultimate parent entity of the international group of related entities, if it is a tax resident of Serbia.

An international group of related legal entities is a group of parties that are interconnected based on ownership or control in terms of IAS or IFRS under the following conditions:

- total consolidated revenue amounts to at least EUR 750 million annually;
- at least one of the parties in the group has the obligation to prepare consolidated financial statements in accordance with IAS, i.e., IFRS, i.e., this party would have that obligation if its shares were traded on a regulated market; i
- members of the group are subject to taxation in at least two tax jurisdictions (including a permanent establishment).

Moreover, the ultimate parent entity of an international group is a legal entity, a member of an international group, which has ownership or control over one or more legal entities that creates an obligation to prepare consolidated financial statements, i.e. this party would have that obligation if its shares were traded on a regulated market, as well as provided that there is no other legal entity within the international group that has ownership or control over that party, and which has the obligation to prepare consolidated financial statements.

The annual report, i.e. CbC Report is submitted in hard copy within 12 months from the end of the financial year for which it is compiled.

The CbC Report contains the following information:

1. consolidated information on the amount of income, profit or loss before tax, calculated and paid corporate income tax, stated capital, accumulated earnings, number of employees and tangible assets other than cash or cash equivalent for each tax jurisdiction in which the international group operates;

2. identification of each member of the international group, including the country in which such member is a tax resident in accordance with the legislation of the country of residence, as well as the country in which such legal entity is founded if different from the country of residence, as well as information on predominant activity or activities of a member of an international group.

To download the CbC Report, [click on the link](#).

The KPMG team is at your disposal for all inquiries regarding the transfer pricing.

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

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