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## New tax rulebooks in Serbia - trend of increased taxation of foreign legal entities

Tax

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Upon recent amendments of the Law on Value Added Tax in Serbia (the **VAT Law**), the Ministry of Finance adopted several accompanying secondary pieces of legislation:

- Rulebook on Determining of Services Related to Real Estate for Purpose of Determining of Place of Supply of Services, in accordance with VAT Law (the "**Rulebook on Real Estate**"),
- Rulebook on Determining of Services of Sale of Food and Drinks for Consummation On-Site for Purpose of Determining Place of Supply of Services, in accordance with VAT Law (the "**Rulebook on Food and Drinks**"),
- Rulebook on Determining of Vehicles for Purpose of Determining Place of Supply of Services of Rent of Vehicles, in accordance with VAT Law (the "**Rulebook on Rent of Vehicles**"),
- Rulebook on Amendments of Rulebook on Manner and Procedure of Exercising VAT Exemptions with Right of Deduction of Input VAT (the "**Amendments of Rulebook on VAT Exemptions**").

The aforementioned rulebooks will apply as of 1 April 2017.

The Ministry of Finance also adopted the Rulebook on Interest Rates in Accordance With "Arm's Length Principle" for 2017, which will apply as of 18 March 2017.

### **Taxation of services of foreign legal entities related to real estate in Serbia**

Since, under the recent amendments of the VAT Law the criteria for determining the place of supply of services was one of the main topics, the Rulebook on Real Estate determines the place of supply of services related to real estate and prescribes a detailed list of services which are considered as services related to immovable.

Pursuant to the Rulebook on Real Estate, services related to an immovable will be taxed based on the location of the respective immovable. Therefore, services of foreign legal entities, related to the immovable located in Serbia, such as geodetic services, drafting of projects for construction of facilities, construction works, risk assessment, assessment of value of real estate, rent of real estate, management of real estate and brokerage in the sale of real estate will be subject to VAT in Serbia. Rulebook on Real Estate also contains a list of services which are not considered as related to the immovable.

### **Closer description of services of sale of food and drinks on-site and rent of vehicles**

Rulebook on Rent of Vehicles and Rulebook on Food and Drinks contain detailed lists of vehicles, i.e. services of sale of food and drinks on-site respectively, to which criteria for determining the place of supply of such services stipulated by the VAT Law applies.

### **Manner of Exercising of VAT Exemptions**

With the goal of harmonizing with the new criteria for determining the place of supply of services, Ministry of Finance also adopted the Amendments of Rulebook on VAT Exemptions, which regulate, in greater detail than before, the manner of exercising of right of VAT exemptions with right of deduction of input VAT for the services of transporting and other services related to transit, import and export of goods and content of the documents and invoices for the respective purpose.