



## Mazars Tax Newsletter

May 2021

### New Rulebook on Value Added Tax

New Rulebook on Value Added Tax was published in the Official Gazette of the Republic of Serbia, which will be in force as of July 1, 2021. The new Rulebook replaces 27 individual rulebooks that have been in force so far, while three Decrees which were adopted based on the VAT Law remain in force.

Therefore, as of July 1, 2021, Serbian VAT regulations will consist of:

- VAT Law;
- Rulebook on the Value Added Tax;
- Decree on the amount of expenses (sludge, rupture, breakdown and breakage) on which value added tax shall not be payable;
- Decree on the criteria which determines what, according to the VAT Law, shall be considered the predominant trade of goods abroad;
- Decree on the VAT Law implementation on the territory of the Autonomous Province of Kosovo and Metohija while UN Security Council Resolution No. 1244 is valid.

The transitional provision stipulates that if reimbursement (or its part) is paid until June 30, 2021, for the turnover of goods/services that will be conducted after July 1, 2021, the regulations applicable to that supply shall be the ones effective until June 30, 2021, i.e. currently valid regulations.

The Rulebook contains 282 articles and 19 forms and consists of 34 chapters.

The new Rulebook was not created by simply merging the current rules. There have been amendments in certain areas, which partly represent only clarifications of some regulations or confirmation of some views of competent tax authorities, while some parts have been significantly amended.

As an integral part of the New Rulebook, there are 19 forms, one of which is new - Form OOPPPDV - Notice of revocation, i.e. cancellation of the tax power of attorney for value added tax.

The text below provides the most significant changes brought by the new Rulebook.

## **Construction services**

The most considerable change in this type of services refers to the abolition of the concept of internal VAT calculation for many types of services which, according to the previous rulebook, were considered construction services. The new Rulebook prescribes in detail for which types of services internal VAT calculation is abolished. Hereinafter, this type of services will be regulated by the general approach, according to which the VAT debtor is a provider of construction services. Please note that for services where the principle of internal VAT calculation remains in force, the value criterion of RSD 500,000 still applies.

The Rulebook also prescribes rules on the main and secondary turnover, in the sense that if in addition to turnover of construction goods and services, secondary trade in goods and services is performed, it is considered that only turnover of construction goods and services is performed. On the other hand, if in addition to the turnover of goods and services that is not considered to be the turnover of construction goods and services, there is a secondary turnover of goods and services that is considered to be the turnover of construction goods and services, it is considered that only turnover which is not turnover of construction goods/services is performed.

## **Providing advertising material**

The new Rulebook prescribes that free provision of catalogs, brochures, leaflets, flyers and similar goods intended to inform customers or potential customers about the activities of VAT payers is not considered free of charge turnover, which changed the previous approach where such benefits had VAT treatment as free of charge turnover. This is an important novelty as it means that the free provision of these goods will not be considered subject to VAT whatsoever, and consequently will not affect the determination of whether these goods are considered advertising material or not, i.e. the value of these goods will not be relevant for determining the tax treatment of their free provision, will not be included in the total value of advertising material and giveaways of lower value goods in the tax period (the criterion of 0.25% of total turnover will not be applied).

## **Return of goods**

The new Rulebook specifies that goods with expiration dates are considered to be the goods with at least two thirds past the expiration date, and are due to expire in two months at the most.

## **Tax treatment of returnable packaging**

The Rulebook stipulates that if the packaging is returned after the expiration of the agreed return deadline, it is considered that upon the date expiration, there is a turnover of returnable packaging, and not a change in the VAT base (there is a separate turnover subject to VAT).

## **Other significant changes**

- The definition of advertising material has been changed, in the sense that advertising material is considered to be goods on which the logo i.e. visual identity of a brand related to the activity of the VAT payer is printed, which the VAT payer provides with third parties free of charge.
- It is defined that the replacement of goods within the warranty period, if it is performed according to the terms of the warranty, and without compensation, is a turnover that is not subject to VAT. What is additionally regulated by the new Rulebook is that replacement of spare parts within the repair of a certain good is not considered the replacement of goods within the warranty period;
- It is specified what is considered machines and other equipment for the purpose of determining the place of supply of services related to real estate.
- The definition of a business unit, in the context of the transfer of part of the property, has been changed, meaning that a business unit is seen as part of the property which allows other VAT payer to continue business activity (the part that the transfer prevents the transferor from performing that activity was excluded);
- The terms for obtaining tax exemption for services related to the import of goods have been imposed (e.g. transport services depending on whether they are provided by domestic or foreign entities/individuals who are not VAT payers in Serbia).

- The terms for obtaining tax exemption for transportation services and other services related to the export, transit and temporary import of goods when the recipient of the service is a tax debtor have been imposed.
- It is prescribed that, in case that the invoice is issued on the day of goods/services turnover, the invoice does not have to contain information on the date of turnover of goods/services.
- The manner and procedure of submitting the notification on revocation or cancellation of the power of attorney has been regulated and a new OOPPDV Form has been prescribed in this regard.
- Mandatory elements of the document on the change of the tax base, i.e. the fee when there is a change of the base are prescribed for all invoices issued in a certain period.
- The content of the final invoice is prescribed when the tax debtor changes from the moment of advance payment to the moment of turnover.
- The transfer of a plot of land based on a leasing contract is considered the supply of goods according to the new rules.
- The provision stipulating that a periodical invoice should contain the data on the volume of services in the form of period when the service is provided has been annulled.
- The content of an invoice when the fee for the supply of goods / services is charged in a foreign currency has been prescribed.
- It is prescribed what data on transactions are not stated in the POPDV form.
- The records that must be kept by the VAT payer who transfers single-purpose and multi-purpose vouchers have been prescribed.

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