

PROPERTY TAX LAW

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I. BASIC PROVISIONS

Article 1

For the purposes of this Law, the following shall be understood to mean property taxes:

- 1) Property tax;
- 2) Inheritance and gift tax;
- 3) Absolute rights transfer tax.

II. PROPERTY TAX

Article 2

Property tax shall be paid on the following rights relating to real estate:

- 1) Property right;
- 2) Usufruct right;
- 3) Right of use and right of occupancy;
- 4) Right of time-sharing;
- 5) Right to a long-term lease on a dwelling or residential building pursuant to the law governing housing;
- 6) Right of use to urban building land exceeding 10 ares in area.

For the purposes of paragraph 1 of this Article, real estate shall be understood to mean the following: land, residential and business buildings, dwellings, business premises, garages, buildings and rooms serving for resting and recreation, and other buildings.

When any of the rights referred to in paragraph 1, items 2) to 6), of this Article apply to any real estate, property tax shall be paid on that right, not on property right.

Article 3

Property tax shall also be paid on property right relating to:

- 1) Registered shares;
- 2) Interests in limited liability companies.

Taxpayer

Article 4

The payer of property tax on the rights referred to in Article 2 of this Law shall be any legal entity or individual holding the title to real estate existing in the territory of the Republic of Serbia.

If several legal entities or individuals exercise one of the rights referred to in Article 2 of this Law relating to one the same real estate, each one of them shall be a taxpayer in proportion to its share.

In the case of real estate acquired and used by a public service (public enterprise, establishment) or some other organisation founded by the Republic, or an enterprise and some other organisation by investing state capital, is state-owned, in conformity with the law dealing with the assets owned by the Republic of Serbia, the taxpayer shall be the user of such real estate.

The payer of property tax on the rights referred to in Article 3 of this Law shall be any legal entity or individual which/who is a resident of the Republic of Serbia and holder of that right.

The provisions of the law dealing with enterprise profit tax shall apply to the residency of legal entities and those of the law dealing with individual income tax shall apply to the residency of individuals.

Tax Base

Article 5

The base of property tax on real estate, other than agricultural and forest land, where the taxpayer does not keep books, shall be the market value of real estate on 31 December of the year preceding the year for which property tax is levied and paid, unless otherwise provided by this Law.

The real estate market value shall be determined by the competent tax office and such value shall be reduced for each year by the depreciation rate determined by the asset depreciation nomenclature, but not by more than 70%.

In the case of real estate built in the course of the year for which the property tax levied and paid, the tax base shall be the market value of corresponding real estate on 31 December of the year preceding the year for which property tax is levied.

Article 6

The market value of any real estate referred to in Article 5 of this Law shall be determined by applying the basic and adjusting elements.

The basic elements shall be as follows:

- 1) Useful area;
- 2) Average market price per square metre of corresponding real estate in the territory of the municipality concerned.

The adjusting elements shall be as follows:

- 1) Location of real estate;
- 2) Quality of real estate;
- 3) Other elements affecting the market value of real estate.

Article 7

For the purposes of this Law, the base of property tax on agricultural and forest land shall be five times the annual cadastral income from that land.

The base of property tax on agricultural and forest land and other real estate of any taxpayer that keeps books shall be the value of real estate declared in its books in conformity with regulations.

Article 8

The base of property tax on registered shares and interests in limited liability companies, when the taxpayer is a legal entity, shall be the value declared in its books and determined in conformity with regulations on 31 December of the year preceding the year for which property tax is levied and paid.

The base of the property tax referred to in paragraph 1 of this Article, when the taxpayer is an individual, shall be the value of the capital he owned on 31 December of the year preceding the year for which the property tax is levied and paid, according to the data furnished by the legal entity in which he owns capital, which shall be confirmed in writing by the legal entity in which capital is owned at the owner's request.

The value of the capital referred to in paragraphs 1 and 2 of this Article shall be its total value adjusted for revaluation, reserves included in permanent capital and losses according to the data furnished by the legal entity/company in which he owns capital, as on 31 December of the year preceding the year for which property tax is levied and paid.

Article 9

The minister of finance and economy shall regulate in greater detail the method of determining the tax base referred to in Articles 5 through 8 of this Law.

Onset of Tax Liability

Article 10

Property tax liability runs from the date of acquisition of the right concerned or the starting date of utilisation, date of being brought in order, date of inspection certificate or date on which the use of property was made possible in some other way.

Tax Rates

Article 11

The property tax rates shall be as follows:

- 1) On the rights to real estate of a taxpayer that keeps books - 0.40%;
- 2) On the rights to real estate of a taxpayer that does not keep books:

Tax Base	Payable Tax
Up to 6,000,000 din.	0.40%
6,000,000 to 15,000,000 din.	24,000 din. +0.80% on the amount exceeding 6,000,000 din.
15,000,000 to 30,000,000 din.	96,000 din. + 1.50% on the amount exceeding 15,000,000 din.
Over 30,000,000 din.	321,000 din. + 2% on the amount exceeding 30,000,000 din.

- 3) On the rights to registered shares and interests in limited liability companies - 0.25%.

Tax Exemptions

Article 12

Property tax shall not be payable on rights to the following real estate:

- 1) State-owned one used by state agencies and organisations and agencies, organisations and services of the territorial autonomy and local self-government units;
- 2) That owned by diplomatic and consular missions of foreign states, subject to reciprocity;
- 3) That owned by religious organisations and intended and used for the performance of religious rites;
- 4) That proclaimed cultural or historical monument by the competent authority;
- 5) That used for educational, cultural, scientific, social welfare, health care, humanitarian or sport purposes;
- 6) Agricultural and forest land, the original purpose of which is being restored - five years from the commencement of restoration;
- 7) Roads, port wharves and breakwaters, ship locks, railways, airport runways, dams, flood control facilities, agricultural and forest soil protection facilities and other environmental protection facilities;
- 8) Urban building land when the total area of building site or sites (excluding the land under the building of one holder of rights) is not greater than 10 ares;
- 9) Wartime shelters for people and goods, except when they are used for purposes on the basis of which income is generated;
- 10) Agricultural buildings;
- 11) Buildings or parts of buildings serving for public utility purposes in conformity with law.

Property tax shall not be paid by a holder of rights to the real estate referred to in Article 2 of this Law when the total base for all real estate owned by that holder is not greater than 250,000 dinars.

The provisions of paragraphs 1 and 2 of this Article shall not apply to any real estate let on a lasting basis to other persons for the purpose of generating income.

For the purposes of paragraph 3 of this Article, the letting to other persons on a lasting basis shall be understood to mean any letting of real estate to another person for a compensation, in the duration of more than 183 days in the course of 12 months, continuously or with interruptions.

Property tax shall not be paid by any taxpayer holding rights to the real estate referred to in Article 2 of this Law he lets without compensation to any persons who was driven into exile after 1 August 1995.

Property tax on the ownership right to registered shares of and interests in limited liability companies shall not be paid by any taxpayer who has acquired such right in the ownership transformation and privatisation procedure, in conformity with the law dealing with ownership transformation and privatisation, for five years.

The property tax referred to in Article 3 of this Law shall neither be paid by a taxpayer whose total base for such property is not greater than 200,000 dinars.

Tax Credits

Article 13

The tax on the rights referred to in Article 2 of this Law in relation to a building or dwelling unit in which the taxpayer lives, shall be reduced by 40% on account of the taxpayer and by 10% on each member of his household, but not by more than 70% of the tax levied.

The tax on the rights referred to in Article 2 of this Law in relation to a building or dwelling unit in which a member of the taxpayer's family lives, shall be reduced by 10% on account of the member of taxpayer's family and each member of his household, but not by more than 30% of the tax levied.

The tax levied on the right to buildings and dwelling units up to 60 sq. metre in area, which are not on urban building land or land in a building area, not leased out and occupied solely by persons over 65 years of age, shall be reduced by 75%.

For the purposes of this Law, a household shall be understood to mean a community in which its members live, work and spend together the income they earn.

III. INHERITANCE AND GIFT TAX

Taxability

Article 14

Inheritance and gift tax shall be paid on the right of ownership and other rights in relation to the real estate referred to in Article 2 of this Law inherited by heirs or received by donees as gift.

Inheritance and gift tax shall also be paid on monies inherited or received as gift, savings deposits, bank deposits, monetary claims, intellectual property rights, interests in a legal entity, securities, right of ownership to a second-hand motor vehicle or second-hand vessel and other chattel.

Gift tax shall also be paid in case of transfer of a legal entity's property without compensation.

For the purposes of this Law, a second-hand motor vehicle or a second-hand vessel shall be understood to mean a motor vehicle or vessel which had been registered at least once in the territory of the Federal Republic of Yugoslavia in conformity with regulations.

For the purposes of this Law, a gift shall not be understood to mean a transfer of the chattels referred to in paragraph 2 of this Article without compensation to a person who is not a relative of the donor, if such transfer is deemed under the law dealing with sales tax a sale subject to sales tax, regardless of the existence of a gift contract.

For the purposes of this Law, a gift shall neither be understood to mean a transfer without compensation of the chattels referred to in paragraph 2 of this Article, which are subject to obligatory registration and subject to sales tax under the law dealing with sales tax.

The provisions of paragraphs 5 and 6 of this Law shall not apply to the taxation of inheritance or donation of the right of ownership in relation to second-hand motor vehicles and second-hand vessels.

Taxpayer

Article 15

The payer of inheritance or gift tax shall be a resident or non-resident of the Republic who inherits or receives as gift the right referred to in Article 14, paragraph 1, of this Law in relation to real estate existing in the territory of the Republic.

The payer of inheritance or gift tax who inherits or receives as gift a taxable object referred to in Article 14, paragraph 2, of this Law, shall be a resident of the Republic in case of an object existing in the territory of this or the other republic or abroad.

The payer of inheritance or gift tax who inherits or receives as gift a taxable object referred to in Article 14, paragraph 2, of this Law, shall be a resident of the Republic in case of an object existing in the territory of the Republic.

Tax Base

Article 16

The inheritance tax base shall be the market value of the inherited property less debts, costs and other encumbrances the taxpayer is bound to pay or settle in some other way from the inherited or donated property on the date of tax liability commencement.

The gift tax base shall be the market value of the property received as gift on the date of the tax liability commencement, as set by the competent tax office.

In case of the second and any subsequent decision on inheritance between the same decedent and heir or the second and any subsequent donation made by the same donor to the taxpayer/donee, the inheritance or gift tax base shall be the sum of the market values referred to in paragraph 1 of this Article of the current and previous inheritances or the current and previous gifts.

Onset of Tax Liability

Article 17

The inheritance tax liability shall run from the effective date of the inheritance ruling.

The gift tax liability shall run from the date of conclusion of the gift contract and if that contract has not been concluded in writing, from the date of reception of the gift.

In case of a real estate constituting the object of inheritance or gift, on which the usufruct right has been established, the tax liability shall run from the termination of that right.

If according to law and/or inheritance ruling, the inherited and/or donated chattels referred to in Article 14, paragraph 2, of this Law may be sold only subject to the approval of the competent authority or upon the expiration of a specified period, the tax liability shall run from the effective date of the ruling permitting such sale and/or date of sale of the chattels.

If a contract of gift, ruling on inheritance or court decision was not reported pursuant to Articles 35 and 37 of this Law or if it was reported untimely, it shall be deemed that tax liability began to run on the date the competent tax office became aware of the gift, inheritance or recognition of ownership or other rights making up the object of taxation pursuant to Article 14 of this Law.

Tax Rates

Article 18

The rates of inheritance and gift tax shall be progressive.

Article 19

Taxpayers who are in the second order of succession according to the legal order of succession (hereinafter: the order of succession) in relation to the decedent or donor shall pay inheritance and gift tax at the following rates:

<u>Tax base</u>	<u>Payable tax</u>
Up to 200,000 dinars	3%
Over 200,000 dinars	6,000 dinars + 5% of the amount in excess of 200,000 dinars

The taxpayers that are in the third and any subsequent order of succession in relation to the decedent or donor or the taxpayers that are unrelated to the decedent or donor, shall pay inheritance or gift tax at the rate of 5%.

Tax Exemptions

Article 20

Inheritance and gift tax shall not be paid on the monies, rights and things referred to in Article 14, paragraph 2 of this Law, if the individual market or nominal value of the object of taxation or individual amount is smaller than 6,000 dinars.

Article 21

The inheritance and gift tax shall not be payable by/ on the following:

- 1) A heir in the first order of succession, decedent's spouse and parent and a donee in the first order of succession and donor's spouse;
- 2) A farmer heir or donee in the second order of succession who inherits or receives as gift the property serving to him for farming purposes, if he/she has lived with the decedent or donor in the same household for at least five years running prior to the decedent's death or prior to receiving the gift;
- 3) A heir or donee in the second order of succession - on an inherited or received as gift dwelling, if he/she has lived with the decedent or donor in the same household for at least a year prior to the decedent's death or prior to receiving the gift;
- 4) A donee - on the property relinquished to him/her in the probate proceedings, which he/she would have received had the heir/donor waived inheritance;
- 5) A legal entity - on property inherited or received as gift, which serves exclusively for the purposes in the aid of which funds or foundations are established;
- 6) A heir or donee to special motorcars with built-in devices for the transport of patients, special driving school motorcars with dual controls and motorcars for taxi and rent-a-car service, which are marked accordingly;
- 7) An heir or donee to second-hand motor vehicles or second-hand vessels, when according to the regulations dealing with sales tax, sales tax is not payable on new motor vehicles or new vessels;
- 8) The Republic of Serbia as legal heir.
- 9) Transfer of shares without charge in the privatisation procedure, in conformity with the regulations dealing with privatisation, from the entity undergoing privatisation to the acquirer of shares;
- 10) Transfer of shares issued in conformity with regulation dealing with the settlement of the commitments of the Republic of Serbia based on household foreign exchange savings;
- 11) Transfer of bonds issued in conformity with regulations dealing with the settlement of the commitments of the Republic of Serbia based on the loan towards economic development of the Republic of Serbia.

Should the heir or donee referred to in paragraph 1, item 2) of this Article change his/her occupation less than five years from the date on which he inherited or received as gift the property concerned, he/she shall notify the competent tax office of the change of occupation within 10 days from the date of change.

In the event of cessation of taxi or rent-a-car service, as well as in the event of donation or disposal in some other way without compensation of a motorcar procured for the purpose of providing such services, less than five years from the date of procurement, the taxpayer shall notify the competent tax office accordingly, within 10 days from the date of cessation of service, donation or disposal, pay the inheritance or gift tax that he/she would have had to pay, had he/she not used the tax facility, and default interest from the date of procurement to the notification date.

In a case referred to in paragraph 2 of this Article, the heir or donee shall pay inheritance or gift tax at the rates referred to in Article 19, paragraph 1 of this Law.

Tax Credit

Article 22

Any taxpayer shall have the right to deduct from the inheritance or gift tax calculated against the base referred to in Article 16, paragraph 3 of this Law, the amount of the previously paid inheritance or gift tax calculated against the base consisting of the sum of the market value of the previously inherited real estate, rights or things or gifts received from the same donor.

IV. TAX ON THE TRANSFER OF ABSOLUTE RIGHTS

Taxability

Article 23

The transfer tax on absolute rights shall be paid on the transfer of the following against compensation:

- 1) Real property rights in relation to the real estate referred to in Article 2 of this Law;
- 2) Intellectual property rights;
- 3) Interests in a legal entity and securities;

- 4) Property right in relation to a second-hand motor vehicle or a second-hand vessel;
- 5) Lasting right of use of urban building land, by municipality to an individual or legal entity for the purpose of erecting a building;
- 6) Lasting right of use of and right of construction on urban building land, between individuals, between legal entities and individuals and legal entities;
- 7) Rights to expropriated real estate, if expropriation is carried out for the purpose of erecting residential or industrial buildings.

Article 24

For the purposes of Article 23 of this Law, transfer against compensation shall also be understood to mean the following:

- 1) Acquisition of the property and other rights referred to in Article 23 of this Law on the basis of an enforceable court or other government agency decision;
- 2) Transfer of a legal entity's entire assets against compensation in the event of its regular sale, liquidation or bankruptcy;
- 3) Transfer of a legal entity's assets in the event of its take-over, merger or partition, if the legal predecessor had obtained besides compensation in the form of shares of or interest in the legal successor, also monetary compensation greater than 10% of par value of the obtained shares or interests;
- 4) Sale of buildings, parts of buildings and structures built for sale on the market.

Taxpayer

Article 25

The payer of tax on the transfer of absolute rights shall be the seller or transferor of the rights referred to in Articles 23 and 24 of this Law.

In a case referred to in Article 23, item 5) of this Law, the payer of tax on the transfer of absolute rights shall be the party to which the urban building land is let for use.

In a case referred to in Article 23, item 7) of this Law, the payer of tax on the transfer of absolute right shall be the expropriation beneficiary.

When an absolute right is transferred on the basis of a contract of lifelong care, the payer of tax shall be the provider of care.

In a case referred to in Article 24, items 1), 2) and 3) of this Law, the payer of tax on the transfer of absolute right shall be the party to which the absolute right is transferred.

When an absolute right is transferred on the basis of a contract of exchange between two parties, the payer of tax shall be the transferor of the right of higher market value.

Article 26

A party which is a resident of the Republic of Serbia shall be the payer of tax on the transfer of the absolute rights referred to in Article 23, items 2) and 3) of this Law carried out in the Republic of Serbia and outside its territory.

A party which is a non-resident of the Republic of Serbia shall be the payer of tax on the transfer of the absolute rights referred to in Article 23, items 2) and 3) of this Law, only in case of transfer carried out in the territory of the Republic of Serbia.

The tax on the transfer of absolute rights in other cases referred to in Articles 23 and 24 of this Law shall be paid on the transfer of such rights carried out in the territory of the Republic of Serbia.

Tax Base

Article 27

The base of tax on the transfer of absolute rights shall be the contracted price at the commencement of tax liability, unless it is lower than market price.

Should the competent tax office find that the contracted price is lower than market price, it shall have the right to set a tax base that is equal to market value, within 10 days from receipt of the contract.

Should it not be possible to determine the market value within the term referred to in paragraph 2 of this Article, the tax office may render a decision extending that term to not more than 20 days from receipt of the contract.

Should the tax office fail to set a tax base equal to market value within the terms referred to in Article 23, items 5) and 6), the contracted price shall be the tax base.

In a case referred to in Article 23, items 4)-6) of this Law, the tax base shall be the market value of real estate as determined by the competent tax office.

In a case referred to in Article 23, item 7) of this Law, the tax base shall be the compensation paid for the expropriated real estate.

In the case of a transfer of absolute right not covered by the provisions of paragraphs 1 through 6 of this Article, the tax base shall be the market value of the absolute right as determined by the competent tax office.

Article 28

When a right to real estate in the territory of the Republic of Serbia is exchanged for another, identical absolute right to real estate in that territory, the tax base shall be the difference in market price between the rights exchanged.

Onset of Tax Liability

Article 29

Tax liability shall run from the date of the absolute rights transfer contract.

When the subject of the contract referred to in paragraph 1 of this Article is real estate as a future thing, tax liability shall run from the hand-over of that real estate or its being taken in possession.

If no valid contract of real estate sale has been concluded, pursuant to the law dealing with the sale of real estate, tax liability shall be deemed effective on the date the buyer or participant in sale took possession of the real estate concerned.

If absolute rights are transferred on the basis of a contract of lifelong care, tax liability shall run from the date of death of the recipient of lifelong care or the date of death of the other contracting party, if the lifelong care was contracted in favour of a third party and the contract does not provide that ownership is to be transferred to the provider of care at the moment of the third party's death.

If an absolute right is transferred on the basis of a court decision or ruling rendered by a competent administrative agency, tax liability shall run from the effective date of that decision or the date of enforceability of that ruling.

If an absolute rights transfer contract or a court decision or ruling rendered by a competent administrative agency is not registered or is registered untimely, tax liability shall be deemed effective on the date on which the competent tax office became aware of such transfer.

Tax Rates

Article 30

The rates of tax on the transfer of absolute rights shall be proportional and as follows:

- 1) On the transfer of interest in a legal entity and securities referred to in Article 23, item 3) of this Law - 0.3%.
- 2) On the transfer of other absolute rights referred to in Articles 23 and 24 of this Law - 5%.

Tax Exemptions

Article 31

Tax on the transfer of absolute rights shall not be payable in the following cases:

- 1) When an absolute right is transferred for the purpose of settling debts relating to public revenues;
- 2) When the right of property in relation to the real estate of the diplomatic and consular missions of foreign states is transferred, subject to reciprocity;
- 3) When absolute rights are invested in the capital of a stock company or limited liability company;

4) When by buying a socially or state-owned residential building or dwelling unit occupied on the basis of the right of tenancy or long-term lease, an individual becomes the owner or co-owner of that building or dwelling unit;

5) When a legal entity or an individual whose chief business/occupation is agriculture, acquires agricultural or forest land on the basis of exchange for the purpose of its grouping;

6) When the right of property in relation to real estate is transferred to the provider of lifelong care, who is in the first order of succession in relation to the recipient of care, on the part of the real estate the provider of care would have inherited on the contract conclusion date, in conformity with law;

7) When the absolute right to securities under the provisions of the law dealing with ownership transformation and privatisation is transferred from the issuer to the recipient of shares;

8) When special motorcars with built-in devices for transporting patients, special driving school motorcars with dual controls and motorcars for taxi and rent-a-car service specially marked as such are transferred against a compensation;

9) On the transfer of second-hand motor vehicles or second-hand vessels in the cases when under the regulations dealing with sales tax, sales tax is not payable on new motor vehicles or new vessels;

10) On the transfer of bonds issued in conformity with regulations dealing with settlement of the commitments of the Republic of Serbia based on household foreign exchange savings;

11) On the transfer of bonds issued in conformity with regulations dealing with settlement of the commitments of the Republic of Serbia based on the loan towards economic development of the Republic of Serbia.

In the event of cessation of taxi or rent-a-car service, as well as in the event of sale or disposal against compensation in some other way of a motorcar procured for the purpose of conducting such business, less than five years from the date of procurement, the taxpayer shall notify the competent tax office accordingly within 10 days from the date of cessation of business, sale or disposal and pay the tax on the transfer of absolute rights it/he would have had to pay had it/he not used the tax facility and interest payable because of arrears with tax, from the date of procurement to the date of notification.

The provision of paragraph 1, item 3) of this Article shall not apply to the transfer of the right of ownership relating to a second-hand motor vehicle and a second-hand vessel.

V. DETERMINATION AND PAYMENT OF PROPERTY TAX

Article 32

Property tax, inheritance and gift tax and absolute rights transfer tax shall be determined and collected in the manner and by the procedure determined by this Law.

With regard to the modality of determining, modality of and terms for the payment of tax, interest, tax refund, unenforceability of collection and other matters not dealt with specifically by this Law, the provisions of the law dealing with individual income tax shall apply to the taxpaying individuals and those of the law dealing with enterprise profit tax to legal entities, accordingly in both cases.

Determination of Tax

Article 33

Property tax, inheritance and gift tax and absolute rights transfer tax shall be determined on the basis of data presented in the tax declaration, taxpayers' books and other data available to the competent tax office, which are important for the determination of tax liability.

Any changes made in the course of the year, which are important for setting the amount of property tax, shall not affect the tax liability determined for that year.

Article 34

Any payer of property tax shall file its/his tax declaration by 31 March of the year for which tax is to be determined.

The duty referred to in paragraph 1 of this Article shall not apply to any taxpayer which/who pays individual income tax on income from agriculture and forestry on the basis of cadastral income.

Any taxpayer which/who acquires, begins to or stops using property in the course of the year or if its/his tax liability starts running or ceases on other grounds, shall file a tax declaration within 10 days from the date of such change.

Any payer of property tax which/who has filed a tax declaration need not file a new declaration for the same property, unless such changes are made in the data included in the tax declaration, as would affect the amount of tax liability.

In a case referred to in paragraph 4 of this Article, the declaration shall be filed within 10 days from the date of change.

The declaration referred to in this Article shall be filed with the tax office of the municipality in the territory of which the real estate is situated and in the case of the property referred to in Article 3 of this Law, with the tax office of the municipality in the territory of which the taxpayer resides or has its/his registered office.

Article 35

Any payer of inheritance and gift tax shall file a tax declaration together with the documents necessary for the determination of tax liability, within 10 days from the date of such change.

The declaration referred to in paragraph 1 of this Article shall be filed with the tax office of the municipality in the territory of which the real estate inherited or received as gift by the taxpayer concerned is situated, and in the case of real estate inherited or received as gift abroad, the declaration together with the documents required for the determination of tax liability, shall be filed with the tax office of the municipality in the territory of which the taxpayer resides or has its registered office.

If a taxpayer inherits or receives as gift only chattels and the rights referred to in Article 14, paragraph 2 of this Law, the declaration shall be filed with the tax office of the municipality in the territory of which the taxpayer resides or has its registered office.

If a taxpayer inherits or receives as gift the real estate and chattels or the rights referred to in Article 14, paragraph 2 of this Law at the same time, it/he shall file the tax declaration with the tax office of the municipality in the territory of which the real estate inherited or received as gift by the taxpayer is situated.

Article 36

Any payer of tax on the transfer of absolute rights shall file a tax declaration within 10 days from the onset of tax liability, together with the documents necessary for the determination of tax base.

The declaration referred to in paragraph 1 of this Article shall be filed with the tax office of the municipality in the territory of which the real estate is situated, in the case of transfer of absolute rights to real estate, and in the case of transfer of other absolute rights, with the tax office in the territory of which the taxpayer resides or has its registered office.

The contents of the tax declarations referred to in this Article and Articles 34 and 35 of this Law shall be prescribed by the official in charge of the republic public revenue authority.

Article 37

Having authenticated the signatures of the parties to a contract involving the transfer of the right of ownership or some other right referred to in Article 14, 23 and 24 of this Law, the court concerned shall forward a copy of the contract to the competent tax authority within 10 days from the date of authentication of the contracting parties' signatures.

The municipal court concerned shall forward to the competent tax office the inheritance ruling and/or the court decision determining the right of ownership and other rights referred to in Articles 14, 23 and 24 of this Law, within 10 days from the effective date of the ruling and/or decision.

The Stock Exchange, Patents Office and Copyrights Protection Office shall forward to the competent tax office the particulars about the transfer of rights referred to in Article 14, 23 and 24 of this Law or the mediation services provided in the transfer of rights, within 10 days from the contract conclusion date.

Article 38

The right of ownership in relation to real estate may not be entered in the land, cadastral and other public books without evidence that tax has been paid on the transfer of absolute rights or on inheritance and gift.

Article 39

The annual property tax shall be paid quarterly within 45 days from the beginning of each quarter.

Pending the issuance of the ruling determining the property tax for the current year, tax advances shall be paid in amounts equal to the tax liability in the last quarter of the year preceding the one for which the tax is determined and paid.

Article 40

Inheritance and gift tax and tax on the transfer of absolute rights shall be paid within 15 days from the presentation of ruling.

Article 41

At a taxpayer's request, the tax office may allow, in justified cases, a grace period for or payment of outstanding debt in instalments.

Any grace period or payment of debt in instalments shall be subject to a special ruling and the payment term may not be longer than 6 months from receipt of the ruling.

During the grace period or period of debt payment in instalments, interest shall be charged at a rate that is equal to a half of the rate at which interest is charged on arrears with tax payment.

Guarantee

Article 42

Any party to which an absolute right has been transferred and/or donor shall be the collateral guarantor for the payment of tax on the transfer of absolute rights and/or gift tax.

Any party to which an absolute right has been transferred and/or donor which has undertaken, under contract, to pay the tax on the transfer of absolute rights and/or gift tax, shall jointly and severally guarantee for the payment of that tax.

VI. PENAL PROVISIONS

Article 45

Any taxpayer having the status of legal entity shall be fined 2,000 to 200,000 dinars for breach of regulations in the event of its failure to file the declaration within the set term (Article 21, paragraph 3, Article 31, paragraph 2, Article 34, paragraphs 1, 3 and 5, and Articles 35 and 36).

The responsible person in a legal entity for a breach of regulations referred to in paragraph 1 of this Article shall be fined 500 to 10,000 dinars.

Any taxpayer who is an individual shall be fined 500 to 10,000 dinars for breach of regulations in the event of his failure to file the declaration within the set term (Article 21, paragraphs 2 and 3, Article 31, paragraph 2, Article 34, paragraphs 1, 3 and 5, and Articles 35 and 36).

Any taxpayer who is an individual shall be fined two to ten times the amount of the tax owed, but not less than 1,000 dinars, for breach of regulations, if he evades tax by committing a breach of regulations referred to in paragraph 3 of this Article.

Article 44

The responsible person in a court and/or legal entity referred to in Article 37 of this Law shall be fined 500 to 10,000 dinars for breach of regulations in the event of:

1) Failure to present to the competent tax office an enforceable ruling, decision, contract or particulars referred to in Article 37 of this Law,

2) Entering the right of ownership in relation to real estate without evidence from the competent tax office that tax has been paid on the transfer of absolute rights referred to in Article 38 of this Law.

VII. TRANSITIONAL AND CONCLUDING PROVISIONS

Article 45

Property tax need not be paid on the rights to real estate on which new taxes shall not be levied under foreign investment contracts concluded in conformity with law prior to 1 January 1992.

Tax need not be paid on the transfer of absolute rights in relation to real estate in conformity with the provisions of this Law, on which this tax was not payable under the regulations in force at the origin of the transfer basis until the effective date of this Law and which was carried out in conformity with regulations.

Article 46

The property tax rates referred to in Article 11, item 2) of this Law, shall apply to the right of ownership in relation to the real estate of any taxpayer that keeps books, if that right belonged to a taxpayer that does not keep books on 31 December 2000.

Article 47

Any inheritance and gift tax and tax on the transfer of absolute rights, which was to be determined and collected by a procedure started up under the regulations in force prior to the application of this Law and in which the first-instance ruling was not rendered prior to the effective date of this Law, shall be determined by applying the regulations valid when the procedure was started up, should that be more favourable for the taxpayer concerned.

Article 48

This Law shall supersede on its effective date the Property Tax Law ("Službeni glasnik RS", Nos. 43/94, 53/95, 54/96, 42/98, 18/99, 21/99, 27/99, 33/99, 48/99 and 54/99), with the exception of Articles 2-13, the validity of which shall expire on 1 July 2001.

Pending the issuance of bylaws pursuant to the authorisations determined by this Law, the Regulation Concerning the Determination of the Property Tax Base ("Službeni glasnik RS", Nos. 8/96 and 7/99), Regulation Concerning the Contents of the Tax Declaration for Determining the Inheritance and Gift Tax and the Real Estate and Rights Sales Tax ("Službeni glasnik RS", Nos. 19/92 and 11/93) and Regulation Concerning the Contents of the Tax Declaration for Determining the Property Tax ("Službeni glasnik RS", Nos. 9/97 and 46/98).

Article 49

The provisions of Articles 2-13 of this Law shall be applicable as of 1 July 2001.

The property tax under the provisions of Articles 2-13 of this Law shall be determined for the period from 1 July to 31 December 2001 and the property tax determined by the competent tax office's ruling for the year 2001 under the provisions of Articles 2-12 of the Property Tax Law ("Službeni glasnik RS", Nos. 43/94, 53/95, 54/96, 42/98, 18/99, 21/99, 27/99, 33/99, 48/99 and 54/99) shall be paid in the amounts and within time limits set in the ruling for the first and second quarter of 2001.

Article 50

This Law shall come into force on the eighth day upon its publication in the "Službeni glasnik Republike Srbije".