

# INDIVIDUAL INCOME TAX LAW

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# INDIVIDUAL INCOME TAX LAW

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## Part One

### BASIC PROVISIONS

#### Article 1

Individual income tax shall be payable, in conformity with the provisions of the present Law, by individuals who earn income.

The taxation of individual income shall be dealt with by the present Law exclusively.

Tax exemptions and facilities may be introduced by the present Law exclusively.

#### Income

#### Article 2

Individual income tax shall be payable on income from all sources, other than those excluded under the present Law.

Taxable income shall mean the difference between gross income earned by a taxpayer on some of the grounds referred to in Article 3 of the present Law and the expenses he/she had incurred in generating and preserving it, if so provided by the present Law.

Income shall be understood to mean the sum of taxable revenues referred to in paragraph 2 of this Article generated in a calendar year.

### Taxable Revenues

#### Article 3

Individual income tax shall be payable on the following kinds of revenues:

- 1) Wages and salaries;
- 2) Revenue from agriculture and forestry;
- 3) Revenue from self-employment;
- 4) Revenue from copyrights and industrial property rights;
- 5) Revenue from yield on capital;
- 6) Revenue from real estate;
- 7) Capital gains;
- 8) Other revenues.

The revenues referred to in paragraph 1 of this Article shall be taxable regardless of whether they were received in money or kind, on the basis of performance or in some other way.

### Taxation of Various Kinds of Revenue

#### Article 4

Individual income tax shall be payable on the various kinds of revenue referred to in Article 3 of the present law as follows:

- 1) At source for each revenue individually;
- 2) As levied by the competent tax office.

## Annual Individual Income Tax

### Article 5

Annual individual income tax shall be payable on the revenue earned in a calendar year, as levied by the competent tax office, in conformity with the present Law.

### Taxpayer

### Article 6

The payer of tax shall be any individual who is bound to pay tax under the provisions of the present Law (hereinafter: the taxpayer).

### Resident

### Article 7

The payer of individual income tax shall be any resident of the Republic of Serbia (hereinafter: the resident) on the revenue earned in the territory of the Republic of Serbia (hereinafter: the Republic), in the other republic and abroad.

For the purposes of the present Law, a resident of the Republic shall be understood to mean any individual:

- 1) Whose residence or centre of business and vital interests is in the territory of the Republic;
- 2) Who resides in the territory of the Republic for 183 or more days, continuously or with breaks, over a period of 12 months beginning or ending in the respective taxation year.

A resident of the Republic shall also be understood to mean any individual who is sent abroad or to the other republic for the purpose of working for an individual or legal entity, who/which is a resident of the Republic, or an international organisation.

### Non-resident

### Article 8

The payer of individual income tax shall also be any individual who is not a resident (hereinafter: non-resident), on the revenue earned in the territory of the Republic.

## Exclusions from Taxable Income

### Article 9

Individual income tax shall not be payable on the receipts based on the following:

- 1) Regulations dealing with the rights of disabled veterans;
- 2) Parent and child allowance;
- 3) Allowance for being assisted and nursed by another person and compensation for disability;
- 4) Unemployment benefit;
- 5) Sustenance granted in conformity with law;
- 6) Health insurance benefits, with the exception of compensation for wage/salary;
- 7) Property insurance indemnity, other than indemnity for lost profit, as well as personal insurance indemnity for damage suffered, unless it was made good by the perpetrator;
- 8) Indemnity for material and consequential damage, with the exception of indemnity for lost profit and compensation for wages (salary) or lost wages (salary);
- 9) Relief given in the event of death of an employee, member of his/her family or retired employee, up to 20,000 dinars;

- 10) Relief given because of destruction of or damage to property in consequence of natural disasters or other extraordinary occurrences;
- 11) Organised welfare and humanitarian aid;
- 12) Grants and loans to pupils and students amounting up to 3,000 dinars a month;
- 13) Meal allowance paid to amateur athletes by amateur sport clubs in conformity with the law dealing with sports amounting up to 3,000 dinars;
- 14) Remuneration and reward for the work done paid to convicts and juvenile delinquents kept in penitentiaries and reform establishments;
- 15) Remuneration and reward for the work done paid to inmates of psychiatric establishments;
- 16) Remuneration for the work done by persons in the bodies conducting elections or population census;
- 17) Old age pension and disability pension;
- 18) Retirement gratuity, amounting up to two average monthly wages paid per employee in the Republic, according to the latest report published by the republic authorities in charge of statistics;
- 19) Severance pay/gratuity paid by the employer to a redundant employee, in conformity with the law dealing with labour relations, up to the amount determined by that law;
- 20) Non-recurrent compensation paid in money to a person whose employment is terminated in the process of enterprise restructuring and preparation for privatisation, bankruptcy and liquidation, in conformity with the Resolution Determining the Welfare Programme for Employees whose Employment is Terminated in the Process of Enterprise Restructuring and Preparation for Privatisation, Bankruptcy and Liquidation (Službeni glasnik RS, No. 12/2002), up to the amount set in that programme and an unlimited amount in the case of persons over 50 years of age.
- 21) Remuneration for the work done by a sustainer and remuneration for supporting the beneficiary in the sustainer family.

The exercise of the right to tax exemption in the case of the receipts referred to in paragraph 1, items 10) through 13) of this Article shall be dealt with in greater detail by the Minister of Finance and Economy.

## Dependent Members of Family

### Article 10

For the purposes of the present Law, the dependent members of family supported by a taxpayer shall be understood to mean the following persons:

- 1) Underage natural children and adopted children;
- 2) Natural children and adopted children receiving regular education or while unemployed, if they live in the taxpayer's household;
- 3) Grandchildren, if they are not supported by their parents and live in the taxpayer's household;
- 4) Spouse;
- 5) Natural parents and foster parents.

For the purposes of the present Law, the spouse, parents, natural children, adopted children and adoptive parent of a taxpayer shall be deemed family members.

For the purposes of the present Law, a household shall be understood to mean a community of living, earning and spending the earnings.

## Tax Credit

## Article 11

For the purposes of the present Law, tax credit shall be understood to mean the amount by which the levied individual income tax is to be reduced.

## Avoidance of Double Taxation

### Article 12

Should a taxpayer who is a resident of the Republic earn revenue in the other republic or in some other country, on which tax was paid in the other republic or another country, he/she shall be allowed a tax credit amounting to the income tax paid in the other republic or another country, on the individual income tax levied in conformity with the present Law.

The tax credit referred to in paragraph 1 of this Article may not be higher than the amount that would be obtained by applying the provisions of the present Law to the income earned in the other republic or another country.

## Part Two

### TAXATION OF VARIOUS KINDS OF REVENUE

#### Chapter One

#### WAGE/SALARY TAX

##### Taxability

### Article 13

For the purposes of the present Law, wage/salary shall be understood to mean the wage/salary stemming from employment, as defined by the law dealing with labour relations and other receipts of an employee.

### Article 14

For the purposes of Article 13 of the present Law, wages/salaries shall also be understood to mean receipts in the form of bonds, monetary certificates, shares other than those acquired in the ownership transformation procedure, or goods, those stemming from performance or provision of facilities, forgiving a debt, as well as covering the taxpayer's expenditures by a monetary compensation or direct payment.

The base for the wage/salary tax referred to in Paragraph 1 of this Article shall be as follows:

- 1) Nominal value of bonds, monetary certificates and shares;
- 2) Price that would be fetched when selling goods on the market;
- 3) Price that would be fetched on the market for the service or facility provided to the taxpayer;
- 4) Monetary value of covered expenditures,  
plus the public revenue commitments payable by employees from their wages/salaries.

The price, compensation and monetary value referred to in paragraph 2, items 2) through 4) of this Article shall be determined by the payer of wages/salaries at the moment of payment.

If the competent tax office finds that the determined price or compensation referred to in paragraph 2, items 2) through 4) of this Article is lower than the one that could be fetched on the market, it shall determine that price or compensation so that it corresponds to the one that could be fetched on the market.

##### Taxpayer

### Article 15

The payer of wage/salary tax shall be any individual who earns a wage/salary.

#### Tax Rate

##### Article 16

The wages/salaries referred to in Articles 13 and 14 of the present Law shall be taxed at the rate of 14% of the base, which consists of the paid or realised wage/salary.

##### Article 17

In the case of individuals who are residents of the Republic and sent abroad for the purpose of working for legal entities, which are residents of the Republic, the wage/salary tax base shall be the wage/salary that they would have been paid in conformity with law and collective agreement in the Republic for the same or similar jobs, multiplied by coefficients from two to five.

The coefficients in the range referred to in paragraph 1 of this Article, applicable to various countries, shall be set by the minister of finance and economy, taking into account particularly the ratio between the average wages/salaries and cost of living in the respective country and those in the Republic.

#### Tax Exemptions

##### Article 18

Wage/salary tax shall not be payable on any employee's receipts based on the following:

- 1) Public transport allowance (to and from the place of work), up to the price of monthly ticket or up to the actual cost, if monthly ticket is not available, but no more than 800 dinars;
- 2) Meal allowance on business trips in the country, against presented bills, but no more than 600 dinars a day, and per diem allowance on business trips abroad, up to the amount set by the competent authorities;
- 3) Accommodation allowance on business trips, against presented bills, up to the price of overnight stays in A or B category hotels;
- 4) Transport allowance on business trips, against public carrier bills, and when the use of the employee's own motorcar is permitted under laws and regulations, up to 30% of the price of a litre of super petrol, but no more than 1,500 dinars a month;
- 5) Solidarity relief in the event of sickness, medical rehabilitation or disability of an employee or member of his/her family, up to 10,000 dinars.

The exercise of the right to tax exemption relating to the receipts referred to in paragraph 1, item 5) of this Article shall be dealt with in greater detail by the minister of finance and economy.

##### Article 19

Additional receipts of any alien resident employed by a resident or in a permanent operating unit of a non-resident, determined in conformity with the law dealing with enterprise profit tax, relating to the coverage of his/her additional expenses stemming from his/her employment in the Republic, shall be exempt from tax up to the amount that is not greater than 35% of the wages/salary paid.

The exemption referred to in paragraph 1 of this Article shall not apply to the allowance paid to an alien resident referred to in paragraph 1 of this Article on the basis of income tax.

Any alien resident shall have the right to the exemption from tax referred to in paragraph 1 of this Article in the following cases:

- 1) If he/she was a resident of another state prior to taking up employment or concluding a contract for jobs similar to those referred to in Article 13 of the present Law, on the basis of which he/she is receiving the additional income referred to in paragraph 1 of this Article;
- 2) If he/she has become a resident of the Republic for reasons of taxation only, on the basis of employment or contract referred to in Article 13 of the present Law;

3) If his/her employment or a job similar to that under a contract referred to in Article 13 of the present Law does not last more than three years.

#### Article 20

The following shall be exempt from tax on the wages/salaries earned in foreign diplomatic and consular missions or international organisations or by working for the representatives or officers of such missions or organisations:

1) Heads of foreign diplomatic missions accredited in the FR of Yugoslavia, staff of foreign diplomatic missions in Yugoslavia, as well as members of their households, if such members of household are not Yugoslav citizens or residents of the Republic;

2) Heads of foreign consulates in Yugoslavia and consular officials authorised to perform consular functions, as well as members of their households, if such members of household are not Yugoslav citizens or residents of the Republic;

3) Officials of the Organisation of United Nations and its specialised agencies and technical aid specialists of the Organisation of United Nations and its specialised agencies.

3a) Officials, specialists and administrative staff of international organisations, if they are not Yugoslav citizens or residents of the Republic;

4) Employees of foreign diplomatic or consular missions and international organisations, if they are not Yugoslav citizens or residents of the Republic;

5) Honorary consuls of foreign states, on their receipts from the states that have appointed them for the performance of consular functions;

6) Employees of the persons referred to in items 1) through 5) of this Article, if they are not Yugoslav citizens or residents of the Republic.

#### Article 21

Tax shall not be payable on the wages/salaries of disabled persons employed in enterprises for the occupational training and employment of the disabled.

### Chapter Two TAX ON REVENUE FROM AGRICULTURE AND FORESTRY

#### Taxability

#### Article 22

Revenue from agriculture and forestry shall be understood to mean the cadastral or real revenue from these branches.

#### Cadastral Revenue

#### Article 23

Cadastral revenue shall be understood to mean the revenue that has been set in the land and real estate registry for each unit of land that can be used for agricultural production and/or forestry, irrespective of whether it is used as such or not.

#### Actual Revenue

#### Article 24

If a taxpayer opts before the beginning of a year for the determination of actual revenue from agriculture and forestry and notifies the competent tax office accordingly, the revenue from

these branches shall be understood to mean the actual revenue determined in the way set by the provisions of the present Law dealing with the determination of revenue from self-employment.  
Taxpayer

#### Article 25

The payer of tax on the revenue from agriculture and forestry shall be any individual who has earned revenue in the capacity of owner, holder of the right of use or usufructuary of the land entered in the land registry as on 31 December of the year preceding the year for which the tax is levied.

If a taxpayer referred to in paragraph 1 of this Article has leased out land on a long-term basis, the lessee shall be deemed the taxpayer as of the effective date of lease, if he/she reports the matter accordingly, with the lessor's consent, within 15 days from conclusion of the lease.

#### Article 26

If two or more co-owners, co-holders of the right of use or the right of usufructus live in the same household and have not partitioned the property, the taxpayer shall be one of the co-owners, co-holders of the right of use or the right of usufructus of legal age.

Should the persons referred to in paragraph 1 of this Article fail to reach an agreement by the beginning of the year for which tax is levied as to who is to be the taxpayer and do not notify the competent tax office accordingly, the tax office shall designate the taxpayer.

#### Tax Base

#### Article 27

The taxable revenue from agriculture and forestry shall be the cadastral revenue or actual revenue, if the taxpayer opts for the payment of tax on actual revenue.

#### Tax Rate

#### Article 28

The rate of tax on revenues from agriculture and forestry shall be 14%.

#### Tax Exemptions and Facilities

#### Article 29

Tax on the revenue from agriculture and forestry shall not be payable on the cadastral revenue from the following:

- 1) Land containing embankments, canals and dams, willow and other plantations, trenches and other facilities serving for flood control, irrigation or erosion control purposes;
- 2) Land prohibited from being used under law;
- 3) Land under the buildings belonging to foreign states and housing their diplomatic and consular missions, subject to reciprocity, as well as land under buildings belonging to international organisations;
- 4) Land making up the protective surroundings of proclaimed cultural monuments and protected natural attractions, as well as land owned by churches, temples, monasteries and mosques declared as cultural monuments;
- 5) Courtyards of churches, temples, monasteries and mosques;
- 6) Formerly non-arable land that was made arable by the taxpayer's effort – within five years from bringing the land to its purpose;
- 7) Land on which new orchards and vineyards are raised – within five years from commencement of planting fruit trees and vines;

8) Land under residential buildings owned by citizens and land serving for their regular use – up to 500 m<sup>2</sup>;

9) Land of a taxpayer if he/she and members of his/her household are over 65 years of age in the case of males and 60 in the case of females, provided that the taxpayer and members of his/her household do not realise revenues on some other grounds and have no family members or other persons who are bound to sustain them by law on some other grounds;

10) Land let by a taxpayer without compensation to a person who was driven out after 1 August 1995, on condition that the driven out person does not earn revenue on some other grounds.

The exemptions referred to in paragraph 1, items 1) through 5) of this Article shall be revoked if the purpose of the land concerned is changed.

The taxpayer concerned shall notify the competent tax office of the reasons for exemption within 15 days from the date of change.

The taxpayer concerned may exercise the right to the exemptions referred to in paragraph 1, items 6), 7), 9) and 10) of this Article by applying therefor to the competent tax office by 31 December of the year in which the requirements for exemption have been fulfilled.

If the application referred to in paragraph 4 of this Article is not filed timely, the exemptions referred to in paragraph 1, items 6), 7), 9) and 10) shall be recognised as of 1 January of the next year, in which case the duration of the exemptions referred to in items 6) and 7) shall be reduced by the number of years elapsed.

The tax office shall render a decision on the exemptions referred to in paragraph 1, items 6) and 7) of this Article, having obtained the opinion of the authority dealing with agriculture.

#### Article 30

The cadastral revenue for land on which the yield had decreased by more than 25% of the average yield in the municipality concerned because of natural disasters, plant diseases and pests or because of other extraordinary occurrences that the taxpayer could not have prevented from taking place, shall be reduced in proportion to the decrease in yield.

The taxpayer concerned may enjoy the facility referred to in paragraph 1 of this Article by applying for it to the competent tax office within 15 days from the date on which the damage was sustained.

The tax office concerned shall decide on such application on the basis of a damage appraisal.

If damage was sustained in the territories covered by several land registries, the facility referred to in paragraph 1 of this Article may be granted on the basis of a global damage appraisal made by the ministry dealing with agriculture and forestry, without filing individual applications.

### Chapter Three TAX ON REVENUE FROM SELF-EMPLOYMENT

#### Taxability

#### Article 31

Revenue from self-employment shall be understood to mean the revenue stemming from a business and provision of professional and other intellectual services, as well as from other activities, unless tax is payable on such revenue on some other grounds pursuant to the present Law.

Revenue stemming from self-employment shall also be understood to mean the revenue earned by using land, permanently or seasonally, for non-agricultural purposes (sand, gravel and stone extraction, production of lime, bricks, roof tiles, charcoal, etc.), producing vine/fruit and other nursery stock and grafts, incubator-based production of poultry and pursuing other activities, regardless of whether they are registered with competent authorities as self-employment ones.

## Taxpayer

### Article 32

The payer of tax on the revenue stemming from self-employment shall be any individual who earns revenue by engaging in the activities referred to in Article 31 of the present Law (hereinafter: the sole proprietor).

## Tax Base

### Article 33

The taxable revenue stemming from self-employment shall be the taxable profit, unless otherwise provided by the present Law.

The taxable profit shall be determined by adjusting the profit declared in the income statement, in the way provided by the present Law.

In the case of partnerships, the taxable revenue shall be determined in proportion to each partner's share in profit, in accordance with the partnership formation document.

## Revenue and Expenditure Harmonisation

### Article 34

Operating, financial, non-operating, extraordinary and revaluation revenues, declared in the income statement in conformity with the law dealing with accounting, shall be recognised in the determination of taxable profit in the tax statement, unless otherwise provided by the present Law or another law that is applied accordingly.

The expenditures declared in the income statement in conformity with the law dealing with accounting shall be recognised in the determination of taxable profit, with the exception of the expenditures for which a different way of determination has been provided by the present Law or another law that is applied accordingly.

### Article 35

The harmonisation of revenues and expenditures, determination of capital gains and losses, tax treatment of losses incurred in previous years and transfer prices shall be declared in the sole proprietor's tax account in conformity with corresponding provisions of the law dealing with enterprise profit tax, unless otherwise provided by the present Law.

### Article 36

Persons associated with a sole proprietor shall be understood to mean, besides the individuals and legal entities having that status under corresponding provisions dealing with enterprise profit tax, also the following:

- 1) Members of the taxpayer's family;
- 2) Taxpayer's brothers and sisters;
- 3) Spouse's parents and stepchildren.

### Article 37

In the case of a debt to a creditor having the status of associated person or of a credit taken by the taxpayer from a creditor having the status of associated person, the interest and related costs recognised as expenditure in the tax account may not be higher than those that would have been incurred, had it been possible to borrow on the market and/or take credit in the accounting period.

In the case of a claim from a debtor having the status of associated person or of a credit extended by the taxpayer to a debtor having the status of associated person, the interest and related costs included in the revenues included in the tax account may not be lower than those that

would have been incurred, had it been possible to contract such claims on the market or extend credit in the accounting period.

The difference between the market interest rate and the one contracted on a credit between the associated persons referred to in paragraphs 1 and 2 of this Article, shall be included in taxable profit.

#### Tax Rate

##### Article 38

The rate of tax on the revenue stemming from self-employment shall be 14%.

#### Tax Incentives

##### Article 39

Tax incentives based on accelerated depreciation of fixed assets, investment in fixed assets used in a sole proprietor's registered business, investments made in conformity with the regulations dealing with incentives to investing in the Republic's industries and employment of new employees for an indefinite period of time, shall be granted to sole proprietors under the conditions and in the way applicable to legal entities under the law dealing with enterprise profit tax.

#### Lump Sum Taxation

##### Article 40

Any sole proprietor who in view of circumstances is unable to keep books, other than those relating to effected sales, or the keeping of which would impede the conduct of his business, may apply for being allowed to pay tax on the revenue from self-employment on a lump sum basis (hereinafter: the lump sum taxation).

The right to lump sum taxation may not be granted to any of the following sole proprietors:

- 1) Who is a founder of a partnership;
- 2) Who is engaged in wholesale and retail trading, with the exception of motor vehicle maintenance and repair, hotel and restaurant keeping, financial mediation and activities associated with real estate;
- 3) Who has received investments also from other persons;
- 4) Whose total turnover in the year preceding the one for which tax is determined or whose planned turnover at the start up of business is higher than 2,000,000 dinars.

Notwithstanding the provision of paragraph 2, item 2) of this Article, a sole proprietor whose business is trading or catering in a kiosk, trailer or some other prefabricated or mobile facility, may be allowed to pay lump sum tax on the determined revenue, at his/her own request.

##### Article 41

If the requirements referred to in Article 40 of the present Law have been fulfilled, the lump sum revenue shall be determined in accordance with the following criteria and elements:

- 1) Average monthly wage per employee in the Republic, municipality, city and district realised in the year or a part thereof preceding the year for which the lump sum revenue is determined;
- 2) Location of business premises;
- 3) Appointment of business premises;
- 4) Number of employees and working family members;
- 5) Market conditions under which the business is being conducted;
- 6) Floor area of business premises;
- 7) Age of the taxpayer and his/her capacity for work;

8) Revenues of another taxpayer conducting the same or similar business under the same or similar conditions;

9) Other circumstances affecting the generation of profits.

In the determination of lump sum revenue, the competent tax office shall also take into account all evidence, facts and data obtained by making inspections and in other ways.

The Government of the Republic of Serbia shall set in greater detail the conditions, criteria and elements for lump sum taxation.

#### Article 42

The application for lump sum taxation may be filed with the competent tax office by 30 November of the current year for the next year and/or within 15 days from the date of entry in the competent authority's register.

The competent tax office shall decide on a sole proprietor's application within 30 days from its filing date.

Should the competent tax office fail to decide on the application within the term set in paragraph 2 of this Article, the application for lump sum taxation shall be deemed accepted.

Any sole proprietor who has been granted the right to lump sum taxation may enjoy such right until it is found that reasons for lump sum taxation have ceased to exist or that changed circumstances preclude the right to lump sum taxation.

In a case referred to in paragraph 4 of this Article, the competent tax office shall order the sole proprietor concerned to keep books from the middle of the current year onwards or from the beginning of the next year.

### Books and Bookkeeping Documents

#### Article 43

Sole proprietors shall keep books and show in them the operating changes in the way determined by the present Law.

Sole proprietors shall keep books on the single-entry basis, in conformity with the present Law or on the double-entry basis in conformity with the law dealing with accounting.

The sole proprietors who have founded partnerships shall keep books on the double-entry basis.

The sole proprietors who are paying tax on lump sum revenue shall keep the book of sale only.

#### Article 44

The book entries shall include data relating to revenues, expenditures, fixed assets, tools and inventories with calculative write-offs, as well as other data required by law.

#### Article 45

Sole proprietors shall keep books up to date and orderly, so that it is possible to check the accuracy of entries and provide for the keeping and use of data, as well as to get an insight into the chronology of operating changes.

Revenue shall be entered no later than a day after its realisation, expenditures shall be entered within seven days from the date on which they were incurred and other entries shall be made within the terms and in the way set by the present Law and regulations enacted on the basis of it and/or in accordance with the regulations dealing with bookkeeping.

#### Article 46

Any operating change in operating assets, revenues and expenditures shall be entered on the basis of credible bookkeeping documents, which shall be drawn up so as to show operating changes and contain appropriate data for being entered in books.

Books shall be closed at the end of the business year, once all of operating changes have been entered.

#### Article 47

Any sole proprietor shall keep books and other bookkeeping documents on his/her business premises.

When bookkeeping is entrusted to a professional accounting firm, the books and other documents relating to financial operations may be kept on the premises of such firm.

#### Article 48

Books and bookkeeping documents shall be kept for at least five years from the last day of the business year to which they relate, unless otherwise provided by law.

#### Article 49

The minister of finance and economy shall set in greater detail the kinds and contents of books and other records kept on the single-entry basis and the way of keeping them and declaring the financial result.

### Tax Account

#### Article 50

The sole proprietors who keep books on the single or double entry basis shall draw up the annual tax accounts.

The minister of finance and economy shall issue in greater detail the regulations dealing with the contents of tax accounts and the way of drawing them up.

### Revenue and Expenditure Recording by Payment Agent

#### Article 51

Regardless of the taxation method he/she is subject to, any sole proprietor shall have his/her effected revenues and expenditures recorded in his/her account with the payment agent, including the monies received in cash, in conformity with the law dealing with payments.

The payment agents shall forward to the tax office covering the territory in which the sole proprietors concerned are seated data relating to the total annual turnover in the accounts they are operating through, which are important for the determination of conditions for lump sum taxation referred to in Article 40, paragraph 2, item 4), of the present Law, within 15 days from the expiration of the calendar year.

### Chapter Four

## TAX ON REVENUES STEMMING FROM COPYRIGHTS AND INDUSTRIAL PROPERTY RIGHTS

### Taxability

#### Article 52

Revenues from copyrights shall be understood to mean a taxpayer's receipts based on the following:

1) Written works (literary, scientific, publicist and other works, studies, reviews and the like);

- 2) Spoken works;
- 3) Dramatic and dramatico-musical works;
- 4) Pantomimic and choreographic works, the presentation of which is stipulated in writing or in some other way;
- 5) Works of music, with or without words;
- 6) Films and works created like films;
- 7) Fine art works;
- 8) Cartographic works;
- 9) Conceptual designs, sketches, drawings and plastic art works relating to architecture, geography, topography or some other field of science or arts;
- 10) Comic strips, crossword puzzles and the like;
- 11) Editorial works that in view of the selection and arrangement of contents, make up independent intellectual creations;
- 12) Translations, language corrections, music arrangements and other modifications of works of authorship;
- 13) Prizes awarded at competitions for artistic, scientific, technical and other works of authorship and conceptual designs, as well as prizes for accomplishments in the fields of science and arts, unless otherwise provided by the present Law;
- 14) Performance of music, literary and other works;
- 15) Use of performed music materials;
- 16) Making prototypes of artistic items to be handed over to enterprises as models for reproduction (production) of such items;
- 17) Fine art works in the field of applied arts;
- 18) Other works of authorship.

The fine art works in the field of applied arts referred to in paragraph 1, item 17) of this Article shall be understood to mean unique items created by their author according to his/her own concepts, as a drawing or in material, in the branches of applied arts such as:

- 1) Plastic art works in various materials (stone, precious stone, wood, metal, noble metals, glass, plastics, etc.);
- 2) Artistic ceramics;
- 3) Works in the fields of interior and exterior decoration, landscaping and supervision of the execution of such works;
- 4) Artistic designs in the field of horticulture;
- 5) Murals and fine art applications (techniques: fresco, mosaics, intarsia, stained glass, enamel, etc.), as well as intarsial and enamel items;
- 6) Artistic graphic designs (posters, graphics suited to the occasion, book, periodical and paper designs, packaging, yearbooks, catalogues, prospectuses, almanacs and the like);
- 7) Artistic photographs and works produced by methods akin to photography;
- 8) Artistic treatment of textile (tapestry, woven textile, and the like);
- 9) Artistic designs for scenography and costumography;
- 10) Fashion designs;
- 11) Industrial designs;
- 12) Restoration and conservation works in the fields of culture and arts;
- 13) Conceptual sketches and drawings in the field of applied arts, as well as sold applied art prototypes, if according to current customs, they have retained the character of original work.

#### Article 53

Revenue from industrial property rights shall be understood to mean the remuneration received by a taxpayer for the following:

- 1) Patents;
- 2) Petty patents;
- 3) Brands;
- 4) Models and samples;

## 5) Technical innovations.

### Taxpayer

#### Article 54

The payer of tax on revenues from copyrights and industrial property rights shall be any individual who receives remuneration on the basis of copyrights and/or industrial property rights, in the capacity of author and/or holder of industrial property rights.

The payer of tax on revenues from copyrights and industrial property rights shall also be the successor to copyrights and industrial property rights and any other individual who is receiving remuneration on such grounds.

### Tax Base

#### Article 55

The taxable revenue from copyrights and industrial property rights shall be the difference between gross revenues and costs incurred by the taxpayer in generating and preserving the revenues.

### Standard Expenditures

#### Article 56

The following expenditures incurred by a taxpaying author shall be recognised:

1) On sculptures, tapestries, artistic ceramics, plastic ceramics, mosaic and stained glass – 65% of gross revenue;

2) On art photographs, murals and fine art applications in the following techniques: fresco, graphics, intarsia, enamel, intarsial and enamelled items, costumography, fashion designs and artistic treatment of textiles (woven textile, printed textile and the like) – 55% of gross revenue;

3) Paintings, graphics, industrial designs, including the making of models and dummies, small plastic art items, visual communication works, interior decoration and façade treatment, landscaping, horticulture, artistic supervision over work on interior decoration and façade treatment, landscaping and horticulture, including the making of models and dummies, artistic designs for scenography, scientific, technical, literary and publicist works, translations, works of music, films and restoration and conservation in the fields of culture and arts – 50% of gross revenue;

4) Performance of works of art (playing and singing, with the exception of pop and folk music programmes, theatre and film acting, reciting), translations (other than literary ones), film shooting and conceptual sketches for tapestries and costumography when not made in material – 45% of gross revenue;

5) Performance of pop and folk music programmes – 10% of gross revenue;

6) Other works of authorship – 40% of gross revenue.

### Actual Expenditures

#### Article 57

The full amount paid by the taxpayers referred to in Article 54 of the present Law for the services rendered by an appropriate copyright agency, organisation for the protection of music copyrights and enterprises and other legal entities authorised to sell and collect revenue from copyrights.

At the request of a taxpaying author, the actual expenditures he/she had incurred in the realisation and preservation of income, shall be recognised instead of the standardised ones, if he/she presents evidence thereof.

The following actual expenditures shall be recognised as expenditures in the determination of the taxable income of a taxpaying holder of industrial property rights:

1) Taxes and charges payable towards protection of patents, petty patents, models, samples and technical innovations, subject to confirmation by the authority competent for their protection;

2) Cost of preparing drawings and technical description of patents, petty patents, brands, models, samples and technical innovations constituting an integral part of the applications for their protection filed with competent authorities, as certified by the duly qualified person who had prepared such drawings and technical descriptions and subject to presentation of the opinion of the professional association of inventors that such cost is reasonable;

3) Cost of making the prototype necessary for testing the patent, petty patent, brand, model, sample or technical innovation involved, if registered and/or protected. If the prototype has been made in an enterprise or establishment, the maker shall issue the certificate of cost. If the prototype has been made by the inventor him/herself, his actual cost shall be recognised, subject to presentation of the opinion of the professional association of inventors that such cost is reasonable.

#### Tax Rate

##### Article 58

The rate of tax payable on the revenue stemming from copyrights and industrial property rights shall be 20%.

#### Time Delimitation of Revenues

##### Article 59

The revenues from copyrights and industrial property rights, which the taxpaying author or holder of industrial property rights has realised for a work he/she had been working on for more than a year, may be divided in the revenue determination procedure, at the taxpayer's request, into a number of equal parts that corresponds to the number of years over which the work has been worked on, but not more than five.

In a case referred to in paragraph 1 of this Article, a proportionate part of revenue shall be taxable each year.

#### Lump Sum Taxation

##### Article 60

Any taxpayer who is realising income from copyrights for the performance of pop and folk music programmes may be taxed on a lump-sum basis by decision of the competent tax office, if the revenue on which tax is paid at source as referred to in Article 55 of the present Law is lower than the actually realised one.

The lump sum revenue referred to in paragraph 1 of the present Law shall be determined by making a comparison with the copyright revenue of some other taxpayer who realises revenue under the same or similar conditions, and it shall be adjusted by the coefficients set by the minister of finance and economy.

The coefficients referred to in paragraph 2 of this Article shall depend on the following:

1) Frequency of the taxpayer's appearance in show programmes and advertising slides broadcast on television;

2) Frequency of public show appearances;

3) Frequency of broadcasting of the taxpayer's music show radio and television programmes, and

4) Other criteria of importance for the amount of realised revenue (age, sex, number of trips made abroad, number of sold cassettes and other sound and picture carriers, etc.).

The lump sum revenue from copyrights relating to the performance of pop and folk music programmes shall be set on an annual basis/

Chapter Five  
TAX ON YIELD ON CAPITAL

Taxability

Article 61

The yield on capital shall be understood to mean the following:

1) Interest and other revenues based on loans, savings and other deposits (time or sight), bonds and related securities;

2) Dividends and other revenues based on profit sharing, including also all forms of revenue, which pursuant to the law dealing with enterprise profit tax are regarded as dividends (liquidation surplus, addition to interest stemming from transfer prices, receipts of company employees and members of administration based on profit sharing, in money or by allocation or optional purchase of own shares, etc.).

The portion of the difference in price that makes up a capital gain under the present Law shall not be regarded as interest on bonds and similar securities.

Article 61a

Prior to setting the tax base, the annual instalment of the sale price based on the purchase of socially and state owned capital and/or property by public auction pursuant to the regulations dealing with requirements and procedure for changing the title to socially owned and state capital paid before the dividend is paid out, shall be deducted from the revenue from dividends, up to the amount of the paid out dividends.

Taxpayer

Article 62

The payer of tax on the yield on capital shall be any individual who realises such revenue.

Tax Base

Article 63

The paid out interest shall be the taxable yield on capital referred to in Article 61, paragraph 1, item 1, of the present Law.

The taxable yield on capital referred to in Article 61, paragraph 1, item 2), of the present Law shall amount to 50% of gross dividends and other revenues stemming from the share of profit accrued to the taxpayer.

Tax **rate**

Article 64

The rate of tax on the yield on capital shall be 20%.

Tax Exemptions

Article 65

The tax on the yield on capital shall not be payable on the interest accrued from the following:

- 1) Dinar sight deposits;
- 2) Public loans;

3) Foreign exchange savings converted, without the depositor's consent, into time deposit with an authorised bank, which are a government debt, in conformity with the law dealing with the settlement of commitments based on household foreign exchange savings.

## Chapter Six TAX ON REVENUES FROM REAL ESTATE

### Taxability

#### Article 66

Revenues from real estate shall be understood to mean the revenues a taxpayer realises by leasing or subleasing real estate, including the following in particular: land, residential and commercial buildings, parts of such buildings, apartments, parts of apartments, business premises and garages.

The revenues from real estate referred to in paragraph 1 of this Article comprise the rent collected and the value of performed duties and services to which the lessee or sub-lessee has committed itself.

### Taxpayer

#### Article 67

The payer of tax on revenues from real estate shall be any individual who realises revenue by leasing or sub-leasing real estate.

Any sole proprietor who is leasing or sub-leasing real estate in the scope of his/her registered business shall not be regarded as a taxpayer referred to in paragraph 1 of this Article.

### Tax Base

#### Article 68

The taxable revenue from real estate shall be the gross revenue referred to in Article 66, paragraph 2, of the present Law, less standard expenditures amounting to 20%.

At the request of a payer of tax on revenue from real estate, the actual expenditures he/she had incurred in the realisation of and preservation of revenue may be allowed instead of standard expenditures, if he/she presents evidence thereof.

Actual expenditures shall also be understood to mean the amount of yearly depreciation calculated by the proportional method at the rate presented in the nomenclature of assets for depreciation.

If the taxpayer is a lessee who sub-leases real estate, the rent received shall be deducted from the rent paid to the lessor.

### Tax Rate

#### Article 69

The rate of tax on the revenue from real estate shall be 20%.

### Lump Sum Taxation

#### Article 70

If the declared income from real estate is lower than that which could be fetched on the market, the competent tax office shall determine the revenue from real estate in the amount that could be fetched on the market.

The revenue referred to in paragraph 1 of this Article shall be taken as rent that could be fetched under local circumstances, by making a comparison with the rent on similar facilities that are leased on approximately the same terms.

#### Time Delimitation of Revenues

##### Article 71

The revenues from real estate in the form of rent received for several years in advance shall be divided in the determination of revenue, at the request of the taxpayer, into a number of equal parts corresponding to the number of years for which rent has been paid in advance, but not for more than five.

In a case referred to in paragraph 1 of this Article, a proportionate part of revenue shall be taxed each year.

### Chapter Seven TAX ON CAPITAL GAINS

#### Notion of Capital Gains and Losses

##### Article 72

Capital gain shall be understood to mean any revenue a taxpayer realises by selling or transferring in some other way against a compensation (hereinafter: the sale) the following:

- 1) Right of ownership to real estate;
- 2) Perpetual right of using and building on urban building land;
- 3) Intellectual property rights;
- 4) Shares in the assets of legal entities, shares and other securities, other than bonds issued in conformity with the regulations dealing with the settlement of commitments of the Republic based on the loan taken towards economic development and the household foreign exchange savings.

A capital gain shall be the difference between the sale price of rights, shares and securities and their purchase price adjusted in accordance with the provisions of the present Law.

When the difference referred to in paragraph 2 of this Article is negative, a capital loss is involved.

Any taxpayer, who prior to sale, has been keeping his/her rights, shares or securities in his/her portfolio before 24 January 1994, shall not be deemed to have made a capital gain by selling them.

#### Determination of Capital Gains

##### Article 73

For the purposes of the present Law, in the determination of capital gains, the sale price shall be understood to mean the contract price or the market price as determined by the competent tax office, if it finds that the contract price is lower than the market one.

The contract or market price referred to in paragraph 1 of this Article shall be the price in which the tax on the transfer of absolute rights is not included.

In the case of transfer of rights in exchange for other rights, the sale price shall be taken to be the market price of the exchanged rights.

##### Article 74

For the purposes of the present Law, in the determination of capital gains, the purchase price shall be understood to mean the price for which the taxpayer concerned has acquired the right, share or security and/or the price determined by the competent tax office in conformity with the present Law.

In the case of sale of a real estate built by the taxpayer him/herself, the purchase price referred to in paragraph 1 of this Article shall be taken as the market price of that real estate that was taken or could have been taken as the base of property tax in the year in which the property tax liability has arisen.

In the case of sale of real estate under construction, the purchase price referred to in paragraph 1 of this Article shall be the cost of construction the taxpayer had incurred up to the date of sale.

In the case of securities quoted on the stock exchange, the purchase price referred to in paragraph of this Article shall be understood to mean the price the taxpayer documents as actually paid and if not documented, the lowest registered quotation in the year preceding the sale of securities.

In the case of securities not quoted on the stock exchange, the purchase price referred to in paragraph 1 of this Article shall be understood to mean the price the taxpayer documents as actually paid and if not documented, their par value.

The purchase price referred to in paragraph 1 of this Article shall be increased by the retail price growth rate from the date of acquisition to the date of sale, as published by the republic authority dealing with statistics, and in the case of real estate, it shall be reduced on the basis of depreciation calculated by applying the proportionate method at the rate set in the nomenclature of assets for depreciation.

The purchase price of real estate acquired on the basis of a contract of sustenance for life shall be the sustenance paid adjusted by the retail price growth rate from the contract conclusion date to the date of death of the recipient of sustenance.

If the taxpayer concerned has no evidence of the sustenance paid or if such evidence is not credible, the purchase price shall be determined by the competent tax office, taking into account the duration of the contract, personal and health-related circumstances of the recipient of sustenance and other matters of importance for the determination of purchase price.

#### Article 75

If a taxpayer has acquired a right, interest or security as a gift, the purchase price referred to in Article 74, paragraph 1, of the present Law shall be understood to mean the price for which the donor had acquired that right, interest or security.

#### Tax Base

#### Article 76

The taxable revenue on which the tax on capital gains is payable shall be the capital gains determined in the way referred to in Articles 72 through 75 of the present Law.

#### Tax Rate

#### Article 77

The rate of tax on capital gains shall be 20%.

### Capital Gain and Capital Loss Offsetting

#### Article 78

A capital loss incurred through the sale of a right, interest or security may be offset with a capital gain resulting from the sale of some other right, interest or security in the same year.

If even after the offsetting referred to in paragraph 1 of this Article a capital loss still exists, such loss may be offset in the next five years at the expense of future capital gains.

#### Tax Exemption

#### Article 79

Any taxpayer that invests the proceeds of the sale of real estate towards dealing with his/her own housing problem or that of a member of his/her family or household within 60 days from the date of sale, shall be exempt from tax on the capital gain made.

The paid tax on capital gain shall be refunded to a taxpayer referred to in paragraph 1 of this Article who invests the proceeds of sale for the purposes referred to in paragraph 1 of this Article within the next 10 months.

The minister of finance and economy shall set in greater detail the criteria for exercising the right to the tax exemption referred to in paragraph 1 of this Article.

#### Tax Credit

##### Article 80

If a taxpayer invests towards dealing with the housing problem referred to in Article 79 of the present Law only a part of the proceeds of the sale of real estate, his/her tax liability shall be reduced proportionately.

### Chapter Eight TAX ON OTHER REVENUES

#### Taxability

##### Article 81

Other revenues shall be understood to mean the following: revenue a taxpayer obtains by leasing out equipment, means of transport and other chattels, games-of-chance winnings, revenue from personal insurance, revenues of athletes and athletic specialists and other revenues, other than those that are expressly exempt under the present Law.

#### Revenues from Leasing Chattels

##### Article 82

The payer of tax on the revenue from leasing out equipment, means of transport and other chattel shall be any individual that leases out such chattels.

The gross revenue from leasing out equipment, means of transport and other chattels shall include the rent received and the value of all performed duties and services undertaken by the lessee.

The taxable revenue from leasing out chattels shall be determined by deducting 20% of standard expenditures from the gross revenues.

At the substantiated request of any taxpayer, the tax office shall recognise the cost of depreciation, financing and capital and current maintenance of property and other actual costs he/she had incurred in connection with the leased out chattels, instead of standard expenditures.

If the declared revenue from leasing out chattels is lower than that which could normally be fetched on the market, the competent tax office shall determine that revenue as that which could be fetched on the market, in conformity with Article 70 of the present Law.

#### Games-of-Chance Winnings

##### Article 83

The payer of tax on the games-of-chance winnings shall be any individual that wins in such games.

The taxable revenue from games-of-chance winnings shall be any such winnings, other than those that are exempt under the present Law.

The winnings referred to in paragraph 2 of this Article shall be understood to mean the total winnings based on all combinations in the games of chance played in several combinations.

If the winnings consist of things and rights, the taxable revenue referred to in paragraph 2 of this Article shall be the market value of the things or rights at the moment of winning.

Tax on the games-of-chance winnings shall not be payable on the following:

- 1) Games-of-chance winnings amounting to less than 10,000 dinars;
- 2) Lottery prizes associated with public loans.

#### Revenues from Personal Insurance

##### Article 84

The payer of tax on revenue from personal insurance shall be any individual who receives a benefit based on personal insurance.

The taxable revenue from personal insurance shall be any paid out benefit from personal insurance, unless it is exempt from taxation pursuant to Article 9, paragraph 1, item 7), of the present Law.

#### Revenues of Athletes and Athletic Specialists

##### Article 84a

The revenues of athletes and athletic specialists shall include the receipts earned by professional athletes, amateur athletes and athletic specialists and received from a sports organisation or organisation engaged in sport activities, sport society or association, which do not have the nature of wages as referred to in the regulations dealing with sports and labour relations.

The revenues referred to in paragraph 1 of this Article shall be understood to mean the following ones in particular:

- 1) Remuneration stipulated by contract (transfer, etc.);
- 2) Remuneration for the use of an athlete's image;
- 3) Aid in money given to particularly meritorious top athletes;
- 4) Grants and meal allowances paid to amateur athletes by sport organisations in excess of the non-taxable amount;
- 5) Grants extended to top athletes towards advanced training;
- 6) Monetary and other prizes;
- 7) National acknowledgements and prizes for special contribution to the development and establishment of sports;
- 8) Remuneration and prizes paid to athletic specialists and specialists in sports (coaches, referees, delegates, etc.).

The taxable revenue in the case of athletes and athletic specialists as referred to in paragraphs 1 and 2 of this Article shall be set by deducting 50% of standard expenditures from gross revenue.

#### Other Revenues

##### Article 85

For the purposes of the present Law, other revenues shall also be understood to mean other revenues that by their nature make up the revenue of an individual and are not taxed on other grounds or are not exempt from tax under the present Law (revenue stemming from a contract of hiring work, *contract of provision of temporary or occasional services*, \* revenue stemming from unpaid work, revenue received by a member of a pupil, youth or student co-operative, remuneration received by members of boards of directors and supervisory boards of legal entities, fees paid to members of parliament and councilors, remuneration paid for the work done in connection national defence, civil defence and protection against natural disasters, receipts referred to in Article 9 of the present Law in excess of the non-taxable amounts, etc.).

The taxpayers, taxable revenue and other taxation elements shall be determined in conformity with the provisions of Article 82 of the present Law.

In the case of other revenue earned by individuals by collecting secondary raw materials, forest products and medicinal herbs, the tax rate shall be reduced by 40%.

#### Tax Rate

##### Article 86

The rate of tax payable on other revenue shall be 20%.

### Part Three ANNUAL PERSONAL INCOME TAX

#### Taxable Income

##### Article 87

Resident individuals who have realised an income exceeding 300,000 dinars in a calendar year shall pay annual individual income tax.

In the case of a resident foreigner employed by a resident or in a permanent operating unit of a non-resident and a resident sent abroad to work for a resident legal entity referred to in Article 17 of the present Law, the non-taxable amount referred to in paragraph 1 of this Article shall be 1,400,000 dinars.

The amount referred to in paragraphs 1 and 2 of this Article shall be increased/decreased by the percentage of the increase/decrease of wages, as published by the authority dealing with statistics. The income referred to in paragraph 1 of this Article shall be understood to mean the annual sum of the following:

- 1) Wages/salaries referred to in Articles 13 and 14 of the present Law;
- 2) Taxable revenue from self-employment as referred to in Articles 33 and 40 of the present Law;
- 3) Taxable revenue from copyrights and industrial property rights as referred to in Articles 55 and 60 of the present Law;
- 4) Taxable revenue from capital as referred to in Article 63, paragraph 2, of the present Law;
- 5) Taxable revenue from real estate as referred to in Articles 68 and 70 of the present Law;
- 6) Taxable revenue from leasing out chattels as referred to in Article 82, paragraphs 3 through 5, of the present Law;
- 7) Taxable revenue from personal insurance as referred to in Article 84, paragraph 2, of the present Law;
- 7a) Taxable revenue of athletes and athletic specialists as referred to in Article 84a of the present Law;
- 8) Other taxable revenues as referred to in Article 85, paragraphs 1 and 2, of the present Law.

The wages/salaries referred to in paragraph 4, item 1), of this Article shall be decreased by amount of paid taxes and social security contributions as a charge to the employee, and the taxable revenues referred to in items 2) through 8) of that paragraph shall be decreased by the amount of tax paid on such revenues.

The revenue of a resident foreigner as referred to in paragraph 2 of this Article shall include only the wage/salary, without the additional receipts that are exempt from tax pursuant to Article 19, paragraph 1, of the present Law, if the requirements referred to in paragraph 3 of that Article have been fulfilled.

Taxable revenue shall be the difference between the gross revenue determined in accordance with paragraphs 4 and 5 of this Article and the non-taxable amount referred to in paragraphs 1 and 2 of this Article.

#### Tax Base

## Article 88

The annual individual income tax base shall be the taxable revenue, which represents the difference between the taxable revenue referred to in Article 87, paragraph 7, of the present Law and the personal deductions amounting to:

- 1) In the case of the taxpayer – 30,000 dinars;
- 2) In the case of dependent family members – 10,000 dinars per member.

The total personal deductions referred to in paragraph 1 of this Article may not be higher than 50% of the tax base.

The personal deductions referred to in paragraph 1 of this Article shall be adjusted in the way set out in Article 87, paragraph 3, of the present Law.

## Tax Rates

## Article 89

The annual individual income tax shall be payable at the rate of 10%

# Part Four CHARGING AND COLLECTION OF TAXES

## Chapter One

### GENERAL PROVISIONS

## Article 90

Individual income tax shall be charged and collected in the way and by the procedure determined by the present Law.

The charging and collection of individual income tax shall be carried out in conformity with the provisions of the law dealing with general administrative proceedings, unless otherwise provided by the present Law.

## Chapter Two

### FILING THE TAX DECLARATION

#### General Public Notice

## Article 91

Any citizen who earns the revenues referred to in the present Law shall file a tax declaration, unless otherwise provided by the present Law.

The competent tax office shall issue a general public notice, by 31 December each year, calling citizens to file their tax declarations.

#### Annual Individual Income Tax Declaration

## Article 92

Any payer of annual individual income tax shall file a tax declaration, containing true data, with the competent tax office for the income realised in the year for which the tax is levied, after the end of that year, but no later than 15 March of the following year (hereinafter: the annual declaration).

#### Self-employment Income Tax Declaration and Tax Account

## Article 93

Any sole proprietor and payer of tax on revenue from agriculture and forestry, who keeps books, shall file with the competent tax office the tax declaration and tax account containing accurate data, by 15 March of the next year.

The taxpayers referred to in paragraph 1 of this Article shall file with the competent tax office, together with the tax declaration and tax account, any data of importance for the determination of capital gains and losses, as well as other documents determined by the present Law.

In the case of a sole proprietor who pays tax on lump sum revenue, the extent of whose business or sales changes substantially or if circumstances affecting the right to lump sum taxation and tax liability arise in the year preceding the year for which the tax is levied, he/she shall file the tax declaration by 31 January of the year for which the tax is levied.

#### Article 94

Any sole proprietor who starts up an independent business in the course of a year shall file a tax declaration containing an estimate of his/her revenues and expenditures and/or turnover until the end of the first business year, within 15 days from being entered in the register kept by competent authorities.

Any taxpayer who withdraws from independent business on a lasting or temporary basis in the course of a year, shall file a tax declaration for the final determination of tax or until the date of temporary withdrawal, within 30 days from the date of withdrawal from business.

Any sole proprietor referred to in paragraph 2 of this Article, who keeps books, shall file the tax account together with the tax declaration.

### Declaration of Tax on Capital Gains and Other Revenues on which Withholding Tax is not Payable

#### Article 95

Any taxpayer who earns or starts earning in the course of a year revenue from capital gains and other revenues on which withholding tax is not payable, shall file a tax declaration within 15 days from the date of starting to earn the revenues.

Any sole proprietor who pays tax on lump sum revenue shall file a separate tax declaration for the revenue from capital gains referred to in Articles 72 through 76 of the present Law.

Any payer of tax on the revenue from real estate as referred to in Article 67 of the present Law, as well as any payer of tax on the revenue from leasing out chattels as referred to in Article 82 of the present Law, shall file a tax declaration also when withholding tax is payable, within 15 days from the date of lease or sub-lease.

### Non-resident Taxpayer's Declaration

#### Article 96

Any non-resident taxpayer shall file a tax declaration for each kind of revenue realised, on which withholding tax is not payable.

The declaration referred to in paragraph 1 of this Article shall be filed with the tax office in the territory of which the taxpayer has realised revenues.

In the case of a taxpayer referred to in paragraph 1 of this Article, the tax paid against the tax declaration referred to in paragraph 2 of this Article, together with paid withholding taxes, shall be regarded as the finally determined tax liability.

#### Article 97

The Director of the Republic Public Revenue Office shall set the form and contents of the tax declaration.

## Tax Office Competencies

### Article 98

Any taxpayer shall file a tax declaration for the following:

- 1) Revenue from self-employment, with the tax office in the territory of which his/her business is registered;
- 2) Revenue from real estate, with the tax office in the territory of which the real estate is registered;
- 3) Annual individual income tax, capital gains and other revenues on which withholding tax is not payable, with the tax office in the territory of which the taxpayer resides.

Tax declaration need not be filed for the revenues from agriculture and forestry that are taxable according to cadastral revenue.

## Chapter Three

### TAX CHARGING AND COLLECTION

#### Way of Charging and Collecting Taxes

### Article 99

Withholding tax shall be charged and paid on the following revenues:

- 1) Wages/salaries;
- 2) Revenues from copyrights and industrial property rights;
- 3) Yield on capital;
- 4) Revenues from real estate, if the payer of revenue keeps books;
- 5) Revenues from leasing out chattels, if the payer of revenue keeps books;
- 6) Games-of-chance winnings;
- 7) Revenues from personal insurance;
- 7a) Revenues of athletes and athletic specialists;
- 8) Other revenues, if the payer keeps books.

### Article 100

Taxes shall be charged and paid on the following revenues by decision of competent tax offices:

- 1) Revenues from agriculture and forestry;
- 2) Revenues from self-employment;
- 3) Capital gains;
- 4) Other revenues on which withholding tax is not payable.

## Withholding Taxes

### Article 101

The payer shall charge, withhold and pay in the prescribed accounts the withholding tax referred to in paragraph 99 of the present Law, on behalf of each taxpayer and for each revenue paid out at the moment of payment of such revenue.

### Article 102

The payers of the revenue referred to in Article 101 of the present Law shall also be understood to mean the payment agents (banks, post offices, etc.) that pay out in the revenue earned abroad, on which the withholding tax is payable.

### Article 103

In the case of revenue from yield on capital based on interest, the bank or some other payer of revenue concerned shall charge the withholding tax in the course of the year at the moment of payment and/or at interest entry, though later than the date of the interest account.

#### Article 104

Any payer of the revenue referred to in Articles 52 and 53 of the present Law, who is a sole proprietor that keeps books, shall charge and collect withholding tax on gross revenue from copyrights and industrial property rights due to non-resident legal entities, at the rate referred to in Article 58 of the present Law.

#### Article 105

Any payer of the revenue referred to in Article 61, paragraph 1, item 1), of the present Law, who is a sole proprietor that keeps books, shall charge and collect the withholding tax on the interest accrued to non-resident legal entities, at the rate referred to in Article 64 of the present Law.

#### Article 106

Any payer referred to in Article 101 shall issue to taxpayers, on each payment and at the end of the year, an account showing the following: gross revenue, costs, taxable revenue, facilities, paid social security contributions and paid taxes.

#### Article 107

Any taxpayer who earns wages/salary and other revenues from foreign sources, diplomatic or consular mission of a foreign state or an international organisation or representatives or officers of such mission or organisation, shall calculate and pay the withholding tax in accordance with the provisions of the present Law, within eight days from receipt of the wages/salary or other revenue, if the tax has not been charged and paid by the payer of revenue.

If the tax referred to in paragraph 1 of this Article is charged and paid by the payer of revenue, the taxpayer concerned shall present to the competent tax office evidence that tax has been charged and paid, within eight days from receipt of the wages/salary or other revenue.

The competence of the tax office referred to in paragraph 2 of this Article shall be determined according to the place of the taxpayer's residence.

#### Article 108

Any payment agent may allow the wages/salaries and other revenues on which the withholding tax is payable to be paid out, only if in the payer's account there are enough funds for the simultaneous payment of taxes and other public charges calculated in accordance with law. The withholding tax shall be charged and paid at the rates valid on the date of the revenue payment date.

The Minister of Finance and Economy shall issue regulations dealing in greater detail with charging, payment and recording of the withholding tax.

### Taxes Payable According to Decision

#### Tax on Revenues from Agriculture and Forestry

#### Article 109

The tax payable on the revenue from agriculture and forestry shall be determined by decision of the competent tax office, rendered on the basis of the land registry data, if tax is levied on

actual revenue, in accordance with the provisions of the present Law dealing with determination of revenues from self-employment in the case of sole proprietors that keep books.

## Tax on Revenues from Self-employment

### Article 110

The tax payable on revenue from self-employment shall be determined by decision of the competent tax office on the basis of the following:

- 1) Data entered in the tax declaration, tax account and books and other data obtained by conducting inspection or in other ways, in the case of taxpayers that keep books;
- 2) Data entered in the tax declaration and criteria and elements determined pursuant to Article 41 of the present Law, in the case of taxpayers that pay tax on lump sum revenue.

Should the tax office find that the data entered in the tax declaration, tax account and books do not correspond to the actual state, tax may be determined in the way referred to in Article 111 of the present Law.

### Article 111

Should any taxpayer fail to file the tax declaration, his/her tax liability shall be determined in one of the following ways:

- 1) By examining books, auditor's reports and other data available to the tax office;
- 2) By making comparisons with other taxpayer engaged in the same or similar business under approximately the same conditions, taking into account the following in particular: place of business, vocational training attainment, age, availability of equipment, number of employees, product and service range and other circumstances showing that the compared taxpayers are conducting business under approximately the same conditions, meaning that they have approximately the same opportunities for earning revenue;
- 3) By the principle of making comparisons with the average gross wage/salary of employees of the legal entities and sole proprietors engaged in the same or a similar line of business, conducted under approximately the same conditions;
- 4) On the basis of an expert's finding and opinion.

### Article 112

Pending the decision setting the monthly tax advances for the current year, sole proprietors and payers of tax on the revenue from agriculture and forestry, revenue from real estate and other revenues on which withholding tax is not payable, shall pay monthly tax advances equal to the last monthly advance in the previous year.

### Article 113

At the request of the taxpayer concerned or at the initiative of the competent tax office, the monthly tax advance rate may be altered because of substantial changes in the revenue realised, changes in the taxation instruments or other circumstances affecting the tax liability substantially, in which case the taxpayer concerned shall draw up and file an interim tax account within 30 days from the expiration of the period for which the interim tax account is drawn up.

At the taxpayer's request, tax advance may also be paid against the interim tax account.

The competent tax office shall render a decision on any taxpayer's request referred to in paragraphs 1 and 2 of this Article within 30 days from the request filing date.

Should the competent tax office fail to render a decision within the term referred to in paragraph 3 of this Article, the taxpayer concerned may carry on paying the advance determined in accordance with the interim tax account.

### Article 114

If the amount of tax that is payable on the basis of the data entered in the tax account which is drawn up according to the final account for the year for which the tax liability is determined, is higher than the amount of taxes paid in the form of monthly advances, the taxpayer concerned shall pay the balance when filing the tax declaration and tax account.

Any taxpayer shall pay the difference between the paid tax and the tax set in the tax office's decision within 15 days from the date of the first-instance decision setting the final tax liability.

## Tax on Capital Gains

### Article 115

The tax on capital gains shall be determined by a decision rendered by the competent tax office on the basis of data entered in the tax declaration.

Should a taxpayer fail to file the tax declaration, the tax liability shall be determined on the basis of the data available to the competent tax office concerning the capital gains made.

The right to the tax exemption referred to in Article 79, paragraph 1, and Article 80 of the present Law, shall be determined by decision of the competent tax office based on the documents relating to the dealing with a housing problem, which are filed together with the tax declaration.

The tax on capital gains referred to in Article 79, paragraph 2, of the present Law may be refunded at the taxpayer's request, to which the documents relating to the dealing with a housing problem are attached.

## Tax on Other Revenues

### Article 116

The tax on other revenues referred to in Articles 81 through 86 of the present Law, which is not a withholding tax, shall be determined by decision of the competent tax office based on the data entered in the tax declaration and other data of importance for the determination of tax liability.

## Annual Individual Income Tax

### Article 117

The annual individual income tax shall be determined by decision of the competent tax office based on the data entered in the tax declaration, books and other data of importance for the determination of tax liability.

The payment agent shall forward to the tax office competent for the place of residence of the taxpaying individual concerned, data relating to that individual's total annual income registered in the business or some other account, if that income exceeds the amount referred to in Article 87, paragraphs 1 and 2, of the present Law.

## Tax Maturity

### Article 118

The taxes determined by decision of the tax office shall be paid as follows:

- 1) Within 45 days from the beginning of a quarter, in the case of revenues from agriculture and forestry, revenues from real estate and other revenues, on which withholding tax is not payable and which are payable quarterly;
- 2) Within 15 days from the end of each month, in the case of revenues from self-employment on which tax is payable in the form of monthly advances;
- 3) Within 15 days from receipt of the decision determining the tax, in the case of individual income tax, capital gains and other revenues accrued from time to time.

## Tax Determining Decision

### Article 119

The competent tax office's decision determining the tax liability shall include the following in particular:

- 1) Taxpayer's name and surname;
- 2) Kind of tax;
- 3) Tax base;
- 4) Tax rate;
- 5) Determined tax facilities;
- 6) Payable tax, way of and deadline for payment;
- 7) Account in which the tax is to be paid.

The taxpayer concerned shall be advised in the tax determining decision of his/her right to file a complaint against that decision.

### Complaint

#### Article 120

A complaint may be filed against a first-instance decision determining the tax, within eight days from receipt of the decision.

Complaints may be filed with the first-instance tax office.

The competent second-instance tax office designated by the law dealing with public revenue control, determination and collection shall deal with complaints.

Complaints shall not stay the execution of first-instance decisions.

#### Article 121

Should the second-instance tax office fail to render a decision on a complaint within 60 days from its filing date, or if the first-instance office fails to comply with the second-instance office's instructions within 30 days from receipt of the second-instance decision, the forced collection of the tax determined by the decision against which a complaint has been filed shall be suspended until the taxpayer concerned is served a decision on his/her complaint or until the first-instance office complies with the second-instance office's instructions.

### Renewal of Procedure

#### Article 122

The competent tax office that has rendered a decision terminating the tax determination procedure may renew the tax determination procedure, at its own initiative or at the request of the taxpayer concerned, in conformity with the provisions of the law dealing with the general administrative procedure.

### Interest

#### Article 123

Interest shall be paid on any tax a taxpayer, or payer of revenue or some other tax debtor has failed to pay within the prescribed term, in conformity with the federal regulations dealing with default interest rates.

## Chapter Four FORCED TAX COLLECTION

#### Article 124

Should any taxpayer or some other tax debtor fail to pay tax within the prescribed term, tax shall be collected by force.

#### Decision to Collect by Force

#### Article 125

A decision to collect by force shall include the following in particular:

- 1) Designation of the enforceable decision determining the tax liability that is the subject of forced collection, amount of debt as of maturity, interest and fines for breach of tax regulations;
- 2) An order for the tax debtor to pay the outstanding debts within eight days from receipt of the decision and a warning to the effect that forced collection will be resorted to in the event of the tax debtor's failure to comply;
- 3) A reminder that the cost of forced collection shall be charged to the tax debtor;
- 4) Designation of the objects and funds subject to execution.

The tax debtor concerned shall be advised in the decision to collect by force of his/her right to file an objection to or a complaint against that decision.

#### Forced Collection Costs

#### Article 126

The forced collection costs shall be borne by the tax debtor concerned.  
The forced collection costs shall be prescribed by the Republic Government.

#### Objects and Funds Subject to Forced Collection

#### Article 127

Forced collection shall apply to the following:

- 1) Funds in giro and other accounts, by transferring funds from the tax debtor's account to the prescribed account;
- 2) Cash, bonds and other securities, by taking an inventory and seizure;
- 3) Chattels, by taking an inventory and evaluating chattels, seizure and sale of chattels;
- 4) Tax debtor's monetary claims, by placing a ban and transferring claims;
- 5) Tax debtor's monetary claims, by placing a ban and transferring claims and selling the objects to which the claims relate.

#### Decision Serving

#### Article 128

The tax office shall serve to the tax debtor concerned or an adult member of his/her family the decision to collect by force, decision on an objection and decision on a complaint, in accordance with the rules of personal delivery set out in the law dealing with the general administrative procedure.

All other deliveries (conclusions, etc.) shall be effected using the notice board of the competent tax office.

The decision to collect by force from the funds in the tax debtor's account and from the funds of a tax debtor's debtor kept with the agent of payments, shall be served to the payments agent with which such funds are kept.

The decision to collect by force from a tax debtor's monetary and other claims shall also be served to his/her debtor.

## Priority in Settlement

### Article 129

The forced collection of tax, interest, forced-collection cost and fines for breaches of tax regulations shall have priority in relation to the tax debtor's other commitments and claims filed by other parties.

## Determination of Means for and Time of Forced Collection

### Article 130

The tax office shall determine the means of execution, making sure that the selected means provide for the settlement of the tax debt and endanger the existence and business of the tax debtor to the least extent possible.

At the proposal of the tax debtor concerned, the tax office may set some other means or objects of execution, if they are big enough for settling the tax debt.

Forced collection may be carried out on working days and in daytime.

Notwithstanding the provision of paragraph 3 of this Article, forced collection may be carried out on non-working days or at night when a delay could be dangerous, which is decided on by the competent tax office.

## Collection from Real Estate

### Article 131

Forced collection involving the taking of an inventory and sale of a debtor's real estate may be proceeded with only if it was not possible to collect from other objects and means.

Forced collection from a tax debtor's real estate shall be carried out by a court in conformity with the provisions of the Execution Procedure Law, at the recommendation of the tax office.

The forced collection procedure referred to in paragraph 2 of this Article shall be regarded as emergency one.

## Exemption from Forced Collection

### Article 132

The following may not be the subject of execution:

1) Clothes, footwear, underwear and other items for personal use, bed linen, dishes, cookers, refrigerators and other furnishings indispensable to the tax debtor and members of his/her household;

2) Foods and fuels for the needs of the tax debtor and members of his/her household, in quantities sufficient for three months;

3) Disability aids that are indispensable to the tax debtor and members of his/her household for the performance of their vital functions;

4) Orders, medals, veteran plaques and other decorations, personal letters, manuscripts and other personal documents of the tax debtor, as well as family photographs;

5) A half of wages/salary, pension or social welfare benefits;

6) Receipts based on statutory alimony, indemnity for the impairment of health or disability, full or partial, and loss of alimony because of death of the provider of alimony;

7) Sustenance, child allowance and other social welfare benefits;

8) Unemployment benefit;

9) Receipts based on disability in conformity with the disability insurance regulations;

10) Pupil and student grants and loans;

11) Receipts of servicemen and military school cadets;

12) Remuneration for the work done by convicts in penitentiaries.

## Forced Collection from Funds in the Taxpayer's Account

### Article 133

The decision on forced collection from the funds kept in a business account, foreign exchange account or some other account of a tax debtor with a payment agent, instructs the latter to transfer the sum for which the forced collection has been decided on, from the tax debtor's account to the appropriate account for the purpose of settling the tax debt.

The decision referred to in paragraph 1 of this Article shall have the effect of a ban, as well as the effect of a transfer for collection purposes.

Should a payment agent fail to act in the way referred to in paragraph 1 of this Article and funds exist in the debtor's account, collection shall be made from the payment agent directly.

### Article 134

The authorised payment agent shall transfer the dinar equivalent of funds from a tax debtor's foreign exchange account to the latter's account on the basis of the tax office's decision, in conformity with law.

## Forced Collection from the Tax Debtor's Chattels

### Article 135

The chattels shall be listed, evaluated, seized and sold by a duly authorised person from the tax office (hereinafter: the tax executor) on the basis of the decision to collect by force.

Prior to listing, the tax executor shall call the tax debtor to pay the sum for which the collection by force has been ordered, together with interest and related costs.

## Taking Inventory and Evaluation of Chattels

### Article 136

A tax debtor's chattels shall be inventoried in the presence of the tax debtor concerned or some adult member of his/her household.

When searching the debtor's dwelling and taking other action in connection with forced collection, the tax executor shall show due consideration for the personality of the debtor and members of his/her family.

The execution proceedings conducted in a debtor's dwelling in the absence of the debtor, his representative or an adult member of his/her household, shall be attended by two adult citizens in the capacity of witnesses.

The tax executor shall be authorised to expel any person who is obstructing the forced collection procedure and if necessary, request assistance from the competent police authorities.

In the event of the police authorities' failure to comply with the tax office's request, the tax office shall immediately notify the ministry of interior affairs, the Government or the competent Assembly body accordingly.

### Article 137

When taking an inventory of chattels, the tax executor shall also evaluate them and if necessary, the competent tax office may also appoint another competent person as evaluator, or obtain a report on the price of the chattels from appropriate organisations or institutions.

At the proposal of the tax debtor, the tax office shall appoint another person as evaluator, but it is not bound to accept the proposed person.

The inventory shall include as many chattels as is necessary to cover the tax debt and the cost of execution.

The inventoried chattels may include those in the possession of the tax debtor concerned, as well as his/her chattels in the possession of a third party, with the consent of that party.

The chattels with regard to which there are no objections as to the existence of a right that would obstruct the execution and those that can be sold for money most easily, shall be inventoried in the first place.

#### Article 138

A record shall be made of the inventory and evaluation of chattels and it shall include the following in particular:

- 1) Tax debtor's name, surname and address and/or registered office as applicable, as well as particulars relating to the persons taking part in taking the inventory and evaluation;
- 2) Statement that the decision to collect by force has been served to the tax debtor;
- 3) Statement that the tax debtor has been called to pay the outstanding debt before the taking of inventory was proceeded with and that he/she did not comply;
- 4) Place and time of taking the inventory;
- 5) Amount of debt, interest and costs for which the inventory is taken;
- 6) Inventoried chattels (name and description) and their estimated value;
- 7) Ban on the transfer of the chattels left with the debtor for safekeeping, as well as a note reminding the debtor of the consequences under criminal law of acting in contravention of the ban;
- 8) Statements of the tax debtor and parties to the procedure, as well as statements of attending third parties, about the existence of rights that stand in the way of execution;
- 9) Statement of the tax debtor or some other person as to who is the owner of a chattel that is being inventoried, if it has been reported that the chattel concerned is owned by a third party;
- 10) Tax debtor's remarks about the taking of inventory and conduct of the evaluation procedure.

The record shall be signed by the tax executor, tax debtor or a member of his/her household and evaluator, as well as witnesses, if they have attended the taking of inventory.

#### Article 139

The record of taking the inventory shall be drawn up in three copies, of which one shall be handed over to the tax debtor or an attending member of his/her household.

The tax debtor concerned may file an objection to the evaluation of the inventoried chattels as entered in the record, within three days from receipt of the record.

The tax office that has rendered the decision to collect by force shall render a decision on the objection.

The forced collection procedure shall be suspended pending the issuance of a decision on the objection.

The decision on the objection may not be refuted with the means of legal remedies.

#### Third Party Action

#### Article 140

The tax executor shall notify of the inventory taken all persons, other than members of the tax debtor's household, who are reported to be the owners of inventoried chattels and advise them that they may file third party claim with the competent court within eight days from receipt of the notification.

The tax executor shall give the notification referred to in paragraph 1 of this Article verbally, if such persons are attending the inventory taking and evaluation of the chattels, and he/she shall notify the absent persons in writing.

If the persons referred to in paragraph 1 of this Article present evidence of having filed a third party claim with a court within eight days from receipt of the notification, the forced collection procedure affecting the chattels covered by the third party claim shall be suspended.

#### Article 141

A timely filed third party claim with a court shall defer the seizure and sale of the inventoried chattels to which the claim relates pending the settlement of the dispute and the chattels involved shall be left with the tax debtor for safekeeping.

The tax debtor shall keep the chattels referred to in paragraph 1 of this Article in unaltered state until termination of the dispute relating to the third party claim.

The seizure and sale shall not be deferred if the chattels are perishable and the proceeds of their sale shall be deposited with the competent court pending the termination of the dispute relating to the third party claim.

#### Article 142

Should it be found that the third party claimant is not the owner of a chattel and the tax debtor transfers, destroys or damages it, criminal charges shall be brought at the competent public prosecutor's office, and in order to secure the collection of debt, a new inventory shall be taken and evaluation be made of other chattels, without any delay or serving a special decision to collect by force, or collection shall be effected using other instruments of execution.

### Seizure and Sale of Chattels

#### Article 143

The tax debtor shall be dispossessed of any inventoried chattel in the taking of inventory.

Notwithstanding the provision of paragraph 1 of this Article, an inventoried chattel may be left with the tax debtor for safekeeping until the day of sale, on condition that it is clearly marked as that included in the inventory.

Once the inventory is taken, the Republic of Serbia shall acquire lien on the inventoried chattels.

#### Article 144

The inventoried chattels may be sold once the decision to collect by force becomes effective, unless the debtor is agreeable to the sale being made earlier or highly perishable goods are involved or if there is a hazard of the price of the inventoried chattels going down substantially.

At least eight days shall elapse from the date of inventory and the date of sale.

Sale may also be made before the expiration of the term referred to in paragraph 2 of this Article for the reasons referred to in paragraph 1 of this Article.

#### Article 145

Chattels shall be sold by public auction or direct arrangement between the buyer on the one side and the tax office or a commission sale organisation duly authorised by the tax office, on the other, on conditions determined by the present Law.

The tax office shall determine such mode of sale as would provide for the chattels being sold for the highest possible price.

Sale by auction shall be decided on if highly valuable chattels are involved and it can be expected that they would fetch a price exceeding their estimated value.

Sale by auction shall be announced timely on the tax office notice board and it may also be announced in some other usual way. The debtor shall be notified of the place, date and time of sale.

The announcement shall include the following in particular: tax debtor's name and surname; amount of debt, interest, costs and fines for breach of tax regulations; list of inventoried chattel and their estimated value; time and place of auction.

The tax debtor, tax office employees and members of their families may not be buyers either by auction or direct arrangement.

Inventoried chattels may not be sold at the first auction under their estimated value.

If the price corresponding to the estimated value is not offered at the first auction, the second auction may be scheduled within at least eight days and the chattels may be sold at that auction under their estimated value, but not under a third of it.

If it was not possible for the inventoried chattels to be sold even at the second auction, they shall be sold by direct arrangement to a legal entity or an individual.

Perishable chattels shall be sold without any delay by direct arrangement.

#### Article 146

The sale of inventoried and seized chattels shall be aborted as soon as the amount fetched reaches the tax debt together with interest, forced-collection costs and fines and the remaining chattels shall be handed over to the tax debtor.

#### Forced Collection from the Tax Debtor's Receivables

#### Article 147

For the purpose of collecting outstanding tax, the competent tax office may render a decision placing a ban on the tax debtor's receivables, whereby the tax debtor's debtor is ordered to pay the former's receivables in the appropriate account for the purpose of settling the tax debt (seizure of receivables).

The decision referred to in paragraph 1 of this Article shall produce at the same time the effect of a ban and the effect of transfer for collection purposes.

By seizing the receivables referred to in paragraph 1 of this Article, the tax office acquires a lien on the seized receivables.

#### Article 148

In the case of forced collection which is to be made from the tax debtor's receivables from his/her debtor, from the latter's account with the payment agent, the debtor's debtor shall be ordered to instruct within three days from the expiration of the term for filing an objection or from receipt of decision on the objection, the payment agent with which the latter has an account, to transfer the sum subject to forced collection to the appropriate account in settlement of the debt of his/her creditor, who is a tax debtor.

The decision referred to in paragraph 1 of this Article shall also order the payment agent to transfer the sum which is subject to forced collection from the account of the debtor's debtor to the appropriate account in settlement of the tax debt, if the latter fails to comply with paragraph 1 of this Article.

If the claim of a tax debtor from his/her debtor has not matured, the tax office shall issue an order for the payment referred to in paragraphs 1 and 2 of this Article to be effected on maturity of the claim.

#### Article 149

The decision to collect by force from wages/salaries and other permanent receipts of the tax debtor concerned places a ban on a part of such receipts, in conformity with the present Law, and orders the payer to pay and/or keep paying in the appropriate account the sum to which the forced collection applies, in settlement of the tax debt.

## Article 150

For the purpose of collecting outstanding tax, the competent tax office may seize a tax debtor's non-monetary receivables.

The competent tax office shall render the decision on the seizure of receivables referred to in paragraph 1 of this Article, in conformity with Article 147 of the present Law.

If a seized receivable relates to the hand-over of a chattel, the tax office shall take an inventory of, evaluate, seize and sell such chattel in accordance with the rules set by the present Law for forced collection from chattels.

If the debtor's receivable from a chattel has not matured yet, the tax office shall issue an order for that chattel to be handed over on maturity.

If a seized receivable relates to the hand-over of real estate, the forced collection shall be effected through court by the emergency procedure.

## Legal Remedies in the Forced Collection Procedure

### Article 151

The tax debtor may file an objection with the competent first-instance tax office to the decision to collect by force, within three days from receipt of the decision.

The objection shall be decided on by the tax office that has rendered the decision to collect by force.

A filed objection shall suspend the forced collection procedure until the decision accepting or rejecting the objection has been served to the tax debtor or an adult member of his/her household.

The tax debtor concerned may file a complaint against the decision rendered on the objection with the competent second-instance tax office, within eight days from receipt of that decision.

If the tax debtor has not filed an objection to the decision on forced collection within the term referred to in paragraph 1 of this Article, he/she shall have the right to file a complaint with the competent second-instance tax office within eight days from receipt of the decision to collect by force.

A complaint shall not stay the conduct of the forced collection procedure.

### Article 152

The tax debtor's debtor may also file an objection to a decision on forced collection from the tax debtor's receivables, within three days from receipt of such decision.

The objection referred to in paragraph 1 of this Article may be made only in relation to the circumstances relating to the tax debtor.

Objections shall be decided on by the first-instance tax office that had rendered the first-instance decision to collect by force.

An objection shall suspend the forced collection procedure pending the service of a decision on that objection.

The decision rendered on an objection shall be ready to be carried out.

An administrative suit may not be instituted against a decision rendered on an objection filed by a debtor's debtor.

## Continuation of the Forced Collection Procedure

### Article 153

The forced collection procedure shall be carried on using all of the instruments of forced collection provided by the present Law until all owed taxes, interest, forced-collection costs and fines have been paid in full, in the order referred to in Article 154 of the present Law.

If the funds obtained by forced collection exceed the debt referred to in paragraph 1 of this Article, the difference shall be refunded to the tax debtor concerned.

## Order of Settlement in Forced Collection

### Article 154

The debts collected by force shall be settled in the following order:

- 1) Forced-collection costs;
- 2) Interest;
- 3) Fines;
- 4) Tax owed.

## Securing the Collection

### Article 155

If there is a hazard of a tax debtor thwarting and/or rendering impossible the collection of outstanding tax, the competent tax office may set measures for securing the collection.

The collection securing measures shall be as follows:

- 1) Taking an inventory of and seizing the debtor's chattels;
- 2) Prohibiting the tax debtor's debtor from paying to the tax debtor his/her debts or handing over chattels to him/her, as well as prohibiting the tax debtor from collecting debts or receiving chattels and managing them;
- 3) Prohibiting the payment agent from paying to the debtor or a third party at the instructions of the former the amount of money to which the security measure applies;
- 4) Request a court to prohibit the tax debtor from transferring or encumbering his/her real estate or real rights to real estate entered in his/her favour, such prohibition being entered in the register of land.

The tax debtor concerned may file a complaint with the competent second-instance office against the decision referred to in paragraph 1 of this Article, within eight days from receipt of such decision.

A complaint may not stay the execution of the decision.

## Tax Writing-off

### Article 156

If it has not been possible to collect by force the sum owed from a tax debtor within three consecutive years, the owed tax, interest, fine for breach of tax regulations and forced collection costs shall be written off.

The competent tax office shall render the decision writing off the debt referred to in paragraph 1 of this Article.

## Chapter Five

### SURETY, TAX REFUND AND UNENFORCEABILITY

#### Surety

### Article 157

The payer of revenue shall stand surety for the payment of withholding tax.

### Article 158

All adult members of the taxpayer's household that make up his/her household pursuant to Article 10 of the present Law at the onset of tax liability, shall stand subsidiary surety for the payment of tax on the revenue from agriculture and forestry and on the revenue from self-employment with their assets.

If the records of the owner and/or holder of the right of using land kept in the land registry do not correspond to the actual situation, the person using the land and identified as such by the competent tax office, shall stand subsidiary surety for the payment of tax on the revenue from agriculture and forestry.

#### Article 159

If in order to evade tax, a tax debtor transfers property by a legal transaction to persons who are not members of his/her household, the competent tax office may contest that transaction before a court, if the buyer was aware of such intention of the tax debtor.

#### Article 160

A tax debtor who is transferring equipment or inventories serving for the conduct of his/her business or who transfers his/her sole proprietorship wholly, shall settle his/her tax commitments beforehand.

If the new owner takes over the property referred to paragraph 1 of this Article and the tax has not been paid, he/she shall stand surety jointly and severally with the tax debtor, up to the value of the property taken over.

#### Article 161

Any person who lets his/her residential or business premises to the owner of a travelling entertainment business or the stager of entertainment performances, with or without charging therefor, shall be jointly and severally liable with the tax debtor for all charges on the revenues in connection with the performance staged.

#### Article 162

Should a tax debtor die before the tax is levied, the tax shall be levied on his/her successors. The tax to be collected from successors may amount up to the value of inherited property.

#### Tax Refund

#### Article 163

Any taxpayer shall have the right to be paid a refund for the tax, interest and forced collection costs paid in excess of the required amount or in the wrong amount.

Any taxpayer shall have the right to interest:

- 1) If the refund referred to in paragraph 1 of this Article is not paid within eight days from the date on which the request was filed with the competent tax office;
- 2) On the amount by which the tax has been reduced in response to the taxpayer's complaint and which was not refunded to the taxpayer within 15 days from service of the second-instance decision.

Interest shall be charged in the way and at the rate referred to in Article 123 of the present Law, from the request filing date or 15 days from the date of service of the second-instance decision.

The filing date of the request referred to in paragraph 2, item 1), of this Article shall be understood to mean the date on which the request was filed together with required documents.

#### Unenforceability

#### Article 164

The right to levy tax on individual income shall become unenforceable five years from the end of the year in which it should have been levied.

The right to collect tax and the right to collect interest and forced collection costs shall become unenforceable within three years from the end of the year in which the collection should have been effected.

The right of a tax debtor to be paid a refund for the tax, interest and forced collection costs he/she had paid unnecessarily or in excess of the required amount, shall become unenforceable within three years from the end of the year in which these amounts were paid.

#### Article 165

In the event of any interruption of the term for unenforceability, that term shall begin to run again.

The right to levy, collect and refund tax shall in any case become unenforceable after 10 years from the end of the year in which tax should have been levied and collected or in which it has been paid.

### Part Five PENAL PROVISIONS

#### Article 166

Any legal entity shall be fined 2,000 to 200,000 dinars in the following cases:

- 1) If it fails to charge, withhold and pay in or charges incorrectly the withholding tax (Articles 101, 102, 103 and 108, paragraph 2);
- 2) If it fails to present to the taxpayer an account of the paid revenues on which withholding tax is payable (Article 106);
- 3) If it fails to comply with the order given in the decision on forced collection from the monetary or other claims of a tax debtor from his/her own debtor (Articles 148 and 150);
- 4) If it fails to comply with the decision placing a ban on wages/earnings and other permanent receipts of the tax debtor (Article 149).

Any legal entity in which tax was evaded by a breach of regulations referred to in paragraph 1 of this Article, shall be fined two to ten times the tax debt, but not less than 25,000 dinars.

The responsible person in the legal entity for any act referred to in paragraph 1 of this Article shall be fined 500 to 10,000 dinars.

Any sole proprietor shall be fined 1,000 to 100,000 dinars for any act referred to in paragraph 1 of this Article.

Any sole proprietor shall be fined two to ten times the tax debt, but not less than 15,000 dinars, for breach of regulations if he/she evades tax by committing any act referred to in paragraph 1 of this Article.

#### Article 167

Any individual who is a taxpayer, shall be fined 500 to 10,000 dinars for breach of regulations in the following cases:

- 1) Failure to keep books in conformity with Articles 43 through 48 of the present Law;
- 2) Failure to present to the tax office all data of importance for the determination of capital gains (Article 35);
- 3) Failure to declare in the tax account separately the value of transactions with associated persons in accordance with the “beyond arm-reach” principle (Article 35);
- 4) Failure to report to the tax office, within the prescribed term, the transfer of fixed assets for which he/she had utilised a tax incentive (Article 39);
- 5) Failure to draw up the tax account or failure to do so within the prescribed term and in the prescribed way;

6) Failure to open a business account or failure to keep an orderly and timely record of collected revenues and expenditures made or failure to pay in the account any cash received or failure to do so timely (Article 51, paragraph 1);

7) Failure to file the tax declaration and tax account within the prescribed term or entering incorrect data in the tax declaration and tax account, which could result in a reduction of the tax base or unfounded exercise of the right to tax incentives, or failure to attach other required documents and data to the tax declaration, or filing the tax declaration with a non-competent office (Articles 91, 93, 94, 95 and 98);

8) Failure to file the tax declaration or an estimate of revenue for the first business year within the prescribed term upon starting up his/her business (Article 94, paragraph 1);

9) In the case of permanent or temporary withdrawal from business, failure to file the tax declaration for the final determination of tax and determination of tax up to the date of temporary withdrawal (Article 94, paragraph 2);

10) Failure to charge, withhold and pay withholding tax, or charging it incorrectly (Articles 104 and 105);

11) Failure to pay the monthly tax advance or failure to do so within the prescribed term (Article 112 and Article 118);

12) Failure to pay timely the tax based on the tax account or the difference between the tax paid and the tax determined in the decision on final tax liability (Article 114);

13) Hindering of and preventing the inventory and evaluation from being made (Article 136, paragraph 4);

14) Failure to keep the inventoried chattel in unaltered state or failure to comply with the ban on the transfer of the inventoried chattels left with him/her for safekeeping (Article 138, paragraph 1, item 7), Article 141, paragraph 2, and Article 143, paragraph 2).

Any sole proprietor shall be fined two to ten times the tax debt, but not less than 15,000 dinars, for breach of regulations, if he/she evades tax by committing an act referred to in paragraph 1 of this Article.

#### Article 168

Any tax-paying individual shall be fined 500 to 10,000 dinars for breach of regulations in the following cases:

1) Failure to file the tax declaration within the prescribed term or failure to file it with the competent tax office or failure to enter correct data on which the amount of tax depends (91, 92, 95, 96 and 98);

2) Failure to charge and pay in the tax on wages/salaries and other receipts on which the withholding tax is payable or failure to present to the competent tax office evidence that tax has been charged and paid in by the payer of revenue (Article 107);

3) Failure to pay in tax or failure to do so within the prescribed term (Article 112 and Article 118);

4) Hindering of and preventing inventory of chattels from being taken and their evaluation being made (Article 136, paragraph 4);

5) Failure to keep the inventoried chattels in unaltered state or failure to abide by the ban on the transfer of inventoried chattels left to him/her for safekeeping (Article 138, paragraph 1, item 7), Article 141, paragraph 2, and Article 143, paragraph 2);

6) Failure to comply with the order in the decision on forced collection from the monetary or other claims of a taxpayer who is his/her creditor (Articles 148 and 150).

Any tax-paying individual shall be fined two to ten times the tax debt, but not less than 1,000 dinars, for breach of regulations, if he/she evades tax by committing any act referred to in paragraph 1 of this Article.

#### Article 169

The responsible person in the competent tax office, court or some other government agency, shall be fined 500 to 10,000 dinars for breach of regulations in the following cases:

- 1) Failure to display the public call to file tax declarations (Article 91, paragraph 2);
- 2) Failure to determine tax or failure to determine tax on the basis of the prescribed data (Articles 109, 110, 111, 113, 115, 116 and 117);
- 3) Failure to abide by Article 142 of the present Law;
- 4) Failure to draw a tax debtor's attention to the ban on transfer of the inventoried chattel left with him/her for safekeeping or to the consequences under criminal law of acting contrary to that ban and to make a note of that in the record of inventory (Article 138, paragraph 1, item 7) and Article 143, paragraph 2).

#### Article 170

The responsible person in an agent of payment shall be fined 500 to 10,000 dinars for breach of regulations in the following cases:

- 1) If he/she allows the wages/salaries and other receipts on which the withholding tax is payable to be paid out, when there are no funds in the payer's account for the simultaneous payment of taxes and other prescribed public charges, calculated in conformity with law (Article 108);
- 2) If he/she fails to present data on the taxpayer's business account turnover or if he/she fails to present them to the competent tax office or fails to present them within the prescribe term (Article 51, paragraph 2, and Article 117, paragraph 2);
- 3) If he/she fails to comply with Article 133, paragraph 3, Article 134 and Article 148 of the present Law.

#### Article 171

The protective measure of a three-month to one-year ban on the conduct of business shall be applied to:

- 1) Any taxpayer who has been fined pursuant to Article 166, paragraph 5, and Article 167, paragraph 2, of the present Law;
- 2) Any taxpayer who has been fined at least three times in the course of a year for the breaches of regulations referred to in Article 166, paragraph 1, and Article 167, paragraph 1, of the present Law.

#### Article 172

The Republic Public Revenue Office shall conduct the procedure for administering punishment for the breaches referred to in the present Law in conformity with the regulations dealing with breaches of regulations, unless otherwise provided by the present Law.

When requirements have been met for pronouncement of the protective measure referred to in Article 171 of the present Law, the Republic Public Revenue Office shall not levy a fine, instead of which it shall file a request for the instigation of proceedings for the breach of regulations.

### TRANSITIONAL AND CONCLUDING PROVISIONS

#### Article 173

The validity of the Individual Income Tax Law (*Službeni glasnik RS*, Nos. 43/94, 74/94, 53/95, 1/96, 12/96, 24/96, 39/96, 52/96, 54/96, 39/96, 52/96, 54/96, 16/97, 60/97, 20/98, 42/98, 18/99, 21/99, 25/99, 27/99, 33/99, 48/99 and 54/99) shall run out on the effective date of the present Law.

Pending the enactment of regulations in conformity with the provisions of the present Law, the regulations enacted on the basis of the law referred to in paragraph 1 of this Article shall apply.

#### Article 174

The procedure for setting the tax advances on revenues from agriculture and forestry and revenues from self-employment in 2001, that was started up in conformity with the provisions of the law referred to in Article 173, paragraph 1, of the present Law, shall be completed in conformity with that law.

#### Article 175

Any procedure for the determination and collection of the tax on capital that was not effectively completed by the effective date of the present Law, shall be completed in conformity with the provisions of the present Law.

#### Article 176

The tax account for the 1 January – 30 June 2001 period shall be compiled in conformity with regulations that were in force until the effective date of the present Law.

The tax account referred to in paragraph 1 of this Article shall be filed with the competent tax office by 15 July 2001.

#### Article 177

Any taxpayer who had acquired, prior to the effective date of the present Law, the right to tax exemption on the basis of newly opened business or the right to tax facility on the basis of foreign investment, in conformity with the law referred to in Article 173, paragraph 1, of the present Law, shall have the right to enjoy that tax exemption facility until the expiration of the term for which it was granted.

#### Article 178

The individual income tax for the year 2001 shall be determined and paid in conformity with the provisions of the present Law and the amounts set in Article 87, paragraphs 1 and 2, Article 88, paragraph 1, and Article 89, paragraph 1, of the present Law shall be adjusted to the percentage of the wage increase/decrease from the effective date of the present Law to 31 December 2001.

#### Article 179

Tax on the yield on capital shall not be payable for the period from 1 January 1999 to the effective date of the present Law, on the interest accrued from the foreign exchange savings that were converted, without the savers' consent, into term deposits with authorised banks, which make up government debts, in conformity with the law dealing with settlement of the commitments based on household foreign exchange savings.