ADOPTED REGULATION ON FISCAL BENEFITS AND DIRECTIVE BENEFITS TO BUSINESSES IN THE PRIVATE SECTOR AND MONEY ASSISTANCE TO CITIZENS TO MAKE EFFECTIVE ECONOMIC CONSEQUENCES OF DISEASES 19

On April 10, the Government of the Republic of Serbia adopted a Regulation whose main objective is to implement previously planned economic measures to mitigate the economic consequences caused by the COVID-19 disease pandemic. The Regulation itself prescribes fiscal benefits and direct benefits for the private sector that can be realized under the conditions prescribed by this Regulation, as well as direct financial assistance in the amount of 100 euros in dinars equivalent to all adult citizens of the Republic of Serbia.

FISCAL BENEFITS FOR BUSINESS ENTITIES - LEGAL ENTITIES

For business entities - legal entities in the private sector (resident legal entities within the meaning of the Law on Corporate Income Tax and resident entrepreneurs), including branches and representative offices of foreign legal entities, the Regulation prescribes the possibility of deferment of maturity for payment of taxes and contributions to earnings and benefits up until January 4th 2021, for corporate tax advance payments for March, April and May 2020 until the submission of the final corporate tax return for 2020, that is, for taxpayers with a business year other than the calendar year for the tax period beginning or ending in 2020 and for income tax advances due on April 15th 2020, May 15th 2020 and June 15th 2020 until the submission of the final corporate income tax return for the relevant tax period.

A taxpayer who chooses to take advantage of the benefits under this Regulation shall file an Individual Income Tax Return (hereinafter: PPP-PD Form) for income from employment, in particular from the PPP-PD Form for out-of-work income, so it is ensured that one PPP-PD Form does not jointly report employment and non-employment income.

Legal persons are also entitled to defer payment of overdue liabilities, whose maturity is deferred under this Regulation, to a maximum of 24 equal monthly installments without paying interest on taxes and contributions to earnings and wages in the amount of deferred liabilities and corporate tax advance payments in the amount of corporate tax advance payments whose payment maturity is deferred, but at the most in the amount of the final corporate income tax liability for 2020, that is, for taxpayers with a business year other than the calendar year, in the amount of the final liability for the tax period beginning or ending in 2020.

It is important to note that contributions deferred in accordance with this Regulation are considered paid for the purpose of exercising entitlements on the basis of health and pension and

disability insurance, on the basis of the right to financial support for families with children, as well as on the basis of unemployment benefits.

The following legal entities are not entitled to defer tax liability under this Regulation: banks, insurance and reinsurance companies, voluntary pension fund management companies, leasing providers, as well as payment institutions and electronic money institutions.

CONDITIONS FOR FISCAL BENEFITS

All private sector entities can apply the prescribed measures provided that, starting on March 15th 2020 up to the date of entry into force of the Regulation, they did not reduce the number of their employees by more than 10%, not counting employees who contracted a fixed-term employment with a private sector business entity before March 15th 2020 for the period ending between March 15th 2020 and the date of entry into force of this Regulation.

FISCAL BENEFITS FOR ENTRPRENEURS

Entrepreneurs and entrepreneurial farmers who pay tax for self-employment income via self-taxation, but have not opted for the payment of personal income, the right to defer maturity for payment of self-employment income tax, as well as to defer payment of these obligations, is exercised in the same way and under the same conditions as legal entities. In addition, the deferment in payment of taxes and contributions on the salaries and wages of their employees, as well as deferring the payment of these obligations, is realized in the same way and under the same conditions as legal entities.

The same rules apply to entrepreneurs and entrepreneurial farmers who pay income tax on self-employment income via self-taxation and have opted for payment of personal wages.

To flat-rate entrepreneurs, the maturity for payment of their tax advance payments and contributions to self-employment income for March, April and May 2020 is deferred until January 4th 2021, and the payment of these obligations is deferred to 24 equal monthly installments without interest. Also, the flat-rate entrepreneur realizes the deferment of payment of taxes and contributions on the salaries and wages of his employees and deferment of payment of these obligations by applying the rules applicable to legal entities regarding the deferral of maturity of payment and deferred payment of taxes and contributions on earnings and earning compensations.

DIRECT BENEFITS TO BUSINESSES IN THE PRIVATE SECTOR

Entrepreneur, flat-rate entrepreneur, entrepreneurial farmer, entrepreneur other person, legal entities classified as micro, small and medium, in accordance with the law governing accounting,

as well as enterprises classified as large legal entities, may exercise the right to payment of budget grants in May, June and July 2020

The amount of the grant to which the entrepreneur, flat-rate entrepreneur, entrepreneurial farmer, entrepreneur other person, legal entities classified as micro, small and medium are entitled is determined:
- in May 2020, in the amount received as a product of the number of full-time employees whose wages and salaries were submitted by the PPP-PD Form for the accounting period March 2020 and the amount of basic minimum net earnings for March 2020;

- in June 2020 in the amount obtained as a product of the number of full-time employees whose wages and salaries were submitted by the PPP-PD Form for the accounting period April 2020 and the amount of basic minimum net earnings for March 2020;

- in July 2020 in the amount obtained as a product of the number of full-time employees whose wages and salaries were submitted by the PPP-PD Form for the accounting period May 2020 and the amount of basic minimum net earnings for March 2020.

On the other hand, the amount of funds to which large legal entities are entitled is obtained as a product of 50% of the minimum net wage for March 2020 and the sum of:

- all full-time employees for whom a decision on termination of employment has been issued starting from March 15th 2020 in accordance with Article 116 of the Labor Law ("RS Official Gazette", No. 24/05, 61/05, 54/09, 32/13, 75/14, 13/17 - US, 113 / 17 and 95/18 (hereinafter: the Labor Law) and for which the employer - a large legal entity has submitted the PPP-PD Form;

- all full-time employees for whom a decision on termination of employment has been issued starting from March 15th 2020 in accordance with Article 117 of the Labor Law, on the basis of the decision of the competent state authority issued in connection with the disease COVID-19 and for which the employer-large legal entity has submitted the PPP-PD Form.

The amount of the grant which is paid to large legal entities:

- in May 2020, in the amount of the product of 50% of the basic minimum net wage for March 2020 and the number of employees referred to in paragraph 1 of this Article increased in accordance with paragraph 2 of this Article, for whose remuneration the employer-large legal entity submitted the Form PPP-PD for March 2020;

- in June 2020, in the amount of the product 50% of the basic minimum net wage for March 2020 and the number of employees referred to in paragraph 1 of this Article increased in accordance with paragraph 2 of this Article, for whose remuneration the employer-large legal entity submitted a Form PPP-PD for April 2020;

- in July 2020, in the amount of the product 50% of the basic minimum net wage for March 2020 and the number of employees referred to in paragraph 1 of this Article increased in accordance with paragraph 2 of this Article, for whose remuneration the employer-large legal entity submitted the PPP-PD Form for May 2020.

LOSS OF THE RIGHT TO USE THE BENEFITS

The loss of the right to use the fiscal benefits and direct benefits prescribed by this Regulation may occur if, in the period from March 15th 2020 until the expiry of the period of 3 months from the last payment of direct benefits, the business entity reduces the number of its employees by more than 10% not counting the employees who concluded a fixed-term employment contract with the private sector company before March 15th 2020 for the period ending between March 15th 2020 and the date of expiration of 3 months from the last payment of direct benefits.

VAT TREATMENT OF FREE OF CHARGE TRAFFIC MADE FOR HEALTHCARE PURPOSES

VAT taxpayers who carry out the sale of goods or services free of charge to the Ministry of Health, the Republican Health Insurance Fund, or a publicly owned health institution are exempt from VAT and are entitled to a deduction of prior tax on that turnover. The VAT exemption applies to all deliveries with a day of turnover in the period from the day of introduction to the day of termination of the state of emergency in the Republic of Serbia.

DIVIDEND PAYMENT PROHIBITION

Private-sector entities that choose to use the measures provided for in this Regulation, or to use fiscal benefits and direct budgetary contributions to private-sector entities, may not pay dividends until the end of 2020. Otherwise, they lose the right to use the measures provided for in this Regulation.

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