



NEWS

Tax news, November 2018

Law on Corporate Income Tax

Expenses for advertising and propaganda

The proposed amendments to the ZPD foresee the abolition of the limit for the recognition of advertising and propaganda expenses. Consequently, advertising and propaganda expenses will be recognized in the future in the entire amount reported in the income statement.

Tax depreciation

The draft amendment to the ZPD introduces new rules for the calculation of tax depreciation of newly acquired fixed assets that will apply from January 1, 2019 (ie from the first day of the tax period starting in 2019 for taxpayers whose tax year is different from the calendar year). The new rules envisage that the tax depreciation of fixed assets classified in tax depreciation groups II-V will be calculated using the proportional method, instead of the current valid degressive method. If the amount of depreciation calculated in accordance with the accounting rules is determined in a lower amount than the amount of depreciation calculated using the application of tax depreciation rates, the amount of the accounting depreciation is recognized as an expense in the tax balance sheet. Assets classified into groups II-V, which were acquired until the beginning of the application of the new rules, will continue to be amortized according to the current rules by applying the degressive method, ending December 31, 2028 (ie the last day of the tax period that begins in 2028 for taxpayers whose tax year is different from the calendar year).

Tax incentives

1) Research and development costs

It is envisaged that the research and development costs that are being spent in the republic are recognized as a double tax increase in the tax balance, excluding research costs incurred in the search for oil, gas or mineral resources in the extractive industry.

2) Income from compensation for the use of copyright and related rights

The draft amendment to the ZPD envisages the possibility that 80% of the qualified income earned by the holder of copyright or related rights from the fee for exercising the rights in question will be excluded from the tax base, by deducting these revenues for the amount of tax recognized R & D costs.

3) Investing in newly founded companies that perform innovative activities

Pursuant to the Draft Amendments to the ZPD, a taxpayer who makes money in the capital of a newly-founded company performing innovative activities shall be entitled to a tax credit in the amount of 30% of the investment made, and maximum up to the

amount of 100,000,000 dinars. The draft amendment to the LPD defines more precisely the conditions that must be fulfilled for the realization of the right to tax credit, as well as the time period and the manner of its use.

Capital gain

The subject of taxation on capital gains tax has been extended to all intellectual property rights. Also, the proposed changes envisage that 20% of the capital gain generated by the transfer in the entirety of copyright and related rights, or rights related to the invention, will be included in taxable profits, while 80% of such realized capital gains will be exempt from taxation. Additionally, the Draft Amendments to the ZPD provide for the tax credit to the taxpayers in the amount of tax paid in another state on the basis of capital gains realized through the sale of immovable property in that other State. The Minister of Finance shall closely regulate the way the proposed amendments to the ZPD are applied.