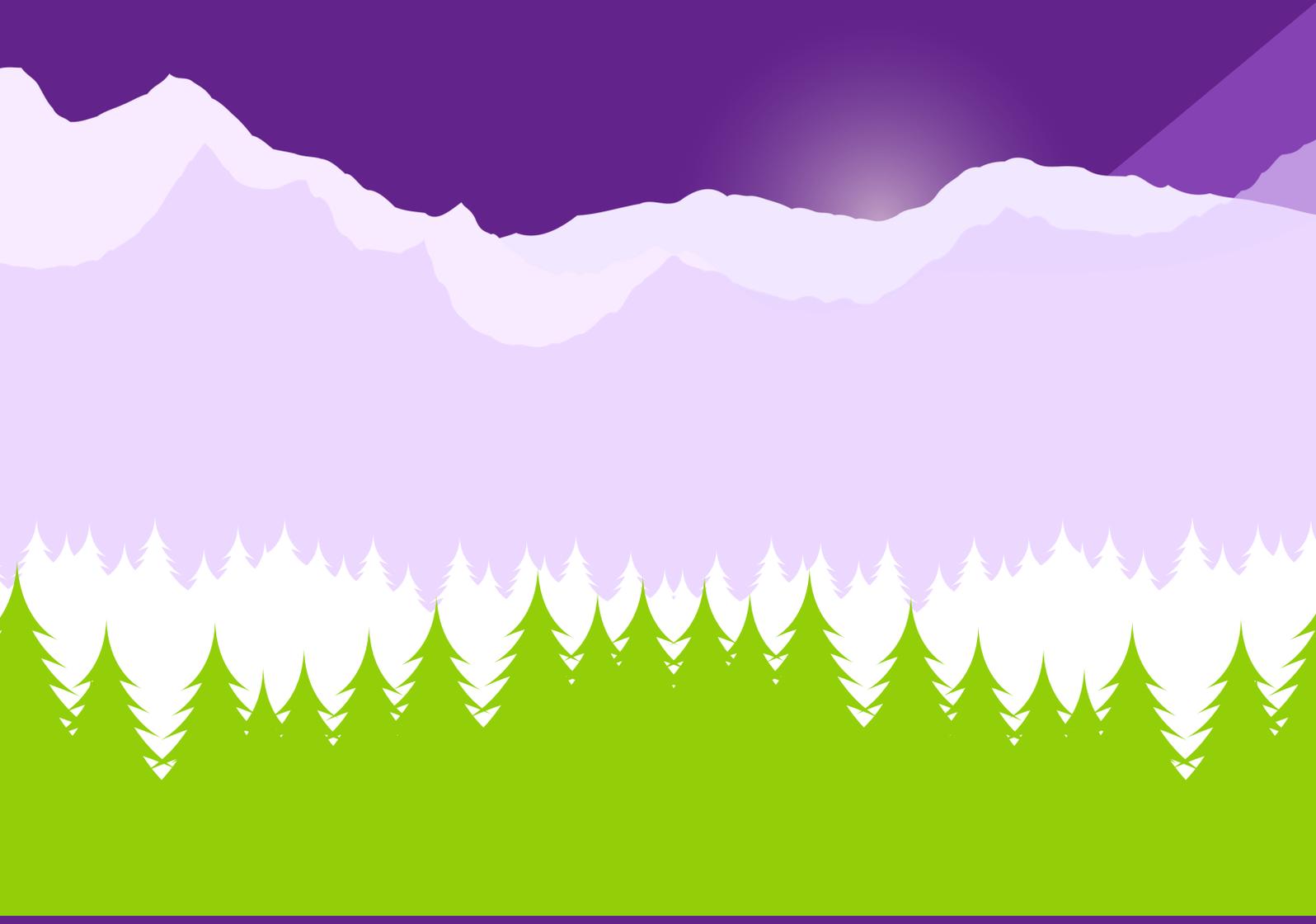




GLOBAL
EMPLOYER
GUIDE

SERBIA





Basic Country Facts

Full Name

- Republic of Serbia

Capital

- Belgrade

Main Languages

- Serbian
- Hungarian
- Romanian
- Slovak
- Rusyn
- Croatian

Population

- 6.982 million

Monetary Unit

- Serbian dinar

Internet Domain

- .rs

International Dialing Code

- +381

Currency

- Serbian dinar



STATUTORY LABOR REQUIREMENTS

Probation Period

- According to Article 36, para. 2 and 3, the probation period can last for 6 months at most.

Annual Leave

- The minimum duration of annual vacation is 20 days per calendar year. This minimum can be increased based on various criteria determined in the individual collective agreement, the work rules or the employment agreement (as applicable).

Public Holidays

- New Year's Day (1st January)
- Orthodox Christmas Day (7th January)
- Statehood Day (15th to 17th February)
- Good Friday (19th April)
- Orthodox Easter (19th April)
- Orthodox Easter Monday (20th April)
- Labor Day (1st May)
- Armistice Day (11th November)

Maternity Leave

- Maternity leave includes:
 - Pregnancy leave, which starts between 45 and 28 days before the due date and lasts for three months after the birth.
 - Childcare leave, which starts on the expiry of pregnancy leave.
- Pregnancy leave and childcare leave jointly last 365 days and are fully compensated by the state.

Paternity Leave

- As an exception, the father can use the mother's maternity leave in certain specific cases, for example, if the mother abandons the child, dies or cannot use her maternity leave for a justified reason (such as illness, serving a prison sentence and so on).

Sick Leave

- An employee is generally entitled to sick leave any time he/she is sick or injured, without limitation. During the first 30 days of sick leave, the employee receives compensation amounting to either:
 - 65% of his/her average salary in the preceding 12 months, in the case of non-work related sickness or injury.
 - 100% of his/her average salary in the preceding 12 months, in the case of work-related sickness or injury.

Work Hours

- The full working hours' amount to 40 hours per week.
- A general employer's act may stipulate that full working hours are less than 40 hours per week, but in any case they cannot be less than 36 hours per week.



Overtime

- Overtime cannot last for more than 8 hours per week, or four hours a day per employee.
- Any employee working overtime shall be entitled to a premium of 26% of the basic salary.

Notice Period

- The notice period in the case of unilateral termination by an employee cannot be shorter than 15 days, and not longer than 30 days.
- There is one exception regarding termination during probationary work.
- If the employer decides to terminate the employee for failing to achieve work results (that is, where the employee does not have the required knowledge and competence for performing his/her tasks), the employee is entitled to a notice period of at least eight days and up to 30 days.
- This is the only termination ground that requires a notice period.
- There are no mandatory notice periods for other legal grounds of termination

Severance

- In the event of termination of employment due to redundancy, a severance payment is a prerequisite for the termination of employment and a mandatory condition for the validity of the decision on termination.
- On retirement, employees have the right to a severance payment equivalent to two average salaries in Serbia.
- There are no mandatory severance payments in other cases of termination.





Income Tax

- Residents are subject to tax in Serbia on their worldwide income.
- Nonresidents are subject to tax on Serbian-source income only.
- Tax rates are flat, range from 10% to 20%, and the definition of the taxable base depends on the type of income.
- Salary tax is payable at a rate of 10% on income from permanent or temporary employment, benefits received in money and in kind, paid leave and other employment remuneration that exceeds a prescribed level.
- A 15% rate applies to income exceeding nine times the average annual salary.
- Tax is levied on the net earnings of self-employed individuals at a rate of 10%. For this purpose, taxable income is accounting profit adjusted in accordance with the tax regulations.
- The tax authorities may grant certain self-employed individuals the right to not maintain books; lump-sum tax is levied on these individuals.
- Tax is imposed at a rate of 15% on the following types of investment income:
 - Interest
 - Dividends and participation in profits
 - Income derived from investment units
- Interest derived from government bonds and deposits and savings in local currency is exempt from tax under the personal income tax law.

Income Tax Rates

Salary Income	10%
Self-employed Income	10%
Investment Income	15%

Social Security

- An employee who pays Serbian social security contributions is entitled to benefits, including health insurance for the employee and dependent family members, disability and professional illness insurance, unemployment allowances, retirement and other benefits.
- Social security tax is imposed on salaries received by individual employees.
- Contributions to the Pension and Disability Fund at a rate of 26% and contributions to the Health Care Fund at a rate of 10.3% (for individuals without any other insurance) are payable by individuals on income received under contracts relating to royalties, services, additional work, agency and sports, as well as under similar contracts involving the payment of remuneration for services performed.
- For expatriate employees, social security contributions may also be payable on salaries received outside Serbia.
- Under certain bilateral conventions, expatriates may pay social security contributions in their country of residence only.

Fund	Employer Rate (%)	Employer Rate (%)
Pension and Disability Fund	12	14
Health Care Fund	5.15	5.15
Unemployment Fund	-	0.75

Deductible Expenses

- Expenses are generally non-deductible for personal income tax purposes.
- Taxpayers may claim a personal deduction in the amount of 40% of the average annual salary per employee paid in Serbia in the year for which the tax is assessed.
- In addition, individuals may claim a deduction in the amount of 15% of the average annual salary per employee paid in Serbia in the year for which the tax is assessed for each dependent family member.
- The total amount of deductions claimed may not exceed 50% of taxable income.
- All expenses incurred wholly and exclusively for business purposes are allowed for tax purposes if supported by relevant documents such as invoices, foreign invoices, receipts issued by state entities or other documents compiled and issued according to the Ministry of Finance Directives.

Deductible Expenses

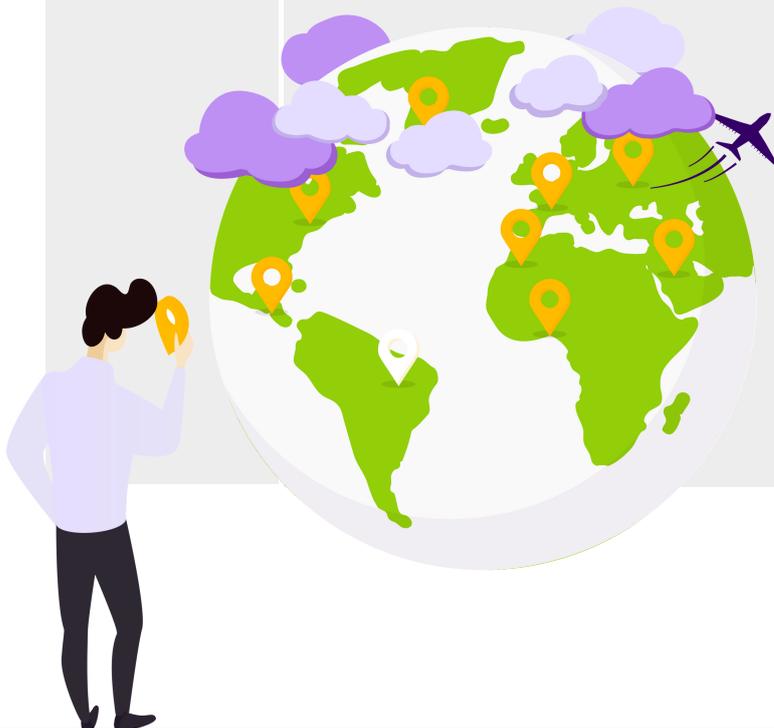
- Taxpayers may claim a personal deduction in the amount of 40% of the average annual salary per employee paid in Serbia in the year for which the tax is assessed.
- In addition, individuals may claim a deduction in the amount of 15% of the average annual salary per employee paid in Serbia



Immigration

- Before applying for a work permit, a foreign national must have a temporary residence permit.
- The procedure for obtaining a work permit takes up to 15 days.
- To obtain a temporary residence permit, a foreign national applies to the local Republic Police Department by stating the reasons for the temporary stay and, if requested, providing documents justifying the reasons.
- The applicant must also prove that he or she has health insurance and sufficient financial means for his or her support during the stay in Serbia.
- A temporary residence permit is issued for of a period of up to one year (initially for six months) and may be extended for similar periods if sufficient reasons exist.

Type of Visa/ Permit	Documentation	Validity	Eligibility
Temporary Residence Permit	<ul style="list-style-type: none"> • Valid personal document or passport, • The proof of salary during the planned residence • The residence address or living address in the Republic of Serbia from the MIA or the white card, • The proof of health insurance • The proof of paying the enlisted administrative fee, • Two photos 	1 year	<ul style="list-style-type: none"> • Temporary Residence On the Base of Employment in Serbia • Temporary Residence for Referring to Work in Serbia • Temporary Residence On The Cause Of Self-Employment



Value Added Tax (VAT)

- The standard VAT rate in Serbia is 20%.
- There are reduced rates of 10% and 0%.
- VAT is charged on sale of goods and services, as well as on imports (with exception of exports of goods that are usually taxed with 0%) to Serbia.
- Exports from Serbia are not subject to Value Added Tax.
- Income from financial services, such as insurance and banking services, investment income is exempt from VAT.

VAT Rates	
Standard Rate	20%
Reduced Rate	10%
Reduced Rate	0%

Withholding Tax

Dividends

- Dividends paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty

Interest

- Interest paid to a nonresident is subject to a 20% withholding tax, unless the rate is reduced under a tax treaty
- The rate is increased to 25% for payments made to a person resident in a jurisdiction with a preferential tax regime

Royalties

- Royalties paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty
- The rate is increased to 25% for payments made to a person resident in a jurisdiction with a preferential tax regime

Technical Service Fees

- Service fees paid to a nonresident legal entity for the provision of accounting and auditing services, market research services and legal and business consulting services are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty.
- Payments for all types of services made to persons' resident in a jurisdiction with a preferential tax regime are subject to a 25% withholding tax

Other

- Payments made to a nonresident for the lease of movable and immovable property located in Serbia are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty
- Income from the lease of property and payments made for services provided by persons' resident in a jurisdiction with a preferential tax regime are subject to a 25% withholding tax



WHT	
Dividends	<ul style="list-style-type: none"> • 20%
Interest	<ul style="list-style-type: none"> • 20% • Increased to 25% under a preferential tax regime
Royalties	<ul style="list-style-type: none"> • 20% • Increased to 25% under a preferential tax regime
Technical Service Fees	<ul style="list-style-type: none"> • 20% • Increased to 25% under a preferential tax regime
Other: - Payment for lease of moveable and immovable property	<ul style="list-style-type: none"> • 20% • Increased to 25% under a preferential tax regime

Termination

- The procedural requirements for dismissal depend on the legal ground for dismissal. For example, if the employer terminates the employee due to an intentional breach of the work duty or the work discipline, the employer must issue a formal written warning letter stating:
 - The grounds for termination.
 - The relevant facts and evidence.
 - A deadline for response within which the employee can respond to allegations, which cannot be less than eight days.
- If the employee is a member of a trade union, this warning letter must also be delivered to the relevant trade union.
- On the employee's response or on expiry of the deadline for response, the employer can issue the decision on unilateral termination of employment.
- The decision must be delivered to the employee in person.
- The notice period in the case of unilateral termination by an employee cannot be shorter than 15 days, and not longer than 30 days.
- There is one exception regarding termination during probationary work.
- Prior to expiry of the time for which the probation work was contracted, the employer or the employee may terminate the employment agreement with a notice period which cannot be shorter than five working days.
- If the employer decides to terminate the employee for failing to achieve work results the employee is entitled to a notice period of at least eight days and up to 30 days.



Statutory Benefits

- These are mandatory benefits as postulated by law
- Statutory benefits include probationary period, maternity leave, sick leave, annual leave, public holidays, notice period, severance pay (in specific cases)
- Statutory benefits also include social security benefits such as pensions and disability fund, health care fund and unemployment fund.

Statutory Benefits

Probationary period

Annual Leave

Public Holidays

Maternity Leave

Sick Leave

Notice Period

Severance Pay (in specific cases)

Social Security Benefits

Payments and Invoicing

- The tax year is the calendar year.
- Annual tax returns must be filed by 15 May of the year following the tax year.
- Withholding tax is levied on most types of income, including salaries.
- Individuals who are liable for income tax must make advance payments of income tax in monthly or, in certain cases, quarterly installments (subject to a ruling of the tax authorities).

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Serbia ranked 44th in the World in 2019 in terms of ease of doing business.



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