

QUICK OVERVIEW OF SERBIAN REAL ESTATE

Rental income and capital gains of Serbian real estate

Taxpayer	Basis of tax	Tax levied	Tax rates (2022)
Resident individual	<i>Rental income</i>	Individual income tax	20% (*)
	Capital gains	Individual income tax	15%
Non-resident individual	<i>Rental income</i>	Individual income tax	20% (**)
	Capital gains	Individual income tax	15% (**)
Resident company	<i>Rental income</i>	Corporate income tax	15% (***)
	Capital gains	Corporate income tax	15% (***)
Non-Resident company	<i>Rental income</i>	Corporate income tax	20% (****)
	Capital gains	Corporate income tax	20% (****)

Rental income

Individuals

Introduction

Rental income is taxed as Individual income tax.

(*) *For rental from an resident individual to a legal entity, the resident individual does not have the obligation to submit a tax return for the rental income. The legal entity submits the tax return for the rental income and pays the tax due. The tax is deducted from the rent that will be received by the individual.*

(**) *For rental from an non-resident individual to a legal entity, the non-resident individual does not have obligation to pay tax, nor to authorize tax proxy. The legal entity submits the tax return for the rental income and pays the tax due. The tax is deducted from the rent that will be received by the individual.*

Liability to tax

When a natural person (individual) leases or subleases real estate to legal entity, and earns income based on this lease or sublease, then the legal entity is obliged pay tax and to submit tax return.

When a natural person (individual) leases or subleases real estate to another natural person (individual), and earns income based on this lease or sublease, then natural person (lessor) is obliged to submit tax return and pay tax.

Basis to tax

In case when lessor and lessee are natural persons the base is the gross income deducted by 25% of standardised expenditures. This tax is paid at the rate of 20%.

In case when the lessor is natural person and the lessee is legal entity, tax base is agreed price (gross or net, depend is the tax of 20% included in price or not).

Companies

Introduction

Rental income is taxed as Corporate income tax.

Liability to tax

(***) Through Tax balance resident the company pays tax on rental income as well as capital gains.

(****) Through a Tax proxy the non-resident company submits their tax return and pays tax.

Basis to tax

The agreed price.

Capital gains

Individuals

Introduction

Capital gains are taxed as individual or corporate income tax. Capital gain tax is paid in case the seller makes a capital gain when selling the property for a price that is higher than the price for which he acquired it. The tax base is the difference between the sale and the purchase prices. The selling price is considered to be the agreed price if it is not lower than the market price. The market price is determined by the tax administration if the agreed price is lower than the market price. The purchase price is considered to be the price at which the seller previously acquired the real estate in question. In case of a newly built property the purchase price consists of construction costs, and in the case of a gift or inheritance, the purchase price is the price at which the donor respectively the testator acquired the property. The capital gain tax rate is 15%.

Capital gains are not determined or taxed when selling real estate over which the seller has had the right of ownership continuously for at least 10 years; which was acquired by inheritance in the first hereditary line (e.g. from parents) and in case the transfer is made between spouses and blood relatives in a direct line. In addition, if the taxpayer invests the proceeds from the sale of real estate to resolve a housing issue (for example: maintenance) or / and the housing issue of his family members within 90 days from the day of sale, he is exempt from this tax. If he invests the funds in resolving the above-mentioned issue within 12 months, he can get a refund of the tax he paid earlier. If the taxpayer invests only a part of the proceeds from the sale in resolving his housing issue and the housing issue of his family members, his tax liability is reduced proportionally.

Liability to tax

A natural person, including an entrepreneur, who transferred property rights.

Basis of tax

The same rules as for resident individuals. The only difference is that non-resident individuals need to authorize tax proxy for submission of tax returns.

Non-resident individual

For non-resident individuals the tax rate depends on the applicable double taxation treaty (DTT).

Companies

Introduction

Capital gains is taxed as corporate income tax.

Liability to tax

The taxpayer is a company, that is, an enterprise, which realized a capital gain through the sale, or other transfer with compensation of immovable property.

Basis of tax

Sales price deducted by purchase price. This tax is paid at the rate of 15%. Through the tax balance the final amount of tax due is calculated.

Non-resident Companies

For non-resident companies the tax rate depends on the applicable double taxation treaty (DTT).

Recap capital gains

Private entity: 15%, unless otherwise specified by an applicable DTT. Resident commercial entity: 15% (capital gains derived from the disposal of shares in a company owning the real estate are treated as taxable income subject to corporate income tax (CIT)). Non-resident commercial entity: 20% withholding taxes (WHT), unless otherwise specified by an applicable DTT.

Serbian VAT & transfer taxes

Taxpayer	Basis of tax	Tax levied	Tax rates (2022)
Resident individual	<i>Rental income</i>	Value-Added Tax	20%
	Transfer of real estate services	Value-Added Tax (first transfer)	10% / 20%
		Tax on transfer of absolute rights (each subsequent transfer)	2,5%
Non-resident individual	<i>Rental income</i>	Value-Added Tax	20%
	Transfer of real estate services	Value-Added Tax (first transfer)	10% / 20%
		Tax on transfer of absolute rights (each subsequent transfer)	2,5%
Resident company	<i>Rental income</i>	Value-Added Tax	20%
	Transfer of real estate services	Value-Added Tax (first transfer)	10% / 20%
		Tax on transfer of absolute rights (each subsequent transfer)	2,5%
Non-Resident company	<i>Rental income</i>	Value-Added Tax	20%
	Transfer of real estate services	Value-Added Tax (first transfer)	10% / 20%
		Tax on transfer of absolute rights (each subsequent transfer)	2,5%

Value Added Tax

Companies

Introduction

Value added tax (VAT) is applicable on the first transfer of ownership rights for newly built buildings in case the seller is a VAT taxpayer. In addition, VAT applies on the transfer of existing buildings if the seller is

professionally engaged in the purchase, renovation and sale of real estate. The general value added tax (VAT) rate stands at 20%. The reduced VAT rate is 10%. Residential buildings and divisible entities within those facilities are subject to a reduced VAT rate, while all other buildings and parts thereof are subject to the general VAT rate.

There is a specific tax benefit for the transfer of ownership of an apartment in a situation when a natural person buys the first apartment (buyer of the first apartment), for an area of up to 40m² for the buyer of the first apartment and up to 15m² per each household member.

Liability to tax

Rental income is subject to Serbian VAT if the rented object is located in Serbia.

Sale of newly built real estate for the first time - VAT is payable.

Basis of tax

Contracted value (VAT is shown on the invoice)

Individuals

The same rules as for companies apply.

Transfer Taxes

Companies

Introduction

When transferring the absolute rights of immovable property, transfer tax needs to be paid. Transfer tax is paid for transfer of ownership for real estate which is not subject to VAT. The basic rule is that VAT and the property transfer tax are mutually exclusive, so that there can be no situation where a person pays both taxes on the same basis. The taxpayer is the seller, but in practice, this tax is generally paid by the buyer.

The tax base on the transfer of absolute rights is the sale price from the sale and purchase agreement, but only if it is not lower than the market value of the real estate. In case the sale price is lower than the market price, the tax administration can determine the tax base in the amount of the market price. Property transfer tax rate is 2.5%. There is also a tax exemption for the buyer of the first apartment, i.e. a refund of property transfer paid. The conditions for property transfer tax refund are the same as for the VAT.

Liability to tax

Buyer (although by law the taxpayer is the seller).

Basis of tax

Contracted value

Individuals

The same rules as for companies apply.

Serbian Property taxes

Taxpayer	Basis of tax	Tax levied	Tax rates (2022)
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Resident individual	Unit value	Property tax	Dependent on the value of the property
Non-resident individual	Unit value	Property tax	Dependent on the value of the property
Resident company	Unit value	Property tax	Dependent on the value of the property
Non-Resident company	Unit value	Property tax	Dependent on the value of the property

Introduction

Property tax is paid by each physical or legal entity, both resident and non-resident, who is the owner of real estate on the territory of the Republic of Serbia. Entities applying fair value accounting use the book value as the property tax base, and for entities that do not keep business books tax base is the market value. Each municipality issues average price per square meter for each year in order to determine market value of the property.

This tax is payable in quarterly instalments. There is special tax benefit which reduces the determined property tax for the real estate in which the taxpayer has registered residence by 50%, but this reduction cannot be more than RSD 20.000. In addition, tax on residential houses and apartments of up to 60m², which are not on construction and are not leased is reduced by 75% provided that in those houses reside persons older than 65 years.

Subject to taxation are immovable properties located on the territory of the Republic of Serbia - 1) land, namely: construction, agricultural, forestry and other; 2) residential, business and other buildings, apartments, business premises, garages and other (above ground and underground) construction objects, i.e. their parts.

Liability to tax

A property tax payer is a legal entity and natural person (that keeps or does not keep business books), an open investment fund, or an alternative investment fund, which does not have the status of a legal entity and which is registered in the appropriate register in accordance with the law, which is the right holder, user or holder of immovable property on the territory of the Republic of Serbia, on which the property tax is paid in accordance with Art. 2. and 2a of this law.

Basis of tax

For immovable property of a taxpayer who does not keep business books, the value of the immovable property is determined in accordance with this law (determined by the tax authority).

For immovable property of the taxpayer who keeps business books and whose value is reported in the business books according to the fair value method in accordance with IAS, i.e. IFRS and the adopted accounting policies, the fair value is stated on the last day of the business year of the taxpayer in the current year.

On real estate of a taxpayer who keeps business books - up to 0.4%

On land belonging to a taxpayer who does not keep business books - up to 0.30%, on real estate of a taxpayer who does not keep business books, the tax is paid in the manner that can be seen in the table below

On a tax base	It is paid in the name of taxes
(1) up to RSD 10,000,000	Up to 0.40%
(2) from 10,000,000 to 25,000,000 dinars	tax from subsection (1) + up to 0.6% on the amount over 10,000,000 dinars
(3) from 25,000,000 to 50,000,000 dinars	tax from subsection (2) + up to 1.0% on the amount over 25,000,000 dinars
(4) over 50,000,000 dinars	tax from subsection (3) + up to 2.0% on the amount over 50,000,000 dinars