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Serbia: Costs of transportation of employees – draft amendments to the Law on Personal Income Tax

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Employment

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On 9 October 2019 the Ministry of Finance of the Republic of Serbia adopted the draft Law on Amendments to the Law on Personal Income Tax (the "Draft") which supposes to clarify the issue of costs of transportation of employees which is highly problematic for a while. Namely, since 1 February 2019, there has been an ongoing public debate on the issue related to the cost of transportation of employees. When the Ministry of Finance issued its official opinion no. 011-00-12 / 2019-04 (the "Opinion") obliging employers to provide authentic documents (such as public transport monthly ticket bills, daily public transport tickets, or a single ticket for public transport, a fuel bill in the case of using own vehicles, etc.) to "justify" the transportation costs for their employees. Otherwise, these expenses would be considered undocumented costs and would not be regarded as expenditures under Article 7a of the Corporate Income Tax Law. Hence, they would be subjected to taxation. The Draft inter alia states that in the future all transportation costs would have to be recorded with hard copy credible documents. Consequently, through this Draft, the solution from the Opinion will become a legal obligation imposing the employers' duty to justify all transport expenses from the date of application of this law. The Draft prescribes 1 January 2020 as the date of application. Of course, it remains to be seen whether the National Assembly will adopt this Draft and in which form, but it seems that all employers will have this obligation as of 1 January next year.