

CONFIDA
TAX AUDIT CONSULTING

Your reference for Tax News in SEE

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Confida's network of independent member firms has created the Confida Quarterly SEE Newsletter with the aim of providing both local and international businesses with answers to key questions regarding tax regulations in the SEE region.

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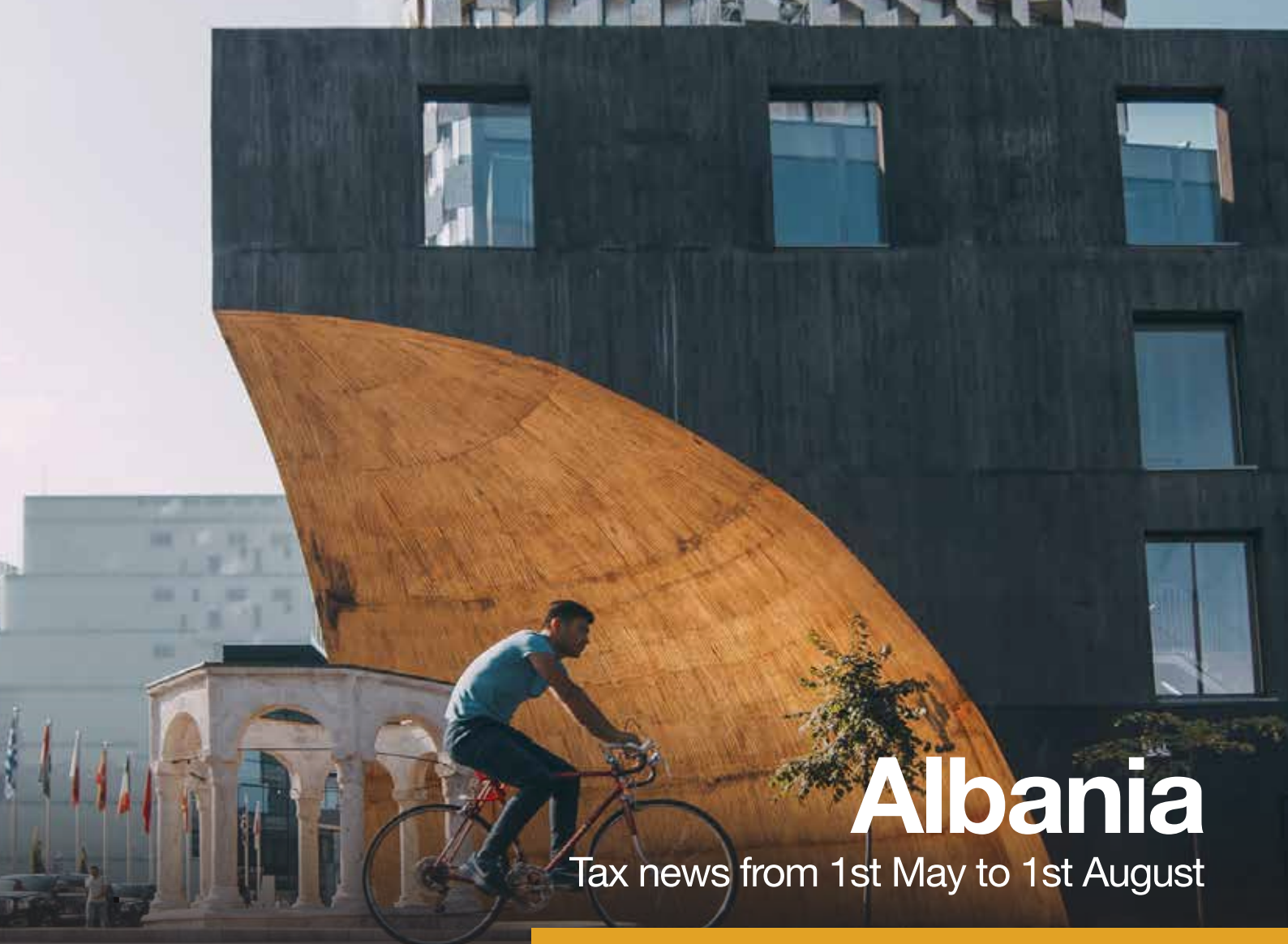
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Albania

Tax news from 1st May to 1st August

■ Albania

Albania will join BEPS Inclusive Framework

Albanian Ministry adopted a Decision for joining the Inclusive Framework for the global implementation of the BEPS Project. In this respect, Albania will have to implement minimum four BEPS standards. These standards include the ones described in Action 5 (Countering Harmful Tax Practices), Action 6 (Preventing Treaty Abuse), Action 14 (Dispute Resolution), as well as Action 13 (Transfer Pricing Documentation) related to Country-by-Country reporting.

*Albania joined the Multilateral
Convention to Implement Tax
Treaty Related Measures to
Prevent BEPS (MLI) on
28 May 2019.*



Albania joined Multilateral Convention to Implement Tax Treaty Measures to prevent BEPS

Albania joined the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) on 28 May 2019. Albania's intention for joining MLI is to have 43 of its tax treaties covered by MLI, in accordance with the provisional list of reservations and notifications. In order to make the MLI effective for a certain treaty, the treaty must be concluded as a covered agreement by both parties, and the procedures for ratification of the MLI must be completed by both parties.



Shkafane Area

Shkafane Area, Near Durrës, Albania





Bosnia and Herzegovina

Tax news from 1st May to 1st August

■ Bosnia and Herzegovina

Incentive for Increasing Salaries in Republic of Srpska

The Parliament of Republic of Srpska adopted the Law related to introduction of incentive of a social security contributions refund for the companies that increase the salaries for their employees on 13 June 2019. According to the incentive that will have effect starting from 1 July 2019, the employers are entitled to request a refund of social security contributions paid on the difference between a base monthly salary amount (employee salary as of March 2019) and the increased salary. In case when the total salary is between EUR 230 and EUR 281 per month the refund is 30%, and in case when the total salary exceeds EUR 281 per month, a 70% refund is available.

The Constitutional Court of the Republic of Srpska allegedly issued a Decision regarding the joint liability of related parties for tax collection on 30 January 2019.



Constitutional Court of Republic of Srpska Considers Joint Liability of Related Parties for Tax Collection as Unconstitutional

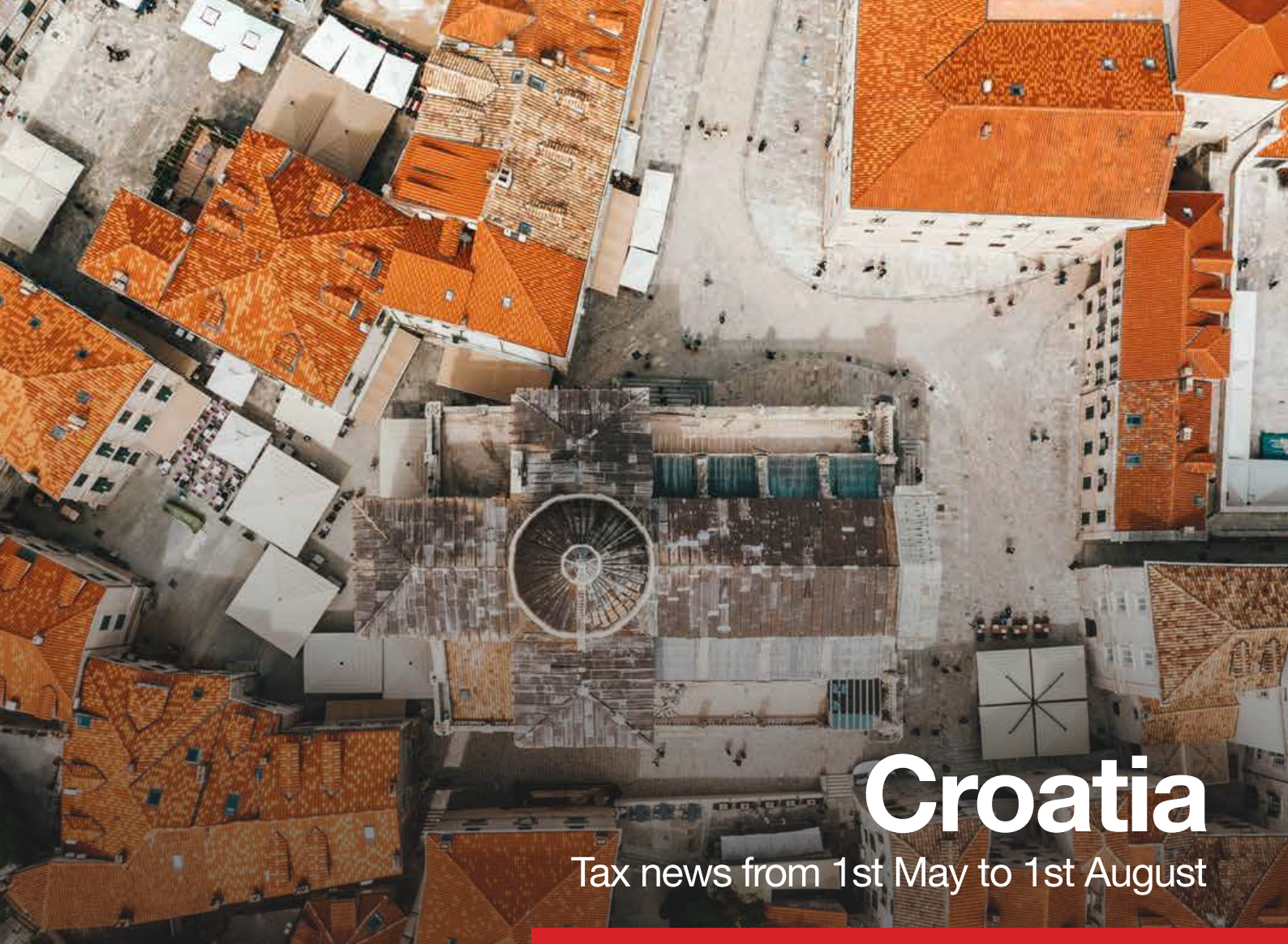
The Constitutional Court of the Republic of Srpska allegedly issued a Decision regarding the joint liability of related parties for tax collection on 30 January 2019. The Court decided that the provisions of the law on tax procedures that allow for the collection of outstanding tax debts from related parties of a taxpayer are unconstitutional. The reason is that the rules for the identification of the related parties that would be liable and the legal basis for the collection are unclear and inconsistent.



Brčko

is a city and the administrative seat of Brčko District, in northern Bosnia and Herzegovina.





Croatia

Tax news from 1st May to 1st August

■ Croatia

Register of Ultimate Beneficial Ownership

Under the name Register it is considered a central electronic register which actually contains information about the ultimate beneficial owners of all legal entities and trusts. Here Beneficial owner stands for every individual (s) who is (are) ultimate owner (s) or who is controlling or managing entity, including that individual (s) who is (are) performing the ultimate effective control over the legal entity.

*Inscription of the information
on their ultimate beneficial
ownership in the Register is
mandatory for all legal entities and
trustees by 31. December 2019.*



In accordance with Article 39 of Law on Prevention of Money Laundering and Terrorism Financing the following legal entities are required to register their information on beneficial owner (owners) with the Register:

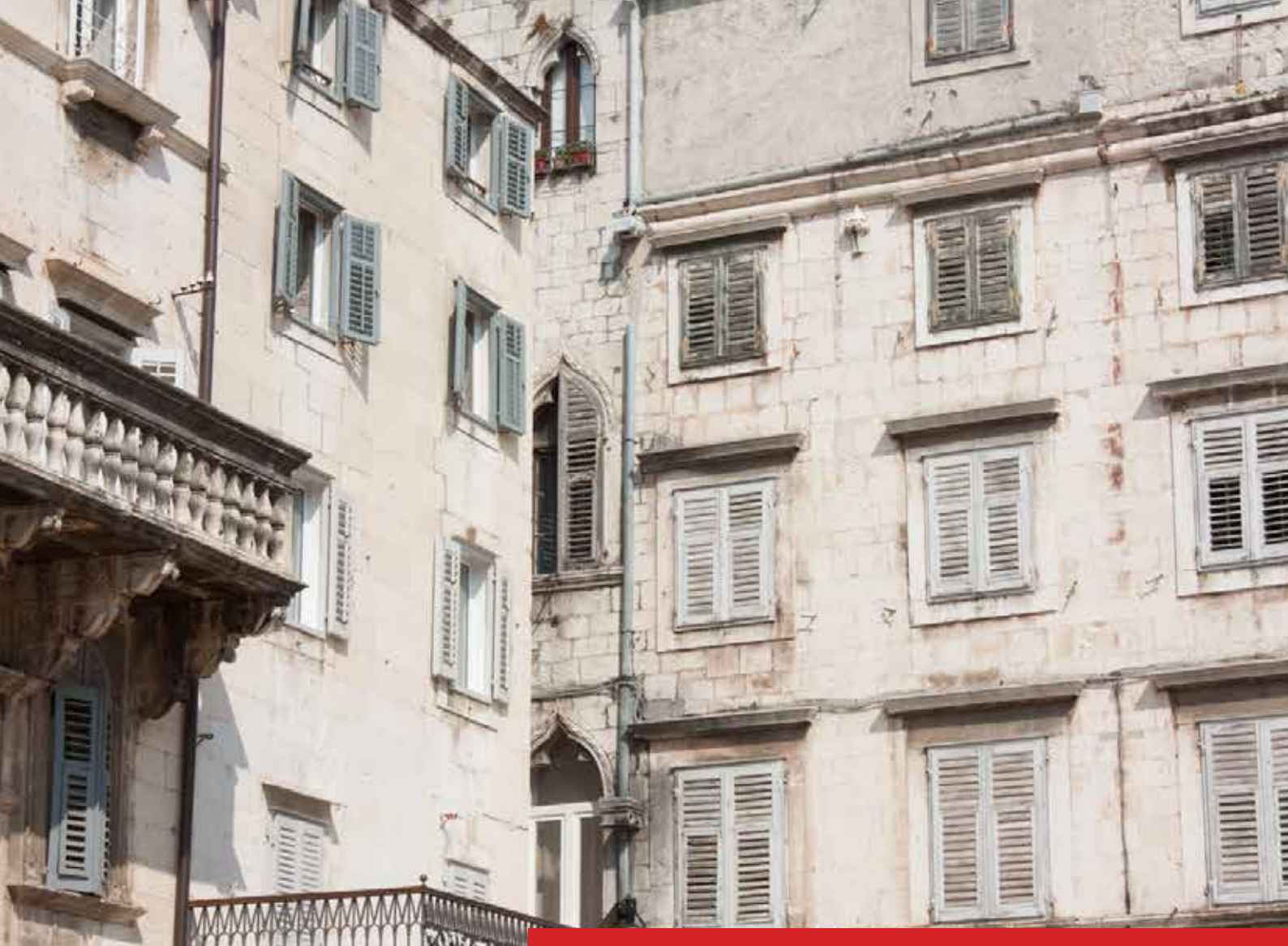
- Companies
- Branch offices of foreign companies
- Associations
- Foundations and
- Institutions which are not founded solely by the Republic of Croatia, or by municipal or county units.

The deadlines for entering information into the Register began to run from 3 June 2019, except for associations for which the deadlines for registration starts to run from 1 July 2019. Inscription of the information on their ultimate beneficial ownership in the Register is mandatory for all legal entities and trustees by 31. December 2019.

Entering the information into the Register which is done by an authorized person won't charge any fees:

- 1.** Throughout web application of Financial agency using business certificate; or
- 2.** In the offices of Financial agency on specially prescribed forms. The content of the form may differ for each organizational form.

Entering incorrect, inaccurate or out of date information on beneficial ownership in the Register within the deadlines prescribed by the law, will be charged in a range between HRK 5,000.00 and HRK 350,000.00 for legal entities, and between HRK 5,000.00 and HRK 75,000.00 for their responsible persons.



New Law on membership fees in tourist communities

According to new Law on Membership fees in tourist communities which was published on 22 May 2019 and will come into force on 1 January 2020, new regulations are: the obligation to pay the membership fee, the base and the rates on which the membership fee for the tourist board is calculated, the manner of paying membership fees, records, calculation and collection of membership fees and other issues relevant for payment and distribution of membership fees to the tourist board.

Five new groups have been generated concerning the activities for which membership fees are paid under the new Law. From 1 January 2020 some activities that are now obliged to pay membership fees will no longer be obliged. Some of them you could find listed below:

- Services of court interpreters and translation services;
- Accounting, bookkeeping and auditing activities;
- Tax consulting;
- Computer programming and related activities;
- Photographic activities.

The new Law will be on force from the next year and by the end of the year the old rules will apply. In this respect, the advance payments

In accordance with Article 14 paragraph 3 of Profit Tax Act, the Minister of Finance has declared that the arm's length interest rate on loans between related parties is 3.96% per annum, effective 1 January 2019.



by the end of 2019 should be paid by all who determined this obligation in calculation for year 2018.

Interest rate on loans between related parties

In accordance with Article 14 paragraph 3 of Profit Tax Act, the Minister of Finance has declared that the arm's length interest rate on loans between related parties is 3.96% per annum, effective 1 January 2019. The rate decreased, in comparison with the previous year when it was 4,55%. When a taxpayer lends loans to affiliated person (non-resident) the minimum interest rate that could be


charged is the interest rate on the level of 3,96%. If such rate is not applied (or the lower interest rate has been applied) then interest rate (or the difference between the lower interest and the interest at the prescribed rate) should be added to the PD form as an increase in tax base. This rate should be also used for loans received from related person - non-resident. If interest is paid to non-resident at a rate higher than 3,96%, the difference above the interest rate is also added to the PD form as an increase in the tax base.

Such rate (at 3,96%) is also eligible to be used in cases of loans between related persons - residents if one of them has preferential tax position (i.e. pays profit tax at rates below the prescribed rate or is exempt from taxation of income tax) or has in the tax period the right to transfer tax losses from previous tax periods.



Croatia

Sunset in Croatia





Kosovo

Tax news from 1st May to 1st August

■ Kosovo

Double Taxation Treaty between Austria and Kosovo has Entered into Force

The double taxation treaty (DTT) between Austria and Kosovo was signed on 8 June 2018 and it is the first of its kind between these two countries. DTT entered into force on 28 December 2018. DTT covers Austrian personal income tax and corporate income tax, as well as Kosovo's personal income tax and corporate income tax.

The double taxation treaty (DTT) between Austria and Kosovo was signed on 8 June 2018 and it is the first of its kind between these two countries.



The withholding tax rates are as follows:

- Dividends – 0% if the beneficial owner is a company directly holding at least 25% of the paying company's capital; otherwise 15%
- Interest – 10%
- Royalties – 0%

When it comes to capital gains tax, the following capital gains derived by a resident of one Contracting State may be taxed by the other State:

- Gains from the alienation of immovable property situated in the other State;
- Gains from the alienation of movable property forming part of the business property of a permanent establishment in the other State; and
- Gains from the alienation of shares deriving more than 50% of their value from immovable property situated in

the other State.

Gains from the alienation of other property by a resident of a Contracting State may only be taxed by that State.

Article 26 (Prevention of Treaty Abuse) provides that a benefit under the treaty will not be granted in respect of an item of income if it is reasonable to conclude that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit would be in accordance with the object and purpose of the relevant provisions of the treaty. The final protocol to the treaty includes the provision that if Kosovo enters into an agreement with a third country that provides for a lower withholding tax rate or exemption for interest, then such lower rate or exemption will apply automatically.



Macedonia

Tax news from 1st May to 1st August

■ Macedonia

Macedonia approves amendments to the Law on Corporate Income Tax

The National Assembly of Macedonia has allegedly approved amendments to the Law on Corporate Income Tax with effect from 1 January 2019 that includes certain transfer pricing changes. This means that all five standard OECD methods may be used instead of limiting the allowed transfer pricing methods to the cost-plus method and the comparable uncontrolled price method. The amendments also include the introduction of a related-party transaction disclosure require-

Macedonia's Parliament approved legislation regarding personal income tax reform on 26 December 2018.



ment that applies for taxpayers with gross annual revenue exceeding MKD 60 million.

Macedonia's Personal Income Tax Reform and Social Security Rates for 2019

Macedonia's Parliament approved legislation regarding personal income tax reform on 26 December 2018. Some of the most significant changes of the reform include:

- An increase in the standard annual deduction for employment income to MKD 96,000 (MKD 8,000 per month);
- The separation of employment income, capital income, and other types of income for tax purposes;
- The introduction of a two-bracket system for employment income, income from independent activity, income from copyrights and related rights, and income from the sale of own agricultural products as follows:
 - Up to MKD 1,080,000 (MDK 90,000 per month) – 10%
 - over MKD 1,080,000 (MDK 90,000 per month) – 18%
- The introduction of a 15% tax rate on capital income (income from industrial rights, rental income, capital gains, etc.); and
- The introduction of the 15% tax rate on interest income from deposits and gains from the sale of securities from 1 January 2020, with



an exemption for interest income up to MKD 15,000 per year. The changes apply from 1 January 2019, except the last change. Macedonia has also adopted the following social security contribution rates for 2019:

- Mandatory pension and disability – 18.4% (up from 18%)
- Mandatory health insurance – 7.4% (up from 7.3%)
- Mandatory employment insurance - 1.2% (down from 1.4%)
- Additional health insurance for workplace injury and occupational disease - 0.5% (unchanged)

Starting from the January 2019, the adopted contribution rates apply for the salary payment.



Montenegro

Tax news from 1st May to 1st August

■ Montenegro

Double Taxation Treaty between Monaco and Montenegro

The Authorities from Monaco and Montenegro signed Double Taxation Treaty on 29 May 2019. This is the first treaty of its kind between these two countries. The treaty will enter into force 30 days after the ratification instruments are exchanged, but the general application will start from 1 January of the year following its entry into force.

The Authorities from Monaco and Montenegro signed Double Taxation Treaty on 29 May 2019.



The treaty relates to Monaco corporate income tax based on income levied from individuals and corporate income tax levied from companies. It covers Montenegrin corporate income tax and personal income tax.

The withholding tax rates are as follows:

- Dividends - 5% if the beneficial owner is a company directly or indirectly holding at least 10% of the paying company's capital; otherwise, 10%
- Interest – 10%
- Royalties – 5% for royalties paid for the use of, or the right to use any copyright of literary, artistic or scientific work (including cinematographic films and recordings on tape or other media used for radio or television broadcasting or other means of reproduction or transmission) or computer software; otherwise, 10%

When it comes to capital gains, the following capital gains realized by a resident of one of the parties may be taxed by the other State:

- Gains from the alienation of immovable property situated in the other State;
- Gains from the alienation of movable property forming part of the business property of a permanent establishment in the other State; and
- Gains from the alienation of shares or other corporate rights deriving more than 50% of their value directly or indirectly from immovable property situated in the other State. Gains from the alienation of other property by a resident of a Contracting State may only be taxed by that State.

In order to eliminate double taxation, both countries apply the credit method. Article 26 (Entitlement to the Benefits) prescribes that the benefits foreseen in the



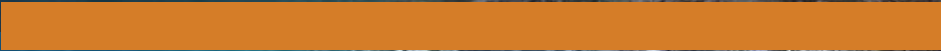
treaty should not be granted to a resident of a Contracting State that is not the beneficial owner of the income which comes from the other State.

Article 26 also prescribes that the provisions of the treaty will not be applied if the main purpose or one of the main purposes of any person concerned with the creation or assignment of the property or right in respect of which the income is paid was to use those provisions by means of such creation or assignment.



Petrovac

Beautiful beach in Montenegro.





Serbia

Tax news from 1st May to 1st August

■ Serbia

Serbia published Arm's Length Interest Rates for Related Party Loans for 2019

Serbia published the Rulebook on interest rates that are deemed to be arm's length for related party loans in 2019 (regardless of the year a loan was originally granted) in the Official Gazette On 28 February 2019. The rates, which depend on taxpayer type, loan type, and the denomination of the loan, are as follows:

Serbia published the Rulebook on interest rates that are deemed to be arm's length for related party loans in 2019



For banks and leasing companies:

- 2.72% on short-term loans in RSD;
- 3.64% on EUR loans and RSD loans denominated in EUR;
- 5.05% on USD loans and RSD loans denominated in USD;
- 2.98% on CHF loans and RSD loans denominated in CHF;
- 3.91% on SEK loans and RSD loans denominated in SEK;
- 4.25% on NOK loans and RSD loans denominated in NOK;
- 1.92% on GBP loans and RSD loans denominated in GBP; and
- 1.41% on RUB loans and RSD loans denominated in RUB.

For other companies:

- 4.98% on short-term loans in RSD;
- 5.69% on long-term loans in RSD;
- 2.71% on short-term EUR loans and

- RSD loans denominated in EUR;
- 2.90% on long-term EUR loans and RSD loans denominated in EUR;
- 7.61% on long-term CHF loans and RSD loans denominated in CHF;
- 3.08% on short-term USD loans and RSD loans denominated in USD; and
- 4.12% on long-term USD loans and RSD loans denominated in USD.

For the purposes of transfer pricing, taxpayers may choose to use the rates prescribed above or to apply OECD-based methods for determining the arm's length rate. Once the choice is made, the chosen method should be applied consistently to all related party loans.

The Parliament has adopted the amendments to the Serbian Corporate Income Tax Law amongst which we point the most important as follows



Serbia has adopted Corporate Income Tax changes for 2019

“The Parliament has adopted the amendments to the Serbian Corporate Income Tax Law amongst which we point the most important as follows“:

- The amendments to depreciation rules so that all fixed assets must be depreciated on a straight-line basis, with the depreciation rates prescribed as follows:
 - o Group I – 2.5%
 - o Group II – 10%
 - o Group III – 15%
 - o Group IV – 20%
 - o Group V – 30%

- For depreciation purposes, it is provided that:

- o Where the depreciation amount determined for accounting purposes is lower than the depreciation amount determined for tax purpose using the above rates, the amount for accounting purposes is recognized as the deductible expense;

- o Fixed assets consisting of immovable and movable parts are to be grouped according to the way they are recorded in the books of the taxpayer in accordance with the accounting regulations;

- o Investment property measured at the fair value should be depreciated for tax purposes at the rate of 2.5%; and

- o For intangible assets, the depreciation amount determined for accounting purposes is recognized as a deductible expense;

- The 10% of total revenue restriction on



the deduction of advertising and marketing expenditure is repealed;

- A double deduction is introduced for costs incurred by taxpayers directly related to R&D performed in Serbia, excluding expenditure incurred in finding and developing oil, gas or mineral reserves in the extractive industry;

- New rules are introduced for qualified intellectual property income including:

- o An 80% exemption for qualifying income from registered copyrights, patents, and related rights, excluding income from the transfer of rights, with the qualifying amount determined in proportion to the share of eligible expenditure incurred in relation to the R&D that resulted in the registered rights;

- o A 20% inclusion (i.e., 80% exclusion) for capital gains realized on the transfer of copyrights, patents, and related rights in taxable profit, as well as a related 20% limitation on the offset of capital losses from such transfers;

- A 30% tax credit is introduced for investments in qualifying innovative start-up companies that may be carried forward up to five years, subject to certain conditions including that:

- o The investor, together with related parties, held not more than 25% of the start-up prior to the investment;

- o The investment is a cash capital contribution;

- o The investment is held continuously for at least three years; and

- o The qualifying start-up has not been established for more than three years, its annual income at the time of investment does not exceed RSD 500 million, it has not distributed dividends, its centre of activity is in Serbia, and certain other conditions are met; and

The Corporate Income Tax Law specifies, that capital gain tax paid in other country by Serbian

The measures generally apply for tax periods starting as of 1 January 2019.



resident may be credited up to the amount which would be paid in Serbia, in accordance with Serbian regulation.

The measures generally apply for tax periods starting as of 1 January 2019.

National Assembly of Serbia adopts new Customs Law

National Assembly of Serbia adopted the draft of Customs Law on 7 December 2018, which went into force on 16 December 2018. The Law shall be applicable in practice after six months as of the date of its going into force, i.e. on 16 June 2019.

The new Customs Law should satisfy harmonization requirements between national legislation and EU legislation for opening negotiations for Chapter 29 - Customs Union and is harmonized with the Union Customs Code – UCC („Official Journal of the EU “, no. 952/13). Harmonization of customs regulations should enable entities operating on the territory of an EU member state and on Serbian territory to perform customs formalities in a uniform manner.

Novelties in the Customs Law

- Electronic customs clearance: One of the basic points of the Law is related to paperless business activities, electronic submission



of customs declarations and their processing, including electronic exchange of information between legal entities and customs authorities.

- Adoption of decisions by customs authorities: In case when decision would affect applicant in a negative way, additional communication is prescribed between customs authorities and the applicant. In this case, customs authorities are required to inform the applicant before issuing the decision, to allow the applicant an opportunity to state his position;
- Non-preferential origin: In case when Serbia is the country of origin, the application of country of imports/destination rule of origin is permitted in issuing certificates.
- Customs value: The rule according to which transaction price is accepted as the value base only in case of first sale of goods for export to Serbia is no longer mandatory, so that this valuation method can be applied when

the importer is the buyer in a transaction which occurs after export. This creates greater reliability in the activities of customs authorities in determining the method of valuation;

- Customs debt guarantee: Additional benefits are related to using comprehensive guarantee by an entity with the status of an authorized economic operator which is granted the right to use of comprehensive guarantee in a reduced amount, without additional checks of fulfilment of requirements;
- Post-release control: The customs applicant is entitled only exceptionally to request amendment of declaration after release of goods and only for the declarant to comply with his obligations relating to the placing of goods under particular customs procedure. The rule can be performed ex officio only.
- Interest payment for subsequently assessed customs: Customs assessed in the process of subsequent customs audit shall be

In view of the complexity of bylaw legislation, it is reasonable to expect a “combined” application of the new and old systems.



subject to interest on arrears calculated as of the date when the liability occurred up to the date of notification about such liability, which is new compared to the present system of penalty interest calculation according to which penalty interest is only calculated starting from the date when the customs debtor is notified about the customs liability.

- Discontinued customs procedures: The procedure for processing under customs control and the inward processing regime in the repayment system are discontinued;

- New categorization of customs procedures: Procedures with economic impact are now defined as special procedures:

- transit procedures: external and internal transit;
- storage procedures: customs warehousing and free zone procedure;
- processing procedures: inward and

processing regimens;

- procedures for special use: temporary import and end-use.

The special attention is drawn to the fact that transitional and concluding provisions of the Law specify postponement in its application, including the requirement for adopting bylaws within six months as of the date of its going into force. In fact, that application of the entire set of customs regulations should begin on 16 June 2019. However, paragraphs 2 and 3 of Article 281 of the Law allow for the possibility for their going into force to be postponed where in such event bylaws adopted based on the old Customs Law shall apply. In view of the complexity of bylaw legislation, it is reasonable to expect a “combined” application of the new and old systems.



Slovenia

Tax news from 1st May to 1st August

■ Slovenia

Slovenia's Personal Income Tax and Corporate Income Tax Rates Will Be Changed

Slovenia's Ministry of Finance announced that proposals for changes in tax legislation in order to reduce the burden on labour are prepared on 18 June 2019. This includes:

Slovenia's Ministry of Finance announced that proposals for changes in tax legislation in order to reduce the burden on labour are prepared on 18 June 2019.



- An increase in the thresholds for all personal income tax brackets and a reduction in the second bracket rate from 27% to 26% and a reduction in the third bracket rate from 34% to 32%;
- An increase in the personal income tax rate on capital gains (interest, dividends, and profits from capital) from 25% to 27.5%, with corresponding changes to the tax rate reduction based on holding period:
 - o held up to 5 years - 27.5%
 - o held 5 to 10 years - 20%
 - o held 10 to 15 years - 15%
 - o held 15 to 20 years - 10%
 - o held over 20 years - 0%
- An increase in the personal income tax on rental income from 25% to 27.5%, with an increase in the standardized cost percentage from 10% to 15%;
- The introduction of a minimum corporate tax at a rate of 7%; and
- An increase in the corporate tax rate from 19% to 20%. These changes are intended to apply from 1 January 2020.

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The key to our success in SEE lies in the high level of services and the exceptional technical skills and knowledge of our team; which perceives the specific needs of each of our clients. Our vast international experience is reflected in our flexibility in cross-border communication and cooperation with all our offices.

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