

THE ITALIAN INVESTOR AND SERBIA: FISCAL AND LEGAL ASPECTS

speaker

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TAXATION IN SERBIA

Serbia adopted a very simple fiscal system.
Tax rates are low and very competitive in the Balcan region.

FISCAL LEGISLATION	
Corporate tax rate	15%
Individual tax rate	Rate from 10% to 20%
VAT	20% (10% on staples)
Customs Tariffs	Rate from 0 to 30%

TREATIES BETWEEN ITALY AND SERBIA

Convention between the Italian Republic and the Socialist Federal Republic of Yugoslavia for the avoidance of double taxation with respect to taxes on income and on capital.

The Convention has been signed in Belgrade on 24th February 1982.

TAXATION_TREATIES

TREATY WITHHOLDING TAX RATES - SERBIA			
Country	Dividends	Interests	Royalties
Italy	10%	10%	10%
Netherlands	5/15%	0%	10%
United Kingdom	5/15%	10%	10%

CORPORATE INCOME TAX INCENTIVES

- 10 year tax credit for company:
 - Which invests into own assets or in which other entity invests more than RSD 1 billion (app. EUR 8.0 million)
 - Which employs additional 100 workers, proportionally to the investment (the number of employees employed must be kept in the whole tax holiday period)

WHITE LIST

The Italian Tax Authorities confirm that the treaties stipulated with the Republic of Yugoslavia shall be applied to the Republic of Serbia.

As a consequence, the Republic of Serbia has to be considered inserted in the so called **“white list”** as per the Ministerial Decree dated 4 September 1996.

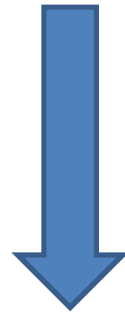
WHITE LIST COUNTRIES

COUNTRIES THAT ALLOW EXCHANGE OF INFORMATIONS (WHITE LIST)

Albania	Canada	Filippine	<u>YUGOSLAVIA</u>	Norvegia	Singapore	Turchia
Algeria	Cina	Finlandia	Kazakistan	Nuova Zelanda	Slovenia	Turkmenistan
Argentina	Cipro	Francia	Kirghistan	Paesi Bassi	Spagna	Ucraina
Armenia	Corea del Sud	Georgia	Kuwait	Pakistan	Sri Lanka	Ungheria
Australia	Costa d'Avorio	Germania	Lettonia	Polonia	Stati Uniti	Uzbekistan
Austria	Croazia	Giappone	Lituania	Portogallo	Sud Africa	Venezuela
Azerbaijan	Danimarca	Grecia	Lussemburgo	Qatar	Svezia	Vietnam
Bangladesh	Ecuador	India	Macedonia	Regno Unito	Tadzhikistan	Zambia
Belgio	Egitto	Indonesia	Malta	Repubblica Ceca	Tanzania	
Bielorussia	Emirati Arabi Uniti	Irlanda	Marocco	Repubblica Slovacca	Thailandia	
Brasile	Estonia	Islanda	Mauritius	San Marino	Trinidad e Tobago	
Bulgaria	Federazione Russa	Israele	Messico	Romania	Tunisia	

OTHER ASPECTS

THE EFFECTIVE CORPORATE TAX RATE IN
SERBIA AMOUNTS TO 15%



IT IS MUCH LOWER THAN THE ITALIAN
CORPORATE TAX RATE (24%) EXCLUDED IRAP

QUESTION

DO CFC APPLY TO THE SERBIAN COMPANY?

DISAPPLICATION OF CFC REGIME

Serbia is included in the “*white list*”, so the disapplication of CFC will be possible by proving, in addition, that:

- 1) the controlled foreign company carries out, primarily, in the country and territory where is located, an effective industrial or commercial activity;
- 2) the participations in the controlled foreign company are not aimed to localize the profits in State or territory in which they are levied with preferential tax regimes.

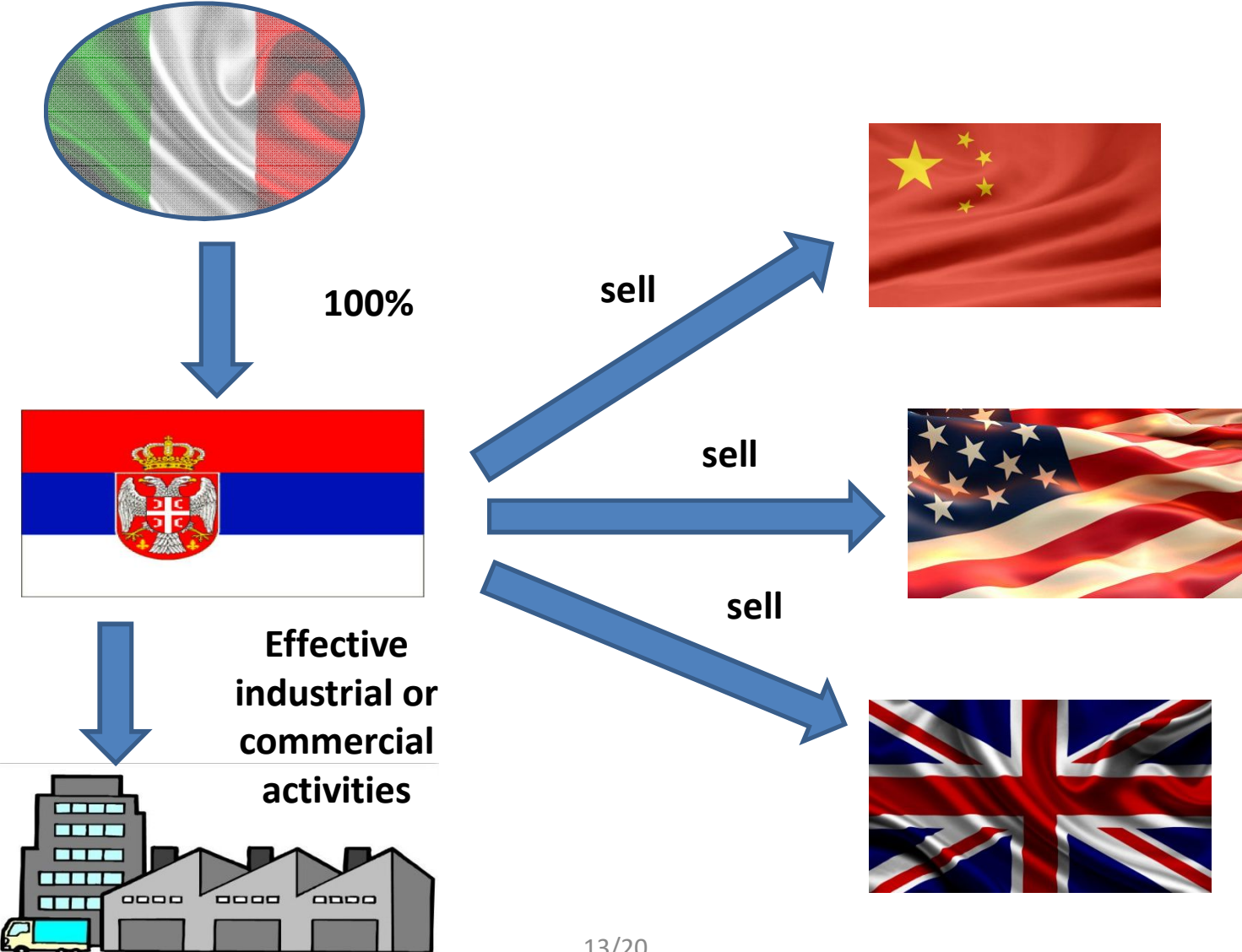
DISAPPLICATION OF CFC REGIME (1)

It must be also noted that the CFC Regime has been extended also to the controlled companies/entities located in countries with ordinary taxation (also European Countries) but where the controlled companies are subject to a taxation <50% with respect to the Italian tax regime.

DISAPPLICATION OF CFC REGIME (2)

Consequently, when the industrial/financial investment is effective, the CFC will be considered not applicable.

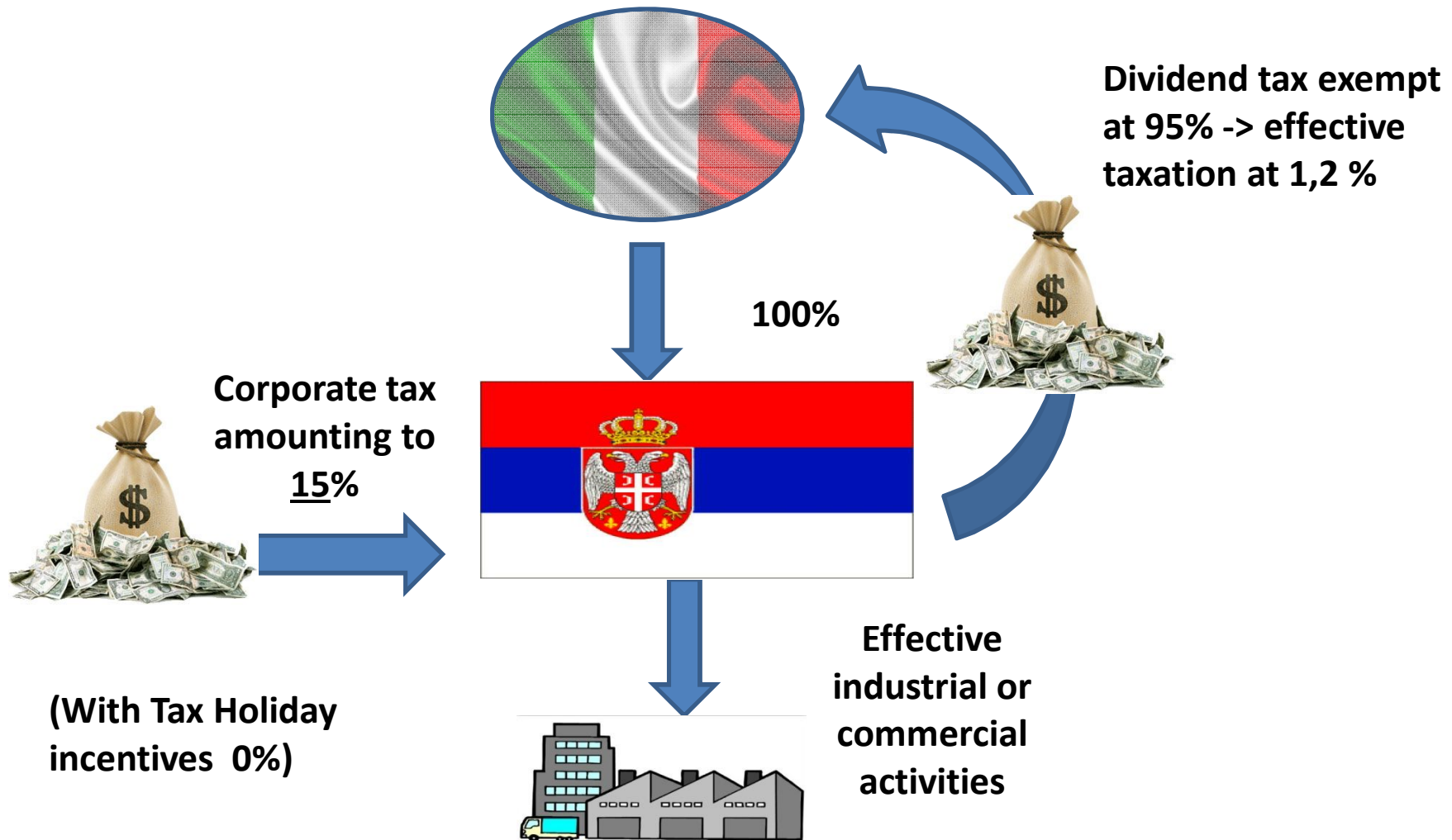
CFC_CASE STUDY



CASE STUDY

- an Italian company hold the 100% of a Serbian company;
- the Serbian company carries out an effective industrial activity;
- in these cases the taxation will be the following:
 - corporate taxation in Serbia: 15%
 - repatriation of dividends: 1.2%.

CASE STUDY



TAX HOLIDAY

Question:

If the Serbian company obtains a tax holiday of 10 years, will the dividend to the Italian parent company benefit of the ordinary tax exemption at 95%?

TAX HOLIDAY

YES

The exemption is not subject to any condition
(refers to Assonime Circular no. 32 of July 14
2004)

DIVIDEND SERBIA-ITALY

DIVIDENDS FROM SERBIAN COMPANY TO ITALIAN COMPANY	
<u>SERBIAN COMPANY</u>	
net result after tax	100
tax deduction at source (10%)	10
Net distributed profit	90
<u>ITALIAN COMPANY</u>	
Profit earned by Italian company	90
Tax base	5
Ires – Corporate Tax (24 %)	1,2
Net Profit	88,8

CONCLUSIONS:

Serbia might represent an important jurisdiction for the development strategies of industrial groups as long as it respects the principle of the effective adherence of the investment to the territory.

CONTACTS

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