

## FINANCE AND TAX COMMITTEE

**CHAIRPERSON:** Zoran Petrović, *Raiffeisen Bank*

**VICE CHAIRPERSON:** Igor Lončarević, *KPMG*

### THE COMMITTEE'S MISSION:

The Finance and Tax Committee strives to contribute to harmonization and the creation of an environment conducive to the implementation of finance and tax related legislation, in order to help create a transparent and effective regulatory framework, in accordance with international standards and modern business practice. The committee's focus in the period just ending was to improve the predictability of the tax/non-tax burden on businesses through long-term planning for tax law amendments and by reducing the likelihood of the introduction of, or increases in, parafiscal charges, at either central or local level.

### THE COMMITTEE'S MEMBERS:

ADVOKATSKA KANCELARIJA  
PARIVODIĆ  
ADVOKATSKA KANCELARIJA VUKOVIĆ  
& PARTNERS

AIGO BUSINESS SYSTEMS

AIRPORT CITY

ALLIANCE ONE TOBACCO

APATINSKA PIVARA APATIN

ATLAS CENTAR

ATLAS GROUP

AVON COSMETICS

BALL PACKAGING EUROPE

BANCA INTESA

BDK ADVOKATI

BDO

BEL MEDIC GENERAL HOSPITAL

BELGRADE OPEN SCHOOL

BOJOVIĆ & PARTNERS

CBS INTERNATIONAL

CITIBANK

COCA COLA HELLENIC

COMMUNIS

CROWE HORWATH

CROWNE PLAZA

DELHAIZE

DELOITTE

DELTA HOLDING

DHL

DINERS CLUB INTERNATIONAL

DIRECT MEDIA

DUFREY

EATON

EMBASSY TECHZONES

EOS MATRIX

ERNST & YOUNG

ERSTE BANK

EUROBANK

EXECUTIVE GROUP

FIRST DATA

FONDACIJA ANA I VLADE DIVAC

G4S SECURE SOLUTIONS

GLAXOSMITHKLINE

HARRISONS

HEMOFARM

HEWLETT PACKARD

HONEYWELL

HYPO ALPE ADRIA BANK

I & F MCCANN GRUPA

IBM

JANKOVIĆ, POPOVIĆ & MITIĆ

JT INTERNATIONAL

KARANOVIĆ & NIKOLIĆ

KOMERCIJALNA BANKA

KPMG

LEO BURNETT

L'OREAL BALKAN

LUKA BEOGRAD

LUNA/TBWA

MEDIGROUP SEE

MEDTRONIC

MERCATOR-S

MERCK SHARP & DOHME

METRO CASH & CARRY

MICROSOFT SOFTWARE

MIKLJELJ, JANKOVIĆ & BOGDANOVIĆ

MK GROUP

MOJI BRENOVI

MORAČEVIĆ, VOJNOVIĆ & PARTNERI

NAFTNA INDUSTRIJA SRBIJE

NAUMOVIĆ & PARTNERI

NELT

NEW MOMENT NEW IDEAS COMPANY

NOVO NORDISK PHARMA DOO

BEOGRAD

ORION TELEKOM

PFIZER

PHILIP MORRIS SERVICES

PRICEWATERHOUSECOOPERS

RAIFFEISEN BANK

REPRESENT COMMUNICATIONS

SEKULOVIĆ LAW OFFICE

SERBIAN BUSINESS SYSTEMS

SGS BEOGRAD

SIEMENS

SMALL ENTERPRISE ASSISTANCE

FUNDS

SOCIETE GENERALE BANK

ŠTAMPA SISTEM

TEKNOXGROUP SRBIJA

TELEGROUP

TELENOR

TELESIGN

TITAN CEMENTARA

TMF SERVICES

TRIZMA

TRS EUROPE

TURNER SOUTHEAST EUROPE

UNICREDIT BANK

UNIQA NEŽIVOTNO OSIGURANJE

VICTORIA GROUP

VIP MOBILE

VODA VRNJCI

VOJVODANSKA BANKA

VREME

WEST PHARMACEUTICAL SERVICES

WIENER STADTISCHE OSIGURANJE

WOLF THEISS

## THE COMMITTEE'S FOCUS 2014-2016:

- Improving the predictability of the tax and non-tax burden (completing parafiscal reforms, primarily through the enactment of a single Law on Compensations for the Use of Public Assets, which will list all fees and determine their levels and mechanisms for changing those levels)
- Improving liquidity in the financial system by protecting creditors (amendments to the Law on Insolvency and the Law on Enforcement, impact assessment of implementation of the Law on Payment Deadlines) and lowering the NPL level in the banking sector
- Improving Tax Administration procedures, particularly by ensuring the uniformity of procedures and practices across different organizational units and improving the complaints procedure

## THE COMMITTEE'S GREATEST ACCOMPLISHMENTS:

### IMPROVING THE PREDICTABILITY OF THE TAX AND NON-TAX BURDEN

According to a survey presented at AmCham's conference at the end of 2014, 75% of AmCham members said that better predictability of tax policy and better implementation of tax legislation was the critical reform that the Government needed to implement in 2015. 57% of member companies said that the current predictability of tax policy and the consistency of its implementation was either poor or very poor. Thus, this was the most important reform of the business environment in the opinion of AmCham member companies. However, despite significant efforts by the Finance and Tax Committee, this reform had few tangible results. There can be no doubt that this is the

case because almost all amendments made to the relevant tax laws in 2015 were adopted using urgent procedures, without public discussion.

One such amendment, which was not made publicly known before being adopted, was the amendment to the **Decree regulating the compensation of business travel expenses for civil servants**, also used as the basis for the untaxable portion of per diems and business travel expenses in the private sector, which resulted in a significant increase in business travel costs for the entire private sector. The negative effects of the amendment to this decree subsisted until the end of 2015, when they were annulled by amendments to the Law on Personal Income Tax, made on the joint initiative of the Finance and Tax Committee and the Foreign Investors Council.

Despite huge efforts, starting back in 2012, to create a transparent and efficient regulatory framework for local fees and compensations, no significant advances have been made. The **Draft Law on Compensations for the Use of Public Assets** underwent initial public discussion by the end of 2013. It was then withdrawn to undergo further work, but it is still not in its final adoption phase. At the end of 2015, the **Draft Law on Local Self-Government Financing** was published, adopting AmCham's key suggestions with regard to the abolishment of two local parafiscal levies, the business name display fee – a local fee charged for displaying a company's name at its place of business, and the environmental fee – a fee charged for environmental protection purposes.

Finally, despite opposition from AmCham, the Foreign Investors Council, and NALED, in late 2015 the Law on the Chambers of Commerce was adopted without public discussion. This law introduced **yet another parafiscal levy** – mandatory membership fee in the

Serbian Chamber of Commerce – that will be payable from 2017 at a rate and according to a methodology to be subsequently defined by the General Assembly of this association.

### PARTIAL IMPROVEMENTS TO THE REGULATORY FRAMEWORK FOR THE LIQUIDITY OF BUSINESSES

With regard to improving the liquidity of businesses, the Finance and Tax Committee began an impact assessment for the **Law on Payment Deadlines** with the aim of introducing more discipline in payment, starting with the public sector. The assessment showed that the mechanism for overseeing the implementation of this law was inadequate, and that its existence, apart from the initial cost for businesses of adapting to it, had no significant impact on the liquidity situation.

The private sector's solution for the problem of uncollectible claims, offered through the committee's comments on the **Law on Factoring**, was to remove the existing legislative barriers stopping banks selling claims to factoring companies. However, the amendments to this law have not yet been adopted.

The greatest progress was made with regard to addressing the problem of NPLs, with the committee, in cooperation with the IMF, providing constructive suggestions concerning the relevant tax laws and the **Law on Enforcement and Security**, which were adopted at the end of 2015.

### IMPROVEMENT TO THE PRACTICE OF THE TAX ADMINISTRATION THROUGH ELECTRONIC TAX FILING, WHILE UNIFORMITY OF PRACTICE AND THE PREDICTABILITY OF THE TAX LAWS REMAINS ARGUABLE

Despite the Tax Administration's openness, and the IMF's cooperation, there have been no visible results of the committee's efforts to improve Tax Administration practice in regard to ensuring uniformity of practice across affiliates, enhancing the predictability of practice (compliance with opinions, given that they are already legally binding) and complying with statutory deadlines for the issue of certificates.

**The greatest accomplishment** was certainly the **adoption of the Rulebook for Electronic Tax Filing**, which led to Serbia taking a huge leap forward in the World Bank's "Doing Business" list with regard to tax collection.

With regard to the implementation of legislation, in 2015 the committee organized a **Round table with representatives of the Tax Administration about practical implementation of the Rulebook for Transfer Pricing**, with the aim of clarifying the most frequently encountered obstacles in the first year of implementation, while also dealing with expectations for the development of this area, one that is new for the Tax Administration.

### FOCUS IN THE UPCOMING PERIOD 2016-2018:

In the upcoming period the committee will continue:

- Advocating mandatory public discussion for financial legislation
- Finalizing the reform of parafiscal charges
- Ensuring uniformity of Tax Administration practice
- Harmonizing Tax Administration practices with the Law on Inspections Oversight

## WIDE ANGLE

**Igor Lončarević, KPMG**

For the past three years, the member companies of the American Chamber of Commerce in Serbia have identified the need for better predictability and transparency in the tax system as one of their key priorities for improving the business environment. With this in mind, the committee devoted its activities to advocating the timely announcement of any changes to tax policy; the holding of public discussions on any amendments to tax legislation, as is already required by law; and consistency in the implementation of announced measures.

Looking back at the past two years, we can conclude that progress has been made with the Draft Law on Local Self Government Financing, an initiative of the committee, which abolished two major parafiscal charges (the fee for displaying company names and the environmental fee). Along with the adoption of the Rulebook for Electronic Tax Filing, this has led to a great improvement in Serbia's ranking in the World Bank's Doing Business list with regard to tax collection.

On the other hand, despite continual dialogue between the committee and the Ministry of Finance, the Tax Administration, and other relevant authorities, no more important steps have

been taken to improve the relevant regulatory framework. Even though the adoption of the Law on Compensations for the Use of Public Assets has been announced several times since 2013, this law, intended to increase the transparency of charges, is still not in progress. The continuous urgent and non-transparent adoption of amendments to tax regulations has repeatedly deprived the business community of the opportunity to voice its opinion. Furthermore, the announced reform to the tax administration, although apparently in progress, has still not yielded any results in standardizing interpretation across different affiliates. Moreover, the committee's efforts to establish a structured approach to dialogue between the private sector and the tax administration were interrupted several times due to changes in the leadership of this body.

At the end of our two-year mandate, I would like to express gratitude to all the members of the Finance and Tax Committee who, with their comments and suggestions, have worked diligently to shape proposals for the establishment of a better tax system, from the perspective of both taxpayers and the tax administration. I would also like to thank our partner institutions, primarily the IMF, NALED, and USAID BEP, for our numerous joint initiatives and for the continuation of cooperation to improve the macroeconomic and fiscal stability of Serbia.