

October 2011

In focus: Law on Amendments and Addendums of the Law on Property Taxes

Introduction

The Law on Amendments and Addendums of the Law on Property Taxes (hereinafter referred to as: the „**Law**“) was published in the *Official Gazette of the Republic of Serbia no. 24/2011* and entered into force on April 12, 2011, whereas its provisions which pertain to the subject of taxation, the determination of tax rates and tax exemptions are in application from January 1, 2011.

1. Subject of taxation

One of the amendments the Law brings forth concerning the subject of taxation is the addendum to the provision which set forth that property tax is to be paid for right of ownership, where the provision in question now also includes ownership rights on construction land with an area exceeding 10 acres.

Aside from this, instead of the previous solution by which property tax was paid for the lease of construction land in public property and agricultural land in state property, the Law sets forth that property taxes for these rights on land will be paid only for land with an area exceeding 10 acres.

It is also specified that the tax for the right of ownership on construction land with an area exceeding 10 acres, right of lease on construction land in public property and agricultural land in state property with an area exceeding 10 acres, as well as for the right of use of construction land in state property with an area exceeding 10 acres, shall be paid for the difference between the area of the land in question and 10 acres.

2. Tax rates

If the assembly of a unit of local self-government does not determine the amount of tax rates or determines it in an amount higher than the amount foreseen by the Law, property tax shall be determined by applying the highest suitable tax rate in accordance with the provisions of the Law, in a manner that depends on whether the tax payer keeps business books or not. This means that the rates which will be applied are 0.40% on rights on real estate of the tax payer who keeps business books, 0.30% on rights on land of the tax payer who does not keep business books, whereas for the rights on real estate of the tax payer who does not keep business books, except for land, the tax rates determined by Law depending on the value of the real estate shall be applied.

3. Tax exemptions

An exemption from property tax exists for construction land for the area of this land underneath an object of real estate for which tax is to be paid, altering the prior legal solution by which the tax payer enjoyed an exemption from property tax for land and construction land for the area underneath an object, including the surrounding area of an apartment building of up to 5 acres per tax payer.

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4. Inheritance and gift tax

It is specified that inheritance and gift tax is paid for the total area of the real estate on which taxable rights exist, which is inherited by heirs or received as a gift.

5. Determining property tax for the year 2011

The Law foresees that the property tax for 2011 will be determined by applying the highest rate as foreseen by the Law, depending on whether the tax payer keeps business books or not, unless the assembly of a unit of local self-government, within 60 days from the date when the law entered into force, brings forth a decision establishing lower tax rates than the above stated.

For the real estate of a tax payer not keeping business books, for which property tax was determined for 2010, the tax obligation of the same tax payer for 2011, for an equivalent area of the same real estate, may be ascertained by application of the Law, in an amount not higher than 60% in comparison to the tax obligation determined for 2010.