LAW ON VALUE-ADDED TAX

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I INTRODUCTORY PROVISIONS

Article 1

Value-added tax (hereinafter: VAT) shall be introduced in the Republic of Serbia (hereinafter: the Republic).

VAT shall be a general consumption tax to be calculated and paid, unless otherwise prescribed by the present Law, at the delivery of goods and at providing services, in all the phases of production and trade of goods and services, as well as at the imports of goods.

Article 2

The proceeds from VAT shall belong to the budget of the Republic.

II SUBJECT OF TAXATION

Article 3

The subject of VAT taxation shall be:

1) the delivery of goods and providing of services (hereinafter: trade of goods and services) effected by a taxpayer in the Republic against consideration, within the framework of performing an activity;

2) the imports of goods into the Republic.

Trade of Goods and Services

Article 4

Trade of goods, in terms of the present Law, unless otherwise specified by the present Law, shall be the transfer of the right to disposition of material objects (hereinafter: goods) to a person who may thus dispose of such goods as an owner.

The term goods shall include also water, electric power, power gas and energy for heating or

cooling.

In terms of the present Law, the following shall be considered as the trade of goods, too:

1) the transfer of the right of disposal of goods against consideration, on the ground of regulation or other act of a state authority, an authority of territorial autonomy, or of local self-government;

2) delivery of goods based on a sale contract with deferred payment which stipulates that the right of disposal shall be transferred at the latest by payment of the last installment;

2a) delivery of goods based on a leasing, or lease contract, concluded for a fixed period, for movable or immovable property, where none of the parties can terminate the contract if the parties comply with contractual obligations;

3) the transfer of goods by an owner to a commission agent, and on the part of the commission agent to a recipient;

4) the delivery of goods on the ground of a contract stipulating the payment of commission on sales at the moment of sale;

5) the transfer of goods by an owner to a consignee and by the consignee to a recipient of goods;

6) the delivery of goods manufactured or assembled at the order of a customer from the material of a supplier, except in the case of additions or other accessory materials;

7) the transfer of the right of disposal relating to structures or economically indivisible entireties within the framework of such structures;

7a) the transfer of the owner's share in structures or economically divisible entireties within the framework of such structures;

8) the exchange of goods for other goods or services.

The following shall be considered equal to the trade of goods against consideration:

1) taking of goods that are a part of business property of a taxpayer for personal needs of the founder, of the owner, of the employed personnel or other persons;

2) any other trade of goods without consideration;

3) indicated expenditure (short weight, wastage, damage and breakage) exceeding the quantity to be determined by an act ordained by the Government of the Republic Serbia.

The taking of goods and/or any other trade of goods referred to in paragraph 4 of the present Article shall be considered as the trade of goods against compensation on condition that the VAT calculated in the preliminary trade phase relating to such goods or to their component parts may be entirely or proportionally deducted, regardless of whether the right to deduct the preliminary tax was acquired.

Where a delivery of goods is coupled with an accessory delivery of goods or an accessory providing of services, it shall be considered that only one delivery of goods has been effected.

Transfer of disposal right on a building or economically divisible unit within the building that is considered as real estate in terms of the law governing the sale and purchase of real estate, shall not be deemed as accessory delivery of goods referred to in paragraph 6 of this Article.

While transferring whole property or its part, with or without compensation, or as an equity stake, delivery of each asset in the transferred property shall be deemed as a separate transfer.

In case of a delivery in succession of one and the same item of goods, where the initial supplier transfers the right of disposal directly to the last recipient of the goods in the row, every single delivery of an item of goods in succession shall be considered as a separate delivery.

The minister responsible for financial affairs (hereinafter: the minister) shall specify the criteria that determine when the handover of goods under a leasing or lease contract, shall be considered as trade of goods referred to in paragraph 3, item 2a) of this Article, as well as what is considered to be taking a goods that are part of the business property of a tax debtor, and any other trade of goods without consideration referred to in paragraph 4 of this Article.

Article 5

In terms of the present Law, the trade of goods shall include all the transactions and actions within the framework of performing the activities that are not the trade of goods specified in Article 4 of the present Law.

The trade of goods shall be also every omission to act or sufferance.

In terms of the present Law, the trade of services shall also include:

1) transfer, assignment or rental of copyrights and related rights, patents, licenses, trademarks, as well as other intellectual property rights;

2) providing of services against compensation on the ground of a regulation or other act of the State authorities, the territorial autonomy authorities or local self-government authorities;

3) handing over of goods manufactured or assembled by an order of the customer from customer's materials;

4) the exchange of services for the goods or services;

5) handing over of food and drinks for consumption on the spot;

6) (deleted);

7) the ceding of other shares or rights.

The following is equal to the trade of services against compensation:

1) usage of assets that are a part of the business property of a taxpayer, for personal needs of a founder, owner, employees or other persons, or usage of assets for non business purposes by the taxpayer;

2) provision of services by a taxpayer without remuneration in order to meet personal needs of the founder, owner, employees or other persons, or other provision of services by the taxpayer without remuneration for non business purposes.

The use of goods specified in paragraph 4, item 1) of the present Article shall be considered as the trade of services against compensation on condition that the VAT, calculated in the preliminary trade phase regarding these goods, may be deducted entirely or proportionally, regardless of whether the right to deduct the preliminary tax was acquired.

Where a service is coupled with an accessory providing of services or a successory delivery of goods, it shall be considered that only one single service has been rendered.

While transferring whole property or its part, with or without compensation, or as an equity stake, each service provided by transfer of property shall be deemed as a separate transfer.

The minister shall specify what is considered to be usage of goods and provision of services referred to in paragraph 4 of this Article.

Article 6

In terms of the present Law, it is considered that the trade of goods and services was not performed in case of:

1) transfer of the entire property or its part, with or without compensation, or as an equity stake, if the acquirer is a tax payer or becomes a tax payer through such a transfer, and if he continues to be engaged in the same activity;

2) replacement of goods in the warranty period;

3) giving free trade samples in usual quantities for such purpose to buyers or prospective buyers; or to third parties for the purposes of analysis prescribed by an act of a competent authority;

4) giving of advertising materials and other low value gifts, if they are given occasionally to different persons.

Part of property referred to in paragraph 1, item 1) of the present Article is considered to be an entity which enables its acquirer to independently perform business activity.

When the property is transferred in its entirety or in its part, as in paragraph 1, item 1) of this Article, it is deemed that the acquirer takes the place of the transferor.

The transferor of property or part of the property referred to in paragraph 1, item 1) of this Article shall submit to the acquirer all information pertaining to goods and services that make up the property or part of the property whose transfer is completed.

If within three years from the date of completed transfer of property or part of the property in accordance with paragraph 1, item 1) of this Article the conditions referred to in paragraph 1, item 1) of this Article cease to exist, the acquirer of the property or part of the property shall calculate VAT on goods and services acquired through that transfer that became part of his property, in a manner which the transferor of property or part of the property would have had the obligation to calculate VAT in case the conditions referred to in paragraph 1, item 1) of this Article were not fulfilled during transfer of property or part of the property.

Notwithstanding Paragraph 5 of this Article, the obligation to calculate VAT shall not apply to equipment and facilities for the performance of business activities and investments in facilities for business activities for which there is an obligation to correct the preliminary tax deduction in accordance with this Law.

The minister shall regulate in detail the procedure of replacement of goods in the warranty period, what is deemed to be the transfer of the entire property or its part, with or without compensation, or as a equity stake, referred to in paragraph 1, item 1), as well as of what are considered to be usual quantities of trade samples, advertising materials and other low value gifts referred to in paragraph 1, items 3) and 4) of the present Article.

Article 6a

In the sense of this Law, it is deemed that the traffic of goods and services provided by the concession grantor to the concessionaire, i.e. concessionaire to the concession grantor within the framework of the implementation of the public-private partnership contract with elements of concession, concluded in accordance with the law regulating public-private partnerships and concessions , has not been carried out if the concession grantor and the concessionaire are VAT payers who would, in the event that that traffic was considered to be carried out, have the full right to deduction of the preliminary tax in accordance with this Law.

Imports of Goods

Article 7

The imports shall be every entering of goods into the customs area of the Republic.

III TAXPAYER, TAX DEBTOR AND TAX PROXY

Taxpayer

Article 8

A taxpayer shall be a person, including a person without a head office in the Republic, or permanent residence (hereinafter: foreign person), independently engaged in the trade of goods and services, within the framework of his activity.

The activity specified in paragraph 1 of the present Article shall be a permanent activity of a manufacturer, a merchant or supplier of services with the aim of making revenue, including the activities of exploitation of natural resources, in the sphere of agriculture, forestry, and the independent professions.

It shall be considered that the taxpayer is engaged in an activity also if he performs it within the

framework of a permanent branch office.

Notwithstanding paragraph 3 of this Article, if a foreign person has a permanent branch office in the Republic, that foreign person shall be the payer for the trade not performed by his permanent branch office.

An organizational unit of a legal person which, in accordance with the law, may conduct an activity is considered to be a permanent branch office referred to in para. 3 and 4 of this Article.

Taxpayer shall be a person on whose behalf and for whose account delivery of goods or providing of services is effected.

Taxpayer shall be a person effecting the delivery of goods and/or providing services on his own behalf and for the account of another person.

Article 9

The Republic and its authorities, the territorial autonomy and local self-government authorities, as well as legal entities established under law or other act of the Republic, territorial autonomy, or local government authority, for the purpose of execution of activities of the State administration or local government (hereinafter: the Republic, authorities and legal entities), shall not be the tax payers in terms of the present Law if they are engaged in the trade of goods and services within the scope of their responsibility, or for the purpose of execution of activities of the State administration or local government.

The Republic, authorities and legal entities shall be the tax payers in trade of goods and services referred to in paragraph 1 of this Article if the tax exemption pursuant to paragraph 1 of this Article could lead to distortion of competition, as well as in the trade of goods and services outside of the scope of their responsibility, or outside the scope of activities of the State administration or local government, when such trade is taxable in accordance with the present Law. It shall be considered that exemption referred to in paragraph 1 of this Article could lead to distortion of competition, pursuant to the present Law, if the trade of goods and services referred to in paragraph1 of this Article1 of this Article, apart from the Republic, authorities and legal entities, is also conducted by some other entity.

Tax Debtor

Article 10

In terms of the present Law a tax debtor shall be:

1) a taxpayer who conducts taxable trade of goods and services, except when some other person has the obligation to pay the VAT in accordance with this Article;

2) (deleted);

3) a recipient of goods and services, if the foreign person is not a VAT payer in the Republic, regardless of whether it has a permanent branch office in the Republic and whether that permanent branch office is a VAT payer in the Republic;

4) a person who indicates the VAT in an bill or another document serving as a bill (hereinafter: bill), while such person is not a VAT tax debtor or has not performed trade of goods and services;

5) a person importing the goods.

6) (deleted)

Notwithstanding paragraph 1, item 1) of this Article, the tax debtor is:

1) a recipient of goods or services, VAT payer, for the trade of secondary raw materials and services that are directly related to those goods, carried out by another VAT payer;

2) a recipient of goods, VAT payer, for the trade of construction buildings and economically divisible units within these buildings, including ownership shares in such assets, carried out by another VAT payer, when the contract which regulates the trade of those assets stipulates that VAT shall be calculated for that trade in accordance with this Law;

3) a recipient of goods and services in construction industry, VAT payer, or the person referred to in Article 9 paragraph 1 of this law, for the trade conducted by the VAT payer;

4) a recipient of electric energy and natural gas delivered through transmission, transport and distribution network, VAT payer which acquired these goods for resale, for the trade of electric energy and natural gas performed by another VAT payer;

5) a recipient of goods or services, VAT payer, for trade performed by another VAT payer, for the following trade of:

(1) Mortgaged real estate in the process of foreclosure in accordance with the law governing mortgage;

(2) Pledged goods in the process of debt settlement in accordance of the law governing the right of pledge on movable assets;

(3) Goods or services being the subject of enforcement in the process of enforcement proceedings in accordance with the law;

6) Acquirer of property of part of property whose transfer was performed in accordance with the Article 6, paragraph 1 of this law, after which transfer the conditions referred to in Article 6 paragraph 1 item 1) ceased to exist.

Notwithstanding paragraph 1, item 3) of this Article, when a foreign person supplies goods and services in the Republic to the person who is not a VAT payer, except the person referred to in Article 9, paragraph 1 of this law, and the compensation for the supply of goods and services in the name and on behalf of a foreign person is charged by a VAT payer, the tax debtor for that trade shall be the VAT payer which charges the compensation.

The Minister shall specify what is considered as secondary raw materials, services that are directly related to secondary raw materials and goods and services in the construction industry referred to in paragraph 2 items 1) and 3) of this Article.

Tax Proxy

Article 10a

A foreign person which carries out the taxable trade in goods and services in the Republic shall designate a tax proxy and apply for VAT payment, regardless of the amount of such trade in the previous 12 months, unless this Law stipulates otherwise.

A foreign person which engages in the taxable trade in goods and services in the Republic only with VAT payers, i.e. persons referred to in Article 9, paragraph 1 of this Law, as well as in the trade in service of transport of passengers by buses for which an average transportation fee for each transport is used as a basis for calculating VAT, in accordance with this Law, is not required to appoint a tax proxy and to apply for VAT payment.

The foreign person referred to in paragraph 1 of this Article may appoint only one tax proxy.

Tax proxy of a foreign person may be a natural person, including a sole proprietor or a legal person who has a residence or head office in the Republic, who has been a registered VAT payer for at least 12 months before applying for approval of the tax power of attorney, who on the day of application has no due, and unpaid obligations for public revenues on the basis of conducting business as determined by the Tax Administration and to which the relevant tax authority, on the basis of the submitted application for approval of a tax power of attorney accompanied by the prescribed documentation (hereinafter: the application for tax proxy), issued a decision approving the tax proxy.

Tax proxy of a foreign person may not be the permanent branch office of that foreign person.

Tax proxy of a foreign person, in the name and on behalf of that foreign person, performs all tasks related to fulfilling the obligations and exercising rights that a foreign person has as a VAT payer in accordance with this law (filing of a registration form, calculation of VAT, invoicing, filing tax returns, payment of VAT, and other).

The competent tax authority shall not issue an approval for tax proxy to a person who has been convicted for a tax crime.

The competent tax authority shall cancel the approval for tax proxy to a person who has been convicted for a tax crime.

In the event of cancellation of approval for tax proxy referred to in paragraph 8 of this Article, or termination of the tax power of attorney on any other basis, all legal consequences of the erasure from the register for VAT in terms of this Law arise, unless the foreign person within 15 days of the cancellation of approval for tax proxy, or termination of the tax power of attorney on other grounds, appoints another proxy, and such proxy, in the same term, files an application for tax proxy to the competent tax authority.

If the competent tax authority does not approve the tax power of attorney to the proxy referred to in paragraph 9 above, all legal consequences under that paragraph arise.

In case of revocation or cancellation of the power of attorney, tax power of attorney shall terminate on the day when the competent tax authority received a notice of revocation or cancellation of power of attorney, sent by the person whose power of attorney ceased by revocation or cancellation.

Tax proxy of a foreign legal person shall be jointly and severally liable for all obligations of the foreign person as a VAT payer, including liabilities arising from the deletion from the VAT register, and in particular for the payment of VAT, penalties and interest in respect to the VAT debt.

Act for the enforcement of this Article shall be rendered by the Minister.

IV PLACE AND TIME OF TRADE OF GOODS AND SERVICES AND TAKING PLACE OF TAX DUTY

The Place of Trade of Goods

Article 11

A place of the trade of goods shall be the place:

1) at which goods are situated at the moment of forwarding or carriage to the recipient or, at his order, to a third party, in the event the goods are forwarded or carried by a supplier, a recipient or a third party at his order;

2) of fitting or assembly of goods, should these be fitted or assembled by the supplier or, at his order, by a third party;

3) at which goods are situated at the moment of delivery, if the goods are delivered without forwarding and/or carriage;

4) in which the recipient of electricity, natural gas and energy for heating or cooling, whose delivery is done through the transmission, transportation and distribution networks, in the event that such recipient has purchased these goods for resale, has its head office or a permanent branch office to which these goods are delivered;

5) of receiving water, electricity, natural gas and energy for heating or cooling, for final consumption.

In the event of the trade of goods within the framework of commission or consignment transactions, the place of the trade of goods on the part of a commission agent or a consignee shall be determined, in conformity with paragraph 1 of the present Article, also for the delivery to the commission agent or the consignee.

Place of Trade of Services

Article 12

This Article determines a taxpayer solely for the purpose of applying the rules that relate to

determination of the place of trade of services.

When a service is provided by a person who is a VAT payer in accordance with this law, a taxpayer to whom the service is provided is deemed to be:

1) Any person who carries out the business as a permanent activity regardless of the purpose of carrying out such business;

2) A legal person, state authority, territorial autonomy and local government body seated in the Republic;

3) A foreign legal entity, state authority, territorial autonomy and local government body registered to pay taxes on consumption in the country where they have their seat.

When the service is provided by a foreign entity which did not register for VAT payment in accordance with this Law, a taxpayer to whom the service is provided is deemed to be:

1) Any person who carries out business as a permanent activity regardless of the purpose of performing such business;

2) A legal person, state authority, territorial autonomy and local government body.

If the services are provided to a tax payer, the place of trade of services is considered to be the place where the recipient of services has its seat or a permanent branch office, if the services are provided to the permanent branch office which is not located in the place where the recipient of services has its seat, i.e. place where the recipient of services has permanent or temporary residence.

If services are provided to a person who is not a tax payer, the place of trade of services is considered to be the place where the service provider has its seat or a permanent branch office, if the trade of services is carried out from the permanent branch office which is not located in the place where the service provider has its seat, i.e. place where the service provider has permanent or temporary residence.

Notwithstanding paras. 4 and 5 of this Article, the place of trade of services:

1) With respect to real estate, including the agency services in real estate transactions is considered to be the place where the real estate is located;

2) Of transportation of persons, is considered to be a place where the transport is carried out, and if transport is carried out both, in the Republic and abroad, the provisions of this Law apply only to the part of transport carried out in the Republic;

3) Of transport of goods provided to a person who is not a taxpayer, is considered to be the place where the transport is carried out, and if transport is carried out both, in the Republic and abroad, the provisions of this Law apply only to the part of transport carried out in the Republic;

4) Is considered to be a place where services were actually provided, in the case of:

   (1) Services related to attending cultural, artistic, sporting, scientific, educational, entertainment or similar events (fairs, exhibitions, etc.), including ancillary services related to attending these events;

   (2) Services of the organizers of events referred to in sub item (1) of this item, provided to a person who is not a tax payer;

   (3) Ancillary services related to transport, such as loading, unloading, reloading, and similar, provided to a person who is not a tax payer;

   (4) Services related to appraisal of movable property, i.e. works on movable property provided to a person who is not a tax payer;

   (5) Services of providing meals and drinks for consumption on the spot;

5) Of rental of means of transport for a shorter period of time, is considered to be a place where the means of transport are actually made available to usage by the recipient of service;

6) Of rental of means of transport, except for the ones mentioned in item 5) of this paragraph, made available to a person who is not a tax payer, is considered to be a place where that person has its seat, or permanent or temporary residence;

7) That are provided to a person who is not a tax payer, is considered to be the place of its seat, or permanent or temporary residence of the recipient of services, in case of following services:

(1) Transfer, assignment and licensing of copyright and related rights, rights to patents, licenses, trademarks and other intellectual property rights;

(2) Advertising;

(3) Of consultants, engineers, lawyers, auditors and other similar services, as well as translators for translation services, including translation in written format;

(4) Data processing and assignment, i.e. giving of information, including information on business procedures and experience;

(5) Undertaking an obligation to fully or partially relinquish the performance of some activity or usage of a right referred to in this item;

(6) Banking and financial operations and operations in the area of insurance, including reinsurance, except for renting safe deposit boxes;

(7) Staff leasing;

(8) Rental of movable property, except for means of transport;

(9) Enabling access to the supply network of natural gas, electricity transmission grid, and heating, i.e. cooling supply network, transport and distribution via those networks, as well as other services that are directly related to those services;

(10) Telecommunications;

(11) Radio and television broadcasting;

(12) Services provided in electronically;

8) Of agency in trade of goods or services provided to a person who is not a tax payer, is considered to be a place where the trade of goods or services subject to agency has been carried out.

The place of trade of the service of agency provided to a tax payer, except for services of agency referred to in paragraph 6, item 1) of this Article, is determined in accordance with paragraph 4 of this Article.

Shorter period of time referred to in paragraph 6, item 5) of this Article is considered to be an uninterrupted period of time that does not exceed 30 days and in the case of vessels 90 days.

The minister regulates in detail what are considered to be services referred to in paragraph 6, item 1), item 4) sub item (5), means of transport from items 5), 6) and sub item (8) of item 7), as well as services referred to in item 7) sub item (12) of this Article.

The Place of Imports of Goods

Article 13

The place of imports of goods shall be a place at which the imported goods are taken into the customs area of the Republic.

The Time of Trade of Goods

Article 14

The trade of goods shall take place on the day:

1) of the beginning of forwarding or carriage of goods to a recipient or a third party, if the goods are forwarded or carried by a supplier, a recipient or a third party, at their order;

2) of taking over of goods by the recipient in the event of building in, or assembling of goods by the supplier or, at his order, by a third party;

3) of the transfer of the right of disposal of goods onto the recipient, where the goods are delivered without forwarding and/or carriage;

4) of reading, or otherwise determining the state of, in accordance with the law, electric energy, natural gas and energy for heating or cooling, whose delivery is done through the transmission, transportation and distribution network, to a person referred to in Article 11, paragraph 1, item 4) of this Law,with the aim of calculation of supply;

5) of the reading of the received water, electricity, natural gas and energy for heating or cooling, for the purpose of calculating the consumption.

In the event of commission and consignment transactions, the time of delivery of goods by commission agent or a consignee shall be determined in conformity with paragraph 1 of the present Article, also for a delivery to the commission agent or the consignee.

The provisions of paragraphs 1 and 2 of the present Article shall apply to partial deliveries as well.

Partial deliveries referred to in paragraph 3 of the present Article shall exist also where a special fee is stipulated by contract for the delivery of specified portions of a commercially divisible delivery.

The Time of Trade of Services

Article 15

A service is considered rendered on the day when:

1) a single provision of service is completed;

2) a legal basis for provision of services ceased to exist - in the event of provision of time limited or unlimited services.

Notwithstanding paragraph 1 item 2) of the present Article, when periodical bills are issued for provision of services, trade of services shall be considered rendered on the last day of the period for which the bill is issued.

A partial service shall be considered rendered at the time when provision of that part of the service ended.

Partial service specified in paragraph 3 of the present Article shall exist if a separate fee is contracted for specific portions of economically divisible service.

The Time of Import of Goods

Article 15a

The time of import of goods originates on the day when the goods entered into the customs territory of the Republic.

Taking Place of Tax Obligation

Article 16

A tax obligation shall take place on the day at which one of the following actions is effected, at the earliest:

1) the trade of goods and services;

2) collection or payment if a consideration, or part of the consideration is billed, or paid in cash prior to the trade of goods and services;

2a) issuing invoice for the services referred to in Article 5, paragraph 3, item 1) of this Law, including the services directly connected to those services that are provided by the same person;

3) taking place of the duty of payment of a customs debt, in the event of imports of goods, and should there be no such duty, on the day the obligation of paying such debt would have taken

place.

V TAX BASE AND TAX RATE

Tax Base Applicable to Trade of Goods and Services

Article 17

Tax base (hereinafter: base) applicable to the trade of goods and services shall be the amount of consideration (in money, objects of property or services) that is received or should be received by a taxpayer for the goods delivered or services provided by the recipient of goods or services or a third party, including subsidies and other income (hereinafter referred to as subsidies), into which the VAT is not included, unless otherwise prescribed by the present Law.

The subsidies referred to in paragraph 1 of this Article shall be the monetary means which form the compensation, or part of the compensation, for the supply of goods or services, except monetary means issued as incentives in order to attain goals of a certain policy in accordance with the law.

The base shall also include:

1) the excise tax, customs duty and other import duties, as well as the remaining public revenue, except the VAT;

2) all accessory charges the taxpayer adds to the bill for the recipient of goods and services.

The base shall not include:

1) discounts and other price reductions granted to a recipient of goods or services at the moment of effecting the trade of goods or services;

2) amounts collected by a taxpayer on behalf and for the account of another, if he transfers such amount to a person on whose behalf and for whose account he has made the collection.

Where the consideration or a part of consideration is not effectuated in money, but in the form of trade of goods and services, the base to be considered shall be the market value of these goods and services on the day of their delivery, excluding the VAT.

Where trade of goods or services represent stakes of the business company, the basis to be considered shall be the market value of these goods and services on the day of their delivery, excluding the VAT.

The Minister shall regulate in detail the manner of determining the tax base.

Article 18

The base applicable to the trade of goods without consideration is deemed to be the buying price or the cost price of these or similar goods at the moment of trade.

The base applicable to the trade of services without consideration is deemed to be the cost price of these or similar services at the moment of trade.

In the event referred to in paragraphs 1 and 2 of the present Article, the VAT shall not be included in the base.

In the event of carriage of passengers by buses, effected by a person having no place of actual administration in the Republic, the base shall be the average fare for every single carriage.

The way of setting the fare specified in paragraph 4 of the present Article shall be regulated in detail by the minister.

The Base Applicable to the Import of Goods

Article 19

The base applicable to the import of goods shall be the value of the imported goods as specified by the customs regulations.

The base referred to in paragraph 1 of the present Article shall include as well:

1) the excise tax, customs duty and other import duties, as well as the remaining public revenues, except the VAT;

2) all accessory charges that have taken place until the first destination point in the Republic.

Considered as the first destination point, in terms of paragraph 2, item 2) of the present Article, shall be a place indicated in the delivery note or in another transportation document, and where such is not indicated, the place of the first reloading of goods in the Republic.

Article 20

At the imports of goods that are temporarily exported by a taxpayer for the purpose of refining, processing, finishing or remodeling (hereinafter: refining), repair or building into, the base shall be the price paid or to be paid by the taxpayer for the refining, repair or building into, while where such price should not be paid, the base shall be the increase in value originated through refining, repair or building into.

In the case of paragraph 1 of the present Article, the provisions shall apply of Article 19, paragraph 2 of the present Law.

The Change of the Tax Base

Article 21

Should the base be subsequently increased for the VAT taxable trade of goods and services, a taxpayer who has delivered the goods or services shall be obliged to correct, in conformity with such change, the VAT amount owed by him on that ground.

The duty referred to in paragraph 1 of the present Article shall apply as well to persons specified in Article 10, paragraph 1, item 3) and para. 2 and 3 of the present Law.

Should the base be subsequently reduced, the taxpayer who has effected the trade of goods and services may change the VAT amount only if the taxpayer - counterpart of the trade of goods and services - has corrected the deduction of the preliminary VAT, and if he has notified accordingly, in writing, the supplier of goods and services.

If the delivery of goods and services has been effected to a taxpayer who is not entitled to deduction of the preliminary VAT, and/or to a person who is not a VAT taxpayer, the change specified in paragraph 3 of the present Article may be effected by the taxpayer if he possesses a document relating to the reduction of compensation for the effected trade of goods and services to such persons.

A taxpayer may change the base by applying the part of the price that is not paid in, only on the ground of a finally binding court decision on the completed bankruptcy proceedings, and/or on the ground of a certified minutes on compulsory settlement with creditors.

Should a taxpayer who has changed the base in conformity with paragraph 5 of the present Article, receive the price, or a part of the price, for the delivered goods and services that have been the ground for permitting the change of the base, such taxpayer shall be obliged to calculate the VAT on the amount of price received by him.

The change of the base referred to in paragraphs 1 through 5 of the present Article shall be effected within the tax period in which the change has taken place.

If the consideration for the trade of goods and services is denominated in a foreign currency, an

increase or decrease in the value of the dinar against foreign currency does not lead to a change in the tax base, provided that the determination of the base and the output VAT and collection of the consideration applied the same type of exchange rate for dinars in the same bank.

Should the base for the imports of goods and services that are subject to VAT be changed in conformity with customs regulations, the provisions of the present Law shall apply.

The Minister shall regulate in detail the manner of tax base modification.

Accounting of Value Expressed in Foreign Currency

Article 22

Where the price for the trade of goods and services is expressed in foreign currency, the accounting of that value in domestic currency shall be done by applying the average rate of exchange of the Central Bank, or contracted exchange rate in effect on the day of the tax duty taking place.

Where the base for imports of goods and services is expressed in foreign currency, to be applied for the accounting of that value in domestic currency shall be the customs regulations specifying the customs value, applicable on the day of taking place of the tax duty.

Tax Rate

Article 23

The general VAT rate for the trade of goods and services or imports of goods subject to taxation shall be 20%.

Special 10% VAT rate shall apply to the trade of goods and services or the imports of goods to the following items:

1) bread and other bakery products, milk and milk products, flour, sugar, edible sunflower oil, corn, turnip and soy bean oils, olive-oil, edible animal and vegetable fats and honey;

1a) (deleted)

2) fresh, refrigerated and frozen fruit, vegetable, meat, includingentrailsand other meat offal, fish and eggs;

2a) cereals, sunflower, soy beans, sugar-beet, and oleiferous rape;

3) medicines, including medicines for veterinary use;

4) orthotic and prothetic appliances as well as medical appliances - products that are built into the organism by surgical means;

5) dialyse material;

6) fertilizers, plant-protection substances, reproduction seeds; planting material, compost with mycelium, complete and supplementary mixture for cattle and livestock fodder;

7) text-books and teaching appliances;

7a) (deleted)

8) daily newspapers

9) monographic and serial publications;

10) fuel wood, including briquettes, pellet and other similar goods made of wood biomass;

11) accommodation in hospitality facilities for accommodation in accordance with the law regulating tourism;

12) services charged through tickets for the cinema and theater shows, fairs, circuses, amusement parks, concerts (music events), exhibitions, sporting events, museums and galleries, botanical gardens and zoos, if the trade of the service is not exempt from VAT;

12a) (*deleted*)

13) natural power gas;

13a) thermal energy for heating purposes;

14) transfer of the right of disposal over residential buildings, economically divisible entireties within those buildings, as well as over equity stakes on such properties;

15) services that precede the supply of drinking water through water supply network, as well as drinking water other than bottled water;

16) treatment and disposal of storm water and wastewater;

17) management of municipal waste;

18) rubbish cleaning in the areas for public use;

19) rubbish cleaning in green spaces and coastal areas;

20) passenger transport and transport of accompanying passenger baggage;

21) managing cemeteries and funeral services.

The minister shall regulate the details of what shall be considered, in terms of the present Law, as goods and services specified in paragraph 2, items 1), 2), 2a), 4) through 11), and 15) through 21) of the present Article.

VI TAX EXEMPTIONS

Tax Exemptions in the Trade of Goods and Services with the Right to Preliminary Tax Deduction

Article 24

VAT shall not be paid on the following:

1) transportation and other services relating to the imports of goods, where the value of these services is included in the base specified in Article 19, paragraph 2 of the present Law;

2) trade of goods shipped or forwarded abroad by a taxpayer or a third party at his order;

3) trade of goods shipped or forwarded abroad by a foreign recipient or a third party at his order;

4) trade of goods forwarded by a traveler to abroad in personal luggage, for non-commercial purposes, if:

(1) the traveler has no temporary sojourn or residence in the Republic,

(2) the goods are forwarded prior to expiration of three calendar months upon expiry of the calendar month in which the trade of goods has been carried out,

(3) the total value of delivered goods is greater than EUR 100, in dinar counter value at the middle exchange rate of the National Bank of Serbia, including VAT,

(4) VAT payer has evidence that the traveler has forwarded the goods abroad;

5) entry of goods into a free trade zone, transportation and other services to users of free trade zones that are directly connected to this entry and trade of goods and services in the free trade zone, for which the tax payer - free trade zone user would be entitled to a preliminary tax deduction if those goods or services were purchased by him for the purpose of conducting activities outside the free zone;

5a) trade of goods that are carried into the free zone, transport and other services directly related to such entry, and trade of goods in the free zone which is carried out by a foreign person who has concluded a contract with the VAT payer - the free zone user, to incorporate those goods into

goods intended for dispatch abroad;

6) trade of goods that are in the procedure of customs warehousing;

6a) dispatch of goods to free-trade zones established in airports open for international transport with the organised passport and customs control, for the purpose of sale to passengers in conformity with customs regulations (hereinafter: duty-free shops), as well as on the delivery of goods from duty-free shops;

7) services relating to the works on movable goods acquired by a foreign recipient of service in the Republic, or imported for the purpose of refining, repair or building into, and which after the refining, repair or building into, are transported or forwarded abroad by the supplier of the service, the foreign recipient or a third party, at his order;

8) transportation and other services that are connected with the exports, transit or temporary imports of goods, except for the services that are exempted from the VAT without the right to tax deduction in conformity with the present Law;

9) services of international carriage of persons in air transportation, provided the tax exemption for a non-resident airline shall apply only in case of reciprocity;

10) deliveries of aircrafts, servicing, repair, maintenance, chartering and renting of aircrafts that are primarily used against consideration in international air transportation, as well as delivery, renting, repair and maintenance of goods intended for fitting out of these aircrafts;

11) trade of goods and services intended for direct needs of aircrafts specified in item 10) of the present paragraph;

12) services of international carriage of persons by ships in river transport, provided the tax exemption for a non-resident enterprise engaged in international carriage of persons in river transport shall apply only in case of reciprocity;

13) deliveries of ships, servicing, repair, maintenance and renting of ships that are primarily used against consideration in international river transport, as well as deliveries, renting, repair and maintenance of goods intended for fitting these ships;

14) trade of goods and services intended for direct needs of ships specified in item 13) of the present paragraph;

15) deliveries of gold to the National Bank of Serbia;

16) goods and services intended for:

(1) official needs of diplomatic and consular missions;

(2) official needs of international organisations, where this is provided for by an international treaty;

(3) personal needs of foreign personnel of diplomatic and consular missions, including the members of their families;

(4) personal needs of foreign personnel of international organisations, including the members of their families, where this is provided for by an international treaty;

16a) trade of goods and services performed in accordance with the donation agreements concluded with the State Union of Serbia and Montenegro, or with the Republic, if such agreement envisages that the cost of taxes shall not be paid from the received monetary funds, in part financed by received monetary funds, unless a ratified international treaty provides otherwise;

16b) trade of goods and services effected in conformity with contracts on credit and/or loan concluded between the Serbia and Montenegro State Union and/or the Republic, and an international financial organization and/or other state, as well as between a third party and an international financial organization and/or other state, in which the Republic of Serbia appears as a guarantor and/or counter-guarantor, in part that is financed by donated funds, if such contract provides that the acquired money resources will not be used for payment of tax expenses;

16c) trade of goods and services based on international treaties, if such treaties envisage tax exemption, except for international treaties specified in items 16a) and 16b) of the present paragraph;

17) mediation services relating to the trade of goods and services specified in items 1) through 16)

of the present paragraph.

Tax exemption specified in paragraph 1 of the present Article shall be applied even if fees and/or part of the fees have been paid prior to conducted transaction.

Tax exemption referred to in paragraph 1, item 3) of the present Article shall not apply to the trade of goods carried by a foreign recipient himself for the purpose of fitting or equipping sports boats, sports aircrafts and other transportation means intended for private use.

The tax exemption for the trade of goods referred to in paragraph 1, item 4) of this Article shall be realized by the VAT payer in the tax period in which he has evidence that the passenger has forwarded the goods abroad.

If in the tax period in which he has carried out the trade of goods referred to in paragraph 1, item 4) of this Article, the VAT payer does not have evidence that the traveler has forwarded the goods abroad, the VAT payer is obliged to pay the calculated VAT for that trade in accordance with this Law.

In the tax period in which the VAT payer obtains the evidence that the traveler has forwarded the goods abroad, the VAT payer reduces the calculated VAT referred to in paragraph 5 of this Article.

Tax exemption for trade of goods referred to in paragraph 1, item 4) of this Article does not relate to the trade of goods which are considered excise products in accordance with the law governing excises and trade of goods for furnishing and supplying any means of transport for private purposes.

The place of residence or temporary sojourn referred to in paragraph 1, item 4), and sub-item (1) of this Article is considered to be a place entered in the passport, identity card or other document that, in accordance with the law, is considered to be an identification document in the Republic.

VAT paid as part of the fee for trade of goods referred to in paragraph 1, item 4) of this Article shall be returned to the traveler, i.e. other applicant, if within six months from the day of issue of the invoice for such trade, he delivers to the VAT payer evidence that the traveler has forwarded the goods abroad.

The exemption referred to in paragraph 1, item 16), sub-items (1) and (3) of the present Article shall be effected on condition of reciprocity, and on the ground of a certificate issued by the ministry of foreign affairs.

In terms of the present Article, a foreign recipient of goods or services shall be understood to mean a person who:

1) is a taxpayer and whose place of real administration is outside the Republic;

2) is not a taxpayer, and whose residence or head office is outside the Republic.

The minister regulates in more detail the manner and procedure for the realization of tax exemptions from paragraphs 1-3 of this Article, what is considered as personal baggage and evidence that the traveler has forwarded the goods abroad referred to in paragraph 1, item 4) of this Article, as well as the manner and procedure of retrieve of VAT referred to in paragraph 9 of this Article.

Tax Exemptions in Trade of Goods and Services without the Right to Preliminary Tax Deduction

Article 25

VAT shall not be paid in the trade of money and capital on the following transactions:

1) transactions, and transaction mediation in legal means of payment, except for paper money and coins that are not used as legal means of payment, or that have a numismatic value;

2) transactions, and mediation in transactions with stock, shares in companies and corporations, bonds and other securities, except for transactions relating to keeping and managing of securities;

3) credit transactions, including mediation, and monetary loans;

3a) (deleted)

4) at assuming of obligations, guarantees and other security means, including mediation;

5) transactions, and mediation in transactions regarding deposits, current and transfer accounts, payment orders, as well as payment transactions and remittances;

6) transactions, and mediation in the transactions with monetary claims, checks, bills of exchange and other similar securities, except for the collection of claims for other persons;

7) business activities of investment funds' management companies in accordance with regulations defining investment funds;

8) business activities of voluntary pension funds' management companies in accordance with regulations defining voluntary pension funds and pension plans.

VAT shall not be paid also in the trade of the following:

1) insurance and reinsurance services, including the accompanying services of insurance brokers and agents (representatives) in the sphere of insurance;

2) lands (agricultural, forest, construction sites - with structures or without structures), as well as letting of such land;

3) buildings, except for the first transfer of the right of disposal over newly constructed building facilities or economically divisible units within the framework of such buildings and the first transfer of equity stake in the newly constructed building facilities or economically divisible units within these facilities, as well as trade of buildings and economically divisible units within these buildings, including equity stakes in these goods, where the contract under which the trade of those goods is conducted, which was concluded between the VAT payers, stipulates that VAT shall be calculated for this trade, provided that the acquirer may fully deduct the output VAT as preliminary tax;

3a) goods for which the tax payer did not have the right to deduct preliminary tax;

3b) goods and services for which tax payment obligation existed in the preliminary trade phase in accordance with the law governing the property tax;

4) services of renting the apartments, if used for residential purposes;

5) shares, securities, postal securities, revenue and other current stamp duties according to their printed value in the Republic, except for ownership shares specified in the Article 4 of the present Law;

6) postal services provided by a public enterprise, as well as relating to deliveries of goods connected with them;

7) services provided by health-care institutions in conformity with the regulations covering health care, including accommodation, nursing and food of patients in these institutions, except for pharmacies and pharmaceutical institutions,

8) services provided by physicians, stomatologists or other persons in conformity with the regulations covering health care;

9) services and deliveries of dental prothetic appliances within the sphere of dental technician's activity, as well as deliveries of dental prothetic appliances, effected by a stomatologist;

10) human organs, tissues, bodily liquids and cells, blood and mother's milk;

11) services of social welfare and care, children protection and protection of the young people, social protection services, as well as the trade of goods and services directly related to these, provided by persons registered for engaging in these activities;

12) services of accommodation and food for pupils and students in school and student homes or similar institutions, as well as the trade of goods and services directly related to these;

13) educational services (pre-elementary, elementary, secondary, high, and university education) and services of professional retraining, as well as the trade of goods and services directly related to these, provided by persons registered for engaging in these activities, where these activities are effected in conformity with the regulations covering the relevant area;

14) services in the area of culture and directly related trade of goods and services, provided by persons whose activity is not aimed at making profit, and who are registered for engaging in such activity;

15) services in the area of science and the directly related trade of goods and services, provided by persons whose activity is not aimed at making profit, and who are registered for such activity;

16) services of religious character provided by registered churches and religious communities, and the trade of goods and services directly related to these;

17) services of public broadcasting service, except for services of commercial character;

18) services of making arrangements for chance games;

19) services in the area of sports and physical education provided to persons engaged in sports and physical education, provided by persons whose activity is not aimed at making profit, and who are registered for such activity.

If the tax payer, while purchasing goods, could exercise the right to deduct a part of the preliminary tax in accordance with Article 30 of this Law, tax exemption referred to in paragraph 2, item 3a) of this Article shall not apply.

A person whose activity is not directed towards gaining profit, in terms of paragraph 2 of this Article, shall be a person that has been established by the Republic, autonomous province or unit of local government and owned by the Republic, autonomous province or unit local government in whole or with a majority stake.

The minister shall regulate in detail what are considered to be goods, or services referred to in paragraph 2, items 3), 7), 11), 12), 13), 14), 15) and 18) of this Article.

Tax Exemptions at Imports of Goods

Article 26

VAT shall not be paid on the imports of goods:

1) whose trade is in conformity with Article 24, paragraph 1, items 5), 10), 11) and 13) through 16c), and Article 25, paragraph 1, items 1) and 2), and paragraph 2, items 5) and 10) of the present Law, which trade is exempted from the VAT;

1a) which are imported on the ground of a donation contract and/or as humanitarian assistance in accordance with the law governing donations or humanitarian aid;

1b) which are exported, and are returned to the Republic as unsold or as not complying with the obligations stipulated in the contract and/or business relationship on the ground of which they were exported;

1c) which are carried into duty-free shops under the customs procedure;

1d) on the basis of replacement in the warranty period;

1e) whose delivery is done through the transmission, transportation and distribution networks, namely: electricity, natural gas and energy for heating or cooling;

2) which are temporarily imported and exported again, within the framework of customs procedure, as well as placed in the customs procedure of active refining, coupled with the postponement system;

3) which are temporarily exported and imported again in an unchanged condition, under the customs procedure;

4) for which the procedure is permitted of their remodeling under customs control;

5) under the customs procedure, relating to the transit of goods;

6) for which the procedure is permitted, under the customs procedure, of the customs storage;

7) for which, in conformity with Article 216 and Article 217, paragraph 1, item 6 of the Customs Law ("Official Herald of the RS", Nos. 18/10, 111/12 and 29/15), the exemption from customs is provided for, except in case of the import of motor vehicles.

VII PRELIMINARY TAX

Concept

Article 27

The preliminary tax shall be the amount of VAT calculated in the preceding phase of the trade of goods and services, and/or paid at the imports of goods, and which may be deducted by the taxpayer from the VAT owed.

Conditions for the Preliminary Tax Deduction

Article 28

The right to the preliminary tax deduction may be effected by a taxpayer if the goods procured in the Republic or from import, including the supply of equipment, as well as structures and for performing an activity and economically divisible entireties within the framework of such structures (hereinafter: structures for performing an activity), and/or the received services, are used or will be used by him for the purpose of trade of goods and services:

1) which is taxable by the VAT;

2) for which, in conformity with Article 24 of the present Law, there exists an exemption from paying the VAT;

3) which is effected abroad, if such trade would have entailed the right to preliminary tax deduction, in the event of its being effected in the Republic.

The right to the preliminary tax deduction may be effected by a taxpayer if he is in possession of:

1) a bill issued by another taxpayer in the trade regarding the amount of the preliminary tax, in conformity with the present Law;

2) a document on importation of goods whereby VAT is indicated and a document which confirms that the indicated VAT has been paid during importation.

The taxpayer may deduct the preliminary tax from the VAT owed, within a tax period in which the requirements specified in paragraphs 1 and 2 of the present Article are fulfilled, relating to:

1) calculated and indicated VAT for the trade of goods and services that has been done - or that will be done - to him by the other taxpayer in the trade;

2) the VAT that has been paid on the occasion of imports of goods.

The right to preliminary tax deduction shall come about on the day of fulfilling the requirements specified in paragraphs 1 through 3 of the present Article.

The following tax debtors may also exercise the right to preliminary tax deduction:

1) referred to in Article 10, paragraph 1, item 3) and paragraph 2, items 1) - 5) of this Law, provided that he has calculated VAT in accordance with this Law and that he uses the received goods and services for the trade of goods and services referred to in paragraph 1 of this Article;

2) referred to in Article 10 paragraph 2 item 6) of this Law, provided that he has an account of the previous participant in trade in accordance with this law, that he calculated VAT in accordance with this Law, and that he shall use those goods and services for the trade of goods and services under paragraph 1 of this Article.

Taxpayer may execute the right to deduction of the preliminary tax within five years from the expiry of the year in which he acquired that right.

Exemption from Preliminary Tax Deduction

Article 29

A taxpayer shall not be entitled to preliminary tax deduction on the ground of:

1) acquisition, production and imports of a passenger vehicles, motorcycles, motorcycles with sidecars, tricycles, quadricycles, yachts, boats and aircrafts, facilities to accommodate these goods, spare parts, fuel and operating supplies intended for these, renting, maintenance, repair and other services that are related to the use of these transportation means, as well as goods and services that are associated with the use of facilities for the accommodation of such goods;

2) taxpayer's entertainment allowance;

3) expenditures for the transport of employees, i.e. other persons hired for work, for the purpose of going to work or returning from work, as well as expenses for food, including beverages, of employees, i.e. other persons hired for work, except for food expenses, including beverages, of those persons in the catering facilities of the taxpayer when the taxpayer charges a fee on that basis.

4) (deleted)

As an exception to paragraph 1, item 1) of the present Article, the taxpayer shall be entitled to preliminary tax deduction if using the transportation means and other goods exclusively for performing an activity:

1) of trade and renting of mentioned transportation means and other goods;

2) of carriage of persons and goods, or of training of drivers for the operation of the mentioned transportation means.

Representation costs referred to in paragraph 1, item 2) of this Article shall be considered as expenses for catering services, gifts, other than gifts of small value, expenses for holidays, sports, entertainment and other expenses incurred for the benefit of business partners, potential business partners, and representatives of business partners and other natural persons, provided that there is no legal obligations for such expenses.

Division of the Preliminary Tax and the Proportionate Tax Deduction

Article 30

If a taxpayer uses delivered or imported goods for the performing of his activity, or receives services necessary for his activity, in order to effect the trade of goods and services for which there exists the right to preliminary tax deduction as well as for the trade of goods and services for which the right to preliminary tax deduction dose not exist - such taxpayer shall be obliged to divide the preliminary tax according to economic association with the part entitling him to deduction and the part that does not entitle him to deduct from the VAT owed by him.

If the taxpayer is not able to divide the preliminary tax for individual delivered or imported goods or received services, in the mode specified in paragraph 1 of the present Article, and which he uses for his activity in order to effect the trade of goods and services for which there exists the right to preliminary tax deduction, and the trade of goods and services for which the right to preliminary tax deduction does not exist - he may deduct the proportionate part of the preliminary tax that corresponds to the participation of the trade of goods and services with the right to preliminary tax deduction in which the VAT is not included, within the total trade in which the VAT it is not included (hereinafter: proportionate tax deduction).

The proportionate tax deduction shall be determined by applying the percentage of the proportionate tax deduction to the amount of preliminary tax in the tax period, reduced by the amounts that are set apart in the mode specified in paragraph 1 of the present Article, as well as by the amount of preliminary tax that does not entitle the taxpayer to deduction in terms of Article 29, paragraph 1 of the present Law.

The percentage of the proportionate tax deduction for the tax period shall be determined by placing

into relationship the trade of goods and services with the right to preliminary tax deduction, in which the VAT is not included, and the total trade that does not include the VAT, effected from 1st January of the current year until the expiry of the taxation period for which a tax return is to be filed.

The trade of goods for determining the percentage of the proportionate tax deduction specified in paragraph 4 of the present Article shall not include the trade of equipment and structures necessary for performing the activity.

In the last tax period and/or last tax period of a calendar year, the VAT taxpayer shall make the correction of the proportionate tax deduction by applying the percentage of the proportionate tax deduction to the amount of preliminary tax from all tax periods in the calendar year.

The minister shall regulate the details of the mode of determination and the correction of the proportionate tax deduction.

Correction of the Preliminary Tax Deduction at the Change of the Base

Article 31

If the base of the taxable trade of goods and services:

1) Decreases, the payer to whom the supply of goods and services was executed shall, in accordance with this change, correct the preliminary tax deduction achieved on that basis;

2) Increases, the payer to whom the supply of goods and services was executed may, in accordance with this change, the correct preliminary tax deduction achieved on that basis.

The correction of the preliminary tax deduction specified in paragraph 1 of the present Article shall refer also to a recipient of goods and services specified in Article 10, paragraph 1, item 3) and paragraph 2 of the present Law.

The correction of the preliminary tax reduction specified in paragraph 1 of the present Article shall be done also on the ground of a certified transcription of the minutes on court settlement of creditors, in conformity with Article 21, paragraphs 3 and 5 of the present Law.

The correction of the preliminary tax deduction shall be effected within the tax period in which the base has been modified.

The Minister shall regulate in detail the manner of correction of the preliminary tax deduction when base is changed.

Correction of Preliminary Tax Deduction Based on a Decision of the Tax or Customs Authority

Article 31a

If a tax authority in the control procedure issues a decision finding a liability originating from VAT for executed trade of goods and services, VAT taxpayer who received these goods and services may correct the deduction of the preliminary tax if he has paid the amount of VAT calculated by the tax authority, to a VAT taxpayer which has supplied him with goods and services.

If the decision from paragraph 1 this article is annulled, amended or repealed in the section that defines a liability originating from VAT, VAT taxpayer who has executed trade of goods and services shall inform in writing the recipient of goods and services.

On the basis of the written notice from paragraph 2 of this Article, the recipient of goods and services is required to correct the deduction of the preliminary tax.

If, during control procedure, the tax authority issues a decision finding a liability originating from VAT for executed trade of goods and services on the part of the VAT payer - tax debtor under Article 10, paragraph 1, item 3) or paragraph 2 of this Law, that VAT payer may correct the preliminary tax deduction if he had paid VAT amount determined by the competent tax authority.

If the decision referred to in paragraph 4 of this Article is annulled, amended or revoked in the part which determines the VAT liability, the VAT payer shall correct the deduction of preliminary tax on

that basis.

If a tax authority in the control procedure has established that the VAT payer has calculated the VAT as if he was the taxpayer referred to in Article 10, paragraph 1, item 3), and paragraph 2 of this Law, and that the calculated VAT was declared as the preliminary tax, the tax authority shall issue a decree to correct the deduction of the preliminary tax, on the basis of which the VAT payer has the right to reduce the calculated VAT.

If the decree referred to in paragraph 6 of this Article is annulled, amended or revoked in the part in which the preliminary tax has been corrected, the VAT payer is obliged to disclose the VAT due on that basis.

If VAT on imported goods, which was deducted as preliminary tax, decreased, refunded, or the taxpayer was exempt from paying, the taxpayer shall, on the basis of a customs document or decision of a customs authority, correct the deduction of the preliminary tax in accordance with that alteration.

Correction of preliminary tax deduction is be made in the tax period wherein the alteration occurred.

Correction of Preliminary Tax Deduction for Equipment and Facilities Used in Performing an Activity

Article 32

A taxpayer who has exercised the right to deduct preliminary tax on the basis of acquisition of equipment and facilities for carrying out a business activity, as well as investments in facilities belonging to him or to others, except for investments related to routine maintenance of facilities (hereinafter referred to as: investment in facilities), is required to correct the preliminary tax deduction if he ceases to fulfill the conditions for the exercise of this right, within the time period shorter than five years since the first use of equipment, ten years since the first use of facilities, or ten years since the completion of investments in facilities.

The correction of the preliminary tax reduction shall be made for the period that is equal to the difference between the time limits specified in paragraph 1 of the present Article, and the period in which the taxpayer has been meeting the requirements for the realisation of the right to preliminary tax reduction.

The payer has no obligation to correct the preliminary tax deduction in the case of:

1) Transport of equipment and facilities to perform the activity with the right to deduct preliminary tax;

2) Investment in facilities to perform the activity for which the fee is charged;

3) Transfer of property or part of the property referred to in Article 6, paragraph 1, item 1) of this Law.

In the event of the transfer specified in Article 6, paragraph 1, item 1) of the present Law, the time limits referred to in paragraph 1 of the present Article shall continue to run.

The acquirer of property specified in paragraph 3, item 3)of the present Article shall make the correction of preliminary tax deduction made by the transferor of property for equipment and installations for doing business, or investing into business facilities after ceasing to meet the requirements for the realisation of the right to preliminary tax deduction.

The minister shall regulate the details of defining the equipment and installations intended for the performing of an activity and investments in facilities in terms of the present Law, as well as the mode of carrying out the correction of the preliminary tax deduction.

Subsequent Exercising of Right to Preliminary Tax Deduction for Equipment and Facilities Used in Performing an Activity

Article 32a

VAT taxpayer who was not entitled to preliminary tax deduction on the basis of acquisition of equipment and facilities intended for carrying out activity, and investments in facilities, may exercise the right to deduct preliminary tax if he meets the requirements for achieving the right to deduct preliminary tax within the time limits referred to in Article 32 Paragraph 1 of this Law.

Taxpayer from the paragraph 1 this Article may exercise the right to deduct a part of preliminary tax proportionate to the period that is equal to the difference between the time limits referred to in paragraph 1 of this Article and the period in which the taxpayer did not meet the requirements for eligibility for deduction of preliminary tax.

The acquirer of assets referred to in Article 6 Paragraph 1 item 1) of this Law may exercise the right to deduct part of the preliminary tax for equipment and facilities intended for performance of activities. or for investments in facilities, pursuant to which the transferor of assets was not entitled to the preliminary tax deduction, if he meets the requirements for the exercise of this right within time limits referred to in paragraph 1 of this Article, and if the transferor of property delivers him necessary data for execution of the right to deduct preliminary tax.

In the event of transfer referred to in Article 6 Paragraph 1, item 1) of this Law, time limits specified in paragraph 1 of this Article shall not be interrupted.

If a VAT taxpayer who has exercised the right to deduct part of the preliminary tax in accordance with paragraph 1 of this article ceases to meet the requirements for eligibility for deduction of the preliminary tax before the end of the prescribed time limits, he is required to correct the deduction of preliminary tax in accordance with Article 32 this Law in proportion to the period wherein he is not eligible for deduction of preliminary tax.

The Minister shall specify the method of determining the part of the preliminary tax referred to in paragraph 2 of this Article.

Entitlement to preliminary tax deduction while filing for the payment of VAT

Article 32b

A person who is registered for VAT payment obligation in accordance with this Law shall be entitled to deduct preliminary tax on goods he owns on the day preceding the commencement of VAT activities, which were purchased in the 12 months prior to the commencement of VAT activities, under the following conditions:

1) that he made an inventory of goods and submitted the inventory list to the tax authority while submitting the VAT return (hereinafter: registration form);

2) that he possesses a bill issued to him by the previous participant in trade, a VAT taxpayer, wherein the calculated VAT for goods is indicated, or a customs document confirming completed import of goods and the amount of VAT charged for the importation of such goods;

3) that he paid the bill to the supplier of goods, a VAT taxpayer, or that the VAT had been paid during importation.

It is considered that the VAT activity specified in paragraph 1 of this Article, in terms of this Law, starts on the day that follows the commencement of obligation to register for VAT payment obligation, or on the day of option for VAT payment obligation.

VAT taxpayer is entitled to the right to deduct preliminary tax on goods, specified in paragraph 1 of this Article, in a tax period wherein he performed the trade entitled to preliminary tax deduction of those goods, or goods produced or manufactured from those goods.

Goods under paragraph 1 this Article are not considered to be goods deemed to be equipment and facilities for carrying out activities in accordance with this Law.

Inventory list referred to in paragraph 1 item 1) of this Article shall especially include information on the type, amount and date of purchase of goods, purchase price of goods without VAT and the amount of charged VAT.

VIII PARTICULAR TAXATION PROCEDURE

Small Taxpayers

Article 33

Small taxpayer, under this Law, means a person who conducts trade of goods or services in the territory of the Republic and/or abroad, and whose total turnover of goods and services in the previous 12 months is not higher than 8,000,000.00 dinars, or a person who, while starting its business, estimates that over the next 12 months it will not achieve a total turnover which is higher than 8,000,000.00 dinars.

Small taxpayer shall not charge VAT for performed trade of goods and services, shall not have the right to indicate the VAT in bills, shall not be entitled to deduct preliminary tax, and shall not be required to keep records prescribed by this Law.

Small taxpayer may opt for VAT payment obligation by submitting a registration form prescribed in accordance with this law to the competent tax authority and in this case earns the rights and obligations referred to in paragraph 2 of this Article, as well as other rights and obligations which the VAT taxpayer has under this Law.

In case referred to in paragraph 3 this Article, the VAT liability lasts for at least two years.

At the expiry of the time period specified in paragraph 4 of this Article, a taxpayer may file a request to the competent tax authority to terminate the obligation of VAT payment.

Total turnover under paragraph 1 of this article is considered to be the trade of goods and services referred to in Article 28, paragraph, 1 item 1) and 2) of this Law, save the transport of equipment and facilities intended for performance of an activity and investments into facilities for activity for which the fee is charged (hereinafter referred to as: total turnover).

Farmers

Article 34

Individuals who are owners, tenants and other users of agricultural and forest land and individuals who are, as heads, or members of the agricultural household, inscribed in the register of agricultural households in accordance with a regulation that governs the registration of agricultural households (hereinafter referred to as: farmers), are entitled to reimbursement on the basis of VAT (hereinafter: VAT reimbursement), under the conditions and in the manner prescribed by this Law.

The VAT reimbursement shall be granted to farmers who effect the trade of agricultural and forest products, and/or agricultural services to taxpayers.

If the farmers effect the trade of goods and services specified in paragraph 2 of the present Article, the taxpayer shall be obliged to calculate the VAT reimbursement at the amount of 8% of the value of the received goods and services, which shall be acknowledged by an accounting document (hereinafter: receipt), and to pay the farmers the calculated VAT reimbursement in money (by making payment to the current account or savings account).

The taxpayer referred to in paragraph 3 of the present Article shall have the right to deduct the amount of the VAT reimbursement as a preliminary tax, on condition that they have paid to the farmer the VAT reimbursement and for the value of the received goods and services.

Farmer whose total turnover of goods and services in the previous 12 months is not higher than 8,000,000.00 dinars shall not charge VAT for the performed trade of goods and services, shall not

have the right to indicate VAT in bills, shall not be entitled to deduct preliminary tax, and shall not be required to keep records required by this law.

Farmer may opt for VAT payment obligation of by submitting a registration form prescribed in accordance with this Law to the competent tax authority and in that case he gains the rights and obligations under paragraph 5 of this article, as well as other rights and obligations which the VAT taxpayer has under this Law.

In the case referred to in paragraph 6 of this Article, VAT payment obligation lasts for at least two years.

After the period referred to in paragraph 7 of this Article, taxpayer may file a request for termination of the VAT payment obligation to the competent tax authority.

Tourist Agency

Article 35

A tourist agency, in terms of the present Law, shall be understood to mean a taxpayer providing to passengers tourist services, and in relation to them acting in its own name, while receiving from them for the travel organisation goods and services of other taxpayers that are used directly by passengers (hereinafter: preliminary tourist services).

Tourist services provided by a tourist agency shall be considered in terms of the present Law as a single service.

The place of trade of a single tourist service is the place where the service provider has its head office or a permanent establishment if the trade of service is carried out from a permanent establishment which is not in the place where the provider has its head office.

The base of the single tourist service provided by a tourist agency shall be the amount representing the difference between total price paid by a passenger, and actual expenses paid by the tourist agency for preliminary tourist services, after deducting the VAT that is included in that difference.

In the cases specified in Article 5, paragraph 4 of the present Law, the total price in terms of paragraph 4 of the present Article shall be the value referred to in Article 18 of the present Law.

A tourist agency may determine the base in accordance with paragraphs 4 and 5 of the present Article for the groups of tourist services or for all tourist services provided within the tax period.

A tourist agency may not indicate the VAT for tourist services, specified in paragraph 1 of the present Article, in the bills or other documents, and shall have no right to preliminary tax deduction on the ground of preceding tourist services that have been indicated to it in the bill.

Used Goods, Fine Arts Works, Collector's Goods and Antiques

Article 36

Taxpayers engaged in the trade of used goods, including second-hand motor vehicles, fine arts works, collector's goods and antiques, shall determine the basis as a difference between the sale and the buying price of the goods (hereinafter: taxing the difference), by deducting the VAT that is included in that difference.

The tax base referred to in paragraph 1 of the present Article shall be applied where at the acquisition of goods their deliverer did not owe the VAT, or has used the taxation of the difference specified in paragraph 1 of the present Article.

In the cases specified in Article 4, paragraph 4 of the present Law, the sale price for calculating the difference shall be the value referred to in Article 18 of the present Law.

At the trade of goods referred to in paragraph 1 of the present Article, the taxpayer may not indicate the VAT in the bills or other documents.

Taxpayer is not entitled to preliminary tax deduction on goods and services that are directly related to the goods referred to in paragraph 1 of this Article.

Secondary raw materials referred to in Article 10, paragraph 2, item 1) of this Law are not considered to be used goods referred to in paragraph 1 of this Article.

If the amount of VAT calculated in accordance with the provisions of para. 1 - 3 of this Article for the trade of goods whose transfer of ownership is subject to taxation in accordance with the law governing property taxes, was lower than the amount of tax that would be calculated for that trade in accordance with that law, VAT shall not be payable for that trade.

The minister shall regulate what shall be considered as used goods, fine arts work, collector's goods and the antique specified in paragraph 1 of the present Article.

Tax obligation after recovered claim

Article 36a

VAT taxpayer whose total turnover of goods and services in the previous 12 months was no more than 50,000,000.00 dinars and which at that time period was continuously recorded for the obligation to pay VAT may apply to the competent tax authority for approval to pay of tax obligation after recovered claim for completed trade of goods and services (hereinafter referred to as: recovery system), under the following conditions:

1) that in the previous 12 months he filed VAT tax returns within the prescribed period;

2) that in the previous 12 months the requirements for charging VAT under recovery system have not ceased to exist, or that the taxpayer has not ceased to use the recovery system at his own request.

Application under paragraph 1 of this Article shall be submitted to the competent tax authority which checks compliance with requirements for recovery system and issues a certificate of approval to the recovery system.

VAT taxpayer shall apply the recovery from the first day of the tax period following the tax period in which he received the certificate referred to in paragraph 2 this Article.

VAT taxpayer to whom the competent tax authority has approved the application of the recovery system:

1) charges VAT for performed trade of goods and services, issues a bill in accordance with this Law wherein he indicates the calculated VAT and states that for this trade of goods and services recovery system shall apply;

2) pays the tax obligation, referred to in item 1) of this paragraph, for the tax period wherein he recovered his claim, or part of the claim for performed trade of goods and services, in part of recovered claim;

3) is entitled to a preliminary tax deduction in accordance with Article 28, paragraph 1, 2 and 4 of this Law, provided that he paid the obligation for trade of goods and services to the previous participant in trade, in part of paid obligation, or that VAT was paid during importation of goods.

Notwithstanding paragraph 4 of this Article, the recovery system does not apply in following cases of:

1) trade of goods under Article 4, paragraph 3, item 7) and 7a) of this Law;

2) transfer of all or part of the property, except for transfer under Article 6, paragraph 1, item 1) of this Law;

3) trade of goods and services for which the VAT taxpayer is the tax debtor referred to in Article 10, paragraph 1, item 3) and para. 2 and 3 of this Law;

4) trade of goods and services in accordance with Article 35 and 36 this Law;

5) trade of goods and services that is conducted through affiliates in accordance with the law governing corporate income tax.

If the VAT taxpayer does not recover the claim for trade of goods and services within six months from the date of the completed trade, he is due to pay the tax obligation arising from this trade for the tax period in which the time period of six months has expired.

Recovery system ceases on the first day of the tax period following the tax period in which:

1) tax payer submitted a statement to the competent tax authority on termination of recovery system;

2) circumstances arose due to which the tax payer would not be approved for the recovery system by the competent tax authority when applying for approval for this system.

Competent tax authority shall issue a certificate of termination of the recovery system referred to in paragraph 7 of this Article.

Notwithstanding paragraph 7 of this Article, recovery system shall also cease in the event of the submitted request for strike out from the VAT records effective on the date of termination of VAT activities.

At the termination of the recovery system, the VAT taxpayer shall also, for the last tax period, or the period in which the VAT activity ended, and in which he applied the recovery system, pay the tax obligation for trade of goods and services for which he has not recovered his claim and is entitled to deduct VAT, charged by the previous participant in trade to whom he has not paid the obligation for trade of goods and services, as preliminary tax in accordance with this Law.

The Minister shall specify what constitutes recovery of claims under paragraph 1 of this Article.

Gold as Investment

Article 36b

Gold as an investment is considered to be, in terms of this Law:

1) Gold in the form of cast or minted bars, weighing as accepted on the market of precious metals, of the fineness equal to or greater than 995 thousandth pieces (995/1000), irrespective of whether the value of gold is expressed through securities;

2) Golden coins of fineness equal to or greater than 900 thousandth pieces (900/1000), minted after 1800, which are or had been the legal means of payment in the country of origin, and which are normally sold at a price not exceeding 80% the value of gold in the open market, contained in coins.

Monetary gold is not considered to be gold as an investment, in terms of this Law.

It is considered that the gold coins referred to in paragraph 1 item 2) of this Article, in the sense of this Law, are not considered to be collector's goods within the meaning of Article 36 of this Law and that they are not sold for numismatic purposes.

VAT is not paid for:

1) Trade and import of investment gold, also including investment gold, the value of which is stated in the certificates of allocated or unallocated gold, the gold traded through the gold trading account, also including loans and gold swaps (swap deals) that include the ownership right or claims in relation to gold, as well as investment gold activities on the basis of futures and forward contracts whose result is the transfer of disposal right or claiming rights in connection with the investment gold;

2) Circulation of services of an intermediary who, on behalf of the principal, trades the investment gold.

Notwithstanding paragraph 4 of this Article, the VAT payer may decide to calculate the VAT on the trade of investment gold by submitting the notification to the competent tax authority if:

1) He produces the investment gold, i.e. processes gold into investment gold, and trades it to another VAT payer;

2) Within the scope of his business he trades in gold intended for industrial purposes, but he trades the investment gold to another VAT payer.

The tax debtor for the trade of investment gold referred to in paragraph 5 of this Article is the VAT payer who is the recipient of such trade.

If the taxpayer of VAT referred to in paragraph 5 of this Article has opted for the calculation of VAT

on the trade of investment gold, an intermediary that performs the trade of services referred to in paragraph 4, item 2) of this Article also has the right to opt for VAT calculation whereof the notification is delivered to the competent tax authority.

VAT payer from paragraphs 5 and 7 of this Article calculates the VAT on the trade of investment gold and trade brokerage services when trading in investment gold starting from the tax period after the expiration of the tax period in which he has delivered the notification to the competent tax authority.

VAT payer who trades in investment gold to which no VAT is paid in accordance with this Article, has the right to deduct, on the basis of that trade, the preliminary VAT tax calculated for:

1) Investment gold received in trade with the VAT payer referred to in paragraph 5 of this Article;

2) Trade or import of gold intended for processing into investment gold;

3) Trade of services related to the change in the form, weight or fineness of gold, i.e. investment gold.

VAT payer who trades in investment gold to which no VAT is paid in accordance with this Article, but who produces investment gold or processes gold into investment gold, has the right to deduct, as the preliminary tax, the VAT calculated for the trade of goods and services, i.e. paid when importing goods, which are directly related to the production or processing of that gold.

VAT payer from paragraphs 5 and 7 of this Article who has opted for the calculation of VAT on the trade of investment gold and trade of brokerage services in trade of investment gold, has the right to deduct the preliminary tax in accordance with this Law.

VAT payer who trades in investment gold is obliged to issue invoices for trade of investment gold, to keep records of all the activities related to the investment gold, especially about the persons to whom he sold the investment gold, as well as to keep the records in accordance with this Law.

The minister regulates in more detail the manner and procedure for delivery of notification on opting for VAT calculation by the VAT payer from paragraphs 5 and 7 of this Article, the contents of the invoice and records referred to in paragraph 12 of this Article.

IX DUTIES OF TAXPAYERS AT THE TRADE OF GOODS AND SERVICES

Article 37

A taxpayer shall be obliged to:

1) submit a record keeping application;

2) issue a bill relating to the effected trade of goods and services;

3) keep records and draft the review of VAT calculation in conformity with the present Law;

4) calculate and pay the VAT and submit the tax returns;

5) supply information to the tax authority in accordance with this Law.

Keeping Records and Striking out of VAT Taxpayers

Article 38

A taxpayer who has realised in the preceding 12 months the total trade exceeding 8,000,000 dinars, shall be obliged to submit a record keeping application to the responsible tax authority until the expiration of the first tax period for submitting the periodical tax return, at the latest.

A record keeping application shall also be submitted by a small taxpayer, or farmer, who opted for

VAT payment obligation, within a time period specified in paragraph 1 of the present Article.

The responsible tax authority shall issue to the taxpayer a certificate on effected record keeping relating to the VAT.

The taxpayer shall be obliged to indicate the tax identification number (hereinafter: TIN) in all the documents, in conformity with the present Law.

Article 38a

At the request for termination of VAT payment obligation submitted by a taxpayer who in the previous 12 months has not achieved a total turnover higher than 8,000,000 dinars, including the taxpayer referred to in Article 33, paragraph 5 and Article 34, paragraph 8 of this Law, the competent tax authority conducts proceedings and issues a certificate of striking out from VAT records.

Prior to striking out from the register of companies, or any other register in accordance with law (hereinafter referred to as: the register) at the authority responsible for maintaining the register, a VAT taxpayer who ceases to conduct business shall, not later than 15 days before filing for striking out from the register, submit to the competent tax authority a request for striking out from VAT records.

Request for striking out from VAT records under paragraphs 1 and 2 of this Article shall contain data on the date of termination of the VAT activities.

Competent tax authority conducts proceedings and issues a certificate of strike out from the VAT records.

Authority responsible for maintaining the register may not execute strike out of the taxpayer from the register without a certificate referred to in paragraph 4 of this article.

Certificate under Article 38, paragraph 3 and paragraph 4 of this article contains the following information:

1) company name, or the first and last name, and address of the taxpayer;

2) date of issuance of the certificate of VAT registration and strike out from VAT records;

3) tax identification number;

4) date of commencement of VAT activities and VAT registration, and date of strike out from the VAT records.

Competent tax authority shall maintain records of all tax payers who have been issued certificates under paragraph 5 of this article.

Article 39

(Deleted)

Article 40

A taxpayer who has filed an application for strike out from the VAT records is due to do the following, on the day of cessation of VAT tax activities:

1) to conduct an inventory of assets, including equipment, facilities for provision of services and investments in facilities, as well as given advance payments, pursuant to which he was entitled to a deduction of preliminary tax in accordance with this Law and to draft an inventory list thereon;

2) to make a correction in the preliminary tax deduction for equipment, facilities, and investments in facilities in accordance with this Law;

3) to determine the amount of preliminary tax for given advance payments and goods, except for goods referred to in item 2) of this paragraph.

The amount of corrected preliminary tax deduction and the tax amount of preliminary tax specified in paragraph 1, item 2) and 3) of this Article taxpayer shall indicate as owed in his tax return, in

accordance with this Law.

Taxpayer shall file the Inventory list referred to in paragraph 1, item 1) of this Article, alongside his tax return referred to in paragraph 2 of this Article.

Article 41

The minister shall prescribe the form of the record keeping application and the procedure of filing of taxpayers and their striking out from the VAT taxpayers' records, as well as the content of the inventory list referred to in Article 40, paragraph 3 of this Law.

Invoicing

Article 42

A taxpayer shall issue a bill for each trade of goods and services.

In case of provision of time-limited or unlimited services whose duration is longer than one year, a periodic bill shall be issued, provided that the period for which the bill shall issued shall not be longer than one year.

The duty of issuing the bill specified in paragraph 1 and 2 of the present Article shall apply also should the taxpayer collect the price or a part of the price prior to effecting the trade of goods and services (advance payment), provided that the advance payments be deducted in the final bill that includes the VAT.

A bill shall particularly include the following data:

1) name, address and the VAT taxpayer - of the bill issuer;

2) place and date of issuing the bill and its ordinal number;

3) name, address and the VAT taxpayer - recipient of the bill;

4) kind and quantity of delivered goods or kind and size of services;

5) date of the trade of goods and services, and the amounts of advance payments;

6) base amount;

7) applicable tax base;

8) amount of VAT calculated on the base;

9) note on provision of the present Law under which VAT was not charged.

10) note that recovery system is applied for trade of goods and services.

A bill shall be issued in minimum of two copies, out of which one shall be kept by the issuer of the bill, and the remaining ones shall be given to the recipient of goods and services.

VAT taxpayer shall not issue a bill for trade of goods and services for which an obligation to pay VAT was established by a decision of a tax authority.

Article 43

The bill referred to in Article 42, paragraph 1 of the present Law shall also be a document of calculation issued by a taxpayer as a recipient of goods and services, by which the price is calculated of the goods and services, if:

1) a taxpayer - recipient of goods and services, is entitled to indicate the VAT in the bill;

2) there is an agreement between a taxpayer issuing the calculation document and a taxpayer receiving it, that the calculation of the trade of goods and services be effected by the recipient of goods and services;

3) a calculation document is delivered to a taxpayer who has delivered the goods and services;

4) a taxpayer who has delivered the goods and services has agreed, in writing, with the indicated VAT, except in a case where that payer is not a tax debtor for goods delivered and services rendered in accordance with this Law.

Article 44

A taxpayer who indicates in a bill for delivered goods and services a VAT that exceeds the one that is in conformity with the present Law, shall be obliged to pay the VAT as indicated, until making the correction of the VAT amount in a new bill.

Correction of VAT referred to in paragraph 1 of this Article shall be made in the tax period in which the bill was issued with the corrected amount of VAT.

A person who indicates VAT in a bill, and is not a VAT taxpayer or has not performed trade of goods or services, owes the indicated VAT.

Article 45

The minister shall regulate in details in which cases there shall be no duty of issuing a bill, or no possibility of omitting certain data in the bill, and/or in which cases it may be possible to introduce additional simplifications related to invoicing.

Compulsory Record Keeping

Article 46

A taxpayer shall be obliged, for the purpose of regular calculation and payment of the VAT, to keep records ensuring the control, and to prepare a review of VAT calculation for each tax period.

The minister shall regulate the details of form, content and mode of record keeping, and the form and content of the review of VAT calculation.

Article 47

Taxpayer is required to keep records, referred to in Article 46 of this Law, and documents on the basis of which he keeps these records until the expiry of a limitation period for assessment and collection of VAT, or at least ten years after the expiry of the calendar year from the moment of first use of facilities and the completion of investments in facilities under Article 32 this Law.

Tax Period, Tax Return Filing, Calculation and Payment of the VAT

Article 48

Tax period in which VAT shall be calculated, tax return filed and VAT paid, shall be the calendar month regarding a taxpayer who has effected, within 12 preceding months, a total trade exceeding 50,000,000 dinars, as well regarding the taxpayer under Article 36a of this Law.

The tax period in which VAT has to be calculated, tax return filed and VAT paid, shall be a calendar quarter for a taxpayer who has effected, in the preceding 12 months, a total trade of less than 50,000,000 dinars, except regarding the taxpayer under Article 36a of this Law.

For the payer referred to in paragraph 1 of this Article who achieved total turnover of less than 50 million dinars in the preceding 12 months, the tax period shall be the calendar quarter starting from the month following the expiration of the calendar quarter.

For the taxpayer specified in paragraph 2 of the present Article who in the calendar quarter realizes the total trade in the past 12 months exceeding 50,000,000 dinars, the tax period shall be the calendar month starting with the month upon expiration of a calendar quarter.

The taxpayer specified in paragraph 2 of the present Article may submit to the responsible tax

authority a request for changing a period in the calendar month, until 15 January of the current calendar year, at the latest.

The approved tax period specified in paragraph 5 of the present Article shall continue for at least 12 months.

For taxpayers who begin for the first time the VAT activity in the current calendar year, regardless of the date of registration for carrying out business activities concerning a taxpayer that registers to conduct business activities, for the current and next calendar year tax period is a calendar month.

For a tax debtor who is not a VAT taxpayer, the tax period is a calendar month.

Article 49

A taxpayer shall be obliged to calculate the VAT for the corresponding tax period on the ground of trade of goods and services within that period, if these involve, in conformity with the present Law, a tax duty, and provided that the taxpayer is at the same time a tax debtor.

In calculating the VAT, corrections specified in Article 21 and Article 44, paragraph 1 of the present Law, shall also be included.

The VAT calculated in conformity with paragraphs 1 and 2 of the present Article, shall be reduced by the amount of preliminary tax, in accordance with Articles 28, 30, 34, and 36a of the present Law.

The calculation of the amount of preliminary tax specified in paragraph 3 of the present Article, shall also include the corrections referred to in Articles 31, 31a, 32, 32a, 32b and 40 of the present Law.

The imports VAT shall be deducted from the VAT in the tax period in which it has been paid.

Tax debtor who is not a VAT taxpayer shall calculate VAT for the trade goods and services for the tax period in which the tax obligation has originated in accordance with this Law.

As an exception to the provision of paragraph 1 of the present Article, in the event of transport of passengers by buses, effected as a transborder traffic by foreign taxpayers, the responsible tax authority shall calculate the VAT for every single carriage (hereinafter: singular taxation of carriage), under the condition of reciprocity.

Article 50

A taxpayer shall file a tax return with the responsible tax authority by using the prescribed form, within a 15 day time limit after the expiration of the tax period.

A taxpayer shall file the tax return regardless of whether he has the duty of payment of VAT within the tax period.

Tax return shall also be filed by tax debtors who are not VAT taxpayers within ten days after the expiry of the tax period in which the tax obligation has originated.

Notwithstanding paragraph 1 of this Article, VAT taxpayer who is being struck out from the VAT records shall file a tax return to the competent authority on the day when the request for strike out has been submitted.

Tax return under paragraph 4 this Article shall be filed for the period from the day of beginning of the tax period wherein the request for strike out was submitted until the day of cessation of VAT activities.

Article 50a

With a tax return, the taxpayer shall also file the review of VAT calculation.

If the taxpayer fails to file the review of VAT calculation with the tax return it shall be considered that the tax return has not been filed.

Article 51

A taxpayer shall be obliged to pay the VAT for each tax period, that is equal to positive difference between the total amount of tax duty and the amount of the preceding tax, within the time limit applicable to tax return filing.

Notwithstanding paragraph 1 of this Article, VAT is paid:

1) within 15 days of filing the tax return for the VAT taxpayer referred to in Article 38a, paragraph 1 of this Law;

2) until the day when the request for strike out from the register of taxpayers is submitted for the taxpayer referred to in Article 38a, paragraph 2 this Law.

The tax debtors who are not VAT taxpayers are required to pay VAT in the period prescribed for filing of the tax return.

Article 51a

Taxpayer is required to notify in writing the competent tax authority on change of data from the registration form which are relevant for the calculation and payment of VAT, the latest in the period of five days from the day the change happened.

The payer shall file with the tax return for the last tax period of the calendar year, or the last tax period, to the competent tax authority information on:

1) A person who is not registered for VAT payment obligation in accordance with this Law, who had supplied him from January 1 until the end of the last tax period of the calendar year, or the last tax period in the Republic, with raw materials and services that are directly related to those goods, as well as on the value of that supply;

2) A farmer who is not registered for VAT payment obligation in accordance with this Law, who had supplied him from January 1 until the end of the last tax period of the calendar year, or the last tax period, with agricultural and forest products and agricultural services, as well as on the value of that supply.

Information under paragraph 2 of this Article shall at least contain information on the business name, or first and last name, as well as address and tax ID number of the person referred to in paragraph 2, item 1), and paragraph 2, item 2) of this Article, as well as on the value of the executed supply, without corresponding obligations.

X RETRIEVAL, REIMBURSEMENT AND REFUNDING OF TAX

Tax Refund

Article 52

Should the amount of a preceding tax exceed the amount of tax duty, the taxpayer shall be entitled to refund of the difference.

Should the taxpayer fail to decide on the refund referred to in paragraph 1 of the present Article, the difference shall be granted as a tax credit.

A taxpayer may demand the refund of an unused amount of tax credit specified in paragraph 2 of the present Article by filing a request, at the earliest by the expiry of the time limit for filing a tax return for the current tax period.

The refund specified in paragraph 1 and 3 of the present Article shall be effected within 45 day time limit, at the latest, and/or within 15 days in the case of taxpayers who are engaged predominantly in

the trade of goods intended for abroad, after the expiry of the time limit for filing a tax return if the tax return is timely filed, within the term of 45 days, or within the term of 15 days for payers who mainly participate in foreign trade from the filing date of the tax return that was not filed in a timely manner, and/or from the day of filing the request specified in paragraph 3 of the present Article.

The Government of the Republic of Serbia shall prescribe the criteria to serve as a ground for determining what shall be deemed, in terms of the present Law, a predominant trade of goods intended for abroad.

The minister shall regulate the details of the procedure of realisation of the right to VAT refund, as well as the procedure and conditions for the VAT refund instead of the tax credit.

Reimbursement of VAT to a Foreign Taxpayer

Article 53

VAT reimbursement shall be made to a foreign taxpayer, at his request, for the trade of movable goods and rendered services in the Republic, provided that:

1) VAT for trade of goods and services is indicated in the bill, in accordance with the present Law, and that the bill was paid;

2) the amount of VAT for which a VAT reimbursement application is submitted equals more than 200 Euros in dinars equivalent at the middle exchange rate of the National Bank of Serbia;

3) the conditions under which the VAT taxpayer may be entitled to a preliminary tax deduction for these goods and services are fulfilled in accordance with this Law;

4) he does not carry out trade of goods and services in the Republic, except for the following:

(1) trade of services of transport of goods which are, in accordance with the Article 24, paragraph 1, items 1), 5) and 8) of the present Law exempt from tax;

(2) trade of services of passenger transport which, in accordance with Article 49, paragraph 7 of this Law, are subject to individual taxation of transport;

(3) trade of goods and services for which a VAT payer – one who receives goods or services has an obligation to calculate VAT.

VAT reimbursement in cases specified in paragraph 1 of this Article shall be subject to reciprocity.

Humanitarian Organisations

Article 54

The right to reimbursement, on the ground of a submitted request, shall pertain to organisations registered for humanitarian activity, for the goods that are delivered to them in the Republic, on condition that:

1) the trade of goods is subject to taxation;

2) the VAT for the delivered goods is indicated in the bill, in conformity with Article 42 of the present Law, as well as that the bill has been paid;

3) the acquired goods are forwarded abroad, where they are used in humanitarian, charitable or educational purposes.

Traditional Churches and Religious Communities

Article 55

The right to reimbursement of VAT, on the ground of a filed request, shall pertain to the traditional churches and religious communities - Serbian Orthodox Church, Islamic Community, Catholic Church, Jewish Community, Reformatory Christian Church and Evangelical Christian Church a.v.

(hereinafter: traditional churches and religious communities), for the goods delivered to them in the Republic or imported by them, and that are directly connected with religious activity, on condition that:

1) the trade of goods and services, and/or import of goods are taxable;

2) the VAT on the goods delivered goods, and/or services rendered is indicated in the bill, in conformity with Article 42 of the present Law, as well as that the bill has been paid by a person who has the right to reimbursement of VAT in accordance with this Article, and/or that the owed VAT on the ground of imports has been previously paid.

Reimbursement of VAT to Diplomatic and Consular Representation Offices and International Organizations

Article 55a

Should a diplomatic and/or consular representation office or an international organization, and/or a person specified in Article 24, paragraph 1, item 16) of the present Law fail to decide on effecting the acquisition or import of goods, and/or accept services intended for their official and/or personal needs, with tax exemption, shall be entitled to the reimbursement of VAT.

The right to reimbursement of the VAT on the ground of a filed request, and under the conditions prescribed by the present Law for the realization of the tax exemption, may be realised by the persons specified in paragraph 1 of the present Article if:

1) the deliveries or import of goods, and/or services supplied are VAT taxable;

2) VAT for the trade of goods and services is indicated in the bill, in conformity with the present Law, and if the bill has been paid, and/or if the VAT that is owed on the ground of import has been paid;

3) the total value of the goods and services, indicated in the bill, and/or the value of goods, indicated in the customs document, exceeds 50 EUR, excluding the VAT, except for the acquisition of fuel for motor vehicles.

Article 56

(Deleted)

Refunding of VAT to the purchaser of the first apartment

Article 56a

The individuals right to refunding of VAT for purchasing the first apartment, based on the submitted request, - who is of legal age and citizen of the Republic, with a residence in the territory of the Republic, who purchases his first apartment (hereinafter: purchaser of the first apartment).

Purchaser of the first apartment can realize refunding of VAT from the first paragraph of this Article, under the following conditions:

1) that from the 1st of July 2006 until the day of verification of the purchase/sale agreement upon which he acquires his first apartment, he did not have in his ownership and/or co-ownership the apartment on the territory of the Republic;

2) that the agreed price of the apartment with the VAT is completely paid to the current account of the seller, i.e. to the appropriate accounts in accordance with the law in the case of sale of an apartment as a mortgaged real estate, i.e. in an enforcement procedure when the payment of the apartment's price with VAT is made by payment to the appropriate accounts in accordance with the law.

Notwithstanding paragraph 2, item 2) of the present Article, for the purchase of the apartment under non-profit conditions by a entity of a local government or a non-profit housing organization established by a local governments for the implementation of the activities arranged by regulations

in the field of social housing, tax refund referred to in paragraph 1 of this Article can be achieved under condition that amount of the purchase price for the apartment with VAT paid on the current account of the seller is not less than the amount of VAT calculated for the first transfer of the right to disposal on the apartment.

The right to refunding of VAT from the paragraph 1 of this Article can be realized for the apartment of the size not exceeding 40 m^2, for the purchaser of the first apartment, and for each member of his family household, who did not have in their ownership and/or co-ownership apartment on the territory of the Republic, not exceeding 15 m^2 in the period stated in the paragraph 2, item 1) of this Article, and for ownership share in the apartment up to the surface proportionate to the share of ownership in relation to the surface of up to 40 m^2 or 15 m^2.

If the purchaser of the first apartment purchases the apartment of a size greater than that for which he has the right to refund the VAT according to the paragraph 4 of this Article, he can realize his right up to the sum which responds to the size of the apartment from the paragraph 4 of this Article.

Family household of the purchaser of the first apartment is considered to be, in terms of the paragraph 4 of this Article, the joint living, earning and spending the income of the purchaser of the first apartment, his spouse, purchaser's children, purchaser's adopted children, his spouse's children, his spouse's adopted children, purchaser's parents, his adopters, his spouse's parents, his spouse's adopters, with the same residence as the purchaser of the first apartment.

The right to refunding of VAT from the paragraph 1 of this Article does not have:

1) the purchaser of the apartments who has realized his right to refunding of VAT based on the purchasing of the first apartment;

2) the member of the family household for whom the purchaser of the first apartment has realized refunding of VAT, in the case when that member of the family household purchases the apartment;

3) the purchaser of the apartment who has acquired the first apartment without the seller's obligation to pay, for trading that apartment, the tax for the transfer of the absolute rights, based on the purchasing of the first apartment in accordance with the law which regulates tax on property;

4) the member of the family household of the purchaser of the first apartment who has acquired the first apartment without the seller's obligation to pay, for trading of that apartments, the tax for the transfer of the absolute rights, based on the purchasing of the first apartment in accordance with the law which regulates tax on property, and for whom that tax exemption has been realized.

The authorized tax body, following the executed procedure of control of the fulfillment of the conditions for the exercise of the right to a refund of VAT, which must be met on the day of court certification of a contract on sale and purchase of an apartment, except the conditions specified in paragraph 2, item 2), or paragraph 3 of this Article that must be met on the day of application for refund of VAT, decides on the VAT refunding for the purchaser of the first apartment.

The authorized tax body keeps the record of the purchasers of the first apartment and the members of the family households of the purchasers of the first apartment for whom the purchasers of the first apartment have realized refunding of VAT, as well as of the sum of the realized refunding of VAT.

Article 56b**

(Repealed)

Article 57

The mode and the procedure of reimbursement and refunding of tax referred to in Art. 53-56a of the present Law, as well as what shall be considered as goods and services directly connected with religious activity in terms of Article 55 of the present, Law shall be regulated in details by the minister.

XI SPECIAL REGULATIONS FOR THE IMPORTS OF GOODS

Article 58

Unless otherwise specified by the present Law, the VAT applicable at the imports of goods shall be subject to customs regulations.

Article 59

Unless otherwise specified by the present Law, responsible for the calculation and the collection of VAT at the imports of goods, shall be the customs authority conducting the customs procedure.

Articles 60 and 60a*

(Repealed)

XIII TRANSITIONAL REGIME

Article 61

The Government of the Republic of Serbia shall regulate the enforcement of the present Law in the territory of the Autonomous Province of Kosovo and Metohija in the period of validity of the UN Security Council Resolution number 1244.

XIV TRANSITIONAL AND CONCLUDING PROVISIONS

Article 62

The provisions of the present Law shall apply to the entire trade of goods and services effected from 1 January 2005.

If a taxpayer, for issued bills or received advance payments by 31 December 2004 inclusive, has paid the turnover tax, while the trade of goods and/or services has taken place from 1 January 2005, such taxpayer may reduce the tax duty, by the amount of the paid turnover tax, on the ground of the value added tax relating to the delivered goods and services in the tax period.

Should the goods or services be delivered in parts, in terms of Article 14, paragraph 4 and Article 15, paragraph 3 of the present Law, the provisions of the present Law shall apply to that part of the trade of goods and services which is effected from 1 January 2005, while the provisions of the law regulating the turnover tax shall apply to the part of the trade effected until 31 December 2004 inclusive.

The taxpayer shall be obliged to compose a list of issued bills and received advance payments, specified in paragraph 2 of the present Article, and shall deliver the list to the responsible tax authority until 15 January 2005, at the latest.

Article 63

A person who, in the 12 months preceding the day of filing the record keeping application form,

specified in Article 37, item 1) of the present Law, has realised, or has estimated that he is going to realise in subsequent 12 months, a total trade of goods and services exceeding 2,000,000 dinars, shall be obliged to submit to the responsible tax authority a record keeping application form relating to VAT, until 30 September 2004, at the latest.

A person who, in the 12 months preceding the day of filing the record keeping application form, specified in paragraph 1 of the present Article, has realised, or has estimated that he is going to realise in subsequent 12 months a total trade of goods and services exceeding 1,000,000 dinars, may submit to the responsible tax authority a record keeping application form until 30 September 2004, at the latest.

Article 64

Persons who are VAT payers in conformity with the present Law, shall be obliged to make an inventory of stock, on 31 December 2004, of the tobacco manufactured products, alcoholic beverages, coffee, gasoline, diesel fuel and heating oil, intended for further trade, and shall determine the amount of turnover tax on products included in these stocks, that has been calculated through the buying price or at the imports.

The determined amount of tax specified in paragraph 1 of the present Article may be used by the taxpayer as a preliminary tax, in conformity with provisions of the present Law, should he use these products in performing the trade of goods and services, while being entitled to the preliminary tax deduction.

The deduction of preliminary tax specified in paragraph 2 of the present Article may be realised in the amount corresponding to the proportionately effected trade of goods and services in the subsequent tax periods.

The taxpayer shall not be entitled to refund of the determined amount of turnover tax, specified in paragraph 1 of the present Article.

Inventory lists referred to in paragraph 1 of the present Article, as well as the list of suppliers, and/or import customs declarations relating to products specified in paragraph 1 of the present Article, shall be delivered by the taxpayer to the responsible tax authority until 15 January 2005, at the latest.

The minister shall regulate the details of the mode of realisation of the right to turnover tax deduction as a preliminary tax.

Article 65

Persons who are VAT payers in conformity with the present Law shall be obliged to make, on 31 December 2004, an inventory of newly constructed building structures and building structures whose construction is in course.

The newly constructed building structures that are not delivered or paid until 31 December 2004, shall be taxed in conformity with the law regulating the property taxes.

The value of a building structure whose construction is in course, and that is to be delivered from 1 January 2005 on, shall be determined on 31 December 2004, and shall be taxed in conformity with the law regulating the property taxes.

The value of a building structure referred to in paragraph 3 of the present Article, that will take place from 1 January 2005, shall be taxed in conformity with the present Law.

The inventory lists specified in paragraph 1 of the present Article shall be forwarded to the responsible tax authority by the taxpayer until 15 January 2005, at the latest.

Article 66

The duties of calculation and payment of turnover tax relating to products and services, that have taken place until 31 December 2004, shall be subject to the Law on Turnover Tax ("Official Herald of the RS", Nos. 22/2001, 73/2001, 80/2002, and 70/2003).

Article 67

On the day of entering into force of the present Law, the Law on Value Added Tax ("Official Gazette of the FRY", Nos. 74/1999, 4/2000, 9/2000, 69/2000, and 70/2001) shall cease to be valid.

On 1 January 2005 the Law on Turnover Tax ("Official Herald of the RS", Nos. 22/2001, 73/2001, 80/2002, and 70/2003), and the regulations enacted on the ground of that Law, shall cease to be valid, provided the Decree on the Mode of Keeping Trade Records by Means of Fiscal Memory Cash Registers, and on the Dynamics of Introducing such Cash Registers ("Official Herald of the RS", Nos. 5/2003, 39/2003, 72/2003, 2/2004, and 31/2004), and the regulations enacted on the ground of that Decree, shall apply until the beginning of implementation of a law that is going to regulate the keeping of trade records by means of fiscal cash registers.

Article 68

The present Law shall enter into force on the eighth day from the day of publication in the "Official Herald of the Republic of Serbia", and shall apply from 1 January 2005, except for the provisions of Article 37, item 1), Article 63 and the provisions of the present Law that include the powers for enactment of by-laws, which provisions shall apply from the day of entering into force of the present Law.

Independent Articles of the Law on Amending the Law on Value-Added Tax

("Official Herald of the RS", No. 61/2005)

Article 30

Persons engaged in the trade of goods and services specified in Article 25, paragraph 2, item 7) of the Law on Value-Added Tax ("Official Herald of the RS", Nos. 84/04 and 86/04) for whom the ministry in charge of health-care affairs has paid the VAT, for goods covered by a contract on donation and humanitarian assistance, shall be entitled to the refund of VAT that was paid at the moment of acquisition of goods in the Republic, and/or at the moment of import, from 1st January 2005 until the coming into force of the present Law.

The right to refund of the VAT paid at the moment of acquisition of goods and services in the Republic, and/or at the moment of import, within the time limits referred to in paragraph 1 of the present article, shall pertain also to the traditional churches and religious communities for the goods and services directly connected with religious activity.

The minister in charge of financial affairs shall regulate in details the procedure of realization of right to the refund of VAT, as well as what shall be considered as goods and services directly connected with religious activity in terms of the present Article.

Article 31

The provisions of Article 14 of the present Law in the part relating to division of the preliminary tax and to the mode of determining the proportionate tax deduction shall apply from 1st October 2005, and in the part relating to correction of the proportionate tax deduction - from 1st January 2006.

Article 32

The present Law shall come into force on the eighth day from the day of publishing in the "Official Herald of the Republic of Serbia".

Independent Articles of the Law on Amending the Law on Value-Added Tax

("Official Herald of the RS", No. 61/2007)

Article 25

The taxpayer who has realized, in 2007, the total trade of goods and services except for the trade of equipment and installations intended for performing an activity (hereinafter: total trade) which is less than 2.000.000 dinars, shall not calculate and pay VAT for the trading of goods and services which are performed from the 1st of January 2008.

Article 26

The tax payer who has realized, in 2007, the total trade which is greater than 2.000.000 dinars but less than 4.000.000 can opt for the duty of calculating and paying VAT if he delivers the written information, to the authorized tax body, in time for submitting tax report for the last tax period of 2007.

The written information from the paragraph 1 of this Article includes the data about:

1) name, address and TIN (tax identification number) of the taxpayer;

2) place and date of information;

3) amount of realized trade in 2007.

The taxpayer from the paragraph 1 of this Article who has not delivered the written information to the authorized tax body in a period provided for in the paragraph 1 of this Article, does not calculate and pay VAT for the trading of goods and services in which he is involved from the 1st of January 2008.

Article 27

The taxpayer from the Article 25 and 26 paragraph 3 of this Law has the obligation, based on the actual state at the 31st of December, to make an inventory of goods for which obtaining he has realized his right for discounting the previous tax, as follows:

1) supply of goods obtained from the 1st of January 2005;

2) equipment and buildings for performing activity for which, at the 1st of January 2008, there is an obligation of correcting previous tax discount;

3) goods, except goods from the items 1) and 2) of this paragraph, which have been obtained from the day of entering into force of this Law.

The taxpayer from the paragraph 1 of this Article has the obligation to determine the amount of the realized previous tax discount for the goods from paragraph 1 items 1) and 3) of this Article, to make the correction of the previous tax discount for the goods from the paragraph 1 item 2) of this Article and to determine, for these goods, the amount of the corrected previous tax discount in accordance with the Law.

The tax payer has the obligation to deliver the inventory lists, from the paragraph 1 of this Article, to the authorized tax body until the 20 th of January 2008. at latest.

The taxpayer has the obligation to pay the determined amount of the realized previous tax discount and amount of the corrected previous tax discount from the paragraph 2 of this Article, until the 20 th of February 2008.

The minister in charge of financial affairs shall regulate the content of inventory lists from the paragraph 1 of this Article, as well as the method of determining the amount of the realized previous tax discount from the paragraph 2 of this Article.

Article 28

A fine from 100.000 to 1.000.000 dinars shall be imposed, for violation, on the taxpayer-juridical entity, if:

1) he does not determine the amount of realized and amount of corrected previous tax discount (Article 27 paragraph 2 of this Law);

2) he does not deliver the inventory lists in a prescribed time (Article 27 paragraph 3 of this Law);

3) he does not pay determined amount of realized and amount of corrected previous tax discount in a prescribed time (Article 27 paragraph 4 of this Law).

A fine from 10.000 to 50.000 dinars shall be imposed on the responsible person in juridical entity for the violation from the paragraph 1 of this Article.

A fine from 12.500 to 500.000 dinars shall be imposed on the taxpayer - entrepreneur for the violation from the paragraph 1 of this Article.

A fine from 5.000 to 50.000 dinars shall be imposed on the taxpayer - natural person for the violation from the paragraph 1 of this Article.

Article 29

The right to refunding VAT from the Article 22 of this Law can be realized only on the basis of purchase/sale apartment agreement which has been verified after the entering in force of this Law.

Article 30

The minister in charge of financial affairs shall bring the regulation from the Article 27 paragraph 5 of this Law within 90 days from the day of entering this Law into force.

Article 31

The provisions of Article 11, Article 12 paragraph 2, Article 14 paragraphs 1 and 2 and Article 15 of this Law shall apply from 1st of January 2008.

Article 32

This law shall enter into force on the eighth day from the day of publishing in the "Official Herald of the Republic of Serbia".

Independent Articles of the Law on Amending the Law on Value-Added Tax

("Official Herald of RS", No. 93/2012)

Article 50

Filing tax returns, VAT payment and qualifying for VAT refund for the tax period in 2012 shall be performed in accordance with the provisions of the Law on Value Added Tax ("Official Herald of RS", No. 84/04, 86/04 - correction, 61/05 and 61/07).

Article 51

VAT taxpayer who has opted for payment of VAT until 15 January 2012 may submit an application for strike out from the VAT records, in accordance with this Law, to the competent tax authority,

starting on 1 January 2014.

Article 52

This law shall enter into force on the day following the day of its publication in the "Official Herald of the Republic of Serbia", and shall be applied from the 1 January 2013, except for the provisions of Article 15, Article 26, paragraph 2, and Article 45, which will apply from 1 October 2012, Article 32, which shall apply from 31 December 2012, as well as the provisions of this Law that contain authority to adopt by-laws, which shall apply from the date of entry into force of this Law.

Independent Article of the Law on Amending the Law on Value-Added Tax

("Official Herald of RS", No. 108/2013)

Article 3

This law shall enter into force on the day that follows the day of its publication in the "Official Herald of the Republic of Serbia" and shall apply from 1 January 2014.

Independent Article of the Law on Amending the Law on Value-Added Tax

("Official Herald of RS", No. 142/2014)

Article 2

This law shall enter into force on the day that follows the day of its publication in the "Official Herald of the Republic of Serbia", and shall apply from 1 January 2015.

Independent Articles of the Law on Amending the Law on Value-Added Tax

("Official Herald of RS", Nos. 83/2015, 108/2016 and 113/2017)

Article 34

For a taxable traffic of goods and services which is performed after the beginning of application of this law, and for which, before beginning of application of this law fee or part of the fee was paid, the tax debtor for that traffic shall be determined in accordance with the Law on Value-Added Tax ("Official Herald of RS", No. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - other law and 142/14).

Article 35

If after the entry into force of this Law the conditions ceased to exist under which the transfer of property or part of property was considered as not performed in line with Article 6, paragraph 1, item 1) of the Law on Value-Added Tax ("Official Herald of RS" No. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - other law and 142/14), the provisions of this Law shall apply.

Article 36

As of the day of beginning of application of this Law the legal effect of the tax power of attorneys given to persons under Article 10, paragraph 1, item 2) of the Law on Value-Added Tax ("Official Herald of RS" No. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - other law and 142/14) shall cease.

Article 37

The provisions of this Law which include the authorization to adopt by-laws shall apply from the day of entry into force of this Law.

The provisions of this Law relating to the application and approval for tax proxy shall apply from 1 October 2015.

Article 38

This Law shall enter into force on the day that follows its publication in the "Official Herald of the Republic of Serbia" and shall apply as of 15 October 2015, except for the provisions of Article 29 of this Law which shall apply from 1 January 2016 and the provisions of Article 25, Article 27, paragraph 1 and Article 30 of this Law, which shall apply from 1 July 2018.

Independent Articles of the Law on Amendments and Supplements to the Law on Value-Added Tax

("Off. Herald of RS", Nos. 108/2016 and 30/2018)

Article 11

The day of execution of trade, for the delivery of electric energy, natural gas and energy for heating, i.e. cooling, which is done through the transmission, transportation and distribution network, in case of the person referred to in Article 11, paragraph 1, item 4) of the Law on Value-Added Tax ("Official Herald of RS", Nos. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - other law, 142/14 and 83/15), in the last tax period of the 2016 is determined in accordance with that law.

Article 12

Right to a VAT refund for baby food and equipment for babies born in the period ending with 30 June 2018, is exercised in accordance with Article 56b of the Law on Value-Added Tax ("Official Herald of RS", Nos. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - other law, 142/14 and 83/15).

Article 14

The provisions of Article 4 of this Law shall apply from 1 April 2017, except for the provision that contains the authorization to adopt subordinate legislation, which shall apply from the day of entry into force of this Law.

The provisions of Article 9 of this Law shall apply from the day of the start of application of the law on financial support to families with children governing one-off payment of cash funds for the purchase of baby equipment.

Article 15

This law enters into force on 1 January 2017.

Independent Articles of the Amendments and Supplements to the Law on Value-Added Tax

("Off. Herald of RS", No. 113/2017)

Article 9

If for the trade of goods and services referred to in Article 1 of this Law, which is carried out from the day of entry into force of this Law, a fee or part of the fee had been paid before the day of entry into

force of this Law, such trade is considered to have been carried out in accordance with the Law on the Value Added Tax ("Official Herald of RS", Nos. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - other law, 142 / 14, 83/15 and 108/16).

Article 10

A VAT payer who has the right to opt for VAT calculation on the trade of investment gold within the meaning of Article 6 of this Law and who decides to keep calculating the VAT for such trade starting from 1 April 2018, is obliged to deliver to the competent tax authority, by March 31, 2018, a notification on opting for VAT calculation for the trade of investment gold.

If the VAT payer referred to in paragraph 1 of this Article fails to deliver to the competent tax authority the notification on opting for the VAT calculation for the trade of investment gold by 31 March 2018, a special taxation procedure provided for in Article 6 of this Article shall apply to the trade of investment gold of such VAT payer.

Article 11

A buyer of an apartment who purchased the apartment as a mortgaged real estate before the day of entry into force of this Law, i.e. , i.e. made such purchase in the enforcement procedure and paid in full the agreed price of the apartment with VAT to the corresponding accounts in accordance with the law, and who, on the basis of the submitted request, did not receive a VAT refund based on the purchase of the first apartment in accordance with the Law on Value Added Tax ("Official Herald of RS", Nos. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 - other law, 142/14, 83/15 and 108/16), has the right to submit a new VAT refund request to the competent tax authority on the basis of purchase of the first apartment.

Article 13

The provisions of Article 6 of this Law shall apply from 1 April 2018, except for the provision that contains the authority for the adoption of secondary legislation, which shall apply from the day of entry into force of this Law.

Article 14

Provisions of Articles 2 and 7 of this Law shall apply from 1 January 2019, with the exception of the provision of Article 2 of this Law, which contains the authorization for passing of secondary legislation, which shall be applied from the day of entry into force of this Law.

Article 15

This Law enters into force on 1 January 2018.

Independent Article of the Law on Amendments and Supplements to the Law on Value-Added Tax

("Off. Herald of RS", No. 30/2018)

Article 6

The present Law enters into force on the eighth day from the day of publication in the "Official Herald of the Republic of Serbia", and shall become applicable as of 1 July 2018 except for the provisions of Article 4 of the present Law which shall become applicable as of 1 January 2019.

PUBLISHER'S NOTE

* Articles 60 and 60a of the Law on Value-Added Tax ("Official Herald of RS", No. 84/2004, 86/2004 - correction, 61/2005, 61/2007, 93/2012, 108/2013 and 6/2014 - harmonized dinar amounts) ceased to apply on 4 July 2014, the day the Law on Amendments to the Law on Tax Procedure and Tax Administration ("Official Herald of RS", No. 68/2014) entered into force.

For easier determination of harmonized dinar amounts, applicable harmonized dinar amounts that shall be published by the Government in accordance with Article 56b, paragraph 6 of the Law on Value-Added Tax, shall be presented by the Editorial Board in this version of the revised text within the Law itself. Therefore, the revised version of the text shall also state the issuing number of the Government publication where in the appropriate Government acts determining the dinar amounts were published.

** Article 56b, which was deleted by the Article 9 of the Law on Amendments and Supplements to the Law on Value-Added Tax ("Off. Herald of RS", No. 108/2016), which is applied up to the effective day of the Law on Financial Support to Families with Children ("Off. Herald of RS", No. 113/2017 and 50/2018), i.e. up to 1 July 2018, with harmonized dinar amounts published in "Off. Herald of RS", No. 4/2019, reads as follows:
"A parent, or a guardian of a baby, adult citizen of the Republic, with a domicile in the territory of the Republic, who buys food and baby equipment (hereinafter referred to as: the buyer of food and equipment for babies) is entitled to a refund of VAT for the purchase of food and equipment for babies subject to submitted application.
Buyer of food and baby products may achieve the VAT refund referred to in paragraph 1 of this Article, provided that:
1) the total net income of parents or guardians of the baby in the year preceding the year in which the application is made under paragraph 1 of this article was less than 1.081.036,19 dinars and that the total assets of parents or guardians of the baby that are subject to property taxes, in accordance with the regulations governing the property tax, is less than 26.350.256,84 dinars;
2) he possesses a fiscal receipt issued by the seller in accordance with the regulations governing the fiscal cash registers.
Right to VAT refund under paragraph 1 of this article may be exercised up to the amount of 78.825,55 dinars for a baby up to two years of age, more precisely up to 45.043,17 dinars in the baby's first year, and up to 33.782,38 dinars in the second.
Dinar amounts specified in paragraph 2, item 1), and paragraph 3 of this article are adjusted with yearly consumer price index in the calendar year that proceeds the year in which the adjustment is made, according to data of the republic's authority responsible for statistics.
In harmonization of dinars amounts in accordance with paragraph 4 of this Article, bases for harmonization are last published harmonized amounts.
The Government of Republic of Serbia shall be authorized to publish harmonized amounts from paragraph 4 of this Article.
Food and baby products under paragraph 1 of the present Article include:
1) milk for infants;
2) porridges;
3) baby beds;
4) strollers;
5) high chair;
6) car seats;
7) diapers.
Competent tax authority, after the completion of the process of control of fulfillment of conditions for exercise of right to a VAT refund, which conditions must be fulfilled on the day of application for VAT refund, issues a decision on refunding VAT to the buyer of food and baby products.
Competent tax authority shall maintain records on refunding of VAT for the purchase of food and baby products, and on the amount of achieved VAT refunds."
Pursuant to Article 12 of the Law on Amendments and Supplements to the Law on Value-Added Tax Act ("Off. Herald of RS", No. 108/2018 and 30/2018), the right to VAT refunds for food and baby equipment, for babies born until 30 June 2018, is realized in accordance with Article 56b of the Law on Value-Added Tax ("Off. Herald of RS", No. 84/2004, 86/2004 - correction, 61/2005, 61/2007, 93/2012 , 108/2013, 6/2014 - adjusted dinar amounts, 68/2014 - other law, 142/2014, 5/2015 - adjusted dinar amounts and 83/2015).