

The Unified Rulebook on VAT entered into force on April 22, and came into force on July 1 this year. This regulation systematizes and unifies the regulations from 27 ordinances, clarifies certain doubts in the application of VAT rules and makes it easier for taxpayers to harmonize their operations with the rules of the VAT system.

Years ago, the Serbian economy faced extensive regulations and a large number of regulations governing the area of value added tax (VAT). In the “White Book” of the Council of Foreign Investors in tax reforms in the field of VAT, this problem takes the first place. The VAT system has so far been regulated by the Law on VAT, with the help of 27 ordinances which elaborate certain VAT institutes, as well as three regulations which prescribe special issues in the field of VAT. In addition, these regulations are accompanied by over six thousand opinions of the Ministry of Finance, which further complicates the application of VAT regulations, writes Slobodan Trivic, an expert in improving the business environment on USAID’s Economic Development, Business and Finance Cooperation Project.

Essentially, for any issue in the field of VAT, it is not enough for the taxpayer only to consult the Law on VAT, but he must find in which rulebook the specific issue is regulated in more detail, then check whether the Ministry of Finance has issued an opinion on that issue, and finally to consult the practice of the Tax Administration. Only after these steps, it can be said that the taxpayer has applied the regulations in the field of VAT with due care.

According to the global survey “Paying Taxes - The compliance burden”, by the auditing and consulting company PwC, taxpayers spend a third more time than necessary to meet their tax obligations due to the complicated tax procedure. Therefore, the unification of all regulations in the field of VAT, as well as their improvement, was a necessary and important solution that will save the Serbian economy significant time and facilitate the fulfillment of obligations in the VAT system.

Clarifications and simplification of procedures

The Ministry of Finance has intended to draft a single Rulebook on VAT for years, but the start of this extensive and complex work has been constantly delayed. That is why USAID’s Economic Development Cooperation Project offered support to the Ministry of Finance in drafting a single Rulebook. With the help of tax experts from the consulting company Deloitte, a proposal for a single Rulebook on VAT was prepared in nine months.

The numbers and areas of VAT that were worked on speak of the complexity and scope of this work. Together with the Ministry of Finance, a team of experts merged 27 VAT ordinances into a single regulation implementing the provisions of the VAT Act. According to our findings, the expert team reviewed about 1,760 provisions of the existing VAT regulations contained in about 300 articles. A total of 350 interventions were made on 266 provisions, in the form of amendments, additions or deletions of a certain provision. Interventions included: clarifications (resolving problems in interpreting an existing provision by amending it or drafting a new provision clarifying practical issues);

simplification (some VAT procedures have been simplified); normative-technical harmonization (adaptation or deletion of provisions from the existing VAT ordinances in order to prepare the normative text of the unified VAT Ordinance). Out of the total number of interventions, the most numerous were clarifications of provisions (49.71%), 30% of provisions referred to normative-technical harmonization of the text, while 20.29% of interventions led to simplification of procedures and procedures from VAT.

It can be seen from the above that the drafting of a single Rulebook on VAT did not include only merging and normative harmonization of 27 rulebooks into one bylaw, although such work could be considered a great undertaking and a major step in improving the regulatory framework of the VAT system in Serbia. As a final result, our country has received a single Rulebook on VAT which introduces numerous improvements in the VAT system, through clarifications of doubts that existed in practice and simplification of certain procedures for VAT payers and tax authorities.

Most interventions were performed in the areas of determining and changing the VAT base, replacement of goods within the warranty period, correction of previous tax deductions, transfer of property free of charge, construction services, real estate services, as well as leasing of goods. The least changes were in the area of VAT records, registration procedures in the VAT system, VAT refunds and the application of special VAT rates. The reason is primarily that most issues in these areas require prior amendments to VAT laws or other regulations for which the Ministry of Finance does not have the authority to make amendments, such as special regulations.

How can taxpayers prepare for the new VAT Ordinance?

Given the importance of this topic and the need to help the economy better understand regulatory regulations and trends, the Ministry of Finance and USAID's Economic Development Cooperation Project have implemented a number of activities. A public discussion on this topic, with a review of the most important issues and concerns in this area, was held in June last year.

Material was also prepared for taxpayers in order to get to know each other better and prepare for the application of the Rulebook. In addition, a detailed guide to the application of VAT for small and medium enterprises has been published. It enables SMEs to find taxpayers easily and quickly answers to questions about the application of certain institutes of the Law on VAT, learn the specifics of the application of VAT for certain sectors, but also have a practical tool at hand to help them harmonize business with VAT regulations and prepare well for VAT controls.

The VAT system in Serbia is regulated in detail and strictly controlled, because it represents one of the most important public revenues of the state budget. Therefore, VAT payers must be well acquainted with this system in order to take full advantage of the benefits it provides. The Unified Rulebook on VAT is therefore a very important regulation, which

systematizes and unifies the regulations from 27 rulebooks, clarifies certain doubts in the application of VAT rules and makes it easier for taxpayers to harmonize their operations with the rules of the VAT system.

For these reasons, it was crucial that such a regulation, although a bylaw that does not provide for an obligation to hold a public hearing, be presented to taxpayers through a public discussion, so as not to waste time adjusting when it enters into force, and to draw attention to problems in practice and propose changes to improve this important matter. The Unified Rulebook on VAT entered into force on April 22, and started to be applied on July 1 this year, RTVNP reports.