

Chapter 33: Financial and budgetary provisions

This chapter covers the rules concerning the financial resources necessary for the funding of the EU budget ('own resources'). These resources are made up of the following: traditional own resources, especially customs duties, including duties on agricultural products and sugar levies, which are levied by the Member States on behalf of the EU; a resource based on value added tax; and finally, a resource based on each Member State's gross national income. Member States must have appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources. The *acquis* in this area is directly binding and does not require transposition into national law.

I. TRADITIONAL OWN RESOURCES

1. Which departments are responsible for levying import duties (customs duties and agricultural duties) and possible other charges levied on goods entering your country?

Under Article 30 of the Customs Law (Official Gazette of RS, No 18/2010 of 26 March 2010), customs duties are levied on goods imported into a customs territory, at rates established by the Customs Tariff that is prescribed by the Customs Tariff Law (Official Gazette of RS, Nos 62/2005, 61/2007 and 5/2009 of 22 January 2009).

The Customs Administration levies customs and other import duties under the Customs Tariff Law adopted by the National Assembly of the Republic of Serbia and the Regulation on Harmonisation of the Customs Tariff Nomenclature for the year 2010 (Official Gazette of RS, No 66/2010 of 15 September 2010) adopted by the Government of the Republic of Serbia.

Customs duties are calculated and levied on goods imported into the customs territory of the Republic of Serbia by applying the customs rate from column 4 of the Customs Tariff on the customs value of goods (the *ad valorem* method).

Notwithstanding paragraph 1 of this Article, in regard to goods from column 4 of the Customs Tariff for which, in addition to the customs duties rate, specific customs duties in minimum and maximum amount are prescribed, the following rule is in force: when customs duties calculated by the *ad valorem* method are lower than specific duties, the minimum specific customs duties are applied; when customs duties calculated at the *ad valorem* method are higher than maximum specific duties, the maximum specific customs duties are applied.

Euro-denominated specific customs duties are collected in the dinar equivalent at the official exchange rate valid on the day of determining the amounts of import duties.

Rates stipulated by the Customs Tariff apply on goods originating in countries to which the clause of most-favourable preferential treatment is applied or countries applying this clause to goods originating from the Republic of Serbia.

Rates stipulated by the Customs Tariff, increased by 70%, apply on goods imports from other countries.

Under the Decision on Establishment of Agricultural and Food Products Subject to Special Import Duty and the Amount of Special Duty (Official Gazette of RS, No 109/2009 of 25 December 2009) and the Decision on Seasonal Customs Duties Rates on Imports of Certain Agricultural Products (Official Gazette of RS, No 27/2010 of 28 April 2010), adopted by the Government of the Republic of Serbia, customs authorities levy the prescribed agricultural duties and seasonal customs duties.

The Customs Administration as an executive authority does not establish import duties, but only applies the duties prescribed based on the above regulations.

2. For each relevant department, please give details of:

a) The general organisation set-up (central departments and external services);

The organisation set-up of the Serbian Customs Administration is presented in Annex 1.

b) Collecting, accounting and control procedures.

The regulations in force on the day of acceptance of a customs declaration are applied in the customs procedure for which the goods are declared, unless otherwise prescribed by law. As a rule, the customs debt is generated at the moment of acceptance of customs declaration.

The customs debt is calculated in line with regulations and based on data available to the customs authority. After calculation, the debtor is informed of the amount of debt, unless the customs declaration contains, as its integral part, the exact amount of debt to be paid, in which case the debtor is not specially informed. The debt must be paid within 8 days from the day of receiving information. Goods are not released before the customs debt has been paid or a security lodged for its payment. A customs debtor, on his request, may be allowed to periodically pay the customs debt for several importation activities, provided that he lodges a security for such periodical payment, while the payment must be made within 30 days from the day of recording the customs debt. In cases prescribed by the Customs Law, a customs debtor, on his request, may be granted a complete or partial deferral of customs debt payment. The approval of deferred payment depends on the lodgement of security by the applicant (cash deposit or a bank guarantee). The deferral deadline is 30 days and is calculated from the day of recording the amount of duty by the customs authority. Default interest is charged on the amount of debt that has not been paid within the deadline prescribed and measures are taken for the collection of debt, including enforced collection. A bank guarantee containing the "no objection clause" is a form of security for the customs debt collection. Once a debtor submits the guarantee, he may remove the goods from customs supervision. The guarantee may not be withdrawn before paying the customs debt arising during the validity of the guarantee. Until he settles his obligations under the previous guarantee, the customs debtor cannot submit another bank guarantee. Special records are kept on accepted bank guarantees and their use.

Furthermore, if established in post-clearance control procedures, both on the party's request and *ex officio*, that regulations governing the customs procedure were implemented based on untrue or incomplete data, the customs authorities will, in line with the regulations, take necessary measures for the proper implementation of the procedure taking account of the newly arisen circumstances. This could lead to the adoption of the decision stipulating subsequent calculation and collection of customs duties, other import duties and VAT, provided these duties and VAT were wrongly calculated, i.e. calculated in lower than prescribed amounts. If customs duties, other import duties and import VAT were collected in a higher than prescribed amount, a repayment will be made. The Customs Administration is responsible for adopting the decision on the subsequent calculation and collection of customs duties, other import duties and VAT paid in lower than prescribed amounts. Under the customs authority's decision on the higher than prescribed paid amount of VAT, the repayment is made under the prescribed procedure with tax authorities.

3. Are there separate accounts to distinguish recovered debts and outstanding debts?

The Customs Administration keeps special records on paid customs bills and outstanding customs bills. There are no separate accounts to distinguish recovered debts and outstanding debts.

4. What was the revenue from import duties for the year 2009? Please provide a breakdown of the total yield by your country's imports originating from the Union's current Member States (EU-27) and the rest of the world?

– What was the revenue from import duties for the year 2009?

The Customs Administration determines and collects revenue from customs duties and other import duties (hereinafter: customs duties). The collected customs revenue represents revenue of the Republic of Serbia's budget.

Payment and recording of revenue collected from the customs duties are made through the customs revenue accounts opened in the name of the Customs Administration and customs offices, within the Consolidated Treasury Account.

Upon the order of the Customs Administration, the Treasury Administration makes daily distribution of the paid customs duties from the customs revenue accounts to the public revenue accounts opened at the level of the Republic, by the type of revenue (customs fees, customs duties and other import duties). The distribution from these accounts is made to the Republic of Serbia budget accounts.

Such method of customs revenue payment and recording enables everyday control and informing of competent authorities of collected and distributed customs revenue by type.

In 2009, the revenue from import duties and charges amounted to RSD 48,039,764 thousand:
(RSD thousand)

No	Type of revenue	Amount
1.	715111-Customs fees	13,554
2.	715121-Customs duties	47,438,540
3.	715191-Special duty on imports of agricultural and food products	587,605
4.	715192-Customs clearance fees	65
5.	Total	48,039,764

Source: Treasury Administration – **Please provide a breakdown of the total yield by your country's imports originating from the Union's current Member States (EU-27) and the rest of the world?**

Regular goods imports from 1 January 2009 to 31 December 2009

	EUR
Goods imports from the EU	6,454,988,226.93
Goods imports from other countries	3,929,475,600.41

Total goods imports	10,384,463,827.34
---------------------	-------------------

II. VAT RESOURCE

5. Is there a value-added tax system applicable in your country? If so, please provide a summarised description thereof.

Since 1 January 2005, taxation of consumption has been made in line with the Law on Value Added Tax (Official Gazette of RS, Nos 84/04 ... 61/07 – below: VAT Law).

Subject to VAT is the delivery of goods and provision of services (below: supply of goods and services) performed by a taxpayer in the Republic for consideration and in the course of his activity. Goods imports are also subject to VAT. In cases prescribed by the VAT Law, supply made without consideration is also subject to VAT.

A taxpayer is a person who performs the supply of goods and services independently and in the course of his activity that represents a permanent activity carried out for the purpose of realising revenue. The Republic and its bodies, bodies of territorial autonomy and local government, and legal entities legally founded for the purpose of performing government activities are not considered taxpayers, for the purposes of the Law, if they perform the supply of goods and services within the remit of government bodies or for the purpose of performing government activities. The taxpayer whose total supply of goods and services for the past 12 months, apart from the supply of equipment and facilities for the performance of activity (below: total supply) exceeded RSD 4,000,000 (\approx EUR 40,000) is obliged to file a VAT registration form. The form may also be filed by a person who independently performs the supply of goods and services in the course of his activity that represents a permanent activity carried out for the purpose of realising revenue and who, when initiating the activity, estimates that the supply will exceed RSD 4,000,000 in the next 12 months. A small taxpayer has the right to opt to pay VAT (a small taxpayer is a person whose total supply did not exceed RSD 4,000,000 in the past 12 months or who, when initiating the activity, estimates that his total supply will not exceed RSD 4,000,000 in the next 12 months). This right is also granted to a farmer if in the past 12 months he realised or estimates to realise in the next 12 months the total supply exceeding RSD 2.000.000 (\approx EUR 20,000).

The VAT Law envisages taxation at the general VAT rate of 18% and the special VAT rate of 8%. The special rate is applied on the supply of goods and services and the imports of: bread and other bakery products, milk and dairy products, flour, sugar, edible sunflower oil, maize, rape, soybean and olive oil, edible animal and vegetable fats and honey; drinking water, apart from bottled water; fresh, cooled and frozen fruits, vegetables, meat, including innards and other slaughter products, fish and eggs; cereals, sunflower, soy, sugar beet and rape; medicines, including those for veterinary purposes; orthotic and prosthetic aids, and medicine aids – products surgically implanted in the organism; dialysis materials; fertilisers, pesticides, seed stock, nursery stock, compost with mycelium, complete fodder mixtures for animal feeding; textbooks and teaching aids; personal computers and their components; daily newspapers; monographs and serial publications; firewood; accommodation services in hotels, motels, resorts, dormitories and camps; utility services; services paid through tickets for cinema and theatre

performances, fairs, circuses, amusement parks, concerts (music events), exhibitions, sports events, museums and galleries, botanical gardens and zoos, provided the supply of these services is not exempt from VAT; natural gas and the first transfer of the disposal right to residential buildings – apartments.

The VAT Law stipulates three groups of tax exemptions:

tax exemption with the right to deduction of the input tax – the so-called taxation at the “zero” tax rate (e.g. for goods exports; transportation and other services related to goods imports, provided the value of such services is included in the VAT calculation base on goods imports; supply of goods dispatched abroad by a foreign recipient as personal luggage under certain terms; entry of goods into a free zone, whereby the taxpayer – the acquirer of goods has the right to deduction of the input tax provided he purchases such goods in order to perform an activity outside of the free zone; provision of transportation and other services to users of free zones directly related to the goods entry into the free zone, whereby the taxpayer – the service user has the right to deduction of the input tax provided he uses such service to perform an activity outside of the free zone; the works performed on movable property obtained by a foreign service user in the Republic or imported for the purpose of refinement, repair or installation, and which after refinement, repair or installation, the service provider, a foreign receiver or a third party, upon their order, transports or dispatches abroad; transportation and other services directly related to exports, transit or temporary import of goods, apart from services exempted from VAT without the right to tax deduction, in line with the VAT Law; international air transport of passengers, whereby the non-resident air company is tax-exempt only under the reciprocity rule; delivery of aircraft used mainly for consideration in international air traffic; international river transport of passengers, whereby the non-resident company for international river transport is tax-exempt only under the reciprocity rule; delivery of ships used mainly for consideration in international river transport; goods and services intended for diplomatic and consular representative offices; goods and services under contracts on a grant, credit, loan);

tax exemption without the right to deduction of the input tax (e.g. for the supply of goods and services within the supply of money and capital; insurance and reinsurance services, including the accompanying services of insurance brokers and agents; land (agricultural, forest, construction, constructed or non-constructed) and lease of such land; facilities, except for the first transfer of the disposal right to the newly constructed facilities or economically divisible units within such facilities, including the first transfer of the equity stake in the newly constructed facilities or economically divisible units within such facilities; services of flat rentals if used for housing purposes; shares, securities, postal orders, tax and other valid orders by their imprinted value in the Republic, except for equity stakes in real estate; postal services rendered by a public company; services rendered by medical institutions in line with regulations on healthcare, except for pharmacies and pharmaceutical institutions; services rendered by doctors, dentists or other persons in line with regulations on healthcare; social welfare services, child and youth welfare services; board and lodging for students in student dormitories or similar institutions; educational services (pre-school, elementary, secondary, post-secondary and university) and professional retraining; services in the field of culture rendered by a non-profit entity registered to perform such activity; services in the field of science rendered by a non-profit entity registered to perform such activity; services of religious character rendered by registered churches and religious communities; public broadcasting, except for services of commercial nature; organisation of

games of chance; services in the field of sports and physical education provided to persons engaged in such activities by non-profit entities registered to perform such activity);

tax exemption for goods imports (e.g. for goods entered into a free zone, whereby the taxpayer – the acquirer of goods has the right to deduction of the input tax provided he purchases such goods in order to perform an activity outside of the free zone; aircraft used mainly for consideration in international air traffic; ships used mainly for consideration in international river transport; goods intended for diplomatic and consular representative offices and international organisations; legal tenders, except for banknotes and coins that are not used as a legal tender or have a numismatic value; goods imported under a grant agreement, i.e. as humanitarian aid; goods that were exported, but are returned to the Republic as unsold or non-compliant with contractual obligations or in breach of the business relationship based on which they were exported; goods temporarily imported and then exported again in the course of the customs procedure, as well as goods undergoing the customs procedure of active refinement with the disposal system; goods temporarily exported and then imported again in an unaltered condition in the course of the customs procedure; goods for which refining under customs control has been granted in the course of the customs procedure; transit of goods in the course of the customs procedure; goods for which customs storage has been granted in the course of the customs procedure; and goods for which exemption from customs duties has been prescribed in accordance with customs regulations, unless in case of motor vehicles imports).

The VAT Law stipulates a special taxation regime for small taxpayers, farmers, travel agencies and the supply of used goods, works of art, collection work and antiquities.

The tax return (PPPDV Form) is submitted within 10 days upon expiry of the tax period – the calendar month or calendar quarter.

VAT refund is made within 45 days or within 15 days for taxpayers who mainly perform the supply of goods abroad, upon expiry of the time limit for filing tax returns. If a VAT taxpayer decides not to take the refund, the difference is recognised as tax credit.

The VAT Law stipulates the right to VAT reimbursement to foreign taxpayers, humanitarian organisations, traditional churches and religious communities, diplomatic and consular representative offices and international organisations, foreign nationals and first time flat buyers.

6. For the relevant departments (Ministry of Finance, tax administration, statistical office) please give details of:

a) The general organisational set-up;

The organisation set-up of the Republic Statistical Office – Annex 2.

The organisation set-up of the Ministry of Finance – Annex 3.

The organisation set-up of the Tax Administration – Annex 4.

b) VAT collection, accounting, control procedures, and statistical infrastructure

Under Article 51 of the VAT Law, the deadline for VAT payment is 10 days upon expiry of the tax period. The payment deadline for monthly VAT payers is 10 days upon expiry of the previous month, while the deadline for quarterly VAT payers is 10 days upon expiry of the previous quarter.

To ensure regular and enforced VAT collection from taxpayers failing to settle their obligation in full and within legally prescribed deadlines, the Collection Department submits to VAT branches lists of VAT debtors, each 20th day in the month, along with the order to take measures of regular and enforced collection.

Based on the debtors' lists, VAT branches initiate procedures of regular collection, by issuing warnings, in line with Article 71 of the Law on Tax Procedure and Tax Administration.

Under Article 77 of that Law, VAT branches initiate enforced collection procedures by adopting decisions on enforced tax collection for the part of debt not paid in regular collection procedures under issued warnings. Under Article 92 of the said Law, enforced VAT collection is executed upon: financial assets, real estate, movable property, cash, financial and non-financial claims of the VAT debtor.

We gave an answer on tax control in Chapter 16: Taxation – indirect taxation, B. Value Added Tax, point q) indent i).

7. What were the gross receipts of VAT and VAT refunds for the year 2009? If possible provide a breakdown of the total VAT receipts by VAT receipts levied on importation and VAT receipts levied within the country

The Tax Administration is responsible for establishing the obligation and procedures concerning collection of VAT, and adopts decisions on VAT refunds, in line with the VAT Law.

VAT payment and recording are made through the public revenue accounts opened at the level of the Republic, separately for VAT levied within the country, VAT levied on importation and VAT for AP Kosovo and Metohija.

The established deadline for VAT payment for taxpayers within the VAT regime is the 10th day in the month for the previous accounting period. Taxpayers outside of the VAT regime make everyday payments during a month.

Collected VAT receipts represent revenue of the Republic of Serbia's budget.

The Tax Administration establishes the right to refund the the previously paid VAT and submits electronic enforcement orders to the Treasury Administration in a special file. The Treasury Administration executes such orders by transferring funds from the Republic of Serbia to the opened VAT refund account. Transfer is made from this account to the VAT payment account, and the refunds are made from the VAT payment account.

In 2009, the gross VAT receipts amounted to RSD 364,870,297 thousand. Of total collected receipts, refunds were made in the amount of RSD 70,515,151 thousand – of this amount; VAT

refunds totalled RSD 63,517,258 thousand and other refunds RSD 6,997,893 thousand. Therefore, the total VAT receipts amounted to RSD 294,355,146 thousand, broken down as follows:

Collection, allocation and refund of VAT receipts

(RSD thousand)				
No	Type of revenue	Total receipts collected	Allocated	Refunds
1.	714112-Value added tax	191.325.270	120.946.586	70.378.684
2	714113-Value added tax on imports	173.483.832	173.348.550	135.282
3.	714114-Value added tax for AP Kosovo and Metohija	61.195	60.010	1.185
4.	Total	364.870.297	294.355.146	70 515.151

Source: Treasury Administration

In 2009, gross collected VAT receipts amounted to RSD 364,870,297,000.

The breakdown of total collected receipts (JS 7):

<i>Total collected VAT receipts in 2009</i>	<i>RSD</i>	<i>Structure in %</i>
In the territory of the Republic of Serbia, excluding AP Kosovo and Metohija	191.325.270.000	52,43
In the territory of AP Kosovo and Metohija	61.195.000	0,02
On imports	173.483.832.000	47,55
Total:	364.870.297.000	100,00

Total VAT refunds for 2009 amounted to RSD 70,515,151,000.

Tables and charts below show VAT movements in the Republic of Serbia in 2009. The analysis draws on data from tax returns of taxpayers. This also applies to VAT collected by the Customs Administration. In this analysis, VAT collected by the Customs Administration is shown in field 106 of the PPPDV tax return. Namely, VAT collected by the Customs Administration is the amount that taxpayers reported as the right to tax deduction in field 106 of PPPDV.

Based on such data, gross VAT was RSD 388,699,617,681, of which RSD 222,289,284,372 were collected by the Tax Administration and RSD 166,410,333,309 by the Customs Administration. Total tax credit (credit + refund) came to RSD 104,052,581,899, meaning that total net VAT for 2009 amounted to RSD 284,647,035,782.

Tables below show data broken down by month in 2009, with the structure and trends of data contained in tax returns. The first two pages of the analysis show VAT of the Republic with data on the level of VAT collected by the Customs and Tax Administrations. These two tables are followed by a detailed analysis of movements in VAT collected in the segment covered by the

Tax Administration (annexed tables with charts). The final part of the analysis shows fields of the PPPDV tax return (annexed). **The Annex contains Table 1 with Tax Administration data.**

III. GNI RESOURCE

8. Are National Accounts and the compilation of GNI (Gross National Income) based on the definitions and accounting rules of the European System of National and Regional Accounts 1995 (ESA 95)? If not, please give details of the system currently applied.

National Accounts of the Republic of Serbia are harmonised with ESA 95.

9. Are National Accounts adjusted to cover the non-observed economy? What is the impact of these adjustments on the level of GNI?

Within a project implemented with the OECD and EUROSTAT, the Republic Statistical Office made calculations of NOE for the 2003-2005 period, but these data are not covered by GNI calculation.

IV. ADMINISTRATIVE INFRASTRUCTURE

10. Which Ministry and departments will have overall responsibility for financial and budgetary issues in your country?

The Government of the Republic of Serbia and the Ministry of Finance are responsible for financial and budgetary issues of the Republic of Serbia. The Ministry of Finance – Treasury Administration, Public Payments and, Fiscal Statistics Division keeps records of public revenue accounts and allocation of paid public revenue to appropriate sub-accounts of different levels of government, in line with law.

The Ministry of Finance – Treasury Administration, according to the Article 93 of the Budget System Law (Official Gazette of the Republic of Serbia, Nos. 54/2009 and 72/2010) is responsible for: financial planning, financial management of the Republic of Serbia; expenditures control including approving of payments up to the established appropriations; reporting on control realization of programmed-oriented budget; budget accounting and reporting; establishing and maintenance of information system for management of public revenues of the Republic of Serbia, i.e. of the local government, and the system managing; operations related to the public payments including records keeping and activities within the scope of the Treasury consolidated account; centralized processing of payrolls of the employees of the Republic of Serbia budget beneficiaries; and other duties from the Ministry's competences determined by the Minister.

The Ministry of Finance – Budget Department performs normative and study-analytical activities relating to the preparation and drafting of laws and other regulations on the budget of the Republic, budget system, public revenue and expenditure system, system for financing mandatory social insurance organisations, system for financing local authorities and system for payroll financing. It also prepares and drafts the law on the budget of the Republic of Serbia and participates in drafting of laws and other regulations on the use of funds of budgets of the Republic and local authorities and funds of mandatory social insurance organisations. Furthermore, it plans and prepares the budget revision of the Republic of Serbia, revisions of financial plans of

mandatory social insurance organisations, and decisions on temporary financing. It develops guidelines, procedures and guidance for preparation of the budget and financial plans of budget beneficiaries and mandatory social insurance organisations; carries out normative activities relating to preparation of regulations important for budget execution; proposes levels of appropriations by users and types of expenditure of the Republic of Serbia's budget; ensures implementation of the programme budgeting model at all levels of government; issues guidance to budget beneficiaries for the preparation of mid-term plans; analyses expenditure of beneficiaries of the Republic of Serbia's budget; manages the information system for preparation of the Republic of Serbia's budget; analyses revenue and expenditure of local authorities' budgets and reports on execution of these budgets; participates in the adoption of regulations on payroll elements and coordinates activities of competent ministries in the adoption of such regulations; develops the employee incentive and award system; participates in the social dialogue with government administration trade unions and institutions belonging to the public services sector; issues opinions on draft laws, regulations and acts within the remit of other ministries stipulating the use of budgetary funds, and mandatory social insurance organisations; creates databases and performs other activities pertaining to the organisation and implementation of the budget system and budget policy.

The Ministry of Finance – Treasury Administration, according to the Article 93 of the Budget System Law (Official Gazette of the Republic of Serbia, Nos. 54/2009 and 72/2010) is responsible for: financial planning, financial management of the Republic of Serbia; expenditures control including approving of payments up to the established appropriations; reporting on control realization of programmed-oriented budget; budget accounting and reporting; establishing and maintenance of information system for management of public revenues of the Republic of Serbia, i.e. of the local government, and the system managing; operations related to the public payments including records keeping and activities within the scope of the Treasury consolidated account; centralized processing of payrolls of the employees of the Republic of Serbia budget beneficiaries; and other duties from the Ministry's competences determined by the Minister.