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VALUE ADDED TAX LAW

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I. INTRODUCTORY PROVISIONS

Article 1

This Law shall introduce value added tax (hereinafter: VAT) in the Republic of Serbia (hereinafter: the Republic).

The VAT is a general consumption tax which shall be assessed and paid on the supply of goods and services in all stages of production and supply of goods and services, as well as on import of goods, unless otherwise determined by this Law.

Article 2

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

II Subject of taxation

Article 3

The following shall be liable for VAT:

- 1) Delivery of goods and rendering of services (hereinafter: supply of goods and services) carried out by a taxpayer in the Republic, for a consideration and in the course of performing activities;
- 2) Import of goods into the Republic.

Supply of goods and services

Article 4

According to this Law, supply of goods shall be transfer of rights of disposal over tangible goods (hereinafter: goods), to a person who may have proprietary rights, unless otherwise provided for by this Law.

Goods shall also include water, electricity, gas and heating energy.

Supply of goods, according to this Law, shall also include:

1. Transfer of the right of disposal over goods, for a consideration, on the basis of regulations of a state body, body of territorial autonomy or local self-government;
2. Delivery of goods under a leasing contract, in accordance with the law, or under a sales contract with deferred payment whereby right of disposal is transferred not later than at the time of the payment of the last installment;
3. Delivery of goods by the owner to a commission agent and by a commission agent to the recipient;
4. Delivery of goods under a contract according to which sales commission is paid;
5. Delivery of goods by the owner to the consignee and by the consignee to the recipient of the goods;
6. Delivery of goods produced or manufactured upon the order of the ordering party, out of the materials of the supplier, if it is not only delivery of accessories or other secondary materials;
7. First transfer of title over newly established building structures or economically divisible units within these structures (hereinafter: structures);
8. Exchange of goods for other goods or services.

Supply of goods for a consideration shall also include:

1. Use of goods representing a part of business assets of the taxpayer for personal needs of the founder, employees or other persons;
2. Any other supply of goods free of charge;

3. Expenditure (ullage, wastage, defect and breakage) in the amount exceeding the amount determined by the regulation passed by the Government of the Republic of Serbia.

Use of goods, i.e. any supply of goods referred to in paragraph 4 of this Article shall be considered supply of goods for a consideration provided that the VAT computed for such goods or their components on purchase may be deducted fully or proportionally.

If along with delivery of goods, secondary delivery of goods or rendering of services is performed, it shall be deemed that only one delivery of goods has been performed.

In case of successive delivery of the same goods where the first deliverer transfers right of disposal to the last recipient of goods, every successive delivery of goods shall be considered a separate delivery.

The Minister of Finance (hereinafter: the Minister) shall specify what is considered to be a newly established building structure referred to in paragraph 3 item 7 of this Article, and what is considered to be use of goods representing a part of the business assets of the taxpayer, as well as any supply free of charge referred to in paragraph 4 of this Article.

Article 5

According to this Law, supply of services shall be understood to include all activities and steps taken in the course of the performance of activities, which do not represent supply of goods referred to in Article 4 of this Law.

Supply of services shall also include a failure to act and passiveness.

According to this Law, supply of services shall also include:

1. Transfer and assignment of copyrights, patents, licenses, trade marks, as well as other intellectual property rights;
2. Rendering of services for a consideration on the basis of regulations of state bodies, bodies of territorial autonomy or local self-government;

3. Delivery of goods produced or manufactured on the order of the ordering party, out of the material of the ordering party;
4. Exchange of services for goods or services;
5. Delivery of food and drink to be consumed on the spot;
6. Transfer of title over real estate;
7. Assignment of other shares or rights.

Supply of services for a consideration shall also be:

1. Use of goods representing part of the business assets of a taxpayer for personal needs of the founder, employees and other persons;
2. Rendering of services by a taxpayer free of charge and for personal needs of the founder, employees and other persons.

Use of goods referred to in paragraph 4 Item 1 of this Article shall be supply of services for a consideration provided that the VAT calculated for these goods on purchase may be deducted fully or proportionally.

If along with the services, secondary delivery of services or goods is performed, it shall be deemed that only one service has been provided.

The Minister shall specify what is considered to be the use of goods representing a part of the business assets of the taxpayer for the personal needs of the founder, employees and other persons, and what is considered to be rendering of services by a taxpayer free of charge and for the personal needs of the founder, employees and other persons referred to in paragraph 4 of this Article.

Article 6

According to this Law, supply of goods and services shall not include:

1. Transfer of whole or part of the property, for or free of charge, or as equity, if the acquirer is already a taxpayer or becomes a taxpayer by such transfer, and continues to perform the activity;
2. Transfer of proprietary rights over used vehicles or vessels if the transferor is not a taxpayer according to this Law;

3. Giving business samples free of charge in usual quantities for that purpose to buyers or future buyers;
4. Giving gifts of low value, if occasionally given to different persons.

In case of transfer of whole or part of the property referred to in paragraph 1 item 1 of this Article, the transferee shall replace the transferor.

The Minister shall specify what is considered to be the usual quantity of business samples and a gift of low value referred to in paragraph 1, items 3 and 4 of this Article.

Import of goods

Article 7

The import of goods shall be any entry of goods into the customs territory of the Republic.

III TAXPAYER AND TAX DEBTORS

Taxpayer

Article 8

A taxpayer (hereinafter: taxpayer) shall be a person who independently and in the course of his/her activity performs a supply of goods or services, or imports goods.

The activity referred to in paragraph 1 of this Article shall be any permanent activity of a manufacturer, salesman or service provider for the purpose of gaining income, including the activities such as: exploitation of natural resources, agriculture, forestry and independent activities.

A taxpayer shall also be considered to perform activity when performing activity within the business unit.

A taxpayer shall be a person on behalf and for the account of whom services are rendered, or goods are delivered or imported.

A taxpayer shall be a person who renders services or delivers goods, on his own behalf and for the account of another person.

Article 9

According to this law, the Republic and its bodies, bodies of territorial autonomy and local self-government, as well as legal entities legally founded for the purpose of performing government activities shall not be considered taxpayers if they perform the supply of goods and services in the course of government activities or for the purpose of performing government activities.

The Republic, bodies, and legal persons referred to in paragraph 1 of this Article shall be considered taxpayers if they perform supply of goods and services taxable in accordance with this law outside their government activities, i.e. outside the activities of the government administration that are taxable under the provisions of this Law.

Tax Debtor

Article 10

According to this Law, tax debtor shall be:

1. Taxpayer referred to in Article 8 and Article 9, paragraph 2 hereof;
2. Tax representative appointed by a foreign person without a head office or a permanent organizational unit in the Republic, and who performs supply of goods and services in the Republic;
3. Recipient of goods and services, if the foreign person referred to in Item 2 of this paragraph does not appoint a tax representative;
4. Person who states the VAT in an invoice or other document serving as the invoice (hereinafter: the invoice), if not obliged to calculate and pay the VAT according to this Law;
5. Person who imports goods.

If the tax debtor referred to in paragraph 1 Item 2 and 3 of this Article is a taxpayer at the same time, he/she shall be obliged to fulfill the obligations prescribed by this law, except to issue an invoice.

IV. PLACE AND TIME OF SUPPLY OF GOODS AND SERVICES AND TAX POINT

Place of supply of goods

Article 11

The place of supply of goods shall be the place:

1. where the goods are at the moment of dispatch or transport to the recipient or, at the recipient's order to a third party, if the goods are dispatched or transported by the supplier, recipient or a third party, at their order;
2. of building or installing of goods, if the goods are built or installed by the supplier or a third party, at the request of the supplier;
3. where the goods are at the moment of delivery, if delivery is being carried out without dispatch i.e. transportation;
4. where water, electricity, gas, and heating energy are received.

In case of supply of goods in the course of commission or consignment activities, the place of supply of goods carried out by a commission agent or a consignee shall be determined in accordance with paragraph 1 of this Article for delivery to the commission agent or the consignee.

Place of supply of services

Article 12

The place of supply of services shall be the place where the service provider performs his/her activity.

If supply of services is carried out through a business unit, the place of supply of services shall be the location of the business unit.

As an exception to paragraphs 1 and 2 of this Article, the place of supply of services shall be:

1. Place where real estate is located, for the supply of services which are in direct relation to real estate, including activities performed by an agent and evaluation of real estate, as well as planning, preparations, and performance and supervision of construction works;
2. Place where transportation takes place, and if transportation takes place both on the territory of the Republic of Serbia and on the territory of another country (hereinafter: international transport), the provisions of this Law shall be applied only to the part of the transportation that takes place in the Republic;
3. Place where the services have actually been rendered, in the following cases:
 - 1) Services in the field of culture, arts, science, sport, education and science, entertainment and similar services, including the services of organizing entertainment programs, as well as related services;
 - 2) Auxiliary transport services, such as loading, unloading, reloading and similar services;
 - 3) Services of the appraisal of movable property;
 - 4) Works performed on movable property;
4. Place where the recipient of services performs activity or has a business unit through which the service is performed, or the head office or residence of the recipient of the service, for the following services:
 - 1) Renting of movable property, except means of transportation;
 - 2) Telecommunication services;
 - 3) Taking over the responsibility for partial or full restraint from undertaking certain activities or exercising certain rights;
 - 4) Services in the field of commercial advertising;
 - 5) Transfer and assignment of copyrights, patents, licenses, trademarks and similar intellectual property rights, and making these available;
 - 6) Banking, financial services and insurance services including re-insurance, except rental of safe deposit boxes;
 - 7) Services provided by consultants, engineers, lawyers, auditors, and similar services,
 - 8) Data processing and providing information;
 - 9) Supply of personnel;
 - 10) Services rendered electronically, as well as radio and TV services;

11) Mediating in the course of rendering services under sub-items 1-10 of this item.

5. Place where goods are delivered or services are rendered, if these are subject to mediation not included in Item 4 sub-item 11 of this paragraph.

Place of Import of Goods

Article 13

The place of import of goods shall be any point of entry of goods into the customs territory of the Republic.

Time of Supply of Goods

Article 14

The day of supply of goods shall be:

1. The day when dispatch or transport of the goods to the recipient or, at the request of the recipient, to a third party, begins, if the goods are dispatched or transported by the provider, recipient, or a third party, at their order;
2. The day when the recipient takes over the goods from the supplier, or a third party at his request, in case of building or installing the goods;
3. The day of transfer of the right of disposal over goods to the recipient, if delivery of goods does not include dispatch or transport;
4. The day of reading the amount of received water, electricity, gas and heating energy performed by the provider with a view to determining consumption.
5. The day of entry of goods into the customs territory of the Republic.

In case of commission or consignment activities, the time of delivery of goods by the commission agent or a consignee shall be determined in accordance with paragraph 1 of this Article for the delivery to the commission agent or consignee as well.

Provisions of paragraph 1 and 2 of this Article shall also apply to partial deliveries.

The partial delivery referred to in paragraph 3 of this Article shall be any delivery of certain parts of economically measurable delivery where a special fee has been agreed upon.

Time of supply of services

Article 15

A service shall be considered rendered when:

1. Individual rendering of services has been completed;
2. Legal basis for rendering of service has been terminated- in case of delivering time-limited or unlimited services.

If periodical invoices are to be issued for delivery of services, supply of services shall be completed on the last day of the period for which the invoice is issued.

Partial service shall be considered rendered when delivery of that part of the service has been completed.

The partial service referred to in paragraph 3 of this Article shall be a service where a special fee has been agreed for certain parts of economically measurable service.

Tax point

Article 16

The tax liability shall begin on the first day of any of the following activities:

1. Supply of goods and services;
2. Collection, if the fee or a part of the fee has been collected prior to the supply of goods and services;
3. On the day of becoming liable to customs duties at import of goods, and if there is no such liability, the tax liability shall begin on the day when becoming liable to such duties.

V. TAX BASE AND TAX RATE

Tax base at supply of goods and services

Article 17

Tax base (hereinafter: the base) at supply of goods and services shall be the amount of fee (in cash, goods or services) that has been received or is to be received by the taxpayer for the goods delivered or services rendered, including subsidies directly related to the price of such goods or services, not including the VAT, unless otherwise provided by this Law.

The base shall also include:

1. Excise, customs duties and other import duties, as well as other public revenues, except VAT;
2. All secondary expenses that the taxpayer charges a recipient of goods and services.

The base shall not include:

1. Discounts granted to the recipient of goods or services at the time of supply of goods or services;
2. Amounts charged by the taxpayer on behalf and for the account of another person, if that amount has been transferred to the person on behalf and for the account of whom the taxpayer has performed the collection.

If the fee or a part of the fee has not been stated in cash, but in the form of supply of goods and services, the tax base shall be the market value of such goods or services on the day of delivery of such goods or services, not including the VAT.

Article 18

The base in case of supply of goods and services referred to in Article 4 paragraph 4 and Article 5 paragraph 4 hereof shall be purchase price, i.e., cost price of such or similar goods and services at the moment of supply.

As to paragraph 1 of this Article, the VAT shall not be included in the base.

If transportation by bus has been carried out by a person without a head office in the Republic, the base shall be the average transportation fee for each particular transport.

The manner of determining the fee mentioned in paragraph 3 of this Article shall be specified by the Minister.

Base at import of goods

Article 19

In case of import of goods, the base shall be the value of imported goods determined by the customs regulations.

The base referred to in paragraph 1 of this Article shall also include the following:

1. Excise, customs duties and other import duties, as well as other public revenues, except for the VAT;
2. All secondary costs incurred until reaching the first destination in the Republic.

The first destination, according to paragraph 2 item 2 of this Article, shall be the place indicated in the dispatch note or other transport document, and if not indicated, the place of the first transshipment of goods in the Republic.

Article 20

In case of import of goods that have been temporarily exported by the taxpayer for the purpose of refinement, processing, reprocessing and finishing (hereinafter: refinement), repair or construction, the base shall be the fee that has already been paid or is to be paid by the taxpayer for refinement, repair or construction, and if the fee is not to be paid, the base shall be the increase in value resulting from refinement, repair or construction.

As for paragraph 1 of this Article, the provisions of Article 19 paragraph 2 of this Law shall be applied.

Change of tax base

Article 21

If the tax base for supply of goods and services liable for taxation has been changed, the taxpayer who has delivered goods or rendered services, shall be obliged to correct the VAT amount that, on the basis of this, represents his/her liability, in accordance with the change.

The liability under paragraph 1 of this Article shall also apply to the persons referred to in Article 10 paragraph 1 items 2 and 3 hereof.

If the base has been additionally changed due to return of goods or cancellation of the contract, the taxpayer who has performed supply of goods and services may correct the VAT amount only if the taxpayer for whom the supply of goods and services has been performed, amends the deduction of the input VAT, and if he/she notifies in writing the supplier of goods and services.

The taxpayer may correct the base for the amount of the fee that has not been collected only on the basis of a court ruling on the closed bankruptcy proceedings or enforced settlement.

If the taxpayer, who corrected the base in accordance with paragraph 4 hereof, receives the fee or part of the fee for the delivered goods and services for which the correction of the base is allowed, the taxpayer shall be obliged to assess the VAT for the received amount of the fee.

The correction of the base mentioned in paragraphs 1-4 of this Article shall be performed in the tax period in which the change has occurred.

If the base for import of goods liable for VAT has changed in accordance with the customs regulations, the provisions of this Law shall be applied.

Calculation of values stated in foreign currency

Article 22

If the fee for supply of goods and services is stated in foreign currency, the mean rate of the central bank which is in effect on the day of the origination of tax liability shall be applied for conversion of that value into domestic currency.

If the base for import of goods is stated in foreign currency, the customs regulations determining the customs value, which are in effect on the day of the origination of tax liability, shall be applied for conversion of such value into domestic currency.

Tax rate

Article 23

The general VAT rate for taxable supply of goods and services or import of goods shall be 18 %.

The special VAT rate of 8 % shall be applied to the following supply of goods and services, or import of goods:

- 1) Bread, milk, flour, sugar, edible sunflower, maize, rape, soybean and olive oil, edible animal and vegetable fats;
- 2) Fresh and frozen fruits and vegetables, meats and fish, and eggs;
- 3) Medicines included in the list of medicines to be sold on prescription and made out from the funds for health insurance, in accordance with the health insurance regulations;
- 4) Orthotic and prosthetic means, as well as medical means- products that are surgically implanted in the organism;
- 5) Dialysis materials;
- 6) Fertilizers, pesticides, seed stock, nursery stock and complete fodder mixtures for animal feeding;
- 7) Textbooks and teaching aids;
- 8) Daily newspapers;
- 9) Monographs and serial publications;
- 10) Firewood;

- 11) Accommodation in hotels, motels, resorts, recreation centers and camps
- 12) Utility services.
- 13) Natural gas delivered to individual producers through the gas distribution network;

The Minister shall specify what is considered to be goods and services referred to in paragraph 2 item 1, and 4 -12 of this Article, according to this Law.

VI. TAX EXEMPTIONS

Tax exemptions for supply of goods and services with right to deduction of the input tax

Article 24

The VAT shall not be paid for:

1. Transportation and other services related to import of goods, if value of such services is included in the base referred to in Article 19 paragraph 2 hereof;
2. Supply of goods sent or dispatched abroad by the taxpayer or a third party upon the order of the taxpayer;
3. Supply of goods sent or dispatched abroad by a foreign recipient or a third party upon the order of the foreign recipient;
4. Supply of goods dispatched abroad by a foreign recipient as personal luggage, provided that:
 - 1) The goods are dispatched before the expiry of three calendar months upon delivery of such goods;
 - 2) The total value of delivered goods is higher than 10 000 dinars, including the VAT;
5. Entry of goods into the free zone, except the goods for end consumption in the free zone;
6. Providing of transportation and other services to the users of the free zone directly related to entry of goods into the free zone;
7. The works performed on movable property obtained by a foreign user of the service in the Republic or imported for the purpose of refinement, repair or construction, and which is to be transported or

- dispatched abroad upon refinement, repair or construction by the provider of the service, foreign recipient or a third party working under their order;
8. Transportation and other services in direct relation with the export, transit or temporary import of goods, except the services VAT exempted without right to tax deduction in accordance with this Law;
 9. International air transport of passengers, whereby the non-resident air company is free from taxation only under a reciprocity rule;
 10. Delivery of aircraft, servicing, repairs, maintenance, charter and renting planes used mainly for a charge in the international air traffic, as well as delivery, renting, repairs and maintenance of the goods used for equipping such aircraft;
 11. Supply of goods and services intended to meet direct needs of the aircraft referred to in item 10 of this paragraph;
 12. International river transport of passengers by ship, whereby non-resident company for international river transport by ship is free from taxation only under reciprocity rule;
 13. Delivery of ships, servicing, repairs, maintenance and renting ships used mainly for a charge in international river transport, as well as delivery, renting, repairs and maintenance of the goods used for equipping such ships;
 14. Supply of goods and services used to meet direct needs of the ships referred to in Item 13 hereof;
 15. Delivery of gold to the National Bank of Serbia;
 16. Goods and services intended to meet:
 - 1) official needs of diplomatic and consular representative offices,
 - 2) official needs of international organizations, if that is provided for by international contract;
 - 3) Personal needs of permanent staff of diplomatic and consular representative offices, including members of their families;
 - 4) Personal needs of permanent staff of international organizations, including members of their families, if that is provided for by international contract;
 17. Mediating services related to the supply of goods and services referred to in item 1- 16 of this paragraph.

Tax exemption referred to in paragraph 1 item 3 of this Article shall not apply to supply of goods transported by a foreign recipient on his own for the purpose of furnishing or supplying sports vessels, sports aircraft and other means of transportation for personal needs.

Tax exemption referred to in paragraph 1 item 16 sub-items 1 and 3 hereof shall apply only under reciprocity rule and upon confirmation of the Ministry of Foreign Affairs.

Pursuant to this Article, the foreign recipient of goods or services shall be:

1. A person who is a taxpayer and whose head office is outside the Republic;
2. A person who is not a taxpayer and whose residence or head office is outside the Republic.

The Minister shall prescribe the manner and the procedure of realization of tax exemption mentioned in paragraph 1-3 of this Article.

Tax exemption for the supply of goods and services without right to deduction of the input tax

Article 25

The VAT shall not be paid for financial transactions and circulation of capital, as follows:

- 1) Transactions and mediating activities while dealing with legal tenders, except for paper money and coins not used as legal tender or having numismatic value;
- 2) Transactions and mediating activities while dealing with shares, interest in companies and associations, bonds and other securities, except transactions related to keeping and management of securities;
- 3) Credit operations, including mediation;
- 4) Undertaking liabilities, guarantees and other means of securing payment, including mediation;
- 5) Transactions and mediating while dealing with deposits, current and giro accounts, payment orders, as well as payment operations and transfer;
- 6) Operations and mediation when dealing with receivables, checks, bills and other similar securities, except for collecting receivables for other persons.

The VAT shall not be paid for supply of the following:

- 1) Service of insurance and re-insurance, including the accompanying services of an insurance mediator and agent (representative);
- 2) Land (agricultural, construction, built or not built);
- 3) Structures, except for supply of structures referred to in Article 4 paragraph 3 item 7 of this Law;
- 4) Service of renting flats and buildings, if used for housing purposes;
- 5) Shares, securities, postal orders, administrative fees and stamps by their value in the Republic;
- 6) Postal services rendered by a public company, as well as delivery of the related goods;
- 7) Medical treatment in health care facilities in accordance with the regulations on health care, except pharmacies and pharmaceutical institutions, including care, board and lodging for patients in such institutions;
- 8) Medical services rendered by doctors, dentists or other persons in accordance with the regulations on health care;
- 9) Services of dental prosthetics delivered by a dental technician, and the same services delivered by a dentist;
- 10) Transfer of human organs, tissues, body fluids and cell, blood and mother's milk;
- 11) Rendering of social welfare services, child and youth welfare services, services of social care institutions, and related supply of goods and services performed by the persons registered for such activities;
- 12) Board and lodging for students in student dormitories and similar institutions, as well as related supply of goods and services;
- 13) Education services (elementary, secondary and university education), and professional re-training, as well as supply of goods and services related to these and performed by persons registered for such activities, if these activities are carried out in compliance with the regulations defining that domain;
- 14) Services in the field of culture and related supply of goods and services, rendered by non-profit entity registered for such activity;
- 15) Services in the field of science and related supply of goods and services, rendered by non-profit entity registered for such activity;
- 16) Rendering of services of religious character by the registered religious organizations, and related supply of goods and services;
- 17) Public broadcasting, except the services of commercial nature.
- 18) Services of organizing gambling;

- 19) Rendering of services such as sports and physical culture to the persons engaged in such activities and by non-profit entities registered for performing such activities.

The Minister shall prescribe the manner and the procedure of gaining right to tax exemption referred to in paragraph 2 Item 7, 11, 12, 13, 14, 15 and 18 of this Article.

Tax exemptions on import of goods

Article 26

The VAT shall not be paid for the import of the following goods:

1. The goods the supply of which is VAT-free in accordance with Article 24 paragraph 1 Item 5, 10, 11 and 13-16, and Article 25 paragraph 1 Item 1 and 2 and paragraph 2 item 5 and 10 hereof;
2. The goods temporarily imported and then exported again in the course of the customs procedure, as well as the goods undergoing refinement and following the disposal principle;
3. The goods temporarily imported and then exported again in an unaltered condition in the course of the customs procedure;
4. The goods for which refining under customs control has been granted in the course of the customs procedure;
5. Transit of goods in the course of the customs procedure;
6. The goods for which customs storage has been granted in the course of the customs procedure;
7. The goods for which exemption from customs duties has been prescribed in accordance with Article 192 paragraph 1 Item 1-10 and Article 193 paragraph 1 Item 6 of the Customs Law ("Official Gazette of the Republic of Serbia", no. 73/03).

VII. INPUT TAX

Definition

Article 27

The input tax shall be the VAT amount calculated in the previous stage of supply of goods and services, or paid at import of goods, and which the taxpayer may deduct from his VAT liability.

Conditions for deduction of input tax

Article 28

The taxpayer may gain the right to deduction of the input tax if the taxpayer uses or will use the goods acquired in the Republic or imported, including the acquisition of equipment and structures for performing the activity, or received services, for the following supply of goods and services:

- 1) Supply of goods and services liable for VAT;
- 2) Supply of goods and services exempted from VAT in accordance with Article 24 of this Law;
- 3) Supply of goods and services performed abroad, if the right to deduction of the input tax would have been applied to such supply, had the supply been performed in the Republic.

The taxpayer shall be entitled to deduction of the input tax if having:

- 1) An invoice for the input tax amount made out by the other taxpayer participating in the supply, in accordance with this Law;
- 2) Document on completed import of goods, stating the input tax, i.e. certifying that the recipient or importer has paid the stated VAT at import.

In the tax period in which the conditions from paragraph 1 and 2 of this Article have been met, the taxpayer may deduct the input tax from the VAT liability, as follows:

- 1) The calculated and stated VAT liability for supply of goods and services that has already been performed or is yet to be performed by another taxpayer engaged in the supply;
- 2) The VAT that has been paid at import of goods.

The right to deduction of the input tax shall become effective on the day of meeting the conditions from paragraph 1-3 of this Article.

The tax debtor referred to in Article 10 paragraph 1 item 2 and 3 of this Law may be entitled to deduction of the input tax provided that the taxpayer has paid the VAT for the fee received for the goods and services in

accordance with this law, and if the received goods and services are used for the supply of goods and services liable for VAT.

Exceptions from deduction of input tax

Article 29

The taxpayer shall not be entitled to deduct the input tax on the basis of the following:

- 1) Acquisition, production and import of vehicles, motorcycles, vessels and aircraft and spare parts, gas and supplies for their needs, as well as renting, maintaining, repairing and other services related to the use of these means of transport;
- 2) Representational costs of the taxpayer.
- 3) Acquisition or import of carpets, electric household appliances, television and radio sets, works of fine and applied arts and other decorative items for office premises;
- 4) Accommodation expenses and travel and meal allowances.

Exceptionally from paragraph 1 item 1 of this Article, the taxpayer shall be entitled to deduct the input tax in case of using the means of transportation and other means exclusively for:

- 1) Supply and renting of the stated means of transportation and other goods;
- 2) Transportation of passengers and goods, or drivers training for the stated means of transportation.

Right to proportional deduction of input tax

Article 30

If the taxpayer uses delivered or imported goods for the purposes of its own activities, or receives services in order to carry out supply of goods and services with or without right to deduction of the input tax, the taxpayer may be entitled to proportional deduction of the input tax.

The proportional part of the input tax corresponds to the part of the supply of goods and services with right to deduction of the input tax, not including the VAT, within the total supply not including the VAT (hereinafter: percentage of proportional deduction).

Percentage of proportional deduction for a tax period shall be determined by putting into proportion supply of goods and services with right to deduction of input tax not including VAT and total supply of goods and services not including VAT and performed from January 1 of the current year till the expiry of the tax period for which tax return is filed.

The proportional tax deduction shall be determined by applying the percentage of proportional deduction to the input tax amount reduced by the amount referred to in Article 29 paragraph 1 hereof.

The Minister shall specify the manner of determining proportional deduction.

Correction of deduction of input tax in case of changed base

Article 31

If the base of taxable supply of goods and services has been changed, the taxpayer for whom the supply of goods and services has been carried out, shall be obliged to correct the deduction of the input tax granted to him/her on the basis of this, in accordance with that change.

The correction of deduction of the input tax stated in paragraph 1 of this Article shall also refer to the recipient of goods or services referred to in Article 10 paragraph 1 item 2 and 3 of this Law.

Deduction of the input tax referred to in paragraph 1 of this Article shall be corrected in case of returning the goods, annulling the contract, and on the basis of court ruling on the closed enforced settlement, in accordance with Article 21 paragraph 3 and 4 of this Law.

In case that the VAT for import of goods, deducted as input tax, has been increased, reduced, refunded, or the taxpayer is free from VAT, the taxpayer shall be obliged to correct deduction of the input tax in accordance with the change on the basis of a customs document or a decision of the customs body.

Deduction of the input tax shall be corrected in the tax period in which the base has been changed.

Correction of deduction of input tax for equipment and structures for performing activities

Article 32

The taxpayer who gained right to deduction of the input tax for acquisition of equipment and structures for performance of activities, shall be obliged to correct deduction of the input tax, if no longer meeting the conditions for exercising this right, within 5 years from the first use in case of equipment acquisition, or within 10 years from the first use in case of acquisition of structures.

Correction of deduction of the input tax shall be performed for the period between the deadlines referred to in paragraph 1 of this article and the period in which the taxpayer has met the conditions for entitlement to deduction of the input tax.

The taxpayer shall also be obliged to correct the deduction of the input tax when he/she completes the supply of equipment and structures for performance of the activity before expiry of the time limits referred to in paragraph 1 of this Article.

In case of transfer referred to in Article 6 paragraph 1 item 1 of this Law, the time limits referred to in paragraph 1 of this Article shall not be terminated.

The transferor of property referred to in paragraph 4 of this Article shall be obliged to submit the data relevant for correction mentioned in paragraph 1 of this article to the transferee.

The Minister shall specify what is considered to be equipment and structures for performing activities, in accordance with this law, as well as the manner of correcting the deducted input tax.

VIII. SPECIAL TAX REGIME

Small taxpayers

Article 33

A person whose total supply of goods and services, except supply of equipment and structures for performing the activity, (hereinafter: total supply) has not exceeded 2.000.000 dinars in the past 12 months, or who, in case of starting activity, estimates that his total supply will not exceed 2.000.000 dinars in the next 12 months (hereinafter: entrepreneur), shall not be liable for VAT for the performed supply of goods and services.

The entrepreneur shall not be entitled to declare VAT in the invoices or other documents or to deduct the input tax, and shall not be obliged to keep the records prescribed by this Law.

If total supply of the entrepreneur exceeds 1.000.000 dinars in the past 12 months or if the entrepreneur estimates that his total supply shall

exceed 1.000.000 dinars in the next 12 months, the entrepreneur may, at the beginning of a calendar year, decide to pay the VAT by filing a registration form prescribed in accordance with this law to the competent tax body no later than by January 15 of the current year.

As for paragraph 3 of this Article, the VAT liability shall last for at least 2 calendar years.

Upon expiry of the deadline referred to in paragraph 4 of this Article, the taxpayer may submit the request for termination of his/her VAT liability to the competent tax body no later than by January 15 of the current year.

Farmers

Article 34

The taxpayer liable for citizen income tax on income from agriculture and forestry in the Republic according to the land registry (hereinafter: farmers), shall be entitled to compensation on the basis of the VAT (hereinafter: the VAT compensation), under conditions and in the manner defined by this law.

The farmers who perform supply of agricultural and forest products or provide agricultural services to the taxpayers shall be entitled to the VAT compensation.

If the farmers perform supply of goods and services referred to in paragraph 2 of this Article, the taxpayer shall be obliged to calculate the VAT compensation of 5% for the value of the received goods and services, on which the document on calculation is to be issued (hereinafter: the receipt).

The taxpayers referred to in paragraph 3 of this Article shall be entitled to deduct the VAT compensation amount as the input tax, provided that they have paid that compensation and value of received goods and services to a farmer.

At the beginning of the calendar year, the farmer may decide on payment of VAT by submitting a registration form prescribed by this Law to the competent tax body not later than January 15 of the current year, provided that his/her total supply of agricultural and forest products or agricultural services for the past 12 months exceeds 1.000.000 dinars.

As to paragraph 5 of this Article, the farmer shall be liable for VAT for at least 2 calendar years.

Upon expiry of the deadline referred to in paragraph 6 of this Article, the farmer may submit a request for termination of VAT liability to the competent tax body no later than January 15 of the current year.

Travel agency

Article 35

Travel agency, in accordance with this Law, shall be a taxpayer who provides tourist services and acts on his behalf, and receives goods and services directly used by passengers from other taxpayers (hereinafter: previous tourist services) for organizing the travel.

Tourist service provided by a travel agency shall be considered a unique service in accordance with this Law.

The location of providing the unique tourist service shall be determined in compliance with Article 12 paragraph 1 and 2 of this Law.

The base of unique tourist service provided by travel agency shall be the difference between the total fee paid by the passenger and actual costs paid by travel agency for previous tourist services, with the deduction of VAT included in that difference.

As for Article 5 paragraph 4 of this Law, the total fee in terms of paragraph 4 of this Article shall be the amount referred to in Article 18 of this Law.

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

For the tourist services referred to in paragraph 1 of this Article, tourist agency shall not be entitled to state VAT in the invoices or deduct the input tax on the basis of previous tourist services stated in the invoice.

Used goods, objects of art, collection work and antiquities

Article 36

The base for supply of used goods, including used vehicles, objects of art, collection work and antiquities shall be the difference between the selling and purchasing price of the goods (hereinafter: taxation of difference), with deduction of VAT included in that difference.

The base referred to in paragraph 1 of this Article shall be applied if, for acquiring goods, the supplier was not liable for VAT or carried out taxation of the difference referred to in paragraph 1 of this Article.

As for Article 4 paragraph 4 of this Law, the selling price for calculation of the difference shall be the amount stated in Article 18 of this Law.

For the supply of goods from paragraph 1 of this Article, the taxpayer shall not be entitled to state the VAT in the invoices or other documents, or to deduct the input tax.

The Minister shall specify what is considered to be the object of art, collection work and antiquities referred to in paragraph 1 of this Article.

IX. TAXPAYER OBLIGATIONS FOR SUPPLY OF GOODS AND SERVICES

Article 37

Taxpayer shall be obliged to:

- 1) submit a VAT form (hereinafter: registration form);
- 2) issue invoices on completed supply of goods and services;
- 3) keep the records in accordance with this Law;
- 4) determine and pay the VAT, and file tax declarations.

Registration of VAT payers and their removal from the register

Article 38

The taxpayer whose total supply for the past 12 months has exceeded 2.000.000 dinars, or who, when starting a business activity, estimates that supply will exceed 2.000.000 dinars in the next 12 months, shall be obliged to file a registration form to the competent tax body not later than until the expiry of the first deadline for filing a periodical tax return.

The following persons shall not be liable to file a registration form:

- 1) persons referred to in Article 10 paragraph 1 Item 2) and 3) hereof, if they are not taxpayers;
- 2) taxpayers without a head office or a permanent business unit in the Republic (hereinafter: foreign taxpayer);
- 3) Entrepreneurs who have not decided to pay VAT;
- 4) Farmers who have not decided to pay VAT.

The competent tax body shall issue a certificate on the completed VAT registration to the taxpayer.

The taxpayer shall be obliged to notify the competent tax body in writing of any change of data relevant to calculation and payment of VAT in its registration form from paragraph 1 of this Article within 15 days from the day of the change.

The taxpayer shall be obliged to enter the tax identification number (hereinafter: TIN) in all documents in accordance with this Law.

Article 39

At the request for termination of VAT liability of the taxpayer referred to in Article 33 paragraph 3 and Article 34 paragraph 5 of this Law, the competent tax body shall conduct an appropriate verification and issue a certificate on removing the taxpayer from the VAT register.

The competent tax body shall remove the taxpayer from the VAT register, ex officio and upon conducted procedure, if the total supply of the taxpayer has not exceeded 1.000.000 dinars in the past calendar year. The competent tax body shall then issue the certificate referred to in paragraph 1 hereof.

Article 40

Prior to removal from the register of businesses, or other register in accordance with the law (hereinafter: register) of the body authorized to keep the register, the taxpayer terminating the activity shall be obliged to submit a request for removal from the VAT register to the competent tax body not later than 15 days prior to the removal from the public register.

The competent tax body shall conduct the procedure and issue the certificate on removal from the VAT register.

The body authorized to keep the register shall not be entitled to remove the taxpayer from the relevant register without the certificate referred to in paragraph 2 of this Article.

The certificate referred to in Article 38 paragraph 3, and Article 39 hereof and paragraph 2 of this Article shall include the following data:

- 1) name and address of the taxpayer;
- 2) date of issue of certificate on VAT registration or VAT deregistration;

- 3) TIN;
- 4) date of starting the activity, date of VAT registration or deregistration.

The competent tax body shall keep the records on all the taxpayers who have been issued certificates from paragraph 4 of this Article.

Article 41

The Minister shall prescribe the registration form and the procedure of VAT registration and deregistration.

Issuing of invoice

Article 42

The taxpayer shall be obliged to issue an invoice or other document serving as an invoice (hereinafter: invoice) for each supply of goods or services performed for other taxpayers.

The taxpayer shall also be obliged to issue an invoice referred to in paragraph 1 of this Article if he/she receives consideration or a part of the consideration prior to supply of goods and services (advance payment), whereby advance payments including VAT are deducted in the final statement.

The invoice shall include the following data:

1. Name, address and the TIN of the taxpayer- invoice issuer;
2. Location and date of issue, and invoice number;
3. Name, address and the TIN of the taxpayer- invoice recipient;
4. Type and quantity of the delivered goods, or type and volume of services;
5. Date of supply of goods and services and the amount of advance payments;
6. Base amount;
7. The applied tax rate;
8. VAT amount calculated for that base;
9. Note on tax exemption.

The invoice shall be issued in at least two copies, one of which shall be kept with the issuer of the invoice, whereas others shall be given to the recipient of goods and services.

Article 43

The invoice referred to in Article 42 paragraph 1 of this Law shall also be a document on calculation issued by the taxpayer as a recipient of goods and services, on the basis of which the commission for supply of goods and services is to be determined, if:

1. The taxpayer- recipient of goods and services is entitled to enter the VAT in the invoice;
2. The taxpayer issuing the document on calculation and the taxpayer receiving the document on calculation have agreed that the calculation of supply of goods and services is to be performed by the recipient of goods and services;
3. Document on calculation has been submitted to the taxpayer who delivered goods or services;
4. The taxpayer who delivered goods and services has agreed in writing with the stated VAT.

Article 44

If the VAT liability reported by the taxpayer in his invoice is higher than the liability according to the law, the taxpayer shall be obliged to pay the stated VAT amount until it has been corrected in the new invoice.

Article 21 paragraph 6 of this law shall be applied for correction of the invoice in accordance with this law.

If the person who is not liable for VAT or has not performed supply of goods and services, or is not entitled to declare VAT, declares VAT in the invoice or some other document, he shall be liable for declared VAT.

Article 45

The Minister shall specify when the taxpayer is under no obligation to issue an invoice, when certain data may be omitted in the invoice, or when additional simplification regarding issuing of an invoice may be provided for.

Obligation of keeping records

Article 46

In order to compute and pay the VAT properly, the taxpayer shall keep the records that enable conducting an audit.

The Minister shall specify the form, contents and manner of record keeping.

Article 47

The taxpayer shall be obliged to keep the records referred to in Article 46 hereof for at least 5 years upon the expiry of the calendar year to which the records refer.

Tax period, filing the tax return, calculation and payment of the VAT

Article 48

Tax period for which the VAT is calculated, tax return is filed, and the VAT is paid, shall be a calendar month for the taxpayer whose total supply in the past 12 months has exceeded 20.000.000 dinars, or who estimates that his/her total supply for the next 12 months will exceed 20.000.000 dinars.

Tax period for which the VAT is calculated, tax return is filed, and the VAT is paid, shall be a calendar three-month period for the taxpayer whose total supply in the past 12 months has not exceeded 20.000.000 dinars, or who estimates that his/her total supply for the next 12 months will not exceed 20.000.000 dinars.

The taxpayer referred to in paragraph 2 of this Article shall submit a request for change of the tax period to one calendar month, to the competent tax body by January 15 of the current calendar year at the latest.

The approved tax period referred to in paragraph 3 of this Article shall last for at least 12 months.

For the taxpayers starting a business activity in the current calendar year, the tax period shall be a calendar month for the current and the next calendar year.

Article 49

The taxpayer shall be obliged to calculate the VAT for the relevant tax period on the basis of the total supply of goods and services in that period, if, in accordance with Article 14 hereof, such goods and services have become liable for taxation, and at the same time, the taxpayer is a tax debtor.

While calculating the VAT, corrections from Article 21 and Article 44, paragraph 1 hereof shall be also taken into consideration.

The VAT calculated in accordance with paragraph 1 and 2 of this Article shall be reduced by the input tax amount according to Article 28, 30 and 34 hereof.

For calculation of the input tax under paragraph 3 of this Article, corrections referred to in Article 31 and 32 hereof shall also be taken into consideration.

VAT at import shall be deducted from the VAT in the tax period in which it has been paid.

Exceptionally from the provision under paragraph 1 of this Article, in case of transportation of passengers across the state border by buses performed by foreign taxpayers, the competent customs body shall calculate the VAT for each transport (hereinafter: individual taxation of transport) under reciprocity rule.

Article 50

The taxpayer shall file the tax return to the competent tax body on the prescribed form within 10 days upon expiry of the tax period.

The taxpayer shall file the tax return regardless of whether the taxpayer is liable for VAT in that tax period.

The tax debtors referred to in Article 10 paragraph 1 item 2 and 3 and Article 44 paragraph 3 of this law shall also be obliged to file the tax return.

The tax return under paragraph 3 of this Article shall be filed for the tax period in which the VAT liability occurred.

Article 51

For each tax period, the taxpayer shall be under obligation to pay the VAT equal to the positive difference between the total tax liability amount and the input tax amount, within the time limit for filing tax returns stated under Article 50, paragraph 1 hereof.

X. TAX REFUND AND REIMBURSEMENT

Tax refund

Article 52

If the input tax amount is higher than the tax liability amount, the taxpayer shall be entitled to a refund of the difference.

If the taxpayer decides not to take the refund under paragraph 1 of this Article, the difference shall be recognized as the tax credit.

Refund under paragraph 1 of this Article shall be issued within 45 days, or within 15 days for taxpayers who mainly perform supply of goods abroad, upon the expiry of the time limit for filing tax returns.

The Government of the Republic of Serbia shall define criteria for determining what, according to this law, shall be understood as supply of goods and services mainly abroad.

The Minister shall specify the procedure of becoming entitled to VAT refund.

Reimbursement of VAT to the foreign taxpayer

Article 53

Reimbursement of VAT shall be made to the foreign taxpayer, at his/her request, if the foreign taxpayer has settled liability and met the conditions defined by this law for becoming entitled to deduction of the input tax, provided that the foreign taxpayer:

1) does not carry out the supply of goods and services in the Republic,

2) renders only tax exempt services in accordance with Article 24, paragraph 1, item 1 and 8 hereof;

3) performs only the transportation of passengers liable to the individual taxation of transport in accordance with Article 49, paragraph 6 hereof.

As for paragraph 1 of this Article, VAT reimbursement shall be made under reciprocity rule.

Humanitarian organizations

Article 54

On the basis of the filed request, the organizations registered for performing humanitarian activities shall be entitled to VAT reimbursement for the goods delivered to them in the Republic or for the imported goods, provided that:

- 1) The supply/import of goods is taxable.
- 2) The VAT for the delivered goods has been stated in the invoice, in accordance with Article 42 hereof, and payment has been made, or the VAT liability based on import of goods has already been settled;
- 3) The purchased goods have been dispatched abroad where used for humanitarian, charitable or education purposes.

Foreign donors

Article 55

On the basis of the request, the foreign donors providing financial resources for realization of the projects in the Republic shall be entitled to the VAT reimbursement for the goods delivered to them in the Republic or the goods they have imported, as well as for other services provided to them, if:

- 1) delivered or imported goods, or rendered services are taxable,
- 2) the VAT on supply of goods and services has been stated in the invoice, in accordance with this law, and that the payment has been made, and/or the VAT liability based on the import of goods has already been settled,
- 3) the donor funds for the projects are based on the agreement entered with Serbia and Montenegro, i.e. the Republic, and the tax costs are not to be covered by the received financial assets.

Reimbursement of input tax to a foreign citizen

Article 56

At the request of a foreign citizen not liable for taxation and without a residence in the Republic, the VAT reimbursement shall be carried out under conditions laid in Article 24 paragraph 1 item 4 hereof.

Article 57

The Minister shall specify the manner and procedure of tax reimbursement referred to in Article 53-56 hereof.

XI. SPECIAL REGULATIONS FOR IMPORT OF GOODS

Article 58

Customs regulations shall be applied to the VAT on import of goods, unless otherwise provided for by this Law.

Article 59

The customs body conducting the customs proceedings shall be responsible for calculating and collecting VAT on import of goods, unless otherwise provided for by this Law.

XII. PENALTY PROVISIONS

Article 60

The taxpayer – legal entity shall be fined from 100.000 to 1.000.000 dinars for the violation, provided that he/she:

- 1) fails to fulfill the liabilities provided for by this Law (Article 10, paragraph 2);
- 2) does not correct the VAT liability, or does not calculate the VAT in case of change of the tax base (Article 21);
- 3) exercises the right to deduction of the input VAT, without having documentation necessary for that (Article 28, paragraph 2);
- 4) deducts the input VAT for delivery of goods and rendering of services without being entitled to that (Article 29 paragraph 1);
- 5) fails to correct the input VAT deduction (Article 31)
- 6) fails to correct the input tax deduction for equipment and structures for performance of activities (Article 32, paragraph 1-3);

7) fails to provide the recipient with the data necessary for correction of the input VAT (Article 32, paragraph 5);

8) states the VAT in the invoice or other document, or deducts the input VAT without being entitled to it (Article 33, paragraph 2, Article 35, paragraph 7);

9) deducts the VAT compensation amount as the input tax without having paid that VAT compensation and value of received goods and services (Article 34 paragraph 4);

10) does not issue the invoice (Article 37, item 2 and article 42);

11) does not keep the prescribed records (article 37, item 3 and Article 46);

12) does not calculate the VAT (Article 37, item 4 and Article 49);

13) does not pay the VAT within the prescribed term (Article 37, item 4 and Article 51);

14) does not submit the registration form within the prescribed term (Article 38, paragraph 1 and Article 63);

15) does not inform the TA of the changes of data in his registration form or on termination of the activity (Article 38, paragraph 4 and Article 40 paragraph 1);

16) does not state the TIN in all documents prescribed by this Law (Article 38, paragraph 5);

17) does not keep the records within the prescribed term (Article 47).

The responsible person within the legal entity shall also be fined with 10.000 to 50.000 dinars for the violation referred to in paragraph 1 of this Article.

The entrepreneur shall be fined with 12.500 to 500.000 dinars for the violation referred to in paragraph 1 of this Article.

The responsible person of the court, local self-government body, lawyer's association, professional association, or any other body or organization competent for entering into the relevant register, shall be fined between 10,000 and 50,000 dinars if such person removes the taxpayer from the register without the certificate referred to in Article 40, paragraph 3.

XIII. TRANSITIONAL REGIME

Article 61

The Government of Republic of Serbia shall regulate application of this law on the territory of Autonomous Province of Kosovo and Metohija in the period of effectiveness of Security Council Resolution of the United Nations Organization, no. 1244.

XIV. TRANSITIONAL AND FINAL PROVISIONS

Article 62

Provisions of this law shall be applied to all supply of goods and services and import of goods performed as of January 1, 2005.

If the taxpayer has paid sales tax for the issued invoices or received advance payments by and including December 31, 2004, and the supply of goods/services has been performed after January 1, 2005, the taxpayer may reduce the VAT liability for delivered goods and services in the tax period by the sales tax amount that has been paid.

If delivery of goods/services is performed in parts in terms of Article 14, paragraph 4 and Article 15, paragraph 3 hereof, provisions of this Law shall be applied to that part of the supply of goods and services that has been performed beginning with January 1, 2005, and provisions of the Law on Sales Tax shall be applied to the part performed by and including December 31, 2004.

Taxpayer shall be obliged to prepare the list of issued invoices and received advance payments referred to in article 2 hereof and submit it to the competent tax body by January 15, 2005 at the latest.

Article 63

The person who has made or estimates that he/she will make total supply of goods and services exceeding 2.000.000 dinars in the 12 months preceding the day of filing a VAT registration form referred to in Article 37 item 1 hereof, shall be obliged to file a VAT registration form to the competent tax body by September 30, 2004 at the latest.

The person who has made or estimates that he/she will make total supply of goods and services exceeding 1.000.000 dinars in the 12 months preceding the day of filing a VAT registration form referred to in paragraph

1 of this Article, may file a VAT registration form to the competent tax body, but not later than September 30, 2004.

Article 64

According to this Law, on December 31, 2004, the VAT payers shall be under obligation to make the list of inventories of tobacco products, alcoholic beverages, coffee, motor fuel, diesel fuel and heating oil found on the location and intended for further supply, and determine the sales tax on goods for these, which is calculated at purchase and paid through the purchase price or at import.

The taxpayer may use the tax determined under paragraph 1 of this Article as the input tax in accordance with provisions of this Law if the taxpayer uses these products for supply of goods and services, and if he is entitled to deduction of the input tax.

The input tax referred to in paragraph 2 of this Article may be deducted in the amount proportional to the performed supply of goods and services in future tax periods.

The taxpayer shall not be entitled to refund of the determined sales tax liability referred to in paragraph 1 of this Article.

The taxpayer shall be under obligation to submit the inventory lists referred to in paragraph 1 hereof as well as the list of suppliers, that is, list of customs declarations for the products referred to in paragraph 1 hereof, to the competent tax body by January 15, 2005.

The Minister shall specify manner of gaining right to deduction of sales tax as input tax.

Article 65

According to this law, the VAT payers shall be obliged to make an inventory of the newly built structures and the structures that are being built, on December 31, 2004.

The newly built structures not delivered or paid by December 31, 2004 shall be liable for taxation in accordance with the law regulating property taxes.

The value of structures, building of which is in progress, and which are to be delivered from January 1, 2005, shall be determined on December 31, 2004, and these structures shall be liable for taxation in accordance with the law regulating property tax.

The value of structures referred to in paragraph 3 of this Article and determined from January 1, 2005 shall be liable for taxation in accordance with this law.

The taxpayer shall be obliged to submit the inventory lists referred to in paragraph 1 of this Article to the competent tax body by January 15, 2005 at the latest.

Article 66

The Law on Sales Tax ("Official Gazette of the Republic of Serbia", no. 22/2001, 73/2001, 80/2002 and 70/2003) shall be applied for calculation and payment of sales tax on goods and services, liabilities of which have occurred by December 31, 2004.

Article 67

With the day this Law comes into effect, the Law on Value Added Tax shall cease to be valid ("Official Gazette of the FRY", no. 74/99, 4/2000, 9/2000, 69/2000 and 70/2001).

The Sales Tax Law ("Official Gazette of the RS", no.22/01, 73/01, 80/02 and 70/03) and regulations passed on the basis of that law shall cease to be valid on January 1, 2005, whereby Decree on Manner of Keeping Records of Supply through fiscal Cash Registers and Schedule for Introduction of such Cash Registers ("Official Gazette of the RS", no.5/03, 39/03, 72/03, 2/04, and 31/04) and regulations passed on the basis of that decree shall be applied until the application of the law regulating introduction and keeping records of supply through fiscal cash registers.

Article 68

This Law shall come into effect on the eighth day from the day of its publishing in the "Official Gazette of the Republic of Serbia" and shall be applied as of January 1, 2005, except provisions of Article 37 item 1, Article 63, and provisions hereof regulating authority to pass regulations, that shall be applied from the day this Law comes into effect.