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## Taxation of Income of Freelancers

Law on personal income tax of Republic of Serbia relates to the manner of taxation of the income of freelancers, i.e. income from services fees on which tax is paid via self-assessment taxation. The Law provides two possible models of taxation of the income of freelancers. Taxation of the income of individuals who generate income from copyright and related rights, on which the tax is paid through self-taxation, as well as on the basis of the agreed remuneration for the work performed, on which the tax is paid through self-taxation, is regulated in a way that enables persons who generate the income in question to opt for one of two alternative ways of recognizing normalized costs in the dinar amount and, accordingly, determining the tax base based on the personal income tax. The first taxation model includes standardized costs and a lower non-taxable income amount. The second taxation model requires a higher non-taxable amount without recognizing standardized costs. Individuals can choose the manner of determining the taxable income and consequently the amount of tax liabilities.

Model A – fixed statutory deductible costs in the amount of RSD 96,000 (approx. EUR 820) per quarter, in which case applicable tax rate is 20% [for lower and not regularly incomes].

Model B - fixed statutory deductible costs in the amount of RSD 57,900 (approx. EUR 500) per quarter, increased by 34% of quarterly gross income, in which case applicable tax rate is 10% [for higher incomes on regular basis].

In connection with the payment of personal income tax, the novelties give the possibility for taxpayers to determine and pay personal income tax separately for each quarter by choosing one of the two available taxation models. It means that the taxpayers can choose for the current quarter the taxation model different from the taxation model chosen for the previous quarter. Tax is paid on for each calendar quarter. Individual is obliged to perform self-assessment taxation related to such income, i.e. to submit a tax return and pay income tax within 30 days as of the expiration of the calendar quarter in which income was received.

Pension and disability insurance for Model A is fixed (24%), and cannot be lower than the triple amount of the minimum monthly social security contribution base for the Model B (24% or minimum 7,720 monthly/23,160 quarterly).

The base for healthcare insurance contributions is the same for both models - taxable income, which cannot be lower than the triple amount of 15% of the average monthly salary paid per employee in the previous year (10.3% or minimum 1,402.17 monthly/4,206.51 quarterly). Those freelancer who are already employed are not obligated to pay healthcare insurance contributions.

The application of this Law started as of 1 January 2023.

#### **EXAMPLE 1:**

##### **Overall income per current quarter before taxation: 50,000 RSD**

- 1) Model A - fixed statutory deductible costs: 96,000 RSD
- 2) Model A - increased costs of quarterly gross income: 0 %
- 3) fixed statutory deductible costs > overall income per current quarter
  - a. taxation basis sum: 0.00 RSD
  - b. tax: 0.00 RSD (20% of taxation basis sum)
  - c. pension and disability insurance: 0.00 RSD (taxation basis sum is 0.00 RSD)
  - d. healthcare insurance: 4,206.51 RSD  
(minimum sum; for non-employed freelancers)  
(0.00 RSD; for employed freelancers)
  - e. overall contributions 4,206.51 RSD (for non-employed freelancers)  
**income after taxation: 50,000 - 4,206.51 = 45,793.49 RSD**  
overall contributions 0.00 RSD (for employed freelancers)  
**income after taxation: 50,000 - 0.00 = 50,000.00 RSD**

##### **Overall income per current quarter before taxation: 50,000 RSD**

- 1) Model B - fixed statutory deductible costs: 57,900 RSD
- 2) Model B - increased costs of quarterly gross income: 34 % (34 % of 50,000 RSD; 17,000 RSD)
- 3) fixed statutory deductible costs > overall income per current quarter
  - a. taxation basis sum: 0.00 RSD
  - b. tax: 0.00 RSD (10% of taxation basis sum)
  - c. pension and disability insurance: 23,160.00 RSD (minimum sum)
  - d. healthcare insurance: 4,206.51 RSD  
(minimum sum; for non-employed freelancers)  
(0.00 RSD; for employed freelancers)
  - e. overall contributions 27,366.51 RSD (for non-employed freelancers)  
**income after taxation: 50,000 - 27,366.51 = 22,633.49 RSD**  
overall contributions 23,160.00 RSD (for employed freelancers)  
**income after taxation: 50,000 - 23,160.00 = 26,840.00 RSD**

## EXAMPLE 2:

### Overall income per current quarter before taxation: 200,000 RSD

- 4) Model A - fixed statutory deductible costs: 96,000 RSD
- 5) Model A - increased costs of quarterly gross income: 0 %
- 6) fixed statutory deductible costs (96,000 RSD) < overall income per current quarter
  - a. taxation basis sum:  $200,000 - 96,000 = 104,000$  RSD
  - b. tax: 20,800.00 RSD (20% of of taxation basis sum)
  - c. pension and disability insurance: 24,960.00 RSD (24% of taxation basis sum)
  - d. healthcare insurance: 10,712.00 RSD (10.3 % of 104,000 RSD is 10,712.00 RSD)  
(for non-employed freelancers)  
(0.00 RSD; for employed freelancers)
  - e. overall contributions 56,472.00 RSD (for non-employed freelancers)  
**income after taxation:  $200,000 - 56,472.00 = 143,528.00$  RSD**  
overall contributions 45,760.00 RSD (for employed freelancers)  
**income after taxation:  $200,000 - 45,760.00 = 154,240.00$  RSD**

### Overall income per current quarter before taxation: 200,000 RSD

- 4) Model B - fixed statutory deductible costs: 57,900 RSD
- 5) Model B - increased costs of quarterly gross income: 34 % (34 % of 200,000 RSD; 68,000 RSD)
- 6) fixed statutory deductible costs (57,900 + 68,000 RSD) < overall income per current quarter
  - a. taxation basis sum:  $200,000 - 125,900 = 74,100$  RSD
  - b. tax: 7,410.00 RSD (10%)
  - c. pension and disability insurance: 23,160.00 RSD (minimum sum)
  - e. healthcare insurance: 7,632.30 RSD (10.3 % of 74,100 RSD is 7,632.30 RSD)  
(minimum sum; for non-employed freelancers)  
(0.00 RSD; for employed freelancers)
  - e. overall contributions 38,202.30 RSD (for non-employed freelancers)  
**income after taxation:  $200,000 - 38,202.30 = 161,797.70$  RSD**  
overall contributions 30,570.00 RSD (for employed freelancers)  
**income after taxation:  $200,000 - 30,570.00 = 169,430.00$  RSD**