

TAX POLICY IN SERBIAN AGRICULTURE¹*Zoran Simonović, Marko Jeločnik, Jonel Subić²***Abstract**

In paper was analysed tax policy in agriculture of Serbia. Tax policy was observed through the current legal framework, as like: Individual Income Tax Law and Corporate Profit Tax Law. Special attention was paid to the Value Added Tax Law, primarily from the aspect of family agricultural husbandries, as from the stand point of the rules that were valid under the old VAT Law, as well as based on last amendments and supplements adopted at the end of 2012. Mentioned approach of VAT studying is leaned on fact that it represents modern form of tax applicable in field of consumption. It was implemented primarily to facilitate the reduction of the grey economy, to harmonize national tax policy with European Union (EU) standards, as well as to increase tax collection.

Key words: tax policy, agriculture, VAT Law.

JEL: Q18, H25

Introduction

Agriculture in Serbia carries an imperative of economy sector with strategic importance. Although has on disposal satisfactory production potentials, it is usually limited by tinge of extensiveness and doing everything, atomized estates, low yields with changeable quality, outdated technology, bad production structure, etc. On the other hand, the concentration of large number of stakeholders in agriculture and expressed surplus in foreign trade should have relatively big fiscal impact on the replenishment of republic budget.

However, the purpose of taxation is not only the collection of tax revenue, but also the realization of some non-fiscal issues, i.e., the state aims to achieve by fiscal policy a range of economic, political and social goals (Milosevic, Kulić, 2011; Božić et al., 2011).

For a long time, in Serbia has existed an effort for joining to the European Union (EU) in close future. According to that, competent state authorities carry out monitoring, application

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and adjustment of national to the EU legislation. Integral parts of mentioned striving are the measures taken in tax policy that are related to agriculture. Measures are focused to the giving of certain exemptions that would enable more successful work of agriculturalists, and they are directed towards the registration of family agricultural husbandries, providing of short-term and long-term loans, as well as the establishment of a system of direct payments to farmers dedicated accounts.

Through a range of system laws and regulations the Serbian government attempted to eliminate decades-long omissions in agriculture, which effects recently are increased by the global economic crisis, primarily from the standpoint that agriculture is an economy branch from which is expected quite a lot. Attempted changes also considered satisfactory tax policy. Within the European Union is established a set of directives about harmonization of Value Added Tax (VAT). In this way, common stances are defined in terms of territory, object of taxation, persons - taxpayers, tax base, number of rates, minimal height of tax rate, types of exemptions, deductions, special procedures in taxation and tax liabilities of the taxpayers. Directive 2006/112/EC is considered as primary directive for the VAT harmonization.³

The main characteristic of the tax harmonization within the EU is that it supports the principles of the internal market, free movement of people, goods, services and capital. Also, significant feature of tax harmonization is that it involves a high level of tolerance, accepting the differences of certain Member States as deviations from the common stances, but in a way that mentioned deviations has become solutions of adjustment (Hrustić, 2012).

Data sources and Methodology

The research subject of the authors was the analysis of the tax policy in Serbian agriculture. Analysis was focused on next tax policies: Corporate Profit Tax Law, Individual Income Tax Law and Value Added Tax Law. The goal of research was to determine the current state of agricultural tax policy, before all from the aspect of family agricultural husbandries, as well as to suggest eventual directives that will be in function of realization, primarily, non-fiscal aims of fiscal policy (economic and social context of development of agriculture). Used method was desktop study analysis that respects available scientific and professional literature and database.

Income taxes

Tax policy is an integral part of the economic policy taken by some country in way of its own development. Naturally, it has to be fair and incentives for taxpayers, or to encourage production and safety of producers.

In Serbian agriculture, in terms of achieved incomes, taxpayers are as natural persons (agriculturalists), as well as legal persons (companies and cooperatives). Until 2005

³ Council Directive 2006/112/EC of 28th November, 2006 on the common system of value added tax, Official Journal L 347 of 11.12.2006.

agricultural producers were paid taxes according to Individual Income Tax Law⁴, while the fiscal obligations of legal persons are defined by the Corporate Profit Tax Law.⁵

Since 1990, the tax base that was paid by agricultural producers was embodied in cadastral income or real income. Cadastral income is determined by cadastre (public institution) for all land that could be used for agricultural production or forestry, whether is used for this purpose.⁶

It included income from plant production and livestock breeding, and it was determined by the scale of cadastral income. As it was taxed a potential income of agricultural husbandry, cadastral income represents just an accounting category, not a real income of certain husbandry. Income from plant production was considered monetary value of the average yield that was achieved per hectare, according to existing structure of crops and seedlings and usual way of soil cultivation, but after deduction of average material cost of production. It was determined for each cadastral culture (productive land is classified into 8 cadastral cultures - plough lands; gardens; orchards; vineyards; meadows; pastures; puddles, reeds and ponds; and forests) and cadastral class of land (within the each culture land is classified by its quality into 8 cadastral classes, where the first indicates the highest quality) within the certain cadastral territory. Income from livestock breeding was not shown separately, but it also includes income from crop production. Calculation was based on the corrected average prices of products used for feeding of current livestock fund in the Republic. Mentioned tax was paid quarterly (in middle of trimester).

Before the beginning of the fiscal year, the taxpayer could commit himself for the determination of real income from agriculture and forestry, where it had to inform about that competent tax authority. In this case by income was considered the real income determined in the manner prescribed by the Law that defines income from self-employment.⁷

The taxpayer of income from agriculture and forestry was natural person who is the owner or holder of the right for land use, or who is a usufructuary of land registered in the land cadastre at the 31st December of the year that preceding the year for which the tax is determined. At long-term lease, land tenant was became the taxpayer starting from the beginning day of the lease, if along with consent of the lessor was submitting the notification to the competent tax authority within fifteen days from the date when the Lease Agreement is signed.⁸

Until last amendments and supplements to the Individual Income Tax Law it used to be in cases when exist two or more co-owners, or co-holders of the right to use the land, that are

⁴ Individual Income Tax Law. Official Gazette of RS, no. 135/04.

⁵ Corporate Profit Tax Law. Official Gazette of RS, no. 25/01, 80/02, 43/03, 84/04 and 18/10.

⁶ Law on Cadastral Income Determination. Official Gazette of SRS, no. 49/92.

⁷ Income from agricultural land that is used for extraction of sand and gravel, bricks baking, seedlings production, poultry production by incubator and production of medicinal plants is taxed as real income from self-employment (Božić et al., 2011).

⁸ Individual Income Tax Law. Official Gazette of RS, no. 24/01, 80/02, 135/04, 62/06, 65/06, 31/09, 44/09, 18/10, 50/11 and 90/11-US, article 23-25.

living in same household, but who did not finish division of the property, taxpayer could be just one of the adult co-owners. If there was no agreement among the co-owners who will be the taxpayer until the beginning of the year for which the tax is determined, then the taxpayer was announced by competent tax authority.⁹

Also, tax on incomes from agriculture and forestry was not paid on cadastre income in next cases:

- For land where are established embankments, channels, trenches and other objects against floods, for irrigation and drainage, or protection from erosion;
- For land whose use is prohibited by the law;
- For land under the buildings of foreign countries, or which is used as diplomatic and consular facilities;
- For land which use as protected area around monuments of culture and objects of nature;
- For backyards of religious objects, etc.

These exemptions of tax paying were expired in moment when mentioned land changed its use, what taxpayer was required to report to the competent tax authority within the fifteen days after the date of change. On land parcels where come to yields reduction for more than 25% of the average yields achieved in last three years in certain municipality, caused by natural disasters, plant diseases and pests, or other extraordinary events which producer could not stop, taxpayer had the right to ask for tax cuts proportional to the reduction of yields, by submission of the request to the competent tax authority within the fifteen days after the damage was made.¹⁰

Also, certain exemptions were related to older farmers (males older than 60 and female older than 55 years), ill and working unable persons, stimulation of production on the husbandries of young farmers and workers who have moved from other branch of economy to agriculture, during the investments in arrangement of land complex (in land parcels consolidation, built of irrigation systems, or conversion of unused land into the land for agricultural production), opportunity to pay taxes in kind (products), etc.

During the period of use of Tax on cadastral income, proportional tax rates were applied. Height of tax rate was subject to change, from minimal 3% in 1990, to 14%, or 10%, according to Law change in 2002 and 2004. After a Law amendments established in 2005, tax on cadastral income was not charged¹¹, at the beginning only to registered family husbandries, and later to other agricultural husbandries.

By latest amendments and supplements to the Law, for 2012 and 2013¹², are still retains the right that agriculturalists are exempted from paying of tax on incomes from agriculture and

⁹ Ibidem, article 28.

¹⁰ Ibidem, article 30.

¹¹ Law on temporary exemption from taxation of tax on individual income of certain types of income. Official Gazette of RS, no. 5/2009.

¹² Law on Amendments and Supplements to the Individual Income Tax Law. Official Gazette of RS, no. 47/13.

forestry on cadastral income. On that way, legislator wanted to motivate the development and investment in agriculture, as the cadastral income as the basis for the tax determination is very low, so the taxes on that basis had little share within the sum of individual income tax.¹³ Established tax exemption has an expressed social dimension, in other words it is in function of maintenance of agriculturalists social status, considering their ownership under atomized estates and conduction of extensive production.

If we have companies in focus, to first changes in Serbian tax policy came after 1990, when for a tax base was taken profit. For newly established companies, as well as newly established cooperative farms, according to article 7. of the Law on corporate income tax and contributions from the company income, was introduced the tax exemption in the first, or reduction of the tax burden in second and third business year.¹⁴

Legal persons (agricultural companies and cooperatives) pay tax on corporate profit, as all corporate bodies that achieve incomes on the market. Taxed profit is determined by tax balance, while applied tax rate is proportional.¹⁵

By law regulations, to payment of this tax have been exempted newly established companies in economically underdeveloped municipalities in first three business year. On the other hand, in economically developed municipalities, by reduction of accounted corporate tax, tax relief ranged from 30% to 70% of the calculated tax.

After the last amendments and supplements of mentioned Law this exemption was kept just for underdeveloped territories in case if taxpayer meets next conditions: if he invests in fixed assets more than 8 million RSD; if he uses at least 80% of value of fixed assets for activities of primary business; if in investment period he additionally employs at least five persons (full time job); if at least 80% of part time employees have residence in underdeveloped territory.¹⁶

Certain discounts exist also for taxpayers in whose business is invested foreign capital, if the share of foreign capital in total capital of the taxpayer is at least 10%. In this case, there is a tax deduction for a period of five years, proportionate to the share of foreign capital within the total capital of taxpayer.

Tax credits (tax reductions) can be given also for the newly established business unit in underdeveloped areas. To taxpayer who invests in real estates, facilities, equipment or biological agents in his own ownership for the organization of primary business activity,

¹³ According to last amendments and supplements to the Law, only regulations related to taxation of agriculturalists that are natural persons and holders of registered agricultural husbandries, which take a book keeping obligation, in accordance to article 43, paragraph 2 of mentioned Law, were kept (Individual Income Tax Law. Official Gazette of RS, no. 93/12 and Law on Amendments and Supplements to the Individual Income Tax Law. Official Gazette of RS, no. 47/13, article 18.).

¹⁴ Law on Corporate Income Tax and Contributions from the Company Income. Official Gazette of SRS, no. 35/90, pg. 1317-1319.

¹⁵ Law on Tax of Corporations Profit. Official Gazette of RS, no. 43/94.

¹⁶ Corporate Profit Tax Law, Official Gazette of the RS, no. 25/01, 80/02, 43/03, 84/04 and 18/10, article 50 b.

or activity recorded in the founding act (or noted in some other act of the taxpayer, which determines his activities), is entitled a tax credit of 20% of the realized investment, except it can not be higher than 50% of calculated tax for the year in which the investment was made. Also, relating to this view, to taxpayer who is according to Law on Accounting and Auditing classified as a small legal entity, is entitled to a tax credit of 40% of the investments realized in fixed assets used in primary business activity, except it can not be higher than 70% of calculated tax for the year in which the investment was made.

According to article 48a of the Corporate Profit Tax Law, to agricultural companies, as taxpayers, is allowed a tax credit in amount of 80% of the investment made in current year in fixed assets in their own ownership used for primary activities. Tax credit is allowed without limitations regarding to calculated tax in the year when investment was made, as well as in next 10 years, in which part of unused tax credit can be transferred.¹⁷ By the Law on amendments and supplements to the corporate profit tax law¹⁸ were erased regulations of Article 48a, so mentioned tax credit will be not applied during the determination, calculation and paying of tax liability in 2013.

In order to stimulate balanced development of agricultural branches, as well as rural territories where are organized specified agricultural activities, there are real needs for establishment of tax reliefs for a certain level of commodity production in highland area, or for growing of certain number of cattle per hectare of agricultural land. Also, in order to create conditions for a broader application of innovations and modernization of agriculture, it should be introduced a tax exemptions for those husbandries and legal entities that implement innovations within their production activity. Of course by adequate use of tax policy should be influenced on strengthening of specialization level in agricultural production, in other words on prevalence, development and strengthening of those lines of agricultural production for which Serbia evidently possess comparative advantages in relation to surrounding, or for those which in large percent contribute to ensuring of food security.

Legal entities in agriculture and food industry, especially small and medium enterprises and cooperative farms, beside non-stimulative tax policy, are usually faced during the realization of their products on market with disloyal (business activity of large number of market subjects within the zone of grey economy) and undeveloped competition (presence of oligopsony market situation in which as they are small, divided and with small negotiating power, is very difficult to achieve favourable sales conditions). Previous facts derive from institutionally underdeveloped and by allocation inefficient market of agricultural products, which does not provide strong and healthy competition, as well as does not ensure maximal benefits to producers, consumers and complete economy and society (Paraušić et al., 2010).

¹⁷ Ibidem, article 47, 48 and 48a.

¹⁸ Law on Amendments and Supplements to the Corporate Profit Tax Law. Official Gazette of RS, no. 47/13.

Besides mentioned, development of agricultural companies are limited by many systemic problems within the non-stimulative business ambience, as are¹⁹: high labour burdens (height of taxes and contributions on gross wages, number of local communal taxes, etc.); unfavourable bank conditions within the credit lines for agriculture; insufficient support of agrarian budget directed to subsidizing of primary agricultural production and processing of agricultural products. Therefore, for their further development would be very significant additional incentives in the area of tax policy, as well as establishment of stimulating Labour Law which will reduce the impact of the grey economy.

On other hand, fiscal potential of agriculture can be also estimated through the available data from the last census of agriculture, where in Serbia currently exist 631.122 agricultural husbandries²⁰ (Table 1.), among which have dominated family agricultural husbandries²¹.

Table 1. Category and number of agricultural husbandries in the Republic of Serbia

Agricultural husbandries		
Family agricultural husbandries	Husbandries of legal entities and entrepreneurs	Total
628.555	2.567	631.122

Source: *Census of Agriculture 2012 in the Republic of Serbia – First results*. Statistical Office of the Republic of Serbia, Belgrade, Republic of Serbia, 2013.

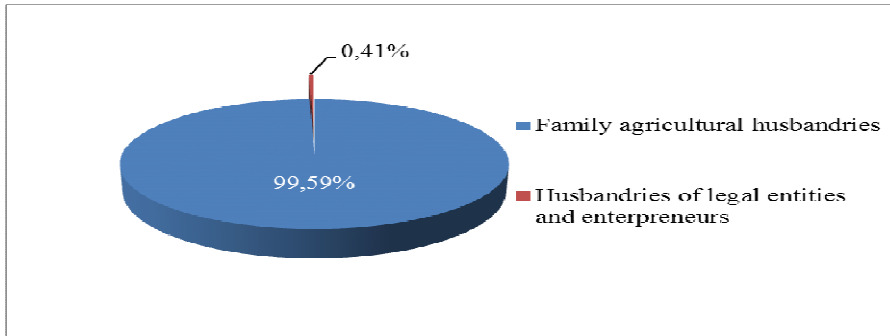
Structure of agricultural husbandries in the Republic of Serbia is presented by the next graph (Graph 1.).

¹⁹ Conditions and Burdens on Doing Business and Collective Bargaining, brochure of Serbian Association of Employers, Belgrade, September 2010.

²⁰ An agricultural husbandry is defined as a technically and economically independent production unit that has integral management, and where company, agricultural cooperative, institution or other legal entity, entrepreneur or family agricultural husbandry does agricultural production as primary or secondary activity (Source: *Census of Agriculture 2012 in the Republic of Serbia – First results*. Statistical Office of the Republic of Serbia, Belgrade, Republic of Serbia, 2013).

²¹ Family agricultural husbandry considers every family or any other community of persons (or individual) who live together and commonly spend their incomes for covering of basic needs, whose members (one or more) are involved in agricultural production (as primary or secondary activity) whether they produce for the market or not, commonly use means of production (land, machines, equipment, buildings) and work of their members, whose holder is a natural person, which at same time cultivates certain areas of agricultural land, or breeds certain number of heads of large and small cattle, poultry, or bee societies (Source: *Census of Agriculture 2012 in the Republic of Serbia – First results*. Statistical Office of the Republic of Serbia, Belgrade, Republic of Serbia, 2013).

Graph 1. Structure of agricultural husbandries in the Republic of Serbia



Source: *Census of Agriculture 2012 in the Republic of Serbia – First results*. Statistical Office of the Republic of Serbia, Belgrade, Republic of Serbia, 2013.

Also, the Ministry of Finance of the Republic of Serbia (Treasury) states that on 31st March 2013 in Serbia were registered 469.411 agricultural husbandries (*Table 2.*), primarily located in Central Serbia.

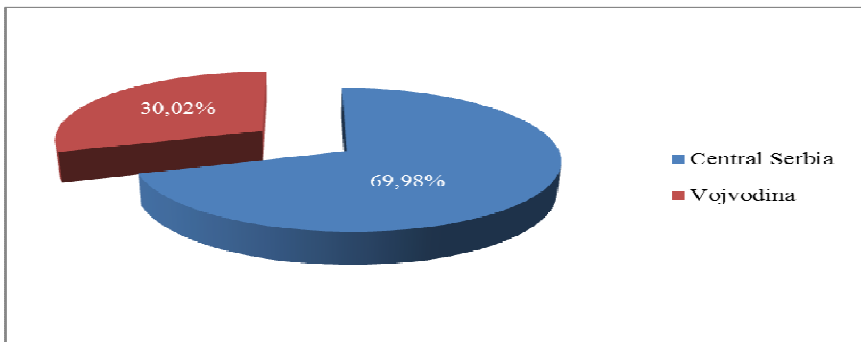
Table 2. Number of registered agricultural husbandries in the Republic of Serbia (on 31st March 2013)

Agricultural husbandries enrolled in Register		
Central Serbia	Vojvodina	Total
328.475	140.936	469.411

Source: <http://www.agrarije.com/node/643>

Territorial structure of registered agricultural husbandries in the Republic of Serbia is presented by the next graph (*Graph 2.*).

Graph 2. Territorial structure of registered agricultural husbandries in the Republic of Serbia



Source: <http://www.agrarije.com/node/643>

It should be noted that the renewal of registration has to be done every year, and that members of the same husbandry can not have separate, but only one registered family agricultural husbandry.²² In case when family members have registered separate

²² <http://www.trezor.gov.rs>

husbandries, passive status for all husbandries will be determined. During the in the process of registration, or renewal of registration, holder of agricultural husbandry gives statement whether his husbandry is commercial or not.

Despite the fact that in the Republic of Serbia registered agricultural husbandries in VAT system have growing importance, momentarily are not available in public data about their number. Current estimations drive to the conclusion that their number is still relatively small (for example, at the end of 2009, according to the Treasury, on the territory of the Žabalj municipality were registered 2.679 agricultural husbandries, where by estimation in VAT system are only 20, what is barely 0,75% of the total number of registered agricultural husbandries within the mentioned municipality)²³.

VAT Law from an aspect of family agricultural husbandries before establishment of amendments and supplements

Value Added Tax (VAT) represents general tax related with consumption. It is applied in 130 countries, and popularly is named as the European Union tax, as it represents one of the conditions for EU accession (Tica et al., 2011). Serbia is one of the last European countries which were implemented VAT, precisely on 1st January 2005. Established VAT²⁴ is harmonized to European standards, in other words with VI directive of EU on the common system of VAT for all Member States. VAT specificities are reflected in existence of special regimes of taxation.²⁵ In case of agriculture, payers of the Individual Income Tax related to incomes from agriculture and forestry are usually out of VAT system, as they are not achieving annual turnover higher than 4 million RSD (Božić et al., 2011).

Agricultural producers are entitled on compensation towards paid VAT under the terms and in way determined by law. Farmer is in position to decide about taking of obligation for VAT paying until 15th January of current year, by submitting a notification to the competent tax authority on the territory where he resides, if in previous 12 months was achieved a total income from realization of agricultural and forestry products and agricultural services in amount higher than 4 million RSD.

There are three cases of the right for the VAT compensation, that farmer can realize, as like:

- If agricultural producer is registered as a VAT payer and he does business activities with a person who is also a VAT payer, then he has all the rights and obligations as other taxpayers of this type of tax;

²³ http://www.zabalj.rs/index.php?option=com_content&view=article&id=93&Itemid=110&lang=sr-yu

²⁴ Calculation and paying of VAT has to be done in all phases of production-realization cycle, as well as during the import of goods. Subject to tax are delivered and imported goods and services of taxpayer. VAT burdens just turnover directed to final consumption (not a products purchased for execution of business activities). So, VAT payer in accounting period calculates VAT on his deliveries of goods and services, and after that subtracts the value of paid VAT of received goods and services.

²⁵ VI directive of EU assumes next four special cases of taxation, what is harmonized with established Value Added Tax Law in Serbia: small taxpayers (entrepreneurs); agricultural producers; tourist agencies; and turnover of legal goods, pieces of art, collectible goods and antiques.

- If agriculturalists is not registered as VAT taxpayer, and have a business with person who is VAT payer, after delivery of agricultural and forestry products, or after realization of agricultural services, he has the right on compensation for realized goods or services in amount of 5% of value that VAT taxpayer has paid to agriculturalist.²⁶ The purpose of introduction of VAT of 5% is to bring an agricultural producer which is out of VAT system in approximately the same position with the VAT payers that are selling goods and services. VAT compensation has to compensate approximately amount of VAT that agricultural producers were paid during the purchase of goods and services, and for which they do not have the right on deduction of previous tax²⁷, because they are not in VAT system²⁸ (Table 3.);
- In the third case, when agricultural producer is not registered as a VAT payer and he makes business activities with a person who also is not VAT taxpayer, during the sales of agricultural and forest products, as well as provision of his services, he does not calculate and pay VAT.

Table 3. Obligations and rights of family agricultural husbandries according to different status in VAT system

Element	Taxpayer in VAT system	Taxpayer out of VAT system
Way of inclusion	<ul style="list-style-type: none"> - Mandatory entry (total turnover higher than 4 million RSD) - Voluntary entry (at least 2 years) 	***
Output VAT	- When selling its own products and services calculates and pays VAT	- When selling its own products and services does not calculate and pay VAT
Return of entrant VAT	- If value of previously paid VAT is higher than amount of tax liability, it has right to refund the difference	- Does not refund entrant VAT, but it has right on VAT compensation if turnover of agricultural and forest products or agricultural services was made
Mandatory records	<ul style="list-style-type: none"> - Bookkeeping is mandatory - Keep a book of received and issued receipts - Submit tax return 	- Records are not required

Source: Value Added Tax Law. Official Gazette of RS, no. 84/04, 86/04, 61/05 and 61/07.

²⁶ Value Added Tax Law. Official Gazette of RS, no. 84/04, 86/04, 61/05 and 61/07, article 34.

²⁷ Previous tax is an amount of VAT that taxpayer has been already paid during the purchase of certain goods (service). It can be deducted from the total amount of VAT, if previously purchased goods, equipment or commercial property are used for primary activity of taxpayer, or if its products and services are sold on international market. If amount of previously paid VAT is higher than the established tax liability, surplus will be transferred as tax credit in next accounting period, or its return can be demanded.

²⁸ PDV priručnik za primenu propisa o porezu na dodatu vrednost. Savez računovođa i revizora Srbije, Računovodstvo, Beograd 2007, str. 342.

Value Added Tax per special tax rate of 8% is used during the selling or import of agricultural products intended for human consumption, such as: live animals, fish, meat, eggs, edible animal fats, honey, milk and dairy products, fresh and chilled fruit and vegetables, cereals, flour, fresh and frozen bakery products, edible oils and vegetable fats, sugar, etc. (Table 4.).

It is interesting that for the companies active in the field of agriculture, exists legal obligation to keep accounting records, while family agricultural husbandries do not have such requirement. Also, as a great part of family farms is not registered within the national database, there is very poor data about their business (Njegovan, Nastić, 2011).

Table 4. VAT rates for the products and services related to agriculture

Products and services related to agriculture	Tax rates since 2005.	Tax rates since 2012.
- Agricultural machines and equipment - Building material and services - Serving drinks (in agro tourism on husbandries too) - Wrapping material	18%	20%
- Products for human consumption and drinks except alcohol - Products for animal nutrition - Live animals - Seed and seedlings for agricultural production - Fertilizers and pesticides - Veterinary medicines	5%	8%
- Services for agriculture, forestry and fishery - Veterinary services for livestock breeding and fishery	18%	20%
- Export	0%	0%
- Insurance - Sale and lease of agricultural and forestry land	Without VAT	Without VAT ²⁹

Source: Value Added Tax Law. Official Gazette of RS, no. 84/04, 86/04, 61/05 and 61/07, article 34; Law on Amendments and Supplements to the Value Added Tax Law. Official Gazette of RS, no. 93/12.

Also, reduced the tax burden occurs in case of purchase of live animals, animal feed, veterinary drugs, fertilizers and pesticides, seeds for reproduction and seedlings, breeding livestock, etc.³⁰

VAT Law from an aspect of family agricultural husbandries after establishment of amendments and supplements

Recent amendments to the VAT Law were made in September 2012³¹. They assume that agricultural producers, as natural persons, that are holders or members of the family agricultural husbandry registered in Register of agricultural husbandries in accordance

²⁹ Law on Amendments and Supplements to the Value Added Tax Law. Official Gazette of RS, no. 93/12.

³⁰ Value Added Tax Law. Official Gazette of RS, no. 84/04, 86/04, 61/05 and 61/07, article 23.

³¹ Law on Amendments and Supplements to the Value Added Tax Law. Official Gazette of RS, no. 93/12.

with the regulation on farm registration, are taxpayers of the Individual Income Tax (incomes from agriculture and forestry) based on cadastral income.

Agricultural producer, whose total turnover of goods and services in previous 12 months did not exceed 8 million RSD, does not calculate VAT for the realized turnover, does not have right to show VAT in his accounts, does not have right on deductions of previous (input) tax and is not required to keep records prescribed by this Law.

Very important amendment is that small taxpayer (agricultural producer), at any time during the year (not only until January 15th of the current year) may choose to pay VAT by submitting of prescribed registration form to the competent tax authority, and in this case obligation for VAT paying lasts for at least two years. After expiration of two years, farmer may at any time (not only until January 15th of the current year) to submit request for termination of the VAT obligation.

One more innovation that relates to agriculturalist is introduced. That is a regulation of the VAT Law (Article 51a), which prescribes that the taxpayer is required to submit to the competent tax authority, along with tax return, a notification about agriculturalist who is not registered for VAT liability, and who was sold to him in previous 12 months agricultural and forest products and agricultural services in amount higher than one million RSD. Notification has to be submitted together with the tax return for the taxation period in which agricultural producer was realized to the taxpayer purchase in certain amount. Notification must include information on the title, name and surname, as well as address and TIN of agricultural producers.

Amendments to the Law were made with postponed validity period, as follows³²:

- a) Changes that came into force on 1st October 2012 are relating to article 34 (paragraph 3) of previous Law, which now becomes article 26, and which refers to VAT compensation. Instead of former 5%, compensation is now calculated in the amount of 8% of the value of sold agricultural products to all farmers who are out the VAT system. Buyer of agricultural products (cooperative farm, purchaser) is required to issue a receipt where is accounted VAT compensation, as well as to pay the mentioned compensation to the farmers on their current account.
- b) Changes that came into force on 1st January 2013 are relating primarily to the total turnover of goods and services (limit) that agricultural producers were made in previous 12 months. If this turnover exceeds 8 million RSD, farmers are obliged to enter into the VAT system.

Conclusion

According to the preponderance of the social aspect within fiscal policy in agriculture, which led to the termination of the taxation of by agriculturalists achieved cadastral income, and the fact that most of agriculturalists can not reach the limit of 8 million RSD which will

³² Ibidem. Law started to be in use from 1st January 2013, except regulations of the article 15., article 26. (paragraph 2.) and article 45., which were used from 1st October 2012, or article 32., that was used from 31st December 2012.

qualify them for enrolment into the VAT system, tax treatment of agricultural husbandries usually includes tax on properties and certain contributions and self-contributions.

In line with this, the implementation of Value Added Tax in most cases is limited to the calculation and payment of VAT reimbursement in the amount of 8% by the taxpayers in the VAT system during the purchase of agricultural and forestry products, or during the receiving of services from the agriculturalists. On the other hand, agricultural producer may choose a voluntary entry into the VAT system or on the basis of annual turnover gain legal obligation to enter into it (Tica et al., 2008).

During the previous application of the VAT Law, it has been shown that there is a need for certain changes in order to allow the small taxpayer (agricultural producer) to choose at any time during the year to start paying VAT by submitting the prescribed registration form to the competent tax authority. In this case, the obligation to pay VAT lasts at least two years. After the expiration of two years, agriculturalist may apply at any time to the competent tax authority for termination of the obligation for VAT payment. By this change is enabled easier access of farmers to the VAT system, as they could use all benefits of this system during carrying out of their production activities.

The potential of a large number of atomized family agricultural husbandries that have on disposal outdated technical-technological base, as well as extensive and doing everything production, would be potentially in function of the balanced development of agricultural branches and rural areas if additional tax exemptions are introduced, such as: tax reliefs for a certain level of commodity production in highland area; for growing of certain number of cattle per hectare of agricultural land; for implementation of innovations within the production activities; for prevalence, development and strengthening of those lines of agricultural production for which Serbia evidently possess comparative advantages; etc. Besides mentioned tax exemptions that are in context of the economic goals of fiscal policy, in order to improve the social status of certain categories of agricultural husbandries, it could go on reduction of part of tax liabilities on agricultural land to husbandries that are used it as a basic working tool.

On the other hand, the business environment where are particularly small and medium-sized enterprises in primary agriculture, greatly affects and limits income gaining. Therefore, there are justified requirements for additional incentives in the area of fiscal policy, which could be one of the key factors for their survival and further development.

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PORESKA POLITIKA U POLJOPORIVREDI SRBIJE³³*Zoran Simonović, Marko Jeločnik, Jonel Subić³⁴***Apstrakt**

Autori u radu govore o poreskoj politici u poljoprivredi Srbije. Poreska politika se posmatra kroz važeći zakonski okvir, poput: Zakona o porezu na dohodak građana i Zakona o porezu na dobit pravnih lica. Posebna pažnja je posvećena Zakonu o porezu na dodatu vrednost, prvenstveno sa stanovišta porodičnih poljoprivrednih gazdinstava, kako sa aspekta pravila koja su važila prema starom zakonu o PDV-u, tako i sa aspekta poslednjih izmena i dopuna donesenih krajem 2012. godine. Pomenuti pristup izučavanja PDV-a se oslanja na činjenicu da on predstavlja savremeni oblik poreza primenjiv u domenu potrošnje. Uveden je prevashodno kako bi omogućio smanjenje obima sive ekonomije, harmonizovao nacionalnu poresku politiku sa standardima Evropske unije (EU), te kako bi se putem njega povećala naplata poreza.

Ključne reči: *poreska politika, poljoprivreda, Zakon o PDV-u.*

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