

Gender Analysis of Taxation Policy in Serbia

Report

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WOMEN 



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Author: Prof. Svetislav V. Kostić, PhD

Editors: Aleksandra Vladislavljević, Olja Janković Leković

Proofreader: Ana Sivački

Design: MaxNova Creative

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1. Introduction

Gender Responsive Budgeting (GRB) is an innovative public policy tool that analyses the impact of policies and budgets from a gender perspective, identifies actions needed to close the gender financing gap, and ensures that national and local commitments with regard to gender equality and women's empowerment are adequately funded. The main goal is to overcome challenges and accelerate progress towards gender equality through improved planning and budgeting based on the assessment of their impact on closing the gender gap, while simultaneously increasing the spending transparency. By focusing on the most important tool the Government has at its disposal – the budget – GRB initiatives call for a commitment not only on paper, but also in practice, and contribute to developing the capacities and knowledge needed to address gender gaps in sectoral and local government policies, plans, and budgets. Besides promoting the empowerment of women and girls, it also enables full integration of the complex and intersectional nature of discrimination.

The Government of the Republic of Serbia introduced GRB through the amendments to the 2015 Budget System Law, as a part of the public finance management reform and transition to programme budgeting. The promotion of gender equality was identified as one of the budget goals (Article 4),

while GRB was defined as incorporation of the gender equality principle into budgetary processes, which implies a gender-based assessment of budgets and restructuring revenues and expenditures in order to promote gender equality (Article 2, 58v). Implementation of GRB is also prescribed by the Law on Gender Equality, while the 2021–2030 Strategy for Gender Equality identifies the institutionalisation of GRB and increase in investments in gender equality as a measure (Measure 4.3) that will contribute to the establishment of a comprehensive and functional system for creating and implementing gender-responsive public policies and budgets.

As of 2015, the introduction of GRB has been governed by the Ministry of Finance of the Republic of Serbia, the Provincial Secretariat of Finance, and heads of finance departments of local authorities. The efforts in implementing GRB have so far been focused on the expenditure side of the budget and the application of gender equality standards in the process of determining how public funds are to be apportioned among public bodies and for what purposes. Based on the report on the SDG5c1 indicator that tracks the proportion of countries with systems to track and make public allocations for gender equality and women's empowerment, the Republic of Serbia was recognised as one of seven European

countries that have met the requirements of GRB implementation and represent examples of good practice. However, in line with the Budget System Law, this reform should also encompass the revenue side of the budget.

Tax systems and policies can impact individuals differently based on their individual characteristics and differences between men and women in terms of their inherent economic characteristics or behaviours – including income levels, labour-force participation, consumption, ownership, entrepreneurship, savings, tax morale, and compliance with tax laws and policies¹. They can reflect and reinforce existing gender inequalities or promote gender equality. Tax systems often provide credits for childcare, healthcare, or education, but without taking into consideration a gender-sensitive aspect, they may disproportionately benefit men. This is mainly because men generally have higher incomes, allowing them to claim more from these credits, while women, particularly those earning less or working in informal sectors, are unable to qualify for or fully benefit from the same credits.

1 OECD (2022), *Tax Policy and Gender Equality: A Stocktake of Country Approaches*, OECD Publishing, Paris, <https://doi.org/10.1787/b8177aea-en>.

Therefore, it is necessary to address gender aspects in taxation policies so as to create fair and equitable tax systems, ensure gender equality and tackle poverty, which requires a thorough understanding of the social, economic, and cultural factors that contribute to gender disparities.

While at first glance the Serbian tax legislation seems gender-neutral, there are notable issues that should be addressed. For the purposes of systematisation, these issues will be divided into two categories: the first one will encompass the most pressing issues already debated in Serbia (property taxation, personal income tax, gift and inheritance tax, and value-added taxation), while the second one will focus on those that have a less evident connection to the principle of gender equality.

The analysis is structured into seven sections.

- **Section 2** provides information on the taxation system in the Republic of Serbia, including direct and indirect taxation;
- **Section 3** provides information on property taxation, including gender aspects and proposed actions;
- **Section 4** provides information on personal income tax, including gender aspects and proposed actions;
- **Section 5** addresses the cultural preferences through gift and inheritance tax;
- **Section 6** provides information on the gender aspects of Value Added Taxation;
- **Section 7** provides information on the gender-related issues of secondary relevance;
- **Section 8** contains concluding observations.

UN Women initiated work on a gender analysis of taxation policy as a basis for further work on the implementation of GRB. The analysis is primarily intended for decision-makers and stakeholders involved in the implementation of GRB. It is based on a thorough desk review of relevant legislation, existing data, and prior analyses of gender equality aspects of the covered areas. The primary objective is to offer practical and actionable recommendations for refining tax policies in a way that enhances the position of women and promotes gender equality.



2. Taxation System in Serbia

Taxes provided for in the Serbian (or for that matter, any other) legislation can be divided into two groups: direct and indirect taxes. Direct taxes directly target the taxpayer's income and wealth, while indirect taxes are levied in respect of their consumption, thus indirectly affecting their income and wealth.

In Serbia, the main direct taxes are:

- **Corporate Profit Tax** – governed by the Corporate Profit Tax Law;
- **Property Tax** – governed by the Property Tax Law;
- **Personal Income Taxes** – governed by the Personal Income Tax Law;
- **Mandatory social security insurance contributions** – governed by the Law on Mandatory Social Security Insurance Contributions.

The most relevant indirect taxes are:

- **Value Added Tax (VAT)** – governed by the Value Added Tax Law;
- **Gift and Inheritance Tax** – governed by the Property Tax Law;
- **Tax on the Transfer of Absolute Rights** – governed by the Property Tax Law;
- **Excise Duties** – governed by the Excise Duties Law;
- **Customs** – governed by the Customs Law.

It's noteworthy that the gender neutrality found *prima facie* in Serbian tax legislation, contains a problem in itself. Namely, gender-neutral tax policies can inadvertently favour men if they are designed based on male-dominated economic patterns and behaviours. Without a gender lens, tax policy can perpetuate systemic biases, failing to promote equitable outcomes.

While a gender-neutral tax system aims to treat all taxpayers equally, it overlooks structural inequalities and different economic behaviours and responsibilities of men and women. To promote true gender equality, tax policies need to be gender-responsive, considering the different economic realities and contributions of men and women, and actively directed at addressing existing disparities.

The validity of such a conclusion is clearly confirmed by the provision of Article 21, paragraph 4 of the Serbian Constitution², which stipulates that special measures introduced with the aim of accomplishing full equality for persons or groups of persons that are fundamentally disenfranchised in comparison with other citizens are not deemed discriminatory. In other words, the Serbian Constitution confirms that it is sometimes necessary to revert to the so-called affirmative action in order to achieve equality.

² Official Gazette of the Republic of Serbia, no. 96/06, 16/22.

3. Property Taxation – Gender Aspects and Proposed Actions

Under Serbian law, property taxation is levied based on the ownership³ of real estate in the territory of Serbia.⁴ The tax basis for individuals is the adjusted market value of the real estate⁵, while the tax rate is progressive, with marginal rates ranging between 0.4% and 2%.⁶

If the total value of the taxpayer's real estate is up to RSD 10 million, the applicable tax rate will be 0.4%. If the total value of the taxpayer's real estate is between RSD 10 and 25 million, they will be subjected to a 0.4% tax rate on the first RSD 10 million, while a 0.6% tax rate will apply on the remainder. In case the total value of the taxpayer's real estate is between RSD 25 and 50 million, they will be subjected to a 0.4% tax rate on the first RSD 10 million, 0.6% rate on the part of the value between RSD 10 and 25 million, while the remainder above the RSD 25 million threshold will be subjected to a 1% tax rate.

Finally, in case the total value of the taxpayer's real estate exceeds RSD 50 million, they will be taxed in the following manner:

- 0.4% tax rate applicable to the portion of the value of the real estate up to RSD 10 million;

- 0.6% tax rate applicable to the portion of the value of the real estate between RSD 10 and 25 million;
- 1% tax rate applicable to the value of the real estate between RSD 25 and 50 million, and
- 2% tax rate applicable to the value of the real estate above RSD 50 million.

Taxpayers are entitled to a reduction in their tax liability for the real estate where their domicile is registered by virtue of a tax credit in the amount of 50% of the tax owed, but no more than RSD 20,000 per annum.⁷

Property taxation in Serbia is subject to the taxation of ownership of real estate, without taking into consideration the costs incurred in acquiring the respective real estate. The described system of property taxation does contain indirect gender bias, as it discriminates against those who have purchased their real estate, particularly those who have financed such a purchase through bank loans.

Furthermore, for the purposes of determining the tax liability, the legislation does not take into consideration elements such as the number of dependents living in the household, hence it is discriminatory against families with children, and in particular against single parents. If we take into account that women are less likely to own real estate in Serbia in comparison to men, in addition to the issue of the precedence given to sons in terms of inheriting real estate, it is obvious that the current system of property taxation discriminates against those who a) finance the purchase of real estate through bank loans, and b) have larger households (i.e. children). Although neither of the two are examples of direct gender-based discrimination, they are far more likely to adversely affect women than men. In addition, the existing system of taxation favours individual taxpayers renting their real estate to other individuals. We will elaborate on these conclusions in detail below.

³ Other property rights over real estate do give rise to the existence of the property tax liability as well, but this is immaterial to our analysis.

⁴ Art. 2 of the Property Taxes Law (hereinafter: PTL).

⁵ Arts. 5 – 6 b of the PTL.

⁶ Art. 11 of the PTL.

⁷ Art. 13 of the PTL. In other words, if 50% of the tax owed amounts to more than 20.000 RSD, the maximum amount of the tax credit is limited to RSD 20,000.



| *Discrimination Against Property Purchasers*

The first notable discrimination in the existing system of property taxation in Serbia relates to those who have purchased their real estate, particularly those who have financed such a purchase through bank loans. The statistics published by the Republic Geodetic Authority show that an overwhelming majority of real estate in Serbia is purchased for cash. For instance, in the first quarter of 2024, only 7% of all real estate purchases in Serbia were financed through bank loans, while in the case of apartment purchases, this figure stands at 18%.⁸

Namely, the PTL does not differentiate between taxpayers in respect of the expenses they incurred for the purposes of acquiring property. For instance, the same property tax liability will be imposed on a taxpayer who inherited the property and a taxpayer who purchased it. If we consider that in Serbia inheritance is essentially exempt from taxation⁹, the taxpayer who purchased the property is placed at an evident disadvantage. Those taxpayers who had to take out a bank loan in order to finance the acquisition of real estate are not allowed to take into account the interest payments made on the loan for the purposes of determining their property tax liability.

Thus, the existing system of property taxation in Serbia is highly preferential to those taxpayers who already own real estate or the capital necessary for its acquisition. In other words, it discriminates against those less well-off, that is to say those who need to incur a long-term debt in order to become homeowners.

| *Discrimination Against Families with Children and Single Parents*

Likewise, the existing system of property tax is discriminatory against families with children and, in particular against single parents. In order to substantiate this claim, we may revert to a simple example.

Assume that an apartment is owned by a single individual who has no dependents and lives alone. Now assume that an identical apartment (identical in all aspects) is owned by a married couple with two children. The property tax liability for these two apartments will be identical, even though the circumstances of their owners are not the same.

What would further highlight the inherent inequality of the existing Serbian system of property taxation is if we were to introduce into the example the premise

⁸ More information is available at: <https://www.rgz.gov.rs/vesti/izvestaj-rgz-a-pokazuje-da-se-nastavlja-trend-stabilizacije-na-tržištu-nepokretnosti-u-prvom-kvartalu>

⁹ Inheritance in the first line of succession is completely exempt from taxation.

that the single taxpayer inherited their apartment, while the family had to take out a bank loan to purchase their home as it will have no effect on the calculation of the property tax liability.

| Gender Inequality in Real Estate Ownership

Available data on gender inequality in respect of ownership of real estate provide solid grounds for concluding that the existing system of property taxation in Serbia is discriminatory against women since it demonstrates a notable disproportion between the percentage of women in the total population and their percentage among real estate owners.¹⁰

According to the statistics published by the Republic Geodetic Authority, only 25.59% of all real estate in Serbia is owned by women. However, out of these, only 25.55% consists of property intended for residential use, while the remaining share consists of plots and individual parts of buildings. Women are co-owners in the case of 12.77% of all real estate in Serbia, while common ownership is registered (i.e. common ownership of an apartment by both spouses) in only 0.29%.¹¹

We have already demonstrated that the existing system of property taxation in Serbia favours those who already own real estate or have the capital to purchase it, while putting those who are yet to acquire it in an adverse position. As women make up the majority of those who are placed in an adverse position by the existing Serbian system of property taxation, we may therefore substantiate the claim that it contains a gender bias.

| Single Parents and Gender Discrimination

Furthermore, in the case of single parents, the gender discrimination argument becomes even more evident. Namely, it is women who are heads of single-parent households in the staggering 78.4% of cases¹². As the existing system of property taxation in Serbia favours single households (households with only one occupant), while single-parent households are economically worse-off than those where both parents are present,¹³ the fact that women are responsible for four out of five single-parent households clearly illustrates its inherent gender bias.

| Unregulated Rental Market and Tax Evasion

Finally, it should be taken into consideration that in Serbia, situations where individuals (i.e. those who are not registered as entrepreneurs) rent apartments to other individuals are highly unregulated, and as a rule detrimental to the interests of the tenant. The influx of Russians and Ukrainians¹⁴ into Serbia's large urban centres due to the war in Ukraine has led to an explosion in apartment rental prices, which gives clear confirmation of such an assessment. The entry into the market of clients who can afford much higher prices has led to the overnight eviction of many existing tenants, despite the existence of legal protection mechanisms and prohibitions of such a treatment. Renting apartments among individuals in Serbia is in the vast majority of situations informal (which adversely impacts the tenant's possibility to seek judicial protection of their rights), and the primary reason for this informality is the desire of landlords to avoid taxes on rental income, which in these cases remains unreported in more than 90% of cases. Due to the large number of landlords and the relatively small amounts of unreported income

and unpaid taxes in each individual case that would need to be audited¹⁵, the Serbian Tax Administration is unable to effectively address the described type of tax evasion¹⁶. However, we see that with modest property tax rates and the ease with which they can avoid taxation on rental income, the existing system of property taxation further benefits those who already own real estate (the majority of whom are men) and places those in a position to rent real estate at a disadvantage.

10 See: Babović, Marija, 2010, p. 179;

11 *Rodna analiza sa predlogom indikatora*, Republički geodetski zavod, Beograd 2020, p. 6–10.

12 Republički zavod za statistiku, *Popis stanovništva, domaćinstava i stanova 2022*. <https://data.stat.gov.rs/Home/Result/3104030104>

13 See: *Indeks rodne ravnopravnosti za Srbiju, 2018*. http://socijalnoukljuucivanje.gov.rs/wpcontent/uploads/2018/12/Indeks_rodne_ravnopravnosti_u_Republici_Srbiji_2018_eng.pdf

14 Serbian media mention figures of up to half a million Russians and Ukrainians moving to Serbia after the start of the war in 2022. Many of them were only in transit and have since left the country for some other destination. Thus, it is difficult to find an accurate statistic of the number currently residing in the country. However, there are some indications of how their presence grew since the war. For instance, before 2022, in Serbia there were 296 registered entrepreneurs with the citizenship of the Russian Federation. In 2024 the figure stands at 9-317. The number of Serbian companies owned by citizens of the Russian Federation has more than doubled, from 721 to 1,764 (data provided by the Serbian Business Register Agency and reported by Bloomberg, available at: <https://rs.bloombergadria.com/biznis/kompanije/60551/rusi-u-srbiji-uz-it-biznis-drze-i-restorane-i-salone/news>).

15 Most individual landlords have one or two properties they rent.

16 Some assessments put the total amount of avoided tax on rental income at app. EUR 50 million per annum.

Proposed Actions to Address Gender Bias in Property Taxation

In order to eliminate the identified gender bias of the existing system of property taxation in Serbia, we propose the following changes as described below.

1. Adjusting Tax Preferences for Households with Children

The system should cease to be preferential towards single-person households and become more sensitive to those with children. In this respect, we would advise that the currently provided tax credit be replaced with a tax exemption based on the number of m² per member of the household whose domicile is registered at the address of the respective real estate. The linking of the amount of tax liability to the size of the available living space per member of the taxpayer's household is currently present in Serbian legislation at the level of VAT and real estate transfer tax exemptions for the purchase of a first apartment.

In order to illustrate how this exemption could function, here is a simple example: Assume that an 80 m² apartment is owned and inhabited by a single individual who has no dependents. This individual could benefit from, for example, an exemption of 20 m² per household and would pay property tax based on a taxable value equivalent to the adjusted market value of 60 m² of their apartment. However, if a family with two children were living in the same apartment, they would not have to pay any property tax as they would enjoy a fourfold exemption of 20 m² per member of the household.

Since in the case of single parent households, it is women who constitute the vast majority of their heads and taking into consideration the rather tragic state of affairs in Serbia regarding child support payment discipline, we would propose that in the case of single-parent households the parent responsible for the children be granted a double exemption in order to place them in an equal position as two-parent families.

However, specifying the exemption amount purely in m² would discriminate between those members of Serbian society who are living in municipalities where the price of real estate is high and those where the price is comparatively low.¹⁷ In order to

avoid this issue, the exemption could be set at 20 m² per household member or approximately EUR 50,000 per household member if the value of 20 m² of the respective real estate is higher than EUR 50,000.

2. Increasing Tax on Non-Primary Residences

In order to address the decline in property tax revenues which would result from the introduction of the above measures under 1), we would propose a notable increase in the tax burden on the real estate where the taxpayer does not reside. In essence, the tax burden would be shifted to the wealthier segment of the society – those who own more than one property. The logic behind this step becomes more evident if we take into account the previously described fact that the vast majority (almost all) of individuals who own additional real estate and generate income by renting to other individuals, successfully avoid paying taxes on rental income. If we take into account the objective obstacles faced by the Serbian Tax Administration in ever collecting taxes on such income, it stands to reason that the same effect could be obtained by simply increasing property taxes. Namely, due to the fact that the ma-

ajority of individuals in Serbia rent properties from other individuals, who in turn usually own a small number of apartments available for rent, the Serbian Tax Administration would need a very large number of tax inspectors (far more than it currently employs) to audit a huge number of separate cases, which individually have quite small fiscal relevance.

3. Broadening the Definition of a “Household”

Due care should be taken to ensuring a broad understanding of the term “household” as experience shows that the Serbian legislator, as well as the Serbian Ministry of Finance, have a strong tendency to limit its meaning solely to formally married heterosexual couples. This trait of the Serbian tax environment will be discussed in detail in Section 6 of this report.

¹⁷ For a taxpayer in the municipality of Vračar in Belgrade, a 20 m² exemption results in an app. EUR 60,000 reduction of their basis for property tax, while in a less affluent municipality in Serbia the same 20 m² exemption could have a several times lower value due to the differences in the prices of real estate.

4. Personal Income Tax – Gender Aspects and Proposed Actions

Cedular System of Personal Income Taxation in Serbia

The system of personal income taxation in Serbia is cedular, meaning that instead of having a single comprehensive personal income tax, there are multiple cedular taxes that target specific types of income separately. For example, employment income is subject to Salary Tax, registered entrepreneurs are subject to Tax on Income from Independent Business Activities, dividends and interest to Tax on Capital Income, capital gains to Capital Gains Tax, etc. Only in the case a taxpayer generates a total annual income exceeding a prescribed threshold are they subject to an additional comprehensive Annual Personal Income Tax.

The Serbian salary tax regime (applied to taxation of employment income) provides all employees with a monthly personal deduction in the amount of RSD 25,000. In other words, such a deduction is enjoyed by all employees regardless of their personal circumstances, marital status, number of dependents, etc.

In addition to the desire to lower costs of labour for employers and to provide a tax-free minimum for at least a portion of the employed population (the two main drivers for the introduction of the salary tax de-

duction in 2006¹⁸), the reason for such a broad provision of this personal deduction is the low cost of its administration. A more nuanced personal deduction (e.g. offered only to employees with dependents) would require higher costs to ensure compliance with all regulations.

Impact of Personal Income Taxation on Women and Men with Dependents

The existing system of personal income taxation does not take into consideration the number of dependents a taxpayer has. Although this is in principle unfair regardless of the sex of the taxpayer, it impacts women in a far more adverse manner, particularly those who are single parents (wherein the majority of single parents are women) and who are of lesser economic strength.

Challenges Faced by Women Freelancers under Current Tax Legislation

One category of taxpayers where women are the majority and who are in a particularly difficult position, includes those individuals who earn income by virtue of independent provision of services or trade,

but whose income is so low that they cannot afford to pay even the lump sum Tax on Income from Independent Business Activities. Such individuals are often referred to as freelancers, and while amendments to legislation have created a more reasonable environment for those freelancers who earn their income from abroad, the same archaic, highly burdensome and unfair regime is still applied to the majority of them who rely on the Serbian market for their business.

As regards to freelance activities performed online, although Serbia has maintained a noteworthy position as one of the foremost European and global players in the realm of online work on international online platforms, the digital transformation of labour suffers from the same gender inequalities and gender income gaps as traditional work modalities. On average, women make up around one-third of the total population of online workers¹⁹, and additionally earn less than men, while dominating in traditionally lower-paid sectors (writing and translation)²⁰.

18 See: Art. 5 of the Law on the Changes and Amendments to the Personal Income Tax Law.

19 Anđelkovic, Branka, Jakobi, Tanja, Radonjić, Ljubivoje, *Exploring Viable Solutions for Freelancer Worker Rights Beyond the Tax Regime*, 2023.

20 Anđelković, Branka, Šapić, Jelena, Skočajić, Milica, *Gig ekonomija u Srbiji: ko su digitalni radnici i radnice iz Srbije i zašto rade na globalnim platformama?*, 2019.

Proposed Actions to Address Gender Bias in Personal Income Tax

Until the Serbian system of personal income taxation is fundamentally reformed, certain steps can still be taken to improve evident illogical results that lead to inequality.

1. Nuanced Application of Salary Personal Deduction

We would argue for a more nuanced application of the salary personal deduction wherein it would be linked to employees with dependents, with a higher amount provided to single parents. Both elements could easily be documented by the employee to the employer, who is responsible for the calculation and payment of taxes and mandatory social security contributions on behalf of the employee. Limiting the scope of employees eligible for the personal deduction only to those with dependents would allow to increase the amount of the deduction (the same amount of the benefit would be distributed among a smaller number of taxpayers). Thus, the salary tax personal deduction could be transformed from a purely populist means of lowering the effective fiscal burden on employment income (or more precisely, labour cost for the employer) into a true social measure.

2. Avoiding Discrimination Against Young Employees

Potential discrimination against young people (who will have dependents at a later stage in their life) may be avoided by virtue of reinstating tax incentives for their employment, similar to the one stipulated in Art. 21z of the Personal Income Tax Law under which a 70% salary tax exemption was granted in case of new hires who had neither been previously employed nor registered as unemployed (i.e. the young), provided that the starting gross salary of such new hires exceeds a set threshold of RSD 76,500 per month.

3. Challenges for Low-Income Freelancers

Existing Serbian tax legislation essentially differentiates between freelancers on the basis of the origin of their income. If their income is sourced from abroad, they are awarded a rather nuanced and reasonable tax treatment.²¹ If, however, their income is sourced domestically, their treatment is still governed by the same solutions that lead to the freelancer protests in 2020. Such discrimination is caused by the fact that the 2020 protests were led by freelancers generating income from abroad, where their grievances were in primary focus, and also due to the broad possibilities of avoiding taxation in the case of domestically sourced income (where, unlike in the case of payments from abroad,

untraceable cash payments are still widely used for the purpose of tax evasion).

In order to illustrate this, let us provide two simple examples.

If a woman generates income as a freelancer from a Serbian company or an entrepreneur, such income is taxed at an effective 16% tax rate, regardless of the income amount.

However, if a woman generates income as a freelancer from abroad or from other local individuals (although such income is reported in only a fraction of cases), her tax burden will vary depending on the amount of generated income and may even be 0 if the amount of the income is small (e.g. app. EUR 800 in a particular trimester).

However, as such concerns do not justify the difference in the tax treatment between completely comparable taxpayers, we would propose that the taxation of all income from service contracts for women and men who are not registered as employed be stipulated in a uniform manner.

Gender Inequality in Social Security Protection for Women Entrepreneurs

The main issues with gender inequality and direct discrimination of women can be found in the area of social security protection provided to women entrepreneurs. In other words, it is not the taxation that is the primary cause of gender inequality, but rather the rights granted by the system of mandatory social security legislation provided to women entrepreneurs in cases of pregnancy and maternity leave.

Despite the fact that this analysis focuses on taxation policy, two crucial proposals can be offered here to address the inequality faced by women entrepreneurs in the Serbian system of mandatory social security legislation.

Aligning Rights and Entitlements with Those of Employed Women

Firstly, the rights and entitlements of women entrepreneurs should be aligned with the same rights guaranteed to employed women in respect of pregnancy and maternity leave. Below we will provide some of the most notable examples of the ways in which female entrepreneurs are discriminated against.

a) Compensation Reduction for Continuing Business Activities

Currently, under Serbian law, women entrepreneurs who do not completely cease their business activities, i.e. who do not deregister the

performance of business activities, are not entitled to full compensation of income during pregnancy and maternity leave²². In other words, if a woman entrepreneur continues her business e.g. through an appointed representative while on pregnancy or maternity leave, she loses 50% of her compensation and is entitled only to the remaining 50%.

An illustration may help demonstrate the dire consequences of such a solution.

Let us assume that a woman owns a hairdressing salon in a town in Serbia. She employs one more person and together they have built a client base. The woman entrepreneur becomes pregnant, and at a certain moment, instead of closing her salon, she appoints her employee as her representative and continues with the business despite herself staying at home. Had she closed the salon, she would have had to fire her employee, while the clients would find alternative service providers, forcing her to essentially start all over again when she comes back from maternity leave. But her decision to keep the business running under existing Serbian law costs her 50% of her compensation, even though she herself is not providing services to her clients.

b) Aligning Rights and Entitlements with Those of Employed Women

The compensation that women entrepreneurs receive during maternity and childcare leave does not include compensation for mandatory social security contributions, while in the case of employed women on

identical types of leave, these contributions are borne by the state²³. In other words, the amount of compensation provided to women entrepreneurs is considerably lower than the amount of compensation that employed women enjoy, despite the fact that the leaves for which they are compensated are identical.

c) Lack of Guaranteed Minimum Compensation

When it comes to calculating the maternity leave compensation, women entrepreneurs are not entitled to a guaranteed minimum amount, unlike employed women whose compensation cannot be lower than the minimum wage²⁴. This results in some women entrepreneurs receiving insultingly low amounts of compensation (sometimes as low as RSD 5,000 a month).

Including Freelancers in Social Security Protection

Women who are not registered as entrepreneurs but whose primary source of income is generated from providing services to clients (i.e., freelancers) are not eligible for benefits of pregnancy and maternity leave; or to be more precise, these income-generating activities are not taken into account for the purposes of determining pregnancy and maternity benefits. Having in mind that this puts these women in a difficult position and constitutes discrimination, they should be included into the system of social security protection in this respect.

²² See: Art. 85 of the Health Insurance Law.

²³ See: Art. 65b of the Mandatory Social Security Contributions Law.

²⁴ See: Arts. 18 and 19 of the Law on Financial Aid to Families with Children.

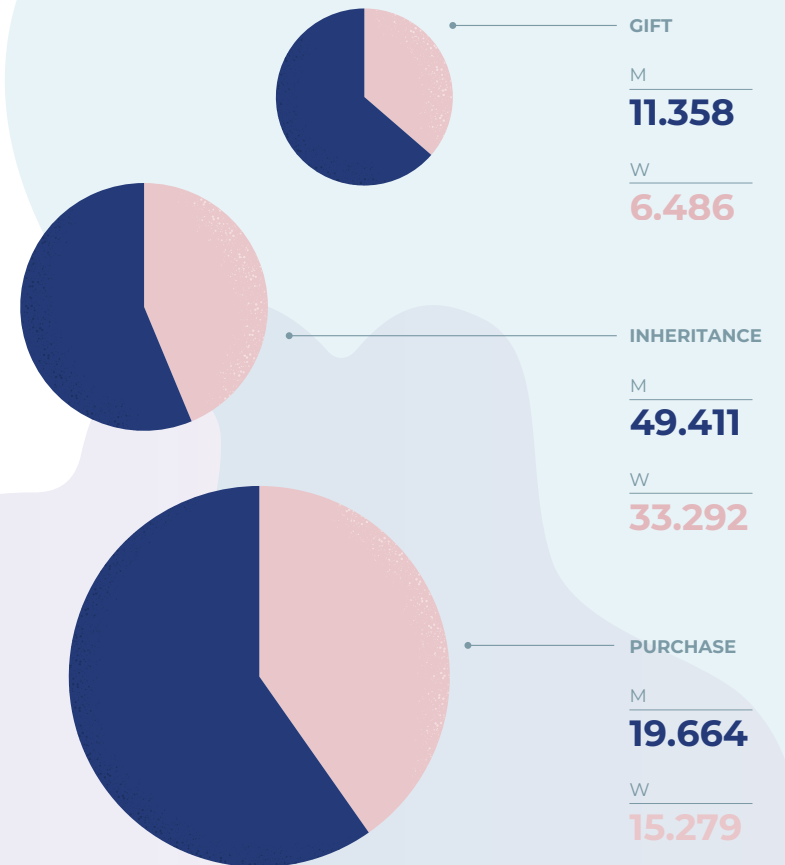
5. Addressing Cultural Preferences through Gift and Inheritance Tax

| Gender Bias in Inheritance Practices

In Serbia, gift and inheritance taxation is governed by a comprehensive tax, namely the Gift and Inheritance Tax. This tax targets transfers of property by virtue of gifts or mortis causa, between the deceased and their inheritors. The taxpayer is the recipient of the gift or the inheritor, while the relevant legislation provides a very broad set of exemptions (e.g., no taxation in the first line of succession), which notably limit the relevance of this fiscal form for the budget.

In respect of inheritance and gift taxation, the issue of male descendants being given preference over female ones is often mentioned in Serbia. Namely, it is not uncommon for female descendants to unilaterally waive their part of the inheritance in favour of male descendants. Simply put, sisters are expected to renounce their claims on land inherited from deceased parents in favour of their brothers. Such a practice, which is widely spread particularly in rural communities, reflects an even deeper gender disparity in terms of agricultural land ownership in comparison to urban real estate.²⁵

The statistics of the Republic Geodetic Authority give us strong grounds to substantiate the above stated. Namely, if we look at the legal basis for real estate ownership, we see a significant gender-based disproportion particularly in the case of inheritance and gifts:



▲ Legal basis for real estate ownership, source: Republic Geodetic Authority

25 Rodna analiza sa predlogom indikatora, 2020, p. 7.

In the past, the aforementioned practice could be explained by customs. Female descendants would marry and receive a dowry in the form of movable goods (money, jewellery, household items, etc.). Land was passed on to male descendants who would contribute to the preparation of the dowry by working on the family estate. Similarly, in the case of only male descendants, those in whose education the family would invest would renounce their rights to the land, which would be given to those who were not educated. However, in modern circumstances where such drivers no longer exist (e.g. the dowry), the custom of females giving or being forced to give preference to males when it comes to inheriting real estate remains present and contributes to gender-based economic inequality in Serbian society.

Potential Use of Taxation to Combat Gender Disparities

For some time now, it has been noted that inheritance and gift taxation can be used as a tool to combat this phenomenon. By designing inheritance tax policies that encourage more equitable distribution of wealth across genders, the tax system can play a role in promoting gender equality. Simply put, in cas-

es of a disproportional distribution of assets during the parents' lifetime (i.e., distribution through gifts) or the renunciation of inheritance by sisters in favour of their brothers, higher inheritance and gift tax rates could be used to make such practices far less economically viable.

However, it should be noted that the general Serbian inheritance and gift tax rates are very low (1.5% and 2.5%, respectfully)²⁶, while in the case of transfer in the first line of succession, complete exemption is provided.²⁷

Therefore, in order to make gift and inheritance tax a powerful tool for combating economic and social inequalities in Serbian society, it would be imperative to implement a thorough reform of this tax form and align it with the dominant approaches currently present in Europe (as will be shown below, these include significantly higher tax rates, the abolition of tax exemptions in the first line of succession, and a thorough reform of the rules governing cross-border inheritance and gift taxation)²⁸.



26 Art. 19 of the PTL.

27 Art. 21 of the PTL.

28 See: Randjelović, Saša, Kostić, Svetislav, 2021.

6. Value Added Taxation (VAT) – Gender Aspects and Proposed Actions

VAT is the main indirect consumption-based tax in Serbia. It is levied on virtually all supplies of goods and services in the country, as well as on most imports. The general VAT rate is 20%, while a 10% rate is applied to a limited range of socially sensitive goods and services.

The gender aspects of VAT and consumption highlight how indirect taxation, such as VAT, can disproportionately affect women due to the differences in spending patterns between women and men, with women spending a larger share of their income on goods and services (e.g., food, healthcare, childcare, and household items). In addition, the impact of VAT on women and men varies due to different income levels and economic roles of women. This is of particular relevance for Serbia, where the gender pay gap is as high as 8.8% and where women receive on average 17% lower pensions than men.²⁹

As to the most relevant form of indirect taxation, VAT, initiatives have appeared in Serbia to introduce certain gender-related tax measures, such as the exemption from VAT for menstrual hygiene products, although there has been no comprehensive debate on this, while existing comparative experiences with such measures have not been taken into consideration (more on such measures will be provided later in the text). It would be imperative to provide guidelines for policy makers to enable them to avoid populist rhetoric traps and choose more effective policy steps instead of tax measures that may be more costly to implement in comparison to the benefits provided to the targeted taxpayers.

Namely, the primary trait of the VAT mechanism is that the supplier of goods and services includes VAT into the total price to be paid by the customer.

To give a simple example, let us assume that the price charged to consumers for a menstrual product is RSD 120. At a VAT rate of 20%, this would mean that

the price of the product before VAT is RSD 100, with an additional RSD 20 in VAT added, bringing the total price paid by the consumer to RSD 120. For final consumers this information is of limited relevance, as they are obliged to pay the supplier the total price and there is nothing they can do with the charged VAT (unlike in the case of registered VAT taxpayers). If the Serbian legislator was to simply exempt menstrual products from VAT, suppliers would be given two choices:

- a) They could sell the product at the price of RSD 100 to consumers, resulting in the desired effect of lowering its final price for the consumers, or
- b) They could keep the same price or lower the price by less than RSD 20, thus significantly increasing their profitability.

The same choice would present itself in case the legislator did not exempt menstrual products from VAT but subjected them to a lower VAT rate (e.g. instead of 20%, the applicable VAT rate would be 10%).

Not surprisingly, many merchants are not capable of resisting the evident temptation of higher profit provided by the legislator, which is why identical or similar measures applied in other jurisdictions had very limited, if any, success.

Simply, consumers are already accustomed to the price of products on store shelves. The price includes VAT. If the legislator were to exempt the product from VAT, the merchant could simply keep the same price that consumers were already paying, and pocket the difference. In other words, the introduction of a VAT exemption does not imply the obligation to lower the final price of the product for consumers – it merely opens the possibility for this to happen. Suppliers may be stimulated to lower prices due to public opinion pressure, but

29 Žene i muškarci u Srbiji, Republički zavod za statistiku, 2024.

experience shows that the attention of the public can often shift elsewhere, allowing for a gradual increase in prices.

Such temptation can be mitigated through rather complex refund mechanisms that often make the entire idea economically unviable. Refund mechanisms require taxpayers to provide information relevant for the refund, while administration must divert considerable resources to such a task, resources that can be used far more effectively in other areas. Sometimes, the cost of implementing the refund mechanism can be identical or even higher than the amount to be refunded.

| *Lessons from Previous VAT Exemptions*

Serbia had quite a similar experience with an attempt to exempt baby care products from VAT. However, in order to prevent suppliers from profiting from the measure without passing it on to consumers, the measure was implemented in a way that required the Serbian Tax Administration to refund the VAT included in the price of baby goods upon request by the taxpayer. The refund procedure itself ended up costing more than the entire amount of refunded VAT and raised understandable complaints that the money wasted on the refund procedure could have been better used to help families with newborns.

| *Alternative Approach to Menstrual Hygiene Products*

In respect of period poverty and menstrual hygiene, we would sug-

gest an alternative view. Namely, as menstruation is a biological given of the female sex, menstrual hygiene must be seen as an elementary human right that must be obtained at the expense of the society. In other words, menstrual hygiene products must be made available to all women free of charge, as the enjoyment of an elementary human right cannot be linked to one's ability to economically afford it. Such an approach is found in more recent legislation such as the one adopted by Scotland in 2022.³⁰

| *Discriminatory Aspects of VAT Legislation*

An interesting and rather discriminatory aspect of Serbian VAT legislation is to be found in the provision governing the right to refund for individuals buying their first apartment, wherein they are entitled to a VAT refund on 40 m² of the purchased apartment and an additional 15 m² refund for every member of their household who, since 1 July 2006, has not had ownership of real estate³¹. However, for the purposes of defining what constitutes a household, the law only encompasses formal heterosexual marriages and excludes even heterosexual common-law partnerships.³² The reason for such a limited definition of the term household lies in the fact that only formal heterosexual marriages can be proven by virtue of an officially issued document, while the existence of other forms of partnerships, which constitutionally should be treated equally as formal heterosexual marriages, must be determined on the basis of a facts and circumstances analysis. Thus, the Serbian legislator, while mindful of the potential for tax evasion and recognising

that a less discriminatory approach would require additional administrative efforts for the Serbian Tax Administration, opted for the current provisions in the PTL and the VAT Law.

On the other hand, we are of the opinion that administrative concerns cannot be accepted as justification for evident discrimination against persons who have chosen not to officiate their long-term relationship or whose long-term relationship is with a same sex partner.

30 More information available at: <https://www.gov.scot/policies/poverty-and-social-justice/access-to-free-period-products/>.

31 See: Art. 56a, para 4 of the VAT Law. A corresponding provision in respect of property transfer tax can be found in Art. 31a of the PTL.

32 See: Art. 56a, para 6 of the VAT Law and Art. 31a, para 3 of the PTL.

Combatting the Pink Tax through Modern Technology and Indirect Taxation

Modern technology offers tools to address the issue of the so-called pink tax. Research shows that consumer products targeted and advertised to women are often more expensive than comparable products marketed to men. This disparity, particularly evident in personal care products, is referred to as the pink tax.

Countries with a VAT system, such as Serbia, cannot directly benefit much from the US experience in combating the pink tax due to the specifics of the US indirect tax system. Namely, unlike in the VAT system, in the US, sales tax is added to the final price of goods at the point of sale. In other words, the consumer is offered a price without the sales tax, and is then charged an additional amount when purchasing the respective good. In the VAT system, VAT is already included in the final price. Due to this notable difference, the introduction of a tax exemption for e.g. female hygiene products in the US makes far more sense than in Europe, as a seller would only be able to claim the benefit of such an exemption by raising the final price of the goods sold. However, if compiled data showed the existence of a pink tax, it would be possible to impose taxation which would target excess revenues derived by virtue of the pink tax. Such measures are not currently present in comparative legislation, but it is relevant to recognise the possibility to start considering them. By implementing tax policies that penalise or eliminate the price disparity between gender-targeted products, Serbia can work towards reducing this form of gender-based economic inequality.



Proposed Actions to Address Gender Bias in VAT



1. Guidelines for Effective Gender-Related VAT Measures:

Provide comprehensive guidelines for policymakers to evaluate gender-related VAT measures based on comparative experiences and economic analysis, and avoid measures that are costly to implement and provide limited benefits to the targeted taxpayers.

2. Free Provision of Menstrual Hygiene Products:

Implement policies to provide menstrual hygiene products free of charge, recognising menstrual hygiene as a fundamental human right.

3. Inclusive Definition of Household:

Expand the definition of a “household” in VAT legislation to include common-law partnerships and same-sex relationships. Ensure that all forms of long-term partnerships are treated equally, regardless of formal documentation.

7. Gender-related Tax Issues of Secondary Relevance

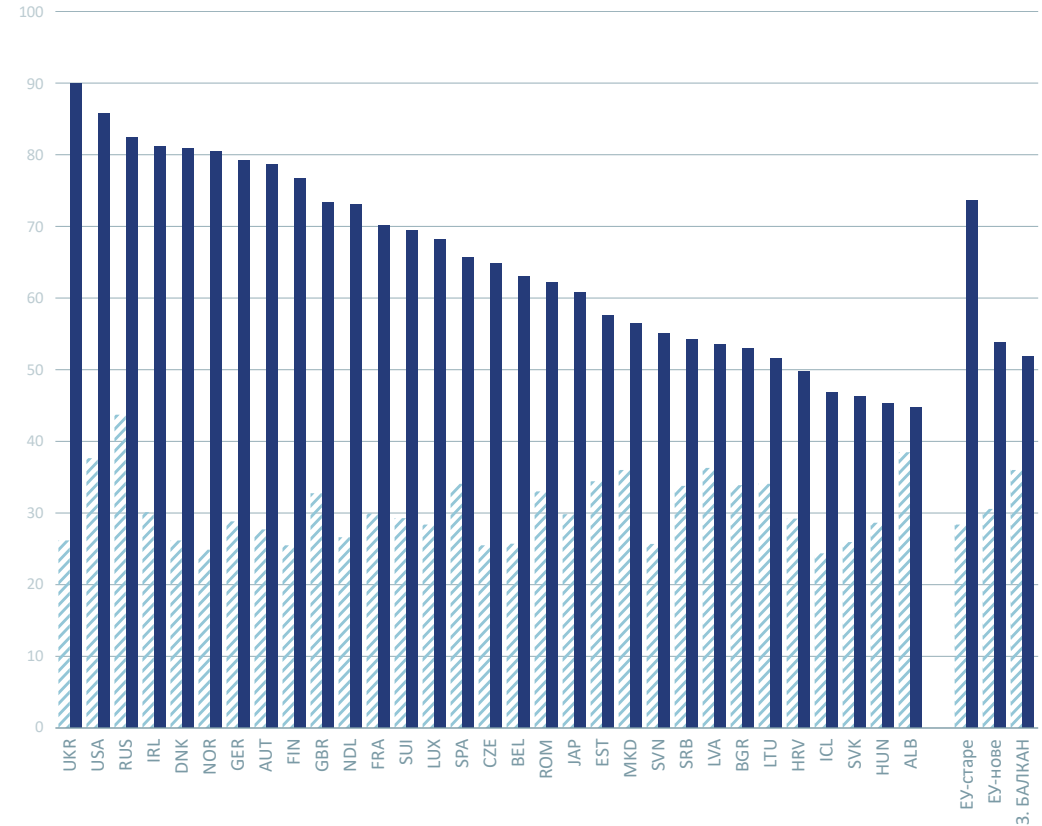
As already mentioned, Serbian tax legislation does not contain examples of direct gender-based discrimination. Most examples of an adverse treatment of women by the tax system will be found in the effects of its provisions, usually on economically less affluent parts of society where women make up the majority.

In the area of direct taxation, there are three potential issues that may be further researched, out of which the first two points essentially relate to a change in the basic premises of the Serbian tax policy.

Combating Wealth Inequality through Net-Wealth and Inheritance Taxes

Introducing a net-wealth tax and more aggressive inheritance taxation is essential to combat wealth inequality. Wealth inequality is higher than the much more discussed income inequality.³³

It is women who are again additionally discriminated against as the ownership of capital in Serbia is primarily in male hands. In addition, the primary taxes to address this type of inequality, namely property tax and gift and inheritance tax, are highly preferential towards wealthier parts of society. For instance, the Serbian inheritance and gift tax exempts most transfers, particularly in the case of inheritance (those in the first line of succession), while even in the case of taxable events the rates provided are among the lowest in the world.



33 See: Randelović, Saša, Kostić, Svetislav, 2021, p. 275.

 Gini - Income
 Gini - Assets

▲ Figure 1. Gini income inequality index vs. Gini wealth inequality index in 2018
Source: World Economic Forum

Highest Marginal Inheritance and Gift Taxes

Rebalancing Tax Burdens through Capital and Capital Gains Taxation

The same conclusion can be made with respect to **the taxation of income from capital and capital gains**, which have enjoyed preferential treatment for the last two decades. For instance, dividend income, interest, and capital gains generated by individuals are subject to a one-off 15% tax and are not included into the taxable base for complementary annual personal income tax.³⁴ Taking consideration of the ownership structure of capital in Serbia, which is male-dominated, more aggressive taxation of income from capital and capital gains would lead to a more balanced distribution of the tax burden between sexes.

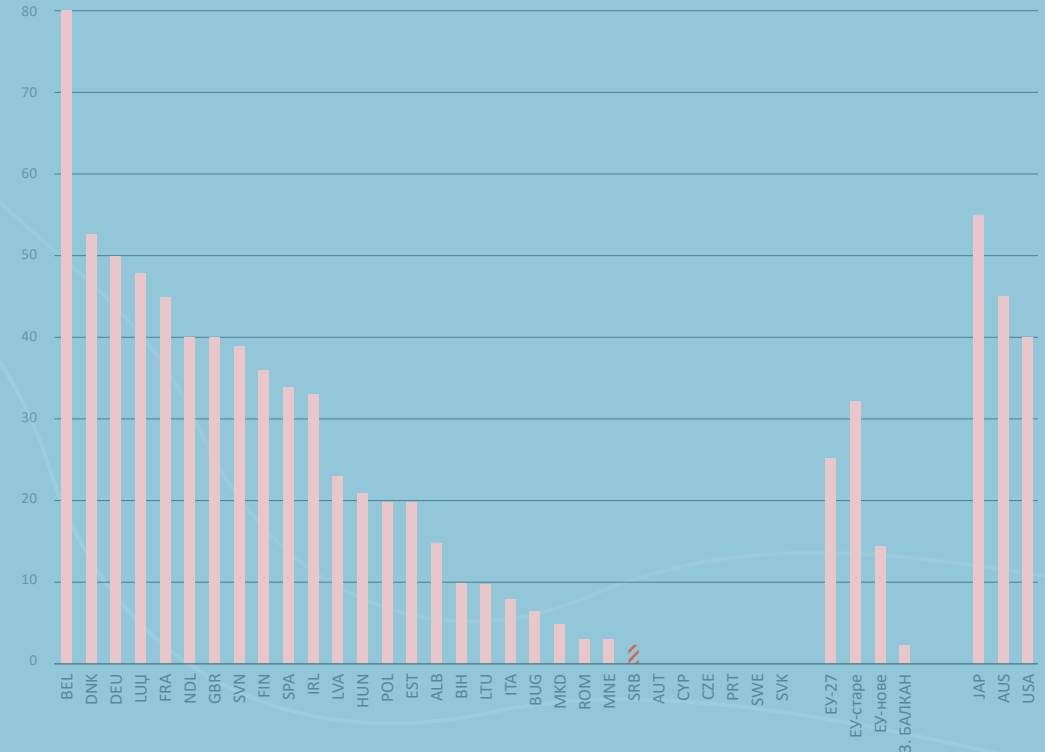
Addressing the Gender Pay Gap through Corporate Income Tax

The gender pay gap or gender wage gap refers to the average difference in earnings between men and women who are working. It is defined as the difference between median monthly earnings of men and women divided by the median monthly earnings of men for full-time employees (OECD). Women are generally found to be paid less than men. The gen-

der pay gap is a problem from the public policy-related perspective because it reduces economic output and means that women are more likely to be dependent upon welfare payments, especially in old age.

According to the report entitled “Women and Man in the Republic of Serbia” issued by the Republic Statistics Office in 2024, the gender pay gap for 2018 equalled to 8.8%, meaning that women were paid less by 8.8%. However, if earnings are observed according to educational attainment or occupation, the gender pay gap is significantly higher (up to 23,8 for craft and related trade workers), most often in favour of men.³⁵

Taxation can be used to combat the gender pay gap, wherein e.g. a company found to have such practices would be subject to higher corporate income tax rates. Modern technology would enable such measures to be introduced with relatively low compliance costs, although it should be noted that, so far, we do not have examples to rely on in comparative practice.



³⁴ See: Art. 87, para 2 of the Personal Income Tax Law.

³⁵ Republički zavod za statistiku, *Žene i muškarci u Srbiji 2023*, Belgrade, 2024 (available at: <https://publikacije.stat.gov.rs/G2024/Pdf/G20246004.pdf>).

▲ Figure 2. Highest marginal inheritance and gift taxes rates Source: EY (2016), Randjelovic (2020)

8. Conclusion

In order to address gender-based inequalities, Serbian tax policy must address economic inequality and it is evident that an in-depth reform of property and gift and inheritance taxation, in combination with a more aggressive posture towards the taxation of income from capital, is the first essential step in this direction.

Technological advancements can and should be used to design measures that can impact gender inequality. It is widely known that modern technology has enabled corporations to track and compile previously unimaginable sets of data. Thus, it would be possible to require them to collect and present data that would indicate the existence or the lack thereof of behaviours that may lead to gender inequality, such as the pay gap between male and female employees or charging more for female-related products than for comparable male-related products (the pink tax). Such data would enable the imposition of tax measures that would penalise unacceptable forms of behaviour by taxpayers.

Addressing gender-related issues in indirect taxation requires thoughtful consideration and comprehensive debate. By leveraging tax policies to combat cultural biases in inheritance, carefully evaluating populist tax proposals, and utilising modern technology to address the pink tax, Serbia can make significant strides towards gender equity in its tax system. Providing clear guidelines and evidence-based recommendations for policymakers will be essential in achieving these goals.



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