

THE IMPACT OF TAX RELIEFS ON EMPLOYMENT IN THE REPUBLIC OF SERBIA IN 2021

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Abstract: In addition to the personnel plan, companies must also pay great attention to tax planning, the task of which is to provide an answer to the cheapest way to hire labor. The employer can hire new workers through the classic way, that is, through the establishment of an employment relationship or on the basis of a contract outside the employment relationship. The aim of the research is to, on the basis of currently valid legal regulations, indicate which way of hiring employees, in terms of cost, is the most cost-effective in 2021 when the market of the Republic of Serbia is observed, with a comparative overview of hiring costs depending on the form of hiring. The research will be performed on the basis of available and current scientific and professional literature, as well as currently valid regulations using a comparative method, methods of induction, deduction, analysis and synthesis. The results of the research will be presented as alternatives that employers can use depending on the level of development. Presentation and findings will be useful to employees in companies in tax planning.

Keywords: tax relief, employment, way of engagement, tax planning

1. INTRODUCTION

When planning business activities and taking specific measures, and all depending on the structure of the elements in the cost price of the product or service, the tax burden has a decisive role in choosing a particular business path. The paper sets out the basic hypothesis: "Planning the tax burden and obtaining information on the amount of it is a decisive factor in making decisions about the business path where the cost structure is dominated by labor." Also, an additional hypothesis is introduced: "Tax relief contributes to reducing the tax burden on taxpayers with taxes and contributions."

The characteristics of the national economy are most often observed from the point of view of the tax policy pursued by that state. Taxation is used to influence consumption, to encourage savings, and to encourage certain forms of business organization through tax relief [1]. Numerous classifications of tax reliefs can be found in the literature [2], which start from various criteria, such as: binding of tax reliefs to a certain tax, duration of tax reliefs, territory where tax reliefs are provided, impact of tax reliefs on tax revenues, stages of entrepreneurial ventures when reliefs are given, stimulation of international economic relations, the way in which tax reliefs are provided.

Through the work, we are given various alternatives, that have arisen from the need for additional employment, which are carried out in the classical way either through the establishment of employment, or through the contracts outside of the employment (the flexible forms of employment), by using tax relief, but without them as well. From the flexible forms of engagement, special attention will be paid to the employment contract and the contract on additional work [3]. The calculations will be conducted on the basis of currently valid regulations, primarily the Law on Personal Income Tax [4] and the Law on Mandatory Social Security Insurance [5], as well as other regulations without further explanation.

2. ESTABLISHMENT OF EMPLOYMENT WITH A NEWLY EMPLOYED WORKER AND TAX EFFECTS

Below is a table from which you can see the effect when the company needs to hire a person, ie a new employee, noting that before that it had only one employee and that the company is not in the value added tax system.

Table 1: Salary calculation for an employee

No.	DESCRIPTION	Amount M.M.
1.	Gross income	52.800,00
2.	Social contributions at the expense of the employee (1 · 19.9% or 2.1+2.2+2.3)	10.507,20
2.1.	PIO contribution (PIO - The Republic Pension and Disability Insurance Fund) (1 · 14%)	7.392,00
2.2.	Health contribution (1 · 5.15%)	2.719,20
2.3.	Unemployment contribution (1 · 0.75%)	396,00
3.	Tax base (1 - 18300)	34.500,00
4.	Tax on profits (3 · 10%)	3.450,00
	Suspensions	0,00
5.	Net payout (1-2-4)	38.842,80
6.	Social contributions at the expense of the employer (1 · 16.65% or 6.1+6.2+6.3)	8.791,20
6.1.	Contribution to PIO (1 · 11.5%)	6.072,00
6.2.	Health contribution (1 · 5.15%)	2.719,20

The given table shows that the gross salary for a worker in July is 52,800 dinars, which is the result of the number of working hours in a five-day working week ($22 \cdot 8$) and the hourly labor price of 300 dinars gross per working hour. The worker is entitled to reimbursement of expenses for arrival and departure from work and it amounts to 120 dinars per working day, which in our case is 2.520 dinars ($21 \cdot 120$ dinars) due to the fact that during July he was on a business trip and earned a daily wage in the amount of 2.000 dinars with the remark that both incomes are below the legally prescribed taxable amount. Other expenses this month are 30.000 dinars. In this month, the income was 100.000 dinars. Due to the possibility of additional work that is not from the area of the company, it is planned to establish an employment relationship with another worker under the same conditions, which will result in an increase in income by 120.000 dinars and an increase in other expenses by 10.000 dinars.

Table 2: Effects of hiring another worker

No.	Description	Amount
1.	Total revenue	100.000,00
2.	Total expense	73.362,80
3.	Taxes and contributions	22.748,40
4.	Result (1-2-3)	3.888,80
5.	Income tax (4 · 15%)	583,32
6.	Additional revenue	120.000,00
7.	Additional expenses	53.362,80
8.	Additional taxes and contributions	22.748,40
9.	Total revenue (1+6)	220.000,00
10.	Total expense (2+3+7+8)	172.222,40
11.	Overall result (9-10)	47.777,60
12.	Income tax on everything (11 · 15%)	7.166,64
13.	Amount of paid taxes and contributions (3+8+12)	52.663,44

From the above table, it can be concluded that the employment of another must increase taxes and contributions in the same amount. Income tax growth depends on whether additional income and expenses remain at the same level or grow? If revenues and expenditures remain at the same level, there will be an increase in income tax. If other expenses increase in a smaller amount and revenues increase compared to the base ones, the result will be an increase in income tax in a larger amount.

3. ESTABLISHING AN EMPLOYMENT RELATIONSHIP WITH A NEWLY EMPLOYED WORKER WITH THE USE OF TAX RELIEFS AND TAX EFFECTS

During the analysis of reliefs in this part, special attention will be paid to reliefs without special analysis of the conditions for acquiring them, namely: reliefs acquired by the company by hiring one worker, and reliefs related to a qualified new employee using the assumptions from the first example noting the reliefs that a micro-enterprise acquires when, by hiring two workers, they will not be considered due to incomparability, i.e. due to initial differences in assumptions.

Table 3: Calculation of wages for an employee using the relief of 65%

No.	DESCRIPTION	Amount M.M.	Amount N.N.	Total
1.	Gross income	52.800,00	52.800,00	105.600,00
2.	Social contributions at the expense of the employee (1 · 19.9% or 2.1+2.2+2.3)	10.507,20	10.507,20	21.014,40
2.1.	PIO contribution (The Republic Pension and Disability Insurance Fund) (1 · 14%)	7.392,00	7.392,00	14.784,00
2.2.	Health contribution (1 · 5.15%)	2.719,20	2.719,20	5.438,40
2.3.	Unemployment contribution (1 · 0.75%)	396,00	396,00	792,00
3.	Tax base (1 - 18300)	34.500,00	34.500,00	69.000,00
4.	Payroll tax (3 · 10%)	3.450,00	3.450,00	6.900,00
	Suspensions	0,00	0,00	0,00
5.	Net payout (1-2-4)	38.842,80	38.842,80	77.685,60
6.	Social contributions at the expense of the employer (1 · 16.65% or 6.1+6.2+6.3)	8.791,20	8.791,20	17.582,40
6.1.	Contribution to PIO (1 · 11.5%)	6.072,00	6.072,00	12.144,00
6.2.	Health contribution (1 · 5.15%)	2.719,20	2.719,20	5.438,40

For the establishment of employment, regardless of the size of the legal entity, the right to a refund of taxes and contributions in the amount of 65% of the amount paid for another employee is acquired. In our example, it is 14.786,46 dinars (this amount is obtained by collecting taxes and contributions for that new worker 22.748,40 and applying a rate of 65% to that amount).

Table 4: Effects of hiring another worker using the relief of 65%

No.	Description	Amount	Note
1.	Total revenue	100.000,00	
2.	Total expenses	73.362,80	
3.	Taxes and contributions	22.748,40	
4.	Result (1-2-3)	3.888,80	
5.	Income tax (4 · 15%)	583,32	
6.	Additional income (120.000+14.786,46)	134.786,46	
7.	Additional expenses	53.362,80	
8.	Additional taxes and contributions	22.748,40	
9.	Total revenue (1+6)	234.786,46	
10.	Total expenses (2+3+7+8)	172.222,40	
11.	Overall result (9-10)	62.564,06	
12.	Income tax on everything (11 · 15%)	9.384,61	
13.	Amount of paid taxes and contributions (3+8+12)	54.881,41	The state refunds the current account in the amount of 14,786.46

From the above table, it can be concluded that the employment of another must increase taxes and contributions in the same amount. The growth of revenues due to the return of the same by the state will result in an increase in income tax. But when you take into account that the state will refund a certain amount of taxes and contributions, the total amount of paid taxes and contributions will be 40.094,95 dinars, which is less than when hiring new employees without using reliefs.

Table 5: Salary calculation for a qualified new employee

No.	Description	Amount NN	TOTAL		Tax return
1.	Gross income	52.800,00	52.800,00	3.6	101 101 270
	Social contributions at the expense of the employee for payment	3.115,20	3.115,20		
2.	Social contributions at the expense of the employee (1 · 19.9% or 2.1+2.2+2.3)	10.507,20	10.507,20	3.7	31
2.1.	Contribution to PIO (The Republic Pension and Disability Insurance Fund) (1 · 14%)	7.392,00	7.392,00	3.8	176
2.2.	Health contribution (1 · 5.15%)	2.719,20	2.719,20	3.8a	176
2.3.	Unemployment contribution (1 · 0.75%)	396,00	396,00	3.9	52.800,00
3.	Tax base (1 - 18.300)	34.500,00	34.500,00	3.10	34.500,00
4.	Profit tax (3 · 10%)	3.450,00	3.450,00	3.11	1.207,50
4.1.	Reduced tax 65% for July 2021 (4 - (4 · 65%))	1.207,50	1.207,50	3.12	52.800,00
5.	Net payout (1-2-4)	38.842,80	38.842,80	3.13	673,20
	Social contributions borne by the employer for payment	2.719,20	2.719,20	3.14	5.438,40
6.	Social contributions at the expense of the employer (1 · 16.65% or 6.1+6.2)	8.791,20	8.791,20	3.15	396,00
6.1.	PIO contribution (1 · 11.5%)	6.072,00	6.072,00		
6.2.	Health contribution (1 · 5.15%)	2.719,20	2.719,20		
2.1. and 6.1.	Reduced PIO contribution 95% for July 2021 ((2.1+6.1) - ((2.1+6.1) · 95%))	673,20	673,20		

By establishing an employment relationship with a qualified new employee, the company is released and pays a smaller amount of contributions for disability pension insurance at the expense of the employee and at the expense of the employer and part of the payroll tax, which gives the following effect on the result given in the table below.

Table 6: Effects of hiring another skilled new employee

No.	Description	Amount
1.	Total revenue	100.000,00
2.	Total expenses	73.362,80
3.	Tax contributions	22.748,40
4.	Result (1-2-3)	3.888,80
5.	Tax profit (4 · 15%)	583,32
6.	Additional income	120.000,00
7.	Additional expenses	53.362,80
8.	Additional tax contributions	7.715,10
9.	Total income (1 + 6)	220.000,00
10.	Total expenses (2 + 3 + 7 + 8)	157.189,10
11.	Overall result (9-10)	62.810,90
12.	Income tax on everything (11 · 15%)	9.421,64
13.	Amounts of paid taxes and contributions (3 + 8 + 12)	39.885,14

The table clearly shows that this relief is more favorable for the company than the previous one because it pays a smaller amount of taxes and contributions and does not have to have more necessary funds for the payment of wages than for the previous type of relief.

4. EMPLOYMENT UNDER THE SERVICE CONTRACT AND TAX EFFECTS

When hiring a person under a work contract in practice, there may be situations to additionally hire an employed person who is employed by another employer, an unemployed person, a pensioner (when hiring a pensioner you should keep in mind certain restrictions related to hiring a disabled or family pensioner and this refers to the engagement of old-age

pensioners). When a person is hired under this contract, all additional payments such as transportation and per diems follow the fate of the main contract.

Table 7: Calculation of compensation under the employment contract for employed, unemployed person and pensioners

No.	Description	Employed	Unemployed	Pensioner
1.	Net contract fee (1 · 2)	36.455,52	31.732,35	36.455,52
2.	Conversion factor	1,572327	1,806358	1,572327
3.	Gross fee	57.320,00	57.320,00	57.320,00
4.	Standard costs (3 · 20%)	11.464,00	11.464,00	11.464,00
5.	Taxable income (3 - 4)	45.856,00	45.856,00	45.856,00
6.	Tax (5 · 20%)	9.171,20	9.171,20	9.171,20
7.	PIO contribution (5 · 25,5%)	11.693,28	11.693,28	11.693,28
8.	Health contribution (5 · 10,3%)	0,00	4.723,17	0,00
9.	Net payout fee (3 - 6 - 7 -8)	36.455,52	31.732,35	36.455,52
10.	Cost for the company (1 + 6 + 7 + 8)	57.320,00	57.320,00	57.320,00

It can be concluded from the table that it is most profitable to hire a person who is already employed somewhere, as well as a pensioner, noting that an employee with this employer can work full time when on vacation with another employer so that the effect is comparable to the employee.

Table 8: Effects of employment under the employment contract for employed, unemployed person and pensioners

No.	Description	Amount	Amount	Amount
1.	Total revenue	100.000,00	100.000,00	100.000,00
2.	Total expenses	73.362,80	73.362,80	73.362,80
3.	Taxes and contributions	22.748,40	22.748,40	22.748,40
4.	Result (1-2-3)	3.888,80	3.888,80	3.888,80
5.	Income tax (4 · 15%)	583,32	583,32	583,32
6.	Additional income	120.000,00	120.000,00	120.000,00
7.	Additional expenses	46.455,52	41.732,35	46.455,52
8.	Additional taxes and contributions	20.864,48	25.587,65	20.864,48
9.	Total revenue (1+6)	220.000,00	220.000,00	220.000,00
10.	Total expenses (2+3+7+8)	163.431,20	163.431,20	163.431,20
11.	Overall result (9-10)	56.568,80	56.568,80	56.568,80
12.	Income tax on everything (11 · 15%)	8.485,32	8.485,32	8.485,32
13.	Amount of paid taxes and contributions (3-8-12)	52.098,20	56.821,37	52.098,20

It is clear that the benefits are agreed in the gross amount, which results in the same amount of income tax, personal income tax, and a different amount of contributions only for the unemployed person. The amount of tax is also affected by the amounts for transportation and per diems, which increases the gross amount, ie the tax base. The results would be different if the fee here was agreed in the same net amount for all three persons.

5. EMPLOYMENT UNDER THE SUPPLEMENTARY WORK CONTRACT AND TAX EFFECTS

The contract on additional work has its specifics in educational institutions (primary, secondary and higher education) and in health care it will not be the subject of our analysis. The subject of the analysis is the engagement of employees under the contract on additional work up to one third in the example a calculation will be made for four workers who are hired two by 30% and the other two by 20%, noting that the calculation will be given in the total amount for all four workers.

Table 9: Calculation of fees in the contract on additional work

No.	Description	Additional work - collectively
1.	Net contract fee (1 · 2)	36.455,52
2.	Conversion Coefficient	1,572327
3.	Gross fee	57.320,00

4.	Standard costs (3 · 20%)	11.464,00
5.	Taxable income (3 - 4)	45.856,00
6.	Tax (5 · 20%)	9.171,20
7.	PIO contribution (5 · 25.5%)	11.693,28
8.	Health contribution (5 · 10.3%)	0,00
9.	Net payout fee (3 - 6 - 7 - 8)	36.455,52
10.	Cost for the company (1 + 6 + 7 + 8)	57.320,00

The above table indicates that by hiring a person under a contract of additional work, the employer pays the same amount of tax liabilities as if he hired an employee under a contract of employment, noting that under a contract of employment an employee can be hired for jobs outside the employer. It is not possible to hire a pensioner and an unemployed person under a contract on additional work.

Table 10: Effects of Engagement under the Additional Work Agreement

No.	Description	Additional work - collectively
1.	Total revenue	100.000,00
2.	Total expenses	73.362,80
3.	Taxes and contributions	22.748,40
4.	Result (1-2-3)	3.888,80
5.	Income tax (4 · 15%)	583,32
6.	Additional income	120.000,00
7.	Additional expenses	46.455,52
8.	Additional taxes and contributions	20.864,48
9.	Total revenue (1+6)	220.000,00
10.	Total expenses (2+3+7+8)	163.431,20
11.	Overall result (9-10)	56.568,80
12.	Income tax on everything (11· 15%)	8.485,32
13.	Amount of paid taxes and contributions (3+8+12)	52.098,20

Comparing the engagement of one person under an employment contract and the engagement of four persons under an additional employment contract, the conclusion is that it is more profitable for a company to hire four persons under an additional employment contract than one person under an employment contract.

6. CONCLUSION

The summary effect on tax liabilities by engagement on the basis of contracts within the employment relationship and contracts outside the employment relationship is given in the following table.

Table 11: Comparative overview of the effect of engagement under employment and non-employment contracts

No.	Description	Employment contract	Employment contract with the use of relief 65%	Employment contract qualified newly employed person	Service contract employed person	Service contract Unemployed person	Service contract Pensioner	Contract on additional work - collectively
1.	Total revenue	100.000,00	100.000,00	100.000,00	100.000,00	100.000,00	100.000,00	100.000,00
2.	Total expenses without taxes and contributions	73.362,80	73.362,80	73.362,80	73.362,80	73.362,80	73.362,80	73.362,80
3.	Taxes and contributions	22.748,40	22.748,40	22.748,40	22.748,40	22.748,40	22.748,40	22.748,40
4.	Result (1-2-3)	3.888,80	3.888,80	3.888,80	3.888,80	3.888,80	3.888,80	3.888,80

5.	Income tax (4 · 15%)	583,32	583,32	583,32	583,32	583,32	583,32	583,32
6.	Additional income	120.000,00	134.786,46	120.000,00	120.000,00	120.000,00	120.000,00	120.000,00
7.	Additional expenses without taxes and contributions	53.362,80	53.362,80	53.362,80	46.455,52	41.732,35	46.455,52	46.455,52
8.	Additional taxes and contributions	22.748,40	22.748,40	7.715,10	20.864,48	25.587,65	20.864,48	20.864,48
9.	Total revenue (1+6)	220.000,00	234.786,46	220.000,00	220.000,00	220.000,00	220.000,00	220.000,00
10.	Total expenses (2+3+7+8)	172.222,40	172.222,40	157.189,10	163.431,20	163.431,20	163.431,20	163.431,20
11.	Overall result (9-10)	47.777,60	62.564,06	62.810,90	56.568,80	56.568,80	56.568,80	56.568,80
12.	Income tax on everything (11 · 15%)	7.166,64	9.384,61	9.421,64	8.485,32	8.485,32	8.485,32	8.485,32
13.	Amount of paid taxes and contributions (3+8+12)	52.663,44	54.881,41	39.885,14	52.098,20	56.821,37	52.098,20	52.098,20
14.	The amount of taxes and contributions refunded	0,00	14.786,46	0,00	0,00	0,00	0,00	0,00

The following table leads to conclusions that are sorted from less favorable to more favorable alternatives:

- The most expensive type of engagement is when a work contract is concluded with an unemployed person, taking into account the fact that this contract can be concluded for jobs outside the employer's business.
- A cheaper form of employment than the previous one is to establish an employment relationship with a new employee through an employment contract without using any reliefs.
- The same amount of tax burden arises for taxpayers when hiring an employee and a pensioner under a contract of employment, as well as when hiring certain persons under a contract of additional work
- A cheaper way to hire workers is with the use of tax breaks. Thus, when a person is hired with a 65% discount under the employment contract, it is much cheaper than a classic employment relationship, taking into account the fact that in this type of hiring it is necessary to have liquid funds and first make a payment and then demand and wait for a refund of a part of the paid contributions and taxes.
- The cheapest for a taxpayer is to hire a qualified new employee with the remark that the necessary condition is that these persons acquired that status in 2020.

In the end, it can be concluded that the basic hypothesis has been confirmed: "Planning the tax burden and obtaining information on its amount is a decisive factor for making decisions about a business trip where the cost structure is dominated by labor." The additional hypothesis "Tax reliefs contribute to the reduction of the tax burden of taxpayers with taxes and contributions" was also confirmed.

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