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Comparative overview of legal solutions of certain elements of Personal Income Tax

- Montenegro, Federation of Bosnia and Herzegovina, Croatia and Serbia -

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FOREWORD

Personal income tax is one of the most important tax forms. When it comes to the number of taxpayers, this tax occupies the leading position as opposed to other tax forms, while for its financial capacity it takes the centre stage.¹ It is a flexible and predicted tax suitable for the realisation of fiscal and extra-fiscal goals of taxation.²

Income tax systems may be:

1. **Schedular (English, analytical)** - where any revenue of natural persons, regardless of the basis on which it was granted should be taxed separately, using specific taxes, as a rule, with proportional rates;
2. **Global or synthetic (German, single)** - all revenues generated by a taxpayer should be taxed in one comprehensive tax whose rate should as a rule be progressive;
3. **Mixed (Romanic)** - which is based on a schedular taxation that supplements complementary tax on total revenue, which is paid at the end of the year provided that total revenue is achieved over an amount determined by law.³

The main elements of personal income tax (global system) are: taxpayer, tax base, tax rate and standard and nonstandard deductions. In most modern societies individuals are considered as payers of the tax, while in some countries family is the taxpayer, in which three methods of common taxation apply: income splitting method, "family-quotient" method, and dual income tax method.⁴ Personal income tax base consists of the sum of net revenue of a specific natural person originating from all sources. Legal solutions of certain countries also envisage non-taxable revenues, mostly of socio-political essence. Revenues subject to this tax may originate from employment relation, self-employment activity, property and property rights, capital revenues, etc. In most modern taxation systems, tax rates are progressive, i.e. they are aimed at enabling an even distribution of tax burden among taxpayers.⁵

The aim of this paper is a presentation of certain legal solutions on personal income tax system in Montenegro, the Federation of Bosnia and Herzegovina, Croatia and Serbia, as envisaged by each country's law on personal income tax. Specifically, the research paper comprises the following elements of the tax: taxpayer, natural persons that are not subject to taxation, tax period, tax base, tax rate, earnings not included in the income, earnings not subject to income tax, taxable revenues, respectively revenues from employment, including taxable and non-taxable gains/ tax relieves (Montenegro, FBiH, Croatia, Serbia); revenue from self-employment activity, its substance, business revenues, business expenditures and non-deductible expenditures (Montenegro, FBiH, Croatia, Serbia); revenues and expenditures from

¹ Predrag Goranović, *Javne finansije – Priručnik za polaganje stručnog ispita*, Podgorica: Uprava za kadrove CG, 2008, str. 22

² Marko Radičić, Božidar Raičević, *Javne finansije: teorija i praksa*. Beograd: DATA STATUS, 2008, str. 117.

³ Ibid, str. 117. Goran Danilović, *Javne finansije – priručnik za polaganje stručnog ispita* str. 25.

⁴ Marko Radičić, Božidar Raičević, *Javne finansije: teorija i praksa*. Beograd: DATA STATUS, 2008, str. 119.

⁵ Ibid, str. 112.

property (Montenegro, FBiH and Croatia); copyright revenues, revenues from related intellectual property rights and industrial property rights (Montenegro, FBiH, Croatia, Serbia); revenues from capital (Montenegro, FBiH, Croatia, Serbia); capital gains and losses (Montenegro, Croatia and Serbia); gains from games of chance (Montenegro, FBiH and Serbia)⁶, insurance income, respectively other revenues (Croatia and Serbia); personal deduction and tax loss (Croatia, FBiH), as well tax offences. The aforementioned elements of personal income tax are presented in the follow-up of the document in both tabular and narrative form.

Complete document in Montenegrin is available at: <http://www.skupstina.me/images/dokumenti/biblioteka-i-istrazivanje/2015/11.pdf>

⁶ U Hrvatskoj je porez na dobitke od igara na sreću definisan Zakonom o igrama na sreću.