

Debates about the legal status of platform workers in Serbia

ESPN Flash Report 2021/02

LJILJANA PEJIN STOKIĆ – EUROPEAN SOCIAL POLICY NETWORK

JANUARY 2021

In October 2020, the tax administration launched wide-ranging checks on the tax liabilities of platform workers, covering 2016-2020; the results revealed high levels of arrears on income tax and social insurance contributions. On 27 October 2020, platform workers established the "Association of internet workers" in order to negotiate their status with the government.



Description

The number of platform workers has been growing steadily in Serbia in the last ten years. In 2018, this number was estimated at more than 100,000 (Association of internet workers). A survey conducted in 2018 shows that most of them are young people, from 25 to 29 years of age, with tertiary education qualifications. Around two thirds of platform workers performed undeclared work, and the majority of them were not registered with the Central Register of mandatory social insurance as employees or persons receiving income from any source, while one third were officially registered as self-employed or entrepreneurs. The average monthly gross earnings of the first group varied between 11,750RS and 117,500RS (i.e. €100-€1,000) (Centre for public policy research 2019).

Under the current regulations, set out in the Citizens' income law (from 2001 and amended considerably since then) and in the law on mandatory social insurance contributions, "other incomes [of a natural person] that are not taxed on other grounds, or are not excluded from taxation" are subject to payment of citizens' income tax and mandatory social insurance contributions (for pensions and healthcare). This income has to be self-reported to the tax administration within 30 days of receipt; all incomes are taxable and subject to payment of mandatory social insurance contributions, i.e. there is no minimum and maximum base for social contributions.

On 13 October 2020, the tax administration published information stating that, following checks on compliance with tax regulations, a high number of cases of tax evasion were recorded among natural persons receiving payments from legal persons registered abroad. The checks covered the period from January 2016 until the end of September 2020. The same day the tax administration published a call for people to self-report incomes received from foreign legal persons, along with the instructions on the calculation of income tax and social insurance contributions.

In response to this situation, platform workers founded the "Association of internet workers" on 27 October 2020, and on 11 November the Association sent a letter to the Prime Minister and the Minister for Finance asking for a meeting to discuss these matters. The Association's main demands are: 1) to halt the current tax administration procedures for enforcing mandatory payments, until sound and appropriate legal solutions are adopted; and 2) to begin a dialogue about the legal status of platform workers. According to the Association, unregistered platform workers (i.e. natural persons working as platform workers and not registered with the Central Register of mandatory social insurance) are not covered by the current legal acts, as they fall outside the formal classification of employee or worker. Consequently, they are not entitled to the same rights as "standard"

LEGAL NOTICE

This document has been prepared for the European Commission. However, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

employed workers: sickness leave payments, maternity and unemployment benefits. Another important difference is that, unlike for employees, there is no un-taxed base for their income and, in addition, they are taxed at a 20% rate, 10 percentage points more than employed workers. According to the Association, the government failed to acknowledge the rise of non-standard work arrangements and did not modernise the relevant legal acts accordingly. The only response to the Association's letter came from the Minister for Finance who declared, at a public appearance on 6 December 2020, that previous obligations must be paid while the issues raised could be discussed in 2021.

Outlook and commentary

In some of the tax notices to platform workers issued by the tax administration, arrears amounted to around €2,000 per year – an enormous sum, as it is equivalent to five median net wages in September 2020. Under the “Law on tax procedures and tax administration”, the tax administration has to notify a registered taxpayer who has not paid tax within 30 days from the due date of tax liability. This procedure was not followed for unregistered platform workers, which resulted in accumulated interest rates for obligations unpaid over the last five years. It is questionable whether these workers will be able to pay off these arrears within a defined timeframe (15 days after receipt of a notice) or whether they will be granted a deferment of payment or allowed to pay in instalments.

The Citizens' income law has been amended 18 times since its adoption in 2001; the latest changes in 2019 addressed the status of self-employed IT professionals. The lawmakers neglected to address the issues relevant to the regulation of platform work over this period. The large informal economy and low fiscal discipline have been constant problems in the Serbian labour market, which is why the tax administration has been primarily concerned with checking for evasion of payments within the informal economy.

Platform work became a good earning opportunity for young people in Serbia, as youth unemployment rates have been high for many years and are only slowly improving. Evidence from other European countries shows that in many cases platform workers tend to be young - they have less experience in the labour market and may be less aware of their statutory obligations. The tax authorities in Serbia did not carry out targeted awareness-raising about the obligations and rights of platform workers.

By 8 December 2020, the Association had collected 25,000 signatures for their petition and received support from the Confederation of Serbian trade unions. The tax administration campaign came at a sensitive time, as the central budget deficit is rising amid the pandemic, and collection of revenues is a top priority. At this moment, it is not possible to foresee whether public officials will reverse their decision and halt the tax procedures initiated against unregistered platform workers.

Further reading

- Association of internet workers, [official website](#)
- Association of internet workers (2020), [Letter to the Prime Minister and Minister for Finance](#)
- European Parliament (2020), [The platform economy and precarious work](#)
- Centre for public policy research (2019), [Gig economy in Serbia: Who are digital workers in Serbia and why they work on global platforms](#), Belgrade: Centre for public policy research.
- Pejin Stokić, L. and Bajec, J. (2020), “[Serbia: Debate on the potential impact of the revised law on personal income tax on the IT sector](#)”, ESPN Flash Report 2020/01, European Social Policy Network (ESPN), Brussels: European Commission.
- World Bank Group (2015), “[The Global opportunity in online outsourcing](#)”

Author

[Ljiljana Pejin Stokić](#) (Economics Institute, Belgrade)

The Flash Reports are produced by the European Social Policy Network (ESPN) established in 2014 to provide the European Commission with independent information, analysis and expertise on social policies in 35 European countries. The topics covered are identified by ESPN experts in the light of significant developments in their countries, or in some cases suggested by the Commission or the Flash Reports' editorial team (Eric Marlier and Slavina Spasova). The ESPN is managed by LISER (Luxembourg Institute of Socio-Economic Research), APPLICA and the OSE (European Social Observatory). More information on the ESPN: <http://ec.europa.eu/social/main.jsp?catId=1135&langId=en>.

Quoting this report: Stokić, L. (2021). *Debates about the legal status of platform workers in Serbia*, ESPN Flash Report 2021/02, European Social Policy Network (ESPN), Brussels: European Commission.