

# EMPLOYEE RECREATION AND TEAM-BUILDING ACTIVITIES

## Tax Benefits When Investing in Employees

Belgrade | 27.05.2025.

An increasing number of companies in Serbia are organizing activities that contribute to improving employees' health and enhancing workplace relations. For this purpose, various initiatives are being designed and implemented, such as employee recreation programs and team-building events.

Since these activities have a positive impact that extends beyond internal company relations, the law provides certain benefits in the form of **tax exemptions from paying taxes and social security contributions on benefits granted to employees**, provided that the prescribed conditions are met.

Whether the conditions for tax exemption are fulfilled is assessed on a case-by-case basis, and incorrect evaluation may result in significant tax liabilities for employers. Therefore, the **purpose of this article is to explain how employers can utilize these benefits** in compliance with applicable regulations.

### Employee Recreation

This form of recreation is typically organized by enabling employees to use gyms, swimming pools, open or indoor sports facilities, renting terms in sports halls, domes, or similar venues, or by providing access to various recreational service providers (simultaneous access to multiple gyms, pools, etc.).

For an employer to qualify for a tax exemption related to this type of organized collective recreation, it is necessary that:

- the right to recreation is regulated by the employer's general act (such as the Labor Rulebook or Collective Agreement), explicitly providing for reimbursement of costs on this basis;
- the reimbursement is paid directly to the supplier's account and is adequately documented (e.g., supplier invoice);
- the recreation is available to all employees under the same conditions.

If providing collective recreation to all employees at the same time/in the same place is difficult due to a large number of employees, division into organizational units, or other justified operational specifics, the employer may still qualify for the tax exemption. In such cases, the employer must ensure an appropriate time and space arrangement that enables recreational activities of the same type, quality, and scope for all employees, taking such specifics into account, and must expressly regulate and justify this in the general act.

### Organization of Team-Building Activities

Perhaps the most common form of organized employee activities is team building, which may involve various types of events (restaurant gatherings, trips with organized activities, events, and similar), of different content and duration, aimed at building better relationships among employees and between employees and the employer.

For an employer to use the tax exemption related to organizing team-building activities, the following conditions must be met:

- such events and activities must be regulated by the employer's general act (Labor Rulebook or Collective Agreement);
- each individual event must be conducted on the basis of a reasoned decision of the employer;
- at least 70% of employees must have the right to participate in such events and activities;
- at least 70% of those eligible must actually participate;
- the employer must pay all related costs directly to the supplier's account, with proper documentation.

## Conclusion

Employers are most often motivated to organize collective employee recreation and team-building activities by the desire to improve employees' overall health, create a pleasant work environment, and strengthen interpersonal relations within the company.

Such initiatives undoubtedly increase employee productivity, as well as their motivation for individual and team performance and for achieving better overall business results.

Given the favorable tax policy that allows for exemption from paying taxes and social security contributions on this basis, it is expected that the frequency of these activities will continue to grow in the coming period.

On the other hand, if these activities are not aligned with applicable regulations, employers may become liable for paying taxes and social security contributions on employees' wages in the amount of the costs of organizing such activities. Therefore, it is essential that this matter be thoroughly regulated by a general act and, where necessary, an accompanying decision, and that the activities themselves be organized in compliance with the conditions set out in the Personal Income Tax Law, the Mandatory Social Security Contributions Law, and the Rulebook on Exercising the Right to Tax Exemption for Organizing Recreation, Sports Events, and Activities for Employees.

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