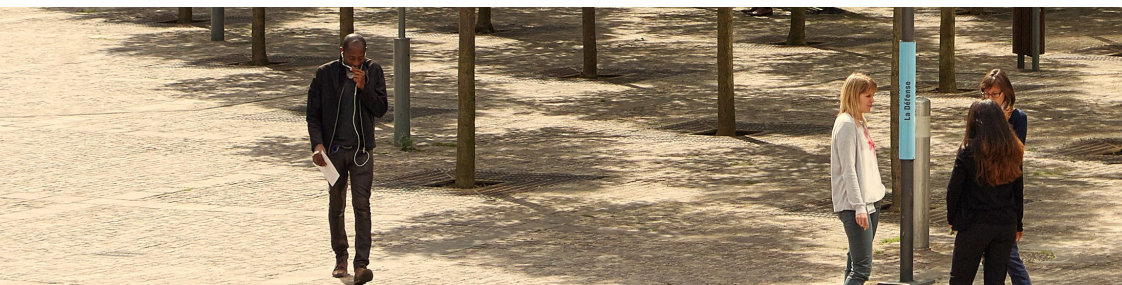


Guide to Doing Business and Investing in Serbia



Prepared by PwC Serbia
April 2019



Foreword

It is my pleasure to present to you our new edition of the Guide to Doing Business and Investing in Serbia.

Over the past years, Serbia has been experiencing a steady economic growth and an increasing level of foreign direct investments. There has been a noticeable progress in the overall business environment, additionally influenced by maintaining the stability of both the exchange rate and the inflation.

The Guide to Doing Business and Investing in Serbia is intended to provide valuable assistance to foreign investors looking to enter the Serbian market, and to domestic investors aiming to expand their local operations.

Designed to highlight the most important topics common to all industries, the Guide to Doing Business and Investing in Serbia comprises an overview of the Serbian business regulatory environment, the legal forms of business, employment matters, accounting and audit requirements, as well as an overview of the Serbian tax system and administration.

On behalf of PwC Serbia, I hope that the information in this book will help you in deciding to invest in Serbia, and in successfully conducting your business operations in our country.



Emmanuel Koenig
Country Managing Partner
PwC Serbia



Contents

Section	Page
1. Serbia Country Profile	4-6
1.1 Introduction	4
1.2 Government structure	5
1.3. Legal system	5
1.4 People	6
1.5 Economy	6
2. Business Environment	7-10
2.1 Business climate	7
2.2 International agreements	7
2.3 Regulations for business	7-10
3. Foreign Investment	11-16
3.1 Investment climate	11
3.2 Regulatory legislation	12
3.3 Law on Investments	12
3.4 State aid	13
3.5 Investment incentives	13
3.6 Local municipality incentives	14
3.7 Foreign Exchange Regime	11-15
3.8 Public-Private Partnership	16

Section	Page
4. Banking, Finance and Insurance	17-19
4.1 Banking System	17
4.2 Insurance	18
4.3 Leasing	18
4.4 Protection of “users of financial services”	18
4.5 Capital market	19
5. Importing and Exporting	20-22
5.1 Introduction	20
5.2 Customs procedures	20-21
5.3 Free zones	21
5.4 Customs duties incentives	22
5.5 Simplified procedures	22
6. Business Entities	23-24
6.1 Legal framework	23
6.2 Choice of entity	23
6.3 Joint Stock Company (a.d.)	23
6.4 Limited Liability Company (d.o.o.)	23
6.5 Partnerships and Joint Ventures	24
6.6 Branches and Rep offices	24
6.7 Financing of the company	24

Section	Page
7. Labour Relations and Social Security	25-26
7.1 Labour market	25
7.2 Employment relations	25
7.3 Working conditions	25-26
7.4 Social security system	26
7.5 Employment subsidies	26
7.6 Foreign personnel	26
8. Accounting and Audit Requirements	27-29
8.1 Accounting	27-28
8.2 Audit requirements	29
9. Tax System and Administration	30-31
9.1 Tax system	30
9.2 Administration of the tax system	30
9.3 Registration requirements	30
9.4 Direct and non direct tax burden	30
9.5 Principal taxes	30
9.6 Tax returns and payments	31
9.7 Assessment	31
9.8 Appeals	31
9.9 Tax audits	31

Contents

Section	Page
10. Taxation of Corporations	32-40
10.1 Corporate tax system	32
10.2 Taxable income	32
10.3 Deductibility of expenses	33-34
10.4 Tax compliance	35
10.5 Tax credits and incentives	35
10.6 Other taxes	36
10.7 Withholding tax and capital gains tax of non-residents	37-40
11. Taxation of Individuals	41-42
11.1 Territoriality and residence	41
11.2 Taxable income	41-42
11.3 Non-taxable income	42
11.4 Taxation of non-residents	42
11.5 Tax compliance	42
12. Value Added Tax	43
12.1 Introduction	43
12.2 Scope of VAT and VAT rate	43
12.3 Exempt transactions	43
12.4 Special VAT regime for concession arrangements	43

Section	Page
12.5 Place of supply	43-44
12.6 VAT debtor for specific supplies	44
12.7 VAT representative	44
12.8 Input VAT recovery	44
12.9 VAT refund	45
12.10 VAT compliance	45
13. About PwC	47-21
13.1 PwC worldwide professional network	47
13.2 PwC in Serbia	47
13.3 Our services	47-51
Contacts	52
Closing statement / disclaimer	

1. Serbia Country Profile

1.1 Introduction

History

Serbia has a long and turbulent history wrought with conflict and struggle for independence. The most recent example was the war-torn 1990's which saw the collapse of communist Yugoslavia. The conflicts ended in 1999 NATO led air strikes that resulted in Serbia agreeing to the introduction of UN administration in Kosovo and Metohija province, governed by the UN Security Council Resolution 1244. In 2008, Kosovo unilaterally declared independence from Serbia, which Serbia vehemently opposes to this day.

Focus of governments until 2012 aimed towards reform via privatisation and free market economy. The focus of the current government is shifted to macroeconomic stability through reduction of deficit and public debt and maintaining sustainable GDP increase driven by the investment and export growth.

The current president of the country, and the Serbian Progressive Party at the same time, is Aleksandar Vucic, while Ana Brnabic is a prime minister.

Government prioritises economic and social progress, focusing on modernisation and transformation of public sector, digitalisation, education and human rights, while accession to the European Union remains a top priority in foreign policy of Serbia, who has been official EU candidate as of 2012. To this day, Serbia entered into a Stabilisation and Association Agreement with EU and opened a total of 14 negotiation chapters, with two chapters being opened only temporarily.

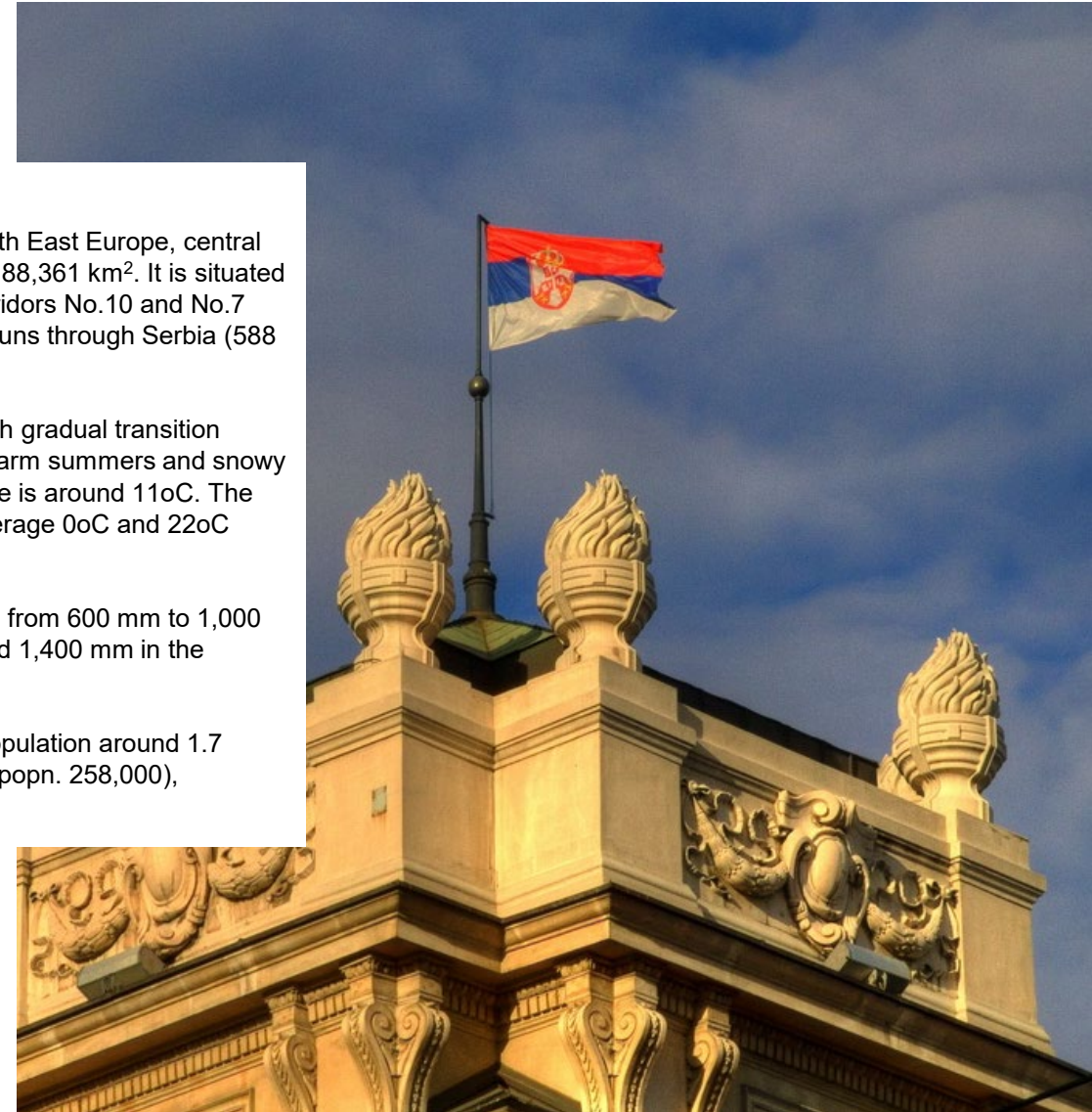
Geography and climate

The Republic of Serbia is located in South East Europe, central part of the Balkan Peninsula and covers 88,361 km². It is situated at the intersection of Pan European Corridors No.10 and No.7 linking Europe and Asia. River Danube runs through Serbia (588 km).

The climate is temperate continental, with gradual transition between the four seasons of the year, warm summers and snowy winters. The average annual temperature is around 11°C. The temperatures in January and August average 0°C and 22°C respectively.

The average annual precipitation ranges from 600 mm to 1,000 mm in the plains to between 900 mm and 1,400 mm in the mountains.

Major cities are, the capital Belgrade (population around 1.7 million), Novi Sad (popn. 350,000), Nis (popn. 258,000), Kragujevac (popn. 179,000).



1.2 Government structure

The national legislature of Serbia is a unicameral assembly of 250 members chosen in direct general elections for a period of four years. President of the republic is also elected in direct general elections for a period of five years.

National Parliament elects the Government of the Republic of Serbia, which, together with the President of the Republic, represents the country's executive authority.

The judiciary is independent.



1.3 Legal system

Legislative framework

Serbia has a civil law system, meaning the courts interpret legislation rather than being bound by preceding rulings on the issue.

The Parliament is the supreme legislator. Certain bodies with executive powers, such as the government and ministries, are competent to pass decrees and by-laws in specific areas. Decrees and by-laws must be in compliance with parliamentary legislation. Legislative acts, decrees and by-laws change frequently and come into force after publication in the Official Gazette of Republic of Serbia in fairly short period of time (vacation legis is usually 8 days) unless it is necessary to leave additional time for implementation.

Courts

The court system consists of the Constitutional Court, courts of general jurisdiction and courts of special jurisdiction. The courts of general jurisdiction are: basic courts, higher courts, appeal courts, and the Supreme Cassation Court. The courts of specific jurisdiction are: commercial courts, Commercial Appeal Court, misdemeanour courts, Higher Misdemeanour Court, and Administrative Court.

Constitutional Court decides on constitutionality and legality of laws and bylaws, and protects human and minority rights and freedoms.

Basic courts are courts of first instance and are established to cover one or more municipalities. Higher courts are established to cover the territory of one or more basic courts and are also courts of first instance, while in limited numbers of cases they act as courts of second instance to basic courts.

Commercial courts adjudicate commercial matters, with the Commercial Appeal Court being the second instance court for these matters. Appeal courts are second instance courts to both basic and higher courts (except in limited number of cases when higher courts act as second instance courts to basic courts), Supreme Cassation Court is the highest court in Serbia and is competent to decide on extraordinary judiciary remedies and conflicts of jurisdiction.

Misdemeanour courts are second instance courts for misdemeanours ruled by state authorities in first instance, as well as first instance courts for misdemeanours for which state authorities are not competent in the first instance. Administrative Court is competent for adjudicating in administrative disputes.

Since in certain cases it may take several years to receive a final judgement, many business entities opt for arbitration, providing for it in their contracts. There are Permanent Arbitration at the Serbian Chamber of Commerce in Belgrade and Belgrade Arbitration Centre which judgements are final. Specific rules of procedure can be agreed between the parties and specialist arbitrators can be chosen. The United Nations Commission on International Trade Law (UNCITRAL) book of rules may be applied.

If the parties agree, labour disputes can be administered by arbitrator determined by Republic Agency for Peaceful Settlement of Labour Disputes.

1. Serbia Country Profile

1.4 People

Population

According to the recent data the population of Serbia (not including Kosovo and Metohija) is approximately 7 million, around 66% of which is of working age. Statistics show that Serbia has, on average, an old population of 43 years.

The country's population is mostly Serbian (83.3%) with the most significant ethnic minorities being Hungarian (3.53%), Bosniak (2.02%) and Roma (2.05%).

Language

Serbian is the only official language while members of ethnic minorities are entitled to use their own language. English is taught as a compulsory foreign language, while in many areas students choose an additional language from German, French or Russian.

Religion

Religion is practiced freely. Orthodox Christianity is the dominant religion (84.65%), while other prominent religions are Roman Catholic 5.5%, Islam 3.1% and Protestant 1%. Most Catholics reside in Vojvodina, Serbia's northern province, while Muslims are predominant in the region of Raska to the south of the country.

Education

Elementary and high school education in Serbia is free with eight years elementary schooling being compulsory. Around 86% of the population completes elementary schooling, secondary schooling is completed by 49% of the population while 16% achieves high or higher education.

Living standards

The at-risk-of-poverty rate is 25.5% according to 2017 estimates. The distribution of poverty is uneven with the gross average income being significantly higher in cities (Belgrade in particular) than in rural areas.

According to the recent data average monthly gross salary in Serbia in January 2019 amounts to approx. RSD 75 thousand, while in Belgrade region amounts to RSD 93 thousand.

1.5 Economy

General description

Serbia is considered an upper-middle income economy by the International Monetary Fund, with estimate of GDP for 2018 at USD 50.14bn (USD 7.2 thousand per capita). GDP growth rate in fourth quarter of 2018 was 3.4% compared to the same period last year. Since the political reforms of 2000, the country has experienced good economic growth that was somewhat interrupted by economic crisis in 2008, and it is currently in the process of accession to the European Union.

Currency

Serbian official currency is Dinar (RSD). Average exchange rates in 2018 were 1 EUR = RSD 118,2716 and 1 USD = RSD 100,2784, according to the National Bank of Serbia (NBS).

Transport

In Serbia all means of transportation are present. The total length of roads is 45,013 km. Railway network enables cost effective transportation thanks to good connections with all major European destinations through the Pan European Corridor 10.

There are two major commercial airports in Serbia: Belgrade Nikola Tesla Airport and Nis Constantine the Great Airport. Serbian rivers belong to the basins of the Black, Adriatic and Aegean Seas. Three of them, the Danube, Sava and Tisa, are navigable. The longest river is the Danube, which flows for 588 of its 2,857 km course through Serbia. Serbia does not have access to sea.

2. Business Environment

2.1 Business climate

Aims of government policy

The key goals and instruments of the economic policy are:

- Improvement of the overall business climate,
- Macroeconomic stability through reduction of deficit and public debt,
- Sustainable GDP increase driven by the investment and export growth,
- Maintaining exchange rate and inflation stability,
- Increase of employment rate through development of entrepreneurship and SMEs,
- Digitalisation and development of telecommunication infrastructure.

Economic development

Over the past 10 years of extensive political and economic reforms, Serbia has developed into a stable democratic country with a fast growing market economy. As a member of the International Monetary Fund, Serbia exercises a sound and consistent economic policy resulting in a strong economic growth and rapid export expansion. The country's progress is fully supported by leading international development institutions, such as the World Bank and the European Bank for Reconstruction and Development, while the processes of the European Union and the World Trade Organisation accession are under way.

2.2 International agreements

Current status

- Serbia's application for the WTO accession has been accepted. There is no information when Serbia will officially access the WTO,
- The Stabilisation and Association Agreement and Interim Trade Agreement with the EU was signed in April 2008. Status of candidate was granted in March 2012. Serbia has opened 14 out of 35 chapters of the *acquis communautaire*,
- Regional free trade agreement (CEFTA) was ratified by Serbia in 2007 thus creating a possibility for companies to place their goods customs free to a market of close to 30 million people,
- Serbia is the only European country that has signed free trade agreements with the EU, Russia, Belarus and Turkey,
- Trade with US is pursued under Generalised System of Preferences (GSP). The GSP program provides preferential duty-free entry for more than 4,650 products,
- Serbia is a member of the Black Sea Economic Cooperation (BSEC).

2.3 Regulations for businesses

Competition Law – legislation

The Competition Law was adopted in September 2009 and later amended in 2013. The law applies to all market participants, including state authorities and state-owned companies undertaking activities of public interest.

Thresholds for concentration are set at: (i) worldwide annual income of all concentration parties in previous year exceeding EUR 100 million, where at least one concentration party has generated income in Serbian market exceeding EUR 10 million and (ii) annual income of at least two concentration parties generated in Serbian market in previous year exceeding EUR 20 million, where at least two concentration parties generated income in Serbian market exceeding EUR 1 million each.

The deadline for notifying the Competition Commission of an event falling within the scope of a concentration is set to 15 days as of the SPA signing date or the date of taking control. The Competition Commission has the power to impose fines (of up to 10% of a company's annual income) in case of a breach.

The law introduces new procedural penalties such as ordering of de-concentration and/or other structural/behavioural remedies. Competition Commission has a right to impose dawn raids. The procedure for determining a breach of competition rules may be initiated only *ex officio*.

2.3 Regulations for businesses *continued*

Competition Law – enforcement policy

Since 2014 the Competition Commission has been gradually stepping up the enforcement effort, targeting both public as well as public enterprises. In terms of subjects of investigations, the Competition Commission has taken a varied approach, targeting both large enterprises (e.g. Serbian Railways, major international tobacco companies, the national electrical energy company) as well as groups of relatively smaller undertakings (e.g. distributors of electronic cigarettes, car dealers and distributors of products for babies and infants), for both alleged cartels and abuse of dominance.

The important new trend in the Competition Commission's approach to implementation of national laws is the growing adherence to case law of the European Commission in competition protection matters. This also stems from the progress of the accession negotiations between Serbia and the EU, due to Serbia's obligation to harmonise its competition laws as well as enforcement practices with the approach of EU bodies.

Consumer protection

The Law on Consumer Protection (the LCP) is harmonised with European standards implementing 15 key European consumer protection directives with the aim to provide adequate consumer protection in Serbia.

The LCP regulates the fundamental rights of the consumers, conditions and means of consumer protection, rights and responsibilities of the consumer protection organisations, establishment of the system of out-of-court settlement of consumer disputes and the rights and responsibilities of the state institutions in the area of consumer protection.

It regulates, inter alia, indication of prices, unfair commercial practice, distance and off-premises agreements, unfair terms in consumer agreements, product liability, warranties etc.

The consumer in Serbia is defined exclusively as a natural person who procures goods and services on the market for his/hers personal needs. A consumer must be clearly informed by the trader on all necessary details on goods and services offered prior to entering into agreement. The LCP, inter alia, sets in more details rights and obligations arising out of distance agreements, off-premises agreements, sales agreements and specific agreements in tourism and time sharing. The competent authorities involved in the consumer protection rights are the Serbian Ministry of Trade, Tourism and Telecommunications and the National Consumer Protection Council.

Intellectual Property (IP) rights protection

Most of the existing IP laws were enacted during the 2009 and are generally in compliance with the international conventions and EU standards. The set of IP laws regulates legal relations pertaining to the literary, scientific and artistic works, symbols, names and images used in commerce, computer programmes, inventions and topographies of integrated circuits.

The laws dedicated to the protection of IP rights are:

- (i) Law on Copyright and Related Rights,
- (ii) Law on Protection of Topographies of Integrated Circuits,
- (iii) Law on Patents,
- (iv) Law on Trademarks,
- (v) Law on Legal Protection of Industrial Design,
- (vi) Law on Geographical Indications,
- (vii) Law on Special Powers for Efficient Protection of Intellectual Property Rights.

The most important IP conventions relating to IP protection ratified by Serbia are the Berne Convention, the Paris Convention, the European Patent Convention, Madrid and Nice Arrangements and other. The authority involved in IP protection is the Intellectual Property Office of Serbia.

2.3 Regulations for businesses *continued*

Acquisitions

Acquisitions of limited liability and joint stock companies are subject to different legal treatment as transfers of stakes in limited liability companies are not subject to restrictions, unless otherwise stipulated by the company's acts or the Law on Companies. The specific requirements of the Law on Companies relate to the right of first refusal of other stakeholders. The rules regarding of right of first refusal may be differently regulated in the company's acts and the provisions should be interpreted carefully since the owner of the right may annul the share transfer, if done contrary to these rules.

In any case, share transfer in limited liability companies may be done in a very simple procedure before Serbian Business Register Agency by means of transfer deed, which does not have to contain purchase price but needs to be notarised in front of the notary public (can be done by attorney at law upon certified and apostilled PoA).

For joint stock companies the situation is different since, besides Serbian Business Register Agency, Register of Securities also requires inscription related to the shares transfer. Beside, some specific rules are applicable, as follows:

Takeover rules – acquisitions of shares in joint stock companies are subject to conditions set forth in the Law on Takeover of Joint Stock Companies (Takeover Law) which stipulates that the legal entity/individual is obliged to make a takeover bid when directly or indirectly, solely or jointly, acquires voting shares of the target company, in a way that together with the shares already acquired, exceeds the threshold of 25% of voting shares of the target company.

The Takeover Law stipulates a number of exemptions from the obligation to publish a takeover bid. The competent body responsible for the implementation and supervision of the Takeover Law is the Securities and Exchange Commission (SEC).

Squeeze out rules – legal entity/individual holding at least 90% of shares of the target company and 90% of votes of all shareholders with ordinary shares may decide to squeeze out minority shareholders by means of cash compensation (forced sale). However, the squeeze out rule goes in other direction as well.

Real estate

Real estate acquisition by foreigners – Law on Property Relations prescribes that foreign entity can purchase a real estate (except for agriculture land) in the Republic of Serbia in the case reciprocity (or in accordance with a treaty between Serbia and its country of residence) and if such property is needed for business operations. If a foreign entity founds a subsidiary in the Republic of Serbia it will be treated equally as a local entity and, accordingly, a foreign person or entity may indirectly own real estate in the Republic of Serbia via their subsidiaries without limitations.

Agriculture land – Amendments to the Serbian Law on Agricultural Land (the Agriculture Law) authorise foreigners to acquire ownership rights over agricultural land in the Republic of Serbia, but in very limited scope.

EU citizens are now permitted to acquire ownership rights over agricultural land in Serbia (limited to parcels of up to 2ha), under condition that they owned agricultural household for 10 years and 3 years cultivated it, with permanent residence in Serbia ten years as of the date of amendments to the Law (practically suspending acquiring the land for 10 years). Foreign legal entities thus cannot directly acquire title to agricultural land and, therefore, founding a subsidiary for this purpose seems the only solution, as has been the case so far.

2.3 Regulations for businesses *continued*

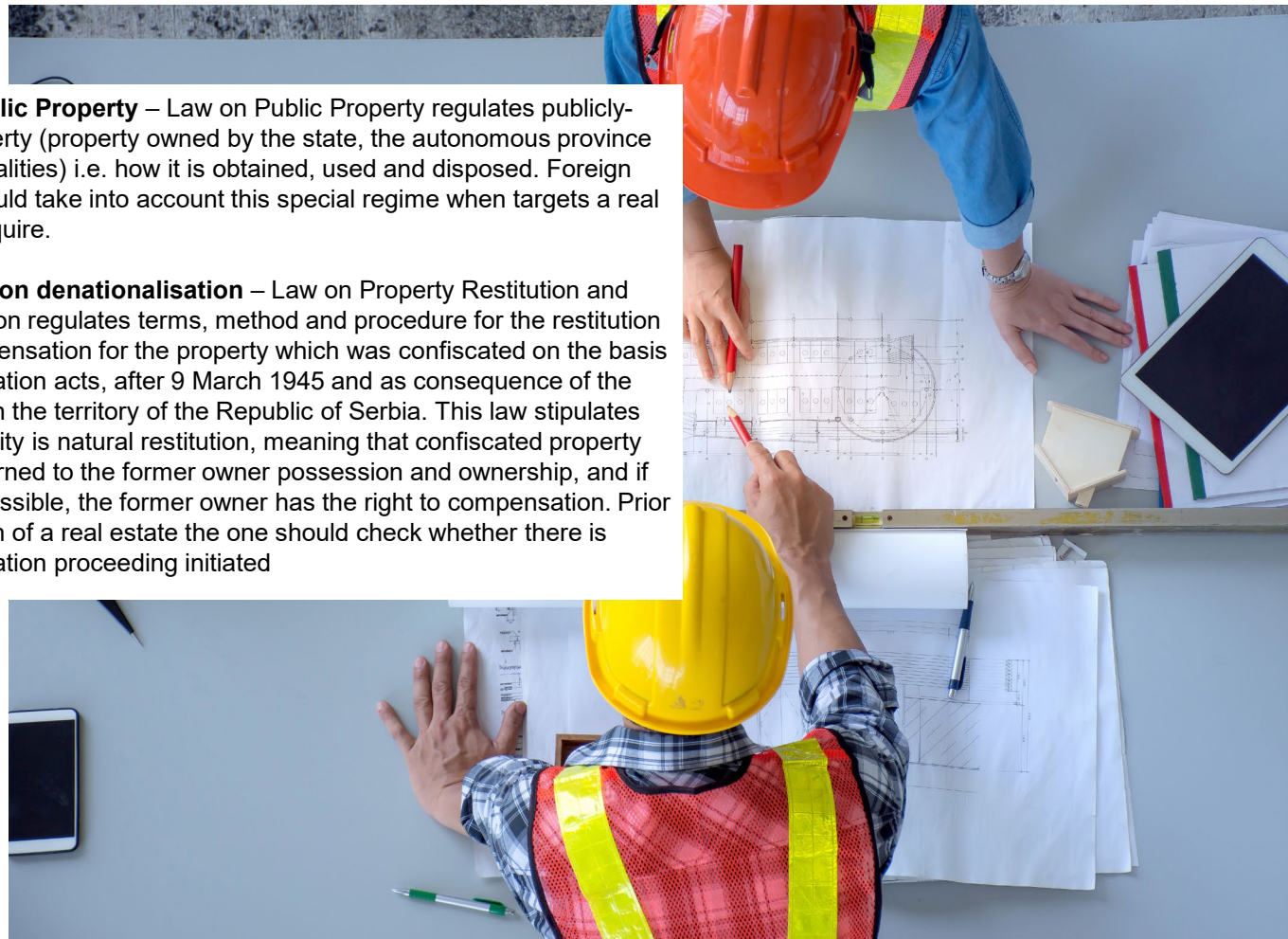
Real estate *continued*

Construction – Law on Planning and Construction allows for private ownership over any type of construction land and for further transfer of ownership rights. It provides for automatic conversion of the right of use on state-owned developed construction land into ownership at no fee, with exception to the land currently or formerly held by companies that were subject to privatisation, bankruptcy or enforcement laws. Law on Planning and Construction now allows building permit transfer together with a transfer of property rights over building/land. In order to build on the city construction land the one should acquire the right of use or the right of ownership (conversions from one to another is allowed). For the acquiring of the ownership there must be a contract signed (certified before competent public notary) with *Clausula Intabulandi*. In general, the legislation in Serbia recognises three (3) types of land: (i) construction land, (ii) agricultural land and (iii) forest land. Converting of the agricultural land into construction land is possible and has several phases that require the fulfilment of certain legal requirements.

Construction licences – Law on Planning and Construction prescribes that the construction may be performed by the one who is inscribed in relevant registry and who obtained a decree by which it has been confirmed that the one fulfils the conditions for performance of those types of construction works (i.e. license which is issued on 2 years period). A foreign company, which intends to enter into a works contract with the investor, has to incorporate a local presence in Serbia (at least in form of a branch office) and to obtain such licence or to engage a subcontractor which has such license. Crucial conditions for the licence obtaining are (i) engagement via labour agreement two engineers with their own personal licences and (ii) credentials/references for similar project in the country or abroad.

Law on Public Property – Law on Public Property regulates publicly-owned property (property owned by the state, the autonomous province and municipalities) i.e. how it is obtained, used and disposed. Foreign investor should take into account this special regime when targets a real estate to acquire.

Legislation on denationalisation – Law on Property Restitution and Compensation regulates terms, method and procedure for the restitution of and compensation for the property which was confiscated on the basis of nationalisation acts, after 9 March 1945 and as consequence of the Holocaust on the territory of the Republic of Serbia. This law stipulates that the priority is natural restitution, meaning that confiscated property shall be returned to the former owner possession and ownership, and if this is not possible, the former owner has the right to compensation. Prior to acquisition of a real estate the one should check whether there is denationalisation proceeding initiated



3. Foreign Investment

3.1 Investment climate

Since January 2001, Serbia has shown a strong commitment to establishing a modern market economy and re-entering European and global markets. Serbia became a candidate country for EU accession in 2012, and it went through legal and economic reforms in all areas, aimed at ensuring legal security and harmonisation with EU legislation and economic policies. The process of legal and economic reformation is ongoing until the full harmonisation with EU acquis communautaire is reached.

The key institutions responsible for foreign investment regulations are the following: (i) Ministry of Foreign Affairs (www.mfa.gov.rs), (ii) Ministry of Finance (www.mfin.gov.rs), (iii) Ministry of Economy (www.privreda.gov.rs), (iv) Ministry of Public Administration and Local Self-government (www.mduls.gov.rs), (v) Ministry of Trade, Tourism and Telecommunications (www.mtt.gov.rs), (vi) Serbian Development Agency (www.ras.gov.rs), (vii) Serbian Chamber of Commerce and Industry (www.pks.rs), (viii) Commission for State Aid Control (www.kkdp.gov.rs) and (ix) Commission for Protection of Competition (www.kzk.org.rs).

Table 1: Main indicators

Current status in the EU accession process	From 35 chapters in the EU membership negotiations Serbia has opened a total of 14 negotiation chapters, with two chapters being only temporarily opened
Capital:	Belgrade
Currency:	Republic Serbian Dinar (RSD)
Population:	7 million, as per the latest projections of Serbian Statistical office
Government system:	Parliamentary republic. National Assembly (250 members) names executive authority – prime minister
Main industry sectors:	Agriculture, Automotive, Food Processing, Metals and Chemicals
Foreign direct investments:	EUR 2.54 billion in the year 2017, source: NBS
Major trading partners 2017:	Germany, Bosnia&Herzegovina, Italy, Russian Federation, China
Real GDP/ GDP per capita:	USD 48.28 billion / USD 6.9 thousand per capita
FX rates (December 2018) :	118.27 RSD / 1 EUR
VAT rates:	20%/10%/8%/0%
Corporate/individual tax:	15%/10-20%
Next parliamentary elections	2020
International organisations	Member in more than 50 of them, such as UN, Interpol, EBRD, UNHCR, WTO (observer status)

3.2 Regulatory legislation

The legal framework relevant for foreign investment encompasses *inter alia* the following laws: (i) Law on Investments, (ii) Law on Free Zones, (iii) Law on Foreign Exchange Operations, (iv) Law on Foreign Trade Transactions, (v) Law on Customs, (vi) Law on Privatisation, (vii) Law on Protection of Competition, (viii) Law on Control of State Aid, (ix) Law on Companies, (x) Law on Capital Markets, (xi) Law on Takeover of Joint Stock Companies, (xii) Law on Procedure of Registration before the Business Registers Agency, (xiii) Law on Public Private Partnerships and Concessions, (xiv) Law on Insurance, (xv) Law on Bankruptcy, (xvi) Law on Games of Chance and (xvii) Law on Energy.

3.3 Law on investments

Both foreign and domestic investments in Serbia are regulated by the Law on Investments (LI). The fundamental aim of the Serbian Government is to create a business-friendly legal, economic and political environment for all individuals and companies interested in doing business in Serbia, by equalising the rights and responsibilities of domestic and foreign investors, providing incentives and other necessary conditions. A long-term goal is also to create a legal system compatible with European Union legislation as a first step towards future integration. The LI regulates both foreign and domestic investment in enterprises and other forms of establishment engaged in profit generating activities in Serbia.

Definitions

An investment is: (i) a company or a branch founded by the investor, (ii) an interest in the company, shares of the company or other securities equivalent to shares of the company, (iii) rights acquired by the investor based on the agreement on public-private partnership, (iv) ownership rights, right of easement, pledge and other property rights over movable and immovable assets located in the territory of the Republic of Serbia that the investor acquired for the purpose of performing activities, (v) intellectual property rights, protected under the applicable laws in the Republic of Serbia, and/or (vi) right to perform activity that is performed on the basis of the license or approval of a state authority.

An investor is a legal entity or an individual that invested capital, as well as an entity/person that acquired investment (as described above), in the territory of the Republic of Serbia.

Legal status

A foreign investor is guaranteed national treatment, which means that any legal entity and natural persons who are investing in Serbia enjoy full legal security and protection, equal to those of local companies. A stake held by a foreign investor or a company with a foreign investment cannot be the subject of expropriation. The contribution of a foreign investor may be in the form of convertible foreign currency, contribution in kind, intellectual property rights and securities.

Repatriation of capital and earnings

If prescribed tax requirements and other outstanding commitments have been settled in Serbia, the foreign investor may, without any further limitation or delay, transfer financial assets relating to the foreign investment. Import of equipment representing the foreign investor's contribution is free, subject only to environmental protection regulations.

Procedural obligations

Companies are obliged to keep books and financial statements in accordance with Serbian legislation which has been brought in line with International Financial Reporting Standards (IFRS). Any dispute related to foreign investment may be settled either before the Serbian court or in domestic or international arbitration, as agreed between the parties.

3.4 State aid

Investment incentives in Serbia may be granted strictly in accordance with the State Aid (“SA”) control system which was established in the course of EU accession. Until the moment when Serbia joins EU, the Commission for State Aid Control (“SA Commission”) is competent for the control of the granted state aid. Afterwards the European Commission will fully take over jurisdiction on these matters in Serbia.

The SA Commission is an operationally independent body, established by the Serbian government, and it is competent to authorise SA granting. Much like in the EU, all SA grantors are obliged to notify the SA Commission prior to its granting individual aid or aid schemes. SA Commission can order the recovery of each unauthorised SA. Law on State Aid Control postulates a legal basis for the process of granting and controlling of the SA in Serbia. Furthermore, as part of the accession process, the SA Commission has increasingly been aligning its practise with that of the EU.

3.5 Investment incentives

Foreign investors might acquire a package of the investment incentives from funds set out in the Serbian national budget, in accordance with the law. The most important regulations in that regard (apart from the mentioned Law on State Aid Control) are the Law on Investments and the Regulation on Conditions and Manner of Attracting Direct. Process of investment incentives granting is guided by the body called Republic Development Agency (“RDA”), but the final decision is made by the Ministry of Economy.

Whole procedure must be performed in accordance with the SA rules and under supervision of the SA Commission, which operates under the Ministry of Finance. The incentives, in accordance with the Regulation on Conditions and Manner of Attracting Direct Investments, may be awarded for greenfield and brownfield projects i.e. for the financing of investment projects in the manufacturing sector and the services sector which may be subject to international trade.

It should be noted that the funds received under the Regulation on Conditions and Manner of Attracting Direct Investments cannot be used to finance investment projects in the some sectors (transport sector, trade, coal and steel, tobacco, airports, utilities and energy sector, broadband networks etc.).

Following are the main terms and conditions that one should know when intends to apply for allocation of incentives:

Funds that may be granted – the minimal amount of investment for which the investor becomes eligible for incentives in this region is EUR 300,000 in eligible investment costs and at least 30 new jobs, on permanent basis, which are connected with the investment.

Eligible costs – costs which are taken into account when evaluating the value of an investment for the purpose of granting incentives. Eligible costs are investments in tangible and intangible assets, as of the date of signing of the incentives grant agreement until the deadline for implementation of the project. Eligible costs are also costs of gross salaries for new jobs created associated with the project during two years period after achieving full employment envisaged by the project.

Right to compete – the right to participate in the process of allocation of incentives is awarded to investors who apply for grants before the start of the realisation of their project.

Participation in expenditures – users of incentives are required to provide a minimum of 25% participation in the eligible costs from their own resources or from other sources, which do not contain state incentives.

Conditions following the project implementation – investor must remain at the same location where the investment is realised, for at least 5 years after the implementation, for large enterprises, or at least 3 years for small and medium-sized businesses and may not reduce number of employees after the implementation, over the same periods.

Implementation deadlines – the deadline for implementation of investment projects and the creation of new jobs is 3 years from the date of signing of the incentives granting contract (it may be extended for up to 5 years).

3.6 Local municipality incentives

Municipalities in Serbia have certain limited powers in creating beneficial climate for new investors. It should be noted that, although local legislation often fails to mention it, all incentives granted by municipalities need to be approved by the SA Commission (either as an individual measure or under an incentives scheme). Moreover, the value of an incentive given by a municipality, must not, along with other investment incentives, exceed the maximum value of incentives permitted under Law on State Aid Control.

While municipalities are authorised to form individualised programs to attract investors, these, due to the scope of municipalities' jurisdiction mostly focus on two areas: (i) reduction of local administrative fees and taxes and (ii) lease or sale of land under beneficial conditions.

The municipalities have broad authorisations on how and at which terms they dispose with publicly owned land. In practice, this results in either general schemes of providing a discounted lease for, for example, prepayment of rent, and/or individual decisions granting especially beneficial prices for certain larger projects.

3.7 Foreign exchange regime

The foreign exchange regime is regulated by Law on Foreign Exchange Operations (FX Law) and relevant regulations issued by Government (Ministry of Finance) and NBS.

Approach

Generally speaking, the Serbian foreign exchange regime is still strictly regulated and rigorously supervised by local regulators. These often tend to have a heavy – handed approach when interpreting FX Law, adhering to a principle that everything that is predicted by law is deemed permissible, and vice versa – everything which is not, is deemed restricted. Hence, if certain transaction is not clearly predicted by FX Law (or supplementary regulations), an investor should seek a professional advice in order to avoid or mitigate potential risks.

Current transactions

Payments based on current transactions are free and without limitations. FX Law specifies which transactions should be regarded as current (payments in foreign trade – sale of goods and services, repayment of a portion of the principal sum plus interests on credits, return payments of investment funds, as well as transfers abroad and repatriation of profit from direct investments, etc.).

There is an obligation to inform NBS about import and export which is not paid/collected within 12 months as it is considered as commercial credit facilities/loans.

A resident may not perform collection, payment or transfer towards (or from) non-residents, based on agreements lacking real price or concluded on the basis of false documentation.

Banks, residents and non-residents may transfer i.e. pay or collect claims and payables arising from residents' foreign trade of goods and services which are not considered commercial credit facilities or loans.

Capital transactions

Payments and transfers of capital of residents-legal entities, entrepreneurs and natural persons, with regard to direct investments abroad, as well as payments and transfer of capital of non-residents, with regard to direct investments in Serbia, may be executed freely.

Residents – legal entities, entrepreneurs and natural persons can perform payments and collections for the purpose of buying or selling of share in capital of a foreign company abroad which are not considered a direct investment, and non-residents can perform payments and collections for the purpose of buying or selling of share in capital of a resident company which are not considered a direct investment.

Residents can freely perform payments for the purpose of purchase of real estate abroad and non-residents for the purchase of real estate in Serbia.

3.7 Foreign exchange regime *continued*

Capital transactions *continued*

Payments, collections, transfers, set-off, as well as reporting on operations with financial derivatives are performed under the conditions and in a manner closely prescribed by the NBS.

FX Law regulates international credit operations. For resident legal persons and entrepreneurs, banks may approve foreign currency loans for the payment of import of goods and services.

Banks can keep foreign currency deposits on bank accounts abroad without any restrictions. Still, residents (including legal entities) may open and keep foreign currency account in foreign banks only in specific conditions and in the manner closely prescribed by the NBS.

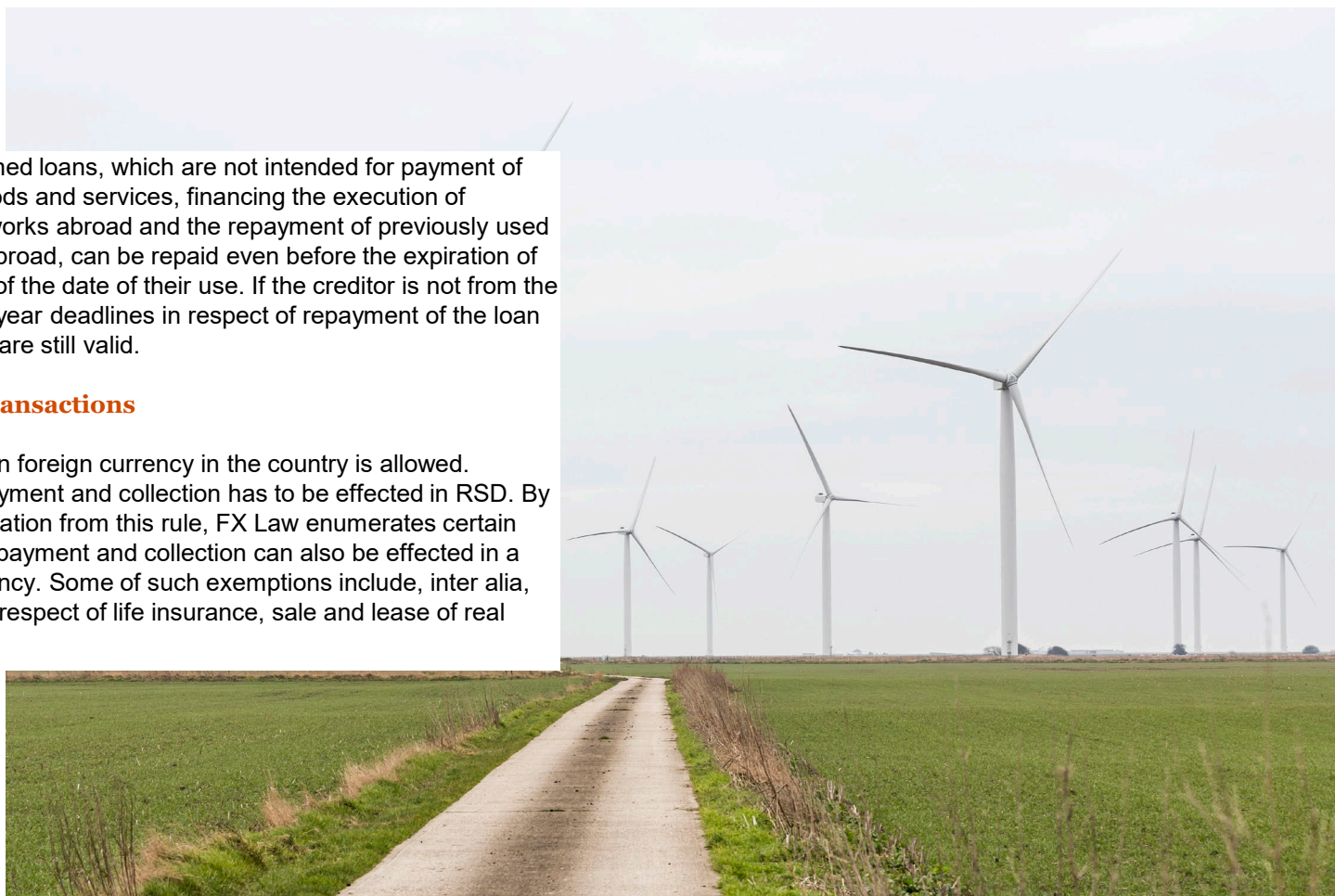
Non-resident which transacts business through a local non-residential account and resident - branch of a foreign legal entity, which transacts business through a residential account, may conduct transfers from such accounts abroad, provided that all tax liabilities towards the Republic of Serbia, arising from the relevant business operation, have been settled.

National Bank of Serbia recently amended the conditions for use of financial credits from abroad and eliminated the restrictions on repayment of loans taken from non-residents with headquarters (or residence) in EU Member States.

Aforementioned loans, which are not intended for payment of import of goods and services, financing the execution of investment works abroad and the repayment of previously used loans from abroad, can be repaid even before the expiration of one year as of the date of their use. If the creditor is not from the EU, the one year deadlines in respect of repayment of the loan from abroad are still valid.

Payment transactions

Contracting in foreign currency in the country is allowed. However, payment and collection has to be effected in RSD. By way of derogation from this rule, FX Law enumerates certain cases when payment and collection can also be effected in a foreign currency. Some of such exemptions include, inter alia, payments in respect of life insurance, sale and lease of real estate.



3.8 Public-Private Partnership and concessions

Foreign investment can also take a shape of a public-private partnership (PPP). The entire PPP area is regulated by the Law on PPPs and Concessions which considers PPP as a long term cooperation between public and private partner for the purpose of securing financing, construction, reconstruction, management or maintenance of infrastructural and other objects of public importance and performing services of public importance. It can be contractual or institutional.

Contractual PPP is a form of PPP where mutual rights and obligations in the realisation of a PPP project are regulated by a public contract made between the parties. Institutional PPP is based on the relationship between public and private partner as members of a joint company which executes the PPP project. Such relationship can be based on contributions in a newly formed company or acquiring shares or capital increase of an already existing company. Concession is a form of contractual PPP. As such a concession is granted by a public contract concluded between a public and private partner. A foreign investor may be granted a concession for the exploitation of natural resources, goods in general use which are public property or for performing an activity of public interest.

The duration of a public contract may range from 5 to 50 years with a possibility to conclude another after the expiration of the previous term, together with selecting private partner in accordance with the law.

Grantor of concession as a public partner can be the Government of Serbia, government of the autonomous province, Parliament of the local self-government (municipality) or state-owned enterprise i.e. legal entity authorised by special regulations to grant concessions. As the private party, the participant in the procedure of granting of a public contract can be both a foreign and local entity and natural person. Depending of the nature of PPP, the procedure of choosing a private partner can be either a procedure for granting a concession in accordance with the Law on PPP and Concessions or the procedure of public procurement conducted in accordance with the Law on Public Procurement.

Public procurement

Providing of goods and services for the bodies governed by the public law is subject of public procurement which is regulated by the Law on Public Procurement. Due to a principle of equality of bidders, contracting authority may not impose conditions that would constitute national, territorial, subject-matter or personal discrimination among bidders. Conditions for participation in public procurements are registration, non-conviction for economic and other offences, settlement of taxes and other charges and possession of permit for economic activity

4. Banking, Finance and Insurance

4.1 Banking system

Banking system

The Serbian banking system consists of the central bank i.e. the National Bank of Serbia (NBS), commercial banks and other financial organisations. The Law on Banks, and the corresponding by-laws of the NBS, regulate the founding process, organisation, business activities and governing of commercial banks.

Domestic and foreign legal entities and natural persons may be founders of a bank in Serbia. A bank must be established in the form of a joint stock company. The NBS is authorised to supervise the activities of commercial banks and to issue (or revoke) operating licences for commercial banks in Serbia. The monetary portion of the share capital of the bank must be a minimum of EUR 10 million in RSD counter value.

Banking regulations

Significant characteristics of the Law on Banks are: (i) strictly defined incorporation procedures, (ii) decisive role of the NBS, as a regulatory and supervising authority, (iii) corporate governance, (iv) supervision on consolidated basis, (v) merger control and (vi) risk management.

At the mid-2017, by-laws related to the Law on Banks were adjusted to Basel III regulations. Said regulations should increase resilience of the banking sector by enhancing the quality of capital and increasing the efficiency in monitoring and controlling banks' exposure to liquidity risk.

Banking market

In the first quarter of 2018, the Serbian banking market numbered 29 banks of which 8 banks are in domestic ownership, while rest are in ownership of foreign bank groups. A number of European banking groups has its presence at the Serbian market: Intesa Sanpaolo – Italy, Credit Agricole – France, Raiffeisen Bank – Austria, Sberbank – Russia, Société Generale – France, Unicredit Bank – Italy, OTP Bank – Hungary, Eurobank – Greece, Bank of China – China etc.

Banking products

The Serbian banking system has yet to reach western standards in the scope and quality of its services and capital market operations. The following types of operations are currently available: (i) deposit operations (acceptance of all kinds of deposits), (ii) credit operations, (iii) foreign exchange and foreign currency transactions, (iv) issuing operations (issue of securities and credit cards), (v) treasury operations (money market foreign exchange), (vi) custody operations (safekeeping and handling securities), (vii) stock exchange related operations (purchase and sale of securities), (viii) guarantee operations (extending warranties, guarantees, endorsements), (ix) documentary operations, (x) cash management, (xi) intermediation i.e. assuming the role of a broker in trading in securities, (xii) purchasing and collection of claims, (xiii) external payment operations and external loan operations and (xiv) E-banking.

Non-Performing Loans (NPLs) market

Following the global financial crisis, a major challenge for the banking sector in Serbia was a high-rate of Non-Performing Loans (NPLs). At the beginning of 2016, the NPL rates reached 22% of all loans provided on the market. Still, after adoption of NPL resolution strategy, the authorities had made important progress in resolving NPLs with the aggregate percentage of NPLs in total gross loans falling to 9.2%. Nevertheless, NPL market in Serbia is still dynamic and additional regulation easements related to the disposal on NPLs are expected in future.

National Bank of Serbia

The role of the NBS is regulated by the Constitution, as well as by the Law on NBS which postulates that inter alia it: (i) determines and implement monetary policy, (ii) autonomously pursues the dinar exchange rate policy and determine the dinar exchange regime with the consent of the Government, (iii) holds and manages foreign currency reserves, (iv) issues banknotes and coins, (v) regulates, controls and promotes unhindered functioning of internal and external payment operations, (vi) provides for the minimum scope of auditing and the minimum audit report content for banks, insurance and leasing companies, (vii) performs other tasks provided for by this and other laws in accordance with the principles of central banking.

4. Banking, Finance and Insurance

4.2 Insurance

Insurance law entrusted the supervision of insurance companies to NBS. Within its function, the NBS carries out, inter alia, supervision of insurance activity, issues licenses for performing insurance, reinsurance, intermediation and agency operations as well as those directly associated with insurance activity, gives approval for legally required enactments and actions etc.

In line with relevant EU directives, the Insurance Law divides the insurance business into life and non-life insurances. Therefore, insurance companies are not able to perform both life and non-life insurance activities (with some rather narrow exceptions proscribed by Insurance law) within one legal entity.

The Serbian insurance market remains relatively underdeveloped with undeveloped products such as life, health and real estate insurance. The total premium in the Serbian insurance market has reached over EUR 594 million in 2017. The predominant share i.e. 77.5% percent of total premium is held by non-life insurance. Premiums from life insurance have decreased from 23.2% percent in 2016 to 22.5% percent in 2017 reaching EUR 133.6 million.

4.3 Leasing

Law on Financial Leasing defines financial leasing activity and basic rights and liabilities of participants in financial lease operations. It also entrusts the NBS with supervision of financial leasing companies' operations as well as issuing of financial leasing licenses, approvals of appointment of leasing companies' managing bodies and enforcing corrective measures in respect of the companies, if supervision reveals illegalities and irregularities in their operations.

A subject of financial lease may be both movable and immovable property. Depending on the subject, the law sets out different minimum capital requirements. In particular, for operating with movable property, a leasing company must have minimum capital of EUR 500,000, whilst for operating with immovable property it must have minimum capital of EUR 5,000,000.

In order to establish a leasing company, the shareholders must obtain prior approval of the NBS. Relevant NBS regulations provide a detailed list of necessary requirements and procedural information.

There are 16 registered leasing companies operating in the Serbian market, with total assets amounting to EUR 626 million. Foreign investors own seven financial lease companies directly or indirectly, while local owners own nine companies wholly or predominantly (of which eight companies are owned by domestic banks with foreign capital). Four major leasing companies comprised 60.6% percent of the total market at the end of Q1 2018.

4.4 Protection of “users of financial services”

Law on Protection of Users of Financial Services provides additional protection to natural persons, entrepreneurs and agricultural producers, as users of financial services provided by financial institutions. Financial institution, as generally stronger parties, could impose unfavourable terms and conditions onto their “weaker” customers. The financial institutions subjected to this law are local banks and leasing companies. This law stipulates e.g. that a bank's receivables towards natural persons, entrepreneurs or agricultural producers as users of financial services may not be transferred/assigned to another person/entity that is not another bank. This rule applies to leasing companies as well.

The principles that represent the core of the aforementioned law are as follows: (i) right to equal treatment with the provider of financial services, (ii) right to information, (iii) right to a determination or determinability of contractual obligations, (iv) protection against discrimination and (v) right to protection of rights and interests.

4. Banking, Finance and Insurance

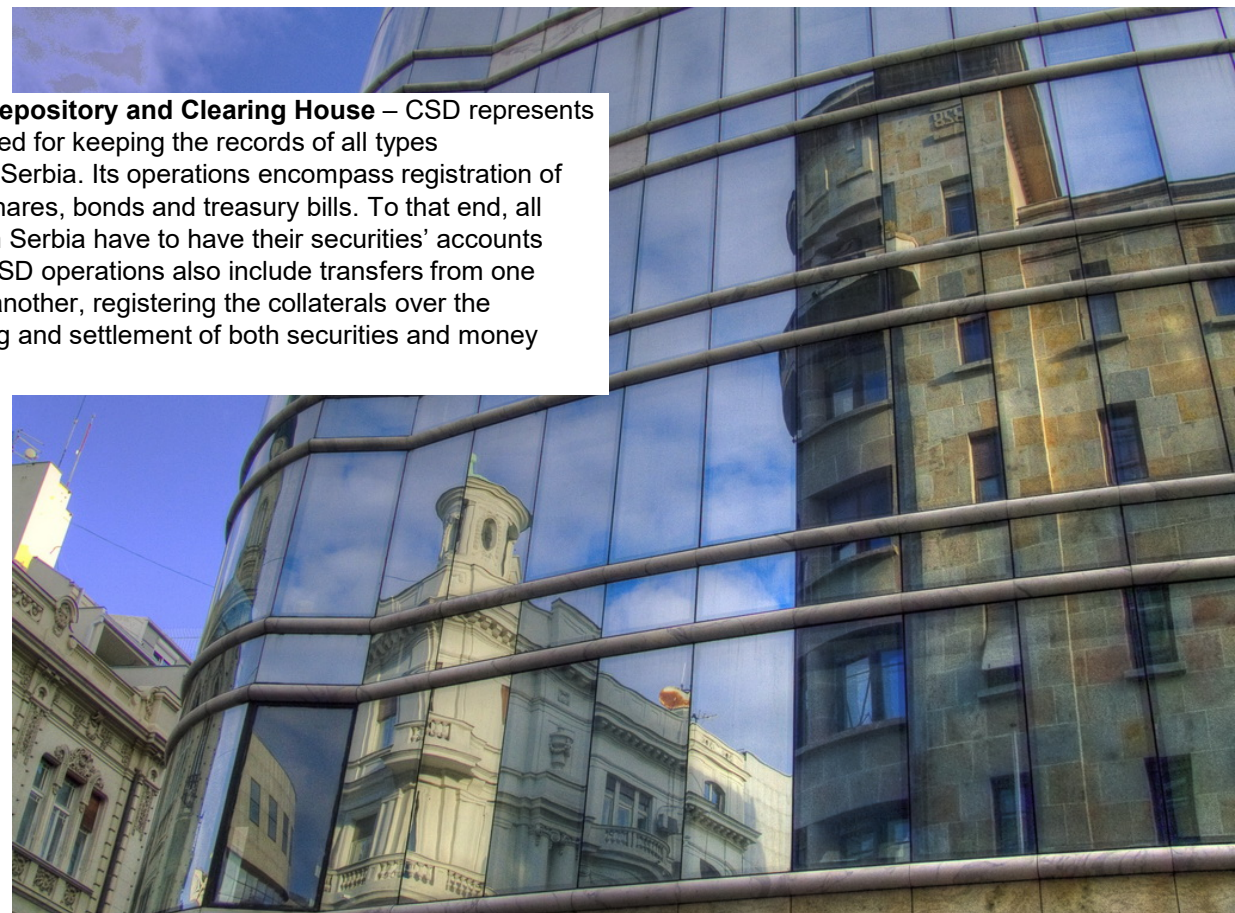
4.5 Capital market

Law – Law on Capital Markets introduced many novelties in the financial market regulations, with the main aim to synchronise the Serbian legislation and practice with the European Union directives. In accordance with the law, there are two major segments of trading: (i) regulated market and (ii) multilateral trading platform (MTP).

Belgrade Stock Exchange – BELEX is the institution organising and dealing in securities' trading on the Serbian financial market. The regulated market encompass Prime and Standard market (listing), where generally better-performed securities are listed, and Open market (so-called: Over-the-Counter or OTC). MTP is also organised by BELEX (although, pursuant to the Law on Capital Markets, MTP can be organised by broker-dealer companies as well). BELEX records small trading activity, which makes the Serbian financial market still underdeveloped and barely liquid.

Securities Exchange Commission – SEC has a crucial role in supervising the local financial market. It is responsible for the rules relating to the application of the Law on Capital Markets and its by-laws, issuing the licences and supervising the operations of authorised participants in the market, establishing the contents of mandatory information that is to be submitted to it and published, monitoring the state of affairs in the securities market and undertaking corrective measures.

Central Securities, Depository and Clearing House – CSD represents and institution organised for keeping the records of all types of securities issued in Serbia. Its operations encompass registration of securities, including shares, bonds and treasury bills. To that end, all owners of securities in Serbia have to have their securities' accounts opened in the CSD. CSD operations also include transfers from one securities account to another, registering the collaterals over the securities, and clearing and settlement of both securities and money transaction.



5. Importing and Exporting

5.1 Introduction

Serbian customs legislation is to the great extent harmonised with the EU customs legislation. The nomenclature of the customs tariff of Serbia is harmonised with the World Customs Organisation's Harmonised System and the EU's Combined Nomenclature. Further, Serbia applies provisions of Article VII of the General Agreement on Tariffs and Trade (GATT) and of the Agreement on the implementation of Article VII GATT related to determination of customs valuation.

Serbia opened the Chapter 29 – Customs Union in EU accession negotiations in June 2017. The main aim of the negotiation on Chapter 29 is full alignment of Serbian customs policy with EU customs policy in order to enter into the European customs union.

Serbia is a member of World Customs Organisation and is signatory country to the following international conventions covering transit and temporary importation of goods: the Convention on International Transport of Goods Under Cover of International Road Transport Carnets (TIR Convention), the Convention on the ATA Carnet for the Temporary Admission of Goods (ATA Convention), and the Convention on Temporary Admission (Istanbul Convention).

5.2 Customs procedures

Following customs procedures are available in Serbia:

Release of goods for free circulation – Release of goods for free circulation is a procedure intended for the foreign goods that should be permanently used in Serbia. By placing the goods into free circulation, foreign goods get the status of domestic goods. Release of goods for free circulation triggers payment of import duties (VAT, customs duty, excise duty, etc.) and application of trade policy measures.

Customs duty is determined based on the following elements: origin of goods, customs value of goods and customs tariff classification.

Transit – This procedure include both, outward and inward transit procedure.

Outward transit procedure is movement of foreign goods between two point located in the same customs territory without payment of customs duties (or movement of domestic goods if it so necessary for the purposes of refund or release of customs debt).

Inward transit procedure represents movement of domestic goods between two points located within the same customs territory with no change in its customs status when passing through the territory of a third country.

Customs warehousing – Customs warehousing procedure is used for placing the goods in the customs warehouse. The following goods can be placed in the customs warehouse:

- Foreign goods – while the goods are stored in the customs warehouse, import duties are not assessed and trade policy measures are not applied,
- Domestic goods that are intended for export, which, by being placed in the customs warehouse are subject to measures that are applicable on exportation of goods.

In general, goods can be stored in customs warehouse for an unlimited period of time (with the exception applicable for specific types of goods where the Customs Authority can limit period of time in which the goods can be placed in customs warehouse due to the nature of the goods). The goods that are placed in the customs warehouse are under customs supervision.

Inward processing relief – Inward processing allows importation of foreign goods (raw materials or other goods) that will be processed within the Country and than re-exported with final effect of non payment of customs duties and VAT.

There are two types of the inward processing procedure:

- The suspension system - where the foreign goods can be imported without payment of import customs duty and taxes,
- The drawback system - where the imported goods are released for free circulation, and the import duty is repaid or released when the processed products are subsequently exported.

5. Importing and Exporting

5.2. Customs procedures continued

Inward processing relief continued

Application of inward processing relief procedure requires authorisation issued by the Customs Authority.

Processing under customs control – Imported goods put under this procedure may be processed in the Country without payment of import duty and taxes. After processing, goods are released for free circulation with the customs duty rate appropriate for the processed goods.

Processing under customs control is therefore used for the goods for which the customs duty rate is higher for the imported goods than for the processed products and for goods that need to be subject to processing operation in order to complete prescribed technical conditions prior release for free circulation.

This procedure is subject to obtaining an authorisation from the competent customs authorities.

Temporary admission – This customs procedure could be approved only for goods that are intended to be used in Serbia temporary (up to 24 months) and then re-exported without any changes, except those due to normal use.

Under this procedure, goods may be used in the Country with the total or partial duty relief.

The total relief from the customs import duty is granted for the specific types of goods under specific conditions (e.g. professional equipment necessary for performing professional activities, owned and imported by the foreign entity, etc.).

The partial duty relief is granted for other kind of goods. In this case 3% of the total import charges that would be applied if the goods are released for free circulation is charged for every month during which the goods are placed under temporary import regime.

Outward processing relief – Outward processing allows for the temporary exportation of domestic goods outside the customs territory of Serbia in order to be processed abroad and brought back into Serbia with:

- Partial duty relief (whereas the positive difference in value between exported and re-imported goods represents the customs base on which customs duties and VAT are calculated), or
- Total duty relief (e.g. in case of repair of goods within warranty period without payment).

For using outward processing relief procedure the authorisation from the competent customs authority is required.

Export – Export is customs procedure in which competent Customs Authority approves that goods can be dispatched from the customs territory of Serbia to another country.

5.3. Free zones

Free zones are part of Serbian territory where business activities can be performed with the tax benefits (exemption from VAT, specific local taxes and custom duties relief on import of goods, equipment and raw material used in exporting production and construction material for building of infrastructure); efficient administration (one stop shop), and simple and fast customs procedures (each zone has a customs office), etc.

There are currently 14 free zones in Serbia: Belgrade, Pirot, Subotica, Zrenjanin, FAS Kragujevac, Šabac, Novi Sad, Užice, Smederevo, Svilajnac, Kruševac, Apatin, Priboj and Vranje.

5.4. Customs duties incentives

Application of Free Trade Agreements (FTAs)

Importation of goods could be subject to zero customs duty rate/reduced customs duty rate if the goods subject to importation in Serbia originate in one of the countries with which Serbia concluded FTA (EU, EFTA, CEFTA, Turkey, Russia, Belarus and Kazakhstan) and importer possess proof of origin of goods (e.g. EUR 1, declaration of authorised exporter, invoice declaration, CT-2).

Importation of equipment as a contribution in kind

Importation of equipment that is subject to contribution in kind made by the foreign shareholder of the importer – domestic legal entity can be exempt from customs duties. In order to reach the exemption, specific procedure should be followed and specific conditions should be met and maintained.

5.5. Simplified procedures

Serbian customs legislation envisages several simplifications intended to save time and costs of traders.

The following procedures/status are available under specific conditions:

- Authorised exporter is entity that frequently exports the goods in the country that has FTA with Serbia and is authorised by the Customs Authority to give declaration about origin of goods on invoice instead using certificate EUR-1,
- Simplified import procedure – under this procedure the goods are dispatched directly to the importer's premises, while the customs declaration is submitted electronically,
- Simplified export procedure – under this procedure the goods are exported without being dispatched to the Customs office, while the customs declaration is submitted electronically,
- Simplified procedure based on invoice – in this procedure the invoice is used instead of customs declaration, and subsequently supplementary declaration is submitted,
- Authorised Economic Operator – entity with this status has many benefits: e.g. reduced number of physical control of goods and documents, right to demand that goods be checked in certain place, follows less demanding procedure for approving other simplified procedure, etc.

The above procedures can be implemented only after obtaining the approval of the Customs authorities.



6. Business Entities

6.1. Legal framework

Company law

The legal status of business entities in Serbia is regulated by the Company Law which sets out detail provisions on legal forms of business entities, its corporate governance structure, minimum capital requirements, status changes (mergers, spin-offs), management, liquidation of companies etc.

6.2 Choice of entity

Foreign investors may establish a company in the form of: (i) associations of capital: Joint-Stock Company (a.d.), Limited Liability Company (d.o.o.) and (ii) Partnerships: General Partnerships (o.d.), Limited Partnerships (k.d.)

In addition to the above, a foreign company may set up a branch or representative office of a foreign company. In practice, foreign investors usually prefer to incorporate a limited liability company due to its simple form and easy incorporation requirements. Its advantages include the capital increase, which may be made without supervision of the regulators, and minimum share capital which is less than EUR 1 (opposed to approx. EUR 27,000 for joint-stock company).

6.3 Joint Stock Company (a.d.)

Capital of the joint-stock companies is divided into shares held by one or more shareholders, who are not liable for the company's obligations (apart from the contributed capital). A joint stock company can be founded by one or more natural persons and/or legal entities in the capacity of shareholders. The initial share capital is divided into shares of specific value. The minimum initial capital of a joint stock company is approx. EUR 27,000 (RSD 3,000,000). The minimum par value of a share cannot be lower than RSD 100. Before the registration of a company, its founding shareholders must pay in or make contributions representing minimum 25% of share capital. Contributions of founders may be in money or in kind and are expressed in RSD. In kind contributions can be in the form of assets and rights.

Management of the company may be organised as a single-tier management system or as a two-tier management system. In case of a single-tier management system, company bodies shall include: (i) general meeting; and (ii) one or more directors (in case there is more than two directors they form the board of directors). In case of a two-tier management system, company bodies shall include: (i) general meeting; (ii) supervisory board, and (iii) one or more executive directors, (in case of more than two executive directors they form the executive board).

6.4. Limited Liability Company (d.o.o.)

A limited liability company is a company in which one or more company members hold equity interests in the company's share capital. The liability of members is up to the value of their investment. Minimum initial capital of a limited liability company is RSD 100 (less than EUR 1). Contributions of founders may be in money or in kind and are expressed in RSD. In kind contributions can be in the form of assets and rights.

Management of the company may be organised as a single-tier management system or as a two-tier management system. In case of a single-tier management system, company bodies shall include: (i) general meeting; and (ii) one or more directors. In case of a two-tier management system, company bodies shall include: (i) general meeting; (ii) supervisory board, and (iii) one or more executive directors.

In a sole-member company, the function of the general meeting is exercised by the sole shareholder. Articles of Association shall specify whether a company's management is organised according to a single-tier management system or a two-tier management system.

6.5 Partnerships and Joint Ventures

General Partnership (o.d.)

General partnership may have two or more partners – legal entities or natural persons. There are no requirements for minimum/maximum contribution. Contribution can be made in money, assets and rights, as well as in labour or services. All partners bear unlimited liability for partnership debts and obligations.

Limited Partnership (k.d.)

A Limited Partnership may be founded by two or more legal entities and/or natural persons, out of which at least one (the general partner) bears unlimited liability for the obligations of the partnership, and at least one (the limited partner) bears liability for the obligations of the partnership limited to the value of his/her equity. There are no requirements for minimum/maximum contribution. Contributions of a limited partner may be made in money, assets or rights, as well as in labour or services.

Joint Ventures

Generally, Serbian legal system recognises no major restrictions as to the rights of foreign investors to form/enter into joint ventures or strategic partnerships. Namely, a foreign investor may freely establish a company together with a local entity or invest in a local company, without any limitations. The choice depends on the terms established by the contractual parties. Amount of investment and the percentage of share ownership should be set out in an Articles of Association. Generally, local partners will seek a partner who can: (i) preserve or extend their market position, (ii) provide financing (e.g. resolve liquidity and local financing problems), (iii) leverage international brand power and (iv) provide know-how.

6.6 Branches and Rep offices

Branch – it is a separate organisational unit of a foreign company through which that company carries on a business activity in Serbia. Therefore a branch does not have an independent legal capacity, and acts on behalf and for the account of the founder company in all transactions. A founder company bears unlimited joint and several liability for obligations towards third parties that arise in the operations of its branch. Branch is incorporated upon the decision of the founder company, and must be registered in the public companies' register.

Rep office – foreign entity may establish a representative office which is a separate organisational unit of a foreign company that may carry out preliminary and preparatory work leading to the conclusion of a transaction by that company. Since it is considered as a separate organisational unit of a foreign company it does not have an independent legal capacity and its practical reach is significantly limited in comparison to the branch office. A representative office may only enter into transactions relating to its current operations. Foreign company is liable for any obligations towards third parties that may arise in the operations of its representative office. Similar to branch, a representative office has to be duly register with the public companies' register.

6.7 Financing of the company

Company can be financed by its shareholder in 3 possible ways:

Additional payments – represent pecuniary contributions made by the company's shareholder(s). Such payments do not increase the share capital of company nor are they subject to registration. When returned, the capital decrease must be performed.

Loans – shareholder(s) might grant loans to its subsidiary in Serbia by virtue of an inter-company loan agreement. Yet, it should be noted that all cross-border loans have to be registered at National Bank of Serbia prior to disbursement of funds at the company account. Registration of such loan is to be conducted within 10 calendar days as of the day of the conclusion the respective inter-company loan.

Capital increase – this is a standard financing option of local companies in Serbia, which legally increases the registered share capital of company. A share capital increase is done through a shareholder's decision on capital increase, which needs to be registered. Hence, the capital increase will affect the amount of registered share capital of the company, and consequently relevant amendments to the incorporation documents of the company would be required. Additionally, if the company's shareholder wishes to withdraw such invested funds, then the share capital decrease procedure is applicable.

7. Labour Relations and Social Security

7.1 Labour market

The Serbian labour force is skilled and well trained, particularly those under 45 years of age. It is also still relatively inexpensive, although this is likely to change as salary expectations rise, especially with employers who are foreign investors.

According to the last available data published by the Republic Statistics Office, the officially registered unemployment rate in Q4 2018 was 12.9%. Accurate statistics on unemployment are difficult to obtain, as a significant proportion of the population works in the grey economy. In last few years, Serbia has been actively involved in adopting legislation that should decrease percentage of work performed in grey area.

7.2 Employment relations

Labour Law regulates main rights, obligations and liabilities of employers and employees, prescribing minimum terms and conditions with this respect. It applies on all employment relations, except those in state institutions. Serbian legal framework in this field complies with EU standards and recommendations of the International Labour Organisation.

Matters not defined in Labour Law are left to be regulated by the Collective Agreements and/or internal acts of employers which all must be in compliance with the Labour Law and cannot provide less favourable terms than those provided in the Labour Law.

Collective Agreements are concluded as a result of bargaining between the trade union and employer/union of employers. Representative labour unions (organised on different levels: state, territorial unit, branch, and the employer) have the capacity to bargain and conclude collective agreements on respective levels. Union activity including the criteria for representativeness of unions is regulated by the Labour Law. Currently, there is no valid General Collective Agreement in place and there are only few Industrial Collective Agreements in force adopted mostly in public sector.

7.3 Working conditions

Employment relations – employment is established by concluding the employment agreement which sets the rights and obligations of the employee and must be concluded in writing, before commencement of work. An employment agreement may be concluded either for indefinite period of time or for definite period of time (up to 24 months, except in specific cases prescribed by the Labour Law when employment for definite time last longer). General work ability assumes that an employee is over 15 years of age. Special requirements may be determined at the discretion of the employer, depending on the type of job.

Salary and other earnings – salary is generally paid once a month. Minimum salary is determined by the Social Economic Committee following the criteria prescribed by the Labour Law. Minimum net in 2019 is be RSD 155.3 (approx. EUR 1,5) net per working hour. The base salary has to be defined in the employment agreement. In addition, an employee is entitled to increased salary based on overtime, work at night, work during holidays and work in shifts and to an increase of 0.4 percent for each year of employment.

Working hours – full time employment may range between 36 and 40 hours a week, subject to the decision of the employer. Overtime cannot exceed four hours a day and eight hours a week.

7.3 Working conditions *continued*

Annual and paid leave – minimum annual leave is twenty (20) days. Minimum annual leave may be increased on the different grounds prescribed in general act and employment agreement (e.g. work contribution, conditions of work, work experience, professional qualification of the employee).

Equal opportunities – employees are to be paid the same for equivalent work or for the same value of work, with the same employer. Labour Law prohibits discrimination on any grounds towards employees as well as candidates for employment.

Termination of employment – employment may be terminated unilaterally by either employer or employee, or by mutual agreement of employer and employee. An employer may terminate employment with an employee in case there are justified reasons related to employee's working ability, behaviour or the employer's needs. If the redundancy is the reason, the employer is obliged to pay redundancy compensation to the employee. Furthermore, if employment is terminated on these grounds, the employer is prohibited to employ another person at the same position in the period of three months following termination.

7.4 Social security system

Compulsory social insurance in Serbia covers pension and disability insurance, health insurance, and insurance for case of unemployment. Social security contributions are levied on both the employer and employee.

7.5 Employment subsidies

National Agency for Employment announces the call for awarding employment subsidies to employers who employ unemployed individuals which fall in category of hard-to-employ on newly created job positions.

7.6 Foreign personnel

Restrictions on employment – there are no general restrictions as to the number of foreign employees or duration of their employment in Serbia. There is no nationality that will encounter unusual difficulties entering the country for business purposes, nor will any enjoy favourable treatment.

Residence permit – Law on Foreigners regulates *inter alia* visa regime and residence of foreigners. Temporary residence enables a person to stay in Serbia for more than 90 days, up to one year, with the possibility of extension for same period of time. Only foreigner holding a temporary residence visa (type D visa), may apply for temporary residence.

The conditions for issuing visas for temporary residence and temporary residence permits are the same. Grounds for temporary residence are: work, employment, execution of commercial or professional activity, education and training purposes, family reunion, and other justified reasons. In order to be issued a temporary residence certificate, a foreigner must demonstrate proof of health insurance, sufficient means for support, and grounds for temporary residence.

Extension of residence permit may be submitted 30 days before expiry of such permit at the latest. A foreigner is required to register with the Police Station in the place where he/she intends to reside for more than 24 hours, within 24 hours of coming to that place. When staying in a hotel, or staying with someone, the hotel/host shall register the foreigner within 24 hours.

Work permit – general preconditions for foreigners getting employed in Serbia are: (i) temporary residence permit/permanent residence permit and (ii) work permit. Work permit may be issued as employment work permit and special work permit. Special work permit is obtained for persons being on assignment, in case of intercompany employment, independent professionals and professional training and development. Work permit is issued by the Agency for Employment. For holders of temporary residence permit, request for work permit is submitted by the employer.

8. Accounting and Audit Requirements

8.1 Accounting

Introduction of IFRS

In 2013 the Serbian Government adopted the Law on accounting and Law on auditing which replaced the earlier common Law on Accounting and Auditing. The Law on accounting is amended in 2018. Adopted amendment is related to the prohibition for criminal convicted legal entities and persons to be founders and owners of companies that are registered for providing accounting services. Other provisions of the law remained the same.

According to the Law, legal entities are obliged to apply the International Financial Reporting Standards (IFRS) and International Financial Reporting Standards for Small and Medium-sized entities (IFRS for SMEs) in preparing their financial statements. The application of these standards and accounting framework are prescribed by Decrees of the Minister of Finance and the Governor of the National Bank of Serbia for banks. The Decrees and the Law differ in some aspects from IFRS, resulting in some deviations of local accounting standards actually applied from IFRS as explained in section entitled Significant accounting differences between Serbian standards and IFRS below. This Law is applicable to: all legal entities, companies, NBS, banks and other financial institutions, pension funds, asset management companies for pension funds, investment fund, management companies for investment funds and leasing companies, entrepreneurs who keep accounting records, subsidiaries of Serbian companies abroad if the host country does not require them to keep accounting records, branches and representative offices of foreign legal entities in Serbia (unless stipulated otherwise in other regulation).

Preparing financial statements

For the purpose of determining the legal requirements in terms of accounting and auditing, all entities are classified as Micro, Small, Medium and Large as follows:

Company Size	Criteria for Classification as per current Law on Accounting
Micro	The entity is classified as Micro if at least two values do not exceed the following criteria: 1. Average number of employees: 10 2. Annual operating income: EUR 700,000 in RSD equivalent Average operating assets value: EUR 350,000 in RSD equivalent
Small	If the value of at least two criteria is higher than those for micro-sized entities, the entity is classified as Small but not exceeding two of the following criteria: 1. Average number of employees: 50 2. Annual operating income: EUR 8.8 mln in RSD equivalent 3. Average operating assets value: EUR 4.4 mln in RSD equivalent
Medium	If the value of at least two criteria is higher than those for small-sized entities, the entity is classified as medium but not exceeding two of the following criteria: 1. Average number of employees: 250 2. Annual operating income: EUR 35 mln in RSD equivalent 3. Average operating assets value: EUR 17,5 mln in RSD equivalent
Large	If the value of at least two criteria is higher than those for medium-sized entities, an entity is classified as Large. Banks, insurance companies, stock exchanges and stock brokers are considered as large legal entities.

An entity determines its size in accordance with the above criteria at the date of preparing financial statements and uses it in the following accounting period. Newly established entities are classified based on the information from the current accounting period and the number of months of operation and the classification is used for the current and the following accounting period. Entities are obliged to submit the information on their classification together with the financial statements for the previous accounting period to the Serbian Business Registers Agency ("Agencija za privredne registre") which verifies it. NBS, banks and other financial institutions, pension funds, asset management companies for pension funds, investment fund, management companies for investment funds, insurance companies, stock exchanges and stock brokers are considered as large legal entities. Entrepreneurs, in terms of this law, are considered as micro sized entities.

Legal entities and entrepreneurs are obligated, for statistical and other purposes, to deliver to the Agency till the end of February of the following year: Balance Sheet, Income statement and Statistical report.

8. Accounting and Audit Requirements

8.1 Accounting continued

Statutory requirements

Entities are obliged to perform inventory of assets and liabilities at the end of each financial year and to send a list of open invoices to its customers and reconcile balances with them. Any unreconciled balances should be disclosed in the notes to financial statements. The financial year for all entities ends 31 December.

Serbian subsidiaries of foreign entities with a different financial year end may, with the permission of the Minister of Finance or the Governor of the National Bank of Serbia (for financial institutions), have a financial year end the same as to the year-end of the parent company.

Financial statements consist of:

1. Balance sheet
2. Income statement
3. Other comprehensive income
4. Cash flow statement
5. Statement of changes in equity
6. Notes to financial statements, and
7. Statistical annex

Medium legal entities may, and Medium and Large legal entities are obliged to prepare financial statements in accordance with IFRS and Small and Medium sized entities in accordance with IFRS for SMEs. The Minister of Finance prescribes recognition, measurement and valuation rules for Micro legal entities.

Approved annual financial statements together with Decision on the adoption of ordinary and consolidated annual financial statements, Decision on distribution of profit/covering the loss, Annual business report and Audit report (for companies which are required to have audit) must be submitted to the Serbian Business Registers Agency by 30 June and consolidated financial statements by 31 July.

PwC

Companies which have different reporting period than calendar year need to submit audited financial statements not later than 6 months after financial period ends.

Entities are obliged to file the prescribed forms for financial statements. The classification and presentation of certain balance sheet and income statement items as required by these forms is not in accordance with IFRS. Cash flow statement form is based on the direct method. Statistical annex contains some general entity information (number of months of operation, size, foreign shareholders, the average number of employees) and an analysis of a number of balance sheet and income statement positions. There are no restrictions on the structure and content of the notes to financial statements.

Entities with one or more subsidiaries are also obliged to prepare consolidated financial statements unless their consolidated assets and revenues (excluding intercompany transactions and balances) show that the consolidated entity would be classified as Micro. Micro companies submit only balance sheet, income statements and statistical annex.

Significant accounting differences between Serbian standards and IFRS

Although the Law on Accounting, requires full scope IFRS to be applied, due to additional regulation issued by the Ministry of Finance the following Serbian accounting procedures differ from IFRS:

- The prescribed format of financial statements does not comply with the requirements of IAS 1 – Presentation of Financial Statements and IAS 7 – “Statement of cash flows”.

- Off-balance sheet assets and liabilities are recorded on the face of the balance sheet. According to accounting framework, off-balance sheet assets should include: leased assets, consignment stock, other third party's inventory held at the company's premises and guarantees. Counter entries of these items are off-balance sheet liabilities. Such items do not meet the definition of either an asset or a liability under IFRS.
- Where total shareholders' equity is less than zero, an asset is recorded in the balance sheet under the caption “Loss exceeding equity”, so that the total shareholders' equity equals zero.
- Exchange rate gains or losses on unpaid subscribed capital are credited /debited to equity in the balance sheet. Entities are obliged to prepare financial statements using Serbian Dinar (RSD) as a functional currency even where IAS 21 – The Effects of Changes in Foreign Exchange Rates would require them to use different functional currency.
- Consolidated financial statements for the current year are required to be filed by the end of July the following year, while stand-alone financial statements are required to be filed by the end of June the following year.
- IFRS 9,15 and 16 would apply once officially translated by the Ministry of Finance. Application of mentioned IFRS is allowed even before the official translation.

Chart of accounts

The prescribed chart of accounts is based on three digit accounts but companies may have more detailed accounts within these categories if they consider it necessary.

8. Accounting and Audit Requirements

8.2 Audit requirements

Large and medium-sized entities, public companies and all legal entities and entrepreneurs whose business income total turnover in the preceding business year exceeds 4.4 million euros in dinar equivalent are obliged to audit their financial statements.

Approved financial statements together with the auditor's opinion must be submitted by 30 June (31 July for consolidated financial statements). All companies which are required to have an audit must publish their financial statements together with the auditor's opinion by 30 June.

Audit of financial statements is performed in accordance with the International Standards of Auditing (ISA).

Audit must be performed by certified auditors, members of the Chamber of Certified Auditors and employed by an audit company.

Audit companies must have at least four licensed auditors to be allowed to perform an audit of a Large entity or at least one licensed auditor for an audit of a Medium-sized entity.

Audit companies are obligated to replace licensed certified auditor for the same legal entity at least every seven years. The new law does not prescribe a maximum number of years that one Audit company may audit the financial statements in the same legal entity.

Audit company needs to be chosen until 30 September of the year to which audit relates and audit companies are obliged to submit to the Chamber of Certified Auditors a list of concluded audit contracts by the end of March.



9. Tax System and Administration

9.1 Tax system

Serbia's tax environment is competitive compared to other Central and Eastern European countries.

Investors seeking room to reduce their overhead costs can take advantage of the numerous benefits, the following being the major ones:

- Favourable corporate income tax regime:
 - 15% flat tax rate,
 - 10 year tax holiday for qualifying investments,
 - Double deduction of R&D expenses for tax purposes (excluding extractive industry),
 - 80% of qualifying royalty income excluded from the tax base,
 - 30% tax credit for the investments into newly established companies performing innovative activities,
- VAT and personal income tax among the lowest in Central and Eastern Europe,
- State subsidies for new employment (currently available up to the end of 2019).

9.2 Administration of the tax system

In principle, taxes are administered by the central government, with a few exceptions such as property tax which is administered by local municipalities. Serbia is a unitary state, there are no federal level taxes.

9.3 Registration requirements

A legal entity (including branches and representative offices of foreign legal entities etc.) applies for a Tax Identification Number (TIN) at the moment of registration with the Serbian Business Register Agency. The application is forwarded by the Agency to the Tax Administration who is also in charge of issuing a TIN to individuals.

9.4 Direct and non direct tax burden

According to the information presented by the official Government statistics, the largest percentage of public revenues is collected from VAT and social security contributions, followed by excise duties and personal income tax.

9.5 Principal taxes

Below is a brief overview of major tax rates in Serbia.

Tax	Tax Rate
Value Added Tax	Standard rate – 20% Lower rate – 10 and 0% VAT rate applicable for agricultural products acquired from agricultural producers - 8%
Corporate Income Tax	Flat rate – 15%
Withholding Tax on Payments to Non-residents	20% (for dividends, shares in profits, royalties, interest income, lease payments for real estate and other assets, income from entertainment, sporting, artistic and similar performances that was not subject to personal income tax, payments for market research services, accounting and audit services and other legal and business consulting services) 25% (for payments to non-residents from preferential jurisdictions (i.e. tax havens) in respect of royalties, interest income, lease payments for real estate and other assets and service fees)
Tax on Capital Gains of Non-residents	20% (tax return is submitted by the non-resident taxpayer via its Serbian tax representative; tax is assessed by the Tax Authorities' decision)
Personal Income Tax	Salaries – 10% Other income – 20%
Annual Income Tax	10% to 15% (for annual income above three average annual salaries)
Property Tax	Individuals – Progressive rates ranging from 0.4% to 2% Companies – Flat rate up to 0.4%, depending on municipality
Social Security Contributions	Individuals – 19.9% Employers – 17.15% Maximum social security contributions base is capped to five average salaries in Serbia

9.6 Tax returns and payments

The tax period in Serbia is consistent with the calendar year. Tax returns must be submitted on a prescribed form, together with relevant accompanying documentation. Tax return can be submitted either electronically or in hardcopy format.

The tax procedure allows filing of amended tax return within the statute of limitation period, provided that the tax authorities have not commenced a tax audit. Amended tax return can be submitted twice for the same tax period. Under these conditions, the error in original tax return will not be considered a tax offence.

9.7 Assessment

Assessment is made either by a taxpayer itself, i.e. by performing self-assessment, or based on tax decision issued by tax authorities.

9.8 Appeals

Taxpayers are entitled to file an appeal against tax administrative acts (decision or conclusion) issued by the tax authorities. General deadline for filing an appeal is 15 days of the date of receiving the act.

The appeal generally does not delay execution of the appealed act.

9.9 Tax audits

Tax Audits are not mandatory. The tax authorities determine which taxpayers it will audit based on their internal methodology.

Tax audit can be performed either in business premises of the taxpayer, premises of tax authorities or any other place depending on the subject of the tax audit.



10. Taxation of Corporations

10.1 Corporate tax system

Taxation of corporations in Serbia is regulated by the Corporate Income Tax ("CIT") Law (last amended December 2018) and by subordinate by-laws issued by the Ministry of Finance.

Taxable entities

A taxable entity includes a company, an enterprise or other legal entity established for the purposes of acquiring profit, a cooperative generating profit by selling goods or providing services, or other form of legal entity which generates income by sale of goods and services on the market.

Serbian tax legislation does not recognise the concept of tax transparent entities.

Territoriality

Serbian tax resident entities are taxed on their income generated on the territory of the Republic of Serbia, as well as on their worldwide income.

An entity is considered a resident of Serbia if it is established or has its place of effective management and control in the territory of the Republic of Serbia.

Non-residents are taxed only on their income sourced through a permanent establishment on the Serbian territory.

Permanent establishment / Branches

A permanent establishment is any permanent place of business in Serbia through which a non-resident conducts its business. Profits attributable to the permanent establishment are subject to CIT.

A branch constitutes a permanent establishment of a non-resident taxpayer per default. Consequently, CIT is payable on profit attributable to the operations of a branch. The concept of branch was introduced in Serbian legislation in November 2004, and has been more commonly used over the last several years. The practice in relation to the operation and taxation of branches in Serbia is still developing.

Tax rate

The CIT rate is 15%.

Tax period

Tax period is the financial year. Financial year shall mean a calendar year, except when the business is dissolved, started up or status-related changes (e.g. a merger) are made in the course of a year. Financial year and calendar year can be different on a taxpayer's request, with the approval of the Minister of Finance (governor of the National Bank of Serbia), but the tax period must cover a 12 month period and once changed it has to be applied for at least five years.

10.2 Taxable income

Taxable income is determined by adjusting the accounting profit, as stated in the profit and loss account and determined in accordance with IFRS and accounting legislation, in accordance with the provisions of the CIT Law.

Income recognition

Income recognition generally follows IFRS.

Capital gains tax of non-residents

Capital gains are taxed separately from operating profits. The tax rate is 15%. Capital losses can be carried forward for five years.

Exempt income

The following types of income are exempt from CIT:

- Dividends and shares in profit of Serbian resident subsidiaries,
- Interest on bonds and other securities issued by Serbian Government, municipalities and National Bank of Serbia,
- Release of long term provisions which were not tax deductible in previous tax periods.

10.3 Deductibility of expenses

Generally, business expenditures declared in the income statement in conformity with IFRS and accounting regulations are recognised as tax deductible. However, the CIT Law stipulates that certain expenses should not be recognised for income tax purposes or should be recognised up to a certain amount.

Expenses recognition

Expenses should be recognised in the period in which related revenue is recognised.

Companies are not obliged to keep separate accounting for tax purposes.

Depreciation

According to the CIT Law, assets qualifying for tax depreciation are tangible assets with useful life over one year, which are recognised as non-current assets under IFRS, excluding renewable natural resources, and intangibles. Goodwill cannot be depreciated for tax purposes.

Tax depreciable assets, except intangible assets, are divided into five groups, with the tax depreciation rates ranging from 2.5% - 30%.

Serbian tax depreciation rules have been amended on 1 January 2019.

For assets acquired before 31 December 2018 and classified into tax depreciation groups II to V, old rules apply, i.e. assets are depreciated for tax purposes by applying the declining balance method.

In accordance with new rules, tax depreciation of fixed assets classified in tax depreciation groups II-V, is calculated by using straight line depreciation method. In case amortisation costs calculated in accordance with the accounting rules are determined in the lower amount comparing to the amount of depreciation costs assessed by using tax depreciation rates, accounting depreciation is recognised as tax deductible cost.

Tax depreciation of intangible assets is calculated by applying the straight line depreciation method proportionate to the asset's useful life, defined by the moment of its recognition in taxpayer's statutory financials in accordance with the accounting legislation, on the base determined as the acquisition value of each individual intangible asset separately.

Interest

Interest expense is recognised on accrual basis. Interest on debt incurred for business purposes is tax deductible, subject to meeting thin capitalisation (4:1 debt to equity ratio for companies, 10:1 for banks and financial leasing companies) and transfer pricing requirements if incurred in transactions with related parties.

Interest charged for untimely payment of taxes, contributions and other public charges is not recognised as expenditure for income tax purposes.

Dividends

As derived from profit after tax, dividends are not deductible for income tax purposes.

Other significant items

The following other expenses are not recognised for CIT purposes:

- Non-documented expenses,
- Gifts provided to political organisations,
- Gifts provided to related parties,
- Expenses related to forced collection of taxes and other liabilities,
- Non-business related expense,
- Calculated but unpaid redundancy payments (deductible when paid),
- Expenses related to employment costs, apart from salaries (deductible when paid),
- Impairment of assets (deductible in tax period in which asset is disposed of or used).

10.3 Deductibility of expenses continued

Other significant items continued

The following other expenses are recognised for CIT purposes only up to a certain limit:

- Expenses for health care, scientific, educational, humanitarian, religious, ecological and sport-related purposes are tax-deductible up to 5% of total revenue,
- Expenses for cultural purposes are tax-deductible up to 5% of total revenue,
- Business entertainment expenses, up to 0.5% of total revenues,
- Membership fees paid to chambers of commerce and other associations (except political parties), up to 0.1% of gross revenue.

Tax losses carried forward

Operational tax losses can be carried forward for five years. Tax losses should not be terminated in the case of corporate group reorganisations (e.g. mergers, de-mergers, spin offs etc). Tax losses cannot be offset with capital gains.

Related party transactions

According to the CIT Law, if there is a possibility of control or influence over business decisions between two parties, such parties will be considered as related parties. It is considered that there is a control in case of direct or indirect ownership of at least 25% of shares. Business decisions are subject to influence where an associated party holds at least 25% voting rights in the taxpayers' management bodies. If the same persons participate in management or control of both companies, a connection between the companies will be deemed to exist. Finally, close family members and legal entities which are residents of preferential jurisdiction (i.e. tax heavens) are also regarded as related parties of resident entities.

In their CIT assessment form taxpayers must separately disclose related parties transactions. Any difference between values at transfer and arm's length price have to be included in the tax base if it increases the tax base. Net off of positive and negative differences is however possible under certain conditions.

Serbian CIT Law recognises the following methods for determining arm's length prices:

- Comparable uncontrolled price,
- Cost plus,
- Resale price,
- Transactional net margin,
- Profit split,
- Any other method which allows determination of arm's length prices if none of the above methods can be applied.

It is mandatory to prepare and submit annual transfer pricing documentation in Serbian language together with the CIT return. Serbian Transfer Pricing Rulebook prescribes mandatory content of such documentation, as well as principles of conducting transfer pricing analysis. Although rules are generally based on OECD TP Guidelines, there are certain local specifics that should be taken into account when analysing and documenting related party transactions for local compliance purposes.

In addition to arm's length principle limitations, tax deductibility of interest on related party loans is subject to thin capitalisation limits (4:1 debt to equity ratio for companies, 10:1 for banks and financial leasing companies).

10.4 Tax compliance

The amount of tax payable should be computed in the tax return and CIT assessment form by adjusting accounting profit in accordance with CIT Law rules. Tax liability is computed by applying 15% CIT rate on the taxable profits calculated in the previously described way.

Tax returns and CIT assessment forms including all necessary documents (e.g. tax depreciation, tax credit, thin cap and other forms) must be filed with the tax authorities within 180 days from end of the tax period. Transfer pricing documentation has to be filed together with the tax return.

Corporate income tax is payable in advance in monthly instalments (based on previous year's tax return) by the 15th of the following month. The difference between monthly advance instalments paid during the year and final tax liability as determined in the tax return is payable on submission of the tax return.

Consolidation

Tax consolidation is allowed for a group of companies where all members are Serbian residents and one company directly or indirectly controls at least 75% of shares in another company. Each company files its own CIT assessment form and the parent company files a consolidated CIT assessment form for the whole group.

In a consolidated CIT assessment form, tax losses of one or more companies are offset by the taxable profits of other related companies. However, there is no possibility for any company within the group to use operational tax losses generated in the past period to offset its taxable profit in consolidated tax return. Each company is liable to tax proportional to its share in the taxable profit of the whole group. Tax consolidation must continue for at least five years, otherwise, each company will have to pay all taxes that it would have paid if there had not been any consolidation.

10.5 Tax credits and incentives

Foreign tax credit

A Serbian entity is entitled to a tax credit for the WHT paid on foreign-sourced dividends and underlying CIT paid abroad (by its non-resident subsidiary), provided that the taxpayer holds at least 10% of the shares in the subsidiary for at least one year before filing a return. If the taxpayer holds less than 10% of the shares in the subsidiary, the tax credit should not exceed the amount of tax that would be paid in Serbia on that income, where the tax basis represents 40% of the received gross income. Non-utilised tax credit can be carried forward by the parent company for five years.

A resident taxpayer also has the right to decrease its tax liability for WHT paid abroad on interest and authorship fees. The tax credit should not exceed the amount of tax that would be paid in Serbia on that income, where the tax basis represents 40% of the received gross income. Carry forward of unused tax credits is not allowed.

Tax holiday

A ten-year tax holiday is available for companies with a minimum investment in property, plant, and equipment of RSD 1 billion.

To qualify for the credit, a taxpayer must employ at least 100 new workers for an indefinite period. The tax holiday is available for the ten-year period in proportion to the investment made. The number of employees employed in the tax period in which the taxpayer qualified for the tax holiday must be retained throughout the whole tax holiday period.

Research & Development expenses

R&D costs related to R&D performed in the Republic may be double deducted for CIT purposes. The incentive does not apply on research costs incurred in extractive industries (finding of oil, gas or mineral resources).

Royalty income relief

80% of qualified royalty income generated by the copyright or similar rights holders (inscribed in relevant register in Serbia) can be excluded from the tax base. Qualifying income should be excluded upon decreasing this income for the amount of tax deductible R&D costs incurred in relation to development of such copyright/similar right.

Investments into newly established companies performing innovative activities

Investments into newly established companies, performing innovative activities, entitles a taxpayer to a tax credit in the amount of 30% of the investments made. The maximum amount of tax credit cannot exceed 100,000,000 RSD (approx. EUR 846,000).

10.6 Other taxes

Excise tax

Excise tax is levied on import and production of specific goods. Excise duties are levied on the following products:

- Oil derivatives,
- Tobacco products,
- Alcoholic beverages,
- Coffee,
- Fluids for filling electrical cigarettes,
- Electricity for final consumption.

An excise tax liability arises at the moment when the excisable product is produced or imported. Deferral of excise duty liability is possible by exercising right to hold a registered excise duty and/or customs warehouse.

Exemption from excise duty applies on, inter alia, sales to embassies and consulates, and international organisations for its official use and sales to foreign staff of diplomatic and consular missions, and international organisation, including members of their families for its personal use; products dispatched in duty-free shops; excise products exported by the manufacturer, or sent to customs warehouse by the manufacturer if they are intended for export.

Refund of excise duty is available to following entities, upon fulfilment of prescribed conditions:

- Person who exported an excise product purchased in the country directly from the manufacturer or importer of the excise product,
- Importer of excise product who exported this product,
- Buyer - end user who uses certain oil derivate, biofuels and bio liquids for transport purposes,

- Buyer - end user who uses certain oil derivate, biofuels and bio liquids for heating purposes,
- Buyer – end user who uses certain oil derivate, biofuels and bio liquids as energy fuels in the production of electricity and heat, or when those oil derivatives use as energy fuels or as reproducing materials for industrial purposes.

Property tax

Property tax is payable annually in Serbia by all legal entities and individuals who own or have rights over real estate located in Serbia, such as:

- Ownership rights,
- Right of occupancy,
- Tenancy rights over an apartment or a building for a period longer than one year or for an indefinite period,
- Urban land usage right (municipal, public, and other state-owned land) larger than ten acres in area.

Where the taxpayer keeps books, the property tax on real estate is levied at a flat rate that cannot exceed 0.40%.

Transfer tax

Transfer tax is levied on the transfer (with consideration) of real rights over real estate, intellectual property rights, ownership over used vehicles, vessels and aircrafts (unless owned by the state), and on the right to use construction land. The contracted price is used as a tax basis, unless it is determined to be lower than the market price (in which case the market price is used). Once the tax base is determined, the 2.5% tax rate is applied.

Stamp taxes

There are no stamp taxes in Serbia.

10.7 Withholding tax and capital gains tax of non-residents

Withholding tax

Serbia imposes 20% withholding tax on the following income of non-resident legal entities realised from Serbian resident legal entities:

- Dividends/share in profit,
- Interest
- Royalties
- Lease and rental fees
- Income from entertainment, sporting, artistic and similar performances that was not subject to personal income tax
- Income from market research services, accounting and audit services and other legal and business consulting services

The statutory rate of 20% may be reduced/eliminated through application of relevant double taxation treaty ("DTT").

Specific 25% withholding tax rate applies for payments made to residents of jurisdictions with preferential tax system (i.e. tax havens) in respect of royalties, interest income, leasing/rental fees and service fees.

In order to benefit from application of a relevant DTT, non-resident (i.e. the income recipient) must prove its tax residence status by obtaining adequate tax residency certificate and have the beneficial ownership over the income received.

Serbia continues to honour the double taxation treaties concluded by the former Yugoslavia (The Socialist Federal Republic of Yugoslavia, Federal Republic of Yugoslavia and the State Union of Serbia and Montenegro). Besides, Serbia has concluded a number of double taxation treaties after becoming an independent state.

The tables on the following pages show the tax rates on dividends, interest and royalties according to these treaties.



10. Taxation of Corporations

Country	Dividends (1)	Interest	Royalties (3)	Applicable from
Albania	5/15	10	10	2006
Armenia	8	8	8	2017
Austria	5/15	0/10 (5)	5/10	2011
Azerbaijan	10	0/10 (5)	10	2011
Belgium	10/15	15	10	1982
Belorussia	5/15	8	10	1999
Bosnia and Herzegovina	5/10	0/10 (5)	10	2006
Bulgaria	5/15	10	10	2001
Canada	5/15	0/10 (5)	10	2014
China	5	0/10 (5)	10	1998
Croatia	5/10	10	10	2005
Cyprus	10	10	10	1987
Czech Republic	10	0/10 (5)	5/10	2006
Denmark	5/15	0/10 (5)	10	2010
Egypt	5/15	15	15	2007
Estonia	5/10	0/10 (5)	5/10	2011
Finland	5/15	0	10	1988
France	5/15	0	0	1976
Georgia	5/10	0/10 (5)	10	2014
Germany	15	0	10	1989
Ghana (2)	5/15	10	10	N/A
Greece	5/15	10	10	2011
Hungary	5/15	10	10	2003

Country	Dividends (1)	Interest	Royalties (3)	Applicable from
India	5/15	0/10 (5)	10	2009
Indonesia	15	0/10 (5)	15	2019
Iran	10	0/10 (5)	10	2012
Ireland	5/10	0/10 (5)	5/10	2011
Italy	10	10	10	1986
Kazakhstan	10/15	0/10 (5)	10	2017
Kuwait	5/10	0/10 (5)	10	2004
Latvia	5/10	0/10 (5)	5/10	2007
Libya	5/10	0/10 (5)	10	2011
Lithuania	5/10	0/10 (5)	10	2010
Luxembourg	5/10	0/10 (5)	5/10	2017
Macedonia	5/15	10	10	1998
Malaysia	0 (4)	10	10	1991
Malta	5/10 (6)	10	5/10	2011
Moldova	5/15	10	10	2007
Montenegro	10	0/10 (5)	5/10	2012
Morocco (2)	10	0/10 (5)	10	N/A
Netherlands	5/15	0	10	1983
North Korea	10	0/10 (5)	10	2002
Norway	0 (7)/5/15	0/10 (5)	5/10	2016
Pakistan	10	0/10 (5)	10	2011
Palestine (2)	10	0/10 (5)	10	N/A
Poland	5/15	10	10	1999

10. Taxation of Corporations

Country	Dividends (1)	Interest	Royalties (3)	Applicable from
Qatar	5/10	0/10 (5)	10	2011
Romania	10	0/10 (5)	10	1998
Russia	5/15	10	10	1998
San Marino (8)	5/10	10	10	2019
Slovak Republic	5/15	10	10	2002
Slovenia	5/10	0/10 (5)	5/10	2004
South Korea	5/10	0/10 (5)	5/10	2017
Spain	5/10	0/10 (5)	5/10	2011
Sri Lanka	12.5	10	10	1987
Sweden	5/15	0	0	1982
Switzerland	5/15	10	0	2007
Tunisia	10	10	10	2014
Turkey	5/15	0/10 (5)	10	2008
Ukraine	5/10	0/10 (5)	10	2002
United Arab Emirates	0 (7)/5/10	0/10 (5)	10	2014
United Kingdom	5/15	10	10	1983
Vietnam	10/15	10	10	2014
Zimbabwe (2)	5/15	10	10	N/A

Notes:

- (1) If the recipient company owns/controls at least 25% (5% depending on the relevant DTT) of the equity of the paying company, the lower of the two rates applies.
- (2) The treaty has not been ratified by one of the parties.
- (3) A tax rate of 5% will be applicable to literary, scientific, and work of art; films and works created like films; or other source of reproduction tone or picture. A tax rate of 10% will be applicable to patents, petty patents, brands, models and samples, technical innovations, secret formulas, or technical procedures.
- (4) Only in cases when dividends are to be paid to Serbian residents. If paid to Malaysian residents, they are taxable at 20% in Serbia.
- (5) A 0% rate is applicable in cases when the income recipient is the government or government owned banks. In all other cases, a higher rate envisaged by the DTT should apply.
- (6) WHT rate refers solely to dividends distributed from Serbia. In Malta, WHT cannot be higher than CIT on profit before dividend distribution.
- (7) A 0% rate is applicable in cases when the dividend income recipient is the government of the contracting state.
- (8) Besides ownership requirement (refer to 1.) 365 holding period criterion needs to be met in order to apply lower of the two DTT rates on dividend payments.

10.7 Withholding tax and capital gains tax of non-residents continued

Capital gains

Capital gains realised by non-residents from both residents or other non-residents are subject to 20% capital gain tax. Non-residents should appoint a fiscal representative in Serbia who should submit a tax return within 30 days from the realisation of capital gain. Based on the tax return, tax authorities will issue a decision assessing tax liability (if any).

In order to benefit from application of a relevant double tax treaty (DTT), the same rules are applicable as for WHT. Non-residents (i.e. the income recipient) must provide a tax residency certificate (on the form prescribed by the Serbian Ministry of Finance stamped by the relevant body from the non-resident's country of residence or official translation of certificate issued by foreign tax authorities), and the income recipient must be the beneficial owner of the income.

Multilateral instrument

On 5 June 2018, Serbia deposited its ratification instrument for the OECD Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("Multilateral instrument" or "MLI").

MLI enables jurisdictions to swiftly implement the results of the BEPS project into bilateral tax treaties worldwide. It modifies the application of thousands bilateral tax treaties concluded to eliminate double taxation.

Serbia is the sixth jurisdiction to deposit its ratification instrument after Austria, the Isle of Man, Jersey, Poland, and Slovenia. The MLI entered into force on 1 October 2018 for Serbia.

Global Forum on Transparency and Exchange of Information for tax purpose

Serbia joined OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes in March 2018, thus committing to implement the standard of transparency and exchange of information in international tax affairs.



11. Taxation of Individuals

11.1 Territoriality and residence

Tax residence

According to Serbian Personal Income Tax (PIT) Law, individuals are regarded as Serbian tax residents if they:

- Have a domicile in Serbia, or have the centre of their business and vital interests in Serbia, or
- Have their habitual place of abode in Serbia (i.e. if they stay in Serbia at least 183 days, whether or not consecutively, within a period of 12 months beginning or ending in the respective taxation year), or
- Are seconded abroad to carry on business there for diplomatic or consular departments of Serbia, international organisations, during the assignment period.

Residents are taxable on their worldwide income, whereas non-residents are only liable to tax on Serbian sourced income.

Registration

Individuals do not have to register as taxpayers. Individual entrepreneurs do have to register themselves.

11.2 Taxable income

Types of taxable income and applicable PIT rates are as follows:

- Income from employment (10%),
- Income from agriculture and forestry (10%),
- Income from independent activity (10%),
- Income from copyright, rights related to copyright and industrial rights (20% rate with actual/standard costs deduction),
- Income from capital – interest, dividends (15 %);
- Income from immovable property (20% with actual/standard costs deduction),
- Capital gains (15%),
- Other income – sportsmen, games of chance, leasing of moveable property, etc. (20% with actual/standard costs deduction) with exception of revenue from personal insurance (tax rate is 15%).

Income from employment

Personal Income Tax

The taxable person is the employee, but the employer is responsible for calculating and withholding personal income tax on behalf of its employees. The taxable base is the gross salary including fringe benefits.

The PIT Law provides a non-taxable monthly threshold of RSD 15,300 per month. It is adjusted annually in accordance with Consumer Price Index changes.

Social security contributions

Social security contributions are calculated and withheld by an employer from the salary paid to an employee up to specified cap. These contributions are payable by the employer and employee at rates of 17.15% and 19.9%, respectively.

The amount borne by the employer is treated as an operating cost, while the portion payable by the employee is taken from the gross salary.

The rates are as follows:

- Pension and disability insurance: 12% for employer and 14% for employee,
- Health insurance: 5.15% both for employer and employee,
- Unemployment insurance: 0.75% for employee.

The minimum social security contributions base is 35 percent of the average monthly salary in the Republic of Serbia, regardless of the qualifications of individual employees – 23.921,00 RSD for 2019.

The maximum tax base for social security contributions remains five times the average monthly salary in the Republic of Serbia. The new maximum base for social security contributions is announced once a year – 341.725,00 RSD for 2019.

11. Taxation of Individuals

11.2 Taxable income continued

Supplementary annual taxation

Annual tax is the additional tax in Serbia. If the individual is a Serbian tax resident he is subject to Serbian annual tax on his net worldwide income exceeding a prescribed threshold, whereas Serbian tax non-residents are liable to report their Serbian sourced annual net income.

The progressive rates apply depending on the income levels presented in the following table:

Taxable income exceeding prescribed threshold	Tax rate
Between three and six times the average annual salary	10%
For income exceeding six times the average annual salary	15%

The non-taxable threshold for income earned in 2017 is RSD 2,470,644 (approximately EUR 20,895, three times average annual salary).

Taxable income may be reduced by personal deduction and allowances for supporting dependent family members. Personal deduction is 40 percent of the average Serbian annual salary in the year concerned and the allowance for each dependent family member is 15% of the average Serbian annual salary in the year concerned. Total deductions cannot exceed 50 percent of the taxable income.

Applicable deductions for 2018 are RSD 329,419 (approximately EUR 2,785) per taxpayer and RSD 123,532 (approximately EUR 1,044) per dependent.

Tax and social security contributions incentives

Provided that certain conditions are met, tax exemptions are available for employers which hire:

- New employees registered with the National Employment,
- Service for minimum 6 months.

Tax credits

Serbian residents are taxed on their worldwide income. When income generated in another country is taxed there, the taxpayer has the right to decrease the tax liability by claiming a tax credit to tax authorities in Serbia.

This tax credit is equal to the tax paid in another country, but it cannot exceed the amount of the tax that would have been paid in Serbia.

11.3. Non-taxable income

Certain statutory allowances, such as disability living allowance, unemployment benefits, parenthood allowance, health insurance, state pensions, redundancy payments (within certain limits) and similar are exempt from PIT.

11.4. Taxation of non-residents

Non-residents are only liable to tax on Serbian sourced income. Double Tax Treaties between Serbia and expatriates' residence countries can limit the Serbian right to tax or offer relief for the double taxation of certain types of income.

Double Tax Treaties provide for resolving tax residency disputes, i.e. situations in which, according to the local rules of the respective countries, a person is deemed to be a tax resident of both countries.

In certain cases, remuneration of non-residents working for diplomatic and consular missions or international organisations in Serbia is not taxable.

11.5. Tax compliance

Obligations of withholding agents

For employment income the taxable person is the employee, but the employer is responsible for calculating and withholding personal income tax on behalf of its employees.

Other types of income are generally payable by method of withholding at the moment when the income is paid.

Tax returns for individuals

Exceptionally, capital gains, income from independent activity and income from agriculture and forestry are payable on the basis of a Decision issued by the tax authorities. The taxpayer is obliged to file the tax return.

Supplementary annual PIT is also payable on the basis of Decision issued by the tax authorities.

Filing of the Serbian annual tax return is done electronically.

The deadline for filing the annual income tax return is 15 May of the following year.

12. Value Added Tax

12.1. Introduction

Serbia introduced Value Added Tax (VAT) on 1 January 2005. Generally, Serbian VAT system follows the model of the EU VAT legislation.

Currently Serbia is undergoing process of harmonisation of its VAT legislation with the EU rules. With this respect, number of changes have been recently adopted.

12.2. Scope of VAT and VAT rate

VAT is a tax levied on supply of goods and services in Serbia and on importation of goods.

Standard VAT rate is 20%.

Reduced VAT rate of 10% applies on supply of certain goods and services that include, but are not limited, to the following: basic foods, supply of drinking water, natural gas, first-time transfer of residential property, teaching aids, tickets to cultural venue.

VAT at the rate of 8% applies on acquisition of goods and services supplied by agricultural producers that are not registered for VAT.

12.3. Exempt transactions

VAT Law prescribes that certain transactions are exempted from VAT (without right to deduct input VAT), as well as transactions that are zero-rated (exempt with right to deduct input VAT).

Transaction that are exempt from VAT include, inter alia, financial and insurance transactions, transfer of land and buildings (except the first-time transfer of the right to use new buildings), healthcare services, etc.

Transactions that are zero-rated, include, inter alia, exportation of goods, services related to importation of goods (if the value of such services is included in the customs base), supplies carried out in conformity with donation and credit agreements, as well as international agreements that provide tax exemption, entry of goods into a free zone, transportation and other services related to entry of goods into a free zone, supply of goods placed in the customs warehouse, etc.

12.4. Special VAT regime for concession arrangements

Supply of goods and services between the grantor of concession and concessionaire are not subject to VAT, under specific prescribed conditions.

12.5. Place of supply

The place of supply of goods is:

- The place where the goods are located in the moment of dispatch or transport to the recipient or, at the request of the recipient, to a third party, if the goods are dispatched or transported by the sender, recipient or a third party, at their request,
- The place of installations if the goods are installed by supplier, or by third part at the order of supplier,
- The place where the goods are located in the moment of delivery if delivery of goods does not include dispatch or transport,
- The place where the recipient of electricity, natural gas and energy for heating or cooling, for which distribution is carried out through transmission, transport or distribution network, has a seat, if these goods are acquired for further re-sale;
- The place of receipt of electricity, natural gas and energy for heating and cooling, that intended for final consumption.

Under the general rule, the place of supply for services will depend on the tax status of the service recipient, i.e. whether it is considered as taxable person or non-taxable person from a VAT point of view.

12.5. Place of supply continued

If a service is supplied to a taxable person, the place of supply is the place where the service recipient has seat or permanent establishment (so called "B2B transactions").

If a service is supplied to a non-taxable person, the place of supply of the service is the place where the service provider has its seat or permanent establishment (so called "B2C transactions").

There are a certain exceptions to the general place of supply rules (e.g. place of supply of services related to immovable property is the place where the immovable is located, services related to taking part in cultural, art, sports, educational and similar events are taxable in the place where the service is rendered, etc.

12.6. VAT debtor for specific supplies

In accordance with the general rule, tax debtor is supplier of goods and services.

As an exception from the general rule, in certain cases, the recipient of goods and services is tax debtor (i.e. VAT should be assessed under reverse charge mechanism).

The before mentioned rule apply, inter alia, on the following supplies:

- Supplies performed by foreign supplier taxable in Serbia, if foreign supplier did not appoint fiscal representative in Serbia,

- Supplies of the goods and services in the area of construction,
- Supplies of secondary raw materials and related services,
- Supplies of electricity and natural gas delivered via a transmission, transport and distribution network, if goods in question are purchased for further resale,
- Supplies of buildings and their parts thereof (supplies that are not the first transfer), if supplier and recipient agreed that VAT will be calculated on related supply.

12.7 VAT representative

A foreign entity who performs taxable supplies in Serbia is obliged to appoint a tax representative and register for VAT, regardless of the value of taxable supplies made in Republic of Serbia.

VAT representative is jointly liable for the liabilities arising for the foreign entity from being a VAT payer.

Exceptionally, foreign entities that make taxable supplies to local VAT payers and public legal entities and provide services of transportation of passengers by buses do not have the obligation to register for VAT in Serbia.

12.8. Input VAT recovery

Input VAT incurred by a VAT registered person on the purchase of goods and services and imports can be recovered if prescribed conditions are met (inter alia the goods and services have to be used by a taxpayer for future taxable or zero Vat rated supplies). If input VAT amount is higher than output VAT amount, the taxpayer is entitled to a refund of the difference. Taxpayer is entitled to VAT refund also if no output supplies have been made or those are zero rated.

Input VAT is blocked on purchases of passenger vehicles, motorcycles, yachts, boats, and aircrafts (including facilities to accommodate them, spare parts, fuel, as well as renting, maintenance, and repair) as well as on cost related to representation, meals provided to employees and transportation of employees to and from work, etc.

12.9. VAT refund

If the input tax amount is higher than the tax liability amount, the taxpayer is entitled to a refund of the difference. The taxpayer can choose to either receive the refund in cash or to have it offset against future liability.

The tax authorities must pay the refund no later than 45 days (15 days for those who have the status of predominant exporter), starting from the day when VAT refund is claimed. In practice it happens that this deadline for refund is postponed and often VAT refund request triggers tax audit.

VAT refund to a foreign taxpayer

Foreign taxpayer who does not supply any goods or services in Serbia (except in case of transportation services) has the right to VAT refund on purchases of goods and services in Serbia under certain conditions (inter alia VAT is stated on the invoice and paid, the amount requested for refund is greater than EUR 200).

Starting from 1 January 2019, the foreign taxpayer will have the right to VAT refund even if it performs taxable supply of goods and services in the Republic to the Serbian VAT payer who assess VAT under reverse charge mechanism.

Refund is available under the terms of reciprocity.

Reciprocity currently exists with the following countries: Netherlands, Slovakia, Croatia, Denmark, Austria, Bosnia and Herzegovina, Belgium, Republic of Montenegro, North Macedonia, Slovenia, Germany, Great Britain, Turkey (for fuel, spare parts and maintenance and repair related to transport, as well as on purchase of goods and services related to the participation in fairs and exhibitions), Switzerland and Norway.

12.10. VAT compliance

Registration

Compulsory registration

Taxpayers whose annual turnover exceeds RSD 8 million (approximately EUR 67,000) in the last 12-month period are obliged to register for VAT.

Voluntary registration

Taxpayers whose turnover/estimation does not exceed RSD 8 million (approximately EUR 67,000) can opt for VAT registration.

VAT returns and payments

The VAT Law requires that taxpayers file VAT returns and pay VAT within 15 days of the end of each taxable period (month or quarter).

Taxpayer is obliged to keep VAT records, as well as to submit VAT assessment overview (POPDV form) in electronic form together with the VAT return.

PwC in Serbia



To do list:
1. Prepare PPKS
2. Find conf.

Introduction to PwC

PwC worldwide professional network

PwC helps organisations and individuals create the value they're looking for. We are a network of firms in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

PwC in Serbia

PwC in Serbia provides a full range of assurance, tax and business advisory services. Our clients are drawn from the full spectrum of the business community in Serbia and include local state owned and private enterprises, central government bodies, and leading international corporations present in Serbia.

PwC in Serbia is fully incorporated into PwC Southeast Europe (SEE) cluster and Central and Eastern Europe (CEE) region. We combine our knowledge and experience with colleagues from other countries in order to develop fresh perspectives and practical advice to our clients.

The key element of our success is the quality of our people. Our office is staffed with over 250 local specialists with knowledge of local conditions and regulations and with and with eight international consultants with expertise in tackling issues faced by global enterprises.

Our Services

Assurance Services

The Assurance practice comprises internationally trained local and foreign auditors and accountants. All PwC staff are familiar with local and international accounting practices.

As a part of our long-term development strategy, PwC Serbia requires its local employees to gain internationally recognised professional qualifications in accounting (UK ACCA), and to specialise in IAS/IFRS. Due to Serbia's transition to a market economy, the country's accounting and auditing legislation is changing rapidly.

We are well placed to understand the practical implications of the new laws and practices on your company's activities, and we can help you develop appropriate strategies to obtain maximum benefit from each new situation.

- Financial, operational and organisational audit under international and statutory regulation,
- Financial and accounting review, investigation and due diligence,
- Restatement of accounting records in accordance with standards of Serbia and in compliance with IAS/IFRS, UK GAAP, US GAAP,
- Accounting and consulting services in financial audit, general and management accounting, organisational restructuring,
- IAS/IFRS accounting training,
- Assistance in setting up an efficient internal audit department.

Our Services continued

Advisory Services

PwC Advisory Services are provided by trusted professionals with ample knowledge of business processes and technology, financial and accounting expertise, industry insight, and customer relationship skills.

Through the use of these capabilities and the experience and resources offered by a global organisation, we assist clients in addressing many of the important business issues involved in enterprise management. Particular emphasis is placed on the priorities of performance improvement, transactions and forensic services. Due to the close regional cooperation of PwC Advisory Team we can provide assistance to all those companies that are thinking of entering South East Europe as a region and not only individual countries. This differs us from other competitors in the region.

PwC Serbia has excellent knowledge of local market and has strong relationships with the most significant companies and state bodies in Serbia. These relationships enable us to resolve many issues quickly and to identify reliable sources of information. We serve different type of clients.

- Foreign investors coming to Serbia,
- Foreign companies operating in the Serbian market,
- Local prospective companies.

Deals

We help clients do better deals and create value through mergers, acquisitions, disposals and restructuring, working together to help them:

- Develop the right strategy before the deal,
- Execute their deals seamlessly,
- Identify issues and points of negotiation and value,
- Implement changes to deliver synergies and improvements after the deal.

We also help clients assess options, restructure and help them maximise value from troubled financial situations.

Consulting

We help organisations implement their business strategies by consulting with them to:

- Build effective organisations,
- Innovate and grow,
- Reduce costs,
- Manage risk,
- Leverage talent.

Our aim is to support our clients in designing, managing and executing lasting beneficial change.

Tax Services

We provide tax and business advice on all aspects of inward investment into Serbia with a focus on structuring investments and trading activities for maximum tax advantage. Our team is composed of local and expatriate tax professionals with experience in the strategic industries of the country and who can provide detailed insight into the Serbian tax framework.

Indirect Taxation

- Indirect Tax Compliance Services,
- Indirect Tax Planning and Structuring
- Assistance in Dealing with the Tax Authorities,
- Staff training,
- Due diligence.

Corporate Tax Services

- Corporate Tax Compliance Services,
- Corporate Tax Planning & Structuring,
- Transfer Pricing,
- Investment Incentives,
- Mergers and Acquisitions,
- Finance and Treasury Services.

Our Services continued

Tax Services continued

International assignments

- Strategic consulting,
- Planning and compliance,
- Programme administration,
- Employment solutions.

Expatriate tax – International assignment solutions

- Personal tax and social security,
- Immigration services.

Human Resource Services

Our Human Resource Services practice in Serbia is a part of the PwC network of more than 10,000 professionals in over 138 countries: one of the world's largest HR advisory organisations.

Our multi-disciplinary approach allows us to advise on all aspects of people management, helping our clients to create value for their businesses through people. We help organisations actively manage employee costs, risks and opportunities. Our consultants work with clients to find tailored solutions to challenges encountered with international assignments to and from Serbia, employee performance, development and reward. We combine human resource best practices with detailed tax, legal and regulatory knowledge.

HR Management

- Maximising your return on human capital,
- HR strategy,
- HR audit,
- HR function effectiveness review,
- HR function set-up,
- Saratoga HR metrics and benchmarking,
- HR transactions advice,
- Due diligence,
- Post deal integration,
- Employee engagement surveys,
- Assessments,
- 360 degree assessment,
- Management development centres,
- Development,
- Development and training needs analysis,
- Competency development programmes,
- Training for human resource management skills,
- Competency framework design,
- Outplacement.

Reward

- Job evaluation, grading and salary structures,
- Executive pay,
- Incentive compensation,
- Compensation data.

Our Services continued

Legal Services

PwC Legal Serbia

PwC Legal is a law office which provides clients with legal services covering all aspects of commercial law. We are working together with various professionals of the PwC being also a part of the international PwC Legal network which unites over 2,400 lawyers in more than 80 countries globally. With over 200 lawyers across 19 countries in Central and Eastern Europe (CEE), we serve clients effectively and provide them with local advice within an international context.

We offer our clients project-based specialist legal advice and ongoing general counsel support in multiple territories. In addition to providing a full service legal offering to our clients in the mould of the conventional law firm model, PwC Legal Serbia as a part of the international PwC Legal network also provides clients with unique style of integrated legal advice on complex commercial projects with our lawyers frequently working in multi-disciplinary teams alongside specialist from within the PwC network, including tax advisers, human capital consultants, corporate finance experts, management consultants, and accountants.

We pride ourselves in our ability to leverage this wider expertise to provide fast and creative solutions to a range of problems, which enables us to produce both relevant and focussed advice to address client needs.

We cover a wide range of areas including incorporation of companies from various industries, corporate governance and compliance, corporate restructuring, mergers and acquisitions, bankruptcy and liquidation, financial services, banking, insurance, real estate, contracts and tort, employment, infrastructure and tax litigation.

Our lawyers, members of the Serbian and Belgrade Bar Associations, are dedicated professionals with excellent understanding of business environment and language skills ensuring good communication with clients and the ability to draft complex legal documents in both Serbian and English language.

PwC's Academy

Experience knowledge

We offer a variety of training courses covering work-related skills and abilities required in a modern business environment. The courses are based on the experiences of both our experts and PwC Global. What's more, they are suited to the needs of modern business and tailored to our clients' requirements. PwC's Academy in Serbia is part of PwC's growing network of Academies present in over 30 European countries. Through the network of PwC's Academies we continually exchange and test in practice our knowledge, experiences, competencies and methodologies.

The courses are divided into four areas of professional concentration:

- Technical skills and abilities (finance and accounting, tax and project management),
- Personal effectiveness skills (management skills and soft skills),
- International professional qualifications (ACCA, DipIFR, CIPD, PMP, CIA),
- Special educational programmes (Mini MBA, training programmes tailored to suit clients' requirements).

The courses are organised as:

- Open training courses accessible to everyone,
- Internal training courses designed to meet individual client needs.

The list of our training courses is not final. We are always open to new training courses designed closely with our clients to ensure that their needs and expectations are fully met.

The training courses at PwC's Academy are taught by our best managers holding the highest degree of theoretical knowledge verified and amplified through practice, in addition to a number of internationally recognised experts.

PwC's Academy premise are especially designed and equipped to address the diverse learning needs of the students.

Our Services continued

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PwC's Academy comprises experienced professionals who during workshops convey to the learners their knowledge and experience gained from and embedded in daily practice.

PwC's Academy is the educational segment of the global professional PwC network.

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Guide to Doing Business and Investing in Serbia 2019 edition

The information in this book is based on taxation law, legislative proposals and current practice, up to and including measures passed into law as of 1 April 2019.

It is intended to provide a general guide only on the subject matter and is necessarily in a condensed form. It should not be regarded as a basis for ascertaining the tax liability in specific circumstances. Professional advice should always be taken before acting on any information in the booklet.

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