Key Changes of the Investment Incentives Regulation

February 20, 2019

In brief

The Regulation on Rules and Conditions for Attracting Direct Investments was amended in January 2019 and renamed to Regulation on Criteria for Granting Investment Incentives ("Regulation"). The amendments introduce two main directions of change: 1) levelling out criteria for incentives eligibility for investments of all sizes and industries & 2) elimination of public call for submissions.

Unifying Criteria for Investment Projects of All Sizes and Industries

Under the last iteration of the Regulation, a unique set of criteria for eligibility and viability assessment was set out for investments classified as those of national importance or employing more than 100 new employees or in agriculture ("**Selected Investments**"), while all other investments were assessed under a different set of criteria.

The new iteration of the Regulation levels out the playing field. Therefore, criteria for eligibility of the Selected Investments to apply for incentives, were made equal to that of other investments. On the other hand, criteria for assessing viability of an investment were also unified, but according to standards previously reserved for Selected Investments.

While the new Regulation still remains to be tested in practise, one could assume that equalizing eligibility criteria would make the decision making of potential investors easier. Moreover, the fact that criteria for assessing viability of Selected Investments are now used for all investments will allow the Government to apply a broader range of tools in determining if an eligible investment will be viable.

Elimination of Public Call for Submissions

Until the new version of the Regulation, investors wishing to receive incentives for projects creating up to 100 new jobs needed to apply based on a public call for submissions. The new Regulation allows does away with the public call, meaning all investors directly initiate contact with the Serbian Development Agency ("**SDA**").

In that sense, taking into account previous experience, it can be expected that the mentioned amendments of the process can be expected to improve flexibility of incentives granting, making it easier for both investors and the SDA to get in contact and discuss potential opportunities.

Other Notable Amendments

In what seems to be a systematic attempt to increase applicability of the application criteria and process, the new Regulation eliminated the condition that the investor a beneficiary who decreased the number of their employees by 10% or more in the 12 months prior to application would not be eligible for incentives.

The amendments introduced in the Regulation give greater ability to the assessing authority while assessing the quality and viability of the investor's business plan instead of making decisions based on, arguably, selective indicators from the investor's or the beneficiary's business history. In terms of eligible industries, the new Regulation no longer provides the possibility of investment incentives to projects in the hotel accommodation industry nor the services in international trade. However, the Regulation does specify that projects regarding service/assistance centres will remain fully eligible for incentives.

Let's talk

For a deeper discussion of how this issue might affect your business, help in determining the beneficial owner and registering, please contact:

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