

# Government announces economic measures package in response to COVID -19 epidemic

April 2, 2020

## In brief

Government of the Republic of Serbia announced new measures in the amount of EUR 5.1 billion to mitigate negative effects that the pandemic has on the economy and citizens.

Government of the Republic of Serbia has announced nine economic measures, organized in four sets, which it plans to adopt in order to protect jobs during the state of emergency, as well as maintain liquidity and help businesses affected by the crisis. The total value of the measures is EUR 5.1 billion, and a by-law implementing the above measures will be adopted within 10 days.

However, these measures do not apply to the following companies:

- those that have reduced the number of employees by more than 10% during the state of emergency (not including employees whose fixed-term contracts expire during the state of emergency);

- those who temporarily ceased operations before the state of emergency was declared – that is, before March 15 2020.

### First set – Tax policy measures

#### Postponement in payment of tax liabilities

In regards to postponement in payment of tax liabilities, tax policy measures include:

- Postponement in payment of personal income tax and social security contributions – Employers that decide to apply this measure can postpone payment of personal income tax and social security contributions until the beginning of 2021. Afterwards, employers will have the possibility to

further postpone the payments for up to 24 months, with no interest charged. The said measure also applies to postponement in payment of taxes on the income from self-employment of all self-employed individuals (i.e. entrepreneurs).

- Postponement in advance corporate income tax payments for 2020, which are due in the second quarter of 2020.

Measures apply on all companies in private sector, regardless of the size of their business.

#### VAT exemption for donors

Zero VAT rate is introduced for goods provided free of charge as a donation in kind.

## Second set – direct aid to the private sector

The aim of this set of measures is to improve liquidity of smaller companies and preserve the employment levels in larger ones. This will be done with cash subsidies amounting to minimum monthly wage for employees. Depending on their business size and strength, companies are entitled to the following aid:

- Entrepreneurs subject to flat-rate taxation, entrepreneurs who pay effective income tax, micro, small and medium-sized companies – the amount of minimum wage for each employee during the state of emergency;
- Large companies – subsidy in the amount of 50% net minimum wage for each employee that has been referred to paid leave

based on decision of the employer due to discontinuation of work and/or decreased scope of work.

These measures constitute state aid in terms of the Law on State Aid Control that classifies companies by size in a different way compared to the Law on Accounting. For that reason, we consider it necessary for the Government of the Republic of Serbia to clearly state which classification criteria will apply when granting this aid.

## Third set – measures to maintain liquidity in the private sector

### Serbian Development Fund's program of financial support to the economy

The Development Fund of the Republic of Serbia will provide loans for entrepreneurs, micro,

small and medium-sized companies, agricultural holdings and cooperatives from the relevant registry of the Fund;

### Guarantee scheme to support the economy

The government will provide guarantee schemes to the commercial banks operating in Serbia for loans to entrepreneurs, micro, small and medium-sized companies and agricultural holdings.

## Fourth set – other measures

- EUR 100 in RSD equivalent will be distributed to every Serbian citizen of legal age;
- Moratorium on dividend payments until the end of the year, except for public utilities.

## Let's talk!

For a deeper discussion of how this issue might affect your business, please contact:

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