

1. National Trade-related Legislation for Serbia

Since the opening of Serbia's accession negotiation with the EU in January 2014, 14 out of 35 chapters have been opened, two of which provisionally closed. With regards to the economic criteria, the newly issued REPORT ON SERBIA (dated 17 April 2018) indicates that Serbia has made good progress in relation to economy and trade and is moderately prepared in developing a functioning market economy. The Report also indicates Serbia to be moderately prepared to cope with competitive pressure and market forces within the Union.

Within the frame of the EU 2025 AGENDA, the "EU:2025 new enlargement" is preparing the EU to set 2025 as the deadline for the next wave of enlargement. With strong political will, the implementation of genuine reforms and the permanent settlement of disputes with neighbours, Montenegro and Serbia should be ready for membership by 2025. Albania and Macedonia are hoping to start negotiations with the EU during 2018, and Bosnia and Hercegovina is yet to get the EU candidate status.

Serbian trade-related legislation basically relies on four pillars, and they are:

- Law on Companies (Official Gazette Nos. 36/2011, 99/2011, 83/2014 – other laws, 5/2015 and 44/2018). This Law regulates the legal status of companies, including in particular their incorporation, management, status changes, changes of legal form, dissolution and other issues of relevance for their status, as well as the legal status of entrepreneurs. The provisions of this Law also apply to other forms of pursuit of a business activity that are incorporated under a special law, unless provided otherwise by such other law.
- Law on Trade (Official Gazette Nos. 53/2010 and 10/2013) with the Commercial Court in charge. The Law regulates trading and marketing conditions, with regards to consumer protection and product safety related issues.

- EU's trade-related legislation – Serbia is preparing to fully embrace EU's regulations and directives. Chapter 1 of Serbia's accession negotiation – Free Movement of Goods ensures that many products can be traded freely across the EU.
- CEFTA Agreement – The Central European Free Trade Agreement (CEFTA) was signed in 1992 and initially the Agreement only included the countries of "Visegrad Group", which were later gradually joined by other countries of the region: Slovenia, Romania, Bulgaria and Croatia.

The trend changed after 2004 since countries joining the single European market had to leave the organisation. At present, CEFTA members are countries bordering Central Europe – Macedonia, Serbia, Bosnia and Herzegovina, Kosovo, Albania, Montenegro and Moldova.

Nevertheless, the trade-related legislation helps Serbia to serve as a manufacturing hub for duty-free exports to a market more than 1 billion people, including the European Union, the Russian Federation, USA, Kazakhstan, Turkey, South East Europe, the European Free Trade Agreement members, and Belarus. The custom-free regime covers most key industrial products and with annual quotas for limited number of goods.

EUROPEAN UNION – Import from the EU is custom-free for most of the products. Some export limitations are imposed only on exports of baby beef, sugar and wine.

RUSSIAN FEDERATION – The Agreement with the Russian Federation indicates that goods produced in Serbia (goods which contributes at least 51% of value added in the country), are considered of Serbian origin and can be exported to Russian Federation customs free. The list of products excluded from the Free Trade Agreement (such as some wines, cheese, sugar, tractors and new and used passenger cars) is revised annually.

CEFTA – In addition to duty-free trade between member countries, the Agreement specifies accumulation of product origin, meaning that products exported from Serbia are considered of Serbian origin if integrated materials

originate from any other CEFTA country, the EU, Iceland, Norway, Switzerland (EFTA members) or Turkey.

UNITED STATES – Trade with the United States is arranged under the Generalised System of Preferences (GSP). US trade benefits provide for preferential duty-free entry for some 4,650 products, including most finished and semi-finished goods and selected agricultural and primary industrial products. The list of eligible goods is reviewed and adjusted twice per year, with input from US industries.

KAZAKHSTAN – The Agreement is in effect as of 2011. The list of free trade exemptions includes wine, cheese, meat and several other product groups.

BELARUS – The Free Trade Agreement only lists a few exemptions including sugar, alcohol, cigarettes and used cars, buses and tires.

LOCAL MARKET – With 7.2 million people (without Kosovo), the Serbian market is the second largest in South East Europe. Investors are also welcomed to use all benefits that free zones in Serbia offer such as an exemption from the VAT for income generated through commercial activities.

Furthermore, in addition to existing benefits, such as strategic geographical location, duty-free exports to the countries of South Eastern Europe and Russia, with one of the lowest corporate tax rates in Europe of 15% as well as an educated skilled labour force available at competitive cost, Serbia has prepared a package of financial supports (state grants) to investors, and the funds may be awarded for financing investment projects in the manufacturing sector and the service sector which may be subject to international trade (for more information on incentives, please see Chapter 11 – Other useful information with regards to investing in Serbia).

The most important laws and regulations regarding investment in Serbia, and those governing business activities and dealings of foreign companies in Serbia include:

- Foreign Investment Law,

- Law on Foreign Trade,
- Law on Foreign Exchange Operations,
- Law on Markets of Securities and Other Financial Instruments,
- Law on Registration of Commercial Entities,
- Law on Banks and other Financial Institutions,
- Regulations on Conditions for Establishing and Operation of Foreign Representative Offices in Serbia,
- Law on Financial Leasing,
- Law on Concessions, and
- Law on Privatisation.

The above laws contain the basic rules foreign companies must comply with if they wish to establish subsidiaries in Serbia, invest in local companies, open representative offices in Serbia, enter into agency agreements for representation by local companies, acquire concessions for the exploitation of natural resources or participate in the privatisation process in Serbia.

1.1 Product Standards¹

The Institute for Standardisation of Serbia (ISS) is recognised by the Law on Standardisation (Official Gazette Nos. 36/2009 and 46/2015) as the only National Standards Body in Serbia. The ISS is responsible for developing and adopting standards and its work is supervised by the Ministry of Economy.

Serbia has harmonised most of the standards and technical regulations with the EU legislation. Until now, 97% of European standards have been adopted as Serbian standards, and 75% of the regulations have been incorporated in Serbian legislative system.

¹ Applicable legislation: Law 163 / 2015 regarding national standardisation

The 2018 REPORT ON SERBIA emphasises that on standardisation, the Serbian Institute for Standardisation became a full member of the European Committee for Standardisation (CEN) and the European Committee for Electro-technical Standardisation (CENELEC) in January 2017.

Concerning accreditation, the Accreditation Body of Serbia (ABS) was re-evaluated successfully in a peer evaluation by the European Co-operation for Accreditation Association in 2017, enabling ABS to maintain its status in the European Accreditation Multilateral Agreement.

The 2018 REPORT also states that the equipment for improving conformity assessment services was upgraded. Currently, there are 552 conformity assessment bodies in Serbia and 180 more in the process of being accredited.

The conformity mark in Serbia, verifying conformity of the product with certain technical regulations, may be the CE mark or another conformity mark according to special regulations (e.g. homologation mark). The Serbian conformity mark confirms that the product meets the requirements of Serbian technical regulation and that the prescribed conformity assessment procedures have been observed. This mark in the form of three capital “A” letters connected in the shape of an equilateral triangle and is affixed to the product in such a manner as to be visible.

Serbia has established a network of institutions and organisations in the quality infrastructure area, offering services to the local economy. This has enabled producers and entrepreneurs to meet market requirements in terms of quality of the products and services they are offering, simpler and easier export, and consumers are ensured about the safety of the products they have purchased.

The ISS adopted abbreviation SRPS (in Serbian “Srpski Standardi”) as the official designation of Serbian standards and related documents. The majority of Serbian standards and related documents were developed in accordance with International Standardisation Organisation (ISO), International Electro-technical Commission (IEC), European (EN) standards, and related documents of other countries.

A product may be placed in the market only if:

- it confirms to the prescribed technical requirements,
- the conformity was assessed according to the prescribed procedure,
- it is marked in accordance with the regulations, and
- it is accompanied by the prescribed documents of conformity.

By visiting ISS website (www.iss.rs/en/) in the menu “Standards”, submenu “National regulations”, companies are able to review all required regulations in force, along with the list of Serbian standards.

The Ministry of Economy maintains registers of current technical regulations and those under preparation. In addition, the Ministry of Economy is responsible for providing information and relevant documents to interested parties upon their requests with regards to adopted and proposed technical regulations and conformity procedures. The Department for Quality Infrastructure (<http://tehnis.privreda.gov.rs>) within the Ministry performs these tasks.

1.2 Labelling Requirements

General labelling requirements

Serbia has marking, and labelling requirements mostly harmonised with the EU, although it is not yet a member of the EU. The U.S. exporters should consult their Serbian partners prior to shipping any product that will be placed on the local market.

Since June 2018, all food products sold on Serbian market will have to bear a declaration that will clearly show the amount of sugar, fat, salt and other ingredients, while meat will have to be labelled in a way that clearly shows its country of origin. The new amendments to “Rulebook on Declaration, Labelling and Marketing of Food” (see Special Labelling Requirements of Agricultural Products) that came in force on 15 June 2018 also suggest more

restrictions when sampling of food products is taking place, especially with milk and meat products.

With the abovementioned amendments, consumers will, for example, exactly know how many strawberries are in strawberry yogurt, how much fish is in fish sticks and how many real blackberries is in the blackberry juice they drink.

Furthermore, the new labelling requirements do not define the use of marketing terms such as “fresh”, “natural”, “traditional”, but it is recommended that their use should not mislead the consumers. The same rule applies for the food that is labelled as “vegetarian”.

All products offered on the Serbian market, no matter whether imported or locally produced, must contain the following:

- title of the product;
- full address of the producer or importer;
- country of origin;
- net quantity/weight/volume;
- ingredients;
- manner of storage (transport, use of maintenance); and
- pertinent consumer warnings.

Technically complicated products must be accompanied by the manual and instructions on use, the manufacturer's specifications, a list of authorised maintenance offices, warranty information, and other applicable data. It is very important for all information to be in Serbian and to accompany each product before reaching the customs clearance.

In accordance with the Law on Environment, eco-labelling can be used on goods, except on foodstuff, beverages, and medical and pharmaceutical products, which produce less environmental pollution during their life cycle

compared to other similar products or those obtained from waste recycling. The regulation on use of ecological labels was prepared in accordance with the EU eco-label scheme.

Special labelling regulations apply to:

➤ **agricultural products**

- In 2013, Serbia adopted amendments to the Rulebook on the Declaration and Labelling of Packaged Foods (Official Gazette Nos.4/04, 12/04 and 48/04). The amended rulebook is called the Rulebook on Declaration, Labelling and Marketing of Food (Official Gazette Nos. 85/13 and 101/13) and it includes a list of substances that can cause allergies and intolerance on certain ingredients, and shows additional food information that must be presented at food shops and restaurants, the size of letters on declarations and the general rules for declarations made with regards to unpacked food. All foods are required to have the label in Serbian language. For more details, please refer to Food and Agricultural Import Regulations and Standards Report (<http://photos.state.gov/libraries/serbia/5/pdf/food-and-agricultural-import-regulations-and-standards-narrative-belgrade-serbia-12-19-2013.pdf>).

➤ **medical and pharmaceutical products**

- Medical (medicinal) products must be labelled with the information according to the Law on Medicinal Products and Medical Devices (Official Gazette No. 30/2010) as well as the Rulebook on the Contents and Method of Labelling the Outer and Immediate Packaging of a Medicine, Additional Labelling and Contents of the Package Leaflet (Official Gazette No. 41/2011). All medicinal products must have package leaflet printed in Serbian language.

➤ **textile products**

- Textile products are to be marked or labelled in accordance with the Rulebook on the Marketing and Labelling of Textile Products (Official Gazette No. 1/2014.) The mentioned Rulebook lays down requirements concerning the marking and the labelling of fiber composition of textile products, requirements concerning the use of textile and marking and the labelling of all textile products.

Apart from the above specially indicated Rulebooks on Marketing and Labelling of Products, there are other legal labelling requirements applying to many specific products, and all in accordance with the harmonisation process with EU laws and regulations. Those products include:

- furniture;
- tobacco and tobacco products;
- dangerous products and substances;
- seeds and plants;
- toys;
- shampoos, toothpastes, detergents and liquid detergents; and
- other specially treated products as alcohol, drugs and weapons.

Compliance with EU labelling requirements

According to the 2018 REPORT ON SERBIA, legislation on chemicals classification, labelling and packaging (CLP) belongs to Chapter 1 of Serbia's accession negotiation (based on the Acquis Chapters), named Free Movements of Goods. As it is written in the Report, the legislation on chemicals classification, labelling and packaging aims to align with the acquis.

Nevertheless, the CLP law is in line with the UN Globally Harmonised System of Classification and Labelling of Chemicals.

Sanctions against violating labelling requirements

The use of a false labelling is an offence in Serbia and is penalised by a fine and/or even imprisonment in case food, chemical or medicinal products are concerned. For corporations, the fine often ranges between 300,000 and 3,000,000 Serbian dinars (“Serbian dinars”, “dinars” or “RSD”), depending on how harmful the product is for the human and animal use, and individuals (as lawful representatives of corporations misleading consumers), at the same time can be fined with up to 100,000 Serbian dinars.

A false indication of origin or any ambiguous marking is considered as misleading advertising, which may result in a fine and/or imprisonment.

1.3 Environmental Protection and Waste Treatment Requirements in Relation to Merchandise Sales

Serbia's progress on Chapter 27 of the Acquis

According to Chapter 27 of Serbia 2018 Report: Environment and Climate Change, it is emphasised that some progress has been made in further aligning with the acquis.

However, it is stipulated that in the coming year Serbia should in particular:

- enhance administrative and financial capacity by strengthening the Environmental Protection Agency, operationalising and adequately resourcing the “Green Fund” and further improving interinstitutional coordination, in particular between central and local levels;
- intensify implementation and enforcement work, such as closing non-compliant landfills, investing in waste separation and recycling, reinforcing air quality monitoring, advancing river basin management and preparing for “Natura 2000”;
- implement the “Paris Agreement”, including by developing a comprehensive strategy for climate change, consistent with the EU 2030

framework for climate and energy policies and well-integrated into all relevant sectors.

With regards to production and merchandise sales, and in order to close Chapter 27 of the Acquis (i.e. to fully harmonise with EU regulations and standards) Serbia needs to do the following:

- **In the field of air quality** – Serbia has a good level of alignment with the acquis, however available data show an alarming degree of over-polluted air in some of Serbia's main cities. Serbia needs to adopt a national air protection strategy. Only three air quality plans exist: one for the town of Bor (2013), second for Belgrade (2016) and a third for Pancevo (2017). Further efforts are needed to finish transposing and implementing the “EU Directive on Volatile Organic Compound Emissions”, and to comply with EU requirements on the Sulphur content of liquid fuels.
- **In the field of waste management** – There is a good level of alignment with the acquis and efforts are ongoing to improve the implementation in this sector, which is still at an early stage.

The national waste management strategy and municipal waste management plans need to be updated to reflect legal provisions on waste minimisations and waste separation at source, and to include quantitative targets for waste recovery and recycling. The share of recycled waste in overall waste management is still low. Increased efforts are needed to close Serbia's non-compliant landfills more quickly and invest in waste separation and recycling. No progress has been made on medical waste. In town of Subotica (northern part of the country that borders Hungary) the first regional transfer loading stations were put in operation and the EU Commission strongly suggests this to be replicated in other regions.

As a separate project on waste management, the VINCA PROJECT on Vinca Waste Management and Disposal Centre is entering its final phase, as one of the largest agreements on a public-private partnership by the City of Belgrade and the French company “Suez”. The construction that

was planned for 2018 is on its way backed by financial consortium consisting of international financial institutions and commercial banks participating.

The objective of the Project is to improve the waste management capacity of the City of Belgrade, by remediating the old Vinca waste disposal site, and constructing new Vinca waste disposal site, treatment plants for municipal and construction/demolition wastes, and an energy-from-waste plant in the City, thereby contributing to sustainable development and improvement of environment including the Serbia's EU accession.

The full utilisation of the landfill is planned for the end of 2019 and the facility will be converting waste into electricity and heat that will be fed to the district heating system with recycling of every possible type of waste that can be recycled, and with the landfill that will receive only inert waste which does not harm the environment, like ashes.

- **In the field of water quality** – In December 2016, Serbia adopted a strategy for water management running until 2034 but a national strategy and action plan on water protection is yet to be adopted. Untreated sewage remains the main source of pollution.

It is said that Serbia needs to make significant efforts to further align its legislation with the *acquis*, and to strengthen administrative capacity, in particular for monitoring, enforcement and interinstitutional coordination. Local governance should be improved through establishing clear rules on responsibilities for the operation and maintenance of facilities. A code of good agricultural practice needs to be adopted and implemented.

- **In the field of nature protection** – The level of alignment with the *acquis* in this field is moderate. With regards to production and merchandise sales, enforcement capacities for meeting Serbia's obligations under the "Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)" should be strengthened. The institutional set-up and national and local administrative capacity need to be substantially strengthened, focusing on improving enforcement.

- **In the field of industrial pollution and risk management** – Alignment with most of the acquis is at an early stage. Capacity constraints slow down progress in implementation across the sector. The necessary legal basis for issuing permits for mining waste management has been established. Law enforcement on industrial pollution needs to be boosted further.
- **In the field of chemicals** – There is a high level of alignment with the acquis on chemicals. Further efforts are required regarding the REACH and CLP Regulations, and alignment is pending for the legislation on experiments, asbestos and biocides.

National regulations in the field of environmental protection

Serbia has a separate Ministry of Environmental Protection that has been taken out of the Ministry of Agriculture, Forestry and Waters quite recently, and the new ministry is in charge of inspection, protection and improvement of the environment.

The structure of the environmental regulation is based on the Constitution of the Republic of Serbia which guarantees the environmental protection as the civil right of every citizen.

Long-term strategy of Serbia in the area of environment protection shall mean the improvement of population's living quality by providing desirable conditions of environment, thus key steps shall include strengthening of the existing and development of new measures for establishment of integrated waste management system, further integration of environmental policy into other sectoral policies, acceptance of extended individual responsibility for environment and more active participation of public in decision making processes.

Below list of applicable laws in the environmental field should serve both individuals and entrepreneurs for their purposes, and offer information on regulations implemented in Serbia:

- *Law on Environmental Protection* (Official Gazette Nos. 135/04, 36/09, 43/11 and 14/16) – Regulations and Rulebooks. Also published National Environmental Approximation Strategy for the Republic of Serbia (Official Gazette No. 80/11) and Decision on the Establishment of Green Fund in the Republic of Serbia (Official Gazette No. 91/16).
- *Law on Waste Management* (Official Gazette Nos. 36/09, 88/10 and 14/16) – Regulations and Rulebooks. Also published Waste Management Strategy for the period 2010-2019 (Official Gazette No. 19/12) and Decision on the Establishment of the Committee for the Control of the Procedure for Destruction of Psychoactive Controlled Substances (Official Gazette No. 19/12).
- *Law on Packaging and Packaging Waste”* (Official Gazette No. 36/09) – Regulations and Rulebooks.
- *Law on Environmental Impact Assessment* (Official Gazette Nos. 135/04 and 36/09) – Regulations and Rulebooks.
- *Law on Strategic Environmental Impact Assessment* (Official Gazette Nos. 135/04 and 88/10). Also published Decision on the Development of Strategic Environmental Impact Assessment of the Spatial Plan for the Special Purpose Area of the South Stream Transnational Pipeline (Official Gazette No. 01/12 of 11.01.2012).
- *Law on Integrated Prevention and Control of the Environment Pollution* (Official Gazette Nos. 135/04 and 25/15) – Regulations and Rulebooks.
- *Law on Air Protection* (Official Gazette Nos. 36/09 and 10/03) – Regulations and Rulebooks.
- *Law on Environmental Noise Protection* (Official Gazette Nos. 36/09 and 88/10) – Regulations and Rulebooks.
- *Law on Chemicals* (Official Gazette Nos. 36/09, 88/10, 92/11, 93/12 and 25/15) – Rulebooks. Also published Introduction on Determining Preventive Measures for Safe Keeping, Storage and Use of Particularly

Hazardous Substances (Official Gazette No. 06/17), List of surfactants, for which approval has been issued or act adopted to approve the use of surfactants in detergents in the EU, and list of surfactants, for which application for approval of surfactant prohibited in the EU has been refused (Official Gazette No. 94/10), Decision on the criteria, amount, method of calculation and payment of fee checking data in the chemicals dossier, and the amount of other fees stipulated under the law of chemicals (Official Gazette Nos. 3/11, 25/11, 55/11 and 5/12), List of Substances of Concern (Official Gazette Nos. 94/13 and 101/16), List of Substances Candidates for the List of Substances of Concern (Official Gazette No. 58/16).

- *Law on Biocidal Product* (Official Gazette Nos. 36/09, 88/10, 92/11 and 25/15) – Regulations and Rulebooks. Also published Guidelines for Biocidal Product Assessment based on Technical Dossiers (Official Gazette No. 28/11), List of Biocidal Products Registered in the Register of Biocidal Products (Official Gazette Nos. 28/12 and 60/15), and List of Active Substances in Biocidal Products (Official Gazette No. 94/16).
- *Law on Soil Protection* (Official Gazette No. 112/15).
- *Law on Waters* (Official Gazette Nos. 30/10, 93/12 and 101/16) – Regulations and Rulebooks.
- *Law on Environmental Protection* (Official Gazette Nos. 36/09, 88/10 and 14/16) – Regulations and Rulebooks. Also published Biodiversity Strategy of the Republic of Serbia for the Period 2011-2018 (Official Gazette No. 13/11).
- *Law on Protection and Sustainable Use of Fish Resources* (Official Gazette No. 128/14) – Rulebooks.
- *Law on Non-Ionizing Radiation Protection* (Official Gazette No. 36/09) – Regulations and Rulebooks.
- *Law on Ionizing Radiation Protection and Nuclear Safety* (Official Gazette Nos. 36/09 and 93/12) – Regulations and Rulebooks.

The Law on Environmental Protection

The “Law on Environmental Protection” is a framework law and a legal basis for adoption of special laws which have particular natural resources, as well as special regions as objects of protection and further development.

The autonomous province of Vojvodina (North Serbia) is one of such entities and is directly responsible for the environment protection and is obliged to secure the systems of sustainable development, protection and improvement of environment with regards to flora and fauna of this particular region.

The Law provides an integral system established for providing the human existence in healthy environment and, at the same time, to retain the balance between economic development and environmental protection. It conducts the management of the natural resources, prescribes the measures and conditions for environmental protection, introduces the system for the environmental monitoring, prescribes the rules for publishing information of public concern, defines the economic instruments and responsibility for environmental pollution and proposes penalty provisions.

Main principles of the Law are principles of prevention and precaution, principles of polluter's responsibility and secondary responsibility of governing bodies: principles “Polluter pays” and “user pays” and principle of protection integration and improvement of environment in all sectorial structures of the governing policy.

This Law also regulates the main guidelines of the integration policy for the protection and development of the environment, established the harmonisation of the decisions at all levels of administration and demands the obligation of payment of the reimbursement fee for the usage of natural resources.

Furthermore, it mandatorily introduces the obligation of the polluter to pay a flat fee for the environment pollution and it requires strong implementation of the economic instruments and other measures in order to improve the quality of the environment.

The National Waste Management Strategy for the Period 2010-2019

The waste management system in Serbia is based on waste collecting, transporting and land filling as in any other country in Southeast Europe. Serbia's waste management is rather inadequate, particular in rural areas, and Serbia is currently recycling only between 5 and 10% of municipal solid waste.

The Waste Management Strategy in Serbia includes:

- establishing of the basic orientation of waste management for the following period, in consent with EU policy in this area and strategic determination of Serbia,
- directing the activities for harmonisation of legislation in the process of approximation of the EU legislation,
- identifying the responsibilities for waste, the importance and role of ownership guidance capital,
- setting targets for waste management for the short and long-term period,
- determining measures and activities for achieving the set goals.

Some recommendations indicate that the national waste management strategy and municipal waste management plans need to be updated to reflect the new legal provisions such as waste minimisation and waste separation at the source, and to include quantitative targets for waste recovery and recycling.

Obligations with respect to waste treatment

Producers, importers and exporters must ensure that the waste generated by the products they manufacture, import or export can be appropriately treated and disposed of. Some product-specific taxes and charges aimed at ensuring the treatment and disposal of such products are imposed on producers,

importers and exporters. This is the case for packaging materials, batteries, tires, vehicles and electronic equipment.

Dangerous wastes, which include wastes that are explosive, flammable, irritants, carcinogenic, corroding, infectious or toxic for human reproduction, must be treated in specially designated facilities and with special care.

Waste management of certain product groups that include waste electrical and electronic equipment, waste batteries and waste packaging material is specially monitored and requires reporting.

The Agency for Environmental Protection within the Ministry of Environment offers all relevant information to individuals and companies with regards to reporting and paying of the environmental fees.

Companies are to visit www.sepa.gov.rs under LEGISLATION and under REPORTING section to find all information on submitting of necessary reports and surveys. Companies trading in electrical appliances and potential hazardous and non-hazardous materials need to consider the following regulations:

- Regulation on the list of waste for cross-border movement, content and appearance of documents accompanying cross-border of waste with the filling in instructions (Official Gazette No. 60/09),
- Regulation on determining certain types of hazardous waste that may be imported as secondary materials (Official Gazette No. 60/09),
- Regulation on products that become specific waste streams after use, on the daily log form, for records of the quantity and type of products produced and imported, and on the annual report, on the method and time frame for submitting the annual report, on the fee payers, the calculation criteria, the amount and the method for the calculation and payment of the fee (Official Gazette Nos. 54/10, 86/11, 15/12 and 03/14),

- Regulation on the lists of non-hazardous waste for which permits are not issued with documents accompanying cross-border movement (Official Gazette No. 102/10),
- Regulation on types of waste which undergo thermal treatment, the terms and criteria for the choice of location, technical and technological requirements for project planning, construction, equipping and operation of the installation for thermal treatment of waste, manner of handling the remaining waste after incineration (Official Gazette Nos. 102/10 and 50/12),
- Regulation on determining packaging waste reduction plan for the period 2015-2019 (Official Gazette No. 144/14),
- Regulation on disposal of waste on landfills (Official Gazette No. 92/10).

Some other useful information regards to:

- **Issuance of a preliminary waste management permit** – The most relevant regulatory amendment is the newly-introduced preliminary waste management permit. The waste management facility can now obtain a preliminary waste management permit allowing it to operate the facility for a maximum of 240 days following the facility testing.
- **Introduction of a by-product** as a new category of goods to be directly placed on the market – Surplus (By-products) is not considered to be waste if:
 - primary purpose of the production process is not the production of this particular material/product,
 - further use of product is certain,
 - product can be reused without the need for prior waste management processes such as decontamination, and

- the use of product is not prohibited or hazardous to environment or public health.

Also, the “Law on Waste Management” now prescribes new sources of funding of ecologically clean production:

- grants from the EU funds or bilateral funds,
- long-term infrastructure loans granted by KfW, EBRD or EIB,
- funds from private partners invested through the concession systems or other types of public-private partnership, and
- national or local funds.

Serbia decides to tackle environmental tax avoidance

The procedure has been launched recently against 100 domestic and foreign companies that don't pay environmental tax and fees. According to the law, all polluters must pay fees for emission of harmful substances, or generation of hazardous and packaging waste.

The Ministry of Environmental Protection is not satisfied with the tax collection and within the Ministry a team will be formed to tackle this particular issue. In next couple of years, the collected tax and fees will be used to finance the **Green Fund** which should provide funds for the projects in the field of environment protection.

2. Currency Exchange and Regulations

The banking system in Serbia consists of commercial banks and the central bank (the National Bank of Serbia). The National Bank of Serbia, as a dominant financial institution, is an autonomous and independent body which performs supervision over the financial system of Serbia that involves leasing institutions, insurance companies, banks, investments and pension funds. Besides the National Bank of Serbia, the other governing body which performs constant monitoring and supervision on financial institutions is the Securities Commission, as an independent and autonomous organisation accountable to the National Assembly of the Republic of Serbia.

Official currency in Serbia is dinar (RSD) and the middle exchange rate is established daily in comparison to other significant foreign currencies. Banks and the National Bank of Serbia buy and sell foreign currencies in the Interbank Foreign Exchange Market in accordance with the courses which are determined freely, based on supply and demand.

The bodies of the National Bank of Serbia are:

- Executive Board;
- Governor; and
- Council of the Governor.

The Executive Board consist of the Governor and Vice-Governors of the National Bank of Serbia and this is the body that determines the monetary and foreign exchange policies and performs the activities aimed at maintaining and strengthening the stability of the financial system. The Executive Board sets the key policy rate and other interest rates applied by the National Bank of Serbia in the implementation of the monetary policy. The Executive Board also adopts regulations and other general separate acts regulating bank resolution, in accordance with the law governing banks. Furthermore, the Executive Board adopts a decision on issuing and revoking of operating licenses to banks operating in Serbia, and a decision on issuing and revoking of operating licenses to all payment institutions, and payment service providers in Serbia.

Operations of the National Bank of Serbia are managed by the Governor, who represents and acts on behalf of the National Bank of Serbia.

The Governor manages and organises the whole organisation of the National Bank of Serbia; implements decisions and regulations of the Executive Board and the Council, proposes decisions and regulations to be enacted by the Executive Board and the Council; appoints and removes managers of the National Bank of Serbia's organisational units; regulates the National Bank of Serbia's internal organisation, and performs other tasks laid down by the Statute on The National Bank of Serbia and other laws, in a manner that does not conflict with the primary objectives.

The Council of the Governor consist of five members, including the president, appointed by the National Assembly on the proposal of the National Assembly's committee in charge of finance. Members of the Council are appointed for a five-year renewable term of office. The Council of the Governor: adopts the Statute of the National Bank of Serbia, determines the exchange rate regime for the dinar, adopts the strategy of foreign exchange reserve management on the proposal of the Executive Board, decides on membership in international financial organisations and institutions, adopts the financial plan of the National Bank of Serbia, adopts annual financial statements, etc.

There are currently 28 licensed commercial banks in Serbia. Furthermore, there are 5 representative offices of foreign banks and these are: Atlas Banka, Citibank, Commerzbank, Deutsche Bank and Eximbank.

With regards to the Law on Foreign Exchange Operations (Official Gazette Nos. 62/06, 31/11, 119/12 and 139/14) there are two participants on Serbia's financial market: residents and non-residents. The resident is:

- A legal entity registered and headquartered in Serbia;
- An Entrepreneur – a born resident registered in Serbia which conducts legally permitted and profit-oriented activity as a profession;

- Foreign citizen residing for over a year in Serbia based on residence permit or work visa;
- A state body or organisation beneficiaries of budget funds of Serbia; and
- A diplomatic, consular or other representative office abroad financed from the budget of Serbia.

The branch office of a foreign legal entity inscribed into the Business Registry of Serbia is described here separately because of the taxation policy of the branch, even though it is treated as resident.

Non-residents are all persons or entities that are not listed above.

The main restriction related to business conducting with nationals, residents or non-residents are defined in the “Law on Foreign Exchange Operations”. Non-residents may purchase claims and payables arising from foreign trade activities only under terms and conditions prescribed by the Government.

Residents cannot execute transfer to non-residents based on contracts where the actual price has not been stated or based on untrue or non-valid documents. Also, non-residents transacting business through a non-resident account can transfer money from those accounts to accounts abroad only after all tax liabilities to Serbia arising from the relevant business operation have been settled (of which proof issued by the competent tax authorities shall be presented).

With regards to restrictions, the National Bank of Serbia stipulates that a resident may bring foreign cash in Serbia without any restriction, provided, however, that any amount in excess of EUR10,000 and/or its equivalent in another foreign currency must be declared to the customs authority. A non-resident may take abroad foreign cash in the amount of no more than EUR10,000.

Payments, collections and transfers between residents and between residents and non-residents in Serbia is to be effected in dinars only. However, certain transfers in Serbia can exceptionally be made in foreign currency (e.g. sale

and lease of real estate, insurance premiums, reimbursement of expenses of business travels abroad).

Payments, collections and transfer in Serbia may also be made in foreign currency under transactions that are regulated by laws governing capital market and deposit insurance.

Banks may approve to residents – legal entities and entrepreneurs credit facilities in foreign currency for payment of import of goods and services abroad, and banks may approve to residents – individuals, credit facilities in foreign currency for the purchase of real estate in the country.

Residents may also get a line of credit or a loan from abroad with maturities longer than one year, and in such cases the National Bank of Serbia prescribes to residents the obligation to report on such loan repayments.

3. Common Payment Methods

Consumers and business in Serbia may use cash and non-cash payment instruments to make their payments. Non-cash payment instruments include: credit transfer, debit transfer, debit and credit cards and cheques. Cash payment instruments are: the pay-in order and pay-off order.

Cash payments still account for a significant share of total payments, although a downward tendency has been observed. The National Bank of Serbia issues banknotes and coins and determines their denominations and key features. The National Bank of Serbia has issued five denominations of coins (1,2,5,10 and 20 dinars) and nine denominations of banknotes (10,20,50,100,200, 500, 1,000, 2,000 and 5,000 dinars).

A majority of transactions in overall domestic payment operations are effected by credit transfer. Credit transfer is a payment transaction initiated by the debtor issuing the payment order to its bank, with the instruction to transfer the funds from its account to the creditor or to the creditor's account. Debit transfer is a payment transaction initiated by the creditor, based on matured securities, bills of exchange or an authorisation given by the debtor to its bank and its creditor. In both cases, a bank will execute the payment order only if it is properly filled out, authorised and if the identification of the destination bank and the recipient is correct. Cross-border money transfers can be carried out by indicating the international bank account number (IBAN) and the bank identifier code (BIC) of the account holder/recipient. The use of paper-based orders is decreasing steadily, particularly for companies that effect large number of transactions every day. E-banking services enable clients to issue payment orders, receive updates concerning the balance and movements on their accounts, prepare orders that are not to be executed until a later date, make fixed-term deposits, apply for credits, exchange information with the bank officer maintaining their accounts, and state objections and complaints.

With regards to business operations in international commercial transactions, payment by letter of credit (L/C) is also a commonly accepted. Letters of credit generally form part of the service portfolio offered by Serbian banks.

Other commonly used methods of payment, as mentioned above, include cheques and credit cards.

The relevance of cheques as payment instruments is decreasing as the use of payment cards gains momentum. Banks issue limited cheques to individuals pushing the use of payment cards instead.

The majority of cards issued so far are debit cards. All debit cards are payment cards and can be used to draw cash at ATMs and to pay for goods and services at POS terminals.

When drawing cash, the card user is required to enter the PIN, while retail outlets require either signature of the card user on the slip or the PIN entry, depending on the card brand. The use of credit cards experiences the period of expansion. Credit cards have been issued mostly under VISA and MASTERCARD brands or through co-operation with American Express (Banka Intesa Sanpaolo Serbia). Banks offer different credit arrangements to their clients. Such arrangements usually involve monthly repayments of 5% of the overall debt or 1/3, 1/12 or even 1/16 of the debt.

As for the interchange fees, the National Bank of Serbia has recently published the draft Law on Interchange Fees and Special Rules of Business for Payment Transactions based on the payment cards. The Draft Interchange Fees Law introduces a gradual regulation on interchange fees. Within a transitory period of nine months the payment service provider can charge interchange fees for debit card (including prepaid) transactions in the amount of up to 0.5% of the amount of each transactions, and for credit card transactions in the amount of up to 0.6% of the amount of each transactions. Following the transitory period, the amount of interchange fee for debit card (including prepaid) transactions would be capped at 0.2% of the amount of each transactions, while the amount of interchange fee for credit card transactions would be capped at 0.3% of the transaction amount.

In addition to the development of e-banking and internet banking, a number of banks also offer m-banking services to their clients. The SMS channel is used for executing of payments. The Belgrade parking utility company, for

example, in co-operation with all Serbian mobile operators, has enabled parking fee payment via mobile phones.

A quick transfer of money (by Western Union that operates in Serbia) can be performed as well. The recipient will have the transferred money at his/her disposal within one day, or even within a few hours. However, this service is regularly subject to high fees.

Both money receiving and withdrawing options through "PayPal" are available in Serbia, and although many citizens in Serbia have already been using PayPal service for receiving money from abroad, the other – withdrawing – option is only now start being in function, as well. It is good to know that if transactions are performed within the "PayPal electronic wallet" no provision is charged, but if a customer wants the money to be transferred to his/her payment card(s), provision between 3 and 5% is being charged on the transaction.

4. Appointment of Sales Agents / Representatives

Choosing a partner, whether it is a local agent, representative or distributor is the most effective method of entering the Serbian market. Such local partners can contribute to the success of foreign companies by shortening their entry time and strengthening their market position. In considering a potential agent or distributor, conducting appropriate survey is important prior to signing a contract with potential representatives. The Credit Bureau (FINET), which is affiliated with the Association of Serbian Banks, provides information on the credit rating of all local companies. The Serbian Credit Bureau (www.kreditnibiro.com) is useful in checking credibility of a potential local partner, and the Chamber of Commerce and Industry of Serbia (www.pks.rs) provides an online directory of Serbian companies in English, as well as Business Opportunity Exchange data base of local companies interested in working with foreign partners.

There are other companies offering rating products to business partners in Serbia, and the best known are: Bisnode boniteti (www.bisnode.rs), Credit reform (www.creditreform.rs), Rating d.o.o. (www.rating.rs), while the Serbian Business Registers Agency (APR, www.apr.gov.rs) has valid financial statements and relevant auditor's reports of all companies registered in Serbia.

4.1 Recruitment of Agents and Representatives

Foreign companies that consider engaging sales agents or representatives need to be informed of the following provisions:

- A company shall assume the rights and obligations in legal transactions through an agent or a representative which may be: legal (statutory) company representative(s), attorney(s)-in-fact by virtue of employment and procurator(s).
- Legal representatives shall be persons identified as such under the Serbian law. A legal representative may be an individual or a company

registered in Serbia. A company itself shall have at least one legal representative (director) who is an individual. Representatives of a company shall be persons authorised by relevant decisions of the company's competent governing bodies and be registered as such in accordance with the "Law on Registration".

- In case of entering into execution of certain agreements and arrangements, all representatives need to have special Power of Attorney by directors of companies they represent.
- A Procurator shall represent the company based on a commercial power of attorney. A procura (attorney) shall be non-transferable and a procurator shall not be allowed to issue power of attorney to another person(s).
- Limitation of procura refers to disposition of the company's assets of higher values, acquisition (disposal) of real estate of some significant amount or negotiation of huge borrowing arrangements and requires special authorisation as well.

A sales agent contract must be concluded in writing and it is usually a Representation Agreement between two parties. A sales agent is to actively and diligently promote the sale of products of the represented company and to promptly inform the represented company of all relevant events and changes.

If the sales agent agreement has been concluded for an indefinite period, both parties may terminate the agreement with a notice period of one month (30 days). Termination of the agreement without notice is possible for serious reasons, i.e. in case of bankruptcy or insolvency of one or both parties.

4.2 Commissions and Other Compensations

With regards to determining commissions for sales representatives, Serbia is no different to any other country in Europe. While there is no standard flat rate,

most sales representatives prefer a straight percentage based on the sales price.

Commissions vary wildly and depend on:

- industry that is in question;
- how much of customer service your sales representative need to provide to potential customers;
- level of involvement, i.e., if your sales representative only provides leads, or if he/she closes the sales.

Generally, most manufactured products prompt a commission rate anywhere from 7 to 15%. Most service-based products that do not require manufacturing expenses tend to have even higher commissions. Sometimes commission splits are another important consideration since territories can often be divided by geographical location or industry type.

Commission will always be paid upon the previous payment by the client. Also, the sales agent is, under certain circumstances, entitled to compensation after the termination of the agreement, especially if the represented company continues to take considerable advantage of a business relationship procured by the sales agent even after the termination of the agreement. The amount of such compensation is usually pre-agreed and forms an integral part of a Representative Agreement.

5. Establishment of Sales Offices / Subsidiaries

A foreign business can be established as a basis for commercial activity in Serbia and can be presented in three different ways:

- formation of a representative office of a foreign company (Chapter 5.1);
- formation of a foreign company's branch office (Chapter 5.2);
- formation of a subsidiary company with its own legal form (incorporation of a business, see Chapter 6 below).

5.1 Representative Office

Main features

A representative office of a foreign company is its organisational unit that can perform preliminary and preparatory actions with the aim to conclude legal agreements in a foreign country. Representative office is not considered to be a legal entity and can conclude legally binding agreement related only to their current operations (e.g. lease agreements for the offices, employment agreements). That means that a representative office may not sell goods or services directly but may be used to support sales and business development. Representative offices are permitted to hold foreign exchange and domestic currency accounts in business banks in Serbia.

Tax-wise, on the Serbian resident list there are no representative offices that perform full business operation in Serbia, thus no submitting of tax applications is required, as well as there are no obligations for tax statements and tax balances submissions. Nevertheless, the representative office can employ local citizens by signing the employment agreements, and in that case taxes and mandatory social securities are due as for any other employment in Serbia.

Formation

For the registration of formation of a representative office in the Business Registers of Serbia, it is necessary to submit the following documents:

- Notarised Founder's Statement by which the founder takes responsibility for all obligations which might arise from the activities of the representative office,
- Certificate of Registration / incorporation of the foreign company,
- Decision on Establishment of a Representative Office in Serbia,
- Decision on Appointment of Legal representative(s),
- Evidence of bank accounts used by the foreign company for business transactions,
- Proof of registration fee paid.

All the above documents must be accompanied by an official Serbian translation and notarisation. Since the former Socialist Federal Republic of Yugoslavia, whose successor is Serbia, signed the Hague Apostille Convention with the Hong Kong in 1965, no apostille on documents originated from the Hong Kong Special Administrative Region of the People's Republic of China is required. (For the whole list of countries signatories of the Hague Apostille Convention with Serbia, please refer to the Ministry of Foreign Affairs of Serbia, <http://mfa.gov.rs/en/consular-affairs/legalization>).

After receiving the Certificate from the Business Registers, the representative office is obliged to make a seal, file a request for a tax identification number with tax authorities, and to open a non-resident bank account.

5.2 Foreign Company's Branch Office

Main features

A foreign company's branch office is the separate organisational unit through which a foreign company performs business activities in Serbia. Branch offices have their principal activities, but are not restricted just to them and can perform other activities permitted by the law, regardless of the fact whether they have been specified by the decision on establishing of the branch or not. A foreign company's branch office is not a legal entity, but the taxation position of the branch office is different from the taxation policy of the representative office.

Tax-wise, dealing with the tax authorities and tax procedures is needed since the branch office has tax obligations in Serbia: filing VAT returns (if the branch office is in the VAT system – See Chapter 7 Taxes), employees returns and corporate tax returns. From a tax point of view, branches are permanent establishments of non-resident companies and a Serbian branch is not a separate legal company from its parent.

Formation

For the registration of formation of a foreign company's branch office, the necessary documents must be submitted:

- Certificate of Registration / incorporation of the foreign company,
- Decision of a foreign company on Establishment of a Branch
- Office in Serbia,
- Evidence of bank accounts used by the foreign company for business transactions,
- Signature of the branch office representative, certified by the relevant certification body,
- Proof of registration fee paid, and

- The Statement of the foreign company authorised representative by which the company takes full responsibility for all liabilities resulting from business activities of the branch office.

All the above documents must be duly translated and notarised.

The current registration fee for establishing of a foreign company's branch office and for a foreign company's representative office amount to RSD4,900. A branch office may operate in Serbia after completing of the registration process with the Serbian Business Registers Agency (APR) which takes maximum 5 days from the filing date of the application form.

All relevant information on establishment of foreign business in Serbia, i.e. documents, procedures, current fees, is available on the website of the Agency (www.apr.gov.rs/eng/Home.aspx).

6. Incorporation of a Business

Serbia is open to foreign investors and companies from abroad willing to expand their business through subsidiaries in the country. Having the Articles of Association prepared, alongside with other important documents which represent the company's information, makes the first step in registration of the subsidiary with the Serbian Business Registers Agency. All documents must be translated into Serbian and notarised. Also, a bank account is needed for providing the minimum share capital. When documents are submitted, a subsidiary is registered in maximum 5 days from the filing date of the application form.

6.1 Main Features

Incorporation, organisation and registration of companies and other forms of organisations are governed by the Law on Companies (Official Gazette Nos. 36/2011, 99/2011, 83/2014 – other laws Nos. 5/2015 and 44/2018), by the Law on Procedure of Registration with the Serbian Business Register Agency (Official Gazette Nos. 99/11 and 83/14), by the Rulebook on Content of the Business Entities Register and Documents Necessary for Registration (Official Gazette No. 6/12) and by Decision on Determination of Fees for Registration and other Services Provided by the Business Registers Agency (Official Gazette No. 119/13). The regulations and their provisions are adapted to the standards prevailing in the EU.

Foreign investors' operations are governed by the Investment Law (Official Gazette No. 89/2015) and all legal entities who participate in trade goods and services are subject to the provisions of the Law on Protection of Competition (Official Gazette Nos. 51/2009 and 95/2013).

The provisions of the “Law on Companies” shall also apply to forms of business established and operating in accordance with special laws and stipulations.

According to the law, a Serbian subsidiary may be registered as a joint stock company (a.d.) and a limited liability company (d.o.o.).

A registration of a limited partnership (k.d.) and a general partnership (o.d.) is also possible but are rarely seen in practice, and with these types of formation a foreign citizen in a partnership with a Serbian individual is not usually exposed and has a limited liability up to the value of his/her contribution.

6.2 Formation

Main characteristics of a joint stock company

- A joint stock company shall be founded by shareholders, and the company's basic capital is divided into shares. Shareholders are not liable for obligations of the company, except in case of abuse of the rules on limited liability, however a joint stock company is liable for its obligations with its entire assets.
- A joint stock company may be public (the one that issues securities) and non-public company.
- Shareholders who have found the company are to sign the instruments of incorporation as well as the first Article of Association.
- Articles of Association appoint the management of the company and regulate other relevant matters in accordance with the law. Articles of Association and amendments thereto shall be adopted by the General Meeting by a simple majority vote of all shareholders with voting rights, unless the Articles of Association opts for a greater majority.

Contributions:

- Shareholders' contribution shall be in money, items and rights, expressed in dinars (RSD).
- Shareholders' contribution shall not be in work or services to the joint stock company.

Share capital:

- Minimum capital for establishing a joint stock company is RSD3,000,000.
- Nominal value per share shall not be less than RSD100. Shareholders' contribution shall be in money, items and rights, expressed in dinars (RSD).
- Shares may be ordinary (shares with voting rights and other rights in conformity with the law and the Articles of Association) and preference shares (shares with no voting rights, but with other rights according to law and the Articles of Association).
- The total nominal value of issued and authorised preference shares may not exceed 50% of a company's share capital.
- Shares are freely transferable, unless the transfer of shares is limited by the pre-emption right of other shareholders, or by other prior agreement as indicated in the Articles of Association.

Payment / in-kind contribution:

- Prior to the registration of the company, shareholders shall pay in/make contributions constituting at least 25% of the share capital.
- Registered shares paid in money in accordance with the instrument of incorporation shall be paid prior to the founding of a company into a transitory account with a commercial bank in Serbia.
- In-kind contribution or increase of capital of the company shall be paid in or made within a deadline set in the instrument of incorporation, or in the decision on capital increase, and for a public stock company this deadline shall not exceed the period of two years.

Relations between company and shareholders:

- Equal treatments of shareholders is an obligation – all shareholders shall be treated equally in equal circumstances.

- Distribution of profits:
- A shareholder shall be entitled to receive a share of the annual profit, determined for distribution, i.e. a dividend.
- Dividends may be paid in money or in company shares.
- Dividends may be distributed upon the Decision on profit distribution and only in the amount of the company's net profit realised (in order of not decreasing of the company's equity).
- Some banks – borrowers or financial institution can put ban of the dividend distribution until loans are not repaid in full.
- Unless provided otherwise by the Article of Association, a company may pay interim dividends at any time between ordinary annual General Meetings.

Company bodies:

- Management of a joint stock company may be organised as a single-tier or as a two-tier management system.
- In case of a single-tier management system, company bodies include:
 - General Meeting; and
 - One or more directors, i.e. the Board of Directors.
- In case of a two-tier management system, company bodies shall include:
 - General Meeting;
 - Supervisory Board; and
 - One or more executive directors, i.e. Executive Board.

Directors shall not be:

- An individual who is a director or member of a supervisory board in more than five companies;
- An individual sentenced for an economic crime for a period of five years from the date when the verdict as such became final and enforceable;
- An individual banned by court decisions to perform the activity which is the predominant business activity of the company concerned.

Required documentation and registration fees for a joint stock company (please refer to Agency for Business Registers - below information subject to changes www.apr.gov.rs/eng/Home.aspx).

- An application form for registration of a joint stock company with the Agency of Business Registers and with the tax authorities.
- Memorandum of Association with certified signatures of the company shareholders.
- Articles of Association signed by the company shareholders.
- Certificate that shares have been paid up in cash, or appraisal of the state licensed appraiser of the value of the contributions in kind.
- Resolution on the appointment of the general manager, as well as of members and of the chairman of the Board of Directors.
- Resolution on the appointment of members of the Supervisory Board in case of a company with two-tier management system.
- Resolution on the appointment of members of the Executive Board in case of a company with two-tier management system.
- Resolution on the appointment of the company's authorised representative.

- The representative's signature specimen duly notarised.
- The proof of the registration fee payment.

The fee for registration of incorporation is RSD4,900. On submission of the application for incorporation of a company, the fee for registration and publication of the Memorandum of Association is also to be paid in the amount of RSD1,000.

Main characteristics of a limited liability company

- A limited liability company is a company in which one or more members (individuals or legal entities) hold stakes in the company's share capital. Company members are not liable for obligations of the company, except in case of abuse of the rules on limited liability.
- Members of a limited liability company are free to regulate their mutual relations with regards to company's activities and formation.

Contributions:

- Contributions into a limited liability company shall be made in money or in-kind and expressed in dinars (RSD).

Share capital:

- Minimum share capital of a limited liability company is RSD100.
- Contributions of all members in a limited liability company do not need to be of equal values.

Payment / in-kind contribution:

- Prior to the registration of the company, the contribution in money as well as in-kind need to be paid in or be paid within a time limit that shall not exceed five years from the date of the registration.

Stakes:

- Stakes in a company are not classified as securities.
- The transfer of stakes shall be free, unless provided otherwise by the instrument of incorporation.
- Company members have a pre-emption right in transfer of stake subject to its transfer to a third party, except where this right is excluded by the instrument of incorporation.

Distribution of profits:

- Company members shall be entitled to a share in the profit based on the annual financial statement.
- Profits shall be distributed among the company members in proportion to their stakes, unless otherwise stated in the instrument of incorporation.

Company bodies:

- The management of a company may be organised as a single-tier or a two-tier system, which is clearly defined in the instrument of incorporation.
- In case of a single-tier management system, company bodies include:
 - General Meeting; and
 - One or more directors.
- In case of a two-tier management system, company bodies shall include:
 - General Meeting;
 - Supervisory Board; and
 - One or more directors.

Directors and Supervisory Board:

- A company shall have one or more directors who shall act as its legal representatives.
- A director shall be appointed and dismissed by the General Meeting or the Supervisory Board, in case a company has a two-tier management system.
- A director is responsible for everyday business operations of a company including proper financial reporting and presenting of accurate financial statements.
- Supervisory Board:
 - Defines the business strategy of the company;
 - Appoints and removes directors;
 - Supervises the work of directors and adopts their reports including the annual financial statements;
 - Supervises the legal aspects of the company's operations; and
 - Performs other duties provided by the instrument of incorporation.

Required documentation and registration fees for a limited liability company (please refer to Agency for Business Registers - below information subject to changes www.apr.gov.rs/eng/Home.aspx).

- An application form for registration of a limited liability company with the Agency of Business Registers and with the tax authorities.
- Instrument of incorporation with certified signatures of the company members.
- Copy of the members' identity documents – ID cards or passports – or excerpts from the original register if the founder is a legal entity.

- Decision on appointment of the representative(s).
- The representative's signature specimen duly notarised.
- Bank confirmation of the payment of the contribution, in case the members agree to fulfill their obligation in that matter prior to the company's registration.
- Decision on appointment of the president and members of the Supervisory Board, in case the company has two-tier management system.
- The registration fee payment proof.

The fee for registration of incorporation is RSD4,900. On submission of the application for incorporation of a limited liability company, the fee for registration and publication of the instrument of incorporation is also to be paid in the amount of RSD1,000.

Government approvals, licenses, permits and insurances and other useful information on subsidiaries

A company may be incorporated in Serbia without acquiring a governmental approval.

However, a company registering with the Agency for Business Registers operating in banking transactions, insurance transactions, manufacturing and sale of extremely dangerous chemicals, energy production, production and trade in medicines and medical devices, tobacco processing, armament and military equipment trade and geological research and coal mining, shall submit such relevant approval(s) prior to the company's registration.

With regards to insurances, Serbian insurance law is based on the principle of voluntary insurance. A company is not bound to conclude any insurance, unless it falls under the scope of some cases where obligatory insurance is prescribed. The most common obligatory insurances for companies include motor vehicle's owner's insurance for damage towards third persons, and

insurance of employees for hazards of injury at work, professional illness and illness related to work.

As mentioned earlier, opening of the dinar and foreign currency accounts is a pre-requisite for doing business in Serbia.

Accounts can be opened in any bank operating in Serbia and with an open account, companies can make cash deposits, cash withdrawals, electronically and in paper make payments, take cash by credit cards, verify and collect payments according to contractual authorisations, bills of exchange and other security instruments as other services within domestic and international payment systems.

Prior to opening account, according to the Law on Prevention of Money Laundering and Financing of Terrorism (Official Gazette No. 113/2017) a company must provide all information in connection with the ownership of the company, which means that must report the identity of the natural person who is the actual owner of the company.

The actual owner of a company is:

- a natural person who is directly or indirectly the holder of 25% or more of the business, shares, voting rights or other rights, based on which he participates in the management of a legal entity, or participates in the capital of a legal entity with 25% or more of shares, i.e. a natural person who directly or indirectly has a predominant influence on the conduct of business and decision-making;
- a natural person that indirectly provides or continuously provides funds to the company and, on that basis, has the right to significantly influence the decision-making of the managing body of the company when deciding on financing and operations.

Accounts can be opened as resident, non-resident and there are special purpose accounts, as well.

Necessary documents for opening of bank accounts for residents are as follows:

- Application form for account opening,
- Contract on opening and maintaining Dinar current account for resident legal entities,
- Contract for opening and maintaining of foreign currency account for resident legal entities,
- Specimen signatures,
- Resident legal entities Business Registry Certificates,
- Tax Identification Number Certificate, and
- Identity cards of persons authorised for disposal of assets in the accounts

Necessary documents for opening of bank accounts for non-residents are as follows:

- Application form for account opening,
- Contract on opening and maintaining Dinar and foreign exchange accounts for non-resident legal entities,
- Specimen signatures,
- Certificate of incorporation of a parent company translated and notarised,
- Tax Identification Number Certificate,
- Certificate of individuals selected to represent the non-resident legal entities,
- Passport of identity cards for persons authorised for disposal of assets in the accounts, and

- Documents for the determination of ownership structure, original or certified copy.

Non-resident legal entities and individuals can transfer funds from their accounts abroad only if prior to the mentioned transfer they show to the bank the tax authorities certificate as a proof that all taxes have been duly paid in the Serbia.

Along with the opening of bank accounts, the company's tax registration (The Tax ID is registered automatically with the Business Registry) is a pre-requisite for doing business in Serbia. Once the tax authorities issue a tax identification number, the certificate in a written form is sent to the company at its legally registered address.

With regards to business operations and forms of the company, the company is liable to do other tax registrations as VAT registration, "signboard tax" registration, communal (or eco-tax) registration with the relevant state or municipal tax authorities (see Chapter 7 Taxes).

7. Taxes

One of the key attractions of Serbian market is certainly a business-friendly and appealing tax regime. Corporate profit tax is still among the lowest in Europe and the Value Added Tax is among the most competitive in Central and Eastern Europe. Furthermore, the Personal Income Tax rates vary from as just 10 to 20%.

A legal entity is considered a resident if it is incorporated in Serbia and managed or controlled from Serbia. Resident entities (and residents) are taxed on their worldwide income and non-residents are taxed only on income generated in Serbia. The taxable base is calculated in the tax balance sheet based on the profit and loss accounts adjusted for tax purposes. Taxable income includes both business income and capital gains.

For income tax purposes, an individual is considered a resident if he/she has a permanent home or center of business and vital interests in Serbia or if he/she stays in Serbia continuously or in intervals at least 183 days during the period of 12 months beginning or ending in the respective taxation year.

7.1 Corporate Profit Tax

With regards to corporate profit tax, taxable income includes both business income and capital gains. The taxable base is calculated in the tax balance sheet, based on the profit and loss account adjusted for tax purposes (i.e. adjusting of operating expenses, especially deductible and non-deductible; adjusting of tax/accounting depreciation; adjusting of other provisions and rates, etc.). The tax year is in general the calendar year, but it does not have to coincide with the calendar year. A tax return should be filed with the tax authorities within 180 days after expiry of the tax year. During the year, the taxpayers should pay monthly advance payments based on the tax liability assessed in the previous year. Monthly advanced payments are due on the 15th day of the month for the previous month. Newly established company not operating in previous year should pay monthly advanced payments on the basis of profit estimation for the current year.

Tax filing in Serbia is based on self-assessment. The tax rate is flat at 15%.

Capital gains are subject to a 15% tax for residents (included the annual income tax return) and 20% for non-residents (based on the tax assessment unless otherwise provided by a double taxation treaties). Net operating losses may be carried forward for five years. Capital losses may be carried forward and offset against capital gains for the period of five years.

The carryback of losses is not permitted. There is no surtax, and no alternative minimum tax.

Credit is available for foreign tax paid but is limited to the amount of Serbian tax payable on the foreign income. A 10-year corporate income tax incentive (tax credit) is available for large investors that invest over RSD1 billion in fixed assets and hire an additional 100 employees over the period of the investment. (See also Chapter 11 – Other useful information with regards to investing in Serbia).

Dividends paid by a Serbian resident company to another Serbian company are exempt from corporate income tax. Dividends received by a Serbian resident company holding at least 10% of the shares in a non-resident distributing company for one year are eligible for a credit for foreign tax paid on the dividends.

7.2 Withholding Tax

Withholding tax at the rate of 20% applies to dividends, royalties, interest, lease payments for real estate and other assets on the territory of Serbia, service fees originated or consumed in Serbia, paid by Serbian tax resident to a non-resident.

Withholding tax at the rate of 25% applies on royalties, interest, rental service fees as well as service fees paid by resident to a non-resident from a jurisdiction with preferential tax regime (Hong Kong is classified as a preferential tax regime too).

Withholding tax at the rate of 1% is also applicable on payments made to residents and non-residents for secondary raw materials and wastes.

Withholding tax may be reduced by double taxation treaties and in that case, a company needs to present a certificate of residence authenticated by a competent authority of the other contracting state where he is resident, which certificate can either be issued in a special form (POR-2 form) or issued in the form prescribed by the competent authority of the state with which a double taxation treaty has been concluded and translated by a certified translator for each year of operation. Serbia has currently 64 effective double taxation treaties on income and capital. (For the list of double taxation treaties, please refer to www.oecd.org/tax/treaties/beps-mli-position-serbia.pdf).

According to the latest amendments to the corporate tax law, with regards to withholding tax, as of 1 April 2018 the scope of withholding tax in terms of service fees paid to non-residents, other than those to tax havens, will include solely market research services, accounting and audit services, and other legal and business consulting services.

Withholding tax is also payable on a non-resident's income realised on the basis of performing entertaining, artistic, sports, and similar programs in Serbia, which is not taxed as income of an individual (performer, musician, sportsman, etc.).

7.3 Value Added Tax (VAT)

As of 1 January 2005, Serbian VAT is imposed on the provisions of goods and services. VAT registration threshold amounts to RSD8 million. A company (or an individual) whose turnover in the previous 12 months exceeds RSD8 million is obliged to register for VAT. Alternatively, any company or a person whose turnover in the previous 12 months does not exceed RSD8 million may opt to be registered for VAT. A foreign entity performing supplies in Serbia is obliged to register for VAT through its appointed tax representative.

VAT taxpayers with taxable income above RSD50 million are required to file monthly VAT return within 15 days after the end of the tax period, and VAT

taxpayers with taxable income lower than RSD50 million must file VAT returns on a quarterly basis, 15 days after the end of the 3-month tax period. Generally, the refund period is 45 days, but for major exporters the refund period of 15 days is applied.

Standard VAT rate is 20%. Reduced rate amounts to 10% and applies to supplies of basic food products, some drugs and medicines, daily newspapers, hotel services, gas transfer of ownership on residential building, etc. Zero (0) rate applies to export of goods, transportation and other services in direct relation to exports, transit of goods, temporary import of goods, entry of goods in free zones, supplies within the free zones, imported movables for inward processing, repairing and exporting, etc. Tax exemption without credit is provided for the financial, banking and insurance services, supplies of land, operations involving securities and shares, public interest activities, etc.

A foreign person which carries out the taxable trade in goods and services in Serbia must appoint a tax proxy and apply for VAT payment, regardless of the amount of such trade in the previous 12 months, unless it is engaged in the taxable trade only with VAT payers.

7.4 Other Taxes on Corporation

Real property tax – For taxpayers that follow IAS and IFRS fair value accounting, property tax is levied on immovable property located in Serbia at a rate of up to 0.4% of the fair market value of the property as of 31 December of the previous year.

Local taxes – There are some communal fees for occupying of business premises i.e. “premises eco tax” and of displaying of a company’s name at the entrance of premises, i.e. “A signboard tax”, and both taxes are prescribed by local (municipality) tax authorities, based on the city zone and the size of the company.

Stamp duty – Stamp duty is payable according to a tariff based on the value of the document. If there is no value, a flat rate applies.

Transfer pricing – Transactions between associated entities must be on “arm’s length” terms. There are specific documentation requirements, and transfer pricing reports must be submitted by June 30. Companies are considered related if one company has the ability to control or influence the business decisions of the other company, if the company holds at least 25% of the shares, stock or votes in the governing body of the other company.

Thin capitalisation – Under the thin capitalisation rules, interest and related expenses are deductible on loans that do not exceed 4 times equity for companies (10 times equity for banks and leasing companies). In addition, under the transfer pricing rules, a taxpayer must demonstrate that interest that is deductible under the thin capitalisation rules is at an “arm’s length” level, otherwise an adjustment of taxable income may be required.

Consolidated returns – Resident companies may elect group status and file a consolidated return. Companies are considered a group where one company (parent company) owns at least 75% of the shares of another company. The parent company files a consolidated tax return in which profits and losses of group companies are offset and each company pays its share of the tax. Once elected, tax consolidation must be applied for at least a period of 5 years.

7.5 Personal Income Tax

The principal taxable forms of personal income are: employment income, business income, income from capital (dividends, interest and income from investment in an open investment fund), rental income, capital gains (e.g. from the sale of shares in a legal entity, from the sale of real estate) and other income.

Residents whose annual net income exceeds 3 or more times the annual average wage in the tax year are subject to complementary annual income tax under the worldwide system (non-taxable amount for 2017 was approx. EUR20,000). Non-residents’ earnings also are subject to complementary annual income tax as long as their Serbia-source income exceeds the same threshold.

Spouses are taxed separately since joint filing is not permitted. At the same time, personal allowances are available for members of the taxpayer's family that are financially supported by the taxpayer.

The personal income tax rate depends on the type of income. The rates are: 10% for employment and business income (salary); 15% for income from capital; 20% for rental income; and 20% for income from royalties and other income. For some types of income, the taxpayer is entitled to standardised costs determined in fixed percentage which reduces taxable income and, therefore, the effective tax rate is lower. Non-taxable income threshold for salary is RSD15,000 and tax is deducted at source by the employer for each employee in the company.

Complementary annual income tax is levied at a rate of 10% applicable to net worldwide income (or net Serbia-source income for non-residents) below 6 average annual salaries and 15% for income in excess of a prescribed threshold (for 2017, threshold for applying progressive tax rate was EUR40,000).

7.6 Other Taxes on Individuals

Stamp duty – Stamp duty is payable according to a tariff based on the value of the document. If there is no value, a flat rate applies.

Real property tax – Tax is levied upon the “catalogued market value” (based on the municipality tax authority assessment) of a real estate at progressive rates ranging from 0.3 to 2%. A 2.5% tax applies on transfers listed in the property tax laws, i.e. the transfer of real property, intellectual property, etc. Tax at a rate of 2.5% is payable on transfer of immovables and used cars which is not subject to VAT.

Gift / Inheritance / estate tax – Tax is levied on inheritances and gifts at rates of 1.5% or 2.5%, depending on the relationship to the deceased. However, no inheritance tax is imposed on beneficiaries related in the first degree to the deceased.

Other taxes – Property use tax or taxes that regard vehicles registration, use of motor vehicles, use of vessels or aircrafts, as well as taxes on carrying and registration of weapons, are subject to municipal authority’s assessments.

7.7 Mandatory Social Security Contributions

The mandatory social security insurance includes pension and disability insurance, health insurance and unemployment insurance. The base for mandatory social security contributions is gross income.

The legislation provides a maximum base for mandatory social security contributions as a 5-time average salary in Serbia. If the paid income exceeds the maximum base, contribution would be paid on the maximum base, and the surplus amount is subject only to personal income tax. The monthly contribution base cannot be lower than the lowest monthly social security contribution base. The lowest monthly social security contribution base is the amount of 35% of the average monthly salary in Serbia paid in the period for the previous 12 months.

Mandatory social security contributions are payable on behalf of employee and on behalf of employer, but both categories are calculated and withheld by the employer. Current percentages for social security contributions are as follows:

Mandatory social security contributions	On behalf of an employee	On behalf of an employer
Pension and disability insurance	14%	12%
Health insurance	5.15%	5.15%
Unemployment insurance	0.75%	0.75%

In the situation when the employer does not pay the salary, there is an obligation to pay social security contributions at the lowest monthly social security contribution base by the last day of the current month for the previous month.

However, there are incentives if companies employ workers directly from the National Employment Agency of Serbia. Companies that increase number of employees by employing of workers who were previously registered with the National Employment Agency are entitled to 65% of returns on mandatory social security contributions if they employ at least one and up to 9 workers; 70% of returns if at least 10 and up to 99 workers are employed; and 75% if companies employ 100 workers who were previously unemployed and registered with the National Employment Agency.

7.8 Customs Duties

The Law on Custom Tariffs (Official Gazette Nos. 62/05, 61/07 and 5/09) and the Customs Law (Official Gazette Nos. 18/10, 29/15 and 108/2016) regulate the customs system in Serbia. Export is liberalised for the majority of goods, and the import of goods is free. However, import of certain goods (like import of drugs or chemicals) are subject to approvals, restrictions and sanitary or phytosanitary controls.

The Law provides eight customs procedures: release for free circulation, transit of goods, customs warehousing, inward processing, processing and storage under customs control, temporary import, outward processing and export.

The customs tariff is based on the internationally harmonised system of names and codes of goods, and as for customs legislation, Serbia is a member of common transit area with a high level of alignment with the EU regulations in this field. Customs rates range between 0 and 30%.

7.9 Excise Duties

Excise duties depend on the production and import of: oil derivatives, bio fuel, electricity, tobacco products, alcoholic drinks and coffee.

The excise duty taxpayer is the producer and importer of excisable products, and the taxpayer is obliged to pay duties every fortnight, and all in accordance with terms prescribed by customs authorities. Exceptionally in case of import

of excisable products, excise duties are paid in moment of payment of import duties. Excise duty is not payable in case of export of excise goods by their producer.

The excise taxpayer is obliged to charge the excise duties at the moment of putting the excisable products on the market. Deferral of excise duty liability is possible by exercising right to hold a registered excise duty warehouse.

There are no rates on excise duties, but the payment calculation is done by liters (with oils, fuels and alcoholic beverages), kilograms (with coffee products) or packages (with tobacco and tobacco products), and all in accordance with the newest Excise Tax Law (Official Gazette No. 30/2018).

In case of tobacco products, the concept of “Minimum Excise Duty” is applicable which means that if the calculated excise duty is lower than the minimum excise duty, the minimum excise duty will be payable.

8. Employment

Serbian labour in the 21st century has been following the modern trends and many students from Serbia now study abroad. This raises the level of their education and knowledge - especially the knowledge of foreign languages. Currently, approximately 20% of Serbian adults hold a university degree diploma, although there is a rapid change in the last few years with the young enrolling both Serbian universities and universities abroad. Young people in Serbia has opportunities to study in Austria, Germany, France and some other countries not as foreigners but as the locals, and this is a great opportunity for the Serbs nowadays.

In Serbia, primary (compulsory) education lasts eight years and starts at the age of 7.

Secondary education in Serbia is broken down into two types of schools: gymnasiums and secondary vocational. This form of education is provided in high schools and is not compulsory (although there are tendencies that the government of Serbia will make the secondary education compulsory by the year of 2020), and generally lasts for four years.

The concept of dual education that is now incorporated into Serbian secondary education has been spoken of for the past several years, pointing to success models in some European countries, primarily Germany, Austria and Switzerland. However, the key reason for insisting on this change is the belief that the introduction of dual education will contribute to the harmonisation of the education system with the needs of labour market and thus contribute to the greater employment of young people in Serbia, and that represents one of the biggest economic challenges.

According to the plans of the Serbian government, dual education is now being introduced gradually into the Serbian secondary education system. The terms refer primarily to technical and vocational schools for whose educational profiles is in high demand in the labour market.

Secondary education, as mentioned above, is followed by higher education in Serbia. Students have the option to enroll in four-year university education programs and obtain their bachelors, masters and doctorate degrees.

In 2017, the number of employees increased by approximately 20,000, and the government monitoring of formal employment was improved by including the Central Registry of Compulsory Social Insurance (CROS) as a data source, thus employers can register new workers electronically.

The main sources of employment law are 1) The Constitution of the Republic of Serbia and 2) The Labour Law. The employment of civil servants is governed by separate regulations.

8.1 Employment Regulations and Procedures

Relationships between employers and employees in Serbia are regulated by the Labour Law (Official Gazette Nos. 24/05, 61/05, 54/09, 32/13, 75/14 and 13/2017; Decision of the Constitutional Court No. 113/2017). A traditional employment relationship is still the most usual way of hiring personnel in Serbia.

As the main source of the employment law, the Labour Law differentiates a) employees, b) contract workers, and 3) managers with management agreements. The Labour Law applies to all employees working in the territory of Serbia either with a local or a foreign employer and protects all types of workers unless their rights are governed by other special regulations, as in case of civil servant employment.

Employees are engaged under written work contracts. An employment contract may be concluded as a permanent (for an indefinite time) or fixed (temporary or part-time up to a maximum of 24 months) type of contract. The employment contract shall be concluded before the employee starts working with the employer and must be in writing. The contract must include the type and level of qualifications of the employee, the type and description of work, the location of the employment, the amount of base salary and elements for determining fringe benefits. After both the employee and the employer sign

such a work contract, it must be registered with the National Employment Service.

Apart from employment, work also may be performed on a contract basis under: 1) temporary or seasonal work contract, 2) a service contract, 3) an agency contract, 4) a training contract and 5) supplementary work contract. A management agreement is more flexible than a permanent contract of employment, but it still needs to be registered with the National Employment Service.

Workers' compensation

Each employee in Serbia is entitled to at least minimum earnings for standard performance and full working hours. Minimum earnings are determined by a decision of the Social and Economic Council established by the Serbian Government. Every year in September, the Social Economic Council brings a decision on a minimal wage for the next year, and if in any case the Social Economic Council fails to do that within 10 days from the day of commencing of the wide discussion between the Employers' Association and the Workers' Unions, the Government has the last word and brings a decision on a minimal wage for the next calendar year. The minimal wage for the year 2018 is RSD143 per hour.

In addition, the employee has the right to receive additional percentage of the salary based on the overtime work (26% of the basic salary), if he/she works on a public holiday (110% of the basic salary), if working at night (26% of the basic salary) and is entitled to 0.4% increase of salary for each year of employment with the current employer as a kind of bonus (i.e. "longevity pay").

Bonuses are generally considered to be part of the salary and are taxable in the same manner as salaries. Bonus schemes are rather common and are not specially regulated by the Labour Law or other regulations.

During the sick leave, if sickness is not directly connected with the work that he/she performs, and has not appeared as a consequence of performing of that work, the employee is entitled to 65% of the average salary paid to him/her in the previous twelve-month period, and if the sickness is in a way

connected to the work, and is a consequence of the work performance, employee is entitled to 100% of the average salary for the previous twelve-month period paid by the employer.

Holidays

A work week consists of 5 working days. A schedule of the working hours within the workweek is set by the employer and it is based on the market needs and customers' demands. A workday usually lasts 8 hours. Statutory working hours in Serbia are generally set for 40 hours per a week and cannot be less than 36 hours per a week in order to be still considered a full working time. Employees working six days a week (usually workers in shops and sales departments) work less working hours per a day and are entitled to at least one free day in a week.

Time over statutory hours is considered overtime. The total working time per day cannot last longer than 12 hours.

The time spent on the overtime work should be additionally paid in the amount of minimal increase of 26% of the basic salary on the regular daily amount.

The employee is entitled to 20 days of annual leave per year and absence from work as a paid leave in the total duration of 5 working days in the course of one calendar year and for the reasons of relocation, marriage, or nursing of a sick parent. Employees are also entitled to a 30-minute rest break during the daily working hour.

There are usually 10 days of public holidays in Serbia. The number of public holidays varies depending on any overlap between holidays and weekends, as the case may be, between two holidays (e.g. Easter holiday and Labour Day in Serbia can coincide and be celebrated on the same day). During public holidays, employees are entitled to compensation based on their average salary in the preceding 12 months.

8.2 Hiring and Firing Requirements

An employment contract may be signed with a person who is at least 15 years old and satisfies other requirements to work at specific jobs. Employment relation may be established with an individual who is less than 18 years old if parents (adopting parents or a guardian) give their consent in writing and provided that such work does not put at risk child's health, moral and ethical standards, further education and that such a work is not prohibited by law. A competent employment agency must verify all the above requirements before a minor can sign the employment contract with the employer.

Firing requirements are more complex than the hiring ones. In case an employee wants to terminate his/her employment contract, he/she is obliged to give to the employer a 15 to 30 days advance notice in writing. In the event of employment termination contract by the employer for poor work performance, certain procedures must be fulfilled, and certain requirements must be met. Prior to the cancellation of the employment contract, the employer is obliged to warn the employee of his/her lack of performance at work, and this warning needs to be in writing. The employer is obliged to warn the employee at least 3 times before the cancellation of the employment contract takes place. The employment contract shall be cancelled in writing with a decision attached to it and shall include explanation with reasoning as well as the instructions relating to legal remedy.

Special protection against the cancellation of employment contract must be taken into consideration. The employer may not cancel the contract if the employee is on a maternity leave, pregnant, expectant, in case of professional sickness or disability. Only when the special commission determines that there is no such a case, the employment contract can be cancelled, and the employee can be declared redundant.

According to the Law, the employer is obliged to pay to an employee all unpaid earnings, compensation of earnings and other income earned by an employee in course of 30 days after the date of termination of the contract. On retirement, employees have the right to severance payment equivalent to two average salaries in Serbia.

The National Employment Service is the institution supervising all hiring and firing activities of companies in Serbia. The National Employment Service protects the national labour force in Serbia, and is in charge of providing of the following services:

- Keeping tracks of the unemployment in Serbia, and provides the Ministry of Finance the information on unemployment benefits on a monthly basis;
- Providing information on employment possibilities and necessary requirements;
- Participating in employment mediation;
- Providing vocational guidance and counselling;
- Organising additional education and training;
- Implementing programs and measures of active employment policy; and
- Issuing work permits to foreign citizens.

8.2.1 Redundancy plan

The employer is obliged to adopt special redundancy plan if within a period of 30 days he/she plans to make redundant the following number of permanently employed workers:

- 10 employees if the total number of permanent workers in his/her organisation amounts to 100 employees,
- 10% of employees if between 100 and 300 workers hold a permanent employment contract,
- 30 employees if there are more than 300 employees on permanent employment contracts.

A redundancy plan must estimate the overall work performance, as well as the social structure of each and every worker on a redundancy list. A

redundancy plan must offer an impartial assessment of all circumstances and be explained in detail, since the violation of that obligation is an offense for which the employer shall be fined up to EUR17,000.

In the event of termination of the employment contract due to redundancy, a severance payment is a prerequisite. The net amount of the severance payment cannot be lower than the sum of 1/3 of the salary of the redundant worker for each full year in service with the employer or with the employer's other related company(s). Furthermore, the redundant worker is entitled to unemployment benefit during the period between three months and 12 months, based on the number of years the worker spent in the employment service with the employer. The calculation of the benefit is set to be the amount of 50% of the average salary that the worker received in the previous six months with the employer.

Otherwise, there are no mandatory severance payments in other cases of the contract termination.

8.3 Social Security Contributions

The Law on Mandatory Social Security Insurance Contribution (Official Gazette Nos. 84/04, 61/05, 5/09, 52/2011, 101/2011, 7/2012, 8/2013, 47/2013, 108/2013, 6/2014, 57/2014, 68/2014, 5/2015, 112/2015, 5/2016, 7/2017, 113/2017 and 7/2018) stipulates that contributions shall provide funds for financing of the following:

- pension and disability insurance;
- health insurance; and
- unemployment insurance.

Current rates at which contributions shall be calculated and paid are as follows:

- For mandatory pension and disability insurance = 26%

- For mandatory health insurance = 10.3%
- The unemployment insurance = 1.5%.

When the contributions are paid simultaneously, the calculation of the contribution shall be at the following rates:

- For mandatory pension and disability insurance – 14% on behalf of the employee, and 12% on behalf of the employer;
- For mandatory health insurance – 5.15% on behalf of the employee, and 5.15% on behalf of the employer;
- The unemployment insurance – 0.75% on behalf of the employee, and 0.75% on behalf of the employer.

8.4 Minimum Wage, Unions and Collective Agreements

8.4.1 Minimum wage

The National Minimum Wage (NMW) of a country is the minimum amount (lowest salary) per hour, per day, or per month that employers may legally pay to workers. In Serbia, workers are entitled to monthly salaries, and although the calculation of a minimum wage is based on hourly rate, wages in Serbia are benchmarked using the average monthly salary.

The net minimum wage in Serbia is currently RSD143 net per hour. The minimal wage applies to all employees. In 2018 the gross national minimum wage in Serbia (with taxes and contributions) remained fixed at EUR285.4 per month and that is EUR3,425 per year considering 12 payments per year. If we look at the gross minimum salary in Serbian dinars, which is the official currency in Serbia, it was RSD33,813.1 and has been raised by RSD3,226.8 per month comparing to the last year's statistics.

8.4.2 Unions

Trade unions are much included into negotiation processes as far as minimum wage and collective agreements are concerned. Trade unions are independent and autonomous in relation to the employers, employers' associations or state authorities.

The largest and the oldest unions in Serbia are the union "Independent", and the "Confederation of autonomous trade unions of Serbia".

There is no obligation on the part of the employer to organise trade unions, but if the employees use their right to organise in trade unions and engage in trade union activity, the employer is obliged to provide technical conditions and premises necessary for trade union activities.

A trade union can be registered if at least 15% of an employer's employees are members of a trade union.

Trade unions have the right to:

- negotiate and conclude a collective bargaining agreement with an employer;
- participate in a collective dispute; and
- participate in tripartite or multipartite bodies on certain levels.

The taking of industrial action is regulated by the Law on Strike (Official Gazette Nos. 101/2005 and 103/2012). The employer must be warned at least 5 days in advance or 24 hours in the case of a warning strike.

A strike ends when the collective dispute is settled or when the majority of employees decide to discontinue with the strike.

Employers are under no obligation to set up a work council. However, a work council can be formed if the employer has more than 50 employees and the details on the right and duties of such a council can be regulated under the company's general act.

8.4.3. Collective agreements

There are three types of collective agreements: individual, special (industrial) and general.

An individual collective agreement is concluded at the level of the employer, between the employer and a representative of a trade union.

If the collective agreement stipulates benefits that are more favourable to workers than current minimum wage or other social contributions' provisions, the employer is obliged to apply those provisions from the collective agreement.

Special (industrial) agreements are concluded at the level of the particular sector e.g. the collective agreement in food or in construction sector.

A general collective agreement is concluded at the state level and is applicable to all employers and employees in Serbia. There is no general collective agreement currently in force.

8.5 Discrimination and Harassment

Employees in Serbia are protected against discrimination under provisions of the Labour Law and the Anti-Discrimination Law (Official Gazette No. 22/09).

According to those provisions, any direct or indirect discrimination against persons seeking employment on account of sex, birth, language, race, colour of skin, age, state of health, sexual orientation, marital status, political or religious conviction, social background, financial standing, membership in political or trade union organisations, is prohibited. Under the "Anti-Discrimination Law", an employee may (1) file a complaint to the Commissioner for the Protection of Equality whose task is to prevent all forms of discrimination, and (2) file a claim to the competent court.

Protection from harassment at work is regulated by the Law on Preventing Harassment at Work (Official Gazette No. 36/10), which defines the

harassment and recognises the cases of harassment, and regulates the obligations of both employers and employees in this respect.

Whistleblowers also benefit from protection under the Whistleblower Protection Law (Official Gazette No. 128/14), which provides that an employer must not put a whistleblower in a less favourable position on the basis of internal whistleblowing. A whistleblower who was subjected to a harmful act in relation to internal whistleblowing has the right to judicial protection.

8.6 Maternity Leave

Female employees are entitled to a) maternity leave and b) child nursing leave of a total 365 days for the first and second child and two years for the third and more, and with addition relevant compensation from the state with regards to number of children that one family has or plan to have.

Benefits during maternity leave, absence from work for child care and absence from work for special childcare are most important rights when talking about financial support to the family with children. The new Law on Financial Support for the Family with Children that entered into force on 1 July 2018 (Official Gazette No. 113/2017) widens the scope of benefits and allowances for families with children. Other important novelty in the Law is that there is an expanded circle of women who can exercise the right to child's wage allowance, as well. Until July 2018 only mothers who are employed could receive benefits during maternity and child nursing leave. Now, this right has been extended to women who independently perform activities i.e. owners of agricultural holdings or who are engaged in employment based on temporary and occasional jobs. As of 1 July 2018, this right will also have women who are unemployed and who have not been eligible for unemployment benefit. In addition, maternity allowance shall also be paid to mothers who insured farms or agricultural lands 24 months prior to the birth of a child, as well as women adoptive parents or guardians of children.

The Law also stipulates that the right for compensation can also be earned by an employed woman who has entered into employment only after the birth of

a child. The duration of maternity leave in this situation is calculated from the date the child was born.

There is also a direct payment of state budgetary fees at the expense of the maternity, and not as it was up to now at the expense of the employer, which caused frequent delays in payments of benefits. Thus, the payment of compensation to employed mothers will no longer depend on the will or financial possibilities of the employer, which is significant for the stability of women in post-natal period.

The calculation for compensation of a maternity leave after childbirth is also changing after July 2018 and is determined based on the sum of contributions paid on any kind of income that a woman earned during the last 18 months prior to the maternity leave. The monthly basis of the compensation is obtained by dividing the sum by 18 but the calculated amount cannot be higher than the 3-time average monthly earnings in Serbia.

Determination of the remuneration base will not be made by the employer but by the local municipality government that will take into account payments of contributions for relevant individuals and record them in the Central Register of Compulsory Social Security, and only that information on the data would be taken as relevant.

Furthermore, with regards to paying of the mentioned compensation, its amount will be paid in full and will not be reduced on the basis of cash withdrawals, loan installments or other cash obligations, but the recipient of the compensation is obliged to settle those obligations personally or through the employer.

As mentioned above, the payment of the compensation is made directly to the bank account of the beneficiary, and the payment is made by the Ministry responsible for social affairs, and from funds provided that go directly to the budget of Serbia.

During pregnancy, maternity and child nursing leave, an employer cannot terminate an employee's contract of employment. In addition to it, if an

employee is in fixed-term (part-time) contract, such a contract is automatically extended to cover the whole leave period.

Upon returning from maternity leave, an employee continues working under the terms and conditions applicable until maternity leave was taken, however, the Law guarantees special protection rights to those breastfeeding.

Fathers have the right to take paternity leave, as well. A father may take paternity leave in case mother abandons the child, dies, or if for other legitimate reasons is not able to exercise this right (e.g. serving a prison sentence, is seriously ill, etc.).

An adoptive parent of a child under the age of five is entitled to up to eight months of leave, and during this period, the parent is entitled to compensation of salary.

The Law provides that the parent of a child under the age of 3 may work overtime or at night only if there is a written consent to it. Also, a parent or a guardian of a child who needs special care due to serious psychological or physical sickness is entitled to absence from work or to work part-time until the child is 5 years of age. This prolonged leave is used on expiry of the maternity leave and childcare leave and is compensated by the state.

8.7 Safety Standards

The Law on Safety and Health Protection at Work (Official Gazette No. 101/05) governs the implementation of safety and health standards at work. If a company has more than 10 employees, it is obligatory for such a company to have an employee (or a company if such a service is outsourced) who will take exams in this field, obtain a license, and be named responsible for safety measures in the company. The preventive measures must be implemented before a company's commencement of work, as well as during the work and at every organisational level especially bearing in mind change of technological processes if company performs production and sales of goods. With addition to the above, the employer is obliged to provide a written act on risk assessment for all type of jobs and work places and to act accordingly.

“The Fire Prevention Act” as well as “The Employees' Protection from Tobacco Smoke Act” must be issued at the company's level, as a part of safety and health protection measures.

8.8 Data Protection and Employees' Privacy

Employees' personal data is processed according to the rules stipulated under the Serbian Constitution and under the Law on Data Protection (Official Gazette Nos. 97/08, 104/09, 68/12 and 107/12. Namely, the personal data processing must not lead to discrimination of employees. An employer may only request certain personal data provided they are directly connected to the employee's job and for determination of professional abilities. An employer cannot request from a potential employee information about his/her family, marital status and family planning.

Additionally, an employer may request information about the employee's criminal records from the competent authorities only if the legal effects of the previous conviction are still ongoing.

An employer may forbid an employee from accessing social media from the corporate network, unless the employee works in marketing or media and communications and uses social media for business purposes. However, the employer cannot control the employee's use of social media outside his/her work place.

The provisions of the Civil Procedure Law (Official Gazette No. 72/2011) apply in all employment related disputes. Those disputes are considered to be “urgent matters” and have priority over other court settlements.

9. Visas and Immigration Issues

At its meeting of 30th October 2014, the Serbian Government adopted the Decision on visa free entry regime for holders of foreign passports having a valid Schengen, UK and other Member States' visa or visa of the United States of America, and for holders of foreign passports having residence permit in the countries of the Schengen area, EU or the United States of America, which was published in the Official Gazette No. 119/2014. By this decision, the above-mentioned categories of foreign nationals may, without prior visa application, enter transit or stay in Serbia up to 90 days during a six-month period, and for the period of stay longer than 90 days a valid residence permit must be acquired.

Investors do not have to apply for residence permit before entering the country, and there is no entry and exit permits that investors must apply before entering or leaving Serbia. Re-entry permits are also not required.

Holders of all types of passports of the Hong Kong Special Administrative Region (HKSAR) also may enter Serbia without prior visa application and have a possibility of 14-day free visa stay in the country.

9.1 Entry Procedures and Visa Requirements

Conditions which have to be fulfilled for entry, movement, stay and return of foreigners are prescribed by the Law on Foreigners (Official Gazette No. 24/2018) which will enter into force at the beginning of October 2018.

There are few types of visas that are issued to the foreigners, and they are:

- Airport transit visa (type A visa),
- Short stay visa (type C visa), and
- Long stay visa (type D visa).

A short stay visa is issued for all purposes of travel for a single, double or multiple entries into Serbia. The duration of an uninterrupted stay or the total

duration of successive visits of a foreigner with a short stay visa should not exceed 90 days within a period of six months from the day of the first entry.

Short stay visa may not be the basis for applying for temporary residence in Serbia. Long stay visa is issued in case duration of visit shall be for a period of 90 to 180 days.

A foreigner who intends to apply for a temporary residence permit in Serbia needs to obtain long stay visa.

Temporary residence may be granted to a foreigner who intends to stay in Serbia for more than 90 days for the purposes of:

- Employment, conducting business or other professional activities,
- Education or learning Serbian language, study, scientific and research activities, professional specialisation, training and practice, international pupil or student exchange program,
- Joining family,
- Other justifiable reasons in accordance with the law or international treaties.

Citizens of the following countries do not need a visa to enter Serbia:

For all types of passports, up to 90 days

Albania, Andorra, Argentina, Australia, Austria, Belgium, Belarus, Bolivia, Bosnia and Herzegovina, Bulgaria, Canada, Chile, China (including Hong Kong and Macao), Croatia, Costa Rica, Cuba, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Iran (up to 30 days all passport holders), Ireland, Israel, Italy, Japan, Latvia, Lichtenstein, Lithuania, Luxembourg, Macedonia, Malta, Monaco, Netherlands, Norway, New Zealand, Poland, Portugal, Republic of Korea, Romania, San Marino, the Seychelles, Singapore, Slovakia, Slovenia, Spain, Switzerland, Sweden, Tunisia, United states of America, Vatican City.

For diplomatic and official passports, as well as ordinary passports with the “on business” clause:

Armenia, Azerbaijan, Georgia, Democratic People's Republic of Korea, Kyrgyzstan, Mongolia, Russian federation, Tajikistan, Turkmenistan, Ukraine.

Only with diplomatic or official passports:

Ecuador, Guinea, Pakistan, Peru, Turkey.

Only diplomatic passports:

Egypt

Only with ordinary passports:

Mexico

Citizens of countries needing a visa to enter, require the following documents:

- Passport valid for at least three months after the intended departure date and issued in the last ten years,
- Proof of reason for stay in Serbia;
- Invitation letter;
- Adequate and valid travel health insurance.

When applying for a short stay visa, the applicant is required to provide evidence:

- The purpose of the travel;
- A sufficient amount of financial resources for accommodation costs or other evidence relating to accommodation;
- The amount of available means of subsistence during the intended stay.

When applying for a long stay visa, documents required when applying for temporary residence have to be enclosed.

Legal entities, entrepreneurs and natural persons providing accommodation services for a fee to foreigners are obliged to report to the police administration the place of residence of the foreigner within 24 hours from the time of provision of service to a foreigner. Fines and penalties for legal and natural persons providing accommodation services as well as for foreigners are prescribed for noncompliance.

9.2 Temporary Stay in Serbia

The Investment Law (Official Gazette No. 89/15), the Law on Employment of Foreigners (Official Gazette Nos. 128/2014, 113/2017 and 50/2018) and the Law on Foreigners (Official Gazette No. 24/2018) along with the Labour Law are the governing laws as far as employment or any other business engagement of foreign citizens is concerned.

A foreign citizen may take up employment on condition that he/she has a temporary residence permit irrespective of the length of stay or permanent residence.

For purpose of granting of the temporary residence permit, foreign citizens are required to submit the following documents:

- Valid passport,
- Registration of the residence address in Serbia;
- Proof of the means of subsistence during the planned stay;
- Filled application form for issuing of the temporary residence permit,
- 2 photos (4x3 cm dia.)
- Evidence on the justification of the request for temporary residence permit in accordance with the purpose of temporary residence;

- Proof on payment of necessary administrative fees for temporary residence.

Temporary residence may be granted for up to one year and can be extended for the same period.

The temporary residence permit processing time usually lasts up to 30 days. Current fees for obtaining of the temporary residence permit amount to approximately EUR150.

If a foreign citizen continuously stayed in Serbia for longer than five years based on the temporary stay (temporary residence permit), he/she can apply for the permanent stay (permanent residence permit) at the Belgrade Police Directorate, number 107, Bulevar Despota Stefana Street. The Ministry of Interior will decide upon the application within the period of 60 days from the date of the submission of the application.

The permanent stay can also be obtained based on family joining or marriage status.

After three years of holding of the permanent residence permit, a foreign citizen is eligible to seek the Serbian citizenship with the Ministry of Interior of Serbia.

9.3 Working Permits

The Law on Employment of Foreigners recognises the two types of work permits:

- Personal work permit, and
- Work permit.

Before seeking of a personal work permit, a foreign citizen must be in a possession of a permanent residence permit. It can also be issued to a refugee or a foreign citizen that has special status on the basis of the law or on the basis of some special international agreement.

As to work permits, there are three different types of these:

- Work permit for employment;
- Work permit for special cases of employment;
- Work permit for self-employment.

A work permit for employment and special cases of employment is granted on the request of the employer.

The foreign citizen can only perform the work and working activities defined in the issued work permit. There are specific procedures regarding the required documents and conditions that must be fulfilled for those three types of permits.

Work permit for employment can be issued provided that:

- Prior to the submission of the request for issuance of the work permit, the employer should not terminate any employment contract and should not make redundant any employee working in the position for which the work permit is requested;
- In the month preceding the request for granting of the work permit, the employer was not able to find a suitable worker among Serbian citizens or persons who have free access to the Serbian labour market or a foreigner with a personal work permit (labour market test);
- a draft employment contract or other agreement by which labour rights are exercised, in accordance with the law, is enclosed.

Work permit for the special cases of employment is issued at the request of the employer, for:

- Assignees;
- Movement within the company;

- Independent professionals;
- Training and development.

The Serbian National Employment Service is in charge of issuance of work permits. Work permit that is granted on the request of the employer usually has the validity period the same as the planned period of employment, but not longer than duration of the temporary stay. The procedure for obtaining a work permit usually takes 45 days, and the administrative fee amounts to approximately EUR110.

9.4 Other Useful Information on Immigration Issues

Import of personal possessions

An investor to whom permanent residence in Serbia is granted can temporary import personal belongings for a period not exceeding 24 months, with the possibility of prolonging of that period along with prolonging of the permanent residence permit. Once the import loses that temporary status and becomes permanent, a custom duty must be paid, and the base for calculation of duties is the value of the goods. There are specific exemptions from customs duties like exemptions of diplomatic and humanitarian organisations or disabled persons.

Generally, all goods crossing the border line are subject to customs procedures. In order to secure the payments of customs duties, the Customs Service enforces measures of customs inspection and check all goods that are being imported or exported.

Medical care

All people living and working in Serbia have the right on health care. Medical care in Serbia is organised on three levels: primary, secondary and tertiary level.

Primary medical care is provided in medical centres and includes a GP's medical checkup, dental care, medical care for women, preschool and school

children, the mental care and the community nursing medical care. Medical care on the secondary level is organised in polyclinics and hospitals, and medical care on tertiary level is organised in clinics, clinical hospitals and hospital centres.

Till now, Serbia has concluded 28 international treaties on social insurance. International treaties on social insurance (or social security) enable harmonisation of national legislations in the area of social insurance of both countries – signatories to the treaty.

International treaties on social insurance can comprise the whole area of social insurance (retirement and disability insurance, complete health insurance, health care and maternity, work injuries and occupational disease insurance, unemployment insurance and child benefit program), or partial, comprising only certain branches of social insurance.

Serbia has concluded international treaties on social insurance of one kind or another with: Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Montenegro, Czech Republic, Denmark, France, the Netherlands, Croatia, Italy, Canada, Cyprus, Libya, Luxembourg, Hungary, Macedonia, Germany, Norway, Panama, Poland, Romania, Slovakia, Slovenia, Sweden, Switzerland, Great Britain and Turkey. (For more information, please refer to Institute for Social Insurance of the Republic of Serbia, <http://www.zso.gov.rs/english/medjunarodni-ugovori.htm>).

Moving costs

With regards to moving from one country to another, it is the best solution and it is strongly recommended for foreign citizens to hire a professional firm specialised in logistics or freight forwarding. Their charges will vary depending on quantity of possessions imported or exported, accessibility of goods that needs to be packed, whether goods need to be stored for some time, etc.

Drivers' licenses

An investor to whom a permanent residence permit is granted, or staff of diplomatic and consular missions and representative offices of foreign

countries, international organisations, foreign trade, transport or cultural and other representative offices and organisations can operate motor vehicles based on a valid driver's license of foreign country, for a period of six months from the date of entrance in Serbia.

When the period of 6 months expires, a Serbian driver's license must be obtained from the local department of the Ministry of Interior based on the place of residence (municipality) of a foreign citizen.

The process of obtaining of a Serbian driver's license is not complicated and the documents required for this processing are as follows: 1) filled application form, 2) valid foreign driver's license with a certified translation into Serbian, 3) valid ID document, 4) residence permit for a period longer than 3 months, 4) two photographs size 3.5x4.5cm², and 5) bank confirmation on taxes paid for the issuance of a Serbian driver's license.

If the investor has a valid driver's license, there is no need for him/her to take any practical or written examinations or driver's tests.

Education

Foreign citizens have the right on education under the same conditions as the citizens of Serbia. If an investor chooses to enroll his/her child into public school in Serbia, there are no fees for enrollment in primary and secondary education guided by public schools. However, if investors wish to enroll their children in private or foreign schools, they need to provide the costs for education.

Tertiary education is accessible to the foreign student under the same conditions prescribed by the law. The studies can be financed at the expense of the budget of Serbia, or at the expense of the student himself, depending on the fulfillment of various conditions such as a chosen faculty entrance exam, diplomas submitted as a proof of certain knowledge and skills, etc.

On the other hand, certain privileges related to academic studies and education are introduced for foreign students on the grounds of bilateral agreements.

10. Sales Promotion

10.1 Restrictions on the Different Types of Sales Promotions

As a general rule, sales promotion and advertising of activities, products and services that are themselves illegal, such as narcotics production and distribution, pornography or counterfeiting, is strictly prohibited.

The state of Serbia regulates sales promotions on several levels, from the Constitution to statutory rulebooks, ensuring that a fair environment for commerce is maintained. The Law on Trade, along with the "Law on Consumer Protection (Official Gazette No. 73/2010) stipulates that for prevention of market disturbances or elimination of harmful market disturbances in terms of supply of goods and services of vital importance for life and health of people or work of economic institutions and other organisations of public interest, the Government may prescribe temporary measures with regards to certain kind of goods and services. The Government also regulates the unfair competition, and defines it as the act of a trader aimed to inflict damage to another trader, by:

- making untrue and insulting allegations on another trader;
- presenting the information on another trader or their goods, tending to harm the reputation of that trader;
- imitating the competition, selling the goods with marks, data and shape with which the buyers are confused with regards to the quality of those goods;
- using and revealing a business secret without a consent of its holder;
- promising, or giving special gifts or bribing or providing material or other privileges to other traders in order of gaining an advantage in relation to the competitors.

Unfair competition is therefore banned, and the trader who suffers the damage due to unfair competition acts, is entitled to compensation of that damage.

With regards to inspection and monitoring of the unfair competition, there is a wide scope of measures for inspectors to act, including: “white” and “black” business lists, compliance programs, temporary measures prohibiting potentially damaging activities, out-of-court damage settlements, judicial compensation for damage, financial consequences and consequences for the reputation, prohibition of further unfair competition activities, temporary or permanent prohibition of operation, confiscation of goods, etc.

One of the mechanisms of unfair competition regulation, protection and risk management comprises “white” and “black” lists of business, which attract considerable public attention. “White” business lists are lists of companies and other business entities which show the strongest adherence to provisions of laws and bylaws, good business practices and professional and ethical standards. On the other end of the spectrum, those who adhere the least to these provisions and rules are “blacklisted”. Both lists are compiled by business associations, international development and financial institutions and organisations, non-governmental organisations, as well as media channels.

It is also forbidden to organise, conduct and advertise pyramid trading in Serbia.

Pyramid trade is a trade within which the buyers can buy goods or services only from the persons included in the chain or network for resale of goods or services (network members), and when the seller conditions the purchaser to:

- pay the membership fee or other fee to the organiser of the network;
- buy the same, or other goods in quantity and value for which the seller knows or must know to be unreasonably high;
- to find other persons that will resell the goods offered by the seller, if the right on a bonus for finding those persons is conditioned with payment or giving a special refund to the seller.

10.2 Advertising

Aggressive product promotion and advertising are effective tools in Serbia. On 26 January 2016, the Government adopted the new Advertising Law (Official Gazette No. 6/2016). The new Advertising Law is applicable to all forms of commercial advertising, irrespective of medium used.

The general principles as set out in point 10.1.a) above apply not only to sales promotions but also to advertising in general, i.e. advertising must influence the consumer to make an informed decision, thereby inducing the consumer to make a commercial decision which he would otherwise not have made.

The Law proclaims several ground principles according to which advertising is to be conducted. Among these are:

- Freedom to advertise;
- Requirement of verity, completeness and clarity;
- Requirement that the advertisement be recognisable as such;
- Prohibition of abuse of trust;
- Prohibition of discrimination and violation of morals.

The Law particularly regulates the following categories:

Misleading advertising

Misleading advertising – advertising which in any way deceives or is likely to deceive the person to whom it is addressed and is likely to affect his/her economic behaviour and injure the competition – is prohibited.

Protection of minors

The Law imposes set of rules in advertising for children up to 12 years of age and young people 12-18 years of age, aiming to protect minors against inappropriate advertising and abuse of their trust.

Online advertising

Online advertising rules contained in the new Law are applicable on advertisements targeting audience in Serbia and define conditions upon advertised goods or services may be bought, i.e. delivered throughout the territory of Serbia.

Tobacco and alcoholic beverages

Advertising cigarettes and other tobacco products is prohibited. Same applies to electronic cigarettes as well. As for alcoholic beverages, the regime is actually liberalised, and allows:

- In print media, as long as the publication is not aimed at minors;
- In broadcast media, for beverages containing less than 20% alcohol by volume only after 6.00 pm and before 6.00 am and beverages containing more than 20% alcohol by volume only after 11.00 pm and before 6 am;
- Online, for beverages containing less than 20% alcohol by volume only;
- Outdoor, if not in the vicinity of kindergarten, school, health institution, or any other institution intended to minors, beverages containing less than 20% alcohol by volume only;
- At sport events and in connection with the sports, for beverages containing less than 20% alcohol by volume only.

However, advertising of alcoholic beverages even when it is allowed must follow certain rules. Each advertisement needs to contain a warning message as a reminder that selling of alcoholic beverages to minors is prohibited.

Nutrition and health claims

Nutrition and health claims must be based on relevant scientific justification or authorised and confirmed certificates.

Gambling

All advertisements for gambling services or products, besides the number of restrictions, designed to protect minors, must contain a message as a reminder of gambling age restrictions. Nevertheless, only duly licensed gambling operators are allowed to place advertisements.

Firearms, Weapons and Ammunition

The Law permits advertising of sporting and hunting firearms, weapons and ammunition without any restrictions. Advertising of firearms, weapons and ammunition other than those for sporting and hunting purposes is prohibited to the general audience.

When speaking of regulatory bodies, it is easy to draw the conclusion that state institutions play the main role in regulation as well as in implementation of Law on Advertisement. Local government (cities, municipalities) also have jurisdiction when it comes to implementation of the Law which is carried out through their own local inspection services. Furthermore, broadcast media are largely self-regulated.

10.3 Means of Trade Promotion

Television and radio advertising still represent the most effective trade promotion in Serbia. Television reaching 90% of households has the broadest reach of all media. Serbia has two state-owned and three private TV channels with national coverage. There are five regional channels as well. Those channels with national coverage have restriction on advertising and are restricted to six minutes per an hour.

Advertising on privately-owned (both regional and local) television stations cannot exceed 20 percent of their total program length. The most advertising products on Serbian TV channels are: telecommunication companies, vehicles, financial institutions, beverages, newspapers, drugs and hygiene products. Digital printing and commercial graphics are widely used in Serbia and can cover facades of entire buildings.

Trade promotion events and fairs continue to be popular in Serbia. The Belgrade Fair maintains its tradition of organising industry-focused exhibitions such as the car fair, construction equipment fair, furniture, fashion, medical and pharmaceutical products, books, tourism, etc. The Belgrade Fair also includes numerous foreign exhibitors. Next to the Belgrade Fair is the Novi Sad Fair that organises the biggest agricultural trade show in Serbia.

Billboards are also widely used and there are more than 10,000 billboards in Serbia. Nevertheless, billboards are frequently used for political and election campaigns and are increasing in popularity in urban areas for consumer related goods and services.

There are many domestic advertising agencies who operate in Serbia and the biggest international agencies are in partnership with domestic ones. Prices in this field of business vary wildly, depending on the location, frequency and category of advertising.

10.4 Internet – the Future of Trade Promotion

Internet promotion gains popularity and the internet itself has become the most powerful selling tool. It becomes extremely popular in Serbia as well. Except for products, internet promotion is also used for promotion of a certain personality or group and for the purposes of election campaigns. Companies nowadays create their marketing strategies on internet promotions of their products and services.

Internet promotion among other things means direct mailing, addition to the distribution of flyers and brochures, addition to telemarketing, addition to promotion activities at the point of sales (POS) and addition to merchandising which improve the sale in stores.

Companies and advertising agencies today use email marketing and social networking, especially Instagram, Twitter, YouTube, Facebook and Pinterest. LinkedIn is also widely used among various professionals for the purpose of exchanging information.

Internet promotion uses the benefit of blogs and forums and these types of promotion are also becoming very popular among both Serbian and foreign citizens. Companies also use internet promotion in organisations of their events – promotional activities which are also very popular in Serbia nowadays.

11. Other Aspects

11.1 Investment Rules and Regulations

Mergers and acquisitions

The competent authority for mergers control in Serbia is the Commission for the Protection of Competition governed by the Law on Protection of Competition (Official Gazette Nos. 51/2009 and 95/2013). The Law monitors the following types of transactions:

- Mergers and other statutory changes leading to consolidation of undertakings,
- Acquisition by one (sole control) or more (joint control) undertakings of direct or indirect control over another undertaking, or parts of undertaking which can be considered to constitute an individual business unit, and
- Establishments of joint ventures or acquisitions of joint control over existing undertakings, performing on a long-term basis all functions of an autonomous undertaking.

An undertaking is deemed to have control over another undertaking if it has the potential to exercise decisive influence on the latter's activities and such influence can be based on: (1) a controlling shareholding, (2) ownership over the assets of an undertaking, (3) rights deriving from contracts or securities, and (4) receivables, guarantees over receivables or on the basis of business practice determined by the controlling undertaking.

According to the Law, if control over the whole or part of one or more undertaking(s) is acquired, the notification has to be submitted by the undertaking acquiring that control. In all other cases, the notification has to be submitted jointly by the undertakings concerned. Filing and clearance fees for clearance decision in Phase 1 of the proceedings (Summary process) is 0.03% of the combined annual turnover of the undertakings concerned – capped at EUR25,000. For clearance decisions in Phase 2 proceedings

(Investigation process), the fee is 0.07% of the combined annual turnover of the undertakings concerned – capped at EUR50,000. The fee shall be paid within three days following the submission of merger notification – failing to do so will initiate the withdrawal procedure. Confirmation of payment has to be presented to the Commission.

A transaction has to be notified if either of the following thresholds is met:

- the aggregate worldwide turnover of all the undertakings concerned in the year preceding the concentration is at least EUR100 million, provided that at least one of the undertakings concerned achieved a turnover in Serbia of at least EUR10 million, or
- the aggregate turnover in Serbia of at least two undertakings concerned is at least EUR20 million in the year preceding the concentration, and each of at least two of the undertakings concerned achieved a turnover in Serbia of at least EUR1 million.

A concentration has to be notified within 15 days following any of the following acts, whichever occurs first:

- Conclusion of an agreement,
- Announcement (publication) of a bid, offer or closing of the bid, or
- Acquisition of control.

The Law provides that parties that fail to timely notify a transaction face procedural penalty in the range of EUR500 to EUR5,000 per day of fines, capped at 10% of the total annual turnover achieved by the violating undertaking(s). Furthermore, the breach of the suspension clause is subject to fines up to 10% of the total annual turnover generated in Serbia. Also, and at the same time, the Commission may also reinforce the de-concentration measures by ordering the parties to split a company, divide shares, terminate a contract, etc.

Public – private partnerships

The public-private partnership (PPP) is a long-term co-operation between a public and a private partner for the purpose of providing financing, construction, reconstruction, management or maintenance of infrastructure and other facilities of public interest and provision of services, of public interest, which may be contractual or institutional.

The Law on Public-Private Partnership and Concessions (Official Gazette Nos. 88/2011, 15/2016 and 104/2016) was firstly adopted in 2011, and since then several PPP projects have been initiated and implemented in Serbia, these being mostly on the low to medium scale. The sectors involved vary from public transport, public lighting, energy and water to maintenance of roads and other infrastructure.

From a legal point of view, a PPP project procedure is governed by both the PPP Law and the “Public Procurement Law” (see the next Chapter). The rules of the Public Procurement Law are applicable to the procedures for the public invitation, submission and evaluation of bids and for selecting the most preferred bidder (i.e. future private partner).

The most important elements of public-private partnership refer to the following:

- The subject of PPP, which may not be an exclusive commercial use of the asset in general,
- The form of PPP, which may be an institutional PPP or a contractual PPP, or as a concession that presents a special form of PPP in accordance with this law, and
- The obligation of the private partner to take over from the public partner the design, construction or reconstruction of public infrastructure or a facility of public interest including financing, management and maintenance for the purpose of providing services to final beneficiaries.

Parties in PPP projects regulate their obligations by a public contract. Any national or foreign individual may participate in the procedure for the award of a public contract. A Special Purpose Vehicle (SPV) shall always be established in order of implementation of a public contract. The SPV shall be established according to the provisions of the law regulating the status of companies. It is allowed to form consortia for the purpose of participation in the public contract award procedure, unless the public body implementing the procedure explicitly states otherwise in the tender documents.

The procedure of awarding a PPP public contract with or without elements of concession shall be launched by means of a public invitation in the Serbian language and in a foreign language commonly used in international trade. The identical text of the public invitation shall be published in the Official Gazette of Serbia, as well as in the daily paper widely distributed in the whole territory of Serbia, on the web page of the public body and on the public procurement portal, stating the date when the invitation is to be published in the Official Gazette. The public notice shall, if necessary, be published on one international newspaper and electronically on the internet page of the Tenders Electronic Daily, the international publication attached to the Official Journal of the EU. This is mandatory for projects whose value exceeds EUR5 million.

The main procedural steps for the development of a PPP project are the following:

- Setting up the Project Implementation Unit,
- Defining the Project Boundary and Baseline,
- Preparing a PPP Project Proposal, including technical, financial and economic analyses, and
- Obtaining approval for the PPP project proposal from the competent authorities, i.e., the PPP Commission and the Ministry of Finance if the value of the project exceeds EU 50 million.

A PPP project proposal shall contain:

- The subject of the proposed PPP, a designation of the geographical area in which the activity of the PPP is performed and the objectives within the scope of public tasks that are to be achieved through the project,
- The business plan, including the conditions of the PPP, the cost estimates and the analysis of the calculated value in relation to investment, specifications in terms of the project financing and the availability of funding,
- The economy efficiency analyses of a PPP project,
- Types and amounts of collateral instruments,
- Brief overview of conditions, requirements and manner of providing the infrastructure and services to beneficiaries,
- Information about the award procedure, especially about the selection and contract award criteria,
- Requirements in the field of environmental protection and work conditions,
- The planned time schedule for project development, and
- The project team of the public body which will monitor the project.

The period for the submission of bids shall not be less than 60 days of the date of publication of the public invitation notice in the Official Gazette.

The deadline for the decision on the selection of the best bid shall be appropriate, and it shall commence with the date of the expiration of the deadline for the submission of bids. Unless the tender documents stated otherwise, the deadline for the decision on the selection of the best bid shall be 60 days.

In Serbia, a given PPP project may last between 5 and 50 years. The PPP contract may, at a public partner's or a private partner or a financing bank's

request, be amended after signing, but such amendments cannot include the subject matter of the contract, nor the period for which the contract is signed.

A public contract can be financed by the private partner through a combination of direct investments in the capital or through a loan, including without limitation structured or project financing and other similar instruments provided by international financial institutions, banks, or other third parties – financiers.

With the prior consent of the public partner, the private partner shall be authorised to assign, put under mortgage, or pledge, for a time period and scope that is in accordance with the law any of his/her rights, or obligations from the public contract or other project related property in favour of the financiers and for the purpose of securing payment of any existing or future claims related to construction and financing, or re-financing of the PPP.

Currently, the energy sector is a leader in PPP projects with the European Investment Bank that is actively looking to fund potential PPP projects in this region. Nevertheless, the further improvements in this field need to be implemented, as such:

- The capacities of the PPP Commission have to be further improved,
- The sharing of knowledge and existing know-how among various public entities needs to be strengthened and supported,
- The domestic financial and banking sector needs to become better acquainted with PPP projects, and
- Practical implementation of the rules relevant for determining the project value that are PPP-specific needs to be improved, etc.

Until now, 62 PPP projects have been approved, of which 27 are contracted with the total value of EUR1.86 billion, while six projects account for more than 97% of the total. The city of Belgrade, with the largest share, boasts the highest number of partnerships.

Expropriation and Compensation

Serbia's Law on Expropriation (Official Gazette Nos. 20/2009, 55/2013 and 106/2016) authorises expropriation (including eminent domain) for the following reasons: education, public health, social welfare, culture, water management, sports, transport, public utility infrastructure, national defence, local/national government needs, environmental protection, protection from weather-related damage, mineral exploration or exploitation, resettlement of personal holding mineral-rich lands, property required for certain joint ventures, and housing construction for the socially disadvantaged.

In the event of expropriation, Serbian law requires compensation in the form of similar property or cash approximating the current market value of the expropriated property. The law sets forth various criteria for arriving at the amount of compensation applicable to different types of land (e.g. agricultural, vineyards or forests) or easements that affect land value. The local municipal court is authorised to intervene and decide the level of compensation if there is no mutually agreed resolution within two months of the expropriation order.

The Law on Investment also provides safeguards against arbitrary government expropriation of investments. There have been no cases of expropriation of foreign investments in Serbia since the dissolution of the former Federal Republic of Yugoslavia in 2003. There are, however, outstanding claims against Serbia related to property nationalised under the Socialist Federal Republic of Yugoslavia, which was dissolved in 1992.

Dispute Settlement

When negotiating contracts, the parties may agree on the manner in which to resolve disputes. Most often for domestic entities, contract dispute resolution is left to the courts and can be pursued through civil procedures. Under Serbian commercial law, contractual relations are regulated by the "Law on Obligations", also known as the Law on Contracts and Torts (Final amendment in Official Gazette of FRY No. 31/1993). Commercial Courts have jurisdiction over commercial disputes, and appeals are referred to the Higher Commercial Court.

Parties to a contract are free to decide which substantive law shall govern the contract, and the law of Serbia does not have to be governing law of a contract entered in Serbia.

Judgements of foreign courts are enforceable in Serbia only if they are recognised by Serbian courts. Jurisdiction over recognition of foreign judgements rests with the Commercial Courts and Higher Courts. Procedures for recognition of foreign court decisions are regulated by the Law on Resolution of Disputes with the Regulations of Other Countries – The Law on Arbitration (Official Gazette No.46/2006), as well as by bilateral agreements. The most important condition for recognition of foreign judgements is the reciprocity.

1. Investor-State Dispute Settlement and International Commercial Arbitration and Foreign Courts

Although Serbia is a signatory to many international treaties regarding international arbitration, enforcement of an arbitration award can be a slow and difficult process. Serbia's Privatisation Agency refused for five years (2007-2012) to recognise an International Chamber of Commerce / International Court of arbitration award in favour of a US investor.

The Law on Arbitration authorises the use of institutional and ad hoc arbitration in all disputes and regulates the enforcement of arbitration awards. The law is modeled after the United Nations Commission on International Trade Law (UNICTRAL Model Law). Commercial contracts in which at least one contracting party is a foreign legal or individual may incorporate arbitration clauses, invoking the jurisdiction of the Foreign Trade Court of Arbitration of the Serbian Chamber of Commerce, or any other foreign institutional arbitration body, including ad hoc arbitration bodies. Arbitration is voluntary. International arbitration is an accepted means for settling disputes between foreign investors and state. Serbia is a signatory to the following international conventions regulating the mutual acceptance and enforcement of foreign arbitration:

- 1923 Geneva Protocol on Arbitration Clauses,

- 1927 Geneva Convention on the Execution of Foreign Arbitration Decisions,
- 1958 Recognition and Enforcement of Foreign Arbitral Awards (New York Convention),
- 1961 European Convention on International Business Arbitration, and
- 1965 International Centre for the Settlement of Investment Disputes (ICSID).

Serbia allows for mediation to resolve disputes between private parties. Mediation is a voluntary process and is conducted only when both parties agree. The Law on Mediation (Official Gazette No. 55/2014) regulates mediation procedures in disputes in the following areas of law: property, commercial, family, labour, civil, administrative and in criminal procedures where the parties act freely, unless the law stipulates exclusive authority of a court or other relevant authority.

Mediators can be chosen from the list of the Serbian National Association of Mediators, or from an official registry within the Ministry of Justice. There are two types of mediation: court-annexed and private mediation. An individual can also be referred to mediation by a court, advocate, local ombudsman, employees of municipal or state authorities, an employer, or the other party to the conflict.

11.2 Participating in Public Tenders

The Public Procurement Law (Official Gazette Nos. 124/2012, 14/2015 and 68/2015) governs the planning of public procurement, and the requirements, manner and procedures of public procurement in cases when purchaser is a state body, organisation, or a government institution. The main principles governing this area are the principles of economy and effective use of public resources, principles of ensuring the fair competition between the bidders, principle of transparency of the public procurement process, and principle of

equality of the bidders, and with regards to the above, foreign companies can participate in public procurement processes in Serbia.

Furthermore, the Law stipulates that a procuring entity shall ensure equality of all bidders and may not impose requirements that would constitute territorial subject or personal discrimination among bidders, and the Law is particularly clear when saying that a procuring entity shall not exclude any bid merely because the bidder's registered address is located outside Serbia. However, the Law also stipulates that if a bidder offers products originating from a country with which Serbia has not concluded an agreement that would enable domestic bidders to have equal access to the market of that country, such a bid may be rejected if more than 50% of the offered products in the bid originate from such country.

The criteria for evaluating bids are:

- the economically most advantageous bid, and
- the lowest price offered.

The economically most advantageous bid criterion is based on 17 different aspects, such as: price offered, payment terms and conditions, delivery period, or period of completion of works, current costs, technical and technological advantages, warranty period, etc.

Public procurement procedures are as follows;

- Open procedure,
- Restricted procedure,
- Qualification procedure,
- Negotiated procedure with invitation to bid,
- Negotiated procedure without invitation to bid,
- Competitive dialogue,

- Design contest, and
- Low-value public procurement procedure.

Open procedure is procedure wherein all interested individuals may submit bids. In restricted procedure, those who meet the recognised qualifications are invited to submit bids. Contracting authority may conduct qualified procedure where it is not possible to foresee public procurement beforehand from the aspect of volume, quantity and time, and the subjects of such procurement are occasional services or consumables, or occasional repairs or works in regular maintenance. Contracting authority may conduct negotiated procedure with invitation bid usually where in open, restricted or qualification procedures or in competitive dialogue all bids received were unacceptable, or, in the case of negotiated procedure without invitation to bid, if the contracting authority did not receive any bid or application in open, restricted or qualification procedures. Contracting authority may conduct competitive dialogue in cases where public procurement subject is particularly complex, so that public procurement contract may not be awarded through open or restricted procedures. Contracting authority conduct design contest in the fields of urban planning, architecture, construction, engineering and data processing, and the low-value public procurement is procurement with estimated value lower than RSD5 million.

In procurement with the estimated value not exceeding RSD500,000 and where neither the total estimated value of the same-kind procurements at the annual level exceeds RSD500,000, contracting authorities are not obliged to apply the provisions of the Law.

According to the latest EU Commission REPORT ON SERBIA (April 2018), with regards to Public procurement, Serbia is moderately prepared with the EU regulations. Significant efforts are needed to further improve competition, efficiency and transparency in public tenders. EU recommendations are as follows – in the coming years Serbia should particular:

- 1) Ensure further alignment with the EU Directives on public procurement, including concessions,

- 2) Ensure the intergovernmental agreement concluded with third countries and their implementation do not unduly restrict competition and are in line with the national legislation and EU acquis and
- 3) Continue to strengthen the capacity of the Public Procurement Office, the Commission for the Protection of Rights in Public Procedures and the administrative courts.

In December 2016, the government adopted an action plan for implementation of the public procurement strategy for 2017. Implementation of this action plan has been partial with delays in adopting new legislation. In December 2017, the government adopted a new action plan for 2018. The Public Procurement Office (PPO) supervises compliance with the law on public procurement and maintains the public procurement portal.

In the first half of 2017, Serbia's public procurement market decreased slightly as a percentage of GDP to 7.2% following the 2016 trend. In 2016, it has fallen to 8% from 8.9% in 2015, following three consecutive yearly increases. The average number of bids per tender improved in the first half of 2017 to 3.3 from 2.9 in both 2016 and 2015. The share of contracts awarded to foreign bidders fell 1% in the first half of 2017 after increasing by 5% in 2016 and 2% in 2015.

Monitoring of contract award and implementation remained stable. The proportion of negotiated procedures without prior notice remains low, having fallen to 3% in the first half of 2017 and in 2016, from 4% in 2015. Open procedures increased to account for 93% of the total value of contracts in the first half of 2017 and in 2016, from 89% in 2015 enhancing transparency. Centralised public procurement contracts rose to represent 15% of the total annual procurement budget in 2016 and the first half of 2017, from 10.7% in 2015. This should have a positive impact on efficiency. However, the use of the most economically advantageous tender criterion fell sharply to 12% in 2016 and the first half of 2017 from 19% in 2015. The increasing use of the lowest price as the selection criteria might ultimately lead to highest product life-cycle costs for Serbian citizens. No progress has been made in the field of e-procurement using e-tools, such as e-submission and e-auctions.

Irregularities were found in 10% of tenders inspected by the State Audit Institution in 2016, down from 28% in 2015, pointing to potentially positive trends in tender implementation.

The PPO still lacks the administrative capacity to carry out many tasks. The Commission for Public-Private Partnerships and Concessions is also understaffed with only the Vice-President of the Commission working full time on project proposals. There were no developments in integrity and handling conflicts of interest, as well.

11.3 Local Investment Incentives

In addition to existing benefits, such as strategic geographical location, among the lowest corporate tax rates in Europe, or duty-free exports to the countries of South Eastern Europe and Russia, Serbia has prepared a package of financial support to both domestic and foreign investors:

- Investment projects in the manufacturing sector for which funds can be allocated:
 - If an investor creates at least 10 jobs and a minimum of EUR100,000 of the eligible costs of investment in the most underdeveloped areas of the country (classified as devastated region of Serbia);
 - If an investor creates at least 20 jobs and a minimum of EUR200,000 of the eligible costs of investment in the most underdeveloped areas of the country (classified as the fourth group according to the development level of Serbia);
 - If an investor creates at least 30 jobs and at least EUR300,000 of the eligible costs of investment in the local community of the third group of developed regions;
 - If an investor creates at least 40 jobs and at least EUR400,000 eligible costs of investment in the local community of the second group of developed regions;

- If an investor creates at least 50 jobs and at least EUR500,000 eligible costs of investment in the local community classified in the first group of developed regions.

Also, financial support may be given to an investor if it creates projects in the service sector which may be subject to international trade and in which the minimum value of investment is EUR150,000 providing at least 15 new jobs.

➤ Types of incentives that can be allocated:

- Incentives for eligible costs of gross salaries for new jobs – 20% refund for investments in group I of developed regions; 25% refund for investments in group II; 30% refund for investments in group III, and 40% refund for investments realised in group IV of developed regions.
- These amounts are limited to a maximum of EUR3,000 (for group I), EUR4,000 (for group II), EUR5,000 (for group III), EUR6,000 (for group IV), and EUR7,000 per new jobs created in the most devastated regions.
- Incentives for eligible investment costs in fixed assets – 10% refund for investments within group I, 15% within group II, 20% within group III, 25% within group IV and 30% for investments in fixed assets in the most devastated regions.
- Additional incentives for labour-intensive projects – an increase in grants may be approved for: 10% of the eligible costs of gross salary for any increase in the number of new jobs created over a number of 200, 15% for any increase in the number of new jobs created over a number of 500, and 20% for any increase in the number of new jobs created over a number of 1,000.

The funds cannot be used for financing investment projects in: transportation, software development unless used to improve the product, production process or provision of international trade services, hospitality, game of chance, trade, production of synthetic fibers, coal and steel, mining, tobacco and tobacco products, weapons and ammunition, shipbuilding of maritime merchant

vessels on self-propelling over 100 gross registered tons, airports, logistic centres, utilities sector and energy sector, broadband network, fisheries and aquaculture. For more information, please refer to the Regulation on Conditions and Method of Attracting Direct Investments (Official Gazette No. 37/2018).

The Regional Development Measures and Incentives Register (the Register) started performing its activities within the Serbian Business Registers Agency from 1 February 2011. The Agency keeps the Register pursuant to the Law on Regional Development (Official Gazette Nos. 51/20019, and 30/2010 and 89/15), "Decree on the Contents, Manner and Procedure of Keeping the Regional Development Measures and Incentives Register (Official Gazette Nos. 93/2010, 100/2011, 35/2012, 16/2013, 76/2015, 12/2017 and 83/2017), Guidelines and Detailed Terms and procedures for Data Entry on Regional Development Measures and Incentives, as well as in accordance with the law regulating the legal status of the Agency.

The Register is unique, centralised electronic database of the taken measures and implemented incentives that are of significance for regional development. The Register contains information on type of documents for providing incentives for regional development, intended purpose of incentives, financial characteristics of incentives, incentive providers and beneficiaries, territorial allocation of incentives, sources of funding, as well as other data of significance for assigning new investments to central regions for the achieving of goals set by national and regional development programs. Regional development incentives are allocated for the implementation of projects in the field of regional development of national, regional and local interest to Serbia. These are projects for the construction or reconstruction of utility, economic, environmental, energy, social and other infrastructure, building and strengthening institutions, human resources, development of companies and entrepreneurs, stimulation of scientific and research work, i.e., projects contributing to overall social, economic and regional development. (For more information, please refer to: <http://apr.gov.rs/eng/Registers/RegionalDevelopmentMeasuresandIncentives/AboutRegister.aspx>).

An additional EUR10 million for incentives in 2018 has been available to local and foreign investors who invest in Serbia, and the Ministry of Economy has invited enterprises to apply in order to exercise this right. The public invitation for the usage of incentives has been open since June, and the money is meant for projects which entail the employment of up to 100 workers, but also to big investment projects of special importance for Serbia which don't entail public calls.

When it comes to projects which entail the employment of up to 100 workers, the Ministry announces that 12 contracts worth a total of some EUR18 million were signed in 2017. The incentives for those projects, which will create 600 to 700 new jobs, amounted to EUR2.3 million. The Ministry also emphasises that EUR4.2 million has been set aside in 2018 for projects which entail the employment of up to 100 workers, of the total EUR10 million, and points out that investors that employ up to 100 workers in the long term in Serbia are very important. The amount of incentives will depend on the degree of development of the local self-government and will be larger for those enterprises that operate in less developed areas. The maximum incentive amount per job that an investor can count on in such local self-government is EUR7,000. In local self-governments belonging to the first development group, enterprises need to invest EUR500,000 and employ at least 50 new workers, and in that case, the maximum amount of incentives per job is EUR3,000.

As mentioned above, the incentives are meant for the widest range of production activities, and the field of activities that can use this option has been expanded to include hotel tourism in spa areas.

Investors interested in using incentives should send a letter of intent to the Ministry of Economy, which will give its opinion on the project and the amount of funds that could be given as an incentive. The project will then be forwarded to the Development Agency of Serbia, which will allocate a project manager who will monitor the project, and once the right to incentives is realised, the control and the supervision over the project will be carried out by the Ministry of Economy in co-operation with the Development Agency of Serbia.

11.4 Risk Portfolios

11.4.1 Restrictions on profit repatriation

Restrictions on profit repatriation is considered with regards to transfer pricing, and the introduction of Serbian domestic legislation on transfer pricing is a recent development. In 2012, transfer pricing provisions were introduced in the Serbian Corporate Income Tax Law and were later expanded in the Transfer Pricing Rulebook published by the Ministry of Finance (12 July 2013, Official Gazette No. 61/2013) and later amended.

The Rulebook sheds light on requirements in relation to transfer pricing documentation and determinations. Before its publication, the appropriate methods and regulations were regarded as being rather unclear.

The transfer pricing legislation in Serbia follows the Organisation for Economic Co-operation and Development's (OECD) guidelines. (For more information, please refer to 7.4 – Other Taxes on Corporation).

11.4.2 Ease of doing business

The business environment in Serbia is constantly improving, and Serbian economy has been steadily progressing. Fiscal consolidation, reduction of the budget deficit and increased employment in private sector present positive signs for investors, signaling a certain level of macroeconomic stability.

Every year, the Serbian Foreign Investors Council issues the paper called the "White Book" with the aim to offer a comprehensive overview of the business environment in Serbia and provide concrete recommendations on how to improve it.

The key findings of the 2017 White Book suggest that between October 2016 and October 2017 the most progress was attained in the following four areas: construction land and development, protection of users of financial services, transport and tobacco. In the same period, the least progress was made in the following four areas: company law, corporate income tax, post war restitution and compensation, and quality standards in milk production.

Despite the encouraging progress, there are certain weaknesses that require quick reaction from the governing bodies, and those weaknesses include: 1) massive and inefficient public sector, 2) inadequate transport infrastructure, 3) sensitivity to weather forecast (in agricultural and energy sector), 4) difficult debt collection at times, 5) slow and inefficient tax system reform, and 6) grey economy and illegal market activities.

Apart from the abovementioned weaknesses, the main obstacles that may discourage foreign investors are:

- Political instability and risk of stagnation still high compared to other countries in the zone (the conflict with Kosovo, for example),
- The trade deficit and the level of public debt remain problematic for the country's economy, which needs external financing to support its growth,
- A lack of transport infrastructure and lack of access to the sea is detrimental to the country,
- Ingrained corruption and administrative burden weaken the confidence level of the business community,
- The cumbersome and slow implementation procedures in Serbia can dampen entrepreneurial initiatives.

According to the World Bank ranking for Ease of doing business in 2018, Serbia ranks 43rd out of 190 countries analysed with better performance than some countries in the region already EU members, which is quite encouraging. Serbia's ranking for individual factors considered in the World Bank study are:

- Starting a business: 32nd place out of 190,
- Dealing with construction permits: 10th place out of 190,
- Getting Electricity: 96th place out of 190,
- Registering Property: 57th place out of 190,

- Getting Credit: 55th place out of 190,
- Protecting Minority Investors: 76th place out of 190,
- Paying Taxes: 82nd place out of 190,
- Trading across Borders: 23rd place out of 190,
- Enforcing Contracts: 60th place out of 190,
- Resolving Insolvency: 48th place out of 190.

(www.doingbusiness.org/data/exploreeconomies/serbia).

11.4.3 Complex taxation system

The tax system of Serbia is rather complex and it is subject to frequent changes. As of April 2018, there are 12 tax laws, 14 acts and 119 rulebooks. Nevertheless, the Ministry of Finance is currently considering simplifications of the tax system in Serbia.

11.4.4 Double Taxation Treaty (DTT)

Serbia has signed many bilateral tax treaties for the avoidance of double taxation and fiscal evasion. Serbia has currently 64 effective double taxation treaties on income and capital. (For the list of double taxation treaties, please refer to www.oecd.org/tax/treaties/beps-mli-position-serbia.pdf).

11.4.5 Investment Promotion and Protection Agreements (IPPAs)

Serbia has concluded investment promotion and protection agreements with the following 54 countries: Albania, Algeria, Austria, Azerbaijan, Belarus, Belgium-Luxembourg Economic Union, Bosnia and Herzegovina, Bulgaria, Russia, Canada, China, Cyprus, Croatia, Czech Republic, North Korea, Denmark, Egypt, Finland, Macedonia, Malta, Morocco, France, Germany, Ghana, Greece, Guinea, Hungary, the Netherlands, India, Indonesia, Iran, Iraq, Israel, Italy, Kazakhstan, Kuwait, Libya, Lithuania, Nigeria, Montenegro, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Switzerland, Turkey,

the UK and Northern Ireland, Ukraine, the United Arab Emirates and Zimbabwe (please refer to <http://investmentpolicyhub.UNCTAD.org/IIA/CountryBits/187>)

11.4.6 Currency exchange controls

The dinar is the legal tender in Serbia. The dinar floats, although the National Bank of Serbia manages the float to avoid excessive volatility. There are no legislative restrictions limiting the ability of a local company to pay for imported goods or services.

Companies in Serbia are allowed to hold a foreign exchange account in one or more banks authorised for international banking operations. These accounts may be used to make or receive payments in foreign currency. Foreign exchange may not be purchased for speculative purposes. However, foreign exchange purchases are permitted at any time to pay imports. Repatriation of proceeds from exports should be made within 60 days from the day of export.

11.4.7 Sanctions for third countries

As a candidate member of the EU, Serbia generally follows EU foreign policy and recommendations on sanctions imposed to third countries at the EU level. One of the exceptions to this rule is Russia, since Serbian officials have acknowledged that Serbia will not join EU sanctions against Russia, imposed over the annexation of Crimea.

According to Serbian Ministry of Foreign Affairs, Serbia has imposed sanctions to the following countries, in line with relevant resolutions of the UN Security Council:

- Guinea-Bissau,
- North Korea,
- Democratic Republic of Congo,

- Eritrea,
- Iraq,
- Iran,
- ISIS territory,
- Yemen,
- South Sudan,
- Lebanon,
- Libya,
- Somalia,
- Sudan (Darfur region), and
- Central African Republic.

(http://mfa.rs/sr/images/stories/pdf/kontrola_naoruzanja/lista%20organizacija%20i%20drzava%20koje%20se%20nalaze%20pod%20sankcijama%20od%20strane%20un.pdf)

11.4.8 The World Bank role in Serbia

The World Bank office in Belgrade has devoted a great deal of attention to helping the Serbian economy and government in reaching sustainable development and progress. The set goal of the World Bank Group's (WBG) Country Partnership Framework for 2016 – 2020 is to support Serbia in creating a competitive and inclusive economy and through this, to achieve integration into the EU. The strategy is based on available evidence and expertise and focused on achieving the goals of reducing poverty and increasing prosperity across Serbian society in a sustainable manner.

The WBG economic outlook for 2018 and over medium term expects the growth to pick up further. Growth is expected to be driven by increased investment, stimulated by reforms to improve the business climate, and by recovery of consumption (as the fiscal consolidation program gradually expires and private sector wages continue to grow). Growth is projected to be around 3 - 4% over the medium term.

(For more information, please refer to the:
WORLD BANK OFFICE BELGRADE,
Bulevar kralja Aleksandra 86,
11000 Beograd, Srbija,
+381.11.3023-700,
<https://www.worldbank.org/en/country/serbia>).

In the meantime, the EU accession process is underway and with public sector reform in coordination with the World Bank, IMF and the EU institutions, and with progress that is gaining speed, Serbia is on the right track.

12. Useful Contacts

➤ **Serbian Embassy in the PR of China**

San li Tun, Dong 6 Jie 1,

100600 Beijing, China

Tel: +86.10.6532-3516, 6532-3106

Fax: +86.10.6532-1207

Working hours: Monday to Friday, 8.00 – 16.00

Consular hours: Monday to Friday, 9.00 – 12.00

Website: www.beijing.mfa.gov.rs

➤ **Serbian Consulate General in Shanghai, PR of China**

Rm, 801, No., Lane 60,

Lyon Garden,

Ronghua East Road

Gu Bei New Area

201103 Shanghai, China

Tel: +86.21.6208-1388

Fax: +86.21.6208-7412

Website: www.shanghai.mfa.gov.rs

➤ **Chinese Embassy in Serbia**

Užička 25

11000 Beograd, Srbija

Tel: +381.11.3695-057

Fax: +381.11.3066-001

Website: www.rs.chineseembassy.org/eng

➤ **Serbian Business Registers Agency**

Brankova 25

11000 Beograd, Srbija

Tel: +381.11.2023-350

Website: www.apr.gov.rs

- **National Bank of Serbia**
Kralja Petra 12
11000 Beograd, Srbija
Tel: +381.11.3027-100
Website: www.nbs.rs

- **Customs Administration**
Bulevar Zorana Djindjića 155a
11070 Novi Beograd, Srbija
Tel: +381.11.2015-800
Website: www.upravacarina.rs

- **Ministry of Economy**
Kneza Miloša 20
11000 Beograd, Srbija
Tel: +381.11.3613-245
Website: www.privreda.gov.rs

- **Ministry of Labour, Employment, Veteran and Social Issues**
Nemanjina 11
11000 Beograd, Srbija
Tel: +381.11.3616-265
Website: www.minrzs.gov.rs

- **National Employment Office (Belgrade Directorate Head-office)**
Kralja Milutina 8
11000 Beograd, Srbija
Tel: 381.11.2929-800
Website: www.nzs.gov.rs

- **Ministry of Trade, Tourism and Telecommunications**
Nemanjina 22-26
11000 Beograd, Srbija
Tel: +381.11.3614-334
Website: www.mtt.gov.rs

- **Ministry of Interior**
Bulevar Mihaila Pupina 2a
11070 Novi Beograd, Srbija
Tel: +381.11.2740-000
Website: www.mup.rs

- **Ministry of Interior – Foreign Citizens Directorate**
Savska 35
11000 Beograd, Srbija
Tel: +381.11.3618-744

- **Ministry of Foreign Affairs**
Kneza Miloša 24 – 26
11000 Beograd, Srbija
Website: www.mfa.gov.rs

- **Ministry of Finance**
Kneza Miloša 20
11000 Beograd, Srbija
Tel: +381.11.3613-245
Website: www.mfin.gov.rs

- **Ministry of Agriculture, Forestry and Water Management**
Nemanjina 22 – 26
11000 Beograd, Srbija
Tel: +381.11.3612-197
Website: www.minpolj.gov.rs

- **Development Agency of Serbia**
Kneza Miloša 12
11000 Beograd, Srbija
Tel: +381.11.3398-900
Website: www.ras.gov.rs

- **Chamber of Commerce and Industry of Serbia**
Resavska 13-15
11000 Beograd, Srbija

Tel: +381.11.3300-90

Website: www.pks.rs

➤ **Foreign Investors Council**

Gospodar Jevremova 47

11000 Beograd, Srbija

Tel: +381.11.3281-958

Website: www.fic.org.rs

➤ **Tax Administration (Head-office)**

Save Maškovića 3 – 5

11000 Beograd, Srbija

Tel: 381.11.3310-111

Website: www.poreskauprava.gov.rs

➤ **Public Procurement Office**

Nemanjina 22 – 26

11000 Beograd, Srbija

Tel: +381.11.2888-712

Website: www.ujn.gov.rs

➤ **Belgrade Commercial Court**

Masarikova 2

11000 Beograd, Srbija

Tel: +381.11.2060-000

Website: www.bg.rs.sud.rs

➤ **Serbian Official Gazette**

Jovana Ristića 1

11040 Beograd, Srbija

Tel: +381.11.3060-324

Website: www.slglasnik.com

13. Web Resources

- **The Agency for Environmental Protection** www.sepa.gov.rs
- **Waste Management Regulatory Framework in Serbia** www.upravljanjeotpadom.rs/en
- **Legal Acts in English** <http://propisi.pravno-informacioni-sistem.rs/>
- **International Agreements in English Language** www.ugovori.rs/eng
- **Doing Business in Serbia – World Bank Group** www.doingbusiness.org/content/dam/doingBusiness/country/s/serbia/SRB.pdf
- **Guide to Doing Business in Serbia – JPM** www.jpm.rs/publication/
- **Serbia Country Commercial Guide** www.export.gov/Serbia
- **Guide for Establishing a Company in Serbia** www.pks.rs
- **Employment and Employment Benefits in Serbia** <https://content.next.westlaw.com>
- **The International Comparative Legal Guide to: Employment & Labour Law 2016** www.iclg.co.uk
- **2017 White Book – Foreign Investors Council** www.fic.org.rs/projects/white-book/white-book.html

- **2018 Serbia Report – European Commission** <https://ec.europa.eu/.../sites/near/.../20180417-Serbia-report.pdf>