

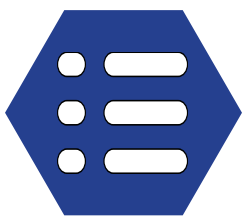


CHAMBER OF  
COMMERCE AND  
INDUSTRY OF SERBIA

# BENEFITS FOR INVESTORS IN THE REPUBLIC OF SERBIA

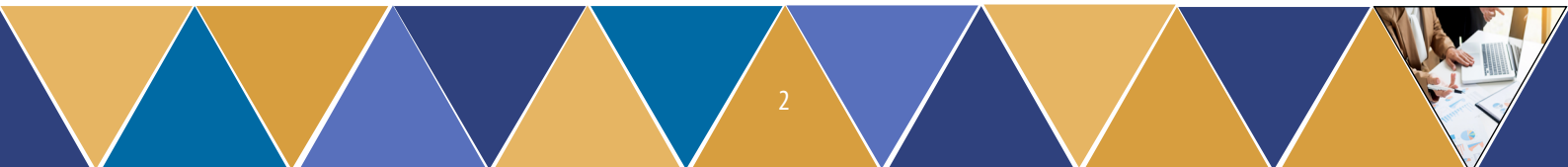


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## Bilateral Agreements with Certain Countries which Promote Investments

### A) Agreements on reciprocal promotion and protection of investments

The Republic of Serbia has signed Agreements on reciprocal promotion and protection of investments with 50 countries.

### B) Agreements on avoidance of double taxation

The Republic of Serbia has signed agreements on avoidance of double taxation with 63 countries which refer to the laws that regulate corporate income tax, property tax, and individual income tax.



## Trade Agreements and General System of Preferences

Serbia has signed several agreements that can simplify your business and provide you with some benefits regarding export and import, so one can accomplish some reductions or even total exemption from paying customs duties. We can group these agreements in agreements based on European rules on the origin of goods (SSP, CEFTA, EFTA, and Free trade agreement with Turkey) and the other group of agreements with Eurasian Union (Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia). Alongside with these agreements, Serbia also benefits from Partnership, trade and cooperation agreement with UK and Generalized System of Preferences of Japan, USA and Australia for some goods from Serbia. Therefore, companies from Serbia have preferential status when placing their goods and services to the market of more than 1.2 bn people.



## Free Zones

There are more than 200 companies operating with more than 40.000 people employed in free zones (FZ) of Serbia. There are 15 free zones in Serbia FZ Pirot, FZ Subotica, FZ Zrenjanin, FZ Novi Sad, FAS FZ Kragujevac, FZ Sumadija, FZ Sabac, FZ Uzice, FZ Smederevo, FZ Krusevac, FZ Svilajnac, FZ Apatin, FZ Vranje, FZ Priboj and FZ Belgrade).

### Fiscal benefits of operating in FZ:

- VAT exemption on entering goods in FZ, as well as on providing transport and other services related to entering goods in FZ;
- VAT exemption on the trade of goods and services in FZ;
- VAT exemption on the trade of goods between users of two FZ;
- VAT exemption on fuels used in production.



### Customs benefits of operating in FZ:

- Free of customs duties on import of goods which should be used for operating business and construction of buildings in FZ (equipment, raw materials, and construction material);
- no obligation to obtain bank guarantee for payment customs debt for foreign goods placed in FZ which will be used for production;
- Simple and fast customs procedure;
- Customs Administration Office in each FZ;
- Import and export of goods and services in FZ are free and not subject to any quantitative restrictions;
- The goods imported or exported from FZ are treated as goods of custom status;
- The goods released from the FZ to the territory of the Republic of Serbia are subject to customs duties.

### Benefits of local self- government:

- Efficient administration in FZ (*One Stop Shop*),
- Employers have the possibility to rent workspace, workshops, warehouses under favorable conditions in FZ,
- Local self-government can adopt a decision on benefits for construction of facilities and infrastructure in the area of FZ, and on exemptions from paying local fees, taxes or charges (tax for arranging city construction land, for using city construction land, local utility taxes etc.).

For more information please visit [Free Zones Administration](#).



## Tax Incentives

### A) Reductions of tax and contributions paid on a net salary

It is possible to get a refund for a part of total costs on worker's salaries implemented on the total amount of tax paid for salaries (10% on gross 1) and contributions for mandatory pension and invalidity insurance (36.55% on gross 1) in case new jobs were created, in the following manner:

- 1–9 new jobs created: 65% reduction;
- 10–99 new jobs created: 70% reduction;
- 100+ new jobs created: 75% reduction;
- 2+ new jobs created for SMEs 75% reduction.

This way the total costs for salaries, which pays the employer, are reduced by half – (around 23%–28%, instead of 62% of net salary, which is calculated on the average salary in Serbia). It is important to say that these deductions **are applicable only for persons registered as unemployed in the National Employment Agency (labor office) for minimum 6 months continuously**. If an employer uses any other incentives, he cannot use this tax reduction for employing unemployed persons.

Special tax incentive is set for newly founded companies until 31/12/2021. If the company is to be considered an innovative company, employer does not have to pay tax on salary and contributions for mandatory pension and invalidity insurance for owner during the first 36 months of operating business, as long as his salary does not exceed 150,000 RSD (around 1,250 euros).

## B) Relief from corporate income tax

Law which regulates corporate income tax provides the tax rate of 15%. However, if the taxpayer invests in fixed assets more than 1 billion RSD (around 8.5 million euros) and in the period of investment additionally creates at least 100 new jobs, **he can get corporate tax income holiday for a period of 10 years proportional to his investment, starting from the first year when taxable income has been made.**

Also there is a tax deduction on the corporate income tax for non innovative company if it invests in the capital of an innovative company. Tax deduction is 30% of investment made. If tax deduction overcomes the amount of corporate tax for one fiscal year, it can be transferred to the account of profit determined in the tax balance sheet in future accounting periods, but no more than five years. The maximum amount of tax deduction for investing in one innovative company per person is 100 million RSD, and the maximum amount per year is 50 million RSD.

## C) Tax statement losses transfer to tax balance sheet in the next 5 years

Losses which are determined in the tax balance sheet can be transferred to the account of profit determined in the tax balance sheet in future accounting periods, but no more than five years.

For more information please visit [Tax administration](#).



# State Incentives for Investments

## The following regulations were adopted according to the Law on investments:

1. Regulation on criteria for awarding incentives in order to attract direct investments ("Off. Herald of RS", No. 1/19);
2. Regulation on criteria for awarding incentives in order to attract direct investments in the sector of food Industry ("Off. Herald of RS", No. 1/19);
3. Regulation on criteria for awarding incentives in order to attract direct investments in the sector of Hotel Industry ("Off. Herald of RS", No. 33/19 and 42/19);
4. Regulation on criteria for awarding incentives in automatization of the existing capacities in the sector of food Industry ("Official Herald of RS", No. 46/21)
5. Regulation on criteria for awarding incentives in automatization of the existing capacities and inovations ("Official Herald of RS", Number 18/22).

## A) Groups of investments

In accordance with Regulation on criteria for awarding incentives in order to attract direct investments ("Off. Herald of RS", No. 1/19) there are two types of investments:

1. Investment projects for special purpose investments;
2. Investment projects for no special purpose investments.

Investment of special importance is an investment whose realization is significantly important for the further development of the Serbian economy:

- in fixed assets more than 5 million euros or more than 500 new jobs created;
- in fixed assets more than 2 million euros or more than 100 new jobs created for the third and fourth group of local self- governments according to their level of development, or in a devastated region;
- an investment which is based on adopted bilateral agreements.



In accordance with regulation on criteria for awarding incentives in order to attract direct investments in the sector of the Food Industry and hotel accommodation there is only one type of investments.

### B) Who can apply for incentives

**Incentives can be awarded** for investment projects in the production sector and for projects of shared services centers. Services of shared services centers and support to business operations are services provided by IC technologies mostly to the users outside The Republic of Serbia. Funds can be awarded in the sector of software development if they are in the function of product improvement or production process or in the function of providing services of shared services centers. Also funds can be awarded for the investment projects in the sector of food industry and hotel accommodation in spas.

**Funds cannot be used** for financing investment projects in the sector of transportation, software development, accommodation and hospitality services, trade, lottery, production of synthetical fibers, coal and steel, mining, tobacco and tobacco products, arms and ammunition, ship production of sea ships of more than 100bt, airport, utility sector, energy sector, broadband networks, fishery and aquaculture.

### C) Limitations

Funds can be awarded under the following conditions:

1. the investment must be held at the same location in the local government in which the investment is executed, at least for 5 years after the project is completed in case of large business entities, or at least 3 years for small and medium business entities;
2. the achieved number of employees after the project is completed, cannot be reduced during the period of 5 years for large business entities, or 3 years for small and medium business entities;
3. the user of the incentives is obliged to pay regularly the basic salary to each employee which is at least 120% of the minimum salary;
4. the deadline for completing the investment and creating new jobs related to the investment project is 3 years from the day of concluding the contract for awarding the incentives and which can be extended for the maximum period of 5 years after the contract is concluded;
5. The total amount of the funds which can be awarded according to this regulation and other subsidies is determined in absolute amount, whereby it cannot exceed the upper limit of the total amount of state aid allocated in accordance with the regulations which regulate state aid.

### D) Type and amount of the funds that can be awarded for investments

The user of the funds is obliged to participate with at least 25% of justified costs from personal assets or other sources, which do not contain state aid. The maximum funds that can be awarded for investment projects for:

- large business entities up to 50% of justified costs;
- medium business entities up to 60% of justified costs;
- small business entities up to 70% of justified costs.

The Amount of the Funds That Can Be Awarded for Investments for Large Companies		
for justified costs of investments <b>up to 50 million EUR</b>	for <b>the part</b> of justified costs of investments <b>between 50 and 100 million EUR</b>	for <b>the part</b> of justified costs of investments <b>above 100 million EUR</b>
up to <b>50%</b>	up to <b>25%</b>	up to <b>17%</b>
Justified costs are investments in a material and immaterial asset or justified costs of labor expenses for two year period following the realization of an investment.		

Terms of awarding the funds for investment projects in the sector of production and service centers are as follows:

Level of the local government development	Number of jobs created	Minimal amount of the funds invested (EUR)	Approved incentives	The Council can additionally approve	
			Incentives for justified costs of labor expenses for two year period	Incentives for eligible costs of investment in fixed assets	Additional incentives for labor-intensive investment projects
I	50	500,000	20%, but no more than 3,000 EUR for every job created	+10%	200 – 500 jobs created + 10% of the amount of justified costs of labor expenses for two year period
II	40	400,000	25%, but no more than 4,000 EUR for every job created	+15%	
III	30	300,000	30%, but no more than 5,000 EUR for every job created	+20%	500 – 1,000 jobs created + 15% of the amount of justified costs of labor expenses for two year period
IV	20	200,000	35%, but no more than 6,000 EUR for every job created	+25%	
Devastated region	10	100,000	40%, but no more than 7,000 EUR for every job created	+30%	more than 1,000 jobs created + 20% of the amount of justified costs of labor expenses for two year period
Service centers	15	150,000	-	-	

For the investments of no special purpose additional 10% are awarded for the costs of investment in fixed asset, regardless on the level of development of municipality in which is invested.

For investments in Food Industry funds can be awarded only for investments of minimum 2 million euro and 30 new jobs created. The amount of incentives depends on the level of development of the municipality according to the next scale:

Level of the local government development	Approved incentives	Incentives for eligible costs of investment in fixed assets
	Incentives for justified costs of labor expenses for two year period	
I	20%, but no more than 3,000 EUR for every job created	For investing up to 20 million euro – 20%
II	25%, but no more than 4,000 EUR for every job created	
III	30%, but no more than 5,000 EUR for every job created	For investing from 20 – 40 million euro – additional 10%
IV	35%, but no more than 6,000 EUR for every job created	
Devastated region	40%, but no more than 7,000 EUR for every job created	For investing over 40 million euro – additional 5%

For investments in Hotel Industry funds can be awarded only for investments of minimum 2 million euro and 30 new jobs created. The amount of incentives depends on the level of development of the municipality according to the next scale:

Level of the local government development	Approved incentives	Incentives for eligible costs of investment in fixed assets
	Incentives for justified costs of labor expenses for two year period	
I	20%, but no more than <b>3,000 EUR</b> for every job created	For investing up to 30 million euro – <b>20%</b>
II	25%, but no more than <b>4,000 EUR</b> for every job created	
III	30%, but no more than <b>5,000 EUR</b> for every job created	
IV	35%, but no more than <b>6,000 EUR</b> for every job created	For investing over 30 million euro – <b>additional 10%</b>
<b>Devastated region</b>	<b>40%</b> , but no more than <b>7,000 EUR</b> for every job created	

#### E) Criteria for expert analyses of investment projects :

1. References and credibility of the investor;
2. Number of unemployed people whose qualifications are suitable for the investment;
3. Number of highly qualified employees;
4. Type and amount of the investment;
5. Technology level of the investment;
6. Participation of domestic suppliers;
7. Number of new jobs and the effect of investment on the number of employed people in the economy;
8. Expected turn over on international and domestic market;
9. Financial evaluation of the project.

#### F) Procedure for application

The Investor can submit to the Agency a Letter of intent on the realization of an investment project containing: activity data, planned investments and number of new jobs created. Agency provides the investor with a notice on the possible level of incentive. This notice is legally non-binding. The investor should notify the Agency about his decision within 30 days. If Agency estimates that it is an investment project of special importance, the Agency shall notify the Ministry of Economy and the Council.

The Investor who intends to realize the investment should submit to the Agency application for incentives in the prescribed form in Serbian language for the purpose of determining the fulfillment of the conditions. The Agency conducts a professional analysis of the investment project and informs the investor on the amount of incentives it will propose to the Council. The Agency shall submit a draft contract to the investor. The expert analysis of the investment project contains an analysis of the possible amount of funds.

#### G) Incentives for automatization of the existing capacities in the food industry

Incentives can be awarded to a company from food industry, for the realization of the investments in automatization of the existing capacities if the minimum amount of the funds invested is 1.000.000 euros. The deadline for completing the investment is three years with the possibility of extending it to five years. The investor can get 20% of the justified costs, but only after the public invitation for applications is announced on the web site of the Development Agency of Serbia or Ministry of Economy.





**H)** According to Regulation on criteria for awarding incentives in automatization of the existing capacities and innovations funds can be awarded for investment projects in the field of Industry that create great added value and which include automatization of production process or create innovation. When investing in automatization of the process, user can get 25% of justified expenses for investing in material and non material assets. Condition to be fulfilled is that amount of the investment is over 5 million euros.

For more information please visit [Development Agency of Serbia](#).



## Custom Benefits

According to the Law on Investments import of equipment which represents investor's stake is considered to be free and exempted from customs and other duties, except for passenger vehicles and machines for amusement and lottery games.

Exemption from customs and other duties is achieved in accordance with regulations on allocation of regional state aid, for companies which are beneficiaries of funds under the contract on allocation of incentive funds. Benefit can be used up to the amount of subscribed non-monetary foreign investment in business entity, if the amount of incentive funds (together with customs benefits) does not exceed the amount of 50% of justified costs for realization of investment for large companies, 60% or 70% for medium and small companies.

For companies which are not beneficiaries of incentive funds according to the agreement on allocation of incentive funds, exemption from customs and other duties is achieved according to the rules on the allocation of de minimis state aid. Particularly, the amount of exemption from customs and other duties cannot exceed the upper limit of de minimis state aid in the amount of 23 million RSD (around 192,000 euros) per one foreign investor at any time during three consecutive fiscal years.

For more information please visit [Customs Administration](#).

## Centre for Strategic Analyses, Analytics, Planning and Publications

Reliable and timely information in a modern and dynamic economic environment is one of the key services of the Chamber of Commerce and Industry of Serbia. Owing to a constant communication with economic entities and the availability of databases, the Centre for Strategic Analyses, Analytics, Planning and Publications creates and develops a set of economic indicators, prepares and coordinates the publication of numerous regular economic reports and analyses as follows:

**Macroeconomic indicators (annual overview)** – the main indicators of economic trends in the Republic of Serbia.

**Macroeconomic framework (yearly and quarterly overview)** – an overview of the most significant macroeconomic trends in the Republic of Serbia.

**CCIS sectoral analyses** – a detailed overview of economic activities, support to economy, current events, initiatives, regulations, popular topics by economic sectors in the country presented in the CCIS electronic newsletters of nineteen associations, which are published quarterly.

**Business Activity of Companies in the Republic of Serbia** – the report on trends in a business activity of companies in the Republic of Serbia is prepared for better understanding of the circumstances in which the economy operates in the domestic market.

**Incentives for different sectors of economy** (*only in Serbian*) – a detailed overview of all available incentives for economy sectors: agriculture, industry and services.

**Benefits for investing in Serbia** – the brief overview of different benefits for investing in Serbia.

**MAT - Macroeconomic Analyses and Trends** (*only in Serbian*) – the most influential professional journal in the area of macroeconomic research in the country.

**Barometer** (*only in Serbian*) – the publication follows economic trends in the domestic industry, and presents monthly information on indicators of economic expectations.

**Standardized foreign trade and economic reports** (*only in Serbian*) – containing monthly and annual data on foreign trade.

Upon special request, the information on the Serbian market research (the analysis by economic sectors, regions, municipalities, bilateral cooperation with foreign countries) is available to all stakeholders, as well as the information on the latest trends in international financial and commodity market.

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