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Serbia: Regulation on the Terms and Conditions for Attracting Direct Investments

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Regulatory

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The Regulation on Terms and Conditions for Attracting Direct Investments ("Official Gazette of the Republic of Serbia", no. 110/2016) has come into force on 1 January 2017. The Regulation introduces certain changes in regards to public invitation, grounds and conditions for the allocation of funds in respect of the investment projects.

Novelties

Duration of public invitation – The novelty regarding public invitation is its permanent character, so, contrary to the previous regulations, the invitation is now arranged in a way that it will last from the date of publication until the end of the calendar year. Until this change, planning of investments by the potential investors depended on an uncertain moment of publication and duration of public invitations. This novelty is certainly a positive one and represents a step in the right direction.

Subject of incentives - Incentives are granted for investments in the manufacturing sector and the services sector which may be the subject of international trade. Compared to the previous regulation, software development is no longer recognized as a ground for granting the incentives.

The investment thresholds for incentives pertain to the invested funds and the number of newly opened work posts in local municipalities, which are classified depending on the level of development.

Incentives amounts – As in previous regulation, the amounts of incentives are in relation to the place of the investments, e.g. they depend of development degree of area in which the investments take place and number of newly opened work posts. Hence, for the investments in LGU which are classified as devastated areas, the incentives amounts are up to EUR 7,000 per newly opened work post, while for the investments in LGU of the first group, the incentives amounts are up to EUR 3,000 per newly opened work post.

Investments of special significance –another important novelty is a lower investment threshold for an investment to be recognized as an investment of special significance for the Republic of Serbia. In previous Regulation the threshold amounted to 20 million EUR, while the new Regulation has the new threshold amounting to 5 million EUR. The remaining conditions for obtaining the aforementioned status are mostly unchanged. Contrary to other investment projects for which the investment threshold depends on the level of development of the particular municipality, this is not the case for investments of special significance.

New incentive bases - Incentives for agricultural production and fishing industry are now introduced, which is a highly positive change. However, these incentives are not granted to the small and medium agriculture entities, but only for the investments of at least 2 million EUR and 25 newly opened work posts, cumulatively.

Conclusion

The aforementioned changes implies that the Serbian Government intends to additionally stimulate investments in the Republic of Serbia. The budget of the Republic of Serbia for sets out 11 billion dinars (approximately 90 million EUR) for this purpose.