



TOMIĆ STEVIĆ DULIĆ

ADVOKATSKA KANCELARIJA

TSD NEWSLETTER

Advokatska kancelarija TOMIĆ STEVIĆ DULIĆ informiše o aktuelnostima u radu Kancelarije i u zakonodavnom reljefu RS / Die Rechtsanwaltskanzlei TOMIĆ STEVIĆ DULIĆ informiert über aktuelle Themen der Kanzlei und über den Rechtsrahmen der RS / The TOMIĆ STEVIĆ DULIĆ Law Office is informing about the actual activities of the Law office and the Law frame in RS/ Юридическая контора TOMIĆ STEVIĆ DULIĆ информирует о самых актуальных событиях, о работе конторы и законодательном релефе РС / Glavni urednik/ Chefredakteur / Editor-in-Chief / Главный редактор: Ljubica Tomić /Lektor/Lektor/Proof reader/Лектор: Ivana Radović, Vesna Gašić, Vojslava Katić, Danijela Stanić, Magda Braun / **Br. 42/12**

Carice Milice 3/II, Beograd, SCG, TEL/FAX +381 (0)11 3285.227, +381 (0)11 3285.208, +381 (0)11 3285.153, office@tomic-stevic.co.rs, www.tomic-stevic.co.rs

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INCENTIVES FOR DIRECT INVESTMENTS IN THE REPUBLIC OF SERBIA AND FINANCIAL SUPPORT

In 2012, the Republic of Serbia adopted a new incentive programme for greenfield and brownfield projects in Serbia, based on the Decree on the Terms and Conditions for Attracting Direct Investment ("RS Official Gazette", No. 20/2012). The Decree shall apply until 31 December 2012, while the provisions related to monitoring the fulfilment of the conditions for the award of funds shall apply even after that date, as the fulfilment of such conditions shall be monitored until completion of investment realisation.

The total funds for attracting direct investment that can be allocated are determined according to the type of investment, number of new jobs, based on the total number of points that an investor receives for every new job position, created not later than within three years from the day of concluding an agreement on the award of funds. The number of jobs may not be reduced within a period of 3 years of achieving full employment envisaged in the investment project.

Specifically, the incentives for job positions are classified according to the number of the points received and range between minimum EUR 4.000 for points between 101 and 120, and maximum EUR 10.000 for points between 191 and 200.

The points are awarded based on the following criteria: investor's references, level of participation of domestic suppliers, sustainability of the investment/longevity of business, new technologies and transferability of knowledge and skill to domestic suppliers, investment impact on human resources, volume of international trade, economic impacts of the investment project, impact of the investment on the economic development of the municipality, city and region in which the investment is being made.

Certain conditions are imposed on the investors prior to awarding points used to determine the amount of funds, as the funds are allocated only for:

- investments into the manufacturing sector with minimum value of EUR 500,000 or EUR 1 million (depending on the area from the list of regions with different level of development and the local self-government units in which the investment is being made) creating at least 50 new jobs
- investments into the internationally marketable services with minimum value of EUR 500,000, creating at least 10 new jobs;





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- investments into strategic projects in the field of tourism with minimum value of EUR 5 million, creating at least 50 new jobs;
- investments of no less than EUR 50 million, creating at least 300 new jobs (large investment projects), provided that no less than 20% of the total value of the investment project is realised within one year from the day of signing the agreement;
- investments of no less than EUR 50 million, creating at least 150 new jobs (mid-range investment projects) provided that no less than 10% of the total value of the investment project is realised within one year from the day of signing the agreement.

The funds are allocated in accordance with a public announcement prepared and published by the Serbia Investment and Export Promotion Agency in a daily newspaper distributed in the entire territory of the Republic of Serbia and on the website of the Agency. Applications for participation in the procedure of assigning funds are submitted to the Agency, which establishes if the conditions for allocating funds have been met. The Agency submits a proposal to the Commission for assessment of applications, which in turn submits a proposal to the Ministry of Economy and Regional Development (the Ministry) to issue decision. The Ministry then issues a decision on the allocation of funds, containing the information about the investment project, beneficiary of funds, and the amount of the allocated funds. The mutual rights and obligations related to the disbursement of the allocated funds are governed under an agreement concluded by the Ministry and the beneficiary of funds.

The applicants who have not been allocated funds are entitled to object against the decision on allocation of funds, by submitting an objection to the Ministry within eight days from the date of receipt of the information on the decision containing a statement of reasons. A decision on the objection is rendered in an urgent procedure, within 15 days from receipt of the objection (Art 25 of the Decree).

The total amount of the allocated incentives is disbursed to the investor depending on the type of investment, as follows:

- a) for greenfield investments - four equal instalments of 25% are disbursed as follows: after concluding the contract for sale and purchase of land; after obtaining the building permit; after obtaining the use permit; after achieving the full employment envisaged by the investment project.
- b) for brownfield investments which do not include reconstruction of the existing facilities - two instalments;
- c) for brownfield investments which include reconstruction or adaptation of the existing facilities, the funds are disbursed in three or four equal instalments of 33,3%, or 25% respectively, depending on whether it is a case of reconstruction or adaptation of the facilities;



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- d) for internationally marketable services projects involving the lease of business premises, the funds are disbursed in two equal instalments.

The beneficiary must provide a guarantee of a commercial bank operating in the territory of the Republic of Serbia and payable at first call to the Republic of Serbia. (Art 30 of the Decree)

The Decree also provides that in case of investment projects involving investments in infrastructure necessary for performing the beneficiary's specific business activities, the investor is entitled to apply for a refund of a part or the entire amount of the invested funds. Furthermore, if the infrastructure has already been built at the investor's expense, and is required for the new investment project involving a new investment of over EUR 10 million and creation of over 300 new jobs, the investor is entitled to apply for a refund of a part or the entire amount of the invested funds, within seven years from the day of completion of the construction of the specific infrastructure. The Ministry decides about the amount for refund, based on the degree to which the criteria for points award have been met.

If it is established that the beneficiary does not meet the conditions defined in the agreement relating to the dynamics of investment realisation or other contractual obligations, the Ministry may collect the amount of the disbursed funds and the statutory default interest on the issued bank guarantee and blank sola bill.

Finally, it should be borne in mind that the three-year period for investment and creation of new jobs commences as of the day of concluding the agreement on awarding funds.

Attorney-at-Law
Marko Janićijević
marko.janicijevic@tomic-stevic.co.rs