

NEWSLETTER

Amendments to the Decree on the Attraction of Direct Investments



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The Decree on Amendments and Additions to the Decree on Establishing Criteria for Granting Incentives for Attracting Direct Investments ("Official Gazette of the Republic of Serbia", No. 39/2023 and 43/2023) entered into force (hereinafter: the Decree).

The most important change is the increase in the threshold for minimum investments in tangible and intangible assets from EUR 100.000,- to EUR 300.000,-, as provided for in the previous decrees.

In addition, the amended decree abolished the subdivision of local self-government units, which were divided into groups according to their level of development. Instead, it introduced a division by region: the Belgrade region, then the Vojvodina region, and finally the Šumadija and Western Serbia region, the Southern and Eastern Serbia region, and the Kosovo and Metohija region.

For investments of special importance, the previous regulation provided for a period of ten years for the realisation of the investment project (projects that would employ more than 500 people and where the investment exceeds five million euros). Now, the ten-year term applies to all investments exceeding five million euros.

Funds may not be provided for the implementation of investment projects in the sectors of transport, hotels and restaurants, gambling, trade, production of synthetic fibers, coal and steel, mining, tobacco and tobacco products, arms and ammunition, shipbuilding of self-propelled merchant vessels over 100 gross registered tons, airports, utilities, energy, broadband networks, fisheries and aquaculture, and software development, unless they are related to the improvement of products, production processes or the provision of services by service centres.

The Decree pays special attention to implementing technologies and investment projects which minimise environmental impact.

The amount of funds to be allocated is determined either on the basis of the proven costs of investments in tangible or intangible assets or on the basis of the proven costs of gross salaries for new jobs, which remained unchanged in relation to the previous regulations.

The minimum investment requirements for the allocation of funds are determined by region and are as follows:

- For the Belgrade region, the required investment is at least EUR 500,000.00 and the employment of at least 50 new employees for an indefinite period related to the investment project. Funds in the amount of 20% of the justified costs of gross wages in accordance with the Decree, and a maximum of EUR 2,000.00 in dinar equivalent per new employee, are granted to the beneficiary of the funds who hires new employees connected with the investment project. In addition, the user of funds implementing the project can be granted an increase in the amount of approved funds in the amount of up to 10% of the amount of justified investment costs in tangible and intangible assets;
- For the Vojvodina region, the required investment is at least 400,000.00 euros and the employment of at least 40 new employees for an indefinite period related to the investment project. Funds in the amount of 25% of the justified costs of gross wages in accordance with the Decree, and a maximum of EUR 3,000.00 in dinar equivalent per new employee, are approved for the beneficiary of the funds who hires new employees connected with the investment project. In addition, the user of funds implementing the project can be granted an increase in the amount of approved funds in the amount of up to 15% of the amount of justified investment costs in tangible and intangible assets;
- For the Region of Šumadija and Western Serbia, the Region of Southern and Eastern Serbia and the Region of Kosovo and Metohija, the required investment is at least 300,000.00 euros and the employment of at least 30 new employees for an indefinite period related to the investment project. Funds in the amount of 30% of the justified costs of gross wages in accordance with the Decree, and a maximum of EUR 5,000.00 in dinar equivalent per new employee, are approved for the beneficiary of funds who hires new employees connected with the investment project. In addition, the user of funds implementing the project can be granted an increase in the amount of approved funds in the amount of up to 30% of the amount of justified investment costs in tangible and intangible assets.

However, the beneficiary of the funds for the implementation of the investment project may be granted an increase in the above grant amounts for justified investment costs in tangible and intangible assets up to the maximum amount of the State aid, if it fulfils the following conditions:

1. improvement of the competitiveness of the Republic of Serbia by increasing and technologically modernising production capacities in the manufacturing industry;
2. the investment project provides for the use of production equipment and technologies with minimal environmental impact or significantly improves the sustainability and performance of the activity concerned;
3. it contributes to the introduction of measures to recruit, up-skill or retrain employees for the activities concerned or to the use of technologies with a minimum environmental impact.

Investment projects carried out in the field of food and beverage production sector are not eligible.

Another change relates to additional incentives for labour-intensive investment projects. This is an investment project that employs at least 100 new employees during the implementation period of the project.

Depending on the number of new employees, the beneficiary of the funds will receive an increase in the grant, namely:

- for more than 100 new employees, an increase of 10% of the justified gross salary costs will be granted for each increase in the number of new employees;
- for more than 200 new employees, an increase of 15% of the amount of the justified gross salary costs will be granted for each increase in the number of new employees;
- for more than 500 new employees, an increase of 20% of the amount of the justified gross salary costs will be granted for each increase in the number of new employees.

For any further questions regarding the support of a specific investment project, please contact our team at aleksandra.rajic@tsg.rs or aleksandra.toroman@tsg.rs.