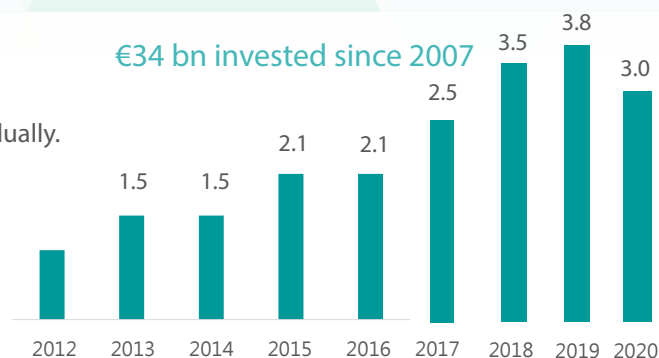


## STATE INCENTIVES FOR INVESTMENTS

Serbia is open for investments and the value of net FDI is raising gradually. The biggest investors in Serbia are the following companies:



### INVESTMENT PROJECTS FOR WHICH INCENTIVES CAN BE AWARDED REGARDLESS OF PUBLIC INVITATION

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

I and II zone  5 million euros or 500 new jobs

III and IV zone  2 million euros or 100 new jobs

- investment which is based on adopted bilateral agreements

### THE AMOUNT OF THE FUNDS THAT CAN BE AWARDED FOR INVESTMENT FOR LARGE COMPANIES

justified costs of investments up to 50 mn EUR

**max 50%**

the part of justified costs of investments between 50 and 100 mn EUR

**max 25%**

the part of justified costs of investments above 100 mn EUR

**max 17%**

Justified costs are investments in material and immaterial asset, or justified costs of labor expenses for two-year period following the realization of an investment.

### AMOUNT OF THE FUNDS THAT CAN BE AWARDED FOR INVESTMENTS

The user of the funds is obliged to provide participation of 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

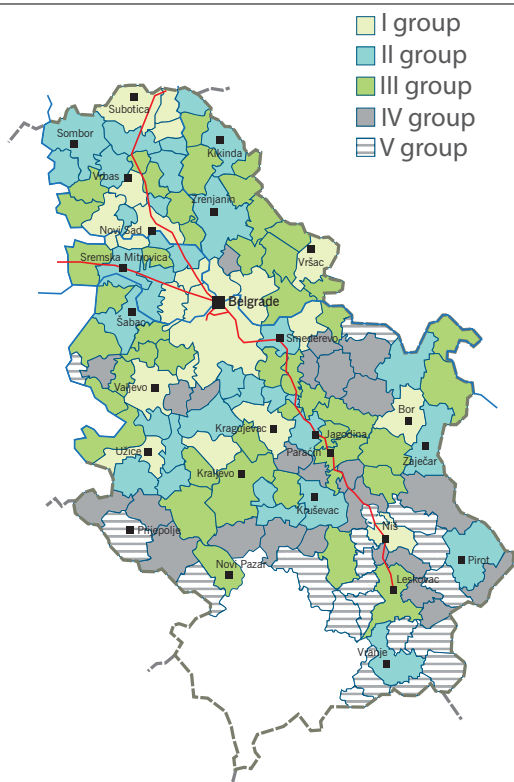
For investments in Food Industry funds can be awarded for investments of minimum 2 mn euro and 30 new jobs created. In Hotel Industry funds can be awarded only for investments of minimum 2 mn euro and 70 new jobs created. The amount of incentives depends on the level of development of the municipality according to the next scale:

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

Terms on awarding the funds for other sectors 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	+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	+15%	
III	30	300,000	30% but no more than 5,000	+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	+25%	
Devastated region	10	100,000	40% but no more than 7,000	+30%	* more than 1,000 jobs created + 20% of the amount of justified costs of labor expenses for two year period
Services 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.



## LIMITATIONS

Funds can be awarded under the following conditions:

1. the investment must be held at least for 5 years after the project is completed in case of large business entities and 3 years for SME
2. the achieved number of employees cannot be reduced during the period of 5 years for large business entities and 3 years for SME
3. basic salary to each employee must be at least 120% of the minimal 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 and can be extended for maximum period of 5 years
5. total amount of the funds cannot exceed the upper limit of the total amount of state aid allocated in accordance with the regulations on state aid

# 2

## 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 passenger vehicles and machines for amusement and lottery games.

# 3

## NOT POSSIBLE TO GET INCENTIVES

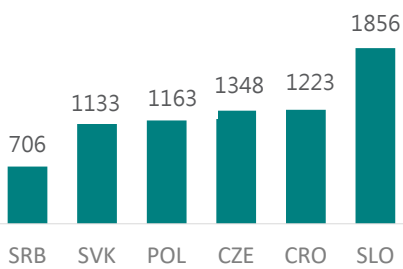
Funds cannot be used for financing investment projects in the sector of transportation, software development, accommodation and hospitality services, trade, lottery, production of synthetic fibers, coal and steel, tobacco and tobacco products, arms and ammunition, ship production, airport, utility sector, energy sector, broadband networks, logistic centers, fishery and aquaculture. However, it is possible to get funds for financing investment project in sector of software development, if their purpose is to improve products, production process or provide services of international trade.

# 4

## TAX INCENTIVES

### REDUCTIONS OF TAX AND CONTRIBUTIONS PAID ON NET SALARY

Average Gross 1 Monthly Salary (EUR), 2020



- Average Net Salary €510
- Total cost for employer (Gross 2) €750

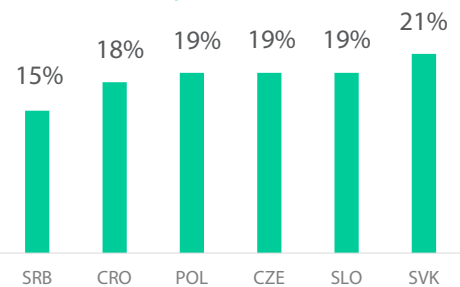
It is possible to get a refund for a part of total costs on worker's salaries implemented on total amount of tax paid for salaries (10% on gross 1) and contributions for mandatory pension and invalidity insurance (26% on gross 1) in case new jobs were created, in the following manner:

- 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 are paid by the employer, are reduced by half – (around 30%, instead of 64% on net salary, which is calculated on 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.

### RELIEF FROM CORPORATE INCOME TAX

Corporate 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.

### 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 on the account of profit determined in the tax balance sheet in future accounting periods, but no more than five years.

# 5

## BILATERAL AGREEMENTS WITH CERTAIN COUNTRIES WHICH PROMOTE INVESTMENTS

### AGREEMENTS ON RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENTS

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

### AGREEMENTS ON AVOIDANCE OF DOUBLE TAXATION

Republic of Serbia has signed agreements on avoidance of double taxation with 59 countries which refer to the laws that regulate corporate income tax, property tax and individual income tax.

# 6

## FREE ZONES

There are more than 200 international companies operating with more than 20,000 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 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 with entering goods in FZ
- VAT exemption on trade of goods and services in FZ
- VAT exemption on trade of goods between users of two FZ
- VAT exemption on fuels used in production
- Exemption from certain tax duties for foreign direct investments

### CUSTOMS BENEFITS OF OPERATING IN FZ

- Free of custom duties on import of goods which should be used for operating business and construction of buildings in FZ (equipment, raw materials and construction material)
- 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 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.)

# 7

## FREE TRADE AGREEMENTS

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 custom duties. We can group these agreements in agreements based on European rules on origin of goods (SSP, CEFTA, EFTA, Turkey) and the other group of agreements with Russia, Belarus and Kazakhstan. Alongside with these agreements, Serbia also benefits from Generalized System of Preferences of USA, Japan and Australia for some goods from Serbia.

