

NEWSLETTER 9

05 / 06 / 2014

Decree on the terms and conditions for attracting foreign investments („Official Gazette of the RS“, no.55/2014)

The Government of the Republic of Serbia has passed the Decree on the terms and conditions for attracting foreign investments („Official Gazette of the RS“ no.55/2014, hereinafter: „**the Decree**“) which has entered into force and became applicable on 24 of May 2014. The Decree regulates the terms and manners of attracting foreign investments in the territory of the Republic of Serbia as well as the criteria and dynamics of funding investment projects in the manufacturing sector, international trade service sector and strategic projects in the field of tourism.

The Decree sets out criteria for determining the amount of funds that can be assigned, based on the justified investment expenses or justified expenses for new work posts gross salaries in the two years' time upon investments project realization, depending on whether the investor is a small, medium or large entity, defined in accordance with

Thus, the amount of funds eligible for large entities is determined up to 50% of justified expenses for investment project realization, whereas the amount of funds can be increased for not more than 20 percentage points for small entities and 10 percentage points for medium entities, also taking into account the previously approved government aid. Total amount of assigned funds also depends on the amount of the investment, why the funding of investments exceeding 50 million euro cannot exceed 20% of justified investment expenses while investments exceeding 100 million euro cannot exceed 17% of justified investment expenses. Likewise, the investor is obliged to finance not less than 25% of justified expenses from its own resources or other resources not deriving from government aid. The Decree excludes certain entities, primarily illiquid and insolvent investors, investors with pending obligations towards the

the regulation on government aid assignment.¹

Republic of Serbia, those which have decreased

the number of employees in the previous years, as well as investors that have already been assigned budget funds or are owned by the state, the autonomous province or local government, with the prescribed exceptions.

The Decree prescribes criteria for funds assignment as well as terms in reference to investments, regarding the investment sector, sustainability of the investment in the same area, the number of employees in set period and the investment realization term that cannot exceed three and five years or, with large, medium and investments of great importance, ten years.

The funds assignment is carried out in the procedure initiated by a public add issued by the Serbian Investment and Export Promotion Agency, whereas once the applications have been submitted and the submissions evaluated, the investor and the Ministry of Economy conclude the agreement on funds assignment. In case of investments of special interest, the funds are assigned by the decision of the Government and the agreement on investments of special interest is concluded between the investor and the Republic of Serbia. If the investment project should include infrastructural investments, the investor shall be entitled to partial or complete invested amount refund, based on the agreement on refund concluded with the Ministry of Economy.

¹ In accordance with the Decree on the government aid assignment procedure (“Official Gazette of the RS” no. 13/2010, 100/2011, 37/2013 and 97/2013) a small entity is the entity employing not more than 50 employees, with the annual turnout and/or total annual balance not exceeding 10 million euro; medium entities are entities employing between 50 and 250 employees, with the annual turnout not exceeding 50 million euro and/or total annual balance not exceeding 43 million euro; large entities are entities not classified as small or medium entities.