At the end of March 2015, based on the proposal of the Ministry of Trade, the Government of the Republic of Serbia adopted the Regulation on Conditions and Ways of Attracting Direct Investments ("Off. Gazette of RS", no. 28/2015, hereinafter: "the Regulation"), which entered into force on March 21, 2015, in order to improve the programs of incentives for investment in productive sectors and services sector, which may be the subject to international investments through constructing new production facilities (so-called. green field investments) and through investments in existing production facilities (so-called. brown field investments). Although the Government passes the Regulation on conditions and ways of attracting foreign investment each year, the Decree of 2014 has never been implemented because there was no public invite, why the Regulation of 2015 introduced significant innovations.
One of the most important innovations introduced by this Regulation is the recognition of eligible costs, which stipulates that the eligible costs represent investments in tangible and intangible assets or costs of gross salaries for new jobs in a period of two years after the implementation of the investment project. In addition, the cost of renting office premises for realization of the investment project, as well as costs relating to the acquisition of assets under lease, except land and buildings, is considered as eligible costs.

The Regulation provides that the amount of funds that can be allocated for investments over EUR 50 million cannot be more than 25% of eligible investment costs above that amount, and for investments of over 100 million euros, this percentage may not exceed 17% of eligible investment costs above of that amount.

When it comes to incentives for eligible costs of gross salaries for new jobs in a period of two years after the implementation of the investment project, the Regulation provides grants to users who open new jobs associated with the investment project, and depending on development rate of local self-government, 20% to 40% of eligible costs of gross salaries for new jobs and from 3,000 to 7,000 euros in dinar equivalent per new job created.

The Regulation also provides incentives for eligible costs of investment in fixed assets and an increase in the amount of the grant in the amount of 10%, 15%, 20%, 25%, 30% approved beneficiaries who implemented investment projects in local governments, depending on which group they belong to, and the level of development.

The Regulation also defines labor-intensive investment projects that will create at least 200, 500 and 1,000 new jobs associated with the investment project, within the period provided for the realization of the investment project, and project beneficiary will be approved the increasing amount of the grant for 10%, 15% or 20% of the eligible costs of gross salaries for new jobs in the period of two years after the implementation of the investment project. Project beneficiary is required to ensure participation of at least 25% of eligible costs from its own resources or from other sources which do not contain state aid.

The Regulation now stipulates different conditions that investors must meet, and, in accordance with Article 9 of Regulation, funds shall be allocated to investment projects in the manufacturing and service sectors, provided that the eligible investment costs are minimum values specified by the Regulation, that the opening of the prescribed minimum the number of jobs, whose values depend on the development rate of local self-government.

In addition to that, resources can be allocated only if the investment is held at the same location and that the existing number of employees with the beneficiary of the funds does not reduce for at least five years after the implementation of the project or at least three years for small and medium businesses, as well as that the employee regularly pays salaries that are at least 20% higher than the minimum wage in Serbia prescribed for the month for which wages are paid.
The Regulation provides limitation regarding purpose of the funds for attracting direct investments and the funds cannot be used for financing investment projects in the sector of primary agricultural production, fisheries and aquaculture, transport, hospitality, lottery, production of synthetic fibers, coal and steel, tobacco and ammunition, shipbuilding (building seagoing commercial vessels propelled - at least 100 gross registered tons), the airport and the energy sector, broadband networks, as well as business entities in difficulties.

When it comes to the method of allocation of funds, it is carried out in accordance with the public invitation published on its website by the Ministry of Economy and the Foreign Investments and Export Promotion Agency (hereinafter: "the Agency"), with the prior approval of the Ministry of Finance.

Applications for grants should be submitted to the Agency that shall submit timely, complete and allowed applications to the Commission for evaluation of the project (hereinafter the "Commission"). Exceptionally, the application for an investment of special importance, outside the public invite, that meets all other prescribed conditions shall be submitted directly to the Ministry of Economy.

Among the criteria for quality analysis of the investment project are: the investor; the percentage of unemployed persons whose qualifications correspond to investor’s activity; the number or percentage of highly qualified workers who are employed by the realization of the investment project; the amount and type of investment; previous and planned volume of international traffic and the total turnover (before and after the investment project); the impact of the investment project to increase competitiveness and new markets; financial market assessment of the investment project; sustainability of investment projects in all business parameters, including the credible analysis of the market lending and procurement.

The non-returnable funds are granted through the contracts concluded between the Ministry of Trade and beneficiaries of funds.

Unlike the previous regulation, which did not envisage the payment of funds in installments, Article 24 of the Regulation stipulates that the payment is made at the request of the beneficiary of the funds to the Ministry of Economy in three installments according to one of the models provided for in the Regulation.

Deadline for implementation of investment projects and job creation, stipulated by the Regulation, is three years from the date of conclusion of the contract, and that may be extended up to five years after the contract conclusion.

A novelty is the obligation of the beneficiary to provide a bank guarantee issued by a commercial bank operating in the territory of the Republic of Serbia, based on which the Ministry of Trade can collect funds to the amount of funds paid and the applicable statutory default interest.