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Law on Investments

("Official Gazette of RS", No. 89/2015)



On October 5th 2015, the National Assembly of the Republic of Serbia on the Third Sitting of the Second Regular Session in 2015, adopted the Law on Investments ("Official Gazette of the RS" No. 89/2015, hereinafter referred to as the "**Law**"), which came into force on November 4th 2015.

As of the day of entering into force, the Law on Foreign Investments ("Official Gazette of the FRY" No. 3/02 and 5/03 and " Official Gazette of the RS", No.107/14), Title VIII Promotion of export and foreign investments of the Law on Foreign Trade Operations ("Official Gazette No. 36/09, 31/11 and st. law 88/11) and Title V, Section 6, Articles 27-30 of the Law on Regional Development ("Official Gazette No. 51/09 and 30/10) cease to be valid.

Adoption of this Law was dictated by the need to create a favorable investment environment that required a new legal framework. The main objectives of the Law are to improve the investment environment, to encourage direct investment, to secure equal treatment for both domestic and foreign investors, to increase the efficiency of the services provided by the state authorities related to investment and to create an attractive business environment for both domestic and foreign investors.

The most significant novelty brought by the Law is equal treatment of domestic and foreign investors when it comes to their legal rights and obligations. This equalisation is reflected in the fact that the domestic investors can conclude employment contracts with foreign citizens, just as the foreign investors can acquire the property rights, right to easements, pledge and other proprietary rights to movable and immovable property located in the territory of the Republic of Serbia.

Another very important novelty brought by this Law is the fact that all the investors are protected from acquisition and limitation of real property rights and shall not be subjected to expropriation and any other measures having an equivalent effect. Only in rare circumstances can real property rights be acquired or limited – in the public interest and in the cases prescribed by the law. This provides security to the investors, because in case of expropriation, which shall be carried out in a non-discriminatory manner, the investor will be entitled to compensation for the seized property and to compensation for the decreased value of the business caused by expropriation, with the statutory late payment interest included.

Also, the foreign investors that have settled all tax obligations and public revenues now have the possibility to dispose of assets acquired as profit from investment and to transfer these under the same conditions as the domestic investors. This encourages the foreign investors to settle their obligations in order to be able to freely dispose of assets acquired through investment.

In addition to that, the Law has brought changes in terms of the authorities and institutions that will be responsible for the implementation, control, operational support and the investors' rights protection.

Present authorities, Serbia Investment and Export Promotion Agency and the National Agency for Regional Development, cease to exist. Instead of these agencies, the Development Agency of Serbia is founded as a legal entity which is in charge of protection and control of the investments. The Development Agency will begin to work the day Serbia Investment and Export Promotion Agency and the National Agency for Regional Development have ceased to be operative, i.e. within 120 days from coming into effect of the new Law. These authorities are obliged to enable investments, but also to control the exercise of the investors's rights as well as the settlement of their obligations, which is one of the state measures to stimulate the investments.

A unit for local economic development and investment support will be founded on the local level. In addition to that, separate project teams will provide professional assistance to the investors in order to ensure that the investor gets the documentation, data and information necessary for making effective and timely investments.

Based on the impact they have on the Serbian economy and economic growth and affirmation of an open investment climate, the Law divides investments into two categories – investments of special importance and investments of local importance. The Law also lists all the criteria for the ranking when it comes to the investments of local importance, while detailed criteria for the investments of special importance shall be regulated by the Government.

When it comes to accessing information of public importance in the field of investments, the Law on free access to information of public importance is applied, which should ensure the transparency of the whole field of investment.

Finally, one of the novelties is that the disputes arising from the investments between the contracting parties can be settled both before domestic and foreign courts and arbitral tribunals, not only before the domestic courts.