Law on Amendments to the Company Law

(„Official Gazette of the RS” no. 44/2018)

The National Assembly of the Republic of Serbia has rendered on the sitting of the Sixths extraordinary session, on June 8, 2018 the Law on Amendments to the Company Law, published in the “Official Gazette of the RS” no. 44/2018 (hereinafter: the „Law”). The Law entered into force on June 9, 2018, but certain provisions will apply from October 1, 2018 and January 1, 2022.

Significant novelty introduced by the Law is the possibility of foundation of companies by electronic registration as well as the possibility of replacing the notarization of the signature on the Memorandum of Association with qualified electronic signature of the founder, which shall be applicable as of October 1, 2018.

The Law introduces the obligation of registering electronic address for receiving e-mails within one year from the day of entering the Law into force and finally abolishes the obligation of using seals on business letters and other documents of the company. This obligation cannot be introduced by any other special regulation, which is already implemented in the relevant regulation of the Republic of Serbia and shall be applicable from October 1, 2018.
The Law also introduces a new obligation for the company, that before the approval of a legal transaction or action in case of existence of personal interest in accordance with Article 66 of the Law, to obtain the Report on the assessment of the market value of property or rights, which are the subject of transaction or action, if its value exceeds 10% of the book value of the total assets of the company reported in the last annual financial statement. In addition, the company must publish the information on concluded legal transaction on its website or on the website of the Business Registers Agency within 15 days as of the day of entering into the legal transaction or undertaking the legal action.

In relation to organization and functioning of the limited liability company, the Law introduced certain amendments regarding the percent of the share that enables the members of the company to convene the session of the General Meeting (the level is lowered from 20% to 10%) or to add items to the Agenda (the level is lowered from 10% to 5%). Instead of referring provisions, the Law is now more detailed in regulation of reduction of share capital at this form of company with amendment of provisions related to return of additional payment as well as withdrawal of company member which is conditioned only by the lack of obligation to pay or enter the subscribed contribution.

Article 211 of the Law finally eliminates the dilemma on the person authorized to sign decisions of the General Meeting in case of single member, two-members or more members company that previously caused problems in registration process. Additionally, it is now prescribed for the Court to appoint directors in extrajudicial procedure, in case director is not appointed and registered within 30 days. This provision reduces the space for abuses which used to happen in practice.

In the part of joint stock companies, provisions that refer to the dividends were supplemented by determining the deadline for payment which cannot be longer than six months as of the day of rendering the resolution on payment of dividends. Joint stock companies are obliged to publish the Invitation for the session of General Meeting on the website of the Central Register for Securities and the Business Registers Agency.

The Law finally specifies what is considered as related acquisition i.e. disposal of high-value property by also excluding from related disposals the establishment of mortgage, lien or other security instruments and by specifying the deadlines to file an action related to refutation of legal transaction i.e. actions of disposal of high-value property (six months deadline).

Significant novelty is that the Law introduces new forms of companies into the legal system of the Republic of Serbia such as European joint stock company and European Economic Interest Group as well as regulates the cross-border merger and acquisition of companies founded in the Republic of Serbia with companies from other countries which are members of the European Union. These provisions shall apply from January 1, 2022.

The Law also introduces novelties in regulation of enforced liquidation proceeding and prescribes the obligation for Serbian companies which have formed branches to register them within one year from the day of entering the Law into force.
The Law provides **delayed implementation of some provisions of the Law from October 01, 2018** (Article 1-26, 28-78, 81-118, 121-128, 130-149, 152-158, and Article 160) i.e. **from January 01, 2022.** (Articles 129, 150 and 151) and introduces the obligation for companies to register the address for electronic receiving of e-mails and to register already formed branches, **in the course of one year upon entering into force of the Law.**

The Law introduced **new economic offenses for non-compliance with the obligation of registering branches** (i.e. conducting activities in unregistered branches) and **not publishing the information on the concluded legal transaction i.e. action in case of existence of personal interest** which are punishable by a fine from RSD 100,000.00 to 1,000,000.00 for legal entity and from RSD 20,000.00 to 200,000.00 for a responsible person in a legal entity.