The Government of the Republic of Serbia has adopted the Regulation on determining the criteria for granting the incentives with a view to attracting foreign direct investments (hereinafter: „the Regulation“) at a session held on January 10th, 2019, which enters into force on January 19th, 2019. As in previous years, the Regulation further regulates criteria, conditions and manner of attracting the foreign direct investments, as well as keeping the register on
granted incentives and other matters of importance regarding the attracting foreign direct investments.

The Government has concurrently adopted the Regulation on the conditions and method of attracting the foreign direct investments in the area of food production, and it is expected that the Government is soon to adopt the regulation to formulate the criteria on attracting the foreign investments in the area of travel accommodation services as well.

The incentives, according to the Regulation, are to be used for financing the investment projects in the manufacturing sector and to a certain degree for the information technologies sector – for service centers projects and as a business operations support, yet not for the areas of international trade and travel accommodation services, a novelty in comparison with the previous Regulation on determining the criteria for attracting foreign direct investments („Official Gazette of the RS“ No. 37/18) which ceased to have effect by coming into force of the present Regulation.

Important changes are related to the simplified procedure of evaluating requests for granting the incentives, and due to the fact that the public call as a ground application for granting financial means is excluded, all interested companies can apply directly on the basis of Regulation, by submitting the letter of intent.

Regarding the criteria for awarding the incentives as well as the amount of the incentives for the sector of production there is no changes in comparison with the previous Regulation from 2018. The financial means are awarded for the following:

- Investment projects in the local government units which are classified as the first group by the development, where it is invested no less than EUR 500,000 and where no less than 50 employees are engaged, in the amount of 20% of gross payment, and in the maximum amount of EUR 3,000 by the new designation.

- Investment projects in the local government units which are classified as the second group by the development where it is invested no less than EUR 400,000 and where no less than 40 employees are engaged, in the amount of 25% of gross payment, and in the maximum amount of EUR 4,000 by the new designation.

- Investment projects in the local government units which are classified as the third group by the development where it is invested no less than EUR 300,000 and where no less than 30 employees are engaged, in the amount of 30% of gross payment, and in the maximum amount of EUR 5,000 by the new designation.

- Investment projects in the local government units which are classified as the fourth group by the development where it is invested no less than EUR 200,000 and where no less than 20 employees are engaged, in the amount of 35% of gross payment, and in the maximum amount of EUR 6,000 by the new designation.

- Investment projects in the local government units which are classified as devastated areas where it is invested no less than EUR 100,000 and where no less than 10 employees are engaged, in the amount of 40% of gross payment, and in the maximum amount of EUR 7,000 by the new designation.
On the other hand, incentives for the expenses incurred by investing in the fixed assets are decreased by 10% in comparison to previous regulation from 2018.

User of the incentive is required to realize the justified expenses participation of at least 25%, and the requirement for granting the incentives is that the direct investment is not relocated and that the number of engaged employees is not decreased in the duration of at least five years after utilisation of the investment project and three years for small and medium companies, respectively.

For all additional questions, explanations and help with the investment incentives application process, feel free to contact Tasić&Partners law firm team: +381 116302233 or by an e-mail snezana.sumar-nelic@tasiclaw.com ili office@tasiclaw.com.