

INVESTMENT GUIDE TO SERBIA

Q & A
QUESTIONS ANSWERS

Others on Serbia

Mr. Sergio Marchionne
President, FIAT Group, Italy

“Our operations here will provide the Fiat Group with the means to widen its customer base and to support its expansion and volume aspirations from a strategic region... our commitment demonstrates our confidence and trust in Serbia, especially in view of the strong determination of its government and the perspicacity of President Boris Tadic to enable the country to advance on its European Union path.”

Mr. Costin Borc
CEO, Lafarge, France

“Lafarge is one of the very first investors in Serbia and we do see a positive evolution related to economic and legal reforms. Our objective is to continue with investments and to create better and more efficient conditions for our plant operation.”

Mr. Nenad Vukovic
President, Henkel Serbia

“Your strong GDP growth shows market capacities and potentials, and it shows us that the FMCG industry can rely on a wider consumer base. We have succeeded in establishing Henkel in Serbia as the center for the region of 55 million consumers.”

Mr. David Banjai
Plant Manager, Ball Packaging Europe, Serbia

“Serbia is certainly very well positioned in the region of South East Europe. This region shows a constant growth year on year. This is also one of the reasons for Ball Packaging Europe to choose Belgrade as its regional center.”

Mr. Matthew Perkins
General Director U. S. Steel Serbia, USA

“Our employees at U. S. Steel Serbia are educated, capable, and dedicated to their work. Their knowledge, creativity and experience in the steelmaking process have helped make U. S. Steel Serbia become the success story.”

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General information

Serbia is a democratic country occupying a strategic position in the heart of southeastern Europe. Bordering the European Union (EU) and several emerging markets, the country's location makes it an ideally-located exports base. Serbia will soon become part of the EU, as it submitted its EU application in 2009 and as it's planning to become an EU candidate in 2011, demonstrating the country's firm commitment to remaining a politically stable, EU-oriented state. Serbia has also grown into one of the premier investment locations in Central and Eastern Europe, attracting \$ 20 billion of Foreign Direct Investment (FDI) since 2001.

Q Where is Serbia located?

A Serbia occupies an area of 88,361 square kilometers and is located in the central part of the Balkan Peninsula. It is considered the crossroads of Europe as it is located on the most important route linking Europe and Asia, the intersection of Pan-European Corridors 7 and 10.

Serbia lies in the same time zone as most of Western Europe (GMT + 01:00).



Q What are the topography and climate in Serbia like?

A Northern Serbia is mainly flat, while its central and southern areas are hilly and mountainous. The flatlands are located mainly in the region of Vojvodina in northern Serbia. About 55% of Serbia's terrain is arable land and some 27% of it is forested. The highest point in Serbia is Djeravica (2,656 m) in the Prokletija range.

The climate in Serbia is mild continental with warm summers and snowy winters; transitions between the four seasons of the year are gradual.

Q What is the population of Serbia?

A The population of the Republic of Serbia is approximately 9.5 million people.

Source: *Statistical Office of the Republic of Serbia*

Q What are the major cities in Serbia?

A The following table lists the largest cities in Serbia:

Serbia's Most Populous Cities	
City	Population
Belgrade	1,600,000
Pristina	500,000
Novi Sad	325,000
Nis	250,000
Kragujevac	175,000
Subotica	150,000
Leskovac	150,000

Source: Statistical Office of the Republic of Serbia, UNMIK

Q What is the ethnic structure of Serbia?

A The ethnic structure of the Republic of Serbia is heterogeneous. While the majority of the population is Serbian, approximately 1.1 million people belonging to 37 different ethnicities also live on its territory.

Ethnic Structure of Serbia (Without Kosovo)	
Ethnicity	% of total population
Serbian	82.90
Hungarian	3.90
Roma	1.40
Croat	0.90
Slovak	0.80
Bulgarian	0.56
Romanian	0.54
Others	9.00

Source: Statistical Office of the Republic of Serbia, 2002 Census

Q What are the most commonly practiced religions in Serbia?

A The most commonly practiced religion in Serbia is Christian Orthodox. There are also sizeable Jewish, Roman Catholic, Protestant, and Islamic communities.

Q What is the official language of Serbia?

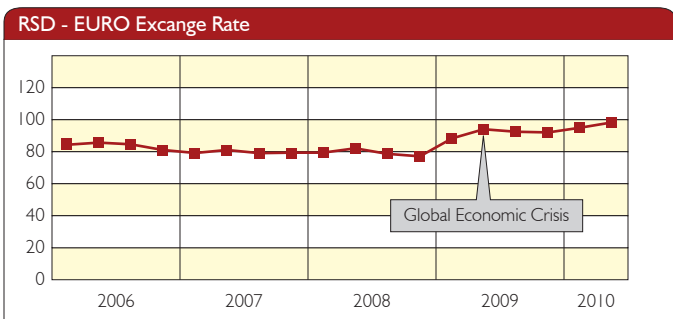
A The official language in Serbia is Serbian. The official alphabet is Cyrillic although the Latin alphabet is most commonly used. Serbia's minorities are permitted a great deal of cultural autonomy; national minorities are allowed to freely use their own languages and many schools in Serbia are also conducted in Serbia's minority languages.

Q What percentage of the population of Serbia speaks a foreign language?

A 48% of the literate population has at least a basic knowledge of the English language. The next most commonly known languages are Russian, German, and French.
Source: Growth From Knowledge (GfK)

Q What is the currency in Serbia and what is its exchange rate?

A The Serbian Dinar: Euro exchange rate on April 1st, 2010 was 99.61. The following graph shows the evolution of this exchange rate over the past four years:



Source: National Bank of Serbia

Q What is Serbia's exchange rate policy?

A In late 2009, due to the global economic crisis, the Serbian Dinar experienced a limited period of faster depreciation due to a large withdrawal of foreign currency and personal savings caused by the financial crisis as well as the regular payment of foreign debt at the beginning of the calendar year. As the chart shows, the currency has since depreciated slightly. The IMF agreement signed in the meantime guarantees the currency's long-term stability.

The autonomous National Bank of Serbia (NBS), Serbia's central bank, pursues a managed floating exchange rate regime with no pre-determined path for the exchange rate. When necessary, the NBS intervenes in order to limit excessive daily oscillations in the foreign exchange market, contain threats to financial and price stability, and safeguard an adequate level of foreign exchange reserves. The most up-to-date exchange rate can be found at www.nbs.rs.

Source: National Bank of Serbia

Q What is the status of Serbia's EU accession campaign?

A Since 2001, Serbia's EU integration process has been the top priority of the Serbian government. Serbia signed and ratified the Stabilization and Association Agreement (SAA) in April of 2008, began implementing the Interim Trade Agreement in January of 2009, and formally submitted its EU membership application in December of 2009. Serbia plans to become a formal EU candidate in 2011 and is now working to harmonize legislation with the *acquis communautaire*, which it plans to accomplish by the end of 2012.

Since December of 2009, Serbian citizens have had visa-free access to EU countries.

For more information on Serbia's trade policy vis-a-vis the EU, please see the Foreign Trade section of this brochure.

For more information on Serbia's EU accession process, please contact the Serbia European Integration Office (SEIO): www.seio.gov.rs.

Q What is the political system in Serbia?

A Serbia is a Parliamentary Republic. The National Assembly of the Republic of Serbia is a unicameral assembly of 250 members chosen in general elections for a period of four years. The President is elected via popular vote for a five-year term.

Q Which institutions govern Serbia?

A The National Assembly elects the Government of the Republic of Serbia and its 25 ministries which, together with the Presidency, represent the country's executive authority. The judiciary is independent.

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Macroeconomic indicators

Serbia counts itself among Europe's fastest growing economies of the past few years, having achieved an economic growth rate of 6.3% and doubling its GDP per capita between 2004 and 2008. The country also maintains sound inflation and exchange rate policies, making it one of the most stable economic environments available to foreign investors. This outstanding growth has been underpinned by over \$ 20 billion worth of Foreign Direct Investment (FDI) since 2001. Serbia's external liquidity remains stable, with relatively high foreign currency reserves and a low public debt- GDP ratio. Foreign currency reserves totaled € 10.61 billion at the end of 2009, while total public debt made up 31.8% of Serbia's economic output.

Q What are the recent GDP and per capita GDP trends in Serbia?

A For years, Serbia was among Europe's fastest growing economies. Economic growth averaged 6.3% between 2004 and 2008, while GDP per capita almost doubled to about € 4,500. This strong GDP performance was largely driven by service sectors such as telecommunications, trade, and banking. In addition, industrial production saw a moderate upsurge, particularly over the previous three years.

GDP growth rate						
2004	2005	2006	2007	2008	2009	2010*
8.3%	5.6%	5.2%	6.9%	5.5%	-2.9%	1.5%

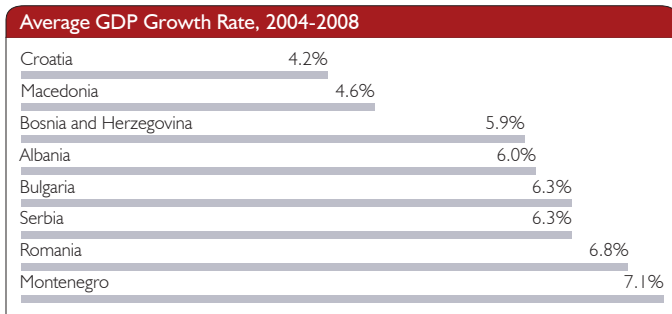
*est.; Source: National Bank of Serbia

GDP per capita (€)						
2004	2005	2006	2007	2008	2009	2010*
2,555.9	2,736.0	3,173.5	4,002.2	4,661.1	4,304.1	4,528.1

*est.; Source: Ministry of Finance of the Republic of Serbia

Q How does Serbia compare to other countries in the region in terms of recent GDP growth?

A Over the last half decade, Serbia has achieved one of the highest GDP growth rates in the region:



Source: IMF

Q What was inflation rate in Serbia in 2009? What is the expected inflation rate for 2010?

A The 2009 end-of-year inflation rate in Serbia was 6.6%. The National Bank of Serbia predicts that inflation will be roughly 6% ($\pm 2\%$) in 2010

Source: National Bank of Serbia

Inward FDI (\$ millions)

2009	2,404.3
2008	3,363.2
2007	3,569.1
2006	5,474.4
2005	1,616.4
2004	987.3
2003	1,389.0

Source: National Bank of Serbia

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Foreign direct investment

Since the onset of economic reforms in 2001, Serbia has grown into one of the premier emerging investment locations in Central and Eastern Europe. Up to now, FDI inflow into the country has exceeded \$ 20 billion, while Serbia has attracted over \$9 billion of foreign direct investment in the past three years alone. The list of leading foreign investors is topped by world-class companies and such as FIAT, Telenor, Stada, US Steel, Michelin, Gazprom, Siemens, and many others. The future promises only better things to come: According to the most recent report by the *Economist Intelligence Unit*, Serbia is poised to make the most significant improvement in its business environment in the region of Eastern Europe between now and 2013.

Q What kind of recognition has Serbia received as an investment location?

A Serbia has earned numerous awards for its potential as investment location:

- 3rd most attractive manufacturing location (compared to 25th in 2004) –2008 PricewaterhouseCoopers survey
- 7th most attractive services destination among emerging economies – 2008 PricewaterhouseCoopers survey
- 2nd most investment projects in Southeastern Europe in 2007 and 2008 – Ernst & Young
- Home to the Investor of the Year Award for Southeast Europe three years in a row – Organization for Economic Cooperation and Development (OECD)
 - 2004: Ball Packaging Europe (USA)
 - 2005: Metro Cash & Carry (Germany)
 - 2006: Airport City Belgrade (Israel)
- Home to the Municipality of Indjija, ranked in the top 25 most attractive locations for foreign direct investment – fDi Magazine, 2008

Q Which countries have been the largest sources of FDI for Serbia?

A Investors from around the globe are successfully investing in Serbia. The bulk of FDI into Serbia comes from the EU – the top spot is held by Austria, which is followed by Greece. According to official statistics, only one of the top ten investor countries is from outside of the EU. The United States is also a major investor, as most of its projects are implemented through European affiliates. Russia is now increasing its presence as well.

Net FDI in Cash by Country, 2000-2009	
Country	Total Investment, (\$ thousands)
Austria	2,955,697
Greece	1,753,339
Norway	1,556,700
Germany	1,533,580
Netherlands	1,306,216
Italy	993,216
Slovenia	702,008
France	513,178
Hungary	477,179
Luxembourg	453,755

Source: National Bank of Serbia

Q How can a company insure investments in Serbia?

A Various foreign companies and other bilateral multilateral organizations provide risk insurance against non-commercial risks:

Investment Insurance Organizations		
Austria	OEKB	www.oekb.at
Belgium	ONDD	www.ondd.be
Canada	EDC	www.edc.ca
Germany	PwC/Euler Hermes	www.eulerhermes.com
France	COFACE	www.coface.com
Italy	SACE	www.sace.it
Japan	NEXI	www.nexi.go.jp
Korea	KEIC	www.keic.or.kr
Slovenia	SID	www.sid.si
UK	ECGD	www.ecgd.gov.uk
USA	OPIC	www.opic.gov
World Bank	MIGA	www.miga.org

Source: SIEPA

Q Which international banks are currently present in Serbia?

A Extensive reforms in the financial sector have produced a sound and efficient banking system in Serbia. The results are best evidenced by the total amount of domestic and foreign currency reserves which stand at well over € 9 billion, or over two and a half times the amount available at the end of 2003.

As of April 1st, 2010, 20 foreign banks had set up operations in Serbia through either Greenfield projects or acquisitions:

1.	BANCA INTESA (Italy)
2.	SOCIÉTÉ GÉNÉRALE BANKA (France)
3.	CRÉDIT AGRICOLE BANKA (France)
4.	EUROBANK EFG (Greece)
5.	UNICREDIT BANK (Austria)
6.	RAIFFEISEN BANKA (Austria)
7.	ERSTE BANK (Austria)
8.	MOSKOVSKA BANKA (Russia)
9.	HYPO ALPE-ADRIA-BANK (Austria)
10.	VOJVODANSKA BANKA, NBG Group (Greece)
11.	ALPHA BANK (Greece)
12.	KBC BANKA (Belgium)
13.	PROCREDIT BANK (Germany)
14.	VOLKSBANK (Austria)
15.	NLB BANKA (Slovenia)
16.	OTP BANKA (Hungary)
17.	MARFIN BANK (Greece)
18.	FINDOMESTIC BANKA (Italy)
19.	PIRAEUS BANK (Greece)
20.	OPPORTUNITY BANKA (Montenegro)

Source: National Bank of Serbia

For the most up-to-date list of foreign banks present in Serbia, please see www.nbs.rs

Q How does the privatization process work in Serbia?

A There are three methods of privatization in Serbia:

- Tender privatization;
- Privatization by auction;
- Sale of share packets by the Share Fund of Serbia.

Many legal entities which are eligible for privatization have negative business results and are unable to pay their debts or have an organizational or age structure that is unsuitable for privatization. The purpose of financial restructuring is to write off a creditor's debt in exchange for a pro rata share of sale proceeds. This results in a company being sold "clean" and debt free.

In order to carry out the restructuring process successfully, the legislator gives creditors the possibility to write off, in whole or in part, the initial credit amount and its interest as well as other outstanding claims. This possibility is also given to creditors to convert their monetary claims into capital of the subject whose restructuring is being carried out.

The Privatization Agency oversees all aspects of privatization in Serbia.

For further information on privatization in Serbia, please visit the website of the Privatization Agency: www.priv.rs

Q What is the state of privatization in Serbia?

A Since 2001, some 3,538 companies in various sectors and regions of Serbia have been privatized. The overall privatization success rate is 70% and total income from the privatization process is over € 5.5 billion.

Q Which companies have yet to be privatized?

A Many companies have yet to be privatized. Recently, the Government of the Republic of Serbia has been seriously considering allowing private ownership of some of the largest state-owned companies such as Telekom Srbija (fixed and mobile telephony) and Jat Airways (national air carrier).

For more information regarding privatization in Serbia, please contact the Privatization Agency of the Republic of Serbia.

Financial Grants for Large-Scale Projects		
Eligible Projects	Large-Scale Projects	
	Manufacturing and Export-Related Services	
	Capital and Labor-Intensive Projects	Capital-Intensive Projects
Grant Amount	Up to 25% of the total investment	Up to 20% of the total investment
Minimum Investment	€200 mn	€50 mn
Minimum N° of New Jobs	1,000	300

Financial Grants for Standard-Scale Projects				
Eligible Projects	Manufacturing			Export-Related Services
	Projects Realized in Devastated Regions and Regions of Special State Interest	Projects in Automotive, Electronics, IT Industries Realized in Regions of Special State Interest	Projects Realized in Other Regions	Projects Realized in Any Region
Grant Amount	€4,000 – 10,000 per new job created	€5,000 – 10,000 per new job created	€2,000 – 5,000 per new job created	€2,000 – 10,000 per new job created
Minimum Investment	€0.5 mn	€0.5 mn	€1 mn	€0.5 mn
Minimum N° of New Jobs	50	50	50	10

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Financial incentives

Since 2007, SIEPA has been administering the most significant financial incentive program for promoting direct investment in Serbia. Investors in Serbia are eligible to receive between € 2,000 and € 10,000 for each new job created. This program is funded from the budget of the Republic of Serbia and may be used for financing investment projects in the manufacturing and internationally marketable services sectors. To date, 114 foreign and local companies have received € 47.3 million of non-refundable funds for projects which have created 17,194 new jobs and whose total value is € 635 million.

For a full list and detailed descriptions of other incentives available when investing in Serbia, please see our brochure *Investment Incentives in Serbia*.

Q What kind of financial support is available to investors in Serbia?

A For standard-scale Greenfield and Brownfield projects in the manufacturing and export-related services sectors, non-refundable state funds are offered in the range between € 2,000 and € 10,000 per new job created.

For large investors, a special financial package is available:

If a project's value exceeds € 200 million and creates at least 1,000 new jobs, the state may cover 25% of the total investment value. Investments of over € 50 million that create a minimum of 300 new jobs can be subsidized for 20% of the project's value.

Q What are the minimum investment requirements for eligibility for the financial incentives program in Serbia?

A For large-scale projects, the grant amount is determined by a government commission and is dependent on the investment's importance, value, and sustainability.

For other projects, state funds are awarded upon a scoring system based on the following criteria:

- investor's references;
- participation of domestic suppliers in the final product and the investment effect on local companies;
- investment sustainability;
- effects related to R&D;
- effects on human resources;
- environmental impact;
- the value of international turnover for investments in the services sector;
- imports substitution;
- effects on the development of the local community, and
- municipality-level support related to deduction of local fees.

Q Who can apply for financial incentives in Serbia and where can one apply for these funds?

A The right to receive funds belongs to any legal entity registered on the territory of the Republic of Serbia that has investment projects in the sectors for which funds have been allocated and in accordance with the Decree on terms and conditions for attracting direct investment. Applications for participation in the procedure of allocating funds are submitted directly to SIEPA and must be done so by the deadline stated in the public announcement.

A copy of the Decree on terms and conditions for attracting foreign direct investment as well as the application form is available at SIEPA's site at www.siepa.gov.rs.

Q How are the funds awarded for investment projects in Serbia disbursed?

A Upon the assessment of investment projects, the funds for selected projects are disbursed in four equal increments throughout the project's lifetime:

1st increment – after concluding the contract for sale or lease of land

2nd increment – after obtaining the construction approval

3rd increment – after obtaining the right-to-use permit

4th increment – after achieving full employment envisaged by the investment project.

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Foreign trade

Serbia's free trade agreements, proximity to the European Union (EU), and continuously improving trade relations make it an ideal trade partner: Serbia has Free Trade Agreements (FTA) with countries whose populations total over 1 billion people, and the country is currently bolstering its economic diplomatic corps. Serbia's primary trade partners are the EU countries and other Central European Free Trade Agreement (CEFTA) countries. Since 2001, Serbia's total export volume has tripled, growing by approximately 30% annually. Serbia is also working hard to join the World Trade Organization, which it will join, at the very latest, by the first half of 2011.

Q How can one locate a suitable supplier from Serbia?

A By using SIEPA's Serbia Suppliers Database, foreign clients can quickly access updated, systematic information on Serbian suppliers – all in one spot. When it comes to exploring opportunities and industrial capacities in Serbia, this database is the most effective and efficient tool available. Our supplier's database contains more than 1,000 companies from industries such as: agriculture, aerospace, automotive, business services, chemical, clothing, construction, electrical & electronics, food & beverages, leather, machinery & equipment, metallurgy & metalworking, packaging, paper, pharmaceuticals, plastic & rubber, software & ICT, textile, and wood & furniture.

This database can be accessed at the following link:
www.serbia-suppliers.rs

Q What is Serbia's yearly export volume and which goods does Serbia export most?

A In 2009, the total value of exports from Serbia was € 5.96 billion, a 19.7% decrease relative to 2008. The following table lists Serbia's primary export products:

Exports from Serbia, 2009 (€ millions)	
Iron and steel	460.6
Clothing	384.8
Fruits and vegetables	323.0
Non ferrous metals	315.2
Other metal products	239.0

Source: Statistical Office of the Republic of Serbia

Q What is Serbia's annual import volume and which goods does Serbia import most?

A In 2009, the total value of imports from Serbia was € 11.16 billion, a 28% decrease relative to 2008. The following table lists Serbia's primary import products:

Imports to Serbia, 2009 (€ millions)	
Petroleum and petroleum products	1062.9
Road vehicles	854.9
Gas, natural and manufactured	561.0
General industrial machinery	497.1
Iron and steel	441.9

Source: Statistical Office of the Republic of Serbia

Q What is Serbia's balance of trade?

A In 2009, Serbia had a trade deficit of € 5.2 billion, a 35.6% decrease relative to 2008. The export - import ratio equaled 53.3% and was higher compared to the same period in 2008 when it was 48%.

Total Exports and Imports, 2001-2009 (€ millions)		
Year	Export	Import
2001	1,896.1	4,763.2
2002	2,192.0	5,925.1
2003	2,441.3	5,685.5
2004	2,831.6	8,623.3
2005	3,608.3	8,439.2
2006	5,102.4	10,462.6
2007	6,432.2	13,506.8
2008	7,428.3	15,494.5
2009	5,961.6	11,157.3

Source: Statistical Office of the Republic of Serbia

Q Which countries are Serbia's major foreign trade partners?

A Serbia's most significant trade partners are the EU member states, followed by the southeastern Europe countries.

In terms of individual countries, Serbia's largest export markets are Bosnia and Herzegovina and Germany. Serbia imports more from the Russian Federation than from any other country, primarily due to energy imports.

Serbia's Export Markets, 2009	
European Union	53.6%
Other European countries	39.8%
Other countries	6.6%

Serbia's Primary Export Markets, 2009 (€ millions)	
Bosnia and Herzegovina	724.7
Germany	624.3
Montenegro	598.7
Italy	586.1
Romania	342.8
Macedonia	306.4
Russian Federation	249.3
Slovenia	245.1

Source: Statistical Office of the Republic of Serbia

Origin of Imports into Serbia, 2009 (€ millions)	
Russian Federation	1,415.4
Germany	1,392.7
Italy	1,099.5
China	864.3
France	377.8
Romania	359.9
Hungary	349.4
Slovenia	327.3

Source: Statistical Office of the Republic of Serbia

Q What is the EU's trade policy vis-a-vis Serbia?

A All products originating from Serbia may be exported to the EU without customs or other fees. Such treatment is applicable for products with preferential Serbian origin, which is determined in accordance with the pan-European rules of preferential origin.

In February of 2010, the EU and Serbia entered into the Interim Trade Agreement as part of the Stabilization and Association Process. This agreement provides that goods with EU origin used in a final product produced in Serbia will be considered of Serbian origin. It also guarantees that the EU market will remain open to Serbian exports and regulates other important aspects of economic policy such as competition and state aid for businesses.

Annual import quotas remain in effect for a number of products such as baby beef, sugar, and wine.

Q With which countries does Serbia have Free Trade Agreements (FTAs)?

A Serbia is a signatory of the CEFTA (Central European Free Trade Area) Agreement, which permits free trade between Serbia and Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, and the United Nations Interim Administration Mission in Kosovo (UNMIK).

A free trade agreement with Russia makes Serbia particularly attractive to foreign investors: Goods produced in Serbia, goods whose prevailing value added was in Serbia, or goods considered to be of Serbian origin are not subject to customs duties when exported to the Russian Federation. Serbia is the only country outside of the Commonwealth of Independent States with a FTA with the Russian Federation.

Serbia also recently signed free trade agreements with Belarus, Turkey, and the European Free Trade Association (EFTA), which includes Switzerland, Norway, Iceland, and Liechtenstein. The free trade agreement with the EFTA countries will likely come into effect by early 2011.

Serbia's Preferential Trade Agreements		
Market	Trade regime	N ^o of inhabitants
European Union	Preferential Trade Regime	494,070,000
United States of America	Generalized System of Preferences	302,558,000
Russian Federation & Kazakhstan	Free Trade Agreement	158,950,800
Southeastern Europe	Free Trade Agreement	29,990,542
Belarus	Free Trade Agreement	9,689,800
Turkey	Free Trade Agreement	75,000,000
EFTA*	Free Trade Agreement	13,000,000
Total Market Size		1,083,259,142

*Free Trade Agreement with EFTA likely to take effect by early 2011.

Q What is the United States' trade policy vis-a-vis Serbia?

A The United States accords Generalized System of Preferences (GSP) trade benefits to Serbia. The GSP designation goes beyond Normal Trade Relations, or Most Favored Nation, a status that the United States restored to Serbia in December 2003 to support the economic progress of the country.

Currently, the GSP program provides preferential duty-free entry for more than 4,650 products, including most manufactured and intermediate goods and selected agricultural and primary industrial products. Certain sensitive goods are not eligible for duty-free entry under GSP, which generally includes most textile products, leather goods, and footwear. The list of eligible goods is reviewed and adjusted twice per year with input from U.S. industries.

Q How are imports customs regulated in Serbia?

A Serbian customs law is modeled after the EU Community Customs Code and incorporates customs standards, regulations and practice of the EU. In the areas of customs valuation, origin of goods, tariff classification and customs procedures, Serbia applies the recommendations and views of the World Trade Organization (WTO), the World Customs Organization (WCO), and the General Agreement on Tariffs and Trade (GATT).

Serbia is constantly striving to fully harmonize its external trade regulations and practices with those of the EU as well as with guidelines set by international organizations. Serbia annually aligns its Customs Tariff with the Combined Nomenclature of the EU.

Tariff rates

Goods imported in Serbia are subject to customs duty rates provided in the Law on Customs Tariffs. These rates are ad valorem and apply on goods originating in countries which have Most Favored Nation (MFN) status when trading with Serbia.

Customs rates on most products are very low: 31% of products have customs rates of 1%, 17% of products have customs rates of 5%, and 18% of products have customs rates of 10%.

For more detailed information on tariff rates, please visit the website of the Serbian Customs Administration: www.customs.rs

Source: PricewaterhouseCoopers

Q Which benefits are available in Free Zones in Serbia?

A Free Zones are specially demarcated zones in which commercial, industrial, and service activities can take advantage of various benefits:

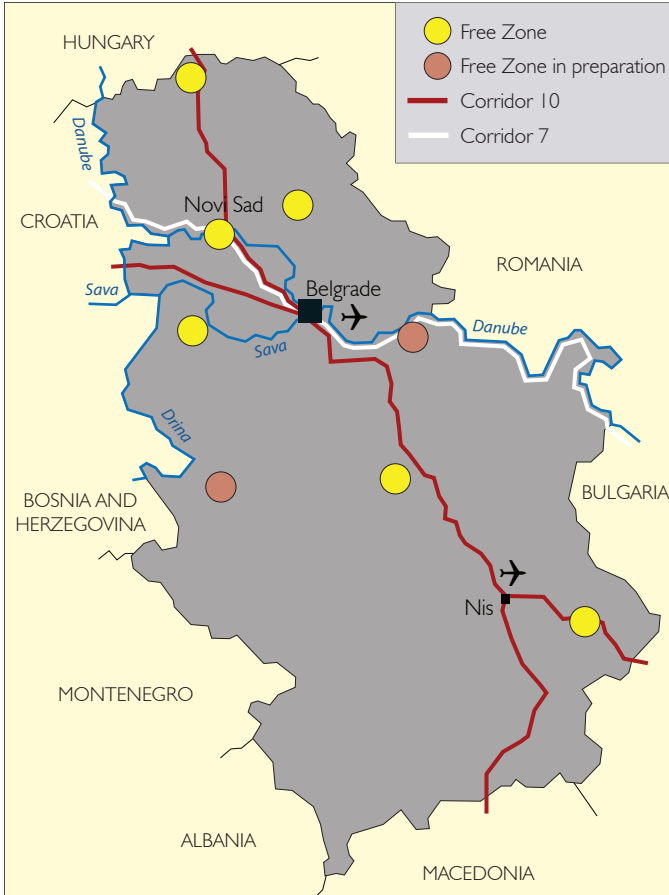
- companies with production facilities located within the free zones are exempt from paying VAT
- fixed assets, machines, and construction materials can also be imported duty free into free zones
- raw materials used for production of finished goods that are meant for export can be imported duty-free

Goods imported from a free zone into the Serbian market are subject to standard customs regulations. However, if the goods are produced out of at least 50% domestic components, they would be considered domestic goods and would not, therefore, be subject to customs duties.

Q How many Free Zones are there in Serbia and where are they located?

A There are six free zones in Serbia: Subotica, Novi Sad, Zrenjanin, Sabac, Kragujevac, and Pirot. Two more free zones are currently being prepared: Smederevo and Uzice

The following map shows the locations of all of Serbia's Free Zones:



Transportation Infrastructure	
Length of road network	40,485 km
Length of railway network	3,809 km
Length of navigable routes	959 km
Number of river ports	12
Number of international ports	2

Source: Ministry of Infrastructure

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Infrastructure

Serbia features a modern, reliable infrastructure network: Highways, railways, and rivers provide easy access to all parts of the country, and no point in Serbia is more than a three-hour drive from an international airport. Energy, water, electrical, and telecommunications infrastructure is widely available for investors, and can be easily established where it is not present. The government will invest a further € 4 billion in modernizing the country's road and railway networks in the coming years.

Q What is the length of the road network in Serbia?

A Serbia has a strategic geographic position and it offers a great transport potential via Pan European Corridors VII and X. The road network of the Republic of Serbia is 40,845 kilometers long, of which:

Road Network in Serbia	
Road type	Total length (km)
Arterial roads	5,525
Regional roads	11,540
Local roads	23,780
Highways subject to tolls	498
Motorways subject to toll collection	136

Source: Ministry of Infrastructure

Q What is the railway transportation network in Serbia like?

A Serious efforts are being made by the Serbian government to restructure and modernize the railway network. One of the advantages of railroad transportation in Serbia is its cost-effectiveness thanks to its easy link to all major European destinations via Pan-European Corridor X.

The total length of all railway tracks in Serbia is 3,809 kilometers, of which 3,533 kilometers is single-track and 275 kilometers is double track. The total spindle capacity of Serbia's railway network is 22.5 t.

Railway Network in Serbia	
Total length of railway network	3,809 km
Total length of electrified railway tracks	1,196 km
Total length of main railway tracks	1,768 km
Total length of industrial tracks	810 km
Railway width	1.4 m
Maximum spindle capacity	22.5 t

Source: Ministry of Infrastructure

Q How many international airports are there in Serbia and what is the connectivity of the Belgrade airport?

A There are two commercial airports in Serbia: Aerodrom Nikola Tesla in Belgrade and Konstantin veliki aerodrom in Nis. Belgrade's airport has daily connections to all major airports in Europe. JAT Airways, Serbia's national carrier, has a long history in air transportation. All major European carriers offer daily flights to and from Belgrade.

Q Which major international seaports are easily accessible from Serbia?

A A number of major international seaports provide easy maritime access for goods and materials traveling to and from Serbia:

Major International Seaports Serving Serbia			
Port	Approximate distance to/from Serbia (km)	Time to/from Serbia & mode(s) of transportation	Advantages
Bar, Montenegro	175	1-2 days (truck)	Preferable for transport to/from southern Serbia
Thessaloniki, Greece	250	1-2 days (truck) 6 - 10 days (rail)	Preferable for transport to/from southern Serbia
Rijeka, Croatia	375	1-2 days (truck) 6-15 days (rail)	Preferable for transport to/from northern Serbia
Burgas, Bulgaria	400	1-2 days (truck) 3-4 days (rail)	Preferable for transport to/from points in southeastern Serbia
Varna, Bulgaria	450	1-2 days (truck) 3-4 days (rail)	Preferable for transport to/from points in southeastern Serbia
Koper, Slovenia	475	1-2 days (truck) 6-15 days (rail)	Preferable for transport to/from northern Serbia
Constanta, Romania	500	2-3 days (truck) 10-15 days (barge)	Commonly used for barge transport to/from Serbia
Hamburg, Germany	1100	20 days (rail)	Preferable for transport to/from northern Europe
Rotterdam, Netherlands	1300	20 days (rail)	Preferable for transport to/from northern Europe

Sources: Schenker DB, Free Zone Administration

Q What are the possibilities for river transportation in Serbia?

A River transportation in Serbia is a viable method of transport and business development alongside rivers is an excellent investment opportunity as Serbia features a well-developed network of navigable routes and pier and port facilities. Serbian rivers flow outwards to the basins of the Black, Adriatic, and Aegean seas.

In total, Serbia features 959 kilometers of total navigable routes and 12 river ports: Apatin, Backa Palanka, Belgrade, Bogojovo, Kovin, Novi Sad, Pancevo, Prahovo, Sabac, Senta, Smederevo and Sremska Mitrovica. Three major Serbian rivers, the Danube, the Sava, and the Tisa, are navigable and can be used for international transport.

Danube

588 kilometers of the Danube run through Serbia. The completion of the Rhine–Main–Danube Canal has made possible the flow of barge traffic between points north of Serbia and the Black Sea. The Danube River features a total 12 ports: Apatin, Backa Palanka, Belgrade, Novi Sad, Pancevo, Prahovo, Smederevo, Sabac, Kovin, Sremska Mitrovica, Senta and Bogojovo.

Tisa

In addition to the 600 kilometer-long Danube-Tisa-Danube domestic canal system, the 164 kilometers of the Tisa which flow through Serbia has the potential to be used by all Danube basin countries and is an internationally navigable route.

Sava

The 207 kilometer stretch of the Sava that flows through Serbia has excellent potential for the transport of goods throughout the western Balkans. The Sava links together Slovenia, Croatia, Bosnia & Herzegovina, and Serbia and is an internationally navigable route.

Q What is the fixed telephony infrastructure in Serbia like?

A Serbia has good voice telephony access and a strong internet penetration rate.

Telekom Srbija (49% owned by the Serbian Government) is the major provider of fixed telephony services in Serbia. Telenor (owned by the Norway's telecommunications group) obtained the second fixed telephony license in January 2010, while local company Orion Telekom recently became the third fixed telephony operator. The level of digitalization of the fixed telephony network is 97%. The cost of basic telephone services is very competitive relative to that of most countries in the region.

Key features of the fixed telephony network:

- total number of available installed subscriber lines: 3,216,734;
- total number of connected subscriber lines: 2,930,273;
- installed subscriber capacity per 100 inhabitants: 42.9;
- level of digitization: 97%

Q How many mobile telephone operators are there in Serbia and what is their coverage like?

A Mobile phone networks in Serbia cover 90% of the country. There are currently three mobile telephony operators – Telekom Srbija's MTS (Serbia), Telenor (Norway), and VIP Mobilkom (Austria). These three operators support second and third generation mobile networks. The mobile telephony penetration rate in Serbia is 130%

Q What is the Internet availability and infrastructure in Serbia?

A More than 20 Internet providers in Serbia have licenses for international connections, while the total number of Internet service providers in Serbia exceeds 200. There are various types of access possibilities using new technologies such as CDMA, HSPDA, and IPTV. The usage of 2.4GHz and 5.8 GHz frequency bands is free-of-charge. With more than 1.7 million internet users, the country has a penetration rate of around 22%.

Q Which major infrastructural projects are currently in progress in Serbia?

A The Serbian government recognizes the importance of developing infrastructure. There are several major infrastructural projects underway Serbia for which the government has allocated significant funding:

Corridor 10

The completion of Corridor 10, the pan-European corridor running between Salzburg, Austria and Thessaloniki, Greece, is government's top infrastructural priority and the backbone of Serbia's economic and technological development. The direct highway and railway will strengthen the link between Western Europe, Greece, Turkey and beyond, will directly and indirectly engage a large number of contractors, and spur the growth of numerous industrial zones and technology parks.

Highway - Some 800 kilometers of the 2,360 kilometer long Corridor 10 highway run through the heart of Serbia. Nearly half of this highway is fully-developed, high-speed highway; the remainder is currently comprised of local highways and two-lane highways. It is estimated that nearly € 2 billion is needed to finish the Serbian portion of the highway. Reconstruction and modernization on the Corridor 10 highway will directly employ 20,000 people and indirectly employ 100,000 people; it will also lead to the opening of some 60 motels, 85 gas stations, and 70 rest stops.

Railway - A major modernization and expansion effort is underway to upgrade the 767 kilometer railway along Corridor 10. This project will open several new routes for private and foreign operators to transport passengers and goods, while also modernizing telecommunications infrastructure across the country. Approximately € 500 million has been invested in this initiative to date, and another € 100 - € 200 million is needed to complete the project.

Sources: Coridor 10, Ministry of Infrastructure

South Stream gas pipeline

The South Stream gas pipeline, whose estimated capacity is about 31 billion cubic meters per year, is a € 10 billion, joint-venture project between Gazprom of Russia and Eni of Italy which will connect natural gas from Russia and possibly Central Asia to Europe across the Black Sea. The overall goal of this infrastructural project is to increase the security of natural gas supply for both Serbia and the wider region. About 450 kilometers of the planned pipeline will run through Serbia.

Banatski Dvor gas storage facility

The Banatski Dvor underground gas storage project, a € 100 million joint effort between Srbijagas of Serbia and Gazprom of Russia, will reduce the seasonal variation in gas demand while allowing Serbia to maintain a constant level of energy imports. It will also increase Serbia's the reliability and operational flexibility of Serbia's gas transmission system and enable Serbia to provide storage services to neighboring countries.

Source: Srbijagas

Belgrade Road Bypass

The Belgrade Bypass, a 69 kilometer long beltway around the city of Belgrade, is one of Serbia's most important infrastructural projects. Its construction is expected to alleviate Belgrade's congestion problems and divert all transit traffic away from the center of the city. This project, whose total value is estimated € 543 million, is being financed from the National Investment Plan, the European Bank for Reconstruction and Development, and the European Investment Bank.

Source: Belgrade Land Development Agency

Ada Bridge

The Ada Bridge, or Sava Bridge, is a bridge crossing the river Sava over the northern tip of Ada Ciganlija island. This € 161 million projected is expected to significantly reduce traffic passing through the city center and across the Gazela Bridge. With its 200 meter high tower and 376 meter span, the Ada Bridge will become a significant landmark of the capital.

Source: Belgrade Land Development Public Agency

Q What is the state of Serbia's energy sector?

A With the help of a massive influx of FDI, Serbia's energy sector is poised for strong future growth. As part of an agreement with the Russian Federation, nearly € 1 billion will be invested in the modernization of the Serbian Oil Industry, which includes large-scale projects on the construction the South Stream regional gas network section and the natural gas storage facility in northern Serbia.

In the electricity sector, international investors have the opportunity to form strategic partnerships with the Electric Power Industry of Serbia by investing in electricity production facilities such as the two thermoelectric plants for which tenders have been recently announced.

The renewable energy sector also boasts tremendous potential for private-based projects, particularly in the areas of biomass, solar, wind, and geothermal energy, as well as small hydro power plants.

Q What is Serbia's total energy capacity?**A** Serbia's energy sector is comprised of the oil, natural gas, coal, power, district heating, and industrial energy sectors:**Oil sector**

Domestic refineries' current total installed refining capacity is 6.6 million tons.

Natural gas sector

Domestic production of natural gas is approximately 300 million cubic meters.

Coal sector

Annual domestic production of coal is approximately 35 million tons.

Power sector

The total installed power of power sources in Serbia is 7,120 megawatts, of which 3,936 megawatts are in lignite-operated thermal power plants, 2,831 megawatts of which is in hydropower power plants, and 353 megawatts of which is in crude oil and natural gas operated thermal power plants.

District heating company system

This system has an installed power capacity of about 6,000 megajoules per second.

The industrial energy system

This system includes heating sources with about 6,300 megajoules per second of installed capacity.

Q What is the state of the renewable energy sector in Serbia?

A The renewable energy sector is in its early development stages, leaving room for new investments in all segments of this industry.

Biomass

Serbia produces around 1 million tons of oil equivalent of wood biomass predominantly situated in central and southern parts of Serbia and 1.4 million tons of oil equivalent of agricultural biomass, mostly in the province of Vojvodina.

Small Hydro Power Plants

Over 800 locations with total power of around 500 megawatts are registered in the cadastre. Most of these are in western and eastern Serbia.

Solar Energy

The production potential in Serbia is estimated at around 1.4 kilowatt hours per square meter with a yearly average daily value of about 3.8 kilowatt hours per square meter. The greatest potential is situated in southern Serbia and varies between 1.6 kilowatt hours per square meter in January and 6.5 kilowatt hours per square meter in July.

Geothermal Sources

These sources are equally spread throughout Serbia and are mostly used for sports, recreation, medical purposes, and agriculture.

Wind Energy

Production capacity is estimated at 1,300 megawatts or 2,300 gigawatt hours.

Renewable Energy Capacity	
Source	Total capacity (mtoe)
Biomass	2.40
Small hydro power plants	0.40
Solar	0.64
Geothermal	0.20
Wind	0.19
Total	3.83

Source: Ministry of Energy and Mining

Q What incentives does the Serbian government offer for investors in the renewable energy sector?

A In addition to other financial and tax incentives, feed-in tariffs encourage future investment and production in the renewable energy sector:

Installed capacity (MW)	Feed-in tariff purchase price (EUR/kWh)
Hydro power plants	
up to 0.5 MW	9.7
0.5 MW - 2 MW	10.316 - 1.233xP
2 MW - 10 MW	7.85
up to 2 MW (on existing infrastructure)	7.35
2 MW - 10 MW (on existing infrastructure)	5.9
Biomass power plants	
up to 0.5 MW	13.6
0.5 MW - 5 MW	13.845 - 0.489xP
5 MW - 10 MW	11.4
Biogas power plants	
up to 0.2 MW	16
0.2 MW - 2 MW	16.444 - 2.222xP
greater than 2 MW	12
Land and sewage gas power plants	
All capacity levels	6.7
Wind power plants	
All capacity levels	9.5
Solar power plants	
All capacity levels	23.0
Geothermal power plants	
All capacity levels	7.5
Fossil fuel fired CHP plants	
up to 0.2 MW	10.4
0.2 MW - 2 MW	10.667 - 1.333xP
2 MW - 10 MW	8.2
up to 10 MW (on existing infrastructure)	7.6
Waste fired power plants	
up to 1 MW	9.2
1 MW - 10 MW	8.5

note: P denotes the installed capacity

Source: Ministry of Mining and Energy

How long does it take to register a business in Serbia?	
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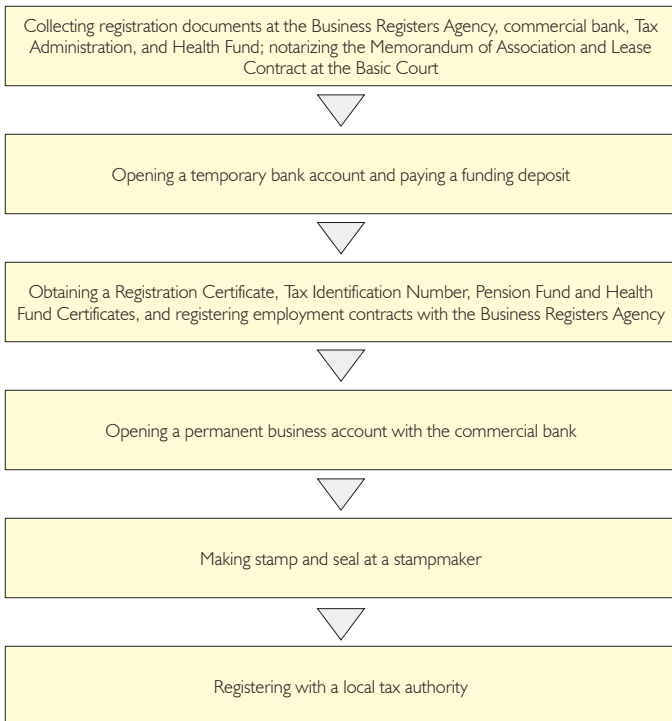
Setting up a business

Establishing a business is easy in Serbia. Serbia earned the recognition as the top business reforming country in the World Bank's 2006 *Doing Business* report after the government reduced the time to start a business from 53 to 21 days. Today, it takes only 5 days to start a business in Serbia. This will be further reduced to 3 days in the near future as part of the 'regulatory guillotine' procedure, which will also enable online business registration.

Q How long does it take to register a business in Serbia? How many procedures are involved in this process? How much does it cost to register a business?

A The business registration procedure in Serbia typically takes 5 days. This process requires 3 days at the Business Registers Agency and several more days for other procedures. The entire process is expedient and costs a maximum of € 350.

The following graphic depicts the phases of the business registration process:



Source: www.doingbusiness.org.

Q Which institution is in charge of business registration in Serbia?

A The Serbian Business Registration Agency is a one-stop-shop for business registration. This agency also maintains an electronic database of registered business entities, contracts on financial leasing, and the registry of pledges.

For more information, go to www.apr.gov.rs.

Q Which types of companies are permitted by Serbian law?

A Serbian law permits the establishment of several types of companies, the most common of which are:

Company Types				
	Limited liability company	Joint stock company	General partnership	Limited partnership
Legal abbreviation	d.o.o.	a.d.	o.d.	k.d.
Minimum capital (RSD equivalent)	€ 500	€ 10,000 for Closed € 25,000 for Open	No minimum	No minimum
Partners/ shareholders	Established by maximum 50 shareholders, individuals or legal entities	Closed JSC—maximum of 100 shareholders Open JSC—unlimited number of shareholders	2 or more	2 or more
Liability of partners	Limited to the value of ownership	Limited to the value of ownership	Partners are jointly liable	General partner is jointly and severally liable, while limited partner(s) bear(s) the risks and obligations only up to the percentage of his or her ownership shares
Specifics		Closed JSC can trade shares only among partners		

A complete list of the required documentation for business registration can be found on the website of the Serbian Business Registration Agency at www.apr.gov.rs.

Q Are foreign companies treated any differently from domestic companies in Serbia?

A Foreign companies in Serbia are guaranteed equal legal treatment as domestic companies. They are allowed to invest in any industry and freely transfer all financial and other assets including profits and dividends. Investment projects in Serbia are insured by all major national and international investment and export insurance agencies. Bilateral Investment Treaties signed between Serbia and 32 other countries further safeguard the protection of foreign capital.

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Tax Regime

Serbia offers a very competitive tax environment conducive to foreign investment. The corporate income tax rate of 10% is the second lowest in Europe, while the Value Added Tax (VAT) of 18% is among the most competitive in east-central Europe. A wide range of double taxation treaties, tax holidays, and tax credits complements one of the most business-friendly tax systems in the region.

Q What is the corporate income tax rate in Serbia?

A The corporate income tax rate in Serbia is 10%. Non-residents are only taxed on income generated from business activities conducted in Serbia. The tax base is the pre-tax profit in the company's income statement.

Corporate Profit Tax Rate	
Serbia	10%
Bulgaria	10%
Romania	16%
Hungary	19%
Slovakia	19%
Poland	19%
Czech Republic	19%
Croatia	20%

Source: PricewaterhouseCoopers

Q How is personal income tax regulated in Serbia?

A With regards to salary tax, the employee is taxed, but the employer is responsible for calculating and paying personal income tax on the employee's behalf. The taxable base is the gross salary, which is comprised of the net salary and social security contributions:

- salaries are taxed at a rate of 12%, while other personal income is usually taxed at a rate of 10%;
- the taxable base is the gross salary, which includes net salary and social security contributions;
- non-residents are taxed on income generated on the territory of Serbia;
- taxpayers are entitled to tax credits equal to the amount of tax already paid on income earned abroad.

Q What is the annual income tax rate in Serbia?

A For non-Serbian citizens, annual income is taxed if it is greater than three times the average annual salary in Serbia. The tax rate is 10% on annual income earned that is between three and six times the average annual salary in Serbia, and 15% on annual income greater than six times the average annual salary. Taxable income is reduced by 40% of the average annual salary for the taxpayer and by 15% of the average annual salary for each dependent. Total deductions may not exceed 50% of the taxable income.

Q What are the property tax rates in Serbia?

A Individuals or legal entities in possession of property in Serbia are subject to property tax. For taxpayers who maintain business accounts, the rate of property tax is set at 0.4%. For others the tax rate varies depending on the tax base:

Tax base	Tax rate
Up to RSD 6 million	0.40%
RSD 6 million - RSD 15 million	RSD 24,000 + 0.8% of the amount greater than RSD 6 million
RSD 15 million - RSD 30 million	RSD 96,000 + 1.5% of the amount greater than RSD 15 million
Greater than RSD 30 million	RSD 321,000 + 3.0% of the amount greater than RSD 30 million

Transfer of ownership is taxed as follows:

- a 5% tax rate is applied to the transfer of ownership rights of real estate and other taxable property;
- a 2.5% tax rate is applied to the transfer of ownership rights of agricultural land, forested land, and used motor vehicles.

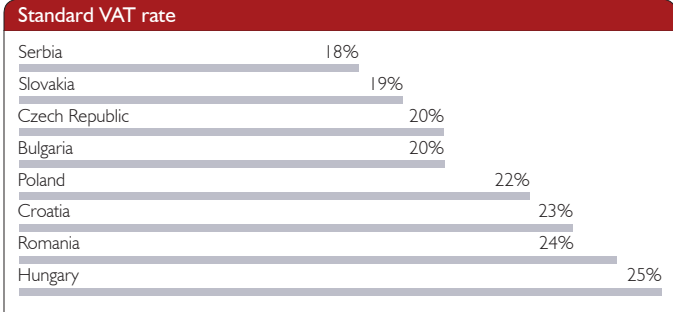
Transfer of absolute rights is taxed proportionally and at the following rates:

- a 0.3% tax rate is applied to the transfer of shares of legal entities, stocks, and bonds;
- a 5% tax rate is applied to the transfer of absolute rights.

Please note that provisions of applicable double taxation treaties regarding withholding tax also apply in these instances.

Q What is the Value Added Tax rate in Serbia?

A The standard VAT rate in Serbia is 18%, which is among the most competitive rates in the region.



Source: PricewaterhouseCoopers

The Serbian VAT Law was adopted in 2004 and is based on the rules set out in the EU’s Sixth Directive. VAT in Serbia is applied on all supplies of goods and services that are not zero-rated or do not qualify for a reduced rate or exemption. In certain instances, reduced rates of 0% and 8% are applied:

VAT rate	Applicable goods and services.
8%	basic foods, supply of drinking water, natural gas, first transfer of residential property, personal computers, teaching aids, etc.
0%	With the right for the deduction of input VAT: export of goods, international air transport.
	Without the right of deduction of input VAT: trading with shares and securities, insurance and reinsurance, the lease of apartments and business premises and others.

Source: PriceWaterhouseCoopers

Q Are capital gains recognized in assessing corporate tax in Serbia?

A Capital gains are recognized for the purpose of corporate tax assessment. Capital gains are generated by the sale or transfer of:

- real estate;
- rights related to industrial property;
- shares, stocks, securities, and certain bonds.

The sale of equipment and other fixed assets is not considered as capital gain in calculating the amount of corporate tax owed.

Q What are the regulations on withholding tax in Serbia?

A Withholding tax is not applied to dividend payments between Serbian entities. For non-residents of Serbia, a 20% withholding tax is calculated and paid on certain payments such as dividends, shares in profit, royalties, interest, capital gains, lease payments for real estate and other assets. The withholding tax rate may be lower than 20% if a Double Taxation Treaty is applicable.

Q With which countries does Serbia have Double Taxation Treaties?

A Serbia has double taxation treaties with 42 different countries. The following table lists the countries with which Serbia has double taxation treaties:

Double Taxation Treaties	
Country	In Effect as of
Albania	2005
Belgium	1981
Belarus	1998
Bosnia and Herzegovina	2004
Bulgaria	2000
China	1997
Croatia	2004
Cyprus	1986
Czech Republic	2005
Denmark	1981
Egypt	1998
Finland	1987
France	1975
Germany	1988
Ghana	2000
Great Britain	1982
Greece	2009
Hungary	2001
India	2007
Italy	1983
Kuwait	2003
Latvia	2006
Lithuania	2009
Macedonia	1996
Malaysia	1990
Moldova	2006
Netherlands	1982
Norway	1985
Poland	1998
Romania	1996
Russia	1995
Slovakia	2001
Slovenia	2003
Spain	2009
Sweden	1981
Switzerland	2007
Turkey	2006
Ukraine	2001

Source: Official Gazette of the Republic of Serbia

Q Which tax incentives are available in Serbia?**A Tax credits**

The amount of tax due may be reduced by 20% of the amount invested in fixed assets for a given tax period. This reduction may not exceed 50-70% of the total tax liability.

The following industries are entitled to receive a tax credit equivalent to 80% of the investment in fixed assets: agriculture, fishing, production of textile yarn and fabrics, garments, leather, base metals, standard metal products, machines, office machines, electrical machines, radio, TV and communication equipment, medical instruments, motor vehicles, recycling, and video production.

Tax holidays

An enterprise is exempt from paying corporate profit tax for ten years if it invests approximately € 8 million and employs at least 100 full-time employees.

Carrying forward of losses

Operating losses can be carried forward and offset against future profit over a period of five years.

Tax exemptions for concessions

A five-year tax holiday is granted for concession-related investments starting on the day the concession investment has been completed.

For a full list and detailed descriptions of tax and other incentives available when investing in Serbia, please see our brochure Investment Incentives in Serbia.

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Locate your business

Finding the right location to base your business in Serbia is easy. In late 2009, Serbia's parliament passed the new Law on Planning and Construction, introducing significant, investor-friendly reforms: Investors are now legally entitled to own and freely transfer land, and the procedures for both acquiring land and construction have been greatly streamlined in accordance with EU norms and standards. For businesses looking to rent space there is an abundance of affordable office space widely available across the country.

Q How can one find an investment location in Serbia?

A The most efficient way to choose your future location is by using SIEPA's exclusive Investment Locations Database. Search, sort, and view by different criteria including size, exact location, mode of ownership transfer, and availability of electricity, water, and road connectivity.

Companies such as Ball Packaging, Kronospan, Leoni, Falke, and numerous others have located their sites in Serbia using our database.

The database covers the whole territory of Serbia. To access the database, please go to www.serbia-locations.rs. Please check regularly for new entries and changes to the current catalog. For more information, contact our experts directly.

Q How can land be acquired in Serbia?

A There are numerous ways of acquiring construction land in Serbia from either state or private entities:

State-owned

- purchase
- lease

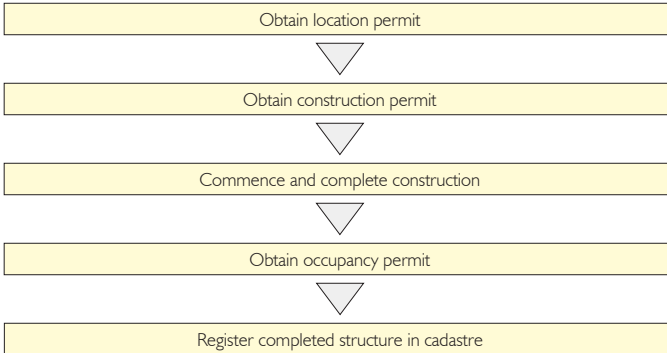
In rare instances, a local municipality may choose to sell land under its jurisdiction at a price lower than its market value or free-of-charge. A municipality must receive special permission from the Government of the Republic of Serbia for this to occur.

Privately-owned

- purchase
- lease
- joint-venture with local landowner(s)

Q What is the construction procedure in Serbia?

A In order to construct a structure, investors must acquire land and then follow the five steps depicted in the diagram below. The proceeding questions provide more detail about each step of the construction procedure.



Q How can a location permit be obtained in Serbia?

A A location permit is required in order to draft to technical documentation. The following documentation must be submitted to acquire a location permit:

1. Copy of land plot plan,
2. Evidence of lease or ownership,
3. Preliminary design.

A location permit is issued by a municipal authority within 15 days from the day the request is submitted. It is valid for a period of 2 years. Investors must apply for the construction permit within this 2 year period.

Q How can one acquire a construction permit in Serbia?

A Once the location permit has been obtained and technical documentation has been reviewed by an investor-approved consultant, an investor may apply for a construction permit. The following documentation must be submitted to acquire a construction permit:

1. Location permit,
2. Construction design,
3. Evidence of lease or ownership title,
4. Evidence of how land development fee will be paid,
5. Proof of payment of administrative fee.

The construction permit is issued within 8 days from the day the request is submitted and is valid for 2 years. Investors must begin construction within this 2 year period.

Q Which procedures must be followed during construction of the structure in Serbia?

A Within 8 days before the commencement of construction, an investor must provide the municipal body which issued the construction permit a construction commencement date and target completion date. Prior to construction, the investor must lay out the specifications of the building site and publish mandatory data on a building site.

Throughout construction, the investor must also arrange for regular supervision of construction works.

Q How can an occupancy permit be acquired in Serbia?

A Once construction has been completed, an investor must obtain an occupancy permit. Occupancy permits are issued after a structure undergoes a technical inspection.

Technical inspections are carried out once construction has been completed. If it is not possible to verify certain aspects of a structure after the completion of construction, a structure may also undergo inspection while construction works are in progress.

To verify that the structure is suitable for use, a structure may also undergo a probation occupancy, a supervised assessment of the structure's installations, devices, machinery, stability, safety, devices, and equipment for environmental protection. The probation occupancy can not last longer than 1 year.

Q How can one register a structure in the cadastre or land registry in Serbia?

A The final stage in the construction process is to register a completed structure in the real estate cadastre at the local municipal court. For certain structures, it may be necessary to transfer information from the land book registry to the cadastre.

Q What is the availability of office space in Belgrade?

A Office space is widely available in the Serbian capital. At the end of 2009, the total speculative inventory of Class A and Class B office space in Belgrade was 732,000 square meters. Last year, the total Belgrade office stock increased by 77,500 square meters of Class A and 59,500 square meters of Class B office space. International developers were oriented towards the construction of modern buildings, which influenced the offer of high-quality, Class A buildings.

At the end of 2009, the vacancy rates in Belgrade were 17.5% for class A office space and 23.1% for class B office space. The overall office space vacancy level in Belgrade at the end of 2008 was 19.7%. The vacancy rate of Class A office space has increased much more significantly than has the vacancy rate of Class B office space.

The Belgrade office market will grow significantly in the near future: between 100,000 and 178,000 square meters of Class A and Class B office space is being constructed and will be completed by the end of 2010.

Source: CB Richard Ellis, Colliers Serbia

Q What is the approximate price of office space in Belgrade?

A At the end of 2009, Belgrade's new Class A office buildings commanded average achieved head rents of € 13.5-13.9 per square meter per month, while for Class B office space they averaged € 10.0-11.1 per square meter per month.

In Belgrade's central business district area, average rent for Class A office space is € 15.1 per square meter per month; for Class B space, average rent is € 15 per square meter per month. In the broad center area, rents average € 14.5 per square meter per month for Class A and € 11 per square meter per month for Class B space. Average rents in suburban areas are € 10 per square meter per month for Class A space and € 8.5 per square meter per month for Class B.

Source: CB Richard Ellis, Colliers Serbia

Q What is the availability and price of office space in Novi Sad and Nis?

A The following tables give an overview of the market for Class A and Class B office space in Novi Sad and for Class A office space in Nis:

Office Space Market in Novi Sad		
	Class A	Class B
Total amount available (m ²), end 2009	40,000	10,000
Vacancy rate	30%	25%
Price (range), m ² /month (€)	10-12	7-9
Total projected amount available, end 2010	46,000	30,000

Source: Colliers

Class A Office Space Market in Nis	
Total amount available (m ²), end 2009	12,000
Vacancy rate	25%
Price (range), m ² /month (€)	11-14
Total projected amount available, end 2010	18,000

Source: Colliers

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Workforce

Serbia boasts a highly-skilled, competitively-priced workforce: Labor costs in Serbia are amongst the lowest in the region, especially in higher value-added sectors such as ICT, where labor costs are 30-40% lower than the European average, or the electronics sector where Serbia offers the lowest labor costs in all of central and eastern Europe. One third of Serbia's total 35,000 university graduates and 15,000 high school students graduate from technical schools each year. Combined with an outstanding overall knowledge of foreign languages (48% of Serbians have at least basic knowledge of English), Serbia's workforce offers the best value for your money of anywhere in Europe.

Q What are the total monthly costs of labor in Serbia?

A Average salaries in Serbia are low enough to ensure cost-effective operations. The total cost of labor for employers is merely 50% of the level in eastern European EU countries. Social insurance charges and salary tax account for roughly 65% of net salary. The tax burden for employers can be reduced through a variety of financial and tax incentives.



Source: Vienna Institute for International Economic Studies

Q What is the correlation between net and gross salaries in Serbia?

A The gross salary is the base for calculating personal income tax and other contributions. RSD 5,050 is deductible from the base (gross salary) when calculating personal income tax:

Net salary (€)		200
Personal income tax	12%	24.90
Contributions (employee)	17.9%	48.30
Gross salary		273.2
Contributions (employer)	17.9%	48.30
Total staff cost		321.6

Q What are the approximate labor costs in some sectors which are representative of the Serbian economy?

A

The following table lists gross approximate labor costs for various positions in numerous industries in Serbia. As these are estimates, it is important to note that they may vary slightly depending on location, market conditions, and other external factors.

IT	
Position	Total Cost (€)
Junior Programmer	1,000
Senior Programmer	1,500
Project Manager	2,000

Electronics	
Position	Total Cost (€)
Production line operator/assembler	440
Engineer/Research Scientist	1,500
Plant Manager	2,000

Automotive	
Position	Total Cost (€)
Production line operator/assembler	360
Engineer/Research Scientist	800
Plant Manager	1,680

Food	
Position	Total Cost (€)
Production line operator/assembler	360
Engineer/Research Scientist	840
Plant Manager	1,560

Metal	
Position	Total Cost (€)
Production line operator/assembler	290
Engineer/Research Scientist	460
Plant Manager	880

Wood & Furniture	
Position	Total Cost (€)
Production line operator/assembler	465
Engineer/Research Scientist	880
Plant Manager	1,440

Source: SIEPA

Q What is the total number of employees in Serbia and how is the local labor force structured by sector?

A The following tables give a comprehensive breakdown of the structure of the Serbian labor market:

Percentage Breakdown of Total Workforce by Sector, 2008-2009		
	Sep, 2008	Sep, 2009
Budget sector	12.6	13.7
Public state enterprises	3.9	3.7
Public local enterprises	2.2	2.4
Socially owned	5.4	5.3
Mixed ownership	9.4	8.4
Private ownership	66.6	66.7
Total public sector	18.7	19.7
Total	100.0	100.0

Source: Statistical Office of the Republic of Serbia

Structure of Workforce by Sector, 2008	
Total	1,999,476
Companies	1,428,457
Entrepreneurs	571,019
Agriculture, forestry, and water management	48,505
Mining and quarrying	23,317
Processing	370,354
Construction	82,569
Trade	199,495
Financial Services	32,775
Real Estate	74,662
Transportation, warehousing, and telecomm.	108,431
Public Administration	69,442
Education	132,982
Healthcare and social work	160,587
Other services	54,887
Other	70,453

Source: Statistical Office of the Republic of Serbia

Q How many students with technical and other advanced degrees graduate in Serbia each year?

A Universities in Serbia produce approximately about 35,000 university graduates, 1,000 holders of Masters of Science degrees, and 400 doctoral degree holders per year. The yearly number of graduates increases approximately 15% annually. Roughly one third of all university graduates come from technical universities.

Source: Statistical Office of the Republic of Serbia

Q What is the total number of schools, universities, and students in Serbia?

A There are five university centers in Serbia: Belgrade, Novi Sad, Nis, Kragujevac, and Novi Pazar. In total, there are 3,810 elementary schools, 520 high schools, and 194 faculties and two-year colleges in Serbia. Nearly 250,000 students were enrolled in schools throughout the country during the 2007-2008 academic year.

Number of Schools, Students, and Teachers			
	Primary	Secondary	Higher Education
Schools	3,810	520	194
Pupils	629,910	286,274	237,598
Teachers	50,546	29,092	11,772

Source: Statistical Office of the Republic of Serbia

Q What kind of primary and secondary schooling is available in Serbia?

A In addition to Serbia's public schools that do not require tuition, there are an increasing number of private schools that cater to the needs of foreign expatriates. They offer pre-school, primary and secondary education in several foreign languages (English, German, Italian, French, and Russian).

Serbia is also home to an ever-greater number of foreign universities that are opening branches in Belgrade offering Bachelors and Masters programs based on foreign curricula.

Q What is the educational breakdown of Serbia's unemployed population?

A Out of the 723,350 people registered as unemployed in November of 2009, 5% (36,000) held university degrees and 5.7% (41,000) held degrees from two-year colleges.

Educational Structure of Unemployed Population in Serbia, November, 2009 (%)	
University	5.0
2-year college	5.7
High school	27.3
Elementary school	26.8
Unqualified	35.2

Source: National Employment Service

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Labor regulations

Labor relations in Serbia are defined and regulated by the Law on Labor, a modern law tailored to the Serbian labor market and based on widely-accepted EU and International Labor Organization (ILO) standards. The Law on Labor protects employers and employees alike, primarily through collective contracts which clearly define and regulate employer-employee relations.

Q What are the conditions for establishment of employment in Serbia?

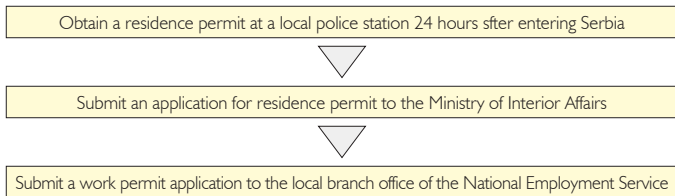
A Employment may be established with a person who is in good general health, is over 15 years of age, and meets other criteria for the position in question set forth by the employer.

Q How can foreign citizens obtain work permits in Serbia?

A Work permits are required for foreign citizens to be employed in Serbia, and are issued for periods of up to 12 months. An application for a work permit must be submitted to the Ministry of Internal Affairs and subsequently to the National Employment Service. The applicant must prove that he/she can support his/her self financially, that he/she has valid health insurance, and that he/she has proof of sponsorship from a host organization.

Work permits are easily renewable, as the documentation required for renewing work permits is the same as the documentation required to obtain the initial work permit.

Steps for obtaining a work permit:



For a list of the documents needed to obtain a work permit, please visit www.mup.gov.rs

Q Which employment types are permissible by law in Serbia?

A An employer may sign a contract with an employee for temporary and periodical work related to his or her line of business. This contract may be longer than 120 days in one a given calendar year. An employee on a temporary or periodical contract is entitled to pension, disability, and health insurance.

Q Is it possible to conclude part-time work contracts?

A A labor contract may be concluded for part-time work and may last for a definite or indefinite period of time. An employee is entitled to social insurance and all other rights stipulated in the employment contract in proportion to the time spent at work.

Q What are the possibilities for temporary and periodical work?

A A labor contract may be granted for both definite and indefinite periods of time. A labor contract for a definite period of time may be signed for specific circumstances such as seasonal jobs or specific projects. A contract for a definite period of time may last no longer than one year.

Q Is it possible to conclude special service contracts?

A Employees may conclude special service contracts to perform job duties outside the line of business of his or her employer.

Q Are employers obliged to conclude collective contracts in Serbia?

A Yes, employers are obligated to conclude collective contracts, unless:

- A representative trade union has not been formed;
- None of the trade unions fulfills the criteria needed to be a representative trade union;
- No compliance with collective contract has been made 60 days after negotiations have started.

In such cases, an employer is obliged to conclude a special agreement with an employee representative and which must be in accordance with the general and special contract, as well as with relevant labor laws and regulations.

Q Which types of collective contracts are there in Serbia?

A Collective contracts regulate the rights, obligations and responsibilities of employment, the relationship between parties to the collective contract, and other matters of importance to the employee and the employer. There are three types of collective contracts:

General Collective Agreements

Concluded for a specific sector or a group of jobs on the territory of the Republic of Serbia. The trade union and the representative association of employers are the co-signers.

Special Collective Agreements

Concluded for a specific sector or a group of jobs for a specific territory within the Republic of Serbia, i.e. an autonomous province or local self-government. The trade union and the representative association of employers are co-signers within the specific territory.

Individual Collective Agreements or the Employer's Collective Agreements

Concluded between the employer and the trade union.

Q What are full-time working hours in Serbia?

A The standard work week consists of 40 working hours. A "Book of Rules" signed between the employer and an employee may conclude a reduction in the number of working hours, which may not be lower than 36 hours per week.

Q Are overtime working hours limited?

A An employee may work overtime in case of a sudden increase in the scope of work and in other cases necessitating completion of unplanned work within a specific time period. An employee may not work more than four hours of overtime in a single day, and no more than eight hours of overtime in a single week.

Q What is the minimum annual leave in Serbia?

A In a given calendar year, an employee has the right to at least 20 working days of leave as determined by general act or contract of employment.

Q How many public holidays are there in Serbia and when are they celebrated?

A The following six public holidays are celebrated throughout Serbia:

1. New Year: 1st and 2nd of January
2. Christmas: 7th of January
3. Constitution day: 15th of February
4. Easter holidays: Good Friday and the following Monday
5. Labor day: 1st and 2nd of May
6. Victory day: 9th of May

Q How long is maternity leave and how are employees compensated during maternity leave in Serbia?

A An employee is entitled to 365 days of maternity leave. For the third and each subsequent child, an employee is entitled to two years of maternity leave.

Employees are entitled to compensation during maternity leave. Employers are responsible for paying the employee, but payments disbursed to employees on maternity leave are fully refunded by the state. The amount due to the employee depends on how long the employee has been employed full-time.

Maternity Leave Salary Compensation	
Number of months employed full-time	Percentage of pay due to employee
3 months or less	30%
3 months – 6 months	60%
6 months or more	100%

Source: Ministry of Labor and Social Policy

Q Is there a minimum wage in Serbia?

A An employee is entitled to a minimum wage for performing standard work duties and working full-time hours. Minimum wages are established by mutual consent of the government, a representative of the trade union, and the representative of the employers association. In April, 2010 the minimum wage in Serbia was:

Minimum Wage in Serbia (RSD)	
Hourly	90
Monthly (net)	~ 15,660
Monthly (gross)	~ 21,217

Source: Ministry of Labor and Social Policy

Q In which cases are employees entitled to higher salaries?

A An employee is entitled receive a higher salary, in accordance with the bylaw or “Book of Rules”, for overtime work, work during public holidays, work at night, and work in shifts at the following rates:

- Work during public holidays: 110%;
- Work at night and work in shifts not stipulated in the basic salary calculation: 26%;
- For overtime work: 26%.

Q How are employees compensated during absences?

A For public holidays, annual leave, and paid leave an employee is entitled to 100% of his or her salary. An employee is entitled to the following forms of earnings compensation for up to 30 days for absences from work resulting from an inability to perform work duties:

- At least 65% of the salary if the inability resulted from an incident outside of work;
- 100% of the salary if the inability resulted from a work-related incident.

Q In which cases does the employer have the right to terminate an employment contract and how are lay-off costs regulated in Serbia?

A Employers are free to lay off employees to meet their own needs or for reasons related to an employee's work ability and behavior, such as:

- If it is determined that an employee fails to fulfill his work tasks or does not have the necessary qualifications to perform his or her assigned job duties;
- If an employee refuses to perform work duties and responsibilities determined in the contract of employment;
- If an employee fails to comply with work discipline;
- If an employee commits a criminal offence at work or in relation to work;
- If an employee fails to return to work within 15 days from the date unpaid leave expires;
- If an employee abuses sick leave, and
- If a particular job becomes redundant due to technological, economic, or organizational changes.

An employee whose employment contract is terminated due to unsatisfactory performance at work or lack of required qualifications is entitled to severance pay. The amount of the severance pay is determined by the number of years the employee has spent with his or her employer:

Severance Pay	
Number of years with company	Severance
0 – 2	1 month's earnings
2 - 10	2 months' earnings
10 - 20	3 months' earnings
20+	4 months' earnings

Source: Ministry of Labor and Social Policy

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Visiting and living in Serbia

Expatriates of all backgrounds agree that Serbia is a great country to live in. With its outstanding location, a thriving real estate market, widely available free and private healthcare institutions, a host of outstanding international schools, and a wide range of cultural and tourist attractions, Serbia is truly the right choice for foreign citizens. International acclaim backs up this claim, as *FDI Magazine* named Belgrade the City of the Future in 2006/2007 and Lonely Planet recognized the capital as the #1 city in the world for nightlife in its 2009 edition of *1000 Ultimate Travel Experiences*.

Q How can foreign citizens establish temporary and permanent residence in Serbia?

A Expatriates wishing to reside in Serbia are required to obtain a residence or a business permit. Within 24 hours upon entering the country a foreigner is obliged to register with the police station in his or her territory of residence. Those eligible for residence permits must submit an application at their local police station within 3 days of arriving in Serbia. It takes up to one week to process the application, and a temporary residence permit is issued for a period of up to one year. Upon expiration, a residency permit may be extended for another year. The holder of a residence permit is also obligated to notify the local police of any changes of address.

Q Is it possible for foreign citizens to purchase real estate in Serbia?

A This is based on the principle of reciprocity: Foreign citizens may purchase real estate in Serbia on the condition that their country of origin accords Serbian citizens the right to purchase property in their country.

Q What is the real estate market for residential property in Serbia like?

A The number of constructed residential units in Belgrade and Serbia is constantly growing. In Belgrade, the asking price of high-quality projects depend on the location varies between € 3,000 - 3,500/m², while mid-end projects range between € 2,000 - 2,500/m². Actual prices, however, tend to be about 10-15% lower. All prices indicated include VAT.

Q What are the hotel offerings in Serbia like?

A A number of hotels in Serbia belonging to world hotel chains and recently privatized Serbian hotels can meet the highest business travelers' standards. The vast majority of Serbian hotels are 2 and 3-star hotels and many of them are undergoing privatization as a way to raise the quality of their services. Prices vary from one city to another, ranging from as little as € 50 to as high as € 300 per night.

Information on specific hotels can be found at www.hotels.rs and www.hoteli-srbije.co.rs.

Q What kinds of banking services are available to foreign citizens in Serbia?

A Serbia has over 30 commercial banks, most of which are in majority foreign ownership. Almost all of these have branches in major Serbian cities. Everyday payment transactions are, with a few exceptions, made in Serbian dinars, and one can use various types of credit cards (Visa, MasterCard, Diners, American Express). All major foreign currencies can be freely purchased and sold in exchange offices throughout the country. Expatriates who have lived in Serbia for more than a year may have a foreign currency account both in Serbia and abroad.

SIEPA

SERBIA INVESTMENT AND EXPORT PROMOTION AGENCY

The Serbia Investment and Export Promotion Agency (SIEPA) was created in 2001 by the Government of the Republic of Serbia to support foreign companies seeking to set up or expand their business presence in Serbia and Serbian companies doing business abroad. A staff of 40 multilingual employees working out of the company's headquarters in Belgrade handles projects from and to all over the world.

We provide professional consulting services to firms interested in setting up business operations in Serbia, focusing on all relevant issues in their decision making process.

Our network of contacts can link investors to all levels of government as well as private service providers. We have created products such as suppliers database and locations database, available at no charge on our web site. They enable us to provide quick and up-to-date information to our clients.

We would like to invite you to contact our expert staff which is ready to assist you and your business. SIEPA is ready to offer information on the general investment environment as well as targeted legal and industry-specific advisory services. Our services are tailor-made to best match your company's needs and requests.

www.siepa.gov.rs