

The background is a vibrant blue with dynamic, glowing light streaks and geometric shapes that create a sense of depth and movement. The light streaks are primarily horizontal and diagonal, with some curved lines. The overall effect is modern and high-tech.

Investment Incentives in Serbia



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Mladjan Dinkic
Minister of Finance and
Economy

“We are continuously dedicating our efforts to improve business environment and enhance the overall investment climate in Serbia. We recognize the need for appropriate set of laws and efficient and stimulating tax environment not only to support existing businesses, but also to attract new ones. Since 2000, dozens of new laws have been adopted, making Serbia an attractive location to do business in and a proud regional leader in attracting foreign investments in 2011.

This publication aims at presenting the set of incentives created to suit your business needs in the best possible manner.”

Financial Incentives	For large-scale projects, grants of up to 20% of the investment amount
	For standard-scale projects, grants from €4,000 up to €10,000 per new job created
	Support schemes offered by the National Employment Service
Tax Incentives	10-year Corporate Profit Tax holiday for large investments
	5-Year Corporate Profit Tax holiday for investments in underdeveloped regions
	Corporate Profit Tax credits up to 40% of the investments in fixed assets
	Carrying forward of losses over a period up to 5 years
	Avoiding double taxation
	Salary Tax and social insurance charges exemptions
	Annual Income Tax deductions up to 50% of the taxable income
Other Incentives	Value Added Tax
	Customs-free import
	Regional and local Incentives



Grant Yourself a Bonus

Eligible Projects For standard-scale Greenfield and Brownfield projects in the manufacturing, export-related services sector and tourism, non-refundable state funds are offered in the range between €4,000 and €10,000 per new job created within three years of the day of signing the contract on awarding funds.

For large investors, a special financial package is available. If a project's value exceeds €200 million, with the minimum of 1,000 new jobs created within 10 years, the state may award up to 17% of the investment's total value.

Projects of over €50 million that create at least 300 new jobs within 10 years of the day of signing of the agreement on awarding funds - are eligible to receive up to 20% of the project's value.

Medium-sized projects - investments of over €50 million that create at least 150 new jobs within 10 years of the day of signing of the agreement on awarding funds - are eligible to receive up to 10% of the total investment value.

Financial Grants				
Eligible Projects	Investments of special importance	Large investment projects		Mid-sized investment projects
		Amount of funding (€)	up to 17% of the total investment	up to 17% of the total investment
Minimum Investment Amount	€200 mn	€100 mn or greater	between €50 mn and €100 mn	€50 mn
Minimum N° of New, Full-time Jobs Created	1,000	300		150

Financial Grants				
Eligible Projects	Standard-scale investment projects			
	Manufacturing sector		Internationally-marketable services	Strategic projects in the field of tourism
	Investments in the 4 th group of local administration and devastated regions	Investments in the 1 st , 2 nd and 3 rd groups of local administration	The entire territory of the republic of Serbia.	The entire territory of the republic of Serbia.
Amount of funding	€4,000 – 10,000 for each new job created	€4,000 – 10,000 for each new job created	€4,000 – 10,000 for each new job created	€4,000 – 10,000 for each new job created
Minimum Investment Amount	€0.5 mn	€1 mn	€0.5 mn	€5 mn
Minimum N° of New, Full-time Jobs Created	50	50	10	50

Program Criteria State funds are awarded upon the scoring based on the following criteria:

- investor's references,
- participation of domestic suppliers,
- investment sustainability,
- introduction of new technologies and transferability of knowledge and skills to domestic suppliers
- effects on human resources,
- international sales volume,
- economic effects of the project, and
- effects on the development of the local community.

Pay-Out Plan The manner in which awarded funds are disbursed depends on the type of investment and in the following way:

For Greenfield investments or Brownfield investments that include reconstruction of facilities - four equal installments of 25% throughout the project's lifetime and upon fulfilling the following conditions:

- 1st increment - after concluding the contract for sale or lease of land or building or submitting an extract from the cadaster or land registry;
- 2nd increment - after obtaining the construction approval which may not be older than three years from the date the request to disburse funds is submitted;
- 3rd increment - after obtaining the right-to-use permit;
- 4th increment - after achieving full employment envisaged by the investment project.

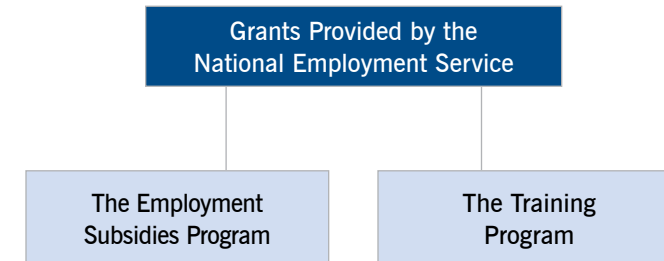
For Brownfield investments which include adaptation of facility space - three equal installments of 33% throughout the project's lifetime and upon fulfilling the following conditions:

- 1st increment - after concluding the contract for sale or lease of building or submitting an extract from the cadaster or land registry;
- 2nd increment - after obtaining the approval of works;
- 3rd increment - after achieving full employment envisaged by the investment project.

For Brownfield investments that do not require reconstruction or adaptation of facilities and for export related services projects encompassing the lease of business premises - funds are disbursed in two installments upon fulfilling the following conditions:

- 1st increment - 30% upon concluding a purchase contract for the building, or upon submitting a property deed, usage permit, or, in the case of leased space, a lease agreement and right-to-use permit;
- 2nd increment - 70% after achieving full employment envisaged by the investment project.

Combine Your Additional Value



The Employment Subsidies Program

Fifty-Employee Limit The Employment Subsidies Program includes state grants for the employment of a maximum of 50 unemployed persons registered as unemployed with the National Employment Service or declared as redundant workers. In the cases of Greenfield and Brownfield projects, the number of new job posts may be higher than 50.

The grant amount depends on the employment level of the municipality where the project is implemented as displayed in the table. For more information, contact the National Employment Service: www.nsz.gov.rs

Municipalities/Employees	Grant Amount*
Groups I and II	RSD 100,000 (app. €860)
Group III	RSD 200,000 (app. €1,730)
Group IV and devastated regions for up to 10 workers	RSD 300,000 (app. €2,590)
Group IV and devastated regions for 11 or more workers	RSD 400,000 (app. €3,450)

*Grant amount per new job created, based on the average exchange rate in June 2012: 1 EUR = 115.82 RSD



The Training Program

Program Requirements The Training Program is organized by the National Employment Service at the company's request provided there are no unemployed workers from the specific field registered with the Service or they lack professional skills required by the company. The candidate selection is carried out jointly by the Service and the company, while the training can take place either in the company itself or at the selected educational institution.

More importantly, the training expenses can be covered in the amount up to RSD 150,000, or roughly €1,300 per employee. Additionally, the National Employment Service bears the costs of transportation and insurance for the trainees throughout the training program.

For more information, contact the National Employment Service: www.nsz.gov.rs

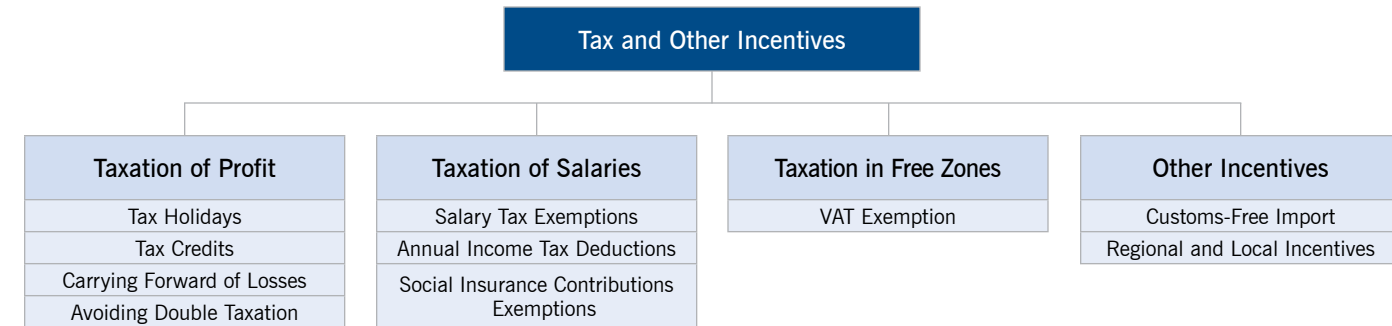
Exceptional Corporate Profit Tax Rate

15% Tax Rate Join other successful companies whose profits enjoy this special offer.

Corporate Profit Tax Rate	
Bulgaria	10%
Serbia	15%
Romania	16%
Hungary	19%
Poland	19%
Czech Republic	19%
Croatia	20%
Slovakia	23%

Source: PricewaterhouseCoopers

Diverse Tax Incentives Created To Serve Your Best Interest. Which Ones Will You Choose?



Tax Holidays

Tax Break for Large Investors Companies are exempt from Corporate Profit Tax for a period of 10 years starting from the first year in which they report taxable profit if:

- they invest in fixed assets an amount exceeding RSD 1 billion (approximately €9 million), and
- they hire at least 200 additional full-time employees during the investment period.

Tax Exemption for Underdeveloped Regions Investors in undeveloped regions are exempt from Corporate Profit Tax over a 5-year period on the following conditions:

- investment in fixed assets exceeds RSD 8 million, or roughly €70,000,
- the minimum of 80% of fixed assets are used in the main activity,
- at least 5 new employees are hired on an indefinite contract throughout the investment period, and
- 80% or more employees have a residence in the underdeveloped region.



Tax Credits

20% (40% for small enterprises) Tax Credit The amount of tax due can be reduced by 20% of the amount invested in fixed assets for the respective tax period. This reduction cannot exceed 50% (70% for small enterprises) of the total tax liability and can be carried forward for a maximum period up to 10 years.



Carrying Forward of Losses

5-year Transfer The tax loss stated in the tax return can be carried forward and offset against future profits over a period of 5 years.

Avoiding Double Taxation

Mutual Incentives If a taxpayer already paid tax on the profit generated abroad, he is entitled to a Corporate Profit Tax credit in Serbia to the already paid amount. The same right is enjoyed by a taxpayer who earns revenue and pays Personal Income Tax in another country, provided there is a Double Taxation Treaty with that country.

Double Taxation Treaties							
Country	In Effect as of	Country	In Effect as of	Country	In Effect as of	Country	In Effect as of
Albania	2005	Egypt	2005	Libya	2010	Russia	1995
Austria	2010	Estonia	2010	Lithuania	2009	Slovakia	2001
Azerbaijan	2010	Finland	1987	Macedonia	1996	Slovenia	2003
Belarus	1998	France	1975	Malaysia	1990	Spain	2009
Belgium	1981	Germany	1988	Malta	2010	Sri Lanka	1986
Bosnia and Her.	2004	Greece	1998	Moldavia	2006	Sweden	1981
Bulgaria	2000	Hungary	2001	Montenegro	2011	Switzerland	2005
China	1997	India	2007	Netherlands	1982	Turkey	2006
Croatia	2004	Iran	2005	Norway	1985	Ukraine	2001
Cyprus	1986	Ireland	2010	Pakistan	2010	United Kingdom	1982
Czech Republic	2005	Italy	1983	Poland	1998		
Denmark	2009	Kuwait	2003	Qatar	2010		
North Korea	2001	Latvia	2009	Rumania	1996		

Source: Official Gazette of the Republic of Serbia

Salary Tax Exemptions

Favorable Salary Tax Personal Income Tax is payable by individuals on different sources of income. The rate is 12% for salaries, while other personal income (e.g., income from interests, dividends, shares in profits, etc.) is taxed at the rate of 10%. Non-residents are taxed with respect to income generated in Serbia.

Tax Base Deduction The Salary Tax base in Serbia is deducted by RSD 6,554 (app. €60) a month for all employees working full time.

Salary Tax Exemptions The employer who hires new workers on a permanent basis is exempt from paying Salary Tax over the following period:

3 years	For apprentices aged under 30 and registered as unemployed with the National Employment Service.
	For disabled persons.
2 years	For persons aged under 30 who have been registered as unemployed with the National Employment Service for more than 3 months.
	For persons aged 45 or older who have been registered as unemployed with the National Employment Service for more than 6 months and receive salary compensations.

Social Insurance Contributions Exemptions

Insurance Exemptions The employer may enjoy an exemption from paying social insurance contributions over the following period:

3 years	For apprentices aged under 30 and registered as unemployed with the National Employment Service.
	For disabled persons.
2 years	For persons aged under 30 who have been registered as unemployed with the National Employment Service for more than 3 months.
	For persons aged 50 or older who have been registered as unemployed with the National Employment Service for more than 6 months and receive salary compensations.
	For persons aged between 45 and 50 (an 80% exemption).

Annual Income Tax Deductions

10-15% Annual Tax For non-Serbian citizens, the annual income is taxed if exceeding the amount of threefold the average annual salary in Serbia. The tax rate is 10% for the annual income below the amount of 6 times average annual salary in Serbia, and 15% for the annual income above the amount of 6 times average annual salary. The taxable income is further reduced by 40% of an average annual salary for the taxpayer and by 15% of an average annual salary for each dependent member of the family. The total amount of deductions cannot exceed 50% of the taxable income.



Value Added Tax Exemption in Free Zones

Tax-Free Zones Income generated through commercial activities in the Free Zones in Serbia is exempted from Value Added Tax. There are six Free Zones, currently operating in the country: Subotica, Novi Sad, Zrenjanin, Sabac, Kragujevac, Uzice and Pirot. Foreign companies can establish a privately-owned Free Zone based on the project approved by the government.

Customs-Free Import

Customs Duties Exemptions Foreign investors are exempt from paying customs duties or are allowed to pay the duties at a lower rate for the following products:

Equipment	Duty-free import of new or used equipment and freight motor vehicles, up to the value equivalent to the share of a foreign investor in a company in Serbia.
	Duty-free import of new and used equipment into the Free Zones.
Raw Materials & Semi-Finished Goods	Duty-free import of raw materials and semi-finished goods in to the Free Zones.
	Duty-free import of raw materials and semi-finished goods for processing and export.
Construction Materials	Duty-free import of construction materials in to the Free Zones.
Processed Tobacco	Duty-free import of processed tobacco, provided: 1) it is used in production only and 2) it is not produced in Serbia or is not produced in a sufficient quantity or is of inadequate quality.

Regional and Local Incentives

Local Tax Relief A wide array of incentives is also available at the local level, varying in scope and size from one city to another. The major ones comprise the following:

- City building land lease fee exemptions or deductions, including the option of paying in installments, with the prior consent of the government;
- City building land development fee relief such as fee exemptions or discounts for one-off payments;
- Other local fees exemptions or deductions (e.g., the fee for displaying the company's name).

Subsidies in Vojvodina In the Serbian Province of Vojvodina, investors are awarded financial grants for new employment, amounting to 130,000.00 RSD (approx. 1,122€) with the possibility of receiving additional 20,000.00 RSD (approx. 173 €) for employing person older than 50 years old, this totals 150,000.00 RSD (approx. 1,295 €).

Where Experts Come Together – SIEPA

Serbia Investment and Export Promotion Agency (SIEPA) is a government organization dedicated to effectively helping foreign investors and buyers, while raising Serbia's profile in the minds of international business decision-makers. Established in 2001 by the Government of the Republic of Serbia, SIEPA's mission is to support foreign companies seeking to set up or expand in Serbia and Serbian companies when doing business worldwide.

As a one-stop-information-shop, SIEPA acts as a reliable partner for international companies throughout their investment project to ensure the best results. 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 services providers.

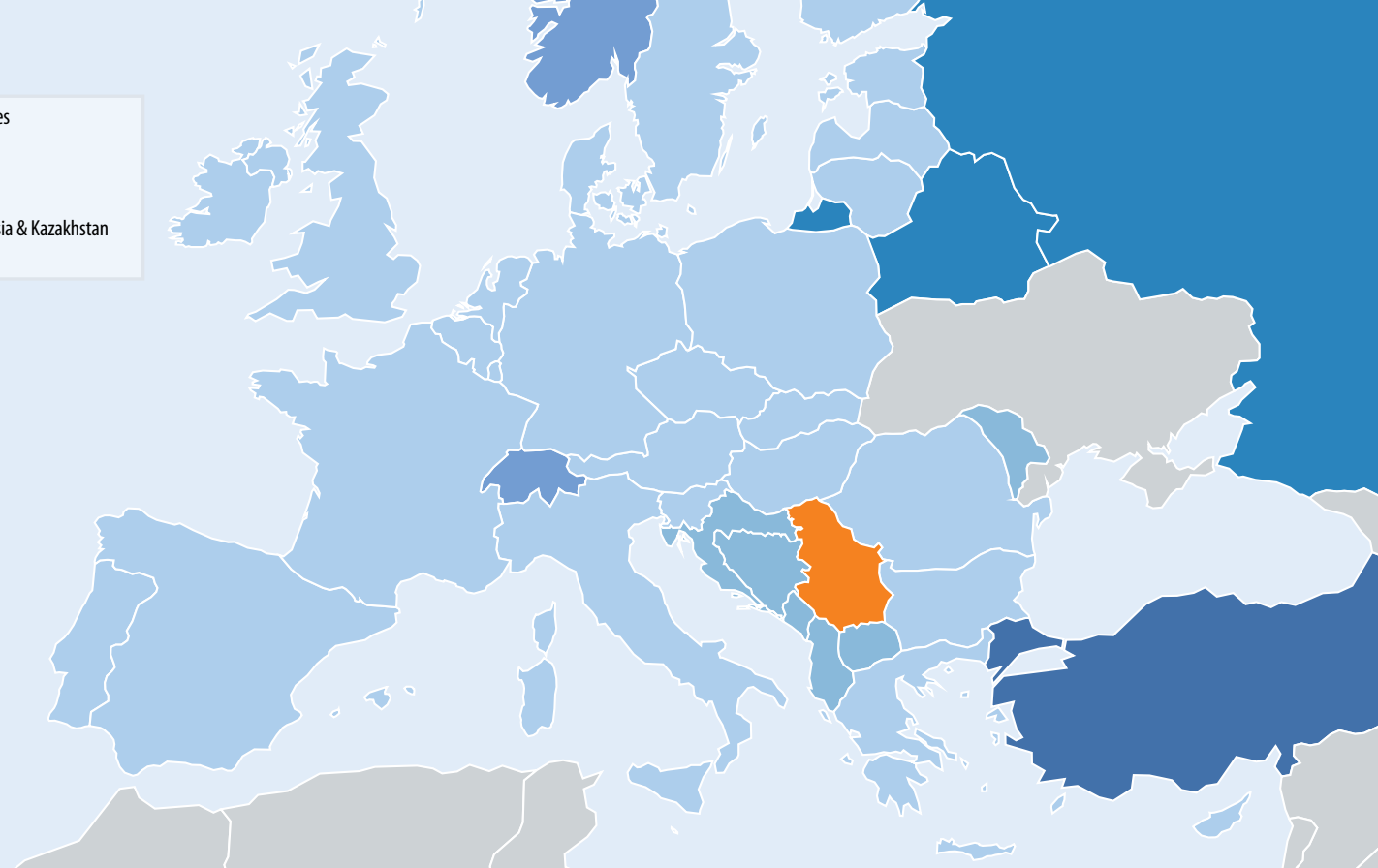
We have created products such as Suppliers Database and Locations Database, available on our web site, to provide quick and up-to-date information to our clients. In addition, we

readily offer an insight of the general investment environment, as well as targeted legal and industry-specific advisory services.

SIEPA also administers the most significant financial incentives program offered by the Government of Serbia. Between 2006 and 2012, we have granted €223.9 million of nonrefundable funds to 226 foreign and local companies for the projects worth €1.299 billion providing for 40,000 new jobs to the Serbian economy. This incentive scheme has already benefited a large number of world-class companies, namely Michelin, Yura Corporation, Golden Lady, Gorenje, Henkel, Kronospan, Leoni, Pompea, and many more.

We would like to invite you to contact our specialized staff ready to assist you and your business interests. Information packages about law, industries, sectors, business practices, and general doing business in Serbia is tailored and, may be, confidential based on your company's needs and requests. If you would like the best access to the opportunities and intelligence gathered by our expert team, do not hesitate to contact us. Working with us is simple and effective.

Serbia's Free Trade Agreements





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