



**ECONOMIC AND  
FINANCIAL MEASURES  
PROGRAM**

**ADOPTION OF  
THREE  
IMPLEMENTATION  
REGULATIONS**

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FINANCIAL MEASURES PROGRAM-ADOPTION OF THREE IMPLEMENTATION REGULATIONS

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# Adoption of three implementation regulations

The Government of Republic of Serbia has adopted three regulations intended as the first steps in implementation of a financial measures program value of 608,3 billion RSD or EUR 5.1 billion aimed to reduce the negative effects caused by the COVID 19 pandemic.

The second package of regulations is announced to be rendered on the coming Thursday, April 16th.

1. Regulation on Fiscal Benefits and Direct Benefits to Businesses in the Private Sector and Financial Aid to Citizens in order to mitigate the economic consequences of the disease Covid-19 (*Uredba o fiskalnim pogodnostima i direktnim davanjima privrednim subjektima u privatnom sektoru i novčanoj pomoći građanima u cilju ublažavanja ekonomskih posledica nastalih usled bolesti COVID-19*),
2. Regulation on the Establishment of the Programs of Financial Support to Business Enterprises for Maintenance of Liquidity and Current Assets in Difficult Economic Conditions due to Covid-19 Pandemia-Caused By Virus Sars-Cov-2 (*Uredba o utvrđivanju programa finansijske podrške privrednim subjektima za održavanje likvidnosti i obrtna sredstva u otežanim ekonomskim uslovima usled pandemije Covid-19 izazvane virusom SARS-CoV-2*), and
3. Regulation on the Procedure for Issuance of Debt Securities (*Uredba o postupku za izdavanje dužničkih hartija od vrednosti*).

## **FISCAL AND DIRECT BENEFITS TO PRIVATE SECTOR**

Tax measures and direct assistance to the private sector introduced by the Regulation on Fiscal Benefits and Direct Benefits to Businesses in the Private Sector and Financial Aid to Citizens in order to mitigate the economic consequences of the disease Covid-19 are aimed to assist the businesses in maintaining the jobs.

These measures represent the second tax related measures adopted by the Serbian Government, following the first measures adopted at the beginning of the state of emergency, which had fairly limited scope and importance for the businesses.

The Regulation stipulates that certain entities qualify for the fiscal benefits and direct benefits, provided that certain conditions are met.

### **1. QUALIFIED ENTITIES**

The measures/benefits are available to:

1. Entrepreneurs, including those who have registered temporary cessation of business activities on or after 15 March 2020;
2. Companies classified as micro, small and medium or large on the basis of the accounting criteria measured against the 2018 financial statements;
3. Branches and representative offices of foreign entities.

Measures are not intended for the financial sector (banks, investment funds, financial leasing companies, payment institutions).

### **2. CONDITIONS**

- Maintenance of manpower

Commercial entities may qualify for the benefits under the condition they have not reduced their employee headcount in the period from 15 March 2020 until 10 April 2020 for more than 10%. Furthermore, the qualification for the aid of entities which apply for the benefits but then reduce number of employees in the period from 15 March 2020 until the end of October 2020 for more than 10% shall cease and such entities must repay all received aid, with default interest.

Fixed-term employees whose contracts expire during the relevant period shall not count into the 10% threshold.

- Prohibition of dividend payments

The companies that apply to benefit from the measures may not pay dividends (except in the form of shares) until the end of 2020. If they do pay the dividends, they must repay all aid received up until that point, with default interest.



### **3. FISCAL BENEFITS**

Entities may defer their obligation to pay payroll tax and social contributions on salaries and salaries in lieu for March, April and May 2020 or, if the company has already paid March salaries, for April, May and June 2020, in each case until 4 January 2021. From that date onwards, the deferred payroll tax and social contribution obligation that will have accrued for the relevant three-month period will be payable in maximum 24 monthly installments. No interest accrues during the deferral and repayment periods.

Commercial entities may also defer their obligation to make advance 2020 corporate income tax installments normally due in March, April and May 2020 until the final deadline for submission of 2020 CIT returns (end of June 2021).

Further rules on the procedure for implementation of the foregoing tax deferral measures is expected to be issued by the Minister of Finance.

### **4. DIRECT FINANCIAL BENEFITS**

- Entrepreneurs and micro, small and medium companies

Entrepreneurs and micro, small and medium companies are entitled to the direct financial benefits as follows:

1. in May 2020 an amount equal to the product of: (a) the number of full-time employees who received salary or salary for March 2020 and (b) statutory net minimum salary for March 2020,
2. in June 2020 an amount equal to the product of: (a) the number of full-time employees who received salary or salary for April 2020 and (b) statutory net minimum salary for March 2020,
3. in July 2020 an amount equal to the product of: (a) the number of full-time employees who received salary or salary for May 2020 and (b) statutory net minimum salary for March 2020,

In the case of entrepreneurs, the number of employees shall be increased by 1 (one) (unless the entrepreneur has the status of an employee or pension beneficiary). This would mean that in case the entrepreneur has no employees, it would still be entitled to direct financial benefits for itself.

In each case, the number of employees from the formula can be increased for each part-time employee proportionally to the participation of the hours of that employee in full-time hours.

The relevant number of employees is to be decreased for those employees whose salary or salary in lieu in the relevant month is fully-funded by a third party (e.g. health fund).

- Large companies

Large companies are entitled to the payment of direct financial benefits as follows:

- in May 2020 an amount equal to the product of: (a) the number of full-time employees who were put in March 2020 on forced leave for the reason of shutdown or reduced work schedule resulting from employer's economic difficulty or shutdown ordered by the state authority for health and safety reasons, and (b) 50% of the statutory net minimum salary for March 2020;
  - in June 2020 an amount equal to the product of: (a) the number of full-time employees who were put in April 2020 on forced leave for the reason of shutdown or reduced work schedule resulting from employer's economic difficulty or shutdown ordered by the state authority for health and safety reason, and (b) 50% of the statutory net minimum salary for March 2020;
  - in July 2020 an amount equal to the product of: (a) the number of full-time employees who were put in May 2020 on forced leave for the reason of shutdown or reduced work schedule resulting from employer's economic difficulty or shutdown ordered by the state authority for health and safety reason, and (b) 50% of the statutory net minimum salary for March 2020.
- The manner of distribution of direct financial benefits

Large, micro, small and medium companies may apply for fiscal benefits and direct financial benefits for three months by filing an appropriate tax return (PPP-PD) by the end of April 2020. If they apply for the first time by the end of May 2020, they will be entitled only to the benefits for two months, and if they apply for the first time by the end of June 2020, they will be entitled only to the benefits for one month.

Direct financial benefits shall be paid into the beneficiary's special purpose account (ring-fenced from the beneficiary's creditors) automatically opened with its commercial bank. If the beneficiary has current accounts with more than one commercial bank, it has to notify the Tax Authority by 25 April 2020 of the bank that will maintain the account. The proceeds paid into special purpose account can be disbursed only directly to the employees. The commercial banks shall be obliged to open the special purpose accounts at the latest by 30 April 2020.

## **ECONOMIC PROGRAM SUPPORT FOR PRIVATE SECTOR ADOPTED**

The Serbian Government has adopted the Regulation on the Establishment of the Program of Financial Support to Business Enterprises for Maintenance of Liquidity and Current Assets in Difficult Economic Conditions due to Covid-19 Pandemic Caused by Virus Sars-Cov-2 on 10 April 2020 (“Regulation”).

The Regulation sets forth the program of financial support to business enterprises for the purposes of maintenance of liquidity and current assets (“Program”). The Program has been adopted to support business enterprises by granting loans with purpose to maintain liquidity and current assets.

The Government determined that the funds for the realisation of the Program shall amount at RSD 24,000,000,000 (about EUR 203,400,000). The Program shall be implemented by the Government supported by the Development Fund of the Republic of Serbia (“Fund”). The Program outlines two main goals the support to business enterprises for procurement of current assets, and the support to business enterprises to maintain current liquidity to duly perform obligations towards business partners, employees and the state.

### **1. ELIGIBLE USERS AND PROHIBITED PURPOSE OF FUNDS**

Right to benefit from the Program is reserved for entrepreneurs, cooperatives, micro, small and medium enterprises which are majority private-owned or cooperative-owned and which perform production, service, trade or agricultural activities. Whether a company is considered micro, small or medium is assessed pursuant to the Law on Accounting as per the latest submitted financial statements.

Cooperatives may use funds under the Program if they are duly registered with the relevant register, they submit official ordinary financial statements for the previous two years, they are in compliance with the Law on Cooperatives as of 2015 and were subject to cooperatives auditing in the previous two years. The condition regarding financial statements is not applicable to entrepreneurs which are not obliged to submit financial statements.

Funds granted under the Program shall not be used for organising lotteries, games of chance and similar activities, trade with oil and oil derivatives, and production and trade of any product or activity which are pursuant to local laws or international conventions and treaties prohibited.

### **2. CONDITIONS FOR USE OF FUNDS**

Loan could be granted to the eligible users and it may not be used for the prohibited purposes as set forth in the Program. A loan could be granted even if a company had generated net loss, but can show business profit in any of the last two years.

Moreover, the applicant can draw a loan if it is not in financial detrimental situation, and that in respect of the applicant: i) no bankruptcy is opened, ii) no procedure or measures of pre-prepared reorganisation plan are ongoing, iii) no reorganisation procedure or measures are ongoing, and iv) no financial reorganisation or liquidation is ongoing.

### **3. TERMS OF THE LOANS**

Loans shall be granted under the following terms:

1. Repayment term up to 36 months, including up to 12 months of grace period;
2. Annual interest rate of 1%;
3. Loans are granted and repaid in dinars (RSD);
4. Minimal principal amount for a company with affiliates is RSD 1,000,000, and for entrepreneurs, cooperatives and other business enterprises registered in relevant register RSD 200,000;
5. Maximum principal amount for one user with affiliates:
  - for entrepreneurs and micro legal entities up to RSD 10,000,000;
  - for small legal entities up to RSD 40,000,000;
  - for medium legal entities up to RSD 120,000,000;
6. repayment in monthly instalments;
7. interest is accrued during the grace period;
8. maintaining the number of employees as on 16 March 2020, with acceptable deviations up to 10%;
9. security instruments:
  - promissory note of guarantor, if any;
  - mortgage which market value is 1:1 proportion to the amount of loan;
  - pledge over movable assets which market value is 1:1 proportion to the amount of loan;
  - promissory note of shareholder;
  - promissory note of debtor is mandatory along with other security instrument mentioned above.

The security instruments shall be determined based on the amount of the loan as prescribed in the Program. The Program outlines that insurance of real estate and pledged equipment does not need to be assigned in favour of the Fund. Foreign shareholders do not have to issue personal promissory notes.

### **4. PROGRAM IMPLEMENTATION**

The Program is implemented by the Fund including the execution of the loan agreements. The applications may be submitted as long as there are available funds dedicated for the Program, but in any case, no later than 10 December 2020. The long stop date for realisation of approved funds in accordance with the Program and decisions of the Fond is 31 March 2021. The Fund shall adopt further criteria and conditions for granting of loans under the Program. Such criteria and conditions shall come into force ones the Serbian Government approves them.



## **SERBIAN GOVERNMENT RELAXES THE PROCEDURE FOR THE ISSUANCE OF DEBT SECURITIES**

Securities (“Regulation”) aimed at relaxing the requirements for the issuance of debt securities in Serbia.

The Regulation sets forth that a prospectus for the issuance of debt securities shall be drawn up as a single prospectus, with the form and contents pursuant the bylaws adopted by the Securities Exchange Commission of the Republic of Serbia (“SEC”). Prospectus published pursuant to the Regulation does not contain a summary prospectus.

Information related to the issuer, as well as financial statements and auditor’s reports, could be referred to in the prospectus to a public register, and/or web presentation of the issuer, provided that such information are available in public register and web presentation of the issuer. In this case a prospectus shall contain the list of all documents where the relevant information is located with the clear path to the relevant information in the document.

The integral part of the prospectus are the latest audited ordinary financial statements, as well as annual management report, if the issuer is obliged to draft it. If applicable pursuant to the Law on Accounting, the integral part of the prospectus is the latest consolidated financial report. In case that the latest ordinary financial statements of the issuer refer to the period of 200 days before the application for publishing of the prospectus is submitted to the SEC, the issuer is not obliged to draft and present a semi-annual financial statement. Moreover, the issuer is not obliged to deliver to the SEC documents which are publicly available in public registers.

The issuer which successfully performs public bid of debt securities shall become a public company in terms of the Law on Capital Market, if it was not a public company. Such capacity the issuer shall retain during the term of the debt securities. In case that the issuer is a joint stock company, in case it becomes public in accordance with the Regulation, it shall not be obliged to include shares in trading on regulated market or MTF in the Republic of Serbia. The SEC shall decide on approval for publishing of a prospectus for issuance of debt securities within 10 working days as of the application.

For the purposes of implementation of the Regulation, the SEC shall adopt, within 15 days as of 10 April 2020, decree prescribing a simplified form and minimal contents of information of a prospectus of issuance of debt securities.

The Regulation shall be applicable to all cases where a company has adopted a resolution on issuance of debt securities during a state of emergency in Serbia declared to fight COVID-19, and within 180 days as of the date of termination of the declared state of emergency.



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