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GUIDE TO DOING BUSINESS IN SERBIA

2021

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I. SERBIA AT A GLANCE

1. Geographic position

The Republic of Serbia is a country located in southeast Europe, with a total area of 88.361 km². Most of its territory is situated in the Balkan peninsula (around 80%), so the central and southern parts of the country are mostly characterized by limestone and mountainous areas. The Rhodope, Carpathian and Balkan, and Dinaric Alps mountain ranges all stretch through Serbia, and the terrain is rich with canyons, gorges and caves, as well as preserved forests covering 27% of the territory.

The northern part of the Republic of Serbia is in the Pannonia Plain (around 20% of the territory), which consists largely of flatlands. Flatlands are also found in Mačva, Posavina (Sava Valley), Pomoravlje (Morava Valley) and Stig, as well as in Negotinska Krajina in eastern Serbia. 55% of the territory of Serbia is arable land, mostly located in the Autonomous Province of Vojvodina, the country's principal agricultural region. The north is dominated by the River Danube, while its tributary, the River Morava, flows through the more mountainous areas in the south. The Republic of Serbia is divided into five regions (the Belgrade region, Vojvodina, Šumadija and Western Serbia, Southern and Eastern Serbia, and Kosovo and Metohia), where the city of Belgrade is a separate territorial unit.

In Central Serbia, the terrain consists chiefly of hills, low and medium-high mountains, interspersed with numerous rivers and creeks. The main communication and development line stretches southeast of Belgrade along the valley of Velika and Južna Morava River, towards Serbia's third most populous city, Niš. The most densely populated part of Serbia is located along that stretch, as is the main railroad and highway. In the more sparsely populated Eastern Serbia region, the terrain rises to form the limestone ranges of Stara Planina and Serbian Carpathians. The height of the mountains gently rises towards the west, reaching the most popular mountains in terms of tourism, Zlatibor and Kopaonik. 15 mountain peaks are over 2000 m high, the highest being Đeravica in the Prokletije mountains, at 2656 m above sea level.

The Republic of Serbia borders Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Macedonia, Montenegro, Romania and Albania. The border between Serbia and Albania is in the southern province of Kosovo and Metohia, which is currently under UN administration and has for years been the subject of a political and territorial dispute between the Serbian government and Kosovo's largely ethnic-Albanian population.

Serbia is a landlocked country with access to the Adriatic Sea through neighbouring Montenegro and to inland Europe and the Black Sea through the River Danube.

Serbian climate ranges from predominantly continental in the north, characterized by cold winters, and hot, humid summers, with well distributed precipitation patterns throughout the year, to Mediterranean in the south, with hot, dry summers and autumns and relatively cold winters with heavy snowfall. Differences in elevation, proximity to the Adriatic Sea and large river basins, as well as exposure to the winds account for the climate differences.

The road network is one of the greatest capital values in the Republic of Serbia, on whose territory there are 16,221.125 km of state roads class I and II, 782 km of which are motorways and 10,952 km class II state roads, and 23,780 km of municipal roads. Within the class I state road network 2,150 km of state roads are part of the European road network, so-called E-roads, namely E65, E70, E75, E80, while E662, E761, 763, E771 and E851 are class II European roads passing through the Republic of Serbia.

Pan-European corridors of the countries of Central, Eastern and Southern Europe also pass through the Republic of Serbia, namely Corridors X, Xb, Xc, and waterway route Corridor VII (the Danube). Corridor X, by its technical and economic characteristics and existing capacities, is the backbone of the road network of South-East Europe. Because of the geographic position of the Republic of Serbia in which the routes of Corridors X and VII intersect, Belgrade could become one of the key hubs for the most important European river, road and railway routes of international importance.

The construction length of the Serbian railway network is 3,739 km, 3,444 km being single-track and 295 km being double-track railways. There is also a museum and tourist railway, "Šarganska Osmica" ("Šargan Eight"), which is 21.7 km long. The Republic of Serbia is a member of the International Union of Railways.

International and interstate waterways in the Republic of Serbia are also of particular importance given that Serbia has 1,680 km of navigable rivers. International waterways in the Republic of Serbia comprise the rivers Danube, Sava Kolubara and Drina. The entire length of the River Danube through the Republic of Serbia, 588 km, is an international waterway. The River Sava, which gained the status of international waterway in 2012, connects Serbia with Slovenia, Croatia and Bosnia and Herzegovina. The River Tisa is the only interstate waterway in the Republic of Serbia, connecting Serbia with Hungary, with international navigation regime along its entire length through the Republic of Serbia, meaning that navigation along the River Tisa is free and open to ships from all countries regardless of the ship's flag.

Serbia can be reached by air through two international airports: Nikola Tesla Airport in Belgrade and Konstantin Veliki International Airport in Niš, while adaptation of military airports in Batajnica and Užice for use in civil aviation is also planned. Almost every destination in the world can be reached from Serbian airports, either directly or with a layover.

One of the most important and most interesting features of the Republic of Serbia is the fact that its territory includes 3,861,477 hectares of fertile and arable land, 1,628,000 hectares of which is in the territory of Autonomous Province of Vojvodina.

2. Population and language

According to the latest census from 2011, the Republic of Serbia has a population of 7'186'862, 59.44% of whom live in urban settlements. Around 20% of the population lives in the capital, Belgrade. Women comprise 51.31% of the total population. Serbs account for 83.32% of the population, while the most numerous national minorities are Hungarians (3.53%), Roma (2.05%), Bosnians, (2.02%), Croatians (0.81%) and Slovaks (0.73%).

The official language in the Republic of Serbia is Serbian, and the official script is Cyrillic, although Latin script is equally in use. According to the current legislation, the language and script of a national minority is made an official language and script if that national minority accounts for 15% of the population of a municipality.

According to the latest data of the Office for Human and Minority Rights, in 42 local self-governments there are 11 minority languages and scripts in official use. The most represented language of the national minorities is Hungarian.

3. History

In the 6th century Slavs began to permanently settle the Balkan Peninsula, up to the arrival of Serbs and Croats in the first half of the 7th century. From the arrival of Serbs to the second half of the 12th century the region was ruled by a number of local rulers, vassals of the more powerful countries in the Balkans at that time; the rule of Stefan Nemanja saw the beginning of the rise of the Serbian medieval country. His heirs built an important country in the Balkans, which became a kingdom in 1217, during the reign of Nemanja's middle son Stefan Nemanjić, or Stefan the First-Crowned, and then an Empire in 1346, during the reign of (Stefan) Dušan the Mighty.

Serbia flourished during the Nemanjić dynasty, during which it developed from the military, political, economical and territorial point of view, and developed its legal system. The law of Emperor Stefan Dušan Nemanjić (Dušan's Code) was the highest legal act of medieval Serbia and the most modern law in medieval Europe at a time when hardly any European country had a unified document regulating the legal system.

After the death of Emperor Uroš the Serbian Empire broke down into smaller countries, governed by local rulers, and from the middle of the 15th to the beginning of the 19th century the entire territory of Serbia was under the rule of the Ottoman Empire.

From the year 1804, when the First Serbian Uprising took place, which was both a battle for independence and a Serbian revolution, that is to say a major political, social and civilizational change, during the 19th century Serbia first gained autonomy, and then an increasing degree of independence from the Ottoman Empire, while formal independence, namely international recognition came in 1878 at the Congress of Berlin.

During its history Serbia strived towards great European role models, a battle for freedom and the uniting of peoples so as to become large and wealthy enough to become equal with the other developed European countries. At the time of the largest European and global economic advance in the fifties and sixties of the 20th century socialist Yugoslavia managed to transfer most of its rural population into towns and become industrialized.

Serbia emerged from the two Balkan Wars as the most powerful country in the Balkans, and was on the victorious side in both World Wars.

From 1918 onward Serbia was a member of state unions, first when the Kingdom of Serbs, Croats and Slovenes was declared, ruled by the Serbian Karađorđević dynasty, and then of the Kingdom of Yugoslavia, the Socialist Federal Republic of Yugoslavia, the Federal Republic of Yugoslavia and finally Serbia and Montenegro, to once again become an independent state in 2006 after leaving the state union with Montenegro

4. International position

The Republic of Serbia is a member of, among others, the United Nations, the Council of Europe, Organization for Security and Co-operation in Europe (OSCE), Partnership for Peace (PfP), Black Sea Economic Cooperation (BSEC). It is also a militarily neutral country, and has the status of observer state in the Collective Security Treaty Organization.

The Republic of Serbia is an official candidate for membership in the European Union and in 2008 it signed a Stabilization and Association Agreement (SAA) with the European Union which entered into force on 1 September 2013. In the course of negotiations between the Republic of Serbia and the EU 12 chapters have been opened so far, 2 of which were closed at the same time, namely those relating to education and culture, and to science and research. The primary goal of Serbia's foreign policy is full membership in the European Union.

Apart from this, Serbia is developing its relations with neighbouring countries based on the principles of neighbourliness, mutual respecting of sovereignty, independence and territorial integrity, equality and resolving of open issues through political dialogue, based on the principles of international law.

5. Major governmental institutions

The government system of the Republic of Serbia is defined in the Constitution of the Republic of Serbia from 2006 and is based on the division of power into legislative, executive and judiciary. The relation between the three branches of power is based on balance and mutual control.

Legislative power is held by the National Assembly, a unicameral body of representatives composed of 250 representatives elected by use of the proportional electoral system, by voting for election lists, and by distribution of seats in proportion with the number of votes that the lists received.

Executive power is held by the Government of the Republic of Serbia and the President of the Republic of Serbia, the Government being accountable to the National Assembly for the politics of the Republic of Serbia, for enforcement of the law and other general enactments of the National Assembly and for the work of the state administration.

The President of the Republic of Serbia is a symbol of state unity and the representative of the country at home and abroad, and is also the Commander in Chief of the armed forces. The President is not accountable to the National Assembly but to all citizens.

The judiciary holds independent power and is composed of the Constitutional Court which protects constitutionality and legality and human and minority rights and freedoms, and courts of general and of special jurisdiction.

Apart from these main institutions, the Republic of Serbia also has numerous agencies, offices, directorates and other governmental institutions such as the National Bank of Serbia – an independent body in charge of the monetary policies, managed by the Governor of the National Bank of Serbia; the Protector of Citizens – an independent body that protects the rights of citizens and monitors the work of administrative bodies and all other bodies with public powers; the Tax Administration – a body within the Ministry of Finance, in charge of managing the Serbian tax system: the Republic Geodetic Authority – a separate organization on republic level in charge of geodetic and administrative affairs in the domain of the state survey, land cadastre and real estate cadastre as basic records of property and rights over property; the Development Agency of Serbia which is in charge of stimulating and carrying out direct investments, promotions and increases in exports, developing and advancing the competitiveness of businesses; and the Business Registers Agency which maintains numerous registers as unique, centralized, public, electronic databases including, without limitation, the register of business companies.

6. The Judiciary System

The judiciary system in Serbia is divided into courts of general and special jurisdiction.

The courts of general jurisdiction are primary, higher, and appellate courts, as well as the Supreme Court of Cassation as the highest instance court in Serbia. Courts of special jurisdiction are:
(i) commercial courts and the Commercial Appellate Court;
(ii) misdemeanour courts and the Misdemeanour Appellate Court; and
(iii) the Administrative Court.2020-2025

The time needed for resolving disputes is often recognized as the main deficiency of the judicial system, but current practice suggests that after the implementation of lengthy judicial reforms the decision-making process is speeding up. One of the measures introduced in the interest conducting the court proceedings more efficiently is the judge's duty to specify the timeframe within which the proceeding will be finished.
Foreign judicial decisions can be recognized and enforced in the Republic of Serbia under conditions prescribed by the law, and after recognition it becomes equal to the domestic court decision.
The foreign court decision will be recognized in Serbia if:
(i) it is final;
(ii) it does not penetrate the exclusive jurisdiction of the Republic of Serbia; and
(iii) there is no existing national or previously recognized foreign decision on the same subject matter. Further, the decision will not be recognized if the defendant was not given a chance to participate in the proceedings before a foreign court or if it is found that the decision contradicts fundamental principles of the Serbian Constitution. The final condition for recognition is reciprocity between Serbia and the country of a foreign court and its existence is implied.

The contemporary practice shows that the increasing number of business entities operating in Serbia opt for their disputes to be resolved before arbitration by signing arbitration agreements with their business partners. An arbitration agreement can be concluded for the disputes on rights which are at the parties' free disposal, save the disputes that fall within the exclusive jurisdiction of the courts.

Arbitration can be agreed upon by natural persons and legal entities, including the state, governmental bodies and institutions, state-owned companies or any other entity that has the capacity to be a party to the litigation procedure. Arbitration agreement must be concluded in written form and in practice is most commonly introduced as a clause in the main contract. In their agreement to arbitrate, the parties usually agree upon the application of certain institutional rules. In addition the international arbitration institutions, business entities in Serbia also often entrust their disputes to be resolved by the Serbian prominent arbitration institutions such as Permanent Arbitration at the Chamber of Commerce and Industry of Serbia or the Belgrade Arbitration Center.

The Law on Arbitration lays ground rules for resolving disputes without a foreign element (domestic arbitration) and disputes with a foreign element (international arbitration). Domestic awards are equal to court decisions whereas the awards rendered in international arbitration gain the same status after they are recognized. Serbia is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. This enables for the arbitral awards rendered in more than 165 other countries to be recognized and enforced in Serbia, as well as the enforcement and recognition of the Serbian arbitral awards in those countries.

II FORMS OF BUSINESS ORGANIZATION

According to the Law on Companies ("Law on Companies"), there are four legal forms of companies: limited liability company ("DOO"), joint stock company ("AD"), general partnership ("OD") and limited partnership ("KD"). The characteristics of each are detailed below.

However, there are certain elements which all companies must have, namely an incorporation act, a company seat, business activity and business name. In order to register a company, so that it becomes a legal entity, it is necessary to adopt an incorporation act. An incorporation act is the founding act of the company and can be in the form of a resolution on incorporation, if the company is founded by one person, or an incorporation agreement, if it is founded by more than one person, and in order for the company to be registered with the Business Registers Agency the founders' signatures on the incorporation act have to be notarized. The incorporation act has to specify the company seat from which the business is managed, which must be in the territory of the Republic of Serbia; the core business activity of the company, however the company may conduct all other business activities not prohibited by law regardless of whether they are specified in the incorporation act or not; as well as the business name.

The company's business name has to contain the name, legal form and place where the company seat is located, and as such is protected meaning that no other business company can register the same name. When selecting a business name, the founders have to adhere to restrictions in terms of not offending public morals, and not being misleading with regard to the legal form or core business activity of the company. Furthermore, if the founders want the business name to contain the name Republic of Serbia or the name of some other country, they have to obtain the consent of the competent authority of that country. In order to use a proper name in the business name of a company, the consent of the person the name belongs to must be obtained. There are no other restrictions regarding the business name.

Speaking about business companies, starting from June 2018, registered business entities in the territory of the Republic of Serbia (business companies, branches and representative offices of foreign companies, associations and institutions etc, apart from companies and institutions founded by the Republic of Serbia, an autonomous province or local self-government) are obliged to register the data on the beneficial owner of the company. The beneficial owner of a business entity is the natural person who directly or indirectly owns or effectively controls the entity, that is: (i) a natural person who participates in the capital of the business entity with 25% or more of the share; (ii) a natural person who indirectly or directly has a dominant influence over the management of business or decision-making; (iii) a natural person who has provided or provides funds to a business entity in an indirect manner, and thus significantly influences the decisions made by the managing body of the business company; (iv) a natural person who is the founder, trustee, protector, beneficiary of a trust, and the person who has a dominant position in controlling the trust or in any other person under foreign law; or (v) a natural person registered to represent cooperatives, associations, foundations, endowments and establishments. If the natural person being the beneficial owner cannot be identified, the beneficial owner shall be presumed to be the natural person registered to represent or registered as member of a body of the business entity.

1. Limited liability company

In the Republic of Serbia, the limited liability company is the most dominant legal form of the business entity. Pursuant to the Serbian Law on Companies, a limited liability company (DOO) is a company founded by one or more foreign or domestic natural persons or legal entities holding a share in the company's capital. The main characteristic of a DOO is that the company is legally liable for its obligations with its total assets, while the shareholders are liable for the obligations of the company only up to the amount of the share they hold in the company's assets.

One of the reasons why DOO is a very common legal form is that such companies can conduct most business activities provided they fulfil the requirements relating to technical equipment, protection at work, environmental protection, development for each specified activity and other requirements depending on the specific business activity.

There are few activities which a DOO cannot conduct, namely activities for which the law specifically prescribes a different legal form (such as banking activities, where the law requires that banks are established in the form of joint stock companies).

Founding a DOO

A DOO is founded by its member (s) by adopting an incorporation act which can be in the form of a resolution on Incorporation (in case of a single member company) or in the form of an agreement on incorporation (in case of two or more founders), whereas the status of legal entity is acquired after registering the company in the Register of Commercial Companies of the Business Registers Agency ("BRA").

New companies are founded according to a simple one-stop system at the BRA, which inter alia maintains a Register of Commercial Companies. The registration procedure itself is short, since the BRA renders a decision accepting the registration application within 5 business days from the date of submitting the application.

Contributions/shares and founding capital

The capital of a DOO is formed by the members' contributions. Contributions can be pecuniary or in kind, while the capital must amount to at least RSD 100.00 on the day of payment. Company members acquire a share in the company proportionate to the value of their contributions in the entire founding capital of the company. On the basis of their shares the members have ownership and management rights in the company, such as voting rights in the General Meeting and the right to a share in the profit of the company. The law provides for the possibility of increasing and decreasing the capital. If a DOO decreases its capital below the specified minimum amount, the company must increase it to the specified amount within six months, otherwise a forced liquidation procedure shall be initiated against the company.

Managing a DOO

A DOO can have a one-tier management system or a two-tier management system.
In case of one-tier management, the management bodies are a General Meeting (comprising all the members) and one or more directors. Two-tier management systems, apart from a General Meeting and one or more directors, also require that certain functions be performed by a Supervisory Board.

The General Meeting of a DOO is the highest body of the company deciding on the most important matters relating to the company, deriving such capacity from the fact that the General Meeting is composed of all the members of the company. The scope of powers of the General Meeting is specified in the incorporation act; if not specified, the law prescribes the most important powers of the General Meeting, such as approving financial reports, supervising the work of the directors or Supervisory Board, deciding on capital increases and decreases and distribution of profit, deciding on changes of status and of legal form, etc.

Supervisory Boards are present only in two-tier management systems, and the members of the board are appointed by the General Meeting. The main powers of this body relate to determining the company's business strategy and to appointing, removing and supervising the work of company directors.

The company can have one or more directors who are also the legal representatives of the company. All business conducted by the directors is conducted in the name and on behalf of the company. Apart from the fundamental obligation of representing the company towards third parties, the directors' main obligation is managing the company.

There are two ways to engage a director: (i) employment agreement; and (ii) agreement on director's rights and obligations. In the first case the director is an employee of the company, while in the second case he is not, but instead his rights and obligations are regulated by the said agreement. This difference in employment status of the director has tax-related consequences. Namely, if the director is an employee, income tax is paid on his salary. On the other hand. if the director has not entered into an employment relationship, tax on other income is paid.

2. Joint stock company

A joint stock company (AD) is a company founded by one or more legal or natural persons (shareholders) in order to perform certain activities, whose founding capital is determined and divided into shares. The total value of all shares comprises the initial capital of the joint stock company. A joint stock company, like a DOO, is liable for its obligations with its entire property, while shareholders are only liable up to the amount of their contribution in the capital of the company.

Founding a joint stock company

The documents required to incorporate a joint stock company are the Incorporation act with notarized signatures of the company shareholders and the Articles of Association, which are registered with the BRA, after which the joint stock company has the capacity of legal entity.
The purpose of the incorporation act is only to incorporate the joint stock company, so is therefore not subject to change. For that very reason joint stock companies adopt Articles of Association, and all relevant changes to the company are regulated by amendments and supplements to the Articles. A joint stock company, apart from Articles of Association, may also adopt other documents regulating in detail its business activities and management.

The procedure of registration with the BRA has already been mentioned in the section of the brochure relating to the establishment of a DOO.

Types of joint stock companies

In Serbia joint stock companies can be open or closed. An open or public joint stock company is one whose shares can be traded on the stock market, while a closed joint stock company does not trade its shares on the market.

Contributions/shares and founding capital

The capital of a joint stock company is divided into shares. Shares are securities and all shares of the same class (shares that confer the same rights) have the same nominal value. In the Republic of Serbia shares are dematerialized and the Central Securities Depository and Clearing House ("CSD") maintains a register of all shares and their holders. As opposed to a DOO where minimum demands are specified in terms of amount of founding capital, a joint stock company must have a founding capital of no less than RSD 3,000,000.00. Shareholders' contributions can be pecuniary and in kind, that is, in things and rights whose value is expressed in dinars. The law provides for the possibility of increasing and decreasing the capital. If a joint stock company decreases its capital below the specified minimum amount, the company must increase it to the specified amount within six months, otherwise a forced liquidation procedure shall be initiated against the company.

Shares do not have to be of the same class, namely a joint stock company can issue ordinary and preference shares. Ordinary shares bring their holder the "customary set" of rights, as prescribed by the Law on Companies.

On the other hand, preference shares differ from ordinary shares in that they bring their holders certain advantages, such as priority in payment of dividends, but they generally do not presume voting rights when making decisions; such rights are conferred by ordinary shares in the company. The Law on Companies specifies that the total nominal value of issued and authorized preference shares cannot exceed 50% of the company's capital.

Regarding rights which shareholders have on the basis of their shares, they acquire such rights as of the date of registering their shares with the CSD. Every ordinary share confers the right to take part in and vote at the General Meeting, according to the principle one share – one vote.

Shareholders also have the right to annual distribution of profit, that is, dividends, based on a decision of the General Meeting on distribution of dividends. Dividends can be paid out in money or in shares in the company, according to the decision on payment of dividends.

3. Branch/representative office

Branch office

A company may conduct its business activities through branch offices, which are separate organizational units of the company. A branch office is not a legal entity, and conducts legal transactions in the name and on behalf of the company, meaning that the company that founded the branch office has unlimited liability for obligations towards third parties relating to the business activities of its branch office.

Serbian or foreign companies may adopt decisions on founding branch offices. According to the current regulations, a branch office of a company is subject to registration only if it does not have the same representative as the company founding it; however starting from October 2018 amendments to the Law on Companies will become applicable, pursuant to which registration of branch offices of Serbian companies will be compulsory, while the founding of branch offices of foreign companies must be registered with the BRA.

With regard to tax treatment, a branch office of a foreign company is obliged to pay all applicable taxes applicable to the business activities of Serbian legal entities.

Representative office

A foreign legal entity may also conduct business through a representative office. The activities a representative office may conduct are restricted to preliminary activities and preparations for the legal transactions of its founder. It is not authorized to carry out commercial transactions (execution of contracts, payment or collection on the grounds of commercial contracts). As an exception, a representative office may carry out legal transactions relating to its own current business activities. The founder of the representative office is liable for all obligations arising from such business activities.

With regard to tax treatment, a representative office is obliged to pay corporate income tax only if it makes a profit. However, if it only carries out preliminary and preparatory activities, it is not obliged to pay corporate income tax.

After rendering and verification/notarization of all documents, the representative office is registered with the BRA, and is considered registered within 5 days of the date of submission of the registration application accompanied by the necessary documents. Despite the obligation of registration, a representative office does not have the capacity of legal entity.

4. General and limited partnerships

General partnership

A general partnership ("OD") is a company founded by two or more natural persons and/or legal entities in the capacity of partners with the objective of conducting certain activities. The partners have unlimited joint and several liability for obligations of the partnership up to the value of their entire assets.

Like other forms of business organization, general partnerships are also registered with the BRA; the registration procedure has already been explained in the section of the brochure relating to establishing a DOO.

Limited partnership

A limited partnership ("KD") is a company founded by two or more natural persons and/or legal entities with the objective of conducting certain activities, at least one of whom has unlimited joint and several liability for the obligations of the partnership (general partner), and at least one has limited liability up to the amount of its uncontributed or not paid-in contribution (limited partner).

General partners have the same status as partners in a general partnership, manage the company's business activities and represent it, as opposed to limited partners who are not authorized to do so. On the other hand, a limited partner may be granted power of procura by the decision of all general partners.

Shares in the profit are paid out to limited partners and general partners in proportion to the amount of their contribution, whereas limited partner shall not be liable for obligations of the partnership if they have fully paid in the contributions specified in the agreement on incorporation. Therein lies the main purpose of this form of organizing: to limit the liability of some shareholders only to the amount of their contribution, but at the same time to limit their right to make decisions in the company. If a limited partner fails to fully pay in the contribution undertaken in the agreement on incorporation, the limited partner has joint and several liability with the general partners towards creditors up to the amount of not paid in or not made contribution. On the other hand, limited partners, like general partners, have unlimited joint and several liability for the obligations of the company up to the value of their entire assets.

5. Sole Proprietors/Entrepreneurs

In accordance with the laws of Republic of Serbia, a sole proprietor or entrepreneur is a natural person, domestic or foreign, who is registered with the Business Registers Agency and who may, as an occupation for profit, conduct any business activity which is not forbidden by law. As opposed to business companies, entrepreneurs are not legal entities even though they are subject to registration with the BRA.

Entrepreneurs are liable for all obligations relating to the conducting of their business activity up to the value of their entire property, which property includes any property they acquire relating to their business activity. An entrepreneur's liability does not cease by his/her striking from the register.

Freelancers are also considered entrepreneurs, if the regulations governing their freelance business activity so define their status, as is the case with attorneys.

The procedure of registration with the Business Registers Agency has already been explained in the previous section of this brochure relating to the establishment of a DOO. In addition, if a specific business activity requires prior approval of the competent authority in the form of a consent, permit or other document, the original of this document needs to be submitted for registration purposes as well. Such activities include: healthcare, veterinary services, trade of weapons, weapon parts and ammunition, bankruptcy administrator/receiver activities, etc.

6. Trusts and other Fiduciary Entities

Serbian law recognizes neither trusts nor fiduciary entities as legal institutes.

7. Public companies and public utility companies

Public companies

The Law on Public Companies specifies that certain activities shall be conducted by public companies, i.e. companies founded by the Republic of Serbia, an autonomous province or local self-government. These are usually activities of great importance for the community, for which the market is not sufficiently developed to provide a satisfactory quality of goods and services. Such activities are of general interest for the Republic of Serbia and have been designated by law as such in the fields of: mining and energy; transportation; electronic communication; publishing the official gazette of the Republic of Serbia and publishing textbooks; nuclear facilities, weapons and military equipment; use, management, protection, development and improvement of property of general interest and property in general use (waters, roads, forests, navigable rivers, lakes, shores, spas, wildlife, protected areas etc.); waste management and other areas, including public utilities.

The same law, on the other hand, provides for the option of other legal entities and entrepreneurs conducting the above specified activities if the competent authority entrusts them with such activities. The competent authority entrusts the conducting of such activities in accordance with the law governing public-private partnerships and concessions, unless a separate law specifies otherwise. Public-private partnerships and concessions will be discussed further in Chapter VII.
Public companies are founded by an incorporation act issued by the Government, the assembly of the autonomous province or local self-government and are registered with the BRA, after which they become legal entities.

Public companies have the following bodies: a supervisory board and a director. The members of the supervisory board are appointed by the founder, and its main duties are, inter alia, to adopt a plan and strategy for development of the company, to adopt a business plan, approve financial reports, supervise the work of the director, adopt Articles of Association etc. The director of the public company is also appointed by the founder, based on an open competition. He represents the company, manages operations, manages the company's business activities and implements the decisions of the supervisory board, etc.
Public utility companies

The Law on Public Utilities specifies in general that public utility services may be provided by public companies, business companies, entrepreneurs or other business entities. Public utility services are services that furnish the everyday necessities to the general population, and providers of such services must meet the necessary standards in terms of quality, volume, availability and continuity. Fulfilment of these standards is verified by municipal inspectors. Such services include provision of drinking water, managing municipal waste, public transportation, road management, etc. It should be noted that the law provides for the option of entrusting public utility services to private entities through public-private partnership agreement, and this option is only beginning to be utilized. Public-private partnerships will be discussed further in Chapter VII.

III INVESTMENTS AND INVESTMENT SUPPORT

III Subsidies and other incentives

1. Subsidies and other incentives

As attracting foreign investments has been one of the primary economic goals to which the Republic of Serbia is continuously dedicated, measures set to encourage foreign and domestic investments are subject of constant improvement. The general legal framework for investing in the Republic of Serbia is provided in the Law on Investments ("Law on Investments") which defines the entities for providing investment support in the interest of providing more efficient services to investors, which inter alia include the Council for Economic Development and the Development Agency of Serbia, specifying the rights, obligations and competences of the institutions in charge of cooperation with investors. In this regard, easier and better communication has been enabled between investors (domestic and/or foreign, natural and/or legal persons) and institutions of all levels.

Furthermore, this law equates domestic and foreign investors in regard to their investments, which has been requested by business entities for a number of years. This does not affect application of laws regulating the matter of acquiring ownership title in the Republic of Serbia by foreign citizens in general, i.e. the investors who are foreign persons fall under the same legal regime as foreign persons in general – they may acquire ownership title over movable property equally as domestic citizens, while acquiring ownership title over immovable property is subject to certain limitations, which are detailed in the section that tackles real estate matters.

In order to define the specific criteria, terms and manner of attracting direct investments and to regulate other issues of importance for attracting direct investments, the Government of the Republic of Serbia passed a Decree on Determining Criteria for Granting Incentives for Attracting Direct Investments ("the Decree"). Moreover, for certain specific sectors – hotel accommodation services in spa areas and grocery production sector – the Government of the Republic of Serbia passed two separate decrees – Decree on Determining Criteria for Granting Incentives for Attracting Direct Investments in Hotel Accommodation Services Sector , and Decree on Determining Criteria for Granting Incentives for Attracting Direct Investments in Groceries Production Sector , in order to determine specific criteria, terms and manner of attracting direct investments in these particular sectors.

Pursuant to the general Decree, incentive funds for attracting direct investments, that is to say for investments in tangible and intangible assets and fixed assets of companies for:

(i) commencement of new business activities;
(ii) expansion of existing capacities; or
(iii) expanding the existing production by new products and production processes, as well as for acquiring assets directly associated with a business company which has ceased to operate or would cease to operate if it were not purchased from third parties under market conditions, which secure new employment, are provided for in the budget of the Republic of Serbia and may be used for financing investment projects in the manufacturing sector and sector of services of service centres.

In the interest of attracting more investments, particularly in undeveloped regions, Serbia has simplified the conditions for obtaining incentives, and the investment thresholds for receiving non-refundable incentive funds refer to invested money and the number of newly opened jobs in local self-government units which are classified according to their level of development. Additionally, practical needs are taken into account and possibility for modifications of agreed terms of incentive support for particular project is recognized under the law

On the other hand, incentive funds cannot be used to finance investment projects in the transport sector, software development except as needed for improvement of products, production processes or providing services of service centres, hospitality, games of chance, trade, production of synthetic fibres, coal and steel, mining, tobacco and tobacco products, weapons and ammunition, shipbuilding of self-propelled trade ships with over 100 gross registered tons, airports, public utility sector and the energy sector, broadband networks, fishing and aquaculture. Regarding tax incentives, the Law on Investments stipulates tax relief for contributions of investors in equipment, wherefore the import of equipment which represents the contribution of an investor is free and exempted from customs and other import duties, provided that the equipment imported is in line with the regulations governing health and safety of citizens and environment protection. This relief does not apply to passenger vehicles and machines for entertainment and games of chance.

The current regulations of the Republic of Serbia also provide for a special regime of tax incentives for investments which will be detailed later on, in the section relating to taxation.

Apart from the specified forms of assistance, there are also incentives available on local level. Their volume and value varies in different local self-government units. The most important incentives from this category are exemption from or decrease of fees for construction land, and exemption from fees for developing construction land or decrease or exemption from local municipal charges (e.g. fee for displaying the business name).

The most important governmental body for support for investments is the Development Agency of Serbia ("DAS") whose primary business activity is providing support for micro, small and medium-sized businesses and entrepreneurs with the goal of strengthening the commercial sector of the Republic of Serbia, supporting direct investments and promoting exports, improving Serbia's reputation and regional development.

Furthermore, DAS helps local self-governments raise capacities aimed at economic development, in order to provide the necessary high-quality and efficient support to entrepreneurs, but also to apply for financing from European and other funds in the interest of regional and local development.

By carrying out the said activities and implementing projects, DAS strives to fulfil the long-term goal of equal development of all parts of the Republic of Serbia and positioning Serbia as an economic leader in the region.

IV REQUIREMENTS FOR STATING A BUSINESS

1. Government approvals, licenses and permits

The constitution of the Republic of Serbia proclaims freedom of entrepreneurship. This means that natural persons and legal entities in the Republic of Serbia are free to conduct business activities of their own choice. Entrepreneurship can be restricted only by law, for protecting people's health, the environment and natural resources and for the security of the Republic of Serbia.

Furthermore, the constitution of the Republic of Serbia guarantees that the position of all market participants shall be equal. Moreover, foreign natural persons and legal entities are equal on the market to those from Serbia.

Every domestic or foreign natural person or legal entity may found a business company without obtaining any permits or licenses. Permits must be obtained only in the cases specified by the law for conducting certain business activities such as: providing various financial services, healthcare activities, sale of weapons and ammunition, games of chance, producing food, etc.

Licenses are needed for business activities such as: energy activities, trade of petroleum products, transporting passengers or goods, etc. In those cases the person or entity has to first obtain the necessary permit or license, and then start conducting the business activity.

The procedure for founding a company is significantly simplified, with a view to stimulating and developing entrepreneurship, and takes no more than 5 days. A new element is the possibility of founding a company electronically.

However, in current practice only entrepreneurs are able to register their business electronically, whereas this service will be enabled for companies as well when the necessary technical requirements are met by the BRA. At registration the business entity chooses one core business activity, but that does not prevent it from conducting other business activities permitted by the law.

V COMPETITION LAW

V COMPETITION LAW

1. Concentration

Concentration of market participants as specified in the Law on Protection of Competition ("Competition Law") exist in cases of (i) mergers and other reorganizations of companies where one company becomes a part of another, (ii) one or more market participants acquiring direct or indirect control over another market participant or participants or a part or parts of other market participants that can constitute independent business units; and (iii) establishment of a joint venture by two or more market participants with the intention of creating a new market participant or acquiring joint control over an existing market participant which operates on a lasting basis and has all the functions of an independent market participant.

The obligation for merger notification exists when one of the specified income thresholds is met:

1. the combined worldwide annual income of all the participants in the concentration in the previous business year exceeds EUR 100 million, provided that at least one participant in the concentration has an income exceeding EUR 10 million on the Serbian market; or
2. the combined annual income of at least two participants in the concentration on the Serbian market in the previous business year exceeds EUR 20 million, provided that at least two participants in the concentration have an income exceeding EUR 1 million each on the Serbian market in the same period.

Such low income thresholds for merger control lead in practice to examining the permissibility of even those concentrations that have no potential for jeopardizing competition on the Serbian market.

Furthermore, the Competition Law specifies the competence of the Commission for Protection of Competition ("Commission") also in cases of extraterritorial mergers, when such concentration has or could have an impact on competition on the Serbian market, and the income of any of the participants exceeds the abovementioned income thresholds. However, despite the fact that the possibility of extending the territorial application of the Law relates solely to situations when the concentration "has or could have an impact on competition on the Serbian market", the Commission's interpretation of this provision in practice has shown that the Commission feels that this requirement is fulfilled if the income thresholds for notification have been reached. Therefore, a significant number of mergers between foreign companies in foreign markets has to be notified to the Commission, even though such concentrations have no impact on competition on the Serbian market.

Merger notifications can be filed in regular or summary proceedings (when the necessary conditions have been met), but in any case must be filed within fifteen days from the day of executing the agreement, publishing a public bid or offer or closing a public bid or acquiring control.

In exceptional cases notifications can be filed early, when market participants show serious intent to enter into an agreement, by signing a letter of intent, disclosing their intent to make an offer or in some other manner which precedes one of the previously described relevant events.
The Commission can unconditionally approve, conditionally approve or not approve notified mergers.

2. Restrictive agreements

Restrictive agreements are agreements between market participant that have the aim or consequence of significantly restricting, distorting or preventing competition in the territory of the Republic of Serbia and apart from agreements also include certain provisions of agreements, explicit or tacit arrangements, concerted practices, as well as other forms of coordination between market participants.

Restrictive agreements can be vertical or horizontal, depending on whether they are concluded between competitors, that is between market participants operating on the same level of the production or distribution chain.

Vertical agreements are those between market participants operating on different levels of the production or distribution chain and are mostly concluded between manufacturers and sellers. The restrictions most frequently imposed by manufacturers on sellers are: (i) price restrictions (direct fixing of the selling price, setting a minimum price, maximum price or recommended price): (ii) quantity-related restrictions and (iii) exclusive dealing (territorial exclusivity, exclusive sale or selective distribution).

In theory and practice horizontal agreements are divided into cartels and other horizontal agreements. Cartels are horizontal restrictive agreements that have the aim and consequence of absolutely preventing competition between the parties by way of an agreement on all material aspects of business operations (e.g. agreement on selling prices and distribution of available supply quantities, agreement on dividing the geographical market, agreements on manipulating public tenders etc.)

Other restrictive horizontal agreements are agreements on cooperation between competitors in specific areas (e.g. a joint venture agreement, agreement on joint research and development, agreement on joint production or procurement etc.).

In general restrictive agreements are prohibited, in some cases concluding restrictive agreements is a crime, and they are faced with the penalty of being null and void wherefore the parties are unable to seek judicial protection of their rights under the agreement, damages or enforcement, except in cases where the positive effects of the restrictive agreement outweigh the negative, that is to say when they contribute to the improvement of production and trade, or incite technical or economic progress, while providing consumers with a fair share of benefits, provided that they do not impose restrictions on market participants which are not necessary for achieving the objectives of the agreement, that is, do not exclude competition in the relevant market or in its substantial part.

The Competition Law provides for two types of exemptions: (i) collective exemption and (ii) individual exemption.

The mechanism of collective exemption operates so that a parties in a restrictive agreement itself evaluates whether it the agreement covered by the Decree of the Government of the Republic of Serbia identifying the categories of restrictive agreements exempted from prohibition because they fulfil the condition of the positive effects outweighing the negative, as well as the conditions relating to the type and content of the agreement, and the term thereof.

On the other hand, the mechanism of individual exemption presumes the obligation of submitting a request for exemption to the Commission. The applicant seeking exemption bears the burden of proving that the conditions for exemption are fulfilled, and the period of exemption cannot be longer than eight years.

Apart from the above specified mechanisms for exemption, restricted agreements are also allowed in cases of agreements of lesser significance, between market participants whose combined share in the relevant market does not exceed a specific percentage, which differs depending on whether the agreement is horizontal. vertical, combines elements of both or is hard to classify, or an agreement with a similar impact on the market.

In any case horizontal agreements aimed at fixing prices or restricting production or sale, or dividing the distribution market, and vertical agreements aimed at fixing prices and dividing the market, cannot be exempt from prohibition by reason of their “lesser significance”, wherefore it can be concluded that they are not allowed per se.

3. Control of state aid

State aid is any actual or potential public expenditure or realized decrease in public revenue, by which the beneficiary of state aid gains a more favourable market position in respect to the competitors and as a result causes or threatens to cause distortion of the market competition. Although the Serbian regulations relating to competition law and state aid control are in considerable part harmonized with EU law, which is of particular importance given that market competition represents a separate negotiation chapter in the process of accession to the EU, the Commission for Protection of Competition and the Commission for State Aid Control have had insignificant practice in this area as compared to the relevant European institutions. A state aid beneficiary is any legal or natural person which, in their business operations concerning production and/or trade of goods and/or providing of services on the market, uses state aid in any form whatsoever.

In accordance with the Law on State Aid Control , state aid is notified as an individual state aid or as a state aid scheme. Individual state aid is granted based on an act of the state aid granter to a predetermined beneficiary or individual beneficiary who is granted based on a state aid scheme and for which there are obligations to apply under this law. The state aid scheme is a set of regulations, which are the basis for granting state aid to beneficiaries who are not predetermined. In addition to these two forms, the law defines harmonized state aid, as well as measures that do not constitute state aid.

Harmonized state aid is social aid intended for consumers without discrimination in relation to the origin of goods or products that constitute specific aid, or which is granted to eliminate damage caused by natural disasters or other emergencies in accordance with the law governing risk reduction from disasters and emergency management.

Measures that do not represent state aid are fees for the provision of services of general economic interest, in the case when the following conditions are met: (1) the market participant is entrusted with the obligation to perform a certain service of general economic interest by an appropriate act; (2) the parameters on the basis of which the amount of the fee is calculated are determined in advance in an objective and transparent manner; (3) the amount of the fee does not exceed the amount necessary to cover all or part of the costs incurred in the performance of the obligation to perform the service of general economic interest; (4) if the participant is not selected in a competitive public bidding procedure or, if the market participant is not selected in a competitive public bidding procedure, and the fee is determined on the basis of a cost analysis.

State aid can be granted through the following instruments:

1. subsidy (grant) or subsidized interest rate on loans,
2. fiscal relief (reduction or exemption from taxes, contributions, customs duties and other fiscal duties),
3. the state guarantee, any legal entity that disposes of and / or manages public funds or another state aid granter, given on more favorable market conditions,
4. waiver of profits and / or dividends of the state, local government or legal entity that manages or disposes of public funds,
5. write-off of debt to the state, local government or legal entity that manages or disposes of public funds,
6. purchase or use of publicly owned property at a lower market price,
7. purchase or use of property at a higher than market price by the state, local self-government or legal entity that manages or disposes of public funds, and
8. other instruments in accordance with this Law.

State aid control is carried out by the Commission for State Aid Control by ex ante control when it decides whether notified state aid is allowed, and ex post control when it established that it was granted without approval or is being used unlawfully.

VI ACQUIRING REAL ESTATE AND CONSTRUCTION

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1. Right of foreign citizens to acquire real estate

The constitution of the Republic of Serbia guarantees the right to acquire title to real estate to foreign natural and legal persons, in accordance with the relevant law or international agreement. Acquiring real estate is regulated by the Law on Foundations of Property Law Relations () which, according to the manner of acquiring, distinguishes between acquiring real estate by legal transactions between live persons (inter vivos) and acquiring real estate by way of inheritance.

If the property is acquired between live persons, the rules state that foreign natural and legal persons can, under the condition of reciprocity and if they are doing business in Serbia, acquire real estate necessary for such business activities. The ministry in charge of trade provides an opinion on whether the real estate which a foreign entity is planning to acquire is necessary for conducting its business activity.

A foreign natural person may, under the condition of reciprocity, acquire ownership rights over an apartment or residential building.

Acquiring real estate through inheritance is also conditional upon reciprocity; if reciprocity exists, a foreign natural person may inherit real estate under the same terms as Serbian citizens.

2. Acquiring agricultural land

Acquiring agricultural land is regulated by the Law on Agricultural Land according to which the acquiring of agricultural land in the territory of the Republic of Serbia used to be a right reserved only for Serbian citizens, until the amendments of the law in year 2017, when this right, provided that certain conditions are fulfilled, was granted to foreigners as well, namely citizens of countries which are members of the European Union. The conditions are that the foreign national has had permanent residence in the territory of the local self-government unit in whose territory the land is located for no less than 10 years, that they have a registered farm, that they have been cultivating that agricultural land for at least 3 years, that the land has a surface area not larger than 2 ha, and that they own the necessary machinery for cultivating the land. Moreover, foreigners may acquire only agricultural land which is private property, that is, they cannot buy land directly from the Republic of Serbia.

State-owned agricultural land may be leased out, to persons fulfilling the legal requirements, for a period no shorter than three and no longer than thirty years. State-owned agricultural land is leased out by public auction. Before submitting a bid for lease of the land, interested parties have to fulfil the conditions prescribed by the Law. Agricultural land is leased out by public auction in two rounds, except in the case of right of priority lease and right of first refusal for lease. Priority lease can be exercised by an interested party which presents an investment plan that is approved by a committee formed by decision of the competent Minister. The committee also proposes measures for realization of the lease.

3. One-stop-shop

The Law on Planning and Construction prescribes a unified procedure for obtaining all necessary documents for construction before a single public authority, and markedly shorter deadlines for issuance of construction permits and other documents.

Relevant authorities at all levels (republic authorities, autonomous province or local self-government authorities) have to designate a separate organizational unit, which implements the unified procedure.

The unified procedure before such one-stop-shop applies for obtaining all the documents necessary for construction, from design stage to issuance of a utilization permit.

The one-stop-shop acts on behalf the investor before all other public authorities or public companies competent for issuing conditions and consents during construction and monitors the work of such other public authorities and public competence.

The planned effect of introducing a unified procedure is easier and faster obtaining of the permits necessary for each stage of construction – design, construction, connecting to infrastructure and issuance of a utilization permit by way of restriction of deadlines for issuing building documents and supporting documents, obtaining supporting documents by a one-stop-shop on behalf of the investor and decreasing the competences of public authorities for controlling the contents of the designs. The one-stop-shop is complemented by the possibility of checking the data and the stage of the procedure of the website of the Serbian Business Registers Agency, where upon submitting a request for a construction permit the status of the case can be checked at any time.

Significant parts of the design and design control stage have been transferred from state authorities to investors, which should additionally shorten the procedures for issuing documents.

4. Urban planning documents

Spatial plans are created for the Republic of Serbia, region, local self-government unit and for special-purpose areas.

Urban plans are: the General Urban Plan, General Regulation Plan and Detailed Regulation Plan.

Urban planning documents are:

1. (Urban design plan which is prepared when envisaged by the planning document or at the request of the investor, for the purpose of urban and architectural design of public areas and urban and architectural development of a location;
2. Consolidation and subdivision plan which is prepared when there is a need to consolidate several cadastral plots into one, or to subdivide one cadastral plot into several; and
3. Geodetic elaboration report for correcting boundaries between adjacent plots and consolidating adjacent plots of the same owner which is prepared when the boundaries between adjacent cadastral plots need to be corrected, or adjacent plots belonging to the same owner need to be consolidated into one, as well as in the case of consolidation of adjacent plots where the same person is the owner or long-term lessor based on earlier regulations.

Technical documents include the following:

- general design – contains the basic data on the location, type of building, manner of securing necessary infrastructure, natural conditions of the land, environmental impact, and similar data;
- conceptual design – prepared for the purpose of obtaining location conditions (location conditions are a public document containing data on construction possibilities and restrictions);
- preliminary design – prepared for construction purposes;
- construction permit design – prepared for the purpose of obtaining a construction permit, and must contain the statements of the chief design engineer, responsible design engineer and technical inspector, confirming the compliance of the design;
- execution design – prepared for the purpose of executing construction works;
- as-built drawings – prepared for the purpose of obtaining a utilization permit.

Technical documents are prepared by persons with the necessary level of vocational training, holding the necessary license, and recorded in the register maintained by the Serbian Chamber of Engineers.

5. Contents of documents necessary for obtaining construction permits

The Law on Planning and Construction differentiates between construction permit design and design for execution of construction works.

Construction is carried out on the basis of technical documentation and a construction permit.

A construction permit will be issued if the investor holds the necessary rights to the land, submits the required documentation (construction permit design), and pays the fee for issuance of the permit.

6. Fee for development of construction land

The infrastructure fee, known in certain foreign legislatures, is a parallel to the fee for development of construction land regulated by the Law on Planning and Construction. The amount of this fee is determined by the decision on issuance of construction permit, based on calculation of charges issued by the competent administrative body.

This fee is paid by the investor and is calculated in the following manner: the base, comprising the average price per square meter for newly constructed apartments in the relevant local self-government unit, is multiplied by the overall net area of the building being constructed, and by the zone coefficient and coefficient of intended purpose of the building, which are determined by the local self-government, and cannot be greater than 0.1 for zone coefficient, i.e. greater than 1.5 for coefficient of intended purpose of the building
.
The fee is decreased by the costs of equipping the construction land with infrastructure at the expense of the investor, that is, the investor is entitled to decrease the amount of the fee for the sum which the investor invested in equipping the construction land with infrastructure.

VI PUBLIC-PRIVATE PARTNERSHIPS AND CONCESSIONS

VII PUBLIC-PRIVATE PARTNERSHIPS AND CONCESSIONS

1. Public-Private Partnership

In the Republic of Serbia the appropriate laws enable that the provision of public services or managing public infrastructure facilities is not solely handled by public bodies (governmental bodies, public companies), but rather that private entities can also take part in these matters together with public bodies. This form of participation of private entities in matters of relevance to the general public is realized through public-private partnerships ("PPP"), which are primarily regulated by the Law on Public-Private Partnerships and Concessions ("Official Gazette of RS", No. 88/2011, 15/2016 and 104/2016; "PPP Law").

According to the PPP Law, a PPP represents long-term cooperation between a public and a private partner in order to provide financing, construction, reconstruction, operation or maintenance of infrastructure and other facilities of public importance, and public services. A public partner is a governmental body, public company or legal entity conducting a business activity of public interest, over which governmental bodies or public companies have supervision powers or effective control. A private partner can be a domestic or foreign natural or legal person, or a consortium.

Activities of public interest for which PPPs can be formed are not specified in just one, but in numerous laws regulating different areas, such as mining and energy; traffic; electronic communications; use, management, protection, development and improvement of property of general interest and property in general use (waters, roads, forests, navigable rivers, lakes, shores, spas, wildlife, protected areas etc.); public utilities (managing public parking lots, cleaning public surfaces, urban and suburban passenger transport, maintaining roads) etc. It should be noted that PPPs cannot be formed exclusively for commercial use of a property in general use or other property, nor exclusively for delivery of goods.

Forms of PPPs

There are two forms of cooperation between public and private partners, namely two forms of PPPs:

1. contractual PPP; and

2. institutional PPP.

A contractual PPP is established by executing an agreement between a public and a private partner regulating their mutual relations. The agreement is executed for a term of 5 to 50 years, with the possibility of executing a new agreement upon expiry of this term, provided the procedure of selection of private partner is observed.

On the other hand, an institutional PPP is a form of cooperation through a joint company which will be the one implementing the PPP project. A public and a private partner can either jointly found a company, or acquire ownership interests / contribute additional capital in an already existing company (if the owner of the company is the public partner, the ownership interest is acquired or the additional capital contributed by the private partner, and vice versa).

Selection of private partner in a PPP

The PPP Law specifies two manners of selecting a private partner for realization of a PPP project. The first is for the public partner to initiate this procedure by creating a PPP project, and when the project is approved by the competent authority, the procedure of selection of private partner is commenced, in accordance with the law governing public procurements.

On the other hand, if a natural or legal person is interested in entering into a PPP, they can, at their own initiative, submit a proposed PPP program to the public partner, which has to determine within 90 days of receiving the proposal whether the project is in the public interest, and to notify the proponent accordingly. If it believes the proposal to be in the public interest, the proposed program is submitted to the competent authority for approval and then the procedure of selecting a private partner is conducted in accordance with the law governing public procurements. The interested party that submitted the proposed program to the PPP, which the competent authority approved, does not automatically enter into the PPP, but is entitled to take part in the procedure of selecting a private partner together with all the other parties interesting in entering into a PPP.

Public-Private Partnership Commission

In forming the necessary legal framework for PPP in order to attract private investments aimed at developing the sector of public interest, a Public-Private Partnership Commission ("Commission") is established. The main goal of the Commission is to provide expert assistance in realization of PPPs, by assisting in preparing PPP proposals, providing information and arranging consultations relating to the PPP, issuing opinions regarding the PPP proposal in the procedure of approving the proposal, etc. All necessary information relating to public-private partnerships can be obtained from the Commission.

2. Concessions

Apart from cooperation between public and private partners in the form of PPP, the PPP Law also provides for the option of establishing concessions. By concession a public partner grants to a private partner, for a specific period of time, the commercial use of a natural resource, public property in general use or the conducting of a business activity of public interest. For the commercial use of the subject of the concession, the private partner pays the public partner a specified concession fee, determined by the concession contract. The subject of concession relates to a natural resource, public property in general use or the conducting of a business activity of public interest. The PPP Law specifies that, as the subject of concession, a private partner can in particular be granted the following for commercial use: exploration and mining of minerals, harbours, public roads, public transport, airports, railways, public utilities, etc.

According to the PPP Law, there are numerous similarities between PPPs and concessions. Thus a concession, like a PPP, can be either contractual or institutional. All the information provided above for these two forms of PPP also relates to concessions. Furthermore, the procedure of selecting a private partner can be initiated by the public partner, but also by the initiative of the entity interested in establishing a concession. The difference is that the selection of a private partner for a PPP is carried out according to the law regulating public procurements, while the selection of a private partner for a concession is carried out according to the PPP Law. When selecting a private partner for a concession, when the concession program is approved, the concession grantor issues a public invitation calling all interested parties to submit their bids for a concession contract by a specified deadline. Along with their bids the bidders have to submit a bid bond, which may not exceed 5% of the estimated value of the concession.

When the best bidder is selected, a public contract is signed regulating the relationships between the concessionaire and the concession grantor, including the concession fee, concession term, etc.

VIII FINANCIAL INSTITUTIONS

VIII FINANCIAL INSTITUTIONS

1. Banks

One of the main features of the financial system in the Republic of Serbia is dominant financing of business companies through bank loans. Issuance of shares and bonds on the securities market is rare and the most dominant financial facilities in the Republic of Serbia are banks.

The banking system is comprised of commercial banks and the National Bank of Serbia which performs supervision over the commercial banks. Commercial banks conduct their activities independently, for the purpose of profit gain and on the principles of solvency, profitability and liquidity. Based on information provided by the National Bank of Serbia, there are currently 28 banks in the country.

A bank is a joint-stock company with head office in the Republic of Serbia and licensed by the National Bank of Serbia which conducts deposit and credit transactions, and may also perform other business activities in accordance with the law. The law specifies that no other institution in Serbia is allowed to grant credit facilities and issue credit cards, unless authorized by law to do so. A bank can be incorporated by both domestic and foreign legal entities or natural persons, whose pecuniary contribution in the founding capital may not be less than EUR 10,000,000.00 in RSD equivalent. The National Bank of Serbia has the decisive role in the process of incorporation of a bank, issuing the final license to operate. Every bank must be inscribed in the Registry of Commercial Companies maintained by the Business Registers Agency.

The National Bank of Serbia, as the main financial institution, is an autonomous and independent body which performs various activities, such as being in charge of monetary and foreign currency policies, managing state reserves, issuing money, controlling the money in circulation, etc, and falls within the supervision of the National Assembly of the Republic of Serbia. The principal aims of the National Bank of Serbia are to achieve and maintain price stability and to strengthen the financial system of the Republic of Serbia. The main characteristics of the banking sector in Serbia are high interest rates (due to the high risks of doing business, inflation, monetary policy restrictiveness, high interest rates on securities and insufficient competition in the banking sector), high bank solvency (which is expressed through a high capital adequacy ratio), and the increased number of uncollectible debts due to economic over-indebtedness and the Global Financial Crisis.

2. Insurance companies

An insurance company is a legal entity with head office in the Republic of Serbia which is inscribed in the register of the competent authority on the basis of a permit from the National Bank of Serbia to conduct the following operations: insurance transactions, including coinsurance and reinsurance; reinsurance transactions, insurance brokerage and insurance mediation.

The most common form of insurance company is joint-stock insurance company, while insurance agents and insurance brokers may be organized as limited liability companies as well. An insurance company can be incorporated by one or more natural persons or legal entities. Foreign natural persons and legal entities can incorporate or invest in joint-stock insurance companies. An insurance company can only conduct operations relating to one or more types of insurance, within the same insurance group or just reinsurance operations.

An insurance company may only conduct operations relating to those types of insurance for which it has received a permit from the National Bank of Serbia, which decides on the legality of conducting insurance operations, application of the management system at the company and the risk management rules. The National Bank of Serbia also examines the implementation of rules of the insurance business, good business customs and business ethics.

The pecuniary or founding capital, that is, the initial security fund, needed to incorporate a joint-stock insurance and reinsurance company is prescribed in euros, but is calculated in dinar equivalent at the mean rate of the National Bank of Serbia on the day of payment.

The founding capital, that is the initial security fund ranges from 2,200,000 euros to 3,200,000 euros.
A joint-stock insurance company has to ensure during its operation that the capital stock of the company is never below the specified amounts, depending on the type of insurance it will provide.
Insurance of persons and property in the Republic of Serbia is voluntary, except in cases prescribed by the law.

3. Leasing companies

Financial leasing is financial mediation performed by a lessor where the lessor, retaining ownership of the leased asset, transfers to the lessee for a specified period of time the right to hold and use the leased asset, with all the risks and benefits associated with ownership, for which the lessee pays a specified fee.
L
easing companies are lessors under leasing contracts, and have to be incorporated as limited liability or joint-stock companies, with minimum pecuniary contribution in the capital amounting to:

1. EUR 500,000.00 in RSD equivalent for financial leasing of movable assets; and
2. EUR 5,000,000.00 in RSD equivalent for financial leasing of immovable assets.

The National Bank of Serbia issues licenses for conducting financial leasing operations and supervises the operations of the lessor in a procedure that may not be shorter than 60 days. Furthermore, the National Bank of Serbia prescribes the minimum requirements for conducting leasing operations, assesses the legality of conducting leasing operations, pronounces measures for rectifying illegalities, etc.

As opposed to European countries, which support leasing as an important method for stimulating investments, the fact is that leasing, the most efficient method for financing small and medium-sized companies, is still not utilized in sufficient volume in Serbia. What is needed is proper education of entrepreneurs about this financing option, greater governmental support and improvement of the legal framework which would enable this financial product to become more attractive.

There are currently 17 companies registered for financial leasing operations in Serbia.

4. E-business and e-banking

Due to the ever-increasing interconnection between global economies, e-business is showing global growth every year, with no signs of stopping. Serbia is no exception in that regard, albeit with a somewhat slower growth rate. The most frequent forms of e-business are: e-commerce, e-banking, e-administration and m-business. The advantages of e-business over conventional forms of business are: the global non-stop accessibility of the internet, expansion to foreign markets, decreased costs of business, increased efficiency and interaction with consumers.

E-business in Serbia has a great potential for development due to the currently insufficiently developed infrastructure. So far the advantages of e-business have been most utilized by banks. Banks in Serbia have included e-banking in their offered services in order to provide mass services tailored to the specific needs of their clients, improve the quality of those services, retain their existing clients, attract new ones, and finally, decrease operating costs by rationalization of business processes.

E-banking enables various financial transactions, such as payment operations, money transfer from one account to another, currency exchange operations, overview of the balance and daily changes on accounts and records of transactions, as well as monitoring loan payments and outstanding balance.

The latest trend in the development of e-banking is m-banking, which enables payments by way of mobile phones, tablets and other devices equipped with special software for mobile internet access. By way of mobile technologies banks enable clients to take control of their own transactions, the greatest advantage lying in mobility, automatic and instantaneous connecting to the bank, and simplicity of use.

In order to simplify payment operations, the Law on Payment Services ("Law on Payment Services") has introduced the notion of e-money, which constitutes an electronically stored monetary value comprising a monetary claim against the issuer of the money, which is issued after receipt of funds for the execution of payment transactions and is accepted by a natural person or legal entity that is not the issuer of the money. E-money can be issued by the National Bank of Serbia, a commercial bank, e-money institution, public postal operator for the purpose of payment of goods and services via the internet in a short period of time, from any location, and for transfer of funds between holders of e-money.

Another novel element is the enactment of the Law on Electronic Document, Electronic Identification and Electronic Trust Services which enables all users to use qualified electronic signatures in transactions and electronic communications through their computer or mobile phone, and equates the electronic with the paper document.

Additionally, Serbian Tax Administration has introduced portal e-tax which can be accessed by natural or legal person using its qualified electronic signature. Portal e-tax provides for numerous advantages in doing business, such as, electronical submission of tax return, easy insight of outstanding taxes, registration for tax incentives etc. Usage of e-tax is free of charge.

Furthermore, a great step forward was also made by the introduction of electronic invoices which are valid without signature or stamp, need not be printed out or sent by post, and save time and money.

IX EXCHANGE CONTROLS

IX EXCHANGE CONTROLS

1. Business transactions between nationals, residents and non-residents

Within the meaning of the Law on Foreign Exchange Operations ("Law on Foreign Exchange Operations"), a resident is: a legal entity registered and headquartered in the Republic of Serbia; an entrepreneur; a branch office of a foreign legal entity; a natural person residing in the Republic of Serbia, except for a natural person with residence abroad for over a year; a natural person – foreign citizen residing for over a year in the Republic of Serbia on the basis of a residence permit and/or work visa; and a diplomatic, consular or other representative office abroad financed from the budget of the Republic of Serbia, the domestic citizens employed in those offices, as well their family members.All persons that are not listed above are considered to be non-residents.

Payments, collections and transfers between residents and between residents and non-residents in the Republic of Serbia are effected in dinars except if the collections and transfers are related to foreign currency-denominated lending in the country for the purposes of payment of imports of goods and services from abroad, payment of deposit as collateral, insurance premiums and transfer in respect of life insurance etc. Foreign exchange operations between residents and non-residents, as well as exchange operations, are supervised by the Sector for Exchange and Foreign Currency Transactions and Games of Chance. Both residents and non-residents are obliged to keep records of their operations in accordance with the Law on Foreign Exchange Operations.

The Law on Foreign Exchange Operations permits payments, collections and transfers relating to capital transactions between residents and non-residents to be freely effected, with certain legal restrictions. Capital transactions are transactions between residents and non-residents with the aim of transferring capital, such as: direct investments, investments in real estate, transactions with securities, credit operations, deposit operations, guarantee operations and other forms of surety.

Direct investments are residents' investments abroad and non-residents' investments in the Republic of Serbia into a legal entity for the purpose of getting involved in the management of such legal entity through: incorporation of a legal entity, branch or representative office, purchase of shares or stock in the capital of the legal entity, recapitalization of the legal entity, as well as any other form of investment whereby the investor acquires more than a 10% interest in the share capital and/or more than 10% of voting rights, in a period not longer than one year following the first investment into that legal entity in the event of successive investments (for the purpose of reaching the threshold of 10%).

Payments and transfers of capital under direct investments of residents – legal entities, entrepreneurs and natural persons abroad may be executed freely. Payment and transfer of capital under direct investments of non-residents in the Republic of Serbia may be executed freely after settlement of tax and other liabilities.
Payments for the purpose of acquiring ownership of real estate by residents abroad and non-residents in the Republic of Serbia may be executed freely, in accordance with the law governing property law relations. The National Bank of Serbia prescribes the deadlines and manner of reporting on such transactions.
Foreign loan/credit operations are also permitted in the form of credits and loans concluded between a resident and a non-resident in foreign currency. Credit operations can be transacted between a bank and non-residents where a bank takes loans from or grants loans to non-residents, as well as where a resident takes a loan from a foreign bank. One of the novelties introduced during 2018 is possibility of execution of foreign credit agreements in electronic form.

Regarding deposit operations, banks can hold foreign exchange on bank accounts abroad without any restrictions. Residents can hold foreign exchange on bank accounts abroad under the conditions and in the manner prescribed by the National Bank of Serbia. Non-residents can hold foreign exchange and dinars on bank accounts without any restrictions.

The National Bank of Serbia prescribes the conditions under which banks can open and maintain non-residents' bank accounts. A non-resident, as well as a resident – branch office of a foreign legal entity operating through a non-resident account makes transfers from that account to a foreign country provided that it has previously settled the tax liabilities relating to that business transaction towards the Republic of Serbia. However, transfers of funds from a non-resident foreign exchange or dinar savings account may be made freely without restrictions.

The most important restrictions in transactions between residents and non-residents are stipulated by the Law on Foreign Exchange Operations. Some of those restrictions are that non-residents can purchase receivables and debts based on foreign trade transactions only under the conditions prescribed by the Government, and that residents cannot effect payments to non-residents on the basis of contracts where the price is not specified or on the basis of an untrue document. Non-residents (apart from the non-residences from the EU countries) can also not effect payments for purchase of short-term securities in the Republic of Serbia.

2. Money Transfer

Money transfer between residents and between residents and non-residents in the Republic of Serbia is regulated by the Law on Foreign Exchange Operations, the Law on Payment Transactions ("Law on Payment Transactions"), Law on Payment Services and Decision on Conditions for Personal and Physical Transfer of Means of Payment to and from Foreign Countries ("Decision").

A foreign investor, after settling all tax and other obligations on the basis of public revenues in the Republic of Serbia, may transfer abroad all financial assets in connection with the investment. Financial assets that may be transferred are: income (dividends, royalties for the use of intellectual property rights and other related rights, interest, etc.), assets belonging to it after dissolution of the company, or on the basis of termination of the investment contract, as well as proceeds from the sale of shares or interests in an company, etc.

Additionally, with regard to payments associated with foreign investments, any foreign investor may convert dinars into a foreign currency without any restrictions while the company in which a foreign investment has been made is allowed to make payments in the scope of international business operations without any restrictions.

Using a non-resident account is generally not restricted and money transfers can freely be effected from such accounts. Since foreign investors enjoy the same treatment as domestic legal entities, there are no special restrictions for conducting any business activities, including use of bank accounts. Therefore, even payments made for acquiring ownership of real estate on the part of non-residents in the Republic of Serbia are made freely, in accordance with the law regulating relations under property law (the condition of reciprocity has to be fulfilled).

The Law on Foreign Exchange Operations introduces certain restrictions regarding transfer of funds to foreign accounts. For instance, a non-resident operating through a resident account and a resident – branch of a foreign legal entity operating through a resident account can effect transfers from such accounts to a foreign country provided that they have previously settled all tax liabilities related to the relevant business transaction towards the Republic of Serbia, as proved by a certificate of settlement of tax liabilities issued by the competent tax authority. It is important to note that foreign banks are not subject to this obligation.

The National Bank of Serbia rendered a Decision on Conditions for Personal and Physical Transfer of Means of Payment to and from Foreign Countries which details the conditions for transfer of means of payment. Physical transfers encompass the transfer of cash in dinars, in foreign currency, in cheques and materialized securities.

In accordance with the provisions of this Decision, a non-resident natural person may take abroad or bring into the Republic of Serbia dinars up to the amount of 10,000 EUR per person, while larger sums brought into the country must be declared to the customs authority. If a non-resident takes abroad or brings into the country money in different currencies, the sum total thereof may not exceed 10,000 EUR.

A non-resident natural person may take abroad a sum higher than 10,000.00 EUR if he/she declared that sum when entering the Republic of Serbia, as proved by a certificate issued by the customs authority, if he/she withdrew that sum from a foreign currency account in a bank in Serbia and has a certificate issued by such bank, or if he/she acquired the sum by selling dinars obtained through previous use of a payment card, as proved by a certificate issued by an exchange office. Furthermore, every natural person crossing the state border carrying securities with value exceeding 10,000.00 EUR in dinars or another currency must declare them to the customs authority. The customs authority will annul the certificate on the first next exit from Serbia. Failing to declare funds exceeding 10.000,00 EUR to the customs authority in all cases leads to confiscating all such exceeding amounts and represents misdemeanour.

The Republic of Serbia is making a visible effort to create an environment conducive to foreign investments and money transfers between residents and non-residents as part of the broader strategy of adopting European values en route to accession to the European Union. With that in mind, an even greater liberalization of transfer of funds abroad can be expected in the foreseeable future, as can a lowering of the current legal restrictions.

X IMPORT AND EXPORT REGULATION

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1. **Free trade agreements**

As part of its efforts to become a full member of the European Union, on 29 April 2008 in Luxembourg the Republic of Serbia signed a Stabilization and Association Agreement ("SAA") and an Interim Agreement on Trade and Trade-related Matters ("IAT") with the European Union, which were ratified by the National Assembly of the Republic of Serbia on 9 September 2008. The two principal obligations arising from the SAA and the IAT as its integral part, are harmonization of Serbian legislation with the EU's acquis communautaire and establishment of a free trade zone which will enable free movement of goods, services, capital and people.

The SAA expressly specifies that from the moment of its entry into force in trade between the European Union and the Republic of Serbia no new customs duties on imports or exports or charges with the same effect will be introduced, and the existing duties and charges will not be increased. The same prohibition applies to the introducing of new quantity-related restrictions on imports or exports as well.

The establishment of a free trade zone means liberalization of trade between the Republic of Serbia and the European Union, namely a gradual abolition of customs duties on goods imported from the European Union during the 6-year transitional period (while maintaining a high level of tariff protection for goods and products in key sectors of the domestic economy after the end of that period), and free access for Serbian goods to the single European market.

Moreover, joining the World Trade Organization is one of the principal priorities of the Government of the Republic of Serbia, primarily because this would enable the Republic of Serbia access to an organized market with clearly defined rules and equal conditions for all which would bring about an increase in trade volume. On the other hand. since the Republic of Serbia in the process of accession to the European Union opened Chapter 30 at the end of 2017, which chapter deals with economic relations with other countries, it is imperative for Serbia to become a member of the WTO and adopt an action plan in order for this chapter to be successfully closed.

In addition, the Republic of Serbia is a signatory of the Central European Free Trade Agreement (CEFTA), which was signed on 19 December 2006 and entered into force on 1 May 2007. The aim of this agreement is the expansion and modernization of free trade, market expansion, promotion of trade under the same conditions for all producers, but also access to the European market under preferential treatment. The Free Trade Agreement with the Member States of the European Free Trade Association (EFTA) was signed on 17 December 2009 with the Member States of the European Free Trade Association (EFTA), enabling export of Serbian products free of customs duties to a market covering a population of 13 million.

The Free Trade Agreement with the Russian Federation was signed on 28 August 2000 in order to advance and improve mutual trade and economic cooperation. The agreement specifies that goods that can be proven to originate from Serbia (more than 50% of the content is from Serbia) shall be exemptedexempt from customs duties when the goods are intended for the Russian market, except for goods excluded from the free trade regime. This agreement is one of Serbia's most important bases for foreign investments, since no other country in the world is entitled to free trade with Russia, except for former Soviet republics.

The Free Trade Agreement with Belarus was signed on 31 March 2009 in Minsk. The goals of this agreement are expansion and stimulation of mutual trade and economic relations, aimed at speeding up the economic development of both countries. improving their citizens' living and work conditions, increasing the employment level of the population in the domain of manufacturing, achieving manufacturing and financial stability of both countries.

The Free Trade Agreement with Turkey was signed in Istanbul on 1 June 2009. Under this agreement Serbian businesses can procure raw materials and semi-finished products, process them in Serbia and market them in the European Union, Turkey and CEFTA countries free of customs duties or with preferential customs duties.

The Free Trade Agreement with Kazakhstan was signed on 7 October 2010 and was entered into for improvement and advancement of mutual trade and economic cooperation.

Finally, the General System of Preferences was approved to Serbia on 1 July 2005, and constitutes the basis for foreign trade with the United States of America, which enables Serbian companies duty-free import of almost five thousand products into the USA.

2. The customs system of the Republic of Serbia

Customs policy of the Republic of Serbia is implemented by the Customs Administration, as the executive authority of the Government of Serbia within the Ministry of Finance, which performs the activities within its competence through 15 organizational units - customs offices.

All goods entering the territory of Republic of Serbia must pass customs inspection at border crossings, marked with the appropriate customs sign. Goods may be entered into the customs territory of the Republic of Serbia through border crossings when they are open for traffic, and are placed under customs supervision from the moment of entry and the customs authority may conduct inspection thereof.
Goods entered into the customs territory of the Republic of Serbia must be included in a summary declaration. Summary declarations must contain the information necessary for risk analysis and proper implementation of customs inspections, primarily for security and safety purposes.

Import and export customs duties are determined on the basis of the Customs Tariff determined by the Law on Customs Tariff ("Law on Customs Tariff"), and are applied to goods originating from countries to which the most favoured nation clause is applied or from countries that apply this clause to goods originating from the Republic of Serbia. The customs rates specified in free trade agreements are implied to imports of goods originating from the countries with which the Republic of Serbia has concluded such agreements, while for imports from other countries the rates specified in the Customs Tariff are applied, increased by 70%.

The Customs Tariff is harmonized with the EU Combined Nomenclature and with international commitments made under free trade agreements. Relating thereto, it should be noted that the Republic of Serbia has liberalized imports from the European Union, while retaining customs protection for certain agricultural products.

Free trade agreements, that is, international bilateral and multilateral agreements, create conditions for a more favourable trade regime between signatories, so goods moving through different forms of international trade relations can be more competitive if they acquire preferential origin, which makes such goods more affordable for consumers on the domestic market. The Republic of Serbia has so far concluded several international free trade agreements which has stimulated the expansion and advancement of existing trade relations between signatories, and also created the necessary prerequisites for expansion of the free trade zone.

3. Exports

According to the regulations of the Republic of Serbia, export of goods, as well as sending or delivery of goods from the territory of the Republic of Serbia to the territory of another country, shall be performed in accordance with customs regulations. Domestic regulations are applied to foreigners who export goods from the territory of the Republic of Serbia.

Regarding exports, the Law on Foreign Trade prescribes quantitative restrictions which are imposed on a temporary basis, depending on whether for imports or exports, in order to prevent critical shortages of essential goods, to mitigate the consequences of such shortages in the Republic of Serbia, to protect against excessive imports, to protect the balance of payments, public morale, people's lives and health, artistic, historical and archaeological valuables, natural rarities and endangered plant and animal species, national security or non-renewable natural resources, or to apply special regulations pertaining to trade of gold and silver.

Conducting foreign trade operations can be made conditional upon the issuance of a permit by the competent authority which, at the request of the applicant, is issued by the Ministry in charge of foreign economic relations for the import, export or transit of certain goods.

Requests for issuance of a permit are submitted to the Ministry in charge of foreign economic relations or to another competent authority.

Exported goods have to fulfil sanitary, veterinary and phytosanitary requirements.

4. **Imports**

The regulations of the Republic of Serbia prescribe freedom of importing; restrictions on imports are possible only if introduced by law. An important formal requirement can be a permit, which is issued for import, transit or export of goods.

Parallel to restriction of imports, a quantitative restriction of imports may be imposed to protect public morale, the lives and health of people, animals and plants, national security, the environment and natural resources or to apply special regulations pertaining to trade of gold and silver, as well to protect against excessive imports and to protect the balance of payments. Quantitative restrictions are introduced in the form of quotas, unless prescribed otherwise, in accordance with the conditions which in particular include the economically justified quantity of goods included in the quota, the degree of utilization of previously allocated quotas and the possibility of allocating quotas to persons to whom quotas have previously not been allocated.

Pursuant to the Law on Foreign Trade, the Government of the Republic of Serbia is authorized to introduce certain precautionary measures such as:

1. anti-dumping measures in the form of a special charge on imports of goods introduced in order to rectify the negative consequences of importing products into the Republic of Serbia at a price lower than the regular value of similar products in the country of export's customs territory - dumping;
2. countervailing measures in the form of a special charge on imports of goods introduced in order to rectify the negative consequences of subsidies which are approved in the country or customs territory of origin or the territory of export of the goods;
3. measures for protection against excessive import if it is determined that such goods are being imported in increased quantities, provided that this is causing or threatening to cause serious damage to the local industry which produces similar or directly competing products; and
4. measures for protection of balance of payments, if it is necessary to stop a considerable decrease in foreign exchange reserves, to prevent the imminent danger of a significant decrease in foreign exchange reserves or to increase very low foreign exchange reserves.

5. Free zones

There are 14 free zones in the Republic of Serbia where manufacturing activities and services can be performed with certain stimulative advantage: Belgrade, Subotica, Novi Sad, Zrenjanin, Šabac, Kragujevac, Pirot, Smederevo, Užice, Kruševac, Svilajnac, Apatin, Vranje and Priboj.

In free zones, for the purpose of collection of import charges and application of trade policy import measures, foreign goods are considered to not be in the customs territory of the Republic of Serbia provided they have not been placed in free circulation or some other customs procedure and are not being used in the free zone under conditions other than those established by the customs regulations.

Goods entering into a free zone or free warehouse do not have to be delivered to the customs authority, except in the cases prescribed by the Customs Law, and for such goods a declaration does not have to be submitted. However, the customs authority may inspect goods entering, exiting or remaining in the free zone.

Both domestic and foreign goods may be stored in free zones for an unlimited amount of time. Furthermore, business activities may be conducted in free zones, provided that the customs authority is informed thereof in advance.

Another advantage to doing business in a free zone lies in the fact that according to the Law on Value Added Tax, VAT is not paid on goods entering a free zone, or transportation and other services provided to users of free zones which are directly related to such entry and circulation of goods and services in the free zone, for which the taxpayer, namely the user of the free zone would be entitled to deduction of input VAT if such user were to procure those goods or services for the purposes of conducting business activities outside of the free zone.

Since Serbia is a candidate for membership in the European Union, the fact that the SAA specifies that, within six years of its entry into force, a free trade zone will be established between its signatories, with full freedom of circulation of goods, free of customs duties and charges, and with measures and practices applied equally to domestic and to imported products, is also of relevance.

XI TAX LIABILITIES

XI TAX LIABILITIES

1. Introduction

The Law on Budget System determines the revenues from which the Republic of Serbia is financed. These are public revenues and are comprised of taxes, contributions on compulsory social insurance, non-tax revenues, voluntary local taxes, and donations, transfers and financial aid from the European Union.

Tax revenues are the type of public revenues collected by the government through mandatory payments by taxpayers without the obligation of performing any special service in return. Non-tax revenues are the type of public revenues collected from legal entities or natural persons:

1. for use of public goods – fees (such as fees for use of waters, forests, roads),
2. for provision of certain public services – fees and taxes (such as court fees, municipal fees, registration fees, residence tax),
3. for violation of contractual or legal provisions - penalties and fines, and (iv) for use of public funds;

The most significant revenues of the Republic of Serbia are those from value added tax, excise tax, and personal income tax.

2. Law on corporate profit tax

Profit tax is regulated by the Law on Corporate Profit Tax ("Law on Corporate Profit Tax").

Taxpayers

A taxpayer of corporate profit tax is any company, enterprise or other legal entity which is established for the purpose of conducting business activities in order to gain profit.

A taxpayer is also any other legal entity which is not established in order to gain profit, but is established in accordance with the law for other goals determined in its general acts, if it gains income from selling products on the market or providing services for a fee (non-profit organization). Thus, for example, a housing community is also obliged to pay tax if it gains income on the market above a specified threshold.

Residents and non-residents

According to the Law on Profit Tax, both residents and non-residents are taxpayers. A resident taxpayer is a legal entity incorporated or having its head office of actual management and control in the territory of the Republic of Serbia, while a non-resident taxpayer is a legal entity incorporated and having its head office of actual management and control outside of the territory of the Republic of Serbia.

Any profit that a resident taxpayer generates through business activities within or outside of the territory of the Republic of Serbia is subject to corporate profit tax, while a non-resident taxpayer is subject to taxation of any profit it generates through business activities of a permanent establishment in the territory of the Republic of Serbia, unless an international agreement on avoidance of double taxation stipulates otherwise.

A permanent establishment is any permanent place of business through which a non-resident taxpayer conducts business activities, in particular: a branch office, plant, representative office, factory or mine (or other place where natural resources are exploited).

Tax base

The tax base for corporate profit tax is taxable profit.
Taxable profit is determined in the fiscal balance sheet by adjusting the taxpayer's profit declared in the income statement which has been drawn up in conformity with the International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS).

Adjustment of income and expenditures

Income and expenditures declared in the income statement in conformity with the IAS, IFRS or IFRS for SME are recognized in the determination of taxable profit.

Adjustments in the fiscal balance sheet refer to expenditures, income and business results, while the majority of adjustments refer to expenditures. Thus salaries, calculated interest in full amount and public charges which the company has paid, and which do not depend on the business results, are recognized as expenditures. Certain expenditures are not recognized in full, but in a certain percentage, for instance expenditures for advertisements and propaganda, hospitality and entertainment, donations, are limited to a certain percentage, depreciation is recognized at a rate between 2.5% and 30% per year, bad debts are recognized as expenditures if they are marked in the business ledgers as uncollectible, and if a lawsuit has been brought for collection thereof. The Law also contains provisions relating to numerous expenditures that are not recognized, including expenses that cannot be documented, fines imposed by competent authorities, or interest for late payment of tax liabilities. Regarding income, exemptions are permitted in the case of intercompany dividends, or interest on the basis of debt securities, if the issuer is a state entity.

Adjustments of operating profit are also made in accordance with the rules relating to capital gains and losses.

Capital gains and losses

Capital gains and losses also impact the tax base, since capital gains are included in taxable profit.

A capital gain is any income earned by a taxpayer by selling rights in real estate, copyright and industrial property rights, equity interest in the capital of legal entities, and shares and other securities and Investment units bought up by open investment funds, and digital assets, if the difference between the selling and the purchase price is positive. If the difference is negative, the sum is a capital loss. Capital losses can be offset against capital gains, in the next five years starting from the year in which they originated.

Tax rate

The corporate profit tax rate is 15%.

Withholding tax and tax according to tax bill

Unless an international agreement on avoidance of double taxation stipulates otherwise, withholding tax is charged and paid at the rate of 20% on income earned by a non-resident legal entity from a resident legal entity on the basis of: (i) dividends; (ii) royalties for intellectual property rights; (iii) interest; (iv) rent from leased and subleased real estate and movables in the territory of the Republic of Serbia; and (v) compensation for services provided in the territory of the Republic of Serbia.

Resident legal entities are obliged to submit a tax return for withholding tax within three days of the date of payment of the income.

If a non-resident legal entity earns income based on capital gains from a resident or non-resident legal entity or natural person, or earns income from a resident legal entity based on dividends and shares in a legal entity, royalties for intellectual property rights, interest, rent from leased and subleased real estate and movables in the territory of the Republic of Serbia, or compensation for services provided in the territory of the Republic of Serbia in an enforcement procedure, it will be obliged to submit a tax return through a tax agent within 30 days of the date of gaining the income. Based on the tax return the competent tax authority will issue a tax bill assessing tax according to the tax bill at the rate of 20%.

Calculation and payment of corporate profit tax

The tax period for which tax is calculated and paid is the business year, which is ordinarily equal to the calendar year.

Any taxpayer who starts up a business during the year is obliged to submit a tax return to the Tax Administration within 15 days from the date of registration with the competent authorities. The tax return is to be submitted within 180 days from the expiration of period for which the tax is assessed, that is, within 180 days from January 1st for the previous year. When submitting a tax return the taxpayer is also obliged to calculate profit tax.

Since the amount to be paid for profit tax is only assessed after the end of the tax period, the taxpayer is obliged to make monthly advance payments during the year, based on the tax return for the previous year. If the taxpayer has paid in advance less tax than it should have paid according to the tax liability calculated in the tax return, it has to pay the difference before filing the tax return. If the taxpayer has paid in advance more tax it should have paid according to the tax liability calculated in the tax return, the excess amount paid is regarded as an advance for the following tax period or is reimbursed to the taxpayer at its request.

Tax incentives

The Law on Corporate Profit Tax prescribes tax incentives in the form of:

(i) tax exemptions for non-profit organizations and
(ii) tax exemptions for investments (when more than one million dinars is invested into the fixed assets of a company a specific number of new employees is employed).

Avoidance of double taxation

The Law on Corporate Profit Tax regulates situations where a domestic company gains profit abroad, operating through its permanent establishment abroad, on which tax has been paid. As a method of avoidance of double taxation of profit gained in another country, the Law on Corporate Profit Tax prescribes the use of tax credits. A tax credit represents a decrease of the tax liability and cannot exceed the sum that would have been calculated and paid upon application of the provisions of the Law on Corporate Profit Tax to the profit gained abroad.

3. Law on Personal Income Tax

Personal income tax is regulated by the Law on Personal Income Tax ("Law on Personal Income Tax").

This tax applies to almost all types of income generated by citizens during the year, except for the income expressly exempt from taxation by this Law. Thus under this Law, taxable income includes salaries, income from self-employment, income from intellectual property rights, income from real estate, etc.

Taxable income

According to the Law on Personal Income, natural persons are obliged to pay tax on income they have earned which includes salaries, income from self-employment, income from intellectual property rights, income from capital, income from real estate, etc. Income is taxable whether it was gained in money, in kind, through performance or in some other manner.

It is important to note that the Republic of Serbia applies a combined income taxation system, which means that each of the elements comprising income is taxed separately, and if the taxpayer generates income which exceeds the legal limit, he/she shall have to pay annual individual income tax as well.

Residents and Non-residents

A taxpayer obliged to pay individual income tax is any resident of the Republic of Serbia, on income earned in the territory of the Republic of Serbia or in some other country. A resident is a natural person who:

1. has a place of residence or centre of business and vital interests in the territory of the Republic, or
2. who resides in the territory of the Republic for 183 or more days, continuously or who resides in the territory of the Republic for 183 or more days, continuously or
3. a natural person who is in another country on a diplomatic or consular engagement.

A non-resident natural person is also a taxpayer obliged to pay individual income tax on income generated in the territory of the Republic of Serbia.

Tax on salaries

Salary is understood to mean salary arising from employment, as defined by the law which regulates employment relations and other income of an employee.
Salaries are taxed at the rate of 10%, however, contributions are also paid on salaries, in part charged to the employee's salary, and in part charged to the employer, so the total burden on salaries is significantly higher than 10%.

The Law on Income Tax also prescribes tax incentives relating to income tax. Thus any employer who wishes to hire new employees will be entitled to a refund of the tax paid on the salaries of such persons, in a certain percentage. The amount to be refunded depends on the number of newly hired employees. Moreover, any employer who employs a person with disabilities will be relieved of the obligation of paying taxes on the salary of that person for the first three years after the start of employment.

Additionally, newly established legal entities and newly established entrepreneurs, provided they have been established no later than by 31 December 2020, are entitled to exemption from tax on salaries of the founders-employees of such legal entities (i.e. founders, who also enter into an employment relationship with the subject legal entity) resp. entrepreneurs. The tax exemption can be used for up to twelve months from the time of incorporation, and the exemption relates only to salaries paid out to founders-employees resp. entrepreneurs which in sum total for each individual founder-employee resp. entrepreneur from the moment the tax exemption started being used do not exceed the . monthly net amount of 37,000.00 RSD.

Also, legal entities and entrepreneurs are entitled to a partial refund of the paid tax on salaries (paid until 31 December 2021) for up to 100 newly employed employees. The amount of tax refund is dependent on the quantity of newly employed employees.

All the above specified relating to exemption from salary tax also applies to exemption from respectively partial refund of contributions for compulsory social insurance, in accordance with the Law on Contributions for Compulsory Social Insurance

Tax on income from self-employment

Income from self-employment is understood to mean income generated from a business activity, including agriculture and forestry, provision of professional and other intellectual services, as well as income from other activities. Income from self-employment is taxed at the rate of 10%.

However, any entrepreneur who in view of circumstances is unable to keep books, other than those relating to effected sales, or for whom the keeping of books would impede the conduct of his business activities, may apply for payment of tax on the income from his business activities on the basis of a lump sum. The right to lump sum taxation may not be granted to entrepreneurs: who conduct business activities in the domain of, marketing or market research; who conduct business activities in the domain of wholesale and retail trading, hotel and restaurant keeping, financial mediation and activities associated with real estate; whose business has received investments from other persons; whose total income exceeds the legal threshold (6,000,000.00 dinars) per year; or who are recorded in the register of VAT taxpayers.

Tax on income generated from capital

Income generated from capital is understood to be:

1. interest on loans, savings and other deposits, (term or sight) and debtor and similar securities;dividenda i učešće u dobiti;
2. dividends and shares in profits;
3. turnover generated from an investment unit of an open investment fund;
4. turnover generated from investment unit of an alternative investments fund;
5. taking of the company's assets and usage of company's services by the company owners for their own personal needs.

The following income from capital is exempt from taxation: income from savings in RSD, and from debtor securities issued by the Republic of Serbia, Autonomous Province of Vojvodina, local self-governance unit or National Bank of Serbia. Income from capital is taxed at the rate of 15%;

Tax on income from real estate

Income from real estate is understood to mean income generated from lease or sublease of real estate. Income from real estate is taxed at the rate of 20%.

Tax on capital gains

A capital gain or loss is the difference between the selling and the purchase price achieved by transfer of absolute rights to real estate, intellectual property rights, equity interest in the capital of legal entities, shares and other securities, including investment units, except investment units of voluntary pension funds, and digital assets Capital gains are taxed at the rate of 15%.

The law provides for several exemptions from taxation, namely (i) if the right was owned by the taxpayer for 10 years or more, and (ii) if the proceeds of the sale of real estate are invested in resolving the housing needs of the taxpayer or a member of the taxpayer's family.

Tax on other income

Other income is understood to mean: income that the taxpayer generates from lease of equipment, means of transport and other movable objects, winnings from games of chance, income from personal insurance, the income of athletes and sports professionals, the income from hospitality and catering services and other income, except the income specifically exempted by the law. Other income is taxed at the rate of 20%.

Annual individual income tax

Annual individual income tax is paid by natural persons whose income in a calendar year exceeds the triple amount of the average annual salary, as follows:

- for income up to six times the average annual salary – 10%;
- for income more than six times the average annual salary – 10% on the income up to six times the average annual salary + 15% on the income more than six times the average annual salary.

The Law specifies taxable income as the tax base, but also permits personal deductions, which can not amount to more than 50% of the taxable income.

Filing tax returns, determining and paying taxes

The Serbian Law on Tax Procedure and Tax Administration specifies two ways of determining the tax base: by the person generating income filing a tax return – self-taxation; and by the competent tax administration issuing a tax bill. Of all the income taxed by income tax, tax on lump-sum income from self-employment, tax on capital gains, tax on income from hospitality and catering services and annual individual income tax are determined by the tax administration in an issued tax bill, while tax on all other income is determined as withholding tax, which constitutes a form of self-taxation, where the payer of the income calculates and pays the owed taxes, or self-taxation in the narrower sense of the word, where the recipient of the income does so himself.

4. Property tax

Property tax is regulated by the Law on property tax .Property taxes as defined under the law, are as follows: property tax; tax on inheritance and gifts; tax on transfer of absolute rights.

Property tax

Property tax is paid on certain rights relating to real estate located in the territory of the Republic of Serbia, such as:

1. ownership right on land with surface area over 10 ares;
2. right of lease of an apartment or residential building for a period longer than a year or for an indefinite period of time;
3. right of use of construction land with surface area over 10 years and of publicly-owned real estate by the holder of the right of use; as well as
4. possession of publicly-owned real estate, without legal grounds; possession and use of real estate on the basis of a financial leasing agreement and possession of real estate where the holder of ownership rights is unknown or undetermined.

The payer of property tax is the holder of the right (of ownership, lease, use) or the person having possession of the real estate.

The tax base is the value of the real estate; the Law specifies the maximum tax rate as 0.4%, while each local self-government unit, being the authority charging this tax, is obliged to specify the exact rate.

Inheritance tax and gift tax

Inheritance tax and gift tax are paid on inherited ownership and other rights to real estate located, or on money, savings deposits, bank deposits, monetary claims, intellectual property rights, digital assets, ownership right on vehicles, vessels, aircrafts and other movable objects received as a gift. Gift tax is also paid in case of transfer of a legal entity's property without compensation.

The taxpayers are the inheritors or gift recipients, while the tax rate ranges from 1.5% to 2.5%, depending on the degree of kinship between the giver and recipient of the gift, or the testator and the inheritor.

Tax on the transfer of absolute rights

Tax on the transfer of absolute rights is paid on transfer of ownership rights, for compensation, on real estate, Intellectual property rights, ownership rights on motor vehicles, right of use of construction land, or leasing out of publicly-owned construction land, for a period longer than one year or for an indefinite period of time, for the purpose of construction of buildings.

The payer of tax on the transfer of absolute rights is the seller or transferor of the abovementioned rights. In practice the most frequent case is that the agreement transferring the absolute rights imposes this obligation on the buyer or transferee.

Regarding lease of publicly-owned construction land, the payer of tax on the transfer of absolute rights is the party to which use or lease of the construction land is granted. When an absolute right is transferred on the basis of an agreement on lifelong care, the taxpayer is the provider of care.

Transfer of absolute rights is taxed at the rate of 2.5%.

5. Law on value-added tax

Value added tax (VAT) is regulated by the Law on Value Added Tax.

Subject of VAT

VAT is a general, indirect, all-stage tax, taxing delivery of goods and provision of services in the territory of Serbia, and import of goods into Serbia.

Taxpayer

A taxpayer is anyone who sells goods and services independently in the scope of their business activity. A foreign person conducting taxable sale of goods and services in the Republic of Serbia has to designate a tax agent and to register for the obligation of paying VAT, regardless of the amount generated by such sales.

A VAT debtor is:

1. a taxpayer who conducts taxable sale of goods and services, except when pursuant to the law another person has the obligation to pay VAT;
2. the recipient of goods and services (if the foreign person is not a VAT payer in the Republic);
3. the importer of goods and
4. other natural persons and legal entities specified by the law.

Tax rate

The general VAT rate for taxable sale of goods and service and import of goods is 20%. A special VAT rate of 10% is applied to sale of goods and import of goods, such as bread and other baked products, milk and dairy products, flour, sugar, medicaments, public utilities, etc.

Deduction of input VAT

Input VAT is the amount of VAT charged at the previous stage of sale of goods and services, or paid at import of goods, which a taxpayer may deduct from the owed VAT.

The taxpayer may exercise the right to deduction of input VAT if the taxpayer possesses a receipt issued by the other taxpayer in the sale declaring the amount of input VAT, or a document on the imported goods in which VAT is declared, as well as a document that confirms that the VAT was paid at the time of import.

In the tax period in which the requirements have been met, the taxpayer may deduct the input VAT from the VAT owed, including calculated and declared VAT on the sale of goods and services, which has been or is to be made by the second taxpayer in the sale.

A taxpayer is not entitled to deduction of input VAT on the grounds of procurement, manufacture and import of motorcars, buses, motorcycles, boats and aircraft, spare parts, fuel and expendables for their requirements, as well as of renting, maintaining, repairing and other services related to the use of these means of transport, expenditures for nutrition and transport of employees and other bases stipulated by the law. As exception from the abovementioned, a taxpayer is entitled to deduction of input VAT if it uses the means of transport and other goods exclusively for conducting its business activities.

If the amount of input VAT exceeds the amount of the tax liability, the taxpayer is entitled to a refund of the difference. If the taxpayer does not opt for a refund, the difference will be recognized as a tax credit. The taxpayer may request a refund of unused tax credits by submitting a request within 45 days of expiry of the deadline for filing a tax return for the current taxation period.

Obligations of taxpayers in the sale of goods and services

A taxpayer has the obligation to submit a registration form, issue invoices for sold goods and services, keep records and create overviews of VAT calculations, calculate and pay VAT, file tax returns and deliver notifications to the tax authority.

A taxpayer who generated a total income of more than RSD 8.000.000 in the previous 12 months is obliged to submit an application for registration with the competent tax authority before expiry of the first deadline for filing a periodical tax return.

A taxpayer may request a refund of VAT within 45 days of expiry of the taxation period.

VAT reimbursement

A foreign taxpayer is entitled to request VAT reimbursement for the sale of movable goods and provided services in the Republic of Serbia if:

1. the VAT for sale of goods and services is declared in the invoice and the invoice was paid;
2. the amount of VAT for which a VAT reimbursement is requested amounts more than EUR 200 in RSD equivalent at the middle exchange rate of the National Bank of Serbia;
3. the conditions under which a VAT taxpayer may be entitled to deduction of input VAT for these goods and services are fulfilled in accordance with the law;
4. the taxpayer does not conduct sale of goods and services in the Republic, i.e. provides exclusively services of transportation of goods which are exempted from taxation, or performs exclusively transport of passengers which is subject to individual taxation of transport.

VAT reimbursement to foreign taxpayers is subject to reciprocity.

A special benefit provided for by the Law on VAT is refunding of VAT to buyers buying their first apartment, if they submit the necessary request and fulfil the additional conditions specified in the Law on VAT.

6. Other taxes

Other taxes are regulated by the Law on Taxes on Use, Possession and Carrying of Goods .

- Tax on use of motor vehicles is paid at issuance of a traffic permit. The payer of the tax on use of motor vehicles is the natural person or legal entity in whose name the motor vehicle is registered, it is paid annually, and is determined according to the engine capacity of the vehicle.
- Tax on use of vessels is paid on boats, ships and yachts with motor drive, as well as on floats – catering facilities. Tax liability arises at registration of the vessel in the registry and at every prolongation of validity of the vessel's certificate/navigation license/floating license which is performed in accordance with the regulations governing navigation and ports on inland waters. Tax on the use of vessels is paid depending on the length and surface area of the vessel, engine power and presence or absence of a cabin and the surface thereof. The taxpayer is the natural person or legal entity in whose name the vessel is recorded in the relevant registry. This tax is paid annually.
- Tax on use of aircraft is paid on civil aircraft with motor drive, when they are used for own transport or for sport and amateur flights. Tax on use of aircraft is paid at registration of the aircraft. The taxpayer is the natural person or legal entity in whose name the aircraft is registered.
- Tax on registered weapons is paid each calendar year, on registered weapons defined by the law i.e. on automatic rifles, semi-automatic rifles and weapons for personal security for which a permit for possession of the weapon or a collector's permit has been issued, or a permit for carrying the weapon. Tax on registered weapons is paid annually, for each weapon.
- Tax on non-life insurance premiums is calculated and paid on insurance premiums, within the meaning of the law governing insurance. The taxpayer of the insurance premium tax is the insurance company that concludes agreements on non-life insurance operations and collects insurance premiums, directly or indirectly. Insurance premiums are taxed at the rate of 5%. This tax is regulated by a special Law on Tax on Non-Life Insurance Premiums ("Official Gazette of RS", no 135/2004 and 68/2014 – other law).

7. Excise tax

Excise tax is paid on the following products:

1. petroleum products;
2. biofuels and bioliquids;
3. tobacco products, including tobacco products that are heated during use but without burning;
4. alcoholic beverages:
5. coffee;
6. liquid for electronic cigarettes;

The excise payer is the producer or importer of excise goods. The tax rate paid per unit of a product, and differs depending on the type of product.

XII LABOUR LAW AND EMPLOYMENT RELATIONSHIP

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1. Employer-employee relationship

The Constitution of the Republic of Serbia, as the legal act with greatest legal force, guarantees all citizens of the Republic of Serbia the right to work and free choice of their work in accordance with the law. Moreover, the Constitution of the Republic of Serbia specifies that everybody is entitled to respecting of the dignity of their person at work, safe and healthy work conditions, the necessary protection at work, limited work hours, daily and weekly rest periods, paid annual vacation, fair compensation for their work and legal protection in case of termination of employment. The most important provision of the Constitution of the Republic of Serbia, relating to the right to work, is the provision stating that nobody may waive the above specified rights. Therefore, the employer-employee relationship cannot be regarded as a contractual relationship between equals, wherefore numerous regulations provide for protection of the rights and interests of employees as the economically weaker contractual party. Apart from numerous laws regulating the field of labour law, the rights, obligations and responsibilities relating to work are also regulated by subordinate legislation, special decrees and rulebooks, but also by general acts brought by employers, such as collective agreements and labour rules. These acts cannot prescribe lesser rights for employees than those guaranteed by the Labour Law, but can provide for greater rights.

Apart from the Labour Law as the basic law, certain industries/business activities have their own collective agreements which impose on employers in those fields the obligation to ensure the minimum rights guaranteed by such collective agreements, even when they did not take part in the bargaining procedure for such collective agreements. Namely, the Government of the Republic of Serbia is entitled to render a decision on expanded the application of a specific collective agreement in the interest of implementation of economic and social policies, as was the case with the decision of the Government of the Republic of Serbia which expanded the application of the Special Collective Agreement for the Activities of the Road Industry of the Republic of Serbia, so that it is now binding upon all employers in the business of construction of roads and motorways.

The current regulations do not regulate only the obligations of employers, but of employees as well, which consist primarily of conscientious performance of the duties entrusted to them. Thus employers are able to impose penalties for employee conduct which is not in accordance with current regulations and the employer's general acts, the final measure being termination of the employee's employment contract in accordance with the procedure prescribed by the law.

2. Employment Regulations

Among the numerous regulations that regulate the field of labour law and employment relationships, the most important is the Labour Law which is the primary legislation regulating the rights, but there are also numerous special laws regulating issues relating to hiring and work, such as: Law on Health and Safety at Work, Law on Agency Employment, Law on Strikes, Law on Employment of Foreign Citizens, Law on Prevention of Harassment at Work, Law on Employment Records, Law on Conditions for Employee Secondment Abroad and their Protection, Law on Prevention of Discrimination of Disabled Persons, Law on Amicable Resolution of Labour Disputes, Law on Inspection Supervision, as well as laws that regulate insurance and paying taxes and contributions on social insurance. The Government has also enacted numerous subordinate legislation.

Residence and employment of foreigners is regulated by separate regulations:

- Law on Foreigners regulates the conditions for entry, movement and stay of foreigners in the territory of the Republic of Serbia, and the competences and tasks of state administrative bodies relating to the entry, movement and stay of foreigners in the territory of the Republic of Serbia;

- the Law on Employment of Foreign Citizens regulates the requirements and procedure for employing foreigners in the Republic of Serbia, and other matters of relevance for employment and work of foreigners in Serbia;
- the Rulebook on Work Permits details the manner of issuing or renewing work permits, the manner of proving fulfilment of conditions for issuing work permits and the form and content of work permits.

The Law on Protection of Whistleblowers ("Law on Protection of Whistleblowers") regulates whistle-blowing, as well as the procedure for whistle-blowing, the rights of whistleblowers, the obligations of state and other bodies, organizations and legal and natural persons relating to whistle-blowing, as well as other matters of relevance for whistle-blowing and protection of whistleblowers.

The Law on Employment and Insurance against Unemployment ("Law on Employment and Insurance against Unemployment") regulates duties relating to employing workers, and the persons in charge of such duties, the rights and obligations of employers and employees, the active employment policies, insurance against unemployment and increasing of employment and prevention of long-term unemployment in the Republic of Serbia.

3. Hiring and Firing Requirements

In the Republic of Serbia there is no prescribed minimum number of people that an employer must employ, and there is no minimum number of nationals that have to be employed. Furthermore, the law does not prescribe the employer's obligation to advertise vacancies; positions may be filled without such advertising, except in certain cases relating to the hiring of foreign citizens.

When entering into an employment relationship, the candidate has to submit to the employer all documents and other proof of fulfilment of the requirements for work at the position at which s/he is to be employed, however the employer is not permitted to request information about family, marital status and family planning, to request documents and other proof which is not directly related to the work for which the candidate is being hired, to condition employment upon taking a pregnancy test, except for jobs where the competent health authority has determined the existence of significant risk to the health of the woman and child, or to condition employment upon the candidate previously handing in a statement of termination of employment.

An employment relationship may be entered into with a person who is at least 15 years old and satisfies other requirements to work at specific jobs as specified by law and/or the rules on organization and job systematization. However, entering into an employment relationship with a person who is less than 18 years old is possible only with the consent of a parent, adopting parent or a guardian, provided that such work does not put at risk the child's health, moral and education, and provided that such work is not prohibited by law.

In the event of termination of employment, before terminating the employment on the grounds of breach of work duties/work discipline, the employer is obliged to warn the employee in writing of the committed breach, that is, to deliver to the employee a warning of existence of grounds for termination, and to enable him/her to give a statement on the indications in the warning.
A special procedure is stipulated in case of termination of employment on the grounds of redundancy, lack of skills and knowledge, and termination by mutual agreement. There are also special categories of employees protected from termination, such as employees on maternity leave, leave for nurturing the child and leave in case of special care for the child.
In case of termination of employment the employer is obligated to pay the employee all due earnings relating to the employment relationship (unpaid salaries, compensation of salaries and other income earned by the employee during the course of employment), while in the case of termination on the grounds of redundancy the employer is obliged to pay the employee severance pay as well, before termination of employment, or on the date of termination at the latest.

4. Labour Availability

Serbia's workforce boasts a unique combination of high qualifications and low costs, a key combination for a successful business. Even though labour is relatively cheap, even in comparison with countries in the SEE region, according to the data of the Serbian Statistical Authority, in the 4th quarter of 2020 the unemployment rate was 9.9%. Most of the educated population has a four-year secondary school degree.

With regard to educational profiles, technical education in the Republic of Serbia is particularly strong. In addition, a large number of Serbian citizens with higher education degrees also speak English at a high level. Management education has also been improved by the introduction of special courses organized by local universities. The number of engineers, managers, and other specialists in technical sciences is increasing every year.

With the aim of decreasing unemployment, every year the National Employment Office has public invitations for granting subsidies for self-employment and for hiring unemployed persons in the more difficult to employ category for newly-opened job positions.

5. Occupational health and safety

The Law on Occupational Health and Safety governs the implementation and advancement of workers' occupational safety and health, in accordance with which the employer is obliged to ensure a safe and healthy work environment, as well as to implement the necessary safety measures.

Preventive measures for ensuring occupational safety and health are implemented by way of modern technical, health, educational, social and other measures and means for removing or minimizing the risk of injury and damage to workers' health, and must be applied before the hired persons start work, as well as at the time of making changes to the technological process by selecting methods that ensure the greatest possible safety and protection of health at work.

In this regard, the employer is obliged to render a written risk assessment containing a description of the work process with an assessment of the risk of injury and/or damage to health at the workplaces in the work environment and measures for removing or minimizing such risks in order to increase occupational health and safety.

Occupational health and safety duties can be performed by the employer personally, by one or more employees designated by the employer, or by a licensed legal entity or entrepreneur engaged to perform the occupational health and safety duties.

6. Trade unions and employer associations

Employees are guaranteed the freedom to organize in trade unions and engage in trade union activities, without the need for approval; such unions are recorded in the relevant registry. Unions are independent from their employers, employer associations, governmental authorities or political parties.

A union is an autonomous and independent professional association of employees in which membership is voluntary for the purpose of negotiating with the employer and representing, presenting, advancing and protecting their professional, work-related, economic, social, cultural and other individual and collective interests, through collective bargaining.

Whether a trade union is representative reflects its negotiating power and based thereupon the union has the rights prescribed by the law, such as the right to collective bargaining and concluding a collective agreement, right to take part in resolving collective labour disputes, and the right to take part in the work of tripartite bodies, namely bodies composed of representatives of the government, employers and employees.

The employer is obliged to provide the union gathering employees at the employer's company with technical requirements and premises in accordance with the employer's spatial and financial capabilities, and to enable the union access to the data and information necessary for carrying out trade union activities.

An association of employers can be established by the employers employing at least 5% of the total number of employees in a specific industry, group, subgroup or business activity, or in the territory of a specific territorial unit.

Associations of employers, like trade unions, are recorded in the relevant registry in accordance with the law and other regulations. The aim of associations of employers is to regulate the relationship between employers and employees, or unions, as well as to negotiate and conclude collective agreements.

XIII EXPATRIATE EMPLOYEES

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1. Records and employment of foreign citizens

Foreign citizens, that is, anybody who does not have Serbian citizenship, seeking employment in the Republic of Serbia in accordance with the Law on Employment of Foreign Citizens, have the same rights and obligations relating to work, employment and self-employment as Serbian citizens, provided they fulfil the legal requirements. According to the Law on Employment of Foreign Citizens, employment of foreign citizens means entering into an employment contract or other contract under which a foreign national is granted work-related right in accordance with the relevant regulations, without entering into an employment relationship.

The National Employment Office is obliged to keep records of work permits, as well as records of foreigners exercising the right to work in accordance with the Law on Employment of Foreign Citizens.

The Law on Foreigners further details the records and the competence for maintenance of such records, such as records of foreigners who have been granted permanent/temporary residence, records of issued travel documents and ID cards for foreigners, of foreigners in transit through the territory of the Republic of Serbia, of issued special ID cards, etc, which fall within the competence of the Ministry of Internal Affairs, or the Ministry in charge of foreign affairs.

2. Visas

A visa is a permit to enter, reside in or transit through the country which a foreigner obtains before entry into the territory of the Republic of Serbia, and is issued by the diplomatic or consular mission of the Republic of Serbia. In the case of countries where Serbia does not have a diplomatic or consular mission, international agreements can specify mutual representation in the procedure for issuing visas.

An international agreement or decision of the Government can specify that the citizens of certain countries may enter the Republic of Serbia without a visa. The Government can decide that citizens of certain countries can enter the Republic of Serbia with valid ID cards, or other documents based on which their identity and nationality can be established. A foreign citizen who does not require a visa or a passport to enter the Republic of Serbia may stay in Serbia for up to 90 days at the most, over a period of six months as calculated from the date of first entry, unless determined otherwise in an international treaty. Serbian regulations specify three types of visas: airport transit visa (visa A), short-term visa (visa C) and long-term visa (visa D).

i. Airport transit visa (visa A)

During a layover at an airport in the Republic of Serbia, a foreigner who will not be leaving the international transit area of the airport or the airplane does not need a visa; however the Government may, if so required for reasons of protection of public order and safety of the Republic of Serbia, specify which foreign citizens in specific travel directions require an airport transit visa.

An airport transit visa shall be issued for a period of up to six months and shall enable single or multiple entry into the international airport transit area without the possibility to enter into the territory of the Republic of Serbia.

ii. Short term visa (visa C)

Short-term visa is the permission to enter into the Republic of Serbia, transit over the territory of the Republic of Serbia or stay on the territory of the Republic of Serbia for up to 90 days within any period of 180 days, from the date of first entry.

Short-term visa shall be issued for all purposes of travel save for those for which a long-term visa is issued, or temporary residence granted. Short-term visa shall be issued for single, double or multiple entries into the Republic of Serbia for a period that shall not exceed five years.

Short-term visa cannot represent the ground to apply for temporary residence in the Republic of Serbia, unless provided otherwise in the Law on Foreigners.

iii. Long-term visa (visa D)

Long-term visa is the permission to enter and stay on the territory of the Republic of Serbia between 90 and 180 days.

A foreigner who, in accordance with the visa regime for entry into the Republic of Serbia requires a visa, and who intends to apply for temporary residence in the Republic of Serbia, shall obtain a long-term visa.

Long-term visa may also be issued on the ground of employment and a foreigner who has been granted a visa for a longer stay on the ground of employment, shall exercise the right to employment in accordance with the regulations governing the employment of foreigners.

In case the business engagement of a foreigner in the Republic of Serbia lasts longer than the validity of his/her long-term visa, a foreigner shall submit a request for the temporary residence approval on the ground of employment prior to the expiration of the long-term visa issued on the ground of employment.

3. Temporary and permanent residence in Serbia

Residence of foreigners within the meaning of the Law on Foreigners is: (i) a short-term residence, (ii) residence based on a long-term visa, (iii) temporary residence and (iv) permanent residence.

A short-term residence of a foreigner in the Republic of Serbia is a stay without visa up to 90 days in any 180-day period, starting with the day of first entry, if not determined otherwise in an international treaty, as well as a stay based on short-term visa.

Temporary residence

Temporary residence may be granted to a foreigner who intends to stay in the Republic of Serbia for a period longer than 90 days on the grounds of:

(i) employment,
(ii) education or learning the Serbian language,
(iii) university studies,
(iv) participation in international exchange programs for pupils or students,
(v) specialization, professional training and practice,
(vi) scientific research or other scientific or educational activity,
(vii) family reunion,
(viii) performing religious service,
(ix) treatment or care,
(x) ownership over immovable property,
(xi) humanitarian stay,
(xii) status of presumed victim of trafficking in human beings,
(xiii) status of victim of trafficking in human beings,
(xiv) other legitimate reasons in accordance with the law or an international treaty.

Exceptionally, temporary residence on the ground of employment may be granted to a foreigner intending to stay in the Republic of Serbia less than 90 days, but for this work he/she needs a work permit in accordance with the regulations on the employment of foreigners.

A foreigner granted a temporary residence permit on some of the above listed grounds must stay in the Republic of Serbia in accordance with the ground on which the stay has been granted.

Temporary residence may be granted for a period of up to one year, and may be extended for the same period, depending on the grounds for stay and existing reasons for approving temporary residence.

Permanent residence

Permanent residence may be granted to a foreigner who has on the date of submitting an application for permanent residence been living in the Republic of Serbia continuously for more than five years on the basis of approved temporary residence, as well as to a foreigner who has been married or in civil union for at least three years with a Serbian national or a foreigner who has been granted permanent residence in the Republic of Serbia.

Moreover, permanent residence can also be granted to a minor residing temporarily in the Republic of Serbia if one of the minor's parents is a Serbian national or a foreigner who has been granted permanent residence, as well as if a foreigner originates from the Republic of Serbia, or if it is required by humanitarian reasons, or if it is in the interest of the Republic of Serbia.

A foreigner who has temporary residence permit in the Republic of Serbia on the grounds of education or university studies, may not apply for permanent residence in the Republic of Serbia. However, a foreigner who has spent a certain time on temporary residence on the grounds of education or university studies in the Republic of Serbia, and has later on changed the grounds for residence in the Republic of Serbia, may apply for permanent residence but only one-half of the time spent on the grounds of education or university studies may count as the time required for the approval of permanent residence.

Continuous stay, within the meaning of the law, is the effective stay of a foreigner on the territory of the Republic of Serbia, with the possibility of multiple stays outside the Republic of Serbia up to ten months or single stay up to six months, over a period of five years. At the moment of applying for the permanent residence permit, a foreigner must have approved temporary residence.

The application for permanent residence is submitted in person, to the organizational unit of the Ministry of Internal Affairs in charge of affairs relating to foreign citizens where the foreigner has been granted temporary residence in the Republic of Serbia. In case the application pertains to the permanent residence of a minor, the application is submitted by a parent, adoptive parent or guardian.

The approval of permanent residence is recorded in the foreign citizen's passport or ID card.

4. Permits to work

A permit to work, within the meaning of the Law on Employment of Foreign Citizens, is understood to mean a document on the basis of which a foreign citizen can enter into employment or self-employment in the Republic of Serbia.

A permit to work can be in the form of a:
(i) personal work permit or
(ii) work permit

Personal work permit

A personal work permit enables a foreign citizen in the Republic of Serbia to freely pursue employment or self-employment and to exercise rights in case of unemployment. It is issued at the request of the foreign citizen if the foreign citizen has been granted permanent residence, refugee status or falls within a special category of foreign citizens.

Personal work permits are issued for reasons of family reunification and at the request of an immediate family member of a foreign citizen who has been granted permanent residence or who has refugee status, and has been granted permanent or temporary residence, or at the request of a foreign citizen who is an immediate family member of a Serbian national or a foreign citizen of Serbian origin up to the third degree of kinship in a straight line, if the person meets the requirements relating to minimum age for employment in accordance with the labour regulations.

Different categories of foreign citizens are issued personal work permits of different duration. Namely, the duration of the work permit is linked to the grounds on which it has been granted to the foreign citizen, so that for instance a foreign citizen who has been granted permanent residence is issued a personal work permit for the duration of the period of validity of his ID card for foreign citizens, while a person with refugee status is issued a personal work permit for the duration of the period of validity of his ID card for persons granted asylum.

Work permit

A work permit is a type of permit to work which is issued as a (i) work permit for employment; (ii) work permit for special cases of employment; or (iii) work permit for self-employment.

A foreign citizen in the Republic of Serbia may perform only the work for which his work permit has been issued, and at every change of grounds of work, position or employer, a new work permit needs to be issued.

Every form of work engagement in the Republic of Serbia requires a work permit, except for those exceptions specified by the law.

For special categories of foreign citizens residing in the Republic of Serbia for less than 90 days over a period of six months, a work permit needdoes not need not to be obtained, such as for instance owners, founders, representatives or board members of a legal entity registered in the Republic of Serbia, in accordance with the law, if they are not in an employment relationship at that company.

Work permit for employment

A work permit for employment is issued at the request of the employer, in accordance with the situation on the labour market, and if all the legal requirements have been met.

The basic requirement for granting a work permit is that on the labour market in the Republic of Serbia, that is in the records of the National Employment Office, there are no citizens of the Republic of Serbia having the necessary qualifications to work at the position for which the foreign citizen is planned to be employed.

A work permit for employment is issued for employment of a foreign citizen who has been granted long-term visa on the ground of employment, temporary residence approval and meets all the requirements specified by the employer relating to knowledge and skills, qualifications, prior experience, etc.

Exceptionally, when it is in the interest of the Republic of Serbia or required by internationally accepted obligations, a temporary work permit for employment may be issued to a foreigner who meets all the requirements of the employer relating to appropriate knowledge and skills, qualifications, previous experience, etc. with previously obtained consent of the Minister in charge of internal affairs, provided that the foreigner has submitted a request for temporary residence.

A work permit for employment is issued for the planned employment period, but no longer than for the duration of the temporary residence.

Work permit for special cases of employment

A work permit for special cases of employment is issued at the request of the employer, for (i) seconded persons; (ii) movement within a company; (iii) independent professionals; or (iv) professional training and development.

i) A work permit for seconded persons, employed by a foreign employer, is issued at the request of the employer for performing jobs or providing services in the Republic of Serbia in accordance with the Law on Employment of Foreign Citizens. A work permit for seconded persons requires that there is an agreement between the foreign and the domestic employer on provision of services, which constitutes the grounds for secondment of a foreign citizen to work in the Republic of Serbia. Furthermore, before secondment to the Republic of Serbia the foreign citizen must have been employed by the foreign employer for at least a year. This work permit is issued for a period of up to one year at the most, however it can be prolonged on the basis of consent of the Ministry in charge of employment-related matters.

ii) A work permit for movement within a company registered abroad is issued at the request of the branch office or subsidiary registered in the Republic of Serbia, for temporary transfer of an employee to work at that branch or subsidiary, provided that the person has been employed for at least one year at the foreign company at the position of executive, manager or specialist for a specific field, and will be doing the same job in the Republic of Serbia. Exceptionally, a work permit for movement within a company registered abroad is also issued for temporary transfer of a trainee to work at that branch or subsidiary. The work permit for movement within the company is issued for the duration of the temporary residence or long-term residence visa on the basis of employment , but for no longer than one year, with the possibility of prolongation under the same terms as for a work person for seconded employees.

iii) A work permit for independent professionals is issued at the request of the employer, or ultimate user of services, if the independent professional has (i) approval for temporary residence or long-term residence visa on the basis of employment; (ii) a concluded agreement with the employer or ultimate user of services which must contain the deadline for completion of the work; and (iii) the necessary tertiary education and/or technical qualifications and requisite work experience in the field. The work permit for independent professionals is issued for the period needed to complete the work, but for no longer than one year.

iv) A work permit for professional training and development is issued at the request of the employer, or foreign citizen for the purpose of training, internship, professional practical work, professional training or development, if the foreign citizen has (i) approval for temporary residence; (ii) a concluded agreement with the employer for the training, internship, professional practical work, professional training or development which contains the place and duration. The work permit for professional training and development is issued for the duration of the training, internship, professional practical work, professional training or development, but for no longer than one year, with the possibility of prolongation for another year.

Work permit for self-employment

A work permit for self-employment is issued at the request of a foreign citizen who has been issued long-term visa on the ground of employment or the approval for temporary residence in the Republic of Serbia, for the duration of the temporary residence, but for no longer than one year, with the possibility of prolongation provided that the foreign citizen proves that he will continue to conduct the same business activity under the same terms under which he received the permit.

A foreign citizen who is granted a work permit for self-employment is obliged to start conducting the business activity for which the permit was issued within 90 days as of the date of receiving the permit.

5. Employment contracts

Foreign citizens or stateless persons can enter into an employment relationship under the conditions specified in the Labour Law, that is, the Law on Employment of Foreign Citizens. In accordance with the Labour Law, a foreign citizen can enter into an employment relationship in the Republic of Serbia only on a fixed-term basis, for the period for which the work permit was issued/granted. Therefore, as a prerequisite for concluding an employment contract, the foreign citizen must have been issued a work permit.

A foreign citizen can also be engaged on grounds other than an employment relationship, but regardless, before starting work he has to obtain the proper permit to work, except in the case of exceptions prescribed by the law. Therefore, the type of contract that will be concluded with the foreign citizen depends on the grounds for his engagement.

Contracts concluded with foreign citizens, which constitute grounds for their engagement, must be in accordance with the Labour Law, which means that they must contain all the necessary elements prescribed by the law. Therefore, after obtaining the necessary work permit, foreign citizens enjoy the same work-related rights as do Serbian citizens, and cannot be discriminated against on the grounds of nationality.

6. Drivers' Licenses

On the basis of the Law on Road Traffic Safety ("Law on Road Traffic Safety"), a foreign citizen residing temporarily in the Republic of Serbia, on the basis of a valid passport, foreign ID card or visa, or a Serbian citizen temporarily or permanently residing abroad who occasionally comes to Serbia, may under condition of reciprocity drive a car on the basis of a foreign drivers' license, or international drivers' license during its period of validity during his temporary stay.

The foreign citizen is obliged to possess proof of the length of his continuous stay in the Republic of Serbia when driving in traffic.

A foreign drivers' license or foreign international drivers' license ceases to be valid in road traffic in Serbia upon expiry of 12 months of the date when the foreign citizen was granted temporary residence in continuity for more than six months or permanent residence, from the date of issuance of a diplomatic ID card, or from the date of entry of a Serbian citizen temporarily or permanently residing abroad into the territory of the Republic of Serbia.

A foreign citizen to whom residence in the duration of at least six months or permanent residence in Republic of Serbia is granted, staff of diplomatic and consular missions and representative offices of foreign countries, representative offices of international organizations in the Republic of Serbia, foreign trade, transport, cultural and other representative offices and foreign correspondents, and Serbian citizens returning from abroad, that is, coming to Serbia to permanently reside there, will be issued a Serbian drivers' license at their request without taking a driving test and first aid exam, on the basis of a foreign drivers' license (not including temporary, trial and similar drivers' licenses) which has not expired, provided that the person meets the age and health requirements, has a permanent or temporary place of residence for at least six months in the Republic of Serbia and has not been prohibited from driving a motor vehicle.

A Serbian drivers' license cannot be issued on the basis of an international drivers' license. In exceptional cases, if it cannot be determined from the wording of a foreign drivers' license for which category or type of motor vehicle it was issued or whether it has expired, a Serbian drivers' license can be issued only if the applicant submits a document from which it can be seen which vehicles the applicant is licensed to operate, and that it has not expired.

The motor vehicles and trailers of diplomatic and consular representative offices and missions of foreign countries, of representative offices of international organizations in the Republic of Serbia and the foreign citizens working in them, as well as of foreign citizens who have been issued approval for temporary residence longer than six month or for permanent residence, may take part in traffic if they are registered in the Republic of Serbia.

In exceptional cases, these vehicles may take part in traffic if they are registered abroad, for no longer than three months following the date of entry of the vehicle into the Republic of Serbia.

7. Education

The Constitution of the Republic of Serbia stipulates that everyone has the right to education. Primary education is compulsory and free, whereas secondary education is free, but not compulsory. Foreign citizens and stateless persons have the right to education under the same terms and in the same manner as prescribed for Serbian citizens.

Foreign citizens may choose to enrol their children in a private or foreign school (an institution not founded by the Republic of Serbia, Autonomous Province or local self-government), but are obliged to cover the costs of such education themselves.

Higher education is available to foreign students as well, under the terms specified by the law and the general act of the academic institution the student is enrolled in.

Furthermore, foreign students have certain privileges regarding academic education, on the grounds of bilateral agreements.

Persons with disabilities have the right to education which takes into account their learning and educational needs within the regular educational system, based on an individual or group educational plan or in a group with additional support, or in special pre-school or school groups for children with learning disabilities.

Those with exceptional abilities have the right to education which takes into account their special educational needs within the regular educational system, in special classes or in special schools.

Education takes place in Serbian, in the Cyrillic script. For national minorities education takes place in the language and script of the national minority or bilingually in the language and script of the national minority and in Serbian, however learning Serbian is compulsory if the education is in the language of a national minority, a foreign language or bilingual.

Education for persons using sign language or a special script or other technical solutions can take place in sign language and using the means employed for that language.

8. Importing personal belongings

According to the Customs Law ("Customs Law"), travelers from abroad are exempt from import duties on the items used for their personal requirements during the trip (personal luggage).

Moreover, foreign citizens who have obtained citizenship and foreigners who have been granted asylum or a permit for permanent residence in the Republic of Serbia are exempt from import duties on items for their household, except for motor vehicles.

In addition, current regulations provide for exemption from import duties on items inherited abroad, badges and ribbons, medals, sports trophies, and other objects received abroad at competitions, displays and reviews of national importance for foreign citizens who have been granted Serbian citizenship and foreign citizens granted asylum or permanent residence in the Republic of Serbia.

Finally, the following are also exempt from paying customs duties in accordance with the provisions of international agreements:

(i) diplomatic staff of foreign diplomatic missions and the members of their immediate family – for their personal belongings;
(ii) staff of foreign diplomatic and consular missions – on household objects.

9. Healthcare

Healthcare of foreign citizens is regulated by the Law on Healthcare ("Law on Healthcare"), which specifies that foreign citizens, stateless persons and persons granted refugee status or asylum, who permanently or temporarily reside in the Republic of Serbia or are passing through its territory, are entitled to healthcare in accordance with international and domestic legislation in the Republic of Serbia, which is provided in the same manner as to Serbian citizens.

The costs of emergency healthcare services are covered by the foreign citizen, with the following exceptions:

(i) healthcare which is free of charge on the basis of an international agreement on social insurance;
(ii) asylum seekers, registered foreign citizens who have expressed an intention to apply for asylum, persons involved in the voluntary return program, foreign citizens residing in the Republic of Serbia at the invitation of governmental authorities, who do not meet the requirements to be covered by compulsory insurance;
(iii) foreign citizens who have been granted asylum in the Republic of Serbia, but have no financial means;
(iv) foreign citizens suffering from certain contagious illnesses; and (v) foreign citizens who are the vic tims of human trafficking. In these cases the healthcare institutions will be reimbursed from the budget of the Republic of Serbia.

The costs of providing other healthcare services at the request of a foreign citizen are also to be covered by the foreign citizen.

XIV OTHER MATTER RELATING TO DOING BUSINESSOS

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1. Advertising

According to statistical data, television is the most cost-effective advertising medium, considering that a large number of households in Serbia can be reached that way. There are three state-owned TV channels and four privately-owned TV channels with national frequencies, however, there are various restrictions regarding content. Internet advertising is increasing in significance with the increased use of computers and the internet. Other, less represented advertising media are radio, newspapers, magazines, and billboards. The field of advertising and the said restrictions are mainly regulated by the Advertising Law of the Republic of Serbia ("Advertising Law"). The Advertising Law applies to all forms of advertising (electronic media, printed media, internet, and so-called outdoor advertising), and prescribes that the message in the advertisement has to be true, in compliance with the law, the good business practice of fair competition and professional ethics.

Any legal entity or a natural person who believes that its/his/her rights or interests have been jeopardized or harmed, within the meaning of the Advertising Law, is entitled to file a lawsuit with the competent court of law, requesting the court to order that the deceptive or impermissible comparative advertising is ceased, and the advertising message is corrected.

The Advertising Law stipulates the prohibition of direct and indirect discrimination. It is prohibited to encourage discrimination on any basis, particularly on the basis of beliefs, national origin, ethnic origin, religion, gender or race, political, sexual or other orientation, social origin, financial status, culture, language, age, and mental or physical disability.

An advertising message may not contain symbols whose use is contrary to Serbian regulations, business practices, or morals. Furthermore, the use of the Serbian flag, anthem, and emblem in advertising have to be in compliance with the law governing the use of these state symbols.

It is also prohibited for the advertisement to encourage any behavior which jeopardizes the health or security of the recipient of the advertising message, in particular: scenes of violence; scenes which may cause aggression and fear; sexual harassment shown as acceptable; showing minors in a sexual context, and falsely claiming that certain goods or services have a positive or harmless effect on the protection of health or the environment.

The Advertising Law prohibits messages advertising tobacco products and electronic cigarettes, and advertising the gifting of such products to consumers or displaying the trademark or other markings of tobacco products, and also prescribes specific conditions for advertising of medicines and medical devices, alcohol, weapons, and etc.

2. Attorneys at law

The legal profession in the Republic of Serbia is a freely pursued profession, primarily regulated by the Legal Profession Act , but also by Codes of Ethics and other rules enacted by the Serbian Bar Association, the goal of which is providing legal assistance to natural persons and legal entities.

Generally speaking, parties in procedures before governmental authorities do not have to hire attorneys to represent them. However, there are some cases when representation by an attorney is explicitly required such as in criminal proceedings and some stages of civil litigation.

Moreover, representation by domestic law is not mandatory. The Legal Profession Act allows foreign citizens to carry out legal activities in the territory of Serbia, provided they are listed in the book of foreign attorneys maintained by the Serbian Bar Association.

There are two such books, A and B. Attorneys listed in the book A can only provide oral and written legal advice and opinions relating to the law of their country of origin and international law, while attorneys in book B are equal in their practice to domestic attorneys in accordance with the law, provided that for a period of three years from the date of entry into the book such attorney may practice in the Republic of Serbia only jointly with a domestic attorney.

3. Bookkeeping and auditing

The principal laws governing this area are the Law on Accounting and the Law on Auditing ("Law on Accounting" and "Law on Auditing").

Every legal entity and entrepreneur is obliged to keep books, prepare, present, deliver and submit their financial statements in accordance with legal, professional and internal regulations.

For accounting purposes, legal entities in Serbia are classified as micro, small, medium-sized, and large entities, depending on their number of employees, income, and value of assets. Thus large entities have the obligation of applying International Financial Reporting Standards (IFRS), while medium-sized and small enterprises have the obligation of applying International Accounting Standard for Small and Medium-sized entities (IFRS for SMEs).

Exceptionally, small and medium-sized legal entities may decide to apply IFRS, but they are obliged to apply it continuously, i.e. for at least five years from the beginning of the application of IFRS, except in cases of opening bankruptcy or liquidation proceedings. Micro legal entities, regardless of size, apply an act issued by the Minister of finance, which is based on general accounting principles. Exceptionally, they may decide to apply IFRS or IFRS for SMEs, but are required to apply IFRS or IFRS for SMEs continuously, i.e. at least five years from the date of application of IFRS or IFRS for SMEs, except in cases of opening bankruptcy or liquidation proceedings.

Financial books are uniform records and other records of the status and changes in assets, liabilities and equity, income, expenses and results of legal entities and entrepreneurs. Books are kept in a double-entry bookkeeping system. Entrepreneurs can also opt for lump-sum taxation at a flat rate, in which case they do not have to keep books.

Legal entities and entrepreneurs have to prepare regular annual financial statements for each business year. The content and form of these statements is prescribed by the Ministry of Finance of the Republic of Serbia. They are also obliged to deliver them to the Business Registers Agency, which then publishes them in a publicly accessible Register of Financial Statements.

Financial books are maintained and financial statements are prepared and presented in the Serbian language and in the official national currency i.e. RSD. Transactions in other currencies are translated into dinars at the official mean exchange rate of the National Bank of Serbia on the date of the transaction.

Legal entities and entrepreneurs can have their own employees in charge of maintaining business books and preparing financial statements, in which case the requirements for the position are specified by a general act brought by the company. However, the maintaining of business books can also be outsourced, provided it is outsourced to a company or entrepreneur whose registered principal business activity is providing bookkeeping services.

The Law on Auditing regulates the auditing of financial statements, that is, the procedure of verification and assessment of financial statements, and of the data and methods applied when preparing the financial statements, based on which an independent professional opinion is given as to whether the financial statements provide a true and fair overview of the financial standing and business results of the audited legal entity.

According to the Law on Auditing, auditing is mandatory for the regular annual financial statements of large and medium-sized enterprises, as well as for all legal entities and entrepreneurs whose business income for the previous business year exceeds EUR 4,400,000 in dinar equivalent. In addition, the auditing of the consolidated financial statements for parent companies that prepare consolidated financial statements is also mandatory.

The audits are conducted by licensed auditors, employed at an auditing company, if the enterprise hired an auditing company for the audit, or by an independent auditor (a licensed auditor operating as an entrepreneur), provided he is a member of the Chamber of Authorized Auditors.

4. Business Ethics/Codes

In the Republic of Serbia, there is a large number of Chambers organized for specific industries or areas of business. Each of these bodies (Chamber of Engineers, Medical Chamber, Bar Association of Serbia, etc.) has its own business codes.

The Chamber of Commerce of the Republic of Serbia is the main chamber gathering all entities operating or doing business in the territory of the Republic of Serbia. As of 1 January 2017, membership in the Serbian Chamber of Commerce and paying membership fees is compulsory.

The Chamber of Commerce has enacted a Code of Business Ethics and Code for Corporate Governance in order to contribute to the further development of business practices based on ethical principles. The main focal points of these codes are professionalism, conscientiousness, and honesty, respect for business partners, preserving the reputation of the profession, observing the law, keeping business secrets, amicable resolution of disputes whenever possible, etc. In order to secure implementation of the Codes the body of the Chamber of Commerce in the form of a Court of Honour imposes appropriate measures for entities that have violated their provisions.

The Court of Honour was established by the Law on Chambers of Commerce for the purpose of determining violations of fair business practices, breaches of the uniform market, and monopolistic practices in this market.

The Court of Honour, as a special court for commercial law and the economic system of the Republic of Serbia, penalizes the actions of business entities that violate good business customs and business ethics, disrupt the uniform market or are monopolistic, as well as actions that harm the social community, members of the Chamber of Commerce, citizens, or harm the reputation of the Republic of Serbia abroad. It has jurisdiction to act even when one party has its seat or residence outside the territory of the Republic of Serbia.
If it determines that a violation was committed, the Court of Honour hands down a caution, a public caution made public before the Chamber or in the media, and a prohibition to take part in the work of the Chamber, prohibition to take part in fairs and exhibitions or prohibition to operate for a specific period of time, as the most severe penalty. In exercising its functions, the Court of Honour is independent and autonomous - it decides and adjudicates on the basis of laws, the Rulebook of the Court of Honour, the Code of Business Ethics, the Code of Corporate Governance, common practices, good business practices and business ethics.

5. Product marking

All products intended for the market of the Republic of Serbia have to be marked (Serbian law defines the marking as a "declaration"). Each product has to have a declaration that contains the name and type of goods, composition, and quantity, as well as other information pursuant to the specific regulations and nature of the product, especially information on the manufacturer, country of origin, date of production and expiration date, importer, quality (class) as well as a warning on possible danger or harmfulness of the goods.

The declaration has to be on the goods or on its packing (including a pendant, label, ring or cover) or directly next to the goods at the point of sale (e.g. bulk goods), in accordance with the special characteristics of the goods, displayed noticeably, or in a catalogue or other material offering the relevant goods which is available free of charge to the consumers at the point of sale, before purchase.

All information has to be provided in a clear, easily visible, and legible manner, in Serbian, in Cyrillic or Latin script.

The declaration may also contain information in foreign languages, as well as marks, GTIN identification (bar code), and other data that more closely identify the goods and its properties.

In the Republic of Serbia, there are specific regulations governing the declaration and packaging of certain products, such as packaging of hair shampoo, toothpaste, detergents in powder form for textile products, liquid detergent for hand washing of dishes, etc. The mentioned regulations more closely define the requirements that have to be fulfilled (packaging, declaration), in order to provide the consumer with all necessary information for the safe use of the product. They stipulate the mandatory information that has to be printed on original packaging or on the label so that the provided information is easily visible, legible and satisfies the consumer's right to information about the characteristics of the product.

6. Consumer protection

Consumer protection is primarily regulated by the Law on Consumer Protection ("Law on Consumer Protection") and the Constitution of the Republic of Serbia which clearly specifies that actions against the health, safety, and privacy of consumers are expressly forbidden, as are all dishonorable actions on the market.

The Law on Consumer Protection prescribes that the consumer is defined as any natural person who purchases any goods and services on the market which are not intended for his business or other commercial activity, meaning that consumers are defined only as natural persons, not as legal entities, which is fully compliant with EU law. Consumers have four levels of protection at their disposal, namely they can first apply to the merchant to resolve any arisen dispute, then settle the matter out of court before one of the bodies from the list compiled by the Ministry in charge of consumer protection, in the form of mediation, and finally to settle the dispute in court.

Merchants have stricter obligations, such as providing unambiguous and clear explanations to the consumers prior to the conclusion of the sale and purchase agreement, clear and proper indication of the prices, etc. In addition, consumers are guaranteed applicable rights and a system of collective complaints, meaning that consumer associations are given the possibility to seek the protection of collective interests, as well as a role in the rendering of commissions' decisions on customer complaints.

The Law on Consumer Protection became applicable on September 22nd, 2014, and has significantly harmonizes Serbian legislation with EU legislation in the domain of consumer protection.

7. Contracts

In general, contractual relationships between legal entities in the Republic of Serbia are primarily based on the principle of freedom of contract.

According to the Law of Contracts and Torts ("Law of Contracts and Torts"), a contract is considered concluded when the parties agree on the important elements thereof.

The negotiations leading to the conclusion of an agreement are not binding on the parties and can be discontinued at any time. However, if one party is conducting such negotiations without the intention to conclude the contract, and then abandons the negotiations, that party will be obliged to compensate the other party for all damages suffered through such negotiations.

Every person is free to decide whether to conclude an agreement or not, except in the cases where the law specifically prescribed that concluding a contract is mandatory. Such limitation of the principle of freedom of contract can be divided into certain groups.

Public policy limitation – All participants on the market may freely arrange their contractual relationships, only if such relationships are not contrary to the Constitutional principles (economic system, citizens' freedoms and rights, etc.), mandatory legal provisions (for example prohibition of abuse of rights, prohibition of abuse of monopolistic position etc.) and good customs. Public policy can be defined as the set of basic principles of society.

Limitations regarding conclusion – Mandatory conclusion of contracts is quite rare but does exist in Serbian law. For example, the law prescribes mandatory conclusions of insurance contracts for vehicles, for passengers in public transportation, airplanes, the mandatory obligation for to deliver electricity, water, etc.

Mandatory content – In this case, one party, because of its economic superiority or for practical purposes, determines the elements of the contract in advance (General Terms), while the other party enters into such contract without the option of negotiating the terms under which the contract is to be concluded.

A typical example is standard contracts, which are usually concluded in transportation – such as mandatory insurance of vehicles or passengers.

In the field of contractual relationships, the contractual parties is applied, while the parties may choose the foreign governing law to be applied to their contract if there are any foreign elements to the contract.

On the other hand, Serbian legislation prescribes mandatory application of Serbian law for certain types of contracts, for example, contracts relating to real estate rights (lex rei sitae).

Regarding the form of the contract, the Law of Contract and Torts stipulates that the principle of informality shall be valid, meaning that contracts are legally valid even if not concluded in writing.

The parties themselves can decide on the form in which the contract has to be concluded, but the law can also specify a particular form for certain types of contracts.

Thus the law specifies that real estate sale and purchase agreements must be concluded in the form of a document legalized by a public notary, while in the case of public-private partnerships written form is mandatory.

There are also other types of contracts where written form or legalization by a public notary is mandatory.

8. Price Controls

Price regulation is not general practice in the Republic of Serbia, considering that the market is governed by the principles of economic liberalism. However, the Government of the Republic of Serbia influences prices in the area of food, energy, and excise goods such as tobacco products, petroleum products, alcoholic beverages, and coffee.

9. Product Registration

Companies that manufacture certain products, such as the products relating to the chemical industry (medicines and medical devices, biocide products, pesticides, and other substances for plant protection), are obliged to obtain approval from the authorized state body to be able to place such products on the market, as well as to register such products.

Such products are recorded in the registries managed by the authorized agencies (for example Agency for Medicines and Medical Devices or Plant Protection Administration with the Ministry of Agriculture) after they conducted the registration procedure. The procedure for approval and registration of such products lasts for several months, and the company which initiates such procedure is obliged to pay the specified fees.

10. Sale of goods

The provisions on the sale of goods are for the most part found in the Law on Trade , which specifies the conditions and manners of conducting trade and ways to protect the Serbian market. Trade is conducted on the market in accordance with goods business customs and business ethics, freely and without restrictions.

In order for an entity to be a trader in the Republic of Serbia, that entity must fulfill the hygiene and sanitary requirements, requirements in terms of occupational health and safety, environmental protection requirements, the specified technical requirements, etc.

Trade can be wholesale or retail. Wholesale trade means the sale of goods and services to persons who will, in turn, use them for business purposes, while in the case of retail trade the goods and/or services are used for personal or household requirements.

There are various obligations imposed on traders which they must adhere to in their business activities. Thus, a trader must have the documents on manufacture, procurement, transportation, storage, and sale of the goods when conducting trade, must keep records of sales, purchases, and sale prices of goods which must be made available at the request of the inspection authority, etc.

Traders may offer goods with special sales incentives (goods on sale, discount, final sale, promotion, etc.), that is, under more favourable conditions compared to the regular or previous offer, especially with a reduced price, special terms of sale, delivery or other benefits, with a promise of rewards, participation in a contest, accompanying gifts or other benefits.

However, if the reason for the sale incentive is the potential reduction of the use-value of the goods (flawed goods, damaged goods, goods nearing their expiration date, etc.) this reason must be indicated.

The trader is also obliged to specify the type of incentive (discount, gift, participation in a prize-winning game) and give a precise and clear distinction as to which goods the incentive refers and to the list the validity period of the incentive, together with the starting date.

Furthermore, the trader must list all special requirements relating to acquiring the right to an incentive, to list the total costs of acquiring or taking over the goods, including delivery and all costs for the buyers. The trader is obliged to explicitly state comparison of the selling price with the previous (regular) price if the incentive refers to a price discount.

All actions of unfair competition on the part of traders against competition who can thereby be harmed are also forbidden, and the damaged parties are guaranteed the right to judicial protection and compensation of damages if applicable.

The Serbian market and observance of the principle of free trade are monitored by trade inspectors of the Ministry of trade, in inspection procedures.

11. Trade Associations

The Republic of Serbia has various trade associations, but traders operating in the Serbian market are not obliged to join trade association(s). Membership in trade associations is conditioned upon payment of membership fees which are diverse and separately determined for each association.

The largest trade associations in Serbia are the Trade Association of the Serbian Chamber of Commerce, Trade Association of Serbia, Novi Sad Traders' Society, and Subotica Trade Association.

There are no mandatory trade practices in Serbia.

12. Environmental protection

The main principles of the Environmental Protection Law are, among others, the principles of prevention and precaution, based on which every activity must be planned and carried out so as to cause the least possible change to the environment, the principle of protecting nature in the context of geodiversity, bio-diversity, protected areas, etc, the principle of sustainable development which presumes reasonable use of natural resources, so as to find the proper balance between economic development and environmental protection, the principle of polluter's responsibility, the principle "polluter pays" according to which every-one who causes damage to the environment through their activities has to bear all costs of repairing such damage, the principle "user pays" according to which everyone who uses natural resources has to pay a realistic price for such use and for their further development and preservation. Polluters have to pay a flat fee for environment pollution and must strictly implement economic instruments and other measures in order to improve the quality of the environment.

In addition, one of the principal goals of the Republic of Serbia in the context of ecology is the principle of sustainable development and environmental protection with the rational use of natural resources, defined inter alia in the National Sustainable Development Strategy.

Investments in clean technologies, energy efficiency and development of new eco-friendly technologies are increasing, and the importance of so-called green economy has been identified as the most desirable direction for the Serbian economy to develop towards in the future.

13. Intellectual property

Protection of intellectual property rights in the Republic of Serbia is regulated by the Law on Copyright and Related Rights, Patent Law, Law on Trademarks, Law on Legal Protection of Industrial Design, Law on Indications of Geographical Origin, Law on Protection of Topographies of Integrated Circuits and Law on Optical Discs.

The Republic of Serbia has ratified a large number of international agreements aimed at the protection of intellectual property. These agreements mostly relate to guaranteeing national treatment of foreign citizens and so-called minimum rights which must be recognized for the persons the convention relates to, or to simplification of the procedure of international protection of intellectual property rights.

The most important international agreement which the Republic of Serbia has concluded in this domain include the Paris Convention for the Protection of Industrial Property, the European Patent Convention, the Madrid Arrangement Concerning the International Registration of Marks, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which can certainly be characterized as the most important and most comprehensive of all of the abovementioned agreements.

Industrial property rights are frequently the subject of transfer by way of a license agreement. Such agreements cannot be concluded for a period longer than the period of protection of the right being transferred.

The transfer can be exclusive or non-exclusive, depending on whether the right can be transferred to others during the term of the agreement or not.

The assumption of non-exclusivity prevails, whereas exclusivity has to be explicitly agreed upon. The licensor undertakes to hand over the subject of the agreement to the other party and guarantees for the technical working order of the object. The licensee must use the object in an agreed-upon manner, pay the agreed-upon royalties, and preserve the confidentiality of the subject of the license if it has not been patented.

Copyrights

Copyrights are regulated by the Law on Copyrights and Related Rights ("Law on Copyrights and Related Rights"), which defines a work of authorship as an author's original intellectual creation, expressed in a certain form, originality is the most important element: if a work is not original, it cannot be protected as a work of authorship.

The copyright holder enjoys moral and economic rights in respect of his work of authorship from the moment of its creation. The author's moral rights include the exclusive right to be recognized as the author of his work, that his name, pseudonym, or mark be indicated on each copy of his work and quoted in every public communication of the work.

Furthermore, the author has the exclusive right to reveal his work and determine the way in which it is to be revealed, the right to protect the integrity of his work, and to oppose the exploitation of his work in a manner that harms or may harm his honour and reputation. The economic rights grant the author the exclusive right to commercially exploit his work.

The author's economic rights last for the lifetime of the author and 70 years after his death, while the moral rights of an author continue even after the expiration of his economic rights.

Infringement of copyright is defined as an unauthorized performance of any act encompassed by the exclusive rights of the holder of the copyright, not paying the remuneration prescribed by the Law or contract, as well as defaulting on other obligations due to the holder of the copyright or related right.

Any holder of the copyright may file a lawsuit and seek the protection of every aspect of his copyright.
The author also has the right to file a lawsuit and request compensation for non-material damage for infringement of his moral rights.

Trademarks

A trademark is defined by the Law on trademarks , as a right that protects a mark used in the course of trade in order to distinguish goods and/or services of one natural or legal person from identical or similar goods and/or services of another natural or legal person.

A trademark within the meaning of this Law shall also be considered a trademark that is internationally registered for the territory of the Republic of Serbia, based on the Madrid Arrangement on International Trademark Registration, i.e. the Protocol to the Madrid Arrangement on International Trademark Registration.

A trademark is acquired by entry into the Register of Trademarks maintained by the Intellectual Property Office of the Republic of Serbia and is effective from the filing date of the application.

The duration of a trademark is 10 years, counting from the date of filing the application; its validity may be renewed an indefinite number of times upon filing a request and paying the prescribed fee.

A trademark holder has the exclusive right to use the mark protected by a trademark for marking the goods and/or services the mark refers to. These rights belong to the applicant from the date of filing the application. In the event of an infringement of these rights, the holder of the trademark can file a lawsuit and seek all necessary protection relating to its trademark.

Patents

A patent is defined by the Patent Law as a right granted for an invention in any technical field, which is new, which involves an inventive step, and which is capable of industrial application. The patent grant procedure is started by filing an application with the Serbian Intellectual Property Office.

The invention protected by a patent can be a product (e.g. a device, a substance, a composition, biological material) or a procedure as well as the application of the product or procedure.

A patent is obtained from its publication in the official bulletin issued by the competent authority and is effective as from the filing date of the application. The validity period of a patent is 20 years from the filing date of the application.

The owner of a patent has the exclusive right to use the protected invention in production, to market the products made according to the protected invention, and to dispose of the patent in the context of transferring certain rights to third persons. The owner of a patent or holder of an exclusive license is entitled to bring a lawsuit against any person infringing their rights by any unauthorized action.

Since the Republic of Serbia is a signatory of international agreements such as the Paris Convention, the European Patent Convention, and TRIPS, protection for a patent can be sought not just in the territory of Serbia, but on an international level as well.

Industrial design

Industrial design is defined by the Law on Legal Protection of Industrial Design, as the three-dimensional or two-dimensional appearance of the entire product or a part thereof, defined by its visual characteristics, in particular the lines, contours, colors, shape, texture, and materials of the product itself or its ornamentation, as well as their combination.

The right to an industrial is acquired by entering into the Industrial Design Register and is valid for five years from the date of filing the application with the competent authority.

Protection for an industrial design can, upon filing an application and paying the prescribed fee, be prolonged for further five-year periods, up to a maximum of 25 years from the date of filing the application. The holder of the industrial design right holds the exclusive right to use the protected industrial design and to deny the use of such right to any third party.

The author of the industrial design has moral and economic rights. The moral right is the right of the author of the industrial design to have his name indicated in the application, documents, and certificate of the industrial design.

The economic right is the right of the industrial design author to enjoy economic benefits from the utilization of the protected industrial design. In case of infringement of the industrial design rights, the owner of the industrial design may bring a lawsuit seeking protection of all aspects of its rights.

Indications of Geographical Origin

Indications of geographical origin are appellation of origin and geographical indications used to mark natural, agricultural, food, craft, and industrial products, as well as traditional handicrafts products.

Legal protection of indications of geographical origin, prescribed by the Law on Indications of Geographical Origin ,is exercised in a procedure before the Serbian Intellectual Property Office. The period of validity of the registered appellation of origin or registered geographical indication is not limited.

Every natural or legal person, as well as every association of natural or legal persons, can gain the status of an authorized user of an indication of geographical origin if, in the specific geographical area, it produces goods named after that geographical area which possess the quality and specific characteristics or reputation in compliance with the data on specific characteristics of the product.

The rights conveyed by a protected appellation or indication of geographical origin are that the persons to whom the status of authorized user has been granted have the exclusive right to use them for marking products in trade. These rights cannot be transferred.

In case of infringement of an appellation of origin or geographical indications, the holder of the rights may bring a lawsuit seeking protection of all aspects of its rights, including compensation of damages from the infringer.

XV CESSATION OR TERMINATION OF BUSINESS

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1. Liquidation

A company ceases to exist by deletion from the register of commercial companies following a voluntary or forced liquidation procedure, after previous settlement of debts in full.

Voluntary liquidation

Voluntary liquidation is initiated by a decision on liquidation made, depending on the legal form of the company, by the partners, general partners, general meeting in the case of limited liability company, of the general shareholders meeting. This decision appoints a liquidator who represents the company during the liquidation procedure and is liable for the legality of the company's business operations, with simultaneous termination of the representation rights of the previous representatives of the company.

The liquidation of the company starts on the date of registration of the decision on liquidation in the register of commercial companies and by publishing a notice on initiation of the liquidation procedure, inviting all creditors to report their claims within a specified period of time. The company additionally sends individual written notice of initiation of the liquidation procedure to its known creditors.

During the liquidation, there are certain restrictions regarding payments to members of the company until all creditors' claims have been settled. These restrictions specify that members cannot be paid a share in the profit, or dividends, nor can company assets be distributed.

If the company's assets are insufficient to settle the creditors' claims, the liquidator is obliged to submit a motion for initiating bankruptcy proceedings to the competent court of law. The bankruptcy proceedings may also be initiated during the liquidation if other reasons for bankruptcy as specified by the law regulating bankruptcy proceedings have been met.

Any assets of a company undergoing liquidation that remain after all liabilities of the company have been settled (liquidation remainder) are distributed to the company members in accordance with the decision on distribution of the liquidation remainder.

The liquidation procedure is concluded by rendering a decision on concluding the liquidation and by its registration, the company is deleted from the register of commercial companies.

In addition, upon completion of the liquidation, the company members still remain liable for the obligations of the liquidated company without limitation jointly and severally or up to the amount of received liquidation remainder, depending on the legal form of the liquidated company.

The aforementioned creditors' claims lapse after the expiry of three years from the date of deletion of the company from the register.

Forced liquidation

Forced liquidation is initiated by the BRA ex officio, if it determines that one of conditions for initiating it has been met, as specified by the law regulating companies (e.g. failure to submit financial statements by the end of the previous business year for two consecutive business years preceding the year in which the financial statements are submitted, if a company finds itself without a legal representative but does not register a new one within three months of the date of deletion of the previous legal representative from the register, etc.).

The competent registrar publishes a notice on the company inviting the company to, within 90 days from the day of publication of that notice, eliminate the stated reasons that can be removed and register changes of the relevant data with the BRA.

After the expiration of that period, the competent registrar ex officio issues an act on initiating the procedure of compulsory liquidation by which the company is transferred into the status of "compulsory liquidation" and at the same time publishes a notice on compulsory liquidation on the website of the BRA for 60 days.

After the expiration of that second period, the competent registrar, within a further period of 30 days, ex officio issues an act on the deletion of the company and deletes the company from the register.
The assets of the deleted company become the assets of the company members, relating to which they regulate their mutual relationships by agreement or in an extrajudicial procedure at the request of any member.

After the company has been deleted from the register of commercial companies, the members of the deleted company remain liable for the obligations of the company in the same manner as in the case of voluntary liquidation, with the exception that the controlling member of a limited liability company and the controlling shareholder of a joint stock company are liable without limitation jointly and severally for the liabilities of the company after deletion of the company from the register.

The claims of company creditors towards the members of a deleted company lapse after expiry of three years from the date of deletion of the company from the register.

2. Insolvency/Bankruptcy

Bankruptcy proceedings are court proceedings where the claims of the creditors of an insolvent company are settled. The goal of these proceedings is to enable collective and proportional settlement of the claims of all creditors, so as to achieve the highest possible value of the debtor, that is, of the debtor's assets.

The Serbian Bankruptcy Law ("Bankruptcy Law") provides for two ways of conducting bankruptcy proceedings – bankruptcy and reorganization. Bankruptcy means settling the claims of creditors from the value of the entire assets of the debtor. On the other hand, reorganization is aimed at taking measures with a view to preserving the company and its business operations, provided that this will secure the most favorable way of settling the claims of creditors.

Reorganization is the only alternative to bankruptcy and is conducted if the economic requirements for the company to continue operating have been met.

This procedure is conducted pursuant to a plan, which is submitted to the competent court of law and is approved by the creditors by a vote. The reorganization plan contains, among other matters, the measures for the realization of the plan, and a detailed list of the creditors.

The measures within the reorganization procedure are not limited by law and should be directed at improvement of company business results, obtaining aid for the company, establishing creditors' control over the company, etc.

The specific measures most frequently observed in the reorganization plans of Serbian companies include reprogramming outstanding liabilities, write-off of interest, cessation of certain business activities, termination or amendment of contracts, placing a lien on assets, capitalization of receivables, taking out loans, changes of status and canceling issued securities and issuing new ones.

Initiating bankruptcy proceedings

1. Permanent insolvency, when
i. the company is unable to pay its debts within 45 days from the date they became due or
ii. the company completely ceases all payments for a consecutive period of 30 days;

2. Pending insolvency - if the bankruptcy debtor demonstrates the probability that it will not be able to pay its existing debts when they become due;

3. Over-indebtedness - if the liabilities of the bankruptcy debtor exceed its assets;

4. Failure to comply with the adopted reorganization plan or acting in contravention of the reorganization plan and if the reorganization plan was brought about in a fraudulent or unlawful manner.

If the court determines that any of the above reasons have been met, it will render a decision on opening bankruptcy proceedings. That decision will appoint a receiver, who will from that moment on become the legal representative of the bankruptcy debtor and the only person authorized to manage the business and assets during the settling of the creditors' claims.

Apart from the receiver and the court, that is, the bankruptcy judge, during the proceedings the bankruptcy debtor is also managed by the general meeting of creditors and board of creditors, which have the aim of establishing control of the creditors over the bankruptcy debtor. The general meeting of creditors comprises all of the bankruptcy creditors, and its primary functions include making the decision of whether the proceedings will continue into bankruptcy or reorganization, appointing the members of the board of creditors and reviewing the reports of the board of creditors and the receiver. On the other hand, the board of creditors is comprised of a maximum of seven members and its function is more immediate control of the bankruptcy debtor and settlement of creditors' claims, primarily by giving consent or opinions relating to actions taken by the receiver.

Regarding the consequences of the bankruptcy proceedings on the shareholders, the company is not allowed to distribute profit during the bankruptcy proceedings, or to distribute the company assets to its shareholders before the costs of the bankruptcy proceedings and the creditors' claims have been settled.

Immediate closing of bankruptcy proceedings

The bankruptcy proceedings will be closed immediately if:
- it is determined that the assets of the bankruptcy debtor are less than the costs of the bankruptcy proceedings;
- there is only one creditor.

Creditors

The initiating of bankruptcy proceedings has major consequences for the bankruptcy, but also for the claims of the creditors. The most important consequence relating to the creditors is that as from the date of opening the bankruptcy proceedings, all claims towards the bankruptcy debtor are considered due.

After the court renders a decision on initiating bankruptcy proceedings, creditors can settle their claims only through the bankruptcy proceedings. It is very important to stress that in bankruptcy proceedings the claims existing according to the records of the bankruptcy debtor will not automatically be taken into account, but rather every creditor is obliged to inform the court of its claim by filing a report of its claims. Claims can be filed only during the first four months after the bankruptcy proceedings are initiated. All creditors who miss this deadline forfeit their right to settlement.

A creditor with an exclusion right is a person who, based on his proprietary or personal right, is entitled to request that a specific item be excluded from the bankruptcy estate. For instance, if an object belonging to a specific person is in the possession of a bankruptcy debtor, that person may request that the object be returned to him.

Secured creditors and pledge creditors are defined by the law as those creditors with a right of pledge, a legal right to hold or right to settlement in things and rights of the bankruptcy debtor (for instance a mortgage on a property owned by the bankruptcy debtor). The difference between these creditors is that a secured creditor has a monetary claim towards the bankruptcy debtor which is secured by the specified rights, while the pledge creditor does not have a claim towards the bankruptcy debtor, but only a right of pledge on his things arising from a third party obligation.

All other persons, namely persons with unsecured claims towards the bankruptcy debtor, are unsecured creditors and their claims are settled from the bankruptcy estate according to the order specified by the law. Namely, creditors are classified into four groups, according to the order in which their claims will be settled, and each following group will have its claims settled only after the previous group's claims have been settled in full.

First to be settled are the claims of employees, followed by claims on the grounds of public revenues fallen due immediately before the bankruptcy proceedings were initiated. The majority of creditors' claims are settled in the third group. Last to be settled are claims originating two years before initiating the bankruptcy proceedings on the grounds of loans granted by related parties (e.g. director, shareholders of the bankruptcy debtor and other persons who were in a position to influence the business activities of the bankruptcy debtor).

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