

# Republic of Serbia

## Legal Provisions

Compiled by:

**Karanović & Nikolić Law Firm**

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### **GENERAL REMARKS**

Serbia is a republic and a parliamentary democracy; the formal head of state is the president. Serbia has a *civil law system*, which means that law is codified, so courts solely interpret legislation rather than being bound by precedents (i.e. rules established in previous legal cases).

The Constitution of Serbia is the highest general act in Serbia and all laws and bylaws must be in accordance with the Constitution. Laws are enacted by the Parliament as the supreme legislator, whereas bylaws are adopted by the Government and the Ministries (as well as other entities to which certain legislative competences have been delegated).

### **CUSTOMS**

Serbia has signed the Stabilization and Association Agreement and Interim Agreement on Trade and Trade - related matters with EU countries. Serbia is also a signatory of PEM convention and has free trade agreements with Russia, Belarus, Kazakhstan, Turkey, CEFTA and EFTA countries. Customs Administration (*Uprava carina*) is the authority within Serbian Ministry of Finance in charge of custom issues. Goods imported in Serbia are generally subject to VAT (commonly 20%).

### **IMPORT AND EXPORT REGULATIONS**

Traffic of goods between Serbia and Switzerland is regulated by the Free Trade Agreement with EFTA countries. Basically all industrial products of Swiss origin with a declaration of origin can be imported without duties. Additionally, bilateral Agreement on Agriculture between Serbia and Switzerland provides preferential treatment for trade with agricultural products.

## **CURRENCY REGULATIONS**

Serbia is neither a member of the European Union nor of the European Monetary Union, EMU. The Serbian currency, the dinar (RSD), is issued by the National Bank of Serbia (<https://www.nbs.rs/internet/cirilica/index.html>) and freely traded. There are certain limitations to import and export of currencies. Persons travelling with cash exceeding the value of EUR 10,000 must report it to Customs (Law on Prevention of Money Laundering and Financing of Terrorism). This procedure contributes to combatting money laundering, terrorism as well as crime and supports security as well as the prevention of felonies.

Commercial banks are to report foreign exchange transactions higher than EUR 15,000 to the Administration for the Prevention of Money Laundering in accordance with the Law on Prevention of Money Laundering and Financing of Terrorism.

## **REGISTRATION PROCEDURE FOR PRODUCTS**

Producer/importer of electronic products must monitor quantity of produced/imported electronic goods, prepare and submit reports on production/import to the environmental authority.

General product safety regulations, registration laws etc.:

<https://www.alims.gov.rs/eng/>  
<http://www.zis.gov.rs/home.59.html>  
<http://mtt.gov.rs/en/sectors-of-the-ministry/sector-for-market-inspection/>

**Medicines and Medical Devices Agency  
The Intellectual Property Office  
Sector for Market Inspection within the  
Ministry of Trade, Tourism, and  
Telecommunications**

## **STANDARDS, TECHNICAL RULES, LABELLING REGULATIONS**

Serbia applies the technical norms that are harmonized to a significant extent with the ones in the EU, and the main laws that regulate this area are the Trade Law and the Law on Technical Requirements for Products and Assessment of Conformity, with applicable bylaws. The Serbian Institute for Standardization (Stevana Brakusa 2, Belgrade) is responsible for adopting, publishing, withdrawing and application of the Serbian standards and related documents.

<http://mtt.gov.rs/en/sectors-of-the-ministry/sector-for-market-inspection/>

**Sector for Market Inspection within the  
Ministry of Trade, Tourism, and**

<http://www.iss.rs/en>  
<http://www.zis.gov.rs/home.59.html>

**Telecommunications**  
**Institute for Standardization of Serbia**  
**The Intellectual Property Office**

## **TAXES**

<b>Corporate income tax:</b>	15%
<b>Personal income tax:</b>	
Salary tax and entrepreneur's income tax	10%
Tax on dividends, interest and capital gains	15%
Tax on income from rent of real property, royalties and other income tax	20%
Annual tax	10% on the annual income exceeding RSD 2,375,136 15% on the annual income exceeding RSD 7,125,408
<b>Capital gains tax for legal entities:</b>	15% (20% for non-resident legal entities)
<b>Value Added Tax, VAT:</b>	
Standard rate	20%
Reduced rate for food, medicine, lecture books, newspapers, accommodation services, firewood, monographs, natural gas, heat energy, communal waste management, transportation services, etc.	10%
VAT relief for import and export related services, supply of goods within the customs warehouse, services of processing of imported products that are intended for re-export, services of international air and maritime transport (applied to non-residents only under reciprocity principle), goods and services for the needs of diplomatic representative offices and international organisations (if provided so by international agreement), etc.	

### *Double taxation agreement Switzerland-Serbia*

There is a double taxation agreement between Serbia and Switzerland (DTT) in order to avoid double taxation of income and assets. Rates provided by DTT are following:

**Tax on dividends:**

If the recipient company owns at least 20% of the equity of the paying company 5%

In all other cases 15%

**Tax on interest:** 10%**Tax on royalties:** 0%**COMMERCIAL LAW**

Serbia is not a EU member nor a WTO member. Nevertheless, Serbia promotes free trade and (due to EU accession process) harmonizes its regulations in accordance with the EU legislation.

**SETTING UP COMPANIES**

Foreign companies can freely set up subsidiaries, branch offices and representative offices in Serbia. When starting a company in Serbia there are various legal forms to choose from. The most common form is the limited liability company due to amount of the minimum share capital, simple governance structure and lack of administrative burdens (which are common for joint stock companies). It is solely the public joint stock company that can finance itself publically at the financial markets. This minimum share capital requirement for the limited liability company is RSD 100 (approx. EUR 1). The limited liability company must have at least one shareholder but there is no restriction on the maximum numbers of the shareholders. The Serbian Company Law allows voting shares.

All companies are registered before the Companies` Registry of the Serbian Business Registers Agency (<http://www.apr.gov.rs/eng/Home.aspx>) (but joint stock companies are also registered before securities registry i.e. Central Securities Depository and Clearing House (<http://www.crhov.rs/index.cfm?jezik=en>)). The Companies` Registry is publicly accessible online (<http://www.apr.gov.rs/eng/Registers/Companies.aspx>) and offers an extensive range of information.

The available legal forms of companies in Serbia are:

- 1) General partnership (*ortačko društvo*);
- 2) Limited partnership (*komanditno društvo*);
- 3) Limited liability company (*društvo sa ograničenom odgovornošću*); and
- 4) Joint stock company (*akcionarsko društvo*).

The **general partnership** is a company of two or more partners who have unlimited joint and several liability with all their assets for the company's liabilities.

A **limited partnership** is a company of at least two members, at least one of whom has unlimited joint and several liability for the liabilities of the company (general partner), and at least one of whose liability is limited to their (subscribed) contribution (limited partner).

A **Limited Liability Company** is a separate legal entity, established by one or more legal entities and/or individuals. It is by far the most common corporate form in Serbia. The liabilities of such a company cannot pass to the shareholders except in specific circumstances (e.g. if there are grounds for the piercing of the corporate veil). A shareholder can only have one 'share' in the company which is expressed as a percentage (e.g. 5%, 10%, 51%, 100%). The capital contributions by shareholders may be in money - Serbian dinars or a foreign convertible currency - or "in kind" such as equipment, goods, know-how, etc. In any case, the capital is expressed in Serbian dinars. There is a minimum share capital requirement of RSD 100 (approximately EUR 1), which does not have to be paid/contributed before registration, but within five years after execution of the founding act.

A **joint stock company** is a company whose share capital is divided in shares held by one or more shareholders who are not liable for the company's obligations, except in specific cases. Basic share capital of the joint stock company amounts to RSD 3,000,000 (approximately EUR 31,720).

The company can engage in all legally permitted activities, but its predominant business activity (taken from an exhaustive list of business activities provided by Serbian laws) must be defined in the Memorandum of Association and registered with the Serbian companies' registry. There are certain activities (e.g. financial services and insurance services), that may only be performed by an entity incorporated in a certain legal form (e.g. joint-stock company), and certain activities (e.g. trade in poisonous goods, medicines or weapons) that may be subject to licensing requirements. In addition, construction companies need to obtain construction permit for undertaking construction activities in Serbia and to comply with other construction related requirements imposed by Serbian laws.

Companies may also engage corporate agents for purpose of goods distribution, representation and entering into contracts who usually work on commission bases.

## **PROMOTION OF INVESTMENT**

Serbia promotes liberal legal framework for foreign investments. Profit can be transferred abroad to the companies' shareholders being foreign investors, subject to payment of profit tax and observance of payment limitations to shareholders (provided in Serbian Company Law).

Foreign investors are not only equal to local investors, but are also privileged in certain cases. The Serbian Regulation on Attracting Direct Investments ("**Regulation**") provides subsidies for numerous investment projects, based on: (i) number of newly employed staff in relation with the investment project, and (ii) amount of justified costs in relation with investing in fixed assets. In order to be

granted with certain amount of subsidy, the investment project should fulfil numerous conditions. The subsidy amount mainly depends on the level of development of region where the investment takes place, with higher subsidies being granted to undeveloped regions. The competent body for this area is the Development Agency of Serbia (<http://ras.gov.rs/en/invest-in-serbia/why-serbia/financial-benefits-and-incentives>).

The laws regulating the taxation of the income of legal entities and individuals prescribe various tax exemptions. The supplies exempted from the VAT are mainly the same as exemptions granted in the EU (please refer above to some examples).

The resident legal entities which invest or in whose new fixed assets other entity invests more than RSD 1 billion (app. EUR 8,4 mil.), and which employs at least 100 new employees during the period of investment, has the right to the reduction of tax proportionally to the participation of new fixed assets in the existing fixed assets, for the period of ten years. This is significant tax exemption, which, in practice, may lead to the full tax relief.

Tax losses may be carried forward and offset against taxable profit in the future tax periods, but not more than 5 years.

The refund of salary tax and social security contributions (“**SSC**”) for new employees is an incentive that was introduced with the Law on Personal Income Tax and Law on Mandatory Social Security Contributions. Depending on the number of new employees, the eligible employer has the right to the refund of the 35% - 75% of paid taxes and SSC (both, employer’s and employee’s portion) depending on the number of new employees.

In addition, micro and small enterprises are entitled to the refund of the 75% of salary tax and contributions if they employ at least two employees. The newly incorporated companies may apply for exemption from salary tax and SSC for salaries paid to first nine employees as well as to the employed shareholders and entrepreneurs. The exemptions will start to apply from 1 October 2018. Salaries will be exempted from tax for the first 12 months of employment.

The salary of employed disabled individuals is exempted from taxes and contributions for the first three years of engagement.

## **ENTRY CONDITIONS, WORK PERMITS, RESIDENCE PERMITS, LABOUR LAW**

Generally, employment and labour law matters are regulated through the Constitution of Serbia, laws and secondary legislation. The main piece of legislation is the Labour Law, while employment of foreign nationals is regulated by the Law on Employment of Foreigners.

A foreigner (including Swiss nationals) can enter and stay in Serbia for up to 90 days during six-month period, subject to visa regime limitations, if any. Note that for citizens of certain out-of-EU countries (e.g. Russia) different rules may apply, depending on existing bilateral conventions.

As a rule, a foreigner cannot perform work unless he/she obtains a proper residence and work permit. However, there are certain exceptions when a foreign national who stays in Serbia for less than 90 days during six-month period would be able to work without work permit, including if (i) he/she is a director, founder, representative or member of managing body of the local company, provided that he/she has not concluded employment contract with the local company, (ii) he/she is a seconded employee who delivers, installs or repair certain goods, machines or equipment or provides a related training, under an adequate commercial contract between foreign and local company.

A foreigner can obtain the temporary residence permit based on: (i) employment with Serbian company; (ii) secondment from abroad to Serbian company; (iii) inter-company mobility; and other specific grounds (e.g. family reunion, ownership over real estate in Serbia, studying etc.). The temporary residence permit is issued for a period of up to one year and may be renewed for a same period, although the first permit is usually issued for a 6-months period.

The permanent residence permit may be issued to: (i) a foreigner who continuously stayed in Serbia more than five years based on temporary residence permit; (ii) a foreigner who was in marriage with a Serbian citizen or other foreigner with the permanent residence permit for at least three years, and stayed in Serbia during this period; (iii) an underage foreigner whose parent is a Serbian citizen or a foreigner with the permanent residence permit; (iv) a foreigner of a Serbian origin; (v) other foreigners if it is required by humanitarian interests or interests of state.

The residence permits are issued by the Ministry of Interior.

There are two types of work permits: (i) personal work permit that is issued to a foreigner with permanent residence permit, a refugee, and to a foreigner from special category (asylum seekers, victims of human trafficking etc.); and (ii) work permit that is issued for employment, self-employment and specific cases of employment (such as secondment, inter-company mobility etc.).

The work permits are issued by the National Employment Service.

## **PROCEDURES FOR COLLECTING PAYMENT**

The usual financial information- and debt-collection agencies are also present in Serbia, e.g. (<http://www.clavis-net.com/agencija-za-naplatu/> , <https://www.creditexpress.com/srb/#home-slider> ).

## **SOURCES OF INFORMATION AND LINKS**

The Serbian principle of public accessibility is embedded in the Law on Access to Information of Public Importance which entails the right of each individual to gain access to public documents, without giving reason thereof, however subject to certain limitations as well.

Date: 30 April 2018  
Author: Karanović & Nikolić Law Firm  
Author's address: Resavska 23, Belgrade, Republic of Serbia