



# FINANCIAL INCENTIVES

## which allows state

In addition to existing benefits such as its strategic geographic location, duty-free exports to the countries of Southeast Europe and Russia, one of the lowest corporate tax rate in Europe of 15% and an educated and experienced workforce available at a competitive cost, Serbia offers financial support to investors.

The funds **may be** awarded for financing investment projects in the manufacturing sector, the services sector which may be subject to international trade and strategic projects in the field of tourism.

Investment projects in the sector of primary agricultural production, hospitality, lotteries, trade, the production of synthetic fibers, coal and steel, tobacco and tobacco products, weapons and ammunition are not eligible to receive funding.

The following investors, i.e. Beneficiaries, are excluded from the right to be awarded funds:

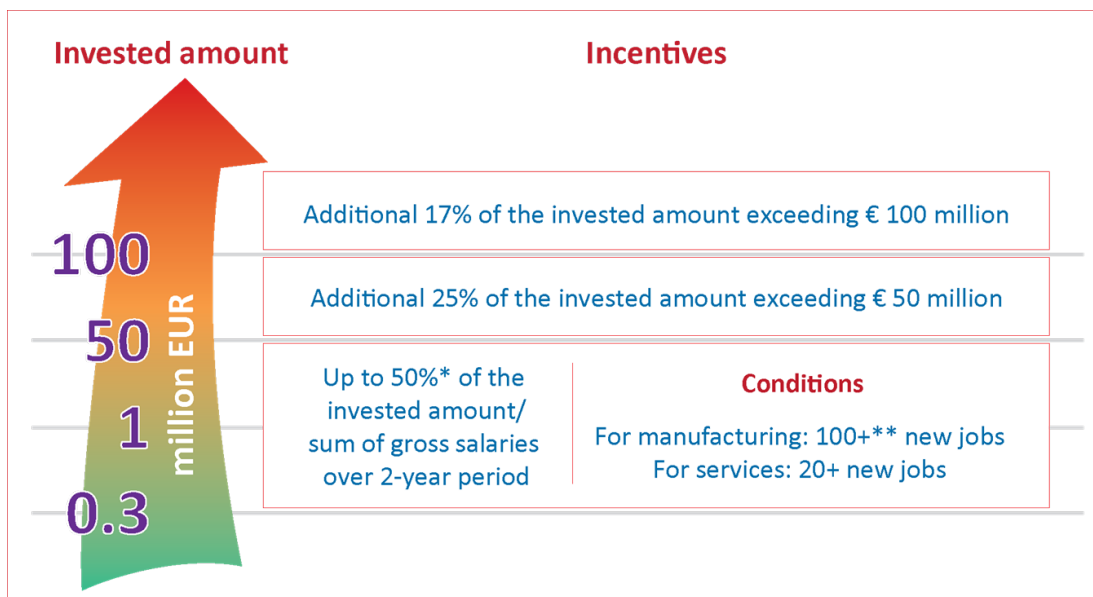
1. Those whose registered equity has been reduced by more than 50% in the past 12 months, but not below the legally-mandated minimum;
2. Those undergoing bankruptcy proceedings or those who through legally- defined conditions qualify for initiating bankruptcy proceedings;
3. Those with outstanding obligations towards the Republic of Serbia;
4. Those that significantly reduced the number of employees in the last 12 months preceding the application submittal;
5. Those who have already received funding for the same purpose from the budget of the Republic of Serbia,
6. Those that are partly owned by the Republic of Serbia, autonomous province or local government.

**The level of funds** which may be awarded are determined in accordance with the criteria set forth by this Decree in relation to the eligible investment costs (investment into material and non-material assets) or in relation to the eligible costs of the gross salaries from new jobs during a two-year period after the investment project's implementation.

The amount of funds which can be awarded to large enterprises is determined up to 50% of the eligible costs for the implementation of the investment project. The amount of funds may be increased by up to 20 percentage points for small-sized companies and up to 10 percentage points for medium-sized companies.

For eligible costs over 50 million euros, amount of awarded funds for investments may not exceed 25% of the total value of the eligible costs. For eligible costs greater than 100 million euros, this percentage may not be greater than 17% of the investment's eligible costs, and shall be determined as follows:

1. For eligible costs up to 50 million euros – up to 50% of these costs;
2. The part of the eligible costs from 50 – 100 million euros – up to 25% of these costs;
3. The part of the eligible costs greater than 100 million euros – up to 17% of these costs.



\*For SMEs, the approved incentives may be increased up to 70% or up to 60% of the total invested amount.

**Conditions for awarding funds** (for investment in the City of Pančevo which is, according to degree of development, classified in the first group)

Funds may be awarded for:

1. Investments in the manufacturing sector which shall secure the creation of at least 100 new jobs, with an investment value of at least 1,000,000 euros;
2. Investments in the services sector which may be subject to international trade, whose minimum value is 300,000 euros and which shall secure the creation of at least 20 new jobs;
3. Investments into strategic projects in the field of tourism whose minimum value is 5 million euros and which shall secure the creation of at least 50 new jobs;
4. Large investment projects, on the condition that at least 20% of the investment project's value is realized no later than one year from the Agreement signing date;

5. Medium-sized investment projects, on the condition that at least 10% of the investment project's value is realized, no later than one year from the Agreement signing date.

Funding may be awarded only on the following conditions:

1. The investment is maintained on the same territory for at least five years after the project's implementation, or at least three years for small- and medium-sized companies;
2. The accrued number of employees of the Beneficiary does not decrease after the investment project's realization for a period of three years in the case of small- and medium-sized companies, and five years in the case of large companies.

After achieving full employment in accordance with the provisions of the Agreement on awarding of funds, the Beneficiary is required to regularly pay salaries to each employee in accordance with the regulations governing labor relations, which is at least 20% (twenty percent) higher than the minimum wage in the Republic of Serbia as regulated by the month preceding the month in which the salary is paid.

**Applications for participation in the procedure of awarding funds** (hereinafter "the Application") **are submitted to the Agency** by the deadline stated in the public announcement. The application has to be submitted in the Serbian language.

The following is to be submitted along with the application:

1. Completed application form, published on the website of the Ministry and the Agency,
2. A business plan with a detailed description of the investment project which is seeking funds for its implementation, prepared in accordance with the instructions given on the website of the Ministry and the Agency,
3. Original or certified photocopies of investor's registered financial reports for the previous three years of operations with a report from an authorized auditor (if there is a legal obligation to have a report by an authorized auditor), while a foreign legal entity should submit the original or a certified photocopy and a certified translation into the Serbian language;
4. A projected balance sheet and income statement, as well as the Beneficiary's report on expected cash flow for the next three years of operations, starting from the date of the application's submittal;
5. An original or certified photocopy of the certificate from the Serbian Business Registers Agency submitted by an Investor registered in the Republic of Serbia or a certificate from the relevant register of the country in which the foreign investor's head office is based, which may not be older than three months and is certified by the authorized institution, as well as a certified translation of the certificate into the Serbian language;
6. A written statement confirming that funds have not been received from the budget of the Republic of Serbia, autonomous province or local government for the realization of the same investment project, and if they have, under what conditions.
7. Evidence of having settled all tax and contribution obligations in the Republic of Serbia while foreign investors who have not operated in the Republic of Serbia shall submit a signed statement that the investor did not operate in the Republic of Serbia and that no

resident or non-resident tax identification number has been assigned in accordance with the regulations governing tax procedure and tax administration.

**Investment projects are evaluated and scored based on the following criteria:**

- Investor references (market recognition, customer references, previous experiences and success in implementation of investment projects and the like),
- Technological level of activity which is the subject of investment and which is in accordance with Eurostat classification;
- Previous collaboration with suppliers and projected contribution of domestic suppliers;
- Effects of the investment on employees (training of employees and average salary levels);
- Previous and planned volume of international and overall turnover;
- Financial-market evaluation of the investment project (funding sources, liquidity, profitability, etc.)
- The amount and type of investment (Greenfield or Brownfield, purchase of new or used equipment, etc.)
- The effects of the investment on the economic development of the municipality, city or region which the investment is taking place, taking into account the level of the municipality's development according to the data provided by the Government authorities responsible for statistics;
- Impact of the investment project on the increase in competitiveness and entrance onto new markets.

**Disbursement of awarded funds** is carried out by satisfying the conditions for disbursement defined by the Agreement on awarding of funds and based on the request for disbursement submitted to the Agency by the Beneficiary in accordance with the Agreement on awarding funds. The Agency, following a verification procedure, delivers only complete applications to the Ministry for disbursement. Dynamics of disbursement are determined by the Agreement on awarding of funds, in accordance with available state funds and the dynamics of the investment project's implementation.

The mutual rights and obligations pertaining to the awarding of funds are governed by **the Agreement concluded between the Ministry and the Beneficiary**. The Ministry may terminate the Agreement at any phase of execution if it determines that the Beneficiary does not satisfy the conditions stipulated in the Agreement regarding the dynamics of the investment's implementation. In the case where the contractual obligations are not fulfilled, the Ministry is entitled to collect the same amount of the disbursed funds as well as the legally prescribed default interest on the basis of a bank guarantee and blank promissory notes.

