

TAX ALERT 5-2017



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INCENTIVES FOR FOREIGN INVESTORS IN THE REPUBLIC OF SERBIA



SERBIAN DEVELOPMENT AGENCY

INVESTMENT PROJECTS FOR WHICH FUNDS CAN BE ALLOCATED

- ❖ Create at least **10 jobs** and a minimum of **EUR 100,000** of the eligible costs of investment in units of local government that are classified in the devastated areas,
- ❖ Create at least **20 jobs** and a minimum of **EUR 200,000** of the eligible costs of investment in units of local government that are classified in the IV group of development
- ❖ Create at least **30 jobs** and at least **EUR 300,000** of the eligible costs of investment in the units of local government that are classified in the III group of development,
- ❖ Create at least **40 jobs** and at least **EUR 400,000** eligible costs of investment in units of local government that are classified in the II group of development,
- ❖ Create at least **50 jobs** and at least **EUR 500,000** eligible costs of investment in units of local governments that are classified in I group of development,
- ❖ Investment projects in the services sector, which may be subject to international trade and in which the minimum value of investment is **EUR 150,000**, providing at least **15 new jobs**.
- ❖ Investment projects in the agriculture and fishing sector in which the minimum value of investment is **EUR 2,000,000** providing at least **25 new jobs**

INCENTIVES FOR ELIGIBLE COSTS OF GROSS SALARIES FOR NEW JOBS

20% (for the I group of municipalities), 25% (for group II), 30% (for group III), 35% (for IV group), 40% (for devastated regions) the eligible costs of gross salaries. These amounts are limited to a maximum of 3.000 (for group I), 4.000 (for group II), 5.000 (for group III), 6.000 (for the IV group) and 7.000 euros per new job created (for devastated regions)

INCENTIVES FOR ELIGIBLE INVESTMENT COSTS IN FIXED ASSETS

an increase in the amount of grants may be approved for: up to 10% (for I group of municipalities), 15% (for II group of municipality), 20% (for III group of municipalities), 25% (for the IV group of municipalities) and 30% (for devastated regions).

ADDITIONAL INCENTIVES FOR LABOR-INTENSIVE PROJECTS

an increase in the amount of grants may be approved for: 10% of the eligible costs of gross salary (for any increase in the number of new jobs created over a number of 200 new jobs), 15% (for any increase in the number of new jobs created over a number of 500 new jobs) and 20% (for any increase in the number of new jobs created over a number of 1,000 new jobs).

THE PRESCRIBED PROCEDURE

All investors opting for the incentives must approach Development Agency of Serbia (RAS) with an official Letter of Intent briefly describing the investment project and providing the basic details.

The investor however is obliged to provide very detail documentation on the investment project.

Upon evaluating the documentation provided, the RAS and the Ministry of Economic Affairs make final decision on the incentives.

Upon receiving the incentive, a beneficiary would be monitored and overviewed so as to ensure that incentives are truly utilized for the specified investment purpose.

10-YEAR TAX HOLIDAY

CIT Law in Serbia provides for 10-year tax exemption in case of investments (within given investment period, comprising of several years) into qualifying fixed assets in excess of RSD 1 billion (cca. EUR 8 million) and in case of full-time employment of at least 100 new employees.

The conditions are:

- ❖ Number of employed individuals must not be reduced below the number which initially qualified for the investment in the 10-year period.
- ❖ The level of investment into fixed assets may not decrease below the level of which initially qualified for this incentives.

In case an investor default on any of these two condition during the 10-year period, any tax saved in prior years would need to be repaid to the Serbian budget, along with the applicable interest for late tax payments.

CONTACT US!

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