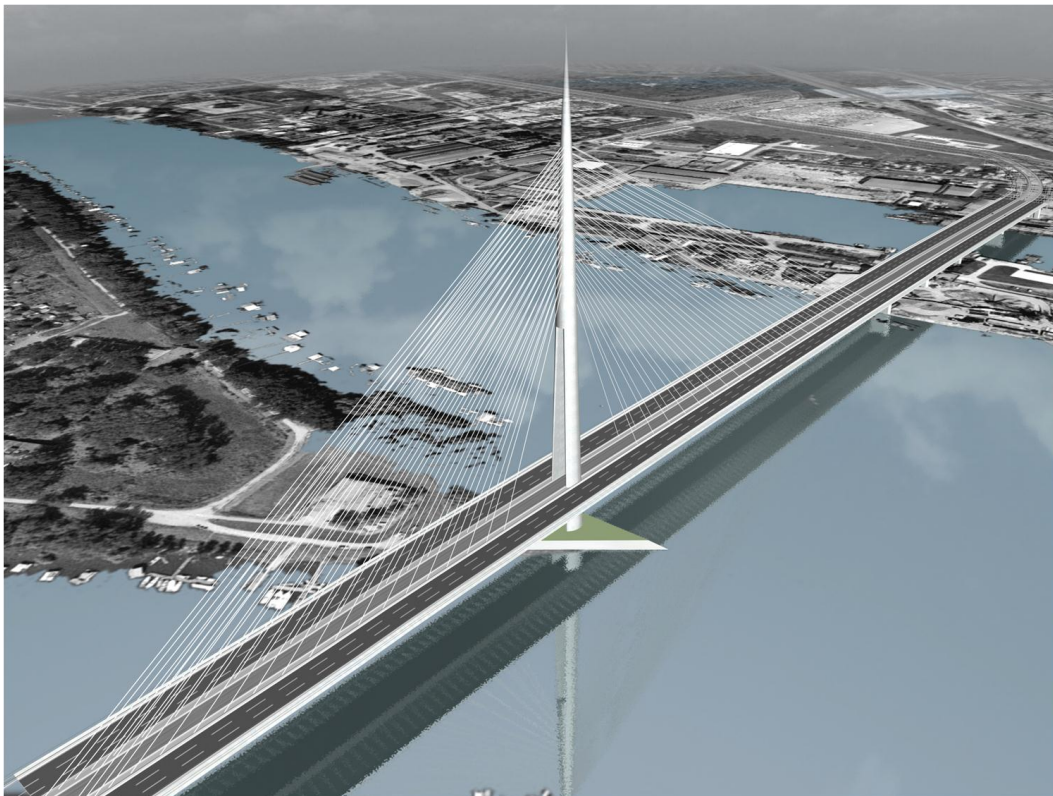




GUIDE FOR INVESTORS

BELGRADE CHAMBER OF COMMERCE



Belgrade, December 2011



SERBIA– Balkan's gate and the bridge to other markets

***BELGRADE – City of the future of the central part
of Southeast Europe (“Financial times”)***



Facts about Serbia:

- **Location: Southeast Europe**
- **Area: 88,000 km²**
- **Population: 9.5 million**
- **Capital city population: 1.7 million**
- **Crossroad of European corridors VII i X**
- **Link between Southeast, Central and Western Europe**
- **Navigable length of Danube in Serbia - 580 km**
- **Status: Republic**
- **National Day: February 15th**
- **President: Boris Tadić**
- **President of the Parliament: Mirko Cvetković**
- **BDP: 10900 \$ po glavi stanovnika**
- **Radna snaga: 2,95 miliona (2010)**

- **GDP: 10,900 USD per capita**
- **Labor force: 2.95 million (2010)**
- **GDP – composition by sector (2010):**
 - **agriculture 12.6%**
 - **industry: 21.9 %**
 - **services: 65.5 %**

WHY INVEST IN SERBIA?

A wide range of possibilities makes Serbia attractive for investors:

Competitive cost for well educated working force

Good educational system

Favorable tax system with the lowest corporate tax in Europe of 10%

Tax-free export to the SEE countries, Russia, Belarus, Kazakhstan

Exemption from payment of corporate income tax for investments higher than 7 million euros, or if it employs at least 100 of new workers

Tax credit of 80% following the completion of investment

Exemption of customs duties for import of equipment and materials under certain conditions

Loans and incentives for Green field investments

Incentives for job creators

Advantageous geographical position in the center of Southeast Europe, which provides favorable environment for production and export of goods on well developed markets such as Russia, Turkey, Belarus, as well as for the export to ex-Yu countries, due to free trade agreements.

FAST REGISTRATION OF COMPANY

One stop shop

**Where: Serbian Business Registers Agency
(www.apr.gov.rs)**

Founding capital: 500 euros

Number of days needed for registration of company: 5 days

FINANCIAL INCENTIVES FOR INVESTORS

Program of the Government of the Republic of Serbia for award of non-refundable financial support

Investments in manufacturing sector (realized in devastated areas and areas of special interest):

- **total funds: from EUR 4,000 to EUR 10,000 per each newly employed worker**
- **minimum investment: EUR 500,000**
- **minimum number of new job positions: 50**

Investments in automobile, electronic or ICT industry (realized in the areas of special interest):

- **total funds: from EUR 5,000 to EUR 10,000 per each newly employed worker**
- **minimum investment: EUR 500,000**
- **minimum number of new job positions:50**

Investments in manufacturing industry (realized in other areas of the Republic of Serbia):

- **total funds: from EUR 2,000 to EUR 5,000 per each newly employed worker**
- **minimum investment: EUR 1,000,000**
- **minimum number of new job positions: 50**

Investments in tertiary sector:

- **total funds: from EUR 2,000 to EUR 10,000 per each newly employed worker**
- **minimum investment: EUR 500,000**
- **minimum number of new job positions: 10**

Investments of special importance:

- **For investments that exceed 200 mil EUR and provide employment to at least 1000 new workers, the incentives amount to 25% of the total investment.**
- **For investments that exceed 50 mil EUR and provide employment to at least 300 new workers, the incentives amount to 20% of the total investment.**

TAX INCENTIVES

Corporate tax of 10% is among the lowest in the region. Reduced corporate tax rates are in accordance with the amount of investment.

Corporate tax	%			
Serbia	10			
Bulgaria	10			
Romania		16		
Poland			19	
Slovakia			19	
Czech Republic				20
Croatia				20
Hungary				20

Source: PricewaterhouseCoopers

Among the most significant tax incentives are tax loans and the following tax reductions:

- **Loans for investments in fixed assets**
- **Loans for permanent employment of workers**
- **Tax credit amounting to 80% of the investment**
- **Reduced corporate tax in the first two years of operation**
- **Concession – exempt from corporate tax liability**
- **Reduced base rate of the income tax**

- **Certain groups of workers are exempt from income tax liabilities**
- **Avoidance of double taxation**
- **Imported equipment is exempt from customs liabilities**

TAXATION OF COMPANIES

Value Added Tax (VAT) is payable in every phase of service/product trade and on all imports. VAT rate is 18%, with exception of certain goods and services which are subject to 8% VAT.

SOCIAL SECURITY CONTRIBUTIONS

Mandatory social insurance contributions (pension and disability insurance, healthcare, unemployment insurance) total to 17.9% and they are payable by both the employers and workers.

FREE ZONES

There are seven free zones which are currently operating in Serbia: Pirot, Subotica, Zrenjanin, Kragujevac, Sabac, Novi Sad, and Uzice. Two more free zones are currently being prepared: Nis and Smederevo.

When doing business in free zones, investors are granted special benefits:

- **Fiscal benefits** – exemptions from tax burdens for foreign direct investments, VAT, and specific local taxes
- **Free customs duties** on import of goods, equipment and raw material used in exporting production and construction material for the building of infrastructure
- **Financial benefits** – free cash flow
- **Efficient administration**
- **Simple and fast customs procedures**
- **Local subsidies** for using free zone infrastructure
- **Offering a set of services to users under preferential terms** – transportation, freight forwarding services, insurance and banking services



FREE TRADE AGREEMENTS

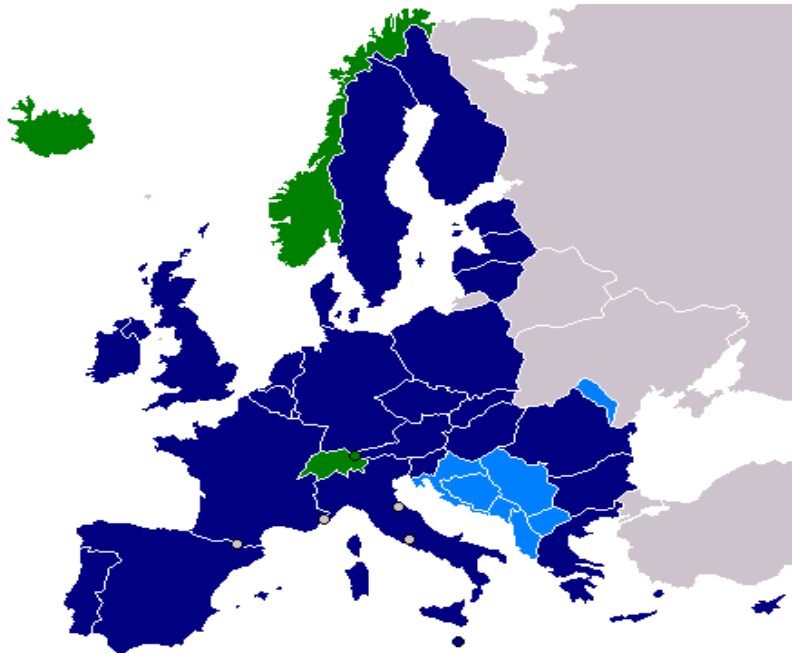
- **CEFTA (South East Europe Free Trade Area)**
Free Trade Agreement between Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldavia, Serbia, Montenegro and UNMIK/Kosovo.

- **EFTA (European Free Trade Association)**
Free Trade Agreement between Island, Lichtenstein, Norway, Switzerland and Serbia.

- **Free Trade Agreement with Russia, Belarus, Turkey, Kazakhstan**

- **Agreement with the USA**
Generalized System of Preferences (GSP)

- EU member states
- EFTA member states
- CEFTA member states



C o n t a c t s

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