

# DOING BUSINESS

IN SERBIA

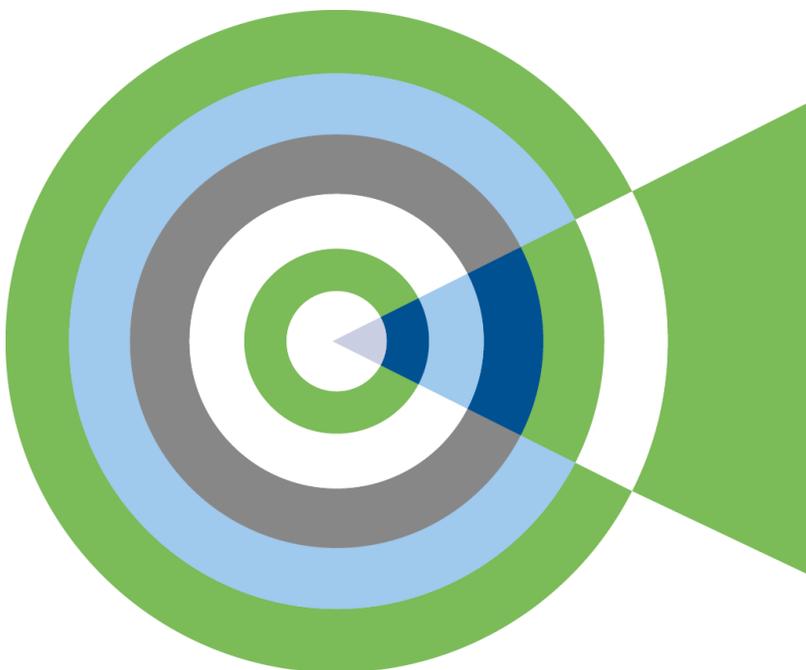


The network  
for doing  
business

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# 1 – INTRODUCTION

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UHY is a world leader in audit, accounting, tax and business advisory services. The network brings together the global expertise of UHY's independent members, all highly regarded, professional and reputable firms in their own local markets. UHY has over 8,100 professionals operating in over 320 business centres across more than 95 countries.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Serbia has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Serbia can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2018.

We look forward to helping you do business in Serbia.

## 2 – BUSINESS ENVIRONMENT

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### BACKGROUND

#### GEOGRAPHY AND POPULATION

The Republic of Serbia (*Република Србија / Republika Srbija*) is located at the crossroads of central and south-east Europe, and covers the southern part of the Pannonian Plain and the central Balkans. A landlocked country, Serbia borders Hungary to the north, Romania and Bulgaria to the east, Macedonia and Albania to the south, and Croatia, Bosnia, and Montenegro to the west. The capital of Serbia, Belgrade, is among Europe's oldest cities and one of the largest in south-east Europe.

Serbia's total area is 88,361km<sup>2</sup> (including Kosovo) and it is the third largest country in the Balkan Peninsula, after Greece and Bulgaria. The Serbian climate varies between a continental climate in the north with cold winters and hot humid summers with well distributed rainfall patterns, and a more Adriatic climate in the south with hot dry summers and autumns and relatively cold winters. The country has a well-balanced temperature range; over the course of a year, the temperature typically varies from -3°C to 28°C and is rarely below -10°C or above 34°C.

Serbia has a total population of approximately 7,186,862 (or around 9,000,000 with Kosovo and Metohija) and the overall population density is moderate at around 82 inhabitants per square kilometre. The official language is Serbian, but English is widely spoken and regularly used in business. The capital city of Belgrade has a population of around 1,640,000 and is situated in the northern part of the country. Other larger cities are Novi Sad, Nis, Kragujevac and Subotica.

#### GOVERNMENT AND LEGAL SYSTEM

After the change of government in 2000, the structure of government has become more similar to other western democracies where human rights, political pluralism and private property are safeguarded. Serbia is moving in the right direction and each year progresses to its long-term goal of becoming a member of the European Union (EU).

The Republic's constitution is largely modelled on European constitutions. The constitution of the Republic of Serbia was adopted by the National Assembly of the Republic of Serbia at a special session on 30 September 2006 and was endorsed by a referendum on 28 and 29 October 2006.

#### POLITICAL STABILITY

Serbia was granted candidate status by a European Council's decision on 1 March 2012. In September 2013, a Stabilisation and Association Agreement between the EU and Serbia entered into force and finally, on 21 January 2014, the 1st Intergovernmental Conference took place, signalling the formal start of Serbia's EU accession negotiations.

Serbia has also signed several trade agreements such as the European Free Trade Agreement (EFTA) and Central European Free Trade Agreement (CEFTA), as well as having agreements with the EU, Turkey, Belorussia and Russia. After all the turmoil in the 1990s, Serbia is now firmly on the road to joining the EU and becoming an attractive destination for foreign investors.

Serbia has also been rebuilding relations with historical partners from the “nonaligned movement” and expanding relations with other partners looking for investment opportunities in Europe. In recent years, this approach has proven beneficial, and inflows from non-traditional partners have become increasingly important, as exemplified by partnership with the United Arab Emirates (UAE) in a number of areas.

Serbia seeks to fulfil its obligations toward the EU while staying on good terms with strategic non-EU actors, especially Russia, China, and the UAE. It has maintained a cordial relationship with Russia, especially in such vital areas as energy.

The March 2014 parliamentary elections gave Serbia a rare opportunity to reduce the political fragmentation that has characterized the past and build a new momentum for long overdue economic reforms.

The Government formed after the April 2016 elections stepped up the implementation of structural reforms, broadening the focus to include social sector transformation. Although the results of the spring 2017 presidential election led to a change in prime minister (as the incumbent became Serbia’s new president), the Government experienced only minor changes, enabling it to maintain an emphasis on reforming state administration, public finances, and the economy, along with pursuing the European Union (EU) accession process. After the ruling party’s comfortable win in Belgrade’s local elections in March 2018, however, a central government reshuffle was announced but has since been postponed due to heightened tensions with Kosovo.

The Government’s economic reform program focuses on ensuring economic and financial stability, halting further debt accumulation, and creating an environment for economic recovery and growth to foster employment and raise living standards.

#### EDUCATION AND HUMAN RESOURCES

Primary and secondary education, as well as colleges, are mostly free and owned by the state. Education is of a high standard and approved worldwide. Serbia also provides the opportunity for education in several foreign languages such as: English, French, Russian and German. Private education has been growing rapidly in the last decade which has increased the share of highly-educated population. A significant number of young people decide to continue education abroad and with their return, overall knowledge is much higher and more diversified. Serbian experts are highly appreciated in Europe and especially in Arab countries.

#### ECONOMY

The economy of Serbia is based on free enterprise, with most economic activity taking place in the private sector.

As a post-communist country, Serbia had a legacy of state ownership for many years. After a process of transition to private ownership during the 1990s, by the 21st century Serbia had become a regular part of Europe with majority private ownership. Through a process of economic liberalisation, the country has experienced fast economic growth. GDP per capita (nominal) went from USD 1,160 in 2000 to USD 5,599 in 2017.

Until the global economic crisis, the Serbian economy was performing reasonably well, but growth has since stalled. Economic growth averaged 5.0 percent annually for 2001–08, but in 2009 real GDP fell by 3.5 percent, driven by an abrupt contraction in real domestic demand (7.5 percent). Recovery was sluggish in 2010, when GDP grew 1.0 percent, and in 2011, when it was up only 1.6 percent. Recession returned in 2012, when the economy contracted by 1.5 percent, driven by severe weather conditions that deeply depressed agriculture yields; spill overs from the Eurozone crisis; and closure of the largest exporter, US Steel. In 2013, the economy recovered, with real GDP growth of 2.5 percent, supported by the exports of the large Italian carmaker FIAT and rising agricultural and energy production.

The average growth of Serbia's GDP in the last five years was a modest 1.2% per year. GDP structure by sector in 2015 was: services 67.1%, industry 25.2%, agriculture 7.7%.

Inflation Rate in Serbia averaged 5.98 percent from 2007 until 2018, reaching an all-time high of 14.90 percent in June of 2008 and a record low of 0.10 percent in January of 2015. Serbia's average annual consumer price inflation quickened to 3.0% in 2017 from 1.2% in 2016.

According to the Labour Survey, in the last quarter of 2017, the unemployment rate stood at 14.7%, compared with 12.9 % the year before, or 13 % in the same quarter of 2016. In Serbia, in the last quarter of 2017 there were 2,763,600 employed and 475,600 unemployed persons.

The Serbian Labour Law regulates rights, obligations and liabilities of employer and employees. The labour market has become more competitive with the latest amendments to the Labour Law in 2014 and more in line with the EU legislation.

The employment contract may be concluded for a definite (up to 2 years) or an indefinite period of time. Employers having 20 or more employees are obliged to employ a certain number of persons with disabilities, depending on the total number of employees. An employer may be exempt from this obligation by executing payments towards special funds in the minimum amounts defined by law.

## CHART 1

*Unemployment rate in Serbia*



## CURRENCY

The official currency is the Serbian dinar (RSD). The average exchange rate is around 118.45 RSD for 1 euro.

## INTERNATIONAL BUSINESS

Serbia has not yet utilised all its resources, either geographically or in terms of its natural resources. There are significant untapped opportunities and it is only a matter of time before Serbia becomes a preferred destination for foreign investors.

Serbia has several treaties with countries worldwide:

- EU – interim trade agreement
- USA – generalised system of preferences
- Russia, Belorussia and Kazakhstan – free trade agreement
- CEFTA, EFTA, Turkey – free trade agreement.

The interim agreement between Serbia and the EU allows free export of all products originating from Serbia, meaning those that are fully manufactured in Serbia or which use materials that originate from EU countries, Turkey, or countries that are in the process of joining the EU.

A free trade agreement between Serbia and the EFTA countries (Norway, Liechtenstein, Iceland and Switzerland) allows Serbian exporters to export goods into these countries free of custom duties or other taxes.

The free trade agreement with the Russian Federation makes Serbia particularly attractive for foreign investors and manufacturers since Serbia is the only country outside the Commonwealth of Independent States which enjoys the benefits of duty-free trade with Russia. Goods produced in Serbia or those whose dominant value is added in Serbia (at least 50% more than the initial price) are considered to be of Serbian origin and are subject to 1% import tax on entering the Russian market.

Some of the key attractions for foreign investors in Serbia include:

- Access to a market of over seven million citizens (around nine million including Kosovo and Metohija)
- A location which borders the core of the EU and is within a growing eastern European market
- Investment incentives
- A skilled and competitive workforce
- Multilateral and bilateral conventions, significantly reducing or eliminating export/import costs.

## TAXATION

Serbia has become a very attractive destination for doing business due to operating costs, which are lower in Belgrade than in other large cities in central and eastern Europe. Serbia's tax system is highly conducive to investment. Apart from featuring the lowest tax rates in Europe, investments can benefit from possible tax incentives that create excellent start up conditions.

## 3 – FOREIGN INVESTMENT

### FOREIGN DIRECT INVESTMENT (FDI)

One of the most important goals of Serbia's development policy today is attracting foreign capital.

Administrative procedures have been reduced every year to allow Serbia to become more competitive in the marketplace. Foreign investors have a privileged position, with various supports from government and other development organisations.

Since 2000, Serbia has attracted more than EUR 27 billion of foreign direct investments and grown into one of the premier investment locations in Central and Eastern Europe. A list of leading foreign investors is topped by world-class companies and banks such as FIAT, Telenor, Stada, Microsoft, Coca-Cola, Delhaize, Michelin, Gazprom, Bosch, Siemens and Intesa Sanpaolo, among others.

Serbia's linked with the Eurozone through FDI and the banking sector. The EU accounts for about 63 percent of all FDIs in Serbia in 2016. According to FT (August 2017), Serbia has the best global performance index for greenfield FDI in the world.

TABLE 1

*Foreign direct investment (FDI), source National Bank of Serbia*

| YEAR | NET FDI (EUR MILLION) |
|------|-----------------------|
| 2016 | 2,080.228             |
| 2015 | 2,114.24              |
| 2014 | 1,500.450             |
| 2013 | 1,547.88              |
| 2012 | 1,008.81              |
| 2011 | 3,516.38              |
| 2010 | 1,278.41              |
| 2009 | 1,372.40              |
| 2008 | 1,820.40              |
| 2007 | 1,820.80              |

Serbia's strong FDI track record is substantiated by internationally recognised awards for local green field investors. During 2004–2006, green field projects in Serbia were awarded by the OECD as the largest investments of this type in south-east Europe. The first award was presented to Ball Packaging Europe (headquartered in USA), followed by METRO Cash & Carry (Germany) and Israeli Africa-Israel Corporation/Tidhar Group for their Airport City Belgrade real estate project.

Greenfield foreign investors announced 77 projects in Serbia in 2016, up from 57 in 2015. More than half (53%) of these projects were manufacturing based. Electronic components and automotive components were the country's most important sectors for greenfield FDI, followed by real estate and textiles.

In investment terms, the leading place is held by Italy, US, followed by Austria, Norway, Greece, Germany and France.

In spite of the global crisis, the inflow of foreign investment into Serbia in 2011 was the largest in the region. Serbia attracted more than €1.8 billion net worth of FDI, and that way more than doubled the amount from the year before. The net FDI inflows in cash and goods in 2012 amounted to around €670 million, which was the significant decrease. However, some of the main projects in 2012 included investments from Bosch, Cooper Tires, Swarovski, Magna Seating, Meggle and many others.

The net FDI increased in 2013 to the more than €1.2 billion, and in first 11 months of 2014 it amounted over €1.2 billion net. The main characteristic of this period are new investment projects of the investors already doing business in Serbia, such as NCR, Grammer, Leoni, Calzedonia, Tigat Tyres, Delhaize, KWS and others, but also investments of the Sika, Johnson Controls, Cooper Standard, etc.

The inflow of foreign direct investment (FDI) into Serbia rose to 2.6 billion euro (\$3.2 billion) in 2017 as a result of the country's improved business climate.

#### INVESTMENT REGULATIONS

Foreign investors are able to:

- Establish a new company (up to 100 % ownership)
- Purchase the shares of the existing company
- Obtain a permit (concession) for the use of natural resources, goods in general use or perform activities of common interest, in accordance with the law
- Obtain approval to build, operate and transfer (BOT) a facility or plant, as well as infrastructure and communication facilities
- Acquire any other property rights of foreign investors by which business interests can be realised.

Investment by foreign investors can be in foreign convertible currency, goods, intellectual property, securities and other property rights, RSD that can be transferred abroad (including reinvested earnings), or conversion into share or shares of the borrower. Non-monetary contributions must be measured in cash.

The guaranteed rights of foreign investors are the freedom of foreign investment, national treatment, legal certainty, the conversion and freedom of payments, the right to keep books in accordance with internationally accepted accounting and auditing standards, and the right to transfer profits and property.

The Development Agency of Serbia (RAS) is created as a one-stop-shop organisation for information and support. The main activity of RAS is to support micro, small and medium enterprises and entrepreneurs in order to strengthen the Serbian economy, support direct investment and export promotion, raising the reputation of Serbia and Regional Development. RAS acts as a reliable partner for international companies throughout their investment project to ensure the best results. Foreign buyers committed to the highest quality may rely on RAS' knowledge and expertise when looking for the right supplier.

#### EXCHANGE CONTROL

The rights of securities may freely be acquired and disposed of by domestic and foreign individuals and legal entities, unless a special law state otherwise.

Serbia has certain restrictions in terms of the flow of Serbian or foreign currency out of the country. When entering the country, residents and non-residents can freely bring in unlimited amounts of foreign and domestic currency, but amounts over EUR 10,000 must be reported to the Customs Authority. Foreigners may freely transfer funds abroad if all taxes have been duly paid in Serbia. Amounts exceeding EUR 10,000 can be returned abroad if they were reported when entering the country. Anti-money laundering regulations require that all financial transactions exceeding EUR 15,000 must be reported, as well as all currency exchanges above EUR 5,000.

### INCENTIVES

With a goal of attracting foreign investments, a special financial subsidies package was introduced for companies that invest in Serbia. The financial incentives described below are provided under the Decree on conditions and method for attracting direct investments.

The state grants are intended to be used for Greenfield and Brownfield projects in the following sectors:

- Manufacturing;
- Internationally marketable services; and
- Hotel services in areas designated as spa areas.

The following sectors/activities are not eligible for incentives:

- Software development activities, except when performed for the purposes of improving products, manufacturing processes and internationally marketable services;
- Transportation activities;
- Activities in the energy sector;
- Logistics activities;
- Hospitality and games of chance;
- Trade/retail sectors; and
- Projects which involve the production of synthetic fibres, coal and steel, tobacco and tobacco products, weapons and ammunition, shipbuilding (construction of certain sea merchant vessels), etc.

Non-refundable state funds are granted per new job created – new jobs have to be created within 3 years from the day the request for the incentive is submitted (this period may be prolonged subsequently up to 5 years).

Investors can choose the basis on which the amount of funds will be determined and granted as:

- Eligible costs of expenditures for fixed and intangible assets or
- 20% to 40% of the eligible 2-year gross salary costs for new jobs created (with maximum amount per new job ranging from EUR 3,000 to 7,000).

Eligible costs for investing in intangible assets are determined in the amount of up to 50% of the total eligible costs for large enterprises and 100% of the total eligible costs for SME's.

If investors decide to use the granted funds for covering eligible salary costs, an additional 10% to 30% of the amount of eligible costs for fixed assets may be granted.

Furthermore, if the incentive is granted for labour intensive projects (at least 200 new jobs are created), additional 10% to 20% of the eligible 2-year gross salary costs for new jobs created may be granted, depending on the number of new vacancies.

The following are the minimum requirements for manufacturing investment projects in:

- 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 fisheries sector, in which the minimum value of investment is EUR 2.000.000 providing at least 25 new jobs.

**Types of incentives that can be allocated:**

- **Incentives for eligible costs of gross salaries for new jobs** - 20% (for the I of municipalities), 25% (for group II) and 30% (for group III), 35% (for IV group) and 40% (for devastated regions) the eligible costs of gross salaries from the Article 3. of this Decree. 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 municipalities), 20% (for III group of municipalities), 25% (for the IV group of municipalities) and 30% (for devastated regions).
- **Additional incentives for labour-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 total amount of funds that may be awarded in accordance with this Decree and other incentives is determined in absolute terms, having in mind that the upper limit may not exceed the amount that is allowed to assign the state grants, in accordance with the regulations governing the rules for granting state grants.

The maximum amount of funds that can be allocated for attracting direct investments shall be determined in accordance with the regulations and criteria of this Decree. In determining the amount of funds that can be allocated, the cumulative pre-approved state grants are taken into consideration, in accordance with the regulations governing the rules for granting state grants.

As an additional benefit for companies to streamline their operations, many municipalities offer the possibility of operating within designated industrial zones. Such zones offer advantages such as a streamlined process for obtaining land, favourable geographic locations and ready-to-use infrastructure. There are 14 free zones currently operating in the country: Subotica, Novi Sad, Zrenjanin, Sabac, Kragujevac, Uzice, Smederevo, Krusevac, Svilajnac, Apatin, Vranje, Priboj, Belgrade and Pirot.

The following are the fiscal benefits of a free zone:

- Entry of goods into the free zone, as well as transport and other services which are directly related to the entry of goods are zero-rated for VAT purposes;
- Supply of goods and services within the free zone is zero-rated for VAT purposes;
- The supply of electricity and/or piped gas to free zone users is zero-rated for VAT purposes;
- Exemption from payment of customs and other import duties for goods intended for carrying out activities and construction of facilities in the free zone (raw materials, equipment, construction materials);
- Within free zones, exemption from certain local fees and taxes is also available (local municipality incentives).

## REAL ESTATE

A foreign natural person or legal entity that is engaged in business activities in Serbia can purchase construction land and buildings in the Republic of Serbia necessary for its business operations, subject to reciprocity i.e. the terms of treaties to which Serbia is a party. In practice, a foreign entity should register some form of legal presence in Serbia (e.g. subsidiary, representative office, branch office, etc.) in order to acquire real estate directly. Foreign natural persons, who are not engaged in business activities in Serbia can acquire apartments or residential buildings in Serbia just like a domestic citizen, subject to reciprocity. Foreigners are explicitly banned from acquiring ownership of agricultural land. However, if a foreign person or entity establishes a company in Serbia, that company is treated in the same manner as any other local entity acquiring land and buildings, regardless of the origin of the founder or its controlling share. Therefore, foreign persons and entities may indirectly own real estate in the Republic of Serbia through their Serbian companies without any distinguishing limitations.

The following countries have this right: Argentina, Austria, Australia, Bahrain, Belgium, Belize, BiH, Brazil, Bulgaria, the British Virgin Islands, Great Britain,, Greece, Denmark, Egypt, Ecuador, Iran, Italy, Ireland, Israel, Japan, Jordan, Armenia, South Africa, Canada, China, Kazakhstan, Cyprus, Lebanon, Lithuania, Lichtenstein, Latvia, Luxemburg, Hungary, Malta, Mexico, Morocco, Moldavia, Germany, New Zealand, Norway, Panama, Peru, Poland, Portugal, Romania, Russia, USA, Singapore, Syria, Slovakia, Slovenia, Turkey, Ukraine, Uzbekistan, Finland, France, Holland, Croatia, Montenegro, the Czech Republic, Switzerland, Sweden, Spain and UAE.

## 4 – SETTING UP A BUSINESS

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### TYPES OF BUSINESS ENTITIES IN SERBIA

Foreign legal entities incorporate a company in the form of:

- Joint stock company (a.d.)
- Limited liability company (d.o.o.)
- Limited partnership (k.d.)
- General partnership (o.d.).

The most common and practical company type is a limited liability company, which requires only RSD 100 for incorporation (less than EUR 1,00).

Businesses can be also registered as:

- Entrepreneurs
- Representative offices
- Branches

### REGISTRATION PROCEDURE OF A LIMITED LIABILITY COMPANY

For ease of starting a new business, Serbia is ranked 43 on the World Bank's list for doing business 2018 which is a real increase compared to last year, with the most significant reform recorded in the fields of issuing construction permits and ease of paying taxes. Serbia's advantages are the short period of time and low costs related to starting up a new business.

The registration of a company may be considered as not demanding and time consuming. In general, there are several steps in the process of establishing and registering a business in Serbia. The registration procedure is as follows:

- 1) Notarize the memorandum of association. Notarization is conducted before the public notary, based on the previously obtained notarized power of attorney. Please note that apostil or full legalization of the power of attorney may be required unless there is a bilateral agreement signed with the country of origin:
  - The time required for notarization of memorandum of association should be completed within one day after obtaining required power of attorney.
  - Administrative cost associated to the notarization may differ based on the type of share capital of the company, number of signatories and notarized copies.
- 2) Pay registration fees:
  - The time required to pay the registration fee is one day
  - The administrative incorporation fee is RSD 5,900 (RSD 4,900 + RSD 1,000)
- 3) Rendering the decision on incorporation of the company by the competent commercial registry, obtaining Registration certificate numbers and Tax identification number
  - The time to complete this is five days after the submission of the incorporation request, if all the documents are in order

- Administrative registration fee includes obtaining registration certificate number and tax identification number

#### 4) Stamp and seal:

- The time to complete this is one day
- The associated cost is RSD 1,500 - RSD 3,000

#### 5) Register with the local tax authority:

- The time to complete this is five days
- Administrative registration fee includes obtaining registration certificate number and tax identification number

## 5 – LABOUR

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### EMPLOYMENT

Serbia has a highly educated workforce, which is very cheap compared with other European countries.

Serbian labour in the 21st century has been following the modern trends, and many young people now study abroad. This raises the level of their knowledge on their return, especially for foreign languages.

In 2015 the labour force was estimated at 3.1 million; 19.4% worked in agriculture, 24.4% in industry, and 56.2% in services. The unemployment rate has been in double digits throughout the post-communist era, reaching peak at about 25% during the early and late 2000s. Since then, the rate has decreased substantially, with the creation of new jobs in primarily private sector, reaching 14.7% in 2017.

### EMPLOYMENT CONTRACTS

Relationships between employers and employees in Serbia are mostly regulated by the Labour Law. There are also several other institutions which are responsible for protecting workers' rights.

An employment contract may be concluded for an indefinite or fixed term. The employment contract shall be concluded before the employee starts work and in writing. The contract must include type and level of qualification of the employee, the type and description of jobs to be performed, the location of the employment, the amount of base salary and elements for determining fringe benefits.

### EMPLOYERS' CONTRIBUTIONS

#### RETIREMENT AND DISABILITY INSURANCE

The Law on Retirement and Disability Insurance regulates the compulsory retirement and disability insurance. Retirement and disability insurance assures rights to certain benefits in cases of certain risks stipulated by law.

## HEALTH INSURANCE

The area of health insurance is regulated by the Law on Health Insurance, the Law on Health Care and other by-laws. The Law on Health insurance defines the circle of contributors, as well as the scope and contents of the rights within the framework of the system of compulsory health insurance, all in the aim of providing social security for the citizens of Serbia.

## UNEMPLOYMENT INSURANCE

The Law on Employment and Unemployment Insurance and other by-laws regulate the area of unemployment insurance. Compulsory unemployment insurance assures the right to pecuniary benefit, the right to health insurance and the right to retirement and disability insurance, as well as other rights in accordance with the law.

TABLE 4

*Contributions*

|                                  | EMPLOYER     | EMPLOYEE     |
|----------------------------------|--------------|--------------|
| Pension and disability insurance | 12%          | 14%          |
| Health insurance                 | 5.15%        | 5.15%        |
| Unemployment contributions       | 0.75%        | 0.75%        |
| <b>Total contributions</b>       | <b>17.9%</b> | <b>19.9%</b> |

The nominal value of salary is used as a base from which the fixed amount of RSD 15,000 is deducted. This reduced base is used for the income tax of 10% and it falls on employees.

## EMPLOYMENT OF FOREIGNERS

Work permits are required for foreigners employed in Serbia and are issued with a validity of three to 12 months. An application for a work permit is submitted in person or by mail to the National Employment Agency in Belgrade. The average time for obtaining a work permit is two days. Work permits can be renewed without obstacles and the procedure is identical with the first application.

Steps for obtaining a work permit are:

- Getting a temporary residence permit issued by the Ministry of Interior affairs
- Application by the company
- Application by the individual
- A work permit issued by the National Employment Agency.

A foreigner can sign the work contract without a work permit (but with a temporary residence permit), on the grounds of performing expert work, defined by existing agreements on business cooperation, long-term manufacturing cooperation, technology transfer and/or foreign investments.

## 6 – TAXATION

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Serbia's tax administration is carried out by an administration organisation within the Ministry of Finance.

Tax residents in Serbia are liable to pay Serbian tax on their worldwide income. Non-tax residents in Serbia are liable to pay tax on their Serbian-source income only.

Individuals will be considered as tax residents:

- If they have a registered domicile in Serbia or their centre of vital interest is in Serbia; or
- If they stay in the Serbia for 183 days or more in a 12-month period, that begins or ends in the relevant tax year.

### CORPORATION TAX

The corporate income tax rate in Serbia is among the lowest in Europe and is currently set at 15%.

Resident companies are companies incorporated or having their place of effective management or control in Serbia. A resident company is taxed on its worldwide taxable income. Non-resident companies are taxed on its Serbian sourced income generated by their permanent establishment. Withholding tax is levied on passive revenues earned by non-residents (dividends, interest, royalties) but also on active business income such as lease of real estate or movable goods on the territory of Serbia and certain services provided to Serbian legal entities.

A foreign corporate investor may operate in Serbia in one or more of the following ways, each of which carries different tax implications:

- The acquisition of Serbian property without actively engaging in a Serbian-based trade or business
- The establishment of a representative office in Serbia which would perform preliminary and preparatory activities for its headquarters;
- The establishment of a Serbian branch office, which will conduct an active business
- The establishment of a subsidiary.

### WITHHOLDING TAXES

**Dividends** – Dividends paid by a resident legal entity to a non-resident legal entity are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty.

**Interest** – Interest paid by a resident legal entity to a non-resident legal entity is subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. Payments made to a legal entity from a preferential tax jurisdiction are subject to a 25% withholding tax.

**Royalties** – Royalties paid by a resident legal entity to a non-resident legal entity are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. Payments made to a legal entity from a preferential tax jurisdiction are subject to 25% withholding tax.

**Services** – Service fees paid by a resident legal entity to a non-resident legal entity for market research, audit and accounting services as well as services in the area of legal and business consulting, regardless of the place where such services are rendered or used, are subject to a 20% withholding tax, unless otherwise provided under a tax treaty. Service fee paid to a legal entity from a preferential tax jurisdiction are subject to a 25% withholding tax, regardless of the type of service.

**Other** – Payments made to a non-resident legal entity for the lease of movable or immovable property located in Serbia are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. Payments made to a legal entity from a preferential tax jurisdiction are subject to a 25% withholding tax.

#### NON-RESIDENTS ENGAGED IN A TRADE OR BUSINESS IN SERBIA

Non-residents companies performing activities through a permanent establishment are taxed at the same rates as local resident companies, on income attributable to such permanent establishment.

Profits attributed to the permanent establishment will be subject to a 15% corporate income tax. No remittance tax is imposed on the withdrawal of income for the permanent establishment to the founding entity abroad. Special regimes may apply to legal entities from preferential tax jurisdictions.

#### TAXABLE INCOME

Taxable income consists both of business income and capital gains. Tax base is based on the income statement, adjusted for tax purposes in the tax balance sheet.

#### TAX HOLIDAYS

Tax holiday is available for 'Large Investor Companies', which are then exempt from corporate income tax in proportion to their investment for a period of ten years starting from the first year in which they report a taxable profit if:

- They invest in fixed assets an amount exceeding RSD 1 billion (approximately EUR 8.2 million), and
- They hire at least 100 additional full-time employees during the investment period.

#### CARRYING FORWARD OF LOSSES

Tax loss assessed in the tax return can be carried forward and offset against future profits over a period of five years. Capital losses can also be carried forward for five years. **Regular losses cannot offset capital gains and capital losses cannot offset regular profits.**

#### CAPITAL GAINS

Capital gains assessed by resident companies are subject to the general 15% corporate income tax rate and declared in the corporate income tax return. Capital gains of non-resident legal entities are subject to a 20% tax rate, unless otherwise provided under an applicable tax treaty. Capital gains tax for non-resident entities is payable based on the tax assessment.

#### PROPERTY TAX

Property tax is levied on immovable property located in Serbia. Tax base depends on the type of the taxpayer and whether the taxpayer keeps books based on the fair values model. Tax rate depends on the location of the property, but should not exceed 0.4%.

#### TRANSFER TAX

Tax at 2.5% rate applies on transfer of property for consideration, including immovable property, intellectual property, etc. Property tax law provides for exemptions in certain cases (e.g. if VAT is due on the transfer, no transfer tax will be due).listed in the Property Tax Law, i.e. the transfer of real property, intellectual property, etc. where no VAT is charged.

## PERSONAL INCOME TAX

Depending on the type of the personal income a tax payer acquires, depends the applicable tax rate.

Personal income tax is the obligation of the individuals on different sources of income generated throughout the calendar year. Taxable income includes employment income, from self-employment, royalties and industrial property rights, income from capital, rental income, capital gain income and other income.

Taxpayers are both tax residents of Serbia on their worldwide income and non-residents with respect to their Serbian sourced income.

## ANNUAL INCOME TAX

Subject to annual income tax return filing are all tax payers in Serbia (tax residents and non-residents) if their total net income (worldwide for tax residents and Serbian sourced for non-residents) in calendar year exceeds non-taxable threshold which is three average annual salaries in Serbia.

Income subject to annual income tax includes income derived from employment (salary and benefits in cash and kind), as well as income from other sources (income from self-employment, income from royalties and industrial property rights, rental income, lease of movable properties, sportspersons income, other income). Income from interest and dividends and capital gains are exempted from annual income taxation.

In addition, a taxpayer has the right to claim the following deductions:

- Personal deduction – 40% of the average annual salary paid in Serbia
- Deduction for supported family members – 15% of the average annual salary paid in Serbia

The deductions cannot exceed 50% of the taxable income.

Annual income tax is levied at the rates of 10% or 15% for certain level of your income. Taxable is only the portion of total net income above the non-taxable amount.

## OTHER TAXES

### PROPERTY TAX

The property tax rate depends from the fact whether the taxpayer keeps business records. For taxpayers that keep business records, the property tax rate amounts up to 0.4%. For taxpayers that do not keep business records, the property tax rate is progressive and depends from the tax base.

In general, the property tax is levied on immovable property located on the territory of Serbia, i.e. on ownership rights, long term lease of apartment or residential building (for a period longer than one year), right to use and usage of immovable property in public property, right to use construction land with an area of more than ten acres, etc. In this respect, immovable property is considered to be residential and commercial building, office space, garage, other buildings and land (construction land, agricultural land, forest land and other types of land).

TABLE 5  
Tax rates

| TAX BASE                  | TAX RATE  |
|---------------------------|---|
| Up to RSD 10,000,000      | Up to 0.4%  |
| RSD 10,000,000–25,000,000 | RSD 40,000 + 0.6% for amount above RSD 10,000,000 |
| RSD 25,000,000–50,000,000 | RSD 130,000 + 1% for amount above RSD 25,000,000  |
| Above RSD 50,000,000      | RSD 380,000 + 2% for amount above RSD 50,000,000  |

#### VALUE ADDED TAX (VAT)

A VAT-payer is a legal or a natural person, including a foreign entity that makes supplies of goods and/or services independently, while performing a business activity.

Value added tax (VAT) is levied on the supply of goods and services in Serbia and on the importation of goods at the general rate of 20%. There are also certain supplies taxed using the special rate of 10% due to social reasons (food, medicines, wood briquettes and pellets), transfer of the right of disposal over residential property (residential buildings as well as estates within them), etc.

The VAT base for the supply of goods and services is the amount of consideration (in money, objects of property or services) that is received or should be received by a VAT payer for the goods delivered or services rendered. The VAT base also includes:

- 1) Excise, customs and other import duties, as well as other public revenues, except VAT;
- 2) All auxiliary costs that the supplier charges to the goods or services recipient.

The VAT base does not include discounts and other price reductions granted at the moment of supply of goods or services.

On the other hand, there are certain transactions that are exempt from VAT, and others that are zero-rated under the Law on Value Added Tax.

The following transactions are zero-rated (with the right to deduct input VAT):

- Export of goods;
- Entry of goods into a free trade zone, transportation and other services directly connected to this entry and trade of goods and services within the free trade zone;
- Trade of goods that are in the customs warehousing procedure;
- Transportation and other services that are directly connected to exports, transit or temporary imports of goods;
- Goods which are, under the customs procedure, temporarily imported and then again exported, as well goods placed under the customs procedure of inward processing with the application of deferral system.

The following transactions are exempt (without the right to deduct input VAT):

- Banking, financing and insurance services.
- Supply of land (agricultural, forest, construction sites – with or without structures), as well as the letting of such land;
- Supply of buildings, except for the first transfer of the right of disposal of newly built buildings, where it was agreed between two VAT registered entities that VAT will be calculated for this supply, provided that the acquirer may fully deduct the output VAT as input VAT;
- Transfer of shares, securities, postal securities;
- Healthcare and educational services;
- Supply of goods and services for which the VAT payer did not have the right to deduct input VAT, etc.

Most Serbian taxpayers are required to submit VAT returns on a monthly basis if their turnover in the previous 12 months or forecasted turnover for the following 12 months exceeds RSD 50 million. If turnover is less than RSD 50 million, a tax return should be filed quarterly.

#### VALUE ADDED TAX EXEMPTION IN FREE ZONES

Income generated through commercial activities in free zones in Serbia is exempted from value added tax. There are 14 free zones currently operating in the country: Subotica, Novi Sad, Zrenjanin, Sabac, Kragujevac, Uzice, Smederevo, Krusevac, Svilajnac, Apatin, Vranje, Priboj, Belgrade and Pirot. Foreign companies can establish a privately owned company in a free zone, subject to project approval by the government.

#### DOUBLE TAXATION TREATIES

##### AVOIDING DOUBLE TAXATION

If a taxpayer has already paid tax on profits generated abroad, they are entitled to a corporate profit tax credit in Serbia to the already paid amount. The same right is enjoyed by a taxpayer who earns revenue and pays personal income tax in another country, provided there is a double taxation treaty with that country.

##### SERBIAN DOUBLE TAXATION TREATIES – EFFECTIVE AS AT 1 JANUARY 2016

The list of effective double taxation treaties between the Republic of Serbia and other countries is expanded for one new contracting state starting from 1 January 2016.

Namely, as of 1 January 2016 the new double taxation treaty concluded between the Republic of Serbia and the Kingdom of Norway is effective.

The new double taxation treaty replaced the previous treaty that was concluded in 1983 between the former Socialist Federative Republic of Yugoslavia and the Kingdom of Norway.

### List of effective double taxation treaties

The list of 54 countries with which the Republic of Serbia has effective double taxation treaties as at 1 January 2016 is presented below together with the breakdown of effective withholding tax rates on dividends, interest and royalties:

TABLE 6

| No. | Country                | Dividends* | Interest | Royalties |
|-----|------------------------|------------|----------|-----------|
| 1   | Albania                | 5/15       | 10       | 10        |
| 2   | Austria                | 5/15       | 10       | 5/10**    |
| 3   | Azerbaijan             | 10         | 10       | 10        |
| 4   | Belarus                | 5/15       | 8        | 10        |
| 5   | Belgium                | 10/15      | 15       | 10        |
| 6   | Bosnia and Herzegovina | 5/10       | 10       | 10        |
| 7   | Bulgaria               | 5/15       | 10       | 10        |
| 8   | Canada                 | 5/15       | 10       | 10        |
| 9   | China                  | 5          | 10       | 10        |
| 10  | Croatia                | 5/10       | 10       | 10        |
| 11  | Cyprus                 | 10         | 10       | 10        |
| 12  | Czech Republic         | 10         | 10       | 5/10***   |
| 13  | Denmark                | 5/15       | 10       | 10        |
| 14  | Egypt                  | 5/15       | 15       | 15        |
| 15  | Estonia                | 5/10       | 10       | 5/10***   |
| 16  | Finland                | 5/15       | 0        | 10        |
| 17  | France                 | 5/15       | 0        | 0         |
| 18  | FYROM (Macedonia)      | 5/15       | 10       | 10        |
| 19  | Georgia                | 5/10       | 10       | 10        |
| 20  | Germany                | 15         | 0        | 10        |
| 21  | Greece                 | 5/15       | 10       | 10        |
| 22  | Hungary                | 5/15       | 10       | 10        |
| 23  | India                  | 5/15       | 10       | 10        |
| 24  | Iran                   | 10         | 10       | 10        |
| 25  | Ireland                | 5/10       | 10       | 5/10***   |
| 26  | Italy                  | 10         | 10       | 10        |
| 27  | Kuwait                 | 5/10       | 10       | 10        |
| 28  | Latvia                 | 5/10       | 10       | 5/10**    |
| 29  | Libya                  | 5/10       | 10       | 10        |
| 30  | Lithuania              | 5/10       | 10       | 10        |
| 31  | Malaysia               | 20****     | 10       | 10        |
| 32  | Malta                  | 5/10       | 10       | 5/10**    |
| 33  | Moldova                | 5/15       | 10       | 10        |

|    |                            |            |          |           |
|----|----------------------------|------------|----------|-----------|
| 34 | Montenegro                 | 10         | 10       | 5/10**    |
| 35 | Netherlands                | 5/15       | 0        | 10        |
| 36 | North Korea                | 10         | 10       | 10        |
| 37 | Norway                     | 5/10       | 10       | 5/10**    |
| 38 | Pakistan                   | 10         | 10       | 10        |
| 39 | Poland                     | 5/15       | 10       | 10        |
| 40 | Qatar                      | 5/10       | 10       | 10        |
| 41 | Romania                    | 10         | 10       | 10        |
| 42 | Russia                     | 5/15       | 10       | 10        |
| 43 | Slovak Republic            | 5/15       | 10       | 10        |
| 44 | Slovenia                   | 5/10       | 10       | 5/10**    |
| 45 | Spain                      | 5/10       | 10       | 5/10***   |
| 46 | Sri Lanka                  | 12.50      | 10       | 10        |
| 47 | Sweden                     | 5/15       | 0        | 0         |
| 48 | Switzerland                | 5/15       | 10       | 0/10***** |
| 49 | Tunisia                    | 10         | 10       | 10        |
| 50 | Turkey                     | 5/15       | 10       | 10        |
| 51 | Ukraine                    | 5/10       | 10       | 10        |
| 52 | United Arab Emirates (UAE) | 0/5/10**** | 0/10**** | 10        |
| 53 | United Kingdom             | 5/15       | 10       | 10        |
| 54 | Vietnam                    | 10/15      | 10       | 10        |

\* If the recipient company holds at least 25% (20% in the treaty with Switzerland, 5% in the treaty with UAE) of the ownership stakes/shares in the paying company, the lower of the two rates shown will apply.

\*\* **5% rate** is applicable for the use of or the right to use copyright of literary, art or scientific work, including cinematography films and films or tapes for television and radio.

**10% rate** is applicable for the use of or the right to use patent, trademark, draft or model, plan, secret formula or process or for the use of or the right to use industrial, commercial or scientific equipment or for the information regarding the industrial, commercial or scientific experience (know-how).

\*\*\* **5% rate** is applicable for the use of or the right to use copyright of literary, art or scientific work, except for computer software, including cinematography films.

**10% rate** is applicable for the use of or the right to use patent, trademark, draft or model, plan, secret formula or process, as well as computer software, or for the use of or the right to use industrial, commercial or scientific equipment or for the information regarding the industrial, commercial or scientific experience (know-how).

\*\*\*\* **10% rate** is applicable if the payer is resident of Malaysia, whereas **20% rate** is applicable if the payer is resident of Serbia.

\*\*\*\*\* **0% rate** will apply if it is paid to the government of the contracting state (or to its political subdivisions or local authorities). In case of dividend payments made by Serbian tax residents to tax residents of the UAE, the Protocol provides for the specific list of entities to which **0% rate** on dividends is applicable.

\*\*\*\*\* In accordance with the Protocol to the Treaty, the **10% rate** will not be applied as long as Switzerland does not impose withholding tax on royalties. Until that moment, royalties would be taxable only in the contracting state whose resident is the beneficial owner.

#### EXCISE DUTIES

Special excise duties apply to the following:

- Mineral oils
- Alcohol
- Tobacco products
- Coffee
- Imported refreshing (non-alcoholic) beverages.

## 7 – ACCOUNTING & REPORTING

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Accounting in Serbia is governed by the Accounting Law.

Regulation of accounting in Serbia includes the following areas in the Law:

- The mode of keeping the books of account
- Recognition and valuation of assets and liabilities, income and expenditures
- The compilation and displaying of submissions, and the disclosure and processing of annual financial statements
- Conditions for and mode of auditing financial statements and internal auditing.

#### ACCOUNTING IN SERBIA

Business entities in Serbia can independently perform accounting and bookkeeping tasks.

Accounting can be carried out by employees delegated to perform accounting tasks and must follow rules which regulate the general degree, work experience and other requirements for these employees.

Alternatively, business entities in Serbia can contract out their accounting services under provisions of the law to other business entities in Serbia which are registered for the provision of accounting services. The employees of these companies are then entrusted with maintaining accounting records and preparing financial statements and meeting the requirements of by-laws (accounting agency, bookkeeping agency, company for accounting services, etc.).

However, this option does not apply to banks and other financial institutions, insurance companies, financial leasing providers, pension funds, companies for the management of voluntary pension funds, investment funds, companies for the management of investment funds, stock exchanges and broker-dealers companies.

The deadline for the recording of accounting documents is extended in a way that the document shall be submitted for bookkeeping within three working days (instead of three days) of the day of transaction or the date of receipt, and bookkeeping shall be conducted within five work days (instead of five days) of the day of submission.

## CLASSIFICATION OF LEGAL ENTITIES IN SERBIA

Legal entities in Serbia are classified as micro, small, medium and large-sized companies, depending on the average number of their employees, annual income and the value of assets as of the date of compilation of financial statements in a financial year.

TABLE 7

| Size                  | Criteria                          | From           | To             |
|-----------------------|-----------------------------------|----------------|----------------|
| 1                     | 2                                 | 3              | 4              |
| Micro legal entities  | Average number of employees       | -              | 10             |
|                       | Business income                   | -              | EUR 700,000    |
|                       | Average value of operating assets | -              | EUR 350,000    |
| Small legal entities  | Average number of employees       | 10             | 50             |
|                       | Business income                   | EUR 700,000    | EUR 8,800,000  |
|                       | Average value of operating assets | EUR 350,000    | EUR 4,400,000  |
| Medium legal entities | Average number of employees       | 50             | 250            |
|                       | Business income                   | EUR 8,800,000  | EUR 35,000,000 |
|                       | Average value of operating assets | EUR 4,400,000  | EUR 17,500,000 |
| Large legal entities  | Average number of employees       | 250            | -              |
|                       | Business income                   | EUR 35,000,000 | -              |
|                       | Average value of operating assets | EUR 17,500,000 | -              |

- Legal entities shall be classified as **micro** entities if they **do not exceed two** criteria listed in column 4 of the table.
- Legal entities shall be classified as **small** and **medium** entities if they **exceed two criteria** listed in column 3 of the table, but **do not exceed two criteria** listed in column 4 of the table.
- Legal entities shall be classified as **large** entities if they **exceed two criteria** listed in column 3 of the table.

**Newly established legal entities** shall be classified on the basis of data from financial statements for the year in which they were established and the number of operating months, while determined data shall be used for current and for the following financial year.

The National Bank of Serbia, banks and other financial institutions which are supervised, according to the law, by the National Bank of Serbia; insurance companies; financial leasing providers; voluntary pension funds; companies managing voluntary pension funds; open and closed investment funds; investment funds' management companies; stock exchanges and broker-dealer companies; as well as factoring companies in terms of this law **shall be considered as large entities**.

TABLE 8

*Size of company – legal definitions*

| CRITERIA                      | MICRO             | SMALL                 | MEDIUM                   | LARGE               |
|-------------------------------|-------------------|-----------------------|--------------------------|---------------------|
| Average no. of employees      | Up to 10          | 10–50                 | 50–250                   | Over 250            |
| Operating income              | Up to EUR 700,000 | EUR 700,000–8,800,000 | EUR 8,800,000–35,000,000 | Over EUR 35,000,000 |
| Average value of total assets | Up to EUR 350,000 | EUR 350,000–4,400,000 | EUR 4,400,000–17,500,000 | Over EUR 17,500,000 |

#### FINANCIAL STATEMENTS

Financial records, financial statements, annual reports, the decision on adoption of financial statements, the auditor's report, the decision on profit distribution and other financial information should be prepared in Serbian language.

Financial statements (separate and consolidated) of all legal entities prepared in accordance with the IFRS or IFRS for SMEs, should include:

- Balance sheet
- Income statement
- Cash flow statement
- Statement on changes in equity
- Statement on comprehensive income
- Notes to the financial statements.

Micro legal entities should prepare a balance sheet and an income statement.

Financial statements should be registered into the Register of Financial Statements of the Serbian Business Registers Agency (SBRA). **The Register of Financial Statements** started its activity within the Serbian Business Registers Agency on 1 January 2010. With the new Law on Accounting, which came into effect in July 2013, a set of novelties was introduced in the domain of financial reporting, starting from 2015. The most important novelty is the electronic filing of financial statements with the Serbian Business Registers Agency, with the qualified electronic signature of the authorized representative. At the same time, the volume of financial reporting data is aligned with the financial power of the filing entity, while data for statistical and other needs are delivered separately from the financial statements. **The database for statistical needs** is a centralized and integrated electronic database of computationally harmonized data from the reports for statistical needs that include the balance sheet, income statement and statistical annex, which are filed with the SBRA by legal entities and entrepreneurs for the business

year that corresponds to the calendar year. The reports for statistical needs should be filed with the SBRA up to the end of February of the following year for the previous year.

Legal entities and entrepreneurs need to submit their final financial statements for the previous year to the SBRA by the June 30<sup>th</sup> of the current year.

## AUDIT

Auditing in Serbia is governed by the Law on Audit.

The objective of auditing financial statements is to enable the auditor to express an opinion on whether the financial statements have been prepared in accordance with the International Accounting Standards/ International Financial Reporting Standards.

Auditing of financial statements is compulsory for large and medium-sized legal entities, as well as issuers selling their long-term securities by public offering. Audits shall be conducted every year on the basis of information in respect of the classification of legal entities for the previous year. Issuers of securities are required to obtain an auditor's report for the year preceding the year in which the securities are issued.

Audits shall be conducted in accordance with the Law on Audit, the International Standards of Auditing (ISA) and the Code of Ethics for Professional Accountants. Financial statements shall be audited by certified auditors employed by auditing firms. A competent body of the legal entity shall make the decision on the choice of auditing firm.

Audit companies are obligated to replace a licensed certified auditor at least every seven years.

Audits shall be conducted on the basis of a written agreement concluded no later than September 30 of the year to which audit relates to. Audits shall be conducted against the payment of an agreed fee where such a fee is determined by the Contract on audit services.

Supervision of legal entities in terms of the control of accounting records and keeping a general ledger is conducted by the Tax Authorities in accordance with the Law on Tax Procedure and Administration.

A new requirement is that companies which did not have any business activities during the year, and do not have any assets or liabilities within its financial statements, are obliged to submit a statement of inactivity by the end of February of the following year to the Serbian Business Register Agency.

## 8 – UHY REPRESENTATION IN SERBIA

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### CONTACT DETAILS

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Kosovska 1  
Belgrade  
Serbia  
Tel: + 381 11 334 11 90  
Fax: + 381 11 334 05 94  
www.uhy-ekirevizija.rs

Year established: 1995  
Number of partners: 1  
Total staff: 16

### CONTACTS

Liaison contact: Jasmina Macura  
Position: Director/Managing Partner  
Email: jasmina.macura@uhy-ekirevizija.rs

### BRIEF DESCRIPTION OF FIRM

Established in 1995, the firm has maintained a goal of becoming one of the largest local auditing firms in Serbia, providing services of superior value and quality to both domestic and foreign companies. After more than 20 years of operations, our financial results, market position and brand are the best evidence of our overall success.

Our service portfolio rests on two pillars: audit and audited-related services. However, we also offer a broad variety of business advisory offerings, which we have been passionately developing in the last several years. We are also proud of the fact that we competently deliver services to a number of industries and are well accepted by public sector institutions.

We continue to strive to further diversify our service portfolio, increase our market share, and upgrade the quality of our offerings.

### SERVICE AREAS

Audit & Assurance  
Corporate Finance  
Business Advisory  
Tax Consultancy  
Mergers & Acquisitions

### SPECIALIST SERVICE AREAS

Due diligence  
Advice on starting a business in Serbia

### PRINCIPAL OPERATING SECTORS

Manufacturing  
Trading  
Pharmaceuticals  
Public sector  
Agriculture  
Food processing

Construction  
Hotels and Sports

### **LANGUAGES**

Languages of the former Yugoslav Republic and English.

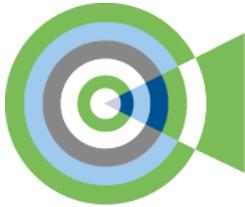
### **CURRENT PRINCIPAL CLIENTS**

MPP Jedinstvo a.d., Sevojno  
Lesaffre RS d.o.o., Beograd  
Agromarket d.o.o., Kragujevac  
E-Smart d.o.o., Beograd  
Železnice Srbije a.d., Beograd  
Pharmanova d.o.o., Beograd  
Galenika fitofarmacija d.o.o., Beograd  
Privredna komora Srbije  
Olimpijski komitet Srbije

### **BRIEF HISTORY OF FIRM**

UHY REVIZIJA was founded by the Economics Institute in Belgrade; it operates as an independent legal entity. UHY REVIZIJA utilizes the extended knowledge and experience of its managers and staff relying on the experience and human resources of Economics Institute in Belgrade, where the UHY REVIZIJA staff gained their initial experience in auditing. In addition, our managing director and two senior partners used to work at Deloitte, Belgrade, for a number of years, where they worked on a significant number of complex engagements.

In recent years, the company has steadily increased its audit client base and diversified its portfolio of services through a number of financial due diligence projects for both domestic and foreign investors, as well as accounting and consulting services.



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## LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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