

*Decree on Determining the  
Criteria for Granting  
Incentives for Attracting  
Direct Investments in  
Automation of Existing  
Capacities and Innovation  
("Official Gazette of the  
Republic of Serbia", No.  
18/2022)*

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In the Official Gazette of the Republic of Serbia No. 18 from 11 February 2022, the Decree on Determining the Criteria for Granting Incentives for Attracting Direct Investments in Automation of Existing Capacities and Innovation (hereinafter: the "**Decree**") was published and entered into force on the eighth day from the date of its publication in the Official Gazette of the Republic of Serbia, i.e. on **19 February 2022**.

Companies engaged in manufacturing activities in areas of high added value (production of chemicals, pharmaceuticals and preparations, electrical equipment, computers, motor vehicles, rubber and plastic products, etc.) can apply for subsidies to cover automation costs of production processes or the cost of introducing innovations.

Therefore, the subsidy can be received by a small, medium or large company incorporated in Serbia that has been performing manufacturing activities related to the investment project for at least two years, and which applies for the allocation of funds before the start of the project implementation.

In addition, there are additional conditions that need to be met. Namely, the total investments of the company must be at least 5,000,000 euros, with the company having to provide at least 25% of eligible costs from its own funds.

The Decree defines eligible costs as investments in tangible and intangible assets, in accordance with the contract on the allocation of incentive funds (hereinafter: the "**Contract**").

Therefore, the eligible costs are the costs of renting business premises in which the investment project is implemented, the costs related to the acquisition of leased property (in the form of financial leasing with the obligation to purchase property at the end of the lease period), investments in equipment that is directly related to the investment project, etc.

The maximum amount of subsidy depends on the type of company - up to 50% of eligible costs for large companies, up to 60% for medium and up to 70% for small companies.

Therefore, the company that intends to apply for the subsidy needs to submit an application on the prescribed form to the Development Agency of Serbia, in Serbian. On the basis of the application, the Agency performs an expert analysis of the investment project as well as an analysis of the possible amount of the subsidy.

The deadline for the completion of the investment project is up to three years from the day of submitting the application for the subsidy, with possibility to extend the Contract up to five year.

Following the abovementioned, the Ministry of Economy and the company (beneficiary) shall conclude the Contract, which contains

the subject, amount and dynamics of investment, deadline for investment project, amount of the subsidy, dynamics of payment of allocated funds and other issues relevant to the Contract.

An integral part of the Contract is the business plan, and if during the implementation period, there is a deviation from contractual obligations under the business plan, the company is obliged to submit amendments to the business plan to the Ministry of Economy by the time of signing the annex to the Contract.

In addition, the Ministry of Economy reserves the right to terminate the Contract in the event that the beneficiary does not meet the conditions set out in the Contract, as well as in the event of failure to achieve the purpose of the investment project.

Therefore, the company is obliged to provide a bank guarantee issued by a commercial bank registered in the territory of the Republic of Serbia as collateral.

In addition to the bank guarantee, it is necessary to enclose two registered and signed blank solo bills of exchange with a signed bill of exchange authorization in order to collect legal default interest.

When it comes to controlling the fulfillment of contractual obligations, the company is obliged to report to the Ministry of Economy on the implementation of the investment project, while the Ministry of Economy is authorized to control the amount, dynamics and structure of investments at any time during the implementation of the investment project. or the Contract.

**For any additional consultations or legal assistance, you can contact the Tasić & Partners team by email at**

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