

Regulation on determining the criteria for granting the incentives with a view to attracting foreign direct investments

(„Official Gazette of the RS“, no 1/2019 and 39/2023)

The Government of the Republic of Serbia has adopted the Regulation on Amendments to the Regulation on Determining Criteria for Granting Incentives for Attracting Foreign Direct Investments ("Official Gazette of RS", No. 1/2019 and 39/2023, hereinafter referred to as the "**Regulation**"), which has been in force since May 20, 2023. Similar to previous years, the Regulation provides detailed rules on criteria, conditions, and methods for attracting foreign direct investments, as well as other matters of importance for attracting such investments.

On the same occasion, the Government of the Republic of Serbia also adopted the Regulation on Conditions and Methods for Attracting Foreign Direct Investments in the Food Production Sector.

According to the Regulation, incentive funds can be used to finance investment projects in the manufacturing sector and partly for the information and communication technology sector, specifically for service center projects and support to business operations, as before. The Regulation now specifically defines investment projects with minimal impact on the environment.

Important changes include raising the thresholds for minimum required investments, reducing the maximum amount of incentives per new job, and replacement the division of local self-government units (hereinafter referred to as "LSU") based on their level of

development. Instead, LSUs are divided into five regions: Belgrade Region, Vojvodina Region, Šumadija and Western Serbia Region, Southern and Eastern Serbia Region, and Kosovo and Metohija Region.

In this regard, funds from the Regulation can be allocated for:

- Investment projects in the Belgrade Region, with a minimum investment of €500,000 and engaging at least 50 employees, in the amount of 20% of gross salaries, up to a maximum of €2,000 per new job.
- Investment projects in LSUs classified under the Vojvodina Region, with a minimum investment of €400,000 and engaging at least 40 employees, in the amount of 25% of gross salaries, up to a maximum of €3,000 per new job.
- Investment projects in LSUs classified under the Šumadija and Western Serbia Region, Southern and Eastern Serbia Region, and Kosovo and Metohija Region, with a minimum investment of €300,000 and engaging at least 30 employees, in the amount of 30% of gross salaries, up to a maximum of €5,000 per new job.

Prior to the aforementioned amendments to the Regulation, LSUs falling within the devastated area required a minimum investment of €100,000, employment of at least 10 employees, and a maximum incentive amount of €7,000 per new job.

Incentives for justified investment costs in fixed assets for the mentioned three groups of LSUs are determined at 10%, 15%, and 30% of the eligible investment costs in tangible and intangible assets.

User of the incentive is required to realize the justified expenses participation of at least 25%, and the requirement for granting the incentives is that the direct

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investment is not relocated and that the number of engaged employees is not decreased in the duration of at least five years after utilisation of the investment project and three years for small and medium companies, respectively.

For any additional consultation or legal assistance, you can contact the Tasić & Partners team via email at office@tasiclaw.com or via telephone at +381116302233.