

Investing in Serbia Handbook

frequently asked questions

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General Information

1

What is the official name?

The Republic of Serbia.

2

What is the political system in Serbia?

Serbia is a Parliamentary Republic. The national legislature of Serbia is a unicameral assembly of 250 members chosen in general elections for a period of four years.

3

What are the institutions governing the country?

The members of the National Assembly elect the Government of the Republic of Serbia, which, together with the President of the Republic, represents the country's executive authority. The judiciary is independent. The present Government comprises the following Ministries:

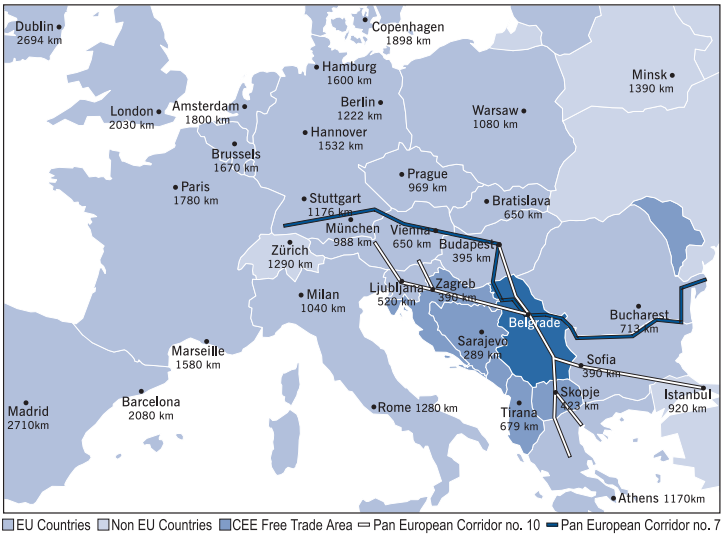
- Ministry of Foreign Affairs
- Ministry of Interior,
- Ministry of Defense,
- Ministry of Finance,
- Ministry of Justice,
- Ministry of Agriculture, Forestry and Water Management,
- Ministry of Economy and Regional Development,
- Ministry of Energy and Mining,
- Ministry of Infrastructure,
- Ministry of Telecommunications and Information Society,
- Ministry of Trade and Services,
- Ministry of Public Administration and Local Self-Government,
- Ministry of Labour and Social Policy,
- Ministry of Environmental Protection,
- Ministry of Science,
- Ministry of Education,
- Ministry of Youth and Sports,
- Ministry of Culture,
- Ministry of Health,
- Ministry of Religion,
- Ministry for Kosovo-Metohija,
- Ministry of Diaspora,
- Ministry without Portfolio in charge of Coordinating the National Investment Plan.

4

Where is Serbia located?

Serbia is located in the central part of the Balkan Peninsula, at the most important route for linking Europe and Asia – intersection of Pan European Corridors N°.7 and N°.10. Occupying an area of 88,361 km² location of Serbia is considered as the crossroad of Europe.

The international roads and railways together with rivers represent the shortest link between Western and Central Europe, on one side, and the Middle East, Asia and Africa, on the other. Serbia lies in the Western European time zone (GMT + 01:00).



5

Which countries border Serbia?

To the East Serbia borders with Bulgaria, to the North East with Romania, to the North with Hungary, to the West with Croatia and Bosnia and Herzegovina, to the South East with Montenegro and to the South with Albania and Macedonia.

General Information

6

What is the terrain in Serbia like?

Northern Serbia is mainly flat, while its central and southern areas are comprised of hills and mountains. The flatlands are located mainly in the region of Vojvodina. About 55% of the terrain in Serbia is arable land and some 27% is forested. Out of its numerous mountains fifteen reach height of over 2,000 meters, the highest one being Djeravica, part of the Prokletija range.

7

What is the climate in Serbia like?

The climate is mild continental, with a gradual transition between the four seasons of the year, warm summers and snowy winters. Monthly average temperatures vary from -0.7 C° in January and 1.3 C° in February to 17.5 C° in July and August.

8

What is the total population in Serbia?

According to the 2005 data, there were 7,440,769 people living in Serbia. The population density runs to 111 inhabitants per km^2 .

9

What is the capital of Serbia?

Belgrade is the Serbian capital. With a population of more than 1.7 million, it is the political, economic and cultural center of Serbia. Belgrade enjoys the status of a special district in Serbia with its autonomous authorities and its territory is divided into 17 municipalities.

10

What are other major cities?

The other major city to Belgrade is Novi Sad, located in Vojvodina, 82 km north of Belgrade. Its population is 300,000 inhabitants. The second major city is Nis located in the south of Serbia and 250 km away from Belgrade. It has 250,000 inhabitants. The city of Kragujevac is another important industrial center in Serbia, located 180 km from Belgrade with 180,000 inhabitants.

11 What is the ethnic structure?

The ethnic population of the Republic of Serbia is heterogeneous. The majority of population is Serbian, however other 37 ethnicities also live on its territory.

Serbia ethnic structure (without Kosovo)	
Romanians	0.54%
Bulgarians	0.56%
Slovaks	0.80%
Croats	0.90%
Roma	1.40%
Hungarians	3.90%
Serbs	82.90%
Others	9.00%

Source: Statistical Office of the Republic of Serbia, 2002 Census

12 What are the main religions?

The major religion in Serbia is Christian Orthodox. There are also other religious communities such as: Jewish, Roman Catholic, Protestant, Islamic, and others.

13 What is the official language?

The official language in Serbia is Serbian. The official alphabet is Cyrillic; however the Latin alphabet is also widely used. Members of national minorities are entitled to communicate and study in their own language.

General Information / Infrastructure

14 What is the foreign language speaking percentage of the population?

Serbia has the highest English speaking proficiency in Eastern Europe. Based on the Gallup poll, 42% of total literate population has basic knowledge of English followed by German and French language.

Foreign language proficiency in % of population			
Country	English	German	French
Serbia	42	12	9
Bulgaria	14	6	3
Romania	16	4	10
Hungary	14	13	2
Poland	22	15	3
Czech Republic	22	27	4

Source: Gallup International, 2003

15 What is the currency in Serbia?

Serbian currency is Dinar (RSD). The common coins in circulation are of 1, 2, 5, 10 and 20 RSD. Notes are issued in denominations of 10, 20, 50, 100, 200, 500, 1.000 and 5.000 RSD.

16 What is the exchange rate?

The exchange rate for RSD on September 1, 2007			
Country	Name	Unit	Middle rate
European Union	EUR	1	79.8900
Japan	JPY	100	50.3688
United Kingdom	GBP	1	117.7450
United States	USD	1	58.4846

Source: National Bank of Serbia

Updated exchange rate : www.nbs.yu/internet/english/scripts/kl.html

17 What is the total road network in Serbia?

Serbia has a strategic geographic position and it offers a great transport potential via Pan European Corridors VII and X. The road network of the Republic of Serbia is 40,845 km long, out of which:

- 5,525 km of arterial roads,
- 11,540 km of regional roads, and
- 23,780 km of local roads.

This network has:

- 415.7 km of highways under toll collection and
- 246.5 km of motorways under toll collection.

18 What is the railway transportation potential?

Serious efforts have been made by the Government of Serbia aimed at restructuring and modernizing its railway network. One of the benefits of the railroad transportation in Serbia is its cost effectiveness thanks to a good communication with all major European destinations through the Pan European Corridor X. Total length of railway tracks is 3,808 km, out of which 3,533 km are single tracks and 275 km are double tracks. Also, the total spindle capacity is 22.5 t.

Railway network in Serbia

Building length of railway network	3,808.736 km
Electrified railway tracks	1196,051 km
Main railway tracks	1.767,488 km
Industrial tracks	810 km
Railway width	1,435 mm
Maximum excalation	27.41'
Maximum spindle capacity	22.5 t

Source: Ministry of Infrastructure

19 How many airports exist in Serbia and what is the connectivity of the Belgrade airport?

There are two commercial airports in Serbia located in the cities of Belgrade and Nis. Belgrade airport has daily connections with all major airports in Europe. Serbia's national air carrier – JAT Airways has a long history and valuable experience in air transportation. In addition, all the major foreign airline companies have scheduled flights to and from Belgrade.

20

What are the possibilities for river transportation in Serbia?

Significant advantages and a relatively well-developed network of internal navigable routes, as well as pier and port capacities and facilities in the Republic of Serbia, constitute a good infrastructure base for further development. Serbian rivers belong to the basins of the Black, Adriatic and Aegean Sea. Three of them, Danube, Sava and Tisa, are navigable.

Danube

Danube, the Serbia's longest river, has a flow of 588 of its 2,857 kilometer course through Serbia. The Danube basin has always been of great importance to Serbia. The completion of the Rhine–Main–Danube Canal allows barge traffic between the North and the Black Sea.

Tisa

164 km of inter–state navigable passage on the river Tisa, with the network of the domestic canal system Danube–Tisa–Danube totaling 600 km, has the potential to become an International Navigable Route of a satisfactory level for use by all Danube basin countries.

Sava

207 km of the river Sava provide excellent potential for transportation of goods in the Western Balkans. The river Sava links the following countries in the region: Slovenia, Croatia, Bosnia & Herzegovina and Serbia. It is currently in the process of gaining the status of International Navigable Route.

21

What is the fixed telephony infrastructure?

Currently, there is only one fixed telephony provider – Telekom Srbija, still a public enterprise. There are 3,450,000 fixed telephony lines installed, on average 50 lines per 100 inhabitants. The network is 92% digitalized and a fiber optic network is spread throughout the country providing a good internet penetration rate.

22

What is the number and coverage of mobile telephony operators?

There are three mobile operators in Serbia: Telekom Srbija, Telenor and Mobikom, two of them being international companies. Their population coverage is over 97% and their signal covers 92% of the territory of the Republic of Serbia without Kosovo. The total number of users of mobile telephony is over 8 million.

23

What is the Internet availability and infrastructure?

The total capacity of Serbia's Internet link towards abroad via Telekom Srbija is 3.087Gb/s. In addition to that, the Internet provider Verat has its own link with the capacity of 2 x 155 Mbps. Serbian Academic Network has a 1Gbps link towards Hungary and 1 X 155 Mbps towards Greece.

- Dial Up protocol up to 56 Kbps mostly used for non business purposes;
- Cross linking connections up to 2 Mbps mostly leased by business users and the Government;
- Wireless connections up to 2 Mbps capacity;
- Cable Internet up to 5 Mbps capacity;
- ISDN and ADSL connections offering transfer rate potential from 128 Kbps up to 1,536Kbps.

As a result of a large investment project by Telekom Srbija, the number of ADSL users will reach 200,000 by the end of 2007. Also, cable Internet is used by more than 40,000 users and is growing fast. Both Telekom Srbija and Telenor provide broadband Internet access using GPRS and EDGE technology.

There are over 90 Internet Service Providers (ISPs) in Serbia and the estimates show that there are close to 800,000 Internet users in Serbia.

24

What is the international credit rating of Serbia?

Serbia's long-term credit rating, assigned by Standard & Poor's, is BB- at the moment with a stable outlook. As far as short term obligations are concerned, Serbia received B rating from S&P. Fitch Ratings also affirmed the Republic of Serbia's foreign and local currency issuer default ratings (IDRs) at BB- with a stable outlook.

25

What is the amount of FDI recorded in the past few years?

Since 2001, total FDI in Serbia has reached 8.9 billion USD. Last year saw a 283% upsurge against the previous year, hitting an all-time record high. With the net inflow of 4.387 billion USD, Serbia attracted largest foreign investment in South East Europe, next only to Romania. Furthermore, inward investment were even higher - 5.5 billion USD, while the difference was partly due to international investment of Serbian companies.

Serbia's strong FDI track-record is substantiated by internationally recognized awards for local Greenfield investors. In the past three years, Greenfield projects in Serbia were awarded by OECD as the largest Greenfield investment in South East Europe.

Net FDI (USD mn)

2006	4,387
2005	1,550
2004	966
2003	1,360
2002	475
2001	165

Source: National Bank of Serbia

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Who are the leading foreign investors in Serbia?

Investors from the European Union dominate the structure of FDI by country of origin, with the increased portion of South East Europe countries. As a result of the local mobile phone operator privatization by the telecom giant Telenor, Norway holds the first spot, followed by Germany, Greece, Austria, the Netherlands, Slovenia, France, Great Britain, Hungary, and Luxembourg.

The actual amount of U.S. investment is significantly higher than the official figure due to their companies investing primarily through European affiliates. This also holds for Germany, Italy, Belgium, and a number of other countries.

FDI by Countries, 2001-2006 (USD mn)

Norway	1,547
Germany	1,320
Greece	1,303
Austria	997
Netherlands	581

Source: National Bank of Serbia

Leading foreign investors in Serbia 2001-2006 in million EUR

Company	Country of origin	Industry	Amount
Telenor	Norway	Telecomm.	1,513
FCC/Alpina	Spain/Austria	Transport	800
Mobikom	Austria	Telecomm.	570
Philip Morris	USA	Tobacco	518
Banca Intesa	Italy	Banking	508
Stada	Germany	Pharmaceuticals	475
InBev	Belgium	Beverages	430
Nat. Bank of Greece	Greece	Banking	425
Mercator	Slovenia	Retail	240
Lukoil	Russia	Oil derivates	210
Holcim	Switzerland	Cement	185
Blok 67 Associates	Austria	Real Estate	180
OTP Bank	Hungary	Banking	166
Engel Group	Israel	Real Estate	160

Source: SIEPA

27

Who will insure your investment in Serbia?

There are various foreign companies along with other bilateral and multilateral organizations providing risk insurance against non-commercial risks such as: civil war, expropriation, nationalization, confiscation, inconvertibility of profits and dividends and transfer inability of currency.

Investment insurance organizations		
Austria	OEKB	www.oekb.at
Belgium	ONDD	www.ondd.be
Canada	EDC	www.edc.ca
Germany	PwC/Euler Hermes	www.eulerhermes.com
France	COFACE	www.coface.com
Italy	SACE	www.isace.it
Japan	NEXI	www.nexi.go.jp
Korea	KEIC	www.keic.or.kr
Slovenia	SID	www.sid.si
UK	ECGD	www.ecgd.gov.uk
USA	OPIC	www.opic.gov
World Bank	MIGA	www.miga.org

Source: SIEPA

28

Which instruments is the 2007 economic policy based on?

Key instruments of the economic policy for this year are:

- Restrictive monetary policy: maintaining exchange rate stability and curbing domestic aggregate demand,
- Tight fiscal policy: further reduction of public spending, freezing public sector wages,
- Price stability,
- Accelerated privatization and restructuring of state owned companies.

29 How many international banks are currently present in the Serbian market?

Extensive reforms in the financial sector have produced a sound and efficient banking system in Serbia. The results are best seen through rapid growth of total domestic and foreign currency savings, standing at 4 billion EUR or almost 200 times the amount five years ago.

Twenty one (21) foreign banks have set up operations in Serbia, either through Greenfield projects or acquisitions.

Major foreign banks in Serbia	
Alpha Bank	Greece
Banca Intesa	Italy
Credit Agricole	France
EFG Eurobank	Greece
Erste Bank	Austria
Hypo Alpe-Adria-Bank	Austria
KFC Group	Belgium
National Bank of Greece	Greece
Nova Ljubljanska banka	Slovenia
OTP	Hungary
Piraeus Bank	Greece
ProCredit Bank	Germany
Raiffeisenbank	Austria
San Paolo IMI	Italy
Societe Generale	France
Unicredit Bank	Italy
Volksbank	Austria

Source: National Bank of Serbia

30 What are weighted lending rates of commercial banks?

Although still above the level of developed economies, the interest rates in Serbia have been significantly reduced in recent years. According to the National Bank of Serbia, commercial banks' average weighted lending interest rate in August 2007 amounted to 0.91% per month.

Weighted lending rates of commercial banks in %		
	2006 December	2007 August
Short-term loans	1.31	0.91
Long-term loans	0.82	0.86
Average lending rate	1.26	0.91

Source: National Bank of Serbia

31

What is a recent total and per capita GDP trend?

Serbia is one of Europe's fastest growing economies, with GDP gaining nearly 7% on average in the past three years. In 2006, the economy grew by 5.8%, while GDP per capita reached 4,199 USD. Projections for the year 2007 indicate a real growth of GDP of 7.0%. Forecast is that over the future mid-term period economic growth will continue at high rates of 6.0% in 2008, 6.5% in 2009 and 6.5% in 2010.

GDP per capita in Serbia in USD

2006	4,199
2005	3,525
2004	3,285
2003	2,720
2002	2,112

Source: Ministry of Finance

GDP growth

2001	4.8%
2002	4.2%
2003	2.5%
2004	8.4%
2005	6.2%
2006	5.8%

Source: Statistical Office of the Republic of Serbia

32

Where is Serbia in terms of GDP growth rate in 2006 compared to other countries in the region?

GDP growth rates in SEE (2006)

Serbia	5.8%
Romania	7.7%
Bulgaria	6.2%
Bosnia and Herzegovina	6.0%
Slovenia	5.2%
Albania	5.0%
Croatia	4.6%
Macedonia	4.0%

Source: IMF, Statistical Office of the Republic of Serbia

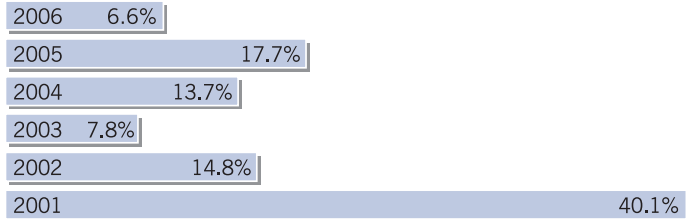
33

What was the recent annual inflation rate in Serbia?
What are the expectations for 2007?

Annual inflation in Serbia in 2006 returned to single digits amounting to 6.6%. This was a result of the restrictive monetary policy pursued by the National Bank of Serbia, particularly in Q3 and Q4. For 2007, the inflation target is set in the range between 4-8%.

Projections indicate that inflation will drop from 6.5% at the end of 2007 to 6% at the end of 2008, to 5% at the end of 2009 and to 4% at the end of 2010.

Annual inflation rate



Source: National Bank of Serbia

34

What was the purchasing power in recent years?

Purchasing power is measured by comparing the average monthly net salary with the price of the minimal basket of commodities.

Purchasing power trend in EUR

	Average net salary	Minimum consumer goods basket
December 2002	185	170
December 2003	205	160
December 2004	190	180
December 2005	258	179
December 2006	358	206
July 2007	349	216

Source: Ministry of Trade and Services

35

Is the Government able to cover total public spending?

The Serbian government posted a budget surplus of approximately 330 million EUR in 2005 followed by a 2006 surplus of 1.7% of GDP. Serbian parliament adopted the Law on Budget for 2007 which envisages 581.8 billion RSD in revenues, 595.5 billion RSD in expenditures and a budgetary deficit of 13.7 billion RSD mostly due to ambitious plans for infrastructure development.

State budget balance in % of GDP

2002	-3.1%
2003	-1.1%
2004	-0.9%
2005	1.9%
2006	1.7%

Source : Ministry of Finance

36

What is the exchange rate policy in Serbia?

In the first half of 2006, the Central Bank of Serbia led a policy of guided fluctuating foreign exchange regime. In the second half of 2006, the CBS lead a flexible course leaving the supply and demand to determine the exchange rate with minor interventions of the Bank on the market. In 2006, massive influx of foreign direct investment in the second half of the year resulted in sharp local currency appreciation. In a period December 2006-December 2005, nominal RSD/EUR and RSD/USD appreciation amounted to 8.2% and 20.4% respectively.

37

What is the outlook for Serbia's public debt service?

The amount of public debt in 2006 is reduced significantly compared to that in 2000, which has been achieved through repayments and writing off. At the end of 2006, the public debt of the Republic of Serbia was 9,352 million EUR of which 5,515 million EUR was foreign debt (of which indirect obligations represented 770 million EUR), while the internal debt was 3,837 million EUR. The GDP share of gross public debt of the Republic of Serbia reduced over the past period as a result of GDP growth, writing off of debts and prudential fiscal policy, so that at the end of 2006 the GDP share of the public debt was 35.6%.

38

How long does it take to register a business?

“Serbia led in making the kinds of reforms that can spur growth in firms and jobs, improving in 8 of the 10 areas studied by Doing Business.”
World Bank Doing Business in 2006

The time for registration of business is reduced from previous 51 days to 10 days.

- Average days to start a business: 10.
- Total number of procedures: 9.

39

Which institution is in charge of business registration?

The Serbian Business Registration Agency was established in January 2005 with the mandate for registering business entities. The Agency holds and maintains the electronic database of registered business entities, contracts on financial leasing and the registry of pledges.

The Serbian Business Registration Agency's web site is:
www.apr.sr.gov.yu.

40

What types of companies are permitted by the Serbian law?

Serbian law permits establishment of several types of companies out of which the most commonly used are:

Limited Liability Company (d.o.o.)

- Maximum of 50 shareholders, individuals or legal entities;
- Minimum capital requirement of 500 EUR (in RSD equivalent);
- Registration fee is 3,600 RSD.

Joint Stock Company (a.d.)

1. Closed Joint Stock Company (a.d.)

- Maximum 100 shareholders;
- Minimum capital requirement of 10,000 EUR (in RSD);
- Registration fee is 10,200 RSD.



2. Open Joint Stock Company (a.d.)

- Unlimited number of shareholders;
- Minimum capital requirement of 25,000 EUR (in RSD);
- Registration fee is 10,200 RSD.

Insurance Joint Stock Company

- Life Insurance – Minimum capital requirement is from 2 million EUR to 4 million EUR (in RSD);
- Non-life Insurance – Minimum capital requirement is from 1 million EUR to 4.5 million EUR (in RSD);
- Re Insurance – Minimum capital requirement is 4.5 million EUR (in RSD).

Banks

- Minimum capital requirement of 10 million EUR (in RSD).

General partnership (o.d.)

- Two or more individuals;
- No minimum capital requirement;
- Registration fee is 2,040 RSD.

Limited partnership (k.d)

- Two or more individuals;
- No minimum equity requirement;
- Registration fee is 2,040 RSD.

Business Association

- Minimum capital requirement is set in accordance with the founding contract;
- Registration fee is 3,000 RSD.

Representative offices

Complete list of required documentation for registration of business entities can be found at the web-site of the Business Registration Agency: www.apr.sr.gov.yu.

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How is privatization process structured in Serbia?

The concept of privatization in Serbia is based on the clear division of the following tasks:

- Privatization policy;
- The organization and implementation of privatization process and control of the privatization procedure;
- Supervision of institutions and implementation of privatization.

Privatization Agency is the central institution in charge of the privatization in Serbia, and is responsible for authorizing, organizing, implementing and controlling all procedures for privatization. Its status, activity, administration, organization, management and financing are strictly defined.

42

Which methods of privatization are used?

Tender privatization

The two basic types of tender are one-phase or the so-called technical tender, and the two-phase tender. The fundamental difference between these two models is that the two-phase tender, besides assessing the investor, also contains the phase of preliminary qualification.

In this phase, the investors are invited to submit non-bidding (preliminary) offers in order to recognize competent investors. Subsequently, a call is issued to submit definite bidding offers, which are assessed on the basis of predetermined criteria.

Privatization by Auction

Auction procedures are simpler, since this method is used only for privatization of the capital and property of small and medium-sized enterprises – the most numerous among socially owned and state owned companies.

In order to be able to participate in an auction the parties have to sign a draft contract beforehand. The only elements of the draft contract that are not filled in before the auction are the price of the capital or property and the deadline for payment (for local physical entities). This data is entered by the winning party in an auction, once the auction is finished.

The draft contract then automatically becomes valid upon the date of sale of the capital.



Sale of share packets by Share Fund of Serbia

In order to finalize the process of privatization of companies that began under the previous law, the new law envisages that the shares left as state ownership must be transferred to the Share Fund. The Share Fund sells these shares at the Belgrade Stock Exchange. However, the ministry in charge of privatization decides whether some of these shares remain in the Privatization Register.

43

What is the process of restructuring?

The restructuring process is applied solely on big systems with a number of holding companies. The purpose of the organizational restructuring is rationalization of redundant workers and breaking up holding companies. The purpose of a financial restructuring is creditors debt write off in exchange for pro rata share of sale proceeds. The result is that the company is sold "clean" and debt free.

In order to carry out the restructuring process successfully, the legislator gives the possibility to creditors to write off, in whole or in part, the initial credit amount and its interest as well as the other outstanding claims. This possibility is also given to creditors with a majority state capital in order to convert their monetary claims into the capital of the subject where restructuring is being carried out.

44

What are the effects of the privatization process?

There were 321 companies in Serbia privatized during the year 2006. The total income from the privatization process in 2006 was 330 million EUR, while the planned investment program for the same year reached 247.1 million EUR. In the first half of 2007 additional 170 companies were privatized for 320 million EUR. The structure and number of privatized companies are as follows:

Structure of privatization 2002 - 2007 in million EUR					
	2003	2004	2005	2006	I-VI 2007
Number of companies	675	259	336	321	170
Sale price	856,6	168,9	379,4	329,3	320,3
Investment programme	321,9	107,0	108,5	247,1	67,9

Source: Ministry of Finance

45

How does the law categorize land in Serbia?

Serbian Legal Framework recognizes two land categories most commonly used for investment purposes.

Construction land

It is the land on which structures have been built, as well as the land that serves for regular use of these structures and the land designated for construction and regular use of structures envisaged by the Urban plan.

Construction land can be:

- Public construction land (in state–municipality ownership);
- Other construction land (in all ownership forms – private and state)

Agricultural land (*in all ownership forms–private and state owned*)

- Cultivable and
- Uncultivable land

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What are the characteristics of public construction land?

Public construction land has the following characteristics:

- It is state owned;
- It covers land area where structures of public interest have been constructed;
- It is a land area designated for construction of public structures, as well as public areas (public roads, parks, squares, streets etc) according to the Urban plan.

Public construction land is exclusively state property and, as such, is solely intended for construction of structures of public interest (roads, schools, hospitals, infrastructure, etc).

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What are the characteristics of Other Construction Land?

Other Construction Land is land where structures already exist, as well as land predefined for construction of structures. It is previously not declared as public construction land. It is transferable and can be found in all types of ownerships. The municipality is responsible for rational use of other construction land. The structures which can be built on other construction land are: residential, commercial, industrial, etc. This classification is in accordance with the Urban plan.



There are three ways of acquiring Other Construction Land (OCL) for construction:

By leasing the land

OCL in state ownership – municipality land, can be leased for 99 years under conditions set by municipal authorities. The land is leased through either public bidding or a public tender. The lessee automatically obtains a right to build structures.

Once he has the structures built on the land previously acquired, he becomes owner of a built structure, and is obliged to use the land according to its designated purpose.

By acquiring a “right to use” the land

The “right to use” is the land granted for indefinite period of time by the newly adopted Law on Urban Planning and Construction. The “right to use” the land is irrevocable and permanently “attached” to the ownership of the structure located on a particular land lot.

It is based on either:

- Ownership of a structure built on the urban land in accordance with the Urban Plan (in which case the land has the same status as the structure),
- Intention to construct a building on urban land. “Right to use” the land is related to the ownership of the structure located on the urban land. It entitles the user to permanently use the land as long as the previously acquired structure remains on the land acquired.

By acquiring OCL through conversion of agricultural land into construction land

By acquiring agricultural land in private ownership with a possibility of conversion into construction land, an investor automatically obtains the right to build a structure on it according to the Urban plan.

The most important thing to emphasize on the subject is that only agricultural land which is included in the Urban plan can be reclassified to OCL.

For the conversion of agricultural into OCL land an investor must submit a formal application which includes:

- Description of the current and intended use of the land in question;
- A certificate of ownership or the “right of use”;
- An extract from the Urban plan which provides grounds for obtaining a building permit.

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What is the construction procedure?

Assessment of urban conditions for construction

- Excerpt from Urban Plan or the Act of urban conditions, nor older than six months



Obtaining land

- Leasing land – municipality owned
- Buying private building with the right of use the land for building new structure according to Urban plan
- Buying agricultural land with the possibility of conversion



Construction approval

- Conceptual project - preliminary architectural design
- Proof of ownership, leasing or right of use the land
- Excerpt from the Urban Plan or Act on Zoning conditions
- The validity of the construction approval is 2 years from obtaining



Notice of the start of construction

- Investor submits the main project with the confirmation of payments of compensations for the development of the construction land and other administrative fees



Construction

- Preparing construction documents
- The investor provides expert supervision



Technical inspection of a structure

- The assessment of compliance of the construction works with the Construction Approval and technical documentation



Occupancy permit

- As-built drawings
- Technical inspection of the structure

50

How can one obtain the Construction approval?

In line with the tendency to simplify the construction procedure, Urban Permits and Building Permits have been abolished and replaced with a Construction Approval. Prior to construction of a structure, a potential investor is obliged to obtain the Construction Approval and prepare technical documentation for the construction.

51

Which goods dominate Serbian exports and imports?

In 2006, Serbian exports were at the level of 6,427.9 million USD, which represents growth of 43.4% compared to 2005. Serbian imports were 13,172 million USD, or a 24.4% increase relative to the previous year. The export/import ratio rose from 43.1% in 2005 to 48.8% in 2006.

Major export products in 2006 in million USD

Iron and steel	871.9
Non-ferrous metals	610.6
Vegetables and fruit	326.0
Apparel	318.3
Crops	291.8

Source: Statistical Office of the Republic of Serbia

Major import products in 2006 in million USD

Oil and oil derivates	1,634.3
Motor vehicles	952.7
Natural and industrial gas	667.8
Industrial machines	593.9
Iron and steel	536.3

Source: Statistical Office of the Republic of Serbia

Trade balance of Serbia in million USD

	2005	2006
Export	4481.8	6427.9
Import	10461.3	13172.3
Trade balance (deficit)	5979.5	6744.4

Source: Statistical Office of the Republic of Serbia

52

Which countries are Serbia's major foreign trade partners?

The major foreign trade partners in 2006, as was the case in 2005, were the EU member states, followed by the South East Europe countries.

The share of imports from the EU slightly increased from 54.7% in 2005 to 55.1% in 2006, while the exports contribution decreased from 58.8% to 57.6%, respectively. The exports share to other European countries rose from 36.4% to 38.8%, and the imports portion grew from 29.3% to 29.5%.

Serbian foreign trade by region				
	2005		2006	
	Exports	Imports	Exports	Imports
EU countries	58.80%	54.70%	57.60%	55.10%
Other European countries	36.40%	29.30%	38.80%	29.50%
Others	4.80%	16.00%	3.60%	15.40%

Source: Statistical Office of the Republic of Serbia

Major export partners in 2006 in million USD	
Italy	926
Bosnia and Herzegovina	749
Germany	637
Montenegro	616
Russia	311

Source: Statistical Office of the Republic of Serbia

Major import partners in 2006 in million USD	
Russia	2,142
Germany	1,251
Italy	1,099
China	781
Romania	436

Source: Statistical Office of the Republic of Serbia

53

Which countries have signed the Free Trade Agreement with Serbia?

In December 2006, Serbia signed the CEFTA (Central European Free Trade Area) Agreement, which will substitute existing bilateral agreements between the following countries:

Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Moldova, Montenegro, Romania, Serbia, and the United Nations Interim Administration Mission in Kosovo.

A free trade agreement with Russia signed in August 2000 makes Serbia particularly attractive to foreign investors. Goods produced in Serbia with prevailing value added in Serbia and considered of Serbian origin are free of customs when entering Russian market.

The list of products not covered by the duty free agreement is updated annually, and it currently includes the following items: poultry, sugar, confectionary products, alcoholic beverages, soap, cotton, carpets, wooden furniture, household appliances, motor vehicles.

54

Does Serbia have preferences to export in the EU?

Goods originating from Serbia and exported to the EU are subject to preferential customs regimes. In 2000, the European Commission introduced Autonomous Trade Measures for Serbia. These measures provide exports to the EU without customs and quantities restrictions.

Textile Industry Privileges

In addition, the EU Agreement abolished customs duties and quantitative restrictions for import of Serbian textile products and provided a guarantee to maintain the same policies in the future (based on the EU Autonomous Trade Measures).

55

What are the conditions when trading with USA?

The trade with USA is pursued under the Generalized System of Preferences (GSP). The GSP program currently provides a preferential duty-free entry for more than 4,650 products including most finished and semi-finished goods and selected agricultural and primary industrial products. Certain sensitive goods are not eligible for the duty-free entry under the GSP, which generally includes most textile products, leather goods, and footwear. The list of eligible goods is reviewed and adjusted twice per annum with an input from U.S. industries.

56

What are Free Zones?

Free Zones are specially fenced in and marked places in which commercial, industrial and service activities have various benefits.

Companies with production facilities located within the free zones aren't liable for VAT on imported goods. Fixed assets, machines, and construction materials can be imported duty free. Raw materials used for production of finished goods that are meant for export can be imported duty-free.

Goods that are imported from the zone into Serbian market are subject to standard customs procedures, however, if the goods are produced out of at least 50% domestic components, they are considered to be domestic goods.

Free zones may be founded and governed by either domestic or foreign companies. Earnings and revenues created within Free zone can be transferred to any country, including Serbia, freely without any prior permission and are not subject to any kind of taxes, duties and fees.

Income generated through commercial activities in the Zones is exempted from value-added tax. The new Law on Free Zones is in preparation.

57

How are imports customs regulated?

The latest amendment to the Serbian Customs Tariff in July 2005 made this law compatible with the laws of the WTO member countries, and the EU. This directly affects the equalization of tariffs and the Harmonized System (HS) nomenclature. Customs rates range from 0% to 30%.

Average customs rate per sector in %		
I	Live animals, animal products	17.30
II	Plants, products made of	12.88
III	Vegetable oil, animal fat, wax	6.74
IV	Food industry products, beverages, alcohol and vinegar, tobacco and tobacco substitutes	21.18
V	Mineral products	1.86
VI	Products of chemical industry and related industries	2.76
VII	Plastic, products made of coutchouc, rubber	5.68
VIII	Raw hide, fur, leather	6.45
IX	Wood, wooden products, Cox, cork, hay	3.30
X	Cellulose, paper, cardboard, paper products, recycled paper	4.64
XI	Textile and textile products	12.22
XII	Footwear, headwear, umbrellas, whips and parts of, feather, artificial flowers...	13.84
XIII	Products made of stone, cement, gyps, concrete, ceramics, glass and glass products	9.29
XIV	Pearls, precious metals and stones, jewelry, bijouterie, coins	9.71
XV	Plain metals, products made of metal	4.81
XVI	Machinery and equipment, various apparatus and appliances, parts and auxiliary equipment	5.54
XVII	Vehicles, air crafts, vessels and auxiliary transportation equipment	5.85
XVIII	Optical, photographic, and measuring equipment, surgical and medical instruments...	2.62
XIX	Armaments and ammunition, parts of and tools	24.14
XX	Miscellaneous products	9.60
XXI	Artwork, art collections, and antiques	5.00

58

What is the corporate profit tax rate?

Corporate profit tax rate in Serbia is among the lowest in Europe and it is set at 10%. Non-residents are charged only based on income generated from their activities in Serbia. The tax base is the profit before tax shown in the company's Income Statement and is further adjusted to tax return for tax purposes.

Corporate profit tax rates

Serbia	10%
Bulgaria	10%
Romania	16%
Hungary	16%
Slovakia	19%
Poland	19%
Croatia	20%
Czech Republic	24%

Source: PricewaterhouseCoopers

59

What is the regulation of the personal income tax?

- The applicable rate is 12% for salaries, while other personal income is predominantly taxed at a rate of 20%.
- Non-residents are taxed with respect to income generated on the territory of Serbia.
- The taxable base is the gross salary, which also includes salary tax and social security contributions.
- The taxpayer is entitled to a tax credit in the amount of tax already paid on the income earned abroad.

In case of the salary tax, the person taxed is the employee, but the employer is responsible for calculating and paying personal income tax on behalf of his employees. The taxable base is the gross salary, which is comprised of the net salary and social security contributions.

60

What is the annual income tax rate?

For non-Serbian citizens, the annual income is taxed if exceeding the amount of 5 times average annual salary in Serbia. The tax rate is 10% for the annual income below the amount of 8 times average annual salary, and 15% for the annual income above the amount of 8 times average annual salary. The taxable income is further reduced by the amount of 40% of an average annual salary for the taxpayer and by the amount of 15% of an average annual salary for each dependent member of the family. The total amount of deductions cannot exceed 50% of the taxable income.

61

What are property tax rates?

For taxpayers who maintain business accounts, the rate of property tax is set at the rate of 0.40%, and for others the tax rate varies and depends on the tax base.

Individuals or legal entities which hold any of the above mentioned rights on immovable property in Serbia are subject to the property tax.

Tax Base	Tax Rate
up to CSD 6 million	0.40%
CSD 6 million – CSD 15 million	CSD 24,000 + 0.8% on the amount above CSD 6 million
CSD 15 million – CSD 30 million	CSD 96,000 + 1.5% on the amount above CSD 15 million
above CSD 30 million	CSD 321,000 + 3% on the amount above CSD 30 million

Tax rate on transfer of ownership rights is as follows:

- A 5% tax rate is applied to transfer of ownership rights of real estate and other taxable property,
- Except for the transfer of rights over agricultural, forest land and used motor vehicles where it is set at the rate of 2.5%.

Tax rate on transfer of absolute rights are proportional and are as follows:

- For transfer of shares in legal entity and stocks and bonds: 0.3%;
- For transfer of other absolute rights: 5%.
- The provisions of applicable double tax treaties regarding withholding tax will apply.

62

What is the Value Added Tax rate?

The taxable base is the fee for products and services sold, including customs duties, excise taxes paid, transportation and insurance costs or any other cost relating to the sale of goods and services. Tax liability arises on the first day that any of the following events occur:

- The sale of goods and services;
- The collection of a fee, if the fee or a part of the fee has been collected prior to the sale of goods and services;
- On the date of the origin of customs duties (in case of imported goods).

The VAT is payable at each stage of the turnover of goods and services, as well as on the import of goods. The taxable base is the price of sold products and services. The tax rates prescribed by the VAT Law are as follows:

- The standard VAT rate – 18% (applicable for most taxable supplies);
- The lower VAT rate – 8% (applicable for basic food goods, daily newspapers, communal services, etc.).

In addition, a 0% tax rate is applicable in two cases:

- With the right for the deduction of input VAT – export of goods, international air transport;
- Without the right of deduction of input VAT – trading with shares and securities, insurance and reinsurance, the lease of apartments and business premises and others.

Standard VAT rates

Serbia	18%
Romania	19%
Slovakia	19%
Czech Republic	19%
Bulgaria	20%
Hungary	20%
Croatia	22%
Poland	22%

Source: PricewaterhouseCoopers

63

Are capital gains recognized for corporate tax assessment?

Yes, capital gains are recognized for the purpose of corporate tax assessment, and they are generated by the sale or transfer of:

- Real estate;
- Rights related to industrial property;
- Shares, stocks, securities and certain bonds.

The sale of equipment and other fixed assets will not be considered as a capital gain for corporate tax purposes.

64

What is the withholding tax regulation?

Withholding tax will not be due on payments of dividends between Serbian entities. When non residents are concerned it is regulated as follows:

- Withholding tax is calculated and paid on certain payments (dividends, shares in profit, royalties, interest, capital gains, lease payments for real estate and other assets) at the rate of 20%;
- The provisions of applicable double tax treaties regarding withholding tax will apply.

65

Which countries have signed Double Taxation Treaty with Serbia?

The list of countries having the Double Taxation Treaty with Serbia currently includes as follows:

Albania, Belgium, Belarus, Bosnia and Herzegovina, Bulgaria, China, Cyprus, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, Italy, Korea (DPRK), Kuwait, Macedonia, Malaysia, Netherlands, Norway, Poland, Romania, Russia, Slovak Republic, Slovenia, Sri Lanka, Sweden, Ukraine and United Kingdom.

Carrying forward of losses

The tax loss stated in the tax return can be carried forward and offset against future profits over a period of up to ten years.

Tax exemptions for concessions

A five year tax holiday is granted for concession-related investments from the day the concession investment has been completed.

Tax credits

The amount of tax due can be reduced by 20% of the amount invested in fixed assets for the respective tax period. This reduction cannot exceed 50% of the total tax liability.

The following industries are entitled to receive a tax credit in the amount of 80% of investment in fixed assets: agriculture, fishing, production of textile yarn and fabrics, garments, leather, base metals, standard metal products, machines, office machines, electrical machines, radio, TV and communication equipment, medical instruments, and motor vehicles, recycling and video production.

If the company is registered as a small enterprise, a tax credit is granted for fixed assets in the amount of 40% of the investment, but it may not exceed 70% of tax due.

Tax holidays

Enterprises are exempt from corporate profit tax for ten years if they:

- Invest in fixed assets an amount exceeding 7.5 million EUR and
- During the investment period employ at least 100 additional employees for an indefinite period.

Incentives for employing new workers

A taxpayer employing new workers is entitled to tax reduction for the amount equal to 100% of the gross salaries, increased by the related contributions paid by the employer.

This tax credit is recognized for a period of two years from the deployment day of new workers, provided that the number of employees is not reduced during that period.

Incentives for investments in undeveloped regions

The taxpayer generating profit in a newly established operating unit, in an underdeveloped region, will receive a tax credit for up to two years in an amount proportionate to the profit of that unit against the overall profit of the company.

67 Do taxpayers have rights to apply accelerated depreciation?

Yes, taxpayers have the right to apply accelerated depreciation at rates up to 25% above the prescribed ones. This relief is provided for fixed assets that are used for environmental purposes, scientific research, education, training of employees and computer hardware.

68 What are the depreciation rates in Serbia?

Intangible and fixed assets are divided into five groups with depreciation rates set for each group:

Group 1

2.5% (asphalt surfaces, ship docks, power plants, bridges, hangars, gas and oil pipelines, roads and highways, parking spaces, etc.).

Group 2

10% (planes, cars, ships and other vehicles, medicinal gear, office material, air conditioners, etc.).

Group 3

15% (buses, fiscal registers, trucks, photocopying equipment, research equipment, TV antennas).

Group 4

20% (equipment for TV and radio broadcasting, oil rigs equipment, equipment for the treatment of minerals, telegraph and telephone equipment, etc.).

Group 5

30% (computers, system and application software, equipment for informatics infrastructure, rental cars, billboards, video tapes, CD's, DVD's, etc.).

69 Which methods are used to calculate the depreciation rates of fixed assets?

Depreciation of fixed assets categorized into group 1 is calculated using the proportional method for each asset individually, on purchased value of the asset. Depreciation of fixed assets categorized into groups 2–5 is calculated using the degression method on total value of assets (their sum) classified into individual groups. Depreciation of assets is calculated using the prescribed rate in the first year on purchased value, and in the following years on the amount that is not written off.

70

What is the total number of employees in Serbia?
How is the local labor force structured by activities?

There were 2,040,089 employees in Serbia in March 2007, with 565,997 of the working population employed by private entrepreneurs.

Structure of employees by activities %	
Total	2,040,089
Companies	1,438,092
Entrepreneurs	565,997
Agriculture, forestry and water management	55,316
Mining and quarrying	23,409
Processing industry	398,623
Construction	82,757
Trade	197,078
Financial services	30,283
Real estate	65,346
Transportation, warehousing & telecomm.	108,532
Public administration	68,206
Education	129,794
Health care and social work	156,386
Other services	52,083
Other	70,729

Source: Statistical Office of the Republic of Serbia

The biggest employers are companies from the processing industry with 27.7% of the employed population, followed by trade (13.7%) and health care (10.9%).

Structure of employment in Serbia by company ownership in %			
	Sep-03	Sep-04	Sep-05
Government	12.0	12.2	12.0
State owned public enterprises	4.7	4.6	4.1
All public enterprises	6.7	6.8	6.4
Socially owned companies	16.5	17.0	11.3
Mixed ownership	14.5	14.9	13.2
Private ownership	51.5	54.0	58.9

Source: Statistical Office of the Republic of Serbia

71 What are the conditions for establishment of employment?

Employment may be established with a person who is in good general health, who is over 15 years of age and who meets other criteria for the position established in relevant enactment of the employer.

72 How can foreigners obtain work permits?

Work permits are required for foreigners employed in Serbia, and are issued with a validity of 3 to 12 months. An application for a work permit is submitted in person or by mail to the Labor market office in Belgrade. The average time for obtaining the work permit is two days. Work permit can be renewed without obstacles and the procedure is identical with the first application.

Steps for obtaining a work permit

A residence paper issued by local police station 24 hours upon arrival to Serbia



Registration paper of the company and a work contract should be prepared



An application for the residence permit by the employee to the Ministry of Interior



An application for work permit to the labor market office (residence permit plus documents prepared for step 2)

73 Which employment types are stipulated by the law?

A labor contract may be granted for both, definite and indefinite period of time. A labor contract for a definite period of time may be signed for specific circumstances such as seasonal jobs, specific projects etc. Contract for definite period of time may last no longer than one year.

74 Is it possible to conclude a part time work contract?

Yes, the labor contract may be concluded for part-time work, for definite or indefinite period of time. The employee is entitled to social insurance and to all the rights stemming from the employment contract in proportion to the time spent at work.

75 What are the possibilities for temporary and periodical work?

An employer may sign a contract with a particular person for temporary and periodical work related to his line of business. This contract can be longer than 120 days in one calendar year. A person with whom this contract has been made is entitled to pension, disability and health insurance.

76 Can the employer hire trainees?

The employer may establish the employment with a person who is having his first time job and hold him as a trainee. The trainee status cannot be more than one year long. While in a trainee status, the employee is entitled to the salary and all the rights stemming from the employment.

77 Is it possible to conclude a special service contract?

An employee may conclude a special service contract to perform jobs outside the line of business of his employer, and with the aim of independent execution of particular physical labor or intellectual work.

78 Is the employer obliged to conclude a collective contract?

Yes, the employer is obliged to conclude a collective contract, although there are some exceptions:

- Representative trade union is not formed;
- None of the trade unions fulfills the criteria needed to be a representative trade union;
- No compliance with collective contract has been made 60 days after negotiations have started.

In cases mentioned above the employer makes the “Book of Rules” which must be in accordance with the general and special contract, as well as with the Labor law.

79

What types of collective contracts are there in Serbia?

Collective contract regulates the rights, obligations and responsibilities arising from employment, mutual relationship among the parties to the collective contract and other matters of importance to the employee and the employer.

General Collective Agreements

Concluded for a specific sector or a group of jobs on the territory of the Republic of Serbia. The trade union and the representative association of employers are the co-signers.

Special Collective Agreements

Concluded for a specific sector or a group of jobs for the specific territory within the Republic of Serbia (autonomous province or local self-government). The trade union and the representative association of employers are the co-signers within the specific territory.

Individual Collective Agreements or the Employer's Collective Agreements

Concluded within the company between the employer and the trade union.

80

Which union is considered to be representative?

Trade union is considered representative, which means that it can negotiate with employees, by fulfilling the following criteria:

- If it is formed and operates on the basis of freedom of social practice and organizing;
- If it is independent from state authorities and the employer;
- If it is financed predominantly from membership fees and other union's sources (membership fees);
- If the minimum of 15% of the employees are registered;
- If it is listed in the Register of trade unions.

81

What are full time working hours?

The working week has 40 working hours. A "Book of Rules" signed between the employer and the employee may conclude a reduction in the number of working hours, which cannot be lower than 36 hours per week.

82

Are overtime working hours limited?

In the case of a sudden increase in the scope of work and in other cases imposing the need of completion of unplanned work within a specific time-limit; employees can work overtime, no more than four hours a day, and at most eight hours per week.

83

What is the minimum annual leave?

For each calendar year, an employee has the right to at least 20 working days of annual leave for a period to be determined by general act or contract of employment.

84

How many public holidays are there in Serbia?

1. New Year: 1st and 2nd of January.
2. First day of Christmas: 7th of January.
3. Constitution day: 15th of February.
4. Easter holidays: starting with Good Friday concluding with Monday.
5. Labor day: 1st and 2nd of May.
6. Victory day: 9th of May (work day).

85

How long can a maternity leave last in Serbia?

A woman employee shall be entitled to a 365 days of maternity leave and leave for nursing a child. During the maternity leave the employee is entitled to the full time salary. The salary is paid by the employer but is fully refunded by the National health insurance fund.

The new amendment to the Law prescribes the right of paid maternity leave lasting two years for giving birth to a third and every subsequent child.

86

Is there a minimum wage?

The employee is entitled to a minimum wage for standard performance and full working hours. Minimum wages are established by mutual

consent of the government, the representative of the trade union and the representative of the employers association.

Minimum wage in Serbia for the first half of 2007 was 55.00 RSD net per work hour and for the second half it is set at 63.50 RSD net per work hour.

87 In which cases are employees entitled to higher salaries?

The employee is entitled to an increase in salaries, in accordance with the bylaw or “Book of Rules,” for overtime work, work during public holidays, work at night and work in shifts, with a minimum of:

- For work during public holidays: 110%;
- For night work and work in shifts (if not stipulated in the basic salary calculation): 26%;
- For overtime work: 26%.

88 How are employees compensated during absences?

During absence on public holidays, annual leave and paid leave the employee is entitled to a 100% of his actual salary. The employee is entitled to the following forms of earnings compensation during absence from work due to a temporary inability to work, lasting up to 30 days:

- Minimum 65% of the salary if the inability was caused outside the work;
- The amount equaling 100% of the salary if the inability is work related.

89 What are the current mandatory social insurance contribution rates in SEE/CEE?

Social security contributions rates in CEE countries in %			
Country	Employee	Employer	Total
Serbia	17.90	17.90	35.80
Croatia	20.00	17.20	37.20
Bulgaria	12.43	23.98–24.68	36.41–37.11
Slovenia	22.10	16.10	38.20
Poland	18.71	17.23–20.12	35.94–38.83
Hungary	13.50	33.50	47.00
Czech Republic	12.50	35.00	47.50
Slovakia	13.40	34.40	47.80

Source: PricewaterhouseCoopers

90

What is the correlation between net and gross salaries in Serbia?

The base for calculation of personal income tax and contributions is the gross salary. 5,050 RSD or around 64 EUR equivalent is deductible amount from the base (gross salary) for personal income tax calculation.

NET salary (EUR)		200.00
Personal income tax	12.00%	24.90
Contributions (employee)	17.90%	48.30
GROSS salary		273.20
Contributions (employer)	17.90%	48.30
Total staff cost		321.60

91

In which cases does the employer have the right to terminate an employment contract?

An employer may dismiss an employee for just cause related to employer's work ability and behavior as well as employer's needs.

- If it is determined that an employee fails to fulfill his work tasks or does not have the necessary qualifications to perform the jobs assigned;
- If an employee refuses work duties and responsibilities determined in the contract of employment;
- If an employee fails to comply with the work discipline;
- If an employee commits a criminal offence at work or in relation to work;
- If an employee fails to return to work within 15 days from the unpaid leave expiration date;
- If an employee abuses sick leave;
- If due to technological, economic or organizational changes a particular job becomes redundant.

92

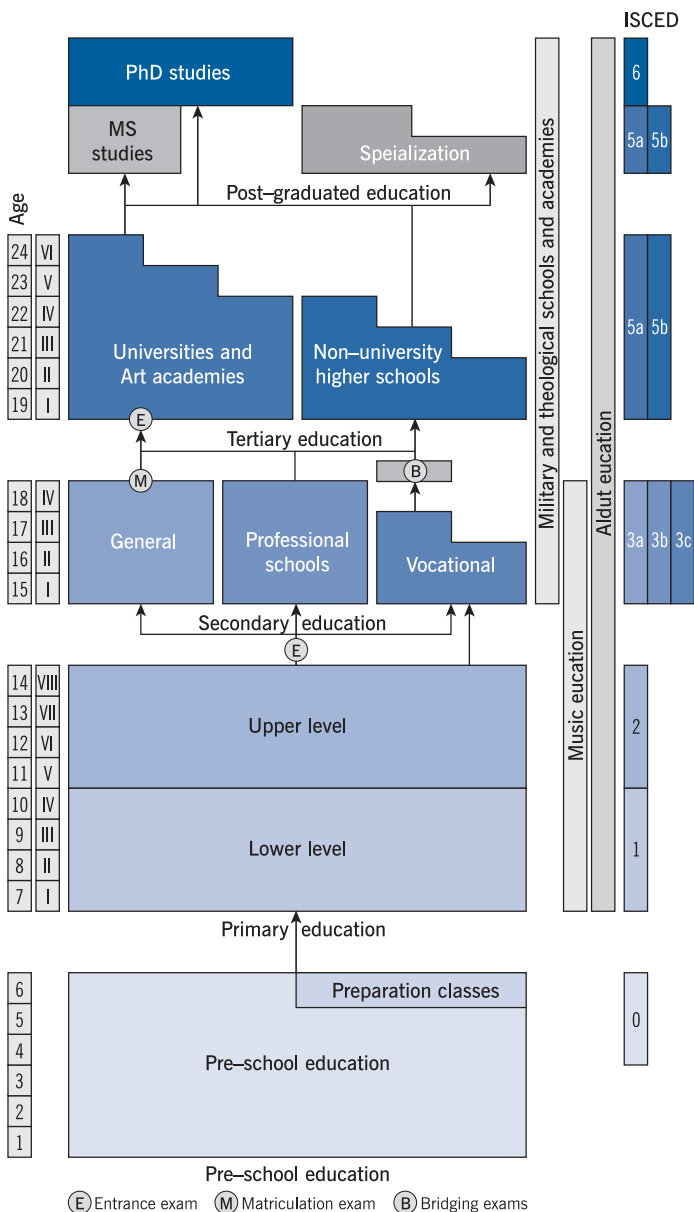
How are lay-off costs regulated in Serbia?

An employee, whose employment contract is terminated due to unsatisfactory performance at work or lack of required qualifications, is entitled to a severance pay. The amount of the severance pay is determined in relation to a number of years spent within the company:

- Up to two years: the amount of one monthly earnings;
- Between two and ten years: the amount of two monthly earnings;
- Between ten and twenty years: the amount of three monthly earnings;
- For over twenty years: the amount of four monthly earnings.

93

How is education organized in Serbia?



94

What is the total number of schools?

There are 4,051 elementary schools, 536 high schools and 216 Faculties and two-year colleges in Serbia.

Number of schools, teachers and students

Regular primary education			Regular secondary education			High and higher education		
Schools	Pupils	Teachers	Schools	Pupils	Teachers	Schools	Students	Teachers
4,051	737,575	49,897	536	334,502	29,061	216	213,668	11,756

Source: Statistical Office of the Republic of Serbia

95

What is the total number of universities and students in Serbia?

There are five university centers in Serbia: Belgrade, Novi Sad, Nis, Kragujevac, and Subotica, with a total number of 130 faculties and 76 two-year colleges. More than 229,000 students were enrolled in the academic year 2005/2006. As a country with highly educated workforce universities in Serbia are highly competitive and linked with global academic network.

96

What is the annual number of graduated students over the years?

Since 2001, universities in Serbia have produced 14,370 graduates, 1,006 Masters of Science, and 383 PhDs annually, on average. Out of the total number of graduates, 1/3 come from technical universities.

Leading institutions in this field, e.g. School of Electrical Engineering or School of Mechanical Engineering in Belgrade, are recognized internationally for their expertise.

Number of graduates, masters of science, and PhDs

	2002	2003	2004	2005
Graduates	12,099	13,224	14,968	19,678
MSC	835	1,101	978	1,154
PhDs	303	359	394	468

Source: Statistical Office of the Republic of Serbia

97

What is the educational structure of the employed population?

Employment in Serbia according to qualification in %				
	Serbia	Central Serbia	Vojvodina	Belgrade
University-level	18.1	18.5	17.1	23.2
2-year college	8.1	8.2	7.8	8.0
High school	30.3	29.4	32.7	32.2
Elementary school	4.9	4.8	5.2	5.0
Highly qualified	5.8	6.4	4.1	8.0
Qualified	18.8	19.2	17.6	14.9
Semi qualified	6.0	6.2	5.6	4.6
Unqualified	8.0	7.3	10.0	4.1

Source: Statistical Office of the Republic of Serbia

98

What is the educational structure of unemployed population?

On the supply side of the labor market, out of 913,000 unemployed in March 2007, 3.6% had a university degree. Added to this are 44,000 2-year college graduates, which altogether accounts for 8.4% of total unemployment.

Structure of unemployed population in %	
University	3.6
2-year college	4.8
High school	26.4
Elementary school	27.1
Unqualified	38.1

Source: National Employment Service

99

What is SIEPA?

Serbia Investment and Export Promotion Agency (SIEPA) – founded in 2001 by the first democratic government – helps both foreign investors set up their businesses in Serbia and local producers boost their export volume.

Created as a one-stop-information-shop, SIEPA acts as a reliable partner for international companies following the investment project from the start until the end to ensure its best results. As a central institution in the field of foreign direct investment, the Agency is primarily tasked with promoting Serbia's rapidly improving business climate and enhancing FDI inflow in the country.

100

What can SIEPA do for you?

SIEPA helps you seize business opportunities in Serbia by:

- Providing you with relevant information on the investment environment, incentives for investment, investment-related legal framework and, most importantly, to assist you quantify the considerable benefits Serbia can offer your company;
- Helping you find appropriate Greenfield and Brownfield site options;
- Assisting you in obtaining permits and licenses required by national and local authorities, thus speeding up the completion of the project;
- Organizing visits to supplier companies and potential partners;
- Presenting you ready-to-invest projects;
- Assisting you in locating adequate high quality range of products and services from companies in Serbia;
- Maintaining an investment and export databases;
- Promoting exports and helping local businesses utilize Serbian comparative advantages;
- Preparing sector analyses and studies that provide you with thorough overview of the situation in a particular sector of your interest;
- Advising the Government on changes to the legal and regulatory framework related to investments and exports.



SIEPA

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