

WHAT G-MINT PREPARES

Special Edition of
SURVEY – REPUBLIC OF SERBIA

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Dear Users,

The publication of new issues of this edition increasingly depends on the rhythm and degree of certainty at which the Government is announcing and adopting new measures for dealing with the crisis. From the publication of the previous issue in February 2009 to mid-April, there has been nothing that could be announced as the final anti-crisis package of measures for alleviating the consequences of the crisis which is producing a growing impact on Serbia. It was only in mid-April that the Government managed to reach an agreement on the package of measures which was put on the Serbian Assembly's agenda on the date of publication of this issue and which was also approved by the IMF two days earlier.

Because of the mentioned reasons, the anti-crisis measures and the announcement of new laws make up almost the entire contents of this issue. As usual, you will be supplied with much more facts in our basic edition, which will soon be accessible in the online version.

With best regards,
SURVEY-RS Editors

■ NEW ANTI-CRISIS MEASURES

After lengthy preparations, the Serbian Government presented to the National Assembly a new set of anti-crisis measures which are a condition for the new stand-by arrangement amounting to € 3 billion, which should be approved by the IMF at the beginning of May. In the first place, the state

budget is going to be cut for the first time, so that among other things, the government expenditures on goods and services and for discretionary purposes on which the government agencies decide by themselves, are going to be reduced by about 25%. The total savings are going to amount to about € 1 billion. —————→ (page 2)

IMF MAKES A NEW STANDBY ARRANGEMENT

On 22 April, the IMF presented to the Serbian Government the text of a new standby arrangement which will be supported by € 3 billion. With reference to that, the Prime Minister Mirko Cvetković said that the arrangement includes all of the measures proposed by the Serbian Government and that it is expected to be approved by the IMF Board of Directors on 11 May. "That is a strong positive signal to all international financial organisations and investors to carry on investing in Serbia" – said Cvetković.

■ NEW PROCEDURES AND NEW FINES

The all-inclusive set of new laws dealing with environmental protection, which is expected to be adopted by the National Assembly by mid-May, is going to pro-

vide new procedures and new duties of all parties responsible for environmental protection. New fines are going to be introduced and the existing ones are going to be raised considerably. —————→ (page 3)

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■ FIXED TELEPHONY LICENCES

Towards the end of March 2009, the Telecommunications Agency made the public announcement for new fixed telephony operators and applications may be presented until 15 May. Licences are issuable for a period of 10 years. Any person registered for the telecommunications business may place a bid for licence, which also goes for a person intending to engage in the telecommunications business, subject to paying in an € 1,000,000 deposit or if the Agency presents an irrevocable first class bank guarantee for that amount, which is payable at first call.

The least (initial) non-recurrent fee which is payable for the licence amounts to € 500,000 and the final amount is to be set at public biddings. The decision on the best bid is to be based on the offered non-recurrent fee.

Telecom Serbia public enterprise has been the sole fixed telephony operator so far.

**MORE THAN 20 NEW LAWS
BY MID-MAY**

(page 3)

→ (continuation from p. 1) The Government has stated in public for the first time its estimate that the GDP growth rate will go down by 2% in 2009.

The laws geared to a temporary reduction of salaries, net benefits and other receipts in the government administration and public sector were drafted in mid-March. According to these drafts, the salaries of MPs, President of the Republic of Serbia, members of the Government, persons elected by the National Assembly or appointed by the Government, persons having the status of officials, government officers and employees, employees of the National Bank of Serbia, and officials and employees of the autonomous province authorities and local self-government units, are going to be reduced on a temporary basis. The highest pay is going to be equal to six average monthly pays in Serbia. At present, the salaries of the directors of some public enterprises and agencies are about 10 times higher than the average ones. All bonuses are going to be abolished and the fees of members of the boards of directors of all public enterprises and agencies are going to be cut drastically.

The excise tax on petrol, diesel fuel and tobacco products is going to be raised again. The tax on motor vehicles with engines exceeding 2000 cc is going to be increased considerably and the mobile telephone impulses are going to be taxed at the rate of 10% (on the basis of monthly bills). Tax increases also apply to the use of watercraft (boats, ships and yachts exceeding 15 meters in length and waterborne catering facilities), as

■ *NEW PLANNING AND CONSTRUCTION LAW*

The working version of the draft law dealing with land development, building land and construction, which was prepared by the Ministry of the Environment and Spatial Planning, includes important novelties. This is yet another attempt at simplifying and speeding up all of the procedures for the issuance of the documents required for construction, increasing the legal security of participants in the procedures and curbing

well as aircraft when used for own transport and recreation. Thanks to a more realistic assessment of the market value of houses and apartments (depending on their size, quality, location and way of use), the annual tax on them is going to be increased. The base of individual income tax, tax on copyrights and related rights and tax on capital gains (dividends and shares of profit) is going to be increased.

In contrast to the mentioned restrictions, farmers are going to be exempt from the farming and forestry tax on cadastral income in 2010 and the rate of tax on the income from farming and forestry is going to be reduced from 14% to 10%. Some facilities have been provided for investors in the investment funds.

The Government has also planned a set of additional incentives for employment and financing of small and medium enterprises, as well new interest subsidies on the loans extended by commercial banks. Among other things, the private sector has been invited to employ 10,000 trainees in the duration of one year (without the obligation to employ them permanently thereafter), their pays ranging from € 170 to 215 (depending on vocational attainment), including also taxes and contributions, being financed by the Government from the Budget (excluding the 12% tax payable by employers).

Furthermore, the Government has planned to dismiss about 10% of the government administration employees by the end of 2009.

the widely spread corruption in this area, as well as the first attempt at dealing in a new way with not only the right of use, but also the right of private ownership of developed and undeveloped urban building land.

Experience has shown that corruption is manifest the most in the municipalities which have not adopted plans and which issue the town plan documents on the basis of arbitrary criteria. The local self-government units – municipalities, cities and the City of Belgrade – will have to adopt two kinds of plans: local

self-government unit spatial plans and general regulation plans.

It will not be possible to issue a building permit before the building plot is formed. Provisions have also been made for the establishment of a central registry of plans, which is to be administered by the Republic Geodetic Institute.

It is expected that this law will be put in the assembly adoption procedure by the end of May.

■ *REGISTRATION OF FIRMS IN FIVE DAYS*

A new system of registration of firms is going to be applicable as of the beginning of May and it will make it possible to establish firms in only five days instead of 25 in the past. Thanks to the introduction of the one stop shop, it will be possible to complete all formalities concerning registration at one place. The registration fee is not going to be changed: RSD 3,600 (approx. € 38) for the establishment of an enterprise and only RSD 569 (approx € 6) for entrepreneurs. It has also been planned for the annual financial statements of enterprises to be presented only to the Business Registry Agency in the future, not also to the National Bank, like in the past.

■ *INDIVIDUAL INCOME TAX TO BE INCREASED*

In the scope of the anti-crisis measures, the Serbian Government has also proposed changes in the individual income tax. With the exception of the reduction of tax on the income from farming and forestry from 14% to 10% and abolishment of tax on these activities in 2010, all other changes involve tax increases.

The percentage of the recognised cost of making, depending on the kind of author work, is going to be reduced from 60% to 30% (for sculptures, tapestries, ceramics and other works of similar materials) and the percentage of recognised costs for all other author works will be 20%. Up to now, the recognised standard costs amounted from 40% to 60%, depending on the kind of author work. This is going to increase substantially the expenditures for such purposes, because tax and contributions will be

calculated against a much higher base (net amount), even though the actual costs incurred by authors and holders of other related rights will be recognised, like in the past.

Furthermore, the percentage of taxable income from dividends has been increased from 50% to 80%.

The additional receipts of resident aliens employed by a resident or by a permanent operating unit of a non-resident, which have been paid up to the effective date of this law, are exempt from the pay tax in keeping with the regulations in force before the effective date. However, the receipts of an individual, resident alien, which were paid after the effective date of this law, will be included in the annual taxable income

■ NEW OPPORTUNITIES FOR INVESTMENT FUNDS

In view of the deteriorated operating conditions for investment funds, the Government has drafted modifications in the relevant law, so that in future, these funds will be able to invest 20% of their assets in the investment units of public investment funds and equities of limited liability companies, instead of 10% at present. Furthermore, exclusively for the purpose of maintaining the fund liquidity on the requisite level, the investment fund management companies will be able to take loans, in their own name and for account of funds, which are repayable within 360 days, as well as to make repo contracts with other investment funds and banks, for up to 20% of the value of the fund assets.

Lastly, on the occasion of acquisition of investment units, a member of the public fund may acquire 20% of the net value of the public fund assets (instead of 10% at present). These modifications stand a chance of being adopted by the Assembly by mid-May.

■ MORE THAN 20 NEW LAWS BY MID-MAY

In 2008 and 2009, the Serbian Government presented more than 60 draft laws to the Serbian Assembly for adoption and some of them were inherited from the previous government. In addition to that, there are also about 60 draft laws ratifying international agreements and conventions. Of the first mentioned draft laws, a half was presented to the Assembly in 2009.

By mid-May, the Serbian Assembly should adopt about 23 new laws, the debates about which began in mid-April. All but one (The Political Parties Law) are to do with industries, environmental protection and public welfare.

These are the following laws:

- Draft Law Prohibiting the Development, Production, Storage and Use of Chemical Weapons and on their Destruction
- Draft Law on the Protection against Ionising Radiation and Nuclear Safety
- Draft Law on the Protection against Non-ionising Radiation
- Draft Law on Chemicals
- Draft Law on Biocidal Products

- Draft Law Amending the Law on the Assessment of Impacts on the Environment
- Air Protection Law
- Nature Protection Law
- Law on the Protection against Noise in the Environment
- Law on the Protection and Sustainable Exploitation of Fish Stock
- Waste Management Law
- Law on Packaging and Packaging Waste
- Law Amending the Environmental Protection Law
- Law on the Republic of Serbia Development Fund
- Law Amending the Chamber of Commerce Law
- Law Rescinding the Law on the Foreign Trade Insurance and Financing Fund
- Foreign Trade Law
- Standardisation Law
- Law on Technical Requirements for Products and Compliance Appraisal
- Tourist Trade Law
- Law on Employment and Insurance Against Unemployment
- Law on the Professional Rehabilitation and Employment of Persons with Disabilities
- Political Parties Law

Furthermore, the Assembly should ratify 10 or so international conventions, including also those to do with environmental protection, which are dealt with by the above mentioned laws.

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