Serbian Parliament adopts the Law on Investment

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On 23 October 2015, the Serbian Parliament adopted the Law on Investment. The new legislation replaces the Law on Foreign Investment and establishes a new institutional framework for subsidizing foreign and domestic investment. Within four months from 4 November 2015, the date when the law will come into force, the Development Agency of Serbia (*Razvojna agencije Srbije*) and the Council for Economic Development (*Savet za ekonomski razvoj*) are supposed to be established and take over the management of subsidies.

The notion of "investment" includes shares in Serbian companies, branch opened by a foreign company, proprietory rights on movable or immovable assets (ownership, pledge, easement), intellectual property, right to perform an activity under the auspices of a PPP arrangement, activity pursued on the basis of an authorization issued by a public authority. The law specifies that trade receivables, receivables under a loan extended for "trade financing" and portfolio investments are not captured by the notion of "investment".

An important novelty is a provision according to which, in case of expropriation of real estate, investor will be entitled not only to compensation for the seized property (at its value before the announcement of the intention to expropriate), but also to compensation for the decreased value of the businesss caused by expropriation. Expropriation proceedings are deemed urgent.

The law divides investments into two categories –investments of "**special importance**", deemed to contribute to the economic growth on a national level, and investment of "**local importance**". Investments made on the basis of bilateral investment agreements, as well as investments spreading over the territory of more than one municipality will automatically qualify as investment of "special importance". In other cases, qualification depends on six criteria – number of jobs created, the nature and the amount of investment, impact on the overall trade balance of Serbia (alternatively – impact on specific industry or target export market), duration of the investment, added value created and credibility of investor.

In case of distribution of state aid to investments of special importance, no public invitation to investors is required.

Investors will be able to apply for creation of "**project teams**" and adoption of "**investment programs**" which should facilitate bureaucratic hurdles. Project teams will assist investors in obtaining documents and information necessary for making the investment. An "investment program" will summarize required documents an investor must submit, outlining deadlines for their submission, the competent authorities involved and the deadlines for those authorities to issue necessary permits or approvals.

Under the new regulation, public authorities should treat applications from investors as priority. If public authorities, except for the Commission for the Protection of Competition, fail to issue a necessary approval stated in the investment program upon complete and timely application of an investor, the latter will be able to address the Development Agency. To further stimulate expeditiousness of public servants, the new law introduces fines in the amount of up to RSD 150,000 (approx.. EUR 1,300) if they fail to resolve complete applications of investors in due time.

Investors can also expect to benefit from investment incentives, such as state aid, tax incentives, relief from payment of administrative fees, customs incentives and incentives related to compulsory social insurance. The Government is expected to adopt more detailed regulations in this regard.

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