

# SETTING UP BUSINESS IN SERBIA



## General Aspect

Republic of Serbia is located in South East Europe at the intersection of Pan European Corridors Nr. 10 and Nr. 7 linking Europe and Asia and is bordered by Hungary, Romania, Bulgaria, Albania, Macedonia, Montenegro, Croatia and Bosnia and Herzegovina. Such a central position on the Balkan Peninsula enables Serbia intense international relations as well as inclusion in the international flows of trade.

Total Area is 88,361 km<sup>2</sup>.

The official language is Serbian, but many people, especially in business life, speak English as well.

## Legal Forms of Business Entities

Legal form	Feature	Remarks
<b>Representative Office</b>	<p>Has no legal capacity, but is a part of the foreign enterprise and does not have a power to conclude the agreements except the agreements that relate to the day-to-day operations of the representative office (rent agreements, employment agreements, stationary purchase agreements etc)</p> <p>Representative office is being registered in front of Business Register Agency.</p>	Foreign company can have a representative office in Serbia solely for the purpose of carrying on, for the enterprise, an activity of a preparatory or auxiliary character.
<b>Joint Stock Company</b>	<p>Two types: closed or public (listed on the stock exchange).</p> <p>A Joint Stock Company is founded by one or more legal entities and/or physical persons (closed JSC can not have more than 100 shareholders).</p> <p>A Joint Stock Company can be incorporated by by one or more legal entities and/or physical persons.</p>	<p>Minimum Capital– RSD 3,000,000 (approx. EUR 24,200 on February 1, 2017).</p> <p>Share and Contribution Requirements– The registered value of one share may not be less than RSD 100.</p> <p>(other requirements do and/or may apply to banks, insurance, leasing and other companies)</p>
<b>Limited Liability Company</b>	<p>Most commonly used and highly recommended type.</p> <p>Shareholders – at least one legal or natural person.</p>	Minimum share capital is RSD 100.

**There are the following partnerships in Serbian law:**

<p><b>Limited Partnership</b></p>	<p>An association of individuals or enterprises registered in the Business Register Agency.</p> <p>Number of partners – two or more. At least one is a general partner who is jointly and severally liable for the obligations of the partnership, while a limited partner is liable up to the amount of the inscribed monetary or in-kind contribution, which was not provided to the partnership.</p>	<p>There are no minimum capital requirements.</p>
<p><b>General Partnership</b></p>	<p>An association of individuals or enterprises registered in the Business Register Agency.</p> <p>Number of partners – two or more.</p> <p>Partners are jointly and severally liable for the obligations of a partnership.</p>	<p>There are no minimum capital requirements.</p> <p>Limited Partnership and General Partnership are in the law theory called “companies of persons” while Limited Liability Company is considered as “company of capital”. The main difference between those types is in the liability of the shareholder, i.e. partner. In a LLC a shareholder is not liable for obligation of the company solely by reason of being a shareholder, except that shall be liable up to the amount of any agreed but unpaid contribution (capital) which is not the case in the “companies of persons”.</p>

## Organizational Questions

Topic	Feature	Remarks
<p><b>Commercial Register – Business Register Agency (BRA)</b></p>	<p>Companies of all legal forms must be registered in the commercial register of the Serbian BRA.</p> <p>The website of BRA is very useful and provides various information about the registration procedure and about registered entities- <a href="http://www.apr.gov.rs">www.apr.gov.rs</a></p> <p>Documents necessary for the registration of any legal form (further documentation might be required depending on the legal form of the entity and its core business):</p> <ol style="list-style-type: none"> <li>1. If the founder is a company: Extract from the Commercial Register (containing the official data of the founder: business name, registration number, registered seat, authorized representatives, shareholders) – notarized and apostilled; not older than three months.</li> <li>2. If the founder is a natural person: Copy of passport</li> </ol>	<p>Once the complete documentation is submitted, the Serbian BRA issues the incorporation decision within 5 business days. Along with the incorporation decision, the newly established company receives also the tax identification number from the BRA.</p>

	<ol style="list-style-type: none"> <li>3. Power of Attorney if the incorporation procedure is carried out through a person that is not appointed as the director- notarized and apostilled.</li> <li>4. the Founding Decision - notarised and apostilled;</li> <li>5. The confirmation about paid in capital;</li> <li>6. OP Form- verified list of signature/s of the Director/Board</li> <li>7. of Directors to be appointed - notarised and apostilled."</li> </ol>	
<b>Bank Account</b>	<p>Opening of bank accounts – 1 day as of the day the Company’s Director submits and signs all required bank forms.</p> <p>Documents needed – various document on companies registration (not older than three months), signature card, documents proving the identity of the beneficial owner etc.</p>	For account deposits of more than EUR 15,000 cash, banks are required to check the identity of the depositor (anti money laundering measure). There are 31 banks in Serbia. All of them have implemented more or less similar procedures monitored by National Bank of Serbia.
<b>Transferring funds to subsidiary and vice versa</b>	<p>A shareholder may transfer funds to its Serbian subsidiary in the following forms:</p> <ol style="list-style-type: none"> <li>1. capital increase</li> <li>2. shareholder’s loan</li> <li>3. additional payments.</li> </ol> <p>A common route normally undertaken in order to distribute the profits of a Serbian company to its shareholders, is by way of dividends. If a loan is granted by the shareholder, the subsidiary shall repay the received amount as per the conditions agreed in the loan agreement. Additional payments are interest free and do not increase the registered capital of the Serbian subsidiary. They can be repaid to the shareholder based on the shareholder’s decision.</p>	

## Employment

Topic	Feature	Remarks
<b>Work permit</b>	Foreigners need a work permit to work legally in Serbia.	The Director and the members of the management board can work in these capacities without an employment agreements, thus no work permit is necessary

<b>Labour law</b>	<p>Work force is usually engaged based on an employment agreement.</p> <p>After the employment agreement is signed, the employer must electronically register the employees with :</p> <ul style="list-style-type: none"> <li>• Health Insurance Fund</li> <li>• Pension Fund</li> <li>• National Employment Agency.</li> </ul> <p>Minimum days of annual leave: 20 days; normal working hours: 40 hours per week</p>	
<b>Social sistem and tax on salaries</b>	<p>Gross salaries are subject to salary tax (10%) and social security contributions. Social security contributions are due by both the employer and employee at the following rates:</p> <p>Contributions due by the employer:</p> <ul style="list-style-type: none"> <li>• Pension contributions - 12%</li> <li>• Health contributions- 5.15%</li> <li>• Unemployment contributions- 0.75%</li> </ul> <p>Contributions due by the employee:</p> <ul style="list-style-type: none"> <li>• Pension contributions - 14%</li> <li>• Health contributions- 5.15%</li> <li>• Unemployment contributions- 0.75%</li> </ul>	<p>RSD 11,790 (approx. EUR 95) of every gross salary is non-taxable. Same non-taxable amount does not apply to calculation of social security contributions. Nevertheless, the law provides for the maximum base for calculation- 5 average monthly salaries</p>

## Taxation

<b>Tax</b>	<b>Feature</b>	<b>Remarks</b>
<b>Corporate Income Tax</b>	Resident companies are taxed on their worldwide income at the rate of 15%. Resident companies are companies which are duly registered in Serbia or have place of management or control in Serbia	
<b>VAT</b>	<p>The general VAT rate for taxable supply of goods and services or import of goods is 20%.</p> <p>The reduced rate is 10%."</p>	<p>Taxable persons who generated a turnover of more than RSD 8,000,000 in the previous 12 months must register for VAT. Taxable persons with less turnover have the option to register for VAT.</p>

<b>Personal Income Tax</b>	<table border="1"> <thead> <tr> <th>Income</th> <th>Tax Rate</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>10%</td> </tr> <tr> <td>Self employment</td> <td>10%</td> </tr> <tr> <td>Royalties</td> <td>20%</td> </tr> <tr> <td>Incomes from capital</td> <td>15%</td> </tr> <tr> <td>Capital gains</td> <td>15%</td> </tr> <tr> <td>Other income</td> <td>20%</td> </tr> </tbody> </table>	Income	Tax Rate	Salary	10%	Self employment	10%	Royalties	20%	Incomes from capital	15%	Capital gains	15%	Other income	20%	Resident individuals are subject to tax on their worldwide income. An individual who has habitual residence or centre of business and vital interests in the territory of the Republic of Serbia or resides in the Republic of Serbia for a period exceeding 183 days which starts or begins in a related tax year will be considered as resident.
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<b>Annual Personal Income Tax</b>	The annual personal income is subject to a 10% and 15% income tax (progressive rates), which, in case of Serbian residents, is imposed on world wide income higher than three times the average annual salary, and in case of non-residents, is imposed on Serbian sourced income higher than three times the average annual salary.															
<b>Property Tax</b>	<p>Property tax on immovable property rights is levied at the following rates:</p> <ul style="list-style-type: none"> <li>• Taxpayer who keeps books - 0.40%;</li> <li>• Taxpayer who does not keep books – 0.4% to 2%</li> <li>• Inheritance and gift tax- 2.5%.</li> </ul> <p>Property transfer tax:</p> <p>2.5% on transfer of real property rights, intellectual property rights, property rights on used motor vehicles, land use rights.</p>															
<b>Withholding tax</b>	<p>Dividends, royalty payments, interests, capital gains and lease payments paid to non-residents are taxed at 20% withholding tax rate. This tax rate can be reduced by an applicable DTT. Income from royalties, interest, lease and services generated by legal entities from black - listed countries is subject to a 25% withholding tax.</p> <p>Dividends paid between resident companies are exempted from taxation.</p>	By 2017 Serbia has concluded an DTT with 59 countries worldwide.														

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