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Doing business in  
Serbia 2012

Moore Stephens Europe

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# Introduction

The Moore Stephens Europe *Doing Business In* series of guides have been prepared by Moore Stephens member firms in the relevant country in order to provide general information for persons contemplating doing business with or in the country concerned and/or individuals intending to live and work in that country temporarily or permanently.

*Doing Business in Serbia 2012* has been written for Moore Stephens Europe Ltd by Moore Stephens Revizija i Računovodstvo d.o.o. In addition to background facts about Serbia, it includes relevant information on business operations and taxation matters. This Guide is intended to assist organisations that are considering establishing a business in Serbia either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to Serbia to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this Guide is believed to be accurate as of 31 December 2012. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

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Our member firms' objective is simple: to be viewed as the first point of contact for all our clients' financial, advisory and compliance needs. They achieve this by providing sensible advice and tailored solutions to help their clients' commercial and personal goals. Moore Stephens member firms across the globe share common values: integrity, personal service, quality, knowledge and a global view.

**Brussels, August 2013**



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# 1. Serbia at a glance

## Geography, climate and population

The Republic of Serbia is a landlocked country occupying a total surface area of 88 361 km<sup>2</sup> in central and south-eastern Europe, covering the central part of the Balkan Peninsula and the southern part of the Pannonian Plain. It is bordered by Hungary in the north; Romania and Bulgaria in the east; [the Former Yugoslav Republic of] Macedonia in the south; and Montenegro, Croatia and Bosnia-Herzegovina to the west. The border with Albania lies entirely within the disputed autonomous province of Kosovo. Serbia is situated at the intersection of two important routes: Pan European Corridors No 10 and No 7, linking Europe and Asia.

The country is mainly mountainous, mostly in its central region and in the south. The autonomous province of Vojvodina occupies the northern part of the Republic with its fertile plain ideal for agricultural production.

To the north, Serbia's climate is continental, with cold winters and hot but humid summers. In the southern part of the country, the climate is moderate continental with drier summers and autumns, where winters are relatively cold, with heavy snowfall in the mountains. According to data from the last census in 2011, the population is 7 120 666, with a density of 91.92 inhabitants per km<sup>2</sup>.

*NB: none of the statistics quoted in this publication include data from Kosovo (also known as Kosovo and Metohija).*

The capital city is Belgrade (*Beograd* in Serbian), which has a population of 1.6 million. Other large cities include Novi Sad, Niš and Kragujevac.

## Language and religion

The official language is Serbian, which is a language belonging to the western subgroup of the South Slavic branch of the Slavic family of languages. As a standardised form of Serbo-Croatian, it is very close to Croatian, Montenegrin and Bosnian, and more distantly related to the other South Slavic branch of the Slavic languages, Slovenian, Macedonian and Bulgarian.

Regional languages spoken in Serbia include Hungarian, Romanian, Slovak, and Croatian (all of which are official regional languages in the Vojvodina province). Serbian is the only European language with active digraphia, which means that both the Cyrillic and Latin alphabets are used for writing.

Orthodox Christians, belonging to the Serbian Orthodox Church, are the dominant religion in the Republic of Serbia. Alongside Orthodox Christians, there are Muslims, who live largely in the southern and southwestern part of Serbia as well as in the disputed territory of Kosovo and Roman and Greek [Uniate] Catholics, who are mostly found in the northern part of Vojvodina province. Other religious groups include Protestant denominations, Jews and others.

According to the 2002 census (excluding Kosovo) 82.86% of the population are ethnic Serbs. Minorities include Hungarians (3.91%), Bosnians (1.82%) and Roma (1.44%). All other minorities constitute less than 1% of the population.

## History

The history of Serbia, as a country, begins with the Slavic settlements in the Balkans, established in the 6th century in territories governed by the Byzantine Empire. The Serbian region became a Kingdom in 1077, then an Empire in 1345. By the mid fifteenth century, the Ottoman Turks conquered this area, and it became part of the Ottoman Empire for several centuries. In 1830, with the revolution against Ottoman rule, the Principality of Serbia was established.

After the First World War and the collapse of the Austro-Hungarian Empire in 1918, the Kingdom of Serbs, Croats and Slovenes was formed (renamed Yugoslavia in 1929), ruled by the Serbian Karageorgevitch (*Karađorđević* in Serbian) dynasty. It consisted of the kingdoms of Serbia

(including Macedonia) and Montenegro and the former Austro-Hungarian provinces of Slovenia, Croatia and Bosnia-Herzegovina. After the Second World War, Yugoslavia became a one-party Communist state under the leadership of Josip Broz Tito, and was known latterly as the Socialist Federal Republic of Yugoslavia, divided into six federal republics (Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia) and two autonomous provinces (Kosovo and Vojvodina, both within Serbia).

After the violent disintegration of the Yugoslav state in 1992, all six former republics become independent countries. Between 1992 and 2006, however, Serbia and Montenegro were united in the Federal Republic of Yugoslavia, latterly renamed Serbia and Montenegro.

In 2006 the National Assembly of the Republic of Serbia proclaimed the independence of the Republic of Serbia, following the May 2006 referendum in Montenegro, which voted in favour of an independent Republic of Montenegro.



After the Kosovo war of 1999 the Serbian southern autonomous province of Kosovo (which has an Albanian majority) came under the interim civil and military administration of the United Nations on the basis of UN Security Council Resolution 1244. In 2008, the parliament of Kosovo unilaterally proclaimed independence from Serbia, which Serbia does not recognise. Talks to try and resolve the dispute continue in Brussels.

### Politics and government

The Republic of Serbia is a democratic parliamentary republic, with a directly elected President as head of state, and in which executive power is exercised by the Prime Minister and his government.

Legislative power is vested in the National Assembly of Serbia, which is the unicameral parliament of Serbia. Composed of 250 deputies elected for a four-year term under the party-list system of proportional representation, the National Assembly adopts and amends the Constitution, elects the Government, and appoints the Governor of the National Bank of Serbia and other state officials. Following the 2012 general election and presidential election, the Prime Minister is now Ivica Dačić of the left-wing Socialist Party of Serbia, who heads a coalition of his own party, the conservative Serbian Progressive Party, the United Pensioners Party and several other smaller groupings. The Presidential election was won by Tomislav Nikolić, who was the leader of the largest party in Parliament, the Serbian Progressive Party. Serbia became an official candidate for membership in the European Union on 28 February 2012, and received full candidate status on 1 March 2012.

### Currency, time zone, weights and measures

The official currency of Serbia is the Serbian Dinar, ISO code RSD. At the time of writing (30 July 2013), the dinar was quoted at EUR 1 = RSD 113.732 and at USD 1 = RSD 85.6956.

The time zone in Serbia is Central European (GMT+01:00). Daylight saving time: CET +1hr begins on the last Sunday in March and ends last Sunday in October.

Serbia uses the metric system of weights and measures and the Celsius scale of temperature.



### General economic outlook

Serbia's economic growth is supported by factors such as its very good strategic location and its inexpensive and skilled labour force. A very important factor for economic momentum is that the Republic of Serbia has signed free trade agreements with the European Union, Russia and Turkey. Serbia gives generous grants to foreign investors.

A limiting factor for economic growth is the global financial crisis and its impact on the Serbian economy. The main negative effects of the global economic crisis on the Serbian economy are a decline in foreign demand and exports; the overall decline in production, especially manufacturing; a decrease in the GDP growth rate, high unemployment rates and reduced investment in manufacturing.

Key macroeconomic indicators shown in Tables 1 and 2 below give an overview of the overall economic situation in Serbia in the past few years. During the period 2001-2008, Serbia achieved significant results in terms of economic growth, which was interrupted in the last quarter of 2008 and in 2009 when it faced the economic crisis and a sharp decline in economic activity.

Table 1: Key macroeconomic indicators

|   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | Q1 2012* |
|---|--------|--------|--------|--------|--------|--------|--------|----------|
| Real GDP growth (in %)  | 5.4    | 3.6    | 5.4    | 3.8    | -3.5   | 1.0    | 1.6    | -1.3     |
| Consumer prices (in %, relative to the same month a year earlier) | 17.7   | 6.6    | 11.0   | 8.6    | 6.6    | 10.3   | 7.0    | 3.2      |
| NBS foreign exchange reserves (in EUR million)                    | 4921   | 9020   | 9634   | 8162   | 10 602 | 10 002 | 12 058 | 11 073   |
| Exports of goods and services (in EUR million)                    | 5330   | 6949   | 8686   | 10 157 | 8478   | 10 070 | 11 470 | 2528     |
| – growth rate in % compared to a year earlier                     | 19.1   | 30.4   | 25.0   | 16.9   | -16.5  | 18.8   | 13.9   | -2.2     |
| Imports of goods and services (in EUR million)                    | 9613   | 11 971 | 16 016 | 18 843 | 13 577 | 14 838 | 16 823 | 4033     |
| – growth rate in % compared to a year earlier                     | 0.7    | 24.5   | 33.8   | 17.7   | -28.0  | 9.3    | 13.4   | 4.1      |
| Current account balance: (in EUR million)                         | -1778  | -2356  | -5053  | -7054  | -2084  | -2082  | -2968  | -1159    |
| as % of GDP   | -8.8   | -10.1  | -17.7  | -21.6  | -7.2   | -7.4   | -9.5   | -16.9    |
| GDP (in EUR million)  | 20 306 | 23 305 | 28 468 | 32 668 | 28 957 | 28 006 | 31 140 | 6860     |

\* NBS estimate

Source: NBS

Table 2: Key macroeconomic indicators (ctd)

|   | 2005  | 2006  | 2007  | 2008  | 2009  | 2010   | 2011   | Q1<br>2012* |
|---|-------|-------|-------|-------|-------|--------|--------|-------------|
| Unemployment<br>According to the Survey (in %)      | 20.8  | 20.9  | 18.1  | 13.6  | 16.1  | 19.2   | 23.0   | /           |
| Wages<br>(average for the period, in EUR, net)      | 210.4 | 259.5 | 347.6 | 358.4 | 337.9 | 330.1  | 372.5  | 357.6       |
| RS budget deficit/surplus<br>(in % of GDP)          | 0.3   | -1.9  | -1.7  | -2.1  | -3.7  | -3.7   | -4.2   | /           |
| RS public debt<br>(external + internal in % of GDP) | 52.2  | 37.6  | 30.9  | 29.2  | 34.5  | 44.0   | 47.7   | /           |
| RSD/USD exchange rate<br>(average, in the period)   | 66.90 | 67.01 | 58.39 | 55.76 | 67.47 | 77.91  | 73.34  | 82.38       |
| RSD/USD exchange rate<br>(end of period)            | 72.22 | 59.98 | 53.73 | 62.90 | 66.73 | 79.28  | 80.87  | 83.31       |
| RSD/EUR exchange rate<br>(average, in the period)   | 83.00 | 84.10 | 79.96 | 81.44 | 93.95 | 103.04 | 101.95 | 108.11      |
| RSD/EUR exchange rate<br>(end of period)            | 85.50 | 79.00 | 79.24 | 88.60 | 95.89 | 105.50 | 104.64 | 111.36      |

As an official candidate for membership of the European Union, a member of the International Monetary Fund, supported by the World Bank and the European Bank for Reconstruction and Development, Serbia is nevertheless well placed to appeal to direct foreign investors.

During the period from 2003 until the end of 2011, a total of 651 investment projects from 417 companies were recorded. The leading sector with 12% of projects was food and tobacco. 39% of projects went directly to manufacturing. The biggest investors were Germany, Slovenia and Italy.

Since 2000 Serbia has received over USD 20 000 million of foreign direct investment. Estimations are that by the end of 2013, Serbia will record the largest improvement in the business environment in Eastern Europe.

## 2. Doing business

### Main forms of business organisation

The main forms of business entity are:

- The limited-liability company
- The joint-stock company
- Partnerships (general or limited) and
- Branches and representative offices.

There is no restriction in foreign ownership for any form of business entity. Also, in any form of business entity, a foreigner may be a director or partner.

All business entities must be registered with the Agency for Registration of Business Entities (*Agencija za privredne registre*). Capital contributions to business entities may take the form of cash, kind or rights.

### Limited-Liability company

In Serbia, this form of company is known as a *društvo sa ograničenom odgovornošću* (abbreviated to d.o.o. or DOO) and may be founded by one or more individuals or companies. The minimum initial capital is RSD 100. Governing bodies are the annual general meeting of shareholders (AGM) and the managing director or board of directors. A d.o.o. may adopt either:

- A single-tier structure, where there is no board of directors as such, but the AGM appoints one or more directors, answerable to the AGM or
- A two-tier structure, in which in addition to the directors there is a supervisory board. The supervisory board has at least three members, who must not be employees, directors or persons having a power of attorney for the company. The supervisory board appoints the directors, sets the company's strategy and decides on directors' remuneration. The board is itself appointed by the AGM for a four-year term.

The shares of a d.o.o. may not be the subject of a public offering or be publicly traded.

### Joint-Stock company

In Serbia, this form of company is known as an *akcionarsko društvo* (abbreviated to a.d. or AD) and may be founded by one or more individuals or companies. The minimum initial capital is RSD 3 million, except in special cases (banks, insurance companies, leasing companies etc), of which at least 25% must be paid up at commencement. Governing bodies are the annual general meeting of shareholders (AGM), the supervisory board and the managing director or board of directors.

As with a d.o.o., these companies may have a single-tier or two-tier structure.

Only the shares of an a.d. may be publicly traded, although they do not have to be.

### Partnerships

A partnership may take the form of a general partnership (*ortačko društvo*) or a limited partnership (*komanditno društvo*). In either case, a partnership is founded between two or more natural or legal persons who wish to carry on business under a common registered name.

There is no requirement for a partnership to have a minimum initial capital. In a general partnership, all partners have joint and several unlimited liability for the debts of the partnership. In a limited partnership, at least one partner (the general partner) bears unlimited liability for the debts of the partnership, and the liability of at least one member (the limited partner) is restricted to the value of his contribution to the partnership's capital. Partnerships are governed by their partners.

Branches and representative offices can be founded by foreign companies in Serbia (a branch may also be formed by a Serbian entity). Branches and representative offices are treated as part of the foreign company to which they belong. Branches can perform business activities with third parties in the name of and on behalf of their foreign company. Representative offices may not carry out commercial operations, but act in a representative capacity only.

### Labour relations and working conditions

The Serbian labour force is skilled and well-trained. Many people have at least a basic knowledge of English.

The average monthly gross salary is currently approximately RSD 56 000, but taking employers' social security contributions into account, the actual average cost for the employer is approximately RSD 65 000 per month. Nevertheless, in some sectors or regions, skilled employees can be found with a gross salary of between RSD 28 000 and RSD 40 000.

The current unemployment rate is unfortunately high, estimated at 25.9% in 2012.

Serbian employment law (principally the Employment Code – *Zakon o radu*) regulates the rights, obligations and liabilities of employers and employees. The Code applies to all employers and employees, except those in state institutions (who are subject to a separate law).

The Employment Code leaves some details concerning employees' rights to be regulated by collective agreements. Collective agreements are negotiated and signed between employers and trade unions (in some cases with state assistance). Collective agreements regulate employees' rights, such as salary, leave, rewards, special benefits etc. The degree of trade-union membership, however, is moderate, estimated (in 2001) at 35% of eligible employees.

Collective agreements can be:

- General collective agreements, which regulate rules at the economy level;
- Special collective agreements, which regulate rules at the territory or industry level; and
- Collective agreements at the company level.

The standard working week is 40 hours, with five working days, Monday to Friday, and with a statutory daily break of a minimum 30 minutes. Employers may reduce the working week to 36 hours. Overtime cannot exceed four hours a day and eight hours a week. Overtime work must be compensated by paid leave or a minimum 26% bonus calculated on salary.

According to the Employment Code, in special circumstances, employers may redistribute working times, so that working days can be Saturdays and Sundays instead of some week days; employees may work in shifts; employees may work on public holidays etc. For these cases, the Employment Code prescribes minimum bonuses for employees.

The minimum annual paid holiday is 20 days. Paid leave in other cases is prescribed by the Employment Code, but it is limited to a maximum of seven days per year. In the case of sick leave, an employee is entitled to 65% of average salary.



Employment may be terminated by the decision of the employer or employee, or by mutual agreement. The employer must have justified reasons for such a decision.

In Serbia, all employees must have pension and disability insurance, health insurance and unemployment insurance, paid for by social security contributions (see Chapter 9).

Pensionable age is 65 years for men and 58 years for women (and at least 15 years of service). The service limit is 40 years for men and 38 years of service for women (and at least 58 years of age) or 45 years of service.

All employees have the right to health care for themselves and dependent members of their family. The health-care system is of a standard slightly below the average for European countries.

### **Work permits, visas etc**

Foreigners (including EU and EEA citizens) who wish to work and live in Serbia must have:

- A business/residence permit (at the latest, within three days of their arrival) and
- A work permit.

Business/residence permits are issued by the Police Office for Expatriates. Business permits are for the founders and directors of companies with foreign shareholders or for the directors of foreign companies' representative offices. Residence permits are for other foreigners.

Work permits are issued by the National Employment Service (*Nacionalna služba za zapošljavanje*). Work permits are required in Serbia only if a foreigner wishes to enter into an employment contract with a Serbian-resident company.

Travel to Serbia may not require a visa if there is a visa-free agreement with the other country concerned.

## 3. Finance and investment

### Business regulation

Business in Serbia is regulated in a similar way to that in the European Union. A foreign investor has basically the same rights as a Serbian investor, since the foreign investor is guaranteed national treatment. National treatment means that any legal entity and individual investing in Serbia enjoys full legal security and protection, equal to that accorded to domestic companies.

Legal security for the foreign investor is guaranteed by the Foreign Investment Act (*Zakon o stranim ulaganjima*). According to the Act, if a change is made to the law under which an agreement was concluded after the investment agreement is registered the provisions of the agreement, the articles of association and the law in force on the date of agreement continue to apply to the relationships regulated by it.

Foreign investment in Serbia cannot be the subject of expropriation, except when required by the public interest as established and determined by the law. In the case of expropriation, the foreign investor or company with a foreign investor must be financially compensated at a rate not lower than the market price of the investment.

The Government is committed to stimulating foreign investment, and there is very little restriction on foreign ownership. So, only in some special (and very rare) cases are there restrictions; for example, a foreigner may not buy agricultural land. Even in this special case, foreign investors may incorporate a Serbian company, and this company may buy agricultural land without any restriction.

“The Government is committed to stimulating foreign investment, and there is very little restriction on foreign ownership.”

The foreign investor may not, however, alone or with another foreign investor, establish a company producing or trading in armaments. A foreign investor may establish a company in producing or trading in armaments or invest capital exclusively in such a company, together with a domestic entity, but without acquiring the majority rights in the management of such a company, and only with the consent of the Ministry of Defence in Serbia.

The main regulatory agencies in Serbia are:

- The tax administration
- The Commission for Protection of Competition (*Komisija za zaštitu konkurencije*)
- The National Bank of Serbia (*Narodna banka Srbije*)
- The Republic of Serbia Securities Commission (*Komisija za hartij e od vrednosti Republike Srbije*)
- The Belgrade Stock Exchange (*Beogradska berza*)
- The Administration for the Prevention of Money Laundering (*Uprava za sprečavanje pranja novca*)
- The Serbian Chamber of Commerce and Industry (*Privredna komora Srbije*)
- The Privatisation Agency (*Agencija za privatizaciju*)
- The Environmental Protection Agency (*Agencija za zaštitu životne sredine*)
- The Chamber of Certified Auditors (*Komora ovlašćenih revizora*)
- The Labour Inspectorate (*Inspekcija rada*)
- Other specialised government bodies, inspections and agencies.

Intellectual property (trademarks, copyright etc) is protected. The laws dedicated to the protection of intellectual property rights are as follows:

- The Patents Act (*Zakon o patentima*)
- The Copyright and Related Rights Act (*Zakon o autorskim i srodnim pravima*)
- The Trademarks Act (*Zakon o robnim markama*)
- The Special Authority for Efficient Protection of Intellectual Property Act (*Zavod za intelektualnu svojinu*)
- The Topographies of Integrated Circuits (Protection) Act (*Zakon o topografiji integrisanih kola*)

- The Designs (Legal Protection) Act (*Zakon o pravnoj zaštiti industrijskog dizajna*)
- The Geographical Indicators Act (*Zakon o oznakama geografskog porekla*) and
- The Optical Discs Act (*Zakon o optičkim diskovima*)

The relevant authority for registration and protections of patents and trademarks is The Intellectual Property Office (*Kancelarija za intelektualnu svojinu*).

### Banking and local finance

The banking system in Serbia comprises:

- The Central Bank (the National Bank of Serbia)
- Commercial banks and
- Other financial organisations.

The founding, organisation, business activities and governance of banks are regulated by the Banking Act (*Zakon o bankama*). The activities of commercial banks in Serbia are supervised by the National Bank of Serbia.

Payment cards and cheques are commonly used by individuals. Companies do not normally use cheques for their payments in Serbia.

Loan amounts and interest rates on loans granted by banks depend on the bank's assessment of the borrower's solvency and the risk related to the financing. Banks generally require a business plan and details of the borrower's financial standing. Collateral, mortgages or other guarantees are frequently required before a credit is granted.

Other sources of business finance are the money market and finance leasing.

### The National Bank of Serbia

The National Bank of Serbia (the NBS) is the Central Bank of the Republic of Serbia. The NBS is the exclusive issuing institution of the Serbian dinar. The NBS is an autonomous institution, whose rôle is regulated by the Constitution and The National Bank of Serbia Act.

The NBS performs the following functions. It:

- Issues banknotes and coins
- Determines and implements monetary policy
- Regulates the RSD exchange-rate policy and determines the RSD exchange régime with the consent of the Government
- Regulates, control and promotes the functioning of internal and external payment operations
- Holds and manages foreign-currency reserves
- Issues and revokes operating licences, carries out supervision of the banks and other financial institutions and enacts regulations in the field of insurance and leasing (issues and revokes licences and performs controls)
- Performs other tasks as necessary.

The NBS cooperates with the Serbian Government and other state institutions in order to execute its functions. The Republic of Serbia guarantees all the NBS's liabilities.

The NBS also issues rules for the minimum scope of auditing and the minimum audit report content for banks and other financial organisations.

Foreign-exchange operations are regulated by the Foreign Exchange Operations Act (*Zakon o deviznom poslovanju*), and decisions of the NBS made under that Act.

### Commercial banks

As at 31 December 2011, 33 commercial banks were operating in Serbia, with a total asset value of RSD 2 649 912 million. The majority of commercial banks are subsidiaries of foreign banks, a few are controlled by the state and a few others are controlled by their own shareholders. In some banks controlled by the state or shareholders, minority interests are held by foreign investors.

The largest mostly domestic banks are:

- AIK banka
- Komercijalna banka and
- Banka Poštanska štedionica.

The largest subsidiaries of foreign banks are:

- Banca Intesa (Italy)
- Raiffeisen Bank (Austria)
- UniCredit Bank (Italy)
- Société Générale (France) and
- Hypo Alpe Adria Bank (Italy).

A bank must be incorporated as a joint-stock company. The NBS is authorised to supervise the activities of commercial banks and to issue or revoke operating licences for commercial banks in Serbia.

The initial capital of the bank can be contributed in either cash or kind, but the latter must be evaluated by an authorised person. The minimum monetary portion of share capital is the equivalent of EUR 10 million in Serbian dinars.

The NBS has issued only a small number of green-field banking licences. Entrance into the Serbian market is usually by acquisition.

Significant characteristics of the Banking Act are:

- Detailed foundation procedures
- A strong ultimate rôle for the NBS as a regulatory and supervisory authority
- Corporate governance
- Supervision on a consolidated basis
- Merger control
- Definitions and management of risks
- Definition of credit.

The Banking Act prescribes minimum capital requirements, a minimum capital-adequacy ratio, the maximum exposure of a bank and other ratios. Compliance with these ratios is supervised by the NBS on a quarterly basis. Liquidity ratios are also monitored, but on a daily basis.

This regulation is similar to Basel I, and in the future, it is to be amended to Basel II.



Commercial banks carry out the following types of operation:

- Deposit operations
- Credit operations
- Foreign-exchange and foreign-currency transactions
- Issuing operations (issuing of securities and credit cards)
- Treasury operations
- Custody operations
- Stock-exchange related operations
- Guaranty operations
- Documentary operations
- Cash management
- Intermediary services i.e. assuming the role of broker in trading in securities
- Purchasing and collection of claims
- Other financial services
- External payment operations and external loan operations
- e-banking.

### Other sources of business finance

Other sources of business finance are the money market and financial leasing.

Belgrade has a money market, but this institution is still small and undeveloped, and it is not a significant source of business finance. The only other real source for business finance in Serbia is leasing.

The incorporation, organisation, business activities and governance of finance-leasing companies are regulated by the Finance Leasing Act (*Zakon o finansijskom lizingu*). The NBS acts as supervisor of finance-leasing operations. The NBS issues and revokes finance-leasing licences, and approves the appointment of finance lessors' managing bodies, as well as being in charge of taking corrective measures in respect of lessors if supervision reveals illegalities and irregularities in their operations. The NBS also enacts secondary legislation as under the Finance Leasing Act, allowing it to regulate the operations of finance lessors more closely.

A leasing company must be incorporated in conformity with the law, and with a licence from the NBS. The minimum monetary portion of share capital must be the equivalent of EUR 500 000 in Serbian dinars for leasing of current assets, or the equivalent of EUR 5 million for leasing of property.

As at 31 December 2011, 17 financial-leasing companies were operating in Serbia, with a total asset value of RSD 80 213 million.

### Exchange control

Foreign-exchange operations are regulated by the Foreign Exchange Operations Act (see above).

Current-account transactions are free and without limitation. The Act specifies which transactions are to be regarded as current-account transactions. There is a deadline for residents to bring in to Serbia means of payment with regard to the export of goods and services. According to the Act, the deadline is one year from the day of export of goods and services. The same deadline applies when a resident imports goods or services that have been paid for in advance. After one year, if the payment is not effected, the transaction becomes an international credit operation, and must as such be reported to the authorities.

Banks and resident legal entities may purchase or sell claims and payables arising from residents' foreign-trade activities, or they may compensate the realised exports of goods and services with the realised import of goods and services.

Capital transactions, such as payments and transfers of capital with regard to direct investments, investments in real property and transactions with securities are executed freely, in accordance with regulations.

Under the Act, residents may freely transfer money for the purchase of real property abroad and non-residents may do so for the purchase of real property in Serbia.

The Act also regulates international credit operations and credit operations in Serbia in foreign currency. For example, in the case of residents, banks may approve credits in foreign currency in order to pay for the import of goods and services for companies and entrepreneurs, and in some special cases, prescribed by the Act, even for individuals (e.g. as a loan for the purchase of real property).

Payment and collection between residents in Serbia has to be effected in RSD. Contracting in foreign exchange between residents in Serbia is allowed, but payment of the counter-value must be executed in RSD. The Act also prescribes cases where payment and collection may also be effected in foreign exchange, and they are:

- Loans in foreign currency
- Purchases and sales of claims and payables arising from residents' foreign trade activities, based on contract
- Payment of guarantee deposits
- Transfers in respect of life insurance
- Sale and lease of real property
- Donations
- Bank guarantees
- Business trips abroad
- Salaries for persons employed in diplomacy.

Foreign-exchange operations are subject to supervision, conducted by the Foreign Exchange Inspectorate, the NBS, the customs authorities and others.

Penalties are prescribed for criminal acts, and especially misdemeanours, and for other violations of the Act.

If the prescribed tax requirements and other outstanding commitments have been settled in Serbia, the foreign investor, without any further limitation or delay, may transfer out of Serbia financial assets relating to the foreign investment such as profit, money assets related to sale or liquidation of the investment etc.

### **Investment incentives**

Its geographical position and the low cost of labour make Serbia a competitive environment for investment.

The institutions responsible for foreign investment regulation are the following:

- The Serbian Investment and Export Promotion Agency (SIEPA)
- The Ministry of Economy and Regional Development
- The Ministry of Foreign Affairs
- The Serbian Chamber of Commerce.

The most important investment incentives are:

- Government grants
- Grants from the National Employment Service
- Corporate income tax holidays
- Corporate income tax credits
- Corporate income tax holiday for concessions
- Salary tax and social security contribution exemptions
- VAT exemptions in Free Zones
- Imports free of customs duties

**Government Grants**

A new investment package has been prepared for investors into Serbia. Government grants are offered for greenfield and brownfield projects in all industries, except for primary agriculture, the hospitality industry, retail, and the production of synthetic fibres and coal.

For standard-scale greenfield and brownfield projects in the manufacturing, export-related services sector and tourism, non-repayable state funding is offered in the range between EUR 4000 and EUR 10 000 per new job created within three years.

Table 3

| Financial incentives                                |  |  |  |  |
|---|--|--|--|--|
| Eligible investment projects                        | Direct investments                     |  |  |  |
|   | Manufacturing sector                   |  | Internationally marketable services            | Strategic projects in the field of tourism     |
|   | Investments in underdeveloped regions  | Investments in standard regions        | The entire territory of the Republic of Serbia | The entire territory of the Republic of Serbia |
| Amount of funding (EUR)                             | 4000 – 10 000 for each new job created | 4000 – 10 000 for each new job created | 4000 – 10 000 for each new job created         | 4000 – 10 000 for each new job created         |
| Minimum investment amount                           | EUR 500 000                            | EUR 1 million                          | EUR 500 000                                    | EUR 5 million                                  |
| Minimum number of new, full-time jobs to be created | 50                                     | 50                                     | 10   | 50   |

For large investors, special financial packages are available, as per Table 4:

Table 4

| Financial incentives                          |  |  |  |  |
|---|--|--|--|--|
| Eligible projects                             | Investments of special importance        | Large investment projects                |  | Mid-sized investment projects            |
| Amount of funding                             | Up to 17% of the total investment amount | Up to 17% of the total investment amount | Up to 20% of the total investment amount   | Up to 10% of the total investment amount |
| Minimum investment amount                     | EUR 200 million                          | EUR 100 million or greater               | Between EUR 50 million and EUR 100 million | EUR 50 million                           |
| Minimum number of new, full-time jobs created | 1000                                     | 300                                      | 300  | 150                                      |

### National Employment Service Grants

The National Employment Service (NES) grants include:

- The Employment Subsidies Programme (EUR 850 – EUR 1700 per employee)
- The Apprentice Programme (EUR 170 – EUR 210 per employee) and
- The Retraining Programme (EUR 850 per employee).

The following companies are excluded from applying:

- Those which in the past 12 months have reduced their registered equity by more than 50% but not below the legal minimum
- Those against which bankruptcy proceedings are underway or those who fulfil legally defined conditions for initiating bankruptcy proceedings
- Those with outstanding obligations towards the Republic of Serbia
- Those that have already received funding for the same purpose from the budget of the Republic of Serbia
- Those whose founder or majority owner is the Republic of Serbia.

Funds are awarded in accordance with the location of the investment and the degree to which the project fulfils the prescribed terms and conditions put forth in the decree.

The terms of financial incentive funding for investments of special importance are negotiated directly with the highest level of government.

Applications for funding are submitted to the SIEPA after the announcement of a public call for the award of non-refundable funds. Following the completion of project scoring, funds are awarded to companies in accordance with the number of points received.

Investment projects are evaluated and scored based on the following criteria:

- The investor's references
- Participation of domestic suppliers
- Investment sustainability
- Introduction of new technologies and transferability of knowledge and skills to domestic suppliers
- Effects on human resources
- International sales volume
- Economic effects of the project
- Effects on the development of the local community.

## 4. The accounting and audit environment

### Accounting regulation

Accounting in Serbia is regulated by regulatory provisions issued by the Ministry of Finance. The umbrella Act is the Accounting and Auditing Act (*Zakon o računovodstvu i reviziji*), under which regulations concerning the form of accounting records and financial statements for various kinds of enterprise are issued.

According to the Act, all legal entities are classified into three categories:

- Small
- Medium-Sized or
- Large

The criteria for company classification are based on:

- The average number of employees
- Total turnover and
- Average balance-sheet (asset) total

as shown in Table 5 below.

Table 5

| Company Size | Criteria for Classification  |
|--------------|--|
| Medium       | <ul style="list-style-type: none"> <li>• Average number of employees 50 – 250.</li> <li>• Annual turnover: the RSD equivalent of EUR 2.5 – 10 million.</li> <li>• Average balance-sheet total: the RSD equivalent of EUR 1 – 5 million.</li> </ul>   |
| Small        | <ul style="list-style-type: none"> <li>• Companies falling below at least two of the above criteria.</li> <li>• Sole proprietorships are regarded as small companies.</li> </ul>   |
| Large        | <ul style="list-style-type: none"> <li>• Companies exceeding at least two of the above criteria.</li> <li>• Banks and other financial organisations, insurance companies, lessors, private pension funds, investment funds, stock exchanges and stockbrokers are regarded as large companies.</li> </ul> |

In accordance with the Act, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) are obligatory for large and medium-sized companies. Small companies may choose between IAS/IFRS and accounting principles defined by the Ministry of Finance for them.

Annual financial statements should comprise:

- A balance-sheet
- An income statement
- A cash flow statement
- A statement of changes in equity
- Notes to the financial statements in accordance with IAS/IFRS
- A statistical annex.

Small companies prepare only a balance-sheet, income statement and statistical annex.

Annual financial statements must as a rule be prepared in respect of calendar-year accounting periods and submitted to the Agency for Registration of Business Entities. The annual financial statements of a company must be submitted within two calendar months of the year-end, consolidated financial statements by 30 April of the subsequent year, and approved financial statements with the audit report by 30 September of the subsequent year.

An exception to the calendar-year rule relates to subsidiaries of foreign companies whose accounting period differs from the calendar year, but only after the special approval of the Ministry of Finance or the Governor of the NBS.

Another exception relates to entities undergoing a change of status, e.g. merger, liquidation and bankruptcy. Such entities are required to prepare financial statements up to the date the procedure concerned begins and up to the date when it is completed (liquidation and bankruptcy) or the day of merger.

Businesses should maintain accounting records in accordance with the prescribed Chart of Accounts for the type of entity concerned. The Act prescribes different periods for the retention of records. Thus annual financial statements and audit reports should be kept for at least 20 years; journals and ledgers for at least 10 years; salary records, on the other hand, must be kept indefinitely.

#### **Audit requirements**

Statutory auditing is regulated by the Accounting and Auditing Act. The statutory audit of annual financial statements is mandatory under the Act for large and medium-sized companies, for parent companies required to prepare consolidated financial statements, and for entities listed on the stock exchange or whose securities are listed.

A statutory audit must be performed in accordance with the Act and International Standards on Auditing and by certified auditors who are members of the Serbian Chamber of Auditors.

Rotation of auditors is compulsory after five consecutive annual statutory audits by the same auditor. The same audit firm may be appointed for another five years, unless this is prohibited by another law if the certified auditor (responsible audit partner) is rotated. For public-interest entities (banks, public companies etc), the rotation requirements are more stringent.



## 5. Overview of the tax system

### The tax system

All taxes in Serbia are imposed by the Government in legislation that sets the rules for levying taxes, their rates and the duties and rights of taxpayers. The Minister of Finance may be authorised to issue regulations in respect of some taxes. All legislation is published in the official publication – the Official Journal of the Republic of Serbia (*Službeni glasnik Republike Srbije*).

The main principles of the tax system are regulated by the Tax Procedures and Tax Administration Act (*Zakon o poreskom postupku i poreskoj administraciji*). The Act unifies and centralises all the regulation in the field of tax administration, procedures, control and debt enforcement.

The most important provisions of the Act are as follows:

- It establishes the Tax Authority, which encompasses all Government bodies, institutions and employees in charge of controlling the calculation, payment and payment-enforcement of public revenue
- It establishes the Tax Police as a Department within the Tax Authority, with the specialised rôle of uncovering tax crimes
- It gives extensive powers to tax officials
- It provides for registration of all taxpayers and the issuance of tax identification numbers (PIB).

The Act gives certain rights to taxpayers e.g. the right to obtain information about tax from the Tax Authority without any charge, protection of their rights to privacy, the right to appeal against decisions of the administration and a statute of limitations.

Where there is no specific provision in the Act, the general law in the field of administrative procedure (the General Administrative Procedures Code – *Zakon o opštem upravnom postupku*) applies. Also, where any other specific taxing Act prescribes a procedure differently, the specific provision will prevail.



### Principal taxes

The principal taxes in Serbia are:

- Value added tax (*porez na dodatu vrednost*)
- Corporate income tax (*porez na dobit pravnih lica*)
- Excise duties (*akciza*)
- Customs duties (*carinska tarifa*)
- Personal income tax (*godišnji porez na dohodak građana*)
- Immovable property tax (*porez na imovinu*)
- Inheritance and gift tax (*porez na nasleđe i poklon*)
- Tax on the transfer of absolute rights (*porez na prenos apsolutnih prava*)

## 6. Taxes on business

### Corporate income tax

Companies, partnerships and permanent establishments of foreign companies in Serbia are subject to corporate income tax, which is levied under the Tax on the Profits of Legal Persons Act (*Zakon o porezu na dobit pravnih lica*) ('the Act') and secondary regulations.

NB: significant amendments to the Act were made with effect for the tax year 2013. Reference is made to most of these under the appropriate heading below.

### Scope and extent

Resident entities are subject to tax on their worldwide income.

Non-resident companies and permanent establishments of foreign companies are subject to tax on their Serbian-source income only. A permanent establishment is any permanent place of business through which a non-resident conducts its business, and it can be any of the following types of presence:

- A branch
- A plant
- A representative office
- A factory or workshop
- A mine, quarry or other site of exploitation of natural resources or
- A construction site that exists for more than six months.

### Company residence

A legal entity is considered resident in Serbia if it is incorporated (or in the case of a partnership, founded) or has its place of effective management and control in the territory of the Republic.

### Taxable entities

All types of legal person are subject to corporate income tax. Partnerships are also subject to corporate income tax. The only business form not so subject is the sole proprietorship, which is subject to personal income tax. For the sake of simplicity, all entities subject to corporate income tax are referred to as 'companies' in the rest of this Chapter.

### Taxable income

The taxable income of a company is determined by adjusting the accounting profit as recorded in the income statement and determined in accordance with IFRS and accounting legislation, in accordance with the provisions of corporate income tax.

All companies must prepare their accounts on an accruals basis for tax purposes.

The cost of materials and the purchase value of merchandise are tax-deductible up to the amount calculated by applying the average weighted cost method or FIFO method. If another method is used, an adjustment for tax purposes should be made.

There are no special inflation adjustments required for corporate income tax.

### Capital gains

Capital gains are taxed in the same way as corporate profits, but the treatment of losses differs (see under 'losses' below). There is no inflation adjustment in computing capital gains.

Capital gains may be generated by the sale or other form of alienation for consideration of:

- Immovable property
- Industrial property rights
- Stocks, shares, securities and certain bonds.

A capital gain is derived as the difference between the proceeds of alienation and the cost of acquisition of the asset concerned, computed according to the rules of corporate income tax. If the amount is negative, a capital loss results. Capital gains may be reduced by capital losses of the same period, but not by revenue losses.

### Deductions

Tax-deductible costs are generally the costs that are borne with the intention of generating taxable revenue. Some expenses, however, are not tax-deductible.

Interest payable is fully deductible, except for late-payment and unpaid interest due to the tax authorities and adjustments in respect of interest due to related parties.

### Depreciation

Fixed assets and intangibles are subject to depreciation or amortisation. For the purposes of corporate income tax, fixed assets are tangible assets the useful life of which is longer than a year, and the acquisition cost of which is higher than the gross wage per employee at the time of acquisition, according to the latest statistical data. The cost criterion is dropped from 2013 onwards.

For the purposes of depreciation, tangible fixed assets are divided into five groups, as shown in Table 6:

Table 6

| Group     | Type of asset                                   | Depreciation rate | Type of depreciation |
|-----------|---|-------------------|----------------------|
| Group I   | Buildings                                       | 2.5%              | S/L                  |
| Group II  | Aircraft, passenger cars, air conditioning      | 10%               | R/B                  |
| Group III | Industrial machinery, goods vehicles            | 15%               | R/B                  |
| Group IV  | Environmental equipment, broadcasting equipment | 20%               | R/B                  |
| Group V   | Building machinery, IT equipment                | 30%               | R/B                  |

Notes: R/B = reducing balance S/L = straight line

Intangible assets, such as patents, trademarks, copyright, designs and franchises are amortised at a straight-line rate of 10%. Goodwill is not amortisable.

### Non-deductible and partially deductible expenses

Key expenses that are non-deductible include:

- Non-documented expenses
- Bad-debt provisions made in respect of debtors who are also the company's creditors at the same time
- Gifts and contributions to political organisations
- Gifts and other advertising expenditure that are not documented, or where the beneficiary is an associated entity
- Interest payable for the late payment of tax, social security contributions and other public charges
- Fines and penalties
- Profit shares paid to employees or other individuals
- Expenses not related to the core business of the taxpayer

- Impairment write-downs, except in the case of damage resulting from *force majeure*
- Unpaid duties and taxes
- Provisions for redundancy pay due to employees on the basis of retirement or termination of employment on other grounds.

Key expenses that are partially deductible include:

- Bad-debt provisions, write-offs of receivables and general provisions. Individual provisions for bad and doubtful debts are tax-deductible if at least 60 days have expired from the due date, and direct write-offs are tax deductible if evidence can be adduced that the debt remains unrecovered even after the issue of a court order
- Health-care, scientific, educational, humanitarian, religious, ecological and sports-related expenses are tax-deductible up to 3.5% of total revenue
- Cultural expenses are tax-deductible up to 3.5% of total revenue
- Advertising and promotional expenses are tax-deductible up to 5% of total revenue (set to increase to 10% for 2013)
- Entertainment (representation) expenses are tax-deductible up to 0.5% of total revenue
- Membership fees paid to Chambers of Commerce and other associations are tax-deductible up to 0.1% of total revenue, except when they are prescribed by law, in which case they are fully deductible.

#### Dividends, interest and royalties

Dividends, interest and royalties received from resident companies are free of withholding tax. Additionally, dividend income received from resident companies is exempt from corporate income tax.

Dividends, interests and royalties paid to individuals – Serbian residents are subjected to personal income tax.

Dividends, interests and royalties paid to non-residents are subject to 20% withholding tax, unless applicable treaties provide otherwise.

Dividends, interest and royalties received from non-residents are included in the taxable base of the recipient company, as grossed up for the foreign withholding tax. Any foreign withholding tax may be set against the corporate tax liability, but only to the extent of Serbian corporate tax liability on that income. In practice therefore, withholding rates of over 10% will result in partial deduction only. Furthermore, as regards withholding tax on dividends, no foreign tax credit may be claimed at all unless the recipient company has held at least 25% of the distributing company's shares for at least 12 months before the date of the distribution.

“Furthermore, as regards withholding tax on dividends, no foreign tax credit may be claimed at all unless the recipient company has held at least 25% of the distributing company's shares for at least 12 months before the date of the distribution.”

NB: these rules are set to change significantly from 1 January 2013.

#### Group taxation

The Act allows for the creation of a tax-consolidated group, in which all companies in the group are treated as if they were a single entity for the purposes of corporate income tax. All members of the group must be resident in Serbia and the parent company must directly or indirectly control at least 75% of the shares in other group members. Each group member must, however, file its own tax return and the parent company files a consolidated tax return for the whole group. In a consolidated tax return, losses of one or more group members may be set against the profits of other group members. Each group member is then liable to pay that proportion of the consolidated tax liability which its taxable profits bear to the group's taxable profits.



If the consolidated return shows a net loss, this loss may not be carried over to subsequent periods, nor carried back.

Assets may be transferred between group companies free of tax. Tax consolidation must continue for at least five years, otherwise each company will have to pay the tax that it would have paid if there had not been any consolidation (i.e. the tax benefits of group membership are retroactively withdrawn). The same applies where any member of the group leaves during the five-year period (e.g. because the 75% holding criterion no longer applies). However, no interest on overdue tax is charged in these circumstances.

### Losses

Losses may be carried forward for five years, but there is no carry-back. Revenue losses may only be set against revenue profits, and capital losses may only be set against capital gains. Net capital losses may also be carried forward for up to five years.

### Withholding tax

There is no withholding tax on payments of dividends, interest, royalties or rents to another resident entity subject to corporate income tax.

Withholding tax of 20% is, however, due on payments of dividends, interest and royalties to resident individuals.

The same rate of withholding tax applies on the following payments to a non-resident (whether a legal person or a natural person):

- Dividends and other profit shares
- Royalties
- Interest
- Rents payable on both movable and immovable property
- Income from entertainment or sporting events where not subject to personal income tax and
- Capital gains.

Applicable tax treaties (see Appendix 1) may provide for lower rates of withholding.

From 2013, the withholding rate is increased to 25% where the payment is made to a resident of a 'low-tax jurisdiction'.

### Thin capitalisation

Serbia has provisions against thin capitalisation. Interest paid to a related entity in excess of a safe-harbour debt-equity ratio of 4:1 (10:1 in the case of banks or leasing companies) is non-deductible but is not recharacterised as a dividend.

Interest paid at a rate judged to be excessive is also disallowable.

### Transfer pricing

Serbian transfer-pricing rules are based on the concept that an arm's length price should be charged in transactions with related parties, whether domestic or foreign. Parties are related where one exercises or is able to exercise control or significant influence over the other, or where the same person is or is able to do so over both. Ownership of a majority of shares is considered to confer control. Significant influence exists where one party holds more than 50% or individually the greatest proportion of votes in the other party's management bodies. From 2013, the threshold for control or significant influence is lowered to 25%.

“Arm's length prices are derived by reference to the comparable uncontrolled price.”

Arm's length prices are derived by reference to the comparable uncontrolled price. If use of comparable prices is not possible, the cost-plus or resale-minus methods may be used. From 2013, resort may also be had to the transactional net-margin method or to the profit-split method if none of the first three is appropriate, or to any other method if none of the others is appropriate.

### Controlled foreign company (CFC) rules

Serbia does not have CFC rules.

### Other significant anti-avoidance rules

There is a substance-over-form presumption in the Tax Procedures and Tax Administration Act.

### Tax incentives

Tax incentives are:

- A tax holiday of up to five years for income obtained from concessions (2012 is the last year in which this holiday is available)
- The tax liability for companies employing and training disabled persons is reduced by the percentage of such persons in the total number of employees
- Entities who are users of free zones are exempt from paying income tax on income derived in the free zone.
- A tax credit of 20% (small companies: 40%) for investments in fixed assets, up to a limit of 50% (small enterprises: 70%) of the total corporate tax liability. Any unused tax credit can be carried forward for 10 years. From 2013, the limit on the credit for enterprises other than small enterprises is reduced to 33% of the liability. Investment in some categories of fixed assets (e.g. private cars, furniture) does not qualify
- Certain businesses qualify for a more generous credit and limitation. Companies engaged in any of the following activities are entitled to claim a tax credit of 80% of the amount invested in fixed assets, and that credit or those credits may amount to as much as 100% of the company's tax liability. Excess credits may be carried forward for up to ten years. The activities concerned are:
  - Agriculture
  - Fishing
  - Manufacture of textile yarn and fabrics
  - Manufacture of clothing, reprocessing and colouring of fur
  - Processing and manufacturing of leather
  - Production of basic metals
  - Production of standard metal products
  - Production of machines and devices
  - Production of office and calculating machines
  - Production of electric machines and apparatus
  - Production of radio, TV and communication equipment
  - Production of medical, precise and optical instruments

- Production of motor vehicles, half trailers and trailers
- Production of other traffic means
- Recycling
- Cinematographic and video production

These extended credits are withdrawn from 2013 onwards.

- Exemption for up to 10 years on the proportion of corporate tax liability that the investment bears to taxable profits for companies investing a minimum of RSD 800 million and employing at least 100 new workers. From 2013, the investment threshold is raised to RSD 1000 million and the minimum new employee threshold to 200
- Exemption for up to five years on the proportion of corporate tax liability that the investment bears to taxable profits for companies investing RSD 8 million and employing at least five new workers in underdeveloped regions. In 2013, this exemption is removed entirely.

Where a company would have been entitled to an incentive in 2012, but would no longer be so entitled in 2013, following the changes mentioned above, it remains entitled to the 2012 incentive for the remaining life of that incentive.

### Tax rate

The rate of corporate income tax is 10% (increased to 15% from 1 January 2013).

### Assessment procedure

There is a system of self-assessment for corporate income tax.

### Returns and payments

The tax year in Serbia is the calendar year. Tax returns and an adjusted tax balance-sheet with all necessary documents (e.g. tax depreciation and tax credit forms) must be filed with the tax authorities by 10 March of the following year.

An exception to the rule relates to subsidiaries of foreign companies with accounting years differing from the calendar year. In those cases, their tax return and tax balance-sheet with all necessary documents (e.g. tax depreciation and tax credit forms) must be filed with the tax authorities no later than 10 days after the deadline for submission of their annual financial statements.

Companies must make monthly advance payments of corporate income tax over the course of the year in question. The amount payable is one-twelfth of the company's tax liability in the previous year. Until the return has been filed, payments are based on the advance payment in the December of the previous year. Advance payments are due by the 15th of the following month. Any balance of tax remaining to be paid after all the advance payments have been made must be paid on filing the tax return.

For failure to file a tax return or make payments in time, there is a penalty of between RSD 100 000 and RSD 1 million, plus interest on unpaid tax.

The tax authorities do not pay interest on tax overpaid.

### Appeals

See Chapter 5.

## Value Added Tax

Although Serbia is not a member of the European Union, the Value Added Tax Act generally follows the principles of the EU VAT Directive (2006/112/EC).

### Taxable persons

All persons making supplies of goods or services or importing goods in the course of independently carrying on a business activity are taxable persons for the purposes of VAT.

### Taxable activities

Taxable activities are:

- The supply (delivery) of goods or the supply (provision) of services in Serbia carried out for consideration by a taxable person in the course of carrying out business activities
- The importation of goods into Serbia.

A supply of goods takes place when title to the goods passes or any other transfer takes place which enables the recipient to dispose of the goods as their owner. A supply of services is any taxable activity that is not a supply or importation of goods. Furthermore, refraining from an act may also be a supply of services.

A supply is considered to take place where:

- For the supply of goods generally – where the goods are located at the moment when delivery begins
- For water, electricity, gas and thermal energy – the place of delivery
- For goods installed by the deliverer – the place of installation
- For the supply of services generally – the place where the supplier has his business
- For services related to immovable property – the place where the immovable property is located
- For transport services – the actual place of transport
- Services related to culture, art, science, education etc – the place where the service is provided
- Renting and leasing of movable goods, telecommunication services, transfer of intellectual rights, services of lawyers, auditors, advisors, data processing etc – the place where the service is provided and
- Some other exceptions similar to those listed in the EU VAT Directive

### Exempt supplies

Exempt supplies are divided in two categories:

- Supplies that are exempt with the right to deduct input tax and
- Supplies that are exempt without the right to deduct input tax.



Supplies that are exempt with the right to deduct input tax include the following:

- The export of goods and transport and other services in direct relation to the export, transit or temporary importation of goods
- Transportation and other services related to the importation of goods if the value of such services is included in the customs value
- The delivery of goods and related transport to free zones
- Work performed on movable property obtained by a foreign user of the service in Serbia or imported for the purpose of processing, repair or construction, and which is to be transported or dispatched abroad upon completion of the work by the provider of the service, a foreign recipient or a third party working under their order
- The international air transport of passengers, where the non-resident airline is exempt under the reciprocity rule
- The delivery of aircraft and ships and the servicing, repair, maintenance, charter and renting of aircraft/vessels used mainly for international air/river traffic; the delivery, renting, repair and maintenance of goods used for equipping such aircraft / vessels and sales of goods and services for their direct needs
- Supplies of goods and services in relation to donation agreements concluded either between Serbia and international financial organisations or another state or a third party and international financial organisations or another state, where Serbia is the guarantor or counter-guarantor, provided that tax will not be covered from the funds thus obtained in terms of the agreements.

The following supplies are among those exempt without the right to deduct input tax:

- Operations and intermediary services while dealing with shares, bonds and other securities, except transactions related to keeping and managing securities
- Operations and intermediary services when dealing with receivables, cheques, bills and other similar securities, except for collecting receivables for other persons
- Credit operations, including intermediary services, and credit checking of individuals and institutions
- Undertaking liabilities, guarantees and other means of securing payments, including intermediary services
- Operations and intermediary services while dealing with deposits, current and giro accounts, payment orders, as well as payment operations and transfers
- Services of insurance and reinsurance, including the accompanying services
- Rental or sales of land
- Buildings, flats, apartments, houses etc., except first transfer of the ownership
- Activities in the public interest such as medical services, educational services etc
- Service of renting flats and buildings, if used for residential purposes
- Public broadcasting, except services of a commercial nature
- Gambling and
- Other exemptions.

### Rates of VAT

There are two rates of VAT: the standard rate of 18% and the reduced rate of 8%.

The standard VAT rate is charged on all taxable supplies that are neither exempt nor taxable at the reduced rate.

The most important supplies subject to the reduced rate are:

- Basic food products (e.g. bakery and dairy products, vegetables, fruit, honey, meat, maize etc)
- Drinking water (with the exception of bottled water)
- Medicines and medical aids (including those in veterinary medicine)
- Fertilisers, seed etc
- Textbooks and teaching aids
- Hotel and similar accommodation
- First transfer of ownership of residential property, buildings etc
- Natural gas
- Daily newspapers
- Communal services
- Tickets for cinemas, theatres, trade fairs, circuses, concerts, exhibitions, sport events, galleries, museums, botanical gardens, zoos and amusement parks.

### Registration

A taxable person is required to register for VAT once his annual turnover on transactions subject to VAT exceeds RSD 4 million. It is possible for small taxpayers to register voluntarily, if their total annual turnover exceeds RSD 2 million.

### Returns and payment

Taxable persons must file VAT returns and pay VAT within ten days of the end of each taxable period. The usual taxable period is a calendar month, but if a taxable person's total turnover (for the last 12 months) is less than RSD 20 million, the taxable period is quarterly.

Payment needs to be made within the same period as for submitting VAT return.

If input tax exceeds output tax (i.e. there is a balance in favour of the taxable person) he is entitled to a refund of the difference. This can take form of an actual cash refund, or can be treated as a VAT prepayment to be carried forward against the next period's VAT liability.

## 7. Personal taxation

### Personal income tax

Individuals who are resident in Serbia are liable to personal income tax at the single flat rate and to the so-called complementary personal income tax (*godišnji porez na dohodak građana*) on taxable income above a certain threshold. Non-residents are liable to personal income tax on their Serbian-source income only and are not liable to the complementary tax.

### Territoriality and residence

An individual is considered to be Serbian-resident if he or she:

- Has a permanent residence or centre of vital interests in Serbia or
- Is physically present in Serbia for at least 183 days within a period of 12 months beginning or ending in the respective tax year.

An individual who is seconded abroad to work as an employee of a Serbian resident is also considered to be resident in Serbia no matter how long the period of secondment.

### Persons liable

Personal income tax is payable by individuals. General and limited partnerships are liable to corporate income tax, even if all their partners are individuals. Profit-shares drawn by individuals from a partnership are considered equivalent to income from employment.

### Structure of income tax

Income tax is charged on the following heads of income:

- Income from employment
- Agricultural and forestry income
- Income from a business
- Royalties
- Dividends, interest and other investment income
- Income from real property
- Capital gains
- Other income.

Exempt income includes:

- State retirement pensions
- Social security and unemployment benefit.

The personal income tax is largely schedular, so that taxable income is computed and charged to tax separately under each head of charge. Taxable income is only aggregated for the purposes of the complementary personal income tax (see below).

### The family unit

Individuals are separately taxed, regardless of their marital or relationship status. Personal allowances may, however, take account of a taxpayer's family circumstances.

### Taxation of employment income

Taxable income from employment includes all types of remuneration from an employment relationship, including overtime bonuses, holiday pay, benefits-in-kind and payment in kind.

**Benefits-in-kind**

Taxable benefits-in-kind include the private use of company cars, beneficial loans, meals and meal vouchers and shares. For tax purposes, benefits are usually valued at their market value. However, the private use of a company car is taxed at the rate of 1% of the car's market value (as at 31 December of the preceding year, according to a prescribed catalogue) for each month of use. Coupons, certificates and shares are taxed at their nominal value.

**Deductions and allowances**

Deductions may be claimed in respect of:

- Home-to-work travel (up to a fixed amount)
- Daily allowances for business travel (up to a fixed amount)
- Reimbursement of moving costs where the employee is required to move for work purposes.

There is a fixed allowance of RSD 7822 per month (2012).

**Directors' remuneration**

See under 'Other income' below.

**Tax rate**

The rate of tax on employment income after all deductions is 12%.

**Salary tax**

The employer is responsible for calculating and withholding personal income tax and social security contributions on behalf of his employees.

There are salary-related incentives for employing people under the age of 30, disabled persons and persons over the age of 45. Employers may retain the salary tax deducted from these employees' earnings for a period of up to two, and in some cases three, years.

**Taxation of personal business income**

Both trading and professional income is taxed under this head (*prihod od samostalne delatnosti* – income from independent activity).

Persons engaged in a trade or business may choose between keeping their books under a double-entry or single-entry system of bookkeeping. For those who choose double entry, taxable income is based on their adjusted profit from the income statement, in accordance with the rules for corporate income tax.

Taxpayers who opt for the single-entry system follow a prescribed method of computing income and deductible expenditure to arrive at a taxable amount.

Yet a third group may opt for taxation on a lump-sum basis. This option is open to individuals whose annual turnover did not exceed RSD 3 million in the previous year. Individuals who are taxable persons for VAT purposes are excluded, as are certain lines of business, such as hotel-keeping, financial intermediary services and property dealing. The actual amount taxed varies according to number of employees, location, age and turnover.

The rate of tax on business income is 10%. In addition, social security contributions have to be paid (see Chapter 9), and the complementary tax may be payable (see below).

### Taxation of agricultural and forestry income

Income from agriculture and forestry is taxable on a notional cadastral income, although taxpayers may opt to be taxed on their actual net income under the rules for business income.

### Taxation of investment income

#### *Dividends*

Taxed under this heading are not only dividends and other distributions by limited companies but also profit distributions by partnerships. An individual partner's drawings from a partnership are therefore taxable as dividend income.

The rate of tax on dividends in 2012 is 10% on the gross amount. The tax is paid by withholding. The rate was increased to 15% as from 1 January 2013.

#### *Interest*

Taxed under this head are all forms of interest, including interest on bonds and other debt-claims as well as interest on bank current and deposit accounts.

The rate of tax on interest in 2012 is 10% on the gross amount. The tax is paid by withholding. The rate was increased to 15% as from 1 January 2013.

#### *Royalties*

Royalties include all income from intellectual property. They are taxable on an amount based on the gross royalty less a lump-sum deduction, which can be either 34% (music and videos), 50% (works of art) or 43% (other intellectual property). Taxpayers have the option of claiming substantiated actual expenditure instead of the lump-sum deduction. The creator of an original work of art may elect to have the royalty taxable in equal instalments over five years.

The rate of tax on royalties is 20%.

#### *Rental income*

Rental income from immovable property is taxable on the net amount after reduction by deductible expenses, including straight-line depreciation. Taxpayers may, alternatively, claim a lump-sum deduction of 20% (or 50% in the case of holiday property let to foreign tourists). The rate of tax on net rents is 20%.

#### *Other income*

Included in this category is such income as rents from hiring movable property, directors' remuneration, profit-sharing payments to employees and the earnings of athletes and entertainers etc. For some of these categories of income, a lump-sum deduction is available (e.g. 20% for rents) or actual expenses may be claimed.

The rate of tax on other income is 20%.

### Capital gains

Taxable capital gains may be generated by the sale or other form of alienation for consideration of:

- Immovable property
- Industry and intellectual property rights or
- Stocks, shares, securities, certain bonds and investment units in investment or voluntary pension funds.

A capital gain is determined as the difference between the sale or market price and adjusted purchase price of the asset concerned. If the amount is negative, the result is a capital loss. Capital losses can be offset against capital gains occurring in the same period. A net capital loss may be carried forward for a maximum of five following years.

The tax rate was 10% from 1 January to 5 October 2012 and was increased to 15% with effect from 6 October 2012.

### Deductions and allowances

There are no deductions or allowances that may be set against general income for normal tax purposes. See above for what deductions are available under each head of income.

Personal allowances are, however, available, for the complementary income tax (see below).

### Tax rates

#### Ordinary income tax

By way of summary, Table 7 shows the rates of income tax applicable in 2012 for each head of income.

Table 7

| Type of income         | Rate of tax |
|------------------------|-------------|
| Employment income      | 12%         |
| Business income        | 10%         |
| Dividends and interest | 10%         |
| Royalties              | 20%         |
| Capital gains          | 10%         |
| Rental income          | 20%         |
| Other income           | 20%         |

#### Complementary tax

Individuals whose aggregate net taxed income exceeds a certain threshold are liable to a so-called complementary or additional tax at one of two rates, 10% or 15%.

To ascertain whether a taxpayer is liable to this additional tax, his or her net taxed income (after deduction of tax and social security contributions) from the following sources is aggregated:

- Employment income
- Business income
- Rental income from immovable property
- Royalties
- Other income.

The total so obtained is then compared to the annual complementary tax threshold. This is equivalent to three times the average annual salary, which in 2012 yielded a figure of RSD 2 067 480.

Where aggregate net taxed income exceeds the threshold, complementary tax is payable. However, the amount on which tax is payable is reduced by deducting one or two personal allowances. These are:

- A personal allowance for all taxpayers of RSD 275 664 (40% of the average annual salary)
- An allowance for dependants of RSD 103 374 for each dependant.

Dependants for this purpose may be spouses, parents, children or grandchildren, if forming part of the taxpayer's household and maintained by him or her.

However, the total of allowances available may not exceed 50% of the net taxed income.

The base taxable income after deducting allowances is then taxed as follows:

Table 8

| Base taxable income (RSD) | Rate of complementary tax |
|---------------------------|---------------------------|
| First 4 134 960           | 10                        |
| Balance over 4 134 960    | 15                        |

### Returns and payments

#### Tax returns

Since most forms of income are received after deduction of withholding tax by the payer, tax returns are required only in cases where the taxpayer:

- derives income from a business
- has realised taxable capital gains
- receives rental income
- receives foreign income or
- is liable to the complementary income tax.

In the case of income from a business and liability to complementary income tax, the return must be filed annually, no later than 15 March of the following year. Taxpayers who derive business income must also file an income statement and (for those keeping double-entry books) a tax balance-sheet. An assessment is then raised by the tax authorities on the basis of this return.

In the case of foreign income, the taxpayer must file a return each time income is received, within 30 days of receiving the income, self-assess and pay the tax due when filing the return. Returns in respect of capital gains must be filed within 15 days of realising the gain, and in respect of rental income, within 15 days of concluding the lease (even where the lessee or tenant deducts withholding tax).

Non-residents are obliged to file returns only where the income is not subject to final withholding tax, except in the case of rental income from immovable or movable property, where they must do so even if withholding tax is deducted.

#### Payment

Where tax is assessed by the tax authorities, payment is due:

- Within 15 days of the assessment in the case of capital gains, income from business and complementary income tax
- Quarterly, no later than 45 days from the beginning of the quarter, in the case of rental income and agricultural and forestry income

Monthly advance payments are due by the 15th day of the following month in respect of business income. The amount of each payment is one-twelfth of the final liability for the previous year.

#### Penalties and interest

For failure to file tax returns or make payments in time, there are penalties of between RSD 100 000 and RSD 1 million, plus simple interest on unpaid tax at 10 percentage points above the reference rate of the Bank of Serbia.

### Appeals

In the first instance, taxpayers may appeal against an assessment or decision of the tax authorities to the authorities themselves, within 15 days of the delivery of the assessment or decision. If they are dissatisfied with the decision on the appeal, or fail to receive notice of the decision within 60 days of lodging the appeal, they may appeal to the Administrative Court, which is the final court of appeal on tax matters.

## Inheritance and gift tax

### Territoriality and scope

Inheritance and gift tax is payable by the transferee (including legal persons) of taxable property *mortis causa* or *inter vivos*. Residents of Serbia are liable in respect of worldwide movable property and immovable property located in Serbia, whereas non-residents are liable only in respect of property located in Serbia.

### Taxable and exempt property

Inheritance and gift tax is charged on:

- Immovable property located in Serbia
- Cash and deposits
- Debt claims
- Intellectual property
- Motor vehicles (except for some agricultural vehicles)
- Vessels and aircraft.

Exempt property includes foreign immovable property and shares and bonds.

### Exempt transfers

- All transfers *mortis causa* to relatives in the first degree (i.e. direct descendants, parents and spouses)
- All lifetime transfers to direct descendants and spouses
- Agricultural land and residential property to relatives in the second degree who have cohabited with the transferor for at least one year preceding the transfer

### Valuation

Property is valued at its market value, net of debt claims and expenses.

### Rates of tax

There is a simple charging structure. Where the transferee is related in the second degree to the transferor, the rate of tax is 1.5%. Where the transferee is related in the third or more remote degrees or is unrelated to the transferor, the rate is 2.5%.

### Wealth tax

There is no wealth tax in Serbia.

## 8. Other taxes



### Property tax

Property tax is payable in Serbia by all legal and natural persons who own or have rights over immovable property located in Serbia. In the case of leases and licences to occupy, persons are liable where their right is of more than one year's duration.

Land areas of no more than 1000 m<sup>2</sup> are exempt.

Where the taxpayer (owner or lessee) is a legal person or an individual deriving business income and keeping double-entry books of account, the taxable value is the book value of the land. For other taxpayers, the tax authorities compute a notional value based on area and average market price of comparable property in the same local-authority area. Depreciation, not exceeding 40% in total, may be applied.

Property the value of which does not exceed RSD 400 000 is exempt.

Owner-occupiers of residential property are entitled to a 50% credit on the tax payable, up to a maximum of RSD 20 000.

For taxpayers keeping double-entry accounting records, the rate of tax is 0.4%.

For other taxpayers, rates are set by the local authority, within a range of between 0.4% and 2.0%.

### Property transfer tax

This tax is chargeable on the transfer of ownership of immovable property, intellectual property and used motor vehicles, vessels and aircraft. Exemptions are available for the first purchase of residential property and in some other limited instances.

The rate of tax is 2.5%.

### Other significant taxes

Imports into Serbia, which is not a member of the European Union, are normally subject to customs duties.

It is important to note that Serbia has free-trade agreements with Russia and CEFTA (the Central European Free Trade Agreement). CEFTA is composed of non-EU Member States in the south-eastern European region and currently includes Albania, Bosnia-Herzegovina, Macedonia, Moldova, Montenegro and Serbia. Kosovo's membership is in dispute. Serbia has a special trade agreement with the European Union.

Excise duties are payable on:

- Oil and oil derivatives
- Cigarettes and other tobacco products
- Alcoholic beverages (except wine) and
- Coffee.

## 9. Social security contributions

### Employee and employer contributions

Social security contributions are payable by employers and employees at the same rate. The employer deducts the employee's contributions from salary. It is important to note that employee contributions form part of the employee's taxable employment income.

Contributions are payable into three separate funds, as shown in Table 9 (2012 rates):

Table 9

| Fund                   | Employee (%) | Employer (%) | Total (%)    |
|------------------------|--------------|--------------|--------------|
| Pension and disability | 11.00        | 11.00        | 22.00        |
| Health                 | 6.15         | 6.15         | 12.30        |
| Unemployment           | 0.75         | 0.75         | 1.50         |
| <b>Total</b>           | <b>17.90</b> | <b>17.90</b> | <b>35.80</b> |

There is no threshold for contributions but where the employee's salary is less than 35% of average monthly salary (equivalent to RSD 18 496 in 2012), contributions are payable on that amount, regardless of actual salary. The ceiling is five times the average monthly salary (RSD 280 625 in 2012).

### Self-employed contributions

Self-employed persons pay the combined rate of employee and employer contributions, at a total of 35.80% therefore, on their taxable income. The minimum income for this purpose is 12 times the employee minimum (EUR 221 952 in 2012) and the ceiling 12 times the employee ceiling (hence RSD 3 367 500 in 2012).

"Self-employed persons pay the combined rate of employee and employer contributions, at a total of 35.80%..."

## 10. Moore Stephens in Serbia

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# Appendix 1: Double tax treaties

## Comprehensive double taxation treaties

Serbia has comprehensive double taxation treaties with the following countries:

|                         |                            |                               |
|-------------------------|----------------------------|-------------------------------|
| Albania                 | Greece                     | Norway <sup>(1)</sup>         |
| Austria                 | Hungary <sup>(1)</sup>     | Pakistan                      |
| Azerbaijan              | India                      | Poland                        |
| Belarus <sup>(1)</sup>  | Iran                       | Qatar                         |
| Belgium <sup>(1)</sup>  | Ireland                    | Romania <sup>(1)</sup>        |
| Bosnia-Herzegovina      | Italy <sup>(1)</sup>       | Russia <sup>(1)</sup>         |
| Bulgaria <sup>(1)</sup> | Kuwait <sup>(1)</sup>      | Slovakia <sup>(1)</sup>       |
| China <sup>(1)</sup>    | Latvia                     | Slovenia                      |
| Croatia <sup>(1)</sup>  | Libya                      | Spain                         |
| Cyprus <sup>(1)</sup>   | Lithuania                  | Sri Lanka <sup>(1)</sup>      |
| Czech Republic          | Macedonia <sup>(1)</sup>   | Sweden <sup>(1)</sup>         |
| Denmark                 | Malaysia                   | Switzerland                   |
| Egypt                   | Malta                      | Turkey                        |
| Estonia                 | Moldova                    | Ukraine <sup>(1)</sup>        |
| Finland <sup>(1)</sup>  | Montenegro                 | United Kingdom <sup>(1)</sup> |
| France <sup>(1)</sup>   | Netherlands <sup>(1)</sup> |                               |
| Germany <sup>(1)</sup>  | North Korea <sup>(1)</sup> |                               |

<sup>(1)</sup> Treaties concluded by the former Socialist Federal Republic of Yugoslavia or the Federal Republic of Yugoslavia.

Serbia has also concluded treaties with Georgia, Tunisia and Vietnam, but these have not yet come into force.

## Social security agreements

Serbia has bilateral social security agreements with the following countries.

|                                   |                            |                               |
|-----------------------------------|----------------------------|-------------------------------|
| Austria                           | France <sup>(1)</sup>      | Norway <sup>(1)</sup>         |
| Belgium <sup>(1)</sup>            | Germany <sup>(1)</sup>     | Panama <sup>(1)</sup>         |
| Bosnia-Herzegovina <sup>(1)</sup> | Hungary <sup>(1)</sup>     | Poland <sup>(1)</sup>         |
| Bulgaria                          | Italy <sup>(1)</sup>       | Slovakia <sup>(1)(2)</sup>    |
| Croatia <sup>(1)</sup>            | Libya <sup>(1)</sup>       | Slovenia                      |
| Cyprus                            | Luxembourg <sup>(1)</sup>  | Sweden <sup>(1)</sup>         |
| Czech Republic <sup>(1)(2)</sup>  | Macedonia <sup>(1)</sup>   | Switzerland <sup>(1)</sup>    |
| Denmark <sup>(1)</sup>            | Montenegro                 | United Kingdom <sup>(1)</sup> |
| Egypt <sup>(1)</sup>              | Netherlands <sup>(1)</sup> |                               |

<sup>(1)</sup> Agreement concluded by the former Socialist Federal Republic of Yugoslavia or the Federal Republic of Yugoslavia

<sup>(2)</sup> Agreement concluded with the former Czechoslovakia

# Appendix 2: Moore Stephens around the world

Moore Stephens member firms may be found in 103 countries and territories around the world, with correspondent firms in another three.

|                        |                    |                  |                      |
|------------------------|--------------------|------------------|----------------------|
| Albania                | Czech Republic     | Kuwait           | Russia               |
| Algeria                | Denmark            | Latvia           | Saudi Arabia         |
| Argentina              | Dominican Republic | Lebanon          | Serbia               |
| Australia              | Ecuador            | Liechtenstein*   | Seychelles           |
| Austria                | Egypt              | Lithuania        | Singapore            |
| Azerbaijan             | Estonia*           | Luxembourg       | Slovakia             |
| Bahamas                | Finland            | Macedonia        | South Africa         |
| Bahrain                | France             | Malta            | South Korea          |
| Bangladesh             | Germany            | Mauritius        | Spain                |
| Belgium                | Gibraltar          | Mexico           | Sri Lanka*           |
| Belize                 | Greece             | Monaco           | Sweden               |
| Bermuda                | Guatemala          | Morocco          | Switzerland          |
| Bolivia                | Guernsey           | Netherlands      | Syria                |
| Brazil                 | Honduras           | New Zealand      | Taiwan               |
| British Virgin Islands | Hong Kong          | Nicaragua        | Thailand             |
| Bulgaria               | Hungary            | Norway           | Tunisia              |
| Burundi                | India              | Oman             | Turkey               |
| Canada                 | Indonesia          | Pakistan         | Ukraine              |
| Cayman Islands         | Iran               | Panama           | United Arab Emirates |
| Chile                  | Ireland            | Papua New Guinea | United Kingdom       |
| China                  | Isle of Man        | Paraguay         | United States        |
| Colombia               | Israel             | Peru             | Uruguay              |
| DR Congo               | Italy              | Philippines      | Venezuela            |
| Costa Rica             | Japan              | Poland           | Vietnam              |
| Croatia                | Jersey             | Portugal         | Zambia               |
| Curaçao                | Jordan             | Qatar            |                      |
| Cyprus                 | Kazakhstan         | Romania          |                      |

\*denotes a correspondent firm only

For more detail, see [www.moorestephens.com](http://www.moorestephens.com) under 'Locations'.

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