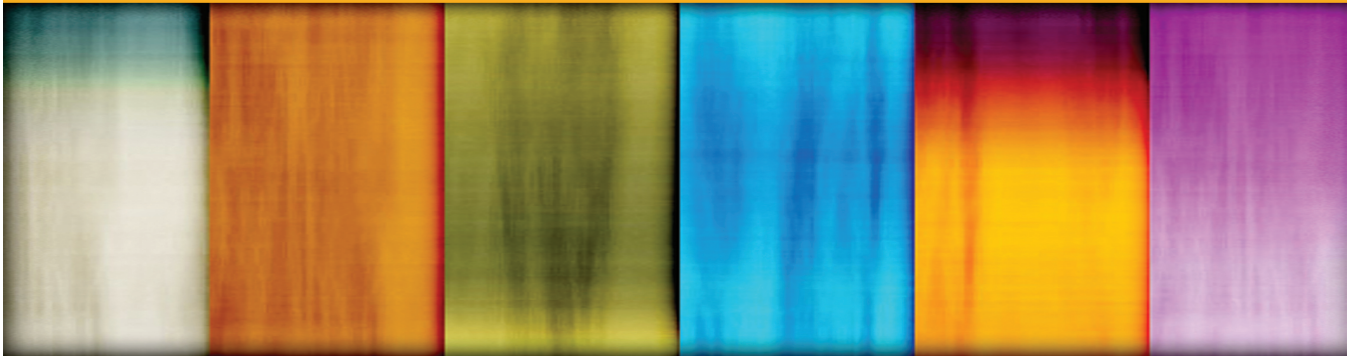




Municipality of Kikinda

Investors Guide



2015.



Republic of Serbia
Autonomous Province of Vojvodina
Municipality of Kikinda
Secretariat for Local Economic Development and Promotion
Novembar 2015

THE ESTABLISHMENT OF COMPANY IN SERBIA, TAXES, OVERHEAD COSTS, SALARIES, UTILITY COSTS

Documentation for registration – LTD:

- * The unique registration of a legal entity (on the website of the Business Registers Agency - <http://www.apr.gov.rs/Portals/0/privredna%20drustva/JRPPS%20%20Drustvo%20s%20o%20granicenom%20odgovornosc%20T.pdf?ver=2013-02-07-125636-483>);
- * **Founding act** of the society with certified signatures of the members of society (notarized in Court) - <http://www.igorinjo.com/wp-content/uploads/2012/08/osnivacki-akt-doo-jednodomni.doc> - in 4 examples;
- * **Proof of identity of the members of the company** (a copy of the identity card for citizens of Serbia or passport for foreigners);
- * **Decision on appointment of representative**, if is not specified in the founding act;
- * **Certified signature of the representative** certified by the competent authority for verification (OP form certified by the court - <http://www.igorinjo.com/wp-content/uploads/2012/08/op-obrazac.pdf> in 4 examples);
- * **Bank certificate of payment of cash deposits**, or agreement of members of the estimating the value of the contribution in kind, if the bet is paid or entered into the company to the foundation;
- * **Proof of payment of the registration fees.**
 - ✓ Fee for the establishment – 4.900,00 RSD;
 - ✓ The fee for the publication of the Founding Act – 1.000,00 RSD;
 - ✓ The fee for obtaining identification / registration number – 2.140,00 RSD.

REGISTRATION

The following legal forms of business organization are subject to registration in the Companies Register:

- companies:
 - general partnership
 - limited partnership
 - limited liability company
 - joint stock company
- branch of a foreign company
- representative office of a foreign company
- public enterprise
- cooperative
- cooperative federation
- other entities, if so prescribed by a special law.

One – Stop – Shop Registration System

The procedure of incorporation of companies is provided through a one-stop-shop registration system that enables the concurrent issuance of the registration number, tax identification number and healthcare insurance number (issued by the Republic Fund of Health Insurance) to each company registering with the Serbian Business Registers Agency.

Registration Fee

- * The fee for the registration of a company or other legal entity is RSD 4,900.00.
- * The fee the registration of a branch or representative office of a foreign company is RSD 4,900.00.
- * The fee for the registration and publication of the articles of association is RSD 1,000.00.
- * The fee for the registration and publication of the memorandum of association is 1,000.00.

Account for Payment of Fees

The account number for payment of fees for registration in the Companies Register, payable in favour of the Serbian Business Registers Agency, is:

- * **840-29770845-52, model 97, [download reference number](#)** (In order to correctly fill out the payment slip for the payment of the fee, please click on the button to download the mandatory reference number generated by the Agency, according to Model 97. The generated reference number is valid for only ONE payment.).

Registration Procedure

The registration procedure starts with the submission of the application, along with the required supporting documents and proof of payment of prescribed fees, either directly at the SBRA head office in Belgrade or at one of its organizational units or by mail. If the application is sent by mail, then the date and time of its receipt by the Agency will be considered as the date and time of submission.

The application for registration is submitted by the founder or a person authorized by the founder in which case this person is required to attach the appropriate power of attorney. For more information about authorized applicants, please see the Instructions section.

Certification of Documents and Apostille

If the law requires that the application form for registration be accompanied by certified documents, the documents must be certified by a body competent to certify signatures – a court or municipal authority.

Documents certified by a body authorized to certify signatures in another country are treated as public documents, and as such they must be provided with an *Apostille* – in case the country of issuance is a signatory to The Hague Convention Abolishing the Requirement of Legalization of Foreign Public Documents, unless the country of issuance is a country which has a bilateral agreement with the Republic of Serbia on mutual recognition of public documents without legalization. However, if that particular country is not a signatory of the Hague Convention, and does not have a bilateral agreement with the Republic of Serbia regarding recognition of public documents, then the so-called full legalization will be required.

Documents in a foreign language must be accompanied by their translation into Serbian, certified by a certified court interpreter.

Practical Tips

- * Taking into account that instruments of incorporation are subject to certification, you are well advised to familiarize, prior to the certification, with the important rules applicable to the name and business name that can be found in the Instructions section, to avoid unnecessary expenses if your application is rejected.
- * The Law on Companies stipulates that companies can have legal (statutory) representatives and other representatives. The functions of legal representatives must be regulated in accordance with the Law, depending on legal form of business organization.
- * Limitations of the powers of a company's legal representatives are not subject to registration, except in case of limitations of powers in terms of countersignature that may be relied upon against parties if they are registered in accordance with the Law on Registration.

DOCUMENTATION REQUIRED FOR INCORPORATION OF COMPANIES, BRANCHES AND REPRESENTATIVE OFFICES OF FOREIGN COMPANIES, REGISTRATION OF BRANCHES OF DOMESTIC COMPANIES AND REGISTRATION OF PROCURATION

The appropriate application for registration has to be submitted along with supporting documents, depending on the legal form of business organization, as follows:

PARTNERSHIP

- * Integrated application form for registration of legal entities and other entities, and for the registration with the integrated register of taxpayers – partnership,
- * Articles of partnership with certified signatures of the founders (partners),
- * Proof of identity of the partners (for Serbian nationals – photocopy of personal ID card, and for foreign nationals – photocopy of passport or personal ID card if one has been issued to them, or an excerpt from the original register if the founder is a legal entity not registered with any of the Registers kept by the Serbian Business Registers Agency,
- * Resolution on appointment of the representative if no representative is designated by the articles of partnership,
- * Representative's signature certified by a body competent to certify signatures,
- * Bank confirmation of the payment of the contribution in cash if the contribution is payable prior to incorporation, and/or the founders' agreement on the appraisal of the value of contribution in kind if the contribution is made to the company prior to incorporation,
- * Proof of payment of the registration fee and proof of payment of the fee for the registration and publication of the articles of partnership.

LIMITED PARTNERSHIP

- * Integrated application for registration of legal entities and other companies and for the entry into the integrated register of taxpayers – limited partnership,
- * Articles of partnership with the certified signatures of the founders (partners),
- * Proof of identity of the company founder (for Serbian nationals – photocopy of personal ID card, and for foreign nationals – photocopy of passport or of personal ID card if one has been issued to them or copy of entry from the original register if the

founder is a legal entity not registered with any of the Registers kept by the Serbian Business Registers Agency,

- * Resolution on appointment of the representative if no representative is designated by the memorandum of association,
- * Representative's signature certified by a body competent to certify signatures,
- * Bank confirmation of the payment of the contribution in cash if the contribution is payable prior to incorporation, and/or founders' agreement on the appraisal of the value of contribution in kind if the contribution is made to the company prior to incorporation,
- * Proof of payment of the registration fee and proof of payment of the fee for registration and publication of the articles of partnership.

LIMITED LIABILITY COMPANY

- * Integrated application for registration of legal entities and other companies and for the entry into the integrated register of taxpayers – limited liability company,
- * Memorandum of association with certified signatures of the company founders (shareholders),
- * Proof of identity of the company founders (for Serbian nationals –photocopy of personal ID card, and for foreign nationals –photocopy of passport or of personal ID card if one has been issued to them or a copy of entry from the original register if the founder is a legal entity not registered with any of the Registers kept by the Serbian Business Registers Agency),
- * Resolution on appointment of the representative if no representative is designated by the contract of incorporation,
- * Representative's signature certified by a body competent to certify signatures,
- * Bank confirmation of the payment of the contribution in cash if the contribution is payable prior to incorporation, i.e., founders' agreement on the appraisal of the value of contribution in kind if the contribution is made to the company prior to incorporation,
- * Proof of payment of the registration fee, and proof of payment of the fee for registration and publication of the memorandum of association.

Limited Liability Company Corporate Governance:

In the process of incorporation of a limited liability company, the founder(s), depending on their needs, decide whether the management of the company will be organized as a one-tier or a two-tier system.

The one-tier corporate governance system implies that the company has one or more directors.

The two-tier management system implies that the company has one or more directors and a supervisory board. If the founder(s) opt for the two-tier system, along with the application they must submit copies of the Resolutions on the appointment of the chairperson and members of the supervisory board, if they are not designated in the memorandum of association.

Share (registered) capital of a limited liability company:

Contributions can be either monetary (in cash) or non-monetary (in kind), and are expressed in RSD. If the monetary contribution is paid in a foreign currency, the RSD equivalent of the contribution will be calculated based on the middle exchange rate of the National Bank of Serbia on the date of payment.

The minimum subscribed share capital (monetary or non-monetary) amounts to no less than RSD 100 (unless a higher amount is stipulated by a separate law).

There is no requirement to pay up the in-kind or cash capital contributions at the time of incorporation of a limited liability company, the capital must only be subscribed, and the memorandum of association sets the deadline for the shareholders of the company to pay up the share capital. That deadline cannot exceed 5 years counting from the date of the adoption of the memorandum of association.

Contributions in kind may consist only of assets or rights. The value of contributions in kind is established either through a company shareholder agreement or by an appraisal made by an expert licensed by the competent state authority to appraise certain assets and rights (court expert, auditor or other expert).

JOINT STOCK COMPANY

- * Integrated application for registration of legal and other entities and for registration with the integrated register of taxpayers – joint stock company,
- * Memorandum of association with certified signatures of the company shareholders,
- * Articles of association signed by the company shareholders,
- * Certificate from a credit institution that shares have been paid up in cash, or appraisal of the state licensed appraiser of the value of the contributions in kind or a certificate issued by the competent authority of the appraisal of the value of the contribution in kind, pursuant to the law,
- * Resolution on the appointment of the director, and/or members and chairman of the board of directors if they are not designated in the articles of association,
- * Resolution on the appointment of members of the supervisory board in case of a company with a two-tier management system, if they are not designated in the articles of association,
- * Resolution on the appointment of members of the executive board, in case of a company with a two-tier corporate governance system,
- * Resolution on the appointment of the company's authorized representatives if the latter are not designated in the articles of association,
- * Representatives' signatures certified by the body competent to certify signatures,
- * Proof of payment of the registration fee for incorporation and proof of payment of the fee for the registration and publication of the memorandum of association, and proof of payment of the fee for the registration and publication of the articles of association.

The shareholders founding a joint stock company sign a memorandum of association, and their signatures have to be certified in accordance with the law governing signature certification. The shareholders founding a joint stock company also sign the first articles of association.

Joint Stock Company Corporate Governance:

When incorporating a joint stock company, the founder(s), depending on their needs, decide whether they are going to have a one-tier or two-tier system of corporate governance.

The one-tier corporate governance system implies that the company has one or more directors. In case a joint stock company with a one-tier management system has three or more directors, they form the board of directors presided by the chairman.

The two-tier corporate governance system implies that the company has one or more executive directors and a supervisory board.

In a joint stock company, the directors are the legal representatives of the company, however, not all of them have to be legal representatives, only some of them may have this status if so determined by the founders.

Share (registered) capital of a joint stock company:

Subscribed shares that are payable in cash pursuant to the instrument of incorporation, are paid up prior to the registration of incorporation to the temporary account with a commercial bank in the Republic of Serbia. The shareholders founding the company must pay up at least 25% of the registered capital, provided that the paid-up amount of the cash contribution to the share capital cannot be lower than the amount of the minimum registered capital which is set at RSD 3,000,000.00.

Shareholders:

The Serbian Business Registers Agency shall not register the shareholders of joint stock companies given the fact that maintaining records of shareholders is in the competence of the Central Securities Depository.

BANK

The application for registration of a bank must be accompanied by the supporting documents required for the incorporation of a joint stock company, and by:

- * decision of the National Bank on the issuance of the operating license,
- * decision of the National Bank approving the memorandum of association and articles of association of the bank.

INVESTMENT FUNDS MANAGEMENT COMPANY

The application for registration of an investment funds management company must be accompanied by the supporting documents required for the incorporation of a joint stock company, and by:

- * decision of the Securities Commission on the issuance of the operating license,
- * decision of the Securities Commission approving the election of the management board members and director.

BROKER-DEALERS AND STOCK EXCHANGE

The application for registration of a broker-dealer and a stock exchange must be accompanied by the supporting documents required for the incorporation of a joint stock company, and by:

- * decision of the Securities Commission on the issuance of a broker-dealer and stock exchange operating license,
- * decision of the Securities Commission on previous consent to the selection of the management body of the company.

INSURANCE COMPANY

The application for registration of an insurance company must be accompanied by the supporting documents required for the incorporation of a joint stock company, and by:

- * decision of the National Bank of Serbia on the issuance of the operating license.

PUBLIC ENTERPRISE

- * Integrated application for registration of legal and other entities, and for registration with the integrated register of taxpayers – public enterprise,
- * Act/decision of the competent state or local government authority on the incorporation of the public enterprise,
- * Articles of association of the public enterprise (founders' approval of the articles of association)
- * Bank confirmation of the payment of the monetary contribution, pursuant to the memorandum of association,
- * Appraisal of the value of non-monetary contribution made by a licensed appraiser (founders' approval of the appraisal),
- * Decision on the appointment of director of the public enterprise, if he/she is not designated in the memorandum of association;
- * Signature of the representative of the public enterprise certified by the body competent to certify signatures,
- * Resolution on the appointment of executive board members if they are not designated in the memorandum of association (in case of a two-tier management system),
- * Resolution on the appointment of chairman and members of the supervisory board if the chairman and members of the supervisory board are not designated by the memorandum of association,
- * Proof of payment of the registration fee, and proof of payment of the fee for the registration and publication of the memorandum of association (amounts of fees).

COOPERATIVE

- * Integrated application for registration of legal and other entities, and for registration with the integrated register of taxpayers – cooperative,
- * Memorandum of association,
- * Proof of identity of cooperative members (for Serbian nationals – photocopy of personal ID card, and for foreign nationals – photocopy of passport or of personal ID card if one has been issued to them, or excerpt from the original register if the founder is a legal entity not registered with any of the Registers kept by the Serbian BusinessRegisters Agency),
- * Minutes from the constituent meeting,
- * Cooperative by-laws,
- * Bank confirmation of the payment of the monetary contribution if such contribution is payable and/or cooperative members' agreement regarding the appraised value of the non-monetary contribution or appraisal of the value of the non-monetary contribution if applicable,
- * Resolution on the appointment of the director and/or other cooperative's representative if the latter is not designated in the memorandum of association,
- * Signature of the director and/or other cooperative's representative certified by the body competent to certify signatures,
- * Resolution on the appointment of the chairman and members of the board of directors (if any),
- * Resolution on the appointment of chairman and members of the supervisory board,
- * Proof of payment of the registration fee, and proof of payment of the fee for the registration and publication of the memorandum of association.

COOPERATIVE FEDERATION

- * Integrated application for registration of legal and other entities, and for registration with the integrated register of taxpayers – cooperative federation,
- * Memorandum of association of a cooperative federation,
- * Cooperative federation by-laws,
- * Resolution on the appointment of director, and/or other representative if the latter is not designated in the memorandum of association,
- * Signature of the director and/or other representative certified by the body competent to certify signatures,
- * Proof of payment of the registration fee, and proof of payment of the fee for the registration and publication of the memorandum of association.

BRANCH OF A FOREIGN COMPANY

- * Integrated application for registration of legal and other entities, and for registration with the integrated register of taxpayers – foreign company branch,
- * Resolution on the formation of the branch,
- * Certificate from the register in which the foreign company is registered, with a certified translation by a certified court interpreter,
- * Evidence of bank accounts through which the foreign company operates,
- * Signature of the branch's authorized representative certified by the body competent to certify signatures,
- * Statement by the authorized representative of the foreign company that the company takes on full responsibility for all liabilities arising in connection with the business activities of the branch, certified by the by the competent certification authority, along with a certified translation by a certified court interpreter,
- * Proof of payment of the registration fee.

A branch of a foreign company is a separate organizational part of the company through which the company operates in the Republic of Serbia, in accordance with to the law.

A branch of a foreign company has a prevailing activity that is subject to registration but it may also perform other activities that are not prohibited by law, regardless of whether or not they are foreseen by the Resolution on the formation of the branch.

The branch of a foreign company does not have the status of a legal entity; however, it does have the status of a resident in terms of taxation.

REPRESENTATIVE OFFICE OF A FOREIGN COMPANY

- * Integrated application for registration of legal entities and other companies and for the entry into the unique register of taxpayers – foreign company representative office,
- * Decision on the formation of a representative office,
- * Certificate from the register in which the foreign company is registered with certified translation by a certified court interpreter,
- * Evidence of bank accounts through which the foreign company operates,
- * Signature of the representative office's representative certified by the body competent to certify signatures,
- * Statement by the authorized representative of the foreign company that the company takes on full responsibility for all liabilities arising in connection with the business

activities of the representative office, certified by the body certified by the competent certification body, with certified translation by a certified court interpreter.

- * Proof of payment of the registration fee.

BRANCH OF A DOMESTIC COMPANY

- * Application for registration of a branch,
- * Decision on the formation of a branch,
- * Signature of the branch's representative certified by the body competent to certify signatures if the person is not a registered representative,
- * Proof of payment of the fee.

REGISTRATION OF PROCURATION

- * Application for registration of a procuration
- * Resolution on issuing a procuration,
- * Signature of the procurator certified by the body competent to certify signatures,
- * Proof of payment of the fee.

A procuration is a business authorization by which a company authorizes one or more natural persons to enter into transactions and take other legal actions on its behalf and for its account. Exceptionally, a procuration may be issued for a branch as well.

Restrictions of the procuration are prescribed by the law thus making it impossible for a procurator to enter into certain legal transactions without a special authorization. A procurator's special authorization for entering into these legal transactions is not subject to registration.

The only type of restrictions of a procuration issued by decision of the shareholders is the restriction of the powers of the procurator by the instrument of cosigning with a legal representative of the company or another procurator (joint procuration).

The procurator may not grant the authorization for representing the company to another person.

OVERHEAD COSTS

Serbia's favourable business environment features highly competitive tax rates and low operating costs.

TAX RATES	
Value Added Tax (VAT)	Standard rate – 20%
	Reduced rate – 10%
Social Security Contributions	Pension and disability insurance – 14%
	Health insurance – 5.5%
	Unemployment insurance – 0.75%

For Legal Entities	
Corporate Profit Tax	15%
Taxes on dividends, shares in profits, royalties, interest and capital gains	20%
Personal Income Taxes	
Salary Tax and Income from self - employment	10%
Capital Incomes and capital gains	15%
Copyright, property, profits from gambling and other types of income	20%
Annual Income Tax	10/15%

Corporate Taxes

Serbia's tax regime is highly conducive to doing business. The corporate profit tax is among the lowest in Europe, while the Value Added Tax is among the most competitive in Central and Eastern Europe.

Corporate Income Tax	Uniform rate – 15%
Withholding Tax	20% (for dividends, shares in profits, royalties, interest income, capital gains, lease payments for real estate and other assets)
Personal Income Tax	Salaries – 10%
Annual Income Tax	10/15% (for annual income above 6 average annual salaries)

Value Added Tax

The VAT rates are as follows:

- * The standard VAT rate - 20% (for most taxable supplies);
- * The lower VAT rate - 10% (for basic food stuffs, daily newspapers, utilities, etc.).

Standard VAT Rate	
Serbia	20%
Bulgaria	20%
Slovakia	20%
Czech Republic	21%
Poland	23%
Romania	24%
Croatia	25%
Hungary	27%

*Source: National IPAs, 2015.

Corporate Profit Tax

Corporate profit tax is paid at the uniform rate of 15%. Non-residents are taxed only based on their income generated in Serbia.

Corporate Profit Tax	
Bulgaria	10%
Serbia	15%
Romania	16%
Czech Republic	19%
Poland	19%
Hungary	19%
Croatia	20%
Slovakia	22%

*Source: National IPAs, 2015.

Withholding Tax

The withholding tax is not applied to dividend payments between Serbian entities. For non-residents of Serbia, a 20% withholding tax is calculated and paid on certain payments such as dividends, shares in profit, royalties, interest, capital gains, lease payments for real estate and other assets.

Personal Income Tax

The personal income tax rate is 10% for salaries.

Personal Income Tax	
Serbia	10%
Bulgaria	10%
Czech Republic	15%
Romania	16%
Hungary	16%
Croatia	12 – 40%
Poland	18 – 32%
Slovakia	19 – 25%

*Source: National IPAs, 2015.

Annual Income Tax

The annual income is taxed if exceeding the amount of threefold the average annual salary in Serbia. The tax rate is 10% for the annual income amounting up to 6 times average annual salary in Serbia, and 15% for the part of the annual income exceeding 6 times average annual salary in Serbia.

Taxes and Contributions

The rates for mandatory social security contributions are:

- * 14% for pension and disability insurance,
- * 5.15% for health insurance, and
- * 0.75% for unemployment insurance.

The total sum of social security contributions and income taxes that are calculated on the net - income, amounts to about 65% of net earnings.

Reduced Salary Load

Starting from July 1st, 2014 new employment entitles employers to a sizable relief of taxes and contributions paid on net salary from the moment of employment until June 30, 2016.

- * 1-9 new jobs: 65% reduction;
- * 10-99 new jobs: 70% reduction;
- * 100+ new jobs: 75% reduction.

This reduces the total salary load to very competitive 20%¹.

Labour Costs

Average salaries in Serbia are low enough to ensure cost-effective operating. Total costs for employers stand at merely 50% of the level in EU countries from Eastern Europe. Social insurance charges and Salary Tax amount to roughly 65% of the net salary but the tax burden for employers can be reduced through a variety of financial and tax incentives.

¹ Estimate the average salary in Serbia.

Average Gross Monthly Salary (EUR)	
Bulgaria	423
Romania	513
Serbia	524
Hungary	768
Slovakia	840
Poland	906
Czech Republic	933
Croatia	1041

*Source: The Vienna Institute for International Economic Studies, February 05, 2015.

UTILITY FEES

Electricity

The 100% state-owned Electric Power Industry of Serbia is the sole electricity supplier at the moment. The electricity price varies according to the consumption category and daily tariff rate, ranging between €0.0112 and €0.0487/kWh.

Gas

As a natural gas supplier in Serbia, the state-owned company “Srbijagas” pursues its pricing policy in accordance with world prices of oil derivatives and the US dollar exchange rate fluctuations. The price of natural gas is set every 15 days, currently standing at € 0.3057/m³.

Water

The waterworks in Serbia are operated at the municipality level with water prices set by local authorities.

Major Utility Fees (March 2010)	
Item	Amount
Electricity for Industrial Consumers (€/KWh)	0.06
Gas for Industrial Consumers (€/m ³)	0.42
Water for Industrial Consumers (€/m ³)	0.6 – 1.3

*Source: Electric Power Industry of Serbia, Srbijagas, Statistical Office of the Republic of Serbia²

² Based on a sample of 22 municipalities.

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