



cutting through complexity

Investment in Serbia

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Cover photo: Belgrade Kalemeđan Victor monument

Foreword



Dear Reader,

Welcome to Serbia!

Many thanks for taking the time to read this short guide to investing and doing business in Serbia. All of us here at KPMG hope that you will find it helpful and informative.

Our publication covers many relevant areas but it is not exhaustive, and is not intended to provide comprehensive information necessary to make investment decisions. It rather presents an overview of matters to be considered by those thinking of investing or doing business in Serbia, aimed at providing you with 'a taste' of opportunities and background information, as a guide to your preliminary planning efforts.

The information presented in this publication is carefully chosen to reflect the situation as at December 2014. Considering the speed with which the economic situation is changing in this dynamic country, there is always a need to take further advice before making specific decisions and we recommend that you obtain comprehensive advice before taking action. We have an exceptional team of more than 200 staff based in Belgrade, with the breath of skills and abilities, whose professionalism ensures our clients get the necessary support for maximizing their opportunities of doing business in Serbia.

We look forward to telling you more about Serbia and investment opportunities that this wonderful country provides.

Belgrade, December 2014

A handwritten signature in blue ink, appearing to read "James Thornley".

James Thornley
Senior Partner

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Why Serbia

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Why Serbia

- Serbia is a modern, democratic European country, on the path to membership of the European Union, located at a crossroads of Europe and a geopolitically important territory
- Serbia has a small population of approximately 7.2 million, it has geographically attractive location, with its close proximity to Hungary, Romania, Bulgaria, Macedonia, Greece, Turkey, Albania, Montenegro, Croatia, Bosnia and Herzegovina, Slovenia and Austria. Other benefits include being centrally located on the Danube easily reaching countries by barge such as Austria, Slovakia, Germany, Moldova and Ukraine
- Stable credit rating
- There are significant financial and tax incentives for direct investment: highly competitive and diverse investment incentives are designed to reduce the costs of investment projects in Serbia
- Serbia's tax system is highly conducive to investment, featuring one of Europe's lowest corporate profit tax rates set at 15%, VAT of 20% and 10% salary tax etc. In addition, companies are exempt from Corporate Profit Tax for a period of 10 years starting from the first year in which they report taxable profit, if they invest an amount exceeding approximately EUR 8.3 million in fixed assets and employ at least 100 employees throughout the investment period.
- Serbia has 54 effective double taxation conventions.
- Well-educated, foreign language proficient and financially competitive workforce means that Serbia remains an attractive destination for foreign direct investment: labor costs in Serbia are standing at around 50% of their level in Central European EU member states and Serbia boasts with 11% of population with university degrees.
- Substantial preferential trade agreements (including Russia and Turkey), that allow Serbia to serve as a manufacturing hub for duty-free exports to a market of over 1.1 billion people.
- Strong cultural heritage and powerful contemporary cultural scene, cities known for its energy and 24/7 approach to life, combined with warm, hospitable, sports and fun loving citizens, make Serbia an ideal location for any duration of stay.
- With these advantages and aided by the process of EU integration, as well as intensive regulatory reforms, improved management of Serbia's natural resources and enhanced infrastructure development, Serbia may achieve rapid economic growth and is becoming a leading regional market.



2

General information about Serbia

2

General information about Serbia

Country Snapshot

Serbia has connected West with East for centuries, a land in which civilizations, cultures, faiths, climates and landscapes meet and mingle.

It is located in the center of the Balkan Peninsula, in southeastern Europe. The northern portion belongs to central Europe, but in terms of geography and climate it is also partly a Mediterranean country. Serbia is landlocked, but as a Danube country, it is connected to distant seas and oceans. Serbia is at a crossroads of Europe and a geopolitically important territory. The international roads and railway lines, which run through the country's river valleys, form the shortest link between Western Europe and the Middle East.

From the agricultural regions of the Pannonian Plain in the north, across the fertile river valleys and orchard-covered hills of Šumadija, the landscape of Serbia continues southward, gradually giving way to mountains rich in canyons, gorges and caves, as well as well-preserved forests. Serbia's beautiful mountains, national parks, rivers and lakes are the perfect location for an active outdoor holiday, from hunting and fishing to extreme sports.



The rich cultural and historical heritage of Serbia begins with prehistoric archaeological sites and its legacy from classical antiquity. Perhaps its greatest riches, though, are in the many mediaeval Serbian churches and monasteries, some of which are included on the UNESCO World Heritage list (Studenica monastery, Stari Ras and Sopoćani, Mediaeval Monuments in Kosovo and Gamzigrad – Romuliana). City of Niš is worldwide known as the birthplace of the Roman Emperor Constantine the Great, the founder of Byzantine Empire. Under his ruling the Edict of Milan was adopted, which is the first decree that proclaimed tolerance of all religions throughout the Roman Empire. Apart from the remains of his luxurious Palace in Niš, other important Roman remains include Sirmium, Viminacium, Naisus and Singidunum.

The large number of rivers provides Serbia with huge hydro-electric potential (the Danube, Tisa, Tamiš, Morava, Drina, Sava, etc.). The total length of navigable rivers and channels is 1,395 km. The Danube, one of Europe's most important waterways, flows through Serbia into Romania. Other rivers, are also navigable and are used for commercial transport.

The country is rich in geothermal waters as well, which are used for balneological purposes. There are around 60 spas countrywide and they present significant tourist potential for the country. Serbia ranks among the European countries with the most mineral springs. Mineral springs in Serbia rate high in quality worldwide because of the rich elemental composition of the soil.

Serbia has five national parks (Fruška Gora, Kopaonik, Tara, Đerdap and Šar Mountain) and many national natural reserves. These are regions with remarkable natural beauties. Some of these national parks contain archaeological sites and cultural monuments of great historical and national importance.

Today, Serbia is a modern, democratic European country, on the path to membership of the European Union.

Serbia Factbook	
Population	7,186,862 (as per 2011 census)
Area	88,407km ²
Capital city	Belgrade with population more than 1,600,000 (more than 20% of the total population)
Total urban population	Around 59%, apart from Belgrade, other major urban centers include: Novi Sad, Nis, Kragujevac, Leskovac and Subotica
Official language	Serbian, Cyrillic alphabet official (Latin alphabet widely used)
Borders	Hungary, Romania, Bulgaria, Macedonia, Albania, Montenegro and Croatia
Time zone	GMT + 1
Type of government	Parliamentary democracy

Electoral system	Proportional representation
Currency	Serbian dinar – RSD (Dec 2014 exchange rate: EUR 1 = RSD 121)
Terrain	Varied, to the north – rich fertile plains; to the east – limestone ranges and basins; to the southeast – mountains and hills
Climate	Also varied, in the north – continental climate; in other parts – continental and Mediterranean climate
Natural resources	Geothermal waters, arable land, as well as coal, gas, iron, copper, lead, zinc, antimony, chromites, gold, silver, magnesium, pyrite, limestone, marble, salt
Geography	Located on one of the major land routes from Western Europe to Turkey and the Near East
Longest river:	Danube, with its Serbian section of 588 km.
Electric potential	70,000kWh out of which 60% of it is utilized through thermo power plants.
Land use	Agricultural 46%, forests 29%, meadows 13%, urban 4%, other 8%

Source: Official statistical data and KPMG analysis

Economy and fiscal policy

Overall Characteristics

Following political changes in October 2000, Serbia headed towards recovery and further development based on open market economy and an EU compliant economic system. The two main goals of economic policy are macroeconomic stability and a high rate of economic growth, implying economic reforms and democratic surroundings. Stabilization and Association Agreement, which Serbia signed in 2008 and is a forerunner to the EU membership, grants Serbia the status of associated state to the EU. One of the strategic goals of the country is accession to the European Union, which requires harmonization of the legal and economic system with EU standards and further economic growth. Formal EU accession negotiations with Serbia began in January 2014, the first negotiations chapters are expected to be open in late 2014 or early 2015 and Serbian government has set a goal to enter the EU before 2020.

Change of Serbia's credit rating											
	2005 July/ May	2006 Feb	2007 July	2008 March/ Dec	2009 Dec	2010 Nov	2011 March	2012 Aug	2013 July	2014 Jan	
S&P	BB- stable	BB- stable	BB- stable	BB-stable	BB- stable		BB- stable	BB- stable			
Fitch	BB- stable			BB-stable		BB- stable		BB- stable		B+ stable	
Moody's									B1 stable		

Source: National Bank of Serbia

Main Macroeconomic Indicators

After 2000 the inflation was significantly contained as a result of tightened fiscal and monetary policy. Significant economic growth was also achieved during the period to 2008-2009, when the effects of economic crisis were poured in the Balkan region as well.

Breakdown of inflation, GDP growth rate and unemployment rate 2005 – Q3 2014				
Year	Inflation rate	GDP growth rate	GDP per capita (USD)	Unemployment rate
2005	17.70%	5.50%	3,368	20.80%
2006	6.60%	4.90%	3,957	20.90%
2007	11.00%	5.90%	5,304	18.10%
2008	8.60%	5.40%	6,485	13.60%
2009	6.60%	-3.10%	5,497	16.10%
2010	10.30%	0.60%	5,030	19.20%
2011	7.00%	1.40%	6,030	23.00%
2012	12.20%	-1.00%	5,292	23.90%
2013	2.20%	2.60%	5,902	22.10%
Q3 2014	1.90%	-1.60%	5,924	19.60%

Source: National Bank of Serbia, Macroindicators; IMF: World Economic Outlook 2014

According to estimates made by the International Monetary Fund, Serbia is expected to show negative GDP of 0.5% for 2014 and GDP growth rate of 1% for 2015 (<http://www.imf.org/external/country/SRB/index.htm>). The 2014 results are significantly burdened by the serious flooding that occurred in May 2014.

The problem of high unemployment levels, resulting from liberalization, restructuring and privatization, remains a great challenge for those responsible for setting economic policy in the forthcoming period.

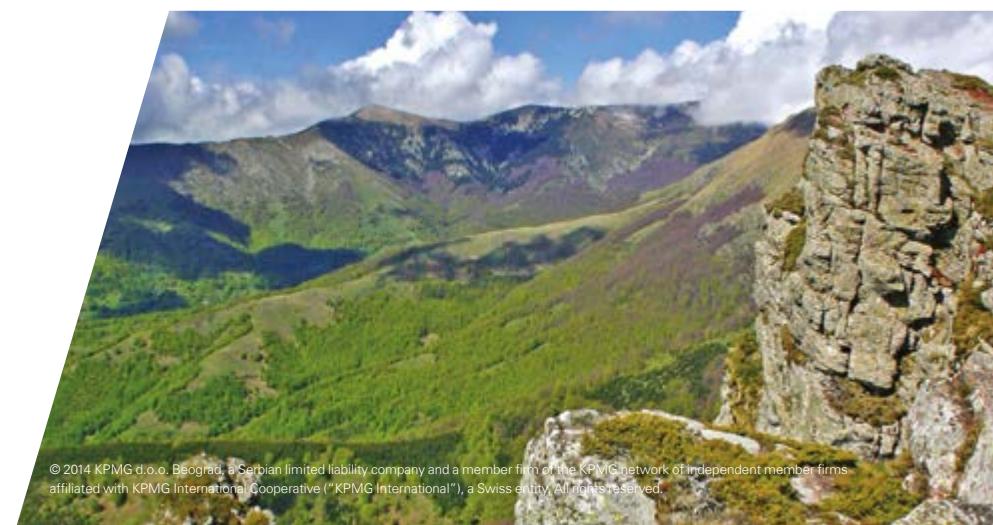
Real Wages

The level of real wages is increasing steady, in nominal as well as in real terms. However, during the past decade wages rose faster than productivity and GDP, which was the additional generator of inflation.

Breakdown of average gross and net wages in the period 2005 – Q3 2014				
Monthly average wage (RSD)			Average Exchange rate (1 EUR)	Monthly average gross wage in EUR
Year	Net	Gross		
2005	17,443	25,514	82.99	307
2006	21,707	31,745	84.11	377
2007	27,759	38,744	79.96	485
2008	32,746	45,674	81.44	561
2009	31,733	44,147	93.95	470
2010	34,142	47,450	103.04	461
2011	37,976	52,767	101.95	518
2012	41,377	57,430	113.13	508
2013	43,948	60,730	113.14	537
Q3 2014	43,910	60,596	116.23	521

Source: National Bank of Serbia

Photo: Stara planina mountain



Foreign Trade Balance

Since economic reforms started, imports rose (in absolute terms) much faster than exports, creating a significant foreign trade deficit. The main reasons for this increase were: the lifting of economic sanctions, liberalization of foreign trade and a lack of competitiveness of the Serbian economy. Main export products include motor vehicles, iron and steel, light metals, fruits, etc. Imports are dominated by oil, motor vehicles, industrial machines etc.

In the period to 2012, the level of foreign currency reserves has also increased, mainly due to the loans received from international financial institutions, the revenue from privatization of socially-owned companies, as well as from individual transfers of Serbs living abroad to their families in Serbia.

The International Monetary Fund expects the current account balance as a percentage of GDP to amount to -6% and -5% for 2014 and 2015 respectively.

Breakdown of export, import, foreign trade deficit and foreign reserves in the period 2005 – Q3 2014 (in EUR million)

Year	Export	Import	Foreign trade deficit	Current account balance as % of GDP	Foreign currency reserves
2005	5,329	9,612	4,283	-8.40%	4,922
2006	6,948	11,970	5,022	-9.60%	9,020
2007	8,114	15,503	7,388	-18.10%	9,634
2008	9,577	18,267	8,690	-21.20%	8,162
2009	8,041	13,098	5,057	-5.80%	10,602
2010	9,521	14,243	4,722	-7.00%	10,002
2011	11,147	16,497	5,350	-9.90%	12,058
2012	11,498	16,993	5,495	-11.50%	10,915
2013	13,963	17,796	3,833	-6.10%	11,189
Q3 2014	10,660	13,314	2,654	-6.10%	10,878

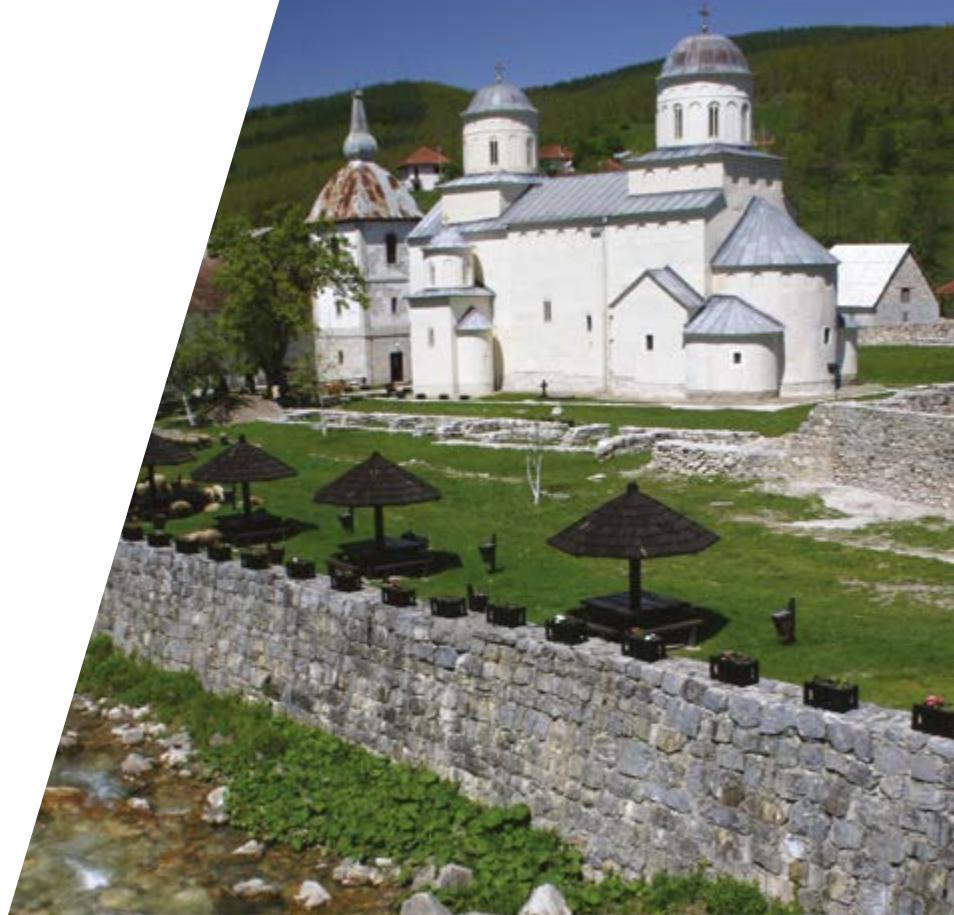
Source: National Bank of Serbia

Government Policies

The milestones of future economic policy include:

- restrictive monetary policy and the strengthening of foreign exchange reserves;
- tightening of fiscal policy;
- abolition of administrative price control (only the prices of public monopolies and municipal services are still under control);
- further trade liberalization, aimed at creating an environment fully harmonized with EU and WTO standards.





Investing in Serbia



Investing in Serbia

Overview

Transfer of profits, dividends and capital is free after payment of relevant tax liabilities.

The import of items which represent investment by a foreign investor is free, provided that such items comply with environmental protection regulations.

A foreign investor and a company with investment may enjoy tax and customs benefits. The import of equipment based on the investment of a foreign investor, is exempt from customs and other import duties. This does not apply to passenger motor vehicles and slot machines for entertainment and games of chance.

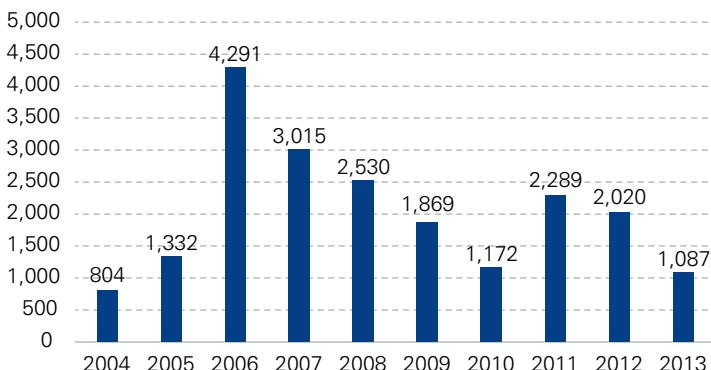
Foreigners may own a real estate in Serbia, under reciprocity condition. Ownership of agricultural land is still restricted but possible via companies registered in Serbia.

The procedure for obtaining residence and work permits and for employing foreign experts is simplified.

Inflow of foreign direct investment (FDI)

Owing to the acceleration of the privatization process and the efforts directed at the improvement of the overall investment environment, as of 2000 Serbia managed to attract a significant amount of foreign direct investments. The considerable increase in the level of foreign direct investment in 2006 was the result of the sale of the mobile phone operator (Mobi 63) to the Norwegian Telenor for EUR 1,513 million.

Inward FDI (EUR million)



Source: Ministry of Finance

In September 2008 the Serbian Government signed a contract with the Italian FIAT on establishing a joint venture company. Estimated value of the investment undertaken amounts to approximately EUR 950 million. This investment has attracted many car industry suppliers to start their production in Serbia (Johnson Controls, YURA, Dräxlmeier, Denso, etc.).

Serbia's strong FDI track-record is substantiated by internationally recognized awards, where Ball Packaging Europe, Metro Cash & Carry and Africa-Israel Investments Ltd. were awarded by OEBS as the largest greenfield investments in South East Europe. Only Africa-Israel Investments Ltd. investment into real estate in Serbia exceeds EUR 200 million.

In January 2008, Russia and Serbia signed an oil and gas agreement which includes the acquisition of state-owned oil company Naftna Industrija Srbije (NIS) by GazpromNeft. GazpromNeft paid EUR 400 million for 51% of shares in NIS. Under the same arrangement GazpromNeft has invested EUR 500 million in modernization of NIS, plus additional funds have been provided for the development of underground gas storage facility in Banatski Dvor in Serbia. In 2011, a leading Belgian retail chain, Delhaize Group, purchased the biggest retail chain in Serbia Delta Maxi.

In 2013, Abu-Dhabi based Etihad acquired 49% of national carrier JAT Airways (renamed to Air Serbia). This has substantially expanded Air Serbia's routes in Europe and the Middle East, while resuming of direct flights to North America is expected by 2016. There is also intention from the UAE to invest heavily in Belgrade real estate that revolves around Belgrade Waterfront project, which was initiated in 2014. Around EUR 2.5 to 2.8 billion are to be invested by the Serbian government and their UAE partners. Project includes an office and luxury apartment blocks, eight hotels, a shopping mall and a Kula – Belgrade tower resembling Dubai's landmark Burj Khalifa, on the right bank of the Sava River.

Inward FDI by Industries 2004-2013	
Industry	Investment value (EUR million)
Financial Intermediation	4,968
Manufacturing	4,766
Wholesale, retail and repairs	3,167
Real estate activities	2,459
Transport, storage, communication	2,456
Construction	586
Mining and quarrying	544
Agriculture, forestry and fishing	194
Other utility, social and personal services	136
Professional, scientific and technical activities	119
Accommodation and food services	97
Public administration and social insurance	83
Electricity, gas and water	73
Administrative and support service activities	26
Education	4

Source: SIEPA

Photo: Roman Emperors route Gamzigrad2 Felix Romuliana UNESCO



Financial and tax incentives for direct investment

In order to boost the level of direct investments, the Government issued a decree on the Terms and Conditions of Attracting Direct Investments (first issued in 2006 and amended in the following years). This measure is intended to boost investment by granting non-refundable funds to companies involved in manufacturing activities, the internationally marketable services sector and the research and development sector.

The level of funds which may be awarded are determined in accordance with the criteria set forth by the Decree in relation to the eligible investment costs (investment into material and non-material assets) or in relation to the eligible costs of the gross salaries from new jobs during a two-year period after the investment project's implementation.

Our staff will be more than happy to provide you with detailed explanation of the eligibility criteria, terms and conditions of the Decree and the application process that are applicable to your business case.

In addition to these financial incentives, there are numerous tax incentives aimed at attracting and stimulating investments.

Photo: Belgrade Kalemegdan gate



Overview of key tax incentives	
Corporate Profit Tax Holiday	Companies are exempt from Corporate Profit Tax for a period of 10 years starting from the first year in which they report taxable profit if they invest an amount exceeding RSD 1 billion (app EUR 8.3 million with ruling exchange rate at the time of the report EUR 1 = RSD 121) in fixed assets, and employ at least 100 additional employees throughout the investment period.
Avoiding Double Taxation	There is an extensive list of double taxation avoidance treaties presented in Taxation section of this publication.
Reduced Salary Load	Starting from 1 July 2014 new employment entitles employers to a sizable relief of taxes and contributions paid on net salary from the moment of employment until 30 June 2016 (1-9 new jobs: 65% reduction; 10-99 new jobs: 70% reduction; 100+ new jobs: 75% reduction)
Value Added Tax Exemptions in Free Zones	<p>Entry of goods, transportation and other services provided to users of Free Zones (that are directly related to the entry of the goods into the free zone), as well as supplies of goods and services within the Free Zones in Serbia is exempted from Value Added Tax. There are six Free Zones, currently operating in the country: Subotica, Novi Sad, Zrenjanin, Sabac, Kragujevac, and Pirot. Three more zones are being prepared in Nis, Smederevo and Uzice. Foreign companies can establish a privately-owned Free Zone based on the project approved by the government.</p> <p>We can provide you with any advice necessary relating to the establishment of Free Zones.</p>

Source: KPMG Analysis

Free trade agreements

Serbia does not only benefit from the excellent geographical location, available, well trained and financially competitive workforce, but also from the substantial preferential trade agreements, that allow it to serve as manufacturing hub for duty-free exports to a market of over 1.1 billion people.

Serbia's Preferential Trade Agreements		
Market	Trade Regime	App. # of inhabitants in millions
European Union	Preferential Trade Regime	507
USA	Generalized System of Preferences	319
Russia, Belarus and Kazakhstan	Free Trade Agreements	169
CEFTA	Free Trade Agreements	23
EFTA	Free Trade Agreements	14
Turkey	Free Trade Agreements	76
Total market size		1,107

Source: KPMG analysis, *The World Population Review* www.worldpopulationreview.com

Educated skilled labor force

Serbia has a working population of about 3 million. The large number of educated unemployed persons, together with favourable labor costs, makes it an attractive investment destination from a labour perspective.

Elementary education is obligatory and free for all citizens. Approximately 11 % of the population possesses a college/university education.

Even though the official language in Serbia is Serbian, English language proficiency is particularly strong and Serbia is ranked fourth nation globally by the Business English Proficiency in 2012 out of 76 reviewed countries.



For further information on the any aspect of M&A activity or other type of investment to Serbia, please contact our Deal Advisory services in Belgrade:

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Business law

4 Business law

General overview

The most important business laws in Serbia are the Law on Foreign Investments and the Company Law.

Foreign investors (i.e. foreign legal entity with the registered seat abroad, foreign individual or Serbian citizen with permanent or temporary residence abroad for longer than one year) are entitled to conduct their business activities in Serbia under the same conditions as domestic investors.

Foreign investors' rights applicable at the moment of registration of foreign investment with the Companies Registry may not be restricted by subsequent amendments of legislation.

Importation of equipment as the investment of a foreign investor (except for motor vehicles, casinos and entertainment machines) is exempted from customs duties.

If the prescribed tax and other burdens have been settled in Serbia, the foreign investor may transfer abroad financial assets relating to the foreign investment.

The Company Law enables a company, regardless of where it is headquartered (in Serbia or abroad), to establish one or more branches in Serbia.

Business entities

The Company Law prescribes the following types of business entities: general partnership, limited partnership, limited liability company (društvo sa ograničenom odgovornošću – d.o.o.) and joint stock company (akcionarsko društvo – a.d.). In addition, a branch of a foreign company may be established, as well as a representative office.

The most common company type for operation in Serbia is the limited liability company.

Limited Liability Company

Limited liability company is a company whose capital is divided into shares, that are not listed and traded on an organized market. Shareholders have pre-emptive right of purchase of shares, if founding act does not provide otherwise. Contributions of the

shareholders may be pecuniary or in kind, and they are denominated in RSD. Minimum capital is RSD 100 (i.e. less than EUR 1).

Management of the company may be organized as one-tier when the corporate bodies are: Shareholders Assembly, and one or more directors. Further, the management may be organized as two-tier when the corporate bodies are: Shareholders Assembly, Supervisory Board and one or more directors.

Joint-Stock Company

A joint stock company is a company whose capital is divided into stocks. The initial capital of a joint-stock company may not be less than RSD 3 million (approximately EUR 25 thousand as per December 2014 exchange rate). Its stock capital is divided into stocks at specified par value. Issued stocks may be either common or preferred. Total nominal value of issued preferential stocks may not exceed 50% of founding capital. There is a pre-emptive right of existing stockholders with respect to purchase of newly issued stocks.

Management of the company may be organized as one-tier when the corporate bodies are: General Meeting, and one or more directors, or the Board of Directors. Further, the management may be organized as two-tier when the corporate bodies are: General Meeting, Supervisory Board, one or more executive directors, i.e. Executive Board.

Representative Office

A representative office (predstavništvo) of a foreign legal entity represents a separated organizational part of a foreign company. It may be engaged only in preliminary and preparatory activities for its founder. It is not considered as a legal entity. A foreign company is held responsible for liabilities of the representative office towards third parties.

A representative office is not a taxpayer in respect of VAT and corporate income tax.

Branch

A branch (ogranak) is a separated organizational part of a company through which it performs its business activity. When registering a branch, domestic or foreign head office assumes all obligations that may arise from a branch's business activities. A branch of a foreign legal entity is a taxpayer in respect of VAT and corporate income tax.

Company registration

A company acquires legal status and is entitled to commence business activity in Serbia upon its registration in the Companies Registry.

Access to the registered data kept by the Companies Registry is freely available at the website www.apr.gov.rs

Acquisition of business entities

Foreign legal entities and individuals can acquire and sell ownership in a limited liability or joint-stock company. The procedure of executing the purchase of ownership is pretty straightforward and should not be time consuming.

The impact of anti-trust legislation should be assessed for each acquisition. Namely, based on the criteria prescribed in the Law on Protection of Competition, it should be determined whether the particular transaction requires market concentration clearance from the Commission for Protection of Competition.

Reorganization of business entities

The reorganization of business entities in Serbia is governed by the Company Law, and includes status changes and changes of company's legal forms.

Status changes of business entities include acquisitions, mergers, divisions and spinoffs.

The most frequent changes of companies' legal forms are when a joint-stock company converts into a limited liability company and vice versa.

Accounting

According to the Law on Accounting, all companies are divided into four groups (micro, small, medium and large) by their number of employees, revenues and assets as stated in the annual reports of the previous fiscal year.

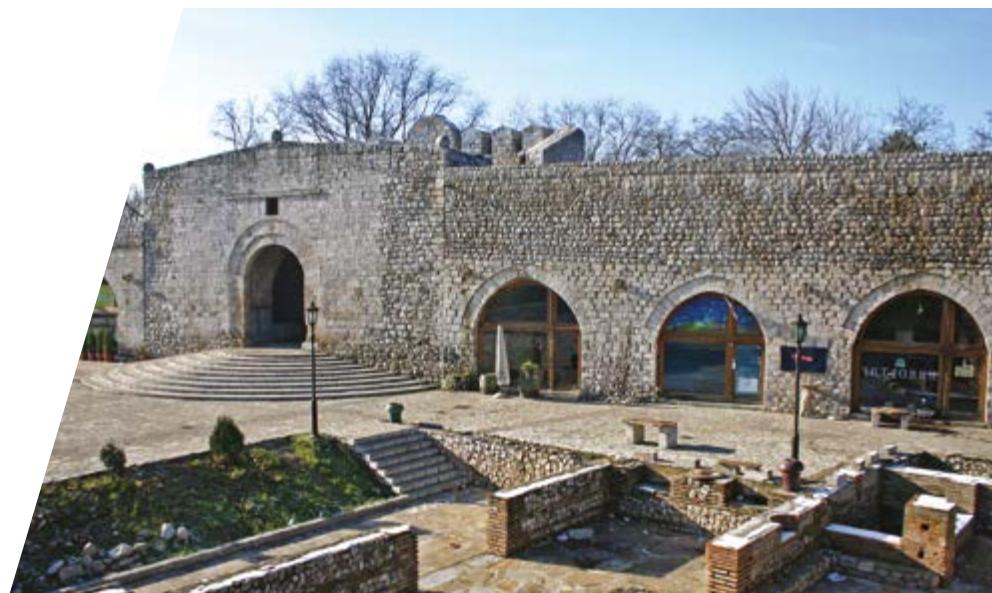


Photo: Nis fortress

Group of companies (2/3 designated criteria should be fulfilled)			
Entity size	Average number of employees	Annual revenue (in EUR thousand)	Average value of assets (in EUR thousand)
Micro	<10	<700	<350
Small	10 to 50	700 to 8,800	350 to 4,400
Medium	50 to 250	8,800 to 35,000	4,400 to 17,500
Large	250<	35,000<	17,500<

Source: KPMG Analysis

The application of IFRS for small and medium companies (SMEs) applies from 1 January 2014 with an exemption for some small entities that may postpone the application of the provisions of this regulation for the preparation of the financial statements for 2015.

The Law provides a choice for medium-sized entities to implement the full IFRS or IFRS for SMEs.

Full IFRS, as well as IFRS for SMEs are implemented upon their translations are issued by the Ministry of Finance.

The financial year is the calendar year. However, legal entities related with foreign companies whose financial year differs from the calendar year may have a different financial year end, after permission is obtained from the Ministry of Finance or the National Bank of Serbia (depending on the type of company). Banks are not allowed to have a financial year that differs from the calendar year.

The deadline for submission of financial statements of entities having calendar year as their financial year is 30 June of the current year for the then previous year. However, pro forma financial statements have to be submitted by the end of February of the current year for the then previous year for statistical purposes.

Auditing

The Law on Auditing prescribes that audit of financial statements is obligatory for all large and medium-sized entities, public entities, as well as for entities and entrepreneurs who generate business income of more than EUR 4.4 million in RSD counter value, in the previous financial year.

Entities which are required to have their financial statements audited are obliged to change the licensed auditor after seven years of consecutive audits. However, the Law on Auditing does not prescribe maximum number of years during which the audit company can be assigned as an auditor of the same entity.

Audit is performed in accordance with the Law on Auditing, International Standards of Auditing and the Code of Ethics for Professional Accountants.

An auditing firm is not allowed to audit a legal entity if it has already rendered bookkeeping services, prepared annual financial statements to the same legal entity and if there is conflict of interest according to the Code of Ethics for Professional Accountants. Moreover, an auditing firm is not allowed to provide any non-audit services to a bank – its audit client.

The Law lists conditions for establishing and running of audit companies.

Banking System

The National Bank of Serbia (NBS) is the central bank of Serbia. Its function is to determine monetary policy, issue banknotes and coins, and to manage the circulation of currency, the payment system, and settlement between banks. Its primary objective is to achieve and maintain price stability. The NBS also contributes to the maintaining and strengthening of financial stability. More details can be found at www.nbs.rs

At the time of this report there are 29 commercial banks in Serbia.

Banks in Serbia may function solely in the legal form of a joint-stock company. They can be founded either by domestic or by foreign entities. The bank's founder(s) must obtain preliminary approval and operating license from the NBS prior to commencement of operations in Serbia. The minimum pecuniary initial basic capital must be at least EUR 10 million (in RSD equivalent).

Banks are typically engaged in the full range of banking activities, rather than being specialized or restricted to certain activities.



5

Taxation

5 Taxation

Advantageous characteristics of the Serbian tax regime represent yet another appeal of the investment environment that attracted large multinational companies in choosing Serbia as a suitable place for investment.

Serbian tax rates			
Value Added Taxes (VAT)		Personal Income tax	
Standard rate	20%	Salary tax and income from self-employment	10%
Reduced rate	10%	Additional annual income tax (above 3x/6x average Serbian salary) Rental income, capital gains, interest, dividends, insurance income	progressive rates 10% & 15% 15%
		Copyright, profits from gambling, property, other types of income (with lump sum deduction)	20%
Corporate Income Tax		<i>Social security contributions on behalf of an employee</i>	
Corporate Profit Tax	15%	Pension and disability insurance	14%
Withholding taxes on dividends, royalties, interest, rental income, lease payments, service fees	20% or 25%*	Health insurance	5.15%
Capital gains generated by non-residents	20%	Unemployment insurance	0.75%

Real Estate Transfer Tax			
Real Estate Transfer Tax	2.5%		
Property ownership tax		<i>Social security contributions on behalf of an employer</i>	
Local property tax – companies	max 0.4%	Pension and disability insurance	12%
Local property tax – individuals	progressive rates 0.4%-2%	Health insurance	5.15%
Gift tax & inheritance tax	progressive rates 1.5%-2.5%	Unemployment insurance	0.75%
Stamp and capital duties			
Stamp and capital duties	NO		

*25% rate relates to entities from jurisdictions with preferential tax systems (except dividends)

Source: KPMG Analysis

The right of the Tax Authorities to assess a tax liability is limited to five years from the day when the period of limitation has commenced. The absolute period of limitation is 10 years.

Corporate income tax

General

Corporate income tax is levied on residents and non-residents. Serbian residents are liable to pay tax on their worldwide income, while non-residents are liable only for the income derived from Serbian sources.

Resident

A resident is a legal entity which is incorporated or has a place of effective management and control on the territory of Serbia.

Tax Base

Taxable income is established on the basis of accounting profit disclosed in the annual income statement in accordance with the IFRS Standards, further adjusted in the tax balance.

Significant Tax Adjustments

- Fixed assets are divided into five groups with depreciation rates prescribed for each group.

Group of Assets	Tax depreciation rate
I – Buildings, warehouses, highways, roads, bridges, tunnels, oil pipelines, storage facilities, etc.	2.5%
II – Cars, aircrafts, vessels, air conditioners, elevators, fences, office equipment, intangible assets, equipment for production and distribution of electricity, gas, heat and water, etc.	10%
III – Photocopiers, furniture, trucks, equipment for the production of concrete, investments in third party assets, all other fixed assets not categorized in other groups	15%
IV – Not-licensed equipment for control of air and water pollution, equipment for TV broadcasting, equipment for oil wells, equipment for processing of minerals, spare parts for airplanes, telegraph and telephone equipment, etc.	20%
V – Movable construction equipment, billboards, neon signs, computers and software, etc.	30%

- Marketing costs are tax deductible in the amount of up to 10% of annual revenues.
- Entertainment costs are deductible in the amount of up to 0.5% of annual revenues etc.
- Interest and related expenses towards related entities are deductible to a value of up to four times the taxpayer's equity (the limit for banks and finance lease entities is 10 times the entity's equity).
- Interest expenses towards related entities which are allowable according to thin capitalization rules are further tested in line with transfer pricing rules. Taxpayers have an option either to apply safe harbour interest rate prescribed by the Ministry of Finance or to assess market interest rate by applying general transfer pricing rules.
- Transactions with related parties need to be separately disclosed in the tax return. Penalties are prescribed for non compliance. Transfer pricing documentation must be submitted along with the CIT return. Acceptable methods for assessing "arm's length" principle of transactions with related parties have been harmonized with OECD approach.

Rate

The corporate income tax rate is flat and amounts to 15%.

Tax Holidays

A company which invests into own assets or in which other entity invests more than RSD 1 billion (approximately EUR 8.3 million) and employs additional 100 workers, in the period of investment, is tax exempt from tax for the period of ten years, proportionally to the amount of investment in comparison with basic capital.

Losses

Losses generated from business, financial and non-business transactions, excluding capital losses, may be carried forward for up to five years. Losses carried forward into the future are not cancelled by mergers, acquisitions, divisions or spin-offs.

Capital Gains and Losses

Capital losses may be carried forward for five years and offset only against capital gains.

Permanent Establishment

Permanent Establishment (PE) is defined as a fixed place of business through which business activities of non-residents are performed (i.e. branch, representative office, factory, mine or other place of natural resources exploitation etc). The non-resident is obliged to keep records in a PE, in order to obtain data regarding profit generated in that PE.

Assessment and Payment

The general rule is that the tax year is the calendar year. The tax year may be different from the calendar year upon receiving approval from the Ministry of Finance. Such tax year must last for 12 calendar months and must be maintained for at least five years.

The tax balance and tax return have to be submitted to the tax authorities within 180 days from the end of the tax year.



During the year the taxpayer should pay monthly advance payments that are based on the tax liability assessed for the then previous year. Newly established companies pay monthly advance payments on the basis of profit estimation for the current year. Monthly advance payments are due on the 15th day of the month for the then previous month.

Withholding Tax

Withholding tax at a rate of 20% is withheld from dividends, the share in profits, liquidation surplus, royalties, interest and lease payments for movable and immovable assets located in Serbia derived by non-residents. Withholding tax rate may be reduced by double taxation treaties.

If a non-resident taxpayer receives capital gains from a Serbian resident, from another resident or non-resident individual or open investment fund within the territory of Serbia, then 20% tax has to be paid unless otherwise prescribed respective double taxation treaty. A non-resident taxpayer has to submit a special tax return within 30 days of generating the capital gains via proxy, based on which the Tax Authorities assess the tax liability.

Withholding tax at a rate of 25% is applied on royalties, interest, lease payments for movable and immovable assets and service fees (irrespective of the place where they are provided or used) paid by a resident entity to a non-resident registered in a jurisdiction with a preferential tax system (tax havens).

The list of jurisdictions with a preferential tax system includes the following:

The list of jurisdictions with preferential tax system			
Andorra	Dominican Republic	Maldives	Saint Vincent and the Grenadines
Anguilla	Falkland Islands	Marshall Islands	Samoa
Antigua and Barbuda	Fiji	Mauritius	San Marino
Aruba	Gibraltar	Monaco	Seychelles
Bahamas	Grenada	Monserrat	Solomon Islands
Bahrain	Guam	Nauru	Tonga
Barbados	Guernsey	Netherlands Antilles	Trinidad and Tobago
Belize	Guyana	Niue	Turks and Caicos Islands
Bermuda	Hong Kong	Normand Isles	Tuvalu
British Virgin Islands	Isle of Man	Palau	US Virgin Islands
Cayman Islands	Jersey	Panama	Vanuatu
Christmas Island	Liberia	Saint Kitts and Nevis	
Cook Islands	Liechtenstein	Saint Lucia	
	Macao		

Withholding tax rate may be reduced by provisions of double taxation treaties, if the prescribed conditions are met.

Intercompany dividends between Serbian tax resident companies are tax exempt.

Double Taxation Treaties

Serbia has 54 effective double taxation conventions on income, capital and property. The agreements with Egypt, Estonia, Ireland, France, Great Britain, Libya, Malta, Montenegro, Malaysia, Pakistan, Qatar and Vietnam cover the avoidance of double taxation of income only.

Double taxation treaties					
Albania	Georgia	Pakistan	Czech Republic	Libya	Tunisia
Austria	Germany	Poland	Denmark	Lithuania	Turkey
Azerbaijan	Greece	Qatar	Egypt	Malaysia	Ukraine
Belarus	Hungary	Romania	Estonia	Malta	United Arab
Belgium	India	Russia	Finland	Moldova	Emirates
Bosnia &	Iran	Slovak Republic	France	Montenegro	United Kingdom
Herzegovina	Ireland	Slovenia	FYROM	Netherlands	Vietnam
Bulgaria	Italy	Spain	(Macedonia)	Sri Lanka	
Canada	North Korea	Croatia	Kuwait	Sweden	
China	Norway	Cyprus	Latvia	Switzerland	

Source: KPMG Analysis

We will be happy to provide you with the detailed treaty chart on your request.

Value Added Tax (VAT)

VAT law applies the destination principle to cross-border transactions. The VAT Law introduced a VAT system under which tax is levied at all levels of the supply of goods and services.

Taxpayer

The taxpayer is any person who independently carries out supplies of goods and services in the course of its economic activity.

Each entity whose turnover in the previous 12 months (sales of goods and services excluding sales of immovables and equipment used in performing business activity) exceeds RSD 8 million (approximately EUR 66 thousand) is obliged to register for VAT. All entities whose taxable supplies are below this threshold are entitled to opt for VAT.

If a non-resident entity without a PE makes supplies of goods and services taxable in Serbia, the taxable person is the tax representative appointed by a non-resident. If a tax representative has not been appointed, the taxable person is the recipient of goods and services.

A foreign legal entity without registered headquarters or branch office in Serbia cannot register for VAT.

It is not possible for group companies to register as a single VAT entity (tax grouping).

Tax Rates

The standard VAT rate is 20%.

The reduced rate of 10% applies to the supply of basic foodstuffs, 'listed' drugs, daily newspapers, hotel services, gas, first transfer of ownership on residential buildings, etc.

VAT consideration payable to farmers amounts to 8% of the value of purchased goods and services.

Exemptions

The following supplies are VAT exempt with the right to deduct input VAT (zero rated):

- export of goods;
- transportation and other services in direct relation to the export;
- transit or temporary import of goods;
- entry of goods in free zones and transportation and other services in relation to the entry of goods into the free zone;
- supplies within the free zone;
- services performed on movables obtained by a foreign user of the service in Serbia or imported for the purpose of inward processing, repairing or incorporating and then exported.

Tax exemption without credit is provided for the following supplies:

- financial, banking and insurance services;
- supplies of land as well as renting of land;
- operations involving securities, shares, postal orders, administrative fees and stamps by their value in Serbia;
- the supply of buildings, except first transfer of buildings;
- public interest activities (i.e. medical services, social, child and youth welfare services) etc.

Input VAT recovery

The taxpayer is entitled to deduction of input VAT contained in the value of goods and services acquired up to 12 months before registration for VAT, under the condition that the taxpayer still owns the goods at the moment of VAT registration.

If within a period of five years (for equipment) and ten years (for buildings) changes occur in the conditions that were crucial for the recovery of input VAT, a correction of the input VAT has to be made for the period following the change. Adjustment is also applicable for investments in building (whether own building or leasehold improvements).

Adjustment of VAT recovery is not applicable in the case of sale of equipment.

Tax Period

The tax period is a calendar month for taxpayers whose turnover in the previous 12 months exceeded RSD 50 million (approximately EUR 413 thousand). Further, for taxpayers who start up business operations, the tax period is a calendar month in the first year of operations and the following year.

If turnover is lower than RSD 50 million (approximately EUR 413 thousand), the tax period is a calendar quarter.

Refund

The period of refund for the positive balance between input VAT and output VAT is 45 days as of the deadline for submitting the tax return. A shorter period of 15 days is prescribed for exporting companies (companies whose value of exports of goods exceeds 70% of the total value of their turnover or if the value of exports of goods exceeds EUR 10 million).

VAT Refund to Non-residents

VAT incurred by a non-resident company may be recovered under certain restrictive conditions.

Special regime for real estate and construction

The first transfer of newly built buildings (i.e. buildings constructed since 1 January 2005) is subject to VAT at a rate of 10% (for residential buildings) or 20% (other buildings). Supplies of land, as well as the renting of land and real estate for residential purposes, are exempt from VAT without input VAT recovery. There is a possibility to apply VAT on any transfer of buildings (option to tax) through a reverse charge mechanism if both the purchaser and the seller are VAT registered. In addition, there is a possibility to accrue VAT through a reverse charge mechanism on construction services provided by the main contractor to the investor.

Excise and Customs Duties

Excise duties are levied on the production in Serbia and import to Serbia of the oil derivatives, bio fuels and bio liquids, tobacco products, alcoholic drinks and coffee.

Deferral of excise duty liability is possible by exercising the right to hold an excise warehouse.

The customs tariff is being annually harmonized with the EU Combined Nomenclature. This is done up until November of the current year for the then following year.

Property Tax

In Serbia, tax on property is paid by the titleholder of the property rights (ownership, right of use, tenure, etc.). As of 1 January 2014, property tax base is market value for most entities instead of its book value. There are detailed rules on the manner of calculation of property tax liability issued by each municipality. Entities applying fair value accounting use the book value as the tax base.

Property tax rate cannot exceed 0.4%.

Real Estate Transfer Tax

Transfer of ownership over real-estate which is not subject to VAT is subject to transfer tax at a rate of 2.5%. The taxpayer is the seller (i.e. transferor of the ownership right, intellectual property right, person to which the construction land is given to use / for lease).

Inheritance and Gift Taxes

Individuals who inherit property or receive property as a gift are subject to inheritance and gift tax. A legal entity that receives property as a gift is also subject to this tax.

The following beneficiaries are exempt from the inheritance and gift tax:

- a person related in the first degree, i.e. direct descendants, spouses and parents (only in case of inheritance);
- a farmer receiving agricultural land if he is related in the second degree and has lived in the same household with the deceased/donor for a period stated by the law; and
- a person receiving a dwelling if he is related in the second degree and has lived in the same household with the deceased/donor during the last year.

Resident recipients of inheritances and gifts are subject to inheritance and gift tax with respect to worldwide property; non-residents are subject to the tax only with respect to property acquired in Serbia.

Liability to the inheritance tax arises on the day when the inheritance notice becomes effective; liability to the gift tax arises on the day when the gift contract is concluded.

The inheritance and gift tax rates depend on the degree of relationship between the deceased/donor and the beneficiary.

No tax is paid by beneficiaries related in the first degree to the deceased/donor.

Photo: Morava river



For beneficiaries related in the second degree to the deceased/donor, the rate is 1.5%. For the beneficiaries in the third and further degrees and beneficiaries who have no family relationship to a deceased/donor, the rate is 2.5% on the whole amount.

Personal Income Tax

There are two stages of taxation of individuals in Serbia: taxation of income at the moment of generation (so called "monthly" salary tax) and additional annual taxation.

Residents

An individual is deemed to be a resident of Serbia if she/he has a permanent residence or centre of business and vital interests in Serbia, or stays in Serbia permanently or in intervals for at least 183 days during the 12-month period.

Residents of Serbia are subject to personal income tax on their worldwide income.

Non-residents

Non-residents are subject to income tax on their income from Serbian sources under the same rules as residents.

Taxpayers

Each individual is treated as a separate taxpayer. There is no possibility of joint tax return.

Taxable Income

Personal income tax is levied on each type of income separately at flat rates, depending on the type of taxable income.

The taxable base of each source of income is computed separately. According to the PIT Law there are certain deductible statutory costs which decrease the taxable base.

Double Taxation Avoidance

Serbian PIT Law prescribes a tax credit method for avoidance of double taxation of residents. Namely, regardless of whether there is a double taxation treaty concluded between Serbia and another country, tax on income paid in the other country could be recognized as a tax credit up to the amount of tax that would be calculated according to the provisions of the PIT Law. If provisions of a double taxation treaty are more beneficial, the treaty is applicable.

Salary tax

Employment income includes salary and other pecuniary remuneration recognized as salary. The taxpayer is the employee, but the employer is obliged to calculate, withhold and pay employment income tax on behalf of the employee, at the moment when employment income is paid out.

The salary tax base is salary and other remuneration recognized as salary, decreased for a monthly non-taxable amount (at the day of report amounts to RSD 11,242, approximately EUR 92). Non-taxable amounts are adjusted annually.

The salary tax rate is 10%.

Income from Capital

Income from capital includes interest, dividends, rental income and income from investment fund units. Tax rate is 15%, except rental income.

Tax should be calculated, withheld and paid by the payer of income, at the moment of payment.

Interest on dinar deposits, government loans, securities issued by the Government, local municipalities or the National Bank of Serbia is tax exempt.

Rental Income

The taxable base is gross income reduced by statutory deductible costs (20% or 25% of gross income in the case of sublease or lease, respectively). Gross income consists of rent and all obligations fulfilled by a leaseholder. The tax rate on real estate income is 20%.

Capital Gains

Capital gain arises only if ownership rights and securities were obtained after 24 January 1994. However, capital gains derived from the sale of rights, shares and other securities held by the taxpayer for at least ten years prior to the sale are exempt from capital gain tax.

The tax rate on capital gain is 15%.

Other Income

An individual who generates other income such as income from renting movable assets (equipment, vehicles, etc.), income from lotteries, income from insurance and income named as "other income" (e.g. income from authorship agreements, commercial representation, remuneration for members of boards of directors and supervisory boards of legal entities) is recognized as a taxpayer.

The tax base is the gross income generated by the individual. Other income is taxed at the flat rate of 20% (except income from insurance which is subject to a 15% tax rate). For certain types of other income, statutory deductible costs of 20% are prescribed.

Income Generated Abroad

A taxpayer who generates income abroad/from abroad is obliged to calculate and pay tax (and social security contributions if prescribed) within 45 days after receiving income from foreign sources.

Additional Annual Taxation

Additional annual income tax is paid by both tax resident and non-resident individuals whose income in a calendar year exceeds three times the average annual salary in Serbia. Net annual income for tax residents takes into account worldwide income while for non-residents it takes into account only the income generated in Serbia.

The annual aggregate taxable income is exempt from tax up to an amount equal to three times the average annual salary. The estimated average annual salary for 2014 is RSD 770 thousand (approximately EUR 6.4 thousand).

Progressive tax rates are applied:

- 10% (on income above the threshold of 3 times the average annual salary up to 6 average annual salaries) and
- 15% (on income above 6 average annual salaries)

The annual income tax return has to be filed with the Tax Authorities by 15 May of the current year for the then previous year. Annual tax disclosed in the tax assessment is paid within 15 days from the day of receipt of the tax assessment.

Mandatory Social Security Contributions

There are three types of mandatory social security insurance in Serbia: pension and disability insurance, health insurance and unemployment insurance.

The base for mandatory social security contributions is the income generated by the insured individual such as: income from employment, taxable income from self-employment, income from free lance agreements, income from agriculture, income from royalties, etc.

Mandatory social security contributions may not be paid on income that is lower than the prescribed minimum base (35% of average salary in Serbia in the previous quarter) or higher than the prescribed maximum base (five times the average monthly salary for the previous month). However, the maximum base does not apply to income from authorship agreements, free-lance contracts, etc. (which are limited on an annual level).

Mandatory social security contributions have to be paid on each type of income separately up to the amount of the annual maximum base for social security contributions (five time the average annual salary in Serbia).



Photo: Danube Iron Gate

The insured individual who generates the prescribed types of income is the payer of mandatory social security contributions. However, the employer is also considered to be the payer of the mandatory social security contributions on employment income generated by its employees.

Mandatory social security contributions paid on behalf of an employee and employer are presented below:

Type of contributions paid	On behalf of employee	On behalf of employer
Pension and disability insurance	14%	12%
Health insurance	5.15%	5.15%
Unemployment insurance	0.75%	0.75%

If there is a Social Security Convention concluded between Serbia and another country, an individual who holds mandatory insurance in the other country (based on the certificate of mandatory insurance coverage) may be exempt from payment of mandatory social security contributions in Serbia for the period defined in the convention (usually two years).



For further information on the financial and tax incentives, please contact our Tax & Legal services in Belgrade.

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Living and working conditions



Living and working conditions

Residency and visas

Citizens of EU member and candidate countries can travel to Serbia visa-free for a stay of up to 90 days. The same regime applies to countries such as Argentina, Australia, Canada, Israel, Japan, Mexico, New Zealand, the Russian Federation, Switzerland, Turkey, the United Kingdom and USA. In addition, the holders of foreign passports having a valid Schengen, UK and other Member States' visa, or visa of the United States of America, and holders of foreign passports having residence permit in the countries of the Schengen area, EU or the United States of America, have a visa free entry, transit or stay of up to 90 days in a six-months period.

A comprehensive list and an overview of visa regime and requirements is available from the Ministry of the Foreign Affairs <http://www.mfa.gov.rs/en>.

Employment of Expatriates

A foreigner may be employed in Serbia if he/she possesses the following documents:

- a temporary residence permit (regardless of the duration of the stay), or permanent residence permit issued by the Ministry of Internal Affairs, and
- a work permit.

Work permit may be regular work permit or personal work permit.

Although Serbian law envisages for the Government to reach a decision to limit the number of work permits issued to foreigners, such quota system has not been applied so far.

Cost of living

According to www.numbeo.com average prices of goods and services (excluding rent) in Belgrade are 46% of those in New York City. Rent costs are 11% of those in New York City and domestic purchasing power is 29% of the level of inhabitants of the Big Apple.

Leisure

All year round, numerous cultural, entertainment and sporting events are held in Serbia with Belgrade being the epicenter of all of the events. Due to its lively nature, Belgrade became a regular stop for most of the bands, musicians and artists touring Europe.

In contrast to the rest of Europe, there is no single day of the week in Serbia when you cannot have a night out and that holds true for all generations, for all lifestyles and musical tastes and for all available budgets. It is expected to find your favorite bar open from early morning, whereas most of the restaurants open its door at noon and tend to stay open until early morning hours.

There is a vibrant restaurant scene in the capital, with plenty of options to choose from. Local cuisine is excellent and many international cuisine options are available in bigger urban centers. It is normal for most of the bars and restaurants to have a vegetarian menu, with vegan and organic offering on the rise.

For people more interested in physical activity, Serbia is a country that welcomes all kinds of sporting activities. The most popular sports are basketball, football and tennis. Joining a club or just renting a court to play is easy and inexpensive. Serbia also excels in sports like water polo and swimming.

Belgrade is also the home to one of the biggest indoor event spaces for cultural or sporting events, hosting world famous artists. More information about the schedule can be found on www.kombankarena.rs/en

In the summer period visitors can enjoy the EXIT Music Festival, award winning festival with international recognition (www.exitfest.org). For those who prefer to try something closer to rural culture of Central Serbia, the Guča trumpet festival is something unique (www.guca.rs). Classical tastes will be more attarcted to Belgrade Jazz Festival with 30 years strong international tradition (www.belgradejazzfest.rs/en) or classical Belgrade Music Festival BEMUS (www.bemus.rs/en).

In the capital, the biggest western style shopping malls are Delta City (www.deltacity.rs) and Ušće Shopping Center (www.usceshoppingcenter.com).

Credit cards are widely accepted and there are many foreign currency exchange counters available in the urban centers. However, it is still better to have some dinars available when strolling the towns, since there are places that do not traditionally accept credit cards (like taxis).

It does not take long for foreign visitors to Serbia to discover the hospitality, kindness, openness and warmth of the country's residents.

Medical care

The health care system in Serbia is based on mandatory medical insurance, while several local agencies provide private health insurance. In addition, in private and public healthcare institutions, there is also pay-as-you-come option system, that provides access to the top-level medical professionals.

Education

There is a wide choice of international elementary and high schools, as well as undergraduate and postgraduate courses in English language from internationally recognized universities. A high quality of management education is provided through various joint graduate and post-graduate courses by local and western business schools.

Photo: Avala mountain





7

How we can help

7

How we can help

Established in 1996, KPMG d.o.o. Beograd is a member firm of KPMG International, a Swiss entity. In 2001 the firm established its subsidiary in Podgorica thus offering our services to the clients operating in the Montenegrin market. We further extended operations in 2010 with the establishment of KPMG A.A.S. which provides bookkeeping and payroll services to our clients.

We offer a complete range of audit, tax and financial advisory services to our clients, government agencies and institutions, foreign investors, domestic and multinational companies operating in Serbia. The quality of our services makes KPMG not just a globally recognizable firm, but has won us a place at the very top of the profession in Serbia as well. As a result, our client list provides an overview of the largest and most successful world and domestic companies, banks, insurance companies and many others.

Audits

An independent audit is the foundation for decision-making in capital markets. However, recent events mean that audits cannot be perceived as being routine annual exercises merely required by statute. Stakeholders require responsible judgments from independent auditors, based on professional diligence, independence and objectivity. Because of our qualities and independence, KPMG in Serbia is well placed to provide the assurance required by market players and stakeholders. We have the reputation of a company that provides audit services and services of verification of standard and regulatory compliance of the highest quality.

Advisory

Advisory works with clients to tackle challenges in transactions and restructuring, performance and technology and risk and compliance. Our Advisory practice combines specialist skills to provide objective advice and execution to help improve value. We believe that we can provide clear and sightful advice to address your specific challenges when it comes to your foreign investment, and we can provide you with advisory that builds trust, adds value and looks beyond to achieve long-term success. Whether you are in the initial assessment, start-up or ongoing business phase of your foreign direct investment, we have the experience and knowledge you are looking for.

Tax and Legal

KPMG actively cooperates with clients and offers them solutions that bring tax savings or help them to manage the tax risks connected with their business. While the Serbian tax system seems similar to those of other countries, there are many rules which are difficult to apply in practice. This, combined with dynamic economic environment, economic reforms' related frequent changes of legislation and severe penalties for non-compliance, can make even simple transactions quite complicated. We assist clients in managing their tax liabilities and in establishing efficient cooperation with the tax authorities. By providing effective tax advice and innovative planning, we help bring a competitive advantage to your business.

In addition, KPMG provides legal services in the field of assistance in incorporation of companies and branches in Serbia, corporate and labor law issues, review and assistance and preparation of contracts, product registration, legal due diligences and immigration services for expatriates.

KPMG A.A.S.

KPMG A.A.S. provides focused financial management, bookkeeping and payroll services, as well as related advisory services. Our goal is to be more than simply a service provider – we aim to be a partner that can help with the realization of business goals. The confidence given to us by our many clients is best proof that we are able to perform the most sensitive of tasks.

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