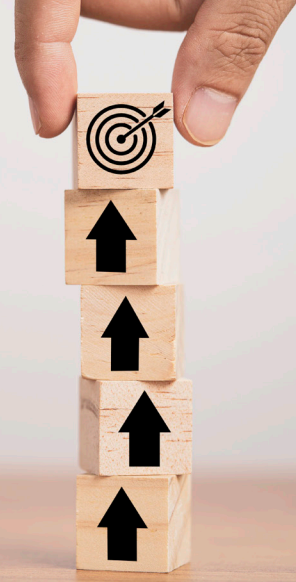


# Completed Ratification Process for the Free Trade Agreement between the Euroasian Economic Union and Serbia

## Tax Alert

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The Free Trade Agreement between the Republic of Serbia, on the one side, and the Euroasian Economic Union and its member states, on the other (hereinafter: **EAEU Agreement**) was signed on 25 October 2019. The signatories to the EAEU Agreement are: Serbia and member states of the Euroasian Economic Union (Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia, hereinafter: EAEU).

The ratification process for the EAEU Agreement was completed by all signatories with the completion of the national procedure by Armenia on 12 April 2021. Serbia ratified the EAEU Agreement on 24 February 2020 by adopting the Law on Ratification of the Free Trade Agreement between the Republic of Serbia, on the one side, and the Euroasian Economic Union and its member states, on the other. The Law was published in the Official Gazette of the Republic of Serbia - International Agreements no. 003 dated 26 February 2020.

The conclusion and signing of a uniform agreement with EAEU member states was brought about because of changes in the legal framework and operation of the EAEU in terms of transferring authorizations to the joint bodies of the Union for conducting foreign economic policy with members states.

The text of the Agreement contains new provisions that are based on World Trade Organization rules (e.g. provisions on protective measures, anti-dumping, technical barriers, dispute resolution, etc.), without, however, any substantial changes in the preferential trade relations between signatory countries. Namely, the Agreement to a large extent and with certain adjustments accepts now effective international obligations, agreed in bilateral agreements concluded between Serbia and Russia, Belarus and Kazakhstan, with the exception that the free trade zone has been expanded to new EAEU member states, Kyrgyzstan and Armenia, and the possibility of further expansion in the event other EAEU countries join.

### Preferential import of goods to Serbia originating in EAEU countries

The EAEU agreement provides for the liberalization of imports of a limited number of products (taps, valves for pipelines) imported from the EAEU to Serbia, while for certain types of cheese, alcoholic beverages and

cigarettes preferential tariff quotas are introduced for those EAEU member states for which such products have not been liberalized. The introduced tariff quotas also apply to new EAEU member states.

The list of products exempted from preferential trade upon import into Serbia and the list of goods subject to tariff quotas are given in Annex 1 to the Agreement.

### Preferential import of goods to EAEU countries originating in Serbia

In the consolidated lists of exemptions from the free trade regime, in relation to the currently valid lists of exemptions in trade with Russia, Belarus and Kazakhstan, additional liberalization has been introduced through tariff quotas for:

- certain types of cheese in the amount of 400 tons per year,
- alcoholic beverages from wine, crushed fruit and pomace in the total amount of 35,000 liters of pure alcohol per year
- cigarettes in the amount of 2,000,000 thousand pieces per year

The list of products exempted from preferential trade and the list of goods subject to tariff quotas are given in Annex 2 to the Agreement.

It is important to note that the EAEU Agreement does not contain provisions on the method of allocating quotas, so it is up to the signatory countries to allocate quotas automatically, in accordance with national legislation, on a first come first serve basis, or for competent authorities of the importing country to conduct the procedure for issuing licenses for their use.

### Rules of origin of goods

Significant change in exercising the right to the preferential trade regime refers to the cancellation of direct payment conditions, which will allow for the introduction of intermediaries in trade from a third country, where products originating from a signatory country can be imported with exemption from customs duties even when payment is not made to a person from the territory of the exporting country.

The other rules of origin given in Annex 3 to the EAEU Agreement have not been substantially changed in relation to the conditions of origin currently in force, and products originating in a signatory state are still considered to be:

- products wholly obtained or manufactured in a signatory state,
- products manufactured in the territory of a signatory state using materials without origin whose total value does not exceed 50% of the value of the imported product
- products manufactured in one or more signatory states from materials originating in those signatory states (cumulation of origin).

The origin of products is proven by attaching a CT-2 form or a declaration of origin, which may be issued by the manufacturer, exporter or consignor for products whose value does not exceed EUR 5,000.

The Agreement also provides for the introduction of the System of Electronic Certification of Origin (eCO) no later than two years after the Agreement goes into force, which will abolish the obligation to submit the CT-2 form.

A change in the procedure of control of proof of origin is the possibility of including the customs authorities of the importing country in the procedure performed by the authorities of the exporting country, under the conditions of agreed cooperation between the competent customs authorities.

### When the EAEU Agreement goes into effect

The EAEU Agreement shall enter into force 60 days after receipt of the last notification that its signatories, in accordance with national regulations, have completed necessary ratification procedures. This means that we can expect the entry into force of the EAEU Agreement at the end of June 2021. It is expected that the Ministry of Foreign Affairs of the Republic of Serbia will exercise its authorization granted by the Law on Conclusion and Execution of International Agreements, and that the starting date for the implementation of the EAEU Agreement will be published in the Official Gazette of RS. Furthermore, appropriate changes will be made to the Regulation on Harmonization of Nomenclature of Customs Tariffs for 2021.

### Serbian free trade agreement network

In addition to the above countries members of EAEU, Serbia's network of free trade agreements currently includes the following jurisdictions:

- the European Union and its 27 member states, on the basis of the Stabilization and Association Agreement,
- Iceland, Liechtenstein, Norway and Switzerland, under the EFTA Agreement,
- Albania, Bosnia and Herzegovina, Northern Macedonia, Moldova, Montenegro and Kosovo\*, under the CEFTA Agreement, and
- Turkey, under the Free Trade Agreement with the Republic of Turkey.

- We note that preferential trade will also take place with the United Kingdom of Great Britain and Northern Ireland, on the basis of a free trade agreement, with its implementation expected in May 2021.

### From Serbia to the World

Using the Serbian network of free trade agreements, from the middle of 2021, goods can be produced and exported from Serbia to the market of over 808 million\*\* inhabitants with the use of customs benefits.



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\*Refers to the territory of the Autonomous Province of Kosovo and Metohija in accordance with United Nations Resolution No 1244 of 10 June 1999.

\*\*Population estimates are based on data from The World Factbook in April 2021 (<https://www.cia.gov/the-world-factbook>).

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