Foreign Investors Council

REALITY CHECK CONFERENCE 2015

CONCLUSIONS WORKING SESSION 1

Rule of Law - Legal framework and labor regulations

Working Session 1 was dedicated to the overall legal framework and labour regulations. Improvements in the previous period were noted, primarily related to the successful implementation of the Labour Law and the forming of the working groups for changing the Company Law and the Bankruptcy Law. The main topics of the session were the Foreign Exchange Law and the Law on Employment of Foreigners.

Overall legal framework: In the discussion it was pointed out to necessary changes of the Foreign Exchange Law which would regulate issues of cash-pooling, netting, etc. FIC underlined its readiness to provide active support in preparation of the law changes. FIC members also indicated that more liberal interpretation of existing law is needed.

Labour: In the field of labour, it was underlined that the new Law on Employment of Foreigners brought certain normative improvements, by adopting 30% of FIC recommendations. However, in discussion it was also pointed out to the difficulties in the administrative procedure for issuing of work permits, where FIC expressed its view that the procedure should be significantly simplified.

CONCLUSIONS WORKING SESSION 2

Law implementation – Anti-illicit trade and food and agriculture

Working Session 2 was devoted to anti-illicit trade and sector of food and agriculture. The progress achieved in the previous 6 months was recognized, namely related to adoption of the Law on Inspection Surveillance, somewhat more efficient fight against illicit trade in practice, as well as founding of the Department for combating illegal trade of excise goods within the Crime Police Department. Implementation of the Law on Inspection Surveillancewas the main topic of the session, and discussion pointed to the key measures and activities which are a precondition for the successful law implementation – prompt establishment of the Coordination Body and the Expert Council for the Risk Analysis, strengthening the capacity of current bodies, the adoption by-laws and adjusting of sectorial law, as well as establishing uniform rules for undertakings of all inspections.

CONCLUSIONS WORKING SESSION 3

Law implementation - Tax, leasing and insurance

Working Session 3 focused on taxes, as well as sectors of leasing and insurance. Improvements from past half-a-year where acknowledged, namely further development of electronic filing of tax returns, regulation tax violations only by the Law on Tax procedure, as well as the adoption of the new Insurance Law which was adopted by 40% of the FIC key recommendations.

Tax: In the area of taxation, the discussion indicated that inconsistent implementation of the same tax rules by the different tax authorities remains the key problem on the Serbian market. FIC members gave concrete proposals for

improvement - strengthening of coordination between the Ministry of Finance and the Tax Administration, adoption of one by-law for each tax form, introduction of policies and guidelines of the Tax Administration all its affiliates, which would be publicly available, as well as the modernization of the service for the taxpayers.

Leasing and Insurance: In relation to insurance, it was concluded that the thorough discussion between the National Bank of Serbia and the private sector in the preparation of by-laws will be crucial for the proper and consistent implementation of the new Insurance Law. Reducing discrimination between the composite and non-composite players through wider interpretation of "shared services", as well as switch from tariff to underwriting model were mentioned as main topics. In the leasing sector, FIC highlighted the necessity to regulate operating leasing.

CONCLUSIONS WORKING SESSION 4

Investments for growth - real estate and construction, and telecommunications and information technology

Working Session 4 was dedicated to the field of real estate sector of and telecommunications and information technologies. Achievements from the past 6 months were recognized, primarily related to adoption of the new Law on Planning and Construction, which has accelerated issuing of construction permits, as well as the implementation of technological neutrality and spectrum distribution to 1,800 MGH in the field of telecommunications.

Real estate: In the area of real estate, discussion evolved around finding a solution for conversion of right of use to ownership over land. Recognizing the significance of this issue, FIC recently sent to the Government the proposal for its resolution, which was supported by the American Chamber of Commerce and Naled. The existence of recognizable and undisputable right on the property is a precondition for new investments, and the participants agreed that the adoption of quality and implementable Law on Conversion is of the utmost importance.

Telecommunications and information technology: In the sector of telecommunications and information technology, FIC members asked for Government assistance in eliminating the risk of potential new para-fiscal levies and actions that lead to revenue decrease. Also, a recommendation was given to apply regional benchmark in the allocation of new frequencies.