

**CONFIDA**

# Ideas that pay off.

## Monthly Newsletter

September, 2023

CONFIDA.RS

### **FUNDS FOR THE PURCHASE OF NEW EQUIPMENT FOR SMALL AND MICRO BUSINESSES**

The European Union, in cooperation with the Ministry of Economy and the Development Agency of Serbia, supports the project and the public call for the allocation of grants to micro and small businesses within the Program to support entrepreneurs for the purchase of equipment in 2023.

The goal of the Program is to support micro and small businesses, entrepreneurs, and cooperatives to acquire new equipment which will help them increase their production, efficiency and competitiveness. In total, this initiative has funds of about 1.4 billion dinars that can be allocated.

The applied criteria for the allocation of funds include the possibility of receiving assistance of up to 25% of the value of the new equipment, but not exceeding 5,000,000 dinars. Funds can be used for the purchase of new production equipment or machines, transport and manipulative means included in the production process and internal transport, new parts and specialized tools for machines, machines, and equipment for improving energy efficiency and ecological aspects of production, as well as construction machinery for the needs performing construction works.

The program is implemented by the Ministry of Economy in cooperation with the Development Agency of Serbia and selected commercial banks and leasing companies: NLB Komercijalna AD Beograd, OTP, Poštanska Štedionica, Procredit, Banca Intesa, Eurobank Direktna, Erste Bank, Halkbank, Intesa Leasing, Unicredit Leasing Srbija and S- Leasing.

Applications for granting grants are submitted electronically to one of the branches of commercial banks and leasing companies that participate in the implementation of this program, together with other documentation and a request for a loan or financial leasing.



## THE POSSIBILITY OF TAXATION DUE TO FREQUENT PAYMENTS TO THE ACCOUNTS OF NATURAL PERSONS

If you frequently receive payments from fellow citizens, it is imperative to acknowledge potential tax obligations and their associated ramifications. These obligations hinge upon several factors, including the frequency and magnitude of these transactions, their sources, and the purposes they serve. The tax authorities may interpret these payments as either personal income or gifts, subject to respective tax liabilities. In this comprehensive discourse, we shall elucidate the taxation principles governing such payments and offer guidance on preempting any unforeseen fiscal exigencies.

In the event that you lack formal business registration or non-profit organizational status, payments received from other citizens may be construed by tax authorities as personal income or gifts, incurring a tax liability ranging from 20% to 2.5%. However, it is worth noting that if you possess the legal standing of a registered non-profit organization, you may be eligible for an exemption from gift tax levies on funds received in support of your altruistic endeavors.

Personal income tax encompasses the taxation of all financial proceeds accrued by an individual, encompassing salaries, pensions, sick pay, royalties, interest, dividends, and other such income streams. The standard personal income tax rate stands at 10%, with the exception of "other incomes," which are subject to a 20% tax rate. "Other income" encompasses revenue sources not classified within distinct income categories, such as awards, scholarships, fees associated with volunteering, remuneration for participation in boards and commissions, and analogous financial inflows.

In scenarios where you routinely receive payments from fellow citizens, particularly when bereft of registered business or non-profit status, there exists a palpable risk of tax authorities classifying these payments as "other income." Consequently, you may be called upon to remit a 20% tax on these earnings. This is particularly germane when payments are recurrent and originate from multiple sources, suggesting engagement in an undisclosed economic activity. For example, this may transpire if you engage in the sale of products or services through social media platforms or advertisements, with customers remitting funds to your designated account.

Gift tax is the tax levied upon the receipt of monetary or tangible gifts that can be appraised in monetary terms. The prevailing gift tax rate is 2.5%, applicable solely when the value of the gift surpasses RSD 100,000 within a single calendar year. Gifts falling below this threshold are exempt from taxation.

If you infrequently receive payments from fellow citizens and lack formal business or non-profit status, the tax authorities may potentially categorize these receipts as gifts, obligating you to a 2.5% tax liability. This is especially pertinent in situations where payments are of substantial magnitude and originate from a limited pool of individuals, indicative of monetary contributions devoid of any reciprocal consideration. For instance, if a family member or friend bestows monetary gifts upon you for occasions like birthdays or other celebrations.

It is essential to recognize that an exemption from gift tax exists for non-profit organizations that operate with the overarching objective of pursuing a common societal goal and exclusively channel funds received from donations toward their designated purposes. In practical terms, this implies that registered non-profit entities, including associations, foundations, cooperatives, religious communities, and similar entities, are exempt from gift tax liabilities for financial contributions received from fellow citizens in support of humanitarian, educational, scientific, religious, environmental, sporting, or cultural initiatives. Nevertheless, meticulous record-keeping substantiating your non-profit status and the intended utilization of received funds is imperative to avail this exemption.



## REGISTRATION FOR USING THE NATIONAL AI PLATFORM

The National Artificial Intelligence Platform (AI Platform) has been provided by the Government of the Republic of Serbia in accordance with the Artificial Intelligence Development Strategy for the period 2020–2025. The AI platform is in the State Data Center in Kragujevac and is a last-generation supercomputer that can process a large amount of data in a short time. The AI platform is intended to support science and technology parks, startup companies, scientific research, and the application of artificial intelligence in industry.

The Office for Information Technologies and Electronic Administration has signed an agreement with science and technology parks from Belgrade, Novi Sad, Čačak and Niš, which enables the use of resources on the AI platform.

**To sign up to use the AI Platform, you must complete the following steps:**

- Verify that you meet the application requirements, such as ownership, age, and scope of your startup company.
- Choose a science and technology park that is in your region or area and become its member, if you are not already.
- To apply to use the AI platform, you must fill out the e-application form located on the website of the science and technology park you have chosen. The e-form contains all the necessary data that you must enter, and incomplete or late applications will not be considered. The deadline for sending applications is September 15, 2023. If you have any questions or doubts regarding the Public Invitation, you can contact us at the e-mail address: [platforma\\_ai@ite.gov.rs](mailto:platforma_ai@ite.gov.rs).
- Wait for the evaluation results of your application, which will be published on the websites of the science and technology parks. The rating categories are:
  - Number of years since establishment, number of employees, if your project is in line with smart specialization, received investments or grants, that the product is in the development and testing phase and that it has first users, alignment of the project goal and needs with the resources offered.

**If selected, you will receive access to AI platform resources and assistance from the National Platform admin team.**

## DOUBLE RECOGNITION OF EXPENSES IN TAXES BALANCE DURING RESEARCH AND DEVELOPMENT

The incentive for double recognition of research and development costs in the tax balance serves to encourage economic entities to invest in innovative activities and increase their competitiveness in the market. This incentive reduces the tax base and thus the amount of income tax that the taxpayer is obliged to pay. Taxpayers are given the opportunity to recognize all costs incurred in connection with research and development activities in their tax balance in a double amount, which means that they are recognized twice, namely:

- As an expense recognized in the Income Statement in accordance with accounting regulations
- As a tax incentive, which is reported as a separate item in the tax balance sheet, it will have the character of a deductible item from the income tax base.

**Therefore, to receive the incentive for double recognition of research and development expenses in the tax balance, you must meet the following conditions:**

- That you are liable for income tax in the Republic of Serbia
- You carry out research and development projects in the Republic of Serbia, which means that at least 90% of all employees working on a research and development project perform their activities on the territory of the Republic of Serbia.
- Your research and development projects are aimed at acquiring new knowledge or applying existing knowledge in new products, processes, or services.
- Your research and development projects are implemented in accordance with internationally recognized standards and methodologies, such as the Frascati manual or the Oslo manual.
- To keep a special record of research and development costs, which contains all relevant data about the research and development project, such as name, objective, description, duration, amount of costs, number and qualification of employees, results, and effects of the IR project.
- Together with the tax balance, you submit a special form for reporting incentives for research and development projects, which contains information about the research and development project, the amount of research and development project costs, the number of incentives for IR and sources of funding for the IR project.

This incentive is in line with the Strategy of Scientific and Technological Development of the Republic of Serbia for the period from 2016 to 2020, which foresees an increase in investment in IR to 1.5% of GDP by 2020.



## THE AVERAGE SALARY FOR AUGUST 2023

According to the Announcement of the Republic Institute of Statistics No. 232 of August 25, 2023.

- The average gross salary in the Republic of Serbia, which was paid in June 2023, amounts to RSD 118,025.00.
- The average net salary in the Republic of Serbia (without taxes and contributions) that was paid in June 2023 is RSD 85,539.00.

## THE DIGITAL EUROPE PROGRAM

The European Commission's "Digital Europe" program, whose goal is to improve digital transformation in the European Union, is also open to candidate countries. The total budget is 7.5 billion euros, and companies, business associations, associations, clusters, and other legal entities from Serbia can participate in the program. The deadlines for submitting project proposals are September 26 and November 22, 2023.

"Digital Europe" will last until 2027, and the program is designed to support the development of digital technologies, infrastructure, and skills to ensure competitiveness and innovation in the digital economy.

It was launched in January 2021 and includes 27 member states of the European Union, then Iceland, Norway, Liechtenstein, and Ukraine, and from June 30, 2023, the candidate countries Serbia, Montenegro, Albania, and North Macedonia.

Candidate countries can participate in the following areas: Supercomputing, Artificial Intelligence, Data and Cloud Computing, Advanced Digital Skills and Advanced Use of Technologies.

## MONTHLY INFLATION OF CONSUMER PRICES IN JULY 2023

The prices of personal consumption products and services in July 2023, compared to June 2023, are on average lower by 0.1%. Consumer prices in July 2023, compared to the same month of the previous year, increased by 12.5%, while compared to December 2022, they increased by 6.0% on average.

- For the last month (period: June 2023 – July 2023) inflation is -0.1%.
- For the last year (period: July 2022 – July 2023) inflation is 12.5%.
- Since the beginning of the year (period: December 2022 – July 2023) inflation is 6.0%.

### According to data on consumer price trends:

- The consumer price index in the Republic of Serbia in July 2023 compared to June 2023 is 99.9.
- The consumer price index in the Republic of Serbia in July 2023 compared to December 2022 is 106.0.



## TAX RELIEF FOR INVESTMENTS IN STARTUP COMPANIES IN SERBIA

According to the law on personal income tax and the Rulebook on the conditions and manner of exercising the right to a tax credit for investing in startup companies – this type of tax relief is defined as the tax relief aimed at natural persons who invest money in startup companies – which are defined as new companies that use innovative technologies.

The tax credit allows investors to reduce their personal income tax by deducting part of the money they have invested in the startup company from their tax base. This was done to encourage more investment in startups, considering that one of the main problems for them is the lack of funding.

**The text also states that the investor must meet certain conditions to be able to use this benefit, such as:**

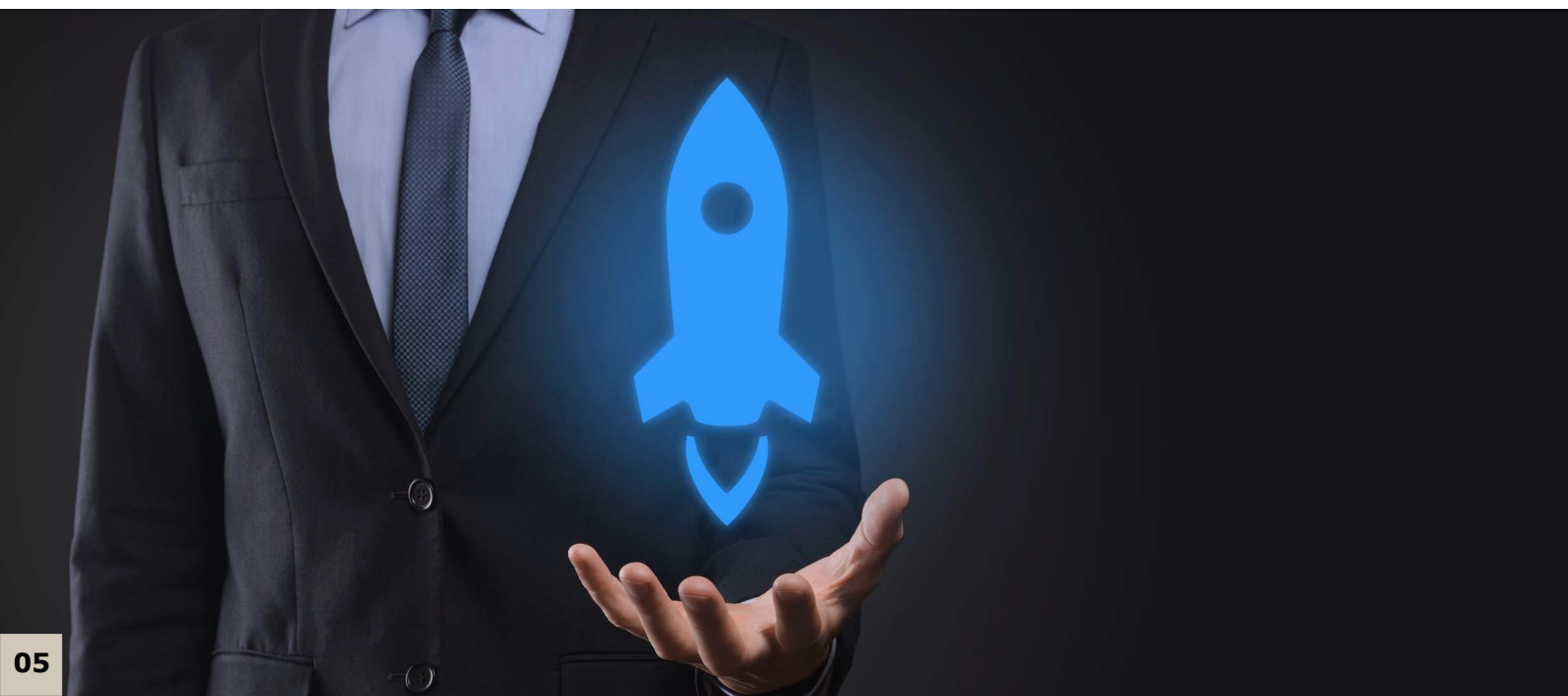
- Must not own more than 25% stake in the startup before investing.
- They must pay the money that increases the capital of the startup.
- They must not reduce their investment for three years from the date of investment.
- They can use this benefit in the next tax year after fulfilling all the conditions.

**Therefore, we state that several limitations apply to this tax relief, such as:**

- The maximum amount of tax credit that an investor can obtain is 30% of the investment, but no more than RSD 100,000,000.
- Also, regardless of how many investments have been made, the maximum amount of tax credit that can be used in one tax year is 50,000,000 dinars.
- If the investor has related persons who also invest in the same startup, the total tax credit for all of them cannot exceed RSD 100,000,000.

**Finally, a startup company must meet the following conditions to be considered a startup for this tax benefit, such as:**

- It must have been in existence for less than three years.
- Most of its activities must be directed towards innovation, which means that they create new products, technologies or services that are needed by the market.
- In addition, the startup must meet additional requirements, such as restrictions on annual income and profit distribution.
- The text is informative and useful for all those who want to learn more about the possibilities and benefits of investing in startup companies in Serbia. The text is intended for the public who want to get acquainted with this tax measure.



## AMENDMENTS AND ADDITIONS TO THE METHOD OF ATTRACTING DIRECT INVESTMENTS

The New Regulation on Amendments to the Regulation on Determining Criteria for Granting Incentives for Attracting Direct Investments brings several significant innovations:

The investment requirements have been raised, and the minimum investment in physical and intangible assets has now been raised from 100,000 euros to 300,000 euros.

Change in the regional division, which abolished the division of local self-government units by level of development. New division by regions is being introduced: Belgrade Region, Vojvodina Region, Šumadija and Western Serbia Region, Southern and Eastern Serbia Region, and Kosovo and Metohija Region.

With the abolition of the "Investment of Special Importance" institute, the previous decree prescribed a ten-year deadline for the realization of an investment project for investments of special importance. Now the term of ten years applies to investments that are greater than five million euros. Therefore, the audit of an investment project representing an investment of more than five million euros can only be performed by an audit company that employs at least four licensed authorized auditors full-time.

Also, the funds cannot be allocated for the realization of investment projects in certain sectors, such as transport, hospitality, games of chance, trade, production of synthetic fibers, coal and steel, mining, tobacco and tobacco products, weapons and ammunition, shipbuilding of maritime trade self-propelled vessels over 100 gross registered tons, airports, utilities, the energy sector, broadband networks, fisheries and aquaculture and software development unless they are in the function of improved products, production processes or the provision of service center services.

**Special attention is paid to the introduction of technologies and investment projects with minimal impact on the environment, which represents an increased focus on ecology.**

The amount of funds allocated is determined based on the justified costs of investment in tangible or intangible assets or on the justified costs of gross wages for new jobs. The minimum investment conditions for which the funds are allocated are determined by region, thus:

- For the Belgrade region, the required investment is at least 500,000 euros and the employment of at least 50 new employees for an indefinite period.
- For the Region of Vojvodina, the required investment is at least 400,000 euros and the employment of at least 40 new employees for an indefinite period.
- For the Region of Šumadija and Western Serbia, the Region of Southern and Eastern Serbia, and the Region of Kosovo and Metohija, the required investment is at least 300,000 euros and the employment of at least 30 new employees for an indefinite period.
- Investment projects related to the services of service centers whose minimum value is 150,000 euros and which ensure the employment of at least 15 new employees for an indefinite period connected with the investment project."





## AMENDMENTS AND ADDITIONS TO THE METHOD OF ATTRACTING DIRECT INVESTMENTS – CONTINUED

The user of the funds who implements the investment project can be granted an increase in the above-mentioned amounts of grants for justified costs of investment in tangible and intangible assets up to the maximum amount of state aid, if it meets the following conditions: improves the competitiveness of the Republic of Serbia by raising and technologically modernizing production capacities in the processing industry; the investment project envisages the use of production equipment and technologies with minimal impact on the environment or significantly improves sustainability and performance in the activity in question; contributes to the introduction of measures to attract, improve or retrain the workforce for the relevant activities or to use technology with minimal impact on the environment.

The next novelty refers to additional incentives for labor-intensive investment projects. It represents an investment project that employs at least 100 new employees within the time frame for the realization of that project. Depending on the number of new employees, the beneficiary is granted an increase in the amount of the grant. For example, over 100 new employees are granted an increase of 10% of the amount of justified gross salary costs for each increase in the number of new employees.

These novelties in the Decree on Attracting Direct Investments aim to encourage foreign investors to invest in Serbia and improve the country's competitiveness. The regulation also places special emphasis on ecology and sustainable development. These changes could have a positive impact on attracting foreign investments and on the development of the Serbian economy.



**CONFIDA**

# Ideas that pay off.

Monthly Newsletter

September, 2023

CONFIDA.RS

## CONTACT

**CONFIDA – Consulting d.o.o.**  
**AUDICON d.o.o.**

Knez Mihailova 22,  
Belgrade, 11000, Serbia

+381 11 3039104

**[www.confida.rs](http://www.confida.rs)**

**Christian Braunig**  
**Managing Partner**  
e-mail

**Nevenka Petrović**  
**Director**  
e-mail