WHITE BOOK

Proposals for improvement of the business environment in Serbia

2025

Foreign Investors Council

FOREIGN INVESTORS COUNCIL

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Proposals for improvement
of the business environment in Serbia

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and Foreign Investors Council

2025

White Book is also **available for download** at

https://fic.org.rs/WhiteBook2025.pdf

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FOREWORD

Dear Reader,

Before you is the 2025 edition of the White Book, the leading publication of the Foreign Investors Council and a platform through which we continue the dialogue between policy makers, institutions and the wider business community. The latest edition of the White Book reflects our shared commitment to improving competitiveness, strengthening resilience and connecting the country more strongly with Europe, both in terms of legislation and in terms of supply chains.

After a record 2024 in terms of the amount of foreign direct investments (FDI), this year has shown us the challenges of doing business in a very turbulent environment. Tougher financial conditions, technological changes, geopolitical tensions, rapidly growing regulatory requirements present a challenge to everyone. All this is also reflected in Serbia where the amount of FDI was decreased in the first 8 months of this year compared to the same period last year.

We can all agree that all these negative trends further necessitate urgent establishment of a stable and predictable business climate in Serbia, the associated stable regulatory framework, further modernization and digitalization of the economy.

But progress in these areas must be deliberate, sustainable and measurable, based on real evidence.

In this regard, this year's results presented in the FIC White Book map key areas where additional commitment is needed from all key decision makers.

This year's edition records 461 recommendations, and the most significant progress was achieved in the areas of digitalization, telecommunications and energy. We especially highlight the work on the laws concerning the e-sick leave, information security, as well as the adoption of the Strategy for the Development of Artificial Intelligence.

However, no progress has been recorded in 74% of the areas, which clearly indicates that it is time to accelerate essential reforms. More efficient application of existing laws, reduction of parafiscal levies, strengthening of legal certainty and fight against gray economy are needed.

Serbia must increase the share of domestic private investments, especially through the inclusion of small and medium-sized enterprises in global value chains. Only a symbiosis of foreign, state and local investments can ensure long-term growth and stability.

As President of the Council, I believe that harmonization with EU regulation is key to reducing geopolitical risks and strengthening investor confidence. FIC remains a committed partner to the Government of Serbia in this process, with a clear focus on digital transformation, green transition, ESG principles, as well as human resource development.

I invite you to view this publication not only as a report, but as a tool for change. Every recommendation in this year's White Book is a call to action, and that's why I believe that together we can shape a business environment that will be an example in the region.

Sincerely,

Dr. Ronald Seeliger
FIC President

FOREWORD EU

INTRODUCTION

It is with genuine conviction that I pen this foreword to the 2025 edition of the White Book, a landmark publication by the Foreign Investors Council (FIC), one of the most authoritative voices of the international business community in Serbia. Since 2003, the White Book has not only represented a barometer of the country's business climate but also a platform of constructive dialogue between the private sector and public authorities. Each year, it highlights where progress has been made and where effort must be renewed, offering an honest and practical roadmap for Serbia's business environment. This year's edition comes at a moment of renewed opportunity — when the European Union is bringing the Western Balkans closer than ever to its heart.

THE NEW MOMENTUM

The European Union's message to Serbia and to the Western Balkans is clear: your future lies within our Union, and that future begins now. Every country that has joined the EU has experienced profound economic transformation. EU membership is not just a political destination — it is an engine of growth. Over the last three decades, countries that embraced reform and integration have seen their economies double or even triple in size, unemployment fall dramatically, and living standards rise.

The same path now lies ahead for Serbia. The Growth Plan is designed precisely to turn this growth potential into reality. It links financial support and gradual access to parts of the EU's Single Market with tangible progress on reforms — from the business environment, to the green and digital transitions, to human capital, to fundamentals. Reform is the foundation of prosperity: the stronger the institutions, the more predictable the business environment and the greater the investment.

GROWTH PLAN, SINGLE MARKET, AND SEPA — REAL BENEFITS FOR SERBIA

Under the Growth Plan, Serbia stands to benefit directly from deeper economic integration with the EU. Access to key segments of the Single Market will open opportunities for Serbian companies to trade and invest with a market of 500 million consumers. Serbia's expected entry into the Single Euro Payments Area (SEPA) will allow individuals and businesses to make euro payments across borders as easily and cheaply as at home — a practical and symbolic step in Serbia's economic Europeanisation.

These are not distant promises but real, measurable opportunities that depend on reforms being implemented here and now. Every step towards the EU brings new investment, better connectivity, and greater confidence from businesses that seek stability and fairness.

The EU's vision for the Western Balkans is not about assistance — it is about partnership and shared competitiveness. Serbia is already part of this forward-looking agenda spanning from innovation to sustainability and resilience of supply chain.

- In innovation, the EU is opening its network of AI Factories to the region. We are starting by setting up two Factory Antennas, one of them in Serbia. And we are rolling out a high-speed digital backbone across the whole region. It will allow companies in all six Western Balkan countries to connect with these factories, allowing local start-ups and companies to develop and deploy next-generation technologies using Europe's computational infrastructure. In other words, our technology will be at your service, and you will be at its core.

- In clean energy, the EU is investing together with Western Balkan partners to build a new, interconnected energy backbone — supporting renewable energy generation, storage, and transmission. Serbia's role as a regional hub for energy production and trade will be crucial for our collective energy independence and competitiveness. Reliability and solidarity are underlying principles of this partnership, especially in the time of crisis. We have concrete projects in motion for Serbia. The Trans-Balkan Power Corridor, for example, linking Serbia's grid with its neighbours and with the EU, as well as the Serbia–Bulgaria gas interconnector. And we are prepared to invest further in it. We also invited Serbia to join the EU's joint gas procurement mechanism to assuage energy crises and foster energy security. Because together we are stronger.

- In industrial value chains, Serbia's industries — from batteries and pharmaceuticals to advanced manufacturing — are linked into Europe's production networks. The goal is clear: to bring Serbia inside the EU's industrial policy and strengthen our collective resilience.

Together, these initiatives aim to double the region's GDP in the next decade — a realistic ambition if reforms are sustained and integration continues.

REFORMS AS THE CORNERSTONE OF GROWTH

Sustainable growth cannot exist without trust in institutions and predictability in policy. That is why reforms remain at the heart of Serbia's European path. Serbia's potential is undeniable. Its skilled workforce, strategic location, and strong entrepreneurial base provide a solid foundation for growth. Yet to unlock this potential fully, predictability and the rule of law must always underpin economic policy.

Businesses — both domestic and foreign — need predictability, clarity on regulations, fairness in competition, and trust in institutions. Transparent public administration, independent oversight bodies, and consistent enforcement of laws are not only democratic principles but also the best guarantees of investment security and true economic assets.

The White Book continues to play an invaluable role in this process. It provides detailed, data-driven recommendations that translate directly into better conditions for investment and growth. I commend the FIC for preserving its high standards clarity and professional rigor, being a solid bridge between businesses' real problems and policy solutions that can make a difference. I value this partnership with the business community, which helps ensure that reforms are grounded in real-world needs and implemented with consistency.

LOOKING FORWARD

The European Union remains Serbia's largest investor, trading partner, and reform supporter — and the opportunities ahead are greater than ever. With the Growth Plan, access to SEPA, participation in the Single Market, and integration into Europe's green, digital, and industrial transformations, Serbia is closer than ever to the tangible benefits of membership.

Our message is simple: the future of Serbia and the Western Balkans is within our Union — and the time to invest, reform, and grow is now.

At every step that Serbia takes towards our Union, new opportunities will emerge. And the business has a central role to play. Your perspective is vital. Therefore, this 2025 White Book should serve as both a reflection and a call to action — to deepen reforms, unlock new investment, and bring Serbia ever closer to a European future of shared prosperity, innovation, and resilience.

Sincerely,

Andreas von Beckerath

FIC INDEX FOR 2025

TABLE 1: RANKING BY PROGRESS IN IMPLEMENTING RECOMMENDATIONS IN 2025

Rating in 2025		Average score in 2025	Average score in 2024	Change of scores in 2025	Significant progress 2025	Certain progress 2025	No progress 2025	Average time of delayed recommendations 2025	Rating in 2024
Sectors									
1	Digitalization	2.50	2.29	0.21	2	2	0	2.0	2
2	Telecommunications	2.27	1.67	0.61	6	2	3	3.3	9
3	Energy Sector	2.13	2.63	-0.49	6	5	4	3.4	1
4	Tobacco Industry	2.00	n/a	n/a	0	4	0	1.0	n/a
5	Capital market trends	2.00	2.00	0.00	1	3	1	6.8	5
6	Protection of Competition	1.70	2.00	-0.30	1	5	4	7.6	6
7	Taxes: Electronic Business Model	1.67	1.63	0.04	1	4	4	2.2	12
8	Law on Central Register of Beneficial Owners	1.67	1.67	0.00	0	2	1	4.0	8
9	Labour: Employment of Foreign Nationals	1.67	1.67	0.00	1	0	2	4.0	10
10	Public Procurement	1.67	2.00	-0.33	0	2	1	6.0	4
11	Illicit Trade and Inspection Control	1.63	1.29	0.34	0	5	3	3.4	22
12	Payment Services	1.60	1.33	0.27	0	3	2	3.2	17
13	Customs	1.60	1.20	0.40	0	3	2	6.2	26
14	Taxes: Property Tax	1.60	1.00	0.60	0	3	2	7.8	46
15	Pharmaceutical Industry	1.55	1.70	-0.15	1	9	10	4.8	7
16	Real Estate: Cadastral Procedures	1.50	1.23	0.27	1	5	8	3.2	24
17	Industry of Crude Oil, Gas and Petroleum Products	1.50	1.14	0.36	1	2	5	3.3	27
18	Real Estate: Construction Land and Development	1.45	1.33	0.12	1	3	7	2.3	18
19	Protection of Users of Financial Services	1.43	2.00	-0.57	0	3	4	3.6	3
20	Law on Public Notaries	1.40	n/a	n/a	0	2	3	4.8	n/a
21	Prevention of Money Laundering	1.40	1.40	0.00	0	2	3	8.6	16
22	Taxes: Value Added Tax	1.36	1.08	0.28	2	0	9	6.7	31
23	State Aid	1.33	1.50	-0.17	0	1	2	3.0	15
24	Real Estate: Restitution	1.33	1.33	0.00	0	1	2	8.0	20
25	Environmental Regulations	1.30	1.55	-0.25	0	3	7	2.4	14
26	Transport	1.29	n/a	n/a	1	6	21	1.0	
27	Consumer Protection	1.25	1.67	-0.42	0	1	3	1.0	11
28	Food & Agriculture: Regenerative Agriculture	1.25	n/a	n/a	0	1	3	1.0	n/a
29	Trade	1.25	1.60	-0.35	0	1	3	1.8	13
30	Arbitration Proceedings	1.25	1.00	0.25	0	1	3	7.5	45
31	Law on Personal Data Protection	1.22	1.07	0.15	0	2	7	5.6	32
32	Taxes: Personal Income Tax	1.22	1.11	0.11	0	2	7	7.0	29
33	Food & Agriculture: Food and Food Contact Material Inspections	1.20	1.00	0.20	0	1	4	5.8	41

Rating in 2025		Average score in 2025	Average score in 2024	Change of scores in 2025	Significant progress 2025	Certain progress 2025	No progress 2025	Average time of delayed recommendations 2025	Rating in 2024
Sectors									
34	Taxes: Tax Procedure	1.17	1.00	0.17	0	2	10	7.2	44
35	Leasing	1.17	1.00	0.17	0	1	5	9.0	48
36	Foreign Exchange Operations	1.14	1.33	-0.19	0	1	6	7.1	19
37	Food & Agriculture: Food Safety Law	1.14	1.00	0.14	0	1	6	7.3	43
38	Judicial Proceedings	1.14	1.00	0.14	0	1	6	8.0	47
39	Public-Private Partnerships	1.08	1.08	0.00	0	1	11	6.7	30
40	Private Security Industry	1.07	1.22	-0.15	0	1	13	4.0	25
41	Law on Whistleblowers	1.00	1.00	0.00	0	0	5	1.0	53
42	Factoring	1.00	n/a	n/a	0	0	4	1.0	n/a
43	Food & Agriculture: Synergy of Science and Business for the well-being of Customers and a Healthier Diet	1.00	n/a	n/a	0	0	5	1.0	n/a
44	Mining and Geological Recearch	1.00	1.00	0.00	0	0	14	1.6	33
45	Insurance	1.00	1.00	0.00	0	0	31	2.7	34
46	Tourism & Hospitality	1.00	1.00	0.00	0	0	12	2.8	35
47	Labour: Occupational Health and Safety	1.00	1.00	0.00	0	0	6	3.3	36
48	Labour: Labour Law	1.00	1.00	0.00	0	0	11	4.4	39
49	Intellectual Property	1.00	1.00	0.00	0	0	7	4.9	37
50	Labour: Staff Leasing	1.00	1.00	0.00	0	0	3	5.0	38
51	Company Law	1.00	1.00	0.00	0	0	8	6.0	42
52	Food & Agriculture: Quality and Labelling of Food Products	1.00	1.00	0.00	0	0	4	6.3	40
53	Law on Bankruptcy	1.00	1.25	-0.25	0	0	8	6.6	23
54	Real Estate: Mortgages and Real Estate Financial leasing	1.00	1.00	0.00	0	0	5	7.0	50
55	Labour: Human Capital	1.00	1.00	0.00	0	0	7	7.6	51
56	Labour: Secondment of Employees Abroad	1.00	1.00	0.00	0	0	3	8.3	49
57	Taxes: Corporate Income Tax	1.00	1.00	0.00	0	0	9	9.3	52
58	Taxes: Parafiscal Charges	1.00	1.00	0.00	0	0	6	11.3	55
59	Labour: Law on Vocational Rehabilitation and Employment of Persons with Disabilities	1.00	1.33	-0.33	0	0	3	13.7	21
AVERAGE/TOTAL		**1.32**	**1.30**	**0.02**	**25**	**97**	**348**	**5.0**	
Areas									
	Real Estate and Construction	1.32	1.23	0.09	2	9	22	5.1	
	Food and Agriculture	1.12	1.00	0.12	0	3	22	4.3	
	Taxes	1.29	1.10	0.19	3	11	47	7.4	
	Labour	1.09	1.09	0.00	1	0	35	6.6	

RANKING METODOLOGY

Starting with the 2017 edition of the White Book, we have included in our annual report a ranking of economic sectors according to the progress made in implementing the FIC recommendations for improving the business climate and regulations in Serbia. Foundations for the ranking methodology were laid down in the White Book for 2011, which provided first tables with scorecards assessing the progress achieved in the previous year. Based on that, we proceed in 2018 with compiling quantitative scores that measure progress and compare the level of accomplishments across sectors and years. The scores are calculated on a Likert-type scale with three levels: significant progress (3 points), certain progress (2 points) and no progress (1 point). Certain progress is the exact midpoint between the two extreme values of significant progress and no progress.

Each methodology of ranking qualitative assessments has advantages and disadvantages. The advantage is that qualitative data can be reduced to a small number of numerical indicators or scores that can be compared in an obvious way. Thus, one can immediately see whether progress has been made in a given year compared to the previous one and which sectors should be credited the most.

Ranking problems, on the other hand, are multiple. As FIC members are treated equally, each sector has the same weight in compiling the outcome. It is true that the FIC singled out several sectors as “Pillars of Development” but does not set them apart from other sectors in the ranking process. Furthermore, sectors are not identical, so there must necessarily be a different number of particular recommendations. Moreover, the composition of these recommendations may change from year to year according to the dynamics of changing regulations and economic policies of the Government of Serbia. In this regard, there is no fixed number of recommendations, nor a predefined questionnaire with possible recommendations, evaluated by FIC members and published by the White Book.

Of course, the mean value of scores suppresses some of the information that matters and, above all, the variability of progress in the recommendations. In this edition of the White Book, we will approximate this variability by the number of recommendations without progress, which can easily be compared with the total number of recommendations. We will use this as an ancillary criterion for assessing sector progress. It did matter when the proposals were first suggested and how much time elapsed before they were adopted. The longer the waiting period, the less valuable their progress will be, as it produces a positive effect later. We still do not use this criterion in the ranking procedure, but we list it in the table as additional information.

Each chapter of the White Book, beside the label, has the score of that chapter. Additional to individual sectors, there are 4 cross-cutting areas: Real Estate and Construction, Food and Agriculture, Labour Regulations and Taxes. Table 1 clearly shows which sectors comprise each area. The six cross-cutting areas are listed in the bottom section of Table 1 in a separate bracket.

In this 2025. report , we presented 59 topics with 461 new recommendations. In the previous year, there were 61 topics and 470 recommendations. The average score for fulfilling the recommendations published in 2024 is 1.30, and this year it is 1.32. The average waiting time for recommendations to be fulfilled is 5 years.

FIC OVERVIEW

The Foreign Investors Council (FIC) has been a reliable partner to the business community and broader society, including government institutions, for over two decades, contributing to the creation of a more favourable business and investment environment in Serbia. The FIC was established in July 2002, when 14 companies, with the support of the OECD, joined forces to improve the business climate, ethical standards, and competitiveness of the Serbian economy.

For 23 years, FIC has been dedicated to improving the business and investment environment that enables the development of Serbia's economic potential, achieving tangible results along the way. We proudly emphasize that our members, through their cooperation with domestic companies as key suppliers, help Serbian enterprises become part of global supply chains and integrate into European and global economic flows. Through partnerships with FIC members, domestic companies, especially small and medium-sized enterprises, gain access to the latest technologies, business models, and corporate values, which directly enhance their competitiveness.

In times of economic uncertainty, the importance of our organization becomes even more evident. Our members, as part of the global business community, generously share their experiences and suggestions for overcoming challenges. Unity, the exchange of knowledge and expertise, and the building of trust are the foundations that enable us to emerge from crises stable - or even stronger.

Long-term planning is a key aspect of FIC's work, as well as of our members' business operations. A clear commitment to the Serbian economy is a crucial prerequisite for the results we achieve and for continuous and significant growth. One year after its founding, FIC members had invested a total of €150 million and employed 3,160 people. Today, FIC counts around 120 members who have collectively invested over €48 billion in Serbia and directly employ more than 116,000 Serbian citizens. The White Book before you clearly reflects the consistency and illustrates of our activities over the years. Since 2003, our members have worked diligently and tirelessly to analyse business conditions across a wide range of sectors. In this process, they refer to recommendations from the previous year, assess the level of their implementation, and simultaneously look ahead to align Serbia's economy with modern trends. We place special emphasis on relationships with key stakeholders in building and improving Serbia's business environment, and we proudly highlight that FIC is the only business association with an institutional framework for cooperation with the Government of the Republic of Serbia through the Working Group for the implementation of recommendations from the White Book. The European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) are permanent institutional members of FIC and our Board of Directors, and we remain committed to strengthening ties with other international and domestic partners.

GREEN AND DIGITAL TRANSITION

The Foreign Investors Council is dedicated to finding the best solutions for Serbia in the context of the green and digital transitions that are gaining momentum worldwide. We firmly believe that accelerating digital transformation and committing to environmental sustainability in business are essential conditions for realizing Serbia's full economic potential.

We are proud of the results achieved through our digital transition initiatives. FIC member companies were the ones who initiated the digitization of promissory notes, the introduction of video identification and cloud-based signatures, as well as numerous other solutions that have already made business operations easier and improved working conditions in practice. In cooperation with the National Bank of Serbia, we will continue our long-standing efforts to develop digital solutions. Our main goal is "paperless work," accelerating the digitalization of society and the digital transformation of various business segments. These processes have long been at the core of our work, and the COVID-19 pandemic has further accelerated them. In 2025, FIC organized its third conference on financial services, where the main topics were the resilience of the Serbian economy and business expectations considering global investment trends, protectionist measures in certain markets, and international sanctions. We see such events as important opportunities for open dialogue and for defining future development directions.

Environmental protection, social responsibility, and conscientious corporate governance (ESG) are deeply embedded in our work. In the EU and other economies from which our member companies originate, businesses already have clear obligations regarding these issues. Their experience and expertise can therefore be of great value in establishing these standards in Serbia and aligning with international ESG norms. We actively advocate for the develop-

ment of regenerative agriculture, recognizing its innovative approach as key to preserving natural resources, combating climate change, and ensuring sustainable food production for future generations. We introduced this topic back in 2023 by organizing the first conference in cooperation with the EBRD, initiating a dialogue on its importance for Serbia's economy. Regenerative agriculture is especially relevant for companies within supply chains, which are increasingly facing the need to comply with new EU regulations, recommendations, and best practices.

COMMITTEES AS THE CORE OF OUR WORK

Committees are the backbone of our work. They are composed of experts from member companies who are interested in the specific area each committee focuses on. Committees form the foundation of FIC's activities, serving as platforms for exchanging knowledge and opinions, conducting policy and regulatory analyses, including draft legislation, and formulating proposals to improve the legislative framework, thereby enhancing the business and investment climate. They operate as dynamic mechanisms, adapting to circumstances, member needs, and evolving priorities.

The Foreign Investors Council has nine working committees: Anti-Illicit Trade and Food Committee, Financial Services Committee, Human Resources Committee, Infrastructure and Real-Estate Committee, Legal Committee, Pharmaceutical Industry Committee, Taxation Committee, Telecommunications and Digital Economy Committee, and Tourism and Hospitality Committee.

CORE PRINCIPLES – GUARANTEE OF STABILITY AND SUCCESS

Since its founding in 2002, the Foreign Investors Council has continuously evolved, adapted to changes, and anticipated future challenges. However, its core principles have remained unchanged despite the trials of time, ensuring the stability and continuity of our work. Our fundamental values are independence, expertise, implementation of best practices, cooperation, and commitment to European integration.

INDEPENDENCE

The Foreign Investors Council is the voice of the business sector and a representative of the broader interests of the business community. To fulfil this mission, independence and self-sustainability serve as the core pillars of our organization. Our two-step decision-making model ensures equal representation among members. In the first stage, decisions are made within working committees, with equal participation of all interested members. The process is guided by a strong commitment to consensus-building rather than simple majority voting. In the second stage, the FIC Board of Directors reviews the proposals submitted by the working committees and adopts final decisions.

EXPERTISE

The FIC's greatest asset is the expertise and practical knowledge that its members generously share to contribute to the improvement of Serbia's business climate, thereby fostering the realization of the country's full economic potential and overall societal prosperity. The White Book before you is the result of tremendous effort, professional dedication, and hands-on experience of our members. Its uniqueness stems from the fact that it is written by the members themselves. The White Book represents the FIC's flagship project and serves as our primary platform for dialogue on regulatory reform and enhancement of the business environment. We are honoured that the White Book has become a valuable source of information for the European Commission in the preparation of its annual Progress Report on Serbia's EU accession process. Drawing on years of experience, we have developed a unique and objective methodology for measuring the implementation of recommendations and tracking progress. This methodology is embodied in the White Book Index, which enables comparison and ranking of progress across all areas covered by the Book, based on the level of implementation of recommendations from previous years. An additional criterion is the time elapsed between the initial publication of a recommendation and its adoption, which serves as an indicator of the pace of regulatory improvement a factor that can significantly influence investment decisions.

BEST PRACTICES

Our members bring to Serbia not only investments and new jobs, but also high ethical and business standards, principles of corporate ethics, the concept of sustainability, and the application of modern technologies. Throughout 2025, the FIC remained committed to advancing digitalization processes, as well as promoting environmental protection, social responsibility, and conscientious corporate

governance. We proudly emphasize that our members are responsible employers who care for their employees and local communities through a wide range of socially responsible initiatives. In terms of commitment to the green agenda and waste management, our members operating as carbon-neutral companies follow the policies of their parent companies, most of which are headquartered in European Union member states.

COLLABORATION

Dialogue with all relevant stakeholders in Serbia's economy is the cornerstone of our efforts to improve the business environment. Since its establishment, the FIC has remained open to joint initiatives and projects with representatives of the government, the European Union, diplomatic missions, international financial institutions, development agencies, the academic community, and other business associations.

We are proud to highlight the existence of an institutional framework for cooperation between the FIC and the Government of the Republic of Serbia through the Joint Task Force for the implementation of recommendations from the White Book. Its objective is to ensure more effective and successful implementation of the White Book recommendations through structured dialogue.

EUROPEAN INTEGRATION

The Foreign Investors Council believes that accelerating Serbia's accession negotiations with the European Union, as well as aligning domestic legislation with EU standards, is of fundamental importance. Although Serbia, as a candidate country, is not yet institutionally integrated into the EU, its economy is deeply interconnected with that of the Union. We therefore believe there is no ambiguity regarding the strategic direction - Serbia should continue the path of European integration. We are fully aware that the EU accession process is long and demanding, and that periods of crisis and challenge may test the country's resolve to stay the course. Nevertheless, we are firmly convinced that this is the only path that can bring greater economic and social prosperity to Serbia, as well as open new development opportunities. The FIC is well positioned to make a meaningful contribution to Serbia's EU integration and is highly active in advocating for the harmonization of Serbian legislation with EU regulations. Approximately 75% of our members originate from EU member states, while most of the remaining members operate within the European market. This strong European orientation is also reflected in our partnerships with the European Commission, the European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD).

EXECUTIVE OFFICE

The backbone of all activities of the Foreign Investors Council is its Executive Office. We are grateful to a small but exceptionally efficient team that works behind the scenes to support our initiatives, projects, public engagements, and events contributing to every success we achieve. The Executive Office is responsible for implementing decisions made by the FIC's governing bodies, fostering cooperation among members, and maintaining communication with the FIC's partners and collabourators. Thanks to the team's expertise, dedication, and operational efficiency, the Office represents a vital link in our complex yet proven and successful operating framework.

Key characteristics and values of FIC

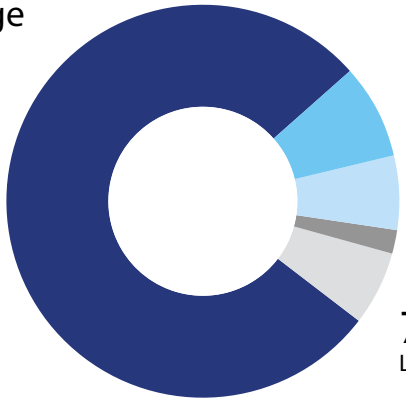
Independence	Regulatory expertise	Consistency
Best Practices	EU promotion	Cooperation

Key FIC figures

23 years since establishment

119 members from **23** sectors

Geo coverage



- 9% USA
- 7% Rest of the world
- 2% Local companies
- 7% Law offices
- 75% Europe

> €48 bil. of investments by FIC members in Serbia

>116,000 directly employed by FIC members in Serbia

White Book 2025 in numbers

CORPORATE SUSTAINABILITY MANIFESTO

Sustainability has become a defining element of corporate strategy and long-term competitiveness. ESG referring to environmental, social, and governance factors remains an essential framework for understanding how businesses create, preserve, or erode value over time. The growing emphasis on these dimensions reflects a deeper acknowledgment of the corporate sector's critical role in advancing sustainable development and ensuring societal resilience.

Across local, European, and global levels, regulatory initiatives are reshaping market expectations. Their shared objective is to reduce harm to the environment and people while accelerating the transition to more sustainable economic models. Many of these binding rules build on long-standing best practices and voluntary standards that companies have adopted over the years. Early adopters now benefit from a strong foundation - but must continue to evolve, as sustainability today requires ongoing progress, not past compliance.

A wide array of public policies, from sustainable finance and circular economy to responsible supply chains and climate action, is tightening requirements, particularly for companies active in the European market. Increasingly, capital and credit markets are linking access to finance with credible sustainability performance, including metrics that assess principal adverse impacts. As these frameworks mature, financial flows are expected to align ever more closely with sustainability outcomes, placing additional emphasis on transparency, accountability, and long-term value creation.

In parallel, the EU Corporate Sustainability Reporting Directive (CSRD) has introduced a comprehensive framework that raises the quality, consistency, and comparability of sustainability information across the European market. This shift reflects a broader trend toward greater corporate transparency and accountability, reinforcing the expectation that sustainability considerations become fully embedded in business strategy and governance.

In Serbia, voluntary ESG disclosure practices have been steadily expanding, complemented by legal reporting requirements for large companies under the Law on Accounting. Yet beyond compliance, sustainability reporting should be viewed as a strategic opportunity - to strengthen stakeholder trust, enhance decision-making, and support long-term business transformation.

This evolving landscape demands strong and forward-looking leadership. Companies must cultivate the capacity to manage complexity, anticipate change, and balance economic performance with societal expectations. True sustainability leadership lies in recognizing that resilience is built not only on financial strength but also on environmental stewardship, social responsibility, and ethical governance.

Sustainability is often associated with obligations and risks – but it also opens space for innovation, efficiency, and long-term growth. By embedding sustainability into core strategy, companies can unlock new markets, attract talent and investment, and build enduring relationships with stakeholders.

OUR COMMITMENTS

We believe that businesses can and should drive inclusive economic growth while protecting the environment and contributing to social well-being. To this end, we commit to:

- Supporting the development of public policy frameworks that encourage sustainable and responsible business practices.
- Promoting cross-sector collabouration and dialogue to address shared challenges and advance collective solutions.
- Demonstrating integrity and transparency in our own governance and disclosures, aligning with the highest international standards.

INVESTMENT AND BUSINESS CLIMATE

GLOBAL ECONOMIC DEVELOPMENTS AND PROJECTIONS

Although we live in a world of deep uncertainty and rapid changes in global trade amid constant geopolitical tensions, which can have a major impact on growth and inflation, capital still moves across borders in search of profit.

The IMF (2025) predicts a slowdown in global growth in 2025 as the world adjusts to new circumstances characterized by protectionism and fragmentation, with global inflation rates falling further. At the same time, labour supply shocks have intensified due to both an ageing population and a shortage of skilled workers. The world economy's growth will be below the long-term annual average (3.8% in 2000-19) over the next two years. (See table 1).

The pace of global growth is not satisfactory. Projections for the world economy's growth over the next five years are around 3%, a level significantly lower than the pre-pandemic rate of 3.7%.

Global growth has been characterized by slower growth in competitiveness and productivity since the Great Recession of 2008-9. There are two key reasons for this phenomenon:

1. In most countries, there is a lack of innovation, and this can be overcome by significantly increasing investment in R&D in order to achieve the desired level of innovation.

2. In the long term, there has been a tendency to reduce efficiency in the allocation of available resources - labour and capital, in firms and industries, which has been an important source of productivity growth for a long period of time.

	2018	2019	2020	2021	2022	2023	2024	2025*	2026*
World	**3.6**	**3.0**	**-2.7**	**6.6**	**3.8**	**3.5**	**3.3**	**3.2**	**3.1**
USA	3.0	2.5	-1.4	6.9	2.2	2.9	2.8	2.0	2.1
Eurozone	**1.7**	**2.7**	**-5.3**	**4.3**	**3.6**	**1.0**	**0.9**	**1.2**	**1.4**
Germany	1.8	2.0	-3.4	2.0	3.6	-0.9	-0.5	0.2	0.9
Italy	0.9	0.2	-7.8	8.0	4.8	2.3	0.7	0.5	0.8
France	1.5	2.1	-5.9	6.6	2.3	1.0	1.1	0.7	0.9
European PUU[1]	**3.1**	**2.1**	**-2.0**	**6.7**	**0.8**	**3.3**	**3.5**	**1.8**	**2.2**
Russia	2.3	1.3	-3.0	4.7	-2.1	3.6	4.3	0.6	1.0
China	6.6	6.1	2.3	8.1	3.0	5.2	5.0	4.8	4.2
India	6.5	3.9	-5.8	9.7	7.6	9.2	6.5	6.6	6.2
Serbia	**4.5**	**4.3**	**-0.9**	**7.7**	**2.5**	**2.5**	**3.9**	**2.4**	**3.6**

TABLE 1.
GDP RATES OF GROWTH WITH PROJECTIONS

Source: IMF, WEO 2025.

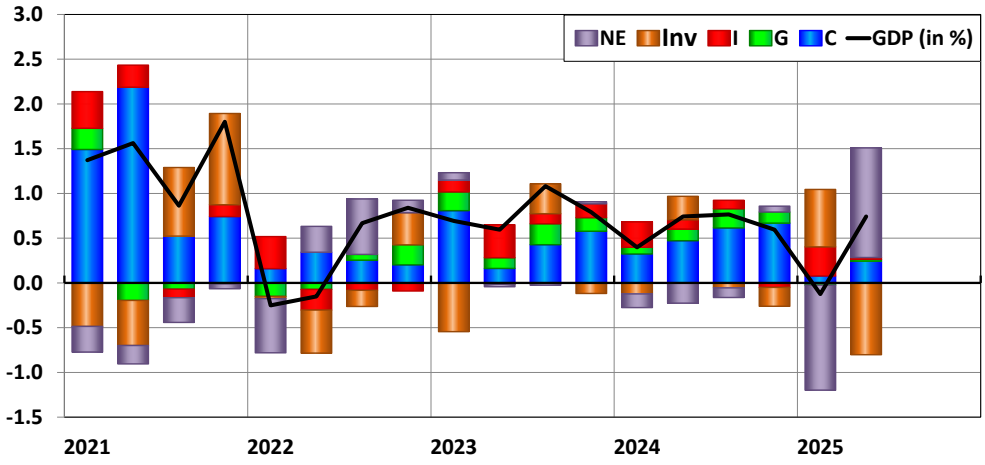


FIGURE 1.
CONTRIBUTION TO THE GDP GROWTH IN THE USA (PP)

Source: NBS, IoI, August 2025.

The United States has continued to pursue ambitious industrial policies through the CHIPS and Science Act and the Inflation Reduction Act (IRA). By mid-2025, over $200 billion has been invested in semiconductor production and AI-related infrastructure, creating new jobs and attracting global companies to relocate production to the US (Figure 1).

In 2025, the US shook global trade flows with a sweeping tariff change. They have negotiated trade agreements with some countries and secured multiple opt-outs. Most countries have refrained from drastic reactions, trying to keep the trading system more or less open. As a result, the tariff hikes have had a smaller negative effect than expected, but if the war continues, the world economy is likely to be threatened by a recession.

A conclusion on the effects of the tariff hike-induced shock would be premature at this point. (At the time of writing, a summit between two world leaders – Donald Trump and Xi Jinping – was taking place with the first optimistic prospects regarding the easing of tariff barriers.)

The economies of the EU and the euro area are experiencing low productivity and innovation growth, leading to a loss of competitiveness. The recent energy crisis has shown why Europe needs to be competitive, resilient and less dependent on other regions. Mario Draghi's report on the future of European competitiveness and Enrico Letta's report on empowering the Single Market rightly stress the urgent need for policies to boost competitiveness and resilience.

The recently published Competitiveness Compass for the EU, Coordinated and combined efforts, is probably a good guide for swiftly adopting concrete policy proposals. As mentioned above, a more competitive economy is also important for the ECB, as it can support monetary policy in maintaining stable prices, stabilizing the economy and thus increasing the standard of living of all eurozone citizens.

The Eurozone is barely achieving positive growth rates while emerging markets in Europe are performing better (Figures 2 and 3).

The EU is experiencing a fragile recovery in 2025. According to the European Commission's Spring 2025 Forecast, EU GDP is expected to grow by 1.1% (0.9% in the Eurozone), with a gradual recovery projected in 2026. The OECD offers a similar outlook, with growth of 1.0% in 2025 and 1.2% in 2026, supported by stabilizing private consumption and a rebound in exports.

Inflation continues its gradual decline. Eurozone inflation is projected to fall from 2.4% in 2024 to 2.1% in 2025, approaching the ECB's target.

Foreign workers, representing nearly 9% of the EU labour force, have contributed to half of the Eurozone's growth in the past three years, preventing sharper declines in countries like Germany and accelerating recovery in Spain and Italy.

Trade policy developments remain crucial. The new US–EU trade agreement, which introduced average tariffs of around 15% on EU exports, aligns closely with the ECB's baseline scenario but still poses a risk to growth momentum if protectionism intensifies.

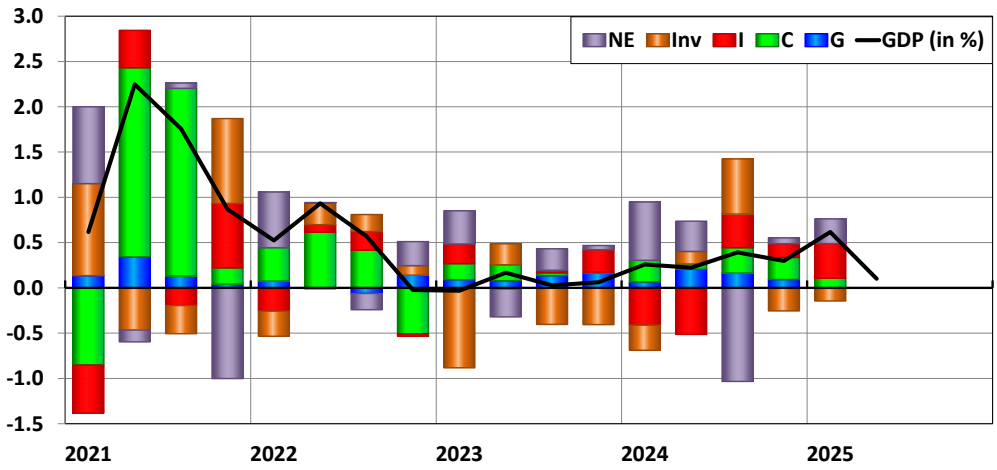


FIGURE 2.
CONTRIBUTIONS TO THE GDP GROWTH EURO AREA (PP)

Source: NBS, IoI, August 2025.

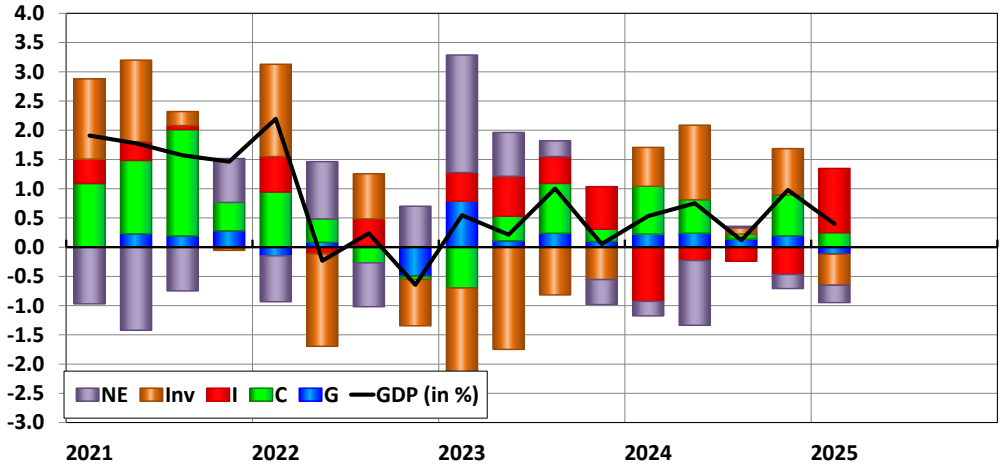


FIGURE 3.
CONTRIBUTIONS TO THE GDP GROWTH CESEE REGION* (PP)

Source: NBS, IoI, August 2025.

* CIJIE -Bulgaria, Czech, Croatia, Hungary, Poland, Romania, Slovenia and Slovakia.

ECONOMIC MOVEMENT IN SERBIA

Economic activity in Serbia during 2025 has slowed due to external and domestic challenges. The economy has been under pressure of global trade tensions, protests, political uncertainty, and sanctions on the oil company, NIS. Growth in 2025 is projected at 2.4% due to lower FDI and weaker public investment and consumption (Figure 4).

	2024	2025*	2026*
Poland	2.9	3.2	3.1
Czech	1.2	2.3	2.0
Hungary	0.5	0.6	2.1
Romania	0.8	1.0	1.4
Slovakia	2.1	0.93	1.7
Slovenia	1.7	1.1	2.3
Croatia	3.9	3.1	2.7
Bulgaria	2.8	3.0	3.1
Albania	4.0	3.4	3.6
BiH	3.0	2.4	2.7
North Macedonia	2.8	3.4	3.2
Montenegro	3.2	3.2	3.2
Serbia	3.9	2.4	3.6

TABLE 2.
GDP GROWTH PROJECTION

Sorce: IMF, WEO, October 2025. * Projection

It is expected that growth will recover to 3% in 2026, driven by continued gains in household disposable income, supportive credit conditions, new manufacturing export capacities, and the resolution of NIS-related energy supply uncertainty.

Inflation is expected to continue to move steadily around targeted level of 3%.

All risks to the projections are very complex and downside oriented. A prolonged resolution of NIS problems and domestic political tensions could weaken economic activity. Significant fiscal and external buffers, including high foreign exchange reserves and government deposits, a resilient banking sector, and moderate public debt, cushion the risks.

Poor agricultural harvests reignited food price pressures, but headline inflation eased in September on 2.9% and October on 2.7% (Figure 5).

NBS has kept the key policy interest rate unchanged at 5.75% having in mind the need to continue implementing a cautious monetary policy, as domestic inflation largely depends on events in global commodity and financial markets, characterized by increased volatility due to geopolitical tensions and escalation of conflicts in the Middle East, as well as growing protectionism. In addition, NBS noted that the rise in prices of certain food commodities on global markets, last year's drought and the resulting reduced agricultural product stocks, as well as unfavorable weather conditions at the beginning of this season, have accelerated year-on-year growth.

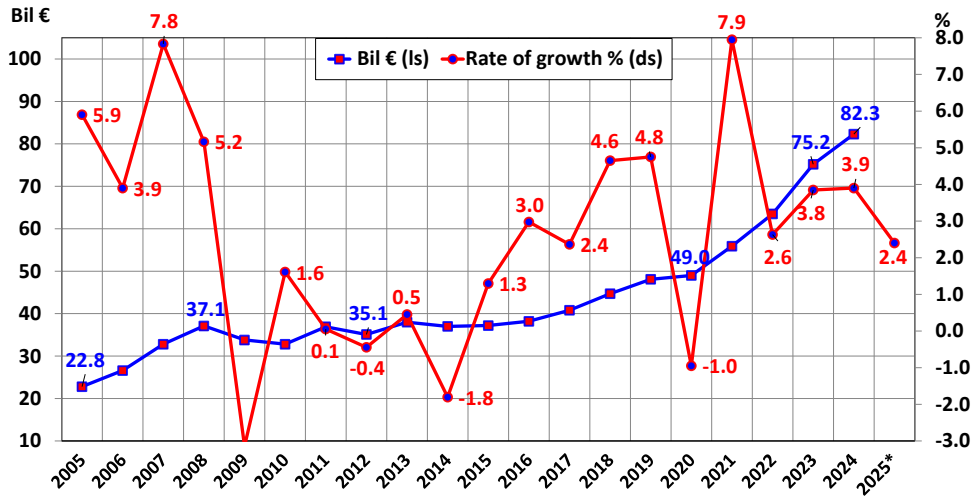


FIGURE 4.
SERBIAN GDP LEVEL AND RATE OF GROWTH

Source: IMF, WEO and NBS, IoI, August2025.

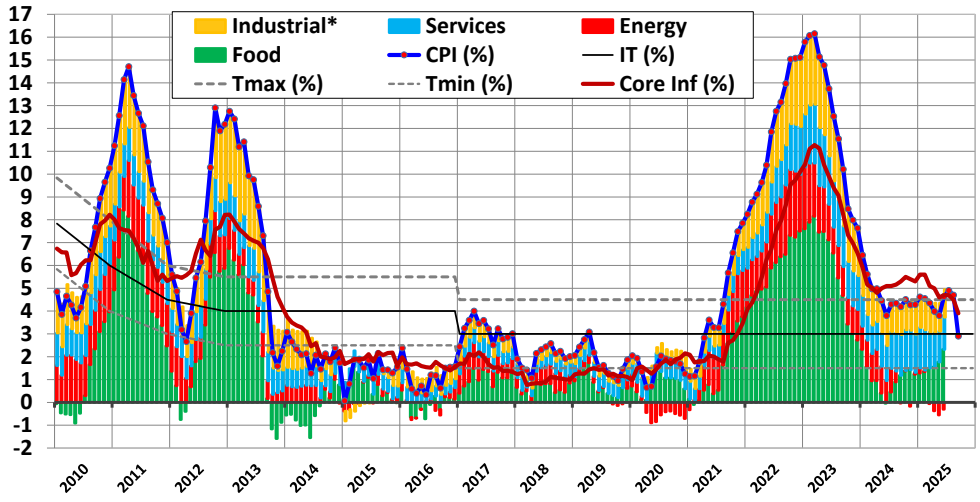


FIGURE 5.
CONTRIBUTIONTO Y-O-Y CPI GROWTH– SERBIA (PP)

Source: NBS, IoI, August 2025.
* Excluding food and energy.

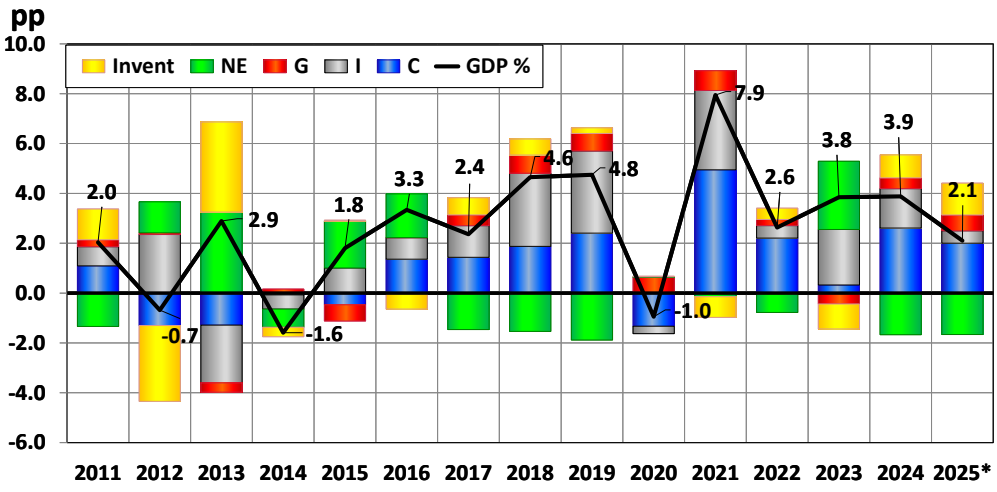


FIGURE 6.
CONTRIBUTIONTO Y-O-Y SERBIANGDP – EXPENDITURE (PP)

Source: IMF, WEO i NBS, IoI, August 2024, p. 61.
* -NBS estimation

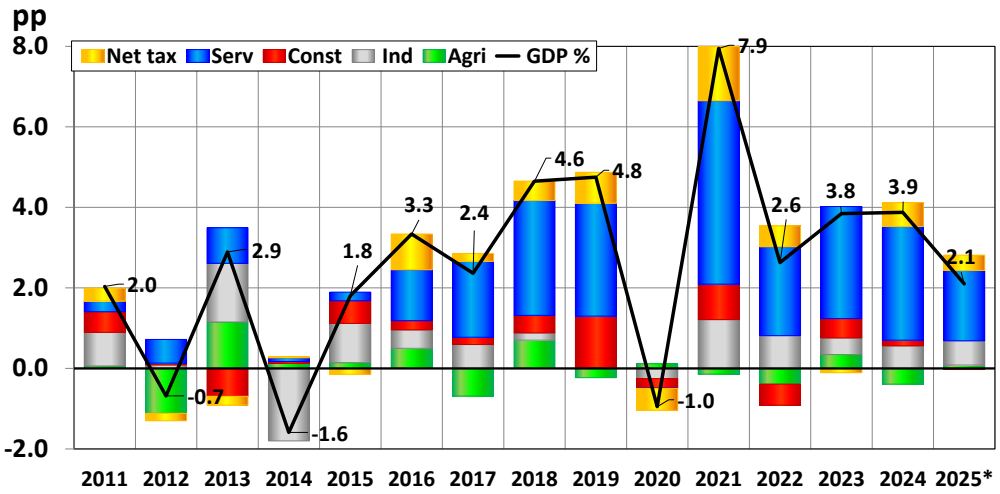


FIGURE 7.
CONTRIBUTIONTO Y-O-Y SERBIANGDP –PRODUCTION SIDE (PP)

Source: IMF, WEO i NBS, IoI, August 2025.
* NBS estimation.

In the context of global fragmentation and recessionary tendencies among Serbia's main trading partners, this year's growth on the expenditure side is primarily driven by domestic demand, especially household consumption and investment in fixed capital. The growth of the expenditure side of GDP was driven by domestic demand (Figure 6), primarily household consumption (blue pillars), which made the largest contribution to the GDP.

Growth on the production side was driven by services, especially ICT and trade, followed by manufacturing , especially automotive. Of course, it remains to be seen what results will be achieved in the last quarter of 2024.

GDP growth of more than 3% is projected for the next two years, and its growth drives will be services (especially ICT) and the manufacturing (especially automotive).

In recent years, Serbia has seen significant growth in both investment (from 16% in 2014 to 24% in 2024) and national savings (from 12% to around 20%), but both remain at an insufficient level (see Figure 8).

The contribution of fixed investment declined in 2025 primarily due to a drop in FDI inflows, but it is expected to grow in 2026 and 2027 (Figure 10). Investments will also grow due to more favorable financing conditions with the reduction of global inflationary pressures, but also due to the implementation of projects in the field of transport, energy and communal infrastructure. For

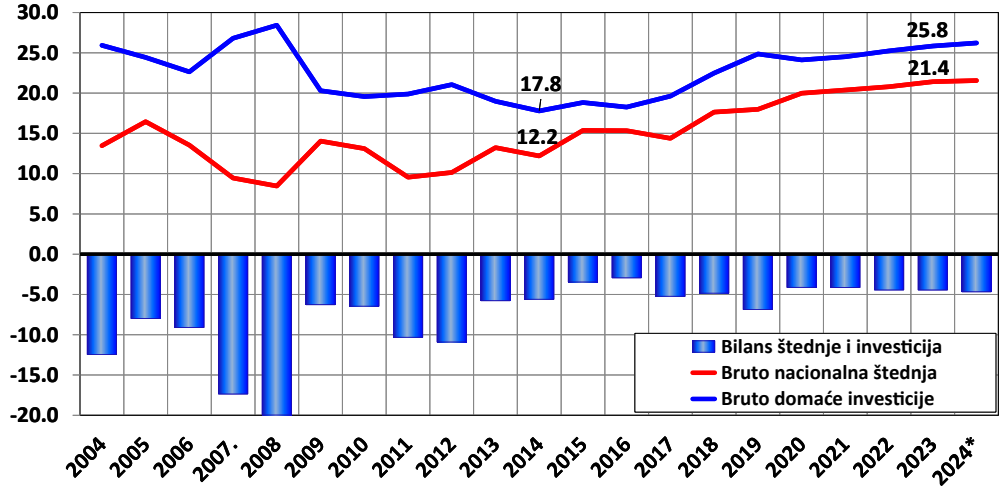


FIGURE 8.
SAVINGS AND INVESTMENT (% GDP)

Source: NBS, IoI, August 2025.

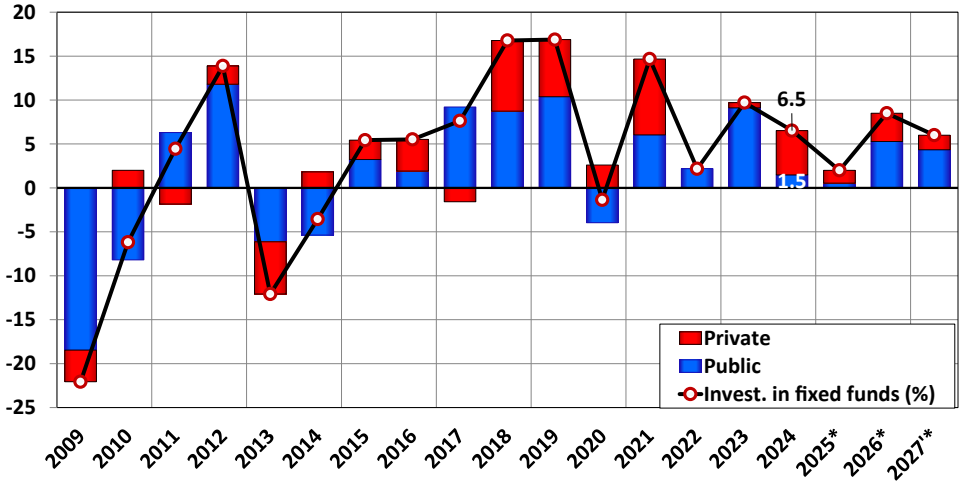


FIGURE 9.
BRUTO FIXED INVESTMENTS (PP)

Source: NBS, IoI, August 2025.
* estimation.

future development, it is very important that, in addition to FDI, domestic private investment growth be encouraged, which could significantly improve the flexibility of the Serbian economy and expand domestic supply chains within clusters.

FDI inflows in 2025 halved from the record high in 2024. They were predominantly in the form of equity and reinvested profits, with a retained geographical and project structure (Figure 10). The largest share of FDI still comes from the EU, but this share is declining—from 63% in 2015-20 to 41% in 2021-24 (Figure 11).

According to RZS data, the total number of formally employed people slowed y-o-y growth (Figures 12 and 13).

Formal employment in the private sector reached a new record of 1.76 million people, an increase of about 15,000 from a year earlier.

In the private sector, the holders of registered employment are professional, scientific, innovative, and technical services, ICT services, and construction, while the presence in administrative and support services is reduced.

A significant proportion of new employment is generated in companies coming from the EU.

Registered unemployment fell to 350,600 at the end of IIQ25, about 35,000 fewer than in the same period last year and slightly above 8%.

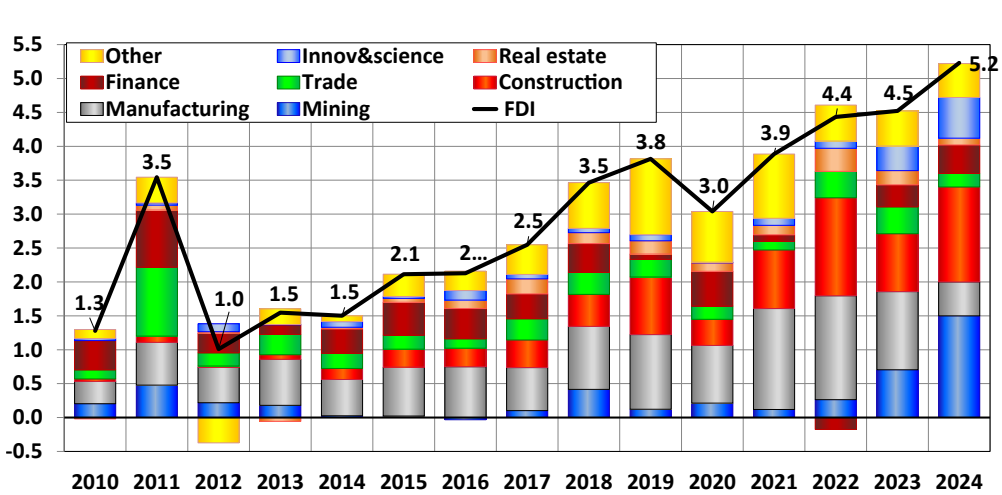


FIGURE 10.
FDI INFLOW IN SRBIA (BIL €)

Source: NBS

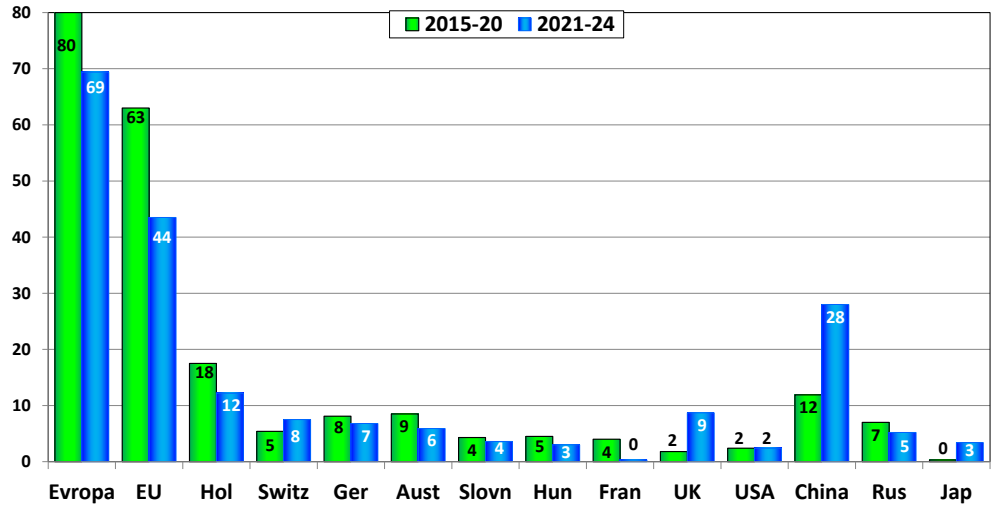


FIGURE 11.
FDI INFLOW IN SERBIA BY COUNTRIES (%)

Source: NBS

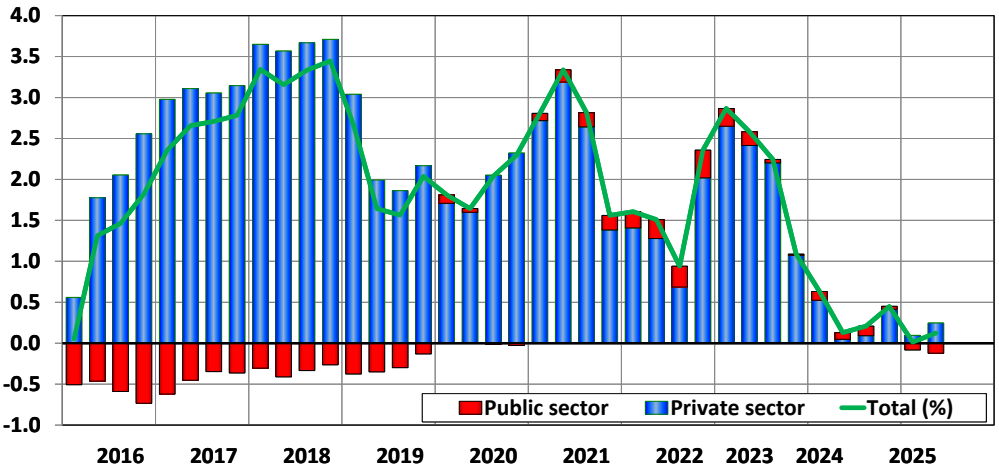


FIGURE 12.
Y-O-Y RATE OF GROWTH IN TOTAL FORMAL EMPLOYMENT (PP)

Source: RZS & NBS recalcutation, lol, August 2025.

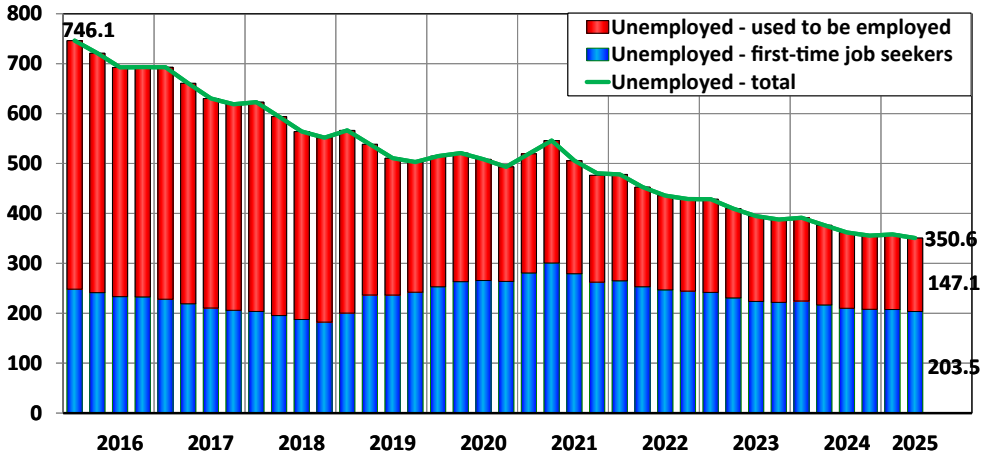


FIGURE 13.
MOVEMENT OF REGISTERED UNEMPLOYMENT (IN 000)

Source: NSZ

For Serbia, maintaining prudent macroeconomic policy is essential to be credible while preserving policy space to respond to shocks. The 3 % of GDP ceiling on fiscal deficits—striking an appropriate balance between current spending needs and investments—is a fundamental policy anchor (Figure 14).

When it comes to government expenditures in the coming period, it is expected that the share of salaries and pensions will be at a stable level, and within the limits defined by fiscal rules (10% and 11%, respectively), and priority will be given to infrastructure and capital projects of the economy.

Exports are expected to continue growing in 2025 and 2026 despite complex global circumstances. This was based on the expected effects of investments in previous years in export-oriented sectors, as well as the gradual recovery of external demand. At the same time, we expect trade surpluses to improve.

Although Serbia is not an EU member, its market effectively belongs to the single European market.

What is clear is that EU companies in Serbia have: (1) a stable business environment and (2) the opportunity to invest.

WHICH NEW GLOBAL DEVELOPMENT PERSPECTIVES ARE IMPORTANT TO SERBIA

We live in a very complex world. Many countries are adapting to new circumstances. What are the most important elements of the new reality in new circumstances for Serbia? There are three of them.

1. **The importance of industrial policies – to promote growth and stability**

An increasing number of countries are adopting industrial policies to support strategically important sectors and firms as they adapt to new circumstances worldwide. The expected outcome is to increase productivity and the economy's resilience to shocks while reducing dependence on imports. As the experience with industrial policies in the past had different, frequent and unfavorable outcomes, the protagonists of industrial policies in today's circumstances speak of the so-called "smart" industrial policies. An effective industrial policy requires careful targeting and implementation, strong institutions, complementary structural reforms, and the maintenance of macroeconomic stability.

Due to a historically poor experience with the implementation of industrial policy (Picking winners, crowding-out effects, etc.), it is crucial to be careful in targeting and implementing this policy. Maintaining a stable macroeconomic position of the country must not be compromised.

2. **Modern development of new infrastructure components**

Modern development, characterized by digitalization and Gen AI, has significantly expanded the definition of modern infrastructure. It is well known that infrastructure is a critical enabler of long-term global economic growth. But

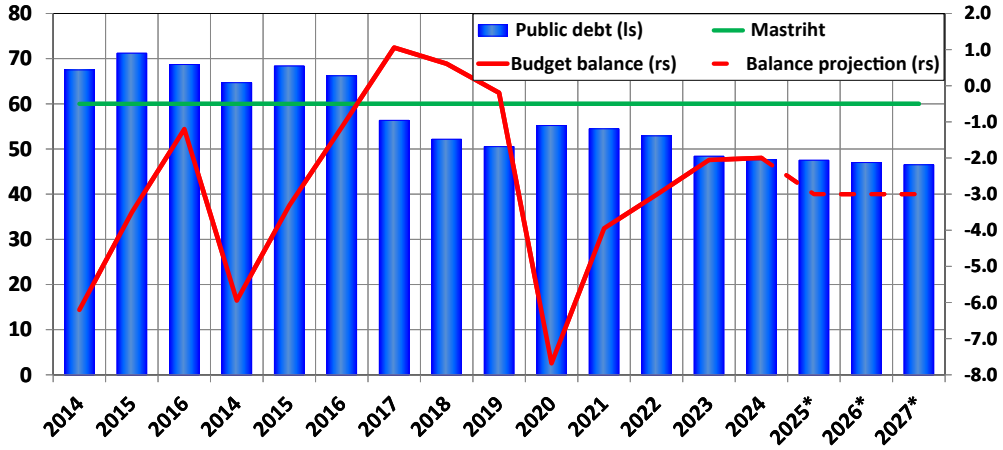


FIGURE 14.
BUDGET BALANCE AND GENERAL GOVERNMENT PUBLIC DEBT (% GDP)

Source: RZS & NBS recalculation, IoI, August 2025

in current circumstances, we need a fundamental mindset shift regarding modern infrastructure.

McKinsey estimates that a cumulative $106 trillion in investment will be necessary through 2040 to meet the need for infrastructure including seven critical infrastructure verticals: transport and logistics ($36 trillion), energy and power ($23 trillion), digital ($19 trillion), social ($16 trillion), waste and water infrastructure ($6 trillion), agriculture ($5 trillion), and defense ($2 trillion).

Traditional infrastructure encompasses the physical assets, from the fundamentals—roads, ports, and bridges — to power grids. Those assets remain important and require significant investment. But modern infrastructure now includes elements such as artificial intelligence, renewables, and electric vehicles.

3. The race to power AI and the importance of data centers

The rapid expansion of AI applications is largely driven by the development of data centers that consume vast amounts of energy. The Gen AI has exploded in the last few years. McKinsey's research shows that the generative AI economy is expected to create $4 trillion of value by 2030. For AI growth, data centers are needed as physical spaces to house and run the necessary technological equipment that consumes significant energy. Right now, we're using about 70 gigawatts of data center capacity globally, but in five years or so, we'll be using about 220 gigawatts, which means we'll have to build new and new data centers.

Serbia needs to adapt to these new circumstances as soon as possible. In this process, it is very important to rely on strong encouragement of innovation, which can be of particular benefit to:

1. Inclusion in AI factories and AI antennas projects that, by applying new modern technologies, using the EU infrastructure, encourage the development of startups and companies,

2. Pay special attention to the development of clean energy in a satisfactory scope and quality, which requires not only intensive economic development, but also maintaining a high level of development and application of AI and

3. To open space for Serbia's inclusion in global and regional industrial value chains, especially those related to the European production network, as the EU has the largest share in Serbia's foreign trade.

PILLARS OF DEVELOPMENT

In this year's edition of the White Book, in the Pillars of Development, we presented the results of the sectors that made the greatest progress in the previous year. These were: digitalization, telecommunications, and energy.

DIGITALIZATION AND E-BUSINESS

The digitalization and e-business sector, which includes e-commerce, e-identification, issuing electronic documents, and e-business for administrative bodies, including the connection of public databases, achieved the highest score for improving the business climate in 2025.

On a global level, the sector has undergone major changes in the previous period and has been a driver of overall improvement. There has been a significant popularization of ChatGPT, introducing artificial intelligence as the most important topic in the domain of digitalization. These trends have also directly reflected on the dynamics and priorities of the IT sector in Serbia. The government has continued to develop new e-government services.

Following the adoption of the Law on Electronic Communications, aligned with EU regulations, a public debate was announced on the conditions for organizing an auction of radio frequencies intended for 5G technology. Significantly more than a million mobile phone users in Serbia already own 5G-compatible devices.

The volume of online trade has increased significantly. A similar trend has existed in previous years. The IPS payment system introduced by the NBS has contributed in particular to this.

Administrative procedures have been simplified within the framework of the "ePapir" program. A large number of citizens have accounts on the eGovernment portal, driven by the wide range of services it offers.

Since 2023, the "eInvoice" system has been implemented across the economy through the SEF system of the Ministry of Finance, replacing paper invoices. This has achieved a great administrative relief, increased transparency, and narrowed the space for the shadow economy. It is expected that this will improve the VAT refund process and reduce the costs of storing invoices.

Qualified signature issuance services in the "Cloud" have been introduced. In order to raise the quality and availability of digital services, the first AI-chat bots have been introduced, which enable citizens to provide interactive support in state processes. A digital assistant based on artificial intelligence has been implemented on the eGovernment portal, which uses everyday language to direct citizens to the desired service and make navigation through the portal faster and easier.

Electronic invoicing has become the standard for telecommunications services.

Significant progress has been made in the digitalization of the economy and the public sector. The Foreign Investors Council has made four recommendations in this area: two have achieved significant improvement, and two have shown some improvement, resulting in a score of 2.50 (0.21 above the previous year's score).

TELECOMMUNICATIONS

The telecommunications sector in 2025 achieved the second-most-dynamic improvement in the business climate 2025. In general, the previous period was marked by a series of activities related to the development of by-laws by RATEL, harmonized with the new Law on Electronic Communications, aimed at greater rights and protection for users, as well as at encouraging competition and equal treatment of market participants.

Numerous activities were carried out during this period. The focus was on activities to harmonize the market with the regulatory framework introduced by the new Law on Electronic Communications, and partially implemented activities were initiated to improve regulations in the fields of telecommunications infrastructure construction and environmental protection. Activities were also initiated in other fields. In 2025, prepaid user registration was completed.

In February 2025, the Government of the Republic of Serbia adopted the Regulation on Reducing Security Risks Associated with the Introduction of Fifth Generation Mobile Networks, which met the legal and security requirements for the introduction of 5G technology.

In cooperation with the relevant ministries, the need to harmonize the by-laws of the Republic of Serbia regarding non-ionizing radiation with European Union regulations was recognized, while taking into account the development of technology in the field of electronic communications and the increasing use of electronic communications

services, and thus, in February 2025, new by-laws entered into force.

Joint meetings of operators signatories to the EU-WB Declaration on Roaming continued in 2025. Based on RATEL data on mobile operator users in the Republic of Serbia, traffic is continuously increasing, both for users in the country and for traffic during their stay in roaming, which is a direct consequence of lower roaming service prices. It is also important that all three mobile operators operating in the Republic of Serbia continuously invest significant effort in improving the offer of roaming services to their users, both in terms of the quality and quantity of content, and in terms of cost-effectiveness and accessibility.

Communication with the Ministry of Information and Telecommunications, the Ministry of Environmental Protection, and RATEL is carried out transparently and in a two-way manner, resulting in successfully implemented activities across various areas of cooperation. The Foreign Investors Council expects that the positive practice will continue through open dialogue and that solutions that can yield the best results will be implemented.

The successful implementation of prepaid user registration has achieved a higher level of security and prevented the misuse of electronic communications means through the anonymous use of prepaid services, modeled on the positive practice of mandatory registration of these users in Europe and around the world.

Significant progress in telecommunications in 2025 ranked it second. The Foreign Investors Council has made eleven recommendations in this area, of which six have achieved significant improvement, two have shown some improvement, while three have not improved. The score is 2.27 (a 0.61-point improvement from the previous year).

ENERGY

The energy sector, which includes the production and transmission of electricity, the market for renewable energy sources, and energy efficiency, has faced numerous challenges in recent years. Three years ago, this was related to potential risks in the electricity supply sector, but these have now been successfully overcome. With the global energy crisis, supply problems arose for other energy sources. In the second half of 2025, the issues of oil supply, the operation of the Pančevo refinery, and the supply of oil derivatives and gas were raised.

The previously introduced liberalization of the electricity market could have led to a significant increase in household and economic costs, which is why the Government had already introduced price controls. The management structure and business policy were also changed, and the main causes of its poor performance were eliminated. The electricity supply has been improved and stabilized. The transformation of EPS from a public company to a joint-stock company has begun. A new supervisory board has been appointed, which has taken important steps towards the professionalization of EPS management.

In 2023, Serbia amended the regulatory framework in line with the EU's Third Energy Package and de facto liberalised the electricity market. In this regard, the policy of full implementation of relevant EU regulations has continued.

Coal remains the dominant source of electricity generation – more than 70% of annual production comes from coal-fired power plants. Coal mines are in relatively poor condition. The transition to a "green" economy has been postponed for the time being.

For renewable energy sources, a system of incentive measures to support their electricity production is key. Incentive measures are envisaged in the form of a market premium and feed-in tariff system. Both systems will be implemented through auctions and relate to the price of electricity, assumption of balancing responsibility, and the right to priority access to the network. By abandoning the incentive system and introducing auctions, the possibility arises for a new investment cycle and achieving a competitive electricity purchase price.

In the area of energy efficiency, the Directorate for Financing and Incentives for Energy Efficiency has started operating. In the energy efficiency market, many local governments have begun implementing energy performance contracting (EnPC) projects for public lighting. Energy supply contracting (ESC) has also begun operating, primarily in the public sector, with schools and hospitals as priorities.

The Foreign Investors Council has made 15 recommendations to improve the business climate. Significant progress has been recorded in six, and some progress has been

made in five. Therefore, energy, together with Digitalization and Telecommunications, is at the top of the list of sectors that have seen the greatest progress. The Foreign Investors Council assessed the progress in energy in 2025 at 2.13, down from 2.63 in 2024, resulting in a decrease of 0.49.

With its recommendations, the Foreign Investors Council aims to encourage efforts to improve the business climate and stimulate future growth by ensuring sustainable development with maximum respect for environmental standards on the path to the EU.

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INFRASTRUCTURE

ENERGY SECTOR 2.13

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Electricity				
Regulation of electricity prices to be abandoned (but vulnerable customers to be protected), allowing new investments in the modernisation and revitalisation of coal and electricity production.	2016		√	
Continue work on creating the necessary conditions for the introducing carbon pricing instruments.	2020		√	
Prescribe targeted energy savings, as required by Directive 2012/27/EC and its amendment 2018/2002/EC. The preparation of proposals for the revision of energy efficiency targets in terms of their increase is underway. It is also necessary to anticipate the reduction of "specific consumption" of energy, i.e. consumption per unit of product.	2021			√
Introducing a mechanism requiring investors to provide a security instrument, such as a bank guarantee or deposit, when reserving a grid connection, with the aim of preventing queues for connections that block available capacity	2024	√		
Further harmonization of the regulations related to the calculation of VAT on consumer invoices.	2022	√		
Renewables				
Bylaws which will regulate the incentives in more detail should be tailored to accelerate investments in the renewables sector and follow the EBRD and Energy Community policy guidelines.	2021	√		
Adjust the regulation and methodology for determining the maximum price at auctions so that it more closely reflects the impact of the market price of electricity	2022	√		
It is necessary to adopt the final proposal for the amendments to the Energy Law without delay. However, it is essential to pay attention to the following:	2024	√		
• the amendments to the Energy Law should not introduce additional conditions for obtaining an energy license. Unpredictable and insufficiently clear conditions that would be introduced through these amendments (primarily the proposal to assess compliance with long-term strategies) could pose a serious problem for legal certainty and the predictability of project development;	2024			√
• it is crucial to avoid solutions that establish unequal business conditions for the same activities among different market participants, such as prioritizing a strategic partner when defining connection conditions over previously submitted requests;	2024	√		
• While it is justified to relieve the transmission system of blocked capacities that will not be realized, the proposal to retroactively impose obligations for connection procedures cannot be considered a fair solution. We emphasize the need to acknowledge the differences between projects—in terms of those within the incentive system and those in a mature phase, compared to those that have not yet started development.	2024		√	

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
• until the amendments to the Energy Law are adopted, it is necessary to publish accompanying changes to subordinate legislation and other laws that need to be aligned, so that the industry has a complete understanding of how the "active customer" concept will be applied and how it will affect planned investments in the development of their own renewable energy generation capacities.	2024			√
Energy Effciency				
Adoption of a functional model contract to govern energy supply contracting.	2017			√
Improvement of capacities of the PPP Commission and other notable public stakeholders with respect to both energy performance contracting and energy supply contracting projects involving the public and private sectors.	2017		√	
Enhancing the institutional readiness of local governments to organize energy management within their territories and to carry out tasks defined by the Law	2024		√	

CURRENT SITUATION

Electrical energy

The legal framework for electricity in Serbia is given in the Law on Energy from 2014, with amendments adopted in 2021 and 2023. The last comprehensive amendments to the Energy Law were adopted in 2024, which, in accordance with the obligations under the Energy Community Treaty and Ministerial Council Decision 2022/03/MC-EnC, aligns the regulatory framework in the field of energy with the European Union regulation while at the same time achieving greater energy security and encouraging further transition to renewable energy sources.

The concept of an active customer has been introduced, who generates electricity within his facility and then uses or stores that electricity, or sells it on the market or participates in flexibility services or energy efficiency measures. It is possible to combine more active customers in order to increase efficiency, i.e. to unify more remote places of consumption and production through an aggregation model into a single system. The energy activity of electricity storage (which will require an energy license) is regulated, which allows the postponement of the final use of electricity until a certain moment after production, or the conversion of electricity into a form of energy that can be stored, and further storage of such energy and subsequent conversion into electricity or its use in the form of another energy source. An energy permit, as it is now explicitly regulated, is not required for the construction of energy facilities for electricity storage. Electricity system operators may not own, develop or operate electricity storage facilities. Exceptionally, system operators may own, develop or operate energy storage facilities, if the electricity storage facilities are integral parts of the network, which is approved by the Agency and subject to the fulfilment of the conditions set out in the Law.

Conditions have also been created for the provision of auxiliary services required for the operation of the transmission or distribution system, which include auxiliary services for balancing purposes and non-frequency auxiliary services. The concept of redispatching, as a measure activated by the operators of the transmission or distribution system by changing the production pattern, the consumption pattern or both, in order to change the physical flows in the power system and reduce physical congestion or in some other way to guarantee the security of the system, is now regulated and harmonized with the EUR regulation. Finally, the further development of peacetime application of nuclear technologies in Serbia has been enabled, which will be implemented in three phases. Serbia received the first preliminary technical study on the application of nuclear energy, which analyzed the various technologies available on the market as well as their technical and commercial maturity (including both traditional nuclear plants and small modular reactors).

The amended law also provides for the adoption of a program for the development and use of hydrogen, and signif-

icant changes also apply to the nominated electricity market operator (NEMO), i.e. SEEPEX a.d. Belgrade ("SEEPEX"), which will accelerate the implementation of the merger of organized markets in the Republic of Serbia with neighboring organized electricity markets (and with the single European organized electricity markets).

The main bodies responsible for this sector are: (i) the Government of the Republic of Serbia; (ii) the Ministry of Mining and Energy ("MRE"); (iii) the Energy Agency; and (iv) the Republican Energy Networks Commission. There are also other bodies such as the Energy Efficiency Financing and Promotion Authority.

State-owned companies – Elektromreža Srbije (EMS), Electric Power Industry of Serbia (EPS) and EPS Distribution, remain the dominant players in the sector, together with the electricity market of SEEPEX a.d. Belgrade. EMS is a transmission system operator. EPS is engaged in the production, wholesale and supply of electricity. EPS's former subsidiary, EPS Distribution, distributes and manages the distribution system. Also, the transformation of EPS from a public company into a joint-stock company was carried out, and a new supervisory board was appointed, which took important steps towards the professionalization of the management of this company.

The electricity market is fully liberalised. Households and small customers, for the time being, have the right to be supplied at regulated prices (unlike other customers, who are not entitled to regulated prices). There is an intention to displace the regulated supply of electricity. The amended Energy Law introduces for the first time dynamic tariffs related to electricity prices as a result of compliance with the European Directive (EU) 2019/944.

Despite liberalization, EPS remains the most dominant supplier with around 97% share of the open market.

The day-ahead and intraday markets are managed by the South East European Power Exchange (SEEPEX).

The amendments to the Law on Energy do not bring essential novelties when it comes to connection to the transmission system, because the solutions from the Regulation on Conditions of Supply and Supply of Electricity have been practically applied. This primarily refers to the possibility of connection to the grid, which is conditioned by the construction of the missing infrastructure, where the transmission system operator would be the investor on whose behalf and on whose behalf the applicant for connection would develop the missing infrastructure at its own expense.

The amendments stipulate that a connection study is not required for power plants with an installed capacity of less than 50 kW. In addition, a bank guarantee is required to be provided for power plants with an installed capacity of more than 400 kW within 30 days of the submission of the connection study. Elektromreža Srbije AD has published a public consultation on the draft of the new Rules on the Operation of the Electricity Market, which is expected to be adopted in the coming period.

Given that the amended Energy Law has brought changes in terms of issuing energy permits, the assessment of the full implementation of the changes will be possible after the adoption of bylaws, i.e. the Rulebook on Energy Permit. The issue of legal certainty in terms of legal regulation and issuance of energy permits is significant because the energy permit is issued at a later stage of project development when significant investments have already been made.

Renewable energy sources

A number of provisions from the latest amendments to the Law on Energy are important for the further development of renewable energy projects in the Republic of Serbia.

As for projects in which the connection process has been initiated in accordance with the previous regulatory framework, i.e. prior to the amendments to the Energy Law, i.e. connection permits issued before the date of entry into force of the amendments to the Energy Law, may be extended once in two years, but an additional extension is also possible until the issuance of the act on permanent connection if the approval for temporary connection of the facility for which the trial operation has been approved is obtained within the validity period of the connection permit.

Projects for which a request for the preparation of a connection study has been submitted before April 30. 2021, but have not obtained a connection approval by the date of entry into force of the Amendments, are obliged to obtain it within three years from the entry into force of the Amendments. Thereafter, the approval shall be valid for three years and may be renewed once for a maximum of two years, provided that the holder of the approval obtains a certificate of completion of the foundations of the build-

ing to be attached before its expiry. Projects that have acquired the right to a market premium at the first auction are not subject to these validity period restrictions.

On the date of entry into force of the amendments to the law, the provision of Article 46 of the Law on the Use of Renewable Energy Sources ceases to be valid. In practice, this means that the requirement that producers of electricity from renewable sources must have a license for electricity supply in the context of concluding a contract for the purchase of electricity from renewable energy sources with the end customer on a market basis no longer applies. That is why, in the case of concluding a contract on the purchase of electricity from renewable sources, a third party, ie a supplier, is introduced as an intermediary between the electricity producer and the end customer. The law did not further specify the role of the supplier, other than to supply the missing amount of electricity to the final customer.

By abandoning the incentive system in order and introducing auctions, the opportunity for a new cycle of investments and achieving a competitive price for the purchase of electricity has been opened. The auction procedure is digitized, which ensures fast and efficient implementation of the process. The first auctions were held in June 2023 for the allocation of market premiums for renewable energy sources - wind power plants (400MW) and solar power plants (50MW), and the second auctions were also successfully held in November 2024 - wind power plants (300MW) and solar power plants (124.8MW). The prices offered at other auctions amount to EUR 53.5/MWh for wind power plants and EUR 50.9/MWh for solar, which is significantly below the market level. The total capacity of the power plants that received incentives is 645 MW with a total planned investment value of EUR 782 million. The ranking in this year's auctions, in addition to the financial criterion, also included a non-financial criterion - the amount of the percentage of the auction participant's power plant capacity offered to the guaranteed supplier for the needs of the guaranteed supply and/or to the end customer through the contract on the purchase of electricity from renewable sources. The introduction of this criterion ensures that the energy produced in power plants that received incentives is consumed in the Republic of Serbia, which has positive effects in increasing the share of renewable energy sources in the total final consumption of electricity, reducing electricity costs and diversifying the offer for end consumers.

The successful implementation of the auction process, for the second time in a row, is an important step in the process of switching to cleaner energy sources, increasing electricity production and achieving greater security of supply to citizens and businesses.

A market premium is an incentive for the production of electricity by which the state protects the producer from a change in market prices in relation to the price offered by the producer at auction by paying the difference between the auction price offered and the market price. If the market prices are higher than the manufacturer's auctioned price, the manufacturer will pay the difference to the state. According to current projections, the state will generate revenue through the first auctions, at the level of several million euros per year, in addition to all the other benefits that auctions bring.

Energy Efficiency

In April 2021, a new Law on Energy Efficiency and Rational Use of Energy was adopted, which aims to create a legal framework for measures that will increase the efficiency of use and reduce energy consumption. The Law upgraded the existing basis of the Law on Efficient Use of Energy with new energy policy objectives established by the European Union regulations (amended Energy Efficiency Directive and the Energy Performance of Buildings Directive, Eco-Design Directive as well as relevant EC Regulations).

The Directorate for Financing and Promotion of Energy Efficiency within the MRE has been established, the purpose of which is to provide funds for the fulfilment of the objectives of the law, and two new decrees have been adopted regulating the financing of measures to improve energy efficiency and the use of funds for the implementation of energy efficiency measures.

As with previous laws in this area, it specifically defines an energy service company (ESCO) and sets rules regarding energy contracting in accordance with the EU, with the aim of providing a complete legal framework for energy efficiency arrangements.

In order to enable the implementation of these general possibilities, the Energy Service Contract Regulations (ESCO Regulations) were adopted in 2022.

The ESCO Regulation provides for two models of ESCO contracts, one for public buildings and one for public lighting. It requires the establishment of a public-private partnership

between a specific public partner (i.e. a municipality, a public company, the state) and a relevant private partner (i.e. a public partner). ESCO companies) on a long-term basis.

The energy efficiency market continues to evolve. The implementation of Energy Performance Contracting (EnPC) projects in the field of public lighting has begun in a significant number of local self-governments.

Energy Supply Contracting (ESC) has begun to function, primarily with regard to public sector assets such as schools and hospitals, as a major point of interest.

The most significant difference between ESC and EnPC is that EnPC implies project support with guaranteed savings, as opposed to ESC which is focused on re-arrangement in terms of energy supply, where the private partner guarantees the continued provision of a certain minimum amount of energy. It is envisaged that, once the ESC model is also regulated, much of the necessary certainty will be in the sector, which allows for cooperation between the public and private sectors.

Energy efficiency of buildings is covered in a separate chapter that prescribes obligations for publicly owned buildings, new buildings and buildings used for non-residential purposes. Publicly owned buildings with a total usable area of more than 250 m^2 used by state administration bodies and other public sector bodies and organizations, as well as public services, are required to have a certificate of energy performance, and the obligation of energy rehabilitation has been introduced for buildings used by central government bodies. The obligations of investors in new buildings in terms of equipment with devices for regulation and measurement of the amount of heat energy handed over, and where there is also domestic hot water, have also been specified. In June 2024, the Administration for Financing and Promoting Energy Efficiency was formed.

POSITIVE DEVELOPMENTS

Electrical energy

SEEPEX membership grew to 46 members.

The new Energy Law paved the way for the development of power generation projects for industry and plants over 150 KW after the model ceased to be available through the manufacturer's customer concept after June 2024. The transposition and anticipated implementation of the active customer will make this possible, as well as various other activities such as aggregation, electricity storage, flexibility services and ancillary services.

Given that the Law envisages the adoption of public policies in the field of hydrogen development, and has removed the moratorium on the use of nuclear energy, a further possibility for the production of green electricity has been opened.

In the coming period, it is expected that the merger of organized markets in the Republic of Serbia with neighboring organized electricity markets (and with the single European organized electricity markets) will be implemented.

A significant improvement is the adoption of the new Regulation on Conditions of Supply and Supply of Electricity ("Official Gazette of the Republic of Serbia", No. 84/2023) in October 2023, with amendments from 2025.

The aim of the new regulation is, among other things, to regulate in more detail the conditions for the issuance of approval for connection to the transmission system, i.e. distribution system, by detailing the mandatory preparation of a study for connection to the transmission system and part of the distribution system managed by the transmission system operator, as well as by determining the obligation to submit proof of depositing funds for the costs of preparing the study, i.e. attaching a bank guarantee in favor of the transmission system operator.

Renewable energy sources

A legal framework for a new package of incentive measures for the production of electricity from renewable energy sources has been adopted, which provides for a competitive incentive rewarding process. The adoption of a completely new law indicates that priority is given to the sustainable production of electricity from renewable energy sources, which is extremely important in the long term in order to avoid paying high fees for the production of CO2 emissions, which will be increased in the European Union in the coming years.

A number of bylaws have been adopted:

- Decree on Market Premium and Feed-in Tariff ("Official Gazette of the Republic of Serbia", No. 112/2021 and 45/2023 - other regulation);

- Decree on Model Market Premium Contracts ("Official Gazette of the Republic of Serbia", No. 112/2021);

- Decree on the quota in the market premium system for wind farms ("Official Gazette of the Republic of Serbia", No. 90/2024);

- Decree on the Conditions and Procedure for Acquiring the Status of Privileged Electricity Producer, Temporary Privileged Producer and Producer of Electricity from Renewable Energy Sources ("Official Gazette of the Republic of Serbia", No. 56/2016, 60/2017, 44/2018 - other law, 54/2019 and 112/2021 - other Regulation)

- Decree on Criteria, Conditions and Method of Calculation of Receivables and Liabilities between Buyer – Producer and Supplier ("Official Gazette of the Republic of Serbia", No. 83/2021 and 74/2022);

- Decree on the Assumption of Balancing Responsibility and the Model Agreement on the Assumption of Balancing Responsibility (Official Gazette of the Republic of Serbia, No. 45/2023)

- Rulebook on the manner of keeping the register of customers-producers connected to the transmission, distribution, i.e. closed system and the methodology for the estimation of electricity produced in the production facility of the customer-producer ("Official Gazette of the Republic of Serbia", No. 33/2022)

- Rulebook on the allocation of non-refundable incentive funds for co-financing the implementation of projects for the implementation of renewable energy sources in public facilities ("Official Gazette of AP Vojvodina", no. 53/2024).

The Decree on the Conditions, Manner and Procedure for Granting State-Owned Agricultural Land for Use for Non-Agricultural Purposes was also adopted, which prescribes exceptions when it is possible to use state agricultural land for non-agricultural purposes, in accordance with the Law on Agricultural Land. This decree enables the construction of energy production facilities using renewable wind and solar energy sources and on publicly owned agricultural land, which creates an even more favorable environment for investors.

At the beginning of June 2023, the Government of the Republic of Serbia adopted the Plan of Incentives for the Use of Renewable Energy Sources for the period 2023-2025, according to which the total capacity for which the right to incentives in the market premium system can be acquired in the next three years is 1,000 MW for wind farm technology and 300 MW for solar power plant technology.

In addition, in June 2023, the Low-Carbon Development Strategy of the Republic of Serbia for the period from 2023 to 2030 was adopted, with projections until 2050 ("Official Gazette of the Republic of Serbia", No. 46/2023). During July 2023, a public consultation was held for the Integrated National Energy and Climate Plan (INEKP), which was adopted in July 2024 to ensure consistency with the long-term relevant policy objectives at the level of the European Union, the UNFCC and the Energy Community.

In June 2023, the new Regulation on Energy Vulnerable Customers came into force, which was amended in 2025, and it represents the basis for progress towards exiting price regulation, i.e. an additional incentive for the energy transition, decarbonization and development of energy production from renewable sources. In addition to assistance in the procurement of electricity and gas, energy-vulnerable customers in the field of heat supply are also envisaged. According to the Regulation, poor electricity consumers in Serbia have the right to reduce their electricity bills, i.e. they have the right to receive a certain amount of electricity for free on a monthly basis.

The state itself, i.e. the Electric Power Industry of Serbia (EPS) has continued to build capacity from renewable energy sources, primarily the Kostolac Wind Farm and the Petka Solar Power Plant. And over the next three years, the construction of 1 GW of self-balancing solar power plants with battery storage will continue with strategic partners.

Energy Efficiency

A revision of the model contracts for energy performance contracting (EnPC) is underway based on comments from representatives of ESKO companies, banks and local self-government units with experience in the implementation of such projects. Active work is being done on the preparation of the model Energy Efficient Delivery Contracts (ESCs) with the aim of increasing investments in energy efficiency and enabling the transition to renewable fuels or fuels with lower greenhouse gas emissions, while taking into account the interest of the public sector. The ESC model has been agreed with the EBRD and its final proposal is expected to be adopted soon.

Experience with energy performance contracting has shown that the contract model has contributed to the development of the market and provided guidance and certainty to the public sector to use this innovative way to attract private sector investment in public sector energy efficiency.

REMAINING ISSUES

Electrical energy

Coal remains the dominant source for electricity generation – more than 70% of annual production comes from coal-fired power plants.

It can often be heard that the increase in the price of electricity in Serbia will be justified, but that vulnerable customers must be protected.

Given that various institutes and business models such as the active customer, aggregation, auxiliary services market, flexibility market, consumption management have been conceived or developed for the first time through the amendments to the Law on Energy, it is necessary to enable the development of the aforementioned markets as soon as possible by passing by-laws as well as the implementation of the aforementioned institutes in practice. Also, it is necessary to adapt the rules on the operation of system operators so that they can support the development of new business activities introduced by regulations. Finally, we lack public policies in the field of developing projects related to the utilization of hydrogen and the use of nuclear energy for the production of electricity in order to successfully and in accordance with the adopted strategies pave the way for the replacement of coal with the production of energy from clean sources.

Renewable energy sources

The finalization of the regulatory framework is necessary in order to enable the further development of projects from renewable sources.

Joint work of the economy with institutional support in the development and implementation of contracts on the purchase of electricity from renewable sources (corporate PPA). The development and practical implementation of this contractual instrument would enable the necessary dynamics in the RES sector and make RES projects more bankable and easier for financing by commercial banks and international financial institutions.

Although the amendments to the Energy Law were adopted in 2024, the accompanying amendments to bylaws and other laws that need to be harmonized have not yet been implemented, so that the economy has a full understanding of how the new institute of "active buyer" will be applied and how it will affect the planned investments in the development of its own capacities for the production of energy from renewable sources.

The Law on Energy requires the issuance of an energy license to meet the goals set in the Energy Development Strategy as well as the goals set in INEKP. However, the assessment of the possibility of compliance with the stated conditions will be known only after the amendments to the Energy Permit Rulebook, which will more precisely determine the criteria that will be used to assess the fulfillment of the stated conditions.

Energy Efficiency

In energy performance contracting, in addition to the need to have a consistent practice in the formal preparation of projects in full compliance with ESCO by-laws and public-private legislation, further challenges include the need to reduce subsidies, which keep electricity prices at a certain level, and, also, it remains to introduce additional, sector-specific, incentives for energy efficiency projects in certain regulations (especially those related to legal relations and taxes) and further increase the awareness of financiers about feasibility ESCO projects.

When contracting the supply of energy, it is necessary to adopt a model contract by the relevant authority. The public sector is still too cautious in considering potential projects. This is particularly true of the lack of understanding of public budgeting procedures, with some significant projects involving hospitals and schools in Serbia still lagging behind as a result.

The challenges related to both EnPC and ESC arrangements remain the same and require continuous work:

- Strengthening and supporting the exchange of knowledge and existing know-how between different public entities (especially in the case of smaller municipalities in Serbia);
- Improving the practical implementation of the rules relating to the determination of project value relating to PPP.

FIC RECOMMENDATIONS

Electrical energy

- Continue work on creating the necessary conditions for the introduction of instruments of compensation for the use of coal (Carbon prining);
- Prescribe targeted energy savings, as Directive 2012/27/EC and its amendment 2018/2002/EC provide for this. Preparation of a proposal for the revision of energy efficiency goals in terms of their increase is underway. It is also necessary to foresee the reduction of "specific consumption" of energy, ie. consumption per product unit;
- Adoption of rules on the work of system operators that will be adapted to the newly introduced institutes in the Law on Energy;
- Further regulatory elabouration of institutes and business models recognized by the new Energy Act;

Renewable energy sources

- By-laws that will more closely regulate the successful organization of the third round of auctions after the check should adopt the following incentive system plan that would provide for the further distribution of quotas through auctions with properly defined criteria;
- Conclusion of Renewable Energy Purchase Agreements (Corporate PPAs) in practice;
- It is necessary to implement accompanying amendments to bylaws and other laws that need to be harmonized, so that the economy has a full understanding of how the institute of "active buyer" will be applied and how it will affect the planned investments in the development of its own capacities for the production of energy from renewable sources;
- Harmonize the Regulation on the conditions, method and procedure of granting agricultural land in state ownership for use for non-agricultural purposes, thus enabling that agricultural land of the 4th and 5th class can be used for the purpose of producing electricity from renewable sources of wind and solar energy by building wind power plants and solar power plants;
- Adopt amendments to the Rulebook on Energy Permit that will more precisely define the criteria that will be used to assess the fulfilment of the conditions for obtaining an energy permit;

Energy Efficiency

- Adoption of a functional contract model that will regulate energy supply;
- Capacity building for the Commission for Public-Private Partnerships and other significant public entities, in terms of contracting and use of energy and energy supply, including the public and private sector;
- Improving the institutional readiness of local governments to organize energy management in their territory and to perform the tasks defined by the Law on the Efficient Use of Energy.

TRANSPORT 1.29

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Introduce additional incentive measures for the construction of infrastructure for the use of electric vehicles. Also, it is necessary to provide an adequate regulatory framework that will enable the development of this sector and that takes into account the constructive recommendations of relevant stakeholders.	2024		√	
Adapt the Law on Energy so that it recognizes and encourages the use of electricity in the transport sector.	2024			√
Increase material quality control and inspection supervision during the performance of works; implement international standards of quality and project management in the public sector as well.	2024		√	
Enter into public-private partnerships in areas of transportation that are vital, and which are not reserved for the state, and which the state is not able to independently train, restructure or modernize, that is, for which it is more optimal and efficient to do so in partnership with the private sector.	2024			√
Additionally, work on opening the market in railway traffic, with the aim of establishing the necessary institutional structures. The application of European standards in the implementation of technologies on the railway network, for the sake of interoperability and smooth traffic with neighboring countries in order to increase transport through Serbia, is crucial in this regard.	2024		√	
Implementation of measures that will improve the characteristics of combined transport within the Serbian transport system. (1)	2024			√
Conclusion of new and amendments to existing bilateral agreements in the field of air transport in order to increase Serbia's connectivity with Asia and North America.	2024			√
Making the most of the European Open Skies Agreement to improve connectivity in the region.	2024			√
Construction of (railway) infrastructure in order to connect the airport with the center of Belgrade in a better way.	2024			√
Stimulating investments in the reduction or complete elimination of waste generated during production processes, consumption and daily activities.	2024		√	
Temporary reduction of customs on electric vehicles to zero, regardless of their origin.	2024			√
Establish a clear legal framework for charging energy consumed at electric vehicle charging stations per kilowatt hour (kWh).	2024			√
Urgent investment in electric vehicle charging infrastructure and the development of sustainable transport options is recommended, with strict enforcement of regulatory measures encouraging the reduction of greenhouse gas emissions in the transport sector.	2024		√	

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Introducing cheaper or free parking options for electric vehicles in certain city areas.	2024	√		
Consider the introduction of incentives for the import of used electric cars, as part of a broader strategy to diversify the offer of electric vehicles on the market.	2024			√
Introduce subsidies for setting up private charging infrastructure, especially for charging stations.	2024		√	
According to the legislation in force in the Republic of Serbia, there are no special license plates for electric vehicles, which would prevent privileged access to certain parts of the city, including "yellow" lanes intended for faster movement. Related to this is the lack of cheaper or free options for parking electric vehicles in certain city areas, in order to facilitate their use and reduce congestion.	2024			√
Cyber security in transport: With the increasing number of electric vehicles and their connection to the grid, it is crucial to include cyber security standards in the legislation. It is necessary to define obligations to protect charging data, manage the risks of cyber-attacks on the charging infrastructure and ensure that all relevant actors are involved in data protection and network security.	2024			√
It is necessary to develop and implement standards for the management of risks related to cyber-attacks, especially on critical infrastructure. The above includes: 1. Risk assessment: Mandatory risk assessment of cyber-attacks and development of strategies to mitigate identified risks. 2. Infrastructure Protection: Implementation of advanced technologies and safeguards for critical infrastructure, including redundancy and resilient systems. 3. Incident response plans: Developing and testing incident management plans to minimize the impacts of cyber-attacks. Therefore, it is necessary to legally oblige transport market participants to regularly assess risks and implement appropriate protection measures for critical infrastructure, and to develop and test incident management plans.	2024			√
It is necessary to ensure that all relevant actors, including state institutions, the private sector and non-governmental organizations, are involved in data protection and network security, including:	2024			√
– Coordination and cooperation: Creating platforms for coordination between different actors in order to improve cooperation and exchange of information on cyber threats.	2024			√
– Regulatory oversight: Introducing mechanisms for monitoring compliance with legislative standards and sanctioning violators.	2024			√
– Support and resources: Providing resources and support for small and medium-sized enterprises so that they can align their security practices with the standards.	2024			√
It is necessary to introduce legal provisions that oblige all relevant actors to coordinate and cooperate in the field of data protection and network security, while establishing regulatory oversight and providing resources to support compliance with standards.	2024			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Autonomous vehicles and drones: As the technology of autonomous vehicles and drones advances, the legislative framework needs to be adapted to regulate their testing, use and integration into the traffic system. This includes defining standards for safety, liability in the event of accidents and ensuring that autonomous vehicles and drones comply with national regulations.	2024			√
The role of AI in logistics: The development of artificial intelligence (AI) in logistics brings opportunities for more efficient management of transport networks, route optimization and cost reduction. The legislative framework should support the development and application of AI technologies, while ensuring the ethical use of data and the protection of privacy.	2024			√
It is necessary for the Government to ensure understanding and synchronization with the governments of neighboring countries in activities aimed at improving efficiency and flow at border crossings.	2024			√
In order for the supply chain to function on the international market, the Ministry of Construction, Transport and Infrastructure should provide a greater number of transport permits, that is, consider abolishing the permit system.	2024			√

CURRENT SITUATION

When it comes to all types of transport, the importance of the Republic of Serbia is undeniable, both for the countries of the Balkans and for the region of Southeast Europe, but also beyond. The best way to consider the improvement of transport would be through five modes of transport: road, rail, air, water and intermodal.

There is a tendency to approach the development levels of the European Union in this segment, which is primarily reflected in the implementation and harmonization of Serbian positive regulations with European regulations. The basis for these activities is certainly the General Master Plan of Transport in Serbia, from 2009, which contains guidelines and plans for the road, rail, water, air and intermodal transport sectors, ending in 2027. The General Master Plan of Transport in Serbia also represents the basis for existing and future projects, which will be financed from EU pre-accession and accession funds, as well as other sources of financing. The draft of the new General Master Plan for the period after 2027 is still not being prepared, although the currently valid one was adopted in 2009.

When it comes to legal regulations, the road transport sector is the most extensive, given that road transport is the most represented in relation to other modes of transport. Of the 5000 kilometers of roads in Serbia, 1100 kilometers have been designated as a high priority for rehabilitation, in accordance with the Transport Strategy and the General Master Plan. In road transport, progress has been achieved by adopting regulations in the field of dangerous goods and transport licenses, while regulations related to the transport of goods are harmonized with European regulations.

The railway sector is the sector in which the need for modernization is the highest right now, which has been intensively worked on in the last few years. In the field of rail transport, where there is progress, it is necessary to continue to open the market to private operators and ensure the viability of the reformed railway companies.

Air traffic in the Republic of Serbia is characterized by the constant growth of air traffic in the period after the COVID-19 pandemic, the signed Agreement on Accession to the Common European Aviation Area, compliance with European regulations, the modernization of Nikola Tesla Airport and Konstantin Veliki Airport, and the development of destinations and the fleet of the national airline company AIR SERBIA. When it comes to regulation, the basic document is the Air Traffic Act, and many by-laws issued by the regulatory body - the Directorate of Civil Aviation of the Republic of Serbia emerge from it. The most important subjects of air transport are the Ministry of Construction, Transport and Infrastructure, the Directorate of Civil Aviation of the Republic of Serbia, airlines, airport operators and the Air Traffic Control Agency.

The waterways are not used enough, nor is their potential in the context of Serbia's international connectivity. Another burning issue, which occurs in this sector, is the financing of both reconstruction and modernization of water transport. The funds required for the improvement of ports, waterways and support systems, as well as their maintenance, are large. The changes in terms of regulations governing water transport introduce amendments to the Law on Navigation and Ports on Inland Waters from 2021.

The intermodal form of transport, with three partially built terminals, is a form of transport that is still in its infancy, with a tendency to develop in the coming period.

The three main characteristics of the state of transport in the Republic of Serbia are the current maintenance of the existing infrastructure, investment, i.e. its modernization and harmonization with European standards. Investing in infrastructure, investing and maintaining the existing traffic network are the goals to be pursued.

POSITIVE DEVELOPMENTS

In previous years, the improvement of all types of transport continued, not only in the technical sense, but also in the sense of concluding contracts and negotiations with the executive authorities of the surrounding countries, as well as foreign investors.

Part of the projects where certain delays were observed during implementation are the construction of the Belgrade-Budapest railway, the construction of the Nis-Merdare-Pristina highway, the reconstruction of the Belgrade-Bar railway, and the project documentation for the Belgrade-Sarajevo highway is being prepared. However, it should be noted that significant works have been carried out when it comes to the construction of the Belgrade-Budapest railway, especially bearing in mind that the high-speed railway Belgrade-Novi Sad, as well as Novi Sad-Subotica, has been built, while the completion of the complete railway is announced and expected prior to publishing of this White Book edition. When it comes to the construction of the Nis-Merdare-Pristina highway, at the end of July 2023, the first section of the Nis-Merdare road, 5.5 kilometers long, was completed.

In the road sector, the emphasis is placed on the construction of Corridors 10 and 11. The construction of the Preljina-Požega section of Corridor 11 began in May 2019, and completion is expected within 36 months. However, this deadline was not met and in July 2025, this section has been put into trial operation.

The construction of Corridor 11 branch Požega-Boljare is also planned, as part of the road corridor Belgrade-South Adriatic. For the section of the Požega-Boljare Corridor, a Memorandum of Understanding was signed between the Republic of Serbia and the People's Republic of China, and the Spatial Plan of the Special Purpose Area is currently being prepared. However, no information is yet available when the works on these sections are expected to be completed.

The project to build a new port in Belgrade, whose completion is planned for December 2023, and which is included in the Single Project Pipeline as a project of exceptional strategic importance, has not yet been completed and there is no information on when it will be.

The railway sector continued its cooperation with regional countries. Documentation is being prepared for the initiation of the tender procedure for the reconstruction of the Nis-Dimitrovgrad railway, which is significant, since this part of the railway connects the Republic of Serbia and the Republic of Bulgaria, and the completion of which is planned for the end of 2027 according to the latest statements of the President of Serbia. The modernization project of the Belgrade-Budapest railway is also underway. This project is of exceptional strategic importance, since it represents part of the basic traffic transversal of the Republic of Serbia, connects three of the five largest cities in the Republic and forms part of the Pan-European Corridor X.

In air traffic, the further investments in improvement of "Morava" Airport in Kraljevo are planned. For the "Konstantin Veliki" Airport in Nis, the addition of the terminal building and the renovation of the runway are planned.

Since the end of 2018, Belgrade Nikola Tesla Airport has been managed by a foreign concessionaire - part of the French Vinci Group. In accordance with the Concession Agreement, the airport operator has fully delivered the following works in the previous period of six years from the date of commencement of the concession:

- A completely new inserted runway and new taxiways with a new light marking system on them were built.
- The existing runway has been completely renovated.

- New navigation equipment for the instrument landing system on the inserted runway has been installed, with associated energy and telecommunication installations and new meteorological equipment,
- Platform E was built and a new asphalt service road was built,
- Platforms B, C and platforms for deicing and relocation of deicing facilities have been expanded,
- New roads and parking lots have been built in front of the terminal and in the vicinity of the airport,
- A new heating plant and new waste and wastewater treatment plants were built.

With the reconstruction and expansion of the Terminal building, the surface area of the Terminal was increased to over 93 thousand square meters, and the number of waiting rooms was increased from 19 to 31. Through the project, the airport operator ensured the separation of passengers (departure / arrival / transfer), centralized security check of passengers, control of passengers in the transfer without interference, improved the control of passage from the public to the restricted zone of the facility by abolishing certain passages and introducing new ones.

The number of destinations has increased to 142 in 2024, and the number of passengers to over 8.4 million.

Work is currently underway on the commercial premises in the terminal building.

An in-depth reconstruction of the main runway was also carried out and a new, second, 3.5 km runway was built with additional taxiways. Ahead of the 2024 summer season, capacity has been increased at key passenger flow points, such as check-in counters, passport and security checks, and the baggage management system has been improved.

In addition, and in line with VINCI Airports' policy of aiming for net zero CO2 emissions by 2050, the airport has reduced CO2 emissions by 22% since 2018, increased the waste recycling rate to over 70%, and efficiently treats the sanitary wastewater generated at the airport complex. A solar power plant with a capacity of 1 MWp was also built, which produces electricity for the airport, approximately 1,130,000 kWh of electricity per year, which represents 10% of the airport's electricity needs.

Considering all ongoing projects, it is evident that investing in traffic infrastructure is a priority.

In March 2020, the Government of the Republic of Serbia adopted its first Regulation on subsidizing the purchase of new electric vehicles, which directly encourages the use of an environmentally friendly form of transport. Subsidy amounts are 250 and 500 euros for electric motorcycles and between 2,500 and 5,000 euros (depending on the type of drive) for electric cars. Subsidies are awarded through the Ministry of Environmental Protection. In addition, by amending the law (on taxes on the use, holding and carrying of goods), owners of hybrid vehicles are exempted from paying the tax on the use of motor vehicles.

Also, in 2024, the Government of the Republic of Serbia passed a Regulation on the conditions and method of implementing the subsidized purchase of new vehicles with an exclusively electric drive, which encourages the purchase of new vehicles with an exclusively electric drive in order to encourage an environmentally friendly form of transport.

In the light of supporting the transition to sustainable mobility, it is necessary to adopt a series of regulations and measures that would improve the conditions for the use of electric vehicles, both those concerning the construction and the regime of importing electric cars and charging for the energy used to charge them. Changes in regulations in this direction and additional measures should aim to create more favorable conditions for electric vehicles in the city, encourage the market of sustainable vehicles and contribute to the reduction of harmful gas emissions in urban areas.

Finally, subsidies for the installation of private charging infrastructure, especially for charging stations, to support the growth of the charging network and facilitate the charging of electric vehicles in urban areas are also missing from the current regulation of the Republic of Serbia.

The combination of electric vehicles with renewable energy sources would represent a key step towards a sustainable future. By using solar panels, wind turbines and other renewable sources to produce electricity, vehicles can be powered in an environmentally friendly way. This approach reduces dependence on fossil fuels and encour-

ages the transition to clean energy, thereby protecting the environment and contributing to global efforts to reduce emissions.

The initiative at the level of the Western Balkans with regard to the adoption of a detailed plan for the improvement of the Green Corridors also brings significant progress.

The comprehensive plan for the improvement of Green Corridors, improved customs cooperation and modernization of border/crossing points details initiatives aimed at facilitating trade and increasing efficiency between the Western Balkans and the EU. Established during the COVID-19 pandemic, the Green Corridors Initiative has proven successful in preserving trade flows and speeding up the customs clearance process for essential goods. Using the Electronic Data Interchange System, pre-arrival information sharing among customs and other inspection agencies is facilitated, benefiting trade within CEFTA and between the EU and the Western Balkans.

Key development steps include the expansion of the initiative to EU member states (Greece, Italy, Croatia) through a Memorandum on Data Exchange, with further phases planned. The plan emphasizes infrastructure improvement, digitization and capacity building at border crossings, with the aim of reducing waiting times, improving transparency and simplifying customs procedures. Coordination is entrusted to the EU-Western Balkans/CEFTA Green Belt Committee, supported by continuous EU initiatives and cooperation with regional partners. Future activities are aimed at improving the legal framework, expanding data exchange and implementing joint risk management strategies, all with the aim of encouraging economic growth and integration.

When it comes to the Transport Communities of the Western Balkans, this community focuses on the integration of the region into the European transport market through the operationalization of the new transport corridor Western Balkans-Eastern Mediterranean. This corridor connects eight EU member states with the Western Balkans, forming a single European transport network for the first time.

The main goal of the Transport Community is the complete harmonization of the transport markets of the Western Balkans with the EU, including the adoption of European standards and the organization of traffic. The revision of the Regulation on the Trans-European Transport Network, achieved at the end of 2023, is crucial for the integration of the Western Balkan partners in the newly established corridor.

The Next Generation Action Plans for the period 2025-2027 were adopted with the aim of responding to the needs of the region in the development of transport, directly supporting and aligning with the Growth Plan for the Western Balkans, accelerating reforms in the transport sector and the development of infrastructure necessary for regional integration and faster EU rapprochement.

Funding remains a key issue, given that current funds are insufficient to cover infrastructure needs. In this context, the New EU Growth Plan represents an important support mechanism for reforms in the area of transport in the Western Balkans, with an emphasis on European funding as a key factor for effective implementation of projects and reducing the risk of corruption, so it remains to be seen how this issue will be resolved on EU level.

Also, the board of directors of the Forum of Chambers of Commerce of the Adriatic-Ionian countries adopted the initiative of the Chamber of Commerce of Serbia and the Croatian Chamber of Commerce to speed up the flow of goods at border crossings between the EU and the Western Balkans in the Adriatic-Ionian region. The average waiting time for freight vehicles at the border is 10 hours, with a maximum recorded waiting time of 36 hours, which creates kilometer-long lines of vehicles and disrupts the safety and flow of passengers. These delays significantly reduce the competitiveness and economic development of the region, estimating losses of 130 million euros per year for transport companies. Improving rail infrastructure is key to reducing congestion at road crossings and emissions, which supports intermodal connections and economic growth.

REMAINING ISSUES

Traffic safety is the most important issue when it comes to transportation problems. The number of injured and deceased persons is increasing, which is contrary to the goals of the Road Traffic Safety Strategy 2023-2030. The ever-present problem of road traffic is also financing - funds from state income, as well as foreign investments, are not sufficient for maintenance, repair and construction of new roads, and the aggravating circumstance is the fact that this problem is directly related to traffic safety.

One of the outstanding issues is the lack of adequate infrastructure for the use of electric vehicles, which may become a

significant obstacle to the country's green energy agenda and may threaten the strategic importance of Corridors 10 and 11. On the other hand, it is encouraging that the Ministry of Construction, Transport and Infrastructure has recognized the need to improve this issue (the obligation to install chargers on roads of the first A1 order is regulated in the Law on Planning and Construction), and electric charging stations have been installed in certain places on Corridor 10. In addition to the fuel supply stations (SSG) located on Corridors 10 and 11, some large oil companies have also installed chargers for electric vehicles at their SSG's outside the highway network. However, there are several regulatory issues that need to be resolved in order to encourage this trend, as one of the obligations towards the EC and the EU is to achieve a certain share of energy from renewable sources in the transport sector.

Bylaws that were adopted in 2019 with companies that trade in fuels as taxpayers have not yet been fully implemented. In addition, they are not sufficient since the obligation of the Republic of Serbia is to transpose the Infrastructure Regulation for all alternative fuels (electricity; hydrogen; biogas and biofuels; transitional fossil fuels - natural gas in gaseous form as compressed natural gas and in liquid form as liquefied natural gas; liquefied petroleum gas; synthetic and paraffinic fuels derived from renewable energy sources and synthetic and paraffinic fuels obtained from non-renewable energy sources). In 2024, a draft law on the introduction of alternative fuels infrastructure was drafted, so far there is no information on when the adoption of this law is planned.

Modernization is the biggest problem of the railway sector. It is necessary to work on the improvement of this mode of transport, because a large number of railways are not used, while the speed of trains is not satisfactory on certain sections. Attention should be paid to the long-term plan for the development of rail transport and its harmonization with road transport, with the aim of increasing intermodality. Another one of the problems is the image of the railway, which should be actively changed in the eyes of public opinion, by changing the marketing policy.

The usefulness of other airports, besides Belgrade and Nis, should be increased, and a long-term strategy for the use of the entire Serbian aviation infrastructure should be devised.

When it comes to water transport, the biggest problem is financing - large funds are needed just to rebuild the infrastructure, which dates back to the period of the former Yugoslavia. Modernization and maintenance of the water transport system costs a lot. It is encouraging that the investment in the coming years in the total amount of 31 million euros has been announced, which will be aimed at the development of river transport and the protection of the natural features of the Danube. One of the positive examples is the reconstruction of the port of Smederevo.

Transport has become one of the burning issues of the green transition due to its significant role in greenhouse gas emissions, although other sectors have made progress in reducing emissions. According to estimates, the transport sector could account for as much as 44% of total EU greenhouse gas emissions by 2030, despite expected slight declines. This would significantly exceed the EU's emissions reduction target of -55% compared to 1990 levels.

Reasons for the rise in traffic emissions include increased human mobility, longer car journeys and significant growth in aviation emissions. Freight transport emissions are also on the rise, further contributing to the high level of emissions in the sector.

Although technological solutions such as electric cars are available, their wider implementation takes time, given the long lifespan of the existing European vehicle fleet. Although the number of new fully electric cars increased in 2024, this number is still very small, which shows the need for an accelerated transition and regulatory measures to support the transition to a more sustainable transport system

The European Union's initiative to regulate company cars as a means of increasing demand for electric vehicles is one step in that direction. This issue is the focus of an informal meeting of EU transport ministers in Brussels, where strategies for "green transport" and the fight against climate change in the transport sector are discussed.

Regarding the electricity consumed by EVs, the situation is as follows: it remains problematic that the electricity consumed when charging electric cars still cannot be charged, because no one has the permission/consent of the Electricity Supplier and Distribution System Operator for retail electricity trading. Therefore, those liable for the share of RES in transport, in addition to not being able to charge for this electricity, cannot prove that they have met part of their obligations for RES through electricity placed in the transport sector. Although a directive that foresees additional benefits if the merchant/owner of SSG obtains the

electricity used by EVs from their own production of electricity from renewable sources was passed at the EU level back in 2018, this directive has not yet been transposed into the legal framework of the Republic of Serbia.

International truck transport and the capacities of border crossings are another problem.

- In addition to attempts to improve the situation (Open Balkans, establishment of green corridors, integrated border crossing with North Macedonia), the fact is that the EU is the most important foreign trade partner, which is why the efficient development of transport with EU countries is of crucial importance. In this sense, the three border crossings to the EU are the most significant (Horgos and Kelebija to the Republic of Hungary and Batrovci to the Republic of Croatia). The usual time for a truck to stay at a border crossing ranges from 12 to 24 hours, depending on the period of the year, day of the week, etc., observed per truck tour of 24-48 hours. In addition to the direct negative effects on the transport industry itself, the indirect negative effects on the entire economy are reflected in extended delivery times, reductions in available transport capacities which are problematic anyway due to some other factors already mentioned in the document, the final prices of goods that are the subject of transport...
- International road transport takes place on the basis of permits issued annually by the Ministry of Construction, Transport and Infrastructure based on negotiations with the authorities of other countries. For years now, especially with countries with which there is an intensive exchange of goods, there was a noticeable lack of transport permits, especially in the last quarter. Transports to and from Austria, Italy, Poland, Spain, Greece are particularly problematic and there is regularly a problem of the available number of permits.

FIC RECOMMENDATIONS

- Introduce additional incentive measures for the construction of infrastructure for the use of electric vehicles. Also, it is necessary to provide an adequate regulatory framework that will enable the development of this sector and that takes into account the constructive recommendations of relevant stakeholders.
- Increase material quality control and inspection supervision during the performance of works; implement international standards of quality and project management in the public sector as well.
- Enter into public-private partnerships in areas of transportation that are vital, and which are not reserved for the state, and which the state is not able to independently train, restructure or modernize, that is, for which it is more optimal and efficient to do so in partnership with the private sector.
- Additionally, work on opening the market in railway traffic, with the aim of establishing the necessary institutional structures. The application of European standards in the implementation of technologies on the railway network, for the sake of interoperability and smooth traffic with neighboring countries in order to increase transport through Serbia, is crucial in this regard.
- Implementation of measures that will improve the characteristics of combined transport within the Serbian transport system.
- Conclusion of new and amendments to existing bilateral agreements in the field of air transport in order to increase Serbia's connectivity with Asia and North America.
- Making the most of the European Open Skies Agreement to improve connectivity in the region.

- Construction of (railway) infrastructure in order to connect the airport with the center of Belgrade in a better way.
- Temporary reduction of customs on electric vehicles to zero, regardless of their origin.
- Urgent investment in electric vehicle charging infrastructure and the development of sustainable transport options is recommended, with strict enforcement of regulatory measures encouraging the reduction of greenhouse gas emissions in the transport sector. It is necessary to complete and adopt the Law on the introduction of infrastructure for alternative fuels
- Introducing cheaper or free parking options for electric vehicles in certain city areas.
- Consider the introduction of incentives for the import of used electric cars, as part of a broader strategy to diversify the offer of electric vehicles on the market.
- Introduce subsidies for setting up private charging infrastructure, especially for charging stations.
- According to the legislation in force in the Republic of Serbia, there are no special license plates for electric vehicles, which would prevent privileged access to certain parts of the city, including "yellow" lanes intended for faster movement. Related to this is the lack of cheaper or free options for parking electric vehicles in certain city areas, in order to facilitate their use and reduce congestion.
- Cyber security in transport: With the increasing number of electric vehicles and their connection to the grid, it is crucial to include cyber security standards in the legislation. It is necessary to define obligations to protect charging data, manage the risks of cyber-attacks on the charging infrastructure and ensure that all relevant actors are involved in data protection and network security.
- It is necessary to develop and implement standards for the management of risks related to cyber-attacks, especially on critical infrastructure. The above includes:

    1. Risk assessment: Mandatory risk assessment of cyber-attacks and development of strategies to mitigate identified risks.
    2. Infrastructure Protection: Implementation of advanced technologies and safeguards for critical infrastructure, including redundancy and resilient systems.
    3. Incident response plans: Developing and testing incident management plans to minimize the impacts of cyber-attacks.

- Therefore, it is necessary to legally oblige transport market participants to regularly assess risks and implement appropriate protection measures for critical infrastructure, and to develop and test incident management plans.
- It is necessary to ensure that all relevant actors, including state institutions, the private sector and non-governmental organizations, are involved in data protection and network security, including:

    1. Coordination and cooperation: Creating platforms for coordination between different actors in order to improve cooperation and exchange of information on cyber threats.

2. Regulatory oversight: Introducing mechanisms for monitoring compliance with legislative standards and sanctioning violators.

3. Support and resources: Providing resources and support for small and medium-sized enterprises so that they can align their security practices with the standards.

- It is necessary to introduce legal provisions that oblige all relevant actors to coordinate and cooperate in the field of data protection and network security, while establishing regulatory oversight and providing resources to support compliance with standards.

- Autonomous vehicles and drones: As the technology of autonomous vehicles and drones advances, the legislative framework needs to be adapted to regulate their testing, use and integration into the traffic system. This includes defining standards for safety, liability in the event of accidents and ensuring that autonomous vehicles and drones comply with national regulations.

- The role of AI in logistics: The development of artificial intelligence (AI) in logistics brings opportunities for more efficient management of transport networks, route optimization and cost reduction. The legislative framework should support the development and application of AI technologies, while ensuring the ethical use of data and the protection of privacy.

- It is necessary for the Government to ensure understanding and synchronization with the governments of neighboring countries in activities aimed at improving efficiency and flow at border crossings.

- In order for the supply chain to function on the international market, the Ministry of Construction, Transport and Infrastructure should provide a greater number of transport permits, that is, consider abolishing the permit system.

TELECOMMUNICATIONS 2.27

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Excluding mobile telecommunications facilities from List 2 of the Regulation on establishing the List of Projects Requiring a Mandatory Impact Assessment and List of Projects that May Require an Environmental Impact Assessment, so that instead of making an environmental impact assessment for each individual base station, it would be sufficient to provide the competent authority with a notification on the installation of the base station together with relevant technical data on the base station, as well as measurement after its commissioning, where the local self-government has the possibility of inspection supervision.	2021	√		
Abolition of spatial restrictions for the construction and installation of mobile telecommunications infrastructure from spatial regulation plans, in terms of determining the minimum height of antennas and the minimum distance where base stations can be installed in relation to neighboring buildings, given that there is no comparative practice of EU countries for this, nor grounding in regulations and science.	2021			√
Amendments to the Rulebook on the limits of exposure to non-ionizing radiation in order to harmonize the reference threshold levels with the ICNIRP recommendations.	2023	√		
Amendments to the Rulebook on sources of non-ionizing radiation of special interest, types of sources, manner and period of their examination for the purpose of changing the definition of the term "source of special interest", bearing in mind the negative interpretation unjustifiably related exclusively to radio base stations, yet they are not the only sources of radiation as well as in terms of defining the decision-making process of the competent authority based on the Expert Assessment of Environmental Load, without initiating the environmental impact assessment procedure.	2021	√		
Education of expert departments, in cooperation with relevant ministries and RATEL, at the level of local self-governments on the impact of telecommunications devices on health and the environment and the application of special regulations relevant to the construction of radio base stations.	2021			√
Establishing a unified electronic procedure for reporting the installation of radio base stations and confirming compliance with prescribed requirements, as well as creating a single point of contact in the form of a public portal for all relevant stakeholders.	2019		√	
Conducting a public auction of radio frequency spectrum to renew the rights to use existing spectrum and to acquire new radio frequency spectrum for 5G technology by no later than the end of the first half of 2025. Operators propose and advocate for a straightforward auction model, with a price that will facilitate the seamless development of new technology and its rapid implementation, in line with positive examples from the region.	2021	√		

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Continuing the existing positive practice of involving the Foreign Investors Council and operators in the drafting of bylaws in accordance with the new Law on Electronic Communications through a transparent procedure, aimed at defining an optimal regulatory framework that will contribute to the further development of the electronic communications market.	2023	√		
Adoption of the new Law on Broadband Infrastructure (aligned with the Gigabit Infrastructure Act (2024/1209/EU), as well as with Directive 2018/1972 on the European Electronic Communications Code, which will define in detail the rights to use and access the infrastructure.	2021	√		
When negotiating international agreements in the field of electronic communications (particularly regarding roaming), it is necessary to organize a process of public consultations and include industry representatives in order to consider the technical specifics, deadlines and financial implications, aimed at increasing business predictability	2019		√	
Through the planned amendments to the Law on Copyright and Related Rights, establish a more transparent relationship between organizations and fee payers due to the identified risk of unlimited growth in flat-rate tariffs charged by the incumbent and the establishment of new organizations for the collective exercise of copyright	2023			√

The focus remains on the harmonization of the market with the regulatory framework brought by the new Law on Electronic Communications[1], especially with regards to the creation of conditions for conducting an auction for the issuance of individual licenses for the use of radio frequency bands for the implementation of public mobile electronic communications networks and services and the introduction of new technologies in order to further develop the electronic communications industry in the Republic of Serbia. Activities related to the improvement of regulations in the field of construction of telecommunications infrastructure and environmental protection have been initiated and partially implemented. Activities have begun on the drafting of the text of the Law on Measures to Reduce the Costs of Deploying Very High Capacity Electronic Communication Networks in order to improve regulations in the field of construction and installation of electronic communication networks, and significant steps have been made in terms of bylaws regulating the field of non-ionizing radiation. In 2025, the registration of prepaid users in the Republic of Serbia was successfully carried out.

CURRENT SITUATION

In February 2025, the Government of the Republic of Serbia adopted the Decree on Reducing Security Risks Associated with the Introduction of Fifth-Generation Mobile Networks[2], which fulfilled the legal and security prerequisite for the introduction of the new 5G technology. In May 2025, the Rulebook on Minimum Requirements for the Issuance of Individual Licenses on the Basis of a Public Bidding Procedure in the 700MHz, 900MHz, 1800MHz, 2100MHz, 2600MHz and 3.4-3.8GHz Radio Frequency Bands entered into force[3]. At the beginning of June 2025, the Regulatory Authority for Electronic Communications and Postal Services (hereinafter: RATEL) issued a Decision to initiate a public bidding procedure for the issuance of a maximum of three individual licenses for the use of the radio frequency spectrum in the aforementioned bands for the provision of public electronic communications services for the territory of the Republic of Serbia, for the period of validity until 5 March 2047. Shortly after the adoption of the aforementioned Decision, in July 2025, RATEL organized public

1 Law on Electronic Communications (Official Gazette of RS 35/23)

2 Decree on Defining Measures to Reduce Security Risks Related to the Introduction of Fifth Generation Mobile Networks (Official Gazette of the Republic of Serbia 17/25)

3 Regulation on minimum requirements for the issuance of individual licenses for the use of radio frequency spectrum on the basis of a public bidding procedure in the radio frequency bands 694-790 MHz, 880-915/925-960 MHz, 1710-1785/1805-1880 MHz, 1920-1980/2110-2170 MHz, 2500-2690 MHz and 3400-3800 MHz (Official Gazette of RS 44/25)

consultations regarding the documentation for the public tender for the allocation of individual licenses for the use of the radio frequency spectrum in the radio frequency bands 700 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2600 MHz and 3500 MHz. The Foreign Investors Council expects that the conditions defined in the tender documentation will be based on regulatory predictability, in order for the three existing mobile operators to ensure the continuity of electronic communications services and justify their previous investments in the market of the Republic of Serbia.

The Ministry of Information and Telecommunications, in cooperation with the Ministry of Environmental Protection, RATEL, and business entities registered for performing electronic communications activities, has initiated work on developing the specification for the Central Information System for Sources of Non-ionizing Radiation (CISIN). The system is intended to enable users to efficiently submit, track, and process relevant information and reports concerning sources of non-ionizing radiation in public areas. These are areas for which, in accordance with regulations, an environmental impact assessment procedure is not carried out and for which an expert assessment of environmental burden is submitted electronically to the competent environmental protection authority for exposure records.

In cooperation with the line ministries, the need to harmonize the bylaws of the Republic of Serbia related to non-ionizing radiation with the regulations of the European Union was recognized, taking into account the development of technology in the field of electronic communications and the increasing use of electronic communications services, and so in February 2025, new bylaws came into force: the Rulebook on Limits of Exposure to Non-Ionizing Radiation[4] and the Rulebook on Sources of Non-Ionizing Radiation of Special Interest[5], and after 15 years a major shift in this area has been made. One of the most important improvements to the new Rulebook is the fact that closed spaces of residential, business, school and other buildings are considered as the zone of increased sensitivity. In this way, the problem of the earlier definition of the zone of increased sensitivity was overcome, due to which every urban environment automatically had this status, as a result of which a maximum limit of 10% of the already restrictive values of the permissible level of electromagnetic fields was applied. This limitation has been one of the key barriers to enabling mobile signal capacity and coverage in urban areas.

In addition, in March 2025, the Ministry of Environmental Protection initiated the formation of a working group for the development of the Draft Law on Protection against Non-Ionizing Radiation in order to overcome the challenges that have been observed in the work of business entities so far on the basis of the existing Law on Protection against Non-Ionizing Radiation and make the entire system more efficient.

Also, in March 2024, the Ministry of Construction, Transport and Infrastructure issued an Instruction on the implementation of the provisions of the Law on Planning and Construction relating to the conditions for the installation of cable and wireless electronic communications infrastructure.

Prior to the publication of this year's edition of the White Book, the Law on Information Security was adopted with the aim of harmonizing with the EU Cyber Security Act and the EU NIS-2 Directive, which foresees measures for a high common level of cyber security within the single European digital market. Also, the Law on Information Security foresees the establishment of the Office for Information Security and the relocation of the national CERT from RATEL to the Office for Information Security.

Activities have begun on the drafting of the Law on Measures to Reduce the Costs of Deploying Very High Capacity Electronic Communications Networks, within the framework of a working group whose work includes representatives of the Foreign Investors Council and Operators. The adoption of this law will further improve the legal framework that will ensure a more efficient construction of electronic communications infrastructure necessary for further digital transformation of the Republic of Serbia. The adoption of the Law on Measures to Reduce the Costs of Deploying Very High Capacity Electronic Communications Networks is another step towards the approximation and harmonization of business operations with the regulations of the European Union, given that this Law provides the harmonization of operations with the Regulation on Gigabit Infrastructure (2024/1309/EU) Directive 2018/1972 and the European Electronic Communications Code. This law is expected to be adopted by the end of 2025. The Foreign Investors Council expects that the activities on the Law drafting will be carried out in a transparent and efficient

4 Regulation on Limits of Exposure to Non-Ionizing Radiation (Official Gazette of RS 16/25)

5 Regulation on Sources of Non-Ionizing Radiation of Special Interest, Types of Sources, Method and Period of Their Testing (Official Gazette of RS 16/25)

manner in order to create optimal conditions for sustainable construction and investment in telecommunications, and especially in 5G infrastructure throughout Serbia.

In February 2025, the Ministry of Information and Telecommunications conducted a Public Call for participation in the implementation of the Program for the Development of Broadband Communication Infrastructure in Rural and Underdeveloped Areas of the Republic of Serbia for the period 2024-2026. years for the areas for which the economic entities have not expressed investment plans.

By amending the Rulebook on Technical Conditions for Registration of Prepaid Services (Official Gazette RS 10/25), the deadline for registration of existing prepaid users has been extended until April 10, 2025, while for new prepaid users, the deadline for mandatory registration has remained February 10, 2025. Users of prepaid electronic communications services have the opportunity to register physically, at the operator's points of sale, but also online, using the basic level of reliability electronic identification scheme. This completes a whole series of activities related to the mandatory registration of prepaid users and the Republic of Serbia is included in the list of countries where this obligation already exists.

In November 2024, a new Rulebook on Access to Emergency Services came into force[6], and activities on the establishment of the National 112 System are expected in the coming period. 112 is the European emergency number used within the European Union. Although it is possible to call this number in the Republic of Serbia, the current situation is that after calling this short code, the Police Directorate (192) is obtained, which further redirects the call to the emergency service that the user needs.

In December 2024, the Rulebook on information on the terms of the contract that the provider of publicly available electronic communications services is obliged to publish, the manner of their publication and deadlines, the form of the summary of the contract and the content of the notification of the intention to unilaterally change the terms of the contract and the right of the end user to terminate the contract before the expiry of the period for which it was concluded (Official Gazette of the Republic of Serbia 98/24) entered into force with the application which was supposed to be from 1 July 2025. However, with the Rulebook on Amendments to the said Rulebook (Official Gazette RS 45/25), the originally defined deadline for implementation has been postponed to September 1, 2025. The postponement of the implementation deadline was based on the operator's initiative to enable a longer deadline due to the complexity of implementation and additional development on telecommunications systems.

At the end of May 2025, the Rulebook on Establishing the Numbering Plan came into force[7], which, among other things, introduces a novelty regarding the regulation of short SMS codes, and business entities were given a deadline of December 31, 2026 to harmonize their business, i.e. short SMS codes to be harmonized with short SMS codes as regulated by the said Rulebook on the establishment of the Numbering Plan. Also, from the date of entry into force of this Rulebook until July 1, 2027, the length of the subscriber's geographic number may be five digits. After the expiration of this period, compliance with the Rules in this area must be carried out.

In July 2024, the Rulebook on the Out-of-Court Dispute Resolution Procedure before the Regulatory Authority for Electronic Communications and Postal Services was adopted[8], and its implementation began at the beginning of 2025. The Rulebook has further improved the level of protection of end users and provided an efficient and simple mechanism for resolving disputes before RATEL, further strengthening its role and importance in the electronic communications market. This further emphasized the need for efficient and reliable communication between RATEL and operators, so that the digitization of communication (instead of printing and sending documents by mail) would bring added value, bearing in mind that RATEL has already made significant progress in digitalization in the exercise of its other competencies in relation to operators and end users.

It is also important to note that at the end of 2024, bylaws related to the joint use of the electronic communications network as well as the installation of the electronic communication network to the premises of the end user during the construction or reconstruction of business and residential buildings came into force. Also, in July 2025, the implementation of a new bylaw related to the conditions, manner of change and obligations of Internet access service providers began. These bylaws bring improvements from the point

6 (Official Gazette of RS 87/24)

7 (Official Gazette of RS 44/25)

8 ("Official Gazette of the Republic of Serbia", No. 58 of 5 July 2024)

of view of end users in terms of the possibility of choosing a service provider as well as from the point of view of competitiveness in the market.

In March 2025, the implementation of the new Rulebook on the conditions for the assignment and use of the radio frequency spectrum began. Instead of the current practice of submitting applications for the issuance of individual licenses for the use of frequencies for radio base stations and the issuance of licenses, this Regulation introduces the procedure of recording radio base stations after commissioning. In this way, administrative obligations are significantly reduced, as well as the time required to meet the conditions before the source is put into operation.

Also, in May 2025, the provisions of the Law on Payment Services[9] concerning the operation of operators of public mobile telecommunications networks and services related to services provided by operators as additional services began to be implemented. These provisions define certain financial limits in terms of the maximum amounts of a single transaction, i.e. the total value of all individual transactions carried out in a given calendar month.

Joint meetings of the EU-WB Declaration signatories to the Roaming Declaration continued in 2025. Based on RATEL data on the traffic of users of mobile operators operating in the territory of the Republic of Serbia, the traffic of both users in the country and traffic during their stay in roaming is continuously increasing, which is a direct consequence of lowering the prices of roaming services. It is also important that all three mobile operators operating in the Republic of Serbia continuously invest significant efforts in improving the offer of roaming services to their customers, both in terms of quality and quantity of content, as well as from the point of view of cost-effectiveness and accessibility.

The work on the Law on Measures to Reduce the Costs of Installing Very High Capacity Electronic Communications Networks[10], a regulation that should enable the facilitated installation of new telecommunications infrastructure, has reopened the discussion on the problem of damage to existing optics during construction works. Namely, the spread and routes of parts of the operator's infrastructure are not known in advance to construction investors, who often cut the fiber optics during construction work, thereby causing damage not only to the operator but also to the end users who are left without service.

This refers to the so-called "mapped" lines of optical cables, i.e. optical fibers for which the operators have duly submitted documentation for registration in the Cadastre of Lines, but for which the Republic Geodetic Authority has not carried out the procedure to the end. As a result, this optics is visible in some form in the Cadastre of Lines, but there is no data on their ownership. The current procedure based on the Law on Planning and Construction, which implies that the local self-government determines the status of the holder of public authority, is not effective because these requests often remain unanswered.

Therefore, it is necessary to solve this problem as soon as possible in cooperation with the ministries responsible for construction and telecommunications, so that operators can participate in the issuance of conditions in the process of determining location conditions and thus prevent damage to the telecommunications infrastructure.

POSITIVE DEVELOPMENTS

Communication with the Ministry of Information and Telecommunications, the Ministry of Environmental Protection and RATEL is transparent, with two-way communication, which has resulted in successfully implemented activities in various areas of cooperation and the expectations of the Foreign Investors Council are to continue positive practice through open dialogue, with the application of expert knowledge and involvement of the economy, following the example of positive examples from practice and implement with solutions that can provide the best results.

Accordingly, it is expected that the process and format of public bidding for the allocation of individual licenses for the use of radio frequency spectrum in the radio frequency bands 700 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2600 MHz and 3500 MHz will be successfully implemented by the end of 2025, taking into account the needs of the market and the business continuity of existing mobile operators in accordance with the Regulation on minimum requirements for issuance of individual licenses for the use of radio frequency spectrum on the basis of a public bidding procedure in the radio frequency bands 694-790 MHz, 880-915/925-960 MHz, 1710-1785/1805-1880 MHz, 1920-

9 (Official Gazette of RS 139/14, 44/18 and 64/24)

10 The new name of the law is - Law on Measures to Reduce the Costs of Deploying Very High Capacity Electronic Communication Networks

1980/2110-2170 MHz, 2500-2690 MHz and 3400-3800 MHz (Official Gazette of RS 44/25).

This year, we emphasize the importance of the support of the relevant Ministry to the activities of the Foreign Investors Council and Operators to improve regulations in the field of environmental protection, in order to improve the process during the construction of base stations. In this regard, the Foreign Investors Council welcomes the support of the competent Ministry in the activities aimed at pointing out to the Ministry of Environmental Protection the need to amend bylaws governing the field of non-ionizing radiation, i.e. harmonization of the acts in question with the comparative practice of the European Union and generally accepted international standards. The result is the adoption of a new Rulebook on Limits of Exposure to Non-Ionizing Radiation[11] and Rulebook on Sources of Non-Ionizing Radiation of Special Interest, Types of Sources, Method and Period of Their Testing[12]. It is also important that activities are underway to establish the Central Information System for Non-Ionizing Radiation Sources (CISIN) and that activities have begun on the drafting of the Law on Protection against Non-Ionizing Radiation.

With the successful registration of prepaid users, a higher level of security and prevention of misuse of electronic means of communication by anonymous use of prepaid services has been achieved, following the example of the positive practice of mandatory registration of these users in Europe and the world.

Generally, the previous period was marked by a number of activities related to the drafting of bylaws by RATEL, harmonized with the new Law on Electronic Communications, which are aimed at greater rights and protection of users, as well as on encouraging competition and equal treatment of market participants.

REMAINING ISSUES

Although significant progress has been made, the problem of setting up radio base stations and the issue of implementing protection environmental regulations represent a significant barrier to the construction of telecommunications infrastructure in practice, and it is necessary to intensify activities based on the conclusions of the Expert Group for the Reduction of Administrative Barriers to the Installation of Mobile Radio Base Stations and to start the implementation of the reform of this area as soon as possible, which will enable more efficient installation of base stations as a prerequisite for the implementation of 5G technology in the Republic of Serbia. It is also important to plan and implement education programs on this topic, to begin with employees in the state administration and then beyond, in order to include the widest possible range of citizens of the Republic of Serbia.

It is necessary to continue activities related to the drafting and adoption of the Law on Measures to Reduce the Costs of Deploying Very High Capacity Electronic Communications Networks, which should be harmonized with the Gigabit Infrastructure Act (2024/1209/EU), as well as with Directive 2018/1972 on the European Electronic Communications Code), which will specifically regulate issues such as the facilitated procedure for obtaining all necessary permits, coordination of ongoing and planned construction works and public publication of real-time data on works through a single information point (a public portal under the jurisdiction of public sector bodies); regulating the rights of access of operators to publicly owned facilities and the conditions of use of public facilities and public infrastructure for the purpose of accommodating telecommunications infrastructure (e.g. short-range wireless access points (WAS/RLAN networks); as well as defining in detail the rights of use and access to infrastructure. These activities are expected to be implemented by the end of 2025, bearing in mind that this would create conditions for additional investments in the field of telecommunications and at the same time ensure quality Internet access to all citizens in our country.

Also, it is necessary to undertake certain activities in the upcoming period to overcome the existing problems observed during the issuance of location conditions and building permits for the purpose of laying fiber optic cables, especially in terms of breaking the deadlines defined by regulations in the field of planning and construction.

It is also necessary to harmonize the urban and spatial plans of local self-government units with the provisions of the new Law on Planning and Construction as soon as possible, especially in the part related to the correction of restrictions that currently negatively affect the functioning and further development of the mobile network.

11 (Official Gazette of RS 16/25)

12 (Official Gazette of RS 16/25)

Of particular importance is to amend the Decree on the Establishment of the List of Projects for which an Impact Assessment is Mandatory and the List of Projects for which an Environmental Impact Assessment may be required - in the sense that radio base stations are not of importance when it comes to projects for which an Environmental Impact Assessment may be required - because all relevant information is contained in the Expert Environmental Impact Assessment.

Once again, we would like to point out that the introduction of CISIN is a necessary condition in order to be able to establish an electronic procedure on the registration of radio base stations, instead of the existing administratively extremely demanding and lengthy procedure that lasts for several months and cannot follow modern trends in the development of telecommunications.

We welcome the introduction of electronic records of radio stations (ERS), which RATEL introduced instead of the previous procedure for issuing individual licenses for each radio base station, but we also draw attention to the fact that before the release of the 5G spectrum, it is necessary to introduce CISIN – as an electronic procedure that monitors the ERS from the environmental perspective. Otherwise, we draw attention to a potential problem, as the current administration will not be able to support plans for the 5G network in real time.

A significant problem, which is increasingly coming to the fore with the establishment of new organizations and the activities of existing ones, are the disproportionately high fees of organizations for collective protection of copyrights towards the telecommunications industry.

In 2023, the Intellectual Property Office adopted the Uniform Tariff for the Exercise of the Right to a Special Fee, which determines the amount of the special fee on the import, i.e. sale of new technical devices and blank sound, image and text carriers that can be reasonably assumed to be used for the reproduction of copyright works and objects of related rights. The single tariff was adopted after unsuccessful negotiations between collective organizations for the exercise of copyright and related rights and manufacturers and importers of technical devices and the aforementioned blank carriers. The manufacturers and importers of technical devices and the aforementioned carriers are liable to pay the fee.

In July 2023, the Association of Authors – Organization of Creators of Fine Arts ("AA"), i.e. an organization for the collective management of copyright property rights of visual artists, began its work. Negotiations between AA and operators of electronic communications services providing media content distribution services on the tariff of fees for cable retransmission were unsuccessfully concluded at the end of 2023. AA proposed that the amount of the fee should be 2.37% of the operator's revenues from the distribution of media content, which is a disproportionately high fee compared to the importance that the exploitation of protected subject matter has for the operator's activity and revenues. At the beginning of 2024, the operators turned to the Intellectual Property Office, pointing out the inadequacy of the tariff proposal by AA, but as of the date of compilation of this report, the outcome of the procedure for determining the tariff of fees initiated by AA before the Office during 2024 is unknown.

Based on the above facts, it can be concluded that in the past period there has been a significant increase in the number of organizations for collective management of copyright and related rights and the adoption of new tariffs (the tariff of AA fees has yet to be determined), which has led to an increase in the administrative and financial burden for users of protected subject matter. Such trends further point to the importance of ensuring an appropriate degree of transparency in the establishment of collecting societies and the adoption of their tariffs, as well as the need for efficient, continuous and transparent control of the work of collecting societies.

In this regard, we would like to point out that the Draft Law on Copyright and Related Rights does not contribute to the creation of conditions for a better balance of power between organizations and fee payers, and that there is a risk of further unlimited growth of the flat-rate tariffs of the existing and the establishment of new organizations for the collective management of copyrights. In addition, there is no indication in which direction the activities on this issue will proceed, which introduces a certain level of uncertainty from the point of view of the amount of costs that may arise from these fees.

FIC RECOMMENDATIONS

- Exclusion of telecommunications mobile telephony facilities from List 2 of the Regulation establishing the list of projects for which an impact assessment is mandatory and the List of projects for which an environmental impact assessment may be required, so that instead of preparing an environmental impact assessment for each individual base station, it would be sufficient to submit a notification on the installation of the base station to the competent authority before its commissioning, together with the relevant technical data on the base station, as well as measurement after the station is put into operation, whereby the local self-government has the possibility of inspection supervision. A draft regulation that was subject to public consultation in June 2025 provides for this repeal.

- Abolition of spatial restrictions for the construction and installation of mobile telecommunications infrastructure from spatial regulation plans, in terms of determining the minimum height of antennas and the minimum distance where base stations can be placed in relation to neighbouring facilities, given that there is neither comparative practice of EU countries nor grounding in regulations and science.

- Drafting of the Law on Protection against Non-Ionizing Radiation through a transparent process of involving all relevant stakeholders in its drafting and adoption of the new law.

- Education of professional services, in cooperation with line ministries and RATEL, at the level of local self-governments on the impact of telecommunication devices on health and the environment and the implementation of special regulations relevant to the construction of radio base stations.

- Establishment of a single electronic procedure for reporting the installation of radio base stations and confirmation of compliance with the prescribed conditions, and the establishment of a single point of contact in the form of a public portal for all relevant stakeholders.

- Holding a public tender of the radio frequency spectrum in order to renew the right to use the existing spectrum, as well as the acquisition of a new radio frequency spectrum that will be used for 5G technology by the end of 2025 at the latest. The operators propose and advocate a simple auction model at a price that will enable the smooth development of new technology and its rapid implementation, in accordance with positive examples from the environment.

- Adoption of the new Law on Broadband Infrastructure (harmonized with the Gigabit Infrastructure Act (2024/1209/EU), as well as with Directive 2018/1972 on the European Electronic Communications Code, which will define in detail the rights of use and access to infrastructure by the end of 2025.

- When negotiating international agreements in the field of electronic communications (especially regarding roaming regulation), it is necessary to organize a process of public consultations and involve industry representatives in it, in order to consider the technical specifics, deadlines and financial implications to increase business predictability.

- Introduction of a digital communication process between RATEL and the operator in the exercise of RATEL's competencies (especially in terms of resolving out-of-court disputes, submission of petitions and letters) in order to achieve greater efficiency, safety, savings and environmental protection.

- The planned amendments to the Law on Copyright and Related Rights should establish a more transparent approach in the relationship between organizations and fee payers due to the perceived risk of unlimited growth of flat-rate tariffs of existing and the establishment of new organizations for collective management of copyright in order to establish regulatory predictability.

- It is necessary for the competent authorities to solve the problem regarding the inefficiency of the procedure for acquiring the status of the holder of public authority at the level of local self-governments, in accordance with the Decree on Location Conditions ("Official Gazette of the Republic of Serbia", No. 87/2023), in order to enable the granting of conditions in the procedure for issuing location conditions through the unified procedure through the acquisition of the said status.

DIGITALIZATION AND E-COMMERCE 2.50

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Increase information security within public administration and state-owned enterprises to ensure the uninterrupted functioning of these entities and prevent the misuse of citizens' data.	2024		√	
Enact a new Law on Information Security and align it with the EU's NIS2 Directive.	2024	√		
Pass a Law on Artificial Intelligence that will regulate the application of this technology in a way that promotes innovation while respecting human rights and freedoms. Establish mandatory risk assessment mechanisms and prior testing of systems used in critical infrastructure sectors, as well as in sensitive areas such as healthcare.	2024		√	
Enable the development and introduction of second-generation video identification through biometric protection as part of client verification processes, with the goal of further improving client security and fostering the continued development of digitalization in Serbia.	2020	√		

CURENT SITUATION

In 2025, artificial intelligence (AI) continues to be the driver of digital transformation, with a significant expansion of its application in the economy as well as everyday life. In the telecommunications sector, AI is used to improve network efficiency, automate customer support, and predictively maintain infrastructure. The financial sector is introducing AI solutions to combat fraud, analyze credit risk, and personalize services. The manufacturing industry is implementing AI in smart factories for quality control and supply chain optimization.

The most pronounced technological trend in the past year is the accelerated commercialization of the so-called agent AI systems – autonomous software agents that can plan and execute complex tasks on behalf of users. These systems are moving beyond the passive role of existing models and are increasingly taking an active part in decision-making, which raises new questions in terms of accountability, security and transparency.

At the regulatory level, 2025 is the year in which the European Union's AI Act begins to be put into practice. National legislators, including Serbia as a candidate for EU membership, have begun to align the domestic legal framework with this regulatory model, which, in addition to risk classification, now also includes specific obligations related to testing, documentation, human oversight and transparency of high-risk systems. Special emphasis is placed on the so-called "foundation models" – large language and multimodal models, which are subject to additional obligations due to their systemic impact. In the field of regulation, the implementation of the AI Act of the European Union began in 2025. Since February, AI systems with unacceptable risk have been banned, and since August, *the General Purpose AI systems Codes of Practices* have been implemented, based on Foundation models, trained on large amounts of data, which perform a wide range of different tasks, including high-risk *use-cases*.

At the proposal of the Ministry of Science, Technological Development and Innovation, in January 2025, the Government of the Republic of Serbia adopted the Strategy for the Development of Artificial Intelligence for the period from 2025 to 2030. The strategy was created as a result of a wide range of consultations with the expert community with the expert opinion of the Government Council for Artificial Intelligence. It is a continuation of the previous strategy (2020-2025) and aims to improve AI in key areas such as education, science, economy, public sector, while taking into account the ethical and safety aspects of its use. The Artificial Intelligence Act is being drafted. Serbia has positioned itself as a leader in the region, which has been

recognized through its chairmanship of the Global Partnership for Artificial Intelligence.

Through the programs of the Science Fund and the Innovation Fund, additional investments in computer infrastructure and the National Platform for Artificial Intelligence are envisaged - a supercomputer installed in the state Data Center in Kragujevac, given free of charge to all technical faculties, institutes and science and technology parks and start-ups operating within the parks. In the year behind us, the trend of growth in the use and reliance on information and communication technologies in everyday life and business continued. According to the Statistical Office of the Republic of Serbia[1] from October 2025, over 89% of people in the Republic of Serbia use the Internet several times during the day in 2025. In 2025, 24.8% of the internet population used the internet to print official forms from a public administration website or app. In the last three months, 53.6% of internet users have purchased/ordered goods or services online.

In the previous three editions of the White Book, we pointed out that since the epidemic period, there have been trends of increasing the volume of trade via the Internet. A similar trend has continued in the past. According to data from the National Bank of Serbia (NBS)[2], in the first quarter of 2025, significant growth in online shopping continued. In the first quarter of 2025, the total number of online purchases increased by 40.1% compared to the same period last year. There were 23.6 million online purchases, of which 16.5 million on domestic websites and 7.1 million on foreign websites. The most common currencies are the dinar, the euro and the dollar. Of all online purchases made in the first quarter of 2025, more than two-thirds (69.8%) were made in the domestic currency.

The new Strategy for the Development of Artificial Intelligence in Serbia for the period 2025-2030 is a step forward towards positioning Serbia as a regional leader in digital transformation. It is encouraging that key areas of AI application – healthcare, agriculture, education, biotechnology and cybersecurity – have been clearly identified, which opens up concrete opportunities for the development of the private and public sectors. We also commend the focus on technical infrastructure, including the expansion of supercomputing capacities and the National Artificial Intelligence Platform, as well as the continuous digitalization of public administration with the notable contribution of the Office for IT and eGovernment. Education occupies one of the central places in the Strategy, which is crucial for the development of domestic staff. However, given the large number of areas covered, it will be important to define clear priorities and focus resources on their implementation in the coming years.

The government has also formed a working group tasked with proposing a draft law on artificial intelligence.

In the previous period, work began on amendments to the Law on E-Government, which, among other things, should regulate the concept of smart cities, as well as the use of cloud technologies in public administration.

In the coming period, further work is expected on amendments to the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business, with the aim of harmonizing this regulation with the eIDAS 2 Regulation of the European Union. This regulation introduces digital wallets for the secure storage of certificates and digital identities, as well as the wider use of electronic identification schemes in the private and public sectors.

In September 2024, the number of almost 2.6 million citizens who have an account on the eGovernment portal was reached, while 1.2 million have the Consent ID application installed. This is contributed by the fact that the number of services supported by eGovernment is continuously increasing, making it easier for citizens to use numerous services both in the domain of the state and in the domain of the private sector.

POSITIVE DEVELOPMENTS

The year behind us was marked by the massive use of digital identity for the purpose of registering prepaid mobile phone numbers. Citizens had at their disposal electronic identification schemes of operators based on video identification, as well as a scheme based on an eGovernment account. In addition to comparison with a photo of a personal document, the aforementioned video identification includes modern biometric solutions that use the phone's camera to check facial expressions and confirm the presence of the user at the time of identification (the so-called liveness). In this way, user identification is completely relia-

1 https://www.stat.gov.rs/sr-latn/vesti/20251024-upotreba-ikt-a-pojedinci-2025/?s=2702

2 https://www.nbs.rs/sr/scripts/showcontent/index.html?id=20697

ble, and the new generation of video identification brings great potential for concluding contracts. Liveness has also found application in banking, where one of the country's leading digital banks has already integrated this functionality into its banking app. The Council expects that after confirming all the advantages of this technology, it will be possible to open an account in this way.

The Government of the Republic of Serbia and the Office for IT and eGovernment, as the central authority in charge of coordinating activities in the field of e-government, management of public IT infrastructure and information security, continue to implement the Digital Agenda.

In addition to the projects that have already come to life, a number of ambitious initiatives should be emphasized, mainly developed by the Office for IT and eGovernment, and the implementation of which will bring significant improvements in the interaction of citizens and the economy with the state in the coming period.

In cooperation with the Ministry of Finance, a Register of Fees and Charges is being prepared, which will enable unified monitoring, electronic payment and updating of all state taxes and parafiscal charges, modeled on the existing system in the Ministry of the Interior. This reform should ensure greater transparency and simpler collection of non-tax revenues

The eSickness project is also being developed, which aims to connect health institutions, the National Health Insurance Fund and employers. With the introduction of electronic communication between these entities, the need for the submission of paper remittances by employees would be abolished, and the system could provide insight into the statistics of the use of sick leave in Serbia.

The Office is also working on the formation of a national application eSrbija, which would integrate services such as eGovernment, eMailbox and Expo 2027. The FIC is particularly interested in the idea that there is an eMailbox application, which could eventually become a central place for receiving all official notifications and decisions of state bodies and institutions on the requirements and rights of citizens. Such a service would be complementary to electronic payment services as well as a digital wallet service, which is also planned. Namely, following the development of the so-called eIDAS 2.0 EU Regulation, among the strategic projects developed by the IT Office is a digital wallet. It is an application that has the purpose of storing electronically signed documents, driver's and traffic licenses, birth certificates and other personal documents that would be available to citizens at any time.

These projects demonstrate the Office's clear commitment to digital transformation and open up space for us to see progress in the years to come through concrete results and wide application in practice.

In previous years, some of the key state institutions and public companies such as the Real Estate Cadastre (RGZ) and the Electric Power Industry of Serbia (EPS) have been the subject of hacker attacks that have led to significant problems in their functioning and providing services to citizens. By depositing the source software code of EPS in the State Data Center, a positive step forward has been made, because now EPS will have a backup copy of its information systems that are reliably kept, which will enable business continuity and a better reaction in the event of new unforeseen circumstances. The Law on Infromation Security was adopted, which represents a significant step forward in the regulation of digital security. The law clearly defines ICT system operators of special importance, divided into priority and important, with the obligatory strengthening of inspection supervision, stricter penalties and expansion of the competences of the National CERT. It is envisaged to establish the Information Security Office, which will become the holder of CERT functions and the central instance for coordinating the protection of ICT systems in the transitional period under the auspices of the Office for IT and eGovernment, and the planned date of independent start of work is January 1, 2027.

In order to raise the quality and availability of digital services, the first AI-chat bots have been introduced, which enable citizens to provide interactive support in state processes.

A digital assistant based on artificial intelligence has been implemented on the eGovernment portal, which uses everyday language to direct citizens to the desired service and make navigation through the portal faster and easier. In the next phase of development, it is planned to move from informative to transactional functionality – such as scheduling appointments, filling out forms and automating various administrative actions. Also, a Virtual Assistant for the Alimony Fund has been created, provides answers to questions related to the right to temporary maintenance and guides users through the necessary procedures.

These initiatives represent a concrete step forward in the integration of artificial intelligence into government services and open the perspective for further development of interactive, transactional AI tools in e-government.

Shortly before the end of this edition of the White Book, the Law on Information Security was adopted, the effects of which we will comment on in the next edition.

In the financial services sector, the trend of further development of digital services and regulatory solutions has continued, enabling further modernization and digitalization. More details are provided in the texts of this edition of the White Book "Payment Services" and "Protection of Financial Services Users"

REMAINING ISSUES

Following the successful implementation of the project "My Data for My Bank" based on the exchange of data between the public and private sectors, the Telecommunications and Digital Economy Committee sees an opportunity for further digitalization of business in new initiatives of this type.

Procedures in public administration have been significantly accelerated by the integration of state institutions and the automatic exchange of documents. We believe that similar cooperation between banks, mobile operators, insurance and other business entities with state authorities can contribute to greater efficiency and security of business. Exchanging data with the Tax Administration, the Social Insurance Registry and the Credit Bureau in order to assess real creditworthiness and protect against fraud, enabling the verification of the validity of the ID card through the Ministry of the Interior when concluding a contract, or using the e-Government mailbox for the delivery of documentation, are just some of the examples in which we see this potential.

Over the past five years, there has been a lot of progress when it comes to e-commerce regulations. However, regulations governing other areas are often a barrier to the digitalization of business. These regulations are not easy to change, given that they are often based on the wrong paradigm that paper is a more secure and transparent form of document compared to an electronic document.

In conclusion, we note that a great effort and progress has been made in order to enable further digitalization of the economy and the public sector in the past period, and that the readiness of all state institutions to continue in this spirit in the coming period is noticeable.

FIC RECOMMENDATIONS

- Increasing the information security of the state administration and public companies in order to enable the smooth functioning of these entities and prevent the misuse of citizens' data.
- Adoption of the Law on Artificial Intelligence, which will regulate the application of this technology in such a way as to enable further development of innovations while respecting human rights and freedoms. It is necessary to regulate the mechanisms of mandatory risk assessment and pre-testing of systems used in critical infrastructure sectors, as well as in sensitive areas such as healthcare.
- To enable the development and introduction of the second generation of video identification in the form of biometric protection as part of the customer verification process, with the aim of further improving customer security and encouraging further development of digitalization in Serbia.
- Adoption of the Law on e-sickleave, which provides for the electronic exchange of medical and other documentation between the health institution – employer – the National Health Insurance Fund, with the aim of abolishing paper remittances submitted by employees to the employer.

REAL ESTATE AND CONSTRUCTION

1.32

Despite the decline in the number of foreign direct investments in Serbia, the real estate market remains an attractive area for investment. In addition to traditional commercial and residential buildings, there is a growing interest in hotel facilities, as well as modern facilities and infrastructure for industries that use advanced technologies, such as telecommunications infrastructure, data centers or eco-industrial parks.

Work continued on the improvement of regulations governing construction, primarily through amendments to the Law on Planning and Construction, which for the most part eliminate inconsistencies and ambiguities in the regulation itself, which were observed in practice during the implementation of the law. Also, a completely new Law on Special Conditions for Recording and Registering Rights to Real Estate was adopted, which made a new step towards solving the problem of illegal construction. The general observation is that any simplification and digitalization of procedures has so far proven to be a successful step in improving the investment climate. The most positive examples of this are the digitalization of the work of the Real Estate Cadastre, the introduction of a unified procedure for obtaining building permits, as well as the introduction of electronic services for the procedures for issuing and extending energy permits and procedures related to the preparation of an environmental impact assessment study. In this regard, it can be expected that these legislative activities will also have a positive impact on the business environment.

On the other hand, the practice of adopting lex specialis for individual projects are examples of interventions that do not properly address the real needs of the business community. Although the intention to enable the implementation of projects that are of strategic importance for the Republic of Serbia is understandable, such interventions in the long run weaken the position of other investors in the market, which should be the driver of economic growth and development. In the further period, special attention should be paid to improving the capacities of the authorities responsible for issuing building permits, the Real Estate Cadastre and the Cadastre of Lines, as well as the Agency for Spatial Planning and Urban Planning of the Republic of Serbia, and investing in the coordination of their work with other holders of public authority in order to make the implementation of procedures related to real estate and construction as efficient as possible. with predictable requirements and duration.

CONSTRUCTION LAND AND DEVELOPMENT 1.45

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Construction land				
It is necessary for the authorities responsible for issuing use permits for a facility in the unified procedure to accept other evidence (such as expert reports, written confirmations from the electricity distribution company - EDB and/or EMS) that the related infrastructure for the respective facility has been built.	2023	√		
It is necessary for the authorities responsible for issuing permits in the unified procedure to issue them with appropriate content and enable the registration of ownership rights for investors on the entire newly constructed facilities without obligation of investor to obtain additional specific documentation (expert opinions, etc.). They should also promptly provide the issued permits to the relevant cadastral authorities or utility departments (in the case of constructed utility networks) for implementation on an official basis.	2021			√
Legalization				
Amendments to the Legalization Law in order to limit the prohibition of disposal only to buildings that cannot be legalized. To that end, the legalization administration should, upon request of the applicant, issue a certificate, stating whether a relevant building falls under exceptions which cannot be legalized – in case it is not within these exceptions, disposal should be possible.	2021		√	
It is necessary that the Decision on legalization has the power of a construction permit and a use permit.	2021		√	
The provisions of the law should be amended to introduce alternative means of proof for underground utility networks, such as project documentation of the completed facility, which was prepared before November 2015.	2023		√	
Licenses for performing construction activities				
Enactment of rulebook on issuance of licences for constructing buildings for which the municipalities issue construction permits	2021			√
Clarification that if a subcontractor engaged by a contractor has required license, then the contractor is not obliged to have that license, and vice versa;	2024			√
Provision of the current Planning and Construction Law, that require foreign contractors to obtain Big Licenses for complex infrastructure projects, should be amended in order to allow contractors from EU to participate in tenders and perform design/construction works for the projects financed by the international financial institutions without facing the cumbersome licensing process. The amendments can be implemented through:	2024			√
(i) adoption of the Law on Amendment of the Planning and Construction Law;	2024			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
(ii) lex specialis, modelled after the existing Metro Law, which permits the use of foreign licenses for metro construction projects;	2024			√
(iii) Loan agreements with international financial institutions, for financing of construction of specific project in Serbia, are concluded in the form on the law on indebtedness adopted by the Parliament, which by its form and substance represents lex specialis.	2024			√

CURRENT SITUATION

The Foreign Investors Council continues to focus on the implementation of the Law on Planning and Construction, with particular emphasis on the procedures for issuing permits, the status of construction land, and the legalization of buildings.

The issue of ownership rights over land and mixed forms of state and private ownership has been recognized as one of the leading problems in the real estate construction process. Until 2009, the state was the sole owner of construction land, and the only rights individuals or legal entities could have, were the right of permanent use or a long-term lease of up to 99 years.

Construction

The Law on Planning and Construction has undergone several amendments over the past few years. Amendments adopted in 2023, provided the simplification of the building permit issuance process, improvement of energy efficiency of buildings, reduction of negative environmental impacts (including better regulation of obligations related to construction and demolition waste management), and the promotion of sustainable construction. These changes are expected to improve the overall construction sector over time, with a focus on sustainable development.

During the final stage of preparation of the White Book, Amendments to the Law on Planning and Construction were adopted. The changes aim, among other things, to specify for which types of facilities a study on the protection of immovable cultural heritage is required; to introduce trial operation on state roads whose construction has been fully completed and which meet technical and safety conditions for traffic use but do not meet other requirements for obtaining an occupancy permit; and to amend provisions related to inspection oversight and the removal of illegally constructed buildings, in order to strengthen prevention and impose stricter consequences on investors who build without a construction permit. A detailed analysis of these amendments will be provided in the next edition of the White Book.

Legalization

The Law on Legalization, adopted in 2015, prescribed only two options for resolving the status of buildings constructed without permits – demolition or full legalization. The 2018 amendments introduced a ban on the sale of illegally constructed buildings. The 2023 amendments further regulated the prohibition of connecting illegally constructed buildings to the power grid, gas network, and/or district heating, water supply, and sewage systems. Meanwhile, the Constitutional Court annulled the deadline for completing the legalization process (originally set for 2023), reasoning that applicants for legalization do not control the process and should therefore not bear consequences if the administration fails to complete it within the prescribed timeframe.

In the final stage of preparation of the White Book, the Law on Special Conditions for Recording and Registration of Rights to Real Estate was adopted. Upon its entry into force, the current Law on Legalization of Buildings (Official Gazette of RS, Nos. 96/15, 83/18, 81/20 - CC, 1/23 - CC, and 62/23) ceases to apply. The Law states that all buildings constructed on the territory of Serbia will be recorded and subsequently registered in the Real Estate Cadastre. The goal is to register as many buildings as possible to their factual owners, thereby providing legal certainty to citizens acquiring ownership of buildings and the land beneath them. This would achieve the principle of "on your own," for which a separate website has been launched to provide information about the process and improve transparency. As these legal provisions are entirely new, their effects will be analyzed in the next edition of the White Book.

POSITIVE DEVELOPMENTS

The most significant novelty in the 2023 amendments to the Law on Planning and Construction is the abolition of the conversion of the right of use into ownership of construction land with compensation (conversion with a fee) for certain categories of users. This primarily applies to legal entities privatized under the laws governing privatization, bankruptcy, and enforcement proceedings, as well as their legal successors and entities that acquired the right of use by purchasing buildings from such users after September 11, 2009.

Another important improvement is the recognition and definition of "green building" and related elements of the green agenda. The law now requires that planning and construction processes take into account energy efficiency, sustainable materials and technologies, waste management, water and air protection, and similar aspects. An obligation to obtain energy performance certificates (energy passports) for all newly constructed buildings has been introduced, with a transitional period for existing ones. Furthermore, future sale and lease contracts must include the energy passport as part of the documentation, under threat of financial penalties.

Another advancement introduced by the 2023 law is "E-space," an information system for spatial planning and construction. This system is expected to streamline the processes of issuing building and other required permits.

The 2023 and 2024 amendments to the legal framework introduced several innovations in spatial planning, construction, and environmental protection. The Agency for Spatial Planning and Urbanism, re-established by the 2023 law, is responsible for approving land conversion requests and implementing the "E-space" system, which has not yet been operationalized. The Agency is also developing the Central Register of Planning Documents, which will consolidate all planning documents in Serbia in one place.

In the field of environmental protection, the new Law on Environmental Impact Assessment, adopted in 2024, explicitly requires obtaining approval for environmental impact studies (or a decision that such a study is not required) as a prerequisite for obtaining a construction permit. In addition, the Occupational Safety and Health Strategy for 2024–2027 was adopted, setting the framework for further alignment of domestic regulations with EU standards, particularly regarding construction site safety. Moreover, amendments to the Rulebook on the Content, Method, and Procedure for Preparing Spatial and Urban Planning Documents (2024) enabled electronic public sessions of planning commissions, thereby improving transparency and public access.

Construction

Recently, there has been a slowdown in construction activity and a decrease in the number of issued building permits, particularly for industrial and commercial facilities, logistics centers, etc. On the other hand, there is a noticeable trend of growth in the hospitality and residential sectors.

Current legal solutions increasingly recognize the need to regulate technological advances in the field of "green construction." In this regard, the 2023 Law for the first time clearly defines the procedure for installing electric vehicle chargers on privately owned land. The details of this regulation are yet to be specified by the Ministry of Mining and Energy through secondary legislation.

In the field of construction waste management, significant regulatory progress has been made – obtaining a building permit is now conditioned on prior approval of a waste management plan, while obtaining an occupancy permit requires appropriate documentation on waste movement (including hazardous waste), prepared by the contractor.

REMAINING ISSUES

Construction

Authorities responsible for issuing permits in the unified procedure often issue them in a form that prevents the registration of ownership rights over the entire newly constructed facility. Investors are then required to obtain additional documentation (such as expert reports) confirming which parts of the building the permit applies to (usually by comparing the permit with the design documentation).

There is still no comprehensive and systematic register of planning documents at either the national or local government levels.

Given the increasing requirements regarding energy efficiency and the growing number of foreign-funded projects in this area, it is important to note that the existing legal framework has not yet adequately elaborated procedures for energy renovation and carrying out works on increasing

energy efficiency. Basic parameters for such works are lacking, including definitions of required permits and approvals, treatment of facade alterations, particularly for protected buildings, and potential incentives (financial, tax-related, or regulatory) for investors implementing energy efficiency measures.

In practice, certain buildings fail to obtain the use permits due to delays or uncertainties in constructing accompanying infrastructure, which is a prerequisite for the permit. This is further complicated by the requirement to submit proof of the completion of supporting infrastructure as a condition for the use permit, even though that permit itself serves as the only proof that the infrastructure has been completed. This circular issue can prolong construction timelines and increase investor costs.

Legalization

Length and complexity remain the key challenges of the legalization process.

The prohibition on real-estate transactions involving unpermitted properties has created issues in cases where the land and the building are owned by different entities. Amendments to the Law are needed to enable legalization in such cases when both parties consent. It should also be considered whether the prohibition on transactions could be limited to properties that cannot be legalized because they are inconsistent with spatial plans. The current blanket prohibition significantly complicates legal transactions even when legalization is feasible.

Uncertainty also remains regarding whether a legalization decision replaces a construction and use permit. This ambiguity has caused practical difficulties in obtaining energy certificates.

Licenses for subcontractors

Contractors from EU countries face significant obstacles in participating in tenders for projects financed by international financial institutions in Serbia. To engage in design or execution of complex infrastructure projects, EU contractors must obtain a special "Large License." This procedure is administratively burdensome and practically unattainable for many EU contractors, preventing them from directly participating in such projects. As a result, they often form partnerships with domestic companies, which formally meet the requirements but often lack the necessary expertise. This leads to project delays, increased costs, and reduced efficiency of financed projects.

The lack of clarity regarding licensing obligations for contractors and subcontractors leads to inconsistent practices. Questions arise as to whether subcontractors must obtain a license when the main contractor already holds one, or vice versa. This uncertainty especially affects foreign legal entities.

Additionally, a bylaw is needed to regulate licensing for contractors for projects under the jurisdiction of local authorities.

FIC RECOMMENDATIONS

Construction

- It is necessary for the authorities responsible for issuing use permits for a facility in the unified procedure to accept other evidence (such as expert reports, written confirmations from the electricity distribution company - EDB and/or EMS) that the related infrastructure for the respective facility has been built.
- It is necessary for the authorities responsible for issuing permits in the unified procedure to issue them with appropriate content and enable the registration of ownership rights for investors on the entire newly constructed facilities without obligation of investor to obtain additional specific documentation (expert opinions, etc.). They should also promptly provide the issued permits to the relevant cadastral authorities or utility departments (in the case of constructed utility networks) for implementation on an official basis.
- The Central Register of Planning Documents should be established as soon as possible.

- A register of licensed contractors should be established.
- Regulations governing energy renovation should be further detailed.

Legalization

- Amendments to the Law in order to limit the prohibition of disposal only to buildings that cannot be legalized. To that end, the legalization administration should, upon request of the applicant, issue a certificate, stating whether a relevant building falls under exceptions which cannot be legalized – in case it is not within these exceptions, disposal should be possible.
- It is necessary that the Decision on legalization has the power of a use permit.
- The provisions of the law should be amended to introduce alternative means of proof for underground utility networks, such as project documentation of the completed facility, which was prepared before November 2015

Licenses for performing construction activities

- Enactment of rulebook on issuance of licences for constructing buildings for which the municipalities issue construction permits
- It should be clarified that if a subcontractor engaged by a main contractor holds the required license, the main contractor is not required to hold it as well, and vice versa.
- Provision of the current Planning and Construction Law, that require foreign contractors to obtain Big Licenses for complex infrastructure projects, should be amended in order to allow contractors from EU to participate in tenders and perform design/construction works for the projects financed by the international financial institutions without facing the cumbersome licensing process. The amendments can be implemented through:
  - adoption of the Law on Amendment of the Planning and Construction Law;
  - lex specialis, modelled after the existing Metro Law, which permits the use of foreign licenses for metro construction projects; or
  - The law on indebtedness[1], for financing a specific project, may include a provision, similar to the Metro Law, enabling designing, supervision and construction works for EU contractors for specific project.

1 Loan agreements with international financial institutions, for financing of construction of specific project in Serbia, are concluded in the form on the law on indebtedness adopted by the Parliament, which by its form and substance represents lex specialis.

MORTGAGES AND REAL ESTATE FINANCIAL LEASING 1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The Law on Financial Leasing must be harmonized with current real estate regulations, in particular in terms of the possibility of registering an existing real estate lease in the real estate cadastre, which must be clearly prescribed by the Law on the Registration Procedure with the Cadastre of Real Estate and Utilities. Also, by elaborating the tax legislation, the state should create a more favourable climate for implementing financial leasing in the real estate sector.	2009			√
The Law on Mortgage needs to be amended to explicitly regulate the procedure and consequences of amendments to registered mortgages, to regulate some of the more flexible types of mortgages envisaged by comparative law, such as conditional, credit and continuous mortgages, and allow a mortgage to be registered as collateral for multiple claims on different legal grounds, and for different creditors' claims.	2018			√
The rights of the tenant in the case of extrajudicial enforcement should be specified.	2018			√
The Law on Mortgage needs to be amended to simplify the requirements in relation to the mandatory elements of the mortgage document pertaining to the secured claim, i.e., not to require more than the amount, currency and interest (if any). Further, adequate language to be stipulated for future claims by e.g., specifically allowing registration of maximum future secured amount.	2021			√
The Law on Mortgage needs to be supplemented regarding the possibility for mortgage creditors to agree on the change of the order of registered mortgages without deleting them from the real estate cadaster records.	2024			√

CURRENT SITUATION

The adoption of the Law on Mortgage in 2005 represented a significant step forward in terms of mortgage rights in the Republic of Serbia. The law provided a more comprehensive regulation of an area of law that, due to obsolescence and inadequacy of provisions in the Law on the basis of Property Law Relations, had previously represented a legal gap in our legislation.

The last amendments to the Law on Mortgage were made during 2015. Despite some general criticism that these changes were not far-reaching enough, the problems that emerged in practice after the adoption of the Law on Mortgage still persist.

Significant progress has been made regarding the procedure of registering mortgages in the real estate cadaster, which was amended with the adoption of the Law on the Procedure for Registration in the Cadastre of Immovable Property and Utilities in 2018. Additionally, the digitalization of processes in the real estate cadaster has had a positive impact on the speed of the mortgage registration procedure. Additionally, the real estate cadastre offices have started to suspend the process upon requests for the registration or change of a mortgage due to incomplete documentation, instructing the creditor to contact a public notary to provide the requested supplement. This shortens and simplifies the registration process, eliminating the obligation to submit a completely new request.

However, as there have been no regulatory changes for an extended period of time, we can no longer consider the digitalization of processes as progress in this field.

Financial leasing of real estate, introduced by the amendments to the Law on Financial Leasing in 2011,. The financial leasing of real estate, introduced by amendments to the Law on Financial Leasing 2011, has not yet taken root in practice. The legal framework concerning financial leasing of real estate is not sufficiently elabourated, thus making financial leasing of real estate practically non-functional in practice.

POSITIVE DEVELOPMENTS

There has been no significant progress or improvement in this field.

REMAINING ISSUES

A situation where the registration of one mortgage as collateral securing multiple claims on different grounds and also by multiple creditors has not yet been explicitly regulated. Issues related to setting up a mortgage to secure claims of multiple creditors have appeared as a consequence of the opinion of public notaries that such a mortgage may be set up only in cases when the claims of different creditors have the same legal basis.

Similarly, a common issue in practice is the removal of a mortgage that has been established on multiple different properties through the waiver of the mortgage creditor, given that the law does not stipulate the right of the mortgage creditor to waive the mortgage on individual properties, but only on the mortgage as a whole.

The form of the mortgage document has not been regulated in a satisfactory manner yet. Given that the only requirement for a real estate sale contract is that it should be solemnized by a notary public, there is no policy reason why the same practice should not be applied to the mortgage documents as well.

The requirements of the Law on Mortgage in relation to the mandatory elements of the mortgage document are too excessive and inadequate for claims other than the loans. Further, such requirements are completely inadequate for future claims.

Given that the mortgage creditor can choose whether to activate their pledge based on the Law on Mortgage or the Law on Enforcement and Security interests, one should consider the differences in the legal position of the creditor and the rules of these procedures. The mortgage sale procedure is more cost-effective, with lower expenses, and, if chosen, may achieve a more favorable price compared to public sales in enforcement proceedings. On the other hand, the enforcement procedure is significantly more efficient, legally secure, and precise than the mortgage sale procedure. In the enforcement process, the role of the public enforcement officer, their authority after the sale of the real estate, and the possibilities of vacating the property are concisely prescribed, whereas such provisions are lacking in the mortgage sale procedure, often causing issues in practice.

Considering all the aforementioned, the Law on Mortgage should provide a safer and more comprehensive way to conduct extrajudicial sales, providing creditors with a higher level of security, thereby reducing their reliance on enforcement proceedings and judicial sales in the vast majority of cases.

Moreover, mandatory elements of the mortgage deed give rise to other problems. Namely, if a creditor chooses to initiate an enforcement procedure, they are obliged to quote the mortgage statement in its entirety as it was given, including all spelling and description errors of the property, as they were listed in the real estate cadaster at the time the mortgage statement was issued. This represents a burden due to outdated descriptions and figures that no longer correspond to the cadaster's current state, and it creates issues concerning the courts' interpretation of rights and poses problems when calculating interest in the mortgage statement.

Starting from 2024, a new trend in judicial practice has been observed, whereby, after the submission of an execution proposal describing the property according to the content of the mortgage statement, and of course indicating the current status of the real estate cadastre, the execution creditor is required to supplement the proposal by providing a certificate of the property's movement, specifically proof that the property described in the mortgage statement is identical to the property listed in the execution proposal. This situation extends the timeframe for making a decision on the execution, creating an additional obligation for the creditor.

The interest problem in mortgage statements became evident when the courts began rejecting enforcement motions concerning interest. This issue emerged because creditors submitted enforcement motions based on the

mortgage statement, where they quoted the statement in the binding part of the motion to make it identical to the given statement. Consequently, creditors sought interest in the same manner as it was stipulated in the contracts. However, the somewhat descriptive nature of this description is assessed by the court as undecided.

All the foregoing could be partially resolved in favor of the creditor and legal certainty if the Law on Mortgage provided for different mandatory elements of the mortgage deed.

The position of the tenant in the case of an out-of-court settlement of a mortgage is not entirely clear. Unlike the Law on Enforcement and Security interest which explicitly states that the tenant can be evicted unless his lease is registered in the cadastre before all the mortgages and enforcement orders, the Law on Mortgage is silent on this matter. Thus, this implies that the general regime from the Law on Contacts and Torts applies, meaning that the lease agreement survives out-of-court foreclosure if the tenant was already in possession of the mortgaged property.

There is no possibility for mortgage creditors to mutually agree on the change of the order of registered mortgages or to carry out the substitution without deleting them from the real estate cadaster records. The only method provided by the law in this case is the deletion of the registered mortgages, the notarization of new mortgage statements, and the subsequent registration of mortgages in the real estate cadaster, which may result in mortgage creditors losing priority in the collection of their claims.

Finally, the Law on Mortgage has not explicitly stipulated more flexible forms of mortgage that exist in comparative law, deposits, credits or continuing mortgages, as well as the (im)possibility and effects of annexing existing mortgage documents.

FIC RECOMMENDATIONS

- The Law on Financial Leasing must be harmonized with current real estate regulations, in particular in terms of the possibility of registering an existing real estate lease in the real estate cadastre, which must be clearly prescribed by the Law on the Registration Procedure with the Cadastre of Real Estate and Utilities. Also, by elabourating the tax legislation, the state should create a more favourable climate for implementing financial leasing in the real estate sector.
- The Law on Mortgage needs to be amended to explicitly regulate the procedure and consequences of amendments to registered mortgages, to regulate some of the more flexible types of mortgages envisaged by comparative law, such as conditional, credit and continuous mortgages, and allow a mortgage to be registered as collateral for multiple claims on different legal grounds, and for different creditors' claims.
- The rights of the tenant in the case of extrajudicial enforcement should be specified.
- The Law on Mortgage needs to be amended to simplify the requirements in relation to the mandatory elements of the mortgage document pertaining to the secured claim, i.e., not to require more than the amount, currency and interest (if any). Further, adequate language to be stipulated for future claims by e.g., specifically allowing registration of maximum future secured amount.
- The Law on Mortgage needs to be supplemented regarding the possibility for mortgage creditors to agree on the change of the order of registered mortgages without deleting them from the real estate cadaster records.

CADASTRAL PROCEDURES 1.50

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The Law should be amended to restore the ability for citizens to represent their own interests before the Republic Geodetic Authority (RGZ) in the format of their choice (either electronically or in paper form). Additionally, in-house legal counsel should be allowed to represent their companies in all matters before RGZ (in both the real estate cadastre and the infrastructure cadastre).	2024			√
The expert community should be involved, in any feasible and accessible way, in the process of drafting by-laws related to the Infrastructure Cadastre and underground structures.	2024		√	
It is necessary to continue with intensive work in order to achieve uniformity of practice and clear implementation of the law for additional acceleration and predictability of cadastral procedures, including finding an adequate solution to overcome problems with the registration of utilities built in accordance with former regulations.	2021		√	
It is also necessary to allow professional users to schedule more than one appointment per day through the "eZakazivanje" system, in order to submit the requests in person on the cadastre premises and/or more than one appointment for waiving the right to appeal in the cadastre premises. The problem is systemic, bearing in mind that it is prohibited to schedule more than one appointment during the day through the same IP address, and solving this system can greatly facilitate measures business and communication of large systems with the cadastre.	2022			√
It is necessary to establish an efficient system for the resolution of clients' requests and simplify the manner of submitting updates to the so-called notary cases or introduce the obligation for the notaries to add the documents necessary for the completion of registration to the documents they are certifying.	2022			√
It is necessary to find a systemic solution as soon as possible in order to solve all backlogged first-degree and second-degree cases (particularly considering the fact that not all cases involve matters for which the appropriate documentation for registration has not been submitted). Consider transferring the procedure for the validation of documents related to real estate from the unregulated market to other holders of public authority and open a public debate on the reform of the Real Estate Cadastre as a service that only formally registers rights to real estate, archives registration documents and delivers its decisions to the parties.	2018	√		
It is necessary to allow full control of registration procedure by the parties in the case which was initiated by a notary, as it is just a service performed by notaries.	2021			√
Electronic base for utility cadastre should be accessible to the public or registered users, as it has already been done with the real estate cadastre, with the possibility of issuing excerpts from the utility cadastre (as it has been done with real estate sheets that are issued from the real estate cadastre).	2022			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is necessary to register all utilities (and rights to them) in the Utility Cadastre without delay, i.e. enter the utilities registered so far into the existing software Utility Cadastre, and previously resolve all open issues and introduce uniformity bot regarding the registration of underground reservoirs and other issues where uniformity does not exist.	2019		√	
Geodetic organizations should get the right to issue official copies of cadastral plans and cadastral plans of utility lines (in the same way as they can issue extracts from the electronic database of the Real Estate Cadastre), and not that the only way to obtain them is by submitting a request to the cadastre of lines by geodetic organizations (or other professional users), whose issuance can take up to several days.	2021			√
Without delay it is necessary to amend the Law on the Procedure of Registration in the Cadastre of Immovable Property and Infrastructure in order to enable the conversion of possession into the ownership right. The solution could follow the path of the one provided for by the Law on State Survey and Cadastre before the adoption of the Law on the Procedure of Registration in the Cadastre of Immovable Property and Utilities, which provided that the possession right ex officio becomes the ownership right if a third party within a certain period does not submits a request for registration of ownership right and does not submit proof of ownership rights to that immovable property. Until the aforementioned changes, it is necessary for the RGA to issue a notification in order to unequivocally determine how the Real Estate Cadastre services should act in these cases.	2022			√
It is necessary to further improve the e-counter and "Real Estate Transaction" application software in order to enable the submission of all types of requests.	2022		√	
The information system of RGA needs to be further improved in order to remain sufficiently secure.	2023		√	
During the phase of transition from the old to the new Cadastre software, it is necessary for the RGA to introduce additional human resources for the entry/registration of previously registered lines that have not been entered into the existing software, and to quickly solve the backlog of cases related to lines.	2023			√

CURRENT SITUATION

During the past year, the Republic Geodetic Authority (RGA) continued to intensively pursue the digitalization process initiated in 2020. The “eServices” system has been established, enabling access to various online services such as the Electronic Notice Board, which has improved the delivery of decisions and ensured greater transparency of cadastre-related acts. Furthermore, an Address Register has been established, along with a procedure for determining house numbers nationwide. A Property Valuation Service has also been made available both to professional users and to citizens. The introduction of the e-Counter (eŠalter) significantly contributed to implementing digital communication in the work of licensed geodetic organizations and attorneys, in accordance with the Law on State Survey and Cadastre and the Law on Registration Procedure in the Real Estate Cadastre and Cadastre of Infrastructure.

Progress in this area is evident, though there remains room for improvement.

According to RGA’s analysis, the number of unresolved cases before the adoption of the new Law on Registration Procedure in the Real Estate Cadastre and Cadastre of Infrastructure amounted to 1.2 million. Three years after the adoption of the law, this number decreased to below 500,000, and by the end of 2024, to below 400,000. Regard-

less of potential operational challenges, it is essential to find a systemic solution through dialogue among all market participants and public authorities in order to further reduce the backlog and accelerate decision-making.

One of the causes for the continuous existence of a certain volume of unresolved cases is the absence of historical documentation, or the existence of inadequate documents (under current regulations) necessary for the registration of property rights—particularly for properties originating from the unregulated market. Opening a discussion on transferring the validation of such documents to other public authorities could represent a step toward establishing a systemic reform of the Real Estate Cadastre.

The documentation required for the registration of rights over utility lines remains problematic (e.g. non-recognition of permits issued before the introduction of line registration, or permits issued in unified procedures without listing each line individually). Further progress in this area requires the development of a dedicated software platform connecting public notaries with the Cadastre (for instance, it is currently impossible to register a mortgage over utility lines via a notary's office).

At the end of 2023, the Law on Amendments to the Law on State Survey and Cadastre and the Law on Amendments to the Law on Registration Procedure in the Real Estate Cadastre and Cadastre of Infrastructure were adopted, with the aim of expanding the database of the line cadastre to include other infrastructure facilities and underground structures, thereby forming the Infrastructure Cadastre. It was planned to be operational by July 1, 2025; however, its full functionality is still pending.

The software for the Infrastructure Cadastre has not been developed, nor have the Rulebook on Survey and Cadastre of Infrastructure and Underground Structures or the Codebook defining infrastructure objects. As a result, registration of certain facilities (such as underground fuel tanks, aboveground storage tanks, or auxiliary buildings within industrial plants) is often rejected, based on the assumption or interpretation that they will fall under the Infrastructure Cadastre. In such cases, the Infrastructure Cadastre Department either rejects the registration or enters them into the line cadastre as if they were lines, since this is currently the only technically feasible method. However, this results in the permanent loss of key data (e.g. area, number of floors, special parts), which would otherwise be registered in the Real Estate Cadastre.

In the final stages of preparation of this year's White Book, the Law on Amendments to the Law on State Survey and Cadastre was adopted. The stated aim is to resolve problems observed in practice, simplify registration procedures based on court and administrative decisions issued before June 8, 2018, and allow registration based on private documents certified by courts before the introduction of notaries into the legal system. The goal is to further update the Cadastre by liberalizing overly strict formal requirements. The actual impact of these changes will be assessed in the next White Book edition.

POSITIVE DEVELOPMENTS

In line with FIC's previous recommendations, certain progress has been made in the following areas:

1. The Republic Geodetic Authority has made available on its website instructions, forms of requests, as well as the possibility to monitor the status of the case;

2. The Republic Geodetic Authority is actively working on resolving and is open to recommendations in order to find an adequate solution for more efficient resolution of backlog cases;

3. The Republic Geodetic Authority has enabled professional users (as well as citizens of the Republic of Srpska for real estate in their ownership) to use the service of "estimated value of real estate," which is performed on the basis of mass valuation for apartments of the Republic Geodetic Authority;

4. Citizens are enabled to generate an extract from the Real Estate Cadastre through the eCadastre system, which is digitally certified and is valid in communication with all state authorities;

5. The practice of maintaining and improving the software is at a higher level;

6. In accordance with the adopted Law on Amendments to the Law on State Survey and Cadastre and the Law on Amendments to the Law on the Procedure of Registration in the Cadastre of Real Estate and Lines (Law on the Procedure of Registration in the Real Estate Cadastre and the Cadastre of Infrastructure), the formation of the Infrastructure Cadastre is planned.

7. The registration of ownership rights in parking spaces is

regulated in such a way that the Real Estate Cadastre Services, upon the requirements for the registration of special parts of facilities – parking spaces designed and built as parking systems (parking platform, parklift, parking platform "seesaw", etc.) with two, three or more parking spaces, register the owners of individual parking spaces in these parking systems as exclusive owners (1/1).

The implementation of these recommendations can generally be assessed positively, and their adoption contributes to increased timeliness, saving time for clients and a simpler and faster registration procedure, but it is still evident that there is still a lot of room for improvement.

REMAINING ISSUES

Despite visible progress, inconsistent interpretation of regulations among different local cadastral offices remains a key problem, often resulting in non-harmonized practice with other laws and by-laws.

It is necessary for RGA to ensure uniform practice among its Real Estate Cadastre and Infrastructure Cadastre departments, strengthen supervision, improve accessibility for consultations, and accelerate responses to complaints. Additionally, complaints against the Infrastructure Cadastre's work should be possible via the RGA website, as well as appeals in second-instance procedures, which often last for years.

One of the biggest problems remains the deadlines for deciding on the parties' requests for registration in the real estate cadastre and the infrastructure cadastre, which are still regularly and significantly exceeded due to the overloading of services with cases in work and inadequate internal organization of work. Although some progress has been made in terms of resolving the requests submitted to the Office by the service providers, the problem is still unresolved cases following the requests of the parties (either personally or through professional users), as well as a large number of pending cases from the past (as a matter of historical heritage), some of which are several years old. This also applies to the resolution of second-instance cases. The optimal solution for speeding up the work of the Cadastre is for the RGA to introduce additional human capacities and to quickly resolve the backlog of cases.

In the work of the real estate cadastre services, an excessively formalistic approach is still expressed when dealing with requests for registration of rights to real estate. It is particularly problematic that in cases filed by public notaries ex officio, the party's participation is not enabled, even with regard to the eventual addition of the case or the withdrawal of the submitted request. This problem is closely related to the aforementioned problem of untimely resolution of requests. The impossibility of supplementing the case directly by the parties or withdrawing it in practice can lead to unwanted and unnecessary costs for the parties (e.g. if there is a previously unresolved claim on the real estate, upon receipt of a new request for registration of a mortgage by the public notary (ex officio), the service will not resolve the same due to the principle of priority of the real estate cadastre. However, if in the meantime the party repays the debt to the mortgagee and a clearance permit is issued, due to the impossibility of withdrawing the request, the unnecessary issuance of a decision on the registration of the mortgage and the previous obligation to pay the fee, even though the basis no longer exists.

A major problem in the work of real estate cadastre services remains the lack of transparency in work and inaccessibility to parties (especially professional users). Thus, the possibility of scheduling a meeting with the case handler through the "e-scheduling" system (although in the previous two years there was formally only the possibility of scheduling), is now completely excluded.

One of the current problems is the limitation of the "eScheduling" system, which does not allow scheduling more than one appointment for the same day - either for submission of submissions or for giving a statement waiving the right to appeal. This applies to all persons, including professional users, and further complicates business because within one term it is possible to submit only one request, that is, a statement on the waiver of the right to appeal can only be given for one case.

One of the consequences of the amendments to the Law on the procedure for registration in the cadastre of real estate and utilities from the end of 2023 is the abolition of the possibility for citizens and business entities to independently submit requests to the Republic Geodetic Institute (in paper or electronic form). Requests can now be submitted exclusively electronically, through the eShalter application, and exclusively by professional users (lawyers, licensed geodetic organizations).

This change further complicates the work of lawyers employed by companies, who until now could act directly before the RGZ on behalf of their companies. Now they are

forced to hire a third party, which slows down, complicates and increases costs, especially for companies with a large number of immovable properties.

The e-counter for professional users and the application "Transfer of real estate" used by public notaries are not complete, i.e. they do not allow professional users to submit all the necessary requests (e.g. it is not possible to initiate the procedure for the condominium of an existing building) nor all the documents for registration in the real estate cadastre (e.g. notaries public cannot submit a request for registration of the lease of a building or business premises).

In addition, there is a problem with the registration of facilities built under the Law on Mining and Geological Surveys and the rights to them, especially with regard to lines built several decades ago in accordance with permits issued under the then current regulations.

The existing decision from Article 58 of the Law on the procedure for registration in the real estate cadastre and infrastructure cadastre in connection with the deletion of the holder and the state is incomplete and therefore needs to be amended. Namely, the aforementioned provision stipulates that, if the legal conditions are not met by May 1, 2028 at the latest for the registration of property rights on immovable property where a certain person is registered as a holder in accordance with the Law on State Survey and Cadastre, the Republic Geodetic Bureau will ex officio delete the status of the holder of such persons and the state's ownership of the immovable property. However, the law does not prescribe the legal conditions for registering property instead of state property, as well as what the consequences would be after May 1, 2028, that is, who would be the owner of the real estate.

Regarding the infrastructure cadastre, it should also be noted that in practice notaries public do not have access to this cadastre, and therefore cannot obtain an extract from the list of lines, nor can they electronically submit a request for the registration of a mortgage on lines, nor forward certified contracts on the transfer of ownership of lines.

Also, the issue of systematic (ex officio) entry into the cadastre infrastructure software of those conduits and boreholes for which legally binding decisions have already been made by the real estate cadastre service remains unresolved, because those conduits and boreholes are entered only at the special request of the party. It would be more expedient to enter all lines ex officio on the basis of the already adopted decisions of the real estate cadastre. In this way, the Republic Geodetic Institute would ensure a complete and accurate record of all previously issued decisions on registration in the Cadastre, which would also enable the issuance of copies of plans and water sheets in accordance with the existing documentation.

Although the name of the Cadastre of Lines has been changed to the Cadastre of Infrastructure, it has not been established, nor have the corresponding regulations and codebooks been adopted, on the draft of which numerous objections have been expressed, especially for construction objects which, according to the classification of objects according to the Law on Planning and Construction and Use Permits, are defined as buildings, some of which contain special parts and which are the subject of registration in the real estate cadastre, and the draft Rulebook on Surveying and Cadastre of Infrastructure and Underground Objects is arbitrarily defined only on the basis of belonging to a complex (e.g. gas station or production plant) are declared infrastructure facilities, without compliance with the codebook of facilities related to the Law on Planning and Construction.

As the software for the cadastre of infrastructure and underground facilities has not yet been developed, due to the interpretation of the Real Estate Cadastre Service, the registration of buildings in the real estate cadastre is refused, and if there is no refusal to register in the infrastructure cadastre, they are registered as lines, and due to the impossibility of displaying data on the area, floors and special parts of the buildings, it is impossible to check the accuracy of their registration, and when registering several such buildings at the same time, it is impossible to identify the number of lines under which they are registered.

The Republican Geodetic Authority has not yet taken a single position on whether underground tanks are registered in the real estate cadastre or in the infrastructure cadastre, which depends on whether, for the purpose of their registration, underground tanks need to be recorded and submitted in the reports for the real estate cadastre, or in the reports for the infrastructure cadastre. Also, cases when the tanks are located under the canopy, in which case they cannot be registered in the real estate cadastre due to overlapping with another object, are also a problem. On these issues, it is necessary for the Republic Geodetic Institute to take a unified position and standardize practice.

It was also observed that for every request for the entry of

state property in the cadastre records of pipelines, infrastructure and underground facilities on the basis of a valid construction permit issued before June 8, 2018, i.e. before the adoption of the Law on the Procedure for Enrollment in the Cadastre of Immovable Property and Pipelines, the registration of the state property was not carried out in favor of the applicant to whom the valid construction permit reads, but the pipeline was registered to an undetermined owner, which is contrary to the notice of the Republic Geodetic Authority no. 959-1/2020 of September 25, 2020, which provides for the registration of the state tax on the applicant - investor based on the submitted valid construction permit issued before June 8, 2018, the geodetic study and the findings of experts.

At the end of 2023, the RS National Assembly passed the Law on Amendments to the Law on State Survey and Cadastre as well as the Law on Amendments to the Law on the Procedure for Enrollment in the Real Estate Cadastre and Utilities - now the Law on the Procedure for Enrollment in the Real Estate Cadastre and Infrastructure Cadastre. These changes led to several problems. Namely, one of the problems faced by the citizens of the Republic of Serbia is the abolition of the possibility to independently, without "intervention" of professional users, in the form they choose (e-counter or paper form) submit requests to the Republic Geodetic Institute. In accordance with the amendments to the Law, requests to the Republic Geodetic Institute are now exclusively submitted in electronic form via the eShalter application, via eShalter professional users (lawyers, geodetic organizations). Additionally, this also prevents other users of the cadastre who are not lawyers, but are professionally oriented and deal with all issues related to the cadastre procedure for the needs of the companies they work for (company lawyers) to act on behalf of their companies in all procedures before the cadastre, which complicates, slows down and makes work more expensive for companies, especially for companies with a large number of immovable properties.

In addition, the Law on Amendments to the Law on State Survey and Cadastre abolished the misdemeanor liability of officials for failing to make a decision within the legally prescribed time limit, which results in an additional extension of the duration of the procedures conducted before the Real Estate Cadastre.

FIC RECOMMENDATIONS

- Amendments to the Law on the Procedure for Registration in the Real Estate Cadastre and Infrastructure Cadastre, should restore the possibility for citizens to represent their interests before the Republic Geodetic Authority in the form they choose (electronically or in paper form), and especially for company lawyers to act on behalf of their companies in all cases before the RGA (in the real estate cadastre and infrastructure cadastre).
- The expert community should be involved, in any feasible and accessible way, in the process of drafting by-laws related to the Infrastructure Cadastre.
- It is necessary to continue with intensive work in order to achieve uniformity of practice and clear implementation of the law for additional acceleration and predictability of cadastral procedures, including finding an adequate solution to overcome problems with the registration of utilities built in accordance with former regulations.
- It is also necessary to allow professional users to schedule more than one appointment per day through the "eZakazivanje" system, in order to submit the requests in person on the cadastre premises and/or more than one appointment for waiving the right to appeal in the cadastre premises. The problem is systemic, bearing in mind that it is prohibited to schedule more than one appointment during the day through the same IP address, and solving this system can greatly facilitate measures business and communication of large systems with the cadastre.
- It is necessary to establish an efficient system for the resolution of clients' requests and simplify the manner of submitting updates to the so-called notary cases or introduce the obligation for the notaries to add the documents necessary for the completion of registration to the documents they are certifying.

- It is necessary to find a systemic solution as soon as possible in order to solve all backlogged first-degree and second-degree cases (particularly considering the fact that not all cases involve matters for which the appropriate documentation for registration has not been submitted). Consider transferring the procedure for the validation of documents related to real estate from the unregulated market to other holders of public authority and open a public debate on the reform of the Real Estate.

- It is necessary to allow full control of registration procedure by the parties in the case which was initiated by a notary, as it is just a service performed by notaries.

- Electronic base for utility cadastre should be accessible to the public or registered users, as it has already been done with the real estate cadastre, with the possibility of issuing excerpts from the utility cadastre (as it has been done with real estate sheets that are issued from the real estate cadastre).

- It is necessary to register all lines (and the rights to them) in the infrastructure cadastre without delay, i.e. enter the lines registered so far into the existing line cadastre software, and previously resolve all disputed issues and introduce uniformity both in terms of registration of underground reservoirs and in other matters where uniformity does not exist.

- Geodetic organizations should be given the right to issue official copies of cadastral plans and cadastral plans of lines (in the same way as they can issue extracts from the electronic database of the real estate cadastre), and not that the only way to obtain them is by submitting requests from geodetic organizations (or other professional users), the issuance of which in practice can take up to several days.

- Without delay it is necessary to amend the Law on the Procedure of Registration in the Cadastre of Immovable Property and Infrastructure in order to enable the conversion of possession into the ownership right. The solution could follow the path of the one provided for by the Law on State Survey and Cadastre before the adoption of the Law on the Procedure of Registration in the Cadastre of Immovable Property and Utilities, which provided that the possession right ex officio becomes the ownership right if a third party within a certain period does not submits a request for registration of ownership right and does not submit proof of ownership rights to that immovable property. Until the aforementioned changes, it is necessary for the RGA to issue a notification in order to unequivocally determine how the Real Estate Cadastre services should act in these cases.

- It is necessary to further improve the e-counter and "Real Estate Transaction" application software in order to enable the submission of all types of requests.

- The information system of RGA needs to be further improved in order to remain sufficiently secure.

- It is necessary to adopt the Rulebook on Survey and Cadastre of Infrastructure and Underground Facilities, as well as the Code of Infrastructure Facilities that will not be in conflict with the existing Rulebook on the Classification of Facilities adopted on the basis of the Law on Planning and Construction.

- It is necessary to enable public companies and legal entities that are owners of infrastructure facilities to give comments and suggestions related to the definition of infrastructure facilities, given that in the previously adopted Rulebook on Survey and Cadastre of Lines, there were not enough defined categories of line types that would include all types of lines that have been built, and the infrastructure cadastre is even more extensive records.

RESTITUTION 1.33

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The Restitution Agency should conduct transparent restitution procedures granting the right to restitution to redress the injustice perpetrated 70 years ago, taking due care to protect basic human rights of the parties to the proceedings.	2015		√	
Foreign nationals should be allowed to exercise the right to restitution, equating them with Serbian nationals in these proceedings, irrespective of their citizenship and nationality, in accordance with decisions of judicial authorities and the Ministry of Finance.	2015			√
Agriculture land under all type of objects/buildings such as lines and boreholes, have to be exempted from restitution and the agriculture land in the restitution for which the consolidation procedure was not being performed have to be listed and disclosed by the Agency	2021			√

CURRENT SITUATION

The urgency of restitution is grounded in its tremendous potential for promoting the security of property rights in a symbolic and exemplary manner, clearly showing the state's intention to return what was unjustly expropriated. The deadline for filing claims has expired, and institutions are processing individual requests, but still the impression is that the finalization of the procedures shall take some time, although the legal deadlines for resolution of individual requests have passed. According to analysis, 70,000 requests have been resolved so far, whereas 5.100 requests are pending to be solved.

The Law on Property Restitution and Compensation (Law) protects the acquired rights of individuals, while the statutory obligation of restitution arises only in cases when a property, which may be subject of restitution, is not in private ownership. Although the Law prescribes in-kind restitution (i.e., restitution of an unjustly expropriated property) as the primary model, there are numerous exceptions and it is likely that compensation will be the most prevalent form of redress. In-kind restitution is the obligation of the Republic of Serbia (RoS), local governments, public enterprises established by the RoS and socially-owned companies and co-operatives, while the disbursement of compensation is the exclusive obligation of the RoS. Rarely, privatized companies may be obliged to make restitution in kind.

The Restitution Agency (Agency), as well as other stakeholders including the Constitutional Court, have taken a rigid position, particularly with respect to foreign nationals. This is reflected in an inadequate application of the principle of discretionary evaluation of evidence, as well as in requests for documentation which is not necessary for decision-making and which is in most cases impossible to obtain.

The problem is a result of the deficiencies in the law itself which prevent the stakeholder to apply the principle of free assessment of the evidence, and there are also discrepancies between regulations in the field restitution.

POSITIVE DEVELOPMENTS

In 2017, the Constitutional Court, the Supreme Court of Cassation, the Administrative Court of Serbia and the Ministry of Finance made decisions which annulled the Agency's decisions made in contravention of the law, which, provided that the Agency complies with these authorities' orders, should significantly contribute to progress.

According to the Constitutional Court's and the Supreme Court's decisions, the Agency is obliged, in each case, to request the missing documents from applicants before dismissing a request as incomplete, thus enabling the applicants to participate in the proceedings.

Under the Administrative Court's decisions, the Agency

was ordered to act in accordance with all laws and international agreements, forbidding the Agency to make decisions on issues outside its jurisdiction, especially regarding the existence of reciprocity with foreign countries.

The Ministry of Finance ordered the Agency to comply with court decisions in further processing, in particular court decisions rehabilitating former owners. The Ministry's decision made it clear that in cases where former owners have been rehabilitated by court decisions, the Agency has no authority to deny requests for restitution on the grounds that the former owners were members of foreign occupying forces.

With amendments of by-laws, the restitution of agricultural land by substitution was made possible. This means that, in some cases, it is possible to acquire the right to restitution of agricultural land of the same type and quality as the seized agricultural land, but on the territory of a different self-government unit. In practice such restitution process mostly does not take into consideration existence of different types of buildings/objects (such as lines and boreholes) in the ownership of third parties which agriculture land under such objects have to be exempted from restitution. The list of agriculture land that is included in the restitution procedure without being performed a land consolidation procedure is not officially disclosed.

In the beginning of 2021, the Government of the Republic of Serbia rendered a conclusion determining that the compensation in the cases where it is impossible to allow restitution in kind, will be 15% of the value of the seized property. Payments of compensation on the basis of final and binding resolutions on compensation have begun. The notification with instructions for receipt of payments of compensation is published on the Agency's web page. Portions of compensations payable as down payment are being duly paid, within short deadlines.

By the decision of the Constitutional Court of Serbia from 2021, the uncertainty regarding the scope of individuals entitled to restitution or compensation in situations where the legal heir of the former owner did not submit a claim within the timeframes prescribed by law has been resolved. In such cases, the legal heir who has submitted such a claim is entitled to the full restitution of the property or compensation, thereby preventing an extensive interpretation of the provisions of the law and further safeguarding the interests of the claimants.

REMAINING ISSUES

Ambiguities and inconsistencies in the Law have led to divergent practices by the Agency, which may jeopardize the acquired rights of foreign investors.

In some of the restitution cases, the Agency interprets regulations in a manner that hinders or even denies foreign nationals their right to restitution or compensation. Judicial and administrative authorities of the RoS have made decisions in certain cases to correct irregularities in the Agency's work, but the question remains whether the Agency will adopt and apply instructions from these decisions.

The question of the freedom of the assessment of proofs in restitution procedures has not been resolved. Claimants in restitution procedures who are not able to obtain the legally prescribed specific proof – the document on seizing – will not be granted the restitution right regardless of the existence of other proofs that the seizing of the property did occur. Unfortunately, the Constitutional Court of the RoS has taken the position that lawmakers are allowed to exactly specify the proofs that must be submitted in the procedures for proving a certain fact, as well as those lawmakers are entitled to determine that all the other means of proving are "insufficient and unreliable," so the initiative for determining the constitutionality and legality of the respective provision of the law has been rejected.

FIC RECOMMENDATIONS

- The Restitution Agency should conduct transparent restitution procedures granting the right to restitution to redress the injustice perpetrated 70 years ago, taking due care to protect basic human rights of the parties to the proceedings.

- Foreign nationals should be allowed to exercise the right to restitution, equating them with Serbian nationals in these proceedings, irrespective of their citizenship and nationality, in accordance with decisions of judicial authorities and the Ministry of Finance.

- Agriculture land under all type of objects/buildings such as lines and boreholes, have to be exempted from restitution and the agriculture land in the restitution for which the consolidation procedure was not being performed have to be listed and disclosed by the Agency

LABOUR

1.09

With the development of flexible forms of work, which have particularly gained momentum in recent years, the need for more comprehensive changes to the Labour Law is becoming increasingly evident. After a significant step forward in the improvement of labour regulations in 2014, when over 65% of the recommendations from previous editions of the White Book were adopted, there have been no major changes to the core law. The Ministry of Labour, Employment, Veteran and Social Affairs announced the launch of the project "Support for Improving Working Conditions and Preparing the Republic of Serbia for Participation in EURES," which, among other things, is expected to include the harmonization of domestic legislation with the EU acquis, as well as the drafting of a new Labour Law and a Law on Internships.

In this edition of the White Book, the Foreign Investors Council continues to highlight the need for amendments to and further improvement of labour-related regulations. The priority in amending the Labour Law includes, among other things, regulating more flexible forms of work, such as working from home and remote work, regulating internships, digitalizing employment documentation and communication between employers and employees, simplifying the complex salary structure and calculation of salary compensation. Additionally, certain changes to legal provisions regulating the termination of employment, such as those governing statutes of limitations and notice periods, as well as a clear definition of the procedure for resolving surplus of employees, are needed. This edition of the White Book also points out a number of legal provisions whose application has led to uncertainties in business practices or different interpretations by the courts.

Foreign Investors Council welcomes the progress made regarding employment and mobility of foreign nationals in the domestic market, noting that a significant portion of the Council's recommendations given during the adoption of amendments regulating the work and residence of foreigners has been adopted. The amendments to existing regulations towards introducing a single permit and conducting the process electronically led to simplification of the procedure for granting residence and work permits to foreigners in Serbia.

The Law on Occupational Health and Safety is aimed at aligning the domestic occupational health and safety system with European standards, raising awareness and responsibility among all participants in the occupational health and safety system, which should ultimately contribute to improving the quality of implementing safe and healthy working conditions. However, the work from home and the remote work remain inadequately regulated by law, highlighting the need once again for amendments to the Labour Law which would provide for closer regulation of the mutual rights and obligations associated with this type of work. Since most of the bylaws in this area were adopted in the previous period, it is expected that the law will be fully implemented, allowing the effects of the new legal solutions to be observed in practice.

Continuing the initiated labour reforms is a crucial prerequisite for establishing a business environment that will make the Serbian market appealing to foreign investments and encourage the creation of new employment opportunities. The Human Resources Committee, leveraging its expertise and knowledge in regulatory implementation, has strived to identify the key priorities for further improvements in this field.

LABOUR RELATED REGULATIONS

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The Labour Law				
Digitization of labour law documents. In order to align with the trends, solutions and opportunities brought by the digitalization process, it is necessary to amend the Labour Law in order to define an alternative way of administering employment rights and obligations using electronic documents and electronic signature (adoption of acts and concluding contracts), alternative formal communication on the employer – employee relationship electronically, primarily via e-mail or other similar channels of electronic communication and with the use of internet notice board, electronic records as well as submission of documentation electronically, etc., as ways and forms that would be completely equal to the currently valid forms. Also, we believe that it is necessary to amend the Law on Labour Records in relation to three key points: determining the maximum retention period up to five years after termination of employment, explicitly permitting electronic records and use of various IT tools for this purpose and prescribing the correct way to dispose of paper employee files.	2016			√
Flexible working conditions outside of the employer's premises. Introduction of a possibility of regulating employment when establishing it or in its course so that the employee would work one part of his working time outside the employer's premises (not just from home), as well as a possibility of changing the work regime and concluding and annex to the employment contract during employment, i.e. without the obligation to conclude the annex (in case when the transition to work regime outside employer's premises is occasional or short-term, in which case employer's provisions of general enactments would directly apply to conditions of work from home). Since legal certainty and security are required, it is necessary to precisely distinguish the difference between the work from home and remote work (by the place of work or means of work), and relativize the need to define "Place of work" as obligatory element of employment contract by introducing, for example, "primary place of work" in case of remote work, as well as introduce general principles for the compensation of costs for work performed outside Employer's premises. Within the framework of a flexible organization of work, possibility of implementing overtime should be widened so that it is not limited only to unforeseen circumstances. The Employer and employee should have the freedom to agree on the reason for and purpose of overtime, and the Employers should be able to negotiate a manager's fee that includes overtime pay for managers who work overtime.	2018			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Rational salary structure and salary compensation. We propose that work performance be viewed only as an optional component of compensation, as opposed to a mandatory one. In addition, the premise for calculating the salary compensation during the absence from work is proposed to be the base salary plus seniority pay. This would make it much simpler for all employers to manage salaries, provide greater flexibility in both the salary contracting and budgeting, and make the salary structure itself more transparent. Also, we propose that the amendments to the Labour Law clearly define the elements or conditions for determining the base salary and the general act of the employer that determines these elements, as well as to determine the conditions for offering an annex which stipulates a change the base salary.	2021			√
Flexible engagement of students in practice. We propose amendments to the section of the Labour Law in the part that regulates professional training and development. These amendments should enable high school students, students and other persons outside employment (both in the field of education and outside the field of education) to gain practical knowledge and experience in a real-world work environment, career advancement, and easier future employment through the use of flexible engagement models. Existing provisions on vocational training and development should be amended to remove additional conditions limiting the possibility of such engagement, and the same should be provided regardless of the employer's activity and whether it is the public or private sector. The competent ministry may establish all necessary mechanisms to prevent abuse of this institute, if this was the reason for the introduction of restrictions by Article 201. In this regard, in order to develop good and safe practice, it is necessary to harmonize the provisions of the Labour Law so that they form a consistent labour law regulation with the provisions of the Law on Dual Education and the Law on the Dual Model of Studies in Higher Education, which regulate working conditions of high school students and university students. Alternatively, an adequate law on work practice could be a good way to regulate the employment of students. However, the draft of this law that was on public discussion provided for flawed solutions based on which practitioners can perform work practice for a certain period after schooling, for work in a profession within the acquired level of qualifications, which leaves room for the interpretation that work practice within of the aforementioned law, students cannot work for the occupation for which higher education is provided (since at that moment they have acquired secondary education). It remains to be seen what the final solution of the future law will be and whether it will represent an adequate basis for the employment of students.	2016			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
More flexible conditions and procedures for employment termination. It is necessary to: (a) extend the statute of limitation periods for the conduct of proceedings (the subjective period of 6 months to be extended to at least one year and the objective period to 3 years), (b) in the event of the employment contract termination, extend the maximum duration of the notice period from 30 to 60 days (c) enable employers to issue decisions in the form of an electronic document determining measures (dismissal or milder measure) or releasing employees from liability, as well as delivery these decisions are executed electronically, (d) the employee's refusal to receive the decision served on the employer's premises as if the act had been delivered, (e) enable the employer to unilaterally release the employee from work during the notice period (when the notice period is prescribed/ contracted) with the salary compensation payment in the amount equal to the employee's base salary, (f) regulate the procedure of termination of employment due to technological, economic or organizational changes – redundancy in cases when program is mandatory – is the employer obliged to first amend the rulebook on the systematization of workplaces or to adopt a solution-finding program of employee redundancy first, and when program is not mandatory, clearly state the obligations of the employer or whether the employer is obliged to address a representative union within the company and the republic organization responsible for employment, whether he is obliged to apply measures for new employment and how they are being applied, especially additional qualification and retraining, etc. (g) regulate the procedure of termination of employment due to abuse of the right to sick leave, but also the termination procedure due to the use of alcohol by employees, (h) to be defined by the Labour Law that the establishment of an employment relationship with another employer who submitted the employee's application for insurance, without prior written notice to the original employer, is considered a termination of the employment contract by the employee, effective on the first day he did not report to work at the employer.	2018			√
Termination of a probationary employment contract. Amend Article 36 of the Labour Law by specifying: (a) that the report of the immediate superior is sufficient justification for the termination of the contract with probationary work, during the probationary period, and that the employer is not required to give the employee any additional period for improvement of his work; (b) that in the case referred to in Article 36, paragraph 4, it is not at all necessary for the employer to justify why the employee did not demonstrate appropriate work and professional abilities, but that he can only issue a declarative decision stating that the employee's employment ends on the day the probationary period expires.	2023			√
Introduction of guidelines for defining the minimum compensation that the employer pays to the employee in case of contracting a non-competition clause after the termination of the employment relationship. Amend Article 162 paragraph 2 of the Labour Law specifying that the agreed amount of compensation cannot be lower than, for example, 1/3 of the average net salary in the previous 3 months before the termination of the employment relationship, for each month of validity of the non-competition clause, after the termination of the employment relationship.	2023			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Specifying the procedure for returning an employee to work. Amend Article 191 of the Labour Law by specifying that if the court legally obliges the employer to return the employee to work, and the employer does not have a vacant position in his organization to which he can assign the employee, he has the right to declare the employee redundant in the sense of Article 179 paragraph 5 point 1 of the Law on work and pay him severance pay.	2023			√
Specifying the submission of employment-related documentation. Amend Article 193 of the Labour Law to specify that the provisions on delivery of the decision on dismissal from Article 185 apply to all documents from the employment relationship, including the offer and the annex to the employment contract.	2023			√
Change of employer. n Article 147, it is necessary to specify precisely what constitutes a change of employer, i.e., which situations (aside from status changes prescribed by the Companies Act) constitute a change of employer.	2023			√
Cancellation of the employment contract in terms of Article 149 of the Labour Law. Article 149 of the Labour Law must be amended by specifying the grounds on which the employer may terminate the employment contract of an employee who refuses to take over the employment contract - does he have to declare him redundant or is it possible to terminate the contract based on Article 175 paragraph 1 point 7 (in other cases determined by law).	2023			√
Law on Vocational Rehabilitation and Employment of Persons With Disabilities				
Because the regulations listed herein are considered particularly important and vital for attracting and maintaining foreign investments, and given that the very purpose of this Law is the inclusion of PwD, the FIC previously provided and is still putting forth a number of suggestions on how to improve the situation. To this end, here we underline the most important recommendations on how to improve the existing legal framework and practice:				
Classify business activities subject to a limited application of the Law, due to their specific nature (e.g. private security, manufacturing, construction, etc.), meaning that in these activities the number of PwD the employer must hire should be calculated relative to the number of employees in jobs that do not require special medical fitness pursuant to the law and/or nature of the business activity and that can be performed by employees with disabilities.	2016			√
The assessment of and the issuing of a decision on working ability should be performed by the same body to accelerate the procedure. We suggest that the procedure and decision-making should be accelerated and the list of documents required by the authorities from the employee be reasonably decreased.	2009			√
We believe that a more efficient manner for increasing the employment rate of PwD would be to incentivize employers with subsidies for their employment.	2009			√
Employment of Foreign Nationals				
The Central Registry of Mandatory Social Insurance should contain the exact job title of the employee who was declared redundant.	2015			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Technical improvements to the online forms which will enable an efficient use of all the functionalities provided by the regulations.	2024			√
Facilitating the registration of an employee to CROSO on the basis of a Visa D.	2024	√		
Secondment of Employees Abroad				
We recommend extension of the maximum period employees at managerial positions are allowed to stay abroad on the basis of referral to business trip, without application of the Secondment Act to up to 180 days in total within a calendar year, instead of the currently applicable 90 days.	2016			√
We recommend allowing secondment abroad for the purpose of vocational training and development also to the entities which are not necessarily related to the employer by equity or control.	2018			√
We recommend allowing secondment abroad of employees under the age of 18.	2016			√
Staff Leasing				
We recommend deletion of Article 14 of the Staff Leasing Act, which limits the number of employees employed at the staff leasing agency on a fixed-term basis that a beneficiary can lease.	2020			√
We recommend deletion of Article 2 paragraph 5 of the Staff Leasing Act, which regulates situations in which there is no comparative employee at the beneficiary.	2020			√
We recommend deletion of Article 17 of the Staff Leasing Act, which prescribes the staff leasing presumption.	2020			√
Human Capital				
The education system should continue to be improved. For that, it is essential to establish regular contact between the Council and the Government, the ministries responsible for education, youth and sports, as well as with universities. The Council and the business community in Serbia are ready to provide support and make available their expertise, and based on the analysis of the needs of the economy and the real sector, create and establish new educational profiles, as well as regularly correct enrollment quotas at all faculties in accordance with market needs.	2008			√
Define the legal framework for the relationship between employer and student in order to simplify the application of professional practice of students during regular schooling.	2017			√
Define the legal framework for the training of persons with higher educational profiles for independent work in the profession, regardless of the acquisition of the conditions for passing a professional exam, i.e. performing an internship.	2017			√
With the employment action plan of the National Employment Service, define, redefine and expand the range of educational profiles that will be included in the action plan and employment policy, that is, listen to the needs of the market and employers.	2017			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Create a plan for the migration of human capital within the territory of the Republic of Serbia in order to equally develop underdeveloped areas and thereby reduce the gap in the needs of the economy in different parts of the country, and in order to prevent migration outside the Republic of Serbia, citizens have already been given an incentive to within the territory of the Republic of Serbia look for a better place to live and work.	2019			√
Consider supporting employment by reducing employment costs, especially in relation to taxes and wage contributions, as well as legally define all aspects of working from home.	2020			√
Facilitate and promote supplementary work at all levels.	2024			√
Occupational Health and Safety				
Amendments and additions to the Law and/or the adoption of bylaws in relation to the conditions of working from home or remotely. The Law requires the adoption of bylaws, in order to better regulate specific aspects of workplace safety and health. In that part, the recommendation is that, to the extent feasible, bylaws whose adoption is governed by the Law be used to further regulate the conditions of work from home or for remote work:				
– the procedure for drafting the Risk Assessment Act for jobs performed from home, or remotely;	2021			√
– procedures associated with the implementation of preventive measures, mechanisms for controlling the enforcement of measures for safe and healthy work, and mechanisms for determining the causes and methods of injuries during work from home or remote work (primarily preventive measures associated with: work ergonomics, illumination of workstation, the microclimate in the workspace, adequate equipment, accessibility, stress management, maintenance of workspace, electrical installations, fire protection, prohibited activities and conduct, and the employee's actions in the event of a workplace injury);	2021			√
– employee training for safe work from home/remote work and digitization of the entire training process and work from home related administration;	2021			√
– a distinct separation of the employer's responsibilities, obligations and rights, in relation to the application of measures for safe work from home or remote work.	2021			√
If it is not possible to regulate the conditions of work from home or remote work by bylaws whose adoption is mandated by the Law, it is recommended to further supplement the Law in that section, given the trend of growth and development of work from home or remote work, which necessitates appropriate measures and procedures for safe and healthy work.	2023			√
During the adoption of bylaws, it is necessary to consult the economy as well, in order to share practical experiences and problems in the application of certain legal norms, and thus prevent the unilateral proposal of norms that are difficult or almost impossible to apply in practice. Also, it is necessary to arrange the processes in accordance with the general intention to digitize legal processes and procedures as much as possible.	2023			√

THE LABOUR LAW 1.00

CURRENT SITUATION

There have been no major amendments to the Labour Law ("Official Gazette of the Republic of Serbia," Nos. 24/2005, 61/2005, 54/2009, 32/2013, 75/2014, 13/2017, 113/2017, and 95/2018; hereinafter: the Labour Law) since 2014, when significant reforms were introduced in the field of labour law.

In the meantime, over the past ten years, practice has shown that the solutions contained in the current Labour Law do not meet the real needs of employers and employees. Moreover, a significant number of provisions of the Labour Law impose excessively complex administrative, organizational, and financial obligations on employers, which hinder business operations.

Specifically, it is necessary for the Labour Law to:

- enable the use of electronic documents and electronic signatures for the efficient and flexible administration of legal documents arising from the employment relationship;
- introduce flexible conditions for work outside the employer's premises, with the aim of ensuring efficient work organization and optimizing labour costs;
- regulate contracts for the engagement of pupils and students for internships;
- provide for more rational conditions for determining the length of annual leave;
- clarify the provisions governing amendments to agreed employment conditions (annexes), in order to ensure legal certainty;
- amend the complex salary structure, in order to simplify payroll calculation and protect employers from the high costs arising from the payment of compensation of salary;
- provide for more flexible conditions for suspension from work and a simpler procedure for termination of employment, in order to reduce the employer's administrative burden.

Furthermore, since the adoption of the 2014 amendments to the Labour Law until today:

- certain provisions of the Labour Law have remained unaligned with EU Directives;
- employers and employees continue to face numerous practical difficulties due to ambiguities in the interpretation and application of insufficiently precise provisions;
- case law, partly as a result of provisions subject to varying interpretations, remains inconsistent.

POSITIVE DEVELOPMENTS

In the past year, there have been no improvements, given that the Labour Law has not been amended, while the problems related to its application have only continued to grow in practice.

It is necessary to significantly amend the Labour Law, both by aligning it with EU Directives and by addressing the problems that employers and employees encounter in practice.

REMAINING ISSUES

Some of the most significant problems in the application of the existing provisions of the Labour Law have been carried over from previous years:

1. **Legal uncertainty concerning the (im)possibility of using electronic signatures and electronic documents.**

The Electronic Document, Electronic Identification and Trust Services in Electronic Business Act stipulates that an electronic signature may not be denied validity or evidential value solely on the grounds that it is in electronic form, and that a qualified electronic signature has the same legal effect as wet signature. The said rule does not apply only where a separate statute prescribes that certain legal actions cannot be carried out in electronic form. Although the Labour Law does not stipulate that legal documents arising from employment cannot be issued in electronic form or signed electronically, certain provisions implicitly create doubt as to whether the electronic form and electronic signature are legally valid. Namely, the Labour Law provides that the employer is obliged to "hand over" one copy of the employment contract to the employee, which raises the question of whether it is possible to "hand over" an electronic document and, if so, what constitutes handover. Furthermore, the Labour Law explicitly allows for the issuance of decisions on annual leave and pay slips in electronic form, which raises the question of whether this means that other documents, for which such a possibility is not explicitly prescribed, cannot be issued in electronic form. Therefore, the current Labour Law is not harmonized with the Electronic Document, Electronic Identification and Trust Services in Electronic Business Act.

2. Flexible organization of work.

The statutory solutions that enable flexible work currently do not meet the wishes, needs, and practical possibilities of employers and employees. First, work from home and remote work, as two categories of work performed outside the employer's premises, are not defined at all in the Labour Law. It is also unclear whether the Labour Law allows for the introduction of occasional work outside the employer's premises, without the obligation to conclude an annex to the employment contract, based on conditions established in the employer's general acts and through communication between the supervisor and the employee. Although Article 50, paragraph 2 allows an employee to work part of their working hours from home, this provision is not adequate for implementing a hybrid work regime. The Labour Law also does not provide for the possibility of transitioning from work performed at the employer's premises to work performed outside those premises, and vice versa. Finally, there are no guidelines regarding the reimbursement of costs incurred in connection with work performed outside the employer's premises. Namely, it is unclear whether the obligation to agree upon "reimbursement of other work-related expenses and the manner of determining them" means that the employer must foresee such "other expenses," or whether the parties may jointly agree on the (non)existence of such "other expenses."

Regardless of the type of employee engagement, the provisions regulating overtime work are rather restrictive and should be amended to allow for a higher level of flexibility concerning the introduction of overtime and the manner of compensating overtime work (by expressly prescribing the possibility of compensation not only through extra pay, but alternatively, through hours or days of paid leave). Flexibility is particularly important in the case of employees in managerial positions.

3. Criteria for annual leave.

The Labour Law prescribes that the statutory minimum of 20 working days of annual leave is to be increased in accordance with mandatory criteria (professional qualification, work experience, working conditions, and work performance), which is impractical and administratively burdensome for employers.

4. Amendment of agreed employment conditions to change the elements for determining the base salary.

Employers face difficulties in applying Article 171, paragraph 1, item 5 of the Labour Law, which provides that the employer may offer the employee an amendment to the agreed employment conditions (annex) for the purpose of changing the elements for determining the base salary. When prescribing this reason for amending agreed employment conditions, the legislator had in mind a situation in which the base salary with the employer is determined by applying a coefficient and the minimum wage. However, such a method of determining salary is outdated and is rarely applied in the practice of the private sector. Namely, in the private sector, the base salary is most often agreed as a fixed amount, determined by taking into account the working conditions, as well as the knowledge and skills required to perform the specific job. For that reason, the cited statutory provision creates a dilemma as to whether it is possible to change an employee's base salary in situations where such a change is not the result of changes in the "elements for determining the base salary," given that, in practice, these elements are almost never specified.

Furthermore, Article 107, paragraph 1 of the Labour Law provides that the base salary is determined based on the conditions, established by the internal rulebook, necessary for performing the duties for which the employee has concluded an employment contract and the time spent at work. Therefore, it is unclear from the wording of the Labour Law whether the elements for determining the base salary are the same as the conditions for determining the base salary, and it is also unclear which general act must establish those conditions or elements, whether they are to be set out in the rulebook on employment or in the rulebook on job classification. The aforementioned ambiguities and inconsistencies in the statutory provisions lead to problems in practice when employers wish to offer employees a change in the amount of the base salary, since, in the absence of clear statutory norms, many employers have not determined or have not clearly determined the elements or conditions for determining the base salary. Accordingly, due to these unclear and inconsistent statutory provisions, the employer faces the problem of lacking a formal legal basis to offer the employee an amendment to the agreed base salary.

5. Structure and calculation of salary and salary compensation.

According to the Labour Law, salaries consist of pay for work performed and time spent at work, pay based on the employee's contribution to the employer's business success (rewards, bonuses, etc.), and other employment-related income, in accordance with the general act and the employment contract. Furthermore, the portion of the salary for work performed and time spent at work consists of

the base salary, performance-based pay, and extra pay. All the above elements are elabourated in detail by the general act and the employment contract. The above structure is extremely complex and prevents foreign companies operating in Serbia from implementing their standardized salary policies in the same manner as they do in other countries where they operate. Instead, companies are forced to apply the complicated salary structure and calculation system prescribed by domestic legislation.

Such a structure brings no real benefit to employees, as employers, when contracting the base salary, take into account other payments they are required to make (e.g., vacation allowance, meal allowance). In this way, employees ultimately receive the same total amount of salary that the employer planned, regardless of whether it is expressed through a single salary category or divided among several. Therefore, it is necessary to simplify the salary structure and the salary calculation.

Additionally, calculating salary compensation based on the average salary from the previous 12 months often results in the salary compensation being higher (usually due to bonuses paid) than the salary the employee would have received if they had been working during that same period. This prevents companies from planning their budgets and negatively affects employees, who are aware that they will receive higher pay during their absence than they would have earned had they been working.

6. Internships for high school pupils and students.

Article 201 of the Labour Law provides for the possibility of engaging persons under a contract on professional training and a contract on professional development. However, in order to conclude a contract on professional training, it is necessary that a law or rulebook prescribe the performance of an internship or the taking of a professional examination, while the conclusion of a contract on professional development requires that a special regulation prescribe professional training for work in a particular profession or specialization. As a result, the use of such contracts is, in practice, extremely limited and rare, especially in the private sector.

Internships, that is, the engagement of high school pupils and students who wish to develop and acquire certain practical knowledge and skills for personal development and easier future employment, have remained outside the scope of the Labour Law. Therefore, in practice, employers encounter difficulties in engaging young people for learning through practice in a manner that ensures legal certainty. In the absence of an appropriate form of contract through which pupils and students could be engaged, employers most often use temporary and occasional work contracts to carry out student and pupil internships, given that the flexible legal nature of such contracts allows for it, even though the legislator's intent was not for this contract to be used for that purpose.

7. Content of the offer for reassignment to another appropriate position.

Article 171, paragraph 1, item 1 of the Labour Law provides that the employer may offer the employee an amendment to the agreed employment conditions (annex) for reassignment to another appropriate position, due to the needs of the work process and work organization. Case law has taken the position that an offer to conclude an annex to the employment contract must include a detailed explanation of the specific needs of the work process and organization that have led to the necessity of transferring the employee from one (appropriate) position to another. Given that the Labour Law does not prescribe an obligation to provide a detailed explanation of the needs of the work process and organization, yet case law insists upon it, employers face uncertainty regarding the mandatory content of the offer.

8. Termination of employment due to technological, economic, or organizational changes, abuse of the right to absence due to temporary incapacity for work, use of alcohol, subjective and objective limitation periods, notice period in the case of termination by the employee, termination of employment contracts with a probationary period

Article 179, paragraph 5, item 1 of the Labour Law provides that an employer may terminate an employee's employment contract if, due to technological, economic, or organizational changes, the need for performing a specific job ceases or the volume of work decreases. While the Labour Law regulates the procedure relating to so-called mass redundancies, which entails the obligation to adopt a redundancy program, it fails to regulate the procedure for so-called individual redundancies. It is also unclear whether this ground for termination is applicable to employees with fixed-term contracts.

Even in relation to the regulated procedure for resolving collective redundancies, numerous uncertainties arise. For example, it is unclear whether the employer must first

amend the rulebook on job classification or first adopt the redundancy program. This issue is particularly relevant given that in recent years several decisions of the Supreme Court of Cassation have been published interpreting the redundancy procedure and the sequence of such actions in different ways, precisely due to the aforementioned gaps in the Labour Law, which further increases legal uncertainty in the application of this law. Additionally, various doubts arise regarding the implementation of employment measures, especially in cases of retraining and requalification.

The Labour Law insufficiently specifically regulates the termination of employment due to abuse of the right to absence arising from temporary incapacity for work, as well as in cases of reporting to work under the influence of alcohol or other intoxicating substances, or in cases of their use during working hours, which creates dilemmas in practice.

The subjective and objective limitation periods (six months from the date of becoming aware of the facts/one year from the occurrence of the facts) are too short, which is particularly evident for employers with a large number of employees, complex structures, and processes, as well as for those employers who can only initiate the termination procedure once internal controls have established the complete factual situation. For these reasons, in complex cases, statutory deadlines are often exceeded, leading to situations where employees who have seriously violated work duties or failed to observe work discipline remain employed.

A major problem is the inability to agree upon a notice period longer than 30 days in the event of termination by the employee, particularly when hiring a director or another member of management, who is very difficult to replace within such a short time frame.

In addition, it often happens that an employee simply stops coming to work because they have entered into an employment relationship with another employer. In such a case, the previous employer is required to carry out the entire procedure for terminating the employment contract due to a breach of work duties and work discipline, which demands a serious investment of time and resources, even when, based on data from the social insurance system (i.e., based on the deregistration by the previous employer due to the employee's registration under an employment relationship with a new employer), it is clear that the employee has implicitly terminated their employment contract. Furthermore, the previous employer is obliged to file a request for determining the employee's insurance status in order to align the deregistration date from social insurance with the date of termination of the employment relationship with the employer.

In practice, in cases of termination of employment during a probationary period, pursuant to Article 36, paragraphs 3 and 4 of the Labour Law, courts have taken the position that the reasoning of the termination decision must state that the employer has applied the procedure applicable to termination of employment due to underperformance and incompetence, as provided in Article 171, paragraph 1, item 1 of the Labour Law, which entails the obligation to provide detailed instructions for improving the employee's work performance and to allow an additional period for improvement before terminating the employment contract. Such a requirement, resulting from the insufficiently clear wording of Article 36 of the Labour Law, completely undermines the purpose of probationary period.

9. Absence of guidelines for determining the minimum compensation payable by the employer to the employee in cases where a non-compete clause is agreed for the period upon termination of employment.

Article 162, paragraph 2 of the Labour Law provides that a non-compete clause applicable after termination of employment may be agreed upon if the employer undertakes via the employment contract to pay a compensation to the employee. Given that the Labour Law fails to provide guidance on determining the amount of such compensation, there is a risk that courts may find that the employer and employee have agreed upon a disproportionately low amount and therefore declare the provision establishing the restriction null and void.

10. Reinstatement of an employee following annulment of a termination decision.

There is uncertainty as to how an employer should act when an employee succeeds with a claim seeking annulment of a termination decision, and the employer is obliged to reinstate the employee, yet within its organizational structure there is not an appropriate vacant position to which the employee may be assigned. Namely, employers are uncertain whether they have the option to declare such an employee redundant and pay severance, which should be clarified by law.

11. Delivery of employment-related documents.

The current statutory solution concerning the delivery of

employment-related documents is excessively complex, particularly given that it requires physical delivery of documentation for nearly all employment-related acts, which, in the context of modern communication tools, represents an archaic and impractical solution.

12. Change of employer.

The current statutory solution is insufficient, as the Labour Law does not specify what constitutes a change of employer, which creates dilemmas and legal uncertainty in practice.

In addition to the problems identified in the Labour Law, the Employment Records Act is outdated, and modern solutions must be implemented.

FIC RECOMMENDATIONS

- **Digitalization of legal documents arising from employment.** It is necessary to amend the Labour Law to allow for: (a) the use of electronic documents and electronic signatures (issuance of acts and entering into contracts) in employment matters, (b) the electronic delivery of such documents, (c) the conduct of formal communication between employer and employee by electronic means (via email or another channel of electronic communication), and (d) the use of an electronic notice board, electronic records, and similar tools.

  Also, we think it is necessary to amend the Employment Records Act by regulating the obligation to preserve employment-related documents (instead of maintaining records), determining a maximum retention period of up to five years after termination of employment, providing for the possibility of storage in electronic form, and prescribing the proper method of archiving employee files created in paper form.

- **Flexible conditions for work outside the employer's premises.** It is necessary to clarify the distinction between work from home and remote work.

  It is necessary to enable the employee and the employer to agree that the employee may perform part of their working hours outside the employer's premises, not only from home. It is also necessary to provide for a simple transition from work performed at the employer's premises to work performed outside those premises, through entering into an annex to the employment contract. In cases where the change of work regime is temporary or occasional, it should be permitted to implement such change without the obligation to conclude an annex (in which case the provisions of the employer's general acts would directly apply to the conditions of work performed outside the employer's premises).

  We propose a relative approach to the "place of work" as a mandatory element of the employment contract, by introducing, for example, a "primary place of work."

  It is necessary to introduce general principles governing the reimbursement of expenses for work performed outside the employer's premises, in order to clarify whether such expenses are to be determined by the employer or are subject to negotiation between the employee and the employer.

  The grounds for introducing overtime work should be expanded beyond cases caused by sudden and unexpected circumstances. The employer and the employee should be free to agree on the reason and purpose of overtime work, as well as the manner of compensating the employee for overtime (through extra pay or through hours or days of paid leave). When negotiating salary levels with managers who, as a rule, earn significantly higher salaries than other employees because they assume a higher level of responsibility, the employers should be allowed to agree with such managers that the salary includes compensation for any potential overtime work.

- **Abolition of mandatory criteria for extra days of annual leave.** Instead of prescribing mandatory criteria for extra days of annual leave in advance, it would be much simpler if the Labour Law left to the employer the option to independently determine, through a general act, the criteria for increasing annual leave that aligns with the specific employer's organization, or if the Labour Law simply increased the statutory minimum, while abolishing the obligation to apply the criteria for extra days.

- **Rational structure of salary and salary compensation.** Work performance portion of the salary should be prescribed only as a possibility, not as a mandatory component of salary. The base for calculating salary compensation during absence from work should be equal to the base salary increased by extra pay on account of years of service. It should be stipulated that the employer may offer an amendment to the agreed employment conditions in order to change the agreed base salary, and not only to change the elements of the base salary.

- **Flexible engagement of pupils and students for internships.** It is necessary to provide appropriate flexible modalities for engaging high school pupils, students, and other persons outside employment for the purpose of acquiring practical knowledge and experience in a real working environment, advancing their careers, and facilitating future employment. This can be achieved by amending Article 201 of the Labour Law, which regulates contracts on professional training and professional development. The competent ministry may establish all necessary mechanisms for preventing abuse of this legal instrument, if such abuse was the reason for introducing the restrictions in Article 201 of the Labour Law, which currently prevent the use of these types of contracts for internship purposes. When implementing amendments to the Labour Law, it is necessary to take into account the existing provisions of the Dual Education Act and the Dual Study Model in Higher Education Act, which regulate the conditions for internships of high school pupils and students.

  Alternatively, student internships may be regulated by a separate statute on internships. The draft of that law, which was subject to public consultation, contained inadequate provisions under which interns could undertake internships within a certain period after completing their studies, for work in a profession corresponding to the level of qualifications acquired. Such wording leaves room for interpretation that students, during their studies, would not be able to undertake internships in professions requiring higher education (since, at that moment, they have only completed secondary education). Such a solution defeats the purpose of internships. It remains to be seen what the final version of the future law will be and whether it will constitute an adequate legal basis for the work engagement of students.

- **More flexible conditions and procedures for termination of employment.** It is necessary to: (a) extend the limitation periods, setting the subjective period at one year and the objective period at three years, (b) extend the maximum duration of the notice period in the case of termination by the employee to 60 days, (c) enable employers to issue, in the form of an electronic document, decisions on employees' rights, obligations, and responsibilities, including those imposing sanctions (termination or a less severe disciplinary measure) or releasing the employee from responsibility, as well as to deliver all such decisions electronically, (d) stipulate that if an employee refuses to receive a decision on the employer's premises, the decision shall be deemed delivered, (e) allow the employer unilaterally to release the employee from the obligation to attend work during the notice period (when such a notice period is prescribed or agreed), while paying salary compensation equal to the employee's base salary proportionate to the number of working days from which the employee is released, (f) regulate the procedure for termination of employment due to technological, economic, or organizational changes – redundancy – when there is an obligation to adopt a redundancy program (for example, whether the employer must first amend the rulebook on job classification or first adopt the redundancy program), and when there is no obligation to adopt such a program, clearly specify the employer's obligations (whether there is an obligation to adopt any document prior to the termination decision, whether there is an obligation to apply employment measures and how such measures should be applied, etc.), and explicitly clarify whether this ground for termination may also apply to employees with fixed-term contracts, (g) specify the conditions for termination of the employment contract due to abuse of the right to absence arising from temporary incapacity for work and the use of alcohol and other intoxicating substances, (h) define that entering into employment with another employer who has registered the employee for insurance, without previously submitting a written resignation to the prior employer, shall be considered termination of the employment contract with the previous employer by the employee, effective as of the first day the employee fails to

report to work for the employer. It is necessary expressly to permit the inclusion of a contractual penalty clause for failure to comply with the notice period, given the frequent dilemmas in practice concerning this issue.

- **Termination of an employment contract with a probationary period.** Article 36 of the Labour Law should be amended to clarify: (a) that the employer is not obliged to grant the employee on probation any additional period to improve their performance; (b) that, in the case referred to in Article 36 paragraph 4, it is not necessary for the employer to provide any explanation as to why the employee failed to demonstrate appropriate work and professional abilities, but that the employer may issue only a declaratory decision stating that the employee's employment shall terminate on the date of expiration of the probationary period.

- **Introduction of guidelines for defining the minimum compensation payable by the employer to the employee for post-termination non-compete.** Article 162 paragraph 2 of the Labour Law should be amended by introducing guidelines for determining the minimum amount of compensation for a post-termination non-compete obligation (for example, the amount of compensation may not be lower than, for instance, 1/3 of the agreed base salary in effect on the date of termination of employment, for each month during which the post-termination non-compete period).

- **Clarification of the procedure for reinstating an employee.** Article 191 of the Labour Law should be supplemented to clarify that, if a court issues a final and binding decision ordering the employer to reinstate the employee, and the employer has no vacant position within its organization to which the employee may be assigned, the employer may declare the employee redundant within the meaning of Article 179 paragraph 5 item 1 of the Labour Law, with severance pay.

- **Clarification of the delivery of employment-related documents.** Article 193 of the Labour Law should be supplemented to clarify that the provisions governing the delivery of a termination decision under Article 185 of the Labour Law apply to all employment-related acts, including the offer and annex to the employment contract. It should also provide for the possibility of electronic delivery of employment-related documents where employees use electronic communication tools in their work or in communication with the employer.

- **Change of employer.** Article 147 of the Labour Law should be clarified to specify what constitutes a change of employer, that is, which situations (in addition to status changes prescribed by the Companies Act) represent a change of employer.

LAW ON VOCATIONAL REHABILITATION AND EMPLOYMENT OF PERSONS WITH DISABILITIES 1.00

CURRENT SITATION

Since the adoption of the Law in 2009, the goal of the legislature has been to raise awareness and increase employment of persons with disabilities (PwD) in all industries, by applying the same rules to all industries, regardless of their key differences. In that respect, the legislature's disregard of the fact that some industries require full working ability caused significant challenges for employers, which will be difficult to overcome.

POSITIVE DEVELOPMENTS

There were no significant changes in the field of PwD employment and inclusion in relation to the previous period regarding legislation activities. The impression is that neither the legislature, nor the implementing institutions have made this legislative area a focus of their attention. Positive progress can be seen in forming of various organizations and platforms

with focus on this topic. It is a significant effort of such organizations to make this group of candidates visible on the market, as well as to bring their needs closer to Employers. These efforts could give good results in the future.

REMAINING ISSUES

Problems remain the same and are reflected in the following:

- The problem for employers is the lack of staff that would apply for jobs appropriate for PwD.
- Working in some industry sectors (such as construction, private security, manufacturing, etc.) requires specific medical fitness and it is therefore practically impossible to employ PwD.
- Failure to carry out the classification of business activities of employers that, due to their nature, cannot be subject to the application of the Law in the same way as business activities not requiring special medical fitness or special mental or physical abilities of employees for certain jobs. Furthermore, companies selling services rather than products, where employees with special mental and physical characteristics are a key factor in performing core business activities, are unable to meet the requirements set by this Law.
- The Law on Vocational Rehabilitation and Employment of Persons with Disabilities is in conflict with the Law on Private Security. The latter stipulates that, starting from 1 January 2017, private security activities can only be carried out by persons with an appropriate license the acquisition and maintenance of which requires appropriate mental and physical abilities. This especially applies to employees handling weapons, who are required to undergo annual health check-ups. Thus, companies from the private security industry are additionally prevented from complying with provisions of the Law on Vocational Rehabilitation and Employment of Persons with Disabilities.
- Although there is a possibility for current employees to undergo an assessment of their working ability to be recognized as PWD, in practice such a procedure is very complex and administratively cumbersome, as it includes the submission of numerous documents by the employee and the involvement of different state authorities with somewhat overlapping powers within just one procedure (the National Employment Service [NES] and the National Pension and Disability Insurance Fund [NPDIF].

FIC RECOMMENDATIONS

Because the regulations listed herein are considered particularly important and vital for attracting and maintaining foreign investments, and given that the very purpose of this Law is the inclusion of PwD, the FIC previously provided and is still putting forth a number of suggestions on how to improve the situation. To this end, here we underline the most important recommendations on how to improve the existing legal framework and practice:

- Classify business activities subject to a limited application of the Law, due to their specific nature (e.g. private security, manufacturing, construction, etc.), meaning that in these activities the number of PwD the employer must hire should be calculated relative to the number of employees in jobs that do not require special medical fitness pursuant to the law and/or nature of the business activity and that can be performed by employees with disabilities.
- The assessment of and the issuing of a decision on working ability should be performed by the same body to accelerate the procedure. We suggest that the procedure and decision-making should be accelerated and the list of documents required by the authorities from the employee be reasonably decreased.
- We believe that a more efficient manner for increasing the employment rate of PwD would be to incentivize employers with subsidies for their employment.

EMPLOYMENT OF FOREIGN NATIONALS 1.67

CURRENT SITUATION

The employment of foreigners is regulated by the Employment of Foreigners Act from 2014 and the Foreigners Act from 2018. The last amendments to these acts entered into force in August 2023, whereas the implementation of the most significant changes was postponed until 1 February 2024. In the meantime, bylaws were adopted in January 2024.

Following the amendments to the relevant legislation in 2023, foreigners who require a visa for a longer stay in Serbia (the co-called visa D) are now allowed, on the basis of that visa, not only to stay, but also to work in Serbia. Visa D is issued upon the foreigner's request, and the decision must be made within 15 days, with the possibility of extension to up to 30 days from the date of submission of complete documentation, if there are justified reasons for it.

Also, the procedure for obtaining temporary residence and a work permit in Serbia has been simplified through the introduction of the so-called integrated permit, i.e. permit for temporary residence and work of a foreigner in the Republic of Serbia. An integrated permit is issued upon the request of either the employer or the foreigner, decided by the competent authority within 15 days from the date of receipt of a complete application. The application must be submitted exclusively online, via the Welcome to Serbia website. The process is handled jointly by the Foreigners Office and the National Employment Service ("NES").

A foreigner holding a visa D may be registered for mandatory social security insurance starting from the date of obtaining the visa, while a foreigner who does not require a visa may be registered only after the approval of the integrated permit request, based on a certificate confirming the initiation of the permit issuance process.

There is a relatively broad set of exceptions under which approved temporary residence allows a foreigner to work without obtaining an integrated permit. These include, for example, family reunification with an immediate family member who is a citizen of Serbia or a foreigner with permanent residence, an integrated permit, or temporary residence; volunteering; ownership of real estate; etc.

POSITIVE DEVELOPMENTS

As of March 2025, in accordance with the Rulebook on Visas and the Rulebook on Submission of Applications for Issuing Visas Electronically and Approval of Visas, it is possible to register a foreigner with a visa D for social security insurance using a temporary registration number, whereas in practice it was possible to register foreigners in the previous period.

REMAINING ISSUES

- In the previous year, by far the biggest challenge in practice has been the significant delay in issuing integrated permits. Namely, although the Foreigners Act prescribes a 15-day deadline from the date of submission of the request for the issuance of an integrated permit, the authorities issued the permits only after an average of three to four months from the date of submission of the complete request, while in some cases it took more than five months. This delay has serious consequences for foreigners who do not need a visa D, because, during this period, they are not able to establish employment relationship, to generate income in Serbia or open a bank account. There are also consequences for the organization of the work of employers, who cannot plan their business.

- Through the Welcome to Serbia website, the Foreigners Office often issues to applicants vague and unclear requests for the supplementation of documentation or requests the resubmission of documents that were already submitted with the initial application. Additionally, there have been instances where the NES has directed foreigners and employers to other authorities regarding requests for additional documentation, citing lack of access to data from the submitted application, instead of the NES and Foreigners Office achieving full mutual cooperation and obtain the necessary information and documentation ex officio, as prescribed by law.

- Submitting a request for a labour market test, which is a necessary step in the process of obtaining an integrated permit based on employment in Serbia, is complicated due to the unreliability of the eUprava system. The request is submitted electronically, via the eUprava website, and can be submitted only by a director using his electronic certificate, or by another person authorised by the director using the same website and his electron-

ic certificate. The director, as a rule, does not want to submit a request for each foreigner individually, however, the eUprava system is unreliable, making it unnecessarily difficult to grant authorisation to another person.

FIC RECOMMENDATIONS

- Strict compliance with the statutory deadline for issuing an integrated permit.
- Improving the operation of the eUprava and Welcome to Serbia websites, and better cooperation and coordination of the authorities that participate in obtaining of the documentation required for issuing an integrated permit.

SECONDMENT OF EMPLOYEES ABROAD 1.00

CURRENT SITUATION

The Act on Conditions for Secondment of Employees to Temporary Work Abroad and their Protection ("Secondment Act") has been in effect since 13 January 2016, regulating secondment of employees abroad by a Serbian employer for the purpose of temporary work or vocational training and development abroad. The Secondment Act defines the following types of secondment: (i) performance of investment and other works and provision of services, pursuant to a business cooperation agreement or another adequate basis; (ii) work or professional training and development at the employer's business units established abroad, pursuant to a secondment enactment or another appropriate basis; and (iii) work or professional training and development in the context of intra-company movement pursuant to an invitation letter, intra-company movement policy or another appropriate basis (which includes secondment to a foreign employer that has a significant equity in the Serbian employer or exerts controlling influence over the Serbian employer, or to such foreign company which is, together with the Serbian employer, under the control of a third foreign company).

The Secondment Act does not apply to business trips abroad which last for up to 30 days continuously or up to 90 days with interruptions within a calendar year. In 2016, the Ministry of Labour issued an opinion which states that the employer can refer its employees to business trips abroad irrespective of the said limitations, if such business trips do not fall under one of the cases (i) – (iii) from the previous paragraph (e.g. business trip abroad for the purpose of negotiations with a potential business partner and concluding a business cooperation agreement).

An employer can second abroad only its employees, and not persons engaged outside employment. The employer and the employee must conclude the amendments to employment agreement regulating the terms of secondment abroad (the mandatory elements are prescribed by the Secondment Act). The employee must be employed at the employer which is seconding the employee for at least three months prior to secondment (except in case secondment assumes work which falls within the employer's core business activity, and if the number of employees to be seconded does not exceed 20% of the total number of employees at the employer; furthermore, the exception also applies in certain cases of secondment to Germany).

An employee may be seconded abroad only with his written consent. When the possibility of secondment abroad is stipulated in the employment agreement, no additional consent is required, but the employee may refuse secondment abroad for justified reasons prescribed by the Secondment Act (e.g. during pregnancy). The initial duration of secondment is limited to 12 months, with the possibility

of extension. In case of secondment of fixed-term employees, the duration of secondment may not exceed the term of their employment, and the time spent on secondment does not count toward the maximum statutory duration of fixed-term employment.

The employer must register the change of the seconded employee's social security insurance ground in the Central Registry of Mandatory Social Security Insurance, and state the host country, as well as any subsequent change of the host country.

POSITIVE DEVELOPMENTS

There were no positive developments in this area in the past period, compared to the previous edition of the White Book.

REMAINING ISSUES

Although the Secondment Act provisions do not apply to business trips abroad the duration of which does not exceed 30 days continuously or 90 days in total within a calendar year, in practice of a large number of employers, this limitation is inadequate when it comes to managerial positions which require frequent business trips for the purpose of performing work for the employer abroad, since the employees who work at managerial positions are often required to be on business trip abroad for more than 90 days in total within a calendar year.

Limiting secondment abroad for the purpose of vocational training and development only to the employer's business units abroad, and only to a group of entities affiliated with the employer based on equity or control, has been disputed in practice. By not allowing secondment for the purpose of vocational training and development at the companies abroad that are not related to the domestic employer based on equity or control, but on some other basis (e.g. contractual relationship), the movement of employees seeking training and development abroad is an unnecessary constraint.

The Secondment Act prohibits secondment abroad of employees under the age of 18 (unless another statute regulates otherwise). This limitation is unnecessary, having in mind that secondment for the purpose of vocational training and development can be useful for employees between the age of 15 (the statutory condition for establishing employment) and 18.

FIC RECOMMENDATIONS

- We recommend extension of the maximum period employees at managerial positions are allowed to stay abroad on the basis of referral to business trip, without application of the Secondment Act to up to 180 days in total within a calendar year, instead of the currently applicable 90 days.
- We recommend allowing secondment abroad for the purpose of vocational training and development also to the entities which are not necessarily related to the employer by equity or control.
- We recommend allowing secondment abroad of employees under the age of 18.

STAFF LEASING 1.00

CURRENT SITUATION

The Staff Leasing Act ("Official Gazette of the Republic of Serbia", no. 86/2019) ("Staff Leasing Act") entered into force on 1 January 2020 and became applicable on 1 March 2020. This is the first time that staff leasing and staff leasing agencies' work are regulated in Serbia. The Staff Leasing Act regulates the rights and obligations of leased employees employed at a staff leasing agency, equal treatment of leased employees regarding certain employment rights and rights arising from work, the conditions for temporary employment, the operation of the agencies, the conditions for staff leasing, the relationship between an agency and a beneficiary and the obligations of an agency and a beneficiary towards leased employees. However, the Staff Leasing Act created certain problems, such as those connected with the notion of comparative employee, the limitation of the number of leased employees who are employed for a fixed term with an agency that a beneficiary can lease, and the presumption of staff leasing.

POSITIVE DEVELOPMENTS

Although there have been no amendments to the Staff Leasing Act, the amendments to the Employment of Foreigners Act ("Official Gazette of the RS", nos. 128/2014, 113/2017, 50/2018, 31/2019, and 62/2023), which came into force on August 4 2023, and became applicable on February 1 2024, introduced a novelty in the field of staff leasing. Namely, the Employment of Foreigners Act now allows for so-called "temporary employment" of a foreigner, i.e. leasing of a foreigner to a beneficiary for temporary performance of work for that beneficiary.

REMAINING ISSUES

The Staff Leasing Act prescribes that a beneficiary can engage leased employees who are on a fixed-term employment contact with the staff leasing agency only if the number of such leased employees does not exceed 10% of the beneficiary's total workforce. This provision has many negative effects. Prior to the adoption of the Staff Leasing Act, one of the reasons for staff leasing was that there are industries in which the volume of workload is uncertain, i.e. there are sudden decreases and sudden increases of workload. In such industries, the beneficiary needs to engage leased employees for a fixed-term, during the increase of the workload, and during such times the number of the leased employees the beneficiary needs can easily exceed 10% of the beneficiary's total workforce. With the adoption of the Staff Leasing Act, this can no longer be done because it is not realistic that staff leasing agencies will employ people for indefinite-term in order to lease them to the beneficiaries for a fixed-term. This leads to an increase in the number of persons engaged on the basis of the agreement on temporary and periodical work (directly or through a youth cooperative). Workers engaged on this basis are less protected than leased employees under the Staff Leasing Act (persons engaged based on the agreement on temporary and periodical work are not guaranteed the same work conditions as comparative employees at the beneficiary). Reduced flexibility in engaging staff in Serbia certainly discourages potential and existing investors. Limiting the number of fixed-term employees that a beneficiary can lease from a staff leasing agency practically obviates the need for staff leasing agencies on the Serbian labour market.

The concept of a comparative employee from the Staff Leasing Act introduces legal uncertainty and potentially leads to the violation of the basic principles of the labour legislation. Namely, the Staff Leasing Act defines a comparative employee by developing the basic idea of the Directive 2008/104/EC (harmonization with the Directive 2008/104/EC was one of the goals when adopting the Staff Leasing Act). However, the Staff Leasing Act prescribes that, when there is no comparative employee at the beneficiary, the leased employee's base salary cannot be less than the base salary of the beneficiary's employees who have the same degree of professional qualification or same qualification level as the leased employee. This solution is not in the spirit of the Directive 2008/104/EC. In addition, a potential consequence of this solution is that leased employees and the beneficiary's employees, who have the same degree of professional qualification, would be entitled to the same base salary even if their jobs are different (the complexity of the job, and responsibility are not taken into account). This is contrary to the equal pay for equal work principle.

The Staff Leasing Act introduces the presumption of staff leasing, according to which a person who does the work for the beneficiary or at the beneficiary's prem-

ises but has an employment agreement or other type of engagement agreement with another employer, is considered a leased employee unless proven otherwise. The Staff Leasing Act, therefore, does not recognize situations in which a beneficiary and another employer have a business cooperation agreement, service agreement, construction agreement etc., on the basis of which the employees of another employer work for the beneficiary or at the beneficiary's premises. The possibility to rebut the presumption ("unless proven otherwise") does not offer sufficient legal certainty, i.e. it unnecessarily shifts the burden of proof to the beneficiary. Having in mind that the Staff Leasing Act defines staff leasing in detail, and determines who can be considered a leased employee, the staff leasing presumption is unnecessary, and can result in practice in unwarranted misdemeanour proceedings and expose the beneficiaries to unnecessary costs of overturning the statutory presumption.

FIC RECOMMENDATIONS

- We recommend deletion of Article 14 of the Staff Leasing Act, which limits the number of employees employed at the staff leasing agency on a fixed-term basis that a beneficiary can lease.
- We recommend deletion of Article 2 paragraph 5 of the Staff Leasing Act, which regulates situations in which there is no comparative employee at the beneficiary.
- We recommend deletion of Article 17 of the Staff Leasing Act, which prescribes the staff leasing presumption.

HUMAN CAPITAL 1.00

CURRENT SITUATION

Human capital in Serbia is one of the most important resources for the economic growth and development of our country. In the past period, a certain improvement of the educational system was visible, which contributed to the increase of better qualifications of the workforce. The country's universities and colleges offer a wide range of programs and occupations, and there is a visible increase in the number of young people completing higher education. However, Serbia is facing serious challenges such as brain drain, where highly skilled labour goes abroad in search of better business opportunities and life. This directly affects the reduction of labour availability within the country.

Highly skilled people, as well as people with a lower level of education for basic jobs, are very challenging to hire and retain because they leave the country trying to find better paying work abroad. On the other hand, there is a constant need for additional investments in training, development and improvement of the workforce to respond to the changes and demands of the modern labour market. All activities aimed at encouraging entrepreneurship, developing the IT sector, promoting education and greater involvement of young people in innovative projects can significantly improve the state of human capital in Serbia and contribute to long-term economic growth.

In the first quarter of 2025, the employment rate increased to 51.4% (Republican Bureau of Statistics - Labour Force Survey, Q1 2025) while the unemployment rate was 9.1%.

The participation of the active population in the labour market also increased to 56.6%, which indicates a slight increase in economic activity.

A drop in informal employment was also recorded to 11.5% in total, i.e. 6.0% in non-agricultural activities.

In addition to all of the above, the situation on the labour market is becoming more and more challenging. In the previous period, the biggest challenge for companies was

finding and attracting candidates, as well as retaining existing employees. Such a trend is visible for a longer period of time. He points out that companies have big challenges on how to keep existing employees on the one hand, and on the other hand how to attract better candidates from the labour market. The educational structure and the labour market point to the fact that it is challenging to find candidates who can meet the challenges in high, professional and strategic positions, while there are more and more challenges in finding candidates for lower executive positions as well. Retaining highly skilled workers and developing own resources are still very popular trends, given the market conditions.

Also, despite a slight drop in the brain drain index from 6.0 (2023) to 5.9 (2024), the departure of young, educated people is still a serious challenge (TheGlobalEconomy.com – Human Flight & Brain Drain Index).

The lack of employees is felt in all industries. This deficiency is evident both in the number of necessary executors and in their professional structure. There is a noticeable lack of competence, knowledge and skills for various positions in all activities. These problems become major organizational challenges for companies.

A special challenge is the increase in total labour costs due to the growth of average wages by about 13% compared to the same period last year (Trading Economics - Serbia Wages Growth).

Another visible segment that we accepted from the previous period was working from home as an important benefit that employees often use. This type of work ceases to be dominant, and its representation is rapidly decreasing. The reasons for this are different, and from the IT industry that used it the most, it becomes just one benefit and the possibility to allow employees to work from home 1-2 times a week.

This trend further strengthened in 2025 - working from home is still present, but as a selective convenience, not a standard way of working (sources: business portals, FIC HR Committee).

The unemployment rate varies in the territory of the Republic of Serbia, which, in many ways, reflects the state of the economy in different parts of the country, and unemployment is still the lowest in the territory of Vojvodina, which is why employers in the territory of this autonomous province face a great challenge in the recruitment and selection of suitable personnel.

Also, some municipalities in eastern and southern Serbia are experiencing an increasing challenge, which are experiencing an increase in young people who are not involved in education or work - the so-called The NEET population (15–29) is 15.7% in Q1 2025 (Republican Bureau of Statistics).

The unemployment rate in the entire country in the first quarter of 2024 was around 10.1%, while employers have increasing challenges to find, attract and retain the workforce, especially quality candidates, especially in the field of IT where major changes and movements are visible that have led to employers becoming more cautious when investing in new technologies and hiring more people.

This prudence continued in 2025, and in addition to selective hiring, there is also a greater investment in upskilling and reskilling of existing employees (FIC and HR company reports).

Finally, despite the economic crisis that has affected the whole world, the minimum wage in Serbia has been increased in 2025 as well - from 230 to 271 dinars per hour, that is, from 40,020 to 47,154 dinars per month (Government of the Republic of Serbia, decision on the minimum wage in 2025).

POSITIVE DEVELOPMENTS

Certain changes related to the state's efforts to support employment in all industries are visible.

In 2025, the Government of the Republic of Serbia continued the implementation of active employment measures in cooperation with the National Employment Service (NES), which include subsidies for self-employment, vocational training programs, public works, as well as programs aimed at groups that are more difficult to employ (NES programs for 2025).

The budget for active employment measures in 2025 amounts to 7.5 billion dinars, which is an increase compared to the previous year, and enables the inclusion of more than 20,000 unemployed persons in various forms of support (NES, 2025).

The focus of the program is increasingly moving towards dual education and connecting the education system with the labour market, through projects in partnership with the economy, especially in the manufacturing, craft and IT sectors.

From 2025, it is mandatory to include the economy in the development of high school curricula in technical profiles, in accordance with the new Law on Dual Education (Ministry of Education of the RS, 2025).

Special attention is paid to the development of digital skills and retraining in the IT sector through the continuation of the "My First Salary" and "IT Retraining" programs in cooperation with EIB and private partners, whereby trainings are oriented to the specific needs of employers - Digital Agenda 2025.

In 2025, measures to support returnees from the diaspora were intensified - including tax breaks for companies that employ them, as well as grants for self-employment for returnees from abroad, in cooperation with UNDP and IOM (International Organization for Migration) (IOM Serbia, 2025).

The digitization of the labour market and the competence base, as well as the improvement of the online platform of the NES, contributed to greater availability of information on vacancies and the matching of supply and demand, thus increasing the efficiency of employment.

In addition, employment programs for young people under 30 now include more specialized training and certification – including green skills, energy management and sustainable development, in line with Serbia's climate goals and green agenda (GIZ and Ministry of Environmental Protection, 2025).

A particularly encouraging trend is the increase in the number of female entrepreneurs, thanks to programs supporting female entrepreneurship, which include credit lines with subsidized interest and mentoring support (sources: Development Fund, EIB and Development Agency of Serbia).

REMAINING ISSUES

Despite the numerous efforts of the Government and the legislation to stand in the way of the negative appearance of the problem of the grey economy and illegal work, it is still very current.

According to data for the first quarter of 2025, about 11.5% of employees work in the grey zone, and in non-agricultural sectors that share is 6% (RZS - Labour Force Survey, Q1 2025).

This phenomenon is particularly pronounced in small and medium-sized enterprises in the hospitality, construction and agriculture sectors.

The number, age structure and qualifications of labour inspectors are one of the key challenges that the state must face.

At the level of the whole of Serbia, inspection services do not have sufficient capacity to effectively cover the growing number of economic entities, especially in rural areas and unregistered zones.

Unfair competition, unfair market competition in various, especially low-profit industries and a large number of economic entities that do not fulfil basic legal and fiscal obligations towards employees and the state, as well as unpredictable labour costs, represent a major obstacle to the development of the market as well as human capital.

The education system still needs to be improved and better connected with the business community.

Despite the advances through dual education and the introduction of more flexible profiles, there is still a significant gap between the needs of the economy and the offer of educational institutions.

In this way, the gap between education and the needs of employers would be reduced, and the image of the Republic of Serbia as a desirable investment location would be improved.

Digital and green skills have not yet been systematically introduced into secondary education, and higher education is slow to react to changes.

It is necessary to promote more the importance of education at all levels, because it is a generator of the development of society, economy and the whole country.

Dropout rates and NEET rates (15-29 years - 15.7%) further indicate insufficient motivation and the connection between schooling and employment prospects (RZS, 2025).

It is necessary to encourage the trend of rejuvenating the population as well as stimulate the migration of human capital within the Republic of Serbia in order to equally develop underdeveloped areas and thereby reduce the gap in the needs of the economy in different parts of the country.

Internal migration is still more motivated by migration to larger urban centres, while rural and underdeveloped areas record a decline in the working age population.

The decision of foreign investors to enter the market of a certain country is conditioned by the quality and structure of the labour force in the market as well as clear labour costs.

With the current situation and the planned amendments to the Labour Law, there is a great need for amendments to the Law in various areas.

In particular, the need to regulate remote work, flexible forms of work, additional work, as well as mechanisms for the protection of workers engaged through contracts outside of employment is highlighted.

FIC RECOMMENDATIONS

- The education system should continue to be improved. For that, it is essential to establish regular contact between the Council and the Government, the ministries responsible for education, youth and sports, as well as with universities. The Council and the business community in Serbia are ready to provide support and make available their expertise and based on the analysis of the needs of the economy and the real sector, create and establish new educational profiles, as well as regularly correct enrolment quotas at all faculties in accordance with the needs of the market.
- Define the legal framework for the employer-student relationship with the aim of simplifying the application of students' professional practice during regular schooling, including the creation of a contract model and tax relief for employers.
- Define the legal framework for the training of highly educated persons for independent work in the profession, regardless of the acquisition of the requirements for taking a professional exam or doing an internship, which would enable their faster inclusion in the labour market.
- The employment action plan of the National Employment Service will define, redefine and expand the range of educational profiles that will be covered by the employment policy, especially in the field of digital skills, green economy and health care.
- Create a plan for the internal migration of human capital within the territory of the Republic of Serbia, with support through subsidies for resettlement, housing and employment in less developed parts of the country.
- Reduce the burden on labour through tax reforms - especially wage contributions, in order to stimulate legal employment and reduce the shadow economy.
- Legally define and standardize all aspects of working from home, including working conditions, safety and health, as well as reimbursement of expenses and working time.
- Facilitate and promote supplementary work, including the possibility of additional engagement of employees in accordance with the needs of the economy and the legal protection of workers' rights.

OCCUPATIONAL HEALTH AND SAFETY 1.00

CURRENT SITUATION

The Law on Occupational Health and Safety (the Law) was adopted on 28 April 2023 and entered into force on 7 May 2023, providing employers with a two-year transitional period for compliance. By-law adoption was set for 18 months from the effective date. To date, four rulebooks have been enacted: on risk assessment at the workplace, inspection and testing of work equipment and electrical installations, recordkeeping, and preventive measures for working at height. Their application has been postponed to 1 January 2026 to ensure efficient implementation, with the support of the Chamber of Commerce of Serbia and the Employers' Union of Serbia, both of which have called for timely compliance.

However, during expert panels and conferences held on the application of the Law and related by-laws, employers have expressed significant uncertainty, particularly regarding strict classification of high-risk workplaces (e.g., operation of internal transport equipment, vehicle driving, etc.), issuance of work permits, and frequency of medical examinations for employees operating vehicles.

POSITIVE DEVELOPMENTS

Key improvements include clear definitions of work from home and remote work, increased awareness through training, introduction of work permits for high-risk activities, strengthened competence of occupational health and safety advisors through mandatory continuous training, recognition of electronic records, mandatory employee insurance for work-related injuries and occupational diseases, and an enhanced role of the Labour Inspectorate. However, the effects of the Law are not yet visible and will largely depend on employers' ability to align their operations by the extended deadline for implementing subordinate regulations, as well as on inspection oversight and the willingness to consistently enforce the Law's provisions across all sectors.

The introduction of electronic records and registers of workplace injuries represents a step toward reducing the administrative burden on specialists and increasing the efficiency of government bodies. Clear delineation of the roles of safety and health advisors and associates, definition of their competencies, setting minimum numbers relative to the activity and number of employees, as well as the introduction of licensing, establishing the foundation for improving expertise through mandatory and continuous professional development.

The Law replaces the term "competency-based training" with "training", raising occupational safety standards. Emphasis is placed on periodic instruction — annually for high-risk roles and every three years for other positions. Additional instruction is mandatory in cases of process changes, serious/imminent risk, serious or fatal injuries, and for employee representatives, managers, and users of personal protective equipment. The Law also introduces an obligation for employers to ensure that only employees with appropriate instructions and work permits have access to hazardous zones. Furthermore, the regulation on medical examinations has been expanded—alongside initial, periodic, and control exams, targeted medical examinations have been introduced. Employers are required to refer employees for a medical check-up at their request at least once every five years, in accordance with the assessed risks.

The Law also requires employers to adopt a workplace safety and health rulebook that, in line with the specific nature of their business, clearly regulates the rights, obligations, and responsibilities related to occupational health and safety, as well as the monitoring and enforcement of safety measures, to ensure effective implementation of safe and healthy working conditions.

REMAINING ISSUES

Legal uncertainty and regulatory gaps persist regarding work from home and remote work. The Law currently only defines these work models and sets out a few general rules, without regulating mutual rights and obligations between employees and employers. It remains unclear whether further regulation will be provided through by-laws. The current regulatory framework allows employers greater flexibility and competitiveness in the labour market, but clearer guidelines are needed. Since these work models are performed in environments not directly controlled by the employer, it is necessary to adopt by-laws that define the minimum obligations of both employers and employees, with the involvement of business community representatives in their drafting. It is particularly important to regulate the distinctions from employer's premises, especially regarding working conditions, risk assessments, and preventive measures.

Risks related to enforcing occupational safety in work

from home/remote work require further legislative attention. The constitutional right to the inviolability of the home limits employers' ability to directly inspect such workspaces. However, this must not obstruct clear regulation of safety obligations, such as proper electrical installations, lighting, accessibility, and ergonomics. This calls for greater employee involvement and clearly defined responsibilities adapted to work outside employer's premises. Additional challenges arise with frequently changing work locations, especially cross-border remote work, which is generally not covered by current legislation and complicates the application of standard safety measures.

Workplace injuries occurring during work from home or remote work introduce a range of legal and practical ambiguities. Due to the constitutional protection of home's inviolability, employers lack the ability to verify injury sites, relying solely on employee statements, which complicates determining cause and context. It is also necessary to prescribe specific codes for reporting such injuries, along with a clear procedure for their reporting and verification. Additionally, it should be clarified whether the term "workplace" refers exclusively to the part of the home where contracted work is performed, or also includes other areas of the residence.

FIC RECOMMENDATIONS

It is necessary to harmonize the regulations concerning the frequency of medical examinations for employees who operate vehicles. The Law classifies vehicle operation as a high-risk position, requiring annual medical check-ups. However, the Road Traffic Safety Law mandates such examinations for drivers every three years. This inconsistency results in employees such as sales representatives being subject to stricter health monitoring than professional heavy vehicle drivers. Amendments to the laws and/or the adoption of by-laws are needed to resolve these discrepancies.

Amendments to the Law and/or adoption of by-laws concerning working from home and remote work. The Law provides for the adoption of by-laws to further regulate specific aspects of occupational health and safety. In this context, it is recommended that, to the extent possible, the by-laws also cover the specific conditions of home-based and remote work, particularly:

- The process for drafting a risk assessment act for work performed from home or remotely;
- Procedures for implementing preventive measures and mechanisms for monitoring their application, including identifying the causes of work-related injuries (especially regarding workplace ergonomics, lighting, microclimate, adequate equipment, accessibility, stress management, maintenance, electrical installations, fire protection, prohibited activities and behaviours, and employee actions in case of injury);
- Training of employees for safe work from home/remote locations and the digitalization of training and related administrative procedures;
- A clear division of rights, obligations, and responsibilities between employer and employee concerning the implementation of occupational health and safety measures for work from home and remote work;
- If these issues cannot be fully regulated by by-laws, it is recommended to amend the Law, given the increasing prevalence of these work models and the need to ensure safe and healthy working conditions;
- When drafting such regulations, it is essential to involve representatives of the business community to reflect practical experience and avoid overly rigid or impractical rules. All processes should also align with the broader objective of legal digitalization.

ENVIRONMENTAL REGULATIONS

1.30

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Complete the transposition of the EIA and SEA Directives - this includes ensuring that development consent is granted only after the EIA process is finalised, and introducing mechanisms to address projects that have bypassed the necessary assessments. The draft laws on EIA and SEA should be adopted promptly to ensure alignment with EU standards	2021		√	
Improve enforcement and monitoring - strengthening the administrative capacity of both national and local institutions is crucial, particularly for inspectorates and the judiciary. This will require the implementation of cross-sectoral reforms and the provision of adequate resources to ensure compliance with environmental regulations.	2023			√
Tackle air pollution – Serbia must accelerate the implementation of its air quality plans and strengthen monitoring systems to reduce air pollution levels, particularly in regions most affected by industrial emissions. The introduction of the EU Air Quality Index should be prioritised, and SEPA's capacity for monitoring and reporting must be further enhanced.	2021			√
Improve waste management practices - efforts to increase waste sorting at the source should be expanded, and illegal dumpsites must be eradicated. Inspection capacity in the waste sector needs to be improved, and further investments should be made in developing waste-to-energy facilities and recycling infrastructure.	2021		√	
Strengthening transboundary cooperation - Serbia should intensify efforts to improve cooperation with neighbouring countries on the management of transboundary rivers and ecosystems, particularly of ongoing pollution issues.	2024			√
Adopt and enforce environmental crime legislation - the Law on Liability for Environmental Damage should be adopted, and Serbia must establish a track record for enforcement to address illegal logging, wildlife trade, and industrial pollution	2024			√
Increase transparency and public participation - Serbia should ensure that public consultations on environmental matters are inclusive, transparent, and meaningful. Greater efforts should be made to engage stakeholders in the decision-making processes, particularly concerning large-scale investments that impact the environment.	2024			√
Tackle greenwashing and misleading green claims – currently, this issue is only regulated by one paragraph of Law on Advertising and general rules on consumer protection and unfair market practices. With EU's proposal of Green Claims Directive and entry into force of Empowering consumers for the green transition (Directive 2024/825/EU) Serbia could be in pole position to define and regulate this issue in more detail.	2024		√	
Invest in nature protection and biodiversity - institutional and human resource capacity in the area of nature protection must be strengthened, namely at the local level. Serbia should continue its efforts to establish the NAtura 2000 network and improve enforcement of existing regulations, especially regarding illegal construction and hunting in protected areas.	2021			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Find a balance between the right of the interested public to participate in decision-making in environmental administrative matters and the interests of investors to carry out projects within a framework of legal certainty and timely assurance. This implies that the environmental acceptability of a project should not be challenged without valid arguments, which can lead to multi-year delays and significant costs. This recommendation should be implemented through the interpretation of existing regulations and/or their amendments, or enactment of new bylaws.	2023			√

CURRENT SITUATION

Serbia has reached a certain level of preparation in the field of environmental protection and climate change, as reflected in the European Commission reports. A new Law on Air Protection has been adopted. The newly adopted Nationally Determined Contribution (NDC) provides for a reduction in greenhouse gas (GHG) emissions by 40.1% by 2035 compared to 1990 levels, which represents a new and more ambitious target compared to the previously planned 33.3% reduction by 2030. However, there are still significant shortcomings in the implementation of legislative solutions adopted with the aim of alignment with EU directives.

In the European Commission Report (2024) on Chapter 27, which covers environmental protection and climate change issues, it is stated that progress has been made in adopting legislation ensuring that environmental impact assessments (EIA) are carried out prior to the issuance of construction permits. Meanwhile, at the end of 2024, the new Law on Environmental Impact Assessment and the Law on Strategic Environmental Impact Assessment were adopted, confirming this approach. The new Law on Environmental Impact Assessment also covers smaller projects which, together with others, may have a significant environmental impact, thus preventing the deliberate fragmentation of projects ("salami slicing") to avoid the application of the law. On the other hand, according to the EC Report, public participation and consultations have not improved compared to the previous reporting period, and the recommendation to ensure public involvement remains.

Although there are several strategic documents in the field of environmental protection and climate change, Serbia has not yet adopted a National Environmental Protection Strategy. The delay in finalising the Strategy with an accompanying Action Plan hampers efforts to align Serbia's policies with the EU Green Agenda and broader environmental protection goals.

In the field of nature protection, Serbia is progressing with the establishment of Natura 2000 areas. A total of 277 potential Sites of Community Interest (pSCIs) and 85 potential Important Bird Areas (IBAs) have been identified, covering about 30% of Serbia's territory, including areas protected under the Decree on the Ecological Network. Current estimates indicate that around 90% of Special Protection Areas (SPAs) and around 70% of pSCIs have been identified. Despite these positive steps, institutional and human resource capacities remain a challenge, especially at the local level.

Progress in transposing the Environmental Liability Directive remains limited, and key aspects of the legislation are still pending adoption. A comprehensive Law on Environmental Damage Liability has not been approved. In addition, despite efforts, the implementation of environmental legislation remains weak, particularly in areas such as illegal logging, CITES implementation, and water management. Numerous wastewater treatment plants (WWTPs) are planned across Serbia, in accordance with the legal requirement, which will help address one of the country's major environmental issues.

Air pollution remains a pressing issue, which will be further addressed through the implementation of the new Law on Air Protection, strengthening the role of local communities. The provisions of this law will be further specified through the adoption of by-laws and the establishment of permissible limit values for pollutants, in line with EU standards and WHO guidelines.

According to the Environmental Protection Agency, around

3 million tonnes of municipal waste were generated in Serbia in 2023. To date, there are no facilities for the thermal treatment of hazardous waste (except for limited co-incineration capacities), and such waste is mostly exported to other European countries for treatment. As a result of Serbia's obligations under the Basel Convention, which significantly restricts the export of hazardous waste, the country will need to establish an appropriate solution for hazardous waste management, including the construction of facilities for its thermal treatment. Regarding municipal waste, many municipalities lack recycling yards, sufficient waste containers, and source-segregation systems.

Despite the "polluter pays" principle, promoted through several legal acts, waste collection fees are still mostly based on the size of the premises rather than the amount of waste generated. Such a system discourages both businesses and citizens from reducing waste quantities through prevention, reuse, repair, and recycling. Due to this principle, combined with weak or absent enforcement, the number of illegal dumpsites exceeded 2,500 in 2023 according to the Environmental Protection Agency, though the actual number is likely higher. Even when dumpsites are removed, reoccurrence at previously cleared sites is common. These issues point to the need to reform waste management, particularly in terms of fee calculation and enforcement, as well as the necessity of stricter implementation of legal provisions and improved performance of public authorities responsible for waste management.

POSITIVE DEVELOPMENTS

Serbia has made several important steps forward in its environmental and climate agenda. Major achievements in the past year include the adoption of the Energy Development Strategy until 2040 with projections to 2050, the Law on Air Protection, the Law on Environmental Impact Assessment, and the Law on Strategic Environmental Impact Assessment. In addition, the new Nationally Determined Contribution (NDC 3.0) was adopted, further strengthening Serbia's engagement in climate and environmental policy. Work is ongoing to implement these legislative measures and to adopt relevant by-laws, such as the new Rulebook on the Regulation, Management, Disposal, and Landfilling of Construction Waste during Construction Works.

In the field of air quality, some progress has been made in strengthening the monitoring network, although air pollution remains one of the most serious challenges.

In the field of waste management, Serbia continues to demonstrate alignment with EU environmental acquis. Several by-laws regulating waste management were adopted during the reporting period, and in December 2022 the Circular Economy Development Programme was introduced. Waste sorting at source has increased in four regions with the support of the Team Europe initiative, while funds have been allocated for the clean-up of 233 illegal dumpsites and the installation of video monitoring to prevent illegal waste disposal. By the end of 2023, Serbia had 12 operational sanitary landfills (10 regional and 2 local), with ongoing projects to build new waste-to-energy facilities. Since mid-2024, a cogeneration facility at the Vinča landfill in Belgrade has been operational, significantly improving energy and environmental efficiency in the country.

In water management, Serbia adopted in March 2024 the Rulebook on the Method and Conditions for Measuring the Quantity and Testing the Quality of Wastewater and its Impact on the Recipient, as well as the Content of the Report on the Conducted Measurements. Although harmonisation with the EU Water Framework Directive has improved, further efforts are needed to ensure monitoring and enforcement.

During the previous period, numerous wastewater treatment plant projects have been launched, many co-financed by the EU. Several are nearing completion, with others in preparation or construction. Water protection recorded the highest number of project activities, design developments, and construction works, indicating that this area remains the main priority in Serbia's environmental protection efforts. Although these projects require significant financial investment, noticeable progress has been made, not only in legal terms.

In the field of nature protection, work continues on establishing the Natura 2000 network, aiming to include large parts of Serbia's territory. This process is supported by an EU-funded project that assists in strengthening institutional capacities at the national level.

REMAINING ISSUES

Despite progress, Serbia continues to face several challenges in fully aligning its environmental legislation with the EU acquis and improving enforcement mechanisms.

The Republic of Serbia adopted in February 2020 the

National Emission Reduction Plan (NERP) for major pollutants from large combustion plants. However, industrial emissions remain an issue, particularly concerning sulphur dioxide pollution from large combustion facilities. Non-compliance with NERP ceilings remains concerning, especially considering the closure deadlines for such plants, highlighting the urgency of resolving this issue.

Air quality remains a critical issue, with several regions regularly exceeding EU pollution limits.

The waste management sector, while showing improvement, still suffers from insufficient inspection capacity and illegal dumping. Serbia continues to face a large number of illegal dumpsites, and waste sorting at source is still not widespread. The "pay as you throw" principle has not yet been implemented in the collection and disposal of municipal waste.

Investments in wastewater treatment are evident, but their implementation and results are yet to be fully realised.

The strategic framework for combating climate change is still insufficient. In the near future, Serbia needs to introduce a CO2 taxation mechanism, aligned with the EU Carbon Border Adjustment Mechanism (CBAM). The Ministry of Finance has presented draft versions of the Law on Greenhouse Gas Emissions Tax and the Law on the Tax on Imports of Carbon-Intensive Products, which should regulate this matter, but the legislative process is still in its early stages. The CBAM implementation deadline is approaching rapidly and may affect not only electricity exported to the EU but also products originating from industries with high GHG emissions. Without adequate preparation, companies could face additional costs and loss of competitiveness, underlining the urgent need to improve energy efficiency and align production processes with EU standards.

Climate change, with the growing body of legislation addressing climate stability and adaptation, will represent one of Serbia's greatest challenges in the future, especially considering delays in transposing relevant legislation. Moreover, raising awareness of climate change and providing accurate and transparent information on the state of the environment and the environmental impact of goods and services remain necessary.

In the field of nature protection, institutional and human resource capacities at national and local levels remain inadequate. Problems such as illegal logging, hunting of protected species, and insufficient enforcement of bans on small hydropower plants persist.

Serbia also faces challenges in aligning its environmental crime legislation and liability framework. The Criminal Code contains a section on environmental crimes, including the offence of violating the right to information on the state of the environment, while the Law on Waters is one of the few sectoral laws containing criminal provisions outside the Criminal Code. The Law on Environmental Damage Liability is still pending adoption, and enforcement remains weak in areas such as industrial pollution and wildlife protection.

FIC RECOMMENDATIONS

- Enhancing enforcement and oversight – Strengthening administrative capacities of national and local institutions is crucial, particularly for inspectorates and the judiciary. This will require cross-sectoral reforms and adequate resources to ensure compliance with environmental legislation.
- Combating air pollution – Serbia must accelerate the implementation of its air quality plans and strengthen monitoring systems to reduce air pollution levels, particularly in regions most affected by industrial emissions. By-laws should be adopted promptly, and the new legislative framework should be implemented with adequate guidance and support to local governments.
- Improving waste management practices – Efforts should be intensified to increase waste sorting at source, and illegal dumpsites must be eradicated. Inspection capacities in the waste sector should be improved, with continued investment in waste-to-energy and recycling infrastructure.

- Adopting and implementing environmental crime legislation – The Law on Environmental Damage Liability should be adopted. Serbia must establish monitoring mechanisms for addressing illegal logging, wildlife trafficking, and industrial pollution. Public awareness of environmental crimes should be raised, and the practice and frequency of prosecution in this field should be enhanced.

- Increasing transparency and public participation – Serbia should ensure that public consultations on environmental matters are inclusive, transparent, and meaningful. Greater efforts are needed to engage stakeholders in decision-making processes, particularly regarding major investments affecting the environment.

- Investing in nature and biodiversity protection – Institutional and human capacities in the field of nature protection must be strengthened, particularly at the local level. Serbia should continue efforts to prepare for the establishment of the Natura 2000 network and improve enforcement of existing regulations, especially concerning illegal construction and hunting in protected areas.

- Finding solutions to neutralise or minimise the effects of CBAM to the greatest possible extent.

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LEGAL FRAMEWORK

It is a special honour for me to present the Legal Framework of the White Book for 2025, the flagship publication of the Foreign Investors Council. This annual endeavor encompasses our shared vision of a progressive and challenging legislative framework that propels Serbia towards becoming a dynamic environment for investment and economic growth. The White Book serves as both a reflective and a prescriptive document, offering a comprehensive analysis of the current legislative landscape while providing practical recommendations for reform. It was developed with the joint insights of various stakeholders, including legal experts, business leaders and policymakers, each bringing their expertise to pave the way for positive legislative evolution in Serbia.

The proposals contained in the White Book are not just suggestions; These are opportunities for all of us to strengthen the alignment of Serbian laws with international standards, reduce barriers to doing business, and foster transparency and predictability in the legislative process. Over the past year, the FIC Legal Committee has focused on addressing key areas such as digital transformation, environmental regulations, protection of competition rights, protection of consumer rights, etc. These areas, along with the topics dealt with by our associates from other FIC working committees (protection of workers' rights and occupational health and safety, tax reforms, energy, etc.), are vital not only for attracting foreign direct investment, but also for nurturing domestic enterprises that form the backbone of our economy.

We firmly believe that by adopting these recommendations, Serbia can increase competitiveness, stimulate innovation and achieve sustainable development. We commend the continued efforts of the Government of Serbia to improve the business climate and legislative infrastructure and look forward to continuing our cooperation in this regard. Together, we have the capacity to implement significant changes that will create fertile ground for investment, foster socio-economic progress and ensure a prosperous future for all citizens of Serbia. In conclusion, I invite each of you to make a deep commitment to the proposals set out in the White Book, to advocate for reform and innovation, and to join us in our pursuit of excellence. Let 2026 be a crucial year for positive legislative changes in Serbia.

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LAW ON COMPANIES

1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Limited liability partnerships (LLPs) should be prescribed by the Law.	2013			√
The confusing provisions in relation to the (i) agreement between the company and a new shareholder regarding the share transfer, and (ii) nullity of share transfer agreement should be amended to avoid legal uncertainty.	2022			√
The provisions in the Law on Contracts and Torts that deal with limitations to the authority of a company's representatives should be harmonized with the provisions of the Law.	2011			√
Consequences for breaching the share transfer restrictions provided under the Memorandum of Association should be prescribed by the Law.	2022			√
Consequences for adopting the decisions by various corporate bodies (such as board of directors) contrary to the law should be prescribed by the Law.	2022			√
Common practical issues should be resolved, such as e-signing, representatives liabilities, share capital increase and approving the transactions involving the personal interest.	2018			√
Difference between regular and interim dividend should be prescribed in a less formalistic approach.	2022			√
Corrections of technical flaws in the Law should be made to eliminate inconsistencies and provide clear procedures and competencies, harmonizing provisions within the Law itself.	2013			√

CURRENT SITUATION

The Companies Law ("Official Gazette of the Republic of Serbia", Nos 36/2011, 99/2011, 83/2014, 5/2015, 44/2018, 95/2018, 91/2019, 109/2021 and 19/2025) (the "Law") came into force on 4 June 2011 and is applicable as of 1 February 2012.

By signing the Stabilization and Association Agreement with the European Union, the Republic of Serbia undertook the obligation to harmonize its domestic law with the EU acquis. Within the negotiations on the accession of the Republic of Serbia to the EU, Chapter 6 – Law has a special role, which includes issues of establishment and operation of companies in EU member states, in accordance with which the Republic of Serbia would be provided with better business conditions on the EU market, simplified procedures and the possibility of establishing new forms of economic entities. The Law is an indicator of progress in harmonizing the legislation of the Republic of Serbia with the EU acquis, which is important for the process of integration of the Republic of Serbia into the EU.

The main characteristics of the Law are:

- application of standards harmonized with EU legislation;
- harmonization with the Law on the Capital Market;
- certain problems that were a characteristic of the previous regulation have been resolved;
- the distinction between (public) joint-stock companies and other forms of business organization and;
- single-tier and two-tier management systems.

The latest amendments to the Law were in March 2025 which is the eighth time the Law undergoes changes since it was enacted fourteen years ago. These latest amendments amended the rules governing cross-border mergers and acquisitions of companies, the European Company and the European Economic Interest Grouping, in order to improve the wording of the existing provisions. These amendments shall begin to apply as of 1 January 2027.

POSITIVE DEVELOPMENTS

There are no improvements in terms of fulfilment of the recommendations published in last year's White Book.

REMAINING ISSUES

As previously stated, one of the disadvantages of the Law continues to be the absence of the concept of limited liability partners in a partnership. The existence of such a concept would be particularly relevant for partners in professional partnerships, since they should be allowed to enjoy limited liability protection, while third parties' risks could and should be covered by liability insurance.

Amendments to the Law from 2021 we reflected on earlier introduced a rather confusing provision requiring that for a third party to become a shareholder in a LLC, an agreement between that party and the company itself must be made (person nominated by the shareholders meeting signs on behalf of the company). It seems that the purpose of this amendment is to provide a legal basis for the existing practice where in case of a share capital increase by a third party, the Serbian Business Registries Agency ("BRA") required an agreement on accession to be signed between existing and new shareholders. According to the BRA, this provision applies only in special (in practice very rare) cases where the company's memorandum of association provides that consent of the company itself is required for transfer of the share to a third party and in case of share capital increase, as stated. There is a concern that the wording of the provision is such that this provision apparently applies even if a third party becomes a shareholder by acquiring shares from the existing shareholder. Requiring such an agreement does not only lack purpose but is arguably detrimental to the status of minority shareholders in LLC's. It appears that this provision may give the right to majority shareholders to block the minority shareholders to rightfully transfer their shares to third parties (by blocking execution of such an agreement at the level of shareholders' meeting). It seems that this was not the intention of the legislator but is apparently an unfortunate inadvertent effect.

Amendments from 2021 also contain a provision that, if a nullity of a share transfer agreement is established by a court ruling, the parties can request from the BRA to change the registration of the title to the affected share. It is not clear whether this article overrides the principle of reliance in the registered data, providing that the parties cannot bear negative consequences if they relied on the registered data (which is of paramount importance for the certainty of legal transactions), and whether subsequent acquirers of the share (in case of sale chain) acting in good faith would bear consequences to their title to the share if the title of one of the previous sellers in the sale chain would be declared null. We hope this controversy will be resolved in court practice in favour of the reliance principle, but until then the huge legal uncertainty remains.

On a related note, the Law allows various restrictions (regarding the share transfer) to be prescribed in the company's memorandum of association. However, there is no prescribed consequence if such restrictions are breached, which may limit practical aspects of limitations provided under the memorandum of association.

Amendments from 2021 also enhanced "mechanism" in relation to the approval of transactions involving personal interests. In general, it seems that duty to publish such transactions (that is, to publish the intention of entering into such transactions) for companies that are not public joint-stock companies is excessive and contrary to the nature of "private" companies. Parallel to this general notion that these duties may be deemed as too burdensome, in any case it should be: (i) clarified that there is no need for publishing the details about the related party transaction, if there an exception to a duty to approve respective personal interest transaction, (ii) clarified if an exception related to the Republic of Serbia refers to the transactions only involving the Republic of Serbia or transactions with companies where the Republic of Serbia is shareholder (irrespective if Republic of Serbia is a party to the respective transaction); (iii) provided that subsequent approval for these transactions is allowed.

The "standard" comment about e-signing under Serbian legislation should be considered from the perspective of executing the decisions of corporate bodies as well – electronic signatures recognized in other countries should be acceptable in Serbia (and not only qualified electronic certificates in Serbia). This would significantly speed up the business operations.

In relation to the representatives' responsibilities, it is required to (i) harmonize non-compete duty with employment regulation and competition protection rules, (ii) reflect provisions regarding director's liability in joint stock companies (Article 415) to the LLCs as well, (iii) clarify if

fiduciary duties are applicable to the representatives of the branch and representative offices. Also, the Law should prescribe consequences if decisions of various management boards (e.g. board of directors) are not adopted in line with the law.

The provisions of the Law restricting the powers of representatives to represent the company are inconsistent with the relevant provisions of the Law on Contracts and Torts. It should be clear that the respective provisions of the Law, as lex specialis, have a prevailing effect.

Currently, any dividend paid between the regular shareholders meetings are deemed as interim dividend (which triggers additional duties for the companies). There is no reason that distribution of dividends (representing the profit based on annual financial statements) made after the regular shareholders meeting is considered as an interim dividend i.e. current approach is too formalistic.

Other inconsistencies of the Law include the provision prohibiting a single-member LLC from acquiring own shares, which is contrary to the Law's provisions on status changes.

It is also required to clarify if the evaluation made by external expert is always needed when the share capital is increased by the in-kind contribution.

FIC RECOMMENDATIONS

- Limited liability partnerships (LLPs) should be prescribed by the Law.
- The confusing provisions in relation to the (i) agreement between the company and a new shareholder regarding the share transfer, and (ii) nullity of share transfer agreement should be amended to avoid legal uncertainty.
- The provisions in the Law on Contracts and Torts that deal with limitations to the authority of a company's representatives should be harmonized with the provisions of the Law.
- Consequences for breaching the share transfer restrictions provided under the Memorandum of Association should be prescribed by the Law.
- Consequences for adopting the decisions by various corporate bodies (such as board of directors) contrary to the law should be prescribed by the Law.
- Common practical issues should be resolved, such as e-signing, representatives' liabilities, share capital increase and approving the transactions involving the personal interest.
- Difference between regular and interim dividend should be prescribed in a less formalistic approach.
- Corrections of technical flaws in the Law should be made to eliminate inconsistencies and provide clear procedures and competencies, harmonizing provisions within the Law itself.

CAPITAL MARKET TRENDS

2.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
To continue with the issuance of state and municipal bonds for the financing of infrastructural and other large communal projects, including green corporate bonds, while IPOs and issuance of corporate bonds in the private sector should be encouraged. Consider the possibility that the state starts issuing bonds whose coupon is linked to the inflation rate and with a variable coupon rate, as well as short-term treasury bills.	2015	√		
Consider with the regulatory authorities the possibility of organizing more frequent primary auctions of government bonds with different maturities compared to the existing ones and/or increasing the number of NBS repo auctions with different maturities	2023		√	
The legal framework for performing operations with financial derivatives and more complex financial instruments should be improved, including in relation to establishment of regulatory framework in connection with Employee Share Plans, and crowd financing and its manifestations.	2015		√	
It is necessary to amend the Law on Financial Collateral in order to make available to commercial entities protection in derivatives transactions in the way that is provided to other entities to which its provisions apply.	2021			√
Further stimulation of the possibility of Serbian residents to invest in more complex securities on foreign markets, including structural products, structural deposits, ETFs and investment funds, all in accordance with European standards and ESMA guidelines.	2017		√	

CURRENT SITUATION

The existing legal regulation (Capital Market Law) is almost completely harmonized with the regulations of the European Union, but the domestic capital market is insufficiently developed, which is why in practice the legal regulation is not sufficiently tested, and it is still not possible to talk about all the potential shortcomings of the reform implemented back in 2011 with significant changes that followed in the period 2015-2025.

Although noticeable, the legal reforms were not enough to stimulate the growth of the capital market in Serbia. There is still a downward trend in the number of issuers of financial instruments and the number of public joint-stock companies listed on the Belgrade Stock Exchange. On the other hand, the amount of government bonds issued for financing environmental, infrastructure and development projects have recorded further growth, which started in 2023 and continued in 2024 and 2025. It is particularly encouraging that in the first half of 2025, there is a significant interest of domestic companies in issuing bonds.

In 2023, with a donation from the International Bank for Reconstruction and Development, capital market reform began through the implementation of the project "Catalyzing Long Term Finance trough Capital Markets Project." The project aims to develop the legal, regulatory and economic environment, deepening the corporate bond market, including green bonds and other thematic bond issues. In addition, an important part of the activities will be related to deepening demand as well as attracting more investors while simplifying the tax regime for the capital market.

During 2024 and in the first half of 2025, the issuance of corporate bonds from this program began, and it is expected that a larger number of legal entities will continue to raise capital through the issuance of bonds. It is also expected that some of these bonds will be listed on the Belgrade Stock Exchange. In anticipation of a wider implementation of these new initiatives, it is necessary to reiterate that the capital market in Serbia is in its infancy, and that there is still insufficient quality and illiquid market material.

The National Bank of Serbia (NBS) has adopted a new Law

on Banks, which enters into force in October 2025. This Law introduces the Bank Restructuring Fund, new prudential control mechanisms such as the leverage ratio, and improved supervisory powers for the NBS, with the aim of increasing the degree of compliance with the EU regulatory framework and increasing systemic resilience.

POSITIVE DEVELOPMENTS

Last year's recommendations on which concrete progress was made:

- Stimulate the issuance of government and municipal bonds to finance infrastructure and other projects of public importance, as well as stimulate initial public offerings and the issuance of corporate bonds in the private sector. Also, in June 2025, the government published a two-year development plan for the Belgrade Stock Exchange, so we can expect more high-quality "market material" and deepening liquidity in this fundamental segment of the capital market.

During 2024 and the first half of 2025, the Public Debt Administration issued significant amounts of funds for financing budget needs and capital investments through several primary auctions, and RSD issues of long-term government bonds were significantly purchased by foreign portfolio investors. The funds raised from the issued bonds will be used for the most part to finance railway and road infrastructure and the EXPO 2027 project. This has made a very significant contribution to the process of dinarization of public debt, and it is important to note that the achieved rate of return is very favorable given the maturity and currency of the bond.

In 2024, the country's initiative for Serbia's broader inclusion in the global agenda to stimulate sustainable development through the issuance of $1.5 billion worth of ESG bonds was also continued. The funds raised by this show will be used to increase energy efficiency, transition to renewable energy sources, greater inclusion of minority and vulnerable social groups, assistance to citizens to buy their first apartment and settle rural households, etc.

As previously stated, with the support of the World Bank through a donation of $20 million, the state has begun to improve the process of issuing corporate bonds by legal entities in 2023. This initiative enables legal entities to gain access to important expertise in the field of the process of issuing debt securities without the costs of drafting prospectuses and paying commissions from the stock exchange, issuing and regulatory institutions. The process of selecting qualified emission agents and consultants is underway, and the first issues are expected in the third quarter of 2024.

- It is necessary to further improve the legal framework for conducting business with financial derivatives and more complex financial instruments, through amendments and/or amendments to the Law on Financial Security in such a way that it also applies to business entities in addition to financial institutions. We believe that this would represent a significant step forward in the direction of further regulation of legislation and enabling greater legal certainty in transactions with financial derivatives.

- Recognizing the significant progress in strengthening the supervisory function achieved by the introduction of new regulatory measures, we propose to further enhance the partnership dialogue between the National Bank of Serbia and commercial banks. The aim of this dialogue would be to find the most effective models for the implementation of future regulatory solutions (predominantly from the EU), with full respect for the specifics of the domestic banking market. We believe that such a proactive and collabourative approach would ensure faster and more efficient implementation, minimize operational challenges for banks and, consequently, further strengthen the stability and resilience of the financial system as a whole.

As the most important novelty and improvement in this segment, we would like to point out the adoption of the Decree on Conducting Operations with Financial Derivatives for the Purpose of Public Debt Management of the Republic of Serbia, which regulates the general conditions for conducting operations with financial derivatives by Serbia for the purpose of hedging against financial risk. Although this regulation was adopted in 2019, it entered into force in 2020, and where the practice related to its implementation is already established to a certain extent. According to publicly available information published by the Public Debt Administration of the Republic of Serbia, several transactions with financial derivatives were concluded by the Republic of Serbia in the period 2020-2024, in order to protect against certain financial risks. And after the issuance of an ESG bond in 2024 in dollars, the state

contracted a currency-interest hedging transaction that transferred dollar public debt into euro, which also reduced foreign exchange risk and loan repayment costs (interest). With this, the state has continued to provide an example of the best practice of hedging, which would be useful to propagate as much as possible among legal entities.

Along with the improvement of the legal framework, it is important to continue, together with the NBS, the campaign of educating business participants on the benefits of introducing financial derivatives into business and providing support (accounting, information, technical, etc.) in order to improve the demand for these instruments. Special emphasis should be placed on the promotion of interest rate swaps (IRS) as a financial derivative that protects legal entities from the risk of interest rate changes. Although the volume of demand for hedging instruments was very limited in the previous period of intensive growth of the Euribor, it is important to continue with the active campaign to spread the culture of market risk management.

Further improvements:

We point to the adoption of the Law on Digital Assets, which for the first time provides a legal framework for, among other things, the issuance of digital assets (including virtual currencies) on the primary market as well as their secondary trading. Although the law in question and the relevant bylaws are yet to be tested in practice, we welcome the regulation of this area and the efforts of, among others, the Securities and Exchange Commission in this regard.

REMAINING ISSUES

It is still difficult to identify all the remaining regulatory problems in the area of capital markets, because the capital market in Serbia is still underdeveloped, i.e. shallow and insufficiently liquid.

Although government bonds are successfully issued in practice, municipal bonds are still rare, and so far there has been no trading on these bonds on the secondary market. Certain types of bonds are not even present on the market, such as government bonds that are tied to the inflation rate and government bonds whose coupon rate is linked to a variable interest rate (BELIBOR, EURIBOR), as well as short-term government bills. The eventual introduction of these types of government bonds and bonds would enable banks and other investors to better manage excess liquidity, market risks (the risk of interest rate changes or revaluation of assets due to inflation) in their balance sheets.

Consider the possibility of taking some more concrete steps in the construction of the dinar yield curve in cooperation with regulatory institutions, since the volume and liquidity of transactions between market participants in the secondary market does not allow obtaining reliable values for this curve. An example would be the organization of several primary auctions of the Public Debt Administration for the sale of government bonds with several different maturities compared to the existing ones. Another example could be auctions with multiple possible maturities of NBS repo operations (in addition to the existing weekly auctions with a maturity of 7 days).

There is a need to further improve regulation to create conditions for transactions in more complex financial instruments, including a more liberal legal framework and a higher degree of legal certainty with regard to the Employee Share Plan, as well as the legal framework related to securitisation.

The Law on Financial Security, with the beginning of its implementation in January 2019, was adopted in order to regulate the hedging procedure in transactions with financial derivatives. Although the draft of this Law envisaged that it would apply to both financial institutions and legal entities, in the process of adoption the relevant provisions relating to the economy were exempted, thus depriving it of the opportunity to be in an equal position with other participants in the affairs in question; to use the benefits and perform the netting of receivables in accordance with the provisions of this Law; to use the protection provided by the financial security contract defined by it, as well as protection in the event of bankruptcy proceedings of the other party.

Therefore, we believe that it is necessary to engage the Ministry of Economy in the first place, as well as other relevant authorities in order to amend this Law in order to provide legal entities with this level of protection.

We also emphasize the need to establish a clear regulatory framework that would support specific investment methods through crowd financing platforms, as a potential source of financing for micro and small enterprises.

FIC RECOMMENDATIONS

- Continue to stimulate the issuance of government and municipal bonds to finance infrastructure and other projects of public importance, as well as green corporate bonds, and stimulate initial public offerings and issuance of corporate bonds in the private sector. Consider the possibility for the government to start issuing bonds whose coupon is linked to the inflation rate and with a variable coupon rate, as well as short-term treasury bills.
- Consider with regulatory authorities the possibility of organizing more frequent primary auctions of government bonds with different maturities compared to the existing and/or increasing the number of NBS repo auctions with different maturities.
- There is a need to improve the legal framework for dealing with financial derivatives and more complex financial instruments, including the establishment of a legal framework regarding employee participation schemes in investments, as well as crowd financing and its manifestations.
- It is necessary to amend the Law on Financial Security in order to make protection in derivatives transactions available to the economy in the manner that is provided to entities to which its provisions apply.
- It is necessary to continue to stimulate various investment opportunities for residents in specific securities in foreign markets, including structural products, structural deposits, ETFs and investment funds, all in line with European standards and ESMA directives.

JUDICIAL PROCEEDINGS 1.14

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Additional education and specialization of judges	2012		√	
To allow easier access to case files to parties in the proceedings, and their representatives	2023			√
Improve and justify the even allocation of cases among courts and judges.	2011			√
Enactment of new amendments to the Law on Civil Procedure to assure flexibility of the timeframe and deadlines for certain actions.	2011			√
Concepts that allow for delay of procedure, such as postponement and restitutio in integrum, have to be restrictively interpreted and implemented.	2016			√
Consensus on the cases arising under Article 204 of the Law on Civil Procedure.	2023			√
Remove the limitation of appeal ground in small value disputes, and through amendments and additions to the Law on Civil Procedure, allow the possibility of filing an appeal in this type of disputes based on incorrect or incomplete determination of facts, as in regular type of proceedings.	2023			√

CURRENT SITUATION

The amendment to the Constitution of the Republic of Serbia conducted through a constitutional referendum in 2022 represents a step forward in the reform of the judiciary in the Republic of Serbia. These changes aim to supress the politicization of the judiciary and signify important progress. However, the legal framework for judicial proceedings was not significantly changed, nor were there important legislative reforms that would affect judicial proceedings in the Republic of Serbia.

The amendments to the Constitution were implemented through the adoption of a new set of laws in the field of judiciary - the Law on the Organization of Courts, the Law on Judges, the Law on the High Judicial Council, as well as in the field of public prosecution - the Law on Public Prosecution and the Law on the High Prosecutorial Council.

The most significant change in the procedure for the election of judges is the exclusion of the National Assembly's involvement. Now, the High Judicial Council is responsible for conducting the process of selection and appointment of all judges, including those who are being elected for the first time to a judicial function. As for the general and specific qualifications for the selection of judges, there have not been any significant changes.

The new Law on Judges started to be applied from the date of the constitution of the High Judicial Council, i.e. 10 May 2023. With the beginning of the implementation of this law, Article 10, paragraph 3, and Article 383, paragraph 7 of the Law on Civil Procedure ("Official Gazette of RS", no. 72/2011, 49/2013 - decision of the Constitutional Court, 74/2013 - decision of the Constitutional Court, 55/2014, 87/2018, 18/2020, and 10/2023 - other law), as well as Article 16 of the Law on Enforcement and Security ("Official Gazette of RS", no. 106/2015, 106/2016 - authentic interpretation, 113/2017 - authentic interpretation, 54/2019, 9/2020 - authentic interpretation, and 10/2023 - other law) have ceased to be valid. The mentioned articles of the law pertain to disciplinary liability of judges in case of exceeding the time frame of a proceeding. The reason for the mentioned is the circumstance that disciplinary liability of judges can now be regulated exclusively by the Law on Judges.

The external organization and jurisdiction of courts have remained largely unchanged, with the exception of renaming of the Supreme Court of Cassation to Supreme Court. The number of courts, as determined by the Law on the Seats and Territorial Jurisdictions of Courts and Public Prosecutors ("Official Gazette of the Republic of Serbia" No. 101/2013), as of 1 January 2014, remains unchanged, therefore there are 66 basic courts, 44 misdemeanor courts, 25 higher courts, 16 commercial courts, and 4 appellate courts.

The Law on the Protection of the Right to a Trial within a Reasonable Time, which came into force on 1 January 2016, is being increasingly applied in practice, considering that the courts are still burdened with a large number of court cases (which has become a chronic issue in the judiciary).

In February 2021, the Unified Program for Resolving Old Cases in the Republic of Serbia for the period 2021-2025 was adopted, aiming to reduce the total number of unresolved cases in the courts. Regarding the statistics for the year 2024, the annual report on the work of the courts showed that the basic courts in the Republic of Serbia still had a high number of unresolved cases at the end of the reporting period, specifically 276,599. The total number of unresolved cases in all courts in the country amounted to 1,042,252. This data indicates an evident overload of the courts, which has an undeniable negative impact on the efficiency of the judiciary, despite the fact that the number of unresolved cases is significantly lower than the previous year.

In 2021, the Work Group for Amendments to the Law on Civil Procedure presented a draft of a new law. However, criticism from certain segments of the general public and expert community regarding certain proposed legal solutions led to the draft being sent back for further refinement by the Work Group, whose work is still ongoing.

Before the publication of this edition of the White Book, the Law on Amendments to the Law on Court Fees was adopted.

The most significant amendments to the Law on Court Fees include: (i) the statute of limitations for collecting court fees is extended from three to five years, (ii) the value of the subject matter of the dispute, will be determined on the date the fee obligation arises, rather than on the date the lawsuit is filed, (iii) the obligation to pay court fees for filing a lawsuit arises on the date of the preparatory hearing or the first hearing for the main trial, provided the proceedings have not been concluded prior to the hearing through mediation, peaceful resolution of a labour dispute, court settlement, acknowledgment of the claim, or withdrawal of the claim, the obligation to pay fees for the response to the lawsuit arises, for each party proportionally to their success in the dispute, on the date the final and binding decision concluding the proceedings is delivered, (iv) an increase in the amounts of court fees in enforcement and civil proceedings, (v) the possibility of paying court fees in six monthly installments, (vi) shorter deadlines for the payment of court fees, (vii) a new method for distributing collected court fees, (viii) minimal values for various types of disputes, depending on the nature of the dispute, and (ix) an increase in tariff amounts for the certification of manuscripts, signatures, and translations by notaries public, as well as for fees arising in enforcement proceedings.

Additionally, on 5 July 2025, the Decision on the Amendment of the Tariff on Attorney Fees and Reimbursement of Costs entered into force, amending Article 15 of the Tariff on Attorney Fees and Reimbursement of Costs ("Official Gazette of the Republic of Serbia", No. 43/23), whereby the value of one tariff unit is now 50 dinars (the previous value was 45 dinars).

As for the Law on Public Prosecution, the most significant change is the abolition of the monocratic organization of public prosecution. Now, the Supreme Public Prosecutor, Principal Public Prosecutor, and Public Prosecutor are in a hierarchical relationship. The Principal Public Prosecutor is responsible for the work of the public prosecution and reports to both the Supreme Public Prosecutor and to the higher-level Principal Prosecutor. The Republican Public Prosecution has changed its name to the Supreme State Prosecution, and the State Council of Prosecutors has become the High Council of Prosecutors.

Dispute Resolution

Although many solutions of the Law on Civil Procedure came across a positive reaction from judicial authorities and parties, such as using electronic mail for summoning or notifying parties and the court, utilizing audio and video equipment, or transcribing proceedings, they have not come to life in practice.

On the other hand, despite the Law on Civil Procedure foreseeing the mandatory setting of a timeframe for the main hearing, in practice, judges often fail to adhere to the established timeframes or set unjustifiably lengthy periods for adjudication. The aforementioned particularly comes to light due to the increasing application of the Law on Protection of the Right to Trial within a Reasonable Time.

Additionally, there is a challenge of uneven workload distribution among courts and judges in Serbia, with a noticeably higher number of cases being resolved in courts in Belgrade. The concentration of a large number of cases in specific courts can lead to judges' overload and prolongation of the timeframes for case resolution.

POSITIVE DEVELOPMENTS

In all courts within the territory of the Republic of Serbia, electronic verification of the case status is now available, thereby greatly facilitating the access to information about specific cases. Data about cases is regularly updated, enabling timely information on the status of the case in most instances. Additionally, on the website of the Portal of Serbian Courts, it is possible to follow the course of cases before a public bailiff.

Compliance of the number of judges with the scope and structure of their workload

The Government of the Republic of Serbia adopted the Strategy of Human Resources in the Judiciary for the period 2022-2026 ("Official Gazette of RS" No. 133/2022). Some problems that this strategy seeks to solve are the unnecessarily long duration of court proceedings due to a lack of staff and the establishment of a judge evaluation system that, at the moment, does not recognize the connection between the uniform workload of judges in relation to the complexity of the case, the actual time spent on solving the cases depending on their complexity, and additional professional development and training.

Dispute Resolution

The Law on Civil Procedure was last substantially amended in 2014, when significant developments were introduced, such as the expansion of the possibility of filing a revision request as an extraordinary legal remedy by prescribing new situations where a revision is always allowed, as well as by reducing the threshold to EUR 40,000; i.e. up to EUR 100,000 for commercial disputes.

Enforcement

The authentic interpretation of the Law on Enforcement and Security, Article 48, issued by the National Assembly in 2017, was a last significant development in this Law's application. According to the interpretation, Article 48 should be understood to encompass the assignment of a claim or obligation within the legal term "transfer" of a claim or obligation, i.e. includes all sorts of successions of claims or obligations, irrespective of when the succession took place, during the legal entity's existence or after it has ceased to exist.

Payment of court fees

During 2021, the Ministry of Justice enabled the payment of court fees through the e-Payment portal, so that the court automatically receives information about the fees paid, so it is not necessary to submit proof of payment.

Submitting submissions electronically

Many courts in Serbia have accepted the option of sending and receiving submissions electronically and have created special email addresses for this purpose. This has made the work of lawyers easier, especially when submissions are to be sent to a court located outside of the lawyer's seat.

REMAINING ISSUES

Training and specialization of judges

One of the most important goals should be the improvement of the quality of the judiciary through enhanced training of judges. Likewise, the specialization in specific areas of work for judges should be finally introduced.

Access to case files

Efforts should be made to increase the accessibility of case files to parties in the proceedings and their representatives, allowing access to these documents without the need for specific court approval. Moreover, emphasis should be placed on facilitating the use of electronic devices for recording or photographing case files, which would save resources for both the court and the parties involved.

Flexibility of the timeframe and deadlines for certain actions

The timeframe, although potentially a good concept for efficient case resolution, is not flexible enough because the course of the litigation process is often unpredictable, and the legal possibilities for its extension are not sufficient. On the other hand, judges either do not adhere to the established timeframe or set unnecessarily lengthy timeframe which contributes to the prolongation of court proceedings and undermines the effectiveness of this concept. Some of the deadlines are unrealistically short, and the deadline for submitting evidence is too strict, which may lead to abuse by the parties.

Hearings should be scheduled in shorter time periods, and the duration of the appeal process in practice should be brought in line with the legal provisions at the very least.

The latest amendments to the Law on Civil Procedure have not addressed the mentioned issues.

Consensus on cases arising under Article 204 of the Law on Civil Procedure

Article 204 of the Law on Civil Procedure prescribing the possibility to complete a litigation between the same parties if a party has disposed of an asset or right subject to litigation, has resulted in a progressive stance of the jurisprudence regarding the reversal of the claim by the assignor – respondent could be obliged to pay the assignee at the request of claimant. However, such reasoning is not uniformly accepted by the entire jurisprudence, leading to unequal treatment before the courts and legal uncertainty in terms of the rigid interpretation of the law, contrary to the jurisprudence in jurisdictions that have similar provisions in their legislation. Even though Article 204 was amended with the previous amendments of the Law on Civil Procedure, only time will show whether these amendments will lead to the resolution of the above-mentioned problem in the jurisprudence.

Restrictive interpretation of concepts that allow delay of procedure

The concept of restitutio in integrum has been restored to the enforcement procedure system. The legislature has foreseen that restitutio in integrum is allowed only in case of failure to comply with the deadline for submitting a legal remedy in the procedure of contesting decision on enforcement. Although the scope of the application of this concept has been significantly narrowed, abuse of this concept can be reasonably expected.

The Law on Enforcement and Security does not prescribe what happens with the paid advance costs where a creditor petitioning for enforcement based on an invoice or a promissory note has initiated litigation and lost. The current solution where the public bailiff keeps the entire amount of the advance, is not acceptable.

Although the new Law explicitly stipulates those extraordinary legal remedies may not be used in the enforcement procedure, the Law itself has in fact introduced an extraordinary remedy. Where the decision dismissing an appeal is based on the facts which are disputed between the parties and pertain to the claim itself, the enforcement debtor may initiate a litigation proceeding declaring the enforcement inadmissible within 30 days of receipt of this decision. Even though litigation will not postpone enforcement, it is a further procedural burden on the enforcement creditor.

The concept of postponement has been restored to the enforcement procedure. Although the postponement of enforcement upon the request of the enforcement debtor is possible only once, it opens the door for malpractice as the criteria for the assessment of legal grounds for postponement is too broad, and there is a possibility that, in theory, the postponement could last for a longer period of time, depending on the public bailiff's assessment.

Necessity of a non-resident bank account with a non-resident creditor when initiating enforcement proceedings

In 2021, the Commercial Court in Belgrade took the position that it is necessary to state the number of the non-resident bank account of the enforcement creditor who is a non-resident when submitting a proposal for enforcement, even when the enforcement is being carried out on the entire assets of the enforcement debtor. The stated position is not in accordance with the Law on Enforcement and Security. In practice, this kind of court action led to a significant prolongation of the initiation of the enforcement procedure, because opening a non-resident bank account can take up to a few months, which opens a space for debtors to dispose of assets and creates additional costs for non-resident creditors, that are not necessary at the given moment.

Limited ground for appeal in small value disputes

Article 479, paragraph 1 of the Law on Civil Procedure, stipulates that a judgment or a resolution that concludes a dispute in the small value proceeding may only be challenged on the grounds of a significant violation of provisions of the civil procedure from Article 374, paragraph 2 of this law and due to an incorrect application of substantive law. Thus, the law limits the appeal reasons by which a judgement or a resolution can be challenged, and there is no possibility to appeal the decision in small value disputes based on incorrect or incomplete determination of facts. This solution is unclear because, unlike other specific features related to small value disputes (starting from shorter procedural deadlines), it does not contribute to a faster or higher quality resolution of disputes of this kind. Moreover, deprivation of the possibility to challenge the decision in small claims disputes due to incorrect or incomplete determination of facts is contrary to the purpose of filing a legal remedy, and the second instance review of the court decision in the appeal process. Especially considering that the accurate and complete determination of facts is of utmost importance for

making a correct and legally grounded decision, so it is unclear why the monetary threshold of a particular dispute should take precedence over a party's right to have the second instance court examine whether the factual circumstances were properly and fully determined in the first instance proceedings. The fact that a certain dispute is qualified as a small value dispute does not imply the infallibility of the first instance court in determining essential facts. This limitation significantly and unjustifiably restricts the rights of parties to the litigation and the second instance court's ability to fully assess the correctness of the appealed decision.

FIC RECOMMENDATIONS

- Additional education and specialization of judges
- To allow easier access to case files to parties in the proceedings, and their representatives
- Improve and justify the even allocation of cases among courts and judges.
- Enactment of new amendments to the Law on Civil Procedure to assure flexibility of the timeframe and deadlines for certain actions.
- Concepts that allow for delay of procedure, such as postponement and restitutio in integrum, have to be restrictively interpreted and implemented.
- Consensus on the cases arising under Article 204 of the Law on Civil Procedure.
- Remove the limitation of appeal ground in small value disputes, and through amendments and additions to the Law on Civil Procedure, allow the possibility of filing an appeal in this type of disputes based on incorrect or incomplete determination of facts, as in regular type of proceedings.

ARBITRATION PROCEEDINGS

1.25

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is necessary to clarify the relationship between bankruptcy and arbitration proceedings in the Bankruptcy Law;	2018			√
Promote the possibilities and advantages of dispute resolution through arbitration by providing institutional support to the relevant governmental and non-governmental bodies as well as by instructing professional organizations and companies to accept the jurisdiction of local arbitration institutions;	2010			√
Develop a supportive legal framework for the activity of arbitration institutions in Serbia to ensure conditions for regional companies to accept its jurisdiction, subsequently creating a regional arbitration centre in Serbia;	2021			√
Organize trainings and conferences aimed at judicial sector in order to facilitate and consolidate experience in arbitration related court procedures (annulment and recognition).	2021		√	

CURRENT SITUATION

The regulatory framework for arbitration proceedings in Serbia is comprised of the Law on Arbitration ("Official Gazette of RS", no. 46/2006) and the rules of two arbitral institutions, the Permanent Arbitration at the Chamber of Commerce and Industry of Serbia (CCIS) (effective from 30 June 2016) and the Belgrade Arbitration Centre (effective from 1 January 2014). Both arbitral institutions have the jurisdiction to settle any dispute eligible for arbitration, regardless of whether it is an international dispute or a domestic one.

The general impression is that arbitration is increasingly popular as a way of resolving commercial disputes. However, it is still mostly present in international business relations, where there is a traditional mistrust among foreign companies in the competence of domestic courts. On the other hand, domestic companies still believe that arbitration is rather expensive compared with courts. However, it is often disregarded that the lengthy court proceedings (especially in disputes of greater value) can be significantly more expensive than arbitration, where decisions are made faster in comparison to courts.

The Law on Arbitration, in force from 10 June 2006 in its original text, was drafted in accordance with international standards, based on the Model Law on the Arbitration of the UN Commission on International Trade Law from 1986. Given the implementation of the law so far, a number of highly experienced practitioners, significantly cheaper costs of the arbitration proceedings compared to the more popular arbitration institutions in Europe and the fact that Serbian courts rarely annul arbitration decisions, Serbia should be perceived as an attractive arbitration destination.

In 2021 The Government of the Republic of Serbia adopted the Resolution on the establishment of the Commission for considering issues related to disputes before the international arbitrations. The tasks of the Commission are analysing the legal and factual aspects presented in documents expressing the intention to initiate an arbitration proceeding against the Republic of Serbia before an international arbitration, providing proposals to the Government for amicable settlement of the disputed matter before filing a claim before an international arbitration, if the Commission deems it justified and appropriate, and other.

POSITIVE DEVELOPMENTS

Recently, the advance of arbitration in Serbia and other countries has been focused on the extension of the jurisdiction of arbitration, rather than the improvement of arbitration rules. In general, arbitration laws, as well as the rules of arbitration institutions, today have a satisfactory legal framework, and the professional community is primarily focused on promoting the broader and more frequent use of arbitration as a dispute resolution mechanism.

Serbia has been following these trends, and in 2017 a positive step forward in regulating the relationship between bankruptcy and arbitration was made through amendments

to the Bankruptcy Law ("Official Gazette of RS", no. 104/2009, 99/2011 – other law, 71/2012 – decision of the Constitutional Court, 83/2014, 113/2017, 44/2018 and 95/2018). In particular, since 2009, it was unclear whether a creditor whose claim (the subject of an arbitration agreement) in bankruptcy proceedings is disputed can initiate or resume arbitration proceedings in order to determine the merits of the disputed claim. The Bankruptcy Law regulates the relation between arbitration and bankruptcy proceedings in Art. 117, which stipulates that the creditor whose claim is disputed shall initiate court proceedings, or resume suspended litigation or arbitration proceedings in order to determine the merits of the disputed claim, and Art. 118, which stipulates that the bankruptcy administrator shall take over civil or arbitration proceedings in the state in which they are at the time of opening the bankruptcy proceedings.

It is necessary to emphasise that the entire legal system that regulates the application of arbitration in the Republic of Serbia is modern and satisfactory.

REMAINING ISSUES

- It is necessary to clarify the relationship between bankruptcy and arbitration proceedings in the Bankruptcy Law.

Amendments to the Bankruptcy Law in 2017, although representing a positive step forward in resolving the relationship between arbitration and bankruptcy proceedings, are still not sufficiently clear in the present form, and there are many controversial issues which will cause certain problems in practice.

Firstly, based on the provisions of Art. 117 and Art. 118 of the Law on Bankruptcy, it remains unclear whether creditors who did not initiate an arbitration before the opening of bankruptcy proceedings, in case of a disputed bankruptcy claim, can determine the merits of the claim through arbitration, or whether arbitration proceedings are available only to the creditor who initiated arbitration proceedings against the debtor prior to the initiation of bankruptcy proceedings. If there is an arbitration clause in the contract from which the disputed claim arises, which refers to the settlement of the dispute before arbitration, the court would be incompetent to resolve such a dispute. Despite this, there are interpretations according to which the creditor in this situation can choose between litigation and arbitration proceedings.

Also, the Bankruptcy Law does not regulate the following important issues for the relationship between arbitral and bankruptcy proceedings:

- there is no explicit requirement that the claimant in arbitration proceedings is obliged to change the claim, that is, to request declaratory claim instead of establishing a condemnatory claim (this requirement exists for litigation),
- the consequences of opening bankruptcy proceedings while there is an ongoing arbitration in which the bankruptcy debtor is the claimant are not regulated,
- it is not explicitly regulated that the opening of bankruptcy proceedings results in the termination of arbitration proceedings,
- it is not prescribed whether a bankruptcy administrator can conclude an arbitration agreement, and whether the board of creditors' consent would be required for concluding such an arbitration agreement.
- Also, the efficiency of the current framework of the court procedure for the annulment of arbitral awards is questionable, as it is based on a two-step ruling process, first before the first instance court, and then before the appellate court.
- Finally, there is insufficient arbitral practice and therefore relevant arbitral experience in this area. Since case law is somewhat modest, foreign case law should also be consulted in order to determine best practices based on the UNCITRAL Model Law and improve efficiency in recognition and enforcement of foreign arbitral award.

FIC RECOMMENDATIONS

- It is necessary to clarify the relationship between bankruptcy and arbitration proceedings in the Bankruptcy Law;
- Promote the possibilities and advantages of dispute resolution through arbitration by providing institutional

support to the relevant governmental and non-governmental bodies as well as by instructing professional organizations and companies to accept the jurisdiction of local arbitration institutions;

- Develop a supportive legal framework for the activity of arbitration institutions in Serbia to ensure conditions for regional companies to accept its jurisdiction, subsequently creating a regional arbitration centre in Serbia;
- Organize trainings and conferences aimed at judicial sector in order to facilitate and consolidate experience in arbitration related court procedures (annulment and recognition).

LAW ON BANKRUPTCY

1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Regulate additionally the position of secured and pledged creditors to provide the two-instance procedure with respect to their settlement from the sale of pledged property.	2016			√
Stipulate the possibility and procedure for amending the adopted reorganization plan, as well as the prohibition of the re-adoption of the reorganization plan/ pre-packaged reorganization plan within the certain time period in case of non-implementation, and specify the provisions related to the finality date and starting date for the implementation of the reorganization plan so that all participants can know with certainty when the adopted plan begins to be implemented.	2016			√
Regulate the delivery issue in bankruptcy proceedings to make it faster and more efficient, and consider legal regulation of digitalization process in operations of creditors' bodies and communication between bankruptcy bodies.	2016			√
Regulate in detail the procedure of electronic sale, if possible, by following the example from the Law on Enforcement and Security.	2020			√
Stipulate that the opening of bankruptcy proceedings produces effects as of the date of publishing the notice of the opening of bankruptcy proceedings in the Official Gazette.	2017			√
Regulate the procedure of entrepreneur insolvency either by amendments to the current Law on Bankruptcy or the adoption of a separate law.	2016			√
Stipulate the obligation of regularly delivering and permanently publishing all the key documents from the bankruptcy proceedings, as well as the proper consequences for failure to meet such obligations.	2023			√
Stipulate the consequences for the bankruptcy administrators in case of failure to comply with the deadlines for actions in order to sell the assets and settle creditors.	2023			√

CURRENT SITUATION

According to data on the Bankruptcy Supervision Agency's website, as of 03 July 2025 there were a total of 1,510 pending bankruptcy proceedings in the Republic of Serbia, with the exception of bankruptcy proceedings conducted under the Law on Enforced Collection, Bankruptcy, and Liquidation (SFRY Official Gazette Nos. 84/89, SRY 37/93, and 28/96) and bankruptcy proceedings conducted against banks, which are within the Deposit Insurance Agency's jurisdiction. The average duration of the procedures initiated under the Law on Bankruptcy Proceedings is about 4 years and 10 months, while average duration of the proceedings initiated under the Law on Bankruptcy is about 2 year and 10 months.

199 bankruptcy proceedings were initiated in the first six months of 2025. This means that approx. 33 bankruptcy proceedings were initiated per month, almost the same as in 2024. That number is still significantly below the monthly average of 80 initiated proceedings in 2012. The grounds for such a decrease after 2012 were presented in previous editions of the White Book, and the main cause was the Decision of the Constitutional Court of Serbia on the unconstitutionality of automatic bankruptcy.

After public consultations on the Draft amendments to the Law on Bankruptcy and the Law on Bankruptcy Supervision Agency in 2021, the procedure for their consideration

and adoption by the National Assembly has not yet been initiated. These are the fifth amendments to the Law on Bankruptcy since its entry into force in early 2010.

Additionally, despite the Ministry of Economy forming a working group to draft of a law on the bankruptcy of entrepreneurs no specific steps have been taken.

Most of the latest amendments are expected to improve the efficiency, transparency and quality of the procedure, but actual results will be seen after their adoption end entry into force and in court practice in the following period.

POSITIVE DEVELOPMENTS

Previous editions of the White Book analysed potential improvements in the draft amendments to the Law on Bankruptcy and the Law on the Bankruptcy Supervision Agency. However, since these drafts still did not find its way to the National Assembly, all "Positive developments" from previous editions of the White Book remain pending.

Notable proposed regulatory amendments include:

Improved position of secured and pledged creditors

The proposed amendments to the Law on Bankruptcy introduce the authority for a bankruptcy judge to decide on the abolition of security measures, upon the proposal of a secured or pledge creditor, including a ban on enforcement against the pledged property of the bankruptcy debtor with the possibility of the bankruptcy judge to, when making this decision, request the opinion of an expert on cruciality of the pledged property for the reorganization.

Additional increase of transparency and efficiency of the proceedings

The proposed amendments to the Law on Bankruptcy aim to enhance the transparency and information. They include provisions for collecting, processing and analysing statistical data related to bankruptcy proceedings. The amendments also allow all creditors to request and receive all information related to the bankruptcy debtor, the bankruptcy procedure, the property and management of the property of the bankruptcy debtor and all state authorities have the obligation to submit to the bankruptcy administrator data on the property, rights and interests of the bankruptcy debtor, free of charge. Also, it is proposed to introduce the sale of the bankruptcy debtor's property electronically, through the portal of the authorized organization for the sale of property. Further, it is proposed to shorten the deadline for filing bankruptcy claims from 120 to a maximum of 60 days and to shorten the deadline for scheduling hearings to decide and vote on the reorganization plan from 90 to 60 days. The draft amendments to the Law on the Bankruptcy Supervision Agency proposes, among other things, the addition of two new articles, which regulate the implementation of actions in bankruptcy proceedings through an electronic portal, and collection and statistical processing of the data related to bankruptcy proceedings.

All proposed changes should lead to greater transparency and efficiency of bankruptcy proceedings.

Better control of bankruptcy administrator's work and expertise

The proposed amendments to the Law on Bankruptcy specify that the selection of bankruptcy administrators will be made either from the general or from a special list of active bankruptcy administrators, depending on the criteria for classifying legal entities into micro, small, medium and large legal entities. The amendments to the Law on the Bankruptcy Supervision Agency prescribes the professional training of bankruptcy administrators, in order to develop and improve their profession. The existence of two lists of bankruptcy administrators from which the selection is made and the existence of the obligation of professional training should solve the issue of bankruptcy administrators' expertise. Finally, the proposed amendments to the Law on Bankruptcy and the introduction of additional reasons for the dismissal of bankruptcy administrators enable better control of their work.

REMAINING ISSUES

Even though the proposed amendments implemented in the last amendments to the Law on Bankruptcy cover some of the most important topics, which would, if adopted, resolve a lot of problems (improved position of secured and pledged creditors, additional increase of transparency and efficiency of the proceedings, better control of bankruptcy administrator's work and expertise), not all of the existing problems would be solved with it – including these already covered problems, and some other problems which were the subject of the previous

editions of the White Book, but were not included in the last draft of the amendments at all.

Following the topic of improving the position of the secured and pledged creditors, we continue to highlight the issue with the distribution of funds collected through the sale of a bankruptcy debtor's property that was pledged in favour of secured and pledge creditors. The claims of these creditors should be settled within five days from the date of receipt of the funds by the bankruptcy administrator. The bankruptcy administrator autonomously, independently and without control by the bankruptcy judge, decides on the amount of settlement of secured and pledge creditors, who then do not have the right to appeal against this decision. The only legal remedy available to them is an objection to the work of the bankruptcy administrator decided by the bankruptcy judge of first instance, and no appeal is allowed against this decision. The legal solution envisaging the right to appeal for unsecured creditors may seem unfair, while secured and pledge creditors are deprived both of a first and second-instance review of the legality of the decision of the bankruptcy administrator.

Also, following the spirit of the amendments of the Law on Bankruptcy and the Law on the Bankruptcy Supervision Agency, to ensure the more efficient and more transparent bankruptcy proceeding, it would be good to stipulate the obligation of the bankruptcy administrator and Agency to regularly deliver and permanently publish all the key documents from the bankruptcy proceedings (conclusion on the adopted and contested claims with all its amendments, draft of the decision on distribution). Bankruptcy administrators ignore the already existing obligations of publishing the documents (quarterly reports for example), without the proper consequences – this problem is especially common when the Agency conducts the bankruptcy.

In practice, a problem also arises in certain cases when the delivery of a decision on the confirmation of a plan lasts longer than the procedure of the adoption itself. This has direct negative implications on the duration and efficiency of bankruptcy proceedings.

It often happens in practice that it is necessary to change a reorganization plan which has already been confirmed by a court, but the current legislation does not allow it. This poses a serious problem, since a bankruptcy debtor's business activity may not be on the expected level after the adoption of the plan and the debtor cannot comply with the payment dynamic envisaged in the adopted plan, whereas a majority of the creditors are willing to accept an amendment to the plan, which formally cannot be made. Having in mind that, in accordance with the provisions of the Law on bankruptcy which are currently in effect, the only possible alternative in such situation is the opening of the bankruptcy or submission of the new pre-packaged reorganization plan (both of these options prolong the collection of claims) it would be in both debtors' and creditors' interest if there was the possibility of one change of the plan once during its implementation (limiting it to one change would prevent possible abuses). Also, it would be good to take into consideration the solution provided by the Law on Bankruptcy Procedure - in such situations, the bankruptcy was continued instead of initiating the new proceeding.

According to current legislation, the opening of bankruptcy proceedings produces effects as of the date on which a notice of the opening of bankruptcy proceedings is posted on a court's notice board. In practice, this rule creates problems as in some procedural situations it is not clear which is the relevant date of the opening of bankruptcy proceedings. To eliminate uncertainties, it is recommended that the opening of bankruptcy proceedings produces effects as of the date of the publication of the notice of the opening of bankruptcy proceedings in the Official Gazette.

One of the outstanding issues where no progress was seen is personal insolvency and entrepreneur insolvency primarily. The resolution of this issue would benefit both creditors and insolvent entrepreneurs. The existing options available to creditors regarding insolvent entrepreneurs do not lead to the most favourable collective settlement. They result in the settlement of the claims of some creditors through enforcement procedure, while other creditors, in most cases, do not have any possibility to settle their claims with over-indebted entrepreneurs. We consider that the introduction of the concept of entrepreneur insolvency would ensure creditors higher settlement amounts, while protecting the integrity and basic needs of overindebted entrepreneurs. Having in mind that in the last couple of years there have been efforts to pass such law, which at this moment have been completely passive, this is very important topic for future.

The trend of increasing digitization should also be followed in in bankruptcy proceedings, often requiring the presence of a large number of people at hearings, meetings of creditors, public sales, etc. (this was confirmed during the COVID-19 pandemic). In that sense, it would be useful to regulate in

more detail the procedure of electronic sale and the functioning of creditors' bodies and electronic communication and the delivery between the bodies in bankruptcy procedure.

Finally, the introduction of new reasons for the dismissal of bankruptcy administrators is not without flaws, as the reason relating to their inefficient work is still not prescribed, including prolongation of the sale of property or of the distribution of money obtained from the sale of the property of the bankrupt debtor, etc., which are more common in practice than violations of the duties of bankruptcy administrators. Hence, it would be useful to introduce such a provision, which would include the adequate consequences for the failure to comply with obligations, to better prevent practical problems related to the work of bankruptcy administrators.

At the end, many other questions arise regarding improving and clarifying corresponding regulations in practice, such as the possibility and method of enjoying secured-creditor rights based on a pledge on claims; insufficiently precise definitions of entities to which Article 123, para. 2 of the Law refers, the ability to dispose of the subject of an exclusion request during a dispute regarding such a request; and others.

Some of the expectations presented in the previous editions of the White Book regarding comprehensive amendments to the Law on Bankruptcy have been met, but many other insufficiencies of legal solutions have not yet been fixed and we sincerely hope to see at least concrete proposals of amendments this year.

FIC RECOMMENDATIONS

- Regulate additionally the position of secured and pledged creditors to provide the two-instance procedure with respect to their settlement from the sale of pledged property.
- Stipulate the possibility and procedure for amending the adopted reorganization plan, as well as the prohibition of the re-adoption of the reorganization plan/ pre-packaged reorganization plan within the certain time period in case of non-implementation, and specify the provisions related to the finality date and starting date for the implementation of the reorganization plan so that all participants can know with certainty when the adopted plan begins to be implemented.
- Regulate the delivery issue in bankruptcy proceedings to make it faster and more efficient and consider legal regulation of digitalization process in operations of creditors' bodies and communication between bankruptcy bodies.
- Regulate in detail the procedure of electronic sale, if possible, by following the example from the Law on Enforcement and Security.
- Stipulate that the opening of bankruptcy proceedings produces effects as of the date of publishing the notice of the opening of bankruptcy proceedings in the Official Gazette.
- Regulate the procedure of entrepreneur insolvency either by amendments to the current Law on Bankruptcy or the adoption of a separate law.
- Stipulate the obligation of regularly delivering and permanently publishing all the key documents from the bankruptcy proceedings, as well as the proper consequences for failure to meet such obligations.
- Stipulate the consequences for the bankruptcy administrators in case of failure to comply with the deadlines for actions in order to sell the assets and settle creditors.

INTELLECTUAL PROPERTY

1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The Customs should enable full electronic communication.	2020			√
The Law on Trademarks should be changed in such a way that it enables full electronic communication with the IP Office (e.g., removal of the necessity to submit original priority documents on paper). Use this opportunity to amend the provisions of the Law on Trademarks that regulate the exhaustion of rights.	2021			√
Following the example of EUIPO's portal, enable greater transparency in the online register of trademarks, so that it will be visible to third parties whether objections or requests for the termination of the validity of a certain trademark have been filed.	2022			√
Cybercrime:				
State authorities should enhance their efforts to combat online copyright infringement, concerning the software, music, and film industries.	2020			√
The Government needs to provide more resources to the courts, prosecutors and police units dealing with cybercrime.	2020			√
Adoption of further amendments to the Law on Copyright and Related Rights in terms of TV broadcasting and re-transmission, in line with the changes of EU SatCab Directive passed in 2019.	2020			√
Amendments to the Criminal Proceedings Law and related legislation with regards to cybercrime.	2018			√

CURRENT SITUATION

The intellectual property legal framework mainly consists of the substantive laws enacted in 2009 and afterwards. In the past few years, changes occurred in the fields of copyright, patents, trademark and topographies of semiconductor products. At the end of 2021, amendments to the Law on Patents were adopted, and a new Law on the Protection of Confidential Information was passed in the middle of the same year. Changes in legislation reflect further approximation of the laws to the rules set in the relevant international conventions, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and in the EU standards. The principal substantive provisions regulating intellectual property in Serbia are contained in the following pieces of legislation:

- The Law on Trademarks (2020);
- The Law on Geographical Indications (2010, amended in 2018);
- The Law on Copyright and Related Rights (2009, amended in 2011, 2012 2016 and 2019);
- The Law on the Legal Protection of Industrial Design (2009, amended in 2015 and 2018);
- The Law on the Protection of Topographies of Semiconductor Products (2013, amended in 2019);
- The Law on Patents (2011, amended in 2017, 2018, 2019 and 2021);
- The Law on the Protection of Confidential Information (new law from 2021, which replaced the law from 2011);
- The Law on Trade (2019).

The Law on Trademarks governs the acquisition and protection of rights with respect to marks used in the trade of goods and/or services. A trademark is defined as a right that protects a mark used in the course of trade to distinguish goods and/or services of one individual or legal entity from identical or similar goods and/or services of another individual or legal entity. The text of the current law is in accordance with the Madrid Agreement Concerning the International Registration of Marks, as well as with the Protocol to the Madrid Agreement.

The Law on Geographical Indications regulates the acquisition and legal protection of geographical indications (appellations of origin and geographical indications), following the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration.

The Law on Copyright and Related Rights regulates the rights of authors of literary, scientific, and artistic works, computer programmes, as well as rights related to copyright: the rights of performers, producers of phonograms, videogames, broadcasts and databases, and 'publishers' rights (rights of the first publisher of a free work and rights of the publisher of printed editions).

The Law on the Legal Protection of Industrial Design governs the acquisition of the rights to the external appearance of an industrial or handicrafts product (defined as the overall visual impression that the product makes on an informed consumer or user) and the protection of those rights.

The Law on the Protection of Topographies of Semiconductor Products regulates the subject matter and requirements for the protection of topographies of semiconductor products; the rights of creators and the ways to exercise those rights; the rights of companies and other legal entities in which the topography was created; and the limitations concerning the protection of such rights.

The Law on Patents regulates the legal protection of inventions in the field of technology which are new, which involve an inventive step, and which are capable of industrial application.

The Law on the Protection of Confidential Information regulates the legal protection of information constituting a business secret (especially financial, economic, business, scientific, technical, technological and production data, studies, tests, research results, etc.).

Finally, the Law on Trade regulates issues of unfair competition, including infringement of unregistered marks used in the course of trade.

The enforcement of the substantive laws listed herein depends upon several important laws setting forth the procedural and organisational provisions for the protection of intellectual property rights and the prosecution of infringers, the most important being the following:

- The Law on the Organization and Competences of State Authorities in Combating High-Tech Crime (2005, amended in 2009 and 2023);
- The Law on Special Powers for the Efficient Protection of Intellectual Property Rights (2006, amended in 2009 and 2021);
- The Criminal Code (2005, amended in 2009, 2012, 2013, 2014,2016 and 2019);
- The Customs Law (2010, amended in 2012, 2015, 2016, 2017, 2019,2020, 2021 and 2022); and
- The Law on Optical Discs (2011);
- The Law on Special Entitlement of Public Authorities in the Area of Intelectual Property (2006, amended in 2009, 2021)

The institutions that protect intellectual property rights are the Intellectual Property Office (hereafter referred to as the "IP Office"), as well as the relevant ministries and other state bodies (the courts being the most important).

The functioning of the Customs and the IP Office during the pandemic was enabled through their electronic portals. However, there are certain limitations. For example, the initial filing through the INES portal operated by the Customs is possible after a regular written contract with the Customs is signed. Besides that, electronic portal operated by the IP Office does not enable full electronic communication between this body and the right holders. Among other options, it does not enable:

- Registration of changes for multiple trademarks at once, even though the Law on Administrative Fees envisages payment of lower administrative fees in case of multiple registrations;

- Registration of the ownership change without submission of the original assignment deeds in physical form.

POSITIVE DEVELOPMENTS

As of September 2018, Serbia is obliged towards the EU to apply the same standards of protection of intellectual property rights as those imposed by the EU. This obligation is set within the Stabilisation and Association Agreement and the Serbian Constitutional Court confirmed that these provisions are directly applicable. In practice, bearing in mind that the laws are mostly harmonised, this means that the courts and other state bodies ought to follow the same interpretation of these rules as the EUIPO and CJEU. Events in the specific fields will be presented below.

The amendments of the Law on Patents introduced more precise rules in the field of innovations made in the course

of employment. The latest changes from 2021 refer to the pharmaceutical industry and additionally regulate the area of supplementary protection certificates and small patents, and were introduced to increase the competitiveness of domestic drug manufacturers compared to those from the European Union.

The Law on Copyright and related rights - A working group was formed to prepare draft amendments to this law. Emphasis is placed on increasing the transparency of the work of organizations for the collective exercise of copyright and related rights. In the framework of activities referring to the accession of the Republic of Serbia to the European Union, the IP Office headed activities referring to the negotiating Chapter 7 – Intellectual Property Rights. This time, the Special Working Group worked on the preparation of the text of the Draft Law on Copyright and Related Rights for the sake of harmonization with the EU Directive 2012/28/EU of the European Parliament and the Directive 2014/26/EU about the collective management organizations and multi-territorial licensing of rights on musical works for online utilization on the internal market. However, this working group deals with the harmonization of this area with the EU directives adopted by 2019. It follows that issues such as digital education and data mining will remain unharmonized, which will make Serbia less competitive compared to the European Union countries. The law is still in the process of adoption.

The Law on Trademarks introduced the opposition system during the trademark examination procedure. This partially slowed down the registration procedure. However, the IP Office keeps on examining both absolute and relative grounds for refusal itself, as well. The change that also occurred is that the principle of international exhaustion of rights is introduced. This disabled prevention of parallel imports using trademarks. It is worth noting that introduction of this principle got Serbia further away from the EU standards. The EU adopted the regional principle of exhaustion, which means that it recognises the outer borders of its market to be relevant. Therefore, this chapter of the law will have to be changed once again before Serbia accedes to the EU.

In 2022, the IP Office played an active role in the enforcement of intellectual property rights. After it was created a computer platform in the 2021, in cooperation with the Danish Patent and Trademark Office, for the exchange of information whose goal is to facilitate the cooperation of state authorities, primarily customs and market inspection, in their joint fight against piracy and counterfeiting[1] the IP Office continued its cooperation at the EU level. In 2022, the IP Office in cooperation with the EUIPO translated the principles of the common practice under the title CP4 – Scope of protection for black and white signs as well as common practice under the title CP9 – Distinctiveness of three-dimensional trademarks containing verbal and/or figurative elements and included in its Methodology of the Procedures for the Grant of Trademark. In this way, the successful cooperation with the EUIPO regarding the implementation of the principles of EU common practice in the field of trademarks continued.

In 2022, the organisation for the collective management of the actors' rights became fully operational.

In the past period, there has been a significant increase in the number of organizations for the collective exercise of copyright and related rights and the adoption of new tariffs (the AA fee tariff has yet to be determined), which has led to an increase in the administrative and financial burden for users of the subject of protection. Such trends additionally point to the importance of ensuring an appropriate degree of transparency in the establishment of collective organizations and the adoption of their tariffs, as well as the need for efficient, continuous and transparent control of the work of collective organizations.

In the course of 2023, the Intellectual Property Office was filed a total of 4461 national applications (↑5.7%) with regard to the protection of intellectual property rights. From that number 3957 applications (↑5.3%) were filed for the grant of industrial property rights and 504 applications ↑13%) for the depositing of copyright works and subject matter of related rights. The rise in the recorded copyruight-protected works is a result of the tax incentives based on the licensing of these works.

442 inspections were carried out. 24 grams of gold, 36 liters of alcoholic beverages, and 8,877 pieces of various goods suspected of infringing intellectual property rights were temporarily seized. The counterfeit goods included textile products, sports equipment, clothing, footwear, and accessories such as bags and purses. A total of 29 general requests were approved[2].

1 2021 Annual IP Office Report.

2 Information on the work of the Ministry of Internal Affairs for the 2024

REMAINING ISSUES

The most significant pieces of legislation in this field were amended in the past few years. However, the procedure was not transparent, meaning that the professional community was not substantially involved in the drafting of the texts that reached the parliament.

Despite the fact that the relevant intellectual property legislation has already been in place in Serbia for several years, the efficiency of its enforcement is still not satisfactory. The authorities are still reluctant to apply the reasonings in IP matters that are applied by the EU bodies. There are positive initiatives on combating counterfeits online. The Ministry of Trade has a lead role, and it coordinates all relevant bodies like high-tech crime units and postal service providers. However, prosecutors and police units dealing with high-tech crime need more human and technical resources to be as productive as necessary. In this direction, proposals are currently being collected for drafting changes to the Law on Special Powers for the Effective Protection of Intellectual Property Rights, which could eliminate or mitigate some of these problems.

FIC RECOMMENDATIONS

- The Customs should enable full electronic communication.
- The Law on Trademarks should be changed in such a way that it enables full electronic communication with the IP Office (e.g., removal of the necessity to submit original priority documents on paper). Use this opportunity to amend the provisions of the Law on Trademarks that regulate the exhaustion of rights.
- Amend the Law on Copyright and Related Rights in order to provide mechanisms for a more transparent and efficient implementation of the procedure for establishing collective organizations, adopting their tariffs, and mechanisms for effective and continuous control of the work of such organizations.
- Following the example of EUIPO's portal, enable greater transparency in the online register of trademarks, so that it will be visible to third parties whether objections or requests for the termination of the validity of a certain trademark have been filed.
- Cybercrime:
  - State authorities should enhance their efforts to combat online copyright infringement, concerning the software, music, and film industries.
  - The Government needs to provide more resources to the courts, prosecutors and police units dealing with cybercrime.
  - Adoption of further amendments to the Law on Copyright and Related Rights in terms of TV broadcasting and re-transmission, in line with the changes of EU SatCab Directive passed in 2019.
  - Amendments to the Criminal Proceedings Law and related legislation with regards to cybercrime.

PROTECTION OF COMPETITION

1.70

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Adoption of the new Competition Law and relevant bylaws as soon as possible.	2020		√	
In order to enhance transparency and legal certainty, the Commission should issue clear guidelines and instructions containing the manner of application of certain provisions of the Law, with the involvement of interested parties in commenting proposed documents.	2010		√	
The Commission must decide in all competition cases efficiently and timely. Lack of a clear legal deadline in certain instances must not be an excuse for an inefficient review e.g. in Phase I merger case and individual exemption cases.	2023		√	
The fees in the Tariff Rules should be decreased to a reasonable sum, especially in the merger control area.	2009			√
The Commission should publish decisions on individual exemptions within the shortest possible period from their issuance, i.e. to altogether improve transparency and predictability of decisions.	2018		√	
The Commission should issue publications of the relevant definitions of product markets grouped by industries every six months, with the aim of harmonizing practice.	2018			√
The Commission should increase the activities on the promotion of leniency.	2024			√
Sector inquiries should contain more precise findings related to possible infringements of competition and competitive concerns to enable market participants to immediately comply behaviour in accordance with the findings of the Commission.	2021	√		
Judges of the Administrative Court should complete advanced training in both competition law and economics. All rulings of the Administrative Court and the Supreme Court of Cassation should be made publicly available and explained in detail in terms of the substantive issues of the Commission's decisions.	2010			√
The Commission's practice should be consistent with respect to all market players with detailed reasoning in relation to exceptions from the previous practice and the EU practice. In merger control cases, requests for additional information must be related to the assessment of the concentration having in mind the broad discretionary powers of the Commission. Considering the penal nature of decisions in the area of competition protection and the significant powers of the Commission, predictability, as well as consistency and legal certainty, are of crucial importance for all market players.	2021		√	

CURRENT SITUATION

Harmonization with EU competition rules in Serbia began with the adoption of the currently applicable Competition Law in 2009 (the "**Law**"). The Law set material and technical preconditions for the independent and autonomous functioning of the Commission for Protection of Competition (the "**Commission**"). The Law was amended in 2013, whereas the corresponding by-laws were adopted back in 2009 and 2010, and the new Regulation on the Content and Manner of Submission of Merger Notifications (the "**Merger Control Regulation**") was adopted in 2016.

No progress was made in 2024 regarding the adoption of the new Law but work on drafting new by-laws continued. Following public consultations, in January 2025 the Commission submitted to the Government of the Republic of Serbia for adoption four draft regulations concerning the exemption of certain categories of agreements from the prohibition of restrictive agreements, namely:

- Draft Regulation on Categories of Vertical Agreements Exempted from the Prohibition of Restrictive Agreements;
- Draft Regulation on Categories of Vertical Agreements in the Motor Vehicle Sector Exempted from the Prohibition of Restrictive Agreements;
- Draft Regulation on Categories of Technology Transfer Agreements Exempted from the Prohibition of Restrictive Agreements;
- Draft Regulation on Categories of Agreements in the Railway and Road Transport Sectors Exempted from the Prohibition of Restrictive Agreements.

The Foreign Investors Council warmly welcomes the progress made in drafting these regulations. The Foreign Investors Council has been highlighting this need for years through recommendations in the White Book, considering that the current Law was adopted in 2009, while the accompanying by-laws were adopted in 2010. These are largely outdated and do not reflect current market conditions nor align with the legislation and practices of EU Member States.

However, the Foreign Investors Council expresses concern over the fact that, although the above-mentioned draft regulations were prepared in 2024 and submitted to the Government at the beginning of 2025, none had been adopted by the time of publication date of this White Book. The Foreign Investors Council expresses hope that the four proposed regulations will be adopted soon.

According to data from the Annual Activity Report, the Commission received a total of 227 merger notifications in 2024, of which 205 were submitted under the summary proceedings (approximately 90% of the total number of merger notifications). During the same year, the Commission continued one ex officio proceeding previously initiated based on a merger notification, as well as two proceedings for implementing a concentration without prior Commission approval.

In 2024, the Commission significantly reduced the practice of publishing decisions in merger control proceedings. On its website, the Commission published only five decisions issued in summary proceedings, as well as one conditional clearance decision in an ex officio proceeding, concerning the merger of the two largest coffee producers in Serbia.

The Commission's failure to publish its decisions has resulted in a significant lack of transparency, thereby undermining legal predictability and certainty. The non-publication of decisions creates uncertainty regarding the application of competition rules, which leads to increased compliance costs and higher legal risks for undertakings.

In addition, in 2024, the Commission initiated four new proceedings — three concerning suspected restrictive agreements and one related to possible abuse of a dominant position.

The investigations concerning restrictive agreements involve alleged bid rigging, price coordination among several retail chains, as well as potential coordination or joint conduct of undertakings aimed at restricting competition. The case concerning suspected abuse of a dominant position relates to the alleged imposition of unfair trading conditions and restriction of market access.

The Commission also continued to actively detect and undertake legal actions in relation to concentrations implemented without its prior mandatory approval. In this regard, two new ex officio proceedings were initiated regarding merger control, based on reasonable suspicion that the concentrations had been implemented without prior notification and the Commission's approval, despite meeting the statutory thresholds for mandatory merger notification. Both cases relate to the acquisition of target companies located outside the territory of Serbia by a domestic company. Additionally, the Commission concluded a merger control proceeding initiated in 2023, finding that a concentration involving a change of control over a hotel had been implemented without prior approval and imposed a competition protection measure in the amount of approximately EUR 25,000 on the acquiring party.

In relation to merger control, the Commission's filing fees remained unchanged and continue to be very high.

In 2024, the Commission found that eight companies operating in the market for the supply of office equipment, toner, and consumables, as well as servicing of office equipment, had coordinated their activities, shared markets, and exchanged confidential information, thereby entering into a restrictive agreement. In the course of this proceeding, the Commission sanctioned seven companies, while one company was exempted from paying a fine due to its participation in the leniency program, as it was the first to report the prohibited conduct and provided relevant evidence to the Commission. The total amount of imposed fines exceeded RSD 60 million, with individual fines ranging from RSD several hundred thousand to nearly RSD 28 million.

POSITIVE DEVELOPMENTS

The trend of opening more investigations continued, as well as drafting of the sector inquiries and analysis of the conditions of competition on the relevant markets.

In 2024, the sector analyses of the state and conditions of competition in the pellet market for the period 2020–2022 had been completed, which was published on the Commission's website. In addition, during 2024, the Commission conducted several sector analyses, including:

- a sector analysis of the state and conditions of competition in the market of pharmaceutical products for human use, in the period 2020-2022;
- a sector analysis of the state of competition in the markets of certain food products, in the period 2018-2022;
- a sector analysis of the state and conditions of competition in the market of private healthcare services, in the period 2019-2023, published on the Commission's website in March 2025;
- a sector analysis of the state of competition in the market for the production and distribution of bottled water, in the period 2019-2023.

Through the findings of sectoral inquiries/analyses, the Commission can provide clear and practical guidelines to undertakings, helping them understand competition rules, potential pitfalls, and areas that require improvement. These guidelines promote compliance and reduce the risk of anti-competitive behaviour. Therefore, the need for clear and practical guidelines is paramount. The Commission, however, sometimes does not present clear conclusions about possible Law infringements and identified concerns that prevent undertakings to act proactively and align their behaviour with the Law.

In terms of the events that took place in 2024 and the activities in the area of international cooperation, it can be pointed out that the Commission participated in the Anniversary Conference of the Regional Competition Centre (RCC) in Budapest. Furthermore, the Commission took part in the Annual Conference of the International Competition Network (ICN), organized by Brazil's competition authority. In 2025, as part of the project "EU Support to Serbia's Internal Market", the Commission signed a grant agreement for forensic software with the International and IberoAmerican Foundation for Administration and Public Policy, thereby enhancing its technical capacities for conducting investigations in the context of modern business practices. In addition, the Commission's Guidelines for Drafting Competition Compliance Programs, with the accompanying model and compliance checklists won Antitrust Writing Awards readers vote award in the section of the best "Soft Law" materials of competition authorities and research institutions in Europe.

REMAINING ISSUES

Lack of transparency in the Commission's work

The lack of transparency in the Commission's work is indeed a significant concern. Transparency is crucial in ensuring accountability, promoting fair competition, and building trust among stakeholders, including businesses and the public. When decisions are not promptly and comprehensively published, the ability of interested parties to learn the outcomes of proceedings, understand the reasoning behind the decisions and assess their implications is hindered.

It is, therefore, of foremost importance that all Commission's decisions are promptly published on the Commission's website, to ensure transparency, provide timely information to professional and general public, and to maintain legal certainty. Failure to publish decisions or significant delays in its publication, raise concerns about institutional accountability and consistent application of the Law.

Even though the Commission should regularly publish its

decisions, it is noticeable that it has not done so consistently. The decisions in relevant areas (e.g., merger control) are almost never published, while decisions in other areas (e.g., individual exemptions) are published selectively with significant delays. Such practices do not contribute to either transparency or legal certainty.

This issue has been present in previous years, but during 2024 it was deepened since, by the time of publication of the White Book, only five decisions in merger control cases had been published on the Commission's website, which represents the lowest number to date in comparison with previous years. Of particular concern is the fact that, continuing the trend from 2023, the Commission published only one decision in 2024 in individual exemption proceedings concerning restrictive agreements.

The Commission also does not publicly disclose data on submitted initiatives for investigating competition infringements, not even after decisions have been adopted in such cases. Of additional concern is the fact that the Commission often fails to inform the initiator of the outcome within the prescribed 15-day period from the date of submission. In certain cases, the Commission's notification regarding submitted initiatives was never delivered to the initiators.

The relevant court's decisions issued in the process of control of the legality and correctness of the Commission's decisions are not publicly available at all since such decisions are not published on the Commission's website. An additional shortcoming lies in the fact that the existing database of the Commission's decisions does not allow for more advanced searches based on detailed criteria, which hinders access to relevant case practice.

Observance of deadlines and efficient review by the Commission

The efficient and timely decision-making process by the Commission is of the utmost importance to the business community. Delays in issuing decisions in merger control and antitrust cases can have far-reaching consequences for the parties involved and the overall market dynamics. The parties are not allowed to proceed with their transactions or business operations until they receive the Commission's decision due to the standstill obligation, therefore, any delay in rendering decisions is postponing regular business operations which consequently may cause substantial damages to the parties.

While the Law might not always provide precise deadlines, it is still important for the Commission to conduct its proceedings efficiently and effectively. The absence of specific deadlines should not be used as an excuse for unnecessary delays or inefficiencies in the decision-making. That is particularly important in the summary proceedings (Phase I), i.e. cases of no-issue concentrations and individual exemption procedures without competition effects on the Serbian market.

Furthermore, it is noticeable that the Commission has been applying a more complex methodology in analysing the individual exemption of restrictive agreements, it is essential that complex analysis in individual exemption proceedings should not adversely affect the efficiency of the Commission's decision-making process, in terms of avoiding any unjustified delay. In practice, the review period of individual exemption requests is often prolonged beyond the 60 days deadline as envisaged by the Law. This is causing practical problems for the business community when it comes to implementing agreements and business policies which require prior approval of the Commission. The economic reality requires swift action from all parties including the Commission. Additionally, the rather restrictive and formalistic approach of the Commission is more evident, as well as deviations from the comparative EU practice in the interpretation of certain procedural legal institutes, which is especially relevant in the procedures of individual exemptions. It is necessary, in the context of preparations for the new Law, to examine the acceptability of the concept of individual exemption, which the European Union abolished almost twenty years ago. In the 2019 version of the draft law, the legal institute of self-assessment was introduced, whereby the system of individual exemptions was also retained, which was the proposal of the Foreign Investors Council.

Due process rights

The proceedings before the Commission still do not sufficiently guarantee all procedural rights of the parties, including the right to inspect the case files and powers of the Commission in terms of the treatment of privileged communication. In certain merger control cases, as well as the clear regulation regarding the Commission's authority in handling privileged communications. In some cases of the merger control, the Commission has extensively used its power to request for additional information, often including information not relevant to the assessment of a concentration, resulting in unnecessary delays in issuing decisions. If the Commission uses its broad discretionary

powers to issue requests for supplementary of the merger notification, it should clearly elabourate on the aim, purpose and relevance of the requested information in the context of the specific analysis.

During unannounced inspections, the Commission holds exceedingly broad procedural authority, especially regarding the scope and manner of data processing obtained. In certain cases, the Commission allegedly copied the entire content of emails from managers and employees considered relevant and then conducted keyword-based searches on that content at its premises without the presence of party's counsel, extracting material for inclusion in the case file. This approach significantly diverges from standards applied by the European Commission.

Additionally, the Commission has reportedly dismissed parties' objections to this type of data processing, arguing that it provides a forensic copy of seized material, along with a notification identifying which documents were included in the case file, and allows requests to exclude documents containing privileged communications or irrelevant to the case. This practice does not align with the principle of transparency and calls into question the party's right to "defence".

Lack of an effective judicial review at the second instance

It is noticeable that judges of the Administrative Court still lack comprehensive knowledge in the areas of competition law and economics necessary for proper interpretation of parties' arguments and the Commission's decisions, and for drafting accurate judicial decisions. Decisions of the Administrative Court often lack detailed reasoning and consideration of the merits of the case, limiting their scope only to repeating the Commission's findings and consideration of the basic procedural issues, without deeper analysing the arguments of the parties in dispute.

Such shortcoming is a serious issue, as it prevents effective legal argument exchange, a comprehensive and adequate control of the legality of the Commission's decisions, as well as the development and harmonization of the judicial practices with standards of the European Union (which is a requirement of the Stabilization and Association Agreement), while it also jeopardizes further proceedings of extraordinary legal remedy. Detailed reasoning of the decisions of the Commission and the Administrative Court, with particular explaining acceptance or rejection of parties' arguments and evidence of arguments and evidence presented by the parties to the proceedings, is of considerable importance for establishing judiciary oversight of the Commission's work. Otherwise, there is a risk that the Commission, in the absence of effective control, could potentially misuse its powers and position as an autonomous and independent body.

Calculation of penalties

The method of determining penalties is characterized by inconsistency and unpredictability in the application of the Law. For example, a substantial part of the existing guidelines is not in compliance with the law, the methodology for determining coefficients for individual factors in meting out the penalty is unclear, the Commission's decisions often do not include an overview of the established coefficients for individual factors nor proper reasoning, and total revenues of the party to proceedings is taken as a basis for the calculation of the fine, instead of calculating the fine based on revenues derived from only the relevant market where competition was infringed. In the last version of the draft Competition Law, it was provided that penalties will be calculated based on the relevant turnover, i.e. turnover generated on the relevant market on which the competition infringement was made, which is significant progress with regards to the previous situation, and which is also in line with the EU rules.

A clear and consistent methodology for calculating fines is essential to ensure fairness, transparency, and effective enforcement of the Law, especially considering that fines under the Law can be significant. Non-compliant guidelines, unclear coefficient determination, lack of reasoning, and the use of total revenues instead of relevant market turnover, can all lead to legal uncertainty and undermine the credibility of the enforcement process.

Improvement of economic analysis

Although the Commission has made serious efforts to improve the quality of economic analyses, it is necessary to consistently apply economic analyses in all proceedings before the Commission, taking into account the specifics of each particular case, and further work is needed in improving the quality of reasoning behind the Commission's decisions. In the previous period, it was evident that the Commission has issued contradictory decisions with regard to its previous practice in certain cases, without proper reasoning for such deviation.

Lack of clarity in the application of merger control rules

Some legal uncertainty is also caused by a lack of clarity in the application of merger control rules to transactions that involve the acquisition of control over parts of undertakings, as well as the acquisition of control on a short-term basis. These problems often arise in the interpretation of the term "independent business unit", usually related to the acquisition of control over real estate, where the business community needs clear and timely guidance from the Commission in respect of future practices, which still do not exist, i.e. are not published.

Leniency severely underused in practice

As for the leniency programme, the Commission published that the decision in bid-rigging case from December 2023 is the first ever partial leniency granted in Serbia. Additionally, the procedure concluded in 2024 (mentioned above), in relation to the restrictive agreement in the supply of office equipment, toner, consumables, and servicing services was initiated based on a leniency application by one of the undertakings.

The leniency program is a vital tool in antitrust enforcement, designed to encourage companies to come forward and report their involvement in anti-competitive activities in exchange for reduced penalties or immunity. Its successful implementation can lead to the detection and deterrence of cartels and other anti-competitive behaviour while, at the same time, building trust between the business community and the Commission. However, in practice, it is evident that the Commission rarely reacts effectively to leniency applications, reducing the attractiveness and efficiency of this instrument and discouraging companies from relying on it.

Further digitalisation

The need for further digitalisation of the process and work of the Commission has become evident during the COVID-19 pandemic and remains an issue up to date. The Commission should apply more resources to digitalisation which would ease and simplify their work in the given situation (e.g. holding meetings of the Council electronically, holding meetings with the parties electronically even when it is not possible to meet in person etc.).

New Competition Law and the relevant by-laws

Finally, it appears that the work on the preparation of the new Competition Law has been on hold since 2019. The Foreign Investors Council has been an active member of the Working Group for preparation of the new Competition Law and believes that the whole process of preparation and adoption of the new Law should be continued, as the draft of the new Competition Law provides various legal institutes which already exists within the EU acquis communautaire and which could be beneficial for the purpose of strengthening of the legal certainty in the Serbian competition law framework, such as negative clearance, calculation of fines on the basis of the relevant turnover, etc.

Also, a number of by-laws (e.g. on vertical and horizontal agreements) are severely out of date and need to be amended in order to reflect the economic reality and developed practice on the local and the EU level. As noted, in 2024 the Commission drafted four new by-laws and submitted them to the Government of the Republic of Serbia for adoption. The adoption of these regulations would be an important step toward alignment with EU competition law developments and the creation of a more predictable regulatory framework for undertakings.

FIC RECOMMENDATIONS

- Adoption of the new Competition Law and relevant by-laws as soon as possible (especially with regard to the draft regulations that have been pending adoption for several months).
- In order to enhance transparency and legal certainty, the Commission should issue clear guidelines and instructions containing the manner of application of certain provisions of the Law, with the involvement of interested parties in commenting proposed documents.

- The Commission must decide in all cases efficiently and timely. Lack of a clear legal deadline in certain instances must not be an excuse for an inefficient review e.g. in Phase I merger case and individual exemption cases.
- The fees in the Tariff Rules should be decreased to a reasonable sum, especially in the merger control area.
- The Commission should publish decisions on individual exemptions within the shortest possible period from their issuance, i.e. to altogether improve transparency and predictability of decisions.
- The Commission should issue publications of the relevant definitions of product markets grouped by industries every six months, with the aim of harmonizing practice.
- The Commission should increase the activities on the promotion of leniency and react more efficiently upon submission of leniency applications.
- Sector inquiries should contain more precise findings related to possible infringements of competition and competitive concerns to enable market participants to immediately comply behaviour in accordance with the findings of the Commission.
- Judges of the Administrative Court should complete advanced training in both competition law and economics. All rulings of the Administrative Court and the Supreme Court of Cassation should be made publicly available and explained in detail in terms of the substantive issues of the Commission's decisions.
- The Commission's practice should be consistent with respect to all market players with detailed reasoning in relation to exceptions from the previous practice and the EU practice. In merger control cases, requests for additional information must be related to the assessment of the concentration having in mind the broad discretionary powers of the Commission. Considering the penal nature of decisions in the area of competition protection and the significant powers of the Commission, predictability, as well as consistency and legal certainty, are of crucial importance for all market players.
- The Commission should allocate additional resources to digitalizing its procedures and operations, including upgrading its website particularly the section containing published decisions (which would enable simpler and faster searches using multiple criteria).
- By-laws should clearly define the rights of parties during unannounced inspections, especially with respect to the scope and method of processing data collected by the Commission.

STATE AID 1.33

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Transparency of the procedure - introduction of the registry of state aid and effective control of the compliance with the obligation to report to the aid grantors.	2021		√	
Continuous and effective control of compliance with the law– utilizing different mechanisms envisaged in the Law in order to monitor granted state aid and also impose measures for incompatible state aid.	2021			√
Ensure a harmonised approach for prioritising and monitoring all investments and basing investment decisions on feasibility studies, cost-benefit analysis and environmental impact assessments, and apply to all projects the principles of competition, equal treatment, non-discrimination and transparency in State aid procedures in line with the EU acquis.	2024			√

CURRENT SITUATION

The legal framework regulating the granting of state aid in the Republic of Serbia consists of the Law on State Aid Control from October 2019 (the "**Law**"), which entered into force on 1 January 2020, as well as the relevant bylaws.

Having in mind that the Report of the Commission for State Aid Control (the "**CSAC**") on Allocated State Aid for 2024 has not yet been published, we will look back at the situation and data from the Report on Allocated State Aid for 2023.

The total absolute amount of state aid granted in 2023 amounted to RSD 190.311 million (approx. EUR 1.623 million), while its share in GDP stood at 2.3%, which is lower compared to the previous period, given that in 2022 the share of state aid in GDP was 2.7%, while in 2021 this share was 3.5%.

In 2023, the agricultural sector was granted state aid in the absolute amount of RSD 58.721 million (approx. EUR 501 million), which represents an increase of 1% compared to 2022, and an increase of 44% compared to 2021. State aid was granted to the industry and services sector in 2023 in the absolute amount of RSD 129.821 million (EUR 1.107 million). Compared to 2022 and 2021, this category of state aid is recording significant growth.

POSITIVE DEVELOPMENTS

Under the Law, the CSAC functions as an independent and autonomous organization accountable to the National Assembly, ensuring its independence from the executive power from a formal-legal point of view.

In the previous period, further progress was made in terms of strengthening the financial independence of the CSAC, as well as enhancing its human resource capacities.

During 2024, the CSAC prepared a Draft Regulation on Rules and Conditions for Granting of De Minimis Aid, as well as a Draft Regulation on Rules and Conditions for Granting of De Minimis Aid for Provision of Services of General Economic Interest. These regulations were adopted by the Government of the Republic of Serbia at the beginning of 2025. In addition, the CSAC Council adopted the Rulebook on the Manner of Excluding Protected Information from CSAC Acts. The aim of these draft regulations and the rulebook was to align the content of bylaws with the relevant regulations of the European Union. The Foreign Investors Council has commended this progress as an important step toward enhancing the legal framework for governing the granting of state aid.

REMAINING ISSUES

In the European Commission's report on Serbia's progress in the EU accession process for 2024, it is indicated that,

despite a solid legal framework on state aid control, further alignment of bylaws with the EU acquis is necessary. In addition, the capacity of the CSAC needs to be strengthened through increased staffing, and the implementation of the Law on State Aid Control requires further improvement.

In 2024, governance reforms continued with a slight acceleration, particularly in the energy sector and the digitalization of public administration. The regulatory and administrative burden for doing business has been reduced, but the private sector continues to be affected by a lack of transparency and predictability in the way business-related legislation is adopted. Structural challenges remain for state aid, competition and public procurement. The State retains a strong footprint in the economy and the private sector is underdeveloped and hampered by weaknesses in the rule of law, in particular regarding the tackling of corruption and judicial inefficiency. Last year's recommendations have been partially implemented and remain partly valid.

Furthermore, ensuring full transparency in the work of the CSAC is a prerequisite for legal certainty. The CSAC is required to publish its decisions on its website and to maintain a register of granted state aid, including a de minimis aid register. However, to date, a publicly accessible register of granted state aid has not been established, which hinders full transparency. On the other hand, the de minimis aid register is available to the public, but the records are incomplete and not structured in a user-friendly manner that allows for easy searchability and clarity.

The core obstacles to the further harmonization of national legislation with the European acquis:

- the lack of list of state aid schemes and of an action plan for their harmonization, especially of fiscal state aid schemes established in accordance with the Law on Corporate Income Tax,
- the lack of regional maps,
- the lack of a register of granted state aid, as well as the incompleteness and lack of clarity of the register of granted de minimis state aid,
- notification and the standstill obligations are still not being systematically respected and state aid is occasionally provided to economic operators, particularly foreign investors, without prior approval by the CSAC, and
- lack of strict enforcement with respect to agreements concluded with third countries.

In 2024, the CSAC issued 6 decisions (according to the data available on the website of CSAC), determining the existence of state aid and assessing its compliance with the state aid granting rules. Out of this number, five decisions were issued in the preliminary control procedure, and one in the preliminary phase of an ex post control procedure, which may indicate a passive approach by the CSAC toward verifying the compliance of granted state aid. In addition, three binding opinions were issued on draft regulations. These opinions concern the granting of state aid for services of general economic interest, specifically: (i) compensation granted to the Public Enterprise "Pošta Srbije" for the provision of universal postal services; (ii) market premiums intended for electricity producers using renewable energy sources; and (iii) co-financing of projects in the field of public information. In 2024, the CSAC also responded to 14 inquiries related to the interpretation of whether certain grants and benefits are subject to state aid control under the Law.

Furthermore, according to the CSAC's Activity Report for 2024, no court proceedings were initiated against any of the CSAC's decisions during the relevant period.

State aid policy must be predictable and consistent and primarily based on grantor schemes, while individual aid should be the exception. It is necessary to adopt clear plans and programs based on which companies and the public can be informed about that policy in a timely manner, and not from the decisions of the CSAC.

Attracting investment in underdeveloped regions, as well as defining a clear Government strategy on investment areas (digitalization and green energy) with full respect for state aid rules, are key starting points for achieving a clear and cost-effective state aid granting.

With the new law and bylaws in force, the CSAC must actively work on developing the awareness of all relevant parties about these rules, especially state aid grantors and beneficiaries whose knowledge is limited. The stated is a precondition for the involvement of the economy and the general public in the drafting of state aid policy, target-

ing vulnerable categories or sectors of the economy, so that specific, predictable, and effective solutions can be reached jointly.

It is necessary to raise awareness and capacity of state aid grantors, thus increasing the legal certainty of state aid beneficiaries when allocating funds.

FIC RECOMMENDATIONS

- Transparency of the procedure - establishment of the register of granted state aid, ensuring timely and complete record-keeping within the register of de minimis granted state aid, as well as the effective control of the compliance with the obligation to report to the aid grantors.
- Continuous and effective control of compliance with the law– utilizing different mechanisms envisaged in the Law in order to monitor granted state aid and also impose measures for incompatible state aid.
- Ensure a harmonised approach for prioritising and monitoring all investments and basing investment decisions on feasibility studies, cost-benefit analysis and environmental impact assessments, and apply to all projects the principles of competition, equal treatment, non-discrimination and transparency in state aid procedures in line with the EU acquis.

CONSUMER PROTECTION 1.25

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Prescribing a legal obligation for out-of-court dispute resolution bodies to establish, for the purpose of transparency, websites on which they will publish periodic reports.	2024			√
Legal introduction of court proceedings for the collective exercise of consumer rights, with the power of the court to order compensation for material and non-material damage caused by the violation of consumer protection regulations.	2024			√
Adoption of a legal provision prohibiting non-transparent placing of dual quality goods on the market.	2024		√	
Harmonization of legal provisions with the provisions of other laws regulating the issue of rights and obligations of consumers	2024			√

CURRENT SITUATION

The Ministry of Internal and Foreign Trade conducted a public hearing on the Draft Law on Consumer Protection in the period from 4 August to 3 September 2025. With this, the Government of the Republic of Serbia continued the activities started in 2023 and aimed at adopting a new law on consumer protection, which will replace the 2021 Law. The new law will take over a number of provisions from three EU directives adopted in 2019: Directive 2019/770 on certain aspects concerning contracts for the supply of digital content and digital services; Directive 2019/771 on certain aspects concerning contracts for the sale of goods; and the so-called "Omnibus" Directive 2019/2161 in better enforcement and modernisation of Union consumer protection rules. The draft law does not contain the provisions of Directive 2024/2853, of 23 October 2024, on liability for defective products.

Like the 2021 Law, the Draft of the new Law refers to Article 78 of the Constitution in the explanation. The Stabilisation and Association Agreement stipulates that the Contracting Parties shall encourage and ensure a policy of active consumer protection in accordance with Community law and the harmonization of consumer protection legislation in Serbia with the protection in force in the Community of the European Union.

The 2021 Law has significantly improved the mechanism of out-of-court settlement of consumer disputes, by introducing the obligation and regulating the procedure before bodies for the out-of-court settlement of consumer disputes. Proceedings before the body can be initiated by the consumer if he has previously made a complaint or complaint to the trader, and the trader is obliged to participate in the procedure. According to the new draft law, the penalty for traders who refuse to participate in mediation or fail to publish a notice that the buyer has the right to an out-of-court settlement of the dispute has been increased from 50,000 to 200,000 dinars (which is approximately 1,700 euros). Although this method of dispute resolution existed in the period before 2021, traders in practice avoided participating in the agreement, but only rejected complaints about goods and referred dissatisfied customers to court, and consumers often gave up on the court.

The 2021 Law also introduced the so-called "Do Not Call" register of phone numbers of consumers who do not want to be called by traders who offer goods/services by phone, which is kept by the regulatory body in charge of electronic communications, which should prevent or reduce intrusive business practices that exist through multiple telephone addresses to consumers. In this regard, on December 28, 2023, the Ministry of Internal and Foreign Trade adopted the Rulebook on the Register of Consumers Who Do Not Want to Receive Connective Devices and/or Messages as part of Telephone Sales, and starting from January 5, 2024, consumers are enabled to register in the so-called "Do Not Call" Register. From the establishment of full functionality of the so-called "Do Not Call" Register until October 2025, a total of 45150 consumers were registered in the "Do Not Call" Register.

The Law from 2021 has also improved and more precisely defined the complaint procedure (after two years from the purchase, the complaint is declared to the guarantor, and

the obligation of the trader to receive the complaint has been determined, which solves the current problems in practice related to the refusal to accept the complaint by the trader), the obligation to make calculations and specifications of the sale price of the service (for a value of more than 5,000 dinars, which is approximately 42 euros), and the contents of the invoice issued for services of general economic interest. The 2025 Draft Law left these provisions unchanged. In addition, the 2021 law specified that the prohibition of unfair business practices covers all stages of legal transactions, which opened up space for a more comprehensive implementation of inspections.

The 2021 law introduced the possibility of issuing misdemeanor orders to a trader. The law prescribes a fixed fine in the amount of 50,000 dinars for a legal entity and 30,000 dinars for an entrepreneur for certain violations. According to the new draft law, these amounts have been increased to 200,000 dinars for a legal entity (which is approximately 1,700 euros) and 100,000 dinars for an entrepreneur. Longer limitation periods are also prescribed, so misdemeanor proceedings cannot be initiated or conducted if two years have elapsed from the date when the misdemeanor was committed (previously, the one-year limitation period established by the Law on Misdemeanors was applied).

The draft law from 2025 brings a number of important novelties, mainly related to the delivery of digital content or digital services, or to the provision of the so-called online marketplace. The definition of "goods" has now been amended to include a bodily thing that has or is linked to digital content or a digital service in such a way that the goods would not be able to function without that digital content or digital service. The new law will regulate in detail the subjective and objective requirements that must be met in order for goods to be considered a conformity contract. Subjective requirements are satisfied when the goods are in conformity with what the trader and the consumer have contracted, and objective requirements are satisfied when the goods are suitable for the purposes for which goods of the same type would normally be used. Other important novelties from the Draft Law are presented in the second part of this text, in the sections "Positive Developments" and "Remaining issues".

POSITIVE DEVELOPMENTS

Among the improvements in the content and implementation of regulations in the field of consumer protection, improvements due to legal changes adopted in 2021 and improvements contained in the draft of the new law can be distinguished.

The 2021 legal improvement of the out-of-court dispute resolution mechanism seems to have encouraged consumers to try to exercise their rights more often than in the previous period. According to information from the Ministry of Internal and Foreign Trade, during 2025 as of September, consumers submitted 2,568 proposals for proceedings before out-of-court dispute resolution bodies, while in 2024 4,094 proposals were submitted. The number of mediators registered on the List of Bodies for Out-of-Court Settlement of Consumer Disputes at the Ministry of Internal and Foreign Trade increased from 2021 to October 2025 from 25 to 72.

One of the important novelties from the 2021 Law is the introduction of the "Do Not Call" register, as a database of consumers who have declared that they do not want to receive calls or messages over the phone for promotional purposes as part of the promotion or sale of certain goods or services. The "Do Not Call" register began operating on January 5, 2024. Verification of telephone numbers entered in the Register is enabled on the website of the Regulatory Authority for Electronic Communications and Postal Services (RATEL). A consumer who does not want to be invited by traders, i.e. agencies that do promotion or research, can contact his electronic communications operator with whom he has concluded a contract and ask him to be included in the Register. It is the obligation of traders, i.e. promoters, to check in the Registry whether a certain phone number is on the list of phones that should not be called. In addition, consumers are enabled to register in the "Do Not Call" Register electronically, using electronic solutions provided by operators of electronic communications services, which significantly facilitates the procedure of registration in the "Do Not Call" Register.

The involvement of the consumer protection association through educating consumers about their rights, organizing round tables where significant topics from this field were discussed, testing consumer products and notifying consumers about observed irregularities, etc. is also noticeable.

Improvements after the adoption of the Law in 2021 are also visible at the level of local self-government units and competent state institutions (including primarily ministries,

inspections and courts), where various forms of education on the topic of consumer protection have been organized, such as trainings for employees, conferences and round tables, all with the aim of raising the level of their expertise and implementing EU standards, as well as the Government's efforts to improve the framework for the development of e-commerce.

The draft law introduces a number of changes that strengthen the position of consumers and the protection of their rights. The draft introduces new forms of commercial practice that are considered misleading regardless of the circumstances of the individual case. Such forms of commercial practices include, but are not limited to: displaying search results in response to a consumer's online search without clearly indicating paid advertising or special payment for the purpose of achieving a higher ranking of products in those results; fake reviews, due to the trader's failure to take reasonable and proportionate measures to verify that the reviews originate from consumers who have actually used or purchased their products; and the resale of tickets purchased by the merchant using automated means to circumvent the rules relating to the purchase of tickets.

When selling goods with digital elements, according to the Draft Law, the trader is obliged to inform the consumer about the updates and provide the updates that the consumer himself then installs. The Draft Law also provides better protection for consumers who use social media. Namely, the draft extends the application of the legal provisions on contracts for sale to contracts for the supply of digital content or digital services, when the consumer provides or undertakes to provide personal data to the trader. In this way, the Draft Law treats personal data as a form of compensation.

The draft law from 2025 adopted a provision from the "Omnibus" Directive (2018/2161), which prohibits non-transparent marketing of dual quality goods. According to the provision of the Draft, placing goods on the market of the Republic of Serbia with the claim that they are identical to goods placed on the market in the EU Member States, even though the goods differ significantly in composition or characteristics, unless justified by legitimate and objective criteria, constitutes a misleading business practice. The previous draft, from 2024, did not contain such a provision, at the time with the explanation that it was non-transferable.

The draft law brings a significant improvement from the perspective of traders, through the provision according to which the notification to the consumer before concluding a distance contract must contain only a minimum of information if the means of distance communication has limited space or time of display. The minimum information shall include the following: the essential characteristics of the goods or services; merchant identities; the total price; the duration of the contract; the existence of a right of withdrawal from the contract; and, if the contract is for an indefinite period of time, the conditions for termination of the contract. Also, the Draft improves the position of traders as it provides the extension of the deadline for returning money to the consumer from three to five days. The three-day deadline was often not achievable due to reasons on the bank's side.

REMAINING ISSUES

It is difficult to assess the effectiveness of out-of-court settlement of consumer disputes, due to the lack of transparency of the work of its bodies. The law obliges these bodies to publish on their websites reports with statistics on procedures and with an overview of the significant problems observed, but such a legal obligation exists only if the bodies have a website. In practice, bodies for out-of-court settlement of consumer disputes do not have websites, so there is a lack of information about the work of such bodies. According to Directive 2013/11/EU on alternative dispute resolution for consumer disputes, from which the Law partially took over the provisions on out-of-court dispute resolution, bodies are obliged to make their reports publicly available. During the public debate in 2025, the Ministry rejected the proposal to introduce an obligation for bodies for out-of-court settlement of consumer disputes, explaining that only the Ministry has precise and relevant data through the existing platform to measure the efficiency of the work of these bodies.

In addition, it should be pointed out that in practice it has turned out that mediators do not have sufficient knowledge and expertise for out-of-court resolution of consumer disputes, especially disputes that have services of general economic interest as their subject, and it is necessary to continuously organize trainings for mediators with the aim of acquiring additional knowledge and skills for the legal resolution of out-of-court consumer disputes.

The 2021 Law does not provide the possibility of court proceedings for the collective exercise of consumer rights. Instead, citizens have at their disposal the possibility of col-

lective settlement of consumer disputes in administrative proceedings before the Ministry of Trade. The Law does not transpose the provisions of Directive 2020/1828 on representative actions for the protection of the collective interests of consumers. Consumer protection associations believe that the current legal framework prevents consumers from effectively exercising their rights. Compensation for damages is not among the measures that the Ministry may impose in order to protect the collective interest of consumers. In addition, the Ministry, unlike the court, is not subject to the constitutional obligation of independence and impartiality when deciding on the rights and obligations of persons. The draft of the new law does not bring any changes in relation to the existing regime of collective management of consumer rights.

The provisions of the Draft Law on the elimination of inconsistencies, especially on the trader's obligations after the expiry of the period in which the consumer has the right to choose between the replacement of goods, price reduction and termination of the contract, should be made clearer, in order to avoid the problems in practice that traders faced during the period of application of previous laws on consumer protection.

Finally, the provisions of the Draft Law regarding the issue of prohibition of direct advertising contain, as well as the existing Law, certain solutions that are regulated in a different way by the Law on Data Protection, which is the umbrella law that regulates this matter, and it is necessary to harmonize the Draft Law with the legal solutions from the Law on Personal Data Protection, in order to avoid the possibility of a different and inconsistent interpretation of consumer rights and obligations in practice. As well as the rights and obligations of traders regarding the prohibition of direct advertising.

FIC RECOMMENDATIONS

- Prescribing a legal obligation for out-of-court dispute resolution bodies to set up websites on which they will publish periodic reports for the sake of transparency.
- Legal introduction of court proceedings for the collective management of consumer rights, with the power of the court to order compensation for material and non-material damage caused by the violation of consumer protection regulations.
- Harmonization of legal provisions with the provisions of other laws that regulate the issue of consumer rights and obligations.

PROTECTION OF USERS OF FINANCIAL SERVICES

1.43

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Education of judicial office holders in the field of banking and insurance, and in this sense the introduction of specialized subjects in these areas at the Judicial Academy	2020		√	
Enabling Electronic Issuance of Bills of Exchange for Individuals	2019		√	
Permanent Resolution for Disputes Regarding the Loan Processing Fee in the manner described above and amendment to Article 368, paragraph 1 of the Law on Civil Procedure	2021			√
Issuance of a legal position by the Supreme Court regarding the proof of contracts concluded at a distance	2023		√	
Expansion of the domain of the Housing Loan Agreement and expansion of the definition of residential real estate	2024			√
Continuous exchange of views and constructive discussions with insurance companies regarding the implementation of the rules on insurance distribution, i.e. regulatory requirements regarding market behaviour	2021			√
Promoting mediation as a way of resolving disputes between banks/ insurance companies, both among themselves and with users of financial services, would be important, and in this sense, amendments to the Law on Mediation would be important .	2022			√

CURRENT SITUATION

In accordance with the fact that in March 2025 the National Assembly of the Republic of Serbia adopted a new text of the Law on the Protection of Financial Services Users, we will dedicate the introductory part of this text to the changes brought by the Law. Historically, the rights of users of financial services provided by banks, financial leasing providers and merchants, as well as the conditions and manner of use and protection of such rights, were for the first time regulated in detail by the Law on the Protection of Financial Services Users of 2011 (hereinafter: the Act), as amended in 2014. The 2011 law introduced legal certainty and certainty in the relationship between users of financial services and their providers. However, after more than 10 years of implementation and the shortcomings of the existing Law, the adoption of the Law on the Protection of Financial Services Users (hereinafter: ZZKF) in March 2025 and the start of implementation from July 2025 really represents an additional step in the comprehensive and comprehensive regulation of this very sensitive area. It should be noted that this area has changed a lot and further developed, which has been recognized by the European Union with the adoption of Directive (EU) 2023/2225 on consumer credit products of 18 October 2023, which Member States are obliged to implement into national law by 20 November 2026, and apply from 20 November 2026. The close connection between domestic regulations in this area and the regulations of the European Union is also one of the reasons for the adoption of the new ZZKFU.

The ZZKFU brings much broader and stronger protection of users, extending its application to payment institutions, electronic money institutions and public postal operators, and not only to banks and leasing companies. New terms have been introduced, while certain terms have been more clearly and precisely defined (housing loan agreement, related loan agreement, loan amount, total loan price for the user, total amount to be paid by the user on the basis of the loan agreement, practice of tying services, practice of pooling services, unauthorized overdraft, durable data carrier, written form, means of distance communication, etc.). Furthermore, in order to protect consumers, a special statutory default interest is introduced that applies to natural persons, which is calculated in the same way as the regular statutory default interest, but with a smaller increase. In addition, when it comes to consumers as users of financial services, interest rates are capped on all types of loans, including housing, consumer, cash, as well as overdrafts and credit cards. Also, emphasis is placed on the pre-con-

tractual phase so that users can be informed in advance in a clear and simple way about the fact that borrowing costs, as well as on the assessment of the creditworthiness of clients in order to prevent excessive borrowing. In the field of advertising, the law requires that all advertising messages be clear, understandable and do not create a misconception about the terms of service. The Law provides for the obligation of lenders to offer specific assistance measures to beneficiaries who face difficulties in repaying debt, and for whom it is estimated that they can continue with regular settlement of obligations with certain reliefs, before initiating enforcement proceedings. These measures include extending the repayment period, changing the type of contract, deferring interest payments, reducing the interest rate, delaying repayment, partial debt forgiveness, currency conversion, and other flexible arrangements. These reliefs are intended to preserve regular repayment and prevent the escalation of the problem, taking into account the personal circumstances of the beneficiary. In international practice, such measures are referred to as the "breathing period." Especially for mortgage loans, the law gives the beneficiary two options in the event of a repayment problem: to sell the property himself within at least two months and settle the debt to the bank from the sale price, retaining any surplus, or to transfer the ownership right to the bank, whereby the debt is considered fully settled. These measures represent an important step towards a more humane and flexible approach to solving the problem of over-indebtedness of citizens. In order to increase legal certainty and transparency, an obligation has been introduced for financial service providers to initiate the procedure for deleting a mortgage or pledge from the competent register after repayment of their obligations. In accordance with the modern needs of the market, the law encourages the digitalization of financial services, so the limits for concluding distance contracts have been significantly increased – from 600,000 to 1,200,000 dinars for loans, or to 2,400,000 dinars for deposits. All of the above clearly indicates that the new ZZKFU has indeed gone a step further in regulating the protection of users of financial services and that it represents a modern regulation that ensures the highest level of user protection, while ensuring transparent and fair treatment of users in relation to financial institutions

Starting from 2011, in order to regulate in detail and comprehensively the rights and obligations of users and providers of financial services, the National Bank of Serbia (hereinafter: NBS) has adopted a set of decisions regulating the protection of users of financial services. As pointed out in previous texts, starting from the adoption of the Law on the Protection of Financial Services Users, the NBS has continuously worked on improving this area, as well as on the protection of financial service users, as well as a clear definition of the rights and responsibilities of financial service providers. In addition to the decisions we have mentioned in previous articles, in this text we will look at the decisions made by the NBS after the adoption of the new ZZKFU. By defining the methodology for calculating interest rates, which are the basis for determining maximum interest rates, the NBS has precisely defined the method of calculating the weighted average interest rates used as a reference for limiting interest on credit products to natural persons. This methodology makes it possible to set maximum nominal and effective interest rates for all types of loans, thus protecting users from excessive borrowing and unpredictable costs. Twice a year (1 June and 1 December), as well as after each change in reference rates, the NBS will publish updated data on these limits. This ensures greater financial stability, transparency and security for citizens, with clearly defined boundaries that banks must respect. The Decision on the procedure on complaints, complaints and proposals for mediation of financial service users provides a comprehensive and modern framework for the protection of users' rights, enabling simple electronic submission of complaints and free mediation before the NBS. Deadlines, obligations of financial institutions and criteria for the admissibility of complaints are clearly defined, ensuring efficient, transparent and accessible dispute resolution. This decision is an important step towards strengthening confidence in the financial system, as it provides users with concrete mechanisms to protect their interests, without additional costs and administrative obstacles. Furthermore, the new Decision on the Conditions and Method of Calculating the Effective Interest Rate and the Forms to be Delivered to the User precisely defines the methodology for calculating the effective interest rate as a discount rate that equalizes the present value of all cash flows – receipts and expenses – during the term of the financial service contract. The calculation is carried out in a uniform manner for all service providers, with the application of clearly prescribed assumptions and formulas, so that users can compare the offers of different institutions. Service providers are required to provide the user with standardized forms showing the effective interest rate, total costs and other data that may be relevant to users when making decisions regarding financial services. With no intention of diminishing the significance of other decisions, perhaps one of the most significant decisions that has been made is the Cred-

itor Repayment Facilitation Decision. The NBS has adopted a Decision on Loan Repayment Facilitations, which obliges banks to offer specific assistance measures to beneficiaries in financial difficulties before the initiation of forced collection. Among the benefits are a moratorium, an extension of the repayment period, a reduction in the interest rate, partial debt forgiveness, refinancing and other flexible options, which also apply to credit cards and allowed overdrafts. Special attention is paid to the beneficiaries of mortgage-secured housing loans, who must be allowed at least two months of grace period without calculating default interest. The Bank decides on the beneficiary's request within 30 days, with the obligation to take into account personal circumstances and not to require an additional assessment of creditworthiness if the relief does not significantly increase the total debt. The decision on loan repayment facilitation represents a significant step towards a more flexible, life-friendly approach to banks' operations, as it provides beneficiaries in financial difficulties with concrete support mechanisms before forced collection occurs.

On the other hand, the manner of protection of the rights and interests of the insured, policyholders, insurance beneficiaries and third injured parties is regulated by the Decision on the manner of protection of the rights and interests of users of insurance services, which has been in force since November 2015. In the previous period, there was no activity of the NBS in the area of additional regulation and protection of the rights of insurance beneficiaries. In addition, the protection of insurance service users is also regulated by the Insurance Act of 2014.

POSITIVE DEVELOPMENTS

In terms of recommendations from last year, there have been improvements in the following scope:

Education of Judicial Function Holders in the Field of Banking and Insurance

The education of judicial office holders in the field of banking, insurance and leasing remains extremely important, but unfortunately it has not yet been systematically implemented, as can be seen from the still present uneven interpretation of regulations by the courts. Although the regulatory framework in these areas is clear and aligned with EU law, practice shows that a lack of professional understanding often leads to inadequate court decisions, especially in cases concerning credit processing fees and accident insurance. Therefore, it is necessary for the relevant institutions, in cooperation with the financial sector, to initiate continuous and targeted education of judicial holders, in order to ensure consistent application of the law and stability of the financial system. The adoption of the new ZZKFU is another step in this direction and represents an important step forward because, through more precisely defined institutes, clear obligations of financial institutions and standardized forms, it provides judges with a more concrete normative framework for the interpretation and application of law. This facilitates, at least indirectly, the understanding of complex relations in the banking and insurance sector, and with adequate education, this law can contribute to a more uniform and lawful jurisprudence. The judiciary needs to recognize the importance of this law as a tool for the proper resolution of disputes in the field of financial services. Accordingly, we can say that there is some progress.

Enabling electronic issuance of bills of exchange for natural persons

The introduction of electronic bills of exchange for natural persons has made partial progress, as the final activities on the establishment of the Central Register of E-bills of Exchange are underway, which is a key prerequisite for the inclusion of natural persons as issuers. Although natural persons who do not perform activities are not yet included, the position of the National Bank of Serbia that their inclusion is planned in the next phase of the registry's development is a positive signal. Understanding the need for gradual development of the system, with prior testing with legal entities and entrepreneurs, shows a responsible approach of regulators, but also leaves room for further development in the direction of full availability of this instrument to citizens.

Permanent Settlement of Disputes Regarding Loan Processing Fee and Amendments to Article 368, Paragraph 1 of the Code of Civil Procedure

Recommendation on the Permanent Settlement of Disputes Regarding Loan Processing Fees and Amendments to Article 368 of the Rules of Procedure Unfortunately, the Law on Civil Procedure has not been fulfilled, although the number of lawsuits has been reduced and part of the case law has been aligned with the position of the Supreme Court from 2021. There is still a serious problem with enforcement on the basis of non-final judgments, which exposes citizens to financial risk and addi-

tional costs, especially when judgments are subsequently reversed. In this context, the new Law on the Protection of Financial Services Users represents partial progress as it introduces more clearly defined obligations of banks, standardized contractual forms and more transparent relations, which can contribute to a better understanding and more consistent interpretation in case law. However, without the amendment of Article 368 of the ZPP and a systemic approach to resolving these disputes, risks to the financial stability and legal security of beneficiaries remain. In addition, new disputes have emerged whose sole purpose is financial gain for lawyers.

Issuance of a legal position by the Supreme Court regarding the proof of distance contracts concluded

There have been no changes in relation to the recommendation to take a legal position regarding proving the conclusion of a distance contract, but it is being abandoned given that in practice there have been no disputes that would indicate the need for such an intervention. In addition, the new Law on the Protection of Financial Services Users clearly defines the conditions and manner of concluding distance contracts and the necessary conditions, and provides a clear normative framework, including by significantly improving legal certainty and reducing the space for legal uncertainty. Thus, this recommendation can be considered obsolete, because the normative issue has been resolved through a legal text, and practice has not indicated the need for additional interpretation.

Extension of the Domain of the Housing Loan Agreement and Expansion of the Concept of Residential Real Estate

The recommendation on expanding the domain of housing loan agreements and redefining the concept of residential real estate was not adopted, but it is being abandoned given that the new Law on the Protection of Financial Services Users has been adopted and clearly defines what is considered residential real estate. The law exhaustively lists the types of real estate that can be the subject of a housing loan – houses, apartments, garages, land with a building permit – which clearly shows that the legislator had no intention of extending the term to facilities such as apartments or cottages. Although in practice there is a need for long-term financing of such real estate, the fact that the proposal was not adopted indicates that further initiative in this direction is not considered justified at the moment.

REMAINING ISSUES

1. Education of Judicial Function Holders in the Field of Banking and Insurance

As has been repeatedly pointed out, the education of judicial office holders in the field of banking, insurance and leasing is a key prerequisite for the proper application of the law and the preservation of the stability of the financial system. There is still a lack of understanding of the basic principles of financial operations, which is reflected in numerous judgments that deviate from legal standards, especially in cases concerning loan processing fees and accident insurance. Uneven case law not only creates legal uncertainty for users and service providers, but also makes it difficult to implement regulatory policies that are in line with EU law. With the adoption of the new Law on the Protection of Financial Services Users, a high-quality normative framework has been created, with clearly defined terms, obligations and procedures, which can significantly contribute to a better understanding of the matter. However, without systematic and continuous education of judges, prosecutors and other judicial office holders, there is a risk that the law will not be consistently applied in practice. Therefore, we believe that it is necessary for the High Judicial Council, the Supreme Court, the NBS and relevant institutions, in cooperation with representatives of the financial sector, to launch organized training and professional seminars, in order to ensure uniform and lawful jurisprudence in the field of financial services.

2. Enabling electronic issuance of bills of exchange for natural persons

Given that the Central Registry of Electronic Bills of Exchange for legal entities and entrepreneurs is expected to start operating soon, we believe that the next logical step in the process of digitization of payment services would be to enable the issuance of e-bills of exchange to natural persons. Natural persons are frequent users of banking products that require the issuance of bills of exchange, either as debtors or as guarantors in loans of legal entities. In the current system, even when a loan agreement is concluded remotely, individuals have to physically deliver bills of exchange, which creates an unnecessary administrative burden and deviates from modern digital practices. The new ZZKFU enables the conclusion of distance contracts up to the amount of 1,200,000 dinars for loans and 2,400,000 dinars for deposits, with the use of double authentication

or electronic identification with a high level of reliability. This opens up space for a wider use of digital instruments, but at the same time increases the risk for banks, as contracts are concluded without classic collateral, such as a bill of exchange. In this context, enabling the issuance of e-bills of exchange to natural persons would be beneficial for both banks and users, as it would provide additional security in the digital environment. However, bearing in mind that natural persons represent a more sensitive category of users, we propose a compromise solution: to enable natural persons to issue e-bills of exchange through the Central Registry, but without the possibility of automatic activation – i.e. Payment can only be made by filing a petition with the competent court. In this way, the legal security of users would be preserved, abuse would be prevented, and at the same time easier access to credit and the process of digital contracting in the banking sector would be improved.

3. Permanent Settlement of Disputes regarding Loan Processing Fee and Amendments to Article 368, Paragraph 1 of the Code of Civil Procedure

As we have already stated, although the number of lawsuits related to the loan processing fee is declining, and the case law has partially aligned with the legal position of the Supreme Court from September 2021, problems in this area continue to seriously threaten legal certainty and financial stability. A particular challenge is the implementation of Article 368 of the Constitution. The Law on Civil Procedure, which enables enforcement on the basis of a non-final judgment when the principal does not exceed 1,000 euros. This provision leads to situations in which clients, especially natural persons, are exposed to the risk of being obliged to reimburse the funds increased by the costs of enforcement and anti-enforcement proceedings after the reversal of the judgment, often without prior warning from their attorneys. An additional concern is that new types of disputes are emerging, the sole purpose of which is to obtain the costs of proceedings by lawyers, without the real need to protect the rights of users. Such practices not only burden the courts and banks, but also undermine citizens' trust in the legal system. Therefore, we believe that the absolute priority is to amend Article 368 of the CPC, in order to abolish the possibility of conducting enforcement on the basis of a non-final judgment, and to prevent further legal and financial endangerment of beneficiaries. In addition, it is necessary to consider a systemic solution – either through an additional legal position of the Supreme Court, or through the adoption of a special law – that would clearly prevent litigation whose sole interest is the financial benefit for lawyers, and not the actual protection of any rights and interests of citizens.

4. Continuous exchange of views and constructive discussions with insurance companies regarding the implementation of insurance distribution rules and regulatory requirements regarding market behaviour

In the field of insurance, we would like to point out the following problems that we encountered in the previous year: an increase in the number of reported damages and complaints filed by lawyers on the basis of material and non-material damages from liability insurance due to the use of motor vehicles has been noticed, which increases the costs of processing such claims for insurers in the part of settling lawyers' fees. Also, lawyers who submit claims and complaints do not have professional knowledge in the field of insurance, and it happens that they file complaints with insurance companies and the NBS, although it is evident that the claims are unfounded. It is especially the case that they do not want to submit a special power of attorney prescribed by the Decision on the procedure on the complaint of the insurance service user from 2021, and after the request of the insurance company to submit a special power of attorney with all the prescribed elements in order to be able to proceed with the resolution of the complaint, it happens that the dissatisfied turn to the NBS.

The insurer often encounters premature complaints, especially in the part of the amount of future insurance compensation, when the processing of the claim for compensation is still in progress and the first instance decision has not been issued. Also, an increasing number of lawyers, when representing insurance service users, submit an incomplete claim for compensation/damages, and then when the insurance company requests an amendment because it is objectively unable to make a decision based on the available documentation, initiate a court dispute. These disputes are usually completed quickly because the litigation attorney provides what the insurance company asked for as a supplement. In this way, the number of litigation increases, the costs of both insurance companies and insurance service users increase, and distrust in the insurance industry is created, all because of individuals who see it as a quick and easy profit. Also, insufficient knowledge of the subject of insurance, both by lawyers and judges, and the length of the proceedings, lead to a long wait for the verdict, and

that they are not in line with the trends in the insurance market and the views of the NBS.

With regard to the rules in the field of market behavior in the insurance sector, since it is planned to significantly improve the regulations governing this matter, and since the aforementioned rules are of great practical importance because they affect the core business of insurance companies (from the issue of supervision and management of insurance products to the issue of placement and distribution of products), it would be useful to have continuous and constructive communication between the industry and the NBS before implementing and prescribing new obligations in order to The level of development of the market as well as the level of user protection achieved by the current regulations and rules would be properly assessed.

5. **Promoting mediation as a way of resolving disputes between banks/insurance companies, both among themselves and with users of financial services, would be important, and in this sense the amendments to the Law on Mediation.**

In recent years, mediation as an alternative dispute resolution method has gained increasing attention within the financial sector. A special shift has been made thanks to the engagement of the National Bank of Serbia (NBS) over the past years, as well as the increasing number of insurance companies that recognize mediation as an efficient and constructive method of resolving disagreements with users. However, despite these positive trends, it is clear that there is a need to further develop and spread awareness of the benefits of mediation. A key challenge remains the lack of information among users of financial services, who are often not familiar with the opportunities offered by mediation, nor with its advantages compared to traditional court proceedings. That is why we believe it is necessary to extend education to all market participants — including financial institutions, regulators, the judiciary, as well as the public itself. The aim of these activities is to position mediation as the first choice in dispute resolution, especially in situations where it is possible to preserve business relationships and avoid lengthy and costly court processes.

6. **Two-way bancassurance – insurance companies as distributors of banking services**

At the moment, bancassurance in the Republic of Serbia involves the distribution of insurance products through banks, in accordance with the bank's ability to distribute insurance products as an insurance agent. Bancassurance in the opposite direction – that the insurance company sells the bank's products is still not possible under the regulatory framework of the Republic of Serbia. The National Bank of Serbia has stated that insurance companies cannot perform activities related to banking activities, however, there is a clear need to introduce a form of distribution of banking services by insurance companies in the financial market, without the need for insurance companies to deal with banking activities, just as banks do not engage in insurance business, but act as insurance agents. The introduction of two-way bancassurance would be beneficial not only to insurance companies, but also to customers and banks. This is primarily due to the fact that insurance sellers, unlike banking service sellers, are far more focused on field sales, which would improve the availability of banking products to many citizens of the Republic of Serbia who are not able to reach a bank branch and are not sufficiently focused on digital sales channels of banking services, which would open up another type of sales channel for banks to their potential clients.

In addition, given that these are related, financial services, this type of insurance distribution could result in combinations of insurance products and banking services that could ultimately obtain more favorable offers for clients of both banks and insurance companies, which banks and insurance companies already do when banks offer insurance products to their clients.

Finally, the National Bank of Serbia supervises banks and insurance companies (which is not often the case in comparative law), and is able to supervise both insurance companies as distributors and banks as service providers, and to direct this type of bancassurance in accordance with the regulatory framework and the interest of financial service users from both perspectives.

7. **Obligation to mediate in dispute resolution (mediation) in civil proceedings the subject of which are financial services**

The provision of Art. 11. The Code of Civil Procedure does not explicitly state that the court will obligatorily refer the parties to mediation, but that the court will point out to the litigants the possibility of out-of-court settlement of the dispute through mediation or in another consensual manner. In addition, no other law governing the protec-

tion of users of financial services prescribes the obligation of mediation. This means that mediation in the Republic of Serbia is not mandatory when the subject of a dispute is a financial service. Also, in practice, the courts in the Republic of Serbia are authorized to inform the parties about this possibility, which is noted even by the highest judicial authorities in Serbia.

Due to this situation with the legislative framework and insufficient interest of courts to stimulate mediation in dispute resolution, and due to the chronically overloaded court apparatus in the Republic of Serbia, we believe that it is necessary to introduce mediation as mandatory in proceedings involving financial services. Mandatory mediation in dispute resolution would allow for faster resolution of a large number of court cases related to financial services. On the other hand, users of financial services undoubtedly have this interest not only from the financial side due to the high costs incurred by court proceedings, but also due to the mass failures of users of financial services before courts in the Republic of Serbia related to financial services (e.g. reimbursement of loan processing costs and cancellation of loan agreements indexed in CHF). On the other hand, financial institutions share the same interest in terms of costs, and more importantly, doing so would protect and enhance their reputation, which is an extremely sensitive topic for financial service providers. Finally, the court would undoubtedly be relieved of a large number of court disputes, which would contribute to the efficiency of the judiciary in other areas where judicial protection is necessary.

8. Raising the limit on the value of a distance contract that can be concluded by giving consent to the conclusion of that contract using two-factor authentication

In order to further develop the digital financial services market, it is proposed to raise the limit on the value of distance contracts that can be concluded through double authentication, from the current RSD 600,000.00 to a higher threshold. This amendment is particularly significant for insurance services, voluntary pension fund management services, electronic money issuance services, investment services and financial arrangements. All of these products are not experiencing a major penetration into digital sales channels precisely because of the limitation in the value of the contract defined by the Law on the Protection of Financial Services Users in Distance Contracting.

Two-factor authentication, if set up adequately, as a security mechanism that includes at least two authentication factors, provides a high level of security and reliability in user identification. This provides legal certainty and protection for both parties, which further justifies an increase in the existing limit. We recommend that the new limit is RSD 1,200,000.00, in accordance with the Law on Financial Services adopted in 2025, which sets this limit for banking services, credit services and financial leasing services, which would then further provide legal certainty.

In order to preserve the financial market, and due to the increasingly rapid digitalization of the citizens of the Republic of Serbia, this amendment would increase the availability of financial and insurance products through digital channels, reduce the administrative costs of contracting and the time needed to conclude a contract. In addition, this type of contracting would further strengthen competition in the market through innovative digital sales channels, where competition would be reduced to the quality of service, and not the way of contracting, which is the essence of the digitalization of financial services.

9. Enabling banks to be representatives of voluntary pension fund management companies

Law on Voluntary Pension Funds and Pension Plans (Official Gazette of the Republic of Serbia, No. 85/2005 and 31/2011) – "Law on Voluntary Pension Funds" recognizes intermediaries as a form of distribution of voluntary pension fund services, by defining that intermediaries of voluntary pension fund services provide information on membership in a voluntary pension fund, undertake other actions to inform interested persons about the operations of voluntary pension funds and A voluntary pension fund. From this legal definition, it follows that intermediaries of voluntary pension fund services do not have the right to take any action other than to inform potential members of voluntary pension funds about the possibility of contracting a pension plan contract and to inform them about the details of this service. All further actions related to the conclusion of the pension plan contract must be undertaken by the management company, which means that the entire process of concluding the pension plan contract cannot be completed without the participation of the voluntary pension fund management company. Taking into account the social context in the Republic of Serbia, i.e. the inevitable increasing pressure on the state pension system due to the aging of the population, it is clear that in the future, voluntary pension funds will have to be

far more agile, which they cannot achieve if the process of contracting a pension plan cannot be administratively completed without a management company in each specific case. Such sluggishness of the voluntary pension fund management system does not contribute to competitiveness in the financial services market and threatens the potential of this type of savings of citizens.

Taking into account that the prerequisite for adequate financial support in retirement is the financial literacy of citizens, which has been recognized by the National Bank of Serbia through its strategy for improving financial literacy, and that the financial literacy of the citizens of the Republic of Serbia is still at the most important level in the domain of banking services, it is necessary that a significant penetration of voluntary pension funds among a wider circle of citizens of the Republic of Serbia occurs through the banking sector. Enabling banks to be representatives of voluntary pension fund management companies would enable the necessary approximation of these services to the widest circle of citizens of the Republic of Serbia, thus contributing to greater financial inclusion. Also, by maintaining the supervision by the National Bank of Serbia over the entire process and all participants in this process, and by obliging bank employees who would be representatives of this service to previously acquire licenses of the National Bank of Serbia for this type of representation, as well as the responsibility of companies for the management of voluntary pension funds for the work of their representatives, the quality would be ensured, Competence and responsibility in communicating with customers.

A larger number of members of voluntary pension funds would also contribute to a more stable inflow of funds into the funds, which would improve the position of all members of voluntary pension funds and further strengthen the social component of this service. In the broadest social context, the growth of funds in funds enables long-term investments in government bonds and the domestic capital market, which also contributes to the stability of the entire financial system of the Republic of Serbia.

10. Exemption from payment of fees to notaries public for the certification of signatures on agreements on dispute settlement through mediation

The exemption from payment of fees to notaries public for the certification of signatures on mediation dispute resolution agreements aims to further encourage the resolution of disputes through mediation as an efficient, fast and economical way of resolving disputes. In a situation in which in the Republic of Serbia, in addition to the fees for the work of notaries, the amount of court fees is also increasing, the availability of justice to the citizens of the Republic of Serbia and business entities has been seriously shaken, due to the need for these persons to have considerable financial resources to resolve their disputed relations with the help of legally acceptable and recognized procedures. In addition, as it is in the undoubted public interest to relieve the judicial system and thus improve its efficiency, and additionally to promote a culture of dialogue and compromise at the state level, by removing the financial barrier in the form of a reward to notaries public for certifying signatures, the parties are additionally motivated to resolve their disputed relations amicably. Also, given that the certification of signatures is a formality that is undertaken on an already reached agreement, solely in order for this agreement to acquire the status of an enforceable document, this measure is legally justified, because there is no legal added value of certifying signatures. In the event of the need for intervention of the judicial system, the parties will further use the services of the public enforcement and judicial functions, the work of which would certainly be paid on the basis of the relevant tariffs, in accordance with the legal justification for the payment of these fees.

11. Introduction of the possibility of certification of documentation by a notary public without the presence of the parties

In modern legal systems, the digitalization of legal services is an imperative for legal certainty, efficiency and access to justice. Enabling notaries to carry out the operations of certifying documents without the physical presence of the parties, with prior reliable video identification and the use of qualified electronic signature means, is an institute that meets the requirements of the time and technological development, and at the same time preserves the basic principles of notarial law - publicity, credibility, impartiality and personal responsibility of notaries.

Enabling notarization without the physical presence of the parties would be significant because it would enable greater access to notarial services, which is especially important for citizens residing abroad, in places without an available notary, for persons with reduced mobility, and in situations of emergency, pandemic or natural disasters. Also, this would increase the degree of legal certainty because the digital trace of each action (video identification, timestamp,

electronic signature) would provide a higher degree of control than with physical inspection. It is indisputable that this would have a positive impact on the more efficient functioning of legal transactions, especially in corporate and economic relations, where the speed and reliability of the legal form is crucial for the conclusion and execution of contracts.

The identity of the party could be determined through video identification, which involves the use of two-factor authentication means, digital identity documents with biometric data, as well as real-time monitoring of notaries. The identity established in this way meets the standards of "reliable identification procedure", as defined by international standards and positive regulations, and the legal framework for this type of identity determination has already been established by the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business.

The introduction of the institute of certification of documentation without the physical presence of the parties, with the mandatory video identification and the use of qualified electronic signature means, represents a significant step forward in the digitalization of the judiciary and public notary. Such a reform is not only technically feasible, but also legally justified, provided that the current legal framework is amended in accordance with European standards and principles of protection of rights.

FIC RECOMMENDATIONS

- Education of judicial office holders in the field of banking and insurance, and in this sense the introduction of specialized subjects in these areas at the Judicial Academy.
- Enabling electronic issuance of bills of exchange for natural persons.
- Permanent Settlement of Disputes Regarding Loan Processing Fee in the Manner Described Above and Amendment to Article 368, Paragraph 1 of the Code of Civil Procedure.
- Continuous exchange of views and constructive discussions with insurance companies regarding the implementation of rules on insurance distribution, i.e. regulatory requirements regarding market behaviour.
- Promoting mediation as a way of resolving disputes between banks/insurance companies, both with each other and with users of financial services, would be important, and in this sense, amendments to the Law on Mediation would be important.
- Amendments to the Law on Insurance and the Decision on the Implementation of the Provisions of the Law on Insurance Relating to the Issuance of Licenses to Conduct Insurance/Reinsurance Activities and Certain Approvals of the National Bank of Serbia to enable insurance companies to distribute banking services, subject to the fulfilment of the conditions prescribed by the National Bank of Serbia, which would establish a regulatory framework that would ensure the protection of users of financial services and increase the availability of services, improved competition and enabled better service for end users.
- Amendment to the Law on Protection of Financial Services Users, the Law on Banks and the Law on Insurance, which would introduce the obligation of mediation before the preparatory hearing, i.e. the first hearing for the main hearing.
- Amendment to the Law on Distance Protection of Financial Services Users in such a way that the limit on the value of distance contracts that can be concluded through double authentication is increased from the current RSD 600,000.00 to a higher amount.

- Amendment of the Law on Voluntary Pension Funds by introducing representatives of voluntary pension fund management companies.
- Amendment of the Notarial Tariff in such a way that the certification of signatures on agreements on dispute resolution through mediation would be exempt from paying the fee to notaries public for the certification of signatures.
- Amendment of the Law on Notary Public in such a way as to enable the certification of all documentation (contracts, statements, etc.) without the physical presence of the parties at the notary's premises, after video identification of the parties, with the harmonization of other regulations, which would enable the documentation certified in this way to have the same legal force and suitable for use in all legal affairs and for the same purposes as the documentation certified at the notary's premises.

PUBLIC PROCUREMENT

1.67

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Establish closer co-operation between, on the one hand, the Public Procurement Authority and the Republic Commission for protection of rights in public procurement procedures and the Administrative Court in order to exchange knowledge and information.	2022		√	
Improving the administrative and expert capacity of the Commission for protection of rights in public procurement procedures and the State Audit Institution so that they can effectively monitor the planning and execution of public procurement.	2013		√	
Contracting exemptions from the implementation of the Law on Public Procurement in international agreements with third countries should be significantly reduced.	2022			√

CURRENT SITUATION

On December 23rd 2019, the Serbian Parliament adopted the new Law Public Procurement Law (RS Official Gazette No 91/2019), hereinafter: the New Law). The New Law entered into force on January 1, 2020 and started to be applied as of July 1 2020. The law is to a significant extent harmonized with EU acquis, notably Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC and Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport, and postal services sectors and repealing Directive 2004/17/EC.

IMPROVEMENTS

In 2024, the public procurement market in the Republic of Serbia accounted for 10.87% of GDP, which is higher than in 2023 when it amounted to 10.50%. The average number of bids per procedure remained at a stable 2.5, with a high share of procedures in which only one bid was submitted (50.75%). Regarding the prevalence of negotiated procedures without a public call, their share in the value of awarded contracts was 1.27%, indicating a downward trend. The recorded value of public procurements exempted from the application of the Public Procurement Law amounted to 667.9 billion dinars in 2024, of which 21.3% pertains to procurements conducted in accordance with international agreements. It also remains common practice to exclude the application of public procurement regulations through sector-specific legislation for the purpose of implementing individual projects.

REMAINING ISSUES

Over the past year, there was limited progress in combating corruption and safeguarding integrity in public procurement procedures. International agreements with third countries continue to violate the principles of equal treatment of bidders, the prohibition of discrimination, transparency, and the protection of competition. The implementation of these agreements is often not aligned with the solutions adopted in both domestic law and European Union legislation. The capacities of the Republic Commission for the Protection of Rights in Public Procurement Procedures and the Public Procurement Office remain limited. The Administrative Court's professional capacity to adjudicate complex and numerous cases also remains low due to a lack of adequate training.

FIC RECOMMENDATIONS

- Improving the administrative and expert capacity of the Commission for protection of rights in public procurement procedures and the State Audit Institution so that they can effectively monitor the planning and

execution of public procurement.

- Establish closer co-operation between, on the one hand, the Public Procurement Authority and the Republic Commission for protection of rights in public procurement procedures and the Administrative Court in order to exchange knowledge and information.
- Contracting exemptions from the implementation of the Law on Public Procurement in international agreements with third countries should be significantly reduced.

PUBLIC-PRIVATE PARTNERSHIP

1.08

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Systemic and organizational changes in the management of capital investments are necessary to assure an efficient implementation of public investments, irrespective of the model of provision. This issue has been recognized and certain efforts have been made by the Ministry of Finance, although with delays in implementation. Through the way they are structured, PPPs could resolve a number of issues, including a more efficient provision of public services and a higher level of transparency in the procurement process.				
Better coordination among institutions dealing with PPP (better coordination and streamlined cooperation of all relevant PPP institutions with project initiators at all levels of government).	2020			√
Institutional support to small local autonomies in demand of PPP projects of smaller scale and value which autonomies lack the funds to engage multidisciplinary experts.	2020			√
Avoiding practice of having the same International Financial Institutions (IFIs) being engaged in support to public partner in preparation of PPP project and later procuring the financing to project company.	2020		√	
Raising PPP awareness (PPP promotion campaign illustrating its advantages and potential, possible inclusion of PPP in universities curriculum to enhance fairness, transparency and competition, increasing the average number of participants to a single tender to at least 3, to avoid the risk of cartels being formed and competition being restricted).	2020			√
Raising the awareness of public partner of the importance of proper, fair and justifiable risk allocation and its embedding into PPP contract.	2020			√
The institutional capacities of the PPP Commission have to be further improved and strengthened for more consistent project reviews, including an increase of its competences (to include project preparation and monitoring) and capacities (to have more people with sector-specific expertise).	2012			√
Promote available and officially approved contract templates developed in accordance with the best international practice but in full compliance with Serbian law applicable to PPP contract, as well as investing resources in training public sector partners to successfully navigate a PPP project from inception to realization.	2017			√
Amending the rules of the LGAP so as to exclude or limit the applicability of its provisions relating to "administrative contracts" to PPP contracts. Further amendments to key legislation to align with legislation of the EU. And the legal framework has to be amended in order to eliminate identified deficiencies in relation to the self-initiated proposal and consequently, in order to make room for more pro-active approach of the private sector in initiating PPPs.	2017			√
Practical implementation of the rules relevant for determining the project value that are PPP-specific needs to be improved and the capacities of the public sector strengthened to fully delineate such projects from purely public procurement projects.	2017			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Take advantage of the International Financial Institutions' (IFI) support for project preparation and their know-how on PPPs. Resources from the European Investment Bank's (EIB) European PPP Expertise Centre (EPEC), the International Finance Corporation's (IFC) advisory services in PPPs or the European Bank for Reconstruction and Development's (EBRD) Infrastructure Project Preparation Facility (IPPF) can be used for project preparation.	2017			√
Due attention be given to supervening events in future PPPs and the way in which parties will chose to deal with their consequences, as well as properly assessing the right risk allocation for such events.	2020			√
Institutional capacity building and development that should be aimed at preparing the public sector for project implementation once the PPP contract is signed.	2020			√

CURRENT SITUATION

Despite the Law on Public Private Partnerships and Concessions (the "PPP Law") having been adopted in 2011 and amended twice in 2016, its practical implementation has mostly been seen in the past several years, in relation to which it is noted that the Public Private Partnership Commission has to date approved 289[1] public private partnerships.

POSITIVE DEVELOPMENTS

The appeal of PPP projects has over the past several years appeared to have subsided, despite there being a number of newly approved PPP projects, whose realisation and trajectory is yet to be seen. Despite the negative consequences of Covid-19 pandemic and the subsequent war in Ukraine and other global developments affecting overall investment appetite, it appears that 2025 holds some promise for further PPPs, including certain larger scale projects in the domain of water transport.

REMAINING ISSUES

Achieving progress in several aspects that are outlined below would highly contribute to the further development of PPPs.

A definitive goal towards Serbia should progress is increasing the level of legal certainty in the application of legislation, as well as improving the legal framework. On one hand, the PPP Law is ripe for an amendment, at a minimum in respect of aligning with that of the EU legislation that instils in it what international best practice has become. Furthermore, due to the relatively new nature of the PPP Law in Serbia, there is much room for improvement in understanding the relevant legislation in order to properly apply it, both by public and private stakeholders. Overall, further regulatory harmonisation in aspects related to PPPs would bode positively on the perception of the legal environment in Serbia for this type of investment.

Accounting for the fact that launching a PPP project requires large resources as well as specific know-how to successfully launch, tender and deliver, focus should be drawn to the methodology development related to preparation of a PPP project, approving a PPP project proposal and equipping the public sector with the required know how. Currently the legislative framework is lacking in this respect, and the public sector is not sufficiently experienced to apply a tool set to identify which PPP project proposal provides for the best "value for money." It is crucial that the public sector is entirely familiar with the preconditions for the project to be realized pursuant to a PPP model, project implementation requirements and that a designated team is assigned this task on behalf of the public partner at very early stage.

Due to the lack of sufficient market practice in implementing PPP projects in different sectors, there is no agreed outline of key contracting principles that could be used as a starting point for any PPP project.

1 List of approved public private partnership projects available on the website of the Public Private Partnership Commission of the Republic of Serbia at: http://jpp.gov.rs/koncesijevesti/spisak

A PPP will involve a public debt provisioning to a larger or smaller extent depending on the size of the specific PPP project, which currently is not properly accounted for under Serbian budgetary and public debt legislation. Recognising the long-term nature and financial implications of a PPP (whichever way structured), further legislative fine tuning should be considered to ensure proper financial planning on the side of the public partner. This is of crucial importance in setting up the notion of bankability for any PPP project and providing comfort to any potential private partner, and by extension financiers wishing to participate in the delivery of a PPP project which will rarely be implemented without heavy external financing.

Lastly, an equally challenging phase of a PPP project is its implementation and contract management, which presupposes that both public and private partners have dedicated teams that will cover all aspects of the delivery of the PPP project, i.e. operational, technical, legal and financial. Progress should be made in this regard and overall strengthening the public sector capacity in this respect.

FIC RECOMMENDATIONS

Systemic and organizational changes in the management of capital investments are necessary to assure an efficient implementation of public investments, irrespective of the model of provision. This issue has been recognized and certain efforts have been made by the Ministry of Finance, although with delays in implementation. Through the way they are structured, PPPs could resolve a number of issues, including a more efficient provision of public services and a higher level of transparency in the procurement process.

In particular:

- Better coordination among institutions dealing with PPP (better coordination and streamlined cooperation of all relevant PPP institutions with project initiators at all levels of government).
- Institutional support to small local autonomies in demand of PPP projects of smaller scale and value which autonomies lack the funds to engage multidisciplinary experts.
- Avoiding practice of having the same International Financial Institutions (IFIs) being engaged in support to public partner in preparation of PPP project and later procuring the financing to project company.
- Raising PPP awareness (PPP promotion campaign illustrating its advantages and potential, possible inclusion of PPP in universities curriculum to enhance fairness, transparency and competition, increasing the average number of participants to a single tender to at least 3, to avoid the risk of cartels being formed and competition being restricted).
- Raising the awareness of public partner of the importance of proper, fair and justifiable risk allocation and its embedding into PPP contract.
- The institutional capacities of the PPP Commission have to be further improved and strengthened for more consistent project reviews, including an increase of its competences (to include project preparation and monitoring) and capacities (to have more people with sector-specific expertise).
- Promote available and officially approved contract templates developed in accordance with the best international practice but in full compliance with Serbian law applicable to PPP contract, as well as investing resources in training public sector partners to successfully navigate a PPP project from inception to realization.

- Amending the rules of the LGAP so as to exclude or limit the applicability of its provisions relating to "administrative contracts" to PPP contracts. Further amendments to key legislation to align with legislation of the EU. And the legal framework has to be amended in order to eliminate identified deficiencies in relation to the self-initiated proposal and consequently, in order to make room for more pro-active approach of the private sector in initiating PPPs.

- Practical implementation of the rules relevant for determining the project value that are PPP-specific needs to be improved and the capacities of the public sector strengthened to fully delineate such projects from purely public procurement projects.

- Take advantage of the International Financial Institutions' (IFI) support for project preparation and their know-how on PPPs. Resources from the European Investment Bank's (EIB) European PPP Expertise Centre (EPEC), the International Finance Corporation's (IFC) advisory services in PPPs or the European Bank for Reconstruction and Development's (EBRD) Infrastructure Project Preparation Facility (IPPF) can be used for project preparation.

- Due attention be given to supervening events in future PPPs and the way in which parties will chose to deal with their consequences, as well as properly assessing the right risk allocation for such events.

- Institutional capacity building and development that should be aimed at preparing the public sector for project implementation once the PPP contract is signed.

TRADE LAW

1.25

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Elimination of legal gaps in the regulatory framework, including, without limitation, by introducing above proposed amendments (defining the merchant, related merchants, extending the duration of the promotional sale, defining the minimal time period between two promotional sales);	2023			√
Harmonize Article 34 of the Law on Trade with the Food Safety Law and by-laws;	2023			√
Further engagement of the Ministry on strengthening consumer awareness and consumer education;	2024		√	
Simplification of the importation procedures;	2023			√

CURRENT SITUATION

The Law on Trade (Zakon o trgovini, Official Gazette of the RoS, no. 52/2019) (the "**Law on Trade**"), which occupies a central place among the regulations governing the trade of goods and services, has been applicable since 30 July 2019. On the same date the Amendments to the Law on Electronic Trade (Official Gazette of the RoS, no. 52/2019) entered into force.

While novelties introduced by the cited laws contributed to increase of legal certainty and the entire economic ecosystem in the Republic of Serbia, there is still room for improvement, which is why the Serbian Parliament should, without further delay, adopt the new Law on Trade. Adoption of the new Law on Trade would also be beneficial as it could be used to additionally harmonize the Serbian legal framework with EU regulations and standards. As this area has been constantly developing and adjusting to overall progress of technologies and trade, it is important that the Serbian regulatory framework keeps pace with current trends, particularly having in mind that the Law on Trade was not amended since its adoption (2019).

At the end of August, the Government of the Republic of Serbia adopted the Decree on Special Conditions for Trade in Certain Types of Goods ("Official Gazette of the Republic of Serbia", No. 76/2025 and 78/2025) with application from 1 September 2025 and valid for a period of six months from the date of application. The aim of the regulation is to limit the trade margin to a maximum of 20 percent for 23 product categories. The adopted Regulation has raised a number of doubts for action in practice, bearing in mind the lack of public consultations while the Regulation was in the draft phase and the extremely short time for the implementation of the Regulation. We will discuss the specific effects of the adopted Regulation in the next edition of the White Book.

POSITIVE DEVELOPMENTS

Positive steps were taken by adopting the cited laws, including, particularly:

- Better definition of sales incentives (by defining clear rules applicable for each type of sales incentives);
- introduction of definitions of types of distant trade;
- additional obligations concerning labelling requirements (i.e., making mandatory labelling data directly and permanently available);
- lifting the obligation of publishing the retail format (the traders are free to choose whether they will publish the retail format or not);
- introduction of concealed shopping as an additional mean of fighting the illegal trade;
- introduction of the concept of electronic store and electronic platform (which is particularly significant from the consumer rights protection point of view - because it should be clear to the buyer from whom he buys goods, with whom he enters into a contractual relationship, and whom he should refer to in the event of a complaint);

– introduction of the possibility to display product prices in foreign currencies as well (which is particularly important considering it makes it easier for domestic traders to open their offer to foreign markets – not only to regional markets, but also to other developed markets);

In 2024, merchants who organize and advertise sales incentives in electronic commerce continued to be controlled.

Among those who engage in fraud, the majority are those who sell goods through social networks, particularly Facebook, TikTok and Instagram. The National Consumer Organization of Serbia (NOPS) publishes a blacklist of traders on these networks based on consumer reports, although unfortunately not regularly (the last such report was from 2023).

In a digital age, education and raising public awareness about smart and safe online shopping are key to strengthening consumer awareness. In this regard, the relevant Ministry makes media campaigns aimed at consumer education, together with the introduction and implementation of new legal solutions.

Notwithstanding progress driven by the adoption of the Law on Trade (as well the Amendments to the Law on Electronic Trade), further improvement of the regulatory framework is essential to reach a satisfying level of legal certainty.

REMAINING ISSUES

The last few years have seen a significant increase in e-commerce traffic. The growth was certainly influenced by the increase in the number of merchants engaged in online commerce but also by the availability of more and more products online. On the other hand, there are also frequent abuses associated with this type of trade (including sales carried out by entities that do not have the status of a trader (legal subjectivity, prominent company, etc.), and which, accordingly, do not provide customers with guarantees in the domain of regulations on product safety, consumer protection, advertising, etc.).

While the Law on Trade has laid the foundations and greatly improved legal solutions regarding the circulation of goods and services, there is still room for additional improvement and filling in the key remaining gaps.

The work on the draft of the new Law on Trade is underway for quite some time, and we believe that now, more than ever, is the right moment to improve certain solutions and enact the new Law on Trade for the benefit of the entire Serbian economy.

There is the existence of a serious legal gap due to the absence of a definition of a trader – i.e. subject that performs trade activities and to which this law primarily applies.

Also, there is a clear need to introduce a definition of related traders - primarily in the context of providing legal basis for liability for unfair market competition when these actions are carried out by affiliated company of a trader that is active on a market where its competitor (against whom the actions of unfair market competition are aimed) is not active.

To suppress the gray economy, it is necessary that the goods that are placed on the market, transported or used for the provision of services, at the time of inspection, are accompanied by prescribed documents that are directly related to their production, procurement, sale and transportation.

There is a need to extend the allowed duration of promotional sales to two months - which we believe would benefit both consumers and merchants. In addition, minimal time period between two promotional sales should also be defined, as there is a gap in the Law on Trade in this sense.

It is also particularly important to harmonize the relevant provisions of the Law on Trade (primarily Article 34) with the Law on Food Safety and accompanying by-laws.

Moreover, it is necessary to work even harder on the education of consumers by increased advocacy and more intense promotion of consumer rights granted by the Law on Trade and associated laws (such as Consumer Protection Law) – we think that it is of utmost importance that the Ministry and its agencies even more engage in media campaigns, thematic workshops and similar activities (such as regular publishing of newsletters or similar editions covering trade and consumer-related topics) aimed at strengthening consumer awareness and consumer education.

Finally, importation procedures should be simplified to increase competition amongst traders, for the benefit of consumers.

FIC RECOMMENDATIONS

- Prompt adoption of the new Law on Trade;
- Elimination of legal gaps in the regulatory framework, including, without limitation, by introducing above proposed amendments (defining the merchant, related merchants, extending the duration of the promotional sale, defining the minimal time period between two promotional sales);
- Harmonization of Article 34 of the Law on Trade with the Food Safety Law and by-laws;
- Further engagement of the Ministry on strengthening consumer awareness and consumer education;
- Simplification of the importation procedures;

ILLICIT TRADE AND INSPECTION CONTROL

1.63

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Consistently implement the Programme for Suppressing the Grey Economy 2023-2025 in the last year of application and adopt the new national Programme for Suppressing the Grey Economy for the period 2026-2030, with the accompanying Action Plan.	2023		√	
Continue building the capacity of republic inspections by employing new inspectors, as well as by systematically solve the position of inspections through the change of the Law on Inspection Supervision, as well as by passing the special Law on Inspection Service, in order to improve the status, working conditions and material position of the inspector. In accordance with the recommendations of the International Monetary Fund, work quickly on hiring new inspectors in the Tax Administration, in order to increase capacity.	2021		√	
Improve the functionality of the e Inspector, through connecting all inspection services and establishing timely information exchange with the Tax Administration and Customs Administration.	2024		√	
Prescribe inspection competencies and control measures of illicit online trade.	2024			√
Improve the system of fiscal encumbrance for companies operating in the Republic of Serbia by creating a public, electronic register of applicable taxes and fees and enabling electronic payment of taxes and fees, in order to control parafiscal charges and greater transparency of business.	2018		√	
Establish a system of reporting on the measures and effects of the Activity Plan (hodogram), and communicate the control results with stakeholders from the economy, in accordance with the Action Plan for the implementation of the Gray Economy Suppression Program 2023-2024.	2021			√
Prescribe and implement a fast and efficient procedure for regulating the storage of seized goods between the public and private sectors.	2021			√
Maintain continuity of the process of improvement of import and export procedures.	2021		√	

CURRENT SITUATION

The year 2024 marked 10 years since the beginning of the systemic fight against the grey economy, and activities on the implementation of the current national Program for Suppressing the Grey Economy for the period 2023-2025 continued. At the end of 2024, the percentage of the fulfilment of the activities from the Action Plan for the implementation of the Program for Suppressing the Grey Economy hovered around 60%, and it is estimated that by the end of 2025, the percentage of fulfilment will be at the level of the previous Program, about 70%. At the same time, preparations have begun for the creation of a new national Program for the period 2026-2030.

In previous years, the grey economy in Serbia hovered around 21% of GDP, or approximately 15 billion euros. The grey economy in a formally registered economy amounted to 13.8% of GDP in 2024 and was 2.1 percentage point higher compared to the previous measurement from 2022.

POSITIVE DEVELOPMENTS

The current Programme for Suppressing the Grey Economy for the period 2023-2025 defines 23 measures to achieve three priority goals – (1) strengthening the capacity of inspections and misdemeanour courts, (2) improving the tax supervision and tax return process and (3) fiscal and administrative relief of legal business. The idea is that by applying all the measures from the Programme for Suppressing the Grey Economy and the accompanying Action Plan, the share of grey economy in economic activity in Ser-

bia is reduced to 10% of GDP by the end of 2025 measured by survey method of formally registered business entities, or 18% of GDP measured by monetary method.

In October 2024, a new convocation of the Coordination Commission for Inspection Supervision of the Ministry of Public Administration and Local Self-Government was formed. During 2024, five meetings of the Coordination Commission were held, where annual work plans of republic inspections for 2025 and work reports for 2024 were adopted, and the aim to continuously work on increasing the capacity and improving the status of inspections was confirmed. It was proposed that the Coordination Commission also includes a Working Group for Monitoring and Harmonising the Conduct of Inspections in the Field of Illicit Trade, with the aim of contributing to the improvement of integrated market surveillance in order to suppress the grey economy in accordance with the Programme for Supressing the Grey Economy 2023-2025.

In October 2024, the Coordination Commission concluded the agreement on cooperation in the field of inspection supervision with the Network of Inspectors of Serbia as a representative association of inspectors, in order to better coordinate and improve efficiency and effectiveness of inspections, as well as activities to improve the status of inspectors in the Republic of Serbia. For the first time, a Working Group was established to consider the possibility of improving the status of inspectors whose members are representatives of the Ministry of State Administration and Local Self-Government, the Ministry of Labour, Employment, Veteran and Social Affairs, the Ministry of Agriculture, Forestry and Water Management, the Ministry of Construction, Transport and Infrastructure, the Ministry of Finance and the association of the Network of Inspectors of Serbia. First meeting of the Working Group, at which the proposal of emergency measures to improve the status of inspectors was specified, was held in January 2025.

The Ministry of State Administration and Local Self-Government plans to form a Working Group for the preparation of the Draft Amendments to the Law on Inspection Supervision, which will include all interested stakeholders - representatives of state authorities, the civil sector and the economy.

In 2024, 38 inspections were included in the e-Inspector information system, out of which 29 were using this software, with 49.572 inspection controls being carried out. Looking at the number of performed inspection controls through the e-Inspector in 2024, the Market Inspection once again took the lead, with as much as 35% of the total number of the performed supervisions - 17.444 controls. The practice of publishing updated checklists and forms for performing inspection controls on the website www.inspektor.gov.rs continued, which provides an opportunity for businesses to easily familiarize themselves with the conditions for doing business in accordance with the regulations.

Since March 2020, the Contact Centre of Republic Inspections is functioning as a focal point where businesses and citizens can report irregularities in the operations of entities and unfair competition, and file complaints about the work of inspectors. From the beginning of its operation until the end of 2024, the single Contact Centre has received more than 62.000 submissions. During 2024, the Contact Centre received, processed and forwarded for further processing 12.380 submissions, out of which 23% were addressed to Tax inspection, and per 10% was sent to the Labour inspection, the Republic Market inspection and the inspection services of the City of Belgrade local self-government. Since its inception, the Contact Centre has become an important link in the fight against the grey economy and its suppression, with numerous improvements and expansion of its functionality. The Contact Centre is connected with the local self-government inspections and the information system e-Inspector, which significantly simplifies the procedure for reporting irregularities.

After the introduction of the e-invoice and e-fiscalization system significantly reduced the volume of the grey economy, the introduction of e-excise duties from October 1, 2024 continued the trend, while the phased introduction of e-delivery notes is also planned in the coming period. It is also planned to introduce a special module for monitoring the movement of cigarettes and non-combustible tobacco throughout the entire distribution chain ("track and trace"), which will increase the transparency of cigarette and non-combustible tobacco trade, so that the current location and previous history of movement will be known for each product, i.e. the movement of each individual and aggregate packaging from the production line to shipping to the first retail outlet will be known.

Further reform of the Tax Administration envisages the creation of a single application for taxes in the coming years, in order to monitor all tax forms, which will significantly assist

business operations.

Through the implementation of the World Bank project "Western Balkans Trade and Transport Facilitation Project Using the Multiphase Programmatic Approach", with the sub-component "National Single Electronic Window System Development and Implementation" (National Single Electronic Window), it is envisaged for businesses to be able to electronically submit and receive all the documents required by the state authorities to perform foreign trade activities through a single portal, which will enable faster and more efficient foreign trade operations. In September 2025, a public debate was conducted on the Draft Law on the National Single Electronic Window, with further procedure for the adoption of the Law to follow in order to enable the operation of the National Single Electronic Window. This would consolidate the data of more than thirty institutions thereby accelerating and facilitating the procedure of import and export of goods.

REMAINING PROBLEMS

After 6 years since the launch of e-Inspector, only the republic inspections are connected with this software solution, while provincial and local self-government are not, thus it is necessary to adjust the software to the specifics of certain inspections and include provincial, city and municipal inspections in the e-Inspector in order to complete the picture of the actual situation in the area of supervision and inspection services performance at all levels. Additionally, it is necessary to establish the functionality for the exchange of information between the systems of the Tax Administration and the Customs Administration with the system e-Inspector. During 2024, the most common problem in using the e-Inspector was the lack of connection between the e-Inspector and e-Pisarnica, and which is being eliminated. It is necessary to amend the Law on Misdemeanours, in order to create a legal basis for the exchange of cases in electronic form between the e-Inspector system and the misdemeanour court system (SIPRES), which would significantly increase the efficiency of the court proceedings.

The situation in Serbia's inspection services regarding personnel capacities remains alarming. Although there is a slightly lower average inspectors' age compared to previous period, currently being at 51 years, unfavourable age structure is one of the significant problems in the functioning of inspection services. Another significant problem is the insufficient number of inspectors. According to earlier estimates of the Ministry of State Administration and Local Self-Government, the minimum number of inspectors at the republic level should be 3.600, while currently 2.200 inspectors are employed at the level of the Republic of Serbia, which means that 1.400 inspectors are missing only at the republic level. At the provincial and local levels, 1.000 inspectors are missing. Surveys have shown that in the Republic of Serbia one inspector comes to 1.200 inhabitants, while in the EU, one inspector comes to 780 inhabitants. In accordance with the recommendations of the International Monetary Fund, the Tax Administration, which has had a shortage of human capacities for years, declared 2025 the year of the application during which the employment of 1.000 new employees was planned, for all areas important for the work of the Tax Administration. The problem is also an extremely unfavourable material position of inspectors, taking into account that inspectors' earnings are below the republic average. Having in mind all of the above, the activities to ensure an adequate number of new inspectors and the necessary equipment, as well as the improvement of the performance evaluation system in order to increase the efficiency and hiring of inspectors, should be at the top of the priorities.

In accordance with the actual changes in business models, the illicit trade has largely shifted from traditional markets to the Internet, an area that does not have clear inspection jurisdictions or competencies to control these channels. Cooperation and greater capacities of the Ministry of Interior and the Prosecutor's Office for high-tech crime will be also necessary in order to properly treat this new area.

Regarding parafiscal charges, establishment of a comprehensive public electronic register and portal with valid fees and charges is still expected, with the addition of enabling electronic payment of all fees and charges, in order to increase the transparency of business conditions and de-stimulate the activities of illegal trade. The importance of creating a unified register of all taxes and fees is evidenced by the fact that this request is included in the Reform Agenda of Serbia, which, as part of the EU Growth Plan for the Western Balkans, contains a list of priority reforms agreed with the European Union.

The system of reporting on the results of the implementation of adopted hodograms for the control of illicit trade

in goods that are most often the subject of unauthorized trade (excise products - tobacco, coffee, base oils, alcoholic products as well as textiles) in certain sectors has not been finalized, and the stakeholders do not have data on the achieved control results.

One of the most significant preventive measures is an adequate system of penalties for illegal trade, and it is still necessary to improve the efficiency of the mutual communication between control authorities and courts, as well as to specialize judges for misdemeanor offences in the field of suppressing grey economy and to monitor the work of misdemeanour courts in these proceedings.

An efficient system for storing seized goods was not prescribed in the previous period. Due to insufficient storage capacities in state ownership and the lack of procedures for the use of privately owned capacities for the storage of seized goods, the activities of inspection authorities are limited.

FIC RECOMMENDATIONS

- Consistently implement the Programme for Suppressing the Grey Economy in 2023-2025 in the last year of application.
- Prepare and adopt a new National Programme for Suppressing the Grey Economy for the period 2026-2030, with the accompanying Action Plan.
- Continue to build the capacity of republic inspections by employing new inspectors, as well as systematically solve the position of inspections through amendments to the Law on Inspection Supervision, as well as by adopting a special Law on Inspection Service, in order to improve the status, working conditions and the material compensation of inspectors. In accordance with the recommendations of the International Monetary Fund, work swiftly on hiring new inspectors in the Tax Administrations, with the aim of strengthening capacities.
- Improve functionality of the e-Inspector, through connecting all inspection services and establishing timely information exchange with Tax Administration and Custom Administration.
- Prescribe inspection competences and control measures of illegal trade on the Internet.
- Improve the system of the fiscal burden for companies operating in the Republic of Serbia by creating a public, electronic register of applicable fees and charges and enabling electronic payment of fees and charges, in order to control parafiscal levies and increase business transparency.
- Establish a reporting system on the measures and effects of the Activity Plans (hodograms), and communicate the control results with stakeholders inform the economy, in accordance with the Action Plan for the Implementation of the Programme for Suppressing Grey Economy in 2023-2024.
- Prescribe and implement a fast and efficient procedure for regulating the storage of seized goods between the public and private sectors.
- Maintain the continuity of the process of improving import and export procedures.

CUSTOMS

1.60

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The FIC proposes the following improvements of the efficiency and transparency of the customs clearance procedure:				
Transparently communicate the planned liberalization of customs preferences with the interested industries and ensure the industry's consent at least 12 months prior to the commencement of the preference.	2018		√	
We propose the following changes to customs declarations: (1) the date of issue of the customs invoice - it is recommended that the date of issue of the customs invoice should be the final date of clearance of goods and not the date of the acceptance of a declaration; 2) allow the use of a comprehensive guarantee with a reduced reference amount for several customs procedures, as well as relief from the obligation to provide the guarantee, in the manner prescribed for the transit procedure.	2018		√	
A significant number of legal provisions require a further specification through by-laws as well as compliance with other relevant laws, such as: (1) alignment of customs procedure with VAT Law, regarding the treatment of a foreign legal entity in a customs procedure; (2) decrease the frequency of sample-taking for core products and accept the analysis of accredited foreign labouratories; (3) we propose that opinions of the Customs Administration should be more precise and detailed; (4) specify the procedure for determining and changing the customs value in the event of a goods' price change; (5) specify the procedure for temporary export in order to customs authority approval is not required and regular export procedures can be applied in practise; (6) adoption of an act of the CA which would explain the procedure for determining and changing the customs value in case of transfer prices; (7) ensure the full applicability for "new" rules of origin on trade with PAN-EU members; (8) improve efficiency for issuing "BTI" documents, (9) introduce an exemption from conducting misdemeanour proceedings for a person who only requests to change the data on the quantity of goods in the customs declaration after the end of the procedure and after determining the actual quantity of delivered goods; (10) consider the introduction of customs relief for the import of new equipment that is not produced in the country.	2021		√	
Increase the efficiency at all levels of administration: efficient handling of requests that are in the administrative procedure; a better on-line information system available to all parties involved in customs process; introducing a simplified correction of a customs document based on the correction of the quantity of goods cleared, improve the risk analysis system according to which goods and / or importer type would be identified for an accelerated or simplified import procedure.	2018			√
Align the Decree on Customs Procedures and Customs Formalities with the new Customs Law, in such a way that the additional costs of the labouratory analysis are not borne by the applicant for the issuance of a binding information and abolish the fee for using customs terminals.	2019			√

CURRENT SITUATION

The general rules and procedures that apply to goods brought into and out of the customs territory of the Republic of Serbia (later "RS") are regulated by the Customs Law ("Official Gazette of the RS No. 95/2018, 91/2019, 144/2020, 118/ 2021, 138/2022) and other bylaws; Customs tariff that is adjusted once a year with the Combined Nomenclature of the European Union; then international free trade agreements signed with members of the following agreements: CEFTA, EFTA, EU, Turkey, Eurasian Economic Union, Great Britain, Republic of China, United Arab Emirates, Egypt; as well as by applying different customs procedures: NCTS, NCTS-P5, AEO, as well as other procedures regulated by the Customs Law.

Continuous amendments to the Customs Law and by-laws significantly facilitate and simplify the application of customs procedures for legal entities operating on the territory of the RS. However, a very significant role is played by international agreements on free trade, since their application increases the competitiveness of products on the regional and international markets.

The Republic of Serbia has recognized the importance of expanding business cooperation with the EU and, during 2022, adopted and ensured the effective implementation of transitional rules on the preferential origin of goods. Starting from 2025, it has also adopted new rules under the framework of the Regional Convention on the Pan-Euro-Mediterranean Union (PEM Convention).

With the goal of improving technical functionality, we support investing in the "National One-Stop System" project, which will connect all participants in foreign trade, both state authorities and the business community, and enable faster and more efficient exchange of data and documents. The project was initially presented in 2020, and the completion of the project has been postponed and is now expected in 2027.

Serbia shares land borders with European Union (EU) member states, Montenegro, North Macedonia, and Bosnia and Herzegovina, making efficient goods transit a crucial factor. Slow customs procedures at border crossings - especially those with the EU - are among the main issues addressed by the Customs Administration, and concrete, significant improvements are needed. A positive example is the "Green Corridors" initiative, which introduced specific operational enhancements, such as dedicated lanes for trucks to accelerate the flow of goods and reduce waiting times. These corridors are active at crossings: Sremska Rača, Gostun, Merdare, and Preševo, with planned expansion to Horgoš, Batrovci, and Dimitrovgrad. Their goal is faster border crossing for freight trucks, digitalization of documentation, and reduction of paperwork. At Horgoš, two new truck lanes and a sensor-equipped parking area have been built as part of the modernization under the "Green Corridors." Previously, there was a priority lane for trucks transporting fruits and vegetables, but the Customs Administration discontinued this practice due to misuse (trucks falsely declaring perishable goods out of season). Nevertheless, reintroducing this benefit - especially during the summer months - is strongly recommended.

POSITIVE DEVELOPMENTS

The following positive developments have been identified that affect day-to-day business operations:

- Additional alignment with EU regulations and acceptance of more flexible rules on the concept of origin of goods between Serbia, CEFTA and PAN-EU members.

- Free Trade Agreement between Serbia and China entered into force in July 2024, with preferential rates that will undergo successive alignment over a five-year period.

- Customs Administration is intended for introduction of Automated Import and Export systems by establishing the Institutional Framework for the Implementation of "AIS/AES" jointly with EU. Numerous benefits are expected from paperless business, such as reducing the time and costs necessary to carry out import and export customs procedures, increasing the competitiveness of our economy and protecting citizens through better control of import and export, improving security and safety aspects as well as more efficient budget filling.

- New regulations are proposed for the Electronic Bill of Landing (E-CMR), that is expected to be aligned and to have a positive impact on the system of electronic invoices. As a signatory to the CMR Convention, Serbia has a legal basis for introducing the electronic protocol (e-CMR), but it has not yet been fully implemented into national legislation. Currently, digital solutions (eCMR) are offered by private IT providers and freight forward-

ing companies, but their use is voluntary and not legally mandated. EU regulation (eFTI): Starting in 2029, the EU will require mandatory electronic submission of transport data, which means that Serbia, as a candidate for EU membership, will need to align its regulations by that deadline.

REMAINING ISSUES

General Comments of the FIC

I. Liberalization of customs preferences for import significantly affects existing operations of legal entities in terms of planning and making future business decisions. In order to ensure the continuity of operations of existing legal entities, it is very important that planned preferences are timely and transparently communicated, as well as to ensure an agreement with the affected industry regarding the abolishment or reduction of import duties.

II. Since 2015, a significant customs relief for the import of new equipment not produced domestically - intended to support the expansion and modernization of existing production - has been abolished. We believe that customs duties on equipment, as prescribed by the Customs Tariff Law, should be revised and reduced or eliminated for products not manufactured in Serbia. In general, exemption from customs duties can be a key driver for business expansion and further investment.

III. According to the Decree on Customs Procedures and Customs Formalities, when reviewing a request for the issuance of binding information, if an inspection of goods is required that cannot be performed by the competent customs labouratory, the Customs Administration will obtain a quote from an organization or individual to carry out the analysis, and the applicant is obliged to cover the cost of such analysis. Considering that, under the new Customs Law, the administrative fee for the analytical service must be paid to the competent authority, it would be appropriate for the applicant to pay only the prescribed amount of the administrative fee, while the cost of the authorized labouratory service should be borne by the Customs Administration.

IV. The Customs Law stipulates that economic operators may be authorized to use a comprehensive guarantee with a reduced amount for customs debt and other charges, or to be exempt from providing a guarantee altogether. Amendments to the Regulation on Customs Procedures and Customs Formalities, which enter into force on July 8, 2023, have been adopted. However, the Customs Administration has introduced certain restrictions through its explanatory notes that are not provided for in the legal regulations. For example, full exemption from providing a guarantee for the customs warehousing procedure is not permitted for most goods, including excise goods, goods imported from Asia, and motor vehicles. In the case of inward processing, this restriction applies to all goods, including excise goods. It should be noted that Article 84 of the Customs Law provides that the Government may introduce certain restrictions, with the possibility of exceptions to those restrictions. Therefore, the selective application of this article by the Customs Administration through non-transparent explanatory notes leads to legal uncertainty in its implementation.

V. Most of the explanations provided by the Customs Administration are not published on its website, and even when they exist, it is difficult to access the documents issued by the Administration that clarify the implementation of customs procedures, which is very important for users in their regular operations.

Application of legislation

VI. The Customs Law stipulates that the maturity period of a customs debt may not exceed 8 days, which is too short for taxpayers who process a lot of customs documents on a daily basis. We suggest that customs authorities should enable the debtor to pay the customs debt within a period not exceeding 31 days. We believe that this would allow flexibility in customs clearance, resulting in a reduced number of errors in the processing of customs documents.

VII. The Customs Law excludes the possibility of rectifying customs documents if, following customs clearance, based on the inventory stock count of goods at the receiving dock, the receiver identifies a discrepancy in the inventory relative to the quantity reflected in the customs documents. Such omissions are mainly unintentional and occur during the loading or delivery of goods, yet in certain cases they are still treated as violations, even when the customs debtor voluntarily reports the omission.

VIII. Quality control inspections are regular at each importation of goods but are slowing down the customs clearance process even for the regularly imported goods that have been inspected by foreign accredited labouratories. Overall, the quality control tests are without deficiencies in the case of regular importers.

IX. The Decree on Customs Procedures and Customs Formalities provides that, until the date of deployment of electronic systems the movement of goods between the temporary storage facilities shall be affected by applying the transit procedure. This restricts the rights of holders of the AEO authorization.

X. The following deviations have been noted in practice: i) decisions on the request to amend the customs declaration are made after the prescribed deadlines; ii) full implementation of Article 158 of the Law is not allowed, declarations are still forwarded electronically, although the Law allows the holder of the approval to submit a declaration in the form of recording in business books, iii) restrictive approach is still applied when it comes to discounts and still insists on submitting contracts in writing although it is no longer necessary.

XI. Customs regulations do not define temporary export as a special customs procedure, which means that the temporary export of goods does not require the approval of the customs authority, but to apply the provisions relating to the export of goods. However, the customs authorities require temporary export to be applied for and an authorization issued, which unnecessarily slows down and complicates the implementation of the export procedure.

XII. The problem was noticed that in the case of the need to change a large number of declarations related to a longer period of time, the changes would be made for each declaration individually.

XIII. FTA are applied without major difficulties, but documents of origin and "BTI" should be issued and processed more efficiently.

XIV. Although the Customs Law has been in force for six years, there is still no act issued by the Customs Administration that explains the implementation of the inward processing procedure. As a result, customs offices rely on an act issued under the provisions of the previously applicable Customs Law, despite the fact that there have been significant changes in this area.

FIC RECOMMENDATIONS

The FIC proposes the following improvements of the efficiency and transparency of the customs clearance procedure:

I. Transparently communicate the planned liberalization of customs preferences with the interested industries and ensure the industry's consent at least 12 months prior to the commencement of the preference.

II. We propose the following changes to customs declarations: (1) the date of issue of the customs invoice - it is recommended that the date of issue of the customs invoice should be the final date of clearance of goods and not the date of the acceptance of a declaration; 2) allow the use of a comprehensive guarantee with a reduced reference amount for several customs procedures, as well as relief from the obligation to provide the guarantee, in the manner prescribed for the transit procedure.

III. A significant number of legal provisions require a further specification through by-laws as well as compliance with other relevant laws, such as: (1) alignment of customs procedure with VAT Law, regarding the treatment of a foreign legal entity in a customs procedure; (2) decrease the frequency of sample-taking for core products and accept the analysis of accredited foreign labouratories; (3) opinions issued by the Customs Administration should contain interpretations, not merely quotations of regulations; (4) specify the procedure for determining and changing the customs value in the event of a goods' price change; (5) specify the procedure for temporary

export in order to customs authority approval is not required and regular export procedures can be applied in practise; (6) adoption of an act of the CA which would explain the procedure for determining and changing the customs value in case of transfer prices; (7) improve efficiency for issuing "BTI" documents, (8) introduce an exemption from conducting misdemeanour proceedings for a person who only requests to change the data on the quantity of goods in the customs declaration after the end of the procedure and after determining the actual quantity of delivered goods; (9) consider the introduction of customs relief for the import of new equipment that is not produced in the country; (10) It is necessary to adopt a new explanatory note from the Customs Administration regarding the inward processing procedure, as a large number of major economic operators base their business operations on this procedure; (11) the adoption of an act by the Customs Administration that would clarify the procedure for consolidated accounting of customs debts.

IV. Increase the efficiency at all levels of administration: efficient handling of requests that are in the administrative procedure; a better on-line information system available to all parties involved in customs process; introducing a simplified correction of a customs document based on the correction of the quantity of goods cleared, improve the risk analysis system according to which goods and / or importer type would be identified for an accelerated or simplified import procedure. Enable full implementation of the simplified customs procedure based on recording in the declarant's business records, by sending an appropriate notification to the Customs Administration, without the obligation to submit an electronic declaration. Allow the declarant to simultaneously use different types of simplifications (e.g., so-called "home clearance" and incomplete declaration).

V. Align the Decree on Customs Procedures and Customs Formalities with the new Customs Law, in such a way that the additional costs of the labouratory analysis are not borne by the applicant for the issuance of a binding information and abolish the fee for using customs terminals.

PAYMENT SERVICES

1.60

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Automating the video identification process	2022		√	
Issuing a qualified electronic certificate to PIs without the need for them to do so in person	2023			√
Establishment of a joint banking platform for the exchange of information during the account switching process.	2023		√	
Introducing e-bills of exchange for PIs	2019		√	
Amendment of regulations to reduce the volume of documentation in banking operations.	2022			√

CURRENT SITUATION

When it comes to the regulation of payment services, this year we would like to focus on the amendments to the Law on Payment Services, which were adopted at the end of July 2024, came into force in August 2024, and has been in application since May 2025. The Law on Payment Services was originally adopted at the end of 2014, and in the years following its adoption, there was a period of significant regulatory activity aimed at creating a modern, advanced, and digitalized system for the provision of payment services. Among other things, during that period, the Law on Amendments to the Law on Payment Services was adopted, along with a comprehensive set of by-laws

Following a period of stabilization, and in line with ongoing reforms and the modernization of the payment system in the Republic of Serbia, amendments to the Law on Payment Services were adopted at the end of July 2024.

These amendments aim to enhance the security, efficiency, and reliability of payment services, align the domestic legal framework with European standards—specifically the Payment Services Directive 2 (PSD2)—and provide additional protection for users.

Some of the most significant changes include the introduction of the concept of open banking, which enables greater integration and interoperability among various payment service providers. The new law introduces two innovative services: the initiation of payments from accounts held at other banks, allowing users to conduct transactions more easily and quickly, and a comprehensive overview of account information in one place, which contributes to better financial control and management.

In addition, the amendments establish prerequisites for Serbia's accession to SEPA—the Single Euro Payments Area—which will further facilitate and accelerate cross-border payments in euros. On 22 May 2025, the Republic of Serbia was officially granted approval to join the SEPA system by the European Payments Council (EPC). According to the EPC's timeline, Serbian financial institutions will be able to join the SEPA system as of November 2025, with the earliest operational readiness date set for May 2026. For the Serbian banking and financial sector, this accession means that, as participants in the system (with Serbia becoming the 41st member), financial institutions will be able to send and receive transfers through various SEPA payment schemes. This system will enable faster, more efficient, and more cost-effective cross-border transfers for clients.

The legislative amendments also introduce stricter security measures, including strong customer authentication, which requires the use of at least two out of the following three elements: knowledge, possession, and inherence. These changes are expected to significantly enhance the existing legal framework and enable further development and modernization of payment services in Serbia.

In addition, for the purpose of implementing the Law on Payment Services, a comprehensive set of by-laws has been adopted. The Decision on Technical Standards for Strong Customer Authentication and Common and Secure Open Standards of Communication prescribes the technical standards that ensure reliable user authentication in electronic transactions, as well as common and secure open communication standards between different systems, thereby ensuring the security and efficiency of data exchange. The Decision on Special Requirements for Credit Transfers and Direct Debits in Euro sets out the technical, operational, and security requirements for executing credit transfers and direct debits in euros, with the aim

of aligning with European regulations and preparing Serbia for accession to the Single Euro Payments Area (SEPA). Furthermore, certain regulatory provisions concerning payment institutions and electronic money institutions have been amended to ensure alignment with the Law on Payment Services.

Considering the above, the purpose of this document is to analyze the outcomes of previous recommendations and to propose further actions necessary to improve payment services in the Republic of Serbia, with a particular focus on the latest amendments to the Law on Payment Services and their practical implementation

POSITIVE DEVELOPMENTS

Regarding last year's recommendations, the following improvements have been made:

1. **Automation of the video identification process** – With regard to this recommendation, we note that there has been no additional regulatory activity aimed at further automating the video identification process. However, the adopted amendments to the Law on Payment Services, along with the relevant by-law and the clear definition of strong customer authentication, open the possibility for reconsidering further automation. Accordingly, it can be stated that once the Decision on Technical Standards for Strong Customer Authentication and Common and Secure Open Standards of Communication begins to be applied in practice, a framework will be in place to take a further step in relation to this recommendation. A detailed proposal will be presented in the following sections of this document.

2. **Issuing certificates for a qualified electronic signature without the need for the physical presence of an individual** – With regard to this recommendation, we note that a regulatory framework directly enabling such a service has not yet been adopted. However, as previously mentioned, the amendments to the Law on Payment Services and the Decision on Technical Standards for Strong Customer Authentication and Common and Secure Open Standards of Communication represent the beginning of a process that should ultimately lead to the fulfillment of this recommendation. We sincerely hope that, soon, the possibility of issuing qualified electronic certificates without requiring the physical presence of the individual will be considered—both for the benefit of citizens of the Republic of Serbia and for potential foreign investors.

3. **Establishment of a joint banking platform for the exchange of information during the account switching process** – A joint platform for the exchange of information between banks in the process of switching payment accounts has not yet been established, despite the existence of a regulatory framework that allows for such a possibility. This recommendation will be considered partially fulfilled, given that the establishment of such a platform is possible; however, there is currently no specific regulatory obligation to do so. Nevertheless, the potential for such a platform is of great importance to both citizens and the economy, and it would have a positive impact on competitiveness within the banking sector.

4. **Introduction of electronic bill of exchange for individuals** – In this regard, as noted in the previous year, we observe progress, as extensive and final activities are currently underway for the testing and implementation of the Central Register of e-Promissory Notes, which is a prerequisite for enabling the issuance of e-promissory notes by private individuals. As previously emphasized, the National Bank of Serbia has stated that, in the next phase of development of the Central Register of e-Promissory Notes, private individuals who do not perform business activities should also be included as issuers of e-promissory notes. We fully understand the regulator's need to first ensure the functionality and quality of the register in relation to legal entities and entrepreneurs, and that private individuals who do not perform business activities may be included in a subsequent phase of development.

5. **Amendments to the regulatory framework aimed at reducing the volume of documentation in banking operations** – Regarding this topic, it should be noted that no significant changes have been made toward fulfilling this recommendation. The adopted amendments to the Law on Payment Services have not affected this aspect in any way. Specifically, the number of required documents has neither been reduced nor increased.

REMAINING ISSUES

1. Automation of the video identification process

As in previous years, we would once again like to emphasize the importance of automating the video identification process in the context of client account opening. While fully

aware of the associated risks, we firmly believe that such automation would bring significant benefits to clients. We sincerely express our appreciation for the progress made in recent years around video identification, which has greatly facilitated account opening for both individuals and businesses. However, we also believe that, following the adoption of amendments to the Law on Payment Services and the enactment of relevant by-laws, all prerequisites are now in place to take the next step forward. Namely, although the current process indeed simplifies account opening, it still faces a number of technical limitations related to the client's environment (e.g., sound, lighting), internet signal strength, and the client's understanding of instructions provided by the agent (e.g., visual presentation of the ID document, rotation, finger covering, etc.). We believe that these technical limitations could be overcome through biometric client identification (e.g., face recognition), which would accelerate the process without compromising security.

Accordingly, we propose enabling video identification through various software solutions that would identify clients using biometric data. To improve the efficiency and security of the video identification process, we suggest the introduction of the following technical solutions: biometric authentication (real-time facial and voice recognition technology, with automatic comparison to the photo in the ID document, thereby reducing the need for manual verification and speeding up the identification process); automated document verification (integration with government databases such as the Ministry of Interior or the Business Registers Agency to verify the validity of ID documents and the legal status of individuals at the time of identification); AI-based behavioral analysis (application of algorithms to detect suspicious behavior during the video session, such as eye movement, facial expressions, or speech patterns, thereby further enhancing process security) etc.

While we support the view that human interaction is sometimes necessary to verify all relevant data, we believe that in a modern society where technology is advancing rapidly, we should place greater trust in such solutions. Furthermore, the amendments to the Law on Payment Services and the Decision on Technical Standards for Strong Customer Authentication and Common and Secure Open Standards of Communication introduce strong customer authentication. Therefore, it would be useful to consider introducing an additional verification layer alongside automated video identification to ensure full security. We also express our support for any form of pilot project on this topic, as well as any other proposal that would further simplify the account opening process (e.g., video identification conducted by another government authority, with the possibility for banks to retrieve the data).

2. Issuance of certificates for qualified electronic signatures without the need for the physical presence of an individual

In the modern digital environment, the procedure for issuing a qualified electronic certificate in the Republic of Serbia—which currently requires the physical presence of the user at the premises of certification authorities such as the Public Enterprise 'Pošta Srbije', the Serbian Chamber of Commerce, or the Ministry of the Interior—represents a significant obstacle to the broader adoption of electronic signatures and digital identification. Although this recommendation is not directly related to the provision of payment services, it has a strong indirect impact on the efficiency and accessibility of establishing business relationships with clients, particularly in the banking sector. The current solution not only slows down digitalization but also discourages foreign investors, managers, and individuals residing outside the territory of Serbia, as they are required to be physically present solely for the purpose of collecting the certificate. We believe that this requirement is one of the key reasons why qualified electronic certificates have not been fully adopted, despite their importance for e-business, e-government, and secure communication. Introducing the possibility of issuing certificates without physical presence—through video identification and biometric verification—would enable faster, more secure, and more accessible establishment of business relationships, reduce administrative costs, increase the number of issued certificates, and stimulate the development of digital services. The technological framework for such a solution already exists, and the security standards applied in the EU can be adapted to the domestic legal system. In the context of the digital transformation of public administration and the financial sector, such a change would not merely be a technical improvement, but a strategic step toward the modernization and inclusiveness of the electronic identification system. Taking all the above into account, we propose that the regulatory framework be amended to allow for the issuance of qualified electronic certificates without the physical presence of the user, by applying modern identity verification methods. This would significantly improve the availability, efficiency, and security of digital services in the Republic of Serbia. We consider it of utmost importance that regulatory changes enable the issuance of qualified electronic certificates without requiring the user to physically visit the premises of the certification authority. In line with current trends in digitalization and market needs, we propose

that the certificate issuance process be carried out via video identification conducted by the certification authority, as well as through biometric data verification of the user, thereby ensuring a high level of security and reliability. Additionally, we propose that the legal recognition of qualified electronic signatures issued in EU member states be considered, which would enable cross-border use of electronic identification in accordance with EU best practices. Although Article 40 of the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business ('Official Gazette of RS', No. 94/2017) provides for the possibility of reciprocity with foreign trust service providers, this possibility is currently limited to agreements signed by the Republic of Serbia only with Montenegro and North Macedonia. Such a limitation significantly reduces the potential for broader use of qualified electronic signatures, particularly in the context of international business and digital service accessibility.

By introducing more flexible and technologically advanced identification methods, banks—as payment service providers—would be able to open accounts for clients without the need for additional video identification, relying instead on the identification already carried out by the certification authority. Such clients would automatically possess a qualified electronic signature, enabling them to access all banking products and services without the need to physically visit a branch. This would allow for fully digital contracting of products and services, significantly improving the availability, efficiency, and speed of financial service delivery. Such a solution would contribute to the development of e-business, increase the competitiveness of domestic financial institutions, facilitate access to services for citizens in the diaspora and foreign investors, and align the domestic regulatory framework with European standards. We believe that such a change would represent an important step toward modernizing the electronic identification system and would further stimulate the development of the digital economy in the Republic of Serbia.

3. Establishment of a joint platform for banks to exchange information during the account switching process

In an effort to once again express our support for the development of a joint platform for the exchange of information between banks in the process of switching payment accounts, we emphasize the highly positive experiences that bank clients have had with the refinancing of loans through the existing joint banking platform. The system itself functions exceptionally well. Based on these positive practical experiences and considering the new Law on Payment Services, we consider the establishment of a joint platform for the exchange of information in the account switching process to be a necessary step toward further digitalization and the enhancement of the user experience. The platform already successfully implemented for loan refinancing has proven to be an extremely effective model of interbank cooperation, facilitating communication, accelerating processes, and increasing transparency. Although the account switching procedure was defined through amendments adopted in 2018, it has not been implemented in practice to the expected extent. This clearly indicates the need for an additional technical and organizational framework that would enable automated, secure, and reliable data exchange among banks. The current practice of exchanging information via email reveals several weaknesses—including inconsistent procedures, difficulties in tracking requests, and risks of errors and delays. The new law introduces the concept of open banking, which entails the mandatory sharing of certain information between banks and other payment service providers, with the user's consent, through secure software solutions.

This legal and technological framework creates the opportunity to establish a joint platform for account switching, which would enable the simple, fast, and transparent transfer of information regarding the user, standing orders, direct debits, and other relevant data. Such a platform would allow users to switch banks without complications or the need for personal involvement in the data transfer process, while enabling banks to operate more efficiently and reduce operational costs. Moreover, this solution would directly stimulate competition in the banking sector by lowering barriers for users to switch from one bank to another, thereby increasing the motivation of banks to improve their services and offerings. In the context of fintech development, interoperability, and digital transformation, a joint platform for account switching represents a logical and necessary step that would further strengthen the domestic payment system. Ultimately, such a platform would contribute to greater consumer protection, reduced risk of errors, faster processes, and increased trust in digital services—all of which are fully aligned with the objectives of the new Law on Payment Services: enhancing competition, transparency, and security in the provision of payment services.

4. Introduction of electronic promissory notes for individuals

Given that the launch of the Central Register of e-Promissory Notes for legal entities and entrepreneurs is expected in the

near future, the authors of this text are of the opinion that enabling natural persons to issue e-promissory notes would represent another important step in the comprehensive process of digitalizing payment services. Private individuals, as users of various banking products, are often required to issue promissory notes when entering into contracts. Additionally, when loans are granted to legal entities, private individuals—typically owners—frequently act as guarantors, meaning that despite the digitalization of the overall process, they are still required to submit original promissory notes to the bank.

Accordingly, it would be significantly more convenient for both banks and clients to allow private individuals to issue electronic promissory notes. This is especially relevant considering that nearly all banks on the market already utilize the option of concluding credit agreements remotely, in accordance with the provisions of the Law on the Protection of Financial Services Consumers in Distance Contracts. Furthermore, under the newly adopted Law on the Protection of Financial Services Consumers, it is stipulated that a user may sign a remote agreement for an amount up to RSD 1,200,000, and exceptionally, a remote deposit agreement up to RSD 2,400,000, provided that the service provider has verified and confirmed the user's identity using at least two authentication elements or high-assurance electronic identification schemes, in accordance with applicable laws and regulations. This effectively increases the risk in banking operations, as the amount of remote lending has grown while no collateral is typically provided. Legally speaking, such agreements are often unsecured, as promissory notes are not even collected from clients. Moreover, when a contract is concluded remotely, it is not practical to require the client to visit the bank's premises solely to issue a promissory note. Considering that private individuals are a significantly more vulnerable category of payment service users compared to legal entities and entrepreneurs, and that they require additional protection, we believe that a compromise solution tailored to private individuals is the most appropriate approach.

It is true that the function of the Central Register of e-Promissory Notes is to enable the enforcement of promissory notes without the need to submit a motion for enforcement to the competent court. However, it is indisputable that allowing this mechanism to apply to private individuals at this stage would expose them to an increased risk of forced collection. Therefore, we propose that private individuals be allowed to issue e-promissory notes through the Central Register, but without the possibility for creditors to activate them without submitting a motion for enforcement to the competent court. Such e-promissory notes could only be enforced upon submission of a motion for enforcement and confirmation by the Central Register that the note has been issued and registered. We believe that the proposed regulatory framework for e-promissory notes issued by natural persons would facilitate access to credit and other banking products without exposing individuals to the risk of enforcement outside of a court decision, while also simplifying the process of concluding credit agreements with legal entities.

5. Amendments of regulations to reduce the volume of documentation in banking operations

We would once again like to draw the regulator's attention to the need to relieve banking operations—particularly in the area of account opening documentation—of unnecessary bureaucracy, which not only fails to contribute to legal certainty but, on the contrary, often discourages clients from reading the information that is truly important to them due to the excessive volume of documents. Banking operations are already burdened with many documents, which poses a significant challenge for clients who frequently struggle to identify which information is essential. Practice shows that clients often express dissatisfaction with the extensive documentation they receive during the pre-contractual and contractual phases of opening a current account. To ensure client protection and full transparency, it would be both desirable and more efficient to reduce the number of documents provided, thereby enabling clearer and more concise communication with clients. Within this recommendation, we once again emphasize the need to reconsider the volume of documentation delivered to clients during the account opening process.

We propose that regulatory amendments be introduced to rationalize the scope of documentation provided to clients when opening a current account, with the aim of improving legal clarity, procedural efficiency, and consumer protection. We believe that the obligation to deliver a separate offer is redundant, as the delivery of a draft agreement, General Terms and Conditions, and the Price List already satisfies the legal standard of an offer under the Law on Obligations. Such a solution would simplify the process without compromising clients' rights. Additionally, we propose that the document titled 'Overview of Services and Fees' be replaced with a unified informational document containing aggregate monthly fees for a set of the 5 to 10

most used services, as defined by the National Bank of Serbia. This document would be made available on the NBS website, and banks would be required to provide it to clients during the pre-contractual phase. This would ensure transparency, comparability of offers, and genuine client awareness, in line with the regulator's objectives. Although banks offer various account packages, modern technologies allow applications to automatically identify the most favorable package for the client based on a predefined set of services. This approach not only simplifies the process but also empowers clients to make informed decisions while reducing the administrative burden on banks. The introduction of these changes would align with European practices and contribute to greater legal certainty, accessibility, and efficiency in the provision of payment services.

Finally, we once again emphasize that it would be highly beneficial to establish a working group comprising representatives of the National Bank of Serbia and commercial banks. Through joint discussion and analysis, this working group could review the entire account opening process and consider potential regulatory changes regarding the volume of documentation provided to clients.

6. Amendment of Article 9, Paragraph 2 of the Law on Interbank Fees and Special Rules of Business for Payment Transactions Based on Payment Cards concerning the existence of a specific client request

This is a recommendation we have made in previous years, and last year it was included as part of the broader recommendation concerning the reduction of documentation in banking operations. However, practice has shown that it deserves to be highlighted once again as a separate recommendation. Specifically, this provision is a clear example of unnecessary bureaucracy, the sole purpose of which is to generate an additional document—namely, a specific written request from the client. We propose amending the Law on Interbank Fees and Special Rules of Business Conduct for Payment Card-Based Transactions so that the issuance of cards for which the processing, clearing, and settlement of payment orders in domestic transactions are not carried out within the Republic of Serbia is no longer conditioned upon a prior specific request from the payment service user. The authors of this text fully recognize the importance of Article 9, Paragraph 2 of the Law. However, we once again propose that part of the provision stating that such a card may only be issued upon a specific written request from the user be deleted.

The proposed wording of Article 9, Paragraph 2 is as follows:

"A payment card that may be used to initiate payment transactions from a current account, and for which the operations referred to in Paragraph 1 of this Article are not carried out within the Republic of Serbia in domestic payment transactions, may be issued only if the user has already been issued, or is simultaneously being issued, a payment card referred to in Paragraph 1 of this Article for initiating payment transactions from the same current account."

The proposed amendment in no way undermines the purpose or intent of the original provision. On the contrary, by eliminating the requirement for a specific written request, it reduces unnecessary administrative burdens on banks, which are currently required to prepare and obtain additional documentation for issuing payment cards that clients need to conduct transactions at physical or online points of sale abroad.

FIC RECOMMENDATIONS

- Automating the video identification process
- Issuing a qualified electronic certificate to PIs without the need for them to do so in person
- Establishment of a joint banking platform for the exchange of information during the account switching process.
- Introducing e-bills of exchange for PIs

- Amendment of regulations to reduce the volume of documentation in banking operations
- Amendment of Article 9, Paragraph 2 of the Law on Interbank Fees and Special Rules of Business for Payment Transactions Based on Payment Cards concerning the existence of a specific client request

FOREIGN EXCHANGE OPERATIONS

1.14

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Amend the Law to implement already published interpretations by the NBS with relaxation of positivistic manner of setting Law provisions. In addition, in the context of the on-going integration processes in the region the regime within Open Balkan area should be gradually liberalised, at least at the same level as awarded in relations with the non-residents from the EU, especially as statistically the highest number of mother companies are seated in the Republic of Serbia which enables easier control important for macroeconomic monitoring.	2017			√
Further relaxation of administrative requirements (e.g., delivering of documentation via e-mail instead in hard copy), and particularly switching to ex post reporting of cross-border financial loans. Enable foreign inflows without prior notification to the bank, as currently envisaged by by-laws governing cash inflow and outflow with abroad, subject to condition (if necessary) for such notification to be made subsequently and electronically at certain time intervals, if possible, directly from the companies and not through commercial banks (e.g., monthly, quarterly, etc.). For natural persons, enable automatic distribution of all inflows from abroad, i.e., without exceptions regarding the notification of the bank on certain bases of inflow. Generally, the adjustment of rules on payment transactions with foreign countries in the context of conversation on Serbia's accession to the SEPA payment method. Continue the practice of publishing of opinions of state authorities in charge of forex operations, in particular NBS, for the consistency in application of regulations by all participants, whereby, as noted – currently published standpoints may serve as the basis for further improvements of the Law.	2021		√	
Reconsider restrictions for a resident to grant securities or guarantees in relation to foreign loans, especially in relation to regular foreign loans and regulate in detail restrictions in accordance with Article 23 of the Law and relevant bylaws. Additionally, clarifying type of collateral for receivables collection to be obtained from non-residents for the purpose of advance determining of their acceptability in case of granting loans to a non-resident or providing guarantees and other type of securities under credit operations between non-residents is required.	2021			√
Simplify the set-off rules from the Article 6 of the Law (and relevant by-laws) for all types of current and capital transactions and allow, with prescribing adequate conditions, cash pooling between affiliated parties.	2012			√
Reconsider Articles 7, 20 and 33 of the Law so that the transfer, payment and collection of receivables and debts are resolved for all types of current and capital transactions.	2013			√
Further liberalisation of foreign deposit transactions of residents, especially for companies subject to project financing by foreign banks and international financial institutions.	2018			√
Clearly regulate the treatment of inflows and outflows of cross-border donations, grants and other non-refundable givings whereby domestic business entities participate, either as recipients or donors.	2018			√
Re Articles 32 and 34 of the Law, enable the direct collection of claims of non-residents in foreign currency to their accounts abroad in judicial and extrajudicial enforcement proceedings and bankruptcy proceedings to make the proceedings more efficient.	2022			√

CURRENT SITUATION

Since the last edition of the White Book, amendments to the Law on Foreign Exchange Operations (Official Gazette of RS Nos. 62/2006, 31/2011, 119/2012, 139/2014,30/2018, and 19/2025) have been adopted (Law) which, primarily, refer to the tightening of the provisions on the control of foreign exchange and foreign exchange operations by the National Bank of Serbia (NBS), as well as certain bylaws that, among others, refer to the establishment of the register of authorized exchange dealers, the control of foreign exchange and foreign exchange operations, and cross-border payment transactions. There are no additional significant changes aimed at liberalization of the regulations, so Council's recommendations still remain, with certain progress achieved in the process of Serbia's accession to the Single Euro Payment Area (SEPA)

POSITIVE DEVELOPMENTS

Although during the last period there were changes of the Law and/or the bylaws, such changes were not material, and thus significant positive developments in this area have not been made. It is expected that the working group formed in December 2024 will lead the process forward in the direction of the long-sought reform of regulations.

Positive trend introduced by the National Bank of Serbia (NBS) by publishing its responses on frequently asked forex questions on its website should be continued as it significantly contributes to legal certainty. Although clear on the basis of this document that the NBS maintains a positive approach to interpretation of the Law, in the sense that only explicitly prescribed operations in the Law are considered allowed, the public availability of these opinions significantly contributes to the planning of transactions.

REMAINING ISSUES

Despite the partial liberalisation in the field of forex operations, the current legislation remains restrictive, with the aim of protecting and preserving the macroeconomic stability.

Recognising the position of the regulator regarding the necessity to preserve macroeconomic and financial stability, we believe that there is still a need to adapt the wording of the Law and the interpretation in practice to the approach in which prohibited operations are explicitly prescribed as such, while all other activities should be considered permitted. Engagement of the NBS in interpretation of the provisions of the Law through questions / answers published on the official website is very welcome, however it would be beneficial to commence with the implementation of standpoints of the NBS into the provisions of the Law and also make those sufficiently flexible for practical application without the need for additional interpretation with the aim to satisfy the needs of the market that is continuously evolving.

In similar manner, the needs of the groups of related persons seeking to simplify financial relations within the group could be addressed by prescribing the conditions by the NBS. i.e., by enabling, under the certain conditions, broadening the scope of the bank products, e.g., cash management, cash pooling and similar packages.

Certain practical difficulties in conducting cross-border loan transactions arise from the ex-ante reporting to the NBS of financial loans, which is a precondition for utilization of funds. Due to purely statistical purpose of reporting, further simplification of the said procedure is needed, e.g., by introducing the obligation of ex-post aggregate reporting by e-mail, with a reduced volume of documentation or in a similar manner, as already introduced for certain other types of credit transactions. This would be in line with the previously expressed readiness of the NBS to continue with the activities with the goal to simplify procedure and decrease the reporting costs. We emphasize that the need to further solve issues of transfer, payment and collection of receivables based on current and capital transactions remains, as only Article 33 sets the rule for all types of permitted current and capital operations, but only for transfers between two non-residents. Articles 7 and 20 regulate transfers in 'realised' foreign trade and credit transactions, while similar rules are missing for all other types of transactions - e.g., for receivables arising out of direct investment, guarantees, real estate, etc. Also, the provisions on obtaining the approval of the Government for certain operations, in particular Articles 7, 20 and 33, need to be re-examined as they appear to be unnecessarily broad and restrictive, especially for the assignment of non-resident's receivables. Additionally, the term "state-owned company" used in these articles is not clear and should be clarified so as not to include companies with indirect state capital or minority state capital. We understand that in this regard the NBS, together with the Ministry of Finance, expressed readiness to explore the possibility to address recommendations from FIC.

Implementation of the already published standpoints of the NBS on the official website would benefit the legal certainty, especially in relation to application of Articles 7, 20 and 33 related to transfer of payment and collection of the receivables.

Also, in relation to the Article 6 of the Law and the relevant by-laws, it remains necessary to liberalize the cross-border set-off of mutual receivables and debts as the current set-off rules are defined only for certain types of operations, while there is a gap for other operations (e.g., real estate operations) and the interpretation in practice that these are unpermitted. Also, necessity in practice remains to further liberalise foreign deposit operations of residents, especially for companies that are the subject of project financing by foreign banks and international financial institutions.

Furthermore, the by-laws regarding foreign cash inflows do not fully allow the automation of international payment transactions. In order for a resident to realise foreign cash inflow, it must first provide the bank with information for statistical purposes regarding the basis for collection and in certain situations documentation for justification of the basis of collection. Only certain types of inflows of up to 1,000 euros have been exempt from the procedure as part of the gradual liberalisation process. Guidelines for Implementing the Decision on Terms and Conditions of Performing Foreign Payment Transactions keep the obligation to enter data on invoice in payment/collection order in accordance with the single customs document for operations of import and export of goods. The change required significant changes in bank systems and adds an administrative burden in carrying out international payment transactions. Progress has been made in the part related to payments within SEPA, where the amendments to the Decision on the Conditions and Manner of Conducting Payment Transactions with Foreign Countries stipulate that payments, collections and transfers within SEPA will be carried out in accordance with SEPA rules, with the exception that in Article 32 of the Law, the rule remains that payment transactions for the main types of foreign credit operations can only be carried out if the resident has previously reported these operations to the NBS.

It also remains unclear why the possibilities of providing guarantees i.e., collaterals by residents are limited only to credit operations between non-residents, and not other types of transactions pursuant to Article 26 of the Law regulating guarantees.

Also, the efforts should be aimed at relaxation of provisions regulating provision of financial loans by the residents and provision of the guarantees and other collateral for credit transactions abroad / with abroad, as well as other guarantee transactions which would enable companies operating in the region to participate in the transactions abroad together with consortiums of non-residents where they could undertake obligation to obtain guarantees for advance payment, good performance of works, etc. Particularly, there is the need to know in advance which collateral is deemed adequate for ensuring collection under the credit transactions. Similarly, in the context of the on-going cooperation processes in the region it is suggested to consider gradual liberalisation of the regime, as envisaged under the Open Balkan initiative, at least at the same level as awarded in relations with the non-residents from the EU.

Furthermore, Article 32 of the Law allows legal entities and entrepreneurs to perform cross-border payments through a payment institution and the public postal operator. At the same time, however, the Law on Payment Transactions of Legal Entities, Entrepreneurs, and Individuals Not Engaged in Business Activity ("Official Gazette of RS" no. 68/2015) prescribes the obligation for legal entities and entrepreneurs to make payments through a current account opened with a bank or the Treasury Department (indirectly indicating that payment institutions and the public postal operator are not authorised to conduct international payment operations). For this reason, it is necessary to harmonise the aforementioned law and the law regulating payment services with the Law in order to fully enable legal entities and entrepreneurs to perform cross-border payments through a payment institution and the public postal operator.

Also, it is necessary to regulate the treatment of inflows and outflows of cross-border donations, grants and other non-refundable givings whereby domestic business entities participate, either as recipients or donors. Currently, such payments are not regarded as current nor capital transactions defined by the Law, hence, their legal treatment is not clear. Detailed regulation in this regard is needed, especially for start-up companies in the IT and other sectors which require such funding in the initial stages of the development.

Finally, we would raise the systemic issue of more efficient collection of claims of non-residents arising from judicial and executive proceedings, execution of extraju-

dicial mortgages and bankruptcy proceedings. Currently, under the laws governing these procedures, non-resident account is required at the time of submission of the proposal for execution and/or collection in dinars, making the collection procedure for non-residents ineffective, as the opening of non-resident bank accounts can take months. This issue needs to be systematically resolved through changes/interpretations of all relevant laws regulating these procedures and in coordination with competent authorities. As per the Law, it would be useful to amend or interpret Articles 32 and 34 of the Law to enable payment in foreign currency directly to the account of non-residents abroad in such cases. Where the laws governing these procedures prescribe the collection or denomination of receivables in dinars, possibility of introducing an exception for payments to non-residents in foreign currency directly to an account abroad should be considered.

Generally, the forex policy should be directed towards the further liberalisation of current and capital transactions to harmonise the applicable Serbian legislation with EU rules and international standards in this area. Application and interpretation of the laws by the competent authorities should be accompanied by adequate amendments.

FIC RECOMMENDATIONS

- Amend the Law to implement already published interpretations by the NBS with relaxation of positivistic manner of setting Law provisions. Continue the practice of publishing of opinions of state authorities in charge of forex operations, in particular NBS, for the consistency in application of regulations by all participants, whereby, as noted – currently published standpoints may serve as the basis for further improvements of the Law. In addition, in the context of the on-going cooperation processes in the region should be gradually liberalised, at least at the same level as awarded in relations with the non-residents from the EU, especially as statistically the highest number of mother companies are seated in the Republic of Serbia which enables easier control important for macroeconomic monitoring.

- Further relaxation of administrative requirements (e.g., delivering of documentation via e-mail instead in hard copy), and particularly switching to ex post reporting of cross-border financial loans. Enable foreign inflows without prior notification to the bank, as currently envisaged by by-laws governing cash inflow and outflow with abroad, subject to condition (if necessary) for such notification to be made subsequently and electronically at certain time intervals, if possible, directly from the companies and not through commercial banks (e.g., monthly, quarterly, etc.). For natural persons, enable automatic distribution of all inflows from abroad, i.e., without exceptions regarding the notification of the bank on certain bases of inflow. Clearly regulate the treatment of inflows and outflows of cross-border donations, grants and other non-refundable givings whereby domestic business entities participate, either as recipients or donors.

- Reconsider restrictions for a resident to grant securities or guarantees in relation to foreign loans, especially in relation to regular foreign loans and regulate in detail restrictions in accordance with Article 23 of the Law and relevant bylaws. Additionally, clarifying type of collateral for receivables collection to be obtained from non-residents for the purpose of advance determining of their acceptability in case of granting loans to a non-resident or providing guarantees and other type of securities under credit operations between non-residents is required.

- Simplify the set-off rules from the Article 6 of the Law (and relevant by-laws) for all types of current and capital transactions and allow, with prescribing adequate conditions, cash pooling between affiliated parties.

- Reconsider Articles 7, 20 and 33 of the Law so that the transfer, payment and collection of receivables and debts are resolved for all types of current and capital transactions.

- Further liberalisation of foreign deposit transactions of residents, especially for companies subject to project financing by foreign banks and international financial institutions.
- Re Articles 32 and 34 of the Law, enable the direct collection of claims of non-residents in foreign currency to their accounts abroad in judicial and extrajudicial enforcement proceedings and bankruptcy proceedings to make the proceedings more efficient.

FACTORING

1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Removing ambiguities in legal provisions regarding the possibility of concluding contracts in electronic form.	2024			√
Providing a mechanism to protect against double financing of invoices.	2024			√
Developing a mechanism for better assessment of the assignor's and/or debtor's creditworthiness.	2024			√
Enabling electronic issuance of promissory notes.	2024			√

CURRENT SITUATION

The development of factoring in Serbia began at the beginning of the 21st century, and it obtained its legal basis in 2013 with the adoption of the Law on factoring ("Official Gazette of RS", No. 62/2013 and 30/2018), which remains in force today with amendments from 2018. Factoring has become an important financing instrument for small and medium-sized enterprises, enabling them to secure liquidity by selling their receivables before maturity.

In Serbia, 25 companies have been authorized to perform factoring operations, including the Export Credit and Insurance Agency and about ten commercial banks, in accordance with the law. Since 2014, when the first company for factoring operations was registered, there has been a continuous trend of registering several new factoring companies each year, indicating the interest of business entities in engaging in this activity. So far in 2024 and 2025, five new factoring companies have been established, while some have ceased operations.

One interesting fact is that factoring in Serbia is not only a tool for improving liquidity but also for reducing receivables collection risk. Factoring companies take on the risk of non-payment, allowing businesses to focus on the growth and development of their core activities. Additionally, factoring has become particularly popular among exporters, enabling them to quickly obtain funds for financing new orders and reducing risks associated with international transactions.

Moreover, factoring in Serbia is recognized as one of the more effective ways to combat liquidity issues and payment delays, common problems in the domestic economy. However, challenges still exist, particularly regarding educating business entities about the advantages and opportunities that factoring provides.

POSITIVE DEVELOPMENTS

Apart from the gradual increase in the number of participants in the factoring market, no other improvements compared to the previous year have been observed. Domestic regulations related to factoring have not been amended since 2018, and no substantial changes have been made since the adoption of the Factoring Law in 2013. However, given that a proposal to amend the Factoring Law is currently being prepared, significant progress in this area can be expected in the upcoming period, leading to a more harmonized factoring system aligned with international standards in this field.

REMAINING ISSUES

1. **Ambiguity of legal provisions regarding the possibility of concluding contracts in electronic form**

Article 19, paragraph 1 of the Factoring Act stipulates that factoring can only be carried out based on a contract concluded in written or electronic form. Further, Article 23, paragraph 1 of the Law on factoring stipulates that the assignment of receivables by the assignor is done with the delivery of the contract to the factor (original or a copy certified by the competent authority) and/or invoices representing the basis of the receivable and notifying the debtor that the receivable has been assigned to the factor.

Documentation from Article 23, paragraph 1 of the Law on factoring, together with proof of the assignment of receivables, constitutes a credible document in enforcement proceedings.

Factoring companies that have organized their operations in accordance with the general trend of digital business solutions have encountered certain issues when initiating

proceedings against debtors under factoring contracts concluded electronically, i.e., using electronic signatures and exchanging electronic documents. This has been particularly problematic for those factoring companies using their own software solutions based on two-factor authentication principles.

One of the main issues facing factoring companies is the lack of alignment between the Law on factoring and the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business Operations ("Official Gazette of RS", N. 94/2017 and 52/2021). Although the introduction of the option to conclude contracts in electronic form is a significant step forward, the lack of precise instructions on electronic signing methods and methods for enforcing receivables in enforcement proceedings creates administrative obstacles. These obstacles can lead to unjustified prolongation of proceedings, which can have significant negative consequences for factoring companies, as they require funds that would otherwise be further deployed in the market.

Additionally, the use of different software solutions for electronic signing, which are not sufficiently standardized or recognized by relevant institutions, further complicates the process. Factoring companies often have to allocate additional resources to adapt their systems and train their staff, which can increase costs and reduce operational efficiency.

To address these issues, several measures have been proposed:

- Harmonization of legislation: Aligning the Law on factoring with the Law on Electronic Document to ensure clear rules and procedures for electronic signing and enforcement of receivables.

- Standardization of software solutions: Introducing standardized software solutions for electronic signing that are recognized and compatible with the existing legal framework.

- Education and training: Providing education and training for factoring companies and their clients on the benefits and proper use of electronic contracts and documentation.

The introduction of the option to conclude contracts in electronic form without simultaneously specifying the method of electronic signing and more precise definitions of enforcement of receivables in enforcement proceedings discourages further development of digital factoring. However, with appropriate legislative amendments and alignment, digital factoring can significantly improve business efficiency and flexibility, providing faster and more secure financing for enterprises in Serbia.

The proposal should include an amendment to the Law on factoring to further specify the mechanisms and conditions under which a contract is considered to be concluded in the appropriate form, thereby reducing the possibility of arbitrariness by courts and standardizing judicial practice.

2. Providing a mechanism to protect against double financing of invoices

Although double financing of invoices does not occur frequently in practice, the negative consequences for factoring companies can be significant. This problem can manifest as financial losses, undermining client trust, and adding to administrative costs. It should also be noted that with further development of digital factoring and streamlining of factoring contract procedures and documentation exchange, such situations may become more common in the future.

The lack of an institutional legal framework regulating the exchange of information between factoring companies has been somewhat mitigated by the development of a platform by one of the leading factoring companies in Serbia. This platform enables faster and more efficient information exchange among market participants, reducing the risk of double financing of invoices. Despite these initiatives, we believe that a centralized solution under the supervision of state authorities would be a better approach. A centralized system would provide equal access to all market participants and ensure additional protection against fraudulent actions by unscrupulous assignors. State supervision would also enable better regulation and monitoring of transactions, reducing the risk of financial fraud and ensuring transparency in business operations.

Furthermore, the introduction of a centralized information exchange system could enhance overall efficiency of the factoring market. Such a system would enable quicker identification of potential frauds and enable factoring companies to make informed decisions when approving financing. This would also contribute to strengthening trust

among market participants and improving overall stability and security of the financial system.

Further development of digital factoring in Serbia requires continuous adaptation of the legal framework to ensure adequate protection for all participants and ensure business efficiency. With appropriate legislative amendments and the introduction of a centralized information exchange solution, factoring companies would be better equipped to address challenges in modern business and provide higher-quality services to their clients.

3. Developing a mechanism for better assessment of the assignor's and/or debtor's creditworthiness

Factoring companies currently have extremely limited options for assessing the creditworthiness of assignors and/or debtors of assigned receivables, which discourages cooperation with relatively "young" companies or those lacking sufficient indicators to establish their creditworthiness. Such a situation could significantly limit the potential for expansion and growth of new business entities in the market.

This issue could be addressed by introducing a kind of marketplace based on access to a central invoice registry, where the Ministry of Finance would allow registered users – factoring companies to purchase company credit reports. This centralized invoice registry would provide factoring companies with faster and more reliable insight into the financial status and creditworthiness of potential clients.

The introduction of such registries and data availability would not only improve the level of information available to factoring companies and increase the percentage of concluded contracts, but also positively impact the awareness of business entities about the importance of responsible business practices. Business entities would be encouraged to respect all deadlines and promptly fulfill their obligations to creditors, thereby further improving the overall business climate in the country.

Implementing such solutions would require close cooperation between government agencies, factoring companies, and other relevant institutions. However, the long-term benefits in terms of increased liquidity, reduced risk, and improved business efficiency would certainly justify the initial efforts and investments in this system.

4. Introduction of "Silent Factoring" as a specific type of factoring

The current provisions of the Factoring Law recognize several types of factoring. Article 11 stipulates that factoring may be domestic or international, with or without recourse. Furthermore, Article 18 regulates the existence of reverse factoring. However, the Law does not permit the possibility of contracting silent factoring. This type of factoring exists in certain European legal systems and is also provided for in the Factoring Law of the Federation of Bosnia and Herzegovina.

Silent factoring allows the debtor in a factoring transaction to continue making payments to the assignor, with whom they already have an established contractual relationship. After receiving payment, the assignor would then transfer the funds to the factor to whom the receivable was sold.

The introduction of such a provision would significantly facilitate the operations of factoring companies, as it would eliminate the obligation for the assignor to notify the debtor in this type of factoring. At the same time, debtors could continue fulfilling their obligations to the assignor in accordance with their regular business practices, thereby simplifying the collection process.

5. Enabling electronic issuance of promissory notes

Despite years of announcements regarding the implementation of electronic promissory notes through the IT solution of the National Bank of Serbia and the establishment of the Central Register of E-notes for legal entities and entrepreneurs, there is still no possibility of issuing electronic promissory notes. This deficiency represents a significant obstacle to the complete digitalization of factoring company operations. The current practice, where contracts are concluded online and assignors must send registered promissory notes by mail, is paradoxical and creates unnecessary administrative complications.

The introduction of electronic promissory notes, combined with the legal possibility of electronic signing of contracts, could lead to complete digitalization of factoring company operations and significantly increase the interest of assignors in this form of financing. The introduction of electronic promissory notes also increases legal certainty regarding the identity of the promissory note debtor and thereby enhances the ability of factoring companies to successfully collect their receivables.

FIC RECOMMENDATIONS

- Removing ambiguities in legal provisions regarding the possibility of concluding contracts in electronic form
- Providing a mechanism to protect against double financing of invoices
- Developing a mechanism for better assessment of the assignor's and/or debtor's creditworthiness
- Introduction of "Silent Factoring" as a specific type of factoring
- Enabling electronic issuance of promissory notes

PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

1.40

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Develop a system that would enable better cooperation between the Administration, supervisory bodies and obliged entities, with the aim of better implementation of regulations with emphasis on prevention of money laundering and funding of terrorism and not burdening obliged entities with numerous formalities e.g., establishing a Task Force that would meet regularly to monitor the implementation of regulations with the participation of representatives of the competent authorities.	2009			√
Create an analysis of new changes to the regulations in this area and recommend a meeting with the Government of RS to further improve the legal framework.	2020			√
Continue work on harmonizing domestic regulations and laws with European standards and requirements.	2023		√	
Accept and adopt initiatives of professional associations to exempt certain business relationships from obligations prescribed by law (e.g., risk insurance).	2019			√
Continue organizing adequate seminars and workshops with the purpose of conducting certain training for the persons to whom the Law applies, with the purpose of increasing the efficiency of its applicability.	2011		√	

CURRENT SITUATION

The Law on the Prevention of Money Laundering and Terrorist Financing (the Law) was last amended **in March 2025**.

These amendments represent a continued alignment with international standards, including the FATF Recommendations and EU Directives.

Key updates from 2025 include:

- **Further clarification of the obligations of the Central Securities Register**, Depository, and Clearing House, compared to the situation in 2023.
- **Additional alignment with FATF Recommendation 15**, particularly regarding digital assets and the associated risks.
- **Harmonization of bylaws within three months of the amendments entering into force**, which has already been implemented in the first half of 2025.

POSITIVE DEVELOPMENTS

According to the latest B**asel AML Index report for 2025, the Republic of Serbia is ranked 98th** among countries based on the level of risk related to money laundering and terrorist financing, with an overall risk score of **4.82**.

Although this represents a **slight deterioration** compared to the previous year (2024), it is still a **significant** improvement compared to 2023 (78th place) and especially 2022, when Serbia was ranked 46th.

This trend indicates that Serbia has continued to enhance its regulatory framework and technical compliance with international standards, although there is still room for further improvement in implementation and coordination among supervisory bodies.

In **March 2025, Serbia improved its technical compliance with the FATF Recommendations**, thereby maintaining its status as "largely compliant" with all 40 recommendations, according to the MONEYVAL evaluation.

The legislative framework is now almost fully aligned with EU directives and international conventions, which further contributes to legal certainty for foreign investors.

Numerous seminars and workshops have been organized for obliged entities, supervisory bodies, and the judiciary, aimed at strengthening their capacity to effectively implement the Law.

REMAINING ISSUES

The Foreign Investors Council emphasizes the need for continuous improvement in cooperation between all relevant state authorities and investors, companies, professional associations, and business organizations, in order to ensure successful implementation of the Law.

Remaining challenges include:

Ambiguities in certain legal provisions, and regulations that are sometimes stricter than those required by relevant international and EU standards, as well as stricter than those in neighboring countries — for example, the mandatory licensing of authorized persons and their deputies, and the requirement to obtain registry extracts for all companies in a client's ownership chain.

Frequent and unclear requests from supervisory authorities for additional information, which obligors must respond to, consuming significant time and human resources.

A tendency among supervisory bodies to focus less on substantive issues crucial for preventing money laundering and terrorist financing, and more on penalizing formal omissions by obligors.

FIC RECOMMENDATIONS

- Continuously improve the system to enable better cooperation between the Administration, other supervisory authorities, and obliged entities, with the aim of more effective implementation of regulations, focusing on preventing money laundering and terrorist financing, rather than burdening obliged entities with excessive formalities — for example, by establishing a working group that would meet regularly to monitor the implementation of regulations with the participation of relevant authorities.
- Conduct an analysis of the latest substantive regulatory changes in this area.
- Continue efforts to align domestic laws and regulations with European standards and requirements.
- Adopt initiatives from professional associations to exempt certain business relationships from obligations prescribed by the Law (e.g., group life insurance).
- Organize more frequent training sessions for obliged entities through seminars and workshops, with a focus on the practical application of the Law.
- Promote digitalization and automation of processes — the introduction of standardized automated tools for client risk assessment (KYC) and transaction monitoring can significantly reduce manual work and increase accuracy. Additionally, the use of artificial intelligence to detect suspicious patterns is encouraged.

LAW ON THE CENTRAL REGISTER OF BENEFICIAL OWNERS

1.67

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The procedure for electronic registration should be further developed, and the indirect registration of the establishment of the Registered entities should be facilitated.	2022		√	
The foreign public joint stock companies listed on the reputable stock exchange should be excluded.	2022		√	
The sanctions prescribed by the Law should be reduced.	2019			√

CURRENT SITUATION

A new Law on the Central Register of Beneficial Owners (Off. Gazette of the RS, no. 19/2025) (hereinafter: the **Law**) was adopted and entered into force on 14 March 2025, and shall apply as of 1 October 2025.

The Central Register of Beneficial Owners was established within the Serbian Business Registers Agency ("**SBRA**") on 31 December 2018, as a public, unified, central electronic database on natural persons who are beneficial owners of a Registered Entity. The primary reason for enacting the new Law was to implement the measures provided under the Action Plan for the Implementation of the National Anti-Money Laundering and Counter-Terrorism Financing Strategy for the period 2020–2024, as well as to harmonize domestic legislation with the provisions of Directive (EU) 2018/843 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and amending Directives 2009/138/EC and 2013/36/EU.

The new Law on the Central Register of Beneficial Owners introduces 3 phases of application:

Until the beginning of application of its core provisions, i.e., 1 October 2025, the old Law on the Central Register of Beneficial Owners shall remain in force. However, Article 12(4) and Article 19(3) of the new Law shall apply from the date of entry into force. These provisions relate to the trustee of a trust, as this legal concept was not previously regulated. Additionally, Article 6(7) shall apply from the date of Serbia's accession to the EU as it concerns the obligation of the SBRA to connect the Central Register of Beneficial Owners with the EU Central Platform. Finally, the Law sets a 60-day deadline for existing registered entities to align with its provisions, i.e., from 1 Oct to 30 Nov 2025.

Entities **required to register beneficial ownership data:** All business companies, Companies in liquidation; Cooperatives; Branches of foreign business companies; Business associations; Associations and federations of associations; Foundations and endowments; Institutions; Foreign representative offices of business companies, associations, foundations, and endowments.

Entities **not required to register beneficial ownership data:** Entrepreneurs; Public joint-stock companies; Companies in bankruptcy; Companies under compulsory liquidation; Companies and institutions in which the Republic of Serbia, an autonomous province, or a local self-government unit is the sole member or founder; Political parties; Trade unions; Sports organizations and associations; Churches and religious communities.

New obligations for business companies:

1. Identification and registration of beneficial owners – Companies must identify the natural person who meets the criteria.

2. Uploading supporting documents – When registering in the Central Register, companies are now required to upload the documents on which the beneficial ownership is based. In the case of electronic incorporation, registration and document upload are carried out simultaneously through the electronic procedure.

3. Annual verification and confirmation – Every company must, at least once a year, verify the accuracy and currency of the registered data and confirm such accuracy via the SBRA portal within 30 days from the date of verification.

4. "Note on identified inconsistency" – If an obliged entity under the Law on the Prevention of Money Laundering finds that the data it has collected differ from those in the Register, it must immediately enter a note into the

Register and upload the relevant documents. The company has 30 days to reconcile the data. If it fails to do so, the competent authority (National Bank of Serbia, Administration for the Prevention of Money Laundering) shall carry out supervision.

5. Public disclosure of non-compliant entities – The SBRA will maintain and publish a list of entities that have failed to register within the prescribed deadline and a list of entities with unresolved discrepancies.

Sanctions: Failure to timely register beneficial owners, or deliberate concealment or falsification of data, triggers three types of consequences under the Law: misdemeanor fines, protective measures, and criminal liability. Companies may be fined between RSD 500,000 and 2,000,000, while directors or responsible persons (including trustees) face fines from RSD 50,000 to 150,000. In addition, a ban on certain activities may be imposed for 6 months to 3 years. If someone intentionally fails to register, falsifies, or deletes true data to conceal the beneficial owner, they may face criminal liability, with imprisonment from 6 months to 5 years, subject to assessment by the prosecution and court.

POSITIVE DEVELOPMENTS

The new Law introduces improvements that significantly enhance the transparency of corporate ownership structures and strengthen the integrity of the business environment in the Republic of Serbia. The mandatory documentation of beneficial ownership data, the regular annual verification of their accuracy, as well as the mechanisms for identifying discrepancies with data collected in accordance with anti-money laundering regulations, represent important steps toward preventing the misuse of legal entities for illicit purposes. These measures further enhance legal certainty, facilitate the work of supervisory authorities, and contribute to aligning domestic practices with international standards. The public disclosure of information on non-compliant entities increases the accountability of companies and fosters greater trust among investors and business partners.

REMAINING ISSUES

In practice, certain technical shortcomings have been identified that hinder the updating of data in the Central Register. When personal information of a beneficial owner changes—such as a change of surname or passport number - the system does not allow for a straightforward update of the specific data. Instead, it requires the complete deletion of the individual from the register, followed by a new registration with the updated information. This procedure significantly slows down the process. Additionally, the electronic system currently does not support the registration of beneficial owners based on different grounds for the same legal entity. Instead, it requires all beneficial owners to be registered on the same basis. Most of the identified issues are of a technical nature, and resolving them would be essential for improving the system's functionality, increasing the efficiency of the procedure.

FIC RECOMMENDATIONS

- The procedure for electronic registration should be further developed, and the registration of the establishment of the Registered entities should be facilitated.

LAW ON PERSONAL DATA PROTECTION

1.22

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Provide the Commissioner with improved working conditions, equipment, and staff to ensure the effective implementation of the DP Act.	2009			√
Harmonise the provisions of other laws related to the processing of personal data with the DP Act.	2022			√
Regulate special types of personal data processing, such as video surveillance, processing employees' personal data, and processing for scientific and historical research and statistical purposes.	2019			√
Amend the DP Act to create conditions for easier transfer of personal data outside of Serbia.	2022			√
Intensify the activities of the Commissioner in issuing guidelines to facilitate the implementation and interpretation of the DP Act, specifically guidelines on the implementation of appropriate data protection measures, and the obligation of the controller to inform individuals about data breaches.	2020		√	
Prescribe conditions for issuing permits to certification bodies.	2020			√
Prescribe the competencies and procedures for accrediting legal entities to conduct compliance control of codes of conduct.	2021			√
Update the 2019 Decision on the List of Countries, Territories, or Sectors of Activities and International Organizations Where an Adequate Level of Data Protection is Considered to be Ensured, in accordance with the European Commission's Adequacy decision for the EU-US Data Privacy Framework.	2020			√
Adopt an action plan for the implementation of the Strategy for Personal Data Protection for the Period 2023–2030 and establish a working group to oversee the implementation of the Strategy and action plan.	2023		√	

CURRENT SITUATION

The Personal Data Protection Act ("Official Gazette of the Republic of Serbia" no. 87/2018) (hereinafter: DP Act) has been in effect since 21 August 2019. The DP Act is, to a considerable extent, a translation of the EU General Data Protection Regulation 2016/679 (GDPR), excluding its recitals and with certain specificities reflecting the characteristics of the legal system of the Republic of Serbia.

The DP Act is based on seven data processing principles: lawfulness, fairness and transparency; purpose limitation; data minimisation; accuracy; storage limitation; integrity and confidentiality; and accountability of the controller for data processing. In order for processing to be lawful, it must be based on one of the six legal bases for processing: consent; contract; legal obligation; vital interests; public interest; or legitimate interests. The DP Act imposes stricter conditions for the lawful processing of special categories of data, which include, for example, health data. The DP Act grants data subjects broad rights. Data subjects have, inter alia, the right of access to data, the right to rectification, the right to have incomplete personal data completed, the right to erasure, restriction, and data portability, the right to object, and the right to withdraw consent.

The DP Act imposes a number of obligations on controllers and/or processors. Controllers and processors must implement appropriate technical, organisational, and personnel measures to ensure a level of security appropriate to the risk to the rights and freedoms of individuals. Controllers are required to report data breaches to the supervisory authority, and in certain cases, to inform the data subjects. The DP Act allows for the free transfer of data outside of Serbia to countries that are members of the Council of Europe Convention for the Protection of Individuals with Regard to Automatic Processing of Personal Data, and to countries for which the European Union has determined

provide an adequate level of protection (by adopting an "adequacy decision"). The transfer of data to other countries is permitted on the condition that the data exporter implements one of the prescribed safeguards (for example, the conclusion of standard contractual clauses, prepared by the Commissioner, with the data importer), or if one of the specific situations set out in the DP Act applies (for example, transfer based on the explicit and informed consent of the data subject).

Controllers and/or processors have a number of additional obligations under the DP Act, such as: appointing a data protection officer; keeping records of processing activities; contractually regulating relationships with processors and joint controllers; conducting data protection impact assessments if it is likely that a certain type of processing will result in a high risk to the rights and freedoms of individuals, and more.

The DP Act has extraterritorial application. The DP Act applies to controllers and processors in Serbia, and, under certain conditions, to those outside of Serbia as well, if they process data about individuals who have residence or domicile in Serbia.

Compared to the GDPR, the fines prescribed for violations of the DP Act are low. While the GDPR allows for fines of up to 20,000,000 euros, or in the case of a legal entity, up to 4% of the total worldwide annual turnover of the preceding financial year (whichever amount is higher), the fines under the DP Act range up to a maximum of 2,000,000 dinars, i.e. approximately 17,000 euros. In this regard, it is proposed to adopt the recommendations contained in the adopted Strategy for the Protection of Personal Data for the Period 2023-2030, which the Government of the Republic of Serbia approved in August 2023. Among other measures, the strategy calls for an increase in penalties in line with the GDPR; and these recommendations have also been corroborated by various legal analyses.

POSITIVE DEVELOPMENTS

The Commissioner has continued to actively participate in expert meetings related to the enforcement of the DP Act and make public appearances to highlight the importance of data protection. The Commissioner has published its tenth publication "Protection of Personal Data: Opinions and Stances of the Commissioner" includes examples from the Commissioner's practice. The Commissioner has published a "Brief Guide to Free Access to Information and Personal Data Protection" in collabouration with the OSCE Mission in Serbia, aimed at better understanding the key concepts and rights of citizens. Additionally, on the Commissioner's website, manuals, opinions, and positions are available to help clarify the unclear areas of the Law. It is noteworthy that the Commissioner, after opening an office outside the Commissioner's headquarters in Novi Sad in 2022, opened another office in Niš, and invested in administrative equipment for the Commissioner's work. In December 2024, the third office in Kragujevac began with it's operations.

The Commissioner is involved in the implementation of a short study program "Training of Managers for Personal Data Protection" conducted by the Faculty of Security studies at the University of Belgrade, as well as the short program "Legal Protection of Data and Access to Information" conducted by the Faculty of Law at the University of Kragujevac. Furthermore, members of the Commissioner's office participate in training sessions for individuals involved in personal data protection organised by the Serbian Chamber of Commerce. Finally, in the 2024/2025 academic year, the Faculty of Law at the University of Belgrade implemented for the first time a new programme, "Studies for Innovation of Knowledge – Data Protection Law". Members of the Commissioner's office have participated in the implementation of specialist studies. The implementation of the study programmes contributes to the education and training of individuals for personal data protection within the higher education system of the Republic of Serbia. Since the second quarter of 2024, accredited lecturers from the Commissioner's Office have started conducting training sessions for three target groups – the healthcare sector, higher education institutions, and internal affairs sector.

The most significant development is the adoption of the Action Plan for the Period 2025–2027 for the Implementation of the Strategy for Personal Data Protection for the Period 2023–2030 in which the Government of the Republic of Serbia has outlined objectives and measures to align the legal framework of the Republic of Serbia with the rules and standards of the European Union. The Action Plan stipulates that the implementation of the Strategy will be regulated through two action plans, each with a duration of three years, whereby the first will cover the period from 2025 to 2027, and the second will cover the period from 2028 to 2030.

The Action Plan envisages, among other things, concrete steps for the adoption of amendments to the DP Act, har-

monisation of other laws with the DP Act, development of the Commissioner's digital platform for online submission of complaints, improvement of the institutional framework, professional training of employees in public administration, and education of judges and holders of public prosecutorial functions.

The Commissioner regularly submits reports to the National Assembly, and on 24 March 2025, submitted the Report on the Implementation of the Free Access to Information of Public Importance Act and the Data Protection Act in 2024 to the National Assembly of the Republic of Serbia. This actively utilizes the institutional process for monitoring the situation and reporting systemic issues.

REMAINING ISSUES

The capacities of the Commissioner's office have not seen significant development. Staffing and financial conditions remain at a similar level to previous years.

The relevant ministries have not yet taken steps to align the provisions of sectoral laws with the DP Act, despite the DP Act stipulating that the provisions of other laws relating to the processing of personal data must be harmonised with the DP Act by the end of 2020.

Certain specific types of personal data processing, such as video surveillance, processing of employees' personal data, and processing for the purpose of scientific and historical research and statistical purposes, are not systematically regulated.

The DP Act needs to be amended to create conditions for easier transfer of personal data outside of Serbia. Firstly, the Commissioner's authority to adopt standard contractual clauses needs to be expanded. In comparison to the EU, where standard contractual clauses for four different transfer models exist, the standard contractual clauses for the transfer of data from Serbia only apply to the transfer of data from a controller to a processor. Standard contractual clauses for other transfer models (such as from controller to controller) do not exist because the DP Act does not empower the Commissioner to adopt them. Recognising EU standard contractual clauses and binding corporate rules approved by the relevant EU bodies as adequate mechanisms for data transfer in the DP Act, in addition to the domestic ones, would further facilitate data transfer.

The Commissioner should intensify activities in issuing guidelines that will help with the implementation and interpretation of the DP Act. For instance, guidelines for implementing appropriate technical, personnel, and organisational measures to protect personal data, as well as guidelines on the controller's obligation to inform data subjects about a data breach that may pose a high risk to individuals' rights and freedoms, would be particularly beneficial for controllers and processors.

The Commissioner has not used its power to set conditions for issuing permits to certification bodies, which, according to the DP Act, would be authorised to issue certificates to controllers and processors as proof of compliance with the DP Act. In addition, neither the DP Act nor any other regulation establishes the competencies and procedures for accrediting legal entities to conduct compliance control of codes of conduct.

The Council expects the Government of the Republic of Serbia to state its position on the impact of the European Commission's Adequacy decision for the EU-US Data Privacy Framework of 10 July 2023 on companies operating in Serbia and to update the 2019 Decision on the List of Countries, Territories, or Sectors of Activities and International Organizations Where an Adequate Level of Data Protection is Considered to be Ensured.

The role of the data protection officer (DPO) in Serbia is still not sufficiently affirmed. Although the DP Act foresees this function, many organisations formally appoint a DPO without ensuring real autonomy or resources. The Commissioner should develop a programme for periodic trainings and certifications of data protection officers.

FIC RECOMMENDATIONS

- Provide the Commissioner with improved working conditions, equipment, and staff to ensure the effective implementation of the DP Act.

- Harmonise the provisions of other laws related to the processing of personal data with the DP Act.
- Regulate special types of personal data processing, such as video surveillance, processing employees' personal data, and processing for scientific and historical research and statistical purposes.
- Amend the DP Act to create conditions for easier transfer of personal data outside of Serbia.
- Intensify the activities of the Commissioner in issuing guidelines to facilitate the implementation and interpretation of the DP Act, specifically guidelines on the implementation of appropriate data protection measures, and the obligation of the controller to inform individuals about data breaches.
- Prescribe conditions for issuing permits to certification bodies.
- Prescribe the competencies and procedures for accrediting legal entities to conduct compliance control of codes of conduct.
- Update the 2019 Decision on the List of Countries, Territories, or Sectors of Activities and International Organizations Where an Adequate Level of Data Protection is Considered to be Ensured, in accordance with the European Commission's Adequacy decision for the EU-US Data Privacy Framework.
- Develop a national register of personal data breaches, accessible to the Commissioner and relevant authorities, to ensure transparency and analysis of security incident trends.
- Introduce mandatory training for all employees processing personal data in the public sector (mandatory modules within public administration).
- Create institutional conditions to better integrate data protection into sectoral laws (healthcare, telecommunications, communications, security).
- Encourage the certification of organizations based on international data protection standards (ISO 27001/27701) through tax incentives or public subsidies. The introduction of certification and accreditation mechanisms could facilitate demonstrating compliance and increase trust among citizens and EU partners.
- Develop the Commissioner's digital platform for e-reporting of violations, requests, and complaints – to enable faster communication between citizens and the supervisory authority.
- The Commissioner should develop a programme for trainings and certification of data protection officers.

LAW ON WHISTLEBLOWERS

1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is necessary to harmonise the Serbian law on the protection of whistleblowers with the EU Whistleblower Directive and supply chain regulation in order to ensure adequate protection of whistleblowers in accordance with the best European practices. This includes revising and amending the law to cover all types of embezzlement, including those within supply chains. To that end, it is necessary to better prescribe the criteria that must be met by the application channels, specifically ensure better application security, as well as the introduction of deadlines that are currently missing, such as the deadline by which the procedure should be completed. It would also be useful to ensure the possibility of reporting not only within the legal entity to which the report refers, but also that it is possible to do it through external institutions. It can also be added that the EU Directive has an established system where competent authorities can determine the priority of the case, thereby ensuring more efficient operation of the system.	2024			√
Increase cooperation with international organisations to ensure compliance with global whistleblower protection standards. Sharing experiences and best practices can help improve the national framework for whistleblower protection.	2024			√
Continue to educate judges, prosecutors, lawyers and employed persons about the rights and obligations under the Whistleblower Protection Law, as well as the best practices related to the protection of whistleblowers, thereby making the legal provisions clearer and more understandable. This will contribute to a better understanding of the law and increase confidence in the system.	2024			√
Update existing reporting mechanisms to cover all the needs of the new legislation and enable reporting of irregularities within supply chains. This includes technical and logistical support for establishing and maintaining the reporting system.	2024			√
Provide appropriate technical and logistical support for the establishment and maintenance of the application system. This implies the development of digital platforms that enable simple and safe reporting of irregularities where any person in the most efficient manner, in plain language can make a claim.	2024			√

CURRENT SITUATION

The Law on the Protection of Whistleblowers (hereinafter: the Law) entered into force on 4 December 2014 and has been in application since 5 June 2015.

The Law regulates whistleblowing, the whistleblowing procedure, the rights of whistleblowers, the obligations of the state and other bodies and organizations, and legal entities and individuals in connection with whistleblowing, as well as other issues of importance for whistleblowing and the protection of whistleblowers.

The Law prohibits retaliation against whistleblowing and protects all persons in work engagement. Besides whistleblowers, under certain conditions, the Law also protects persons connected to the whistleblower, as well as any person wrongly labelled as a whistleblower, holders of public office, and persons seeking information regarding a specific whistleblowing case. The Law also envisages the protection of the whistleblowers' personal data. Abuse of whistleblowing is prohibited.

Whistleblowing can be internal (disclosure to the employer), external (disclosure to an authorized body) or public (dis-

closure of information to the media, through the Internet, at public meetings, or in any other manner in which information can be made available to the public). The employer and the authorized body are also obliged to act based on anonymous tips regarding the disclosed information, within their authority.

In the European Union, whistleblowing through non-governmental organizations and trade unions is a key element in ensuring the protection of workers and citizens, as well as in strengthening the transparency and accountability of institutions and the economy. The inclusion of these mechanisms in the legal framework of Serbia would contribute to the improvement of the fight against corruption and the strengthening of the rule of law, following European standards and best practices.

In order to ensure the protection of whistleblowers, it is necessary to determine the duration of the procedure, that is, establish the maximum possible period for the duration of the procedure. A clearly defined time frame allows complaints to be dealt with properly, reduces the risk of delays and ensures that whistleblowers receive protection and support in a timely manner. In this way, trust in the legal system is strengthened and citizens are more willing to report irregularities, which is essential for the fight against corruption and illegal actions.

External whistleblowing starts with disclosing information to an authorized body, but the Law does not specify which body.

The Law envisages judicial protection of whistleblowers. A claim must be filed within six months of the date of learning of the undertaken adverse action (subjective term), and within three years from the date when the adverse action toward the whistleblower was taken (objective term).

European regulations, such as the EU Whistleblower Directive and the German Supply Chain Due Diligence Act (LkSG), have a significant impact on improving the protection of whistleblowers and can serve as a model for the further development of Serbian legislation, especially in creating a more comprehensive and effective whistleblower system. The directive's requirement that companies establish a reporting system, combined with LkSG's focus on supply chain monitoring, has led to the development of unique reporting systems that satisfy both internal and external mechanisms. This synergy has resulted in improved communication and transparency for whistleblowers, as well as a reduced technical and organizational burden on the reporting system. These regulations also share common goals, such as drawing attention to abuses and promoting responsible reporting. Although there are technical differences between the two laws, such as the requirement for external reports in the LkSG, overall, the EU Whistleblower Directive and the LkSG have created a better environment for whistleblowers, with reporting systems in place and the necessary entities to ensure their protection and support.

In particular, the new EU Whistleblower Protection Directive, which was adopted in 2019, sets standards for the protection of whistleblowers within the European Union, obliging member states to introduce effective mechanisms for the reporting and protection of whistleblowers.

Also, LkSG orders companies with at least 1,000 employees to take responsibility for human rights and environmental protection within their supply chains. The LkSG obliges German companies to establish effective whistleblowing mechanisms to ensure that violations of human rights and environmental standards in supply chains can be reported and adequately addressed. Furthermore, the EU CSDDD (EU Corporate Sustainability Due Diligence Directive) further expands the obligations of companies to include mechanisms for gathering information through whistleblowing especially in the context of sustainability and social responsibility.

The appeal mechanisms provided for in the CSDDD are also a key part of the new requirements, including the source of information for mapping purposes. Although the directive expressly provides for a link with the whistleblowing directive, existing whistleblowing schemes are unlikely to cover all the requirements of the regulation and will need to be updated.

The aforementioned improvements have established comprehensive reporting mechanisms, reducing organizational burden and increasing transparency for whistleblowers and complainants.

POSITIVE DEVELOPMENTS

Bearing in mind that there were no changes in the legislative framework in this area, including by-laws, there was no closer definition of the concept of authorised body, nor the relationship between internal and external whistleblowing.

In the same context, criminal offences related to whistleblowing were not foreseen in the previous period, as well as rules on rewarding whistleblowers were not introduced.

REMAINING ISSUES

- Existing reporting systems may not meet all the requirements of the new regulations. On the other hand, there was no amendment of the Criminal Code, where, as an alternative to the option mentioned above, such criminal acts would be prescribed especially with respect criminal acts against environment and health of people, corruption.
- The integration of reporting systems for internal and external complaints can be challenging, making it difficult to implement effective safeguards.
- Whistleblowers continue to face the risk of retaliation. Although the law provides protection, practice shows that retaliation still occurs, creating uncertainty for potential whistleblowers.
- Existing laws may not provide enough protection for whistleblowers from retaliation and other negative consequences.
- Although the adoption of this Law was a significant step, some provisions are contradictory or incomprehensible, and in some segments the Law should be more precise.

FIC RECOMMENDATIONS

- It is necessary to harmonise the Serbian law on the protection of whistleblowers with the EU Whistleblower Directive and supply chain regulation in order to ensure adequate protection of whistleblowers in accordance with the best European practices. This includes revising and amending the law to cover all types of embezzlement, including those within supply chains. To that end, it is necessary to better prescribe the criteria that must be met by the application channels, specifically ensure better application security, as well as the introduction of deadlines that are currently missing, such as the deadline by which the procedure should be completed. It would also be useful to ensure the possibility of reporting not only within the legal entity to which the report refers, but also that it is possible to do it through external institutions. It can also be added that the EU Directive has an established system where competent authorities can determine the priority of the case, thereby ensuring more efficient operation of the system.
- Increase cooperation with international organisations to ensure compliance with global whistleblower protection standards. Sharing experiences and best practices can help improve the national framework for whistleblower protection.
- Continue to educate judges, prosecutors, lawyers and employed persons about the rights and obligations under the Whistleblower Protection Law, as well as the best practices related to the protection of whistleblowers, thereby making the legal provisions clearer and more understandable. This will contribute to a better understanding of the law and increase confidence in the system.
- Update existing reporting mechanisms to cover all the needs of the new legislation and enable reporting of irregularities within supply chains. This includes technical and logistical support for establishing and maintaining the reporting system.
- Provide appropriate technical and logistical support for the establishment and maintenance of the application system. This implies the development of digital platforms that enable simple and safe reporting of irregularities where any person in the most efficient manner, in plain language can make a claim.

LAW ON PUBLIC NOTARIES 1.40

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Allow parties to control their requests regarding the real estate cadastre in cases where the notary, as the obligatory submitter, submits a request on their behalf.	2019			√
Reduce public notary service fees and adjust them to the financial capacities of citizens and businesses.	2017			√
Improve and more efficiently integrate communication between public notaries and state authorities.	2020		√	
Standardize the practice among public notaries and ensure consistent application of the Public Notary Chamber's guidelines.	2020		√	
Prescribe effective mechanisms that parties can use to ensure consistent and uniform practices among public notaries.	2024			√

CURRENT SITUATION

Since the entry into force of the Law on Public Notary (Official Gazette of the Republic of Serbia, No. 31/2011, 85/2012, 19/2013, 55/2014 - other law, 93/2014 - other law, 121/2014, 6/2015, 106/2015 and 94/2024), the institution of public notaries has significantly contributed to legal security and efficiency of transactions in the territory of the Republic of Serbia. The main features of the current state include:

1. **Relieving the courts:** The introduction of notaries has significantly reduced the burden on the courts, since certain activities that were previously within the jurisdiction of the courts (such as notarization of contracts and other documents, conducting probate proceedings, etc.) have been transferred to notaries. Also, due to legally correct documents certified by a notary, the number of court disputes in the areas of property law has been reduced, which further contributes to the relief of judges.

2. **Legal certainty:** Public notaries play a key role in ensuring legal certainty in legal transactions, especially in areas such as real estate transactions, probate proceedings, the establishment of liens and the conclusion of other contracts. Public notaries carry out checks on the legality of the legal transaction that is the subject of certification, as well as checks related to the parties themselves, i.e. whether the parties have the appropriate powers to conclude the contract and dispose of their rights in accordance with the agreed terms.

3. **Availability of services:** Over time, the number of notaries has increased significantly, which has made their services more accessible to businesses. Improved geographical coverage makes it easier to access these services and allows faster appointments for certifications.

4. **Technological improvements:** The application of modern technologies, including networked databases and communication platforms with other state authorities, has improved the efficiency of notaries' work. This digitalization has shifted the burden of collecting additional documentation for certification purposes from parties to notaries, which has accelerated transactions and reduced costs for clients.

In 2025, notaries in Serbia continue to play an important role in the legal system, ensuring legal certainty, authenticity of evidence and protection of citizens' rights. In addition to the above, notaries face challenges arising from the need for technological, administrative and structural changes.

POSITIVE DEVELOPMENTS

Efficient communication between notaries, state institutions and citizens is crucial for faster, better and more transparent provision of notary services. With the adoption of the Law on the Procedure for Registration in the Real Estate and Infrastructure Cadastre ("Official Gazette of the Republic of Serbia", No. 41/2018, 95/2018, 31/2019, 15/2020 and 92/2023) and the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Commerce ("Official Gazette of the Republic of Serbia", No. 94/2017 and 52/2021), public notaries have become the so-called "persons obliged to submit" to the Real Estate and Utility Cadastre. This implies that notaries are obliged, within 24

hours after the certification of documents suitable for registration in the Real Estate Cadastre, to electronically submit this document to the Real Estate Cadastre for the purpose of registering rights, as well as to issue a certificate to the parties. These procedures have significantly accelerated the process of implementing changes in the Real Estate Cadastre and reduced the risk of the parties influencing the transaction with unauthorized disposals aimed at preventing the implementation of changes in the Real Estate Cadastre.

Public notaries have undertaken the obligation to submit to the Real Estate Cadastre tax returns for the determination of the tax on the transfer of absolute rights, inheritance and gift tax, as well as the application for the determination of property tax in connection with the transaction that is the subject of certification for natural persons. These tax returns are subsequently submitted to the competent tax authorities by the Cadaster. In practice, there has been a clearer and greater insight into the transactions carried out, and the Tax Administration has certainly increased the efficiency in determining and collecting these taxes.

REMAINING ISSUES

In order to modernize the work of notaries, increase efficiency and improve the service they provide to citizens and businesses, additional changes are necessary in the technological approach, changes in legislation, additional organization of the work of notaries and professional development of both notaries and users of their services.

The current Law on Public Notaries does not follow the digital transformation of the administration and economy in Serbia. It is necessary to further reduce slow processes that are carried out manually (verification of signatures, verification of real estate status, implementation of inheritance procedures). In the current system, after the certification of the act by which the change in the real estate cadastre is made, the public notary is obliged to electronically enter all documents in the application for communication with the cadastre and the tax administration. However, in addition to the digital entry of documentation, the public notary must manually enter all relevant data from the documentation, which are then manually re-entered into their system by the real estate cadastre officials.

Secondly, the issue of rewards and compensation for the services of notaries, which appeared to be relevant in the previous period, due to the fact that the amounts of fees are significantly higher compared to the fees charged by courts and municipalities for the same services, has been further actualized by the amendment to the Notarial Tariff in 2025, which has determined a new, higher value of the point, and the awards and fees for all services of notaries have been increased many times over. An increase in costs of about 100% compared to the previous amounts is significantly noticeable in probate proceedings and certification of signatures and documents, while in the case of certification of contracts and pledge statements, the fee has increased by about 30%.

In addition to some improvements, the existing legal solutions have also brought new practical problems. In situations where the notary delivers the document on official duty, the party in whose favor the entry in the real estate cadastre is made, no longer has the possibility to withdraw, change or postpone the sending of the certified document, nor can he participate in the registration procedure. This situation is not in line with the practice of the comparative legal systems of the neighbouring countries, where the parties are allowed greater flexibility in these procedures. Although this problem has existed for a long time, little has been done to solve it so far.

Additional problems include inconsistent practices among notaries, as well as the requirement of some notaries for additional documentation or compliance with notarization requirements that are not explicitly prescribed by law. This practice leads to legal uncertainty and unpredictability that makes it difficult for the parties to plan their transactions, given that in the process of negotiating the terms of the contract, the parties often have to consult with notaries public in order to obtain confirmation as to whether certain terms of the contract would be acceptable for certification.

It is also noticeable that public officials, courts, the Business Registers Agency and other state bodies and public institutions use different systems with databases that are not fully interconnected. Although the e-government system provides easier use and access to numerous databases of the Ministry of the Interior, Tax Administration and Cadastre, notaries are still not provided with access to data from this portal without additional requirements. The use of existing interconnected databases would further contribute to the acceleration of the process, the reduction of errors in work, the reduction of corruption and a more transparent operation of the notarial system.

FIC RECOMMENDATIONS

- For additional changes and improvements in the work of notaries, it is necessary to amend the existing Law on Public Notaries, which would clearly define the digital certification of documents, the use and distribution of electronic documents, all in order to simplify procedures and harmonize with the practice of notaries in the region and the European Union, but also with a clear intention of Serbia to go further in the direction of digitalization of the business of administration and state bodies. This would also make it easier and simpler to recognize notarial documents abroad.

- Additional work needs to be done on the standardization of practice between notaries and the consistent application of the guidelines of the Chamber of Notaries. This is especially true in situations where notaries refuse to certify certain documents for reasons that are not provided by law as reasons for refusing certification.

- In order to improve communication between notaries and other state authorities and public companies, it is necessary to provide notaries with access to the existing e-government database without additional requirements, as well as to enable them to initiate certain registrations of rights in the real estate cadastre (e.g. registration of lease rights), as is the case in certain comparative European legal systems.

- All this certainly includes continuous training of notaries on new laws and technological processes, improvement of the notarial system throughout Serbia by enabling the availability of notaries in parts of Serbia where they are not yet present.

- Regarding the remuneration of notaries, although the first correction of fees since the establishment of the notarial system in Serbia was made in 2025, additional work is needed to adjust the amount to the financial capabilities of citizens and the economy.

TAX

1.29

Predictable Tax Policy – Key to Reform and Digitalization

Predictable tax policy, along with timely consultations with the business sector, is imperative for the efficient implementation of tax reform and digitalization processes.

Role of the FIC Tax Committee
The FIC Tax Committee monitors the alignment of Serbian tax legislation with EU standards, the application of existing laws, and the impact of tax regulations on member companies.

Global Initiatives and OECD Framework
Serbia participates in global initiatives against tax avoidance and evasion through the OECD BEPS (Base Erosion and Profit Shifting) framework, including Country-by-Country Reporting and the application of MLI (Multilateral Instruments) to prevent double taxation. However, the implementation of the OECD Pillar 2 initiative on a global minimum tax of 15% has not yet been considered, which may affect the competitiveness of tax incentives for foreign investors. The Tax Committee has proposed that the Ministry of Finance communicate plans regarding this initiative in a timely and transparent manner.

Bilateral Cooperation and Trade Agreements
Expansion of bilateral cooperation is positive – Serbia signed Free Trade Agreements during the year with: United Arab Emirates and Egypt.

Tax System Digitalization
The most significant focus in the past year relates to:
- Improvement of the e-invoice system
- Introduction of e-excise stamps
- Implementation of e-Delivery note, in progress (first deadline: January 1, 2026)

These changes are expected to contribute to simpler reporting for businesses and more accurate insight for the Tax Administration into company operations.

Challenge: Businesses must adapt their information systems, which requires significant time and resources. A current example is the implementation of the e-Delivery note, for which legal inconsistencies still exist, and the set deadline poses challenges for adjusting new processes and systems.

Necessary Improvements in Tax Policy
In addition to indirect taxes (VAT, excise duties, customs), which are being aligned with the needs of electronic business, further improvements are needed in the areas of personal income tax, property tax, and parafiscal charges to eliminate deficiencies that have been known for years but remain unresolved. Partial solutions to meet short-term needs lead to a lack of horizontal and vertical tax fairness, increasingly evident and hindering business operations. Considering that other tax laws have not been amended, there has been no progress on issues highlighted by the Foreign Investors Council for years.

Key Recommendations of the Tax Committee
- Implement predictable tax policy with consultations with the business sector
- Timely publication and public discussion of planned amendments
- Simplification and clear interpretation of regulations
- Reduction of fiscal burden and parafiscal charges through a transparent register
- Strengthening the capacity and communication of the Tax Administration
- Decisive measures against the gray economy for better tax collection

The Tax Committee will continue to actively participate in dialogue and present member's positions on relevant issues concerning the improvement of tax regulations and practices.

A. CORPORATE INCOME TAX (CIT) 1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Cancel or amend the controversial opinions of the Ministry of Finance on the tax treatment and documenting of reimbursement of employees' commuting expenses.	2019			√
Supplement the CIT Law with provisions to regulate taxation of company restructuring, treatment of liquidation or bankruptcy remainder that is below the threshold of invested capital, and through by-laws, provide guidelines on taxation of permanent establishments. Consistent interpretation and application of the domestic tax law and provisions of the international tax treaties on transactions with a foreign element should be ensured.	2010			√
Aligning domestic practices with respect to withholding tax with the best international practices and definitions applied in the relevant international treaties, (especially with respect to the treatment of proprietary software licensing). Introduce monthly, quarterly or annual filing of tax returns for withholding tax on services, in accordance with customary international practices, instead of filing a tax return for each taxable transaction separately. Also, confirmation on paid withholding tax should be automatically generated in the Tax Administration's system and obtained upon filing and payment of withholding tax, rather than through a separate procedure.	2012			√
Revisit the currently applicable rule that only paid taxes are recognized as an expense in the tax balance sheet and align the above provision with the IFRS rules that do not impose the payment of taxes as a condition for their recognition as an expense in the Profit and Loss Account.	2010			√
"Introduce detailed tax depreciation rules which will allow for the proper classification and depreciation of specific assets such as windmills, oil rigs etc. in accordance with their economic and useful life. Revise the CIT Law and Rulebook governing regulations on the classification of fixed assets by groups and the manner of determining depreciation for tax purposes to resolve the following issues: – Tax depreciation expenses should be recognized for fixed assets acquired before 2013 (present in the accounting records on 1 January 2013) whose individual value at the time of purchase did not exceed the amount of the average gross salary of an employee in Serbia. We suggest that this change be implemented in the Rulebook governing regulations on the classification of fixed assets by groups and the manner of determining depreciation for tax purposes. – Further clarify the method of calculation and recognition of tax depreciation costs for the first group of fixed assets, as at 31 December 2003 that caused numerous dilemmas and controversial interpretations in practice. – In case of acquisition of a bankruptcy debtor as a legal entity, tax depreciation should be calculated based on a proportionate share of the purchase price allocated to relevant assets."	2015			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Introduce tax incentives for investments in fixed assets amounting to less than RSD 1 billion in the form of a tax credit or reduced corporate income tax rate over a certain period, and in proportion to the amount invested.	2014			√
Prescribe that the historical cost model should apply for taxation purposes to assets for which the IFRS provides a free choice between historical cost and fair value accounting, irrespective of the chosen accounting method, to ensure the uniform and equitable tax treatment of taxpayers. However, if the intention is to allow application of the fair value model for taxation purposes, amend the rules relating to tax deductibility of impairment expenses, so that it is clear that decreases in the fair value of assets accounted for under the fair value model are not a nondeductible impairment, and so that fair value increases and decreases are treated equitably.	2017			√
Align the CIT law with accounting requirements set by new standards, including IFRS 9.	2023			√
Since the corporate income tax application and accompanying forms are submitted through the eTaxes portal, taxpayers should be allowed to submit transfer pricing reports in the same way. In this way, the cost of printing and storing reports in paper form would be avoided, the quality of data related to the determination of tax liability would be improved, and the reports would be more easily accessible.	2022			√

CURRENT SITUATION

The taxation of companies in Serbia is governed by the Law on Corporate Income Tax (hereinafter: the CIT Law) and ratified international agreements. The implementation of certain provisions of the CIT Law is regulated by several by-laws.

On November 27, 2024, the CIT law was amended and its new provisions entered into force on January 1,2025. The amendments will be addressed in this year's White Book edition.

POSITIVE DEVELOPMENTS

The recent amendments to the CIT law stipulate that, in the event of a taxpayer's liquidation or bankruptcy, the liquidation or bankruptcy trustee is responsible for filing CIT return and tax assessment form throughout the proceedings, as well as at their suspension or conclusion. Additionally, members of the liquidated company bear joint and several liability for any CIT obligations identified in tax returns filed after the completion of the liquidation process, up to the value of assets individually distributed to them during liquidation.

In the case of the deletion of a branch of a non-resident taxpayer, the deadline for submitting the tax return and tax balance has been specified as 60 days from the date of registration of the branch deletion, with the reporting date being the day preceding the date of registration of that decision with the Serbian Business Registers Agency (APR).

Regarding the question of who is responsible for submitting tax returns in the case of status changes, the amendments specify that in the event of a status change resulting in the termination of a company, the tax return must be submitted by the legal successor of the company that ceased to exist, within 60 days from the date of registration of the status change with the APR. Additionally, in cases of status changes involving division or spin-off, the legal successors are required to submit a report to the Tax Administration on the implementation of the division of rights and obligations within 60 days from the date of registration of the status change with the APR.

The above-described amendments clarify who is responsible for tax compliance (i.e., filing of tax returns) in cases where legal entity ceases to exist which was not the case in the past.

REMAINING ISSUES

I. In 2019, the Ministry of Finance issued a few opinions on the tax treatment and documentation of reimbursement

of employees' commuting expenses that caused a negative backlash from the business community and legal uncertainty among taxpayers. The opinions introduce cumbersome requirements for documenting these expenses, which is contrary to labour and tax laws, to the stance taken by the Supreme Court of Cassation and some previous opinions of the Ministry of Finance. As such, these opinions should be cancelled or amended without further delay.

II. The lack of regulations or their vagueness with respect to certain situations and issues lead to different interpretations consequently causing problems for taxpayers in practice. Specifically, the provisions governing the taxation of a permanent establishment are still incomplete and insufficiently clear; the CIT Law does not contain provisions regulating the taxation of company restructuring or provisions governing the treatment of losses arising from the liquidation or bankruptcy estate surplus. Consistent interpretation and application of the domestic tax law to transactions with a foreign element and of double tax treaties is increasingly important considering the ratification of the Multilateral Convention.

III. Occasionally, interpretations by the Ministry of Finance pertaining to withholding tax differ from provisions of the relevant double tax treaties and best international practices, especially in cases of proprietary software licensing. This leads to legal uncertainty and increases the tax burden for taxpayers, contrary to the rights provided in the relevant double tax treaties. Also, filing separate tax returns for withholding tax on services for each taxable payment of income subject to withholding tax is an administrative burden for businesses. Finally, the procedure for obtaining confirmation of paid withholding tax should be simplified and streamlined. In addition, taxpayers are faced with disproportionately long resolving tax issues procedures, such as deciding on the (non) existence of the obligation to pay capital gains tax with an element of foreignness. Consequently, this puts taxpayers in a situation where the realized funds, received through a non-resident account, cannot be taken out of the Republic of Serbia due to the slow action of the tax authorities, which again has the consequence of creating an unfavourable business climate.

IV. New rules on tax depreciation were introduced for newly acquired non-current assets from 1 January 2019. However, tax depreciation rules applicable to non-current assets acquired before 2019 remained largely unchanged since 2004, and their application in the contemporary business environment causes many difficulties and problems. Also, properly regulating the classification and depreciation of specific assets (e.g. windmills, oil rigs etc.) is particularly important. Provisions of the law pertaining to the method for calculating tax depreciation for assets acquired before 2019 continuously create discrepancies and permanently unrecognized expenses in the tax balance sheet in cases where, at the moment of disposal of an asset, the current accounting value is lower than the current tax value of that asset, as well as in cases where a fixed asset is being disposed of, where that asset was not previously depreciated for tax purposes, as its cost value at the moment of purchase was lower than the average salary in Serbia. The Ministry of Finance issued an opinion in 2017 which gave rise to additional dilemmas about the cessation of tax depreciation for written-off assets. Tax depreciation is not calculated on fixed assets purchased before changes to the CIT Law from the beginning of 2013, and whose individual value was below the average gross salary at that time. During 2015 and the first half of 2016, the Ministry of Finance published opinions regarding the method of calculation of the cost and recognition of tax depreciation for the first group of fixed assets on 31 December 2003, causing numerous dilemmas and controversial interpretations in practice. The Ministry of Finance issued an opinion in 2017 regarding the method of calculation of tax depreciation of assets in case of acquiring a bankruptcy debtor as a legal entity and took the position that tax depreciation should be calculated in the same way as before the filing of a bankruptcy petition. We are of the view that this is a debatable interpretation and that it would be more appropriate to calculate tax depreciation on the basis of a proportionate share of the purchase price allocated to relevant assets.

V. Accounting regulations, i.e. International Financial Reporting Standards (IFRS), provide for the possibility to either opt for the cost model or the fair value model for certain types of assets (investment property, biological assets, and financial assets). The CIT Law does not have clear rules regarding assets measured at fair value. Unrealized gains from the increase of fair value of assets are taxed before the asset is disposed of, i.e. before the gain is realized. The CIT Law does not clearly distinguish between impairment of assets and decrease of fair value of assets (e.g. investment property), for which the IFRS prescribes different rules and treatment. As a result, the decrease of fair value of assets is interpreted as an

impairment expense which is non-deductible until such assets are sold. On the other hand, every increase of fair value of assets is immediately taxable. This results in an unfair increase of taxable income for taxpayers. Due to the application of IFRS 9 which is mandatory since 2020, taxpayers are obligated to write-off receivables that have been outstanding for less than 60 days and therefore, in accordance with the CIT law, an unrecognized tax expense occurs in the period in which the write-off is made. As a result, this leads to continuous temporary differences between accounting and tax values due to misalignment of the law with the new IFRS.

VI. Taxpayers cannot submit transfer pricing reports electronically when filing the corporate income tax return and accompanying forms via the e-Portal. This makes it difficult to access information and collect data relevant for determining the tax base.

VII. The existing tax incentive is inapplicable for investments below a certain, high threshold, which leaves a significant segment of the economy (predominantly small and medium-sized enterprises (SMEs)) without adequate tax support for modernisation and capacity expansion.

FIC RECOMMENDATIONS

I. Cancel or amend the controversial opinions of the Ministry of Finance on the tax treatment and documenting of reimbursement of employees' commuting expenses.

II. Supplement the CIT Law with provisions to regulate taxation of company restructuring, treatment of liquidation or bankruptcy remainder that is below the threshold of invested capital, and through by-laws, provide guidelines on taxation of permanent establishments. Consistent interpretation and application of the domestic tax law and provisions of the international tax treaties on transactions with a foreign element should be ensured.

III. Aligning domestic practices with respect to withholding tax with the best international practices and definitions applied in the relevant international treaties, (especially with respect to the treatment of proprietary software licensing). Introduce monthly, quarterly or annual filing of tax returns for withholding tax on services, in accordance with customary international practices, instead of filing a tax return for each taxable transaction separately. Also, confirmation on paid withholding tax should be automatically generated in the Tax Administration's system and obtained upon filing and payment of withholding tax, rather than through a separate procedure.

IV. Introduce detailed tax depreciation rules which will allow for the proper classification and depreciation of specific assets such as windmills, oil rigs etc. in accordance with their economic and useful life. Revise the CIT Law and Rulebook governing regulations on the classification of fixed assets by groups and the manner of determining depreciation for tax purposes to resolve the following issues:
   - Tax depreciation expenses should be recognized for fixed assets acquired before 2013 (present in the accounting records on 1 January 2013) whose individual value at the time of purchase did not exceed the amount of the average gross salary of an employee in Serbia. We suggest that this change be implemented in the Rulebook governing regulations on the classification of fixed assets by groups and the manner of determining depreciation for tax purposes.
   - Further clarify the method of calculation and recognition of tax depreciation costs for the first group of fixed assets, as of 31 December 2003 that caused numerous dilemmas and controversial interpretations in practice.
   - In case of acquisition of a bankruptcy debtor as a legal entity, tax depreciation should be calculated based on a proportionate share of the purchase price allocated to relevant assets.

V. Prescribe that the historical cost model should apply for taxation purposes to assets for which the IFRS provides a free choice between historical cost and fair value accounting, irrespective of the chosen accounting method, to

ensure the uniform and equitable tax treatment of taxpayers. However, if the intention is to allow application of the fair value model for taxation purposes, amend the rules relating to tax deductibility of impairment expenses, so that it is clear that decreases in the fair value of assets accounted for under the fair value model are not a non-deductible impairment, and so that fair value increases and decreases are treated equitably. Align the CIT law with accounting requirements set by new standards, including IFRS 9.

VI. Since the corporate income tax application and accompanying forms are submitted through the e-Taxes portal, taxpayers should be allowed to submit transfer pricing reports in the same way. In this way, the cost of printing and storing reports in paper form would be avoided, the quality of data related to the determination of tax liability would be improved, and the reports would be more easily accessible.

VII. Introduce tax incentives for investments in fixed assets amounting to less than RSD 1 billion in the form of a tax credit or reduced corporate income tax rate over a certain period, and in proportion to the amount invested.

B. PERSONAL INCOME TAX 1.22

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Repeal or amend the disputed opinion of the Ministry of Finance regarding tax treatment and documentation required for the reimbursement of commuting costs of employees to and from work and amend the Law so that the documentation requirement is revoked or harmonized with the earlier judgment of the Supreme Court of Cassation.	2020			√
The application of schedular personal income taxation is still in force and this remains a problem of the Serbian system of taxation of personal income. Therefore, the Government of Serbia should consider the introduction of a synthetic taxation system, which is present in many advanced tax systems.	2008			√
The recommendation refers to the timely adoption of an appropriate bylaw that will regulate in detail the issue of per diems for business trips and reimbursement of expenses.	2017			√
The recommendation is to clearly define and specify the stance on the tax treatment of interest-free loans (i.e. loans with interest rates lower than market rates) granted by employers to employees through amendments to the Law, and to express this stance through an official explanation that would provide greater legal certainty in this regard.	2017			√
We believe it is necessary to establish cooperation between the Ministry of Finance and the Ministry of Labour, Employment, Veteran and Social Affairs in order to ensure the proper implementation of relevant regulations, specifically treating compensation for unused annual leave as compensation for damages (as recognized by the Labour Law) rather than as income.	2017			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Recognizing that social security rights represent one of the fundamental social and economic rights of employees or engaged individuals, we emphasize the importance of harmonizing certain provisions of regulations to enable foreign individuals seconded to work in Serbia (without establishing an employment relationship) and domestic citizens employed by foreign employers to be registered for mandatory social security. Additionally, we note that the Republic of Serbia should expand the network of international agreements regulating social security in order to avoid double payment of contributions.	2017		√	
Although progress has been made in terms of electronic communication, we believe there is significant room for increasing the functionality of the E-tax platform, as well as communication between taxpayers and the Tax Administration via email. It is necessary to expand the range of actions that can be carried out through the E-tax platform and introduce digital profiles for taxpayers.	2020		√	
In addition to the progress made in taxing freelancers and aligning the fiscal burden they face with that of taxpayers who have received the same types of income from payers under the Law, it is necessary to continue with further positive development of regulations, both in tax and labour law, in order to adequately regulate the position of individuals who have valid employment contracts with foreign employers in accordance with the regulations of the jurisdiction of the entity that engaged them. It is necessary to clearly define and specify in which cases and whether there is an obligation to calculate and pay taxes and contributions based on the lowest base according to the Contract on Rights and Obligations of Directors when directors do not receive compensation for work in the company and when they are employed by another employer, or when non-resident individuals are involved. The recommendation is to clearly specify whether there is an obligation to determine compensation in these cases, and if so, to establish a minimum amount of compensation (e.g. minimum contribution bases) for Directors of companies who have concluded contracts outside of an employment relationship and do not receive compensation for work in the company.	2023			√
The recommendation is for the Tax Administration to review and align the codes for types of income for income of individuals outside of an employment relationship in accordance with the Law on Social Contributions.	2023			√

CURRENT SITUATION

Taxation of personal income in Serbia is based on the schedular income tax system which has been abandoned by many advanced tax jurisdictions as unclear and unfair.

The Personal Income Tax (PIT) Law as the key regulatory instrument recognizes several categories of taxable income. Depending on each individual case, personal income tax is paid: (i) as withholding tax, (ii) based on the decision of the relevant tax authority or (iii) by self-assessment.

In 2025, there were no significant changes to the Law on Personal Income Tax, nor to by-laws. As every year, the non-taxable amounts of personal income tax in dinars and the amounts of average monthly wages are harmonized. Moreover, a new provision was added under Article 9, paragraph 1, point 32 of the PIT Law, specifying that income earned in accordance with the Law governing the establishment of a guarantee scheme and the subsidisation of a portion of mortgage interest, as a measure to support young people in purchasing their first residential property, is exempt from personal income tax liability.

Upon the ending of this White Book edition, Ministry of Finance announced public consultations on the Draft Law on Amendments to the Personal Income Tax Law, which will be addressed in the next White Book edition.

POSITIVE DEVELOPMENTS

In 2025, there were no significant changes to the Law on Personal Income Tax and related by-laws, and therefore no improvement in terms of the remaining issues.

REMAINING ISSUES

I. Free public transport in Belgrade began on 1 January 2025, and in Niš on 1 July 2025. This development has generated numerous uncertainties for employers regarding the reimbursement of commuting expenses (travel to and from work). The ambiguities intensified after the ministries responsible for labour and finance issued their respective opinions.

   The Finance Ministry's opinions reaffirm the positions adopted by the Ministry of Labour. The essential interpretation derived from these opinions is that any payment made to an employee as a reimbursement of transportation costs must be classified as a "reimbursement of expenses" under Article 118, paragraph 1, point 1 of the Labour Law. Consequently, the reimbursement may exceed the actual price of a public transportation ticket, and, in any case, such reimbursement is not to be regarded as remuneration or as "other income" under Article 120, point 4 of the Labour Law.

   We consider the positions expressed in the aforementioned opinions to be unsupported by the Labour Law. Specifically, Article 118, paragraph 1, point 1 of the Labour Law refers exclusively to reimbursements that are equal to the price of a public transportation ticket. Any amount exceeding the statutory limit (as set out in Article 8, paragraph 2 of the Labour Law) should be treated as "other income" under Article 120, point 4, which is, in turn, deemed earnings in accordance with Article 105, paragraph 3.The underlying premise of the ministries' opinions is that the Labour Law fixes the ticket price as the benchmark for transportation cost reimbursements because, at the time of drafting, the possibility of free public transport had not been contemplated. Now that free public transport is a reality, it is highly plausible that the legislator would define the reimbursement benchmark differently or provide several alternative methods for calculating transport-cost reimbursements.

II. Amendments to the Law from the end of the 2022 have stipulated that transportation costs for commuting to and from work must be documented in order for their reimbursement to be non-taxable up to a certain amount, but it is not specified what constitutes documented expenses. This has deepened the problem that arose from the issuance of the controversial opinion of the Ministry of Finance in 2019, which has caused negative reactions from the economy, different approaches in practice, and has imposed unnecessarily complicated requirements on taxpayers regarding the documentation of such expenses. The Finance Ministry's opinions from 2025 on the topic of the tax treatment of travel expense reimbursement to and from work have given examples regarding the documented costs however only for the case of company cards/vouchers, thus it is still required to precisely define what constitutes documented costs.

III. In the field of reimbursement of expenses for business trips abroad, there have been no advancements. This area is still not regulated in an appropriate manner, nor have there been any amendments to the Law that would help solve this problem. The same controversial provisions are still in force, which indicate that the amount of per diem is determined in accordance with the decision of a state authority, which creates uncertainties regarding which acts of state authorities it refers to. As a result, tax inspectors often use the provisions of the Regulation on Compensation of Costs and Severance Pay for State Officials and Employees, even though it exclusively regulates the public sector.

IV. Furthermore, the latest amendments to the Law do not mention the tax treatment of interest-free loans, i.e. loans with interest rates lower than market rates, provided by employers to employees. It remains unclear whether the granting of such a loan is considered a benefit or not.

V. Compensation for damages related to unused annual leave, which is paid to an employee who has not used their annual leave during their employment, is still treated as income. The reasons why the Ministry of Finance has decided on this tax treatment remain unclear, considering that the Labour Law states that this payment is compensation for damages, not income. This clearly implies that a satisfactory level of cooperation between these

two competent ministries has not yet been achieved, at least regarding the mentioned tax treatment.

VI. The tax treatment of individuals based on Contracts on Rights and Obligations of Directors outside of an employment relationship, when the representative of the company is in an employment relationship with another employer, or when the representative of the company is a non-resident individual and does not receive compensation for work in the company, causes certain uncertainties and divided interpretations in practice. The Labour Law does not prescribe the obligation of a contracted remuneration for directors, the payment schedule, and does not define the criterion for determining the amount or assessing the adequacy of the remuneration (the Ministry of Finance introduces the concept of adequate remuneration - Opinion no. 011-00-1137/2018-04). Even though recent opinions of the Ministry of Labour 011-00-00416/2021-07 from 15.10.2021 and 011-00-00383/2021-07 from 8.12.2021. have specified that the remuneration for the work of directors is a mandatory element of the Contract on the Rights and Obligations of Directors who are not in an employment relationship with the employer, it is still necessary to legally define the amount of adequate remuneration for the directors. The minimum amount of remuneration for the work of directors has not been determined by legislation, i.e. there are no minimum amounts prescribed by law, as is the case with salaries.

VII. Certain income type codes defined by the Rulebook on Tax Return for Withholding Tax are not adapted to the method of calculating taxes and contributions in accordance with the Law on Personal Income Tax and the Law on Contributions when it comes to Contracts outside of an employment relationship and cannot be applied in practice.

VIII. Due to the way in which the method of calculation of taxable net income for the purposes of calculating the annual tax is defined, taxpayers who have already paid tax abroad on income earned from abroad, are unable to use this tax as a tax credit in full and are exposed to double taxation. This arrangement directly affects experts whose expertise is in demand abroad, who, because of their wish to continue living and working in Serbia, suffer the burden of double taxation for the same type of income.

The law does not clearly define how qualified newly employed individuals, once they lose the right to this tax relief with their current employer, can regain the same right. Namely, the individual is the holder of the tax relief, and according to the opinion of the Ministry of Finance no. 011-00-59/2020-04 of February 11, 2020, a qualified newly employed individual, when terminating an employment relationship with one employer and establishing it with another, can still apply the tax relief, but in a situation when this right is lost with the same employer, it is not possible to regain it. The law should clarify this part so that taxpayers are not misled into thinking that once lost, the right can be regained.

FIC RECOMMENDATIONS

I. Since the Labour Law provides no alternative basis for calculating transport cost reimbursements other than the price of a public transport ticket, we consider that, in light of the new circumstances that did not exist when the Labour Law was enacted (i.e., free public transport), the legislature should amend the law. Such amendments would eliminate the present ambiguities and uncertainties that employers now face regarding this issue.

II. Repeal or amend the disputed opinion of the Ministry of Finance regarding tax treatment and documentation required for the reimbursement of commuting costs of employees to and from work and amend the Law so that the documentation requirement is revoked or harmonized with the earlier judgment of the Supreme Court of Cassation.

III. The recommendation refers to the timely adoption of an appropriate bylaw that will regulate in detail the issue of per diems for business trips and reimbursement of expenses.

IV. The recommendation is to clearly define and specify the stance on the tax treatment of interest-free loans (i.e. loans with interest rates lower than market rates) granted by employers to employees through amendments to the Law, and to express this stance through an official explanation that would provide greater legal certainty in this regard.

V. We believe it is necessary to establish cooperation between the Ministry of Finance and the Ministry of Labour, Employment, Veteran and Social Affairs in order to ensure the proper implementation of relevant regulations, specifically treating compensation for unused annual leave as compensation for damages (as recognized by the Labour Law) rather than as income.

VI. It is necessary to clearly define and specify in which cases and whether there is an obligation to calculate and pay taxes and contributions based on the lowest base according to the Contract on Rights and Obligations of Directors when directors do not receive compensation for work in the company and when they are employed by another employer, or when non-resident individuals are involved. The recommendation is to clearly specify a minimum amount of compensation (e.g. minimum contribution bases) for Directors of companies who have concluded contracts outside of an employment relationship and do not receive compensation for work in the company.

VII. The recommendation is for the Tax Administration to review and align the codes for types of income for income of individuals outside of an employment relationship in accordance with the Law on Social Contributions.

VIII. It is necessary that annual personal income tax return form be aligned with Article 12 of the Law (the right to tax credit) and agreements on the avoidance of double taxation, i.e., the taxpayer should be allowed the right to use the tax credit.

IX. The application of schedular personal income taxation is still in force and this remains a problem of the Serbian system of taxation of personal income. Therefore, the Government of Serbia should consider the introduction of a synthetic taxation system, which is present in many advanced tax systems.

X. Recognizing that social security rights represent one of the fundamental social and economic rights of employees or engaged individuals, we emphasize the importance of harmonizing certain provisions of regulations to enable foreign individuals seconded to work in Serbia (without establishing an employment relationship) and without applicable Social Security Convention to be registered for mandatory social security. Additionally, we note that the Republic of Serbia should expand the network of international agreements regulating social security in order to avoid double payment of contributions.

XI. Although progress has been made in terms of electronic communication, we believe there is significant room for increasing the functionality of the E-tax platform, as well as communication between taxpayers and the Tax Administration via email especially for the individuals whose income from abroad has been subject to temporary assessment audits and to whom Tax Authority has been issuing the assessments via regular postal services while they are living abroad without the possibility to obtain the assessments. It is necessary to expand the range of actions that can be carried out through the E-tax platform and introduce digital profiles for taxpayers.

XII. In addition to the progress made in the taxation of freelancers, namely the significant alignment of the fiscal burden borne by these taxpayers with that borne by those receiving the same types of income from payers under the Law, it is necessary to continue the positive development of regulations, both in tax and labour law, in order to adequately regulate the status of individuals who, in accordance with the regulations of the jurisdiction of the entity that engaged them, have valid employment contracts with foreign employers.

C. VALUE ADDED TAX 1.36

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Construction: It is necessary to prescribe that in the case of transactions in the field of construction, the parties can opt for taxation according to the general principle – the supplier calculates VAT. Additionally, in cases where the supplier has calculated and paid VAT, but the tax authority believes that the recipient should have calculated VAT as the taxpayer, it is recommended to prescribe that the supplier's invoice will be considered a valid invoice and that no misdemeanour proceedings will be initiated against either the supplier or the recipient.	2017			√
VAT Refund: It is necessary to align the handling of refund requests stated in the VAT return with the provisions of the VAT Law and the Law on Tax Procedure and Tax Administration, which means that the audit process cannot delay the VAT refund. The Ministry of Finance needs to issue a binding explanation in accordance with the VAT Law and the Law on Tax Procedure and Tax Administration, and the Tax Administration should align its procedures accordingly.	2017			√
VAT Rulebook: We propose that the VAT Rulebook form be completely abolished or significantly simplified in accordance with the previously mentioned comments.	2015			√
Issuing Advance and Final Invoices: We believe it is necessary to reassess the importance of the obligation to issue advance invoices if the final invoice is issued in the same month. The recommendation is to amend the legal framework and revert to the previous legal solution in accordance with the previous explanation.	2015			√
Reverse Charge Mechanism: When it comes to the application of the so-called reverse charge mechanism, it should be specified that for the supply of goods and services by a foreign entity, the obligation to calculate VAT for the recipient of goods and services arises either at the moment: 1. When the invoice for goods or services provided by the foreign entity is received, or 2. When advance payment is made to the foreign entity, whichever of these two events occurs earlier. Additionally, it should be considered to introduce an annual VAT return (monthly/quarterly returns would be treated as advance payments), which would be submitted by March of the current year for the previous year, through which taxpayers could make all necessary adjustments, including those related to transactions from abroad for which the recipient of goods or services has the obligation to calculate VAT as the taxpayer.	2013			√
Status Changes: We propose that in the case of the contribution of goods and services to the capital of a company and in the case of status changes, VAT should be calculated by the recipient of the goods and services (so-called reverse charge mechanism), in accordance with the previous explanation.	2015	√		

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Change of Tax Base: VAT regulations should allow that a credit note for a change in the tax base can be issued either by the person who supplied the goods and services or by the recipient of the goods and services. This practice is in line with VAT rules in other countries and common business practices. This cannot in any way jeopardize the collection of VAT. On the other hand, this would help companies reduce their administrative costs. It is also necessary to clearly define that in the case where a smaller quantity of products than invoiced is mistakenly delivered, the taxpayer can either issue a new amended invoice or a credit note. This corresponds to common business practice, and insisting on only one approach imposes additional costs, while from the aspect of VAT collection, there is no reason why both approaches should not be applied. In accordance with this, it is also necessary to define that in the case of returning goods, regardless of the expiration date, the supplier of the goods can issue a credit note or the buyer can issue an invoice/credit note, depending on their mutual agreement. This approach cannot jeopardize the collection of VAT, because, regardless of who issues the credit note, the same VAT rate applies.	2014			√
Customs Authority Certification: We propose to consider amending Article 95a of the VAT Rulebook, as it does not reflect the goal of the Electronic Invoicing Act and does not facilitate the possibility of obtaining tax exemption under Article 24 of the VAT Act. In this regard, we believe that it should be possible to send e-invoices to the competent customs authority in their integral form, and that customs authorities should be included in this process in such a way that taxpayers do not print and certify external representations of the same. This arises from the fact that such invoices have already been created, uploaded, and sent via the eInvoice portal, which certainly validates their authenticity.	2023			√
Invoice Cancellation or Reduction of Tax Base: We propose that a technical solution be enabled in the e-Invoicing System (SEF) environment for a digitized Statement from the invoice recipient regarding whether the previous VAT correction has been made. From the perspective of SEF users, the simplest solution would be to add some form of Statement that the VAT has not been corrected when rejecting the e-invoice, thereby providing confirmation from the taxpayer that they have not used the right to deduct the previous tax; conversely, by accepting the invoice, a Statement on the use of the previous VAT would be generated, confirming that the previous tax correction has been made. This would expedite the reduction of the calculated tax and reduce the increased administrative activities of taxpayers in the process of issuing and tracking the acquisition of these documents.	2024	√		
Disputed Claims: We propose that more relaxed conditions be prescribed for the refund of VAT that has not been collected from customers, and that EU practices be applied in accordance with the previous explanation.	2024			√
Tax Exemption with the Right to Deduct Previous Tax: We propose that Article 24 of the Law includes a tax exemption with the right to deduct previous tax for transactions arising from the donation of used IT equipment to schools and other state institutions, with adequate proof and documentation.	2024			√

CURRENT SITUATION

The value added tax is governed by the Law on Value Added Tax (RS Official Gazette No 84/2004, 86/04 – correction, 61/05, 61/07, 93/12 and 108/13, 142/2014, 83/2015, 108/2016, 7/2017, 113/2017, 13/2018, 30/2018, 4/2019, 72/2019, 8/2020 and 153/2020, 138/2022 and 94/2024 hereinafter: the "**VAT Law**") an by the VAT Rulebook (RS Official Gazette No 37/2021, 64/2021, 127/2021, 49/2022, 59/2022, 7/2023, 15/2023, 60/2023, 96/2023, 116/2023, 29/2024, 65/2024, 73/2024, 101/2024 and 107/2024; hereinafter: **VAT Rulebook**).

In the previous period, following the publication of the White Book 2024, significant amendments were made to the VAT Law and the VAT Rulebook. In accordance with these amendments, among other things:

- It has been made possible for a contract or decision under which the transfer of all or part of the assets is carried out to provide for the suspension of the rule stipulating that no supply is deemed to have occurred in the case of such a transfer.

- It is stipulated that, in the case of a supply of services whose consideration is included in the customs value of imported goods, the VAT base shall be the difference between the total amount of consideration for that supply and the amount included in the customs value of the imported goods.

- The application of the rule for determining the VAT base by estimation has been extended to all cases where, on the date the tax liability arises, the taxable person does not know the amount of the base (the rule no longer applies only to cases where the taxable person is the recipient). It is further specified that any subsequent adjustment of the estimated base shall be made for the tax period in which the base amount becomes known.

- The rules regarding subsequent changes to the VAT base and calculated VAT have been amended:

  - It is prescribed that, in the case of a subsequent increase in the taxable base for a supply, the VAT taxpayer who performed the supply (in addition to the obligation to calculate VAT on the increased amount) is also required to issue a document reflecting the increase.
  - It is prescribed that a VAT taxpayer who supplied goods or services to another VAT taxpayer may reduce the amount of calculated VAT if:
    1) a document on the reduction has been issued,
    2) the recipient has adjusted the deduction of input VAT, if the calculated VAT was used as input tax, and
    3) the supplier possesses a notification from the recipient confirming that the input VAT deduction has been adjusted, or that the calculated VAT was not used as input tax. Thus, the obligation to issue a document on the reduction is prescribed as an additional condition.
  - It is prescribed that a VAT taxpayer who has supplied goods and services to a person who is not a VAT taxpayer may reduce the amount of calculated VAT if:
    1) a document on the reduction has been issued, or another document confirming the reduction of consideration, verified by the recipient of the goods and services,
    2) possesses evidence of the reduction of the taxable base (such as a contract, return of goods, etc.), and
    3) possesses a notification from the recipient stating that no request for VAT refund has been or will be submitted for the reduced VAT amount.
  - In the case of a subsequent reduction of the taxable base for the supply of goods and services where the recipient is a VAT taxpayer – the tax debtor entitled to input VAT deduction; the taxpayer may reduce the amount of calculated VAT if:
    1) an internal invoice has been issued, and
    2) the input VAT deduction has been adjusted, if the calculated VAT was used as input tax.
  - In the case of a subsequent reduction of the tax base for the supply of goods and services where the recipient is the VAT taxpayer (tax debtor) and does not have the right to deduct input VAT, the tax debtor may reduce the calculated VAT amount if:
    1) an internal invoice has been issued, and
    2) a document confirming the reduction of compensation is held.
  - If the compensation for the supply of goods and services is expressed in a foreign currency, the amount of increase or decrease in dinars is determined by applying the exchange rate valid on the date of the increase or decrease, provided that the reduction cannot exceed the amount of the original tax base.

- It is prescribed that if a VAT taxpayer cancels an invoice with stated VAT, the tax base is reduced, and the VAT may be reduced if:
  1) a new invoice is issued, if there is an obligation to issue one, and
  2) a notification is received from the recipient (VAT taxpayer) confirming that the VAT from the invoice was not used as input tax and that no refund request will be submitted.

It has been specified that the conditions are considered fulfilled for the tax period if the VAT taxpayer meets both stated conditions by the day preceding the submission of the tax return for that period, and no later than the 10th calendar day of the month following that tax period.

- In cases where possession of an invoice, or an invoice certified by the competent customs authority, is prescribed as a condition for applying a tax exemption, this condition is considered fulfilled only if the invoice is issued or certified no later than the 10th calendar day of the month following the tax period in which the supply was made.

- Certain changes have been made to the conditions for exercising the right to deduct input VAT:

  - It is prescribed that for supplies where, in accordance with electronic invoicing regulations, there is an obligation to issue an e-invoice, the recipient of goods or services may deduct VAT exclusively based on an e-invoice accepted no later than the 10th day after the end of the previous tax period.

  - It has been specified that a VAT taxpayer who did not exercise the right to deduct VAT based on an advance invoice may exercise the right to deduct input VAT based on the invoice for the supply.

  - It is also prescribed that if an invoice contains formal deficiencies related to the identification of the invoice recipient—excluding the tax identification number (PIB)—this does not affect the VAT taxpayer's right to deduct input VAT.

  - As an additional condition for input VAT deduction in cases where the tax debtor is the recipient of goods or services, the prior issuance of an internal invoice is required.

- Certain amendments have been made to the provisions regarding the correction of input VAT deduction:

  - It is prescribed that the correction of input VAT deduction may be made based on the reduction of advance payments and the cancellation of invoices and other documents.

  - It is prescribed that a VAT taxpayer who has corrected - i.e., reduced - the input VAT deduction may submit a notification of that correction to another VAT taxpayer, if they received a document confirming the reduction in cases where its issuance is required.

- The rule has been abolished whereby a VAT taxpayer, in the tax period in which they receive an advance payment and perform the supply of goods and services for which the advance was received, is not required to issue an invoice for the received advance payment.

- It is prescribed that in the invoice for the supply of services for which it is possible to issue an invoice before the supply is made or before the advance payment is received (e.g., license transactions), the date of supply shall be stated as the date of invoice issuance. Additionally, in the case of cancellation and issuance of a corrected invoice for such services, the date of supply shall be stated as the date of the originally issued invoice.

- It is prescribed that in a new invoice issued in place of a canceled invoice, the date of VAT liability shall be stated as the actual date when the VAT liability arose.

- It is prescribed that a document increasing the compensation or tax base must also include the date of the increase, if the increase did not occur on the date the document was issued.

- It is prescribed that a document reducing the compensation or tax base must also include the date of the reduction.

- It is prescribed that for the supply of real estate, economically divisible units within real estate, and ownership shares, a separate invoice must be issued, which cannot include other types of supply.

- The deadline for issuing invoices for multiple individual deliveries made to the same entity within the same tax period

(so-called successive deliveries) has been abolished. Additionally, the method of stating the date of supply on such invoices has been standardized, regardless of whether it is an electronic invoice or another form of invoice. Specifically:
1) In an invoice issued for the entire tax period, the date of supply is stated as the last day of that tax period.
2) In an invoice issued for a period shorter than the tax period, the date of supply is stated as the last day of that shorter period.

- It is prescribed that an internal invoice must be prepared when the recipient is the tax debtor, specifically in cases of supply, advance payment, increase of the tax base for the supply, reduction of the tax base for the supply, and reduction of the advance payment. This must be done, as a rule, within ten calendar days from the end of the relevant tax period.

- The deadline for submitting the VAT registration report has been shortened to 5 days from the date the taxpayer's total turnover in the previous 12 months exceeds 8,000,000 dinars.

- The procedure for deregistering a VAT taxpayer due to a status change has been prescribed. Specifically, in such cases, the legal successor must submit a notification to the tax authority about the implemented status change within 15 days from the date of the change.

- A significant number of amendments and additions have been made regulating the format, content, and method of maintaining VAT records, as well as the method of reporting data in the POPDV form.

- It is prescribed that the POPDV form will be abolished starting from the first tax period of 2027, and a preliminary tax return will be introduced, which will be generated in the Electronic Invoicing System (SEF) based on the data available to that system starting from the first tax period of 2027.

The previous period was undoubtedly marked by further harmonization of VAT regulations with fiscalization and electronic invoicing rules. Additionally, during the year, amendments to electronic invoicing regulations were made, which may have significant effects on the application of VAT regulations.

In this regard, the regulations on fiscalization and electronic invoicing are analysed in a separate document where certain recommendations are given that are also important for the application of VAT regulations.

POSITIVE DEVELOPMENTS

The latest amendments to the VAT regulations have introduced certain useful simplifications of the existing rules and more precise regulation of specific situations.

A digital, i.e., electronic confirmation of the recipient's statement that the previous VAT from the initial invoice was not used has been enabled - functionality that the FIC has advocated for since the introduction of e-invoicing. This change was part of the FIC's recommendations for further improvements, and we expect it will have a positive impact on efficiency.

Additionally, the risk of interpreting VAT liability in previous periods has been partially reduced or eliminated (e.g., it is now possible for a contract governing the transfer to suspend the rule that stipulates that no supply has occurred in the case of a transfer of all or part of the assets; the abolition of the POPDV form is planned, along with the introduction of a preliminary tax return to be generated in the SEF starting from the first tax period in 2026).

However, certain issues remain that require further attention from the competent authorities, which we highlight below.

REMAINING ISSUES

I. **Construction:** The law prescribes special rules for VAT calculation in the case of transactions in the construction sector. These rules are linked to activity classification, which leads to many questions and ambiguities in practice, as the classification of activities was not originally designed for tax purposes. As a result, taxpayers face legal uncertainty due to differing interpretations by both the taxpayers themselves and the Tax Administration. Due to these varying interpretations, taxpayers are at risk of the Tax Administration calculating output VAT for the supplier, even though the recipient, as the tax debtor, has already calculated the VAT—or that the recipient, who calculated the output VAT, may be denied the right to deduct input VAT because the tax authority considers the supplier to be responsible for VAT calculation. In essence, neither of these approaches causes harm to the budget. Another frequently asked question is whether the procurement of combined equipment (e.g., solar panels), which becomes

operational upon installation, should be treated as equipment or integrated with associated construction works.

II. **VAT Refund:** The law prescribes that VAT refunds are to be made within 45 days of the deadline for submitting the tax return, or 15 days if it concerns predominant exporters. In practice, it has been observed that the Tax Administration delays VAT refunds. It has also been noted that VAT is not refunded because a tax audit has begun. Neither the VAT Law nor the Law on Tax Procedure and Tax Administration prescribe that VAT will not be refunded if the audit is ongoing. Additionally, the audit is not prescribed as a condition for the VAT refund. The Tax Administration has the right to audit regardless of the refund, and this can be done until the statute of limitations expires. Moreover, the Law on Tax Procedure and Tax Administration prescribes that if the VAT refund is not made to the taxpayer within the period prescribed by the VAT Law, interest is calculated from the next day after the expiration of that period. We emphasize that the VAT refund is not the result of an error or omission by the taxpayer, but a key mechanism for the functioning of this tax form. Any delay in the VAT refund directly affects the liquidity of companies that must make timely payments to their suppliers, which include VAT, and on which the ability of their suppliers to regularly meet their tax obligations depends.

III. **Issuing Advance and Final Invoices:** Prior to the adoption and implementation of regulations in the field of electronic invoicing, the VAT Rulebook stipulated that if advance payments were made in the same tax period as the supply of goods or services, the VAT taxpayer was not obliged to issue both an advance and a final invoice, but only a final invoice for the performed supply of goods or services. This was a significant administrative and financial relief for VAT payers based on practical experience. With the introduction of e-invoices in Serbia, the legal framework has changed so that VAT payers, including tax representatives of foreign entities, are now obliged to issue both an advance and a final invoice when advance payment and the supply of goods or services are made in the same tax period. The recommendation is to amend the legal framework and revert to the previous legal solution. It is considered necessary to reassess the importance of issuing advance invoices if the final invoice is issued in the same month. Namely, the introduction of this obligation has created an additional administrative burden for taxpayers in issuing additional documents and linking their numbers with final invoices. For the recipient, it has also resulted in additional reporting through the input VAT records. In certain cases, the introduction of this obligation has also affected commercial business conditions, as sellers now insist that buyers take delivery of goods on the same day the payment is made to avoid issuing both advance and final invoices.

IV. **Reverse Charge Mechanism and the Assessment of the Tax Base:** A taxpayer who is liable for VAT on the supply of goods and services provided by a foreign entity calculates VAT (applies the so-called "reverse charge" mechanism) at the moment the supply is made or at the moment of advance payment, whichever occurs earlier. In cases where there are no advance payments, VAT should be calculated at the moment the service is performed, which is often not applicable in practice, especially for services where the price is not agreed upon in a fixed amount but depends on the agreed calculation. At the moment of supply, or by the deadline for submitting the tax return, the taxpayer often does not have the supplier's invoice or information on the amount of the fee, and therefore cannot know the tax base on which to calculate VAT. This results in VAT being calculated based on estimates, followed by additional adjustments and administrative procedures related to modifying the tax base once the obligation is finally determined, thereby generating unavoidable costs for taxpayers.

V. **Change of Tax Base and "self-billing":** VAT regulations define that when the consideration for the supply of goods and services changes after the supply has been made, i.e., the tax base is altered (e.g., a discount is subsequently granted), the entity that made the supply must issue a document containing certain mandatory elements. The regulations do not allow this document to be issued by the entity to whom the goods and services were supplied, which is a common business practice in other countries. This imposes additional costs on companies, as they must change their usual business practices due to regulations in Serbia. The proposed change would be in line with the existing solution for issuing invoices prescribed by Article 43 of the VAT Law, which provides for so-called "self-billing," i.e., the issuance of invoices by the recipient of goods or services under certain conditions. Additionally, based on practical experience, many foreign companies planning to expand their business in the Serbian market often inquire about the possibility of applying self-billing. Therefore, we believe it makes sense to reconsider the application of this insti-

tute to other documents (documents on the change of the tax base) in addition to the invoice itself and align with the application of Article 46 of the Rulebook.

VI. **Customs Authority Certification:** Given that the VAT Rulebook has been further harmonized with the regulations governing e-invoicing, as well as the tendency for tax regulations to move towards digitalization, we believe that Article 95a of the VAT Rulebook should be reconsidered. Namely, according to this article, the tax exemption from Article 24 of the VAT Law can be achieved if the competent customs authority certifies a printed copy of the e-invoice (external display) that has been previously confirmed by the issuer's signature or stamp. We believe that the application of this provision further slows down the process, as it significantly complicates the fulfilment of conditions for obtaining a tax exemption, and its formulation is not in the spirit of the e-Invoicing Law, which promotes the digitalization of the invoicing process. Additionally, the new Article 101a of the VAT Rulebook stipulates that when possession of an invoice - or an invoice certified by the competent customs authority - is a condition for applying a tax exemption, this condition is considered fulfilled only if the invoice is issued or certified no later than the 10th calendar day of the month following the tax period in which the supply took place. In practice, this requirement has proven to be very difficult to meet, resulting in taxpayers often not applying exemptions subject to this condition, which further increases the cost of doing business for VAT taxpayers.

VII. **Change in VAT related to the amount of compensation that has not been collected:** The VAT Law should simplify the application of this institute by prescribing more relaxed conditions for the adjusting VAT on amounts that have not been collected from customers. The current solution stipulates that uncollected VAT can only be refunded based on a final court decision on the concluded bankruptcy proceedings or based on a certified transcript of the court settlement record. We point out that a significant number of neighbouring countries prescribe less stringent conditions for the refund of uncollected VAT. For example, in Croatia, it is possible to correct output VAT if the claim has been uncollected for more than a year, provided that measures have been taken to collect it (e.g., the claims have been sued, or enforcement proceedings have been initiated). The correction is carried out by the seller notifying the debtor of the correction using a special electronic form, and the debtor is obliged to adjust the input VAT deduction. In Bulgaria, the seller can, after taking measures to collect the claim, inform the buyer in writing that the claim is considered uncollected and issue a document reducing the tax base. In the Netherlands, for example, uncollected VAT can be refunded if the claim has not been collected for a year, with the refund possible even earlier as soon as it is determined that the claim is uncollectible.

VIII. **Donation of Used IT Equipment to Schools and Other State Institutions:** It is common for legal entities to use IT equipment (e.g., computers, monitors, printers, and other accompanying equipment) for a limited period, such as three years, in accordance with company policy that aligns the usage period with optimal efficiency. After this period, the IT equipment is replaced with new equipment, and the used IT equipment is recycled, sold, or donated. Used IT equipment is often still functional and fully capable of handling less demanding tasks, such as applications used in the educational system or other state institutions. Considering that IT equipment in the educational system is outdated or non-functional, and with the aim of encouraging legal entities to donate their used IT equipment, we propose that Article 24 of the Law be expanded to include this type of donation.

IX. **VAT Refund to Foreign Entities:** Article 271, paragraph 6 of the VAT Rulebook stipulates that the Central Office, after verifying the fulfillment of the conditions for a refund, shall issue a decision on the request within 30 days from the date of submission and deliver the decision to the applicant. In practice, however, it often happens that the Central Office of the Tax Administration decides on refund requests more than a year after the foreign entity has submitted the request. This creates legal uncertainty and may discourage foreign entities that purchase movable goods or services in the Republic of Serbia from making future purchases or investing in local business operations, given the significant delays in VAT refund approvals compared to other countries in the region. Furthermore, the additional documentation required from foreign taxpayers far exceeds what is specified in Article 271 of the VAT Rulebook. Therefore, it is necessary either to clearly define the additional documentation within the Rulebook or to adhere strictly to the existing provisions of Article 271.

FIC RECOMMENDATIONS

I. **Construction:** It is necessary to prescribe that in the case of transactions in the field of construction, the parties can opt for taxation according to the general principle – the supplier calculates VAT. Additionally, in cases where the supplier has calculated and paid VAT, but the tax authority believes that the recipient should have calculated VAT as the taxpayer, it is recommended to prescribe that the supplier's invoice will be considered a valid invoice and that no misdemeanour proceedings will be initiated against either the supplier or the recipient. The recommendation is to clarify whether, during the installation of equipment that is directly linked to construction works, the rules for construction or for equipment procurement should apply.

II. **VAT Refund:** It is necessary to align the handling of refund requests stated in the VAT return with the provisions of the VAT Law and the Law on Tax Procedure and Tax Administration, which means that the audit process cannot delay the VAT refund. The Ministry of Finance needs to issue a binding explanation in accordance with the VAT Law and the Law on Tax Procedure and Tax Administration, and the Tax Administration should align its procedures accordingly.

III. **Issuing Advance and Final Invoices:** We believe it is necessary to reassess the importance of the obligation to issue advance invoices if the final invoice is issued in the same month. The recommendation is to amend the legal framework and revert to the previous legal solution in accordance with the previous explanation.

IV. **Reverse Charge Mechanism and the Assessment of the Tax Base:** When it comes to the application of the so-called reverse charge mechanism, it should be specified that, for the supply of goods and services by a foreign entity, the obligation to calculate VAT for the recipient of goods and services arises either at the moment: 1) When the invoice for goods or services provided by the foreign entity is received, or 2) when advance payment is made to the foreign entity, whichever of these two events occurs earlier. Additionally, it should be considered to introduce an annual VAT return (monthly/quarterly returns would be treated as advance payments), which would be submitted by March of the current year for the previous year, through which taxpayers could make all necessary adjustments, including those related to transactions from abroad for which the recipient of goods or services has the obligation to calculate VAT as the taxpayer.

V. **Change of Tax Base and "self-billing":** VAT regulations should allow that a document on the increase or decrease of the tax base can be issued by the person who supplied the goods and services or the person who is the recipient of the goods and services. This practice is in line with VAT rules in other countries and common business practices. This cannot in any way jeopardize the collection of VAT. On the other hand, this would help companies reduce their administrative costs. It is also necessary to clearly define that in the case where a smaller quantity of products than invoiced is mistakenly delivered, the taxpayer can either issue a new amended invoice or a credit note. This corresponds to common business practice, and insisting on only one approach imposes additional costs, while from the aspect of VAT collection, there is no reason why both approaches should not be applied. In accordance with this, it is also necessary to define that, in the case of returning goods, regardless of the expiration date, the supplier of the goods may issue a credit or debit note, depending on their mutual agreement. This approach cannot jeopardize the collection of VAT, because, regardless of who issues the document, the same VAT rate applies.

VI. **Customs Authority Certification:** We propose to consider amending Article 95a of the VAT Rulebook, as it does not reflect the goal of the Electronic Invoicing Act and does not facilitate the possibility of obtaining tax exemption under Article 24 of the VAT Act. In this regard, we believe that it should be possible to send e-invoices to the competent customs authority in their integral form, and that customs authorities should be included in this process in such a way that taxpayers do not print and certify external representations of the same. This

arises from the fact that such invoices have already been created, uploaded, and sent via SEF system, which recognizes their validity. Additionally, we believe it is necessary to "relax" Article 101a of the VAT Rulebook, which has introduced conditions in practice that are difficult to meet for obtaining legally prescribed exemptions.

VII. **Adjustment of VAT for Unpaid Compensation:** We propose that more relaxed conditions be prescribed for the refund of VAT that has not been collected from customers, and that EU practices be applied in accordance with the previous explanation.

VIII. **Donation of Used IT Equipment to Schools and Other State Institutions:** We propose that Article 24 of the Law includes a tax exemption with the right to deduct previous tax for transactions arising from the donation of used IT equipment to schools and other state institutions, with adequate proof.

IX. **VAT Refund to Foreign Entities:** It is necessary for the Central Office of the Tax Administration to process VAT refund requests submitted by foreign entities within the legally prescribed period of 30 days, and to carry out the procedure in accordance with the documentation requirements set forth in Article 271 of the Rulebook on Value Added Tax.

D. PROPERTY TAX 1.60

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is recommended that the provisions of Article 7. of the Law should specify that the fair value is the property tax base for entities applying the fair value measurement according to the IAS/IFRS for SMEs and accounting policies.	2015		√	
To ensure the adequate calculation of the market value of immovable property, it is necessary to: harmonize the zoning criteria of local municipalities; prescribe corrective factors to differentiate between immovable properties in terms of quality, year of construction, purpose and characteristics; consider the adequacy of the methodology used for calculating the average prices of immovable property, simplify the method of calculating property taxes, if, for example, the storage area, the administrative building and the land represent one unit.	2014		√	
Rephrasing provisions regulating exemptions from the absolute rights transfer tax, so that it is understood that the exemption applies to the transfer and acquisition of absolute rights that are subject to VAT, not to those for which VAT is paid.	2021			√
Enable public access to data used by the tax authorities to determine whether the contractual price of an absolute rights transfer is in line with the market price.	2018			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is advisable that the property tax return form and supporting documents be simplified by linking the Portal with the Cadaster and storing of such data enabled. Also, it should be possible to list more than one cadastral parcel in a single municipality in Annex 1 on the territory of a specific local municipality, then automate the following data entries: a) all facilities of the same type (e.g. all taxpayer's warehouses in the territory of a particular local municipality); b) calculation of quarterly installments (e.g. based on Sub-Annexes); c) amended tax returns and d) automate the mathematical sequence (e.g. after entering market or accounting parameters). In line with the above, make appropriate technical adjustments after which, it would be possible, based on the data saved from the Cadaster (based on the plot number and property description, enter the zone and the average value per square meter), to automatically fill in the appropriate forms (PPI-1, Annex 1, sub-annex), for the purpose of filing property tax returns for each year.	2018		√	

CURRENT SITUATION

The property tax is regulated by the Law on Property Taxes ("the Law") ("Official Gazette of the Republic of Serbia", No. 26/2001, "Official Gazette of FRY", No. 42/2002 – decision of the Constitutional Court, and "Official Gazette of RS", Nos. 80/2002, 80/2002 – other law, 135/2004, 61/2007, 5/2009, 101/2010, 24/2011, 78/2011, 57/2012 – decision of the Constitutional Court, 47/2013, 68/2014 – other law, 95/2018, 99/2018 – decision of the Constitutional Court, 86/2019, 144/2020, 118/2021, 138/2022, 92/2023 and 94/2024), as well as by the Rulebook on Tax Return Forms for Assessed or Assessment-Based Property Tax ("the Rulebook") ("Official Gazette of RS", Nos. 93/2019, 151/2020, 143/2022 and 99/2024).

Property tax is an annual tax levied on all real estate located within the territory of the Republic of Serbia.

Real estate includes residential, commercial, and other buildings, apartments, business premises, garages, and other above ground and underground construction structures, as well as their parts.

Property tax is paid by every natural and legal person who owns real estate, regardless of whether the person resides in the Republic of Serbia or is a non-resident.

The taxpayer is obliged to report the ownership of each property to the competent authority, regardless of whether the property is in use or legalized.

The obligation to pay property tax arises on the day the property is put into use, the day it becomes functional, the day the occupancy permit is issued, the day possession is established, or the day the right subject to taxation is acquired.

In the previous edition of the White Book, member companies highlighted specific issues that remain unaddressed even after the latest amendments, despite being important for business operations:

- Legal entities that maintain accounting records determine the property tax base based on the market value of real estate (except in specific cases provided by law). The market value of real estate is represented by its fair value recorded in the taxpayer's accounting books, provided that the real estate is presented at fair value in accordance with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), and the entity's accounting policies.
- The introduction of the market value concept as the basis for calculating property tax has been accompanied by varying interpretations over the years, particularly regarding which taxpayers are eligible to apply this valuation method. This is due to the fact that the legal framework has not regulated this issue with sufficient precision. Over the years, the Ministry of Finance has issued Opinions that clearly expressed the position that small and medium-sized enterprises may use the fair value of real estate, as recorded in accordance with IFRS for SMEs, to determine the property tax base. However, based on practical experience, these Opinions have

created additional legal uncertainty regarding whether they will be applied by the competent authorities and whether they will be binding only for future tax calculations or also retroactively.

With the legislative amendments effective as of January 1, 2025, the competence for determining, collecting, and controlling inheritance and gift tax, as well as tax on the transfer of absolute rights, has been transferred from the Tax Administration to local self-government units (local tax administrations).

In addition to the standard exemption from property transfer tax for diplomatic and consular missions, as of January 1, 2024, tax on the transfer of absolute rights is not payable when a foreign state acquires real estate for the needs of its diplomatic or consular mission, based on the principle of reciprocity (this amendment has been in force since January 1, 2024.).

POSITIVE DEVELOPMENTS

The latest amendments to the Law and Rulebook, effective as of January 1, 2025, regulate the method of calculating the land area beneath buildings for the purpose of tax exemption and introduce new rules that affect the submission of tax returns, data processing, and the methodology for determining the tax base, along with improvements that have a positive impact:

- The method for calculating the land area beneath buildings considered for tax exemption has been further clarified (Article 9, Paragraph 6), including rules for buildings with multiple co-owners or different parts. It is specified that in cases of changes to usable area during the year, data on the exempted area should not be entered.

- One of the most significant changes relates to situations where local governments fail to publish average real estate prices within the prescribed timeframe. In such cases, the new Rulebook prescribes the use of property values determined according to other available criteria. This ensures timely determination of the tax base, even in the absence of price data.

- The Rulebook clarifies how the value of real estate is determined when the average price per square meter in a specific zone is not published (Article 13, Paragraph 21).

- The Rulebook refers to the term "comparable real estate in the best-equipped zone" to further specify the method for calculating the tax base for taxpayers who do not maintain accounting records. However, the definition of this term depends on the decision of the Local Tax Authority.

- New formulations have been introduced that include the value of buildings and land subject to taxation, in accordance with the Law on Tax Procedure and Tax Administration (Article 13).

- A new item 3a) has been added to Article 13, Paragraph 19, which prescribes the value that includes buildings and land subject to taxation, excluding buildings exempted by law.

- The Rulebook provides detailed guidance on how to record cases where a tax obligation arises due to an increase in usable area during the year. In such cases, it is mandatory to enter the date corresponding to the moment the change occurred, thereby introducing clearer practices in tax calculation (Article 20).

REMAINING ISSUES

I. In general, there is still inconsistent application of the concept of market value of real estate as the basis for calculating property tax, as well as ambiguity regarding the determination of the tax base for legal entities that do not report the value of real estate in their accounting records based on fair value in accordance with IAS/IFRS, but rather in accordance with IFRS for SMEs. It should be noted that the latest amendments to the Law introduced clarifications related to infrastructure facilities (Article 7, Paragraph 8) (excluding buildings and other high-rise structures), where the tax base is the book value of the facilities as of the last day of the taxpayer's fiscal year. For exploitation fields and facilities (Article 7, Paragraph 10), for which the tax obligation arises for a taxpayer maintaining accounting records, the tax base for that year is the acquisition cost recorded in the taxpayer's books.

II. The Accounting Law prescribes that small and medium-sized legal entities may apply IFRS for SMEs, and that micro legal entities may also opt to apply these standards. However, Article 7 of the Law does not explicitly state whether it applies to legal entities using IFRS for SMEs. Opinions issued by the Ministry of Finance have taken a rigid stance, asserting that there is no legal basis

for entities applying IFRS for SMEs to determine the property tax base using the fair value method.

III. When determining the property tax base using average prices published by local government units, one of the key parameters is the zone in which the property is located, as defined by local authorities based on utility infrastructure criteria. However, the process of assessing utility infrastructure is not sufficiently transparent. Additionally, no corrective measures are provided based on the quality/age, purpose, or area of the property, which in practice may result in the same tax base being applied to both newly built and significantly older properties. Consequently, market values of real estate often differ significantly from the values derived using average prices published by local governments, placing taxpayers who report fair value in their books at a disadvantage compared to those using other valuation models. The latest legal amendments emphasize that local governments should determine the comparative value of the best-equipped property in the best-equipped zone, and the implementation of this requirement should be monitored in practice.

IV. Significant administrative difficulties arise from the application of the Rulebook on Property Tax Return Forms, which requires taxpayers to re-enter data into the LPA Portal each fiscal year, even when no changes have occurred compared to the previous year. The taxpayer must submit a separate tax return for each local self-government unit where they hold taxable property rights, one Annex 1 for each cadastral parcel in that municipality, and one Sub-annex for each building on the parcel or for the land itself. The Council members concluded that, although the electronic filing system has been technically improved and allows data copying from previous tax years, a single data point must be entered across all related forms, leading to data duplication and frequent errors, especially for taxpayers with properties in multiple municipalities which can result in the need to complete hundreds of electronic forms.

V. Tax authorities have been granted discretionary powers in determining the tax base for the transfer of absolute rights. In practice, internally determined market prices (so-called "parities") are applied within specific local self-government units. These values are not disclosed to taxpayers, making it unclear in many cases whether the agreed price truly deviates from the market value.

VI. Regarding the provision of the Law that defines the exemption from taxation on the transfer of absolute rights—specifically, that transfers subject to VAT are exempt from this tax—it is considered that the term "payment" is inadequate. VAT is calculated and reported in the tax return, and certain transactions may be subject to VAT but exempt from its calculation and payment under the VAT Law.

Additionally, it should be noted that the failure of certain local governments to adopt decisions on average square meter prices and zone classifications for 2025 has caused uncertainty among taxpayers regarding the determination of property tax for that year.

FIC RECOMMENDATIONS

I. It is recommended that Article 7 of the Law be amended to explicitly state that the property tax base for real estate owned by taxpayers who maintain accounting records and report the value of real estate using the fair value method in accordance with IAS/IFRS for SMEs and adopted accounting policies shall be the fair value.

II. To fully eliminate uncertainties regarding whether legal entities applying IFRS for SMEs may determine the property tax base using the fair value method, it would be appropriate to further clarify the provisions of Article 7.

III. For the proper determination of the market value of real estate, it is necessary to: harmonize the criteria for zone classification among local self-government units; introduce corrective factors to distinguish based on quality, age, purpose, and characteristics of individual properties; review the adequacy of the methodology used to

calculate average real estate prices; and simplify the property tax calculation method when, for example, a warehouse, administrative building, and land constitute a single unit.

IV. Simplify the reporting process within the property tax return and accompanying forms – enable integration of the Portal with the Cadastre and data retention and allow for the possibility that multiple cadastral parcels located within the territory of a specific local self-government unit may be listed in Annex 1. Furthermore, automate the following data entries:
   a) data for all properties belonging to the same type (e.g. all warehouses of the taxpayer within the territory of a specific local self-government unit);
   b) calculation of quarterly instalments (e.g. based on the Sub-annex);
   c) amended tax returns; and
   d) automate mathematical sequencing (e.g. after entering market or book value parameters).

   In line with the above, implement technical adjustments that would enable, based on saved data and Cadastre records, automatic generation of appropriate forms (PPI-1, Annex 1, Sub-annex) for the purpose of annual property tax reporting, using the parcel number and property description to enter the zone and average square meter value.

V. Rephrase the provisions related to exemption from taxation on the transfer of absolute rights to specify that the exemption applies to the transfer or acquisition of absolute rights that are subject to value-added tax (VAT), rather than those on which VAT is paid.

VI. Make publicly available the data used by the Tax Administration to "verify" whether the agreed price in a transaction involving the transfer of absolute rights corresponds to the market value.

E. TAX PROCEDURE 1.17

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The electronic services of the Tax Administration should be further improved and developed in a way to enable the taxpayer to download all tax returns in a form customized to user, as well as to enable all taxpayers to electronically obtain TIN and all tax certificates. Propose an amendment to the Rulebook on the allocation of TIN, so that it is prescribed that the Tax Administration delivers the confirmation of the TIN allocation to the taxpayer in e-form.	2014		√	
Regulating the provisions of the Criminal Code concerning tax crimes in more detail and taking into account the size of the legal entity and the volume of taxable activities.	2014			√
Introduction of a time limit duration of the TIN temporary revocation.	2022			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The introduction of a statutory deadline for tax audit duration (or adopt the provision of Article 38 of the Law on Inspection according to which the control procedure is suspended after 8 days have passed from the date of submission of the taxpayer's request for the end of the control in a situation where the inspector does not make a decision after the end of the day of the end of the control after the end of the day of the end of the inspection supervision specified in inspection order), and a tacit acceptance procedure in the case of a failure by the Tax Administration to issue its decision within the deadline, both for the Tax Administration and the Ministry of Finance.	2011			√
Establishing the function of administrative supervision within the Ministry of Finance that will provide an effective mechanism for controlling legal compliance of the work of the Tax Administration's organizational units. The PTA Law should envisage offenses of employees in the Tax Administration who do not act in accordance with regulations (or decisions of immediate higher instances) during their work, especially in cases when they do not act within the deadlines prescribed by the PTA Law and in case of non-execution of the second instance body's decision in line with guidelines and understandings set forth therein. The PTA Law should be further aligned with provisions of the LIO. The LIO provides that inspectors are required to act not only to detect illegal activities and penalize entities violating the law, but also to prevent irregularities and provide advice to controlled entities to minimize risks from illegal acts.	2019			√
Introduction of the obligation in the PTA Law of the second-instance authority of the Ministry of Finance to resolve the administrative matter by itself, instead of the first-instance authority, if the first-instance authority does not act according to its order and does not issue a decision within the deadline, as stipulated in Art. 173 st. 3 GAP Law. In this way, the multi-year duration of tax proceedings would be resolved, where often the first-instance authority does not act according to the order of the second-instance authority, as well as the first-instance authority does not issue a decision in the re-procedure within the time prescribed by law, which jeopardizes the legal security of taxpayers and violates the principle of legality of the tax procedure.	2022			√
Amending Article 147(1) of the PTA Law, so as to read that an appeal suspends the enforcement of the decision.	2016			√
Eliminate legal uncertainty in the process of issuing of opinions of the Ministry of Finance by amending Article 80 of the Law on State Administration with regard to whether the ministry's opinions are legally binding if so prescribed by a separate law; amending the PTA Law to prescribe that the ministry's opinions are binding only if they are published or available to all parties in a public-legal relationship; defining a 30-day deadline for issuing an opinion defining the consequences in a situation where previously issued opinions are changed or disregarded; amending the PTA Law to prescribe that opinions of the Tax Administration sent by email are binding for the Tax Administration, and introducing provisions to the PTA Law to govern the liability of authorized officers and adequate penalties for failure to issue a binding opinion within the 30-day deadline. Introduce the obligation to publish a redacted request with the issued opinion.	2017			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Abolishing the provision of the PTA Law which prohibits the SBRA from erasing a taxpayer from the register, registering status changes, or amending information for the duration of a tax audit or procedures undertaken by the Tax Police.	2014			√
Abolishing the provision of the PTA Law which prohibits the SBRA from registering acquisition of shares in legal entities as well as establishment of new legal entities in cases when the founder of such entity is a legal entity or entrepreneur over whom tax audit or any other action performed by the competent tax authorities has been registered.	2021			√
Strengthen the capacity of the Administrative Court in terms of expertise, specialization and speed in resolving tax disputes.	2020			√
Adopt Ministry of Finance binding opinion for the actions of the Tax Administration in the domain of termination of tax liability by statute of limitations, for which termination of tax liability is prescribed that the Tax Administration issues a decision on the termination of tax liability ex officio and that the same one is in accordance with Art. 163 PTA Law transfers to off-balance sheet tax accounting. In the opinion in question, it is necessary for the Ministry of Finance to clearly state that this is a tax-legal relationship as a relationship of public law and that any tax paid in which the statute of limitations has expired does not represent a natural obligation.	2022		√	

CURRENT SITUATION

The regulatory framework for the tax procedure in Serbia is shaped by four principal laws:

- The Law on Tax Procedure and Tax Administration, (PTA Law);
- The Law on General Administrative Procedure (GAP Law);
- The Law on Administrative Disputes, (AD Law);
- The Law on Inspection Oversight, (LIO Law).

The tax procedure is a special type of administrative procedure governed primarily by the PTA Law (lex specialis), which regulates in detail the organization and functioning of the Tax Administration, as well as the procedures for the assessment, control, and collection of taxes. The PTA Law comprehensively regulates all tax misdemeanours. The general rules of the GAP Law apply to the tax procedure where a certain issue is not regulated by the PTA Law, while the rules of the LIO Law further specify the activities of the Tax Administration regarding inspections. The AD Law regulates the judicial review of administrative decisions issued by the Tax Administration as an additional taxpayer protection system (e.g. deciding on actions against second-instance decisions of the Ministry of Finance).

The latest amendments to the PTA Law were adopted on November 27, 2024 (Official Gazette of RS, No. 94/2024), and they take effect from January 1, 2025, with certain provisions postponed until January 1, 2026 (Official Gazette of RS, No. 138/2022). The most important amendments in 2024 introduced the following changes:

- **Establishment of a Register for Individuals:** The Tax Administration is responsible for establishing and maintaining an electronic database of individuals, including Serbian citizens, foreign nationals residing in or having tax obligations in Serbia, refugees, asylum seekers, and those under special protection. The purpose of this register is to enable efficient verification of compliance with laws and tax obligations, as well as to assess eligibility for certain rights. The data will be collected from official records of other governmental bodies and directly from taxpayers. The provisions introducing the register will take effect on January 1, 2026;

- **Clarification of Grounds for Cessation of Tax Liabilities:** The reasons for cessation of tax liabilities are categorized into four groups: (1) tax payment, (2) statute-barred tax liability (except when unpaid taxes and related tax liabilities are secured by a pledge or mortgage registered

with the competent authority from which taxes can be collected), (3) tax discharge, and (4) permanent uncollectibility of taxes. The term "tax write-off" has been replaced with "tax discharge," and the law prescribes cases when the Government, upon the minister's proposal, can issue a decision on discharge of tax and related tax liabilities. Additionally, a special provision defines when the Tax Administration can write off tax and related liabilities (e.g., in the case of discharge by Government decision) or tax overpayment (e.g., statute of limitations on refunds, tax credits, etc.). The amendments also define more precisely the cases of permanent tax uncollectibility as grounds for the cessation of tax liability;

- **Doubtful and Contested Claims:** The amendments define cases when unpaid tax liabilities are considered doubtful and contested claims, which the Tax Administration will monitor under a special regime due to the specific status of taxpayers (bankruptcy, forced liquidation, death of an individual, business incompetence, etc.);

- **Obligations of Legal Successors in Status Changes:** A new obligation is introduced for the legal representative of the legal successor or another authorized person to file a tax return prescribed by law when the deadline for filing occurs after the deregistration of the predecessor entity in a status change.

- **Payment of Taxes in Foreign Currency:** Non-residents may pay their tax liabilities in foreign currency by remitting the payments into foreign currency accounts designated for tax collection. This option will be applicable from January 1, 2026, and the responsible ministry will regulate the method of tax payment in foreign currency.

- **Deferral of Tax Payment:** The Tax Administration will no longer have discretionary rights to determine whether a taxpayer meets the criteria for deferring tax payments. If the legal conditions are met, specifically if the tax obligation represents an unreasonably heavy burden or payment of taxes would cause significant economic harm to the taxpayer, the Tax Administration is obliged to confirm, upon a reasoned request from the taxpayer, that these conditions are met and submit a written proposal to the competent authority for deferral of payment. Tax deferral is not possible for the annual personal income tax. These provisions will be applicable starting January 1, 2026;

- **Provisions on Statute of Limitations:** Amendments regarding the statute of limitations concern cases where the Tax Administration must issue a decision on the statute of limitations for tax liabilities/right to refund, tax credit, or tax rebooking upon request by a taxpayer or ex officio. It is also specified that statute of limitations provisions will not apply to contributions for mandatory pension and disability insurance and mandatory health insurance;

- **Abolishment of Off-Balance Tax Accounting:** Off-balance records will be abolished, and data entry into the existing records will be concluded by December 31, 2025. Unpaid tax obligations recorded in off-balance records from claims in bankruptcy proceedings up to December 31, 2025, will be transferred into tax accounting as doubtful and contested claims. For other unpaid tax obligations and overpayments transferred to off-balance tax accounting up to December 31, 2025, the Tax Administration will prepare reports ex officio;

- **Penalties for Non-Compliance with Tax Regulations:** Penalties for general tax offenses by legal entities and entrepreneurs, such as failure to file, late filing of tax returns, incorrect calculation, non-payment, and late payment of taxes, have been updated, introducing stricter penalties depending on the amount of owed tax liability. This applies equally to penalties for tax offenses committed by individuals.

When it comes to amendments to other laws affecting the domain of tax procedure, changes to the GAP Law were made at the beginning of 2023 in accordance with the decision of the Constitutional Court of the Republic of Serbia (Official Gazette RS, No. 2/2023). There have been no recent changes to the AD Law or the LIO Law.

POSITIVE DEVELOPMENTS

New amendments to the PTA Law have introduced provisions that clarify the obligation of the Tax Administration to issue a decision on the cessation of tax liabilities due to the statute of limitations on tax liabilities, tax refunds, tax credits, or tax rebooking. Specifically, regarding tax liabilities, the Tax Administration is obligated to issue a decision on their cessation upon the taxpayer's request. Additionally, the Tax Administration has the option (though not the obligation) to issue such a decision on its own initiative (ex officio), considering the efficiency of the procedure.

On the other hand, when it comes to the statute of limitations on the taxpayer's right to refunds, tax credits, and the settlement of due liabilities through tax rebooking, the Tax Administration is required to issue a decision on the cessation of these rights ex officio.

Although these changes represent significant progress, a legal solution mandating the Tax Administration to issue a decision ex officio on the cessation of tax liabilities due to the statute of limitations would enhance legal certainty for taxpayers.

Furthermore, the discretionary power of the Tax Administration to assess whether a taxpayer meets the conditions for deferring tax payments has been abolished. If the prescribed conditions are met—specifically, if the tax liability represents an unreasonably heavy burden or its settlement would cause significant economic harm to the taxpayer—the Tax Administration is required, upon a reasoned request from the taxpayer, to confirm that these conditions are satisfied and to submit a written proposal to the competent authority for deferral of payment. The conditions for granting tax deferrals are further regulated by a Government decree.

Introducing a range of penalties for tax offenses, which become stricter as the tax due is larger, enhances the fairness in penalizing taxpayers for failing to fulfil or for not timely fulfilling their obligations related to determining, reporting, and paying taxes.

Over the past year, there were no other significant changes affecting the regulatory framework governing tax procedures in Serbia. The issues addressed in previous years remain unresolved.

REMAINING ISSUES

I. The existing regulatory framework governing the tax procedure still does not provide sufficient protection for taxpayers against discretionary decisions of tax authorities. Additionally, the lack of capacity and competences jeopardizes the protection of legality in the control procedure, as well as in the appellate and court proceedings.

II. Rules on tax-related criminal offences still do not take into consideration the size and volume of taxable activities of taxpayers and apply the same threshold to both small businesses and large corporations in Serbia.

III. More often than not, tax inspectors do not apply the "substance over form" principle in good faith. This regularly leads to highly unfavourable decisions for taxpayers, which are practically impossible to change.

IV. Tax authorities routinely fail to comply with the deadlines for the issuance of decisions based on submitted appeals.

V. The existing rules regarding delayed execution of tax administrative acts via requests submitted to the second-instance authority do not provide for clear conditions for delaying execution, providing the second-instance authority with a very broad-set discretionary right.

VI. Rules that relate to the possibility of a tax refund in the event of the existence of matured tax liabilities in another respect are unclear and restrictive and do not take into account whether such tax liabilities are deferred or disputed (e.g. an appeal against a tax assessment issued by the Tax Administration). As a result of the foregoing, taxpayers are in a situation wherein uncollectible tax liabilities result in a complete discontinuation of the tax refund.

VII. The statutory 30-day deadline for issuing and publishing binding opinions upon request of taxpayers is not observed, so, in practice, taxpayers wait for opinions for more than a year.

VIII. Limiting the filing of amended tax returns to two times is not justified. In fact, in most cases mistakes are made unintentionally, or are technical, especially in the case of large taxpayers who have large-scale and complex internal organization systems. Given that a taxpayer cannot amend a tax return in the event of a tax audit for a specific period, abolishing this restriction would not create an additional burden for the Tax Administration. Quite the contrary, it would help increase the efficiency of tax collection and encourage taxpayers' co-operation, consequently reducing the scope of tax audits.

IX. During a tax audit, as well as during the period in which a taxpayer's TIN is temporarily withdrawn, and until it is reinstated, the SBRA cannot erase a taxpayer from the register, register status changes, or change any of the registered data. In addition, tax liabilities become due regardless of whether or not a company is actually

doing business (e.g. mandatory social security contributions, municipal taxes). Due to the vagueness and restrictiveness of this provision, the initiation of a tax audit may preclude the company from closing down business, which will lead to additional tax liabilities for the company, regardless of the outcome of the audit, thus de facto arbitrarily punishing the taxpayer for no reason. Additionally, taxpayers are unable to register changes that may even enable tax payment (capital increase, registration of a change of legal representative, etc.).

X. Prohibiting SBRA to register the acquisition of shares in legal entities or establishment of new legal entities in cases when the founder of such entity is a legal entity or entrepreneur over whom tax audit or any other action performed by the competent tax authorities has been registered. The restrictiveness of this provision leads to the business limitations of taxpayers, which de facto taxpayer represent a punishment for a taxpayer without any grounds.

XI. The PTA amendments introduced the possibility for the Tax Administration to secure the collection of a tax liability that is not due, but for which an audit procedure has been initiated, even though criteria or conditions for the implementation of this measure have not been prescribed, which is not in line with the legality principle. As a consequence, tax resolutions that impose the measure do not contain valid reasons why the Tax Administration considers that there is risk in tax collection.

XII. Amendments to the PTA Law abolished the function of administrative supervision within the Tax Administration. According to the amended text of the PTA Law, the Tax Administration has exclusive competencies to perform the function of internal control. The Ministry of Finance has not established supervision as a separate function, from the moment of the abolition of the function of administrative supervision within the Tax Administration.

XIII. The Serbian Administrative Court, as the final instance for tax disputes, does not have a sufficient level of specialization and expertise to adjudicate on tax matters. A court decision will typically take more than one year. Considering that the procedure before the court does not postpone a tax liability, i.e. the taxpayer still has to settle the previously disputed tax, even if he eventually does win the case, incurred costs for the taxpayer usually result in taxpayers receiving refunds of lower value in real terms. In addition, courts almost never decide on the merits of a case.

XIV. There is no prescribed length of time for the temporary confiscation of PIB by the Tax Administration, which in practice equates to the permanent confiscation of TIN and preventing taxpayers from performing their activities, as they cannot perform any payment transaction except paying taxes.

XV. Article 36 of the Law on Tax Procedure and Tax Administration (ZPPPA) regarding the delivery of tax documents is imprecisely formulated, especially in the part concerning electronic delivery to the email address of the taxpayer's proxy. In practice, it often happens that a tax document is sent to an inactive email address, resulting in a bounce-back message indicating the email address is inactive. However, the Tax Administration records this as a properly executed delivery, thereby depriving taxpayers of their legal right to appeal.

FIC RECOMMENDATIONS

I. The electronic services of the Tax Administration should be further improved and developed in a way to enable the taxpayer to download all tax returns in a form customized to user, as well as to enable all taxpayers to electronically obtain TIN and all tax certificates. Propose an amendment to the Rulebook on the allocation of TIN, so that it is prescribed that the Tax Administration delivers the confirmation of the TIN allocation to the taxpayer in e-form.

II. Regulating the provisions of the Criminal Code concerning tax crimes in more detail and taking into account the size of the legal entity and the volume of taxable activities.

III. The introduction of a statutory deadline for tax audit duration (or adopt the provision of Article 38 of the Law on Inspection according to which the control procedure is suspended after 8 days have passed from the date of submission of the taxpayer's request for the end of the control in a situation where the inspector does not make a decision after the end of the day of the end of the control after the end of the day of the end of the inspection supervision specified in inspection order), and a tacit acceptance procedure in the case of a failure by the Tax Administration to issue its decision within the deadline, both for the Tax Administration and the Ministry of Finance.

IV. Introduction of a time limit duration of the TIN temporary revocation.

V. Establishing the function of administrative supervision within the Ministry of Finance that will provide an effective mechanism for controlling legal compliance of the work of the Tax Administration's organizational units. The PTA Law should envisage offenses of employees in the Tax Administration who do not act in accordance with regulations (or decisions of immediate higher instances) during their work, especially in cases when they do not act within the deadlines prescribed by the PTA Law and in case of non-execution of the second instance body's decision in line with guidelines and understandings set forth therein. The PTA Law should be further aligned with provisions of the LIO. The LIO provides that inspectors are required to act not only to detect illegal activities and penalize entities violating the law, but also to prevent irregularities and provide advice to controlled entities to minimize risks from illegal acts.

VI. Introduction of the obligation in the PTA Law of the second-instance authority of the Ministry of Finance to resolve the administrative matter by itself, instead of the first-instance authority, if the first-instance authority does not act according to its order and does not issue a decision within the deadline, as stipulated in Art. 173 st. 3 GAP Law. In this way, the multi-year duration of tax proceedings would be resolved, where often the first-instance authority does not act according to the order of the second-instance authority, as well as the first-instance authority does not issue a decision in the re-procedure within the time prescribed by law, which jeopardizes the legal security of taxpayers and violates the principle of legality of the tax procedure.

VII. Amending Article 147(1) of the PTA Law, so as to read that an appeal suspends the enforcement of the decision.

VIII. Eliminate legal uncertainty in the process of issuing of opinions of the Ministry of Finance by amending Article 80 of the Law on State Administration with regard to whether the ministry's opinions are legally binding if so prescribed by a separate law; amending the PTA Law to prescribe that the ministry's opinions are binding only if they are published or available to all parties in a public-legal relationship; defining a 30-day deadline for issuing an opinion defining the consequences in a situation where previously issued opinions are changed or disregarded; amending the PTA Law to prescribe that opinions of the Tax Administration sent by email are binding for the Tax Administration, and introducing provisions to the PTA Law to govern the liability of authorized officers and adequate penalties for failure to issue a binding opinion within the 30-day deadline. Introduce the obligation to publish a redacted request with the issued opinion.

IX. Abolishing the provision of the PTA Law which prohibits the SBRA from erasing a taxpayer from the register, registering status changes, or amending information for the duration of a tax audit or procedures undertaken by the Tax Police.

X. Abolishing the provision of the PTA Law which prohibits the SBRA from registering acquisition of shares in legal entities as well as establishment of new legal entities in cases when the founder of such entity is a legal entity or entrepreneur over whom tax audit or any other action performed by the competent tax authorities has been registered.

XI. Strengthen the capacity of the Administrative Court in terms of expertise, specialization and speed in resolving tax disputes.

XII. Reformulate Article 36 of the Law on Tax Procedure and Tax Administration (ZPPPA) with regard to the delivery of tax documents via email.

F. ELECTRONIC BUSINESS MODEL 1.67

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
We propose the following amendments or clarifications to the Law on Electronic Invoicing:				
a. Enable simple and transparent access to the "European and Serbian standard for electronic invoicing"	2022			√
b. Further harmonize the terminology of VAT and ZEF, especially aligning with Article 42 of the VAT Law.	2022		√	
c. We propose that the SEF develop, and the ZEF regulations specify the digital signing of cancellation documents as proof of input VAT correction.	2022	√		
d. We propose clarifying whether the payment request applies/does not apply to proforma invoices issued to the public sector.	2023			√
e. We propose that when amending and supplementing legal regulations, for which technical adjustments of the taxpayer's system are necessary, the implementation period should be a minimum of 3 to 6 months. Additionally, we propose abolishing the POPDV form to eliminate duplicate record-keeping.	2024		√	
f. We propose suspending the manual transfer of fiscal receipt data until digital transfer within the SEF is established.	2024			√
With the introduction of digitalization, it is expected to simplify processes and save time in this regard, and we ask that the development of the SEF be considered in terms of digital verification of the formal correctness of e-invoice elements, such as logical and mathematical verification of e-invoice correctness, as well as error reporting.	2022		√	
Align the date of electronic recording of VAT calculation and input tax with the date for submitting the VAT return (by the 15th of the current month for the previous month).	2023			√
We propose more detailed regulation of the method of recording VAT calculation, in collective and individual records, as well as recording input tax, for already prescribed situations in which records are kept, and closer definition of situations in which individual and collective VAT calculation records are kept.	2023		√	

CURRENT SITUATION

The implementation of electronic business in the Republic of Serbia began in 2017 with the introduction of the Law on Electronic Document, followed by the adoption of the Law on Fiscalization, the Law on Electronic Invoicing (ZEF), the Law on Electronic Delivery Note, and the introduction of e-Excise. The most significant changes relate to the preparation, reporting, and exchange of electronic documents/invoices/delivery notes/excise stamps, electronic identification, as well as electronic data exchange in both the public and private sectors. The Republic of Serbia has taken a step further in the legal regulation and implementation of electronic business and the monitoring of the development of information technologies based on solutions contained in international practice, regulations, and standards of the European Union.

Members of the Foreign Investors Council support the introduction and modernization of e-commerce, whose aim is to stimulate more efficient in business entities' operations, contribute to a decrease in grey economy and develop a trusted market, make citizens' access to the services of public authorities easier and safer, while the introduction of electronic archiving is expected to simplify the access to financial documents.

Electronic business is regulated by the following laws and by-laws:

Law on Fiscalization ("Official Gazette of the RS", No. 153/2020, 96/2021, and 138/2022)

Entered into force on May 1, 2022, regulating new fiscalization model, entering new fiscalization model making fiscal invoice visible to the Tax Administration in real time, as opposed to the previous method of data transfer at the end of the day. Fiscal invoices are being tracked by generated unique QR code/hyperlink, that is a part of each fiscal invoice. Taxpayers are obliged to register for each retail point of sale, unless exempted based on the Law on Fiscalization, an electronic fiscal device, in addition to a cash register, can be a computer, tablet, or mobile phone and the QR code on each slip enables customers, i.e., users of services, to check the validity of the bill by a simple code scanning.

Law on Electronic Invoicing (ZEF) (Official Gazette of the RS", No. 44/2021, 129/2021, 138/2022, 92/2023 and 94/2024)

Fully implemented from January 1, 2023, with the aim to regulate the obligation of electronic recording of VAT calculations in the electronic invoicing system; regulate the use of the electronic invoicing system; provide basic instructions for handling electronic invoices, including how to accept/reject an electronic invoice, as well as other relevant instructions.

Rulebook on Electronic Invoicing (Rulebook) ("Official Gazette of the RS", No. 47/2023, 116/2023, 65/2024, 73/2024, 101/2024, 107/2024, 56/2025 and 85/2025)

Implemented from July 1, 2023, the consolidated rulebook replaces the previous three rulebooks and regulates the method and procedure for registering access to the electronic invoicing system (SEF); the application of e-invoice standards; the elements and attachments of e-invoices; the method and procedure for electronic recording of VAT calculations in SEF including input VAT; procedures in case of temporary interruptions in SEF operations; the use of data from SEF; and the procedures of the Central Information Intermediary.

Of significant importance is the Internal Technical Manual, published and additionally harmonized by the Ministry of Finance of the Republic of Serbia. The Electronic Invoicing System (SEF) has been introduced, which represents an information technology solution for sending, receiving, recording, processing, and storing e-invoices, managed by the central information intermediary. Additionally, the SEF records VAT calculations for public and private sector entities, as well as VAT for representatives of foreign entities registered for VAT in the Republic of Serbia, who are obliged to ensure technical capabilities and timely implementation in accordance with the Law on Electronic Invoicing (ZEF).

The introduction of electronic business and issuing invoices in electronic form is the biggest change since the introduction of VAT. In addition to the new regulations, further alignment with other relevant laws is required, primarily with the Law on VAT and the Law on Accounting, especially in terms of specifying the content and manner of issuing invoices.

Law on Electronic Delivery Notes (ZEO) ("Official Gazette of the RS", No. 94/2024)

The Law on Electronic Delivery Notes aims to regulate the obligation of sending and receiving electronic delivery notes during the movement of goods for entities in both the public and private sectors. It governs the use of the information technology system for managing electronic delivery notes, provides basic guidelines for handling

delivery notes and receipts, and defines the procedures for their acceptance or rejection, along with other relevant instructions and exemptions from the obligation of implementation.

Rulebook on Electronic Delivery Notes (PEO) ("Official Gazette of the RS", No. 21/2025)

The Rulebook on Electronic Delivery Notes regulates the method and procedure for sending, receiving, and processing electronic delivery notes within the system managed by the Central Information Intermediary. It specifies the standards for electronic delivery notes, their components, and the method of recording within the system, as well as procedures in case of technical difficulties. Of key importance is the internal technical guideline, published and additionally harmonized by the Ministry of Finance of the Republic of Serbia, which provides detailed instructions for system users and ensures compliance with legal requirements.

A phased implementation of the ZEO is planned as follows: The first phase, starting on January 1, 2026, includes the obligation for public sector entities to send and receive electronic delivery notes to and from other public sector entities, as well as the obligation for carriers to present the electronic delivery note issued for such movements of goods during inspection procedures, in accordance with the provisions of laws governing inspection oversight. Additionally, in the first phase, private sector entities are required to send electronic delivery notes in cases involving the movement of excise goods, to send electronic delivery notes to public sector entities, and for carriers to present the electronic delivery note issued for these movements of goods. The second phase, covering other types of goods' movement, will be implemented starting October 1, 2027.

In addition, the integration of the e-Delivery Note module with the e-Invoice system has begun, aiming to link issued delivery notes with the issuance of e-invoices. This integration is intended to facilitate business operations, accelerate administrative processes, and reduce the likelihood of errors. E-Delivery Note represents a significant shift in tracking the movement of goods and requires substantial system adjustments by all stakeholders, which are currently underway. We believe that the deadline for implementing the first phase is very short, especially considering that many uncertainties regarding the legal framework have only been clarified during this year, and ERP systems still need to be developed and configured accordingly.

The e-Excise System ("Official Gazette of the RS", No. 75/2023)

The system was regulated through amendments to the Excise Law during 2024, while the obligation to label excise goods with control excise stamps containing QR codes begins in 2025. The law was adopted with the aim of further harmonizing excise policy in the areas of energy products, tobacco products, and alcoholic beverages with EU standards, and introducing improved control over the movement of excise goods.

The e-Excise system is defined as a centralized information system managed by the Ministry of Finance. It retrieves data from other registers maintained by competent authorities, as well as data related to excise goods, excise taxpayers, and market participants. The system enables the submission of electronic requests for issuing control excise stamps and for issuing and renewing excise warehouse permits. It also facilitates business process management and communication among users of the e-Excise system regarding excise goods, and records, stores, and processes data related to the movement of excise goods.

Within the e-Excise system, control excise stamps with QR codes are introduced, containing data such as code, description and brand name, place and date of production, information about the production line and details about the market where the product will be sold.

POSITIVE DEVELOPMENTS

Since the transition to electronic business, the technical functionality of the SEF has been improved several times, enabling more efficient work for all users.

In line with last year's proposals, we believe that the amendments to the VAT Law and the Law on Electronic Invoicing have led to the following improvements:

- Provisions have been introduced to regulate the preliminary tax return, which is expected to eventually replace the need for preparing and using the POPDV form. It is necessary to consider whether the new provisions eliminate duplicate recordkeeping and enable simpler business documentation management within the electronic invoicing system.

- Internal technical guidelines have been issued by the Ministry of Finance covering VAT calculation in the SEF system, input tax records in SEF, and electronic delivery notes.

- Under the latest amendments to the Rulebook on Electronic Invoicing ("Official Gazette of the RS", No. 85/2025), a VAT taxpayer who has received goods or services may issue a notification via the electronic invoicing system stating that the deduction of input tax has been corrected, or that the calculated VAT was not used as input tax. The exchange of such notifications regarding input tax is available in the SEF environment as of October 11, 2025.

The Foreign Investors Council (FIC) has communicated proposals for clarifying the ZEF regulations, as well as the functioning of the information system, which have received a positive response to some extent from the working group of the Ministry of Finance responsible for establishing the e-invoice system. The most significant of these are the technical adjustments to the SEF.

REMAINING ISSUES

I. We will point out the remaining ambiguities regarding the interpretation of the Law on Electronic Invoicing, as well as the functioning of the SEF:

   a) The terms of the European and Serbian standards on electronic invoicing, which have not yet been applied in business, are listed. To better understand and adequately apply them, legal entities have researched the legal regulations, but it is not easy to find complete explanations, and even the standard itself is not publicly available. We believe that for a better understanding of the rights and obligations of private sector entities, it is important that the standards are transparent and publicly available.

   b) Certain terms in the VAT and ZEF laws still have terminological inconsistencies, especially regarding the application of Article 42 of the VAT Law. For example, the terms "invoice" and "e-invoice," "date of transaction," etc.

   c) In practice, the concept of a payment request remains unclear, particularly whether a pro forma invoice issued to a public sector entity is considered a payment request and, if so, which document type should be selected in the SEF system.

   d) Although regulatory changes are often announced in advance by the Ministry of Finance, the period between their adoption and practical implementation leaves very short deadlines for taxpayers to make all necessary technical system adjustments. This has proven difficult in practice, and the e-Invoice system itself is often not ready on time.

   e) Full integration with the fiscalization system has not been achieved. In the spirit of digitalization, it would be expected that all data already processed through fiscalization be made available and transferred to other records. Unfortunately, this functionality is not enabled in SEF and represents a significant administrative burden and risk for taxpayers. While we recognize that the greatest challenge to full integration lies in technical issues and the incompatibility between the platforms used for fiscalization and SEF, we believe that active efforts should be made to resolve this technical problem and enable database alignment. This would create the foundation for full integration, eliminate duplicate recordkeeping, significantly reduce the administrative burden for taxpayers, and most importantly, mitigate the risk of potential errors.

II. The functionality of the SEF has been fully implemented since January 1, 2023, and the FIC has communicated proposals for technical improvements on several occasions. With further enhancement of e-business, it would be significant to introduce automated data checks.

III. In addition to the VAT return submission deadline, which is the 15th day of the month, an additional deadline of 12 days after the end of the tax period has been introduced for electronically recording the VAT liability calculation as well as input tax. This imposes unnecessary additional administrative work and costs, while also shortening the time available to prepare for the already established VAT return deadline prescribed by the VAT Law.

IV. A list of SEF users has been created, but it has been observed that it is not regularly updated.

V. The planned implementation of the ZEO as of January 1, 2026, for private sector entities in cases involving the movement of excise goods, requiring them to issue an electronic delivery note, leaves an extremely short timeframe for implementation. It demands significant effort and resources from the affected entities to adapt

their information systems accordingly.

VI. The provisions of the ZEO foresee unequal application of the law between public and private sector entities. Specifically, Article 3, paragraph 2, item 5) stipulates that the obligation to issue an electronic delivery note does not apply to the movement of goods involving delivery within a single public sector entity. During the public consultation on the ZEO proposal, no explanation was provided as to why the obligation to issue an electronic delivery note applies to the movement of goods within a private sector entity, while the same obligation does not apply to public sector entities.

FIC RECOMMENDATIONS

I. We propose the following amendments or clarifications to the Law on Electronic Invoicing:

   a) Enable simple and transparent access to the "European and Serbian standard for electronic invoicing".

   b) Further harmonize the terminology of VAT and ZEF, especially aligning with Article 42 of the VAT Law.

   c) We propose clarifying whether the payment request applies/does not apply to proforma invoices issued to the public sector.

   d) We propose that when amending and supplementing legal regulations, for which technical adjustments of the taxpayer's system are necessary, the implementation period should be a minimum 6 months.

   e) We propose suspending the manual transfer of fiscal receipt data until digital transfer within the SEF is fully established.

II. With the introduction of digitalization, it is expected to simplify processes and save time in this regard, and we ask that the development of the SEF be considered in terms of digital verification of the formal correctness of e-invoice elements, such as logical and mathematical verification of e-invoice correctness, as well as error reporting.

III. Align the date of electronic recording of VAT calculation and input tax with the date for submitting the VAT return (by the 15th of the current month for the previous month).

IV. Regular updates of the SEF user list should be carried out to ensure proper information for users who need to determine whether an electronic invoice or a paper invoice will be issued for a specific entity.

V. It is necessary to extend the deadline for the implementation of the ZEO for private sector entities in cases involving excise goods, to allow uninterrupted trade of the relevant products and to enable these entities to adjust their internal information systems.

VI. We propose that Article 3, paragraph 2, item 5) of the ZEO be amended to extend the exception from the obligation to issue an electronic delivery note to private sector entities in cases involving the movement of goods that constitute delivery within a single private sector entity.

G. LATEST DEVELOPMENTS IN THE SERBIAN TAX SYSTEM (PARAFISCAL CHARGES)

1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Continuation of the reform of the non-tax revenue system, by eliminating all parafiscal charges that do not provide corresponding benefits in return, in terms of specific rights, services, or resources, while at the same time ensuring a consistent application of the Law on the Budget System, which regulates the basic principles of introducing and collecting non-tax public revenues.	2015			√
Adoption of the Law on Fees that should regulate all fees paid for a public service, while setting their level in line with Methodology and a new Law on the Financing of Local Governments, preceded by a comprehensive analysis of and alignment with solutions and tendencies of sectoral laws.	2014			√
Any new tax burden, or increase to an existing one, should be pre-announced to taxpayers and introduced through tax laws drafted by the Ministry of Finance, not by funds, agencies, or other ministries.	2013			√
Apply the business signage tax ceiling to the obligation of a single taxpayer, regardless of the number of facilities with displayed business signs that they have in the territory of any one municipality or whether they have more business facilities in other municipalities in Serbia (banks, insurance companies, telecom companies, etc.)	2014			√
Change the methodology and manner of determining the fee for the environment protection and improvement so that the fee is paid exclusively by taxpayers whose activities affect environmental pollution and use the funds to mitigate the negative consequences of these activities.	2020			√
Judicial protection of taxpayers' rights should be significantly improved through a reform of the Administrative Court, specialization of judges in tax matters, or the establishment of a special department within the Administrative Court with the sole jurisdiction to handle tax disputes.	2016			√

CURRENT SITUATION

There are numerous parafiscal charges in Serbia that exist in parallel with taxes, increasing the effective burden on the economy under conditions that are often non-transparent and unfair. As a kind of public levy, parafiscal charges actually impose an obligation that does not provide (at all or in an adequate proportion) a specific service, right, or good in return.

The authorities recognize this fact, which is why a parafiscal reform was carried out in late 2012, abolishing 138 parafiscal levies. The reform continued in 2013, with a first draft of the Law on Fees for the Use of Public Resources and the adoption of the final version of the Law at the end of 2018, but also by imposing new parafiscal levies such as a mandatory membership fee for the Serbian Chamber of Commerce in 2018. The reform process is still ongoing, which is especially reflected in the large number of changes that have been made to the regulations governing the manner of determining and reporting compensation for the protection and improvement of the environment.

POSITIVE DEVELOPMENTS

During the previous year no significant improvements

occurred in respect to FIC recommendations given earlier. As of January 2025, new rules regarding mandatory membership fees to the Chamber of Commerce and Industry of Serbia have come into effect. Micro enterprises with annual revenue below one million dinars are fully exempt from paying the membership fee. Additionally, companies with annual revenue up to twenty million dinars are now required to pay only the fixed portion of the fee, as the variable component has been abolished. Starting in 2025, the environmental protection and improvement fee is subject to a new reporting deadline and submission method. Taxpayers must now submit their declarations exclusively electronically, via the Local Tax Administration portal. Furthermore, the payment frequency has been changed to a quarterly basis, replacing the previous annual schedule. In June 2025, the government announced the establishment of a centralized database of parafiscal levies, along with planned amendments to the Budget System Law. These changes aim to create a unified register of fees and charges, which will be accessible for electronic payment, thereby enhancing transparency and simplifying compliance for businesses.

REMAINING ISSUES

I. The reform of non-tax revenues has not been completed yet. The remaining issue is related to fees that should be paid for a public service proportionally to the costs of its provision. Currently, only a part of the fees are regulated by the Law on State Administrative Fees, while numerous laws and by-laws have introduced levies that are by their fiscal nature fees, but which come under different names (charge, compensation, etc.). In addition, it is questionable whether the Rulebook on Methodology for Determining Costs of Public Service (Methodology) was applied when setting the levels of all these fees.

II. A particular problem that we deem should be highlighted concerns the local utility tax for displaying business signs (business signage tax). Business signage tax costs for remaining taxpayers has significantly increased since the regime for the payment of the business signage tax was changed. The overall liability of a business entity for business signage has reached significant amounts, inter alia, due to diverse practices amongst local governments.

III. To additionally point out, during 2019, the determining the fee method for the environment protection and improvement was changed on two occasions. The methodology initially established by the Law on Fees for the Use of Public Goods and accompanied by provided bylaws, inter alia, defined the fee to be paid according to the amount of pollutants emitted and the hazardous waste produced and disposed of. However, although the method of determining the fee was intended to be paid by legal entities and entrepreneurs who perform activities that negatively affect the environment, the calculating fee methodology was too complicated, which resulted in a very small number of applications fees for environment protection and improvement by taxpayers.

At the end of December 2019, the manner of determining the compensation for the environment protection and improvement was changed again by the bylaws amendments. The new methodology simplifies the calculating fee method and it envisages that the fee is paid in a fixed annual amount depending on the size of the legal entity in accordance with accounting regulations and the degree of environmental impact of the predominant activity performed in accordance with the prescribed classification. However, in this way, the obligation to pay compensation was imposed on almost all legal entities and entrepreneurs in Serbia, regardless of whether their predominant activities really have a negative impact on the environment. The current methodology for determining the amount of compensation is contrary to the provisions of the Law on Fees for the Use of Public Goods, which, among other things, stipulates that the basis of compensation for environmental protection and improvement is the amount of pollution, i.e. the degree of negative impact on the environment.

IV. The Law on Fees for the Use of Public Goods was amended at the end of October 2023. However, the amendments to the law would not affect the methodology in which the amount of compensation is determined.

V. The FIC reiterates that the introduction of new taxes and duties, or increasing existing ones, during the fiscal year, without prior notice to taxpayers that would enable them to adapt their business to the new fiscal burden, adversely affects the predictability of the business environment and the operating results of companies.

VI. The judicial protection of taxpayers' rights is ineffective. The proceedings before the Administrative Court are very lengthy and the Court usually simply confirms the decision of the Tax Administration, without providing an adequate statement of reasons for such a ruling. Alternatively, in exceptional cases, the disputed decision is annulled, and the case remanded back to the second-instance Tax Authority, without going into the merits of the case, which further protracts the entire process of the protection of taxpayers' rights. The Court almost never schedules any hearing where a taxpayer could explain its arguments before the Court or present its objections to the findings of the Tax Administration.

FIC RECOMMENDATIONS

I. Continuation of the reform of the non-tax revenue system, by eliminating all parafiscal charges that do not provide corresponding benefits in return, in terms of specific rights, services, or resources, while at the same time ensuring a consistent application of the Law on the Budget System, which regulates the basic principles of introducing and collecting non-tax public revenues.

II. Apply the business signage tax ceiling to the obligation of a single taxpayer, regardless of the number of facilities with displayed business signs that they have in the territory of any one municipality or whether they have more business facilities in other municipalities in Serbia (banks, insurance companies, telecom companies, etc.)

III. Change the methodology and manner of determining the fee for the environment protection and improvement so that the fee is paid exclusively by taxpayers whose activities affect environmental pollution and use the funds to mitigate the negative consequences of these activities.

IV. Adoption of the Law on Fees that should regulate all fees paid for a public service, while setting their level in line with Methodology and a new Law on the Financing of Local Governments, preceded by a comprehensive analysis of and alignment with solutions and tendencies of sectoral laws.

V. Any new tax burden, or increase to an existing one, should be pre-announced to taxpayers and introduced through tax laws drafted by the Ministry of Finance, not by funds, agencies, or other ministries.

VI. Judicial protection of taxpayers' rights should be significantly improved through a reform of the Administrative Court, specialization of judges in tax matters, or the establishment of a special department within the Administrative Court with the sole jurisdiction to handle tax disputes.

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SECTOR SPECIFIC

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FOOD AND AGRICULTURE

1.12

Agriculture and the food industry are essential for local and national economic development, necessitating accelerated efforts to improve institutions, legislation, and the business environment in this sector.

The recent pandemic crisis, increasingly frequent epizootic situations, ongoing economic and political developments in Europe, and global climate change significantly impact the functioning of various industries, particularly regarding the availability of raw materials and rising market prices. In these conditions, agriculture and food production, as well as local food safety systems, must operate more quickly and efficiently.

Despite all the challenges, the local food safety system has not made significant progress, as official controls continue at the same pace. The physical exchange of documentation with relevant authorities hampers the efficient functioning of the food sector. Introducing a transparent and comprehensive risk analysis system would improve the flow of goods. Reorganizing existing resources and focusing on high-risk products would enhance control over actual risks, which is crucial.

The alignment of regulations with EU standards is progressing more slowly than expected, while conflicts of authority between different ministries are emerging. Although some regulations have been harmonized, national laws still restrict the application of EU practices, posing a significant barrier to free trade and innovation. Therefore, modernizing outdated regulations and eliminating restrictions on free trade, while simultaneously protecting local products, have become key priorities. Additional administrative barriers and methodological rules complicate the transposition of EU regulations. The initiation of a new Food Safety Law represents a positive signal for improving the integration of the food chain in Serbia and aligning domestic legislation with relevant European Union regulations.

The report on the work of the Expert Council for Risk Assessment, as well as the Council's activities since its establishment in 2017, remain unknown to the public.

There is significant room for improvement in the regulatory framework to ensure high standards in food quality control and to apply a uniform approach to the oversight of all entities, including importers and local producers. Simplifying testing procedures, enhancing transparency, and ensuring predictability in the retention of goods are essential. Improving the capacity of control bodies and adopting a risk-based approach are crucial for strengthening the food safety management system. While positive effects from the Law on Official Controls are anticipated, the actual impact of these changes will only be visible after the law is published and implemented.

The electronic exchange of data between government institutions and the economy remains a critical need for efficient functioning.

Regenerative agriculture is becoming increasingly significant, although its application is not yet widespread. It is encouraging to see a growing awareness among farmers about its importance, as well as the existence of companies implementing these practices. In the EU, there is a growing emphasis on using raw materials from regenerative sources, which is becoming crucial for producers wishing to export to the EU. Government support and subsidies for equipment and farmer education are essential for integrating regenerative practices into national strategic and program documents and laws regulating agriculture and rural development. Through the Working Group established at the end of 2024, efforts to intensify the development of public policies and regulations in this area are expected during 2026, alongside the necessity of adopting a new Strategy for Agriculture and Rural Development to facilitate the implementation of necessary reforms and alignment with modern standards.

1. FOOD SAFETY LAW 1.14

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Align the Food Safety Law and all related subordinate regulations with EU regulation (178/2002/EC and accompanying subordinate acts).	2017		√	
Establish a transparent and comprehensive risk analysis system by all inspection services, including the establishment of a functional IT system and digitization of supervision.	2015			√
Establish uniform rules in inspection procedures regarding costs, deadlines, fieldwork mechanisms, sampling methods, and the determination of the type and number of analyses during official controls.	2014			√
Standardize criteria for labouratories during control analyses, with a clearly defined responsibility of labouratories in interpreting regulations.	2020			√
Establish a national food safety agency following the example of EU member states and neighbouring countries and create conditions for the National Reference Labouratory to perform all tasks prescribed by law in order to strengthen the capacity of the food safety system.	2018			√
Simplify the procedure for placing new food on the market from the list in Annex 1, while maintaining the approval process for new food not listed in Annex 1, following the EU model.	2020			√
Enable electronic data exchange between government institutions and the private sector.	2020			√

CURRENT SITUATION

The Food Safety Law (hereinafter referred to as the Law), adopted in 2009, with amendments in 2019, has still not been fully implemented. Additionally, not all the planned subordinate regulations have been adopted, which were supposed to be enacted by 2011. Due to the lack of these prescribed acts, regulations that do not comply with the requirements of modern food safety systems are still in effect.

The amendments to the Law reorganized the inspection oversight responsibilities between two ministries, and the Expert Council for Risk Assessment was established in April 2017, but the institutional framework has not been effectively established. The National Reference Labouratory was opened in 2015, and its jurisdiction was defined by the amendments in 2019, introducing the concept of the Reference Labouratory. Ministries select reference labouratories through a competition, and the list is published in the "Official Gazette of the Republic of Serbia." However, the Food Safety Law does not specify when labouratory tests can be conducted in selected labouratories and when in the Directorate for National Reference Labouratories. A working group for milk was formed in 2015 within the Ministry of Agriculture, but by mid-2025, full alignment of the legal regulations on milk safety has not been achieved. The maximum allowable content of aflatoxin M1 in raw milk has been increased to 0.25 µg/kg to support domestic producers. From December 1, it is expected to align with the European standard of 0.05 µg/kg, but it remains uncertain whether the current limit of 0.25 µg/kg will be extended, as has been the practice in previous years. This measure allows for the import of milk from EU countries and the region in cases where the aflatoxin content exceeds the EU limit of 0.05 µg/kg. For food safety and the reduction of aflatoxin content in milk, measures need to be taken to reduce aflatoxins in animal feed.

The Ministry of Agriculture began drafting a new Food Safety Law in August, which announced alignment with the amendments to Regulation (EC) 178/2002 concerning risk communication objectives, as well as the separation of animal feed into a special regulation. Additionally, the new law aims to specify responsibilities in the control of public

food establishments and to enable the adoption of subordinate regulations related to food safety.

The regulation on maximum concentrations of contaminants in food is annually aligned with the applicable EU food regulations under the jurisdiction of the Ministry of Agriculture. Since last year, food categories under the jurisdiction of the Ministry of Health, such as food for infants and young children, have also been included. The regulation also encompasses provisions of EU Regulation 2017/2158 on the reduction of acrylamide in certain types of food.

POSITIVE DEVELOPMENTS

The initiation of the drafting of a new Food Safety Law is a positive signal indicating the improvement of food chain integration in Serbia and the alignment of domestic legislation with relevant EU regulations.

REMAINING ISSUES

The Food Safety Law and some subordinate regulations are not aligned with EU regulations:

a. Current provisions of the Law limit full compliance, such as the mismatch of food categorization with EU legal categories, for example, food with modified nutritional composition.

b. The regulation on maximum concentrations of contaminants in food primarily relies on Regulation EC 2023/915, but food for infants and young children has not yet been fully aligned with it. Some provisions from the regulation on dietary products, which are not part of EU regulations, remain in force. Additionally, regulations on the quality of coffee products and fruit juices contain requirements that are not prescribed at the EU level. Besides these misalignments, other outdated quality regulations and similar provisions put domestic entities at a disadvantage compared to foreign competitors, especially regarding the placement of products in EU and regional markets.

c. Different interpretations by inspections are possible, which can cause inconsistencies in the application of the law.

d. National legislation adopts amendments and supplements to regulations on the use of food additives significantly slower than the needs of the food industry, with the last amendments dating back to 2018.

The lack of a comprehensive risk assessment system by inspection services has not led to progress and coordination in the application of methods for risk analysis and assessment:

a. The activities carried out by the Expert Council for Risk Assessment have not been known to the public after 7 years, nor have they sufficiently contributed to risk assessment.

b. Risk analysis would allow for the classification of food business entities as low-risk or high-risk, which would expedite the customs clearance process and the release of low-risk goods into circulation. Importers assessed as low-risk could achieve savings in money and time through faster document reception and a reduced number of sampling during import.

c. Risk analysis would reduce the burden on inspection services and relieve their limited resources, as resources would be directed towards testing high-risk products.

d. The publication of the Regulation on special elements of risk assessment for sanitary and agricultural inspections in 2018 created a framework for initiating the risk assessment process, but inconsistencies in application between different inspections still exist.

Business related to the procurement of raw materials for food production and its market placement faces unpredictable conditions:

a. The absence of uniform rules in the procedures of inspection services leads to different costs, deadlines, fieldwork mechanisms, sampling, and determining the number of analyses in labouratory processes.

b. Labouratories apply different criteria during control analyses, and the responsibility of labouratories in interpreting regulations is not clearly defined.

The procedure for placing new food on the market is unclear and purposeless:

a. Although the Regulation on new food has adopted a

list of food that can be freely placed on the EU market, an additional procedure is repeated for all food business entities, which includes repeating the procedure for the same ingredient of new food each time it is used in different products.

b. The Ministry approves new food based on the opinion of the Expert Council for Risk Assessment, even though there is already a relevant scientific opinion from EFSA that has approved that food in the EU. It is not known whether the Expert Council has issued an opinion contrary to EFSA's for the same food.

The exchange of documentation with competent authorities is still mostly done physically, which complicates the work of companies and slows down the flow of goods.

FIC RECOMMENDATIONS

- Align the Food Safety Law and all related subordinate regulations with EU regulation (178/2002/EC and accompanying subordinate acts).
- Establish a transparent and comprehensive risk analysis system by all inspection services, including the establishment of a functional IT system and digitization of supervision.
- Establish uniform rules in inspection procedures regarding costs, deadlines, fieldwork mechanisms, sampling methods, and the determination of the type and number of analyses during official controls.
- Standardize criteria for labouratories during control analyses, with a clearly defined responsibility of labouratories in interpreting regulations.
- Establish a national food safety agency following the example of EU member states and neighbouring countries and create conditions for the National Reference Labouratory to perform all tasks prescribed by law to strengthen the capacity of the food safety system.
- Simplify the procedure for placing new food on the market from the list in Annex 1, while maintaining the approval process for new food not listed in Annex 1, following the EU model.
- Enable electronic data exchange between Government institutions and the private sector.

2. FOOD AND FOOD CONTACT MATERIAL INSPECTIONS 1.20

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Adopt a new Law on Sanitary Supervision and executive regulations on the work of sanitary and phytosanitary inspections that are aligned with the Law on Inspection Supervision and EU regulations, as well as a Law on Official Controls based on Regulation (EU) 2017/625 and executive regulations on the implementation of official controls. This would ensure consistent implementation of unified rules in inspection procedures and a unified approach to comprehensive risk analysis.	2017		√	
Amend the decisions of the competent inspections to allow the use of raw materials in production without the right to release the finished product into free circulation until the decision on the release of raw materials into circulation is obtained.	2017			√
To overcome delays in issuing decisions on veterinary-sanitary conditions for import or transit shipments, it is suggested that the Ministry of Agriculture adopt a bylaw that prescribes the list of necessary documentation and deadlines for submitting requests and issuing decisions. This will enable greater transparency in the process, more efficient procurement of goods, and predictability in business.	2024			√
Clearly define the time required for import procedures for all types of food.	2018			√
Enable electronic data exchange between state institutions and the economy.	2020			√

CURRENT SITUATION

Amendments to the Food Safety Law from 2019 reorganized the division of inspection oversight responsibilities between the relevant inspections of the Ministry of Agriculture (phytosanitary, agricultural, and veterinary) and the Ministry of Health (sanitary). Additionally, the Ministry of Health prescribes health and safety requirements for food contact materials (FCM), and the sanitary inspection is responsible for controlling the application of legal regulations that encompass materials in contact with food, including packaging.

With the entry into force of the Regulation on Food with Modified Nutritional Composition, food that was previously under the jurisdiction of the Ministry of Agriculture inspections and contains added vitamins and minerals has, since August, come under the control of the sanitary inspection of the Ministry of Health. The work of inspection services is also regulated by the Inspection Supervision Law, which has been in effect since April 2016. Some inspections are developing models for the application of the Inspection Supervision Law, but full alignment of sectoral regulations with this Law has not yet been completed.

Since 2016, the Ministry of Health has been in the process of drafting a new Sanitary Supervision Law, which would more thoroughly regulate the tasks of sanitary supervision.

A new Law on Official Controls is being prepared, which will more precisely regulate control in the areas of food, animal health, plant protection, and other sectors of agriculture and the food industry, clearly defining the responsibilities of authorities, control procedures, obligations of entities, and data processing methods, with a complete alignment with European Union rules announced.

POSITIVE DEVELOPMENTS

The order to take measures to prevent the introduction of infectious diseases and the strict measures implemented by the veterinary inspection have proven effective in preventing the spread of epizootic diseases in the Republic of Serbia.

Although positive effects are expected from the Law on Official Controls, the impact of these changes will be visible after the law is published and implemented.

REMAINING ISSUES

Although announced several years ago, the Sanitary Supervision Law and executive regulations regarding the work of sanitary and phytosanitary inspections, which would be aligned with the Inspection Supervision Law and EU regulations, have still not been adopted. There is a lack of executive regulations such as the Regulation on the Implementation of Official Control, the system of approval and certification, cooperation with customs authorities and competent authorities of EU member states and third countries, inspection, sampling, determination of deadlines for the implementation of official control, as well as reporting on conducted inspections. Additionally, there is a lack of a Regulation on Sampling and Testing Methods for Food in the process of official control and other regulations. This situation creates inconsistencies in the actions of inspection services and varies in the application of the risk assessment system. As a result, risk analysis is not applied in the actions of the sanitary inspection, where all shipments are sampled and sent for labouratory analysis, including general use items and materials in contact with food, including packaging. This leads to unnecessary high material costs for business entities where no irregularities have been detected, as well as delays in deliveries and unpredictability in business and planning.

The relevant inspections do not allow the use of raw materials in production before obtaining the Decision on Release for Free Circulation, which results in a loss of time and money.

In early May, the Ministry of Agriculture issued a statement regarding enhanced control over the issuance of decisions related to veterinary and sanitary conditions for the import or transit of shipments of animal-derived food, which resulted in the revocation of existing decisions for companies, even in cases where the country of origin was not affected by an epizootic disease. Although the procedure was reestablished at the end of June, the previous measures caused business disruptions due to the inability to import raw materials and finished products, especially processed dairy products that were not available on the domestic market. These changes have affected the transparency and predictability of the business environment, as decisions were made without considering all market operating conditions.

The time required for import procedures for food is not clearly defined.

The exchange of documentation with competent authorities is still largely conducted physically, which complicates the work of companies and significantly slows down the flow of goods.

FIC RECOMMENDATIONS

- Adopt a new Law on Sanitary Supervision and executive regulations on the work of sanitary and phytosanitary inspections that are aligned with the Law on Inspection Supervision and EU regulations, as well as a Law on Official Controls based on Regulation (EU) 2017/625 and executive regulations on the implementation of official controls. This would ensure consistent implementation of unified rules in inspection procedures and a unified approach to comprehensive risk analysis.
- Amend the decisions of the competent inspections to allow the use of raw materials in production without the right to release the finished product into free circulation until the decision on the release of raw materials into circulation is obtained.
- To overcome delays in issuing decisions on veterinary-sanitary conditions for import or transit shipments, it is suggested that the Ministry of Agriculture adopt a bylaw that prescribes the list of necessary documentation and deadlines for submitting requests and issuing decisions. This will enable greater transparency in the process, more efficient procurement of goods, and predictability in business.
- Clearly define the time required for import procedures for all types of food.
- Enable electronic data exchange between state institutions and the economy.

3. QUALITY AND LABELLING OF FOOD PRODUCTS 1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Identify the competent institution for interpreting regulations in the field of food safety and ensure that the official positions of the Ministry are mandatory for all participants in the chain. Additionally, establish a competent Ministry for the area of food labelling to ensure consistent interpretation and implementation of regulations, guides, and instructions issued by the relevant ministry.	2016			√
Adopt a regulation that will regulate the conditions and methods of production and placing on the market of food for which quality conditions are not prescribed.	2022			√
Adopt executive regulations derived from the Food Safety Law and align them with EU regulations.	2017			√
Amend Article 34 of the Trade Law to clearly define that the provisions of that article do not apply to products subject to the provisions of the Food Safety Law and subordinate regulations governing the labelling and marking of food.	2020			√

CURRENT SITUATION

Since June 2018, the Regulation on the Declaration, Labelling, and Advertising of Food has been in effect, largely aligned with relevant EU regulations, including the alignment of provisions related to the declaration of the country of origin of products and main ingredients, effective from January 1, 2023. In early 2022, provisions were added that prescribe the appearance of the "Originating from Serbia" label for meat and meat products, supporting consumer awareness of local products.

As of August 1, of this year, certain categories of products containing palm or other vegetable oils along with dairy components are required to have additional labelling on the front of the packaging, along with separation at the point of sale from dairy products, to ensure transparency for consumers regarding products that are not 100% dairy. Despite the short adjustment period and challenges in implementation, the Ministry of Agriculture has quickly responded to the industry's need for clear guidelines by enacting amendments and supplements to the regulation for more effective application.

Several regulations governing the quality of certain food categories are not fully aligned with the EU, are outdated, or there are no EU regulations defining the quality of these categories. Misaligned vertical legislation places food business entities at a disadvantage compared to producers in the region and the European Union. Due to outdated regulations, it is often difficult to find suitable raw materials, resulting in higher prices. Some raw materials cannot even be used or placed on the market because there are no appropriate categories in the regulations. Similar problems arise with finished products that do not fit into existing categories.

The Trade Law, adopted in mid-2019 by the Ministry of Internal and Foreign Trade, mandates the labelling of the country of production on the declaration of goods in retail trade. However, it is still unclear whether this obligation applies to food labelling, given the existing food safety regulations (lex specialis). According to Article 26 of the Regulation on Declaration, the mandatory indication of the country of origin applies only to certain types of food, while in other cases, it is not mandatory. If the country of origin is voluntarily indicated, entities are required to provide information about the country of origin of the main ingredient. The responsibilities for harmonizing regulations from Chapter XII are unclear, as different ministries have different approaches to the same area.

POSITIVE DEVELOPMENTS

In recent years, certain amendments and supplements to

regulations have been made in accordance with the needs of food business entities, aimed at improving restrictive provisions. However, despite these individual changes, a systematic solution has not been achieved, indicating that significant improvements in this area have not been observed.

REMAINING ISSUES

The current legal framework does not clearly define the authority for interpreting food safety regulations, and practice has shown that labouratories often interpret these regulations. Although determining illegality is exclusively the responsibility of inspectors (Article 37 of the Inspection Supervision Law), inspectors often rely on labouratory conclusions, while the official position of the competent Ministry is not a binding act for inspection services. This situation is particularly pronounced in the interpretation of food labelling regulations, where different approaches still exist despite the existence of a Guide. This creates difficulties for economic entities and complicates their long-term planning. Additionally, a subordinate act that would more closely regulate the conditions for the production and marketing of food for which quality standards have not been defined, as provided for in Article 55 of the Law, has not yet been adopted.

The misalignment of product quality regulations with EU legislation is expressed through several aspects:

a. Most national regulations that prescribe the quality of certain food categories date back to the 1980s and 1990s, and newer regulations, such as those on the quality of fruit and vegetable products or coffee regulations, are not fully aligned with EU legislation. The latest amendments to these regulations have not brought progress in harmonization, which can complicate business operations, especially for products that cannot be classified into any of the categories of the newly adopted regulations, and particularly for related products where there remains room for different interpretations. Continuous amendments and supplements to regulations can overcome these situations, but these are solutions that require a longer time and do not contribute to efficiency.

b. The Regulation on Fruit Juices, although aligned with European regulations, contains additional requirements that are voluntary in the EU, placing domestic producers at a disadvantage compared to foreign entities.

c. The Regulation on Food Additives and Dietary Products prescribes a process for registering products in the Ministry's database, which requires confirmations from multiple institutions, contrary to the faster notification processes in EU countries.

The misalignment of the requirements of the Trade Law, which mandates the indication of the country of origin, and the Regulation on Declaration, which prescribes the obligation to indicate the country of origin of the main ingredient when voluntarily indicating the country of origin on the product declaration, creates a framework for additional problems in practice. This situation leads to inconsistencies in the interpretation of regulations, conflicts of authority, and legal unpredictability, complicating business operations and foreign trade exchange. As a result, companies face increased costs and the need to adjust declarations, creating unfair competition in the market.

FIC RECOMMENDATIONS

- Identify the competent institution for interpreting regulations in the field of food safety and ensure that the official positions of the Ministry are mandatory for all participants in the chain. Additionally, establish a competent Ministry for the area of food labelling to ensure consistent interpretation and implementation of regulations, guides, and instructions issued by the relevant Ministry.
- Adopt a regulation that will regulate the conditions and methods of production and placing on the market of food for which quality conditions are not prescribed.
- Adopt executive regulations derived from the Food Safety Law and align them with EU regulations.

- Amend Article 34 of the Trade Law to retain the general rule on declaring the country of origin, except for goods regulated by specific sectoral regulations on declaration and labelling, namely the Food Safety Law and subordinate acts regulating the declaration and labelling of food. This amendment would allow for the avoidance of overlapping authorities and misalignments between different regulations, as well as eliminate the possibility of different interpretations by state authorities.

4. REGENERATIVE AGRICULTURE: BENEFITS AND IMPLEMENTATION CHALLENGES

1.25

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Within national strategic and programmatic documents and laws governing agriculture and rural development, it is necessary to recognize and incorporate regenerative agricultural practices. These documents include the Strategy for Agriculture and Rural Development, National Agricultural Program, National Rural Development Program, Law on Agriculture and Rural Development, and Law on Incentives in Agriculture and Rural Development.	2024		√	
Provide financial support through subsidies and other available tools to support the transition of agricultural producers from conventional to regenerative agricultural practices. These support measures would include subsidies within rural development support programs, as well as direct payments.	2024			√
Consider the possibility of additional subsidies for producers implementing regenerative agricultural practices within direct payments in primary crop production, following a similar principle to the subsidies provided for organic farming compared to conventional production.	2024			√
Invest in farmer education programs and capacity building focused on sustainable agricultural practices, providing farmers with the knowledge and skills necessary to adopt environmentally friendly methods.	2024			√

CURRENT SITUATION

With the increasing global population, the demand for food is also growing. At the same time, food producers are facing increasing pressure to adopt more sustainable business strategies and practices, given the significant role of agriculture and the food industry in combating climate change. The main challenge for the food industry is how to ensure an adequate food supply for the growing population while dealing with the threats of climate change and general soil degradation caused by intensive farming practices. This problem is also present in Serbia, where research shows that humus content is declining at a faster rate than in the mid-20th century.

Agriculture is one of the main pillars of economic activity and growth in the Republic of Serbia. In 2025, the Serbian Government's budget allocated 150 billion dinars

for agriculture, which is 7.5 percent of the total state budget for that year. Agricultural land makes up almost half of the country's territory, and agriculture contributes nearly 6 percent of Serbia's GDP. According to the Agricultural Census of 2023, the total number of agricultural households was 508,325, and the agricultural workforce numbered 1,157,319 people. According to the data from the Statistical Office of the Republic of Serbia, the agricultural-food sector accounted for nearly 20 percent of the total export of goods from Serbia in 2024. The total export value amounted to 5.14 billion euros, representing a growth of 9.5 percent compared to 2023. At the same time, a surplus in the trade of agricultural and food products of 1.26 billion euros was achieved. Legislation in Serbia shows a tendency to harmonize with EU regulations, especially in the field of agriculture, which is recognized as a sector with significant impacts and risks related to ESG (Environmental, Social, Governance) factors worldwide. Serbia has a unique opportunity to develop and implement detailed ESG regulations in the agricultural sector, which will affect large enterprises and small agricultural producers, enabling economic growth and the development of sustainable business practices.

Regenerative agriculture is a system of principles and practices aimed at restoring natural resources, such as soil, water, and biodiversity. The application of regenerative agricultural practices is an effective way to reduce carbon dioxide emissions into the atmosphere by sequestering it in the soil.

- Within the Serbian food supply chain, agricultural production is responsible for 66 percent of total emissions, while the processing industry accounts for 24 percent of emissions. Proposed measures to reduce the carbon footprint in agricultural production include two key steps: Increasing the capacity of land to retain carbon through the adoption of regenerative agricultural practices. Increasing carbon content in the soil is mainly achieved through the implementation of regenerative agricultural practices, as mentioned in section 6.4.3 "CO_2 Emissions in Serbian Agriculture." When these practices are successfully applied, they act as the main compensation for emissions arising from field work and natural processes. The implementation of regenerative agricultural practices is best combined with targeted measures to reduce CO_2 emissions, contributing to achieving a cumulative positive effect.
- Reducing greenhouse gas emissions from all sources, both natural and human.

POSITIVE DEVELOPMENTS

At the Ministry of Agriculture, Forestry, and Water Management, a Working Group for Regenerative Agriculture was formed at the end of 2024. The tasks of the Working Group are to form a regulatory framework to enable the application of regenerative agricultural practices in accordance with ecological standards, through cooperation with institutions, universities, industry, and producers. According to the planned activities of the Working Group, it is expected that by the end of 2025 and during 2026, work on drafting public policy documents and regulations that will regulate this area will intensify.

REMAINING ISSUES

Serbia still does not have a new Strategy for Agriculture and Rural Development, as the main document for the development of Serbian agriculture, given that the previous one covered the period from 2014 to 2024. It is known that work on the strategy began during the previous year, but the draft was rejected by the Agricultural Committee, and the adoption date is unknown.

Serbian legislation in the field of agriculture shows a tendency to harmonize with EU regulations. However, certain deficiencies and inconsistencies have been observed regarding general ESG regulations. To achieve full harmonization with EU regulations, it is not necessary to change the entire regulatory framework but to adapt existing regulations. The identified deficiencies include:

- Failure to recognize regenerative agricultural practices in strategic planning documents and laws, despite their crucial role in sustainable land management and reducing negative environmental impacts.
- Absence of systemic and financial support for the transition to regenerative land management systems. Farmers need support in the form of training, technological solutions, and financial incentives to adopt sustainable practices and reduce their environmental impact.
- The lack of financial incentives for farmers who already apply regenerative agricultural practices in their production.
- Limited awareness among farmers about the existing systems and opportunities for financial support.

FIC RECOMMENDATIONS

- Within future national strategic and programmatic documents and laws governing agriculture and rural development, it is necessary to recognize and incorporate regenerative agricultural practices. These documents include the Strategy for Agriculture and Rural Development, National Agricultural Program, National Rural Development Program, Law on Agriculture and Rural Development, and Law on Incentives in Agriculture and Rural Development.
- Provide financial support through subsidies and other available tools to support the transition of agricultural producers from conventional to regenerative agricultural practices. These support measures would include subsidies within rural development support programs, as well as direct payments.
- Consider the possibility of additional subsidies for producers implementing regenerative agricultural practices within direct payments in primary crop production, following a similar principle to the subsidies provided for organic farming compared to conventional production.
- Invest in farmer education programs and capacity building focused on sustainable agricultural practices, providing farmers with the knowledge and skills necessary to adopt environmentally friendly methods.

5. SYNERGY OF SCIENCE AND BUSINESS FOR THE WELL-BEING OF CUSTOMERS AND A HEALTHIER DIET

1.00

(ZERO RESIDUE CONCEPT: FRUIT AND VEGETABLES WITHOUT PESTICIDE RESIDUE)

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Development and implementation of a national regulatory framework: It is proposed to adopt comprehensive regulations that will define standards and procedures for the production and certification of pesticide residuefree products. This will provide clear guidelines for producers and increase consumer trust.	2024			√
Financial support and subsidies: Financial assistance should be provided through subsidies and other tools to help producers transition to the Zero Residue concept. This includes subsidies for acquiring new technologies, training, and educating farmers.	2024			√
Raising consumer awareness: Campaigns to inform and educate consumers about the benefits of pesticide residue-free products are essential. This will increase demand for these products and encourage producers to adopt this concept.	2024			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Support for small producers: Special support programs for small agricultural producers, including access to technology and training.	2024			√
Continuous quality improvement: Establishing a system for ongoing monitoring and quality improvement through collabouration with scientific institutions such as the Faculty of Agriculture at the University of Belgrade. This will ensure that products remain compliant with high standards and that issues are addressed promptly.	2024			√

CURRENT SITUATION

In the modern world, health standards and food safety are key for consumers. The "Zero Residue" or "Pesticide Residue-Free" concept represents one of the latest trends in agriculture, the goal of which is to eliminate pesticide residue on fruit and vegetables offered on the market. Not only does this approach secure healthier products for customers, but it also contributes significantly to sustainable development of agriculture and preservation of the environment.

Agriculture plays a crucial role in the economy of the Republic of Serbia. With almost 50% of the country's territory engaged in agricultural production, this sector contributes approximately 7% of the country's GDP and employs a large number of people. However, traditional agricultural practices often include pesticides in order to protect crops from pests and diseases. While pesticides help increase yield, their misuse can negatively impact the environment and human health.

The strategy for sustainability and food safety recognizes the importance of reducing pesticide residue in products. In cooperation with the Faculty of Agriculture at the University of Belgrade, a new food safety management concept was developed in 2022. With the aim of producing fruits and vegetables free from pesticide residues through good agricultural practices, standards in the food supply chain are significantly raised, and this benefits primary producers, and particularly consumers and society, as well as companies that implement and promote a responsible approach to food safety. In the summer of 2022, the first "Zero Residue" crops were produced in Serbia, and they included cantaloupes and watermelons marked with the official guarantee stamp Compared to the initial year, this concept has been further improved and expanded to include new fruit and vegetable crops, such as raspberries, blackberries, blueberries, cherries, packaged salad, tomatoes, and leafy greens, with a tendency to broaden the product range in the coming years.

This innovative approach includes the application of advanced technologies in production, strict control of good agricultural practices and labouratory analyses that prove the absence of pesticides in products.

This type of innovation is exactly how synergy between science and business is achieved. Through this kind of cooperation, retailers make sure that the products offered at the retail chain comply with the highest quality and safety standards. Moreover, the Faculty of Agriculture of University of Belgrade, as Serbia's leading scientific institution in food production, plays a key role in validating good agricultural practices among primary producers and conducting labouratory analyses. This process involves strict control of every step during the production, from planting to harvesting and distribution.

The partnership between retailers and local producers is one of the key elements of the success of this concept. Expanding the concept to include new fruit and vegetable crops ensures that consumers have access to a wider selection of healthier and safer products. From the beginning of the project in 2022 to the end of 2024, the number of products bearing the "Pesticide Residue Free" label increased to 17, and the number of suppliers grew from 1 to 5. Additionally, the market volume of these products rose by 171%. These results clearly demonstrate the success of the concept and the market's readiness to embrace and support such initiatives.

Retailers will continue to work on expanding this concept, aiming to include even more types of fruit and vegetables. Analyses are already underway to extend it to new varieties of apples and vegetable crops. This process not only con-

tributes to a healthier diet but also sets new standards in agricultural production in Serbia, promoting sustainability and responsible resource use.

POSITIVE DEVELOPMENTS

There are currently no improvements in this area.

REMAINING ISSUES

Although the concept "Pesticide Residue Free" is a step forward toward healthier and safer food, there are several challenges in Serbia:

- Lack of clear regulations: Currently, there is no comprehensive legal framework governing pesticide residue-free products at the national level. This complicates the standardization and certification of these products.
- Financial challenges for producers: Transition to pesticide residue-free production requires additional financial investments in new technologies and training, which poses a significant challenge for many agricultural producers.
- Insufficient consumer awareness: Many consumers are not adequately informed about this innovative production concept, affecting demand.
- Lack of support for small producers: Small agricultural producers often lack access to the resources needed to transition to pesticide residue-free production, which can reduce their competitiveness.
- Maintaining quality: Continuously upholding high production standards and quality control requires ongoing investments and supervision, which can be challenging for producers.

FIC RECOMMENDATIONS

- Development and implementation of a national regulatory framework: It is proposed to adopt comprehensive regulations that will define standards and procedures for the production and certification of pesticide residue-free products. This will provide clear guidelines for producers and increase consumer trust.
- Financial support and subsidies: Financial assistance should be provided through subsidies and other tools to help producers transition to the Zero Residue concept. This includes subsidies for acquiring new technologies, training, and educating farmers.
- Raising consumer awareness: Campaigns to inform and educate consumers about the benefits of pesticide residue-free products are essential. This will increase demand for these products and encourage producers to adopt this concept.
- Support for small producers: Special support programs for small agricultural producers, including access to technology and training.
- Continuous quality improvement: Establishing a system for ongoing monitoring and quality improvement through collabouration with scientific institutions such as the Faculty of Agriculture at the University of Belgrade. This will ensure that products remain compliant with high standards and that issues are addressed promptly.

TOBACCO INDUSTRY

2.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is necessary for all relevant public institutions to continue to focus on an efficient implementation of the law in order to combat the illegal tobacco market, which has a significant negative effect on all of society. The Foreign Investors Council also supports efforts of the Serbian Government in combating the illicit trade in tobacco and tobacco products and proposes once again the formation of a special department within the Prosecutor's Office which would be responsible for excise goods.	2024		√	
Continue with the open dialogue between the Government of Serbia and the tobacco industry in all important matters concerning business conditions in the tobacco product market. The Foreign Investors Council strongly supports this kind of dialogue, based on the principles of participation, transparency, accountability, effectiveness, and coherence.	2024		√	
The current excise calendar is set to expire at the end of 2025. It is necessary to continue a responsible and consistent excise policy that ensures predictability for all actors in the tobacco industry's production and distribution chain, anticipates gradual increases in excise burdens, and considers the different risk profiles of the products involved. Such an approach would ensure stable budget revenues and prevent the growth of illegal f lows within the industry.	2024		√	
Innovations in science and technology, along with the application of the highest standards in the tobacco industry, have contributed to the development of new categories of tobacco and related products that can reduce the negative effects compared to cigarette consumption. When creating a regulatory framework, it is important for the legislator to recognize the unique characteristics and specificities of these products, consider existing scientific evidence, and apply the principles of proportionality so that consumers have adequate access to information and can make informed decisions.	2024		√	

CURRENT SITUATION

The tobacco industry represents a stable and reasonably regulated sector that contributes, on average, 8% of the total revenue to the budget of the Republic of Serbia each year. Three multinational companies, along with one domestic producer are operating In Serbia. These companies directly employ more than 2,000 people and indirectly additional 5,000. When firms that support the tobacco industry's operations, such as distributors, retailers, and others are included, this number is significantly higher.

In the first six months of 2025, over one billion cigarette packs were produced, representing a 4% increase compared to the same period of the previous year. However, domestic sales in Serbia declined by 2% during the same timeframe. The total foreign trade in tobacco and tobacco-related products amounted to €546.6 million, of which exports accounted for €329.6 million, while imports reached €217 million, resulting in a trade surplus of approximately €112.6 million.

Between 2020 and 2024, tobacco cultivation in Serbia was carried out on an average annual area of 4,338 hectares. In 2025, this figure increased to 5,014 hectares. The value of tobacco exports in the first six months of 2025 rose by 26.5% compared to the same period of the previous year, while imports increased by 35%.

An illegal market for tobacco and tobacco products persists in Serbia, and its suppression has been designated a government priority through the establishment of a Working Group for Combating Tobacco Smuggling (Government Decision published in the "Official Gazette of the Repub-

lic of Serbia," No. 47/16). Revenue from excise duties and VAT on tobacco products amounted to RSD 176.6 billion in 2024, compared to RSD 165.6 billion in 2023.

For Serbia, it is therefore of strategic importance to maintain control over domestic tobacco production, especially considering that approximately three-quarters of the illicit market consists of cut tobacco rather than cigarettes. Nevertheless, the efforts of state authorities, led by the Ministry of Interior, Customs Administration, Market, Phytosanitary, and Agricultural Inspections, together with industry representatives, have yielded visible results in curbing illegal production and trade in tobacco and tobacco products, with the aim of minimizing the negative impact on budgetary revenues.

POSITIVE DEVELOPMENTS

Amendments to the Tobacco Law, effective as of November 2023, introduced definitions for new tobacco and nicotine products, including non-combustible tobacco and related items such as electronic cigarettes, nicotine pouches, herbal products intended for smoking or heating, and hookah flavorings. This Law also introduced the definition of an electronic device for heating tobacco or herbal products.

Given the global commitment of the tobacco industry to the concept of harm reduction through the development of alternative products with reduced health risks compared to conventional cigarettes, Serbia's adoption of a unified regulatory framework—unique within the region—has encouraged industry transformation. A noticeable increase in the number of users of smoke-free and alternative nicotine and tobacco products has been observed, reflecting growing awareness among adult consumers about the harmful effects of tobacco smoke and the availability of proven, less harmful alternatives.

Thanks to continuous investment in innovation, the industry has undergone significant transformation, while several countries have recognized the potential of harm reduction and taken concrete steps toward its regulatory integration. In certain cases, such measures have led to a decrease in overall smoking prevalence. Sweden stands out as a model of good practice—by incorporating harm reduction into its regulatory framework, it has achieved a smoking rate below 5%, becoming the world's first smoke-free nation. By recognizing and adequately regulating all categories of alternative nicotine and tobacco products, Serbia has laid the foundation for a long-term reduction in the number of smokers.

The Law also regulates the registration of manufacturers and importers of related products and introduces additional restrictions on the sale of tobacco and related items, most notably the explicit prohibition of sales to minors. As products containing nicotine or tobacco are intended exclusively for adult users, this regulatory framework supports the principle of responsible marketing and demonstrates a strong commitment to prevention and the restriction of access to tobacco and nicotine products by minors.

The Excise Law regulated the consistent implementation of a five-year excise calendar and has introduced the e-Excise System, which digitizes the processes of ordering and applying excise control stamps with QR codes for tobacco products. The mandatory use of these stamps came into effect on January 1, 2025.

Amendments to the Excise Law also established a traceability system for tobacco products throughout the production and supply chain in Serbia, modeled after systems in the European Union—commonly referred to as the Track and Trace system. This module, designed to monitor the movement of cigarettes and non-combustible tobacco throughout the distribution chain, will enhance trade transparency by identifying the current location and historical movement of each individual and aggregated package from the production line to the first retail outlet. With implementation beginning in October, these two systems will significantly facilitate the work of inspection authorities.

In the fourth quarter of 2025, the adoption of a new five-year excise calendar is expected, aimed at ensuring continued transparency and predictability in the operations of the tobacco industry.

REMAINING ISSUES

In addition to market stabilization, the negative impact of the illegal market for cut tobacco remains evident, threatening the sustainability of the entire supply chain within the tobacco industry, as well as employment and GDP, which are directly influenced by the production and distribution chain of tobacco products.

It is estimated that the size of the illicit tobacco market in Serbia amounted to approximately 13% in 2024, indicating a continued decline compared to previous years. Of

the total volume of illegal trade, three-quarters consist of leaf tobacco and cut tobacco of domestic origin, while the remainder comprises illicit cigarettes that are either unmarked or bear tax stamps from neighbouring markets with lower excise duties.

Moreover, the illegal sale of tobacco products negatively impacts consumers due to unknown origins, uncontrolled production, storage, and transport conditions, and the fact that illegal tobacco products are accessible to minors, do not contain legally required health warnings, and are illegally advertised. The Government of the Republic of Serbia is making significant efforts to combat the illegal trade of tobacco products, as evidenced by the quantities of seized tobacco and cigarettes and the continuously increasing number of proceedings against various perpetrators of the criminal offense of illegal trade in tobacco and tobacco products. However, there is still a noticeable lack of adequate prosecution by the public prosecutor's office and the courts.

The tobacco industry in Serbia strongly supports the prohibition of sales of tobacco and nicotine products to minors and advocates for the consistent enforcement of existing legal provisions. Although the regulatory framework is clearly defined, its effective implementation requires additional efforts, including enhanced monitoring and inspection. Consistent application of the law, supported by both industry stakeholders and competent authorities, is essential to prevent the availability of tobacco and nicotine products to minors and to safeguard public health.

It is necessary to elevate the level of transparent communication regarding scientific findings related to alternative tobacco and nicotine products among all relevant stakeholders—policymakers, the scientific community, industry representatives, and the general public—in order to ensure accurate and reliable information. It is also necessary to encourage studies that examine the long-term effects of these products contribute to the development of evidence-based regulatory policies. An approach that combines strict quality control, impact monitoring, and open dialogue with the scientific community can help reduce the negative consequences of tobacco consumption within the population.

FIC RECOMMENDATIONS

- It is essential that all relevant state institutions maintain a strong focus on the effective enforcement of legislation aimed at combating the illicit tobacco market, which has significant adverse effects on society as a whole. The Foreign Investors Council also supports the efforts of the Government of the Republic of Serbia in curbing illegal trade in tobacco, tobacco-related, and nicotine products, and proposes the establishment of a dedicated Prosecutor's Office unit responsible for excise goods.
- To enhance the protection of minors, it is necessary to strengthen the capacities of competent inspection services, ensure continuous training and coordination among relevant institutions, and conduct regular inspections in retail outlets.
- The practice of open dialogue between the Government of the Republic of Serbia and the tobacco industry should be continued on all key issues related to market conditions for tobacco products. The Foreign Investors Council strongly supports such dialogue, based on the principles of participation, transparency, accountability, efficiency, and coherence, as disproportionate legislative changes could further distort the legal tobacco market and lead to the expansion of illicit trade.
- The current excise calendar expires at the end of 2025. A continuation of responsible and consistent excise policy is needed to ensure predictability for all stakeholders in the tobacco production and distribution chain. This policy should include gradual increases in excise burdens and take into account the varying risk profiles of the products involved. Given that the existing excise calendar has yielded excellent results in terms of tax revenue and market stability, the Foreign Investors Council believes it should be extended with the same structure and annual

increments. Such an approach would ensure stable budget revenues and prevent the growth of illicit flows within the industry.

- Scientific and technological innovations, along with the application of the highest industry standards, have contributed to the development of new categories of tobacco and related products that may reduce the negative effects compared to cigarette consumption. When designing the regulatory framework, it is important for legislators to recognize the unique characteristics and specificities of these products, acknowledge existing scientific evidence, and apply the principle of proportionality to ensure that consumers have adequate access to information and can make informed decisions.

Disclaimer: At the time of concluding this text, preparations for a new five-year excise calendar are underway, with the proposed changes to be addressed in the next edition of the White Book.

INSURANCE SECTOR

1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
INSURANCE CONTRACT LAW				
The enactment of a special Insurance Contract Law that would consolidate the provisions of the contractual insurance law. Creation of a working group of prominent lawyers in this field (distinguished professors, experts, people from the insurance industry, lawyers specialized in insurance law, etc.) who know both theory and practice, but also tendencies in the European countries and who would make a significant contribution to the development of the insurance market in our country. A good basis can be the Draft Insurance Contract Law prepared by the UOS which fully protects the rights and interests of insurance service consumers in line with the highest EU standards.	2022			√
MEDIATION AS A MANDATORY STEP BEFORE THE INSURANCE COURT DISPUTE				
Stipulate insurance mediation as a mandatory step before proceeding to litigation and amend the regulation accordingly, as well as additional promotion of mediation as a peaceful way of resolving disputes with a comparative presentation of the advantages of the mediation procedure in relation to the court procedure..	2022			√
LIFE INSURANCE – EXEMPTION FROM TAXABLE INCOME OF PERSONAL INSURANCE FEES				
Introduction of tax relief for life insurance in the Law on Personal Income Tax.	2021			√
ELIMINATION OF DOUBLE TAXATION FOR UNIT LINK PRODUCTS AND INVESTING IN INVESTMENT FUNDS				
Since the insurance company only has formal ownership of the investment fund units, i.e. cannot freely dispose of them and the payment of insurance benefit to a natural person (difference between the insured sum obtained from the sale of the fund units by the insurance company and paid premiums) represents a taxable income of a natural person, the Law on Corporate Profit Tax should be amended in a way that would exempt the income generated by the sale of investment units linked to life insurance from the calculation of capital gains in the tax balance sheet of the insurance company. In this way, double taxation is not completely eliminated, but the income generated from the sale of this type of investment units is only excluded from the calculation of capital gains, but it is nevertheless included in the insurance company's taxable profit as its "regular income".	2021			√
The Corporate Profit Tax Law should be amended as follows: in Article 27, paragraph 1, item 4), after the wording "in accordance with the law regulating investment funds", the following wording should be added "except in the case of purchase of investment units to which life insurance is linked in accordance with the law regulating voluntary insurance".	2021			√
LAW ON PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM				
Based on the above, and with the aim of simplifying the measures, we suggest adding paragraph (4) to Article 6 of the Rulebook on the Methodology for Conducting Business in Compliance with the Law on Prevention of Money Laundering and Financing of Terrorism, which reads: "Exceptionally, in the case of collective life insurance in the event of death, the determination of the true owner of the party (the policyholder) is sufficient based on the party's statement and verification of the data in the Central Register of True Owners, irrespective of other defined actions and measures."	2023			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
LAW ON PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM (PMLFT) – INSURANCE INTERMEDIARIES				
Reconsideration of all the facts mentioned in this Initiative and a possible amendment to the PMLFT Law and by-laws that would support the idea of fully exempting the subject insurance product from the application of anti-money laundering regulations; or	2024			√
Through amendments to the Law and the Rulebook on the Methodology for Performing Duties in Accordance with the Law on Prevention of Money Laundering and Financing of Terrorism, introduce a simplified procedure for determining the beneficial owner of the client when the policyholders are legal entities or other organizations that contract group life insurance policies for employees/members.	2024			√
AUTO INSURANCE MARKET				
Allow the possibility of issuing the compulsory auto liability insurance policy in electronic form as an e-Document.	2019			√
LAW ON ROAD TRAFFIC SAFETY				
Obligation of third-party liability insurance should be introduced for electric scooter owners.	2021			√
LAW ON TRANSPORTATION OF CARGO IN ROAD TRAFFIC				
Article 7 of the Law on Transport of Cargo in Road Traffic should be amended to stipulate insurance policy of the carrier's professional liability as a mandatory requirement for obtaining a transport license.	2021			√
HEALTHCARE LAW				
Enable health care providers by the Health Care Law to diagnose or prescribe treatment by telephone or online consultations.	2021			√
INSURANCE OF EMPLOYEES AGAINST WORK INJURIES AND PROFESSIONAL DISEASES				
The Administration for Safety and Health at Work to propose the adoption of the Law on Insurance Against Occupational Injuries and Occupational Diseases or a by-law that would define the minimum insured sums depending on the severity of the occupational injury or occupational disease, as well as to regulate in detail the conditions and insurance procedures against occupational injuries and occupational diseases. Additionally, clearly and unambiguously specify the provision of Article 67 of the Law on Safety and Health at Work in such a way that the employer's obligation to contract this insurance for employees exists even before the adoption of the Law on Insurance against Work Injuries.	2022			√
LAW ON HEALTH INSURANCE				
Amend the Law on Insurance – introduce penalty clauses for all persons engaged in insurance activities or underwriting activities against a fee without a prior permission obtained from the competent authorities.	2022			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Amendment to the Law on Health Insurance so that:				
a) the text of the current Article 179 should be amended to read: "The contract on voluntary health insurance shall be concluded based on a previous offer for concluding a contract on voluntary health insurance (hereinafter: the Offer) given by an insurer to the person wishing to conclude a contract on voluntary health insurance. Relevant information on the voluntary health insurance policyholders from paragraph 2 of this Article shall be: 1) name and surname, 2) Personal identification number, or registration number for foreign citizens. The offer referred to in paragraph 1 of this Article, as well as the consolidated offer from paragraph 4 of this Article shall also contain as relevant the data on previous health condition of the voluntary health insurance policyholder which are necessary for the insurer to ass the insurance risk. Notwithstanding the provisions of this Article, when the insurance company concludes with a policyholder a contract on collective voluntary health insurance of employees, where the insured persons are entitled to the payment of insurance indemnity directly from the insurance company and where the paid indemnity does not cover treatment costs, the insurance contract can be concluded based on official records of employed insurance policyholders."	2021			√
b) the text of the existing paragraph 1 of Article 182 should be amended to read: "An insurer shall issue a voluntary health insurance document to any voluntary health insurance policyholder who does not use his insurance rights directly at the insurer on the date of issuing the policy and no later than 60 days from the date of issuing the policy."	2022			√
LAW ON PUBLIC PROCUREMENT ("RS OFF. GAZETTE", NO. 91/2019) AND PUBLIC PROCUREMENT PORTAL				
The following provisions of the Law on Public Procurement should be amended/supplemented:				
In Article 114, a new paragraph 6 should be added after paragraph 5, which would read: "Economic entities that perform activities that is the subject of public procurement on the basis of a special permit (license) of the competent authority on the territory of the Republic of Serbia shall be considered to meet all criteria for the selection of economic entities from paragraph 1 of this Article and the contracting authority for the public procurement of such services may not set special criteria when drafting public invitations and tender documents".	2022			√
In Article 114, a new paragraph 7 should be added after paragraph 6, which would read: "If special regulations for certain areas stipulate conditions that business entities should meet, the contracting authority may not set special requirements from these areas as selection criteria."	2022			√
In Article 116, a new paragraph 8 should be added after paragraph 7: "Financial and economic capacity shall only be assessed on the basis of financial and economic criteria of economic entities and not some other indicators and parameters that are unrelated to the financial and economic domain. "	2022			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
In Article 132, a new paragraph 3 should be added after paragraph 2 which would read: "If a special law for some services and works stipulates a deadline for the performance of a service and/or works, the Client shall not set the deadline for the performance of such service and/or works as a criterion for determining the most economically advantageous offer".	2022			√
DATA ON COMPLAINTS AGAINST THE WORK OF INSURANCE COMPANIES AND VOLUNTARY PENSION FUNDS MANAGEMENT COMPANIES				
Given that insurance companies are required to provide the NBS on a quarterly basis with data on the number of complaints received in the previous quarter, NBS already has this data and, in our opinion, they could very easily and without much additional effort publish this data in the above-mentioned report so that they would also be available to the public.	2022			√
CONTRACTING CASH LOANS FROM BANKS THROUGH INSURANCE COMPANIES				
To allow insurance companies to enable their sales employees to represent or act as intermediaries in the conclusion of cash loan agreements, the following regulatory changes could be implemented:				
Insurance Law Add a provision to Article 24 of the Insurance Law stating that, in addition to insurance-related activities and other tasks specified therein, an insurance company may engage in representing/mediating cash loan agreements, subject to approval from the National Bank of Serbia.	2023			√
By-laws of the National Bank of Serbia It is necessary to amend the Decision on the Implementation of the Insurance Law, specifically concerning the issuance of licenses for insurance/reinsurance activities and certain approvals from the National Bank of Serbia. These changes should establish the conditions under which an insurance company could engage in these activities.	2023			√
SUBSIDY FOR MANDATORY POLLUTION INSURANCE OF POLLUTERS WHOSE FACILITIES OR ACTIVITIES POSE A HIGH DEGREE OF RISK TO HUMAN HEALTH AND THE ENVIRONMENT IN CASE OF HARM CAUSED TO THIRD PARTIES DUE TO ACCIDENTS				
Amend Article 106 of the Law on Environmental Protection in such a way as to determine the minimum sum insured under liability insurance policies for damage caused to third parties as a result of an accident. By-laws define the possibility of subsidization for insurance from Article 106 of the Law on Environmental Protection, the conditions and amount of the subsidy.	2023			√
SUBSIDY FOR COMPREHENSIVE VEHICLE INSURANCE FOR ELECTRICALLY POWERED VEHICLES, AS WELL AS VEHICLES THAT UTILIZE INTERNAL COMBUSTION ENGINE AND ELECTRIC PROPULSION (HYBRID DRIVE)				
The Regulation on the conditions and method of implementing the subsidized purchase of new vehicles that have an exclusively electric drive, as well as vehicles that have a hybrid drive, foresee the possibility of subsidization for comprehensive insurance in order to further encourage these environmentally friendly means of transport.	2023			√
SUBSIDY FOR INSURING APARTMENTS AND BUSINESS PREMISES IN BUILDINGS WITH ENERGY PASSPORT, AS WELL AS FOR INSURING HOUSES WITH SOLAR PANELS				

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
By-laws should provide the possibility of subvention when insuring apartments and business premises in buildings with an energy passport of category A+, A or B, as well as when insuring houses that have solar panels.	2023			√
SUBSIDY WHEN PROPERTY/EQUIPMENT INSURANCE FOR LEGAL ENTITIES REGISTERED IN THE BUSINESS REGISTRY AGENCY UNDER THE CODES RELATING TO RECYCLING AND WASTE MANAGEMENT				
By-laws should provide the possibility of subsidizing when insuring the liability of companies that are registered in the Agency for Business Registers under the codes found in points 38 and 39 of the Regulation on Classification of Activities, as well as when insuring the property/equipment of these companies.	2023			√
SUBSIDY WHEN PROPERTY/EQUIPMENT INSURANCE FOR TOURIST/ACCOMMODATION FACILITIES WHICH HAVE THE LABEL "TRAVEL SUSTAINABLE LEVEL 1, 2, 3"				
By-laws should provide the possibility of subvention when insuring property/equipment for tourist/accommodation facilities that have the label Travel sustainable level 1, 2 or 3.	2023			√
SUBSIDY FOR INSURANCE OF CROPS AND ANIMALS FOR ORGANIC PRODUCTION				
Amend the Law on Incentives in Agriculture and Rural Development in such a way that within the incentives for the preservation and improvement of the environment and natural resources, in the part related to organic production, a subsidy in the amount of 100% for the insurance of crops or animals, those legally persons, entrepreneurs or natural persons - owners of family farms who have a certificate of organic production.	2023			√
DECISION ON THE ACQUISITION OF QUALIFICATIONS AND TRAINING OF AUTHORISED INSURANCE BROKERS AND AGENTS				
The decision on acquiring qualifications and training of authorised insurance brokers and agents (Official Gazette of RS, 38/2015 and 11/2017)—hereafter referred to as the NBS Decision—should be amended to define the conditions under which employees at technical review centres may obtain authorisation to conduct compulsory insurance sales. These conditions for obtaining qualifications, as well as the method of training, should be simpler than those for other authorised agents, with the provision that this authorisation under "simplified" conditions would only apply to the sale of Motor Third-Party Liability (MTPL) insurance	2024			√
INSURANCE LAW - INSURANCE BROKERAGE AND AGENCY SERVICES				
Proposed amendment to the Insurance Act: Restrictions on Insurance Representation Article 99 An insurance agency, insurance agent, and legal entities referred to in Article 98, paragraph 2 of this Act may perform insurance representation tasks for only one insurance company, whith their written consent. The person referred to in paragraph 1 of this Article is required to prominently display the business name of the insurance company they represent in their business premises	2024			√

OVERVIEW OF THE INSURANCE MARKET

CURRENT SITUATION

There are 20 insurance companies in Serbia. Sixteen companies exclusively engage in insurance business, while four companies are involved in reinsurance. Among insurance companies, there are four specializing in life insurance, while six companies offer non-life insurance, including both life and non-life coverage.

The market remains highly concentrated: i) the market leader, Dunav, holds a 26.0% market share. ii) the three largest insurers collectively control 54.9% of the market. iii) the top five insurance companies possess a 73.5% market share.

Companies with majority foreign ownership (15 out of 20) undoubtedly dominate the market, accounting for 70.1% of assets (60.01% in non-life insurance premium and 84.7% in life insurance premium).

The insurance market had a premium of 177,4 billion dinars (approximately 1.5 billion euros), which represents a 14.3% increase compared to the same period in the previous year (year-end).

Concluding from the comparative indicators for 2024 and the previous year, several noteworthy changes in the observed year include:

- 20 (re)insurance companies operated on the market of the Republic of Serbia, which is an unchanged number compared to the previous year, with a slight decrease in the number of employees to 11,357, at a rate of 0.8%;
- The balance sheet of the insurance sector increased by 11.1% and amounts to 417.3 billion dinars;
- Capital increased by 11.3% and amounts to 88.6 billion dinars;
- Technical reserves increased by 11.7%, amounting to 285.9 billion dinars, with the investment of the full amount of technical reserves in prescribed forms of property;
- The total premium increased by 14.3% and amounts to 177.4 billion dinars;
- The share of non-life insurance of 81.5% in the total premium is still dominant. The non-life insurance premium recorded a growth of 15.9%, with a double-digit percentage growth recorded by insurances with a significant participation, such as property insurance, motor vehicle insurance - comprehensive and voluntary health insurance;
- Life insurance companies reduce their participation in the total premium from 19.7% to 18.5%, with a growth in this premium of 7.4%.

The establishment of insurance companies and their activities are mainly regulated by the Insurance Law (Official Gazzette RS, 139/2014 and 44/2021), and by the relevant by-laws of the National Bank of Serbia (NBS).

Other significant legal sources include the Law on Mandatory Traffic Insurance, the Law on Health Insurance, the Law on the Protection of Financial Service Consumers in Distance Contracts and the Law on Contracts and Torts (Law on Obligations). The lateral relevant legal source is the Law on Road Traffic Safety.

The existing regulations governing insurance activity in the Republic of Serbia have created the preconditions for a significant step towards further convergence of the state of the insurance sector in the Republic of Serbia with the level of development of that sector in the European Union.

Many insurance companies, as well as other actors in the insurance market, strive to adapt their services to the digital environment. However, in addition to technical and cultural challenges, existing regulations are also a significant obstacle. Although significant progress has been made in recent years towards the establishment of a regulatory framework suitable for digital business, there is still room for improvement. This is particularly pronounced in the field of compulsory auto liability insurance, where legal regulations still require the issuance of policies on pre-defined forms printed by the Institute for Banknotes and Coins - Topcider, which effectively prevents the digitization of this segment. Also, the regulations related to the prevention of money laundering and financing of terrorism additionally limit digital sales, because they do not respect the proposed exceptions that would enable the wider use of digital channels in the sale of life insurance in Serbia.

The COVID-19 pandemic had a significant impact, as telecommuting and remote business accelerated the development and adoption of digital sales channels, as well as the more comprehensive digitization of insurance companies' operations.

INSURANCE CONTRACT LAW

CURRENT SITUATION

Insurance contract law is regulated by the provisions of the Law on Contracts and Torts ("SFRY Off. Gazette", no. 29/78, 39/85, 45/89 – CCY decision and 57/89, "FRY Off. Gazette", no. 31/93, "SCG Off. Gazette", no. 1/2003 – Constitutional Charter and "RS Off. Gazette", no. 18/2020).

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

The Law on Contracts and Torts is one of the better laws that was adopted in all surrounding countries after the collapse of the old state. However, it was adopted more than 40 years ago and some segments do not correspond to today's times.

There are several reasons for passing a special Insurance Law:

- alignment with the changed circumstances and market needs

As mentioned before, the Law on Contracts and Torts was passed and subsequently amended a long time ago. At the time, the insurance market was not as developed in our country as it is today, and the same goes for the awareness of individuals about the importance of insurance. Furthermore, some provisions of the Law on Contracts and Torts which regulated the subject matter of insurance are in some ways outdated and do not follow the needs of the market, or practice in the European Union, to which Serbia also aspires, because they do not adequately protect the rights of beneficiaries. This was also recognized by the NBS, so these provisions were included in the status Insurance Law and NBS by-laws;

- faster and easier passing of laws and simpler amendments

We are aware that work on the new Civil Code of Serbia is currently in progress and that the idea is to also integrate the provisions of insurance contract law in the Code. However, the fact is that the passing of the Code has been ongoing for years and it is still uncertain when it will be adopted. The needs of the insurance market, both of the insurer and the insured, require the fastest possible response by the regulator and legislator so that adequate regulations could make a good basis for the further market development. Also, changes in this legal matter require a faster response and, in our opinion, a difficult process of amending regulations should not be an obstacle to market development. During the pandemic, we witnessed a higher need for the issuance of insurance certificates instead of policies, for a higher volume of distance contracts, etc. Since the Civil Code will incorporate a larger scope of different types of civil law, it is not realistic to expect that it will be amended whenever a need for a single contract arises. We are therefore of the opinion that the subject matter of contractual insurance law should be included in a separate law.

- harmonization with the law of the European countries

A separate Insurance Contract Law is present in legislations world-wide (it exists in Germany, France, Italy, Spain, Belgium and a number of other developed countries) and has proven to be a good solution. The tendency of our country is to follow European standards and to aspire towards the European Union, so the passing of a special Insurance Contract Law would be another step forward in that direction. In this way, we would be the first state in the region to follow developed European countries in that area. The tendency in the European Union to regulate the subject matter of insurance contracts separately is a sufficient indicator that there should also be a special law in our country regulating only the insurance contract.

- consolidation of the matter of contractual insurance law

Certain provisions of insurance contract law can be found in other regulations and laws, and not only in the Law on Contracts and Torts (in Insurance Law as a status law, in the NBS secondary legal acts, in the Law on Consumer Protection, the Law on Health Insurance, in the Law on Mandatory Traffic Insurance and in other regulations). In our opinion, it would be good to systematize and consolidate them into one regulation. The consolidation of the subject matter of insurance contract law would make this area more accessible, while at the same time minimizing the possibility of the lack of knowledge about the regulations. The comprehensive inclusion of this subject matter in a single law would certainly minimize the possibility of legal gaps arising in practice in the future.

– the importance of insurance contract

Last, but not least, the legal and economic importance of insurance in the modern world, including our country, should not be ignored. This area is very specific, but at the same time also complex, so it should preferably be regulated by a separate lex specialis, which would regulate the insurance contract in a consolidated way and ensure a higher certainty of legal transactions, reducing the possibility of legal gaps to a minimum. Furthermore, regulation of the matter of insurance contract law in one place would improve the citizens' knowledge and raise awareness on the importance of insurance precisely because the state gave it importance by passing a special law.

FIC RECOMMENDATIONS

- The enactment of a special Insurance Contract Law that would consolidate the provisions of the contractual insurance law. Creation of a working group of prominent lawyers in this field (distinguished professors, experts, people from the insurance industry, lawyers specialized in insurance law, etc.) who know both theory and practice, but also tendencies in the European countries and who would make a significant contribution to the development of the insurance market in our country.

  A good basis can be the Draft Insurance Contract Law prepared by the UOS which fully protects the rights and interests of insurance service consumers in line with the highest EU standards.

MEDIATION AS A MANDATORY STEP BEFORE THE INSURANCE COURT DISPUTE

CURRENT SITUATION

The provisions of Article 15, paragraph 1 of the Insurance Law stipulate that the National Bank of Serbia mediates in the settlement of a compensation claim in order to prevent disputes arising from insurance, acts upon complaints of insurance service consumers regarding the work of insurance companies and protects the rights and interests of these persons. The provisions of Article 2 stipulate that the insurance service consumer has the right to complain and protect his rights and interests before the National Bank of Serbia in relation to the work of insurance brokerage companies, companies for representation in insurance, insurance agents and legal entities from Article 98, paragraph 2 of this Law, while Article 4 prescribes that the National Bank of Serbia prescribes more precisely the manner of brokerage in handling compensation claims and filing of complaints by insurance service consumers, as well as acting on these complaints.

The NBS Decision on the procedure regarding complaints of insurance service consumers stipulates that, if the insurance service consumer is dissatisfied with the response of the insurance service provider to his complaint or the response was not submitted within the deadline specified in the NBS Decision, the dispute between the insurance service consumer and insurance service provider may be resolved through mediation of the National Bank of Serbia. In addition, the Decision prescribes that the mediation procedure handled by the National Bank of Serbia is not subject to the provisions of the law regulating mediation in dispute resolution.

POSITIVE DEVELOPMENTS

There hasn't been any improvement in terms of amending the law. However, a noticeable improvement can be observed in the market:

– some insurance companies have recognized mediation as an effective method for resolving disputes where

they are actively legitimized, and they initiate mediation proceedings before pursuing court actions.

- some insurance companies have recognized mediation as an effective way of resolving disputes in cases in which they are passively legitimized, so they initiate this procedure in those cases as well. Unfortunately, the parties still do not accept participation in these mediations to an insufficient extent.

- more frequently, in contractual relations, as a method of dispute resolution, mediation is primarily mentioned, while a court of appropriate jurisdiction is secondary.

- there is a noticeable intention among insurance companies to resolve their disputes through the mediation process.

REMAINING ISSUES

Provisions on mediation are contained in the article of the Insurance Law stipulating protection of the rights and interests of insurance service consumers which primarily concern complaints. Also, the NBS Decision regulating brokerage services in insurance is in fact the Decision on acting on complaints filed by insurance service consumers. Mediation as such is not given the importance it could have in this matter.

In addition to the above, the NBS Decision stipulates mediation as an option, not an obligation. Insurance service consumer may reach out to NBS before initiating a court dispute, but are not obliged to do so.

Also, the provisions of Article 149 of the Law on Consumer Protection stipulate that out-of-court settlement of consumer disputes, in terms of this Law, does not apply to consumer disputes that are the subject matter of this Law, if the out-of-court dispute settlement is regulated by a separate law, especially in the field of providing electronic communication services, postal services, financial services, except for financial arrangements, travel services.

Accordingly, as far as the out-of-court settlement of consumer disputes is concerned, the Law on Consumer Protection does not apply to insurance (regulated by a separate law, NBS Decision, and it is also a financial service).

An increasing number of attorneys representing insurance service consumers file incomplete compensation/damage claims and when the insurance company requests a supplement because it is objectively unable to make a decision based on available documentation, they file a court case. These disputes often end quickly because the attorney provides in the court case the information that the insurance company requested as a supplement. This increases the number of court cases and costs for both insurance companies and insurance service users and creates mistrust in the insurance industry, all because of individuals who see it as an opportunity for quick and easy profit.

FIC RECOMMENDATIONS

- Stipulate insurance mediation as a mandatory step before proceeding to litigation and amend the regulation accordingly, as well as additional promotion of mediation as a peaceful way of resolving disputes with a comparative presentation of the advantages of the mediation procedure in relation to the court procedure.

LIFE INSURANCE – INTRODUCTION OF TAX RELIEF FOR LIFE INSURANCE

CURRENT SITUATION

The current Law on Personal Income Tax stipulates that a collective life insurance premium in case of death of employee due to illness which is paid by the employer for all employees shall not be considered as salary salary/wage. This legal solution is insufficient as an incentive for life insurance, given that life insurance has a social function – it provides stability and security to natural persons, ensures long-term savings for maintaining life standard in old age, while in this way, a natural person can ensure that, in the case of unforeseen life circumstances, he or the persons close to him are materially provided for.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

The proposed amendments to the Law on Personal Income Tax should encourage the citizens of the Republic of Serbia to independently provide funds for the future during their working age by setting aside part of their funds that are paid to insurance companies in the form of insurance premiums.

In addition to the benefits for natural persons who enter into insurance contracts, there are also numerous benefits for the state, as the growth of investment in life insurance would lead to an increase in tax revenues, since insurance premiums are subject to taxation as insurance companies' profit tax. On the other hand, the payment of life insurance would lead to an improvement in the standard of living of insurance beneficiaries, an increase in income in turn leads to an increase in consumption and therefore to an increase in collection of indirect taxes (value added tax, excise duty, customs duty). This leads to an inflow of funds into the budget of the Republic of Serbia which can be used for the achievement of budget goals.

The growth of life insurance premium payments has a direct impact on the development of the insurance market as an important factor of a country's economic growth. The more developed the insurance market, the faster and greater the economic growth that a country will experience. Namely, due to increased demand for life insurance products, new jobs are created in the insurance industry (besides unemployment reduction, the positive effect is also in the growth of funds collected in respect of income tax and contributions for mandatory social insurance). The industry's development leads to an increase in the number of insurance companies as important institutional investors on the market. Namely, insurance companies would invest the premium collected in government bonds, i.e., by issuing long-term government securities that reflect the long-term nature of life insurance contracts, while the Republic of Serbia would collect significant funds it could use to finance infrastructure and other projects of general importance for economic development. Collecting of insurance premiums achieves a mobilization of savings, which allows the reallocation of funds to projects that can generate higher returns. Likewise, raising citizens' awareness to enter into life insurance contracts and encouraging them to do so through proposed changes would also serve as a relief of social insurance funds.

There is a tendency around the world to introduce various tax incentives when it comes to taxation of insurance income.

FIC RECOMMENDATIONS

- Introduction of tax relief for life insurance in the Law on Personal Income Tax.

ELIMINATION OF DOUBLE TAXATION FOR UNIT LINK PRODUCTS AND INVESTING IN INVESTMENT FUNDS

CURRENT SITUATION

Article 8, paragraph 1 of the Insurance Law ("RS Official Gazette", no. 139/2014 and 44/2021) defines classes of life insurance, specifying life insurance as a separate class of insurance linked to investment fund units. The specificity of life insurance contracts linked to investment fund units is that the insurance contract obliges the policyholder to pay the insurance premium whose savings component is used to purchase investment units of selected investment funds. Namely, when concluding an insurance contract, the policyholder chooses a combination of investment funds from the insurance company's offer (the structure of investing of the investment premium in investment funds is defined in the offer).

At the request of the insurance contract holder, the insurance company is obliged to pay the policy surrender value if the specific contract period for which insurance premium were paid from the beginning of insurance has elapsed. The number and value of investment units are established on the day of submission of request for the payment of surrender value.

When withdrawing funds, the insurance company actually submits a request for the purchase of investment units that the open investment fund is obliged to purchase from it. Under the currently applicable provisions of the Law, when the units are purchased by the investment fund, a capital gain (loss) arises for the insurance company, determined in accordance with Articles 27-29 of the Law, which is included in the base for the calculation of the insurance company's profit tax. Capital gain is determined as the difference between the sale price paid by the investment fund for the units and the purchase price determined as the net value of the open investment fund's assets per investment unit on the date of payment, increased by the purchase fee if such fee is charged by the company managing the fund.

Also, when the insured sum is paid to the insured person, a taxable income that is subject to personal income tax arises pursuant to the currently applicable Article 84, paragraph 2 of the Law on Personal Income Tax (LPIT). Namely, under Article 84, paragraph 2 of the LPIT, taxable income from personal insurance would represent the difference between the amount of benefit paid from personal insurance and the amount paid in respect of insurance premiums. In this particular case, if the result of multiplying the number of investment units and their value on the date of occurrence of the insured event or on the date of submission of the request for purchase in the event of termination of the contract would be higher than the sum of the paid insurance premiums, the difference between these two amounts would be subject to taxation by personal income tax at the rate of 15%.

POSITIVE DEVELOPMENTS

None.

FIC RECOMMENDATIONS

- Since the insurance company only has formal ownership of the investment fund units, i.e. cannot freely dispose of them and the payment of insurance benefit to a natural person (difference between the insured sum obtained from the sale of the fund units by the insurance company and paid premiums) represents a taxable income of a natural person, the Law on Corporate Profit Tax should be amended in a way that would exempt the income generated by the sale of investment units linked to life insurance from the calculation of capital gains in the tax balance sheet of the insurance company. In this way, double taxation is not completely eliminated, but the income generated from the sale of this type of investment units is only excluded from the calculation of capital gains, but it is nevertheless included in the insurance company's taxable profit as its "regular income".

- The Corporate Income Tax Law should be amended as follows:
  in Article 27, paragraph 1, item 4), after the wording "in accordance with the law regulating investment funds", the following wording should be added "except in the case of purchase of investment units to which life insurance is linked in accordance with the law regulating voluntary insurance".

LAW ON PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

CURRENT SITUATION

The Law on Prevention of Money Laundering and Terrorist financing began to apply on 1 April 2018, and has serious implications for the operation of insurance companies selling life insurance.

Article 8 of the Law does not recognize life insurance contracts (the so-called "risk insurance") as exceptions from the obligation to conduct actions and measures of customer due diligence, as defined in the previous Law.

There is a significant disparity between the complex administrative procedures stipulated by the law and by-laws, on one side and the insurance company's essential role, on the other side, in preventing the abuse of business relationships for money laundering and terrorist financing, particularly in the context of collective death insurance (group risk insurance).

Collective life insurance in the event of death is a type of insurance where the policyholder (often an employer, association, or bank) secures a life insurance policy for a large group of individuals in the event of death.

Within the realm of collective life insurance, specific products serve distinct purposes and business relationships:

- Employee insurance - serves a pronounced social function, protecting employees in the event of death, with the employer covering the premium for all employees. The insurance serves as a benefit for employees, and the employer cannot be a beneficiary under the policy.

- Pensioner insurance - allows pensioners to pay a premium to ensure the coverage of essential expenses for their family in the event of their death or disability, entailing a percentage of disability payment.

- Insurance for loan beneficiaries - serves as a security instrument for banks exclusively in the event of the loan beneficiary's death. The product lacks a redemption value, and the insured amount can only be claimed in the event of death. In this case, the insurance safeguards the bank's interests in case of the loan beneficiary's demise."

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

Insurance companies have previously had initiatives regarding the adequacy of actions and measures to know and monitor the customer when it comes to insurance risk, and a new initiative has been prepared that indicates that. With this initiative, the companies point to a principle based on risk, which they want to implement exclusively in the segment of group risk insurance in order to reduce the pronounced unnecessary spending of resources in this type of insurance, where there is an insignificant risk of the possibility of abuse for the purpose of money laundering and terrorist financing, and in order to resources directed where the risk is greater.

This initiative provides arguments for considering the simplification of prescribed actions and measures in the part of determining the real owner of the party when contracting this type of insurance.

The most important characteristics of collective life insurance, and at the same time the factors that contribute to reducing the risk of money laundering and terrorist financing are:

1. Life insurance in the event of death refers to the coverage of biometric risk only - the risk of death with the possibility of contracting supplementary insurance and coverage of the biometric risk of disability

2. There is no possibility of contracting the payment of the insured sum in the event of the expiration of the insurance, but the contracted insured sum is paid exclusively to the beneficiaries of the insurance in the event of death

3. Life insurance in the event of death does not contain a savings component, and therefore there is no possibility of accumulation of funds, nor are premium allocations linked to units of investment funds

4. Failure to meet the obligations of the policyholder regarding the payment of the premium results in the termination of the contract, without the obligation of the insurer to return the funds paid in the name of the premium

5. There is no possibility of capitalization of funds, i.e. reduction of the insured sum due to the cessation of premium payment, bearing in mind that the only consequence of non-payment of the premium is the termination of the contract

6. There is no possibility of earlier "withdrawal" of funds during the duration of the insurance contract, i.e. there is no possibility of premature termination of the contract in order to pay the funds earlier in the name of the policy's redemption value, which is a typical right of the policyholder before the occurrence of the insured event in the case of life insurance products with savings component due to the accumulation of funds.

7. There is no possibility of payment of funds during the term of the insurance contract in the name of an advance, which is also a typical right of the policyholder before the occurrence of the insured event in life insurance products with a savings component due to the accumulation of funds.

In the segment related to employee insurance and credit user insurance, premium payment is made through banks, i.e. premium payment is made through an account opened by the party with a bank in the Republic of Serbia.

In the case of collective insurance of pensioners, premium payment is carried out through the Pension and Disability Insurance Fund, which implements the suspension of the premium amount for life insurance from the pension based on the consent of the pensioner.

The extremely low amount of the premium, which is typical for life insurance in the event of death in our country, indicates in a practical sense the necessity of special treatment of this type of insurance from the point of view of preventing money laundering and terrorist financing.

FIC RECOMMENDATIONS

- Based on the above, and with the aim of simplifying the measures, we suggest adding paragraph (4) to Article 6 of the Rulebook on the Methodology for Conducting Business in Compliance with the Law on Prevention of Money Laundering and Financing of Terrorism, which reads: "Exceptionally, in the case of collective life insurance in the event of death, the determination of the true owner of the party (the policyholder) is sufficient based on the party's statement and verification of the data in the Central Register of True Owners, irrespective of other defined actions and measures."

LAW ON PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM (PMLFT) – INSURANCE INTERMEDIARIES

CURRENT SITUATION

Insurance brokerage companies engaged in life insurance mediation are subject to the Law on Prevention of Money Laundering and Financing of Terrorism.

According to the indicators presented in the 2023 report of the National Bank of Serbia for the insurance sector, when analyzed by sales channels, the largest portion of the total premium in 2023 was achieved through: insurance companies (61.7%), brokerage companies (13.5%), vehicle inspection stations (9.0%), insurance agents (5.2%), and banks (5.3%). However, for life insurance premiums, most sales were achieved through insurance companies (64.4%), banks (15.9%), and insurance agents (13.4%). In its report the National Bank of Serbia does not provide data on the percentage of life insurance premiums achieved through brokers, leading to the conclusion that the involvement of brokerage companies in life insurance distribution is negligible.

Key Facts:

1. The insurance sector is generally not considered high-risk in the context of money laundering and terrorist financing, according to the opinions and official reports of relevant institutions in the European Union, as well as the results of previously conducted National Risk Assessments in the Republic of Serbia (in the previous National Risk Assessment, the insurance sector was classified as medium/medium-low risk for money laundering).

2. Insurance intermediaries, due to the nature of the business relationship they establish with clients and the obligations they assume towards their clients, represent a low-risk insurance distribution channel.

3. The insurance product "Term Life Insurance"—insurance solely for the case of death, particularly when agreed upon as group life insurance for employees of the policyholder (legal entities) — poses an extremely low risk in terms of money laundering and financing of terrorism.

4. By its characteristics, this insurance product meets all the criteria set out in the Rulebook on the Methodology for Performing Duties in Accordance with the Law on Prevention of Money Laundering and Financing of Terrorism ("Official Gazette of the Republic of Serbia, Nos. 80/2020 and 18/2022) to be classified as a low-risk product.

5. Under the legal framework and in accordance with European Union regulations and FATF, the principle of a risk-based approach is proclaimed.

It is important to note that the insurance intermediary does not collect insurance premiums on behalf of the insurance company and therefore does not come into direct contact with money. Additionally, the current situation is such that both the insurer and the intermediary undergo the PMLFT procedure (primarily the risk assessment), which is unnecessary, and in practice, this can lead to inconsistent procedures between the insurer and the intermediary, resulting in different risk assessments. However, in the end, the only correct one (which leads to the conclusion of the insurance contract) is the one prescribed by the insurer. Ultimately, this increases costs for the entire market, with no benefit from requiring the insurance intermediary to collect documentation from the client.

POSITIVE DEVELOPMENTS

No improvements.

REMAINING ISSUES

From all of the above, it follows that term life insurance for the case of death, especially when agreed as group life insurance should:

1. be exempt from the obligations under the Law on Prevention of Money Laundering and Financing of Terrorism; or

2. be subject to significantly simplified customer due diligence measures.

FIC RECOMMENDATIONS

- Taking into account all the above, particularly the specific characteristics of term life insurance as a financial product, its clients, and beneficiaries when life insurance is contracted as group insurance for employees, as well as the characteristics of life insurance brokerage activities and the fact that intermediaries are considered a low-risk insurance distribution channel, we believe that the scope of application of the Law on Prevention of Money Laundering and Financing of Terrorism for this insurance product should be reconsidered.
  Thus, the FIC recommendation would go in two directions:

  1. Reconsideration of all the facts mentioned in this Initiative and a possible amendment to the PMLFT Law and by-laws that would support the idea of fully exempting the subject insurance product from the application of anti-money laundering regulations; or

  2. Through amendments to the Law and the Rulebook on the Methodology for Performing Duties in Accordance with the Law on Prevention of Money Laundering and Financing of Terrorism, introduce a simplified procedure for determining the beneficial owner of the client when the policyholders are legal entities or other organizations that contract group life insurance policies for employees/members. This simplified procedure would still include the obligation to determine the beneficial owner of the client, but the process would involve collecting information on ownership structure and beneficial owners from the legal representative's declaration, along with submitting a photocopy of a relevant document containing all data on the beneficial owner(s). Additionally, each obliged entity would be required to verify the data in the Central Register of Beneficial Owners and save the search results from this register. This would significantly simplify the operational activities that obliged entities must perform for this extremely low-risk insurance product, fully aligning with the adopted risk-based approach.

AUTO INSURANCE MARKET

CURRENT SITUATION

Auto Insurance (AI) is by far the most important segment of the insurance market (accounting for 29,1% of the total insurance premium in 2022) in Serbia, and the technical inspection facilities performing the mandatory annual inspection of all motor vehicles are definitely the most important distribution channels for these insurance policies. Articles 44 and 45 of the Law on Compulsory Traffic Insurance prohibit the payment of any commission to these technical inspection facilities – directly and/or through affiliated entities – which exceeds 5% of the gross insurance premium.

POSITIVE DEVELOPMENTS

Increased market surveillance by the National Bank of Serbia, which resulted in the fact that insurance companies have largely adjusted their operations to the laws and by-laws in this area.

FIC RECOMMENDATIONS

- Allow the possibility of issuing the compulsory auto liability insurance policy in electronic form as an e-Document.

LAW ON ROAD TRAFFIC SAFETY

CURRENT SITUATION

The latest amendments to the Road Traffic Safety Law ("Official Gazette of RS" 41/2009, 53/2010, 101/2011, 32/2013 - decision of the Constitutional Court, 55/2014, 96/2015 - other law, 9/2016 - decision of the Constitutional Court, 24/2018, 41/2018, 41/2018 - other law, 87/2018, 23/2019, 128/2020 - other law,76/2023 and 19/2025) define light electric vehicles as motor vehicles with at least two wheels, mechanical steering, no seating, with a continuous nominal power of no more than 0.6 kW, a maximum design speed not exceeding 25 km/h, and an unladen weight not exceeding 35 kg. Additionally, the regulations govern the movement of light electric vehicles on cycle lanes and paths, group travel of these vehicles, driving methods, restrictions and conditions under which a driver of a light electric vehicle may use certain infrastructure, and the prohibition of transporting other persons on light electric vehicles. Moreover, it mandates the use of protective cycling helmets for drivers of light electric vehicles, high-visibility vests to ensure visibility on the road, and prohibits crossing roadways except at designated cycle or pedestrian-cycle crossings.

All these measures will undoubtedly contribute to greater safety when operating light electric vehicles, both for drivers and third parties. However, the Law still does not require owners of light electric vehicles to have mandatory third-party liability insurance.

REMAINING ISSUES

Although the use of light electric vehicles is largely regulated by the latest amendments to the Law on Road Traffic Safety, there is still a problem in practice in the event that their use causes damage to third parties. If the owner of person operating the vehicle for any reason fails to pay the damage cause, the injured persons remain deprived of any compensation. Thus, they get into an unequal position compared to persons who sustained damages from any other means of transport for which it is obligatory to contract compulsory third-party liability insurance (motorcycle, passenger car, bus).

FIC RECOMMENDATIONS

- Obligation of third-party liability insurance should be introduced for electric scooter owners.

LAW ON TRANSPORTATION OF CARGO IN ROAD TRAFFIC

CURRENT SITUATION

The Law on Transportation of Cargo in Road Traffic does not stipulate an obligation of the carrier to have a professional liability insurance policy of the carrier, as is the case in other countries.

REMAINING ISSUES

Carriers often do not have this insurance contracted, so the customers of transportation services cannot charge damages if caused by the carrier. This may lead to large-scale damage for transportation service customers as the entire load may be destroyed in transportation.

FIC RECOMMENDATIONS

- Article 7 of the Law on Transport of Cargo in Road Traffic should be amended to stipulate insurance policy of the carrier's professional liability as a mandatory requirement for obtaining a transport license.

VOLUNTARY HEALTH INSURANCE

1. HEALTHCARE LAW

CURRENT SITUATION

The current Healthcare Law does not provide for the possibility for health care providers to diagnose or prescribe treatment by telephone or through online consultation. The Rulebook on the nomenclature of health services at the primary level of health care stipulates only provision of advice in the telephone and Internet counseling service. This way of health care service provision has proved necessary, especially in the circumstances of the pandemic. Additionally, the development of technology that enables a health care worker and patient to also have visual contact and to exchange documents electronically, supports the idea that this type of treatment should be made available.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

Patients, holders of both mandatory and voluntary health insurance do not have the option to receive treatment or to be diagnosed by telephone or online consultations. Therefore, they must go to health care institutions in person.

This involves additional time and costs (transportation) for the health insurance holders. In circumstances of the pandemic, there is an additional risk from infection and concern regarding this risk.

For voluntary health insurance providers this means higher costs. An insured person must first visit the doctor to be prescribed which diagnostic procedures he should perform. If telephone or online consultations were permitted, the insured person could only get in touch with the health worker in that way. In this way, the cost for the insurer would also be lower because these services are less expensive than visits in person. In addition, they provide additional convenience and more user satisfaction to the insured persons.

FIC RECOMMENDATIONS

- Enable health care providers by the Health Care Law to diagnose or prescribe treatment by telephone or online consultations.

2. LAW ON HEALTH INSURANCE

CURRENT SITUATION

The application of Article 179 of the Law on Health Insurance ("Official Gazette of the Republic of Serbia", no. 25/2019 and 92/2023) is an obstacle to insurance companies in their daily work, primarily in the part referring to important data on the contracting parties, or holders of voluntary health insurance. The consequence is an increase in administrative costs for both insurance policyholders and insurance companies and, on the other hand, there are cases that do not meet the needs of policyholders with regard to persons whose employment was terminated or persons who entered into an employment contract during the term of the insurance contract.

Article 182 of the Law stipulates that an insurer issues a document on voluntary health insurance based on which the rights from voluntary health insurance are exercised. The issuing of the document makes sense only if the insured person exercises his/her rights from the contract directly at the health care provider in terms of coverage of the costs of treatment. In the case when an insured person is entitled to

a lump sum payment from an insurer (as in the case of serious illnesses and surgical interventions), the document on voluntary health insurance is not required by an insurer as proof that the person is insured, which has been defined by the Law in the following way: *"In the case when rights from the voluntary health insurance are exercised directly with an insurer, they are exercised based on the policy and the cover note"*.

It follows from the above that it is not logical to issue a document on voluntary health insurance to insured persons who do not use it to exercise their rights under the insurance contract, but the obligation to issue the document is nevertheless prescribed by the Law.

In addition to the above, the current Law on Health Insurance defines that the insurer of voluntary health insurance is the Republic Fund and the insurance company, but there are no penalty clauses for legal entities – health institutions involved in activities of voluntary health insurance taking the morbidity risks for a fee, although they are not registered for that in accordance with the regulations of the Republic of Serbia.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

The Law has also determined as important data, and thus mandatory data, the following personal data that are absolutely irrelevant for this type of insurance at the time of concluding the contract: date of birth, address of permanent or temporary residence in the Republic of Serbia (street name and number, place and municipality), contact information (phone number or email address). In the context of regulations governing the subject matter of personal data protection and especially the provision of Article 5, paragraph 1, item 3 of the Law on Personal Data Protection (Official Gazette of the Republic of Serbia number 87/2018), which as one of the principles prescribes that personal data must be "appropriate, relevant and limited to what is necessary with regard to the purpose of processing ("data minimization")", we believe that there is a justified basis for amending Article 179 of the Law on Health Insurance.

Also, in some situations, the insurance company concludes a contract with employers on collective voluntary insurance of employees, where the insured persons are entitled to insurance indemnity payment directly from the insurance company and where the indemnity paid does not cover the costs of treatment, but satisfaction. Before the entry into force of the Law, this type of insurance was concluded without compiling a list of insured persons because the coverage was contracted based on official records of employees of the insurance policy holder. In this manner, automatic coverage was provided efficiently for all persons who met the criteria for the status of insured persons (who have concluded an employment contract with the employer), without the need to register for insurance separately, while coverage automatically ceased for all persons who lost the status of the insured person during the term of the insurance contract (persons whose employment contract ceased to be valid), also without the need to deregister from the insurance separately. The current Article 179 does not allow such a possibility and, in addition to the issue described in the previous paragraph related to Article 5, paragraph 1, item 3 of the Law on Personal Data Protection ("Official Gazette of the Republic of Serbia" number 87/2018) leads to the following problems:

- increase in administrative costs both for the insurance policyholder and for the insurance company due to the need to update the lists of insured persons during the insurance period (registration and deregistration from insurance must be made in writing);

- Occurrence of cases that absolutely do not meet the needs of insurance policyholder that a person whose employment contract has been terminated still has the status of an insured person if a policyholder has not sent the deregistration request to the insurance company, or that a person who has concluded an employment contract does not have the status of an insured person if the policyholder has not sent the registration application to the insurance company on time.

FIC RECOMMENDATIONS

- Amendment to the Law on Health Insurance so that:

– the text of the current Article 179 should be amended to read:
"The contract on voluntary health insurance shall be concluded based on a previous offer for concluding a contract on voluntary health insurance (hereinafter: the Offer) given by an insurer to the person wishing to conclude a contract on voluntary health insurance.

The offer referred to in paragraph 1 of this Article shall contain relevant information on voluntary health insurance policyholders, insurance start date, insurance waiting period, as well as the insurance end date, amount and deadlines for payment of insurance premium, maximum contracted amounts per coverage risks and other elements of importance for insurance contracting.

Relevant information on the voluntary health insurance policyholders from paragraph 2 of this Article shall be:
1. name and surname,
2. Personal identification number, or registration number for foreign citizens.

In the case of collective insurance, an insurer may submit a single consolidated offer containing the data from the previous paragraph of this article on each individual to be covered by collective insurance.

The offer referred to in paragraph 1 of this Article, as well as the consolidated offer from paragraph 4 of this Article shall also contain as relevant the data on previous health condition of the voluntary health insurance policyholder which are necessary for the insurer to ass the insurance risk.

Notwithstanding the provisions of this Article, when the insurance company concludes with a policyholder a contract on collective voluntary health insurance of employees, where the insured persons are entitled to the payment of insurance indemnity directly from the insurance company and where the paid indemnity does not cover treatment costs, the insurance contract can be concluded based on official records of employed insurance policyholders."

– the text of the existing paragraph 1 of Article 182 should be amended to read:
„An insurer shall issue a voluntary health insurance document to any voluntary health insurance policyholder who does not use his insurance rights directly at the insurer on the date of issuing the policy and no later than 60 days from the date of issuing the policy."

- Amend the Law on Insurance – introduce penalty clauses for all persons engaged in insurance activities or underwriting activities against a fee without a prior permission obtained from the competent authorities.

INSURANCE OF EMPLOYEES AGAINST WORK INJURIES AND PROFESSIONAL DISEASES

CURRENT SITUATION

Article 67 of the new Law on Occupational Safety and Health, published in the 'Official Gazette of RS' under number 35/2023 (hereinafter: the Law), states the following: "The employer is obligated to provide insurance for employees in case of work-related injuries and occupational diseases to ensure compensation for damages.

The financial resources for this insurance, as specified in paragraph 1 of this article, are the responsibility of the employer. The conditions and procedures for insuring employees against work-related injuries and occupational diseases are regulated by law."

Additionally, the same Law includes punitive provisions for employers who fail to insure their employees in cases of work-related injuries and occupational diseases to ensure compensation for damages.

From the above, it is evident that insurance against work-related injuries and occupational diseases for employees is mandatory. However, the Law does not prescribe a minimum insured sum for such cases. This leaves the determination of the insured sum as an independent decision for the employer, which is part of the insurance contract against work-related injuries and occupational diseases.

In this scenario, questions arise regarding whether this method of contracting insurance, where a minimum insured amount is not defined, relieves the employer of their responsibilities in the event of an employee suffering a work-related injury or contracting an occupational disease. Additionally, concerns arise about whether employees are adequately protected in accordance with this Law.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

Neither a law nor a by-law has been passed that would properly regulate mandatory insurance against work injuries and occupational diseases.

Article 67 of the Law on Safety and Health at Work does not define whether the employer's obligation stated in paragraph 1 of this article exists in the period until the passing of the law that will regulate the conditions and procedures of insurance for occupational injuries and occupational diseases. It seems that it would be expedient in this sense to amend Article 67 of the Law in the direction that the obligation of employers is not tied to the adoption of a new Law, but that it always exists. Of course, the amount of the insurance and other important elements of the insurance, until the passing of the law that would regulate this matter, would be determined by the employer himself.

FIC RECOMMENDATIONS

- The Administration for Safety and Health at Work to propose the adoption of a regulation that would precisely define the minimum amount of insurance, as well as detailed standardization of the conditions and procedures for insurance against occupational injuries and occupational diseases, including all key elements of the insurance policy. The above is necessary in order to ensure effective and comprehensive protection of employees. This type of regulation should be harmonized with the public interest, the interests of employees and the basic intentions of the legislator when introducing this mandatory type of insurance.

LAW ON PUBLIC PROCUREMENT AND PUBLIC PROCUREMENT PORTAL

CURRENT SITUATION

By abusing the legal concept of selection of a business entity in public procurement procedures whose subject are insurance services, the contracting authorities distort competition and prevent the participation of insurance companies that can adequately provide the insurance service which is the subject of public procurement in these procedures. Given the fact that insurance companies perform their activities based on the license issued by the National Bank or Serbia as a supervisory authority and that insurance companies are under the constant supervision of the National Bank of Serbia as a supervisory authority, they are deemed capable of providing any insurance service on the territory of Serbia. It is especially important to underline that the Law on Insurance very strictly prescribes all requirements for the performance of insurance activities, notably: minimum capital, business policy acts, organizational, staffing and technical capacities of such companies, technical reserves, solvency margin, retention, etc.

In addition, sometimes the Contracting Authorities distort competition by setting stricter requirements as criteria in certain areas defined by special regulations (laws or by-laws – e.g., confidentiality, IT system adequacy, professional and organizational staff, environmental protection) than the regulations require which is absolutely unjustified.

We believe that it is necessary to specify that economic and financial capacity can only be assessed based on the parameters confirming economic and financial capacity and not some other business indicators. In practice, contracting authorities define as financial capacity the criteria that have no relation to the financial capacity of insurance companies.

In the case of insurance services, it is specific that the time limits for settling claims involving the payment of insurance indemnities are defined by the Law on Contracts and Torts and by the Law on Compulsory insurance in Traffic and they are quite short, so that defining longer time limits for the performance of the service would be contrary to the regulations, and defining shorter deadlines would be inexpedient and inapplicable, since the time limit for settling a claim depends on the submission of adequate documentation and reporting of the insured event.

POSITIVE DEVELOPMENTS

None.

FIC RECOMMENDATIONS

The following provisions of the Law on Public Procurement should be amended/supplemented: Article 114, Article 116 and Article 132 as follows:

- In Article 114, a new paragraph 6 should be added after paragraph 5, which would read:
  "Economic entities that perform activities that is the subject of public procurement on the basis of a special permit (license) of the competent authority on the territory of the Republic of Serbia shall be considered to meet all criteria for the selection of economic entities from paragraph 1 of this Article and the contracting authority for the public procurement of such services may not set special criteria when drafting public invitations and tender documents".

- In Article 114, a new paragraph 7 should be added after paragraph 6, which would read:
  "If special regulations for certain areas stipulate conditions that business entities should meet, the contracting authority may not set special requirements from these areas as selection criteria."

- In Article 116, a new paragraph 8 should be added after paragraph 7:
"Financial and economic capacity shall only be assessed on the basis of financial and economic criteria of economic entities and not some other indicators and parameters that are unrelated to the financial and economic domain. "

- In Article 132, a new paragraph 3 should be added after paragraph 2 which would read:
"If a special law for some services and works stipulates a deadline for the performance of a service and/or works, the Client shall not set the deadline for the performance of such service and/or works as a criterion for determining the most economically advantageous offer".

DATA ON COMPLAINTS AGAINST THE WORK OF INSURANCE COMPANIES AND VOLUNTARY PENSION FUNDS MANAGEMENT COMPANIES

CURRENT SITUATION

The National Bank of Serbia publishes data on complaints against the work of insurance companies and voluntary pension funds management companies on a quarterly basis. The report contains the total number of complaints filed to the NBS, but does not include the total number of complaints filed to insurance companies.

POSITIVE DEVELOPMENTS

None.

FIC RECOMMENDATIONS

- Given that insurance companies are required to provide the NBS on a quarterly basis with data on the number of complaints received in the previous quarter, NBS already has this data and, in our opinion, they could very easily and without much additional effort publish this data in the above-mentioned report so that they would also be available to the public.

CONTRACTING CASH LOANS FROM BANKS THROUGH INSURANCE COMPANIES

CURRENT SITUATION

Bank services are available to citizens within the network of branches, while through employees in charge of field work to a significantly lesser extent.

Insurance companies now do not have the possibility, in the role of bank intermediaries/representatives, to provide citizens and legal entities with certain banking services that could be realized in whole, or in part, by insurance companies. An example is the conclusion of an agreement on cash loans. This practice is already present in some European countries and is known as "insurance banking".

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

Unlike most insurance companies, banks generally do not have a significant number of salespeople responsible for fieldwork (outside branches). Moreover, certain banks do not possess an extensive distribution network, so their offerings are absent in some parts of the territory, depriving a certain number of citizens and legal entities of the opportunity to directly acquaint themselves with the terms and conditions for using a specific banking product and to conclude a contract for its use. Cash loans are one example of such products, and they have a mass character and significance for both the banking sector and clients.

If regulatory opportunities were provided, insurance companies could act as intermediaries/representatives on behalf of banks in the conclusion of cash loans. Through their branch network and their sales personnel, insurance companies could have a positive impact on the financial market and its participants:

- Additional availability of banking services in the market would be achieved, primarily significant for mass-market banking services such as cash loans. Through collabouration with insurance companies, banks without their own branches in areas covered by insurance company employees would make their services accessible to these citizens, entrepreneurs, and small to medium-sized enterprises. This would enhance competitiveness in the market, providing clients with the opportunity to consider a broader range of cash loan offerings and select the bank whose service best suits their needs;

- In this way, clients would not have to travel outside their place of residence/business location to the bank's branch for contract conclusion. It would lead to better client awareness of banking service offerings. All information would be provided through employees at insurance companies, after which clients would be able to finalize contracts. This would reduce the time required for clients to complete these tasks, and travel costs would be eliminated since they would receive the service on the spot;

- Clients could receive information directly from employees of the insurance company, even outside the usual banking branch working hours, i.e., during clients' free time. The already recognizable positive practice of providing information about insurance products and concluding them could be applied to the conclusion of cash loan agreements, thanks to the noticeable flexibility of insurance employees who primarily carry out activities in the field;

- Insurance employees could access bank web applications for calculations and generating informative offers via mobile electronic devices (phones, tablets, laptops) through the internet. This way, they could provide clients with all the necessary data about the banking service they are interested in, on the spot. This would be particularly beneficial for clients who are not inclined to obtain such information through the internet or by visiting bank websites and who do not prefer or are not proficient in using digital technology for financial services information;

- Existing clients of insurance companies - policyholders, would have access to another financial service through insurance companies, which would further facilitate their information and contracting of these financial products. This would also contribute to the enhancement of financial education and financial literacy among users of financial services;

- The additional engagement of insurance sales personnel would contribute to the cost-effectiveness of insurance companies' operations, as well as the profitability of their existing branch network.

- When selling certain insurance products with relatively higher premiums (e.g., crop insurance, etc.), it would enable quicker and more efficient approval of cash loans for the payment of insurance premiums. This would make this form of property protection even more accessible to policyholders;

- Expanding the engagement of sales employees in insurance companies and the opportunity for additional earnings would subsequently contribute to increasing the attractiveness of the insurance sector for employment and, ultimately, increasing the overall number of employees in insurance sales roles.

- Banks that expand their distribution channels through collabouration with insurance companies would gain an additional competitive advantage in certain market segments, lower distribution costs compared to some traditional channels, and a positive market image.

The positive practice where some financial services that were traditionally exclusive to banks have become available through other financial institutions confirms the expected contribution of including insurance companies in the expansion of banking distribution channels. One example is payment services such as money transfers, which are accessible not only in banks but also through some other financial institutions.

On the other hand, banks are already allowed to engage in insurance agency services, known as bancassurance. This contributes to the accessibility of insurance services, making the loan contracting process easier for clients. In one place - at the bank's branch, and in some cases through web and mobile applications, clients can arrange certain life or non-life insurance policies intended to secure loan repayment. In this way, through the collabouration between banks and insurance companies, citizens receive comprehensive services, reducing the time required for contracting, which represents a good practice present for many years, including in Serbia.

FIC RECOMMENDATIONS

To allow insurance companies to enable their sales employees to represent or act as intermediaries in the conclusion of cash loan agreements, the following regulatory changes could be implemented:

- Amendment to the Insurance Law:
  - Add a provision to Article 24 of the Insurance Law stating that, in addition to insurance-related activities and other tasks specified therein, an insurance company may engage in representing/mediating cash loan agreements, subject to approval from the National Bank of Serbia.
- By-laws of the National Bank of Serbia:
  - It is necessary to amend the Decision on the Implementation of the Insurance Law, specifically concerning the issuance of licenses for insurance/reinsurance activities and certain approvals from the National Bank of Serbia. These changes should establish the conditions under which an insurance company could engage in these activities.

SUBSIDY FOR MANDATORY POLLUTION INSURANCE OF POLLUTERS WHOSE FACILITIES OR ACTIVITIES POSE A HIGH DEGREE OF RISK TO HUMAN HEALTH AND THE ENVIRONMENT IN CASE OF HARM CAUSED TO THIRD PARTIES DUE TO ACCIDENTS

CURRENT SITUATION

According to the Environmental Protection Law, Article 106, it is mandated that a Polluter must obtain liability insurance in case of damage caused to third parties due to accidents if their facility or activity poses a high degree of risk to human health and the environment. Under this law, an accident is defined as a sudden and uncontrolled event that occurs through the release, discharge, or dispersion of hazardous substances, in activities related to production, use, processing, storage, disposal, or long-term inadequate containment.

The same Law also stipulates that a legal entity will be subject to a fine ranging from 1,500,000 to 3,000,000 dinars if it fails to secure insurance for damage caused to third parties. Furthermore, for the responsible individual within a legal entity for the same economic offense, a fine ranging from 100,000 to 200,000 dinars is prescribed.

POSITIVE DEVELOPMENTS

None

REMAINING ISSUES

The Law on Environmental Protection stipulates the obligation for the Polluter to have a liability insurance policy, as well as sanctions if he does not have one. However, the Law did not provide for the minimum amount of insurance under these policies. Bearing in mind that the legislator linked the obligation of insurance to "activity that represents a high degree of danger to human health and the environment", it is evident that the consequences of these damages can be high and that they can cause damage to a large number of people at the same time. In this sense, it seems that it is necessary to define the minimum total amount of insurance or the minimum amount of insurance per harmful event, in order to really achieve the purpose of protection provided for in Article 106 of the Law.

On the other hand, if the minimum amount of insurance is not prescribed, we come to a situation where the obligation from Article 106 of the Law can be fulfilled by concluding a liability insurance policy with any amount of insurance (e.g. 1,000.00 euros, which fulfills the form prescribed by the Law, but not the essence of the legal provision, since these damages can be, and most often are, far greater).

Additionally, the Law on Environmental Protection does not foresee the possibility of subsidizing this type of insurance by the state, although the state's interest is, among other things, the protection of human health and the environment. The introduction of a subsidy for this type of insurance would enable the state to better control the fulfillment of the obligation from Article 106 of the Law, and it would be an additional incentive for polluters to contract liability insurance for larger amounts of insurance.

FIC RECOMMENDATIONS

- Amend Article 106 of the Law on Environmental Protection in such a way as to determine the minimum sum insured under liability insurance policies for damage caused to third parties as a result of an accident. By-laws define the possibility of subsidization for insurance from Article 106 of the Law on Environmental Protection, the conditions and amount of the subsidy.

SUBSIDY FOR COMPREHENSIVE VEHICLE INSURANCE FOR ELECTRICALLY POWERED VEHICLES, AS WELL AS VEHICLES THAT UTILIZE INTERNAL COMBUSTION ENGINE AND ELECTRIC PROPULSION (HYBRID DRIVE)

CURRENT SITUATION

In order to encourage an environmentally friendly form of transport, the Regulation on the conditions and method of implementing the subsidized purchase of new vehicles with an exclusively electric drive, as well as vehicles with a hybrid drive, was adopted, which regulates the conditions and method of implementing the subsidized purchase of these vehicles. Through this Regulation, the State has given incentives to legal entities, entrepreneurs and natural persons to choose types of vehicles that contribute to cleaner air (because they do not release harmful substances into the environment - CO2, ozone, lead...) when purchasing new vehicles, and thus help preserve environment.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

Although the State provides incentives for the purchase of electric and hybrid vehicles, no subsidy is prescribed when contracting comprehensive insurance for these vehicles. Bearing in mind that these are vehicles that are not produced in the Republic of Serbia, that the number of authorized service centers that repair these vehicles is limited, and that the number of alternative services is also limited, as well as that any damage to such a vehicle can be very high, the introduction of a subsidy for comprehensive insurance of these vehicles, along with the already given purchase incentive, would contribute to people opting for an electric or hybrid car when buying new cars.

FIC RECOMMENDATIONS

- The Regulation on the conditions and method of implementing the subsidized purchase of new vehicles that have an exclusively electric drive, as well as vehicles that have a hybrid drive, foresee the possibility of subsidization for comprehensive insurance in order to further encourage these environmentally friendly means of transport.

SUBSIDY FOR INSURING APARTMENTS AND BUSINESS PREMISES IN BUILDINGS WITH ENERGY PASSPORT, AS WELL AS FOR INSURING HOUSES WITH SOLAR PANELS

CURRENT SITUATION

An energy passport is a certificate on the energy properties of a building that contains calculated values of energy consumption within a certain category of buildings, energy class and recommendations for improving the energy properties of the building. All new buildings, as well as existing buildings that are reconstructed, adapted, rehabilitated or energetically rehabilitated, must have an energy passport, except for buildings exempted from the obligation of energy certification by the Rulebook on the conditions, content and manner of issuing certificates on

the energy properties of buildings.

The improvement of energy efficiency in buildings contributes to environmental protection and the reduction of greenhouse gas emissions resulting from the combustion of energy sources for heating, i.e. space cooling, preparation of sanitary hot water.

In addition, the state's activity in co-financing the installation of solar panels for the production of electrical energy in family houses is noticeable. The state in a generous way encourages the use of non-polluting and renewable sources of energy and other resources.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

Although the State, through recent activities aimed at determining energy efficiency and co-financing for the installation of solar panels, contributes to environmental protection and the reduction of greenhouse gas emissions, it seems that the awareness of the importance of such activities in society is still lacking. Primarily, due to insufficient information, and later due to the fact that any investments directed in this direction are still very expensive and inaccessible to many average citizens of the Republic of Serbia. In this sense, it seems that subsidizing the state when insuring apartments and business premises in buildings with an energy passport of category A+, A or B, as well as when insuring houses with solar panels, would be an additional incentive for improved energy efficiency and electricity savings.

FIC RECOMMENDATIONS

- By-laws should provide the possibility of subvention when insuring apartments and business premises in buildings with an energy passport of category A+, A or B, as well as when insuring houses that have solar panels.

PROPERTY/EQUIPMENT INSURANCE SUBSIDY FOR LEGAL ENTITIES REGISTERED IN THE AGENCY FOR BUSINESS REGISTRIES UNDER THE RECYCLING AND WASTE MANAGEMENT CODES

CURRENT SITUATION

Recycling is the process of converting used materials into new ones for further use. This process involves collecting, separating, processing, and manufacturing new products from previously used materials. Recycling old materials helps protect the environment, reduce waste, and conserve natural resources. Since awareness of recycling and its benefits is not at the desired level in Serbia, it may be useful and justified to consider subsidy measures for businesses engaged in these activities.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

In points 38 and 39 of the Regulation on Classification of Activities, specific codes of activities are defined for businesses involved in recycling and waste management (e.g., 38.32 for the reuse of sorted materials, 38.31 for dismantling of wrecks). The state has already recognized the need to allocate incentive funds for businesses engaged in these activities. However, the current legal framework does not

provide for the possibility of subsidizing property/equipment insurance for these companies. Additionally, since many of these businesses handle hazardous and toxic materials, and their activities can be classified as high-risk operations, the need for insurance subsidies for liability insurance also exists.

FIC RECOMMENDATIONS

- By-laws should provide the possibility of subsidizing when insuring the liability of companies that are registered in the Agency for Business Registers under the codes found in points 38 and 39 of the Regulation on Classification of Activities, as well as when insuring the property/equipment of these companies.

SUBSIDY WHEN PROPERTY/ EQUIPMENT INSURANCE FOR TOURIST/ACCOMMODATION FACILITIES WITH THE LABEL "TRAVEL SUSTAINABLE LEVEL 1, 2, 3"

CURRENT SITUATION

The criteria of the Global Council for Sustainable Tourism are based on four main themes: effective sustainable development planning, maximizing social and economic benefits for the local community, preserving cultural heritage, and reducing negative impacts on the environment. These criteria, among other things, serve as fundamental guidelines for tourist/accommodation facilities of all sizes to operate in a more sustainable manner. For a specific tourist/accommodation facility to receive the "sustainable" designation, it must actively engage in reducing plastic consumption, water consumption, food waste, energy consumption, ensuring animal welfare, and establishing a balance between sustainability and safety, and obtain certification for their tourist/accommodation facility.

Since all the above contributes to environmental protection, it appears that there is room to introduce subsidies for insurance of tourist/accommodation facilities with Travel sustainable level 1, 2, or 3 designations.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

The demand for sustainable accommodations is increasing year by year. Based on publicly available statistics, we have determined that 71% of travelers worldwide express a desire to travel in a more sustainable way, while 70% of global travelers have stated that they would choose sustainable accommodation, regardless of whether they actively seek such facilities or not. Furthermore, a significant 78% of travelers worldwide intend to stay in sustainable accommodations in the near future. However, awareness in this segment is still quite low, as 31% of travelers did not even know that such facilities exist, and 29% still do not know how to find them. Besides the clear lack of education in this regard, it is also evident that there is a lack of state support for individuals who choose to engage in tourism in a "healthier" way.

FIC RECOMMENDATIONS

- By-laws should provide the possibility of subvention when insuring property/equipment for tourist/ accommodation facilities that have the label Travel sustainable level 1, 2 or 3.

SUBSIDY FOR INSURANCE OF CROPS AND ANIMALS FOR ORGANIC PRODUCTION

CURRENT SITUATION

In the Law on Incentives in Agriculture and Rural Development, incentive is defined as "funds provided in the budget of the Republic of Serbia, as well as funds provided from other sources that are allocated to agricultural holdings and other persons in accordance with this law in order to achieve the goals of agricultural policy and rural development policy ". The law determines the types of incentives, their scope, purpose and distribution by type of incentives, as well as who exercises the right to these incentives.

Article 38 of the same law defines incentives for organic crop production, as well as for organic livestock production, with the condition that a legal entity, entrepreneur or natural person-holder of a family farm has a certificate that its production is organic in accordance with the regulations governing organic production.

On the basis of this Law, the Government of the Republic of Serbia adopts the Decree on the distribution of incentives for each year.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

Although the Law, within the framework of support for programs related to the preservation and improvement of the environment and natural resources, included incentives for organic plant and organic livestock production, it seems that there is room for additional incentives in the form of subsidies for crop and animal insurance, in the amount of 100%. In this way, farmers would be provided with security in case of natural disasters, and the possibility to increase investments in their organic production.

FIC RECOMMENDATIONS

- Amend the Law on Incentives in Agriculture and Rural Development in such a way that within the incentives for the preservation and improvement of the environment and natural resources, in the part related to organic production, a subsidy in the amount of 100% for the insurance of crops or animals, those legally persons, entrepreneurs or natural persons - owners of family farms who have a certificate of organic production.

DECISION ON THE ACQUISITION OF QUALIFICATIONS AND TRAINING OF AUTHORISED INSURANCE BROKERS AND AGENTS

CURRENT SITUATION

CURRENT SITUATION

The sale of compulsory insurance carried out by technical review centres is not considered as insurance agency work, and the provisions of the Insurance Law do not apply to technical review. It is not economically viable for technical review centres to invest in training of their employees to obtain authorisation to perform insurance agency tasks for compulsory insurance sales. This is due to the high employee turnover in such roles and the duration, cost, and additional expenses associated with acquiring the qualifications to become an authorised insurance agent.

Given that the income generated from commissions on compulsory insurance sales does not justify such investments, technical review centres do not invest in their staff in this regard. Consequently, insurance companies handle a significant portion of the distribution of this type of insurance through their own employees, which increases acquisition costs.

POSITIVE DEVELOPMENTS

None.

REMAINING ISSUES

The liability of authorised personnel working in technical review centres is lower compared to when concluding other types of insurance (e.g. life insurance, which typically involves long-term contracts with specifics like surrender, capitalisation, and mathematical reserves—terms unfamiliar to the average insurance customer).

In this regard, the requirements for obtaining authorisation for employees at technical review centres who sell compulsory insurance should not be equated with those for individuals obtaining authorisation for selling other types of insurance. Technical review centres are not organisations that engage in insurance agency activities, so the requirements imposed on employees at these centres to obtain authorisation for compulsory insurance sales do not justify equating their authorisation with that of those working in dedicated insurance agencies.

FIC RECOMMENDATIONS

- The decision on acquiring qualifications and training of authorised insurance brokers and agents (Official Gazette of RS, 38/2015 and 11/2017)—hereafter referred to as the NBS Decision—should be amended to define the conditions under which employees at technical review centres may obtain authorisation to conduct compulsory insurance sales. These conditions for obtaining qualifications, as well as the method of training, should be simpler than those for other authorised agents, with the provision that this authorisation under "simplified" conditions would only apply to the sale of Motor Third-Party Liability (MTPL) insurance.

- Abovementioned amendments would significantly increase the distribution of MTPL policies at technical review centres, which conduct mandatory annual inspections of all vehicles and are the main distribution channel for this type of insurance. At the same time, it would reduce acquisition costs for insurance companies while maintaining the current level of customer protection. If the NBS Decision was amended as proposed, the interests of insurance customers would not be compromised, nor would the quality of services provided by authorised personnel at technical review centres be diminished. Supporting this is the fact that these individuals would sell only this specific type of insurance for which they would have obtained authorisation from the NBS. Additionally, the terms of MTPL insurance are the same across all insurers, as are the pre-

contractual disclosures, meaning that policyholders are consistently well-informed about coverage and exclusions through various communication channels and by receiving the same information each year when renewing their MTPL policy, as it is an annual insurance.

INSURANCE LAW - INSURANCE BROKERAGE AND AGENCY SERVICES

CURRENT SITUATION

The provisions of the Insurance Act define both the terms "insurance broker" and "insurance agent," as well as their rights, obligations, and other significant elements of their business operations within legal frameworks.

Article 99 of the Insurance Act, under the section "Restrictions on Insurance Representation," states that an insurance agency, insurance agent, and legal entities referred to in Article 98, paragraph 2 of the Act, may provide insurance representation services for one insurance company or for multiple companies, with their written consent.

POSITIVE DEVELOPMENTS

No improvements have been made.

REMAINING ISSUES

In practice, an insurance agent is typically directly tied to an insurer and represents the insurer's interests, while an insurance broker acts as an independent advisor to the client—the policyholder—aiming to find the best product for the client. Brokers have a broader offering since they work with various insurance companies, whereas agents only offer products from the companies they represent.

This difference in legal status results in varying degrees of responsibility for brokers and agents, which in turn creates a space for unfair competition. Some agents exploit this situation, which is something that should be addressed to ensure fair competition, benefiting clients.

The key differences between the two are:

1. **Insurance Broker:**

- Works in their own name on behalf of the insurance contract holder/policyholder: The broker is independent of the insurance company, with the primary duty of protecting the interests of his clients. A broker helps clients find the optimal insurance product/service on the market by presenting multiple options.
- The broker's offering consists of providing multiple products/services from different insurers: Brokers typically sign agreements with several insurance companies, whose offers they present to clients, allowing them to offer a variety of products and services that can be tailored to the client's specific needs.
- Compensation (brokerage commission): A broker may receive a commission from the insurance companies with which they cooperate (only within the Republic of Serbia), but their regulatory duty is to protect the client's interests by assessing their needs and finding the best offer for the client (the insurance contract holder/policyholder).
- An insurance brokerage firm cannot engage in insurance agency services.
- An insurance broker is responsible for their business activities and must hold a valid and active insurance policy in accordance with the legislation.

- The educational requirements for a broker's licence, as prescribed by the National Bank of Serbia, are higher compared to those for an insurance agent.

2. Insurance Agent:

- Works on behalf of the insurer/ represents insurer: An insurance agent operates directly for one or more insurance companies. Their primary role is to represent the interests of the insurer, not the client (the insurance policyholder or insured party).

- Sale of insurer's products: The agent can only sell insurance products from the company or companies with which they have a contract. They may perform insurance representation tasks for one or multiple insurers, but only with their written consent.

- Compensation: Agents usually receive a commission from the insurance company for every policy they sell. Their income is directly tied to the sale of the insurer's products.

- Liability: The insurer is responsible for the actions of the insurance agent.

In practice, there are situations where agents may act as if they are a broker, despite the fact that these are two entirely different legal entities with distinct rights, duties, authorisations, and liabilities, as outlined by insurance regulations.

FIC RECOMMENDATIONS

- Amendment to Article 99 of the Insurance Act, which currently states:

  Restrictions on Insurance Representation

  Article 99

  An insurance agency, insurance agent, and legal entities referred to in Article 98, paragraph 2 of this Law may perform insurance representation tasks for one or more insurance companies with their written consent.

  The person referred to in paragraph 1 of this Article is required to prominently display the business name of the insurance company they represent in their business premises.

  Proposed amendment:

  Restrictions on Insurance Representation

  Article 99

  An insurance agency, insurance agent, and legal entities referred to in Article 98, paragraph 2 of this Act may perform insurance representation tasks for only one insurance company, whith their written consent.

  The person referred to in paragraph 1 of this Article is required to prominently display the business name of the insurance company they represent in their business premises.

ADOPTION OF A BY-LAW BY THE NATIONAL BANK OF SERBIA ON UNIFIED CRITERIA FOR THE SELECTION OF INSURANCE SERVICE PROVIDERS IN PUBLIC PROCUREMENT PROCEDURES

CURRENT SITUATION

In current public procurement practices for insurance services, exclusionary criteria are increasingly being applied in a way that prevents major insurance companies from participating in tenders related to the provision of insurance services for "low-risk" categories. The set criteria are restrictive, discriminatory, functionally inadequate and not proportionate to the subject of public procurement and its goals. These criteria are often not based on objective indicators but are instead formulated to favor a limited number of bidders. This results in the discrimination of large insurance companies, which is contrary to the principles of equal treatment of participants in public procurement procedures, as well as to good business practices and market standards. Consequently, contracting authorities do not receive optimal insurance conditions, and market competition is undermined.

FIC RECOMMENDATIONS

It is proposed that the National Bank of Serbia, within its legal competencies, take a clear position and adopt a by-law that would:

- Establish a framework of unified criteria applicable in public procurement procedures for insurance services;
- Distinguish between exclusionary and non-exclusionary criteria, whereby exclusionary criteria must be based on objective, measurable, and proportionate indicators;
- Prohibit the use of criteria that unjustifiably exclude participants with significant market share and proven capacity;
- Promote competition and transparency in public procurement procedures in the insurance sector.

By adopting such a by-law, the National Bank of Serbia would contribute to the regulation of the insurance market, the protection of competition principles, and more efficient use of public funds, while also strengthening trust in the public procurement system.

ENABLING INSURANCE COMPANIES TO ACT AS DISTRIBUTORS OF BANKING SERVICES

CURRENT SITUATION

In modern financial systems, the boundaries between banking and insurance services are becoming increasingly blurred. The bancassurance model, which involves the sale of insurance products through banking channels, is already widely accepted. However, in Serbia, there is still no legal framework that would allow for the reverse cooperation—enabling insurance companies to distribute banking services. Currently, banks hold a privileged position in the distribution of insurance, while insurance companies are not permitted to offer basic banking services (e.g., account opening, credit intermediation, savings products). This limits competition in the financial services market, considering that:

- It reduces the availability of banking products in smaller communities where insurance companies have a well-developed network;
- It prevents the development of innovative cooperation models and integrated offerings for clients.

FIC RECOMMENDATIONS

- It is proposed that amendments be made to the Law on Insurance and the Decision on the Implementation of Provisions of the Law on Insurance Related to Licensing and Approvals by the National Bank of Serbia, in order to allow insurance companies to act as distributors of banking services, subject to conditions prescribed by the National Bank of Serbia. This would establish a regulatory framework that ensures consumer protection and encourages the development of digital platforms enabling integrated sales of insurance and banking products.
- Allowing insurance companies to distribute banking services represents a logical step in the development of Serbia's financial market. It would increase service availability, enhance competition, and provide better service to end users.

ABOLISHING THE OBLIGATION TO OBTAIN PRIOR OPINION FROM THE MINISTRY OF HEALTH REGARDING VOLUNTARY HEALTH INSURANCE CONDITIONS

CURRENT SITUATION

According to Article 178 of the Law on Health Insurance, insurers are required to submit new or amended general or special conditions of voluntary health insurance to the Ministry of Health for its opinion. However, under Article 188 of the Law on Insurance, supervision of insurance activities is carried out by the National Bank of Serbia (NBS). This supervision includes the review of compliance of internal policy documents (which include insurance conditions under Article 67 of the Law on Insurance) with the Law on Insurance and other relevant regulations.

This creates a situation of duplicated oversight, as the same documentation is reviewed by both the NBS and the Ministry of Health, which:

- Prolongs the time required to introduce or amend insurance products;
- Increases administrative costs for insurance companies;
- Burdens the Ministry of Health, which is not primarily responsible for insurance market supervision.

Additionally, this is the only case in Serbian legislation where a ministry provides an opinion on insurance conditions, despite the existence of a specialized supervisory authority—NBS.

FIC RECOMMENDATIONS

- It is proposed that the Law on Health Insurance be amended to abolish the obligations set out in Articles 177 and 178, which require the Ministry of Health to provide an opinion on the conditions for organizing and implementing certain types of voluntary health insurance. Removing this obligation would make the insurance supervision system more efficient, rational, and aligned with regulatory best practices, while maintaining full consumer protection through the oversight of the National Bank of Serbia.

ESTABLISHING A REGULATORY FRAMEWORK FOR THE DIGITALIZATION OF THE INSURANCE SECTOR – ELECTRONIC SIGNING OF INTERNAL ACTS AND REPORTING TO THE NATIONAL BANK OF SERBIA

CURRENT SITUATION

In the practice of the insurance sector in the Republic of Serbia, reporting to the regulatory authority – the National Bank of Serbia (NBS) – is currently conducted through a hybrid model. Part of the documentation is submitted electronically, while certain acts must still be physically signed and delivered. In some cases, the same documentation is submitted both electronically and in paper form, which further complicates the reporting process. This model hinders the full digitalization of procedures and creates additional administrative and operational costs for insurance companies. Although the NBS has enabled certain technical formats for electronic reporting, there is no unified regulatory framework that would allow the complete electronic signing of internal acts of insurance companies and exclusive electronic reporting to the NBS without the need for physical documentation. Such practice is inconsistent with modern trends in digitalization and automation in the financial sector, especially in the context of sustainability and business process optimization. Digital transformation is essential for improving the efficiency and competitiveness of the insurance sector. Reducing paper usage contributes to the goals of sustainable development and environmental protection. The Law on Electronic Document, Electronic Identification and Trust Services already provides a legal basis for the use of qualified electronic signatures and the transition to fully digital communication.

FIC RECOMMENDATIONS

It is recommended that the National Bank of Serbia:

- Adopt a by-law that clearly defines the conditions, technical standards, and rules for the electronic signing of internal acts of insurance companies;
- Enable exclusive electronic reporting to the NBS, using qualified electronic signatures and certificates;
- Align the regulatory framework with applicable laws governing electronic business and digital identification;
- Encourage the digitalization of supervisory processes, thereby increasing efficiency, reducing costs, and accelerating communication between the regulator and insurance companies.

By introducing clear rules for electronic signing and reporting, the National Bank of Serbia would significantly contribute to the modernization of the insurance sector, reduction of administrative burdens, environmental protection through reduced paper usage, and enhancement of regulatory efficiency. This step would be fully aligned with national and European trends in digital transformation and sustainable development.

LEASING

1.17

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Initiation of amendments to the Law on Value Added Tax, in the part related to interest taxation, and in terms of revoking VAT on the part of leasing fee related to interest.	2009			√
The Law on Compulsory Insurance in Traffic should be harmonized with the Law on Financial Leasing, in terms of the provisions on the right of recourse of the Guarantee Fund upon payment of damage caused by a vehicle for which a contract on compulsory insurance has not been concluded, by the owner or registered user of the vehicle, so that the insurance company can claim the recourse right from the lessee instead of from the leasing company.	2012			√
Leasing and insurance companies should be in the same position as banks pursuant to Article 85 of the Law on Personal Income Tax, i.e., that in the case of a write-off of receivables they are not obliged to pay additional personal income tax if the conditions prescribed by law are previously met. The change would be to simply add "insurance company or lessor" next to the word "bank client".	2016			√
To solve the problem of criminal-legal protection of financed leasing objects. Consistent application of the Law in court proceedings conducted in this legal matter and acting in accordance with the Law and the Constitution of the RS.	2018			√
To establish the Operating Leasing Register with BRA, within which the concluded operating lease agreements would be registered.	2020			√
The solution to use the so-called the state electronic exchange line, which has already been developed between the APR and the Ministry of Interior, to submit the documentation required for vehicle registration in electronic form.	2021		√	

CURRENT SITUATION

There are currently 13 leasing companies actively operating in Serbia, which are mainly affiliates of renowned financial institutions, leaders in the field of banking and financial operations in the markets of Central and Southeast Europe. These groups have implemented their knowledge and high corporate business standards in the Serbian market. The attractiveness of the market is indicated by the fact that in last 2 years 4 new leasing companies have appeared on the market. This will only bring the quality of the offer because the standard of leasing services that market leaders have implemented so far will be further confirmed. A year-on-year growth of 24% was recorded in 2024, and the trend in 2025 indicates double-digit growth, too.

POSITIVE DEVELOPMENTS

In the previous period, during 2025, there have not been crucial improvements.

Regarding the recommendation related to the issuance of the Registration Authorization to Leasing Users, it is enabled the delivery via Agency for Business registar Portal that is a certain improvement. However, the existing solution is technologically outdated and it is necessary to additionally enable communication with technical services. Leasing companies proposed a more modern solution, and it is being accepted by the Agency for Business Registers and the Ministry of Economy and is currently being implemented.

Regarding the recommendation that Financial Leasing is not included as a type of financing in some of the programs of state incentives in the economy, there have been improvements. Positive examples are the Decrees of the Government of the Republic of Serbia on determining support to small enterprises for the procurement of

equipment, in which the Program of support to small and medium enterprises for the procurement of equipment has been determined for several years. In addition to banks, this program also includes leasing companies and has been implemented very successfully. Unfortunately, the program is not realised in 2025.

Regarding the initiative to submit the digital documentation required for vehicle registration to the Ministry of Interior by leasing companies through APR, a meeting was held in the Ministry of Interior in the middle of the year and in principle the initiative was accepted, so the implementation was agreed.

REMAINING ISSUES

1. Interest in financial leasing is still taxable

Law on Value Added Tax treats the products and services of financial institutions in different ways when defining the subject of VAT taxation.

Namely, in Article 4, item 2a) the Law clearly states that the supply of goods on the basis of a leasing contract is subject to VAT. According to the said Law, the basis for VAT is the value of the subject of leasing and interest.

On the other hand, the legislator provided in Article 25 of the same Law that credit operations and insurance services are exempt from VAT.

Different tax treatment of products and services of financial institutions has conditioned that financing through leasing in relation to other types of financing is more expensive for clients who are not in the VAT system, since VAT on interest is an additional cost that puts financial leasing companies at a disadvantage. It should not be forgotten that these are entrepreneurs, registered agricultural farms, and companies that are not in the VAT system.

2. The guarantee fund may have a recourse claim from the leasing company for the damage caused using the item by the lessee

The Law on Compulsory Traffic Insurance stipulates that the Guarantee Fund of the Association of Insurers of Serbia has the right of recourse, upon payment of compensation from the owner of the means of transport, for the amount of damage, interest, and costs paid.

The Law on Compulsory Traffic Insurance is not harmonized with the Law on Financial Leasing, which introduced a legal deal into the legal system of the Republic of Serbia that, by definition and rules on liability for the use of leasing objects, conflicts with the existing rule on the recourse of the Guarantee Fund. The fact that the lessor is not able to influence the behavior of the lessee or other persons using the leased object and prevent the use of the vehicle in traffic without a compulsory insurance contract, as long as the leased object is located in the lessee's country, is completely ignored.

In the current situation, leasing companies face recourse claims from the Guarantee Fund of the Association of Insurers of Serbia, which they reject referring to the Law on Financial Leasing, while on the other hand the Guarantee Fund, despite understanding the essence of the dispute, has no legal possibility to apply for recourse to the paid amount of damage to any person other than the owner of the means of transport and possibly their driver, according to the system of subjective liability of the inflictor for damages.

3. Leasing companies and insurance companies are obliged to pay personal income tax in case of a write-off of receivables from natural persons

When a leasing company or insurance company makes a decision to write off claims from individuals who were previously sued, after an unsuccessful court procedure (due to poverty, inability to collect, etc.), they are obliged to calculate and pay personal income tax in the amount of 20%. Write-off receivables have the status of other income. This is defined by Article 85 of the Law on Personal Income Tax. Thus, a leasing company or an insurance company, in addition to having suffered a loss due to non-payment of obligations, has an additional obligation to pay personal income tax.

To make the paradox even bigger, this becomes the basis for the annual income tax of that natural person, so that a person who is unable to settle a debt to a leasing company or insurance due to poverty, can become a taxpayer if the value of the write-off together with other income exceeds the amount of 4,3 million dinars. This tax "illogicality" was noticed by the Ministry of Finance, and with the amendments to the Law on Personal Income Tax in 2013, an exception was made for banks as creditors. Other financial institutions, such as insurance companies and leasing companies that are also under the control of the NBS were then "forgotten".

4. **The problem of the non-existence of criminal-legal protection of property of leasing companies.**

As a precondition for the functioning of financial leasing as a financing model (in which leasing companies retain the right of ownership over financed objects), there is adequate and complete protection of financed leasing objects as assets of leasing companies. However, in addition to other obstacles facing the leasing industry in Serbia, a new obstacle has recently emerged that threatens to stifle leasing in Serbia. It is about the lack or complete absence of criminal legal protection of the property of the Financial Leasing Providers. Namely, the Supreme Court of Cassation in Judgment CA No. 42/16 dated 26 January 2016, took the position that in the case of evasion of the subject of financial leasing, there is no objective element of the criminal offense of evasion under Article 207 of the Criminal Code of RS, considering that the leasing contract by its nature leads to the acquisition of property rights, due to which non-compliance with contractual obligations falls within the domain of civil law and does not contain the essential elements of the said criminal offense. The Supreme Court of Cassation did not take into account that the civil law relationship has already been resolved by a court decision and that a contract that has been terminated can never lead to the acquisition of property rights. In the stated manner, the lessors of financial leasing in Serbia were deprived of the right to criminal-legal protection of their property contrary to the principles defined by the Constitution. If such a wrong position of the Supreme Court of Cassation continued to be applied by the competent public prosecutor's offices, rejecting criminal charges for the criminal offense of evasion of leasing objects, the result would certainly be a very rapid withdrawal of all leasing companies from the market of the Republic of Serbia. Also, the reaction to the mentioned Decision of the Supreme Court of Cassation can be a huge increase in the number of mentioned criminal acts, appropriation or alienation of other people's property in order to obtain illegal property gain, considering the absence of criminal sanction according to the practice taken by the Supreme Court of Cassation with the Judgment CA No. 42/16 dated 26 January 2016.

5. **The Decision for risk management of Leasing companies which arise for launch the new product adopted by the National Bank of Serbia, gave the opportunity to companies registered to perform financial leasing activities to, in addition, perform operational leasing activities. In order to protect the rights of the lessor, it was necessary to adjust the regulation of the existing register of financial leasing to the said Decision, in such a way as to form the Register of operating leases, within which the concluded operating lease agreements would be registered.**

On that way, among other things, the excerpt from the register of operating leases kept by the Business Registers Agency would be an executive document, which would enable an urgent and efficient procedure for repossession of the subject of operating lease in case of termination of the operating lease agreement legal certainty for operating leasing entities.

6. **Leasing companies, in order to improve their business and improve the level of service to their clients, savings both for clients and for themselves, created a technical solution for the so-called paperless business. Namely, the entire process of signing contractual documents is digitized and clients can sign contracts electronically. However, in practice, a problem arises when registering a vehicle in the MUP. Namely, in order to register a vehicle, the MUP requires documentation in paper form, so a digitally signed document is not acceptable. In this way, the improvement is meaningless because it is necessary that the leasing contract, which has been digitally signed, must be printed out once again and signed and stamped by hand.**

The solution is to use the so-called use the state electronic exchange line, which has already been developed between the APR and the Ministry of Interior, to submit the documentation required for vehicle registration in electronic form. The technical solution would be for the leasing company to first submit the documentation to the APR through the web service, and then to submit the APR to the MUP. The solution is supported by the e-Government.

In the middle of the year, a meeting was held in the MUP regarding this initiative, and in principle the initiative was accepted, so the implementation was agreed upon.

FIC RECOMMENDATIONS

- Initiation of amendments to the Law on Value Added Tax, in the part related to interest taxation, and in terms of revoking VAT on the part of leasing fee related to interest.
- The Law on Compulsory Insurance in Traffic should be harmonized with the Law on Financial Leasing, in terms of the provisions on the right of recourse of the Guarantee Fund upon payment of damage caused by a vehicle for which a contract on compulsory insurance has not been concluded, by the owner or registered user of the vehicle, so that the insurance company can claim the recourse right from the lessee instead of from the leasing company.
- Leasing and insurance companies should be in the same position as banks pursuant to Article 85 of the Law on Personal Income Tax, i.e., that in the case of a write-off of receivables they are not obliged to pay additional personal income tax if the conditions prescribed by law are previously met. The change would be to simply add "insurance company or lessor" next to the word "bank client".
- To solve the problem of criminal-legal protection of financed leasing objects. Consistent application of the Law in court proceedings conducted in this legal matter and acting in accordance with the Law and the Constitution of the RS.
- To establish the Operating Leasing Register with BRA, within which the concluded operating lease agreements would be registered.
- The solution to use the so-called the state electronic exchange line, which has already been developed between the APR and the Ministry of Interior, to submit the documentation required for vehicle registration in electronic form.

INDUSTRY OF CRUDE OIL, GAS AND PETROLEUM PRODUCTS

1.50

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Bearing in mind the refund of excise duties for agricultural holdings in 2024, consider abolishing the fixed price of Eurodiesel in the Regulation on limiting the price of petroleum products.	2023		√	
Repeal the Regulation on the limitation of the price of petroleum products.	2022			√
Harmonize national regulations for the implementation of the Carbon Border Adjustment Mechanism (CBAM) and the introduction of the emissions trading system.	2024		√	
Introduce the special marker when marking the petroleum products sold to vessels in domestic water transport.	2021			√
Re-introduce excise refund on fuel used in domestic water transport.	2021			√
Reduce the level of excise taxation for LPG in order to increase the consumption of this petroleum product.	2021			√
Apply a general 20% VAT rate on CNG consumption and begin the application of excise taxation, in order to eliminate the effects of CNG's preferential status compared to other motor fuels.	2021	√		
Conclude bilateral agreements on carriers' right to VAT refund on fuel purchased in Serbia with Bulgaria, Turkey, Greece, North Macedonia and Montenegro, as well as with other countries whose trucks use Serbia as a transit country.	2021			√

CURRENT SITUATION

The global crude oil and natural gas market in 2024 was shaped by the effects of OPEC+[1] controlled supply and fluctuating demand, increased geopolitical tensions, a slowdown in global economic activity, and a continuing focus on the energy transition.

The price of Brent crude oil in 2024 remained stable and averaged around USD 80/bbl which is about 2% lower than the previous year. The highest price during the year was around USD 93/bbl in April, and the lowest price was around USD 70 USD/bbl in September, marking one of the most stable trading periods since 2019.

Companies operating in the oil and gas sector in the Republic of Serbia, in their energy transition processes in 2024, continued to invest in renewable energy sources, primarily to increase the production of electricity from solar panels at fuel supply stations. In order to accelerate the process of green transition in the Serbian energy sector and the entire economy, it is necessary to continue the process of adopting appropriate regulations in consultation and cooperation with the economy.

A significant issue for the free functioning of the motor fuels market remains the enforcement of the Regulation on limiting the prices of petroleum products, in effect since 10 February 2022, when introduced to prevent negative consequences from global market disruptions. During 2024, amendments to this regulation were made three times, while the fixed margin for the maximum retail price relative to the average wholesale price changed only once – in March – from RSD 13 to RSD 16. In 2025, regulation was amended three times, and the margin was increased to the final RSD 19 in October. The Ministry responsible for the energy sector, in line with the Regulation, adopted a Rulebook on the calculation of average wholesale prices of euro diesel and euro premium BMB 95 in 2024, defining the wholesale price at a specified parity including all dependent costs. The Regulation on the temporary measure of limiting the price of gas and compensation of the price difference for natural gas procured from imports or produced in Serbia in the event of natural gas market disruptions remains in force after its second extension in October 2023.

1 Organization of the Petroleum Exporting Countries plus selected non-member countries, including Russia

According to the Energy Balance of the Republic of Serbia, oil production in the country is carried out at 866 oil and 66 gas wellbores using various exploitation methods. In addition, in 2024 44 new wellbores were put into operation (43 development and 1 exploratory wellbore). NIS a.d. Novi Sad is the only company in Serbia engaged in exploration, production, refining of oil, and production of petroleum derivatives at the Pančevo Oil Refinery, with a total processing capacity of 4.8 million tons annually. NIS also operates the Oil and Gas Preparation and Transport Plant in Elemir and manages HIP-Petrohemija's facilities—the largest petrochemical producer in Serbia, with plants in Pančevo, Elemir, and Crepaja. The refining capacities in Serbia produce a wide range of petroleum products including LPG, motor gasoline and gas oils, aviation fuels, road and industrial bitumen, lubricants, oils, feedstocks for the petrochemical industry, and other petroleum-based products.

In January 2025, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) added NIS a.d. Novi Sad to its Specially Designated Nationals (SDN) list, as Gazprom Neft held a 50% ownership stake at that time. Consequently, sanctions were imposed, though the company has been allowed to operate under periodically issued special licenses.

According to the Energy Agency of the Republic of Serbia, 63 energy entities held licenses in 2024 to trade in oil, petroleum products, biofuels, bioliquids, compressed natural gas (CNG), and hydrogen—unchanged from 2023.

NIS owns the largest retail network and the greatest storage capacities for all types of motor fuels. Other major players in the Serbian oil and derivatives market include international companies such as Lukoil, OMV Serbia, MOL Serbia, EKO Serbia, Petrol, and domestic enterprises like Knez Petrol, Mihajlović Business System, Euro Petrol, Art Petrol, and Radun AVIA. Many of these companies conduct wholesale activities via leased storage tanks, whereas in the retail segment, most operate their own fuel stations.

The production of liquefied petroleum gas (LPG), as a natural gas product, takes place at NIS a.d. Novi Sad Oil and gas preparation and transportation unit in Elemir, at Standard gas d.o.o. units in Odžaci and Hipol a.d. units, which use imported gas condensate, i.e. a broad fraction of light hydrocarbons, as a raw material. The production of propane-butane mixture and autogas, as component mixture, is carried out at Petrol LPG d.o.o. Belgrade in its Smederevo unit, while VML d.o.o. Belgrade does the same thing at Jakovo unit.

Transportation of petroleum products in the Republic of Serbia is carried out by rail, ship and road. Transport from refineries to terminals mainly goes by rail and ship, while transport to final consumers takes place by road. Transnafta AD Pančevo is the only company in Serbia that transports crude oil using pipeline at regulated prices, considering that the above activity is of general interest. The company transports crude using oil pipeline that stretches from the Danube River at Sotin on the border with the Republic of Croatia to the Pančevo Refinery and its total length is 154.5 km. The section Bačko Novo Selo - Refinery Novi Sad is 63.3 km long, while the section Refinery Novi Sad - Refinery Pančevo is 91 km long. The 2024 estimated quantity of imported crude oil transported to the refinery using the DN-2 pipeline section (Novi Sad - Pančevo) is 2.85 million tons, with 0.65 million tons of domestic crude oil. This oil pipeline is part of the main Adria oil pipeline (JANAF), put into operation in 1979. The associated pipeline infrastructure consists of Novi Sad terminal with four crude oil tanks of 10,000 m^3 each and two tanks of 20,000 m^3 each, a dispatch centre and a pumping station, a measuring station in Pančevo and eight block stations along the pipeline route.

Most oil imports are conducted via the JANAF pipeline from the Omišalj terminal (Krk, Croatia). To diversify supply routes in the long term, Serbia and Hungary are planning to build a new pipeline with a capacity of up to 5 million tons per year. Construction is expected to start in 2026, with the Serbian section being 113 kilometres long.

The total supply of domestically produced crude oil and intermediate products intended for refining in refineries in 2024 was about 3.41 million tons, down about 4.5% from 2023. In 2024, about 0.826 million tons of crude oil were produced (23% of the total consumption), and 2.581 million tons (77%) were imported. 4.081 million tons of petroleum products were produced in 2024, which is about 9.1% less than in 2023. Imports of petroleum products rose by around 12%, reaching 1.025 million tons, while exports amounted to 0.572 million tons, up about 2%.

The total production of natural gas in the country in 2024 was 302,431 million m^3, about 3.3% less than the previous year. Imports totalled 2.440,530 million m^3, a decrease of

about 7.8%. In 2025, it is expected that 10% of natural gas needs will be covered by domestic production and 90% by imports.

POSITIVE DEVELOPMENTS

During 2024, the supply of petroleum products on the global market stabilized, judging by their availability and supply possibilities, which positively affected Southeast Europe as well.

The state bodies' continued efforts to structure the energy transition. Serbia adopted its Integrated National Energy and Climate Plan (INECP) for the period up to 2030, with projections until 2050, and the Energy Development Strategy to 2040, with projections until 2050. Drafting is underway for the Oil Act, the Gas Act, and the Act on Mandatory Oil and Gas Reserves.

At the beginning of 2024, the introduction of excise tax refunds improved systemic subsidization of agricultural fuel supply at preferential prices. After the latest increase, as of 1 July 2025, the refund amounts to 56.1 RSD/litre, up to 100 litres per hectare for a maximum of 100 hectares. This creates the basis for resolving fuel price caps.

Amendments to the Excise Act passed in November 2024 increased excise refunds for certain oil derivatives and biofuels used for transportation of passengers and goods. As of 1 July 2025, the refund for diesel fuel was increased by 19.37 RSD/litre (from RSD 15.19 to 34.56). This measure is expected to improve the economic position of domestic road transport operators.

Additionally, excise on compressed natural gas (CNG) will be introduced starting January 1, 2026. This is to balance the market, since CNG has so far been exempt from excise and enjoyed a lower VAT rate of 10%, making it more competitive than other fuels.

REMAINING ISSUES

The price limits on petroleum products in the Republic of Serbia, which has been in force for more than three years, has a significant negative impact on companies and disrupts the petroleum product market. Despite the supply of petroleum products has significantly improved compared to 2022 and is running smoothly, Serbian state authorities still regulate the prices of petroleum products. The price cap regulation was extended three times in 2024 and twice again in 2025.

The non-market price of Eurodiesel for registered agricultural holdings remains a related and very significant problem, established as binding for one supplier on the market, which has led to a significant redistribution of market shares in the agricultural supply segment. As stated, in early 2024, farmers got excise tax refund for dedicated fuel consumption as a type of subsidized price, which is another reason why the price of Eurodiesel should no longer be regulated.

Please note that as of 1 January 2026, the Carbon Border Adjustment Mechanism (CBAM) will be applied to certain goods exported to the EU, i.e. a cross-border tax calculated on the basis of emissions of carbon dioxide or other gases with a greenhouse effect during production. Transition period for the implementation of CBAM is underway, during which future taxpayers are obliged to report, but not to pay financial adjustment, nor to verify the report by an accredited verifier. What Serbia lacks at the moment is harmonized national regulations in the scope of preparation for CBAM mechanism implementation, as well as the possibility of emissions trading.

Currently, the majority of vessels in domestic water transport are being illegally supplied with derivatives via tank trucks, in places that do not meet the minimum safety and environmental criteria. By introducing a special marker when marking the petroleum products sold to vessels in domestic water transport, misuse of unmarked (customs) goods in cabotage would be prevented, which would have a positive impact on the revenues of the budget of the Republic of Serbia and enable a simple check of ships in domestic traffic regarding the place of supply.

Re-introducing of an excise refund on fuel used in domestic water transport, for which shipper provides an evidence of supply at places envisaged for the supply of vessels with fuel, would positively impact the river transport competitiveness as an ecologically safe way of transport. Also, excise refund on this type of fuel would make refuelling at legal bunkering stations an attractive option for shippers, eliminating safety and environmental risks that exist in the current way of refuelling via truck tanks.

The intensive and continuous control of illegal trade in petroleum products in the country needs to continue, including capacity building of inspection authorities to

perform control.

Due to the high LPG excise duty, which is among the highest in the region, the use of this environmentally friendly derivative is discouraged.

Vehicles in international passenger and freight road transport in Serbia buy smaller quantities of fuel, while, on the other hand, there is an increasing number of domestic carriers who buy fuel outside of Serbia due to more favourable excise policies in neighbouring countries.

FIC RECOMMENDATIONS

- Bearing in mind the refund of excise duties for agricultural holdings in 2024, consider abolishing the fixed price of Eurodiesel in the Regulation on limiting the price of petroleum products.
- Repeal the Regulation on the limitation of the price of petroleum products.
- Harmonize national regulations for the implementation of the Carbon Border Adjustment Mechanism (CBAM) and the introduction of the emissions trading system.
- Introduce the special marker when marking the petroleum products sold to vessels in domestic water transport.
- Re-introduce excise refund on fuel used in domestic water transport.
- Reduce the level of excise taxation for LPG in order to increase the consumption of this petroleum product.
- Apply a general 20% VAT rate on CNG consumption and begin the application of excise taxation, in order to eliminate the effects of CNG's preferential status compared to other motor fuels.
- Conclude bilateral agreements on carriers' right to VAT refund on fuel purchased in Serbia with Bulgaria, Turkey, Greece, North Macedonia and Montenegro, as well as with other countries whose trucks use Serbia as a transit country.

PHARMACEUTICAL INDUSTRY

1.55

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
The Government should:				
Provide steady funding for innovative medicines/ medical devices and generic medicines while expanding the indications through a special-purpose transfer of budget funds to NHIF, thus compensating for the clear lack thereof in the financial plan of NHIF.	2018		√	
Take a position regarding the future of its healthcare institutions, primarily pharmacies. If state pharmacies have a future as such, a strong recommendation is to entrust them to a private partner in accordance with the law, with the key law being that on public-private partnership, and in accordance with the model respecting the specifics originating from the status and business operations of publicly owned pharmacies undergoing PPPs. This guarantees the legality of the procedure, transparency and the maximization of benefit for everyone involved.	2017			√
The Ministry of Health should:				
Work continuously, together with the Ministry of Finance and the NHIF, on securing additional funds from the budget of the Republic of Serbia with the aim of including new therapies on the NHIF Reimbursement List.	2018		√	
With the aim of accelerating patients' access to medicines, allow the submission of documentation for obtaining the highest price of medicines for use in human medicine to competent ministries as of the moment the holder of the licence for the medicine receives a Report from ALIMS following a session of the Commission for the Placement of Human Medicines on the Market. Enabling parallel processes for finalizing the licensing procedure for a medicine and for obtaining its maximum price would considerably reduce the time frame for placing each individual medicine on the market. Therefore, the proposal is to enable two processes to take place in parallel: the final part of the process of obtaining a licence for placing a medicine on the market from ALIMS, and the process of publishing the maximum price of the medicine in a Decision on the highest prices of medicines for use in human medicine by the Ministry of Health.	2019			√
Urgently draft a new Law on Medicines in cooperation with industry representatives.	2019			√
Eliminate from the new Law on Medicines the issuing of approvals by ALIMS for the use of promotional materials and other documentation regarding the advertising of prescription medicines and/or promotional materials and other documentation intended for the professional public.	2019			√
Amend the Law on the Protection of the Population from Infectious Diseases and the accompanying Rulebook on the Training Program so that employers can conduct training for employees in the medicines production, trade and dispensing, as it is already regulated by other regulations.	2023			√
The Ministry of Finance should:				
Make a positive decision on a reasoned request by the Ministry of Health for a special-purpose transfer of NHIF funds for new medicines.	2018		√	

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Ensure an equal tax and customs treatment of raw materials and finished medicines.	2013			√
Abolish VAT on donations of medicines and medical devices to health care institutions.	2014			√
To provide wholesalers with more favourable conditions for fuel procurement for the transportation of medicines.	2024			√
NHIF should:				
Ensure the acquisition of the funds required from the central budget for introducing new medicines on the Reimbursement List.	2018		√	
To enhance the process of ensuring predictability in decision-making, with clear timelines and a transparent consultation process with industry representatives.	2013		√	
Ensure greater flexibility regarding models for specific agreements, since every medicine has its own specific details that need to be incorporated into the agreement.	2017		√	
Enable the electronic submission of introducing new medicines on the Reimbursement List, without submitting paper documentation.	2020			√
Additionally improve full functionality of its information systems SAP and Finance Portal with SEF of the Ministry of Finance, in order to ensure timely, accurate and correct monitoring, control and payment of invoices issued for delivered drugs and medical devices.	2023		√	
ALIMS should:				
Adhere to the existing time frames established by the Law on Medicines regarding new registrations, renewals and variations of licences.	2017		√	
To promptly activate the procedure for variations and renewals of licenses through RIMS.	2024		√	
Revise and harmonize the amount of certain tariffs; pharmacovigilance tariffs based on the INN; reduce the amount of tariff for the documentation control for each imported series of a medicine.	2019			√
An additional number of professional executors should be hired in order to resolve cases faster within the legally prescribed deadlines and reduce delays, especially in resolving accumulated variations for medicines.	2021	√		

CURRENT SITUATION

The health of a nation is one of the fundamental pillars of stability and prosperity for any society. A healthy population is crucial for economic growth and development as it directly influences workforce productivity, reduces healthcare costs, and improves the quality of life. Quality healthcare allows people to work more efficiently, take fewer sick days, and contributes to greater overall productivity. On the other hand, inadequate healthcare can significantly burden the national health system, increase healthcare costs in the long run, and reduce the nation's working potential.

The economy of a country is closely linked to the health of its population. Various illnesses and health challenges can lead to a reduction in the available workforce, increase disability rates, and cause premature mortality, all of which collectively hinder economic growth. A healthy population not only contributes to higher economic output but also eases the strain on public finances by reducing expenses on treatment and rehabilitation.

Investing in healthcare is not just a moral obligation but also a strategic economic decision that can bring significant benefits to society. Therefore, developing effective health policies and ensuring access to healthcare and modern therapeutic options for all citizens should be a priority for any Government striving for sustainable economic development and social well-being.

An essential and extremely important part of the healthcare system is the regular supply of medicines and the availability of the most advanced therapies, which are a basic prerequisite for positive outcomes in the healthcare system of any country. For the healthcare system to function optimally, in addition to uninterrupted supply of medicines and access to the latest therapies, there needs to be a systematic and efficient connection among the three pillars on which the entire pharmaceutical market rests: manufacturers, wholesalers, and healthcare institutions (private and public).

According to the Health Insurance Law, mandatory health insurance covers illness and injury cases, early disease detection, medical examination, treatment, rehabilitation, medications, medical aids, and supplies. However, some analyses and certain medicines are not covered by the National Health Insurance Fund (NHIF), which forces patients to turn to the private sector and pay for treatment out of their own pockets. This has led to a rapid growth of the private healthcare sector in the past decade. In the previous period significant progress has been made in improving the availability of the most advanced therapies. The next step would involve establishing a regular annual allocation of funds from the central budget to the NHIF specifically for financing new therapies.

The average life expectancy in Serbia is considerably below the EU average (74,8 compared to 81,4). The greatest risks for the health and life of the population of Serbia are caused by coronary and vascular system diseases, malignant diseases, diabetes and chronic obstructive pulmonary diseases. For example, the gravity and complexity of this issue are best illustrated by the disparity between the incidence rate of oncological diseases and the corresponding mortality rate. In Serbia, the mortality rate is significantly higher than in several European countries that report even greater incidence rates. Bearing in mind it is evident that the availability of oncological treatments, as well as innovative medicines across other therapeutic areas, remains insufficient. At the same time, such access is essential for reducing the high mortality rate among the population, alongside enhanced preventive screenings and increased patient awareness of their importance.

It is completely clear that the NHIF, even with the assumption of the best resource management, is not able to adequately respond to all patients' needs for drug therapies from its own income. For that reason, purposeful and continuous intervention from the central budget is necessary, in addition to the existing allocations of the NHIF for medicines.

It is very important for stable pharmaceutical market functioning to continue the harmonization of the domestic legal framework with EU acquis, primarily through the Law on Medicines, whose adoption has been postponed for several years. That way the practice inapplicability in some of its provisions and non-transparency in certain procedures should be eliminated.

Another problem is that time frames for important decisions are often too long and, even so, typically not observed. The participation of representatives of the pharmaceutical sector in the drafting of all relevant acts is necessary, and significant progress can already be seen in this field.

POSITIVE DEVELOPMENTS

1. The adoption of the Law on health documentation and records in the field of health continues the efforts towards digitalization in healthcare and the establishment of the Republic Integrated Health Information System, which will integrate data about all healthcare resources alongside electronic services for healthcare institutions and patients, significantly improving the efficiency of the healthcare system and decision-making processes. The development of the electronic health record, a centralized digital system is currently underway, aiming to provide faster and more accurate access to each patient's medical history, reduce administrative burdens, improve coordination among healthcare institutions and professionals, enable data analytics, etc.

2. ALIMS is actively continuing the digital transformation of regulatory processes in the pharmaceutical sector through the implementation and operationalization of the Regulatory Information Management System (RIMS). The system is already functional for procedures related to marketing authorization, issuance of

various expert opinions, clinical trial applications, and approval of control stamps. In connection with the rollout of RIMS and newly introduced functionalities, ALIMS has established a good practice model through pilot projects involving system testing with marketing authorization holders, as well as dedicated training sessions. The introduction of additional functionalities particularly those related to renewals and variations is expected soon.

3. In the past period, communication continued between representatives of the pharmaceutical industry and the Ministry of Health/NHIF regarding the submission of data on potential upcoming, known, current, or prolonged medicine shortages. A proposal for future practice is for the RFZO to compile relevant data and regularly publish public reports on medicine shortages, ensuring their availability to the professional community.

REMAINING ISSUES

1. A lack of a systemic solution for financing the introduction of New Drugs on the Reimbursement List

Despite a recorded positive trend in the availability of innovative medicines, the List of Medicines featuring innovative therapies has not been published in the past two years. To enable the continuous introduction of new drugs to the Reimbursement List requires an annual allocation of targeted funds from the central budget to the NHIF. Before this, all relevant medical commissions within the Ministry of Health/NHIF should evaluate all submitted requests for listing drugs/medical devices on the Reimbursement List and determine the exact amount needed to meet the needs of patients across all therapeutic areas.

2. Shortcomings in the process of including medicines on the NHIF Reimbursement List

The Rulebook on criteria for including/removing medicines from the Reimbursement List, as a key by-law in this area, needs to be amended to include clearer and more detailed criteria for the selection of medicines covered by the mandatory health insurance system. Although certain progress is already visible, each individual procedure for the placement of a medicine on the Reimbursement List should be even more transparent and with a mandatory explanation of the final decision, and the right to appeal.

Although the NHIF announced amendments to the List of Medicines by including new medicines with no impact on the budget (non-budget), this had not occurred by October 2025. For the sake of business predictability, as well as ensuring the stability of supply and the availability of essential therapies, it is necessary for the NHIF to establish clear deadlines, timelines, and a process for updating the Reimbursement List.

3. Policy of medicine prices and distribution costs

The ongoing global conflicts, followed by the economic crisis and inflation, have had a strong and negative impact on the pharmaceutical industry. This impact has affected both the production of medicines and the distribution chain through increased transportation and storage costs, rising prices of raw materials, higher manufacturing expenses, and growing geopolitical uncertainty. Wholesalers, whose distribution costs are embedded in the price of medicines, have been particularly burdened by rising fuel and energy prices, as well as other increased operational expenses that are essential for regular and safe supply. It is also important to note that regulatory fees, which are mandatory for compliance with regulatory authorities, continue to follow the upward trend of prices and inflation.

Over the past year, the National Health Insurance Fund (NHIF) implemented price adjustments for a number of generic medicines. This measure represents an important step toward enhancing the sustainability of the pharmaceutical market and preserving patient access to essential therapies.

This decision represents a positive signal, as previously unrealistically low medicine prices often posed serious challenges for manufacturers, leading to the risk of certain products being withdrawn from the market. For all the reasons outlined above, price correction serves as a necessary instrument for ensuring stable supply and continuous availability of therapies for patients in Serbia. Given the specific circumstances and challenges faced by the pharmaceutical industry in Serbia, it is essential to involve all relevant stakeholders in the decision-making process to secure stable and uninterrupted access to medicines in the Republic of Serbia moving forward.

4. Resolving of remaining debt of state healthcare institutions to wholesalers and suppliers and timely payments for delivered medicines

It is necessary to continue with activities regarding settlement of remaining debts and payments of healthcare institutions for delivered medicines, medical devices, which refer to procurements that are not subject to the CJN of the NHIF, i. e. subject to direct payment.

A prerequisite for the regular supply of the healthcare system and patients is the timely payment for medicines delivered through centralized public procurement to suppliers, as well as to pharmacies for dispensed medicines.

5. Administrative procedures and the issuing of licences for medicines

ALIMS is still experiencing delays when it comes to approving amendments to licences (variations). They have undertaken a series of activities and measures to accelerate procedures, which significantly affect the availability of the latest information regarding medicine use for both healthcare professionals and patients, as well as the availability of the medicines themselves on the market.

6. Regulations effecting business

Despite the fact that the adoption of the new Law on Medicines has been in the Work Plan of the Ministry of Health for 6 years, no progress has been made in preparation of this regulation.

It is necessary to amend the Law on the Protection of the Population from Infectious Diseases in the part of the provisions on training for the acquisition of basic knowledge of personal hygiene for employees in the production, distribution and dispensing of medicines organized and conducted by the Ministry of Health, with the payment of the prescribed fee because of the adoption of this Law and the accompanying Rulebook on the training program, it was not taken into account that the obligations and responsibilities of drug manufacturers, wholesalers and pharmacies in the part of hygiene training are already regulated by special regulations as well as the strict requirements of the Good Manufacturing Practices Guidelines (GMP) and the Good Practices Guidelines in distribution (GDP).

FIC RECOMMENDATIONS

The Government should:

- Provide steady funding for innovative medicines/ medical devices and generic medicines while expanding the indications through a special-purpose transfer of budget funds to NHIF, thus compensating for the clear lack thereof in the financial plan of NHIF.

The Ministry of Health should:

- Work continuously, together with the Ministry of Finance and the NHIF, on securing additional funds from the budget of the Republic of Serbia with the aim of including new therapies on the NHIF Reimbursement List.
- Together with the Ministry of Domestic and Foreign Trade, with the aim of accelerating patients' access to medicines, allow the submission of documentation for obtaining the highest price of medicines for use in human medicine to marketing authorization holder as of the moment the holder of the licence for the medicine receives a Report from ALIMS following a session of the Commission for the Placement of Human Medicines on the Market. Enabling parallel processes for finalizing the licensing procedure for a medicine and for obtaining its maximum price would considerably reduce the time frame for placing each individual medicine on the market. Therefore, the proposal is to enable two processes to take place in parallel: the final part of the process of obtaining a licence for placing a medicine on the market from ALIMS, and the process of publishing the maximum price of the medicine in a Decision on the highest prices of medicines for use in human medicine by the Ministry of Health.
- Urgently draft a new Law on Medicines in cooperation with industry representatives.

- Eliminate from the new Law on Medicines the issuing of approvals by ALIMS for the use of promotional materials and other documentation regarding the advertising of prescription medicines and/or promotional materials and other documentation intended for the professional public.

- Amend the Law on the Protection of the Population from Infectious Diseases and the accompanying Rulebook on the Training Program so that employers can conduct training for employees in the medicines production, trade and dispensing, as it is already regulated by other regulations.

The Ministry of Finance should:

- Make a positive decision on a reasoned request by the Ministry of Health for a special-purpose transfer of NHIF funds for new medicines.

- Ensure an equal tax and customs treatment of raw materials and finished medicines.

- Abolish VAT on donations of medicines and medical devices to health care institutions.

- To provide wholesalers with more favourable conditions for fuel procurement for the transportation of medicines and medical devices.

NHIF should:

- Ensure the acquisition of the funds required from the central budget for introducing new medicines on the Reimbursement List.

- Enhance the process of ensuring predictability in decision-making, with clear timelines and a transparent consultation process with industry representatives.

- Ensure greater flexibility regarding models for specific agreements, since every medicine has its own specific details that need to be incorporated into the agreement.

- Enable the electronic submission of introducing new medicines on the Reimbursement List, without submitting paper documentation.

- Ensure timely payment for delivered or dispensed prescription medicines, in accordance with signed contracts.

ALIMS should:

- Adhere to the existing time frames established by the Law on Medicines regarding new registrations, renewals and variations of licences.

- To promptly activate the procedure for variations and renewals of licenses through RIMS.

- Revise and harmonize the amount of certain tariffs; pharmacovigilance tariffs based on the INN; reduce the amount of tariff for the documentation control for each imported series of a medicine.

TOURISM & HOSPITALITY 1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Adoption of a New Tourism Development Strategy with a Change of the Tourism Destination Management Concept.	2022			√
Adoption of the new Strategic Tourism Marketing Plan of the Republic of Serbia (following the new Tourism Development Strategy) with a clearly defined Action Plan (KPIs, responsible persons/institutions, implementation deadlines, etc.)	2024			√
Adoption of a New Assessing Methodology for the Tourism Foreign Exchange Inflow of Through the Application of the Tourism Satellite Accounts Methodology.	2022			√
Amendments to the Law on Simplified Employment of Seasonal Jobs in Certain Activities Expanding the Provisions on Tourism and Hospitality Sector in terms of expanding the circle of employers from Article 2. of the Law on Simplified Employment in Seasonal Jobs in Certain Activities ("Official Gazette of the RS", No. 50/2018) in such a way as to include employers who perform activities in the Tourism and Hospitality sector.	2022			√
Amendments to the VAT Law to Expand Activities That Would be Taxed at a Special, Reduced Rate of 10%.	2022			√
Amendments to the Law on Copyright Regarding the Method of Determining the Copyright and Related Rights Tariff to introduce a fee payment criterion based on the occupancy percentage of the taxpayer's accommodation capacity in the accounting period.	2022			√
Suppression of the High Level of the Grey Economy in Tourism and Hospitality Emphasizing Individual Accommodation Services Segment:				
It is necessary to strengthen the capacities of the tourism inspection at the local and national level and to carry out permanent education of inspectors.	2022			√
Accommodation service providers (especially individual accommodation service providers) should be informed and educated about the rights and benefits provided by the legal framework through educational campaigns.	2022			√
Effective and continuous tourism inspection (preventive and regular) supervision must be applied to minimize the grey economy and improve the use of E-tourist, especially among individual accommodation service providers.	2022			√
The tourism inspection (at all levels) should adopt a Strategic and Annual Plan for suppressing the grey economy based on comparing the advertised accommodation facilities on various online platforms and the facilities in the E tourist system. The Annual Plan for the following year should be drawn up by December 15 of the current year.	2022			√
The tourism inspection should make publicly available the Annual Report of the performed supervision according to the newly proposed Strategic and Annual Plan. The Annual Report should be quantified and contain at least the destination name, the number of inspections carried out, the types of facilities inspected, and the supervision results. The Annual Report should be published for the previous year by February 15 of the current year.	2022			√
Legal entities and individual accommodation service providers not registered in the E tourist system cannot be beneficiaries of public funds at the national and local levels.	2022			√

CURRENT SITUATION

The second decade of 21 century is characterized by a quantitative increase and qualitative improvement of accommodation tourist capacities in Serbia after the collapse of post-transitional tourism and the closure of many degrees in the first decade of this century. This period is characterized by the opening of a number of previously missing 4- and 5-star hotels, the start of a number of planned hotels in mountain and spa destinations, and the emergence of congress, spa, and other specialized hotels. On the other hand, the development of accommodation and other tourism facilities in rural areas, particularly during and after the COVID-19 pandemic has been thriving, further supported by incentive measures introduced by the Ministry responsible for tourism.

The quality structure of accommodation capacities is continuously improving, considering that the majority of newly opened facilities belong to higher categories. Despite these advancements, accommodation in Serbia does not meet the expectations of the international market, given that hotel accommodation accounts for only one-third[1] of the total accommodation capacity. This can be viewed as an unfavorable circumstance, but also as a significant opportunity for growth in this sector. The high share of the informal economy in the accommodation sector should not be overlooked, as it complicates both the quantification and qualitative assessment of the overall accommodation capacities in Serbia.

In recent years, one of the most positive developments for Serbia's economy has been the strong growth in tourist arrivals, overnight stays, and spending by foreign visitors. This trend has contributed positively to the country's external trade balance, particularly in the tourism segment, which has traditionally been in deficit. In 2024, Serbia recorded a historic foreign exchange inflow from tourism of EUR 2.55 billion, representing an increase of EUR 1.1 billion compared to the pre-pandemic year 2019.[2] However, in the first nine months of 2025, total tourism turnover declined by 1.6% compared to the same period of the previous year. The number of foreign tourist arrivals edged by 0.2%, while total overnight stays decreased by 2.7% (despite this, overnight stays by foreign visitors increased by 0.6%.[3]

Key Indicators of Tourism's Contribution to Serbia's Economy (WTTC Economic Impact Research).

The direct contribution of tourism to Serbia's GDP amounted to 2.5% in 2023, with an estimated 2.8% for 2024, while the long-term forecast for 2034 projects a rate of 2.5%.[4]

At the same time, the total contribution of tourism to GDP — including both indirect and induced effects — reached 9.1% in 2023, is estimated at 10.0% for 2024.[5] By 2034, this share is expected to reach 11.4%.[6]

Tourism also plays a growing role in employment. The share of direct employment in tourism represented 2.3% of total employment in 2023, rising to an estimated 2.45% in 2024[7]. By 2034, employment in the tourism sector is expected to increase to 3.1% of total employment.[8]

The overall contribution of tourism to employment — including wider effects from investment, supply chains, and induced income — stood at 7.0% in 2023.[9] By 2034, tourism is projected to account for 9.2% of total employment.[10] In 2024, the tourism industry employed approximately 87,3 thousand people.[11] In terms of investment, the share of capital investment in tourism within total national investment accounted for 3.3% in 2023, is estimated at 3.4% for 2024, and is forecast to decline to 2.3% by 2033.[12]

However, a relatively high share of the grey economy—particularly in the hospitality sector—remains unchanged despite certain activities initiated by the competent ministry since 2022, aimed at improving communication with online platforms that enable the advertising of unregistered accommodation facilities.

Investments in tourism have increased, both in infrastructure serving tourism and in buildings intended for tourism-related purposes. In addition, with the awarding of the organization of the specialized EXPO 2027 exhibition, the

1 e-Turista, Republički zavod za statistiku Republike Srbije
2 Statistical Office of the Republic of Serbia
3 Statistical Office of the Republic of Serbia
4 WTTC Economic Impact Research
5 WTTC Economic Impact Research
6 WTTC Economic Impact Research
7 WTTC Economic Impact Research
8 WTTC Economic Impact Research
9 WTTC Economic Impact Research
10 WTTC Economic Impact Research
11 Central Register of Compulsory Social Insurance
12 WTTC Economic Impact Research

construction of new hospitality capacities is expected, primarily within the hotel industry.

From the perspective of strategic planning, the existing Tourism Development Strategy (adopted for the period 2016–2025) has, given the context of its time, insufficiently addressed the issues of digital and green transformation in tourism operations, as well as the impacts of climate change. Moreover, market segments were not defined based on dedicated market research, which has resulted in a lack of clear connection between the promotion of specific tourism products and the target market segments for which those products were designed.

Further, key legal documents were upgraded in 2019 according to strategic intentions to support the SME sector and protect consumers starting with laws: Law on Tourism and Law on Hospitality. Further, in 2021, Strategic Marketing Tourism Plan of Republic of Serbia up to 2025 was adopted. However, it should not be forgotten that creating a new strategic document, including the Tourism Development Strategy, implies the improvement of the overall regulatory framework (laws, by-laws, etc.) after its adoption. In addition, after the adoption of the new TDS, which will define the new vision, mission, and objectives of tourism development in Serbia, it is necessary to start drafting the new Strategic Marketing Plan for Tourism of the Republic of Serbia as soon as possible (the valid one was adopted for the period from 2021 to 2025), if Serbia wants not only to improve but also to maintain its existing competitive position on the international tourism market.

The further development of European and Serbian tourism in the coming period will continue to face numerous challenges, such as:[13]

- Russian-Ukrainian conflict;
- Conflict in the Middle East and other geopolitical crises;
- Climate change;
- Restrictions on airlines and use of airspace;
- Rising inflation and interest rates;
- Food and fuel price increases, and
- Self-confidence of travelers and available financial resources.

POSITIVE DEVELOPMENTS

In 2025, work began on drafting a new Tourism Development Strategy of the Republic of Serbia for the period until 2030. However, by the time of the conclusion of the 2025 White Book (October 2025), the new strategy had not yet been adopted, and therefore we cannot state that any progress has been made.

REMAINING ISSUES

The key challenge of the tourism industry in Serbia is to improve its competitiveness and position of Serbia in the global tourism market as a recognizable, attractive, and authentic tourist destination, which creates new jobs, sustainably manages its development and is attractive for new investments.

1. **Sustainable Tourism Development Vision and Measurable Strategic Goals are Not Defined**

The importance of tourism development programming and integral planning was not sufficiently recognized and implemented in the previous period. Specific strategic vision and well-articulated strategic and measurable objectives, including implementation, and transparently monitoring mechanisms with the upgraded coordination and cooperation of all key stakeholders at all levels, are missing.

Consequently, it is necessary to define a new Tourism Development Strategy, which will consider the "new reality", and the need for redefine strategic and set measurable goals, including implementation and monitoring mechanisms that will ensure sustainable tourism development. Particular attention should be given to minimizing the impact of climate change on tourism and to the sector's continued digitalization process. Besides, improved coordination and cooperation of all key stakeholders at all levels with more significant participation of local communities in the tourism development process is needed.

The strategic framework must respect the modern destination management concept, which implies introducing the legal possibility for tourist destinations to be managed by private companies and public-private partnerships.

2. **Insufficiently Developed Awareness of the Importance of the Image and Market Positioning of Serbia as a Tourist Destination**

Strategic decisions on the marketing of the Republic of Serbia were made based on the valid TDS but without

13 Economist Intelligence Unit (EUI), WTTC and UNWTO

impact analysis and necessary corrections for half of the period of validity (of the Strategy), bearing in mind that the Strategic Marketing Plan of Tourism of Serbia was adopted in 2021, and the SRT in 2016. The vision of the tourism development in Serbia until 2025 includes that by then, the Republic of Serbia will have a recognizable image in the domestic, regional, and global markets, with clearly defined target segments to which market it offers and a coordinated marketing system at all levels - national, regional and local. Consequently, the marketing mission in Serbian tourism is defined as the need to continuously shape, maintain, and improve the country's positive image as a tourist destination. Although the mission and vision are clearly defined and ambitious, there is not enough critical insight into the reality of achieving those goals. These issues become particularly significant when considering previously identified weaknesses and risks, such as limited budget resources and insufficiently developed awareness of the importance of the destination's image and market positioning. With the existing deficiencies in professional capacities in tourism (insufficient professional training and investment in human resources), realizing a defined mission and vision by the end of the planned period does not seem realistic.

3. Inadequate Methodology of the National Bank of Serbia for the Foreign Currency Income Assessment

Foreign exchange inflow is still calculated according to the inadequate methodology of the NBS for estimating foreign exchange inflow, which is one of the most important topics. The estimation of foreign exchange inflow is related to the work of exchange offices, so there is a discrepancy with tourist peaks. The estimation of the average consumption of foreign tourists based on such calculated foreign exchange inflow is highly unreliable. Consequently, there is no reliable calculation of the tourism industry's contribution to GDP. Furthermore, the budget for national tourism promotion and tourism, in general, is permanently underestimated and insufficient, directly affecting the insufficient promotion of Serbia as a tourist destination.

Modification of the NBS methodology for the assessment of the foreign exchange inflow of the tourism and hospitality industry and its contribution to the national GDP through the introduction of tourism satellite accounts. In this way, the quantification of the economic impact of tourism would be carried out using internationally recognized and accepted methodology.

4. Unflexible legal framework that does not provide the possibility of employment in accordance with the Law on Simplified Employment of Seasonal Jobs in Certain Activities

Human resources present a significant barrier to further development in labour-intensive industries such as tourism and hospitality. The number of disposable workforces decreased, causing the rise in wages, and consequently causing an economically rational reaction of employers: part-time jobs, reduction of service (self-service, etc.), and even hiring unregistered employees to reduce labour costs. In addition, the structure of the labour force and the level of its education and training further deteriorated after the pandemic outbreak when a significant number of employees sought work in other industries. The insufficiently flexible legal framework does not recognize the needs of highly seasonal industries such as tourism and hospitality.

Hiring within this industry can be performed only in accordance with the Labour Law provisions ("Official Gazette of RS", no. 24/2005, 61/2005, 54/2009, 32/2013, 75/2014, 13/ 2017 - US decision, 113/2017 and 95/2018 - authentic interpretation), i.e., in a way to come to establishing of employment relationship by concluding an Employment Contract or in such a way that the work takes place outside the employment relationship by concluding a Contract on Temporary and Periodical Jobs, a Purchase Order Contract or a Supplementary Work Contract.

Due to the special characteristics and expressed need for seasonal workers in tourism and hospitality, it is necessary to amend the Law on Simplified Employment of Seasonal Jobs in Certain Activities ("Official Gazette of RS," No. 50/2018) in terms of expanding the circle of employers from Article 2. of the Law on Simplified Employment in Seasonal Jobs in Certain Activities ("Official Gazette of the RS", No. 50/2018) in such a way as to include employers who perform activities in the tourism and hospitality sector.

In this way, it would be possible to implement a simplified procedure for the employment of persons and the payment of taxes and contributions for work on jobs of a seasonal nature and within the scope of activities of a hospitality and tourism nature.

This modality of work engagement would imply mutual benefits both for the employers and for potential seasonal workers. The expected advantages on the employer's side are as follows:

- The employer is given an opportunity of simpler employment procedure, which represents work outside the employment relationship, via a verbal contract on the performance of seasonal work, which is concluded from the moment the seasonal worker access to work.

- The employer can apply a simplified procedure for calculating and paying citizens' income tax and contributions for mandatory social insurance, which in this case only include rights from pension and disability insurance, as well as rights from health insurance, but only in case of injury at work and occupational diseases. The simplified procedure for paying taxes and contributions implies a pre-determined basis for calculating the obligations, regardless of the contracted hourly labour price of a seasonal worker. The stated base is always equal and amounts to a thirtieth part of the amount of the lowest monthly contribution base per day of engagement in seasonal jobs.

- The employer is only obliged, to submit in the stipulated period electronically to the tax administration the data required for the preparation of the evidentiary application, based on which the Tax Administration system automatically prepares and submits the individual tax return on calculated taxes and contributions.

The expected employees' benefits are as follows:

- Creating opportunities for persons in employment to earn additional income by concluding seasonal work contracts;

- Creation of the opportunity to generate additional income for beneficiaries of social assistance, given that the compensation for work received by a seasonal worker has no effect on the realization and use of the right to cash social assistance;

- Creating an opportunity for family pension users to earn additional income, given that there is no suspension of family pension payments if the contracted monthly compensation is realized in an amount lower than the lowest base in employee insurance, valid at the time of payment of contributions.

In addition, it should be emphasized that the law clearly prevents the possibility of abusing the simplified work engagement of a person, considering that a legal limitation of a maximum of 180 days is clearly introduced during the duration of the calendar year on the basis of the contract on performing seasonal work, as well as the relationship between this contract and the contract of Temporary and Periodical Jobs, where it is prescribed that if the same person is engaged on the basis of both contracts in one calendar year, the total number of working days on the basis of both contracts cannot amount to more than 120 working days in the calendar year.

5. VAT High Tax Rate in Hospitality Sector

Even before the COVID-19 pandemic, most European countries reduced VAT rates on hospitality services which positively impacted competitiveness and boosted their tourism industry. In addition, after the COVID-19 pandemic outbreak, the vast majority of European countries significantly reduced the VAT rate. Serbia, with a 20% VAT rate on hospitality services, became even more uncompetitive, especially in MICE, when the tax burden is crucial for destination selection.

Furthermore, it is necessary to change the legal regulations in the direction that, within the scope of the activities now foreseen, which are taxed at a special, reduced VAT rate of 10%, (such as accommodation services), food consumption services within hospitality business entities should also be added. In this way, domestic tourism and hospitality competitiveness would be enabled compared to competitors primarily from the Region but also from the rest of Europe, especially in MICE tourism.

6. Inadequate Tariff Model Determination According to the Law on Copyright and Related Rights

The improvement of the competitiveness of Serbian tourism is additionally burdened by parafiscal burdens such as the payment of tariffs according to the Law on Copyright and Related Rights. Namely, regardless of whether the accommodation facilities (rooms) are occupied or not, the tariffs must be paid.

In accordance with the Law on Copyright and Related rights, business entities from the tourism and hospitality sector are charged a special fee according to the Tariff issued by the organization for the realization and protection of copyright and related rights.

The most common case of collection of these fees is collec-

tion in accordance with a flat rate. When determining the amount of the flat fee, the following criteria are considered:

- the type and method of exploitation of the subject of protection;
- geographic location of the user's headquarters;
- type and size of the space in which the objects of protection are used;
- duration and scope of use and prices of the user's services.

The criteria set in this way for determining the flat rate are inadequate and completely ignore the key circumstance, i.e., the occupancy percentage of the facility's accommodation capacity.

Instead, it is necessary to introduce a fee payment criterion based on the occupancy percentage of the taxpayer's accommodation capacity in the accounting period.

7. The Grey Economy's High Share

The grey economy's high share in the tourism and hospitality sector (reaches up to 40% - 50%, especially among individual owners' accommodation rental via various online platforms) negatively affects the profitability and quality of accommodation services and the overall competitiveness of Serbian tourism. Further, this practice allows unfair competition for facilities that work legally.

FIC RECOMMENDATIONS

- Adoption of a New Tourism Development Strategy with a Change of the Tourism Destination Management Concept.
- Adoption of the new Strategic Tourism Marketing Plan of the Republic of Serbia (following the new Tourism Development Strategy) with a clearly defined Action Plan (KPIs, responsible persons/institutions, implementation deadlines, etc.).
- Adoption of a New Assessing Methodology for the Tourism Foreign Exchange Inflow of Through the Application of the Tourism Satellite Accounts Methodology.
- Amendments to the Law on Simplified Employment of Seasonal Jobs in Certain Activities Expanding the Provisions on Tourism and Hospitality Sector in terms of expanding the circle of employers from Article 2. of the Law on Simplified Employment in Seasonal Jobs in Certain Activities ("Official Gazette of the RS", No. 50/2018) in such a way as to include employers who perform activities in the Tourism and Hospitality sector.
- Amendments to the VAT Law to Expand Activities That Would be Taxed at a Special, Reduced Rate of 10%.
- Amendments to the Law on Copyright Regarding the Method of Determining the Copyright and Related Rights Tariff to introduce a fee payment criterion based on the occupancy percentage of the taxpayer's accommodation capacity in the accounting period.
- Suppression of the High Level of the Grey Economy in Tourism and Hospitality Emphasizing Individual Accommodation Services Segment:
  - It is necessary to strengthen the capacities of the tourism inspection at the local and national level and to carry out permanent education of inspectors.

- Accommodation service providers (especially individual accommodation service providers) should be informed and educated about the rights and benefits provided by the legal framework through educational campaigns.

- Effective and continuous tourism inspection (preventive and regular) supervision must be applied to minimize the grey economy and improve the use of E-tourist, especially among individual accommodation service providers.

- The tourism inspection (at all levels) should adopt a Strategic and Annual Plan for suppressing the grey economy based on comparing the advertised accommodation facilities on various online platforms and the facilities in the E tourist system. The Annual Plan for the following year should be drawn up by December 15 of the current year.

- The tourism inspection should make publicly available the Annual Report of the performed supervision according to the newly proposed Strategic and Annual Plan. The Annual Report should be quantified and contain at least the destination name, the number of inspections carried out, the types of facilities inspected, and the supervision results. The Annual Report should be published for the previous year by February 15 of the current year.

- Legal entities and individual accommodation service providers not registered in the E tourist system cannot be beneficiaries of public funds at the national and local levels.

PRIVATE SECURITY INDUSTRY

1.07

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Constant monitoring of the implementation of the Law on Private Security, and continuous insistence that its by-laws are harmonised to the greatest extent possible with the models of EU legislation, at the same time considering local specificities. By-laws are especially needed for the transport of money in terms of insurance and special treatment in traffic regulations.	2009			√
Clearly define the obligation for users of private security services in connection with the Risk Assessment in accordance with the law under the threat of the same liability and the same sanctions as for private security companies.	2020			√
It is necessary to amend Article 20 of the Law with a provision obligating the legal entity that intends to use or is using the services of a private security company to prepare a Risk Assessment and make it available for the development of a Security Plan. In this case, the penalty provision that defines misdemeanours would also need to be aligned accordingly.	2024			√
Support the Ministry of Interior in order to compel all entities in the grey zone to implement the adopted Law in full through inspection supervision.	2016		√	
The checklist of inspection requirements to be created and published at Ministry of Interior website, to provide transparency and equality to all inspected parties.	2024			√
In the conditions for attending training and obtaining a licence, change the condition of professional education, that allow persons with elementary school to obtain a licence to perform the duties of a security officer. It is advisable to change, shorten and adapt the training process to modern learning styles through dual education and e- learning.	2017			√
Amendment of Article 63, paragraph 1, to allow individuals who have obtained a work license to simultaneously receive identification for their identification at the workplace.	2024			√
Introduce the internship employment under the supervision during the licencing process. Define that the security check is performed before the start of the training, that is, the same requirement for attending the training in order to obtain a licence in accordance with the Law to avoid unnecessary administrative problems and costs related to candidates who do not pass the security check.	2024			√
Prescribe a clear obligation of the Ministry of Interior to notify the employer of any change in the status of the licence of natural persons. This is especially bearing in mind that the identity card of the security officer is issued at the request of the employer's company and that it is returned to the MUP in the event of termination of the employee's employment.	2023			√
The definition of the control centre should be more precise, and in particular, the obligation to have a team should be harmonised, that is, the terminology should be harmonised so that the obligation to have a patrol and not a team should be harmonised.	2023			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Implement new regulations related to the money transport service and improve the protection of people and property through changes in traffic regulations, allowing money transport vehicles access to pedestrian zones and yellow lanes, introduce mandatory electrochemical protection in money transport vehicles, especially during money transfers, introduce mobile cameras that would be worn by each money transport officer, and the number of money transport crew members should be defined according to the specification of electrochemical protection.	2020			√
We propose an amendment to Article 36 of the current Law, which defines the conditions that special vehicles for the transportation of cash and valuables must meet, to stipulate those licenses be issued for all vehicles used by private security companies for these purposes. The license would be issued by the competent authorities of the Ministry of Internal Affairs after inspecting each individual vehicle to confirm that it meets the legally adopted prerequisites defined in Article 36 (excluding paragraph 1).	2024			√
Exclude from the penalty provisions of the Law the possibility of prohibition of the performance of activities due to some of the misdemeanours, since such a measure is extremely rare and is not provided even for serious violations of the law for acts that are of public importance. This measure is certainly unproportioned to the offences committed.	2023			√
In accordance with the initiative at the state level regarding the reduction of firearms, abolishing the legal obligation for employees of private security companies to carry firearms in certain positions should be considered. The premise would be that, for example, adequate electrochemical protection in the transport of money can completely replace weapons, while physical security should be completely freed from the obligation to carry weapons, regardless of the type of protected object. The maximum reduction of weapons has proven to be a topic of public interest, and this kind of initiative deserves absolute support. Furthermore, existing law is not recognising enough application of new technologies in specialised CIT vehicles and companies cannot have interest to invest in this kind of vehicles. For example, new technologies in CIT vehicles are making access to money in cars literally impossible - CCTV system, active alarms, panic buttons, interlocking of vault, safe, doors, anti-cut technologies, safes within the vehicle with dye pack systems, one time code locks etc - crew cannot open vault or safe by themself. In case that CIT company is using this kind of cars and with obligations for dye pack containers, Law requirements for weapon usage are becoming obsolete. Amendment to Law, regarding obligation of weapon usage would be recognition of technological solutions in vehicles and in case that request is fulfilled, crew in that kind of cars would not be obliged to carry firearms during CIT service.	2023			√

CURRENT SITUATION

After the adoption of the Private Security Law ((“Official Gazzette RS, no 104/2013, 42/2015 and 87/2018; hereinafter: Law), the private security industry is finally getting a legal framework. The intention of the legislator was to set the minimum conditions for the performance of this activity as well as to standardise the market by defining the minimum requirements and obligations for security service providers. Despite positive developments in the field of legal framework, the industry is still affected by multiple challenges related to unfair competition and compliance with the law. The market faces major challenges of non-compliance, which has resulted in a large number of private security companies operating in the grey area. It also puts the competent authorities in a position to focus on enabling equal conditions for domestic and foreign companies providing services. Success in controlling the implementation of the Law will have a direct impact on the fiscal revenues of the state, but also on the creation of a more stable and safer business environment for all participants on the market.

POSITIVE DEVELOPMENTS

The Ministry of Interior (MOI) has opened channels of communication with industry, which is of utmost importance. The amendments to the Law also made it easier to obtain a licence for certain categories of persons with appropriate qualifications, but the deadlines for obtaining a licence were slightly shortened, which still represents an insurmountable challenge in practice. With the adoption of by-laws 2018/2019, the powers of security officers are more clearly defined, which is a significant improvement in practice. In light of the tragic events that took place in May 2023, the state raised the issue of reducing the position and use of weapons, which is a significant step forward in preserving general security. Such an initiative should be strongly supported through all relevant institutions and organisations as well as through the legislation itself.

REMAINING ISSUES

Certain problems that were evident even before the adoption of the Law are still noticeable in practice. They became the key topic of the initiative of professional associations to change some articles of the Law.

So far, the following issues have been identified as the most important:

- The need for more precise determination of binding provisions for users of private security services regarding the preparation and adoption of the Risk Assessment Act. The service provider is obligated to perform services based on the Security Plan, which is developed following a Risk Assessment for the protection of individuals, property, and business operations. The preparation of both documents is conditioned by the methodology prescribed by the relevant Serbian standard. A strict interpretation of these provisions implies that the Security Plan cannot be created without a prior Risk Assessment, which can only be conducted by companies holding a license for private security services. Under a narrow interpretation of the Law, these companies would not be permitted to provide the services for which they are registered in the absence of the Security Plan. Furthermore, the preparation of the Risk Assessment is closely associated with gaining access to the business secrets of the entity being assessed, as it involves examining the organization, matters related to business, contractual, and Labour Law, criminal offenses, misdemeanours, and other elements required by the prescribed methodology. It is evident that private security companies cannot independently carry out the Risk Assessment, but only with the consent of the legal entity being assessed.

- Condition for attending training - Considering the current availability of licensed physical security officers, we believe that lowering the required level of education to elementary level would increase the number of candidates available for training. Our experience with employees who had only an elementary education before the Law came into effect has been extremely positive and does not differ from our experience with those who have a secondary education. We believe that individuals with elementary education have been placed at a disadvantage by this regulation, and their constitutional right to work has been violated. The training for security officers is not complex enough to exclude people from this educational background from the opportunity. Since an examination is held after the training, every candidate, regardless of their educational level, should have an equal opportunity to attempt to pass it. The tasks performed during service provision are not complicated, and anyone can master them and perform them impeccably with adequate training.

- Regulation and implementation of regular and extraordinary supervision and control of the private security

sector, as well as terminological inconsistency of the law with international standards in the field of private security.

- Partial non-compliance with other laws and by-laws related to work and labour relations; administrative procedure for issuing licences for private security; providing security for public gatherings (ie sporting events); handling of firearms etc.

- The process of training and obtaining licences for individuals is too long, three months on average, inflexible and not in line with modern practice. During training, individuals cannot be engaged in private security work, while companies providing security services have difficulties in engaging licensed employees.

- Identification Obligations for Individuals, Not Legal Entities - The current regulation complicates the operations of legal entities providing private security services and the Ministry of Interior by exposing them to unnecessary administration involving numerous changes that are difficult to monitor. We believe that individuals who have obtained a work license should simultaneously receive identification that would serve their identification at the workplace, as it is important to note that the identification does not include the employer's name. In this scenario, employers would only be required to report the employment contract of their employees to the Ministry of Interior. In practice, the time required to issue identification is sometimes significantly longer than the actual employment period. Implementing this solution would prevent a previously encountered situation in which a license was revoked during a supervisory procedure, but the identification was not, allowing the security officer to continue working without the employer's knowledge that the license had been revoked. If this change were accepted, during supervision, both the license and the identification would be revoked, thereby eliminating the conditions for employment with the employer.

- The money transport service must be subject to more precise regulations through special by-laws.

- Licenses for CIT Vehicles - In the current situation, private security companies can obtain a license for the transportation of cash and valuables based solely on the possession of a single specialized vehicle, which has been inspected by the competent authorities of the Ministry of Interior. However, for all other vehicles used in the transportation processes, such inspections are not conducted, and thus, there is no adequate confirmation of compliance with the legal requirements for their use for these purposes. By applying a similar principle to that of requiring each employee to possess the appropriate license, licensing each vehicle designated for cash transportation would provide assurance that these vehicles meet the legally prescribed prerequisites, as verified by the Ministry of Interior. This would help avoid situations in which inadequate vehicles are used for the transportation of cash and valuables, thereby jeopardizing the safety of the crew and the valuables being transported.

- The MOI is not obliged to inform companies, as employers, whether their employees have received a licence, or their licences have been revoked due to non-fulfilment of some requirements.

- Notification of the employer about the 'revocation of the license for performing security officer duties with and without firearms' and the need to amend chapter X of the Law. This situation occurs when an officer's license is revoked due to a conviction for a criminal offense during the validity period of the license, without the employer being notified or the license being simultaneously revoked in that process.

To prevent this situation, we propose adding a provision that specifies this as an obligation of the supervisory authority (linking the license and the identification).

In addition to the general application of security law regulations, private security companies face three main challenges:

- Risk Assessment Requirements - By law, a risk assessment is the first step prior to providing private security services to most clients. It represents the basis for concluding the contract and defines the elements especially regarding the scope and type of service. If the risk assessment is not done, in accordance with the law, the sanction for the same shall be borne by the Private Security Company, although it is impossible to provide such an assessment without the consent and engagement of the client.

- Workforce - procedures for obtaining a licence in accordance with the Law take an average of 3 months, together with a dramatic shortage of manpower in the service

sector puts Private Security Companies in an unenviable situation. Examples of positive practice from the region (Bosnia and Herzegovina, Croatia and Slovenia), specifically the abolition of high school education as a condition for the performance of private security services, have contributed to progress in this area: increased employment rate, all private security companies that operate in accordance with the law.

– Transportation of cash and valuables - transportation of cash and other valuables due to its nature is one of the riskiest security operations. However, local legislation does not regulate this area in detail, which leaves room for different interpretations, resulting in lower safety standards in Serbia than the corresponding standards in the EU. It is very important to note that exposure in this industry has a direct impact on the stability of the economy, the impact on the stability of the banking sector and the general safety of society. Among others, the most common legal challenge is the lack of precise regulations and standards regarding the electrochemical protection of vehicles. In contrast, current legislation replaces the above standards with multiple crew members in transport vehicles. This solution makes this service more risky and less profitable for the end user. It is in the interest of the economy to reduce logistics costs, so that Serbia can benefit from a more competitive economy and encourage faster growth. Transport of money is an operation that must have mandatory insurance with precise types of policies that would be a general requirement for all private security companies. This issue should be clearly regulated by regulations in order to protect public and private interest as well as business from unexpected and uninsured losses.

FIC RECOMMENDATIONS

- Constant monitoring of the implementation of the Law on Private Security, and continuous insistence that its by-laws are harmonised to the greatest extent possible with the models of EU legislation, at the same time considering local specificities. By-laws are especially needed for the transport of money in terms of insurance and special treatment in traffic regulations.
- Clearly define the obligation for users of private security services in connection with the Risk Assessment in accordance with the law under the threat of the same liability and the same sanctions as for private security companies.
- It is necessary to amend Article 20 of the Law with a provision obligating the legal entity that intends to use or is using the services of a private security company to prepare a Risk Assessment and make it available for the development of a Security Plan. In this case, the penalty provision that defines misdemeanours would also need to be aligned accordingly.
- Support the Ministry of Interior in order to compel all entities in the grey zone to implement the adopted Law in full through inspection supervision.
- The checklist of inspection requirements to be created and published at Ministry of Interior website, to provide transparency and equality to all inspected parties.
- In the conditions for attending training and obtaining a licence, change the condition of professional education, that allow persons with elementary school to obtain a licence to perform the duties of a security officer. It is advisable to change, shorten and adapt the training process to modern learning styles through dual education and e- learning.
- Amendment of Article 63, paragraph 1, to allow individuals who have obtained a work license to simultaneously receive identification for their identification at the workplace.

- Introduce the internship employment under the supervision during the licencing process. Define that the security check is performed before the start of the training, that is, the same requirement for attending the training in order to obtain a licence in accordance with the Law to avoid unnecessary administrative problems and costs related to candidates who do not pass the security check.

- Prescribe a clear obligation of the Ministry of Interior to notify the employer of any change in the status of the licence of natural persons. This is especially bearing in mind that the identity card of the security officer is issued at the request of the employer's company and that it is returned to the MUP in the event of termination of the employee's employment.

- The definition of the control centre should be more precise, and in particular, the obligation to have a team should be harmonised, that is, the terminology should be harmonised so that the obligation to have a patrol and not a team should be harmonised.

- Implement new regulations related to the money transport service and improve the protection of people and property through changes in traffic regulations, allowing money transport vehicles access to pedestrian zones and yellow lanes, introduce mandatory electrochemical protection in money transport vehicles, especially during money transfers, introduce mobile cameras that would be worn by each money transport officer, and the number of money transport crew members should be defined according to the specification of electrochemical protection.

- We propose an amendment to Article 36 of the current Law, which defines the conditions that special vehicles for the transportation of cash and valuables must meet, to stipulate those licenses be issued for all vehicles used by private security companies for these purposes. The license would be issued by the competent authorities of the Ministry of Internal Affairs after inspecting each individual vehicle to confirm that it meets the legally adopted prerequisites defined in Article 36 (excluding paragraph 1).

- Exclude from the penalty provisions of the Law the possibility of prohibition of the performance of activities due to some of the misdemeanours, since such a measure is extremely rare and is not provided even for serious violations of the law for acts that are of public importance. This measure is certainly unproportioned to the offences committed.

- In accordance with the initiative at the state level regarding the reduction of firearms, abolishing the legal obligation for employees of private security companies to carry firearms in certain positions should be considered. The premise would be that, for example, adequate electrochemical protection in the transport of money can completely replace weapons, while physical security should be completely freed from the obligation to carry weapons, regardless of the type of protected object. The maximum reduction of weapons has proven to be a topic of public interest, and this kind of initiative deserves absolute support. Furthermore, existing law is not recognising enough application of new technologies in specialised CIT vehicles and companies cannot have interest to invest in this kind of vehicles. For example, new technologies in CIT vehicles are making access to money in cars literally impossible - CCTV system, active alarms, panic buttons, interlocking of vault, safe, doors, anti-cut technologies, safes within the vehicle with dye pack systems, one time code locks etc - crew cannot open vault or safe by themself. In case that CIT company is using this kind of cars and with obligations for dye pack containers, Law requirements for weapon usage are becoming obsolete. Amendment to Law, regarding obligation of weapon usage would be recognition of technological solutions in vehicles and in case that request is fulfilled, crew in that kind of cars would not be obliged to carry firearms during CIT service.

MINING AND GEOLOGICAL EXPLORATION

1.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Harmonization of the Law and regulations from other related areas such as planning and construction, waste management, environmental protection, and occupational safety and health				√
Geological Explorations				
The Law should define deadlines for issuing approvals for applied geological explorations that the competent authorities will adhere to.	2023			√
In the part of the Law concerning geological explorations, the concept of "force majeure" should be defined in the same way as recommended in Mining of this text.	2024			√
The provisions of the Law regarding the allowable quantities of mineral raw materials that can be taken for technological testing (Article 45), particularly for mineral raw materials of strategic importance to the Republic of Serbia, should be amended.	2023			√
Harmonized application of regulations in the field of geological explorations and other areas in accordance with the respective competencies is necessary. For example, inconsistency is evident in the actions of agricultural inspectors under the Law on Agricultural Land, who, during inspections on agricultural land where geological explorations are conducted, do not distinguish between geological explorations and exploitation. In this context, they require the approval for the conversion of land use (from agricultural to non-agricultural) and impose other measures in accordance with the relevant law, even when exploitation or the construction of infrastructure facilities is not in question, in line with the general procedure for obtaining construction permits.	2023			√
A Rulebook should be adopted, prescribing the conditions, criteria, content, and method for classifying resources and reserves of mineral raw materials and other geological resources, as well as the method for presenting them in an elabouration (in accordance with the Law).	2023			√
Mining				
The Law should be amended to more precisely regulate the relationship and order of preparation of studies and projects under the Law and the obtaining of permits and preparation of studies in the field of environmental impact assessment. The Law should provide for the possibility of conducting a simplified procedure for subsequent amendments to feasibility studies for the exploitation of mineral deposits in certain cases without the need to repeat the procedure for obtaining exploitation rights and determining the scope and content of the environmental impact assessment study. The Law should recognize the force majeure concept (especially civil protests, strikes, delays, or non-compliance by authorities and holders of public powers in accordance with legal deadlines) in the provisions on the validity periods or deadlines for obtaining approvals. The Law should more precisely regulate the conditions under which security measures can be enforced for the execution of land remediation and reclamation tasks due to exploitation.	2023			√
The Law should explicitly stipulate that a request for an exploration approval will be rejected if another entity holds a certificate of resources and reserves for the same area and the six-year period for obtaining exploitation rights has not expired.	2023			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
In order to harmonize the legal solutions provided for by the Law on Planning and Construction and this Law, the Law should be amended in such a way that investors who are obliged to obtain approvals in accordance with this Law, and in connection with the construction of mining facilities, especially facilities, plants and devices in oil and gas fields that are directly related to the transportation of oil and gas as well as linear infrastructure facilities to the extent that their construction is approved under this Law, including already existing mining facilities built in accordance with previously valid regulations on which the rights of investors are registered, shall not be obliged to submit proof of settled property-legal relations on the land (including agricultural and forest land) with the obligation of the investor to compensate for the damage caused by the execution of works, passage and transportation, i.e. to return the land to its original state.	2024			√
In the case of oil and gas exploitation, the Law should be amended to allow for the approval of an exploitation field on a previously approved exploration or exploitation field or area, as well as for the retention of rights to the exploration area by an applicant who already holds an exploitation approval or exploitation field or area for another mineral raw material on the same site.	2024			√
The Law should provide for the possibility of transferring rights for the exploitation of groundwater and geothermal resources arising from approvals for exploitation spaces and quantities of groundwater and/or geothermal resource reserves (including approvals issued under earlier regulations).	2024			√
The competencies of the MRE and the Ministry of Environmental Protection should be harmonized regarding the accreditation of labouratories and the execution of characterization and classification of mining waste. Mining waste regulations should be harmonized and the area of mining waste should be more precisely and comprehensively regulated in the by-laws of the Law.	2023			√
The existing Rulebook on Technical Standards for the Underground Exploitation of Metallic and Non-metallic Mineral Raw Materials should be amended to allow for: (i) the transport of people and materials in the same shaft when skips are separated by a steel partition from other containers for transporting personnel, in accordance with ISO Standards (ISO 19426 – Shaft Infrastructure and ISO 22111 – Fundamentals for the Design of Steel Partitions); (ii) the use of steel structures such as Technogrid, which has proven to be applicable in underground mining instead of thickened wooden guides; (iii) connecting fitting devices and ropes using epoxy resin instead of liquid metal, in accordance with ISO 3108 and ISO 2408 Standards, and harmonizing with ISO 17893, which defines several potential methods for connecting; (iv) the application of SANS 10208 Standards, used globally as the most modern safety system for guides and guide supports; and (v) the detailed specification of automatic control of hoisting equipment and replacing the signaling system with more modern alternatives.	2023			√
A new Rulebook on the Classification and Categorization of Resources and Reserves of Oil, Condensates, and Natural Gas should be adopted.	2024			√

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is proposed that new solutions be envisaged through amendments to existing or the adoption of new by-laws that would: (i) introduce the application of ISO 7243 Standards for defining effective temperature in mines; (ii) regulate all types of backfilling for mined-out areas (e.g., dry backfill, paste backfill, etc.); (iii) more closely regulate the use of emulsion mixtures for blasting in underground mines (storage of components of emulsion explosives before their mixing in underground storage as chemical components, as well as their mixing and charging of blast holes with prepared blasting holes) and initiation devices (new methods used for initiating explosives, including EDK (Electronic Detonator Cap), Boosters, and electronic initiation); and (iv) enable and regulate the use of battery-powered underground mining machinery and hybrid vehicles.	2023			√

CURRENT SITUATION

The legal framework for geological explorations and mining in the Republic of Serbia is given in the Law on Mining and Geological Explorations (the "Law"), with the most recent amendments adopted in 2021 as part of legislative reforms in the energy and mining sectors.

The latest amendments significantly improved the existing legal framework and introduced numerous innovations aimed at further modernization and closer alignment with international practices in this field. A draft of new amendments to the Law is currently in preparation and its finalization and adoption is expected soon.

The Ministry of Mining and Energy ("MRE") is responsible for the implementation of the Law and oversight of its provisions.

More than 40 by-laws in the field of geological explorations and mining are currently in force. Some of these by-laws were adopted under earlier laws in this field and have not been harmonized with later amendments to the Law, which further limits their application and creates difficulties in practice.

The field of geological explorations and mining is complex and multidisciplinary. For this industry, harmonization of the Law with regulations from other related areas such as planning and construction, waste management, environmental protection, and occupational safety and health is crucial. Despite obvious progress in the legislative framework and the involvement of the competent Ministry, geological and mining companies in Serbia continue to face numerous challenges in practice when applying the Law, due to due to insufficiently precise elaboration of certain provisions of the law, the lack and obsolescence of certain bylaws and conflicts with regulations from other related fields.

With this in mind, the following recommendations are presented to improve the legislative framework applicable to the geological explorations and mining sector.

POSITIVE DEVELOPMENTS

In the past year, there have been no improvements, as the Law has not been amended and the issues related to its implementation remain the same. Improvements in the field of geological explorations and mining require amendments to the Law and the relevant by-laws, as well as broader social consensus and close cooperation among all stakeholders in the field of geological explorations and mining. On the other hand, the development of the Strategy for the Management of Mineral Resources and Other Geological Resources of the Republic of Serbia from 2025 to 2040, with a projection until 2050 (the "Strategy"). There are indications in the Strategy itself that the implementation could lead to improvements (e.g. by placing certain deposits of strategic mineral resources under special protection in planning documents).

REMAINING ISSUES

Geological Explorations

Bearing in mind that the Law does not specify deadlines for issuing approvals for applied geological explorations, the

MRE, as the competent authority, is obliged to act within the general deadline prescribed by the Law on General Administrative Procedure. Given the nature of the administrative procedure that involves issuing the aforementioned approval, the general deadlines (30 days) seem short for the MRE to efficiently make decisions within the deadline, considering the large volume of work under its jurisdiction. In practice, the MRE often makes decisions within deadlines longer than the general deadline. Therefore, it would be purposefully that the Law specifies a deadline for issuing approvals for applied geological explorations in line with the realistic capacities of the MRE, and for this deadline to be longer than 30 days, while ensuring the MRE adheres to it for legal certainty and in the best interest of further developing geological explorations in the Republic of Serbia.

Additionally, in practice, further geological explorations may be hindered or prevented by external events or circumstances that could not have been foreseen, avoided, or resolved (such as natural disasters or unfavourable social circumstances like blockades and protests). This results in the inability of the exploration holder to carry out the necessary scope of approved works and thereby qualify for an extension of the exploration period in accordance with the Law. Therefore, it would be beneficial for the Law to introduce a "force majeure" mechanism in regulating geological explorations, as well as in the part of the Law dealing with the exploitation of mineral reserves and the execution of mining operations.

Moreover, it has been noted that the allowable quantities of mineral raw materials that can be taken for technological testing during approved geological explorations for certain mineral raw materials are inadequate. For example, 2,000 tons are allowed for boron and lithium ores, the same as for polymetallic ores, but these elements are present in ore in much smaller concentrations than metals in polymetallic ores, and therefore requires a larger scope of technological testing.

In terms of the harmonized application of regulations in the field of geological explorations and regulations from other areas in accordance with their competencies, practice has shown that strict adherence to the competencies of state authorities (e.g., MRE and the Ministry of Agriculture), as well as consistent application of regulations, is of vital importance for the efficient and timely execution of geological explorations and the elimination of potential threats to the investment rights of exploration holders and other indirect participants in the geological exploration process (e.g., landowners leasing land for geological explorations, who have been penalized due to the improper application of regulations and interference with the MRE's remit by other state authorities).

Finally, the Rulebook prescribing the conditions, criteria, content, and method for classifying resources and reserves of mineral raw materials and other geological resources, and the method for presenting them in an elabouration, which is still in use and was adopted in 1979, does not contain criteria for determining the reserves of solid mineral raw materials or the conditions for classifying lithium and boron into categories and classes. This creates practical difficulties when lithium and boron are the subject of geological explorations, which is particularly significant given that these are mineral raw materials of strategic importance to the Republic of Serbia.

Mining

In the previous practice of developing geological exploration and mining projects, certain challenges have been noticed that, despite last year's recommendations, remain under consideration. Furthermore, the current regulations, in the form of the Law and accompanying by-laws, reflect potential legal risks in the subsequent phases of managing and operating mining projects. In this regard, it is necessary to eliminate legal uncertainties regarding the continuity and rights related to the approvals issued for a project (e.g., exclusivity rights over the exploration area, introduction of force majeure as a basis for extending statutory deadlines that bind approval holders) and improve the efficiency of procedures required for the development of geological exploration and mining projects, meaning the clear division of institutional competencies, simplification of certain administrative procedures for subsequent modifications of approved studies and clarification of conditions and procedures in the area of mining waste. Lastly, it is necessary to harmonize the technical requirements and regulations with best available practices and new solutions in the geological and mining industries.

Since the provisions of paragraphs 15 and 16 of Article 69 of the Law on Planning and Construction have simplified certain steps related to the construction of facilities under the general construction regime (particularly energy facilities), mining sector investors believe that these provisions should be transferred to the Law to the extent that they are

applicable to the construction of mining facilities. Specifically, on land above underground parts of facilities such as linear infrastructure (e.g., oil pipelines, product pipelines, gas pipelines) and land below overhead power lines and wind turbine blades, the investor has the right of passage underneath or flight over the land, with the landowner or holder of that land being obligated not to obstruct the construction, maintenance, and use of the facility. In the mentioned cases, proof of resolved property-legal relations is not submitted, nor is a construction plot formed for the land in question, regardless of the purpose of the land, which is expected by the amendment to the Law in the case of the construction of mining facilities.

In addition, if a request is made for the issuance of an approval for an exploitation field on a previously approved exploration or exploitation field or area, or for an approved retention of rights over an exploration area, the Ministry, in accordance with Article 70 of the Law, will refuse to issue the approval for the exploitation field. However, in practice, it often happens that the applicant already holds an exploitation approval or exploitation field on the same area for a different mineral raw material, in which case overlapping exploitation fields should be allowed. This is particularly relevant when oil and natural gas reserves overlap below the Earth's surface, which is a common occurrence in the Republic of Serbia, and it would be useful for the Law to provide for this exception to allow the unhindered exploitation of these mineral raw materials.

Related to the exploitation of groundwater and geothermal resources, the issue of transferring approvals for exploitation spaces for groundwater resources from one legal entity to another remains unresolved and unregulated by the Law. The Law needs to clearly provide for the possibility of transferring such approvals (including approvals issued under earlier regulations).

New issues

In the Draft Strategy, boron ores are not listed and emphasized as strategic or critical at all in the segments of the text where other elements/ores are listed as strategic and/or critical.

FIC RECOMMENDATIONS

- Harmonization of the Law and regulations from other related areas such as planning and construction, waste management, environmental protection, and occupational safety and health

Geological Explorations

- The Law should define deadlines for issuing approvals for applied geological explorations that the competent authorities will adhere to.
- In the part of the Law concerning geological explorations, the concept of "force majeure" should be defined in the same way as recommended in the section Mining of this text.
- The provisions of the Law regarding the allowable quantities of mineral raw materials that can be taken for technological testing (Article 45), particularly for mineral raw materials of strategic importance to the Republic of Serbia, should be amended.
- Harmonized application of regulations in the field of geological explorations and other areas in accordance with the respective competencies is necessary. For example, inconsistency is evident in the actions of agricultural inspectors under the Law on Agricultural Land, who, during inspections on agricultural land where geological explorations are conducted, do not distinguish between geological explorations and exploitation. In this context, they require the approval for the conversion of land use (from agricultural to non-agricultural) and impose other measures in accordance with the relevant law, even when exploitation or the construction of infrastructure

facilities is not in question, in line with the general procedure for obtaining construction permits.

- A Rulebook should be adopted, prescribing the conditions, criteria, content, and method for classifying resources and reserves of mineral raw materials and other geological resources, as well as the method for presenting them in an elabouration (in accordance with the Law).

- It is necessary to include boron ores in the text of the Strategy in the parts of the text where critical and/or mineral resources of strategic importance are defined in order for the proposed document to be harmonized with the Law and other legal sources (such as EU Critical Raw Materials Act and UK Critical Mineral List).

Mining

- The Law should explicitly stipulate that a request for an exploration approval will be rejected if another entity holds a certificate of resources and reserves for the same area and the six-year period for obtaining exploitation rights has not expired.

- The Law should be amended to more precisely regulate the relationship and order of preparation of studies and projects under the Law and the obtaining of permits and preparation of studies in the field of environmental impact assessment. The Law should provide for the possibility of conducting a simplified procedure for subsequent amendments to feasibility studies for the exploitation of mineral deposits in certain cases without the need to repeat the procedure for obtaining exploitation rights and determining the scope and content of the environmental impact assessment study. The Law should recognize the force majeure concept (especially civil protests, strikes, delays, or non-compliance by authorities and holders of public powers in accordance with legal deadlines) in the provisions on the validity periods or deadlines for obtaining approvals. The Law should more precisely regulate the conditions under which security measures can be enforced for the execution of land remediation and reclamation tasks due to exploitation.

- In order to harmonize the legal solutions provided for by the Law on Planning and Construction and this Law, the Law should be amended in such a way that investors who are obliged to obtain approvals in accordance with this Law, and in connection with the construction of mining facilities, especially facilities, plants and devices in oil and gas fields that are directly related to the transportation of oil and gas as well as linear infrastructure facilities to the extent that their construction is approved under this Law, including already existing mining facilities built in accordance with previously valid regulations on which the rights of investors are registered, shall not be obliged to submit proof of settled property-legal relations on the land (including agricultural and forest land) with the obligation of the investor to compensate for the damage caused by the execution of works, passage and transportation, i.e. to return the land to its original state.

- In the case of oil and gas exploitation, the Law should be amended to allow for the approval of an exploitation field on a previously approved exploration or exploitation field or area, as well as for the retention of rights to the exploration area by an applicant who already holds an exploitation approval or exploitation field or area for another mineral raw material on the same site.

- The Law should provide for the possibility of transferring rights for the exploitation of groundwater and geothermal resources arising from approvals for exploitation spaces and quantities of groundwater and/or geothermal resource reserves (including approvals issued under earlier regulations).

- The competencies of the MRE and the Ministry of Environmental Protection should be harmonized regarding the accreditation of labouratories and the execution of characterization and classification of mining waste. Mining waste regulations should be harmonized and the area of mining waste should be more precisely and comprehensively regulated in the by-laws of the Law.

- The existing Rulebook on Technical Standards for the Underground Exploitation of Metallic and Non-metallic Mineral Raw Materials should be amended to allow for: (i) the transport of people and materials in the same shaft when skips are separated by a steel partition from other containers for transporting personnel, in accordance with ISO Standards (ISO 19426 – Shaft Infrastructure and ISO 22111 – Fundamentals for the Design of Steel Partitions); (ii) the use of steel structures such as Technogrid, which has proven to be applicable in underground mining instead of thickened wooden guides; (iii) connecting fitting devices and ropes using epoxy resin instead of liquid metal, in accordance with ISO 3108 and ISO 2408 Standards, and harmonizing with ISO 17893, which defines several potential methods for connecting; (iv) the application of SANS 10208 Standards, used globally as the most modern safety system for guides and guide supports; and (v) the detailed specification of automatic control of hoisting equipment and replacing the signaling system with more modern alternatives.

- A new Rulebook on the Classification and Categorization of Resources and Reserves of Oil, Condensates, and Natural Gas should be adopted.

- It is proposed that new solutions be envisaged through amendments to existing or the adoption of new by-laws that would: (i) introduce the application of ISO 7243 Standards for defining effective temperature in mines; (ii) regulate all types of backfilling for mined-out areas (e.g., dry backfill, paste backfill, etc.); (iii) more closely regulate the use of emulsion mixtures for blasting in underground mines (storage of components of emulsion explosives before their mixing in underground storage as chemical components, as well as their mixing and charging of blast holes with prepared blasting holes) and initiation devices (new methods used for initiating explosives, including EDK (Electronic Detonator Cap), Boosters, and electronic initiation); and (iv) enable and regulate the use of battery-powered underground mining machinery and hybrid vehicles.

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