

Pursuant to Article 11, paragraph 3 of the Law on Investments (Official Gazette of the RS, No. 89/15 and 95/18) and Article 42, paragraph 1 of the Law on Government (Official Gazette of the RS, No. 55/05, 71/05 – corrigendum, 101/07, 65/08, 16/11, 68/12 – CC, 72/12, 7/14 – CC, 44/14 and 30/18 – other law),

The Government has passed

**REGULATION  
ON DETERMINING CRITERIA FOR GRANTING THE INCENTIVES FOR  
ATTRACTING DIRECT INVESTMENTS IN HOTEL ACCOMMODATION  
SERVICE SECTOR**

**I. INTRODUCTORY PROVISIONS**

Scope of Regulation

Article 1

This Regulation shall regulate the criteria, conditions and method of attracting direct investments in hotel accommodation service sector in spa and climatic places (hereinafter: hotel accommodation services) and maintenance of records on incentives approved in more detail.

Notions

Article 2

The terms used in this Regulation shall have the following meanings:

1) Direct investments, within the meaning of this Regulation, are the investments in material and non-material assets of companies, in compliance with this Regulation, with the aim of initiating a new business activity, expanding the existing capacities or expanding the production to include new products and manufacturing processes, as well as with the aim of acquiring assets which are directly related to the company which has terminated its operations or would terminate its operations if a third person hadn't bought it under market conditions, and whereby new employment is ensured. Acquisition of stakes or shares in a company shall not be considered to be a direct investment within the meaning of this Regulation;

2) An investment project shall be a project through the realisation of which a direct investment is realized, and which is described in the business plan that is to be submitted enclosed with the application for allocation of incentive means and which shall mandatorily comprise a detailed description of the elements of direct investment, as well as of the elements for an expert analysis of the investment project, in compliance with this Regulation;

3) An investor is a domestic or a foreign company which is submitting an application for incentive granting with a view to realizing an investment project, through the Beneficiary of funding, which is a party related to it. In cases of Investors which are

companies with their seats in the Republic of Serbia, they can at the same time be the beneficiaries of incentive funds;

4) A beneficiary of incentive funds is a company with its seat in the Republic of Serbia;

5) A small economic entity is an economic entity with less than 50 employees and the annual turnover or total annual balance sheet worth less than EUR 10 million, in compliance with the regulation governing state aid (hereinafter: a small company);

6) A medium-sized economic entity is an economic entity with 50 to 250 employees and with the annual turnover which does not exceed EUR 50 million or the total annual balance sheet worth less than EUR 43 million in compliance with the regulation governing the state aid (hereinafter: a medium-sized company);

7) A large economic entity is an economic entity with more than 250 employees and with the annual turnover exceeding EUR 50 million or the total annual balance sheet worth more than EUR 43 million in compliance with the regulation governing the state aid (hereinafter: a large company);

8) A spa and climatic place is a spa area in which one or more natural therapeutic factors are found and used (which include thermal and mineral water, air, gas and therapeutic mud – peloid – hereinafter: the therapeutic factors) the therapeutic properties of which have been scientifically tested and proven in compliance with the law regulating spas and which complies with the conditions in respect of the development and equipment level for their use in compliance with the law regulating spas, as well as a climatic area which, owing to the auspicious climatic conditions and presence of therapeutic factors, has a particularly beneficial effect on human health. The spa and climatic places are enumerated in Addendum 1, which has been printed with this Regulation and is an integral part thereof;

9) Investments in material assets is the investments made in land, buildings and equipment, in compliance with regulations governing state aid, which shall be recognized as eligible costs of investment, if used solely by the beneficiary of incentive funds (greenfield or brownfield investments);

10) Investments in non-material assets is the investments in patents and licenses in compliance with the regulations governing state aid, which are recognized as eligible costs of investment, providing that amortisation is calculated on these assets, providing that they are used solely by the beneficiary of incentive funds, providing that they are accounted for in the balance sheets of the beneficiary of incentive funds over a minimum period of five years or three years in the case of small and medium-sized companies, and which were bought under market conditions from the third parties;

11) New employees whose employment is related to the investment project represent the net increase of the number of domestic nationals employed for an indefinite period of time with full working hours with the beneficiary of incentive funds over the period of realisation of the investment project, compared against the highest number of persons employed for a definite period of time and for an indefinite period of time over a period of 12 months preceding the submission date of the application for incentive granting;

12) A single investment project is each direct investment realized by the beneficiary of incentive funds or a company related to them, over a period of three years from the initial date of realisation of the previous investment project for which incentive has been granted, in compliance with a previously concluded agreement on incentive granting in the territory of the same or a neighbouring local self-government unit;

13) The development level of a local self-government unit in which an investment project is realized i.e. the classification of local self-government units according to the level of their development is the level determined according to the regulations governing the single list of development levels of the local self-government units which is valid on the submission date of the application for incentive granting;

14) The realisation period of an investment project is the period defined by the agreement on granting incentive funds, in compliance with this Regulation;

15) Agreed salary represents the basic salary of the newly employed persons which is at least 20% higher than the minimum wage in compliance with the regulations governing employment;

16) Equipment being imported based on the investor's contribution is the equipment not older than three years, which the investor imports and invests as its investment in a company. The equipment which is being imported by a large company as the contribution of the investor, which is the beneficiary of incentive funds according to the agreement on incentive granting, must be new.

## Eligible Costs

### Article 3

The eligible costs are:

1) Investments in material and non-material assets starting from the submission date of the application for incentive granting until the expiration date of the period for realisation of investment project, in compliance with the agreement on incentive granting (hereinafter: the eligible investment costs) or alternatively

2) Gross salaries for the newly employed persons over the period of two years after the achievement of full employment with the beneficiary of incentive funds (hereinafter: the eligible costs of gross salaries).

In the case of a purchase of assets of a company that has terminated its operations or would terminate its operations if it had not been bought, the eligible costs are the costs of assets purchasing by a third person under market conditions.

The eligible investment costs in non-material assets for large companies can be recognized up to 50% of the total amount of eligible costs of the investment, and in cases of small and medium-sized companies, up to 100% of the eligible investment cost.

The costs relating to purchase of buildings shall be considered to be eligible investment costs providing that the investment in the purchase of the building represents up to 30% of the total investment in material and non-material assets.

In the case of a purchase of a publicly owned building, the sale procedure must be conducted in compliance with the regulations governing the rules for state aid granting.

The costs which are related to purchase of passenger vehicles and means of transport shall not be considered to be eligible investment costs.

The assets that the company acquires based on investment following the submission of application form for incentive granting, must be new.

The restriction referred to in paragraph 6 of this Article shall not pertain to the small and medium-sized companies or to the cases of purchases of companies' assets referred to in Article 2, paragraph 1, point 1) of this Regulation.

The eligible costs of gross salaries referred to in paragraph 1, point 2) of this Article shall represent the total amount that the beneficiary of incentive funds actually pays

for the work of an employee and include the gross salary i.e. the salary which includes taxes and contributions for mandatory social insurance which are paid from the salary, as well as contributions which are paid on the salary.

When calculating the eligible costs of an investment, the prices reduced by the amount of public revenues shall be taken into account.

## II. INCENTIVE FUNDS AMOUNT AND THE RIGHT TO PARTICIPATION IN INCENTIVE GRANTING PROCEDURES

### Sources of Funds for Attracting Direct Investments

#### Article 4

The incentive funds for attracting direct investments in hotel accommodation service sector for the implementation of this Regulation are provided in the budget of the Republic of Serbia.

### Right to participate in funds granting procedure

#### Article 5

The right to participate in funds granting procedure have investors who are planning to realize investment projects in the hotel accommodation service sector, which prior to commencing the realization the investment project apply for funds granting in the manner and under conditions provided for in with this Regulation.

The beneficiary of funds shall be obliged to provide a share of minimum 25% of eligible costs for the realisation of the investment project from own resources or from other sources which do not contain state aid.

Funds may not be granted to a large company before having determined by means of inspection of documentation that funds granting shall have effective supportive effect i.e. that it has an impact on:

- 1) A significant increase of the scope of the project, or
- 2) A significant increase of the total amount of funds invested by the beneficiary of incentive funds into the project, or
- 3) A significant speeding up of project realisation, or
- 4) Realisation of a project which could not be realised without funds granting.

### Exemptions from the Right to Funds Granting

#### Article 6

The following investors and beneficiaries of incentive funds are exempted from the right to funds granting:

- 1) Companies in difficulties, within the meaning of regulations governing the rules for state aid granting;
- 2) Those with mature and outstanding tax liabilities in the Republic of Serbia;
- 3) Those in which the Republic of Serbia, an Autonomous Province or a local self-government unit has a capital share;
- 4) Those which are obliged to repay the unallowed state aid;
- 5) Those with which agreements on incentive funds granting has been terminated, except in cases of terminations by mutual consent.

## Companies Eligible for Incentive Funds Granting

### Article 7

Funds can be granted to company which fulfils the criteria and conditions defined by this Regulation, and:

- 1) Is registered with the Serbian Business Registers Agency;
- 2) Has submitted application form for funds granting and the business plan for investment project which is eligible for funds granting in compliance with this Regulation;
- 3) Has not been subject to any previous bankruptcy procedure, reorganisation, insolvency or liquidation, in compliance with the regulations governing bankruptcy and liquidation;
- 4) Has not been granted funds for the same eligible costs.

## Maximum Permitted Amounts of Funds

### Article 8

Maximum permitted amounts of funds shall be determined in compliance with regulations governing rules for state aid allocation and in compliance with the criteria provided for to in this Regulations.

## III. PERMISSIBILITY OF FUNDS GRANTING AND CONDITIONS FOR FUNDS GRANTING

### Investment Projects Eligible for Funds Granting

#### Article 9

Funds can be granted for investment projects in the hotel accommodation service sector which are worth EUR 2,000,000 at the minimum and whereby employment for at least 30 new employees for an unlimited period of time which are related to the investment project is ensured.

### Conditions for Funds Granting

#### Article 10

Funds can be granted under the following conditions:

- 1) That the direct investment is maintained in the same location in the local self-government unit for at least five years after the realisation of the investment project for the large companies or for at least three years for the small and medium-sized companies, and
- 2) That the achieved number of employees with the beneficiary of incentive funds following the realization of investment project is not reduced over a period of five years for the large companies or over a period of three years for the small and medium-sized companies.

After reaching full employment, the beneficiary of incentive funds in accordance with the agreement on incentive funds granting referred to in Article 20 of this Regulation, shall be obliged to regularly pay the agreed salary referred to in Article 2, paragraph 1, point 15) of this Regulation to each new employee.

### Deadline for Realisation of Investment Projects

## Article 11

Deadline for realisation of investment projects and for employment of new employees related to the investment project shall be up to three years from the submission date of the application for incentive funds granting, which can be extended following the conclusion of the agreement on incentive funds granting for up to five years counting from the submission date of the application for incentive funds granting, based on a duly reasoned request of the beneficiary of incentive funds, providing that the Council for Economic Development (hereinafter: the Council) assesses that the circumstances which have led to the need for the extension of the deadline are objective and that the extension of the deadline is legitimate and appropriate i.e. that it will serve to achieve the objectives of the investment and of the economic development in the most efficient way.

The deadline for realisation of an investment project and employment of new employees related to the investment project in case of the investments of special importance shall be up to ten years from the submission date of the application for incentive funds granting.

In case of an extension of the deadline referred to in paragraph 1 of this Article, the validity of the bank guarantee shall be extended proportionately to the extension of the period for realisation of the investment project.

## Criteria for Expert Analysis of Investment Projects

### Article 12

The criteria for expert analysis of an investment project shall be as follows:

- 1) References of the investor (recognition in the market, references from the clients, previous experiences and success in the realisation of investment projects, etc.);
- 2) The percentage of unemployed persons with qualifications corresponding to the economic activity of the investor and/or of the beneficiary of incentive funds in the total number of persons in the records of the National Employment Service in the territory of the local self-government unit in which the investment is to be made;
- 3) The number and/or the percentage of highly qualified persons to be employed with the realisation of the investment project;
- 4) The amount and type of investment (greenfield or brownfield investments), and/or the involvement level of the construction industry in the realisation of the investment project;
- 5) The required expertise level, in compliance with the EUROSTAT classification;
- 6) Previous cooperation with the suppliers and the planned share of domestic suppliers;
- 7) Effects of the investment on the employees (employee training and average salary amount);
- 8) Previous and planned volume of total turnover (before and after the investment project);
- 9) Financial and market assessment of the investment project (sources of financing, liquidity, profitability, sustainability and investment return period, etc.).

Information referred to in paragraph 1, point 2) of this Article shall be delivered by the National Employment Service to the Development Agency of Serbia (hereinafter: the Agency), at its request.

## IV. TYPE AND AMOUNT OF INCENTIVE FUNDS THAT CAN BE GRANTED

## Incentives for Eligible Costs of Gross Salaries for New Jobs Related to the Investment Project

### Article 13

A beneficiary of incentive funds which opens new jobs related to the investment project in a local self-government unit which is categorized in the first group of classification of local self-government units according to the development level shall be approved funds in the amount of 20% of eligible costs of the gross salaries referred to in Article 3 of this Regulation, in the maximum amount of EUR 3,000 in Dinar counter value per a newly opened job.

A beneficiary of incentive funds which opens new jobs related to the investment project in a local self-government unit which is categorized in the second group of classification of local self-government units according to the development level shall be approved funds in the amount of 25% of eligible costs of the gross salaries referred to in Article 3 of this Regulation, in the maximum amount of EUR 4,000 in Dinar counter value per a newly opened job.

A beneficiary of incentive funds which opens new jobs related to the investment project in a local self-government unit which is categorized in the third group of classification of local self-government units according to the development level shall be approved funds in the amount of 30% of eligible costs of the gross salaries referred to in Article 3 of this Regulation, in the maximum amount of EUR 5,000 in Dinar counter value per a newly opened job.

A beneficiary of incentive funds which opens new jobs related to the investment project in a local self-government unit which is categorized in the fourth group of classification of local self-government units according to the development level shall be approved funds in the amount of 35% of eligible costs of the gross salaries referred to in Article 3 of this Regulation, in the maximum amount of EUR 6,000 in Dinar counter value per a newly opened job.

A beneficiary of incentive funds which opens new jobs related to the investment project in a local self-government unit which is categorized as a devastated area according to its development level shall be approved funds in the amount of 40% of eligible costs of the gross salaries referred to in Article 3 of this Regulation, in the maximum amount of EUR 7,000 in Dinar counter value per a newly opened job.

The total amount of the incentive funds which can be granted in compliance with this Regulation and of other incentives shall be determined as an absolute amount, without exceeding the upper limit for the allowed total amount of state aid granted in compliance with the regulations governing the rules for state aid granting.

## Incentives for Eligible Costs of Investments in Fixed Assets

### Article 14

An increase of the grant amount of funds referred to in Article 13 of this Regulation in the amount of 20% of the eligible costs of investment in fixed assets in the amount of up to EUR 30,000,000 shall be approved to a beneficiary of incentive funds.

The amount referred to in paragraph 1 of this Article shall be increased for an amount of 10% of the eligible costs of investment in the fixed assets in the amount exceeding EUR 30,000,000.

The total amount of funds that can be granted in compliance with this Regulation may not exceed 20% of the eligible costs of investment in the fixed assets.

## V. INCENTIVE FUNDS GRANTING PROCEDURE

## Letter of Intent and Notification of Possible Incentives Level

### Article 15

The investor who intends to make an investment in the hotel accommodation service sector may deliver to the Agency a Letter of Intent relating to the realisation of an investment project.

The Letter of Intent contains in particular data on the investor, on the economic activity, previous investment activities, planned investment amount in the fixed assets, the number of the newly employed and/or of the jobs related to the investment project, planned costs of gross salaries for the new jobs related to the investment project over a period of two years following the achievement of full employment, as well as information referred to in Article 12 of this Regulation, with the exception of information referred to in paragraph 1, points 2) and 5) of that Article.

If the Letter of Intent does not contain the elements referred to in paragraph 2 of this Article, the Agency shall ask the investor to supplement it, and it may additionally request additional information from the investor, in compliance with this Regulation.

Based on information provided in the Letter of Intent, the Agency shall deliver a notification to the investor on the possible level of incentives, leaving a period of 30 days to the investor to provide the standpoint.

If the Agency determines that it is an investment of special importance, in addition to delivering the notification referred to in paragraph 4 of this Article to the investor, the Agency shall notify the Ministry in charge of economy (hereinafter: the Ministry) and the Council of the existence of a project of special importance.

The notification of a possible incentive level shall be legally non-binding and shall include information that the Council is to decide on granting and on the amount of funds after having determined all the conditions for granting funds in compliance with this Regulation.

## Application for Funds Granting and Expert Analysis

### Article 16

An investor who intends to realize an investment shall submit to the Agency an application for funds granting in the prescribed form, in Serbian language (hereinafter: the Application for Funds Granting) for the purpose of determining compliance with the conditions for funds granting, without prior submission of the Letter of Intent, or following the receipt of the notification referred to in Article 15, paragraph 4 of this Regulation.

Based on the Application for Funds Granting, the Agency shall perform an expert analysis of the investment project by applying the criteria referred to in Article 12 of this Regulation.

The Agency shall, *ex officio*, acquire an excerpt from the Central Register of mandatory social insurance based on which the number of employees shall be determined for each month and the type of work engagement with the beneficiary of incentive funds in the period of 12 months preceding the submission date of the Application for Funds Granting.

The Central Register of mandatory social insurance is obliged to deliver the excerpts referred to in paragraph 3 of this Article to the Agency without delay.

The Agency shall notify the investor of the incentive amount that will be proposed to the Council and deliver a draft agreement on incentive funds granting to them.

The expert analysis of the investment project shall include an analysis of the possible amount of funds.

## Application Form for Funds Granting

### Article 17

The Minister in charge of economy (hereinafter: the Minister) shall prescribe the application forms for incentive funds granting in accordance with this Regulation.

The following shall be submitted enclosed with the Application for Funds Granting:

1) The Business Plan for the investment project for the realisation of which funds are to be granted;

2) The original or a certified photocopy of the registered financial statements of the investor for two preceding business years, inclusive of the auditor's report (where there is the legal obligation of auditing) where these have not been made publicly available, and the foreign legal entity shall submit the original or a certified photocopy of the financial statements with auditor's report (where there is the legal obligation of auditing) and a certified translation into Serbian language or a statement of the investor that it is not obliged to acquire any report from a certified auditor. The investor shall be obliged to deliver the original or a certified photocopy of the consolidated financial statement of the division and a certified translation into Serbian language thereof or the statement that they are not obliged to perform any consolidation in addition to delivering the original or a certified photocopy of individual financial statements of the related parties;

3) The original or a certified photocopy of the excerpt from the relevant register of the state where the foreign investor's seat is located, not older than three months, certified by the competent authority, as well as the certified translation of the excerpt into Serbian language;

4) A certificate verifying that no previous bankruptcy proceedings, reorganisation or bankruptcy have been initiated against the investor and the beneficiary of incentive funds, and the foreign legal entity shall additionally submit a statement thereon;

5) Proof of settlement of tax related liabilities in the Republic of Serbia and for the foreign investors which have not had business operations in the Republic of Serbia, a statement that the investor has not conducted business in the Republic of Serbia and that it does not have a tax identification number assigned to it in compliance with the regulations governing the tax procedure and tax administration;

6) A statement that the responsible person of the investor and of the beneficiary of incentive funds has not been finally convicted of the criminal offences against labour rights;

7) A statement that the investor and the beneficiary of incentive funds have not been finally convicted of the criminal offences committed against economy;

8) A statement that the investor and the beneficiary of incentive funds are not companies in difficulties within the meaning of the rules on state aid granting.

The Business Registers Agency shall be obliged to allow unobstructed access to the base of financial statements and delivery of aggregate data for groups of companies, branches or geographic areas.

In case that the Agency cannot determine the relevant facts for decision making from the submitted documentation, it may also request the submission of other documentation and/or other evidence relevant for deciding on the submitted Application for funds granting, and in particular it may request that the investor delivers a report on valuation of the immovable property drawn up by a licensed appraiser, where the business plan envisages purchasing of a building.

Documents submitted by foreign companies must be certified in compliance with the regulations of the country in which they were issued and translated into Serbian language by a certified translator.

The date of receipt of the Application for Funds Granting in the Agency shall be considered to be the submission date of the Application for Funds Granting.

#### Determining Compliance with the Formal Conditions for Funds Granting

##### Article 18

The Agency shall determine whether the formal conditions for incentive funds granting are fulfilled.

If the Application for incentive funds has not been submitted in compliance with Article 17 of this Regulation, the Agency shall address a request for supplementing of documentation to the investor.

If the investor fails to comply with the request referred to in paragraph 2 of this Article within the period of 30 days from the request receipt date, the Agency shall reject the Application for incentive funds granting as incomplete with an explanation.

If the Application for incentive funds does not pertain to an investment project in the hotel accommodation service sector or if the conditions referred to in Article 6 of this Regulation are fulfilled, the Agency shall reject such Application and shall deliver it to the Applicant with an explanation, within 30 days from the date of receipt thereof.

The complaint against the decision of the Agency referred to in paragraphs 3 and 4 of this Article can be submitted to the Ministry within eight days from the receipt date of the Agency's decision.

The Ministry shall decide on the complaint referred to in paragraph 5 of this Article and shall deliver the response to the Applicant within the period of 30 days from the objection receipt date.

Applications which are complete and permissible shall be delivered by the Agency to the Council no later than 30 days from the date of receipt.

#### Relationship between the Agency and the Council

##### Article 19

The Agency performs the administrative and technical and expert tasks for the Council, propose convening of Council meetings to the President of the Council, prepares materials for consideration and decision making in the Council meetings, provides required information on the status of investment projects, prepares minutes from the meetings and acts in compliance with the decisions of the Council.

The Agency prepares the text of the draft agreement on funds granting.

## VI. AGREEMENT AND INCENTIVE FUNDS PAYMENT METHOD

#### Agreement on Incentive Funds Granting

##### Article 20

Mutual rights and obligations of the Ministry and the beneficiary of incentive funds shall be regulated by the agreement on incentive funds granting (hereinafter: the Agreement), concluded by the Ministry and the beneficiary of incentive funds.

The Ministry shall deliver the text of the draft Agreement to the Commission for State Aid Control i.e. the Government, for its prior approval.

The Agreement shall include: the scope, amount and schedule of investment and the number of new jobs related to the investment project with the schedule of employment, planned costs of gross salaries for the new jobs related to the investment project over a period of two years following the achievement of full employment, the obligation to pay the agreed salary, the time limit for the realisation of the investment project, the amount of funds granted, the payment schedule for funds granted and the obligation to report on the change of investment schedule by the expiry of the third quarter of the current year at the latest, as well as information on the collaterals, statements on fulfilment of conditions referred to in Article 17 of this Regulation, on the obligation to report, on control of fulfilment of contractual obligations, on termination of Agreement, Force Majeure, environmental protection and on occupational safety and health, on dispute resolution and other issues of significance for realisation of Agreement.

The Agreement shall additionally determine the obligation of the beneficiary of incentive funds to deliver audio and visual material on the realisation of investment project, which the Agency shall be entitled to use for the purpose of implementing the strategic marketing of economic potentials, promotion and reputation of the Republic of Serbia as an investment location.

The business plan which pertains to the amount, structure and schedule of investment, plan and schedule of employment and projected gross salaries shall be an integral part of the Agreement.

In case of any deviation from the agreed obligations envisaged in the business plan during the realisation period, the beneficiary of incentive funds shall be obliged to deliver to the Ministry amendments to the business plan before the moment of signing of an Annex to the Agreement, agreement on mutual regulation of rights and obligations i.e. conclusion of settlement.

The change of contractually determined conditions for withdrawal of the first tranche shall be an exception to the obligation to conclude an annex to the agreement and to deliver amendments and supplements to the business plan, where the total deviation from the agreed obligations defined for the first tranche cannot exceed 20% of the determined schedule, providing that the total determined obligation of making the investment and employment which pertains to the entire investment project remains unchanged.

In the case of any changes in the schedule of investment and schedule of employment referred to in paragraph 7 of this Article, the beneficiary of incentive funds shall be obliged to deliver a report of an independent certified auditor on the fulfilment level of obligations determined in the Agreement of 80% at the minimum in the year in question.

The Ministry may terminate the Agreement in each phase of its realisation, if it is determined that the beneficiary of incentive funds does not comply with the conditions determined by the Agreement, if it is determined that the statements on fulfilment of conditions referred to in Article 17 of this Regulation are not true and if the Council has passed the decision on termination.

Where there are duly justified reasons, the Ministry may terminate the Agreement and call on the securities even before the Council's meeting, and shall notify the Council thereof in the first following meeting of the Council.

## Disbursement of Granted Funds

### Article 21

Payment of granted funds shall be effectuated based on a request submitted (hereinafter: the Payment Request) which shall be delivered to the Ministry by the beneficiary of the incentive funds, in compliance with the Agreement.

Granted funds shall be disbursed in instalments, in compliance with the Agreement and available budget funds.

The instalment amount shall be determined as a percentage of the total amount of funds granted, in the following manner:

1) In the amount proportionate to the percentage of investment made into the fixed assets in each year of realization of the investment project, against the total investments in fixed assets defined in the investment project, or

2) In the amount proportionate to the percentage of newly employed persons in each year of realisation of the investment project against the total number of newly employed persons defined in the investment project, or

3) As a combination of the above two methods.

The following shall be submitted enclosed to the Payment Request:

1) The report of a certified auditor which is insured against professional liability and any additional pieces of evidence of fulfilment of conditions for instalment payment, and

2) The bank guarantee for repayment of disbursed funds.

At the request of the Ministry i.e. of the Agency, the Central Register of mandatory social insurance shall deliver reports on the number of newly employed persons and on the types of work engagement with the beneficiary of incentive funds on the delivery date of the payment request for each individual instalment of the funds granted, within five days from the request receipt date at the latest.

Enclosed with the Request for disbursement of the first instalment, two signed blank solo promissory notes shall be submitted with signed promissory note authorisation for collection of statutory default interest, in addition to the documents referred to in paragraph 4 of this Article.

Instead of the blank solo promissory notes, the beneficiary of incentive funds may deliver a bank guarantee for the collection of the possible statutory default interest for the amount of the instalment i.e., in case of the last instalment, for the total amount of incentive funds granted.

In the case referred to in paragraph 7 of this Article, the beneficiary of incentive funds shall be obliged to, on the occasion of payment of each instalment, in addition to the bank guarantee for the amount of such instalment, deliver a bank guarantee covering the amount of any possible statutory default interest as well.

For the payment of the final instalment, the beneficiary of incentive funds shall be obliged to deliver a bank guarantee for the total amount of granted funds with the validity period of three years and six months from the Payment Request submission date in case of small and medium-sized companies i.e. with the validity date of five years and six months from the Payment Request submission date in case of large companies.

The Ministry shall determine rationality and regularity of the Payment Request, in compliance with the documentation submitted by the beneficiary of incentive funds.

## Collaterals

### Article 22

The beneficiary of incentive funds shall be obliged to enclose a bank guarantee issued by a commercial bank registered in the territory of the Republic of Serbia, unconditional and payable at first demand for the benefit of the Republic of Serbia.

Disbursed funds must be covered by a bank guarantee, in compliance with the Agreement.

In addition to the bank guarantee, the beneficiary of incentive funds shall be obliged to enclose two registered and signed blank solo promissory notes with a signed authorisation for the purpose of collecting the statutory default interest, in compliance with the law determining the statutory interest rate, in case of defaulting on the contractual obligations.

The statutory default interest shall be calculated for the period from the payment date of each individual instalment until the date of return of the total amount of funds paid.

In case of a failure to fulfil the contractual obligations or in case of a partial fulfilment of contractual obligations, the Ministry may, based on the bank guarantees issued and the blank solo promissory notes, call on the securities up to the amount of paid funds and prescribed statutory default interest.

## VII. CONTROL OF FULFILMENT OF CONTRACTUAL OBLIGATIONS

### Reports To Be Submitted by the Beneficiaries of Incentive Funds

#### Article 23

The beneficiary of incentive funds shall be obliged to report to the Ministry on the realisation of investment project for which funds are granted.

The report referred to in paragraph 1 of this Article shall be submitted:

- 1) Within 60 days from the date of submission of a complete Request for Payment for the last instalment i.e. from the date of completion of the investment project, and
- 2) Within 60 days from the date of expiry of the period of guaranteed investment and employment.

The report on realisation of investment project shall include a report on the findings of facts drafted by an independent certified auditor who holds the insurance from professional liability on the project audit, which shall include a verification of investment made in respect of the amount and structure thereof, the amount of salaries, taxes and contributions for newly employed paid, the number of newly employed and the total number of employees, as well as a verification of compliance with other provisions of the Agreement (hereinafter: an auditor's report).

The control of data on the number of the newly employed and on the total number of employees shall be conducted by the Ministry based on the report of the Central Register of mandatory social insurance.

The beneficiary of incentive funds shall be obliged to allow the certified auditor to carry out the audit of the compliance with the obligation to make the investment (the amount and structure of investment during the realisation of the project), of the obligation to employ and to maintain the number of employees determined in the Agreement (during the realisation and during the period of guaranteed investment and employment), of the costs of salaries envisaged in the investment project, as well as of discharging of any other contractual obligations and to, for that purpose, enable inspection of the documentation of the beneficiary of incentive funds.

The auditor's report shall include a conclusion with an unqualified and/or adverse opinion, and in case of a qualified opinion i.e. disclaimer of opinion, he/she shall be obliged to provide an explanation of such qualified opinion and/or to state the facts and reasons for such disclaimer of opinion, in the conclusion thereof.

An audit of an investment project which is an investment of special importance can be performed by an auditing company which employs four licensed certified auditors at the minimum with full working hours.

If it can be concluded from the auditor's report that the beneficiary of incentive funds has not discharged all the contractual obligations during the project realisation period i.e. during the period of guaranteed investment and employment (an adverse opinion, a qualified opinion, a disclaimer of opinion), the Ministry shall deliver a written notice to the beneficiary of incentive funds on the obligation to remove the deficiencies thus identified. During and/or following the project realisation period, in case of a complete discharging of the obligation to invest in respect of the total investment amount determined in the Agreement and a partial deviation in relation to the structure of the investment, the beneficiary of incentive funds shall be obliged to deliver to the Minister an adjusted business plan prior to the submission of a Payment Request and/or report on project realisation.

In case of a failure of the beneficiary of incentive funds to remove the deficiency within 30 days from the receipt of the notice referred to in paragraph 8 of this Article, the Ministry may terminate the Agreement and request that the funds granted which have been paid to the beneficiary of incentive funds be returned, increased by the amount of accrued statutory default interest or alternatively to propose to the beneficiary of incentive funds, in accordance with the decision of the Council, that an annex to the Agreement be concluded.

### Control and Monitoring of fulfilment of Contractual Obligations

#### Article 24

At the request of the Ministry, the Central Register of mandatory social insurance shall deliver the reports on the number of newly employed persons and on the type of work engagement with the beneficiary of incentive funds as at the delivery date of the request for payment for each individual instalment of funds granted, within five days from the date of receipt of the request at the latest.

At the request of the Ministry, the Central Register of mandatory social insurance shall additionally deliver to the Ministry the reports on the number of employees and on the type of work engagement with the beneficiary of incentive funds during the project realisation period, as well as during the period of guaranteed investment and employment.

The Ministry shall deliver to the Central Register of mandatory social insurance a list of beneficiaries of incentive funds as per the Agreements.

The Central Register of mandatory social insurance shall be obliged to, at the end of each quarter, deliver to the Ministry reports on the number of employees and on the types of work engagement with the beneficiary of incentive funds, in accordance with the list referred to in paragraph 3 of this Article.

The Ministry shall conduct control of discharging of obligations of the beneficiary of incentive funds referred to in Article 10, paragraph 2 of this Regulation and on the basis of the report of a certified independent auditor.

The Ministry may, at any time during the realisation of the investment project, perform a control of the amount, schedule and structure of investment envisaged by the investment project i.e. by the Agreement, with the aim of controlling the fulfilment of contractual obligations of the beneficiary of incentive funds.

The Ministry shall conduct controls even upon the expiry of the time limit for realisation of the investment project in compliance with Article 10, paragraph 1, point 1) of this Regulation and the Agreement.

Copies of reports and information referred to in paragraphs 1, 2, 4, 5, 6 and 7 of this Article shall be delivered to the Agency by the Ministry.

Based on the reports and information referred to in paragraph 8 of this Article, the Agency shall monitor the schedule of realisation of investment project during the realisation of the investment project.

In cases where it is determined that a Council decision is necessary for further activities in relation to the investment project in question, the Ministry shall prepare the report and the proposal of measures and shall deliver them to the Council through the Agency.

The report referred to in paragraph 10 of this Article shall include data and information on all the elements of the investment project and shall mandatorily include:

1) A summary of the auditor's report on the investment project audit which shall include a verification of compliance with all the provisions of the Agreement;

2) Information on the amount of investment made by the beneficiary of incentive funds in relation to the elements of investment listed in the Application, Agreement and/or in the investment project;

3) Information on the schedule of employment of new employees for indefinite period of time with the beneficiary of incentive funds;

4) An overview of freezing of current accounts of the beneficiary of incentive funds, if any;

5) Information on the problems faced by the investor and/or the beneficiary of incentive funds during realisation of investment project;

6) Other information of significance for preservation of financial, developmental and bilateral economic interests of the Republic of Serbia which may be threatened by the actions of the beneficiary of incentive funds.

The Ministry shall deliver to the Serbian Business Registers Agency the list of beneficiaries of incentive funds as per the Agreements.

In case of a registration of changes with the beneficiary of incentive funds, the Business Registers Agency shall be obliged to notify the Ministry thereof without delay.

The control of investment amount made into the fixed assets referred to in paragraph 6 of this Article shall be performed in compliance with the Addendum 2 on the Method and Procedure of Investment Amount Control, which has been printed with this Regulation and is an integral part hereof.

## VIII. TRANSITIONAL AND FINAL PROVISIONS

### Termination of Regulation

#### Article 25

The control of discharging of contractual obligations as per the concluded agreements on incentive funds granting, as well as the decision making upon concluded controls shall be carried out in compliance with the provisions of this Regulation.

Procedures for incentive funds granting initiated by the date of entry into force of this Regulation shall be completed in compliance with the Regulation on Conditions and Method for Attracting Direct Investments (Official Gazette of the RS, No. 37/18).

### Entry into Force

#### Article 26

This Regulation shall enter into force on the following day from the date of its publication in the Official Gazette of the Republic of Serbia.

Spa and climatic places	
1.	PALANAČKI KISELJAK – Smederevska Palanka
2.	KANJIŽA – Kanjiža
3.	JOŠANIČKA SPA – Raška
4.	BUKOVIČKA SPA – Arandjelovac
5.	SOKOBANJA – Sokobanja
6.	VRNJAČKA SPA – Vrnjačka Banja
7.	BRESTOVAČKA SPA – Bor
8.	VRDNIK – Vrdnik
9.	NIŠKA SPA – Niš
10.	PRIBOJSKA SPA – Priboj
11.	RUSANDA – Melenci
12.	PALIĆ – Subotica
13.	IVANJICA AIR SPA – Ivanjica
14.	LJIG SPA – Ljig
15.	KOVILJAČA SPA – Loznica
16.	VRANJSKA SPA – Vranje
17.	SELTERS SPA – Mladenovac
18.	NOVOPAZARSKA SPA – Novi Pazar
19.	ZLATAR AIR SPA – Nova Varoš
20.	BUJANOVAČKA SPA – Bujanovac
21.	SIJARINSKA SPA – Medveđa
22.	GORNJA TREPČA – Čačak
23.	OVČAR SPA – Čačak
24.	BEČEJ SPA – Bečej
25.	MATARUŠKA SPA – Kraljevo
26.	VRUJCI SPA – Mionica
27.	GAMZIGRAD SPA – Zaječar

28.	LUKOVSKA SPA – Kuršumlija
29.	CLIMATIC PLACE BOGUTOVAČKA SPA – Bogutovac
30.	CLIMATIC PLACE OBRENOVAČKA SPA – Obrenovac
31.	CLIMATIC PLACE KURŠUMLIJSKA SPA – Kuršumlija
32.	CLIMATIC PLACE ZVONAČKA SPA – Babušnica
33.	CLIMATIC PLACE RIBARSKA SPA – Kruševac
34.	CLIMATIC PLACE PROLOM SPA – Kuršumlija
35.	CLIMATIC PLACE RADALJSKA SPA – Mali Zvornik
36.	CLIMATIC PLACE NOVOSADSKA SPA – Novi Sad
37.	CLIMATIC PLACE JUNAKOVIĆ SPA – Apatin
38.	CLIMATIC PLACE NIKOLIČEVO – Zaječar
39.	CLIMATIC PLACE SUVA ČESMA – Prokuplje
40.	CLIMATIC PLACE ŠARBANOVAC – Bor
41.	CLIMATIC PLACE MILJKOVAC – Niš
42.	CLIMATIC PLACE RGOŠKA SPA – Knjaževac
43.	CLIMATIC PLACE BOBOVIK – Vladimirci
44.	CLIMATIC PLACE DUBLJE – Bogatić
45.	CLIMATIC PLACE DIVČIBARE MOUNTAIN – Valjevo
46.	CLIMATIC PLACE ZLATIBOR MOUNTAIN – Čajetina
47.	CLIMATIC PLACE RUDNIK MOUNTAIN – Gornji Milanovac

METHOD AND PROCEDURE FOR INVESTMENT CONTROL

1. REPORT ON A REALIZED INVESTMENT

1.2. The finding from the auditor's report on the amount and structure of the realized investment shall comprise of:

1) The introductory part: basic information on the beneficiary of incentive funds and on the Agreement, as well as on any Annex/Annexes to the Agreement, if any, the name of the beneficiary of incentive funds, company registration number, tax identification number, Agreement number, Agreement scope, amount and schedule of investment and the time limit for realisation of investment project, Application for Incentive Granting, and it can additionally include other information as well,

2) The list of documentation based on which the findings on realized investment amount has been drawn up,

3) Findings on the investment amount and compliance with contractual obligations.

2. DOCUMENTATION BASED ON WHICH AUDITS OF INVESTMENT AMOUNTS ARE PERFORMED

Controls of the amount of investment envisaged in the investment project, depending on the scope of investment, shall be performed based on the following documentation:

a) To prove that the assets acquired through a direct investment are used solely by the beneficiary of incentive funds:

1) Statement of the responsible person with the beneficiary of incentive funds that the assets acquired through the direct investment are used solely by the beneficiary of incentive funds,

2) Proof that the assets are accounted for in the business books of the beneficiary of incentive funds.

b) To prove the duration of lease: lease agreement.

c) For tangible assets:

A) For the land:

1) Acquisition for compensation (Sale and Purchase Agreement, proof of payment, excerpt from the cadastre and/or from the land register), proof that it has been accounted for in the business books of the beneficiary of incentive funds,

2) Acquisition without compensation (legal basis for acquisition without compensation - agreement, proof that it has been accounted for in the business books of the beneficiary of incentive funds),

3) Lease of land (lease agreement, proof that it has been accounted for in the business books of the beneficiary of incentive funds).

B) For buildings:

– For the greenfield investments:

- 1) Construction permit where it is envisaged for the concrete type of construction works,
- 2) Exploitation permit for facilities and/or for the group of facilities for which the construction permit was issued,
- 3) Proof that the facility has been entered in the real estate folio as the property of the beneficiary of incentive funds
- 4) Records of the handover of completed works (records made by the commission for technical acceptance of works),
- 5) Proof that they have been accounted for in the business books of the beneficiary of incentive funds.

– For the brownfield investments:

Which include reconstruction/adaptation of existing facilities:

- 1) Sale and Purchase Agreement for the facility and/or title deed or exploitation permit for the facility and/or Agreement on Lease of facility;
- 2) Proof that they have been accounted for in the business books of the beneficiary of incentive funds;
- 3) Permit for reconstruction/adaptation,
- 4) Exploitation permit,
- 5) Adequately drafted and certified interim payment certificates and final payment certificate with proof of payments,
- 6) Records on acceptance of completed works (the records made by the commission for technical acceptance of works),
- 7) Proof of settlement of the entire amount of purchasing price.

C) Plants, machines, equipment:

– New equipment:

- 1) Invoices issued by the suppliers for the beneficiary of incentive funds and/or for the investor; customs clearance documentation in cases of imported equipment,
- 2) Proof that the beneficiary of incentive funds has become the owner of assets,
- 3) Proof that they have been accounted for in the business books of the beneficiary of incentive funds.

– Used equipment:

- 1) Invoices issued by the suppliers for the beneficiary of incentive funds and/or for the investor; customs clearance documentation in cases of imported equipment and proofs of payments effectuated to the supplier,
- 2) In cases of contributions comprising of own assets - proof of ownership, agreement on contribution of equipment for discharging of contractual obligations,
- 3) Proof that the beneficiary of incentive funds has become the owner of assets,
- 4) Proof that they have been accounted for in the business books of the beneficiary of incentive funds.

D) For intangible assets:

- 1) Legal basis for acquisition,
- 2) Suppliers' invoices,
- 3) Proof that the intangible asset has been accounted for in the business books of the beneficiary of incentive funds,
- 4) Statement of the responsible person with the beneficiary confirming that the intangible assets are used solely by the beneficiary of the incentive funds.

The offsetting transactions, such as payments in goods or services which does not involve cash flows, shall not be considered, within the meaning of this Regulation, to be acquisitions of material assets referred to in part 2, paragraph 1, point c) of this Addendum.