

## FREE ZONE

Legal area of Free Zone is regulated by the Law on Free zone "*RS Official Gazette* ", No. 62/2006.

Pursuant to the Law on Free zone following terms needs to be presented:

- The **Free Zone** is a part of the territory of the Republic of Serbia which is specially enclosed and identified, and in which activities are conducted under the conditions specified by the Law on Free zone
- The **Founder of the zone** is a company which made the decision on foundation of the zone, and which, through the zone management company, submits the application for approval of the designation of the area;
- The **Zone Management Company** is the company which ensures the requirements for the unimpaired conduct of activities in the zone;

Process of establishment of the Free Zone is following:

First of all, Founder Company needs to establish territory of Zone and Zone Management Company.

- Company (who wants to establish the Zone) needs to make Decision on establishment of the Zone Management Company. This company will be establish in accordance with the Company law and can have all legal forms prescribed by law (for example limited liability company). Zone Management Company needs to be registered, in front of the Business register Agency, for activity of the zone management. Main goal of this company is to ensure the requirements for the unimpaired conduct of activities in the zone.
- Company (who wants to establish the Zone) needs to make Decision on establishment of the territory of Free Zone. The territory on which Free Zone will be founded, needs to be in the ownership of the Founder or Founder has to have a lease agreement for that territory.

Secondly, the territory of the zone needs to be designated as the area of the zone by the approval of Government. The Zone Management Company shall submit the application for approval of designation of the area of the zone to the Government through the ministry in charge of finance.

Finally, the Zone Management Company may submit the Application which should contain all relevant data and relevant documents prescribed by Law if the necessary conditions are fulfilled in order that Zone becomes operative. The compliance with the requirements for commencement of the zone operation shall be determined by the minister in charge of finance, upon proposal of the commission which he will establish from representatives of the competent authorities.

The issue date of the decision shall be deemed to be the commencement date of zone operation.

Please note that Zone Management Company needs to make Rulebook by which specify organizational and technical requirements for conducting activities in the zone will be prescribed.

Also we would like to present you some of the benefits of the free Zone:

- Customs duties and other import charges shall not be paid for import of goods intended for carrying out of activities and construction of facilities in the zone.
- The goods brought into and moved out of the zone, as well as the goods stored in the zone shall be treated as customs goods.
- Transportation is free of VAT.
- By new regulation, which should be adopted, all company from free trade zone who perform production activities will not be obliged to pay income tax. This regulation should be adopted in the future period.

Important issues regarding the VAT are prescribed by the Law on VAT Conveniences and we would like to emphasize

- In the free zone VAT is not paid for the goods provided for performing business activity, for which the taxpayer would have the prior tax deduction right in case of providing those goods for its operational needs out of the zone.
- VAT is not paid for providing to free zone users the transport and other services directly related to carrying in the goods into free zones, for purpose of performing business activities.
- General conveniences of VAT exemptions
  - For the goods temporarily imported within the customs procedure and actively refined with the storing system;
  - For the goods temporarily imported and exported in unchanged conditions;
  - For the goods for which the processing procedure has been approved under customs control;
  - For the goods for which storing procedure has been approved;
  - For the goods exempted from paying of customs duties and dues, on the basis of the Law on Customs;

Notification: It can be expected that by new regulations all utilities (gas electric) will be excluded from paying of VAT

- VAT-exempted services to users:
  - Free zone area tenancy: open and closed storage, area for performing production and office activities;
  - Goods loading, reloading, unloading services;
  - International transport of goods related to import and export;
  - Intermediary services.

Basing on above mentioned, all Investor can see their opportunity to invest in Republic of Serbian