

Subsidies for employment in the Republic of Serbia

An employer in the Republic of Serbia has the opportunity to acquire several types of incentives and/or subsidies for employment of certain category of unemployed persons, on the basis of:

1. **The Law on contributions for obligatory social insurance** (“Official gazette of the Republic of Serbia”, no. 84/2004, 61/2005, 62/2006 and 5/2009)
2. **The Law on income tax** (“Official gazette of the Republic of Serbia”, no. 24/2001, 80/2002, 135/2004, 62/2006, 65/2006 and 31/2009)
3. **The Public invitation to employers for granting subsidies aimed for opening of new working positions in the year 2011** which was announced by National service for employment of the Republic of Serbia (hereinafter: NSE)
4. **The Decree on employment incentives** brought by the Government of the Republic of Serbia dated May 12th 2011.

On the basis of the **Law on contributions for obligatory social insurance** and **The Law on income tax**, an employer who employs, for an indefinite period of time, person who belongs to a vulnerable category of unemployed persons, such as:

- person older than 50 years
- person older than 45 but younger than 50 years
- trainee
- person younger than 30 years
- person with disabilities

has the right on exemption from paying contributions for the obligatory social insurance which are paid at the expense of employer and exemption from the obligation of paying calculated and suspended income tax for the newly-employed person, so-called fiscal incentives.

If the employer meets all requirements, prescribed by law for each category of newly-employed persons, he acquires the right on exemption from paying contributions which are paid at the expense of employer in full amount or in the amount of 80% for employment of persons older than 45 but younger than 50 years. The employer has the right on exemption from paying contributions in the

period of 2 years from the date of conclusion of employment agreement or in the period of 3 years for employment of trainee or person with disabilities.

Under the same conditions and in the same period of time, the employer is exempted from the obligation of paying calculated and suspended income tax for the newly-employed person.

On the other side, the employer has the obligation to keep the newly-employed person employed in the minimum period of 3 years from the expiration date of the incentives or in the period of 2 years for employment of persons younger than 30 years. For employment of persons with disabilities, the employer does not have the obligation to keep the person employed in a definite period of time from the expiration date of the incentives.

If:

- employment of person older than 45 but younger than 50 years terminates,
- employer, who uses the incentives on the basis of employment of the trainee or person younger than 30 years, decreases the number of employees in comparison with the number of employees on the date September 1st 2006,
- employer's business terminates by his will,
- employer quit incentives but the person is still employed,
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the employer will be obliged to pay contributions which he would have paid if he had not used the incentives, valorized by the growth rate of retail price.

TABULATION

Persons for who employer can acquire exemption from paying contributions	The requirements which person must meet so the employer can use the incentives	Duration of the rights on exemption from the date of conclusion of employment agreement and duties	
		Contributions at the expense of employer	The obligation of keeping person employed after incentive expiration
Trainees	<ul style="list-style-type: none"> - Person has status of trainee according to the Labour Law of the Republic of Serbia - Person is younger than 30 years - Person is registered as unemployed person with the NSE 	3 years	3 years obligation of keeping person employed
Persons younger than 30 years	<ul style="list-style-type: none"> - Person is registered as unemployed person with the NSE for a consecutive period of at least 3 months before conclusion of employment agreement 	2 years	2 years obligation of keeping person employed
Persons older than 45 but younger than 50 years	<ul style="list-style-type: none"> - Older than 45 years on the date of concluding employment agreement - Person is user of pecuniary compensation during the period of unemployment from NSE or Person is registered as unemployed person with the NSE for a consecutive period of at least 6 months before conclusion of employment agreement 	80% 2 years	3 years obligation of keeping person employed
Persons older than 50 years	<ul style="list-style-type: none"> - Older than 50 years on the date of concluding employment agreement - The same requirements like to persons older than 45 years 	100% 2 years	3 years obligation of keeping person employed
Persons with disabilities		3 years	

On the basis of **The Public invitation to employers for granting subsidies aimed for opening of new working positions in the year 2011** which was announced by National service for employment of the Republic of Serbia, an employer who employs, for indefinite period of time, unemployed person who is registered with the NSE, can acquire, for each newly-employed person, one-time pecuniary subsidy in the amount from 100,000.00 RSD to 400,000.00 RSD.

The amount of subsidy depends on level of development of the municipality where persons will be employed and number of persons, especially it is taken into account the activity in which will be invested, municipality of investment, support of the National service for employment used to date, structure of persons who will be employed, duration of business of the applicant, increase in number of employees in previous 3 months at applicant's, resources needed (office space, equipment and working capital), sales market, costumers and competitors, financial indicators.

If the employer is being granted with the subsidiary, the contract with the National service for employment will be concluded and employer will be oblige to provide the appropriate securities of the contractual obligations.

In case beneficiary does not realize his obligations determined by the contract, he will be obliged to return the total amount of the subsidiary.

The public invitation is opened until the expenditure of available funds allocated for this purpose.

If the employer is granted with the subsidiary by the National service for employment on the basis of the Public invitation, this will not exclude his right to acquire incentives for paying contributions on the basis of article 45,45a and 45b of the Law on contributions for obligatory social insurance.

In accordance with the **Decree on employment incentives** brought by the Government of the Republic of Serbia, employer from the private sector has the right on subsidizing 30% of calculated income tax and total amount of contribution for pension and disability insurance if employs, for an indefinite period of time or definite period of time, person who has not been employed for minimum six months without interruption before concluding employment agreement or total amount of calculated income tax and total amount of contribution for pension and disability insurance if employs person younger then 30 years or older then 45 years, who has not been employed for minimum six months without interruption before concluding employment agreement, all under

the condition that from the date March 31st 2011 has not decreased a number of employees.

The period in which the employer is entitled to the subsidiary is 12 months from the date of new employment or during the period of employment for an indefinite period of time of the newly-employed person.

The employer can not use, at the same time, for the same newly-employed person, the right on subsidy based on The Decree on employment incentives and fiscal incentives based on the Law on contributions for obligatory social insurance and The Law on income tax.

The effects of using subsidies on a monthly basis are higher than the effect of using fiscal incentives but the overall effects of using fiscal incentives are significantly higher because the period of time in which the fiscal incentives are used are three times longer than the period of time in which subsidies are used. On the other side, because of the length of the period of time in which the fiscal incentives are being used, it is more likely that the employer will lose the right on incentive.

If the employer, during the period of subsidy based on The Decree on employment incentives, decreases a number of employees in comparison with the number of employees on the March 31st 2011 increased for the number of newly-employed persons for those he realized subsidy, he loses the right on subsidy and he will be obliged to pay the amount of taxes and contribution which he would have paid if he had not used the subsidy, valuated using the Consumer Price Index, within 30 days but if the competent authority finds that number of employees decreased and that employer did not pay the amount of taxes and contribution in the sense outlined above, he will be obliged to pay the corresponding interest.