

LAW
ON FREE ZONES

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I BASIC PROVISIONS

Subject of Regulation

Article 1

This Law shall govern the requirements for the designation of the free zone area and operation, the activities that may be conducted in the free zone, the requirements for conduct of such activities, and the requirements for termination of the free zone operation, as well as the establishment, legal status, and competences of the Free Zones Administration.

Meaning of Specific Terms

Article 2

The specific terms used in this Law shall have the following meaning:

1. The **free zone** is a part of the territory of the Republic of Serbia (hereinafter referred to as: Serbia) which is specially inclosed and identified, and in which activities are conducted under the conditions specified by this Law (hereinafter referred to as: the zone);
2. The **founder of the zone** is a local self-government authority, a company or entrepreneur, which made the decision, or with other founder concluded a contract on foundation of the zone, and which, through the zone management company, submits the application for approval of the designation of the area;
3. The **zone management company** is the company which ensures the requirements for the unimpaired conduct of activities in the zone;
4. The **related person** is a person with a capacity of related person in the context of the law that regulates the corporate profit tax;
5. The **user of the zone** is a legal and natural person that conducts activity in the zone;
6. The **foundation of the zone** is adoption of the decision by the competent local self-government authority, company or entrepreneur, or concluding the contract on foundation of the zone between the local self-government authority, company or entrepreneur;

7. The **Government approval** is the decision whereby the Government designates the area of the zone;
8. The **area of the zone** is the land defined by cadastre lots and the surface area expressed in the suitable measuring units.

Guaranteed Rights

Article 3

The rights of the founder of the zone, the zone management company, and the user of the zone, prescribed by this Law, shall not be prejudiced by any other law or other regulation.

II DESIGNATION OF THE AREA

Designation of the Area of the Zone

Article 4

The area of the zone shall be designated 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.

Requirements for Application

Article 5

The zone management company may submit the application referred to in Article 4 of this Law, provided:

- 1) The founders of the zone management company are the founders of the zone.

The founders of the zone may be founders of only one zone management company;
- 2) It is entered in the Register of the Economic Operators for engaging in the activity of zone management;
- 3) The responsible person of the founder of the zone, namely the responsible person of the zone management company, was not sentenced for criminal acts against the economy, property, illegal trade, or official duty.

The requirements referred to in paragraph 1 of this item shall also apply to the person related with the zone management company, and to the legal person whose legal successor is the zone management company;

- 4) The responsible person of the zone management company was not, in the preceding three years, a member of the managing board or supervisory board, or was vested with special authority in a legal person undergoing the liquidation or bankruptcy procedure;
- 5) The founder of the zone was not the founder of the company for management of a free zone for which, by way of the Government's decision, the approval of the free zone foundation was rendered null and void.

This requirement shall not apply to local self-government authorities.

Content of the Application

Article 6

The application referred to in Article 4 of this Law shall contain:

- 1) The name, corporate domicile, and Fiscal Identification Number of the founder of the zone;
- 2) The name, corporate domicile, and Fiscal Identification Number of the zone management company;
- 3) The data about the initial capital of the zone management company;
- 4) The name of the zone and the area of the zone with defined borders;
- 5) The data about the restructuring, if any economic operators which are undergoing the restructuring process are located in the area of the zone;
- 6) The study of the economic justifiability for designation of the area of the zone, with special consideration of the foreign investments estimate, estimate of expected effects, and in particular in respect of the production of goods and provision of services, employment and transfer of new technologies, with the indication of activities to be conducted in the zone;
- 7) Other data which the applicant deems to be relevant for the decision-making.

The following evidence shall be submitted along with the application referred to in paragraph 1 of this Article:

- 1) The decision of the managing board, the contract, or other act of the founder of the zone concerning the foundation of the zone, containing:
 - name of the founder of the zone;

- name of the zone;
- 2) The register in which the zone management company is entered, namely a certified translation of the entry from register;
- 3) The certificate confirming that responsible persons were not sentenced for criminal acts referred to in Article 5 paragraph 1 item 3 of this Law, which shall not be issued more than 30 days before the submission of application;
- 4) The evidence that the founders of the zone have the ownership rights, namely the leasehold right, or the right of use over the land on which the area of the zone is designated;
- 5) The evidence that compliance shall be ensured with the spatial, building, organizational and technical requirements, the environmental requirements and other requirements for the conduct of activity in the zone;
- 6) The opinion of the local self-government authority about the justifiability of the foundation of the zone.

If the local self-government authority adopts the measures to promote the development of the zone, appended to the application referred to in paragraph 1 of this Article shall be the relevant decisions of the local self-government authority.

Article 7

The ministry in charge of finance shall assess the economic justifiability of the submitted application referred to in Article 4 paragraph 2 of this Law, and forward its opinion to the Government.

The designation of the area of the zone shall be economically justifiable if, on the basis of the submitted study and other submitted evidence, the assessment may be made that positive results will be produced in respect of the attraction of foreign capital, production of goods and provision of services, employment, transfer of new technologies, economic restructuring, and provided the activities in the zone shall contribute to the realization of the development strategy and economic policies of the Government.

The Government shall prescribe the criteria referred to in paragraph 2 of this Article for assessment of the economic justifiability for designation of the area of the zone.

Article 8

The Government shall issue the approval for designation of the area of the zone within 30 days after the day the proposal has been submitted in a proper manner.

The act referred to in paragraph 1 of this Article shall specifically indicate the name of the zone, the area covered by the zone, as well as the name and the corporate domicile of the zone management company.

The act referred to in paragraph 1 of this Article shall be rendered null and void if the zone fails to start operation within two years after the coming into force of such act.

Article 9

The provisions of this Law concerning the approval for designation of the area of the zone shall also apply to the extension of the zone.

III REGULATION AND MANAGEMENT OF THE ZONE

Zone Management

Article 10

The zone shall be managed by the zone management company registered for zone management.

The zone may be managed by only one zone management company.

The zone management company shall specify organizational and technical requirements for conducting activities in the zone.

The act referred to in paragraph 3 of this Article shall govern the working hours of the zone, movement of persons and goods within the zone, obligations of the zone management company with respect to ensuring the compliance with spatial, technical and organizational requirements for use of the zone, the occupational safety measures in the zone and the environmental protection measures, rights and obligations of users of the zone in relation with the founder of the zone, etc.

The zone management company shall be obliged to submit the act referred to in paragraph 3 of this Article to the Free Zones Administration for its approval.

The zone management company shall conclude contracts with users of the zone on their mutual rights and obligations, containing the elements from the act referred to in paragraph 3 of this Article.

Article 11

The zone management company shall be obliged to, within 90 days after expiry of the calendar year, submit to the Free Zones Administration the report on business operations in the zone.

The report on business operations in the zone shall contain the following data:

- the income of the zone management company;
- the number of users and the activity they conduct;
- the total value of the goods produced and the services provided in the zone;

- the total volume of imports and exports in the zone;
- the amount of foreign capital contributions;
- the number of persons employed with the zone management company and the number of persons employed with the users.

The minister in charge of finance shall prescribe the form and content of the report referred to in paragraph 2 of this Article.

The ministry in charge of finance shall once a year submit to the Government the report on business operations in all zones in Serbia, with the proposal of measures.

If it assesses that business operations in the zone do not achieve objectives envisioned in the study on economic justifiability for designation of the area of the zone, if the zone management company commits an offence referred to in Article 34 of this Law, or if it is established that the zone management company did not undertake measures to terminate the contract with the user of the zone who is not complying with the requirements for the conduct of business in the zone or who has committed the offence referred to in Article 35 of this Law or any offence provided in the law governing customs system and customs procedure, the ministry in charge of finance may make a proposal to the Government to render the approval for designation of the area of the zone null and void.

Users of the Zone

Article 12

Users of the zone may be the founder of the zone, the zone management company, and other domestic and foreign legal and natural persons (hereinafter referred to as: the users).

Users shall conduct the economic activity in the zone in accordance with regulations and on the basis of the contract that regulates mutual rights and obligations with the zone management company.

Users shall be obliged to keep books for the business operations in the zone or separate books for the part of their business operations which is conducted in the zone.

The users shall be obliged, at the request of the Free Zones Administration, to submit to the Administration data on their business operations.

Regulation of the Zone

Article 13

The zone must be inclosed, visibly marked and identified as a free zone, at the entrances to and exits from the zone, as well as from the riverside.

The zone may consist of several parts provided they make up a single functional unit.

The zone or its part, if the zone consists of several parts, shall be inclosed, marked, and regulated in such a manner that any movement of goods and persons into the zone or from the zone may take place only through designated entrances to and exits from the zone.

The inclosure, entrances and exits must be suitably regulated, secured and illuminated at night.

The zone management company must provide the premises in which the customs authorities shall operate.

The measures of customs supervision and control shall apply to the goods being introduced into or taken out of the zone, as well as to the goods stored in the zone, in accordance with the provisions of the law governing customs system and customs procedure.

Commencement of Operation

Article 14

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 establishes from representatives of the competent authorities.

The commission referred to in paragraph 1 of this Article shall determine the compliance with spatial and energy requirements, the environmental protection requirements and other technical requirements for operation of the zone, the requirements for operation of customs authorities, and the requirements in respect of the implementation of the measures of customs supervision.

The minister in charge of finance shall issue a decision within 30 days after receiving the proposal of the commission.

The law governing general administrative procedure shall apply to the procedure of issuing the decision.

The decision referred to in paragraph 3 of this Article shall be final in the administrative procedure.

The issue date of the decision referred to in paragraph 3 of this Article shall be deemed to be the commencement date of zone operation.

IV BUSINESS OPERATIONS IN THE ZONE

Conduct of Activity in the Zone

Article 15

The user may, in accordance with this Law and the contract with the zone management company, engage in the production and provision of services in the zone, in accordance with the regulations.

By conducting activity and providing services in the zone, one may not endanger the environment, human health, material goods and security of the country.

Article 16

Foreign-trade transactions in the zone shall be conducted without restrictions, in accordance with the contract.

The exports of goods and services from the zone and the imports of goods and services into the zone shall be unrestricted and shall not be subject to quantitative restrictions nor shall the commercial policy measures apply to such imports and exports.

Goods may not be imported into the zone or exported from the zone if their importation or exportation is prohibited.

Article 17

Goods that are introduced into or taken out of the zone, and the goods stored in the zone, shall be treated as customs goods.

The user shall declare the taking out or introducing the goods referred to in paragraph 1 of this Article to the competent customs office.

The user may temporarily take out goods from the zone to the other part of the territory of Serbia, or introduce goods into the zone from the other part of the territory of Serbia for the purpose of placing it into the procedure of inward or outward processing.

The user may temporarily take out goods from the zone to the other part of the territory of Serbia and introduce goods into the zone from the other part of the territory of Serbia for the purpose of testing, attestation, repair and marketing presentation.

The competent customs authority shall allow customs-approved treatment of goods referred to in paragraphs 3 and 4 of this Article in accordance with the law governing customs system and customs procedure.

Article 18

The certificate confirming that the goods are produced in the zone shall be issued by the customs authority conducting supervision in such zone, under the prescribed conditions.

Article 19

Customs duties and other import duties shall not be payable for importation of goods intended for the conduct of activity and construction of facilities in the zone.

Article 20

The goods that are placed on the market on the territory of Serbia from the zone shall be subject to the payment of customs duties and other import duties.

A person placing on the market on the territory of Serbia goods referred to in paragraph 1 of this Article shall be obliged to declare such goods to the customs office in order to enable implementation of the appropriate customs procedure.

Article 21

The liability to pay customs duties and other import duties for goods referred to in paragraph 1, Article 20 of this Law shall be instigated on the day the goods cross from the zone to the territory of Serbia.

The amount of customs duties and other import duties for the goods referred to in paragraph 1 of this Article shall be determined according to the condition of goods and pursuant to the regulations in force on the acceptance date of the customs declaration.

The customs value of the goods referred to in paragraph 1 of this Article, and the amount of customs debt, shall be determined in accordance with the provisions of the law governing customs system and customs procedure.

Article 22

The user shall be obliged to enable implementation of the measures of customs supervision and control and to keep the prescribed records on goods that are imported, namely introduced into the zone, exported, namely taken out of the zone, and used in the zone.

Article 23

The payment, collection of payment, transfer, purchase and sale in foreign legal tender and in Dinars shall be performed in the zone in accordance with the regulations on foreign exchange operations.

Article 24

The establishment and operation of banks in the zone shall be performed in accordance with the regulations on banks.

The conduct of insurance activity in the zone shall be performed in accordance with the regulations on insurance.

Article 25

The labor relations between the employees and the employer (user) in the zone shall be governed by the labor contract, in accordance with the regulations governing labor and labor relations.

Article 26

The provisions of the law governing value added tax shall apply to the introduction of goods into the zone and provision of services in the zone.

The user, namely the zone management company, may have tax relieves in accordance with the regulations governing corporate profit tax, property tax, and the personal income tax.

V TERMINATION OF THE ZONE OPERATION

Nullity of the Approval for Designation of the Area of the Zone

Article 27

The approval whereby the area of the zone is designated shall be rendered null and void by the act of the Government:

- 1) if, in the course of the zone operation, permanent non-compliance with the technical requirements prescribed by this Law for the foundation of the zone is established;
- 2) if the responsible person of the zone management company, and the responsible person in the legal person whose legal successor is the zone management company, was by a final and enforceable court decision sentenced for a criminal act against the economy, property, for illegal trade or against official duty;
- 3) upon proposal of the ministry in charge of finance, in the events referred to in Article 11, paragraph 5 of this Law;
- 4) at the request of the zone management company.

The act on nullity of the approval for designation of the area shall be issued by the Government, upon proposal of the ministry in charge of finance.

Termination of the Zone Operation

Article 28

The zone shall terminate operation upon expiry of the period of 90 days after the Government issues the act on nullity of the approval for designation of the area of the zone.

Article 29

The zone management company, namely the user, shall be obliged to, within 60 days upon expiry of the period referred to in Article 28 of this Law, clear the goods imported from abroad, return them to a foreign country or deliver them to the customs office for its free disposal.

The customs duties and other import duties shall be payable for the goods referred to in paragraph 1 of this Article according to the condition of the goods and pursuant to the regulations in force on the acceptance date of the customs declaration.

Exceptionally to the provision of paragraph 2 of this Article, customs duties shall not be payable for the equipment which, for the purpose of the conduct of activity in the zone, were imported to the zone at least three years before the termination of the zone operation.

The provision of paragraph 2 of this Article shall not exclude the application of other regulations on the basis of which the right to the exemption from payment of customs duties and other import duties is exercised.

Article 30

The user of the zone shall retain the right of ownership over the built facilities, the articles and rights he has imported, namely introduced into the zone, and, in the event of the termination of the zone operation, shall have the right to continue operations in accordance with the regulations applicable to operations in the territory outside the zone.

VI FREE ZONES ADMINISTRATION

Article 31

The Free Zones Administration shall be established, as the administrative authority within the ministry in charge of finance, for conducting state administration activities in the field of free zones.

The Free Zones Administration shall be managed by the director.

Competences of the Free Zones Administration

Article 32

The Free Zones Administration shall conduct the following activities:

1. Related to the development of zones, consistent with the interest of the state:

- Implement the national policy for zones development for the purpose of increasing the inflow of direct investments and employment of labor;
- Participate in drafting the legislation concerning the zone operation;
- Consider the applications for approval of the designation of the area of the zone and submit its opinion to the ministry in charge of finance;
- Initiate and coordinate with competent state authorities the consideration of the matters of specific expertise concerning the operations in the zones, for the purpose of proper implementation of this Law and ensuring its compliance with regulations of Serbia;
- Organize and coordinate the cooperation between the competent state authorities, the zone management company, the interested investors, and the users;
- Provide the expert assistance to the investors in the process of decision-making on investing in the zones;
- Provide the expert assistance to investors and zone management companies at all stages of the implementation of programs in the zones;
- Organize direct contacts between the interested investors and zone management companies;
- Provide expert assistance to the interested investors in the development of their programs in the zones;
- Cooperate with the Serbian Chamber of Commerce and other non-profit and voluntary organizations;
- Cooperate with foreign institutions and experts, in respect of the zones;
- In cooperation with the zone management companies, create the environment favoring the development of infrastructure in the zones.

2. Related to the promotion of zones:

- Cooperate with the Serbian Investment and Export Promotion Agency (hereinafter referred to as: SIEPA) with regard to the promotion of investment and operations in the zones, through presentation of special benefits and business opportunities in accordance with the plan and program adopted by the ministry in charge of finance and SIEPA;
- Inform the investors about the advantages of investing in the zones;
- Create and update the database on the zones and the advantages of business operations in Serbia, in cooperation with SIEPA.

3. Related to the control and supervision of zones:

- Consider the reports on zones operation and propose their adoption to the ministry in charge of finance;
- Propose to the minister in charge of finance the form and content of the form sheet for the application for approval of the designation of the area of the zone, the business operation and control of the operation of zones and users, for the purpose of harmonizing procedures in all zones in Serbia;
- Propose to the competent state authorities additional measures of control of business operation in the zones, if necessary.

VII SUPERVISION OF IMPLEMENTATION OF THE LAW

Article 33

The supervision of implementation of the provisions of this Law shall be conducted by the competent authorities within the scope of their authority.

VIII PENAL PROVISIONS

Article 34

The zone management company shall be fined for offence in the amount between CSD 10,000 and 1,000,000:

- 1) if it fails to issue an act on the requirements to be met by the users of the zone to be able to conduct activity in the zone (Article 10 paragraph 3);
- 2) if it fails to, within the prescribed period, submit the report on business operations in the zone (Article 11 paragraph 1);
- 3) if it allows the conduct of an activity in the zone which threatens the environment (Article 15 paragraph 2).

For the offence referred to in paragraph 1 of this Article, the responsible person in the zone management company shall also be fined in the amount between CSD 500 and 50,000.

Article 35

The user-legal person shall be fined for offence in the amount between CSD 10,000 and 1,000,000:

- 1) if it fails to keep books on business operations in the zone (Article 12 paragraph 3);

- 2) if it fails to, at the request of the Free Zones Administration, submit the report on business operations in the zone (Article 12 paragraph 4);
- 3) if, by conducting activity in the zone, it threatens the environment (Article 15 paragraph 2);
- 4) if it fails to keep the prescribed records on goods (Article 22).

For the offence referred to in paragraph 1 of this Article, the responsible person in the legal person shall also be fined in the amount between CSD 500 and 50,000.

For the offence referred to in paragraph 1 of this Article, the user-natural person shall be fined in the amount between CSD 500 and 50,000.

IX. TRANSITIONAL AND FINAL PROVISIONS

Article 36

The zones that have started operation before the coming into force of this Law shall be obliged to, within 90 days after the day this Law comes into force, submit to the ministry in charge of finance the application for approval of the designation of the area of the zone.

The zones referred to in paragraph 1 of this Article shall be obliged to, at the request of the Free Zones Administration, submit data on the study of economic justifiability of the foundation of the zone required for the assessment of the zone performance and, at the request of the Free Zones Administration, other required data and evidence referred to in Article 6 of this Law.

Article 37

The ministry in charge of finance shall, until the Free Zones Administration is established, conduct activities to be performed by such administration pursuant to the provisions of this Law.

Article 38

On the day this Law comes into force, the Law on Free Zones ("Official Gazette of FRY", No. 81/94 and 28/96, and "Official Gazette of RS", No. 101/05) shall cease to apply.

Article 39

This Law shall come into force on the eighth day following its publication in the „Official Gazette of the Republic of Serbia“.