



Republic of Serbia
GOVERNMENT OF THE REPUBLIC OF SERBIA
ANTI-CORRUPTION COUNCIL
72 No: 021-00-3408/2021
13 April 2021
B e l g r a d e

**REPORT ON INCENTIVES, SUBSIDIES AND RELIEFS IN THE
REPUBLIC OF SERBIA**

Table of Contents

1.	INTRODUCTION	4
2.	MINISTRY OF ECONOMY	5
2.1.	Incentives under the Law on Investments	5
2.2.	Incentives for the production of audiovisual works	9
2.3.	Entrepreneurship incentive programs through financial support	14
2.3.1.	Entrepreneurship promotion program through development projects	14
2.3.2.	Financial support for beginners in business	14
2.3.3.	Support to small and medium enterprises for procurement of equipment	15
2.4.	Encouraging regional and local development and entrepreneurship through non-financial support	16
2.5.	COVID-19 PROGRAMS	17
3.	MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT	18
3.1.	Plant Protection Directorate	18
3.2.	Republic Water Directorate	19
3.3.	Directorate for Agricultural Land	20
3.4.	Directorate for Agrarian Payments	21
3.5.	Directorate of Forests	22
3.6.	Veterinary Directorate	22
4.	TAX ADMINISTRATION	23
5.	NATIONAL EMPLOYMENT SERVICE	27
a.	Internship	27
b.	Acquisition of practical knowledge	27
c.	Training at the request of the employer	28
d.	Training for the needs of the employer for the employee	29
e.	Interns with a high level of qualification	29
f.	Interns with a medium level of qualification	29
g.	Public works	30
h.	Subsidy for employment of unemployed persons from the category of hard-to-employ in newly created jobs	30
i.	Subsidy for self-employment	30

j. Incentives for employment of unemployment benefit beneficiaries.....	31
k. Payment of one-off financial assistance	31
l. Facilitation pursuant to the application of Article 45b of the Law on Contributions for Compulsory Social Insurance	31
m. Wage subsidy for people with disabilities without work experience.....	32
n. Reimbursement of costs to support persons with disabilities who are employed under special conditions.....	32
6. DEVELOPMENT FUND	34
7. CONCLUSION	37
8. RECOMMENDATIONS	41

1. INTRODUCTION

Every year, the Republic of Serbia allocates significant funds from the budget and approves a number of tax reliefs to help economic entities, both legal entities and natural persons, to initiate certain economic activities or improve existing ones, all with the ultimate goal of increasing the growth of gross domestic product and a better standard of all citizens.

State aid should be legally regulated, transparent and accessible to any eligible entity, without favoring individuals, whether it comes to political or other influence.

Bearing in mind that these are public funds of great value that are allocated to individual persons, in order to improve their economic activity, which should reflect on the economy of the Republic of Serbia, the Council dealt with this topic two years ago by making a *Report on State Aid to Business Entities in the Republic of Serbia*.

The mentioned Report states that there is no special law regulating the allocation of state aid; that the allocation of aid is largely non-transparent; that control over the spending of these funds is lacking in a large number of entities; and that state aid providers do not analyze the appropriateness of these funds and reliefs, respectively.

After that Report submitted to the Government of the Republic of Serbia, the Council in this Report, based on the available documentation, wants to show whether some of its recommendations from the previous Report were adopted, i.e. whether the area of state aid is more regulated and efficient.

On that occasion, the Council selected several institutions for its analysis through which the state grants the greatest incentives, subsidies and reliefs: the Ministry of Economy, the Ministry of Agriculture, Forestry and Water Management, the Tax Administration, the National Employment Service and the Development Fund. This Report does not include subsidies for traffic, and especially for the railway, because in the *Report on the Implementation of Infrastructure Projects on Serbian Railways* from August this year the Council analyzed the operations of railway companies, which, despite state subsidies measuring hundreds of millions of euros, make huge losses.

The Council requested information from the mentioned institutions on the following: the legal basis for granting incentives, subsidies and reliefs; the name of the user and the amount of awarded incentives, subsidies and reliefs for each user; measures to ensure that the funds will be returned if there is a legal basis for that, for 2019 and the first half of 2020.

In addition, the Council asked all the above institutions, as well as the Development Agency of Serbia, for information on whether they performed an analysis of the appropriateness of the granted state aid, i.e. how it reflects on the growth of the gross domestic product of the Republic of Serbia.

The Council will present the answers of all institutions individually for each institution.

2. MINISTRY OF ECONOMY

The Ministry of Economy informed the Council that in 2019 and the first half of 2020, it realized state incentives on several grounds.

2.1. Incentives under the Law on Investments

The Ministry has concluded 40 contracts with the beneficiaries of this type of incentives on the allocation of incentive funds. The total value of the planned investments on the basis of concluded contracts is 783,774,004.99 euros, and incentive funds in the amount of 127,422,189.54 euros have been approved. With the realization of investment projects that are the subject of the contract, the Ministry states that at least 12,411 new jobs will be created.

In the first half of 2020, the approved incentive funds amount to 139.6 million euros for the planned investments of 1.1 billion euros, and the planned number of new jobs is 4182. These incentives have been provided to the beneficiaries in accordance with the Law on Employment (“Official Gazette of the RS”, No. 89/15 and 95/18), as well as by-laws in accordance with the Law, as follows:

- Regulations on determining the criteria for granting incentives to attract direct investments (Official Gazette of RS No. 1/19);
- Regulations on determining the criteria for granting incentive funds for attracting direct investments in the Sector of Hotel Accommodation Services (Official Gazette of RS No. 33/19 and 42/19);
- Regulations on determining the criteria for granting incentive funds for attracting direct investment in the field of food production (Official Gazette of RS No. 1/19).

The Ministry of Economy submitted to the Council tables showing incentives under the above-mentioned legal basis, which are an integral part of the Report.

Table 1. Contracts concluded in 2019

No.	Beneficiary of incentive funds	Amount of the investment (in EUR)	Number of new jobs	Total investments (in EUR)
1	Aptiv Contract Services d.o.o. Leskovac	25.000.000,00	2	7.500.000,00
2	LIVNICA PRECIZNIH ODLIVAKA ADA	9.500.000,00	120	960.000,00
3	Metech d.o.o. Smederevo	4.500.000,00	150	600.000,00
4	Novares Serbia d.o.o. Zrenjanin	5.250.000,00	50	300.000,00
5	S.H.E. Superior Heating Elements Svilajnac	2.423.750,00	105	724.959,00
6	СРЕМ ШИД ДОО ШИД	1.700.000,00	105	780.198,00
7	Tonanti d.o.o. Beograd	5.887.336,70	85	1.177.467,20

8	TRISTREL DOO NIS	532.000,00	100	528.000,00
9	MILOTEX DOO SIMANOVCI	524.300,00	125	330.508,47
10	RIMASTER d.o.o. Paraćin	984.838,00	200	737.568,00
11	Amphenol Automotive Technology Trstenik	3.675.000,00	900	4.223.275,00
12	KNOTT-AUTOFLEX YUG DOO Веќеј	5.500.000,00	59	250.000,00
13	МАТИД ОБУЋА доо Владичин Хан	392.505,80	10	73.597,94
14	SPINTEC PRECISION d.o.o. Niš	4.804.000,00	160	480.000,00
15	Tridonic SRB d.o.o. Ниш	500.000,00	400	1.456.000,97
16	ZF Serbia d.o.o. Рапчево	160.000.000,00	1	19.600.000,00
17	FEKA Automotive d.o.o. Сурђа	11.150.000,00	130	1.589.528,00
18	THERMOWOOL d.o.o. Šid	6.685.000,00	60	968.500,00
19	Ђорђо С доо Владимирци	402.000,00	60	250.200,00
20	Ellis enterprises east doo Krusevac	5.700.000,00	115	1.030.000,00
21	GRAND PROM DOO БЕОГРАД	2.166.190,00	30	523.238,00
22	H&S FRUITS DOO Ариље	6.046.780,00	25	1.007.017,00
23	IPAN BPM d.o.o. Beograd-Stari Grad	938.745,00	150	543.874,50
24	Маргини градња доо Инђија	4.950.000,00	42	663.000,00
25	PLANINKA KURSUMLIJA	8.185.509,49	70	1.637.101,90
26	Verdi Fashion International Doo Stublenica	300.000,00	85	311.520,00
27	Barry Callebaut South East Europe Beograd	45.000.000,00	100	12.000.000,00
28	MTU Maintenance Serbia d.o.o. Београд	100.900.000,00	440	14.603.636,36
29	Brose d.o.o. Beograd-Palilula	180.300.000,00	1.1	21.330.000,00
30	GRUNER SERBIAN DOO VLASOTINCE	3.560.000,00	200	773.014,90
31	Mei Ta Europe Барич 2	64.400.000,00	1.36	11.253.124,80
32	Risk engineering доо Сврљиг	510.000,00	30	182.250,00
33	VICTORY SOLUTIONS d.o.o. Beograd	400.000,00	300	988.402,00
34	ESB PELLETS DOO TUTIN	1.960.000,00	50	430.328,00
35	Auto-Kabel DOO Mionica	700.000,00	150	630.000,00
36	RAUCH SERBIA DOO КОЦЕЛЈЕВА	10.347.050,00	30	2.191.339,50
37	Boysen Abgassystemie d.o.o. Subotica	55.500.000,00	400	4.000.000,00
38	HITEAM DRUSTVO SA OGRANICENOMODGOVORNOŠĆU ZA USLUGE VRŠAC	749.000,00	15	119.540,00
39	PKC WIRING SYSTEMS	20.000.000,00	1.2	6.400.000,00
40	Yanfeng Automotive Interior Systems d.o.o. Kragujevac	21.750.000,00	700	4.275.000,00
Total for 2019		783.774.004,99	12.411	127.422.189,54

Table 2. Contracts concluded in 2020

No.	Beneficiary of incentive funds	Amount of the investment (in EUR)	Number of new jobs	Total investments (in EUR)
1	DEC International doo Stara Pazova	4.699.500,00	121	832.950,00
2	KOMERC-MALI SRB doo KRALJEVCI	3.760.000,00	44	552.000,00
3	MINTH AUTOMOTIVE EUROPE društvo saograničenom odgovornošću Loznica	50.440.000,00	300	7.840.000,00
4	HEMIJSKA INDUSTRIJA NEVENA DOO BEOGRAD (NOVI BEOGRAD)	671.000,00	36	204.471,45
5	TAM fish & shrimps d.o.o. Paraćin	305.000,00	98	365.948,00
6	Xingyu Automotive Lighting Systems d.o.o.Niš	60.000.000,00	1	16.400.000,00
7	Atlantic Stark d.o.o. Beograd	8.130.000,00	30	1.716.000,00
8	A 2000 Industrija Elektronika Beograd - Stari Grad	700.000,00	30	220.000,00
9	Henkel Srbija d.o.o. Beograd	93.575.000,00	100	14.436.250,00
10	Gategroup Services doo Beograd-Novi Beograd	254.902,00	109	352.490,20
11	Planet Bike Co. Beograd	2.763.160	60	515.597
12	I - Novi Tekstil DOO Beograd-Zvezdara	4.958.000	270	1.410.382
13	Privredno društvo za proizvodnju hleba i peciva Don Don doo Beograd	15.522.200,00	110	3.434.440,00
14	Cooper Tire&Rubber Company Serbia d.o.o. Kruševac	48.340.000	118	7.268.604
15	Linglong International Europe d.o.o. Zrenjanin	800.000.000	1.2	75.823.900
16	Cablex-S doo Platičevo	2.290.000	120	610.829
17	Mobi Furniture Factory d.o.o. Knjaževac	1.050.000	99	619.08
18	Proizvodno trgovinsko preduzeće Natura trade doo, Lomica	9.911.000,00	56	991.100,00
19	ZF Serbia d.o.o. Pančevo II	35.583.000,00	281	6.058.360,00
Total		1.142.952.762,00	4.182	159.652.401,15

From the above tables it can be seen that the largest investments, for which incentives were approved in 2020, are expected from investors Linglong International Europe d.o.o in the amount of EUR 800 million, for which incentives in the amount of EUR 75.8 million were provided for 1,200 newly hired workers. The next period in which the realization of investments is expected will show how these incentives granted in 2019 and the first half of 2020, primarily to foreign investors, will affect the gross domestic product of the Republic of Serbia.

In order to now see the effects of incentive funds on that basis, the Council asked the Ministry of Economy for data on investors who received state aid in the period 2014-2017, which the Council processed in 2018 in its *Report on State Aid Control*.

In its request the Council requested data on the status of investment projects, the value of realized investments, as well as the number of workplaces on September 30, 2020 for 60 investors, who were given incentive funds in the amount of 239.6 million euros. In response to the Council under number 3-00-61/2020-02 from October 2020, the Ministry submitted the following data:

- Of the 60 investors who were granted incentives, four have their contracts terminated by mutual agreement, 15 projects are active, three have been completed, and 38 are in the process of monitoring. Monitoring is a period of guaranteed investment and employment that lasts from three to five years after the implementation of the investment project, during which the incentive beneficiary is obliged not to reduce the number of employees and to pay employees regularly;
- Regarding the request of the Council regarding the value of realized investments in the period 2014-2017, the Council did not receive a response. The Ministry submitted the information that 787.8 million euros of investments were agreed in that period, which was not the request of the Council. It is still unknown what was agreed and actually realized, because the realization of investments is the most important, considering that it affects the number of employees and other economic parameters;
- The Ministry submitted the data on the number of employees on the basis of the data of the Central Register of Compulsory Social Insurance and they refer only to investors with whom the realization of investments is in progress, i.e. not with investors where the projects have been completed. The Ministry submitted the data that in the period of three years, an increase in the number of workers by 27,346 was agreed for the mentioned 60 investors. The Council is not able to determine how much the number of newly employed workers has increased, bearing in mind that the officially published data on the number of workers in the BRA (Business Registry Agency) do not agree with the data from the Central Register of Compulsory Social Insurance.

Despite addressing the Ministry of Economy and the Development Agency of Serbia, the Council did not receive information on how much of the value of investments in the period from 2014-2017 was realized, how much the number of employees has increased on that basis and how it all affected the economy of the Republic of Serbia.

2.2. Incentives for the production of audiovisual works

In 2019, the Ministry of Economy paid incentive funds to investors who produce audiovisual works in Serbia in the total amount of 1.02 billion dinars, while in the period from 1 January 2020 to 13 August 2020, it paid 185.2 million dinars on the same basis.

Incentives to an investor producing an audiovisual work in the Republic of Serbia were granted in accordance with the Decree on Incentives for Investors to Produce an Audiovisual Work in the Republic of Serbia (“Official Gazette of the RS”, No. 94/19, 8/20, 63/20 and 84/20). Incentive funds in this area are awarded to the investor as non-refundable, through the reimbursement of part of the eligible costs incurred in the Republic of Serbia, provided that:

- the Investor is defined as a legal or natural person on whose behalf and with whose funds the production of the audiovisual work is financed or co-financed;
- eligible costs are costs incurred in the territory of the Republic of Serbia that are recognized as costs spent on the production of audiovisual work, and based on the report of the authorized audit firm.

The list of investors who have been given subsidies on the following basis is an integral part of the Report.

Table 3. Incentive funds paid in 2019 for audiovisual works

No.	Audiovisual work	Applicant	Investor	The amount of incentive funds paid (in RSD)
1	JUTRO CE PROMENITI SVE	THIS AND THAT PRODUCTIONS	JAVNA MEDIJSKA USTANOVA RTS, SRBIJA	22.311.133,80
2	NESTLE-BISTROV	Red Art Workshop	LLC STUDIO ACTION FILM, RUSIJA	4.865.927,00
3	HENKEL SPEE AROMA	Red Art Workshop	HENKEL AG & COMPANY, KGAA, NEMACKA	9.394.654,50
4	CRAWL	WIP CRAWL	VIACOM INC, USA	161.205.743,75
5	FAGE	Top Cut	MODIANO SA, GRCKA	2.403.038,75
6	STAROPRAMEN	Media Plus	MEDIA PLUS, SRBIJA	5.528.848,25
7	IKEA CHANGES - ALL BY MYSELF, GOOD MORNING, CROWDED	Brand Vision	IKEA, SRBIJA	4.557.421,50
8	NESSUNO E PERFETTO	INTRIGO	VIOLA FILM, ITALIJA	19.772.033,00
9	LIDL - THE CELL	Cyber few good men	DIRECTOR'S GUILD OY, FINSKA LA MAQUINA FILM	3.231.940,96
10	FUD - LA ARMADA DE MAMA	Emote	& TAPE, S.A. DE C.V. STORY, MEKSIKO	3.382.975,00

11	PENNY	Emote	TONI PETERSEN FILM, NEMAĐKA	18.112.619,00
12	LOVABLE	Family Film	MERCURIO CINEMATOGRAFICA , ITALIJA	2.457.250,00
13	AUDI DRANG	Tuna Fish Studio	NOURI FILMS, ĐPANIJA	3.591.332,50
14	FLYING OVER INDONESIA	Digitalkraft	SUPER 78, USA	6.647.214,75
15	FRIKOM - SMRZNUTO POVRĆE	Brand Vision	FRIKOM, SRBIJA	3.483.906,81
16	TEEKANNE/ORGANI K	Red Art Workshop	TBWA DUESSELDORF GMBH, NEMAĐKA	5.344.956,00
17	MAPKET 8	Red Art Workshop	PARADISO FILMMAKERS, IZRAEL	7.384.596,00
18	WELTMEISTER EX5	Red Art Workshop	GOODFILM GMBH, NEMACKA	7.784.742,50
19	DETTOL	Red Art Workshop	DIRTY FILMS, VELIKA BRITANIJA	4.634.760,25
20	SEBASTIAN	Милица Јовановић пр SHE FILMS	ICONOCLAST SAS, FRANCUSKA	3.284.223,25
21	DJIB MO	Милица Јовановић пр SHE FILMS	ICONOCLAST SAS, FRANCUSKA	5.086.090,75
22	MINAMATA	WIP Films	GOLAN FILMS LIMITED, VELIKA BRITANIJA	73.394.855,00
23	COSMOTE MAGICIAN	Top Cut	CENTRAL ATHENS S.A. FILM PRODUCTIONS, GRĐKA	3.836.872,00
24	7 DAYS THUNDER	Top Cut	MODIANO SA, GRĐKA	2.615.834,00
25	ROCHE - VERA'S DOUBLE LIFE	Cyber few good men	OTTO PRODUCTION HELSINKI, FINSKA	2.842.805,00

26	TELENET - FREESTYLER	Cyber few good men	CARTEL A PRODUCERS COLLECTIVE, BELGIJA	3.172.913,00
27	CARAPE KRALJA PETRA / KRALJ PETAR I	Zillion Film	ZILLION FILM, SRBIJA	53.384.345,28
28	PRICE AND PERFORMANCE	Tuna Fish Studio	MARKENFILM CROSSING, NEMAĐKA	9.823.240,50
29	DNB - CRAMPED AND EMPTY HOUSE	Cyber few good men	B-REEL FILMS, SVEDSKA	2.586.220,00
30	CIRCUS - ANYTHING CAN HAPPEN	Cyber few good men	GAMING1, BELGIJA	4.393.551,75
31	MILKA MRMOT	Red Art Workshop	SOLAB, FRANCUSKA	4.103.541,50
32	MOLTO BISCUIT	Top Cut	MODIANO SA, GRĐKA	3.049.372,00
33	IKEA TIRED	Brand Vision	IKEA, SRBIJA	3.788.030,59
34	FERNET STOCK	Media Plus	TARGET PICTURES, ĐEĐKA REPUBLIKA	4.438.598,50
35	ISTINE I LAZI - 2. SEZONA	Prva televizija "Istine i lazi -2. sezona"	PRVA TELEVIZIJA, SRBIJA	47.234.886,40
36	COSMOTE	Family Film	CENTRAL ATHENS S.A. FILM PRODUCTIONS, GRĐKA	3.665.767,25
37	UNITED HUAWEI LH	Red Art Workshop	LEOMEK HATODAA, IZRAEL	5.736.473,25
38	RUN FOR ME	Милица Јовановић пр SHE FILMS	ICONOCLAST SAS, FRANCUSKA	4.056.464,00
39	STRAHINJA	Art & Popcorn	LES FILMS FAUVES, LUKSEMBURG	17.176.180,75
40	DUREX	Family Film	LLC HYPE, RUSIJA	3.318.116,00
41	MOJA LUTRIJA	Marijana Budisavljevic pr WE ARE PRODUCERS	THE FAMILY S.R.L, ITALIJA	3.058.988,49
42	BALTIKA 7	Media Plus	MEDIA SERVICE RESOURCE TOV, UKRAJINA	3.004.749,00
43	PRISMA	Emote	CHIMNEY, FINSKA	3.739.454,75
44	SVEPS	Emote	FILMIKI PRODUCTIONS, GRĐKA	3.354.948,50
45	JENKKI-PIENI PALA HYMYA	Cyber few good men	OY DIRECTORS GUILD AB, FINSKA	2.684.373,25

46	DIE LIMO	Cyber few good men,	ANORAK FILM, NEMAĐKA	3.677.317,00
47	ROCKETRY - THE NAMBI EFFECT	Clockwork Films	ROCKETRY ENTERTAINMENT LLP, INDIJA	9.956.605,00
48	LAVLJI ODRAZ MAĐKE	Vision Team	CHINA WOMEN TRAVEL SERVICE, KINA	11.182.218,75
49	GRUPA	Vision Team	VISION TEAM, SRBIJA	25.873.412,75
50	OTAC	Филмска кућа Баш Челик	FILMSKA KUCA BAS ČELIK, SRBIJA	24.139.655,47
51	FOREO LUNA	Brand Vision	FOREO AB, SVEDSKA	3.547.204,91
52	LANDLIEBE	Emote	SIMPRO SOLUTIONS, NEMAĐKA	4.432.631,50
53	HUAWEI L&V: PIG FAN	Crater Studio	OCEANIC DRIVE PICTURES CORP, USA	4.056.756,22
54	GAVRILOVIC/IMAGE	Red Art Workshop	INVENTA, HRVATSKA	4.147.001,50
55	CC SUMMER	Red Art Workshop	GUSTAVO PRODUCTIONS, IZRAEL	7.090.694,50
56	MIRATORG	Media Plus	OOO UTINII SUP, RUSIJA	3.090.723,00
57	BOSS & NIRVANA	Top Cut	MODIANO SA, GRĐKA	2.917.272,50
58	BIOGARAN	Milica Jovanović pr SHE FILMS	WB PRODUCTIONS, FRANCUSKA	5.037.062,00
59	KAN PROMO	Red Art Workshop	WE DO PRODUCTIONS, IZRAEL	4.756.531,75
60	DG JUST	Red Art Workshop	SATELLITE MY LOVE, FRANCUSKA	3.809.183,25
61	SENKE NAD BALKANOM - 2. SEZONA	COBRA FILM	UNITED MEDIA S.A.R.L, LUKSEMBURG	54.424.853,00
62	THE OUTPOST - SEASON 2	Balkan Production Two	CAMERA 40 PRODUCTIONS LLC, USA	150.158.453,00
63	SQUEEZE THE MOMENT HERO - ABSOLUT	Emote	CHIMNEY, SVEDSKA	4.676.701,00
64	SEAL TEAM - SEASON 3	Balkan S Team Productions	CBS STUDIOS INC, USA	69.090.052,00
65	THE DEAL	Balkan Deal Films	THE DEAL FILM PRODUCTION, USA	50.175.282,00
Total				1.019.165.600,18

Table 4. Incentive funds paid in the period of 2019 concluding 13 August 2020 for audiovisual works

No.	Audiovisual work	Applicant	Investor	The amount of incentive funds paid (in RSD)
1	INFILTRACIJA	RED FILM ANDR	First Media Production and Distribution, Kraljevina Saudijska Arabija	3 6.660.93 1,00
2	TVC LEXUS RX ADKOP	TUNA ICON	STINK FILMS, London, Velika Britanija	10.959.099,50
3	BVR FANTA 4	VANILLA FILMS	Iconoclast Berlin Germany GmbH, Немачка	4.885.758,75
4	HIGHERGROUNDS	WIP FILMS	FOAM PRODUCTIONS Ltd“,	58.663.588,00
5	ZDF	EMOTE	27 KILOMETER ENTERTAINMENT GMBH, Хамбург, Немачка	6.047.085,75
6	HELSANA	EMOTE	Rocket Film GmbH, Цирих, Швајцарска	3.590.114,75
7	STOIXIMAN CASINO	EMOTE	FILMIKI PRODUCTIONS SA, Атина, Грчка	3.894.988,25
8	STOIXIMAN	EMOTE	FILMIKI PRODUCTIONS SA, Атина, Грчка	4.269.822,00
9	TVC BOSCH LLAMA DRAMA	TUNA ICON	Markenfilm Hamburg GmbH, Немачка	4,066,569.50
10	TVC BARCLAYCARD	TUNA ICON	BLINK Productions, Лондон, Велика Бриганија	8.813.262,50
11	DAN X	ART&POPCORN	Una film TADO, Немачка	19.539.937,25
12	HEAD AND SHOULDERS	MEDIA PLUS	Great Guns Asia PTE Ltd, Сингапур	23843.662,00
13	ONE TWO FREE DOUGLAS	MEDIA PLUS	Deloitte Consulting GmbH Acne a l4Deloitte Business, 15 Немачка	3.576.939,00
14	ADIDAS	PRODUCTION HOUSE	16BAS PRODUCTION, Словенија	3.875.230,25
15	FOOD NETWORK TVC	TUNA FISH STUDIO	EMERALD PICTURES, САД	10.313.453,50
16	LEFA	MILICA JOVANOVIC PR SHE FILMS	SOLAB, Париз, Француска	3.153.179,00
Total				185.153.621,00

2.3. Entrepreneurship incentive programs through financial support

The three programs to encourage entrepreneurship through financial support are a combination of grants, which are provided in the budget and credit funds. For all three programs of entrepreneurship development, there is no obligation to return the approved non-refundable funds (de minimis state aid), and the means of securing them from unintended spending are given by programs. Credit funds are not provided from the budget.

Given that the Programs implemented in cooperation with the Development Fund have enabled part of the requests received during one calendar year, for which there are insufficient funds, to be approved at the beginning of next year and paid from the Program for the next year, the tables submitted to the Council provide an overview of all requests approved in one calendar year. The Ministry notes that not all approved funds have been contracted or paid due to the withdrawal of certain business entities after the approval. All data are given intersecting as of 5 August 2020, given that the activities on the programs are still ongoing. Having in mind the volume of data provided individually by users, the Council will present them in a summary in the Report.

2.3.1. Entrepreneurship promotion program through development projects

The legal basis for this type of incentive are:

- Decree on the establishment of entrepreneurship promotion programmes through development projects in 2019 (“Official Gazette of the RS”, no. 3/19 and 47/19);
- Decree on the establishment of entrepreneurship promotion programmes through development projects in 2020 (“Official Gazette of the RS”, no. 5/20).

The means of securing non-refundable funds from unintended spending are the promissory note of the business entity and the promissory note of the founder.

The Program is a combination of non-refundable funds, which are provided in the Budget and credit funds of the Development Fund.

Year	Allocated budget funds	Number of approved requests	Approved non-refundable funds
2019	750.000.000,00	175	728.158.920,92
2020	850.000.000,00	71	374.175.746,26

2.3.2. Financial support for beginners in business

The legal basis for this type of incentive are:

- Decree on the establishment of programmes for encouraging the development of entrepreneurship through financial support for beginners in business in 2019 (“Official Gazette of the RS”, No. 03/19);
- Decree on the establishment of programmes for encouraging the

development of entrepreneurship through financial support for beginners in business in 2019 in 2020 (“Official Gazette of the RS”, No. 05/20);

Means of security against unintended spending are the promissory note of the business entity and the promissory note of the founder.

The Program is a combination of non-refundable funds, which are provided in the Budget and credit funds of the Development Fund.

Year	Allocated budget funds	Number of approved requests	Approved non-refundable funds
2019	200.000.000,00	161	121.321.657,68
2020	150.000.000,00	20	17.555.284,42

2.3.3. Support to small and medium enterprises for procurement of equipment

The legal basis for this type of incentive are:

- Decree on Determining Support to Small and Medium Enterprises for Procurement of Equipment in 2019 (“Official Gazette of the RS”, No. 3/2019, 38/2019, 75/2019);
- Decree on Determining Support to Small and Medium Enterprises for Procurement of Equipment through financial support for small and medium enterprises for the purchase of equipment in 2020 (“Official Gazette of the RS”, No. 5/2020 and 66/2020).

Means of security against unintended spending is the promissory note of the business entity.

The Program is a combination of non-refundable funds, which are provided in the Budget and funds of commercial banks and leasing companies.

Year	Allocated budget funds	Total funds for realization	Number of approved requests	Approved non-refundable funds
2019	2,200,000,000.00 plus transferred funds from the previous year after deducting payment costs	2.295.330.900,17	953	2.289.510.688,41
2020	1.000.000.000,00 plus transferred funds from the previous year after deducting payment costs	1.002.721.984,02	334	945.365.902,05

2.4. Encouraging regional and local development and entrepreneurship through non-financial support

The beneficiaries of these funds are local self-government units and accredited regional development agencies.

The legal basis for this type of incentive are:

- Decree on the establishment of the Program of standardized set of services implemented by accredited regional development agencies in 2019 (“Official Gazette of the RS”, No. 68/19);
- Decree on determining Support Program to Accredited Regional Development Agencies in 2020 (“Official Gazette of the RS”, No. 5/20 and 104/20).

Year	Allocated budget funds	Number of agencies	Approved non-refundable funds
2019	20.000.000	13	4.355.000
2020	20.000.000	12	1.870.000

The legal basis:

- Decree on establishing the Program for Incentives for Regional and Local Development in 2019 (“Official Gazette of the RS” No. 76/19);

Year	Allocated budget funds	Number of LSGs	Approved funds for co-financing
2019	40.000.000,00	62	16.101.055,21

The legal basis:

- Decree on establishing the Program of standardized set of services for micro, small and medium enterprises and entrepreneurs in 2019, which is implemented through accredited regional development agencies (“Official Gazette of the RS”, No. 03/19, 40/19, 90/19);
- Decree on establishing the Program of standardized set of services for micro, small and medium enterprises and entrepreneurs in 2020, which is implemented through accredited regional development agencies (“Official Gazette of the RS”, No. 5/20, 102/20)

Year	Allocated budget funds	Number of agencies	Approved non-refundable funds
2019	25.000.000,00/ 29.176.357,42*	16**	26.479.799,27
2020	35.000.000,00/ 37.696.451,05***	17	4.504.000,00

* The Decree amending the Decree on determining the SSS 2019 Program (“Official Gazette of the RS”, No. 40/19) defines that unspent funds in the amount of 4,176,357.42 RSD, which were transferred to the Development Fund and the Development Agency of Serbia in accordance with the Decree on establishing the Program of standardized set of services for micro, small and medium enterprises and entrepreneurs in 2018, shall be used for implementation in 2019.

** A total of 16 ARRA participated in the implementation of the Program from January to December 2019, while the Regional Development Agency of Nis District - Vranje conducted activities only during the December.

*** The Decree amending the Decree on determining the SSS 2019 Program (“Official Gazette of the RS”, No. 40/19) defines that unspent funds in the amount of 2.696.451,05 RSD, which were transferred to the Development Fund and the Development Agency of Serbia in accordance with the Decree on establishing the Program of standardized set of services for micro, small and medium enterprises and entrepreneurs in 2019, shall be used for implementation in 2020.

2.5. COVID-19 PROGRAMS

Given the new circumstances related to the mitigation of harmful consequences due to the COVID-19 epidemic caused by the SARS-CoV-2 virus, the implementation of direct measures to help the economy is underway, for the implementation of which the funds are provided at the Ministry of Economy, and which are transferred to institutions which directly implement the measure with users.

Decree on Amendments to General Revenues and Incomes, Expenditures and Expenses of the Budget of the Republic of Serbia for 2020 aimed at mitigating the consequences caused by the epidemic of the COVID-19 caused by SARS-CoV-2 Virus (“Official Gazette of RS” No. 60/20) in Section 21 of the Ministry of Economy program/project activity 7078 Prevention and mitigation of consequences caused by the epidemic COVID 19 SARS - COV-2 economic classification 454 subsidies, provided the funds to the private companies in the amount of 97,300,000,000 dinars for the implementation of direct benefit measures provided by the Decree on fiscal benefits and direct benefits for business entities in the private sector and financial assistance to citizens in order to mitigate the economic consequences caused by the epidemic Covid-19 (“Official Gazette of RS” No. 54/20, 60/20, 62/20-other regulations and 65/20- other regulations).

Direct benefit measures are implemented by the Tax Administration, the Treasury Administration, the Ministry of Finance and the Ministry of Economy.

The Ministry of Economy informed the Council that the Tax Administration is responsible for information on individual users.

The special measure refers to the credit support of the economy for maintaining liquidity (Program of financial support to business entities for maintaining liquidity and working capital in aggravated economic conditions due to the COVID-19 pandemic caused by the SARS-CoV-2 virus).

Decree on establishing the Program of financial support to business entities for maintaining liquidity and working capital in aggravated economic conditions due to the

COVID-19 pandemic caused by the SARS-CoV-2 virus (“Official Gazette of RS”, No. 54/20 and 57/20) in section 21 Ministry of Economy Program 1508 - Implementation and supervision in the field of economic and regional development, project 7078 - Prevention and mitigation of consequences caused by diseases COVID 19 SARS - COV - 2 economic classification 621 procurement of domestic financial assets, provided funds in the amount of 24,000,000,000.00 dinars for the implementation of measures to support the economy to maintain liquidity.

The support refers to favorable credit funds for entrepreneurs, cooperatives and micro, small and medium-sized companies.

The collateral for the loan may be: bills of exchange of the borrower, personal bills of exchange of the founder, guarantee of a natural person employed for an indefinite period, guarantee of a related legal entity, guarantee of a creditworthy business entity not related to the borrower, pledge on equipment owned by the borrower or pledgor, bank guarantee and/or mortgage.

The measure is implemented by the Development Fund of the Republic of Serbia.

The Council does not have data on how much funds will be approved to the beneficiaries of incentives after the second budget revision from November 2020, having in mind that the second rebalance this year increased subsidies for the economy to 145.5 billion dinars.

3. MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT

At the request of the Council, the Ministry submitted data on contracted and realized subsidies and incentives for 2019 and the first half of 2020 by the following Directorates:

3.1. Plant Protection Directorate

In 2019, the Plant Protection Directorate, in accordance with the Government Conclusion 05 No. 401-3539/2019 of 11 April 2019, which defines the Program for the distribution and use of subsidies in the field of plant protection for 2019, for program activities of plant health protection measures from item 1 of the Program and for the activities of the Program for monitoring and forecasting of harmful organisms from item 2 of the Program, and after the submitted reports on the performed work, paid the amount of 53,544,000.00 dinars for 27 Agricultural Professional Services throughout the Republic.

For the implementation of the Program for monitoring and forecasting of harmful organisms, the Plant Protection Directorate financed 16 Agricultural Professional Services on the territory of Central Serbia and the Republic Forecast Center - Novi Sad (a total of 17 services). For that purpose, 37,812,000.00 dinars were paid, after the submitted reports on the implemented activities.

Measures to ensure the need for reimbursement of funds are regulated by the Annex to the contract, in the case of determining the funds spent inappropriately. In 2019, those funds amounted to 502,669.75 dinars (7 Agricultural Professional Services).

In 2020, the financing of activities under the Program for monitoring and forecasting

of harmful organisms was not within the competence of the Plant Protection Directorate.

In the first half of 2020, 56,986,300.00 dinars were paid for the implementation of the Program of Measures for 27 Agricultural Professional Services, based on the Conclusion of the Government 05 number: 401-2826/2020 from April 16, 2020.

3.2. Republic Water Directorate

In accordance with the Water Law (“Official Gazette of RS”, No. 30/10, 93/12, 101/16, 95/18 and 95/18 - other law), the Republic Water Directorate from the budget of the Water Fund of the Republic of Serbia finances, i.e. co-finances activities of general interest in the field of water management from Article 150 of the Water Law.

Beneficiaries of the Budget Fund for Waters of the Republic of Serbia are Public Water Management Companies “Srbijavode”, Belgrade and “Vode Vojvodine”, Novi Sad, which manage regulatory and protective water facilities, water facilities for drainage and water facilities for protection against erosion and torrents in the catchments of reservoirs in public property of the Republic of Serbia.

In addition to the above legal entities, the beneficiaries of the Budget Fund for Waters of the Republic of Serbia are local self-government units on the territory of the Republic of Serbia, except the territory of AP Vojvodina, i.e. a legal entity founded by the local self-government unit which performs public water supply and wastewater treatment and drainage, a legal entity that performs scientific research and publishes scientific journals for the regulation, protection and use of water or prepares and organizes scientific and/or professional gatherings in the field of water management, as well as a legal entity that organizes the event “Danube Day” and “Sava Day”. These entities are allocated funds in accordance with the Rulebook on conditions for distribution and use of funds of the Budget Fund for Waters of the Republic of Serbia and on the manner of distribution of these funds (“Official Gazette of RS”, No. 13/17, 79/17 and 40/18).

Also, the Ministry informs the Council that the Republic Water Directorate in 2019, in accordance with the Law on Budget of the Republic of Serbia for 2019 (“Official Gazette of RS”, No. 95/18 and 72/19), together with the Municipality of Bosilegrad, financed the execution of works on the construction of the water supply system of Bosilegrad with suburban settlements from the water source “Roda”, in the municipality of Bosilegrad. In accordance with the Law on Budget of the Republic of Serbia for 2019 and the Law on Budget of the Republic of Serbia for 2020 (“Official Gazette of RS”, No. 84/19, 60/20 - other regulations, 62/20 - other law and 65/20 - other law), the Directorate financed the project “Electrification of the irrigation system”, within which on the basis of the contract with the Distribution System Operator “EPS Distribucija” d.o.o. Belgrade, financed the electrification of the field for the purpose of irrigation.

The tabular overview submitted to the Council contains data on the amount of funds given to legal entities in 2019 and in the first half of 2020 for financing, i.e. co-financing the activities of general interest in the field of water management from Article 150 of the Water Law, as well as data on the amount of funds paid for the performed works on the construction of the water supply system of Bosilegrad with suburban settlements from the water source “Roda”, in the municipality of Bosilegrad and on the construction of missing electricity facilities for electrification of fields for irrigation. Due to the extensive

documentation by individual users, the Council will not present them individually, but in the total amount. Namely, the total amount given to users on the above-mentioned basis for 2019 is around four billion dinars.

3.3. Directorate for Agricultural Land

In 2019, and on the basis of the Decree on determining the program of works on the protection, arrangement and use of agricultural land for 2019 (“Official Gazette of RS”, No. 18/2019, 30/2019, 36/2019 and 82/2019), the Directorate for Agricultural Land approved the payment of funds prescribed by:

in Section I, paragraph 1 of the said Decree for works on protection, arrangement and use of agricultural land, i.e. for new investments and other investments, and on the basis of the conducted Competition for allocation of funds for works on protection, arrangement and use of agricultural land in 2019. year, as well as on the basis of the Competition for the allocation of investment funds related to the arrangement of agricultural land through the procurement of new irrigation equipment in 2019, for:

- consolidation,
 - procurement of new irrigation equipment,
 - excavation/drilling of wells in the function of irrigation,
 - study and research works, programs and projects in the field of protection and use of agricultural land of importance for the Republic of Serbia;
- 1) in Section I, paragraph 2 of the said Decree for works on protection, arrangement and use of agricultural land, for:
- construction of an irrigation system based on the Decree on determining the Program of works on protection, arrangement and use of agricultural land for 2017 (“Official Gazette of RS”, No. 39/17);
 - consolidation on the basis of the Decree on determining the Program of works on protection, arrangement and use of agricultural land for 2017 and on the basis of the Decree on determining the Program of works on protection, arrangement and use of agricultural land for 2018 (“Official Gazette of RS”, No. 39/18);
 - procurement of new irrigation equipment for applications submitted on the basis of the Decree on determining the Program of works on protection, arrangement and use of agricultural land for 2018 and the Competition for allocation of funds on the territory of the Republic of Serbia except in the Autonomous Provinces in 2018 (“Official Gazette of RS”, No. 44/18), which met the conditions and criteria based on the said Decree and Competition.

In the first half of 2020, and based on the Decree on determining the program of works on the protection, arrangement and use of agricultural land for 2020 (“Official Gazette of RS”, No. 76/2020), the Directorate for Agricultural Land approved the payment funds prescribed in Section I, paragraph 2 of this Decree, for:

- procurement of new irrigation equipment for applications submitted on the basis of the Decree on determining the Program of works on protection, arrangement and use of agricultural land for 2018 and the Competition for the allocation of funds in the Republic of Serbia except in the Autonomous Provinces in 2018 (“Official Gazette of RS”, No. 44/18), as well as on the basis of the Decree on determining

the Program of works on protection, arrangement and use of agricultural land for 2019, on the basis of the Competition for the allocation of funds in the territory of the Republic of Serbia except in the Autonomous Provinces in 2019 (“Official Gazette of RS”, No. 33/19 and 40/19) and the Competition for the allocation of investment funds related to the arrangement of agricultural land through the procurement of new irrigation equipment in 2019 (“Official Gazette of RS”, No. 77/19), who met the conditions and criteria on the basis of the above decrees and competitions;

- excavation/drilling of wells based on the Decree on determining the Program of works on protection, arrangement and use of agricultural land for 2018 and on the basis of the Decree on determining the Program of works on protection, arrangement and use of agricultural land for 2019.

Pursuant to the aforementioned decrees, the Directorate for Agricultural Land issued decisions on the approval of funds, concluded agreements on the use of these funds with the persons to whom the funds were approved, and issued decisions on the payment of funds. For the procurement of new irrigation equipment, the Directorate for Agricultural Land issued decisions determining the fulfillment of conditions for the allocation of funds and approving their payment with the same decisions, without concluding a contract on the use of funds.

The Directorate submitted to the Council a tabular overview of all payments made to individuals and legal entities in 2019 and in the first half of 2020 on the stated basis.

The table shows all entities that have been allocated funds for land consolidation, study and research works, procurement of new irrigation equipment, excavation/drilling of wells and construction of irrigation systems, amounts of paid funds for each entity, as well as the total amount of paid funds.

Due to the extensive documentation, the Council will not present them in the Report in individual amounts, but in the total amount, which amounts to 98.3 million dinars for the purchase of new irrigation equipment, 81.2 million dinars for the excavation of wells and 78 million dinars for land consolidation.

Measures to ensure that the funds will be returned, if the person to whom they were approved do not act in accordance with the contractual obligations, exist for the approved funds in the name of consolidation and for study - research works. The security measure in these cases is a bill of exchange.

3.4. Directorate for Agrarian Payments

At the request of the Council, the Directorate submitted:

- Financial report for 2019 and the first half of 2020, which shows the total amounts of funds paid under the measures;
- a list of regulations on the basis of which incentives were paid during 2019 and in the first half of the current year, 2020, of which there are over thirty, so the Council will not present them individually;
- list of AAPSS (agricultural advisory professional services) and the amount of funds paid in 2019 and the first half of 2020 for the implementation of the Program of measures for the provision of advisory professional services and the development of technical-technological and innovative projects.

In 2019, after signing the contracts, the Directorate for Agrarian Payments paid a total of 378,092,492.95 dinars, of which the amount of 338,100,855.19 dinars to advisory professional services for the provision of advisory professional services, and 39,991,637,16 dinars for the development of technical, technological and innovative projects.

In the first half of 2020, AAPSs were paid for the provision of advisory and professional services in the amount of 394,964,227.50 dinars, of which the amount of 8,400,000 dinars refers to arrears, i.e. services performed in 2019.

In 2019, based on the decision, a refund of 12 users was made, in the total amount of 14,564,907.13 dinars. Out of a total of 12 users, the funds were returned by 10 users, while the return from the users of AAPS "Pozarevac" as well as AAPS "Prokuplje" is expected in the coming period.

Based on the financial plan submitted to the Council, it is evident that the largest incentive funds were contracted for direct incentives in agriculture, incentives for agricultural rural development, rural development measures and IPARD programs amounting to 39.9 billion dinars in 2019 and 36,6 billion dinars in 2020. The agreed amounts have not been fully realized.

3.5. Directorate of Forests

Every budget year, the Directorate of Forests distributes the funds of subsidies, based on the act of the Government and the conducted competition, as follows:

- 1) Budget Fund for Forests of the Republic of Serbia and
- 2) Budget Fund for Hunting Development.

The Directorate submitted to the Council a table for monitoring all concluded contracts which allocate subsidy funds from both funds.

Security is also included in the tables.

The tabular presentation refers to contracts concluded in 2019. In the first half of 2020, due to problems with the pandemic, no contracts were concluded. The total amount of contracted incentives has not been fully realized.

3.6. Veterinary Directorate

The Directorate submitted to the Council a tabular overview of the payment of subsidies to legal and natural persons in the name of animal health protection in order to prevent the occurrence and spread of infectious animal diseases. The total amount paid on that basis in 2019 is 3.3 billion dinars, and 1.1 billion dinars in the first half of 2020.

Subsidies to the Ministry of Agriculture, Forestry and Water Management according to the last budget revision from November are planned in the amount of 46.9 billion dinars. In the previous year, the agreed subsidies were somewhat smaller and have not yet been fully realized. If we keep in mind that subsidies to the economy due to extraordinary circumstances due to the appearance of coronavirus are projected at 145.5 billion, it can be concluded that the ratio of subsidies given to the economy and agriculture is extremely unfavorable for agriculture, i.e. agriculture is three times less subsidized.

4. TAX ADMINISTRATION

The Tax Administration informed the Council that the right to tax incentives and reliefs in 2019 and 2020 is exercised on the basis of:

- Law on Corporate Income Tax (Official Gazette No. 25/01... 86/19);
- Law on Personal Income Tax (Official Gazette No. 24/01... 86/19);
- Law on Contributions for Compulsory Social Insurance (Official Gazette No. 24/01/86/19);
- Regulations on fiscal benefits and direct benefits to economic entities in the private sector and financial assistance to citizens in order to mitigate the economic consequences of COVID-19 (Official Gazette of RS No. 54/20 and 60/20).

The Tax Administration submitted to the Council:

Tabular presentation of tax incentives and reliefs under the above regulations with an explanation for legal entities and entrepreneurs, which is an integral part of the Report.

For legal entities			
No.	Tax Law on profit of legal entities	Number of taxpayers	Amount
1	Article 44.	3.441	53.102.690,85
2	Article 46.	38	64.227.298,00
3	Article 48.	2.490	6.489.575.068,00
4	Article 48a	351	2.765.983.674,00
5	Article 50a	74	7.851.617.117,00
6	Article 51.	42	84.148.359,00
7	Article 52.	58	1.460.614.255,00
8	Article 53a	33	208.215.490,00
For entrepreneurs			
No.	Tax Law on profit of legal entities	Number of taxpayers	Amount
1	Article 48.	5	843.046,00
2	Article 48a	57	28.494.132,00

Explanation from the table:

- Article 44 (tax exemption for non-profit organizations);
- Article 46 (tax exemption of legal entities for work training, professional rehabilitation and employment of disabled persons);
- Article 48 (reduction of the calculated corporate income tax on the realized profit of the taxpayer who makes investments in fixed assets in his own ownership);
- Article 48a (reduction of the calculated corporate income tax on the realized profit of the taxpayer who makes investments in fixed assets in his own ownership, and which mainly performs one of the activities from Article 48a of the Law on Corporate Income Tax);

- Article 50a (tax exemption for investments in fixed assets in the amount of more than one billion dinars and additional employment for an indefinite period of at least 100 persons);
- Article 51 (reduction of calculated corporate income tax by the amount of corporate income tax paid in other countries);
- Article 52 (reduction of the calculated corporate income tax by the tax paid by a non-resident branch in another country on the profit from which dividends were paid and the withholding tax on paid dividends);
- Article 53a (reduction of calculated corporate income tax by the amount of withholding tax paid by its non-resident branch in another country on interest, royalties, fees for the lease of real estate and movables, and dividends that do not meet the requirements for the application of Article 52 Of the Law on Corporate Income Tax.

Tabular presentation of reliefs based on the Law on Personal Income Tax and the Law on Contributions for Compulsory Social Insurance, for Legal Entities and Entrepreneurs for 2019, based on submitted tax returns on calculated taxes and deductible contributions (Form PP-PPPD), for 189,560 taxpayers in the total amount of 362,375,740,189.64 dinars:

Type of relief	Salary tax amount	Amount of PDI contribution	Amount of health insurance contributions	Amount of unemployment insurance contributions
OJI 03	23.999.321,54	42.001.318,99	18.062.997,25	
OJI 18	564.384.452,39	2.277.624.327,12	902.894.728,84	65.748.013,20
OJI 19	163.544.405,07	628.700.272,52	248.549.995,46	18.098.318,34
OJI 20	151.546.802,64	560.418.113,37	221.976.636,87	16.163.379,90
OJI 21	201.620.316,81	803.028.591,57	318.360.352,20	23.181.530,19
OJI 22	6.174.049,48	26.564.509,55	10.523.631,76	1.532.572,02
OJI 23	11.687.044,98	52.735.793,76	20.953.264,58	3.051.455,51

Explanation from the table:

- OL 03 (salary of a newly employed person with a disability);
- OL 18 (salary of a newly employed person with relief - exercised right to a refund of 65% of paid salary tax and paid contributions under Article 21 v of the Law on Personal Income Tax and Article 45 of the Law on Contributions for Compulsory Social Insurance, without benefited length of service);
- OL 19 (salary of a newly employed person with relief - exercised right to a refund of 70% of paid income tax and paid contributions under Article 21 v of the Law on Personal Income Tax and Article 45 of the Law on Compulsory Social Insurance Contributions, without benefited length of service);
- OL 20 (salary of a newly employed person with relief - the right to a refund of 75% of paid income tax and paid contributions under Article 21 v of the Law on Personal Income Tax and Article 45 of the Law on Compulsory Social Insurance

- Contributions, without benefited length of service);
- OL 21 (salary of a newly employed person in a micro and small legal entity and an entrepreneur, with relief - exercised right to a refund of 75% of paid payroll tax and paid contributions under Article 21d of the Law on Personal Income Tax and Article 45 of the Law on Contributions for Compulsory Social Insurance, without benefited length of service);
- OL 22 (salary, i.e. personal salary with relief under Article 21f of the Law on Personal Income Tax and Article 45r of the Law on Contributions for Compulsory Social Insurance, without benefited length of service);
- OL 25 (salary of the founder of a newly established company that performs innovation activities with relief under Article 21e of the Law on Personal Income Tax and Article 45d of the Law on Contributions for Compulsory Social Insurance, without benefited length of service);
- OL 26 (salary of a qualified new employee, with exemption from 70% tax payment and 100% PDI contribution according to Article 21h of the Law on Personal Income Tax and Article 45d of the Law on Contributions for Compulsory Social Insurance, without benefited length of service);
- Article 15a (Law on Personal Income Tax - reduction of the salary tax base of 16,300.00 dinars for full-time work).

1. Tabular presentation of reliefs based on the Law on Personal Income Tax and the Law on Contributions for Compulsory Social Insurance, for Legal Entities and Entrepreneurs for 2019, based on submitted tax returns on calculated taxes and deductible contributions (Form PP-PPPD), for 180.257 taxpayers in the total amount of 193.889.34 7.410,25 dinars:

Type of relief	Salary tax amount	Amount of PDI contribution	Amount of health insurance contributions	Amount of unemployment insurance contributions
OJI03	11.830.964,04	19.990.316,55	8.952.200,78	
OJI18	97.860.016,17	381.253.981,95	153.966.852,02	11.211.341,84
OJI 19	30.947.961,78	115.288. 1 28,20	46.451.988,53	3.382.443,9]
OJI20	25.989.397 53	95.374.580 79	38.464.446,72	2.800.808,82
OJI21	36.044.855 28	138.788.788 68	56.050. 794. 72	4.081.444,92
OJI23	14.113.862,22	57. 732.947,36	23.319.396,59	3.396.033 95
OJI25	521.816 16	1.509.360,57	609.663 27	88.785 88
OJI26	659.889. 756,66	2.352.586.229,31		

2. By the Decree on Fiscal Benefits and Direct Benefits to Business Entities in the Private Sector and Financial Assistance to Citizens in order to mitigate the economic consequences caused by the epidemic of COVID-19 (“Official Gazette of RS” No. 54/20 and 60/20), 243,758 business entities achieved fiscal benefits in the total amount of 131,098,317,522.69 dinars.

3. The Tax Administration informed the Council that the requested data with the names of economic entities - taxpayers, as well as the amounts of tax reliefs and exemptions, which they realized in 2019 and the first half of 2020, are protected by Article 7 of the Law on Tax Procedure and Tax administration and as such cannot be submitted at the request of the Council.
4. Namely, according to the claims of the Tax Administration, the provision of Article 7 of the Law on Tax Procedure and Tax Administration (“Official Gazette of RS”, No. 80/02 ... 86/19-hereinafter: LTPTA) stipulates that officials and all other persons participating in the tax procedure are obliged to keep, as secret information:
 - 1) every document, information, data, or other fact concerning the taxpayer obtained by officials and all other persons involved in tax procedure in the course of tax, misdemeanor, preliminary investigation or court procedure;
 - 2) data on technical inventions or patents, as well as all other data on technological procedures applied by the taxpayer, obtained by officials and all other persons involved in tax procedure in the course of tax, misdemeanor, preliminary investigation or court procedure.

Paragraph 3 of Article 7 of the LTPTA stipulates that all officials and other persons participating in tax, misdemeanor, pre-investigation and court procedure are obliged to keep data confidentiality, while paragraph 5 of this Article stipulates that the data confidentiality shall be considered breached if the documents, facts or data referred to in paragraph 1 of this Article are used or published without authorization

The provision of Article 7, paragraph 6, item 1) of the LTPTA stipulates that data confidentiality shall not be considered breached by an action to which the taxpayer agrees in writing.

The provision of Article 7, paragraph 6, item 8) of the LTPTA stipulates that the data confidentiality shall not be considered breached if a particular document, fact or data relevant for the existence of tax debt is delivered in keeping with the special law provisions, unless the volume of such delivery of documents, facts or data causes large costs or requires excessive engagement of Tax Administration employees, which the tax authority defines in each individual case;

The obligation to keep data confidentiality is the right of the taxpayer from Article 24, paragraph 1, item 4) of the LTPTA, which stipulates that the taxpayer, among other things, has the right to have data collected on him in the course of tax procedure by the Tax Administration kept confidential and used or made available to other persons or authorities or organizations, in the manner prescribed in Article 7 of this Law;

The obligation to keep data confidentiality shall not be breached only if a particular document, fact or data is disclosed in the course of tax, misdemeanor, preliminary investigation or court proceedings, pursuant to Article 7, paragraph 6, item 3 of the LTPTA. However, in order for the stated legal provision to be applied, it is necessary for the competent court before which the procedure is conducted to submit a reasoned and justified request to the Tax Administration.

The Council considers that Article 7 of the LTPTA cannot be applied in this case because it is not about any tax procedure, but the data on granted incentives and reliefs must be transparent as shown by all the institutions to which the Council addressed by submitting to the Council the names of the beneficiaries of incentives, subsidies and reliefs. Among other things, the Ministry of Economy instructed the Council to the Tax

Administration to be responsible for submitting data on individual users.

5. NATIONAL EMPLOYMENT SERVICE

National Employment Service, in accordance with the Law on Employment and Unemployment Insurance (“Official Gazette of RS”, No. 36/09, 88/10, 38/15, 113/17-other law and 113/17), performs the tasks of employment, unemployment insurance, exercising the rights from unemployment insurance and other rights in accordance with the law and keeping records in the field of employment. The scope of work of the National Employment Service, among other activities such as informing about employment opportunities and conditions, i.e. providing information-advisory or professional support to unemployed persons and employers, includes the implementation of programs and measures of active employment policy, which include the provision of financial support in employment to unemployed persons and employers (incentives/subsidies/reliefs). The implementation of active employment policy programs and measures is carried out in accordance with the Law on Employment and Unemployment Insurance and the Law on Professional Rehabilitation and Employment of Persons with Disabilities (“Official Gazette of RS”, No. 36/2009 and 32/2013), the Rulebook on criteria, manner and other issues of importance for the implementation of active employment policy measures (“Official Gazette of RS”, No. 102/15, 5/17 and 9/18), other regulations and strategic documents.

During 2019 and the first half of 2020, the National Employment Service, among others, implemented the following programs and measures of active employment policy, which include financial support to unemployed persons and employers:

Additional education and training programs

a. Internship

The internship program includes professional training of the unemployed for independent work in the profession, for which the appropriate qualification has been acquired, for the purpose of performing an internship, i.e. acquiring conditions for taking the professional exam, when provided by law or rulebook as a special condition for independent work in the profession.

The program is realized without employment.

Funding for the internship program lasts for a maximum of 12 months.

During the internship program, the National Employment Service pays funds to the engaged persons in the name of financial assistance and transportation costs, and calculates and pays contributions in case of injuries at work and occupational diseases, in accordance with the law. The program implies the acquisition of practical knowledge and skills through the performance of specific jobs, by establishing an employment relationship with an employer belonging to the private sector.

b. Acquisition of practical knowledge

The program implies the acquisition of practical knowledge and skills through the

performance of specific jobs, by establishing an employment relationship with an employer belonging to the private sector.

The program is intended for the unemployed without qualifications (without completed secondary education), i.e. for the unemployed with at least a secondary level of qualifications from the category of redundant employees and/or long-term unemployed who are registered with the National Employment Service for more than 18 months.

- The program is implemented by an employer belonging to the private sector and who:
1. establishes a fixed-term employment relationship with an unemployed person and exercises the right to reimbursement of salary costs for the included person for a period of three months. The employer has the obligation to keep the person employed for another three months after the end of the program; establishes an employment relationship for an indefinite period with an unemployed person at the beginning of the program or until the end of the third month, i.e. the end of the program, and is entitled to reimbursement of salary costs for another three months, i.e. a total of six months.
 2. The National Employment Service shall monitor the implementation of the contractual obligation six months after the end of the financing period.

Employer who established an employment relationship with the unemployed during the acquisition of practical knowledge and skills for work shall be refunded by the National Employment Service on a monthly basis the net salary and the related taxes and contributions for compulsory social insurance, for three or six months (depending on the type of employment).

c. Training at the request of the employer

The training program at the request of the employer implies participation in financing the training in order to acquire knowledge and skills needed to perform tasks in a particular job, if the National Employment Service does not have persons with the necessary knowledge and skills, i.e. existing knowledge and skills do not meet the needs of a particular job.

The training program at the request of the employer includes:

1. delivery of training lasting up to 480 hours (depending on the type, complexity of work and other elements of importance for the duration of training), in accordance with the standards of training levels or a special Law or Rulebook,
2. delivery of training for persons with disabilities in accordance with the training program for which approval was issued for the implementation of measures and activities of professional rehabilitation of the ministry responsible for employment and employment with at least 50% of participants who have successfully completed the training.

For the delivery of the training, the National Employment Service can pay funds to the employer in the name of participation in the financing of training costs, and the unemployed trainee is paid monthly financial aid and funds for transportation costs.

The National Employment Service, in accordance with the law, calculates and pays contributions in case of injuries at work and occupational diseases, for unemployed persons and unemployed persons with disabilities, who are participants in the training.

d. Training for the needs of the employer for the employee

The training program for the needs of the employer for the employee is conducted in order to acquire additional knowledge and skills of the employee in order to improve competencies, acquire missing knowledge, abilities and skills.

The goal of the training is to maintain employment with the employer.

The training may be conducted by a publicly recognized organizer of adult education activities, in accordance with the regulations specified in the Law on Adult Education and bylaws, or a training provider licensed by the competent institution in accordance with special legal regulations, based on the stated needs of the employer.

The National Employment Service may participate in the financing of training costs, in accordance with the available funds and regulations for the granting of state aid.

e. Interns with a high level of qualification

The internship program for unemployed persons with a high level of qualification implies professional training of the unemployed for independent work in a profession for which a high level of qualification has been acquired, for the purpose of performing an internship, i.e. acquiring conditions for taking a professional exam when it is provided by law, i.e. rulebook as a special condition for work on certain jobs, with the establishment of employment.

The program is implemented with an employer belonging to the private sector and lasts in accordance with the law, i.e. on the basis of the act on organization and systematization of work with the employer, and the National Employment Service participates in financing for up to nine months for persons with sixth qualification level and a maximum of twelve months for persons with at least the seventh level of qualification, respectively.

During the implementation of the internship program, the National Employment Service reimburses the employer on a monthly basis the net salary and the related taxes and contributions for compulsory social insurance, for a period of up to nine and twelve months, respectively.

f. Interns with a medium level of qualification

The internship program for unemployed persons with a medium level of qualification implies professional training of the unemployed for independent work in the profession for which the appropriate qualification has been acquired, for the purpose of performing an internship, when it is provided by law, i.e. rulebook as a special condition for work on certain jobs, with the establishment of employment.

The program is implemented with an employer belonging to the private sector and lasts in accordance with the law, i.e. on the basis of the act on organization and

systematization of work with the employer.

During the implementation of the internship program, the National Employment Service reimburses the employer on a monthly basis the net salary and the related taxes and contributions for compulsory social insurance, for a period of up to six months.

g. Public works

The program of public works is intended primarily for the employment of hard-to-employ unemployed persons and the unemployed in a state of social need, in order to preserve and improve the working abilities of the unemployed, as well as to achieve a certain social interest. Public work is carried out by the employer - the contractor of public work, when determined by the National Employment Service on the basis of a public competition.

Funds intended for organizing the implementation of public works are:

- payment of compensation for work performed to persons engaged in public works on the basis of contracts on temporary and occasional jobs, on a monthly basis for a full fund of working hours, i.e. in proportion to the time of employment on a monthly basis, increased by taxes and contributions for compulsory social insurance. The stated fee also includes the costs of arrival and departure from work;
- reimbursement of the costs of conducting public works to the employer, a lump sum payment;
- reimbursement of training costs.

h. Subsidy for employment of unemployed persons from the category of hard-to-employ in newly created jobs

It implies a one-off financial incentive to employers from the private sector to create new jobs where unemployed people from the category of hard-to-employ people are employed.

The amount of the subsidy is determined by the category of persons and the level of development of the local self-government unit according to the place of work of the person, and in accordance with the valid decree of the Government of the Republic of Serbia.

Employers who are granted a subsidy have the obligation to keep the persons whose employment is subsidized in full-time employment, in accordance with the law, for at least 12 months, or in case of termination of employment to make replacement in accordance with the public invitation and settle obligations based on taxes and contributions for compulsory social insurance, in accordance with the law.

i. Subsidy for self-employment

The subsidy for self-employment is intended for the unemployed who are registered with the National Employment Service and have completed training for the development of entrepreneurship. An unemployed person who exercises the right to a subsidy for self-employment is obliged to perform a registered activity and, on that basis, pays

contributions for compulsory social insurance for at least 12 months, starting from the day of starting the activity.

The subsidy for self-employment is awarded in a one-off payment, depending on the category of the unemployed person, for the purpose of founding a shop, cooperative or other form of entrepreneurship, as well as founding a company, if the founder is employed there.

j. Incentives for employment of unemployment benefit beneficiaries

An unemployed person, who is a beneficiary of unemployment benefits for at least three months from the moment of recognition of rights, and establishes an employment relationship for an indefinite period, is entitled to a one-off financial incentive for employment in the amount of 30% of the total benefit, without contributions for compulsory social insurance, which would be paid to him/her for the remaining time until the expiration of the right to financial compensation. The beneficiary of financial compensation may exercise this right only for the establishment of one employment relationship during the period of the same right to financial compensation, if he/she submits a written request within 30 days from the date of establishment of that employment relationship.

k. Payment of one-off financial assistance

At the request of the beneficiary of the cash benefit, the National Employment Service may pay a cash benefit in case of unemployment in a one-off financial assistance for self-employment. The amount without contributions for compulsory social insurance is paid for the remaining time of the payment period from the date of registration of the activity for which the funds were approved.

l. Facilitation pursuant to the application of Article 45b of the Law on Contributions for Compulsory Social Insurance

Employer who employs person with a disability for indefinite period of time in accordance with the law governing the prevention of discrimination against persons with disabilities, for whom the appropriate legal and medically valid documentation prove disability, shall be released from the obligation to pay contributions for mandatory social security insurance to the base, or against the account of the employer for three years period from the date of employment of that person. This part of the contribution is paid by the National Employment Service on a monthly basis, based on the processed electronic applications of PPP PD received from the Tax Administration.

m. Wage subsidy for people with disabilities without work experience

An employer who employs a person with a disability without work experience for an indefinite period of time is entitled to a wage subsidy for that person, for a period of 12 months from the day of establishing an employment relationship with the person with a disability.

Wage subsidy is approved on the basis of the submitted request of the employer, in the amount of up to 75% of the total wage costs with the corresponding contributions for compulsory social insurance, but not more than the amount of the minimum wage determined in accordance with labor regulations (monthly).

It is realized according to the regulations on state aid for the employment of persons with disabilities and other regulations on state aid.

n. Reimbursement of costs to support persons with disabilities who are employed under special conditions

An employer who employs a person with a disability who is employed under special conditions (the Decision on the assessment of working capacity and the possibility of employment or maintenance of employment determines the 2nd degree of difficulties and obstacles) may be entitled to reimbursement of costs for Programs of employment support for persons with disabilities:

A) Reimbursement of salary costs to a person engaged in providing support at the workplace - work assistance

An employer who employs a person with a disability who needs professional support at the workplace, can exercise the right to reimbursement of salary costs for a person engaged in providing professional support to a newly employed person with a disability, only while providing professional assistance, for a maximum of 12 months.

The employer is reimbursed for the person engaged in providing professional assistance:

- costs of paid salary, without taxes and contributions, for the full fund of working hours, i.e. in proportion to the number of working hours of provided professional support to a person with disabilities in relation to the monthly fund of working hours (monthly);
- costs of related taxes and contributions for compulsory social insurance.

B) Reimbursement of appropriate costs of workplace adjustments

An employer who employs a person with a disability who needs a workplace adjustment may be entitled to a refund of the appropriate costs of workplace adjustment in a lump sum payment.

Adaptation of the workplace means technical and technological equipment of the workplace, capital equipment, premises and equipment in accordance with the capabilities and needs of the employee with disabilities.

Reimbursement of support costs for these programs is realized in accordance with the regulations on state aid for the reimbursement of additional costs of employment of persons

with disabilities and other regulations on state aid. The amount of reimbursement of support costs must not exceed 100% of the justified additional costs.

At the request of the Council, the National Employment Service submitted an excel spreadsheet. The table contains data on beneficiaries - employers and persons who have been approved funds under active employment policy programs and measures in 2019 and the first half of 2020 (incentives/subsidies/reliefs), as follows: name and registered office of the employer, identification number, LIB, name of the measure, number of persons for whom funds have been approved, amount of contracted funds and collateral (for measures in which the same is envisaged).

Due to the massiveness of data in the submitted table, the Council will not present them in the Report in individual amounts, but collectively. The summary data are presented in the following Table prepared by the Council.

It can be seen from the table that through the National Employment Service for 2019 and the first half of 2020, various incentives were given to 36,736 people in the amount of 7.4 billion dinars. The largest amount of subsidies was given for public works, professional practice, creation of new jobs, self-employment.

From the excel table submitted to the Council, it can be seen that the largest number of users received incentives for employment in non-productive activities.

It is very important to point out that the control of the intended spending of the obtained funds for such a large number of users is almost impossible for all users, as well as the effects of incentive measures.

For many measures, the National Employment Service monitors only a few months of the incentives given.

The Council, among others, addressed the National Employment Service with the question whether it monitors and if so, what are the effects of incentive measures in its domain. The answer was submitted to the Council in the form of annual reports on the work of the National Employment Service, which was not a request of the Council.

NATIONAL EMPLOYMENT SERVICE DATA

NO.	NAME OF THE MEASURE	NUMBER OF GIVEN SUBSIDIES		TOTAL NUMBER OF GIVEN SUBSIDIES FOR 2019 AND 2020	NUMBER OF PERSONS GIVEN SUBSIDY		TOTAL NUMBER OF PERSONS GIVEN SUBSIDY 2019 AND 2020	AMOUNT IN DINARS		TOTAL AMOUNT IN DINARS 2019 AND 2020
		2019	2020		2019	2020		2019	2020	
1.	Payment of compensation in a lump sum	83	32	115	83	32	115	7,993,124.31	2,696,578.28	10,689,702.59
2.	Public works	1105	586	1691	6356	3550	9906	1,126,153,789.00	519,446,875.77	1,645,600,664.77
3.	Training for the needs of the employer for the employee	2		2	25		25	1,000,000.00		1,000,000.00
4.	Labor market training	191	9	200	1659	70	1729	258,943,818.51	4,309,331.96	263,253,150.47
5.	Training at the request of the employer	156	28	184	1015	97	1112	136,419,452.92	15,071,952.00	151,491,404.92
6.	Incentive for employment of cash benefit users	10	2	12	10	2	12	140,568.69	29,816.88	170,385.57
7.	Interns and volunteers	442	236	678	501	270	771	256,943,942.05	138,748,352.67	395,692,294.72
8.	Project "Second Chance" - FOOO	55		55	1388		1388	116,960,904.00		116,960,904.00
9.	Reimbursement of appropriate costs of workplace adjustments	19	6	25	19	6	25	6,239,085.83	2,070,659.35	8,309,745.18
10.	Reimbursement of wage costs - Work assistance	30	11	41	30	11	41	27,684,000.00	10,692,000.00	38,376,000.00
11.	Acquisition of practical knowledge	585	167	752	920	254	1174	230,911,815.47	72,900,000.00	303,811,815.47
12.	Internship	3954	1652	5606	5278	2215	7493	1,096,648,305.48	533,993,089.90	1,630,641,395.38
13.	Subsidies for creation of new vacancies	3745	1132	4877	5118	1511	6629	1,017,633,000.00	341,600,000.00	1,359,233,000.00
14.	Subsidy for self-employment	4480	1134	5614	4480	1134	5614	928,299,000.00	283,520,000.00	1,211,819,000.00
15.	Wage subsidy for PWD without work experience	483	154	637	531	171	702	231,834,604.00	75,530,016.00	307,364,620.00
TOTAL		15340	5149	20489	27413	9323	36736	5,443,805,410.26	2,000,608,672.81	7,444,414,083.07

6. DEVELOPMENT FUND

The Council received information from the Development Fund that all data on the allocated incentive funds for 2019 and the first half of 2020 could be found on the Fund's website. Based on these data, the Council made a table from which you can see the type of incentives, the amount of loans and the amount of non-refundable funds, as well as the number of approved applications.

The data in the above table show that in a year and a half, 20.3 billion dinars of loans and 1.4 billion non-refundable funds were approved to entities (legal entities and individuals) through the Development Fund.

In 2019, the amount of approved loans was 9.2 billion dinars, of which the largest amount of loans was approved for refinancing loans with banks, as well as for permanent working capital. In addition, 3.5 billion dinars was approved for the development of entrepreneurship through development projects. RSD 28 million was approved for maintaining current liquidity.

However, the situation in the first half of 2020 is significantly different not only in the amount, but also in the basis on which loans and non-refundable are approved. Namely, due to the new circumstances related to COVID 19, in the first half of 2020, 11.1 billion dinars of loans and 412 million non-refundable funds were approved, of which 8.6 billion dinars refer to Covid 19 alone. Loans were approved primarily to maintain current liquidity for 1,564 claims.

DEVELOPMENT FUND DATA

year	Total number of sessions held	Loans	Non-refundable funds	Number of approved requests	
2019	13	Long-term loans for investments/loans for refinancing loans with banks - legal entities and entrepreneurs	3,287,374,653.09		88
		Long-term investment loans (permanent working capital) - legal entities and entrepreneurs	1,975,541,478.20		158
		Entrepreneurship development through development projects - legal entities and entrepreneurs	3,545,609,581.88	791,258,068.46	191
		Financial support for start-ups - legal entities and entrepreneurs	412,605,517.92	186,559,325.43	263
		Loans for maintaining current liquidity	28,000,000.00		2
		TOTAL	9,249,131,231.09	977,817,393.89	702
2020	24	Long-term loans for investments/loans for refinancing loans with banks - legal entities and entrepreneurs	510,158,836.85		21
		Long-term investment loans (permanent working capital) - legal entities and entrepreneurs	273,050,000.00		22
		Entrepreneurship development through development projects - legal entities and entrepreneurs	1,556,304,224.78	343,747,006.06	72
		Financial support for start-ups - legal entities and entrepreneurs	155,749,986.33	68,268,076.60	76
		Liquidity loans	15,000,000.00		1
		Liquidity loans - Financial support in conditions caused by the COVID-19 pandemic - legal entities and entrepreneurs	7,205,093,209.00		1354
		Liquidity loans Covid-19 for Business entities engaged in tourism, catering and passenger transport	1,357,570,000.00		200
		TOTAL	11,072,926,256.96	412,015,082.66	1746
TOTAL 2019 + 2020		20,322,057,488.05	1,389,832,476.55	2448	

7. CONCLUSION

State aid that is given in the form of incentives, subsidies and reliefs, must be planned by the Law on Budget from real sources and approved according to priorities and areas that are of national interest for the Republic of Serbia. If we look at 2019 and 2020, it is clear that the state of Serbia, due to extraordinary circumstances, which refer to the pandemic due to the corona virus, had to adopt extraordinary measures in the field of state aid. Namely, the budget for 2020 envisaged a subsidy of 95.8 billion dinars, and that amount increased to 278.2 billion dinars through two budget revisions (from April and November 2020).

Such a large increase in state aid expenditures was not planned in the 2020 budget, so it can only be provided from credit funds, where credit conditions are inaccessible to the public and where there should be additional responsibility for spending those funds.

In order to make the most expedient distribution of state aid funds in modest economies, such as Serbia's, serious analyzes are necessary of how the previously given state aid reflected not only on the economic, but also on the national interest, how much it is controlled and possibly abused.

On that occasion, the Council asked all institutions, whose data it processed in its Report, for information on how the given incentives, subsidies and reliefs to users of funds in the previous period affected the gross domestic product of the Republic of Serbia, i.e. how useful they were, but he did not receive an answer from any institution. Namely, the Tax Administration, the Development Agency of Serbia and the Development Fund informed the Council that it was not within their competence. The Ministry of Economy and the Ministry of Agriculture and Forestry submitted extensive documentation, but not a concrete response to the Council's request. If there is no good analysis of the effects of previously given state aid, then the question arises as to how each subsequent distribution is resolved.

In the very structure of state aid beneficiaries, even before the occurrence of extraordinary circumstances, it could be seen that some areas were neglected, which the Council noticed two years ago in its Report. Namely, the area of environmental protection, which is of national importance for the Republic of Serbia, did not receive serious funds either in the budget for 2020, or even after two rebalances. The health of the inhabitants of the Republic of Serbia is endangered by great pollution of the air, water and the environment in general, which has lasted for decades, but unfortunately nothing serious is happening in that field.

The fact that over 500 million euros were spent only for a one-time assistance in the amount of 100 EUR to each adult citizen of the Republic of Serbia and pensioners, clearly shows how small subsidies are given for environmental protection, agriculture, culture, etc.

The population of the Republic of Serbia needs assistance, primarily through employment, as well as assistance to persons who are employed or retired, and whose income is not sufficient for a normal existence.

However, giving all citizens one-time assistance, even those who live decently in the Republic of Serbia, has no social justification.

The Council believes that the development of social maps in the Republic of Serbia could help solve this problem by achieving greater effects for smaller allocations of state funds. Giving state aid to the socially endangered category of the population on the basis of social cards would achieve the effect of greater and more efficient social care for citizens who

really need assistance.

State aid to all citizens can have a counter effect, i.e. the illusion that this assistance is given for political gain, i.e. vote buying. What the economic effects of such one-off financial assistance to citizens are, the Fiscal Council assessed in its report, citing the following:

“Even if Serbia did not have a large public debt, it would not be economically justified for Serbian citizens to borrow in order to give funds to companies that do not have business problems or high-income citizens during the pandemic. The measure is economically inefficient because it cannot affect the significant and sustainable acceleration of the domestic economy, while on the other hand it creates an unplanned cost in the budget”¹

The Fiscal Council further states:

“Payment of 100 euros to (all) adult citizens is an irresponsible fiscal policy that will impede the implementation of systemic measures for inequality and poverty reduction in the future. The program of paying all adult citizens 100 Euros requires huge budget funds, exceeding 70 bn dinars. The Republic of Serbia had to secure these funds by taking out loans on the international capital market, which means that the costs of this debt will be borne by all taxpayers in the years to come. Hence, the effect on inequality and poverty reduction will not just be a one-off limited effect in 2020, but repayment of the increased public debt will decrease the budget space for support to citizens at risk in the upcoming years, which actually hinders the establishment of an institutional, system framework for inequality and poverty reduction in the future. For this reason, such programs are generally seen as poor public policy, both from the fiscal and from the social viewpoint.”²

Based on unofficial data, those costs in 2020 and the costs announced for 2021 will amount to several billion euros. What the actual costs on that basis will be, the Council believes that this information will never be fully available to the public, as well as all other costs related to the purchase of medical equipment, drugs, vaccines, construction of hospitals, etc. caused by the corona virus pandemic. The Council believes that there are no justified reasons not to publish all these costs and to discuss them because the fight against the pandemic is a priority and a fight in the interest of all citizens of Serbia.

Dealing with the topic of state aid two years ago, and even now, the Council has noticed that the largest subsidies are given to the economy through the Ministry of Economy and the Development Fund. The beneficiaries of these subsidies are mostly foreign investors who are given subsidies to hire new workers and make serious investments. Serious investments are, in a way, a guarantee that these companies will stay in the Republic of Serbia, and thus guarantee jobs and regular payment of their salaries and contributions. How many investments have been actually realized in the period from five years ago until today, the Council did not receive data from either the Ministry of Economy or the Development Agency of Serbia. The only thing that is certain is that the monitoring of many investments ends at the end of the year, i.e. the obligation of investors to guarantee jobs and employee benefits.

No competent institution has provided an answer to what is the purpose of subsidies, given primarily to foreign investors, which from 2014 to the first half of 2020 in direct

¹ www.fiskalnisavet.rs – Anti-crisis measures in 2021 (responsible approach to prevent predominant government borrowing) published on 2 February 2021

² Fiscal Council http://fiskalnisavet.rs/doc/analize-stavovi-predlozi/2020/FC-Effects_of_the_measure_100_Euros_for_each_adult_citizen_on_inequality_and_poverty-Comment_on_ILO-EBRD_study.pdf

payments alone amounted to over 500 million euros,

In addition to these direct payments, foreign investors receive free locations, tax reliefs, which can endanger domestic producers through unfair competition.

In addition to subsidies to foreign investors through the Ministry of Economy, incentives are given for the development of entrepreneurship, for beginners in employment, to encourage local and regional development, but in much smaller amounts. These incentives are distributed to a large number of users, so adequate control of purposeful spending is difficult, i.e. it is usually lacking.

In the conditions of the pandemic with the COVID-19 virus, the Government decided to support the economy through tax relief, subsidizing minimum wages, and favorable loans.

The Tax Administration did not submit data on which entities received tax relief and in what amount. Thus, this time as well as two years ago, the Tax Administration has shown that huge public funds that are approved in the form of tax relief in procedures that are not transparent can cause suspicion that something is being covered up and that there are elements of corruption.

As can be seen from the Report, the Republic of Serbia provides incentives, subsidies and relief through the Ministry of Agriculture, Forestry and Water Management, but in very small amounts. This trend has not changed over the years, or even now, in times of emergency. The importance of agriculture is clearly shown during the pandemic, because Serbia not only has enough food for its population, but also for export. Agricultural production is a key factor, which is why the Serbian economy now has better results than the surrounding countries.

Unfortunately, after two budget revisions in 2020 and an increase in total subsidies from 95.8 billion dinars to 278.2 billion, the state allocated only 46.9 billion dinars for agriculture, forestry and water management, that is slightly more than six billion after two budget rebalance. In these extraordinary circumstances, some positions have also been reduced, such as allocations for animal health.

It is known that there is the largest number of small farms in Serbia, which are very affected by the crisis caused by the pandemic virus, and that there are no additional support measures for them in emergency circumstances. These farms are mostly in underdeveloped areas, so it is not surprising that young people are leaving the village.

Thus, on the one hand, we have a situation where the state allocates billions of dinars by subsidizing the minimum wages in order to save jobs, and on the other hand, it does not sufficiently motivate people to live and work in the countryside. The state cannot encourage the payment of minimum wages in the long run, but employers must adjust and change their economic activities. The problem of employment is not solved by subsidizing the minimum wage, but by seriously restructuring the labor force.

Anyhow, the problem of the labor force in Serbia, whether it is the unemployed or deficient occupations, is especially difficult, having in mind that Serbia has a small number of inhabitants with an unfavorable age structure. It is therefore very important which activities are subsidized and which staff. It is not most important to give about 50 million euros in subsidies for a year and a half as an incentive for various types of employment, through the National Employment Service, but to know what the real effects of the given incentives are for the state and its population.

By analyzing the data in the period 2019 and the first half of 2020, which refer to state aid in the form of subsidies, incentives and reliefs, the Council noticed the same problems that existed two years ago when it submitted the The Report on Allocation of State Aid to

Business Entities in the Republic of Serbia to the Government. Unfortunately, due to the occurrence of extraordinary circumstances caused by the corona virus pandemic, the problems are far greater. In this regard, the Council makes certain recommendations to the Government, in order to assist in resolving them.

8. RECOMMENDATIONS

The Council makes the following recommendations:

1. The Council is of the opinion that subsidies, incentives and reliefs should be planned according to priorities of national importance for the Republic of Serbia from real sources rather than new borrowing;
2. The Council proposes that subsidies, incentives and reliefs be contracted in accordance with the Budget Law and not changed by a number of regulations during the current year;
3. that the policy of expensive subsidies and other incentives to foreign investors be reviewed and the Law on Investments be amended accordingly;
4. that the competent institutions, through which state aid is realized, perform an analysis of previously granted state aid and determine the effects of that aid, in order to change the policy of allocation of new funds depending on the previously achieved results;
5. that the state aid received by micro, small and medium enterprises be strictly controlled in terms of earmarked spending, that the priorities be production rather than service activities as is the case now;
6. that as far as possible, higher subsidies be granted for environmental protection;
7. that larger subsidies be approved for agriculture and water management;
8. that the Ministry of Agriculture, Forestry and Water Management review the subsidy policy so far and adjust it to the new circumstances, in order to maximum encourage food production;
9. that the Ministry of Agriculture, Forestry and Water Management, through new subsidy measures, assist small farms, which are run by young people, in order to more easily procure or renew machinery and other equipment, by providing them with a grant to participate in favorable loans with a fixed grace period;
10. that domestic investors who would invest in the production of food products and to help them sell them be subsidize;
11. that the employment policy be addressed as one of the most important priorities, primarily in the part of the subsidy of the minimum personal income;
12. that the National Employment Service monitor the long-term effects of the given subsidies, reliefs and incentives and that on the basis of that analysis, in cooperation with educational institutions, propose to the Government expedient incentive measures;
13. that the Tax Administration make available all data related to tax reliefs by name of beneficiaries, not only to the Council on the basis of requests, but also to the public, to the extent permitted by laws and bylaws, bearing in mind that these are the funds of all citizens

of the Republic of Serbia;

14. that special attention be paid to traffic subsidies, because in addition to large subsidies, railway joint stock companies and PE Roads of Serbia show large losses.

VICE-PRESIDENT

Prof. dr Miroslav Milicevic