

Program of economic measures to reduce the adverse effects caused by the Kovid-19 virus pandemic and support the Serbian economy

MEASUREMENT OVERVIEW:

Measures policy taxes	Postponement of payment of payroll taxes and contributions to the private sector, in a state of emergency, with a subsequent repayment of liabilities incurred in installments beginning at the earliest 2021.
	Delaying the payment of income tax advances in the second quarter
	Exemption of donors from the obligation to pay VAT
Direct assistance to the private sector	Direct assistance to flat-rate entrepreneurs who pay taxes on real income, micro, small and medium-sized enterprises in the private sector - payment of minimum wage (3 minimum wages during a state of emergency)
	Direct assistance to large private sector enterprises - payment of 50% of the net minimum wage (during a state of emergency) for employees who have been terminated by a decision (Articles 116 and 117 of the Labor Law)
Measures to preserve liquidity	Program of financial support to the economy in the conditions of Kovid-19 crisis of the Development Fund of the Republic of Serbia
	Guarantee scheme to support the economy in the conditions of Kovid-19 crisis
Other measures	Moratorium on dividend payments by the end of the year, except for JP
	Fiscal stimulus - direct assistance to all adult citizens

The overall estimated effect of the measures amounts to RSD 608.3 billion (EUR 5.178 billion).

Since the aim of the measures is to preserve employment during the state of emergency, as well as to assist economic entities that have difficulty in doing business during the state of emergency, the measures do not apply to economic entities that:

- **reduce the number of employees by more than 10 percent during a state of emergency (not counting part-time employees whose contract expires during a state of emergency);**

- **temporarily ceased operations before the declaration of a state of emergency, that is, before 03/15/2020.**

The first set of measures presupposes, for the most part, the postponement of payment of tax arrears, with subsequent repayment in installments, at the earliest since the beginning of 2021. The deferral of taxes and earnings is deferred to ensure liquidity, sustain economic activity and employment. The payment of income tax advance payments in the second quarter is also postponed.

Postponement of payment of payroll taxes and contributions to the private sector, during a state of emergency, with a subsequent repayment of any liability incurred in installments beginning at the earliest from 2021. This measure is intended to increase the liquidity of all economic entities that pay salaries to employees. Also, this measure relates to deferring the payment of income tax on the self-employed activities of all entrepreneurs. The increase in liquidity is reflected in the deferral of payment of tax expenses and contributions to earnings. All employers who choose to use this measure can apply deferral of tax and wage costs until the beginning of 2021, and thereafter leave the possibility of deferring these costs further for up to 24 months without the obligation to pay interest at the request of the taxpayer. The basic conditions for implementing this measure are identical for all employers, regardless of their economic strength.

Delaying the payment of income tax advances in the second quarter. The measure aims to increase taxpayers' liquidity by delaying the payment of income tax advance payments for 2020 due in the second quarter of 2020. The basic conditions for the application of this measure are identical for all tax payers regardless of their economic strength. For the taxpayers to whom the measure applies, the basic conditions for implementation are identical regardless of the economic strength of the particular taxpayer.

Exemption of donors from the obligation to pay VAT. The main objective of this measure is to exempt those donors who donate their products, or products whose turnover they deal with, to institutions that are directly involved in activities aimed at preventing the spread and treatment of citizens from the disease COVID-19. We believe that prescribing this measure is fully appropriate to the circumstances, and that the conditions for the application of this measure should be laid down in a manner that will prevent any abuse.

The second set of measures relates to direct payments to enterprises, payment of minimum wage support for entrepreneurs, micro, small and medium-sized enterprises, i.e. subsidies of 50% of the minimum wage to large enterprises whose employees are sent on forced leave due to reduced business volume or complete suspension of work.

Direct assistance to flat-rate entrepreneurs paying real income taxes to micro, small and medium-sized enterprises in the private sector - payment of minimum aid (during the state of emergency), and for large enterprises payment of 50% of the minimum employees whose contracts have been terminated by a decision (Articles 116 and 117 of the Labor Law). This set of measures made a difference in the way it was applied based on the economic strength of the payer. Namely, it started from the

assumption that companies that are classified as large companies have significantly greater economic power than entrepreneurs, micro, small and medium-sized legal entities. In accordance with the above, entrepreneurs, micro, small and medium-sized legal entities have been provided with economic assistance in the amount of net minimum wage for each person who has an employee status.

For legal entities classified as large, assistance was determined in proportion to the number of persons retained by these employers, although the need for such persons ceased to exist.

Accordingly, this set of measures is aimed at the state effectively bearing part of the burden of payment of wages to persons for whom there has been a disruption, and which employers - large legal entities retain in employment.

With regard to the implementation of this measure, it should be especially taken into account that it does not enter into the business policy of taxpayers - large legal entities, nor does it limit the number of employees who determine termination of work (but not termination of employment), nor does it affect the extent of the rights exercised by employees during termination of employment. On the other hand, by the proposed measures, employers are sufficiently stimulated to maintain the existing level of employment, while in the case of entrepreneurs, small, micro and medium-sized legal entities, the greater scope of rights further enhances liquidity in order to maintain business, i.e. to abandon the initiation of termination proceedings.

The aim of the third set of measures is to preserve the liquidity of economic entities in the conditions of economic crisis expected during and after the end of the emergency caused by the COVID-19 virus pandemic. With this program, the Government of the Republic of Serbia wants to minimize external influences (decline in demand, interruption of supply chains, etc.) and their consequences (reduced employment, illiquidity, etc.) on the business of the Serbian economy. In particular, the program provides for two measures:

1) a program for granting loans for maintaining liquidity and working capital for companies in the segment of entrepreneurs, micro, small and medium-sized economic entities, agricultural holdings and cooperatives that are registered in the relevant register through the Development Fund of the Republic of Serbia;

2) Providing necessary Guarantees for supporting the economy in the conditions of the COVID-19 crisis for loans for maintaining liquidity and working capital for companies in the segment of entrepreneurs, micro, small and medium-sized economic entities, as well as agricultural farms through commercial banks operating in the Republic of Serbia. **The total value of the programs envisaged by this measure is RSD 264 billion (around EUR 2.2 billion).**

The fourth set of measures relates to the payment of direct assistance in the amount of 100 euros in dinars equivalent to all adult citizens of the Republic of Serbia.

Measures adopted by the government and the measures that are underway:

- The prices and margins of basic foodstuffs, protective equipment, as well as the retail price of protective equipment are limited, in order to prevent market distortions and to enable the regular supply of basic essentials and protective equipment and supplies to the citizens. For the same reasons, the export of basic essential commodities (seeds, oil, yeast, soaps, detergents, disinfectants, alcohol, protective equipment) is temporarily prohibited.
- Furthermore, in order to protect the population, it was decided that all personal documents of citizens of the Republic of Serbia who had already expired or should expire soon should be considered valid for the duration of the Decision on Declaration of Emergency.
- The time limits in administrative proceedings are harmonized in such a way that the parties cannot bear the consequences of non-compliance with the deadlines due to the state of emergency, while in court proceedings, the deadlines cease to run during the state of emergency, and the continuation of the calculation of time limits is related to the termination of the state of emergency.
- In order to protect employees and employed persons, a number of measures have been taken that oblige the employer to enable telework, work from home, work in smaller shifts, in order to protect employed persons.
- Taxpayers who have an approved deferred tax payment during the state of emergency will not be subject to cancellation of the agreement and the collection of unpaid tax debt (from collateral and in enforced collection), beginning with the March 2020 installment.
- Due to the declaration of a state of emergency in the Republic of Serbia, the deadlines are being postponed for the preparation and submission of annual financial reports of direct beneficiaries of the budget funds of the Republic of Serbia, budgets of autonomous provinces and local self-government units, final accounts of the RS budget, autonomous provinces, budgets of local self-government units and organizations for binding social security, as well as the consolidated report of the Republic of Serbia and the consolidated reports of cities for 2019.

The National Bank of Serbia has adopted provisional measures in order to preserve the financial system, namely:

- Delay in repayment (moratorium) to debtors on repayment of loans, as well as financial leasing obligations, not less than 90 days, or from the duration of a state of emergency, during which time the bank does not calculate default interest on arrears and does not initiate execution procedure, as well as the procedure of enforced collection of debts, that is, does not take other legal actions in order to collect claims against the debtors. The debtors will not pay any reimbursement for the use of this opportunity, and such loans will not be considered as restructured or problematic claims.
- During a state of emergency, the leasing provider does not calculate the default interest on the outstanding claim and does not initiate the enforcement procedure, as well as the compulsory collection procedure against the lessee, or undertake other legal actions to collect the receivable from the lessee.
- In addition, in accordance with the Payment Remuneration Decision, fees and other costs for the payment and transfer of funds to receive donations to combat the epidemic of COVID-19 cannot be charged for. This Decision applies to banks, electronic money institutions, payment institutions and the public postal operator, as well as the National Bank of Serbia for the payment and transfer of funds to receive donations in the fight against the COVID-19 pandemic.