

I BASIC PROVISIONS

Scope of application

Article 1.

This Law regulates foreign investment into companies and other forms of business establishments with the aim of profit gaining (hereinafter referred to as: companies) in the Federal Republic of Yugoslavia. Foreign investment in banks, other financial institutions, insurance companies and free zones is regulated by the Federal Law that regulates its establishment or its legal status.

Foreign investor

Article 2.

Foreign investor, within the scope of this Law, is:

1. A legal person established in compliance with a foreign law, whose principle place of business is abroad;
2. A foreign physical person;
3. A Yugoslav citizen having permanent residence abroad longer than one year.

Foreign Investment

Article 3.

Within the scope of this Law a foreign investment in Federal Republic of Yugoslavia is:

1. Foreign investment in a Yugoslav company by which investment the foreign investor acquires a stake or shares of the basic capital of the Yugoslav company;
2. Acquiring any other property rights of foreign investor by means of which the foreign investor realizes his business interests in Federal Republic of Yugoslavia.

Basic forms of foreign investment

Article 4.

A foreign investor may, on his own account or jointly with other foreign or domestic investors:

1. Establish a new company;
2. Make an acquisition of stake or shares of an existing company;

Legal documents that regulate legal relations in regard to foreign investment are the contract on establishment or the contract on investment that are concluded in written form or decision on establishment made in written form.

Special forms of foreign investment

Article 5.

A foreign investor may be granted a permit (concession) for exploitation of a natural resource, an asset in general exploitation or for performance of the activities of general interest, in compliance with the law.

A foreign investor may build, operate and transfer (B.O.T. -Build, Operate and Transfer) a specific facility, installation or plant, as well as infrastructure and communications facilities.

Investment of a foreign investor

Article 6.

The investment of a foreign investor may be in a foreign convertible currency, in kind, intellectual property rights, securities and other property rights. The investment of a foreign investor may be in dinars and may be transferred abroad according to the foreign currency regulations, wherein profit reinvestment is included. A foreign investor may convert its established claim into a stake or shares of the debtor company. Non-money investments must be expressed in monetary terms.

II GUARANTEED RIGHTS OF FOREIGN INVESTORS

Freedom of a foreign investment

Article 7.

Foreign investor may establish or invest into a company for performing all kinds of economic activities for profit purposes, unless this Law provides otherwise.

National Treatment

Article 8.

Respecting his investment the foreign investor enjoys equal status, rights and duties, as domestic legal and physical persons unless provided otherwise by this Law. Company with foreign investment enjoys equal legal status and carries on its business under equal conditions and in an equal manner as do Yugoslav companies without a foreign investment.

Legal Security

Article 9.

A foreign investor enjoys full legal security and legal protection in respect of rights acquired by virtue of the investment.

Rights of foreign investor acquired in the moment of registration of the legal documents cannot be deteriorated by subsequent alteration of laws and other regulations.

Investment of a foreign investor and assets of the companies with a foreign investment cannot be expropriated, nationalized, or subject to other acts of State of equal effect, unless when the public interest is established by the law or based on the law, and against payment of a compensation.

Compensation from paragraph 3 of this Article must correspond to the market value that the investment has on the day of the act of expropriation, nationalization, or other measure. The change in the investment value that may occur due to the fact that public has learned of the expropriation, nationalization or other measure, shall not have impact on the investment's market value estimation carried out for the purpose of payment of the compensation.

Compensation from paragraph 3 of this Article must be paid without delay in convertible currency and the foreign investor may freely transfer it abroad. In the case of a delay of the payment of this compensation the foreign investor has the right to the statutory interest.

Currency conversion and liberty of payment

Article 10.

The foreign investor may freely convert domestic currency into foreign convertible currency as regards each payment related to the foreign investment.

A company with a foreign investment is free to perform payments in its international business relations.

A company with a foreign investment may keep foreign currency on a foreign currency account with an authorized bank and may freely dispose with those resources.

Right of bookkeeping

Article 11.

A company with a foreign investment, apart from bookkeeping and financial reporting obligations in compliance with the domestic law, has the right of bookkeeping and making financial reports in compliance with the internationally recognized accounting and auditing standards.

Right to transfer of profits and property

Article 12.

Upon settlement of the obligations according to the domestic law, a foreign investor may, freely and without a delay and in a convertible currency, transfer abroad all financial and other assets related to the foreign investment, and particularly:

1. Income derived from the foreign investment (profits, dividends, etc.);
2. Property belonging to him upon termination of the subject of the investment or based upon the termination of the investment agreement;
3. Amounts received from the sale of stake or shares of the company with a foreign investment;
4. Amounts acquired on basis of a decrease of the basic capital of a company with foreign investment;
5. Additional payments;
6. Compensation from Article 9 of this law.

Preferential treatment

Article 13.

Yugoslav law is applicable to foreign investments made on the territory of Federal Republic of Yugoslavia. If an international or bilateral treaty, members of which are both the State of a foreign investor and Federal Republic of Yugoslavia, provides for the foreign investor or his investment a preferential treatment compared to the treatment provided for by this Law, such preferential treatment shall be applied.

III FOREIGN INVESTMENT INCENTIVES

Liberal import
Article 14.

Import of goods that represent the investment of a foreign investor is liberal, providing such goods satisfy environment protection laws.

Tax and customs benefits
Article 15.

A foreign investor and a company with a foreign investment enjoy tax and customs benefits in compliance with the law.

Customs Exemption
Article 16.

Importing (new) equipment on basis of the investment share of the foreign investor, except for motor vehicles, fun machines and lottery games, is exempt from customs and other import duties.

The right from paragraph 1 of this Article may be used according to the determined investment dynamics up to the time of the completion of the objects being built or a beginning of an activity into which the investment is being made or if the investment is being made on a basis of the profit reinvestment -throughout the validity of the contract or the agreement.

Customs exemption from paragraph 1 of this Article may be also used by a company with a foreign investment to the limit of the foreign investment and for period of two years from the day of the registration of the foreign investment.

IV DISPUTE SETTLEMENT
Courts and arbitration
Article 17.

All disputes arising from foreign investments may be resolved before the competent courts in Yugoslavia or before mutually agreed domestic or international commercial arbitration.

V SPECIAL PROVISIONS
Environment protection
Article 18.

In performing his activities the foreign investor is always obliged to act in compliance with the environment protection laws.

Right to minority shareholding in special fields and areas
Article 19.

A foreign investor may neither himself nor with another foreign investor establish in the Federal Republic of Yugoslavia a company in the field of manufacturing and trade of armaments, or in areas prescribed by the law as the restricted zones.

In these fields and areas foreign investor may establish a company jointly with a domestic entity or invest into a company, but may not acquire a majority shareholding in such company.

In a case described in paragraph 2 of this Article, the foreign investor is obliged to obtain an approval of the Federal Defense Ministry for the participation in establishing a company, or for the investment into a company. In the approval procedure the Ministry from paragraph 3 of this Article especially takes into consideration the quality, type and extent of the foreign investment.

The Ministry from paragraph 3 of this Article is obliged to bring a decision upon the request within 30 days from the receipt of application. If within the said period no decision is brought upon the request, it will be deemed that the approval is granted.

In the case of a refusal the Ministry from paragraph 3 of this Article is obliged to render a justified decision.

A complaint can be lodged to the Federal Government against the decision from paragraph 6 of this Article within 15 days from the receipt of the decision.

Against the final decision from paragraph 6 of this Article procedure in contentious administrative matters cannot be held.

Acquisition of real property

Article 20.

Foreign natural and legal person, in capacity of a foreign investor, may acquire ownership of real property in compliance with the law.

VI REGISTRATION AND EVIDENCE OF FOREIGN INVESTMENT

Registration of foreign investment

Article 21.

Foreign investments within the meaning of Article 3 paragraph I are registered in the competent Court in compliance with the law regulating status of commercial companies.
Registration of foreign investment into other forms for conducting economic activities for profit purposes is performed in compliance with the laws regulating their status.
Foreign investor in the fields and areas prescribed by Article 19 must obtain the approval within the meaning of paragraphs 3 and 5 of that Article, for purposes of registration of foreign investment in the competent Court.

Evidence of foreign investment

Article 22.

The Registry Court, by duty of office, informs the Ministry competent for Foreign Economic Relations, on registration of form of foreign investment, for evidence purposes.
The Ministry from paragraph 1 of this Article dispatches to the Registry Court a list of States with whom reciprocity does not exist, for each calendar year in advance.

VII TRANSITIONAL AND FINAL PROVISIONS

Application of this Law

Article 23.

This Law is applicable to all foreign investments that before the day of coming into effect of this law have not been registered in the competent Court.

Termination of validity of other regulations

Article 24.

As of the day of coming into effect of this Law, the Law on Foreign Investment (Official Gazette of the FR of Yugoslavia, no.79/94 and 29/96) is repealed.

Coming into effect

Article 25.

This law comes into effect on the eighth day from publication in the "Official Gazette of FR Yugoslavia".

Informal translation

Version in Serbian language; Official Gazette of the FR of Yugoslavia, no.3/2002

Law on Amendments of the Foreign Investment Law

Item. 1

In the Law on Foreign Investment (Official Gazette of the FRY, number 3/2002) in the Item 1. Article 2., after the words : "other financial institutions" the words "games of chance" has been added.

Item 2

Item 12. is changing into:

"Foreign investor can, freely and without the delay, in the convertible currency, transfer abroad all financial and other resources in relation to foreign investments, especially with:

- 1) Profit generated from the foreign investment (profit, dividends ..etc...)
- 2) Property acquired after the determination of the company with foreign shares, i.e. after the determination of the foreign investment contract
- 3) Amount acquired from the sales of the shares with foreign contribution
- 4) Amount acquired on the basis of reducing the equity of the company with foreign contribution
- 5) Additional payments
- 6) Contributions from the Item 9. of this Law.

Transfer of the financial and other resources from the Article 1. of this Item, could be implemented after satisfying the obligation on paying the corporate profit tax, tax on dividends and other obligations established by the Law on the basis of public revenues referring to the amount that is being transferred.

The amounts, from the Article 1. Clause 4) "could be transferred under one condition, if the Government had previously received the payment of the customs debt for the part of the equipment that had been imported, customs free, and after reducing the equity of the company, remained uncovered with the foreign contribution.

Item 3.

In the Item 16. , Article 3. , is changing into:

"Customs exemptions, from the Article 1. of this Item, could be used by the company with the foreign contribution up to the amount of the contribution of foreign investor in the capital of the company, in accordance with the Item 19. , and 26. of the Law on Accounting and Auditing, except the cash of the equity of the company, within the 2 years from the registration day of the foreign investment."

Item 4.

In the Item 21. , Article 1. , words: "Clause 1." are being deleted.

Item 5.

This Law is coming into force on the eight day from the day of announcement in the "Official Gazette of the FRY". (January 25th, 2003)