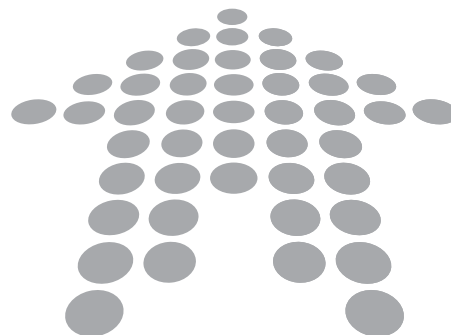




# GREY BOOK 16

---

*Recommendations for removing administrative  
obstacles to doing business in Serbia 2024 - Summary*





Sprovedeno od strane:



© 2024 NALED. This publication has been prepared NALED's expert team under the auspices of the organization's Executive Board, with the support of German Development Cooperation via Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH within the National Cashless Payments Initiative – Better Way, and Swedish International Development Agency (Sida) within the project Public Procurement and Good Governance for Greater Competitiveness. Analyses, interpretations and conclusions presented in this publication do not necessarily reflect the views of NALED's Executive Board or other bodies, or organizations that supported its development. Every effort has been made to ensure reliability, accuracy and up-to-date character of the information presented in this publication. NALED does not accept any form of responsibility for potential errors in the publication, or any financial or other form of damage arising or related to the use of this publication. This is to grant permission for use, copying and distribution of the publication contents exclusively non-for-profit use and with adequate indicating of names, i.e. the copyright of NALED.



# FOREWORD

---



**Dejan Đokić**  
President of the Executive Board  
NALED



Dear members and partners,

In the year which, hopefully, will leave another crisis behind us, we are welcoming the new, 16th edition of Grey Book that traditionally includes 100 concrete proposals for improving the business conditions. With 12 fully or partially resolved recommendations, for three years in a row, institutions have managed to maintain a steady reform pace. This year, we sought to acknowledge the efforts of certain ministries that have made major steps towards resolving NALED's recommendations, but the implementation is still to follow. This is why this year's edition introduces a new status of resolving recommendation „Initiated“, with another four recommendations falling under this category.

Grey Book's long-standing recommendations for abolishing the fee for conversion of the right to use to ownership rights and for establishing an electronic registry of agricultural holdings and incentives (eAgrar) have been fully resolved during 2023. NALED's analyses estimate that the abolishment of conversion fee will unlock five thousand hectares of land for new investments, while eAgrar, despite certain challenges in implementation, enabled electronic submission of subsidies applications for 200 thousands farmers.

Among the eight fully resolved recommendations, we also note the amendments to the Law on Public Procurement that introduced mandatory application of the green and quality criteria for certain items of procurement, in bidding procedures. Para-fiscal charges have been abolished for the procedure of obtaining the conditions for design and connection, while storing documentation in digital form has been enabled at construction sites, which, we believe, will have a positive impact on construction. Full implementation of electronic delivery with the introduction of eMailbox for businesses will contribute to further development of eGovernment.

Digitization continues to drive major changes, and it is essential to use its benefits for the big reforms we are nominating for the 2024 agenda, e.g. regulating flexible and seasonal work engagement, establishing eSickLeave and eHealthRecord, introducing electronic payment of all fees and charges, and resolving the matters of legalization and urban planning.

Grey Book 16 contains 19 new and 81 updated and improved recommendation. This year as well, we are continuing the practice of designating recommendations with an „EU badge“, with 18 highlighted as recommendations that would contribute to Serbia's faster EU integration. A novelty is that 13 recommendations bear a Cashless Payments designation, due to their importance for countering shadow economy and further development of electronic administration and business.

Over the past 16 years, our regulatory bible presented 320 unique recommendations, of which more than a half have been partially or fully resolved. Some required stronger efforts and implementation of systemic reforms, while others involved minor regulatory changes. Still, all of them sought joint effort and work of line institutions, international community, and NALED's committed members. I would like to thank all of you for your support and cooperation, and particularly our partners from German Development Cooperation (GIZ) and the „Better Way Initiative“, the Swedish International Development Agency (Sida), as well as my colleagues from the Executive Board who provided immense contribution to this year's edition.

## GREY BOOK 16: TEN PRIORITY RECOMMENDATIONS

N°	RECOMMENDATION	LINE INSTITUTION
1.1	Reduce the fiscal burden to the lowest salaries	Ministry of Finance
1.3	Introduce unified payment of taxes and contributions for entrepreneurs and automatic registration of pension record	Ministry of Finance
1.10	Enable electronic payment of all non-tax charges	Ministry of Finance
3.2	Establish a unique eHealthRecord and material resources record in healthcare	Ministry of Healthcare
4.3	Regulate flexible and seasonal forms of work engagement	Ministry of Labor, Employment, Veteran and Social Affairs
4.6	Enable electronic storage and delivery of labor relations documents	Ministry of Labor, Employment, Veteran and Social Affairs
5.1	Speed up and digitalize the legislation process	Ministry of Construction, Transport and Infrastructure
5.3	Establish a digital platform for developing and publishing the planning documents (eSpace)	Ministry of Construction, Transport and Infrastructure
8.7	Introduce a deposit system for the return of beverage packaging	Ministry of Environment Protection
13.2	Strengthen the capacities of inspections and introduce mandatory use of eInspector	Ministry of Public Administration and Local Government

# OVERVIEW OF IMPLEMENTED REFORMS IN 2023

---

During 2023, institutions have managed to resolve a total of 12 recommendations (eight fully and four partially), and initiate the resolving of another four Grey Book recommendations. The Ministry of Finance and Ministry of Construction, Transport and Infrastructure have been the reform leaders, taking into account the numerous regulatory activities they made in the previous year, but significant reforms have also been performed by the Ministry of Agriculture, Forestry and Water Management and the Ministry of Information and Telecommunications. The statistics of partially resolved recommendations was also strengthened, beside the mentioned Ministry of Finance and Ministry of Construction, Transport and Infrastructure, by the Ministry of Health and Ministry of Mining and Energy.

Below we give a brief overview of the reforms that marked 2023.

## **Abolished conversion fee**

Amendments to the Law on Planning and Construction abolished the fee for converting the right to use into ownership right over construction land for persons who acquired the right of use in the process of privatization, ownership transformation, bankruptcy or enforcement proceedings, which is one of NALED's and its Property and Investment Alliance's long-standing initiatives. At the time this edition was being prepared, the newly established Agency for Conversion Affairs received more than 600 requests, and according to research, this reform could free up 5,000 ha for new investments.

## **Abolished fee for issuing the conditions for the design and connection for facilities „A“ and „B“**

Further investments will be encouraged upon the abolishing of the fee for issuing design and connection conditions for „A“ and „B“ category facilities. This was made possible by amendments to the Law on Planning and Construction, defined with NALED's support, which is a key part of recommendation 5.4 from Grey Book 15 - Abolish para-fiscal charges in procedures for obtaining conditions for design and connection.

## **Law on Electronic Communications and Law on Electronic Media adopted**

The new Law on Electronic Communications, whose drafting included the work by NALED experts, encourages the connection and availability of new-generation electronic communication networks and their use by citizens and businesses, as well as market development and the improvement of business environment in the field of telecommunications. Also, it enables more efficient management and use of limited public goods and ensures additional protection of end users, while enabling maximum benefits in terms of choice, price and quality of services. This way, Serbia received a regulation that is fully harmonized with the European regulation - the European Electronic Communications Code - EU Code. Further on, along with harmonization with the Directive on Audiovisual Media Services from 2018 and the fulfillment of pre-accession obligations from Chapter 10, the Law on Electronic Media creates prerequisites for ensuring greater independence and professionalism of the Regulatory Body for Electronic Media (REM), and thus better regulation of the market electronic media.

## **Introduced mandatory application of green public procurement and quality criteria for certain procurement items**

Amendments to the Law on Public Procurement from 1 January 2024 introduced mandatory application of the so-called green public procurement, which means that for certain items of procurement, the selection of best bidder must take into account additional factors along with price, such as product lifetime, maintenance costs, recycling of products upon turning into waste, etc. It also prescribed the obligation of a purchasing party to apply quality criteria, along with price evaluation, for the procurement of software development, architectural services, engineering services, translation services or advisory services.

## **Improved conditions for entrepreneurship and freelancers**

In 2023, new system of self-taxation for freelancers was launched, thus solving the long-standing problem of taxation for individuals working for a foreign employer or domestic natural persons. Based on the new system, freelancers are able to pay their taxes and contributions on a quarterly basis, while also being able to exercise their right to health and pension insurance. Starting from July 2023, a theme web portal was also launched, developed in cooperation with NALED, allowing freelancers to easily fill out their tax returns and receive instructions for paying their obligations. So far, about 3,500 freelancers have registered on the portal.

---

In addition, by amending the Law on Personal Income Tax, as well as the Regulation on Flat-Rate Taxation, the Government extended the limit on the annual increase of tax base for already registered flat-rate taxpayers by a maximum of 10% until 2025, and the novelty for flat-rate taxpayers who are just starting a business is the 50% reduction of tax base in the first year of business.

### **Improved position of electricity prosumers (producers-consumers)**

The position of prosumers has been improved upon establishment of a single base for calculating tax and non-tax liabilities (VAT, excise duty and energy efficiency fee), which is the amount of consumed electricity. This led to higher predictability of expenses for this category of electricity consumers. A significant step in this direction had already been made with the amendments to the Law on VAT in late 2022, and further with the amendments to the Excise Law and the Law on Fees for the Use of Public Goods in 2023.

### **Improved electronic business administration**

Amendments to the Regulation on Office Operations from 2023 established electronic office operations as the rule, rather than an exception. Supporting software eRecords and eArchive were established, enabling public servants to fully switch to electronic business. Additionally, electronic systems have been used for some time now for the processes of submitting financial statements, tax returns, and building permit applications. Citizens are now using eMailboxes to receive extracts from registers, certificates of citizenship, as well as decisions on determined property tax or decisions on immovable property ownership registration. In 2023, however, a major breakthrough was made with the amendments to the Company Law and the Law on the Registration Procedure in BRA, which introduced the obligation for all business entities to have a registered account on the Electronic Identification Portal, as well as eMailboxes, and from that moment on, all public documents (e.g. decisions) must be submitted exclusively electronically. The adoption of the Rulebook on the content and method of keeping the inspection book, the construction diary and the construction book, enabled the option of keeping digital versions of these documents on a construction site.

### **Healthcare digitization reforms continued**

The Law on Health Documentation and Records in Healthcare established the national integrated health information system - RIZIS, which enabled the connection of all health institutions into a single data system, and the establishment of eHealthRecord, a unique registry of resources in healthcare, as well as 15 additional registries that will enable more efficient treatment and diagnostics. The introduction of eHealthRecord enabled citizens, for the first time, to have access into the history of illnesses and treatment from health centers, hospitals, state and private practices, all unified in a single place, and access to this data will be available to one's selected doctor, a specialist who is provided such authorization, emergency medical service, medical commission, or another doctor who is given access by the patient.

Amendments to the Law on Health Insurance provide that the RHIF will take over the process of calculating compensation in case of temporary incapacity for work, which will significantly speed up the procedure and relieve businesses of unnecessary administration. This is the first steps towards the establishment of an eSickLeave system, which will no longer require employees to bring remittances to their employer, who would then send them to RHIF on their behalf along with nine other documents. The creation of a digital solution is underway, in cooperation with the Ministry of Health and the Office for IT and eGovernment.

### **Progress made in digitization of agriculture**

In September 2021, amendments to the Law on Agriculture and Rural Development were adopted, prescribing the introduction of electronic platform eAgrar. Starting from January 2023, the Agrarian Payments Directorate began distributing parameters to farmers for accessing electronic accounts, and then from March, electronic re-registration of farms was initiated. Let us remind you that eAgrar is a reform that NALED has been advocating for almost a decade, and was actively involved in drafting regulations and platform specification proposals, while we did take part in the actual implementation.

Additionally, the Agricultural Land Directorate in cooperation with NALED defined a proposal to include Field Books in electronic form, and an instruction was prepared on how to keep the book, which will make it easier for farmers to implement this legal obligation, and for the administration to monitor the way state agricultural land is used.

## GREY BOOK 15: STATUS OF IMPLEMENTING RECOMMENDATIONS

N°	LINE INSTITUTION*	NUMBER OF RECOMMENDATIONS	RESOLVED	PARTIALLY RESOLVED	NOT RESOLVED
1	Ministry of Finance	23	3	0	20
2	Ministry of Economy	6	0	0	6
3	Ministry of Healthcare	8	0	1	7
4	Ministry of Labor, Employment, Veteran and Social Affairs	7	0	0	7
5	Ministry of Construction, Transport and Infrastructure	8	2	1	5
6	Ministry of Justice	6	0	0	6
7	Ministry of Agriculture, Forestry and Water Management	6	1	0	5
8	Ministry of Environment Protection	8	0	0	8
9	Ministry of Interior	1	0	0	1
10	Ministry of Culture	1	0	0	1
11	Ministry of Information and Telecommunications	2	0	0	2
12	Ministry of Internal and Foreign Trade	1	0	0	1
13	Ministry of Public Administration and Local Government	1	0	0	1
14	Ministry of Education, Science and Technological Development	1	0	0	1
15	Recommendations in jurisdiction of several institutions	18	2	2	14
16	National Bank of Serbia	1	0	0	1
17	Local governments	2	0	0	2
	<b>TOTAL</b>	<b>100</b>	<b>8</b>	<b>4</b>	<b>88</b>

\*With the formation of the new Government, in the fourth quarter of 2022, certain ministries were merged and separated and their names were changed. The table shows the names of the ministries according to the previous Law on Ministries.



# SCIENTIFIC COUNCIL'S OVERVIEW

---



**Dušan Vujović**  
President of  
Science Council  
NALED



**Goran Pitić**  
Member of  
Science Council  
NALED



**Branko Radulović**  
Member of  
Science Council  
NALED

*Dear members and partners,*

*On behalf of NALED's Scientific Council, we are pleased to support the sixteenth edition of Grey Book, the publication founded on the proposals made by businesses, local governments and the civil sector, that are used to articulate recommendations for line state institutions, with the aim of improving the business environment.*

*The methodology of drafting Grey Book is based primarily on practical experiences of businesses that face administrative obstacles and redundant bureaucracy in their daily work. Along with businesses, Grey Book recommendations also lean on the experiences of public administration, that also notes limitations and shortcomings of legal solutions while implementing them. Finally, important contribution is also provided by experts such as accountants or lawyers, as well as the citizens themselves, by pointing out the daily administrative challenges they are facing. Each of these identified problems is, to the extent possible, supported by data, whether from officially available sources or from analyses and research performed by NALED. When data allow, recommendations for resolving existing problems also include the estimated impact on businesses and citizens.*

*As in previous years, all proposals can be divided into four categories:*

- 1. Recommendations ready for immediate implementation because they are sufficiently precise, empirically and theoretically based, with well-estimated effects, and are supported by all key stakeholders.*
- 2. Recommendations that have different effects on groups of business entities, which is why they require additional consideration of the effects and reaching a consensus of different interests.*
- 3. Recommendations whose implementation must be preceded by a more detailed elaboration of the solution, training and capacity building of the public administration and businesses that will be affected.*
- 4. Initial recommendations that require additional consideration and analysis of all effects, including the reactions of business entities to the change in measures.*

*Along with 19 proposals that appear in the publication for the first time, 81 „old“ recommendations have been re-analyzed and improved, and some have been redefined in line with new circumstances in the field. Therefore, Grey Book 16 has the following key identified topics:*

- Reducing the scope of shadow economy (e.g. measures for encouraging cashless payments);*
- Improving the labor legislation (e.g. specifying certain provisions of the Labor Law);*
- Improving the investment environment (e.g. finalizing the legalization procedure);*
- Encouraging entrepreneurship and innovation (e.g. automatic entry of pension record for entrepreneurs);*
- Improving the conditions for agriculture (e.g. stimulating organic production);*
- Applying the concept of circular economy (e.g. introducing a deposit system);*
- Improving the healthcare insurance system (e.g. eSickLeave);*
- Modernizing the work of public administration (e.g. enabling electronic payment of all non-tax charges).*

## GREY BOOK 16: OVERVIEW OF RECOMMENDATIONS

N°	COMPETENT INSTITUTION	NUMBER OF RECOMMENDATIONS	NEW	OLD	EU BADGE	CASHLESS PAYMENT
1	Ministry of Finance	19	5	14	3	8
2	Ministry of Economy	6	0	6	0	0
3	Ministry of Healthcare	10	1	9	1	0
4	Ministry of Labor, Employment, Veteran and Social Affairs	9	3	6	1	0
5	Ministry of Construction, Transport and Infrastructure	7	0	7	0	0
6	Ministry of Justice	5	0	5	1	1
7	Ministry of Agriculture, Forestry and Water Management	5	0	5	1	0
8	Ministry of Environment Protection	7	0	7	2	0
9	Ministry of Interior	1	0	1	0	0
10	Ministry of Culture	1	0	1	0	0
11	Ministry of information and telecommunication	3	1	2	2	0
12	Ministry of Internal and Foreign Trade	1	0	1	0	0
13	Ministry of Public Administration and Local Government	3	2	1	0	0
14	Ministry of Mining and Energy	2	1	1	1	0
15	Multiple institutions	19	6	13	6	3
16	National Bank of Serbia	1	0	1	0	0
17	Local governments	1	0	1	0	0
	<b>TOTAL</b>	<b>100</b>	<b>19</b>	<b>81</b>	<b>18</b>	<b>13</b>

When preparing the recommendations, special focus was placed on examples of successfully implemented solutions in other countries, especially in Europe, as well as on harmonization with EU regulations with the aim of Serbia's faster EU integration, which is why the Grey Book, the same as in previous years, marked these recommendations with an „EU badge“.

#### GREY BOOK 16: RECOMMENDATIONS WITH AN EU BADGE

N°	RECOMMENDATION	LINE INSTITUTION
1.1	Reduce fiscal burden over under-average salaries	Ministry of Finance
1.3	Introduce unified payment of taxes and contributions for entrepreneurs	Ministry of Finance
1.10	Enable electronic payment of all non-tax charges	Ministry of Finance
3.4	Improve the procedure of making amendments (variations) to a medicine permit	Ministry of Healthcare
4.3	Regulate flexible and seasonal work engagement	Ministry of Labor, Employment, Veteran and Social Affairs
6.4	Prescribe a regime in which a natural person's debts are deemed written off	Ministry of Justice
7.1	Digitalize the process of managing field books and the registry of incentives	Ministry of Agriculture, Forestry and Water Management
8.1	Establish a functional green fund as an independent business entity	Ministry of Environment Protection
8.5	Regulate the manner of treating biodegradable kitchen waste	Ministry of Environment Protection
11.2	Enable the use of qualified electronic certificates issued abroad	Ministry of Information and Telecommunications
11.3	Reduce the cost of setting up broadband infrastructure	Ministry of Information and Telecommunications
14.2	Introduce a ban on using fluorescent light sources	Ministry of Mining and Energy
15.3	Enable donation of food with expired „best before“ date and abolish vat on food donations	Ministry of Agriculture, Forestry and Water Management, Ministry of Healthcare, Ministry of Finance
15.5	Simplify the procedures regarding dietetic products	Ministry of Health, Ministry of Agriculture, Forestry and Water Management
15.6	Improve the system of wastewater treatment and control	Ministry of Agriculture, Forestry and Water Management, Ministry of Internal and Foreign Trade
15.7	Harmonize regulations regarding the declaration of the country of origin of food	Ministry of Agriculture, Forestry and Water Management, Ministry of Internal and Foreign Trade
15.9	Change the system of mobile telephony base stations' environmental impact assessment	Ministry of Environment Protection, local governments
5.11	Improve and liberalize regulations on foreign currency operations	National Bank of Serbia, Ministry of Finance

*This year, we performed an additional level of analysis by adding a new designation on cashless payments, with all recommendations being observed through the prism of possible digitization of transactions, which significantly reduces the risk of shadow economy, encourages further eGovernment development and eases the work and payments for businesses and citizens.*

#### GREY BOOK 16: RECOMMENDATIONS WITH A CASHLESS PAYMENTS DESIGNATION

N°	RECOMMENDATION	LINE INSTITUTION
1.5	Prescribe a shorted deadline for the refund of excess VAT	Ministry of Finance
1.7	Enable 100% use of tax credit based on investments in fixed assets	Ministry of Finance
1.10	Enable electronic payment of all non-tax charges	Ministry of Finance
1.13	Ease the administration related to electronic invoices	Ministry of Finance
1.15	Ease and lower the costs for electronic payment of real estate rent tax	Ministry of Finance
1.17	Apply cashless payments as a risk reduction factor during tax control	Ministry of Finance
1.18	Lower the allowed limit for cash payments	Ministry of Finance
1.19	Introduce incentives for the development of cashless payments	Ministry of Finance
6.1	Lower high and abolish unnecessary court fees	Ministry of Justice
15.2	Enable issuance of a unified certificate of paid taxes	Ministry of Finance, local governments and Office for IT and eGovernment
15.15	Introduce cashless payment of monetary fines for traffic offenses	Ministry of Interior and Ministry of Justice
15.18	Improve the electronic identification system through integration of mBanking and eID	Ministry of Information and Telecommunications. Ministry of Public Administration and Local Government, Office for IT and eGovernment and banks
17.1	Improve the process of prescribing and collecting local administrative fees	Local governments

# 1. MINISTRY OF FINANCE

## 1.1 REDUCE THE FISCAL BURDEN TO THE LOWEST SALARIES

### PROBLEM DESCRIPTION

The Republic of Serbia uses the so-called cedular system of income taxation, where each type of income is taxed separately. In other words, various types of income (e.g. income from self-employment, capital, real estate, etc.) are taxed using different tax rates compared to income tax.

Article 16 of the Law on Personal Income Tax prescribes that salaries are taxed at a rate of 10%, while the non-taxable amount of income is prescribed in Article 15a (RSD 21,712 in 2023, RSD 25,000 in 2024). Article 44 of the Law on Contributions for Mandatory Social Insurance prescribes the rates used to calculate and pay income taxes, borne by the employer and the employee, and the aggregate rate for 2023 was 35.05% (the same in 2024). The base for calculating taxes and contributions is the gross salary (so-called gross 1), that includes tax and contributions borne by employee.

The fiscal burden, measured as the ratio of total taxes and contributions and the net salary, as well as the ratio of these expenses and the total, so-called gross 2 salary, varies depending on the amount of net salary. For example, the tax burden to minimum salary (which is approximately a half of the average) is 55%, for average salary it is 60%, and for two-times the average salary, it is 62%. We see that the range of total fiscal burden between the minimum and average salary is higher than the range between average and two-times average salary (5 percentage points, versus 2).

Since 2018, tax burden of labor has been gradually lowered, with the reduction of some contributions and increase of non-taxable amount of salary (for minimum and average salaries, by around 3 percentage points). However, NALED's comparative analyses showed that total tax burden on labor, for salaries lower than average, particularly around minimum, is much higher compared to the EU countries, and particularly the Central and Eastern Europe countries, which probably explains the higher share of shadow economy in this income segment. This view is also confirmed by the European Commission in its annual reports. The reason of higher tax burden of low salaries lies in the fact that most European countries have tax incentives, i.e. tax credit for supported family members – in Serbia, these incentives exist only for the annual income tax, which is paid for salaries above three-times the average annual salary (at the rates of 10% and 15%), whereby only 1% of citizens fall under this category.

The Law on Personal Income Tax was adopted in 2001, and so far it has experienced many amendments, and since it is based on a cedular taxation system, which does not enable consideration of a taxpayer's personal and family situation during taxation, we need a comprehensive reform of income taxation that would also involve the social insurance contributions.

### PROPOSED SOLUTION

With the aim of reducing shadow economy and fostering a fairer tax treatment, particularly of lower salaries, we propose that a comprehensive reform be performed, following the example of modern income taxation systems that are successfully implemented in many European countries, where labor income and capital income are treated differently. The reform would stipulate unified taxation of all labor-related income which would enable significant increase of the non-taxable part of income, e.g. up to the level of minimum salary, along with introduction of incentives for supported family members.

In parallel, institutions should consider a reform of the existing system of contributions for mandatory social insurance, in a manner where healthcare costs would be covered from budget revenues. Namely, the transition from Bismarck's financing model (from contributions) to Beveridge's model implies that healthcare would be financed from general taxes, which would ensure healthcare for all citizens regardless of their working status, while at the same time reducing the administrative costs, due to abolished need to prove one's insurance status, verify health insurance cards, etc. Bearing in mind the tax nature of health insurance contributions, another alternative could be to apply non-taxable part of income to health insurance as well. The reform would result in reduced fiscal burden, primarily of the lowest salaries, which would encourage formalized labor and reduced shadow economy for low salaries.

*Rationale: As of January 1, 2024, with the amendments to the Law on Personal Income Tax, the non-taxable monthly amount of salary was increased from 21,712 dinars in 2023 to 25,000 dinars, but there was no reduction in contribution rates, so the effective tax burden on gross and net earnings will remain at approximately the same level as in 2023. The same applies to the net minimum salary, where despite the increase from 40,020 dinars to 47,154 dinars (17.8%), the effective tax burden will be slightly increased compared to the previous year. In this sense, the amended regulations missed the opportunity to significantly reduce the burden on labor, especially the lowest and minimum-to-average salaries, so the recommendation was evaluated as unresolved.*

*In its Progress Report (November 2023), the European Commission highlights that the tax burden on salaries is disproportionately high for workers who receive low wages (primarily minimum wages), which worsens the issue of labor poverty, standing as an obstacle to formal work. Additionally, in the evaluation of Economic Reforms Program for the period 2023-2025 (April 2023), the European Commission states that the increase in the non-taxable part of income and the reduction of the contribution rate for pension and disability insurance in 2023 led to a gradual reduction of the tax burden on the lowest salaries, but that there is still room to significantly increase the non-taxable portion of earnings.*

### REGULATIONS

- Law on Contributions for Mandatory Social Insurance (Official Gazette of RS No. 84/2004, ... 92/2023)
- Law on Personal Income Tax (Official Gazette of RS No. 24/2001, ... 116/2023 – harmonized RSD amounts)

# 1. MINISTRY OF FINANCE

## 1.3 INTRODUCE UNIFIED PAYMENT OF TAXES AND CONTRIBUTIONS FOR ENTREPRENEURS AND AUTOMATIC REGISTRATION OF PENSION RECORD

### PROBLEM DESCRIPTION

Unlike salaries, where related taxes and contributions are paid in a single unified payment, on a single payment order, flat-rate taxed and self-tax regime entrepreneurs still pay their liabilities using four different payment orders, and four different accounts (even though they are using the same code and reference number for all four), which stands as unnecessary administrative, but also financial burden – due to banks charging a fee for each of the four payments.

An additional problem arises when the payer makes an error in selecting one of the four payment accounts. This leads to a large number of entrepreneurs submitting a request for re-posting, and this in turn makes the Tax Administration overburdened with resolving tens of thousands of re-posting requests a year. Analysis performed by NALED in 2022 show that one in four entrepreneurs in flat-rate regime or without personal salaries have submitted a re-posting request, while this only occurs for one in 100 entrepreneurs that use a personal salary regime, and make unified payments into a single account.

Additionally, even when taxes and contributions are paid on a regular basis, registering the insurance record for entrepreneurs (as well as freelancers) in the Pension Insurance Fund is not performed automatically and ex officio, which is why most entrepreneurs do not have registered pension record. The main problem is that the Tax Administration and PIF Fund systems are not connected. The data on paid liabilities are sent to the PIF Fund only after an entrepreneur de-registers. Even though entrepreneurs have the right to submit a request for registering pension record, most of them do not use this option, as they are not familiar with it or due to additional administrative issues.

In 2022 there was around 190,000 active entrepreneurs (124,000 flat-rate taxed and 67,000 in the self-taxation regime), and if each of them needs to make four payment a month, this adds up to more than 9 million payments a year.

The adoption of the new Regulation on detailed conditions, criteria and elements for flat-rate taxation for self-employed persons in 2019 introduced an objective formula for calculating tax liabilities for flat-rate taxpayers and enabled automated issuing of tax decisions, which significantly improved the procedure transparency and enabled entrepreneurs to better plan their business, but it missed an opportunity to solve these problems as well.

### PROPOSED SOLUTION

We propose to make it possible for flat-rate tax entrepreneurs to pay their taxes and contributions to a single payment account, while the funds would be automatically distributed to corresponding payment accounts. Additionally, this reform should be extended to entrepreneurs who keep books in the self-taxation system, while entrepreneurs in the self-employment regime already pay their obligations to a single account.

The proposed solution would only require amendment to the Rulebook on the conditions and manner of keeping public revenues accounts and the distribution of funds from those accounts. This Rulebook should provide for a separate payment account for the combined payment of taxes and contributions on income from self-employment of flat-rate entrepreneurs and entrepreneurs who pay taxes and contributions on taxable profit. Procedures for posting obligations and payments, as well as the distribution of payments, should be prescribed by a protocol between the Tax Administration and the Treasury Administration.

In technical terms, this proposal would entail the introduction of a single public revenues payment account for the taxes and contributions paid by entrepreneurs, while the existing calculations for tax returns PPDG-1S and PPDG-1R would remain unchanged. Also, it would be necessary to change the processing of tax returns, i.e. decisions, as well as the posting of the application/decision, and the processing and posting of payment statements.

By implementing this recommendation, the number of annual payments would decrease by an impressive 6.9 million transactions, and the need for transferring funds would be abolished.

Additionally, there is a need to integrate the information systems of the Tax Administration and the PIF Fund so that the data on paid contributions are automatically, ex officio, entered into the PIF Fund databases for both entrepreneurs and freelancers.

*Within Chapter 16 – Taxation, in its annual report (November 2023), the European Commission recommends continuation of the Tax Administration Transformation Program with the aim of rationalizing activities, while ensuring sufficient human and IT resources for this purpose, improving tax collection and battling shadow economy.*



### REGULATIONS

- Rulebook on the conditions and manner of keeping public revenues accounts and the distribution of funds from these accounts (Official Gazette of RS No. 16/2016, ... 118/2023)

# 1. MINISTRY OF FINANCE

## 1.10 ENABLE ELECTRONIC PAYMENT OF ALL NON-TAX CHARGES



### PROBLEM DESCRIPTION

In the previous decade, a major problem highlighted by businesses referred to insufficient transparency and predictability of non-tax charges, primarily fees and charges collected by national, provincial and local authorities and public enterprises. In 2020, an analysis was performed showing that there are more than 1,200 non-tax fees charged on the national level, being prescribed in around 500 different laws and by-laws, while additional 400 decisions introducing non-tax charges existed on the local level.

A significant step towards regulating non-tax charges was made in 2018, with the drafting and adoption of the Law on Charges for the Use of Public Goods. However, this resolved only a part of the problem, with fees and other para-fiscal charges remaining unregulated, even though they amount to even 75% in the structure of non-tax revenues. Additionally, the methodology and manner of determining the cost of providing a public service (Rulebook from 2013) does not provide precise parameters for determining the price of a certain public service. As a result, in most cases, the amount of fee is not adequately measured. In addition, the collection of non-tax duties by public administration does not provide the possibility of checking whether a payment has been made for a specific request or case, so citizens and businesses are therefore obliged to obtain proof of payment of a fee or charge, contrary to Articles 9 and 103 of the Law on General Administrative Procedure. This further discourages payment via electronic and mobile banking, since a proof of electronic payment needs to be certified with the bank's seal.

The number and lack of transparency of non-tax charges and impossibility of electronic payments, not only harm the businesses and citizens, but also result in inability to control the collection and creates room for frequent misuse (e.g. adding zeros on a proof of payment), further resulting in lower public revenues.

Steps towards resolving this problem have been made in 2018 with the adoption of the Law on Charges, and in 2021 an electronic ePay system has been introduced and applied in procedures carried out by Ministry of Interior / Police. Starting from 2022, this system is also being used for paying tax on the transfer of absolute rights when buying used vehicles. However, for more than 1,000 remaining non-tax charges, the problem remains unresolved.

### PROPOSED SOLUTION

We propose that the amendments to the Law on Budgetary System prescribe an obligation for all users of public funds to enable electronic calculation and collection of all non-tax duties via eGovernment or ePay portal. This would establish an up-to-date list (registry) of all non-tax duties by the national, provincial, local, public (utility) companies, public agencies, with adequate amounts, formulas for calculation, and other criteria related to a specific duty, which would allow businesses and citizens to get familiar with all elements of a non-tax charge before submitting a request. In addition, we also propose to amend the Rulebook on the conditions and manner of keeping public revenues accounts and the distribution of funds from these accounts, so as to enable opening of new sub-accounts for each service provider, to be used for paying multiple fees and charges for the same procedure, using a single payment transaction. Simultaneously, enabling cashless payments in all procedures before public administration authorities and courts will result in all fees and duties paid by businesses and citizens being automatically identified, thus eliminating the need for submitting a proof of payment.

To encourage electronic payments and further ease the burden to citizens and businesses, we also propose that amendments should be made to relevant regulations so as to prescribe a 10% reduction for all cashless payments of fees prescribed by national, provincial and local authorities. The proposed changes will contribute to the transparency of non-tax charges, ensure higher collection, ease the administrative burden on businesses and citizens, foster the expansion of electronic payments and digital transformation, and even benefit the environment through reduced use of paper and unnecessary visits to counters. As a best practice examples, we could look up to Estonia, Sweden, Great Britain.



NEW

*The European Commission's report for 2022 (published in November 2023) highlights the issue of numerous para-fiscal charges that remain high and non-transparent, thus hindering predictability and sustainability of Serbian tax and non-tax system as a pre-requisite for faster economic development.*



### REGULATIONS

- Rulebook on the methodology and manner of determining the cost of public service provision (Official Gazette of RS No. 14/2013, ... 99/2013)
- Law on Fees for the Use of Public Goods (Official Gazette of RS No. 95/2018, ... 120/2023 – harmonized RSD amounts)
  - Law on Budgetary System (Official Gazette of RS No. 54/2009, ... 92/2023)
- Rulebook on the conditions and manner of keeping public revenues accounts and the distribution of funds from these accounts (Official Gazette of RS No. 16/2016, ... 118/2023)

### 3. MINISTRY OF HEALTHCARE

#### 3.2 ESTABLISH A UNIQUE E-HEALTH RECORD AND MATERIAL RESOURCES RECORD IN HEALTHCARE

##### PROBLEM DESCRIPTION

The new Law on Health Documentation and Records in Healthcare provided the basis for further digitization of the healthcare system and stipulated the establishment of eHealthRecord as a unique and centralized register of data on each patient. This regulation stipulates that the Ministry of Health establishes and manages the Republic Integrated Health Information System (RIHIF), which includes all electronic services for patients and state health institutions, including the patient's electronic health record.

Currently, the patient's electronic record does not contain data from private practices, including private laboratories, which is why the data is incomplete and makes it difficult to track the patient's medical history. In addition, the problem is also the fact that some doctors still keep part of the documentation on paper, instead of in the information system, which is why only partial information about the patient's health is available in the system.

At the same time, this Law envisages the establishment of a central register of resources in healthcare through which real-time data would be available to the management of that institution, the Ministry of Health or the Government of the RS, in order to enable effective management of healthcare policy. The central register of resources will include data on human resources, as well as material resources (equipment, medicines, ICT resources...) and infrastructure, which will make all relevant information about the health system available to decision makers and public policy makers.

##### PROPOSED SOLUTION

In order to fully implement the Law on health documentation and records in the field of health, it is necessary to:

- Enact accompanying by-laws that more closely define the content of eHealthRecords and registers, the way to access data from RIHIF, and other areas prescribed by law;
- Define technological solutions for managing health records that will enable integration of data from all health institutions (both private and public) and follow the history of illness regardless of the place of treatment;
- Enable that doctors at all levels of health care can access the patient's medical record through their local systems so that they have all the data on examinations, diagnoses and prescribed therapies that could influence treatment decisions;
- Train everyone who is required to keep basic medical documentation, in accordance with the obligation to keep documentation in electronic form, defined by the Law on Health Documentation and Records in Healthcare (Article 10).

In order for resource management in healthcare to be possible, it is necessary to:

- Establish a technological solution for a central, real-time, up-to-date record of all material resources in primary, secondary and tertiary health care (current number of practicing doctors/specialists, medical staff, available beds, available diagnostic devices, drugs, medical devices, etc.).

*Rationale: Namely, in January 2021, the Government of Serbia formed the Coordinating Body for the Digitization of the Health System, after many years of efforts by NALED, with the aim of a strategic approach to the development of eHealth. Through the work of the Coordinating Body and established working groups in 2022, the Digitalization Program in the Health System in the Republic of Serbia was adopted with an action plan. Finally, in accordance with the Program, in October 2023, the new Law on Health Documentation and Records in Health Care was adopted, which, among other things, foresees the establishment of an electronic patient record and further the basis for further digitization in health care. Given that the implementation of these provisions is only foreseen for January 1, 2025, the recommendation still cannot be considered implemented.*



##### REGULATIONS

- Law on Health Documentation and Records in the Field of Healthcare (Official Gazette of RS No. 92/2023)
- Law on Healthcare (Official Gazette of RS No. 25/2019 i 92/2023 – authentic interpretation) and accompanying by-laws



# 4. MINISTRY OF LABOR, EMPLOYMENT, VETERAN AND SOCIAL AFFAIRS

## 4.3 REGULATE FLEXIBLE AND SEASONAL FORMS OF WORK ENGAGEMENT

### PROBLEM DESCRIPTION

According to the Analysis of the scope of the shadow economy in Serbia conducted by NALED in 2018, a significant part of the shadow economy in Serbia is caused by unregistered work. In addition to agriculture, the largest number of business entities with informal employees comes from the hospitality sector (15%) and construction (11%), but also household and auxiliary jobs. According to a citizens' opinion survey, 55,877 households in Serbia hire household and auxiliary workers on average every year, and most of them are unregistered. One of the reasons why informal employment occurs more often in these areas is the temporary or seasonal character of jobs where workers are engaged for a shorter period of time at a higher intensity.

Hiring workers for such jobs is even more complicated than hiring permanent workers (keeping in mind the basis of insurance), as well as the fact that workers often work for employers only for a few days at a time. Additionally, the costs of hiring casual or temporary workers, in terms of taxes and contributions, are disproportionately high.

The Labor Law, which was substantially amended in 2014, did not adequately anticipate the changes in the labor market, and there was no adequate legal regulation of certain forms of employment of workers, primarily in the part outside the employment contract. The law stipulates the possibility of contracting temporary and casual jobs, which represent work outside the employment relationship, for a duration of up to 120 working days (close to half of the calendar year). However, this type of employment is often abused, by re-engaging the same worker after the expiration of the legal term, and is not fully aligned with the relevant EU Directives.

Forms of work such as part-time jobs (two to four hours a day), work via web portals, shared work, household and auxiliary work, work related to the collection of secondary raw materials, supplementary work in insurance and real estate transactions, etc. are not adequately regulated by law, and therefore neither are the rights of workers, nor the obligations of employers in connection with this type of work.

For example, in 2020, part-time work, which is especially suitable for pregnant women, new mothers, or mothers with small children (who would work two hours a day, or one day a week), which accounts for up to 50% in the EU (Netherlands 51%, Germany and Austria around 27.5%), in Serbia it is less than 9%.

### PROPOSED SOLUTION

Bearing in mind the positive effects of the introduction of a simplified electronic registration system for the engagement of seasonal workers in the agricultural sector, we suggest that this system of worker registration be extended to other jobs which by their nature are temporary-occasional or seasonal jobs, in the construction, tourism and hospitality industries, as well as the household and auxiliary jobs. Also, we suggest to consider employment according to this or a similar model for social enterprises, artisans and associations dealing with delivery business.

In order to prevent abuse of the system, it is necessary to introduce additional restrictions compared to the existing system. In the first place, it should be made impossible for the employer to hire an employee who was previously dismissed from the same position under this system. In addition, the casual character of the work needs to be defined by introducing a limitation of engagement of a maximum of 15 days per month in jobs in construction, tourism and hospitality. Also, in these activities, quotas should be introduced for the number of hiring of these workers in relation to the number of permanently employed workers. Finally, the text should be harmonized with Directive 2019/1152 on transparent and predictable working conditions.

We also suggest that, in addition to the extension of the law regulating seasonal work, the current Labor Law should be amended in accordance with the needs of the labor market, or new regulations should be adopted that would enable new ways of contracting, when it comes to work outside the employment relationship, but also work engagement, specify part-time work, shared jobs, work outside the employer's workplace. Also, it is necessary to regulate temporary and casual jobs, copyright and other contracts differently, in order to prevent abuse of the rights of employed persons. The changes should enable flexible engagement, while respecting the rights and obligations of workers and employers and in accordance with the relevant EU Directives on workers' rights.

Amendments to the Labor Law or the adoption of another regulation should be accompanied with the amendment of the corresponding tax regulations, i.e. the laws that regulate the taxation of labor (the Law on Personal Income Tax and the Law on Contributions for Mandatory Social Insurance), in order to ensure adequate tax treatment of new forms of work and enable workers to exercise their rights in accordance with the manner and type of engagement.

*In its recommendations within Chapter 19 - Social policy and employment, the European Commission points out that in the coming period, Serbia should provide adequate financial and institutional resources for employment and social policy, which would be more systematically aimed at young people, women and the long-term unemployed. The European Commission also proposes to amend the Labor Law, but also highlights the problem of the existence of a minimum base for contributions that discourages part-time employment, especially women.*



### REGULATIONS

- Law on Simplified Work Engagement on Seasonal Jobs in Specified Areas (Official Gazette of RS No. 50/2018)
  - Labor Law (Official Gazette of RS No. 24/2005 i 95/2018 – authentic interpretation)
  - Law on Personal Income Tax (Official Gazette of RS No. 24/2001, ... 116/2023 – harmonized RSD amounts)
- Law on Contributions for Mandatory Social Insurance (Official Gazette of RS No. 84/2004, ... 6/2023 i 92/2023 – harmonized RSD amounts)

## 4. MINISTRY OF LABOR, EMPLOYMENT, VETERAN AND SOCIAL AFFAIRS

### 4.6 ENABLE ELECTRONIC STORAGE AND DELIVERY OF LABOR RELATIONS DOCUMENTS

#### PROBLEM DESCRIPTION

In accordance with Article 75 and 121 of the Labor Law, only two documents can be sent in electronic form - the decision for annual leave and the pay slip. In 2015, the Ministry of Labor, Employment, Veteran and Social Affairs issued two opinions related to the method of submitting the above-mentioned documents in electronic form. In order to improve the work process, it is necessary to expand this list to include other documents, including the employment contract, rulebook on systematization, decisions and other documents arising from the legal relationship between employers and employees.

Practice shows that inspections often interpret that all documents should be in paper form, although it is prescribed that they can be in electronic form, which indicates the unevenness of the practice of inspection authorities, and on the other hand, some cases explicitly define that paper form is the only valid form (Law on Occupational Safety and Health, Law on Fire Protection). Due to all of the above, it is necessary to enable all documents to be issued and delivered in electronic form, as well as to harmonize other regulations with the Labor Law.

#### PROPOSED SOLUTION

We propose that a special article be defined in the general provisions of the Labor Law, which will foresee the possibility and alternative that general and special acts can be passed, signed and delivered in paper and electronic form. The text of the new article would read:

„All general and individual acts in accordance with this Law may be in paper form or in the form of an electronic document in accordance with special regulations.

All general and individual acts in accordance with this Law can be delivered electronically to the email address of the employee. Exceptionally, at the request of the employee, individual acts can be submitted in paper form.

Delivery by electronic means is considered to have been completed, provided that it is possible to provide feedback that the person has received the written notion“.

#### REGULATIONS

· Labor Law (Official Gazette of RS No. 113/2017 i 95/2018 – authentic interpretation)

# 5. MINISTRY OF CONSTRUCTION, TRANSPORT AND INFRASTRUCTURE

## 5.1 SPEED UP AND DIGITALIZE THE LEGALIZATION PROCESS

### PROBLEM DESCRIPTION

With the amendments to the Law on Planning and Construction from 2009, the legislator opted for a solution to legalize illegal buildings when possible, and not to demolish them. However, in practice, legislation has not advanced much. Amendments to the Law on Legalization of Buildings in 2018 prohibited the sale of buildings in the process of legalization, which brought additional complications due to the impossibility of ending bankruptcy and enforcement proceedings where part of the property of the bankrupt debtor has not been legalized. Article 25, paragraph 7 of the Law stipulates that special parts of residential buildings cannot be legalized if a building permit has not been issued for the building they are located in. In practice, we have situations where unscrupulous investors manage to legalize illegal buildings, while conscientious buyers of special parts of buildings where the building permit was violated remain denied that possibility. Changes to the law from 2020 and 2023 did not take steps to overcome these problems.

In particular, we draw attention to the fact that the legalization procedure has not been automated, digitized and made transparent, and that the capacities of local governments in implementing the legalization procedure are insufficient, and under unchanged conditions, according to NALED's analysis from 2020, it would take over 40 years to legalize all currently illegal objects.

Also, the law did not establish an effective mechanism to prevent further illegal construction.

### PROPOSED SOLUTION

We propose to amend the Law on Legalization of Buildings or pass a new law in order to implement mass legalization by:

- Prescribing parallel tracks for establishing property rights on buildings without a use permit:
  - a) Regular track - in which the current competent authorities will act, in accordance with the current Law;
  - b) Extraordinary track - with the authority to determine the legal status of the "probable, i.e. presumed right holder":
    - Commissions, formed by representatives of judicial professions and licensed technical engineers, at the local governments/court, which will decide according to the rules of non-litigation procedure;
    - Public Notaries, who at the request of the party and in accordance with their territorial jurisdiction, can decide according to the rules of non-litigation procedure.
- Implementing the legalization procedure according to the model of mass and automated legalization, which would entail the creation of a single record of illegally built buildings and the establishment of a portal for public access to that record. The records should include a list of all objects to be legalized and all available data and documents necessary to complete the legalization procedure. The purpose of this activity is for all objects that are in the process of legalization to be entered into the records, and after the legalization procedure has been carried out, those objects are registered in the real estate cadaster.
- Determining the necessary minimum required documentation for legalization, depending on the state of planning and technical documentation and arrangement of property-legal relations;
- Carrying out mass registration of property rights to buildings without a use permit based on available documentation, which, depending on the content of evidence submitted in individual cases, could contain standardized notes on potential risks for owners and potential acquirers of rights to those buildings, which can be removed in the next period.
- Enacting measures to combat illegal construction, such as the possibility for republic authorities to take action, including the removal of buildings, when local governments do not adequately act on these responsibilities, as well as the possibility for every citizen to point out illegal construction via a digital platform, and to monitor the action of the competent authorities on that report.

### REGULATIONS

- *Law on Legalization of Buildings (Official Gazette of RS No. 96/2015, ... 62/2023)*

# 5. MINISTRY OF CONSTRUCTION, TRANSPORT AND INFRASTRUCTURE

## 5.3 ESTABLISH A DIGITAL PLATFORM FOR DEVELOPING AND PUBLISHING THE PLANNING DOCUMENTS (E-SPACE)

### PROBLEM DESCRIPTION

The current situation in the field of urban planning in Serbia is characterized by problems faced both by the actors of spatial and urban planning, as well as by citizens and businesses, i.e. land users and potential investors. The causes of these problems are:

- Incomplete planning documentation caused by limited capacity of LGs, which leads to the practice of establishing urbanistic conditions through urbanistic projects at the expense of investors;
- Non-uniformity of planning documents in terms of content and form, caused by deficiencies in rules and controls, as well as a decentralized planning system;
- Untimely and insufficient involvement of citizens in the process of adopting planning acts, which results in subsequent blocking of construction;
- Inconsistency of the planning documentation with the needs and development possibilities of the holders of public authority (HPA), caused by untimely and insufficient involvement of the HPA in the preparation of planning documentation;
- Non-transparency of the land use conditions defined by the HPA (public companies, institutes, secretariats, directorates...), caused by the lack of interest of the HPA to regulate the use conditions, i.e. legal land use regimes (land use zoning);
- Expensive and complicated process of obtaining conditions for design and connection, caused by the right of HPA to charge for these conditions.

The problems mentioned above open the way for:

- Slow and difficult infrastructural development;
- Lost opportunities for private sector investments;
- Corruption in the procedure of issuing location conditions, (conditions for design and connection), issuing building and use permits, as well as in legalization procedures;
- Illegal construction, etc.

### PROPOSED SOLUTION

In order to make the adoption of planning acts more efficient and transparent, we propose the establishment of an electronic system - eSpace, which is already regulated by the Law on Planning and Construction, but has not been established, nor have the necessary by-laws been adopted.

In order to establish eSpace, it is necessary to adopt the Concept of implementation of eSpace and ensure the reform of legal and institutional framework, first through the establishment of a digital platform for the production and distribution of spatial data, which would consist of:

- Establishment of eSpace, as a central information system used for the creation of planning documents and legal regimes regulating the use of space and land, including construction conditions;
- Optimization of planning documents by type and standardization of their content, methodology and form in which they are created and exchanged;
- Establishing the legal framework and software application for the implementation of a unified electronic procedure for the adoption of spatial and urban plans and confirmation of urban projects, which will ensure an efficient and transparent process of the adoption of planning documents, with significant improvements in the consultation process, i.e. involvement of the public in the process of drafting planning documents;
- Establishing a software application for quality control, i.e. verification of compliance of digital data of spatial and urban plans and urban projects with adopted technical standards;
- Establishing the Central Database of planning documents and urban projects and valid legal regimes of HPA, i.e. conditions and restrictions related to the use of space and land, including conditions for the construction of buildings and their connection to the HPA infrastructure, along with the digitization of valid (existing) planning documents and urban projects;
- Improving the capacity of HPAs to perform tasks in the field of urban planning by establishing inter-municipal cooperation;
- Establishing the eSpace portal, which will ensure public availability of all relevant information regarding the conditions of use of space and land in Serbia.

*Rationale: With the amendments to the Law on Planning and Construction in 2023, for the first time a regulation recognized the need to establish an automated process for the preparation and adoption of planning documents. Namely, with the amendments to the aforementioned Law, eSpace is defined as an electronic system of digital data exchange between holders of public authorities, in the process of preparation, coordination and monitoring of planning documents preparation, which includes other activities regarding public participation, professional control of spatial and of urban planning documents, control of planning documents compliance, as well as the availability, publication and storage of spatial and urban planning documents. However, the platform has not yet been created, so we cannot consider the recommendation implemented.*



### REGULATIONS

- Law on Planning and Construction (Official Gazette of RS No. 72/2009, ...62/2023)
- Rulebook on the content, manner and procedure of developing spatial and urban planning documents (Official Gazette of RS No. 32/2019)
- Rulebook on the content and manner of keeping the Central registry of planning documents, information system on the spatial status and local information system and digital form of submitting planning documents (Official Gazette of RS No. 33/2015)

## 8. MINISTRY OF ENVIRONMENT PROTECTION

### 8.7 INTRODUCE A DEPOSIT SYSTEM FOR THE RETURN OF BEVERAGE PACKAGING

#### PROBLEM DESCRIPTION

Collected beverage packaging that has been gathered and handed over for recycling has so far mostly come from business entities, but in order to achieve the specific goals of the EU in terms of materials, we need more extensive collection of packaging from citizens, i.e. end consumers. It is also necessary to find a mechanism that will make the existing system of extended producer responsibility (EPR) more effective.

EU countries have set a goal of having 70% of packaging waste recycled by 2030. If the existing system is not improved, Serbia would need more than 10 years to achieve this goal.

Namely, according to Article 16, Paragraph 4 of the Law on Packaging and Packaging Waste, the Plan for the Reduction of Packaging Waste is adopted by the Government upon a proposal of the Ministry responsible for environmental protection, for a period of five years. The currently valid Regulation established the Plan for the Reduction of Packaging Waste for the 2020-2024 period, which prescribes national goals for the collection, as well as the reuse and recycling of packaging waste. The novelty from 2023 is that national operators will be obliged to display targets by materials and from municipal packaging waste in 2024. The general goal for reuse in 2020 was 61%, and for recycling it was 56% of the total packaging placed on the market. For 2024, the goal is 67% for reuse and 58% for packaging recycling. In addition, according to the type of packaging material, individual goals for the recycling of total packaging waste in 2024 are as follows: paper 70%, plastic 40%, glass 48%, metal 45% and wood 24%. The targets for recycling municipal packaging waste are: paper 10%, plastic 8%, glass 15%, metal 1%, while for wood it is 0%. In other words, according to the current Plan by 2030, the average for all materials would be below 60%.

#### PROPOSED SOLUTION

We propose to amend the Law on Packaging and Packaging Waste to introduce a deposit system for the return of beverage packaging and stipulate the establishment of a Deposit Organization led by responsible industry (manufacturers, importers, packers/fillers and suppliers), with adequate state supervision through participation in management and control bodies.

It is necessary to prescribe that the period required for establishing the system must be at least three years from the moment of adoption of the complete legislative framework. Also, by-laws should stipulate that the products that were put into circulation at the beginning of the deposit system can remain in circulation until the end of the expiration date, which can be longer than three years (if the products are within the expiration date).

The Law should also stipulate that the deposit that has not been returned to consumers remains the property of the Deposit Organization and can be used for the functioning and improvement of the system.

We also believe that it is important to include industry representatives in the process of drafting by-laws, by the same principle as in the drafting phase of the Law, during 2018. Digitization of processes and the application of best available technology (BAT) should be considered, such as the use of a widely available infrastructure network where packaging waste can be disposed.

According to NALED's analysis for the introduction of the deposit system in the Republic of Serbia, it was estimated that the implementation of DRS in Serbia would have a positive impact on society as a whole as well as on the field of ecology, through at least double the amount of recycled packaging, and garbage on landfills would be reduced in volume by a fifth. Along with the introduction of the deposit system, it is necessary to work in parallel on improving the separation of waste in the primary selection. It is necessary to support the primary selection system through the collection of additional separate fractions of waste that will not be covered by the deposit system. This approach will create prerequisites for obtaining the highest quality raw materials and fulfilling the prescribed specific goals for each of the materials. The costs of separate collection justify recycling, as they reduce the costs of sorting and provide a higher value of the sorted material for further use, which represents a direct benefit to the environment.

*Rationale: The Ministry also announced the introduction of a deposit system for plastic packaging and cans, starting from 2027. It is expected that the new Government will form an official Working group for improving the packaging waste management system and introducing the deposit system, and NALED should be a formal member.*

#### REGULATIONS

- Law on Packaging and Packaging Waste (Official Gazette of RS No. 36/2009 u 95/2018 – other law)
- Decree on determining the Plan for reducing packaging waste for the 2020-2024 period (Official Gazette of RS No. 81/2020, 93/2023)

# 13. MINISTRY OF PUBLIC ADMINISTRATION AND LOCAL GOVERNMENT

## 13.2 STRENGTHEN THE CAPACITIES OF INSPECTIONS AND INTRODUCE MANDATORY USE OF E-INSPECTOR

### PROBLEM DESCRIPTION

The Law on Inspection Oversight and other regulations do not systematically recognize the characteristics of an inspector's job, which make it different from other jobs in the public administration. Namely, the jobs and titles of inspectors, as well as the bases for salary calculation, are the same as for state employees and employees of the autonomous province and local governments, although those are different jobs and job requirements.

In the past 15 years, the rationalization of the number of civil servants has led to a significant reduction in the number of inspectors, so today the average age of inspectors is 55, and most inspection services, along with insufficient number of inspectors, i.e. professional officers for inspection supervision, do not have the necessary administrative, legal and IT support. On the other hand, the law placed new obligations before inspections, first of all the obligation to plan oversight based on continuous risk analysis, as well as constant reporting and preventive-educational approach to supervised subjects.

In addition, the law stipulates the use of eInspector software to keep records of inspection oversight, although eInspector enables a wider range of features, from planning supervision, through initiating and conducting proceedings, making decisions, to initiating criminal proceedings, etc. In mid-2019, 36 republic inspectorates signed a statement that the eInspector software is functional, but statistics show that the inspectorates do not fully use this system. One of the reasons is a lack of disciplinary responsibility of managers, which was introduced only for inspectors who do not keep records in eInspector (which is just a small part of possible activities). Currently, neither provincial nor local inspections are included in the system, so there are uneven inspection practices.

### PROPOSED SOLUTION

We propose amendments to the Law on Civil Servants, so that Article 32 paragraph 2 stipulates that the classification of jobs involving certain tasks, which is regulated by a separate law, should also include inspection tasks. Further on, these matters should be regulated by amendments to the Law on Inspection Oversight, based on best practice examples, such as the Republic of North Macedonia. Within the Law on Inspection Oversight, the job position of "inspector" would be classified into appropriate titles, and this regulation of status would apply to inspectors of all levels of public authority - the Republic, autonomous provinces, local governments (city and municipality), as well as urban municipalities. In addition, it is necessary to enable additional employment of new inspectors, by loosening the existing limit on the maximum number of employees for an indefinite period.

We also propose introducing the obligation to use the eInspector at all levels of government, as well as to introduce disciplinary responsibility if the eInspector is not used. Therefore, the Law on Inspection Oversight should be amended by prescribing that:

- the republic inspection, the inspection of the autonomous province and the inspection of the local governments are obliged to carry out the tasks of inspection oversight using the eInspector, using all the functionalities that this software solution enables;
- the head of the body which encompasses the inspection, is obliged to ensure the conditions for establishing eInspector within that body, in accordance with the law regulating electronic administration;
- the head of the inspection is obliged to ensure that the inspection uses the eInspector system for performing inspection oversight and is responsible for its use.

Additionally, in the transitional provisions of the law, it is necessary to specify a deadline, i.e. give a timeline for the implementation of the proposed solutions for improvement.



NEW

### REGULATIONS

- Law on Inspection Oversight (Official Gazette of RS No. 36/2015,44/2018- other law,95/2018)
- Law on Civil Servants (Official Gazette of RS No. 79/2005, ... 142/2022)



# IMPRESUM

---

**PUBLISHER:**

NALED

**FOR THE PUBLISHER:**

Violeta Jovanović

**EDITORS:**

Jelena Bojović

Milica Stefanović

**SCIENCE COUNCIL:**

Dušan Vujović

Goran Pitić

Branko Radulović

**CONTENTS:**

Jelena Bojović

Milica Anđelković Đoković

Jelena Rančić

Dušan Vasiljević

Slobodan Krstović

Đorđe Vukotić

Milan Stefanović

Dimitrije Ilić

Expert associates

**PAGE LAYOUT AND TYPESETTING:**

Zoran Zarković PR ([www.33K.rs](http://www.33K.rs))

**PRINTED BY:**

BIROGRAF COMP doo,

Beograd

**CIRCULATION:**

50

Belgrade, March 2024

[www.naled.rs](http://www.naled.rs)

**LIST OF CONTRIBUTORS FOR 2024**

- Law Office Vuković i partneri
- Business Registers Agency
- A1 Srbija doo
- Telekom Serbia
- KPMG Serbia
- Roglic Company
- Zumtobel Group
- Beekeepers' Association of Serbia
- Apatinska Brewery
- SET Šabac
- Zdravlje Leskovac
- IQVIA RDS
- Pfizer
- AstraZeneca