

Joint Proposals for Measures to Mitigate the Negative Effects of COVID-19 on Business Operations

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Four leading independent business associations in Serbia - American Chamber of Commerce in Serbia, Digital Serbia Initiative, Foreign Investors Council and NALED, which bring together more than 500 members that represent foreign investors, local companies and small and medium-sized enterprises, have agreed on a common set of priority measures for job preservation, corporate liquidity, tax relief and international trade in goods.

Fiscal measures:

1. **Exemption from income taxes and the contributions during the suspension of business operations** would make it easier for employers to maintain their existing employment and recover faster after the crisis. This includes **exemption from income taxes and contributions during the suspension of business operations, that is, the reduction of work volume resulting from the introduction of a state of emergency and the COVID-19 epidemic**, while retaining the rights from compulsory social security for employees.

In addition, we propose that **in case of necessity of self-isolation and quarantine measures, the employer is exempted from paying income taxes and contributions of the full salary in accordance with the existing rules** (remuneration for sick leave or paid leave). Also, it is necessary to support measures by employers who currently bear the burden of remuneration, that is payment of full wages, to **employees with children up to 12 years of age** who are excluded from the work process or whose work from home is limited due to the suspension of schools' and kindergartens' work .

2. **Reduction of profit tax advance for 2020 for legal entities and entrepreneurs by 50%**, which would provide liquidity to companies and entrepreneurs, given that they will definitely settle their liabilities next year in line with the final annual statement.
3. **Extend the deadline for VAT filing to the last day of the month**, instead of 15th, and allow for the possibility of correcting future VAT returns at least 3 months after the month when the state of emergency ceases. This measure is necessary given that the vast majority of administrative staff work from home without access to the company premises, that only a limited number of vendor invoices are posted, and that physical examination of supporting documents is not possible.

Measures to encourage liquidity:

4. **Ensure regular settlement of all assumed obligations of the state and public companies towards business entities**, in accordance with the Law on Deadlines for Settlement of Financial Liabilities in Commercial Transactions, so that the state does not create illiquidity.
5. In order to preserve the stability of the financial sector, **an additional injection of liquidity into banks by the NBS is required** in the form of a **reduction in the required reserve, an extension of collaterals for repo operations and the provision of capital buffers**.
6. Provide **guarantees to banks for low-cost liquidity and debt repayment loans**, aimed at the most economically disadvantaged in the SME sector and entrepreneurs, with minimum government-mandated conditions.

Measures to ensure a smooth transport of goods:

7. **Ensure the implementation of the so-called Green lines to EU and CEFTA countries** to ensure a smooth international transport of goods, in accordance with the Guidelines for border management measures to protect health and ensure the availability of goods and essential services adopted by the European Commission on 16 March.

Measures targeted at specifically affected sectors or categories (micro, small businesses and entrepreneurs):

8. **Abolish payment of income tax advance for the business year 2020**, which would provide better liquidity to taxpayers.
9. **For flat-rate taxpayers, reduce the amount of tax liability and liability social insurance contributions liability by 50%.**
10. **During the COVID-19 crisis, abolish VAT on donations of food, medicines, medical devices and biocidal products**, in case the recipient of the donation is the public sector.