

Amendments to the Law on Companies adopted

Regulatory Alert

June 2018



The National Assembly of the Republic of Serbia adopted amendments to the Law on Companies on 8 June and they entered into force on 9 June 2018.

Novelties should solve certain difficulties which occurred during the implementation of previous provisions and some amendments relate to the harmonization with the EU legislation.

Most of provisions enter into force as of 1 October 2019, while provisions which relate to cross border mergers, Societas Europaea and European Economic Interest Group enter into force as of 1 January 2022.

As of 9 June 2018 the provisions which relate to the valuation of shares and market value of shares in joint stock companies entered into force.

The review of the most important amendments is given below:

Qualified electronic signature

The possibility to replace notarization of signatures on the Deed of Incorporation with the electronic signature is introduced for electronic documents. In case the document is digitalized, notarization can substitute a qualified electronic signature, or qualified electronic stamp of the person authorized for notarization. The Deed of Incorporation prepared as an electronic or digitalized document is being registered in electronic form.

E-address

All companies will need to have and register in the Company Register the e-mail address for the receipt of e-mails.

Usage of stamp

The obligation of stamp usage in business letters and other documents of the company cannot be prescribed by special regulations. Additionally, provisions of other laws and regulations by which the obligation of stamp usage was prescribed are not in force anymore.

Business name

It is prescribed that the previous approval of relevant state body is necessary not only for the use of designation Serbia in business name, but also for derived designations, as well as the abbreviation „SRB“.

Abbreviated business name can now contain an acronym derived from the full business name and business description.

Statutory power of attorney

Statutory power of attorney can be approved by the decision of director, board of directors or executive board, if it is not prescribed differently by internal acts.

It is not any more possible any more to have joint statutory power of attorney, only limitation prescribed is co-signature of the legal representative of the company.

Determining the value of shares and securities

The conditions for determining the market value of shares, as well as securities and financial market instruments, when they represent contribution in kind are changed.

It is being determined as the average weighted price on the regulated market, or multilateral trade platform in accordance with the law which regulates capital markets, in the period of 6 months.

The condition is that in that period minimum 0.5% of shares were subject to trading on the regulated market and that the trading took place on at least 1/3 of the trading days in each month during that period.

Approval of legal transaction in case of existence of personal interest

It is prescribed that approval is obligatory in case of transaction with the value exceeding 10% of the company's book assets value in case of existence of personal interest. In that case, the company has an obligation to obtain assessment of the market value of the assets subject to transaction.

It is prescribed that the company is obliged to publish a detailed description on the transaction in question on its website or the website of the Commercial Register.

Share capital decrease in limited liability companies

Share capital in limited liability companies can be decreased only in specific cases:

1. coverage of losses;
2. making or increasing of company's reserves for covering of future losses or for increase of share capital from net assets;
3. increase of capital due to withdrawal and cancellation of shares and distribution to the members, as well as due to transfer to a member or a third party with compensation.

Own shares

The reasons for acquiring of own shares are more strictly defined.

The company can cancel their own shares only in certain cases, when it is obliged to perform decrease of share capital.

If the company does not dispose own shares by distribution or transfer to the members or third parties with compensation within 3 years from the date of acquiring, it is obliged to cancel own shares and perform share capital decrease.

Return of additional payments

It is prescribed that company is obliged to return additional payments not only to present members, but also to previous members of the company. Besides that, at the request of a member, additional payment can be deemed as a fulfillment of obligation of payment of subscribed stake.

In case of transfer of shares, the company is obliged to return the additional payments to the transferor, if it is not prescribed differently in the share transfer agreement.

Deadline for payment of dividends

The law is introducing the mandatory deadline for payment of dividends, which cannot be longer than 6 months from the date of the adoption of decision on payment of dividend.

Assets of significant value

By one acquiring or disposal of high value assets is not considered constitution of pledge, mortgage or other securities for securing own obligation from the loan agreement or other legal transaction.

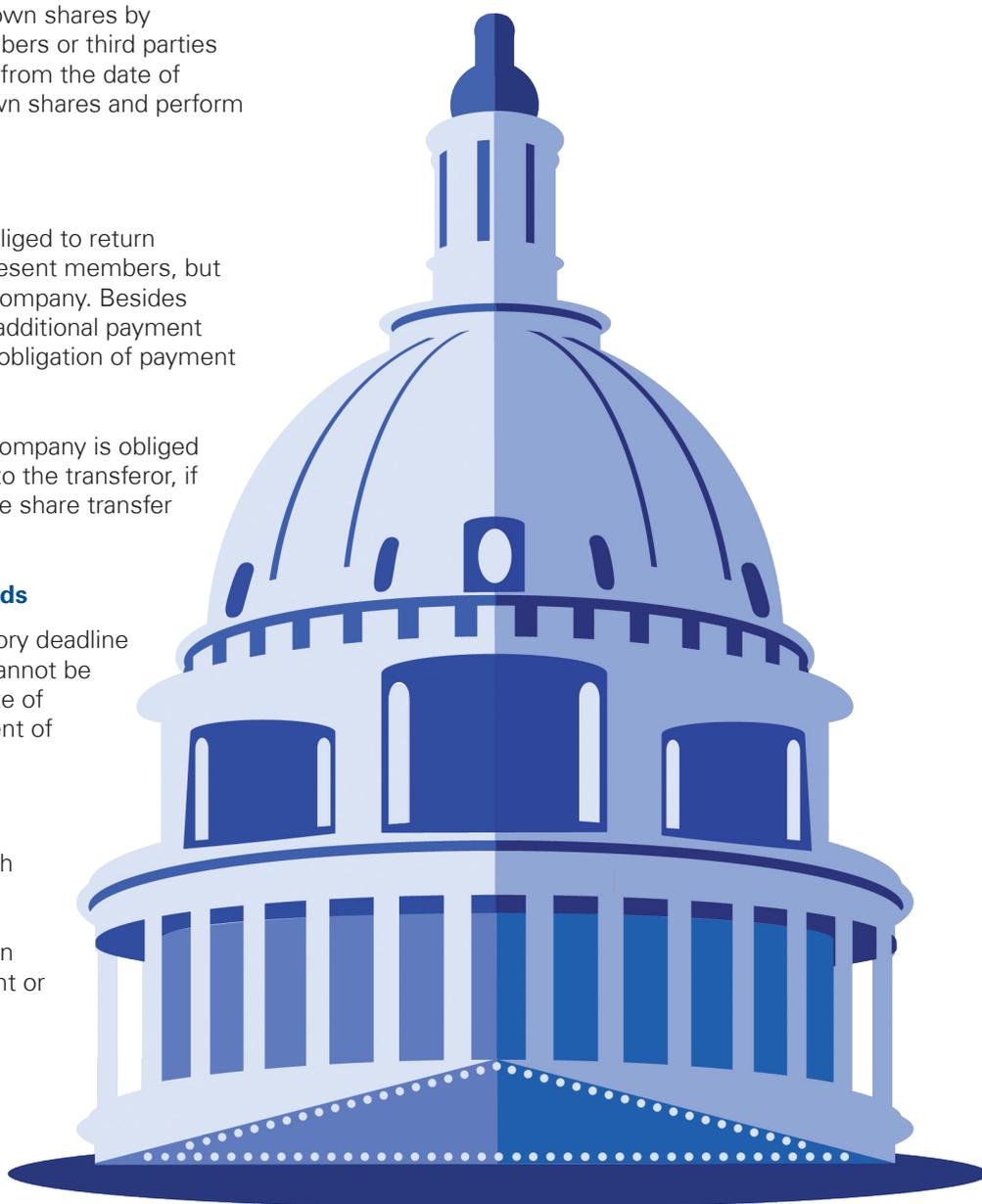
In that case the highest value of the specific legal action is being considered as the value by which the assets of significant value are being determined.

Branch office

Every branch office, domestic or foreign, needs to be registered in the Commercial Register.

The branch office does not need to cease to exist if its founder ceases to exist. Namely, in case of a status change of the founder, there is a possibility to deliver a decision, or approval of the legal successor of the founder on continuity of branch operations. In that case, the branch continues to exist and operate with the change of its business name.

The decision on establishing a branch office needs to contain an e-mail address for the receipt of e-mails. It is necessary to enclose financial statements of the founder during the registration of branch office establishment.



Representative office

The decision on the incorporation of representative office has to contain e-mail address for the receipt of e-mails and that address is being registered.

Cross-border merger of companies

The possibility of cross border merger of companies is introduced, in which at least two companies participate, of which one is registered on the territory of the Republic of Serbia and one on the territory of the European Union or the European Economic Area.

Societas Europaea

The law prescribes the possibility of establishing Societas Europea in form of joint stock Company, which has minimum share capital in the amount of 120,000 euro in dinars counter value.

European Economic Interest Grouping

European Economic Interest Grouping is a legal entity which is established by at least two companies, entrepreneurs, or other legal entities or individuals which perform agricultural or other activity, from which at least one is registered on territory of the Republic of Serbia, and the other one on the territory of the European Union or the European Economic Area.

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