

According to Article 5 paragraph 3 and Article 7 paragraph 4 of the State Aid Control Act („Official Gazette of the RS“, No. 73/19) and Article 42 paragraph 1 of the Government Act („Official Gazette of the RS“, No. 55/05, 71/05 - Correction, 101/07, 65/08, 16/11, 68/12 - CS, 72/12, 7/14 - CS, 44/14 and 30/18 - another statute),

The Government renders,

REGULATION  
ON CONDITIONS AND CRITERIA OF COMPLIANCE OF STATE AID FOR THE REMEDY  
OF A SERIOUS DISTURBANCE IN THE ECONOMY CAUSED BY EPIDEMIC DISEASE  
COVID - 19

Subject

Article 1

This Regulation closely sets the conditions and criteria for compliance of state aid in order to eliminate a serious disturbance in the economy caused by the epidemic of contagious disease COVID-19 (state aid for the liquidity of undertakings).

Article 2

State aid for the liquidity of undertakings is always regarded as compatible under conditions in Articles 3 - 8 of this regulation.

State aid for liquidity of undertakings may be granted through the following instruments:

- 1) State aid for liquidity of undertakings in the form of subsidies, debt cancellation, tax advantages;
- 2) State aid for liquidity of undertakings in the form of subsidized interest rates on loans;
- 3) State aid for liquidity of undertakings in the form of guarantees on loans under favorable terms;
- 4) State aid for liquidity of undertakings in the form of postponement of payments of employment taxes and/or social contributions;
- 5) State aid for liquidity of undertakings in the form of subsidies for salaries in order to avoid layoffs during the COVID - 19 epidemic;
- 6) State aid for liquidity of undertakings in the form of short-term export credit insurance.

State aid for liquidity of undertakings may be granted to undertakings not facing difficulties within the meaning of Article 2, paragraph 1, item 5) of the Regulation on Rules for State Aid Granting („Official Gazette of the RS“, No. 13/10, 100 / 11, 91/12, 37/13, 97/13 and 119/14) as of December 31, 2019.

State aid for liquidity of undertakings in the form of subsidies, debt cancellation, favorable payment terms, tax and other advantages

Article 3

State aid for liquidity of undertakings in the form of subsidies, favorable payment terms (e.g. subsidized interest rates on loans or state guarantees or guarantees of any legal entity that disposes and/or manages public funds given under favorable terms), debt cancellation, tax and customs relief or other instruments shall be granted in the form of a scheme whereby:

- 1) the nominal amount of aid does not exceed the amount of EUR 800,000 in RSD equivalent at the official middle exchange rate of the National Bank of Serbia on the day when the state aid is granted;
- 2) the aid is expressed in gross amount, i.e. in the amount before deduction of taxes or other expenses;

3) the scheme must contain the total estimated amount of funds.

Aid under the scheme referred to in paragraph 1 of this Article shall be granted no later than December 31, 2020, except for aid in the form of tax relief granted until the expiry of the 2020 tax return deadline.

State aid for liquidity of undertakings in the form of subsidized interest rates on loans

#### Article 4

State aid for liquidity of undertakings in the form of subsidized interest rates on loans shall be granted to an individual undertaking up to the nominal amount set out in Article 3, paragraph 1, item 1) of this Regulation, or with interest rates that are:

1) at least equal to the basic reference rate or other reference rates applicable on January 1, 2020, plus the credit risk margin as follows:

| Beneficiary type                                   | Credit risk margin for loans with less than one-year maturity | Credit risk margin for loans with a 2-3 years maturity | Credit risk margin for loans with a 4-6 years maturity |
|--|---|--|--|
| Entrepreneurs, micro, small and medium enterprises | 25 basis points   | 50 basis points  | 100 basis points                                       |
| Large business entities                            | 50 basis points   | 100 basis points                                       | 200 basis points                                       |

2) the principal amount, for interest-bearing loans calculated in a manner with due date after December 31, 2020, shall not exceed:

- (1) double annual expenditures for salaries of state aid beneficiaries (including social security contributions and the cost of staff employed at the location of undertakings but formally on the payroll of subcontractors or other employers) for 2019 or for the last available year (if undertaking is established as off January 1, 2019, the maximum credit amount may not exceed the estimated annual expenditure on salaries for the first two years of operation) or
- (2) 25% of the total turnover of the beneficiary generated in 2019.

The principal amount may be greater than the amount referred to in paragraph 1, item 2) of this Article for loans with due date up to December 31, 2020, subject to appropriate explanation by the beneficiary, under the condition that proportionality is maintained.

Loans of up to EUR 800,000 in RSD equivalent at the official central exchange rate of the National Bank of Serbia on the day the state aid is granted may be interest-free.

The loan agreement or other legal basis for the granting of state aid must be signed by December 31, 2020 at the latest, and limited to a maximum of six years.

State aid for liquidity of undertakings in the form of loan guarantees

#### Article 5

State aid for liquidity of undertakings may be granted in the form of guarantees for loans (loans) to undertakings on more favorable terms than market rates in the amount higher than the nominal amount referred to in Article 3, paragraph 1, item 1) of this Regulation if:

- 1) the guarantee premium fixed for a specific loan is set at a minimum level, which will increase progressively as the duration of the loan covered by the guarantee increases:

| Beneficiary type                                   | For the first year | From the second to the third year | From the fourth to the sixth |
|--|--------------------|-----------------------------------|------------------------------|
| Entrepreneurs, micro, small and medium enterprises | 25 basis points    | 50 basis points                   | 100 basis points             |
| Large business entities                            | 50 basis points    | 100 basis points                  | 200 basis points             |

- 2) the guarantee has been approved no later than December 31, 2020;
- 3) the principal amount for loans with due date after December 31, 2020, does not exceed:
  - (1) double annual expenditures for salaries of state aid beneficiaries (including social security contributions and the cost of staff employed at the location of undertaking but formally on the payroll of subcontractors or other employers) for 2019 or for the last available year (if the undertaking is established as of January 1, 2020, the maximum loan amount may not exceed the estimated annual payroll expenditures for the first two years of operation); or
  - (2) 25% of total turnover of the beneficiary generated in 2019; or
  - (3) the amount provided for in sub-item. (1) and (2) these points;
- 4) the duration of the guarantee is limited to a maximum of six years and if the state guarantee does not exceed:
  - (1) 90% of the principal amount of the loan if the losses are borne, in a proportionate and equal manner, by the credit institution and the state, or
  - (2) 35% of the principal amount if the losses are first attributed to the state and only after the credit institution (i.e. first loss guarantee).

The amount of the loan referred to in paragraph 1, item 3) of this Article may be increased to cover liquidity needs from the moment of granting in the next 18 months for small and medium-sized enterprises and in the next 12 months for large business entities, with appropriate justification and on the basis of a statement from the beneficiary on its liquidity needs (the liquidity plan may include working capital and investment costs).

For a loan amount of up to EUR 800,000 in RSD equivalent at the official middle exchange rate of the National Bank of Serbia on the day when the state aid was granted, the guarantee may cover 100% of the principal amount of the loan.

The principal amount may be higher than the amount referred to in paragraph 1, item 3) of this Article for loans with due date up to December 31, 2020, subject to appropriate explanation by the beneficiary, under the condition that proportionality is maintained.

If the amount of the loan referred to in paragraph 1, item 4) of this Article decreases over time (for instance because the repayment of the loan has started), the guaranteed amount shall be reduced proportionally.

State aid for liquidity of undertakings in the form of subsidies for salaries in order to avoid layoffs during an infectious disease epidemic COVID – 19

#### Article 6

The aid measure in the form of subsidies for salaries does not represent State aid if it applies to the whole economy or all undertakings without exception.

State aid for liquidity of undertakings in the form of subsidies for salaries may be granted under the following conditions:

- 1) the objective of the aid is to preserve jobs during the COVID-19 epidemic;

2) aid is granted in the form of a scheme, or program, for undertakings in specific sectors, regions or undertakings of a certain size that are particularly affected by the COVID - 19 epidemic;

3) the direct grant encompasses salaries for a maximum of 12 months from the application for state aid for employees who would be laid off due to the termination or reduction of business activities due to the COVID-19 epidemic and if the employment relation is continued during the entire subsidy period;

4) the monthly direct grant does not exceed 80% of the monthly gross salary of employees for which the grant is provided (including taxes and employer contributions for compulsory social security).

The grantor may, in particular for the benefit of the lower salary categories, calculate the aid intensity by a method other than that referred to in paragraph 2, item 4) of this Article, provided that the proportionality of the assistance (e.g. calculation based on national average wage or minimum wage) is maintained.

The wage subsidy may be combined with other generally available or selective employment assistance measures if the combined aid does not lead to overcompensation for the wages of employees.

Subsidies for salaries can be further combined with tax deferrals and deferred social security contributions if the combined assistance does not lead to overcompensation for employee payroll costs.

State aid for liquidity of undertakings in the form of postponement of employment taxes and/or social contributions

#### Article 7

Aid measure in the form of postponement of employment taxes and/or social contributions does not constitute state aid if it applies to the whole economy or all undertakings without exception.

State aid for liquidity of undertakings in the form of postponement of employment taxes and/or social contributions refers to the payment of deferred tax liabilities in installments, the granting of interest-free deferrals, the suspension of tax debt collection, enabling faster tax refunds, or otherwise.

State aid referred to in paragraph 2 of this Article may be granted under the following conditions:

- 1) the aid is granted in the form of a scheme or program for undertakings in specific sectors, regions or undertakings of certain size who are particularly affected by the COVID-19 epidemic;
- 2) the aid is granted before December 31, 2020;
- 3) the final date for the application of the delay is December 31, 2022.

State aid for the liquidity of undertakings in the form of short-term export credit insurance

#### Article 8

State guarantees for short-term export credit insurance against market risks are prohibited and are only allowed for export credit insurance against non-market risks.

Non-market risk, for the purposes of this regulation, is considered to be an epidemic disease COVID-19.

All commercial and political risks associated with exports to the Member States of the European Union, the Eurasian Economic Union, the United States of America, Australia, Canada, Japan, New Zealand, Switzerland, Norway, Iceland and the United Kingdom shall be considered as a non-marketable risk by December 31, 2020.

#### Cumulation

#### Article 9

State aid for liquidity of undertakings is cumulative, regardless of the aid granting instruments.

By way of derogation from paragraph 1 of this Article, aid granted in the form of subsidized interest on loans and aid granted in the form of guarantees for loans under favorable conditions, does not cumulate with each other if:

1) the assistance relates to the same basic loan;

2) the total loan amount per undertaking does not exceed the ceiling referred to in Article 4, paragraph 2 and Article 5, paragraph 1, item 3) of this Regulation.

State aid for the liquidity of undertakings may be cumulated with other types of State aid under the Regulation on State aid rules, provided that the eligible costs are the same.

#### Record keeping

##### Article 10

The State Aid Grantor for the liquidity of undertakings shall keep a record of the State aid granted and submit a State Aid Report to the Commission for State Aid Control (hereinafter: the Commission), which must include the beneficiary's name and the number of funds allocated to it, no later than June 1, 2021.

The State aid Grantor must keep information on the beneficiary and the amount of the aid for at least ten years and must provide the Commission, at its request, each record.

#### Final provision

##### Article 11

This Regulation shall enter into force on the day of its publication in the „Official Gazette of the Republic of Serbia“, and shall apply until July 1, 2021.

05 No: 53-3111/2020

In Belgrade, April 10, 2020

G O V E R N M E N T

PRESIDENT

Ana Brnabić