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Starting a business in Republic of Serbia

Starting a small business involves carrying out a series of formal procedures. In few basic steps we will help you plan, start or successfully run your business.

Step 1 - RESEARCH AND PLANNING (BUSINESS PLAN)

Step 2 - SOURCES OF FINANCING

Step 3 - TYPES / FORMS OF COMPANIES

Step 4 - REGISTRATION

Step 5 - TAXES AND FINANCIAL LIABILITIES

Step 6 - EMPLOYMENT

Step 7 - INSPECTIONS

STEP 1

Research and planning (business plan)

INTRODUCTION

Everything starts with a business idea which should be a short and accurate description of the main activities of a company. It explains what type of business activity is in question, who are the customers and how the product or service will get into the market. Whenever there is a need and a market where you can sell and service, there is a potential business. The lack of opportunities is not an actual obstacle, but finding the right opportunities which correspond to our resources, interests, skills and experience as beginners in the business.

RESEARCH

Before you start writing a business plan you need to perform various types of research, to think and consult with advisors, people who already have experience in this field as well as potential business partners.

Regarding the sources of information, they can be gathered online in the form of various economic reports, economic indicators, formal and informal research, and through personal contacts. In this way, the data collected will help you to more easily write a business plan that will be based on realistic market indicators. While doing research one should always bear in mind the four questions: product, price, place and promotion (the "4P's" concept). At this stage we recommend you take the time to do a research and find out if your idea is viable enough to invest time and money into a product or service that you will be able to sell successfully.

PLANNING

A well-written business plan is essential for both the initiation and conduct of a successful business. A business plan is essential when you want to raise funds to start a business, like start-up loans, grants or to attract potential investors. A good business plan incorporates the mission and vision and the manner in which the goals will be reached.

Before you start writing a business plan think carefully and research answers to the following questions:

- What type of products and / or services will my company be placing on the market and what needs of existing customers / clients will they meet?
- What is the target market for my products and / or services, and why should customers pay for my products and / or services?
- How do I find potential clients?
- Where and how will I get the financial means for starting and running my own business?

Do the SWOT analysis, i.e. analyse your Strength, Weakness, Opportunities and Threats to objectively review all the opportunities and risks that await you in the business.

Although when starting a business it is considered that for a successful venture one has to come up with something new, many business activities and companies are successful precisely because they have perfected the existing products or services that they continually evolve and improve to meet the needs of a changing market. If you opt for something that is not on the market, first make sure that the product or service will have a sufficient number of customers that will enable you to keep your business running.

BUSINESS PLAN

There is no rule when it comes to the length of a business plan, but keep in mind that it is best to include all relevant information in as few pages as possible. Here are some of the points that need to be included in a good business plan:

1. Table of Contents - enumerates the contents of a business plan. It will help in creating the structure of your business plan and enable readers to find parts that are of interest to them.

2. A brief description of the business plan - although it stands at the beginning of the plan, this part is written last when you have finished writing all the necessary details. It is considered the most important part of the business plan, because it will be read first by an interested person who will then decide whether to continue reading. This section provides a brief overview (summary) of your future company, who you are, what you intend to do and why. This section should be clear and concise, no more than two pages.

3. Company mission and vision - start with defining the mission and vision of your company, what you want to represent, what you want to achieve and what are the long term goals of your future business.

4. Company's business activity - in this part of the business plan you need to enter the results of the preliminary SWOT analysis, then address the development path of the

company, the predominant business activity and planned business activities entered with the intent to achieve success.

5. Defining the market - includes analysis of the sales market (market size, consumers, market segmentation, competition, highlighting the main competitive advantages of your products/services), procurement market analysis (information about the suppliers and sources of supply) and additional production market analysis (estimate possibilities of placing products/services onto new markets).

6. Description of products and/or services (production plan) - this part of the business plan should include information on the location and capacity of the company, production/service provision plan and schedule, production process description, a description of the equipment and the necessary raw materials and labour force assessment.

7. Organization and management - at this stage, think carefully about the business type, i.e. are you going to start as an entrepreneur, a joint stock company, a limited liability company, etc. (more about the types of business entities in the following pages). When deciding pay attention to the number of persons having a share in the company, the role of each partner in the company and the possibility of resigning from the company and the necessary financial resources. This decision may affect the cost of opening businesses and business expenses.

8. Marketing and sales strategy – here one should rely on the previously completed "Defining the market" section and based on that analysis create a sales strategy. Now use some of the issues you have already been analyzing to develop your marketing plan, primarily use answers to questions such as: which customer needs does your product/service satisfies, how much are potential buyers willing to pay for your product/service, what other factors are included in the pricing (e.g. profit), which is the best location for your business and what is the best method of promotion to reach customers?

9. Finances (Financial Analysis) - this section describes three important things: the capital that will be required to start a business (investments - construction or renovation, fixtures and equipment, licenses and permits, charges for hiring and insurance; operating expenses- rent, utilities, salaries, supplies, depreciation, overheads, opening inventory, taxes, etc.), the way in which the business activity will be funded and projections of business results.

10. Annexes - annexes that accompany a business plan depend on where and how you want to get the funds for the implementation of the plan. Among other things, as an annex to a business plan one may be required to attach a copy of the certificate of incorporation, a certificate for the guarantor, the bank's report on the liquidity and solvency, annual financial statements (balance sheet and income statement), Tax administration's Certificate of paid taxes and contributions and the solvency report of the National Bank of Serbia, copies of contracts with suppliers.

STEP 2

Sources of financing

START-UP CAPITAL

If you have written a good business plan the next step is finding the funds for the implementation of the business plan. The main sources of financing are:

1. Personal savings
2. Informal sources - a loan from family and friends
3. Business incubators (free legal and management assistance, business premises and other forms of assistance). Business Incubator "ZIP- youth centre" in Pirot is funded by the European Commission in order to stimulate entrepreneurship and small business. Among its tenants there is an accounting agency, a software shop, driving school, beauty salon, etc.
4. Grants and government loans disbursed through government agencies such as the National Employment Service, the National Agency for Regional Development and regional development agencies, the Development Fund of the Republic of Serbia and other institutions.
5. Investors/Partners
6. Bank loans and leasing

STEP 3

Types/forms of companies

The first thing to do when creating your own business is to decide on the type of company you will register. The Law on Companies of the Republic of Serbia recognizes several forms of organization for the purpose of profit generation. Types of legal entities that conduct business activities are divided into the following legal forms:

- Entrepreneur
- General partnership
- Limited partnership
- Limited liability company
- Joint stock company

	ENTREPRENEUR	LEGAL ENTITY
OWNER	Natural person	Natural person or legal entity
ACTIVITY	Limited no. of activities	Unlimited no. of activities
CAPITAL CONTRIBUTION	No contribution	Money, assets, rights, work
LIABILITY OF OWNER	Unlimited	Limited - Unlimited (depending on the form)
COMPANY MEMBERS	Entrepreneur	Partner, member, shareholder (depending on the form)
BUSINESS BOOKS	Single or Double-entry	Double-entry bookkeeping

	bookkeeping	
TAXES	Realized profit, lump sum	Realized profit
MANAGEMENT	Entrepreneur	Partners or Assembly (depending on the form)

Entrepreneur

An entrepreneur is a natural person who, for the purpose of profit generation, registers a business and solely performs a business activity. A sole proprietor sets up a shop or other appropriate form of business (e.g. agency, shop, medical practice, manufacture, etc.).

Entrepreneur is a business entity, but is formally a natural person (as opposed to other businesses that have the status of legal entities). The most important feature of entrepreneurship is the legal interpretation of their assets. Assets of entrepreneurs include property of the natural person (personal property of agency, shop, practice owner) and his/her business assets (property of the agency, shop, practice...). This means that the assets of a natural person who is an entrepreneur are burdened by all liabilities of a natural person which stem from performing business activities, but also those liabilities assumed outside the business.

In practice it looks like this - if entrepreneurial activities generate debts towards certain persons, these persons (creditors) have the right to satisfy their claims from the assets of the entrepreneur's shop or agency (e.g. funds from the accounts, movable and immovable property necessary for his/her business operations), and also from the personal assets of the entrepreneur (personal car, household items, family estate and house, etc.).

To summarize, the main disadvantage of entrepreneurial form of organization is that as an entrepreneur, person is liable with all his assets for obligations incurred in connection with the pursuit of his/her business activities. The main advantage of entrepreneurship is the possibility for a natural person who is an entrepreneur to freely dispose of the profits and assets obtained through his/her activities.

General partnership

General partnership is a legal entity consisting of two or more partners. Partners may be natural persons or legal entities. This form of business entity is a typical partnership. Partners are jointly and severally liable for all business obligations with all their assets (personal and company assets). What does that mean?

A partnership, as any other company, interacts with various market actors. These interactions create obligations of a partnership towards other entities. Like any subject of law, a general partnership is liable for its obligations with its assets. But partners are also liable for obligations of the partnership with all their personal property. In practice this means - if you and a friend form a general partnership, your and his house, and both your cars are assets from which creditors' claims can be settled.

As is the case with entrepreneurs, due to unlimited legal liability of partners for all company liabilities, this is a rather risky legal form for a business.

Limited partnership

A limited partnership is a company that has at least two members. The main feature of a limited partnership is the liability of all partners for the limited partnership's operations. At least one partner's liability is unlimited. Such a member is called a "general partner". Besides him, the company must have at least one person whose liability is limited to the amount of his contribution. This person is known as a "limited partner".

The relationship between general and limited partners is regulated by law, but also by their mutual agreement. This company is ideal if two (or more persons) wish to form a business entity in which the degree of mutual rights and obligations of its members is not the same.

Limited liability company

According to the Company Law, a limited liability company is defined as a company organized by one or more legal entities and/or natural persons, as members of the company, to conduct business under a common business name.

Limited liability company may be incorporated by one or more legal and/or natural person. A limited liability company is liable for its obligations with all its assets, which is separate from the property of the company. This means that a member or members of a limited liability company, whether natural or legal persons, are not liable for the company's obligations with their personal property. Their liability is up to the amount of their contribution. According to the new Law on Companies, which came into force in, the minimum initial capital to establish a company is at least 100 dinars.

It is easy to conclude that the main advantage of this kind of undertaking is the delimitation of liabilities of company members (and their assets) for obligations of the company. However, the disadvantages of a limited liability company are related to increased administration, the obligation of to hire bookkeepers, as well as a more difficult access to financial resources of the company by the founders.

Joint-stock company

A joint stock company is a company whose basic capital is divided into shares that are owned by one or more shareholders who are not liable for obligations of the company. The structure of the joint stock company and the incorporation process is very complex and challenging. This form of organization has a number of advantages, starting from the initial financing, through a clear delimitation of ownership and labour relations to multiple controls of company operations. Because of these facts, this business form is common to

companies with large capital and organized internal organization which includes a larger number of people.

STEP 4

Company registration

Registration with the Business Registers Agency works on the one-stop-shop principle, with a simple administrative procedure and further shortening the deadline for registration.

One-stop-shop registration system was established by unifying the procedures for starting a business in one place and electronically linking the Business Registers Agency (BRA), the Tax Administration (TA), the Pension and Disability Insurance Fund (PDIF) and the Public Health Insurance Institute (PHII).

When establishing a company or starting as an entrepreneur, citizens file the following documents to the nearest organizational unit of the SBRA or electronically through the website of the Agency:

- Integrated application for registration of legal entities (relevant forms can be found on the Agency's website),
- Supporting documents (all instructions can be found on the Agency's website),
- Proof of payment of the registration fee (the amount can be found on the website of the Agency),
- Proof of payment of the administrative fee to the Statistical Office for the issuance of the registration/identification number of the company (important note: the fee is payable only when registering a company).

Within the prescribed 5 day period, a certificate of incorporation is issued at the SBRA one-stop-shop, along with the registration and the tax identification number (TIN), the Pension and Disability Insurance Fund application, a receipt and registration number of the insured party paying contributions to the Public Health Insurance Institute.

DESCRIPTION OF THE REGISTRATION PROCEDURE BY COMPANY TYPE

1. Entrepreneur

The application for registration is submitted to the nearest organizational unit of the SBRA or electronically through the Agency's website.

To register a company, the following documents should be submitted:

- Completed application for registration of entrepreneur,
- Proof of the identity of the entrepreneur (copy of personal ID card or passport)
- Registration fee data.

If the entrepreneur does not perform his business activities under his own name, he is required to Register in accordance with the provisions of the Law on the Registration of Companies.

2. Limited liability company (Ltd.)

The following documentation is to be submitted to the SBRA when filing the application for registration:

- Completed application for registration of a limited liability company,
- Proof of identity of the founder: copy of personal ID card, and if the founder is a foreign national, copy of passport, which should be translated into Serbian language and certified by a court interpreter. If the founder is a legal entity, an excerpt from the original register is submitted (if the founder is a foreign legal entity, the excerpt is translated into Serbian and certified by a certified court interpreter),
- Document of association (memorandum or decision) with certified signatures of company founders,
- Agreement of founders on the value of contributions in kind, if it is not contained in the incorporation agreement,
- Resolution on appointment of the representative, if no representative is designated by the incorporation agreement,

- Certified representative's signature ("OP form" certified by the court),
- Proof of payment of the registration fee.

3. General partnership

The following documentation is to be submitted to the SBRA when filing the application for registration:

- Completed application for registration of a general partnership,
- Proof of the identity of the founder (copy of personal ID card or passport),
- Memorandum of association with certified signatures of the founders,
- Certified representative's signature ("OP form" certified by the court),
- Proof of payment of the registration fee.

Pursuant to the provisions of the Law on Companies, in addition to the Memorandum of association a general partnership may also have a Partnership agreement defining the company's operations and management. The Partnership agreement is not attached to the application for registration. In the event of any inconsistency between the Memorandum of Association and the Partnership agreement, the Memorandum of association shall apply.

4. Limited partnership

The following documentation is to be submitted to the SBRA when filing the application for registration:

- Completed application for registration of a limited partnership,
- Proof of identity of the founder; copy of personal ID card, and if the founder is a foreign national, copy of passport which should be translated into Serbian language and certified by a court interpreter. If the founder is a legal entity, an excerpt from the original register is submitted (if the founder is a foreign legal entity, the excerpt is translated into Serbian and certified by a certified court interpreter),
- Document of association (memorandum or decision) with certified signatures of company founders,

- Bank confirmation of the limited partner's payment of the contribution in a temporary account or his certified statement that he provided a cash contribution,
- Founders agreement on the value of the limited partner's contribution in kind if it is not contained in the Memorandum of association,
- Decision on the appointment of the representative if no representative is designated by the Memorandum of association ("OP form" certified by the court),
- Proof of payment of the registration fee.

5. Joint stock company (open or closed)

The following documentation is to be submitted to the SBRA when filing the application for registration:

- Completed application for registration of a joint stock company,
 - Proof of identity of the founder; copy of personal ID card, and if the founder is a foreign national, copy of passport which should be translated into Serbian language and certified by a court interpreter. If the founder is a legal entity, an excerpt from the original register is submitted (if the founder is a foreign legal entity, the excerpt is translated into Serbian and certified by a certified court interpreter),
 - Document of association (memorandum or decision) with certified signatures of company founders and bank statement regarding the subscribed shares,
 - Bank statement on cash contributions on the temporary account,
 - Proof of publication and content of a public invitation for subscription and payment of shares (prospectus) with the approval of the prospectus by the competent authority,
 - Decision on the appointment of the representative if no representative is designated by the Memorandum of association, certifies signature of the representative ("OP form" certified by the court),
- Proof of payment of the registration fee.

AFTER THE REGISTRATION

I COMPANY REGISTRATION NUMBER

As of 1 January 2006, the Register of companies is kept by the Serbian Business Registers Agency (SBRA). By registering with the SBRA, a company receives the **company registration number**, and as of 6 May 2009, the **Tax Identification Number** is also issued there.

II Tax Identification Number - TIN

With the entry into force of the "Rulebook on the allocation of the tax identification number of legal entities, entrepreneurs and other entities for which the registration authority is the Business Registers Agency" ("Official Gazette of the RS" no. 32/2009, issued on 5. May 2009), the SBRA started applying the one-stop-shop system of company registration. This system enables citizens to file their registration applications and collect certificates of incorporation and their TINs at the SBRA counter within the period prescribed by the Law on Registration of Legal Entities (5 days). Applications for company registration can be submitted solely on the new integrated application forms for registration of entrepreneurs and legal entities and for the entry into the Register of taxpayers prescribed

in the " Rulebook on the allocation of the tax identification number of legal entities, entrepreneurs and other entities for which the registration authority is the Business Registers Agency."

When filling out the new registration applications, applicants should fill in legibly all the requested information which the SBRA electronically forwards to other government authorities on their behalf (Tax Administration, Pension fund, PHII), for the purpose of implementing appropriate administrative procedures related to starting a new business (all necessary instructions regarding the registration of legal entities and entrepreneurs can be found in the "Instructions" section).

III OTHER

1. Seal- to make it one needs the SBRA's certificate. In case of entrepreneurs, the seal should be rectangular and must contain the name of the sole trader, the address, the owner's name and the name on the seal must be identical to the name of the sole trader stated in the Certificate of registration.

2. OP form - for the certification of signatures of persons authorized for representation, certified in the Municipality or court.

3. Bank account - agreement on opening a bank account and the specimen signature card.

4. Applying for registration of employers – it is carried out in the Tax Administration branch in the municipality where the company seat is. Required documents: ERP form (it can be found on the Tax Administration's website), Certificate of registration - SBRA, TIN, Certified OP form.

For more information please contact the Tax Administration branch in Pirot, 87 Srpskih Vladara Street.

STEP 5

Taxes and financial liabilities

After a successful registration, it is necessary to find a certified bookkeeper who will keep a record of your financial rights and obligations and ensure that everything is in accordance with the law. It is advisable that your bookkeeper's business seat is in the municipality of Pirot (like your company), since a local bookkeeper is bound to know local laws and regulations better.