

SERBIAN BUSINESS REGISTERS AGENCY

CURRENT SITUATION

The Business Registers Agency was established according to the Law on Business Registers Agency with the aim to implement regulations of the Law on Companies Registration and the new Companies Law as well as the Law on Financial Leasing and the Law on Pledges on Movable Property and Rights to be entered into the Register.

All these laws have been adopted in order to initiate the reform which would enable investors to quickly start their business operations in Serbia. It was clear from the very beginning that this was only a part of the reform, since starting of business operations is connected with many other judicial and administrative institutions on which the starting of a commercial entity depends.

The core activity of the Agency is to register data in respective registers, to form them as centralized, electronic and public databases, and to act as a supervisory body. In order to decrease the grey economy and corruption, all data registered at the Agency are available online on the website of the Agency free of charge. The Business Registers Agency is an example of a successful reform, with the following registers:

Companies register

Since its commencement on January 1, 2005, the Agency succeeded to re-register from the court register all active and inactive existing companies, (73,000 active and 160,000 inactive) and not to cause any delay in incorporating new companies, and deleting and registering changes regarding existing companies. All kinds of registration, incorporation, changes and issuing of excerpts and certificates from the Register have always been executed within the legal deadline of 10 days in the beginning and then 5 days, while today almost all registrations are carried out in 1-3 days. Currently, there are 108,686 active companies.

Register of entrepreneurs

Since the beginning, on January 1, 2006, the Agency managed to re-register 165,000 active entrepreneurs from registers of 164 municipal administrative bodies which have been keeping those registers until that day. When this register started, legal deadline for incorporation was only 5 days. Today, the registration of entrepreneurs is carried out in most cases within a day,

and 4 days at most. Foreign investors are interested in entrepreneurs only in terms of cooperation, but not for investment as well, which is explained below. Currently, there are 223.130 registered entrepreneurs.

Sub-register of financial reports

The Agency conducts the segment of registered data regarding financial reports in a very simple way, within the database of companies. The Agency has data on the business condition of all companies and for those entrepreneurs as prescribed by the Law on Accounting and Audit for years 2005, 2006 and 2007. In May 2009, data for 2008 were also published.

Register of Financial Leasing

From the very beginning on January 1, 2005, financial leasing has been a very successful register of all leasing agreements entered not only since the beginning of the register's operations, but also a year before its start. Apart from providing legal certainty, it has excellent statistical data on countries where the goods bought through leasing came from, as well as on the structure of leasing, showing from year to year that more and more machines for production are imported from abroad, while the number of luxury and expendable goods decreases. Currently, there are 62,108 registered financial leasing agreements.

Register of Pledge on Movable Property and Rights to be Entered into the Register

This register is operational since August 2005. It has completely adopted the novelty provided by electronic registers regarding the pledge – now taking effect not through the delivery of property, but with registration into the public register. A high level of safety has been provided to the creditors this way, mostly to banks and other financial institutions. As well as in other registers, all data are available, including creditor, debtor, owner of property, amount of debt, duration of pledge as well as sequence of pledge creditors. Both legal and contractual pledges are registered. Currently, there are 49,251 pledge agreements.

POSITIVE DEVELOPMENTS

According to assessment of international organizations, the Agency for Business Registers remained the only part of administrative system for starting business operations subject to

reform with a successful outcome. The Agency is also trying to prompt reform in other government institutions. During 2007 a new, much better and user friendly website was launched, part of which is available in English.

In May 2009, the Agency registered first company in a shortened procedure in a so-called One-Stop Shop system in which as many activities as possible needed for starting business operations are initiated before the Agency. This includes activities such as: obtaining of the tax identification number and application for pension and social insurance. Instead of going to 4 separate authorities for registration, the applicant will submit all registration documents to the Agency for Business Registers which will then proceed with the registration of the applicant within the Tax Administration, Pension and Social Insurance Fund and Health Insurance Fund. This facilitated and shortened registration procedure by at least 3-4 working days.

The Agency also participates, as much as it can, in the drafting of amendments to legislation referring to it directly or indirectly. The Agency keeps track of all irregularities which it encounters through its activities and tries to correct them. Currently, the Agency is involved in comprehensive legal reform in Serbia which should result in abolishment of all unnecessary regulations.

REMAINING ISSUES

The main remaining problem is essentially in the lack of good will of the rigid administrative system to get rid of the unneces-

sary paperwork, forms in which the same data are always entered, numerous signatures and endless stamps. A particularly big problem is the refusal of all administrative bodies to eliminate its complicated, unreliable and always different numbers and to accept only one identification number of a company, which in our opinion should be the ID number generated by the Statistics Administration which has the least, almost accidental error percentage. The Agency for Business Registers accepted this number as its own registration number and thus eliminates at least one company number from the system.

A further problem is that banks, actually the National Bank of Serbia, interpret the Anti-Money Laundering Act too rigidly. This demand, like nowhere else in the world and without any legal grounds, makes it very difficult for foreign investors to open a company bank account and of recently to open a temporary bank account for payment of foundation capital, because the bank requires evidence on the chain of founders of the founding company, until a natural person at the end of the chain is reached.

Finally, we consider that the biggest problem is that in Serbia, an entrepreneur as a form of business organization still exists, as a relic from socialist economy and socially owned property – but not as a legal entity, but as a natural person individually performing its activity, which is registered and having some specific characteristics for legal entities. This confuses foreign investors because all property of this entity is actually personal property of an entrepreneur, whether it is used for performing business operations or not.

FIC RECOMMENDATIONS

- The Agency should participate in legislative activities regarding complete abolishment of the Law on Entrepreneurs;
- Participation of the Agency in the regulation of the status of an entrepreneur, as well as in the introduction of micro companies, which are currently not foreseen by the law;
- Providing incentives for greater connection of the Agency for further improvement of the One-Stop Shop system by enabling the Agency to accept even the demand for opening of the bank account in the registration procedure.