

**FOR BETTER BUSINESS
CONDITIONS**

**Racionalizacija parafiskalnih naknada
radi podsticanja građevinarstva i tržišta nekretnina**
**Invigorating Construction and Real Estate Sectors
by Streamlining Para-fiscal Charges**


**MANJI
NAMETI
ZA VIŠE
INVESTICIJA**
**LOWER
LEVIES
FOR GREATER
INVESTMENTS**

Beograd, 26. septembar 2012.
Belgrade, September 26, 2012



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Ovaj okrugli sto Ekonomski institut organizuje se u saradnji sa USAID Projektom za bolje uslove poslovanja u okviru podrške projektu Ekonomskog instituta OKRUGLI STOLOVI 2012 "Za bolje uslove poslovanja".
The round table is organized by the Economics Institute in cooperation with the USAID Business Enabling Project in support of the Economics Institute's project ROUND TABLES 2012 "For better business conditions".

ROUND TABLE
“LOWER LEVIES FOR GREATER INVESTMENTS”

Economics Institute, Belgrade, September 26, 2012

AGENDA

- | | |
|-------|---|
| 11:00 | WELCOME ADDRESS
Aleksandar Vlahović, Chairman, Economics Institute
Suzan Kutor, Economic Growth Office Director, USAID Serbia |
| 11:10 | INTRODUCTORY REMARKS
Dr. Boris Begović, Professor at the Faculty of Law and President of CLDS |
| 11:25 | INITIAL SPEECHES <ul style="list-style-type: none">• Mlađan Dinkić, Minister, Ministry of Finance and Economy• Aleksandra Damjanović, Assistant Minister, Ministry of Construction and Urban Planning• Milan Vuković, Secretary, Secretariat for Urban Planning and Construction, the City of Belgrade• Saša Paunović, Mayor of the Municipality of Paraćin and President of the Standing Conference of Towns and Municipalities of Serbia• Dr. Miladin Kovačević, Associate of the Economics Institute – co-author of the journal Macroeconomic Analyses and Trends• Dr. Nikola Zelić, Co-owner, Factis• Marko Paunović, M.Sc., Executive Director, CLDS• Nebojša Nešovanović, Investment Consultant, Jones Lang LaSalle Serbian• Dobroslav Bojović, Owner and General Manager, GP Napred |
| 12:40 | DISCUSSION |
| 13:20 | CONCLUSIONS |

* **Moderator of the debate, Dušan Vasiljević**, Business Regulation and Economic Governance Team Leader on the USAID Business Enabling Project



WELCOME ADDRESS

Aleksandar Vlahović

Welcome to Economics Institute, to the round table “Lower levies for greater investment”, a discussion on invigorating construction and real estate sectors by streamlining para-fiscal charges.

One of the key parameters affecting the investor’s decision in choosing the destination to invest in and to implement the investment project is predictable and stable tax system, with efficient legal system and developed infrastructure. The uncontrolled growth of various para-fiscal, hidden non-tax levies, as financial and administrative burden on investors, reduces Serbia’s competitiveness as an investment destination, and points to the necessity for urgent rationalization thereof. The para-fiscal charges in the process of obtaining construction permits (various taxes, fees, approvals...) are most illustrative and perhaps most numerous and most expensive levies. Obtaining the necessary documentation in Serbia in order to begin the construction is still complicated, slow and expensive, which is the reason why Serbia stands at 175 in the ranking of 183 countries in the relevant World Bank study “Doing Business 2012”.

The intent of the Economics Institute and USAID BEP is, through debate on para-fiscal levies on the example of obtaining the construction permits, to highlight key problems and offer the solutions for overcoming them in order to simplify and accelerate the process of obtaining construction permits and to lower the costs borne by investors. There are many open questions that need to be answered, such as: which para-fiscal levies should be abolished and which redefined and maybe transformed into ordinary tax forms; is there any support for the idea to abolish the portion of fee for the construction land development, which is paid even when no works are conducted on utility infrastructure for the given location, and many other to be discussed today. I believe that the round table participants will offer good solutions to the problems that burden the construction and real estate markets.

The round table “Lower levies for greater investments” is organized by the Economics Institute in cooperation with the USAID Business Enabling Project (USAID BEP), within the Economics Institute’s project Round tables 2012 “For better business conditions”, supported by the USAID BEP. The first debate was held in June this year within the macroeconomic Vivaldi Forum on Mokra Gora, on key priorities of the new government. Two more debates from the series Round tables 2012, will be held this fall – on financing small and medium-sized enterprises from the field of agriculture and food industry, on October 13 in Subotica, within the Second Agricultural Forum “Food for Europe”; and on prerequisites for increasing the demand for government bonds, on November 20 in the Economics Institute’s premises in Belgrade.

This project is yet another contribution of the Economics Institute, as the oldest research and development institution, to improvement of the business climate in Serbia and to acceleration of transition of the Serbian economy.

I wish you a successful debate during which, I believe, we will reach the solution to the problems of improving the condition in this area and removing the existing barriers for investors.



REMARKS

Susan Kutor

I am very pleased to be here again at the Economics Institute for a discussion between representatives from the government, the private sector and analysts and researchers. The topic today is how to reduce parafiscal charges, in particular those that hamper the construction industry. USAID has made improving the construction permitting process and reducing parafiscal charges important pillars of our support through the Business Enabling Project to the government to improve Serbia's business enabling environment.

We are focusing on these and other critical barriers based on input from businesses about the major impediments to their growth. In the survey of 1000 Serbian firms that our project conducted in late 2011, 96% of the companies cited para-fiscal charges as having a very negative effect on their business – both in terms of time and money.

94% of businesses also cited the delays caused by inefficient administrative processes such as construction permitting as having a very negative effect. This corroborates the World Bank's Doing Business ranking of Serbia's 175th out of 183 countries in Dealing with Construction Permits. This is a huge obstacle for all investors – domestic and foreign – who are looking to establish or expand their operations in Serbia.

Clearly your participation here today shows that you all agree that both parafiscal charges and construction permitting are areas that urgently need improvement.

In fact, I am pleased to hear that the Government of Serbia has not only noted the importance of reducing parafiscal charges, but has already acted by eliminating more than 100 fees and amending laws. These actions are an important step toward a more efficient and predictable business environment. Through our Business Enabling Project USAID stands ready to continue to support the Ministry of Finance and Economy in this effort.

In the area of construction permitting, we understand from Minister Ilic, who spoke at the presentation of our Assessment of Constraints to Construction Permits just two days ago, that the Government of Serbia is ready to make radical changes to simplify this process. We applaud the Government's intention to review the construction permitting process and make it more investor-friendly without compromising public safety, much in line with recommendations from the assessment conducted by the Business Enabling Project. Again, we stand ready to provide technical assistance as needed in this area.

Today's roundtable will provide valuable input into both of these areas for reform. Reducing the amount of administrative fees and charges where warranted will reduce a significant burden on developers and will increase the competitiveness of Serbia. At the same time, Serbia needs to secure funding for much-needed development of its local infrastructure. Dialogue between all the relevant stakeholders – such as everyone present here today – will help to strike the right balance between the needs for financing infrastructure development and the source of these funds.





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USAID remains committed to supporting this dialogue and implementation of reforms through technical assistance for drafting regulatory changes and through support for capacity building on the central and local levels. We look forward to continuing to work with all of you.

Press Statement

Parafiscal charges are clearly recognized by the Government of Serbia, the private sector and researchers and analysts as a critical impediment to the growth of companies in Serbia. Another critical barrier is the lengthy and costly construction permitting process. Today's discussion provides a unique forum for the government, the private sector, and the analysts to debate how to reduce unnecessary parafiscal charges related to the construction industry and real estate sectors, while maintaining a balance with the need for financing of infrastructure development. USAID remains committed to supporting this dialogue and implementation of the reforms that come out of this dialogue.



INTRODUCTORY REMARKS

Boris Begović

1. BASIC CHARACTERISTICS OF THE EXISTING SYSTEM

The most important fees by far, regarding urban land and the urban development, are the urban land use fee and the urban land development fee. In addition, property tax and shelter fee are also important as well as is the land-use change fee and fee for transfer of the right to use to property right. We shall provide some of the basic characteristics of the existing system:

- a. **The urban land development fee** is a one-time payment made by investors to local self-government, used by the local self-government to finance the investment plan to be implemented during the year, mostly through the Land Development Agency or through a similar institution. Total revenue from this fee amounted to about RSD 13,5 bln in 2012, i.e. about 8% of the total current revenue at the local level.
- b. **The urban land use fee** is a regular payment to local self-government. Total revenue from this fee amounted to about RSD 16 bln in 2010, i.e. about 9.4% of the total revenue at the local level.
- c. **Property tax** is dominantly (measured by the amount) paid by natural persons, since the property carrying amount, which usually has little to do with the market value, is taken as a taxable base. In 2010, about RSD 13 bln, i.e. about 8% of current revenue was collected.
- d. **Partly privatized land** is the source of a number of current problems. Namely, the whole system of fees was created at the time when urban land could not even be in private ownership, so numerous provisions are no longer meaningful.

2. EFFECTS OF THE EXISTING SYSTEM

The current regime of urban land ownership and management in Serbia, as well as of financing the urban development of utility infrastructure, is featured by numerous disadvantages.

- a. **Inefficiency of land use.** The existing system of the urban land use relies, only to a small extent, on the land market and on the turnover thereof given the fact that the privatization process has just started, so the concept of the land market price has not been accepted yet. However, without a real market of a certain resource there are still no possibilities for economically efficient use thereof. Absence of the urban land real market means that the price for land use is not established on the basis of supply and demand, i.e. on the basis of benefits and costs which such a land use offers to a potential user, but on the basis of some other criteria. Such an institutional arrangement leads to economically inefficient use of an individual lot.

This results from the two facts: first, the user is often selected by the administrative system, i.e. by the decision of the local authorities; second, it is not the





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market price proportionate to the location benefits (i.e. its potential profitability) that is paid for its use, but something else (equipping costs or the rent, administratively determined, based on social and other, essentially political criteria).

- b. Cross-subsidization between locations and activities.** Based yet on the method of calculation for the urban land development fee, it can be seen that significant resources are redistributed through the fee. Namely, having regard to the fact that higher amounts are paid for central urban locations which are, mostly, already equipped with utility infrastructure, and that lower amounts are paid for peripheral urban locations where additional investments in utility infrastructure are necessary, it is clear that “widening” of the utility networks is greatly financed by the funds collected from the locations where there are no actual costs. Therefore, there comes to subsidizing of extensive development of the cities. Also, having regard to the fact that the urban land development fee and the urban land use fee are calculated in proportion to the size of the structure, but not the land size, it is evident that such a solution does not encourage more intense land use.
- c. Less investments/urban development.** The current model of the urban land is not a good basis for investor’s decision whether or not to invest in Serbia, including also the development of facilities. In fact, this decision does not only depend on the commercial aspect of activity in question, but also on the possibility to safely and predictably use the land on which the facility is to be built. Finally, given the significant impact of development fee on the market price of real estate, uncertainty about the future level of such fee may also discourage new urban development.

3. BASIS OF THE FUTURE SYSTEM: REFORMING THE LAND DEVELOPMENT FEE

The utility infrastructure encompasses all those facilities of technical infrastructure systems that enable the provision of utilities, regardless of whether they are private goods, i.e. the services for individual consumption or public goods, i.e. the services for collective utility consumption.

It should be taken into account that networks of technical utility systems are not homogeneous. Some segments of the system may be allocated to end users. When constructing the facilities, all these technical system segments are usually financed from the “service connection fee”, i.e. investors, or new users, are directly charged with the actual costs of connection to the utility network, as well as with the costs increasing the capacity of these services. Actual costs are charged by the utility companies (e.g. water supply companies, district heating companies or gas distributors) or other infrastructure service providers (power distribution company, telecommunication operators, etc.).

However, the new users of utility services do not generate only the costs of connection to the existing technical utility system. These users generate also additional demand for a certain utility service, which means that the capacity of all facilities, i.e. not only the segments that serve the new users directly, but all segments of the system, need to be increased by the relevant amount. In the case of water supply, for example, the capacities of water intake, water treatment facilities, pumping stations, trunk pipelines, etc. should be increased by the relevant amount. The question arises as to how the investments into these facilities, the so-called capital utility infrastructure facilities that benefit all users, not only investors, i.e. the new users, are to be financed.





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The said specificities are primarily related to network utility activities offering the private goods, i.e. the services of individual utility consumption. The situation regarding the local public goods, i.e. the services of the collective utility consumption, slightly differs. Although, in this case, it is impossible to precisely delineate “connections” and capital facilities because the end users cannot be identified, it is still possible to differentiate between a local public good in the immediate vicinity of a new facility, which needs to be fully financed from the impact fee and from a local capital public good, like an inner city bypass road (“inner ring road”) that benefits all city inhabitants.

There are three basic mechanisms for financing this type of investments:

- a) The fee paid by the investor - *Impact Fee*
- b) Service charge - *User charges*
- c) Local public expenditures - budget financing

The fee paid by the investor (*Impact Fee*, hereinafter referred to as: the fee) is, generally speaking, a fee that should be equal to the costs generated by such investor, i.e. to the costs of development (increased capacity) of utility infrastructure systems. In other words, the amount of fee should be such to cover long-term marginal costs of utility infrastructure system operations. It is important to mention that the fee does not serve to cover the current, i.e. operating costs of providing utility services, including depreciation. These costs should be covered from the user charge, where the charge can be collected (private goods) or from the local budget (public goods).

Service charge (User charges) is a cost equally imposed on all users, both existing and new ones. Such cost is proportional to the consumption of the utility service, regardless of whether the consumption is measured directly (e.g. by means of water gauge) or indirectly, through an approximation (the number of radiator ribs or the surface area of a flat in the case of heating or waste disposal). The charge can be formulated in such a way that the total revenue earned by the collection of the charge covers all costs: operating costs (including depreciation) as well as development costs. It is undisputable, in terms of efficiency, that the user charge should enable the coverage of all operating costs (including depreciation), but an arrangement where the user charge covers development costs has some unfavorable consequences for economic efficiency. In fact, the development costs caused by investors are evenly distributed over all users, meaning that they are, to the greatest extent, borne by the existing users, although not caused by them. This contradicts the principle of efficiency that the expenses should be borne by those who generate them, which makes room for moral hazard. By such an arrangement, the existing users subsidize the new ones. The only possibility to avoid this is the perfect price discrimination according to the actual costs generated by some users. A fee paid by the investor, precisely the one defined by the actual cost, is a form of price discrimination.

Budget financing of the development of utility infrastructure impairs efficiency, because it disregards the principle that the costs should be borne by those who generate them. The costs are generated by the investors, i.e. by new users, but are borne by taxpayers, both those residing in the town in question as well as, generally, taxpayers in the country as a whole due to the existence of transfers from the central to local budgets. This method of financing the development of utility infrastructure also violates the principle of fairness according to which one should bear the costs one generates, since taxpayers subsidize investors, i.e. new users.





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4. REFORM PROPOSAL: INFRASTRUCTURE FEE

The basis of the reform of fees charged to investors should be reform of the existing land development fee, which will lead to its transformation in the infrastructure cost. This fee should have the following characteristics:

- **Cost-based.** This fee should include only the actual costs of land equipping, but not any fee for the benefits of the location. By introduction of the urban land market, i.e. the privatization and trade thereof, the land price at sales embodies the costs location, so the investor should not pay the same price twice.
- **Earmarked nature.** This fee shall be used exclusively for investments in utility infrastructure facilities. In addition, an earmarked fund for financing capital facilities in the field of collective utility consumption, i.e. provision of public goods, should certainly be established for the purpose of better land management. Thus, the required financing flexibility would be achieved in accordance with clearly established priorities, and would prevent the money, generated from a fee for infrastructure, to be left unused or even returned to investors while some other utility has insufficient funds necessary for funding investments to be used for overcoming this problem. The question remains open whether such a fund should be established as for the facilities of individual utility consumption, or we should focus on completely earmarked individual fees.
- **Relation to the price of utilities.** In the case of utility activities of individual utility consumption, it is necessary, in principle, to cover operating expenses from user charges, and development costs from infrastructure fee. However, the future status of the utility companies, i.e. their privatization with potential arrangements of public-private partnership, as well as the future status of directorates for land development, may impair this principle in such a way that the price increase covers also development costs.
- **Relation to the local budget.** In the case of urban development of those facilities of collective utility consumption that are not directly related to the additional demand arising from the development of a new facility, but are aimed at satisfying the demand of all the inhabitants of a city or its individual parts, financing of the development of such facilities should be provided through a combination of earmarked funds based infrastructure fee and on capital expenditures of the local budget.



TEN PROBLEMS – TEN SOLUTIONS

Aleksandra Damjanović

1. The fee for issuing personal licenses - for energy efficiency engineers, responsible planners, responsible urban planners, responsible designers and responsible contracting engineers. Professional exam is taken before the Commission appointed by the Minister in charge of construction, and the license is issued by IKS – Serbian Chamber of Engineers (the price of taking the professional exam amounts to RSD 30,000, license issuing to RSD 6,400, annual membership fee to RSD 7,500 regardless of how many licenses one holds).

- Consider the possibility of fee reduction – the relevant Ministry and IKS.

2. The fee for issuing license for legal persons.

The license is issued by the Ministry in charge of construction for all facilities referred to in Article 133 of the Law on Planning and Construction. The fee amounts to RSD 30,000.

- Consider the possibility of fee reduction - the relevant Ministry.

3. The fee for issuing information on location (Article 53 of the Law on Planning and Construction)

Reimbursement of actual costs of issuing, the amount of which is determined by the municipality.

- Keep the fee but equalize it under a special regulation – the relevant Ministry.

4. Fee for the change of agricultural land purpose prior to issuing location permits (Article 87 of the Law on Planning and Construction)

The amount of fee is determined in accordance with the law governing agricultural land.

- Keep the fee, but reconsider its amount. The amendments to the Law on Agricultural Land are necessary – the relevant Ministry.

5. The fee for the construction land development (Articles 92 to 95 of the Law on Planning and Construction)

Local self-government unit prescribes criteria for the calculation of fees based on the criteria stipulated by the Law on Planning and Construction: the level of utility infrastructure equipment, the annual programs for development of land, urban zone, purpose and surface of the facility.

Article 94 of the Law on Planning and Construction – undeveloped construction land, which unequipped, may also be outfitted with utility infrastructure means from natural and legal persons according to the procedure prescribed by the Law. Based on the investment, the fee paid by the investor for the construction land development may be reduced to 60% of the amount of fee to be regularly paid.

Financing of the construction land development is provided from the funds generated from: the construction land development fee, the construction land rent, alienation of the construction land, conversion of the right of use, i.e. lease from other resources as well.

- Original, constitutional right of local self-government units – to use recommendations in order to influence reduction of fee or to amend the Law so as to provide that the fee is determined based on the actual level of utility infrastructure. This fee exists only in Serbia. However, along with the analysis of alternative funding sources, the proposal should be made to abolish this fee or to prescribe that the proof of fee payment is not the condition for obtaining a construction permit.



6. Conversion of the right of use to ownership right for a fee.

50% of the funds paid into a special Fund for restitution and 50% to the local self-government unit.

- Some of the provisions of Regulation are obscure, the Regulation should be amended, administrative procedures streamlined and another method of calculation proposed – the relevant Ministry.

7. The fee for professional review of technical documents for the facilities referred to in Article 133 of the Law on Planning and Construction

Professional review for: general project design with a preliminary feasibility study (only if there is no planning document) and a conceptual design with a feasibility study. The decision on establishment of the Commission as well as on the amount of fee is made by the Minister in charge of construction.

- The amount of fee depends on the type and purpose of facility, i.e. on the complexity of technical documents – the Ministry proposed reduction of this fee by 50%.

8. The fee for the engagement of Commission in the technical inspection of the facility.

The fee is determined according to complexity and surface of the facility.

- Keep the fee.

9. The fee for the construction land development in the legalization process

- The Ministry, in cooperation with the local self-government unit, should consider the possibility to further reduce the fee.

10. The fee for the construction land use

Article 220 of the Law on Planning and Construction stipulates that this fee shall be paid until it is integrated into the property tax. Currently, we have the following situation: regardless of the fact that the ownership right over the construction land is registered and property tax charged as for any other property, local self-government units still charge this fee as well.

- Pay only one obligation and to strengthen the control of application thereof – the Ministry of Finance, local self-government unit.

To create or modify a planning document, in accordance with Article 40 of the Law on Planning and Construction, the relevant cadastre is obliged to submit all available proposals and data, as requested by the local self-government units, AP or RS, free of charge.

Authorities, organizations and public companies, authorized to establish specific requirements for the protection and regulation of space and the construction of facilities in the stage of drawing up or modifying planning documents, are obliged, upon request of the bearer of plan development to submit all requested data within 30 days, free of charge (Article 46 of the Law of Planning and Construction).

On the recommendation of the relevant Ministry, the cadastre cut taxes by 70% for family houses of up to 300 m², i.e. for flats of up to 100 m² as subjects of registration, which obtained construction and use permits in the process of legalization of facilities.

At the request of local self-government units, the Ministry responsible for spatial planning may (co)finance development of certain planning documents (Article 39).



TEN PROBLEMS – TEN SOLUTIONS

Milan Vuković

1. At the time this article was drafted (September 10, 2012), the Serbian government already adopted or proposed abolition of a number of para-fiscal levies. However, it is not yet explicitly known what para-fiscal levies are abolished and which parties affected by them. We will discuss this issue in details at the round table.

2. Abolition of the portion of the construction land development fee, paid regardless of whether the works on utility infrastructure equipping are conducted, is the issue which should be addressed by the Law on Planning and Construction, through financing of local self-government and by clearly defining the funds to be used to finance the development of planning documents, implementation of primary infrastructure envisaged by the plan and construction of roads in such a micro-environment where the investment is realized as well as are other public facilities envisaged by the planning documents. In any case, this is a significant issue in terms of the investor's decision on whether to enter the investment or not, as well as regards the investment costs.

3. With the necessary zoning, bonification of locations and facilities, the construction land use fee, in my opinion, should be a part of the utility fee or tax within the real property tax.

4. The laws on property taxes are certainly under the competence of the republic government and the parliament, as well as in terms of the method of financing the local self-government. In my opinion, they do not substantially affect the long-term investments.

Fees for obtaining technical requirements approval in the process of drafting investment and technical documentation and of obtaining the construction permit, should be denominated, to an appropriate extent, based on actual costs (for their development). Fees should not be charged in this phase but upon the connection of the facility to infrastructure or prior to issuance of the use permit.

5. Since the investment costs, expressed graphically, are of hysterical shape, and that major investments occur in the last third of investment when the early commencement is expected with initiation of production or the sales of property, this is maybe a more certain moment when the funds are available for all the said payments. In addition, in the process of meeting the requirements for obtaining approval, which affects also the pace of issuing construction permits, a standstill in issuing the approvals occurs when it comes to payments required in order to obtain the permit.

6. The shelter fee is established according to the applicable laws and secondary documentation. However, its amount is not the only problem, but is also the construction of facilities conditioned by the construction of shelters and the opinion that the same is done in most cases. This will probably reflect in the future given that the regulation that governs this area was adopted in late 2011. All the laws that may affect this issue are to be amended and harmonized as soon as possible so as to comply with the actual need for protection and the reality that all this jointly affects the investment to a great extent, in both the financial terms and in terms of implementation pace.





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7. Any amount of para-fiscal levy, determined on the basis of the facility investment value, is inappropriate and inadequate at present. These should be actual costs, since all the additional costs burden the investment and are prone to a variety of conflicting or unacceptable values. Financing of the authorities and institutions should be solved by actual budgets but not by the so-called additional revenues thereof on the basis of the investment value percentage.

8. The issue of administrative and court fees is an important one for the budgets of the republic and local self-government units, so the budgets should certainly be analyzed and corrected where possible. However, it is not of a crucial importance for the decision to invest or in terms of affecting the pace of issuing the permit.

9. The City of Belgrade has commenced all analyzes and to preparations to faster the procedures, payments of fees and taxes and the process of obtaining necessary information for investments in one place, according to the current laws and decisions. In addition, the decisions within the competence of local-self government, which shall encourage the said, shall be initiated and adopted. The proposals of the amendments to the current laws shall also be submitted. This primarily refers to compliance thereof or to new legislative proposals that affect the investment field, aimed at more simplified procedures and tie necessary for issuing permits, as well as unnecessary costs when investing in the city territory.



TEN PROBLEMS – TEN SOLUTIONS

Saša Paunović

1. Is it acceptable to replace the charges for land use with the utility charges by 2014, as prescribed by the Law on Planning and Construction, or to abolish it without introducing the utility charges?

- Cancellation of the land use fee without replacement of this public revenue with another one will result in a collapse of the local government functioning, considering that in an average municipality this revenue accounts for about 10% of current revenues, and it is thus unacceptable to cancel this fee without finding a way to preserve the fiscal neutrality.

Budget reduction of 10% is not possible without dramatic consequences, especially after the already introduced budget reduction of local authorities through amendments to the law on local self-government financing.

Without the land use fee, or future utility fee, there is no efficient instruments for e.g. financing of "common" utility services (public lighting, maintenance of parks, cleaning public surfaces, etc.), or management of requests for expanding the scope of utility services in this sense.

2. Is there support for the idea to abolish the portion of charges for managing construction land, which is paid without conducting works on communal infrastructure?

- It is unclear what the proposal would imply in practice. In many local self-government units we already have reductions for investors that partly provide infrastructure equipment for the location they are constructing, at their own expense. In practice, in most cases it is more favorable for investors to pay the fee than to construct the infrastructure on their own. Namely, for equipping a new block of buildings with infrastructure it is not sufficient to construct only transport routes, parking lots, etc. in the block of buildings, but it is also necessary to construct new sewerage collectors, to expand the waste water treatment system, to provide new water sources, and so on, which is an incomparably higher expense.

The Power Distribution Company uses a similar method (financing of the actual utility equipment of a location), and it is frequently the highest cost for this location in practice.

3. Are the amendments to the Law on Property Tax necessary? Is it necessary to change the taxation regime applied on the legal entities property?

- Yes, there are numerous misuses of the book value as a base for taxation of legal persons; legal persons should be included in the same taxation regime applied for natural persons, especially after the practical cancellation of business sign fees.

A reform of the property tax in this part might be a part of a broader tax reform of local public revenues (the land use fee, a part of the environmental fee for environmental improvement).

4. Which para-fiscal levies should be abolished and which redefined and maybe transformed into classic tax forms?



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- The land use fee/utility fee pursuant to the applicable law on planning and construction of 2014 could be transformed into a utility tax.
The land development fee could be better regulated and standardized.
- 5. **What should be done with the charges for obtaining the consent for connection to the network: should they be abolished or should their amounts refer to actual costs borne by the authorities issuing the consent, with the establishment of an external mechanism for verification of these costs?**
 - It is necessary to standardize the method of issuing conditions of public enterprises (Railways, power supply companies, roads, etc.) and the price of issuing conditions.
- 6. **Is the charge for public shelters justified, or should it be abolished or reformed?**
 - The public shelter fee, as well as similar fees, can be justified only if they are used exclusively for specified purposes. It is impermissible to use such fees for financing current expenses (e.g. salaries, automobiles, etc.) of public enterprises in any percentage.
- 7. **Is it justifiable to determine the amounts of the administrative fees charged according to the investment value, i.e. transaction value, such as verification of the sales contract or mortgage registration, as absolute amounts regardless of the investment value?**
 - The amount of administrative fees cannot depend on the value of an investment, transaction, etc., but only on the costs of the body performing the administrative service.



TEN PROBLEMS – TEN SOLUTIONS

Dr Nikola Zelić

1. The basic **problem**, which generates all problems related to the offer of construction land to investors, lies in the fact that (a) the economic system in Serbia is still not fully market one and (b) the political system has deficiencies. This is best illustrated in municipalities, as bearers of the provision and development of locations for construction. The incompleteness of the market economic system is manifested, among other things, by the fact that investors pay the land development fee, from which new capacities of public utility companies (PUC) are financed as well, and they pay separately to infrastructural enterprises founded by the Republic (PE). Then those PUCs and PEs, using also the capacities financed by the investors on locations, sell their products/services to those same investors. PEs and PUCs here function as a sort of municipal/state "bodies" or services, and they have the status of (incomplete, specific) enterprises. The applicable political system, according to which the municipal administration (president of the municipality/mayor) is elected by political parties, is defective in this context, since it results in instability of the position and uncertain time horizon of the local administration (also directors of PUCs and PEs). Since in such a system the long-term survival of the local administration (and directors of PUCs and PEs) does not depend on their individual performance, they are either passive during the mandate or undertake only the measures giving effects over a short term – which certainly does not include development of locations for their assignment to future investors.

1.1. The solution for completing the marketability of the economic system (in this context) lies in turning PUCs and PEs into real companies maximizing their profits, with private capital included, so that directors of enterprises could be elected and preserved depending on their performance. A solution to the problem of motivation of the local administration lies in direct elections of the president/mayor, so that their long-term remaining in power will depend on their contribution to the welfare of citizens (voters), which is most frequently related to the scope and success of investing/construction in the territory of the municipality.

2. The construction land development fee originates from the time of forbidden trade of state-owned construction land, when it served (i) as a hidden price of the land/location. **The problem** is that the payment of the land development fee implies an illogical sequence of actions: as if it is expected from investors to identify a parcel they need for construction and to *demand* from the municipality to develop the location, i.e. equip it with infrastructure – i.e. an initiative on the side of demand is expected.

2.1. The solution for municipalities is to *offer* developed locations, or undeveloped ones – not equipped with infrastructure – but undertaking the obligation to develop them, i.e. to organize infrastructural equipment of the locations by PUCs and PEs. Such an approach suggests that no land development fees would be paid, but the investor would instead pay for a developed location (equipped with infrastructure up to the border of the parcel, while the costs of development within the parcel will be born by the investor).

3. In the absence of payment of the land development fee, a **problem** may occur when an investment project on the location demands high, specific investments of a PUC or PE in infrastructural equipment of the location so that the given PUC or PE could not, with the given prices of their products/services, expect return on investments with a normal yield.





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3.1. A solution to the problem is to demand from the investor on the location to pay anyway, but not (a special) land development fee, but rather to compensate a precise PUC or PE for a difference between the needed investment in infrastructural equipment of the location and the amount of such an investment that the PUC or PE cannot return with a normal yield (with the given prices of their products/services).

4. Since problems 1-3 haven't been solved (especially basic problem 1), there is a **general problem** that the entire construction and investment process – as well as the overall economic growth – cannot function spontaneously, i.e. cannot be predominantly lead by the "invisible hand". This has been noticed by some mayors, and they have thus developed local mechanisms for planning and preparation of locations, to the possible extent, considering system limitations, and they also personally worked on the animation of investors, i.e. they acted with a "visible hand". The former Ministry of Economy noticed the same thing, and the Minister thus got personally involved in attracting investors to some municipalities. Such personal involvement of individuals in some municipalities in the Republic has given specific results, and it will always be necessary and useful, but it cannot be sufficient without systemically determined activities of the "invisible hand".

4.1. The general solution is to reduce the need for engagement of the "visible hand" to a proper measure. This will be achieved through the use of the systemically determined approach implying that everyone is to maximize their interest and that everyone pays only for the things contributing to the achievement of their own interest: (a) the municipality is to maximize its (future) budget receipts (from the sale of developed locations, from future tax revenues generated through investments on its locations); (b) PUCs and PEs should maximize the profit and increase their capacities (equip the locations), thus responding to the additional demand for their products by investors; (c) the activities of investors in locations should be reduced to the maximization of profits and they should invest/pay only what is directly in the function of their revenue and profit generation. Each stakeholder (a)-(c) will invest only when their return is equal or higher than the invested funds (when the net current value of their investment, NCV, is higher than or equal to zero), and the system of offer and demand of construction land will thus function spontaneously and efficiently.

5. Due to unsolved problems 1-3, in addition to the high need for interventions of the "visible hand", there is a **problem** of excessive duration of preparations for construction in locations and the investment activation. In principle, this fact distracts the investors, and it can also make precise projects – which would otherwise be profitable – unprofitable. For instance, a precise project with investments of EUR 4.5 million in buildings and equipment, plus EUR 0.5 million for the location, EUR 5 million in total, would have (internal) profitability rate of 16.27%, provided that the investment is completed and the production is activated within a year's period. With the required yield rate (average price of capital) of 14%, potential profitability of the project is more than satisfactory. However, if for the same project the said EUR 0.5 million are paid as a land fee and (future) location development fee, and the investment activation period is 2 years instead of 1 year, the (internal) profitability rate of the project is 13.44%, and the project is not acceptable since the invested funds will not return with the expected yield rate (NCV = - EUR 132 thousand). The example shows the amount of possible damage arising from the applicable practice referring to the payment of the land development fee, resulting in a prolongation of the construction period – such a practice can eliminate the intended investments as unprofitable as well. On the other hand, when an investor pays for a developed location, which results in an activation period of one year and a profitability rate exceeding 16%, they can pay for such a location not only EUR 0.5 million, but even EUR 1 million (the total investments will be EUR 5.5





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million instead of EUR 5 million), and the project will still have an acceptable profitability rate, 14.71%, and positive NCV amounting to EUR 160 thousand.

5.1. The solution to the problem of the excessively long period until the completion/activation of investments lies in systemically bringing the municipalities in the position to plan and develop locations in advance and over a longer term, and then offer such locations for construction.

6. A complaint/problem can be expected referring to the proposed concept of the cancellation of the land development fee, implying that municipalities, i.e. PUCs do not have money for investing in development of locations.

6.1. A solution might lie in a new circumstance that municipalities now obtain their property (the Property Law), which they will be able to sell and put a mortgage on, and they should also be offered a more liberal indebted system.

7. A problem/complaint can also be expected when it comes to the cancellation of the land development fee in the form of a statement that PUCs and PEs will not be able to record profits, i.e. that they self-finance their development or repay loans taken for investment in increasing the capacities for equipping locations.

7.1. The practice denies such potential claims, since many PUCs and PEs already record profits. **The solution** lies in the abandonment of populism in the price policy of products/services of PUCs and PEs.

8. The problem of inefficiency and tardiness of PUCs and PEs referring to everything, including equipping of locations, also exists when it comes to the payment of the land development fee, and the problem can be expected to remain unsolved even after the land development fee is cancelled.

8.1. If not in complete privatization, the **solution** lies in the inclusion of private capital in each PUC and PE, without exceptions.

9. There is a real **problem** that some municipalities have no or insufficient land in their (newly established) ownership to be able to launch the process of development and offering locations to investors (those locations would then be supplemented by privately owned parcels).

9.1. As a **solution**, the Republic might assign the ownership over parts of the state agricultural land to such municipalities, and they would then turn them into construction land, with potential prior exchange for land in more favorable locations, etc. Such transferring of ownership over the agricultural land to municipalities would be very useful and also very justified since, first, there isn't a rational idea of the final destiny of state-owned agricultural land and, second, the Republic already assigns revenues from leasing of this land to municipalities in the territories of which the land is situated.

10. Items 1-9 list the actual and potential problems related to construction land development and its offering to investors. In regards to this problem, and also above all of them, there is the following **problem/question**: what tools and instruments are at the disposal of the state of Serbia for pursuing the obviously necessary policy of economy reindustrialization?

10.1. One of the most important instruments for **resolving** this problem is *offering* the developed construction land and fast construction realization to investors, in the system outlined under the previous items. Namely, it is obvious that the reindustrialization of Serbia's economy will be carried out primarily through greenfield investments. In the past decade, such investors have had a rival in the possibility offered to investors to buy socially-owned enterprises in the privatization process. The outcome is that the privatization has exhausted the investors' demand, that the purchased



TEN PROBLEMS – TEN SOLUTIONS

Marko Paunović

INTEGRATION OF THE CONSTRUCTION LAND USE FEE INTO THE PROPERTY TAX

At the time of the social, i.e. state ownership over the land, the construction land use fee was established and it existed for decades as a way of collection of land rent, also including the collection of urban rent according to the location benefits (a proof of the statement that the fee is not only a rent for the land use is best illustrated by the fact that the basis for the fee calculation does not include the surface area of the land, but rather the surface area of the facility). During that time, local communities recorded considerable revenues from this fee.

In addition to this fee, there is also a property tax, calculated mainly according to classic schemes. The main problems in practice refer to determining the tax base value, which is most frequently underestimated. This underestimation also exists with residential and related property, which is most likely due to political reasons, but it is lower than when it comes to the property of legal persons, which is determined according to the book value, giving much underestimated amounts of the tax liability for this group of tax payers. As for the urban land use fee, the situation is vice versa: legal persons here pay far higher amounts per square meter than citizens, and they represent the main source of revenues from this fee.

The said problem occurs due to a change of the construction land ownership relations in Serbia. Namely, the former state ownership system is replaced by the private one, pursuant to the Law on Planning and Construction of 2009. The method implies granting of state-owned land to existing land users, except for a group of privatization users, who will partly pay for the land. Due to the land ownership change, it is also necessary to change the fees paid for that land. Collection of the use fee has no sense in a system with private ownership, since it is not logical to collect rent from a private owner. All the more, there is a property tax, and keeping the fee would thus essentially imply double property taxation.

A natural solution to compensate local communities for the loss of the land use fee is an integration of the fee into the property tax. However, such a solution turns out to be very difficult to implement for two main reasons:

1. Some municipalities rely to a very large extent on revenues from the fee, and the full integration into the property tax would thus lead to an excessive growth of the tax burden.
2. In principle (although there are no reliable data), property tax is dominantly paid by natural persons, while the land use fee is dominantly paid by legal persons, and cancellation of the fee and its integration into the tax would thus lead to large distribution effects. This is probably a reason for the need for a thorough change of the method of the legal persons' property taxation.

The significance of the land use fee and property tax varies a lot from one local self-government to another, which can be seen in the following table (data for 2010):



	<i>fee</i>	<i>tax</i>	<i>total</i>
Average	4.30%	5.00%	9.20%
Median	2.70%	4.70%	8.20%
Minimum	0.00%	0.40%	0.60%
Maximum	44.20%	12.70%	47.20%

Besides, it can be seen that there is a very strong connection between the municipality development and the share of property tax and the fee in total revenues, which is expected.

	Fee	Total property tax	Total revenues	% Fees in revenues	% Tax in revenues
Category 1	13,044,850	9,726,366	106,849,617	12.20%	9.10%
Category 2	1,540,667	2,057,277	29,749,736	5.20%	6.90%
Category 3	1,162,651	1,086,262	21,585,406	5.40%	5.00%
Category 4	153,088	253,370	5,672,386	2.70%	4.50%
Devastated	170,380	153,038	6,764,195	2.50%	2.30%

Namely, the more developed municipality, the higher the share of transfers in total revenues, while the more developed municipalities rely on their own revenues to a greater extent and, among them, to the property tax and the fee as well. The following table presents the number of municipalities depending on the ratio between the collected fee and tax:

Ratio	Number of self-governments
0-1	102
1-2.5	28
2.5-5	11
5 and more	4

Therefore, for some municipalities the integration of the fee into the tax would not represent a problem, since the collection based on the fee is relatively low, but for some other local self-governments the integration would be a big problem, since twice, or even 3 to 5 times more money is collected based on the fee in comparison with the collection based on the property tax (in 2010, the record holder was Ub, where even 14 times more money was collected based on the fee than based on the property tax, and the fee accounted for almost 45% of total revenues of the municipality). Such municipalities will have to change their tax policy fundamentally.

There is no doubt that it will be necessary to cancel the fee, both for substantive and formal-legal reasons. In the formal-legal terms, an additional problem is that now two different laws envisage different "destiny" of this fee. Namely, the Law on Planning and Construction stipulates integration of the fee into the property tax, while the Law on Communal Activities envisages replacement of the existing fee with a utility fee.

We think that the integration into the property tax is certainly a better solution, but we should be aware of limitations.





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- i. It will be impossible to design a system that would be revenue-neutral at the level of each municipality, since the significance of the property tax and revenues from the use fee differ a lot from one municipality to another.
- ii. If the aim is to make the integration of the fee into the property tax revenue-neutral at the level of Serbia, it would imply a high increase of the property tax, which is predominantly paid by households, and a considerable decrease of the use fee, which is predominantly paid by enterprises.
- iii. The integration of the fee into the property tax should be accompanied by a change in the method of calculation of legal persons' property tax, probably in a way that would take as a base the assessed property market value (both equipment and buildings, and land), which would be carried out by appraisers in regular intervals (e.g. once in 3 years), where the costs of appraisal would be deducted from the tax liability.





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TEN PROBLEMS – TEN SOLUTIONS

Nebojša Nešovanović

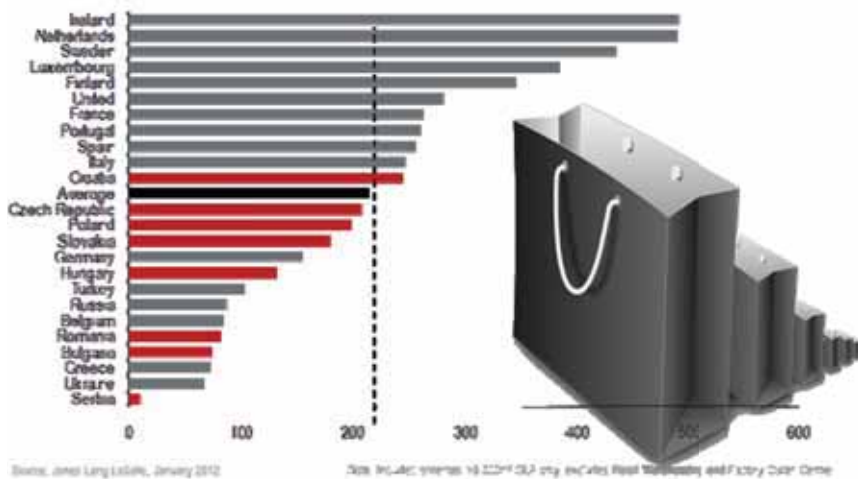
European Office Space Density

Serbia: significant growth prospects when compared to other European capitals



Shopping Centre Stock Per '000 inhabitants H2 2011

Highest density in the mature retail markets



MANJI
NAMETI
LOWER
LEVIES

ZA VIŠE
INVESTICIJA
FOR GREATER
INVESTMENTS



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Based on the two graphs enclosed, it can be noticed that Serbia, when it comes to the real estate market, is in Europe in geographic terms only. The graphs quite clearly point at the severity of problems we are facing, but also at the development opportunity. Bringing our real estate market to even the lowest European level would imply investments amounting to several billion euros and several tens thousands of newly employed workers.

It is important to understand that the problems we are facing are not individual or isolated, and that they must not be solved partially. Problems referring to para-fiscal levies should be solved within a broader activity aiming at the improvement of the real estate market, which should also include the following problems:

- A. Conversion of the use right into the construction land ownership right with a fee
- B. Slow and corruptive administrative procedures
- C. Unfair competition
- D. Wrong tax policy in the real estate field
- E. Financing of construction and unfavorable investment loans
- F. Wrong subsidies system
- G. Lack of a policy of the real estate market development
- H. Legal uncertainties

Partial problem solving without seeing the broader picture and a comprehensive market improvement plan may result in an additional feeling of unpredictability, create unfair competition and be counterproductive.

Since the topic of the round table is very precise – "Para-fiscal levies in the process of facility construction", the table below presents typical costs prior to the beginning of construction of a residential facility in the II urban zone in Belgrade, of an approximate surface area of 10,000 m² GCA. We can discuss which of these fees should be canceled or united with other fees.

The problems facing investors prior to the construction process are the following:

1. HIGH INITIAL COSTS OF THE FEE – As can be seen, more than 90% of costs "go" to the construction land development fee. Consequently, considerable money savings can be achieved only there. *The fee should be gradually reduced, and revenues from it should be compensated for by increasing revenues from the property tax.* A high initial burden on construction discourages investors. At the same time, the property tax is in practice quite low despite of the envisaged progressive rates. The reason is the social aspect – it is acceptable to tax investors, and it is not acceptable to tax citizens, i.e. real estate owners. For that reason, real estate ownership is stimulated by low taxes, while construction is discouraged by high fees. It is clear that this should be changed, but with a clear and transparent plan over many years. Property taxes should be gradually increased, taking into account the social aspect, i.e. a big discount for the socially vulnerable, single parents, families with children, etc. At the same time, the construction land development fee should be reduced over time, by 10% to maximum 20% a year. This would stimulate construction and also prevent unfair competition. An investor beginning the construction this year must not have much lower costs than an investor that began the construction in the previous year, and they must be sure that investors to construct the following year will not have much lower costs than them.

2. SHORT VALIDITY PERIOD OF DOCUMENTS – Some documents are valid six months, others a year, and the longest validity period is two years. The validity period of documents expires during the technical documents preparation and designing, and the validity period thus has to be prolonged, and the procedure is almost the





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same as if you are requesting the document for the first time. To avoid this, the validity period of all documents should be extended to 2 years.

3. FILES FREQUENTLY RETURNED FOR AMENDMENT/CHANGE: It frequently occurs that files are returned several times for amendments/changes. In essence, this is an invitation for corruption and extorting money from investors. It should be stipulated that all deficiencies of a file must be stated on the first return, and that repeated return of a file may occur only in case that the given deficiencies have not been corrected as requested. In the repeated return of a file, the officials must not require changes / amendments that were not required in the first return.

4. EXCEEDING DEADLINES FOR DOCUMENT ISSUANCE – This is a problem everyone is aware of, which needs a system solution. One gets the impression that the method of public service functioning depends exclusively on a good will of employed officers. For that reason, almost each part of the license issuing process is slow and/or corruptive. A solution to the problem is certainly not reduction of the number of documents/consents if the processes remain slow and corruptive. A system problem solving in the public administration must include:

- a) Training and constant professional support to employees
- b) Performance measurement and awarding pursuant to the performance
- c) Independent control of operations and an adequate punishment system for non-execution/ improper execution of work

The reform must also include public enterprises since they represent one of the biggest sources of problems. Considering that years will be needed for the system problem solving in the public sector, an "instant" solution is needed as well.

A solution that is most frequently mentioned in the public implies that unless a permit/consent is issued within the legal period, this will represent administrative silence and the permit /consent will be deemed issued. THIS IS A VERY WRONG AND DANGEROUS SOLUTION THAT MUST NOT BE ADOPTED. This solution would lead to an urban chaos and blooming of corruption. Investors would submit requests for facilities outside planning documents, the requests would end „in a drawer“, and the facility might be constructed regardless of all urban planning parameters due to the administrative silence.

I think that this problem should be solved in another way. All projects exceeding 5,000 m² GCA should be given a privileged status and a "quick" lane for issuing all decisions/approvals within periods that are twice shorter than legal ones. Decisions/approvals for smaller projects must be issued within legal deadlines. When implementing this plan, it should be taken into account that the biggest part of authority is on local government bodies, while only a small part is on republic bodies. Since the Republic enacts laws and prescribes deadlines, it should ensure observance of those deadlines. In my opinion, the republic government level should use its power and use the "recipe" that has proved to be efficient for adoption of planning documents. Unless the stipulated legal deadlines for smaller projects are observed, i.e. shortened periods for the projects in the "fast" lane, or if requests are rejected unreasonably (which would be determined by the Republic Commission as reported by the investor), the republic government level reserves the right to dismiss the local assembly.

Directors of all public enterprises and heads of secretariats are members of the ruling parties at the local level, and their activities are mainly influenced by parties by which they were appointed. It has been proven that threatening the ruling parties with elections gives results, which should be used.





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Broj	Dokument	Trošak (RSD)	Vreme
1. Dokumenti			
1.1	Prepis Lista Nepokretnosti	3,000	5-7 dana
1.2	Kopija Plana	2,000	5-7 dana
1.3	Kopija plana podzemnih instalacija	15,000	7 - 15 dana
1.4	Informacija o lokaciji	3,500	10-20 dana
2. Uslovi za projektovanje komunalnih kuća			
2.1	Elektrodistribucija	12,000	min 30 dana
2.2	Telekom	26,000	30 dana
2.3	Beogradske Elektrane	20,000	30 dana
2.4	BVK - vodovod	247,000	30 dana
2.5	BVK - kanalizacija	214,000	30 dana
2.6	Zelenilo Beograd	18,000	30 dana
2.7	Gradska čistoća	20,000	15 - 30 dana
2.8	Srbija gas	20,000	15 - 20 dana
3. Rešenje o lokacijskoj dozvoli (investitor priprema idejno rešenje)			
3.1	Rešenja o lokacijskoj dozvoli	3,500	min 30 dana
3.2	Taksa za izdavanje Rešenja o lokacijskoj dozvoli	50,000	
4. Izrada Glavnih Projekata & projekata pripremnih radova sa sečom drveća			
4.1	Beogradske Elektrane - detaljni uslovi za projektovanje	8,000	20 - 30 dana
4.2	Saglasnost MUP PPZ na glavne projekte	65,000	min 30 dana
4.3	Saglasnost EDB na GP elektroenergetskih instalacija		min 30 dana
4.4	Saglasnost EDB na GP elektroenergetskih instalacija		15-20 dana
4.5	Saglasnost EDB na lokaciju MRO	40,000	15-20 dana
4.6	Saglasnost EDB na trasu kabla od KPK do MRO		15-20 dana
4.7	Saglasnost EDB na trasu priključnih vodova 10KV i 0.4KV		15-20 dana
4.8	Saglasnost EDB na lokaciju trafostanice		15-20 dana
4.9	BGD elektrane - saglasnost na lokaciju toplotne podstanice	0	5 dana
4.10	BGD elektrane - saglasnost na GP termoteh. Instalacija	15,000	30 dana
4.11	BGD elektrane - saglasnost na GP elektroinstal. Topl. Pods.	10,000	30 dana
4.12	BVK - vodovod (saglasnost + priključenje 4 vodomera)	273,000	min 30 dana
4.13	BVK - kanalizacija	215,000	min 30 dana
4.14	Telekom - saglasnost na GP TT instalacija	25,000	min 30 dana
4.15	Zelenilo Beograd - saglasnost na GP uređenja terena i ozel.	25,000	20 - 30 dana
4.16	Gradska čistoća	20,000	10 - 20 dana
5. Građevinska dozvola - početak gradnje			
5.1	Naknada za uređenje građ.zemljišta (sa popustom)	90,000,000	15 - 30 dana
5.2	Rešenje o građevinskoj dozvoli	150,000	min 30 dana
5.3	Komisija za seču drveća - zahtev opšt+sekr.za kom. stamb.poslo	238,000	10 - 30 dana
6. Dozvola za izgradnju trafo stanice (izrada GP trafo stanice)			
6.1	Informacija o lokaciji za izgradnju TS	3,500	10 - 15 dana
6.2	Saglasnost EDB-a na Glavni projekat Trafo stanice	25,000	min 30 dana
6.3	Saglasnost EDB-a na Glavni arhitekt.gradjevinski projekat TS	20,000	min 30 dana
6.4	Saglasnost MUP-a na Glavni proj. Trafo stanice	30,000	min 30 dana
6.5	EDB - saglasnost na trasu podzemnih 10KV i 1KV vodova	10,000	min 30 dana
6.6	Beogradske elektrane - saglasnost na trasu podzemnih 10KV i 1KV vodova	10,000	15 - 30 dana
6.7	BVK vodovod - saglasnost na trasu podzemnih 10KV i 1KV vodova	20,000	15 - 30 dana
6.8	BVK kanalizacija - saglasnost na trasu podzemnih 10KV i 1KV vodova	20,000	15 - 30 dana
6.9	Telekom - saglasnost na trasu podzemnih 10KV i 1KV vodova	20,000	15 - 30 dana
6.10	Beograd put - saglasnost na trasu podzemnih 10KV i 1KV vodova	13,000	15 - 30 dana
6.11	GSP - saglasnost na trasu podzemnih 10KV i 1KV vodova	11,000	15 - 30 dana
6.12	Zelenilo - saglasnost na trasu podzemnih 10KV i 1KV vodova	8,000	15 - 30 dana
6.13	Srbijagas - saglasnost na trasu podzemnih 10KV i 1KV vodova	10,000	15 - 30 dana
		UKUPNO: oko 95,000,000	?
		ili 9,500	RSD/m ² BRGP
		ili 12,000	RSD/m ² korisne

izvor: Jones Lang LaSalle, septembar 2012



TEN PROBLEMS – TEN SOLUTIONS

Dobroslav Bojović

I am very honored and pleased to be able to give my modest contribution to the discussion of organizers and participants referring to the currently very significant topic that is actual not only in Serbia but in the entire world as well. How to reconcile the actual and strategic interests of the country, on one side, and the interests of investors in the real estate market, on the other side, and thus provide a stimulus for the construction industry, which has a high multiplier (1/3) and drives almost 40% of the repro-chain in the economy, unlike most other economic branches.

It is indisputable and obvious that the construction in Serbia has declined to a great extent. The biggest investor is the state, which is an unknown example in democratic economies. The state should construct, i.e. support construction of social flats, and not those intended for the market. Serbian construction industry is largely backward, and it cannot recover without big state capital infrastructural projects to be carried out exclusively by domestic companies, regardless of the sources of financing, and without big foreign investments either. To attract them, it is necessary to implement strong system changes, as well as stimuli to be provided primarily through the creation of a secure and simple legal framework of high legal certainty, which will guarantee efficient and fast administration, financial attractiveness and tax incentives to all participants in the chain, and which implies competitive and favorable conditions, primarily through the resources we dispose of: land, labor force, construction materials, etc.

Observing the agreed topic of the round table, I will not base my presentation on the large number of problems facing the construction industry of Serbia at the moment, but I will focus on, in my opinion, the key issues included in the topic of today's discussion.

- I would propose full cancellation of the fees and charges for the use of both constructed and unconstructed construction land, since it is contrary to the practice of the European Union and even former Yugoslav countries to pay both a tax to the republic budget and fees and charges to towns and local self-government on the same land, which disqualifies our country in the international market (an example to be given during oral presentation).
- I would propose considerable reduction of the price of communal land equipment during the crisis (at least 75%; existing prices are inappropriately high compared to the region). I propose that towns and local self-governments sell the property they own and thus provide additional funds for capital utility infrastructure projects, since the property they dispose of generates minimum or almost no revenues (a rent amounting to 1-3 EUR per square meter, which does not cover even maintenance cost).
- I would propose full cancellation or reduction to a symbolic amount of fees and co-payments for connection to the infrastructure network of the Power Distribution Company, power plants and water supply and sewerage (the current price of co-payments and fees amounts to approx. EUR 60-70 per square meter). Such a price is a consequence of the monopolistic position of the said business entities, with another drastic example of misuse of the Power Distribution Company, which confiscates constructed transformer stations, measuring groups and electricity meters from investors without compensation.





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Invigorating Construction and Real Estate Sectors by Streamlining Para-fiscal Charges

- I will not comment on the issue of public shelters, since it is an obsolete topic in urban world.
- Any charging of public institutions in percentage represents gross violation of the constitutional rights of citizens on equality. How is it possible to return to the market, through enormous tariffs and percentage, public institutions financed from the budget by citizens' money, and thus deprive citizens, who do not have enough funds, of the right on services provided by public institutions that are guaranteed by the Constitution? Those services must be charged in an absolute amount, without the use of progression, pursuant to the purchase power of an average citizen.
- Namely, Serbia, almost overnight, obtained a significant system law on planning and construction, which treated the right of Serbian citizens on the acquisition of ownership over construction land in different ways. The new law on planning and construction appeared in very difficult circumstances for the construction industry of Serbia, which made it largely inapplicable, and it is especially inapplicable in the part referring to conversion with a fee, and it is thus contrary to the practice of all countries in the region. The law on planning and construction and sublegal acts, in addition to the deficient methods of determining the land market value, has undoubtedly shown the consequences of the lack of legal certainty in practice. This law represents a proof showing how a state, despite the best intentions, can violate already acquired rights through its instruments, which is the highest degree of legal uncertainty. In such an atmosphere we cannot create an ambient for serious investors bringing high financial potentials and planning to stay here over a longer period of time, and only such investors can initiate considerable economic cycles.



SPEAKER'S CV

Aleksandar Vlahović



Aleksandar Vlahović graduated from the Faculty of Economics, University of Belgrade in 1987.

He began his career as a consultant at the Economics Institute where he was appointed Managing Director of the Consulting division in 1992. In 1996 he joined Deloitte & Touche as a consultant and in 1999 became an equity partner of DT Central Europe.

In July 2000 he was appointed Office Managing Partner DT for Yugoslavia, as well as Lead Partner Valuation for the Balkan countries.

He specialized in providing all kinds of Financial Advisory and M&A services in accordance with international applied standards.

From 2001 to March 2004 Aleksandar Vlahović was the Minister of the Economy and Privatization in the first democratic government of Serbia, appointed by the Prime Minister Zoran Đinđić.

During his term of office, numerous important reform statutes were prepared and adopted, of which the principal one was the Privatization Law. By the end of his mandate, more than 1,300 companies were successfully privatized.

From April 2004 to 2012, Mr. Vlahović is a Democratic Party representative in the Serbian Parliament, a member of the Committee for International Economic Cooperation, Head of the Serbian Delegation to the Parliamentary Assembly of the Black Sea Economic Cooperation, and Chairman of the National Assembly's Parliamentary Friendship Group with Japan.

In 2004, he founded EKI Investment, investment and consulting company.

In October 2011 he took up the position of Chairman of the Economics Institute, the oldest R&D and consultant company in Serbia (established in 1947).

In December 2011 he was appointed President of the Serbian Association of Economists.

He holds memberships in the Serbian Business Club "Privrednik" (since 2005), the Board of Directors of the Belgrade Chamber of Commerce (since 2006), and the Managing Board of Erste Bank (since 2006).

He volunteers as Vice President of the Volleyball Federation of Serbia.

He speaks English and Russian.



SPEAKER'S CV

Susan Kutor



Susan Kutor is a career USAID Foreign Service Officer with extensive USAID and private sector experience in Central and Southeast Europe.

Prior to arriving in Serbia, Ms. Kutor served in Afghanistan, where she served as Chief of the Business Development and Trade Division, responsible for a \$250 million portfolio. From 2008-2010 she served as first Program Officer and then Country Representative Officer in Moldova.

Prior to joining USAID in 2007, Ms. Kutor spent over 25 years in Hungary. During this time she worked seven years for USAID, first serving as the Small and Medium Enterprise Team Leader for USAID/Hungary and later designing and managing USAID regional programs for Southeast Europe, including in Serbia and other former Yugoslav republics.

From 2001-2004 she headed up a foundation funded by both the U.S. Government and the Government of Hungary that worked with local governments to facilitate economic development and investment in the economically depressed regions of Eastern Hungary.



SPEAKER'S CV

Boris Begović



Boris Begović (1956) is President of the Centre for Liberal-Democratic Studies and professor of Principles of Economics, Economic Analysis of Law and Competition Law at the School of Law, University of Belgrade.

His field of expertise includes economic analysis of law, industrial organization, economic growth theory, economics of regulation theory, protection of competition policy and urban economics.

He published numerous articles in national and international journals, as well as four books: "Economic Approach to Optimal City Size" (1991), "Economics of Urban Planning" (1995), "Economic Analysis of Corruption" (2007) and "Institutional Aspects of Economic Growth" (2011), and he currently writes a monograph "Economic Analysis of General Prevention."

He is a co-author and editor of a number of books published by the Center for Liberal-Democratic Studies and the School of Law, University of Belgrade.



SPEAKER'S CV

Mlađan Dinkić



Mlađan Dinkić was born in Belgrade in 1964. He graduated from the Faculty of Economics, Belgrade University, in 1988, where he also received an MA degree in 1993. From 1990 to 1993 he worked as a trainee at the Faculty of Economics on the subject "Theory and Planning of Economic Development", and from 1993 to 2000 he worked as a teaching assistant on that subject. He is the founder of Group 17 and was its coordinator from 1997 to 1999. From 1999 to 2000, he was executive director of the non-governmental organisation G17 Plus. From 2002 to 2006 he was its vice president, and since 2006 its president. In 2010 he founded a political alliance of national, regional and local parties, associations of citizens and individuals under the name United Regions of Serbia (URS). From 2000 to 2003, Dinkic was governor of the National Bank of Yugoslavia, later National Bank of Serbia, and from 2004 to 2006 he held the post of Minister of Finance in the Serbian government. From July 2008 to February 2011 he held the posts of Deputy Prime Minister and Minister of Economy and Regional Development. In July 2012 he was elected Minister of finance and economy.

He published several books - "The balance sheet: economic consequences of the NATO bombing – evaluation of damages and financing for economic reconstruction of the Federal Republic of Yugoslavia", "Economy of destruction" and "Measurement of economic efficiency of use of resources".

He was visiting lecturer at Cornell Law School (USA), John M. Olin programme in 1997 and at the International Centre for Economic Research (Italy) the same year, Limburgs Universitair Centrum, Faculteit Toegepaste (Belgium), Economische Wetenschappen Diepenbeek in 1996, Bergakademie Freiberg - Fakultät für Wirtschafts - wissenschaften, Freiberg (Germany) in 1996 and USIA programme (USA) the same year.

Speaks English.

Married.



SPEAKER'S CV

Aleksandra Damnjanović



Aleksandra Damnjanović was born on June 19, 1961. She graduated from the Faculty of Law, University of Belgrade in 1985. She passed the bar exam in 1986. In the period 1985-1987 she worked as a law trainee. In the period 1987-2004 she worked in the city municipality Savski venac. Since 2004 she has been employed with the Ministry of Capital Investments as Assistant Minister for Construction and Investment Projects. She has remained at the same position at the Ministry of Construction and Urban Planning.

She is the author of many publications in the field of construction land, housing, energy efficiency, legalization of illegally constructed facilities. She participated in and coordinated numerous projects on Government assistance to municipalities of central Banat affected by flood, the Project on Government assistance to municipalities affected by activating landslides, the Project on the construction of the Avala Tower. She is a member of numerous task forces and Government commissions on drafting legislation (Law on Planning and Construction, Law on Public Property, Law on Property Restitution and Compensation, etc).

She is a member of the Government Commission on Delineation of Borders between the Government of Serbia and the Republic of Bosnia and Herzegovina, Montenegro and Croatia. She has participated, as a lecturer or panelist, in many national and regional conferences on construction, real estate market, energy efficiency and fire protection, as well as in many conferences roundtables, symposia in these areas.

Her name is in the database of 1500 women experts in Serbia.



SPEAKER'S CV

Milan Vuković



Milan Vuković was born on May 6, 1961 in Kraljevo. He works and lives in Belgrade. He finished elementary school and Gymnasium in Kraljevo. He graduated from the Faculty of Civil Engineering in Podgorica. He is a graduate civil engineer.

In the period 1991-1993 he was an assistant in the laboratory at the Civil Engineering Faculty in Podgorica. From May 1993 to 1994 he worked as a construction engineer in "Arting" Ltd. Kraljevo. From January 1995 to September 2008 he was a director and chief designer of structures in the "Top-Engineering" Kraljevo and in the period 1995-2010 a co-owner of the same company.

In the period 2008-2012 he was Secretary for Urban Planning and Construction at the City of Belgrade and was reappointed to the same position in September 2012.

From 2004 to 2008 he was a Member of Parliament of the Serbian Chamber of Engineers, from 2005 to 2007 President of the Serbian Chamber of Engineers and CEO of the Serbian Chamber of Engineers. Has holds a license of an authorized designer and contractor.

In two terms, from 1997 to 2000 and from 2004 to 2008 he was municipal councilor and from 1997 to 2000 a Member of the Executive Committee of the Municipality of Kraljevo. From 2009 to 2010 he was President of the BoD of the Public Utility Company Putevi Kraljevo, in 2003 he was appointed a Member of the BoD of the Directorate for Planning and Construction Kraljevo and from 1998 to 2001 a Member of the BoD of the Solidarity Fund for Housing Construction Kraljevo.

From 2007 to 2008 he was a Member of the National Assembly of the Republic of Serbia and was reappointed to the same position in 2008. He resigned when he went on to the position of Secretary of the City of Belgrade.

In 2010 he was appointed a Council Member of the Faculty of Civil Engineering in Belgrade.

He speaks English.

He is married, father of Mina and Luka.



SPEAKER'S CV

Marko Paunović



Saša Paunović was born on 24 December 1970 in Paraćin. He completed his secondary school in Paraćin in 1989, and in 1995 he graduated from the Faculty of Electronic Engineering in Niš. From 1997 to 2000, he was employed with the design office "Pro-art". From 2000 to 2004, he was President of the Executive Board of the Municipal Assembly of Paraćin. At the 2004 elections, he was elected President of the Municipality of Paraćin, and after the local elections of 2008 and 2010 he is still holding this position.

In 2009, he won NALED prize "Reformer of the Year" for his work. In December 2009, he was elected President of the Permanent Conference of Cities and Municipalities, and he was re-elected to this position in December 2011.

He is married to Aleksandra and has two children – son Aleksa and daughter Lena.



SPEAKER'S CV

Miladin Kovačević



Miladin Kovačević was born in 1952 in Gacko. He graduated from the Faculty of Natural Sciences and Mathematics in Belgrade – Mathematics Department, general course and mathematical structures – in 1976. He received his M.Sc. from the Faculty of Economics in Zagreb, in 1978. He defended his doctoral thesis in 1984, at the Faculty of Economics in Belgrade.

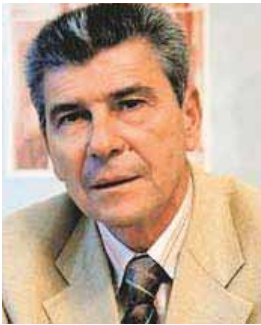
From 1977 to 1986, he worked at the Statistical Institute of the Federal Statistical Office (SZS). He managed the preparations and execution of the census of population (in 1991) in former Yugoslavia, from 1986 to 1991, as Assistant Director of the Federal Statistical Office. In 1993, he was appointed Director of the Institute for National Accounts, Standards, Registers and Statistical Analysis with the Federal Statistical Office, former Statistical Institute. As Director of this Institute, at the end of 1993 and the beginning of 1994 he was working on the preparation of economic policy and an appropriate program of monetary reconstruction and economic stabilization with the former Federal Government. Thus he entered the field of macroeconomic accounts. He is the main co-author of the textbook entitled "Sample Theory and Planning of Experiments" for the related subject within regular studies of the Faculty of Economics, which was printed and approved in 1991. In 1995, he was appointed associate professor at the Faculty of Economics in Belgrade, for the subject Sample Theory and Planning of Experiments. In 2001, he was appointed scientific advisor by the Ministry of Science of the Republic of Serbia, at the proposal of the Faculty of Economics in Belgrade. Besides, (in 1991) he was elected member of the Doctoral Degree Acquisition Committee by the Faculty of Economics in Zagreb.

In 1994, he started cooperating with the Economics Institute and the Institute of Economic Sciences in Belgrade. He is engaged in the field of macroeconomic analysis and methodology of macroeconomic analysis, and research of economic developments and economic policies (he is a member of the editorial and author of articles in monthly magazine "Macroeconomic Analysis and Trends" of the Economics Institute).

In 2003, he was appointed deputy director of the Statistical Office of the Republic of Serbia with the task of harmonization and improvement of the statistical system, which is also his current position. Since 2001, he has been engaged in cooperation with the International Monetary Fund Mission for monitoring of STAND-BY arrangements on behalf of the National Bank of Serbia. This cooperation has become permanent. He spent one term in office as a member of the Council of the National Bank of Serbia (from May 2004). He is a member of the International Statistical Institute (ISI) and Serbian Scientific Association of Economists (NDE). In the non-academic sphere, international commercial arbitration has been his main preoccupation.

SPEAKER'S CV

Nikola Zelić



Nikola Zelić (1946) graduated from the Faculty of Economics, University of Novi Sad (1969). He received his M.Sc. (1972) and Ph.D. (1981) from the Faculty of Economics, Belgrade University.

In the period 1969–1986 he worked on macroeconomic and scientific research issues at the Institute of Economics Sciences, Belgrade.

In the period 1986-1989 he was employed at the City of Belgrade as a member of the Executive Council in charge of the budget and finance. Since 1990 until today he has been engaged in consultancy in the field of business economics and since 1997 until today in the consulting company FACTIS, which he co-owns.

Mr. Zelić's fields of specialisation are development of investment programs, restructuring of companies (including the public enterprises), business valuation, buy-sell consulting, etc.



SPEAKER'S CV

Marko Paunović



Marko Paunović is a researcher at the Center for Liberal-Democratic Studies. He graduated from the Faculty of Economics in Belgrade (2000) and received his Masters degree in Public Administration at the University of Pennsylvania on a US Government scholarship (2003).

From 2001 to 2011 he worked in three occasions as an Economic Adviser to the Deputy Prime Minister of the Yugoslavian Government and Serbian Government. Since 2002 he has worked on a number of research and policy projects in Serbia, ranging from social housing and urban land financing to the competition policy and various impact assessment studies. He worked as consultant for various clients, such as World Bank, SIDA, UNICEF and EU.

His professional interests include the economics of the public sector, public policy analysis, international economics, economic analysis of law, statistics and econometrics. He blogs regularly at Market Solution blog.



SPEAKER'S CV

Nebojša Nešovanović



Nebojša Nešovanović has almost ten years experience in activities in Serbia and South East Europe as an advisor in the real estate sector. Within that period he has worked on analyses of several thousand projects / existing real estate worth more than five billion euros in total. His involvement includes preparation of a wide range of analyses and studies, including marketability studies, feasibility studies, studies of the best and most profitable use, as well as assessments of the market, investment and liquidation value of almost all significant projects in Serbia in the previous decade.

Mr. Nešovanović is a member of the Royal Institute of Chartered Surveyors – RICS.

He is an active member of the Real Estate Committee of the Foreign Investors Council (FIC), where he was president over several years. As Vice-President of the Real Estate Committee, Mr. Nešovanović has given his contribution to establishment of legal regulations in the field of construction and spatial planning through his participation in numerous public discussions and submission of precise proposals for changes to legal/sublegal acts.

Mr. Nešovanović is one of the founders of the Association of Appraisers of Serbia and a member of its Management Board. He currently works on the preparation of Appraisal Standards of the Association of Appraisers of Serbia.

Mr. Nešovanović is an employee of the biggest consulting company for real estate in Europe, Jones Lang LaSalle, as Director and Manager of the Professional Services Department.



SPEAKER'S CV

Dobroslav Bojović



Dobroslav Bojović, a graduate economist, was born on 7 November 1958. After finishing his studies in economics, he started his career as an apprentice in Beobanka, and further advanced in financial sectors, in companies ACM Zagreb and UTMA Komerc Belgrade, and finally, as of 2005, in Construction Company "Napred" JSC, where holds the position of General Manager.

He has won several significant prizes and awards, among which the most distinctive are:

2008 – "Businessman of the Year" of Belgrade Chamber of Commerce

2009 – "The Best European" – entrepreneurship category

2010 – "Business Partner" – Mass Media

2011 – "The Best Entrepreneur" – Captain Miša Anastasijević





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