

# Amendments to the Serbian Company Law

paving  
the way  
for further  
harmonization  
with EU  
legislation

The recent amendments to the Serbian Company Law, which have been adopted on 08 June 2018, mostly relate to the harmonization with the EU acquis (such as cross-border merger and European company forms). However, several important changes have been made so as to resolve the issues in the practical implementation of the previous Law. The most important changes are as follows:

## Registered business name

In the future a business name cannot contain the designation "SRB" without the approval of the Ministry of Economy. As for companies already containing the designation "SRB" in their names, the relevant ministry shall be authorized to request that each of these companies delete this designation from their business name unless they obtain approval in the meantime. Also an abbreviated business name of a company can now contain an acronym.

## Registration of company email-address

All companies will have to register their e-mail addresses with the Business Registers Agency register and the deadline is until 20 October 2019.

## Defined deadline for distribution of dividends

The amended Law introduces a deadline of 6 months for the payment of dividends following the decision on declaring dividends.

## Calculation of assets of significant value

The amendments bring clarification to the situations which involve disposition of assets in several related transactions and taking out a loan and granting securities for such a loan, where in case of latter, it is now clarified that the higher of the (i) the loan value or (ii) the value of each of the securities given for such a loan is to be taken into consideration for the purposes of calculating the 30% threshold, disregarding the sum of each of these individual values.

## Conflict of interest

The amendments to the internal approval procedure for transactions involving the personal interest of the shareholders or directors provide that if the value of the transaction is less than 10% of the company's book asset value, the approval by the disinterested shareholders or directors is not required. Otherwise if the value of the transaction involving personal interest is greater than 10% of the company's book assets value, a company must obtain an assessment by an authorized court expert, auditor etc. of the market value of the assets subject to the transaction and once the approval has been obtained, publish detailed information on the transaction and the personal interest involved on its website or on the website of the Business Registers Agency.

## Registration of branches of local companies

The Serbian companies are required register all their branch offices in Serbia with the Business Registers Agency register within of a one-year transition period.

## Limited liability companies

### Amendments to the rights of minority shareholders

The threshold authorizing a minority shareholder to request a convening of the shareholders' meeting has been decreased from 20% to 10% of the share in the company share capital whereas the threshold authorizing a shareholder to put an item on the agenda of the company assembly has been decreased to 5%. The company's bylaws can set a lower threshold. The amendments confirm that voting rights do not have to be pro-rata to the share capital participation, but no share can have zero voting rights.

### Decrease of share capital

The share capital decrease is possible only as a matter of accounting changes – the covering of losses, the creation of reserves etc and will not be possible in case of overcapitalisation of the company.

## Joint stock companies

### Valuation of shares in case of buyout

The amendments provide that the market value of shares is the average weighted price of shares on the regulated market in the period of 6 months prior to the issuance of the decision on determining the market value, provided that in that period at least 0,5% of the shares were subject to trading on the regulated market and the trading took place on at least 1/3 of the trading days in each month during that period.

If the above conditions are met there is no requirement to determine the book or the evaluated value of the shares. If there is no market value, the higher amount between the book value and the value evaluated by authorized evaluators is to be paid as the price to the dissenting minority shareholders.

## EU acquis harmonization

The following amendments will enter into force on 1 January 2022 and they relate to the introduction of the new company forms such as Societas Europea, the European joint stock company, and the European economic interest grouping; regulation of enables cross-border mergers with EU companies.

## Entry into force

- Entry into force of the amendments is planned in three phases:
- immediate entry into force, as of 09 June 2018, for provisions relating to the buy-out of shares and determining the market value of the shares;
- amendments relating to the harmonization with EU acquis shall apply from 01 January 2022; and,
- the remaining amendments shall become applicable as of 01 October 2018.

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