

## **SERBIA**



**Report based on Exchange Programme documents provided by  
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**Budapest, 2004**



### Short Overview of the Land Market Situation in Serbia

The total surface area of Serbia is 8,840,000 ha. Agricultural land stretches over (covers) 5,106,900 ha. (0.68 ha. per capita), of which 4,254,510 ha is arable land (0.57 ha. per capita). Farmland comprises 70% of the total surface area of Serbia, while 26.7% is woodland.

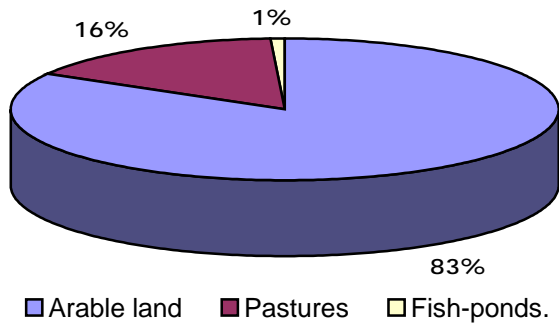


Figure 1: Overview of land in Serbia

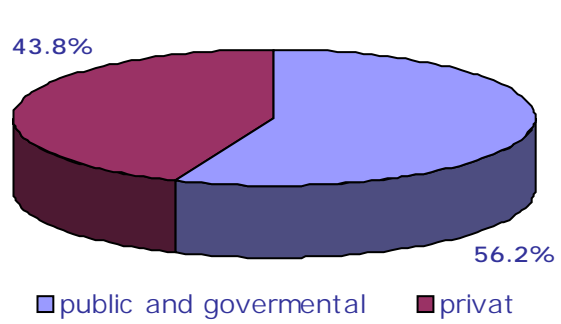


Figure 2: Overview of woodland ownership in Serbia

Average annual precipitation ranges from 600mm to 800mm in the plains and between 800mm and 1,200mm in the mountains. Land and climate conditions are highly conducive to the development of agricultural. The plains of Vojvodina, Kosovo, Metohija, Pomoravlje, Posavina, Tarnava, Krusevac and Leskovac offer favourable conditions for mechanized field crop farming and vegetable production. Rolling hills and foothills support fruit and wine production and livestock breeding. The hills and mountains of Zlatibor, Rudnik, Stara Planina, Kopaonik and Sara are attractive for developing sheep and cattle production and forestry. The Republic of Serbia has a total agricultural labor force of 1,305,426, comprising 17.3% of the total population. According to the latest data, the population engaged in agricultural production is rapidly aging. The structure of Serbia’s agricultural labor force is as follows: livestock breeding (43%), field crop farming (42%), fruit and wine production (12%), other crops (3%).

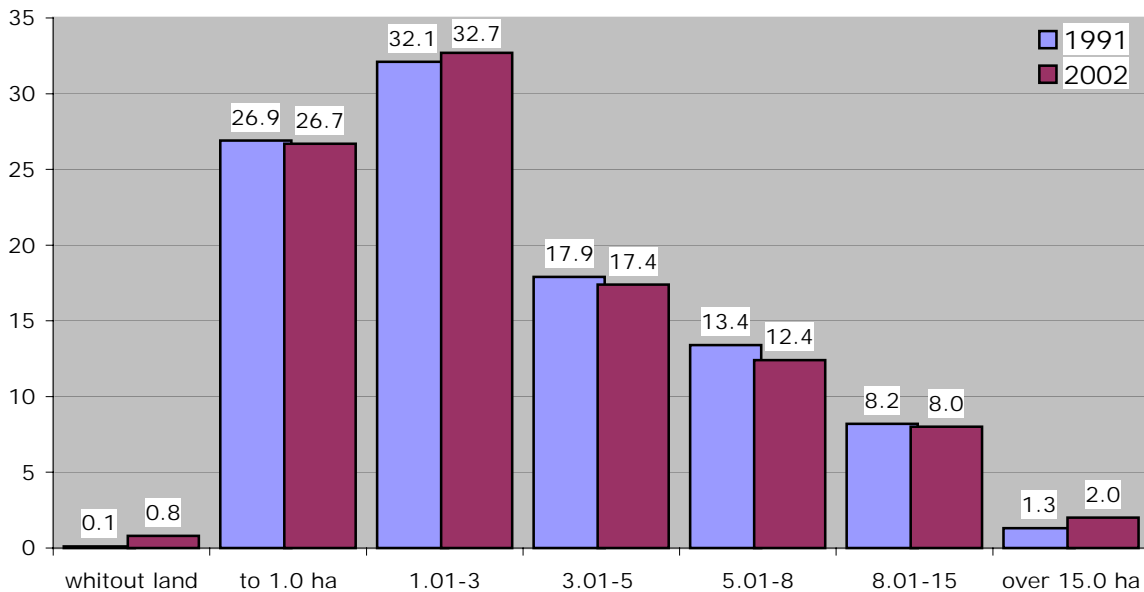


Figure 3: Structures of agricultural farms ordered by size of using agricultural land, (in %)

Traditional family-owned small farms and private estates prevail, with the average commercial farm occupying 500-700 ha. Family farms consist of small plots and are based on subsistence production, being turned over to commercial use to a smaller degree than European farms.

According to the most recent data, Serbia has around 6,000 village settlements.

Mineral fertilizer consumption is 36 kilos per hectare. The use of agrochemicals is fairly low and kept in check, with a highly organized system of regular veterinary, phytosanitary and sanitary inspections.

Serbia's irrigation system covers 180,000 ha. Yet, only 30,000 ha. of cultivated land is irrigated, which means that irrigation in Serbia is minimal. For this reason, potential for greater production of sugar beet, sunflower, soy, vegetables and forage are not fully exploited.

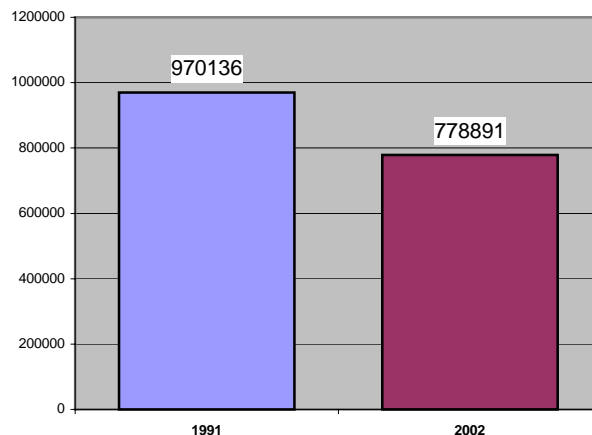


Figure 4: Number of small farms

Livestock production is dominated by cattle, while fields and gardens cover most farmland. There is a marked neglect of the potential of meadows, pastures and fields for more intensive and efficient livestock production.

Serbia has a network of agrarian organizations in the form of chambers, farmers' cooperatives, unions and funds.

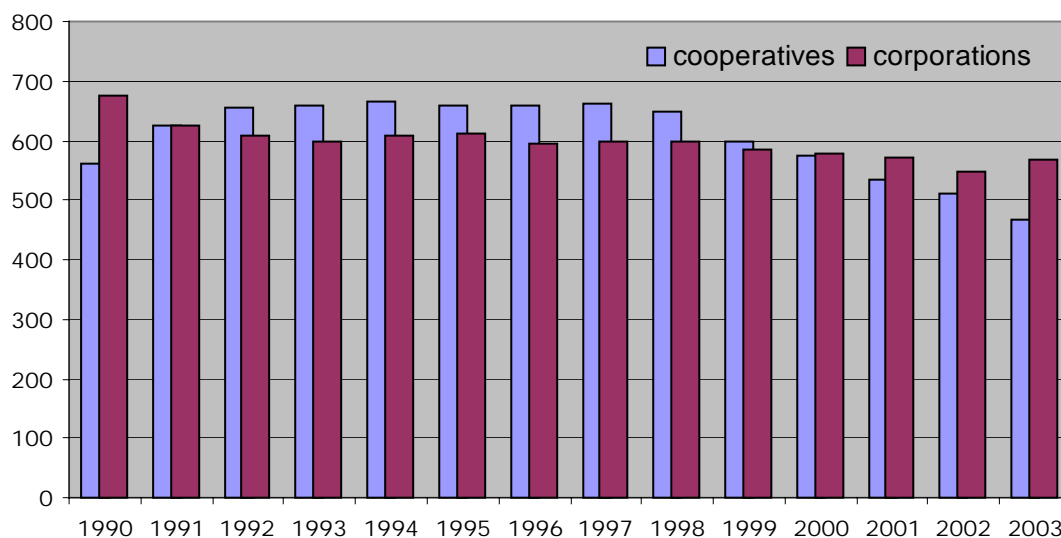


Figure 5: Annual summary of agricultural corporation and farmers' cooperatives

	total	Without land	under 50 ha	51	101	301	501	1001	2501	over 5001 ha
				100	300	500	1000	2500	5000	
Corporation	549	137	59	34	49	31	53	96	69	21
Cooperatives	510	208	84	38	70	35	39	28	7	1
Σ=	1059	345	143	72	119	66	92	124	76	22



**7,498,001** excluding Kosovo-Metohija, which is 92.3 percent of the population of the State Union of Serbia-Montenegro.

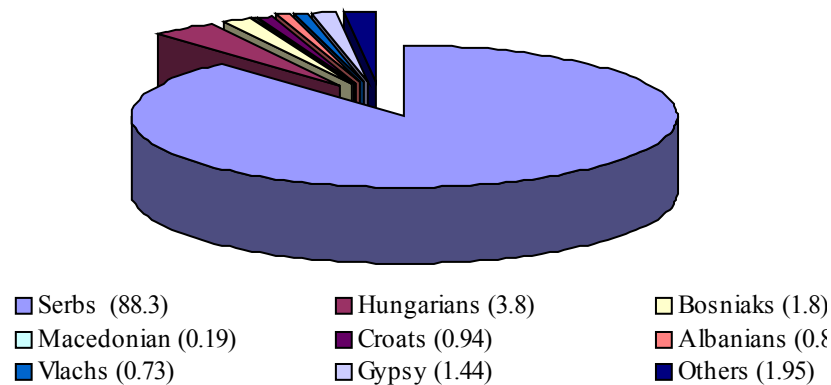


Figure 7 Overview of population in Serbia, excluding Kosovo and Metohja

The main religion of Serbia is Christian Orthodox, the faith of the Serbian people. The Serbian Orthodox Church, which has been autonomous since 1219, has played an important role in the development and preservation of the Serbian national identity. Beside the Christian Orthodox population, there are also other religious communities in Serbia: Islamic, Roman Catholic, Protestant, Jewish.

### 1.3 Economy

The last decade (1990-2000) was marked by reforms that were imposed and inconsistent, which resulted in the collapse of the economy and political turmoil. The new millennium started off in the context of abandoning the socialist paradigm and devising a concept of comprehensive reforms with the ultimate goal of building a civil state and establishing the rule of law, with a market economy and private initiative as the economic foundation. The comprehensiveness of reforms is confirmed by profound changes on a vertical of the individual-company-state. Fundamental changes will lead to a new macro-economic environment, in which the position of a company relies on new foundations. Macro-economic stability, new credits and fiscal system, the liberalization of prices, the exchange rate, interest rates and the foreign trade regime will lead to shifting economic power towards creditors and investors, instead of favorizing debtors, which has been the case until now.

## 2 Land Administration and Land Management

In the Republic of Serbia there are the following records about Real estate:

- Land Cadastre,
- Real estate Cadastre,
- Land administration book and deed book.

### 2.1 Land Register (land book) and Deed Book

Land register is a public record in which real estates (lands and buildings) and rights are enrolled that refers to these real estates. Land registration consists of the ledger and collection of sheepskins, as a remedy (resource), and they use the collection of cadastral plans and maps, real

and personal registers and standby (auxiliary) records. Kinds of enrollment in the land register are: recording (of a real estate transaction), noting and encumbrances.

Land register book is based on the data from land cadastre, which has significance of real records, and land register book has a character of law records of real estate. The main characteristic of the present situation in the land register book in Republic of Serbia is great disharmony between real situation and enrolled situation in the land register. Reason for this situation is separated recording of real estate in the land register and enrollment of the rights on these real estates in the land register book.

Deed book (register of titles) is public record about the owners on real estates. To the enrolled owners is issued a deed as a proof that the person is the owner of the real estate.

In Republic of Serbia deed system is rarely used, only on territories where the land register does not exist and where real estate cadastre is not organized and when the owners require deed issue for their real estate.

## **2.2 Land Cadastre**

Land cadastre contains data about parcels and ground objects according to their position, shape, area, and category, more exactly about land cultivation, solvency, class, cadastre income and users. These data are maintained, calculated and recorded according to cadastre parcel which is signified by number and denomination of cadastre community to which that parcel belongs. Position and shape of all cadastre parcels and objects on them, are represented on the plans, while the other data are enrolled in cadastral registers.

Land cadastre:

- Does not contain data of real rights on real estate
- Is a base for land registration and administration book
- Is made on the whole territory of Serbia.

## **2.3 Real Estate Cadastre**

Real estate cadastre is public record of real estate and rights on them. Real estate cadastre contains data about cadastral parcels, buildings, apartments and business rooms, as separated parts of buildings and other structures, about their position, and shape, area, way of using, solvency, cadastre class, cadastral income, actual rights on them and stakeholders of those rights on real estate and stakeholders of these rights. So, real estate cadastre, as a unique record about real estate in the Republic of Serbia, enables to record at one place all data about land, way of using, cultivation and class, objects, rights on real estate and stakeholders of these rights.

Real estate cadastre, as public record, consists of original work plan, collection sheepskin and cadastral registers and documentations. Cadastral registers consists of real estate pattern (A, B, V and G), list of cadastral parcels, list of cadastral income, collective review of area, cadastral income according to way of using and cadastral classes and alphabetic review of the real estate owners. Real estate cadastre is based on priority principles, legality, and constitutions of enrollment, publicity and unique and required enrollment.

The real estate cadastre contains: maintaining cadastral territory unit, marking cadastral parcel, cadastral classification and land solvency, public showing the cadastral surveying data and cadastral land classification and maintaining data, about the rights on real estate, making cadastral registers and organizing collection sheepskin. In 1988 Republic of Serbia decided to make registration and documentation of real estate cadastre on the whole territory of Serbia as a unique record for real estate and rights on them.

### Situation in the Beginning of the '90s

In the beginning of the 90s situation regarding land administration and registration can be divide in two parts:

- Physical registration – **Land cadastre**. It was evident that it covers the whole territory of the Republic of Serbia. Land cadastre contains data about parcels and ground plan of objects and it defines the location and physical properties of parcels. Maintaining of land cadastre is daily and mentioned by law. This evidence was totally automated and converted on PC – stored in a database.
- Ownership registration – **Land book and deed book**. This covers nearly 23% of all the cadastral municipalities, nearly 35% of the total area (without Kosovo and Metohija). But the major disadvantage is the inadequate data maintenance. The register does not indicate the real time field situation. Additionally, all of data are in paper form.

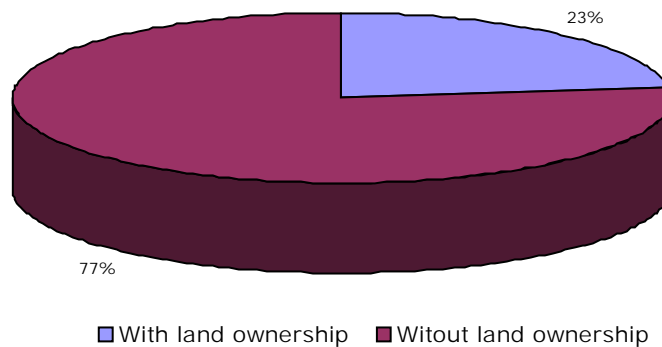


Figure 8: Review of land evidence in the beginning of 1990s

### Review of the Land Evidences on 22 September 2004

It is considered a very important interest of the Republic of Serbia to set up a modern, unique, effective, safe and public evidence of real estate and ownership. The basic task of RGA is to set up and maintain the real estate cadastre as a modern evidence of land.

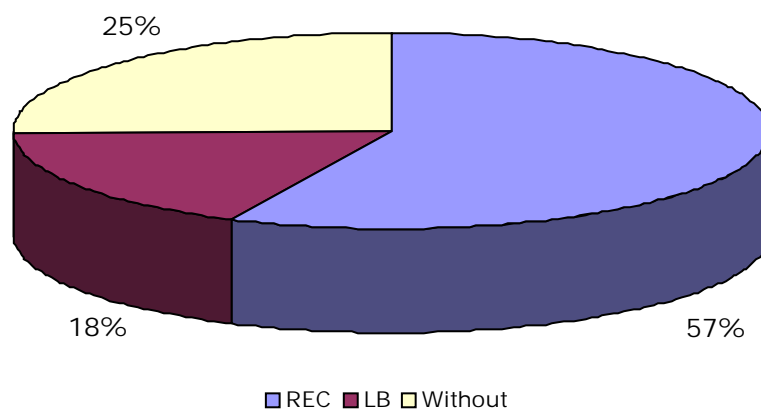


Figure 9: Review of land evidence on 22 September 2004

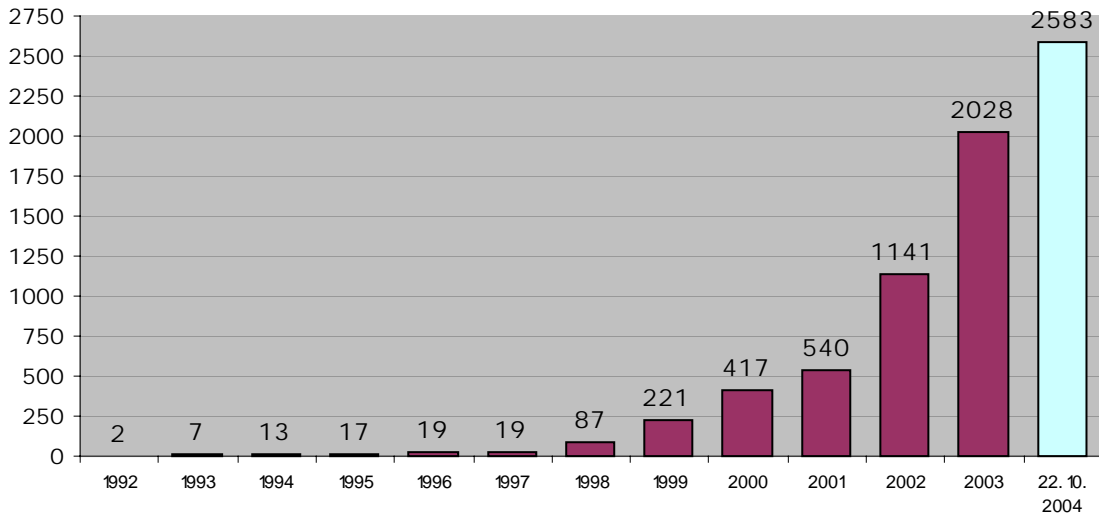


Figure 10: Number of cadastral municipalities with established real estate cadastre, annual review

## 2.4 Organization of Land Evidences in RGA

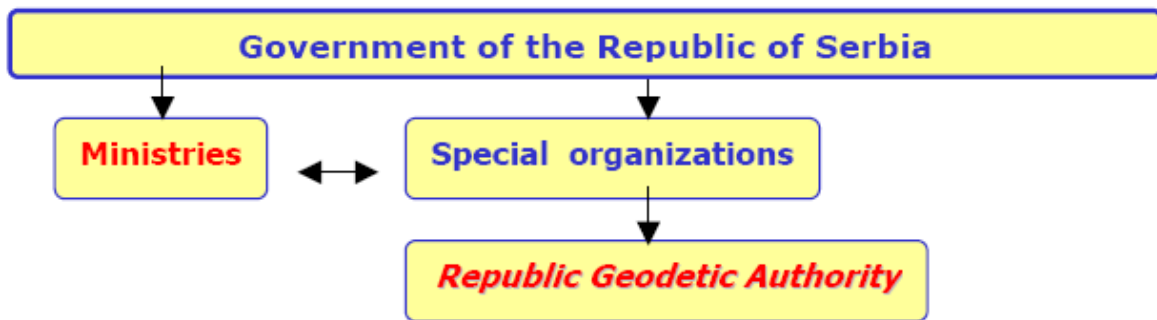


Figure 11: Position of the Republic Geodetic Authority

### Competence

Republic Geodetic Authority (RGA) is a specialized organization responsible for carrying out technical and administrative tasks related to:

- The state survey and land cadastre and registration of real estate rights, their establishment and maintenance;
- Production of the Basic State Map;
- Maintenance of the information systems (Spatial Units; Address register, DSP, REC registry)
- Land classification;
- Determination of cadastral revenues;
- Land consolidation process;
- Establishment of geodetic networks and exchange of geodetic and cartographic data with the neighboring countries;
- Development and implementation of the geodetic information system;
- Maintenance of archives (technical documentation of the state survey, plans and maps),
- Other duties regulated by law.

## Organizational Structure

The basic structure of the RGA (Fig 2.1) has been established according to the type of work performed:

- Sector for Basic Geodetic Works;
- Real Estate Survey Sector;
- Real Estate Cadastre Sector
- Sector for Professional Supervision
- Informatics and Communication Sector
- Legal Issues Sector,
- and two Departments:
- Archives Department
- Financial Affairs Departments

The RGA consist of 6 sectors and 2 departments, where the sectors have internal units formed as departments. The Real Estate Cadastre Sector, besides the departments established in the central office of the RGA, also comprise 10 Regional Centers (including Kosovo and Metohia, consisting of cadastral municipalities (5,838 or 4,591 excluding Kosovo), and 7 Real Estate Cadastre Departments. According to the current job position structures, there are about 2,888 employees in total.

The General Director and the Deputy Director represents the Republic Geodetic Authority. The Assistant Directors are in charge of the Sectors, while the Archives Department and Financial Affairs Department are managed by the Head of Departments, who report directly to the Director.

## Structure of Employment

In the Republic Geodetic Authority, according to the current job position structures<sup>2</sup>, there are about 2,888 employees in total. Education of employees is presented on the graph below.



Figure 12: REC Sector comprise 10 Regional Centers, covering the whole territory

<sup>2</sup> For more information please contact [office@rgz.co.yu](mailto:office@rgz.co.yu).

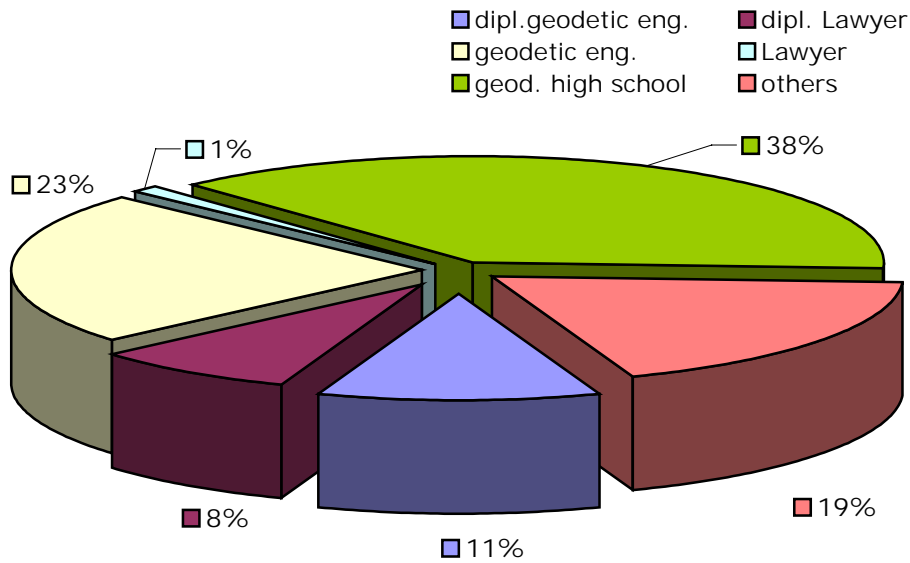


Figure 13: Structure of employment in RGA

**Funding**

The Republic Geodetic Authority is funded from the Budget of the Republic of Serbia, according to the Budget Law, which is applied, separately, for each fiscal year.

Funding of the RGA is done according to two sources:

- Budget funding and
- Self financing (various services)

The analysis, regarding the RGA financial operations, conducted in the past nine years, has shown that the introduction of the Real Estate Cadastre, a unique integrated real estate registration system, has enhanced the development of the real estate market and increased the number of registered transactions, which in turn, has produced a significant increase of RGA own fee income.

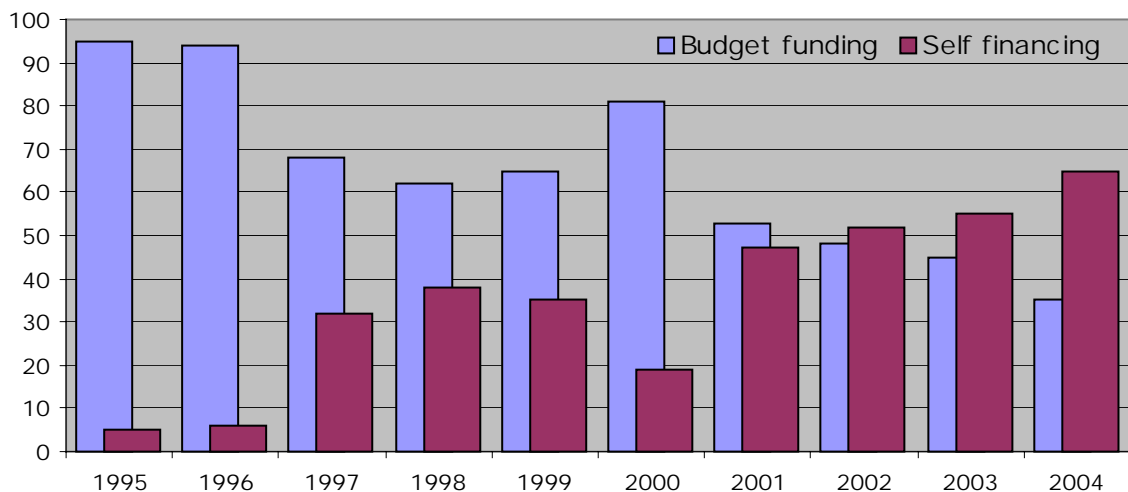


Figure 14: Funding of RGA according to the sources

The same study also shows that, due to social changes and uncertain future investments, the year 2000 was characterized by a significant reduction in fee income, which had in turn affected the number of real estate transactions. In this respect, the RGA received in 2000 about 81% of its

total fee income from the central government budget. The past years show obvious trend toward the self-financing of all RGA activities

## **2.5 The administrative procedure of a land purchase**

In order to transfer real estate ownership rights, it is necessary to have a relevant written agreement with the signatures of the contractual parties verified in court (a public deed form).

### **Is the land market active and free?**

Land market is very active, but only in urban, suburban and on the border of urban area. Land market is free.

### **Are there any restrictions on land purchase?**

There is few kind of restriction

### **Land and foreign purchasers**

Certain limitations exist when foreigners acquire real estate property rights. These limitations pertain to the property s location (for example it cannot be in the vicinity of military buildings).

### **Transaction costs**

The tax on real estate transactions amounts to 5% of the market price, which is assessed by the competent tax authority. In practice, a lawyer or specialized real estate agencies handle real estate transactions, and the customary fee for their services is an additional 3% of the contractual price.

Land transactions in Republic Serbia are not statistical monitored, and there is not some organization or authority which if responsible for tracking a number of transaction.

## **3 Financial Framework**

### **3.1 Mortgage**

Mortgage rights are acquired solely by entering a mortgage in the ownership register. Therefore, only real estate properly entered in the land register can be mortgaged. The law on mortgages is in draft version

There are a few banks, which provide mortgages for urban area. But, these mortgages were given only for the investment in real estate (apartment or house, buying or reconstruction). Banks provide mortgages loan from own resources, e.g. as a guarantee in this real estate. The bank interests are very high, because of risk.

None of these banks deal with mortgages on agricultural land, due to the very low prices on this kind of land.

### **Bank Loan**

On July 07, 2004, between the Ministry of Agriculture, Forestry and Water and some of the banks a contract was signed about crediting agricultural economy (farms, cooperation and enterprises). Credits are: short time – for physical person (farmer) through the banks; long lime – for physical person and legal entity through the banks and Development Fund, Republic of Serbia. Funds for this activity are transferred from the budget of Republic of Serbia. The value of this fund is 3,727,500,000.00 dinars. Banks can invest and own money.

## **Property Tax**

According to the Law on Property Taxes, the property tax includes the property tax, the tax on inheritance and gifts and the property transfer tax.

## **Property Tax**

The property tax is applicable to the following rights related to real estate: ownership rights, the right to derive income from property, the right to use and the right to occupy property, the right to use property on the basis of time sharing, and the right to a long-term lease of a dwelling or a residential building (in accordance with the laws on housing), including the right to use a municipal plot of land occupying more than 1,000 square meters.

The property tax is also applicable to shares issued in the name of the taxpayer and to interests in companies with limited liability. The taxpayer is any legal entity or natural person with such rights to real estate located on the territory of Serbia.

## **The real estate tax**

It has to be paid by all real estate owners, including foreigners. The rates range from 0.4% to 2% of the property market value (based on the book value of the property on 31 December of the previous year), as assessed by the tax authorities. The rate depends on whether the owner uses the real estate by himself or leases it, and on the way the real estate was acquired. The tax is paid quarterly and in advance.

## **The ownership transfer tax**

The ownership transfer tax is 5% of the market value of the real estate. The tax authorities of the municipality in which the property is located assess the market value. In the case of a gift or inheritance, special rates are applied, depending on the level of kinship (for example, for the first successor in line there is no transfer tax).

## **The capital gain tax**

In the case of a transfer of ownership of real estate acquired after January 24, 1994, a capital gain tax, in the amount of 14% of the gain realized is applied. The capital gain is calculated as the difference between the assessed sale price and the revaluated original purchasing price of the property. Capital gains realized by corporate taxpayers can be carried forward for five years and offset against future capital losses. If the seller is a natural person who purchases another immovable property intending to occupy it (live in it), he is exempt from the capital gains tax. The time frame within which he must purchase another property to claim the exemption is 60 days from the date of the sale. If the purchase is carried out after the 60-day period, but within 12 months of the date of the sale, the capital gains tax will be refunded.

## **The personal income tax**

All profit from real estate (rent and other) - must be reported to the competent tax authority in order to ascertain a natural person's income tax. Tax rates on this type of income amounts to 20%.

## **The Shares Tax**

Shares/a stake in other legal entities owned by the taxpayer are subject to the property tax of 0.25%, based on the book value of the shares/stake on 31 December of the previous year. If the taxpayer is a

natural person, the tax base is based on the data provided by the legal entity in which the natural person holds shares or a stake.

### **Property Transfer Tax**

The property transfer tax is levied on the transfer of ownership rights on real estate, intellectual property, shares in legal entities and securities. The tax payer is the seller, i.e. the entity/person disposing of ownership rights. Residents are obliged to pay the tax on transfer of property worldwide, while non-residents are obliged to pay the tax only on transfer of rights taking place on the territory of the Republic.

#### **Tax Base / Tax Rate**

The tax base is the agreed price. If tax authorities estimate that the price is lower than the market value, the tax shall be levied on the market price. A 5% tax rate is applied to transfer of ownership rights to real estate and other taxable property, except for securities and shares in legal entities. A reduced 0.3% tax rate is applied to transfer of shares/interest in a legal entity and to transfer of securities.

### **Assessment and Collection of Property Tax**

#### **Property Tax**

The tax payer is obliged to file the tax form by 31 March of the year for which the tax is assessed. The annual tax is paid on a quarterly basis, in the form of advance payments based on the level of tax assessed for the previous year.

#### **Tax on Transfer of Ownership Rights**

The tax on transfer of ownership rights is due within 10 days from the taxable event in question and should be paid within 15 days of the day when the tax authorities decide on its level.

## 4 Legal Framework

### 4.1 Land registration

1	The Law on Land Register, (“Official Gazette KY” No. 146/30, 281/31)
2	The Law on State Survey, Cadastre and Registration of Real Rights, (“Official Gazette RS” No. 83/92, 53/93, 67/93, 48/94, 12/96, 15/96, 34/2001, 25/2002);
3	The Law on survey and land cadastre (“Official Gazette RS” No. 11/86 )

### 4.2 Cartography and surveying

1	The Law on State Survey, Cadastre and Registration of Real Rights, (“Official Gazette RS” No. 83/92, 53/93, 67/93, 48/94, 12/96, 15/96, 34/2001, 25/2002);
2	The Law on survey and land cadastre (“Official Gazette RS” No. 11/86 )
3	The Bylaw on cadastral plans and maps (“Official Gazette RS” No. 11/86)

### 4.3 Land taxation

1	The Law on property tax (“Official Gazette RS” No. 26/2001, 45/2002, 80/2002)
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### 4.4 Land valuation

1	
2	The Law establishing cadastral income (Official Gazette of the Republic of Serbia, No 49/1992)

### 4.5 Land compensation and restitution (privatization)

1	The Law on Land Expropriation, (“Official Gazette RS” No. 53/95, 23/01; “Official Gazette FRJ” No. 16/01)
2	The Law on Land Restitution is in draft version
3	The Law on Privatization, (“Official Gazette RS” No.)
4	The Law on Converting Social Property on agricultural land in other form of ownership, (“Official Gazette RS” No. 49/92, 54/96.)
5	The Law on
6	The Law on Returning ....., (“Official Gazette RS” No. 16/92).

### 4.6 Land consolidation

### 4.7 Land transaction (purchase, lease, exchange, inheritance)

1	The Law on Real Estate Transfer, (“Official Gazette RS” No. 42/98)
2	The Law on Heritage, (“Official Gazette RS” No. 46/95, 101/03)

#### 4.8 Land ownership

	This Law regulate truly property (ownership, servitude, pledge and ..., on real estate)
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#### 4.9 Land mortgage

1	The Law on Pledge right
2	The Law on Mortgage is in draft version

#### 4.10 Dispute resolution

1	The Law on litigious process, (“Official Gazette SFRY”, No.4/77, 36/77, 36/80, 69/82, 58/84, 74/87, 57/89, 20/90, 27/90, 35/91 and “ Official Gazette FRJ”, No.27/92, 31/93, 24/94, 12/98, 15/98)

#### 4.11 Land reserve and land fund

1	The law on Agricultural Land, (“Official Gazette RS” No. 49/92, 46/95, 54/96, 14/2000)
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#### 4.12 State land management

1	The Law on Resources in Ownership of Republic Serbia, (“Official Gazette RS” No.53/95, 3/96, 54/96, 32/97, 44/99, and “Official Gazette FRJ” No. 64/99);
2	The Law on Planning and Constructing, (“Official Gazette RS” No. 47/2003)
3	The Law on Spatial Planning, (“Official Gazette RS” No. 13/1996)
4	The Law on Special Units Register, (“Official Gazette RS” No. 19/89, 50/93, 67/93 I 48/94)
5	The Law on Territorial Organization of Republic Serbia, (“Official Gazette RS” No. 47/91, 79/92, 82/92, 47/94, 49/99)
6	The Law on Municipality, (“Official Gazette RS” No. 49/99, 27/01, 9/02, 100/03, 33/04)
7	The Law on Agricultural Land, (“Official Gazette RS” No. 49/92, 53/1993, 67/93, 48/94, 46/95, 57/96, 14/20004)
8	The Law on Road, (“Official Gazette RS” No. 46/91, 52/91, 53/93, 67/93, 48/94, 42/98)
9	The Law on Forestry, (“Official Gazette RS” No.46/91, 83/92, 54/93, 60/93, 67/93, 48/94, 54/96);
10	The Law on Mining, (“Official Gazette RS” No. 44/95).
11	The law on Water, (“Official Gazette RS” No.46/91, 53/93, 67/93, 48/94, 54/96);
12	The Law on Concession, (“Official Gazette RS” No. 55/03).

#### 4.13 State fees

1	The Law on
2	The Law on
3	The law on property on Special Parts of Buildings, (“Official Gazette SFRY” No. 43/65, 57/65, 38/96)

## 5 Ownership Structure

Before the II World War, on current territory of Republic Serbia, land administration was defined on one part, with land book registration and on other with deed book, but not 100%. At this time governmental and private ownership was defined and separated i.e. defined land tenure.

In the postwar period, like in all country under the influence of the Soviet Union, it was come to the degradation of private ownership. The Republic of Serbia was a part of FNRJ (Federal People Republic Yugoslavia) witch produced a large number of laws and by laws, for changing the status of land. The ownership structure changed in the way that proportion of the public and governmental lands increased.

Today in Republic of Serbia three kind of ownership exist: private, public and governmental.

### **Land - Real Estate Regulations – Basic Provisions of the Law on Real Estate**

The field of real estate rights in Serbia is regulated by both State Union's and Republican laws. With the enactment of the new Law on Planning and Construction (hereinafter the Law) the following laws are no longer valid:

- Law on Construction of Structures ('Official Gazette of the Republic of Serbia', no. 44/95, 24/96, 16/97 and 43/01);
- Law on Planning and Development of Space and Settlement ('Official Gazette of the Republic of Serbia', no. 44/95, 23/96, 16/97 and 46/98);
- Law on Construction Land ('Official Gazette of the Republic of Serbia', nos. 44/95, 16/97);
- Law on Special Requirements for Issuing Building and Occupancy Permits for Certain Structures ('Official Gazette of the Republic of Serbia', no. 16/97);
- the provision of Article 11 paragraph 2 of the Law on the Ministries ("Official Gazette of RS", no.27/2002).

Pending the adoption of regulations based on the authorizations referred to in this Law, the regulations issued on the basis of the Laws which cease to be valid on the effective date of the Law are applied, if they are not in contradiction with the Law.

### **5.1 Classification of Land**

The new Law introduced the new classifications of construction land and the procedure for acquiring. The law classifies all land into two categories:

- Construction land.
- Agricultural land.

A Construction Land is the land on which structures have been built and the land that serves for the regular use of these structures, as well as the land that, in accordance with the law, is designated by the corresponding plan for the construction of structures and their regular use. A construction land can be:

- Public construction land.
- Other construction land.

## **Construction Land**

### **Public Construction Land**

The construction land on which public structures of common interest have been built and public areas developed prior to the day of enactment of the new Law, and which is owned by the state, is a Public Construction Land. Public construction land is also land that is, according to the adopted plan, designated for the construction of objects of general interest and for public areas and is under state ownership.

Public construction land is designated by the counties' general act in accordance with the Law and the Urban Plan. The Act that designates public construction land contains a description of the boundaries of the land declared as public construction land, the name of the cadastral registry and a list with numbers of cadastral parcels. The construction land is designated as public construction land after it has been acquired by the state in accordance with the Law. Public construction land cannot be alienated from the state ownership.

Public construction land may be subdivided and categorized as developed or undeveloped and constructed or non-constructed. The county develops (prepares and equips) public construction land and takes care of its use according to the intention envisioned in the plan.

### **Other Construction Land**

Other Construction Land is developed land, as well as land intended for the construction of structures in accordance with the law, which is not declared as public construction land. Other construction land is transferable and may be of any type of ownership.

The land that was legally classified as urban construction land in the state property, prior to the day the new Law came into force, shall remain in the state property, unless determined otherwise by a special law.

For the part of a land that was declared as urban construction land by a decision of a county assembly, or a city assembly or the assembly of the city of Belgrade, and which, before the date that this Law came into force, had not been put to its intended use entirely or by large, but does not constitute an urban and functional unity with public construction land - the regime of property that existed before the decision on declaring that land as urban construction land came into force, will be restituted upon request of the previous owner or his legal successor, under the conditions and according to the procedures established by the Law.

### **Use of Construction Land**

Construction land is used as developed or non-developed. Developed construction land is land improved with structures whose are constructed according to the law and are intended for permanent use.

Non-developed construction land is land on which:

- No structures are erected;
- Existing structures were constructed contrary to the law;
- Temporary structures exist.

## **5.2 Leasing of Land**

The county can, through public bidding or gathering of offers, temporarily lease non-developed public construction land until it is brought to its planned intended purpose. The procedure,

conditions, manner, as well as program of putting up non-constructed public construction land for temporary lease, are regulated by the county.

The temporary lessee of non-constructed public construction land is obliged prior to entering the lease contract, to furnish the main project for erection and consequent demolition of the temporary structure, with a demolition cost estimate. The funds equivalent to the amount from the approved demolition cost estimate must be deposited with an authorized authority or organization at the time the temporary lease contract is concluded. If the owner does not remove the structure before the deadline specified in the contract, the demolition and the removal of debris shall be done by the county using the funds from the deposit. Full deposit shall be returned to the owner if he removes the structure himself.

Non-developed other construction land in state ownership may be leased out, for the purpose of construction, through public bidding or a gathering of offers by public advertising. The land is leased out to the party that offers the highest amount of rent for the land.

Non-developed other construction land may be given for lease by direct agreement in the following cases:

- Construction of structures for the purpose of carrying out activities of the state administration and agencies, administration and agencies of autonomous provinces and of units of the local self-government, and organizations in charge of public services who operate with state funds and assets, as well as other state-owned structures;
- Leasing the land to an owner of a structure who has constructed that structure without a building permit, for the purposes of obtaining construction permission, if erecting such an object is in accordance with the provisions of the Urban Plan;
- Correction of boundaries of adjacent cadastral or construction parcels.

Procedures, conditions, manner, as well as the program of leasing-out non-developed other construction land in state property are regulated by the municipality. A contract to lease out non-developed other construction land under state ownership is signed between the county or the company or other and the party to which the land is leased, within 30 days of the date the decision on leasing the land is approved. The contract should contain data on the construction parcel, purpose and the size of the structure, amount of the rent, duration of the lease, deadline and method of paying the fee for the development of the land, deadline within which the party to which the land is leased shall put the land to its designated use, as well as the rights and obligations in this obligation is not fulfilled.

### **5.3 Fees**

The fee for using developed public construction land and other construction land in state property is paid by the owner of the structure. As an exception, the fee is paid by the holder of the right to use the entire object or a part of it, and when the object or a part of it are leased, the fee is paid by the lessee of the object or part thereof.

The fee for the use of non-developed public construction land and other construction land in state property is to be paid by the user. The amount of the fee is determined depending on the scope and degree of land's development, its location in the settlement, access to amenities, transportation connections to the local or city center, business areas and other significant places in the settlement and other benefits that the land offers to its users. Payment of the fee shall be enforced according to the normative acts that regulate taxation procedures and taxation administration.

The fee for the use of other construction land which is not in the state property shall be paid if this land was improved with basic communal infrastructure (electrical network, water system, access road) using the resources of the county or other state resources. The fee for the use of non-developed other construction land shall also be paid in the case that this land is not put to its intended use, or if it is not offered to be bought off by the county for the purpose of putting it to its intended use within two years from the day that the Urban Plan is adopted. The amount of fee shall be determined in the same way as the fee for developed construction land.

#### **5.4 Right to Use other Construction Land in State Property**

Owners of the structures erected on other construction land in state property before the date that this Law came into force, are entitled to utilize the existing construction parcels as long as that structure exists.

On non-developed other construction land in state property, the right to use belongs to the previous owner or his legal successor, or to parties to whom the earlier owner has transferred that right in accordance with law. The decision on receiving the right is issued by the relevant county administration upon request for determination of the right. The right is transferable.

#### **5.5 Agricultural Land**

Agricultural Land is subdivided into:

- Cultivable,
- Uncultivable

##### **Cultivable Agricultural Land**

Cultivable agricultural land encompasses fields, gardens, orchards, vineyards and grazing fields. A cultivable land user has the obligation to till the soil or use it in accordance with its purpose. Furthermore, cultivable agricultural land in the process of re-classification into “construction land” is considered agricultural land until the finalization of the re-classification procedure.

##### **Non-Cultivable Land**

Non-cultivable land encompasses all other unlisted types of agricultural land.

##### **Re-Classification**

Agricultural land can be re-classified, i.e. it can be changed into construction land. An investor wishing to re-classify agricultural land should submit the following documents to the municipality:

- A formal request for re-classification or change of land use/purpose, containing information about the land in question,
- Proof of ownership or proof of the right to use the land,
- A certificate from the plan of urban development (excerpt of the plan for urban development) allowing the planned building.

#### **5.6 Ownership Rights**

The legislature recognizes a number of forms of ownership. Besides the traditional ones - private property and state property, public property also exists, along with diverse forms of collective

property (cooperative, mixed property). Ownership rights are regulated by the Law on Basic Ownership - Legal Relations.

### User Rights of City Construction Plots

All city plots are under the state property regime. Even though the land itself is public, the structures built on it are private. A person, who owns real estate built on a city plot, automatically enjoys an exclusive “right-of-use” of the plot. This “right-of-use” can be entered in the land register, but it is unnecessary, since this right exists “ex lege”.

### Foreigners’ Real Estate Rights

According to Article 82 of the Law on Basic Ownership Legal Relations, foreign natural or legal entities can acquire real estate just like domestic ones. Article 82a Item 1 of this law stipulates that foreign legal and physical entities which have business dealings in Serbia and Montenegro have the right to acquire real estate (though not, city construction plots which are state property) under two conditions:

- The property in question must be for business use,
- Reciprocity must exist with the foreign country in question.

There are certain limits on acquiring real estate property rights for foreigners that pertain to the property’s location (being in the vicinity of military facilities or the like).

According to Article 82b of the Law above, it is stipulated that a foreign natural person who is not conducting business operations can own some forms of real estate such as an apartment or an apartment building in Serbia, subject to the condition of reciprocity. It is not necessary to have permanent or temporary residence in Serbia.

## 6 Basic Statistic Facts

### 6.1 Statistics for land ownership structure

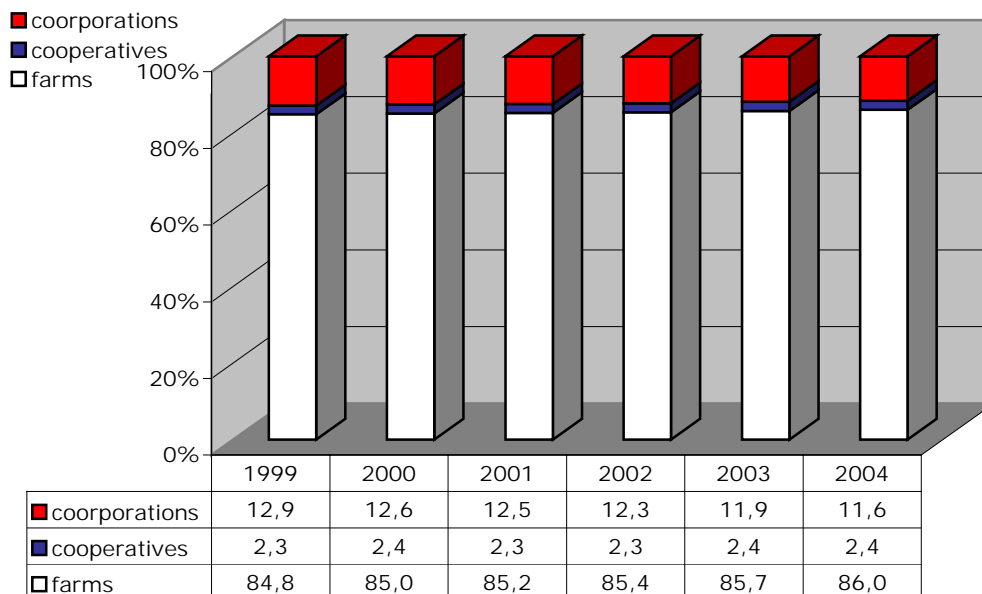


Figure 15: Percentage covering arable land by form of ownership

Comment: In the last decade of the twentieth century, the percentage of land ownership is similar to the shown data in the graph above.

## 6.2 Land Price, Renting and Leasing

Regarding the private owned land the land market is free. Prices are based on mutual agreement. The market prices of agricultural land in Republic Serbia are immoderate low. At present there are not any institution (public or private), which deals with statistical data about land rent, lease or sale.

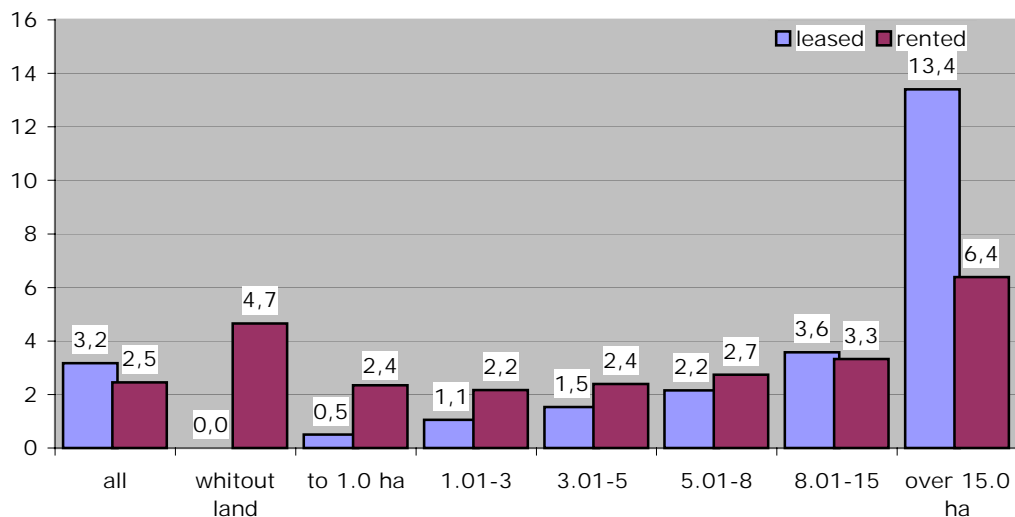


Figure 16: Average size of arable land, rented and leased – percentage by farm (in ha), 2002

## 6.3 Land Size

In Republic Serbia we can't discuss of average size of cadastral parcel, because of differences in organizational, application and utilization of agricultural land. For example, in plains of Serbia – Vojvodina, Pomoravlje, Posavina, etc. is made land consolidation, and is average size very much larger then in the other parts of Serbia.

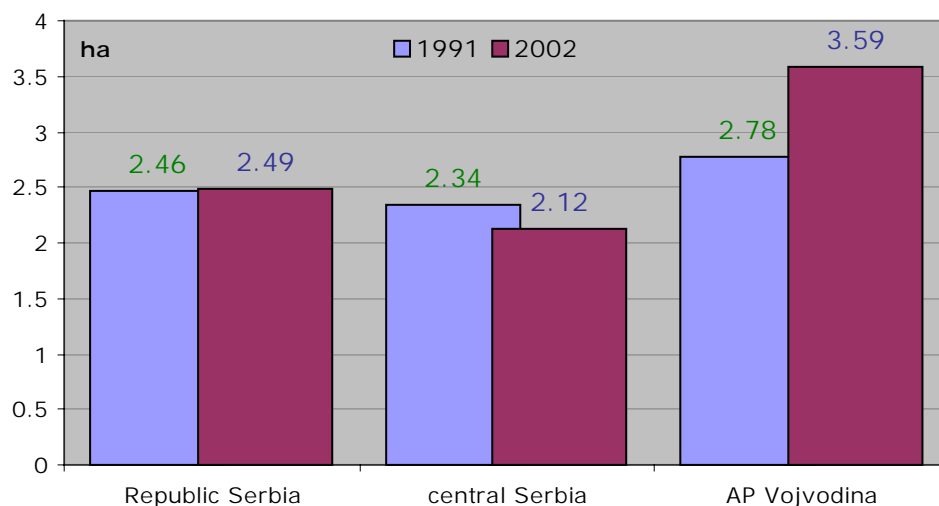


Figure 17: Average arable used land by private farm

## 6.4 Land Consolidation

Land-consolidation of rural areas in Serbia has a very long-tradition. There is data, from 1860, showing that land consolidation was carried out in Vojvodina: Bačka-Stari Stopar and Sivac (around 1860), Banat- Margita (1861) and Vatin (1862).

The need for land-consolidation in central Serbia was mentioned in the Decree of prince Miloš, *Upravitelni Sovjet*, and in 1901 land consolidation named “Organization of the Agrarian Land on Basis of Barter” was underway. It was not until the 1970s that massive land consolidation was being carried out in Serbia. Until 2004, land consolidation was performed on 1.879.724 acres, on the territory of 896 cadastral municipalities.

Through the process of land consolidation, among other things, parcels were grouped, that is, the number of parcels has been reduced from 2.085.649 to 727.017 or three times its previous size. The surface of farm roads has been increased by 25% and the area of the canal network by 60%.

The following has been achieved: improved land quality, higher yields and reduction of unproductive frontier areas, a new survey and cadastre system and settlement of property law relations, etc.

## 6.5 Land Restitution

Republic of Serbia is the last of the members in the old Yugoslavia Federation which one did not start the process of land restitution. Reason for this situation can be found in the Law of Restitution, because it is only in a draft stage. According to the draft, the restitution process will return all those real estates, which are disposed from old owners after the II World War, but not affect owners who have purchased real estate or land. Previous owners will be compensated by the State by means that are to be determined by the Law.

Size of land

- Agricultural estates 3,607,445 ha (778.891 ha)
- Agricultural companies and cooperatives 629,625 ha

## 6.6 Privatization

### *Introduction of Law on Privatization*

The key document of the new economic concept is entitled the Law on Privatization<sup>3</sup>, conveying the fundamental political message that a tectonic movement will occur in society's ownership structure and the probing of new foundations of overall social organization. The new concept of privatization creates a balance between multitudes of conflicting interests, in which the basic attributes are as follows: economic effectiveness, political feasibility and social acceptability.

Unlike the previous laws on “transformation”, the starting point, which was a static distribution scheme, was created under pressure of interest groups: company employees, pensioners, the administration (without taking foreign and internal debts into account), the new law is primarily orientated to investors who will buy and restructure a company, secure quality corporate management and development, and hence the effectiveness of the economy as the key response to comprehensive societal changes.

In the context of comprehensive reform, the new law institutionally eliminates socially owned property, which is the main channel of non-institutional privatization. The basic premise of the new economic concept is that non-ownership (socially owned) companies cannot function in conditions of real-term exchange and interest rates and liberal foreign trade, because they are accustomed to preferential treatment by the state (tax evasion) and credit infusions.

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<sup>3</sup> Official Gazette RS” no 38/01 and 18/03

## 6.7 Privatization Facts

Privatization types are: auction, tender and restructuring. Object of privatization: is 70% of public or governmental fund would be put to the enterprise sector. A purchaser, buying a fund of enterprise, takes over all rights, obligations and responsibility and he is practically “legatee” of the enterprises. In this point of view he monopolizes the usage of land and disposes the right over the objects and land.

The state gives the guaranties on everything what is in enterprise documentation. In period between public call and public auction sale, potential purchasers can check auction documentation and work out the “Due Diligence”. After this the purchaser can decide to participate in the public auction sales.

Foreign purchasers have equal right as the domestic purchasers. Advantage for domestic purchasers are (resident of Republic of Serbia) is in paying, since they can pay in six equal payments (price is connected on euro).

The privatization of agricultural enterprises is very specific, and because of that, the auction documentation includes a report of the Republic Geodetic Authority, a notice of land from the Ministry of Agriculture, Forestry and Water Management, Regional Secretary for cooperative ownership etc., in order to completely inform the potential purchaser.

Number of enterprises:

- Total number of public enterprises is around 6000,
- In process is open for 2244 enterprises<sup>4</sup>,
- The number of agricultural enterprises included in privatization is 204 (included momentarily),
- The number of privatized agricultural enterprises is 70.

When did it start with establishing the new Law of Privatization?

Who are the supervisory body is Privatization Agency.

For more information on situation in field of privatization please visit the Privatization Agency<sup>5</sup>  
[www.priv.yu](http://www.priv.yu)

## 6.8 Foreign Investors' Council<sup>6</sup>

Another step towards further improvement of the investment climate is the establishment of the Foreign Investors' Council on July 16, 2002. Representatives of 13 foreign companies signed a Statute on the founding of the FIC, with the aim of creating better conditions for attracting foreign investments to Serbia.



The Foreign Investors' Council now consists of these respectable companies: AON, Blic Press, British American Tobacco, Buda-Cash, Bull, Coca-Cola, Colliers, DELYUG, DHL, Drager, Dunav-TBIH, Ericsson, Holcim, HVB Bank, Hyatt Regency Hotel, Hypo Alpe Adria Bank, KPMG, Lafarge, Mercedes-Benz, OMV, Pepsi (A&P), PriceWaterhouseCoopers, Raiffeisen Bank, Salford, Schneider Electric, Siemens, Societe Generale Yugoslav Bank, Soros Investment, Messer-Tehnogas, Tetra Pak, Uniliver, Velux, Wolf Theiss & Partners, National Bank of Greece,

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<sup>4</sup> All numbers about enterprises involved in process of privatization are from Privatization Agency – web portal - <http://www.priv.yu/>, 24 September 2004.

<sup>5</sup> Privatization Agency is leading procedures of privatization state/public owned enterprises.

<sup>6</sup> For further information please visit [www.fic.org.yu](http://www.fic.org.yu).

Politika Waz Medin Gruppe, Wurth, Aventis, Deloitte Touche Tohmatsu, Allied Domecq, Alstom, JTI and S&T.

### Contact

For more information on foreign investment opportunities in the Republic of Serbia please visit the following:

1. *Regulation*: The Ministry of International Economic Relations [www.mier.sr.gov.yu](http://www.mier.sr.gov.yu)2. *Investment & Export Promotion*: SIEPA [www.siepa.sr.gov.yu](http://www.siepa.sr.gov.yu)3. *Privatization*: The Ministry of Economy and Privatization [www.mpriv.sr.gov.yu](http://www.mpriv.sr.gov.yu)

4. *Banking activities*: The National Bank of Yugoslavia [www.nbj.sv.gov.yu](http://www.nbj.sv.gov.yu)

## 7 International Projects

### World Bank - Credit 3908 YF

**Project name:** “Real Estate Cadastre and Registration Project - Establishing and Modernization<sup>7c</sup>”.

The Government of Serbia has received a Credit from the International Development Association of an amount of US\$ 30 million, covering the cost of establishment and modernization of the real estate cadastre and registration in the Republic of Serbia, and it intends to apply the proceeds of this Credit to the payments for goods, works and services to be procured under this project. The project will be implemented in a six-year timeframe.

The project consists of two components:

- A** - Operational Development and Support - Cadastre System Development;
- B** – Capacity Building and Institutional Strengthening

The project will include the following items and services to be procured through international procurement and selection:

- Management contractor for cadastral survey and mapping;
- Consultant services;
- Information systems for cadastre and property registers;
- DBMS software;
- Computer equipment;
- Office equipment;
- Vehicles.

The main objective of the Project is to increase the confidence and lower transaction costs by building a more efficient property registration and cadastre system, with the purpose of contributing to the development of effective real property markets and agricultural development.

The Project involves many stakeholders, including academic institutions, the private sector, real estate support professionals and other civil society groups. 46 municipalities and 2 cities (Niš and Novi Sad) plus whole territory of Belgrade are involved in the project.

During the Appraisal Mission, it was agreed, that the total project cost is USD 39 million out of which USD 30 million represents the WB loan, while added financing of USD 9 million

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<sup>7</sup> Project

represent the Government of the Republic of Serbia. Duration of the Project is from 2004 to 2010. Besides these funds, other international donors are:

- Japanese Government: USD 382.400 - (donation for project preparation);
- GTZ - Germany: 1 million € for 2 years 2 years (technical assistance);
- SIDA - Sweden: 700.000 € for 1 year (training);
- Norwegian Government: 2 millions € for 5 years – 950,000 € in 2004. – (establishing of scanning center)
- EU- CARDS Program: 8.5 millions € for 2 years, during 2005 and 2006.) - (REC registration digital cadastre, technical assistance) parallel financing

These funds will be used in the following manner:

- Development of an integrated information system for property registration and cadastre system including cadastral data and plans;
- Establishment of the digital cadastre database (DCD) with essential hardware and software applications, for 48 local cadastre offices, plus all cadastral offices in Belgrade city,
- Development of Real Estate Cadastre and DCD with updated cadastre plans in digital form, for 46 urban municipalities and 3 cities;
- Technical assistance for improvement of the legislation system, with the aim of facilitating the development of real estate cadastre and providing more efficient services for real estate registration through: public campaigns, training and project management.

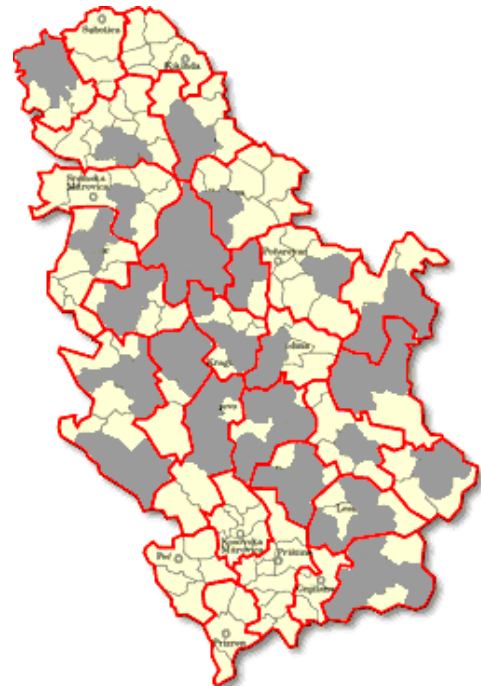


Figure 18: Municipalities involved in Project

## 7.1 Private sector in the Field of Land Management

Private geodetic companies are in operation. The Law on State Survey, Cadastre and Registration of Real Rights, (“Official Gazette RS” No. 83/92, 53/93, 67/93, 48/94, 12/96, 15/96, 34/2001, 25/2002) deals rather with the private sector than the cadastral field works. Presently, around 470 private organization and firm are in Serbia which are registered for geodetic works. Number of employees is around 800.

**CONTEXT: ORGANIZATION**

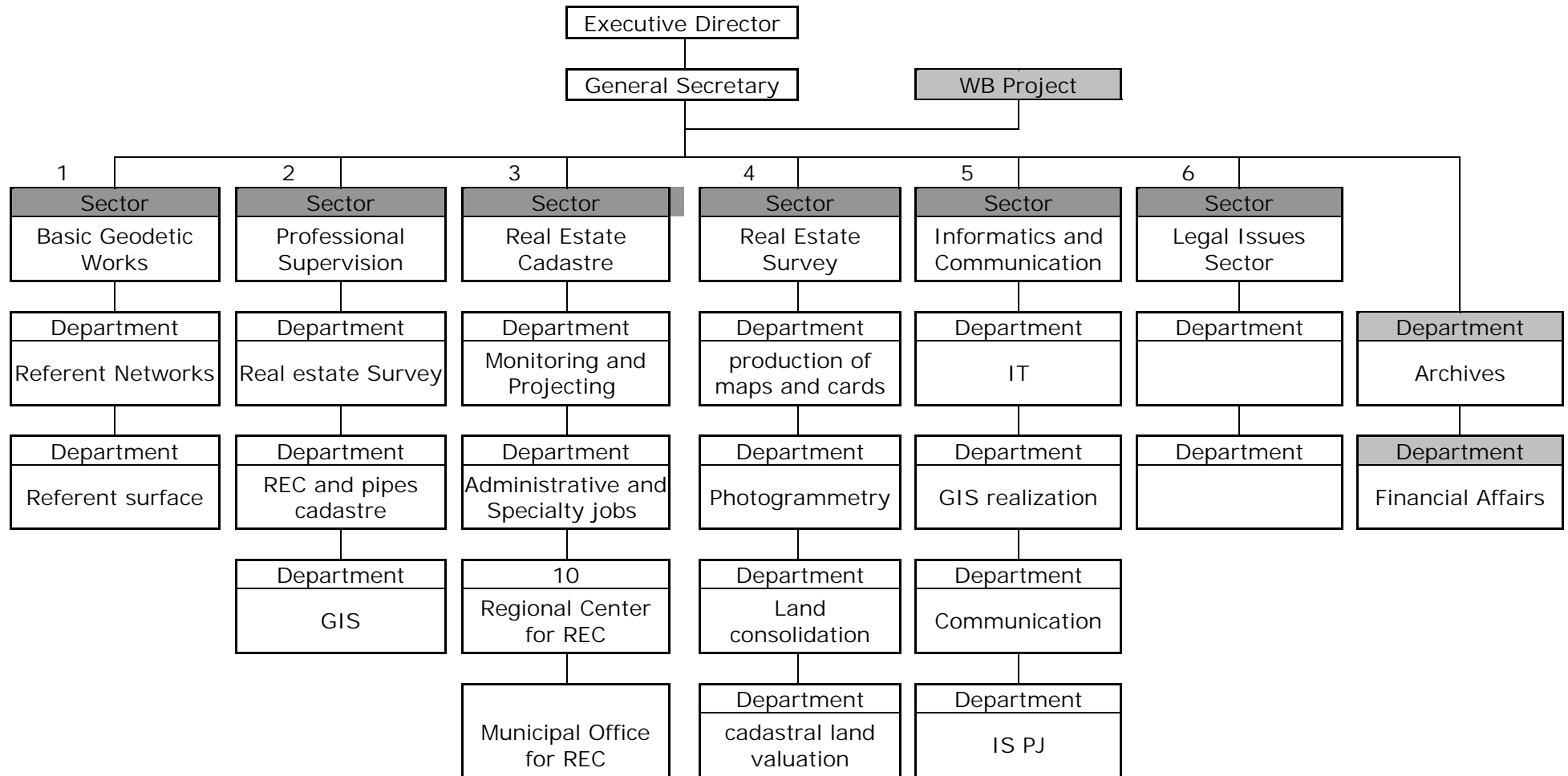


Figure 19: Organizational structure of RGA<sup>8</sup>

<sup>8</sup> For more information contact: [kn@rgz.co.yu](mailto:kn@rgz.co.yu)

## **Biographical Notes**

**Mr. Nebojsa Bozinovic** is geodetic engineer at the Republic Geodetic Authority. He is responsible for designing and maintaining real estate cadastre, land cadastre and water cadastre.