

DRAFT LAW ON PROPERTY RESTITUTION AND COMPENSATION

~ non-official translation ~

Chapter I BASIC PROVISIONS

Subject of the Law

Article 1

The Law shall regulate terms, method and procedure for the restitution of and compensation for the property which was confiscated on the territory of the Republic of Serbia with the application of regulations on agrarian reform, nationalisation, sequestration, and other regulations, on the basis of nationalisation acts, after 9 March 1945, from natural persons and legal entities and transferred into allpeople, national, state, social or cooperative property (hereinafter referred to as “property restitution”).

For purposes of the Law, the notion “property” shall mean confiscated real and movable property as well as confiscated enterprises.

Restitution Right

Article 2

The right to the restitution of confiscated property may be, according to the provisions of the Law, acquired by applying the following regulations:

- 1) Decision on Transfer of Enemy’s Property into State Property, on Public Administration of the Property of Absent Persons and on Sequestration of the Property Forcibly Alienated by Occupying Authorities (“Official Journal of the DFY”, No. 2/45);
- 2) Law on Agrarian Reform and Colonization (“Official Journal of the DFY”, No. 64/45, “Official Journal of the FPRY”, Nos. 16/46, 24/46, 99/46, 101/47, 105/48, 19/51, 42-43/51, 21/56, 52/57, 55/57, 10/65);
- 3) Law on Agrarian Reform and Internal Colonization (“Official Gazette of Serbia”, Nos. 39/45, 4/46);
- 4) Law on Agrarian Reform and Internal Colonization (“Official Gazette of the PRS“, Nos. 5/48, 11/49 and 34/56);
- 5) Decision on Establishing the Tribunal for the Prosecution of Crimes and Offences Against Serbian National Honour (“Official Gazette of Serbia”, No. 1/45);
- 6) Decision on the Tribunal for the Prosecution of Crimes and Offences Against Serbian National Honour (“Official Gazette of Serbia”, No. 3/45);
- 7) Law on the Fight Against Illegal Speculation and Economic Sabotage (“Official Journal of the DFY”, No. 26/45);
- 8) Law on the Prohibition of Incitement to National, Racial and Religious Hatred and Discord (“Official Journal of the DFY” No. 36/45, “Official Journal of the FPRY”, No. 56/46);

- 9) Law on Protection and Management of National Properties (“Official Journal of the DFY”, No. 36/45);
- 10) Law on Property Confiscation and Execution of Confiscation (“Official Journal of the DFY”, No. 40/45);
- 11) Law on Validation of and Amendments to the Law on Property Confiscation and Execution of Confiscation (“Official Journal of the FPRY”, Nos. 61/46, 74/46);
- 12) Law on Confiscation of War Profit Gained During Enemy Occupation (“Official Journal of the DFY”, No. 36/45);
- 13) Law on Validation of and Amendments to the Law on Confiscation of War Profit Gained During Enemy Occupation (“Official Journal of the FPRY”, No. 52/46);
- 14) Law on Citizenship of the Democratic Federal Yugoslavia (“Official Journal of the DFY”, No. 64/45), Law on Citizenship of the FPRY (“Official Journal of the FPRY”, Nos. 54/46, 105/48);
- 15) Law on Revoking Citizenship of Officers and Non-Commissioned Officers of the Former Yugoslav Army Who Do Not Wish to Return to the Homeland, and Citizenship of Members of Military Forces Who Served the Occupier and Escaped Abroad, (“Official Journal of the DFY” No. 64/45, “Official Journal of the FPRY”, No. 86/46);
- 16) Law on Crimes Against the People and State (“Official Journal of the DFY” No. 66/45, “Official Journal of the FPRY”, Nos. 59/46, 106/47, 110/47);
- 17) Law on the Fight Against Illegal Trade, Illegal Speculation and Economic Sabotage (“Official Journal of the FPRY”, Nos. 56/46, 74/46);
- 18) Law on Transfer of Enemy’s Property into State Property and on Sequestration of the Property of Absent Persons (“Official Journal of the FPRY”, Nos. 63/46, 74/46);
- 19) Law on Treatment of the Property Abandoned by Its Owners During Occupation and of Their Property Confiscated by the Occupier and His Helpers (“Official Journal of the DFY”, No. 36/45);
- 20) Law on Validation of and Amendments to the Law on Treatment of the Property Abandoned by Its Owners During Occupation and of Their Property Confiscated by the Occupier and His Helpers (“Official Journal of the FPRY”, No. 64/46);
- 21) Law on Protection of the Total National Property and Property under State Administration (“Official Journal of the FPRY”, No. 86/46);
- 22) Law on Nationalisation of Private Enterprises (“Official Journal of the FPRY”, Nos. 98/46, 35/48);
- 23) Regulation on Arondation of National Agricultural Land of General Public Importance (“Official Journal of the FPRY”, No. 99/46);
- 24) Decision of the National Committee for the Liberation of Yugoslavia on Temporary Prohibition of Return of Colonists to their Previous Places of Residence (“Official Journal of the DFY”, No. 13/45);
- 25) Law on Treatment of Abandoned Colonists’ Land in the Autonomous Region of Kosovo and Metohija (“Official Journal of the PRS”, No. 9/47);
- 26) Law on Revision of Allocation of Land to Colonists and Agrarian Stakeholders in the Autonomous Region of Kosovo and Metohija (“Official Journal of the FPRY”, No. 89/46);
- 27) Law on Liquidation of the Agrarian Reform Carried Out by 6 April 1941 on Large Properties in the Autonomous Province of Vojvodina (“Official Journal of the FPRY”, No. 9/47);
- 28) Basic Law on Expropriation (“Official Journal of the FPRY”, Nos. 28/47, 12/57 and 53/62 and “Official Journal of the SFRY”, Nos. 13/65, 5/68 and 7/68);
- 29) Basic Law on Treatment of Expropriated and Confiscated Forest Land (“Official Journal of the FPRY”, No. 61/46);

- 30) Criminal Code (“Official Journal of the FPRY”, No. 13/51);
- 31) Law on Enforcement of Penalties, Security Measures and Educational-Correctional Measures (“Official Journal of the FPRY”, No. 47/51);
- 32) Regulation on Property Relations and Reorganisation of Rural Labour Cooperatives (“Official Journal of the FPRY”, No. 14/53);
- 33) Law on Nationalisation of Leased Buildings and Construction Land (“Official Journal of the FPRY”, No. 52/58);
- 34) Law on Exploitation of Agricultural Land (“Official Journal of the FPRY”, No. 43/59, 53/62, “Official Journal of the SFRY”, Nos. 10/65, 25/65 revised, 12/67 and 14/70) – if beneficiaries of the right did not receive other adequate land;
- 35) Law on Determining Construction Land in Cities and Urban Settlements (“Official Journal of the SFRY”, Nos. 5/68 and 20/69);
- 36) Law on Redemption of Private Pharmacies (“Official Journal of the FPRY”, No. 50/49);
- 37) Law on Validation of and Amendments to the Law on Organisation and Operation of the Credit System (“Official Journal of the FPRY”, No. 68/46);
- 38) Regulation on Revision of Operating Licences and Liquidation of Private Credit Enterprises (“Official Journal of the FPRY”, No. 51/46);
- 39) Rulebook on the Process of Liquidation of Private Credit Enterprises (“Official Journal of the FPRY”, No. 57/46).

Meaning of Specific Notions

Article 3

Specific notions used in the Law shall have the following meanings:

- 1) “Property” shall mean confiscated movable and real property, and confiscated enterprises.
- 2) “Nationalised property” shall mean the property which was on the basis of regulations referred to in Article 2 of the Law confiscated and transferred into allpeople, national, state, social or cooperative property.
- 3) “Nationalisation Act” shall mean a legal act with a direct effect such as judgement, decree, decision and other legal act of the state and/or other competent authority used for the nationalisation of property.
- 4) “Directorate” shall mean the Directorate for Restitution established by the Law on the Restitution of Property to Churches and Religious Communities (“Official Gazette of the RS” No. 46/06).
- 5) “Claim for property restitution” (hereinafter referred to as the “claim”) shall mean a claim which a claimant submits to the Directorate on the basis of an announced public invitation.
- 6) “Right to restitution or compensation” shall mean the right which the competent authority grants to the claimant, in accordance with the Law.
- 7) “Subject of compensation” shall mean confiscated property stated in the claim submitted by the claimant, for which the competent authority has determined the right to compensation in accordance with the conditions prescribed by the Law.
- 8) “Compensation basis” shall mean the total value of the subject of compensation determined by the competent authority in accordance with the conditions prescribed by the Law.
- 9) “Compensation” shall mean the amount of funds determined by the conditions prescribed by the Law, which shall be granted to the compensation beneficiary in the form of bonds or cash, on the basis of a decision on compensation.

10) “Former owner” shall mean a natural person or legal entity that was the owner of nationalised property as well as his or her legal inheritors or a legal successor.

11) “Claimant” shall mean any person who submitted a claim to the Directorate on the basis of an announced public invitation by the Directorate.

12) “Property or compensation beneficiary” (hereinafter referred to as the “Beneficiary”) shall mean a person to whom property is returned and/or who is granted with the right to compensation in accordance with the Law.

13) “Complex of agricultural and/or forest land” shall mean a group of cadastral parcels making up a production unit.

14) “Construction land without structures” shall mean land with no structures, with structures constructed against the law and land with temporary structures.

15) Notions: structure, construction, reconstruction, extension, adaptation and repair, and other construction notions shall be interpreted and applied in accordance with regulations governing the construction of structures.

Forms of Acquisition of Rights

Article 4

Property shall be recovered in its natural form or by compensation in the form of government bonds of the Republic of Serbia, or in cash, in accordance with the Law.

Property Restitution or Compensation Right

Article 5

The right to restitution shall have:

- A domestic natural person who is the former owner of the confiscated property, and in case of his or her death or declaration of death – his or her legal inheritors, in accordance with the inheritance regulations in the Republic of Serbia, and provisions of the Law;
- An endowment whose property has been confiscated, or its legal successor;
- The former owner who recovered his or her former property which has been confiscated on the basis of an encumbered legal transaction; and
- A natural person – foreign citizen, and in case of his death and/or declaration of death, his legal inheritors, on the basis of condition of reciprocity.

It is assumed that reciprocity exists with a country in which property restitution has not been regulated if Serbian citizens may acquire property rights and inherit real properties in that country.

The right to restitution shall not have:

- A natural person – foreign citizen and/or his or her inheritor for whom his or her country assumed the compensation responsibility under an international agreement;
- A natural person - foreign citizen and/or his or her inheritor who even in the absence of an international agreement received compensation and/or was granted with the right to property restitution by the right of his country; and
- A person who was a member of the occupation forces which operated on the territory of the Republic of Serbia during World War II, and his or her inheritors.

Special Provisions on Confiscated and Expropriated Property

Article 6

Provisions of the Law shall also apply to the property confiscated after 9 March 1945, provided that a decision with a legal consequence of property confiscation was repealed by a valid judicial decision by the date of entry into force of the Law, i.e. by the extended deadline determined by the Law.

The former owner shall have the right to recover property in accordance with the Law which was confiscated on the basis of expropriation regulations applied by 15 February 1968, which was the date of entry into force of the Law on Amendments to the Law on Expropriation ("Official Journal of the SFRY", No. 5/68), in case the former owner was not ceded with another real property, the occupancy and tenancy right or other form of the broadest legal authority on behalf of the compensation for expropriated property.

The former owner shall have no right to recover, in accordance with the Law, property which was confiscated on the basis of expropriation regulations applied after 15 February 1968, for which compensation in cash or other assets or rights was determined.

Force Majeure

Article 7

If confiscated property does not exist due to the effect of Force Majeure, the former owner shall have no right to compensation in accordance with the Law.

The Principle of Priority of Natural Restitution

Article 8

Confiscated property shall be returned to the former owner to his or her possession and ownership, and if this is not possible in accordance with the Law, the former owner shall have the right to compensation.

If returning possession of confiscated property is not immediately possible, the former owner shall be ceded with the ownership of the confiscated property, and he or she shall establish a lease relationship with the person-holder of the confiscated property at the time of entry into force of the Law, in accordance with market conditions, unless otherwise regulated by the Law.

Party obliged to make restitution or pay compensation

Article 9

A party obliged to make restitution of nationalised property in its natural form (hereinafter referred to as the "Obligated Party") shall be the Republic of Serbia, Autonomous Province, a local self-government unit, a public enterprise, a company, or other legal entity founded by the Republic of Serbia, Autonomous Province or a local self-government unit, which was on the date of entry into force of the Law, the owner, holder of the property or holder of the right to use and/or disposal with nationalised property.

The party obliged to pay compensation in the form of government bonds and cash shall be the Republic of Serbia.

The Principle of Protection of the Acquirer

Article 10

The property acquirer, who after the nationalisation of property acquired property right in accordance with the Law, shall remain owner and holder of the property, and the acquired rights shall not be violated.

Application of Other Regulations

Article 11

A procedure under request shall be implemented in accordance with the provisions of the Law. Issues not regulated by the Law shall undergo provisions of the law on general administrative procedure.

The Law shall not prejudice application of other regulations for the protection of the property right and other rights acquired in accordance with the Law, unless they contradict the Law.

Conflict of Property Restitution or Compensation Bases

Article 12

The claimant, who has the right to claim restitution of specific property for the same subject of compensation on various grounds, may acquire the right on only one of the grounds.

Urgency of Procedure

Article 13

All the authorities of the Republic of Serbia, authorities of the Autonomous Province, authorities of a local self-government unit and other authorities and organisations shall be obliged to urgently issue all the necessary documentation they dispose with within their competences.

Disregarding Received Compensation and Lost Profit

Article 14

Compensation which was, according to the regulations referred to in Article 2 of the Law, paid to the former owner in cash or securities, shall not be taken into account in determining the right to property restitution, unless otherwise determined by the Law.

A person may not claim recovery of yield or compensation for damage on the grounds of profit loss due to the inability to use, i.e. manage the nationalised property, or on the grounds of property maintenance in the period between the date of nationalisation and date of recovery of the property.

Chapter II PROPERTY RESTITUTION

The Subject of Restitution

Article 15

Real and movable properties in the public ownership of the Republic of Serbia, Autonomous Province and/or a local self-government unit, as well as property in state, social and cooperative ownership shall be returned by the provisions of the Law, except for socially owned properties which the holder acquired for a fee.

The subject of restitution shall imply nationalised real property: construction land, agricultural land, forests and forest land, residential and commercial buildings, apartments and business premises and other structures existing on the date of entry into force of the Law.

The subject of restitution shall imply nationalised movable properties and movable properties registered in the Public Register, and other movable properties which according to the regulations on cultural properties represent cultural properties, and cultural properties of great and special importance existing on the date of entry into force of the Law.

I. Restitution of Real Property

1. Common Provisions on the Restitution of Real Property

Restitution of Ownership and Possession

Article 16

Common provisions on the restitution of real property shall be applied whenever a specific type of real property is not otherwise regulated by the Law.

The party obliged to make restitution shall be responsible to return the property right and possession of the confiscated property to the former owner, in accordance with the Law, unless the structure has been extended in terms of Article 17 of the Law.

If confiscated real property may not be fully recovered, the former owner shall recover a part of the confiscated real property, in accordance with the Law, and he shall receive compensation for the difference in value.

Restitution of an Extended Structure

Article 17

For purpose of the Law, the structure shall be considered extended if it was enlarged or added on in accordance with the Law, which shall increase the total gross floor area. Execution of construction works within the existing dimensions and capacities shall not be considered as a structure extension in terms of the Law.

If the structure was extended after nationalisation, the owner of the extended part and former owner may mutually agree to regulate their relations concerning the structure.

Exceptions to Natural Restitution

Article 18

The right of ownership of real properties shall not be returned if the properties have the following purpose and/or status on the date of entry into force of Law:

- 1) Real properties exclusively in public ownership under the Constitution and Law;
 - 2) Real properties used for carrying out legally determined competencies of state authorities, authorities of the Autonomous Province and authorities of a local self-government unit (office buildings and business premises);
 - 3) Real properties used for carrying out activities in the field of health, education, culture and science or other public institutions, which are public services established by public property holders, whose restitution would considerably hinder operation and functioning of the services;
 - 4) Real properties which make an inseparable and integral part of networks, structures, devices or other facilities used for performing core activities of public enterprises, companies established by public property holders, as well as by their subsidiaries, in the field of energy, telecommunications, transportation, water management, activities of local public utilities;
 - 5) Real properties whose restitution would considerably hinder economic, i.e. technological sustainability and operability in performance of core activities of the business entity which the real properties belong to;
 - 6) Real properties aimed at official entertainment purposes of state authorities and the Republic of Serbia;
 - 7) Real properties used for accommodating foreign diplomatic and consular representatives;
 - 8) The royal complex in Dedinje, whose status is regulated by a special law, and other state-owned cultural properties of special importance;
 - 9) Real properties privatised in accordance with the law and real properties which are according to the agreement for the sale of capital in possession of companies and other legal entities privatised in accordance with the law;
 - 10) In other cases determined by the Law.
- Nationalised enterprises shall not be returned to former owners.

Deferment of Transfer of Possession

Article 19

A party making property restitution may use the property for its activity as a lessee even after adoption of a decision on property restitution, for a period required for adjusting its business operation, but not longer than the periods determined by the Law. Rights and responsibilities between the former owner and obliged party for that period shall be regulated by an agreement.

In case the agreement is not concluded within three months after the date of enforcement of the decision on property restitution, each party may require from the court to regulate their relation with its decision in proceedings.

Legal Status of the Lessee

Article 20

The lessee of the real property which is the subject of restitution shall have the right to use the real property for the performance of its activities for not longer than two years, and for agricultural land for the period of three years after the date of enforcement of the decision on property restitution, provided that the former owner and obliged party may agree otherwise.

The former owner, who assumed the role of the lessor, shall have the right to rent in the period referred to in paragraph 1 of the Article, however, he or she may not unilaterally change the amount of rent and other provisions of the applicable lease agreement.

The lease agreement concluded with intent to thwart acquisition of the right of the former owner, shall have no legal effect.

Real Property Encumbrance

Article 21

Real properties shall be recovered without mortgage encumbrances incurred from the moment of their nationalisation to the date of entry into force of the Law.

Claims secured by the mortgage referred to in paragraph 1 of the Article shall be guaranteed by the Republic of Serbia, with the right of recourse to the mortgagor.

Existing real servitudes constituted in favour or at the expense of real properties shall not cease to exist.

Existing personal servitudes constituted in favour of third parties shall cease to exist.

2. Restitution of Nationalised Construction Land

Article 22

For purpose of the Law, the subject of restitution shall be construction land with or without a structure in the public ownership of the Republic of Serbia, Autonomous Province or local self-government unit, as well as construction land in state, social and/or cooperative ownership.

Construction land with structures for public use and/or public areas built in accordance with the law shall not be returned, as well as construction land with structures which are by a planning document applicable on the date of entry into force of the Law envisaged to be constructed in accordance with the law on spatial planning, construction of structures and construction land, or construction land with constructed structures which are not the subject of restitution in their natural form in accordance with Article 18 of the Law.

Construction land with a structure constructed without a building permit, which shall in the legalization process be defined as land for the regular use of the structure in accordance with the law on spatial planning, building of structures and construction land, shall not be returned.

In the case referred to in paragraph 3 of the Article, the competent authority shall terminate the procedure until valid completion of the legalization process.

Article 23

The former owner, who is the holder of the right of use of the construction land without structures in the public ownership of the Republic of Serbia, shall recover construction land without compensation if he did not acquire the property right by conversion of the right of use to the property in accordance with the provisions of the Law on Planning and Construction (“Official Gazette of the RS”, Nos.72/09, 81/09, 64/10-US and 24/11).

The former owner shall on publicly owned construction land without structures, whose registered owner or beneficiary is the Republic of Serbia, Autonomous Province or a local self-government unit, recover the construction land without compensation in accordance with the provisions of the Law.

The owner of a structure or owner of a separate physical part of the building, regardless of the time of construction of the structure, who was the owner during nationalisation of the construction land on which the structure was built, shall acquire the ownership right and/or co-ownership right of the construction land in accordance with the law on spatial planning, construction of structures and construction land.

The former owner shall have no right to the restitution of construction land which was leased for a long-term period, from 13 May 2003 to the date of entry into force of the Law, in accordance with the law on spatial planning, construction of structures and construction land, except in case of termination of the lease agreement, provided that the claim was submitted in accordance with the provisions of the Law.

The former owner, who transferred the right of use of the construction land without structures to a third party, shall have no right to restitution or compensation in accordance with the Law.

3. Restitution of Agricultural Land, Forests and Forest Land

Article 24

The former owner shall recover the property right to agricultural and forest land and forests confiscated by the application of the regulations and acts referred to in Article 1 of the Law.

If confiscated agricultural and/or forest land was reparcelled and/or arondated after confiscation, the former owner shall have the right of restitution of the land obtained in the reparceling process of the land.

Article 25

The right of ownership of agricultural and forest land shall not be recovered if the following has been done on the date of entry into force of the Law:

- 1) Construction of an irrigation (stationary) or drainage system in size which economically justifies utilisation of the system;
- 2) Cultivation of perennial plants that give yield;
- 3) Construction of a structure at a cadastral parcel in the part used for the regular utilization of the structure, i.e. if the land contains a larger number of structures, the size of the land which economically justifies utilisation of the structures;
- 4) Necessary new parcelling of the land for purpose of ensuring an access road;

- 5) Land in social and/or cooperative ownership acquired by encumbered legal transaction.

Article 26

A person, who on the date of adoption of an enforceable decision had the right to use agricultural land, shall cease to have the right on the date of enforcement of the decision on the restitution of property to the former owner. A person who had the right of use of agricultural land shall be obliged to return possession to the former owner after the harvest, no later than 30 October in the year in which the decision became enforceable.

If agricultural land was leased in accordance with the Law on Agricultural Land, it shall remain in the possession of the lessee until expiry of the lease agreement, but not longer than three years, unless the parties agree otherwise, provided that the lessee pays the rent to the former owner from the date of enforcement of the decision on the restitution of the land.

4. Restitution of Residential and Commercial Buildings

Residential Buildings and Apartments

Article 27

Former owners shall recover residential buildings, houses and apartments, garages and other ancillary structures which were confiscated with the application of regulations and acts referred to in Article 1, paragraph 1 of the Law, and owned by the Republic of Serbia, Autonomous Province and a local self-government unit.

Residential buildings, houses and apartments with the legally protected occupancy and tenancy right, shall be returned to the ownership of the former owner who shall from the date of enforcement of the decision on restitution become the lessor to the protected lessee, under existing terms.

Commercial Buildings and Business Premises

Article 28

Commercial buildings and business premises shall be returned to the former owner into his property and direct possession.

Commercial buildings and business premises referred to in paragraph 1 of the Article, which are under any kind of lease or in any other similar relation, shall be returned to the property of the former owner in accordance with the Law, and to his direct possession two years after the date of enforcement of the decision on property restitution, unless the former owner and lessee agree otherwise. In the period in which the former owner goes from acquiring ownership to coming into possession of property, the lessee shall enter into legal relations with the former owner under the lease agreement concluded with the previous owner.

II Restitution of Movable Property

Article 29

Existing nationalised movable properties and movable properties registered in the Public Register shall be returned to ownership and possession, as well as other movable

properties which according to the regulations on cultural properties represent cultural properties, cultural properties of great and special importance on the date of entry into force of the Law.

Movable properties referred to in paragraph 1 of the Article, which on the date of entry into force of the Law make an integral part of museum collections, galleries, immovable cultural properties of great importance, or of similar institutions, shall not be returned.

Chapter III COMPENSATION

Payment of Compensation

Article 30

Compensation shall be paid in the form of government bonds of the Republic of Serbia and in cash.

The total amount of compensation referred to in paragraph 1 of the Article should not jeopardize the macroeconomic stability and economic growth of the Republic of Serbia, therefore, the amount of two hundred billion dinars shall be assigned for this purpose.

Method of Determining Compensation

Article 31

The amount of compensation shall be determined by multiplying the compensation basis with the coefficient equal to the ratio between the amount referred to in Article 30, paragraph 2 of the Law and the total sum of the individual compensation bases determined by decisions on the compensation right.

For purpose of implementation of the provisions referred to in Article 30 of the Law, the Law shall determine the coefficient referred to in paragraph 1 of the Article and prescribe the maximum amount of compensation per former owner.

Determining the Value of Real Property

Article 32

The compensation basis for confiscated real property shall be equal to the value of real property determined, i.e. estimated in accordance with the Law.

The value of real property shall be determined by the competent organizational unit of the Tax Administration in the municipality, i.e. city on whose territory the real property is located according to its condition on the date of confiscation, and according to the value on the date of assessment, in accordance with the Law.

The value of a structure that does not exist at the time of assessment shall be determined on the basis of values of the same or similar structures, with the same or similar purpose, in the same place or in the vicinity, by applying the method referred to in paragraph 2 of the Article.

If the market value of a structure determined in the assessment process referred to in paragraph 2 of the Article has been increased after confiscation, due to increased floor area in square meters, the value shall be reduced in proportion to the increase in the gross floor area.

The competent tax authorities referred to in paragraph 2 of the Article shall, at the request of the Directorate, determine the market value of real property for compensation, in a process which matches the process of determining the basis of the real property transfer tax.

Determining the Value of Movable Property

Article 33

The value of existing movable properties referred to in Article 29, paragraph 2 of the Law shall be determined according to their market value, as determined by the Directorate by engaging a court expert in the appropriate discipline.

Determining the Value of Enterprise and/or Part of Enterprise

Article 34

The value of a confiscated enterprise shall be equal to the value of the capital the enterprise.

The value of the capital of a confiscated enterprise shall consist of the nominal value of its property diminished by the total amount of liabilities of the enterprise on the date of confiscation, valorised on the basis of RSD/U.S. Dollar parity on the date of confiscation and on the basis of RSD/U.S. Dollar parity on the date of adoption of the decision.

In terms of a confiscated enterprise with one owner, the capital value of the confiscated enterprise estimated in the manner set out in paragraph 2 of the Article shall represent the value of the subject of compensation.

In terms of a confiscated enterprise with co-owners, the value of the subject of compensation referred to in paragraphs 2 and 3 of the Article shall be allocated to co-owners in proportion to their share in the total capital of the enterprise.

In case of confiscation of stocks, i.e. shares of one or more co-owners of an enterprise, for purpose of the Law, it shall be considered that a part of the enterprise has been confiscated, therefore, the value of the subject of restitution shall be determined in accordance with paragraph 4 of the Article.

If the value of a confiscated enterprise, i.e. part of an enterprise may not be determined in the manner referred to in paragraph 2 of the Article, the value of the subject of compensation shall be RSD 250,000 per former owner, i.e. co-owner of the confiscated enterprise, provided that the total value of the enterprise, being the subject of compensation, may not exceed RSD 25 million.

In case the value of an enterprise, being the subject of compensation, is determined by the application of paragraph 6 of the Article in the amount of RSD 25 million, the basis shall be allocated to all co-owners in proportion to their share in the total number of stocks, i.e. share in the enterprise, and if their share may not be determined, the basis shall be equally allocated to all previous co-owners of the enterprise for which a claim for restitution has been submitted.

The value of a confiscated enterprise, i.e. part of an enterprise shall be determined by the Directorate by engaging a court expert in the appropriate discipline, i.e. a company registered for the assessment of enterprise value.

Government Regulation

Article 35

The method and methodology of determining the capital value of a confiscated enterprise, i.e. part of an enterprise and the method of determining the value of real and

movable properties shall be more comprehensively determined in the regulation of the Government, on the proposal of the ministry competent for financial matters.

Government Bonds

Article 36

A special law, which shall be adopted by 31 December 2014, shall regulate issuance, circulation and use of bonds.

The law referred to in paragraph 1 of the Article shall also determine the total value of bonds issued.

The Republic of Serbia shall execute annual payment of bonds towards compensation beneficiaries upon maturity.

Bonds shall fall due in twenty years and shall be paid in annual instalments starting from 2015.

Sources of Funds

Article 37

Sources of funds for the settlement of liabilities arising from issued bonds are as follows:

- 1) Special purpose funds allocated in the privatization process;
- 2) A part of funds envisaged by a specific law and obtained by conversion of the right of use of construction land to the property right for a fee;
- 3) 100% of funds obtained by the alienation of confiscated state-owned property whose owner, i.e. beneficiary is the Republic of Serbia, Autonomous Province or a local self-government unit;
- 4) Special purpose funds from the budget of the Republic of Serbia.

The funds referred to in paragraph 1 of the Article shall be paid to a special purpose account of the ministry competent for financial matters held at the National Bank of Serbia, and they may be used only for the payment of compensation.

The Republic of Serbia, Autonomous Province, and/or a local self-government unit shall be obliged to pay funds obtained in accordance with paragraph 1 of the Article within 15 days from the day of collection.

Advance Payment of Compensation

Article 38

The Republic of Serbia shall effect advance payment of compensation in cash in the following cases:

- 10 % of the compensation basis for the former owner;
- 50% of the compensation basis for the former owner who obtained the right to monetary social assistance by the date of entry into force of the Law, in accordance with the regulations governing social security.

The amount of advance payment referred to in paragraph 1 of the Article may not exceed one million dinar.

Compensation in the form of bonds shall be reduced for the amount of effected advance payment referred to in paragraph 1 of the Article.

Taxes and Administrative Fees

Article 39

Acquisition of property and compensation under the Law shall not be subject to the payment of any kind of taxes, however, the compensation beneficiary shall settle the costs of administrative and court fees, as well as other expenditures in accordance with the law.

Funds generated by collection of administrative fees referred to in paragraph 1 of the Article, which create an income to the budget of the Republic of Serbia, shall be transferred to the Directorate, which shall use them exclusively for settling expenditures resulting from the implementation of the Law.

Chapter IV

PROPERTY RESTITUTION AND COMPENSATION PROCESS

Parties in the Process

Article 40

A party in the process shall mean a person on whose request a process has been initiated, or a person who has a legal interest, an obliged party as well as the Advocate-General of the Republic.

Competent Authority

Article 41

A process initiated on the basis of a restitution claim shall be governed by the Directorate, which is a separate organisation, through regional units established for the city of Belgrade and for one or more administrative districts, in accordance with the Law and law on general administrative procedure.

The Directorate shall announce a public invitation for the submission of claims for property restitution in at least two newspapers distributed on the territory of the Republic of Serbia, as well as on the official website of the Government, ministry competent for financial matters and Directorate, within 120 days from the date of entry into force of the Law.

Claimant

Article 42

A restitution claim may be submitted by the former owner of the confiscated property and/or his or her legal inheritors and legal successors.

Persons who submitted a report on confiscated property in accordance with the Law on Reporting and Recording Seized Property (“Official Gazette of the RS”, No. 45/05), shall submit a claim in accordance with the Law.

Submission and Content of the Claim

Article 43

The claim shall be filed no later than two years after the date of announcement of a public invitation by the Directorate on the website of the ministry competent for financial matters.

The claim shall be submitted to the Directorate on a prescribed form supported with necessary evidence.

The claim shall include:

- 1) Information on the former owner;
- 2) Information on confiscated property which the claim refers to;
- 3) Information on the property right of the former owner to the confiscated property;
- 4) Information on the grounds, time and act of confiscation;
- 5) Information on the claimant;
- 6) Information on legal relations between the claimant and former owner;

A person with a foreign citizenship shall be obliged to provide evidence to the claim attesting absence of impediments referred to in Article 5 of the Law related to the acquisition of the right to property restitution.

The persons referred to in Article 5, paragraph 1 of the Law shall also be obliged to present claim together with a valid judicial decision on rehabilitation and/or evidence of the initiation of the rehabilitation process.

The claim should also be presented together with evidence of payment of the prescribed administration fee.

The form of the claim and required evidence shall be prescribed by the minister competent for financial matters.

Rejection of Claims

Article 44

A claim that does not contain elements set out in Article 43, paragraph 3 of the Law, as well as a claim that does not contain attached evidence of payment of the prescribed administrative fee shall be rejected by the Directorate within 60 days from the day of receipt of the claim.

A person whose claim has been rejected in terms of paragraph 1 of the Article shall have the right to submit a new claim by the expiry of the deadline set out in Article 43, paragraph 1 of the Law.

No appeal may be filed against the act referred to in paragraph 1 of the Article, however, administrative proceedings may be initiated.

Forwarding Claims to Regional units of the Directorate

Article 45

The Directorate shall forward a valid claim to a regional unit of the Directorate, within 60 days from the day of receipt of the claim, according to the permanent and/or temporary residence of the former owner in the Republic of Serbia at the time of property confiscation that was first registered in the Directorate.

In case it is not possible to determine local jurisdiction in the manner set forth in paragraph 1 of the Article, the Directorate shall forward a valid claim to the regional unit of the Directorate on whose territory the greater part of the confiscated real property is located.

A Stay of Proceedings

Article 46

The Directorate may issue a stay of proceedings until completion of the process of legalisation, rehabilitation, or in case a preliminary issue occurs whose resolving falls within the exclusive jurisdiction of the court.

Offsetting

Article 47

The competent authority shall inform the parties in the proceedings about the offsetting possibility, taking into account that this is not contradictory to the Law and public policy.

The competent authority shall obtain assent of the competent Advocate-General for the proposed offsetting.

If the Directorate approves the proposed offsetting, this shall be recorded in a decision on restitution, i.e. decision on compensation.

Offsetting may also be conducted for the part of property which is the subject of a claim, and such offsetting shall make an integral part of the decision.

Offsetting shall have the power of an enforceable document.

Deadline for the Adoption of a Decision

Article 48

The competent regional unit of the Directorate shall be obliged to decide on a submitted claim within six months, and in case of particularly complex cases, one year from the date of receipt of the valid claim.

The deadline for the adoption of a decision for the advance payment of compensation in cash referred to in Article 38 of the Law shall be no later than three months from the date of adoption of the decision on compensation.

Decision on Property restitution or Compensation

Article 49

The competent regional unit of the Directorate shall determine all facts and circumstances relevant for decision making on a claim and adopt a decision on determining the beneficiary, property for restitution or compensation, amount of compensation basis, obliged party, method and deadlines for the execution of set responsibilities.

If a claim includes several real and/or movable properties, the authority referred to in paragraph 1 may adopt several decisions on property restitution.

The competent authorities shall be required by the decision on restitution to execute the decision, as well as to eliminate any encumbrances.

The Directorate shall submit a first instance decision to the claimant, obliged party and Advocate-General of the Republic.

In case the decision referred to in paragraph 1 of the Article determines several beneficiaries, each of them shall be allocated with a corresponding part of the property and/or compensation determined by their mutual agreement concluded before the authority conducting the proceedings, or by a decision of the competent court.

In case the authority referred to in paragraph 1 of the Article determines that there is no legal basis for restoration or compensation, a decision on the rejection of the submitted claim shall be adopted.

Appeal against the Decision

Article 50

The claimant, obliged party and Advocate-General of the Republic may appeal against the first instance decision referred to Article 49 of the Law to the ministry competent for financial matters, which is the second instance authority, within 15 days from the date of receipt of the decision.

The ministry competent for financial matters shall be obliged to decide on the submitted appeal within 90 days from the date of its receipt.

Administrative dispute proceedings may be initiated against a second instance decision.

Enforcement of Decision

Article 51

On the basis of a valid decision on property restitution, the owner shall have the right to register his or her ownership of the real property in case.

On the basis of an enforceable decision on compensation, the authority or organisation competent for the submission of government bonds and/or confirmation of their issuance shall deliver them to the beneficiary and/or beneficiaries.

The decision referred to in paragraph 2 of the Article shall be considered enforced with the submission of government bonds.

Records on Claims and Reporting

Article 52

The Directorate shall keep electronic records on submitted claims, determined value of property and compensation on the basis of submitted claims and resolved cases.

The Directorate shall submit to the Government and Property Directorate of the Republic of Serbia a semi-annual report on the implementation of the Law.

Based on the records and data referred to in paragraph 1 of the Article, the Directorate shall submit to the Government an assessment of the total amount of the compensation basis on the basis of submitted claims no later than three years from the date of announcement of the public invitation referred to in Article 42, paragraph 1 of the Law.

The Directorate shall collectively publish monthly summaries of reports referred to in Article 43, paragraph 1 of the Law, on the website of the Directorate and ministry competent for financial matters. Published summaries shall also be uploaded on the website of local self-government units which technically support this.

The summary shall particularly contain the following: number of claims, information on the property whose restitution is being claimed and invitation to all the parties eligible to join the claim within a legal deadline.

The form and content of the summaries referred to in paragraph 5 of the Article shall be prescribed by the minister competent for financial matters.

Chapter V PENALTY PROVISIONS

Offences

Article 53

A fine in the amount of RSD 10,000 to 50,000 shall be the punishment for an offence committed by a responsible person in the authority of the Republic of Serbia, authority of the Autonomous Province, authority of the local self-government unit and another authority or organisation who fails to urgently issue necessary documentation available within his or her competencies in accordance with Article 13 of the Law.

A fine in the amount of RSD 10,000 to 50,000 shall be the punishment for an offence committed by a responsible person in the Directorate, if the Directorate does not reject the claim in the period set forth in Article 44 of the Law.

A fine in the amount of RSD 10,000 to 50,000 shall be the punishment for an offence committed by a responsible person in the Directorate if fails to adopt a decision in the periods set forth in Article 48 of the Law.

A fine in the amount of RSD 10,000 to 50,000 shall be the punishment for an offence committed by a responsible person in the ministry competent for financial matters unless the ministry decides on the basis of the appeal within the period set forth in Article 50, paragraph 2 of the Law.

Chapter VI TRANSITIONAL AND FINAL PROVISIONS

Adoption of By-laws

Article 54

The minister competent for financial matters shall prescribe the form of a claim and necessary evidence in accordance with Article 43, paragraph 7 of the Law, as well as the form and content of the summary in accordance with Article 52, paragraph 6 of the Law, within 30 days from the date of entry into force of the Law.

The Government shall adopt the regulation referred to in Article 35 within three months, and regulation referred to in Article 55, paragraph 4 of the Law within 30 days from the date of entry into force of the Law.

Prohibition of Alienation of Nationalised Property

Article 55

The right of ownership of real property and other property confiscated from former owners may be recovered from the date of entry into force of the Law, according to the

provisions of the Law, and it may not be the subject of alienation before valid completion of the proceedings on the basis of the restitution claim.

The provisions of paragraph 1 shall not apply to the privatization processes initiated under provisions of a special law, except to the state-owned real properties.

Notwithstanding the provision referred to in paragraph 1 and 2 of the Article, alienation may be executed with the assent of the Government.

Conditions, cases, a method and a procedure for giving assent which was referred to in the previous paragraph shall be more closely regulated by the regulation of the Government.

Prohibition of alienation of the property referred to in paragraph 1 of the Article shall, in terms of the property for which restitution claims have not been submitted, cease to exist after expiry of the deadline for submitting claims.

Recovered property shall be in free float, and the Republic of Serbia shall have the right of first refusal when first alienated.

A property alienation act which is contrary to the provisions of the Article shall be null and void.

Alignment of Organisation and Operation of the Directorate for Restitution with the Law

Article 56

The Directorate shall adjust its organisation and operation to the provisions of the Law within ninety days from the date of its entry into force.

Collecting Reports on Confiscated Property

Article 57

Claimants shall be able to collect reports with supporting documentation submitted to the Property Directorate of the Republic of Serbia on the basis of the Law on Reporting and Recording Seized Property (“Official Gazette of the RS”, No. 45/05), upon a written request, in the Property Directorate of the Republic of Serbia, in the period envisaged for the submission of claims under the Law.

In case several persons have certificates on the registration of confiscated property with the same number, the persons shall amicably agree on which one of them shall collect the report.

A Final Provision

Article 58

The Law shall enter into force eight days from the date of its publication in the “Official Gazette of the Republic of Serbia”.