

Law on Social Entrepreneurship

February 8th 2022

Pursuant to Article 112, paragraph 1, item 2 of the Constitution of the Republic of Serbia, I hereby enact the following

Decree on the promulgation of the Law on Social Entrepreneurship.

The Law on Social Entrepreneurship, passed on February 4th 2022 by the National Assembly of the Republic of Serbia at the holding of the Sixteenth Extraordinary Session of the Twelfth Convocation, is hereby promulgated.

PR Number 8

In Belgrade, on February 7th 2022
President of the Republic of Serbia
Aleksandar Vučić, *duly signed*

Law on Social Entrepreneurship

The Law was published in the "Official Gazette of the RoS", No.:14/2022 of 7th February 2022, it has entered into force on February 15th 2022, and shall be applied upon the expiry of nine months from the date of its entry into force, except for the provision of Article 20, which shall be applied from the date of entry of this Law into force.

Subject of the Law

Article 1

This Law regulates the concept, objectives, principles and area of activity of social entrepreneurship, legal position, rights and obligations of entities performing activities under the status of social entrepreneurship, conditions for acquiring and terminating the status of social entrepreneurship, the concept of socially vulnerable groups, encouragement of the development of social entrepreneurship and the support for socially vulnerable groups, registration of the social entrepreneurship status, reporting, supervision and other issues of importance for social entrepreneurship in the Republic of Serbia.

The Objective of the Law

Article 2

The objective of this Law is to create a favorable business environment for the development of social entrepreneurship, to develop awareness of the importance of the social economy and social entrepreneurship and to meet an identified public needs.

Meaning and Use of Terms

Article 3

Certain terms used in this Law have the following meanings:

- 1) social economy is an economy whose primary goal is deriving benefits for the broader social community and socially vulnerable groups, rather than making profit;
- 2) social entrepreneurship is the performance of activities of general interest in order to create new and innovative opportunities for solving social problems, problems of individuals or socially vulnerable groups, and for preventing the emergence and the elimination of the consequences of social exclusion, strengthening the social cohesion and solving other problems in local communities and the society as a whole;
- 3) socially vulnerable groups are the groups of citizens who need an additional systemic support in order to be included in community life as equal;

- 4) work integration is the work with members of socially vulnerable groups fit to work in their education and training for work, as well as their employment and other ways of their work engagement;
- 5) social innovations are new technologies, products, services, models of organization, work methods that meet social needs with the aim of finding solutions to social problems by recognizing and providing new services that improve the quality of life of individuals and communities, by identifying and implementing the process of integration into the labor market, through new skills, new work places, new forms of participation and all the other ways that contribute to the improvement of the position of the individual in the society;
- 6) the social entrepreneurship entity is an entrepreneur or a legal entity that has acquired the status of social entrepreneurship;
- 7) an entrepreneur is a natural person registered to perform activities for the purpose of generating profit, who according to his legal position may meet the conditions prescribed by this Law for acquiring the status of social entrepreneurship;
- 8) economic entity is a domestic legal entity registered to perform activities for the purpose of generating profit, and particularly a company, cooperative and other legal entity, which by its legal status may meet the conditions prescribed by this Law for acquiring the status of social entrepreneurship;
- 9) civil sector entity is a domestic legal entity that was not established for the purpose of generating profit, and particularly an association, sports association, foundation and other legal entity, which according to its legal position may meet the conditions prescribed by this Law for acquiring social entrepreneurship status.
- 10) The terms used in this Law in the grammatical masculine gender, imply the natural masculine and feminine gender of the person to whom they refer.

Principles

Article 4

The development and operation in the field of social entrepreneurship is based on the following principles:

- 1) the principle of transparency, which implies that the social entrepreneurship entity is obliged to make available to the public its general acts, planning documents outlining the realization of its social role (business plans or medium-term plans), the reports the social entrepreneurship entity prepares in accordance with this Law, as well as other information related to its business and the manner of realization of its social role, while the state administration authorities, the provincial and local self-governments/state administration authorities and other public authorities are obliged to make available to the public planning documents and general and individual acts they adopt in connection to incentives for social entrepreneurship;
- 2) the principle of responsibility, which implies that the status of social entrepreneurship presupposes increased responsibility for the realization of the social role that the social entrepreneurship entity has in accordance with this Law, including restrictions on the disposal of profits and property;
- 3) the principle of sustainable growth and development, which implies that social entrepreneurship and incentives for social entrepreneurship shall be planned and implemented while taking into account the requirements pertaining to environmental protection, climate change fight, mitigating the effects of climate change and adapting to climate change, preventing the overuse of natural resources, increasing energy efficiency and the use of renewable energy sources and reducing greenhouse gas emissions, the effects thereof on society, especially on local communities, their development and specificities, vulnerable categories of the population, gender equality, as well as regarding the requirements of the fight against poverty;
- 4) the principle of partnership and synergistic action of the public, private and civil sectors, which implies that the development of social entrepreneurship and the promotion of the social economy

is carried out at all the said levels, as well as that public policies in the field of social economy and social entrepreneurship are adopted and implemented in partnership.

The Public Role of Social Entrepreneurship

Article 5

Social entrepreneurship is aimed at solving social problems, in order to increase social cohesion and development.

Social entrepreneurship is a business operation in which the generated profit is invested in the integration of socially vulnerable groups, environmental protection, rural development, education, culture, social innovations and other areas of broader social interest.

Social entrepreneurship is particularly realized through:

- 1) production of goods and provision of services (social, educational, health, etc.), in accordance with this Law;
- 2) integration into labor market, in accordance with this Law;
- 3) business operation that contributes to the sustainable development of the devastated areas and local communities;
- 4) business operation that solves problems in other areas of general interest.

Members of Socially Vulnerable Groups

Article 6

In terms of this Law, members of socially vulnerable groups are considered to be the persons in the social care system, an unemployed persons deemed hard to employ according to the regulations from the field of employment, and other persons from particularly vulnerable categories that are hard to employ, as well as members of other vulnerable social groups determined by the Law.

Scope of Activity

Article 7

The social entrepreneurship entity performs activities in various areas that contribute to the realization of the social role of social entrepreneurship, and especially performs the activities that enable the realization of social, cultural, economic and labor inclusion of members of socially vulnerable groups, and the meeting their other specific needs, as well as the realization of other identified general interests within the local community and at the national level.

The Conditions for Acquiring the Status of Social Entrepreneurship

Article 8

Under this Law, the status of social entrepreneurship may be acquired by:

- 1) an entrepreneur who keeps business books in accordance with the regulations on accounting, i.e. an entrepreneur who is not flat-rate taxed and who has accepted with his statement that he:
 - a. engages in one or more social capacities in accordance with Article 5 of this Law,
 - b. operates in one or more areas in accordance with Article 7 of this Law,
 - c. distributes profit in accordance with the limit prescribed by Article 11 of this Law,
 - d. is obliged to submit reports in accordance with Article 13 of this Law;
- 2) an economic entity which has accepted through its act that:
 - a. he engages in one or more social capacities in accordance with Article 5 of this Law,
 - b. operates in one or more areas in accordance with Article 7 of this Law,
 - c. distributes profit in accordance with the limit prescribed by Article 11 of this Law,
 - d. manages in accordance with the restriction prescribed by Article 12 of this Law,
 - e. is obliged to submit reports in accordance with Article 13 of this Law;

- 3) a civil sector entity that is registered to perform economic activity and which has accepted by its act that:
 - a. he engages in on or more social capacities in accordance with Article 5 of this Law,
 - b. operates in one or more areas in accordance with Article 7 of this Law,
 - c. manages in accordance with the restrictions prescribed by Article 12 of this Law,
 - d. is obliged to submit reports in accordance with Article 13 of this Law.

Registration of the Social Entrepreneurship Status

Article 9

The status of social entrepreneurship is acquired at the request of the entity referred to in Article 8 of this Law, which is to be submitted to the registry competent for its registration (hereinafter: the Registry) which shall not examine its social capacity and the area of activity in terms of this Law.

Together with the request for acquiring the status of social entrepreneurship:

- 1) the entrepreneur shall enclose a statement made in accordance with Article 8, paragraph 1, item 1 of this Law;
- 2) the economic entity shall enclose the deed of establishment, statute or other general act, prepared in accordance with Article 8, paragraph 1, item 2 of this Law;
- 3) the civil sector entity shall enclose a statute or other general act, prepared in accordance with Article 8, paragraph 1, item 3 of this Law.

Property of the Subject of Social Entrepreneurship

Article 10

During its duration, the social entrepreneurship entity acquires and disposes of property freely, in accordance with the Law and its general acts.

The property of a social entrepreneurship subject may not be distributed to its members, founders, the members of bodies, representatives, employees or persons related to them. For the purposes of this Law, related parties are considered to be persons who are determined as such by the law governing companies. The provisions of paragraphs 1 and 2 of this Article do not refer to the provision of apposite and appropriate rewards and compensations for justified costs incurred in fulfilling the social role referred to in Article 5 of this Law (travel expenses, per diems, accommodation costs, etc.), contracted encumbrance obligations and payment of salaries to employees.

In case of the termination of a social entrepreneurship entity, the deed of establishment, the statute or other general act issued by that entity in accordance with the Law or the decision on the liquidation, i.e. termination of that entity, may determine that after settling the creditors, the recipient of the remaining property of the entity shall be:

- 1) in the case of an economic entity, any entity engaging in social entrepreneurship, except for cooperatives, which may designate an entity as the recipient in accordance with the provisions of the Law governing the position and operation of cooperatives;
- 2) in the case of a civil sector entity, only another civil sector entity with the social entrepreneurship status.

In case of termination of his status, the social entrepreneurship entity is obliged to distribute the remaining property acquired during the duration of that status and on the basis of that status in accordance with paragraph 5 of this Article.

The obligation referred to in paragraphs 5-6 of this Article does not apply to entrepreneurs.

Profit Distribution

Article 11

An economic entity with the status of social entrepreneurship is obliged to distribute at least 50% of the profit in the following manner:

- 1) to reinvest in an internal support program for socially vulnerable groups or into costs related to the employment of members of socially vulnerable groups that are fit to work, i.e. in the activity programs aimed at solving community problems in the areas of implementation referred to in Article 7 of this Law; or/and
- 2) to donate to other legal entities and entrepreneurs with the status of social entrepreneurship for solving community problems in the areas of operation referred to in Article 7 of this Law.

An entrepreneur with the status of social entrepreneurship has all the obligations referred to in paragraph 1 of this Article, provided that, under item 2, he may make the donation of funds to another entrepreneur or civil sector entity with the status of social entrepreneurship.

A civil sector entity with the status of social entrepreneurship acts with the profit he generates from performing the registered economic activity in accordance with the law regulating his legal position, and may donate it exclusively to another civil sector entity with the status of social entrepreneurship for solving community problems in the areas of activity referred to in Article 7 of this Law, in which he operates himself.

The entity referred to in paragraphs 1-3 of this Article is obliged to devise a profit reinvestment plan.

With regard to the funds donated from the generated profit to other legal entities or entrepreneurs, the entity referred to in para. 1-3 of this Article shall conclude a contract with the aforesaid legal entity, i.e. entrepreneur determining the purpose of donating those funds.

The reinvestment plan referred to in paragraph 4 of this Article and the contract referred to in paragraph 5 of this Article shall be published in the competent registry, together with the report referred to in Article 13 of this Law.

In the event of the termination of the social entrepreneurship entity and removal of the status of social entrepreneurship, the remaining profit generated during the period of duration of that status and on the basis of that status shall be transferred to another social entrepreneurship entity in accordance with the restriction prescribed in paragraph 1, item 2 and paragraphs 2-3 of this Article.

Managing Social Entrepreneurship Entities

Article 12

The management of the social entrepreneurship entity is regulated by the deed of establishment, the statute or by other general act in accordance with the Law, so as to ensure participation in the decision-making of at least one third of:

- 1) an employed and fit-to-work members of socially vulnerable groups, if that status is realized on the basis of work integration of those persons;
- 2) users of the products and services of the social entrepreneurship entity, if such status is realized on the basis of the placement of products and provision of services to those persons;
- 3) the employees, if that status is realized exclusively on the basis of operating in a specific area of activity referred to in Article 7 of this Law.

If the social entrepreneurship status is being realized on several bases listed in paragraph 1 of this Article, the representatives corresponding to each of these bases shall be equally involved in the management of the social entrepreneurship entity.

The obligation referred to in paragraphs 1 and 2 of this Article does not apply to entrepreneurs.

Obligation of Reporting on the Fulfillment of the Social Role

Article 13

In accordance with this Law, the social entrepreneurship entity shall prepare a report on the fulfillment of the social role for a period of two years.

The report referred to in paragraph 1 of this Article shall contain basic information regarding the following:

- 1) meeting the conditions for operating under the status of social entrepreneurship, prescribed by this Law;

- 2) the operation, i.e. the activities that have been implemented in accordance with Article 7 of this Law;
- 3) the distribution of profits in accordance with Article 11 of this Law;
- 4) the manner of management of the social entrepreneurship entity, in accordance with Article 12 of this Law.

An integral part of the report referred to in paragraph 1 of this Article are also reinvestment programs and agreements on the allocation of funds referred to in Article 11, paragraphs 4 and 5 of this Law, provided there was a distribution of profit during the reporting period.

The report referred to in paragraph 1 of this Article shall be submitted to the competent registry for publication within the deadline prescribed for the submission of the annual financial reports.

The content and manner of submitting the report referred to in paragraph 1 of this Article shall be regulated in more detail by an act of the Government at the proposal of the ministry in charge of employment affairs.

Termination of the Social Entrepreneurship Status

Article 14

The status of social entrepreneurship shall be terminated by deleting that status from the Registry at the request of the social entrepreneurship entity.

Together with the request referred to in paragraph 1 of this Article, the economic entity and the civil sector entity shall enclose:

- 1) the decision of the competent authority on the termination of the status of social entrepreneurship;
- 2) a statement of the representative of that entity prepared in the form of a notarial deed, stating that the remaining assets and profits obtained during the duration of that status and on the basis of that status have been transferred by that entity to another social entrepreneurship entity in accordance with Articles 10 and 11 of this Law.

The decision referred to in paragraph 2, item 1 of this Article shall not be adopted without the prior majority consent of the employee representatives, i.e. the users of products and services within the collective administrative authority referred to in Article 12, paragraph 1 of this Law, which is obtained in the form of a notarial deed.

Together with the request referred to in paragraph 1 of this Article, the entrepreneur shall submit a statement prepared in the form of a notarial deed saying that he had transferred the remaining profit generated during the duration of that status and on the basis of that status to another social entrepreneurship entity in accordance with Article 11 of this Law.

The statement referred to in paragraph 2, item 2 and paragraph 4 of this Article shall be published on the website of the authority competent for registering the status of social entrepreneurship.

Consequences of Abusing the Status

Article 15

The following is considered abuse of the social entrepreneurship status:

- 1) disposition of property contrary to Article 10 of this Law;
- 2) disposition of profits contrary to Article 11 of this Law;
- 3) deprivation of the management right contrary to Article 12 of this Law;
- 4) untimely submission of the report referred to in Article 13 of this Law;
- 5) false presenting of the situation in the report referred to in Article 13 of this Law;
- 6) misuse of active support assets referred to in Article 18 of this Law.

The Ministry in charge of employment affairs keeps a list of social entrepreneurship entities where abuse of status has been established.

The social entrepreneurship entity may submit an initiative for removal from the list referred to in paragraph 3 of this Article accompanied by evidence of the elimination of the established abuse of status, i.e. evidence of operating in accordance with this Law.

The list referred to in paragraph 2 of this Article is publicly available on the website of the ministry in charge of employment.

Relation with Other Laws

Article 16

Unless otherwise provided by this Law, the law governing the legal status of the social entrepreneurship entities shall be duly applied when it comes to the establishment, management, status changes, changes in legal form, termination and other issues of importance for the legal position of the aforesaid entities.

The status change involving the social entrepreneurship entity shall be implemented in accordance with the Law provided that the legal successor, i.e. all the legal successors following such status change continue to operate in the status of social entrepreneurship under the obligation of meeting the conditions for acquiring the said status prescribed by this Law.

The law regulating the procedure before the competent registry and the publishing data and documents from that registry shall duly apply on the issues related to the procedure of registration of the status of social entrepreneurship in the competent registry which are not specifically regulated by this Law.

The Minister in charge of implementing the law which regulates keeping of the registry is competent for resolving on the appeals against the decision adopted during the procedure of registration and termination of the status of social entrepreneurship.

Special Reliefs and Exemptions

Article 17

The social entrepreneurship entity may obtain benefits and exemptions in accordance with the regulations governing taxes, contributions for compulsory social insurance, fees for the use of public goods and other types of financial obligations.

Active Support to the Social Entrepreneurship Entities

Article 18

The Republic of Serbia, the Autonomous Province and local self-government units support the establishment and operation of social entrepreneurship entities through the implementation of public policy measures which are planned in accordance with the law governing the planning system.

The active support referred to in paragraph 1 of this Article shall be provided by implementing measures and activities aimed at supporting employment and improving the operation of social entrepreneurship entities defined by the public policy documents and employment action plans adopted at the national level and the local government level, by financing projects in the area of social entrepreneurship, through education on social entrepreneurship, promotion of social entrepreneurship, development of financial instruments for the social entrepreneurship entities and through other measures and activities.

Funds for encouraging the development of social entrepreneurship and supporting the labor integration of the members of socially vulnerable groups are provided from:

- 1) funds from the budget of the Republic of Serbia intended for financing social entrepreneurship and social care, funds for the implementation of the measures of active employment policy, professional rehabilitation and employment of persons with disabilities implemented by the organization responsible for employment affairs;
- 2) funds determined by the budget of the Autonomous Province and local self-government units;
- 3) gifts and donations;
- 4) other sources, in accordance with the Law.

Funds referred to in paragraph 3 items 1 and 2 of this Article may be assigned to a social entrepreneurship entity, provided that the entity operates, i.e. has been active for at least one year.

At the proposal of the ministry in charge of employment affairs, the Government shall regulate in more detail the manner of allocating funds referred to in paragraph 3, items 1 and 2 of this Article, and the conditions, criteria and procedure for exercising the right to the allocation of funds for encouraging the development of social entrepreneurship.

The Social Entrepreneurship Development Program

Article 19

The Social Entrepreneurship Development Program (hereinafter: the Program) plans measures of active support to the social entrepreneurship entities.

The program referred to in paragraph 1 of this Article shall be adopted by the Government at the proposal of the ministry in charge of employment affairs for a period of five years.

Through its content, the program referred to in paragraph 1 of this Article must meet the requirements in terms of a gender perspective, gender analysis and gender integration under the provisions of the Law governing gender equality.

Notwithstanding paragraph 1 of this Article, a special public policy document may plan the public policy measures in respect of a certain socially vulnerable groups referred to in Article 6 of this Law, that is, in the certain areas of activity referred to in Article 7 of this Law, if due to the urgency of these measures and/or the specifics of the planning area, these measures are not or will not be covered by the Program.

In the remaining part, the procedure of adoption of the Program, the Program content and form, as well as to the manner of reporting on its implementation shall be subject to the law governing the planning system.

The Social Entrepreneurship Council

Article 20

At the proposal of the Ministry in charge of employment, the Government shall, by decision, establish the Council for Social Entrepreneurship (hereinafter: the Council), within 60 days from the date of entry of this Law into force.

The decision referred to in paragraph 1 of this Article shall determine the composition of the Council, criteria, guidelines, manner of determining remuneration for the President and the amount of thereof, members, secretary and deputy secretary which shall provide technical support to the Council, as well as other issues relevant to its operation.

The Council consists of the President who shall chair over its work and is appointed from the public sector and 13 members, while a technical support to the Council is provided by the Secretary and Deputy Secretary, who are appointed for a period of four years.

The Council consists of an equal number of representatives of the public and private sector.

Six members of the Council are appointed from the ranks of civil servants, one of whom is appointed from the employees of the authorities of the Autonomous Province, and seven members are appointed from the ranks of the representatives of social entrepreneurship entities and experts in the field of social entrepreneurship.

A citizen of the Republic of Serbia who has at least five years of work experience and knows the regulations in the field of social entrepreneurship may be elected President and member of the Council.

Within 30 days from the day of the appointment of the President, members and the technical support, the Council shall adopt the rules of procedure which shall further regulate the issues of importance for its operation.

The Council shall perform the following activities:

- 1) reviews and launches initiatives for the development of social entrepreneurship and initiatives for amending the regulations in the field of social entrepreneurship;
- 2) initiates the draft act referred to in Article 18, paragraph 5 of this Law;
- 3) initiates the draft of the Program referred to in Article 19 of this Law;

- 4) initiates the draft report on the implementation of the Program referred to in Article 19 of this Law;
- 5) initiates measures of support and promotion of social entrepreneurship;
- 6) provides professional support to the Government in adopting decisions regarding the implementation of the specific social entrepreneurship projects financed from the budget of the Republic of Serbia;
- 7) provides support and reviews the prepared acts regarding the performance of tasks referred to in Article 15, paragraph 2 of this Law;
- 8) performs other advisory activities in the field of social entrepreneurship at the request of the Government;
- 9) performs other activities of interest in the field of social entrepreneurship.

The President, members of the Council and the technical support to the Council are entitled to remuneration for their work.

Funds for the work of the Council and of the technical support to the Council are provided from the budget of the Republic of Serbia, gifts, donations and legacies.

In order to improve certain issues in the field of development of social entrepreneurship, the sessions of the Council referred to in paragraph 1 of this Article may be attended by representatives of other authorities, sector of the economy and the civil sector, as well as experts in the field of social entrepreneurship without the decision-making power and without the right to remuneration for their work.

Supervision

Article 21

Inspection supervision is performed by the competent inspection, depending on the subject of supervision and the nature of the established illegalities and irregularities.

Cessation of Validity of Other Regulations

Article 22

On the day this Law enters into force, the following provisions shall cease to apply:

- 1) Articles 28 and 34, in the part relating to social enterprises and organizations and Article 45 of the Law on Professional Rehabilitation and Employment of Persons with Disabilities ("Official Gazette of the RoS", No.: 36/09 and 32/13);
- 2) Item 2 of the Decision on the Establishment of the Budget Fund for Professional Rehabilitation and Employment of Persons with Disabilities ("Official Gazette of the RoS", No.: 36/10, 83/12, and 46/13) in the part relating to social enterprises and organizations.

Passing of Regulations for the Implementation of this Law

Article 23

The Government Act referred to in Article 13, paragraph 5 of this Law, Article 18, paragraph 5 and the Program referred to in Article 19, paragraph 2 of this Law shall be adopted within nine months from the date of entry of this Law into force.

Entry into force and the commencement of application

Article 24

This Law shall enter into force on the eighth day from the date of its publication in the "Official Gazette of the Republic of Serbia", and shall be applied upon the expiry of nine months from the date of its entry into force, except for the provision of Article 20 which shall be applied from the day of entry of this Law into force.