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CURRENT ISSUES OF THE LEGAL REGIME OF SPECIFIC ECONOMIC ZONES IN THE CASES OF SPECIAL ECONOMIC ZONES IN POLAND AND THE FREE ZONES IN SERBIA

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Abstract

The aim of this article is through comparative presentation of Polish special economic zones and Serbian free zones, paying attention to specific incentives they render in order to attract the investments and their coherence with the EU laws. These incentives include the use of various import duties and/or tax reliefs or exemptions and state aid support. Within the frames which allow the EU laws protecting market competition and based on up to date good practices in Poland and other EU member states, these zones have substantial positive impact to countries economic development, but also need further to develop innovative solutions for attraction of effective investments to their locations.

Key words

special economic zones, free zones, tax exemptions, state aid, economic development, Poland, Serbia.

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Introduction

There are various forms of specific economic zones. According to OECD, they can be divided in four groups: free trade zones (re-export of traded goods), export processing zones (export of goods with value added), special economic zones (multi-sectoral approaches to economic activity within the zone), and industrial zones (specific economic activities hosted in the zone).¹ The common feature they have is the support to users to develop their business ensuring various benefits from the state. The presented cases of Poland, with its special economic zones and Serbia, with its free zones indicate various approach and support measures. However, they substantially contribute to technological and industrial development of their economies. In this article the particular legal forms and incentives they use are presented, together with the short look on limitations to incentives defined by EU laws that are protecting market competition and how do these concepts cope with such limitations.

The legal regime of the Special Economic Zones in Poland

For nearly 25 years special economic zones in Poland have been providing favourable economic and legal conditions for developing business activity mainly focused on production in numerous, selected areas of Poland². After the completion of the first stage of economic transformation in Poland at the beginning of 1990's, they have been designed primarily for foreign business, as "honey spots" for international corporations seeking the most valuable place for dislocation of their production assets. This aim has been successfully reached over the recent years, attracting foreign and national businesses to place investments within the special economic zones of the total value of approx. 26 billion Euro. Most of the foreign investments originate from Germany, USA, the Netherlands, Japan and Italy (Ministry of Development, The report on special economic zones, 31 December 2015:3). Initially special economic zones in Poland were projected

¹ Library of the European Parliament, Library Briefing, (12 March 2013), Establishing Free Zones for Regional Development, Available from: [http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130481/LDM_BRI\(2013\)130481_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130481/LDM_BRI(2013)130481_REV1_EN.pdf), last visited: 18 February 2017.

² At the end of 2015 the total area of 14 special economic zones in Poland equalled to approx. 200 km². Most of them are located in central and southern parts of Poland surrounding some of the major cities in Poland such as Wrocław, Katowice, Cracow, Łódź and Gdańsk, however some of the special economic zones' areas are in the vicinity of smaller towns.

to maintain their particular legal regime for 20 years, until 2015-2017. In 2009 the outlook of special economic zones in Poland had been shifted until the end of 2020. In 2013, after long governmental deliberations and objections raised by the Ministry of Finance, their life-span has been extended until 2026.

The Act of 20 October 1994 on Special Economic Zones sets the core of legal framework setting out the status of the special economic zones (SEZ) in Poland. Business entities located within areas maintained by the SEZ benefit from the corporate income tax and real-estate tax exemptions (Act on Special Economic Zones, Art. 12), shorter path for obtaining a construction permit (Act on Special Economic Zones, Art. 15) as well as the possibility to use the infrastructure provided by the SEZ, which lowers total investments costs for them. Before starting business activity, they have to obtain a consent of the company managing a certain SEZ and provide a business plan which declares the number of employees throughout the several years' perspective (Act on Special Economic Zones, Art. 16-20).

SEZ attract investors both by legal and economic prompts aimed at facilitating investments in Poland, which was their primary goal since their creation. Then, in the middle of the complex process developing free market mechanisms and prior to Poland's accession to the European Union, the SEZ were regarded – even by the government representatives – as “economic heavens” among rather inhospitable and tough legal and economic conditions ruling the economy in Poland. Over the recent years Poland has been climbing in numerous doing-business rankings³, however still has to compete with neighbouring countries: Germany, Czech Republic, Slovakia and Lithuania which are considered usually as more free-market oriented than Poland, thus attracting investments from Europe, Asia and Americas. The distinction between standard and the SEZ business conditions in Poland constantly diminishes, i.e. by improvements of infrastructure and setting a flat corporate income tax rate to 19%, which is quite low comparing to other European countries⁴.

However, over the recent years the structure of entrepreneurs located in SEZ has changed. Nearly 20% of the capital invested originates from Poland,

³ For 2017 Poland was ranked 45 by *The Heritage Foundation* and *The Wall Street Journal* in their *Index of Economic Freedom* [available: <http://www.heritage.org>, last visited: 27 July 2017]. For 2017 Poland was ranked 24 by *World Bank* in the *Doing Business* index [available: <http://www.doingbusiness.org/rankings>, last visited: 27 July 2017].

⁴ In most of them CIT rate varies from 25% to 30%, however, in several CEE countries it is lower than in Poland (i.e. in Romania, Lithuania, Latvia, Bulgaria or Hungary).

making domestic business entities number 1 in the rankings showing provenance of investors (Ministry of Development, The report on special economic zones, 31 December 2015:19). This was used by critics of SEZ, as they argued that economic zones, contrary to expectations, are primarily used by local firms as a way of escaping from standard rules of taxation.

Every special economic zone is set up by the Polish government, which determines its location, area and period of operation (Act on Special Economic Zones, Art. 4). Each of the 14 SEZ in Poland is run by a separate company (a limited liability or a joint-stock company). Their major shareholders are either the State Treasury of Poland, on behalf of which acts the Ministry of Development, or local self-government entities (Act on Special Economic Zones, Art. 6). In some SEZ's the State acts as a major shareholder represented by a governmental agency focused on industry development. Minor shareholders comprise usually local municipalities and some private sector companies (i.e. banks). Therefore, the SEZ remain under a strong public (governmental) influence, being, to some extent, the instrument of the public economic policy aimed at facilitating cooperation with private investors. However, it should be also stated that there is a strong local self-government participation, making SEZ's to be not only governmental, but also locally oriented. Companies managing SEZ, by those close relations with public sector, can be seen as concierges for foreign investors, understanding worldwide business and having the ability to lobby the administration⁵.

The legal regime of Free Zones in Serbia

Currently there are 14 Serbian free zones, in which 220 transnational companies employ over 20 000 employees, having annual turnover that surpasses 5 billion euro, and 20% of total Serbian exports. What are Serbian free zones? They are part of the territory of the Republic of Serbia which is specially enclosed and identified, and in which activities are conducted under the conditions specified by the Law on Free Zones (The Law on Free Zones, hereinafter: The Serbian Law, Art. 2/1). It may consist of several locations, provided they make up a single functional unit (The Serbian Law, Art. 13/2). The indication of what means a single functional unit is that in practice a number of them have been registered, where the functional unity did not mean any cooperation between their users, but rather the same management company and customs service unit of the zone. The free

⁵ Their tasks as SEZ administrator are set out in the Arts. 8-15 of the Act of 20 October 1994 on Special Economic Zones.

zone founder can be a local self-government, a company or an entrepreneur, while it is managed by the zone management company, which ensures the requirements for the unimpaired conduct of activities in the zone.⁶ There are no limits on number of founders of the zone managing company, its legal form (joint-stock company or limited liability company), or whether its founders are public or private law entities. Users of the zone can be any domestic or foreign legal or natural person that conduct the economic activity in the zone in accordance with regulations and on the basis of the contract regulating rights and obligations with the zone management company (The Serbian Law, Art. 12/1 and 2).

The key financial advantages of Serbian free zones for their users are that import duties shall not be payable by importation of goods intended for the conduct of activity and construction of facilities in the zone (The Serbian Law, Art. 19)⁷. This includes non-payment of import duties for goods to be stored or processed in the zone, or for materials to be used for the construction of the facilities, and the equipment for the production. This does not mean that the goods that are introduced into or taken out of the zone, or the goods stored in the zone, shall not be treated as customs goods. The user shall declare to the competent customs office the goods entering the zone or taking them out of it (The Serbian Law, Art. 17/1 and 2). The additional benefit is that the user may temporarily without the payment of import duties or taxes take out goods from the zone to the other part of the territory of Serbia, or introduce goods into the zone from the other part of the territory of Serbia for the purpose of placing it into the procedure of inward or outward processing (The Serbian Law, Art. 17/3)⁸.

Beside this, according to the Serbian law, the user may have tax relieves in accordance with the regulations governing corporate profit tax, property tax, and the personal income tax (The Serbian Law, Art. 26). Based on that provision, the specific relief that related to payment of corporate profit tax was introduced, however after short time it was abandoned⁹. The major tax relief that is currently

⁶ Cf. Art 2 subparas. 2 and 3 of the Serbian Law.

⁷ However, the user is under the custom supervision and control, and needs to keep the prescribed records on goods that are imported, i.e. introduced into the zone, exported, i.e. taken out of the zone, and used in the zone. (The Serbian Law, Art. 22).

⁸ The user may temporarily take out goods from the zone to the other part of the territory of Serbia and introduce goods into the zone from the other part of the territory of Serbia also for the purpose of testing, attestation, repair and marketing presentation (The Serbian Law, Art. 17/4).

⁹ Strong impact not to introduce this kind of relives came out of the fact that Serbian free zones are under coordination of the Ministry of Finance, which strongly supports fiscal approach to taxes. Therefore, it is reluctant to introduce even those that might serve to support the economic development. Currently corporate profit tax in Serbia is 15%.

in force in Serbia determines that the user of the Serbian free zone does not need to pay VAT: a) on goods imported into the zone, on services related to those goods, b) in case of traffic of goods and services within the zone or between two zones in Serbia, as well as c) to energy used by the producer processing the goods on the territory of the zone.¹⁰

Currently, except customs duty and VAT exemptions there are no major relieves on national level for free zones in Serbia, other than the incentives for any investments, or general state aid support – standard rules and conditions. Serbia has a fairly broad range of such incentives independent of investments into the free zones. The state offers employment subsidies and some tax incentives that apply to all investors who meet the eligible criteria related to investment size and employment (OECD, *Tracking Special Economic Zones in the Western Balkans*, 2017: 44)¹¹.

The third corpus of financial benefits in Serbia are given through relieves of local self-governments, as related to particular duties or fees that are in their competence. This includes fees for arranging urban building land; fees and expenses of municipal administration and issuance of documentation (communal fees, urban permit, approval, approval for construction, etc.); fees for issuing conditions and approval for connection to infrastructure networks; fees for connection to infrastructure networks, local communal fees and fees for use of urban construction land and fees for utility services (Strategy of the Development of Free Zones in Republic of Serbia for the Period 2011 to 2016: 14)¹².

¹⁰ Cf. Art. 24 para.1, subpara. 5 of the Law on Value Added Tax, Official Gazette of the Republic of Serbia, No. 84/2004, 86/2004, 61/2005, 61/2007, 93/2012, 108/2013, 6/2014, 68/2014, 142/2014, 5/2015, 83/2015, 5/2016, 108/2016 and 7/2017. That means that VAT will not be paid for goods imported into the zone, but also for services rendered in relation to these goods that are stored or processed within the zone. Among this group of incentives, important is the non-payment of VAT on energy that is consumed by manufacturers that operate within the zone. Currently VAT in Serbia is 20%.

¹¹ Furthermore, the import duties and VAT exemptions that zone investors enjoy can also be used by non-zone investors so long as their intermediate goods come from countries with which Serbia has preferential trade agreements (EU, Russia and Turkey), which accounts for the majority of investors. More details related to various tax exemptions, subsidies and other relieves in Serbia independent whether the investment is in or outside the Serbian free zone are available from: <http://ras.gov.rs/invest-in-serbia/why-serbia/financial-benefits-and-incentives>, last visited: 20 June 2017.

¹² These fees i.e. relieves depend on each local self-government and their readiness to attract investments. It needs however, to be stressed that the financial effect of all these incentives together is not as substantial as would the relieves on corporate or property tax be.

Which are the purposes of these incentives? The Serbian law does not specifically mention any objective or purpose. However, the conclusions come from the requirements needed to be satisfied by applicants for the approval of each designation of the area of the free zone by the government. These requirements are to be presented in the study of the economic justifiability for the designation of the area of the particular zone.¹³ The study is to be focused on estimates of foreign investments in zone, effects that relate to production of goods and services within the zone, their exports, the employment within the zone and transfer of new technologies. So, the key objectives of free zones in Serbia are to attract foreign investments, increase the production of goods and services in the country, the exports and the employment, and to introduce new technologies. The achievement of indicators defined in the study are the basis for follow-up of each zone by the Free Zones Administration (The Serbian Law, Art. 32/3)¹⁴. The Strategy is clearer with the purposes of free zones in Serbia (The Strategy of the Development of Free Zones in the Republic of Serbia for the period 2011 to 2016:2). It emphasizes the fast attraction of investments (new equipment and the modernization of production processes), the raising of regional competitiveness, reducing regional disparities and poverty, and building of institutional regional infrastructure ((The Strategy of the Development of Free Zones in the Republic of Serbia for the period 2011 to 2016:5).

EU Rules That Limit the Concept of Specific Economic Zones in the EU

The key EU rules limiting or framing the concept of specific economic zones are rules on competition, in particular those that refer to the aid granted by member states (Treaty on the Functioning of the European Union, hereinafter: TFEU, Arts. 107-109), and import duties (Regulation (EU) No. 952/2013 of the European Parliament and Council, of 9 October 2013, Arts. 250-258). As for the taxation, though TFEU contains specific provisions (TFEU, Arts. 110-113), the tax policy is according to the principle of subsidiarity entrusted with the member states, while the EU rules are focused on elimination of tax obstacles to the cross-border economic activity.

¹³ The key features of the study of the economic justifiability for designation of the area of the free zone are described in Art. 6 para.1 of the Serbian law.

¹⁴ The key instrument for the control and supervision are annual reports on activities, which each company for management of each free zone in Serbia submits to Free Zones Administration in Belgrade. The Free zones Administration is located within the Serbian Ministry of Finance.

As for the aid granted by the state, TFEU treats as incompatible with the internal market „any aid granted by Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States” (TFEU, Art. 107/1). However, some other provisions of TFEU open the space for exemptions¹⁵. The Commission Regulation No. 651/2014, in Art. 1 defines the categories of aid it relates to, while the Art. 3, determines the conditions for exemptions¹⁶. Thereby in Art 4 are determined thresholds and in case they are exceeded, the exemptions will not be applied. The application of articles 107 and 108 of TFEU to certain categories of horizontal state aid is defined by Commission Regulation 2015/1588¹⁷. In its Art. 1 the categories of aid that are compatible with the internal market and are not subject to notification requirement of Art. 108 (3) TFEU¹⁸. Certain exemptions are possible under *de minimis* rule¹⁹. Such compatible kinds of aid that refer to SME development, or regional development and innovations can also be used as an incentive for attraction of businesses into free zones that are active within EU member states. They are added to benefits that come from tax exemptions and reliefs²⁰.

¹⁵ Art. 107 paras. 2 and 3, and Art. 108 of TFEU; further Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Arts. 107 and 108 of the Treaty Text with EEA relevance.

¹⁶ According to that provision aid schemes, individual aid granted under aid schemes and ad hoc aid shall be compatible with the internal market within the meaning of Art. 107(2) or (3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty provided that such aid fulfils all the conditions laid down in Chapter I of this Regulation, as well as the specific conditions for the relevant category of aid laid down in Chapter III of this Regulation.

¹⁷ Council Regulation (EU) 2015/1588 of 13 July 2015 on the application of Arts. 107 and 108 of the Treaty on the Functioning of the European Union to certain categories of horizontal State aid (codification).

¹⁸ Among them are aid in favour of: (i) small and medium-sized enterprises; (ii) research, development and innovation; (iii) environmental protection; (iv) employment and training; (v) culture and heritage conservation.

¹⁹ According to Art. 2 of this Regulation the Commission may, by means of a regulation adopted in accordance with the procedure laid down in Art. 8 of this Regulation, decide that, having regard to the development and functioning of the internal market, certain aid does not meet all the criteria of Article 107(1) TFEU and that it is therefore exempted from the notification procedure provided for in Art. 108 (3) TFEU, provided that aid granted to the same undertaking over a given period of time does not exceed a certain fixed amount.

²⁰ For example, Shanon free zone, Ireland allows the deferral of tax payments of imported goods, an exemption of VAT on imported goods, including on goods used for production, if 75% of the products manufactured are exported. Grants are available for companies (e.g. to support R&D and staff training), where qualifying criteria for eligible companies include employment creation and export orientation. For Madeira Free zone several authorisations for regional tax reductions have been given by the EC, recognizing that companies established in this outermost

As a result of EU regulations referring to state aid, the Polish Act of 20 October 1994 on Special Economic Zones includes provisions related to state aid, i.e. it has been clearly stated that tax reliefs are regarded as state aid and it can be granted upon a motion, based on negotiations or a tender (Act on Special Economic Zones, Arts. 12 and 17a). Moreover, a precise Government Regulation has been issued which sets the rules and limits for state aid granted to entrepreneurs operating within SEZ (Regulation of the Council of Ministers on state aid granted to entrepreneurs operating in special economic zones according to a permit for running business activity).

Advice for Serbian Free Zones for EU Future

Having in mind the EU laws and Polish experience with its SEZ, the following could be advised for the further development of free zones in Serbia after it enters the EU:

1. Keep the free zones as regional concentrations for industrial development to be supported by measures that are in accordance with EU laws, using allowed incentives for the support to balanced development. As Serbian free zones have become hubs for industrial development, they should continue to expand their financial and non-financial incentives to support businesses entering it. Adjustments to EU legislation refer to common rules that relate to competition, taxation and approximation of laws (TFEU, Title VII), in particular rules on state aid, including exemptions (TFEU, Arts.107-109), and rules on import duties including exemptions and reliefs.
2. As for the import duties and VAT in free zones, follow the EU policy on free zones and keep import duties and VAT exemptions and reliefs in accordance with the practices of existing EU free zones. Thereby, use the opportunities that offers Union Customs Code related to import duties reliefs for temporary

region needed assistance to overcome structural handicaps. Incentives offered to companies operating under this regime include the possibility of not paying taxes on interest payments under certain conditions and tax credits for R&D expenses of up to €1.5 million. For non-Portuguese companies that establish in the region, the corporate tax rate does not exceed 5%. To be eligible for these incentives, companies need to create one to five jobs during the first half year, and a minimum investment of €75 000 in assets is necessary during the first two years of activity. De Jong, Willemijin, Establishing Free Zones for Regional Development, Library of the European Parliament, Library Briefing, (12 March 2013), available at: [http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130481/LDM_BRI\(2013\)130481_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130481/LDM_BRI(2013)130481_REV1_EN.pdf), last visited on 18 February 2017.

admissions for non-Union goods²¹, their inward processing²², or outward processing in free zones²³. As for VAT, further use the concept that has been developed in Serbia and eventually correct it with experiences of EU member states supporting their free zones²⁴. Even the deferral of payment of VAT could be viewed as advantageous.

3. Introduce corporate income tax and real-estate tax exemptions or reductions for the users of free zones for certain period after the EU accession. Such incentives have influenced dynamic development of Polish SEZ in the period from its entrance into the EU to this date. It was also successfully used in other free zones within the EU²⁵.
4. The company managing the free zone shall not only be regarded as administrator, but also – to some extent – as a government representative to foreign investors. Thus, the company shall have the powers to substitute various state offices in issuing permits, giving necessary consents. The result for foreign investors should be less bureaucracy and hassle while placing investments in Serbia. The company managing the free zone shall also act as an attorney or concierge of foreign investors in talks and negotiations with state and local government offices.
5. Set up the specific state aid support policy for development, i.e. investments within the free zones, which will be adjusted to the Arts. 107-109 of the TFEU

²¹ The goods intended for re-export may be subject to total or partial relief from import duty (Union Customs Code, Arts. 250 and 252).

²² Non-Union goods may be used in the customs territory of the Union in one or more processing operations without such goods being subject to import duty or other charges as provided for under other relevant provisions in force (Union Customs Code, Art. 256).

²³ Union goods that are in free zone may be temporarily exported from the customs territory of the Union in order to undergo processing operations and the processed products resulting from those goods may be released for free circulation with total or partial relief from import duty upon application by the holder of the authorisation (Union Customs Code, Art. 258).

²⁴ For example, on 16 February 2016, the Greek Ministry of Finance issued a ministerial circular setting out a series of new guidelines related to the VAT exemption applicable on goods/services within the Greek free zones (POL 1026/16 February 2016). VAT exemption shall be applicable on each of the following cases: entry/placement of non-EU goods in a free zone; delivery of domestic goods in a free zone; delivery of goods and services taking place in a free zone. Such services should be directly associated with the respective delivery of goods (e.g. preservation, storage of the goods, etc.). Available on <http://www.greenlane.eu/single-post/2016/11/10/VAT-exemption-of-goods-placedservices-delivered-in-free-zones>, last visited: 12 August 2017.

²⁵ For example, Shannon Free zone in Ireland, or Madeira in Portugal, see De Jong, Willemijin, *Establishing Free Zones for Regional Development*, Library of the European Parliament, Library Briefing, (12 March 2013), available at: [http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130481/LDM_BRI\(2013\)130481_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130481/LDM_BRI(2013)130481_REV1_EN.pdf), last visited: 18 February 2017.

and use the exemptions based on the Regulation on block exemptions (Commission Regulation (EU) no. 651/2014). That relates in particular to the regional aid, various horizontal aid and de minimis aid, including support to SMEs in the form of investment aid, operating aid and SMEs' access to finance, for research and development and innovation (Regulation No. 651/2014, Art. 1/1,a,b, d and i). The areas of these aids (where the exemptions are allowed) and thresholds should be respected²⁶.

6. Support development of advanced infrastructure that will enhance the environment for the development of new industrial facilities within free zones and attract new investments. It would be advisable to provide special regulations regarding construction issues in the free zone, making the process of developing a factory or similar facility easier and quicker.
7. Develop special programs of support to introduction of innovative technologies, high-tech laboratories or other facilities dedicated to research programs, as well as public grants for developing human resources in order to help free zones to strengthen their technology park component.

Pay more attention to the support of small and medium investments and try to combine various business entities into business clusters, as well as introduce start-ups the in free zones. Thereby, introduce one stop-shop services for small and medium companies settling into free zones.

Advice for Polish Special Economic Zones

Currently, according to the governmental strategy of the SEZ activity for the next several years, they are supposed to focus on acquiring investors dealing with new, innovative technologies. The new strategy is aimed at providing scientific collaboration with private sector and universities, making them cooperate in a chain and producing output of practical effects such as patents, know-how and solid products. SEZ support for business entities focused on innovative technologies expresses in providing infrastructure required in such type of activity, which can be generally described as science and technology parks (science parks). Some of them feature high-tech laboratories or other facilities dedicated to certain research programmes, all trying to combine various business entities into business clusters. Parks are also developed as safe harbours for business start-ups.

²⁶ Cf. provisions of Arts. 3 and 4 of the Regulation No. 651/2014.

Recently the Polish Minister of Development has made a remarkable statement on the future of SEZ saying that they shall not be regarded as “honey spots” in Poland, but whole Poland shall become one big special economic zone²⁷. This reveals that the current concept of SEZ in Poland has to be revised in order to successfully compete with other countries of the region and to support the long-term economic strategy of Poland. To achieve this, it can be advised that:

1. new technology entrepreneurs do not need infrastructure for factories, depots or manufacturing sites as much as industry and manufacturing companies; they prefer a well-developed telecommunication infrastructure,
2. one of the key state tasks shall be delivery of well-educated workers, which is especially crucial in technology business,
3. business facilitation shall include also company law making founding and running a company flexible; this refers especially to tax, accountancy and labour obligations,
4. special regulations shall promote small and medium size companies focused on new technologies, regardless of their place of operation – they do not need to be placed within a certain territory called special economic zone,

fair practices in paying taxes and employment shall be additionally granted, not necessarily treated as normal – as contemporary business

Conclusion

Though representing various forms of specific economic zones and being differently organized, Polish SEZ and Serbian free zones have substantially contributed to the development of their economies, introducing various incentives for economic development. Thereby Polish SEZ, as acting within the EU member state, needed to be fully adjusted to EU legal system, while Serbian free zones are still to be adjusted to it. The presented concept of Polish SEZ supporting their users, that is fully respecting the EU laws is an asset for further development of Polish SEZ in coming period and a good basis for its improvement, in particular towards innovative development. In addition, its practice represents examples of best practices for further development and transformation of free zones in countries like Serbia.

²⁷ See: <http://www.thenews.pl/1/12/Artykul/324369,Plan-to-turn-Poland-into-one-big-special-economic-zone>, last visited: 10 September 2017.

EU laws restrict certain practices of member states, rendering benefits for investors settled into specific economic zones. Still, they open the space to be offered various benefits – from import duties reliefs, to tax reliefs or exemptions (related to tax on profit or property), or state aid (regional, horizontal or de minimis). This enables member states to implement effective strategies to attract direct investments concentrated into such specific locations. Poland has wisely used such opportunities and based on Polish experience Serbia can draw conclusions which instruments further to use and which new instruments to develop in order to remain to be an attractive location for investments after it becomes EU member state.

It is also important that the specific economic zones not to be used only for foreign investments, but for home investments too, as well as for the support to SME development, clustering innovative development, using various instruments that EU law tolerates as toolkits to render specific benefits to particular investors or type of investors. The experiences of Polish SEZs are therefore a valuable asset.

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