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**TOURISM  
IN FUNCTION OF DEVELOPMENT  
OF THE REPUBLIC OF SERBIA**

**Tourism product as a factor of competitiveness of  
the Serbian economy and experiences of other countries**



**THEMATIC  
PROCEEDINGS**

**II**



**UNIVERSITY OF KRAGUJEVAC  
FACULTY OF HOTEL MANAGEMENT  
AND TOURISM IN VRNJAČKA BANJA**



## IMPACT OF STATE AID AND LEGISLATION ON DEVELOPMENT OF RURAL TOURISM

*Sanja Škorić<sup>1</sup>; Vladimir Jovanović<sup>2</sup>;*

### **Abstract**

*In modern conditions and with very turbulent events happening globally, there is general consensus that rural tourism is very attractive and appealing to tourists. In the entire process of realization, there are multiple benefits, not only for those who are engaged in this activity, but also much wider – popularization of rural areas, popularization of the state and society itself, meeting the financial interests of number of subjects etc. Along with the natural resources and geographical beauty that Serbia undoubtedly owns, legal regulations have an important role in development of rural tourism and regional development. In order to present tourism industry as a significant element of the total gross domestic product of Serbia, economic investment is necessary, but also the creation of an adequate legal framework, since mentioned factors considerably affect the development of the tourism industry and tourist facilities. In the context of the mentioned legislation, important role take various forms of state aid, as an additional incentive to the development and popularization of rural tourism. Using comparative analysis, sought to be treated the area of state aid in other countries and what previous impact such state incentives had on the overall development of rural tourism. Although some authors argue that, despite the great natural potential, Serbia can not reach the appropriate level of development in this area and that it is so far certain “missed opportunity”, this paper attempts to reach conclusions that put rural tourism on top of the economically viable activities. In addition, the past is unchangeable, and the results of this paper are more based on possible forecasts and directions of development in the future, relying on the experience of other*

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1 Sanja Škorić, PhD, Faculty of Law for Commerce and Judiciary, Geri Karolja 1, Novi Sad, Serbia, Phone: +381643431004, E-mail: sanja@pravni-fakultet.info

2 Vladimir Jovanović, Associate professor, Faculty of Economics and Engineering Management in Novi Sad, Cvečarska 2, Novi Sad, Serbia, Phone: +381638239612, E-mail: jovanovicvld@gmail.com

*developed countries (Hungary, Germany, Sweden etc.) using a normative, sociological, comparative, historical and other scientific methods.*

Key words: *Rural tourism, law regulative, state aid*

JEL classification: *K19, Z32, Z38*

## **Introduction**

In order to study in the best possible way, but also to understand the impact government regulations have on the development of rural tourism, basic functions of the state and its intervention in the economy in general must be addressed in the first place, and then the mechanisms the state uses to encourage the development of certain sectors of the economy, as well as basic concepts related to the institution of state aid. After that, it was necessary to expound the basic definition of rural area and within it, rural tourism, which presents a type that differs from other forms of tourism. Only in the manner described above it is possible to get the results that are presented at the end of this paper. Considering that the development of rural tourism is viewed through the prism of the legal regulations of the state and through the eyes of jurists, this paper's main task is to find and define the relationship and mutual influence of many, at first glance different scientific disciplines, whose main objective is further development and promotion of rural areas and rural tourism.

Consulting different literature, authors of this paper, using common scientific methods (normative-dogmatic, historical, comparative, etc.), came to the conclusion of the treated topic, providing possible solutions *de lege ferenda*, which could be provided for the future of legal practice related to this issue.

## **Mechanisms of state intervention in economy**

Modern state is supposed to be a model of „cooperative” state, which appears on the market as a partner. However, with current conditions that exist in all markets, the need of government interference in the economy is inevitable and necessary, not only on a partner level, but also from a position of the state authority (Škorić, 2010). Specific forms of state intervention are numerous, but they can be grouped into five basic categories:

1. state creates a legal system and regulate economic activity;
2. state buys and sells goods and services;

3. state performs transfer payments;
4. state leads stabilizing macroeconomic policies and
5. state uses taxes and subsidies for directing the allocation of resources towards desirable uses (Popov & Stanković, 1998).

Hypothetically speaking, the essence of the market economy is that the country, creating a legal system, regulates the market with legal regulations in such manner that every economic subject in it is in the same starting position and participates in market competition on the same terms, apropos in the competition that should be, and desirably exists, in all branches of economy. Stated is in accordance with first category of state intervention. Also, this category is basic connection that exists on legal system and law regulative of a state and all other areas of social, economical and political life in a state and society. Therefore, in this way law is inextricably related to all sectors of the state and society. However, other forms and mechanisms of state intervention in the economy, in a way present exceptions to the fundamental rule of the market economies. Namely, the goals set ahead the modern state:

1. sustainable economic growth;
2. full employment;
3. price stability;
4. equitable income distribution and
5. protection of the environment and natural resources (Popov & Stanković, 1998. p199),

impose other forms of state intervention. One of those certainly is state aid. These objectives pursued by state intervention are not placed hierarchically and their guidance should not imply that one has a greater importance than the other i.e. On the contrary, a complete socio-economic development can only be achieved if it tends to the fulfilment of each of them individually, with their interaction at the same time.

### **Concept and essence of state aid**

State aid constitutes state intervention in the economy, which it uses as various incentives (subsidies, premiums, tax incentives and so on) to affect and change the conditions of competition in the market and thereby economic entities participating in the competition, places in different starting positions and in some sense represents a kind of discrimination of business entities (Ilić, 1997). Since all kinds of discrimination are forbidden, this surly applies to the situation where the state performs acts

of discrimination. Starting from the fact that state intervention in general, distort and change market economy, the concept of state aid encompasses distortion of competition and creation of unfair advantages for domestic producers and exporters. State aid is perhaps most interesting question on the competition policy, because state, using it's coercive monopoly, is in position to collect taxes from one and then redistribute these funds to others, affecting competition in this way (Škorić, 2010). Sometimes, in this way, the state keeps alive „businesses that would cease to exist without state aid”. However, the essence of state aid should be in the fact that it encourages the development of activities that will, long term and strategically speaking, to this same state return funds invested through state aid (ex. encouraging the development of agriculture, export promotion, encouraging the production of certain products or provision of services, etc.).

State aid is, according to the primary objectives of the assignment, divided into the following three categories:

1. horizontal – intended for a larger number of previously unspecified beneficiaries;
2. sectoral – intended for previously determined (familiar) business entities in some activities, apropos sectors and
3. regional state aid, which is awarded to encourage the economic development of underdeveloped or less developed regions or areas, especially those with the abnormally low standard of living or where there is serious underemployment (Škorić, 2010, p. 50).

According to the Law on State Aid Control („Službeni glasnik RS” br. 51/09), state aid is defined as any actual or potential public expenditure or realised decrease in public revenue, which confers to state aid beneficiary a more favourable market position in respect to the competitors. According to the provisions of the same Law, state aid grantor is the Republic of Serbia, the autonomous province and local selfgovernment unit, through their competent bodies, and any legal person managing and/or having disposal over public funds and allocating the state aid in any form whatsoever. Provisions of this Law shall not apply to agricultural products and fisheries products, because in these fields are applied special law regulations.

In the aforementioned Law on State Aid Control it is determined which kind of state aid is allowed, and which may be conditionally allowed. In

the same way it has been established in the Report on State Aid granted in the Republic of Serbia in 2015, apropos “State aid shall be allowed when:

1. having a social character and granted to individual consumers, provided that such aid is granted without discrimination related to the origin of the goods, namely products concerned;
2. granted to make good the damage caused by natural disasters or other exceptional occurrences.

State aid shall be allowed when granted:

1. to promote the economic development of areas of the Republic of Serbia where the standard of living is abnormally low or where there is serious unemployment;
2. to remedy a serious disturbance in the economy of the Republic of Serbia or to promote the execution of an important project of the Republic of Serbia;
3. to facilitate the development of certain economic activities or of certain economic areas in the Republic of Serbia, where such aid does not adversely affect or threaten to affect the market competition;
4. to promote protection and preservation of culture heritage (Ministry of Finance, 2017).

State aid in the Republic of Serbia in 2015 was allowed through following instruments:

1. subsidies,
2. tax incentives (tax credit, termination of the tax debit, tax write-off),
3. loans – soft loans,
4. guarantees (Ministry of Finance, 2017).

From such a specific general concept of state aid, it is possible to imagine its potential affect on specific activities and development of a particular area or region. Therefore, one can sense the scale of influence of the state aid to the rural development of the country and encouragement of rural tourism.

### **Rural tourism – concept**

There are many definitions of rural tourism, but none of them can be contemplated without observing rural area, but also incentives for the development of rural areas. Studying historical development of rural areas, and the situation we have today bring more than devastating results – dozens of abounded villages, the so-called „old villages”, with residents

older than 60 and so on. Looking at this, not exactly rosy picture of Serbian countryside, arises the question whether the state did enough to prevent such a scenario, or could something have been done to avoid such a scenario? Without an adequate answer to the previous question, is there a chance that, in accordance with modern trends in the region, the actual damage is repaired and that the additional investment, could revive rural areas? If there is not an adequate answer to the previous question, is there a chance that, in accordance with modern trends in the region, to repair the actual damage that is done and with the additional investment, to revive rural areas? Some authors believe that rural tourism should revive many dormant, and even vanished rural areas (Đenadić et al., 2016). Either way, it is considered that rural area implies geographical area which is located outside the urban area, but often a synonym for uneven development in relation to urban centres. Encouraging the development of rural areas, especially those characterized by unfavourable economic conditions, could lead to be achieving balanced regional development of the country, which would have a significant impact in terms of overall socio-economic development.

Rural tourism could be observed from several aspects, which to some extent affect it. These aspects usually have economical, ecological, cultural or institutional nature. Indicated importance of rural development, with all its possible benefits (in economic terms) for the local population, region and country, can not be at the expense of sustainable development.

The idea of integrated rural development is facing numerous problems ranging from economic factors to depopulation (aging population, migration of younger members of the community in the urban environment, negative natural growth, etc.) of rural areas. For a successful rural development, along with creating optimal economic conditions, it is necessary to establish and stabilize the demography of an area, as one of the basic elements (reasons) of development in general, but also for the balanced development of the society.

Tourism is often targeted as planned and motivated behaviour, where the most important role in making the decision on the travel has person that travels. That is way needs, attitudes and motives of tourists are of crucial importance (Wall & Mathison, 2006). Because of mentioned characteristics of tourism, we can, to some extent, perceive it as the point of attachment to urban and less urban areas.

Tourism is one of the most effective ways to valorise preserved nature system (lakes, rivers, mountain, vistas and landscapes, etc.), but also the cultural heritage (archaeological sites, monasteries, etc.). Bearing in mind that tourism is a kind of space user, while it is not the irreversible consumer of natural elements, with controlled development of tourism can be achieved the development of certain area (Jovičić, 2000).

As an economic sector, tourism has not significant share in total gross domestic product of Serbia. Important potential for the development of tourism in Serbia concerns right on rural areas, in which additionally can be initiated the production of the organic food with the authentic note areas where it is produced, branding indigenous types of products, etc. (Bulatović et al., 2016).

Rural tourism is an important component of integrated and sustainable rural development, as well as an important factor in encouraging the development of local agricultural and non-agricultural activities in the countryside. Also, rural tourism is a special incentive for employment. In many countries of the European Union, the development strategy of region and rural areas, rural tourism is included, and it helps retaining the population, creating new workplaces and contributes to socio-economic progress (Muhi, 2013).

The European Union has accepted the concept of encouraging sustainable development of rural areas based on sustainable economic development, which means increasing living standards, but at the same time preserving the natural, cultural and traditional heritage. In this way, rural areas of the EU are transformed into environmentally preserved and cultivated areas, which are systematically equipped with communal and social infrastructure, develop sustainable agriculture and local entrepreneurship and connect with the environment. These areas become pleasant to live, attractive for investment, have perspective and enable the growth of employment and a better standard of living for its residents (Gašić et al., 2014).

The authors define the term rural tourism differently. Before proceeding with defining the term, arise the controversy over the terminology, regarding use of different terms for rural tourism, such as for example rural tourism, agro-tourism, tourist countryside family household i.e. (Đenadić et al., 2016). Nowadays, the most commonly used name for this type of tourism is rural tourism. Although the definition of rural tourism

is still the subject of many debates, according to the generally accepted definition: „Rural tourism presents the tourism of local character, initiated and controlled by the people that live in the local community” (Svetozarević, 2013). Some definitions of rural tourism relate simply on tourism in areas of low population, whereas rural tourist destinations can be generally defined as areas that are specifically identified and promoted to tourists as places to visits when primary motive is enjoying the rural landscape and associated activities (Gašić et al., 2014).

Rural tourism includes various forms of tourism activities, such as:

1. agro tourism, countryside economy, farms – tourists observe and participate in the traditional agricultural works;
2. outdoor activities – recreation and leisure (hunting, fishing, horseback riding, biking, hiking, walking);
3. rural experience (rural tourism) – tourists become part of everyday rural life and
4. cultural tourism – refers to the culture, history, archeology and other characteristics of rural area (Leković, 2009).

All activities listed above are organized by the local population. The thing that makes tourism so unique is the contact with this nature, as well as personal contact with the local population.

### **The link between rural development and rural tourism – comparative review**

If we observe rural potentials, Serbia is a land of rural character and is one of the most agrarian countries in Europe. Rural development, as one of the areas of regional policy, is a key instrument for the restructuring of the agricultural sector and should have the task to focus and strategically use the potential of touristically attractive villages. Considering the expressed economic and other functions of tourism, as well as diverse and highly valuable potentials, the opportunity and appropriate importance to the development of this sector are given by the spatial plan of the Republic of Serbia and its economic policy. In addition, the Tourism development Strategy in Serbia established a selective approach, where rural tourism is treated as a priority under those forms of tourism that are tied to special interests (Đenadić et al., 2016).

The rich natural, cultural and historical diversity of the Republic of Serbia creates exceptional conditions for the development of rural tourism, as

well as the placement of the wide offer for different segments of demand in the tourist market. Rural tourism has a large potential, because this segment of offer provides significant opportunities. The rural area, which makes up more than 85% of the territory of the Republic of Serbia, has about 43% of the population in about 42% of households that are directly or indirectly related to agriculture. Considering the natural and cultural diversity of the region, rich resource base of tourist attractions, preserved surroundings and thousands of agricultural households, the Republic of Serbia has all the conditions for the development of rural, and other special forms of tourism related to the rural area. Rural tourism, as well as other forms of rural tourism significantly enrich the tourist offer and provide new quality and impetus to the development of tourism in Serbia (Đenadić et al., 2016, p. 520).

Since ancient times Serbia has been known as an agricultural country. Visitors have an opportunity for a perfect break from urban life with the fresh air, the smell of hay, flowers, pine and freshly trimmed lawns, clean drinking water and rivers. A significant number of activities are at their disposal during the stay: walking through nature, fishing, gathering plants and berries, but the thing which guests will never forget is hospitality and delicious home-cooked food. Part concerning nutrition is a very important segment of rural development and rural tourism. Here could be added the importance of the legal regulations of the state in encouraging organic farming. Also, tourists are attracted by the traditional preparation of food, winter stores and the process of preparation that has not changed for centuries (Stojanović & Čerović, 2008). Branding certain autochthonous vegetable species (eg. Futog cabbage) or branding a certain product that is prepared in a traditional way, and in that context branding names of certain rural areas with particular characteristics (Bulatović et al., 2016), can considerably accelerate rural development of the area and also the development of rural tourism.

Comparatively observing, rural development in the European Union, for example, a conclusion that can be drawn is that the whole of its territory has reached a high level of economic development. Also, in the EU the economic importance of agriculture has declined substantially, but rural development not only survives as an important political instrument, but in recent years significantly strengthened.

The concept of rural development over time changed and evolved: from land consolidation and infrastructure development, through the national

program for supporting farmers, to creating policy in the EU agriculture area. Nineties years of the XX century were marked by the EU structural funds of rural development (LEADER 1, LEADER 2), and special emphasis was related to integrated rural development. The share of the employed in agriculture is continuously decreasing, so today only 7% of the EU population is engaged in agriculture.

Therefore, the reform adopted in 1997, called “Agenda 2000”, put greater focus on rural development and the creation of alternative jobs for farmers. Otherwise, the EU rural development policy is defined in the common agricultural policy (CAP-Common Agricultural Policy), whose funding in 2007-2013 allocated 368.2 billion Euros, or 43% of the total EU budget (Milić, 2011).

Rural development policies of the member states are created according to common principles, and financing their implementation takes place in co-financing from the EU special fund, which is intended for the implementation of rural development policy (Fund for Rural Development). This fund established in September 2015 Agrarian Council of EU. For each individual measure defined in the program the financial framework is determined. The financial framework relies on different sources of financing: the users of local, regional, national and EU sources of funding. Fond for Rural Development can participate with up to 80% of the total public funds in the funding of specific measures.

The reduction of traditional agricultural subsidies seems to make rural tourism become increasingly important as a key form of diversification that supports economically sustainable rural communities. EU rural development policy increases importance given to rural tourism as it promotes economic, social and natural status of areas. As to the concrete development of rural tourism is concerned, it began to develop in the EU as early as in the 19<sup>th</sup> century, as a reaction to the growing pressure of urbanization and industrialization. The term “rural” accepted the European Commission for Tourism in order to describe and explain all tourist activities in rural areas (Radonjić, 2011). According to the Pan-European association of rural tourism, there are about 200.000 familiar registered providers in rural tourism in Europe, with more than 2 million beds (data from 2008). It is estimated that accommodation on farms, in private village houses, the small family boarding houses and hotels achieves direct annual tourism consumption of about 12 billion Euros. If local added value and multiplier effects are included, this amount reaches 26 billion Euros in for the benefit of Europe’s rural economy. If daily

visits and the fact that actual supply is estimated to more than double of the officially registered amount, are considered, the total consumption in the context of rural tourism in European regions likely exceed 65 billion Euros (Muhi, 2013). Thereby, about 98% of all registered properties of rural tourism are located in the member states of the European Union. The biggest receptive, but also emissive markets of rural tourism in Europe are France, Germany, Austria, Great Britain and Italy, which together account for over 77% of the total market of rural tourism in Europe. According to the share of households engaged in rural tourism in the total number of households engaged in agriculture, Austria (8%) is leading, followed by France (6%), then Ireland and Germany with an approximate market share of about 3%, while in Italy it is only 0,3%, although some of the Italian regions as Tuscany is among the world's top destinations of rural tourism (Baćac, 2011).

Rural tourism of the EU and especially in aforementioned countries is based on identical objectives: maintaining and strengthening agricultural production on family farms, social cohesion through the possibility of indirect employment and achieving significant income through tourist services, reducing the depopulation of rural areas. For these reasons, rural tourism has become a national strategic interest that is manifested in different ways. Contemporary tourism trends are characterized by the increasing recourse to rural destinations, more observable personalization, increased interest and significantly focusing tourists on non standard tourism products. That is why in countries with developed tourist offer more attention is paid to the development of rural tourism, which today constitutes one of the most important components of the development of not only tourism, but integrated and sustainable development of villages and rural regions in global (Čomić, 2007). Rural areas cover 90% of the territory of the European Union and in these areas live 60% of its population

France is considered to be the cradle of organized rural tourism in the world, considering that in 1951 in Provence, was established the first tourist rural family farm for recovery and putting into operation traditional constructions, all in order to provide additional activities for farms in rural areas, preservation of family farming production and preventing emigration (Gašić & Komadina, 2014).

Italy, for example, during the period from 1950 to 1970, faced major problems. The Italian rural areas have experienced a major depopulation

and abandonment of agricultural estates, primarily smaller ones which produced the original, agricultural products. Therefore, the problem was identical to those that Serbia is currently facing. In order to solve this problem the Italian government in 1985 brought (passed) a special law on rural tourism (legge quadro). This law created a framework for revitalization of agriculture and rural areas through rural tourism as a supplementary activity that would enable rural households extra income. Also, each region is allowed to pass its own law, depending on the territorial and cultural specifics of a given region. Currently in Italy there are about 19,000 rural households with a capacity of 193,000 beds (Baćac, 2011).

Austria is the most famous example of the development of rural tourism as a tool for the sustainable development of rural areas. In the fifties of the last century the Alpine region of Austria was quite different than it is today (isolated, in winter almost cut off from the world). As a result of such a situation arose the depopulation, and the Alpine region has lagged behind in development. After having the detailed analysis done, as a part of a national strategy started the revitalization of rural areas. New activities (including the forefront rural tourism) have enabled the additional income that compensated low income from agriculture, infrastructure construction, stop the further decline of the population below the level needed for maintaining social institutions (Radonjić, 2011).

The rural tourism in neighbouring Croatia, same as in our country, is still in the initial stage. Regardless of the natural and cultural attractiveness of the Croatian rural area, rural tourism is developing very slowly in comparison to neighbouring countries (Austria, Slovenia, Italy). Main reasons for this are: very small and fragmented ranches, undeveloped infrastructure, lack of state interest, incentives and efforts for tourism development in the continental part which is in the shadow of the coastal part of the country. In 2003 there was an increase of the number of registered rural households, which supports the fact that the owners of households clearly identified tourism as an important supplementary activity. The most developed areas when it comes to rural tourism are: Istria, Dubrovnik-Neretva and Krapina-Zagorje Counties. Great importance for the development of this form of tourism also had a joint-stock company "Croatian farmer" whose goal is the development of rural space in general as well as a program that is supported by the Ministry "Tourism development in rural areas" where the focus is on

reconstruction, evaluation and protection of tourism resources and the creation of an integrated tourist product as an integral part of the overall sustainable development of rural areas (Gašić & Komadina, 2014).

### **Law regulation of rural development and rural tourism**

From all that is noticed above, one can not ignore the close connection between rural development, rural tourism and agriculture. In the EU, for example, agriculture and forestry exploit most of the land and have a key role in the management of natural resources in rural areas. Synergy of agriculture and tourism provides socio-economic development of rural areas and the platform is economic diversification in rural communities, thus the strengthening of rural development policy has become one of the top priorities of the European Union.

Therefore, the legal regulations that have potentially great impact on the listed areas are very wide. It starts with the legal regulation of state aid in general, as it was described in the beginning of this paper, over the legal regulation of business entities that defines state aid in a way it can be used and finally, concerns the legal regulation of agricultural activities, rural development plan and state aid in agriculture which is slightly different from the general regime regulated by state aid.

As the concept of the general regime of state power was to some extent shown in the beginning of this paper, at this point we need to overview the legal framework related to agriculture and rural development. Any country that wants a comprehensive way of regulating area of rural development, with agriculture as a key activity in rural areas, must take into account the level of agricultural development, development of infrastructure in the rural areas, age and social character of the population in the rural areas, the share of agriculture in total gross domestic product and representation of the rural population in the total population of the country. In addition, the existence of awareness of the environment in which the economy exists is essential and what its interrelationship with the world economic flows. It is important that one can count on any form of assistance from the European Union, the International Monetary Fund or other international organizations and funds, all with the goal to improve the economy, agriculture and rural development. Countries that are in various stages of accession to the European Union or already are a member, should be aware of the obligations that such integration yields, in terms of regulatory framework (Veselinović, 2009).

In recent years, conditions for the development of the tourism industry and tourism facilities are being created, especially for rural tourism, relying on the advantages that Serbia has in this area. As it was previously mentioned, the legal framework for tourism development consists of a series of legal texts adopted in order to create a comprehensive and effective legal regulation. Obviously, the aforementioned legal frameworks are correlated with other laws, primarily with those that determine agriculture and rural development.

In the Law on Agriculture and Rural Development (“Službeni glasnik RS”, br. 41/2009 i 10/2013 – dr. zakon, 101/2016), that is *lex specialis*, are governed objectives of agricultural policy and manner of achieving thereof, types of incentives in agriculture, conditions for exercising rights to incentives, incentive beneficiaries, Register of Agricultural Households, record keeping and reporting in agriculture, integrated agriculture information system and supervision over implementation of this Law.

The next important law concerning this area is Law on Incentives in Agriculture and Rural Development (“Službeni glasnik RS”, br. 10/2013) and it represents special law that supplements on previously analyzed law. This Law governs (Article 1) types of incentives, manner of using incentives, Register of incentives in agriculture and rural development, as well as conditions for exercising rights on incentives in agriculture and rural development. In addition to the above, it prescribes incentives for rural development measures (Article 34) where sustainable rural development found its place, organic farming, incentives to improve the rural economy i.e.

In light of all stated, in 2016, Minister of Agriculture and Environmental Protection, issued the Rulebook on incentives for the promotion of economic activities in the countryside by supporting non-agricultural activities (“Službeni glasnik RS”, br. 67/16). This Rulebook stipulates in detail the types of incentives for the promotion of economic activities in the countryside by supporting non-agricultural activities, the conditions, manner and form for exercising the right to incentives, as well as the maximum amount of incentives per beneficiary and by the type of individual measures.

Incentives include support programs which related to the improvement of the rural economy for investments that are being implemented with the aim of improving the quality of life in rural areas, as follows:

1. incentives program to support investments for the construction, expansion, renovation, investment and ongoing maintenance, with aim of bringing to purpose, as well as equipment purchase, and to provide catering services in homemade catering facilities or rural tourist households, in terms of the law regulating tourism;
2. incentives program to support investments for the purchase of equipment and tools for the jobs which are considered old and artistic crafts or handicrafts business, in accordance with regulation governing the determination of activities that are considered old and artistic crafts, and handicrafts business, the same mode of certification and keeping special records of issued certificates;
3. incentives program to support investments for the promotion of non-agricultural activities in rural areas through the development or modernization and professionalization of tourism websites.

The right to incentives, in accordance with the law governing incentives in agriculture and rural development and this rulebook, have: natural person – holder of the registered commercial family farm, entrepreneur or legal person. The procedure for exercising the right to incentives shall be initiated by filing an application on the basis of a competition announced by the ministry in charge of agriculture – Department of Agricultural Payments, for each calendar year.

Incentives are determined as a percentage of the value of realized acceptable investment, reduced by the amount of funds in the name of value added tax, in accordance with the law governing incentives in agriculture and rural development, or special regulation governing the allocation of subsidies in agriculture and rural development. The percentage of stimulation for areas with difficult conditions in agriculture is determined by the place of the investment, apropos the place to perform activities that are supported by these regulations, in accordance with a special rule that defines areas with difficult conditions in agriculture.

The maximum amount of subsidy, without tax on the value added, to incentives beneficiary, can not be greater than the specified maximum amounts of incentives for investments listed by types of programs and incentives.

The maximum amount of incentives per incentive beneficiary for investment is 1,200,000.00 dinars.

In addition to observed law regulation, relevant to the topic that is discussed in this paper is also Law on Tourism (“Službeni glasnik RS” br. 36/2009, 88/2010, 99/2011 – dr. zakon i 93/2012), Law on Companies (“Službeni glasnik RS”, br. 36/2011 i 99/2011, 83/2014 – dr. zakon i 5/2015), but also their analysis would require more space and possibly open new discussions with the legal aspects of rural development and rural tourism development.

### **Conclusion**

After a comprehensive analysis, it can be said that state investment in rural development and rural tourism development is certainly not “missed opportunity” in Serbia, but that serious progress is forthcoming, because both in socio-economic as well as in legal terms, the importance of rural areas in Serbia is recognized. Beside the economic aspect, the social and demographic aspect are standing out, respectively the state investment in the development of villages and rural households and farms, infrastructure, rural tourism and all that it implies, actually solves the already escalating problem of migration of young people and their exodus to the city for better conditions of life. Developed rural areas, with good infrastructure, the possibility of employment, etc. guarantee that the consequences of the mentioned problem can be resolved, and in the future this problem will not occur. The analysis of several papers of local authors (Pejanović et al., 2014, Maksimović et al., 2015), confirmed the close relationship between the rural development and precisely determined rural area, followed by the improvement of legislation relevant to the specified areas.

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