FIPA
FOREIGN INVESTMENT PROMOTION AGENCY
OF BOSNIA AND HERZEGOVINA

Frequently Asked Questions

1. BOSNIA AND HERZEGOVINA AT A GLANCE

Official name:	Bosnia and Herzegovina (locally Bosna i Hecegovina, most commonly abbreviated as B&H)
Capital city:	Sarajevo (population 500.000)
Other major cities:	Banja Luka, Bihać, Mostar, Tuzla, Zenica
Geographic location:	South Eastern Europe, borders with Croatia (932km), Serbia (312km) and Montenegro (215km)
Area:	51.209 km2
Population:	3.53 million
Religions:	Muslim (44%), Orthodox Christian (32%), Roman Catholic (17%), others (7%)
Ethnic groups:	Bosnians, Serbs, Croats and others
Languages:	Bosnian, Serbian, Croatian (all official)
Administrative organization:	Two entities (Federation of B&H and Republic of Srpska) and Brcko district of B&H
Government Structure:	B&H is a parliamentary democracy with a bicameral parliament (House of Representatives and House of Peoples), a three member rotating presidency, a Council of Ministers and Constitutional Court.
GDP:	26.2[1]) billion EUR (2024)
GDP per capita:	: 7,442 EUR (2023)
Currency:	Konvertibilna marka (BAM-official; KM-common use)
Exchange rate:	1 EUR = KM 1.95 (fixed exchange rate)
Landforms:	A very hilly country with the Dinaric Alps dominating the landscape. The highest point, Mt. Maglić, rises to 2,387m. Thick forests coveralmost 50% of the land. In the north, along the Sava River valley, a hilly, fertile plain stretches east to west. The country has 20 km of coastline in the southwest of the country, providing access to the Adriatic Sea.
Climate:	Winters can be very cold with a lot of snow, especially in the hills and mountains. Summers are generally warm and comfortable, occasionally hot. Cooler temperatures in higher elevations.
Latitude/ longitude:	44 N, 18 E
Time zone:	CET (GMT + 1 hour)
Internet domain:	.ba
Int. telephone code:	+387

2. FIPA SUPPORT

➢ **What is FIPA?**

Foreign Investment Promotion Agency in B&H is a state agency with the main objective of promoting B&H, creating a more conducive business environment, retaining the existing foreign investment, as well as FDI policy advocacy.

➢ **What can FIPA do for you?**

FIPA helps you seize business opportunities in B&H by:

- Servicing potential and existing investors, especially in administrative matters
- Legal advice for foreign investors
- Providing all information related to B&H business environment
- Investor after-care
- Policy advocacy
- Analysis and presentation of attractive sectors for foreign investments

➢ **What are FIPA activities?**

- Generating new investments by promoting B&H as an attractive location for foreign investment
- Servicing potential and existing investors
- Providing of all information related to B&H business environment to potential and existing investors, especially those about available investment project and companies in privatization process
- Offering legal advice for foreign investors (FDI regulations, land ownership, taxation, employment, etc.)
- Corporate development support to foreign investors – investor's aftercare (general services in post-investment phase, e.g. support in project implementation, co-operation with domestic private sector, etc.)
- Improving the business environment by identifying the main legal barriers to FDI, creating recommendations for their removal and taking part in their implementation. To carry out this activity FIPA cooperates with the Council of Ministers, Entity governments, Brcko district, Cantons and Municipalities, as well as with all other relevant organizations in B&H (Foreign Investors Council, international organizations and institutions, foreign trade associations, privatization agencies, chambers of commerce, private business associations and private and public companies)
- Analysis and presentation of attractive sectors for foreign investments such as: Agriculture, food processing, tourism, wood processing and furniture production, energy (production of electricity), metal processing, Frequently Asked Questions 12 organic food and pure water, construction, textile, auto-components, ICT sector, etc.
- Cooperation with B&H Ministry of Foreign Affairs, diplomatic-consular networks and diaspora on FDI promotion abroad
- Work on creating presentations and producing materials essential for FIPA activities abroad. FIPA website contains all relevant information about foreign direct investment in B&H
- Publishing a monthly "FIPA Newsletter" (business and investment news)
- Creating and maintaining of investment projects and available locations data bases, etc

3. INVESTING IN B&H

➢ **Why would a company choose B&H as a location for investing?**

There are many reasons for investing in B&H, such as:

- Stable financial sector
- Excellent geographical location
- Favorable Trade and other Agreements
- Favorable Tax and Customs System
- Availability of skilled, educated, competitively priced and multilingual labor force that is familiar with international business
- Abundance of premises and sites, industrial zones, free trade zones
- B&H can be a successful platform to export to a market of app. 600 million people without customs duties.

Legal Framework

➢ **What are the basic laws and regulations encouraging foreign investors to invest in B&H?**

The main laws and regulations include three basic laws encouraging foreign investors:

- Law on the Policy of Foreign Direct Investment of B&H
- Law on Foreign Investment of FB&H
- Law on Foreign Investment of RS

Other Laws and Regulations which encourage foreign investors to invest in B&H:

- Law on Value Added Tax of B&H
- Law on Corporate Income Tax of FB&H
- Law on Corporate Income Tax of RS
- Framework Law on Registration of Business Entities in B&H
- Law on Registration of Business Entities of FB&H
- Law on Registration of Business Entities of RS
- Customs Tariff of B&H
- Customs Policy Law of B&H
- Decision on Implemental Regulations of the Customs Policy Law of B&H
- Decision on Harmonizing and Establishing Customs Tariffs of B&H

Status of Foreign Investors

➢ What is the status of foreign investors?

Regarding his investment the foreign investor enjoys equal status, rights and duties, as any domestic legal person. A foreign investor enjoys full legal security and legal protection in respect of rights acquired by virtue of the investment. Rights of foreign investor acquired in the moment of the business registration cannot be deteriorated by subsequent alteration of laws and other regulations.

Company with foreign investment enjoys equal legal status and carries on its business under equal conditions and in an equal manner as do domestic companies.

➢ What is the status of foreign citizens?

Foreign citizens in B&H shall exercise the same rights and freedoms as citizens of B&H exercise in the country of the foreign citizen.

Incentives

➢ What incentives does B&H offer to foreign investors?

According to the Law on the Policy of Foreign Direct Investments of B&H, many incentives are offered to foreign investors, such as:

- National treatment of foreign investors, i.e., foreign investors have the same rights and obligations as residents of B&H;
- Foreign investors are entitled to open accounts in any commercial bank in domestic and/or any freely convertible currency on the territory of B&H;
- Foreign investors are entitled to freely employ foreign nationals, subject to the labor and immigration laws in B&H;
- Foreign investors are protected against nationalization, expropriation, requisition or measures having similar effects; such measures may take place only in the public interest in accordance with the applicable laws and regulations and against the payment of an appropriate compensation, i.e. compensation that is adequate, effective and prompt;
- Equipment being imported as part of share capital is exempt from paying customs duties (with the exception of passenger cars, slot and gambling machines);
- The rights and benefits of foreign investors granted and obligations imposed by the Law (mentioned above) cannot be terminated or Foreign Investment Promotion Agency of Bosnia and Herzegovina overruled by subsequent laws and regulations. Should a subsequent law or regulation be more favorable to foreign investor, the investor will have the right to choose the regime by which the investment will be regulated.
- Foreign investors may own real estate in B&H. Foreign investors enjoy the same property rights in respect to real estate as B&H legal entities.
- Foreign investors are entitled to transfer abroad, freely and without delay, in convertible currency, proceeds resulting from their investment in B&H.
- Free trade zones in B&H are part of the customs territory of B&H and have status of legal entity. According to the Law on Free Trade Zones of B&H, free trade zone founders may be one or more domestic and foreign legal entities or natural persons and establishment must be economically justified (the free zone establishment is considered economically justified if the submitted feasibility study and other evidence can prove that the value of goods exported from a free zone will exceed at least 50% of the total value of manufactured goods leaving the free zone within the period of 12 months). The users of free zone do not pay VAT. Investment in the free zone, transfer of profit and transfer of investment are free of charge.
- Incentives related to the taxes, customs, employment etc. are mentioned in the other relevant parts of the brochure.

➢ Are there any customs incentives?

Equipment of the foreign investor being imported as part of share capital is exempt from paying customs duties (with the exception of passenger vehicles, slot and gambling machines).

From the payment of import duties are exempted: production equipment that are not produced in Bosnia and Herzegovina, imported for the new or expansion of existing production, modernization of production, the introduction of new or modernization of the existing production technology, and carrying out the direct manufacturing activity

From the payment of import duties are exempted, on the production assets and other equipment belonging to the company which definitively ceases activity in another country and transfers to the customs territory of Bosnia and Herzegovina in order to carry out similar activities.

If the company that is moving is the farm, the animals on it are also exempted from import duties on importation.

In order to enjoy the benefit for foreign investor, he should submit a written request for exemption from paying import duties to the competent customs authority (according to the place of seat of the company) along with the following documents:

- contract or other relevant document about the investment on the basis of which the equipment is being imported,
- proof of registration of the investment at the competent authority,
- specification of equipment with tariff number, tariff mark (with quantity indication), single and total value, certified by the investor,
- statement of the investor that the equipment is not older than 10 years age limit,
- Certificate of the competent institution confirming that the imported equipment complies with the environmental and employment protection standards.

The Customs Office issues a decision within 15 days upon submission of the request

Has B&H signed Agreements on Promotion and Protection of Investments?

Bosnia and Herzegovina has Agreements on Promotion and Protection of Investments with the following countries:

Albania	Austria	Belgium and Luxembourg
Belarus	Montenegro	Czech Republic
Denmark	Egypt	Finland
France	Greece	Netherlands
Croatia	India (terminated)	Iran
Pakistan (terminated)	Jordan	Canada
Qatar	China	Kuwait
Lithuania	Hungary	North Macedonia
Malaysia	Moldova	Germany
Switzerland	Turkey	Ukraine
OPC Fund	Portugal	Romania
USA OPIC	San Marino	Slovakia
Slovenia	Serbia	Spain
Sweden	The United Kingdom of Great Britain and Northern Ireland	

Who will insure my investment in B&H?

Foreign investors can insure their investment with the European Union Investment Guarantee Trust Fund for Bosnia and Herzegovina, administered by the Multilateral Investment Guarantee Agency (MIGA, member of the World Bank Group). Also, insurance is possible through insurance (international and domestic) companies existing in B&H.

4. B&H ECONOMY (INDICATORS)

Banking

What is the current situation in the banking sector of B&H?

After the implementation of the new monetary policy by the Central Bank in 1997 and the market entry of foreign banks, the financial sector - in which the banking sector dominates - experienced a stabilization and consolidation process. The consolidation process of the banking sector came mainly on the back of foreign direct investments through the acquisition of private - or already privatized - banks. In addition to the acquisition of existing banks, foreign strategic investors undertook sizeable greenfield investments in the banking sector. At the beginning of 2024 there are 21 commercial banks and 1 development bank. In B&H 22 banks are predominantly privately owned with majority of foreign ownership.

The stability of the banking sector in B&H has been maintained over a period of time. The banking legislation are recently adopted by the entities in the aim to strengthen and harmonize framework for banking operations in the country.

Total deposits of domestic institutional sectors in banks of BiH at the end of 2023 amounted to EUR 15,850 million (an increase of 6.1% compared to 2022).

Confidence of population in the banking sector has been preserved, so household's deposits have reached the highest level in 2023 (8.24 billion EUR) keeping the largest share in total deposits with commercial banks (52% at the end of 2023).

Credit activities recorded an increase of 5.5% in 2023. Total loans at the end of 2023 amounted to 12.01 billion EUR. The liquidity, profitability andcapitalization of the banking sector can be assessed as satisfactory, and it can thus be concluded that the banking sector continues to be stable and safe.

➤ How many international banks are currently present in the B&H market?

Many international banks have set up branch banks in B&H including: Addiko Bank AG, Dubai Islamic Bank, Islamic Development Bank, BPŠ a.d. Beograd, NLB Group, Privredna banka Zagreb d.d. (takeover from Intesa Sanpaolo Group), ProCredit Holding, Raiffeisen Bank International, Steiermärkische Bank und Sparkassen, Ziraat Bankasi, Zagrebačka banka d.d. Zagreb (takeover from Unicredit). The list of banks is available on www.cbbh.ba (Central Bank of B&H). All commercial banks in B&H are included in the state deposit insurance program. The market entry of foreign banks supported the reform process in the banking sector and helped deepen financial intermediation.

➤ What are the interest rates of commercial banks?

Commercial banks, which are the most active in lending, had a quite stable interest rate policy, so there were no large oscillations in the previous years. In the period 2020-2022, the reduction in total loans interest rate is evident. Data for 2022 and the beginning of 2023 indicate that the effective interest rates on loans to both the corporate and households show a slight downward trend.

Data for 2022 point to a decline in the effective interest rate on long-term loans, and a slight increase in the effective interest rate on short-term loans compared to 2020.

In the period 2023–2024, interest rates in Bosnia and Herzegovina showed slight fluctuations. While housing loans with variable interest rates recorded a decrease in rates, consumer loans and business loans experienced slight increases. Deposit interest rates also saw a modest rise. These changes indicate a stable yet dynamic credit market in the country.

➤ What is the international credit rating of B&H?

Bosnia and Herzegovina signed the contract for sovereign credit rating reporting and monitoring with two international credit rating agencies, Standard & Poor's and Moody's Investors Service. On August 2024 Moody's Investors Service has confirmed sovereign credit rating on Bosnia and Herzegovina at „B3 with stable outlook". On August 2, 2024, rating agency Standard & Poor's has confirmed sovereign credit rating on Bosnia and Herzegovina „B+ stable outlook". In comparison with the regular assessment from the beginning of February, the rating "B" and outlook "stable" has remained unchanged.

➤ Which accounting and auditing standards must be met by business operators in B&H?

Companies are liable for keeping financial books, preparing and submitting accounting statements according to the provisions of the Law on Accounting, International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA).

➤ Which international accounting and auditing companies existin B&H?

Major companies operating in B&H are Deloitte, KPMG, Price water house Coopers (PWC), Grant Thornton, Ernst & Young Global Limited, Baker Tilly International and others.

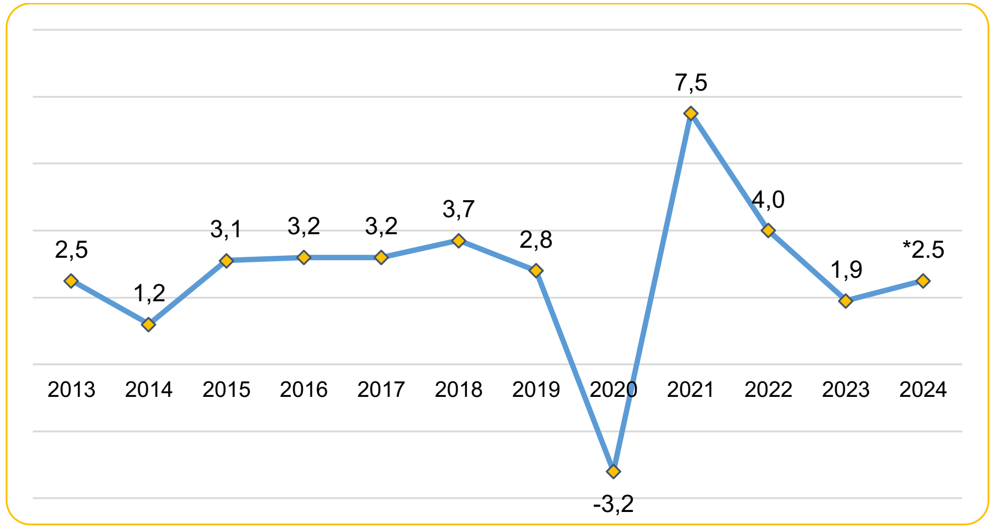
➤ What is the exchange rate policy in B&H?

Central Bank of Bosnia and Herzegovina maintains monetary stability by issuing domestic currency according to the Currency Board arrangement with full coverage in freely convertible foreign exchange funds under fixed exchangerate 1 KM = 0.51129 EUR, respectively 1 EUR = 1.95583 KM. Central Bank defines and controls the implementation of monetary policy of Bosnia and Herzegovina.Central Bank supports and maintains appropriate payment and settlement.

➤ What is the recent GDP trend?

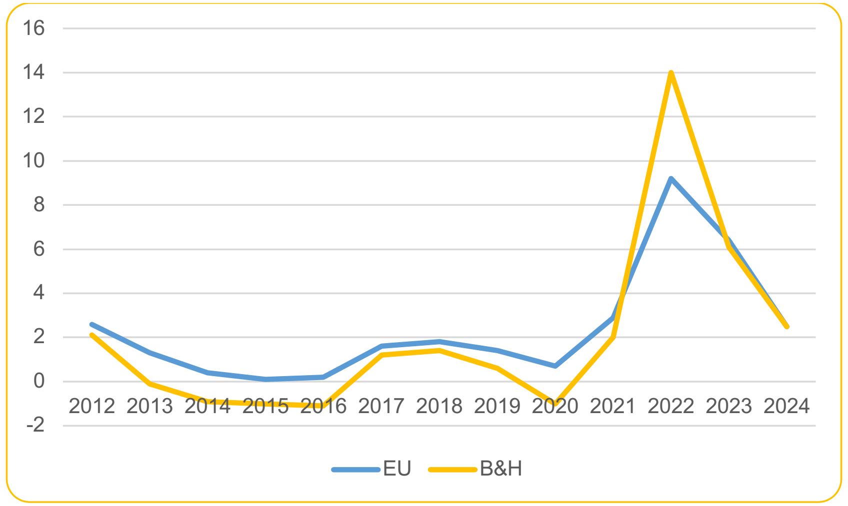
In the ten years period before 2008 Gross Domestic Product (GDP) had been rising for years with average real growth rate of 5% and had almost been doubled. Negative effects of the global financial and economic crisis on B&H economy peaked in 2009. World economic recovery leads to the growth of B&H economy with the positive GDP growth rate, with the exception of 2012. Natural disaster and floods in B&H in May 2014 has affected GDP growth rate that has decreased twice compared to the previous year. In the period 2015-2019, GDP growth was resilient, but insufficient for noticeable improvements in living conditions for citizens. The negative growth rate of 3.2% in 2020 is due to the economic impact of Coronavirus pandemic. The Central Bank of B&H estimated GDP growth 7.5% in 2021. After significant GDP growth after the Coronavirus pandemic, in previous years GDP growth has slowed in line with global economic conditions. The Central Bank of B&H estimated GDP growth 2.5% in 2024 (according to the initial, unofficial data).

REAL GDP GROWTH RATE (%)



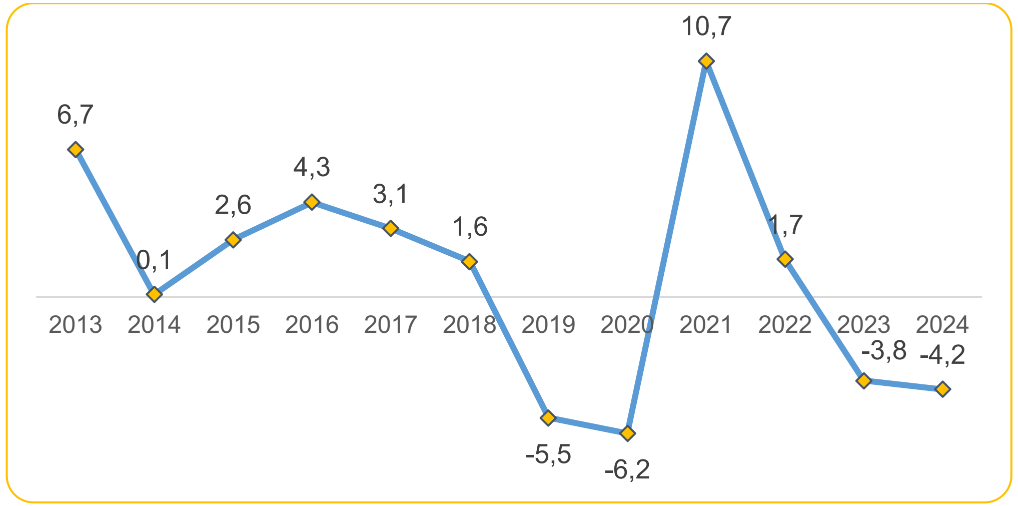
Source: Agency for Statistics of B&H and *Central Bank of B&H forecast for 2024

➢ What is the annual inflation rate (%) in B&H?



Source: Eurostat (EU - European Union) and Agency for Statistics of B&H (B&H)

➢ Volume Index of Industrial Production in B&H – Total Industry



Source: Agency for statistics of B&H

The recovery of industrial production was recorded in 2013 when the rate of change in cumulative production, relative to the previous year, was 6.7%. Because of natural disaster and floods in May 2014, year-on-year grow rates in 2014 was only 0.1%. In the years after the flood, there was the recovery with increasing industrial production rates of 2.6% (in 2015), 4.3% (in 2016), 3.1% (in 2017) and 1.6% in 2018. Annual change rate of industrial production was negative in 2019 (-5.5) and 2020 (-6.2). Recovery and industrial production rate 10.7 was recorded in 2021. and 1.7 in 2022. Annual change rate of industrial production was negative in 2023. (-3.8), while in 2024, it amounted to -4.2%.

Stock Exchange

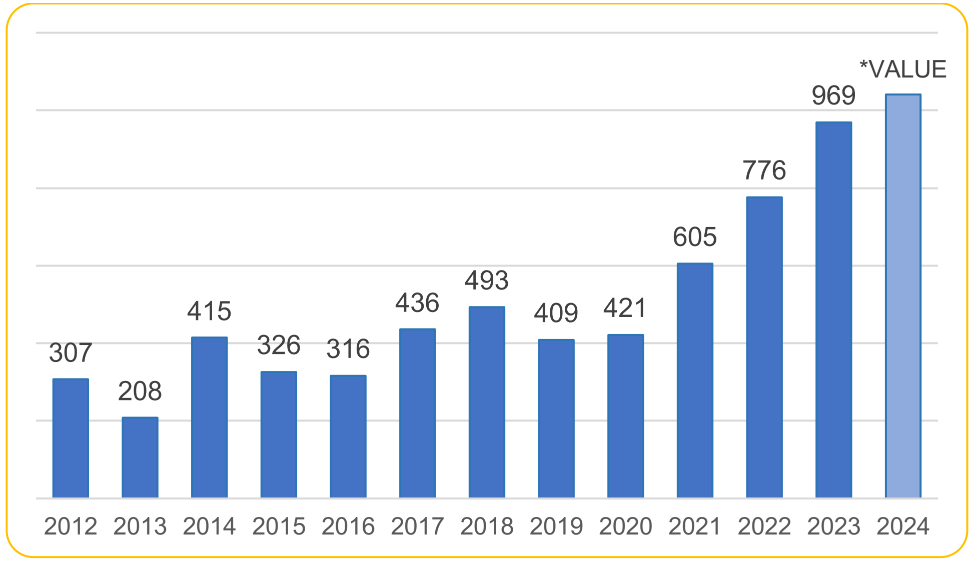
➢ How many stock exchanges operate on the capital market?

There are two stock exchanges in Bosnia and Herzegovina:

- Sarajevo Stock Exchange (SASE) www.sase.ba
- Banja Luka Stock Exchange (BLSE) www.blse.ba

➢ What is the amount of FDI recorded in the past few years?

FDI FLOWS IN B&H, BY YEARS, MILL EUR



Source: Central Bank of B&H (CBBH),

* Preliminary FDI data for 2024 (Balance of Payments of B&H)

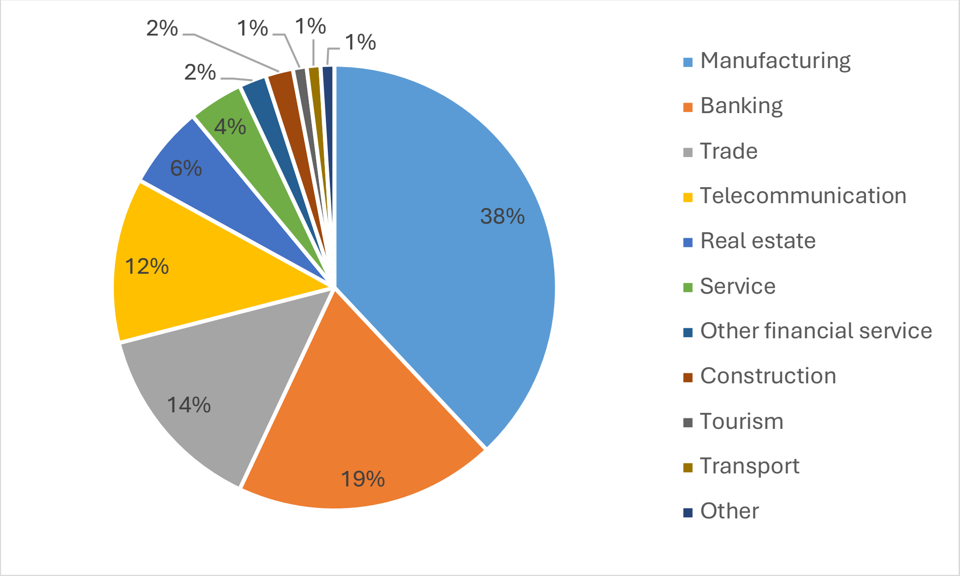
In 2007 B&H attracted 1.3 billion EUR that is absolutely the highest amount recorded till now, mainly thanks to the privatization of certain large state-owned enterprises. In 2008 FDI inflow (684 million EUR), without the expected privatization, could be considered as satisfying, especially if we take into account its positive structure (investment in production sector and high contribution of Greenfield investments). The global economic crisis significantly affected the decrease of foreign investments in 2009.

In the period 2010 - 2020, the trend of DSI inflows is variable and uneven. The average annual amount of DSI for the period 2018 - 2022 is 1,031 million KM and has increased compared to the ten-year average (2013 - 2022), which was 848 million KM. In 2021, FDI in Bosnia and Herzegovina amounted to 1,183 million KM or 605 million euros, registering a growth of FDI of 37.2% compared to the previous year. In 2022, foreign direct investments (FDI) in Bosnia and Herzegovina amounted to 1,517 million KM or 776 million euros. DSI increased by 27.5% in 2022, with the highest amount since 2007. Foreign direct investments in Bosnia and Herzegovina in 2023 amounted to 1,895 million KM or 969 million EUR, which is an increase of 24.9% compared to the previous year. According to preliminary data, an increase of FDI was registered in 2024 as a positive indicator with the expected continued FDI growth trend in the future.

Reasons that creates positive expectations of FDI levels growth in Bosnia and Herzegovina were made upon on-going projects, the investment opportunities, intention of privatization many strategic companies and interest of foreign investors for potential projects. Success stories of foreign investors confirm that Bosnia and Herzegovina is favorable destination for foreign investment, and that we could be optimistic in terms of the FDI inflows in the coming period.

➢ FDI by sectors?

TOTAL AMOUNT 9.9 BILLION EUR (MAY 1994 - DECEMBER 2023)



Source: Central Bank of B&H,

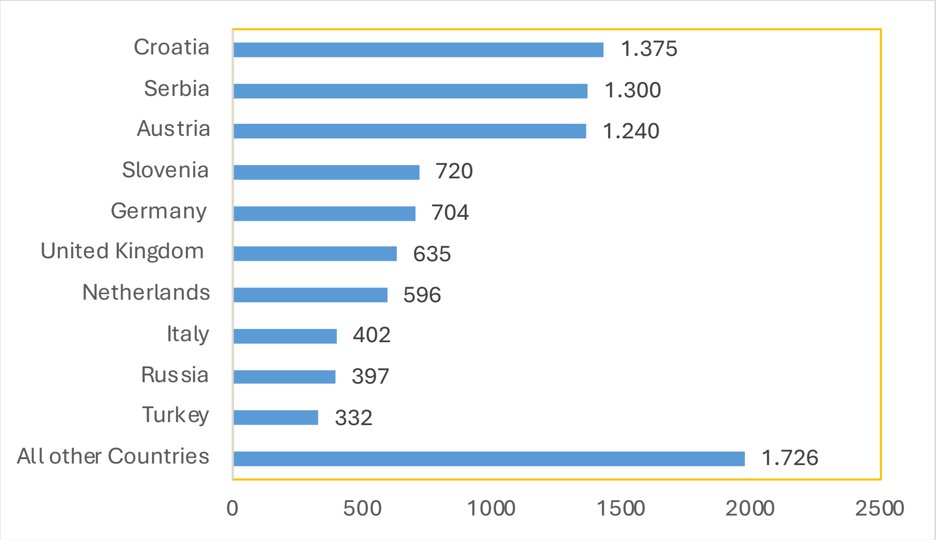
* the graph structure is created according to data of FDI stocks classified by industry

Top Investors

➢ **Who are the top foreign investors in B&H?**

TOP INVESTOR COUNTRIES IN B&H

Stock of FDI in December 2023, Total amount was 9.9 billion EUR (9,928 million EUR).



Source: Central Bank of B&H

Top foreign investors in B&H in 2024

According realised projects, the most important investors based on FIPA Selection of Foreign Investors in B&H for 2024 are:

Foreign company	Country	Domestic company
EFT Investments Limited	United Kingdom	EFT Investments limited Bileća
GS HOLDING Gmbh	Germany	GS-tvornica mašina Travnik doo Travnik
Mubea Carbo Tech Gmbh	Germany	Mubea carbo tech bh doo Derventa
Pichler Klagenfurt	Austria	AIRVENT doo Velika Kladuša
KNEER Gmbh Fenster and Tueren	Germany	KS TUEREN KS ALUMINIUM DOO Široki Brijeg
Jifeng Automotive Interior Gmbh	Germany	Jifeng Automotive Interior BH doo Žepče
Lactalis	France	Lactalis BH doo I INMER Gradačac
PASS Automotive East	Germany	PASS doo Bijeljina
Porsche Holding	Austria	Porsche BH doo Sarajevo, Porsche inter auto BH doo Sarajevo, Porsche immobilien BH doo Sarajevo
Roundliner Gmbh	Germany	Roundliner BH doo
EDNA Deutschland Gmbh	Germany	EDNAMETALWORKING DOO Prijedor
ISKRA, Elektro in sistemske rešitve, d.o.o	Slovenia	ISKRA EUROPA d.o.o. Laktaši

In the previous years, a significant share of FDI was reinvestment along with the creation of new jobs. The interest of foreign investors in renewable energy projects can also be highlighted.

5. SETTING UP BUSINESS

Types of Companies

➢ Setting up a business in B&H is regulated by:

• Company Law of the Federation of B&H
• Company Law of Republic of Srpska
• Law on the Takeover of Joint Stock Companies
• Company Law of the Federation of B&H
• Company Law of Republic of Srpska
• Law on the Takeover of Joint Stock Companies

➢ What types of companies are permitted by the B&H law?

Types of companies:
• Unlimited Joint Liability Company (d.n.o. / o.d.)
• Limited Liability Company (d.o.o.)
• Joint-Stock Company (d.d. / a.d.)
• Limited Partnership (k.d.)

Steps for Establishing Company (LTD)

The main steps involved in establishing a business based on foreign investment in B&H are:
Federation of B&H:
1) Establishment Contract (made by notary)
2) Payment of initial capital
3) Registration at the competent court
4) Making a company stamp
5) Opening a bank account in a commercial bank
6) Registration of the company and staff at the Tax Administration

Republic of Srpska (LTD)

1) Verification of the founding act by a notary
2) Payment of initial capital
3) Registration request submit to the APIF RS
4) Making a company stamp
5) Opening a bank account in a commercial bank
6) Registration of the company and staff at the Tax Administration / and start business

➢ How long does it take to register a business?

In FB&H, according to the Law, court registration procedure of establishing a business takes up to 5 days, and in RS up to 3 days.

➢ What are the costs of registering a business (LTD)?

The costs are as follows:
Federation of B&H:
Administrative costs approx. 175-435 EUR, and notary costs of EUR 150
(EUR 160 if share capital is 37000-50 000 EUR – plus 15 EUR for every additional EUR 50 000)
Republic of Srpska
Administrative and notary costs: cca. 150 EUR (first establishment)

Brcko district

Administrative and notary costs: cca. 1,000 EUR

➢ Can a foreign investor have a representative office in B&H?

A company may choose to set up a representative office in order to gain experience and gain a better perception of the size and potential of the B&H market. It is important to remember that a representative office doesn't have the status of a legal entity – it is an extension of its parent company. It may only engage in non-profit making activities. Accordingly, a representative office may engage in any of the following functioºns: market research, promotional and informative activities representing the company. A representative office is restricted from signing contracts on behalf of the parent company.

6. TAX REGIME

Corporate Income Tax

➢ What is the corporate income tax rate?

Corporate income tax rate is 10% on the whole territory of Bosnia and Herzegovina.

➢ Which items are included in the corporate income tax base?

- In RS, for the purpose of computing, the tax base includes all revenue from whatever source derived whether in cash or in kind or whether related or unrelated to the legal person's economic activity except for revenues specified in Law on profit tax of RS. In the case of revenue received in the form of property (other than cash) or services, the amount of revenue is equal to the market price of the property or services received.

- In FB&H, the tax base is determined in the tax balance, alignment of of expenditures and revenues and capital gains / losses reported in the financial statements. The tax base is calculated as the profit shown in the financial statements, increased by non-deductible expenses and other non-deductible items, and reduced by non-taxable items. Any income and capital gains earned by the taxpayer shall be included in the tax base, except for items that are not included in accordance with Law on the Corporate Income Tax. Income tax is calculated by multiplying the tax base with the rate of income tax.

Personal Income Tax

➢ What are the personal income tax rates?

In B&H, personal income tax is regulated at entity level. Brcko district has its own Law on Personal Income Tax that regulates this type of tax for the district.

In FB&H, personal income tax is 10% on net wage according to gross model.

There is a deduction to the total amount of income for resident taxpayers for basic personal deduction as set out in the Law on Personal Income Tax, as well as other bases for basic personal deduction.

In RS personal income tax is 8 % on net wage in accordance with gross model (for others income is 10% and 13%).

Also, in Republic of Srpska there are deductions to the total amount of income for resident taxpayers for basic personal deduction as set out in the Law on Personal Income Tax, as well as other bases for basic personal deduction.

Personal income tax in Brcko district is 10% on net wage in accordance with gross model.

Real Estate (Transfer) Tax

➢ What are Real Estate Tax Rates and Property Transfer Tax Rate?

Federation of B&H (property transfer tax):

Property transfer tax rate is 5%.

The tax base is the value of the property estimated by the commission appointed by the local tax administration office (according to the seat of the property). Payer of property transfer tax is most often the seller of the property (depending on the location of the property being sold). Only in Canton Sarajevo and Hercegovačko-neretvanski Canton the buyer is the payer of property transfer tax.

Republic of Srpska (real estate tax):

Real estate tax rate is to 0.10% of the estimated market value of real estate for real estate which is directly responsible for production activities (facilities for the production and storage facilities for raw materials, intermediate products and final products), and the tax rate is to 0.20% of the estimated market value real estate to other real estate.

Brcko district:

The tax rate on real estate cannot be less than 0.05% of the appraised value of real estate, and shall not exceed 1,0% of the appraised value of real estate. For all administrative units the obligation to pay taxes arises in the moment of concluding the sale contract.

Value Added Tax

➤ What is the Value Added Tax rate?

Value added tax (VAT) rate is flat rate of 17% in B&H. Companies submit the application for VAT at the Indirect Taxation Authority of Bosnia and Herzegovina (in Headquarters in Banja Luka or in Regional Centers; Sarajevo, Tuzla, Mostar, Banja Luka)

Double Taxation Treaties

➤ With which countries has B&H signed Double Taxation Treaties?

Bosnia and Herzegovina has Agreements on avoidance of double taxation with the following countries:

Albania	Austria	Algeria
Azerbaijan	Belgium	Slovakia
Czech	Finland	France
Greece	Netherlands	Croatia
Iran	Jordan	Ireland
Italy	Qatar	China
Cyprus	Kuwait	Hungary
North Macedonia	Malaysia	Moldova
Norway	Germany	Pakistan
Poland	Romania	Slovenia
Montenegro	Serbia	Spain
Sri Lanka	Turkey	UAE
Sweden	United Kingdom of Great Britain and Northern Ireland	

Depreciation, Accelerated Depreciation

➤ Do taxpayers have the right to apply accelerated depreciation?

Yes, taxpayers have the right to apply accelerated depreciation.

In the Federation of B&H, accrued depreciation is recognized when determining the tax base by applying proportional method of depreciation on fixed assets. Tax deductible depreciation rates of fixed assets are as follows:

a) buildings - 5%

b) roads, municipal facilities, railways - 10%

c) equipment, vehicles, plant - 15%

d) equipment for water management, water and sewage systems - 15%

e) hardware, software and equipment for environmental protection - 33.3%

f) growing crops - 15%

g) basic herd - 40% and

h) intangible assets - 20%

Depreciation expenditure is recognized for tax purposes only when own fixed assets are in use, by which the taxpayer conducts business. If the purchase price of the property is less than BAM 1,000.00, its purchase value can be fully deducted in the year in which the property is acquired.

The taxpayer is entitled to accelerated depreciation of fixed assets, serving the purpose of pollution of air, water, land and noise reduction. Accelerated depreciation can be up to 50% higher than the rate mentiod in text above. The total cost of depreciation can not exceed the purchase value. In RS, the Rule Book prescribes the determination of depreciation deductions, as well as the guidance regarding the normal period of operation and entry values of depreciable assets and the treatment of depreciable assets that are temporarily or permanently removed from operation.

Depreciation is subject to the following means:

- Buildings and facilities
- Plant and equipment

➤ Which methods are used to calculate the depreciation rates of fixed assets?

Depreciation rates are calculated according to:

a) Proportional

b) Functional and

c) Digressive method

Excises

➢ What are excises?

An internal tax imposed on the production, sale, or consumption of a commodity or the use of a service within a country: e.g. excises on tobacco, liquor, coffee.

Tax Incentives

➢ What are tax incentives in B&H?

In the Federation of B&H:

Law on Corporate Income Tax enables foreign investors to enjoy the following benefits

- The taxpayer who invests, from its own funds, in production equipment more than 50% of the total profit in the current tax period, shall be reduced of the obligation of the calculated tax for 30% of the amount in the year of investment.
- The taxpayer who in a period of 5 consecutive years makes investments from its own funds, in the total amount of 10 million €, starting with the first year when taxpayer has to invest at least 2 million €, shall be reduced of the obligations of the calculated income tax for 50% of the amount in the year of investment.
- The taxpayer is entitled to a tax-deductible expense in the double amount of the gross wage paid to newly employees if meets the following conditions:

1) duration of the employment contract must be at least for a period of 12 months with full-time working hour

2) new employee was not employed with the taxpayer or a related person in the previous five years

3) Law on Social Security Contributions of Federation of Bosnia and Herzegovina proscribes reduced social security contributions basis for employees of labor-intensive industries, such as mining, textile, and leather industries.

The reduced basis applies for employees whose monthly salary amounts to up to 85% of the average monthly net salary, the monthly basis for calculating contributions is the product of the average salary amount and the coefficient of 0.30.

In Republic of Srpska:

A taxpayer who invests in property, plant and equipment in the territory of the Republic of Srpska for performance of a registered manufacturing activity, shall be entitled to a tax base reduction by the value of the investment:

- Workers in the textile, clothing, leather and leather products sector who earned a salary lower than the average gross salary in the Republic for the previous year, have a smaller basis for calculating contributions, which is 25% of the average gross salary paid in the Republic in the previous year.
- In the Republic of Srpska, the dividend tax was abolished, and significant novelties were introduced for the taxation of income from foreign sources in a positive sense. The conditions for obtaining the status of a qualified investor are defined, on the basis of which the investor acquires tax benefits for annual income.

In Brčko District:

- Compensation for amount of new investments invested in purchase of fixed assets and up to the amount of determined and paid profit tax or income tax in period for the year in which purchases of fixed assets was made, provided that the difference between the amount of profit tax or income tax, and made supply cannot be transferred to next year.
- For taxpayers who hire new employees for an indefinite period during the tax year, the tax base is reduced by the amount of the gross salary paid to the newly hired employees.
- Compensation for amount of new investments invested in purchase of fixed assets and up to the amount of determined and paid profit tax or income tax in period for the year in which purchases of fixed assets was made, in accordance with the Income Tax Law of the Brcko District of Bosnia and Herzegovina, provided that the difference between the amount of profit tax or income tax, and made supply cannot be transferred to next year.

When a taxpayer, in the year for which the profit tax is assessed, generates from export certain percentage of total profit, then the taxpayer is exempted from paying certain amount profit tax.

For machines subject to depreciation, the taxpayer is allowed to use the accelerated depreciation calculation.

Other Taxes

➢ What is the withholding tax regulation?

In FB&H, the taxpayer is obliged to calculate and pay withholding tax on gross amount of:

- dividends or allocation of profits;
- interest or its functional equivalent under financial instruments and arrangements;
- royalties and other intellectual property rights;
- for management, technical and educational services (including fees for market research services, tax consulting, auditing services and consulting services);
- fee for the lease on the basis of lease movable and immovable property;
- compensation for entertainment and sports events;
- insurance premiums for the insurance or reinsurance of risks in the Federation;
- charges for telecommunications services;
- Other fees for services, but only for non-residents of countries with which there is no signed agreement on avoidance of double taxation. The withholding tax is paid at the tax rate of 10%, and for dividends the rate is 5%, tax rate may be lower in the case of application of the Agreement on Avoidance of Double Taxation.

In RS, withholding tax applies to the following revenue payments:

- Payment of interest;
- Payment for entertainment or sporting activities carried out in RS regardless whether the revenue is received by the entertainer or sportsman or by another person;

- Payment for the performance of management, consulting, financial, technical or administrative services, if the revenue is from a resident or if the revenue is paid by or included in the books and records of a permanent establishment in RS if such payment is deducted for the purpose of determining tax base;
- Payment in the form of insurance premiums for the insuring or reinsuring of risks in Republic of Srpska;
- Payment for telecommunication services between Republic of Srpska and a foreign state;
- Payment of royalties;
- Payment of lease for movable property;
- Payment for dividends and share in profits.

The tax to be withheld from revenue payments to a foreign legal person is10% of the total revenue paid

Social Security Contributions

In the FB&H there are contributions paid by the employer and those paid by the employee.

In Republic of Srpska as well as in the Federation of B&H, contributions are calculated on the basis of gross wage. Gross wage includes net wage earned by regular employment, multiplied by determined coefficient, plus contributions and taxes.

In Brcko district, pension insurance contributions are regulated by entity laws.

a) Employee's Share:

- FB&H: 17% for pension insurance, 12.5% for health insurance, 1.5% for unemployment insurance (in total: 31% on gross wage).
- RS: 1RS: 18,5% for pension insurance, 10,2% for health insurance, 0,6% for unemployment insurance, 1,7% for child protection (in total: 31% on gross wage)
- Brcko district:17% for pension insurance for employers who apply FB&H law and 18,5% for pension insurance for employers who apply RS law, 12% for health insurance, 1,5% for unemployment insurance (in total: 32% on gross wage).

b) Employer's Share:

- FB&H: 2,50% for pension insurance, 2% for health insurance, 0.50% for unemployment insurance (in total: 5% on gross wage).
- Brcko district: 6% for pension insurance (in total: 6% on gross wage for employers who apply FB&H Law).
- In Republic of Srpska no such contributions are paid.

7. OPPORTUNITIES FOR INVESTMENT

Privatization

➢ How is the privatization process regulated in B&H?

A Framework Law on Privatization of Enterprises and Banks in B&H recognized the right of the Entity to privatize enterprises and banks located in its territory, that are not privately owned, and to take the proceeds of privatization in accordance with regulations adopted by respective Entity parliament. The above-mentioned laws are not applicable in case of natural resources, public goods, cultural and historical sites or monuments that are lent to enterprises for their use.

➢ How is the privatization process managed in B&H?

In the FB&H, privatization process is conducted by the Federation Privatization Agency and by cantonal privatization agencies, while in the Republic of Srpska it is the responsibility of the Investment and Development Bank of the Republic of Srpska.

➢ Who can be a buyer in the privatization process?

Domestic and foreign natural persons and legal entities may be buyers in privatization process.

Which methods of privatization are used?

The privatization methods are as follows:

- sale of shares on the stock exchange,
- sale by means of a tender (the most common method for sale of company),
- acceptance of a public offer for takeover,
- direct selection of a buyer,
- sale to the employees of the company, and
- combination of the above methods.

What payment instruments are used in the privatization procedure?

In the process of privatization, the payment instrument is cash. o What is the process of restructuring? Companies prepare their privatization programs that include:

- Background information on company and its business operations;
- Proposal of privatization model;
- Proposal of method of payment;
- Opening balance sheet.

What results have been achieved in privatization so far?

Privatization of many strategic companies is underway. Privatization of state monopolies: telecoms, energy: utilities – electricity, etc. is ongoing process.

Bankruptcy

The bankruptcy system has created an array of new opportunities for both foreign and local investors, offering under extremely convenient conditions an office and production space for launching new businesses, as well as abundant opportunities for restructuring and improving of existing businesses or production programs.

Advantages of bankruptcy are:

- The process is predictable, transparent, court-approved, and definitive.
- Bankruptcy laws supersede other competing provisions of law.
- The law works quickly, according to strictly established deadlines.
- It can rehabilitate a reorganized business, reviving or improving its production and ability to compete, creating work for its managers and employees, placing ongoing orders for suppliers of goods and services to the company, periodically purchasing or replacing equipment, and generally restoring the enterprise to the marketplace

Concessions

What are concessions?

Concessions in Bosnia and Herzegovina are granted for exploiting natural resources or constructing infrastructure facilities and other public goods in general use (such as the use of forests, highways, major roads and accompanying infrastructure facilities, railroads, water channels, ports and airports, waterways, exploring and/or use of energy and other mineral raw materials, crude oil and natural gas, use of construction land, use of agricultural land, hotels and other tourism facilities, etc.).

What is the procedure of obtaining approval for a concession?

Upon proposal from the Commission for Concessions, the Government shall grant a concession to the most favorable bidder, having met and satisfied all the criteria set in the public invitation and being of a higher rank compared to all other bidders. The Commission shall, as promptly as possible, be notified of the selection of the successful bidder. The Commission shall receive a copy of the Concession Contract as well as copies of all project documentation in its final form.

What is the duration of a concession contract?

Contract may not be concluded for a term exceeding 30 years; however, if there are special circumstances that involve investments requiring a longer term, the contract period may be extended, but it may not exceed 50 years. The contract may be renewed for a term not exceeding the half of the original term. The supervision, control and monitoring of the entirety of the activities of the concessionaire over the term of the contract of concession is done by the Commission for Concessions of B&H.

Which rights do concessionaires enjoy?

The Concessionaire has the right to own and use the assets and property made available by the Conceding Party in accordance with the Concession Contract.

What are the concessionaires' obligations?

The share capital of the Concessionaire shall be held by persons listed in tender documentation. Not more than 30% of voting rights can be transferred, directly or indirectly, without approval of the Commission. The Concessionaire may not perform any activity other than that described in Concession Contract. The Concessionaire shall prepare standard services contracts regulating business relationship between the Concessionaire and users of services, subject to approval of the Commission.

8. LAND/REAL ESTATE

➢ Can foreign investors acquire property in B&H?

Foreign investors have the same property rights in respect to real estate as the legal entities of Bosnia and Herzegovina.

➢ What is the procedure of buying land by a foreign investor?

After the signing of a sales contract and the certification of signatures of the contracting parties by the public notary, the land and new owner are registered in the Land Register. Requests for land registry extracts, as well as requests for alterations in land register records, are submitted to the land register offices located in courts, specifically municipal courts in FB&H and district commercial courts in RS. If some of the data necessary for submitting a request are unknown, e.g. plot number, land register folder, cadastre municipality name, these can easily be obtained in the land register office.

➢ Where can I insure my property?

Foreign investors can insure their properties at many insurance companies. For a list of leading insurance companies in B&H, please contact FIPA directly.

➢ Can I rent out my property in B&H?

A foreign investors can rent out their B&H property without any requirement to obtain a rental license from the authorities, but can be limited by a signed contract.

➢ What is the price of buying or leasing office space?

Prices od real estate aleays depend on a number of factors such as: location, condition and equipment, age, current market situation.

Prices of bying/leasing office space are ranging as follows:

Leasing office space (without ground floor): 5 EUR/m2 – 50 EUR/m2 per month

Buying office space: Central position 1500 EUR/m2 – 3000 EUR/m2

Peripheral position 500 EUR/m2 – 2000 EUR/m2

➢ What is the price of land?

Price of agricultural land: 2 EUR/m2 – 25 EUR/m2

Price of construction land: 25 EUR/m2 – 700 EUR/m2

➢ What is the price of leasing or buying workshop (production building)?

Prices of leasing/buying workshop (production building) are:

Leasing production building: 2 EUR/m2 – 10 EUR/m2 per month

Buying production building: 50 EUR/m2 – 1000 EUR/m2

9. FOREIGN TRADE

Customs Rates

➢ How are imports customs regulated?

Customs Policy Law of B&H regulates import and export customs issues. Import customs rates are harmonized with the EU Nomenclature. Depending on the type of products, customs rates are being reduced to 90%, 75% or 50% of the previous rate, while customs rates will be completely eliminated for some products. The reduction of customs rates is valid only for goods originating from the EU, not all the goods being imported from EU. Customs protection is still provided for agricultural products for which customs rates will mostly be paid as previously.

➢ Which products can be imported duty free?

Under the provisions of the Customs Policy Law, the following goods are exempt from custom duties: equipment being imported as a part of foreign investment, except for passenger cars, slot and gambling machines; production equipment that are not produced in Bosnia and Herzegovina, imported for the new or expansion of existing production, modernization of production, the introduction of new or modernization of the existing production technology, and carrying out the direct manufacturing activity, equipment for military and police forces of the Entities financed entirely by donors; equipment for reconstruction projects in B&H that have been approved by the Council of Ministers and are fully financed by donors or by international community.

The equipment that makes part of a foreign investment cannot be lent, pledged as a guarantee, rented or given up without previous consent of the customs administration. If such equipment is lent, pledged as a guarantee, rented or given up, corresponding customs duty would have to be paid on it. The following items are also exempt from import duties: fixed assets, industrial inventory and equipment imported on the basis of transfer of business activities from abroad to B&H, intermediate materials to be used for manufacturing of goods for export, advertising material, samples, catalogues, goods for charity and humanitarian agencies, etc.

➢ Are there any special import restrictions on equipment that is part of foreign investment?

Equipment imported as foreign investment must not be older than 10 years. A certificate issued by the authorized body needs to be provided, confirming that the equipment meets necessary standards on environmental protection and protection at work.

Trade Structure

➢ Which goods dominate B&H exports and imports?

Top Exported Products in the period January - December 2024, classified by SITC (Standard International Trade Classification) section and division:

- Miscellaneous manufactured articles (24.7%)
- Manufactured goods classified chiefly by material (23.1%)
- Machinery and transport equipment (21.0%)
- Crude materials, except fuels (8.9%)
- Mineral fuels and lubricants (6.5%)
- Chemicals (8.6%)
- Food and Live animals (5.3%)
- Animal and vegetable oils and fats (0.8%)
- Beverages and tobacco (0.7%)

Top Imported Products in the period January - December 2024, classified by SITC (Standard International Trade Classification) section and division:

- Manufactured goods classified chiefly by material (22.5%)
- Machinery and transport equipment (23.3%)
- Mineral fuels and lubricants (12.2%)
- Chemicals (12.6%)
- Food and Live animals (13.7%)
- Miscellaneous manufactured articles (10.4%)
- Crude materials, except fuels (1.7%)
- Beverages and tobacco (2.7%)
- Animal and vegetable oils and fats (0.5%)

- **Which countries are B&H's major foreign trade partners?**

B&H's major foreign trade partners in the period January – December 2024 are: Germany, Italy, Serbia, Croatia, China, Austria, Slovenia, Turkey, Poland, Hungary, France, USA, Netherlands, Czech Republic and Montenegro.

Free Zones

- **What are Free Zones?**

The free zones are part of the customs territory of B&H managed by the founder of the free zone.

- **Are there any benefits of doing business in Free Zones?**

The users of free zones do not pay VAT and import duties for equipment that will be used for production in the free zone. Investment in the free zone, transfer of profit and transfer of investment are free of charge. The imports of equipment that will be used for manufacturing within the free zone are exempt from paying customs duties and fees.

- **What is the time period of land and facilities rentals to Free Zone users?**

The Contracting parties agree upon the time period of land and facilities rentals to free zones users.

Free Trade Agreements

- **Which countries have signed the Free Trade Agreement with B&H?**

Bosnia and Herzegovina signed the Central European Free Trade Agreement (CEFTA) with the following countries: Albania, Serbia, Moldova, Montenegro, North Macedonia, UNMIK/Kosovo, Turkiye.

- **Does B&H have preferences to export to other countries?**

The Stabilization and Association Agreement (SAA) between the EU and B&H enters into force on Jun 1, 2015. The SAA establishes a close partnership between the EU and B&H and deepens the political, economic and trade ties between the two parties. It is from now on the main framework for the relations between the EU and B&H.

B&H has generalized system of preferences with: New Zealand, Japan, Australia and member states of the Eurasian Economic Union (Republic of Armenia, Republic of Belarus, Republic of Kazakhstan, Kyrgyzstan Republic and Russian Federation)

Furthermore, B&H has preferential export regime with Iran.

10. EMPLOYMENT

Employment Relations

- **Labor Force**

B&H benefits from a rather well-educated population and a qualified labor force that responds to the requirements of the economic structure of the country. Creativity of the people has been approved many times by winning international awards for innovations and patents. Bosnia and Herzegovina is one of the most rewarded countries in this domain per capita.

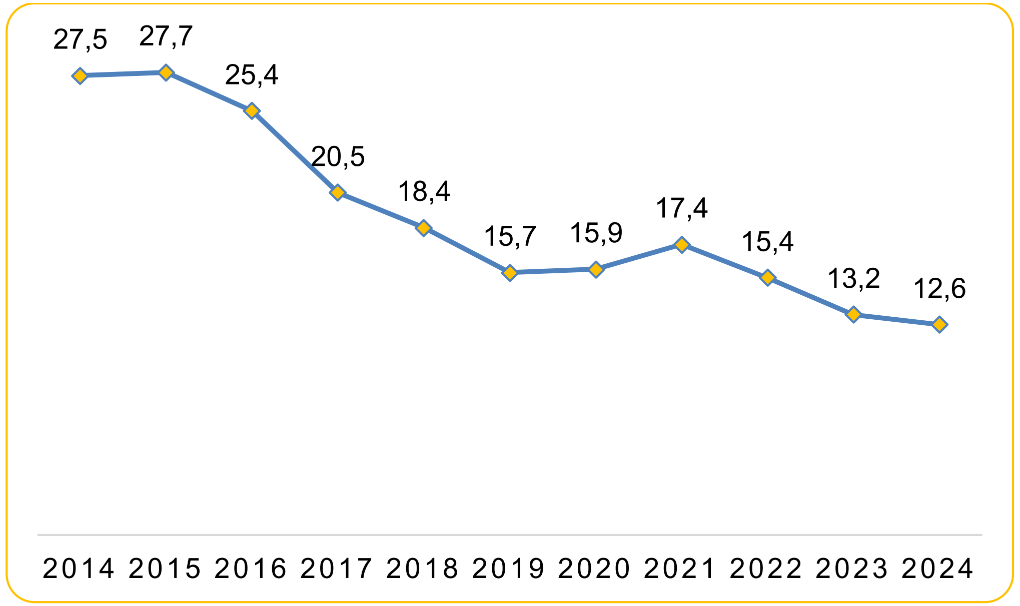
Of all employees in December 2024, women accounted for 45.7%

➢ How is the local labor force structured by activities?

Activities	December 2024	I-XII 2024 / I-XII 2023
Agriculture, forestry and fishing	19,148	98.6
Mining and quarrying	14,933	95.7
Manufacturing	163,031	97.3
Electricity, gas, steam and air conditioning supply	17,908	101.7
Water supply; sewerage, waste management and re-mediation activities	13,737	99.6
Construction	42,391	103.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	157,963	102.1
Transportation and storage	38,980	100.6
Accommodation and food service activities	42,215	102.5
Information and communication	29,556	101.9
Financial and insurance activities	18,951	102.7
Real estate activities	3,549	100.0
Professional, scientific and technical activities	28,241	101.7
Administrative and support service activities	20,438	105.3
Public administration and defence; compulsory social security	77,271	100.1
Education	73,293	101.5
Human health and social work activities	62,862	102.8
Arts, entertainment and recreation	15,179	100.8
Other service activities	18,422	102.1

Source: Agency for Statistics of B&H

➢ What is the unemployment rate in B&H? (%)



Source: Agency for Statistics of B&H

➢ Which employment types are stipulated by the law?

Various forms of employment status are admissible within limits under the laws: permanent (no fixed duration), temporary, fixed duration, casual, seasonal, part- time and probationary.

➢ How can we employ a worker?

Employment is based on the employment contract signed for an indefinite or definite period. After the signing of the contract, the employer is obliged to register the employee at the Pension-Disability Fund, as well as the Health Insurance Fund.

➢ How can we terminate employment?

Employers in B&H are allowed to terminate individual employment for a variety of reasons, including poor performance, misconduct, and on economic, technical or organizational grounds.

Small companies with fewer than 30 employees are not required to consult on dismissals, nor are they required to have works councils. Larger employers have to consult with their works council or trade unions where five or more employees face dismissal. In the event of dismissal, severance equal to one-third of monthly salary for each year of service is payable.

➢ Is it possible to conclude a part time work contract?

Yes, the employment contract may be concluded for part-time work. The employee is entitled to social insurance and to all the rights arising from the employment contract in proportion to the time spent at work.

➢ Can the employer hire trainees or volunteers?

The employer may hire a trainee or volunteer, for the period determined as the training or volunteering duration by the law for a specific profession. Both contracts are concluded in written form

Work and Residence Permits for Foreigners

➢ How can foreigners obtain residence permits?

Residence and movement of foreign nationals is regulated by the Law on Foreigners of B&H.

For the purpose of the Law, the residence of foreigners shall refer to:

a) Visa residence,

b) Non-visa residence,

c) Temporary residence,

d) Permanent residence.

A temporary residence permit may be issued for legitimate reasons such as: family reunification, education. humanitarian reasons, work with work permit, work without a work permit.

The costs are as follows:

- for issuance of temporary residence permit: 50 EUR;
- for issuance of permanent residence permit: 100 EUR

➢ How can foreigners obtain work permits?

When a foreigner intends to reside in B&H for the purpose of paid employment, they must have a work permit issued by the authority in charge of foreign employment affairs in accordance with the relevant laws.

A work permit may be issued to a foreigner upon the request of the legal or natural person offering employment. Depending on the place of residence or the seat of employer, the work permit shall be issued by authority competent for matters of foreigner employment of the Federation of Bosnia and Herzegovina, Republic of Srpska or Brcko district of Bosnia and Herzegovina.

Work permit shall be issued by the competent authority on the basis of established work permit quota (Work permit quota) or as permit outside the quota (Work permits outside the quota), in accordance with the Law on Foreigners of B&H, as well as in accordance with regulations pertaining to the issuance of work permits. Work permit shall be issued for a specific post and/or for a specific type of job. Work permit may not be issued to a period longer than one year. Within the annual quota of work permits, the Council of Ministers shall determine occupations allowing for the employment of foreigners, as well as the number of work permits for each occupation, and establish the territorial division of work permits according to the needs.

The Blue Card

The Blue card is a temporary residence permit for the purpose of employing highly qualified workers, and for this temporary residence permit is issued with a validity period of up to 24 months.

Collective Contracts

➢ What are the collective contracts and what do they cover?

Collective contracts regulate the rights, obligations and responsibilities arising from employment, mutual relationship among the parties to the collective contract and other matters of importance to the employee and the employer.

There are also Special Collective Agreements concluded for a specific sector or a group of jobs between the trade union and the representative association of employers.

➢ Is the employer obliged to conclude a collective contract?

The General Collective Agreements are obligatory, while Special Collective Agreements are voluntary.

Working Hours and Overtime Work

➢ What are full time working hours?

Full time working hours are limited to 40 hours per week. The working week lasts 5 days (Monday-Friday).

➢ Are overtime working hours limited

? In case of force major (fire, earthquake, flood) or sudden increase in the volume of work, as well as in other similar cases of emergency need, an employee, at the request of the employer, is obliged to work longer hours than his/her full work hours (overtime work), up to 10 hours weekly.

Annual Leave, Public Holidays

➢ What is the minimum annual leave?

The minimum annual leave is 20 working days, according to labor laws in B&H.

➢ How long can a maternity leave last in B&H?

During pregnancy, confinement and care of the baby, the woman is entitled to maternity leave in the duration of one year without interruption.

Minimum Wages

➢ Is there a minimum wage?

During 2023 at B&H level, the average monthly net salary was 646 EUR, and the average gross salary was 995 EUR. Minimum net and gross wage is defined by entities.

By decision of the Government of Federation of B&H, the lowest salary in the Federation B&H for the period from January 1 to December 31, 2025 is set at a net amount of 511.3 EUR ("Official Gazette of the FBiH", number 104/24).

The lowest amount of net income for 2025 in the Republic of Srpska is set depending on the educational level from 460.2 to 664.7 EUR (511.3 EUR is net selary for workers with secondary education, published "Official Gazette of RS, number 6/2025).

➢ In which cases are employees entitled to increased salaries?

An employee is entitled to increased salary for intensified hardships of work, overtime work and night work, and for work on Sundays or holidays or any other day which is in the law determined to be a non-working day, in accordance with the collective agreement, rulebook or employment contract

11. WORKFORCE AND EDUCATION

Educational System

➢ How is the educational system organized in B&H?

Primary education consists of nine compulsory years. High school (secondary) education consists of three to four years, split into (i) general education providing access to university; (ii) four-year technical education preparing individuals for the labour market and providing an opportunity for access to university; and (iii) three-year vocational education.

➢ What is the educational structure of unemployed population?

Registered unemployment by qualification in B&H, December 2024

TOTAL, December 2024	320,696
University qualification	25,345
Two-year college	4,994
Secondary	90,917
Highly skilled and skilled	100,905
Semi-skilled	4,478
Unskilled	94,057

Source: Agency for Statistics of B&H (BHAS);

➢ How many educational institutions are there in B&H?

	Number of institutions
Pre-school education (school year 2024/2025)	529
Primary education (school year 2023/2024)	1,714*
Secondary education (school year 2024/2025)	314
Higher education (school year 2024/2025)	42**

Source: Agency for Statistics of B&H (BHAS); Agency for Development of Higher Education and Quality Assurance of Bosnia and Herzegovina (HEA) *1,667 active regular basic schools (central and self-contained with satellite schools and departments) and 47 basic schools for children with special needs. **In the academic year 2024/2025, in the territory of B&H, were 42 higher education institutions: 27 Universities and 15 Colleges, out of which 10 are public and 32 private.

Number of Universities and Students

➢ How many students are there in B&H?

In the academic year 2024/2025 on the territory of B&H were 70,646 students in higher education institutions (first cycle, integrated I and II cycle and candidates for graduation) and 108,057 pupils attended 314 secondary schools.

Young people in BiH are highly motivated to acquire knowledge and have won numerous international awards and medals in competitions in various scientific fields. The largest number, or 57.2% of pupils, attend technical high schools.

➢ Pupils and foreign languages

High school students or pupils know foreign languages well, and they mostly learn English (101,168), German (39,222), Russian (3,020) and French (2,157), while other languages learn 5,950 students.

➢ Is B&H participating in the Bologna Process?

Yes, B&H is signatory to the Bologna Declaration, thus a part of single European system of higher education.

➢ What is the annual number of graduated students over the years?

Graduates, Masters of Science, Specialists and Doctors of Science on High Schools Institutions in B&H, in 2024/25

2024	Total graduated students	Total masters of science and specialists	Total doctors of science
B&H	**9,933**	**2,747**	**83**

Source: Agency for Statistics of B&H (BHAS);

➢ Are there any foreign schools?

Investors who would like to come with their family have a choice of international schools - from kindergartens to MBA studies. Some international universities also provide a possibility of various distance-learning programs.

Selected international schools, with programs on foreign lenguages:

School	Language	Contact
QSI International School of Sarajevo	English	www.qsi.org
International Burch University (IBU)	English	www.ibu.ebu.ba
International University of Sarajevo	English	www.ius.edu.ba
The Sarajevo School of Science and Technology	English	www.ssst.edu.ba
French School of Sarajevo	French	www.mission-laique.asso.fr www.aefe.fr
UWC United World College in Mostar (UWCiM)	English	www.uwcmostar.ba

Information about Higher Education and authorised institutions are available on www.cip.gov.ba - Centre for Information and Recognition of Qualifications in Higher Education and www.hea.gov.ba - Agency for Development of Higher Education and Quality Assurance.

12. INFRASTRUCTURE

Road and Railway Network

➢ What is the total road network in B&H?

The total length of the country's road network is approximately 24,796 km and the total length of the arterial highway network amounting to 3,970 km (source: Framework Transport Strategy of Bosnia and Herzegovina 2015-2030). The length of European roads (E-roads) amounts to a total of 1,135 km (E-65, E-73, E-661, E-761 and E-762) and more than 240 km of highways have been completed so far. The construction of the Zenica-Sarajevo-Bradina, Počitelj-Bijača and Svilaj-Odžak motorway sections was completed as part of the pan-European transport Corridor Vc, the most significant transportation project in B&H that goes from the Port of Ploče, via Sarajevo and Brčko to Budapest, Hungary (335 km). More than 56% of the population of B&H lives in the zone where the construction of this Corridor is proposed, while 63% of the total GDP is generated there. The important connections Banja Luka - Doboj and Bosanska Gradiška – Banja Luka have been completed, as a parts of other motorway directions. More than ten highway projects are currently under construction across the country.

➢ What is the railway transportation potential?

The railway network is made of 1,03 km of railroad track, 9% of which is double-track and 76% electrified. There are two main railway routes: the northsouth Samac-Sarajevo-Capljina (Ploce) railway route and Bosanski Novi/ Novi Grad-Doboj-Tuzla-Zvornik route connecting the west to the east of the country. Bosanski Novi/Novi Grad-Bihac-Martin Brod, on the north corridor, links Central and Northern Croatia and Northwest B&H with the Port of Split on the e Adriatic Coast. 14 km of Belgrade-Bar line goes through the eastern part of RS.

Airports

➢ How many airports exist in B&H

B&H has 4 airports – Sarajevo, Tuzla, Mostar and Banja Luka. In 2023, a total of 22,914 airport operations were performed at four international airports in B&H, of which 60.7% at Sarajevo Airport, 19.2% at Banja Luka Airport, 17.2% at Tuzla Airport and 2.9% at Mostar Airport. The total number of transported passengers was 2.4 million and shows an increase in 2023 by 10%, compared with 2022. Transported passengers during 2023 performed at airports was: 56.1% at Sarajevo Airport, 24.0% at Tuzla Airport, 19.0% at Banja Luka Airport and at Mostar Airport 0.8%. In 2023 the total cargo transported by air was 2,487 tons with increase 23.4%, and total of 293 tons of mail was transported with increase 24.2%, compared with 2022. (Source: Agency for Statistics of B&H)

The distances between Sarajevo and major European cities are as follows:

Sarajevo – Belgrade 206 km Sarajevo – Brussels 1310 km Sarajevo – Budapest 407 km Sarajevo – Frankfurt 1013 km Sarajevo – Istanbul 930 km Sarajevo – Ljubljana 389 km Sarajevo – London 1620 km Sarajevo – Munich 708 km Sarajevo – Paris 1349 km Sarajevo – Prague 755 km Sarajevo – Rome 516 km Sarajevo – Vienna 511 km Sarajevo – Zurich 859 km Sarajevo – Zagreb 288 km

River Transport

➢ What are the possibilities for river transportation in B&H?

The River Sava has 333 km of navigable water; as a tributary to the Danube, it is part of the European waterway network – VII Trans European Transport Corridor. The International Port Brcko (JP Luka Brčko) along with improvement of operations is in the final phase of revitalization and modernization.

Fixed and Mobile Telephony

➢ What is the fixed telephony infrastructure?

The telephony infrastructure covers the whole territory of B&H. There are nearly 613,974 fixed direct telephone lines in operation in B&H. The network is of great quality and high reliability, because there is more than 115 years long tradition of it in B&H.

➢ What is the number and coverage of mobile telephony operators?

There are 3 telecom operators for mobile GSM technology: BH Telecom (Sarajevo), Telekom Srpske (Banja Luka) and HT Mostar (Mostar). Also, there are four operators who are registered as providers of public mobile telephone service and provide mobile telephony services on the basis of commercial agreements concluded with the licensees for GSM services (Logosoft, Dasto Semtel, Novotel and Haloo) .All providers are present on the whole Foreign Investment Promotion Agency of Bosnia and Herzegovina 51 territory of B&H and they cover more than 98% of the territory and population.

The number of prepaid subscribers (2,579,694) is still several times higher than the number of postpaid subscribers (1,170,210). The number of mobile subscribers in Bosnia and Herzegovina is 3,749,904.

➢ Is the fixed telecommunication network digitalized and how many operators are there?

The fixed telecommunications network is more than 98% digitized and in use copper pairs and DECT, as well as optics for large users, while transmission based on optics using PDH and SDH technology. In Bosnia and Herzegovina there are three (3) licensed fixed telephony operators and twelve (12) licensed providers fixed public telephone services.

➢ What is the penetration of the mobile telecommunication network?

Penetration level (number of mobile subscribers per 100 inhabitants) of mobile telephony in BiH 112.86% in 2024 based on GSM, UMTS and LTE technology. UMTS networks (universal mobile telecommunications System - based on the 3GSM standard) cover more than 97.0%. population in Bosnia and Herzegovina. The introduction of the 4G network is underway and mostly refers to the coverage of large urban areas.

Internet

➢ What is the Internet availability and infrastructure?

Internet as a service has been completely liberalized since 2002 and there are 63 Internet Service Providers (ISP) in addition to existing telecom operators, providing various services of Internet access using different technologies.

Detailed information relevant to the sector is available at the link https://rak.ba/bs-Latn-BA/telecom-market-analysis.

➢ How many internet users are there in B&H?

In 2023, there were 875,521 internet subscribers in Bosnia and Herzegovina, and estimates say that there were 3.9 million internet users in the same year. The growth in the number of internet users of 5.4% in 2023 compared to 2022 shows that the internet usage rate in BiH in 2023 is 84%.

Internet users penetration diagram

➢ What are the possibilities of internet access?

Generally speaking, both smaller and larger cities in Bosnia and Herzegovina are following the trend of decreasing the total number of dial-up subscribers, while at the same time the total number of broadband Internet access subscribers is increasing. The number of broadband subscribers reached 99.95% of the total number of Internet subscribers. In the structure of broadband connections, ADSL access continues to lead with 52.54% of broadband Internet access subscribers.

➢ Types of service

The development of broadband Internet and liberalization of the telecommunications market have conditioned the service package offers that have merged several offers into a single package: Internet, fixed telephone services, mobile telephone services and TV. The most subscribers used TriplePlay bundle (fixed telephony, internet and television).

As of December 31, 2023, services were provided by 37 holders of licenses for broadcastin television programs, which are carried out via terrestrial broadcasting, and 148 users of licenses for radio broadcasting in Bosnia and Herzegovina. In addition, audio-visual services were provided by 77 licensees for the broadcasting of television programs, which are carried out through other electronic communication networks. Source: Annual Report of the Communications Regulatory Agency for 2023, March 2025)

13. OPERATIONAL COSTS

We would like to emphasize that it is necessary to check all services expenses for a specific location and according to the specific requirements. Operational costs are shown only for approximate estimates. Prices shown are in the range acording the price lists of the provider, defined in accordance with various technical specifics.

Monthly review of AVERAGE CONSUMER PRICES IN B&H is available on www.bhas.ba (Agency for Statistics of B&H) - Montly publication

➢ What is the price of electricity in B&H?

The price of electricity is defined with tariff and price of kW/h. Tariff rates are determined by Entities Regulatory Commission for Electricity, and information are available on:

www.ferk.ba - Regulatory Commission for Electricity in Federation B&H

www.reers.ba - The Regulatory Commission for Energy of Republic of Srpska.

The price of electricity is determinate with tariff groups, season and higher/lower daily tariffs.

Prices of electricity in B&H With all taxes included	Higher	Lower
Average – December 2024	0.10 EUR/kwh	0.05 EUR/kwh

Source: Agency for Statistics of B&H, - Monthly review of Average Consumer Prices in B&H in December 2024.

The average price of electricity for industry from group of customers IC, without VAT, in the second half of 2024 amounted to 9.48 EUR cent/kWh. For non-household consumers (defined as medium-size consumers with an annual consumtion within the range of 500 MWh < consumption < 2 000 MWh) electricity prices during the second half of 2024 were 5,4% are higher compared with same period the previous year.

(Source: Agency for Statistics of B&H, Multi-domain stats, Environment and Energy, Prices of electricity and natural gas, July - December 2024).

➢ What is the price of gas in B&H?

The price of natural gas	With all taxes included
Average – December 2024	0.562 EUR/m^3
Average, July - December 2024	16.98 EUR/GJ

Source: Agency for Statistics of B&H, - Monthly review of Average Consumer Prices in B&H in December 2024, Economic statistics, average consumer prices in Bosnia and Herzegovina in December 2024; Environment and Energy, Prices of electricity and natural gas, second semester of 2024.

On May 1st 2025, Sarajevo gas d.o.o. Sarajevo applies a new, lower invoice price up to: 0.634 € / Sm3 for large economy, ie 0,640 € / Sm3 for small economy and 0. 536 €/ Sm3 for household.

➢ What are the costs of telephone?

A variety of custom packages are available on the market within more operators. The approximate price ranges are presented, from the lowest to the highest tariff for one minute and depending on the zone, time call or custom package.

Landline telephony, connection fee is 11.96 EUR with VAT. Monthly subscription prices are from 2.510 up to 7.67 EUR with VAT. The price of monthly subscription includes certain amount of free traffic, and operators also offer other packages where the monthly subscription depends on the amount of traffic included in the monthly subscription.

Call price within B&H is 0.026 EUR/Min with VAT for calls to landline networks, and from 0.102 up to 0.124 EUR/Min with VAT for calls to mobile networks in B&H;

Mobile telephony, monthly subscription prices are from 7.67 up to 89.47 EUR with VAT. Call rates within B&H are from 0.092 up to 0.107 EUR/min with VAT.

International calls are divided into three zones: neighbouring, European and non-European countries.

International calls to neighbouring countries: from 0.143 to 0.358 EUR/min.

International calls to other European countries: 0.41 EUR/min.

International calls to non-European countries: from 0.41 to 0.53 EUR/min

Users in B&H also use integrated service packages (duo, trio and quatro) that contain landline and mobile telephony, internet and television services, while the monthly subscription rates range from 20.27 EUR with VAT up to 65.803 EUR with VAT.

Source: Communications Regulatory Agency of Bosnia and Herzegovina – December 2024.

From July 1, 2021, on the basis of the Agreement on the reduction of the prices of roaming services in public mobile communication network in the Western Balkan region, the rule “roam like at home” RLAH will be applied. The “roam like at home” rule also includes the appropriate usage policy.

Average prices according Agency for Statistics of B&H:

Average price of monthly landline telephone subscription in December 2024 was 6.90 EUR.

Average price of post-paid mobile phone in December 2024 was 0.102 EUR/min.

Source: Agency for Statistics of B&H, Average consumer prices in Bosnia and Herzegovina in December 2024.

➢ What are the prices of water in B&H?

Water charges are determined at local level and thus are different from one municipality to another. The water price consists of: water, sanitation, PVN (Special Water Compensation) for water consumption and PVN for water protection (depending of the level of pollution of wastewater).

Average monthly price in December 2024, of Water supply was 0.613 EUR/m^3 and Sewerage services was 0.306 EUR/m^3. *(Source: Agency for Statistics of B&H, Average consumer prices in Bosnia and Herzegovina in December 2024).*

➢ What is the quality of water in B&H?

B&H has an exceptionally high quality of drinking water. Water from the tap is safe to drink as well as most places in the mountains or fountains in towns or along the side of the road.

Contents