

STARTING AND OPERATING  
**BUSINESS**  
IN BOSNIA AND HERZEGOVINA



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ESTABLISHMENT OF  
**BUSINESS**  
IN BOSNIA AND HERZEGOVINA

# LEGAL FRAMEWORK

The legal framework for foreign investment in Bosnia and Herzegovina is structured in such manner that it makes no difference between domestic and foreign investment.

When a foreign investor establishes or participates in the establishment of a company in Bosnia and Herzegovina, she/he acquires rights and assumes the obligations under the same conditions and has the same status as domestic investors.

In this brochure you will find basic information which is important to you as a foreign investor, on the occasion of starting a business in Bosnia and Herzegovina, as well as detailed instructions about registration and the establishment of the company in Bosnia and Herzegovina.

This brochure also provides an overview of the legal forms of the business entities permitted in Bosnia and Herzegovina and regulations applying to their establishment.

## REGISTRATION OF BUSINESS ENTITY

The business establishment, operation, management and termination of business in Bosnia and Herzegovina is regulated by the following laws:

In the Federation of Bosnia and Herzegovina:

Law on Companies of FB&H (Official Gazette of FB&H No. 81/15)

In the Republic of Srpska:

Law on Companies of RS (Official Gazette of RS No. 127/08, 58/09, 100/11, 67/13 and 100/17)

In Brčko District

- Cleansed text of the Law on Enterprises of BD (Official Gazette of BD No. 49/11)

According to the above mentioned laws, a company is a legal entity, which independently performs business activities with the aim of earning profit.

Company can be established by:

- Domestic natural and legal entities
- Foreign natural and legal entities
- Domestic and foreign natural and legal entities

The company laws of all three administrative units in Bosnia and Herzegovina distinguishes the following types of companies:

- Unlimited Joint Liability Company (d.n.o./o.d./UnLtd)
- Limited Liability Company (d.o.o./Ltd)
- Limited Partnership (k.d./LP)
- Joint-Stock Company (d.d. /a.d/ JSC)

Running a business activity, establishing a business entity requires registration. Registration of the business entity is a procedure within the competent authorities providing an authorization to perform certain activities in manner and under conditions prescribed by law. The procedure of registration of the business entity in Bosnia and Herzegovina is regulated by:

- Framework Law on Registration of Business Entities in B&H (Official Gazette of B&H No. 42/04),
- Law on Registration of Business Entities of FB&H (Official Gazette of FB&H No. 27/05, 68/05, 43/09 and 63/14),
- Law on Registration of Business Entities of RS (Official Gazette of RS No. 67/13, 15/16 and 54/19),
- Law on Registration of Business Entities of Brčko District (Official Gazette of BD No. 15/05).

The Framework Law on Registration of Business Entities in Bosnia and Herzegovina is structured in such manner to determine fast and uniformed procedure of registration of business entities at the territory of Bosnia and Herzegovina, and is therefore applicable to business entities established in Bosnia and Herzegovina by both domestic and foreign legal and natural persons.



# TYPES OF COMPANIES

The following tables show types and also brief descriptions of the companies that may be established in the Federation of Bosnia and Herzegovina, in the Republic of Srpska and in the Brčko District.

Types of Companies	In the Republic of Srpska
<p>Unlimited Joint Liability Company (d.n.o. / o.d. / UnLtd)</p>	<p>...is a company founded by the establishment act of two or more domestic/foreign natural persons and/or legal entities as general partners of the company in order to conduct business under a common business name. In addition to the establishment act d.n.o./UnLtd may have agreement between the partners ordering the company's operations and management. Company is liable for all of its obligations with all of its assets. All partners are personally, jointly and severally liable for all obligations of the company with all of their assets, unless otherwise agreed by a third party who has a claim. There are no requirements for minimum or maximum contributions;</p>
<p>Limited Liability Company (d.o.o. / Ltd)</p>	<p>...is a company established by one or more domestic/foreign natural persons and/or legal entities as the company's members in order to perform certain business activities under a common business name. Limited Liability Company is liable for all of its obligations with all of its assets. Member of Limited Liability Company is not liable for obligations of the company, except up to the amount of contracted but non-inserted investment in property of company. In addition to the establishment act d.o.o./Ltd may have agreement between the partners regulating the company's operations and management. Limited Liability Company can have a maximum of 50 members. If the number of members of Limited Liability Company increase over 50 (but not more than 100 members), and if that number is maintained in the period more than one year – that company changes its legal form into the form of Closed Joint Stock Company. Monetary part of the basic capital of Limited Liability Company is 1 BAM (approx. 0,50 EUR).</p>
<p>Limited Partnership (k.d. / LP)</p>	<p>...is a company established by two or more natural persons and/or legal entities as a partner, in order to perform certain business activities under a common business name, and in which at least one partner's liability is unlimited (a general partner), and at least one partner's liability is limited to the loss of his agreed contribution (a limited partner). In addition to the founding act, k.d./LP may have agreement between the partners regulating the company's operations and management. The Limited Partnership is liable for all of its obligations with all of its assets. In addition to the establishment act k.d./LP may have agreement between the partners ordering the company's operations and management. There are no requirements for minimum or maximum basic capital.</p>

Joint - Stock  
Company  
(d.d. / a.d. / JSC)

...is company established by one or more natural persons and/or legal entities as shareholders for the purpose of performing certain business activities under a common business name, which basic capital is determined and divided into shares. Joint Stock Company is liable for its obligations with all of its assets. Shareholders of the joint stock company are not liable for obligations of the company, except up to amount which is agreed upon, but non-paid share into the company assets. In addition to the establishment act d.d./JSC may have the Statute ordering the company's operations and management. Joint Stock Company can be Open and Closed Joint Stock Company. Joint Stock Company is an Open joint-stock company, if the founders make a public call for subscription and payment of shares at the time of the company establishment, or if such call is made after establishment. Closed Joint-Stock Company is a company whose shares are issued only for company's establishers or for limited number of other persons. Closed Joint-Stock Company cannot register shares through basic public offering or offer shares publicly. Closed Joint-Stock Company has a Director or a Board of Directors. Open Joint-Stock Company has a Board of Directors. Minimum cash investment of basic capital in the Closed Joint-Stock Company, on the day of entering into the register, is BAM 20,000 (approx. 10,000 EUR). Minimum cash investment of basic capital in the Open joint-stock company, on the day of entering into the register, is BAM 50,000 (approx. 25,000 EUR). Joint Stock Company can issue ordinary and preferred shares. The lowest nominal value of a share cannot be less than one convertible mark (BAM), and if it is greater then must be divisible by ten.

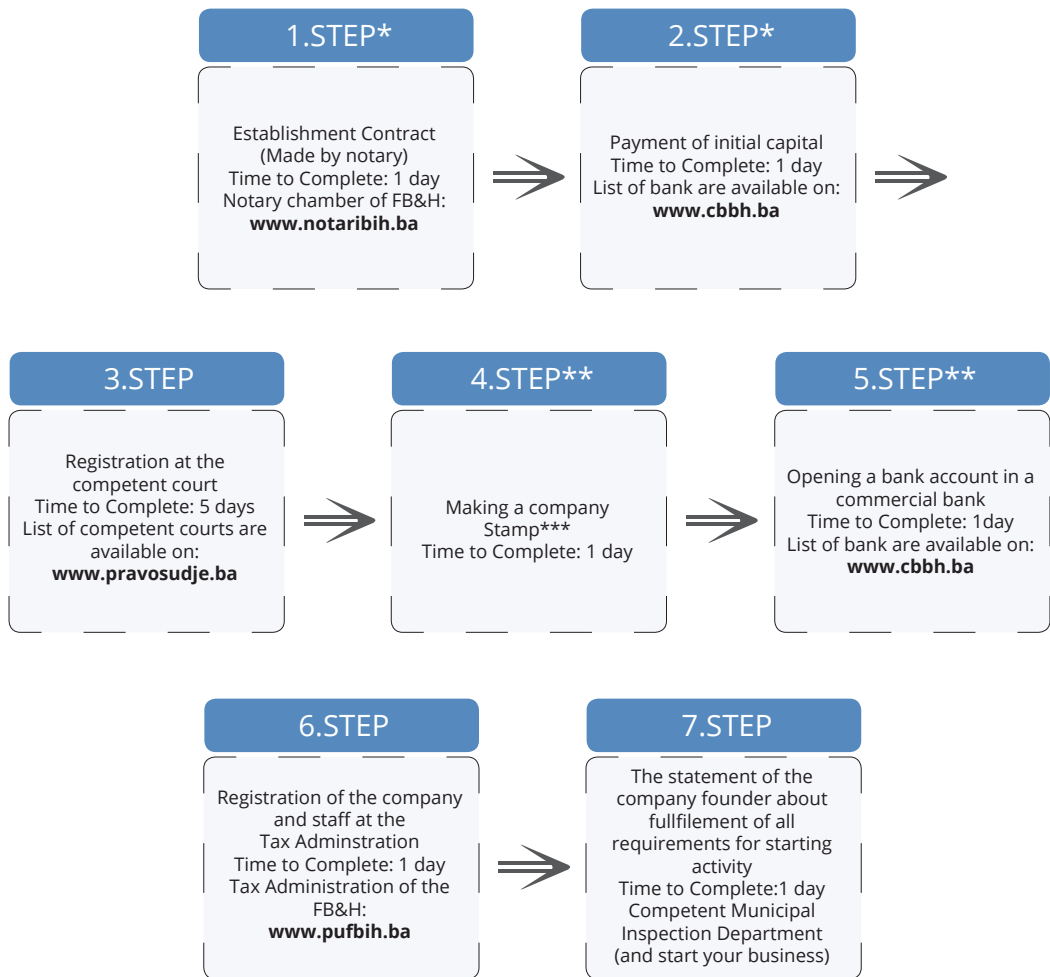
Types of Companies	In the Federation of Bosnia and Herzegovina
Unlimited Joint Liability Company (d.n.o. / o.d. / UnLtd)	<p>...is a company of at least two persons who bear unlimited mutual liability of the company. The company is founded by the Founding Contract of two or more domestic/foreign natural and/or legal entities. The contract must contain the name and address of the residence or company and address of company members, company address and activity of the company and the rights and obligations of members. Investments of the members may be in cash, kinds, rights or services. Value of investment must be estimated in the Founding Contract. Members' investments have equal value and become the property of the company. Every member has the right and obligation to manage the company. The company has no statute, no management bodies because members manage the company directly, including the representation of the company. There are no requirements for minimum or maximum contributions.</p>
Limited Liability Company (d.o.o. / Ltd)	<p>...is company founded by the establishment act or establishment contract by one or more domestic/foreign natural and/or legal entities with basic capital divided in parts. A member in a limited company is liable for the value of his investment in that company. Minimum basic capital is BAM 1,000 (approx. 500 EUR) the minimum contribution of each partner cannot be less than BAM 100 (approx. 50 EUR) Limited Liability Company has a Statute. Management of the company is made by the Assembly (if it is only one founder he has all the authority of the Assembly), by the administration (which may have more members) and the Supervisory Board, which must be appointed in cases that the company has at least ten founders, and capital of one million marks. In the Limited Liability Company that has no Supervisory Board its members are held liable.</p>
Limited Partnership (k.d. / LP)	<p>...is a company in which one or more members has unlimited solidarity liability for the liabilities of the company including member's private assets (general partner), and risk of one or more members is limited by the value of their share in that company; Limited Partnership is founded by the contract of two or more domestic/foreign natural and/or legal entities. Limited Partnership can be transformed into Limited Partnership with share capital. General partners manage the business of the company and company is represented by each general partner.</p>
Joint - Stock Company (d.d. / a.d. / JSC)	<p>...is founded by the establishment contract of one or more domestic/foreign natural or legal shareholders with basic capital divided into shares. A Joint Stock Company is founded by the Foundation Contract. Joint Stock Company is not liable for the obligations of shareholders, and can be established by one or more founders. The founders are the shareholders in joint-stock company. The minimum basic capital is BAM 50.000 (25,000 EUR). Nominal value of one share cannot be less than 1,00 KM (approx. 0,5 EUR). The bodies of Joint Stock Company are: assembly, supervisory board, administration and revision board. Joint Stock Company can be open and close: Open Joint-Stock Company is a legal entity (banks and insurance companies or company with minimum basic capital for banks of 4 million KM (approx.. 2 mil eur) and 40 shareholders at least, whose shares are issued through public offering; Closed Joint- Stock company is a legal entity, whose shares are distributed among a limited number of shareholders. The minimum basic capital is BAM 50,000 (approx. 25,000 EUR).</p>

Types of Companies	In the Brčko District
Unlimited Joint Liability Company (d.n.o. / o.d. / UnLtd)	<p>...is a company founded either with or without a share capital (there are no requirements for minimum or maximum contributions) but where the liability of the members or shareholders is not limited. Company is incorporated by the founding act of two or more domestic/foreign natural persons and/or legal entities as general partners of the company in order to conduct business under a common business name. Investments of the members may be in cash, kinds, rights or services. Value of investment must be estimated in the Founding Contract. Members' investments have equal value and become the property of the company. Company is liable for all of its obligations with all of its assets. All partners are personally, jointly and severally liable for all obligations of the company with all of their assets, unless otherwise agreed by a third party who has a claim.</p>
Limited Liability Company (d.o.o. / Ltd)	<p>... is a flexible form of enterprise that blends elements of partnership and corporate structures. Limited liability company is established by one or more domestic/foreign natural persons and/or legal entities as the company's members in order to perform certain business activities under a common business name. Limited Liability Company is liable for all of its obligations with all of its assets. Member of Limited Liability Company is not liable for obligations of the company, except up to the amount of contracted but non-inserted investment in property of company. Limited Liability Company can have a maximum of 50 members. If the number of members of Limited Liability Company increases over 50, the company has to have a special permission of the Government of the Brčko District. Minimum basic capital is BAM 2,000 (approx. 1,000 EUR).</p>
Limited Partnership (k.d. / LP)	<p>...is a form of partnership in which at least one partner's liability is unlimited (a general partner), and at least one partner's liability is limited to the loss of his agreed contribution (a limited partner). Company is founded by establishment contract of two or more natural persons and/or legal entities as a partner, in order to perform certain business activities under a common business name. The Limited Partnership is liable for all of its obligations with all of its assets. In addition to the establishment act k.d./LP may have agreement between the partners ordering the company's operations and management. There are no requirements for minimum or maximum basic capital.</p>
Joint - Stock Company (d.d. / a.d. / JSC)	<p>...is a company established by one or more natural persons and/or legal entities as shareholders, by the establishment act, for the purpose of performing certain business activities under a common business name, which basic capital is determined and divided into shares. In addition to the establishment act d.d./a.d./JSC has the Statute ordering the company's operations and management. Joint Stock Company is liable for its obligations with all of its assets. Shareholders of the joint stock company are not liable for obligations of the company, except up to amount which is agreed upon, but non-paid share into the company assets. Minimum cash investment of basic capital in the JSC, on the day of entering into the register, is BAM 15, 000 (approx. 7,500 EUR). Investments of the shareholders may be in cash, kinds, rights or services. Value of investment must be estimated in the establishment contract Joint Stock Company can issue ordinary and preferred shares. The lowest nominal value of a share cannot be less than one convertible mark (BAM).</p>

# STARTING A **BUSINESS**

IN FEDERATION BOSNIA AND HERZEGOVINA

# STEPS FOR ESTABLISHING A BUSINESS IN FB&H



\*Steps 1 and 2 can be finished in one day, \*\*Steps 4 and 5 can be finished in one day,  
\*\*\*FIPA can provide you with a list of competent companies

Duration and costs of establishing a business:

**Duration:** According to the Law, court registration takes 5 days.

**The costs are as follows:** Administrative costs cca. 1.000 BAM (approx. 500 EUR),  
lawyer and notary costs 1.000 - 2.000 BAM (aprox. 500 - 1.000 EUR).

## **STEP 1 - ESTABLISHMENT CONTRACT / DECISION** (has to be made by notary)

A d.o.o. / Ltd company can be established either by an establishing contract or establishing decision. If the company is to be established by one person, this will be made by the establishing decision. If there are more founders, the company will be established by the establishing contract.

The act of establishment must contain the following:\*

- Name and address of the founders (for individuals), or the name and seat of the founders (for legal entities)
- Name, seat and activity of the new company
- Amount of original capital
- Founders' rights and obligations (management, distribution of profit etc.)
- Procedure in case that one of the founders did not deposit his share in the specified period or did not fulfil any of his obligations
- Payment of the costs of establishing (by founders or new company)
- Management and representation of the company (it is necessary to nominate the persons authorized to manage and represent the company and also to submit the application with the documentation and complete other actions required for registration of company in the court register)
- Consequences in case of an unsuccessful establishment
- Special regulations if the company is being established for unspecified duration of time

*\* These are only the obligatory elements of the establishment act. The founders can include all regulations considered as necessary and which are in compliance with the laws on companies.*

## **STEP 2 - PAYMENT OF BASIC CAPITAL AT A BANK** (bank by choice of founder)

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. Payments made in other currencies shall be automatically converted into BAM (KM) based on the applicable exchange rate list of the bank.

During the process of establishment of the business entity, when submitting the application for entry into the court registry, depending on the type of the business entity concerned, along with the other documents required for registration, it is also necessary to attach the Certificate of Payment of the founders' equity and the bank (by founder choice) shall issue the Certificate of Payment of the founders' equity to the client for the needs of registration of the Founders' equity with the competent court.

When obtaining the payment order, investor should take special care of the following elements:

- It is important to make sure the order contains the exact name of the founder (full name and address)
- If someone else is making the payment, a declaration should be stated that the

payment is being made on behalf of the founder (name of the founder, mark as a beneficiary)

- Full name and address of the business entity being founded
- Founding capital (amount in BAM)

Issuance of the Certificate requires submitting of the following:

- Original of the founders' equity payment slip
- Certificate of the payment of fee for issuance of the Certificate of payment of the founders' equity
- After company registration at the competent court it is necessary to open a regular permanent / transaction account (as it will be described at the Step 5).

### **STEP 3 - REGISTRATION OF THE COMPANY AT THE COMPETENT COURT**

Registration shall be done at municipality/district commercial courts, with territorial jurisdiction according to the seat of the company.

For the registration it is necessary to submit the following documentation (translation of the documentation by the court interpreter is needed):

- Notarized signature of the person authorized to represent in application form for registration provided for the court in printed form
- The notary processed establishment act
- Bank certificate of payment of capital in cash or evidence of the monetary value of things and rights entered into company
- The decision on the appointment of the person authorized for representation unless this person is appointed by establishment act
- The certified signature of person authorized for representation

### **STEP 4 - MANUFACTURING THE STAMP**

In order to manufacture the stamp, it is necessary to submit the court decision of registration of the company into the court registry.

On the stamp the name and address of the company must be found and they are manufactured by the authorized stamp retailers. Costs of manufacturing the stamp are between BAM 20,00 and 50,00 (approx. between 10,00 and 25,00 EUR).

### **STEP 5 - OPENING A BANK ACCOUNT**

In order to open up the bank account it is necessary to attach the certified copies of the following documents:

- Court decision of registration into the court registry
- Identification number (JIB) issued by the Office of Statistics
- Certificate from local tax and revenue agency (VAT number)
- ID documents for the persons who need to be empowered to use the bank ac-



count (certified copy of the identity card or the passport)

- Certified copy of the signature of the persons who are entitled to use the account. In Federation of B&H activities for the Steps 4 and 5 can be finished in one day

## **STEP 6 - REGISTRATION AT THE TAX ADMINISTRATION (REGISTRATION OF THE COMPANY AND EMPLOYEES)**

For the registration of the company with the tax administration the following documentation is necessary:

- Copy of the court decision of registration in the court registry
- Certificate of the competent office for statistic about registration
- Appropriate form (may be retrieved at competent tax administration according to the seat of the company)

For the registration of the employees the following documentation is necessary:

- Appropriate form for enrolment into the Unified Registration System (may be retrieved at competent tax administration according to the seat of the company)

## **STEP 7 - STARTING ACTIVITY THROUGH THE MUNICIPALITY NOTIFICATION**

This notification should be submitted to the competent inspection department, along with the following:

- Certified statement of the company founder about fulfilment of all requirements for starting activity
- Certified copy of court registration - and company can start business in the same day

## COSTS OF ESTABLISHING A BUSINESS

Duration and costs of establishing a business are as follows:  
According to the Law, the court procedure of establishing a business takes 5 days.

No.	Steps	Cost
1.	ESTABLISHMENT CONTRACT / DECISION (notary)	BAM 300
2.	PAYMENT OF BASIC CAPITAL AT A BANK	BAM 1000
3.	REGISTRATION OF THE COMPANY AT THE COMPETENT COURT	BAM 405 (registration fee) + BAM 150 (publishing fee for an advertisement in the Official Gazette of the Federation of B&H)
4.	MANUFACTURING THE STAMP	BAM 20-50
5.	OPENING A BANK ACCOUNT	no charge
6.	REGISTRATION AT THE TAX ADMINISTRATION	no charge
7.	MUNICIPALITY NOTIFICATION	BAM 15 (administrative fee)
8.	LAWYER COSTS	BAM 600

Table - Costs per Steps

*ANNOTATION: Company registration procedure in Brčko District is same as in Federation B&H.*

## **SUBSIDIARY OF FOREIGN COMPANIES IN FEDERATION OF B&H**

Company Law of Federation of Bosnia and Herzegovina (Official Gazette of FB&H No. 81/15) and Law on Registration of Legal Entities in Federation of Bosnia and Herzegovina (Official Gazette of FB&H No. 27/05, 68/05, 43/09 and 63/14) enable foreign legal entities to establish subsidiary within the territory of the FB&H.

The subsidiary must be registered in accordance with the Law on Registration of Legal Entities in the FB&H. A subsidiary of a foreign company shall be entered in the register of the court in whose territory is the headquarters of subsidiary.

Data that shall be mandatory entered into the Register in case of registration of a subsidiary of foreign companies are:

- The name, address and form of the founders and the company and headquarters of subsidiary of foreign companies
- Registration number and tax identification number
- The name of the register in which founder is registered, along with data in which country, date of registration and number under which it leads, and if it is established in a country where no such register exists, the name of officially certified document of establishing according to the regulations of country where the founder has its headquarters
- Activity of founder and activity of the subsidiary of the business entity
- The name, number and date of the document on the establishment of subsidiary of the founder
- The name of the person authorized to represent the subsidiary, and the scope of its powers
- The amount of equity capital and paid-up capital, the name of the person who personally is liable for obligations of the partnership, and their residence

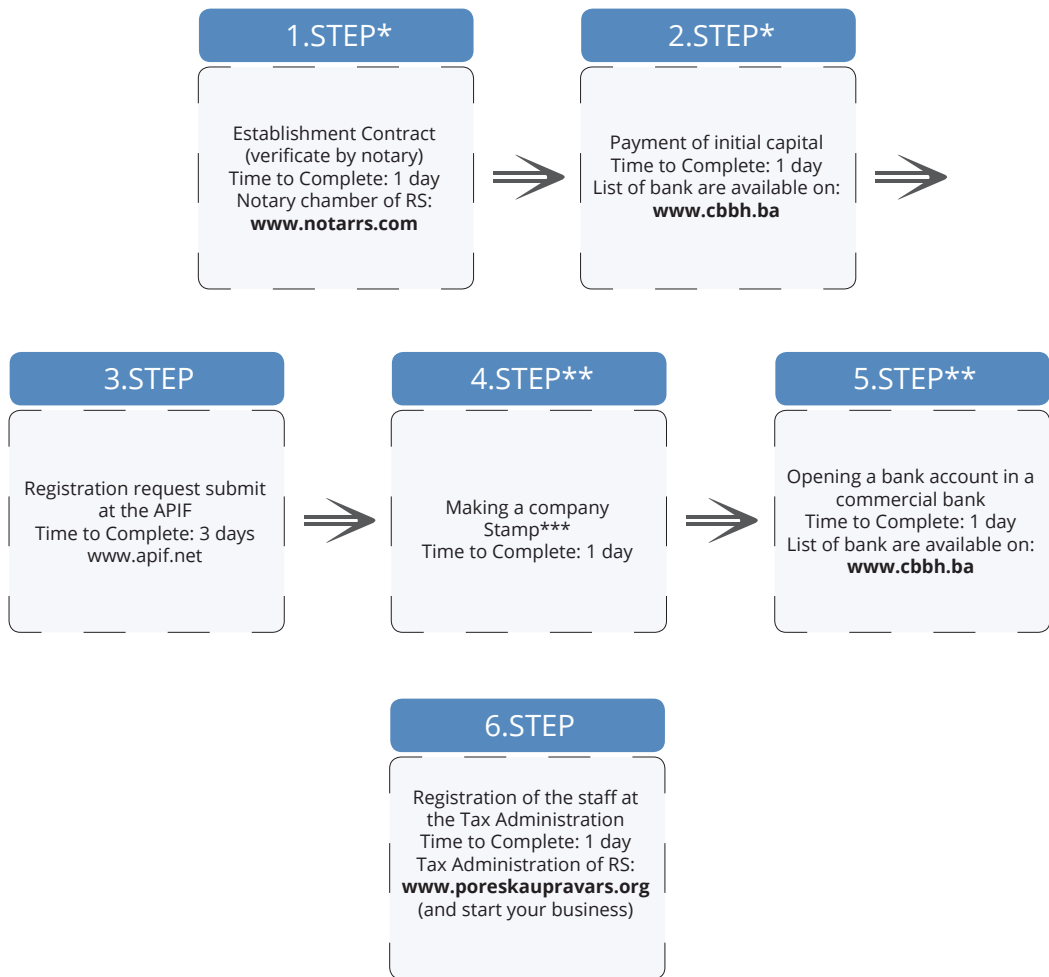
Registration court submits decision on the registration of subsidiary of foreign companies to the Tax Administration of the Federation of Bosnia and Herzegovina, Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina and the Ministry of Security of B&H –Service for Foreigners' Affairs if the authorized person for representation is a foreign national.

Subsidiary shall not have the capacity of a legal entity. Subsidiary shall conduct business with third persons in the name and on behalf of the founder company.

Subsidiary of foreign companies may be registered in the system of indirect taxes and custom through a tax representative or freight forwarder in Bosnia and Herzegovina.

STARTING A  
**BUSINESS**  
IN REPUBLIC OF SRPSKA

# STEPS FOR ESTABLISHING A BUSINESS IN RS



\*Steps 1 and 2 can be finished in one day, \*\*Steps 4 and 5 can be finished in one day,  
\*\*\*FIPA can provide you with a list of competent companies

Duration and costs of establishing a business:

**Duration:** According to the Law, court registration takes 3 days.

**The costs are as follows:** Administrative and notary costs: 100 - 300 BAM (approx. 50 - 150 EUR). There are additional costs for second and every other registration – i.e. fees for publishing information to the Official Gazette. In accordance to the Law on Courts of RS, the tax for the first company establishment is abolished.

## **STEP 1 - ESTABLISHMENT ACT** (verification by notary)

A d.o.o. / Ltd Company can be established either by an establishing contract or establishing decision. If the company is to be established by one person, this will be made by the establishing decision. If there are more founders, the company will be established by the establishing contract.

The act of establishment must contain the following:\*

- Name and address of the founders (for individuals), or the name and seat of the founders (for legal entities)
- Name, seat and activity of the new company
- Amount of original capital
- Founders' rights and obligations (management, distribution of profit etc.)
- Procedure in case that one of the founders did not deposit his share in the specified period or did not fulfil any of his obligations
- Payment of the costs of establishing (by founders or new company)
- Management and representation of the company (it is necessary to nominate the persons authorized to manage and represent the company and also to submit the application with the documentation and complete other actions required for registration of company in the court register)
- Consequences in case of an unsuccessful establishment
- Special regulations if the company is being established for unspecified duration of time

*\* These are only the obligatory elements of the establishment act. The founders can include all regulations considered as necessary and which are in compliance with the laws on companies.*

## **STEP 2 - PAYMENT OF BASIC CAPITAL AT A BANK** (bank by choice of founder)

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. Payments made in other currencies shall be automatically converted into BAM based on the applicable exchange rate list of the bank.

During the process of establishment of the business entity, when submitting the application for entry into the court registry, depending on the type of the business entity concerned, along with the other documents required for registration, it is also necessary to attach the Certificate of Payment of the founders' equity and the bank (by founder choice) shall issue the Certificate of Payment of the founders' equity to the client for the needs of registration of the Founders' equity with the competent court.

When obtaining the payment order, investor should take special care of the following elements:

- It is important to make sure the order contains the exact name of the founder (full name and address)
- If someone else is making the payment, a declaration should be stated that the

payment is being made on behalf of the founder (name of the founder, mark as a beneficiary)

- Full name and address of the business entity being founded
- Founding capital (amount in KM)

Issuance of the Certificate requires submitting of the following:

- Original of the founders' equity payment slip
- Certificate of the payment of fee for issuance of the Certificate of payment of the founders' equity
- After company registration at the competent court it is necessary to open a regular permanent / transaction account (as it will be described at the Step 5)

### **STEP 3 - REGISTRATION AT THE INERMEDIARY APIF**

For the registration it is necessary to submit the following documentation, at the APIF RS (one stop shop):

- Identity card, passport or an excerpt from the relevant register proving identity of a founder
- Identity card, passport of the person authorized for representation or presentation of a subject of the entry into the registry
- Founding act
- Decision on appointment of the persons to represent the domestic and foreign trade, unless not stated in the deed foundation
- Prof of payment of basic capital
- Excerpt from the public registry, which establishes the right of ownership to the role of the property and rights
- Notarized signatures of the manager authorized to represent, unless not stated in the deed foundation and
- Statement of the manager confirming the acceptance of the position

Registration at the APIF (Agency for IT and Financial Services) must be finished in 3 days.

### **STEP 4 - MANUFACTURING THE STAMP**

In order to manufacture the stamp, it is necessary to attach the court decision of registration of the company into the court registry.

On the stamp the name and address of the company must be found and they are manufactured by the authorized stamp retailers. Costs of manufacturing the stamp are between BAM 20,00 and 50,00 (approx. between 10,00 and 25,00 EUR).

## STEP 5 - OPENING A BANK ACCOUNT

In order to open up the bank account it is necessary to attach the certified copies of the following documents:

- Court decision of registration into the court registry
- Identification number (JIB) issued for the Office of Statistics
- Certificate from local tax and revenue agency (VAT number)
- ID documents for the persons who need to be empowered to use the bank account (certified copy of the identity card or the passport)
- Certified copy of the signature of the persons who are entitled to use the account

## STEP 6 - REGISTRATION AT THE TAX ADMINISTRATION BY REGISTRATION OF THE EMPLOYEES AND START ACTIVITY

For the registration of the employees the following documentation is necessary:

- Appropriate form for enrolment into the Unified Registration System (may be retrieved at competent tax administration according to the seat of the company)

## COSTS OF ESTABLISHING A BUSINESS

Duration and costs of establishing a business are as follows: according to the Law, the court procedure of establishing a business takes 3 days.

No.	Steps	Cost
1.	ESTABLISHMENT DECISION* (verification by notary)	BAM 3,5
	ESTABLISHMENT CONTRACT** (has to be made by notary)	BAM 200
2.	PAYMENT OF BASIC CAPITAL AT A BANK	BAM 1
3.	REGISTRATION REQUEST SUBMIT AT THE APIF	BAM 100 -120 (registration fee) In accordance to the Law on Courts of RS, the tax for the first company establishment is abolished.
4.	MANUFACTURING THE STAMP	BAM 20-50
5.	OPENING A BANK ACCOUNT	no charge
6.	REGISTRATION AT THE TAX ADMINISTRATION	no charge

Table - Costs per Steps

\*One-member limited liability company

\*\*Limited liability company established by more than one person



## **SUBSIDIARY OF FOREIGN COMPANIES IN REPUBLIC OF SRPSKA**

A subsidiary of a foreign company must be registered in accordance with the Company Law of Republic of Srpska (Official Gazette of RS No. 58/09, 100/11, and 67/13 and 100/17) and Law on Registration of Legal Entities of Republic of Srpska (Official Gazette of RS No. 67/13 and 15/16)..

Data that shall be mandatory entered into the Register in case of registration of a subsidiary of foreign companies are:

- The name, address and form of the founders and the company and headquarters of subsidiary of foreign companies
- Registration number and tax identification number
- The name of the register in which founder is registered, along with data in which country, date of registration and number under which it leads, and if it is established in a country where no such register exists, the name of officially certified document of establishing according to the regulations of country where the founder has its headquarters
- Activity of founder and activity of the subsidiary of the business entity;
- The name, number and date of the document on the establishment of subsidiary of the founder
- The name of the person authorized to represent the subsidiary, and the scope of its powers
- The amount of equity capital and paid-up capital, the name of the person who personally is liable for obligations of the partnership, and their residence

Registration court submits decision on the registration of subsidiary of foreign companies to the Tax Administration of the Federation of Bosnia and Herzegovina, Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina and the Ministry of Security of B&H – Service for Foreigners’ Affairs if the authorized person for representation is a foreign national.

Subsidiary shall not have the capacity of a legal entity. Subsidiary shall conduct business with third persons in the name and on behalf of the founder company.

Subsidiary of foreign company may be registered in the system of indirect taxes and custom through a tax representative or freight forwarder in Bosnia and Herzegovina.

**SPECIFIC  
STOCK JOINT  
COMPANIES**

## INSURANCE COMPANY ESTABLISHMENT

Establishment of an insurance company in Bosnia and Herzegovina is regulated by the following laws:

In the Federation of Bosnia and Herzegovina, Law on Insurance Companies in Private Insurance (Official Gazette of FB&H, No. 24/05 and 36/10)

In the Republic of Srpska, Law on Insurance Companies (Official Gazette of RS, No. 17/05, 01/06, 64/06, 74/10, 47/17 and 58/19)

In Brčko District of Bosnia and Herzegovina:

The request for the license shall be submitted at the option of the founders to the Insurance Supervisory Agency of the Federation of B&H or the Insurance Agency of the Republic of Srpska. Supervision over the business performance is carried out by the respective agency.

In Bosnia and Herzegovina insurance company can be established by domestic and foreign persons and legal entities. The work of the insurance company is subject to the issuance of license issued by the Insurance Supervision Agency of FB&H and Insurance Agency of the Republic of Srpska.

Together with the request for license the following documents must be submitted in one of the official languages in B&H:

- Establishment act or establishment contract by one or more domestic/ foreign natural and/or legal entities
- Proposal of the statute
- Evidence of payment of the share capital
- Proposal of a business plan for three years
- Proposal business policy acts with the opinion of the certified actuary,
- List of shareholders
- List of persons associated with the owners of a qualifying holding, with a description of connections
- Data on persons on important positions in society

More details on the establishment of the insurance companies in B&H can be found on following websites:

- Insurance Agency of B&H - **[www.azobih.gov.ba](http://www.azobih.gov.ba)**
- FB&H Insurance Supervisory Agency - **[www.nados.ba](http://www.nados.ba)**
- RS Insurance Agency - **[www.azors.org](http://www.azors.org)**

## INSURANCE COMPANIES WHICH DO NOT HAVE BUSINESS SEAT IN B&H

A foreign insurance company which has its head office outside of Bosnia and Herzegovina may perform insurance activities in the form of affiliate after it gains the license from the Insurance Agency of Republic of Srpska or Insurance Supervisory Agency of Federation of Bosnia and Herzegovina, and completes the registration at the Court Registrar.

Affiliate of the foreign insurance company is registered as a business and is under the supervision of Insurance Agency from Republic of Srpska or Insurance Supervisory Agency of Federation of B&H. The affiliate may perform only life or general insurance services. License is issued by the Insurance Agency of Republic of Srpska or Insurance Supervisory Agency of Federation of B&H and it will be published in the "Official Gazette of Bosnia and Herzegovina", "Official Gazette of Republic of Srpska" and "Official Gazette of Federation of B&H", and on that basis registration of the affiliate will be completed in the Court Register.

In order to obtain the license in Bosnia and Herzegovina foreign insurance company must:

- Be established as a joint stock company for insurance, or as a company for mutual insurance, or have any other form of insurance business stipulated in the countries who are members of the European Union
- Have the legal representative of the affiliate (person or company)
- Be registered in the country who allows the insurance company from B&H to be established in the accordance with the reciprocity principle
- Have the capital in B&H which is not lower than the company capital
- Minimal capital for the insurance company may not be less than: BAM 2,000,000.00 (approx. 1,000,000.00 EUR) or BAM 3,000,000.00 (approx. 1,500,000.00 EUR) if the insurance company will be performing life insurance services; BAM 3,000,000.00 (approx. 1,500,000.00 EUR) if the company will be performing reinsurance exclusively
- Have the property in Republic of Srpska or Federation of B&H, which is at least one half (1/2) of the minimal guarantee fund and deposit at least one quarter (1/4) of that fund as a guarantee in Republic of Srpska
- Take the responsibility, by a formal affidavit which is signed by its representatives, that:
  - *The affiliate has the solvency margin*
  - *In the period of two months after obtaining the working permit is in place, the affiliate will establish its bookkeeping and administrative department*
  - *It will set up and invest the funds of technical reserves for the purpose of doing business in B&H*
  - *It will appoint authorized person for the actions in regard to the variable fund*

Together with the request for license the following documents must be submitted in one of the official languages in B&H:

- Certified sample of the statute and proof of registration issued by the competent agency from the country where the head office of that company is located
- Certified power of attorney for appointing the authorized representative in Republic of Srpska / Federation of B&H
- Certificate of the supervisory authority from the country where the head office of the company is, not older than three months from the date of submitting the request, stating that the insurance company is operating and has a permit to complete actions for all types of insurance which it intends to perform in Republic of Srpska/ Federation of B&H
- List of names and addresses of the directors and executive directors
- Business plan of the affiliate
- Balance sheet for the last three financial years.

Decree on issuing the license is final and it is valid in entire B&H.

## **THE ESTABLISHMENT OF BANKS IN BOSNIA AND HERZEGOVINA**

The establishment of a bank is regulated in detail by the following laws:

In the Federation of Bosnia and Herzegovina:

- Law on Banks of FB&H (Official Gazette of FB&H No.27/17)
- Law on the Banking Agency of FB&H (Official Gazette of FB&H No. 75/17)
- Law on Deposit Insurance in Banks of B&H (Official Gazette of B&H No. 20/02, 18/05, 100/08, 75/09 and 58/13)

In the Republic of Srpska: - Law on Banks of RS (Official Gazette of RS No. 3/17 and 54/19)

- Law on Banking Agency of RS (Official Gazette of RS No. 67/07, 40/11, 59/13 , 3/17 and 54/19),
- Law on Deposit Insurance in Banks of B&H (Official Gazette of B&H No. 20/02, 18/05, 100/08, 75/09 and 58/13)

In Brčko District of Bosnia and Herzegovina\*:

- Law on Banks of BD (Official Gazette of BD No. 5/03, 19/07)

*\* In Brčko District, the request for a banking license shall be submitted at the option of the founders to the Banking Agency of Federation of B&H or the Banking Agency of the Republic of Srpska.*

The application process and requirements for the establishment of banks are determined by the appropriate entity-level banking law. A bank is set up as a joint stock company.

Bank founders may be domestic and foreign legal and natural entities, which provide funds for the equity capital of the bank. Equity capital of the bank may take pecuniary and non-pecuniary form (assets and rights that are in the function of the bank's operations). The minimum amount of share capital in cash of the bank and the lowest amount of net capital which the bank must keep up cannot be less than the equivalent of BAM 15.000.000,00 (approx. 7.500.000,00 EUR).

## **PROCEDURE FOR ISSUING LICENSES FOR THE ESTABLISHMENT OF A BANK**

The request for a banking license is submitted by the founders to the Banking Agency of Federation of Bosnia and Herzegovina or Banking Agency of Republic of Srpska and is accompanied by the following information and documents:

- Founding contract signed by all founders, draft of Charter, and other founding documents, as directed by the Banking Agency
- Qualifications and experience of the Supervisory Board and Management of the proposed bank
- Amounts of capital stock and other forms of bank capital
- Business plan for the proposed bank, setting out inter alia the types of activities envisaged for and the structural organization of the proposed bank
- List of owners of the bank

The Banking Agency has to render a decision on the application for the issue of a banking license not later than 60 days after receiving the duly completed application.

The Agency shall grant a banking license if, and only if, an amount of the bank's capital had been paid in and if it is confident that:

- Bank will comply with the provisions of the relevant Law and projections for the future financial condition of the bank are documented
- Qualifications and experience of the Supervisory Board and Management of the bank will be appropriate for the banking activities that the bank will be licensed to engage
- All holders of Significant Ownership Interest are of sufficient financial capability, and suitable business background

Banking licenses is granted for an indefinite period of time and are not transferable. The banking license of each bank specifies the banking activities that such bank shall be authorized to engage in.

All banks licensed by the Banking Agency are required to meet the membership criteria for deposit insurance in order to maintain their banking license.

The banking license is a condition for registration at the Court Register. An application for registration of a founding of the bank in court register shall be submitted within 30 days starting from the date when the Agency issues a banking license. The bank acquires the capacity of a legal entity as of the moment of being entered in the Court Register.

## **REPRESENTATIVE OFFICES OF FOREIGN PERSONS IN B&H**

Foreign person in Bosnia and Herzegovina may operate through its Representative Office. Opening of Representative Office is regulated by the Decision on Establishment and Operation of Representative Offices of Foreign Persons (Official Gazette of B&H No. 15/03).

In accordance with the above mentioned Decision, foreign person can establish a Representative Office in B&H for performing market research, informative and promotional activities, and for its own representation.

So, 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 founder. It may only engage in non-profit making activities.

Representative Office cannot conclude agreements in name of its founder, except representative offices of foreign air transportation companies which can sell transportation documents in accordance with bilateral agreements and international conventions signed by Bosnia and Herzegovina.

The Representative Office becomes operational after entering into the Register of Foreign Representative Offices kept by the Ministry of Foreign Trade and Economic Relations of B&H.

In order to be entered into the Registry a foreign person must file an application containing:

- Name and head office of the founder
- Seat of the Representative Office
- General information about the person responsible for operation of the Representative Office

The application for entry must be accompanied by:

- Decision on founding of a Representative Office and Decision on appointment of person responsible for operation of the representative office
  - Work program of the Representative Office in B&H
  - Document on registration of foreign legal entities into the Registry kept at the headquarters of the company registration or other foundation document in accordance with a country's regulation where the founder has its seat.
- B&H Ministry of Foreign Trade and Economic Relations is obliged to decide on the application for entry into the Registry within 10 days from the day of its filing

Ministry of Foreign Trade and Economic Relations will make a decision on the removal of the Representational Office from the register if:

- In their work they do not apply the laws of Bosnia and Herzegovina, the entities and the Brčko District, or do not meet the requirements prescribed by the Decision on the establishment and operation of representative offices of foreign persons in B&H
- A foreign person ceases to exist in the country that the company is situated, or makes a decision on the closure of representative offices

## **FREE ZONES IN BOSNIA AND HERZEGOVINA**

A free zone is part of the customs territory of Bosnia and Herzegovina, which is specially fenced and marked and where business activities are carried out under special conditions in accordance with the Law on Customs Policy of B&H (Official Gazette of B&H No. 58/15), the Law on Free Zones of B&H (Official Gazette of B&H No. 99/09) and the Law on Free Zones of RS (Official Gazette of RS No. 65/03) or the Law on Free Zones of FB&H (Official Gazette of FB&H No. 2/95, 37/04 and 43/04).

Founder of the free zone can be one or more national or foreign legal as well as natural persons. User of free zone can be the founder of free zone or any other legal and natural persons.

The Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina shall institute the procedure for the adoption of decision of the Council of Ministers of Bosnia and Herzegovina on designation of parts of the customs area of Bosnia and Herzegovina as a free zone if it is economically justified and if the requirements for establishment of a free zone set out in the Law on Free Zones of B&H and Law on Customs Policy of B&H have been met.

Establishment of a free zone shall be considered as economically viable, if the feasibility study for the establishment of free zone and other evidence submitted provide grounds for estimation that value of goods exported from the free zone will exceed at least 50% of the total value of manufactured goods leaving the free zone in a period of 12 months.



Users of free zone do business in the area of free zone under special conditions in accordance with the Law on Customs Policy of B&H and the Law on Free Zones of B&H, on the basis of concluded contracts with the founder of free zone, with prior approval of the customs authorities.

The users of free zone do not pay VAT and import customs. Investment in the free zone, transfer of profit and transfer of investment are free of charge.

Customs and tariffs are not paid on imports into the free zone. The imports of equipment that will be used for manufacturing within the free zone are exempt from paying customs duties and fees.

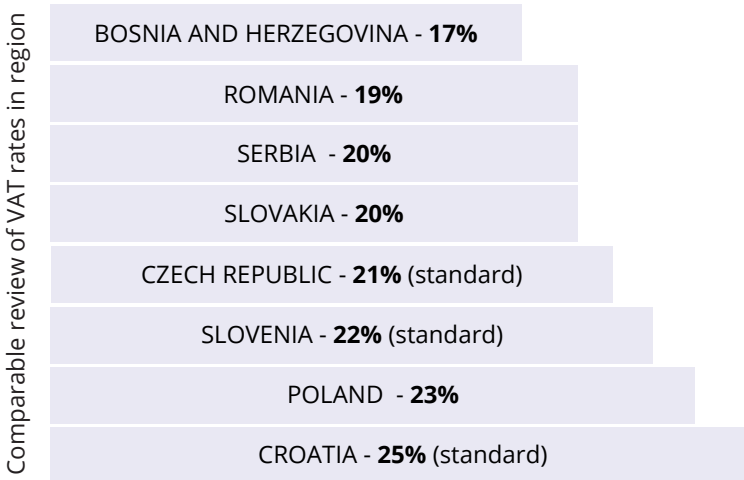
# **TAX SYSTEM**

IN BOSNIA AND HERZEGOVINA

# STATE LEVEL TAXES

## 1. VALUE ADDED TAX (VAT)

Value added tax (VAT) rate is 17%. Bosnia and Herzegovina has one of the lowest rates of VAT, in the region and widely.



### Taxpayer of value added tax

A taxpayer is any person who independently carries out any economic activity (activity of a manufacturer, trader or supplier of services performed with a view to generating income, including the activity of exploitation of natural resources, agriculture, forestry and professional activities).

The taxpayer shall be the person in whose name and for whose account goods or services are supplied or goods imported. The taxpayer shall also be the person who supplies goods or services or imports goods in his own name, but for the account of another.

### Subject of taxation

VAT shall be calculated on:

- Supplies of goods and services which a taxpayer, within the performance of his economic activities, makes for consideration within the territory of B&H
- Importation of goods into B&H

## **Applicable regulations**

- Law on Indirect Taxation System in B&H (Official Gazette of B&H No. 44/03, 52/04, 34/07, 49/09 and 32/13)
- Law on Value Added Tax in B&H (Official Gazette B&H No. 09/05, 35/05 and 100/08)
- Book of Rules on the Implementation of the Law on Value Added Tax (Official Gazette of B&H No. 93/05, 21/06, 60/06, 06/07, 100/07, 35/08 and 65/10 )
- Book of Rules on the Control of Indirect Taxes in B&H (Official Gazette of B&H No. 78/07)

## **Competent institution**

The Indirect Taxation Authority is responsible for the collection of all indirect taxes at on the entire territory of Bosnia and Herzegovina

## **Incentives**

Benefits related to the value added tax are regulated by the Law on Value Added Tax in B&H, its implementing regulations, the Law on Free Zones of B&H and the Law on Customs Policy of B&H.

## 2. EXCISES

Excises are a special type of sales tax paid on some commodities like oil products, tobacco products, soft drinks, alcohol drinks, beer, wine and coffee.

### Taxpayer of excises

The taxpayer shall be the legal person and entrepreneur (means any physical person) that imports or exports the excise products in the territory of B&H.

### Subject of taxation - tax base

The Law stipulates that the subject of taxation is the trade of excise products that are manufactured in Bosnia and Herzegovina, when the manufacturer for the first time trade with them and / or import of excise products in B&H. The tax base shall be determined by:

- Quantity of excise products for which excise duty is to be paid per measuring unit
- Retail price, which does not include the value, added tax (VAT), and until it is introduced (the sales tax on products for tobacco products)

### Excise Duties

The excise duty shall be paid in the absolute amount per unit of measure or at a proportional rate as follows:

- Oil products (per litre) – a) diesel fuel and other gas oils 0.30 BAM; b) petroleum (kerosene) 0,30 BAM; c) motor gasoline - unleaded 0,35 BAM; d) motor gasoline 0,40 BAM; e) fuel oil extra easily and easily specially 0.45 BAM; f) liquefied petroleum gas for driving motor vehicles 0.00 BAM; g) Biofuels and Bioliquid 0,30 BAM
- Non-alcoholic drinks (per litre) - BAM 0.10
- Beer BAM 0,20 - 0,25 and wine BAM 0.25
- Alcoholic drinks and ethyl alcohol (per litre) - BAM 15
- Raw coffee (per kilo) - BAM 1.50 (BAM 3.00 roasted and ground coffee; BAM 3.50 for coffee extract)
- Tobacco products - proportional rate of 42% on the tax base plus an additional excise depending of other conditions

### Applicable regulations

- Law on Excise Duties in Bosnia and Herzegovina (Official Gazette of B&H No. 49/09, 49/14, 60/14 and 97/17)
- Rulebook on the Implementation of the Law on Excise Duties in B&H (Official Gazette of B&H No. 50/09 80/11, 48/12 and 74/14)

## Competent institution

The Indirect Taxation Authority is responsible for the collection of excise as a form of indirect taxes.

## Incentives

Benefits are regulated by the Law on Excise Duties (alcohol for medical purposes as well as exempt from road tax for diesel fuel used in coal mines, power plants, etc.)

*Road tax: The provision of Article 36 of the Law on Excise duties in Bosnia and Herzegovina ("Official Gazette of B&H", No. 49/09, 49/14 and 60/14) foresees that the road tax are not paid on diesel fuel used in coal mines, power stations and railways (for operation of rail vehicles), in the amount approved by Board of Directors at the proposal of the entities government and the government of Brcko District.*

## 3. CUSTOMS SYSTEM

Customs system of Bosnia and Herzegovina is regulated by a number of autonomous and international regulations and is uniformly applied in the single customs territory of B&H, and customs duties are the responsibility of the Indirect Taxation Authority of Bosnia and Herzegovina.

Customs Policy Law of Bosnia and Herzegovina regulates basic elements of the system for the customs protection of economy of Bosnia and Herzegovina, the rights and obligations of all operators in the customs procedures, regulates the customs territory, the customs line, the customs frontier line, the customs supervision, the customs clearance procedure and other institutes that regulate the customs protection system.

Customs Tariff contains a rate range of 0 - 15% and a new customs tariff is adopted for each year separately.

Customs legislation is uniformly applied in the single customs territory of Bosnia and Herzegovina.

Procedure for clearance of goods imported into the customs territory of B&H is implementing by customs branch office at which the goods are declared for customs clearance.

In Bosnia and Herzegovina there are 4 major regional centres:

- RC Banja Luka
- RC Sarajevo
- RC Tuzla
- RC Mostar

## Customs benefits

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 B&H, 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 B&H 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 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.

*ATA Carnet: Important customs document that can be used to navigate, on easy way, with various goods. Simplifies crossing the border, allowing the exporters and importers use only one document to resolve all formalities - in more than 70 countries that have adopted the ATA Carnet.*

## Free Trade Agreements

SAA - Stabilization and Association Agreement provides free export of almost all goods in all EU countries that meet technical-technological standards and conditions standards, while simultaneously B&H market is opening for goods from the EU according the dynamic stipulated in the annexes and protocols associated part of this Agreement.

CEFTA - B&H signed the Central European Free Trade Agreement (CEFTA) with the following countries: Albania, Serbia, Moldova, Montenegro, Macedonia, and UNMIK/Kosovo. CEFTA agreement is replacing but also complementing the existing free trade agreements with individual countries from the region.

EFTA - Free Trade Agreement between Bosnia and Herzegovina and EFTA (Switzerland, Norway, Iceland and Liechtenstein) entered into force on January 2015.

B&H has also signed a Free Trade Agreement with Turkey.

Generalized System of Preferences (GSP): B&H has generalized system of preferences with: USA, New Zealand, Japan, Russia, Kazakhstan, Belarus, Canada and Australia. Furthermore, B&H has preferential export regime with Iran

## **Customs crossings**

Brčko, Orašje , Bosanski Šamac, Bosanska Gradiška, Izačić , Kamensko, Gorica, Doljani, Velika Kladuša, Bosanski Novi ,Bosanski Brod ,Bosanska Kostajnica, Bosansko Grahovo, Neum I, Neum II Rača, Karakaj, Vardište, Uvac, Ustibar, Popovi, Hum, Klobuk, Metaljka, Deleuša, Zupci, Bijača.

## **Applicable regulations**

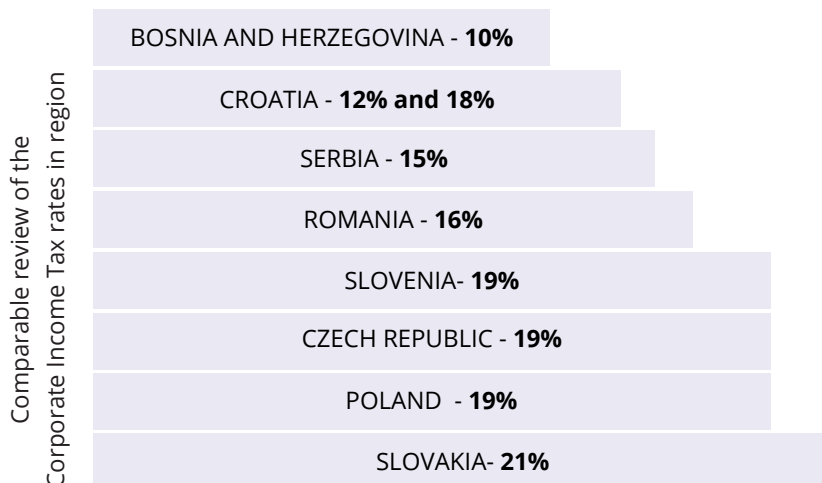
- Law on Customs Policy of B&H (Official Gazette of B&H No. 58/15)
- Law on Customs Tariff of B&H (the tariff is adopted for each year separately)
- Decision on Implemental of Regulations of the Customs Policy Law of B&H (Official Gazette of B&H No. 63a/04, 60/06 and 57/08)
- Regulations on Control of Indirect Taxes (Official Gazette of B&H No. 78/07)
- Decision on conditions and procedure for exercising the right to exemption from payment of import and export taxes (Official Gazette of B&H No. 24/18)



# ENTITY LEVEL TAXES

## 1. CORPORATE INCOME TAX

Corporate Income Tax is one of the most favourable in Europe, in compare with Central and East Europe countries as shown in table below:



## CORPORATE INCOME TAX IN FEDERATION OF BOSNIA AND HERZEGOVINA

### Taxpayer of Corporate Income Tax

A taxpayer shall be company and other legal entities resident of Federation B&H performing an independent permanent economic activity through the sales of goods and/or provision of services on the market in Federation of B&H, Republic of Srpska and Brčko District or in foreign market in order to make profit.

Taxpayer is a subsidiary of the legal entity from the Republic of Srpska and Brčko District, which is registered in the territory of the Federation, for the profits realized on the territory of the Federation of B&H

Taxpayer is a business unit of non-resident legal entity that operates through a fixed place of business in the territory of the Federation and which is a resident of the Federation of B&H.

The taxpayer is non-resident, on the basis of revenues derived from the resident of the Federation of B&H.

*RESIDENT is a legal entity whose:*

*- principal place of business (HQ) is registered with Court Registry in the territory of FB&H*

*- place of actual management and supervision over the business activities is in the territory of FB&H*

*NON-RESIDENT is a legal entity whose principal place of business (HQ) is established outside of B&H and/or which actual management and supervision over the business activities, are outside of B&H.*

## Corporate income tax base

The tax base is determined in the tax balance, alignment 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

*Dividends earned on the basis of participation in the capital of other taxpayer are not included in the tax base or share in the profit.*

## Corporate income tax rate- stimulating rate

The standard corporate income tax rate is 10 percent.

Withholding tax rates in FB&H: The standard rate of withholding tax is 10%, and dividends paid to a nonresident are subject to a 5% withholding tax unless the rate is reduced under a tax treaty.

## Applicable regulations

- Law on Corporate Income Tax of FB&H (Official Gazette of FB&H No. 15/16,15/20)

## Competent institution

Tax Administration of Federation B&H is responsible for the implementation of tax assessment, tax collection and control through its cantonal branch offices.

## Incentives

The Federation 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 EUR, starting with the first year when taxpayer has to invest at least 2 million EUR, 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:
  - *Duration of the employment contract must be at least for a period of 12 months with full-time working hour*
  - *New employee was not employed with the taxpayer or a related person in the previous five years*

## CORPORATE INCOME TAX IN REPUBLIC OF SRPSKA

### Taxpayer of Corporate Income Tax

Taxpayers of corporate income tax in Republic of Srpska are:

- A legal entity is a resident of the Republic of Srpska for profits realized from any source in the Republic of Srpska, Federation of Bosnia and Herzegovina, Brcko District or abroad,
- Subsidiary of a legal person from the Federation of B&H or Brcko District, which is registered in the territory of the Republic of Srpska, for the profits obtained from sources in the Republic of Srpska,
- The legal entity from the Federation of B&H or Brcko District for the income earned from real estate located in the territory of the Republic of Srpska,
- A non-resident who operates through a permanent place of business, for the profit earned from sources in the Republic of Srpska, and
- A non-resident for the revenues in terms of profits earned from sources in the Republic of Srpska

### Corporate income tax base

The tax base for the tax year is the difference between taxable income and deductible expenditures for this fiscal year, in accordance with the Law on Corporate Income Tax of the Republic of Srpska.

Revenues which are included in the calculation of the tax base:

- Taxable income for the purpose of calculating the tax base includes: all income from any source, whether in cash or in any other type of income, and whether it is linked to the performance of business

*Dividends and shares, in the profits received by the other legal entity with principle place of business in the Republic of Srpska, are revenues which are not included in the calculation of the tax base.*

## **Corporate income tax rate - stimulating rate**

Corporate income tax is payable at the rate of 10% on the tax base for that tax year. Withholding tax rates in RS is the standard rate of 10%.

## **Applicable regulations**

- Low on Corporate Income Tax of Republic of Srpska (Official Gazette of RS No. 95/15 , 1/17 and 58/19)

## **Competent institution**

Tax Administration of Republic of Srpska is responsible for implementation of all tax laws (direct taxes).

## **Incentives**

Law on Corporate Tax of RS sets forth following incentives: A taxpayer which 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

## **CORPORATE INCOME TAX IN BRČKO DISTRICT**

### **Taxpayer of Corporate Income Tax**

The taxpayer is:

- Legal entity from Brčko District, the profits obtained from any source in Bosnia and Herzegovina or abroad
- Branch legal entity headquartered in the entities, the profits obtained in Brčko District
- Foreign legal entities which deal and has a permanent place of business in Brčko District, profit which contributes to the permanent establishment
- Foreign business who receives income from property located in Brčko District, the profit which contributes to immovable assets
- Foreign person which generates revenue in Brčko District

## Corporate income tax base

Tax base for the tax year is the taxable profit determined in the tax balance. Taxable income is determined by adjusting income and expenditure of taxpayers reported in the income statement, in accordance with the law governing accounting, except for revenues and expenditures for which the law prescribes a different way of determining.

## Corporate income tax rate- stimulating rate

Corporate income tax is payable at the rate of 10% on taxable income for that tax year.

*Dividends realized according of participation in the capital of other taxpayers are not included in the calculation, the taxbase, as well as share in the profits.*

## Applicable regulations

- Law on Corporate Income Tax of Brčko District (Official Gazette of BD No. 60/10, 57/11 and 33/12)

## Competent institution

Directorate for Finance of Brčko District is the institution responsible for the direct taxes.

## Incentives

Tax incentives In Brčko District for taxpayers investing into machinery and equipment for performing of their own registered production activity, the tax base shall be reduced for the amount of the respective investment.

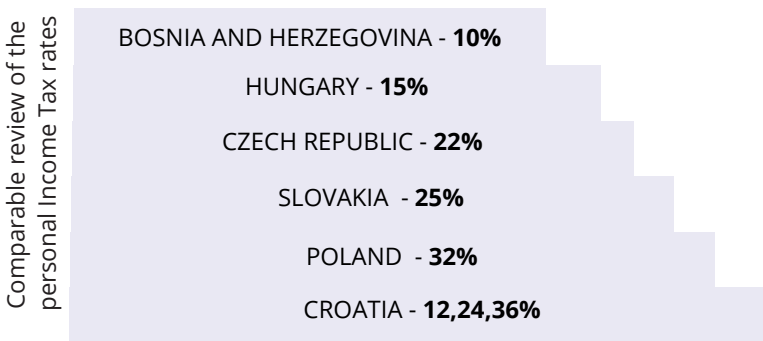
The taxpayer during the tax year that employed new workers for an indefinite time reduces the tax base in the amount of gross wages paid to newly hired workers.

## Agreements on avoidance of double taxation

Bosnia and Herzegovina has signed agreements on avoidance of double taxation with the following countries: Albania, Algeria, Austria, Azerbaijan, Belgium, Montenegro, Czech Republic, Finland, France, Greece, Germany, Croatia, Holland, Iran, Ireland, Italy, Jordan, Kuwait, Qatar, China, Cyprus, Hungary, Malaysia, Macedonia, Moldova, Norway, Pakistan, Poland, Romania, Slovakia, Slovenia, Serbia, Spain, Sweden, Sri Lanka, Turkey, United Arab Emirates, United Kingdom and Northern Ireland.

## 2. PERSONAL INCOME TAX

Personal income tax in Bosnia and Herzegovina is one of the most favourable in Europe, in compare with Central and East Europe countries as shown in table below:



## PERSONAL INCOME TAX IN FEDERATION OF B&H

### Taxpayer of Personal Income Tax

Taxpayer of Personal Income Tax is a resident of Federation B&H and non-resident as follows:

- Resident making income in a territory of Federation B&H, and outside the territory of the Federation
- Non-resident who performs an activity through a permanent place of business in the territory of the Federation B&H
- Non-resident who performs independent activity in the territory of the Federation B&H
- Non-resident who receives income in the territory of the Federation B&H from movable and immovable property, copyrights, patents, licenses, investment of capital or any other activity resulting achievement of income that is taxable

*RESIDENT is an individual who has permanent residence in the FB&H; spends a cumulative period of at least 183 days in the FB&H during any tax period; or has permanent residence in the FB&H and earns income by carrying out a dependent activity outside the FB&H that is paid from the budget of the FB&H and/or B&H. NON-RESIDENT A non-resident is natural person who on the territory of the Federation has no residence and permanent residents, and which resides in the territory of the Federation less than 183 days.*

## **Personal income tax base**

Personal income tax on taxable income that taxpayer realizes from: dependent activity, independent activity, property and property rights, investment of capital  
Personal income tax base of resident represents the difference between the total taxable incomes produced in one tax period and the total deductions that can be recognized in relation with the acquisition of the income (accumulated losses, expenses necessary for the acquisition of income and personal deduction). Income tax basis represents disbursed tax. Income and expenses are determined by the principle of cash desk.

## **Personal income tax rate - stimulating rate**

Personal income tax is paid at the rate of 10%.

## **Applicable regulations**

- Law on Personal Income Tax of FB&H (Official Gazette of FB&H No. 10/08, 9/10, 44/11, 7/13 and 65/13)
- Rulebook for the Implementation of the Law on Personal Income Tax (Official Gazette of FB&H No. 67/08, 4/10, 86/10, 10/11, 53/11, 20/12, 27/13, 71/13, 90/13, 45/14, 52/16, 59/16, 38/17,03/18,30/18,21/20).

## **Competent institution**

In Federation of B&H the Tax Administration is competent institution for control, assessment and tax collection through its cantonal branch offices.

## **Deductions and allowances**

Personal deductions in the FBiH are BAM 3,600 per calendar year. Additional deductions include the dependent family member allowance, interest paid on home mortgages and certain payments for health services.

## PERSONAL INCOME TAX IN REPUBLIC OF SRPSKA

### Taxpayer of Personal Income Tax

Income tax is paid in accordance with the provisions of Law on Personal Income Tax, by natural persons who have an income. The taxpayer is a natural person who under the provisions of this law taxable income. Income tax payer is a resident of the Republic of Srpska for income in the Republic of Srpska, other entity, Brčko District or another state.

### Personal income tax base

The subject of taxation is the income derived by an individual in a tax period is calculated and paid to the following types of income:

- Personal income
- Self-employment
- Income from capital
- Copyright
- Capital gains
- Other incomes

### Personal income tax rate - stimulating rate

Personal income tax rate in the Republic of Srpska is 10%.

### Applicable regulations

-Law on Personal Income Tax of RS (Official Gazette of the RS No.60/15, 5/16, and 66/18)

### Competent institution

Tax Administration of the Republic of Srpska given to the responsibility for enforcement of all tax laws. Tax administration is under the Ministry of Finance of the Republic of Srpska.

*RESIDENT is a natural person who:*

*- in the territory of the Republic of Srpska has a residence;*

*- in the territory of the Republic of Srpska, continuous or intermittent stay in the country for 183 days or more, in a 12-month period that beginning or ending in the calendar year. Resident is also a natural person who has a residence in the territory of other entity, district or state.*



## Incentives

Tax exemptions are regulated by the Law on Personal Income Tax of Republic of Srpska.

Taxable income is reduced by:

- Basic personal deduction in the amount of KM 6,000 per year,
- Personal deduction for dependent family members in the amount of 900 KM per year for each dependent member
- Amount of interest paid on housing loans
- Amount paid for life insurance up to 1200 BAM per year

## PERSONAL INCOME TAX IN BRČKO DISTRICT

### Taxpayer of Personal Income Tax

Personal Income taxpayer is a resident of the District and non-resident that derives income as:

- An individual/resident who derives income in the District and outside the District,
- Non-resident who performs an activity through a permanent place of business in the territory of Brčko District
- Non-resident who performs independent activity in the territory of Brcko District
- Generates revenue in the Brčko District of movable and immovable property, copyrights, patents, licenses, capital investment, or any other activity that results in the realization of income that is taxable in accordance with this Law

*RESIDENT is a person who:*

- *has a residence in the District,*
  - *the District continuously or intermittently for 183 days or more in any tax period,*
  - *has a residence in the District, based on the performance of employment and occupation outside the District receives income from the District budget*
- Nonresident is a person who resides in the District less than 183 days.*

### Personal income tax base

Taxable income that a taxpayer realizes from:

- Employment and occupation
- Self-employment
- Property and property rights
- Investment capital
- Participation in the sweepstakes

### Personal income tax rate - stimulating rate

As in the entities of Bosnia and Herzegovina and the Brčko District income tax rate is 10%.

## Applicable regulations

- Personal Income tax in Brčko District is regulated by the Law on Personal Income Tax of Brčko District (Official Gazette of BD No. 60/10)

## Competent institution

Tax Directorate of Brčko District is the institution responsible for the issue of direct taxes.

## Incentives

Certain incentives are provided with the Law on Personal Income Tax of Brčko District (Official Gazette of BD No. 60/10) such as tax deductions that include personal exemption and deduction for each dependent family member, which increases and decreases the basis for calculation of income tax.

## 3.SOCIAL SECURITY CONTRIBUTIONS IN FEDERATION OF BIH

### Taxpayer

Social security contributions payers in Federation B&H are:

Legal or natural person - a resident of Federation B&H:

- For employees in work relation and other equivalent insured persons
- Natural person who carries out independent activity as the main occupation
- Natural or legal person, the payer of receipts on the basis of other independent activity or temporary dependent activity

Natural person, a resident of Federation of B&H:

- Who is employed in the legal or natural persons, of residents
- Who is employed in the legal or natural entities, of non-residents
- An official (elected or appointed)
- Who is sent to work abroad or on professional development, or who is employed abroad at foreign employer, if is not mandatory insured with a foreign social security carrier
- Who realizes benefits from other types of independent activity and temporary dependent activity

Natural person, a non-resident of Federation B&H:

- Who is employed at legal or natural person resident
- Who has been employed in the legal or natural person, non-resident, if an international agreement provides otherwise

## **Subject of taxation**

Salary, which represents monetary and every other earning regardless of the form of payment, taxable income, which is paid by the employer or employer was required to pay on the basis of employment.

## **Social security contribution rates**

Social security rates are as follows:

Employee's share:

- 17% for pension insurance
- 12,5% for health insurance
- 1,5% for health insurance

Employer's share:

- 6% for pension insurance
- 4% for health insurance
- 0,50% for health insurance

## **Applicable regulations**

- Law on Social Security Contributions of FB&H (Official Gazette of FB&H No. 35/98, 16/01, 37/01, 1/02 17/06, 14/08 and 91/15, 104/16, 34/18).

## **Competent institution**

Competent institution for control, assessment and collection of Social Security Contributions is Tax Administration of Federation B&H through its cantonal branch offices.

## **Incentives**

Law on Social Security Contributions of FB&H (Official Gazette of FB&H No. 35/98, 16/01, 37/01, 1/02 17/06, 14/08, 91/15, 104/16, 34/18) foreseen certain benefits such as: in the textile and leather and footwear industry, where the base is determined as the product of the average monthly salary in the Federation and the lower coefficient.

## **SOCIAL SECURITY CONTRIBUTIONS IN REPUBLIC OF SRPSKA**

### **Taxpayer**

Taxpayer of contribution is a natural person - a resident (which has a domicile or residence in the territory of RS) who are employed by the company or individual person of headquartered in the Republic of Srpska or enterprise, or Individual person with headquarters in another entity or Brčko District.

### **Subject of taxation**

The subject of taxation is:

- Personal earnings by the Law on Personal Income Tax, which are subject to income tax
- Personal earnings are taxable income who on owner or co-owners of the enterprise, action, or other forms of self-employment, if this basis is entitled to mandatory pension and disability and health insurance
- Gross income on which the taxpayer is entitled to mandatory pension and disability and health insurance.

### **Social security contribution rates**

In Republic of Srpska contributions are paid by employer, on gross wage amount.

- For pension Insurance 18,5%
- For health insurance 12%
- For unemployment insurance 0.8%
- The child protection 1.7%

### **Applicable regulations**

Law on Social Security Contributions of RS (Official Gazette of RS No. 114/17) and regulates the system of mandatory contributions to fund the pension and disability insurance, health insurance, in case of unemployment and child protection in Republic of Srpska.

### **Competent institution**

Competent institution for control, assessment and collection of social security contributions is Tax Administration of Republic of Srpska.

## **SOCIAL SECURITY CONTRIBUTIONS IN BRČKO DISTRICT**

Contributions in Brčko District are regulated by the laws of FB&H and RS depending of which employee chose and by the Law on Health Insurance of BD (Official Gazette of BD No. 1/02, 7/02, 19/07, 2/08 and 34/08). Calculation and payment of tax on salary and other payments shall be made in accordance with the Law on Personal Income Tax of BD (Official Gazette of BD No. 60/10), or on the basis of the Decision of the Assembly of BD (Official Gazette of BD of B&H No. 5/00).

In the Brčko District there are contributions paid by employee and those paid by the employers (FB&H), on gross wage amount.

Employees share:

- 17% for pension insurance for employers who apply FB&H Law
- 18% for pension insurance for employers who apply RS Law
- 12% for health insurance and
- 1.5% for unemployment insurance (total: 30.5 or 31.5 % of gross salary)

Employers share:

- 6% for pension insurance for employers who apply FB&H Law

## **4. REAL ESTATE TAX AND REAL ESTATE TRANSFER TAX**

### **REPUBLIC OF SRPSKA REAL ESTATE TAX**

Law on real estate tax regulates the taxation of real estate, exemption from taxation, decrease of the tax base and method of payment of the tax in the Republic of Srpska. Jurisdiction for determining tax rate has been divided between the Republic of Srpska and local communities. Community determines the rate of the tax rate and the entity law sets upper and lower limits of the range where the tax rate should be moving.

#### **Taxpayer**

- Taxpayer is the owner of the immovable property (regardless of whether the property came to the sales contract, inheritance or gift)
- Taxpayer is a co-owner and joint owner of the real estate ownership and joint ownership

#### **Tax base**

Tax base for the calculation of the tax on real estate represents the market value of real estate as determined in accordance with the Law on Real Estate Tax. For any taxable year shall be determined the market value of real property. The basis for the tax calculation is its value at 31 December of the previous year.

## **Tax rate**

In Republic of Srpska, 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.

## **Applicable regulations**

- Law on Real Estate Tax of RS (Official Gazette of RS No. 95/15)

## **Competent institution**

Tax Administration of RS establishes and maintains fiscal register of real estate from all the data on the property tax, real estate tax number, address, owner, characteristics and values of real estate and other information that may be of importance. Tax Administration issues tax bills for property tax by March 31, each year.

## **Incentives**

Exemption from payment of tax on transfer of real estate is regulated by the Law on Real Estate Tax of RS. The release is acquired by submitting an application for exemption from payment of tax submission for registration in the register of fiscal immobility.

The taxpayer has the right to deduction for the value of the tax base for the taxpayer 50m<sup>2</sup> and 10m<sup>2</sup> for each member of his household, compared to the estimated value of real estate in which they lives.

## **BRČKO DISTRICT REAL ESTATE TAX -**

### **Taxpayer is:**

- Proprietor real property
- Person who uses or occupies the property if the holder of real estate cannot be determined or cannot be found

### **Tax base**

The tax base for the real estate tax represents the market value of the real estate. The market value of any type of real estate for tax year is the value of the real estate at December 31, of the previous year.

### **Tax rate**

The tax rate cannot be less than 0.05% nor greater than 1.0%. Authority proposes the size of the tax rates on real estate in the Brčko District. The tax rate is adopted, for each fiscal year, with the budget in the Assembly of Brčko District.

### **Applicable regulations**

- Law on Real Estate Tax of BD (Official Gazette of BD No. 27/07, 41/07, 52/18)

### **Competent institution**

Finance Directorate of Brčko District institution is responsible for:

- Identification of all taxable and non-taxable real estate in the BD
- Maintaining fiscal cadastre, the valuation of real estate
- Preparing and issuing tax decision
- Collection and enforcement of taxes on real estate

## **FEDERATION OF B&H REAL ESTATE TRANSFER TAX (CANTONAL LEVEL)**

The acquisition of real estate in FB&H is subject to real estate transfer tax levied at the cantonal levels.

### **Taxpayers**

Payer of real estate transfer tax is most often the seller of the property (depending on the location of the property being sold). Only in Canton Sarajevo and Herzegovina-Neretva Canton the buyer is the payer of property transfer tax.

### **Tax base**

In 9 cantons the tax base for the property tax represents the market value of the property, with exception of Tuzla Canton, where the tax base is the market value or the contracted sales price, if it is larger than the estimated market value.

### **Tax rate**

In Federation of B&H, in all cantons, real estate transfer tax rate is 5%.

### **Applicable regulations**

- Law on Real Estate Transfer Tax and Rights in Canton Sarajevo (Official Gazette of CS No. 28/18)
- Law on Real Estate Transfer Tax and Rights in Bosnia - Podrinje Canton (Official Gazette of BPC No. 18/01 and 02/10)
- Law on Real Estate Transfer Tax in Zenica-Doboj Canton (Official Gazette of ZDC No. 06/09 and 06/13)
- Law on Real Estate Tax and Rights in Herzeg Bosnian Canton (Official Gazette of HBC No. 7/02)
- Law on Real Estate Transfer Tax in Central Bosnia Canton (Official Gazette of CBC No. 11/13)
- Law on Real Estate Transfer Tax in Unsko - Sanski Canton (Official Gazette of USC No. 6/04)
- Law on Real Estate Transfer Tax and rights in Tuzla Canton (Official Gazette of TC No. 11/01, 13/01, 3/03, 3/13,12/16)
- Law on Real Estate Transfer Tax in West Herzegovina Canton (Official Gazette of WHC No. 17/99)
- Law on Real Estate Transfer Tax in Herzegovina-Neretva Canton (Official Gazette of HNC No. 8/00, 57/04 and 11/08)
- Law on Real Estate Transfer Tax in Posavina Canton (Official Gazette of PC No.11/09)



## Competent institution

Tax Administration of FB&H is competent institution for control, assessment and tax collection through its cantonal branch offices.

## Incentives

Provisions of the Cantonal laws on real estate transfer tax foresee certain benefits such as tax exemptions on the transfer of ownership of real estate when entering during establishment of the company, when invest in the capital of the company (recapitalization), and exemption from paying tax on transfer of real property rights in accordance with the regulations governing the privatization of state property, etc.

## FEDERATION OF B&H PROPERTY TAX - TAXPAYER (CANTONAL LEVEL)

### Taxpayer

Property tax is paid by natural and legal persons who are owners or beneficiaries of the following assets; business premises are issued under the lease, residential building or an apartment renting houses, garages that are issued under the lease, parking space that is issued, building or dwelling for recreation, passenger cars, except taxi vehicle, motorcycles. Taxpayer of the property is a legal and natural person who is the owner or beneficiary automats for games on fortune and tables in the casino.

### Tax rate

Property tax is paid annually in a flat fee, for the building or apartment for relaxation and recreation from 1 - 2 BAM/m<sup>2</sup> (approx. 0,50 - 1 EUR/m<sup>2</sup>), motor vehicles depending on the age of 10 - 200 BAM (approx. 5 - 100 EUR) for business premises renting houses: 2 - 5 BAM/m<sup>2</sup> (approx. 1 - 2.5 EUR/m<sup>2</sup>) for the tables in the casino, slot machines for gaming in the amount of 500 - 6, 000 BAM (approx. 250 - 3,000 EUR).

### Applicable regulations

- Law on Property Tax in Sarajevo Canton (Official Gazette of SC No. 07/09)
- Law on Taxes in Herzegovina-Neretva Canton (Official Gazette of HNC No. 02/09)
- Law on Taxes in Herzeg Bosnian Canton (Official Gazette of HBC No. 10/09, 2/10)
- Law on Property Tax, Inheritance and Gift in Posavina Canton (Official Gazette of PC No. 9/08, 04/09)
- Law on Property Tax, Inheritance and Gift in Bosnia - Podrinje Canton (Official Gazette of BPC No. 7/09, 04/13, 15/14)
- Law on Property Tax, Inheritance and Gift in Tuzla Canton (Official Gazette of TC No. 14/09, 3/10, 4/10, 8/14,12/16)

- Law on Property Tax, Inheritance and Gift in Zenica-Doboj Canton (Official Gazette of ZDC No. 09/09, 13/11)
- Law on Property Tax, Inheritance and Gift in Unsko Sanski Canton (Official Gazette of USC No. 4/09)
- Law on Property Tax in West Herzegovina Canton (Official Gazette of WHC No. 12/09, 15/09)

## **Competent institution**

In Federation of B&H the Tax Administration is competent institution for control, assessment and tax collection through its cantonal branch offices.

## **5. MUNICIPAL FEES IN BOSNIA AND HERZEGOVINA**

Municipal administrative and utility fees are largely different in many municipalities for the simple reason that the decision on the structure and height is made at the local - municipal level, with no limitation on the minimum or maximum fee. Decisions on the municipal administrative fees, each municipality regulates the identification and mode of payment of municipal administrative fees, arising and cessation of revenue obligations, exemption from taxes and tariffs in proceedings in the municipal authority administration, decisions on municipal taxes and tariffs, each municipality in its area prescribes utility fees, determining their height and the method of payment.

Laws/regulations on communal governs the issue of utility taxes, subject to revenue duties and obligation of paying utility fees, as well as exemption from municipal taxes.

Height of municipal administrative and utility fees are largely different in many municipalities for the simple reason that the decision on the structure and height is made at the local - municipal level, with no limitation on the minimum or maximum fee. Decisions on the municipal administrative fees, each municipality regulates the identification and mode of payment of municipal administrative fees, arising and cessation of revenue obligations, exemption from taxes and tariffs in proceedings in the municipal authority administration, decisions on municipal taxes and tariffs, each municipality in its area prescribes utility fees, determining their height and the method of payment.

Laws/regulations on communal governs the issue of utility taxes, subject to revenue duties and obligation of paying utility fees, as well as exemption from municipal taxes. The most significant non-tax revenues of municipalities are presented on the next page.

## Administrative municipal fees

Construction fees for urban permit, construction permit and usage permit shall be paid in the amount of 50 - 300 BAM (approx. 25 -150 EUR).

## Municipal fees for land

Price (height) of the fees for building, agricultural and city/municipal building land depends on the area of construction land. Fees expenses are calculated by multiplying the usable area of the planned facility and set price for a particular zone in the amount of 18 - 600 BAM/m<sup>2</sup> (approx. 9 - 300 EUR/m<sup>2</sup>).

The fee for the cost of city construction land includes the actual cost of preparing and residential land. The fee for the management of land charge in the amount of approx. 7.2 - 15.6 BAM/m<sup>2</sup> (approx. 3.6 - 7.8 EUR/m<sup>2</sup>).

The fee for the use of building land is 0,8064 BAM/m<sup>2</sup> (approx 0,4032 EUR/m<sup>2</sup>), annual payment from the issuance of the use permit.

## Utility taxes on highlighting the company

Utility taxes on highlighting the company - in Bosnia and Herzegovina, for every company, label, mark or inscription on business and other premises, objects and places that indicates that a certain natural or legal person is performing a certain activity or interest, annual fee is paid (depending on the type of business), in the amount of approximately of 30 - 740 BAM (approx. 15 - 370 EUR).

**INCENTIVES:** *In most municipalities in Bosnia and Herzegovina there are certain privileges that are available to investors. One of these privileges is the exemption from municipal taxes for highlighting the company for the first year of activities.*

## Special fees that are paid on an annual basis

- General water fees - 0.5 % of net wages paid
- Tax for the protection of natural disasters - 0.5 % of net wages paid (temporarily abolished)
- Compensation to tourist community - 0.5 % of total revenues at the end of the year

Note: Fees in the Brčko District are regulated by the Law on Administrative Fees of BD (Official Gazette of BD No. 21/05, 17/09, 19/07 and 2/08). Revenue payers are all natural persons and companies at whose request procedure is initiated and carried out the actions envisaged revenue tariff. The fee, depending of the type activity ranging from 100 - 1500 BAM (approx. 50 - 750 EUR). Deduction of paying for utility and other taxes for business entities in the BD, is governed by the Regulations on the Procedure of the Right to Benefits Businesses.

# FIPA SUPPORT

## **Are you interested in investing in Bosnia and Herzegovina?**

- FIPA will be pleased to assist you, our services are confidential and free of charge!
- Established in 1998, FIPA - Foreign Investment Promotion Agency of Bosnia and Herzegovina is the main governmental institution supporting foreign direct investment in B&H.
- FIPA will help you to seize business opportunities in Bosnia and Herzegovina by:

## **Providing current data and information on the business climate and investment environment:**

- Advice on the legal framework relating to Foreign Direct Investment (FDI) in B&H
- Macroeconomic data/indicators
- Investment incentives

## **Presenting investment opportunities in B&H:**

- Available investment projects
- Companies in the process of privatization
- B&H companies seeking partners

## **Providing reliable assistance, including:**

- Effective networking with the public and private sectors
- Links with governmental and non-governmental institutions

*We provide clients with orientated research  
& services helping you to make your  
business in Bosnia and Herzegovina a  
“success story”*

Foreign Investment Promotion Agency  
DUBROVAČKA 6, 71 000 Sarajevo, B&H  
Phone: + 387 33 278 080, Fax: + 387 33 278 081  
E-mail: [fipa@fipa.gov.ba](mailto:fipa@fipa.gov.ba), Website: [www.fipa.gov.ba](http://www.fipa.gov.ba)