

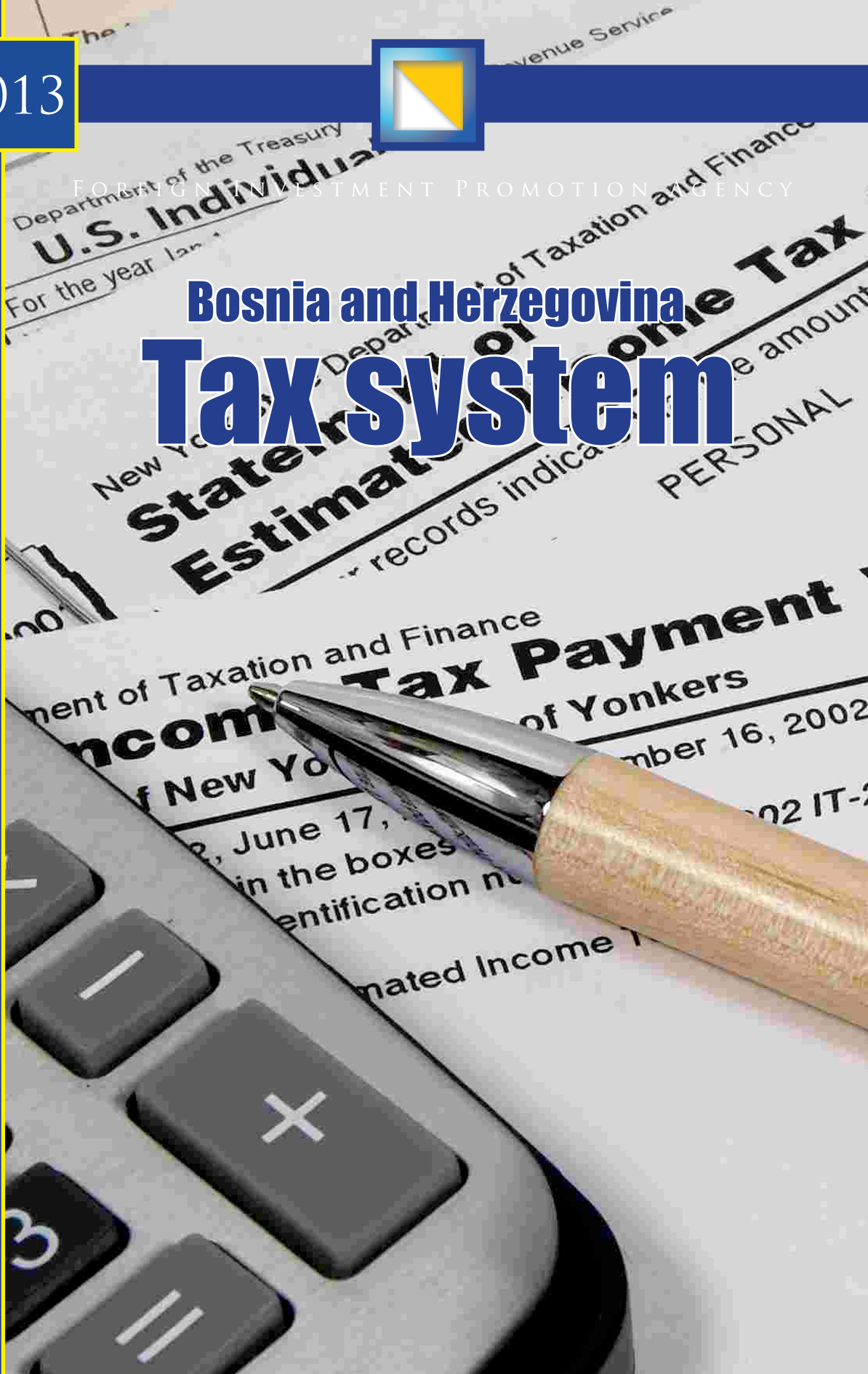
2013



FOREIGN INVESTMENT PROMOTION AGENCY

# Bosnia and Herzegovina Tax system

BOSNIA AND HERZEGOVINA INVESTMENT OPPORTUNITIES





# Bosnia and Herzegovina Tax system

FOREIGN INVESTMENT PROMOTION AGENCY



BOSNIA AND HERZEGOVINA

# YOUR NEW ADVENTURE



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# STATE LEVEL TAXES

## INDIRECT TAXES

Indirect taxes include value added tax (VAT), excises - a special type of sales tax paid on some commodities like oil products, tobacco products, soft drinks, alcohol drinks, beer, wine and coffee and customs. Indirect taxes are the responsibility of Bosnia and Herzegovina state level government.



## VALUE ADDED TAX (VAT)

### 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 - TAX BASE

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.



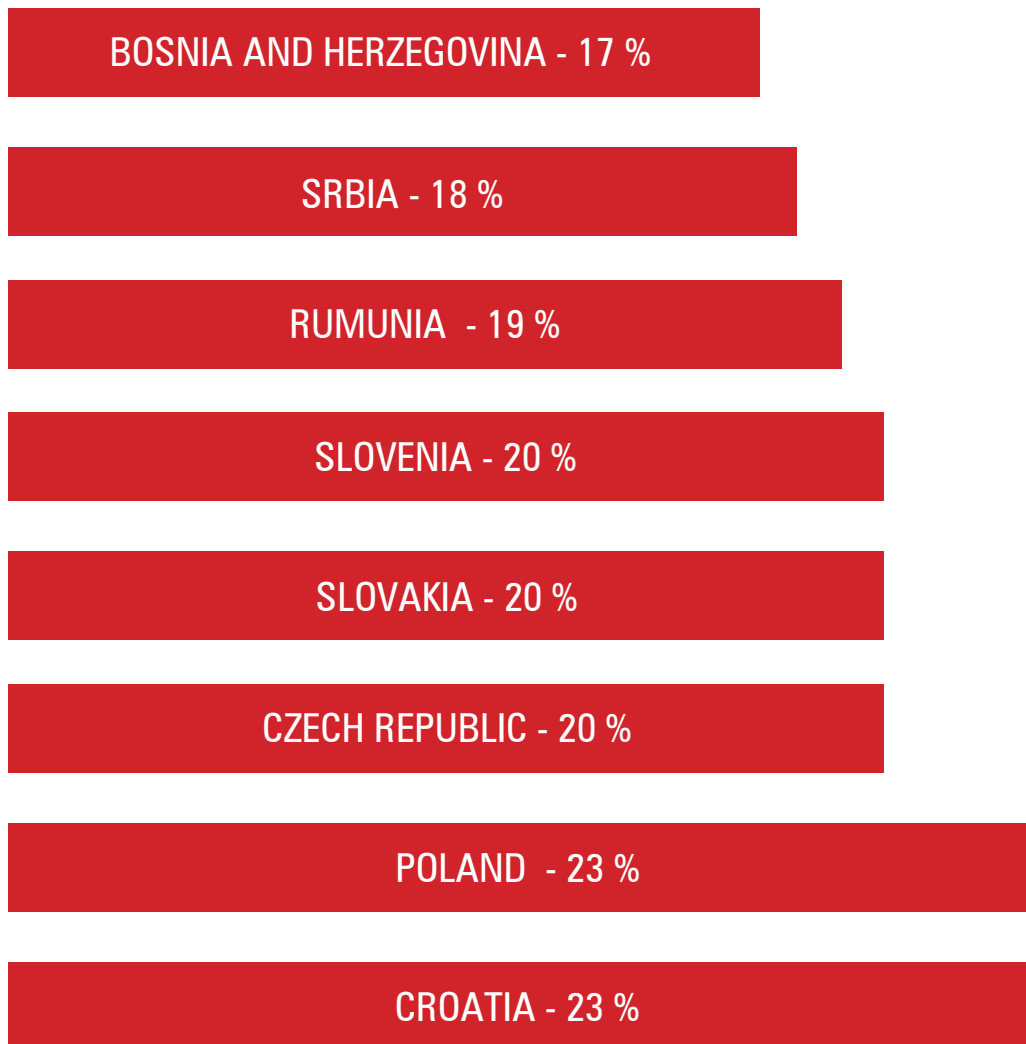
VAT shall be calculating on:

- supplies of goods and services (hereinafter: supply of goods and services) which a taxpayer, within the performance of his economic activities, makes for consideration within the territory of Bosnia and Herzegovina;
- the importation of goods into Bosnia and Herzegovina.

## VALUE ADDED TAX RATE

Value added tax (VAT) rate is flat rate of 17% in B&H. Bosnia and Herzegovina has one of the lowest rates of VAT.

Comparable review of VAT rates in region



## APPLICABLE REGULATIONS

- Law on Indirect Taxation System in Bosnia and Herzegovina (Official Gazette of B&H No. 44/03, 52/04, 34/07, 49/09)
- Law on Value Added Tax (Official Gazette B&H No. 09/05, 35/05, 100/08)
- Law on payments into a single account and revenue allocation (Official Gazette of B&H No.55/04)
- 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, 65/10, 51/12)
- Book of Rules on the control of indirect taxes (Official Gazette of B&H No. 78/07)

## COMPETENT INSTITUTION

The Indirect Taxation Authority is responsible for the collection of all indirect taxes at the entire territory of Bosnia and Herzegovina. The Indirect Taxation Authority is an autonomous administrative organization responsible for its activities, through its Governing Board, to the Council of Ministers of Bosnia and Herzegovina. The field activities are run by four regional centres in: Sarajevo, Banja Luka, Mostar and Tuzla, 30 customs sub-offices and 59 customs posts, out of which 40 are passenger border crossings, 4 airports, 8 railway border crossings, 3 overseas mail offices and 4 free zones.

## INCENTIVES

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

## 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 that imports or exports the excise products in the territory of Bosnia and Herzegovina.

## 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 Bosnia and Herzegovina



## EXCISE TAX RATE

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) - BAM 0.30 (BAM 0.40 motor petrol and BAM 0.35 unleaded motor petrol),
- non-alcoholic drinks (per litre) - BAM 0.10,
- soft drink (per litre) - beer BAM 0.20 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 - 42% on the tax base plus a special excise depending of the number of boxes.

## APPLICABLE REGULATIONS

- Law on Excise Duties in Bosnia and Herzegovina (Official Gazette of B&H No. 49/09)
- 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)
- Regulation on excise stamps for tobacco products and alcoholic drinks, natural fruit brandy, coffee and wine (Official Gazette of B&H No. 50/09).

## 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 Bosnia and Herzegovina", no. 49/09) 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.*

## CUSTOMS AND CUSTOMS SYSTEM IN BOSNIA AND HERZEGOVINA

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

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.

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

B&H has also signed a Free Trade Agreement with Turkey, and B&H has generalized system of preferences with: USA, New Zealand, Switzerland, Norway, Japan, Russia, Kazakhstan and Belarus. Furthermore, B&H has preferential export regime with Iran.



## 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).

In order to enjoy this benefit, the foreign investor 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.

*Important innovation since 2011.*

*ATA Carnet Important customs document that can be used to navigate, on easy way, with various goods, intended for certain purposes in more than 70 countries that have adopted the ATA Carnet. ATA Carnet simplifies crossing the border, that allows exporters and importers use only one document to resolve all formalities.*

## BORDER CROSSINGS POINTS

Novi Grad, Kostajnica, Kozarska Dubica, Gradiška, Bosanski Brod, Šamac, Rača, Pavlovića most, Karakaj, Zvornik, Klobuk, Vračanovići- Deleusna, Dobrun, Zubci, Nudo, Ivanica.

## CUSTOMS CROSSINGS

Novi Grad, Kozarska Dubica, Gradiška, Bosanski Brod, Rača, Pavlovića most, Karakaj, Klobuk, Vračanovići-Deleusna, Dobrun.

## APPLICABLE REGULATIONS

- Law on Customs Policy of B&H (Official Gazette of B&H No. 57/04 and 51/06, 57/08, 93/08, 54/10, 76/11)
- Law on Customs Tariff of B&H (Official Gazette of B&H No. 1/98, 5/98, 22/98, 31/02, 32/04, 48/05, 76/06) - the tariff is adopted for each year separately -
- Decision on Implemental Regulations of the Customs Policy Law of B&H (Official Gazette of B&H No. 63a/04, 60/06)
- Regulations on Customs features
- Regulations on Control of indirect taxes (Official Gazette B&H No. 78/07)
- Decision on the procedure of exercising the right FOR exemption from import duties on Equipment released for free circulation representing an investment by a foreign person (a component of the Customs Policy)

## ENTITY LEVEL TAXES

### CORPORATE INCOME TAX OF FEDERATION BOSNIA AND HERZEGOVINE

#### TAXPAYER OF CORPORATE INCOME TAX

Taxpayer is an enterprise and other legal entities performing an independent permanent economic activity through the sales of goods and provision of services on the market in order to make profit.

Taxpayer is:

- a resident of the Federation B&H, making profit on the territory of the Federation and abroad and
- a non-resident making profit on the territory of the Federation.

*RESIDENT is a legal entity with principal place of business (HQ) (Registration) entered into the registry of enterprises in the Federation or with actual management and supervision over the business activities in the Federation.*

*NON-RESIDENT is a legal entity established and with HQ or actual management and supervision over the business activities outside of the Federation and business activities in the Federation are carried out through the branch office or temporary establishment.*



## CORPORATE INCOME TAX BASE

The tax base is the taxable profit of a taxpayer that is determined in the tax balance.

The taxable profit is determined by coordinating the profit of the taxpayer stated in the tax return, in a way determined by applicable law.

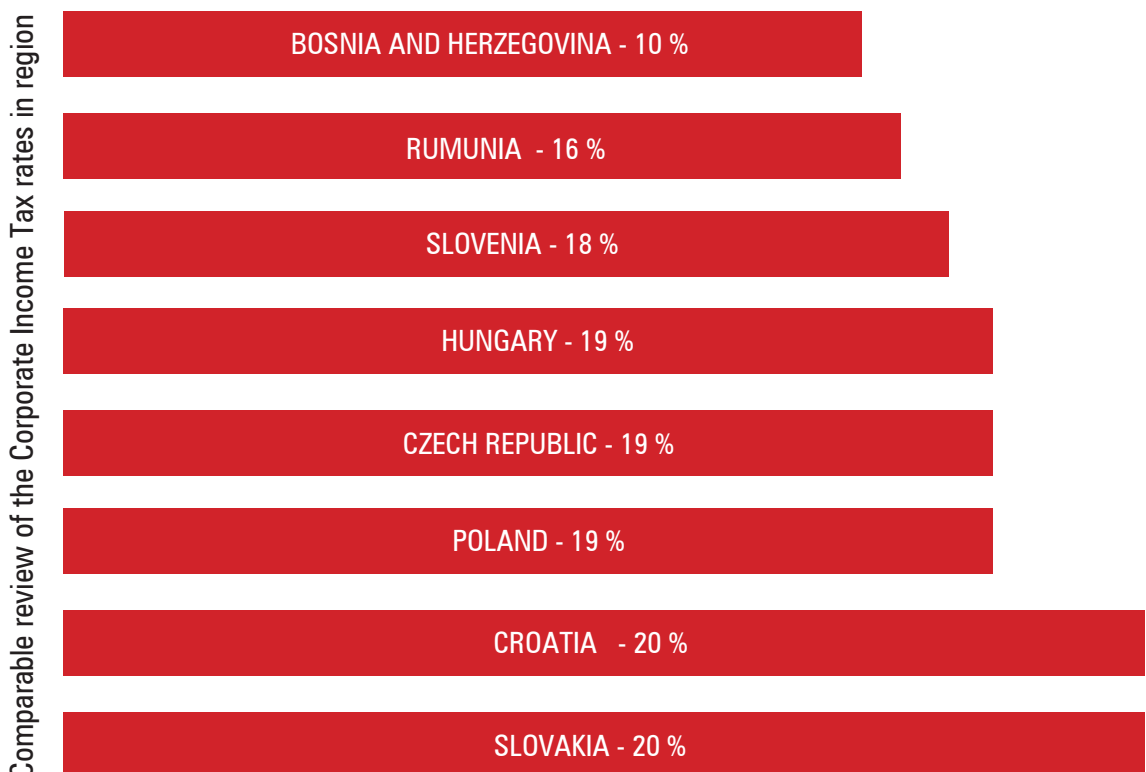
Profit determined in the process of taxpayer liquidation is included in tax base and also the tax base includes capital gain determined in the tax balance.

*Dividends realized based on participation in the capital of other taxpayer are not included in the tax base, also shares in the profit.*

## CORPORATE INCOME TAX RATE- STIMULATING RATE

Taxation system in Bosnia and Herzegovina is characterized with low tax rates. Profit tax is paid per rate of 10% onto the assessed tax base from the Tax Balance.

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



## APPLICABLE REGULATIONS

- Law on Corporate Profit Tax FB&H (Official Gazette of FB&H No. 97/07, 14/08 i 39/09)
- Rulebook for the implementation of the Law on Corporate Profit Tax (Official Gazette of FB&H No. 36/08 i 79/08).

## 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:

- taxpayer who in the period of five consequent years invests into production in the value of minimum 20 million BAM, on the territory of the Federation of Bosnia and Herzegovina, is being exempted from the payment of corporate income tax for the period of five years beginning from the first investment year, in which minimum four million BAM must be invested.
- the taxpayer who in the year for which the corporate income tax is being determined, has achieved 30% of their total revenue by export to be exempted from the tax payment for that year.
- The taxpayer who employs more than 50% of disabled persons and persons with special needs longer than one year is being exempted from the payment of corporate income tax for the year in which more than 50% disabled persons and persons with special needs were employed.
- A taxpayer – business unit of a non-resident, established within or with the HQ or management and supervision of business activities outside of the Federation, but within Bosnia and Herzegovina, shall be exempt from profit tax payment for profits realized in the Federation.

Profits transferred abroad are not taxed in B&H, if they were previously subject to the taxation abroad.



## CORPORATE INCOME TAX OF REPUBLIC OF SRPSKA

### TAXPAYER OF CORPORATE INCOME TAX

Taxpayers of corporate income tax in Republic of Srpska are:

- legal entity of the Republic of Srpska pays tax on profits earned from any source either in the Republic of Srpska or abroad;
- a branch of the legal entity for the profit realized in the Republic of Srpska;
- foreign legal entities that deal and has a permanent place of business in the Republic of Srpska, for profit attributable to the permanent establishment;
- a foreign legal entity that receives income from property located in the Republic of Srpska, for profit attributable to the property.

### 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 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 share in the profits received by the legal entity of the Republic of Srpska revenue that is 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.

### APPLICABLE REGULATIONS

- Corporate Income Tax Law of Republic of Srpska (Official Gazette of RS No. 91/06, 57/12)

## COMPETENT INSTITUTION

Tax Administration of the Republic of Srpska is responsible for implementation of all tax laws. Tax Administration is under the Ministry of Finance of the Republic of Srpska.

## INCENTIVES

Law on Amendments to the Law on Corporate Income Tax of Republic of Srpska allows reduction of the tax base for the investment value of investments in the following cases:

- they shall be exempted from payment of income tax revenue from humanitarian organizations in connection with the basic activity;
- introduced the stimulation of investment in production, so that a taxpayer who invests in equipment, facilities and real estate has the right for tax reduction for the value of the investment;
- in order to stimulate employment, the taxpayer who in a calendar year employed at least 30 permanent employees has the right for tax reduction by the amount of tax paid on income and contributions for those employees;
- freed from the withholding tax for interest from credits and loans has been used by resident to invest in equipment, facilities and real estate.

## CORPORATE INCOME TAX DISTRICT BRCKO

### TAXPAYER OF CORPORATE INCOME TAX

The taxpayer is:

- legal entity from the District, the profits obtained from any source in Bosnia and Herzegovina or abroad;
- branch legal entity headquartered in the entities, the profits obtained in the District;
- foreign legal entities which deal and has a permanent place of business in the District, profit which contributes to the permanent establishment;
- foreign business who receives income from property located in the District, the profit which contributes to immovable assets;
- foreign person which generates revenue in the 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 Brcko District (Official Gazette BD No. 60/10, 57/11, 33/12)

## COMPETENT INSTITUTION

Tax administration Brcko District is the institution responsible for the issue of 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.

Withholding tax in the Brcko District is regulated in the same way as in the entities of Bosnia and Herzegovina.

## WITHHOLDING TAX

Withholding tax applies to certain payments made to non-resident legal entities (dividends, specified interest payments and payments for intellectual property rights, market research, tax advisory, business advisory and audit services, as well as all other services performed by non-residents on the territory of FB&H and Republic of Srpska).

The standard rate of withholding tax is 10% in both entities and the Brcko District, with the exception of dividends, where the Federation of Bosnia and Herzegovina shall apply a withholding tax rate of 5%.

*The withholding tax rate may be decreased/eliminated pursuant to an effective double taxation treaties.*

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

#### AGREEMENTS ON AVOIDANCE OF DOUBLE TAXATION (37)

ALBANIA	HUNGARY	QATAR
AUSTRIA	IRAN	ROMANIA
ALGERIA	IRELAND	SERBIA
BELGIUM	ITALY	SLOVAKIA
CHINA	JORDAN	SLOVENIA
CROATIA	KUWAIT	SPAIN
CZECH REPUBLIC	MALAYSIA	SIR LANKA
CYPRUS	MOLDOVA	SWEDEN
DENMARK	MONTENEGRO	TURKEY
EGYPT	THE NETHERLANDS	UNITED ARAB EMIRATES
FINLAND	NORWAY	UNITED KINGDOM AND NORTHERN IRELAND
FRANCE	PAKISTAN	GERMANY
POLAND		

## PERSONAL INCOME TAX OF FEDERATION BOSNIA AND HERZEGOVINE

### 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 territory of Federation B&H, and outside the territory of the Federation
- a non-resident who performs an activity through a permanent place of business in the territory of the Federation B&H.
- a non-resident who performs independent activity in the territory of the Federation B&H,
- a 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 according to this law.

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



## APPLICABLE REGULATIONS

- Law on Personal Income Tax FB&H (Official Gazette of FB&H No. 10/08, 9/10, 44/11 and 7/13)
- 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).

## COMPETENT INSTITUTION

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

## INCENTIVES

Law on Personal Income Tax FB&H (Official Gazette No. 10/08, 9/10 and 44/11) foresees certain incentives such as tax deductions that include personal exemption and deduction for each dependant family member which will be increased and reduce the base for calculation of income tax.

## EXEMPTIONS / DEDUCTIONS

### PERSONAL DEDUCTIONS

Personal deductions that can be recognized for resident taxpayer based on the tax card during the determination the basis for the calculation of monthly advance tax on income from dependent activity, are:

1. basic personal exemption of the taxpayer	150,00 EUR
2. for dependant spouses	75,00 EUR
3. for first child	150,00 EUR
4. for second child	105,00 EUR
5. for third dependent child and any further dependent child	135,00 EUR
6. for each other dependent members of the close family	45,00 EUR
7. for its own disability and invalidity of any member of the close family supported by taxpayer.	45,00 EUR



## INCOME EXCLUDED FROM DETERMINATION OF TAX BASE

Taxable income from dependent activity are not considered receipts from fees, grants, awards, allowances and severance which employers pay their workers and receipts of taxpayers engaged in an independent activity to the following amounts:

UNTAXED FEES	UNTAXED AMOUNTS
business travel transport costs	amount of the real costs
overnights costs on a business trip	amount of the real costs
use of private car for business purposes	up to do 20% of price 1 litter of fuel cost per kilometre
transport costs to and from work by local public transport	up to do price costs of the urban, suburban and intercity transport ticket
compensation for hot meal	up to 2% of average net wage in the Federation
compensation for work in the field (field allowance), provided that the work is performed outside the place of employment and that lasts longer than 20 consecutive days	20% of the prescribed daily allowance, if accommodation and meals on the ground are secured by the employer; - Up to the amount of prescribed daily allowance, if accommodation is ensured; - Up to 70% of the prescribed daily allowance, if only food is ensured
severance payment upon retirement	up to do six net employee salaries that are paid to him in the last six months or six average net wage in the Federation

## PERSONAL INCOME TAX OF 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, Brcko District or another state.

*A 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 a natural person who has a residence in the territory of other entity, district or 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:

- income;
- income from self-employment;
- revenue from copyright, rights related to copyright and industrial property rights;
- income from capital;
- capital gains;
- dividends.

## PERSONAL INCOME TAX RATE- STIMULATING RATE

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

## APPLICABLE REGULATIONS

- Law on Personal Income Tax (Official Gazette of the RS No. 91/06128/06,120/08 and 71/10, 1/11)

## 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.

## INCENTIVES

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

Taxable income is reduced by:

- 20% non-taxable part of income for each household dependent member of the immediate family;
- the amount of interest paid on housing loans.

As for the general release of the new tax law on personal income tax exemption is provided for income taxes on the employment of workers who are employed after 01.02.2011, and in doing that is older than 50 years of age or older and previously spent a minimum of one year continuous records of the employment.



## PERSONAL INCOME TAX OF DISTRICT BRCKO

### 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,
- a non-resident who performs an activity through a permanent place of business in the territory of Brcko District
- a non-resident who performs independent activity in the territory of Brcko District
- generates revenue in the 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.

*Brcko District 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 Brcko District income tax rate is 10%.

### APPLICABLE REGULATIONS

- Personal Income tax in the Brcko District is regulated by the Law on Personal Income Tax of Brcko District (Official Gazette of the Brcko District of B&H No. 60/10)

## COMPETENT INSTITUTION

Tax administration Brcko District is the institution responsible for the issue of direct taxes.

## INCENTIVES

Certain incentives are provided with the Law on Personal Income Tax of Brcko District (Official Gazette of Brcko District 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.

## SOCIAL SECURITY CONTRIBUTIONS IN THE FEDERATION OF B&H

### TAXPAYER

Social security contributions payers in the Federation B&H are:

Legal or natural person - a resident of the 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 the 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 the 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:

### 1. Employee's share:

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

### 2. Employer's share:

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

*Calculation, suspension and payment of contributions for social security taxpayers are done by the employer per month, and during each other payment.*

## APPLICABLE REGULATIONS

- Law on Social Security Contributions of Federation of B&H (Official Gazette of FB&H No. 35/98, 16/01, 37/01, 1/02 17/06, 14/08).

## 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 B&H No. 35/98, 16/01, 37/01, 1/02 17/06, 14/08) 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 coefficient of 0.25.

## SOCIAL SECURITY CONTRIBUTIONS IN REPUBLIC OF SRPSKA

### TAXPAYER

Taxpayer contribution is a natural person - a resident (which has a domicile or residence in territory 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 BD.

*Resident of the Republic of Srpska, is a natural person who on territory of the Republic of Srpska has a domicile or residence and center of business and life interests.*

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

- for pension Insurance 18,5%
- for health insurance 12%
- for unemployment insurance 1.0%
- the child protection 1.5%

### APPLICABLE REGULATIONS

Law on Contributions (Official Gazette of RS No. 31/09, 1/11 and 116/12) regulates the system of mandatory contributions to fund the pension and disability insurance, health insurance, in case of unemployment and child protection in the Republic of Srpska.



## COMPETENT INSTITUTION

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

## SOCIAL SECURITY CONTRIBUTIONS IN BRDSKO DISTRICT

Contributions in Brcko District are regulated by Guidelines on the method of calculation and payment of taxes and contributions (Official Gazette of Brcko District No. 10/01).

Calculation and payment of tax on salary and other payments shall be made in accordance with the Law on Wage Tax (Official Gazette of B&H No. 26/96, 27/97 and 29/00), or on the basis of the Decision of the Assembly of the Brcko District B&H (Official Gazette of the Brcko District of B&H No. 5/00).

In the Brcko District there are contributions paid by employers and those paid by the employee, on gross wage amount.

Employees share:

- 17% for pension insurance for employers who apply FB&H Law and;
- 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.

## LAW ON PROPERTY TAX OF REPUBLIC OF SRPSKA

Law on property 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 OF PROPERTY TAX

- 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.

## PROPERTY 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 property 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.

*Under the “market value of real estate” means the cash amount that real estate can be exchanged in a market free will the buyer and seller.*

## PROPERTY TAX RATE

The tax rate on the real estate cannot be less than 0.05% and not more than 0.50% of the estimated property value.

## APPLICABLE REGULATIONS

- the Law on Property Tax of RS (Official Gazette of RS No. 110/08, 115/09).

## COMPETENT INSTITUTION

Tax Administration 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 of the Republic of Srpska issuing tax bills for property tax by 31 March each year.

## INCENTIVES

Exemption from payment of tax on real estate is regulated by the Law of property. 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.



## LAW ON PROPERTY TAX OF BRCKO DISTRICT

Property tax reform in Bosnia and Herzegovina began in the Brcko District as a pilot project under the supervision of an international USAID TARA. Tax Law on the Property, which was passed in 2007, meant the establishment of a fiscal register and determination of market value. Property tax rate established by the Government of the District of each fiscal year.

### TAXPAYER OF PROPERTY TAX

Taxpayer is:

- proprietor real property;
- person who uses or occupies the property if the holder of property cannot be determined or cannot be found.

*Under the “market value of real estate” means the cash amount that real estate can be exchanged in a market free will the buyer and seller.*

### PROPERTY TAX BASE

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

### PROPERTY 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 property in the Brcko District of Bosnia and Herzegovina. The tax rate is adopted, for each fiscal year, with the budget in the Assembly of the Brcko District of Bosnia and Herzegovina.

### APPLICABLE REGULATIONS

- Law on Property of the Brcko District (Official Gazette of B&H No. 27/07, 41/07)

### COMPETENT INSTITUTION

Finance Directorate of the Brcko District institution is responsible for: Identification of all taxable and non-taxable property in the District; maintaining fiscal cadastre, the valuation of real estate; preparing and issuing tax decision; and the collection and enforcement of taxes on real estate.

## CANTONAL LEVEL TAXES

### REAL ESTATE TRANSFER TAX

During the acquisition of real estate on the territory of Federation B&H one of the 10 cantonal laws on taxation of real estate shall be applied, depending on the canton where the property, which is the subject of acquisition, is located.

#### TAXPAYERS OF REAL ESTATE TRANSFER TAX

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.

#### REAL ESTATE TRANSFER TAX BASE

The tax base for the property tax represents the market value of the property. Subject to the real estate transfer taxation is any form of transfer of ownership of the property for a fee, either between legal persons or between individuals, regardless of whether a transfer of ownership of property comes by the sale, exchange or otherwise. Defining the real estate transfer tax base is differently determined in Tuzla Canton, where the tax base is the market value or the contracted sales price, if it is larger than the estimated market value.

#### REAL ESTATE TRANSFER TAX RATE

In Federation of B&H real estate transfer tax rate is 5%.

#### APPLICABLE REGULATIONS

- Law on Real Estate and Rights (Official Gazette of CS No. 23/05);
- Law on Real Estate and Rights (Official Gazette of Bosnia-Gorazde Canton No. 18/01);
- Law on Real Estate Transfer Tax (Official Gazette of the ZD Canton No. 24/99, 11/01, 8/02 and 7/04);
- Law on Real Estate Tax and Rights (Official Gazette Herzeg Bosnian Canton No. 7/02)
- Law on Real Estate Transfer Tax (Official Gazette of Central Bosnia Canton No. 4/99, 1/00, 16/04 and 10/06);
- Law on Real Estate Transfer Tax (Official Gazette of the Unsko - Sanski Canton No. 6/04);
- Law on Real Estate Transfer Tax and rights (Official Gazette of Tuzla Canton No. 11/01, 13/01 and 13/03);
- Law on Real Estate Transfer Tax (Official Gazette of the West Herzegovina Canton No. 17/99);
- Law on Real Estate Transfer Tax (Official Gazette of the Herzegovina-Neretva Canton No. 8/00, 57/04 and 11/08
- Law on Real Estate Transfer Tax (Official Gazette of the Posavina Canton No. 2/97).



## COMPETENT INSTITUTION

In Federation B&H the Tax Administration of Federation B&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.

## PROPERTY TAX

### TAXPAYER OF PROPERTY TAX

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.

### PROPERTY TAX RATE

Property tax is paid annually in a flat fee, for the building or apartment for relaxation and recreation from 0,50 to 1 EUR/m<sup>2</sup>, motor vehicles depending on the age of 5 EUR to 100 EUR for business premises renting houses: 1EUR / m<sup>2</sup> to 2.5 EUR/ m<sup>2</sup> for the tables in the casino, slot machines for gaming in the amount of 250.00 EUR to 3,000.00 EUR.

*Payers of property that is subject to registration pay tax ( such as motor vehicles , slot machines) at the time of registration with the relevant authority.*

## APPLICABLE REGULATIONS

- Law on Property Tax of Sarajevo Canton (Official Gazette of Sarajevo Canton No. 07/09);
- Law on Taxes in the Herzegovina-Neretva Canton (Official Gazette of the Herzegovina-Neretva Canton - Canton No. 02/09);
- Law on Taxes Herzeg Bosnian Canton (Official Gazette of Herzeg Bosnian Canton No. 10/09)
- Law on Property Tax, Inheritance and Gift of the Posavina Caanton (Official Gazette of the Posavina Canton No. 9/08, 04/09);
- Law on Property Tax, Inheritance and Gift Bosnia - Podrinje (Official Gazette of Bosnia - Podrinje No. 9/09);
- Law on Property Tax, Inheritance and Gift Tuzla Canton (Official Gazette of Tuzla Canton No. 14/09, 3/10);
- Law on Property Tax, Inheritance and Gift Zenica-Doboj Canton (Official Gazette of the Zenica-Doboj Canton No. 09/09);
- Law on Property Tax, Inheritance and Gift Unsko Sanski Canton (Official Gazette of the Unsko Sanski Canton No. 4/09).

## COMPETENT INSTITUTION

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

## INCENTIVES

Provisions of the Cantonal laws that regulate property tax foresee certain benefits such as exemptions from property tax for certain categories of people.

## MUNICIPIAL FEES IN BOSNIA AND HERZEGOVINA

In Bosnia and Herzegovina rationalization of regulations at all levels of government is currently implemented, including the local level, with the purpose of improving the business environment and competitiveness. Namely, International Finance Corporation (IFC) signed a cooperation agreement with municipalities in B&H within the project "Improving the business environment in Bosnia and Herzegovina - (ISCRA)". Simplification and improvement of administrative procedures in order to establish an effective organization, and, in particular, simplification of business regulations pertaining to licenses, rulings, licenses and approvals will increase transparency of their implementation, reduce operating costs and, as the most important aspect, will help improve the climate for entrepreneurship by reducing cost of administrative fees, tariffs municipal administrative fees and lease of public land.

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.

Law on Communal Fees Republic of Srpska (Official Gazette of RS No. 4/12) 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:

## ADMINISTRATIVE MUNICIPAL FEES

Construction fees for urban permit, construction permit and usage permit shall be paid in the amount of approx. 25 EUR -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 cca. 9 (EUR/m<sup>2</sup>) to 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. 3.6 EUR /m<sup>2</sup> to 7.8 EUR/m<sup>2</sup> . The fee for the use of building land 0, 4032 EUR /m<sup>2</sup> (annual payment from the issuance of the use permit.

*The amount of fees for land is adjusted every three months in accordance with the changes in land value. Data are provided by the municipal commission for determining the value of real estate.*

## 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 15 EUR - 370 EUR.

*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;
- compensation to tourist community - 0.5% of total revenues at the end of the year;
- compensation for public benefit forest functions - 0.7% of total revenues at the end of the year.

An interesting fact is that in the RS, there are municipal taxes except administrative fees, as opposed to the Croatian in which the municipality level are the following types of taxes: the consumption tax, the tax on second homes, tax on uncultivated arable land, tax on unused entrepreneurial real estate taxes on unused land. Taxes in the Brcko District are regulated by the Law on Administrative Taxes Brcko District (Official Gazette of BD No. 21/05, 17/09, 19/07, 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 50,00 to 750,00 EUR. Deduction of paying for utility and other taxes for business entities in the Brcko District, is governed by the Regulations on the Procedure of the Right to Benefits Businesses.

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