

THE REPUBLIC OF SRPSKA
THE CITY OF BIJELJINA
MAYOR
City Administration
Department of Economy and Agriculture
Number: 02/1-sl/14
Date, 25th September 2014

TAXES AND DUTIES TO BE PAID BY ENTREPRENEURS

- Revenue tax rate – 10%
- Non-taxable revenue amount (in euros) – 102
- Rate of profit tax – 10%
- VAT rate – 17%
- Aggregate rate of contributions due to gross payroll – 33%

BiH/RS tax system is divided into two categories – direct and indirect taxes.

INDIRECT TAXES

Indirect taxes include value added tax (VAT), excise tax (special taxes payable on oil derivatives, alcohol, tobacco and its products, coffee) and customs duties. Indirect taxes are within BiH jurisdiction.

Laws relevant to indirect taxation done at the BiH level are the following:

- Law on System of Indirect Taxation in BiH ("BiH Official Gazette", No 44/03, 52/04, 34/07, 4/08, 49/09, 32/13);
- Law on Payment on a Unified Account and Revenue Allocation ("BiH Official Gazette" No 55/04, 34/07 and 49/09);
- Law on VAT ("BiH Official Gazette" No 09/05, 35/05, 100/08);
- Law on BiH Excise Taxes ("BiH Official Gazette" No 49/09);
- Law on BiH Customs Policy ("BiH Official Gazette" No 57/04 & 51/06, 93/08 54/10, 76/11);
- Law on BiH Customs Tariff ("BiH Official Gazette" No 58/12)

DIRECT TAXES

Direct taxes are within exclusive jurisdictions of the Entities and Brčko District.

In the Republic of Srpska, there is a unified revenue tax rate of 10%.

All international citizens permanently residing in Republic Srpska are obliged to pay revenue tax due to income made within a calendar year at the area of Republic Srpska. In the same manner, all international citizens who do not permanently reside in the RS but make earnings in the RS are considered taxpayers.

Tax on Profits

In Republic Srpska, profit tax is calculated at the rate of 10%.

Profit tax has been adjusted to EU standards. International legal entities are obliged to pay profit tax if:

- they perform certain activity and have a permanent business domicile in Republic Srpska, where tax payable is on profit made in relation to such permanent business location;
- they make revenues from real property located in Republic Srpska, on profits made in relation with such real property.

Taxation of foreign legal entities has been specified in more details in Articles 24 through 32 of Law on Profit Tax.

Law on Amendments to Law on Profit Tax provides a reduced tax base with investment in plants and real property in the events they are utilized for producing and processing activities. Reduced tax base also applies when 30 workers are employed within one calendar year.

Tax Cuts for Business Entities Performing Their Activities in the Republic of Srpska

Law on Profit Tax (“Republic Srpska Official Gazette“, No 91/06 and 57/12), applicable as of 1st January 2007, stipulates certain relieves and exemptions for business entities performing their activities in the RS, main of which are the following:

- With machines and equipment subject to depreciation, the deduction allowed due to accelerated depreciation calculated for the first year is 40%, second year 30% and third year 30% - Article 11 of the Law;
- Capital revenues or losses made within a fiscal year can be balanced, and net profit or loss can be added to or subtracted from the tax base, if they are not included in revenues and expenditure respectively – Article 12 of the Law;
- Tax loss which represents a negative difference between revenues and expenditure in the process of establishing the tax base, is transited and compensated by reducing the tax base within next five years, and if the taxpayer faces losses over more than one fiscal year, the tax loss of the previous fiscal year is compensated before tax loss of more recent fiscal year – Article 13 of the Law;
- Tax base for profit taxation is reduced by the value of investment in equipment, plant and real property of a taxpayer who performs his/her own registered manufacturing activity. Such reduction is done over the fiscal period during which the equipment, plants or real property are made available for use. With equipment, plants and real property received as a gift, there is no reduction of the tax base. In the event the equipment, plants or real property were purchased through a financial leasing, tax base is reduced by the value of principal leasing amount paid out during the tax period in question. Should the taxpayer give away or make the equipment, plant or real property available to another entity within three years from putting them in use, s/he loses the right to tax relief and pays the tax as if the reduction had not been applied at calculation of tax base – Article 14a of the Law;
- Tax base for profit tax is also reduced by the amount of payroll tax and contributions paid for newly employed staff, with minimum of 30 new employees engaged within one business year for the period of three years from the day of hiring such employees – Article 14b of the Law;
- Tax after deductions (Article 28 paragraph 2 of the Law) is not paid on the following revenues:

- profit returned to foreign legal entity's country where its permanent business base is, provided such foreign legal entity owns 10% or more shares of a foreign legal entity in Republic Srpska, where the profit returned to the country represents the remaining profit of the legal entity after tax payment;
- revenues from interest rates on bank deposits;
- revenues from dividends;
- interest rates due to credits and loans made available to a resident for investment in equipment, plants and real property to perform a production activity;
- In addition, Article 30 of the Law stipulates adjustment to international agreements relevant to taxes on revenues and capital. If an income beneficiary paying the tax after deductions is a resident of another country which has made a revenue tax-relevant intergovernmental agreement with BiH, the rate applicable to any such source of revenue cannot exceed the tax rate defined in the intergovernmental agreement. Tax exemption or lower tax rate are applicable solely if the legal entity as income beneficiary presents to the payer of income a proof of entitlement to tax exemption or to applying a lower tax rate pursuant to such intergovernmental agreement;
- Profit tax rate of 10% is calculated and payable on the tax base for a fiscal year, which represents the profit achieved and stated in accordance with this Law.

Relevant Laws:

- [Law on Income/Profit Tax – applicable as of 1 Jan 2007 \(RS Official Gazette 91/06\);](#)
- [Law on Amendments to Law on Income/Profit Tax \(RS Official Gazette 57/12\);](#)
- [Rule on Application of Law on Income/Profit Tax \(RS Official Gazette 129/06, 110/07, 114/07, 62/08, 9/09, 122/10, 73/11, 17/13, 21/13 and 99/13\);](#)
- [Law on Revenue Tax – applicable as of 1 Jan 2007 \(RS Official Gazette 91/06, 128/06, 120/08, 71/10, 1/11 and 107/13\)](#)

Tax on Real Property

The rate due is from 0.05% to 0.5% of real property value estimated as at 31 Dec (a fiscal invoice is to be issued by 31 March current year for the previous year/to be paid in two instalments, as follows: 30 Jun and 31 Dec), applicable as of 1 Jan 2012, and it supersedes the tax on property and tax on real property transfer of ownership, inheritance and gift.

Relevant Laws:

- [Law on Real Property Tax \(RS Official Gazette 110/08 and 118/09\)](#)

TAX RELIEVES

International investments can be exempted from tax payment pursuant to provisions of laws stipulating the tax policy in Republic Srpska, provided compliance with Article 9 of Law on Policies as to Direct International Investments in Bosnia and Herzegovina. Legal entities in possession of an international investment have equal rights, obligations and responsibilities as those which are fully owned by domestic legal entities or individuals.

Republic Srpska tax regulations do not stipulate specific exemptions for international investors.

As for general exemption from tax payment, new Law on Income Tax stipulates exemption from revenue tax due to payroll of an individual employed after 1 Feb 2011, who is over 50 years of age and had been listed in Employment Bureau records for minimum of one year in continuity, prior to such employment.

Republic Srpska Chamber of Commerce has exempted all business entities registered during the year 2011 from membership payment for this year, and they will be exempted from membership payment for next year.

How Can Taxpayers Gain Rights to Postponed Tax Payment

Republic Srpska Law on Tax Procedure (“Republic Srpska Official Gazette“, No 102/11 and 108/11), applicable as of 1st January 2012, stipulates taxpayers’ gaining the right to postponed tax payment.

The right to postponed payment of due taxes, according to applicable regulations (taxes, contributions, levies, fees and secondary tax duties) applies to all taxpayers (legal entities and individuals), as long as they fulfil the requirements stipulated by Articles 48, 49 and 50, relevant to a possibility to make a tax debt (mortgage, pledge over movable assets, another individual’s guarantee and bank guarantee); and if single due payments have been made in relation to contributions, with those payers of contribution who are about to gain some of the rights out of mandatory social insurance (primarily right to pension) within the period of postponement duration.

Thus, tax payers who have fulfilled a/m requirements can gain the right to postponed tax payment as a one-off postponement for a period which does not exceed 12 months, and in several monthly annuities over a period which is no longer than 36 months, i.e. three years.

A general condition stipulated is that the right to postponed payment does not apply to those duties which are due within the year when such request is submitted, but to those duties which are due as at the year preceding the one when the request is submitted.

A request for postponed tax payment where the amount due exceeds BAM 5,000 is decided on by Ministry of Finance, and RS Tax Administration decides on the amount of up to BAM 5,000.

It is also necessary to note that a taxpayer who does not pay one due annuity is subject to termination of the adjudication on postponed tax payment, then to forced collection, and there is no possibility to regain the right to postponed payment due to the same tax debt.

This method, which is recognized by most tax systems, primarily aims at providing a relief to a business entity, taxpayer facing difficulties in business dealings and with payment of duties of any sort.

CONTRIBUTIONS

Aggregate contribution rate amounts 33% of gross payroll, out of which:

- pension and disability insurance share is 18.5%;
- health insurance 12%;
- child care 1.5%; and
- insurance from unemployment risk 1%.

All the entities are obliged to make contracts on payroll with their employees in gross amounts.

In June 2014, Law on Special Solidarity Contribution was adopted ("RS Official Gazette", No 52/14). The purpose of this Law was to provide a part of proceeds needed to mitigate the consequences of floods in Republic Srpska, which occurred in May 2014. This Law shall be in effect until 31st May 2015.

Special solidarity contribution is calculated in the amount of 3% of net personal income of individuals regardless of the source of their income, whereas 50% of this amount is a charge upon the individual (income recipient), and 50% of the amount is borne by the income payer.

Relevant Laws:

- [Law on Contributions](#) (RS Official Gazette 31/09, 1/11 and 116/12);
- Law on Special Solidarity Contribution (RS Official Gazette, No 52/14)

OTHER TAXES AND FEES

Relevant Laws:

- [Law on Forests](#) ("RS Official Gazette", No 75/08, 30/10 and 60/13);
 - [Law on Waters](#) ("RS Official Gazette", No 50/06, 92/09 and 121/12);
 - [Law on Communal Taxes](#) ("RS Official Gazette", No 4/12).

In Republic Srpska, all local governance units specify the duties due to communal taxes at the local level, thus Bijeljina City Assembly has passed the Decision on Communal Taxes ("Bijeljina City Official Gazette", No 6/12, 13/13, 27/13).

CUSTOMS DUTIES

Customs system of Bosnia and Herzegovina has been stipulated in a number of autonomous and international regulations, which are applied as unified throughout the BiH. Bosnia and Herzegovina Law on Customs Policy specifies basic elements of the system for customs protection of Bosnia and Herzegovina economy, including the rights and obligations of all the parties involved in the procedures of customs clearance relevant to goods and passengers. It stipulates the customs zone, customs line, customs border belt, customs supervision, the procedure of customs clearance of goods, and other institutes regulating the system of customs protection.

Customs tariff rates range within 0 - 15 %.

Customs regulations are applied as unified throughout the BiH.

The procedure of customs clearance of goods being imported into BiH customs area is carried out by the customs office where the goods were declared for customs clearance.

There are 4 main regional centres in the BiH, as follows:

- CI/Customs Office Banja Luka,
- CI/Customs Office Sarajevo,
- CI/Customs Office Tuzla,
- CI Customs Office Mostar

Signing the Stabilisation and Association Agreement implied a possibility of free export of almost any goods which are up to the standards into the EU, with simultaneous gradual opening of BiH market for goods made in EU, following the time schedule contracted through annexes and protocols which are an integral part of this Agreement.

BiH has signed Central European Free Trade Agreement CEFTA with the following countries: Albania, Montenegro, Croatia, Macedonia, Moldova, Serbia and UNMIK/Kosovo. CEFTA has replaced, but also amended the existing agreements on free trade with certain countries of the region. This has provided for a better transparency and made the rules which are closer to EU standards, along with access to a market of approx. 30 million people. In addition, an agreement on free trade has been signed with Turkey, along with the preferential regime with EU countries and Iran.

Exemption from Customs Duty Payment

International investors can be exempted from importing duties on equipment made available for free trade, which represents an investment of a foreign citizen.

Importing Constrains to Equipment as a Part of Foreign Investments

Equipment imported into BiH as a foreign investment cannot be older than 10 years. It is necessary to provide a certificate issued by competent body to prove that the equipment meets certain standards as to environmental protection and protection at work.

Border Crossings:

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.

ACCOUNTING AND AUDITING

Article 13 of [Law on Policies as to Direct International Investments into BiH](#) reads: "Foreign investors shall perform bookkeeping and make financial reports in accordance with internationally accepted accounting and audit standards and principles, as well as with laws of the Entities".

The field of accountancy and audit in Republic Srpska has been stipulated in [Law on Accountancy and Audit](#) ("Republic Srpska Official Gazette", No 36/09 and 52/11) and relevant by-laws.

To whom is the Law relevant?

The Law is applicable to all business entities, including insurance companies, micro-credit companies, leasing companies, investment funds, companies managing the investment funds, stock brokers/dealers, stock markets and banks, other financial organizations, cooperatives, other profit and non-profit legal entities with a base office in the Republic, as well as to entrepreneurs who conduct their accounting as a double-accountancy system on calculation basis.

Provisions of this Law are also relevant to legal entities and other forms of organizations established abroad by a legal entity with domicile in the Republic, if they are not subject to

regulations of those countries, as to bookkeeping and making financial reports. Provisions of this Law are relevant to organizational units of legal entities with a domicile outside the Republic, if income is made in the Republic through these organizational units. Provisions of this Law also apply to beneficiaries of Republic budget revenues, municipal and city budgets and budget funds.

Establishment of a Bookkeeping and Accounting System

Legal entities adopt general memoranda (Rule on Accountancy and Accounting Policies, as well as any other document issued by the management of the legal entity pursuant to legal and professional rules to stipulate the issues significant for establishment and management of a bookkeeping and accounting system) dealing with the issues relevant to establishment and maintenance of a bookkeeping and accounting system of such legal entities.

[Registry of Agencies Providing the Accounting Services](#) is available at the site of Bijeljina City.

Audit

Who is subject to mandatory auditing?

Audit of financial reports is obligatory with public interest entities defined in Republic Srpska Law on Accounting and Audit.

Obligatory audit of financial reports is also performed with legal entities if this is specified by particular regulations stipulating their business dealings.

Apart from a/m entities, any other legal entity can decide to have an audit of their financial reports performed in accordance with provisions of this Law.

Who performs auditing?

Audit of financial reports is done by business entities, licenced pursuant to provisions of this Law. Audit of financial reports is done by individuals with a professional title authorized auditor, who have a licence to conduct an audit of financial reports, and who are either employed or engaged on a part-time basis by an auditing business entity.

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