



## TAXES IN BOSNIA AND HERZEGOVINA

Taxes in Bosnia and Herzegovina

The basic taxation categories are:

- Value Added Tax
- Corporate income tax
- Personal income tax
- Property tax
- Social security contributions paid by employers and employees
- Excises, a special type of sales tax paid on some commodities like oil products, tobacco products, soft drinks, alcohol drinks, beer, wine and coffee.

CATEGORIES	TAX RATE
– Value Added Tax	17%
– Corporate Income Tax	10%
– Personal Income Tax	10%

### Value added tax (VAT)

VAT rate is 17%. Indirect Taxation Authority is in charge of collecting value added tax and coordinating fiscal policy issues in general. This body is also responsible for collecting customs and excises on the entire territory of BiH.

Value added tax is a comprehensive tax on consumption, assessed based on the value added to goods and services. This is a general tax applied to all commercial activities, including manufacturing and distribution of goods and providing services. It is a consumer tax because it is not paid by the company, but by the end user. It is assessed as a percentage of the cost of goods or services. The tax amount is visible in all stages, from manufacturing to distribution chain. When paying tax liability, the taxpayer will reduce the value added tax by the tax amount he/she has already paid to other taxpayers at purchase. This ensures neutrality of taxation, regardless of the number of transactions involved.

### Corporate income tax in BIH

Corporate income tax rate in Federation of Bosnia and Herzegovina is 10%. Profits transferred from abroad are not taxed in BiH. Profits transferred from abroad are not taxed if they were previously subject to taxation abroad.

Corporate taxable basis Profits are calculated in accordance with applicable laws, by deducting (real) expenses from revenues. The tax base includes profit gained through revenues and capital gains, according to the accounting regulations. The expenditures must conform to the accounting standards. Personal income tax rates in FBiH - Personal income tax is 10 % on net salary (in accordance with gross model).



## **Foreigners and taxes in BiH**

All foreigners with permanent residence in the Federation of BiH pay personal income tax on revenues earned during a calendar year in BiH territory. Equally, all foreigners who do not reside permanently in BiH but who earn income in the Federation of BiH are considered as taxpayers.

## **IMPORT DUTIES IN BOSNIA AND HERZEGOVINA**

Indirect Taxation Authority is responsible for the collection of all customs duties.

### Exemption

Equipment being imported as part of share capital is exempt from paying customs duties. This exemption does not refer to 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 [1]:

- contract or other relevant document about the investment on the basis of which the equipment is being imported,
- proof of registration of the foreign share (equipment) 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 year 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.

[1] The procedure is regulated by the Decision on exemption from paying import duties for equipment that represents share capital of a foreign investor (issued by Council of Ministers)

## **ACCOUNTING AND AUDITING STANDARDS IN BUSINESS**

Legal subjects are liable for keeping financial books, and preparing and submitting accounting statements according to the provisions of the Law on accounting, the International Accounting Code, and International Accounting Standards.

The accounting statements must truly and accurately present the resource balance, liabilities towards other sources, and the outcomes of the legal subject's businesses.

Legal subject submits its accounting statements semi-annually (semi-annual balance statement) and annually (annual balance statement). Semi-annual balance statement has to be turned in by the end of July of the current year, while the annual balance statement has to be submitted by the end of February of the following year - for the year that had expired.



In the process of book-keeping and accounting statement rendering, a legal subject shall observe the Code and the Standards.

The Standards are adopted in accordance with international accounting standards and relevant EU instructions.

Business books are kept by applying double entry principle.

Annual and semi-annual balance statements shall contain the following accounting statements:

- Status balance
- Accomplishment balance

Legal subjects must properly maintain and store accounting documents, business books, accounting statements and business reports.

Standards define periods and methods of maintenance and storage of accounting documents, business books, accounting statements, and business reports.

Legal subject observes the following general evaluation principles in the process of preparing an accounting statement:

- Principle of continuity;
- Principle of consistency;
- Principle of caution, for balances that contain: principle of completion, principle of impurity (inequality);
- Principle of causality of incomes and expenditures;
- Principle of individual evaluation of assets and liabilities towards other sources;
- Principle of time-related balance.

## **SOCIAL SECURITY CONTRIBUTIONS PAID BY THE EMPLOYER AND THE EMPLOYEE**

Contributions are calculated on the basis of gross wage. Gross wage includes net wage earned by regular employment, multiplied by determined coefficient, plus contributions from wage.

a) Employee's share:

- FBIH: 17% for pension insurance, 12.5% for health insurance, 1.5% for unemployment insurance (in total: 31% on gross wage).

b) Employer's share:

- FBIH: 6% for pension insurance, 4% for health insurance, 0.50% for unemployment insurance (in total: 10.50% on gross wage).



## City of Cazin

### **E-REGISTER**

In cooperation with the International Finance Corporation (IFC, member of the World Bank Group) and the Kingdom of Sweden, the E Registries have been established for simplification of procedures for starting operations in Bosnia and Herzegovina

E Registries on all levels in Bosnia and Herzegovina can be simply and fast researched at the following links:

<http://rap.mvteo.gov.ba/egfVwOdlukaJedinice.aspx>

<http://www.fbihvlada.gov.ba/bosanski/ereg/index.php>

<http://www.vladausk.ba/v2/IFC.php>

[https://www.opcinacazin.ba/index.php?option=com\\_wrapper&view=wrapper&Itemid=431](https://www.opcinacazin.ba/index.php?option=com_wrapper&view=wrapper&Itemid=431)



## Grad Cazin

tel: ++ 387/37-514-006

fax: ++387/37-514-314

web: [www.opcinacazin.ba](http://www.opcinacazin.ba)

e-mail: [op.cazin@bih.net.ba](mailto:op.cazin@bih.net.ba)