

Starting busniss in Bosnia and Herzegovina

Types of companies in BiH

The Company Law of the Federation of BiH (Official Gazette of FBiH no. 23/99) and the Enterprise Law of Republic of Srpska (Official Gazette of RS no. 24/98) regulate the establishment, operation and termination of businesses in BiH.

Type of company	Federation of Bosnia and Herzegovina	Republic of Srpska
Unlimited Joint Liability Company (d.n.o.)	Two or more partners, domestic or foreign, natural persons only; Founders are liable to use all their assets, including personal property; There are no requirements for minimum or maximum contributions;	Two or more partners, domestic or foreign; There are no requirements for minimum or maximum contributions;
Limited Liability Company (d.o.o.)	One or more members; Minimum initial capital is 2.000 BAM (approx. 1000 EUR);	From one to thirty partners; the number is not limited in case the shareholders are company's employees; Minimum initial capital is 2.000 BAM (approx. 1000 EUR);
Limited Partnership (k.d.)	There must be at least 1 partner with full liability (including private property) and at least 1 partner with limited liability, the liability being limited by the value of the share agreed upon;	One person at least has unlimited liability for the company, along with another partner;
Joint-Stock Company (d.d.)	One or more shareholders; Minimum initial capital is 50,000 BAM (approx. 25.000 EUR);	From 1 to 50 shareholders for companies incorporated simultaneously and 2 or more shareholders for companies incorporated successively; The minimum capital is 10.000 BAM (approx. 5000 EUR) for companies incorporated simultaneously and 20.000 BAM (approx. 10.000 EUR) for companies incorporated successively.

Restrictions on foreign direct investments in BiH

According to the Law on the Policy of Foreign Direct Investment in Bosnia and Herzegovina, foreign equity ownership of an enterprise engaged in the production and sale of arms, ammunition, explosives for military use, military equipment and public information must not exceed 49% of the equity of the enterprise.

In case of investing in the above-mentioned sectors, foreign investor must obtain prior approval from the competent body of the respective Entity.

Restrictions applicable to domestic investment on account of public policy (l'ordre public), public health and protection of the environment are equally applied to foreign investment.

Tax collection authority in BiH

Tax administrations (entity, cantonal and municipal levels) are in charge of tax collection in BiH.

The BiH **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.

Taxation categories in BiH

The basic taxation categories are:

- Corporate income tax
- Personal income tax
- Value Added Tax
- Wages 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.

Value added tax (VAT)

Value added tax (VAT) was introduced on January 1, 2006, replacing sales tax on goods and services. It was introduced at a flat rate of 17%. The Indirect Taxation Authority is in charge of calculation and collection of VAT.

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 rate in B&H

- Federation BiH – 30%.
- Republic of Srpska – 10%
- Brko District – 10%

It is expected that these rates will be harmonized soon.

Tax exemptions for foreign investors

The Federation Law on Corporate Income Tax enables the **reduction of the tax for a period of 5 years** equal to the percentage of foreign capital invested in the assets of the company, provided that the foreign capital is greater than 20% of total capital. This incentive includes companies with 100% foreign capital investment.

In the Federation of BiH, companies, investing their taxable profits in their own production activities and apartment building are given a tax relief in the amount of 100% of the invested value, or in the amount of 75% if they invest in other activities of their company.

Investment capital is not subject to taxation in BiH.

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 BiH

In the Federation of BiH and in the RS, personal income tax is payable on following types of income:

- wage
- earnings from farming
- income from property and property rights
- income from copyrights, patents and technical inventions
- capital gains
- income from other activities.

In the Federation of BiH, personal income tax is levied at cantonal level, while in the RS it is regulated at entity level. Brko District has its Law on Personal Income Tax that regulates this type of tax for the District.

Please contact FIPA to find out about current personal income tax categories and applicable rates.

In Federation of BiH, wages are taxed 5% (tax base is gross salary), while tax rates for other types of income range from 10% to 30% (depending on the tax-base type, e.g. income from property, copyrights, capital gains, etc.).

In the RS, wage tax is from 0% to 15% (tax base is net salary and depending on the amount of wage). Tax rates for other types of income are the same.

Foreigners and taxes in BiH

All foreigners with permanent residence in the Federation BiH and RS 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 BiH and RS are considered as taxpayers.

In Brcko District, foreigners are treated as taxpayers if they stay in the District territory during an uninterrupted period of 183 days at least.

Import duties in Bosnia and Herzegovina

Import customs rates payable in BiH according to the customs tariffs are: 0%, 5%, 10% and 15%.

Import restrictions on equipment that is part of foreign investment

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

Entry visa

LIST OF COUNTRIES THAT ARE NOT REQUIRED BOSNIA AND HERZEGOVINA ENTRY VISA

Citizens of the following countries are exempt from the visa requirement when entering, exiting or travelling through Bosnia and Herzegovina:

1. Andorra (Principality of Andorra)
 2. Australia
 3. Austria (Republic of Austria)
 4. Belgium (Kingdom of Belgium)
 5. Brunei Darussalam
 6. Canada
 7. Croatia (Republic of Croatia)
 8. Cyprus (Republic of Cyprus)
 9. Czech Republic
 10. Denmark (Kingdom of Denmark)
 11. Estonia (Republic of Estonia)
 12. Finland (Republic of Finland)
 13. France (French Republic)
 14. Germany (Federal Republic of Germany)
 15. Greece (Republic of Greece)
 16. Hungary (Republic of Hungary)
 17. Iceland (Republic of Iceland)
 18. Ireland (Republic of Ireland)
 19. Israel (State of Israel)
 20. Italy (Republic of Italy)
 21. Japan
 22. Korea, South (Republic of Korea)
 23. Kuwait, State of
 24. Latvia (Republic of Latvia)
 25. Liechtenstein (Principality of Liechtenstein)
 26. Lithuania (Republic of Lithuania)
 27. Luxembourg (Grand-Duchy of Luxembourg)
 28. Macedonia, Republic of (Former Yugoslav Republic of Macedonia)
 29. Malaysia (Federation of Malaysia)
 30. Malta (Republic of Malta)
 31. Monaco (Principality of Monaco)
 32. Netherlands (Kingdom of the Netherlands)
 33. New Zealand
 34. Norway (Kingdom of Norway)
 35. Poland (Republic of Poland)
 36. Portugal (Republic of Portugal)
 37. Qatar, State of
 38. Russia (Russian Federation)
 39. San Marino (Republic of San Marino)
 40. Serbia (Republic of Serbia)
- except UNMIK passport holders who are required entry visas for BiH)

41. Slovakia (Slovak Republic)
42. Slovenia (Republic of Slovenia)
43. Spain (Kingdom of Spain)
44. Sweden (Kingdom of Sweden)
45. Switzerland (Swiss Confederation)
46. Turkey (Republic of Turkey)
47. United Kingdom of Great Britain and Northern Ireland
48. United States of America
49. Vatican City State (State of the Vatican City)

II

Holders of diplomatic passports of the following countries are exempt from the visa requirement when entering, exiting or travelling through Bosnia and Herzegovina:

1. Albania (Republic of Albania)
2. Bahrain (Kingdom of Bahrain)
3. Bulgaria (Republic of Bulgaria)
4. China (People's Republic of China)
5. Egypt (Arab Republic of Egypt)
6. Iran (Islamic Republic of Iran)
7. Jordan (Hashemite Kingdom of Jordan)
8. Oman, Sultanate of
9. Pakistan (Islamic Republic of Pakistan)
10. Romania
11. Saudi Arabia (Kingdom of Saudi Arabia)
12. Singapore (Republic of Singapore)
13. Tunisia (Tunisian Republic)
14. Ukraine
15. United Arab Emirates

III

Holders of service passports of the following countries are exempted from the visa requirement when entering, exiting or traveling through Bosnia and Herzegovina:

1. Albania (Republic of Albania)
2. Bahrain (Kingdom of Bahrain)
3. Bulgaria (Republic of Bulgaria)
4. China, People's Republic of
5. Egypt (Arab Republic of Egypt)
6. Iran (Islamic Republic of Iran)
7. Jordan (Hashemite Kingdom of Jordan)
8. Oman, Sultanate of
9. Pakistan (Islamic Republic of Pakistan)
10. Romania
11. Saudi Arabia (Kingdom of Saudi Arabia)
12. Tunisia (Tunisian Republic)
13. Ukraine
15. United Arab Emirates

IV

Holders of business passports of the following countries are exempted from the visa requirement when entering, exiting or travelling through Bosnia and Herzegovina:

1. China, People's Republic of

V

Citizens of all other countries are required a visa when entering, exiting and travelling through Bosnia and Herzegovina.

BOSNIA AND HERZEGOVINA ENTRY VISA REQUIREMENTS

BiH entry visa shall be issued by diplomatic/consular offices of Bosnia and Herzegovina abroad.

(Request for issuance of visa in PDF format).

For the purposes of a **private visit**, a guarantee letter/invitation by a citizen of Bosnia and Herzegovina, certified by the competent body, shall be submitted together with the visa application.

For the purposes of **business travel**, business invitation by the partner from Bosnia and Herzegovina, certified by the competent economy chamber, shall be submitted together with the visa application.

One photograph shall be submitted together with the visa application.

Fees for visa issuance by diplomatic/consular offices:

Single entry	exit visa or transit visa	31,00 EUR
Multiple entry	exit visa or transit visa up to 90 days	57,00 EUR
Multiple entry	exit visa or transit visa over 90 days	72,00 EUR

Source: Ministry of Foreign Affairs of BiH
www.mvp.gov.ba