

Advokatsko društvo  
„Legal Partners“ d.o.o.



**Doing business in Bosnia and Herzegovina**  
A comparative guide

May 2022

# A guide to doing business in Bosnia and Herzegovina

Deloitte Legal compiled this guide for Legal 500, providing an overview of the laws and regulations on doing business in a variety of jurisdictions. The following country chapter contains the relevant information on the systems of law, the legal forms through which people carry out business, capital requirements, how entities are operated and managed, expansion possibilities, corporate governance, employment law and more.



No.	Question
<h2>A. Legal system and landscape</h2>	
1	<p><b>Is the system of law in your jurisdiction based on civil law, common law, or something else?</b></p> <p>The legal system in Bosnia and Herzegovina is based on civil law.</p>
<h2>B. Entity establishment</h2>	
2	<p><b>What are the different types of vehicle/legal forms through which people carry on business in your jurisdiction?</b></p> <p>There are four types of companies that can be incorporated in Bosnia and Herzegovina:</p> <ol style="list-style-type: none"> <li>1) A general partnership (a company of at least two members, who are jointly and severally liable for the liabilities of the company)</li> <li>2) A limited partnership (a company in which one or more members are jointly and severally liable for the company obligations with their entire property - general partners, and one or more members are liable for company obligations only up to the amount of their contributions as entered into court register - limited partners)</li> <li>3) A joint stock company (a company whose registered capital is divided into stocks)</li> <li>4) A limited liability company (a company whose registered capital is divided into shares, whereby members are liable for obligations of the limited liability company with their stake)</li> </ol> <p>The latter two are the most common legal forms through which entities carry out business in Bosnia and Herzegovina.</p>
3	<p><b>Can non-domestic entities carry on business directly in your jurisdiction, i.e., without having to incorporate or register an entity?</b></p> <p>Doing business in Bosnia and Herzegovina requires previous registration with a competent authority. An appropriate type of legal form should be chosen depending on the type of activities, the duration of work, and other factors.</p> <p>As a result of an analysis, it might be the case that a non-domestic entity would be required to register only their branch office and not a legal entity.</p>
4	<p><b>Are there any capital requirements to consider when establishing different entity types?</b></p> <p>Minimum share capital depends on the type of legal form and is different in the jurisdiction of the Federation of Bosnia and Herzegovina and in the Republic of Srpska.</p> <p><b>a) The Federation of Bosnia and Herzegovina:</b>  A limited liability company: BAM 1,000  An open joint stock company: BAM 400,000  A closed joint stock company: BAM 50,000</p> <p><b>b) The Republic of Srpska:</b>  A limited liability company: BAM 1  An open joint stock company: BAM 50,000 (if not regulated otherwise in special regulations)  A closed joint stock company: BAM 20,000 (if not regulated otherwise in special regulations)</p>
5	<p><b>How are the different types of vehicles established in your jurisdiction? And which is the most common entity/branch for investors to utilize?</b></p> <p>Please refer to the answer under point 2.</p>
6	<p><b>How is the entity operated and managed, i.e., directors, officers or others? And how do they make decisions?</b></p> <p>The operations and management of a company are different for different legal forms.</p> <p>For example, in a limited liability company, the assembly is to appoint management (one or more directors, deputy directors, executive directors, etc.) and a Supervisory board. A Supervisory board is mandatory only for limited liability companies: (i) that have more than ten members; and (ii) that have at least two members and registered capital greater than BAM 1,000,000.</p> <p>Matters concerning convening the Assembly, voting, meeting minutes, deciding, management, and others, should be regulated in the company's Statute (Articles of Association).</p>
7	<p><b>Are there general requirements or restrictions relating to the appointment of (a) authorized representatives/directors or (b) shareholders, such as a requirement for a certain number, or local residency or nationality?</b></p>



	<p>These requirements exist for specific types of companies in regulated industries (e.g., finance, insurance, etc.).</p> <p>Generally, there are no special requirements apart from the usual ones, e.g., for authorized representatives - age (to be older than 18), legal capacity, no unsettled monetary fines in official records, etc.</p> <p>Foreign investors are to have the same treatment as local investors.</p>
8	<p><b>Apart from the creation of an entity or establishment, what other possibilities are there for expanding business operations in your jurisdiction? Can one work with trade/commercial agents, resellers and are there any specific rules to be observed?</b></p> <p>When deciding upon implementing a specific business model in Bosnia and Herzegovina, there are various legal and tax matters (especially the permanent establishment risk) to be considered.</p> <p>A popular way for conducting business in Bosnia and Herzegovina, apart from the incorporation of a legal entity, is through the incorporation of a branch office.</p> <p>A branch office does not have the capacity of a legal entity and operates as a part of its founder. There are no capital requirements for a branch office, and the procedure for dissolving a branch office is rather simple.</p>

## C. Entity operation

### C1. Governance

9	<p><b>Are there any corporate governance codes or equivalent for privately owned companies or groups of companies? If so, please provide a summary of the main provisions and how they apply.</b></p> <p>No, there are no special corporate governance codes.</p> <p>There are Companies Acts for both jurisdictions and they contain certain mandatory rules and procedures.</p>
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### C2. Capital

10	<p><b>What are the options available when looking to provide the entity with working capital? i.e., capital injection, loans etc.</b></p> <ul style="list-style-type: none"> <li>• Capital injection, i.e., an increase of share capital requires due registration with the competent authorities and is one of the ways to achieve solvency.</li> <li>• Loans are also an option, but they trigger certain additional legal and tax obligations, e.g., to calculate interest, to report the credit transaction, and others.</li> <li>• In the Republic of Srpska, there is also the option of capitalization of the debt (a debt-to-equity conversion).</li> </ul>
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### C3. Return of proceeds

11	<p><b>What are the processes for returning proceeds from entities? i.e., dividends, returns of capital, loans etc.</b></p> <p><b>Dividends</b></p> <p>The most popular method for a company to return value to its shareholders is through dividends. A dividend is a distribution of a company's post-tax profits to its shareholders. For a dividend payment, the following conditions should be met (cumulatively):</p> <ul style="list-style-type: none"> <li>• The company has no unsettled liabilities based on direct taxes and/or contributions or liabilities toward employees;</li> <li>• The company is capable of performing obligations arising out of its business; and,</li> <li>• The market value of its property is at least equal to the amount of total annual obligations of the company.</li> </ul> <p>Also, provisions in the company's Articles of Association should be consulted prior to paying out dividends.</p> <p>Dividends paid out by a company will be either a final dividend (i.e., dividends paid once a year calculated after the annual accounts have been drawn up) or an interim dividend (dividends paid at any time throughout the year calculated before the company's annual earnings have been determined). Interim dividends are not explicitly regulated in applicable laws and their payment carries certain tax risks, especially in the Federation of Bosnia and Herzegovina.</p>
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**Capital decrease**

A decrease in capital occurs when a company reduces the amount of its share capital. This may be an option when the company has capital that is surplus to its requirements and that it wishes to return to shareholders.

**Loans**

A company can grant a cash loan to its shareholders. In such a case, the transaction should be reported to the competent authority and adequate tax treatment should be applied (e.g., interest should be determined pursuant to the arm's length principle).

## C4. Shareholder rights

12	<p><b>Are specific voting requirements/percentages required for specific decisions?</b></p> <p>Yes.</p> <ul style="list-style-type: none"> <li>In joint stock companies, a general rule is that the general meeting (assembly) will make decisions by a majority of represented shares with voting rights, except in matters explicitly regulated in the Companies Act that require a two-thirds majority of represented shares with voting rights. For example, a two-thirds majority of represented shares with voting rights is required for: an increase and decrease of share capital; changing the legal form from a closed to open joint stock company; and the division of a joint stock company.</li> <li>In limited liability companies, the general meeting (assembly) decides by a majority of votes except in cases stipulated in the Companies Act, when decisions are made by a two-thirds majority of votes of all shareholders, e.g., changing the legal form of a joint stock company.</li> </ul>
13	<p><b>Are shareholders authorized to issue binding instructions to the management? Are these rules the same for all entities? What are the consequences and limitations?</b></p> <ul style="list-style-type: none"> <li>In general, yes, except for in regulated industries.</li> <li>Management is appointed by the general meeting (assembly) and management is responsible to the assembly.</li> <li>Management members are authorized to represent the company within the scope of their granted authorizations (by the assembly). These authorizations should be registered with the court register.</li> <li>The company's Articles of Association regulate the rights and liabilities of management members.</li> </ul>

## C5. Employment

14	<p><b>What are the core employment law protection rules in your country (e.g., discrimination, minimum wage, dismissal etc.)?</b></p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Right/Protection</th> <th style="text-align: left;">Details</th> </tr> </thead> <tbody> <tr> <td>National Minimum Wage</td> <td> <ul style="list-style-type: none"> <li>The Federation of Bosnia and Herzegovina: net BAM 543</li> <li>The Republic of Srpska: net BAM 540</li> </ul> </td> </tr> <tr> <td>Holiday</td> <td> <ul style="list-style-type: none"> <li>Annual leave 20 days (minimum)</li> <li>National holidays – paid leave</li> <li>Other paid leave (up to seven days – FBiH/five days – RS in a calendar year for cases as determined in the Labor Code and internal employer's acts)</li> </ul> </td> </tr> <tr> <td>Working Hours</td> <td> <p>The Republic of Srpska:</p> <ul style="list-style-type: none"> <li>Full-time working hours: 40 hours per week (or less, but not less than 36 hours per week)</li> </ul> <p>The Federation of BiH</p> <ul style="list-style-type: none"> <li>Full-time working hours: 40 hours per week, if not regulated otherwise in internal employer's acts</li> </ul> </td> </tr> <tr> <td>Rest Periods</td> <td> <ul style="list-style-type: none"> <li>Rest during working hours – at least 30 minutes (if an employee works for at least six hours a day)</li> <li>Daily rest – at least 12 uninterrupted hours</li> <li>Weekly rest – at least 24 uninterrupted hours</li> </ul> </td> </tr> <tr> <td>Pension rights</td> <td> <ul style="list-style-type: none"> <li>FBiH: employment will be terminated when an employee reaches 65 years of age and 15 years of pension insurance coverage, unless the contracting parties agree otherwise</li> <li>RS: employment will be terminated when an employee reaches 65 years of age and at least 15 years of pension insurance coverage</li> </ul> </td> </tr> <tr> <td>Discrimination</td> <td> <ul style="list-style-type: none"> <li>Discrimination of employees and persons looking for employment will be prohibited based on gender, sexual orientation, marital status, family obligations, age, disability, pregnancy, language, religion, political and other opinions, nationality, social background, financial standing, birth, race, skin color,</li> </ul> </td> </tr> </tbody> </table>	Right/Protection	Details	National Minimum Wage	<ul style="list-style-type: none"> <li>The Federation of Bosnia and Herzegovina: net BAM 543</li> <li>The Republic of Srpska: net BAM 540</li> </ul>	Holiday	<ul style="list-style-type: none"> <li>Annual leave 20 days (minimum)</li> <li>National holidays – paid leave</li> <li>Other paid leave (up to seven days – FBiH/five days – RS in a calendar year for cases as determined in the Labor Code and internal employer's acts)</li> </ul>	Working Hours	<p>The Republic of Srpska:</p> <ul style="list-style-type: none"> <li>Full-time working hours: 40 hours per week (or less, but not less than 36 hours per week)</li> </ul> <p>The Federation of BiH</p> <ul style="list-style-type: none"> <li>Full-time working hours: 40 hours per week, if not regulated otherwise in internal employer's acts</li> </ul>	Rest Periods	<ul style="list-style-type: none"> <li>Rest during working hours – at least 30 minutes (if an employee works for at least six hours a day)</li> <li>Daily rest – at least 12 uninterrupted hours</li> <li>Weekly rest – at least 24 uninterrupted hours</li> </ul>	Pension rights	<ul style="list-style-type: none"> <li>FBiH: employment will be terminated when an employee reaches 65 years of age and 15 years of pension insurance coverage, unless the contracting parties agree otherwise</li> <li>RS: employment will be terminated when an employee reaches 65 years of age and at least 15 years of pension insurance coverage</li> </ul>	Discrimination	<ul style="list-style-type: none"> <li>Discrimination of employees and persons looking for employment will be prohibited based on gender, sexual orientation, marital status, family obligations, age, disability, pregnancy, language, religion, political and other opinions, nationality, social background, financial standing, birth, race, skin color,</li> </ul>
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		membership or non-membership in political parties and trade unions, health status, or any other personal characteristic.
<b>Maternity Leave/Pay</b>		<ul style="list-style-type: none"> <li>• During pregnancy, delivery, and care for a baby, a woman will be entitled to maternity leave of one year without interruption.</li> <li>• Payments are regulated on the entity/canton level.</li> <li>• In the Federation of Bosnia and Herzegovina, there are 10 cantons and each renders separate regulations concerning maternity leave. For example, in the Sarajevo Canton, monthly remuneration is BAM 1,000.</li> <li>• Employers can, but are not obliged to, pay salary during maternity leave.</li> </ul>
<b>Paternity Leave</b>		<ul style="list-style-type: none"> <li>• Paid leave – as determined in the internal employer’s acts but maximum 7 days in a calendar year (FBiH)/five days (RS)</li> <li>• After 42 days – FBiH/60 days – RS days from the birth,</li> <li>• Employee – the father of a child may also exercise the right to paternity leave, if the parents agree.</li> </ul>
<b>Shared Parental Leave</b>		<ul style="list-style-type: none"> <li>• Not regulated in Bosnia and Herzegovina</li> </ul>
<b>Statutory sick pay</b>		<ul style="list-style-type: none"> <li>• Up to 42 days – on the employer’s burden (pay: minimum 80% of employee’s salary)</li> </ul>
<b>Statutory Notice Periods</b>		<p>The Federation of BiH:</p> <ul style="list-style-type: none"> <li>• Minimum seven days and maximum 30 days – if the employee terminates the contract</li> <li>• Minimum 14 days and maximum three months – if the employer terminates the contract</li> </ul> <p>The Republic of Srpska:</p> <ul style="list-style-type: none"> <li>• Minimum 15 days – if the employee terminates the contract</li> <li>• Minimum 30 days – if the employer terminates the contract</li> </ul>
<b>Unfair dismissal</b>		<ul style="list-style-type: none"> <li>• The employment contract (concluded for an indefinite term) can be terminated only due to reasons stipulated in the Labor Code.</li> <li>• Termination must be in writing and contain mandatory elements as regulated in the Labor Code.</li> <li>• Employees are entitled to seek a remedy against unlawful termination from the employer, but also to seek protection of the violated right before the competent court.</li> <li>• The Labor Code expressly regulates unjustified grounds for dismissal, as follows:</li> <li>• A temporary inability to work caused by an illness or injury;</li> <li>• Filing an appeal or a complaint, i.e., participating in proceedings against the employer for a violation of the law, another regulation, collective agreement or Employment Rulebook, or employees addressing to competent executive bodies;</li> <li>• The employee's addressing to responsible persons or competent state administration bodies, or a bona fide report filed with these persons or bodies, regarding a reasonable suspicion of corruption.</li> </ul>
<b>Statutory Redundancy Payment</b>		<p>The employee is entitled to a severance payment in the case of the termination of their employment contract, when the following conditions are cumulatively met:</p> <ul style="list-style-type: none"> <li>• The employment contract (which is about to be terminated) is concluded for an indefinite term;</li> <li>• The employee has been in an employment relationship with that employer for at least two consecutive years;</li> <li>• The employment contract is not terminated for reasons for which the employee is responsible (i.e., it is not terminated due to a breach of obligations arising from employment or due to failure to comply with obligations determined in the contract by the employee). Severance payment amounts to a minimum of one-third of the average monthly employee’s salary in the last three months prior to the termination of the employment contract, for each full year of employment with the employer. The maximum amount of severance payment is six average monthly employee’s salaries paid in the last three months prior to the termination of the employment contract.</li> </ul>
<b>Statement of particulars</b>		An employer is to provide an employee with an opportunity to familiarize themselves with the labor regulations and occupational safety and health regulations at the commencement of their employment and inform them of the manner in which the work is organized.

15 **On what basis can an employee be dismissed in your country, what process must be followed and what are the associated costs? Does this differ for collective dismissals and if so, how?**

An employer may terminate the employment contract of an employee with the prescribed notice period if:

- a. The termination is justified for economic, technical, or organizational reasons, or
- b. An employee is not able to perform his duties arising from labor relations.

	<p>An employer may terminate an employment contract with an employee, without the obligation to abide by the notice period, if the employee is responsible for a serious offense or serious breach of duties arising from the employment contract, which are of such a nature that the employer cannot be reasonably expected to continue with his employment.</p> <p>The costs of dismissal will depend on the reason for the dismissal. Potential costs will include:</p> <ul style="list-style-type: none"> <li>• Notice pay, i.e., salary during the notice period and other associated payments arising from the employment;</li> <li>• Severance pay (if the conditions for payment are met).</li> </ul> <p><u>Collective dismissal</u></p> <p>An employer employing over 30 employees, who has an intention to terminate employment contracts of at least five of the employees in the coming three months, due to economic, technical, or organizational reasons, will be obliged to consult with the Council of employees and trade union.</p>
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16	<p><b>Does your jurisdiction have a system of employee representation/participation (e.g., works councils, co-determined supervisory boards, trade unions etc.)? Are there entities which are exempt from the corresponding regulations?</b></p> <p>Employees whose employer employs at least 30 employees are entitled to establish a Council of employees to act on their behalf with the employer in the protection of their rights and interests. If no Council of employees was established with the employer, the trade union will have the obligations and the powers of the Council of employees pursuant to law.</p> <p>A trade union shall be considered to be the representative if it is (cumulatively):</p> <ul style="list-style-type: none"> <li>• Registered with the competent authority, in accordance with the law;</li> <li>• Financed predominantly out of membership fees and other own sources; and</li> <li>• With a qualified percentage of members from among employees, pursuant to the Labor Code (e.g., a trade union with an employer must have 20% of the total number of employees).</li> </ul>
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## C6. Anti-corruption/bribery/money laundering/supply chain

17	<p><b>Is there a system governing anti-bribery or anti-corruption or similar? Does this system extend to nondomestic constellations, i.e., have extraterritorial reach?</b></p> <ul style="list-style-type: none"> <li>• Corruption is regulated as a criminal offense in the Criminal Code.</li> <li>• The Criminal Code has extraterritorial reach in explicit cases as stipulated in the Criminal Code.</li> <li>• Private bribery is not covered in the Criminal Code.</li> </ul>
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18	<p><b>What, if any, are the laws relating to economic crime? If such laws exist, is there an obligation to report economic crimes to the relevant authorities?</b></p> <ul style="list-style-type: none"> <li>• There are no special laws relating to economic crime but there are criminal offenses concerning economic crimes in the Criminal Code.</li> <li>• With regard to the obligation of reporting, such an obligation exists for public officials (pursuant to special laws) and for other persons only for certain criminal offenses.</li> </ul>
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19	<p><b>How is money laundering and terrorist financing regulated in your jurisdiction?</b></p> <p>There is a Law on the Prevention of Anti-Money Laundering and Financing of Terrorist Activities in Bosnia and Herzegovina.</p>
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20	<p><b>Are there rules regulating compliance in the supply chain (for example comparable to the UK Modern Slavery Act, the Dutch wet kinderarbeid, the French loi de vigilance)?</b></p> <p>No, there are no such laws in Bosnia and Herzegovina.</p>
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## C7. Compliance

21	<p><b>Please describe the requirements to prepare, audit, approve and disclose annual accounts/annual financial statements in your jurisdiction.</b></p> <p>Financial statements are prepared by a certified accountant and signed both by the certified accountant and the company director. The legal deadline for the submission of financial statements is the end of the February of the current year for the previous year unless the company has a financial year different from the calendar year.</p> <p>Draft decisions on coverage of losses/repatriation of profit are part of the set of financial statements.</p>
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	<p>However, there is an obligation to convene a general meeting (Assembly) at least annually, to adopt final accounts and decide on profit repatriation/coverage of losses.</p> <p>An audit is mandatory only in cases, or for companies, as regulated in the Accounting and Auditing Act.</p>
22	<p><b>Please detail any corporate/company secretarial annual compliance requirements.</b></p> <p>An annual general meeting (Assembly) – convening, meeting minutes, etc.</p>
23	<p><b>Is there a requirement for annual meetings of shareholders, or other stakeholders, to be held? If so, what matters need to be considered and approved at the annual shareholder meeting?</b></p> <p>Yes.</p> <ul style="list-style-type: none"> <li>• In an LLC – annual accounts, profit repatriation, and the coverage of losses.</li> <li>• In a joint stock company - annual financial statements, with an auditor’s report, a supervisory board, and the Audit Board.</li> </ul>
24	<p><b>Are there any reporting/notification/disclosure requirements on beneficial ownership/ultimate beneficial owners (“UBO”) of entities? If yes, please briefly describe these requirements.</b></p> <p>The Federation of BiH and The Republic of Srpska: yes, when opening a bank account. It is necessary to submit the ultimate beneficial owner statement and provide an organizational chart. A passport copy of the ultimate beneficial owner (duly executed) will be requested.</p> <p>The Republic of Srpska: yes, when incorporating a business entity with the competent court. All respective commercial excerpts are requested until the UBO is identified. A passport copy and residence certificate (duly executed) of the UBO will be requested.</p>

## C8. Tax

25	<p><b>What main taxes are businesses subject to in your jurisdiction, and on what are they levied (usually profits), and at what rate?</b></p> <p><b><u>Value-added tax</u></b></p> <ul style="list-style-type: none"> <li>• VAT is levied at the state level and is applicable to the imports of goods into the territory of BiH as well as goods and services supplied in the territory of BiH.</li> <li>• The standard VAT rate is 17%, and the VAT regime applies equally throughout the country of Bosnia and Herzegovina. There is no reduced VAT rate in BiH.</li> <li>• Taxable persons are all individuals and legal entities registered, or required to be registered, for VAT.</li> <li>• An entity whose taxable supplies of goods and services exceed, or are likely to exceed, a threshold of 50,000 convertible mark or BAM (€25,000) is required to register as a VAT payer. The export of goods is zero-rated.</li> <li>• Taxable transactions include the supply of goods and services in BiH by a taxable person, as well as the import of goods to BiH by any person.</li> </ul> <p><b><u>Corporate income tax</u></b></p> <p>Resident companies are subject to 10% corporate income tax (CIT) on their worldwide income. A resident legal entity is an entity that is incorporated or has a place of effective management and control in the territory of FBiH/RS.</p> <p>CIT is also levied on profits of permanent establishments of non-resident legal entities in FBiH/RS.</p> <p>Taxable income is established based on accounting profit, determined in line with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS and IFRS), and local audit and accounting legislation, further adjusted for tax purposes.</p> <p><b><u>Individual taxation</u></b></p> <ul style="list-style-type: none"> <li>• <b>Basis:</b> Tax residents of the FBiH and the RS are taxed on worldwide income; nonresidents are taxed only on FBiH/RS-source income.</li> <li>• <b>Taxable income:</b> The tax base in the FBiH is the total gross taxable income paid by the employer, fewer employee contributions, and deductible allowances (e.g., the monthly basic personal allowance, dependent family member allowances). In the RS, the tax base is the total gross taxable income paid by the employer, less deductible allowances (e.g., dependent family member allowances, interest paid on housing loans, and pension contributions paid for voluntary pension insurance up to a ceiling, where applicable).</li> <li>• <b>Rates:</b> The standard personal income tax rate is 10% in the FBiH. In the RS, the standard personal income tax rate on employment income is 8%, a 10% rate applies to income from self-employment (although certain small entrepreneurs pay a 2% tax on total gross revenue), and a 13% rate applies to other income.</li> <li>• <b>Capital gains:</b> Capital gains are taxed at a rate of 10% in the FBiH and at a rate of 13% in the RS, although some exemptions apply, depending on the type of property, family relations, and the manner of acquiring property.</li> <li>• <b>Deductions and allowances:</b> 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. In the RS, there is a personal deduction in the amount of BAM 12,000 per calendar year and a BAM 1,800 allowance for each dependent family member. Additional deductions in the RS include paid voluntary social security contributions in the amount of BAM 1,200 per year and life insurance payments in the amount of BAM 1,200 per year.</li> </ul>
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26	<p><b>Are there any particular incentive regimes that make your jurisdiction attractive to businesses from a tax perspective (e.g. tax holidays, incentive regimes, employee schemes, or other?)</b></p> <p>The Federation of BiH:</p> <ul style="list-style-type: none"> <li>• A 50% decrease of the corporate tax liability if a company invests more than BAM 20 million in production assets (property, plant, and equipment) during a five-year period (with a minimum of BAM 4 million in the first year), and the investment is financed by the company's own assets (the incentive is valid for five years)</li> <li>• A 30% decrease of the corporate tax liability if a company invests an amount exceeding 50% of the value of its pre-tax profits in equipment for production, and the equipment is financed from the company's own assets</li> <li>• Double tax deduction of gross salary related to the hiring of new employees for full-time working hours, for a period of at least 12 months</li> </ul> <p>In the Republic of Srpska, a decrease in the corporate tax liability occurs if a company invests in equipment and a plant for production necessary for carrying out its activity.</p>
27	<p><b>Are there any impediments/tax charges that typically apply to the inflow or outflow of capital to and from your jurisdiction (e.g., withholding taxes, exchange controls, capital controls, etc.)?</b></p> <p><b>Withholding tax:</b> Income of nonresident legal entities paid by FBiH/RS resident companies is taxed with withholding tax. The Corporate Income Tax Act provides for taxation by way of withholding income generated from dividends, royalties, interest, income from the lease of movable and immovable property, insurance and reinsurance premiums, telecommunication services as well as income from services fees.</p> <p>Pursuant to the CIT Acts, resident companies are obliged to calculate and pay withholding tax on every income subject to withholding tax paid to a nonresident entity.</p> <p>Rate: 10% unless otherwise regulated in CIT Act or an applicable double taxation treaty</p>
28	<p><b>Are there any significant transfer taxes, stamp duties, etc. to be taken into consideration?</b></p> <p>Real estate transfer tax – regulated in the FBiH on canton level (10 cantons). There is no stamp duty in Bosnia and Herzegovina.</p>
<p><b>C9. M&amp;A</b></p>	
29	<p><b>Are there any public takeover rules?</b></p> <p>Only for joint stock companies – the Law on Takeover of Joint Stock Companies.</p>
30	<p><b>Is there a merger control regime and is it mandatory/how does it broadly work?</b></p> <p>The merger control regime is covered in the Competition Act.</p> <p>Pursuant to the Competition Act, concentration is, inter alia, defined as gaining control or prevailing influence of one, or more corporate subjects over the other, or over several other corporate subjects or part of another corporate subject or parts of other corporate subjects through:</p> <ul style="list-style-type: none"> <li>• Acquisition through the purchase of the majority of stocks or shares of basic capital, or</li> <li>• The acquisition of the majority of votes, or</li> <li>• In another manner pursuant to provisions of laws regulating the incorporation of companies or their management.</li> </ul> <p>The Competition Council requirement to submit a concentration notification depends on the following:</p> <ol style="list-style-type: none"> <li>a) The total global annual income of all participants in the concentration based on the final account in the year prior to the concentration is above 100,000,000 BAM, and</li> <li>b) The total annual income of each of at least two participants of the concentration on the BiH market is at least BAM 8,000,000 based on the final account in the year prior to the concentration, or the total joint participation in the relevant market is above 40%.</li> </ol> <p>The notification on concentration is submitted by the subject gaining control over another subject who is a foreign entity, if conditions under above points a) and b) are met, and by the subject who is a domestic entity if condition under above point b) is met.</p> <p>The participants of the concentration are obliged to submit a concentration notification at least 15 days upon the conclusion of the agreement, or the announcement of the public offer of shares or gaining of control, depending on what event occurs earlier.</p> <p>If the Competition Council deems that the concentration may have adverse effects which may significantly damage competition in the relevant market, it will issue a conclusion on the initiation of a procedure.</p>

	<p>Upon the completion of the procedure, the Competition Council may find the concentration:</p> <ul style="list-style-type: none"> <li>• Allowed;</li> <li>• Prohibited;</li> <li>• Conditionally allowed.</li> </ul>
31	<p><b>Is there an obligation to negotiate in good faith?</b></p> <p>Yes, that is one of the main principles of contracting in Bosnia and Herzegovina.</p>
32	<p><b>What protections do employees benefit from when their employer is being acquired, for example, are there employee and/or employee representatives' information and consultation or co-determination obligations, and what process must be followed? Do these obligations differ depending on whether an asset or share deal is undertaken?</b></p> <p><b>Share deal</b>                  In case of a change in the status of an employer, and/or change of an employer pursuant to law (merger, acquisition, division, transformation of the company's legal form, etc.) or in case of change in the ownership of the employer's equity, all employment contracts valid on the date of the change of the employer, with the written consent of employees, will be transferred to the new employer (employer – legal successor).</p> <p>The employee whose employment contract was transferred retains all the rights they have acquired as a result of employment until the date of the transfer of the employment contract. The employer, as the legal predecessor, is to inform in writing employees whose employment contracts were transferred to the legal successor about the transfer of employment contracts.</p> <p>In the case of such a change of an employer, pending the conclusion of a new collective agreement, the collective agreement that was applicable to the employees at the time of change of the employer will continue to apply.</p> <p><b>Asset deal</b>                  This is not explicitly covered under the Labor Code, but details of the asset deal should be analyzed to determine if there are elements for legal succession.</p>

## C10. Foreign direct investment

33	<p><b>Please detail any foreign direct investment restrictions, controls or requirements? For example, please detail any limitations, notifications and/or approvals required for corporate acquisitions.</b></p> <p>There is the Law on Policy of Direct Foreign Investments, rendered at the state level. It provides for the equality principle, meaning that foreign investors are treated the same as residents of Bosnia and Herzegovina. In fact, foreign investors are entitled to invest and reinvest profits of such investments, into all sectors of the economy of Bosnia and Herzegovina, and in the same form and under the same conditions as defined for the residents of Bosnia and Herzegovina under the applicable laws and regulations of Bosnia and Herzegovina and the entities and Brcko district of Bosnia and Herzegovina.</p> <p><b>Restrictions</b>                  Foreign equity ownership of a business entity engaged in the production and sale of arms, ammunition, explosives for the military use, military equipment and media will not exceed 49% of the equity in that business entity. In the case of investments in sectors subject to the restrictions, foreign investors must receive prior approval from the competent body of the respective entity.</p>
34	<p><b>Does your jurisdiction have any exchange control requirements?</b></p> <p>No.</p>

## D. Entity closure

35	<p><b>What are the most common ways to wind up/liquidate/dissolve an entity in your jurisdiction? Please provide a brief explanation of the process.</b></p> <p>In the Federation of Bosnia and Herzegovina, a liquidation proceeding is the most common option to dissolve an entity.</p> <p>E.g., the company's assembly renders a decision on the termination of the company, which is, along with other necessary documents, filed to the competent court. Should the prescribed conditions be met, the court would open a liquidation proceeding, appoint a liquidator, and publish such resolution in the Official Gazette. Liquidation is being "noted" in the court register. Creditors would be entitled to a right to report their unsettled claims. In parallel with the proceeding before the court, final tax audits are being carried out.</p>
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The liquidation proceeding can be conducted only in case the company can settle all outstanding claims and liabilities. Should that not be the case, then a bankruptcy proceeding takes place.

In the Republic of Srpska, apart from the “regular” liquidation proceeding, there is the possibility of applying for a voluntary shortened liquidation proceeding. The referred proceeding is rather simple, compared to the “regular” proceeding. Should the prescribed conditions be met, the court would open and close the proceeding at the same time. However, the founders would be jointly, severally, and unlimitedly liable for the company’s liabilities for up to three years.

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# Advokatsko društvo „Legal Partners“ d.o.o.

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