

Bosnia and Herzegovina Country Profile

EU Tax Centre

July 2015

Key tax factors for efficient cross-border business and investment involving Bosnia and Herzegovina

EU Member State No

Double Tax Treaties With:

Albania	Greece	Qatar
Algeria	Hungary	Romania
Austria	Iran	Serbia and
Azerbaijan	Ireland	Montenegro
Belgium	Italy	Slovakia
China	Jordan	Slovenia
Croatia	Kuwait	Spain
Cyprus	Macedonia	Sri Lanka
Czech Rep.	Malaysia	Sweden
Denmark	Moldova	Turkey
Egypt	Netherlands	UAE
Finland	Norway	UK
France	Pakistan	
Germany	Poland	

Forms of doing business Limited liability company
Joint Stock company
Branch

Legal entity capital requirements Bosnia and Herzegovina (hereinafter "BiH") consist of two territorial entities: the Federation of Bosnia and Herzegovina (hereinafter "FBiH") and the Republic Srpska (hereinafter "RS").

In FBiH the capital requirement is EUR 1000 and in RS it is 0.5 EUR.



Residence and tax system

For the purposes of the FBiH Corporate Profit Tax (“CPT”) Law, a resident (which is taxable on its worldwide income) is either a business entity incorporated in the FBiH, or a business entity whose actual management or supervision is situated in the FBiH. A non-resident entity (taxable only on income realized in FBiH) is a business entity incorporated outside of FBiH and whose actual management and supervision is situated outside of FBiH, but is conducting its business activity in FBiH through a subsidiary or from time to time (e.g. seasonal or short-term contracts).

The RS Corporate Profit Tax Law does not explicitly define residency, but it makes a distinction between a local business entity incorporated in the RS (taxable on its worldwide income) and a foreign business entity (taxable on income realized in the RS).

Compliance requirements for CIT purposes

With regard to 2014, in FBiH CPT return submission deadline is March 30, 2015 and in RS it is March 31, 2015.

Tax rate

The standard corporate income tax rate is 10 percent.

Withholding tax rates

On dividends paid to non-resident companies

5 percent in FBiH, in RS it is either 10 percent or 0 percent subject to 10 percent participation rule.

On interest paid to non-resident companies

10 percent

On patent royalties and certain copyright royalties paid to non-resident companies

10 percent

On fees for technical services

10 percent

On other payments

10 percent

Branch withholding taxes

10 percent

Holding rules

Dividend received from resident/non-resident subsidiaries

Dividends received are generally not taxable neither in FBiH nor in RS.

Capital gains obtained from resident/non-resident subsidiaries

Capital gains are taxable at the rate of 10 percent in both the FBiH and the RS.



Tax losses	Losses may be carried forward for 5 years. No carry back.
Tax consolidation rules/Group relief rules	Yes, on the condition that the companies are established only in the territory of FBiH and RS respectively and are subject to 90 percent ownership in FBiH and 80 percent ownership in RS.
Registration duties	Legal entity should be registered in relevant court register depending on company location.
Transfer duties	<p>On the transfer of shares</p> <p>No</p> <p>On the transfer of land and buildings</p> <p>Yes, in FBiH a real estate transfer tax applies (amounts to 5%). No real estate transfer applies in RS.</p> <p>First transfer of new building is subject to VAT at flat rate of 17%.</p> <p>Stamp duties</p> <p>No</p> <p>Real estate taxes</p> <p>Real estate transfer tax to be considered (see above).</p>
Controlled Foreign Company rules	No
Transfer pricing rules	<p>General transfer pricing rules</p> <p>In both the FBiH and the RS, prices for the sale of goods and services between related parties should be at arm's length; if not, the difference exceeding the arm's length value will be added to the tax base and is therefore taxable. There are no requirements for detailed documentation. However, the RS's CPT Law Regulation requires that together with the annual tax return a taxpayer must submit information on related parties and business relations, such as legal status and business activities of a taxpayer and characteristics of these activities; identification of transactions between related parties, i.e. the volume and conditions under which transactions have been conducted in the last 5 years; list of activities and information on business partners relevant for the transactions; description of transfer pricing method used.</p> <p>Documentation requirement?</p> <p>In general, yes (see question above)</p>
Thin capitalization rules	No



General Anti-Avoidance rules (GAAR)	Yes
Specific Anti-Avoidance rules/Anti Treaty Shopping Prov.	No
Advance Ruling system	Yes
IP / R&D incentives	No
Other incentives	<p>FBiH</p> <ul style="list-style-type: none"> ■ incentives for taxpayer realizing more than 30 percent of total annual revenue through export, ■ a 100 percent CPT exemption for a five-year period provided that the taxpayer invests BAM 20 million (approx EUR 10 million) in production facilities in the FBiH (BAM 4 million must be invested in the first year), ■ 100 percent exemption for a taxpayer where, for a period exceeding one year, more than 50 percent of the total number of employees are disabled persons. The CPT exemption applies to the year in which more than 50 percent of the total number of employees are disabled persons. <p>RS</p> <ul style="list-style-type: none"> ■ CPT tax base can be reduced up to the value of the investment for taxpayers who invest in property, plant and equipment for the purposes of conducting registered manufacturing activity; ■ under the condition that the taxpayer employs 30 new employees for an indefinite period, the taxpayer can reduce its CPT base up to the amount corresponding to the amount of personal income tax and social security contributions paid for those employees.
VAT	The standard rate is 17 percent.
Other points of attention	No

Source: Bosnian tax law and local tax administration guidelines, updated 2015.



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