



# BOSNIA & HERZEGOVINA PAYROLL GUIDE 2024

## 1. Applicable Law on Payroll Fees

Main laws that regulate employment in the state of Bosnia and Herzegovina include Labour Acts, Wage Directives, Social Security Acts and Employment Protection Acts. Two main laws that all employers must follow, and which regulate this area are:

- a) The Labor Law of Federation of Bosnia and Herzegovina (FBiH)**
- b) The Labor Law of Republic of Srpska (RS)**

Laws that also regulate area of employment are:

- c) Income Tax Law (FBiH)**
- d) Income Tax Law (RS)**
- e) The Law on Contributions of FBiH**
- f) The Law on Contributions of RS**
- g) The Law on Pension and Disability Insurance of FBiH**
- h) The Law on Pension and Disability Insurance RS**
- i) General Collective Agreement of FBiH**
- j) General Collective Agreement of RS**

Next to the Law of incentives, where employer has a right for a return of overpaid contributions in the amount of 30% when increasing the salary of employees, starting from 2024 the minimum wage has also been increased to 900 BAM. With this incentive, they try to motivate companies to improve the lives of their employees in line with rising inflation and the cost of living. Over the past three years, the Government of the Republic of Srpska has consistently pursued measures to bolster salaries. In tandem with the minimum wage hike, benefits such as hot meals for workers have been raised to 10.04 BAM net.

## 2. Social Insurance Foundation

The contributions in Federation of Bosnia and Herzegovina (FBiH) for Social Security-contributions for Pension/Unemployment and Health Insurance are paid both by employers and employees on the gross amount of the salary. In Republic of Srpska (RS), the Social Insurance contributions are also calculated on the gross amount of the salary and are paid by employer.

The Social Insurance contributions are deducted from the gross salary based on the following percentage (shown in a table):

### Employer's share:

#### Federation of Bosnia & Herzegovina

Type of contributions	Percentage
<i>Pension insurance</i>	6%
<i>Health insurance</i>	4%
<i>Unemployment insurance</i>	0.5%
<b>Employer's share in total</b>	<b>10.50%</b>

### Republic of Srpska

No social contributions are paid by the employers in RS.

### Brčko District

(only for employers to whom the Law of contributions of FBiH applies):

Type of contributions	Percentage
<i>Pension insurance</i>	6%
<b>Employer's share in total</b>	<b>6%</b>

## Employee's share:

### Federation of Bosnia & Hercegovina

Type of contributions	Percentage
<i>Pension insurance</i>	17%
<i>Health insurance</i>	12.5%
<i>Unemployment insurance</i>	1.5%
<b>Employer's share in total</b>	<b>31%</b>

### Republic of Srpska

Type of contributions	Percentage
<i>Pension insurance</i>	18.5%
<i>Health insurance</i>	10.2%
<i>Unemployment insurance</i>	0.6%

Child Care Contributions	1.7%
<b>Employer's share in total</b>	<b>31%</b>

\*As of January 1, 2018, a new special contribution for solidarity fund is established, for treatment of kids with rare diseases. It is fully a cost of the employee, 0.25% from net salary. In case an employee is not willing to pay this contribution they can file a personal request with the Health Fund.

### Brčko District

Type of contributions	Percentage	
	RS law	FBiH law
<i>Pension insurance</i>	18%	17%
<i>Health insurance</i>	10.2%	12%
<i>Unemployment insurance</i>	1.5%	
<b>Employer's share in total</b>	<b>29.7%</b>	<b>30.5%</b>

In addition, there are contributions each at a rate of - 0.5%

- Contribution for disabled persons - 0.5%
- Water fees – 0.5%

## 3. Tax Deductions

Personal Income Tax in **Federation is 10%** and in **Republic of Srpska from 01.01.2022. is 8%** and tax relief has been increased up to 1.000,00 BAM.

**The base for tax calculation in Federation**=(gross salary-deducted for contribution amount of employer-tax deduction amount)\*10%

*The tax deduction for FBiH= 300,00 BAM monthly*

**The base for tax calculation in Republic of Srpska**=(gross salary-tax deduction amount)\*8%

*The tax deduction for RS =1.000,00 BAM monthly,*

Additionally, based on the **tax card** issued by the tax administration, each employee has the right to additional tax deduction for close family dependents or for interest paid on a housing loan.

## 4. Employment Procedure

Labor Laws in BiH recognize different types of employment contracts such as:

1. Permanent
2. Temporary
3. Part-time
4. Seasonal
5. Probationary

The procedure of employment in Bosnia and Hercegovina stipulated by the Labor Law is based on the Employment Contract (must be in written form) signed with employees for definite or indefinite period. Among other conditions, the Employment Contract must consist of the following:

- 1.the name and seat of the employer
- 2.qualification and residence of the employees
- 3.the employee's salary
- 4.duration of the contract
- 5.annual leave duration
- 6.working hours
- 7.place of work
- 8.time of conclusion
- 9.working conditions
- 10.description of the duties and rights
- 11.dismissal notice.

Upon signing a Labor Agreement, employer has obligation to register employees to the Pension /Bureau of Employment and the Health Fund. The probation period may not last longer than six months for the Federation of Bosnia and Hercegovina, and three months for Republic of Srpska.

The normal working hours are 8 hours per day or 40 hours per week. The working week lasts five consecutive days - from Monday to Friday. In cases such as increase of work volume and force majeure (earthquake, flood, fire) or other similar cases, employees are obliged under the request of employer to work overtime which could be maximum up to 10 hours a week for RS, and 8 hours for FBiH.

The Employment Contract can also be signed on a part -time base, providing that employees are entitled for Social Insurance contributions and all other rights in proportion to the time spent at work. Employers may conclude a contract with a trainee for the specific professions determined as the trainee period by Bosnian authorities.

## 5. Protection of Employment

**Holidays:** In accordance with the Labor Laws in FBiH and RS, the minimum annual leave is 20 days, however no longer than 30 working days, during which the employees are entitled for a full salary compensation based on the Laws, Collective Agreements and the Rulebooks. Employees who are younger than 18 years (minors) are entitled to minimum 24 days of annual leave, while employees who are engaged in jobs under special working conditions are entitled to minimum 30 paid leave days by the Labor Law of FBiH. Employers may agree with employees to divide their



annual leave in two parts, provided that one part of the annual leave is not less than two weeks without interruption. The unused remainder of annual leave from the previous year must be used by 30.06. of current year.

**Illness:** Under the Labor laws in BiH, employees are entitled to additional paid leave of absence for five working days for RS, and 7 working days for FBiH, annually in cases of serious illness, marriage, childbirth of wife, death of family members all with in accordance with the Collective Agreement, the Rulebook and the Employment Agreement. Employees may refuse to work if the health and safety measures are not met by the employers at the workplace. Employers must register all employees to the Health and Health/Disability Insurance and enable the full protection of employees against any accidents at work.

During employee temporary inability to work, employers cannot terminate the Employment Contract with the employee that suffered injury at work or was sick. The Employer must allow employees to return to their same job posts that they worked before the occurrence of these conditions. Compensation for salary during sick leave is 80% of the employee's salary, which employer can claim from the Health Insurance Fund. An exception is sick leave because of pregnancy, which is covered by 100% of salary from Fund for child protection. This measure is new direction in pronatalist policy.

**Maternity:** Women are entitled to maternity leave for a period of one year without interruption during the pregnancy, childbirth and after the birth for the care of the baby. Under the Labor Law of RS, in case of birth of twins or third child, women are entitled to 18 months of maternity leave. The woman may start the maternity leave on her demand within 28 days before the due date and on recommendation of the competent doctor. She may start to work on her demand before the expiration of her maternity leave, but not earlier than 60 days after the childbirth by the Labor Law of RS, and 42 days by the Labor Law of FBiH. She is entitled to a 60-minute break during the working hours for child feeding and other care. During the maternity leave, in Republic of Srpska, women are entitled to full salary compensation, a net amount which could be refunded to employer from the social service with prompt and correct application supported by proposed documents. During the maternity leave, in Federation of Bosnia and Hercegovina, it depends in which Canton the employee resides. If the employer so decides, women are entitled to full salary compensation, at the level of the six-month average salary. Employees who are on maternity leave only receive salaries prescribed by the law on social protection of the relevant Canton. The employer is entitled to a refund of that amount and contributions from the salaries from social service with prompt and correct application supported by proposed documents.

## 6. Payroll Calculation Procedure

After all deductions from gross salary such as social insurance contributions, personal income tax and other taxes are made, the employee is entitled to a net salary. Salary calculation services, includes tax and contribution reporting to the competent Tax Administrations on a monthly (MIP in Federation and MOP in Republic of Srpska) and annual basis (GIP 1022 in Federation).

## 7. Termination of Employment

Employment contracts can be terminated both by the employer or employees upon agreement, death of employee, by the decision of a competent court, expiration of the period stated on the contract if it is concluded on a definitive time etc. In BiH, employers are entitled to terminate the employment for various reasons including lack of organizational, technical skills or on economic bases, poor performance or different types of misconduct. The notice period cannot be shorter than 15 days in case if the employee terminates the employment contract, or shorter than 30 days if the employer terminates the employment contract.

The notice period starts upon submission of the written notice either from employers or employees.

## 8. Contact details

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