



# BOSNIA AND HERZEGOVINA

## 1. Applicable Law on Payroll Fees

The Labor Law of Federation of Bosnia and Herzegovina (FBiH)

The Labor Law of Republic of Srpska (RS)

The Law on Pension and Disability Insurance of FBiH

The Law on Pension and Disability Insurance RS

The Law on Contributions of RS

The Law on Contributions of FBiH

General Collective Agreement of RS

General Collective Agreement of FBiH

## 2. Social Insurance Foundation

The contributions in Federation of Bosnia and Herzegovina (FBiH) for Social Security (Pension/Disability 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.

In Brčko District, Pension insurance contributions are regulated by the entity regulations.\*

The Social Insurance contributions are deducted from the gross salary based on the following percentage:

## Employer's share:

### **FBiH:**

6% - Pension insurance,  
4 % - Health insurance,  
0.50% - insurance for unemployment.  
Employer's share in total is 10.50%.

### **RS:**

No social contributions are paid by the employers in RS.

### **Brčko District:**

6% on gross wage for pension insurance for employers who apply FBiH law.  
Employers share in total is 6%.

## Employee's share:

### **FBiH:**

17% - Pension Insurance  
12.5% - Health Insurance  
1.5% - Unemployment Insurance  
In total: 31 %

### **RS:**

18.5% - Pension Insurance  
12% - Health Insurance  
0.8% - Unemployment Insurance  
1.7% - Child Care Contributions  
In total: 33%

*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:**

17% for pension insurance for employers who apply FB&H law and 18% for pension insurance for employers, who apply RS law,  
12% for health insurance and  
1.5% for unemployment insurance  
In total 30.5 or 31.5%

### 3. Tax Deductions

Personal Income Tax on the entire territory of BiH is 10%, and the base for tax calculation is gross deducted for contribution amount tax deduction amount. The tax deduction for RS is 500,00 BAM monthly, for FBiH is 300,00 BAM monthly and additionally, based on the tax card issued by the tax administration (every employee have right on additional tax deduction for close family dependents or interest paid on housing loan ).

### 4. Employment Procedure

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

- Permanent
- Temporary
- Part-time
- Seasonal
- Probationary

The procedure of employment in BiH 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 the following : the name and seat of the employer, qualification and residence of the employees, the employee's salary, duration of the contract , annual leave duration, working hours, the place of work, time of conclusion, working conditions, description of the duties and rights, dismissal notice. Upon signing a Labor Agreement, employer has obligation to register employees to the Pension /Disability Fund and the Health Fund. Probation period may not last longer than six months for FBiH, and three months for RS.

The normal working hours are 8 hours per day or 40 hours per week. 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 Rule-books. Employees who are younger than 18 years (minors) are entitled for the 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.

**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 and death of family members. Employees may refuse to work if the health and safety measures are not met by the employers at the work place. 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.

**Maternity:** Women are entitled to maternity leave for a period of one year without interruption during the pregnancy, child birth 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 before 60 days after the child birth 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, women are entitled to full salary compensation, which net amount could be reverted to employer from Social service with prompt and correct application supported by proposed documents.

## 6. Payroll Calculation Procedure

The tax base is the net income. After all deductions such as social insurance contributions, personal income tax and other taxes are made, the employee is entitled to a net salary.

## 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 can not 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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