
Individual Taxation

BOSNIA & HERZEGOVINA

INDIVIDUAL TAXATION IN BOSNIA AND HERZEGOVINA

Bosnia and Herzegovina consists of two entities: Federation of Bosnia and Herzegovina (FBiH) and Republic of Srpska (RS), with a third region, the Brčko District (BD), being administered by both.

Resident individuals pay tax on their worldwide income, while non-residents are only taxed on income sourced in BiH.

1.1. Residency

An individual is resident, if the following conditions apply:

- Spends more than 183 days in a calendar year in the FBiH/RS
- Has a residence or business of vital interest in the territory of BiH.

1.2 Personal Income Tax Base

The tax base in the FBiH is the total gross taxable income paid by the employer less employee contributions and deductible allowances (monthly basic personal allowance, less dependent family member allowance(s) and disability allowance, where applicable).

Similarly, in the RS, the tax base is the total gross taxable income paid by the employer less social security contributions and deductible allowances (monthly basic personal allowance, less dependent family member allowance(s) and disability allowance, where applicable).

1.3 Personal Income Tax Rate

Personal income tax in FB&H is paid at the rate of 10% while in the Republic of Srpska (RS) different tax rates are applied based on the different sources of income as follows:

- ✓ personal income, 8%
- ✓ self-employment, 10%
- ✓ income from capital, 13%
- ✓ capital gains, 13%
- ✓ other income, 13%

A flat tax rate of 10% is applied in the Brčko District (BD).

1.4 Applicable Regulations

❖ Regulations applied in FB&H

- ✓ Law on Personal Income Tax FB&H (Official Gazette of FB&H No. 10/08, 9/10, 44/11, 7/13 and 65/13)
- ✓ Rulebook for the implementation of the Law on Personal Income Tax (Official Gazette of FB&H No. 67/ 08, 4/ 10, 86/ 10, 10/11, 53/11, 20/12, 27/13, 71/13, 90/13 and 45/14).

❖ Regulations applied in RS

- ✓ Law on Personal Income Tax (Official Gazette of the RS No.60/15, 66/18, 105/19, 123/20, 49/21, 119/21 nad 56/22)

❖ Regulations applied in the Brčko District

- ✓ Personal Income tax in the Brčko District is regulated by the Law on Personal Income Tax of Brčko District (Official Gazette of the BD No. 60/10) 23 Bosnia and Herzegovina Tax system

1.5 Competent Institutions

- In Federation B&H the Tax Administration of Federation B&H is competent institution for control, assessment and tax collection through its cantonal branch offices.
- Tax Administration of the Republic of Srpska given to the responsibility for enforcement of all tax laws. Tax administration is under the Ministry of Finance of the Republic of Srpska.
- Tax administration Brčko District is the institution responsible for the issue of direct taxes.

1.6 Deadlines for residents and non-residents

- 1023 form: two days after payment, monthly in FB&H, same applied in the Brčko District (BD)
- 2001 form: February 28 for the previous year, yearly in FB&H, same applied in the Brčko District (BD)
- 1002 form, monthly, until 10th of the month for the previous month in RS same applied in the Brčko District (BD)

1.7 Tax Return -Procedure for Non-Residents

Individuals who do not have a B&H unique identification number (JMBG) - meaning they don't have any type of residence in the country - can register as a foreign taxpayer on the tax e-services, applied in both entities in Bosnia and Herjegovina and in the Brčko District (BD).

1.8 Deductible Expenses- Allowances

Type of expenditure	Amount
Personal deductions in both the FBiH and RS per calendar year	BAM 3,600.00 (FBiH) BAM 12,000.00 (RS, as of January, 2022)
FBiH - deductions for dependents; interest paid on housing loans, life insurance and certain health services (per annum)	BAM 2,500.00
RS - pension contributions paid for voluntary pension insurance or life insurance (per annum)	BAM 1,200.00
Basic personal exemption of the taxpayer per month	BAM 300.00 (FBiH) BAM 1.000.00 (RS, as of January, 2022)

1.9 Exempt Income

Type of Exempt Income
Pensions -Dividends -Scholarships
Social security contributions paid by employers
Certain types of interest income
Inheritances and gifts
Several types of social welfare and compensation payments
Capital Gains only in the FBiH

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