



BOSNIA & HERZEGOVINA TAX CARD 2024

www.eurofast.eu

sarajevo@eurofast.eu

banjaluka@eurofast.eu

TAX CARD 2024 – BOSNIA & HERZEGOVINA

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I. Individuals

1.1 Personal Income Tax

Bosnia and Herzegovina (BiH) consists of two entities, the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) as well as a third region called the Brčko District (BD) in the north of the country which was created in 2000 out of land from both entities. It officially belongs to both, but is governed by neither, and functions under a decentralized system of local government.

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

1.1.1 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.

1.1.2 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).

1.1.3 Tax rates

A flat tax rate of 10% on the taxable income is applicable in the territory of BiH, while from 01.01.2022. it is reduced by 8% in the territory of Republic of Srpska, with increasing of tax relief up to 1.000,00 BAM.

1.1.4 Deductible Expenses

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	BAM 300.00 (FBiH) BAM 1,000.00 (RS, as of January, 2022.)

1.1.5 Exempt Income

Type of exempt income
Pensions
Dividends
Scholarships
Social security contributions paid by employers (Please refer to section 1.6)
Several types of social welfare and compensation payments
Certain types of interest income
Inheritances and gifts

1.2 Capital Gains Tax

Capital gains are not taxable in the FBiH. In the RS, capital gains are taxed at the rate of 13% and include gains arising from the sale of immovable assets, gains arising from the sale of property rights, authorship rights, license, and franchise rights.

1.3 Social Security Contributions

Contribution type	Republic of Srpska		Federation of BiH		Brcko District	
	Employee	Employer	Employee	Employer	Employee	Employer
Pension insurance	18.5%	0%	17%	6%	17 or 18.5%*	6%
Health insurance	10.2%	0%	12.5%	4%	12%	0%
Unemployment Insurance	0.60%	0%	1.5%	0.5%	1%	0%
Child care contribution	1.7%	0%	0%	0%	0%	0%

* If FBiH Pension laws applicable the rate is 17%, but if RS Pension laws applicable the contribution rate is 18.5%.

II. Corporate Taxation

2.1 Corporate Income Tax

Resident companies are taxed on their worldwide income, while non-resident companies are taxed on profits derived from sources in the FBiH/ RS and/or Brčko.

2.1.1 Residency

A company in BiH is resident if it is registered as a legal entity there. An entity has a taxable presence in BiH by carrying out business activities in the jurisdiction that meets the criteria for a permanent establishment.

2.1.2 Tax Rates

BiH corporate income tax rate is a flat 10%, which is one of the lowest tax rates in the region.

2.1.3 Exempt Income

Entity	Income Type
FBiH	Dividends and other type of profit distribution received.
RS & BD	Dividends and other type of profit distribution received, as well as interest on securities and bank deposits.

2.2 Tax Incentives

2.2.1 Tax incentives in FBiH

Foreign tax credit is available for a taxpayer who generates income or profit outside FBiH and suffers profit tax abroad. The credit is up to the amount of the profit tax that would have been paid if that income or profit was generated in FBiH.

A taxpayer, who - in the year for which the corporate income tax is being determined - has achieved 30% of the total revenue by export is to be exempted from the tax payment for that year.

A taxpayer, who - in the period of five consequent years invests into production the value of minimum BAM 20 million on the territory of the FBiH - is being exempted from the payment of corporate income tax for the period of five years beginning from the first investment year, during which a minimum of BAM 4 million must be invested.

If a taxpayer in the time period of five years, does not achieve the prescribed level for investment, they lose the right of tax exemption, and the unpaid corporate income tax is being determined in accordance with the provisions of the Law on the Corporate Income Tax increased by penalty interest payable for untimely paid public revenues.

A taxpayer who employs more than 50% of disabled persons and persons with special needs for longer than one year is exempt from the payment of corporate income tax for the year during which more than 50% disabled persons and persons with special needs were employed.

2.2.2 Tax incentives in RS

If a legal entity obtains revenue from abroad and the revenue is taxed both in RS and abroad, the tax paid abroad shall be credited from RS tax.

A taxpayer shall be exempt from payment of income tax on revenue from humanitarian organisations in connection with the basic activity.

Stimulation of investment in production - a taxpayer who invests in equipment, facilities and real estate has the right for reduced tax in the amount of the value of the investment.

The taxpayer who, during a calendar year has employed at least 30 permanent employees, has the right to deduct tax in the amount of tax paid on income and contributions for those employees.

No withholding tax on interest gained from credits and loans that has been used by resident to invest in equipment, facilities and real estate.

2.2.3 Tax incentives in BD

If a legal entity obtains revenue from abroad and the revenue is taxed both in BD and abroad, the tax paid abroad shall be credited from BD tax.

Stimulation of investment in production - A taxpayer who invests in equipment, facilities and real estate has the right for reduced tax for the value of the investment.

A taxpayer who hires new employees during the tax period, is allowed a deduction in amount of tax paid on income and contributions for those employees.

2.3 Withholding Taxes

Taxable payments	Tax rates		
	RS	FBiH	Brcko District
Dividends	10%	5%	0%
Interests	10%	10%	10%

2.4. Capital Gains Tax

Taxation of capital gains from the sale of financial instruments on the whole territory of BiH is regulated separately by the territorial entities (the FBiH, the RS and Brcko). However, in general, capital gains are treated as profit and included in the ordinary taxable income which is taxed at a rate of 10% and 13% in Republic of Srpska.

2.5 Losses Carried Forward

Tax losses may be carried forward for a maximum of five years, and no tax loss carry back provisions exist.

III. Indirect Taxation

3.1 Value Added Tax (VAT)

The 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 supply in the territory of BiH.

VAT returns and payments are due by the end of the current month for the prior VAT period and must be submitted until the 10th of the current month for the previous month.

The introduction of a differentiated VAT rate for basic food, stuffs, baby equipment and luxury goods has been announced for 2022., but the procedure for adopting proposals for amendments to the law is still ongoing.

Starting from 01.01.2024. the threshold of VAT is over 100.000,00 BAM.

3.1.1 VAT registration threshold

Cases of compulsory registration	Registration threshold
Turnover for the last 12 months - a new law has been announced, the new level of taxable turnover be 100,000 KM., but it has not yet been formally adopted.	over 100,000 BAM
Taxable person established abroad that carries out taxable economic activities in the BiH must register through a VAT representative	Irrespective of the turnover

Once entering into the VAT system, a taxpayer cannot opt out for five years.

A company may register voluntarily if the turnover threshold criteria is not met.

3.1.2 Rates

Standard VAT Rate	17%
Reduced VAT rate	N/A
VAT exemption	Certain public services, health and medical services and financial services. Other transactions (mainly exports of goods) are zero rated.

3.2 Custom Duties

Custom duties in BIH are regulated by the Customs Tariff Law. Indirect Taxation Authority is responsible for the collection of all customs duties.

Import customs rates attributed to BIH according to the customs tariffs are: 0%, 5%, 10%, and 15%.

The reduced import custom duty rates apply only to the goods that are imported from EU. Customs protection is provided for agricultural products. Customs duties exemption is applicable on equipment imported as part of share capital. No exemptions apply on passenger vehicles, slot and gambling machines.

3.3 Excise Duties

Excises are applicable on commodities and goods like oil products, tobacco products, soft drinks, alcoholic drinks, beer, wine and coffee.

The subject of taxation is the trade of excise products that are manufactured in BIH, when the manufacturer trades with them for the first time and / or during the import of excise products in Bosnia and Herzegovina.

Commodity	Rate
oil products (per litre)	BAM 0.30 – 0.40
non-alcoholic drinks (per litre)	BAM 0.10
soft drink (per litre)	BAM 0.20 - 0.25
alcoholic drinks and Ethyl alcohol (per litre)	BAM 8.00 – 15.00

coffee (per kilo)	Roasted coffee (per kilo) BAM 3.00 Other coffee products BAM 3.50
tobacco products	The specific excise duty is 104.5 BAM per 1,000 cigarettes, while the overall minimum excise duty amounts to 121 BAM per 1,000 cigarettes. Other tobacco products: BAM 130KM per kilogram

IV. Local and Other Taxes, Fees

4.1 Property Tax

FBIH	RS	BD
Taxes imposed at the cantonal level. The rates vary between the cantons. The taxes are paid in the range of BAM 0.5 to BAM 3 per square metre.	Taxes imposed at the entity level. The tax rate is determined by the municipalities (between 0.05% and 0.20% of the market value of the property)	Taxes imposed by the BD assembly (between 0.05% and 1% of the market value of the property)

4.2 Transfer Tax

Tax on transfer of Land and Real Estate	
FBIH	Tax is imposed at the cantonal level and the transfer taxes vary across the cantons.
RS	No taxes
Brcko	No taxes

Transfer tax is not applicable on the transfer of securities.

4.3 Inheritance & Gift Taxes

Inheritance and gift taxes are levied at the cantonal level in the FBIH (2% - 10%) with tax due on the transfer of immovable and movable property.

In the RS and in Brcko, there are no taxes applicable on gifts and inheritances.

V. Tax Calendar 2024

Submission deadlines			
28 Feb 2024	Submission of corporate tax returns for 2023	Submission of Financial Statements for 2023	No more special republic tax -abolished from 12.2023
End of the following month	Payment of Social Security Contributions for employees		
End of the following month	Withholding tax		
10 th of the following month	VAT payment		

VI. Administrative Penalties on the amounts of public revenues that have not been paid within the prescribed period

Interest	Penalties
FBIH - late interest	0.04% per day of delay
FBIH - min penalties	BAM 500 – 50,000
RS - late interest	0.03% per day of delay
RS - min penalties	BAM 500 – 1,500



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