

TAX & LEGAL NEWS

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Harmonisation of Brčko District with Republic Srpska and Federation BiH with respect to income tax laws

Bosnia and Herzegovina has been working passively on a harmonisation of tax system for more than a decade now. The steps taken have been very small, but essential in establishing a system that would avoid different taxation in the entities and the district. Also, the harmonised tax system would decrease possibilities of tax evasion and double taxation within the country.

We have seen a change in the Federation BiH and the Republic Srpska tax laws in the past years. Differences still exist, but unification was introduced in relation to tax rate, tax residency, inter-entity taxation, permanent establishment and other.

Brčko District currently has unique tax law which is regulating taxation for both individuals and corporations. In practice, this law led to many misunderstandings. New reform will differentiate Personal Income Tax and Corporate Income Tax which are to be regulated by two separate laws from now on.

The Personal Income and Corporate Income Tax Laws are going to be harmonised with the Federation BiH and the Republic Srpska Income Tax Laws so this represents one more leap towards the harmonised tax system in Bosnia and Herzegovina. We are going to inform you on the provisions of the new laws as soon it is enacted by the Brčko District Assembly.

We do not expect any changes of tax rate which is currently 10%, for both personal and corporate tax.

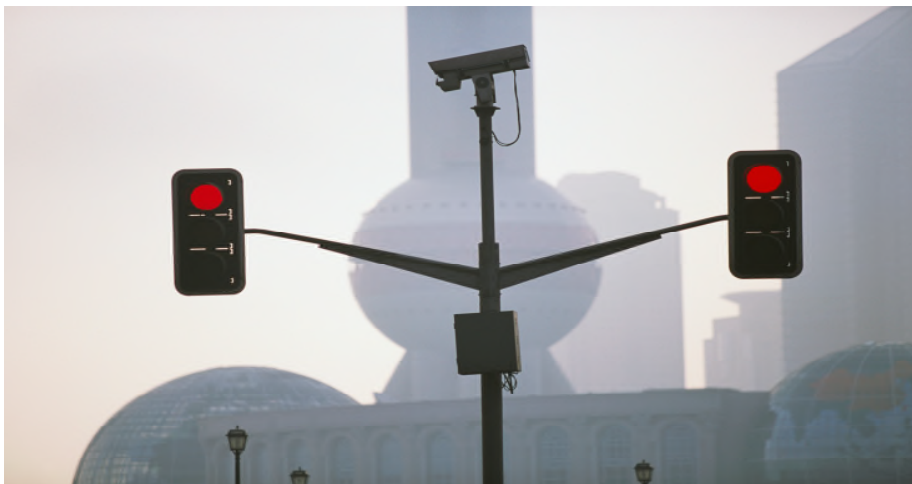
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Integrated Social Security Contributions System in the Federation BiH

New Law regulates establishment and control of the integrated system for registration, control and payment of Social Security Contributions (SSCs) and will be applicable from 1 January 2010.

The system will be established within the Federation BiH Tax Authorities and will be used for processing, inserting, harmonisation and exchanging of SSC data, control of SSC payment and informing the SSC payers.

Users of the integrated system are:

- Federal Institute for pension and disability insurance
- Institute for health insurance and re-insurance of Federation BiH
- Institute for employment of Federation BiH
- Tax Authorities
- Federal Statistics Agency

Tax payers are all employers, legal entities or individuals which are statutory or voluntarily insured, and which are obliged to calculate, withhold and pay SSCs in accordance with Law on Social Security Contributions and laws which regulate pension and disability insurance, health insurance and insurance in case of unemployment.

Data from the integrated system will be used for realizing the rights from social security insurance.

SSC payers are obliged to register to the integrated system with the Tax Authorities. SSC payers are obliged to submit registration form to the Tax Authorities for new employees within 7 days from start of the employment.

Annual reports on SSCs are to be submitted by 30 April of current year for previous fiscal year.

The Tax Authorities are issuing certificate to insured persons which presents annual data on paid/unpaid SSCs. The certificate is issued for every fiscal year, by the 31 December of the current year for previous year.

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