

## **INCENTIVES FOR FOREIGN INVESTORS IN BOSNIA AND HERZEGOVINA (provided by all levels of governments/institutions)**

In Bosnia and Herzegovina there are privileges and incentives at disposal for foreign investors.

In addition to the incentives listed in this document (incentives on the state /entity/district level- **as it is shown in the tables below**) there are other governments programs of incentives that FIPA would like to introduce the investors, such as, e.g. Financial support for projects of small and medium-sized enterprises

- Financial incentives for tourism development
- Financial incentives for environmental protection
- Financial subsidies for agricultural companies
- Etc.

Those financial incentives/subsidies are awarded on the basis of a public calls (*companies compete on the basis of conditions that are determined in the public call*) which are announced annually by the competent institutions and the funds and sectors are dependable of the determined budget for that year.

Last, but by no means least - companies also have the option to apply:

- For funds or credits from international organisations/institutions/development banks etc., about what (during the process of public call) FIPA, mostly, also inform the investors via email ([for those who want to be part of this email list – please provide us your/your company email](#)).

In the last part of the document, the investor can also find information about: bilateral relations of Bosnia and Herzegovina and other countries, such as free trade agreements, preferential export regimes, agreements on avoidance of double taxation, agreements on promotion and protection of investments etc.

**INCENTIVES  
BIH - STATE LEVEL**

(Incentives apply to all companies i.e. no matter where the headquarter/ branch office is located in the country)

BIH		
Incentives	Description	Competent institution
<b>General incentives</b>	➤ National treatments of foreign investors, i.e. foreign investors have the same rights and obligations as residents of B&H	Ministry of Foreign Trade and Economic Relations <a href="http://www.mvteo.gov.ba">www.mvteo.gov.ba</a>
	➤ Foreign investors are entitled to open accounts in any commercial bank in domestic and/or any freely convertible currency on the territory of B&H	Ministry of Foreign Trade and Economic Relations <a href="http://www.mvteo.gov.ba">www.mvteo.gov.ba</a>
	➤ Foreign investors are entitled to freely employ foreign nationals, subject to the labour and immigration laws in B&H	Ministry of Foreign Trade and Economic Relations <a href="http://www.mvteo.gov.ba">www.mvteo.gov.ba</a>
	➤ Foreign investors may own real estate in B&H	Ministry of Foreign Trade and Economic Relations <a href="http://www.mvteo.gov.ba">www.mvteo.gov.ba</a>

	<ul style="list-style-type: none"> <li>➤ Foreign investors are protected against nationalization, expropriation, requisition or measures having similar effects</li> </ul>	<p>Ministry of Foreign Trade and Economic Relations</p> <p><a href="http://www.mvteo.gov.ba">www.mvteo.gov.ba</a></p>
<b>Customs benefits</b>	<ul style="list-style-type: none"> <li>➤ Equipment of the foreign investor being imported as part of share capital is exempt from paying customs duties (with the exception of passenger vehicles, slot and gambling machines)</li> </ul>	<p>Indirect Taxation Authority</p> <p><a href="http://www.uino.gov.ba">www.uino.gov.ba</a></p>
<b>Customs benefits</b> (determined annually)	<ul style="list-style-type: none"> <li>➤ Temporary suspension and reduction of custom tariffs for import of certain production materials in B&amp;H (<i>beneficiary import of raw materials in textile and footwear industry, electronic, metal, food processing, automotive and chemical industry – adopted on the annual base</i>)</li> </ul>	<p>Indirect Taxation Authority</p> <p><a href="http://www.uino.gov.ba">www.uino.gov.ba</a></p>
<b>Free trade zones</b>	<ul style="list-style-type: none"> <li>➤ Equipment released for free circulation for production in a free zone shall be relieved from payment of import duty</li> <li>➤ Import of goods intended for the purposes of free zones and warehouses, and supply of goods within a free zone and free warehouses shall be exempt from VAT (any exemption from VAT shall be recognised only if goods are not released into free circulation)</li> <li>➤ Investments in the free zone, transfer of profit and transfer of investment are free of charge</li> </ul>	<p>Indirect Taxation Authority</p> <p><a href="http://www.uino.gov.ba">www.uino.gov.ba</a></p>

## FEDERATION OF BOSNIA AND HERZEGOVINA

	Federation of B&H	
Incentives	Description	Competent institution
Tax benefits	<p>➤ The taxpayer, who invests, from its own funds, in production equipment more than 50% of the total profit in the current tax period, shall be reduced of the obligation of the calculated tax for 30% of the amount in every year of investment</p>	<p>Federal Ministry of Finance <a href="http://www.fmf.gov.ba">www.fmf.gov.ba</a></p> <p>Tax Administration of the FBiH <a href="http://www.pufbih.ba">www.pufbih.ba</a></p>
	<p>➤ The taxpayer who in a period of 5 consecutive years makes investments from its own funds, in the total amount of 10 million €, starting with the first year when taxpayer has to invest at least 2 million €, shall be reduced of the obligations of the calculated income tax for 50% of the amount in the years of investment</p>	
	<p>➤ The taxpayer is entitled to a tax-deductible expense in the double amount of the gross wage paid to newly employees if meets the following conditions:</p> <ul style="list-style-type: none"> <li>• duration of the employment contract must be at least for a period of 12 months with full-time working hour</li> <li>• New employee was not employed with the taxpayer or a related person in the previous five years</li> </ul>	

<b>Employment support programs</b>  <b>(upon public calls)</b>	<ul style="list-style-type: none"> <li>➤ Co-financing program for employment and self-employment</li> <li>➤ Co-financing program of young people without work experience</li> <li>➤ Co-financing program for employment in agriculture</li> <li>➤ Employment program for persons with disabilities</li> <li>➤ Co-financing program of training, additional training and requalification</li> <li>➤ Youth employability and retention program (YERP)</li> <li>➤ <i>Other - depending of sector and institution budget for the year in question</i></li> </ul>	<div style="background-color: yellow; height: 20px; width: 100%;"></div> <p>Federal Ministry of Development, Entrepreneurship and Crafts</p> <p><a href="http://www.fmrpo.gov.ba">http://www.fmrpo.gov.ba</a></p> <p>Federal Employment Service</p> <p>Cantonal Employment Services</p> <p><a href="http://www.fzzz.ba">http://www.fzzz.ba</a></p>
<b><u>SPECIAL INCENTIVE FOR MINING, TEXTILE, LEATHER AND FOOTWEAR INDUSTRY</u></b>		

#### FEDERATION OF BOSNIA AND HERZEGOVINA – CANTONAL LEVELS

<b>CANTONAL GOVERNMENTS INCENTIVES PROGRAMS</b>  <i>(dependable of budget - determined annually)</i>	
<b>Incentives</b>	<b>Competent institution</b>
Program of small business development through credit and grant funds  (upon public calls)	Cantonal Government
Program of support to SMEs  (upon public calls)	Cantonal Government
Grants for employment  (upon public calls)	Cantonal Government
Incentives for certification (upon public calls)	Cantonal Government

**REPUBLIC OF SRPSKA**

REPUBLIC OF SRPSKA		
Incentives	Description	Competent institution
<b>Tax benefits</b>	<ul style="list-style-type: none"> <li>➤ For taxpayer who invests in equipment, facilities and real estate for carrying out production activities in the amount of more than 50% of realized profit (the tax base) for current tax period, the corporate tax liability shall be reduced by of 30%</li> </ul>	<p>Tax Administration of RS <a href="http://www.poreskaupravars.org">www.poreskaupravars.org</a></p> <p>Ministry of finances RS <a href="http://www.vladars.net">http://www.vladars.net</a></p>
<b>Employment support programs (upon public calls)</b>	<ul style="list-style-type: none"> <li>➤ Subsidies for self-employment and employment with an employer of persons from the identified target groups</li> <li>➤ Subsidies for training, additional training and retraining and improving labour mobility</li> <li>➤ Subsidies for recruitment of trainees</li> </ul>	<p>The Republic of Srpska Employment Institute <a href="http://www.zzzrs.org">www.zzzrs.org</a></p>

**BRCKO DISTRICT**

<b>BRCKO DISTRICT</b>	
<b>Incentive</b>	<b>Competent institution</b>
Program for subsidizing part of interest rates for loans to companies, entrepreneurs, branch offices and agriculture plot holders in Brcko District.	Government of Brcko District of BiH – Department for Economic Development, Sport and Culture  Development and Guarantee Fund of Brcko District of BiH
Full exemption from municipal fees for putting company signs on building	Government of Brcko District of BiH – Department for Economic Development, Sport and Culture
Reimbursement of court fees for the company registration and changes of data in the court register for newly established companies, branch offices and entrepreneurs	Government of Brcko District of BiH – Department for Economic Development, Sport and Culture
Reimbursement of paid connection charges (fees) and connection services for rights to connect to the electrical grid, that includes only exemption of charges for power for connecting new customers on the electrical grid and charges for increasing the power for the existing consumers	Government of Brcko District of BiH – Department for Economic Development, Sport and Culture
Reimbursement of fees, work and connection services for rights to connect to the water and sewage system	Government of Brcko District of BiH – Department for Economic Development, Sport and Culture
Reimbursement of paid fees and charges for the location permit	Government of Brcko District of BiH – Department for Economic Development, Sport and Culture
Reimbursement of paid fees and charges for the revision of technical documentation	Government of Brcko District of BiH – Department for Economic Development, Sport and Culture
Reimbursement of paid fees and charges for a building permit	Government of Brcko District of BiH – Department for Economic Development, Sport and Culture
Reimbursement of costs in the amount of new investments into procuring assets entered into the list of assets, up to the amount	Government of Brcko District of BiH – Department for Economic Development,

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of assessed and paid corporate income tax or income tax for the year when the assets were procured, considering that the difference between the amount of corporate income tax or income tax and completed procurement could not be transferred into a next year	Sport and Culture
Payment of contributions to unemployed persons who lack three years for their retirement pension	Employment Bureau of Brcko District of BiH
Debt write-off	Directorate for Finance of Brcko District of BiH - Tax Administration
Tax relief	Directorate for Finance of Brcko District of BiH - Tax Administration
Personal deductions	Directorate for Finance of Brcko District of BiH - Tax Administration
Agriculture incentives - various types as per the Rulebook on ways and conditions for incentive in the agriculture production of the Government of Brcko District of BiH	Government of Brcko District of BiH - Department of Agriculture, Forestry and Water
Reimbursement of part of the funds given to the certificates required for export and certificates: ISO 9001:2008; ISO 9001:2015; EN-SCC: 2006; 97/23/EG i AD 2000; AD 2000-HP 0 /HP 100R I DIN EN ISO 3834-2; ISO 14000; ISO 18000 (OHSAS); IFS (International food standard), BAS 1049:2010 HALAL, HACCP, as well as for re-certification of the above mention certifications.	Department for Economic Development, Sport and Culture
Stimulation of legal entities for new investments in accordance with the program of the Government	Department for Economic Development, Sport and Culture



### MUNICIPALITY LEVEL

Almost all municipalities in Bosnia and Herzegovina have certain incentives and benefits that are available to investors. Some of these privileges are shown in table below:

MUNICIPALITY LEVEL (dependable of budget - determined annually)	
Incentives	Competent institution
Grants for support of entrepreneurs	Competent Municipality <i>(Negotiation with municipality administration based on their regulations – or public call)</i>
Grants for employment	Competent Municipality <i>(Negotiation with municipality administration based on their regulations – or public call)</i>
Grants for investments in production and agriculture	Competent Municipality <i>(Negotiation with municipality administration based on their regulations – or public call)</i>
Exemption from paying or deferred payment of municipal fees	Competent Municipality <i>(Negotiation with municipality administration based on their regulations – or public call)</i>
Cheaper price for regulation and rent of parcels in the most attractive parts of the municipalities	Competent Municipality <i>(Negotiation with municipality administration based on their regulations)</i>

**Note:** FIPA officials informs all investors from FIPA database/contacts list about the public calls which are in process (public calls announced by the state/entities/cantons/municipalities) – and if an investor want to be informed by our officials – and the company contacts are not in our current database – please send us the contacts details through email: [ana.kvesic@fipa.gov.ba](mailto:ana.kvesic@fipa.gov.ba)

## FAVOURABLE TRADE AND OTHER AGREEMENTS

One of the reasons for investing in B&H is also the favourable geographical position. Due to the position that B&H has in the South Eastern and Central Europe, if you place your production in B&H you can focus it in all directions, further more numerous markets are becoming available, such as the EU market, Turkey, USA, Japan, Canada and many others.

With the purpose of facilitating trade, creating preconditions for the increase in exchange of goods (and particularly export), the creation of a favourable environment for domestic and foreign investments, Bosnia and Herzegovina concluded certain number of bilateral/multilateral free trade agreements.

***As a result, and due to the position that B&H has in the South Eastern and Central Europe, starting a business in Bosnia and Herzegovina means the opportunity of exporting to a market of app. 600 million people without paying any customs duties!***

Bosnia and Herzegovina has signed the Central European Free Trade Agreement (CEFTA), in effect as of November 2007, with the following countries:

ALBANIA	SERBIA	MOLDOVA	MONTENEGRO
MACEDONIA	UNMIK/KOSOVO	-	

B&H has also signed a Free Trade Agreement with **Turkey** which provides additional free access to this consumer market with 70 million people.

## Stabilisation and Association Agreement (SAA)

The Stabilization and Association Agreement (SAA) between the EU and B&H enters into force on Jun 1, 2015. The SAA establishes a close partnership between the EU and B&H and deepens the political, economic and trade ties between the two parties. **It represents** the main framework for the relations between the EU and B&H.

SAA will also contribute to the progressive alignment of B&H legislation with the EU legislation.

## **EFTA**

Free Trade Agreement between Bosnia and Herzegovina and EFTA (Switzerland, Norway, Iceland and Liechtenstein) was signed on 24 June 2013 in Norway, and entered into force on January 2015.

## **Preferential Export Regimes**

B&H has generalized system of preferences with: **USA, New Zealand, Switzerland, Norway, Japan, Russia, Kazakhstan and Belarus, Canada and Australia.**

Furthermore, B&H has preferential export regime with **Iran.**

## **AGREEMENTS ON AVOIDANCE OF DOUBLE TAXATION**

Bosnia and Herzegovina has Agreements on Avoidance of Double Taxation with the following countries

Albania, Algeria, Austria, Azerbaijan, Belgium, Czech Republic, Egypt, Finland, France, Greece, Croatia, Holland, Iran, Ireland, Italy, Jordan, Kuwait, Qatar, China, Cyprus, Hungary, Malaysia, Macedonia, Montenegro, Moldova, Norway, Germany, Pakistan, Poland, Romania, Slovakia, Slovenia, Serbia, Spain, Sweden, Sri Lanka, Turkey, United Arab Emirates, United Kingdom and Northern Ireland.

## **AGREEMENTS ON PROMOTION AND PROTECTION OF INVESTMENTS**

Bosnia and Herzegovina has Agreements on Promotion and Protection of Investments with the following countries:

Albania, Austria, Belgium and Luxemburg, Belarus, Canada, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, India, Iran, Italy, Jordan, Kuwait, Lithuania, Macedonia, Malaysia, Moldova, Netherlands, OPEC Fund, Pakistan, Portugal, Qatar, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Switzerland, Sweden, Turkey, Ukraine, United Kingdom, USA – OPIC.

## **FDI INSURANCE INSTRUMENTS IN BOSNIA AND HERZEGOVINA**

Foreign investors concerned about risks of transfer restrictions, expropriation, war and civil disturbances and denial of justice, can be insured against these risks with the European Union Investment Guarantee Trust Fund for Bosnia and Herzegovina, administered by the Multilateral Investment Guarantee Agency (MIGA, member of the World Bank Group).