



# INVEST IN THE FUTURE

---



Government of the Republic of Srpska  
Ministry of Economic Relations and Regional Cooperation



# Content

9	The Republic of Srpska	32	Taxes
10	Investment Advantages of the Republic of Srpska	33	Customs
11	Stable Economic Situation	34	Free Zones
12	Market Potential	34	Labor Relations
14	Low Business Costs	35	Foreign Employment
16	Favorable Ambiance for Foreign Investment	36	Annex 1 Foreign Investment Registration
18	Quality Human Resources	36	Documents Required for Court Registration
19	Business Environment	37	Procedure Following the Court Registration of a Company
20	Republic of Srpska in International Flows	37	Annex 2 Foreign Representative Office Registration in BiH
20	Republic of Srpska Representative Offices Abroad		
21	Useful links		
23	Legal Framework		
24	Foreign Investment		
24	Concessions		
26	Types of Economic Entities in the Republic of Srpska		
27	Banks in the Republic of Srpska		
27	Insurance Companies		
28	Privatization		
29	Representative Offices of Foreign Persons		
29	Foreign Person Right of Ownership		
30	Capital Market		





---

... Our strategy is to create a business ambiance that would strengthen the competitiveness of local economy... We will shape the economic system in a manner to make it cost-effective to produce in the Republic of Srpska and export to other markets...

... Public-private partnerships will be strongly supported by enactment of all necessary regulations required for further improvement of investment climate and reduction of business costs...

Excerpt from the speech by the Prime Minister of the Government of the Republic of Srpska Milorad Dodik (November 2006)

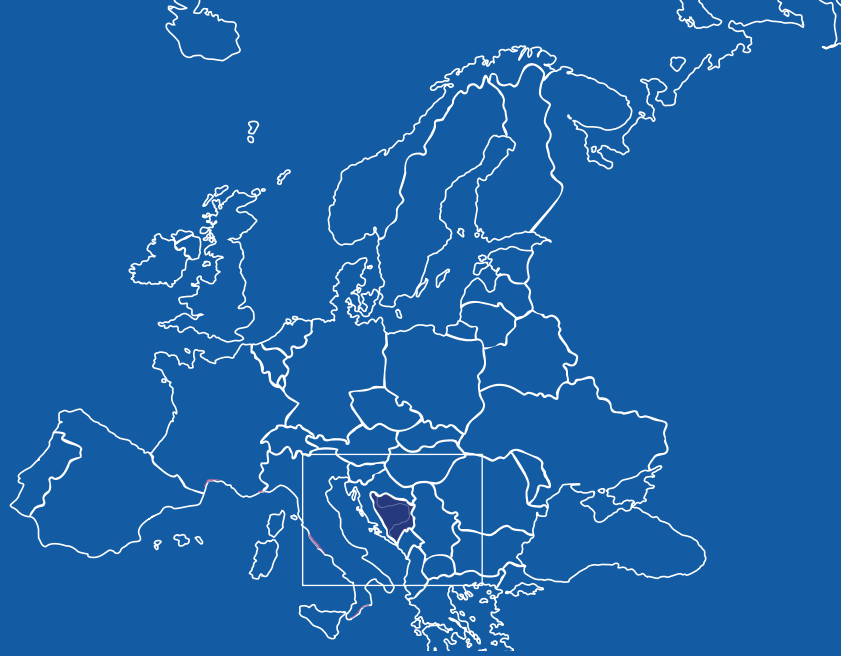


МОНГОЛ УЛСЫН  
ХУВЬСАН ЭХЭЛ  
ХӨРӨНГӨ



## Banja Luka

Administrative, economic and cultural center of Republic of Srpska



Administrative, economic and cultural center

Banja Luka

Official languages

Languages of the Serbian, Bosnian and Croatian people

Setup

Constitutional and legal entity within Bosnia and Herzegovina (BiH)

Proclaimed

28.02.1992.

Recognized by BiH Constitution

14.12.1995.

Area

25.053 km<sup>2</sup> (9.673 sq. mi)

Population (2006 estimate)

1.487.000

Currency

Convertible Mark (BAM)

Climate

Continental (northern part), Mild mountainous (highland) and Mediterranean (southwestern part)

Time zone

CET (Central European Time), GMT +1

Country code

+387

# Republic of Srpska

Waters represent another richness of the Republic of Srpska (water potential use is of 30%), and watercourses meet over 73% of parameters prescribed for first class water

The Republic of Srpska (RS) is located in the western part of the Balkan Peninsula, and well connected by transport network with the adjacent countries (Serbia, Croatia and Montenegro).

Quality agricultural and forest potentials are one of the main features of the Republic of Srpska. Agricultural land covers the total area of 1,299,000 ha (51% of the RS area), or 1 ha per capita, which is above both the world average (0.24 ha per capita) and European average (0.40 ha per capita). The forests cover 0.67 ha per capita.

Waters represent another richness of the Republic of Srpska (water potential use is of 30%), and watercourses meet over 73% of parameters prescribed for first class water.

Due to its natural richness, the Republic of Srpska has great tourism potential. In particular, there are the following locations: mountains – Jahorina, Kozara, Manjaca, Maglic, Romanija, Borja; rivers – Tara (rafting), Drina (lakes, fishing), Pliva (lakes), Vrbas (kayak, rafting), Una (kayak, rafting, fishing, falls), Sava (water sports, nautical tourism), Ribnik (fishing); lakes – Perucac, Zvornicko Lake, Plivska Lakes, Balkana (artificial); spas – Laktasi,

Slatina, Srpske Toplice, Mlječanica, Vrucica, Kulasi, Dvorovi, Ljesljani, Vilina Vlas and Guber; natural reserves – primeval forest Perucica, primeval forest reserve Janj near Sipovo, Bardaca near Srbac (natural bird reserve with 11 lakes); excursion sites – Zenkovic and Balkana near Mrkonjic Grad, Eco-Center Ljekarice near Prijedor, Ethnic Village Stanisic near Bijeljina, Tjentiste on the Sutjeska River; national parks – Sutjeska and Kozara.

Banja Luka is the administrative, economic and cultural center of the Republic of Srpska, the seat of Government of the Republic of Srpska and National Assembly of the Republic of Srpska. It is located in the northwestern part of the Republic of Srpska. Its distance from Sarajevo is 240 km, from Zagreb 190 km, and from Belgrade 320 km. It is linked with these cities by quality roads, railroads and airways. The territory of the city covers the area of 1,232 km<sup>2</sup>, and has about 300,000 inhabitants.

Other big towns in the Republic of Srpska include: Bijeljina, Prijedor, Doboj, Gradiska, Zvornik, Prnjavor, Teslic, Laktasi, Trebinje, etc. The town of Brcko is located in Brcko District, which is under joint administration of the Republic of Srpska and Federation of BiH.

# Investment Advantages of the Republic of Srpska

## Possibilities of Investment in the Republic of Srpska

The Republic of Srpska offers numerous possibilities to investors, both for direct investment and investment by means of concession, under very favorable conditions:

- high potential for development of agriculture – one third of all arable land is still available for cultivation;
- extremely favorable conditions for development of thermal and hydro energy sector – 30% of total potential for electric power production is used;
- great possibilities for energy production from renewable sources (wind and sun energy; bio-diesel and bio-gas);
- richness in forests – the area covered by forests and forest land comprises 40% of the Republic of Srpska territory;
- ore and mineral resources (coal, bauxite, lignite, iron, copper, aluminum, zinc, manganese, silver);
- great tourism potential enables development of spa, cultural and historical, rural, sports, ethnic, and eco tourism.

According to the list of fast changing markets in the world published by the American business magazine Forbes in July 2008, Bosnia and Herzegovina is ranked first with the maximum of 100 points. The research included changes in urban development, education, civil liberties, gross domestic product per capita, as well as access to telephone, internet and television, during the last 10 – 15 years.

The attractiveness of the Republic of Srpska market is contributed to by stable economic situation, great market potential, low business costs, very favorable ambiance for foreign investment, quality human resources. Exceptionally favorable geographical position and transport network should also be mentioned, as well as developed telecommunication system.

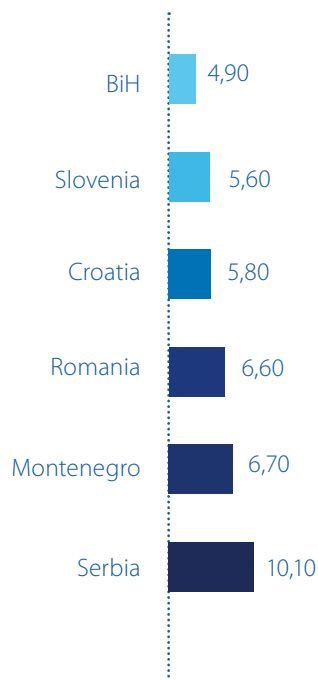
## Stable Economic Situation

Objectives of the economic policy of the Republic of Srpska are maintenance of macroeconomic stability and economic growth, increase of company export competitiveness, improvement of business environment, encouragement of entrepreneurship in small- and medium-sized enterprises, attraction of foreign investment, and use of possibilities arising from the Stabilization and Association Agreement between Bosnia and Herzegovina and European Union.

Some of the Republic of Srpska stability indicators are:

- constant growth of gross domestic product;
- currency stability is guaranteed by its pegging to Euro under the principle of monetary board;
- in 2007, Bosnia and Herzegovina was the country with the lowest inflation rate in the region.

## Inflation Rate in the Region in 2007



Source: BiH Central Bank  
2007 Annual Report

## Macroeconomic Indicators

	2006.	2007 Estimate	2008 Projection
GDP (current prices in million)	3.323 €	3.609 €	3.915 €
GDP per capita	2.247 €	2.438 €	2.729 €
GDP growth rate (real)	15.7%	8.6%	8.5%
Export in million	787 €	833 €	933 €
Export (growth rate)	36.1%	6%	11.9%
Import in million	1.411 €	1.616 €	1.697€
Import (growth rate)	6.5%	14.5%	5.1%
Inflation (retail prices, growth rate)	5.4%	2.2%	2.1%
Industrial production growth	19.1%	8%	12%
Average net salaries	275 €	306 €	

Source: 2008 Economic Policy, Government of the Republic of Srpska



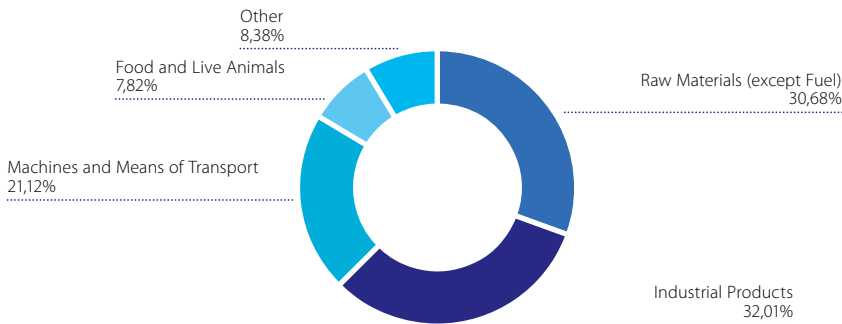
## Market Potential

- Republic of Srpska has a very favorable strategic location. Its position in the European continent allows investors to access easily the markets of the European Union and Central and Eastern Europe.
- By means of the so-called Preferential Trade Arrangements, the European Union introduced unilateral trade concessions for BiH export products that meet the technical and technological standards of the EU, free of quantitative limitations (except quotas for a small number of products) and payment of customs duties.
- Bosnia and Herzegovina has preferential export regimes with countries of the EU, and also with Russia, United States of America, Canada, Australia, New Zealand, Japan, Switzerland and Norway. As a result of market opening, business start-up in the Republic of Srpska represents a possibility of access to an extremely big market, without payment of customs duties.
- Bosnia and Herzegovina is one of the countries signatories of the trade agreement CEFTA – Central European Free Trade Agreement, which creates a single free trade zone that covers the market of over 30 million people.

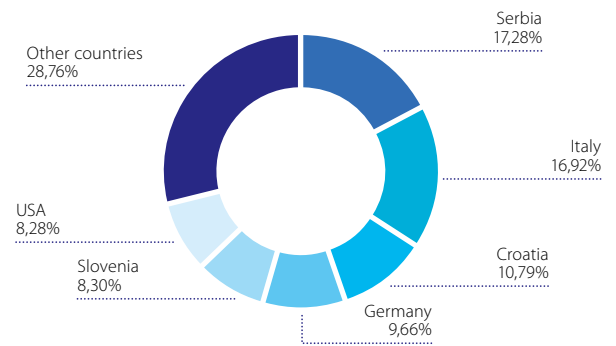
Also, the Stabilization and Association Agreement between Bosnia and Herzegovina and European Union was signed on 16 June 2008, under which BiH undertook to introduce customs concessions for the agreed groups of products (certain products will be excluded from these concessions) gradually over the following six years, pending the establishment of a free trade zone with the EU internal market.

Using the advantages of market opening, the Republic of Srpska is seeing constant export and import growth, where export is growing by the average annual rate of about 29%, and import is growing slower – by the average annual rate of about 10% (indicators for the period 2004 – 2007). Export growth is aided also by the activities of the Government of the Republic of Srpska on co-financing of export companies with quality production programs.

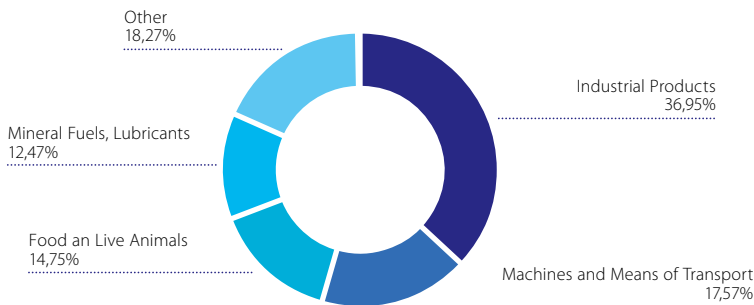
## Export from the Republic of Srpska by Product in 2007



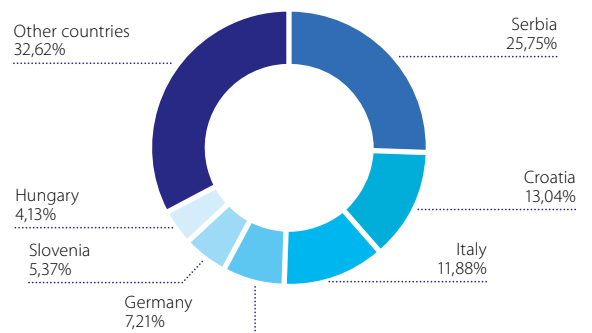
## Export from the Republic of Srpska by Country in 2007



## Import into the Republic of Srpska by Product in 2007



## Import into the Republic of Srpska by Country in 2007





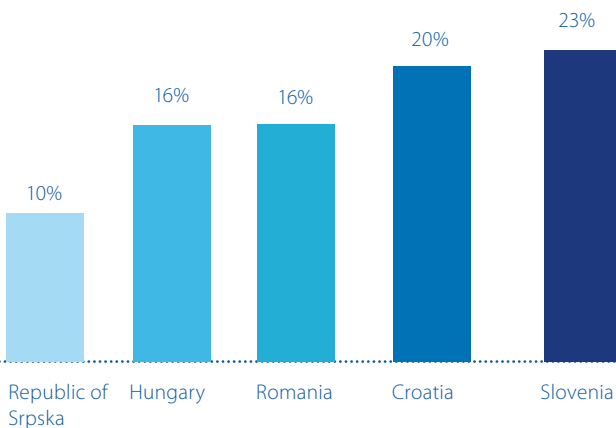
## Low Business Costs

Compared to other countries of the region, the Republic of Srpska offers to investors very competitive costs of doing business. Tax liabilities and labor costs are significantly lower than the European standard. The average net salary in the Republic of Srpska in 2007 amounted to 306 euros.

Tax system in the Republic of Srpska is operating in accordance with the European principles and standards of income

and profit taxation, as well as in accordance with the International Accounting Standards. Compared to other countries, tax rates in the Republic of Srpska are extremely favorable.

Profit tax in the Republic of Srpska amounts to 10%, and it is one of the lowest in the region. When paying taxes, small enterprises are offered the possibility to choose profit tax rate of 2% of total annual revenue under certain circumstances.



Profit Tax

Source: Ministries of Finance of given countries

Value added tax (VAT)	17%
Profit tax	10% of earned profit
Income tax	8% of gross salary
Contributions	30,6% of gross salary



## Double Taxation Avoidance Agreements

Bosnia and Herzegovina has signed Double Taxation Avoidance Agreements with a number of countries, which creates more favorable conditions for investment, acceleration of investment flow, encouragement of joint investments and

technology transfers. Ratification of such agreements is ongoing with the following countries: Russia, Austria, Macedonia, Malaysia, Belarus, Latvia, Qatar, Kuwait, Ireland, Malta and Syria.

### Double Taxation Avoidance Agreements of Bosnia and Herzegovina

Serbia	Hungary	Romania
Netherlands	Finland	United Arab Emirates
Denmark	Poland	Germany
Belgium	Spain	Jordan
Slovenia	France	Turkey
Pakistan	United Kingdom	Norway
Italy	Check Republic	Albania
Greece	Moldova	Slovakia
Cyprus	Croatia	Iran
Sweden	Egypt	

## Favorable Ambiance for Foreign Investment

The Republic of Srpska is becoming a very attractive market for foreign investors, owing to the efforts made by the authorities at the Republic and local levels to create a favorable business environment.

Foreign direct investment (FDI) in the Republic of Srpska in 2007 grew significantly compared to the past period. Compared to 2006, when foreign direct investment amounted to 68 million euros, in 2007 they grew 14 times and amounted to 998 million euros. The lion's share of that amount, 644 million euros or 64.7%, is related to the privatization of Telecom of the Republic of Srpska by Telecom Serbia. The level of FDI per capita in the Republic of Srpska in 2007 amounted to 671 euros.

During the coming period, an inflow of over 800 million euros in FDI is expected (privatization of Oil Refinery Brod, Oil Refinery Modrica, Petrol Banja Luka, construction of thermal power plant Stanari).

### Facilities for foreign investors

- They enjoy national treatment, meaning that they have equal rights and obligations as nationals:
- They are free to acquire and dispose of movable and immovable property,

- They are exempted from the payment of customs duties on equipment representing investment by foreign person,
- They are free to transfer their profits abroad.

### Foreign Investor Support Fund

Bosnia and Herzegovina provides financial support to foreign investors for projects in the fields of production, research and development, by means of the Foreign Investor Support Fund. The resources of this Fund are approved depending on the volume of investment, number of jobs created, investment in underdeveloped areas, environmental requirements, and share of export in total sales.

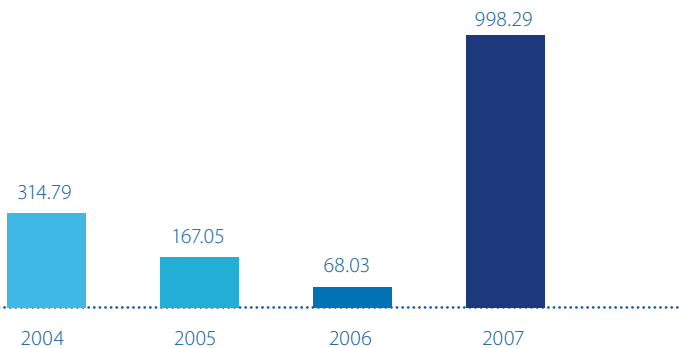
### Foreign Investment Insurance

Foreign investments in Bosnia and Herzegovina may be insured against transfer restrictions, expropriation, war and civil disorder, and contract breach, by means of the European Union Investment Guarantee Fund, managed by the Multilateral Investment Guarantee Agency (MIGA), member of the World Bank Group.

It is also possible to receive support from the US Overseas Private Investment Corporation (OPIC), for investor insurance against political risk.

## Foreign Direct Investment in the Republic of Srpska in Million €

Source: BiH Ministry of Foreign Trade and Economic Relations





In order to promote and protect investments, Bosnia and Herzegovina has signed agreements with the following countries:

#### Investment Improvement and Protection Agreements

USA	Ukraine	Slovenia
United Kingdom	Belgium	Turkey
Sweden	Luxembourg	Check Republic
Netherlands	Denmark	Jordan
Macedonia	Belarus	Qatar
Spain	Iran	Greece
Switzerland	Egypt	Kuwait
Serbia	Croatia	China
Montenegro	Germany	India
Pakistan	Romania	Italy
Finland	Portugal	France
Lithuania	Slovakia	Moldova
Austria	Hungary	Malaysia
		Albania

Agreements with Libya and United Arab Emirates are also going to be signed soon.



## Quality Human Resources

A number of higher education institutions in the Republic of Srpska provide quality undergraduate and postgraduate studies in line with the Bologna process. This enables education of highly qualified human resources and contributes to constant supply of productive and innovative young labor.

Out of the total number of students enrolled during the academic year 2006/2007, the share of women is 55%, which is one of the indicators of gender equality policy in the Republic of Srpska.

During the past period, the Government of the Republic of Srpska implemented various programs of encouragement of employment of young people who completed higher education, and their implementation will be continued also in the coming period:

- The 2007 program of employment of graduate students and volunteers who completed higher education provided for the co-financing of costs of their work, where 60% of costs were borne by the Government, and the remaining 40% by the employer.

The 2008 project of employment encouragement by means of vacancy publication – one-off transfer to employers of 1,300.00 or 1,500.00 euros per employee who completed secondary or higher education, respectively.

Also, in order to reduce overall unemployment, the Government of the Republic of Srpska encourage employment of vulnerable categories of population (disabled persons) by means of the implementation of the project of grants to employers in the amount of about 1,000.00 euros per employee of this category.

### Number of higher education institutions in the academic year 2006 / 2007

Universities	9	Faculties 60, Academies 5
Colleges	11	
Religion faculties	1	
<b>Total institutions</b>	<b>21</b>	

Source: Republic Institute of Statistics, Republic of Srpska, 2008

## Business Environment

- **Banking sector** in the Republic of Srpska is fully developed and offers complete packages of services. In cooperation with the Central Bank of Bosnia and Herzegovina, the basis was created for the financial stability of the country. All banks in the Republic of Srpska insured their deposits and most banks have higher rate of reserves with the CBBiH than provided for by law. A significant foreign bank capital inflow was achieved due to a very low inflation rate.

In 2007, growth of loans approved to economic operators was evident, with the growth rate of 27% compared to the previous year. Also, total deposits saw a growth rate of 78% compared to 2006.

Banking Agency of the Republic of Srpska is in charge of issuance of work permits and supervision of the operation of banks, microcredit organizations and leasing providers in the Republic of Srpska.

- **Investment Development Bank of the Republic of Srpska (RSIDB)** is a financial institution, established for the purpose of investment encouragement and development fostering in the Republic of Srpska. The RSIDB is implementing the program of support to the development of economic activities in the Republic of Srpska by means of the following six credit lines:

- Loans for start-up activities,
- Loans for entrepreneurs and enterprises,
- Loans for micro-business in agriculture,
- Loans for agriculture,
- Housing loans,
- Loans for municipalities.

Also, the RSIDB is implementing the privatization process of state-owned companies, and efficiently managing state capital. Internet presentation of the Investment Development Bank of the Republic of Srpska contains also an electronic database of information on business environment, natural resources of the Republic of Srpska, investment facilities, current and planned investment projects.

- **Banja Luka Stock Exchange** was established in 2001, as a joint stock company. It has two market segments: official stock exchange market and free stock exchange

market; the trading methods used are: continuous trading method and single price auction.

Trading in securities is performed through stock exchange members, by means of an electronic trading system. Companies trading in securities and banks located in the Republic of Srpska are eligible for membership of the Stock Exchange.

From 2004, Banja Luka Stock Exchange is a full member of the Federation of Euro-Asian Stock Exchanges (FEAS), and in 2007 it was accepted as associate member of the Federation of European Securities Exchanges (FESE) and World Federation of Exchanges (WFE).

- The Republic Small- and Medium-Sized Enterprise Development Agency, as well as the network of agencies for their development at local and regional level, contribute to the encouragement of entrepreneurship in the Republic of Srpska.
- In the Republic of Srpska there is a possibility to establish free zones, where it is possible to engage in:
  - production activities (light industry),
  - commercial and trading activities (wholesale),
  - service activities: banking and monetary affairs, services of insurance and reinsurance of property and persons, forwarding, postal services etc.

Improvement of business environment and removal of administrative barriers were achieved by the implementation of the Regulatory Guillotine project – a systemic reform of regulations, first of its kind implemented in the countries of the Balkans.

## Republic of Srpska in International Flows

In modern flows of globalization and Euro-Atlantic integration, one of the strategic objectives of the Republic of Srpska is the establishment and improvement of cooperation with foreign countries. Within that context, some of the most important achievements over the past period were as follows:

- Republic of Srpska became a member of the Assembly of European Regions (AER), which provides support to the establishment of bilateral and multilateral partnerships to regions in the process of European enlargement and globalization
- In order to improve the inter-regional economic, scientific and technical, educational, cultural, sports and other forms of cooperation, the Republic of Srpska signed several cooperation agreements, such as those with the Federal City of Saint Petersburg, Russian Federation / Veneto Region, Province of Belluno, Republic of Italy / Troms County, Kingdom of Norway
- Representative offices of the Republic of Srpska contribute to the improvement of all forms of cooperation with the institutions and organizations abroad.

## Republic of Srpska Representative Offices Abroad

### Representative Office of the Republic of Srpska in Serbia

Bulevar despota Stefana 4/4  
Belgrade  
Serbia  
T/F. +381 11 3246-633; 3238-633  
email: predstavnistvo@predstavnistvorsbg.rs

### Representative Office of the Republic of Srpska in the Russian Federation

Ул. Гостиничная, д.6, корп. 1  
127106 Москва  
Россия  
T/F. +7 495 482-08-61; 482-08-57; 482-08-46  
email: centarrs.moskva@gmail.com

### Representative Office of the Republic of Srpska in the FR Germany

Eberhard Str. 4 b  
70173 Stuttgart  
Deutschland  
T/F. +49 711 620 71 69; 620 71 64  
email: predstavnistvo.republikesrpske@gmx.net

### Representative Office of the Republic of Srpska in Israel

P.O.B. 6001  
Jerusalem 91060  
Israel  
T/F. +972 2 655 8476; 537 6988  
Mobile +972 50 207 591

### Representative Office of the Republic of Srpska in Belgium

Representative Office of the Republic of Srpska in the Kingdom of Belgium  
Rond point Schuman 11  
B-1040 Brussels  
Belgium  
T. +32 2 256 75 72; +32 2 256 75 73  
F. +32 2 256 75 03  
email: representation@rep-srpska.eu

The establishment of Representative Offices of the Republic of Srpska in Washington and Zagreb are ongoing.



## Useful links

National Assembly of the Republic of Srpska	<a href="http://www.narodnaskupstinars.net/">http://www.narodnaskupstinars.net/</a>
President of the Republic of Srpska	<a href="http://www.predsjednikrs.net/">http://www.predsjednikrs.net/</a>
Government of the Republic of Srpska	<a href="http://www.vladars.net/">http://www.vladars.net/</a>
Registry of Procedures and Approvals and Inspection Procedures and Control Subjects	<a href="http://www.regodobrenja.net/">http://www.regodobrenja.net/</a>
Commission for Concessions of the Republic of Srpska	<a href="http://www.koncesije-rs.org/">http://www.koncesije-rs.org/</a>
Republic Small- and Medium-Sized Enterprise Development Agency	<a href="http://www.rars-msp.org/">http://www.rars-msp.org/</a>
Banking Agency of the Republic of Srpska	<a href="http://www.abrs.ba/">http://www.abrs.ba/</a>
Investment Development Bank of the Republic of Srpska	<a href="http://www.irbrs.net/">http://www.irbrs.net/</a>
Chamber of Commerce of the Republic of Srpska	<a href="http://www.komorars.ba/">http://www.komorars.ba/</a>
Banja Luka Stock Exchange	<a href="http://www.blberza.com/">http://www.blberza.com/</a>
Securities Commission of the Republic of Srpska	<a href="http://www.khov-rs.org/">http://www.khov-rs.org/</a>
Republic Institute of Statistics	<a href="http://www.rzs.rs.ba/">http://www.rzs.rs.ba/</a>
BiH Council of Ministers	<a href="http://www.vijeceministara.gov.ba/">http://www.vijeceministara.gov.ba/</a>
BiH Indirect Taxation Authority	<a href="http://www.uino.gov.ba/">http://www.uino.gov.ba/</a>
BiH Central Bank	<a href="http://www.cbbh.gov.ba/">http://www.cbbh.gov.ba/</a>
BiH Foreign Investment Promotion Agency	<a href="http://www.fipa.gov.ba/">http://www.fipa.gov.ba/</a>
Export Credit Agency	<a href="http://www.igabih.com/">http://www.igabih.com/</a>
BiH Intellectual Property Protection Institute	<a href="http://www.basmp.gov.ba/">http://www.basmp.gov.ba/</a>



# Legal Framework

The Government of the Republic of Srpska is committed to creation of a positive economic and legal environment for all types of investment

The purpose of this publication is to provide an overview of positive legislation in the Republic of Srpska to local and foreign investors. It cannot substitute the original texts of legal regulations, and all those who use it are recommended to consult relevant experts prior to undertaking any legal action.

The Government of the Republic of Srpska is committed to creation of a positive economic and legal environment for all types of investment. One of the first steps towards this goal is creation of legal security for all investors and simplification of all legal procedures related to business.

In view of that, the Republic of Srpska was the first in the Balkans to implement a Regulatory Guillotine, and the only to include not only formalities but also a guillotine of

inspection procedures and control subjects. The Regulatory Guillotine led to reduction of business costs, removal of administrative barriers for business, and reduction of potential sources of corruption.

The Republic of Srpska has favorable laws that regulate the field of foreign direct investment, including national treatment of foreign investors. The rights and obligations of foreign investors are completely equal to those of domestic legal entities. They enjoy equal property rights over immovable property as domestic legal and natural persons.

Also, export and import of goods and services from and into the Republic of Srpska are free, but that does not exclude prohibitions or restrictions in justified cases defined by regulations. Foreign legal and natural persons engaged in trade in goods and services are equal to local residents.

## Foreign Investment

Law on Enterprises (RS Official Gazette, no. 24/98, 62/02, 66/02, 38/03, 97/04 and 34/06); Company Law is being prepared;  
Law on Foreign Direct Investment Policy in BiH (BiH Official Gazette, no. 17/98 and 13/03);  
Law on Foreign Investment (RS Official Gazette, no. 25/02 and 24/04).

In terms of their rights and obligations, foreign investors are completely equal to domestic legal entities.

Also, foreign investors are entitled to transfer the profits arising from their investment in the Republic of Srpska abroad, freely and without delay, in a freely convertible currency. Foreign investors may invest and reinvest their profits arising from such investments in any sector of economic and non-economic activity in Bosnia and Herzegovina.

Forms of foreign investment are:

- establishment of a legal person fully owned by foreign investor,
- establishment of a legal person jointly owned by domestic and foreign investors,
- investment in an existing legal person,
- special forms of investment (concessions, etc.).

## Concessions

Law on Concessions (RS Official Gazette, no. 25/02 and 91/06).

Since foreign person (as well as that domestic) cannot become owner of certain assets (natural resources and other assets of general interest for the Republic of Srpska), the right to use such assets for economic purposes is provided by granting of concessions.

Decisions on concession granting are made by the Government of the Republic of Srpska based on prior public, generally accessible, non-discriminatory procedure. Besides public tender for concession granting, the Law provides also for the possibility to submit unsolicited offer.



A concession can be granted for:

• **Construction** of energy plants;

• **Construction and/or use of** transport facilities and associated infrastructure facilities;  
 • Hydro accumulations, except electric power transmission;

• **Construction, use and management** of pipeline transport of oil and gas, and storage in pipelines and terminals;

• **Use of** watercourses and other waters;  
 • Construction land;  
 • Forest and forest land;  
 • Medicinal, thermal and mineral waters;  
 • Agricultural land;

• **Exploration and/or use of energy and other mineral resources;**

• Hunting and fishing;  
 • Passenger and freight railroad transport;  
 • Public line passenger transport;

• Other assets in line with the provisions of the Law on concessions



## Banks in the Republic of Srpska

Law on Banks (RS Official Gazette, no. 44/03 and 74/04).

- Foreign legal or natural person may, under the same conditions as domestic legal or natural person, found a new bank or invest in the existing.
- A requirement for bank founding and operation is a permit issued by the Banking Agency of the Republic of Srpska, while KM 15,000,000 is the minimum amount of bank capital that bank must maintain.
- Upon approval by the Banking Agency of the Republic of Srpska, a foreign bank may open a representative office in the Republic of Srpska for the purpose of presentation, and collection and providing of information.
- Representative office does not enjoy a legal person status, it is an organizational unit of the bank and may not engage in banking affairs.

## Insurance Companies

Law on Insurance Companies (RS Official Gazette, no. 17/05 and 64/06).

Foreign legal or natural person may found (on their own or together with domestic persons) a joint stock insurance company in the Republic of Srpska.

Capital stock for the establishment of a joint stock insurance company may not be lower than:

KM 3,000,000, if the company is established for the activities of life insurance,

KM 2,000,000, if the company is established for the activities of other insurance,

KM 3,000,000, if the company is established for the activities of reinsurance.

## Privatization

Framework Law on Privatization of Enterprises and Banks in BiH (BiH Official Gazette, no. 14/98, 14/00, 16/02 and 88/05);

Law on Privatization of State Capital in Enterprises (RS Official Gazette, no. 51/06, 1/07, 53/07 and 41/08);

Law on Privatization of State Capital in Banks (RS Official Gazette, no. 24/98, 5/99, 18/99 and 70/01);

Law on Investment Development Bank of the Republic of Srpska (RS Official Gazette, no. 56/06);

Law on Share Fund of the Republic of Srpska (RS Official Gazette, no. 56/06 and 1/07).

Foreign person may, under equal conditions as domestic person, take part in the privatization process of state capital in enterprises.

Voucher privatization in the Republic of Srpska was initiated in 1998, and Law on Privatization of State Capital enabled the privatization of about 830 enterprises that used to be owned by the state. All citizens of the Republic of Srpska received vouchers that they could invest in about 830 enterprises subject to privatization, or in 13 privatization investment funds (closed funds), which made them the shareholders of enterprises or funds they invested their vouchers in.

The Law on Privatization of State Capital in Enterprises provides for the following privatization methods:

- sales of shares in stock exchange,
- sales through tender,
- acceptance of public offer for takeover,
- direct choice of buyer,
- sales to company employees (ESOP), and
- combination of the above methods.

The seller authorized for sales of state capital is the Investment Development Bank of the Republic of Srpska, joint stock company Banja Luka.

## Representative Offices of Foreign Persons

Establishment and operation of foreign person representative offices are regulated by the Law on BiH Foreign Trade Policy (BiH Official Gazette, no. 7/98 and 35/04) and Decision on the Establishment and Operation of Foreign Person Representative Offices in BiH (BiH Official Gazette, no. 15/03).

- Foreign person may, on their own or with other foreign persons, establish a representative office for the purpose of market research, carrying out of propaganda and information activities, and their representation.
- Registration is obligatory with the Registry of Representative Offices kept with the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina.
- Representative office does not enjoy a legal person status and may not conclude contracts on behalf of its founder, except representative offices of foreign airlines that may engage in sales of travel documents under international agreements and international conventions concluded or entered into by Bosnia and Herzegovina.

## Foreign Person Right of Ownership

Legal acts regulating this issue are as follows: Constitution of the Republic of Srpska; Law on Foreign Investment (RS Official Gazette, no. 25/02 and 24/04), Law on Property and Legal Relations (SFRY Official Gazette, no. 6/80 and 36/90 – this law is inherited from the legal system of the former state and it will remain in force pending the enactment of the new one, and RS Official Gazette, no. 38/03), Law on Industrial Property in BiH (BiH Official Gazette, no. 3/02).

- Foreign natural or legal person (established and registered in the Republic of Srpska) may acquire and freely dispose of property (movable and immovable) in the Republic of Srpska.
- For natural or legal person from former Yugoslavia there is a reciprocity requirement.
- Evidence of reciprocity, when person from former Yugoslavia is acquiring immovable property, is issued by the BiH Ministry of Foreign Affairs.
- BiH adopted and accepted all most important international conventions and agreements in the field of industrial property and intellectual property.

## Capital Market

---

Law on Enterprises (RS Official Gazette, no. 24/98, 62/02, 66/02, 38/03, 97/04 and 34/06).

Law on Securities Market (RS Official Gazette, no. 92/06).

Law on Takeover of Joint Stock Companies (RS Official Gazette, no. 65/08).

Law on Investment Funds (RS Official Gazette, no. 92/06).

Listed laws and other legal acts and subordinate legislation related to capital market are available in English from the internet site of the Banja Luka Stock Exchange ([www.blberza.com](http://www.blberza.com)).

---

In accordance with the Constitution of Bosnia and Herzegovina, Republic of Srpska institutions are authorized to adopt laws and subordinate legislation that regulate capital market in the Republic of Srpska. Therefore, Securities Commission of the Republic of Srpska, Banja Luka Stock Exchange joint stock company Banja Luka, investment fund management companies, investment funds, and stock brokers are established in line with the legislation of the Republic of Srpska. Legal framework of the Republic of Srpska is harmonized to a great extent with the relevant legal framework of the Federation of Bosnia and Herzegovina

Domestic and foreign legal and natural persons are allowed, under equal conditions, to purchase and sell securities at the Banja Luka Stock Exchange.





88 -1.98

Average



## Taxes

---

Law on Tax Administration – refined text (RS Official Gazette, no. 112/07)

Correction to the Law on Tax Administration – refined text (RS Official Gazette, no. 22/08)

Law on Profit Tax – in force from 01.01.2007 (RS Official Gazette, no. 91/06)

Law on Income Tax – in force from 01.01.2007 (RS Official Gazette, no. 91/06, 128/06 and 120/08)

Law on Contributions (RS Official Gazette, no. 51/01, 96/03 and 128/06)

Law on Property Taxes (RS Official Gazette, no. 51/01 and 53/07)

Law on Special Republic Taxes (RS Official Gazette, no. 8/94, 29/00, 18/01, 22/01. 60 part II /03, 14/04, 41/05 and 51/06)

Law on Residence Tax (RS Official Gazette, no. 118/05)

Law on Taxes on Gambling and Games (RS Official Gazette, no. 5/99, 52/01, 25/02 and 52/06)

Decision on Setting of the Level of Special Republic Tax for Sales of Motor Fuels and Diesel Fuels (RS Official Gazette, no. 73/02)

---

## Direct Taxes

- Direct tax policy and system are the responsibility of entities.
- Tax collection in the Republic of Srpska is the responsibility of the Tax Administration of the Republic of Srpska.

## Indirect Taxes

- Indirect taxes (VAT, customs, excises and road tolls) are the responsibility of BiH, and they are collected by the BiH Indirect Taxation Authority.
- There is a single value added tax rate in force in Bosnia and Herzegovina at the level of 17%.

## Value Added Tax

Law on Value Added Tax (BiH Official Gazette, no. 09/05 and 35/05),

Rulebook on Application of the Law on Value Added Tax (BiH Official Gazette, no. 93/05, 21/06, 60/06, 06/07, 100/07 and 35/08).

- Zero VAT rate is applied to the export of goods from BiH, i.e. tax exemption.
- For a trade to be considered export, the following requirements must be fulfilled:
  - goods must cross the BiH border,
  - payment related to completed export must be made within 180 days, if not the transaction with a foreign country is deemed incomplete and trade is considered to be completed within the borders of BiH.
- Tax exemption in export of goods may be granted to the payer if they possess a customs export document, or a certified copy of customs export document on completed export of goods issued in line with customs regulations.
- If customs regulations provide for a periodic customs clearance for goods exported, pending the issuance of customs export document, tax exemption may be granted to the payer if they possess invoices or delivery notes certified by competent customs body.
- The mentioned laws and other laws and subordinate legislation are available at the internet site of BiH Indirect Taxation Authority - [www.uino.gov.ba](http://www.uino.gov.ba).

## Customs

Law on BiH Customs Policy (BiH Official Gazette, no. 57/04 and 51/06),

Law on Customs Tariff (BiH Official Gazette, no. 1/98, 5/98, 7/98, 22/98, 31/02, 19/03, 32/04, 48/05 and 76/06).

- Customs policy is responsibility of BiH. Collection of customs duty is under the authority of BiH Indirect Taxation Authority, and customs revenues are distributed among BiH and entities.
- Duties are paid in line with the rates provided for by the BiH Law on Customs Tariff. In terms of its form, contents and rules for application, BiH customs tariff is fully harmonized with the customs tariff of the European Union and Harmonized System Nomenclature.
- Customs rates are expressed in percentages and applied to the value of imported goods (ad valorem). Customs rates range between 0 and 15%.
- In parallel with the new customs tariff, a new automated customs information system (Asucuda) was introduced. New customs tariff, new work methodology, and customs service information system represent a favorable business ambiance for foreign trade.

## Free Zones

Law on Free Zones (RS Official Gazette, no. 65/03),

Law on Free Zones in BiH (BiH Official Gazette, no. 3/02 and 13/03),

Law on Foreign Trade Policy in BiH (BiH Official Gazette, no. 7/98 and 35/04).

- Establishment of a free zone is approved by the Council of Ministers of BiH, upon proposal of BiH Ministry of Foreign Trade and Economic Relations, but requires also approval by the Government of the Republic of Srpska.
- Free zones may be established by domestic or foreign legal or natural persons.
- All activities (production, commercial and services) may be carried out in a free zone, except those that pose a risk for the environment, human health, material assets and safety of the country.

## Labor Relations

Law on Labor – refined text (RS Official Gazette, no. 55/07).

- Legal provisions that regulate the field of labor relations are harmonized with the international standards presented in the Convention of the International Labor Organization.
- Legal basis for labor relation is a work contract concluded between an employee and an employer.
- Maximum duration of working hours of employee is 40 hours a day.
- Employee who has worked for at least six months continually is entitled to vacation of at least 18 working days.
- Employee is entitled to receive salary during vacation, national holiday, temporary disability to work due to an injury at work or professional disease.
- Employer cannot give an employee a salary lower than that established by collective agreement.
- Employer may cancel work contract, reasons for which are given in Article 125, paragraph 1 of the Law on Labor. Contract cancellation is provided in writing.
- Employees are entitled to organize a trade union at their own discretion and to become its members.
- Employers are entitled to organize a corresponding employer association at their own discretion and to become its members.
- Employer employing more than 15 employees, intending to cancel work contracts during the forthcoming 3 months to at least 10% of employees (but not less than 5), must consult the council of workers (trade union) thereabout.
- Employee may exercise the right to strike in line with the international standards contained in the Law on Strike of Republic of Srpska.



## Foreign Employment

Law on Employment of Foreigners and Stateless Persons (RS Official Gazette, no. 97/04, 96/05 and 123/06).

In addition to general requirements stipulated by the Law on Labor, a foreign person must comply with the following special requirements in order to conclude a work contract:

- Must have approved residence in the territory of the Republic of Srpska, or Bosnia and Herzegovina, in line with the corresponding law,
  - Must have valid work permit.
- Work permit:
- is issued by the Republic of Srpska Employment Bureau branch responsible for the head office of the employer,
  - work permit issued upon request of one employer may not be transferred to another employer,
  - work permit may not be issued to persons who possess tourist visa,
  - foreigners engaged in tasks established by regulations on foreign investment and authorized representatives of humanitarian organizations are not obliged to obtain work permit.

## Annex 1

### Foreign Investment Registration

Instruction on Foreign Direct Investment Registration (BiH Official Gazette, no. 22/99 and 21/00).

The procedure of court registration of a company is preceded by the procedure of foreign investment registration with the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, which requires the following:

1. Completed and signed DSU Form, provided by the Ministry,
2. Document confirming the identity of foreign investor
  - legal persons must file a certified copy of court registry certificate of the country of origin or another corresponding document, not older than 6 months (certified translation);
  - natural persons must file an evidence of their identity (certified copy of passport and certificate of permanent residence abroad for nationals),
3. Document establishing the capacity of authorized representative of the investor,
4. Certified copy of the act of foundation, in case of investment in a company,
5. Certified copy of the act by foreign investor on initiation of foreign investment,
6. Copy of the certificate of paid tax for registration of foreign investment.
4. Foreign legal person must file a certified court registry certificate from the country of origin or another appropriate document, not older than 6 months (certified translation), natural person must file an evidence of their identity.
5. Evidence of payment of initial capital.
6. Certified signature of person authorized for representation, in prescribed form.
7. Decision on appointment of representative, if not established by the act of foundation.
8. Evidence of payment of court fee in the amount of KM 900 for the establishment of a company entitled to engage in foreign trade, or KM 600 if the company is not registered for foreign trade.
9. Evidence of payment of costs of publication in the Official Gazette of the Republic of Srpska (KM 4.5 per line of text).
10. Certified copy of diploma for person authorized to engage in foreign trade (requires at least level IV of professional education).
11. Application for entry, in prescribed uniform forms that can be bought in free sales in bookstores at the price of KM 15.

### Documents Required for Court Registration

1. Act of foundation – contract, or decision on foundation, depending on whether the company is founded by two or more persons or only one (single member limited liability company, single member joint stock company), or contract on investment of funds.
2. Act of foundation (signatures of founders) must be certified by the notary.
3. Articles of incorporation of company (except limited or general partnership).
12. If the law or other regulations in line with the law prescribe the issue of permit, approval or another appropriate act, the registered entity must file these documents with the court within 60 days from the day of registration.
13. Decision by the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina on foreign investment registration.

## Procedure Following the Court Registration of a Company

1. Making of stamp upon Decision on Company Registration.
2. Application to the Republic Institute of Statistics for setting of identification number and activity code of the company (the fee amounts to KM 70). The application is filed in prescribed form issued by the Republic Institute of Statistics of the Republic of Srpska, accompanied by a certified copy of court decision including appendixes, a copy of identity card of the director, and an OP Form (bought at the Republic Institute of Statistics of the Republic of Srpska).
3. Approval for engagement in the activity issued by the Department for Economy and Social Affairs of the city in which the head office of the company is located, including required documentation.
4. Opening of account. The application is completed in prescribed forms found in the bank and accompanied by an OP Form (certified signature of person in charge of representation), a certified copy of court decision including appendixes, and possibly other documentation, upon request of the bank.
5. Tax return or issue of single identification number is done by the regional unit of the Tax Administration of the Republic of Srpska, depending on company head office. The following documents need to be filed: decision on registration, decision on requirements fulfillment for engagement in the activity, copy of identity card of director (all copies must be certified). The application form can be obtained at the Tax Administration. The fee amounts to KM 2 and can be bought at Tax Administration (tax return must be filed within 5 days from the of receipt of municipal decision).
6. Application of Value Added Tax payer is done at the responsible regional center of BiH Indirect Taxation Authority. Applications must be filed by all persons whose taxable revenue from trade in goods or services during the previous year exceeded or are likely to exceed the threshold of KM 50,000.00.
7. Company registered for engagement in foreign trade must file an application to the BiH Indirect Taxation Authority for entry into the Registry of Customs Payers.

## Annex 2

### Foreign Representative Office Registration in BiH

Decision on the Establishment and Operation of Representative Offices of Foreign Persons in BiH (BiH Official Gazette, no. 15/03).

In order to be entered into the Registry kept by the BiH Ministry of Foreign Trade and Economic Relations, foreign person must file an application including:

- name and head office of the founder,
- head office of the representative office,
- general information about the person responsible for operation of the representative office.

The application for entry must be accompanied by:

- decision on founding of representative office and decision on appointment of person responsible for operation of the representative office,

- work program of the representative office in BiH,
- document of foreign person entry into the registry kept in the head office of firm registration, or other document of founding depending on the country of founder's head office.

BiH Ministry of Foreign Trade and Economic Relations must adjudicate on the application for entry into the Registry within 10 days from the day of filing.

Upon entry into the Registry, the representative office acquires the right to operate in Bosnia and Herzegovina, in line with the decision adopted by the line Ministry.



Government of the Republic of Srpska  
Trg Republike Srpske 1  
78 000 Banja Luka

Ministry of Economic Relations and Regional Cooperation  
T. +387 51 339 324  
F. +387 51 339 647  
[meoi@meoi.vladars.net](mailto:meoi@meoi.vladars.net)

---





[www.vladars.net](http://www.vladars.net)