

INSTRUCTIONS FOR ESTABLISHING THE D.O.O. (LTD.) IN BIH

Founding Act

Limited liability Company is founded by a contract in writing which is concluded by founders. When the ltd. is established by only one founder, the founding act is the Decision on the establishment. Signatures of the founders are certified in accordance with the law.

In order that the contract or decision, as the founding document of the Company, contains all the necessary elements, you must submit the following:

- full and abbreviated name of the company which is founded;
- address of premises where the office of the establishing Company shall be (base of the Company must be a office space, or may be flat, with the condition that has been converted into the office space);
- activities of the establishing Company (in accordance with the standard classification of activities);
- accurate information on persons authorized to conduct business of the Company (director, deputy director etc.);
- accurate information about the founders of the Company (if the founders are individuals, certified copies of identification documents, or if the founders are legal persons extracts from the Register of legal persons);

Initial capital

The Law stipulates the basic capital of a limited liability company with one or more founders, at least KM 2,000.00. The value of each share cannot be less than KM 100.00.

The amount of initial capital is required to pay on account of one of the commercial banks in BiH. Payment of initial capital is a requirement for registration at a competent court, and for registration in the Register of legal persons.

Payment of capital the founder / founders may be made directly or through assignee. Proof of payment of initial capital is essential for the successful completion of the procedure for registration of the Company.

The procedure before the competent Ministry

Company Registration, whose founders are the foreigners (no matter how big a share of a foreign legal or non- legal person is), includes the procedure of obtaining the approval of the Ministry of Foreign Trade and Economic Relations.

Approval of the founding act of the Company, whose founders are foreigners, is issued by the Ministry in the form of a decision provided that the act is in accordance with the Law on Foreign Direct Investment in Bosnia and other applicable regulations in the field of foreign investment.

Statement of the founder

Founder / Founders must sign and certify the statement, which confirms that there are no registered shares in companies active in the Federation of BiH.

If the founder owns shares in a company operating in the territory of the Federation, he must have a certificate on paid tax obligations to the Company.

Director

When it comes to the Director of the Company in the Federation of BiH, it is important to know the following:

- Director must have a social / health insurance in a Company in which he carries out the activity;
- A person who is registered as a director of a Company cannot perform the function of director in another company other than a part-time in each.
- Director can be a foreigner (after registration of the Company, the Director must obtain a work permit, and the same cannot be obtained without a registered residence in BiH), but the process is very long and complicated;

The tax system in BiH

Categories of taxation in BiH:

- Value Added Tax (VAT)
- Profit Tax
- Income Tax
- Property Tax
- Social security contributions paid by employers and employees
- Excise Tax (special kind of turnover tax paid on goods such as oil products, tobacco products, soft drinks, alcoholic beverages, beer, wine and coffee)

Value Added Tax (VAT)

Unique VAT rate is 17%.

Indirect Taxation Office is in charge of the calculation and payment of VAT.

Corporate income tax rate in BiH:

- Federation of BiH - 10%
- Republic of Srpska- 10%
- Brčko District - 10%

Tax relief

(Regulated by the Law on Profit Tax Federation of BiH)

- A taxpayer who in the year for which the profit tax is calculated achieved over 30% of the total income by export is exempt from payment of profit tax for that year.
- A taxpayer who in a period of five consecutive years of investing in production in the Federation of BiH for at least KM 20,000,000, shall be exempt from profit tax for a period of five years starting from the first year of investment in which must be invested at least KM 4,000,000.
- If the taxpayer in the previous paragraph, does not reach prescribed investments in a period of five years, will lose the right of tax exemption. Unpaid income tax is determined under the provisions of this Act, plus interests are calculated on untimely paid public contributions.
- In the Federation of BiH, a taxpayer who employs more than 50% of disabled persons and persons with special needs for more than a year shall be exempt from profit tax for that year.
- Profit transferred from abroad is not taxed in Bosnia (regulated by Article 33 of the Law, "the taxpayer - a business unit of non-resident who founded or headquartered or where the actual management and supervision is outside of the Federation of Bosnia and Herzegovina shall be exempt of profit tax for profits realized on the territory of the Federation").
- Profit transferred from abroad is not taxed if previously subjected to taxation abroad (regulated by Section 34 of the Act: "The taxpayer - a resident is reduced of profit taxes charged and paid by its non-resident business unit for its profit outside of the Federation of Bosnia and Herzegovina, and which is included in the income of the taxpayer").

Income tax rates

Federation of BiH - the income tax is 10% of net salary

Republic of Srpska - the income tax is 10% of net salary

Foreigners and taxes in BiH

All foreigners with permanent residence in the Federation of BiH and Republic of Srpska are required to pay income tax on earnings in the calendar year made in BiH. Similarly, all foreigners who do not reside permanently in BiH, but who earn income in the Federation of BiH and Republic of Srpska are considered to be taxpayers.

In the Brcko District of BiH, foreigners are treated as taxpayers if they remain in the District continuously for a period of 183 days at least.

Social security contributions

Rates of social security contributions are:

- Pension and Disability Insurance - 17% and 6%,
- Health insurance - 12.5% and 4%,
- Unemployment insurance - 1.50% and 0.50%.

The total sum of social security contributions and taxes calculated on a net salary is about 61% of net salary.

Most important phases of the registration process of d.o.o. (ltd.)

Registration of Limited liability Company in the Court register of legal entities is made at Municipal Court. The registration procedure of d.o.o. at Municipal Court Sarajevo lasts at least 10 days (with complete documentation).

By obtaining an identification number, the Company must also obtain:

- Specialty consent of the municipality where the company is headquartered
- Approval of Market Inspectorate of the Ministry of Economy of the Canton (which concludes on whether the seat of the company meets all the requirements for conducting registered activities. This includes proper documentation of business premises: an agreement to lease entered into with the owner of office space, space attest documentation, etc.)

By obtaining an identification number, the Company could be entered in the Register of indirect taxes (VAT number)

Cost of the registration process for d.o.o.

Ministry of Foreign Trade and Economic Relations fee

(Establishment of the company whose founders were foreigners)..... KM 55.00

Court fee for the establishment of the Company determined by the initial capital

Obtaining of stamp.....KM 30.00

The fee for a specialty consentKM 10.00 to 20.00

The fee for the preparation of space attest documentation of company headquarters approx KM 80.00

Registration in the Register of indirect taxes KM 30.00

Other expenses: copying, certifying documentation etc. approx KM 50.00

The process of d.o.o. registration is approximately a month (from submission of complete documentation to the Court to obtaining of permit)