



GLOBAL
EMPLOYER
GUIDE

BOSNIA AND HERZEGOVINA





Basic Country Facts

Full Name

- Republic of Bosnia and Herzegovina

Capital

- Sarajevo

Main Languages

- Bosnian
- Croatian
- Serbian

Population

- 3.324 million

Monetary Unit

- Bosnia-Herzegovina Convertible Marka

Internet domain

- .ba

International Dialing Code

- +387

Currency

- Bosnia-Herzegovina Convertible Marka



STATUTORY LABOR REQUIREMENTS

Probation Period

RS:

- The employment contract may provide for a trial period for workers, which can be up to three months (contract for a trial period).
- Exceptionally, this period may be extended by mutual agreement for up to three months (Art. 21 ZOR).

FBiH:

- The Labor Code provides the possibility of contracting the probation period may not exceed six months (Art. 18 Labor Law).

Annual Leave

- Employees are generally entitled to 20 days of paid annual leave, and in FBiH, no more than 30 days of leave.

Public Holidays

- New Year's Day (1st January)
- Bosnian Independence Day (1st March)
- Good Friday (Eastern) (17th April)
- Orthodox Easter
- Labor Day (1st May)



Maternity Leave

- Female employees are generally entitled to one year of maternity leave.
- In FBiH, the employee must take at least 42 days of leave, and in RS she must take at least 60 days of leave.
- In FBiH, following her leave, she may work half-time until her children are 2 years old.
- In RS, the employee is also entitled to an additional 6 months of leave if she has twins or for every child from her third child on.
- In FBiH, the employee is entitled to compensation under law, and employers often make up the difference to her full salary.
- In RS, the employee is entitled to compensation of the equivalent of her average salary over the prior 12 months or the time she worked before her maternity leave if it is less than 12 months.

Sick Leave

- Employees are eligible for compensation for at least 5 sick days per year.

Work Hours

- Companies in Bosnia and Herzegovina typically follow a standard Monday to Friday, 40-hour work week.

Overtime

- Overtime is allowed but cannot exceed eight hours per week.
- The premium rate at which an employer pays overtime is decided by collective agreement and can vary by the industry.

Notice Period

RS:

- The notice period may not be shorter than 30 calendar days if the employer is the one terminating the employment contract

FBiH:

- The notice period shall not be less than 15 days nor more than six months, and the specific length of the notice period shall be regulated by the collective agreement and the rulebook.
- The notice period begins to run from the date of the delivery of notice to the employee or the employer

Severance

RS:

- A worker who has concluded a contract of indefinite duration, and where employment was terminated by the employer, after at least two years of continuous employment with the employer, the employer is obliged to pay a severance.
- The amount of severance pay shall be determined by the collective agreement, rule book and employment contract, but cannot be less than one third of the average monthly wages of the last three months for each full year of service with the employer (Art. 141 ZOR), and depends on the length of service of the employee with the employer.



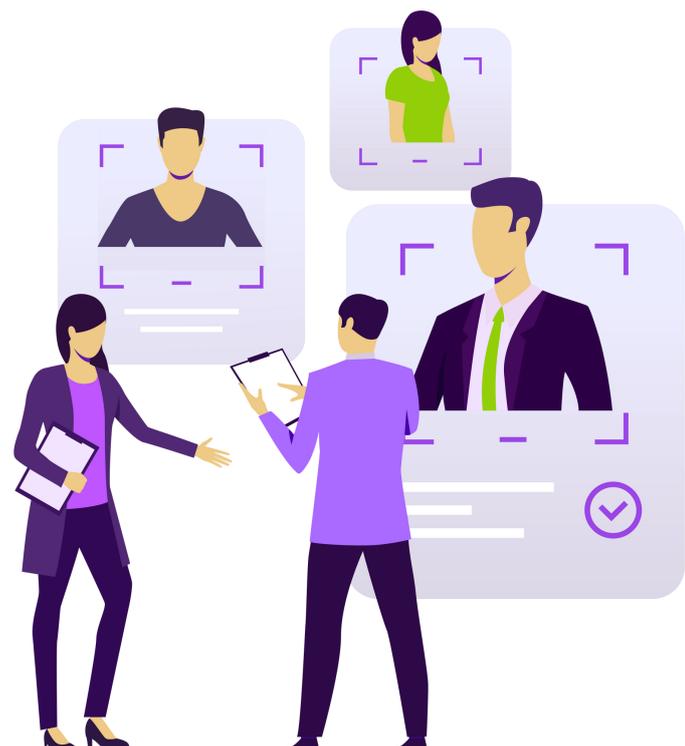


FBIH:

- The right to severance pay in the event of termination of employment with employees who have a contract for an indefinite period, provided that the contract is terminated after at least two years of work, and the reasons for dismissal are not breaches of obligation or non-fulfillment of obligations under the employment contract.
- Severance pay is determined by the collective agreement, rule book and employment contract but cannot be set at an amount less than one-third of the monthly salary paid to the employee in the last three months before retirement, for each year of work with the employer (Article 100 of the Labor Act).
- The law permits the employee and the employer agree on another form of compensation.

13th Month

- 13th month pay is not mandatory



Income Tax

- Bosnia and Herzegovina consists of two entities: Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS), with a third region, the Brčko District (BD), being administered by both.
- In the Federation of Bosnia and Herzegovina, personal income tax (PIT) payers are considered to be:
 - Residents, subjecting them to tax on their worldwide income.
 - Non-residents who perform independent business activity through a permanent place of business activities in the territory of the Federation of Bosnia and Herzegovina, subjecting them to tax on income generated from such permanent place of business.
 - Non-residents who perform dependent business activity in the territory of the Federation of Bosnia and Herzegovina, subjecting them to tax on income generated from such dependent business activity.
 - Non-residents who earn income from movable and immovable property, royalties, patents, licenses, and capital investments where ownership of the underlying property is in the territory of the Federation of Bosnia and Herzegovina, subjecting them to tax on income earned from such property.

- In Republika Srpska, PIT payers are residents, as well as non-residents who earn income in the territory of Republika Srpska.
- The PIT rate in the Federation of Bosnia and Herzegovina is a flat rate of 10%.
- The PIT rate in Republika Srpska is a flat rate of 10%. Small entrepreneurs are taxed at a 2% rate on their total annual revenue, while foreign-source income is taxed at the prescribed absolute amount.
- The PIT rate in Brčko District is a flat rate of 10%.

Income Tax	
FBiH PIT rates	10%
RS PIT rates	10%; Small entrepreneurs: 2%
BD PIT rates	10%



Social Security

FBiH social security contributions

- Mandatory social security contributions in the Federation of Bosnia and Herzegovina are due by the following rates:

Contribution	Employer	Employee
Contribution for pension and invalid insurance	17%	6%
Contribution for health insurance	12.5%	4%
Contribution for unemployment insurance	1.5%	0.5%

- The base for calculation of social security contributions is the gross salary.
- In the Federation of Bosnia and Herzegovina, the employer pays 0.5% of contribution for protection from natural and other disasters, as well as 0.5% of the water protection charge, calculated on net salary.

Contribution	% of Gross salary
Contribution for pension and invalid insurance	17%
Contribution for health insurance	12.5%
Contribution for unemployment insurance	1%
Contribution for child protection	1.5%

RS social security contributions

- In Republika Srpska, the following rates of mandatory employee's social security contributions have to be applied: In Republika Srpska, mandatory social security contributions are calculated on gross salary and have to be withheld by the employer, as an income payer.
- There are no employer's social security contributions in Republika Srpska.
- There is additional special contribution due in Republika Srpska for solidarity and repair of damages caused by floods in May 2014.
- This contribution is due in the amount of 3% of an employee's net salary, where 50% of the contribution is borne by employee and the remaining 50% of the contribution is borne by employer.

BD social security contributions

- Persons who are working in Brčko District can opt to which fund of pension insurance, either the fund of Republika Srpska or fund of the Federation of Bosnia and Herzegovina, they would like to pay pension and invalid insurance contributions.
- Health insurance contributions are calculated in the amount of 12% on gross salary.



Deductible Expenses

FBiH deductions

- Interest paid on a mortgage loan is deductible up to the full amount.
- Premium paid on life insurance is deductible up to the full amount.

Allowances	Monthly (BAM)
Personal allowance	300
Dependent family member - spouse	150
Dependent family member - first child	150
Dependent family member - second child	270
Dependent family member - third and every next child	90
Dependent family member - parent (whose monthly income does not exceed BAM 300)	90

RS deductions

- Interest paid on a mortgage loan is deductible up to the full amount.
- Premium paid on life insurance to an insurance company licensed in Republika Srpska is deductible up to BAM 1,200.
- The paid contribution for voluntary retirement insurance is deductible up to BAM 1,200.

Allowances	Monthly (BAM)
Personal allowance	2400
Dependent family members	900

BD deductions

- Additional pension insurance is deductible up to BAM 1,800.

Allowances	Annually (BAM)
Personal allowance	3600
Dependent family members and persons receiving aliment based on the agreement on life-long aliment (50% of personal allowance)	1800
Deduction for invalidity of taxpayer or dependent family member	10% of personal allowance for every determined 20% of invalidity



Immigration

- When a foreign national intends to stay in B&H for employment, he/she must obtain a work permit issued by the authority responsible for the employment of foreigners in accordance with applicable regulations.
- Depending on the place of residence, or in other words, the location of the employer, a work permit is issued by the authorities responsible for the employment of foreigners in Federation of Bosnia and Herzegovina, Republic of Srpska or Brcko District.
- In Federation of Bosnia and Herzegovina, work permits are issued by Cantonal Employment Services upon approval of the Federal Employment Service.
- In Republika Srpska, work permits for foreign nationals are issued by the RS Employment Service regional offices responsible for the region of employer's head office.
- In Brcko District work permits for foreign nationals are issued by Department for Professional and Administrative Affairs in the Government of the Brcko District.
- Work permit for employment of a foreigner shall be issued within the specified work permit quota.
- Work permit quota is the number of work permits that may be issued to foreigners in certain occupations in B&H, during one year.
- The annual quota is determined by the Council of Ministers of B&H in accordance with the migration policy and the situation in the labor market.
- A working permit allows foreigners the right to work in Bosnia and Herzegovina, in the same way as Bosnia and Herzegovina citizens, with equal rights and obligations.
- The employment service issues the working permit, based on the Law of foreigner's employment.
- A work permit cannot be issued for a period longer than 1 (one) year.

Type of Visa	Documentation	Validity	Eligibility
Work Permit	<ul style="list-style-type: none"> • Certified passport copy • Medical certificate (only for the first issuance of work permit) • Information about workplace or type of tasks, and work conditions • Employment Contract • Information about the employer (e.g. company documents) • Proof of education qualification and work experience of the applicant 	<ul style="list-style-type: none"> • 1 year 	<ul style="list-style-type: none"> • When a foreign national intends to stay in B&H for employment, he/she must obtain a work permit issued by the authority responsible for the employment of foreigners in accordance with applicable regulations. • Work permit for employment of a foreigner shall be issued within the specified work permit quota.

Value Added Tax (VAT)

- The standard VAT rate is 17%, and the VAT regime applies equally throughout the country of Bosnia and Herzegovina.
- There is no reduced VAT rate in Bosnia and Herzegovina.

VAT	
Standard Rate	17%



Withholding Tax

Dividends

- Dividends paid to a nonresident company are subject to withholding tax at 55% or 10% where the payer company is resident in the FBiH or RS, respectively, unless the rate is reduced under a tax treaty.
- Dividends paid to residents or to nonresident individuals are exempt from withholding tax

Interest

- Interest paid to a nonresident company is subject to a 10% withholding tax, unless the rate is reduced or the payment is exempt from withholding tax under a tax treaty
- Interest paid to residents or to nonresident individuals are exempt from withholding tax

Royalties

- Royalties paid to a nonresident company are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty
- Royalties paid to residents or to nonresident individuals are exempt from withholding tax

Fees for technical services

- Fees for technical services paid to a nonresident company are subject to a 10% withholding tax, unless the rate is reduced or the payment is exempt from withholding tax under a tax treaty
- Fees for technical services paid to residents or to nonresident individuals are exempt from withholding tax

Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	5% (FBiH)/ 10% (RS)	0%
Interest	0%	0%	10%	0%
Royalties	0%	0%	10%	0%
Technical Service Fee	0%	0%	10%	0%



Termination

- In RS the notice period may not be shorter than 30 calendar days if the employer is the one terminating the employment contract.
- In FBiH The notice period shall not be less than 15 days nor more than six months, and the specific length of the notice period shall be regulated by the collective agreement and the rulebook.
- In RS the amount of severance pay shall be determined by the collective agreement, rule book and employment contract, but cannot be less than one third of the average monthly wages of the last three months for each full year of service with the employer (Art. 141 ZOR), and depends on the length of service of the employee with the employer.
- In FBiH severance pay is determined by the collective agreement, rule book and employment contract but cannot be set at an amount less than one-third of the monthly salary paid to the employee in the last three months before retirement, for each year of work with the employer (Article 100 of the Labor Act).

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, and severance pay.
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Sick pay

Overtime Pay

Severance pay

Social security benefits



Payments and Invoicing

Federation of Bosnia and Herzegovina (FBiH) tax administration

- The deadline for submission of the annual tax return is 31 March of the following year.
- In the Federation of Bosnia and Herzegovina, monthly social security contributions have to be paid along with salary payment, but no later than by the end of the following month for the previous month.
- Salary taxation specifications have to be submitted to the tax authorities on the same day when payment of salary and contributions was made, but no later than one day after payment was made.

Republika Srpska (RS) tax administration

- Annual tax returns have to be submitted by 31 March of the following year for previous year.
- In Republika Srpska, monthly salary taxation specifications have to be submitted to the tax authorities by the 10th day of the following month for the previous month.

Brčko District (BD) tax administration

- In Brčko District, the period for reporting withheld PIT is one month.
- An annual tax return is not required in the event when the entire PIT due is considered to be calculated and paid through monthly withholdings from income.
- If this is not the case, annual tax returns have to be submitted by 28 February of the following year.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Bosnia and Herzegovina ranked 90th in the World in 2019 in terms of ease of doing business.



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