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COMPREHENSIVE IMMIGRATION AND TAX GUIDE TO RELOCATING TO WORK IN BOSNIA AND HERZEGOVINA (B&H)

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I IMMIGRATION

I.1 Types of stay

A foreign national may stay in B&H:

- (i) on a short-term stay, which can be visa-free or subject to visa C requirement;
- (ii) on the basis of long-stay visa (visa D);
- (iii) on the basis of temporary residence; or
- (iv) on the basis of permanent residence status.

I.2 Shorter stays

Foreigners who are exempt from the requirement to obtain a visa to enter the territory of B&H¹ have the right to enter and stay in B&H for a total period of up to 90 days within a 180-day period counting from the date of first entry, unless otherwise specified by an international agreement to which B&H is a contracting party or by a decision of the Council of Ministers of B&H

I.2.1 Visa-free stay

Foreigners who are exempt from the requirement to obtain a visa to enter the territory of B&H have the right to enter and stay in B&H for a total period of up to 90 days within a 180-day period counting from the date of first entry, unless otherwise specified by an international agreement to which B&H is a contracting party or by a decision of the Council of Ministers of B&H.

I.2.2 Visa C (short-stay visa)

Foreigners from the countries which are not under the visa-free regime need visa C to enter B&H. Visa C is valid for a stay of up to 90 days within a 180-day period that starts from the person's initial entry into B&H.

Visa C application must be submitted to B&H's diplomatic and consular office in the applicant's country of origin or habitual residence. It can be submitted to the diplomatic or consular office of a third country with which B&H has concluded an international agreement. If the applicant is not a national of the country in which they submit the application, they must provide evidence of permanent or temporary residence in that country. However, exceptions can be made on humanitarian or other justified grounds. Exceptionally, for reasons of national security or for humanitarian, professional, or personal reasons, visa C for a single entry and stay of up to 15 days may be issued at the border of B&H.

The visa application can be submitted in-person or online (if online application is available in the respective country) not later than 15 calendar days before the intended travel to B&H². Exceptionally,

¹ The Visa Decision (Odluka o vizama, "Official Gazette of B&H", no. 3/15... 7/24) specifies the countries whose citizens do not require a visa to enter B&H.

² There is a discrepancy between the Foreigners' Act (Zakon o strancima "Official Gazette of B&H", no. 88/15...63/23) and the Rulebook on the Procedure for Issuing Short-Stay Visas (Visa C) and Airport Transit Visas (Visa A) at Diplomatic and Consular Representations of Bosnia and Herzegovina (Pravilnik o pos-tupanju prilikom izdavanja vize za kratkoročni boravak (viza c) i aerodromske tranzitne vize (viza a) u diplo-matsko-konzulatnim predstavništvima Bosne i Hercegovine "Official Gazette of B&H", no. 12/22) regarding the earliest moment when the application can be made. The Foreigners Act prescribes that the application cannot be submitted more than six months prior to the planned visit, while the bylaw sets the limit at three months. It is recommended to check with the relevant diplomatic or consular office in the country where the application is to be submitted which deadline is applied in practice.

in urgent cases, the diplomatic and consular office may accept the application submitted less than 15 calendar days before the intended travel to B&H.

The applicant is required to present documents to prove: (i) purpose of stay (e.g. an invitation letter); (ii) proof of accommodation or sufficient funds to cover accommodation expenses; (iii) proof of funds required to cover living expenses during the intended stay in B&H and the cost of return to the country of origin; (iv) document indicating that the foreigner intends to leave B&H before the expiry of the permitted stay period (a return ticket, proof of employment in the country of residence, proof of property ownership, etc); and (v) proof of travel health insurance.

Foreigner applying for visa C must have a passport that is not older than 10 years and is valid for at least three months beyond the planned date of departure from B&H. The passport must contain at least two blank pages.

Visa application is processed within 15 days from the presentation of complete documentation, although this period may be extended to 45 days for justified reasons.

I.2.3 Visa D (long-stay visa)

Visa D is issued exceptionally in situations where the purpose of travel to B&H requires a stay longer than 90 days within a 180-day period, such tourism, education, or professional training. A prior approval of Foreigners's Service (Služba za poslove sa strancima) in B&H is required.

The rules on the issuing authority and required documentation are the same as for visa C. The applications are processed within 30 days from presentation of complete documentation.

Based on visa D, a foreigner can reside in B&H for a maximum of 180 days in a year.

I.3 Temporary residence and right to work

I.3.1 General rules

Temporary residence can be granted to a foreigner who intends to reside or resides in B&H based on:

- (i) family reunion;
- (ii) education;
- (iii) humanitarian reasons;
- (iv) employment with a work permit;
- (v) employment without a work permit;
- (vi) ownership of real estate;
- (vii) other justified reason.

Temporary residence permit is issued by Foreigners' Service (Služba za poslove sa strancima). The application for residence permit must be submitted personally, to the Foreigner's Service in B&H or through a diplomatic consular office of B&H in the country of foreigner's residence.

The application submitted directly to the Foreigners' Service is processed within 60 days from the presentation of complete documentation. The applicant is allowed to stay in B&H while the application is processed. The processing of the application submitted abroad through a diplomatic and consular office of B&H may take 90 days.

I.3.2 Temporary residence based on family reunion

Temporary residence based on family reunion can be granted to a foreigner who is a close family member of: (i) a Bosnian citizen with residence in B&H, or (ii) a foreigner holding a blue card, a temporary residence permit, a permanent residence status or an asylum status.

The notion of close family member comprises:

- (i) sponsor's spouse or common-law partner;
- (ii) sponsor's minor children; supported adult children who are not more than 26 years old, if students; financially or occupationally incapacitated adult children who reside in the same household with the sponsor (in each case whether born in or outside of marriage, adopted, or being children of marital or common-law partner of the sponsor provided they have not established their own family);
- (iii) sponsor's parents on support.

When applying for temporary residence permit based on reunion with a spouse, the applicant must, among other things, submit a marriage certificate. The applicant for the reunion with their common-law partner must submit one of several offered documents proving the relationship.

When applying for temporary residence permit based on reunion with children and parents, the applicant must, among other things, submit a birth certificate or, as the case may be, proof of parent's inability to work or provide for themselves.

Temporary residence based on family reunion with a citizen of B&H who has residence in B&H is granted for a period of up to one year and may be extended. Temporary residence based on the reunion with a close member of a foreign sponsor is granted for the same period as the foreigner's residence permit in B&H, but for not more than one year, and may be extended.

The following categories of foreigners holding temporary residence permit based on family reunion, are entitled to work in B&H without work permit:

- (i) foreigner who is married to or is in a common-law partnership with a citizen of B&H;
- (ii) foreign custodian of a minor child who is a citizen of B&H;
- (iii) foreigner whose temporary residence has been extended during the pendency of divorce proceeding in which custody over a minor child who is a citizen of B&H is to be determined.

I.3.3 Temporary residence based on education

Temporary residence based on education may be granted for the purpose of:

- (i) primary and secondary education;
- (ii) higher education;
- (iii) internship; or
- (iv) volunteering.

Temporary residence based on primary, secondary, and higher education is granted for a period of one year and may be extended. After the expiration of the period equal to the duration of regular higher education, temporary residence on this basis may be extended for a maximum of two years, subject to evidence of academic progression.

Temporary residence based on regular higher education may also be granted to a foreigner who has

been approved for specialization in B&H. Temporary residence on this basis is granted for a period of up to one year and may be extended for the duration of the specialization.

Temporary residence for interns may be granted to a foreigner who has completed higher education outside of B&H or is studying outside of B&H and is coming to B&H on the basis of an international agreement to which B&H is a party; or a foreigner who has completed higher education in B&H, for the purpose of professional practice or internship. Temporary residence for interns is granted for a period of up to one year and may be extended for a period necessary to acquire professional qualifications.

A volunteer may be granted temporary residence if they meet, among other things, the following two conditions: (a) are neither younger than 18 nor older than 65; and (b) have a volunteering contract with an institution, organization, humanitarian organization, association, or foundation in B&H.

The residence is approved for up to one year and may be exceptionally extended if the duration of the project exceeds one year.

Foreigner studying in B&H may work in B&H without work permit on temporary jobs through authorized intermediaries for employment of students.

I.3.4 Temporary residence for work that requires work permit

In general, if a foreigner intends to reside in B&H for paid work, they must also obtain a work permit. The work permit may be applied for by the prospective employer.

In B&H, each sub-sovereign entity has its own regulation and administration of work permits.

The work permit is granted for a specific job position or specific type of work and can be issued for a maximum period of one year, with the possibility of extension. If the foreigner changes the job for which the work permit was issued, they must apply for a new permit.

The Council of Ministries of the roof state decides how many work permits can be issued in B&H each year. However, some foreigners, like those in managerial roles at companies in B&H, can get a work permit irrespective of the quota.

Once the work permit is issued, the foreigner may apply for a temporary residence permit. The foreigner is not entitled to commence work in B&H solely based on the work permit but only after temporary residence is also approved.

Temporary residence based on a work permit is granted for a period which is 30 days beyond the expiry date of the work permit, but in any case for a maximum initial period of one year. Temporary residence permit may be extended.

I.3.5 Temporary residence for specific types of work

Temporary residence may be approved for the following types of work or employees in which case no separate work permit is required:

- (i) employment of highly skilled workers;
- (ii) intracompany transfer;
- (iii) scientific research; or
- (iv) work subject to work registration

I.3.5.1 Employment of highly skilled workers

A blue card type of residence permit may be granted to a foreigner who intends to work for a local employer who had been unable to hire suitable person locally for a position that requires a university degree and a minimum of five years of professional experience in the relevant field.

Blue card is initially issued for a period of up to 24 months but it may be extended.

The application for the blue card may be submitted by the employer to Foreigners' Service in B&H or by the prospective employee to a diplomatic and consular office of B&H in the home country.

Blue card allows the applicant to work in B&H solely on the position applied for and for the sponsor employer. In case of change of employer, a new blue card must be obtained.

I.3.5.2 Intracompany transfer

Temporary residence for the purpose of intracompany may be granted to a foreigner who comes to B&H as a manager, specialist, or intern providing that:

- (i) the host legal entity and the sender are related entities; and
- (ii) the foreigner has been continuously employed with the sender or a group entity for at least 12 months prior to the transfer (or six months if the foreigner is coming to B&H as an intern). The salary of the secondee may not be below average salary paid in B&H as per official statistical data.

Temporary residence permit is granted for a period of up to one year and may be extended.

I.3.5.3 Scientific research

Temporary residence for the purpose of scientific research may be granted to a foreigner who:

- (i) holds a degree qualifying them for admission to doctoral program;
- (ii) possesses relevant experience and knowledge pertinent to the research project; and
- (iii) has a hosting agreement for the project with an approved research organization who undertakes financial responsibility for the foreigner during the research period.

Temporary residence on this basis is approved for an initial period of up to one year and may be extended if the project lasts longer.

I.3.6 Temporary residence based on the real estate ownership

A foreigner can get temporary residence in B&H on the basis of owning a residential real estate in B&H, provided the foreigner has effective connection to B&H. Effective connection with B&H exists if the foreigner or one of their close family members:

- (i) has origins from B&H;
- (ii) has child attending school in B&H;
- (iii) is a B&H pension recipient;
- (iv) has invested in B&H; or
- (v) has a close family member residing in B&H.

Temporary residence on this basis is approved for up to one year and may be extended. If the foreigner holding this type of residence intends to work in B&H, they must obtain a separate work permit.

I.4 Work subject to work registration

Certain categories of foreigners may work in B&H for not more than 90 days within a year without having to obtain work permit if they are lawfully staying in B&H (whether without visa or with Visa C/D or with temporary residence permit. Those categories are, inter alia:

- (i) senior managers in a company registered in B&H who are not employed with the company;
- (ii) foreigners coming to B&H to perform the tasks related to the delivery, assembly, and servicing of machinery or equipment;
- (iii) foreigners participating as lecturers in organized professional gatherings and seminars;
- (iv) foreigners participating in trade fairs or exhibitions at which their foreign employer is exhibiting;
- (v) doctors engaged by healthcare institutions in B&H to conduct specialist examinations and provide other medical services upon invitation;
- (vi) seasonal workers.

The following categories of foreigners may work in B&H without work permit for as long as they are allowed to stay in B&H:

- (vii) founders of companies registered in B&H, provided the company employs a minimum of five B&H citizens whose gross salary is not below average gross salary in B&H and does not have outstanding tax debt; this category may work in B&H the entire period of their legal stay;
- (viii) foreign correspondents accredited in B&H or foreign media reporters; this category may work in B&H the entire period of their legal stay;
- (ix) foreigners seconded to B&H for the purpose of monitoring and controlling the quality of production based on a services contract between the foreign sender and a local B&H client; this category may work in B&H the entire period of their legal stay.

I.5 Permanent residence

Permanent residence in B&H can be granted to a foreigner who has continuously resided in B&H for at least five years on the basis of a temporary residence permit which is eligible for permanent residence (such as temporary residence permit issued for the purpose of paid work in B&H). The requirement of continuous residence assumes that the foreigner has not been absent from B&H for more than ten months in total and for more than six months in continuity, in each case within the relevant period of five years.

For holders of a blue card type of residence, the requirement of continuous residence assumes that the foreigner has not been absent from B&H for more than 18 months in total and for more than 12 months in continuity, in each case within the relevant period of five years.

Permanent residence permit is issued within 60 days from the filing of a complete application.

Foreigner with permanent residence in B&H is entitled to work in the country under the same conditions that apply to the citizens of B&H.

II TAXATION OF INDIVIDUALS RELOCATING TO B&H FOR WORK

Personal income tax regime depends on the type of income. In this publication, we address taxation of employment income, income from self-employment earned by registered entrepreneurs, income

earned by non-registered individuals (“freelancers”) and dividend income.

II.1 Income from employment

II.1.1 Regular regime

II.1.1.1 Republika Srpska

The employer must withhold personal income tax on the employment income (salary) at the rate of 8 %.

The tax base is a sum of all monetary and in-kind payments that are treated as salary, grossed-up to include salary tax and social contributions.

The following deductions from the tax base apply on a cumulative basis:

- (i) personal deduction in the amount of BAM 12,000 annually (approx. EUR 6,135), i.e. BAM 1,000 monthly (approx. EUR 511) for full-time hours;
- (ii) personal deduction for supported close family members in the amount of BAM 1,800 annually (approx. EUR 920) per close family member, i.e. BAM 150 monthly (approx. EUR 76);
- (iii) personal deduction equal to the interest paid on a housing loan for the first home purchase (unless the employee is recipient of an interest subsidy from the state).

The employer is required to withhold social security contributions (“SSCs”) at a combined rate of 31% on the tax base. The minimum tax base for the purpose of SSCs is equal to the statutory minimum salary.

If the employee works for one employer only and has no other sources of income, the salary tax withheld by the employer is the only applicable personal income tax and the employee is not required to file annual personal income tax return which is otherwise due by 31 March for the preceding year. However, the employee who earns income from multiple sources must file annual personal income tax return declaring the income earned in the course of the year from all sources. If the tax already paid on income is higher than the final tax liability determined in the annual personal income tax, the taxpayer has the right to request a refund of the excessive tax paid or to use the excess as a prepayment of the liability in the following year.

REGULAR REGIME OF SALARY TAXATION

- Tax
 - Base: monthly gross employment income
 - Tax rate: 8%
 - Deductions:
 - personal deduction of approx. EUR 511 monthly;
 - deduction for supported family member: approx. EUR 76 monthly per family member;
 - interest paid on first home housing loan.
- Social security contributions (SSCs):
 - Base: monthly gross base salary (no deductions)
 - Aggregate rate: 35.05%
 - Monthly cap: approx. EUR 4,880
 - Annual cap: approx. EUR 58,660

II.1.1.2 Federation Bosnia & Herzegovina

Tax rate is 10% and the tax base is generally the same as in Republika Srpska (see II.1.1.1 above)., Employees who are tax residents can benefit from the following deductions from the tax base (which can be cumulated):

- (i) personal deduction in the amount of BAM 300 monthly (approx. EUR 153);
- (ii) deduction for supported spouse (or former spouse to whom the employee is required to pay alimony) BAM 150 monthly (approx. EUR 76);
- (iii) deduction for supported first child BAM 150 monthly (approx. EUR 76);
- (iv) deduction for supported second child BAM 210 monthly (approx. EUR 107);
- (v) deduction for supported third and any subsequent child BAM 270 monthly (approx. EUR 138);
- (vi) deduction for any other supported close family member BAM 90 monthly per member (approx. EUR 46);
- (vii) deduction for personal disability or disability of a supported close family member of the employee BAM 90 monthly (approx. EUR 46).

Other deductions are available to resident taxpayers for the purpose of annual personal income tax, such as deduction for the cost of health services, prescription medicines and devices not covered by the mandatory health insurance or by the employer, and deduction for interest paid on housing loan. Employer must also withhold SSCs (pension and disability, health, unemployment). The basis for calculation is the same as the tax basis for the salary tax but may not be lower than the minimum monthly salary in accordance with the General Collective Agreement.

The combined rate of SSCs withheld by the employer on behalf of the employee is 31 % and consist of the following segments: 17% pension and disability insurance contribution, 12.5% health insurance contribution, and 1.5% unemployment insurance contribution. The combined rate of SSCs paid on behalf of the employer is 10.5 % and it consists of 6% pension and disability insurance con-

REGULAR REGIME OF SALARY TAXATION

- Tax
 - Base: monthly gross employment income
 - Tax rate: 10%
 - Deductions (available to tax residents):
 - personal deduction EUR 153 monthly;
 - for supported spouse: EUR 76.69 monthly;
 - for supported first child: EUR 76.90 monthly;
 - for supported second child: EUR 107.73 monthly;
 - for supported third and onward child: EUR 138 monthly;
 - for other supported family member: EUR 46 monthly;
 - for employee's disability or disability of their supported close family member EUR 46 monthly.
- Social security contributions (SSCs):
 - Base:
 - monthly gross employment income
 - Aggregate rate: 31 % (on the employee)
 - Aggregate rate: 10.5 % (on the employer)

tribution, 4% health insurance contribution, and 0.5% unemployment insurance contribution.

If the employee works for one employer only and has no other sources of income, the salary tax withheld by the employer is the only applicable personal income tax and the employee is not required to file annual personal income tax return. However, the employee who earns personal income from multiple sources must file annual personal income tax return by 31 March for the previous year, declaring income earned in the course of the year from all sources. If the tax paid on each individual income in the course of the year is higher than the final tax liability determined in the annual personal income tax, the taxpayer has the right to request a refund of the excessive tax paid or use the excess as a prepayment of the liability in the following year.

II.2 Income from self-employment

II.2.1 Republika Srpska

II.2.1.1 Regular regime

Entrepreneur's business income is subject to personal income tax at the rate of 10%, levied on annual profit determined in the annual income statement (profit and loss account) as adjusted for tax purposes and shown in the annual tax return. During the year, the entrepreneur pays this tax in monthly advances by the 10th of the month for the preceding month. The amount of the monthly advances is determined on the basis of the final tax liability for the preceding tax year. Newly registered entrepreneurs declare the expected income until the end of the current year and in case such forecast shows profit, they must start paying monthly advances in that year.

Entrepreneur's business income is also subject to SSCs at the aggregate rate of 31 %. Individual rates are as follows:

- pension and disability insurance – 18.5%;
- health insurance – 10.2 %.
- unemployment insurance – 0.6 %
- child protection insurance- 1.7 %.

However, the base for calculation of SSCs may not be below the statutory minimum base which is 60 % of the average monthly gross salary in the RS for the preceding calendar year, according to the latest data from the RS Statistical Office, published in the "Official Gazette of RS". The minimum base for SSCs in 2024 amounts to BAM 1,162 (approx. EUR 594).

For certain professions such as lawyers, notaries, engineers, architects, tax advisors, interpreters, accountants, translators and other professions for which a license is required, the tax base for SSCs is 100 % of the average monthly gross salary in the RS for the previous calendar year, according to the latest data from the RS Statistical Office, published in the "Official Gazette of RS". The base in 2024 amounts to BAM 1,937 (approx. EUR 990).

Entrepreneurs (except for small entrepreneurs who benefit from a special regime, see section II.2.2 below) are also required to submit the annual personal income tax return by 31 March for the preceding year in which they present their annual income less tax already paid in monthly advances in the course of the year. If more tax was paid through monthly advances than the final tax liability, the taxpayer may request a refund or may opt to use the excess as a credit to offset future tax liability.

II.2.1.2 Special regime of taxation for small Entrepreneurs

An Entrepreneur may apply to the competent tax authority for a permission to be taxed at a lower

income tax rate of 2% on total income, but not less than BAM 600 (EUR 306) on annual basis, provided they meet the conditions to be taxed as small Entrepreneur. Small Entrepreneur is an Entrepreneur who employs no more than three employees, whose total annual revenue does not exceed BAM 50,000 (approximately EUR 25,564) and who is carrying out business alone and not in any kind of joint venture. Small Entrepreneur is not required to keep accounting books but only a simple record of incoming payments.

This special tax regime is not available to Entrepreneurs who engage in independent professional services, including lawyers, notaries, engineers, architects, tax consultants, bankruptcy administrators, interpreters, translators, journalists, artists, athletes, and other similar professions.

Small Entrepreneurs pay their tax liability monthly and are not required to file the annual personal income tax return.

With respect to SSCs the same applies as described in Section II.2.1.1.

SELF-EMPLOYMENT TAXATION – REGULAR REGIME

- Tax: 10% and at the combined SSC rate is 31%

SELF-EMPLOYMENT TAXATION – SMALL ENTREPRENEUR TAXATION

- Tax: 2 % but minimum EUR 306 annually
SSCs: 31 %

II.2.2 Federation Bosnia & Herzegovina

II.2.2.1 Regular regime

Entrepreneur's business income is subject to personal income tax at the rate of 10%, levied on annual profit determined in the annual income statement (profit and loss account) as adjusted for tax purposes. This tax is paid in equal monthly advances, determined on the basis of the final tax liability of the preceding year. Newly established Entrepreneur is not required to pay monthly advances in the first year of the operation.

Entrepreneur's business income is also subject to SSCs at the aggregate rate of 41.5 %. Individual rates are as follows:

- pension and disability insurance – 23 %;
- health insurance – 16.50 %.
- unemployment insurance – 2 %

The statutory minimum base for SSCs is equal to average monthly salary in Federation Bosnian & Herzegovina calculated for the period January to September of the current year, as published by the Federal Bureau of Statistics, multiplied by 0.65. In 2024, the statutory minimum base amounts to BAM 1,260 (approx. EUR 644).

For licensed professions such as lawyers, notaries, engineers, architects, tax advisors, interpreters, accountants, translators, etc., the tax base for SSCs is 100% of average monthly gross salary in the Federation Bosnia & Herzegovina for the period January to September of the current year, according to the latest data from the Federal Bureau of Statistics multiplied by 1.1. The base in 2024 amounts to BAM 2,133 (approx. EUR 1,090).

Entrepreneurs are also subject to the obligation to file annual personal tax return by 31 March for the preceding year (for the annual personal income tax please see section II.1.1.2 above).

SELF-EMPLOYMENT TAXATION– REGULAR REGIME

- Business income is taxed at the rate of 10% and at the combined SSC rate of 41.5%

SELF-EMPLOYMENT TAXATION– LUMP SUM TAXATION

- Tax: ranges from EUR 15 to EUR 40 monthly
SSCs: 41.5 %

II.2.2.2 Special regime of taxation for small Entrepreneurs

In the Federation Bosnia & Herzegovina, special lump-sum taxation regime is narrowly limited to certain small traders and crafts.

The lump-sum tax is payable monthly, in the amounts ranging from BAM 30 (approx. EUR 15) to BAM 80 (approx. EUR 40), depending on the type of activity.

Entrepreneurs who benefit from the lump-sum taxation privilege are not required to keep accounting books.

Entrepreneurs who are taxed on lump-sum income must pay additional tax at the rate of 10% on each payment received for their services from a legal entity via by bank transfers.

The base for SSCs for entrepreneurs under the lump-sum regime is an average monthly salary paid in the Federation Bosnia & Herzegovina during the period January to September of the current year, as published by the Federal Bureau of Statistics, multiplied by 0.55. In 2024, the SSCs base amounts to BAM 1,066 (EUR 545). Lower base applies in case of certain activities, such as taxi, traditional arts and crafts, sole traders selling outside of stores, agriculture and forestry.

II.3 Freelancers

The term “freelancer” refers to an individual who earns income from non-resident or resident clients without being an employee or registered Entrepreneur, on the basis of a contract for service or by exploiting an IP right such as through licensing out a software or other IP right. Freelancers are not required to keep accounting books, unlike Entrepreneurs. Freelancers pay tax and SSCs under the self-assessment regime.

TAXATION OF FREELANCERS – REPUBLIKA SRPSKA

- Taxable income is gross income minus paid SSCs
- Income tax at the rate of 13%
- Pension and disability insurance contribution– 18.5 % (the base is the gross monthly income including SSCs)

II.3.1 Republika Srpska

Income which cannot be categorized as employment income, self-employment income, income from IP rights, income from capital (rental fees and/or interest from loans) or capital gain is called “other income”. It includes income from independent services such as services of interpreters, experts, sport referees and delegates, translators, entertainers, independent journalists, similar professional services, as well as income from work for hire under any commercial agreement.

Tax base is the gross income received minus SSCs paid on that income. The applicable tax rate is 13%. Other income is also subject to pension and disability insurance contribution levied at the rate of 18.5% applicable on gross income.

Resident individual receiving income from abroad is required to report such income and self-assess and pay tax on it within 7 days from the receipt of the payment, as well as to file the annual tax return by 31 March for the preceding year.

Unilateral foreign tax credit is available. It allows the taxpayer to deduct from the tax liability any foreign tax paid on the same income (including tax paid in the Federation Bosnia & Herzegovina). However, if the foreign tax was levied at the rate higher than the rate applicable in Republika Srpska, the foreign tax credit will not fully eliminate double taxation.

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- Taxable income is gross income minus standard costs equal to 20% of gross income (30% in case of licensing of IP rights)
- Income tax at the rate of 10% and 4% health insurance contribution
- 6% pension and disability insurance contribution withheld by the resident payor of income.

II.3.2 Federation Bosnia & Herzegovina

Individuals who engage in “other independent activities” (including “occasional independent activities”, defined as occasional activities of scientists, artists, consulting experts, journalists, court experts, travelling sales agents, sports referees and delegates and other activities performed in addition to a main activity through either employment or entrepreneurial business) are not required to keep accounting books. Taxable income that they earn is the total income less standard recognized costs equal to 20 % of the income (or 30% when income is earned through the licensing of IP rights). The tax rate is 10%. An individual who engages in “occasional independent activities” must file the annual personal income tax return by 31 March for the preceding year.

An individual receiving income from the “occasional independent activities” must pay also a contribution for the health insurance at the rate 4 % on the gross amount of income received. If the payor of income is a resident entity, such payor must withhold and pay (on the taxpayer’s behalf) additional pension and disability insurance contribution at the rate of 6%. Non-resident payor is not required to pay this contribution.

Unilateral foreign tax credit is also available to taxpayers in Federation Bosnia & Herzegovina, in the same manner as in Republika Srpska (see Section II.3.1).

II.4 Dividends

Corporate income tax rate in both Republika Srpska and Federation Bosnia & Herzegovina is 10%. Taxable income is determined in the financial accounting (income statement) subject to adjustments required under the Corporate Income Tax Act³.

A company which is tax resident of Republika Srpska must withhold and remit dividend tax at the rate of 10% when disbursing the dividend to a non-resident entity.

In the Federation Bosnia & Herzegovina the withholding tax applicable to dividend distributions to non-resident entities is 5%. Dividends paid to individuals are exempt from taxation in both Republika Srpska and Federation Bosnia & Herzegovina. When a double taxation treaty applies, dividend tax rate is usually 5% (when the non-resident shareholder is an entity holding at least 25% of the shares capital of the B&H company disbursing the dividend) or 10-15% (in other cases).

II.5 Tax residence in B&H and taxation of non-residents

II.5.1 Republika Srpska

Generally, an individual becomes tax resident of the Republika Srpska if they acquire domicile in the Republika Srpska, or this jurisdiction becomes their permanent home and centre of vital and business interests, or if they spend more than 183 days, with or without interruptions, in any consecutive 12-month period. A person is deemed to have a permanent home if they own or lease a dwelling, which is not a temporary one. Also, a centre of vital interest in the Republika Srpska is deemed to exist in certain cases, such as when the person owns real property the market value of which is more than BAM 300,000, or shares in a local company with a value of more than BAM 100,000, or if they are married to a national of the B&H, work under the work permit regime, or attend school or university.

II.5.2 Federation Bosnia & Herzegovina

Generally, an individual becomes a tax resident of the Federation Bosnia & Herzegovina if they acquire a domicile there or spend more than 183 days (continuously or with interruptions) in any tax year.

II.5.3 Conflict of tax residence; tax residency certificate

All income sourced in the Republika Srpska and Federation Bosnia & Herzegovina is taxable, regardless of whether it is earned by residents or non-residents. Tax residents are taxed on their worldwide income, whereas non-residents are taxed only on the locally-sourced income.

Double taxation may arise when Republika Srpska/Federation Bosnia & Herzegovina on the one hand and some other country on the other hand regard the same individual as its tax resident. This can happen e.g. if a national of one country relocates to B&H but retains a domicile in the other country. In that case, Republika Srpska/Federation Bosnia & Herzegovina can claim that the individual is its tax resident because he has domicile, or has spent more than 183 days within 12 months in Republika Srpska/Federation Bosnia & Herzegovina. The other country can claim the individual is its tax resident because of formal domicile. Such conflicts are resolved by the application of double taxation treaty in place between B&H and the individual's home country, if any. In most of B&H's double taxation treaties, an individual who has domicile in both countries is deemed tax resident of the country which is the centre of the individual's vital interests because of the location of close family members, place where children go to school, place where property is located, etc.

³ Zakon o porezu na dobit ("Official Gazette of Republika Srpska, nos. 94/15, 1/17, and 58/19); Zakon o porezu na dobit ("Official Gazette of B&H", nos. 15/16 and 15/20).

A foreigner can get the Republika Srpska tax residency certificate if the foreigner's home country has a double taxation treaty with B&H. There are no specific regulations outlining the required documents to be submitted for obtaining the tax residency certificate. Foreigners should submit documents that validate any of the qualifying criteria for tax residency in Republika Srpska. These may include a certificate of domicile, employment agreement, lease agreement, work permit, etc.

In order to get the Federation Bosnia & Herzegovina tax residency certificate for a relevant fiscal year, an individual must submit a request accompanied by the following supporting documents: (i) annual personal income tax return (Form GPD-1051) (if not already submitted to the tax authority for the prior year or for the year indicated in the request); (ii) a certificate of paid income tax abroad with respect to income that is not taxable in Federation Bosnia & Herzegovina; (iii) copy of the identity card (or equivalent) or passport showing the address of residence or domicile, in case the individual holds dual citizenship; (iv) an employment contract (or an equivalent in case the individual is employed with an employer outside the territory of the B&H), covering the period for which the request is submitted; (v) completed Residency Determination Questionnaire (Form UCOR-105) in case the applicant has a dual citizenship or having established a work/business relationship with an employer abroad where the work is performed, or if the spouse or partner resides abroad.

If tax resident of one sub-sovereign entity of Bosnia & Herzegovina earns income in the other sub-sovereign entity or abroad, and such income is taxed at source, the tax resident in question is entitled to a credit for the foreign tax paid. Income earned in the other jurisdiction (together with the tax paid in that other jurisdiction) is included in the tax base (under the "worldwide taxation principle"). The amount of foreign tax paid on such income can be deducted from the tax liability up to the amount of the tax that would have been calculated on that income under the domestic tax rules. National rules on "foreign tax credit" apply regardless of whether there is a double taxation treaty in place between B&H and the source country.

II.5.4 Taxation of non-residents

II.5.4.1 Employment income

Republika Srpska and Federation B&H have the right to tax employment income sourced in that jurisdiction, earned by non-residents who perform work on its territory. Income from employment carried out in Bosnia & Herzegovina is considered sourced from that jurisdiction, regardless of where the income is paid. However, according to most of the B&H's double taxation treaties, the Bosnian sub-sovereign entity will not tax non-residents' income from work done in that jurisdiction if three conditions are met cumulatively:

- (i) the employee has not spent more than 183 days in any 12-month period in Bosnia & Herzegovina; and
- (ii) the employment income is paid by an employer which is not a tax resident of Republika Srpska or Federation Bosnia & Herzegovina; and
- (iii) the cost of the employee's salary is not borne by the employer's permanent establishment in Federation Bosnia & Herzegovina or Republika Srpska.

II.5.4.2 Income from professional services and other independent personal services

Professional services and other independent personal services are services provided in the context of independent professions such as lawyers, physicians, dentists, architects, engineers, accountants, business consultants, teachers, writers, scientists, personally and not through an entity, irrespective of whether the individual is registered as Entrepreneur or not. Foreigner who provides such service in or from Bosnia & Herzegovina for a short period of time is not likely to become its tax

resident. Nevertheless, Republika Srpska/Federation Bosnia & Herzegovina has the right to tax such income to the extent the income can be attributed to a “fixed base” the individual maintains on the Bosnian territory. “Fixed base” is a place such as office, hotel room, apartment, meeting room or alike which is available to the individual for use on a regular basis for the purpose of providing the service. Some of B&H’s double taxation treaties require that such “fixed base” is maintained for a period of at least 183 days within a calendar year. Some other double taxation treaties provide that the taxing jurisdiction within B&H (Republika Srpska or Federation Bosnia & Herzegovina) has the right to tax income from independent personal services provided in or from such jurisdiction even if the non-resident service provider has no “fixed base” in the country but is present there for 183 or more days in any 12-month period or in a tax year.

Income earned by non-residents providing professional services or other independent personal services in or from Bosnia and Herzegovina is taxed either as regular income from self-employment (Sections II.2.1.1 and II.2.1.2) or as income of “freelancers” (Sections II.3.1 and II.3.2), depending on whether the foreigner is registered Entrepreneur in Republika Srpska or Federation Bosnia & Herzegovina or not (situations where one is registered Entrepreneur but still a tax non-resident are less likely to occur in practice).

II.5.5 Social security treaties

Bilateral social security treaties ensure coordinated application of national social security laws of the treaty countries to individuals who are subject to such laws and who relocate from one treaty country to another for the purpose of employment or provision of professional or other independent personal services. In particular, social security treaties contain rules on the applicability of national social security laws to certain cross-border workforce mobility situations.

The basic principle is that social security laws of the country in which employment is constituted, or professional or other independent personal services provided, apply to the individual in question. However, certain number of treaties have an exception for seconded employees (i.e. employees employed in a foreign country and sent by their foreign employer to work in B&H for a certain limited time) and for individuals who carry out professional and other independent personal services. The exception ensures that the social security laws of the foreigner’s home country remain applicable to the foreigner for a certain period of time after their relocation to B&H (most commonly for the first 24 months in case of seconded employees and first 12 months in case of professional and other independent personal services providers). Under most of the social security treaties, this period can be extended in case of unforeseen circumstances, subject to the consent of the relevant B&H authorities. This practically means that during the exempted period, no SSCs are payable in the B&H jurisdictions on B&H-sourced income of such individuals.

II.5.5.1 B&H’s double taxation treaties and social security treaties

B&H has double taxation treaties with the following 38 countries:

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

B&H has social security treaties with the following 23 countries:

Austria	Montenegro
Belgium	Netherlands
Bulgaria	Norway
Croatia	Poland
Czech Republic	Serbia
Danmark	Slovakia
France	Slovenia
Germany	Sweden
Hungary	Switzerland
Italy	Turkey
Luxembourg	United Kingdom
Macedonia	

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