

## THE DEBATE ON CONTRIBUTIONS AND PERSONAL INCOME TAX IS NOW OPENED

On October 4, 2017, The Federal Ministry of Finance in Federation of Bosnia and Herzegovina (**FBiH**) has announced the opening of the public debate on drafts of the Law on the Contributions and the Law on Personal Income Tax, adopted on the 21st session of the House of Peoples of the Parliament of Federation of Bosnia and Herzegovina held on September 21, 2017. The public debate is opened until January 1, 2018, which is also the deadline for delivery of comments and suggestions.

### LAW ON CONTRIBUTIONS

Some of the major novelties and changes foreseen by the draft of the new law on contributions are:

- abolishment of the obligation for payment of contributions in the name of the employer;
- extended list of tax payers (e.g. directors on the basis of the "managerial agreement");
- extended monthly base for calculation of contributions, now including also other compensations from dependent work, hot meal allowance, commuting allowance, vacation compensation, as well as all other income on the basis of the compensations, benefits, premiums, supports, bonuses, awards, daily allowance, field allowance and severance above the non-taxable amounts;
- contributions for mandatory pension and disability insurance shall be calculated at the rate of 18,5%, mandatory health insurance at the rate of 13,5 % and unemployment insurance at the rate of 1%.

It should be especially emphasized that according to the new law, the organization for internal payment transactions is obliged to reject the execution of the payment order for payment of salaries if the employer did not simultaneously submit the payment orders for the payment of the contributions. Furthermore, such behavior is sanctioned and a misdemeanour fine in the range between BAM 20,000 to BAM 200,000 is prescribed. Furthermore, the organization for internal payment transactions is under obligation to deliver to the Tax Administration of FBiH daily reports on rejected orders for payment of salaries without payment of contributions.

The draft law foresees draconian fines for the violators in the range from BAM 1,500 to BAM 200,000.

### LAW ON PERSONAL INCOME TAX

Some of the major novelties and changes foreseen by the draft of the new law on personal income tax are:

- new methodology of calculation and new rates (personal income tax rate of 10% for the income up to BAM 800 and 20% for the difference between the income over BAM 800);
- the amount of personal deduction (BAM 8,400 for the tax period for which the tax payment obligations have been established);
- taxation of the income from the transfer of shares and securities, in-rem rights on real estate, company shares and investment funds shares;
- misdemeanour fines in the range between BAM 2,000 to BAM 70,000.

Our team will be pleased to assist if you would like to participate in the public debate or if you have any questions.

### About WOLF THEISS

Wolf Theiss is one of the leading law firms in Central, Eastern and Southeastern Europe (CEE/SEE). We have built our reputation on a combination of unrivalled local knowledge and strong international capability. We opened our first office in Vienna almost 60 years ago. Our team now brings together over 340 lawyers from a diverse range of backgrounds, working in offices in 13 countries throughout the CEE/SEE region.

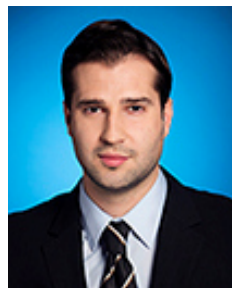
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