

## LAW ON AMENDMENTS TO THE CORPORATE INCOME TAX LAW

### Article 1

In the Corporate Income Tax Law (Official Gazette of the Republic of Srpska, No. 94/15) Article 3 is changed and shall read:

„(1) In accordance with the provisions of this Law, a taxpayer is:

1) a legal person resident of the Republic of Srpska, for profit obtained from any source in the Republic of Srpska, Federation of Bosnia and Herzegovina, Brčko District of BiH or abroad,

2) a business unit of a legal person from the Federation of Bosnia and Herzegovina or Brčko District of BiH that is registered on the territory of the Republic of Srpska, for profit obtained from the sources from the Republic of Srpska,

3) a legal person from the Federation of Bosnia and Herzegovina or Brčko District of BiH obtaining income from immovable property located in the Republic of Srpska,

4) a non-resident performing business activity and having a permanent place of business for profit obtained from sources in the Republic of Srpska and

5) a non-resident, for profit i.e. income obtained from the sources in the Republic of Srpska.

(2) Taxpayer is a legal person referred to in paragraph 1, point 1, 2, and 3 of this Article even in case of loss from its business in that fiscal year.

### Article 2

After Article 3, Articles 3a and 3b are added and shall read:

#### „Article 3a

(1) Resident of the Republic of Srpska, in accordance with the provisions of this Law, is a legal person that fulfills one of the following requirements:

1) place of the legal person is registered in the Register of Business Entities in the Republic of Srpska or

2) place of the actual business administration and the business supervision of the legal person is on the territory of the Republic of Srpska.

(2) Non-resident is a person whose residence, i.e. the place of actual business administration and the business supervision is outside the territory of Bosnia and Herzegovina.

### Article 3b

(1) Corporate income from the source in the Republic of Srpska includes corporate income based on:

- 1) activities performed by a resident in the Republic of Srpska,
- 2) activities performed by a non-resident through a permanent place of business in the Republic of Srpska,
- 3) immovable property and the right on immovable property located in the Republic of Srpska,
- 4) selling of immovable properties located in the Republic of Srpska,
- 5) selling of movable properties in case it took place in the Republic of Srpska,
- 6) allocation of corporate income (dividends and shares in profit) acquired by a resident or a permanent place of business in the Republic of Srpska,
- 7) capital gains from the transfers of securities, share in the capital in residential tax bonds or a permanent place of business of the Republic of Srpska,
- 8) income paid by the resident taxpayer or a permanent place of business in the Republic of Srpska,
- 9) compensations based on copyright, rights related to copyright or industrial property right and compensations from lessee paid by the resident taxpayer or a permanent place of business in the Republic of Srpska and
- 10) services paid by the resident taxpayer or a permanent place of business in the Republic of Srpska.

(2) Other incomes are considered corporate incomes in the Republic of Srpska if they accumulated by performing activities in the Republic of Srpska.

### Article 3

In Article 7, point 2) is changed and shall read:

“2) income in the form of interest or its functional equivalent in debt securities issued by the Republic of Srpska or its local self-government unit,”

Point 3) shall be deleted.

Current points 4), 5), 6) and 7) shall hereafter become points 3), 4), 5) and 6).

### Article 4

In Article 9, point 12) after the word “basis”, word “and” is deleted and comma shall be added.

In point 13) after the word “stocks”, word “and” is added and point 14) is added and shall read:

“14) expenses due to decrease in value of goodwill”.

### Article 5

Article 12 is changed and shall read:

“(1) Expenses of the depreciation of fixed assets shall be recognised on a yearly basis during the calculation of the tax base by applying proportional method on the individual assets with the following depreciation rates on the group of assets:

- 1) immovable properties and plants – 3% and
- 2) tangible assets, except software – 10%-

(2) Base for the calculation the depreciation of fixed assets referred to in paragraph 1 of this Article is the purchase value determined in accordance with the regulations governing accounting.

(3) Expenses of the depreciation of fixed assets shall be recognised on a yearly basis during the calculation of the tax base by applying degressive method on the groups of assets with the following depreciation rates on the groups of assets:

- 1) computers, information system, software and servers – 40% and
- 2) equipment and other asset – 20%.

(4) Base for the calculation of the depreciation of the fixed assets referred to in paragraph 3 of this Article represents non-depreciated value of the group of assets in the tax period where the value of the group of assets:

1) increased by the purchase value of assets, by the amount of the investment in improvement, renovation and reconstruction of fixed assets in the group, if the stated amount of investments include purchase value of each asset in accordance with the regulations governing accounting.

2) decreased by the selling price of the disposed assets and compensation received for the loss of assets and

3) decreased by the remaining (non-depreciated) amount of obligations of the financial lease in case of breaking of the contract of the financial lease before the scheduled deadline.

(5) In case the base for the calculation of the depreciation of fixed assets referred to in paragraph 3 of this Article is less than a zero, that negative amount is added to the tax base and the base of the depreciation is set to zero.

(6) In case individual fixed assets referred to in paragraph 3 of this Article are written-off expenses on that base shall not be recognized in determining the tax base.

(7) In case the base for the calculation of the depreciation of the fixed assets is less than BAM 1 000, that amount shall be recognised, fully as an expense when determining the tax base.”

## Article 6

After Article 12, Article 12a is added and shall read:

### “Article 12a

(1) In terms of this Law, fixed assets shall include tangible assets (immovable property, plants, equipment and biological assets) and intangible assets other than goodwill, the useful life of which is longer than 12 months.

(2) Land, forests and similar renewable natural resources, investment assets, cultural monuments and works of art shall not be subject to depreciation.

(3) Depreciation shall be tax deductible expense only for the assets owned by the taxpayer, notwithstanding whether the taxpayer acquired the assets by a financial lease, depreciation of those assets shall be recognised.

(4) Tax expenses shall not be recognised for the depreciation assets not used for the performance of taxpayer's activity.

(5) Depreciation calculated on a written-off base of asset referred to in Article 12, paragraph 1 of this Law, shall not be recognised as tax expense.

(6) Carrying value of the fixed assets referred to in Article 12, paragraph 1 of this Law, destroyed by natural disasters (flood, fire, earthquake, etc.) declared by an act of the competent authority, which may not be used to perform the activity shall be a tax deductible expense.

(7) Inventory commission of the competent authority shall determine the assets destroyed by natural disasters by inventory, and prepare the report and the inventory list about the conducted inventory.

(8) The Minister shall issue a rulebook prescribing guidelines for the tax treatment of the depreciation of the fixed assets.”

#### Article 7

After Article 14, Article 14a is added and shall read:

##### “Article 14a

(1) Notwithstanding Article 14 of this Law, expenses of interests shall not be recognised in tax balance for the amount in which net expenses of interests exceed 30% of the tax base, and which do not include income and expenses based on interest.

(2) Net expenses of interests, in terms of paragraph 1 of this Article, shall represent positive difference between expense and income based on interest.

#### Article 8

Article 21 is changed and shall read:

“(1) The impairment of doubtful claims which arise in connection with the sale of goods or services shall be recognised as expense to taxpayers, except for financial institutions, but only if the proceeds from the sale were previously included in the tax base of the taxpayer in the following way:

- 1) up to 25% of the amount of claim, older than 12 months,
- 2) up to 50% of the amount of claim, older than 18 months and
- 3) up to 75% of the amount of claim, older than 24 months.

(2) Notwithstanding paragraph 1 of this Article, doubtful claim shall be recognised fully as the expense if not collected within the period of 12 months from the due date for payment of claims and if the taxpayer has taken at least one of the following measures for the collection of the claim:

- 1) submitted a lawsuit for the claim,
- 2) submitted a request for the execution at the competent court,
- 3) started the procedure of enforced collection,

4) reported the claim in the bankruptcy proceedings against the debtor, or  
5) reached an agreement with the debtor in the process of liquidation or bankruptcy.  
(3) Doubtful claims recognised as expenses, which are later collected, shall be included in the tax base for the tax year of collection.”

#### Article 9

In Article 24, paragraph 3 is changed and shall read:

“3) Capital gains and losses arising during a tax year shall be recognised when determining the tax base, if they are not included in incomes, i.e. expenses and if they do not refer to the fixed assets referred to in article 12, paragraph 3 of this Law”.

#### Article 10

In Article 26, paragraph 1 is changed and shall read:

“(1) A taxpayer that invests, in the territory of the Republic of Srpska in property, plants and equipment for performance of a registered manufacturing activity that has the value of more than 50% of earned income (tax base) of the current tax period shall have 30% reduction on corporate income tax.

#### Article 11

Article 27 shall be deleted.

#### Article 12

In Article 37, paragraph 3 and in the rest of the text of the Law, words: “foreign legal person” are replaced with a word: “non-resident” in the appropriate case.

#### Article 13

In Article 38, after paragraph 1, paragraph 2 is added and shall read:

“(2) Notwithstanding paragraph 1 of this Article the annual report for withholding tax return shall be submitted no later than 30 days after the end of the tax year“

Current paragraph 2 shall hereafter become paragraph 3.

#### Article 14

In Article 43, paragraph 2, point 3) words: “foreign legal person” are replaced with words: “in legal person”.

#### Article 15

In Article 44, paragraph 1 before the word: “Tax” in the beginning of the text, number: “1” in closed parenthesis shall be deleted.

Paragraph 2 shall be deleted.

#### Article 16

In Article 45 before the word: “Tax” in the beginning of the text, number: “1” in closed parenthesis shall be added.

In paragraph 1, point 5) is changed and shall read:

“5) for professional, scientific, technical and educational services (market research, advertising and promotion, management, consulting, tax and business consulting, audit, accounting and legal services, education and similar services)”,

After paragraph 1, paragraph 2 and 3 are added and shall read:

“(2) Apart from the requirement of paying the tax referred to in paragraph 1 of this Article, withholding tax shall be paid on the income from services paid by the resident of the Republic of Srpska to the resident of a country which did not conclude a double taxation avoidance agreement with Bosnia and Herzegovina.

(3) Withholding tax shall be paid even in cases where the payment of the income referred to in paragraph 1 and 2 of this Article to a non-resident is conducted by other means, apart from money.”

#### Article 17

In Article 46, point 3) is changed and shall read:

“3) income in the form of an interest or its functioning equivalent on debt securities issued by the Republic of Srpska or its local self-government units.”

#### Article 18

In Article 50, paragraph 1 is changed and shall read:

“(1) If a legal person – resident of the Republic of Srpska acquires income abroad, and the income is liable to taxation both in the Republic of Srpska and abroad, then the tax paid abroad shall be deducted from the corporate income tax of the resident of the Republic of Srpska.”

#### Article 19

Article 52 is changed and shall read:

“(1) If the income of a non-resident acquired in the Republic of Srpska, according to the provisions of the double taxation avoidance agreement, is taxed only in the country of the non-resident, payer of the income – the resident of the Republic of Srpska is required to acquire Certificate of residence for the user of income – non-resident, that had been issued by a competent authority of the country using the income and that is not older than a year.

(2) If on the income of a non-resident acquired in the Republic of Srpska is applied lower or the same tax rate in relation to the tax rate stated in the Article 44 of this Law, based on the double taxation avoidance agreement, payer of income – resident of the Republic of Srpska is required to provide proofs referred to in paragraph 1 of this Article, as well as certified statement

on the income and user of income on the form prescribed by the Minister, to the Tax Administration.

(3) Payer of income is required to have, in its archive, proofs referred to in paragraph 1 and 2 of this Article and provide those proofs to the Tax Administration when filing for tax return of withholding tax.

(4) The Minister shall issue a rulebook on the conditions and manner of taxation of withholding tax.

#### Article 20

In Article 61, point 2) is changed and shall read:

“2) Rulebook on depreciation of fixed assets in tax purposes (Article 12a, paragraph 8),”.

Point 5) is changed and shall read:

“5) Rulebook on conditions and manner of taxation of withholding tax (Article 52, paragraph 4).”.

#### Article 21

After Article 61, Article 61a is added and shall read:

“Article 61a

Base for the calculation of depreciation of fixed assets referred to in Article 12, paragraph 3 of this Law when forming groups of assets is their book value on the 1 January 2017.”

#### Article 22

This Law shall be published in the Official Gazette of the Republic of Srpska, and enter into force on 1 January 2017.

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President of the  
National Assembly  
**Nedeljko Čubrilović**