

FR EN

We use cookies to make your connection secure and make statistics about the number of visits. In order to get more information about cookies and find out how to refuse them, [visit our cookie policy page](#).

[Cookies settings](#)

REQUIRED ONLY

ACCEPT  
ALL

## BUSINESS ENVIRONMENT

### THE CONSUMER

#### Consumer Profile

The per capita income in the country is significantly less than in other European countries (USD 6,730 in 2021 - IMF). Unemployment remains high (17.5% of the total labour force in 2021 - IMF), including among heads of households, while rural household income is low. These factors limit the growth potential of certain markets and increase price sensitivity. The CPI or cost of items has been on the rise since the global recession and is now significantly higher than it was in 2005 (nevertheless, the price level of goods and services in Bosnia and Herzegovina is relatively low due to the low cost of labour). The Bosnian consumer is mainly focused on buying basic commodities. The informal sector is still considered to be substantial. However, with Bosnia and Herzegovina's path towards EU accession, the movement of goods between the EU and the country may rise significantly.

The median age in Bosnia and Herzegovina is 43.1 years (United Nations, 2020). The population is currently declining and ageing, increasing the number of single-person households, although couple-with-children households remain dominant. Urbanization is continuing, with over 48.6% of the population now living in urban areas in 2019 (World Bank, latest data available).

#### Consumer Behaviour

Bosnia appears as one of the least economically developed European countries. Household consumption accounts for a significant share of Bosnia and Herzegovina's GDP: more than 75% in 2019 (World Bank, latest data available). Most household spending is oriented towards commodities. Other consumption sectors are developing with difficulty.

Ever since 2017 the consumer price index increases progressively reaching 104.8 in 2019 (World Bank, latest data available). The main marketing technique in the country is direct response marketing. However, the spread of credit cards allows the development of other media such as sales catalogues, advertising on television, radio, in the press. E-commerce is starting to develop in Bosnia. In 2019, 69.9% of the population used the internet (World Bank, latest data available).

Most consumers prefer to pay in monthly instalments, even low-cost products. For the sale of capital goods, customer service and sales services are essential for maintenance and training. For consumer goods, consumers prefer domestic products. Flagship products focus on creating permanent contact with consumers and aggressive promotions.

#### Consumers Associations

[Consumers International](#)

## IMPORTING & DISTRIBUTING

---

### Import Procedures

Imports must be accompanied by a customs declaration, completed in one of the three official languages of BiH (Bosnian, Serbian, or Croatian), and submitted by the person named on the waybill or an authorized representative. The declaration must be accompanied by any relevant documents (invoice, shipping documents, and quality control certificates). The customs office may inspect the goods and take samples to determine that the goods correspond to the information on the customs declaration.

Once the customs office determines the amount of customs duty, the importer is required to obtain a guarantee covering the customs duty with the Customs Authority in the form of a cash deposit or a bank guarantee. The goods cannot be placed in circulation until customs duties have been paid or the payment has been guaranteed.

No customs duty is levied on equipment imported as part of the share capital. This exemption does not apply to passenger vehicles, slots and gambling machines. Foreign investors should submit a written request for custom duty exemption beforehand to the competent customs authority (according to the location of the company) with additional documentation.

For more information, please visit the website of [Bosnia and Herzegovina Customs procedures](#).

### Distribution market players

The most significant development in the retail market is the emergence of large distributors, most of whom are foreigners, Konzum (Croatian supermarket chain), Interex (French supermarket chain), and local distribution companies including MIMS Group, Tropic Centar, Bingo, and Robot Komerc. In addition, the continued expansion of the shopping centre concept - including the major newcomer, the Sarajevo City Center Shopping Centre which opened in 2014 - has changed consumer habits. There are currently 46 chains in the entire distribution sector in Bosnia and Herzegovina, the fashion and clothing segment having the highest share with a total of 10 chains (Retail Index, latest data available).

The market share of small (individual) retailers has fallen since the introduction of larger retailers. The biggest two retailers in Bosnia and Herzegovina are the domestic [Bingo](#) and regional [Konzum](#), both of which have led to consolidation in the grocery sector. Their market share among grocery retailers was respectively 17% and 16%. Among non-grocery retailers, [Phoenix](#), [dm-Drogerie Markt](#) and [CM-Cosmetic Market](#) lead the pack. Non-store retailing (e.g. e-commerce, mail-order) is led by [Avon Cosmetics BiH](#), [Studio Moderna](#) and [Oriflame Kozmetika](#) (Source: Euromonitor International, latest data available).

---

## OPERATING A BUSINESS

### Type of companies

#### Limited Liability Company (D.O.O.)

**Number of partners:** One or more persons.

**Capital (max/min):** Minimum BAM 2,000

**Shareholders and liability:** Liability is limited to the amount contributed.

#### Joint-Stock Company (D.D.)

**Number of partners:** Two or more shareholders.

**Capital (max/min):** Minimum BAM 20,000 for closed joint-stock companies; minimum BAM 50,000 for open joint-stock companies.

**Shareholders and liability:** Liability is limited to the amount contributed.

### Limited Partnership

**Number of partners:** Minimum two.

**Capital (max/min):** No minimum capital.

**Shareholders and liability:** There must be at least 1 partner with full liability (including private property) and at least 1 partner with limited liability.

### Representative Office

**Number of partners:** No minimum.

**Capital (max/min):** No minimum capital.

**Shareholders and liability:** A representative office does not have the status of a legal entity - It may only engage in non-profit making activities: market research, promotional and informative activities, representing the company. A representative office is restricted from signing contracts on behalf of the parent company (with the exception of foreign airlines representative offices).

Setting Up a Company	Bosnia and Herzegovina	Eastern Europe & Central Asia
Procedures (number)	13.0	5.3
Time (days)	80.0	11.8

Source: *Doing Business* - Latest available data.

### Cost of Labour

#### Minimum Wage

In 2020, Bosnian government raised the minimum wage to BAM 520 per month (Cleiss).

#### Average Wage

In 2020, the average gross monthly salary was BAM 1,472 according to the Federal Statistical Office of Bosnia and Herzegovina.

### Social Contributions

**Social Security Contributions Paid By Employers:** For the Federation of Bosnia and Herzegovina, the employer contributes 10.5% of the gross wage of the employee to the social security. In the Republic of Srpska, no contribution is paid.

**Social Security Contributions Paid By Employees:** The employee contributes 31% to the Federation of Bosnia and Herzegovina or 32.8% to the Republic of Srpska. Employees in the Brcko District can either choose the fund of the Federation of Bosnia and Herzegovina or fund of the Republic of Srpska.

### Intellectual Property

#### National Organisations

The [Institute for Intellectual Property](#)

## International Membership

Member of the WIPO (World Intellectual Property Organization)

Signatory to the Paris Convention For the Protection of Intellectual Property

## TAX RATES

---

### Consumption Taxes

#### Nature of the Tax

Value-Added Tax (VAT) or Porez na dodatu vrijednost (PDV).

#### Tax Rate

17%

#### Reduced Tax Rate

Certain transactions are exempt from VAT, including: public postal services, except telecommunications services; medical and healthcare services; social security services; services of education; services in the field of sport and sports education, which are supplied to individuals by the persons whose activity is not focused on the acquisition of profit; insurance and reinsurance services; the supply of immovable property, except for the first transfer of the ownership rights or the rights to dispose of newly-constructed immovable property; the leasing and sub-letting of residential premises for a period of longer than 60 days; financial services (the approval and management of credits; services relating to the management of deposits, savings and bank accounts, conducting payment transactions, trading in shares or other forms of participation in companies; investment fund management); current postage stamps, tax stamps, and administrative and court stamps, and games of chance; the supply of vessels with fuel and other goods used for sea rescue and assistance at sea and for navigation on the high seas which transport passengers for consideration or which are intended to perform commercial, industrial or fishing activities; the purchase, repair, and lease of aircraft used by airlines for flights on international routes, the supply of fuel and other goods to the mentioned aircrafts.

Exports are zero-rated (however, the exporting taxpayer is entitled to request a refund of VAT paid on his purchases).

#### Other Consumption Taxes

There are excise taxes on oil products (BAM 0.3 or 0.4 per litre), tobacco products, soft drinks (BAM 0.1 per litre), alcohol drinks (between BAM 8 and 15 per litre of absolute alcohol, special rate for beer and wine - between BAM 0.2 and 0.25 per litre) and coffee (between BAM 1.5 and 3.5 per kg).

### Corporate Taxes

#### Company Tax

10%

## **Tax Rate For Foreign Companies**

Residents are taxed on their worldwide income whereas non-residents are taxed on their Bosnia-sourced income. Non-residents will be liable for personal income tax based on the entity in which they earn income.

## **Capital Gains Taxation**

Capital gains are taxed as profit at the standard corporate income tax rate of 10% (those obtained by residents and non-residents alike). Capital gains or losses realised during the fiscal year can be offset.

## **Main Allowable Deductions and Tax Credits**

Depreciation of property, plant and equipment and intangible assets is tax-deductible, albeit at variable rates in the Federation of Bosnia and Herzegovina (5% to 40%), the Republika Srpska (3% to 40%) and the District of Brcko. Goodwill cannot be amortised in any of the territories.

Start-up and interest expenses are generally deductible across the country (net interest expenses are not deductible in the Republika Srpska if they exceed 30% of the tax base). Bad debts are also deductible in the three entities, although under different conditions and at different rates. Donations to charities are deductible up to 3% of the total income of the current fiscal year.

Fines are not deductible while the taxes due are all deductible, with the exception of corporate income tax.

Entertainment expenses are deductible up to 30% in the three territories. Sponsorship expenses up to 2% of the fiscal year's total revenue are tax-deductible (3% in FBiH).

Tax losses can be carried forward up to five years, on a FIFO basis. The carryback of losses is not permitted.

## **Other Corporate Taxes**

Locally collected taxes vary from one community to another. There are no social security contributions payable by the employer in Republika Srpska while the employer contributes up to 6% of salary for retirement and disability insurance, 4% for health insurance and 0.5% for unemployment insurance in the Federation of Bosnia and Herzegovina. Employees in Brcko District may choose to be assigned to the social security scheme in one of these two entities. There is no other payroll tax in all communities.

The property tax varies from one municipality to another (between BAM 0.5 and 3 per square metre) in the Federation of Bosnia and Herzegovina. It amounts to 0.2% of the market value of the property in Republika Srpska. In Brcko District, the annual rate is between 0.05% and 1%.

Real estate transfers are taxed only in the Federation of Bosnia and Herzegovina, at rates varying from one municipality to another from 0.05% to a maximum of 5%.

The following taxes are levied in all of the territories: forest tax, fire prevention tax, stamp duty, membership fees to the Foreign Chamber of Commerce, communal tax (called special republic tax in the Serbian Republic of Bosnia-Herzegovina).

A tourist tax is also levied in the Federation of Bosnia and Herzegovina. A special republic tax is levied in Republika Srpska.

## **Other Domestic Resources**

[Consult the Doing Business website](#), to obtain a summary of the taxes and mandatory contributions.

## **Double Taxation Treaties**

### **Countries With Whom a Double Taxation Treaty Have Been Signed**

[See the list of double taxation agreements signed by Bosnia and Herzegovina.](#)

**Withholding Taxes**

Dividends: 5% (FBIH)/10% (RS) in case of a foreign corporation, otherwise it is 0; Interest: 10% in case of a foreign corporation, otherwise it is 0; Royalties: 10% in case of a foreign corporation, otherwise it is 0.
