



Tax&Legal Highlights

Bosnia and Herzegovina

Amendments to the Companies Act of Republic of Srpska

The Act on Amendments to the Companies Act ("Act") was published in the "Official Gazette of RS", number 100/17 on 3 November 2017. The Act enters into force on 10 November 2017.

The most important changes introduced by the Act are as follows:

- It is explicitly regulated that the share capital of each company type can be increased by converting creditor's receivables into company shares, without any limitations in regard to the share capital amount, in accordance with the law which regulates the restructuring and reorganizational process of the debtor in bankruptcy proceedings;
- Increase of share capital of a limited liability company, open and closed joint stock company by converting tax debt into company shares, is prohibited.

Taxpayers of the Federation of Bosnia and Herzegovina in the period January-October 2017 paid 3.977.813.673 BAM of direct taxes, contributions and fees

The Tax Administration of FBiH has published that the taxpayers of FBiH in the period from January to October 2017 have paid 3.977.813.673 BAM of public revenue for which the Tax Administration of FBiH is competent, which is 348.769.099 BAM more than in the same period in 2016 i.e. more than 9,61%.

In October 2017 public revenue in the amount of **406.995.008 BAM** was collected, which is **41.467.093 BAM** more (**11,34%**) than in October 2016.

In the period January-October 2017, compared to the same period in 2016, the total amount of paid direct taxes has increased for **181.779.763 BAM (15.51%)**.

From January to October 2017, compared to January to October 2016:

- Corporate income tax was paid in the amount of 305.091.619 BAM, which is 108.064.147 BAM or 54,85% more;
- Property tax was paid in the amount of 139.969.057 BAM, which is 2.855.305 BAM or 2,08% more;
- Other taxes have been paid in the amount of 1.318.469 BAM, which is 58.863 BAM or 4,76% more;
- Income tax has been paid in the amount of 329.335.381 BAM, which is more for 32.134.731 BAM or 10,81%.

In the period from January to October 2017 contributions for the pension and disability insurance, health insurance and unemployment fund have been collected in the amount of **2.619.655.657 BAM**, which, compared to the same period in 2016, represents an increase for **189.185.499 BAM** or **7,78%**.

The draft Bankruptcy Act was adopted in FBiH

On October 31 the 125th regular session of the Government of FBiH was held and, among other things, the draft Bankruptcy Act was adopted and sent to the parliamentary procedure.

It is a new Bankruptcy Act which regulates the pre-bankruptcy and bankruptcy proceedings, the legal consequences of their opening and processing, the reorganization of the bankruptcy debtor unable to pay on the base of the bankruptcy plan and international bankruptcy. Special attention was paid to disciplining the work of bankruptcy trustees as important participants of the process, on whose professional behavior the efficiency and timeliness of this procedure greatly depends.

The new Bankruptcy Act enables a timely initiation of the bankruptcy proceedings, financial and operative restructuring of the debtor, shortening the duration and reducing the cost of bankruptcy proceedings.

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The new act contains also a provision that regulates the pre-bankruptcy proceedings, whose aim is financial and operative restructuring of the business entities. In the pre-bankruptcy proceedings an illiquid company can conclude a deal with creditors for the purpose of an easier and more convenient settlement of financial liabilities. Therefore, the bankruptcy of a company is prevented and the company can continue its business activities, while the creditors would be paid faster than in the bankruptcy proceedings, which last longer and are more expensive.

It is prescribed that the Financial and Informatics Agency is authorized to initiate a misdemeanor proceedings against the bankruptcy debtor, i.e. the body authorized for the representation of the bankruptcy debtor if he or his representative body does not submit a proposal to open bankruptcy proceedings within 30 days from the occurrence of payment incompetence.

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