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LAW ON AMENDING THE RS LAW ON CORPORATE INCOME TAX

Official Gazette of Republic of Srpska No. 57/12

Article 1

In the Law on Corporate Income Tax ("Official Gazette of the Republic of Serbian", number 91/06) in Article 2 at the point n) words at the beginning of the point n) "permanent place of business" shall be replaced by the words: "The branch office of foreign legal entities (hereinafter referred to as the permanent place of business)."

At the same point in the point 2) point is replaced by a semicolon and adds it to the new point 3), which reads: "3) with the exception of the ways of determining a fixed place of business from the point n) under point 1) and 2) if an agreement on the avoidance of double taxation in a different way regulated permanent place of business in relation to the provisions of this Act, will be applied the provisions of that contract. "

Article 2

In Article 3 in paragraph 1 Point d) replaced by the following: "D) Foreign legal person obtaining revenue In Republic of Srpska which is not covered by point V) and g) of this paragraph, pays withholding tax in accordance with Chapter VII. this Law. "

After the first paragraph added a new paragraph 2, which reads: "(2) Taxpayer under a) and b) of this Article which concluded an agreement on the performance of operations with non-residents, and those jobs done through a fixed place of business, has duty to notify the Tax Administration of the Republic of Srpska about conclusion and essential elements of the contract within five days of his conclusion. "

Article 3

In Article 4 in paragraph 2 in point d) point is replaced by a semicolon and a new item đ), which states: "Đ) income realized by business activities in connection with the basic aim and basic activities of humanitarian organizations and public institutions."

After Article 14 added new articles. 14a. and 14b., which read: "Reduction of the tax journal entry for investment in manufacturing

Article 14a

(1) A taxpayer who in the territory of the Republic of Srpska invests in equipment, facilities and real estate to conduct its own registered manufacturing sector has the right to deduct the tax base for the value of the investment.

(2) Minister issues a decree where the list of activities is established, which are considered to be production ones from the Act 1 of this article, and within the 60 day from the enforcement of this Law Act.

- (3) Equipment and facilities under paragraph 1 this Article shall be considered equipment and machinery used directly in the process of production and processing
- (4) immovable property under paragraph 1 this Article shall be considered new buildings and the land under them that directly serve performing the operations from paragraph 2 this article.
- (5) Reduction of the tax base shall be in the tax period in which the equipment, facilities or immovable property under paragraph 1 this article has been activated.
- (6) The taxpayers not eligible to tax base deduction if the equipment, facilities or real estate are considered to be a gift.
- (7) For equipment, plant or immovable property procured through financial leasing, the tax base is adjusted by the value of lease principal repaid during the fiscal period.
- (8) If the taxpayer alienates or makes available for use equipment, plant or immovable property during three years after its putting into use, they lose the right to tax relief and must pay the tax as if the reduction has not been applied in the calculation of the base

Article 14b **Impairment of the tax base for employment**

- (1) Tax base for the profit tax is adjusted also by the amount of tax paid on income and contributions for the newly employed workers, minimum 30 new workers during one business year for the period of three years from the day of employment of those workers.
- (2) Entitled to a reduction of the tax base under paragraph 1 of this Article, the taxpayer can be realized if employ the staff who are registered with the Employment Service of the Republic of Srpska.
- (3) The right to a reduction of the tax base from the first paragraph this Article will be achieved at the end of the tax period, in a year in which they are employed employees, and after Tax Authority asserted that the registered the Unified Registration System, collection and control for the contribution of that taxpayer is 30 employees more than at the end of the previous tax period.
- (4) New employees within the meaning of paragraph 1 this article considers the worker who concluded a contract for an indefinite period, in accordance with labor legislation
- (5) New employees within the meaning of paragraph 1 shall not consider the workers who were employed in the parent or subsidiary legal entity of taxpayer.
- (6) If the taxpayer fails to keep the number of employees a based on which qualify for the deduction, for at least three years from the year in which they are employed, it loses the right under paragraph 1 this Article, and he will be obliged to calculated and paid the tax that would have been paid if did not use the right to reduce his tax base with the corresponding interest in accordance with law. "

Article 5

In Article 28 in paragraph 2 after point f), added a new item e), which states:
"E) interest rates for credits and loans used for investing in equipment, facilities and real estate within the meaning of Article 14a. of this law. "

Article 6

In Article 45 words: "Law on Tax Administration" replaced by the words "the law governing tax procedure and tax violations."

Article 7

In Article 46 words: "Law on Tax Administration" replaced by the words "the law governing tax procedure and tax violations."

Article 8

After Article 48. Added a new Article 48a., which reads: "Article 48a.
Reduction of the tax base under Article 14a. this law, can not be realized by investing in equipment, plant or real estate made before the effective date of this article, regardless the time when the equipment, facilities or real estate placed into use.

Article 9

Article 49 deleted.

Article 10

This law shall enter into force eight days after its publication in the "Official Gazette of the Republic of Serbian", except for the provisions of Article 14a., which enters into force on 1 January 2012th year.

No. 01-868/12 President
6th April 2012th The National
Assembly, Banja Luka Mr. Igor Rado
ji čić, v.r.

