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## LAW ON FREE ZONES IN REPUBLIC OF SRPSKA

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### I - GENERAL PROVISIONS

#### **Article 1**

This Law, in accordance with the Law on Free Zones in BiH ("BiH Official Gazette" No. 3/02 and 13/03), hereinafter: the Law BiH, shall lay down conditions for founding and running of the Free Zone or a zone that forms its integral part (hereinafter: the zone), activities within the zone, terms and conditions for performing these activities and conditions for closure of the zone.

In terms of issues not covered by this Law, provisions of the Law BiH shall apply.

#### **Article 2**

The zone shall cover a part of RS territory specially fenced and sign posted and activities defined by the Law BiH shall be carried out within its compound.

#### **Article 3**

The zone can be established by both foreign and local legal and physical entities (hereinafter: the zone founders).

#### **Article 4**

Company managing the zone can be established by the zone founders and other local and foreign legal and physical entities.

#### **Article 5**

The zone user shall be the zone founder and /or local and foreign legal and physical entity working within the zone.

#### **Article 6**

According to the Law, activities threatening to environment, people's health, properties and State security shall not be permitted.

#### **Article 7**

Legal rights of zone founders, the zone managing company and zone users laid down by this Law cannot be curtailed by any other law or regulation.

Zone user's property cannot be subject of nationalisation or expropriation.

### **Article 8**

Zone user has right to employ workers from abroad freely unless otherwise prescribed by the RS Labour Law.

### **Article 9**

Zone user, being a foreign investor under the Law on Foreign Investments, shall have equal property rights in terms of real estate as those enjoyed by local legal and physical entities.

### **Article 10**

Zone user shall be taxed according to the RS tax legislation.

## **II - ESTABLISHING THE ZONE**

### **Article 11**

Establishment of the zone shall be deemed to be a procedure of drawing documents on establishment of the zone, establishment of the zone management company and getting approval of RS Government that zone can be established in a particular area of RS territory.

### **Article 12**

Zone can be established in the area within airport or river port open for international transport or by the motorway or the main railroad.

### **Article 13**

The Zone can be one exclusively separated area - a sub zone, which shall form a commercial and organisational unit of the zone.

### **Article 14**

Zone shall be established if it is economically viable, if goods and services have been exported and if location, buildings, energy and technical conditions, conditions in terms of protection of environment and other conditions necessary for smooth running of the zone have been laid down by the law.

Zone founders shall issue a document on establishment of the zone containing name of the founder, name of the zone, locality of the zone and activities to be carried out within the zone.

Founding document of the zone managing company shall contain provisions prescribed by the Law BiH, this Law and regulations regulating founding of a company.

## **Article 15**

Zone managing company shall lodge a request to the RS Government through the Ministry competent for urban planning (hereinafter: competent Ministry) for the approval of location (area) and conditions of the free zone or a zone within its compound (hereinafter: approval), i.e. sub zone.

Together with request from Para 1 of this Article, zone managing company shall submit:

1. Act on founding of the zone, i.e. sub zone,
2. documents indicating location of the zone,
3. feasibility study on economic viability of the zone, i.e. sub zone with estimated amount of foreign investment and expected benefit,
4. proof that zone managing company, i.e. founder of this company has, on any grounds, the right of use of land on which the zone or sub zone shall be established.
5. proof that location, buildings, energy and technical conditions, conditions in terms of protection of environment and other conditions necessary for smooth running of the zone or sub zone will be ensured,
6. opinion in terms of establishment of the zone provided by the competent Municipal authority, i.e. town in which territory this zone is to be established.

The Government shall not be bound by the opinion from Item 6.

## **Article 16**

The RS Government, at the proposal of the competent Ministry containing, in particular, opinion on concordance with urban planning and opinion on protection of environment, shall give an approval from Article 15 within 60 days of the day request has been duly lodged.

This approval shall cease to be valid in the event the zone, i.e. sub zone has not started operating within two years from the day approval has been granted.

Approval shall cease to be valid if:

- applicant - zone managing company has withdrawn request,
- zone managing company has ceased to exist (bankruptcy or liquidation)
- zone managing company has stopped operating.

Government shall deliver Decision on cessation.

### **III - ZONE ACTIVITIES**

## **Article 17**

Zone managing company shall perform, in particular, the following activities:

1. organise and provide conditions for construction according to the Law, maintain and provide space, infrastructure and technical conditions for smooth running of business within the zone and ensure protection of the environment,
2. manage the zone as follows: decide upon applications for certain activities within the zone, ensure internal order within the zone, entering and exiting the zone, provide conditions for customs control, inspection and other control, ensure protection of environment within the zone and set tariff for the use of space in the zone,
3. Provide expert and other services of interest to the zone users together with other jobs according to the zone founding act.

#### **Article 18**

Zone managing company shall lay down rules regulating the way zone is used for conducting activities and regulate internal order in the zone.

Document regulating the zone order shall be published in the "RS Official Gazette".

Zone managing company and zone user should regulate their mutual rights and obligations by way of written agreement certified at the Municipal administration authority.

#### **Article 19**

Export of goods and services from the zone and import of goods and services into the zone shall be duty free according to foreign trade and customs regulations.

#### **Article 20**

Zone user shall be obliged to facilitate customs control measures and keep mandatory records of goods imported, i.e. entering zone or exported, i.e. leaving zone or goods that shall be used within the zone.

#### **Article 21**

For persons entering or leaving zone the same regulations as for crossing customs line shall apply.

#### **Article 22**

Transactions between zone users and zone managing company and in foreign trading shall be duty free and shall be conducted as agreed in the contract and within agreed time limit.

#### **Article 23**

Investment of capital within zone area, profit transfers and re-transfers of capital shall be duty free.

#### **Article 24**

Zone user and zone managing company can keep foreign currency earned in the zone on foreign currency account opened with a commercial bank within zone or any other commercial bank and can use it without restrictions.

#### **Article 25**

Banks and other financial organisations, insurance and re-insurance companies as well as branch offices of foreign banks and insurance and re-insurance companies property of foreign entity can be established within the zone according to regulations governing banking system and insurance and re-insurance business activities.

#### **Article 26**

There shall be no restrictions in terms of taking foreign loans for business activities within the zone, i.e. creating conditions for business activities in the zone as well as giving loans to local and foreign legal entities.

#### **IV - LAW IMPLEMENTATION CONTROL**

#### **Article 27**

Except for competent customs house and Ministries of RS Government, control of implementation of this law shall be conducted by competent inspection authorities.

#### **V - PUNITIVE CLAUSES**

#### **Article 28**

Zone managing company shall be fined with cash fine from 500 KM to 5000 KM for the offence for:

- failing to sign with the zone user a written agreement on mutual rights and obligations (Article 18 Para 3).

Person in charge of the zone managing company shall be fined with cash fine from 100 KM to 1000 KM for the offence from Para 1 of this Article.

#### **VI - CLOSING PROVISIONS**

#### **Article 29**

On the day this Law shall enter into force the Law on Free Zones ("RS Official Gazette", No. 21/96) shall be made null and void.