
**LAW ON FREE ZONES
IN FEDERATION OF BOSNIA AND HERZEGOVINA**

(NOTE: This text includes original Law and amending Law by pages as specified :

-Law on Free Zones in Federation of Bosnia and Herzegovina (Official Gazette of Federation of BiH no 2/95)

-Law on amending of the law on Free Zones in Federation of Bosnia and Herzegovina (Official Gazette" of Federation of FBiH, 37/04 and 43/04)- Page 10

Article 1

This Law shall regulate the establishment, operation and termination of free zones and special conditions for carrying out activities in free zones.

Article 2

A free zone shall be a part of the territory or customs territory of the Federation of Bosnia and Herzegovina (hereinafter: the Federation), which is specially fenced and marked, and wherein activities are carried out under the conditions provided by this law.

Article 3

A free zone shall be an enterprise.

The free zone shall perform economic, technical, administrative/ professional and other tasks pertaining to the activities in the free zone.

Upon registration of the document on the establishment of a free zone in the Court Register of Enterprises and Other Legal Entities Engag ing in Economic Activities , the zone shall acquire legal and business capa city.

Article 4

A free zone shall be established in the area of a place having a sea or river port , an airport opened for international public traffic or a cargo transport centre registered in accordance with legal requirements. A free zone may also be established next to the main road or main railroad.

A free zone may consist of several separate parts, whereby each one of th em must fulfill the conditions under this law.

Article 5

Users of a free zone may be domestic and foreign legal and natural entities.

Free zone users shall carry out the approved activity in the zone on the basis of a contract with the zone.

Article 6

Consent for the establishment of a free zone , or a part of the free zone , may be given if conditions under the property law, conditions in terms of space and energy, technical, ecological and other conditions for carrying out the activities in the free zone are met.

Article 7

Industrial activities, services rendering, foreign trade, wholesale and retail with foreign currency, banking and other financial activities, services of insurance and reinsurance of property and persons, as well as tourism services may be carried out in a free zone.

Domestic goods not intended for export may also be stored in available warehouses within the zone, provided that they are recorded separately and that storing such goods does not render the control over the business activities in the free zone difficult.

A foreign user of the free zone may establish his own or a mixed bank , insurance agency, or a branch of the bank or insurance agency therein, in accordance with special regulations.

Article 8

A free zone may be founded by one or more legal entities (hereinafter: the free zone founder).

The owner, or holder of the right to use the construction land in the zone , must be at least one domestic founder or the free zone.

The free zone founder shall provide financial resources fo r the establishment of the free zone and the commencement of its operation , and issue the act on the establishment of the free zone.

The act on establishment of the free zone shall include:

1. the name of the free zone founder;
2. the firm and the seat of the f ree zone;
3. the free zone area;
4. the activity to be carried out in the free zone;
5. the amount of financial resources for the establishment and commencement of the free zone operation;
6. the name of the person authorized to undertake the actions necessary for the establishment of the free zone and the commencement of its operation;
7. the type of the free zone management.

Together with the request for giving consent for the establishment of a free zone , which is submitted to the Federation Authority competent for foreign economic relations, the free zone founder shall submit the act on the free zone establishment , a feasibility study on economic justification for the free zone establishment, proof that the relations under property law pertaining to all real estate entering into the composition of the free zone have been regulated and proof that organizational, spatial, energy related, ecological and technical conditions for the operation of the free zone exist.

Article 9

The Government of the Federation of Bosnia and Herzegovina (hereinafter: the Government), upon proposal of the Federation Authority competent for foreign economic relations, with previously obtained opinion of the Cantonal Authority competent for economic affairs, shall give its consent to the free zone establishment , if the conditions under this law have been fulfilled.

If consent is not given within 60 days from the day the request was submitted, it shall be implied that the consent was given.

Cantonal Authority competent for economic affairs shall submit its opinion to the Federation Authority competent for foreign economic relations within ten days.

Article 10

A free zone shall determine the conditions under which the zone area is to be used for carrying out the activities within the zone, regulate its internal operation and specify measures of special protection of living and working environment in the free zone.

A free zone shall enable each free zone user to carry out his activities in the free zone under equal general terms.

The act determining the conditions referred to in paragraph 1 of this Article shall be published in any of the public information means.

Article 11

In order to ensure full control of entry and exit of goods and persons, the free zone area or a part of the free zone, if the zone consists of several parts, must be fenced, marked and organized in a manner that fulfills the conditions for carrying out of customs control measures.

The fence around the free zone or a part of the zone must have a single gate, thus ensuring that goods are transported and persons passing through only one free zone entrance/exit.

A free zone must be visibly marked, with the free zone inscription at the entrance/exit.

The free zone fence and the entrance/exit must be such to ensure controlled entry and exit and must be illuminated at night.

Article 12

A free zone shall provide premises required for the work of the customs service in its territory.

Article 13

General technical conditions for the establishment of a free zone shall be determined by an act of the Federation Authority competent for foreign economic relations.

The fulfillment of the conditions listed in the Government consent to the establishment of a free zone shall be determined by a commission at the Federation level. The Commission shall be appointed by an official of the Federation Authority competent for foreign economic relations from among representatives of the Federation Authority for foreign economic relations, economy, finance, internal affairs, customs, as well as the representatives of the Chamber of Commerce of the Federation of Bosnia and Herzegovina, and one representative of the free zone.

The Commission shall submit a report on fulfilling or not fulfilling the conditions to the body by which it was appointed within 30 days. Based on the Commission's report, the Federation Authority competent for foreign economic relations shall issue its decision within 30 days following the receipt of the report.

By the decision referred to in previous paragraph the commencement of the free zone operation is either approved or denied, specifying additional actions to be undertaken.

Article 14

Entry of individuals into the free zone areas shall be regulated by the free zone.

Customs control measures prescribed for customs border crossings shall apply to individuals referred to in paragraph 1 of this Article.

Residing within the free zone area shall not be permitted.

Article 15

Goods that are imported, exported, in transit or stored in the free zone shall be declared to the Customs House using a declaration for import or transit of goods or a cargo declaration, accompanied by the documents upon which the goods were brought into the free zone.

Goods intended for export shall be declared using an export customs declaration. An order or invoice for the goods entered or sent to the free zone may also be accepted as a

document based on which the goods is declared to the Customs House, if it contains all the data contained in an import or transit declaration.

Article 16

The goods may be temporarily taken out from the free zone for testing, certification, repair, market presentation or industrial enrichment.

The goods referred to in paragraph 1 of this Article, listed in the specification verified by the Customs House , must be returned within a year.

Article 17

Provisional measures and limitations under the law regulating foreign trade and foreign currency operations shall not apply to import and export of goods and services from and into the free zone or to goods that temporarily exited the free zone.

Article 18

Entry of domestic goods into the free zone shall be free, for industrial activities , their use or consumption in the free zone, having been declared to the customs house by submitting a specification.

If the goods referred to in paragraph 1 of this Article are returned from the free zone, whether in full or partially, the customs house shall make a credit entry in the free zone user's record upon the specification.

Article 19

Customs control of the goods in the free zone shall be done at the entry and exit points of the free zone or a part of the free zone.

Provision of paragraph 1 of this Article notwithstanding, customs control of the goods in the free zone must also be facilitated when this control is requested by the customs or other competent authority.

The free zone user shall keep the record of the goods entering or exiting the free zone, in order to facilitate customs control.

The record referred to in paragraph 3 of this Article shall be kept chronologically, based on the data contained in the documents accompanying the goods.

If the record is kept using sub-ledger cards, the customs house shall verify them and keep a register thereof.

The goods in the record shall be debited and credited by entering data on the goods from import/export customs declarations, dockets, exiting manifests or adequate customs or other documents.

The record referred to in paragraph 3 of this Article must also contain the name of the free zone user, data on the type and quantity of the goods, number of the document upon which the goods has been declared in the free zone, and other data necessary for keeping the record of goods. The record must be separated depending on the purpose for the goods (import, export, transit, intended for consumption in the free zone or domestic goods to be stored at the free zone).

Article 20

Customs and other import duties, as well as special duties paid on imports of agriculture, food and other products intended for industrial activity, use or consumption in the free zone shall not be paid on the imports into the free zone.

Customs, export duties and fees shall not be paid on exports from the free zones to other countries.

Article 21

Goods manufactured or enriched in the free zone may be released for trade outside the free zone on the domestic market, applying the regulations on import and following the collection of customs and other import duties on the import contents of those goods.

Paragraph 1 of this Article notwithstanding, customs and other import duties rates that apply to raw materials, reproduction material or parts imported and used for manufacturing in the free zone shall apply to the exiting from the free zone of technological and business waste arising from the industrial activities and business activities in the free zone or due to a breakdown or breaking.

Certificate of origin of goods in the free zone shall be issued in accordance with special regulations.

Article 22

Free zone users shall not pay taxes and contributions, except for salary tax and contributions.

Article 23

The payment and collection of payment in the free zone shall be free and carried out in an agreed manner.

The zone and the free zone user may keep foreign currency earned in business operations in the free zone on a foreign currency account at a bank authorized for foreign banking operations.

Foreign currency referred to in paragraph 2 of this Article shall be disposed with freely for payment of liabilities undertaken by business operations in the free zone or for sales on the foreign currency market.

Article 24

Prices of goods and services in the free zone, as well as prices of lease of land and business premises in the free zone may be set and collected for payment in foreign currency.

Collection of payment referred to in paragraph 1 of this Article shall be considered a foreign currency inflow.

Article 25

The free zone and free zone users may freely take foreign currency loans for their business operations in the free zone, which they must repay from the foreign currency inflow earned in the free zone.

Article 26

Investments in a free zone, profit transfer and retransfer of investments shall be free.

Article 27

Free zone users may take a long-term lease of land in the free zone, for periods and under the terms established by the contract of use of land, but not exceeding the period of 30 years.

Article 28

Any amendments of mandatory legislation shall apply to free zone users only if they work in their favor.

Article 29

The free zone shall submit to the Federation Authority competent for foreign economic relations a report on business results of the free zone operation and net effect of foreign currency operations realized, within 90 days following the end of the calendar year.

Minister of Finance shall prescribe the conditions and methodology for submitting the report on financial operations of the free zone.

Article 30

If it is established during the zone operation that the conditions prescribed by this law for the operation of the free zone have ceased to exist, the Government shall, at the proposal of the Federation Authority competent for foreign economic relations, pass a decision on termination of the operation of the free zone.

In the case referred to in paragraph 1 of this Article, the free zone shall cease its operation within a year from the day of issuing such a decision.

Article 31

Unless otherwise provided by this law, the regulations prescribing business activities of enterprises shall apply to the operation of the free zone and business activities of the free zone users.

PENALTY PROVISIONS

Article 32

The free zone enterprise shall be punished by a fine in the range of DEM 10,000 to 50,000 for an offense:

- if it does not issue an act determining conditions under which the free zone area is to be used for carrying out activities in the zone;
- if it commences operation prior to the issuance of the act on fulfilling the conditions for the commencement of its operation;
- if it permits residing within the free zone area contrary to the act regulating residing within the zone area;
- if it does not submit a report on financial effects of the operation and on net foreign currency effect of the free zone realized within a prescribed period of time .

For the offense referred to in paragraph 1, the responsible person in the free zone enterprise shall also be punished by a fine in the range of DEM 1,000 to 5,000.

Article 33

The user of the zone shall be punished by a fine in the range of DEM 10,000 to 50,000 for an offense:

- if he does not declare import, export, transit or storing of goods in the free zone to the competent customs house;
- if he does not return to the free zone or does not export on time the goods that had temporarily exited the zone;
- if he does not keep record of the goods which enters or exits the free zone.

For the offense referred to in paragraph 1, the responsible person of the user shall also be punished by a fine in the range of DEM 1,000 to 5,000.

Article 34

The amount of fines collected in offense proceedings under this law shall be paid to the budget of the Federation.

Article 35

The fines for an offense committed under the provisions of Articles 32 and 33 of this law, presented in DEM, shall be collected in the currency of the Federation at the medium exchange rate as established by the Central Bank of the Federation.

TRANSITIONAL AND FINAL PROVISIONS

Article 36

Free and customs zones established and registered based on previous legislation shall continue to operate, provided that they adjust their organization and operations to the provisions of this Law within a year from the day of entry into force of this Law. Free zones referred to in paragraph 1 of this Article shall cease to operate if they fail to adjust their organization and operations within the deadline referred to in paragraph 1 of this Article.

Article 37

Until the Central Bank of the Federation is established, when determining the counter-value of the fines in the currency of the Federation, the Dinar exchange rate as established and published by the National Bank of BiH shall apply.

Article 38

This Law shall come into force following eight days after being published in the Official Gazette of the Federation of Bosnia and Herzegovina.

Chairman
Constitutional Assembly
of the Federation of BiH
Mariofil Ljubic

LAW ON AMENDING OF THE LAW ON FREE ZONES
(Official Gazette of Federation of FBiH no. 37/04 and 43/04)

Article 1

In the Law on Free Zones (Official Gazette of the Federation of BiH no. 2/95) Article 7 is hereby amended and it shall read:

“Any industrial, commercial and service activity (banking and other financial activities, services of insurance and reinsurance of property and persons, etc.) maybe carried out in the free zone.”

The industrial activity shall be understood as manufacturing of products which have undergone a certain process of modification or processing in the free zone.

Carrying out the activities or construction of facilities that endanger the environment, health of people, material goods and security of the country and that are not in accordance with the Law on Waste Management, Law on Air Protection, Law on Water Protection, Law on Environmental Protection and Law on Nature Protection (Official Gazette of the Federation of BiH no. 33/03) and the enactments on plants and machinery which require an environmental impact assessment or plants and machinery which may only be constructed and put in operation if they have an environmental permit, shall not be permitted in the free zone.

Article 2

In Article 8 , paragraph 1 is hereby amended and it shall read:

“Free zone founders may be one or more domestic or foreign legal or natural entities (hereinafter: free zone founders).”

Paragraph 2 is hereby deleted.

In paragraph 4, sub-paragraph 7 is hereby amended and it shall read:

“Other provisions prescribed by the laws regulating the establishment of legal entities.”
Paragraph 5 is hereby deleted.

Article 3

After Article 8 , new articles 8 (a), 8 (b) and 8 (c) are hereby added and they shall read:

Article 8 (a)

The zone management enterprise shall submit to the Government of the Federation of Bosnia and Herzegovina, through the Federation Ministry of Trade (hereinafter: the competent ministry) a request for giving consent as to the location (area) and conditions for the free zone or a zone therein, i.e. a sub -zone (hereinafter: consent)

Beside the request referred to in paragraph 1 of this Article, the zone management enterprise shall also submit:

1. the act on establishing a zone or a sub -zone;
2. city-planning consent by the Federation Ministry of Spatial Planning and Environment;
3. a feasibility study on economic justification for founding a zone or a sub -zone with an estimate of foreign and domestic investments, number of employees and expected profit from the zone operation;
4. proof that the zone management enterprise or the founder of such an enterprise is entitled to use the land on which the zone or a sub -zone is being founded , on any legal grounds

Article 8 (b)

Exempt from the provision of Article 8 (a) paragraph (2) are the instances when facilities had already been built, in accordance with provisions of the Law on Spatial Planning (Official Gazette of the Federation of BiH no. 52/02) and the Law on Construction (Official Gazette of the Federation of BiH no. 54/02) and they are designated for an activity permitted in the free zone; if the designation of an already constructed facility is to be changed, the Federation Ministry of Spatial Planning and Environment shall issue its consent pertaining to environmental protection.

Article 8 (c)

If the enterprise obtains consent as to the location from the Government of the Federation of BiH for the construction of facilities in the free zone or a sub -zone, under the cityplanning consent referred to in Article 8 (a) paragraph 2 sub -paragraph 2, it must complete the construction of the facilities in accordance with the provisions of the Law on Construction.”

Article 4

Article 9 is hereby amended and it shall read:

“Upon a reasoned proposal by the competent ministry, which shall contain in particular an opinion on economic justification, harmonization with spatial planning and an opinion on the protection of the living environment, the Government of the Federation of BiH shall give consent referred to in Article 8 (a) within 30 days following the day the request was submitted.”

Article 5

Following Article 9, a new article 9 (a) is hereby added and it shall read:

“Article 9 (a)

The free zone establishment shall be economically justified if it can be assessed, on the basis of the feasibility study and other accompanying proof submitted, that the value of goods exported from a free zone outside of the customs territory of BiH will exceed at least 50% of the total value of the manufactured goods leaving the free zone within the period of 12 months.

The value of the goods shall be established in a manner referred to in Articles 24 through 32 of the Law on Customs Policy of Bosnia and Herzegovina (Official Gazette of BiH no. 21/98 and 34/00).

The Customs Administration of the Federation of BiH shall, through the customs authority carrying out the control within the free zone, submit to the Ministry of Foreign Trade and Economic Relations of BiH a report on fulfillment of conditions referred to in paragraph 1 of this Article every six months.”

Article 6

Article 13 is hereby amended and it shall read:

“The fulfillment of conditions for the commencement of the operation of a free zone shall be determined by the Commission appointed by the Ministry of Foreign Trade and Economic Relations of BiH.

The Commission shall consist of a representative from each of the following bodies: the Ministry of Foreign Trade and Economic Relations of BiH, Customs Administration of the Federation of BiH, Federation Ministry of Spatial Planning and Environment and local authorities of the canton or municipality.

Having verified the fulfillment of all necessary conditions, with mandatory presence of a representative of the founder and based on the record drafted by the Commission, the Ministry of Foreign Trade and Economic Relations of BiH shall issue the decision confirming that all conditions for the commencement of the operation of the free zone have been fulfilled and that the free zone may commence its operation.”

Article 7

Article 20 is hereby amended and it shall read:

“The equipment imported into a free zone to be used for industrial activity in the free zone shall be exempt from payment of customs duties – excluding customs processing fee, unless otherwise prescribed by the provisions of the Law on Customs Policy of Bosnia and Herzegovina.

Customs, export duties and fees shall not be paid on exports from the free zone to other countries.”

Article 8

Article 30 is hereby deleted.

Article 9

In Article 32 paragraph 1 line 1, the words: “in the range from DEM 10,000 to 50,000” are hereby replaced with the words: “in the range from KM 5,000.00 to 15,000.00”.

In Article 32 paragraph 2 line 1, the words: “in the range from DEM 1,000 to 5,000” are hereby replaced with the words: “in the range from KM 1,000 to 3,000”.

Article 10

Article 33 is hereby amended and it shall read:

“The user and the founder of the free zone shall be fined pursuant to the Law on Customs Offences of the Federation of BiH (Official Gazette of the Federation of BiH” no. 4 6/00) if he:

1. removes the goods from the free zone without an approval from the competent Customs House ;
2. consumes or uses the goods in the free zone;
3. engages in retail in the free zone;
4. hinders the inspection of goods entering, leaving or remaining in the free zone;
5. prevents inspection of persons or inspection of transportation means entering or leaving the free zone;
6. for all other activities contrary to the provisions of the Law on Customs Policy of BiH.”

Article 11

Articles 35 and 37 are hereby deleted.

Article 12

To all issues pertaining to the establishment, operation and cessation of the operation of free zones not regulated by this Law , provisions of the Law on Free Zones in Bosnia and Herzegovina (Official Gazette of BiH no. 3/02 and 13/03) shall apply.

Article 13

This Law shall come into force the day after being published in the Official Gazette of the Federation of BiH.

Chairman
House of Peoples
Parliament of the Federation of BiH

Slavko Matic

Chairman
House of Representatives
Parliament of the Federation of BiH

Muhamed Ibrahimovic
