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

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I. GENERAL PROVISIONS

**Article 1**  
(Competence)

This Law shall regulate: conditions for the establishment of free zones, the procedure for the determination of free zones, cessation of operation of free zones and other issues relevant for the work of free zones, which are not regulated by Law on Customs Policy of Bosnia and Herzegovina (Official Gazette of B&H No. 57/04, 51/06 & 93/08 ).

**Article 2**  
(Definitions)

1. The free zone is a part of customs territory of Bosnia and Herzegovina, which is particularly marked and fenced and in which economic activities are carried out under special conditions in accordance with the Law on Customs Policy of Bosnia and Herzegovina, and this Law.
2. The founder of the free zones may be one or more domestic or foreign legal and natural persons (hereinafter referred to as the founder).
3. The free zone users may be the founder of the Free Zone and other legal and natural persons (hereinafter: users).

**Article 3**  
(Area)

1. The free zone shall be established in the area of the place having a sea or river port or airport opened for the international public traffic, or next to the main road or main railroad, and other places where there are conditions for the work of free zones.
2. The free zone can be consisting of several separate parts, if the conditions specified by this Law are fulfilled.

**Article 4**  
(Activities)

Any industrial, commercial or service activity, which do not endanger living environment, health of people, material goods and safety of the country, may be carried out in the free zone.

II. FREE ZONE ESTABLISHING

**Article 5**  
(Conditions for the establishment)

1. Founder and users of free zones may be persons who provide all the necessary certificates for the proper conduct of the procedure and when the customs authorities can supervise and monitor the procedure without introducing administrative measures disproportionate to economic needs that are at stake.
2. Users of the free zone carrying out activities in the zone under special conditions in accordance with the Law on Customs Policy of Bosnia and Herzegovina, and this Law, on the basis of the contract with the founder of the zone, with the prior consent of the customs authorities.
3. Founders and users are obliged to keep accounting books on the operations in the free zone or separate accounting books for a part of their operations carried out in the zone.

**Article 6**  
(Establishment)

1. It is considered that the free zone is established when the Council of Ministers makes a decision on determination of parts of the customs territory of Bosnia and Herzegovina as a free zone, on the basis of which the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (hereinafter: Ministry), the Commission's proposal for establishing the conditions for starting operation of the free zone and that the free zone can start working.
2. The decision of the Ministry under paragraph (1) of this article is published in the Official Gazette.

**Article 7**  
(Application)

1. For the enactment of the decision from Article 6 of this Law, the founder of the free zone submits to the Ministry a request or the determination of parts of the customs territory of Bosnia and Herzegovina as a free zone.
2. With the request from Paragraph 1 of this Article the founder of the free zone shall submit:
  - a) act on establishing
  - b) a feasibility study on economic justification for establishing a free zone with a special accent on the assessment of the expected profit from the operation of the free zone, foreign investment in the zone as well as export activities
  - c) proof of the existence of space, infrastructure and utility requirements for the operation, as well as the regulation of property -rights relations on the real estate;
  - d) a statement of commitment to compliance with all applicable regulations regarding the establishment and operation of free zones;
  - e) Entity Government's or Government of Brcko District of B&H consent regarding on the justification of the determination of part of the customs territory as free trade zones.
3. The Ministry conducts the procedure for making the decision from Article 6 paragraph (1) of this Law.

**Article 8**  
(Initiation of Proceedings)

1. The Ministry shall initiate the procedure for the enactment of the decision by Council of Ministers on designation of parts of the customs territory of Bosnia and Herzegovina as a free zone if it is economically justified and if it meets the requirements for establishing a free zone provided by this Law and the Law on Customs Policy of Bosnia and Herzegovina.
2. The Ministry shall be obliged in the implementation process from paragraph (1) of this Article to obtain the approval and consent of the Steering Committee, formed under the Law on Indirect Taxation System in Bosnia and Herzegovina (Official Gazette, no. 44/03, 52/04, 32/07, 34/07, 4 / 08 and 49/09) and other bodies, if it is provided by the regulations of Bosnia and Herzegovina.
3. The free zone establishment shall be economically justified if on the basis of the submitted feasibility study on justification of the establishment of the free zone and other accompanying proofs it may be assessed that the value of goods exported from a free

zone will exceed at least 50% of the total value of manufactured goods leaving the free zone within the period of 12 months.

4. The Ministry shall be obliged to initiate the process for making a decision of the Council of Ministers of Bosnia and Herzegovina referred to in paragraph (1) of this Article, within 30 days from date the request was submitted, or the date of the latest additions to the request, or notify the applicant that the conditions for procedure for making a decision are not fulfilled, stating the conditions that are not fulfilled.

#### **Article 9** (Commission)

1. The Ministry shall establish the Commission from Article 6. paragraph (1) of this Law composed of one representative from the Ministry, Indirect Taxation Authority of Bosnia and Herzegovina, Entity Ministries responsible for the urban arrangements and local authorities in Canton, municipality, or Brcko District of Bosnia and Herzegovina, depending on where is located the property on which the establishment of a free zone is required
2. The Commission shall determine the existence of conditions for the start of operations in accordance with this Law, the application for the establishment of free zones and the actual situation on the ground.
3. After verifying whether all conditions have been fulfilled, where the presence of the founder is mandatory and based on the made Commission record, the Ministry shall issue the decision specifying that all conditions have been fulfilled for commencing the operation in the free zone and that the free zone may commence its work.
4. The Ministry is obliged to issue the decision referred to in paragraph 3 within 30 days following the establishing of conditions for the commencement of free zone operations.

#### **Article 10** (Enclosure of the zone)

1. A free zone shall be fenced and marked.
2. A free zone shall be fenced, marked and maintained so that the transport of goods, vehicles and persons in the zone or from the zone it can occur only through certain entrances and exits from the zone.
3. Free Trade Zone located in a sea or river port must be visibly marked and designated as free zone, at the entrances and exits from zone and from the sea or river side.
4. The fence, entrances and exits from the free zone must be properly equipped, insured and illuminated at night.
5. The founder shall provide at the entrance and exit from the zone space for the work of the Customs Service.

6. The Commission referred to Article 9 of this Law cannot establish that all conditions for the commencement of free trade zones are fulfilled, if the conditions referred to in paragraphs (1), (2), (3) and (4) of this article are not fulfilled.

**Article 11**  
(Border changes)

On the change of border of the free zones shall apply the relevant provisions of this Law on the Establishment of Free Zones.

III. OPERATION OF FREE ZONES

**Article 12**  
(Operation of free zones)

The free zone can start to operate when the decision that all of the conditions for the commencement of free trade zones are fulfilled, has been made, and at the latest 24 months from the date of issuance of decision.

**Article 13**  
(Management)

1. The founder of the free zone manages the free zone.
2. The founder of the free zone is obliged to adopt Book of rules on conditions for performing the activities in the free zone within 30 days of the establishment of free zones.
3. Book of rules referred to in paragraph 2 regulates: working hours, movement of persons and goods between the users, obligations of the founder to ensure space, technical and organizational conditions for the use of free zone, protection measures on work and environment, rights and obligations of the users in relation to the founder of the free zone etc.
4. The founder of the free zone is obliged to submit the Book of rules referred to in paragraphs 2 to the Ministry and the customs authorities that conducting customs inspection within 30 days of the establishment of free zones.

#### **Article 14**

(Report on the work)

1. Each year the founder of the free zone shall be obliged to provide the Ministry with reports on effects of the operation in the free zone until the end of March of the current year for the previous year.
2. The Ministry shall provide the Council of Ministers with report on effects of the operation of all free zones in Bosnia and Herzegovina until the end of April of the current year.

#### **IV. CEASING OF THE FREE ZONE OPERATIONS**

#### **Article 15**

(Ceasing of the operations)

1. Free Zone cease to operate:
  - a) if does not start to operate within 24 months from the date of issuance of decision of the Ministry on the beginning of the work
  - b) If it is established that the value of goods leaving a free zone for export o from the customs territory of B&H in two consecutive periods of 12 months is falling below 50% of the total value of produced goods established in a manner prescribed by Articles 8 paragraph 3 of this Law.
  - c) if the founder or users of free trade zones do not respect the rules applicable to the operation of free zones and regulations applicable to the treatment of goods placed in a free zone;
  - d) if the founder and users of free zones cease to offer all the necessary certificates for the proper conduct of the proceedings;
  - e) at the request of the founders
  - f) after the end of the legal person of the founder
2. Council of Ministers shall issue, at the proposal of the Ministry, a Decision on ceasing of the decision on determining the parts of the customs territory of Bosnia and Herzegovina as a free zone from Article 6. Paragraph (1) of this Act.
3. Based on the decision of the Council of Ministers referred to in paragraph (2) of this Article, the Ministry issues a decision on the ceasing of the operations of free zone, which is published in the Official Gazette.
4. The decision of the Ministry under paragraph (3) of this article shall determine a deadline for cessation of operations of free zones.

**Article 16**  
(The remaining goods)

In the event of termination of the free zone, the remaining goods in free zone for which a certificate or other prescribed manner cannot prove customs status of B&H goods, shall be treated as goods that is not a B&H and it will be handled in accordance with customs regulations.

V. APPEAL

**Article 17**  
(Right of Appeal)

In the process of making decision and deciding on an appeal regarding the application of this Law, will apply the rules of the Law on Administrative Procedure (Official Gazette, no. 29/02, 12/04 and 88/07).

VI. PENALTY PROVISIONS

**Article 18**  
(Offences)

1. The founder of the free zone shall be punished by a fine of 50.000 KM for an offence :
  - a) If it does not issue Book of rules on conditions for performing the activities in the free zone from Article 13 paragraph (2) of this Law within 30 days of the establishment of free zones.
  - b) If it does not provide report on effects of the operation of the free zone from Article 14 paragraphs (1) of this Law.
  - c) If it commences operation prior to the issuance of the act which determined that all of the necessary conditions for the commencement of operation of the free zone are fulfilled, and that the free zone can start working.
2. For the act referred to in paragraph 1 the responsible person of the founder of the free zone shall be punished by a fine of 10.000 KM.

## VII. TRANSITIONAL AND FINAL PROVISIONS

### **Article 19** (Termination)

1. On the day when this Law comes into force shall cease to be valid Law on free zone in Bosnia and Herzegovina (Official Gazette of B&H No 3/02 and 13/03).
2. Entities and Brcko District of Bosnia and Herzegovina are obliged to adjust their regulations within three months following coming into force of this provisions of this Law.

### **Article 20** (Implementation Regulations)

The Ministry shall, within three months from the date of entry into force of this Law, adopt implementing regulations, which will be worked out in detail: the form, content and other conditions which should include a report from the Article 14 of this Law.

### **Article 21** (Entry into Force)

This Law shall come into force following eight days after being published in the Official Gazette of B&H.