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**LAW  
ON FREE ZONES  
OF THE REPUBLIC OF SRPSKA**

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Article 1

This Law shall regulate the conditions for the establishment and operation of free zones, activities that may be performed in free zones and conditions for their performance, termination of free zones, as well as other issues of importance for the operation of free zones in the Republic of Srpska.

Article 2

The goal of this Law is to improve the business environment and increase competitiveness as a basis for attracting investments, better utilisation of industrial potentials, introduction of new technologies and job creation.

Article 3

Free zone is a part of the territory of the Republic of Srpska which is specially fenced and marked and in which activities are performed under special conditions in accordance with this Law, customs regulations and other regulations governing the operation of free zones.

Article 4

The founder of a free zone may be one or more domestic or foreign legal natural persons.

Article 5

(1) Free zones shall be established in the area that has a highway, main road, river port, airport or along the main railway line, as well as in similar places where there are conditions for the operation of free zone.

(2) Free zone area is land determined by cadastral parcels and area expressed in appropriate units of measurement.

(3) A free zone may consist of one territorial unit or several territorially separated parts, provided that they form one functional unit.

(4) The provisions of this Law and other regulations governing the operation of free zones shall apply to the change of the boundaries of a free zone, as well as to the opening or closing of a territorially separated part of a free zone.

Article 6

For a free zone establishment, it is necessary to meet appropriate organisational, spatial, environmental, technical and other conditions for performing activities in the free zone and to adopt an act on its establishment.

#### Article 7

The user of the free zone may be the founder of the free zone, legal entities or entrepreneurs who perform activities in the free zone.

#### Article 8

In the free zone, industrial, commercial and service activities may be performed that do not endanger the environment, human health, material goods and security of the Republic of Srpska.

#### Article 9

(1) In the process of establishing a free zone, the following actions shall be taken:

- 1) preparation of a study on economic justification,
- 2) enactment, i.e. adoption of the act on the establishment of a free zone,
- 3) obtaining the consent of the Government of the Republic of Srpska (hereinafter: the Government),
- 4) obtaining a decision of the Council of Ministers and a decision of the Ministry of Foreign Trade and Economic Relations of BiH (hereinafter: MOFTER BH) which determines the fulfillment of conditions for the start of operation of the free zone.

(2) After taking the actions referred to in paragraph 1 of this Article, the founder shall establish and register a free zone management company.

(3) Notwithstanding paragraph 2 of this Article, a company that is the founder of a free zone may manage the free zone, without the obligation to establish a new company for the management of a free zone.

#### Article 10

(1) The study on the economic justification of the establishment of a free zone (hereinafter: the Study) is a document containing an estimate of total investment, assessment of expected effects, assessment of production volume and provision of goods, value of goods to be exported from the free zone in 12 months, employment, especially jobs of higher professional qualifications, transfer of modern technologies, with an indication of the activities that will be performed in the free zone.

(2) The study may be prepared by the founder or another legal entity or an entrepreneur hired by the founder for its preparation.

#### Article 11

(1) The act on the establishment of a free zone shall be issued in the form of a decision on establishment if it is a single founder or a founding agreement if it is several founders.

(2) The act on establishment shall contain as follows:

- 1) name of the founder of the free zone,
- 2) name of the free zone,
- 3) free zone area,

- 4) activities to be performed in the free zone,
- 5) other elements necessary for the establishment and operation of the free zone.

## Article 12

(1) The consent of the Government is an act which gives consent for the area of a free zone and justification of its establishment.

(2) In order to obtain the consent referred to in paragraph 1 of this Article, the founder shall meet the following conditions:

- 1) to have a study,
- 2) to have adopted an act on establishment of a free zone,
- 3) to have resolved property-legal relations in the area of the free zone,
- 4) that the area of the free zone meets, or that the founder makes certain the possibility of fulfilling, the spatial, construction and environmental conditions for the establishment of a free zone,
- 5) not being in bankruptcy, i.e. liquidation, if the founder is a legal entity,
- 6) that there are no overdue tax liabilities,
- 7) to have previously obtained the consent of the local self-government unit for the establishment of a free zone on its territory.

## Article 13

(1) The founder of the free zone through the Ministry of Economy and Entrepreneurship (hereinafter: the Ministry) shall submit a request to the Government for obtaining the consent referred to in Article 12, paragraph 1 of this Law.

(2) The request referred to in paragraph 1 of this Article shall contain:

- 1) name and area of the free zone, with defined boundaries,
- 2) business name, address of the registered office and unique identification number (JIB) of the founder of the free zone if the founder is a legal entity,
- 3) name and surname and residential address if the founder is a natural person.

(3) The request referred to in paragraph 1 of this Article shall be accompanied by the following evidence:

- 1) the act of establishing a free zone,
- 2) the study,
- 3) an excerpt from the register of the competent registration authority in which the founder is registered, if the founder is a legal entity,
- 4) a copy of the ID card, if the founder is a natural person,
- 5) proof that the founders of the free zone have the right of ownership, lease or the right to use the land on which the area of the free zone is established,
- 6) an expert opinion regarding the fulfillment of spatial, construction and environmental conditions for the establishment of a free zone, issued by a legal entity authorised to draft spatial planning documents or an implementing spatial planning document prepared in accordance with the economic feasibility study for establishing a business zone and regulations in the field of spatial planning and environmental protection
- 7) consent of the local self-government unit for the establishment of a free zone on its territory.

(4) In addition to the documents referred to in paragraph 3 of this Article, the Ministry ex officio obtains the opinion of the Ministry of Spatial Planning, Construction and Ecology regarding the fulfillment of spatial, construction and environmental conditions for establishing

a free zone and verifies the fulfillment of conditions from Article 12, paragraph 2. p. 6) and 7) of this Law.

#### Article 14

(1) The establishment of a free zone is economically justified if on the basis of the attached study it can be assessed that positive effects will be achieved in terms of attracting domestic and foreign capital, production of goods and services, employment by transfer of modern technologies, and that the value of goods exported from free zones will exceed at least 50% of the total value of goods produced going out of the free zone over a period of 12 months.

(2) The Minister of Economy and Entrepreneurship (hereinafter: the Minister) shall issue a rulebook which regulates in more detail the criteria for assessing the economic justification of the establishment of a free zone referred to in paragraph 1 of this Article.

#### Article 15

(1) After submitting the request, the Ministry shall determine whether the request was submitted by an authorised person, whether the request contains all the prescribed elements and whether all the required evidence is attached to the request.

(2) If the request is incomprehensible or incomplete, the Ministry shall invite the applicant to submit the necessary documents or data within the set deadline.

(3) If the founder does not eliminate the shortcomings within the set deadline, the Ministry will reject such a request as incomplete.

#### Article 16

(1) After the Ministry determines that the request is valid, the economic justification for the establishment of a free zone is assessed and the fulfillment of the conditions from Article 12, paragraph 2 of this Law is determined..

(2) If the Ministry determines that there is economic justification and fulfillment of conditions, including a positive opinion of the Ministry of Spatial Planning, Construction and Ecology, it shall submit to the Government for consideration a decision proposal on giving consent.

(3) If it is determined that there is no economic justification for the establishment of a free zone and that the conditions prescribed by this Law are not met, the Ministry shall issue a decision rejecting the request.

(4) Against the decision from paragraphs 2 and 3 of this Article, an appeal is not allowed, but an administrative dispute may be initiated with the competent court.

#### Article 17

After obtaining the consent of the Government, the founder of the free zone shall address the Council of Ministers, i.e. MOFTER BH in order to obtain a decision on determining parts of the customs territory of BiH as a free zone and a decision determining that the conditions for commencement of work of the free zone are fulfilled.

#### Article 18

(1) Within 30 days from the day of making the decision referred to in Article 17 of this Law, the founder shall adopt a rulebook which regulates the organisational and technical conditions for performing activities in the free zone.

(2) The rulebook referred to in paragraph 1 of this Article regulates the working time of the free zone, the movement of persons and goods in the free zone, the obligations of the free zone management company regarding the provision of spatial, technical and organisational conditions for the use of the free zone, safety measures at work in the free zone and environmental protection measures, rights and obligations of free zone users in relation to the founder of the free zone.

#### Article 19

(1) The founder shall establish and register a free zone management company with the competent district commercial court within 30 days from the day of making the decision referred to in Article 17 of this Law.

(2) The free zone management company is a company that provides conditions for uninterrupted performance of activities in a free zone.

(3) The Free Zone Management Company shall conclude agreements with the users of the free zone on mutual rights and obligations, which contain elements prescribed by the rulebook referred to in Article 18 of this Law.

(4) The founder shall submit to the Ministry a decision on registration of a free zone management company and a rulebook regulating organisational and technical conditions for performing activities in a free zone within 15 days from the expiration of the deadlines referred to in paragraph 1 of this Article and Article 18, paragraph 1 of this law.

(5) Exceptionally from paragraphs 1 and 4 of this Article, in case the founder of the free zone is a company that manages the free zone, it shall inform the Ministry of not establishing a separate company for free zone management within 15 days from the expiration of the deadline referred to in Article 18, paragraph 1 of this Law.

(6) Along with the notification referred to in paragraph 5 of this Article, the founder shall also submit the rulebook referred to in Article 18 of this Law.

#### Article 20

The free zone shall start working no later than 24 months from the day of the decision of MOFTER BH, which determines that the conditions for the start of the free zone are met.

#### Article 21

(1) Capital investment in the area, profit transfer and retransfer of deposits shall be free.

(2) Notwithstanding paragraph 1 of this Article, transfer on the basis of payment of profit shall not be allowed from the foreign currency account and the account in convertible marks of the non-resident who has not settled the due tax liabilities according to the budget of the Republic of Srpska.

#### Article 22

Establishment and operation of banks and performing insurance activities in the free zone shall be performed in accordance with the regulations governing banking operations and insurance operations.



#### Article 23

Payment, collection, purchase and sale in foreign currency shall be made in accordance with the regulations governing foreign exchange operations in the Republic of Srpska.

#### Article 24

The company for the management of the free zone and the user of the zone shall keep books for business operations in accordance with the regulations governing accounting and auditing in the Republic of Srpska.

#### Article 25

The regulations governing employment in the Republic of Srpska shall apply to the establishment, duration and termination of employment in the free zone.

#### Article 26

(1) Imports of goods and services into a free zone and exports of goods and services from a free zone shall not be subject to quantitative restrictions and are subject to the provisions of customs regulations.

(2) Goods from the free zone placed on the market of the Republic of Srpska, i.e. BH, shall be subject to the obligation to pay value added tax, customs duties and other import duties.

(3) The movement of goods and services within the free zone between free zone users shall be free.

#### Article 27

(1) The user of the free zone shall pay taxes and other duties in accordance with the regulations governing this area in the Republic of Srpska.

(2) The user of the free zone shall be entitled to tax relief in accordance with the regulations governing profit tax, income tax and real estate tax.

(3) Tax reliefs, determined by regulations governing value added tax, shall be applied to the import of goods and services, movement of goods and services within the free zone, as well as to the delivery of goods and services outside the territory of BiH.

(4) Local self-government units may set reliefs for free zone users within their competences.

#### Article 28

(1) The user of a free zone shall submit data on business within 60 days after the end of the calendar year to the company for management of the free zone for the purpose of preparing the report.

(2) The founder, through a free zone management company, shall submit a report on business operations in the free zone to the Ministry within 90 days after the end of the calendar year.

(3) The Ministry shall submit to the Government a report on the business operations of free zones in the Republic of Srpska for the previous year, no later than April 30 of the current year.

(4) The Minister shall issue an rulebook prescribing the form, content and other data and requirements to be contained in the report referred to in paragraph 2 of this Article.

#### Article 29

In case of termination of the free zone, the founder shall notify the Ministry of the termination of the free zone within 15 days from the date of the decision of MOFTER BH on the termination of the free zone.

#### Article 30

(1) Administrative supervision over the application of this Law shall be performed by the Ministry.

(2) Inspection supervision over the application of this Law shall be performed by the Republic Administration for Inspection Affairs, in accordance with the provisions of this Law and the regulation governing the procedure of inspection supervision.

#### Article 31

The founder of the zone shall be punished by a fine of 3 000 KM to 9 000 KM for an offence if:

1) fails to submit to the Ministry a decision on the registration of a free zone management company and a rulebook regulating the organisational and technical conditions for performing activities in a free zone (Article 19, paragraph 4),

2) fails to submit a notification to the Ministry that it is not establishing a special company for the management of the free zone and the rulebook which regulates the organisational and technical conditions for performing activities in the free zone (Article 19, paragraphs 5 and 6,

3) fails to submit to the Ministry a report on business operations in the zone within 90 days after the end of the calendar year (Article 28, paragraph 2),

4) fails to notify the Ministry of the termination of the free zone within 15 days from the day of the decision of the Ministry of Foreign Trade and Economic Relations on the termination of the free zone (Article 29).

#### Article 32

The Minister shall issue, within six months from the day this Law enters into force:

1) Rulebook on the criteria for assessing the economic justification of the establishment of a free zone (Article 14, paragraph 2),

2) Rulebook on the content of the report on the work of the free zone (Article 28, paragraph 4).

#### Article 33

On the day this Law enters into force, the Law on Free Zones (*Official Gazette of the Republic of Srpska*, No. 65/03) shall cease to be valid.



Article 34

This Law shall enter into force on the eighth day from the day of its publication in the *Official Gazette of the Republic of Srpska*.

Number:

Date:

PRESIDENT  
OF THE NATIONAL ASSEMBLY

Nedeljko Čubrilović