

## **Second Decision amending the Law on Contributions**

**In the exercise** of the powers vested in me by Article V of Annex 10 (Agreement on Civilian Implementation of the Peace Settlement) to the General Framework Agreement for Peace in Bosnia and Herzegovina, according to which the High Representative is the final authority in theatre regarding interpretation of the said Agreement on the Civilian Implementation of the Peace Settlement; and considering in particular Article II.1.(d) of the last said Agreement, according to the terms of which the High Representative shall "Facilitate, as the High Representative judges necessary, the resolution of any difficulties arising in connection with civilian implementation";

**Recalling** paragraph XI.2 of the Conclusions of the Peace Implementation Conference held in Bonn on 9 and 10 December 1997, in which the Peace Implementation Council welcomed the High Representative's intention to use his final authority in theatre regarding interpretation of the Agreement on the Civilian Implementation of the Peace Settlement in order to facilitate the resolution of any difficulties as aforesaid "by making binding decisions, as he judges necessary" on certain issues including (under sub-paragraph (c) thereof) "measures to ensure implementation of the Peace Agreement throughout Bosnia and Herzegovina and its Entities";

**Bearing in mind** that the Peace Implementation Council at its meeting in Madrid on 16 December 1998 urged the authorities to co-operate fully and without reservation with the international community on a comprehensive and coherent structural reform of the Payment Bureaux, to be completed by 31 December 2000;

**Noting** that amendments to the Law on Contributions were agreed between the Tax Authorities in the Federation of Bosnia and Herzegovina and the International Advisory Group for Payment Bureaux and Payment System Transformation (IAG) in spring 2000, and sent to the Ministry of Finance for approval;

**Noting however**, that the Federation of BiH Ministry of Finance has failed to discuss the amendments to the Contribution Law and forward it to the Federation Government;

**Considering** that the entry into force of the Law on Amendments to the Law on Contributions Law is essential to ensure the necessary legislative framework for the above mentioned Payment Bureau reform in general, and the regulation of collection of contributions in particular;

All this recalled, considered, borne in mind and noted, I hereby issue the following Decision. The Law which follows shall enter into force on an interim basis, until such time as the Federation Parliament adopts this Law in due form, without amendments and with no conditions attached.

This Decision, which has immediate effect, shall be published without delay in the Official Gazette of the Federation of Bosnia and Herzegovina

### **DECISION**

#### ON LAW ON AMENDMENTS TO THE LAW ON CONTRIBUTIONS

The Law on Contributions ("Official Gazette of the Federation BiH", No 35/98) is hereby amended as follows:

#### **Article 1**

Article 11 shall be amended and read:

Calculation and payment of contributions for those liable for contributions in accordance with Article 4 of the Law on Contributions is to be done by a payer of salary and other personal income - resident of the Federation at the time of each payment of wages, as follows:

1. contributions on salaries, salary compensations and other personal income of employees from their regular employment and other employment are to be calculated on the day of payment, and paid within the period of seven days from day of payment;

2. physical persons who independently perform economic, professional or other activity as a main occupation, who perform agricultural activity as the only or main occupation, as well as those who are employed by a non-resident of the Federation and other physical persons liable for contributions, are obliged to calculate and pay contributions on their salary by the 7th of each month for the previous month;
3. for an employee who is employed by a non-resident of the Federation in the territory of the Federation, calculation and payment of contributions can also be done by legal entity or physical person – non-resident of the Federation by the 7th of each month for the previous month.

During each payment of salary and other income, the salary payer is obliged to provide the employee – liable for contributions under Article 4, Point 1 of the Law on Contributions, with a copy of the calculation of gross salary and contributions.

## **Article 2**

New Articles 11a and 11b are to follow Article 11 and to read:

### **Article 11a**

Payers of salary and other personal income and physical persons from Article 1, Paragraph 1, points b) and c) of this Law, are obliged to prepare a specification on each payment of salary and on calculation and payment of taxes and contributions and to submit it to the authorized branch office of the Federation Tax Administration together with payment evidence of the payment made on the same day or at the latest the following day.

### **Article 11b**

Employer – payer of salary and other personal income, as well as physical persons from Article 1, Paragraph 1, Points b) and c) of this Law, are to pay contributions on salary and contributions from salary in accordance with such regulations and or bye-laws as shall hereinafter be made concerning the appropriate payee or payees.

## **Article 3**

Article 12 shall be amended and read:

Payments of contributions are to be made in KM.

Contributions are to be paid by types of contributions to the prescribed payment accounts through authorized organizations for performing internal payment transactions (hereinafter: OAPPS).

## **Article 4**

New Articles 14a, 14b and 14c are to follow Article 14 and to read:

### **Article 14a**

In cases when contributions are not timely paid, authorized Tax Administration unit will issue a decision on enforced collection.

On the basis of this decision the Tax Administration can request enforced collection of contributions through transfer of funds owed from any account of wage payer, held at the OAPPS, into prescribed public revenue accounts as well as from wage payer's entire property.

### **Article 14b**

Control over calculation and payment of contributions from salary and on salary is to be done by the Tax Administration.

## Article 14c

Records on calculated and paid contributions from salary and on salary are to be kept by the organizational unit of the Tax Administration according to the headquarters of the wage payer – legal entity and physical person, who independently performs business activity, or according to the place of residence of a physical person from Article 1, Paragraph 1, Points b) and c) of this Law.

## Article 5

Article 15 shall be amended and read:

A legal entity or a physical person who independently performs business activity, will be punished with a fine in an amount exceeding the amount of the established contributions from salary and on salary if it/he/she does not pay the contributions from and on salary within the time period established by this Law, as follows:

- up to two times higher, for being late more than 30 days,
- up to three times higher, for being late more than 60 days,
- up to five times higher, for being late more than 90 days,

Responsible persons within the legal entity will be punished for violation of Paragraph 1 of this Article with a fine in amount up to 2.000 KM.

## Article 6

Article 16 shall be amended and read: A legal entity or a physical person who independently performs business activity for which the Tax Administration establishes that it/he/she under-calculated and underpaid the contributions, shall be punished with a fine up to an amount ten times higher than the amount of under-calculated and underpaid contributions.

Responsible persons within the legal entity will be punished for the violation from Paragraph 1 of this Article with a fine in the amount up to 2.000 KM.

## Article 7

Article 17 shall be amended and read:

A physical person employee from Article 1, Paragraph 1, points b) and c) of this Law, for whom the Tax Administration establishes that he/she did not timely pay contributions from and on her/his income considered, according to provisions of this law, a salary, will be punished with a fine in an amount up to two times higher than the amount of established contribution.

## Article 8

New Article 17a is to follow Article 17 and to read:

### Article 17 a

A legal entity or a physical person who independently performs business activity, will be punished with a fine in the amount of 1,000 to 5,000 KM if, such payer of wages and other personal income does not submit or does not timely submit to Tax Administration a specification of wages and other personal income as well as calculation of contributions with the proof of payment of contributions and withdrawal of funds for payment of wages.

## Article 9

This Law shall be published without delay in the Official Gazette of the Federation of Bosnia and Herzegovina and shall enter into force on the date of such publication or 1 January 2001, whichever shall be the later.

Sarajevo, 20 December 2000

Wolfgang Petritsch  
High Representative

# Office of the High Representative