THE SARAJEVO CANTON

The Sarajevo Canton Assembly

According to Article 12 paragraph 1 point g and Article 18 paragraph 1 point b of the Sarajevo Canton Constitution (“Official Gazette of the Sarajevo Canton”, No. 1/96, 2/96 - Amendment, 3/96 - Amendment, 16/97, 14/100, 4/01, 28/04 and 6/13), The Sarajevo Canton Assembly, at its sitting held on July 21st, 2015, adopted the

SMALL BUSINESS DEVELOPMENT INCENTIVE ACT

I. GENERAL PROVISIONS

Article 1
(The subject of the Act)
This Act regulates the basics of planning and securing funds and conducting measures for development of small business in the Sarajevo Canton (hereinafter: Canton), activities and measures of the Sarajevo Canton Government (hereinafter: Government) related to incentives on small business development, monitoring the implementation of this Act, criminal issues and other issues with regard to the small business incentive in the Canton.

Article 2
(The purpose of the Act)
The purpose of this Act is to prescribe systemic planning, securing of financial means and conduction of measures and activities for the development of small business, and also to prescribe a transparent, nondiscriminatory and a clear legal framework for small business incentive, with a goal of achieving economic growth of the small business sector in the Canton.

II. SMALL BUSINESS ENTITIES

Article 3
(Definition of small business entities)
Small business sector consists of small business entities, natural and legal persons, that perform profit gaining legal activities on a permanent basis, including self-employment and family business related to craft and other activities, registered at a competent institution, regardless of the form of organization and which:

a) are independent in doing business,

b) employ less than 250 employees annually,
Article 3

(c) profit less than 97,500,000,00 convertible mark annually or whose balance sheet amounts to less than 84,000,000,00 convertible marks.

Article 4

Independence in doing business exists in the following cases:

(a) if other natural or legal persons that do not fulfill the conditions from Article 3 of this Act, individually or collectively, are not owners of capital or if they don’t participate with the power of decision more than 25% in the small business entity,

(b) if the share of 25% is exceeded, if an investment fund or a public sector has ownership share or the power of decision in the small business entity, under the condition that their capital share or share in power of decision, individually or collectively, does not exceed 50% and

(c) if it’s not possible to determine the majority stake of the small business entity, and if it can be justifiably assumed, based on a special statement of the entity, that other natural and legal persons from the point b of this Article do not exceed the limits determined in the conditions for independence in doing business for small business entities from that can be found in point b of this Article.

Article 5

(Small business entities division)

(1) According to size, in terms of this Act, there are micro, small and medium business entities, whereat:

(a) micro business entities are natural and legal persons who, on average, employ less than 9 natural persons annually and whose total annual revenue or annual balance sheet does not exceed 3,900,000,00 convertible marks.

(b) small business entities are natural and legal persons who, on average, employ 10 to 49 employees annually and whose annual revenue or annual balance sheet doesn’t exceed 19,500,000,00 convertible marks and

(c) medium business entities are natural and legal persons who, on average, employ between 50 and 250 employees annually and whose annual revenue doesn’t exceed 97,500,000,00 convertible marks and whose annual balance sheet doesn’t exceed the amount of 84,000,000,00 convertible marks.

(2) In case when the conditions of number of employees and financial indicators, from paragraph 1 of this Article, have been consistently applied, but it is still not possible to determine one of the existing categories for a specific small business entity, the criteria of number of employees will be the determining one.

Article 6

(The criteria for classification of small business entities)

(1) Data on the annual average number of employees and financial indicators are based on the last annual accounting period. The value of financial indicators is determined by excluding indirect taxes.

(2) In the case of newly founded small business entities that do not have an adopted periodic account or balance sheet, the data
necessary for the classification in groups are
determined based on the evaluation of an
adequate previous period of the current year.
(3) Changing of a classification group to
which, according to size, a small business
entity belongs, happens after an overflow or
reduction in data values of small business
entities, collected on two consecutive
accounting periods with regard to limitations
from Article 5 of this Act for a specific
group.

Article 7
(Determining the number of employees)
(1) The annual average number of
employees is determined by annual number
of working hours of the staff working full
and part time, excluding the time spent on a
maternity leave and time spent under the
status of apprentice.
(2) The staff is composed of employees,
temporarily engaged workers of other
business entities for the time spent doing
regular activities of the small business
entity, for financial gain.
(3) The staff does not include pupils,
students and volunteers that are engaged in
professional training by signing an adequate
contract.

Article 8
(Statistical classification of small business
entities)
(1), For the sake of securing statistical data
necessary for monitoring of small business
development, small business entities are
classified according to the number of
employees as follows:
 a) ith one employee,
b) wo to ten employees,
c) 0 to 49 employees,
d) 5 to 249 employees.
(2) Small business development is
monitored through observation of changes of
the following indicators:
 a) umber of employees in the small
business sector,
b) roduction volume of the small
business sector,
c) umber of small business entities,
total number and number in specific
categories from paragraph 1 of this
Article,
d) xport value of small business
entities,
e) esearch and development
vestment, investment in use of the
state-of-the-art technology and
novations,
f) small business entities participation in
using EU funds, by number of
entities and by project values and
g) umber of traditional and old crafts
and traditional and old crafts
production value.

III. GOALS AND PROGRAM FOR
SMALL BUSINESS DEVELOPMENT
Article 9
(Goals of small business development)
The goals of small business development
are:
 a) ncrease in the number of employees,
b) ncrease in production, quality and
competitiveness of the small business sector,
c) increase in the number of small business entities,
d) increase in export value and compliance with the global market standards,
e) research, development and use of the state-of-the-art technology and innovations,
f) incitement of small business entities to use the European Union funds (IPA and Horizon 2020 programs) and
g) incitement of traditional and old crafts survival and practice.

(5) The Annual plan contains the following: plan on individual incentive measures and activities, necessary financial means, sources of financing, criteria, conditions and methods of funds usage.

(6) Report on conducting the Annual plan from paragraph 4 of this Article is submitted to the Sarajevo Canton Assembly.

Article 11
(Funds for carrying out the Program)
(1) Funds for carrying out the Program from Article 10 of this Act are provided from the Budget of the Sarajevo Canton for every calendar year.
(2) The financial means amount to 0.5% to 2% of total Sarajevo Canton Budget value in the previous year.
(3) The Government issues a decision on the choice of beneficiaries of potential funds under the proposal of the Ministry.

IV. INCENTIVE MEASURES

Article 12
(Incentive measures)
Incentive measures and activities for achieving the goals of small business development that are being determined by the Program are:

a) crediting of the small business entities under favorable conditions,
b) subsidies on interest on an existing credit,
c) providing expert help and consultation for small business entities,
d) providing support for the development of centers for entrepreneurship,
business incubators, clusters, technology parks and small business zones,
e) incitement in using European Union funds (IPA and Horizon 2020 funds),
f) providing support for increase in employment,
g) providing support for participating in fairs and educational programs,
h) providing support to entrepreneurship development in target groups (female entrepreneurship, youth entrepreneurship, disabled persons entrepreneurship),
i) providing support for research, development and use of innovations, for implementation of state-of-the-art technology and also, providing support for education and retraining,
j) providing support for the implementation of certificates and international quality standards and
k) providing support to protection and revitalization of traditional and old crafts.

a) work methodology by which the publicity of work is secured,
i b) criteria for the choice of participants in the carrying out of the Program,
c p c) criteria for the choice of fund beneficiaries and development projects which foster the competitiveness of small business entities,
d p d) defining and regulation of contractual relations between the carriers of development programing and other participants in the carrying out of the Program.

Article 13
(Subordinate regulation – Rule Book)
(1) The Ministry issues a Subordinate regulation – Rule Book (hereinafter: Rule Book) by which actions in the carrying out of the Program from Article 10 of this Act are being regulated in more detail.
(2) The Rule Book regulates the following:

Article 14
(Contract between the donor and the beneficiary of funds)
(1) The donor of funds along with the beneficiary of incentive funds makes a Contract on mutual rights and obligations (hereinafter: Contract).
(2) The Contract contains the following: purpose, amount of allocated funds and the conditions for fund allocation, use of funds deadlines, the method and deadlines of reporting and sanctions for Contract breaches.
(Obligations for fund beneficiaries)

(1) The fund beneficiaries are obliged in line with the Contract:

a) to purposely use the allocated funds, in line with the approved project – program,

b) to comply with all the plans and deadlines established by the project-program during the implementation phase of the project.

c) to deliver a fully completed form “Report on implementation of approved funds”, which should be attached with the Contract, immediately and at the latest six months after the day of payment of approved funds,

d) to deliver evidence about proper use of funds along with the completed form “Report on implementation of approved funds” and

e) to allow monitoring to the authorized person-inspector and to give all the necessary reports and important data for conducting this monitoring process to the authorized person.

(2) The incentive fund beneficiary, who in the meantime is sentenced, by a final decision of the court, for not complying with the regulations from paragraph 1, points a), b), c) and d) of this Article, is obliged to return the allocated funds within 15 days, from the day of the finality of the court decision.

V. CARRIERS OF DEVELOPMENT PROGRAM

Article 16

(1) The Ministry monitors and observes the conduction of the Program and the Annual Plan, analyzes results and makes reports.

(2) Local self-government units make their own programs and plans, they provide an informational and documentation background for preparation of the Program, they propose development projects, they observe, analyze and report about the conduction of projects and incentive measures within their field.

(3) Other Program carriers from Article 16 of this Act, propose incentive measures and development projects within their competence, they directly conduct measures that they are responsible for according to the Program, and they observe and report on achieved results.

VI. SUPERVISION
Article 18
(Administrative supervision)
Administrative supervision on the application of this Act and regulations adopted according to this Act, within their competencies and in a way established by administrative supervision regulations, is conducted by:

a) The Ministry,
b) The Ministry of Finance of the Sarajevo Canton and
c) Competent authorities of the city and municipalities.

Article 19
(Inspection)
(1) Inspection on implementation of incentive means is conducted by the cantonal market inspector.
(2) The inspectors assignment in the process of supervision from paragraph 1 of this Article, is to continuously monitor the beneficiary’s use of financial means and the fulfillment of other undertaken obligations, with the goal of proper implementation of this Act, the Rule Book from Article 13 of this Act, the Contract and other acts concerning the implementation of incentive means.
(3) The subject of supervision is required to enable the execution of supervising activities to the inspector, the subject is also required to allow access to documentation, and to give him all the necessary reports and data concerning the implementation of incentive funds.
(4) If the inspector finds that the subject has violated the provisions of this Act, regulations for its implementation and provisions of the Contract, the inspector shall order the following (with a decision) to the beneficiary:
   a) Removal of imperfections found during the inspection process and determining the deadline for the removal of imperfections from paragraph 1, points b), c) and d) and
   b) Return of the allocated funds, if imperfections from Article 15, paragraph 1, point a) have been found.

VII. PENAL PROVISIONS
Article 21
(Fines for violations)
(1) Legal entity – funds beneficiary will pay the fine between 2.000,00 and 10.000,00 BAM in the following cases:
   a) If he inappropriately uses the received funds (Article 15, paragraph 1, point a),
   b) If he, during the implementation of the investment project – doesn’t comply with the plan and deadlines of the Program (Article 15, paragraph 1, point b),
   c) If he fails to deliver a completed form
“Report on the implementation of approved funds” within the prescribed period (Article 15, paragraph 1, point c),

d) he fails to deliver evidence about appropriate use of funds (Article 15, paragraph 1, point d).

(2) A person with responsibility within a legal entity will pay the fine between 500,00 and 1,000,00 BAM for a violation from paragraph 1 of this Article.

(3) A natural person-funds beneficiary will pay the fine between 500,00 and 1,000,00 BAM for a violation from paragraph 1 of this Article.

(4) Legal entity – funds beneficiary will pay the fine between 1,000,00 and 2,500,00 BAM in the following cases:

a) if it fails to correct the imperfections found in the process of funds usage supervision and stated in the decision of the inspector (Article 19, paragraph 4, point b),

b) if it does not return the funds after the decision of the inspector has been issued (Article 4, paragraph 1, point c),

c) if it gives false data in the Statement from Article 4, paragraph 1, point c,

d) if it does not allow the conduction of inspection for the inspector.

(5) A person with responsibility within a legal entity will pay the fine between 300,00 and 500,00 BAM for a violation from paragraph 4 of this Article.

(6) A natural person-funds beneficiary will pay the fine between 500,00 and 1,000,00 for a violation from paragraph 4 of this Article.

(7) A legal entity-beneficiary of funds will pay the fine between 5,000,00 and 15,000,00 BAM for not returning funds within 15 days after the decision with final force and effect has been issued (Article 15, paragraph 2).

(8) A person with responsibility within a legal entity will pay the fine between 500,00 and 1,500,00 BAM for a violation from paragraph 7 of this Article.

(9) A natural person-funds beneficiary will pay the fine between 1,000,00 and 1,500,00 for a violation from paragraph 7 of this Article.

**Article 22**
(Initiating a misdemeanor case)
All authorized persons from the Ministry, Ministry of Finance of the Sarajevo Canton, and the inspector from Article 19, paragraph 1 of this Act can file a complaint for a misdemeanor case.

**Article 23**
(Incentive measures ban)
Incentive funds beneficiary which has been fined with a decision with final force and effect for a violation from Article 15, paragraph a), b), c) and d) of this Act, can no longer exercise his right on incentive measures from this Act within a period of five years from the day that the misdemeanor decision with final force and effect has been issued, and by which the beneficiary of funds has been found guilty.

**VIII. TRANSITIONAL AND FINAL PROVISIONS**

**Article 24**
(Discrimination and abuse prohibition)
In procedures prescribed by this Act and regulations with compliance of this Act, every form of discrimination and abuse based on gender, language, nationality, denomination, social heritage, wealth, political or other belief, is forbidden.

**Article 25**
(Grammatical terms)
Grammatical terms used in this Act for describing male or female gender imply both genders, except when the purpose of this Act is different.

Article 26
(Deadline for making of the Program)
The Government will make the Program from Article 10 of this Act within six months from the day of entry into force of this Act.

Article 27
(Deadline for issuing the Rule Book)
The Ministry must issue the Rule Book from Article 13 of this Act within three months from the day of entry into force of this Act.

Article 28
(Entry into force of the Act)
This Act enters into force on the eight day from the day of its publication in the “Official Gazette of the Sarajevo Canton”, and it will be applied from January 1st 2016.

Number: 01-02-20868/15 Chairman of the
July 21st 2015 Sarajevo Canton
Sarajevo Assembly
Sejo Bukva