

# **LAW ON FOREIGN INVESTMENTS OF THE FEDERATION Bosnia and Herzegovina**

## **NOTE:**

This text contains the original Law on Foreign Investment of Federation BiH, "Official Gazette of Federation BiH" No. 61/01 and two Laws on Changes and Amendments of the Law on Foreign Investments of Federation BiH published in the "Official Gazette of Federation BiH" No. 50/03 and 77/15.

*-Unofficial translation of cleansed text-*

## **I - GENERAL PROVISIONS**

### Article 1

Under this Law rights, obligations and benefits of foreign investors, forms of foreign investments, procedure of approval of foreign investments shall be regulated and the authorities in charge of approval of foreign investments in the Federation of Bosnia and Herzegovina shall be determined (hereinafter: Federation BiH).

Issues not regulated by this Law shall be subject to the provisions of the Law on Policy of Foreign Direct Investments in Bosnia and Herzegovina ("BiH Official Gazette" No. 17/98, 13/03, 48/10 and 22/15).

### Article 2

For the purpose of this Law the used terms:

- "Foreign direct investment" or "Foreign investment";
- "Foreign investor";
- "Foreign control";
- "Domestic investor" (BiH resident);
- "Equity";
- "Free convertible currency";
- "Media business",
- "Business entity"

shall have the meaning as defined in Article 2 of the Law on Policy of Foreign Direct Investments in Bosnia and Herzegovina.

## **II – RIGHTS, OBLIGATIONS AND BENEFITS OF FOREIGN INVESTORS**

### Article 3

A foreign investor shall be entitled to invest the profit from such investments into any sector of commercial and non-commercial business activities in the Federation BiH and in the same form and under the same conditions as defined for domestic investors (BiH residents) under the applicable laws of Federation BiH and Bosnia and Herzegovina (hereinafter: BiH).

Notwithstanding the provisions under paragraph 1 of this Article, foreign equity in the capital of company engaged in the production and sale of arms, ammunition and explosives for the military use and military equipment and media business (hereinafter: Restricted sectors) shall not exceed 49 % of the capital in that company.

"If deemed justified, the Government of Federation BiH (hereinafter: the FBiH Government) may decide, on a proposal from the competent ministry, that the share of a foreign entity in certain companies from paragraph 2 of this Article, is not subject to restrictions set forth in paragraph 2. of this Article, all in accordance with the legislation that regulates these areas“.

#### Article 4

A foreign investor may establish a company in the Federation BiH under the same terms and conditions applicable to domestic investors according to the Company Law ("FBiH Official Gazette", No. 23/99 and 45/00) provided it is otherwise prescribed by this Law.

As defined by this Law "founding rights of foreign individuals" shall include right to establish and manage companies under terms and conditions applicable to domestic investors. Any subsequently passed restrictions on the founding rights of foreign individuals, contrary to this Law, shall have no legal consequences.

#### Article 5

Legal entities owned by a foreign investor shall have same rights, obligations and responsibilities as the legal entities fully owned by domestic legal entities and physical persons.

Legal status, rights, obligations and responsibilities of parts of foreign private entities and foreign physical persons undertaking business activities in the Federation BiH will be regulated under separate laws.

#### Article 6

Foreign investors shall have the same property rights in respect to real estate as domestic legal entities and physical persons.

#### Article 7

Foreign investors shall have the right to transfers abroad, freely and without delay, in freely convertible currency, proceeds resulting from their investments in the Federation BiH including but not limited to:

- gain from investments received in the form of profit, dividends, interest and other forms;
- funds earned by investors after partial or full liquidation of their investments in the Federation BiH or from the sale of equity or proprietary rights;
- compensation referred to in Article 8 of this Law.

The transactions referred to in paragraph 1 of this Article shall be carried out through commercial banks upon fulfilment of all tax and other statutory obligations with respect to public revenues in Bosnia and Herzegovina and the Federation BiH.

#### Article 8

Foreign investments shall not be subject to any act of nationalisation, expropriation or measures with similar consequences, except when it is in the public interest and in accordance with applicable legislation and other regulations.

Foreign investors shall have right to the payment of the appropriate, prompt and adequate compensation, which they can freely dispose, for any damage incurred as a result of nationalisation, expropriation and other measures with similar consequences.

The FBiH Government (hereinafter: the FBiH Government) shall, within 30 days from the day this Law enters into force, pass the bylaw that shall regulate the conditions and procedure for the compensation in the case of nationalisation, expropriation or other measures with similar consequences.

#### Article 9

A foreign direct investment shall be exempted from the payment of customs and customs duties, unless otherwise prescribed by the provisions of the Law on Customs Policy of Bosnia and Herzegovina („Official Gazette of BiH“ no. 57/04, 51/06, 93/08, 54/10 and 76/11).

Foreign investments may be exempted from the payment of tax duties accordance to the provisions of the laws that regulate the tax policy in the Federation BiH.

### **III - THE COUNCIL FOR FOREIGN INVESTORS OF THE FEDERATION BIH**

#### Article 10

With a purpose of assistance to and promotion of foreign investments and improvement of the overall business environment for foreign investors in the Federation BiH, more comprehensive coordination and cooperation of the institutions on the federal, cantonal and local levels in the area of foreign investments, the Council for Foreign Investors of the Federation BiH (hereinafter: the Council) shall be established as an advisory body to the FBiH Government.

#### Article 10a

The duties of the Council are:

- analysis of the business environment for foreign investments and recommendation for taking measures and procedures to eliminate existing limiting factors for foreign investors,
- initiation of changes of laws and other by-laws that promote and facilitate foreign investments,
- exchange of information and initiation of more comprehensive cooperation among the institutions on the federal, cantonal and local levels, in order to create a more favorable business

environment for foreign investments, that will make investments attractive and safe to foreign investors, and

- consultations with domestic and foreign investors to find solutions for the promotion of investments,
- establishment of the cooperation among the institutions of the Federation BiH, cantons and local self-government units and existing and potential foreign investors to overcome potential difficulties encountered during the realization of investments, which would serve as an effective mechanism for servicing investors and support in investing.

#### Article 10b

The Council comprises at least 16 members appointed by the FBiH Government on the proposal of the federal ministries, Chamber of Commerce of the Federation BiH and foreign investors.

Council members will meet as needed, and at least once every six months to coordinate activities, address and analyze current issues, and discuss other issues within their competence.

Technical and administrative support to the Council will be carried out by the Federal Ministry of Trade.

For their work the members of the Council shall receive no compensation.

## **IV – PROCEDURE OF APPROVAL AND REGISTRATION OF FOREIGN INVESTMENTS**

#### Article 11

In the Federation BiH, foreign investments in the sectors subject to restrictions shall be approved by the FBiH Government on the proposal of the Federal Ministry of Energy, Mining and Industry and on the proposal of the Federal Ministry of Transport and Communications, each within its jurisdiction (hereinafter: the relevant ministry).

For an investment in sectors subject to the restrictions, foreign investors are required to submit to the FBiH Government, through the relevant ministry, a request for approval of a foreign investment.

On the request referred to in paragraph 2 of this Article the FBiH Government shall make decision within 30 days of receipt of the proper request.

If there are reasons for the postponement of decision, the competent ministry shall notify the applicant within the next 30 days.

The FBiH Government is due to make a decision with an explanation and submit it to the party no later than 60 days since receipt of the proper request.

If such decision is not made within the deadline from the paragraph 5 of this Article, a foreign investment shall be considered approved.

The approval of a foreign investment shall be valid without a time limit.

### Article 13

To collect and process data on registered foreign investments competent registration courts are required at least once every three months to inform the Federal Ministry of Trade on registered companies with foreign investment.

The FBiH Government or the body authorized by the FBiH Government may publish general data on foreign investments.

By doing so it shall respect legitimate interests of companies and ensure that their business secrets are not published.

### Article 14

The Federal Minister of Trade shall, by the end of February of current year at the latest, submit the annual report to the FBiH Government on realisation of foreign investments in the Federation BiH for the previous year.

## **VI - INTERIM AND CLOSING PROVISIONS**

### Article 15

The rights and benefits of foreign investors granted and obligations imposed under this Law cannot be terminated or abolished by the subsequently passed laws and other regulations. If these subsequently passed laws and regulations shall be more favourable to foreign investors, they shall have right to choose the regime that will apply on their investment.

### Article 16

Contracts or other acts on the investment submitted for the approval or registration to the competent authority and not approved or registered prior to the entry into force of this law, shall be approved or registered under the provisions of this law.

### Article 17

This law shall enter into force on the eighth day of the day of publication in the "Official Gazette of the Federation BiH".