

LAW ON CONTRIBUTIONS

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I - GENERAL PROVISIONS

Article 1

This Law regulates the system of statutory contributions, as the basic instruments for financing: statutory pension and disability insurance, health insurance and unemployment insurance (hereinafter: contributions), as well as the maximum contribution rate on the territory of the Federation of BiH (hereinafter: the Federation).

Cantons and insurance holders may not introduce other types and determine new contribution rates by virtue of their regulations.

The contribution rates shall be determined by the competent authorities, provided that the rate level may not be higher than the level of rates set out by this Law.

Article 2

Contributions and other sources of funds not covered by this Law, for the financing of rights above the statutory level in the field of pension and disability insurance, health insurance and unemployment insurance, shall be defined in accordance with the federal laws governing these areas and the regulations issued under those laws.

The implementation of social policy and the establishment of social welfare services, within the framework of the system, instruments and competencies established by this Law and the regulations referred to in paragraph 1 of this Article, shall fall under the responsibility of cantons and bodies of insurance holders designated by the law.

Article 3

Contributions are proceeds of insurance holders.

II - TYPES OF CONTRIBUTIONS

Article 4

Contributions for statutory insurance (hereinafter: statutory contributions) under this Law include:

1. for pension and disability insurance:
 - 1.1. contributions for pension and disability insurance,
 - 1.2. additional contribution for pension and disability insurance calculated at an accelerated rate;
2. for basic health insurance;
3. for unemployment insurance.

Contributions shall be calculated and paid:

1. from personal income and other income of the insured persons;
2. on paid personal income at the expense of the employer;
3. from other sources, provided by the entities responsible for calculation and payment of contributions in accordance with the regulations governing the field of pension and disability insurance, health insurance and unemployment insurance.

III – CONTRIBUTION PAYERS

Article 5

A contribution payer referred to in Article 4, paragraph 2, item 1 of this Law is a natural person - a resident of the Federation:

- employed in the Federation with a legal or natural person - resident of the Federation;
- who is elected or appointed to public or other duty and who, for performing that duty, earns a salary or other compensation treated as salary;
- who is employed in the Federation with a legal or natural person - non-resident of the Federation, an international organisation, institution or foreign diplomatic or consular office, unless stipulated otherwise by an international treaty,
- who has been assigned abroad, by a legal or natural person - resident of the Federation that employs him/her, to work or receive professional training, unless this contribution payer is subject to statutory insurance under the legislation of the country he/she is assigned to, or unless stipulated otherwise by an international treaty;
- who is employed abroad with a foreign employer, unless subjected to statutory insurance with a foreign social insurance holder;
- who is generating income from other types of self-employed activities and occasional paid employment, in accordance with the regulations governing income tax.
- other natural persons - residents of the Federation, in accordance with the regulations governing pension and disability insurance, health insurance and insurance from unemployment.

Contribution payer referred to in Article 4, paragraph 2, point 1 of this Law shall also include a natural person - a non-resident of the Federation, who has the following status in the Federation:

- is employed with a legal or natural person - a resident of the Federation;

- is employed with a legal or natural person - a non-resident of the Federation, unless otherwise stipulated by an international treaty registered with the Ministry of Foreign Affairs of Bosnia and Herzegovina;
- is employed by international organisation, institution or foreign diplomatic or consular office, unless otherwise stipulated by an international treaty registered with the Ministry of Foreign Affairs of Bosnia and Herzegovina.

Contribution payer referred to in Article 4, paragraph 2, point 2 of this Law shall include:

- a legal or natural person - a resident of the Federation, providing employment, for the employees under employment contract and the insured persons under the equal terms;
- a natural person - resident of the Federation who independently carries out an economic, professional or other activity in the Federation as a principal occupation in accordance with regulations governing income tax;
- a natural person – non-resident of the Federation who independently carries out an economic, professional or other activity in the Federation as a principal occupation in accordance with regulations governing income tax;
- a natural person engaged in an agricultural and forestry activity as the sole or principal occupation;
- an individual trader whose independent activity is entered in the register held with the competent authority;
- a legal or natural person, a payer of income based on other types of self-employment and occasional paid employment.

Contribution payers referred to in Article 4, paragraph 2, point 3 of this Law include: institutes, funds, administrative bodies and other legal or natural persons determined by the regulations governing pension and disability insurance, health insurance and unemployment insurance.

Within the meaning of this Law, a natural person who has permanent or temporary residence in the Federation shall be considered a resident of the Federation.

A natural person engaged in a local diplomatic or consular office abroad as the Head of a diplomatic or consular office or as a diplomatic or consular officer shall also have a resident status, if such income is not subject to payment of contributions in the country of employment

A natural person assigned abroad for the purpose of carrying out activities for the Federation, for a natural or legal person who is a resident of the Federation or for an international organisation, shall also have a resident status

IV – CONTRIBUTIONS BASE

Article 6

The contributions base referred to in Article 4, paragraph 2, point 1 of this Law shall be:

1. salary of an employee, managerial employee and trainee;

2. salary or other remuneration of an official substituting the salary;
3. salary compensation for the termination of employment which has not been caused by the employee;
4. salary compensation during holidays, which are defined by law as non-working days;
5. salary compensation for leave of absence of employees during annual leave;
6. salary compensation for leave of absence in accordance with the law, collective bargaining agreement and similar;
7. salary compensation for the leave of absence of employees for the purpose of education and professional training and retraining of employees;
8. salary compensation in cases of temporary prevention to work due to illness up to 42 days;
9. salary compensation due to occupational injury or occupational disease, which is paid out of the funds of the legal or natural person with whom the insured person is employed;
10. By way of derogation, a multiplicand of the average salary referred to in Article 6a, paragraph 2, and a coefficient of 0.25 for employees in coal mines, textile, leather and footwear industry which are paid the lowest wage, and for the activities generating lower revenues such as traditional craft trades, governed by a special regulation of the Cantonal Assembly.
11. each individual income from membership in the representative government authorities, if such income is not covered by the base referred to in Article 6, points 1 through 9, on the basis of membership in an Assembly, Supervisory Board of a company, a member of Management Board, administrative council and other relevant bodies of other legal persons, member of commissions and committees of these bodies, insolvency administrator and lay magistrate, which has no status of an employee of court, income deducted from the tax-deductible amount for occasional activities of scientists, artists, experts, journalists, court experts, salesmen, collectors, referees and delegates and on the basis of other activities carried out along with a principal activity arising from self-employment or employment.
12. other income and benefits of natural persons who are not contribution payers on any other basis, in accordance with the regulations governing pension and disability insurance, health insurance and unemployment insurance.

Article 6a

Salary referred to in Articles 6, 7 and 8 of this Law means any pecuniary and other income, regardless of the form of payment, taxable according to the regulations governing income tax, which the employer paid or was due to pay to

an employee on the basis of the employment under the provisions of the Labour Law, collective bargaining agreement and other regulations in the field of labour, and consists of contributions from the base, income tax and the amount paid to an employee on that basis.

Average salary is the average amount of monthly salary paid per employee in the Federation in the period from January to September of the current year, published by the Federal Institute of Statistics, and it consists of the amount of contributions from the base, income tax and the amount payable to an employee and serves for determining a monthly base and the lowest monthly base referred to in Article 6, point 10 and Article 8, paragraph 2 of this Law for calculation of contributions in the calendar year following the year to which the average salary is related.

Article 7

The base referred to in Article 6, points 1 through 9 of this Law is the salary, or salary compensation of an employee, determined in accordance with the law or other regulations, provided that the base for the calculation of contributions may not be lower than the lowest salary determined by the general collective bargaining agreement.

The base referred to in Article 6, points 1 through 9 of this Law, for a payer who is employed on the territory of the Federation with a legal or natural person - a non-resident of the Federation, is his/her salary, provided that such base may not be lower than the average salary of employees in the Federation in accordance with Article 6a, paragraph 2 of this Law.

The base referred to in Article 6, points 1 through 9 of this Law, for a payer who is employed in the territory of the Federation with a humanitarian organization – a non-resident of the Federation, is his/her salary, provided that such base may not be lower than the average salary of employees in the Federation in accordance with Article 6a, paragraph 2 of this Law.

For a payer who is employed with an employer - a resident of the Federation, who has been assigned to work or for a professional training abroad, as well as for a payer employed abroad with a foreign employer, the basis of contributions referred to in Article 4, item 1 of this Law shall be the personal income which would be earned for the same type of work performed in the Federation, provided that such base may not be lower than the average salary of employees in the Federation in accordance with Article 6a, paragraph 2 of this Law.

Article 8

The contributions base referred to in Article 4, paragraph 2, point 2 of this Law shall consist of salary and other personal income of employees in employment relationship with legal or natural persons - residents of the

Federation and of the insured persons under the equal terms as referred to in Articles 6 and 7 of this Law.

The base for calculation of contributions of an entrepreneur is the following:

- a) multiplicand of the average salary referred to in Article 6a, paragraph 2 and the coefficient of 1.1 if an entrepreneur, on the basis of self-employed of a freelance profession, in accordance with the income tax regulations, determines income on these grounds based on business books, in accordance with the regulations governing income tax;
- b) multiplicand of the average salary referred to in Article 6a, paragraph 2 and the coefficient of 0.65 if an entrepreneur on the grounds of self-employment, determines income based on business books, in accordance with the income tax regulations;
- c) multiplicand of the average salary referred to in Article 6a, paragraph 2 and the coefficient of 0.55 if the insured person on the basis of self-employment in trade or freelance profession pays income tax on these grounds in the lump sum, in accordance with the income tax regulations;
- d) By way of derogation, multiplicand of the average salary referred to in Article 6a, paragraph 2 and the coefficient of 0.25 for entrepreneurs who are self-employed and performing economic, professional or other activity as a principal occupation, for the activities generating lower revenues such as traditional craft trades established by a special regulation and taxi business, if the insured person on grounds of activity as self-employed person, pays income tax on these grounds in the lump sum, , in accordance with the income tax regulations,;
- e) multiplicand of the average salary referred to in Article 6a, paragraph 2 and the coefficient of 0.25 if an entrepreneur on the grounds of performing agricultural and forestry activity does not pay income tax or if it pays income tax in the lump sum;
- f) multiplicand of the average salary referred to in Article 6a, paragraph 2 and the coefficient of 0.29 if an entrepreneur on the grounds of performing agricultural and forestry activity determines income tax, income on these grounds, on the basis of business books, in accordance with the regulations governing income tax;
- g) multiplicand of the average salary referred to in Article 6a, paragraph 2 and the coefficient of 0.29, if an entrepreneur on the grounds of performing an activity of an individual trader, registered in the relevant register, determines income on these grounds, on the basis of business books, in accordance with the regulations governing income tax.

The contributions base for the payers referred to in Article 5, paragraph 3, point 5, is income paid to natural persons - residents on the basis of other types of self-employment and occasional paid employment.

Contributions referred to in paragraphs 1, 2 and 3 of this Article shall have the nature of operating expenses.

Contributions referred to in Article 4, paragraph 2, point 3 of this Law shall be calculated against the base determined in accordance with the regulations governing pension and disability insurance, health insurance and unemployment insurance.

Article 9

Contributions referred to in Article 4, paragraph 2, points 1 and 2 of this Law are not payable on other income and remuneration arising from employment that are not subject to income tax, in accordance with the regulations governing income tax.

By way of derogation, contributions referred to in Article 4, paragraph 2, point 3 of this Law, for some categories of insured persons covered by paragraph 1 of this Article, shall be paid in accordance with the regulations governing pension and disability insurance, health insurance and unemployment insurance.

V - CONTRIBUTION RATES

Article 10

The maximum contribution rates against the base are:

1. at the expense of the payer of contributions from the base (Article 6, items 1 through 10, point 12 and Article 7):
 - 17,00% for pension and disability insurance,
 - 12,50% for basic health insurance,
 - 1,50% for unemployment insurance;
2. at the expense of the employer on the base (Article 6, items 1 through 10, point 12 and Article 8):
 - 6,00% for pension and disability insurance,
 - 4,00% for basic health insurance,
 - 0,50% for unemployment insurance;
3. on the base, for additional contribution for pension and disability insurance, as follows:
 - a) 2,00% for insured persons assigned to a job post where 12 months of effective work are counted as 14 months of service,
 - b) 3,00% for insured persons assigned to a job post where 12 months of effective work are counted as 15 months of service,
 - c) 6,00% for insured persons assigned to a job post where 12 months of effective work are counted as over 15 months of service.
4. Special contribution for health insurance, for health care abroad referred to in Article 7, paragraph 4 of this Law shall be determined by the Government of the Federation of BiH, at the proposal of the Federal Ministry of Finance.

Article 10a

By way of derogation, according to the base referred to in Article 6, point 11 of this Law, the contributions shall be calculated as follows:

1. at the expense of the insured person, from the base at the rate of:
 - 4,00% for basic health insurance;
2. at the expense of the payer of income, on the base at the rate of:
 - 6,00% for pension and disability insurance.

Article 10b

By way of derogation, contributions against the base referred to in Article 8, paragraph 2 shall be calculated on the base, at the following rates:

- 23,00% for pension and disability insurance,
- 16,50% for basic health insurance,
- 2,00% for unemployment insurance.

VI - CALCULATION AND PAYMENT OF CONTRIBUTIONS

Article 11

Contributions shall be calculated when calculating salaries. Payment of contributions for payers of contributions referred to in Article 4, paragraph 2 of the Law shall be made by the payer of salaries and other personal income - a resident of the Federation for each payment, a natural person who independently carries out economic, professional or other activity as a principal occupation, a joint activity holder if several persons are jointly engaged in self-employment business, in accordance with income tax regulations, the payer of income on grounds of other types of self-employment and occasional paid employment and other payers of contributions, as follows:

- a) on salaries, salary compensations and other personal income of employees on the basis of work performed during regular working hours and overtime, the contributions shall be paid upon payment of salaries and other benefits;
- b) against the base referred to in Article 8, paragraph 2 of this Law, a natural person who independently (self-employment) performs an economic, professional or other activity as principal occupation, or who is engaged in agriculture and forestry as sole or principal occupation, a person employed with the non-resident of the Federation and other contribution payers, shall be obliged to calculate and pay contributions by themselves for their salaries by the 10th of each month for the previous month.
- c) for a payer who is employed with a non-resident of the Federation on the territory of the Federation of BiH, calculation and payment of contributions may be made by a legal or natural person - a non-resident of the Federation by the 10th of each month for the previous month.

At each payment of salary and other benefits, the payer shall be obliged to issue a copy of a payslip to an employee or contribution payer referred to in

Article 5 of this Law, that is, an overview of income containing contributions, income tax and the amount payable on that basis.

The payer, that is, the entity responsible for payment of contributions shall be obliged to submit the data for each payer on paid contributions, paid income tax and paid salary or income to the contribution payer and to the competent branch of the Tax Administration by the end of January of the current year for the previous year.

Contributions at the rates referred to in Article 10 of this Law shall be calculated at the calculation of salaries and shall become due for payment simultaneously with the payment of salaries.

If the entity responsible for calculation of the contributions referred to in paragraph 1 of this Article fails to pay the salary or fails to pay it in the full amount for the previous month in the month in which the payment of salary is due, it shall be obliged to calculate the contributions against the amount of due and unpaid salary until the last day of the month in which the payment of the salary was due.

Contributions calculated in accordance with paragraph 5 of this Article shall be due for payment no later than the last day of the month in which the salary was due for payment.

Contributions at the rate referred to in Article 10a of this Law shall be calculated before payment of the income to the insured person and shall become due for payment simultaneously with the payment of the income to the insured person.

For an insured person, the rights from pension and health insurance and unemployment insurance may not be diminished or abolished in the event that the entity responsible for calculation and payment of contributions has not calculated or paid or partially paid due contributions in accordance with paragraphs 4 and 5 of this Article, unless otherwise regulated by special law.

Article 11a

Payers of salaries, other personal income and natural persons referred to in Article 11, paragraph 1 of this Law shall be obliged, for each payment of salary/income, to produce a specification on payment of contributions and income tax, and the payment of income, and submit it to the competent branch of the Tax Administration of the Federation of BiH on the same day, and no later than the next day from the date of payment of the salary/income.

Article 11b

An employer - payer of salaries and other personal income, as well as natural persons referred to in Article 11, paragraph 1, points (b) and (c) of this Law, shall allocate the contributions from the base and the contributions on the base, in accordance with the regulations or bylaws adopted pursuant to this Law, to the respective beneficiary/beneficiaries, however, the contributions for pension

and disability insurance shall be paid to the benefit of the Federal Institute of Pension and Disability Insurance to the account prescribed by a special federal regulation.

Article 12

Contribution payments shall be made in KM.

Contributions shall be paid according to the type to the defined payment accounts through authorized organizations for performing domestic payment operations (OOPP).

Article 13

Contributions of statutory pension and disability insurance, health insurance and unemployment insurance that are not paid within the prescribed deadline shall be subject to the interest rate, which shall be prescribed by the Law on the amount of default interest rate on public revenues, on a daily basis for each day of default.

Article 14

Control of the calculation and payment of contributions shall be made by the Tax Administration of the Federation of BiH.

Article 14a

In the case of non-payment of contributions within the deadline, the competent Tax Administration shall issue a decision on enforced collection.

Based on the aforementioned decision, the Tax Administration may require enforced collection of contributions by transferring the amount due from any account of the salary payer, held with the authorized organizations for performing domestic payment operations, to the prescribed payment accounts for public revenues, as well as collection from the entire property of the salary payer.

Article 14b

If the simultaneous payment of statutory contributions has not been made with the payment of salary or income, in accordance with the provisions of Article 11, paragraphs 1, 4 and 5 of this Law, the authorized organization for performing domestic payment, which makes a transfer of funds from the account of the entity responsible for payment of contributions, shall be obliged to inform the competent branch of Tax Administration, based on the seat of entity responsible for payment of contributions, within eight days from the date of payment of salary or income.

Article 14c

Records on calculated and paid contributions from salaries and on salaries shall be kept by the organisational unit of Tax Administration where the seat of the payer - a legal person and a natural person who independently carries out the activity is located or residence of a natural person referred to in Article 11, paragraph 1, points b) and c) of this Law.

VII - PENAL PROVISIONS

Article 15

A fine from 2.000,00 KM and 10.000,00 KM shall be imposed for misdemeanour on:

1. employer, if it fails to calculate the contributions when calculating the salary, and no later than the last day of the month in which the salary was due for payment (Article 11, paragraphs 4 and 5);
2. a payer, natural person, if it fails to calculate contributions by the 10th day of the month for the previous month (Article 11, paragraphs 1, (b) and (c));
3. payer of income from the other self-employment activity or from occasional paid employment, if it fails to calculate the contributions before the payment of income to the insured person (Article 11, paragraph 7).

A fine in the amount from 500.00 KM to 2.000,00 KM shall be imposed on responsible person of a legal person for misdemeanour referred to in paragraph 1 of this Article.

Article 16

A fine from 1.000,00 KM to 5.000,00 KM shall be imposed for misdemeanour on:

1. employer, if it fails to pay contributions simultaneously with payment of salary, and no later than the last day of the month in which the salary was due for payment (Article 11, paragraphs 4 and 6);
4. a payer, natural person, if it fails to pay contributions by the 10th day of the month for the previous month (Article 11, paragraphs 1, (b) and (c));
2. payer of income from the other self-employed activity or from occasional employment, if it fails to pay contributions before the payment of income and no later than in parallel with the payment of income (Article 11, paragraph 7);

3. legal entity and self-employed natural person who independently performs activity if it, as a salary payer, as well as a natural person for itself, fails to submit to the Tax Administration of the Federation of Bosnia and Herzegovina a specification with payment of salaries and specification with payment of contributions of the entrepreneur, within the prescribed deadline.

A fine from 500.00 KM to 2.000,00 KM shall be imposed for a misdemeanour on the debtor of contributions - the insured person, who is paying contributions by itself, if it fails to pay due contributions within the prescribed deadline (Article 11, point b).

Article 17

A fine from 2.000 KM to KM 5.000,00 shall be imposed on authorized organization for performing domestic payment operations, which transfers the funds from the account of the entity responsible for payment of contributions, for a misdemeanour if it fails to notify, within the prescribed deadline, the competent branch of the Tax Administration about payment of salary or income based on which statutory contributions have not been simultaneously paid (Article 14b).

Article 17a

Entity responsible for payment of contributions shall be fined for a misdemeanour for the first committed misdemeanour in accordance with Article 16 of this Law and as for the second committed misdemeanour, in addition to a fine, a measure of prohibition of performing the activity for a period of up to one year may be imposed on it.

VIII - TRANSITIONAL AND FINAL PROVISIONS

Article 18

Until the establishment and commencement of the work of insurance holders under the federal regulations, the contributions shall be the proceeds of the current insurance holders.

Article 19

Statutory contributions for other purposes on the territory of the Federation, with the exception of statutory contributions for pension and disability insurance, health insurance and unemployment insurance, may be introduced only by virtue of this Law.

Article 20

The Federal Minister of Finance shall issue a Rulebook on the method of calculation and payment of contributions, within 60 days from the date of entry into force of this Law.

The Federal Minister of Finance, by 31 December of the current year, shall announce the bases for calculating contributions in monthly amount for the following calendar year, which are prescribed as a multiplicand of the average salary and the coefficient referred to in Article 6, point 10 and Article 8, paragraph 2 of this Law.

Notwithstanding the provision of paragraph 2 of this Article, the Federal Minister of Finance shall, by 31 December 2008, publish the amounts of the bases for calculation of contributions in the monthly amount referred to in Article 6, point 10, Article 8, paragraph 2 and Article 7, paragraphs 2, 3 and 4 of this Law for 2009.

Article 20a

Notwithstanding the provision of Article 6, point 10, the base of contributions consists of multiplicand of the average salary referred to in Article 6a, paragraph 2 and a coefficient of 0.29 for employees in coal mines, textile, leather and footwear industries and for activities generating lower revenues such as traditional craft trades to whom the monthly salary is paid in the amount of up to 60% of average monthly net salary in accordance with Article 6a, paragraph 2, within the period of 24 months from the date of entry into force of this Law.

Article 21

Once this Law becomes effective in the Federation, regulations governing calculation and payment of contributions in the Federation previously applicable shall cease to have effect.

Article 22

Contributions shall be calculated according to the regulations applicable at the time of the incurrance of the liability.

Article 23

This Law shall enter into force on the day following that of its publication in the Official Gazette of the Federation of BiH.