Pursuant to Article 60 paragraph (1) of the Profit Tax Law (Official Gazette of the Federation of Bosnia and Herzegovina 15/16), the Federal Minister of Finances hereby issues the

R U L E B O O K

ON IMPLEMENTATION OF THE LAW ON CORPORATE INCOME TAX

I GENERAL PROVISIONS

Article 1

(Subject of the Rulebook)

(1) The Rulebook regulates the determination of tax base, procedures for determination and payment of tax, the procedures for exercising right to tax incentives, form, content, methods and deadlines for delivering the tax return forms and other issues related to implementation of the Profit Tax Law (hereinafter: the Law).

(2) Integral parts of the Rulebook are the following forms: Tax balance (Form PB 800-A), Tax balance (Form PB 800-B), Corporate Income Tax return for companies (Form PP-801), Corporate Income Tax return for subsidiaries of RS or BD (Form PP-802), Corporate Income Tax return for a business unit of a non-resident (Form PP-803), Corporate Income Tax return for partially exempt entities (Form PP-804), Consolidated tax balance and CIT return (Form PP-805), Corporate Income Tax return for a subsidiary in RS or BD (Form PE-806), Corporate Income Tax return for a subsidiary outside of Bosnia and Herzegovina (Form PE-807), Investment plan (Form PI-808), Overview of generated, unutilized and utilized tax losses (Form PG-809), Tax Incentive return based on investment in production equipment (Form PP 810), Tax incentive return based on investment in fixed assets (Form PP 811), Tax incentive return based on new employment (Form PP 812), Statement of calculated tax for paid dividend/equity (Form ID-813), Return for tax credit derived from income outside of B&H (Form PK-814), Withholding tax return on dividend (Form POD 815), Withholding tax return on interest (Form POD-816), Withholding tax return on royalties (Form POD-817), Withholding tax return on other income (Form POD-818), Withholding tax return on property and rights (Form POD-819) and Statement of a legal entity for withholding tax exemption at the source (Form OP-820)

Article 2

(Nature of the tax)

Corporate income tax represents the direct tax being collected from both the legal persons or the parts of legal persons under the Law in any case the taxable income or the profit had been derived from.

Article 3

(Gender definition)

The terms used in this Rulebook which have gender meaning shall be used neutrally and they shall refer to male and female genders equally.

Article 4

(Definitions)

Within the context of this Rulebook, the terms defined by Article 2 of the Law and the following terms shall be applied:

a) '**entity'** shall mean any natural or legal entity;

b) '**legal personality**' encompasses persons' rights and duties acquired by entering into a corresponding register by competent authorities;

c) '**origin principle**' shall mean that a country of origin has priority rights to assess the property being placed on its territory, namely the income or profit made on its territory.

d) '**real estate property**' shall include the property not being able to change its position in space such as buildings, land etc.

e) '**unlimited tax liability**' shall include the rights of a country of residence to tax the income or the profit independently from the territory where such income or profit had been generated.

f) '**limited tax liability** shall include the rights of a country on which territory the income or profit had been generated, to tax such income or profit.

g) '**tie-breaker**' shall include the set of rules when deciding the residence.

I. DETERMINATION OF TAX BASE

A. Taxpayer

Article 5

(Unlimited taxpayer)

(1) Company and all other legal entities established under the provisions of rulebooks regulating the companies with their headquarters or actual centre of administration and business supervision on the territory of the Federation of Bosnia in Herzegovina (hereinafter: the Federation) shall represent the taxpayer under the Article 3 paragraph (1) of the Law. Income generated by such taxpayer, regardless of the market where the profit was derived from, shall be subject to unlimited taxation.

(2) Entity without legal personality with its headquarters or actual centre of administration and business supervision on the territory of the Federation, whose income is not taxable under the provisions regulating the income tax including association of entities, shall be deemed to be taxpayers under Article 3 paragraph (1) of the Law.

(3) Taxpayer is considered to be also a mother company and its subsidiaries interconnected by the contracts according to the company regulations or by the equity according to Article 41 of the Law and whose actual centre of administration and business supervision is located on the territory of the Federation.

(4) Taxpayer is also any other legal entity not being covered by Article 4 of the Law and who performs market activity on the territory of the Federation with aim of making profit regardless of the activity or its legal personality.

Article 6

(Limited taxpayer)

(1) Subsidiary of any legal entity from the Republic of Srpska or Brčko District of the Bosnia and Herzegovina (hereinafter Brčko District) performing its business activities on the territory of the Federation through the permanent establishment, shall be the taxpayer of the income tax for the profit realized from its business activities on the territory of the Federation.

(2) Pursuant to Article 6 of the Law, a business unit of a non-resident shall be a taxpayer only on the profit realized from making business on the territory of the Federation if its permanent establishment and business supervision are on the territory of the Federation.

(3) Non-resident performing its activities periodically in the territory of the Federation shall be a taxpayer for the income generated from the residents of the Federation.

(4) Taxpayer shall also be any legal entity under Article 4 paragraph (1) item c) of the Law established under the regulations covered by Article 7 paragraph (2) item and paragraph (3) of this Rulebook and performing its market activities for the purpose of making profit in a way determined by this Rulebook.

Article 7

(Entities who are not subject to income taxation)

(1) Administrative authorities on the state, federal and cantonal levels as well on the local government level, established under the provisions regulating the organization of administrative authorities, will not be taxpayers according to Article 4 paragraph (1) item b) of the Law.

(2) Legal entities not subject to income taxation referred to in Article 4 paragraph (1) item c) of the Law shall be the institutions, institutes, religious communities, political parties, trade unions, foundations, endowments, tourist communities, sports clubs and associations if they cumulatively meet the following conditions:

a) they were established according to the provisions regulating:

- associations and foundations in both Bosnia and Herzegovina and Federation;
- freedom of religion and legal status of both churches and religious communities in Bosnia and Herzegovina;
- political organizations in Bosnia and Herzegovina;
- tourist communities in Bosnia and Herzegovina;
- institutions in Bosnia and Herzegovina;
- sports in Bosnia and Herzegovina;

b) they were registered exclusively for conduction of non-profit business activities in the Federation and

c) they make profit exclusively under Article 8 of this Rulebook.

(3) Legal entities who are entrusted with the performance of administrative activities from the jurisdiction of administrative authorities by specific regulations, are considered to be legal entities entrusted with public authorization by the federal or cantonal law for the activities from the jurisdiction of federal or cantonal administrative authority or by the decision of either city or municipal council for the administrative activities from the jurisdiction of local government of the city or municipality.

(4) Legal entities referred to in paragraph (3) of this Article will not be subject to calculation and payment of income tax - the income realized on the basis of profits referred to in Article 8 of this Rulebook.

Article 8

(Income not being the part of tax base)

(1) Income which do not form the part of the tax base of the legal entities referred to in Article 4 paragraph (1) item c) shall be following:

a) income from the budget or public funds of the state, the Federation, the canton and the local government unit;

b) income based on sponsorships or donations either in money or in kind;

c) charges;

d) fees;

e) revenues from the sale or transfer of assets save for the assets either used or being currently in use for market activities.

(2) The compensations referred to in paragraph (1) item c) of this Article are considered the cash receipts representing the sources of legal entities' funding referred to in Article 7 paragraph (3) of this Rulebook which were set forth by specific laws.

(3) Revenues based on sponsorships referred to in paragraph (1) item b) of this Article are considered all cash receipts acquired by any legal entity through supports for the organization and conducting of different events or projects, with or without the service rendered in return in the nature of advertisement of trade name, business, products and services of the sponsor.

(4) For the purpose of paragraph (1) item e) of this Article assets shall be deemed to be any movable and immovable property, rights, securities, shares, stocks, small inventory, etc.

Article 9

(Determination of tax payer)

(1) When determining if the legal entity is a taxpayer underArticle 6 paragraph (4) of the Law, it is esteemed that the aim of business activities is acquisition of income, revenue, profit or any other benefit economically assessed regardless of the activity and/or its legal personality.

(2) Business conduction for the purpose of acquisition of income, revenue, profit or any other economically assessed benefit is determined based on the following: business actually conducted, the results of business activities and treatment of realised results independently from both the registration and activity documents and the registered business.

(3) Regardless of fact whether the main goal of certain entity is either gaining profit or income generation for the purpose of financing of its business, and profit is gained by

goods and service exchange, it is considered the entity performs its activities in a way and with conditions under which such activities are carried out by companies registered for the purpose of profit gaining.

(4) If any legal entity referred to in Article 6 paragraph (4) of this Rulebook exclusively performs market activity and doesn't gain profit under Article 8 hereof, it is considered to be a taxpayer referred to in Article 5 paragraph (1) of this Rulebook.

Article 10

(Market activity)

(1) Market activity, in terms of this Rulebook, is any merger of entities or property with or without legal personality who perform their market activities independently and continuosly either by product sale or service rendering in the market of Bosnia and Herzegovina or in foreign market.

(2) Market activity, for the purpose of paragraph (1) of this Article shall be deemed to be the exchange of goods and services in the market for the purpose of acquisition of income, revenue, profit or any other appreciable proceeds.

(3) Market activity is considered to be any activity of asset management, namely activity by which the assets are used such as interest earning or asset leasing etc.

Article 11

(Permanent establishment)

(1) Permanent establishment is considered to be any fixed place of business through which the market activity is performed either in its entirety or partially.

(2) Permanent establishment referred to in paragraph (1) of this Article includes the following:

a) headquarters, subsidiary, office, factory, workshop, mine, oil or gas sources, quarries or any other place of exploitation of natural resources found on the territory of the Federation;

b) construction site, installation or mounting projects if underway or their work or activities for longer than six months;

c) service rendering including advisory services by any legal entity through employees or any other person hired for such purpose by any legal entity, if the business corresponds to the same or related project in the Federation for the period or periods lasting for more than three months in any part of twelve-month period.

(3) If the same legal entities or more entities satisfy the condition referred to in Article 6 paragraph (3) of the Law at one project and related project or work and acquire status of permanent establishment, and at the same time work on other unrelated projects but for the shorter period as set forth by Article 6 paragraph (3) of the Law, business unit of the nonresident shall be profit taxpayer also for all other projects.

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(4) In case of subcontractors, a subcontractor is considered to have permanent establishment if it performs its activities in the same period of time as specified by paragraph (2) item b) of this Article.

(5) Permanent establishments are also made by the following: coordination and supervision activities related to permanent establishment referred to in paragraph (2) item b) and paragraph (4) of this Article, as well as the installations, platforms, drilling platforms or ships used for exploitation of natural resources.

(6) For the purpose of period calculation referred to in paragraph (2) item b) and paragraph (4) of this Article, in civil engineering, installation or mounting projects the period is calculated separately for each project from the beginning of the activities, both the preparation activities and temporary suspensions included. The fact is that activities were performed by different entities and the subcontractors are not of any importance.

(7) Three-month-long period referred to in paragraph (2) item c) of this Article shall be considered as continuing period when one month follows the other while suspension up to seven days will not be considered as continuity suspension. Continuity of three consecutive months shall be calculated in time duration of certain project or work regardles of the nomber of project participants

(8) Permanent establishment shall also be deemed to exist when any entity, not being independent agent in terms of paragraph (9) of this Article and on behalf of a legal entity, performs its activities on the territory of the Federation, uses authorizations of such legal entity and signs the contracts binding that legal entity within the scope of that legal entity's business.

(9) It is not considered any legal entity to have permanent establishment on the territory of the Federation solely based on the fact it conducts its business via broker-agent as long as such agent acts within the scope of its regular business and bears the risk of business activities.

(10) Business unit of a non-resident is not considered to be referred to in Article 6 paragraph (4) of the Law, performance of activities for the persons sent from abroad which are taxpayers on income under the provisions regulating the natural person taxation.

Article 12

(Registration of permanent establishment)

(1) Business unit of non-resident referred to in Article 6 of the Law, shall be registered within eight days from the beginning of its activities at the competent unit of the Tax Administration of the Federation of Bosnia and Herzegovina, (hereinafter Tax Administration).

(2) Non-resident legal entities not having permanent establishment according to Article 6 of the Law, shall proceed under paragraph (1) of this Article in case of any changes and for the purpose of determination of the tax obligations.

(3) Business unit referred to in Article 6 of the Law, whose business activities the Federation is not entitled to assess pursuant to Article 35 of the Law, shall proceed according to paragraph (1) and paragraph (2) of this Article.

(4) After the end of the calendar year and within the deadline specified for income tax return submission, non-resident legal entities referred to in paragraph (1) and paragraph (2) of this Article shall submit a written statement on the method of business conduction including the description of the activities and business performed in the Federation.

(5) Resident legal entities shall notify in written form the Tax Administration on the business cooperation with non-residen legal entities only in case such non-resident entity owns a business unit under Article 6 of the Law.

Article 13

(Resident)

As required by the Law, companies and any other entities with their headquarters or actual centres of administration on the territory of the Federation, are considered to be residents of the Federation.

Article 14

(Actual centre of administration)

(1) Actual centre of administration and business supervision shall mean any location where the strategic and key decisions in the management are brought, namely the place of actual administration and control of legal entity's business as well as the place where business decisions necessary for entire legal entity's administration are brought.

(2) While deciding on the Actual centre of administration and business supervision, a rule of "tie-breaker" shall be used, namely the guidelines under the Article 35 of the Law.

(3) If the actual centre of administration may not be determined according to paragraph (1) of this Law, the actual centre of administration and business supervision, the following shall be considered:

a) residence of the legal entity which generates income outside the territory of the Federation for less than 50 % from the total income and

   1) more than 50% of total assets is found in the Federation, or

   2) more than 50% of the total number of employees are either located in the Federation or have place of residence in the Federation;

b) residence where there is a higher administration and their supporting employees or if they are seated on more than one location, the centre where they are primarily found. If legal entity's residence is not the same as the place with majority of its employees, then the centre is located where the committee usually meets.

(4) Under "higher administration" term referred to in paragraph (3) item b) of this Article it is considered to be entity generally responsible for the development and formulation of key strategies and policies of the legal entity and who ensures, namely supervises the implementation of such strategies on regular and continued basis.

Article 15

(Non-resident)

(1) A non-resident is considered to be a legal entity with residence outside the borders of Bosnia and Herzegovina and/or whose actual centre of registration and business supervision are outside the borders of Bosnia and Herzegovina.

(2) In case the non-resident referred to in paragraph (1) of this Article becomes the resident referred to in Article 13 of this Rulebook and vice versa, Article 23 of the Law shall be applied.

B. Tax base

Article 16

(Tax base)

(1) Tax base of the taxpayers shall be determined by coordinating the business results stated in the financial statement in a way determined by accounting rules, for both tax non-deductible expenditures and income exempted from taxation and for capital gains/loss stated in line with Article 24 of the Law within one tax period.

(2) Business result subject to coordination referred to in paragraph (1) of this Article shall be determined under the International Accounting Standards and International Financial Reporting Standards (hereinafter IAS/IFRS) unless otherwise provided by this Rulebook.

(3) Tax deductible expenditures and income are stated according to IAS/ISFR unless otherwise provided by this Rulebook. Except for income and expenditures at business unit of non-resident, income or expenditures represent unrecognized tax items in the tax balance if stated in contravention of IAS/IFRS.

(4) Tax deductible expenditures are considered to be expenditures not containing value added tax regardless of the accounting policy applied and which may be deducted under the rules on value added tax.

(5) Income and expenditures for which the coordination of business result is performed, shall be stated in such business result in the amounts stated in the books of business on the basis of which the result is determined unless otherwise provided by the Law and this Rulebook.

(6) Tax base is coordinated also for the tax loss stated ccording to Article 25 of the Law and for the tax incentive stated under Article 36 and Article 37 of the Law.

(7) Corporate income tax calculation is performed at the coordinated tax base in a way determined by Article 7 paragraph (4) of the Law.

Article 17

(Documentation of expenditures)

(1) For the purpose of Article 7 paragraph (5) of the Law, documentation of expenditures shall be regarded as the transactions, namely business events that are to be stated in the accounting record from which the location and time of its composition and material contents may certainly be determined indicating complete and real reflection of created business event, namely the transaction.

(2) Accounting records for tax purposes should be both relevant for the needs of client's economic decision taking, and reliable in the sense they truly represent cash flaws, they reflect economic nature of the transactions, any other events and circumstances and not only the prescribed form.

(3) When documenting the expenditures it is important to consider any available accounting records and files both seperately and jointly as well as on the basis of the results of complete transaction.

Article 18

(Tax base consistency)

(1) Tax base is formed by application of the following principles: principle of legality, principle of material significance and prudence with aim of reflecting the method of consistency referred to in Article 7 paragraph (7) of the Law.

(2) Principle of legality in tax base formation is reflected through consistent enforcement of the provisions of both the Law and this Rulebook.

(3) The information or data shall be considered materially relevant if their absence or incorrect presentation either separately or jointly affected the level of tax base due to any amandements in accounting policy and corrections of incurred claims pursuant to IAS/ISFR taking into consideration the extent and type of what changed, had been omited or misrepresented and what is being estimated in current situation. The determining factor may be the extent and type of item or their combination.

(4) Principle of prudence requires consistent application of IAS/ISFR when forming tax base from the aspect of comparability and especially of purposely overvaluation or undervaluation of items affecting tax base level.

(5) Taxpayer should be consistent when selecting and applying the accounting policies to similar transactions, events and circumstances unless the categorization of items is specially required or allowed by any of IAS/IFRS or provisions for which different policies may be applied.

Article 19

(Purpose of deriving profit and principle of due care and diligence)

a) All expenditures incurred at the expense of taxpayer and:

b) that may not be connected to income (current or future) through either direct or indirect reconciliation save for the income referred to in Article 12 of the Law,

c) that are used for private purposes of the owner or employee and which are not provided by Article 11 paragraph (1) of the Law; or

d) representing the expenditures payable for any other legal entity

shall be expenditures unrecognized for tax purposes pursuant to Article 7 paragraph (9) of the Law.

(1) Principle of due care and diligence in terms of the Law shall imply creation of expenditures for the purpose of generating the future income regardless of whether they will be realised or not by virtue of economic movements. Expenditures incurred in that way, such as the costs of fair, marketing costs, costs of advertising, research and any other similar costs shall represent recognized expenditures for tax purposes.

(2) Work contracting in contravention of the purpose of profit generation of tax payer, as a consequence having expenditures higher than income, expenditures recognized for tax purposes are considered to be only the expenditures in the amount of realized income. In terms of this paragraph, works in contravention of the purpose of profit generation shall be cases of contracting the damping prices.

(3) Deliberate contracting of harmful works in contravention of the purpose of profit generation of tax payer are considered to be the works where taxpayer shall have more expenditures than they would have had if they acted pursuant to paragraph (2) of this Article. Such expenditures are considered to be unrecognized expenditures

for tax purposes in the amount as shall be provided under provisions of Articles 44, 45 and 46 of the Law.

(4) For the purpose of paragraph (2) of this Article Damping price shall be deemed the price lower than the cost price.

(5) Provisions of paragraph (3) of this Article will not refer to the sale of fixed assets used in business purposes by the taxpayer.

Article 20

(Tax base of subsidiary or business unit)

(1) When determining the profit of a legal entity's subsidiary from the Republic of Srpska or Brčko District and the business unit of a non-resident, profit of either subsidiary or business unit shall correspond the profit which the subsidiary or business unit would have realized if they were autonomous and independent legal entities performing the same or similar business under the same or similar conditions and if they would perform their activities completely independent together with the legal entity owning the business unit.

(2) When determining the profit of the subsidiary or business unit in terms of paragraph (1) of this Article, the following shall be taken into consideration: the functions performed, the assets used and the risks taken by legal entity through the subsidiary or the business unit and other parts of legal entity.

(3) When determining the expenditures of either subsidiary or business unit in terms of paragraph (1) of this Article, the expenditures that may directly be attributable to the subsidiary or business unit and the costs referred to in Article 22 of this Rulebook shall be considered.

Article 21

(Tax base of conditionally exempt legal entities)

(1) When determining the profit of legal entities referred to in Article 4 paragraph (2) of the Law, all income shall be considered except for the income as provided under Article 8 of this Rulebook and any income which may directly be connected to the purpose of income generation.

(2) When determining the profit referred to in paragraph (1) of this Article, the expenditures which would incur regardless of the realization of taxable profit, will not be considered. Article 20 paragraph (3) of this Rulebook shall be applied for other expenditures.

Article 22

(General and administrative costs)

(1) General and administrative costs directly attributable to legal entities' business referred to in Article 3 paragraph (2) and paragraph (3) and Article 4 paragraph (2) of the Law shall be entire amounts of the direct costs and the amounts of indirect costs allocated by the use of allocation keys.

(2) For the purpose of paragraph (1) of this Article direct costs shall include any costs where their location of occurrence may undisputedly be allocated including but not limited to any liability of natural entities based on the income of both employment and self-employment, lease and/or depreciation of fixed tangible and intangible assets, overhead expenses etc.

(3) For the purpose of paragraph (1) of this Article indirect costs shall include costs necessary for basic working process and which may directly be attributable to legal entity's parts including but not limited to the costs of accounting and audit services, legal services, services of research and development, marketing, advertising, etc.

(4) For the purpose of paragraph (3) of this Article, indirect costs will not be deemed to be the costs of management, supervision and functions related to general supervision of those activities.

(5) Costs of marketing and advertising costs are deemed the costs incurred in connection with public communication, catalogues, fairs, costs of sweepstakes and similar games under the rules on the organization of games of chance and prize games and other costs incurred in connection with the product name promotion or services of a taxpayer.

Article 23

(Allocation keys)

Depending on the facts and circumstances of each individual case, a taxpayer shall determine allocation keys which may be:

a) based on applied/used assets, and in particular in case when a strong correlation between the assets and value creating is stated,

b) based on the costs and in particular in case when the correlation is clear between the cost and value creating,

c) time period, for example time spent in assignment execution by the employees,

d) quantity or scope, namely the items being produced or sold,

e) number of employees,

f) size of the space being used etc.

Article 24

(Income apportionment of the business unit of a non-resident)

(1) Income of business unit referred to in Article 6 of the Law shall be deemed realised in following cases:

a) income or service shall be deemed realised when attributable costs incur relating to such service rendering or when the service was rendered except when rendering the service is successive and underway. In such case, income shall be stated proportional to the realization depending on whichever is earlier;

b) income from multi-year activities shall be allocated according to the pertaining period, considering the production cycle or the construction time at civil engineering;

c) income from the sale of products and goods shall be deemed realised when the sale was executed on the invoice date or on the date of ownership transfer, depending on whichever is earlier.

(2) Income related to the activities in connection with either the production cycle or construction period and if those activities are transferred from on to the other tax period, it shall be determined by applying:

a) the criterion of percentage of work completion

b) the criterion of level of work completion

(3) Application of the criterion referred to in paragraph (2) point a) of this Article shall be obligatory:

a) when the price was partially invoiced for the completed activities at building and if those activities hadn't reached certain level of completion corresponding to the invoiced amount;

b) when the activities are performed on their own and are partially sold and delivered to the bidder although the total amount is not known.

(4) For the purpose of level of work completion referred to in paragraph (2) point b) of this Rulebook, the work shall be deemed completed if the work completion level is equal or higher than 95% and if the price was determined either by contract or the sale and it has already been known in advance.

(5) Level of work completion shall be determined on the basis of defining the connection between total costs already incurred and incorporated in operation and total estimated costs of that work.

(6) Part of proceeds corresponding to related costs from this Article shall be included in the taxable profit.

(7) Tax payer included in multi-year business shall adopt criteria of the income determination based on work in a unique way and shall reflect the accepted method of income and expenditure calculation until the work is done.

Article 25

(Corporate income tax)

Corporate income tax shall be calculated to:

a) the tax base of the taxpayer referred to in Article 5 and Article 6 par. (1), (2) and (4) of this Rulebook;

b) gross income of the taxpayer referred to in Article 60 paragraph (3) of this Rulebook

C. Tax item coordination

Article 26

(Unrecognized tax expenditures)

(1) Penalty interest and costs of coercive collection proceedings for the purpose of Article 9 paragraph (1) point a) of the Law shall be deemed all costs based on tax base that incurred for the reason of delays in payment of the debt of public revenues under the rules of the state, entity and cantons. Procedure costs of coercive collection include also the costs incurred in connection with coercive collection such as costs of holding, charges, fees, etc.

(2) For the purpose of Article 9 paragraph (1) point b) of the Law, the unrecognized tax expenditures shall be deemed fees and remunerations of the following: layers, professionals, advisors, consultants, experts and other competent persons being engaged in court cases related to public revenues if such expenditures were in contravention of the expenditures referred to in Article 11 of the Law.

(3) Fees and charges which are public revenues the taxpayer shall pay related to court cases on public revenues, shall represent tax recognizable expenditure under Article 7 paragraph (6) of the Law.

(4) Fines in respect of the breach stated by any of the authorities in Bosnia and Herzegovina, either stated to legal or private entity, shall represent unrecognized tax expenditure if such expenditures were in contravention of expenditures referred to in Article 11 of the Law.

(5) For the purpose of Article 9 paragraph (1) point f) of the Law shall be deemed any disbursement to political parties, their branches or members in the form of sponsorship for the purpose of Article 8 paragraph (4) of this Rulebook, in form of donations or other types of expenditures.

(6) For the purpose of Article 9 paragraph (1) point l) of the Law, penalty interests, penalties and liquidated damages shall be deemed all costs borne by taxpayer, incurred as a result of events of default to debtors (creditors) – related entities, regardless of the interest being charged by a resident or a non-resident.

(7) For the purpose of Article 9 paragraph (1) point i) of the Law, expenditures that may be connected to the principle of due care and diligence shall represent unrecognized tax expenditures in terms of Article 19 of this Rulebook.

(8) For the purpose of Article 9 paragraph (1) point g) of the Law, allocation of profit and any other capital based on realized business result and representing the expenditure item stated under Article 8 of the Law shall represent unrecognized tax expenditure. Profit distribution to the owners (dividend) will not be expenditure for the purpose of this paragraph.

(9) With the exception of paragraph (8) of this Article, in terms of Article 11 of the Law and Article 29 of this Rulebook if profit distribution based on realised business results is treated as payment costs, expenditures incurred in such way shall be deemed recognized tax expenditures.

Article 27

(Tax as tax recognized expenditures)

(1) Corporate income tax calculated and paid by a taxpayer referred to in Article 3 par. (1), (2), and (3) and Article 4 par. (2) of the Law under the legislation in Bosnia and Herzegovina or which was suspended by income or profit realized from abroad shall represent unrecognized tax expenditures in terms of Article 35 of the Law.

(2) Corporate income tax allocated by legal entity to subsidiaries or business items shall represent unrecognized tax expenditure.

(3) Withholding tax which hadn't been stopped from non-resident income by the taxpayer – payer in terms of Article 38 and Article 39 of the Law and who was entitled to it according provisions of Article 35 of the Law and having acquitted at its expense shall represent unrecognized tax expenditure in total amount.

(4) Withholding tax calculated and paid by a taxpayer at its expense but the double-taxation agreement had not been signed with the country receiving the income, then such calculated and paid withholding tax shall represent the recognized tax expenditure.

(5) Tax, in any form, paid by taxpayer abroad which hewas not liable to pay for in terms of Article 35 of the Law, shall represent the unrecognized tax expenditures.

(6) Value added tax which is not deductible according to the rules of the value added tax shall represent tax recognizable expenditure pursuant to Article 7 paragraph (6) of the Law.

Article 28

(Deficit in inventories)

(1) Deficit in inventories resulting from the ullage, spillage, breakage and defect as well as of force majeure (floods, fire, earthquake, theft) will not be deemed expenditures in terms of Article 9 paragraph (1) point i) of the Law

(2) Level of tax recognizable expenditure referred to in paragraph (1) of this Article shall be equal to the level of expenditures determined in the manner stipulated in provisions regulating value added tax.

(3) Deficit in inventories resulting from human factor, namely for which a person should be accused, shall represent unrecognized tax expenditure.

(4) Inventories expenditures considered as own consumption for non-business purposes of a taxpayer, shall represent unrecognised tax expenditure.

(5) Provisions of this Article regarding inventories shall be applied also to the assets of a taxpayer.

(6) Expenditures generated in contravention of provisions of this Article shall be deemed unrecognized tax expenditures for the purpose of Article 9 paragraph (1) point i) of the Law.

Article 29

(Salaries and benefits)

(1) Costs for the purpose of salaries including net payments, corporate income tax on the employment and related mandatory contributions (pension and disability insurance contribution, health insurance contribution, unemployment insurance contribution) calculated by the employer under the regulations in Bosnia and Herzegovina, shall represent recognized tax expenditures.

(2) Recognized tax expenditures shall include also payments to third parties not being employed based on contractual performance of temporary and occasionally activities without employment if the corporate income tax and related mandatory contributions have been calculated thereon according to the regulations in Bosnia and Herzegovina.

(3) Benefits exempt from the income tax payment which are paid by the employer to the employees shall represent recognised tax expenditure.

(4) Benefits on which the tax and related contributions hadn’t been assessed and which are paid by a taxpayer to unemployed persons, shall represent unrecognized tax expenditure except for the expenditure referred to in Article 11 paragraph (4) of the Law and Article 31 paragraph (3) of this Rulebook.

(5) Salaries costs including net payments and tax paid by a taxpayer referred to in Article 3 paragraph (1) of the Law under the regulations of the country where he has a business unit, shall represent recognized tax expenditures if included in the taxpayer’s business result. All other costs of salaries shall be deemed unrecognized tax expenditures.

(6) Costs of tax and related mandatory contributions paid by a taxpayer referred to in Article 3 paragraph (3) of the Law under the regulations of the country where he comes from, for his/her employees shall be deemed unrecognized tax expenditures. Costs of net salaries, costs of tax and related mandatory contributions paid by a

taxpayer referred to in Article 3 paragraph (3) of the Law under the regulations in Bosnia and Herzegovina shall be deemed recognized tax expenditures.

(7) Expenditures incurred in contravention of provisions of this Article, shall be deemed unrecognized tax expenditures.

Article 30

(Scholarship costs)

(1) Scholarship costs shall represent if the following conditions have been cumulatively met:

a) scholarships are given to students with their regular school education in Bosnia and Herzegovina,

b) scholarships are given to students who are non-associated persons for the purpose of Article 44 paragraph (3) of the Law,

c) individual scholarship amount will not exceed the amount that is not subject to taxation under the income tax provisions. If the scholarship amount exceeds non-taxable amount, only the difference shall be deemed unrecognized tax expenditure.

(2) Scholarship costs shall include school fee payment.

Article 31

(Representation and sponsorship)

(1) Expenditures referring to hosting of business partners which are related to business or establishment of cooperation, shall represent unrecognized tax expenditures according to Article 12 paragraph (1) of the Law, including but not limited to the following costs: costs of accommodation, food and beverages, sports, recreation and entertainment, car lease etc., incurred during the hosting of business partners and which are stated in terms of Article 19 of this Rulebook.

(2) Gifts at the individual value of more than BAM 20.00 will not be deemed as representation during the calculation of recognized tax expenditure of representation.

(3) Payments to natural entities such as artists, entertainers of professional sportsmen shall represent recognized tax expenditures referred to sponsorship if the payments are made together with the service rendered in return of advertising the names, business, products or services of the sponsor.

(4) Expenditures referring to representation and sponsorship shall be deemed unrecognized tax expenditure if incurred in relation with legal entities being associated entities in terms of Article 44 paragraph (3) of the Law.

(5) Provisions of Article 35 of the Law shall apply when determining the term entertainers referred to in paragraph (3) of this Article.

Article 32

(Donations)

(1) Donations given for humanitarian, cultural, educational, scientific and sports purposes paid by taxpayer at its expense to the legal entities referred to in Article 4

of the Law, namely to natural entities without any other income, shall represent recognized tax expenditure up to 3% of the total income in the tax period.

(2) Humanitarian, cultural, educational, scientific and sports purposes shall be determined according to the provisions of special rulebook.

(3) Donations given to the authorities of the state, entities or cantons, including local government shall be deemed donations for humanitarian purposes in terms of Article 12 paragraph (3) of the Law.

(4) Expenditures referring to donations shall be deemed unrecognized tax expenditure if incurred in relation with legal entities who are associated entities for the purpose of Article 44 paragraph (3) of the Law.

Article 33

(Recognized tax reserves)

(1) Expenditures incurred referring to reserves as laid down in Article 13 paragraph (2) of the Law to a taxpayer who shall protect the environment pursuant to laws and subordinate legislation and considering the activities he performs.

(2) To the taxpayer referred to in paragraph (1) of this Article who performs reserve duties underIAS/ISFR for the environment protection at the expense of expenditure, including but not limited to the following:

a) expenditures for the sanitisations, restoration of soil and ground waters;

b) expenditures for preservation and improvement of either natural or artificial values;

c) expenditures for rehabilitation of natural resources and assets,

d) similar expenditures that may be directly or indirectly used or applied and having real or potential economic value

e) expenditures stated in such way shall be deemed recognized tax expenditures.

(3) Expenditures referred to in paragraph (2) of this Article exceeding the amount of 30% of taxable profit before transferring to reserves or whose formed reserves (liability) exceeds the amount of registered capital, shall be deemed unrecognized tax expenditures for the purpose of Article 9 paragraph (1) point (h) of the law.

(4) Amount of the tax base before adjustment for both tax loss and tax incentive shall be deemed the amount of taxable profit in terms of paragraph (3) of this Article.

(5) Expenditures referring to reserves for future costs based on repair and/or replace of the product during guarantee period, determined on the basis of the contracts and experience and knowledge from its business if there is no legal basis for such expenditures to be paid by third parties, shall be deemed recognized tax expenditures up to 4% of annual turnover of those products (the products for which guarantees are given) without the value added tax. If the expenditures from this paragraph exceed prescribed level, they shall be deemed unrecognized tax expenditures for the purpose of Article 9 paragraph (1) point (h) of the Law.

(6) Experience and knowledge referred to in paragraph (5) of this Article shall refer also to the experience of others in similar business activities and under similar conditions except for experience of the tax payer. In apsence of experiencing knowledge, the expenditures shall be determined based on assumed future costs depending on the value ond terms of given guarantees.

(7) In case the reserves referred to in paragraph (5) of this Article are not used within the guarantee period, the reserves should be earned.

(8) Reserves referred to in Article 13 of the Law may only be used for covering the expenditures for which they were executed, if in contrary the reserves should be earned.

(9) Reserves referring to penalties, rebates and discounts executed within the guarantee activities by the taxpayer, shall be deemed unrecognized tax expenditures.

Article 34

(Unrecognized tax reserves)

(1) Reserves executed pursuant to IAS/IFRS and not set forth in Article 13 of the Law, shall represent unrecognized tax expenditures.

(2) Tax base of the tax period when the event actually incurred may be reduced in terms of Article 14 of the Law by the reserves representing unrecognized tax reserves referred to in paragraph (1) of this Article.

Article 35

(Costs of research and development)

(1) Costs of research and development stated as expenditures in terms of IAS/IFRS shall represent the recognized tax expenditure at the moment of incurrence.

(2) Costs referred to in paragraph (1) of this Article shall be recognized as direct costs that may be attributed to fundamental and/or applied research considering the method of attribution of direct and indirect costs referred to in Article 22 of this Rulebook.

Article 36

(Expenditures of financial institutions)

(1) To the financial institutions regardless of the legal status for whose function the approval of supervisory agencies (Banking Agency of the Federation of Bosnia and Herzegovina and Banking Agency of the Republic of Srpska) is required, the following shall be recognised as tax expenditures:

a) adjustment of the value of claims of balance sheet assets and

b) reserves for losses by off-balance-sheet items,

executed in net sum under the rules of supervisory agencies.

(2) Expenditures referring to adjustment of the value of claims of balance sheet assets (latent losses - IBNR) are deemed the unrecognized tax expenditures which are assessed:

a) on a group basis and

b) on a basis of experience of historical cost where there is no objective evidence of the value reduction,

that were executed under the regulations of above mentioned supervisory agencies in the net amount.

(3) Net amount from par. (1) and (2) of this Article shall represent the difference between the expenditures stated in total reduced for the profit on the same basis.

(4) Expenditures referring to the formation of mathematical reserves stated according to the regulations of supervisory agencies (Insurance Supervisory Agency of the Federation of Bosnia and Herzegovina and Insurance Agency of the Republic of Srpska) shall represent the recognized tax expenditures.

(5) Expenditures referring to the formation of technical reserves referred to in paragraph (4) of this Article stated according to the regulations of supervisory agencies, shall be recognized up to 20% of the increase in reserves in the balance sheet for current period with respect to the previous period.

(6) At the taxpayer referred to in Article 3 paragraph (2) of the Law, the expenditures of the financial institutions shall be recognized in the amount which may be attributable directly to such subsidiary in a way laid down in Article 20 of this Rulebook.

(7) Expenditures stated in the contrary of the provisions of this Article shall represent the unrecognized tax expenditures.

Article 37

(1) If the financial institutions recover the outstanding debts of the balance sheet which adjustments of value were recognized tax expenditure in the previous periods, income stated in such way shall increase the tax base according to the Article 22 paragraph (1) of the Law.

(2) If the financial institutions withdraw either the claim or the execution proposition or the notification of bankruptcy or liquidation estate, and the adjustments of the value or the reserves for losses by off-balance-sheet items were deemed the recognized tax expenditures in the previous period, the taxpayer will not increase the tax base for such expenditures if the expenditures do not meet the conditions referred to in Article 16 of the Law, the tax base will be increased

(3) If the financial institutions collect the claims that had been treated as unrecognised tax expenditures in the previous tax periods, such stated income is not included in the tax base according to Article 22 paragraph (2) of the Law.

(4) If the financial institutions sell the claims, but the adjustments of the value or the reserves for losses by off-balance-sheet items were deemed the recognized tax expenditures in the previous period before the sale of the claims, the difference between the selling price and net value of the claims before the sale will increase the tax base.

Article 38

(Write-off of claims)

(1) Recognised tax expenditures shall be deemed the expenditures incurred for the adjustment of value and/or the write-off of claims for which the taxpayer, according to the accounting and audit regulations of the Federation, agreed on the status of the debts and credits (Open Item Statement –OIS) with the debtor and if the conditions under Article 17 paragraph (1) point b) of the Law were fulfilled.

(2) Expenditures incurred on account of the adjustment of value and/or write-off of claims for which the taxpayer took measures referred to in Article 17 paragraph (1) point b) of the Law shall be deemed recognised tax expenditures.

(3) If the taxpayer has the debts at the same time to debtor who is also a claimant of the taxpayer, the expenditures on account of either the value of claims or the write-off of claims by the person (claimant) to whom is at the same time owed (debtor) up to amount of liabilities to that person (debtor), shall be deemed unrecognized tax expenditure according to Article 9 paragraph (1) point k) of the Law.

(4) As the evidence that either claims have been filed or the execution was commenced or the claims were filed in liquidation or bankruptcy proceeding against a debtor, an appropriate act of the authorised body shall be used unambiguously indicating the proceeding is in progress.

(5) Expenditures on account of the adjustment of value and write-off of claims of the taxpayer, for the claims not stated as income, shall be deemed recognised tax expenditure:

a) if the taxpayer has settled the debts and claims (OIS) with the debtor,

b) if the conditions referred to in paragraph (1) and paragraph (2) of this Article have been fulfilled,

c) in case there is no debt against the claimant in terms of paragraph (3) of this Article.

(6) In case of occurrence of the difference in the claims for profit payment in advance, such may not be transformed in some other form of claims in books of business for tax purposes and shall be deemed recognised tax expenditure in case of write-off.

(7) Provisions of this Article pursuant to Article 17 paragraph (3) of the Law, will not refer to the financial institutions when forming the adjustments of value and reserves regulated by the authorised bodies.

Article 39

(1) If the taxpayer collects the claims that were recognizable tax expenditure in the previous periods, income stated in such way shall increase the tax base pursuant to Article 22 paragraph (1) of the Law.

(2) If the taxpayer withdraws either the lawsuit or the proposal for execution or notice in the bankruptcy or liquidation estate, and the expenditures on account of either adjustment of claims or write-off of claims had been considered as recognised tax expenditures in the previous period, the taxpayer shall increase the tax base for those expenditures except in case those expenditures fulfil the conditions referred to in Article 17 of the Law.

(3) If the taxpayer collects the claims that were unrecognized tax expenditure in the previous tax periods, income stated in such way will not be included in the tax base in terms of Article 22 paragraph (2) of the Law.

Article 40

(Thin capitalization)

(1) Within Article 9 paragraph (1) point j) of the Law, unrecognized tax expenditure shall be deemed the expenditure on account of interest or its functional equivalent under the financial contracts and the instruments collected from associated entities. Such expenditure could proportionally be attributable to the amount of liability based on contracts and instruments exceeding fourfold amount of taxpayer’s registered capital.

(2) Under registered capital of the taxpayer shall be deemed the registered and paid-up capital of the taxpayer entered in the court register or any other registering body. In cases when it is about taxpayer having no capital by its nature, the capital shall be deemed equal to zero.

(3) Interest equivalent shall consider any income from claims of every kind whether or not insured by mortgage, whether or not carrying the right to participate in the debtor's profits, including premium and prizes attaching to securities, bonds or debentures.

(4) Financial contracts represent any form of contractual relationship resulting in either financial assets or claims or rights of one entity and the financial liability or owner's instrument of the other.

(5) For the purpose of paragraph (1) of this Article, financial instruments include derivatives or hybrid forms of financial contracts.

(6) For calculation of liability and share in capital balance 31 of December shall be taken, that is, balance on the first day in month when the assets from either contract or instrument were used. If any change in balance of liabilities or capital occurred during the tax period, the average balance of liabilities or capital shall be determined.

(7) Unrecognised tax expenditures resulted in the manner set forth by this Article may not be transferable from one tax period to another.

(8) Taxpayer referred to in Article 3 par. (2) and (3) of the Law will not apply the provisions of this Article when calculating the tax base but the provisions of Articles 22 and 23 of this Rulebook.

Article 41

(Depreciation calculation method)

(1) Fixed assets with limited lifetime shall be subject to calculation of depreciation. Fixed assets include both, tangible assets (immovable assets, facilities, equipment and biological assets) and intangible assets except for the goodwill whose lifetime is longer than 12 months.

(2) Fixed assets with unlimited lifetime will not be subject to depreciation such as land, forest, renewable natural resources etc.

(3) Depreciation shall be calculated for every item of fixed assets owned and used in business by the taxpayer.

(4) Once depreciated fixed assets may not be included again in the depreciation calculation even when they are still in use except in case of additional investments in such assets.

(5) If the taxpayer performs the improvement of leased assets (civil engineering works, equipment reconstruction etc.) for purpose of performance of their activities on their expense, such investments may be depreciated under the expected useful life of those assets. If the taxpayer terminates the contract before the contracted useful life, the expenditures incurred in that manner shall be deemed recognised tax expenditure.

Article 42

(Recognised tax depreciation)

(1) Depreciation of fixed assets referred to in Article 41 paragraph (1) of this Rulebook shall be deemed recognised tax expenditure if calculated on the purchase value by the proportional method applying the maximum annual depreciation rates referred to in Article 19 paragraph (2) of the Law. Expenditure calculation on account of depreciation shall begin in month when the fixed assets were put into service.

(2) Except for paragraph (1) of this Article, the value of fixed assets whose individual purchase value is less than 1,000.00 BAM, may entirely lower the tax base in the year when such assets were purchased and put into service.

(3) Expenditures on disposal, namely the depreciated value at sales, destructions or disposal, shall be deemed recognised tax expenditure if stated pursuant to Article 7 paragraph (5) of the Law.

(4) If the taxpayer uses lower depreciation rates than the rates referred to in Article 19 paragraph (2) of the Law, he is entitled to lower the tax base for the difference between the tax depreciation fully allowed which is determined according to the Law, and actual (lower) depreciation as determined in their books of business during the tax base establishment. Transfer of temporary differences shall be impermissible.

(5) If the taxpayer uses higher depreciation rates than the rates referred to in Article 19 paragraph (2) of the Law, he shall increase the tax base for the difference between the tax depreciation fully allowed which is determined according to the Law, and actual (higher) depreciation as determined in their books of business during the tax base establishment. Transfer of temporary differences shall be allowed.

(6) Depreciation of goodwill incurred during changes in status referred to in Article 26 of the Law shall be deemed unrecognised tax expenditure.

(7) Depreciation costs of leased assets shall be recognized depending on the fact if those assets have accounting treatment either as the assets of lessor or the assets of lessee, in terms of IAS – 17. If such assets are stated and depreciated by both the lessor and the lessee, depreciation shall only be recognised where the assets and their depreciation are stated in terms of IAS 17.

(8) Expenditures incurred on account of value decrease of fixed assets referred to in Article 19 paragraph (6) of the Law, they shall be recognised as tax expenditures in the tax period when such assets were sold or destroyed because of the force majeure.

(9) Expenditures on basis of fixed assets not being set out in this Article shall be deemed unrecognised tax expenditures.

Article 43

(Accelerated depreciation)

Except for Article 42 of this Rulebook, the taxpayer is entitled to use the methods of accelerated depreciation for the assets referred to in Article 20 of the Law while the rate of recognised tax depreciation shall be increased up to 50% in relation to the depreciation rate as allowed under Article 19 paragraph (2) of the Law.

Article 44

(Investment income)

(1) Income of the resident of the Federation realised on the basis of either participation in the capital – dividends or some other method of profits distribution, shall be excluded from the taxpayer's tax base if paid from the profit with the corporate income tax calculated and paid on such profit according to the Law.

(2) As the evidence referred to in paragraph (1) of this Article the taxpayer shall provide a Statement from article 108 of this Rulebook, which was certified and signed by the taxpayer being the payer of the dividends.

Article 45

(Taxable income of a non-resident)

(1) All income of non-resident legal entities with their business unit on the territory of the Federation, shall be subject to taxation including income of such business unit realised outside the Federation.

(2) Within non-resident legal entities without their business unit on the territory of the Federation, the subject of taxation shall only be the income realised on the territory of the Federation.

(3) For the purpose of paragraph (1) of this Article, income realized on the territory of the Federation shall include income not being attributable to permanent establishment where the income was generated including the following:

a) income from property on the territory of the Federation including the income or/and profit from their transfer;

b) profits from the assignment of rights of participation in legal entities (shares or stocks or similar equivalent) whose seat or permanent establishment and supervision of business is on the territory of the Federation; or any other transactions by securities whose issuer has its seat or permanent establishment and supervision of business is on the territory of the Federation; or stocks or any other securities in case of no such conditions, income generated in that manner shall be attributed to the permanent establishment on the territory of the Federation;

c) income from this point when the paying entity's residence is on the territory of the Federation, according to the seat or the actual centre of administration and supervision of business, or the payments may be attributed to permanent establishment being on the territory of the Federation:

1) income from copyright and any other intellectual property rights;

2) income from the use or assignment of right to use movable and immovable property;

3) investment income;

4) fees given by the entity as the members of authority and supervision of legal entity or any other entity;

5) entity's commission realised on the basis of accession to contractual relations;

d) income from any other services rendered or used on the territory of the Federation.

(4) income from entertaining activities or the professional sports on the territory of the Federation except where proved such entertainment of professional sports has not been controlled either directly or indirectly by the entity paying such income.

(5) Income set out in paragraph (3) point c) of this Article shall be deemed income realised on the territory of the Federation when paid at the permanent establishment which is outside of that territory in relation to the activities performed through that permanent establishment.

D. Capital gain and loss

Article 46

(Unrealised items)

(1) Capital gain referred to in Article 24 paragraph (1) of the Law shall be deemed unrealised gain directly increasing the items of accumulated gain in the statement of financial position at the end of tax period which was not stated in the publication of accounts.

(2) Capital gain referred to in Article 24 paragraph (5) of the Law shall be deemed unrealised loss directly decreasing the items of accumulated gain in the statement of financial position at the end of tax period which was not stated in the publication of accounts.

(3) Any amount of capital gain on the basis of which the unrecognised tax expenditure had already been stated which increased the tax base pursuant to the Law and this Rulebook, will not be subject to tax base increase.

(4) If the items of capital loss referred to in paragraph (2) of this Article, were stated as recognised tax expenditures according to the provisions of the Law and this Rulebook, those items shall be deemed recognised tax reduction of the tax base.

Article 47

(Capital gain and loss)

(1) Capital gain and loss referred to in Article 24 par. (2) and (3) of the Law shall be deemed gain and loss incurred in relation to other fixed assets (property) that was carried forward with or without compensation in any form, as well as those derived from the loss or defects or appropriation of afore-mentioned property if those were not stated in the publication of accounts.

(2) In changes of status, the capital loss or gain consist of the difference between the value of net expenditure realization specific to it and the value of acquisition.

(3) In case of capital gain, the realised value of transaction in terms of Article 24 paragraph (3) of the Law shall be deemed in case of:

a) exchange, received market value of the assets or rights in addition to the increase or the decrease depending on the case of received or given value;

b) expropriation or damage of the property within the value of indemnification;

c) earmarked assets which purpose is not the business, market value;

d) merger or division, the value under which the items were recorded on the entities' accounts from which they were carried forward as the result of either merger or division;

e) sale of debtor instruments, the value of transaction shall be the net amount of the interest maturing as of the final due date or the date of instrument issuance, first issued or approved if the maturity date hasn't come yet, until the date of transfer.

f) exchange of future goods, if their market value will be the same value as on the date of such exchange;

g) any other cases, the value correspondingly given or received.

(4) The difference consequentially obtained after the delivery by a lessor to a lessee for the goods being subject to the financial leases.

E. Tax loss

Article 48

(Tax losses)

Taxpayer is entitled to use the tax loss of current period to decrease the tax base of the following period and within five years from the year when it was first stated.

(1) Five-year period shall run for each transferred loss separately after which the right of deduction of unused amount of tax loss for that year shall cease to exist.

(2) The taxpayer referred to in Article 3 par. (1), (2) and (3) and Article 4 paragraph (2) of the Law is entitled to use the tax loss.

(3) The taxpayer referred to in Article 3 paragraph (1) and Article 4 paragraph (2) will not be entitled to decrease its tax base based on tax loss incurred outside the territory of the Federation calculated under the provision of any other tax jurisdiction.

(4) Legal entity from the Republic of Srpska or Brcko District shall be able to consolidate the tax loss and the tax liability of more taxpayers referred to in Article 3 paragraph (2) of the Law having their seat registered in one canton.

Article 49

(Losing the right to use tax loss)

(1) Taxpayer who had used the tax incentive until two previous years under Article 36 of the Law, and who realised tax losses in previous year or in the year before, he shall be impermissible to use such tax loss to carry forward to the following period.

(2) If the taxpayer uses tax loss referred to in paragraph (1) of this Article, the provision of Article 97 paragraph (2) of this Rulebook shall be applied.

(3) Subsidiary referred to in Article 41 paragraph (1) of the Law participating in the tax consolidation will not be able to use the tax loss as the decrease of future tax base if such tax loss was used in the consolidated tax balance. Total amount of tax loss shall be excluded independently from the used amount.

Article 50

(Tax loss in case of change of status)

(1) Taxpayer – legal successor of merged taxpayers, may not use the tax loss of merged taxpayer as the reduction of its future tax base.

(2) Taxpayer whom the other taxpayer was attached to, may not use the tax loss of the attached one as the reduction of its future tax base. Tax loss of the taxpayer whom the other taxpayer is attached to, may be used as the reduction of future tax liability.

(3) Taxpayers resulted by the division may not use tax loss of the divided taxpayer as the reduction of future tax base.

(4) Taxpayer who changed its legal form may use tax loss as the reduction of the future tax base if the legal successor continues to keep the same accounting value of the assets and liabilities taken over by the successor.

F. Tax credit

Article 51

(Tax credit)

Corporate income tax paid outside the territory of the Federation as well as the withholding tax deducted and paid outside the territory of the Federation in the currency of the country of payment, shall be recognised to the taxpayer in the Federation as the reduction of corporate income tax liability in the Federation at the midpoint exchange rate of the Central Bank of Bosnia and Herzegovina as of the day of recognition of such tax credit under the conditions set forth by the Law and this Rulebook.

Article 52

(Tax credit for tax paid in RS or BD)

(1) Corporate income tax paid or which should be paid pay by the taxpayer referred to in Article 3 paragraph (1) and Article 4 paragraph (2) of the Law in the Republic of Srpska or Brčko District under the provisions of those tax jurisdictions, for the profit generated by business activities of the subsidiaries on the territory of the Republic of Srpska or Brčko District, shall be recognised as the tax credit either in Corporate income tax return for companies – Form PP-801 or in Corporate income tax return for partially exempt entities – Form PP-804.

(2) Amount of tax credit referred to in paragraph (1) of this Article shall be determined in the amount of tax that would be calculated on such profit under the provisions of the Law and this Rulebook.

(3) Taxpayer using the tax credit from this Article shall submit the Corporate Income Tax return for a subsidiary in RS or BD – Form PE-806 together with corporate income tax return.

(4) Together with Form PE-806 the taxpayer shall submit the Form of Corporate Income Tax return in the Republic of Srpska or Brčko District certified by the tax administrations in the Republic of Srpska or Brčko District.

Article 53

(Tax credit for corporate income tax paid outside B&H)

(1) Corporate income tax paid abroad by the taxpayer referred to in Article 3 paragraph (1) and Article 4 paragraph (2) under the foreign provisions for the profit made by business unit operation outside the territory of Bosnia and Herzegovina, shall be recognised as tax credit in the Corporate Income Tax return for companies -Form PP 801 or in Corporate income tax return for partially exempt entities – Form PP-804 under condition that profit of business unit was included in the profit of that taxpayer.

(2) Amount of tax credit referred to in paragraph (1) of this Article shall be recognised in the amount of tax that would be calculated to such profit according to the provisions of the Law and this Rulebook.

(3) Except for paragraph (2) of this Article, if a different method of profit calculation was determined by the Treaty on avoidance of double taxation between Bosnia and Herzegovina and the country where the business unit is located, the provisions of the Treaty shall be applied pursuant to Article 35 of the Law.

(4) Taxpayer using the tax credit from this Article shall submit Corporate Income Tax return for a subsidiary outside of Bosnia and Herzegovina - Form PE-807 together with corporate income tax return.

(5) Taxpayer shall submit the following evidence together with Form PE-807:

a) corporate income tax return or any other valid document certified by foreign tax administration or authority of tax jurisdiction in which business unit is located and

b) certificate of fiscal residence of the business unit issued by the competent authority of the tax jurisdiction in which that business unit is located

Article 54

(Tax credit for withholding tax paid outside B&H)

(1) Withholding tax paid abroad under foreign regulations by the taxpayer referred to in Article 3 par. (1), (2) and (3) and Article (4) paragraph (2) of the Law, for the income realised by periodical activities outside the territory of Bosnia and Herzegovina, shall be recognised as tax credit in Corporate income tax return – (Form PP-801 or Form PP-803 or Form PP-804).

(2) Tax credit as referred to in paragraph (1) of this Article shall be recognised if the following conditions were fulfilled:

a) received income on the basis of which the reduction of tax is requested, shall be included in the tax base being subject to taxation and

b) tax was paid in some other country under the provision of the Treaty on avoidance of double taxation between Bosnia and Herzegovina and that country.

(3) Exempt from paragraph (2) point a) of this Article, paid tax may also be recognised in the first following year although income on the basis of which the tax was paid, is not included into the tax base if the taxpayer who uses tax credit, submits the Statement that he had not been using that tax credit in previous period and that income was included into the tax base of the previous period.

(4) If the tax was paid in a country that Bosnia and Herzegovina had not signed the Treaty on avoidance of double taxation with, the tax credit shall be recognized in the amount of withholding tax of 5 % for the dividend namely 10% for all other revenues.

(5) Amount of tax credit referred to in paragraph (1) of this Article shall be recognised in the amount of tax that was paid shall be paid under the provisions of the Treaty on avoidance of double taxation between Bosnia and Herzegovina and a country where the tax was suspended. Tax paid contrary to the Treaty on avoidance of double taxation shall not be recognised.

(6) Taxpayer using the tax credit referred to in this Article shall submit Return for tax credit derived from income outside of B&H - Form PK 814 together with corporate income tax return.

(7) Together with Form-814 the taxpayer shall submit the following evidence:

a) withholding tax return or any other valid document certified by the tax administration or the competent authority of tax jurisdiction where it was paid,

b) certificate of residence of income payer issued by competent authority of tax jurisdiction where that income payer is located.

G. Withholding tax

Article 55

(Subject of taxation)

(1) Subject of taxation at source shall be income derived by a non-resident referred to in Article 5 paragraph (2) of the Law on the territory of the Federation and became profit taxpayer pursuant to Article 3 paragraph (4) of the Law.

(2) Income in terms of paragraph (1) of this Article shall include the payment or in another way transfer of income (gift, inheritance, compensation etc.) by the resident of the Federation to a non-resident on the basis of periodical business activity carried out on the territory of the Federation excluding the income which may be attributable to a business unit of the non-resident referred to in Article 6 of the Law.

(3) Periodical activity performance on the territory of the Federation shall be deemed of activity performing in prevailing volume for which the income is derived. The activity shall be performed by the non-resident in favour of the resident.

(4) Income of non-resident being subject to taxation at source shall also include:

a) income on the basis of business activities of building site or civil engineering project or installation project unless non-resident has a status of a taxpayer referred to in Article 3 paragraph (3) of the Law.

b) income on the basis of service rendering including advisory services by the legal entity through the employees or any other entity engaged by such legal entity for that purpose unless non-resident has not a status of a taxpayer referred to in Article 3 paragraph (3) of the Law.

Article 56

(Currency of payment)

When the payment is made to a non-resident in foreign currency, calculation and withholding tax payment shall be made at middle exchange rate of the Central Bank of Bosnia and Herzegovina at the day of payment.

Article 57

(Royalties)

(1) Royalties means payments of any kind received as a consideration for the use of, or the right to use.

(2) Right in terms of paragraph (1) of this Article shall deem:

a) any copyright of a literary, artistic or scientific work including cinematograph films, records of radio or television programmes or computer programmes; or

b) right to use the patents, licenses, trademarks, design, model, plan, secret formula or process;

c) right to transfer the information concerning industrial, commercial or scientific experience or any other similar rights payable to non-residents.

(3) Lease of cinematograph material and films shall also be deemed royalties regardless of its use either in movie theatres or on television or on the internet.

(4) Industrial, commercial or scientific experience shall be deemed any unprotected royalties whether or not eligible to be patented and where one party delivers to the other party its business knowledge and experience for the purpose of their implementation on their behalf and on their own account.

(5) For payments regarding the software copyright, only payment in respect of the rights to such software or rights to use it shall have characteristics of taxable royalties in relation to the payment for software containing copy of the programme protected by copyright without characteristics of that taxable income.

(6) Royalties shall also be deemed the payments for technical assistance being carried out in the contracting country by the resident of another contracting country if such assistance is related to use of any rights or property referred to in paragraph (2) of this Article.

Article 58

(Non-taxable interests)

(1) Interest receivable paid to a non-resident and incurred based on deferred payment or payment by instalments when purchasing the production equipment, to the non-resident supplier who is not a financial institution, shall not be deemed taxable income referred to in Article 38 paragraph (1) point b) of the Law.

(2) Production equipment referred to in paragraph (1) of this Article shall be deemed the assets used either directly or indirectly in the process of creation of new values (product or service) with the exception of housing units and passenger motor vehicles.

(3) Interest receivable paid to the non-resident and incurred in respect of possession or keeping of the bonds issued by state, entity or cantonal level of government or local government, shall not be deemed taxable income referred to in Article 38 paragraph (1) point b) of the Law.

Article 59

(Considerations for entertaining and sporting events)

(1) Consideration for entertainment and sporting events shall represent the income payed or in any other way acquitted to the non-resident based on a performance or organization of any artistic, entertaining or sporting event on the territory of the Federation.

(2) Consideration referred to in paragraph (1) of this Article shall include income from sponsorship or consideration for advertising (promotion) either directly or indirectly related to the artistic, entertaining or sporting event.

(3) If the consideration referred to in paragraph (1) of this Article is paid to the account of a legal entity and in favour of an artist, an entertainer or a sport participant, such

consideration shall be subject to withholding tax if it hadn't been taxed under the provisions regulating the income tax.

(4) Income of any political, social, religious or charitable nature shall have characteristics of consideration for entertaining events.

Article 60

(Consideration for telecommunication services)

(1) Telecommunication service shall be deemed any service entirely or partially consisted of signal transmission over the telecommunication networks including but not limited to broadcasting and the network for the data transmission.

(2) Broadcasting referred to in paragraph (1) of this Article shall mean any emission of signs, signals, texts, pictures, sounds or the data from one point to many different points through the wire, optic cables, by radio or any other electromagnetic waves for the purpose of general reception by the public through the receivers intended for such purpose excluding fixed and mobile telephone services.

(3) Consideration payable in respect of services referred to in paragraph (1) of this Article shall have characteristics of consideration referred to in Article 38 paragraph (1) point h) of the Law.

Article 61

(Consideration for the lease)

(1) Acquittance executed for the use of movable property as vehicles or any other work equipment regardless of the place where the equipment is used, shall represent the taxable consideration referred to in Article 38 paragraph (1) point e) of the Law.

(2) Acquittance executed for the use of immovable property regardless of the territory where such property is placed, shall represent taxable consideration referred to in Article 38 paragraph (1) point e) of the Law.

(3) If the consideration acquittance referred to in par. (1) and (2) of this Article is executed for the needs of any business unit outside the territory of Bosnia and Herzegovina, the payer shall not be liable to calculate and suspend the withholding tax.

(4) If the consideration acquittance referred to in par. (1) and (2) of this Article is executed for the purpose of organization of a fair, exhibitions or any other similar event, the payer shall not be liable to calculate and suspend the withholding tax.

Article 62

(Considerations for management, technical and educational services)

(1) Management services are services of managing or supporting the management of market activities that are considered support services as defined by Article 55 of the Rulebook on Transfer Pricing (Official Gazette of the Federation of BiH 67/16).

(2) When a payment is due to a non-resident for services of equipment installation or setting, technical support, training, consulting or similar service, the withholding tax shall be calculated and suspended, if the subject service was provided on the territory of Bosnia and Herzegovina.

(3) In case the subject service is provided by electronic means (Internet, e-mail, phone etc.) outside the territory of Bosnia and Herzegovina, whereby the subject entity is not physically present in Bosnia and Herzegovina, the subject service is considered

provided outside the territory of Bosnia and Herzegovina and thus, the withholding tax shall not be calculated.

Article 63

(Income of non-residents from the sale of assets)

(1) Remuneration or income earned by non-residents from the sale or transfer of real property, shares or equity in capital and industrial property rights form a withholding tax base.

(2) The amount of taxable income referred to in par. (1) of this Article, with the exception of for shares or equity in capital, is considered income from selling that is defined in a contractual relation between the buyer and the seller, except in the following cases:

a) the contracted income is lower than the market value in case of a selling transaction performed between the related entities in sense of Article 44 par. (3) of the Law;

b) a different tax base is defined by the Treaty on Avoiding Double Taxation between Bosnia and Herzegovina and the country of origin of the recipient of income.

(3) The amount of taxable income referred to in par. (1) of this Article for shares or equity in capital is considered income from selling (sale price), reduced by the amount of purchase value, except in the following cases:

a) when the contracted income is lower than the market value in case of a selling transaction performed between the related entities in sense of Article 44 par. (3) of the Law, the market value, reduced by the amount of purchase value is taken, whereby the amount of purchase value equals the weighted arithmetical mean of all purchases of the subject shares or equities in capital;

b) a different tax base is defined by the Treaty on Avoiding Double Taxation between Bosnia and Herzegovina and the country of origin of the recipient of income.

(4) The realized income referred to in par. (1) of this Article is a result of transfer of the following:

a) real property on the territory of the Federation, with the exception of transfer of property onto or from a permanent establishment of a non-resident referred to in Article 6 of the Law;

b) shares or equity in capital of a legal entity, a resident of the Federation;

c) industrial property rights, including intellectual property, registered in Bosnia and Herzegovina.

Article 64

(Application of the Treaty on Avoiding Double Taxation)

(1) Income referred to in Articles 38 and 39 of the Law is taxable by the origin principle, according to signed Treaties on Avoiding Double Taxation, ratified by Bosnia and Herzegovina or accepted by notification.

(2) If the Treaty on Avoiding Double Taxation gives the right of taxation to Bosnia and Herzegovina, the income payer shall suspend the withholding tax from the income at the rate referred to in Article 38 par. (7) of the Law.

(3) If the rate referred to in Article 38 par. (7) of the Law is lower than the income rate determined by the signed Treaty on Avoiding Double Taxation, and there is the origin

principle to be applied on taxation of the subject income, the rate referred to in Article 38 par. (7) of the Law shall be applied.

(4) If the rate referred to in Article 38 par. (7) of the Law is higher than the income rate determined by the signed Treaty on Avoiding Double Taxation, and there is the origin principle to be applied on taxation of the subject income, the rate defined by the Treaty shall be applied.

Article 65

(Gross amount)

(1) Provisions of Article 38 par. (6) of the Law define that the income on which the withholding tax is calculated is gross income that would be earned by a non-resident legal entity, if the tax were not suspended from the generated, i.e., disbursed income.

(2) The following formula is applied in calculation of the income reduced by the withholding tax amount:

$$\text{disbursement} = \text{gross amount x } \frac{(100 - \text{withholding tax rate})}{100}$$

(3) The following formula is applied in recalculation of the withholding tax:

$$\text{recalculated tax rate} = \frac{100 \text{ x withholding tax rate}}{100 - \text{withholding tax rate}}$$

whereby

$$\text{withholding tax amount} = \text{disbursement x recalculated tax rate}$$

Article 66

(Direct obligation of withholding tax calculation and payment)

(1) Independently from the agent who is not the final beneficiary of the income and who is seated on the territory of Bosnia and Herzegovina, if the taxpayer referred to in Article 3 of the Law pays or differently transfers the taxable income onto a non-resident who is the final beneficiary of the subject income, he shall calculate, report and suspend the withholding tax.

(2) The taxpayer, who calculated, reported and suspended the withholding tax referred to in par. (1) of this Article, shall deliver one copy of the tax return form referred to in Articles 111, 112, 113, 114 and 115 of the Rulebook to the agent, according to the type of disbursed, i.e., paid income.

(3) The taxpayer referred to in par. (2) of this Article shall deliver to the Tax Administration a statement of the agent confirming he is not the final beneficiary of the subject income, enclosed to the tax return form referred to in Articles 111, 112, 113, 114 and 115 of the Rulebook.

(4) If the Treaty on Avoiding Double Taxation between Bosnia and Herzegovina and the country of the income recipient regulates that the income is taxable exclusively in the income recipient's country of residence, the agent referred to in this Article shall act as prescribed by provisions of Article 110 par. (2) and (3) of the Rulebook.

Article 67

(Obligation of notice delivery)

(1) The taxpayer, whose shares or equity in capital are subject of a selling transaction between non-residents, is obliged on occasion of realization of the taxable income referred to in Article 39 of the Law to deliver to the Tax Administration a notice and evidence on the performed sale, including all the facts known to the taxpayer.

(2) The notice referred to in par. (1) of this Article is to be delivered as soon as the facts on the subject sale are known, but not later than within three days from the day of filing the application for registering the subject changes with the Court Register or other register.

(3) If the taxpayer referred to in par. (1) of this Article fails to deliver a notice within the set deadline, provisions of Article 40 par. (2) of the Law shall be applied.

(4) After receiving the notice referred to in par. (2) of this Article, the Tax Administration shall act ex-officio in collecting the tax liabilities.

H. Tax consolidation

Article 68

(Application for tax consolidation)

(1) The mother-company referred to in Article 41 par. (1) of the Law may file an application for tax consolidation after expiration of the taxation period, providing the below-listed terms are met:

a) all companies to take part in tax consolidation are residents of the Federation;

b) all companies have equal taxation periods;

c) competent bodies of the companies (Supervisory Board or Management Board) agree with the consolidation and they have taken a decision on tax consolidation;

(2) Applications for tax consolidation shall be filed at the latest until 31 January of the current year for the previous year, which is to be stated in the application as the first of five years of tax consolidation. Proofs of the met terms referred to in par. (1) of this Article shall be enclosed to the application.

(3) Tax consolidation may be applied only if approved by a decision of the Tax Administration.

Article 69

(Tax consolidation)

(1) Once approved, the tax consolidation shall be applied in a five-year period, unless the circumstances in which it was originally approved change, especially the number of participants of the consolidation and their approval.

(2) If the terms referred to in this Article change or a company-participant of the consolidation decides to apply individual taxation before expiration of the five-year period, all participants shall be required to pay the tax in the manner and under the conditions as if no consolidation had been approved.

(3)

Article 70

(Tax loss with tax consolidation)

As envisaged by Article 42 par. (3) of the Law, the tax loss may not be used in tax consolidation for reduction of the future tax base of the group.

Article 71

(Tax consolidation return)

(1) Corporate income tax return in tax consolidation is filed by the mother-company on the Consolidated tax balance and CIT return (Form PP-805), whereas the related companies are required to submit the Tax balance (Form PB-800-A).

(2) In addition to the above, the mother-company is required to submit the consolidated Profit and Loss Account, created according to IAS/IFRS and other required explanations.

I. Changes in the legal form

Article 72

(Changes in the legal form)

(1) The taxpayer undergoing a change in the legal form - a merger or division, shall determine the tax base according to provisions of the Law and of this Rulebook for the period starting from the beginning of the calendar year or other approved period until the day of registration of the decision with the Court Register. The taxpayer who is a result of the performed merger or division shall determine his tax base from the day of registration of the decision with the Court Register until the end of the calendar year.

(2) The taxpayer, who is a subject of acquisition, shall determine his tax base in the manner described in par. (1) of this Article.

Article 73

(Continuity in taxation)

(1) If the assets or liabilities of the taxpayer, who is a subject of merge or acquisition or division, are assessed at new values, independently from their book value presented with the taxpayer undergoing a change in the legal form, the taxpayer participating in the change of the legal form - merger or acquisition or division shall determine his profit, resp., loss as determined prior to the change in the legal form and after the change in the legal form separately.

(2) The difference between the assessed value of the assets and liabilities from par. (1) of this Article and the book value of the same assets and liabilities is included into the tax base and is considered the capital profit, resp., loss from the change in the legal form.

(3) The taxpayer shall not determine the profit, resp., loss prior to the change in the legal form and after the change in the legal form, if the assets and liabilities are transferred onto the legal successor at the same value, without any changes in their book value and without affecting the consistency of tax base determination according to Article 7 par. (7) of the Law.

Article 74

(Taxpayer in liquidation)

(1) The tax base for the taxpayers in liquidation is determined separately for the period prior to the decision on initiating the liquidation procedure and for the period after the decision.

(2) The taxpayers in liquidation are required to close their accounting records kept up to the day of the decision on initiating the liquidation procedure, so that the tax base may be determined, which shall be determined for the period from the beginning of the calendar year, i.e., the changed period until the day of the decision on initiating the liquidation procedure.

(3) The tax base shall be determined in the liquidation period until the end of the calendar year or until the day of the decision on closing the liquidation procedure, depending on which date is earlier. If the liquidation procedure is transferred into a new calendar year, the tax base shall be determined on a yearly basis until the day of the decision on closing the liquidation procedure.

(4) Tax bases referred to in par. (2) and (3) of this Article shall be determined separately.

(5) The taxpayers in liquidation may exercise a right to reduction of the tax base for the amount of the tax loss from the previous period, as envisaged by Article 25 of the Law, pending the final determination of the liquidation surplus.

Article 75

(Liquidation surplus)

(1) If after the tax deduction, the profit referred to in Article 74 par. (3) of the Rulebook happens to be higher than the amount of the capital subscribed with the Court Register or other register, that surplus of funds is considered a dividend.

(2) The taxpayer - recipient of the dividend referred to in par. (1) of this Article shall be applying the provisions of Article 21 of the Law and Article 44 of the Rulebook.

(3) If after the tax deduction, the profit referred to in Article 74 par. (3) of the Rulebook happens to be lower than the amount of the capital subscribed with the Court Register or other register, that loss is considered tax non-deductible expenditures.

(4) The taxpayer who is the capital owner of an entity referred to in par. (3) of this Article is not entitled to tax base reduction as per the generated loss.

(5) The loss referred to in par. (4) of this Article forms a difference between the owner's equity in capital of the liquidated entity and the lower value of the liquidation surplus, which belongs to the owner after the liquidation procedure.

III. TAX DETERMINATION AND COLLECTION

A. Taxation period

Article 76

(Taxation period)

(1) The taxation period equals the duration of one calendar year.

(2) The taxation period may be shorter than a calendar year, if the taxpayer commences the business operations in the course of the year, in which case the taxation period

is from the day of commencement of the business operations until the end of the respective calendar year.

(3) If the taxpayer ends the business operations in the course of the year, the taxation period is from the day of ending the business operations until the end of the respective calendar year.

(4) The taxpayer, who undergoes a certain change in the legal form referred to in Article 26 par. (1) of the Law in the course of the year, may have the taxation period from the beginning of the calendar year until the subject change in the legal form and from the subject change in the legal form until the end of the calendar year.

(5) The taxpayer may have a taxation period in duration different from a calendar year approved by the Federal Finance Minister (hereinafter: the Minister), which shall be applied for at least three consecutive years.

(6) The taxpayer referred to in par. (5) of this Article shall actually have two taxation periods in the first year of the changed taxation period, according to Article 47 par. (2), point d) of the Law, the first of which starts with the beginning of the calendar year and ends with the beginning of the changed taxation period, whereas the second taxation period is the one different from the calendar year. The same case with the two taxation period happens at the end of the minimum three-year period without possibility of prolongation.

Article 77

(Approval of a different taxation period)

(1) The taxpayer may file an application for changing the taxation period to the Federal Finance Ministry, providing he has previously obtained an approval of the competent state authority for modification of the periods for creation of financial statements different from a calendar year.

A different taxation period is approved by the decision of the Minister, which remains valid for three consecutive periods. The changed taxation period shall be aligned with the changed period for creation of financial statements, applied on tax assessment.

(2) The taxpayer shall submit a copy of the Minister's decision referred to in par. (2) of this Article to the Tax Administration, resp., to the competent organisational unit of the Tax Administration.

B. Tax collection

Article 78

(Tax advance)

(1) The taxpayer shall pay a monthly tax advance during the taxation period in the manner prescribed by the Law and by the Rulebook.

(2) The amount of the tax advance referred to in par. (1) of this Article is determined as 1/12 of the calculated tax after reduction of the tax base and tax credit from the tax return for the previous taxation period.

(3) Exceptionally from provisions of par. (2) of this Article, the Tax Administration may define a different amount of tax advance to be paid for some individual months of the taxation period for the taxpayers with seasonal activity, as per their request, on which the Tax Authority shall issue a formal decision, whereby the total tax

advance amount shall equal the amount which would be collected, if the tax advance had been evenly distributed along the year.

(4) The tax advance shall be paid in the determined amount all the time until the new tax return is filed.

(5) The income tax advance referred to in par. (1) of this Article shall be paid by:

a) taxpayers referred to in Article 3 par. (1), (2) and (3) and Article 4 par. (2) of the Law,

b) legal entities referred to in Article 28 par. (1) and Article 29 par. (1) of the Law and

c) mother-companies referred to in Article 42 par. (4) of the Law.

(6) The excess tax payment from the previous period is considered the income tax advance, if the taxpayer agrees.

Article 79

(Determination of tax advance)

(1) The tax advance is determined in the corporate income tax return (Form PP-801 or Form PP-802 or Form PP-803 or Form PP-804 or Form PP-805). The determined tax advance shall be paid in the determined amount all the time until the new corporate income tax return is filed.

(2) The taxpayer, who has only commenced his business operations, and thus does not have the tax return for the previous period, does not have to pay the corporate income tax advance for that taxation period.

(3) The taxpayers, who resulted out of a change in the legal form referred to in Article 26 par. (1) of the Law, are not treated as the taxpayers in sense of par. (2) of this Article.

(4) The taxpayers, who presented a loss in their Corporate income tax return (Form PP-801), which may be utilized for future reduction of the tax base, do not have to pay the Corporate income tax advance for the respective taxation period.

Article 80

(Tax advance change)

(1) The taxpayer may request the tax advance amount determined according to Article 79 of the Rulebook to be changed in cases defined by Article 52 par. (4) of the Law.

(2) Applications for change of the tax advance amount are to be filed by the taxpayer to the Tax Administration. The Tax Administration shall determine a new monthly amount of tax advance, if one of the below-listed circumstances apply to the taxpayer:

a) according to the data presented in the preliminary financial statements, the taxpayer has limited opportunities of running business with a profit due to a performed change of the legal form;

b) according to the data presented in the semi-annual financial statements, the taxpayer has better opportunities of running business with a profit due to an operational change that directly or indirectly affects the tax advance amount;

c) the taxpayer has duly paid the tax credit referred to in Article 52, 53 and 54 of the Rulebook, which is demonstrable by credible documents;

d) the taxpayer has limited opportunities of running business with a profit due to a natural or other disaster.

(3) The Tax Administration may change the amount of tax advance ex-officio as a result of supervision or on the basis of other available data on business operations of the taxpayer. The Tax Administration shall determine a new monthly amount of tax advance by its decision, the new amount being applicable from the month following the month in which the Tax Administration decision was taken.

Article 81

(1) Applications for change of the tax advance amount shall be supported by duly stated and explained reasons.

(2) The taxpayer shall enclose credible proofs of the reasons stated in the application from par. (1) of this Article, which shall be considered by the Tax Administration in the procedure of deciding on whether to accept the application.

Article 82

(Tax advance payment)

(1) Monthly amount of the corporate income tax advance is to be paid until the end of the current month for the past month.

(2) If the taxpayer fails to pay corporate income tax advance as envisaged by par. (1) of this Article, the default interest shall be charged on the public revenues.

Article 83

(Final tax liability)

(1) The final tax liability is determined in the corporate income tax return (Form PP-801 or Form PP-802 or Form PP-803 or Form PP-804 or Form PP-805).

(2) If the final tax liability happens to be higher than the paid tax advance, the taxpayer shall pay the difference in amount of corporate income tax at the latest within 20 business days from the day of filing the tax return.

(3) If the final tax liability happens to be lower than the paid tax advance, the tax payer may choose from one of the following options:

a) to have the difference calculated into future Corporate income tax advance;

b) to have the difference transferred to due tax liability, if the public revenues belong to the same budget;

c) to have the tax difference refunded.

(4) If the taxpayer fails to file an application for refund of the difference in amount, the Tax Administration shall ex-officio apply the provisions of par. (3), point a) and/or b) of this Article.

(5) The Tax Administration shall notify the taxpayer that it has acted pursuant to par. (4) of this Article within 30 business day from the day on which the corporate income tax return was filed.

Article 84

(Tax refund application)

(1) Tax refund applications are to be filed together with the Corporate income tax return (Form PP-801 or Form PP-802 or Form PP-803 or Form PP-804 or Form PP-805), in which the excess corporate income tax payment was determined.

(2) Tax refund may not be approved for the tax credit referred to in Articles 52, 53 and 54 of the Rulebook.

(3) The Tax Administration shall submit the decision on tax refund to the tax payer and to the competent refunding body at the latest within 20 business days from the day on which the tax refund application was filed.

(4) The tax payer may file a tax refund application, if he has performed excess payment of corporate income tax and if he has performed excess payment by mistake.

C. Profit payment

Article 85

(Profit payment)

(1) Profit payment in terms of Article 55 of the Law includes payment of earnings as per distribution of profits on the basis of ownership rights of the taxpayers, regardless of whether the distribution to the capital owners is in cash or cashless.

(2) Advance distribution of profits is considered profit payment from par. (1) of this Article.

(3) Direct taxes, which the tax payer may not have due according to Article 55 par. (1) of the Law on the day of the profit payment, are public revenues paid according to entities or cantonal regulations into the budgets, without any counter-service provided, imposed to all entities according to the features of taxation legislation.

(4) Contributions, which the tax payer may not have due according to Article 55 par. (1) of the Law on the day of the profit payment, are public revenues paid according to entities regulations with the purpose of exercising certain rights.

(5) Liabilities to employees, which the tax payer may not have due, are all earnings from dependent activities, regulated by regulations on income tax, which the taxpayer is legally obliged to disburse to employees.

(6) Legal obligation from par. (5) of this Article may be a prescribed legal requirement or a contractual obligation defined by the contract concluded between the taxpayer and his employee.

(7) The taxpayer may not perform any payment as per distribution of profit, if he has some due liabilities from par. (3), (4) and (5) of this Article on the day of the distribution.

Article 86

(Giving loans and transfer of property)

(1) The taxpayer may not approve cash or cashless loans to other entities, if he has some due unpaid liabilities as per public revenues on the day of contract creation or on the payment day, depending on which date is earlier.

(2) Public revenues referred to in Article 55 par. (2) of the Law are public revenues, regulated by the state, entities or cantonal regulations, i.e. regulations of the units of local self-government.

(3) Transfer of property onto other legal entities, as envisaged by Article 55, par (2) of the Law is considered the following:

a) gifts in form of goods, rights or other type of property of the taxpayer used for performance of his business activities or for direct or indirect generation of income; inheritance of goods, rights or other type of property;

b) sale of intangible assets, real property, plants and equipment free of charge or at a price below the market price.

(4) Transfer of property onto other legal entities, as envisaged by Article 55, par (2) of the Law is not considered the sale of merchandise and services as a part of the activity performed by the taxpayer or the sale of the property at the market price.

Article 87

(Payment supporting documents)

(1) If the taxpayer performs payment of profit on the payment day, he shall obtain the following supporting documents and keep them in the files:

a) Certificate of the Tax Administration on the amount of due unpaid liabilities of tax and contributions;

b) Statement given by the taxpayer under penalty that he has duly paid all due liabilities towards the employees.

(2) If the taxpayer approves loans or transfers property, he shall obtain the following supporting documents and keep them in the files:

a) documents from par (1) of this Article,

b) Certificate of the Indirect Taxation Authority of Bosnia and Herzegovina on the amount of due unpaid liabilities of public revenues.

(3) Documents from par. (1) and (2) of this Article may not be older than 15 days from the day of payment/approval of the loan or transfer of property.

IV. TAX INCENTIVES

A. Investing in production equipment

Article 88

(Tax incentive for investing in production equipment)

(1) A 30% reduction of the determined tax liability shall be approved to a taxpayer referred to in Article 3 of the Law, if the taxpayer buys the production equipment in the year for which the profit is being determined, providing the following cumulative terms are satisfied:

a) value of the production equipment exceeds 50% of the profit before taxation from the taxation period for which the tax liability is reduced;

b) the taxpayer buys the equipment with own funds;

c) production equipment has been bought and made operational in the year for which the tax liability reduction is requested.

(2) Purchase with own funds from par. (1), point b) of this Article shall be determined on the basis of the Cash Flow Statement created by application of the direct or indirect method according to accounting regulations as follows:

$$\mathrm{CFBA} \geq \mathrm{CFIA} + \mathrm{CFFA}$$

where:

CFBA = cash flow from business activities

CFIA - cash flow from investment activities

CFFA - cash flow from financial activities.

(3) Plants or equipment used by the taxpayer directly in the process of creating new value (products or services) as a working instrument is considered production equipment referred to in Article 36 par. (2) of the Law, with the exception of passenger vehicles.

Article 89

(Tax incentive return)

(1) The taxpayer, who utilizes a tax incentive referred to in Article 36 par. (2) of the Law shall enclose to the Corporate income tax return a tax incentive return on the basis of investing in production equipment (Form PP-810).

The tax incentive return from par. (1) of this Article shall contain three parts as follows:

a) Balance Sheet data – figures for the current and for the previous year from the Balance Sheet Report[1],

b) Cash Flow data – amounts of net increase or decrease of the cash flow from business, investment and financial activities for the year for which the tax is determined,

c) information on the bought production equipment – name, purchase value excluding the VAT, supplier, invoice or contract number and date of payment.

B. Investing in fixed assets

Article 90

(Tax incentive for investing in fixed assets)

(1) A 50% reduction of the determined tax liability shall be approved to a taxpayer referred to in Article 3 of the Law, if the taxpayer invests in fixed assets, for every year for which the profit is being determined, providing the following cumulative terms are satisfied:

a) investment value amounts in total to KM 20 mil. in five consecutive years,

b) investment value amounts to KM 4 mil. in the first year,

c) investment is made out of the taxpayer's own funds, including entering into a debt with the purpose of performing an investment of any kind.

(2) The taxpayer, who invests an amount lower than KM 20 mil. in less than five (5) years, is entitled to reduction of his tax liability by 50% in every year, as if he had invested in all five (5) years.

(3) The investment out of the taxpayer's own funds from par. (1), point c) of this Article shall be determined as prescribed by Article 88 par. (2) of the Rulebook.

(4) Investment in real property, plants or equipment used by the taxpayer directly in the process of creating new value (products or services) as a working instrument is considered the investment in fixed assets from 36 par. (5) of the Law, with the exception of housing units and passenger vehicles.

[1]Change in the Official Gazette of the Federation of BIH 11/17

(5) Purchase, construction, annexing and investing maintenance, capitalized according to the accounting regulations and other similar ways of increasing the fixed assets value are considered investment from par. (4) of this Article.

(6) Transfer of ownership of the real property, equipment or plants is considered the beginning of investment in case of purchase, whereas the commencement of works execution is considered the beginning of investment in case of construction or annexing.

Article 91

(Investment plan)

(1) The taxpayer, who wants to apply the tax incentive referred to in Article 36 par. (5) of the Law, is required to submit to the competent Tax Administration unit the Investment Plan (Form PI-808) at the latest until 30 June of the year for which he shall request the tax incentive.

(2) In addition to the Form PI-808, the taxpayer shall submit the Decision on Investment, orderly signed and verified by responsible persons and bodies.

(3) The Investment Plan shall obligatory include the three parts as follows:

a) data on investment, including description of the subject investment, its goal and purpose,

b) data on sources of investment, including mode and source of the funds which shall be used for financing the subject investment,

c) data on the plan of investing, including the planned course of investments with a special focus on the planned investment amounts for the period in which the tax incentive shall be applied.

(4) A five-year period is stated as the Investment Plan duration period.

Article 92

(Tax incentive return)

(1) The taxpayer, who utilizes a tax incentive referred to in Article 36 par. (4) of the Law shall enclose to the Corporate income tax return a tax incentive return on the basis of investing in fixed assets (Form PP-811) for each year for which the tax liability shall be reduced.

(2) The tax incentive return from par. (1) of this Article shall contain four parts as follows:

a) data on investment, including the following data:

1) the first year in which the tax incentive is applied, which is also the first year of investment;

2) the year of investment in relation to the investment period (to be circled);

3) the planned amount of investment in KM in the current taxation period for the year of investment from the Form PI-808;

4) the amount of investment in KM in the current taxation period is determined by summing-up the purchase value determined in the Section 4 of the Form;

5) total amount of investment in KM determined as a sum-up of all investments from the previous period, including the current year;

b) Balance Sheet data – figures for the current and for the previous year from the Balance Sheet Report;

c) Cash Flow data – amounts of net increase or decrease of the cash flow from business, investment and financial activities for the year for which the tax is determined,

d) information on the subject investment – name, purchase value excluding the VAT, supplier, invoice or contract number and date of payment.

C. Employment

Article 93

(Tax incentive for employment)

(1) A reduction of the determined tax liability shall be approved to a taxpayer referred to in Article 3 of the Law in amount of a gross salary of the newly employed employees in amounts determined in the tax incentive return on the basis of new employment (Form PP-812) in the manner and under the terms defined by the Law and by the Rulebook.

(2) Newly employed employees in terms of par. (1) of this Article are persons who have been employed by the taxpayer to a full-time position for a minimum period of 12 months in continuity. If the employment is longer than 12 months, the tax liability of the taxpayer shall be reduced for the entire period of employment in the taxation period in which the taxpayer has to pay costs of the gross salary to the newly employed.

(3) If the new employee stops working with the taxpayer in less than 12 months or if he has been employed to a part-time position, the taxpayer is not entitled to a double reduction of tax liability and shall calculate and pay the difference of the corporate income tax and the default interest for public revenues, as if he had not utilized this tax incentive.

(4) If the employment contract in duration of 12 months or longer is transferred from one to another taxation period, the amount of the tax liability reduction in each period is proportional to participation of the gross salary costs in the period in which those costs were made.

(5) Any termination of the employment contract is considered the breach of the 12-month continuity, if the employee's right to pension and disability or health insurance is thereby forfeited.

(6) The employee, who was employed by the taxpayer or the taxpayer's related entity in the period of last five years, is not considered a new employee.

(7) The related entity from par. (6) of this Article is an entity related to the tax payer as envisaged by Article 44 par. (3) of the Law.

(8) Tax incentive referred to in Article 37 of the Law may not be applied on the newly employed persons for who the taxpayer utilizes other benefits or subsidies.

Article 94

(Tax incentive return)

(1) The taxpayer, who utilizes a tax incentive referred to in Article 37 of the Law shall enclose to the Corporate income tax return a tax incentive return on the basis of new employment (Form PP-812) for the year for which the tax liability shall be reduced.

(2) The tax incentive return from par. (1) of this Article shall contain two parts as follows:

a) information on the new employees, including information on persons who entered into labour relation in the year for which reduction of the tax liability is required as listed below:

1) name and surname,

2) citizen's master identification number,

3) start date of the employment - date on which the employee was entered into the Unique system of registration, control and contributions collection,

4) number of contract concluded with the taxpayer,

5) amount of net salary, including the salary increased by the income tax, excluding all remunerations in the total amount for the taxation period,

6) amount of calculated contributions assessed on salary in the total amount for the taxation period,

7) amount of gross salary - sum-up of the amount of net salary and contributions assessed on salary;

b) information on the new employees from the previous taxation period, including information on persons, who in the previous taxation periods started a labour relation in minimum duration of 12 months in continuity, which was continued in the current taxation period, as listed below:

i. name and surname,
ii. citizen's master identification number,
iii. start date of the employment - date on which the employee was entered into the Unique system of registration, control and contributions collection,
iv. number of contract concluded with the taxpayer,
v. amount of net salary, including the salary increased by the income tax, excluding all remunerations in the total amount for the taxation period,
vi. amount of calculated contributions assessed on salary in the total amount for the taxation period,
vii. amount of gross salary - sum-up of the amount of net salary and contributions assessed on salary;

D. Forfeiture of the right to reduction of the tax liability

Article 95

(Forfeiture of the right to reduction of the tax liability due to dividend payment)

The taxpayer, who pays the dividend in any form whatsoever (cash or cashless) in the year in which he utilizes the tax incentive referred to in Article 36 par. (2) and (4) of the Law or who pays the dividend in any form, whereas the same taxpayer was utilizing the tax incentive referred to in Article 36 par. (2) and (4) until two years ago, shall forfeit his right to tax incentive and shall thus be required to calculate and pay the corporate income tax together with the default interest in the manner as if he had not utilized the tax incentive at all. If the taxpayer utilizes the tax incentive for the taxation period in the year 2016, he may not pay any dividend before 31 December 2018; otherwise he shall forfeit the right to tax incentive.

Article 96

(Forfeiture of the right to reduction of the tax liability due to lack of census)

The taxpayer, who fails to reach the prescribed census of KM 20 mil. referred to in Article 36 par. (4) of the Law within the five-year period, shall forfeit his right to tax incentive and shall thus be required to calculate and pay the corporate income tax together with the default interest in the manner as if he had not utilized the tax incentive at all.

Article 97

(Forfeiture of the right to reduction of the tax liability due to tax loss transfer)

(1) The taxpayer, who uses the generated tax loss for reduction of the tax liability for the future period in the manner envisaged by Article 25 of the Law, whereby he was simultaneously utilizing the tax incentive referred to in Article 36 par. (2) and (4) of the Law in last two years, shall be required to decide which of the subject two tax incentives he wants to apply, considering that one tax incentive excludes the other.

(2) If the taxpayer from par. (1) of this Article utilizes the tax incentive, he shall forfeit the right to tax incentive 36 par. (2) and (4) of the Law and shall thus be required to calculate and pay the corporate income tax together with the default interest in the manner as if he had not utilized the tax incentive at all.

Article 98

(Exclusivity of tax incentives)

(1) The taxpayer, who utilizes the tax incentive referred to in Article 36 par. (2) of the Law, may not utilize the tax incentive referred to in Article 36 par. (4) of the Law.

(2) The taxpayer may use one of the tax incentives referred to in Article 36 of the Law together with the tax incentive referred to in Article 37 of the Law.

E. Proving of tax base reduction

Article 99

(Proofs of tax base reduction)

(1) The taxpayer, who utilizes the tax incentive referred to in Article 36 par. (2) of the Law, shall keep in the files invoices or contracts on purchase of the production equipment. He also shall keep the closed ledgers as of the day of Corporate income tax return filing, i.e., as of the day of filing the Form PP-810 to the competent unit of the Tax Authority.

(2) The taxpayer, who utilizes the tax incentive referred to in Article 36 par. (4) of the Law, shall keep in the files invoices or contracts on purchase or investment and the decision on investment, duly signed and verified by competent persons and bodies. He also shall keep the closed ledgers as of the day of Corporate income tax return filing, i.e., as of the day of filing the Form PP-811 to the competent unit of the Tax Authority.

(3) The taxpayer, who utilizes the tax incentive referred to in Article 37, shall keep in the files employment contract(s) and the closed ledgers as of the day of Corporate income tax return filing, i.e., as of the day of filing the Form PP-812 to the competent unit of the Tax Authority.

Article 100

(Request of the Tax Authority)

(1) The taxpayer, who utilizes the tax incentive referred to in Articles 36 and 37 of the Law, is required to have all proofs referred to in Article 97 of the Rulebook prepared when filing the Corporate income tax return.

(2) The taxpayer shall submit the required proofs referred to in Article 99 of the Rulebook within three days from the day of receiving the request of the Tax Authority.

V. TAX RETURNS

A. Corporate income tax return

Article 101

(Corporate income tax return)

(1) The taxpayer, who is filing a tax return for a taxation period of a calendar year, shall file the Corporate income tax return referred to in Articles 102, 103, 104, 105 and 106 of the Rulebook to the Tax Authority at the latest until 31 March, resp., until the last business day of the current year for the previous year.

(2) The taxpayer, whose taxation period has been changed according to provisions of Article 47 par. (2) of the Law, shall file the Corporate income tax return referred to in Articles 102, 103, 104, 105 and 106 of the Rulebook to the Tax Authority at the latest within 30 days from the day of registration or cessation of operations or the change of the legal form as stated in the Court Register Certificate or as stated in the Minister's decision as of the day of the end of the new taxation period.

(3) The taxpayer is required to deliver the changed Corporate income tax return in any period before 30 September, i.e., within 180 days from the day of registration or cessation of operations or the change of the legal form as stated in the Court Register Certificate or as stated in the Minister's decision as of the day of the end of the new taxation period, in the manner prescribed by Article 50 of the Law.

Article 102

(Tax returns of companies)

(1) The taxpayer referred to in Article 3 par. (1) of the Law shall file the Tax return for companies (Form PP-801) to the competent unit of the Tax Authority in the place where the company's headquarters is located, as envisaged by Article 49 par. (1) of the Law.

(2) The tax return from par. (1) of this Article shall include data on the taxpayer, on which basis the income tax assessment shall be performed and tax liability amount and amount of tax advance payment determined for the next period.

(3) The tax return for companies (Form PP-801) is composed of three parts with the following data:

a) data on the taxpayer - name, identification number, address, number of employees, number of permanent establishments, i.e. subsidiaries, industry code, property owned, decisions on profit distribution, changes in the subscribed capital;

b) data for calculation of corporate income tax advance amount – profit generated in the respective business year, tax base, tax incentive, net tax base, corporate

income tax amount, tax credit, final corporate income tax and monthly amount of corporate income tax advance;

c) data on enclosures to the corporate income tax return, completed by the Tax Authority on the receipt of the tax return, including the date of receipt and the signature of the responsible officer from the Tax Authority who received the subject tax return.

Article 103

(Tax return of subsidiaries from Republic of Srpska or Brčko District)

(1) The taxpayer referred to in Article 3 par. (2) of the Law shall file the Corporate income tax return for its subsidiary from RS or BD for the canton (Form PP-802) to the competent unit designated by the Tax Authority to be the main unit, in the manner envisaged by Article 49 par. (1) of the Law.

(2) If a company from RS or BD has more subsidiaries with their headquarters in one canton, a single corporate income tax return from par. (1) of this Article shall be created. If the company's subsidiaries are located in different cantons, separate tax returns shall be created for each canton, if the payments are performed to the cantonal budget, i.e., if for the Federation the payments are performed to the Federal budget.

(4) The tax return from par. (1) of this Article is composed of four parts with the following data:

a) data on the company - name, identification number, address of the mother-company, industry code, average number of employees;
b) data on subsidiaries - name, identification number, address and the canton; If a legal entity has more subsidiaries than the envisaged five, a new line is added in the Form PP-802 for each new subsidiary;
c) data for calculation of corporate income tax advance amount - profit generated in the respective business year, tax base, tax incentive, net tax base, corporate income tax amount, tax credit, final corporate income tax and monthly amount of corporate income tax advance;
d) data on enclosures to the corporate income tax return, completed by the Tax Authority on the receipt of the tax return, including the date of receipt and the signature of the responsible officer from the Tax Authority who received the subject tax return.

Article 104

(Tax return of permanent establishments of non-residents)

(1) The taxpayer referred to in Article 3 par. (3) of the Law shall file the Corporate income tax return for non-residents (Form PP-803) to the competent unit designated by the Tax Authority to be the main unit, in the manner envisaged by Article 49 par. (1) of the Law at the latest until 31 March of the current year for the previous year, resp., on the day of cessation of business operations, depending which date is earlier.

(2) Provisions of Article 103 par. (2) of the Rulebook are applicable on non-resident legal entity who is a tax payer referred to in Article 3 par. (3) of the Law.

(3) The tax return from par. (1) of this Article is composed of four parts with the following data:

a) data on the company - name, identification number, address of the mother-company, currency, exchange rate and taxation period of the company;

b) data for calculation of taxable income of the permanent establishment - description of business activities, business result calculation method, calculation of income and expenditures according to accounting and auditing regulations valid in the Federation, implementation of the Treaty on Avoiding Double Taxation between Bosnia and Herzegovina and income tax calculation;

c) data for calculation of corporate income tax advance amount - profit generated in the respective business year, tax base, tax incentive, net tax base, corporate income tax amount, tax credit, final corporate income tax and monthly amount of corporate income tax advance;

d) data on enclosures to the income tax return, completed by the Tax Authority on the receipt of the tax return, including the date of receipt and the signature of the responsible officer from the Tax Authority who received the subject tax return.

Article 105

(Tax return for partially exempt entities)

(1) The taxpayer referred to in Article 4 par. (2) of the Law shall file the Corporate income tax return for partially exempt entities to the competent unit of the Tax Authority in the place where the company's headquarters is located, as envisaged by Article 49 par. (1) of the Law.

(2) The tax return from par. (1) of this Article is composed of four parts with the following data:

a) data on the taxpayer - organisational form, name, identification number, address, number of employees, industry code, property owned;
b) data on the taxable income - description of business activities, calculation of income and expenditures according to accounting and auditing regulations valid in the Federation, income tax calculation;

c) data for calculation of corporate income tax advance amount - profit generated in the respective business year, tax base, tax incentive, net tax base, corporate income tax amount, tax credit, final corporate income tax and monthly amount of corporate income tax advance;

d) data on enclosures to the income tax return, completed by the Tax Authority on the receipt of the tax return, including the date of receipt and the signature of the responsible officer from the Tax Authority who received the subject tax return.

Article 106

(Consolidated tax balance and corporate income tax return)

(1) The mother-company, which was by a decision referred to in Article 41 par. (4) of the Law allowed to perform tax consolidation, shall file the Consolidated tax balance and CIT return (Form PP-805) to the competent unit of the Tax Authority in the place where the legal entity's headquarters is located, as envisaged by Article 49 par. (1) of the Law.

(2) The tax return from par. (1) of this Article is composed of four parts with the following data:
a) data on the mother-company - organisational form, name, identification number, address;
b) data on the related entities - name, identification number, canton;

c) data on the taxable income - identification number of the related entities, taxable income or tax loss from the tax balance, net tax base, income calculation, tax loss, tax credit (tax paid in RS or BD or outside of BiH or paid withholding tax), tax exemptions used in the past, which are not justified by the Law and by the Rulebook, remaining corporate income tax for the taxation period; remaining corporate income tax, paid advances and the difference to be paid according to identification number of the related entities and total monthly amount of corporate income tax advance;
d) data on enclosures to the income tax return, completed by the Tax Authority on the receipt of the tax return, including the date of receipt and the signature of the responsible officer from the Tax Authority who received the subject tax return.

B. Tax balance

Article 107

(Tax balance)

(1) The tax base of the taxpayer is determined according to Article 7 par. (1) of the Law on the Tax balance (Form PB-800-A or Form PB-800-B) for the taxation period for which the income tax liability is determined, as envisaged by provisions of the Law and of the Rulebook.

(2) The Form PB-800-A is completed by the tax payer referred to in Article 3 par. (1), (2) and (3) and Article 4 par. (2) of the Law. The Form PB-800-B is to be completed if a company from RS or BD or a non-resident legal entity has more subsidiaries, i.e., more permanent establishments on the territory of the Federation. It is created for more subsidiaries, i.e., more business units at the level of one canton, if the cantonal budget is a beneficiary of public revenues, resp., at the Federation level, if the Federal budget is a beneficiary of public revenues.

(3) Sections of the Form PB-800-A or Form PB-800-B are filled with the data as follows:

1) A1: Income of companies - total income as stated in the Balance Sheet by the taxpayer referred to in Article 3 par. (1) of the Law;

2) A2: Income of exempt entities or subsidiaries, i.e., permanent establishments under points from a) to g) as follows:

   a) income from sale of merchandise,

   b) income from sale of own goods and services,

   c) other operating income,

   d) financial income,

   e) income from sale of assets,

   f) other income from assets,

   g) other income

   distributed by the taxpayer referred to in Article 3 par. (2) and (3) and Art. 4 par. (2) of the Law;

3) A3: Income of the consolidated company - total income of all related entities, if the tax consolidation referred to in Article 41 of the Law is performed, in which case the mother-company completes the Form PP-805;

4) B1: Expenditures of the company - total expenditures as stated in the Balance Sheet by the taxpayer referred to in Article 3 par. (1) of the Law;

5) B2: Expenditures of exempt entities or subsidiaries, i.e., permanent establishments under the sub-points:

   a) direct expenses related to the point A2 of the Form - deductible expenditures according to the Law and the Rulebook, related to the income stated under Section A2 of the Form;

   b) general and administrative expenses - other deductible expenditures according to the Law and the Rulebook;

6) B3: Expenditures of the consolidated company – total expenditures of all related entities, if the tax consolidation referred to in Article 41 of the Law is performed, in which case the mother-company completes the Form PP-805;

7) C1: Income from the current period - difference between the sections of the Form A and B, i.e. (A1 or A2 or A3 - B1 or B2 or B3.), if higher than KM 0;

8) C2: Loss in the current period - difference between the sections of the Form A and B, i.e. (A1 or A2 or A3 – B1 or B2 or B3.), if lower than KM 0;

9) I. FINANCIAL RESULT – depending on the algebraic sign (+/-) before the determined amount, in the position 1. *Income from the business year* - depending on the taxpayer, the amount from the section C1 is entered, whereas the amount from the section C12 is entered under the position 2. *Loss in the business year* - depending on the taxpayer;

10) II. CAPITAL GAINS AND EXPENDITURES – depending on the algebraic sign (+/-) before the determined amount, in the position 3. *Capital gains from the balance sheet* - amounts determined according to Article 24 par. (1) of the Law and Article 44 and 45 of the Rulebook and in the position 4. *Capital expenditures from the balance sheet* - amounts determined according to Article 24 par. (5) and (6) of the Law and Article 44 and 45 of the Rulebook;

11) III. HARMONIZATION OF TAX ITEMS - according to relevant provisions of the Law and of the Rulebook and according to the Form PB-800-A or the Form PB-800-B, amounts of tax non-deductible expenditures, which increase the tax base are entered under positions no. from 5 to 54, except for positions no. 16, 26, 35, 39, 41, 42, 45, 49, 51 and 53, which reduce the tax base. The position no. 39 has a neutral effect.

12) IV. TAX DEDUCTIBLE PROFIT OR TAX LOSS BEFORE TRANSFER PRICES - depending on the algebraic sign (+/-) before the determined amount, in the position no. 55. *Deductible profit before transfer prices* - the amount is determined in the way that the result in position no. 1 or 2+3-4+5 to 15-16+17 to 25-26+27 to 34-35+36+37+/-38-/+39+40-41-42+43+44-45+46+47+48-49+50-51+52-53+54) is higher than 0, whereas in the position no. 56. *Tax loss before transfer prices* - the amount is determined in the way that the result in positions (position no. 1 or 2+3-4+5 to 15-16+17 do 25-26+27 to 34-35+36+37+/-38-/+39+40-41-42+43+44-45+46+47+48-49+50-51+52-53+54) is lower than 0.

13) V. TRANSFER PRICING - according to relevant provisions of the Law and of the Rulebook referred to in Article 46 par. (3) of the Law and the Form PB-800-A or PB-800-B, amounts of tax non-deductible expenditures, i.e. the income not presented, which increase the tax base, are entered in the positions no. 57 and 58. In the position no. 59. *Abatement of double taxation*, if it is presented either under position no. 57. *Difference between market value (higher) and the actual transaction value performed with the related entities*, for income or under position no. 58. *Difference between market value (lower) and the actual transaction value performed with the related*

entities, for expenditure - the amount of correction from the Form TP – 900 is entered, for which the double taxation is abated.

14) VI. TAX DEDUCTIBLE PROFIT OR TAX LOSS AFTER TRANSFER PRICES - depending on the algebraic sign (+/-) before the determined amount, in the position no. 60. *Deductible profit after transfer prices* - the amount is determined in the way that the result in the positions (positions 55+57+58-59) is higher than 0, whereas in the position no. 61. *Tax loss after transfer prices* - the amount is determined in the way that the result in the positions (positions 56+57+58-59) is lower than 0.

15) VII. TAX BASE REDUCTION – the following amounts are entered:

a) tax loss carried forward from previous five years, which may be used for tax base reduction according to Article 25 of the Law, presented in the Form PG-809;

b) tax incentives, used by the taxpayer according to Articles 36 and 37 of the Law as follows:

1) amount of the tax base reduced by 30%, presented in the Form PP-810;

2) amount of the tax base reduced by 50%, presented in the Form PP-811;

3) amount of the tax base reduced by the amount of expenditures of gross salaries of new employees, presented in the Form PP-812;

4) amount of the tax base reduced according to Article 61 of the Law.

16) VIII. TAX BASE - depending on the algebraic sign (+/-) before the determined amount, in the position 64. *Deductible profit* - the amount is determined in the way that the result in the positions (positions 60-62-63) is higher than 0, whereas in the position no. 65. *Tax loss* - the amount is determined in the way that the result in the positions (positions 61-62-63) is lower than 0.

17) IX. CORPORATE INCOME TAX - the following amounts are entered:

a) 66: Net tax base - amount from the position no. 64. Deductible profit;

b) 67: Calculated tax - amount of corporate income tax, calculated by multiplying the amount from the position no. 66 by the corporate income tax rate of 10%;

c) 68: Tax loans – amounts of tax loans, which reduce the corporate income tax payment:

1) tax amount paid in RS according to Article 32 par. (1) of the Law, presented in the Form PE-806;

2) tax amount paid in BD according to Article 32 par. (1) of the Law, presented in the Form PE-806;

3) tax amount paid outside of BiH according to Article 32 par. (3) of the Law, presented in the Form PE-807;

4) withholding tax amount paid outside of BiH according to Article 32 par. (4) of the Law, presented in the Form PK -814;

d) tax amount as per earlier used tax exemptions, which are not justified according to Article 36 par. (6) and 61 of the Law;

18) X. CORPORATE INCOME TAX BALANCE – the following amounts are entered:

a) 70: Remaining corporate income tax for the taxation period, amounts of the final tax liability determined for the respective taxation period and the amount determined by calculation of the positions 67-68+69;

b) 71: Remaining tax loss to be carried forward, amount of tax loss to be carried forward into the next period from the Form PG-809;

c) 72: Payment of tax advance and excess payment from the previous period, amounts of paid tax advances and excess payments of corporate income tax;

d) 73: Calculation of default interest, amount of calculated default interest to be paid by the taxpayer due to delayed payment of public revenues;

e) 74: Amount of tax to be paid, amount of tax to be paid as a positive difference in amount between the positions no. 70 and 72,

f) 75: Amount of tax to be refunded, amount of tax to be refunded as a negative difference in amount between the positions no. 70 and 72.

C. Statement on dividend payment

Article 108

(Statement on dividend/profit payment)

(1) The taxpayer, who paid a dividend, resp., profit shall submit to the competent organisational unit of the Tax Authority the orderly completed and verified Statement on calculated tax on the paid dividend/profit - Form ID-813, together with the Corporate income tax return (Form PP-801 or Form PP-802 or Form PP-803 or Form PP-804 or Form PP-805).

(2) The taxpayer shall submit a copy of the Form ID-813 to the taxpayer referred to in Article 3 par. (1), (2) and (3) and Article 4 par. (2) of the Law, who is the recipient of the dividend/profit.

(3) The Statement from par. (1) of this Article is composed of two parts with the following data:

a) data on the dividend/profit payer - name, identification number and address (street, street number and municipality/town);

b) data on the dividend/profit recipient - name, identification number, date of payment, equity in capital - number of stocks (percentage of equity in capital), gross amount of dividend (amount of paid dividend increased by the tax amount, if the tax was paid), tax amount, dividend difference (gross amount reduced by the tax), recipient’s bank, recipient’s account number.

D. Withholding tax return

Article 109

(Withholding tax return)

The taxpayer shall submit to the competent organisational unit of the Tax Authority the tax returns referred to in Articles 111, 112, 113, 114 and 115 of the Rulebook at the latest within ten days after the end of the month in which the withholding tax was paid for and on behalf of non-residents, according to the relevant amount of the disbursed, i.e., paid income.

Article 110

(Exemption from withholding tax payment)

(1) If the non-resident's income is taxable exclusively in the income recipient's country of residence, the taxpayer is obliged by provisions of the Treaty on Avoiding Double Taxation, concluded between BiH and the income recipient's country, to submit to the Tax Authority the Statement by a legal entity for withholding tax exemption at the source (Form OP-820) at the latest until the 20th of the current month.

(2) The Form OP- 820 shall be verified by the income recipient and the final user and by the competent institution of the country entitled to tax the income.

(3) In case the competent institution of the income recipient's country may not verify the Form OP 820, the taxpayer shall obtain a Certificate of Residence from the competent authority of the income recipient's country, which may not be older than one year.

(4) The Certificate of Residence from par. (3) of this Article is to be submitted to the Tax Authority together with the Form OP 820.

(5) The Form OP-820 is created in four copies, one of which is delivered to the Tax Authority, one to the taxpayer and two copies to the income recipient.

Article 111

(Withholding tax return on dividend)

(1) The taxpayer, who pays a dividend to a non-resident, shall submit the withholding tax return on dividend - Form POD 815 in the manner envisaged by Article 109 of the Rulebook.

(2) The withholding tax return from par. (1) of this Article is composed of four parts with the following data:

a) data on the dividend payer - name, identification number and address (street, street number and municipality/town), phone, e-mail,
b) data on the dividend - way of dividend realisation (through a direct equity in capital, fund, holding/concern etc.), accounting period for which the income was received, date of payment, calculation base for withholding tax, Treaty on Avoiding Double Taxation concluded between BiH and the other country, applied withholding tax rate;
c) data on the dividend/profit recipient - name, identification number, address (street, street number and municipality/town), phone, e-mail, bank, bank's residence, account number;
d) data on withholding tax - gross income, withholding tax rate, withholding tax amount, default interest for delayed tax payment;

(3) If the taxpayer applied a lower withholding tax rate referred to in Article 64 par. (3) of the Rulebook, he shall obtain and keep in the files the below-listed documents in addition to the tax return from par. (1) of this Article:

a) Statement that the income recipient is also the final user of the income and
b) Certificate of Residence issued by the competent institution of the income recipient's country, which may not be older than one year.

(4) The Form POD 815 is created in four copies, one of which is delivered to the Tax Authority, one to the taxpayer and two copies to the income recipient.

Article 112

(Withholding tax return on interest)

(1) The taxpayer, who pays an interest, shall submit the withholding tax return on interest - Form POD 816 in the manner envisaged by Article 109 of the Rulebook.

(2) The withholding tax return from par. (1) of this Article is composed of six parts with the following data:

a) data on the interest payer - name, identification number and address (street, street number and municipality/town), phone, e-mail;
b) data on the claims – way of interest realisation (for instance, a contract), accounting period for which the income was received, date of payment, calculation base for withholding tax, Treaty on Avoiding Double Taxation concluded between BiH and the other country, applied withholding tax rate;
c) data on the interest recipient - name, identification number, address (street, street number and municipality/town), phone, e-mail, bank, bank's residence, account number;
d) data on withholding tax - gross income, withholding tax rate, withholding tax amount, default interest for delayed tax payment, difference to be paid;
e) data on the enclosed documents;
f) comments by the Tax Authority (for instance, that a certain document has not been submitted or a short description of the submitted documents or other important facts depending on the individual case).

(3) If the taxpayer applied a lower withholding tax rate referred to in Article 64 par. (3) of the Rulebook, he shall obtain and keep in the files the below-listed documents in addition to the tax return from par. (1) of this Article:
a) Statement that the income recipient is also the final user of the income and
b) Certificate of Residence issued by the competent institution of the income recipient's country, which may not be older than one year.

(4) The Form POD 816 is created in four copies, one of which is delivered to the Tax Authority, one to the taxpayer and two copies to the income recipient.

Article 113

(Withholding tax return on royalties)

(1) The taxpayer, who pays royalties, shall submit the withholding tax return on royalties - Form POD 817 in the manner envisaged by Article 109 of the Rulebook.

(2) The withholding tax return from par. (1) of this Article is composed of six parts with the following data:

a) data on the royalties payer - name, identification number and address (street, street number and municipality/town), phone, e-mail;
b) data on the funds - way of royalties realisation (for instance, a contract), type of royalties (writing, artistic or scientific work, patent, trademark, design or model, plan, secret formula or procedure, cinematographic films, licences, know-how, other), accounting period for which the income was received, date of payment, calculation

base for withholding tax, Treaty on Avoiding Double Taxation concluded between BiH and the other country, applied withholding tax rate;
c) data on the royalties recipient - name, identification number, address (street, street number and municipality/town), phone, e-mail, bank, bank's residence, account number;
d) data on withholding tax - gross income, withholding tax rate, withholding tax amount, default interest for delayed tax payment, difference to be paid;
e) data on the enclosed documents;
f) comments by the Tax Authority (for instance, that a certain document has not been submitted or a short description of the submitted documents or other important facts depending on the individual case).

(3) If the taxpayer applied a lower withholding tax rate referred to in Article 64 par. (3) of the Rulebook, he shall obtain and keep in the files the below-listed documents in addition to the tax return from par. (1) of this Article:

a) Statement that the income recipient is also the final user of the income and
b) Certificate of Residence issued by the competent institution of the income recipient's country, which may not be older than one year.

(4) The Form POD 817 is created in four copies, one of which is delivered to the Tax Authority, one to the taxpayer and two copies to the income recipient.

Article 114

(Withholding tax return on other income)

(1) The taxpayer, who pays other income, shall submit the withholding tax return on other income - Form POD 818 in the manner envisaged by Article 109 of the Rulebook.

(2) The withholding tax return from par. (1) of this Article is composed of six parts with the following data:

a) data on the other income payer - name, identification number and address (street, street number and municipality/town), phone, e-mail;
b) data on the income – way of income realisation, type of income (management, technical and educational services, lease of property, insurance premiums, telecommunication services, entertaining and sport events, other income as defined by Article 38 par. (2) of the Law and the services defined by Article 38 par. (1), point i) of the Law), accounting period for which the income was received, date of payment, calculation base for withholding tax, Treaty on Avoiding Double Taxation concluded between BiH and the other country, applied withholding tax rate;
c) data on income recipient - name, identification number, address (street, street number and municipality/town), phone, e-mail, bank, bank's residence, account number;
d) data on withholding tax - gross income, withholding tax rate, withholding tax amount, default interest for delayed tax payment, difference to be paid;
e) data on the enclosed documents;
f) comments by the Tax Authority (for instance, that a certain document has not been submitted or a short description of the submitted documents or other important facts depending on the individual case).

(3) If the taxpayer applied a lower withholding tax rate referred to in Article 64 par. (3) of the Rulebook, he shall obtain and keep in the files the below-listed documents in addition to the tax return from par. (1) of this Article:

a) Statement that the income recipient is also the final user of the income and
b) Certificate of Residence issued by the competent institution of the income recipient's country, which may not be older than one year.

(4) The Form POD 818 is created in four copies, one of which is delivered to the Tax Authority, one to the taxpayer and two copies to the income recipient.

Article 115

(Withholding tax return on property and rights)

(1) The taxpayer, who pays income on the basis of property and rights, shall submit the withholding tax return on property and rights - Form POD 819 in the manner envisaged by Article 109 of the Rulebook.

(2) The withholding tax return from par. (1) of this Article is composed of six parts with the following data:

a) data on the payer of the income on the basis of property and rights – name, identification number (if resident of the Federation or BD or RS) and address (street, street number and municipality/town), phone, e-mail;
b) data on the income:
    1) real estate - name, municipality, canton, in which the property is located, address (street, street number), purchase or market value, document on which basis the property was bought (if there are more such documents, the initial one is stated);
    2) equity in capital or shares - name of the legal person to who the equity in capital or shares belong (legal person who issued the shares, resp., who is the owner of the capital), number of shares, which are the subject of sale, book value of shares or equity in capital, purchase or market value, document on which basis the property was bought (if there are more such documents, the initial one is stated);
    3) industrial property rights - title of the right (general title and professional title, if existing), registration mark, if it is registered with an institution (state which), purchase or market value, document on which basis the property was bought (if there are more such documents, the initial one is stated);

and accounting period for which the income was received, date of payment, calculation base for withholding tax, Treaty on Avoiding Double Taxation concluded between BiH and the other country, applied withholding tax rate;

c) data on the income recipient - name, identification number, address (street, street number and municipality/town), phone, e-mail, bank, bank's residence, account number;
d) data on withholding tax - gross income, withholding tax rate, withholding tax amount, default interest for delayed tax payment;
e) data on the enclosed documents;
f) comments by the Tax Authority (for instance, that a certain document has not been submitted or a short description of the submitted documents or other important facts depending on the individual case).

(3) If the taxpayer applied a lower withholding tax rate referred to in Article 64 par. (3) of the Rulebook, he shall obtain and keep in the files the below-listed documents in addition to the tax return from par. (1) of this Article:

a) Statement that the income recipient is also the final user of the income and
b) Certificate of Residence issued by the competent institution of the income recipient's country, which may not be older than one year.

(4) The Form POD 819 is created in four copies, one of which is delivered to the Tax Authority, one to the taxpayer and two copies to the income recipient.

E. Tax credit return

Article 116

(Corporate income tax return for a subsidiary in Republic of Srpska or Brčko District)

(1) The taxpayer, who is requesting a tax credit referred to in Article 52 of the Rulebook, shall submit the Corporate income tax return for a subsidiary from RS or BD (Form PE-806).

(2) The tax return from par. (1) of this Article is composed of two parts with the following data:

a) data on the subsidiary - name, identification number, information on whether the subsidiary is from RS or BD) and address (street, street number and municipality);

b) data on the tax base - amount of the total income of the subsidiary, amount of the total expenditures of the subsidiary, amount of the subsidiary's profit or loss as a difference between income and expenditures, amount of calculated Corporate income tax according to regulations in the Federation (Form PB-800-A or Form PB-800-B) for the subject subsidiary, amount of tax credit for reduction of the Corporate income tax in the Federation (to be reduced on the Form PB-800-A or PB-800-B, on which the final tax liability is determined).

(3) The taxpayer does not have to deliver to the Tax Authority the Form PB-800-A or the Form PB-800-B for the subject subsidiary, but shall keep them in his files.

(4) The taxpayer, who uses tax reduction as per a tax credit, shall submit, the Form PE-806 together with the Corporate income tax return (Form PP-801 or Form PP-802 or Form PP-803 or Form PP-804 or Form PP-805).

(5) The Form PE 806 is created in two copies, one of which is delivered to the Tax Authority and one is kept by the taxpayer.

Article 117

(Corporate income tax return for a permanent establishment outside of BiH)

(1) The taxpayer, who is requesting a tax credit referred to in Article 51 of the Rulebook, shall submit the Corporate income tax return for a permanent establishment outside of BIH (Form PE-807).

(2) The tax return referred to in par. (1) of this Article is composed of two parts with the following data:

a) data on the permanent establishment - country in which it is located, taxation period, currency of income, exchange rate on the day of tax calculation;
b) calculation of taxable income of the permanent establishment:

1) description of the business activities of the subject permanent establishment, methods applied in business result calculation (direct method: expected profit

if the permanent establishment is an independent legal entity, involved in the same or similar activities under the same or similar conditions, running its business independently in cooperation with the company, the permanent establishment is a member of; indirect method: profit of the permanent establishment is calculated on the basis of allocation keys (share in the profit total) by distributing the profit of the legal entity, the permanent establishment is a member of;

2) data on calculation of income and expenditures according to accounting and auditing regulations in the Federation, amount of the total income, amount of the total expenditures, amount of the profit or loss as a difference between income and expenditures of the permanent establishment;

3) data on implementation of the Treaty on Avoiding Double Taxation concluded between BiH and the other country;

4) amount of calculated Corporate income tax according to regulations in the Federation (Form PB-800-A or Form PB-800-B) for the subject permanent establishment;

5) amount of tax credit for reduction of the Corporate income tax in the Federation (to be reduced on the Form PB-800-A or PB-800-B, on which the final tax liability is determined).

3) The taxpayer does not have to deliver to the Tax Authority the Form PB-800-A or the Form PB-800-B for the subject permanent establishment, but shall keep them in its files.

4) The taxpayer, who uses tax reduction as per a tax credit, shall submit, the Form PE-807 together with the Corporate income tax return (Form PP-801 or Form PP-802 or Form PP-803 or Form PP-804 or Form PP-805).

5) The Form PE 807 is created in two copies, one of which is delivered to the Tax Authority and one is kept by the taxpayer.

Article 118

(Withholding tax return on tax credit)

(1) The taxpayer, who is requesting a tax credit referred to in Article 54 of the Rulebook, shall submit the tax credit return for the income paid outside of BIH (Form PK-814).

(2) The tax credit return referred to in par. (1) of this Article is composed of seven parts with the following data:

a) data on the final user - name, accounting period for which the income was received, i.e., accounting period in which the income was included, address, code and office, phone, e-mail, country of residence, organisation form (company, state, municipality or other, pensioner fund or institution, association or foundation, non-profit organisation, cooperative, other (with an explanation), the basis of the right to withholding tax deduction (contract or other/with an explanation);

b) data on the entity/agent signing the Form - name, address, e-mail, phone, country;

c) data on the income – type of income (dividend, interest, royalties, profit of the permanent establishment, capital profit, other (with an explanation); Depending on the type of the income, one of the following sections is completed:

d) dividend - type of dividend realization (direct equity in capital, fund, partnership, other/ with an explanation), name of the fund or partnership, country of residence, name of the recipient, identification number if known, date of payment, equity in capital or

number of shares, gross amount of the dividend, tax amount, dividend difference, recipient's bank, recipient's account number;

e) interest - name of the payer, identification number if known, date of payment, amount of financial liability for which the interest is paid, gross amount of the interest, tax amount, interest difference, recipient's bank, recipient's account number;

f) royalties - copyright work and remuneration, name of the payer, identification number if known, date of payment, amount of liability for which the remuneration is paid, if any, gross amount of the remuneration, tax amount, remuneration difference, recipient's bank, recipient's account number;

g) other income - type of income, name of the payer, identification number if known, date of payment, amount of liability for which the remuneration is paid, if any, gross amount of the remuneration, tax amount, remuneration difference, recipient's bank, recipient's account number;

h) data on the signatory of the Form.

(3 The taxpayer, who uses tax reduction as per a tax credit, shall submit the Form PK-814 together with the Corporate income tax return (Form PP-801 or Form PP-802 or Form PP-803 or Form PP-804 or Form PP-805).

(4) The taxpayer shall obtain and keep in its files the proof of the paid withholding tax outside of BiH, resp., the withholding tax return verified by a competent authority in the country-signatory of the Treaty.

(3) The Form PK 814 is created in two copies, one of which is delivered to the Tax Authority and one is kept by the taxpayer.

F. Tax loss return

Article 119

(Overview of tax losses)

(1) The accumulated tax loss, which is used for reduction of the tax base, is determined in the Overview of generated, unutilized and utilized tax losses (Form PG-809) on the basis of the Tax balance (Form PB-800-A or Form PB-800-B) for the years in which the loss was generated.

(2) The Overview of generated, unutilized and utilized tax losses referred to in par. (1) of this Article presents the data on the tax loss from previous five years in relation to the year for which the tax base reduction is requested, whereby the unutilized and utilized tax losses are presented separately for each individual year, which shall be used for the current year.

(3) The taxpayer, who uses tax base reduction as per tax loss, shall submit the Form PK-809 together with the Corporate income tax return (Form PP-801 or Form PP-802 or Form PP-803 or Form PP-804 or Form PP-805).

G. Business records

Article 120

(Business documentation)

Business documentation, which the legal entities are obliged to prepare according to accounting regulations of the Federation and the business documentation, which the permanent establishments from RS or BD are obliged to prepare according to accounting and auditing regulations of the RS or BD are used as a basis for determination of the tax base of the taxpayers referred to in Article 3 par. (1) and (2) and Article 4 par. (2) of the Law.

Article 121

(Ledgers and financial statements)

(1) Ledgers and financial statements, prepared according to accounting and auditing regulations of the Federation and stamped and signed by responsible persons, are used as a basis for determination of the tax base of taxpayers referred to in Article 3 par. (1) and (2) and Article 4 par. (2) of the Law.

(2) Ledgers and financial statements, prepared according to accounting and auditing regulations of the RS or BD and stamped and signed by responsible persons, are used as a basis for determination of the tax base of taxpayers referred to in Article 3 par. (2) of the Law.

Article 122

(Documentation of permanent establishments of non-residents)

(1) The taxpayer referred to in Article 3 par. (3) of the Law may keep his accounting records as envisaged by Article 121 of the Rulebook. The taxpayers, who do not keep their accounting records as envisaged by Article 121 of the Rulebook, are required to obtain and keep the records on the following:

a) property - (name, quantity, purchase value, depreciation and other related data);

b) sale and purchase of merchandise, supplies and services – (name, quantity, prices, margins, buyer/provider, document mark and other related data);

c) sale of merchandise or records on the produced products – (name, quantity, prices, margins, balances and other related data);

d) provided and received services – (type of services, quantity, documents, values and other related data);

e) consumption and transactions with capital assets - (name, quantity, prices, margins, buyer/provider, document mark and other related data);

f) salaries, remuneration and other payments to employees or third parties - as regulated by the regulations on income tax.

(2) The taxpayer shall be keeping the records referred to in par. (1) of this Article by duly entering all business changes into the records on the basis of authentic documents, chronologically by date of their occurrence.

(3) The taxpayer referred to in Article 3 par. (3) of this Article shall determine the income on the basis of the records described above by applying the calculation base according to regulations on double accounting.

(4) The records referred to in par. (1) of this Article shall be kept on a regular basis, accurately and up-to-date for each taxation period separately. Upon expiration of the subject taxation period, the taxpayer shall conclude and sign the records.

(5) Ledgers and records, including the supporting electronic records and documents, which are used as a basis for completing the ledgers with data, shall be kept for five years from the day of filing the tax return, which was prepared on the basis of those ledgers.

VI. PROVISIONAL AND CONCLUDING PROVISIONS

Article 123

(Investment Plan)

(1) The taxpayer, who in the year 2016 made a decision on investing, which is going to earn him a tax incentive referred to in Article 36 par. (4) of the Law according to the Law and the Rulebook, shall submit to the competent unit of the Tax Authority the Form PI-808 at the latest until 30 November 2016.

(2) The taxpayer shall submit the subject decision on investing together with the Form PI-808, duly signed and verified by responsible persons.

Article 124

(Tax incentive for employment)

Tax incentive referred to in Article 37 of the Law may be required by those taxpayers who employed the new employees at the earliest on 1 January 2016.

Article 125

(Corporate income tax advance)

The taxpayers referred to in Article 32 of the Law on Corporate Income Tax (Official Gazette of FBiH 97/07, 14/08 and 39/09), who utilize the tax exemptions according to Article 61 par. (1) of the Law, are not required to pay the corporate income tax advance for the period in which they were exempted from tax payment. However, they shall pay the tax advance in the year in which the tax exempt expired.

Article 126

(Coming into force)

The Rulebook shall come into force on the eight day of its being published in the Official Gazette of the Federation of BiH.

I hereby certify that this translation is a faithful and complete translation of the original document written in the Bosnian/Croatian language.

No. 22//2017 *Nikica Kraljević*

Mostar, May 10, 2017 *Certified Court Interpreter for English Language*

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