

Pursuant to Article IV 4 a) of the Constitution of Bosnia and Herzegovina, the Parliamentary Assembly of Bosnia and Herzegovina, at the 38th session of the House of Peoples held on 13 November 2009, and at the 64th of the House of Representatives held on 24 November and 2 and 7 December 2009, has adopted the

**LAW
ON FREE ZONES IN BOSNIA AND HERZEGOVINA**

CHAPTER I. BASIC PROVISIONS

Article 1

(Scope)

This Law shall govern: requirements for the establishment of free zones, the procedure of determination of free zones, conditions for the cessation of operation of free zones and other issues relevant for the work of free zones which are not governed by the Law on Customs Policy of Bosnia and Herzegovina (BiH Official Gazette of BiH 57/04, 51/06, 93/08).

Article 2

(Definitions)

- (1) A free zone is part of the customs territory of Bosnia and Herzegovina, which is specially fenced and marked and where business activities are carried out under special conditions in accordance with the Law on Customs Policy of Bosnia and Herzegovina and this law.
- (2) A founder of free zone can be one or more national or foreign legal and natural persons (hereinafter: the founder).
- (3) A user of free zone can be the founder of free zone or any other legal and natural persons (hereinafter: the user).

Article 3

(Areas)

- (1) A free zone shall be established in the area of a place having a sea or river port or an airport, which are opened for international public traffic or next to the main road or main railroad and other places where there are conditions for the free zone operation.
- (2) A free zone can consist of several separate parts, if they fulfil requirements under this Law.

Article 4

(Business activities)

Any industrial, commercial or service activity not endangering the environment, health of people, property or national security can be carried out in a free zone.

CHAPTER II. FREE ZONE ESTABLISHING

Article 5

(Requirements for establishment)

- (1) The founder and users of free zone can be persons who provide all necessary certificates assuring proper proceeding and when the customs authorities can supervise and monitor the process without the introduction of administrative measures disproportional to business needs concerned.
- (2) Users of free zone do business in the area of free zone under special conditions in accordance with the Law on Customs Policy of Bosnia and Herzegovina and this law, on the basis of concluded contracts with the founder of free zone, with prior approval of the customs authorities.
- (3) The founder and users of free zone are obliged to keep books on business operations in the free zone or separate books for part of their business operations carried out in the zone.

Article 6

(Establishment)

- (1) A free zone is considered to have been established when the Council of Ministers of Bosnia and Herzegovina issues a decision on the designation of parts of the customs area as free zone, on the basis of which the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (hereinafter: MoFTER), on a proposal of the Commission on Establishment of Conditions for Beginning of Operation (hereinafter: Commission), issues a decision determining that the requirements for the beginning of the free zone operation have been met and that the free zone can start working.
- (2) The decision of the MoFTER under paragraph (1) above shall be published in the Official Gazette of BiH ".

Article 7

(Application)

- (1) For the purpose of issuing a decision under Article 6 (1), the free zone founder shall submit to the MoFTER an application for designation of parts of the customs area as free zone.
2. The application under paragraph 1 above shall be accompanied with:
- (a) articles of incorporation,
 - (b) a feasibility study for the establishment of a free zone, with a special focus on the assessment of the expected profit from the operation of and foreign investments in the free zone as well as export activities.
 - (c) evidence of spatial, infrastructural and utility requirements met for the operation of free zone and of property rights regulated,

- (d) a statement of founder's commitment to respect all applicable regulations regarding the establishment and operation of free zones;
 - e) the approval of the entity government or government of Brcko District of Bosnia and Herzegovina confirming the justification of designation of parts of the customs area as free zone.
- (3) The procedure of adopting a decision under Article 6(1) above shall be followed by the MoFTER.

Article 8

(Instituting the procedure)

- (1) The MoFTER shall institute the procedure for the adoption of decision of the Council of Ministers of Bosnia and Herzegovina on designation of parts of the customs area of Bosnia and Herzegovina as free zone if it is economically justified and if the requirements for establishment of a free zone set forth in this Law and Law on Customs Policy of Bosnia and Herzegovina have been met.
- (2) While conducting the procedure under paragraph (1) above, the MoFTER shall obtain approval and consent of the Steering Committee appointed under the Law on Indirect Taxation System in Bosnia and Herzegovina (BiH Official Gazette 44/03, 52/04, 32/07, 34/07, 4 / 08, 49/09) and other bodies, if so provided in the legislation of Bosnia and Herzegovina.
- (3) Establishment of a free zone is economically viable, if the feasibility study for the establishment of free zone and other evidence submitted provide grounds for an estimation that value of goods exported from the free zone will exceed at least 50% of the total value of manufactured goods leaving the free zone in a period of 12 months.
- (4) The MoFTER shall institute proceedings for the adoption of decision by the Council of Ministers of Bosnia and Herzegovina under paragraph (1) above or notify the applicant that the requirements have not been met for instituting the procedure for the adoption of decisions, listing the requirements which have not been met, within 30 days of receipt of the application or last amending of the application.

Article 9

(Commission)

- (1) The MoFTER shall appoint the Commission under Article 6(1) above, which will consist of one representative from the Indirect Taxation Authority of Bosnia and Herzegovina, entity ministry in charge of spatial planning and local government of the Canton, municipality or Brcko District of Bosnia and Herzegovina depending on where the real estate in which the free zone is requested to be located.
2. The Commission shall verify whether all requirements for the beginning of operation in accordance with this Law, the application for the establishment of free zone and the actual situation on the ground have been fulfilled.
3. After having verified whether all requirements have been fulfilled, where the presence of the founder is mandatory and based on the Commission's record made, the Ministry shall issue a decision specifying that all requirements have been fulfilled for commencing the operation in the free zone and that the free zone can start working.

4. The Ministry is obliged to issue the decision under paragraph 3 within 30 days following the establishing that requirements for the beginning of operation have been fulfilled.

Article 10

(Fencing the zone)

- (1) A free zone shall be fenced and marked.
- (2) A free zone shall be fenced, marked and arranged so that the traffic of goods, vehicles and persons in/out of the area can run only through specifically designated entrances and exits.
- (3) A free zone located in a sea or river port must be visibly identified and marked as free zone at entrances and exits of the zone and from the sea and river.
- (4) Fence, entrances and exits from the free zone must be adequately arranged, secured and lit at night.
- (5) The founder must provide space for the Customs Service at the entrances and exits from the zone.
- (6) The Commission under Article 9 above shall not determine that all requirements have been met for the beginning of the free zone operation, if the requirements under paragraphs (1), (2), (3) and (4) above have not been met.

Article 11

(Changing boundaries of a free zone)

Appropriate provisions of this Law on the Establishment of Free Zones shall apply to any change of boundaries of a free zone.

CHAPTER III. OPERATION OF FREE ZONES

Article 12

(Operation of free zones)

A free zone can start work when a decision that all requirements for the beginning of the free zone operation have been met, and no later than 24 months from the date of adoption of the decision.

Article 13

(Management)

- (1) A free zone shall be managed by the founder of the free zone.
- (2) The founder of a free zone shall enact a rulebook on requirements for doing business in the free zone within 30 days of establishment of the free zone.
- (3) The rulebook under paragraph (2) above shall govern the following: working hours, the movement of persons and goods traffic in the area, the obligations of the founder to

ensure space, technical and organizational conditions for the use of free zone, safety at work measures and measures for the protection of environment, rights and duties of users in relation to the founder of free zone etc.

(4) The founder of free zone shall send the rulebook under paragraph (2) above to the MoFTER and customs inspection authorities within 30 days of establishment of the free zone.

Article 14

(Activity report)

(1) Each year the founder of free zone shall be obliged to provide the MoFTER with a report on effects of the operation in the free zone until the end of March of the current year for the previous year.

2. The MoFTER shall provide the Council of Ministers with a report on effects of the operation of all free zones in Bosnia and Herzegovina until the end of April of the current year.

CHAPTER IV. CESSATION OF OPERATION OF A FREE ZONE

Article 15

(Cessation of operation of a free zone)

(1) A free zone shall cease operation:

- a) if it does not commence operation within 24 months of adoption of the MoFTER's decision on the beginning of work;
- b) if it is determined that the value of goods leaving the free zone from the customs territory of Bosnia and Herzegovina, for export, in two consecutive periods of 12 months, falls below 50% of the total value of manufactured goods as provided in Article 8(3) above;
- c) if the founder or users of the free zone do not comply with regulations applicable to the operation of free zones and regulations applicable to the handling of goods stored in the free zone;
- d) if the founder or users of the free zone stop offering all necessary certificates assuring proper proceedings;
- e) at the founder's request
- f) when the legal person having established it is no longer in existence.

(2) upon a proposal of the MoFTER the Council of Ministers of Bosnia and Herzegovina shall issue a decision on cancellation of the designation of parts of the customs area as free zone under Article 6(1) above.

(3) Based on the decision of the Council of Ministers of Bosnia and Herzegovina under paragraph (2) above, the MoFTER shall issue a decision on the dissolution of free zone, which shall be published in the BiH Official Gazette.

(4) The decision by the MoFTER under paragraph (3) above shall set a deadline for cessation of operations of the free zone.

Article 16

(Leftover goods)

In case of dissolution of a free zone, the leftover goods, which are located in the free zone and for which the Bosnia and Herzegovina origin cannot be proved with a certificate or in other statutory fashion, shall be considered goods that are not of Bosnia and Herzegovina origin and shall be treated in accordance with customs regulations.

CHAPTER V. APPEALS

Article 17

(Right to appeal)

In the process of making decisions and deciding appeals related to the application of this Law, the rules of the Law on Administrative Procedure (BiH Official Gazette 29/02, 12/04, 88/07) shall apply.

CHAPTER VI. PENAL PROVISIONS

Article 18

(Misdemeanors)

- (1) A founder of free zone shall be punished by a fine in the amount of BAM 50,000 for a misdemeanor if the founder:
- a) fails to enact a rulebook on requirements for doing business in the free zone under Article 13(2) above within 30 days of establishment of the free zone;
 - b) fails to submit a report on the results of operation of the free zone under Article 14(1) above within the prescribed period.
 - c) starts operation before the decision determining that the requirements for the beginning of the free zone operation have been met and that the free zone can start working.
- (2) The founder's responsible person shall be punished by a fine in the amount of BAM 10 000 for a misdemeanor under paragraph (1) above.

CHAPTER VII. TRANSITIONAL AND FINAL PROVISIONS

Article 19

(Ceasing to apply)

- (1) On the affective date of this Law, the Law on Free Zones in Bosnia and Herzegovina (Official Gazette of BiH 3 / 02, 13/03) shall cease to apply.
- (2) The Entities and Brcko District of Bosnia and Herzegovina shall harmonize their regulations within three months from the affective date of this Law.

Article 20

(Implementing legislation)

The MoFTER shall enact the implementing legislation which will elaborate in detail the format, content and other requirements that should be included in a report under Article 14 above.

Article 21

(Taking effect)

This Law shall enter into effect on the eighth day of publication in "BiH Official Gazette".

PSBiH, number 453/09

7 December 2009

Sarajevo

Speaker

House of Representatives
BiH Parliamentary Assembly
MD. **Milorad @ivkovi}**

Speaker

House of Peoples
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Ilija Filipovi}