

CLEANSSED TEXT OF THE LAW ON FOREIGN INVESTMENTS IN THE REPUBLICA SRPSKA

NOTE:

(This text includes original Law on Foreign Investment in the Republika Srpska, “Official Gazette” of RS no. 25/02, and two amending Laws published in the “Official Gazette” no. 24/04 and 52/11)

- **unofficial translation** -

Pursuant to Amendment XL Item 2 to the Republika Srpska Constitution (“Official Gazette of the Republika Srpska”, number 28/94), I pass the

DECREE ON PROMULGATION OF THE LAW ON FOREIGN INVESTMENTS

I promulgate the Law on Foreign Investments adopted by the Republika Srpska National Assembly at the session held on 18 April 2002.

Law on Foreign Investment

I – GENERAL PROVISIONS

Article 1

This Law shall regulate rights, obligations and benefits of foreign investors, forms of foreign investments, procedure of approval registration of foreign investments and determine bodies competent for approval of registration of foreign investments in the Republika Srpska.

Provisions of the Law on the Policy of Foreign Direct Investment in Bosnia and Herzegovina (“BiH Official Gazette”, number 17/98) shall apply to the issues not regulated by this Law.

Article 2

In terms of this Law the used expressions:

- “Foreign direct investment” or “foreign investment”,
- “Foreign investor”,
- “Foreign control”,
- “Domestic investor” (Resident of BiH),
- “Equity”,
- “Freely convertible currency”,
- “Public information”,

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

II – RIGHTS, OBLIGATIONS AND BENEFITS OF FOREIGN INVESTORS

Article 3

In accordance with the laws of the Republika Srpska and Bosnia and Herzegovina, a foreign investor - natural person shall have the same rights and obligations as a domestic natural person which implies that there will be no discrimination against foreign investors on any grounds including but not limited to their citizenship, residence, religion or state of origin of investment.

Article 4

Foreign investors shall be entitled to invest and to reinvest profit of such investments into any sector of economic and non-economic activities in the Republika Srpska in the same form and under the same conditions as defined for domestic investors (residents of Bosnia and Herzegovina) under the applicable laws of the Republika Srpska and Bosnia and Herzegovina (hereinafter: BiH).

Exceptionally to the provisions from Paragraph 1 of this Article, the basic capital of the company engaged in the production of arms, ammunition, explosives for the military use, military equipment and public information (hereinafter: Sectors subject to the restrictions) shall not exceed 49% of the equity of the enterprise.

If deemed justified, the Government may decide that the share of foreign entities for certain company from paragraph 2 this Article, except of companies dealing with public information, is not subject to restrictions specified in paragraph 2 of this article.

Article 5

A foreign investor may establish an enterprise in the Republika Srpska under the same conditions valid for the domestic investors in compliance with the Law on Enterprises (“Official Gazette of the Republika Srpska”, number 24/98) unless determined otherwise by this Law.

In terms of this Law “the founder’s right of foreign persons” shall include rights of establishment and management of the enterprises under the conditions applicable to domestic investors.

No subsequently introduced restrictions concerning the founder’s rights of foreign persons that are in contradiction with this Law shall cause legal consequences.

Article 6

Legal persons in the capacity of foreign investors shall have the same rights, obligations and responsibilities as legal persons fully owned by domestic legal or natural persons.

Legal position, rights, obligations and responsibilities of parts of foreign legal persons and foreign natural persons performing business activities in the Republika Srpska shall be regulated by special laws.

Article 7

Foreign investors shall have the same property rights in respect to real estate as domestic legal or natural persons.

Foreign investors, who are citizens of any of the successor states to the former Socialist Federal Republic of Yugoslavia, shall have the rights referred to in Paragraph 1 under the conditions of reciprocity.

Article 8

Foreign investors shall have the right, for the purposes of their investments, to open in the territory of the Republika Srpska accounts in any commercial bank denominated in the national or any freely convertible currency.

With respect to all payments related to their investments in the Republika Srpska, foreign investors shall have the right to freely convert the national currency into any other freely convertible currency.

Foreign investors shall have the right to transfer abroad, freely and without delay, in freely convertible currency, profit resulting from their investment in the Republika Srpska, including but not limited to:

- income from investments received in the form of profit, dividends, interest and other forms;
- funds received by investors after partial or full liquidation of their investments in the Republika Srpska, or sale of property, i.e. property rights and
- compensation referred to in Article 8 of this Law.

Article 9

Foreign investors shall have the right to freely employ foreign employees unless determined otherwise by the labor legislation of the Republika Srpska.

Article 10

Foreign investment shall not be subject to any act of nationalization, expropriation, or measures which have similar effects, except in the public interest in accordance with applicable laws and other regulations.

Foreign investors shall be entitled to adequate, prompt (IMMEDIATO) and appropriate compensation which they may have at their disposal for any damage that is a consequence of nationalization, expropriation or other measures of similar effects.

The right referred to in the previous Paragraph shall not exclude the right of a foreign investor to submit a complaint against the decision on nationalization, expropriation or a measure of similar effect under a regular procedure.

The Republika Srpska Government (hereinafter: Government) shall, within 30 days as of the day of this Law becoming effective, pass and harmonize a bylaw regulating conditions and procedure for compensation in cases of nationalization, expropriation or other measures having similar effects.

Article 11

Foreign investments may be exempt from customs and customs duties, except for customs registration, in compliance with the provisions of the laws regulating the customs policy of Bosnia and Herzegovina.

Foreign investments may be exempt from payment of taxes in accordance with provisions of the laws regulating the tax policy in the Republika Srpska respecting Article 9 of the Law on the Policy of Foreign Direct Investment in Bosnia and Herzegovina.

Foreign investors shall keep books and prepare financial reports in accordance with the regulations of the Republika Srpska.

Article 11 a

In order to support and encourage foreign investment and improving the overall business environment for foreign investors of the Republic of Srpska, complete coordination and cooperation between institutions of the republic and local level in the field of foreign investment, as an advisory body to the Government of the Republic of Srpska, shall be established Council for Foreign investors of the Republic of Srpska (hereinafter: Council).

Article 11 b

The tasks of the Council are:

- a) analysis of the business environment for foreign investment and proposing to undertake measures and actions in order to eliminate the present limiting factors for foreign investors,
- b) initiating changes in laws and other bylaws that encourage and facilitate foreign investment
- v) encourage, promote and facilitate foreign investment,
- g) exchange of information and initiate a more complete cooperation between the institutions of the republic and local levels in order to create favorable business environment for foreign investment, which will make investments attractive and safe to foreign investors

- d) establishment of cooperation between the Republic of Srpska institutions and local governments and foreign investors in order to overcome any difficulties during the implementation of existing investments and
- f) promotion of the Republic of Srpska with the good practice of foreign investment.

Article 11 c

The Council for foreign investors has less than ten members appointed by the Government on the proposal of relevant ministries, the Chamber of Commerce, local government units and foreign investors.

For their work, council members will not receive any compensation, and technical and administrative tasks for the Council shall be conducted by the Ministry of Economic Affairs and Regional Cooperation. "

III – FORMS OF FOREIGN INVESTMENTS

Article 12

Forms of foreign investments in accordance with this Law shall be the following:

1. establishment of a legal person fully owned by a foreign investor;
2. establishment of a legal person – a joint venture by domestic and foreign investors;
3. investment in the existing legal person;
4. special forms of investment.

The Republika Srpska Government shall prescribe detailed conditions and manners for foreign investments referred to in the previous Paragraph should it not be regulated by special laws.

IV – PROCEDURE FOR APPROVAL AND REGISTRATION OF FOREIGN INVESTMENTS

Article 13

In the Republika Srpska foreign investments in the sectors subject to the restrictions shall be approved by the Ministry of Trade and Tourism and Ministry of Industry, Energy and Mining, i.e. competent body for information of the Republika Srpska Government, each within its competencies (hereinafter: competent Ministry).

For investments in the sectors subject to the restrictions, foreign investors shall be obliged to submit to the competent Ministry a request for approval of the investment.

The competent Ministry shall be obliged to pass an appropriate decision within 30 days as of the day of receipt of the request.

In case of failure to pass a decision within the deadline referred to in Paragraph 3 of this Article, foreign investment shall be considered approved unless the competent Ministry has informed the applicant, in writing, about postponing of passing of the decision beyond the deadline of 30 days.

Should there be reasons for postponing of passing the decision on foreign investment; the competent Ministry shall inform the applicant about it within the deadline referred to in Paragraph 3 of this Article. The final decision on foreign investment shall be passed within 60 days as of the day of receipt of the request.

In the event of failure to pass the decision within the deadline referred to in Paragraph 5 of this Article, foreign investment shall be considered approved.

Approval of foreign investment shall be valid without time limit.

Article 14

The registration procedure for foreign investment will be carried out in accordance with regulation governing the procedure for registration of business entities in the Republic of Srpska.

Competent registration court shall, ex officio, at least once every three months, submit to the Ministry of Economic Affairs and Regional Cooperation (hereinafter: Ministry) data on registered business enterprises with an element of foreign investment.

Data from paragraph 2 of this Article are related to the name of foreign investors, the country of the founders, activity and amount of the agreed (documented) capital

Article 15

The Minister of the Ministry shall submit, by the end of February of the current year at the latest, an annual report to the Government on realization of foreign investments in the Republika Srpska for the previous year.

V – PENAL PROVISIONS

Article 16

A legal person shall be fined with 500 KM to 5,000 KM for an offense should:

- it fail to report foreign investment within the prescribed deadline or should it submit an application of foreign investment with inaccurate data (Article 14 Paragraph 2)

A responsible person in the legal person shall also be fined with 100 KM to 1,000 KM for the offense referred to in Paragraph 1 of this Article.

VI – TRANSITIONAL AND FINAL PROVISIONS

Article 17

Rights and benefits of a foreign investor and obligations on the grounds of previous regulations and this Law may not be cancelled or proclaimed null and void upon entering of subsequently passed laws and other regulations into force. Should such subsequently passed laws and other regulations be more favorable for foreign investors, they shall be entitled to choose the regime which will be applied to their investments.

Article 18

Contracts or other acts on investment submitted for approval i.e. registration to the competent body before entering of this Law into force which are not approved i.e. registered by the day of this Law coming into effect, shall be approved, i.e. registered under provisions of this Law.

Article 19

The Law on Foreign Investments and Concessions (“Official Gazette of the Republika Srpska”, nos. 21/96 and 5/99) shall cease to be valid on the day of this Law coming into effect.

Article 20

This Law shall come into effect on the eighth day as of the day of its publication in the “Official Gazette of the Republika Srpska”.