

LAW ON FOREIGN INVESTMENTS

"Official Gazette" of the Federation of Bosnia and Herzegovina, 61/01

According to Article IV B. 7a) (IV) of the FBiH Constitution I, hereby, enact a

DECREE ON ENACTMENT OF THE LAW ON FOREIGN INVESTMENTS

The Law on Foreign Investments shall be enacted by the FBiH Parliament on 20 December 2001 at

the session of the House of Representatives and the session of the House of Peoples on 14 December 2001.

Ref: 01-1050/01 The FBiH President

31 December 2001 Karlo Filipovic

Sarajevo

THE LAW ON FOREIGN INVESTMENTS

I – GENERAL PROVISIONS

Article 1

Under this Law rights, obligations and privileges of foreign investors, forms of foreign investments,

procedure of approval and registration of foreign investments shall be regulated and the authorities in charge

of approval and registration of foreign investments in the Federation of Bosnia and Herzegovina shall be determined (hereinafter: Federation BiH).

Issues not regulated by this Law shall be subject to provisions of the Law on Foreign Direct

Investments Policy in Bosnia and Herzegovina ("BiH Official Gazette" No. 17/98).

Article 2

For the purpose of this Law the following terms used

– "foreign direct investment" or "foreign investment";

– "foreign investor";

– "foreign control";

– "local investor" (BiH resident);

– "invested equity";

– "free convertible currency";

– "public information"

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

II – RIGHTS, OBLIGATIONS AND BENEFITS OF FOREIGN INVESTORS

Article 3

A foreign investor shall have the right to invest and reinvest the profit made

from such investments
in any area of commercial and non-commercial activities in the Federation BiH
in the same manner and
under same terms and conditions as a domestic investor (BiH resident)
according to current FBiH and BiH
legislation (hereinafter: BiH).

Notwithstanding the provisions under Paragraph 1 of this Article foreign
equity ownership invested
in the capital of a company engaged in the production and sale of arms,
ammunition and explosives for 3
military purposes and military equipment and media companies (hereinafter:
restricted branches of economy)
cannot exceed 49 % of the capital of that company.

Article 4

A foreign investor may establish a company in the Federation BiH under the
same terms and
conditions applicable to local investors according to the Company Law ("FBiH
Official Gazette", No. 23/99
and 45/00) provided it is otherwise prescribed by this Law.
As defined by this Law "founding rights of foreign individuals" shall include
the right to establish
and manage legal entities under terms and conditions applicable to domestic
investors.

Any subsequently imposed restrictions on the founding rights of foreign
individuals, contrary to this
Law, shall have no legal consequences.

Article 5

Legal entities owned by foreign investor shall have same rights, obligations
and responsibilities as
the legal entities fully owned by domestic legal and physical persons.
Legal status, rights, obligations and responsibilities of parts of foreign
legal entity owned by foreign
legal entities and foreign physical persons undertaking business activities in
the Federation BiH will be
regulated under separate laws.

Article 6

Foreign investors shall have the same ownership rights of real estate as have
domestic legal and
physical persons.

Article 7

Foreign investors shall have the right to transfers abroad, freely and without
delay, in free
convertible currency, of profits accrued as a result of their investment in
the Federation BiH including but
not limited to:

- investment gains accrued in the form of profit, dividends, interest and other forms;
- funds earned by investors after partial or total liquidation of their investments in the FBiH or from the sale of assets or ownership rights; and
- compensation referred to in Article 8 of this Law.

Article 8

Foreign investments shall not be nationalised, expropriated or subject to measures with similar effect except when it is in the public interest and in keeping with legislation and other regulations currently in force.

Foreign investors have right to an adequate, effective and prompt compensation which they can freely dispose of for the damage incurred as a result of nationalisation, expropriation and other sanctions with similar consequences.

The Government of the Federation of Bosnia and Herzegovina (hereinafter: the FBiH Government)

shall, within 30 days from the day this Law enters into force, prescribe implementing regulations which regulate the conditions and procedure for compensation in the case of nationalisation, expropriation and other sanctions which bear similar consequences.

Article 9

Foreign investments shall be exempt from customs duty and other customs liabilities excluding customs recording fee, in accordance with provisions of the BiH Customs Policy Law ("BiH Official Gazette" No. 21/98) and Decision of the High Representative for Bosnia and Herzegovina on Amendments and Supplements to the BiH Customs Policy Law ("BiH Official Gazette", No. 34/00). 4

III – FORMS OF FOREIGN INVESTMENTS

Article 10

Forms of foreign investments according to this Law shall be as follows:

1. Establishment of legal entity fully owned by foreign investor,
2. Establishment of legal entity with joint venture
3. Investment in the existing legal entity
4. Special forms of investments

IV – FOREIGN INVESTMENTS APPROVAL AND REGISTRATION PROCEDURE

Article 11

In the FBiH, foreign investments in sectors which are subject to restrictions shall be approved by the

Federation Ministry of Defence or the Federation Ministry of Education, Science, Culture and Sport, each within their respective area of competence (hereinafter: the relevant Ministry).

For the purpose of investments in sectors subject to restrictions, foreign investors shall be liable to submit an application for approval to the relevant Ministry.

The relevant Ministry shall be obliged to deliver a decision within 30 days from the day they received such an application.

In the event the decision has not been delivered within the deadlines set in Paragraph 3 of this Article, the foreign investment shall be deemed approved provided the relevant Ministry has not notified the applicant in writing that the decision would be extended beyond 30 days deadline.

If there are reasons for a delay in delivering the decision on foreign investment, the relevant Ministry shall notify the applicant within deadline set in Paragraph 3 of this Article. The final decisions on foreign investment will be delivered within 90 days from the day of application.

In the event the decision has not been delivered within the deadlines set in Paragraph 5 of this Article, the foreign investment shall be deemed approved.

The approval on foreign investment shall be valid without any time restrictions.

The FBiH Government shall stipulate the procedure and conditions for approval of foreign investments in the sectors that are subject to restrictions, within 30 days from the day this Law has become effective.

Article 12

In the FBiH, foreign investments shall be registered with the Federation Ministry of Trade (hereinafter: the Ministry).

Foreign investors shall be obliged to submit an application to the Ministry for registration of the Contract or any other document on investment together with any amendments to the respective documents, within 30 days from the day of signing.

Within 5 days from the day of submitting a complete application, the Ministry shall deliver a decision on the registration of foreign investment. In the event that the Ministry has not registered this application for foreign investment, the foreign investment shall be deemed

registered.

In cases under Article 11 of this Law, the Ministry shall register the foreign investment only after an appropriate approval has been issued.

The Federation Minister of Trade shall stipulate the procedure on the manner of filing an application and registration of foreign investments within 30 days from the date this Law has come to force.

Article 13

Record of registered foreign investments in the Federation BiH shall be made available for the needs of the FBiH and BiH institutions.

The FBiH Government and the authority empowered by the Government may publish general data on foreign investments. In doing so they will respect legitimate interests of companies and make sure their business secrets are kept. 5

The FBiH Government or the authority empowered by the Government may give specific data to third persons with approval of companies it concerns.

Article 14

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

V – PENALTY CLAUSE

Article 15

A legal entity shall be fined 500.00 KM to 5.000 KM for violation in the event:

- failure to apply for registration of foreign investment or submitted incorrect information in the application (Article 12 Para 2).
- The person in charge of the legal entity will be fined from 100.00 KM to 1.000 KM for violation of Paragraph 1 of this Article.

VI – INTERIM AND CLOSING PROVISIONS

Article 16

Rights and benefits of foreign investors together with obligations under this Law cannot be repealed or annulled by the subsequently enacted laws and other regulations. If these subsequently enacted laws and regulations are more favourable to foreign investors, they have the right to choose the regime that will

govern their investments.

Article 17

Contracts or any other investment documents submitted for approval or registration to the relevant authority before the entry of this Law into force and not approved or registered before the day of entry of this Law into force shall be approved or registered pursuant to the provisions of this Law.

Article 18

This Law shall become effective on the eight day from the date of publication in the "FBiH Official Gazette".

President of the President of the House of Peoples of the House of Representatives of the FBiH Parliament of the FBiH Parliament
prof.dr. Ivo Komsic Ismet Briga



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