

LAW ON FREE ZONES IN BOSNIA AND HERZEGOVINA

“Official Gazette” of Bosnia and Herzegovina, 3/02

NOTE:

- On the day of entry into force of this Law, the [Law on the Free Trade Zone](#), published in the Official Gazette of Republic of Bosnia and Herzegovina 20/95, shall cease to be effective.
- Changes and Amendments of the Law on Free Zones in Bosnia and Herzegovina, published in the Official Gazette of Bosnia and Herzegovina 13/03, are not included in this translation.

-unofficial translation-

I. BASIC PROVISIONS

Article 1

This Law determines conditions for the establishment and operation of free zones in the customs territory of Bosnia and Herzegovina, activities that can be carried out in free zones, conditions for carrying out these activities, business and conditions for the cease of operation of free zones, offences and amount of fines and other issues relevant for the work of free zones in BiH in a manner which is not contradictory to the provisions of the Law on Customs Policy of Bosnia and Herzegovina -Official Gazette of BiH No 21/98 & 34/00 (hereinafter: Law on Customs Policy).

Article 2

1. The free zone is a part of customs territory of BiH managed by the founder of the free zone.
2. Free zone is having a status of legal entity and it acquires legal and business capability with the registration of the Act on Establishing Free Zone in the Court Register.

Article 3

The free zone shall be established in the area of the place having a sea or river port or airport opened for the international public traffic, or next to the main road or main railroad.

Article 4

1. The free zone users may be the founders of the zone and other domestic and foreign legal and private entities (hereinafter referred to as: users).
2. The user of the free zone shall carry out an approved activity in the zone on the basis of the contract concluded with the zone founders in accordance with the provisions in the Law on Customs Policy of BiH
3. Users are obliged to keep accounting books on the operations in the free zone or separate accounting books for a part of their operations carried out in the zone.

Article 5

1. Any industrial, commercial or service activity (banking and other financial businesses, services of insurance and reinsurance of property and persons) may be carried out in the free zone.
2. The industrial activity shall be considered as a production whose products have been through certain process of modification or processing in the free zone.
3. The commercial and service activities referred in paragraph 1 shall be performed only in connection with industrial activity, which is performed within the free zone.

Article 6

In the free zone it shall not be allowed to carry out the activities endangering living environment, health of people, material goods and safety of the country.

II FREE ZONE ESTABLISHING

Article 7

1. The free zone founder shall, through the Ministry of Foreign Trade and Economic Relations (hereinafter: the Ministry) submit to the Council of Ministers of Bosnia and Herzegovina (hereinafter: Council of Ministers) a request for giving consent for establishment of a free zone or a zone in its constitution.
2. The request shall be accompanied with:

- (a) Entity Government's or Government of Brcko District of BiH consent regarding the location (territory) and conditions of the free zone or a zone in its constitution which will be situated in the part of the customs territory of B&H.
- (b) act on establishing a free zone or a zone in its constitution,
- (c) a feasibility study on economic justification for establishing a free zone or a zone in its constitution, with a special accent on the assessment of the expected profit from the operation of the free zone as well as export activities
- (d) proof that property-rights relations regarding all real estate entering into the composition of the free zone or a zone in its constitution have been regulated,
- (e) proof that there exist or that there will be provided -space, construction, energetic, ecological and technical conditions for the operation of the free zone or zone in its constitution.

Article 8

The free zone founders may be one or more domestic and foreign legal and private entities (hereinafter: free zone founders) registered in BiH

Article 9

1. The free zone founder shall provide basic financial resources for the commencement of its operation and he shall issue the act on establishment of the free zone.
2. The act on establishment of the free zone shall include:
 - (a) the name and seat of the free zone founder,
 - (b) the undertaking and seat of the free zone,
 - (c) the free zone area,
 - (d) the activity to be carried out in the free zone,
 - (e) the amount of basic financial resources for the commencement of free zone operation,
 - (f) the name of the person authorized to represent and present free zone,
 - (g) other provision prescribed by the laws regulating establishing of legal entities.

Article 10

1. The free zone may comprise of exclusively one separated part in terms of space, which makes an economic and organizational unity of the free zone.
2. If the free zone in its constitution is having also a separate part of the zone, the consent may be given only if that part as well is complying with all conditions prescribed for the establishment of a free zone.

Article 11

1. The Council of Ministers shall, at the proposal of the Ministry give its consent for the free zone establishment if the conditions laid down by this Law are fulfilled.
2. The consent for establishment of a free zone or a zone in its constitution referred to in paragraph 1 shall cease to be valid if the free zone or a zone in its constitution does not commence its operation within the period of two years from the date the consent was obtained.

Article 12

The Ministry shall assess economic justification for the establishment of the free zone or a zone in its constitution, including whether other conditions for establishment of free zones have also been fulfilled in manners and under the conditions laid down by this Law.

Article 13

1. The free zone establishment shall be economically justified if on the basis of the submitted feasibility study on justification of the establishment of the free zone and other accompanying proofs it may be assessed that the value of goods exported from a free zone will exceed at least 75% of the total value of manufactured goods leaving the free zone within the period of 12 months. The value of the goods shall be established as referred to in Article 24 -32 in the Law on Customs Policy of BiH.
2. Entity Customs Administration shall through the customs authority carrying out the control within the free zone submit to the Ministry each 6 months report on fulfillment of conditions referred to in paragraph 1.
3. The Ministry shall follow reports from the Entity Customs Administration on the fulfillment of conditions referred to in paragraph 1, submits annual reports to the Council of Ministers and proposes necessary measures.
4. The Ministry shall be obliged to provide its opinion concerning the fulfillment of conditions referred to in paragraph 1 & 2 within 30 days from date the founder's request was submitted and send it to the Council of Ministers.

Article 14

1. When submitting the request for the establishment of the free zone or a free zone in its constitution, free zone founder shall be obliged to detailed define and describe the perimeters covered by the free zone location with more detailed characteristics of the soil and free zone area,
2. The free zone shall determine conditions, under which the free zone area is to be used for carrying out an activity, regulate internal operation and specify measures of special protection of living and working environment in the free zone.
3. The free zone shall enable each user to carry out an activity in the free zone or a zone in its constitution under equal, general conditions.

Article 15

The free zone shall be established on the location intended for that purpose in accordance with a relevant plan of urban planning of the territory concerned and shall be built and arranged in accordance with urban-technical conditions determined by the urban consent and in accordance with this Law.

Article 16

1. The entrance into the free zone or its part must be a single one in order to ensure full customs control of entry and exit of vehicles and personnel working in the zone.
2. The gate must be made of iron, with bars or made of steel wire screen 2,2 meters high. The premises for the doorman' s booth must be ensured at the entrance into the free zone. Exceptionally, if a permanent customs service is organized in the free zone, a swing-gate may be placed at the entrance of the free zone instead of the gate. The inscription "Free Zone" with the name of the free zone shall be placed at a visible place at the entrance into the free zone.
3. If the free zone is established in a sea port or river pier opened for the international public traffic, the water surface of the free zone must be marked by anchored buoys of white color with the diameter of 50 centimeters on which there shall be an inscription "Free Zone -No Entry" in one of the languages that are in official use in Bosnia and Herzegovina and in English, which shall be placed at the distance of 200 meters in the sea port and in the river pier at the distance of 10 meters. If buoys are hampering regular sailing or maneuvering of ship s in the port or pier, the buoys may be placed at the distance exceeding 200 meters, i.e. 10 meters.

Article 17

The fence around the free zone must be safe and secure. The fence must be made of steel wire -2 millimeters thick, brick or concrete -at least 30 centimeters thick and 2,20 meters high- fixed to the concrete pillars of 2,50 meters measuring from the base to its highest point, and in exceptional cases -a full outer wall of the firm object. Three rows of barbed wire are to be set on the 30 centimeters long slanted or bent part of a concrete pillar, provided that the distance between the rows is 10 centimeters. If the fence is made of steel screen (wire) fixed to the concrete pillars at least 20 centimeters x 20 centimeters thick, which must be dug

into soil at least 40 centimeters deep and placed at the distance of maximum 3 meters. The free zone fence with a clearly indicated sign, as well as the free zone area, must be illuminated during the night with the minimal illumination of 10 Lx.

Article 18

Provisions of Articles 16 and 17 represent mandatory conditions regarding the security of free zones and Entities may prescribe all additional conditions in order to carry out customs activities.

Article 19

The vertical and horizontal signalization shall be provided in front of the free zone entrance, as well as in the free zone area (regulatory and warning road signs, central road lines, arrows, etc.).

Article 20

The traffic infrastructure shall be constructed for heavy traffic, which is expected during the exploitation. The access road to the free zone entrance shall be a 7,50 meters wide roadway. Inside the zone it is necessary to provide roads in order to enable roundabout circulation of vehicles and unimpeded loading and unloading of goods. All traffic surfaces shall operate on the basis of the Regulation Plan and general technical conditions used in the construction of communications. Entry of vehicles shall not be allowed in the free zone except for the purposes of loading and unloading of goods.

Article 21

For full functioning of the free zone it is necessary to ensure entire infrastructure and resolve:

- a) infrastructure of the water-supply and sewage system (water-supply system, sewage system for waste, human waste or atmospheric waters). Human waste and atmospheric waters must be resolved separately,
- b) electric installation for high and low tension current (high voltage and low voltage cable connection, transformer station, outer lightning, TT (telephone) connections and network,
- c) traffic infrastructure (access roads, inside roads, plateau and parking places).

Article 22

The free zone shall be obliged to organize a free zone physical protection service. A detailed description of tasks and obligations of the security service shall be regulated by a special act issued by the free zone.

Article 23

For the purpose of protecting living environment and work protection, depending on the use of technological processes of manufacturing in the free zone, relevant regulations which apply in respect of air polluting, dispose of waste substances, waste waters, inflammable substances, toxic substances, radioactive radiation and the like shall apply.

Article 24

1. Free zone is obliged to provide premises required for the work of customs service in its territory.
2. Residing in the territory of the free zone shall not be allowed.

Article 25

1. The founder referred to in Article 8 manages the free zone.
2. The founder of the free zone is obliged to adopt Book of rules on conditions for performing the activities in the free zone.

3. Book of rules referred to in paragraph 2 regulates: working hours, movement of persons and goods between the users, obligations of the founder to ensure space, technical and organizational conditions for the use of free zone, protection measures on work and environment, rights and obligations of the users in relation to the founder of the free zone etc.
4. The founder of the free zone is obliged to submit the Book of rules referred to in paragraphs 2 & 3 to the Ministry.

Article 26

1. The fulfillment of conditions for commencing the operations in a free zone shall be determined by the Commission appointed by the Ministry.
2. The Commission shall be comprised of the representatives from: the Ministry, Entity Customs Administrations and Brcko District, Entity Ministries responsible for the urban arrangements and local authorities in Canton i.e. municipality.
3. After verifying whether all conditions have been fulfilled where the presence of the founder is mandatory and based on the made Commission record, the Ministry shall issue the decision specifying that all conditions have been fulfilled for commencing the operation in the free zone and that the free zone may commence its work.
4. The Ministry is obliged to issue the decision referred to in paragraph 3 within 30 days following the establishing of conditions for the commencement of free zone operations.

III. OPERATION IN THE FREE ZONE

Article 27

Exit of goods and services from and entry of goods and services into the free zone shall be free and in accordance with the provisions of the Law on Customs Policy of BiH, BiH Customs Tariff Law and BiH Law on Foreign Trade Policy.

Article 28

The payment and collection in the free zone between the free zone users, between the zone user and the undertaking managing the free zone and in business operations with foreign countries shall be free and shall be carried out in an agreed manner and within an agreed period of time.

Article 29

1. The investment of capital into the zone area, profit transfer and retransfer of investments shall be free and shall be carried out in accordance with the legislation in force in BiH and Entities.
2. The free zone users shall pay taxes and contributions in accordance with the regulations in force in the Entities and Brcko District of BiH where the free zone is located.
3. For goods manufactured in the free zone in BiH may be issued a certificate of origin EUR 1 in accordance with the provisions in force.
4. Certificate referred to in paragraph 3 shall be issued by the customs authority supervising the zone.

Article 30

1. Each year free zone shall be obliged to provide the Ministry with reports on effects of the operation in the free zone until the end of March of the current year for the previous year.
2. The Ministry shall provide the Council of Ministers with report on effects of the operation of all free zones in Bosnia and Herzegovina until the end of April of the current year.

IV. CEASING OF THE FREE ZONE OPERATIONS

Article 31

1. Council of Ministers shall, at the proposal of the Ministry issue a Decision on ceasing the operations in the free zone if it is established that the value of goods leaving a free zone for export o from the customs territory of BiH for the period of 12 months is falling below 75% of the total value of produced goods established in a manner prescribed by Articles from 24 to 32 of the Law on Customs Policy. Customs Administration is obliged to inform the Ministry there of.
2. If the founder of the free zone, within 6 months from the day of issuing decision referred to in paragraph 1, increase export above the percentage established in Article 13 paragraph 1 at the proposal from the Ministry, and on the basis of the justified request of the founder of the free zone, the Council of Minister may issue a permission for the continuation of the work of the free zone.
3. In the case referred to in paragraph 1, the free zone shall cease with work at least within one year from the day of issuing decision on ceased work of the free zone.
4. Authorization for the operation of the free zone may be seized if the founder or user of the free zone are not respecting conditions for the operation laid down by the Law or if the reasons and conditions on which basis the authorization was issued cease their existence.

Article 32

After the free zone cease its operations in accordance with Article 31 or due to other reasons the free zone founder or the free zone user shall be obliged to handle the goods present in the free zone in accordance with the provisions of the Customs Policy Law of BiH.

Article 33

The free zone user shall retain his property rights over effects, rights and finances he imported i.e. brought into the free zone and, in case the free zone ceases its operation, he shall be entitled to continue his operation according to the provisions valid for the operation outside the free zone.

V. PENALTY PROVISIONS

Article 34

1. The free zone managing undertaking shall be punished by a fine of 15.000 KM for an offence:
 - a) if it does not issue an act determining conditions under which the free zone area is to be used for carrying out activities in that zone; (Article 14, paragraph 2)
 - b) if it commences operation prior to the issuance of the act on fulfilling conditions for the commencement of operation; (Article 26, paragraph 2)
 - c) if it allows residing in the free zone area contrary to the act regulating residing in the free zone area;(Article 24, paragraph 2)
 - d) if it does not provide report on financial effects of the operation and on realized net foreign currency effect of the free zone within a prescribed period of time. (Article 30, paragraph 1)
2. For the act referred to in paragraph 1 the responsible person in the free zone undertaking shall be punished for an offence by a fine of 3.000 KM.

Article 35

1. The user of the zone shall be fined in accordance with the Entities Law on Customs Offences if he:
 - a) without an approval from the competent Customs House removes the goods from the free zone;
 - b) spend or uses the goods in the free zone;

- c) carries out retail in the free zone;
- d) hinders the inspection of goods entering, leaving or remaining in the free zone;
- e) does not keep a regular record of goods present in the free zone;
- f) prevents personal inspection or examination of means of transport entering or leaving the free zone; and
- g) for all other activities contradictory to the provisions of the Customs Policy Law of BiH.

Article 36

The goods that are subject of the offence referred to in Article 35 shall also be seized from the holder of goods if he was aware or could have been aware that the goods in question are subject of offence.

Article 37

The amount of fines collected in offence proceedings shall be paid to the budget of the Entity where the free zone is located.

VI TRANSITIONAL AND FINAL PROVISIONS

Article 38

1. Free zones established on the basis of previous legislation are obliged to adjust their organization and operations with the provisions of this Law within 90 days following the day of its entry into force.
2. Free zones referred to in paragraph 1 shall cease their activities if they fail to adjust their organization and operations within the deadline referred to in paragraph 1.
3. All decisions concerning the establishing and work of the free zone issued in contradiction to this Law shall be considered as invalid.

Article 39

1. On the day when this Law comes into force shall cease to be valid Law on free zone (Official Gazette of R BiH No 20/95).
2. Entities are obliged to adjust the provisions of their laws Law on free zones (Official Gazette of RS No 21/96) and Law on free zones (Official Gazette of FBH No 2/95) within 90 days following coming into force of this provisions of this Law.

Article 40

This Law shall come into force following eight days after being published in the Official Gazette of BiH and it shall be published in the Entities Official Gazettes.

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Sarajevo

Chairman
House of Peoples
General Assembly BiH
Sejfudin Tokić

Chairman
House of Representatives
General Assembly BiH
Zeljko Mirjanic