

Pursuant to the Article 7 paragraphs 1 and 2, as well as Article 8 paragraph 1 of the Law on the Indirect Taxation System in Bosnia and Herzegovina (“Official Gazette of Bosnia and Herzegovina” No. 44/03 and 52/04), and Article 61 paragraph 2 of the Law on the Administration (“Official Gazette of Bosnia and Herzegovina” No. 32/02) as well as Article 54 paragraph 2 of the Law on Value Added Tax (“Official Gazette of Bosnia and Herzegovina” No. 9/05 and 35/05), the Director of the Indirect Taxation Authority hereby issues :

INSTRUCTION
on conditions for and methods of VAT refund to foreign persons

I GENERAL PROVISIONS

Article 1

This Instruction shall prescribe the conditions for and methods of a value added tax refund (hereinafter : VAT) to foreign persons.

Article 2

Foreign persons are physical persons who do not have permanent place of residence in Bosnia and Herzegovina.

Article 3

Persons referred to in the Article 2 of this Instruction shall be entitled to a refund of VAT paid on goods purchased in Bosnia and Herzegovina and taken out the customs territory of Bosnia and Herzegovina in the luggage.

Article 4

The entitlement to VAT refund referred to in the Article 3 of this Instruction shall not relate to the following: mineral oils (petroleum, diesel-fuel, extra light and special light heating oil, motor petrol –lead-free, motor petrol), alcohol and alcoholic drinks and tobacco products.

II VALUE ADDED TAX REFUND CLAIM

Article 5

Foreign persons taking out the goods purchased in Bosnia and Herzegovina for which VAT has been paid, shall be entitled to a refund of VAT based on the VAT Refund Claim.

Article 6

VAT Refund Claim shall be submitted in a PDV-SL-2 Form (VAT Refund Claim of Foreign Person) which is an integral part of the Book of Rules on the Implementation of the Law on Value Added Tax.

Article 7

PDV-SL-2 Form shall be filled out by a taxpayer-seller at the request of a buyer-foreign person in 3 (three) copies of which an original and one copy shall be provided to the buyer by the seller, and one copy shall be kept by the seller in the records. The seller shall verify the PDV-SL-2 Form with the signature and stamp.

Article 8

The Seller shall charge the buyer total VAT inclusive value of the supplied goods.

III CONDITIONS FOR VAT REFUND TO FOREIGN PERSONS

Article 9

The buyer - foreign person shall exercise the right to VAT refund if on the occasion of leaving the BiH customs territory he/she submits to the Customs Office the receipts, purchased goods and an original PDV-SL-2 Form previously filled out.

Article 10

Prior to verification of the PDV-SL-2 Form, the Customs Office shall be obliged to establish as to whether the following conditions have been met:

- the data from the passport are identical to those stated in the PDV-SL-2 Form;
- the presented goods are identical to those stated in the PDV-SL-2 Form and the attached receipts, and these goods have not been used;
- the total VAT inclusive value of goods stated in the PDV-SL-2 Form exceeds KM 100,00;
- the goods are being taken out prior to the expiry of a deadline of three months from the date of supply (purchase) in BiH;
- the original PDV-SL-2 Form has been certified and signed by the seller.

Article 11

If the Customs Office establishes that all of the mentioned conditions for a refund of VAT have been met, they shall certify the PDV-SL-2 Form and attached receipts with a signature and stamp and shall enter the date of taking the goods out from the Bosnia and Herzegovina customs territory into the PDV-SL-2 Form.

Article 12

In case that the Customs Office establishes that not all of the mentioned conditions for refunding have been met, they shall certify the PDV-SL-2 Form in the bottom right field, whereby the buyer-foreign person cannot exercise his/her right to a refund of VAT paid on goods purchased in BiH.

Article 13

The Customs Office shall return original receipts and a certified PDV-SL-2 Form to the buyer and retain a copy of the PDV-SL-2 Form for its own purposes.

IV METHODS OF VAT REFUND

Article 14

The buyer or the claimant must, within a period of three months from the date of receipt issuance provide a certified original of PDV-SL-2 Form granting refund to the seller from whom goods have been purchased. If the PDV-SL-2 Form is delivered by mail, the buyer or the claimant shall be obliged to provide the seller with the bank account number to which the paid VAT will be refunded.

Article 15

On the basis of the certified original of PDV-SL-2 Form, the seller shall refund the paid VAT to the buyer or to the claimant.

Article 16

The refund of VAT shall be rendered in KM through cash payment or through payment to the bank account indicated by the buyer or the claimant.

Article 17

If the payment shall be done in cash, the seller shall be obliged to refund VAT immediately, and if shall be crediting of the buyer's account, that is, the claimant's account, the payment shall be rendered within a period of 15 days from the date when the claim has been received.

Article 18

The buyer or the claimant shall, by putting his/her signature on the certified original of PDV-SL-2 Form, confirm the date of receiving in cash the VAT refunded amount.

V RECORDS OF THE SELLER'S

Article 19

A certified original of the PDV-SL-2 Form signed by the seller or the claimant upon receiving refunded VAT amount in cash, that is, an executed order for transfer of funds on the basis of VAT refunding, shall serve to the seller as evidence for tax exemption with the right to input tax deduction.

Article 20

The seller shall reduce the amount of output tax by the amount of the VAT refunded to the buyer and this within the tax period in which VAT has been refunded.

Article 21

In case the Customs Office refuses to give certification in the bottom right field, whereby a buyer-foreign person has not acquired the right to refund VAT paid on goods purchased in BiH, the seller shall not have the right to reduce the output VAT.

Article 22

The seller shall be obliged to keep separate records on the issued PDV-SL-2 Forms and on VAT refunds to buyers.

The records shall contain information on:

- PDV-SL-2 form reference number;
- the foreign person's passport number;
- No. and date of a receipt from the PDV-SL-2 Form;
- VAT non-inclusive compensation for the supplied goods;
- VAT included in the compensation for the supplied goods;
- date of receiving the certified original of PDV-SL-2 Form;
- amount of VAT repaid as VAT refund;
- date of VAT refund execution.

VI INTERIM AND FINAL PROVISIONS

Article 23

This Instruction shall become effective from 1st January 2006.

The Instruction will be published on the ITA web site and placed on the notice boards in the Main Office and Regional Centres.