



Pursuant to Article 15 of the Law on Indirect Taxation Authority (“Official Gazette of Bosnia and Herzegovina” No. 89/05) and Article 61, Paragraph 2 of the Law on Administration (“Official Gazette of Bosnia and Herzegovina”, No. 32/02), in order to effect customs and taxation exemptions stipulated by Article 26 of the Framework Agreement between Bosnia and Herzegovina and the Commission of the European Communities on the rules for cooperation to implement EC financial assistance to Bosnia and Herzegovina under the Instrument for Pre-Accession Assistance (IPA) (“Official Gazette of Bosnia and Herzegovina – International Agreements”, No. 6/08), with the consent of the European Commission Delegation to Bosnia and Herzegovina of 3 April 2009, the Director of the Indirect Taxation Authority hereby issues the following

INSTRUCTION

on claiming the customs duties and taxation payment exemption in accordance with the Framework Agreement between Bosnia and Herzegovina and the Commission of the European Communities on the rules for cooperation to implement EC financial assistance to Bosnia and Herzegovina under the Instrument for Pre-Accession Assistance (IPA)

CHAPTER I GENERAL PROVISIONS

Article 1 (Subject)

This Instruction establishes the procedure by which the right to exemption from payment of import duties and value added tax (hereinafter referred to as: VAT) on importation shall be claimed, i.e. on releasing the goods for free circulation into the customs territory of Bosnia and Herzegovina (hereinafter referred to as: BiH) and exemption from payment of VAT on the purchase of goods and services in BiH, in accordance with Article 26 of the Framework Agreement between Bosnia and Herzegovina and the Commission of the European Communities on the rules for cooperation to implement EC financial assistance to Bosnia and Herzegovina (hereinafter referred to as: Framework Agreement) under the Instrument for Pre-Accession Assistance (IPA).



Article 2
(Claim of exemptions)

Exemptions set forth in Article 1 of this Instruction shall be claimed on implementation of the Agreement under the projects financed by the IPA under this Framework Agreement.

CHAPTER II **EXEMPTION FROM PAYMENT OF IMPORT DUTIES AND VAT
ON RELEASING THE GOODS FOR FREE CIRCULATION**

Article 3
(Exemption from payment of import duties and VAT)

(1) Goods imported and released for free circulation into the customs territory of Bosnia and Herzegovina under the projects financed by the IPA Funds shall be exempted from payment of import duties (duties, customs records) and VAT in accordance with Article 26 Paragraph (2) Item a) of the Framework Agreement.

(2) Private effects and household items for personal use, imported by natural persons (and members of their immediate families), apart from those locally employed, who have been employed for performing tasks stipulated by the agreements on technical cooperation, shall be exempted from payment of import duties (duties, customs records) and VAT according to Article 26 Paragraph (2) Item d) of the Framework Agreement provided that private effects and household items shall be either re-exported or sold in the country in accordance with the provisions in force in BiH, after termination of the agreement.

(3) Exemptions referred to in Paragraphs (1) and (2) of this Article shall be effected at the customs office in the territory of BiH to which the goods exempted from payment have been presented and to which Beneficiary of exemption shall submit the following documents:

a) for exemptions referred to in Paragraph (1) of this Article:

- 1) Customs Declaration (SAD) for releasing the concerned goods into free circulation (code of procedure „4200” in the first partition of the field 37), which is considered to be a request for exemption, completed in accordance with the provisions on completing a customs declaration, also inserting the procedure code „210” in the second partition of the field 37 (code for exemption from payment of import duties and VAT within the IPA in accordance with Article 26 Paragraph (2) Item a) of the Framework Agreement),



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- 2) duly completed and certified Certificate on Exemption from Payment of Import Duties and VAT on importation of goods, issued in accordance with Article 6 of this Instruction, on the form referred to in Attachment 1 of the Instruction. Control Number of the referred Certificate must be inserted in the field 44 of the customs declaration with the document code „IPA” , and
 - 3) Bill of Imported Goods that the Certificate mentioned in Line 2) of this Item refers to, containing data and certification referred to in Article 6 Paragraph (2) Item a) of this Instruction. This Bill of Goods shall be submitted in two original copies; customs office shall return to Beneficiary of exemption one copy after it has been certified (indicating number and date of the related customs declaration), and shall keep the other copy along with customs declaration,
 - b) for exemptions referred to in Paragraph (2) of this Article:
 - (1) Customs Declaration for releasing the concerned goods into free circulation (code of procedure „4200” in the first partition of the field 37), which is also considered to be a request for exemption, completed in accordance with the provisions on completing customs declaration, also inserting code „211” in the second partition of the field 37 of customs declaration (code for exemption from payment of import duties and VAT within the IPA in accordance with Article 26 Paragraph (2) Item d) of the Framework Agreement), except for the goods that can be released for free circulation with exemption from payment of import duties and VAT on the basis of verbal customs declaration,
 - (2) Certificate issued by the European Commission Delegation to BiH (hereinafter referred to as: EC) confirming that the Beneficiary of the said exemption has been hired to perform tasks stipulated by the Agreement on Technical Cooperation within the scope of IPA, and
 - (3) Imported Goods Manifest, signed by the Beneficiary of exemption, in two copies; customs office shall return to Beneficiary of exemption one copy, after it has been certified (indicating number and date of the related customs declaration), and shall keep the other copy along with customs declaration.
 - (4) If importation of goods with exemptions under Paragraphs (1) and (2) of this Article is not carried out at one time but successively, for each individual importation of goods the customs declaration under Paragraph (3) of this Article shall be submitted to the same



customs office where the procedures of importation and exemption have been initiated; this customs office shall monitor importation of goods through successive write-off of type, quantity and value of imported goods per each customs declaration, indicating number and date of the related customs declaration on the submitted Bill of Imported Goods, i.e. on Manifest of Goods.

(5) Decision on exemption from payment of import duties and VAT based on the submitted customs declaration under Paragraph (3) of this Article shall be indicated by customs office as a note in the field C (for example, „Exempted under Article 26 Paragraph 1 Item a) of the IPA Framework Agreement“ or „Exempted under Article 26 Paragraph 1 Item d) of the IPA Framework Agreement“, depending on the case); if the submitted customs declaration and its accompanying documents contain all necessary data, the Beneficiary's request for exemption shall be fully accepted. The customs office should incorporate the said note into the inspection document of the related customs declaration.

(6) The goods under Paragraphs (1) and (2) of this Article which have been exempted from payment of import duties and VAT on releasing into free circulation, must not be used for any other purpose than that for which the specified exemption has been approved without giving an advance notice to the competent customs authority or without payment of import duties and VAT by Beneficiary of exemption.

CHAPTER III EXEMPTION FROM VAT ON PURCHASE OF GOODS AND SERVICES IN BOSNIA AND HERZEGOVINA

Article 4 **(VAT payment exemption)**

(1) Pursuant to provisions of Article 26 Paragraph (1) Item b) of the Framework Agreement and Article 29 Paragraph 2 of the Law on Value Added Tax („Official Gazette of Bosnia and Herzegovina”, No. 9/05, 35/05 and 100/08), supply of goods and services in Bosnia and Herzegovina within the projects funded by the European Commission through IPA shall be exempted from payment of VAT.

(2) Exemption from payment of VAT referred to in Paragraph (1) of this Article shall be effected on the basis of duly completed and certified VAT Payment Exemption Certificate, issued under Article 6 of this Instruction, on the form from the Attachment 2 to this Instruction.



Article 5
(Issuing of invoice)

Pursuant to Article 29 Paragraph 2 of the Law on Value Added Tax, a registered tax payer – supplier of goods and services under Article 4 of this Instruction issues invoice exclusive of VAT”. Invoice must contain the following clause “Exempted from VAT Payment in accordance with Article 29 Paragraph 2 of the Law on Value Added Tax”.

**CHAPTER IV PROCEDURE OF CERTIFYING THE IMPORT DUTIES AND
VAT PAYMENT EXEMPTION CERTIFICATE**

Article 6
(Procedure of certifying the Certificate)

(1) Upon signing the agreement within IPA, EC shall deliver to a Contractor a corresponding copy of the Certificate under Article 3 Paragraph (3) Item a) Line 2) or Article 4 Paragraph (2) of this Instruction, along with detailed instructions on the exemption procedure that the submitted copy of Certificate refers to.

(2) Contractor that has received resources from the IPA funds shall submit to EC three identical copies of completed appropriate Certificate, along with:

a) the form „Certificate on Exemption from Payment of Import Duties and VAT on importation of goods”, one pro forma invoice for imported goods, three copies of the Bill of Imported Goods containing the data on type, quantity and value of goods that are imported, signature and stamp of importer and/or supplier of goods, name and stamp of end user, as well as some blank space for signature and stamp of competent ministry (to certify Bill of Goods prior to importation), as well as the original statement of the end user of imported goods,

b) one original invoice with „Certificate on VAT Payment Exemption”.



(3) EC writes in a control number on all copies of the proper Certificate. One control number, i.e. one Certificate, should correspond to one invoice, i.e. pro forma invoice, regardless of the number of items (types of goods) it contains. After the EC Project Manager has conducted verification, a person authorized by EC shall sign and put EC stamp on all three copies of the Certificate. Then, depending on the type of exemption that the Certificate has been issued for, EC shall keep:

a) for importation of goods – one copy of the Certificate and a copy of Bill of Imported Goods, while the remaining two certified copies of the Certificate and all originals of the Bill of Goods shall return to Contractor, out of which one copy of the Certificate with two copies of corresponding Bill of Goods (certified by competent ministry) shall be submitted with customs declaration under Article 3 Paragraph (3) Item a) of this Instruction; the rest shall keep for the records,

b) for purchase of goods and services in Bosnia and Herzegovina – one copy of the Certificate, the remaining two copies of the Certificate shall be returned to Contractor out of which Contractor shall keep one copy for the records and the other one shall give to supplier of goods or services that has issued the invoice exclusive of VAT for the purpose of verification.

Article 7 (Records and reports)

(1) EC shall keep the official records on issued Certificates under Article 6 of this Instruction.

(2) EC shall, by the 20th day of the month for the previous month, submit to the Unit for Supply of Services to Taxpayers in the Regional Centre Sarajevo monthly reports on issued Certificates for VAT Payment Exemption that shall contain the following information:

- a) control number,
- b) number, date and value of contract signed between EC and Contractor,
- c) title of the project financed by the IPA funds,
- d) name of Contractor, the address and VAT number (if the Contractor has VAT number),
- e) name of a representative appointed by foreign contractor and his/her VAT number,
- f) name of seller of goods and services, his/her address and VAT number,
- g) number and date of the invoice,
- h) total value of the purchased goods or services in BAM currency, subject of the VAT Exemption Certificate.



CHAPTER V TRANSITIONAL AND CLOSING PROVISIONS

Article 8 (Refund of paid VAT)

Contractor who has paid VAT within the scope of implementation of project funded by European Commission through IPA, the paid VAT shall be subject to refund under Article 29 Paragraph 1 Item 4 of the Law on Value Added Tax.

Article 9 (Integral part of Instruction)

Integral Part of this Instruction is Attachment 1 (form of the Certificate for Exemption from Payment of Import Duties and VAT on importation of goods) under Article 3 Paragraph (3) Item a) Line 2) of this Instruction and Attachment 2 (form of the Certificate for VAT Payment Exemption) under Article 4 Paragraph (2) of this Instruction.

Article 10 (Entry into force)

This Instruction shall enter into force on the eighth day after its publication in the „Official Gazette of Bosnia and Herzegovina“.

No.: 01-02-2-1158/09
Date, 27 April 2009

DIRECTOR
KEMAL ČAUŠEVIĆ