

OHR's Statement at the International Agency's Joint Press Conference

Law on Indirect Taxation System

The draft Law on the Indirect Taxation System in Bosnia and Herzegovina was forwarded by the High Representative, Paddy Ashdown, to the Chairman of the Council of Ministers, Adnan Terzic, on Friday.

This Law is the product of intensive negotiation and consensus-building in the Indirect Tax Policy Commission over a period of four months, among representatives of the CoM, the Entity governments and Brcko. The provisions of the law have been approved by the three prime ministers, and meet IMF, World Bank and EC standards. This draft law has been made in BiH, agreed by BiH's representatives, and now goes to parliament for their approval.

The Law is a crucial step for BiH on the road to Europe. Writing to the three prime ministers earlier this year EU External Relations Commissioner Chris Patten pointed out that *'...the EU will insist on the establishment of a single customs administration and the introduction of VAT at the state level if BiH is to progress within the Stabilisation and Association process'*. EU Foreign Ministers have made the same point.

The changes which the Law introduces are complex and will take time to deliver their full benefits, but, when it is adopted, this legislation will be the vital first step that is needed to clean up the BiH tax system and make it work properly. Over time, the new tax system will cut fraud and boost public revenues. Taxpayers will know that the money they pay in indirect tax is going where it should be going – to pay for public services. And those who use public services will know that these services are being properly funded.

The Law will also help to ensure effective fiscal coordination throughout the country, which means that citizens will start getting the benefits that come from an efficient countrywide system and BiH will have the kind of tax system that is standard in a normal economy.

The Law regulates the establishment and functioning of an Indirect Tax Authority (ITA) that will collect and distribute indirect tax revenues in BiH in accordance with the highest professional and ethical standards. A Governing Board, comprising Entity and State Ministers of Finance and fiscal experts, will oversee the work of the ITA, ensuring the fair representation and participation of all involved.

The political leaders of BiH must ensure that parliamentary discussion of this legislation is thorough and efficient and conducted with dispatch. There is no time for delay. The sooner the ITA is up and running, the sooner the tax system can be cleaned up – and massive tax fraud brought to an end – and the sooner the funds that the governments have to spend on public services can be increased.

PM Terzic, PDHR Hays to Visit Vitez, Travnik

Chairman of the Council of Ministers Adnan Terzic and Principal Deputy High Representative Donald Hays will visit Central Bosnia Canton on Thursday. The prime minister and Ambassador Hays will visit a timber factory and take part in a roundtable discussion that will bring together representatives of the CBC business community and politicians from the cantonal, Federation and State government.

Prime Minister Terzic and PDHR Hays will examine what has to be done in order to take the near-term reform agenda agreed at Bijelasnica and Mrakovica forward. The governments have committed themselves to make an intensive effort between now and the end of the year to boost exports, clean up the business environment and relaunch the privatisation process. Businesspeople will be asked to give their opinions on how this can be done effectively. We will be issuing a media advisory later today.