OHR welcomes German government funding for urgently needed tax reform in BiH

The Office of the High Representative welcomed today the announcement by the German government that it plans to provide 3 million DEM to fund tax reform in Bosnia and Herzegovina. These funds are likely to increase further to a total of 10 million DEM.

Tax reform is urgently needed to lay the foundations of a modern market economy, one of the OHR's three strategic priorities for the country along with refugee returns and stronger state institutions. It is also crucial to BiH's hopes of joining European structures.

Andreas Clausing, head of Germany's GTZ development agency in BiH, announced the funding at a two-day conference which began today in Sarajevo, hosted by Deputy High Representative Daniel Besson and the International Advisory Group on Taxation. The conference aims to find ways for both Entities to modernise and harmonise their existing tax structures to enable new businesses to flourish in the country.

The current tax base in both Entities is too narrow. They need to be broadened to bring down tax rates which are now far too high. Sales taxes and excises should be harmonised between the Entities to encourage the free movement of goods and bring down prices.

The current systems are serious obstacles to building a functioning economy in BiH. As they work now, companies which would like to trade in both Entities have to pay excises twice

over. The heavy tax burden on the wage rolls of private businesses lead to under-the-table salary arrangements which cheat the employee in the long run of pension and health benefits. The current tax regimes in both Entities are deterrents to private domestic and foreign investors.

The OHR and international lending institutions also hold that funds should flow through a state treasury and down to the Entities as part of the drive to strengthen state institutions in BiH.

The tax issues discussed at today’s conference are of vital importance to all citizens here in Bosnia and Herzegovina, affecting all aspects of life from the cradle to the grave. Dynamic reform of the country’s tax structures would bring real benefits to all BiH citizens.