Decision amending the Law on Wage Tax

In the exercise of the powers vested in me by Article V of Annex 10 (Agreement on Civilian Implementation of the Peace Settlement) to the General Framework Agreement for Peace in Bosnia and Herzegovina, according to which the High Representative is the final authority in theatre regarding interpretation of the said Agreement on the Civilian Implementation of the Peace Settlement; and considering in particular Article II.1.(d) of the last said Agreement, according to the terms of which the High Representative shall "Facilitate, as the High Representative judges necessary, the resolution of any difficulties arising in connection with civilian implementation";

Recalling paragraph XI.2 of the Conclusions of the Peace Implementation Conference held in Bonn on 9 and 10 December 1997, in which the Peace Implementation Council welcomed the High Representative?s intention to use his final authority in theatre regarding interpretation of the Agreement on the Civilian Implementation of the Peace Settlement in order to facilitate the resolution of any difficulties as aforesaid "by making binding decisions, as he judges necessary" on certain issues including (under sub-paragraph (c) thereof) "measures to ensure implementation of the Peace Agreement throughout Bosnia and Herzegovina and its Entities";

Bearing in mind that the Peace Implementation Council at its meeting in Madrid on 16 December 1998 urged the authorities to co-operate fully and without reservation with the international community on a comprehensive and coherent structural reform of the Payment Bureaux, to be completed by 31 December 2000, and coinciding with the abolition of the present Payment Bureaux by that date;

Noting that amendments of the Law on Wage Tax was agreed upon between the local authorities in the Federation of Bosnia and Herzegovina and the International Advisory Group for Payment Bureaux and Payment System Transformation (IAG) in spring 2000, and sent to the Ministry of Finance for approval;

Noting however, that the Federation of BiH Ministry of Finance has failed to forward the Law on Wage Tax to the Government;

Considering that the entry into force of the amendments to the Law on Wage Tax is essential to ensure the necessary legislative framework for the above mentioned Payment Bureaux reform in general, and the regulation of collection of wage taxes in particular;

All this recalled, considered, borne in mind and noted, I hereby issue the following Decision. The Law which follows shall enter into force as provided for in Article 11 thereof on an interim basis, until such time as the Federation Parliament adopts this Law in due form, without amendments and with no conditions attached.

This Decision, which has immediate effect, shall be published without delay in the Official Gazette of the Federation of Bosnia and Herzegovina.

DECISION

ON LAW ON AMENDMENTS TO THE LAW ON WAGE TAX

Wage Tax Law published in the “Official Gazette of the Federation BiH”, (No 26/96, 27/97, 12/98 and 29/00) is hereby amended as follows:

Article 1
Article 19 shall be amended and read:

1. Legal entity or physical person, responsible for paying or withholding wage tax, shall calculate and pay tax on

wages and other personal income at the time of each payment of wages, as follows:

a) tax on wages and other personal income of employees from regular employment and other employment shall be calculated on the day of payment, and paid within seven days from the day of payment;

b) a physical person who independently performs business activity as a main occupation is to calculate and pay tax on his/her salary the 7th of each month for the previous month;

c) an employee is obliged to calculate and pay tax on his/her salary earned in the territory of the Federation of BiH as a contractor or employee of a non-resident of the Federation, within seven days from the day of salary payment if not previously done by wage payer.

Article 2

In Article 20 after paragraph 1 to add a new paragraph 2, which shall read:

1. Legal entities or physical persons – payers of salary and other personal income, that is physical persons from Article 1 Paragraph 1(1)(a) (b) and (c) of this Law, are obliged to prepare a specification on calculation and payment of taxes and contributions on salary and other personal income, and to submit it to the authorized branch office of the Federation Tax Administration, together with evidence of tax payment on the same day, or, at the latest the day after, the payment is made.

Article 3

New Article 20a is to follow Article 20 and to read:

1. Employer – payer of salary and other personal income, as well as physical persons from Article 1 Paragraph 1(1)(a) (b) and (c) of this Law, are to pay the wage tax to the municipality of the employee’s place of

residence.

Article 4
In Article 23 paragraph 1 the word Federation BiH shall be followed by a full stop and the rest of the article shall be deleted.

Article 5 Articles 23a and 23b are to follow Article 23 and to read:Article 23 a:

1. In cases when wage tax is not timely paid, authorized Tax Administration will issue a decision on enforced collection.
2. On the basis of this decision, Tax Administration can carry out the enforced collection of the wage taxes through transfer of funds owed from any account of wage payer, held at the organisation authorized for performing payment services, into prescribed public revenue accounts as well as from wage payer?s entire property.

Article 23 b

1. Records, on calculated and paid taxes on salary and other personal income, are to be kept by the organizational unit of the Tax Administration, which covers the area of location of the headquarters of a legal entity and a physical person, who independently performs business activity, or the place of residence of a physical person from Article 1, Paragraph 1(1)(a) (b) and (c) of this Law.

Article 6
Article 24 shall be amended and read:

1. A legal entity and a physical person, who independently performs business activity, will be punished for violation, with a fine, in an amount higher than the amount of established wage tax, if such wage payer does not calculate and pay the wage tax, within the period

established by this Law as follows:

a) up to two times higher, for being late more than 30 days,

b) *up to* three times higher, for being late more than 60 days, *c) up to* five times higher, for being late more than 90 days.

2. Responsible persons within the legal entity will be punished for a violation from Paragraph 1 of this Article with a fine in amount up to 2.000 KM.

Article 7

Article 25 shall be amended and read:

1. A legal entity or a physical person who independently performs business activity for which the Tax Administration establishes, that it/he/she has under-calculated and underpaid wage tax, shall be punished with a fine up to an amount ten times higher than the amount of under-calculated and underpaid wage tax.
2. Responsible persons within the legal entity shall be punished for the violation from previous Paragraph of this Article with a fine in the amount up to 2.000 KM.

Article 8

Article 26 shall be amended and read:

1. A physical person – employee from Article 1, Paragraph 1,(1) (c) of this Law, for whom the Tax Administration establishes that he/she did not pay taxes on his/her income on time, shall be punished with a fine in the amount of *up to* two times higher then amount of the established wage tax.

Article 9

New Article 26a is to follow Article 26 and to read:

Article 26 a

1. A legal entity or a physical person, who independently performs business activity, will be punished with a fine

in the amount of 1,000 to 5,000 KM per employee, if such payer of wages and other personal income, does not submit or does not timely submit to Tax Administration, a specification of wages and other personal income as well as calculation of taxes with the evidence of payment of wages and wage taxes.

Article 10
A new Article 27a is to follow Article 27 and to read:

Article 27a

1. The form of the specification from Article 2 of this Law, as well as the Instruction on Method of preparing and submitting specification is to be prescribed by the Federation Tax Administration.

Article 11
This Law shall be published without delay in the Official Gazette of the Federation of Bosnia and Herzegovina and shall enter into force on the date of such publication or 1 January 2001, whichever shall be the later.

Sarajevo, 20 December 2000	Wolfgang Petritsch
	High Representative

Office of the High Representative