

AGREEMENT ON CREATING THE SINGLE ECONOMIC SPACE IN THE FIELD OF
PETROLEUM PRODUCTS

Between

the Republic of Srpska
and

the Federation of Bosnia and Herzegovina
and

the Brcko District of Bosnia and Herzegovina

Article 1

The Entities (the Republic of Srpska and the Federation of Bosnia and Herzegovina) realize that, in order to meet their obligations related to the existing stand-by arrangement agreed with the International Monetary Fund, they must harmonize all their indirect taxes and fees on petroleum products. The Entities have agreed that they start implementing the indirect taxes on petroleum products that were applied on October 31, 2002, not later than November 15, 2002. In terms of this Agreement, the rate of the indirect tax and fee used in the Entities on October 31, 2002, shall mean the sales tax per higher rate, applicable excise tax rate and "road fee" in the amount of KM 0.15.

Article 2

The Brcko District of Bosnia and Herzegovina has agreed that for the purpose of creating a single economic space in BiH, the scope and application of the indirect taxes and fees on petroleum products shall be completely harmonized with both Entities and the Brcko District. The Brcko District has agreed to introduce an indirect fee amounting to KM 0.15. This fee shall become effective not later than December 31, 2002.

Article 3

For the purpose of a further development and improvement of the single economic space in BiH, it has been agreed that the Entities and the Brcko District shall undertake significant steps in order for the inter-entity licenses for trade in excise goods be issued in a just and transparent way. With a special emphasis on petroleum products, these measures shall contribute to improving legal trade and distribution of revenues generated from excise tax up to the level of retail sale.

Article 4

This Agreement shall become effective upon its signing.

On behalf of the Brcko District of Bosnia and Herzegovina

On behalf of the Republic of Srpska

On behalf of the Federation of Bosnia and Herzegovina

(Signatures illegible)