

Remarks by Principal Deputy HR Larry Butler at the Conference on Profit Tax: “Profit Tax Reform Means More Investment, More Jobs”

Ministers, Ladies and Gentlemen

I am particularly pleased to have an opportunity to participate in this conference because it deals with a key element in the sustained effort – which is now gaining momentum – to improve Bosnia and Herzegovina’s business environment.

BiH needs to reform its profit tax system.

It needs to establish a single profit-tax system, with the same rules for companies in both Entities and in Brcko District.

Doing this will encourage investment and help create more jobs.

We are not talking about abstracts; we are talking about pay packets.

Profit-tax reform was one of the key fiscal elements in the Jobs and Justice agenda which the High Representative presented to parliamentarians on his arrival in BiH and which all of the main political parties subsequently endorsed.

A series of submissions by BiH businesspeople to the Bulldozer Commission highlighted the urgent need for change, identifying the shortcomings of the existing profit-tax system and recommending what should be done to fix this.

Yet, the old system, a major hindrance to consolidating the Single Economic Space, is still in place – deterring investment and destroying new job prospects.

Till now, as you know, the focus of effort by the BiH authorities and the International Community has been on reforming the *indirect* tax system, which, among other things, has been an EC Feasibility Study requirement.

That reform is now well underway and the introduction of VAT is now less than four months away.

At the same time we now have an agreed draft BiH profit-tax law.

It has taken a long time to reach this point – but now that it *has* been reached we can move forward.

There is no reason why the draft law shouldn't be adopted before the end of this year.

Mirror laws will then have to be adopted in the Federation and the RS. The Entity Ministries of Finance will therefore have to take the lead in steering this legislation through Entity government and parliamentary procedure. The OHR stands ready to assist them in whatever lobbying requirements they may have.

This legislation is a major pillar in the creation of a functional and productive BiH business environment. It cannot be allowed to languish.

Corporate investors have a simple rule of thumb when they consider whether or not to put funds into a country – check the tax system and the corporate tax rate.

Till now this rule of thumb applied to BiH – where three different profit tax systems have been running side by side – has produced the worst possible impression.

It is an impression that has cost BiH millions in lost investment and and lost jobs.

And we now have a chance to banish that terrible impression once and for all.

Other speakers will go into the details of the proposed system, and this forum I believe will serve a very valuable purpose by facilitating an intensive question and answer process. What I would highlight is the need for everyone to leave this conference with a clear purpose – and that is to get this reform legislation adopted and into the Official Gazettes before the end of this year, so that the BiH economy, and BiH citizens, can start to benefit from it sooner rather than later.

Thank you