



Efficiency and Transparency Instruments: eRegisters and eAdministration in Bosnia and Herzegovina

Analysis conducted by the *Centre for Policy and Governance*
August 2015

Introduction

Bosnia and Herzegovina is fighting unemployment for years, which, depending upon reports varies from 20 to 47%. Due to unfavorable business environment, foreign investors are bypassing our country and if that trend continues, it will not be possible to expect the advancement in the standards of Bosnia and Herzegovina's citizens. The fact that Bosnia and Herzegovina is by its legislative divided into two markets, Federation of Bosnia and Herzegovina and Republika Srpska, is one of the main issues. The harmonization of directives would minimize the complications that investors and entrepreneurs face in daily business conducts.

One of the serious issues the investors often point out are complicated procedures for the registration of business entities in BiH. According to the *Doing Business* reports, in Bosnia and Herzegovina is necessary to go through 11 procedures, which take 37 working days. In reality, this process can last both longer and shorter, and investors are forced to accept corruption already at the step of registering their enterprises. Apart from that, investors often emphasize the complicated procedure of tax and contribution paying, which, when it comes to salaries, are collected independently in three

constitutionally ratified territorial units in Bosnia and Herzegovina, while a high amount of salary contributions is a problem for itself.

The creation of a more advantageous climate is, in the last few mandates, the main pre-electoral promise of politicians in Bosnia and Herzegovina. Nevertheless, even though the more or less same parties are in power, the improvement of business climate in Bosnia and Herzegovina was not noted.

In 2006 the *Public Administration Reform Strategy* was adopted, as well as the *Action Plan 1* for its enforcement. The establishment of eAdministration is indicated as one of the statements of this strategy and its plan, which has a direct impact on the improvement of business climate but also the elimination of the blackmailing of investors in this process. Four years after adopting of the *Action Plan 1*, the plan was revised because the measures pointed out in the four-year long period were not conducted so the *Revised Action Plan 1* (RAP 1) whose exertion is also not happening in concord with the dynamics as planned, is in power from the year 2010.

It should be taken into consideration that in the year 2014 the improvement of business climate was in focus of pre-electoral and electoral period. Above all, political parties promised the mitigation of business registration procedures as well as tax and contribution payoffs, but that, and much less has been done in the former period. Therefore, this analysis will try to offer a possible solution by proposing the introduction of electronic service for the registration of enterprises.

The analysis will start from the overview of current legislative in Bosnia and Herzegovina where it will be focused on entity laws and regulations, which are administering the questions of registration of business entities and the paying of taxes and contributions. Bearing in mind that the legislative in Bosnia and Herzegovina is usually in misbalance with practice, the practical procedure of starting an economic business and its functioning in the tax system will as well be explained. After that, this study will offer an analysis of the current situation in Bosnia and Herzegovina; identify the problems the institutions are facing during the implementations of strategies and action plans, as well as future goals of the institutions responsible for the implementation of eAdministration. Bearing in mind that there is a general public perception that institutions have no benefits in implementing eServices, the analysis will try to emphasize the benefits such implementation would bring to the institutions and companies in BiH, as well as a mode in which this would respond to their needs.

eAdministration is a necessity, which eventually needs to be implemented in BiH as well. Regional countries are already further up the road in this process, and they have reported first positive results. This is why this analysis will offer an overview of good practices of these countries. The ideal all the countries should move towards in this field is, of course, “the most electronic” state in Europe – Estonia whose electronic service is as well presented in the analysis. Finally, recommendations for the change of current situation are given at the end of the analysis. The implementation of these recommendations, the legislative as well as the technical ones will lead to a significant change in the facilitation of business conduct in BiH. Much needed changes in ease for further investing and development of small and medium-sized enterprises in BiH will take place as well. Unfortunately, hardships in implementing these recommendations are not those of technical but political nature, which shall also be discussed in the analysis.

Current Situation

Business Entity Registration

The Legislative¹

The Federation of BiH

The registration of business entities in the Federation of BiH is regulated by the *Law on Registration of Business Entities in the Federation of Bosnia and Herzegovina* adopted in 2004ⁱ and last changes were added in the year 2014. According to this Law, the registration of business entities is administered by the Registration Court so the application for the registration of any business entity can be submitted to any registration court not depending upon the headquarter of the registered entity.

According to the *Law on Registration of Business Entities in the Federation of Bosnia and Herzegovina* **it is necessary to have precisely ten documents for the beginning of the procedure of establishing a business entity.** In order for the person to gather necessary documents, it is necessary for it to visit **at least five addresses** (depending upon the municipality in which the business entity is registered). According to law, the *Registration Court* is obliged to investigate whether the necessary registration documents are submitted with the application for the registration and whether they are in concord with other regulations of the Federation of BiH. According to this, the establishment, organization, and business conducting of individual business entities are regulated all in duration of three days after the receipt of the documents.

If the registration documents are not for some reason in concord with other regulations or if they are not complete, the court should call for the applicant and by conclusion administer the execution of the much-needed document that cannot be longer than 30 days. If the registration documents are valid, the registration court is by law obliged to release a decision about the registration in duration of five days from the day of applying. After that, it is also necessary to gather a *tax identification number* and a *tariff number*, which, by law, should happen in duration of three days. Thus, according to the regulations of the *Law on Registration of Business Entities in Bosnia and Herzegovina*, in ideal conditions, **8 days are necessary to register a business entity.**

Republika Srpska

The registration of business entities in Republika Srpska is regulated via the *Law on Registration of Business Entities in Republika Srpska*ⁱⁱ. **For the beginning of the registration of a business entity in Republika Srpska**, according to the **Law on Registration of Business Entities in Republika Srpska**, 8 documents are needed which is something less than in the Federation of BiH. The procedure of registration in Republika Srpska is different from that in the Federation BiH by the fact that the application for the registration of business entity is submitted to the *Intermediary, IT and Financial Services Agency (APIF)* through the so-called “one stop-shop” system, which makes the procedure of registration of business entities much more efficient. This system is defined in *the Law* in the following way: *a one-stop shop system is the offering of the one-stop shop system to application submitters in the procedure of registration at the authorized registry court and in the procedure of getting hold of a*

¹ The excerpts of relevant legal acts are completely enlisted in the *Appendix* of this analysis.

unique identification number at the authorized taxation organ and, if so possible, of the tariff number at the Indirect Taxation Authority which is conducted by the Agency for Intermediary, IT, and Financial Services.

This mode of registration of business entities in Republika Srpska exists from 12/1/2013 in 11 locations of Business Units of APIF: Banja Luka, Prijedor, Gradiška, Modriča, Dobož, Bijeljina, Zvornik, Foča, Trebinje, Sokolac i Istočno Sarajevo and it is paid in the amount of 36 KM which is regulated by the *Regulation for Service Conduct of the Intermediary, IT and Financial Services Agency*.

Apart from the deadline by which it is regulated that the authorized registry court shall examine whether terms for registration in the court registry were met and bring a decision about the registration in the court registry if documentation is complete all in duration of two days after the receipt of the application, other deadlines are not regulated by this Law.

Practice

At least when it comes to necessary documentation, the legislative in the Federation of BiH and that of Republika Srpska is similar. A significant difference is that in Republika Srpska the one-stop shop mode of registration of business entities is implemented so the very procedure of the registration of business entity is by that significantly alleviated.

There are also significant differences in the price of registration of business entities between Republika Srpska and the Federation of BiH. By the end of 2013, after the introduction of the one-stop shop system of registration of entities, the government in Republika Srpska abrogated the court taxes which were paid for during the registration of these entities, and amounted between 500 to 800 KM. Apart from that, the notary fees were lowered as well, so, instead of 351 KM by then, they now amount to 3,5 or 45 KM depending upon whether the applicant is a natural or legal person. Apart from that, the obligatory minimal founding capital is lowered as well, from 2000 to 1 KM. All of these changes should have enabled the registration of business entities in only three days. In the Federation of BiH, the obligatory founding capital amounts to a continuing 2000 KM, while court expenses (420 KM) and lawyer's expenses (around 360 KM) are paid as well.

DIFFERENCES IN BUSINESS ENTITIES' PRICES OF REGISTRATION		
	FB% ^H	RS
Court taxes	420 KM	-
Notary fees	360 KM	3,4 or 45 KM
Minimal Formation expense	2000 KM	1 KM

Table 1: Prices of business entity registration in BiH

However, the founding of business entities in BiH (The Federation of BiH and the Republika Srpska) is continuing to take longer than it should. According to the newest *Doing Business Report* of the World Bank, Bosnia and Herzegovina deteriorated for five places in the year 2015 in the category of business startup, from 142 to 147 place. It takes, in average, 37 days to open a business firm, which makes BiH the worst in the region. In Croatia this amounts to 15 days, in Serbia 12, and in Montenegro 10 days.

For instance, in Estonia, which is one of the most advanced countries in eAdministration, the opening of a business entity requires 4 to 5 days.

Even though both laws on the registration of business entities (FBiH and RS) have prescribed deadlines according to which the authorized Registry Court should check the entire documentation (3 days in FBiH, 2 days in RS), in practice this deadline can take a few more working days. Also, it commonly happens that the application forms get lost so they need to be filled in again which significantly extends the registration process.

For some time now, in Republika Srpska it is being worked on the establishment of a *Unique information system for business registration in Republika Srpska*, which already has an active web page (bizreg.esrpska.com) but even though it is announced that it shall start working in February 2015, it still isn't possible (August 2015) to register a business entity *online*.

Taxes and Contributions

Legislative

There are three territorial units in Bosnia and Herzegovina (the Federation of BiH, Republika Srpska and Brčko District) which independently collect salary contributions and only two entities have PIO Funds. Because of that, in Brčko district, the employee needs to decide in which PIO/MIO Funds (the Federation of BiH or Republika Srpska) s/he would want his contributions to be paid in.

The Federation of BiH

The payment of taxes and contributions in the Federation of Bosnia and Herzegovina is regulated by following laws:

- *The FBiH Tax Administration Law* ("Official Gazette of FBiH, num. 33/02, 28/04, 57/09, 40/10 i 27/12);
- *The FBiH Law on Contributions* ("Official Gazette of FBiH, num. 35/98, 54/00, 16/01, 37/01, 1/02 i 17/06);
- *The FBiH Law on Corporate Income Tax* ("Official Gazette of FBiH" num. 97/07);
- *The FBiH Law on Corporate Income Tax* ("Official Gazette of the Federation of BiH, num. 10/08 i 9/10, 44/11)
- *The Act on the Unified System for Registration, Control and Collection of Contributions* ("Official Gazette of FBiH, num. 42 from 6 July 2009, 109/12).

According to the *Law on Contributions of the FBiHⁱⁱⁱ*, the types of contributions which are deposited are pension and disability insurance, additional contributions for pension and disability insurance for the probation of insurance which is calculated with increased duration, the basic health insurance contribution in case of unemployment. In summary, these taxes amount to 41.5 % of salary onto which contributions are paid on. According to the same law, the employer needs to deposit contributions in the same month in which the salary is deposited. Especially significant is the *Act on the Unified System for Registration, Control and Collection of Contributions* whose adoption in the year 2009 was enabled by the *Information system of Tax Administration of FBiH*.

Republika Srpska

The deposition of taxes and contributions in Republika Srpska is regulated by following laws:

- *The Law on Tax Procedure of Republika Srpska* ("Official Gazette of RS", 102/11, 108/11, 67/13);
- *The Law on Contributions of Republika Srpska* ("Official Gazette of Republika Srpska", 51/01, 96/03, 128/06 i 120/08);
- *The Law on Corporation Tax of Republika Srpska* ("Official Gazette of RS", number 91/06);
- *The Law on Income Tax of Republika Srpska* (" Official Gazette of RS, num. 91/06).

The Law on Contribution of Republika Srpska^{iv} regulates this domain in the same way *the Law on Contributions of FBiH* does and contributions which are deposited in Republika Srpska are pension and disability insurance, contributions on health insurance, contribution on the insurance of unemployment and child protection contribution. In summary, these contributions amount to 33% of the salary. The same law orders that the employer needs to deposit the contributions in the same month in which the salary is deposited.

Both in Republika Srpska and the Federation BiH, according to the Corporation Tax Law, the deadline for submitting the tax return is 30 days according to the expiration of deadline ordered for submitting the yearly accounting of business conduct results.

The Brčko District

In the Brčko District, the calculation of contributions is regulated via the *Decision on Tax Base and Health Insurance Rate* and the *Decision on Contribution for Employment Rate*. When it comes to contributions for pension and disability insurance, the employee decides into which fund the PIO contributions is deposited in and appropriate rates are applied (24% for FBiH, 18% RS). The health insurance contribution amounts to 12% of the salary, and the unemployment insurance contribution amounts up to 1.5%.

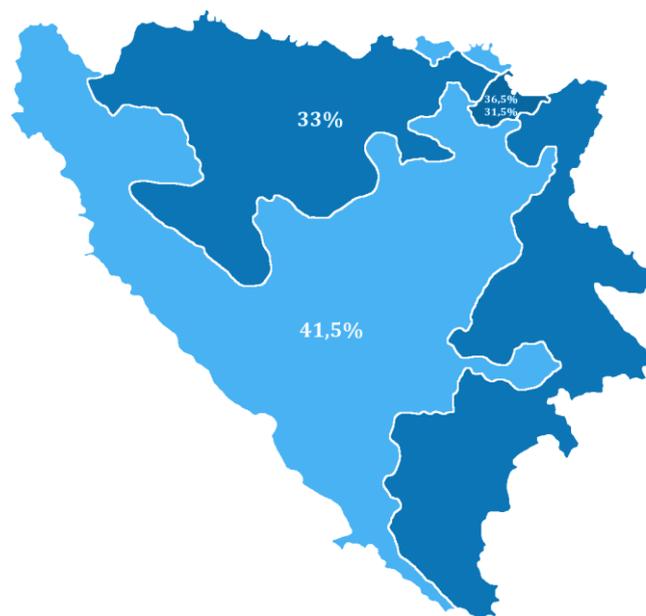


Illustration 1: The overview of taxes and contributions in BiH. The gross salary encompasses one employer's salary, multiplied with a coefficient, plus the salary contributions.

Practice

The deposition of taxes and contributions is in practice one of the key issues which entrepreneurs face in BiH. Apart from a large amount of forms that need to be filled in on a monthly basis, the fact that these forms are often returned or lost is a separate issue.

This kind of situation is especially problematic when small and medium-sized business entities, which have no finance specialized departments and need to pay for the accountancy services are in question. The re-starting of the procedure due to lost documents implies significant burden for their budget.

According to the Doing Business report, **407 working hours are spent on tax deposition during a year in Bosnia and Herzegovina, or something more than 10 working weeks.**

Even though the Tax Administration of FBiH has services for submitting electronic tax returns, these services are still not enough used in practice.

eAdministration

Existing Strategies and Plans in BiH

A more efficient, effective, responsible and transparent public administration which shall be oriented towards citizens and ready to respond to all the European demands is a vision of public administration reform drafted in documents: The Public Administration Reform Strategy and The Action Plan for its execution.²

In the year 2006, the Federation of BiH, Republika Srpska, and the Brčko District of Bosnia and Herzegovina adopted these documents. The public administration reform strategy is executed in six sections: *The Drafting of Policies and Coordination Capacities, Public Finances, Institutional Communications, Informative Technologies, Administrative Procedure and Human Resources Administration* equally and simultaneously at all the four administrative levels (BiH, FBiH, RS, and Brčko District of BiH).

In the year 2010, a thorough revision of AP 1 has been conducted because not only the ultimate deadlines were not met but also because of the goals were set too ambitiously or in a way which does not guarantee benefits for citizens, business entities and society. Instead of for the revision to appoint the production of regulations, strategies, methodology and other documents as success indicators, the revision accented more concrete goals and real indicators of success by that became the concrete results such as the advancement of user's satisfaction, time and money sparing for the citizens, business entities or the budget.

The structure of reform sections of AP 1 is not changed so the revised AP 1 also envisages the division on six reform sections. At some sections, there were changes in the titles with the goal of a more

² The Office of the Coordinator for Public Administration Reform (2011), *Revised Action Plan 1 for the implementation of Public Administration Reform Strategy*

precise and eventful meaning. In accordance to that, it is proposed for the section *Administration Procedure* to be renamed into *Administration Procedures and Administration Services*, the section, *Informative Technologies* into *eAdministration*, and the *Drafting of Policies and Coordinating Capacities* into *Strategic Planning, Coordination, and Drafting of Policies*. Goals in the section of total quality management (*Total Quality Management*) were added as well but because of the rationality a new independent reform section was not created but these goals were added to the *Human Resource Administration* section.

The Existing Legislative

The State Level

The State has adopted contemporary legislative, above all the *Law on Electronic Signature*, the *Law on Electronic and Business Transport* and supporting legal acts for the areas of electronic signatures, electronic government meetings, and Internet pages.

Changes and Addenda to *The Law on General Administrative Procedure*, which regulates the widest possible spectrum of government procedures, are adopted as well in order to create grounds for electronic services. In that sense, following acts are currently in power:

- *Law on Electronic Signature* (“Official Gazette BiH”, Number 91/06);
- *Law on Electronic Legal and Business Transport* (“Official Gazette BiH”, Number 88/07);
- *Administration Procedure Law* (“Official Gazette BiH” No. 29/02, 12/04, 88/07, 93/09); - *Decision on Basics of Using of the Electronic Signature and Offering Services of Verification* (“Official Gazette BiH”, Number 21/09);
- *Decision on Electronic Business Conduct and eGovernment* (“Official Gazette BiH” Number 07/10); - *Decision on Office Conduct of the Ministries, Agencies, Institutions and other Bodies of the of the Council of Ministers*– (“Official Gazette BiH” No. 21/01, 29/03);
- *Manual on Drafting and Maintaining Official Internet Pages of the Institutions in BiH* (“Official Gazette BiH” Number 21/09).

Furthermore, the following legal acts are currently in preparation:

- *The Book of Regulations on Internal Organization of the Transport and Communication Ministry in BiH* (the founding of *The Inspection and Accreditation Bureau*);
- *Law on Information Society Development Agency*

Federation of Bosnia and Herzegovina

The Federation of BiH has no legislative for the appliance of electronic signature because it relies on the *Electronic Signature Law of BiH*.

Republika Srpska

In accordance with the *eGovernment Strategy 2009 – 2012*, the Government of Republika Srpska has adopted following legal and bylaw acts:

The Electronic Signature Law of RS ("Official Gazette RS", Number 59/08) is administering the use of electronic signature in legal business and other legal activities as well as rights, obligations and responsibilities in relation to electronic licenses (certificates). Apart from the Law, an entire list of bylaw acts administer areas such as the evidencing of service issuers of certification of electronic signatures, a unique register of issuers of the services of certifying electronic signatures which issue qualified certificates, measures and actions of use and protection of electronic signatures, means of drafting electronic signatures, obligatory insurance of service issuers of issuing qualified certificates. Besides, other law acts on this topic are adopted as well:

- *Decision on the Carrier of Business of Electronic Certification in Republic Administration Organs* ("Official Gazette RS" No. 114/08, 73/09);
- *Book of Regulations on the Evidence of Service of Certification of Electronic Signature of Certified Organs Provider* ("Official Gazette RS" Number 88/09);
- *Book of Regulations on Content and Mode of the Register of certifying Organs for the Deliverance of Qualified Electronic Certificates Maintenance* ("Official Gazette RS" Number 88/09);
- *Book of Regulations on Electronic Signature Measures of Protection and Qualified Electronic Signature, the Lowest Amount of Obligatory Insurance and Appliance of Organizing and Technical Measures of Signature Protection* ("Official Gazette RS" Number 88/09);
- *Book of Regulations on Technical Rules for the Insurance of Connectedness of Evidences* („Official Gazette RS" number 88/09).

According to the regulations of the *Government of Republika Srpska Law* and the *System of Public Administration Law*, the Government of Republika Srpska brought a *Decision on Establishing Public Institution, "Agency for Information Society of Republika Srpska"*. By this act, Republika Srpska has established an institution responsible for monitoring the development of information society and promotion of the usage of information-communication technologies. The monitoring over the work of the *Agency*, in the name of the Government of Republika Srpska, is conducted by the *Ministry of Science and Technology of RS*.

The Electronic Signature Law of RS ("Official Gazette RS", Number 110/08) is regulating the right of natural and legal persons on the usage of electronic documents in all the business conducts and activities, as well as actions led in front of the organs of republic administration in which the electronic equipment and programs can be applied in drafting, transport, saving and maintaining pieces of information in electronic form. The Law also regulates the legal importance, usage, and transport of the electronic documents.

The Law on Electronic Business Conduct of RS ("Official Gazette RS" 59/09) defines the offering of services and rules in relation to the concluding of agreement in the electronic form.

The Condition of eAdministration at the End of the Year 2014

According to the last report on the realization of the *Revised Action Plan of Public Administration Reform Strategy* in the field of eAdministration, the focus of the reform in this area is directed towards four mutually connected areas:

1. General policies, regulations and standards with the main goal of establishing adequate legal and institutional framework for the development of electronic business conducting of the citizens and entities with administration;
2. The strengthening of the capacities with the goal of empowering institutional and human capacities in this area;
3. IKT infrastructure with the goal of advancing the infrastructure, i.e. basics for the development of eAdministration;
4. Information systems, ePortals, and eServices with the goal of concrete advancement of inner functioning of the public administration and delivering existing services to the citizens and the business community by using modern technologies with the focus on those eServices, which would be of biggest use to the business community and the citizens.

Regarding the activities directly connected to the topic of this analysis, **the fact that in Republika Srpska, the Register of Business Entities has entered the production phase and is being regularly updated by the Agency for IT and financial services (APIF)** is a significant one. The project started in 2008 when the optimization of infrastructure has also been done in Republika Srpska and the ending of the realization of the project of the construction of a *Unique Information System for the Registration of Business Entities* has resulted in **the construction of Data Centre of the Government of RS**. That created an infrastructural base for the hosting of future services, mutual internet access, physical and technical measures of protection, etc.

The fact that **biometric IDs** are finally starting to be delivered is significant as well. Biometric IDs represent one of the phases of advancement of the security system of personal IDs, which was an obligation, which BiH accepted in the process of negotiating the liberalization of the visa regime. Except visually, the new ID is different from the previous one in that it offers new possibilities such as the entry of data about blood type and entity citizenship and the entry of qualified certificate (digital signature) which shall be used for electronic identification. Apart from that, the personal ID includes an electronic memory element (chip) into which in the process of personalization cryptographic data are saved and protected. Thanks to the technology of the making of electronic personal ID, a risk for the falsification of document will be lessened, and citizens will be enabled with digital presentation and digital signatures.

The implementation of the project entitled ICT solutions for PA and IDDEEA started in 2/11/2013 with the following deadline for implementation 4/10/2015. The Implementation of the project should have allowed the usage of eService for the delivering of personal documents, registration of vehicles, and the registration of the change of place of residence. The condition on 12/31/2014 on the project was that 90% of activities are done and that the remaining activities on the implementation of module are Authentication, Payment Gateway, and Integration of eService with three portals of internal affairs ministries in BiH. Unfortunately, almost four months after the deadline, it still is not possible to use

the eService for the deliverance of personal documents, registration of vehicles, and registration of the place of residence changes.

All of the enlisted projects are a good basis for the implementation of eRegisters in BiH.

Key Issues

According to *the Report on the Realization of Revised Action Plan of the Public Administration Reform Strategy*, the key obstacle in the realization of adopted activities and goals from the *RAP 1 Public Administration Reform Strategy* is the adoption of legal and subordinate legislation solutions which regulate the area of eAdministration at the levels of BiH, FBiH, RS and BD BiH, which shall apply to:

- The formation of the *Supervision and Accreditation Bureau*;
- The recognition of all accredited verifiers³ on the territory of BiH;
- Full implementation of the *Electronic Signature Law in BiH*;
- Adoption of regulations for informatics security;
- The establishment of CERT institutions;
- The establishment and further empowering of the capacities ensuring quality of IT officials in public administration.

The laws and regulations spoken about in the previous paragraph need to be adopted both at the entity and state level. Since these are not complicated laws, it is clear that there is no political willingness to adopt them. However, it is noticeable that there is no adequate public and non-governmental sector's pressure to move these reforms from the deadlock so that, apart from politicians, both the wider public and the non-governmental sector carry the responsibilities for the non-adoption of these solutions.

Future Activities

The PARCO recommendation (*The Bureau of the Coordinator for the Public Administration Reform*) given in their last report is that the bureau of the public administration reform coordinator in collaboration with authorized institutions at the levels of VM BiH, FBiH and BD BiH should implement the project "Business Registration Reform Road Map".⁴

The Council of Ministers of BiH adopted the Information on the implementation of *Business Registration Reform Road Map*, which shall be financed from the funds of the Public Administration Reform Fund, and it expressed support to the goals of this project at a meeting done in May 2015. According to this information, the Federation of BiH and Brčko District BiH should have individual reform road maps, which should be complementary with the plan of the reform implemented earlier in Republika Srpska.

³ Accredited verifiers are all institutions or any other entities which can deliver qualified certificates.

⁴ *Annual Report on Advancement for the January – December 2011 period* (the monitoring of the Revised Action Plan 1 and Public Administration Reform Strategy of BiH), the Bureau of the Public Administration Reform Coordinator, February 2012.

The Examination of Needs

The Needs of Companies

The main need of all the companies and persons who want to start a business is clear – the improvement of business climate in BiH. Bosnia and Herzegovina is temporarily at the 107 position in relation to the ease of conducting business (decrease for 3 places in relation to the year 2014), and 147 in relation to the ease of starting a business (37 days are needed to start a business). Neither in view of paying the taxes does BiH temporarily stand in a privileged place taking the place number 151, bearing in mind that 407 working hours or more than 10 working weeks are yearly spent in BiH on the procedures of taxes paying.

On the other hand, one of the ardent issues is the corruption: according to the *Transparency International* data, Bosnia and Herzegovina is at the 72 place out of 175 of examined countries when corruption is in question. According to the *Business, Corruption and Crime in the Western Balkans: The impact of bribery and other crime on private enterprise*, almost three halves of business people in Bosnia and Herzegovina sees corruption as a significant obstacle in doing business, and more than 5% of them has decided not to invest a lot due to the fear of bribery.⁵ These data are in concord with data extracted from the interviews conducted as part of this analysis.

Since almost all of the procedures are conducted *offline*, there are many opportunities for corruption. One of the most common is blackmailing of entrepreneurs while starting a business in the way that certain documents get “lost” and they are requested to pay certain amounts of money so the process of firm registration can be “unlocked”. Even if the blackmailed person reports the case to the authorities, that does not solve the problem because a painful process of evidence submitting follows during which the process of registering a business entity is blocked. Similar happens with taxation so more often than not, entrepreneurs are maltreated with all kinds of inspections, and are punished for even the slightest delay in tax returns submissions.

The establishment of eRegisters of business entities and introduction of possibilities of submitting tax returns *online* would solve these issues. In relation to the registering of business entities, it is unquestionable that the time needed for registration would lower, the human factor when it comes reporting would be eliminated and there would be an exact evidence of submitted forms accessible to the person registering a business entity in every moment which would lower the possibility for blackmailing by corrupted officials.

The Needs of Institutions

State institutions should be in service to citizens and their needs should not differentiate from those of their citizens. The needs of the citizens are clear: bigger employment opportunities and better living standards.

The main obstacle in reaching that goal is a huge and corrupted administration, which burdens the budget, but also prevents investors and domestic entrepreneurs to start some kind of business. Therefore, key needs of the institutions in BiH are the increasing of the level of institutional efficiency,

⁵*Business, Corruption and Crime in the Western Balkans: The impact of bribery and other crime on private enterprise*, United Nations Office on Drugs and Crime (UNODC), 2013.

reducing the administration and reducing the corruption rate inside of the institutions. A tool, which would meet all the three mentioned needs, is eAdministration.

Bearing in mind that the time needed for starting a business is too long, so as it is the time needed for paying taxes, and that the mediality (“middle man”) necessary for conducting of these obligations is motivating corruption, the institutions really do need an efficient tool with which future investors and the already registered business entities could protect themselves. Such a tool could be the eAdministration, i.e. the eRegister for entities which would help creating conditions for bigger investments in BiH, and that would lead to the increase of employment as well as the increase of BDP in the long term.

Examples of good practice from the regional and world countries

	THE OPENNING OF A FIRM		TAX EXPENDITURES	
	Number of days	Number of procedures	Number of hours (yearly)	Number of shares (yearly)
MONTENEGRO	10	6	320	29
CROATIA	7	15	208	19
SERBIA	12	6	279	67
BIH	37	11	407	45

Table 2: A necessary time and procedures during the establishment of entities and tax paying in BiH and regional countries

DOING BUSSINES REPORT 2015		
	The easiness of business startup	The easiness of tax payments
BOSNIA AND HERZEGOVINA	147	151
MONTENEGRO	56	98
CROATIA	88	33
SERBIA	66	165

Table 3: Regional countries according to the Doing Business rapport for the year 2015

Montenegro

Montenegro is among the regional countries that invest most in creating efficient public administration. This especially applies to the registering of business entities. From May 2011 it is enabled for new business entities to register at one place. With the introduction of the one-stop shop business systems, business entities, if so they want, are enabled that during the registration in the *Central Business Entities Register* they are automatically registered in the *Statistics Institute*, *Taxpayers Register* and the *Customs Obligee Register* as well as the register of obligees of the value added tax and excise taxes obligees.

A request for the registration of business entities can be submitted via the page www.euprava.me. This service is available only to the users who have a created user’s account. There are two ways of submitting registration requests of business entities through this page. The first one is submitting of

the *Request for Registration of Business Entities* without using a digital certificate, in which case, certified copies of the documents necessary for the registration of entities need to be submitted. The submitting of certified copies of documents is possible to achieve electronically. The other mode of submitting the Request for the Registration of Business Entities is that with using digital certificates, which can be given in the Montenegro Post Office, and with this certificate, the submitting of certified copies of the necessary documents is not needed. The entire procedure ends up **in a few minutes, in only four steps, and the request is handled in 4 days the latest after the submitting of the certificate.**

As for the tax returns, the web page of the *Montenegro Tax Administration* offers a possibility of electronic submitting of applications (<https://eprijava.tax.gov.me/TaxisPortal>), and this page can be approached only if one owns a digital certificate delivered from the *Montenegro Post Office*. This site offers services of registering the IOPPD forms (a form for registering of all of the contributions), VAT and corporation tax as well as the submitting of a request for the drawback of VAT. Aside from these, services of electronic submitting of financial reports as well as the overview of financial reports and the overview of *Tax Obligees Register* and the *VAT Obligees Register* are offered as well. For all the services the page www.euprava.me offers, bank transfers are generated which can later on be paid in any bank in Montenegro.

ACCORDING TO THE DOING BUSINESS REPORTS, MONTENEGRO IS AT THE PLACE NUMBER 56 IN THE WORLD IN RELATION TO THE EASINESS OF BUSINESS CONDUCT, AND AT THE PLACE NUMBER 98 IN THE WORLD IN RELATION TO THE EASINESS OF TAXATION. IN AVERAGE, 10 DAYS ARE NECESSARY FOR THE FIRM TO OPEN WITH THE TOTAL OF 6 PROCEDURES, AND WHEN IT COMES TO THE PAYING OF TAXES IN MONTENEGRO, 29 PROCEDURES WHICH TAKE AWAY 320 WORKING HOURS ARE CONDUCTED YEARLY.

Croatia

In Croatia, the registration of business entities via Internet is only partly enabled. Via the www.hitro.hr service (a site which is a platform of the Government of the Republic of Croatia), under the option "e-tvrtka", electronic founding of companies with *limited liability* and *a simple company with limited liability with basic monetary capital from any Public notary or HITRO.HR Bureau in duration of 24h*⁶. The founding of a company electronically is enabled by the regulations of the *Book of Regulations on Mode of Registration in the Court Register (NN 22/12)*. It is necessary to mention that, in comparison to Montenegro, in Croatia it is necessary to go to some Public notary or HITRO.HR Bureau in order to electronically register a company and also that these services are enabled only for Ltd. or Simple Ltd. companies.

As for the tax returns, the web page www.e-porezna.porezna-uprava.hr enables the submitting of tax forms electronically.

ACCORDING TO THE DOING BUSINESS REPORT, CROATIA IS AT A PLACE NUMBER 88 IN THE WORLD, WHILE IN RELATION TO THE PAYING OF TAXES IT IS AT A PLACE NUMBER 33 IN THE WORLD. FOR THE FOUNDING OF AN ENTITY IN CROATIA, ONE NEEDS TO GO THROUGH 7 PROCEDURES WHICH IN AVERAGE LAST FOR 15 DAYS. AS FOR THE PAYING OF TAXES, THESE ARE PAID 19 TIMES A YEAR WHICH IN AVERAGE TAKES AWAY 208 WORKING HOURS.

⁶ www.hitro.hr/Default.aspx?sec=72

Serbia

The *Electronic Administration Direction* is responsible for all the business in the area of eAdministration in Serbia. This Direction maintains a website www.euprava.gov.rs via which the citizens can find the overview of eAdministration services. As for the registration of business entities, this cannot be conducted via the website but the website allows taking over certain forms, which have to do with the registration of entities so Serbia, apart from Bosnia and Herzegovina is temporarily the only country in which it is not possible to start a business entity via eServices.

When tax reporting is at issue, Serbia has a webpage www.eporezi.poreskauprava.gov.rs, at which it is enabled to submit a monthly or three-month long VAT tax report, the authentication of the authenticity of data entered, the electronic application signature, the submitting of electronic VAT form and getting a confirmation on the arrival of the application sent.

ACCORDING TO THE DOING BUSINESS REPORT, SERBIA TAKES THE PLACE NUMBER 66 IN RELATION TO THE EASINESS OF STARTING A BUSINESS WITH 6 NECESSARY PROCEDURES WHICH REQUEST 12 DAYS, AND AT THE PLACE NUMBER 165 IN RELATION TO THE EASINESS OF TAXPAYING WITH 67 PAYMENTS YEARLY WHICH FURTHERMORE REQUIRES 279 WORKING HOURS.

Estonia

Estonia is one of the countries that advanced most in the area of eAdministration. Their *e-businessregistration* model was presented in 2007 and it has since shortened the time needed for registering a business entity from 5 days to 2 hours, made the country more attractive for investors, and decreased the consumption of administrative resources.

A pre-condition for that was the introduction of e-ID (electronic identification card). A 1,1 million of Estonians or 90% of them have an e-ID. All the citizens of Estonia who possess an e-ID can register at the *e-businessregister* site (<https://ettevotjaportaal.rik.ee/>) and that possibility exists for the citizens of Finland, Portugal, Belgium, and Lithuania. After registering at the *e-businessregister* site, every citizen can open a business entity in only a few steps and the entire process lasts for somewhere around 20 minutes. It needs to be added that in 2009 Estonia set a record in the speed of registering entities online (18 minutes and 3 seconds). The process is in a more detail explained via the web page <http://abiinfo.rik.ee/articlesofassociation>, and 98% of business entity registrations are conducted *online* in Estonia.

Since 2007, Estonia made the use of the e-tax system obligatory for all the business entities and in that way, it eliminated the submitting of tax returns in print. According to the Doing Business report, during one fiscal year in Estonia, tax is paid for 7 times which takes away merely 81 working hours a year. In 2013, 95% of all the tax returns in Estonia are done *online*.

However, what is especially important for Estonia is the fact that in the year 2007 when eAdministration was introduced, corruption decreased and the transparency in the work of government increased. What is possibly most significant is that the elimination of 'middlemen' (i.e. administrative officials) drastically reduced space for that type of corruption.

The Possibilities of Introducing eRegisters in BiH

Technical Feasibility

The Establishment of PKI Infrastructure

The basic prerequisite for the implementation of eRegisters is the designing or establishment of PKI infrastructure (public key infrastructure)⁷ at the level of the entire BiH. There are different ways of establishing of these infrastructures. The first is the hierarchical infrastructure with one main organ for the delivering of certificates, which furthermore has its subordinated organs for the delivering of certificates. This model is technically the most simple one to implement and it is used for instance in Montenegro. The other mode is the forming (or using of the existing ones) of more independent PKI infrastructures which would furthermore communicate in between each other.

At the state level, there is no PKI infrastructure for legal and natural persons in Bosnia and Herzegovina temporarily. However, there is a list of independent PKI infrastructures, above all electronic banking and partly in the sector of electronic government which operate in closed systems by which it will temporarily be encompassed over 10,000 firms and almost 10,000 state officials.

At this point, the PKI infrastructure in Bosnia and Herzegovina is possible to establish on three levels:

- the Hierarchical model (centralized);
- the BoT (Bridge of Trust) model (decentralized);
- the Pareto model, using of existing private and state PKI infrastructures (decentralized).

Each of the models, in the context of Bosnia and Herzegovina has its advantages and faults, which we shall explain in continuation.

The Hierarchical (root) Model

In the designing of PKI infrastructures, the expression “as centralized as better” is applied. In each of the models of PKI infrastructure there is one “main” CA (*Certificate Authority*)⁸ which is called the Root CA. In the hierarchical structure, the Root CA generates a digital certificate of its subordinated CA, all up to the last user (citizen, institution, business entity). Every CA is a parent to the one “under”, and subordinated to the one “above itself”, as the Root CA is the absolute authority and the beginning spot of trust. Root CA functions in this system also as the main CA for all the state institutions in their mutual communication.

Steps, which BiH needs to take if it wants this model implemented, are following ones:

Above all, in this kind of structure it would be necessary to name a state level institution which would be in charge for the delivering and generating of digital certificates (in most of the countries this is a ministry which is by competencies similar to the *Ministry of Transport and Communication of BiH*). Apart from that, it is necessary to form a *Monitoring and Accreditation Bureau* at the level of BiH. Then, it is necessary to delegate an agency or agencies, which shall deal with the operative part of

⁷ The PKI infrastructure is a set of hardwares, softwares, persons, laws and procedures which enable safe data exchange via the network (Internet or local network) to the users.

⁸ CA (*Certificate Authority*) is an institution authorized for the deliverance of digital certificates.

delivering digital certificates. In other countries for the needs of these kinds of services, *post office operators* are appointed.

In our case, IDDEEA (*Identification Documents, Evidence and Data Exchange Agency*), which is already responsible for the activities of CIPS (*Citizen Identity Protection System*) where it is also the operative body of subordinated CABiH for the delivering of digital certificates in the closed “root” PKI EU for the use of the “TachnoNet” (the service of delivering cards for digital tachographs) in the field of transport, where the “Root” AC EU of this domain of trust ERCA (*European Root Certificate Authority*) is based in EU (Italy), is assigned as an operative body. Hence, it is clear that this agency already has necessary skills and infrastructure for this type of service.

The advantages of this system are, primarily, an equal legal framework for both the state and entity level (which is very important in the context of Bosnia and Herzegovina as one market) and then the fact that the PKI infrastructure already exists and is maintained by IDEEA where it is possible to upgrade it. This system is technically the easiest to implement.

The disadvantages of the implementation of this kind of system are, above all, that of political nature. The establishment of this system would require a harmonization of the *Electronic Signature Law of RS* and the *Electronic Signature Law of BD* with the *Electronic Signature Law of BiH*. Apart from that, it is necessary to harmonize the *Decision on the Basics of Using the Electronic Signature and Offering Services of Certification* with EU Directive 1999/93/EC (*Directive Under the Community for Electronic Signatures*), and to span this decision (or introduce a new one) in a way in which it encompasses *European Technical Standards and Recommendations*.

The expenses of the implementation of this kind of system, according to the *Analysis of the Impact of Regulations on the Legal and Institutional Framework for Electronic Signature*, would, in the span of five years amount to 2,5 million KM, while in the same period 12 million KM are spent for sending print forms by the institutions.

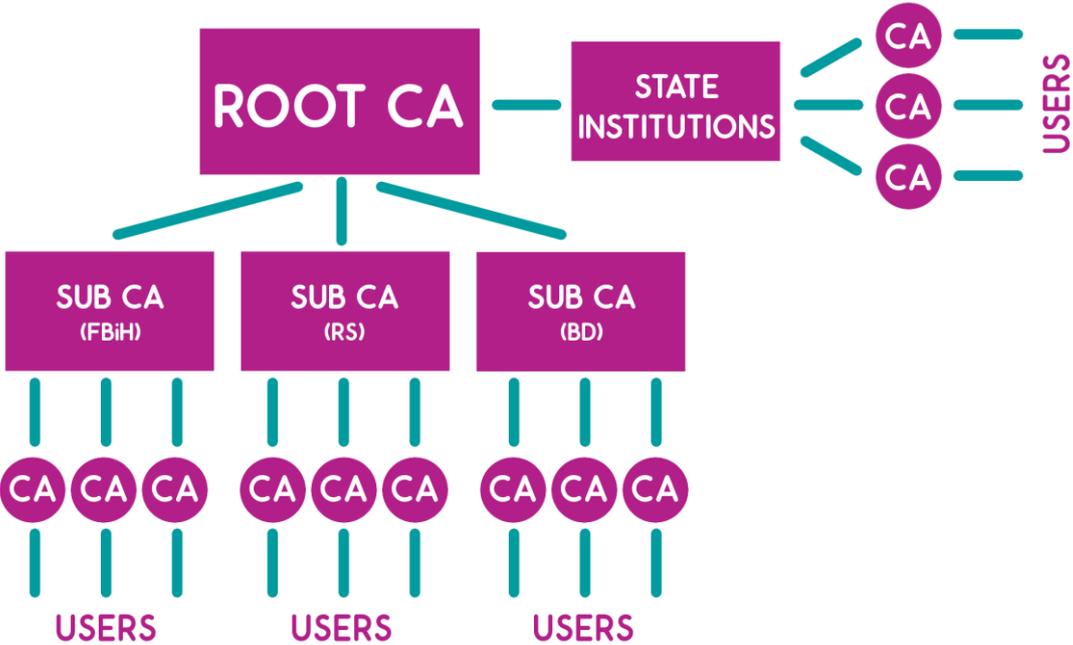


Illustration 2: Hierarchical (Root) PKI Infrastructure Model

In the *Analysis of the Impact of Regulations on the Legal and Institutional Framework for Electronic Signature* (Ministry of Transport and Communication BiH), the implementation of the following two models is recommended:

The BoT Model (Bridge of Trust)

The “Bridge of Trust” represents one of the most feasible possibilities for the implementation of the *Electronic Signature Law* because it enables the establishment of independent PKI infrastructures, which would be under more eBusiness domains of trust. It is considered especially amenable because it is adjustable to the complex administrative structure of Bosnia and Herzegovina since it enables that the entities are one of the domains of trust. In addition, there is a certain level of decentralization (under one domain there can be more CAs (*Certificate Authority*) while each domain has one main (principal) CA).

The domains of trust can then be organized through hierarchical (Root) or the connecting (Bridge) model, and they could mutually be recognized through a “trust” centre (centre of trust) which would have to be settled on the state level. That exactly is the “Bridge of Trust”, which would establish *one mutual domain of trust in BiH in the frame of which business conduct in electronic environment could easily be conducted*.

In order for the disturbance-free eBusiness on the entire territory of BiH to be established, it is, hence, necessary to find mechanisms for the establishment of trust (for example, “cross” certifying) so in that way the “Trust centre” could function as a “hub” (concentrator) and maintain the relationship between PKI domains and their main CAs in the country as well as outside of it. *The Ministry of Transport and Communication in BiH* recommends this model because *mutual trust is achieved through adjustment of policies of different CP domains of trust (Certificate Policy) which are connected into a mutual domain of trust of BiH, and which enable:*

- *The connecting of domains of trust in BiH as a mutual PKI for BiH*
- *The connecting of the mutual domain in BiH (PKI BiH) with the domains of trust outside BiH.*⁹

The main technical risk is that BiH has no created framework of interoperability adjusted to the *European Framework of Interoperability* yet and because of that, difficulties may arise during the communication with the CAs in European countries.

The Pareto Principle (rule 80-20)

The Pareto principle means that instead of establishing individual PKI infrastructures of public administration, the existing infrastructure is used. If, however, after solving these legal questions, it comes to the establishment of public administration PKI infrastructure such as IDDEEA PKI for offering services to citizens, closed systems in state organs or systems for offering post services, that infrastructure could be used without disturbance. However, as an addition to the existing PKI, it is at the same time possible to use the infrastructure of private owners such as, for example, banks or other private business entities.

In Bosnia and Herzegovina, there already exists an example of such PKI: it is an infrastructure for electronic banking, which gathers around 10,000 business entities and natural persons, which already

⁹ *Impact analysis of regulations on legal and institutional framework for electronic signature* (2011), Communication and Transport Ministry of BiH

use this closed system for their electronic transactions (eBanking). Their certificates are generated, accredited and contract engaged by CA in EU.

If it would come to a deal between banks and institutions in BiH, this infrastructure, with the goal of exchange of eAccounts and eSolutions of their clients in communication with public administration, could be efficiently used for the purposes of eAdministration, with smaller software and hardware upgrades:

In that way, bank certificates could be used as qualified in the open system for the citizens and business entities, and for the services of C2G (Citizen for Government) and B2G (Business to Government). With this solution the bank clients, who are already using eBanking, could use bank communication channels (PKIs) also for the access to the public administration services with the same digital certificates. In this case, banks would as well offer certain services of electronic archiving, keeping of documents and maintain them all with the goal of exchange of different eAccounts and eSolutions of their clients in communication with public administration.¹⁰

From the technical standpoint, this model has no problems for implementation and it is, if a *quick fix* alternative is needed, the best one out of the three enlisted models because its effects would show very soon. Its fault is the need to take its PKI for rent, which would increase the costs of its implementation a lot.

The Establishment of Business Entity eRegisters and eTax Returns

The search of business entities from both entities and Brčko District is already enabled via the webpage <http://bizreg.pravosudje.ba>. The establishment of eRegisters of business entities in Republika Srpska already started (<http://bizreg.esrpska.com/>) so it is clear that technical possibilities exist. For the online registration of business entities, it is necessary, as it was already mentioned in this analysis, to first of all establish adequate PKI infrastructures.

The Tax Administration of FBiH has already established certain eServices so it is possible to submit tax returns for corporation tax and the applications for contribution payments over their web pages (<http://www.pufbih.ba/v1/stranica/7>). *The Tax Administration of RS* also offers electronic services (<https://eusluge.poreskaupravors.org/>), but in this moment, they are limited to the overview of already submitted tax returns.

Hence, from the technical aspect, the establishment of these eServices is not problematic at all bearing in mind that certain aspects were implemented both in the Federation BiH and Republika Srpska so for the further implementation it is enough to implement the communication between entity bodies and exchange experiences.

Information systems and databases which would support these eServices already exist under authorized bodies so neither from that side is there no technical nor resource obstacle for the implementation of these eServices.

¹⁰ *Impact analysis of regulations on legal and institutional framework for electronic signature* (2011), Communication and Transport Ministry of BiH

Recommendations

1. Forming a Bureau for Development and Accreditation of CA at the Ministry of Transport and Communication of BiH which is envisaged by the Electronic Signature Law of BiH

Without forming this Bureau, electronic certificates delivered by the institutions of BiH will not be recognized as valid abroad (primarily in the EU).

2. Urgent drafting of the Rulebook about the Appliance of Electronic Signature

3. Establishment of a PKI infrastructure in BiH

The establishment of PKI infrastructure is the key moment in the informatization of all services in BiH. Without establishing of this infrastructure, eAdministration cannot fully be implemented. The PKI infrastructure in BiH can be established in three ways: Hierarchical model, BoT model (Bridge of Trust), Pareto principle (rule 80-20). Depending upon the level of political consensus, every of the three enlisted ways can be implemented in BiH. *The Pareto principle* would have immediate effects while the *Hierarchical model* is the safest and technically the easiest to establish, while the “Bridge of Trust” model is politically the most acceptable one. A recommendation of this analysis would be the establishment of the Hierarchical model. However, taking the complexity of political system in BiH into consideration, as well as long term expenses of PKI infrastructure establishment, the BoT model (which initially requires the highest expenses) is the second best option for Bosnia and Herzegovina. The implementation of the Pareto principle would advance business opportunities in BiH at large, but, in the long term, it would not be payable due to the necessity of renting the PKI infrastructure for business entities.

4. Amendments of the law on contributions at all levels

It is necessary to re-amend the contribution laws at all levels in the sense of lowering the number of transfers and invoices the employer needs to submit monthly in order to meet his obligations. In the later phase, after establishing of the PKI infrastructure and eliminating initial issues, the re-amendment of the contribution law can be thought in the way that all the business entities could be obliged to submit their applications through the electronic system.

5. Amending the Law on Registration of Business Entities in the Federation of BiH following the model of the Law on Registration of Business Entities in RS

The Law on Registration of Business Entities in Republika Srpska is already amended in a way that it envisages one-stop shop registration of business entities. Even though this kind of solution, all up to the appliance of electronic certificates/signatures is not ideal, it would create necessary presuppositions for the registration of entities to be fast and efficient when the question of using of the electronic signatures solves.

6. Introduction of possibilities of submitting tax returns electronically in Republika Srpska following the model of the Federation of BiH

Since the *Tax Administration of the Federation of BiH* already implemented the submitting of reports for the income tax, contributions and other fees, and even though it has an established information system in which it is possible to check submitted tax returns the *Tax Administration of Republika Srpska* still has not that kind of functionality. It is clear that in this case only an exchange of experiences is necessary between the entity tax administrations in order to make opportunities to submit tax returns in the entire territory of BiH.

Conclusion

Bosnia and Herzegovina urgently needs the advancement of business climate and one of the key tools for reaching this goal is of course the introduction of electronic services. Unfortunately, basic assumptions for the functioning of electronic services are not yet established in Bosnia and Herzegovina, which is an assignment the authorized institutions need to approach in the period to come. The beginning of the appliance of electronic signature is a key moment for establishing quality eAdministration and there is a number of ways in which this measure could be implemented.

Hierarchical (Root) Model is in fact the best for implementation because in that way, order is established and authorities are clearly appointed. By the very fact that there is a Root CA for the entire Bosnia and Herzegovina, the communication of CA in EU is alleviated. Apart from that, this model is technically the simplest one but considering the fact that it is a centralized system and that it requires the adjustment of entity laws on electronic signature with the state ones, problems regarding the division of authority could turn up. Therefore, the question of political consensus is above all a precondition for the implementation of this model.

The Pareto model is at this point the easiest one to implement, bearing in mind that it uses the yet established PKI systems in the private and public sector. However, in the long-term this model is not sustainable because eventually the State will have to establish its own PKI structure. The BoT model is the most contemporary one but therefore, it would require more time for implementation. The key problem with this model is the fact that BiH still has no arranged model of interoperability which is in concord with the *European Interoperability Framework*. Because of that problems could arise with the communication with the CA accredited in the EU and in that way one of the basic goals of this innovation, the creation of opportunities for foreign investments, would not be met.

Since it is common to use “shortcuts” in the political life of Bosnia and Herzegovina, the implementation of half-based solutions is present. Bearing in mind that eAdministration is a service that can be of use to all the citizens, the Bosnian government needs to apprehend that sooner establishment of the possibilities for its implementation is a matter of imperative action.

Even though the Hierarchical model is legally and politically the most complicated one to establish, we deem that it is of key importance that the ownership over PKI infrastructure needs to belong to the State, which would be an outcome of the implementation of this model. It can also be noticed in the analysis that some useful and practical services have already been implemented, some of them in the Federation of BiH and some of them in Republika Srpska. That leads to a conclusion that technical and infrastructural possibilities for its implementation on the territory of the entire BiH exist and that the main problem lies in the lack of communication between the institutions in the entities. If we are talking about the change of business climate and establishment of unique market at the level of BiH, that is something that necessarily needs to go through changes bearing in mind that it is high time that daily political topics are left aside and that working for the wellness being of all the citizens needs to start immediately. This analysis showed that no megalomaniac steps are necessary for the drastic changes in business climate but merely political responsibility to finally establish what was being promised in the previous years.

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E-Services

Tax Administration of FBiH: www.pufbih.ba

Tax Administration of Republika Srpska: www.poreskaupravar.ba

Electronic Service of Estonia: www.e-estonia.com

The Montenegro Business Entity Central Register: www.crps.me

Montenegro eAdministration Site: www.euprava.me, <https://eprijava.tax.gov.me/TaxisPortal>

The Service of the Government of the Republic of Croatia: <http://www.hitro.hr>

Croatia Tax Administration Electronic Services: <https://e-porezna.porezna-uprava.hr>

The Republic of Serbia eAdministration Site: www.euprava.gov.rs

Appendix

This appendix contains complete entity laws excerpts relevant for the registration of business entities and tax and contribution collection.

Law on Registration of Business Entities in the Federation of Bosnia and Herzegovina

("Official Gazette of the Federation of BiH", number 27/05, 68/05, 43/09 and 63/14).

Article 22

Registration documents

(1) For establishment and validation of general and specific data that shall be mandatorily entered into the Register in the procedure of a business entity foundation or changes relevant for legal trade, the Registration Court shall request, depending on object of entry, the submission of the following documents:

1) identity card, passport or an excerpt from the relevant register proving identity of a founder of foreign or domestic physical and legal persons;

2) identity card, passport or relevant report with a competent authority of internal affairs proving identity of the report for domestic and foreign physical person;

3) identity card, passport or relevant written authorization proving the capacity of the person authorized for representation or presentation of a subject of entry and verified signature of that person;

4) deed of foundation or deed on modification of general data relevant for legal trade already founded or registered subject of entry that establishes foundation or changes of significant data with verified signatures of the authorized persons;

5) statute of business entity;

6) decision on nomination of the person authorized for representation in internal and foreign trade

7) bank certificate on executed payment to the suspension account of cash deposit establishing the amount of paid capital in cash;

8) evidence on guarantees for the outstanding cash amount of the initial capital with one member

9) excerpt from relevant public register that establishes ownership over the share in objects and rights, that is application for the relevant public register and finding of a certified court expert establishing the value of share in objects and rights;

10) relevant certificate of the Commission for Securities of the Federation of Bosnia and Herzegovina (hereinafter:

Commission for securities) and the Register of securities of the Federation of Bosnia and Herzegovina (hereinafter: Register for securities) if required by a separate law;

11) evidence on guarantees for the non-entered part of non-cash share with one-member company;

12) approval from a competent authority as a precondition for registration set forth under Article 46 of this Law

In Articles 48-56, the Law on Registration of Business Entities in the Federation of Bosnia and Herzegovina is also defining the procedure of data entry in the register:

Article 48

Filing of the Application

(1) The founder of the subject of entry shall file the application personally or through its authorized representative, that is, proxy.

(2) The application for entry into the register may be filed in electronic form if there is a possibility to file it and check electronic signature. The application for entry in the register and registration documents may also be sent by mail. The application sent by mail must be signed by a person authorized to represent the subject of entry.

(3) The application filed in a manner referred to in paragraph 2 of this Article lays an obligation on the court to act upon the application but the decision on registration shall not be issued until the moment of verification of the identity of the applicant or founder.

Article 49

Application Form

(1) The applicant shall file a filled up and signed application form for registration in the registration court together with the required documents.

(2) The application shall include request for entry of all mandatory and special data, that is, of their changes.

(3) In addition to the data referred to in Article 13 of this Law, the registration application shall also include the number of the identity card, that is, of travel document of the applicant, that is, founder of subject of entry and authorized representative of the subject of entry indicating his/her capacity.

Article 50

Procedure Following Reception of Application

(1) Upon receipt of the application the court shall verify identity of the applicant, exclusivity of the firm, subject of registration, and payment of fee.

(2) The electronic form application shall, immediately after its receipt, be forwarded to the tax authority, and if required, to competent customs authority according to the seat of the subject of entry, to get tax identification number and customs number.

(3) In addition to the application, the applicant shall file required documents regulated in Article 22 of the Law, either the original document or certified copy.

Article 51

Identity of the Applicant

(1) The applicant shall prove his/her identity by identification card, that is, valid travel document and appropriate application with the competent internal affairs bodies. In the moment of reception of the application the court shall establish the identity of the applicant.

(2) The applicant shall file the application form as a valid and authentic statement. In case of difference between the established personal data and those given in the application the Court may require additional checks.

Article 52

Principle of Exclusivity of a Firm

(1) Two or more business entities performing same or similar activity cannot be entered under the same or similar firm.

(2) If the filed firm is absolutely identical to the registered firm the court shall advise the applicant about existence of identical firm, representing an obstacle for registration. The application shall be received and the court shall decide accordingly.

(3) If the filed firm is identical, that is, if it completely corresponds to the existing already registered firm, the court shall require, by conclusion, from the applicant to change the applied firm within the deadline not exceeding 15 days and to harmonize documents attached to the application. Otherwise, the court shall refuse the application.

(4) Prior to filing of the application the court shall provide an opportunity, upon the request of a person interested in foundation and registration of the business entity, to check exclusivity of the selected firm, that is, the firm which the business entity intends to file for registration.

Article 53

Procedure Applied by the Registration Court Following the Reception of Application

(1) While reviewing the application the court shall review whether both formal and material conditions for entry are met.

(2) Formal conditions shall be: that the application was filed by the authorized person, that the application was filed on prescribed form, that all the required originals, or certified copies, of the documents are attached, that all the documents were issued in a prescribed procedure, that is, that they include the prescribed content and that all the other formal conditions stipulated by this Law and other regulations are met.

(3) Material conditions shall be: that the request for entry of certain data is harmonized with this Law and other regulations regulating an obligation to enter those data, as well as, with the provisions of bylaws stipulating data, that is, changes entered into the register.

Article 54

Reviewing Application

(1) The competent registration court shall, without delay, and at latest within three days following the reception of the application, check whether the required registration documents are attached to the application and whether those documents are in the line with the other regulations of the Federation r egulating foundation, organization and business operations of some business entities.

(2) If the application includes the request not meeting legally stipulated conditions or if the document attached to the application does not include all the data which are to be entered into the register or if in respect to the content they do not correspond to the content prescribed by the law, the court shall invite the applicant and instruct him, in a form of conclusion, to make necessary changes within the deadline not exceeding 30 days.

(3) If the applicant does not act in a manner and within the set deadline referred to in paragraph 2 of this Article the court shall refuse the application.

Article 55

Reviewing Documents

(1) If the competent registration court questions a uthenticity of the data proving the fact which is to be entered or legality of a procedure pursuant to which the document was adopted or legality of legal action to be entered, the registration court shall hold a hearing to which it shall summon the applic ant and possibly a person who might be familiar with the disputable circumstances and render a decision.

(2) If the competent registration court questions existence of some fact on which it depends whether the request for entry in the register is harmonized with this and other laws and if the court itself is not authorized to establish that fact it shall instruct the applicant to obtain from the competent authority or other institution the relevant document within reasonable period of time.

(3) If the other court is competent to establish the fact referred to in paragraph 2 of this Article, competent registration court shall inform the applicant and competent authority, that is, institution referred to in paragraph 2 of this Article, to initiate the proceedings before that court and to inform the registration court accordingly. When the registration court receives the information that the proceedings are initiated, the entry procedure shall be suspended until issuance of legally valid decision terminating that procedure.

Article 56

Mistakes in Writing

Observation of obvious mistakes in writing which might be positively verified and established based on the filed registration applications shall not operate to delay further registration procedure but an official note on mistakes shall be made which shall also be signed by the applicant when he/she receives the decision on registration in order to confirm entry of the correct data into the register.

Article 74

Competent tax authority procedure

(1) Court shall immediately submit an application for entry of subject of entry foundation to a competent tax authority as to a seat of a subject of entry for assignment of a tax identification number.

(2) Along with submission of an application under paragraph (1) of this Article, the court shall call a competent tax authority to submit a tax registration number within three days following receipt of the application.

(3) Competent tax authority shall submit a tax identification number and sub-number within three days following the receipt of an application or shall inform the court on the reasons for failing to do so.

(4) Reason for non-assigning tax identification number might be unsettled liability of the subject of entry.

(5) Assignment of a tax identification number shall not relieve a tax subject from an obligation of tax registration of a business entity with the competent tax authority, i.e. obligation to submit data required by a separate law on tax authority.

(6) If a competent tax authority fails to deliver a tax identification number and sub number in the prescribed time limit, the court shall not issue a decision on registration of a business entity.

(7) Court shall issue a decision on registration of a business entity immediately upon delivery of a tax identification number without any additional costs

incurred for a business entity. In case a tax identification number fails to be issued within 12 months following submission of application to the court, the court shall reject the application.

(8) In case of tax debt in other business entity that ceased to exist (removed), the court shall not register such a subject for two years following its removal.

(9) Tax identification number and sub-number shall be unique in the territory of Bosnia and Herzegovina.

Article 81

Deadline for Issuance of Decision on Business Registration

1. Competent registration court shall issue a decision on business registration not later than five working days time from the day of submission of the complete application.

ii The Law on Registration of Business Entities in Republika Srpska

(„Official Gazette of Republika Srpska“, 67/13)

Article 32.

(1) For the sake of establishing and changing of the general and special data which, during the establishing of business entity or data changing are important for the legal traffic and are obligatory to be entered in the Register, depending upon the inscription subject, following documents are to be submitted:

- a) ID card,
- b) Travel card or relevant extraction from a register by which it is certified the identity of the founder for domestic or foreign physical or legal person, i.e. a certificate of residence of the native or foreign physical or legal person,
- c) v) ID card or travel card or relevant written authorization by which it is estimated the attribute of the person certified for procuration, i.e. representation of the subject of inscription and stamped signature of the person, i.e. for a person authorized for procuration of the inscription subject, a certificate on residence for native physical person, i.e. for foreign physical person a certificate on residence or lodging,
- d) act on the founding or act on modification of general data of relevance for the legal traffic of the already established i.e. registered subject of inscription by which it is certified the founding, i.e. the modification of data or other relevant act,
- e) a decision on naming a person for procuration in internal and foreign trade traffic, if such a person is not authorized by the act of founding, with a statement on the acceptance of this duty,

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- f) a bank confirmation on conducted payment to a temporal account or the account of the business entity on the deposited i.e. paid in money deposit by which the amount of deposited capital is established in the money of the founder, i.e. a member of business entity, considering that the certificate contains data about the depositor, the purpose of the deposit, the amount of deposit and data about the title of the business entity in whose advantage the deposit is conducted,
 - g) an excerpt from a relevant public register by which it is certified the right of the property on the deposit on items and rights, and an assessment of the authorized legal expert or a revisionist by which the value of the deposit on items and rights is established,
 - h) relevant approval of the Republika Srpska Securities Commission or the Central Securities Register, if that is regulated via a special law, and
 - i) the approvement of authorized organ as a precondition of the register inscription
- (2) The regulations of Act 1 under a), b), c), of this Article are applied in every mode of business entity registration, as well as the registration of the modification of data which are proven by these documents, except if their implementation is explicitly banished by this law.
- (3) A certified signature of a person authorized for procuration of business entities which are inscribed in the register is submitted on the standard of the application for registration imagined for the court, in written form, if the act does not contain a stamped signature of that person.

iii Law on Contributions of FBiH

("Official Gazette of the Federation of BiH", num. 35/98, 54/00, 16/01, 37/01, 1/02 and 17/06)

Article 4

Contributions for mandatory insurance (hereinafter: the mandatory insurance) are, according to this Law, the following ones:

- (1) contributions for pension and disability insurance;
- (2) contributions for pension and disability insurance,
- (3) additional contribution for pension and disability insurance, for the probation insurance which is calculated with increased duration;
- (4) for basic health insurance;

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- (5) for insurance in case of unemployment.

Contributions are calculated and paid:

- (1) from personal incomes and other incomes of the insured person;
- (2) at the lump sum of personal incomes at the burden of the employer;
- (3) from other sources, which are provided by obligees of the accounting and deposition of contributions in concord with the regulations from the area of pension and disability insurance, health insurance and unemployment insurance.

iv Law on Contributions of Republika Srpska

(„Official Gazette of Republika Srpska“, 51/01, 96/03, 128/06 and 120/08)

Article 2

Funds to finance the needs referred to in Article 1 of this Law shall be provided for through the following contributions:

- a) contribution for pension and disability insurance, b) contribution for health insurance,
- c) contribution for unemployment insurance,
- d) contribution for child protection.