



## **Weekly Briefing**

### **Bosnia-Herzegovina economy briefing:**

### **Grey economy in Bosnia and Herzegovina: Fiscalisation in Republika Srpska and unpaid domestic female work in Bosnia and Herzegovina**

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# **Grey economy in Bosnia and Herzegovina: Fiscalisation in Republika Srpska and unpaid domestic female work in Bosnia and Herzegovina**

## **Summary**

*In this briefing we will be taking a look into the forthcoming fiscalisation law in Republika Srpska. The first law was implemented in 2009, then changed in 2014 with the exclusion of small entrepreneurs from the fiscalisation system. The new outline of the new law, introduced to reduce grey economy, tends to modernize the process with new fiscal registers and software but also leaves the possibility of including the small entrepreneurs again, who were negatively impacted by the COVID-19 pandemic, so further taxation would put them in an even worse situation. Unpaid domestic work done by women in Bosnia and Herzegovina is highly disproportionate in all aspects. We will also take a look into it through the arguments and stats put forward by UN Women in Bosnia and Herzegovina and the Agency for Gender Equality of Bosnia and Herzegovina, both of which demand stronger action in the field by the state and private sector as well, as it presents a great part of the country's economy and it severely affects personal and professional aspects of women. They call for acknowledgement and valorization of unpaid housework by women, which is one of the highest in Europe.*

## **Introduction**

Fiscalization is fiscal law designed to avoid retailer fraud. Fiscal law about cash registers has been introduced in countries to control the grey economy by enforcing all mandatory transactions reporting to the authorities. We will take a look at this process in Republika Srpska which is currently introducing changes to it. Only 33.5 % of women in Bosnia and Herzegovina are economically active, meaning that they are formally registered as employees. This is the lowest percentage in Southeast Europe and at the bottom of the European average in general. Unpaid domestic work done by women is however something that is not registered or valorized in Bosnia and Herzegovina.

## **Business fiscalization changes in Republika Srpska**

Fiscal law in Republika Srpska was introduced in 2009. It was changed in 2014 so that small entrepreneurs were no longer obliged to work with fiscal registers. According to the Income tax law of Republika Srpska, small entrepreneurs are those who have an independent business firm, do not employ more than three people and whose income doesn't go over € 25,000 a year. Since the end of September this year, a new fiscal law is being discussed, one which apparently does not precisely determines who is obliged to have a fiscal register and who is not. Namely during the Republika Srpska's National Assembly September 29<sup>th</sup> session, discussing the new fiscal law which will introduce changes, Zora Vidović, the finance minister of Republika Srpska, said that small entrepreneurs should remain outside the fiscal system, but it is also possible that it won't be the case. This will depend on the conclusion made during the public discussion after which a suggestion outline of the law will be presented in the National Assembly session again, and if passed, will be voted on in the People's council and the ratified by the president of Republika Srpska. The Ministry of Finance of Republika Srpska finds the new fiscalisation law necessary to modernize an outdated system, fight unjust competition and reduce the grey economy. The authorities expect that it will provide more control over transit of goods and services as well as enlarge taxes.

The tax administration authority of Republika Srpska will collect the fiscal register data through its application, thus having knowledge over financial transactions of every business venture in Republika Srpska. The modernization process includes fiscal machines of a new generation based on security elements, printing possibility and QR scanning. When the law is ratified, an international concurs will be made to acquire software for it. The Ministry approximates that the starting fiscalisation costs will be around € 25 million, covered by the entity's government. Out of the € 25 million, € 18.5 million should be spent on the fiscalisation managing system, while € 6.5 million would be spent on subsidizing the fiscalization machines.

Commenting the incoming changes, Jovica Bratić, the director of the Crafts and Entrepreneurship Chamber of Republika Srpska<sup>1</sup> (*Zanatsko-preduzetnička komora Republike Srpske*), says that he hopes that the Government will keep its promise and not introduce the same measures from 2009, when all entrepreneurs were obliged to buy fiscal registers. The Crafts and Entrepreneurship Chamber of Republika Srpska, which has 29,000 entrepreneurs, with more than 42,000 workers, as members, will have its say in the forthcoming public

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<sup>1</sup> <https://zanatskakomorars.com/>

discussion on the suggestions of the new fiscal law. As Bratić points out, the return to the 2009 decision which made small entrepreneurs part of the fiscalisation system, would be devastating and other actions should be made to make people legalize their business. The decision to fiscalize all business would create a bigger chaos, with more illegal business, he continues. As the economy is still recovering from the effects of the COVID-19 pandemic, further taxation would be crazy, as most members of the chamber, small entrepreneurs doing manual labour, are living from paycheck to paycheck and their living standard is in decline, concludes Bratić.

### **Unpaid domestic female work**

The UN Women organization of Bosnia and Herzegovina has recently started a campaign called the “Generation for equality” (*Generacija za ravnopravnost*) which focuses on economic justice and security for the women in Bosnia and Herzegovina.<sup>2</sup> As only 33.5 % women in Bosnia and Herzegovina are officially employed, a lot of the domestic work goes under the radar, including taking care of the household, children and the elderly. Such work is not recognized or valorized so the goal of the campaign is to raise awareness. Thus, most women of middle to old age in Bosnia and Herzegovina are part of the grey economy, either as formally unregistered workers or exclusively performing work of housewives. It is estimated in general that women in Bosnia Herzegovina spend up to 53 hours weekly doing unpaid work of some sort. This averages to 7.5 hours per day, while the European average is 4.1 hours per day, including employed and unemployed women. This situation is a reflection of general economic situation in Bosnia and Herzegovina in general. Statistically, two average wages in Bosnia and Herzegovina do not meet the basic needs of a family with four members. Due to this, UN Women organization in Bosnia and Herzegovina finds that the overall disproportion in employment between men and women unacceptable. They claim that unpaid female work should be recognized, distributed to all family members and valorized to the level of being recognized by the state and private sector. The data of Agency for Gender Equality of Bosnia and Herzegovina shows that, even when fully employed, 93 % of women are exclusively doing domestic work like ironing, changing bed sheets, washing floors and baths, preparing food to taking care of plants and pets.<sup>3</sup> Domestic chores give the extra 10 – 30 hours of work weekly,

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<sup>2</sup> <https://eca.unwomen.org/en/where-we-are/bosnia-and-herzegovina>

<sup>3</sup> <https://arsbih.gov.ba/>

or around 4 hours daily. This is called a second shift at home, while men on the other hand spend less than 10 hours per week on routine housework.

Director of the Agency for Gender Equality of Bosnia and Herzegovina, Samra Filipović, claims that such a situation leaves negative consequences on private and professional life of women, as they have five times less time to rest, gain personal and professional development or get involved in professional activities, as well as politics. She adds that 17 % of women quit their professions or give up on career advancement due to doing housework and other family obligations. Female work isn't only crucial for the family but also essential for a country's economy in general. Conditions for more economic security of women can be, for instance, improved by the state investment in more and better preschool and elderly homes facilities. Also, some women can be involved in work prequalification programs or officially recognized and employed as caretakers. One more possibility is lowering the taxation on employment which would motivate employers to offer more official work.

## **Conclusion**

Grey economy constitutes a significant part of Bosnia and Herzegovina's economy in general. In this briefing we were taking a look at two aspects of it: the fiscalisation system with a forthcoming new law in Republika Srpska and the overall problem of unpaid female housework in Bosnia and Herzegovina. As the new fiscalisation law promises to modernize the system and further reduce the grey economy, it is unclear if it will once again include small entrepreneurs which are still suffering from the negative business effects of the pandemic. With only 33.5 % officially employed female population in Bosnia and Herzegovina, the domestic work remains a general problem affecting private and professional lives of women significantly. While it is being pointed out to as one of the important challenges for the country's economy by certain organizations, it is yet to be effectively tackled by the state authorities.