

The House of Representatives of the Federation parliament voted in favour of the entity government-drafted law that introduces the tax on profits generated from oil production. The upper house of the Federation parliament, the House of Peoples, now needs to pass the law for it to come into effect.

The lower house of Bosnia's Federation entity parliament backed a law on hydrocarbon taxation on, hoping to add 30 per cent to the current corporate income tax on oil that might be produced in future.

Currently, oil production is subject only to a 10-per-cent corporate income tax, which the entity government sees as too low.

"Corporate income tax of 10 per cent represents an extremely low share of the fiscal burden for the profits generated from this activity," Medina Dudo, the assistant finance minister of the entity, told FENA news agency during the session.

"A higher tax would give the Federation a share in the profit made by [oil production] concession holders," she noted.

Earlier this month, the Federation of Bosnia and Herzegovina, one of two entities in Bosnia, invited parties interested in oil and natural gas exploration to bid for concessions to search for deposits in three blocs in the Pannonian basin in northern Bosnia and one bloc in the Dinaric Alps to the west.

The winning concessioner will have six years to explore the terrain, five years to do appraisals and 25 years to exploit production. There is a possibility of extending the production period. The deadline to submit bids expires on May 27.

However, experts play down the prospects of a major cash prize for the entity government, saying they doubt there is much oil to be found.

"I support the decision to conduct research but don't believe anyone will find any significant amounts [of oil]," Sejfudin Vrabac, a professor at the Faculty of Geology and Mining in Tuzla, told BIRN earlier.

In 2011, the Federation government signed a memorandum with the British-Dutch oil and gas giant Shell. However, the company pulled out of exploration in 2015, citing a "changed energy environment."

"If a company such as Shell decided to withdraw, that is not a positive sign," Vrabac noted. In February 2019, the Federation hired London-based IHS Global to provide consultancy services on the oil and gas concession project.

That October, IHS Global organised several events to promote the planned tender to potential investors in London and Sarajevo and at the 7th Balkans Petroleum meeting in

Budva, Montenegro. The London event was attended by 22 representatives of interested companies.

But how much the Federation stands to make from the new tax remains unknown, when the potential oil reserves have yet to be quantified.

“The exploration period will take about three years and only then will we have the data on quantities of oil and gas deposits in the Federation. Then we will be able to calculate the amount of tax to be collected,” assistant minister Dudo said.

Source: balkaninsight.com