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Odjeljenje za makroekonomsku analizu
Upravnog odbora Uprave za indirektno-neizravno oporezivanje

Босна и Херцеговина
Одјељење за макроекономску анализу
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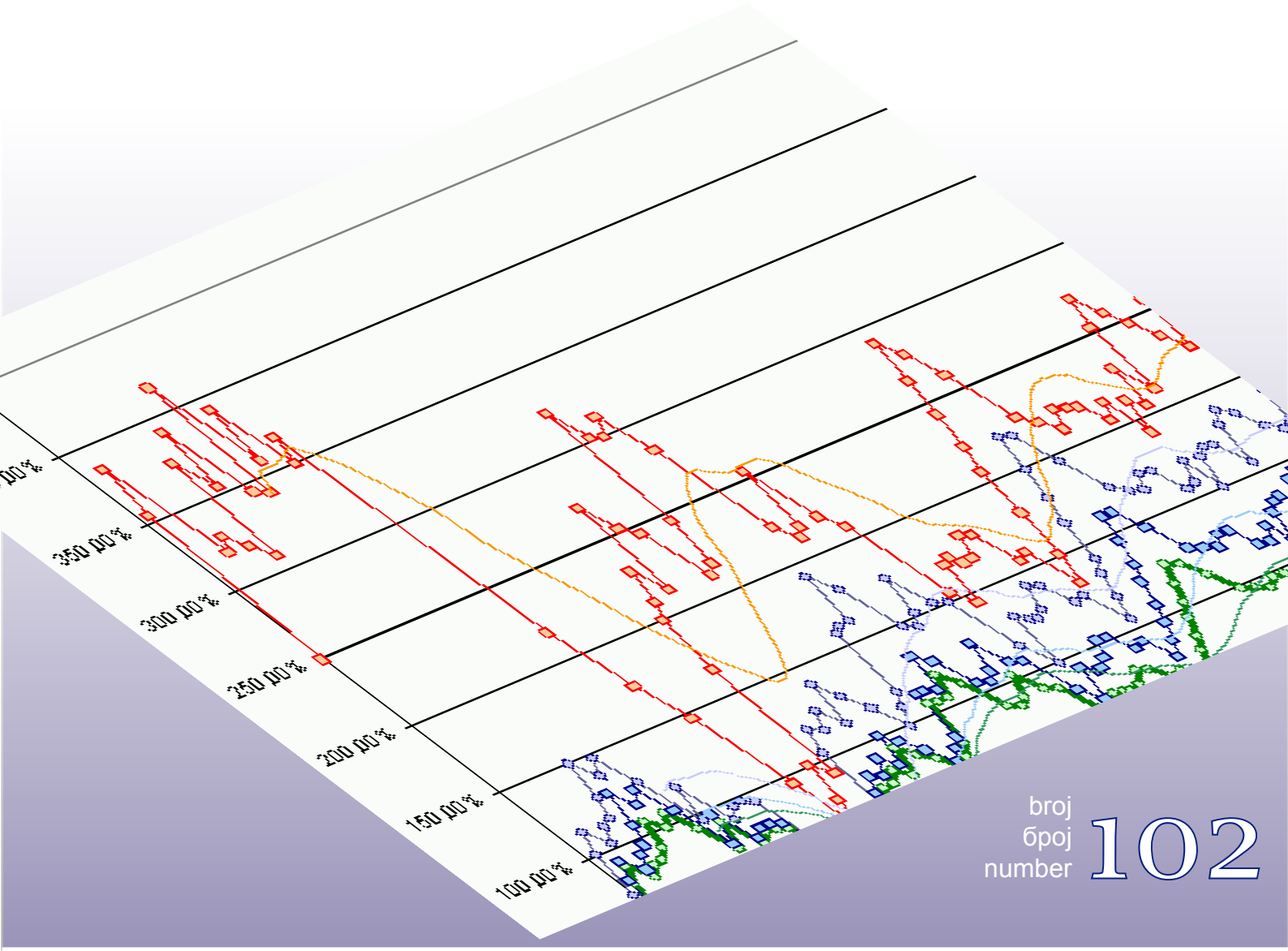
Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Oma Bilten



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With this issue

After the increase in revenue collection from indirect taxes in November 2013 it was realistic to expect a continuation of positive trends in December, taking into account historical trends and traditional increase in spending at the end of the year because of the holidays. According to the preliminary report of the ITA in was collected 490,2 million KM gross revenues from indirect taxes in December 2013, which was at the level of December 2012. However, since the payments of refunds were higher by 12,4 million KM, the net collection in December was 13 million KM lower compared to December 2012 or by 3,2%. The fall in revenue collection in December significantly affected the cumulative collection of the entire 2013, worsening the previous negative trends (Chart 1). Although the gross revenue collection in 2013 increased by 9,4 million KM in comparison with 2012 (or by 0,2%), the net revenues were lower by 104,3 million KM or by 2,1% compared to the 2012, due to the increase in refunds of 113,7 million KM in comparison with 2012.

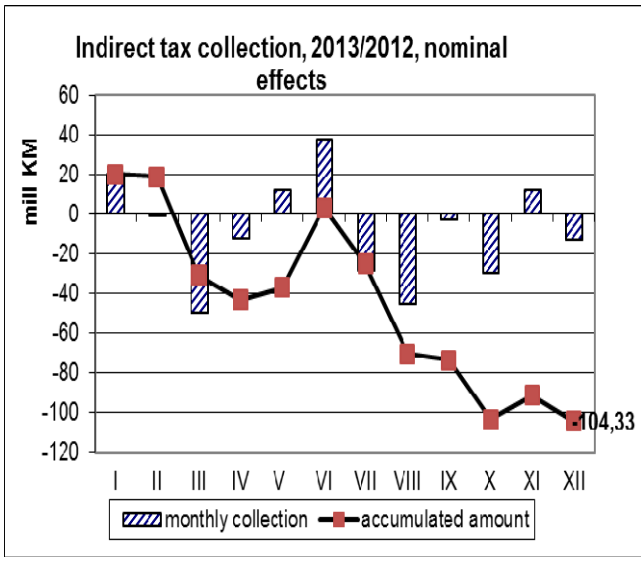

Chart 1

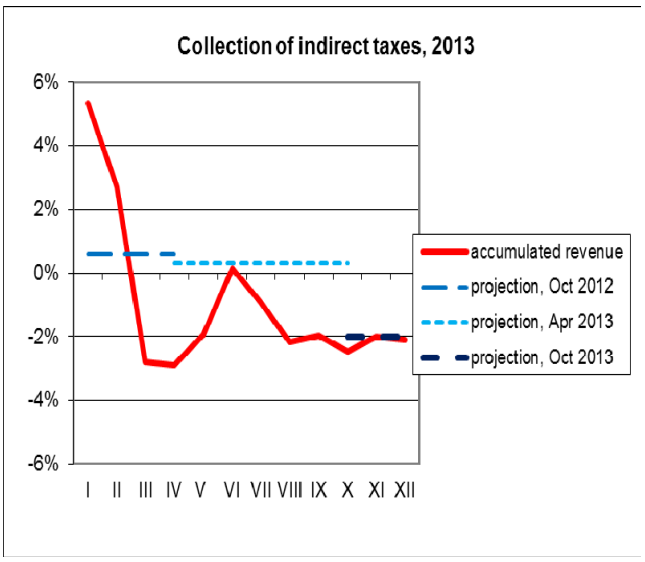

Chart 2

Revenue decline of 2,1% is in the range of revised projections of the Unit made in October 2013 (see Bulletin 101). Regarding projections of indirect taxes, the last year has brought a high amount of uncertainty. In this regard, the aligning projections that the Unit has been preparing in the past year (Chart 2) with the current trends was a necessity in order to determine budgets of all levels of government in B&H for 2014 on the more realistic possible basis. In the next Bulletin, when the final information on collection is available, the Unit will publish a detailed analysis of the collection of indirect taxes in 2014.

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Ten years of indirect tax reform in Bosnia and Herzegovina

(Author: Dinka Antić, PhD)

On 29 December 2013, there has been ten years from the adoption of the Law on Indirect Taxation System by which the implementation of indirect tax reform in B&H began. Reform has been completed by the introduction of value added tax on 1 January 2006. From today's perspective, the reform of indirect taxation is the most important economic reform in B&H in the postwar period.

The Unit will, in this and subsequent bulletins during 2014, analyze certain aspects and results of this complex and extensive reform. In this issue we will analyze the evolution and basic elements of the system and indirect tax policy in B&H from 1996 until the introduction of VAT, with an emphasis on the characteristics of the new institutional arrangement of tax and customs duty administration in B&H.

CONSTITUTIONAL COMPETENCIES IN INDIRECT TAXATION

Bosnia and Herzegovina is largely specific country, starting with the fact that B&H has no classical constitution. The current Constitution is an integral part of the Dayton Peace Agreement[1]. The B&H Constitution (Annex 4 of the Agreement[2]) is one of the shortest constitutions in the world. Article 1(3) of the Constitution defines that B&H consists of the two Entities, the Federation of B&H (FB&H) and the Republika Srpska (RS). Freedom of movement of goods, services, capital and persons is specified as one of the fundamental freedoms in Article 1(4). Responsibilities of B&H and the Entities as well as relations between the State and Entity level are defined by Article 3 of the Constitution. According to Article 3(1) (a-j) B&H has exclusive responsibility *inter alia* for foreign policy, foreign trade policy, customs policy, monetary policy, finances of the institutions and for the international obligations of B&H. Exclusive responsibilities of the Entities are not listed in the Constitution of B&H, but Article 3(3) (a) stipulates that all responsibilities not expressly assigned in the Constitution to B&H shall be those of the Entities. From this it follows that tax policy (of direct and indirect taxation) is in the exclusive competence of the Entities. However, Article 3(5) specifies that B&H shall assume responsibility for such other matters as are agreed by the Entities, are provided for in Annex 5-8, or "are necessary to preserve the sovereignty, territorial integrity, political independence and international personality of B&H". For the need of such responsibilities to be carried out, B&H may establish institutions, Article 3(3)(a).

POLICY ON INDIRECT TAXATION IN B&H (1996-2003)

Indirect taxes include customs duties, sales tax (single-phase, multi-phase) and excise taxes. Although under the Constitution foreign trade and customs policy are exclusively under the jurisdiction of the State, immediately after the war customs administrations, as operations, worked at the Entity level. Already in 1998, a set of national regulations was adopted governing foreign trade policy, customs policy and taking over customs tariff[3], which the Entities began to

[1] The full title of the agreement is *„The General Framework Agreement for Peace in Bosnia and Herzegovina"*

[2] Although in the last paragraph of the Agreement it is stated that the Agreement is done in three languages of the peoples of B&H and in the English, the official version of the Agreement in local languages was never presented to the public. For the purpose of this article we will use the original English version downloaded from the website of the Office of the High Representative in B&H (www.ohr.int).

[3] Law on Customs Tariff of Bosnia and Herzegovina, Official Gazette of B&H No. 1/98, Law on Customs Policy of Bosnia and Herzegovina, Official Gazette of B&H No.21/98 and Law on Foreign Trade Policy, Official Gazette of B&H No. 7/98.

apply from 1999. Customs administrations of the Entities, and then of the Brcko District[4] (BD) were collecting revenues collected at import (customs duties, excise taxes) and then sales tax of excise products in accordance with national regulations and the Entity legislation, which regulated the area of sales tax and excise duty taxation. Customs administrations of the Entities and the District existed until the end of 2004, when they were integrated into the Indirect Taxation Authority.

FB&H

In the FB&H tax system sales taxes and excise duties on standard types of excise products have maintained until the end of 2004, i.e. until the shift of competences for indirect taxation to B&H level. The legal framework of indirect taxation in the FB&H included a set of regulations. Special laws and by-laws regulated sales tax and excise duty taxation for each excise product.

The legal framework of indirect taxation has been changed several times, in the direction of reducing the number of tax rates and reducing the standard rate of tax. In general, the scale of sales tax rate included a zero rate and the unique lower rate for taxation of services. In the period until 2000 the scale of four rates was applying for taxation of products and from 2000 the scale was reduced to higher rates to tax mainly excise products, and lower, identical rate, to tax services. Before the reform of indirect taxes, sales tax rates, in addition to zero, amounted to 20% and 10% for products and 10% for services.

Excise taxation in the FB&H applied to oil derivative, beer, alcohol and alcoholic beverages, coffee and tobacco products. By 1999 higher excise duties applied on beer, wine, alcoholic and non-alcoholic beverages and cigarettes from imports, and lower on domestic products. Road tolls from the oil derivative price was introduced in 2002 and amounted to 0,15 KM/l.

RS

The practice in the RS was that one law regulates taxation of both excise duties and sales tax on goods and services. Sales tax system included taxation of products, services and taxes for rail traffic, introduced in 1996 by special law. In the period up to 2004 sales tax rates have been changed on several occasions. Unlike the FB&H, in the period 1996-2002 the scale of rates only for taxation of services has being stipulated. In 2002 the scale was reduced from three to one rate. Before the reform of indirect taxes, sales tax rates, in addition to zero, amounted to 18% and 8% for products and 8% for services, and special tax for the railways in the amount of 2% on all goods and services subject to sales tax.

In the RS, according to the law that was in force until 1998, excise products included: oil derivatives, tobacco products, alcoholic beverages, alcohol, coffee, luxury products, imported citrus fruits and round and sawn timber. It was interesting the taxation of luxury products at a rate of 50%. Excise duty on citrus fruits was paid in the amount of 3% of the import value. The law also regulated the payment of excise tax on exports of round and sawn timber in the amount of 3% to 10% depending on the type of wood. By 2000, higher excise taxes have being applied to beer, wine, alcoholic beverages, cigarettes and motor oil from imports and lower to domestic products. By amendments to the law from 2000 excise tax on alcohol (ethanol) was abolished. Since 2002 only tobacco and cigarettes, oil derivatives, alcohol and alcoholic beverages and coffee have been subject to excise tax. Since 2001, tax has been collected on the import and trade of gasoline and diesel fuel which amounted to 0,20 KM/l in 2003.

[4] In 2001, the Brcko District Revenue Agency was established, which was responsible for the collection of all public revenues in the District including those from the foreign exchange. (Law on the Revenue Agency, Official Gazette of the Brcko District No. 02/01)

BD

After issuing the Final Award on the District by which the fiscal autonomy was given to the District, laws from the spheres of indirect taxes were passed. Law on Turnover Tax on Goods and Services from 2002 prescribed the rate in the amount of 18% on products and 8% on services.

In the Brcko District excise taxation is regulated by the law adopted in late 2001. Oil derivatives, tobacco products, alcoholic and non-alcoholic beverages and coffee were subject to excise tax, while the special law established maximum fees for roads from the price of oil derivatives in the amount of 0,15 KM/l.

A REVIEW OF INDIRECT TAX POLICY IN B&H (1996-2003)

Analyzing the system of indirect taxes in B&H since 1996 by the end of 2004 it can be concluded that in the period immediately after the war there was a wide scale of sales tax rates on the territory of B&H. Domestic products have been favored over the imported ones, since the rate of excise tax on domestic excise products was lower than the rate of excise tax on imported products. During the period, rates of sales taxes and excise taxes were harmonized, which resulted in the following:

- Scale of sales tax rate is reduced to only three tariff rates: the standard rate, the lower rate and 0%,
- Sales tax rates are being reduced, from the initial 24% on products and 12% on services, and in both Entities remained at 20% and 10% respectively (in the RS 18%+2% for Railroad Transport Company (RTC) and 8%+2% for RTC),
- Favoring domestic excise products over imported is abolished,
- A high degree of harmonization of excise taxes within the whole territory of B&H was established.

In the period 2002-2004 a process of convergence of tax rates in the Entities started which was ended by the harmonization of tax rates in both Entities. However, despite the efforts of the Entities to harmonize the sales tax rate at the State level, there was a strong tax competition between the District on the one, and the Entities on the other side. Due to lower sales tax rates (18% and 8%) Brcko District has become more attractive for businesses to locate, especially for importers of oil and derivatives, where lower taxes for a few percent meant huge savings. Likewise, using legal disorganization and fragmentation of economic space, companies from the Entities were procuring supplies for cash in the District for customers in the Entities. More favorable tax position of the District represented an element of asymmetry in the fiscal system of B&H, which was abolished by the indirect tax reform in 2005.

Fiscal autonomy of the Entities, established by the Dayton constitution, was understood as the autarchy and closing within the Entities boundaries. It was as the economic space of B&H did not exist. Because of the war recurrence the inter-Entity sale was of a small scale, and trade between the Entities was treated as "import" and "export". Tax treatment of companies from the other Entity or the District was the same one that had foreign companies, which means that trade of rare companies operating in the overall market of B&H was taxed twice. Such a system of taxation was deterring foreign investors from entering the market of B&H.

During 2002-2003 two important measures were adopted in terms of joining markets of the Entities and the District into a single economic space and reducing tax evasion.

i. Double taxation of trading between the Entities was terminated by the agreement between governments of the Entities and the District. Amending the Entities' laws and the Law on Turnover Tax of Brcko District, as well as all regulations governing excise taxation, the

liability for excise tax and sales tax on excise products has evolved in the Entity where the final supply occurred. Conditional exemptions are introduced implying the exemption from sales tax if the end customer is seated in the other Entity/the District. Conditions for performing the inter-Entity sales were more rigorous with excise products supplies. It was necessary that a customer-excise taxpayer in the other Entity/the District has the approval of the competent institution (Ministry of Finance, Tax Administration) for the inter-Entity sale. In order to avoid tax evasion a seller-excise taxpayer from one Entity, who was selling in the other Entity, was paying sales tax and excise tax in his Entity. After submitting the proof that goods have been sold to a taxpayer who has a license for the inter-Entity excise trade, as well as evidence that the tax liability has been paid in the other Entity, paid tax/excise could be used as credits for future obligations.

ii. It was prescribed the payment of sales tax on excise products from imports at the border within the terms of the payment of customs debt (10 days from import). This measure led to a significant growth in revenues from sales tax in 2003 and to reduction of tax evasion. In comparison to 2002 revenues from sales tax on excise products in the RS increased by 50% and in the FB&H by 35%[5].

However, the introduction of conditional exemptions in the inter-Entity transactions has created space for a new kind of tax frauds, by abusing institutes of conditional exemptions. Fictitious companies occurred which were, being the last in the supply chain, disappearing without having paid a sales tax. This type of tax frauds, which is immanent to decentralized system of sales tax, could not be eliminated as long as the sales tax system was in force.

INDIRECT TAX REFORM IN B&H (2003-2006)

Reform in the area of indirect taxes was a long and complicated process because it was necessary to carry out a comprehensive reform of the fiscal system. The reform included the establishment of a new fiscal architecture, political, managerial and operational, as well as an internal harmonization of regulations in the field of indirect taxes. Fiscal reform in the area of indirect taxes, due to its volume, complexity and political sensitivity, developed gradually in few phases in the period 2003-2006. It was finalized with the introduction of VAT.

Prior to the introduction of VAT it was necessary to complete the reform of the fiscal system including:

- *Political aspect*: transfer of constitutional authorities for indirect tax policy from the Entities to the State,
- *Managerial – operational aspect*: joining customs administrations and the establishment of the new fiscal architecture at the State level consisting of the Indirect Taxation Authority – ITA (operating level) and the ITA Governing Board (political-management level)
- *Fiscal aspect*: establishment of the ITA Single Account system for the collection of all indirect taxes in B&H and the redefinition of the allocation revenue system to central Governments and for funding the state institutions.

Reform in the area of indirect taxes has been started by the establishment of the Indirect Tax Policy Commission at the beginning of 2003 and completed with the introduction of VAT on 1 January 2006.

Transfer of competences for indirect taxes

VAT introduction at the State level required prior fulfilment of significant prerequisites. According to Dayton Agreement fiscal competences were not assigned to the central level, which

[5] Source: data from Tax Administrations of the FB&H and the RS, EU CAFAO. The percentages refer to the growth of total sales tax on excise products as the chart of accounts of the budget accounting in both Entities at that time did not provide for special charts of accounts (type of revenue) for sales tax on imported and domestic excise products.

automatically meant that the Entities had exclusive fiscal competences. First prerequisite for the indirect tax system reform implied the transfer of competences for indirect taxes from the Entities to the state level. In principle there was a political approval of the Entities for the centralization of indirect tax policy.

B&H Indirect Tax Policy Commission was established by the decision of the High Representative.[6] According to this decision two following goals of the fiscal reform were set:

- Joining customs system in order to stop duplicating work and frauds,
- Introduction of VAT at the state level in order to make the taxation system more efficient and to make preconditions for tax liberation for taxpayers.

The Commission was responsible for drafting laws or supplement of the existing ones, necessary for joining customs administrations, VAT introduction, drafting the formula for revenue allocation and establishment of the Indirect Taxation Authority (ITA). Single ITA, governed by the principles of efficiency, professionalism and transparency, should operate in order to improve the macroeconomic stability and towards the integration of B&H in the EU and WTO[7]. The Commission was consisted of Ministers of Finance of B&H and the Entities, three experts from the area of indirect taxation, while the seventh member was appointed by the High Representative.

From the structure of the Commission it was obvious that it was a predecessor to the ITA Governing Board. The ITA resulted from joining Customs Administrations of the Entities and Customs Service of the District. In the middle of 2003 the transitional Law on a Single Customs Administration and establishment of the ITA was adopted[8]. The transitional law had the advantage from the scope covered by the ITA in relation to the Entity regulations. In the first phase of the establishment, the ITA represented a single customs administration. The ITA is an independent administrative organization, governed by the Director who was accountable to the transitional Governing Board and Council of Ministers for his work.

Formal transfer of competences in the field of indirect taxation happened at the end of 2003. On 30 October 2003, the National Assembly of Republika Srpska concluded[9]:

- To give its consent for transferring the competencies in the area of indirect taxation policy to the Parliamentary Assembly in order to adopt the Law on Indirect Taxation System,
- To authorize the RS Government to sign the Agreement on competence transfer with the FB&H.

On 3 December 2003, the FB&H Parliament made the decision by which it was given its consent to the Agreement on competence transfer in the area of indirect taxation between the FB&H and RS and authorized the FB&H Government to sign the Agreement[10]. At the end of December 2003, the Law on Indirect Taxation System was adopted which "*establishes organizational basis for a single indirect taxation system* in B&H"[11], in order to support the macroeconomic stability and fiscal sustainability. The Law ensures a single indirect tax policy, the uniform implementation of policy and uniform collection of indirect taxes in B&H, and establishes a single institutional structure composed of the ITA and the Governing Board of the ITA. Specificity of this newly formed institution is in the fact the ITA, although formed at the state level and financed from the budget of B&H institutions, represents the agent of levels of powers in B&H, which, in their name, collects indirect taxes in B&H.

[6] Decision on the establishment of the Indirect Tax Policy Commission („Official Gazette of B&H", No. 4/03).
[7] Ibid. Annex A
[8] „ Official Gazette of B&H " No. 18/03
[9] „ Official Gazette of RS" No. 95/03
[10] „ Official Gazette of FB&H" No. 64/03
[11] „ Official Gazette of B&H" No. 44/03

The ITA Governing Board is competent for determining proposals for indirect taxation policy and for its implementation throughout B&H, as well as for preparation of legal regulations from this area concerning tax rates and structure. The Board issues sub laws needed for implementation of regulations from the sphere of indirect taxes. The Board consists of six members: Ministers of Finance of B&H, the FB&H and the RS, who hold their posts *ex officio* and three experts on indirect taxation. Besides, the ITA Director, a representative of the Central Bank of B&H and a representative of the Brcko District are the observers in the Board. Until 2008 the Board had seven members. The Chairman was a foreigner in this transitional period (additional Board member). Since July 2008 the Board has six members.

Model of a single administration of indirect taxes in B&H

By the Law, the ITA is responsible for the collection of all indirect taxes in B&H: import and export duties, excise taxes, VAT, road tolls and other revenues and fees. Until the introduction of VAT, the ITA was responsible for the collection of sales tax on excise products and sales tax on imports of goods for final consumption. The ITA keeps a single account for the collection of all indirect taxes. According to the Law, the ITA is required to provide a minimum amount for refunds of indirect taxes and to allocate regularly transfers to the State, Entities and the District.

The ITA is a modern and functional combination of customs and tax administration in a single institution. Compared to models of tax and customs administration in the world, which usually include persistent independent customs administrations, which collect revenues from imports, and independent tax administrations, which collect direct and indirect taxes paid in the country, organizational and functional structure of the ITA, which includes all indirect taxes, including customs duties as well, under one administration, at the time, was unique in the world (see Box 1).

Box 1: Models of VAT administration at the time of the ITA establishment

According to the IMF's research from 2001, out of 108 countries, 90 of them has organized the VAT administration within the tax authority, 14 countries have set up special VAT administration while only 4 of them within the customs administration.

Models of VAT administration	Advantages	Disadvantages
Customs administration and excise administration	• Facilitates exchange of information on imports and exports	• Procedures and system of customs administration or excise administration are not suitable for VAT administration • Customs staff lacks the necessary skills • Impedes the cooperation with the tax authority
Special VAT administration	• exclusive focus on VAT • there is a clear demarcation between the existing and VAT procedures	• political consensus is required for the establishment of the new administration • there is a resistance of staff in tax administration towards the establishment of the new administration • increases fragmentation of the tax system
Tax authority	• modern, effective and efficient administration • facilitates coordination between VAT and tax administration • better performance of tax obligations	• insufficient focus on VAT may lead to reduced collection

Source: Ebrill L., Keen M., Bodin J-P, Summers V., "The Modern VAT", IMF, Washington, 2001, p. 125 - 137.

The structure of the ITA, in which taxpayers referred to only one institution for all indirect taxes – the ITA – over certain regional center where they are headquartered, significantly facilitate taxpayers' execution of customs and tax liabilities, reducing the costs and time of administration. On the other hand, the merger of customs and tax administrations within the same institution enables uniform administering, controls, audits and investigations, contributing to the rational use of resources, the realization of synergetic effects and better protection of public revenue. Having in mind the reform of modelling tax and customs administration which is present in the world in the last two years, and which involves merging tax and customs functions in a single institution, it can be said that B&H was a successful pilot project whose example is followed today by 20 other countries (see Box 2).

Box 2: Reform directions in models of administration of taxes and customs in the world

According to a survey of institutional arrangements in tax administrations of the OECD Member States and other countries, of 52 countries surveyed, 34 of them established a separate tax and customs administrations, with 18 countries left to administer excise taxes in customs administrations. All countries, except five of them, have merged administration of direct and indirect taxes into a single institution.

Since the mid 2012 twelve OECD Member States have merged tax and customs administrations in a single institution, provided that of the OECD Member States Czech Republic and Malta, and the other five countries that are not Member States, announced the merger in 2014. The OECD states the two most important advantages of the merger of tax and customs administrations:

- Given that VAT is in the most states dominant source of the budget revenue logically there is a need for a unified control of VAT levied on imports and VAT levied in the country based on tax returns;
- Merging tax and customs functions leads to the expression of the positive effects of the economy of scale volume, such as human resources and IT systems.

On the other hand, the announcement of isolating the customs function from the single administration in Canada and Great Britain indicates, when considering the model of administration of taxes and customs duties, that it is necessary to take into account the factor of open borders (both countries have a long coastline), and whether it is possible to control borders successfully by a single institution using standard methods or to establish a separate agency to deal exclusively with the collection of revenues at the border.

Source: OECD, "Tax Administration 2013, Comparative Information on OECD and Other Advanced and Emerging Economies", 2013.

Harmonization of indirect taxes (2005)

End of 2004 and the beginning of 2005 were marked by the adoption of three important laws at the level of B&H by which the transfer of competencies of legislation in the sphere of indirect taxes from the Entities/the District to the level of B&H was executed. The first is passed[12] which centralizes the collection of indirect taxes at the level of B&H. On a single account (ITA SA) during 2005 the following revenues were collected: customs duties, domestic and import excise tax, sales tax on domestic and imported excise products, road tolls, sales tax on the import of products for final consumption and other revenues. Single account is a complex system that connects the

[12]Law on Payment into the Single Account and Distribution of Revenues („Official Gazette of B&H" No. 55, 13.12.2004).

authorized commercial banks in which taxpayers pay obligations arising from indirect taxes, the Central Bank of B&H and accounts held by allocation beneficiaries – the State of B&H, the Republika Srpska, the Federation of B&H and the District Brcko[13].

Other important event was the adoption of national laws on sales tax[14] and Law on Excise Duties[15], abrogating all the District and Entity regulations on this matter. The specificity of the Law on Sales Tax was that it *de facto* remained in effect for only one year, until the introduction of VAT. This law establishes a single scale of rates in B&H: 20% and 10% on products and 10% on services, a unique mechanism for determining the tax base, exemption and relief. The Law is specific also for the fact that it provides for separate competences of the ITA, the Entities and the District for the collection of sales tax. Until the introduction of VAT, the Entities and the District were responsible for the collection of sales tax on all other goods except for excise and sales tax on services. Revenues based on that were being paid on the accounts of the Entities, while other revenues from sales tax were paid on the ITA SA.

State Law on Excise Taxes establishes a single rate scale, unified system of taxation, records and tax/control stamps, controls and collection, except in the area of domestic excise tax. Comparing with the rates of excise taxes which were in effect in B&H prior to 1 January 2005, a great growth in rates of excise tax on tobacco products and heating oil can be noted, in order to undertake preventive actions on customs frauds while reporting on the border.

The specificity of these two laws is also divided competence in the control of excise and sales tax on the sale of domestic excise products, which were controlled by the Entities' Tax Administrations, while the records of the collection of sales tax on imported excise products, was under the ITA. This kind of control where the institution that collects revenues (ITA) *de facto* has no records of taxpayers and their obligations and cannot control domestic excise taxpayers has opened the opportunity for tax evasion. The ITA has, in 2005, increased the collection of sales tax on imported excise products while the collection of sales tax from domestic excise manufacturers in 2005 was lower than in 2004 for even 12%.

At the end of December 2005, three laws were passed that enabled the full operation of the ITA: Law on Enforced Collection, Law on Indirect Taxation Procedure and Law on Indirect Taxation Authority. According to provisions of the Law on Indirect Taxation Procedure all debts arising from indirect taxes are treated as a single debt. In practice it means that VAT refund will not be paid to the taxpayer if the same taxpayer has a debt arising from customs duties, excise tax or some other indirect taxes.

Introduction of value added tax (2006)

According to provisions of the Law on Indirect Taxation System the liability of fiscal authorities (the ITA Governing Board) was to establish a system of VAT in B&H which would be in line with European standards. In all countries that have so far introduced VAT, the process of transition from sales tax to the system of VAT taxation took several years. In addition to the political decision and the creation and adoption of necessary laws and sub-laws, the process of introducing VAT involves also complex technical preparations, establishment of an IT platform and training of employees, as well as similar preparations with taxpayers. It is known that some countries in the region (Croatia, Serbia) shrank the introduction of VAT in relation to the planned deadlines. Given the experience of other countries, the overall situation in B&H at the time and scope of the reform, which did not include merely replacing one form of taxation (sales tax) to new forms of taxation (VAT), but also the transfer of constitutional competences, establishment of an entirely new

[13] More in the article of CAFAO experts: MAU Bulletin No. 7/06, p. 6 – 10, www.oma.uino.gov.ba
[14] Law on Sales Tax on Products and Services („Official Gazette of B&H", No 62, 30.12.2004).
[15] Law on Excise Duties in B&H („Official Gazette of B&H", No.55, 13.12.2004).

institution and the system of single account, the adoption of a set of operating rules and regulations of indirect taxes and redefining the funding system of B&H institutions and lower levels of government (Entities, Cantons, Municipalities), it can be concluded that it was a very successful reform. For the preparation and introduction of VAT it was needed less than two years, but one should always keep in mind that in the same period all mentioned constitutional, legal, organizational and technical assumptions were successfully completed (assets, staff recruitment, design and implementation of complex IT systems, budget, trainings, …) which were necessary for the implementation of VAT. B&H has started to prepare for the introduction of VAT in March 2004 when a National Team for the Implementation of VAT Project was established consisted of experts from local Tax Authorities of the Entities and the District and experts from the private sector. The National Team along with EU-CAFAO, worked on the preparation of legal, organizational and financial preconditions for the introduction of VAT, and intensive training of employees and taxpayers. Under the supervision of the European Commission and with the technical and expert assistance of EU-CAFAO[16] the best practice and experiences of the EU Member States at the time were embedded in the B&H system of VAT, which will be included in the Sixth VAT Directive of the EC[17] after two years.

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Models of international cooperation in the field of taxation

(Author: Dinka Antić, PhD)

By the Supplementary Letter of Intent fiscal authorities of B&H have committed to establish the system of administrative cooperation of tax administrations in B&H which would, as of 1 of January 2014, to the tax administrations, ensure mutual permanent, unlimited and automated access to data on taxpayers[1]. Bearing in mind the commitment of B&H to European integrations the operating model of the administrative cooperation of tax administrations in B&H should be based on mechanisms, standards and best practice in the EU. Request of the IMF is in line with EU standards and obligations from chapter "Taxation" that B&H must fulfill in the process of taking over the acquis. Provisions of Article 98 of the Stabilization and Association Agreement obligate B&H to be involved in the system of exchange of information in the field of taxation established by the OECD.

[*] IMF, Country's Policy Intentions Documents -- Bosnia and Herzegovina: Letter of Intent, and Technical Memorandum of Understanding, October 9, 2013, http://www.imf.org/External/NP/LOI/2013/BIH/100913.pdf

1. INTRODUCTION

The process of globalization in late XX century has created a "global village" out of the world with strong migrations of people, capital, technology and know-how, goods and services. International flows of goods and services are followed by international financial flows. In addition to income on the basis of goods and services, income beyond national borders can also be achieved by the individuals: managers in foreign companies, persons who perform certain professional services (consultants, lawyers, accountants, auditors, experts), as well as persons who have royalties fees for written works, articles, performances, professional and scientific presentations at international symposia, etc. In addition, remittances (transfers) of working abroad have a significant proportion of financial flows, especially in countries such as B&H, which are due to various reasons, economic, social and political, subject to strong population migrations. A special form of transfer from abroad represents pension payments to persons who were on 'temporary work' beyond national borders, payments of scholarships to students as well as interests, dividends and royalties for participation in international corporations. Finally, besides financial flows (revenue and income), many people own property in other countries. The immovable property can be land or property used for economic activities or land and property intended for housing, recreation or renting. Owning property, realization of income (revenue) and performing transactions outside the home country represent different basis for tax liability. If the same tax event is taxable in two countries due to different tax treatment, the same transaction may be taxed in both countries. To eliminate or reduce the occurrence of double taxation in countries, they have at their disposal a variety of measures, national and international. However, globalization, due to the lack of global regulations and the slow pace of national regulators in relation to the expansion of the international movement of capital, people, goods and services, produces two divergent processes – double taxation and double non-taxation. Edward Kane[18], creator of „regulatory dialectics", believed that less regulated 'players' move faster and operate more freely than those who are regulated, that 'players' who are under regulation move faster and operate more freely than their regulators and that national regulators move faster and operate more freely than international regulators.

[18] Kane, Edward J., „Competitive Financial Regulation: An International Perspective", Cambridge University Press, 1987, p. 115., Kane, E.J., "Regulation and Supervision: An ethical Perspective", Working Paper 13895, National Bureau of Economic Research, Cambridge, MA, USA, March 2008, http://www.nber.org/papers/w13895.

Double non-taxation may arise as a result of inconsistent rules of taxation (for example, due to different taxation rules for services in the EU, which were in force until 2010 and taxation rules for services that apply other countries such as the USA, Japan, etc.) or due the so-called aggressive tax planning of corporations and managers who operate in multiple states. The term "tax planning" is often used as a synonym for permitted tax avoidance. There are many countries that recognize the right of taxpayers to arrange their business in a way that minimizes the tax liability. On the other hand, activities of the taxpayer that are run only with the aim of minimizing tax liability are considered as the tax evasion, i.e. tax offense or crime. Demarcation line between tax avoidance and tax planning is thin and is related to the amount of tax liability and sanctions. Unlike tax evasion, which can be sanctioned by tax authorities, with tax planning there are only minimal chances of the occurrence of tax liability and no sanctions[19].

The emergence of aggressive tax planning, which results in cross-border and international tax frauds, in addition to threatening the state budget, undermines fairness of taxation because regular taxpayers pay more taxes than they should, but also the efficiency of capital allocation and equal competition in the market[20]. One answer of the states to the growing internationalization of business of taxpayers and the emergence of new financial instruments, frauds and aggressive taxation is adequate internationalization of administrative cooperation between tax administrations. Exchange of information on taxpayers and transactions allows states to assess properly tax liabilities of their residents, to combat tax evasion and tax frauds and eliminate double taxation and non-taxation.

In order to eliminate or prevent the new global phenomenon – double non-taxation, under the auspices of the Council of Europe and the OECD, developed countries have created models of multilateral data exchange to make transparent all data on taxpayers and transactions relevant for tax assessment. On the other hand, the USA offers to the states a model of data exchange on financial transactions accepted by large EU Member States. Recently, the European Commission presented a proposal for amendments to Directive 2011/16/EU[21] on the binding automatic data exchange in the field of taxation relating to the extension of data exchange needed for assessment of direct taxes in the EU. Given that direct taxes are the exclusive responsibility of Member States, amendments to Directive 2011/16/EU in line with global process of taxation transparency are also globally an important step towards full transparency of financial transactions between the EU Member States.

2. GLOBAL MODELS OF DATA EXCHANGE IN THE FIELD OF TAXES

2.1. The OECD Model

Developed countries in the OECD created the legal framework for different models of information exchange in the field of taxes[22]. Basically, models are based on automatic exchange of information in terms of system and periodic transmission of a large amount of information on taxpayers who are non-residents from the country submitting data to the country where taxpayers on whom the information is submitted are residents. Data are related to various categories of taxable income (dividends, interests, royalties, salaries, pensions). Models of cooperation include:

- Bilateral exchange of information
- Multilateral exchange of information.

2.1.1. Bilateral exchange

[19] Finnerty C., Merks P., Petriccione M., Russo R., "Fundamentals of International Tax Planning", IBFD, Amsterdam, 2007., pp. 49-61.
[20] Terra, B. J.M. and Wattel, P.J., „European Tax Law", Fifth Edition, Kluwer Law International, 2008, p.661.
[21] COM(2013)248 final
[22] More in: Lang M., "Introduction to the Law of Double Taxation Convention", Linde – IBFD, Wien – Amsterdam, 2010.

The exchange of information in the field of taxes between the two countries is based on Article 26 OECD Model Convention with respect to Taxes on Income and on Capital. States undertake to exchange information foreseeable relevant for carrying out the provisions of the Convention or to the execution or enforcement of domestic tax laws of all levels of government. During the exchange of information states undertake to maintain the confidentiality of information. Information may be disclosed only to persons or institutions (including courts and state administrative bodies) in connection with the assessment or collection of taxes, investigations or processing cases in the field of taxation. Information may be disclosed in the course of court proceedings or in judicial decisions. During 2012 a provision was added that the information received can be used for other purposes if it is prescribed in both Contracting States, and if the competent institution (Tax Administration) of the state which submitting data approve such use[23].

The above rules of exchange of information should not be understood in terms of the countries that submitted data are imposed to carry out administrative procedures which are not in accordance with regulations and practice of other country, or to supply information which is not obtainable under the laws or in the normal course of activities of tax administration, or to supply information that would disclose any trade, business, industrial, commercial or professional secret, trade process or information that would be contrary to public policy (*ordre public*). However, Contracting State may not refuse to supply information solely because the information is held by a bank, other financial institution, fiduciary, or because the information relates to ownership interests in a person.

The model predicted the following mechanisms of information exchange:

- Exchange of information on request
- Automatic exchange
- Spontaneous exchange
- Simultaneous tax investigations
- Participation in tax investigations in other countries
- Exchange of information relating to the taxation of certain industries or sectors of the economy.

2.1.2. Multilateral exchange

At the global level in the OECD a Multilateral Convention on Mutual Assistance in Tax Matters is developed[24]. Originally, the Convention is a joint product of the Council of Europe and the OECD. Since 1988 the Convention can be accessed by Members of both organizations[25]. The most developed countries of the world, gathered in a group G-20, in November 2011 invited other countries, especially developing countries, to accede to the revised Multilateral Convention on Mutual Assistance in Tax Matters[26]. Supervision of the application of the Convention is done by semi-permanent body comprising of representatives of countries that have signed the Convention. By December 2013, 63 states have joined to the Convention.

The Convention is an international legal framework for cooperation between the states in order to prevent tax avoidance and tax evasion in the international plan. The Convention is created in order to help governments in the implementation of tax regulations. It offers a number of

[23] OECD, Update to Article 26 of the OECD Model Tax Convention and its commentary, approved by the OECD Council on 17 July 2012, www.oecd.org

[24] OECD, Global Forum on Transparency and Exchange of Information for Tax Purposes, Tax transparency 2011: Report on Progress, http://www.oecd.org/document/

[25] The riginal Convention was amended in 2010, in order to comply with international standards in the field of data exchange for tax purposes. The new Convention entered into force on 1 of June 2011. More: www.oecd.org/ctp/eoi/mutual

[26] OECD, Convention on Mutual Administrative Assistance in Tax Matters, text amended by the provisions of the Protocol amending the Convention on Mutual Administrative Assistance in Tax Matters, which entered into force on 1st June 2011, www.oecd.org.

instruments for administrative cooperation in tax matters, providing all forms of information exchange and assistance in collection of all types of taxes of general government (excluding customs duties), including social security contributions, regardless of the level of government that collects them (Table 1).

Table 1: the scope of information exchange in the field of taxes in the OECD model (author's view)

Type of taxes	**Level of government**
Taxes collected by the State	**Taxes collected by the lower levels of government (including local) and other units of public sector**
Taxes on income or profits	Tax on income Tax on profit Tax on capital gain Tax on net wealth
Taxes on capital gains *)	
Taxes on net wealth	
Taxes on property, inheritance and gifts	
Taxes on real estate	
Taxes on consumption (VAT, sales tax)	Compulsory social security contributions to be paid to the budget of the government or public funds
Special taxes on goods and services (excise)	
Taxes on the use or ownership of motor vehicles	
Taxes on the use or ownership of movable property other than motor vehicles	
Other taxes	Other taxes in the competence of the lower levels of government

*) taxes that are levied separately from taxes on income and profit

The Convention facilitates the implementation of joint controls and the exchange of information relating to money laundering and corruption. On the other hand, taxpayers' rights are provided to the full extent, as well as their integrity, confidentiality of information exchanged, especially personal data. The Convention provided the following mechanisms of information exchange:

- Exchange of information on request
- Automatic exchange
- Spontaneous exchange
- Simultaneous tax examinations
- Participation in tax examinations in other countries.

2.2. American model - FATCA

Model of information exchange for the purpose of taxation in the USA has been developed on the basis of Foreign Account Tax Compliance Act (FATCA), which was adopted in 2010 by the U.S. Congress. The aim of the adoption of the law is that the exchange of information acts to prevent or reduce tax evasion by U.S. taxpayers through accounts in non-resident banks. According to provisions of FACTA each foreign financial institution is required to report to the Revenue Administration information about financial accounts held by U.S. taxpayers. Foreign entities in which U.S. taxpayers hold a substantial ownership interests are also required to submit data to the Revenue Administration[27]. A large number of countries, including some EU Member States (Germany, Great Britain, Spain, Ireland, and Denmark) have concluded an Agreement with the U.S. on compulsory exchange of information based on American model of FATCA information exchange, so that in perspective the U.S. model of information exchange for tax purposes could become a universal model for exchange of information on a global scale.

[27] Source: http://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA.aspx

2.3. Global forum for cooperation of Tax Authorities

Global Forum on Transparency and Exchange Information for Tax Purpose is the most comprehensive multilateral framework for the exchange information for tax purposes, which brings together 120 countries on an equal basis. Forum was initiated by the most developed countries in 1996 in order to combat harmful tax practices and tax havens. Up to date 38 countries ("tax havens") are committed to improve transparency and to establish effective exchange of information in the field of taxation. Forum is restructured in 2009 at the request of the group of 20 the most developed countries.

Standards of transparency and exchange of information in the field of taxation include the following:

- Establishment of a mechanism for the exchange of information on the basis of the request;
- Availability of reliable information (by the banks, the property, identity and accounting information);
- Responsibility for the timely collection and dissemination of information to the specific requirements;
- Respect for the protection and limitations, and the existence of confidentiality rules for information exchange.

In general, a member of the Global Forum can be any country in the world that would like to make a commitment to respect international standards of transparency and exchange of information. In addition, a member state must allow review of the legal and regulatory framework for the exchange of information related to taxation and implementation of standards of transparency and exchange of practice. Review, which is done by a group of 30 Member States of the Forum, aims to assess the availability of information for tax purposes, especially accounting, financial (bank owned) and information about the property. Availability of the required information is estimated from the aspect of the access to information, in terms of their acquisition by the competent authorities and the existence of barriers to access (for example in the form of bank secrecy, domestic requirements or other barriers) that may unduly postpone the exchange of information. In addition, the survey analyzes the effectiveness of existing mechanisms of information exchange for tax purposes. States apply different mechanisms, mostly bilateral agreements or agreements on avoidance of double taxation, agreements on the exchange of tax information or multilateral conventions, and rarely, issues on the exchange of information for tax purposes are governed by unilateral, national regulations[28].

3. EVOLUTION OF THE EU PLATFORM OF ADMINISTRATIVE COOPERATION IN THE FIELD OF TAXES

In several previous issues of the bulletin[29] we have analyzed the collaboration platform of tax administrations of the EU Member States. The significance of the comprehensive exchange of information in the field of taxation is shown by the fact that since the publication of the first part there has been the evolution of the cooperation platform in the EU.

Although it is believed that the adoption of Directive 2011/16/EU for some time completed the legal framework of the administrative cooperation system of tax administrations of the EU Member States, amendments have been recently presented which significantly expands the scope of information exchange in the field of direct taxes, with plans for further expansion from 2017. Given that some large Member States signed the agreement with the U.S. (FACTA) on the exchange of financial information, in order to prevent tax frauds, tax evasion and aggressive tax

[28] OECD, "Tax Transparency 2012 – Report on Progress", 2012., p. 13.
[29] Articles were published in the Bulletin No. 93, April 2013, Bulletin No. 95, June 2013 and Bulletin No. 96/97, July/August 2013.

planning, the EU Council has, in May 2013, requested the extension of mandatory exchange of information of the Member States to the global level. The current legal framework of binding cooperation in the field of taxation already allows the expansion of cooperation platform to third countries; however, it is necessary to conclude bilateral and multilateral agreements between Member States and third countries. At the initiative of large Member States, the EU considers further expanding the scope of information exchange to financial transactions, following the FACTA. By expanding the scope of data exchange within the EU, in addition to the achievement of external convergence toward FACTA model, it would also ensure greater cohesion of tax administration at the EU level. In this case it would not be necessary for the EU Member States to conclude individually bilateral or multilateral agreements on the exchange of tax information with third countries. At the same time, the Union would become a global leader in the exchange of information for tax purposes because the EU cooperation platform would become the most comprehensive platform in the world, including the exchange of information on all taxes and financial transactions that are subject to taxation.

In addition to the existing categories of income and capital[30] by the proposal[31] of Amendments to Directive 2011/16/EU, the EU stipulates the obligation of the automatic exchange of information on:

- Dividends
- Capital gains
- Any other amount that is paid by financial institutions as a creditor or debtor, including payments for the purchase of securities
- Account balance.

The above additional items, according to the position of the European Commission, are indirectly related to income beneficiaries who are natural persons or to the capital which such persons directly or indirectly own. Data on the above items are in the possession of financial intermediaries, which will definitely have to forward them to tax administrations, in accordance with the agreements that were concluded between Member States and the U.S. within FACTA.

By proposed amendments to Directive 2011/16/EU the Commission is bound to submit a report until 1 of July 2017 on the assessment of statistics and data submitted by Member States in this period in order to analyze the costs and benefits of the automatic information exchange system. Likewise, the Commission may propose to expand the scope of data that are subject of the exchange between Member States to other data relevant to the assessment of income tax, for example, royalties and other income from intellectual property. In this way, the platform of cooperation of tax authorities of the EU Member States would become an integral platform for information exchange in the field of taxation, as opposed to the OECD model, which focuses on information about taxes, and American model FACTA, which mainly focuses on financial transactions.

4. INTERNATIONAL STANDARDS OF THE EXCHANGE OF INFORMATION ON TAXPAYERS

4.1. Rule of „foreseeable relevance“ of information

In order to be a subject of international exchange information in the field of taxes should be "foreseeable relevant". The characteristic of "foreseeable relevance" of tax information has been introduced as a global standard of information exchange. In principle, this standard means that

[30] These are the categories of personal income, director's income (fees), life insurance products that are not covered by other EU legislation on the exchange of information, pensions, ownership of real property, income from real estatey.
[31] European Commission, Council Directive amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, COM(2013) 348 final 2013/0188 (CNS), Brussels, 12.6.2013.

information exchange should include only relevant information. In the EU, the standard at the same time obliges the Member State claiming information to request only information that is relevant to national investigations, but also the other Member State to submit all relevant information regarding a specific case or taxpayers. Similarly, the EU concept of "foreseeable relevance" has also evolved in models of bilateral conventions of OECD (Article 26). Instead of term "necessary information" the OECD Member States were in 2002 introduced the guideline "foreseeable relevance" of information exchanged. The OECD intention was to clarify to states that they are not at liberty to engage the so called "fishing expeditions", i.e. to submit speculative applications that have no apparent connection with the open query or investigation or to request information that is unlikely to be relevant for tax administration. "Fishing expedition" means a request for submitting information with no clear identification of taxpayers or groups of taxpayers, if it is a related party. It is necessary that the state requesting the information should submit a detailed description of the group of taxpayers, facts relevant to the subject and circumstances that led to the need for additional information, a description of provisions of the laws that apply to the specific case, and to list the reasons for which are believed that taxpayers for whom the information are requested do not respect tax regulations and to support the evidence.

4.2. Safety standard

All global models of information exchange in the field of taxes include the application of international standards. Respect for the rights of taxpayers, individuals and legal entities, represents the foundation of modern tax systems. Regardless of whether they are bilateral or multilateral agreements on information exchange states are obliged to respect the standard of safety and protection of the interests of taxpayers whose data are exchanged. According to the OECD states should adhere to the following basic rules[32]:

- Confidentiality also applies to information obtained on request and to information provided on a request
- States should also apply the provisions of the Agreement and provisions of national legislation in order to ensure the confidentiality
- Exchanged information can only be used for specific purposes
- Exchanged information may be disclosed only to certain people.

For the efficient exchange of information relevant for tax assessment, tax collection and the fight against tax evasions it is essential to establish a common technical (IT) platform, which includes the standardization of procedures, forms and formats of reporting countries, the application of procedures to protect the information during transmission (for example, encryption).[33]

5. CONCLUSION

Bearing in mind the current global trends, the request of the IMF to establish a formal exchange of information between tax administrations in B&H should be considered only as a first step necessary for the internal integration of information needed for efficient collection of taxes in B&H. The second step will be the integration of tax structures of B&H into the collaboration platform of the EU tax administrations and the third one will be including tax structures of B&H in the global process of transparency in the area of taxation.

[32] OECD, Guide on the Protection of Confidentiality of Information exchanged for Tax Purpose, 2012.
[33] More: http://www.oecd.org/ctp/exchange-of-tax-information/commontechnicalsolutions.htm

Consolidated reports

(Author: Aleksandra Regoje)

Table 1 (Consolidated report: B&H institutions, entities, SA)

The preliminary consolidated report includes

- revenues from indirect taxes collected by the Indirect Tax Authority on the Single Account,
- transfers from the ITA Single Account,
- revenues and expenditures of the institutions of Bosnia and Herzegovina,
- revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
- revenues and expenditures of the budget of the Republika Srpska.*

Report doesn't include unadjusted revenues collected on ITA SA.

**Includes: (A) Budget of the Republic and extra-budgetary funds recorded in Treasury General Ledger of the RS, (B) total foreign debt for the projects realized through municipalities and companies, and (C) Budget users who have their own bank accounts (including some foreign project implementation units established by ministries)*

Preliminary report: B&H Institutions, entities and SA, I-XI 2013

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	Total
Revenue	434,7	382,4	446,3	489,5	554,8	560,5	550,8	492,9	490,4	531,9	479,2	5413,4
Taxes	409,4	348,7	402,9	424,1	477,1	478,0	473,9	455,1	460,4	468,5	440,9	4839,0
Direct taxes	22,7	29,7	53,5	45,4	27,0	31,6	39,1	27,3	27,8	28,8	28,5	361,3
Taxes on income, profits and capital gains	22,0	29,0	52,5	44,3	25,9	30,6	37,9	26,2	26,8	27,7	27,6	350,7
Taxes on property	0,6	0,7	0,9	1,1	1,0	0,9	1,2	1,1	0,9	1,1	0,9	10,5
Indirect taxes (net)	386,7	318,9	349,4	378,3	450,1	445,9	434,5	427,6	432,6	439,6	412,0	4475,5
VAT	240,7	210,2	227,6	243,4	274,7	254,2	291,5	269,6	280,0	289,2	259,9	2841,1
Excises	112,0	76,4	82,4	93,0	129,9	150,3	99,2	111,2	103,7	103,1	106,2	1167,2
Road fee	20,3	16,8	18,9	22,5	26,6	23,9	25,6	28,2	27,8	24,9	25,8	261,2
Customs	12,6	14,5	18,9	18,2	17,4	16,2	16,8	17,3	19,7	20,7	18,7	190,9
Other indirect taxes	1,0	1,0	1,7	1,3	1,5	1,3	1,5	1,3	1,4	1,7	1,3	15,1
Other taxes	0,0	0,0	0,1	0,4	0,0	0,5	0,3	0,2	0,0	0,1	0,4	2,2
Social security contributions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Foreign grants	1,4	0,7	1,8	2,4	0,8	2,9	3,5	0,7	0,2	0,7	10,1	25,3
Other (non-tax) revenue	23,9	33,0	40,2	64,3	76,6	79,4	73,2	37,1	29,8	61,8	27,5	546,8
Transfers from other general government units	0,0	0,0	1,4	-1,4	0,2	0,2	0,2	0,0	-0,1	1,0	0,7	2,3

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	Total
Expenditure	411,9	400,9	410,4	416,0	459,3	478,6	532,1	492,2	462,5	500,4	463,9	5028,1
Expense	407,5	397,9	402,9	411,1	455,9	469,1	515,3	485,2	452,6	482,6	453,0	4933,2
Compensation of employees	123,1	124,6	126,9	124,2	125,0	128,9	130,5	124,4	128,3	127,3	128,2	1391,4
Use of goods and services	14,6	24,1	28,3	24,7	24,6	37,9	26,2	29,2	31,6	28,8	27,6	297,7
Social benefits	52,6	54,4	53,4	53,3	51,7	57,4	55,3	55,3	59,3	63,1	58,2	614,0
Interest	4,2	7,1	18,9	8,7	13,7	23,1	5,4	9,9	15,0	10,8	15,7	132,5
Interest payments to non-residents	2,3	5,5	10,1	6,0	6,2	14,1	3,1	5,4	7,9	5,8	9,7	76,3
Interest payments to residents	2,0	1,6	8,8	2,7	7,5	9,0	2,3	4,4	7,1	5,0	5,9	56,2
Subsidies	2,2	2,4	6,0	3,7	8,3	19,3	19,2	24,5	20,6	15,2	18,9	140,3
Grants (to non-residents)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Transfers to other general government units	40,3	42,2	41,5	37,8	42,4	49,7	60,1	48,3	48,6	47,9	46,4	505,4
Transf.from SA (BD, cant, munic, funds, road f.)	165,4	134,4	119,1	153,2	184,6	144,8	197,2	187,9	142,5	182,7	149,4	1761,1
Other expense	5,1	8,6	8,9	5,4	5,6	8,0	21,4	5,8	6,6	6,9	8,7	90,8
Net acquisition of nonfinancial assets	4,4	3,0	7,5	4,9	3,4	9,5	16,8	7,0	9,8	17,8	10,9	95,0
Acquisition of nonfinancial assets	4,6	3,3	8,2	5,6	3,9	10,1	17,4	7,2	10,7	18,4	11,6	101,0
Disposal of nonfinancial assets	0,2	0,2	0,7	0,7	0,5	0,6	0,5	0,2	0,9	0,7	0,7	6,0
Gross/Net operating balance (revenue minus expense)	27,1	-15,5	43,3	78,4	98,9	91,4	35,5	7,8	37,8	49,3	26,2	480,2
Net lending /borrowing (revenue minus expenditures)	22,8	-18,5	35,9	73,5	95,4	81,9	18,7	0,8	27,9	31,5	15,3	385,2
Net financing = (Minus) Net lending /borrowing	-22,8	18,5	-35,9	-73,5	-95,4	-81,9	-18,7	-0,8	-27,9	-31,5	-15,3	-385,2

Table 1