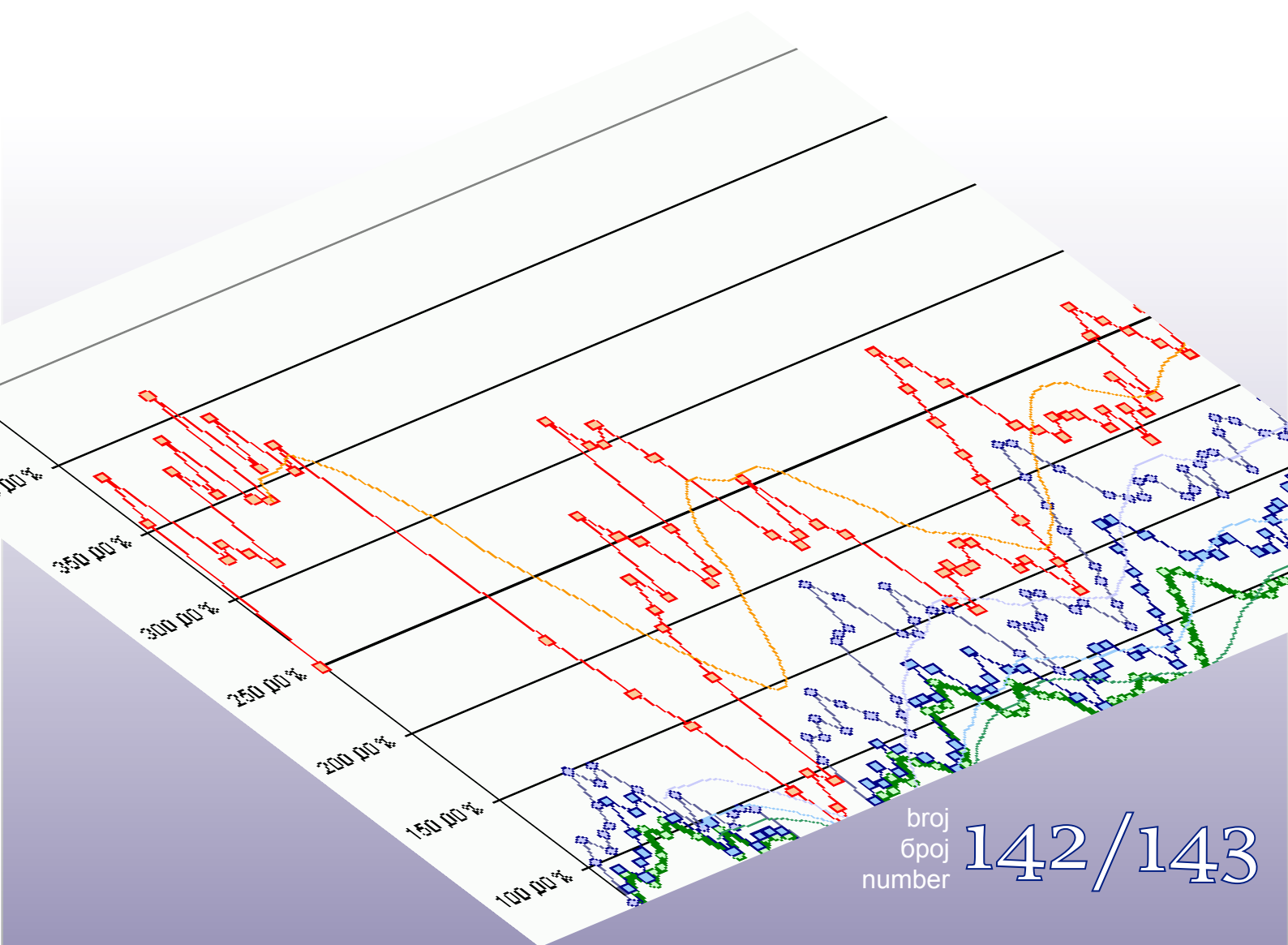




Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Oma Bilten

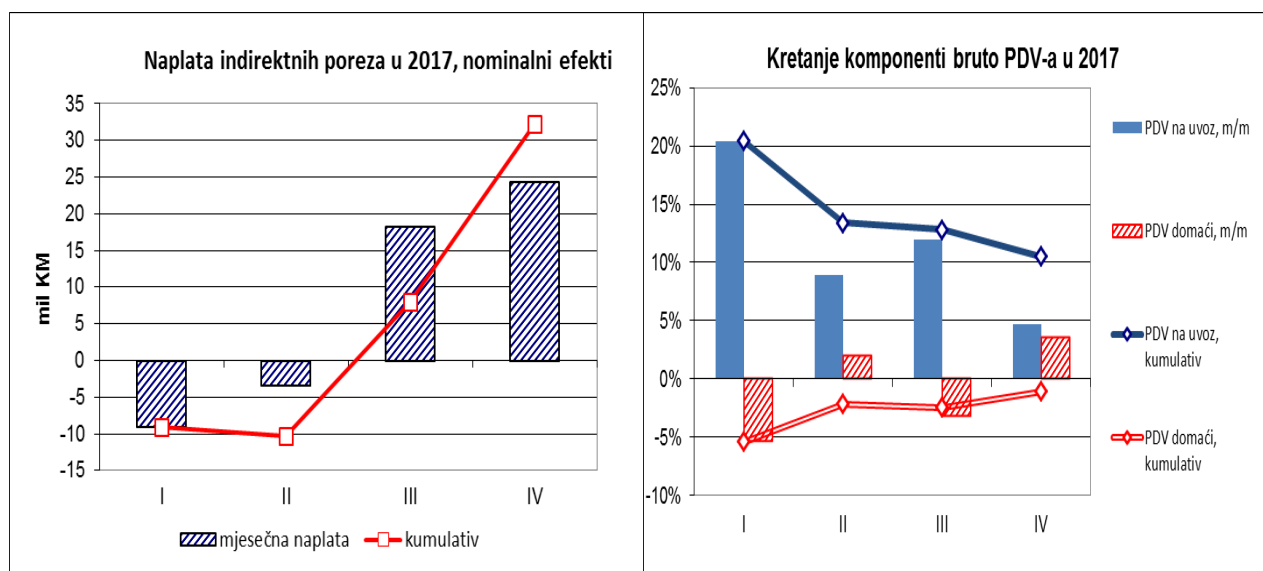


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With this issue

The growing trend of indirect tax revenues has continued in April 2017. According to the ITA preliminary report by types of revenues, the gross revenue collection increased by 35,3 million or 6,6% in April. However, due to an increase of refunds in the amount of 11 mill BAM, net collection was higher by 24,3 million or 5,5%. Positive trends in revenue collection in April brought increase in both gross and net cumulative collection. The net effects for the first four months amounted to 32,2 million BAM, representing an increase of 1,9% compared to a net collection in the same period of 2016 (Chart 1). The main generator of revenue growth in the first four months of 2017 was VAT, whose collection increased by 22,6 million BAM compared to 2016. It is necessary to take into account the high amount of unadjusted revenues of 21,5 mil BAM, of which a significant part relates to VAT, so a larger increase in VAT can be expected after adjusting payments with submitted returns. Among the other groups of revenues, the growth was recorded in revenues from customs revenues (6,6 mill) and road fees (7,5 mill), while decline of 9,1 million BAM was recorded in excise revenues.



Analysis of the structure of gross VAT collection shows the positive dynamics in domestic VAT, although it is still in the zone of negative growth. On the other hand, despite modest growth of VAT on imports in April, the cumulative growth of VAT on imports was kept to a high 10,5% (Chart 2).

Dinka Antić, PhD
Head of Unit

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Indirect tax revenue projections for the period 2016-2019

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Technical design: Sulejman Hasanović, IT expert

Note for readers:

Due to a longer absence of the key staff in 2017 full articles (analysis, projections) are available only in bulletins in local languages.

INDIRECT TAX REVENUE PROJECTION FOR THE PERIOD 2017-2020 (baseline scenario)**I ASSUMPTIONS**

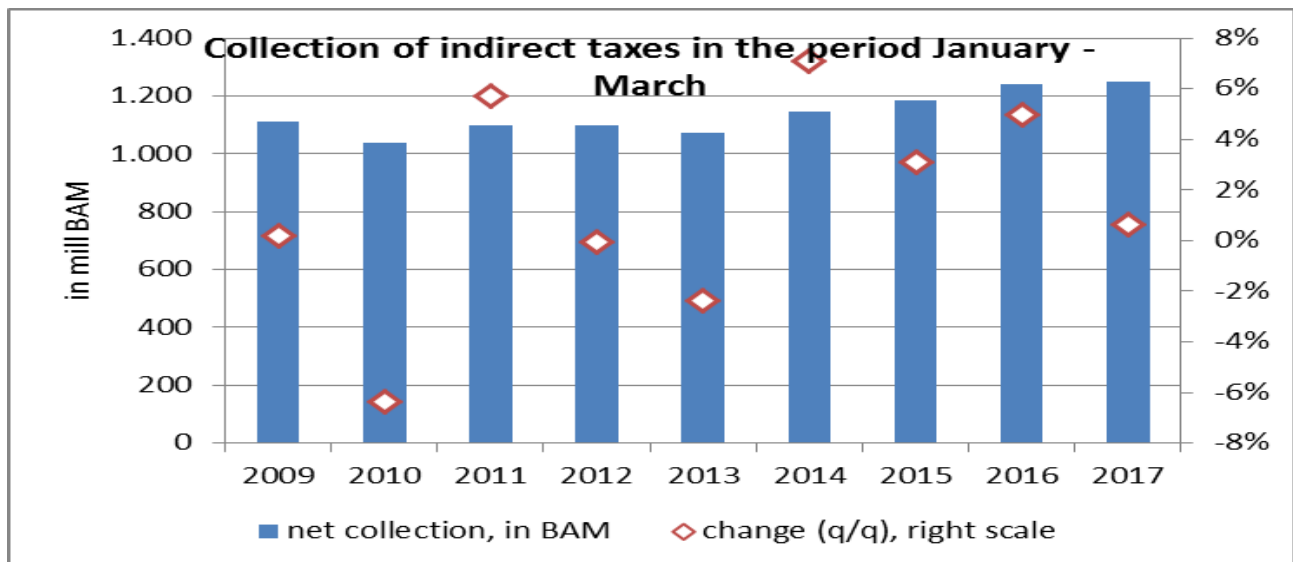
- Forecast of macroeconomic indicators by Directorate for Economic Planning (DEP) for the period (presented in March 2017);
- Continuation of harmonization of excise duties on cigarettes with EU standards and the application of the new cut tobacco tax policy¹ ;
- The effects of the application of the Free Trade Agreement between BiH and the EFTA countries in the year 2017;
- The effect of the application of the adoption of the Stabilisation and Association Agreement (SAA) with the EU²;
- Current trends in collection of indirect taxes.

¹ Policy of excise duties on tobacco in 2017 was determined by the Law on Excise Taxes and by Decision of the ITA Governing Board:

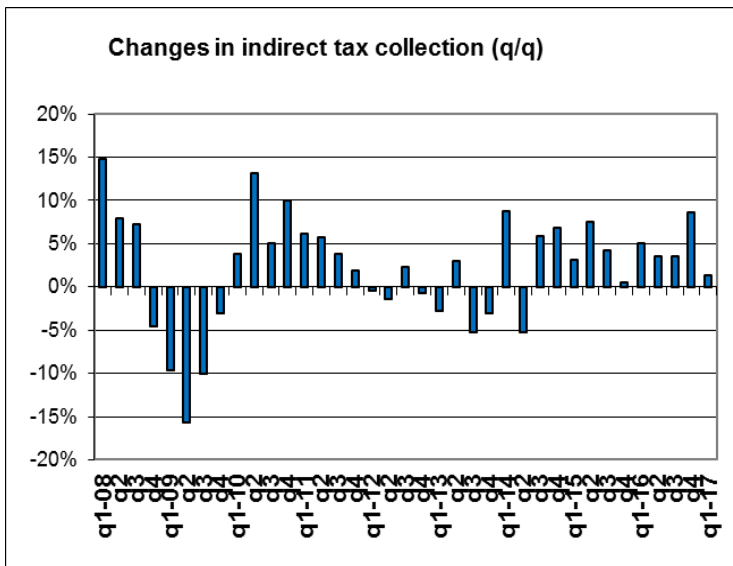
- Minimum excise duty on cigarettes: BAM 2,42 per pack (or EUR 61,86 per 1000 pieces)
- Specific excise duty on cigarettes: BAM 1,35 per pack (or EUR 34,51 per 1000 pieces)
- *Ad valorem* excise duty on cigarettes: 42% on RTSP
- Minimum excise duty on fine-cut and other tobacco: BAM 96.80 / kg (or EUR 49,49 per kg)

Policy of excises on tobacco in the period 2017-2019 includes continuous annual increase in the specific excise tax on cigarettes of 0,15 BAM per pack, establishing the minimum excise duty on cigarettes (at least 60% of the weighted average price of cigarettes) and the harmonization of specific excise on cut tobacco with excise on cigarettes (at least 80% of the minimum excise tax on cigarettes).

² In force as of 1 February 2017

II CURRENT TRENDS IN COLLECTION

Source: ITA, Final report on collection of indirect taxes for March 2017.

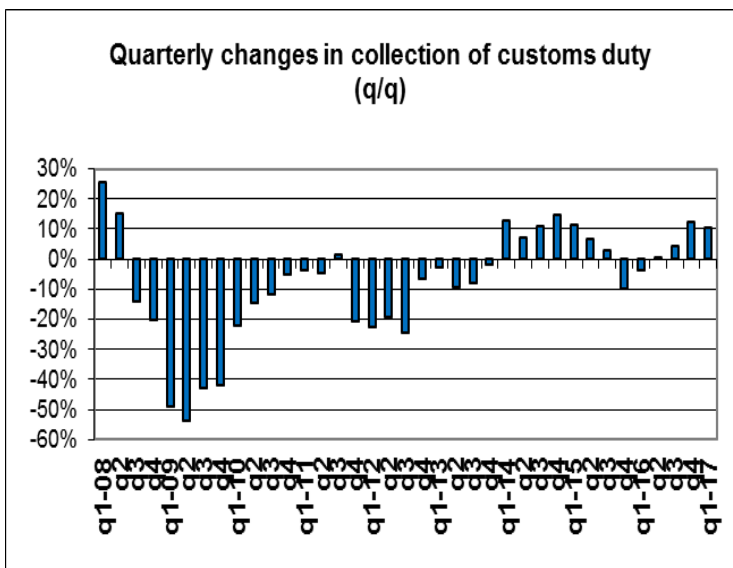


Source: ITA, Final report on collection of indirect taxes for March 2017.

Performance in Q1 2017:

	Change in %, Y/Y
Gross collection	3,5%
Net collection	0,6%

Customs duty

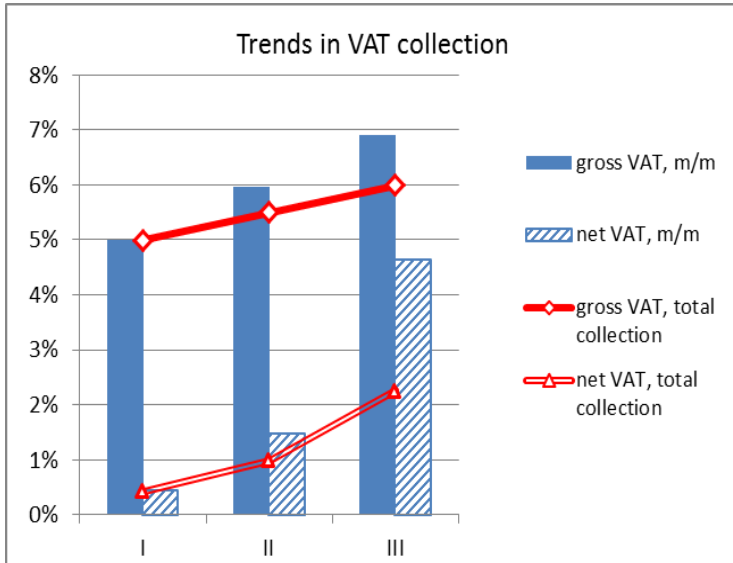


Source: ITA, Final report on collection of indirect taxes for March 2017.

Performance in Q1 2017:

	Change in %, Y/Y
Net collection	10,4%

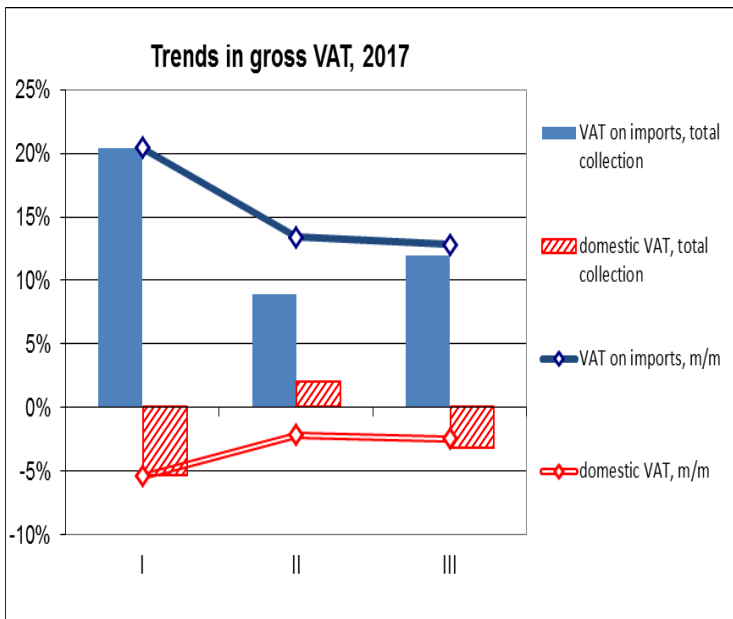
VAT



Source: ITA, Final report on collection of indirect taxes for March 2017.

Performance in Q1 2017:

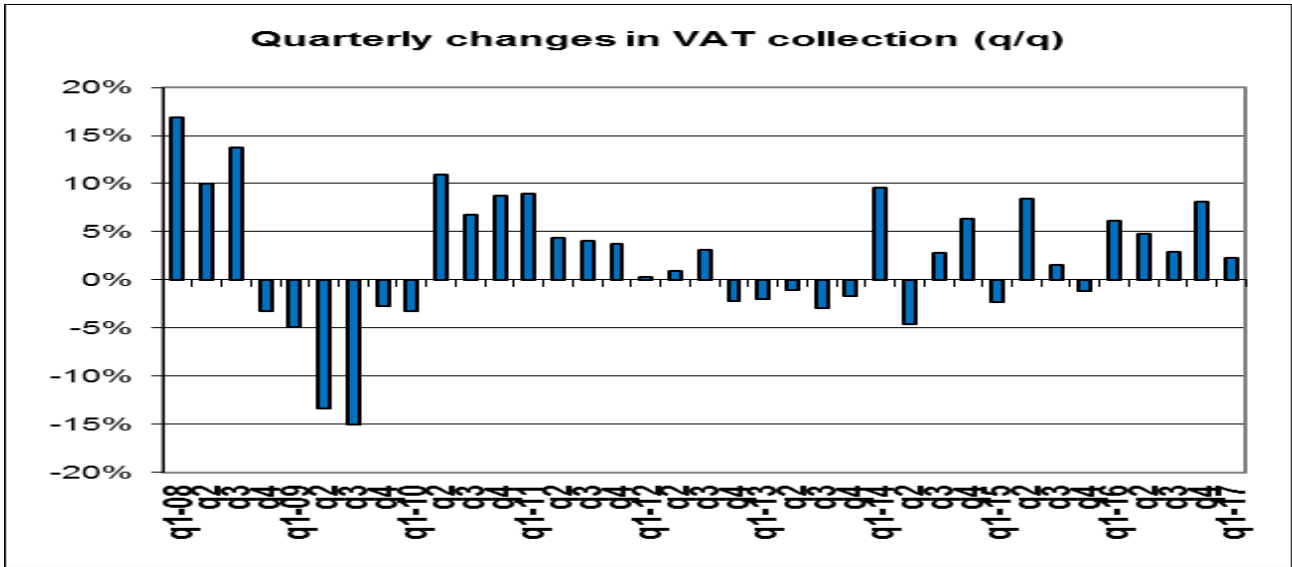
	Change in %, Y/Y
Gross collection	6,0%
Refunds	17,7%
Net collection	2,3%



Source: ITA, Final report on collection of indirect taxes for March 2017.

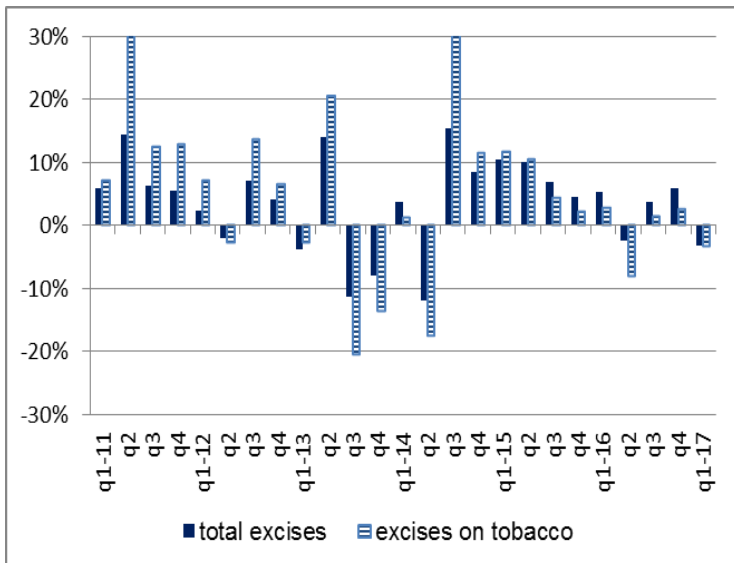
Performance in Q1 2017:

	Change in %, Y/Y
VAT on imports	12,8%
Domestic VAT	-2,5%



Source: ITA, Final report on collection of indirect taxes for March 2017.

Excise duty

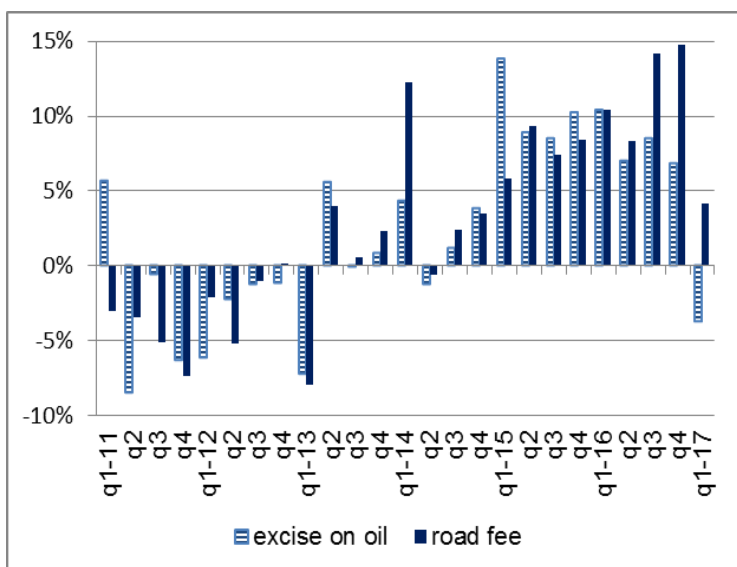


Source: ITA, Final report on collection of indirect taxes for March 2017.

Performance in Q1 2017:

	Change in %, Y/Y
Total excises	-3,4%
Excises on tobacco	-3,2%

Note: net collection

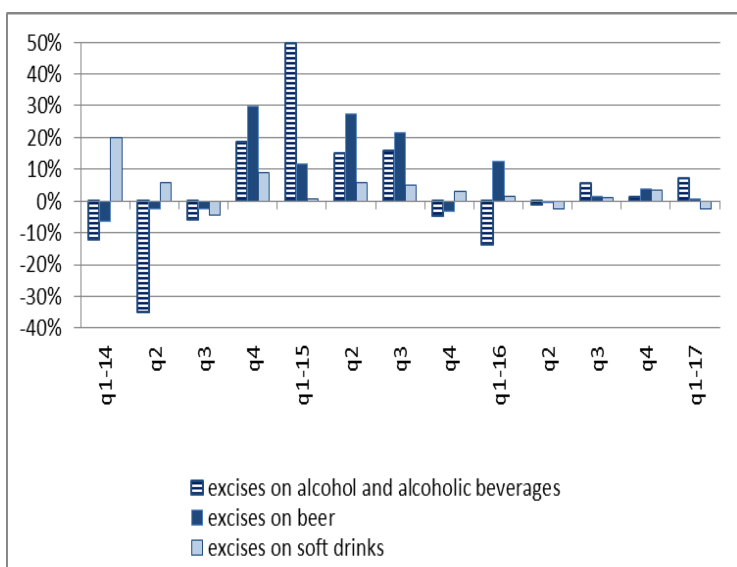


Source: ITA, Final report on collection of indirect taxes for March 2017.

Performance in Q1 2017:

	Change in %, Y/Y
Excises on oil	-3,8%
Road fees, incl. earmarked for highways	4,1%

Note: gross collection



Source: ITA, Final report on collection of indirect taxes for March 2017.

Performance in Q1 2017:

	Change in %, Y/Y
Excises	
On alcohol and alcoholic beverages	7,0%
On beer	0,6%
On soft drinks	-2,6%

Note: gross collection

III INDIRECT TAX REVENUE PROJECTIONS (2017-2020), APRIL 2017

Table 1: Baseline scenario (2017-2020)

Type of revenue (net)	In mill BAM					Projected growth rate			
	Execution	Projection							
	2016	2017	2018	2019	2020	2017	2018	2019	2020
VAT	3.433,8	3.566,4	3.699,3	3.872,8	4.074,5	3,9%	3,7%	4,7%	5,2%
Excise taxes	1.448,9	1.426,4	1.430,2	1.428,6	1.434,5	-1,6%	0,3%	-0,1%	0,4%
Customs	248,2	229,8	236,6	258,0	276,1	-7,4%	3,0%	9,0%	7,0%
Road fees	358,8	362,4	372,2	382,3	392,6	1,0%	2,7%	2,7%	2,7%
Other	41,0	41,2	41,4	41,6	41,8	0,5%	0,5%	0,5%	0,5%
TOTAL	5.530,7	5.626,4	5.779,8	5.983,2	6.219,4	1,7%	2,7%	3,5%	3,9%
Road fees (0,10 BAM/l)	143,5	145,0	148,9	152,9	157,0	1,0%	2,7%	2,7%	2,7%
REVENUE FOR DISTRIBUTION	5.387,2	5.481,4	5.630,9	5.830,3	6.062,4	1,7%	2,7%	3,5%	4,0%

Differences from the previous projections

Table 2: The share in annual nominal growth (in %)

Type of revenue (net)	Projection		
	2018	2019	2020
VAT	86,6%	85,3%	85,4%
Excise taxes	2,4%	-0,8%	2,5%
Customs	4,4%	10,5%	7,7%
Road fees	6,4%	4,9%	4,4%

Table 3: Differences from the projections prepared in October 2016 (in million BAM)

Type of revenue (net)	Execution	Projection		
	2016	2017	2018	2019
VAT	48,2	45,7	30,3	38,8
Excise taxes	0,1	-43,1	-65,5	-94,3
Customs	5,3	-26,3	-36,1	-33,4
Road fees	3,6	-2,4	-3,2	-4,0
Other	11,8	11,8	11,8	11,8
TOTAL	69,0	-14,3	-62,6	-81,2

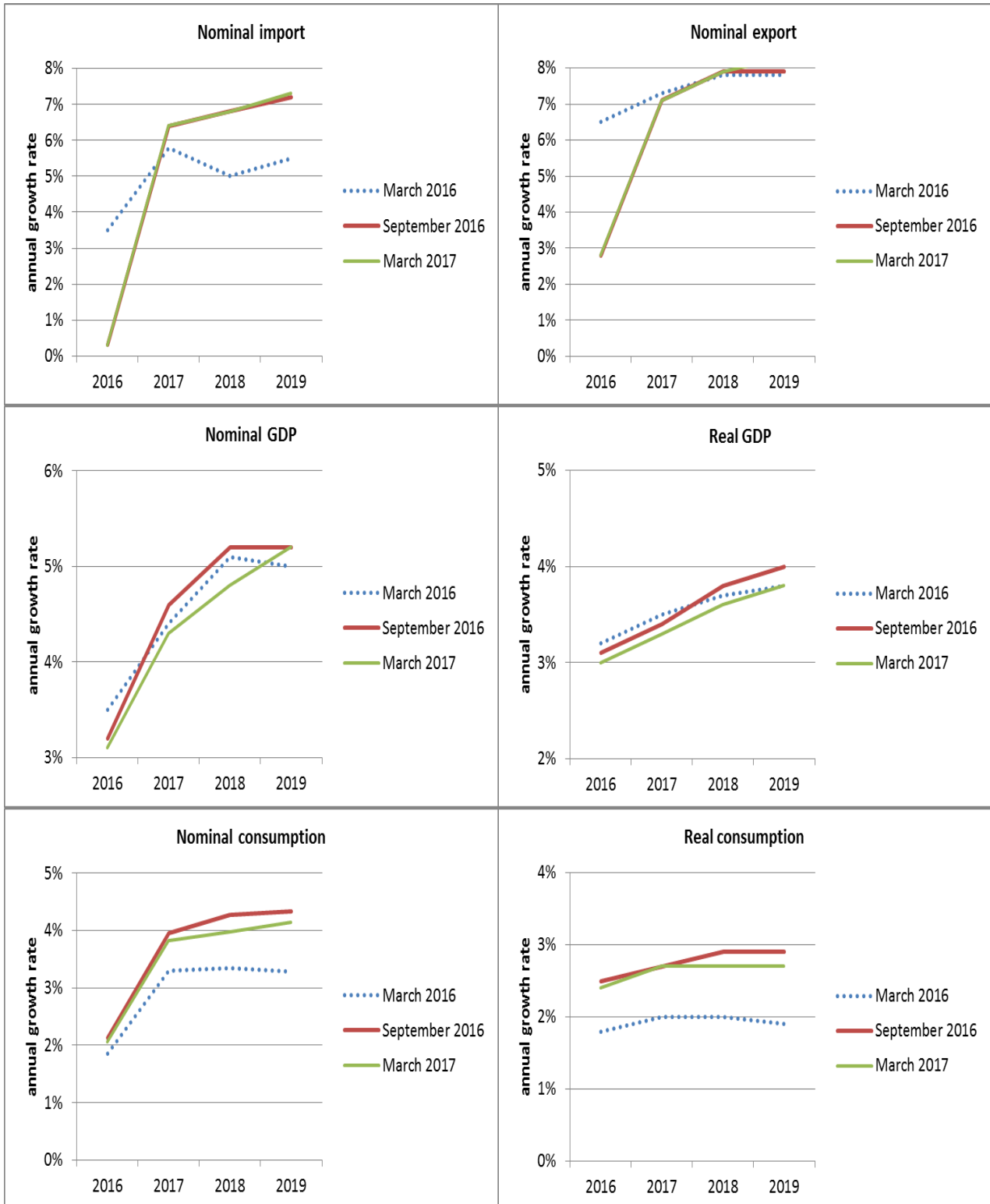
Note: The October projections were published in OMA Bulletin # 136/137, November/December 2016, www.oma.uino.gov.ba.

Table 4: Differences between projections from April 2017 and October 2016

Time of preparation of the projection	2016	2017	2018	2019	2020
October 2016	5.461,8	5.640,6	5.842,4	6.064,3	-
April 2017	5.530,7	5.626,4	5.779,8	5.983,2	6.219,4
Difference in %	1,3%	-0,3%	-1,1%	-1,3%	-

Note: Shaded cells contains projected amounts.

Differences in macroeconomic projections (2016-2019)



Source: Directorate for Economic Planning