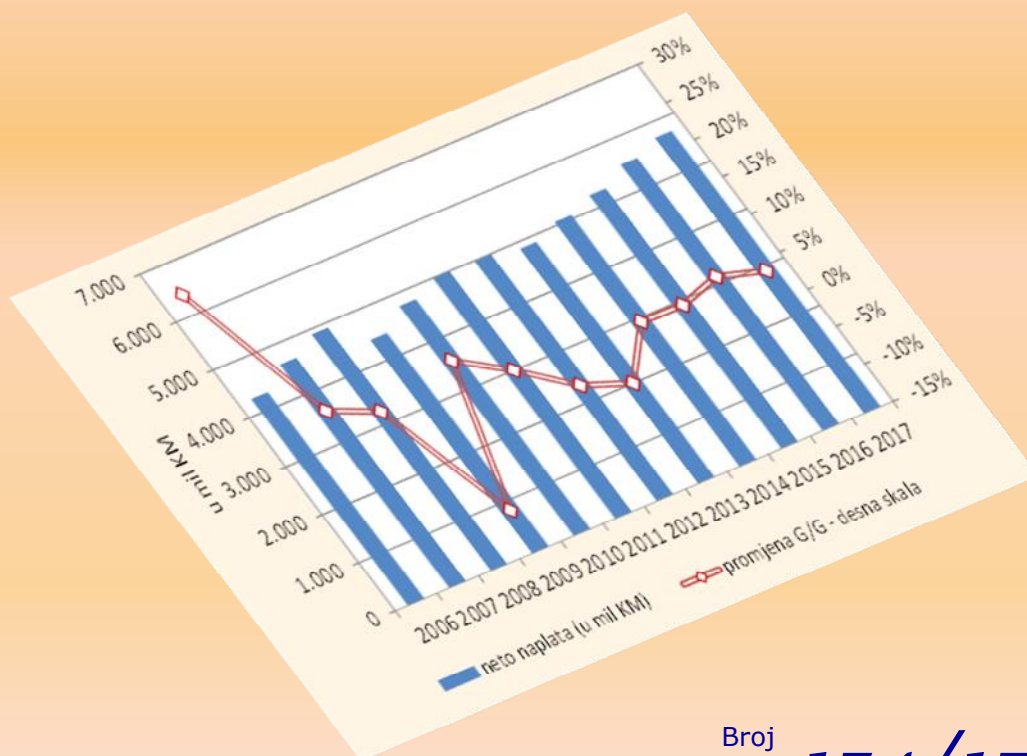




Macroeconomic Unit of the Governing Board of the Indirect Taxation Authority

ОМА Билтен



Broj
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With this issue

According to the preliminary report of the ITA by type of revenue, the gross revenue collection in April increased by 18,7 million KM or by 3,3%. Because of the increase in refunds, the net revenue collection was higher by 7,7 million KM or by 1,6%, and cumulative net collection by 137,5 million KM which is 8% more than in the same period of 2017. The main generator of revenue growth in the first four months of 2018 was VAT, whose collection increased by 58,4 million KM in comparison with the same period in 2017. It should be taken into account the high amount of unadjusted revenue of approximately 24 million KM, of which a significant part refers to VAT, so even higher net effects on VAT can be expected after adjusting the payments with the submitted returns. The changes to the Law on Excise Duties have led to an additional growth in revenues from road tax of 55,8 million KM. The small growth was recorded in revenues from customs (7,6 million KM) and excise duties (6,8 million KM).

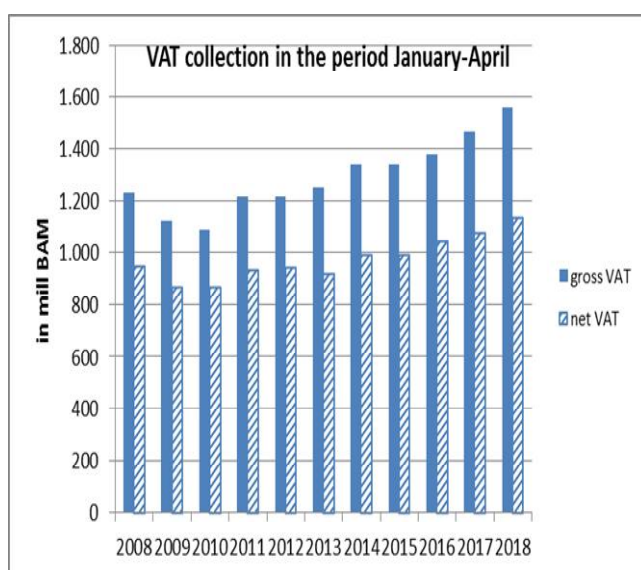


Chart 1

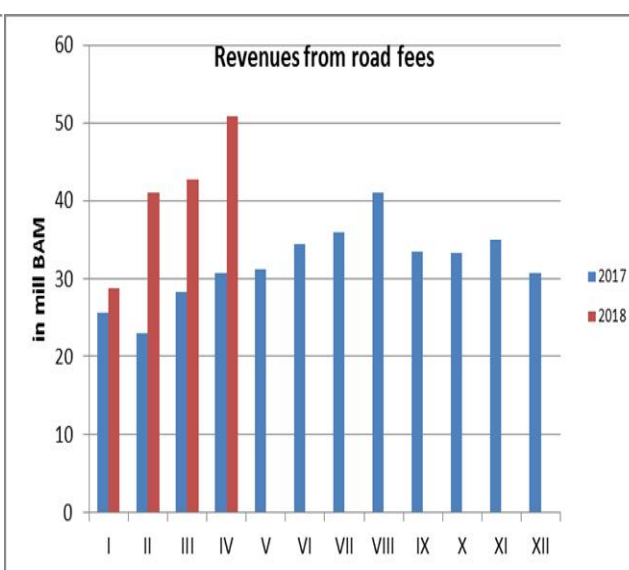


Chart 2

Comparison of the nominal gross and net collection shows that both gross and net collection in the first four months of 2018 were above the collection in the previous years, representing, in nominal terms, the maximum levels since the introduction of the VAT (Chart 1). A strong growth was recorded in revenues from road tax due to the increase of the rate as of 1st February 2018. However, the slowdown in imports and in domestic turnover of derivatives, as a consequence of the increase in retail prices, was also reflected in the collection of revenues from road tax (Chart 2).

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INDIRECT TAX REVENUE PROJECTIONS 2018-2021

I ASSUMPTIONS

Indirect tax revenue projections for the period 2018-2021 imply baseline projections.

The assumptions for drafting the projections are as follows:

- Forecasts of macroeconomic indicators by Directorate of Economic Planning (DEP) for the period 2018-2021 from March 2018;
- Amendments to the Excise Law in force since 1st February 2018.¹
- Continuation of harmonization of excise duties on cigarettes with EU standards and the application of the new taxation policy on fine-cut tobacco²;
- Effects of the application of the adapted Stabilization and Association Agreement (SAA) in force since 1 February 2017;
- Current trends in indirect tax revenue collection.

The policy of excise duty on tobacco in 2018 is determined by the Excise Law and the ITA GB Decision³. The policy of excise duty on tobacco in the period 2018-2019 includes continuous annual increase in the specific excise duty on cigarettes of 0,15 KM per package, determination of minimum excise duty on cigarettes (minimum 60% of weighted average price of cigarettes) and harmonisation of the specific excise on cut tobacco with the excise duty on cigarettes (minimum 80% of the minimum excise duty on cigarettes). It is expected that the minimum excise duty on cigarettes in the EU for all price categories of cigarettes will be reached in 2019.

II CURRENT TRENDS IN COLLECTION

2.1. Total collection

2017 was the year of record collection of revenues from indirect taxes, both gross and net, and, at the same time, the year of extremely high export growth of 17,4% and a strong growth of imports of 12,2%, which largely determined the gross and net collection. The collection growth rate amounted 3,1% in the first half of the year, while the growth rates of net collection have been reaching as much as 5,7% in the second part of the year, up until December. However, unexpectedly poor collection of revenues in December reduced the cumulative growth rate of net collection from 4,8%, which was achieved in the eleven months, to 3,5%. The most important segments of the growth of gross revenues from indirect taxes were VAT on imports, then domestic VAT, and to a lesser extent revenues from customs, road taxes, excises on oil derivatives and tobacco products. An important growth factor was the consumption of non-residents in transit, including tourism, and cross-border and local-border consumption, which resulted from regional competitiveness of the prices of derivatives in B&H. Despite expectations that the implementation

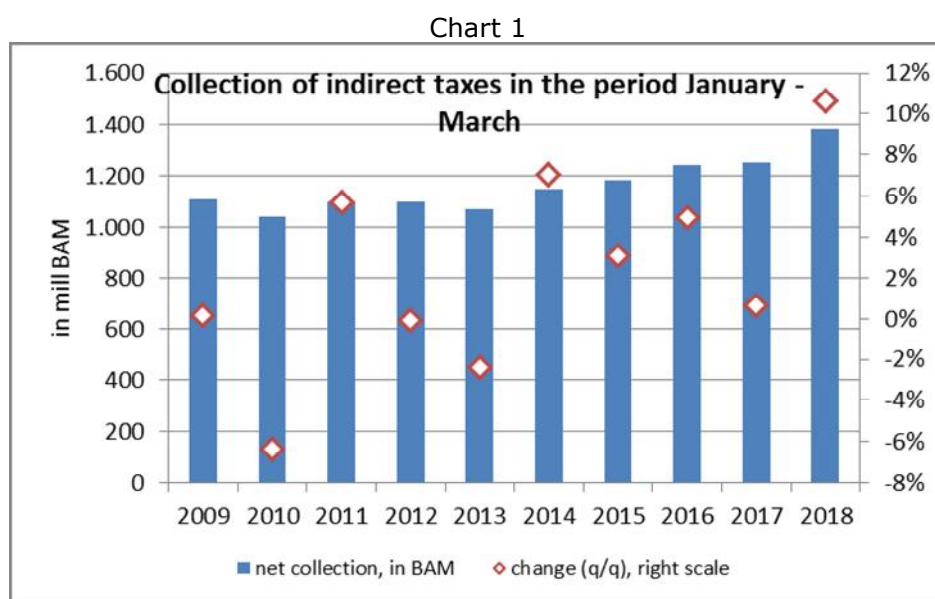
¹ Official Gazette of B&H, No. 91/2017

² The new policy is in effect since 1 August 2014. (Amendments to the Excise Law in B&H „Official Gazette of B&H“ No. 49/14)

³ Decision on Determination of the Specific and Minimum Excise Duty for Cigarettes and Amount of the Excise Duty for Smoking Tobacco in 2018 (Official Gazette of B&H, No. 84/2017).

of the adapted SAA of 1st February 2017 would bring a significant drop in customs revenues, there was a net increase in revenues of 20,9 million KM.

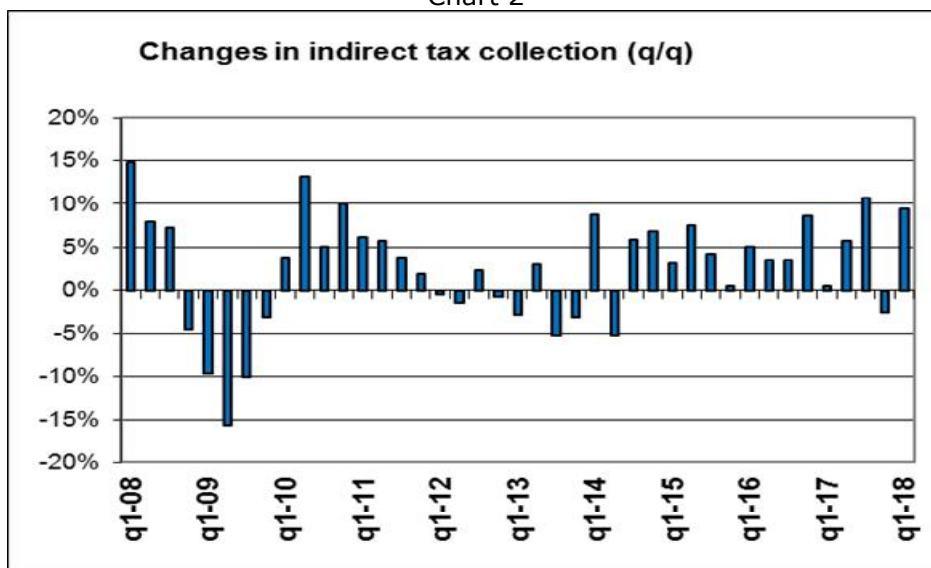
Positive trends in collection of revenues from indirect taxes continued in the first quarter of 2018. According to preliminary cash flow report at the ITA SA, the gross collection amounted to 1,701 billion KM in the first quarter of 2018. Compared to the first quarter of 2017 refunds were higher by 25,4 million KM, which reduced the effects of gross collection. Finally, the net collection of indirect tax revenues was higher by 132,7 million KM or by 10,6% than the collection in the first quarter of 2017. The very high rate of revenue growth in the first quarter of 2018 deviated to a certain extent from the usual indirect tax collection pattern.



Bearing in mind, on the one hand the drop in the December revenues on imports (VAT, excise), which was unusual considering traditionally high collection at the end of year due to New Year holidays, and, on the other hand a discrepancy between the dynamics of imports of goods and VAT revenues on imports in December,⁴ it can be concluded that there was a shift of the part of revenue from 2017 to 2018. Likewise, it can be assumed that a certain part of the activities of taxpayers, usually realized at the end of year, was transferred to the next year. An important factor of the unusually high collection of revenues in the first quarter, which is not related to microeconomic and macroeconomic developments, is the introduction of new software for VAT by the ITA during February, whose stage implementation has to some extent disrupted the established VAT refund pattern, moving them within the legal deadlines in March and April. Comparison of the nominal collection of indirect tax revenues in the first quarter of 2018 with the first quarter of the previous year suggests that, despite the high refunds, the net collection of indirect tax revenues in nominal terms was the most successful since the establishment of the ITA (Chart 2).

⁴According to the Agency for Statistics of Bosnia and Herzegovina, the import of goods in December 2017 decreased by 0,5% compared to the same month of 2016, while according to the ITA data, the VAT on imports in December fell by 4,6% compared to the same month 2017 .

Chart 2



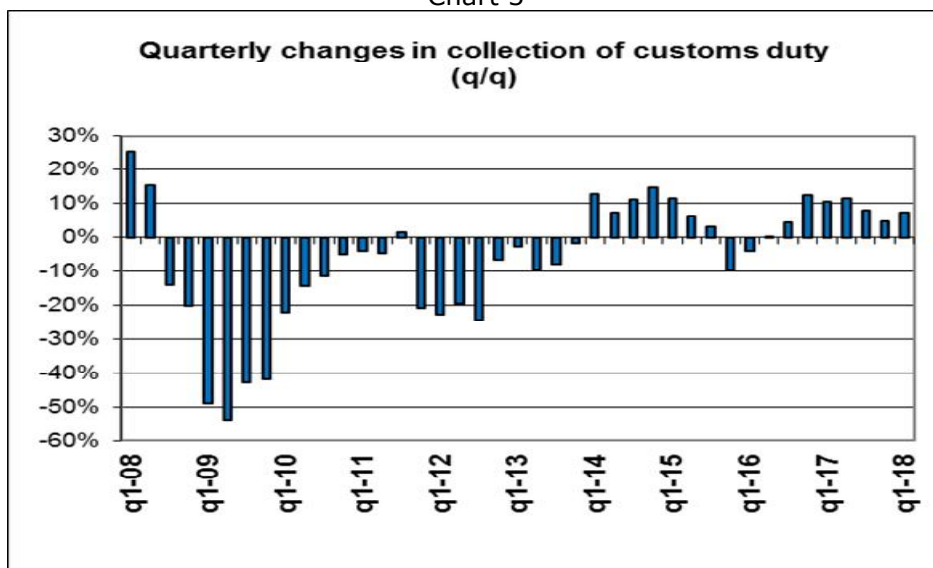
2.2. Collection by type of revenue

Despite the poor collection of revenues in March the quarterly growth amounted to 10,6%. Nominal growth in the first quarter was realized in VAT (+54,6 million KM), and in road taxes (+35,6 million KM). Positive effects were also achieved in collection of revenues from excises (+17,2 million KM) and in customs revenues (+4,4 million KM).

2.2.1. Customs

A positive trend in the collection of customs revenues from the second half of 2017, which was only temporarily discontinued by a 1% decline in revenue in December, continued in the first quarter of 2018, with a noticeable slowdown in growth. Since customs revenues are mostly charged on import of goods from the third countries and, to a lesser extent, on imports of goods from the EU that have remained under the customs regime, the strong oscillations in imports of goods from the third countries led to the oscillations in customs revenues. After an enormous fall in imports from the third countries in December of 51,4%, a 29,1% increase was recorded in January, which also influenced a 17,4% increase in customs revenue growth. The rise in revenue in January is surprising also due to the fact that the basis for comparison is higher because the implementation of the adapted SAA started since February 2017. The decline in imports from the third countries in February 2018 of 8,9% has been partly offset by an increase in imports from the EU, so a growth in customs revenues of 7,4% was achieved. A slight increase in customs revenues of 0,6% was achieved in March, which reduced the cumulative growth rate in the first quarter to 7,2%. An overview of the quarterly trends in collection of customs revenues shows that despite the strong turbulences, a positive trend has been maintained that has been in place for eight quarters consecutively (Chart 3).

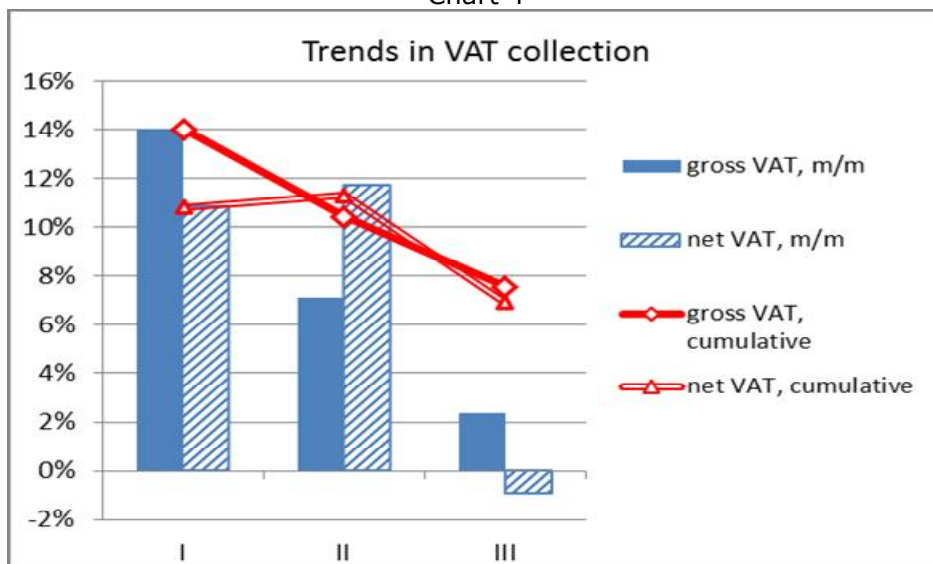
Chart 3



2.2.2. VAT

A strong deterioration in VAT collection in December 2017 was caused by a drop in imports and enormous payments of VAT refunds. The discrepancy between the decrease in imports in December and decrease in VAT revenues on imports indicates that part of the revenue from VAT on imports due to the payment of customs debt has been transferred to January 2018, when a very high gross and net VAT growth rates of 14% and 10,8% respectively were achieved (Chart 4).

Chart 4



A stabilization of gross payments started in February and growth rate of 2,3% was achieved in March. Shifting the payment of refunds in February due to the introduction of new VAT software brought a high growth rate of net VAT of 11,7%. The strong growth of 11,7% in the payments of regular and accumulated requests for VAT refunds in March, with a modest increase in gross collection, resulted in a decline in net VAT revenue of 0,9% (Chart 4). The slowdown in gross collection in February and March led to a slowdown in growth rate of cumulative gross collection in

the first quarter to a still very high rate of 7,6%, while the growth rate of cumulative net VAT decreased to 6,9% due to the growth of VAT refund payments of 9,3%. A review of quarterly trends in net VAT collection shows that positive developments in VAT collection have lasted for nine quarters, with the exception of the fall in the fourth quarter of 2017, which was largely consequence of the prolongation of refund payments from the previous months due to the implementation of extensive controls of refunds by the ITA (Chart 5). Higher VAT growth rates could be expected in the first quarter of 2018 since, according to the preliminary report of the ITA, there were temporarily unadjusted 21,8 million KM. High growth of gross VAT in the first quarter of 2018 was the result of strong increase in VAT on imports and a modest increase in domestic VAT (Chart 6). After adjusting the unadjusted revenues, a slight improvement in the collection of domestic VAT can be expected.

Chart 5

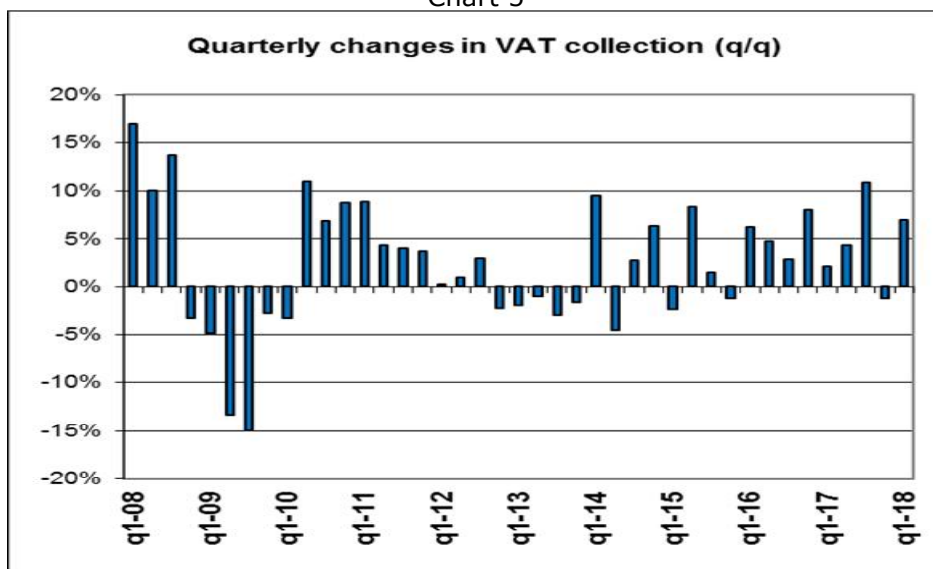
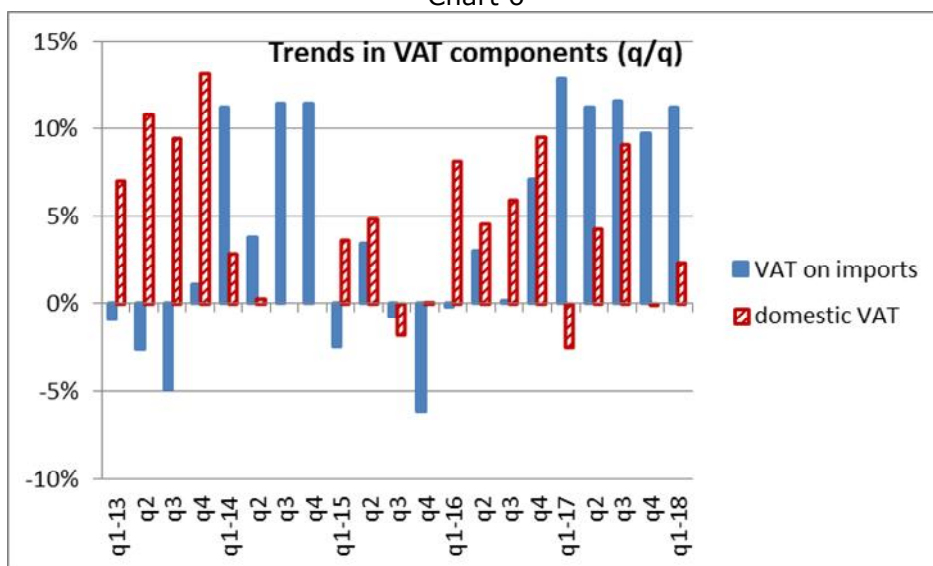
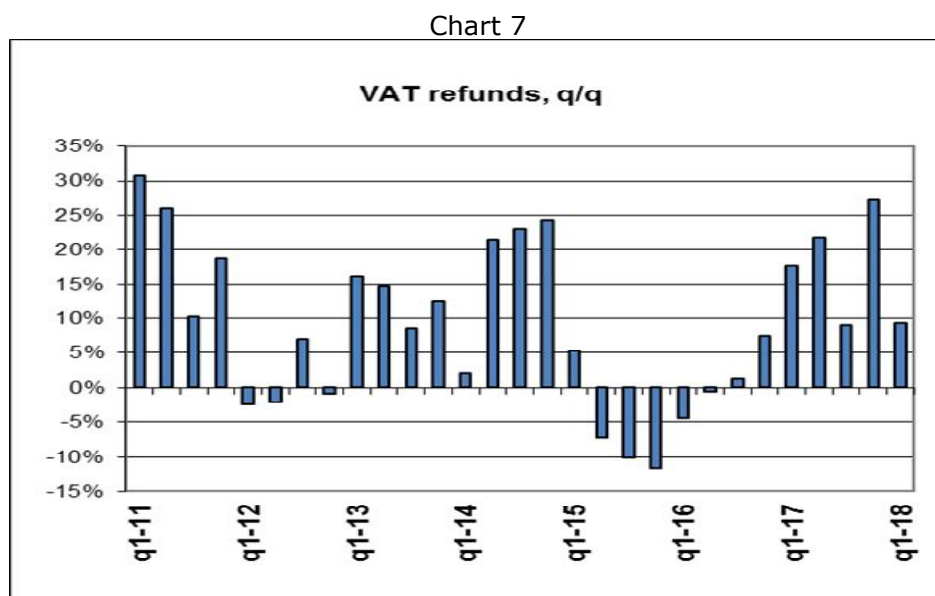


Chart 6



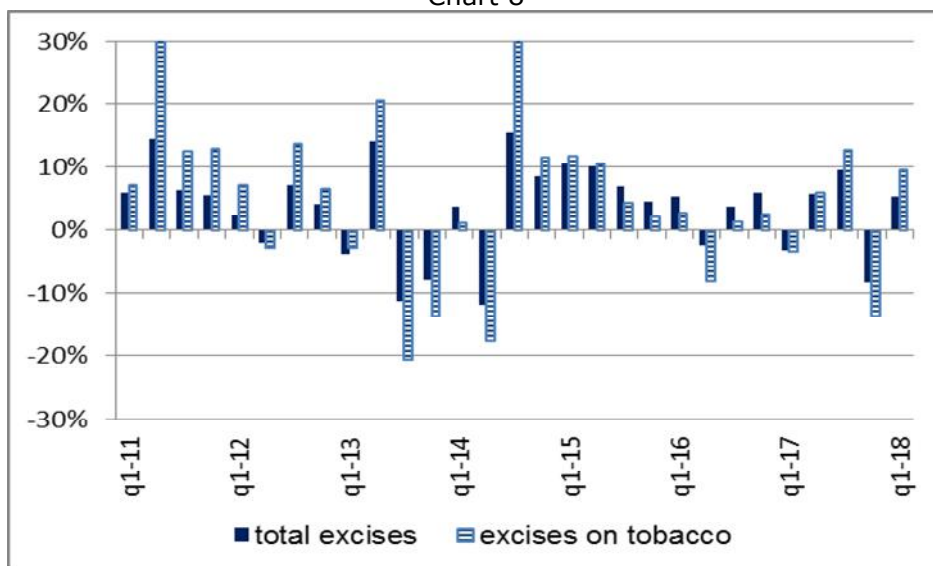
Comparison of VAT refund payments in the first quarter of 2018 with 2017 indicates an increase in refunds to taxpayers of 13,7% or by 35,9 million KM, while the refunds for the international projects were paid 10,6 million KM less than in the same period of 2017. An overview of the quarterly trends shows that the relative growth of VAT refunds in the first quarter, despite the nominal growth, was significantly lower than in 2017 (Chart 7). However, the average share of refund payments in gross VAT revenues in the first quarter of 2018 was 27,3%, which is for 0,6 percentage points higher than in 2017, and significantly higher than in previous years.



2.2.3. Excises and road taxes

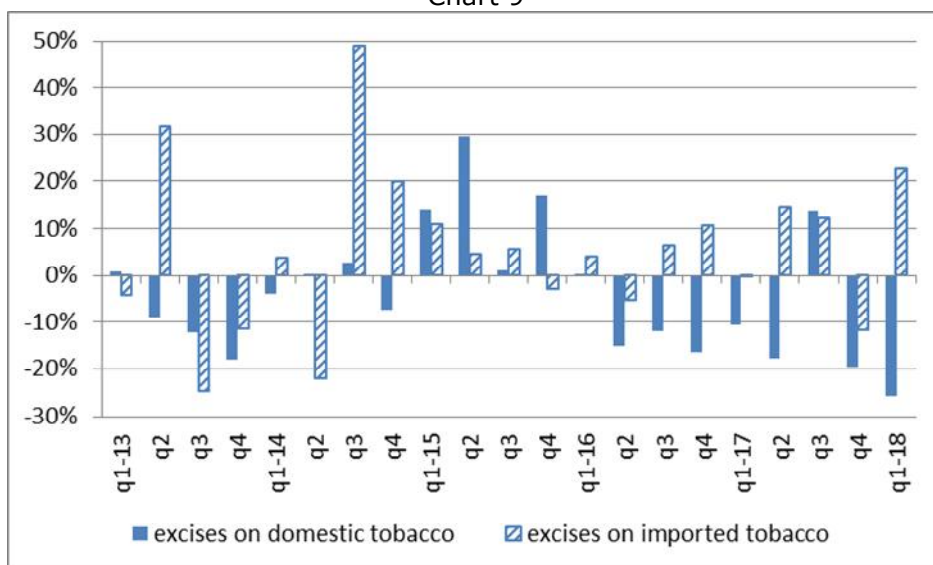
The negative trends in the collection of excise revenues, which lasted from September 2017, were stopped in January and February 2018, when growth rates of 20,5% and 8,3% were recorded. The strong growth in the first months of 2018 is a result of increased consumption prior to announced increases in retail prices of cigarettes by importers and domestic tobacco industry, as well as increased demand for oil derivatives prior to beginning of the application of higher taxes on oil derivatives as of 1st February 2018. Bearing this in mind, a strong decline in excise revenues of 11,2% in March has been expected. An incredible drop of 60,3% in March was recorded in revenues from excise duties on domestic tobacco products. The collection of excises on domestic oil derivatives was 28,8% lower than in the same month of 2017, and on imported 5,8%. A strong decline in excise revenues was also recorded on the group containing beer, alcohol, alcoholic and non-alcoholic beverages. Revenue growth was achieved only on excises on imported cigarettes and on excises on coffee. Despite the very poor collection of excises in March, the increase in revenues from excise duties of 5,5% was achieved at the level of the first quarter of 2018 (Chart 8). Nominal effects in the collection of excise revenues originate only from excises on tobacco products, while the collection of excises on the other products was lower than in the same period of 2017.

Chart 8



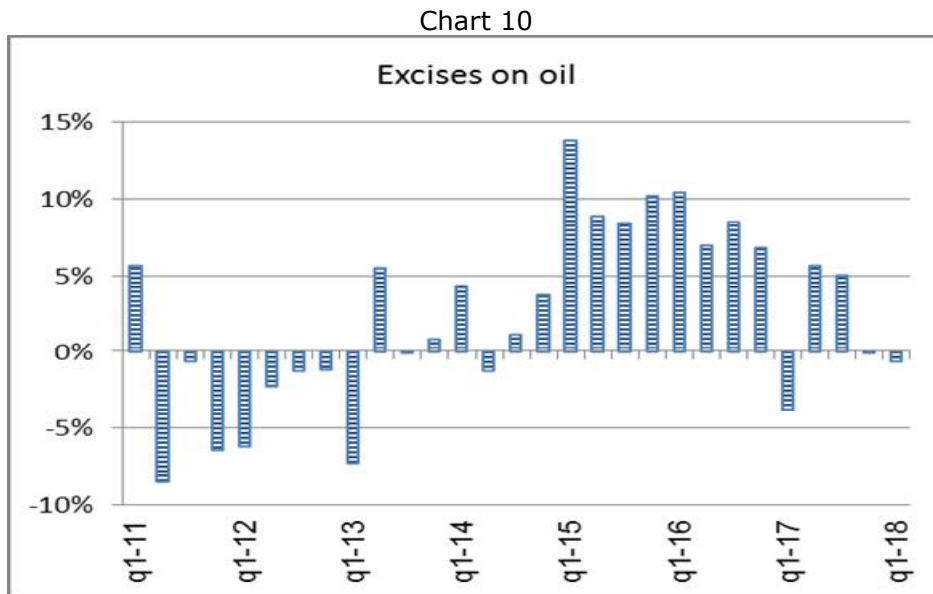
Despite the poor collection of excises in March, the quarterly growth of revenues from excises on tobacco products was 9,6%. An analysis of the structure of excise revenues indicates that revenue growth comes from imported tobacco products. At the quarterly level, revenues from excise taxes on imported tobacco products were even higher by 22,5% compared to the same quarter of 2017, while domestic excise revenues were lower by 25,75% (Chart 9).

Chart 9

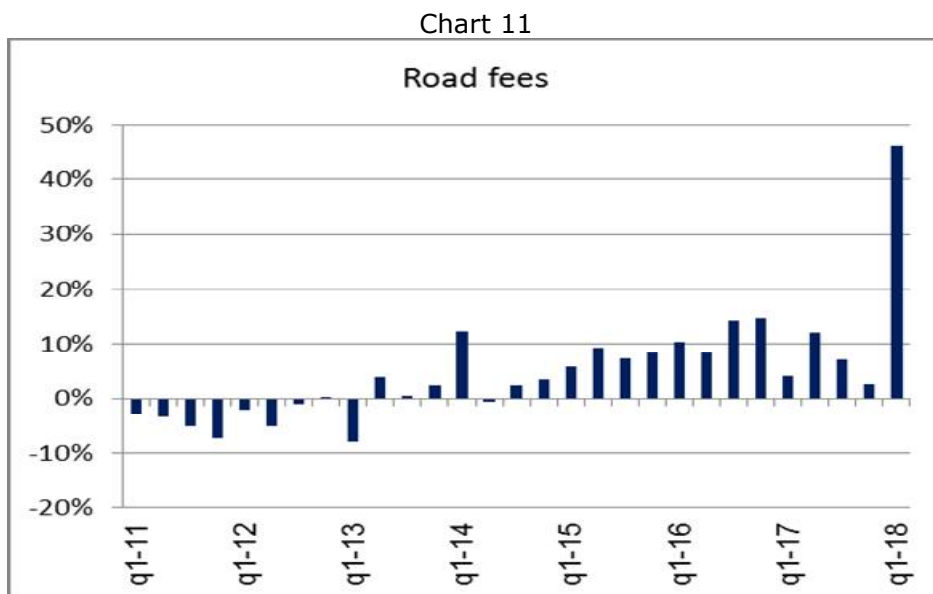


Adopting of amendments to the Law on Excise Duties in December 2017 caused an increase in the consumption of derivatives in January 2018, which generated an increase in revenues from excises on imported oil derivatives in January of 26,2%, and an increase in revenues from excises on domestic oil derivatives in February of 6,6%. The retail price increase from two sources - the rise in oil prices on the world market and the growth of domestic taxes, led to a sharp fall in the consumption of derivatives and, consequently, a fall in excise revenues. The fall in excise revenues in March drove the quarterly collection of excises on derivatives into the negative growth

zone, with a positive growth of 6,5% kept in excises on imported oil derivatives, while domestic excises dropped in the first quarter by 15% (Chart 10).

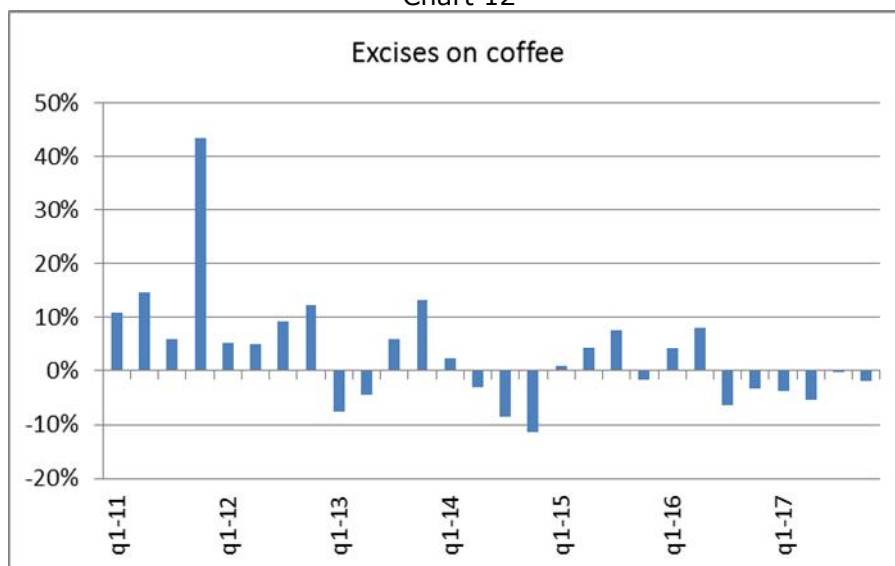


Increase in the road tax rate on oil derivatives from 1st February 2018 brought enormous growth in road tax revenues in February and March, resulting in a quarterly increase of 46,2% (Chart 11).



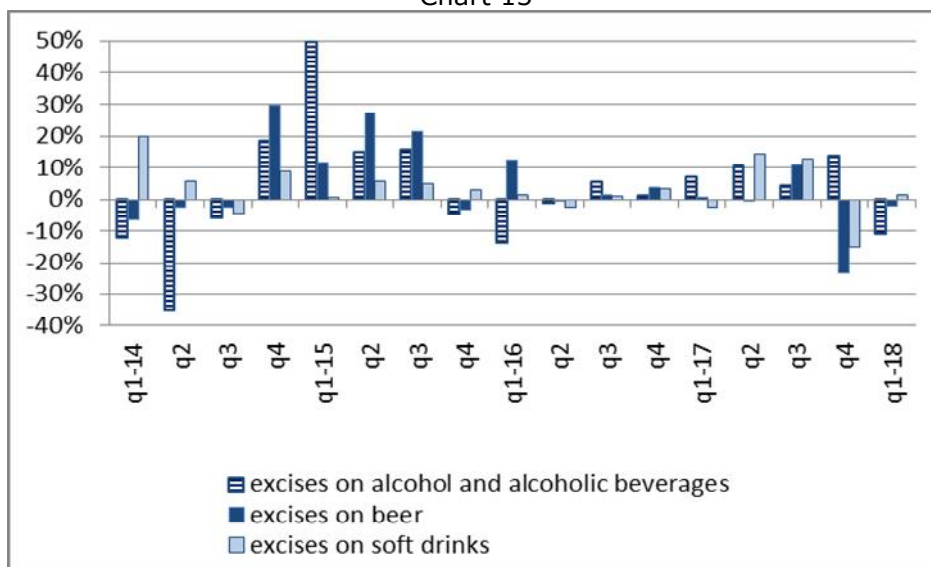
In the first quarter of 2018 there was a continuation of the stagnation trend of revenues from excises on coffee at the level of collection from the comparable quarter of the previous year (Chart 12).

Chart 12



After seven quarters of positive growth rates, revenues from excises on alcohol and alcoholic beverages fell by 11,1% in the first quarter of 2018. The negative trends in excises on non-alcoholic beverages from the fourth quarter of 2017 were temporary, and a modest growth of 1,4% was achieved in the first quarter of 2018 (Chart 13). However, the negative trends in the excises on beer from the fourth quarter of 2017 have continued in the first quarter, but with a lower intensity. There was a decline of 2,2% in revenues from excises on beer. Given that an increase of 7,5% had been realized in excises on imported beer, the fall in total excises was the result of a strong decline in collected excises on domestic beer of 16,1%.

Chart 13



III INDIRECT TAX REVENUES PROJECTION (2018-2021), APRIL 2018

Table 1: Indirect tax revenue projections (2018-2021)

Type of revenue (net)	in million KM					Projected growth rate			
	Execution	Projection							
	2017	2018	2019	2020	2021	2018	2019	2020	2021
VAT	3.576,1	3.728,0	3.861,0	3.987,7	4.121,0	4,2%	3,6%	3,3%	3,3%
Excise duties	1.464,8	1.450,5	1.456,7	1.491,7	1.528,5	-1,0%	0,4%	2,4%	2,5%
Customs duties	269,1	288,2	304,9	322,6	341,6	7,1%	5,8%	5,8%	5,9%
Road fees	382,5	573,9	602,2	611,8	622,2	50,0%	4,9%	1,6%	1,7%
Other	33,4	39,7	40,1	40,5	40,9	18,9%	1,0%	1,0%	1,0%
TOTAL	5.726,0	6.080,4	6.264,9	6.454,4	6.654,3	6,2%	3,0%	3,0%	3,1%
Earmarked road tax *)	-152,8	-352,5**)	-376,5	-382,5	-389,0	130,7%	6,8%	1,6%	1,7%
FUNDS FOR DISTRIBUTION	5.573,2	5.727,9	5.888,4	6.071,8	6.265,2	2,8%	2,8%	3,1%	3,2%

Notes:

*) The earmarked road tax amounted to 0,10 KM /l of oil derivatives until 1st February 2018, and from 1st February to 0,25 KM /l of oil derivatives

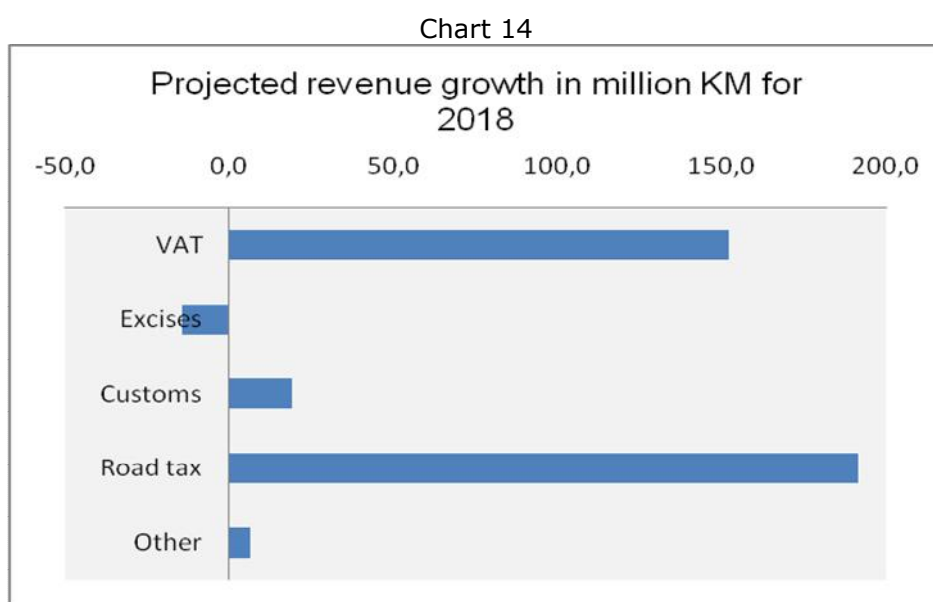
***) The amount of earmarked road tax to be distributed to users in 2018 under the provisions of the Law on Changes and Amendments to the Law on Payments into the Single Account and Distribution of Revenue⁵ does not fully correspond to the amount of the projected earmarked road tax shown in Table 1 (352,5 million KM) due to the application of the new model of distribution of collected road tax as of 1st February 2018, according to which the distribution is not performed on a daily basis, but subsequently, at the end of the month for the previous month on the basis of the preliminary / final report of the ITA on collected revenues by type. The distribution of earmarked road tax of 0,10 KM/l of derivatives according to the old model of daily distribution ended on 31 January 2018, and the distribution of an earmarked road tax of 0,25 KM/l of derivatives to the Entities and the Brcko District according to the new model started only in March 2018.

⁵ Official Gazette of B&H, No 91/17

3.1. Projections for 2018

Based on the trends of revenue collection, annual macroeconomic projections and the estimate of the effects of amendments to the Excise Law, the application of the adapted SAA and the Free Trade Agreement between B&H and EFTA, the projected net collection of indirect tax revenues for 2018 amounts to 6.080,4 million KM which is 6,2% more than in 2017.

Chart 14 shows the share of certain types of revenues in the planned absolute increase of total revenues (in million KM). The largest contributor to the projected revenue growth of 354,4 million KM are road tax revenues (191,4 million KM), ie earmarked road taxes due to the application of higher rates as of 1st February 2018. The next are VAT revenues, which are expected to increase by 151,9 million KM. Customs and other revenues do not have a significant share in the planned revenue growth, while excises have negative effects (-14.3 million KM).



3.1.1. Customs

Projection of customs revenue for 2018 amounts to 288,2 million KM, and is based on current collection trends and projection of import growth.

3.1.2. VAT

The projection of VAT revenue for 2018 is 3.728,0 million KM which is by 4,2% more than the previous year's collection. The projected annual growth rate is lower than in the first quarter, and is based on the projections of macroeconomic indicators for 2018, as well as on current trends in collection of these revenues which indicate a slowdown in revenue growth in comparison with strong growth rates at the very beginning of the year, largely caused by one-off effects.⁶

⁶ More in 2.2. Collection by type of revenue, 2.2.2. VAT

3.1.3. Excises and road tax

After a long-term increase in excise revenues (the exception is the decline in 2013), a fall in excise tax revenues of 1,0% is planned for 2018.

Revenues from excise tax on tobacco

Projections of excise duties on tobacco products in 2018 are based on the application of the ITA Governing Board decision which increased a specific excise on cigarettes by 0,15 KM/pack amounting 1,50 KM/pack, and a specific excise tax on cut tobacco at 104 KM/kg.⁷ It is assumed that the new tax burden will be fully transferred to retail prices. The rise in retail prices of cigarettes inevitably creates pressure to boost the substitution of cheaper cigarettes by cut tobacco. Since the price increase of cigarettes is accompanied by a rise in the price of cut tobacco, it is expected a strengthening of the black tobacco market, i.e. substitution of legal tobacco products by hand-rolled cigarettes or by unauthorized manufacture from unbranded tobacco. It is expected an increase by an average of 7,7% in the retail prices of cigarettes, and in the best case the unit elasticity of cigarette consumption if the measures to combat the black market are intensified, whereby the market of domestic tobacco products would have a lower performance in terms of value, share and consumption trends, while the market of imported tobacco products would show some stability. This is also an indication of the advanced process of consumer polarization that has been going on since 2011 regarding the level of income, which manifested itself through the migration of consumers with lower incomes from the cigarette market to the cut tobacco market (legal and increasingly illegal) and a strong contraction of the share of cheap cigarettes in smaller legal cigarette market. On the other hand, the consumption of imported tobacco products has proved to be less elastic, although it regards more expensive brands, since the consumers belong to higher-income or other sources of income categories. Finally, a large unknown about the collection of revenues from excise taxes on tobacco products in 2018 represents the cross-elasticity of consumption of tobacco products of non-residents in relation to the growth of prices of oil derivatives in B&H after entering into force of amendments to the Law on Excise Duties. Data on monthly collection of revenues from excise taxes on tobacco products in 2017 showed similar trends as in the collection of excises on oil derivatives, with the maximum in the summer months. Since the demand for tobacco products by non-residents in cross-border and transit traffic is derived from the demand for cheaper oil derivatives, strong growth in retail prices of oil derivatives will have a negative effect on the turnover of tobacco products. Consequently, we should not expect increase in the value of the tobacco products market in 2018, but the overcompensation in favour of imported tobacco products. In such circumstances, the growth in tax burden after the last increase in the specific excise duty, would at best, bring the same level of revenues from excises on tobacco products as in 2017.

Revenues from excises on oil derivatives

The strong increase in excises on oil derivatives at the beginning of the year is a consequence of the increased demand for oil derivatives prior to beginning of the application of higher taxes on oil derivatives as of 1st February 2018. The expected decline in these revenues in March brought a cumulative excise on oil in the negative zone (-0,7%). Since a decrease in the consumption of derivatives is expected in the coming months due to the higher prices, a negative growth rate (-2,1%) was projected for excises on oil derivatives for the year 2018.

⁷ Decision on Determination of the Specific and Minimum Excise Duty for Cigarettes and Amount of the Excise Duty for Smoking Tobacco in 2018 (Official Gazette B&H No. 84/2017).

Other excise categories

Other excise categories (soft drinks, coffee, alcohol and beer) are projected in accordance with the current collection trends and projections of the DEP. Given their low share in the excise revenues, their movement has no significant impact on the dynamics of total revenues from excise duties.

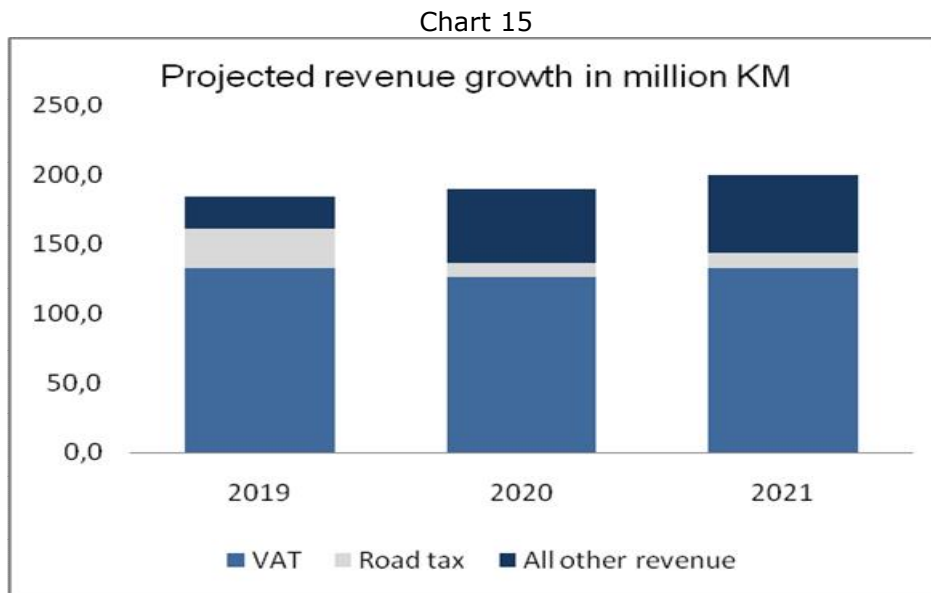
Road tax

Projection of road tax for 2018 includes the effects of amending the Law on Excise Duties as of 1st February 2018 and amounts to 573,9 million KM, which is 50% more than the road tax collection in 2017. The increase in revenue refers only to the earmarked road tax for the construction of highways and the construction and reconstruction of other roads, while even fall in revenue (-3.5 %) is planned for the road tax which is charged at a rate of 0,15 KM/l and is subject to regular distribution from the ITA Single Account.

3.2. Projections for 2019-2021

Projected growth rates of revenues for 2019, 2020, and 2021 are 3,0%, 3,0% and 3,1% respectively. The projections of revenues in the mentioned period are based on the projected relevant macroeconomic indicators, the historical seasonal collection pattern, projections of certain categories of revenues for 2018, as well as on the effects of changes in excise policies on oil derivatives and road tax.

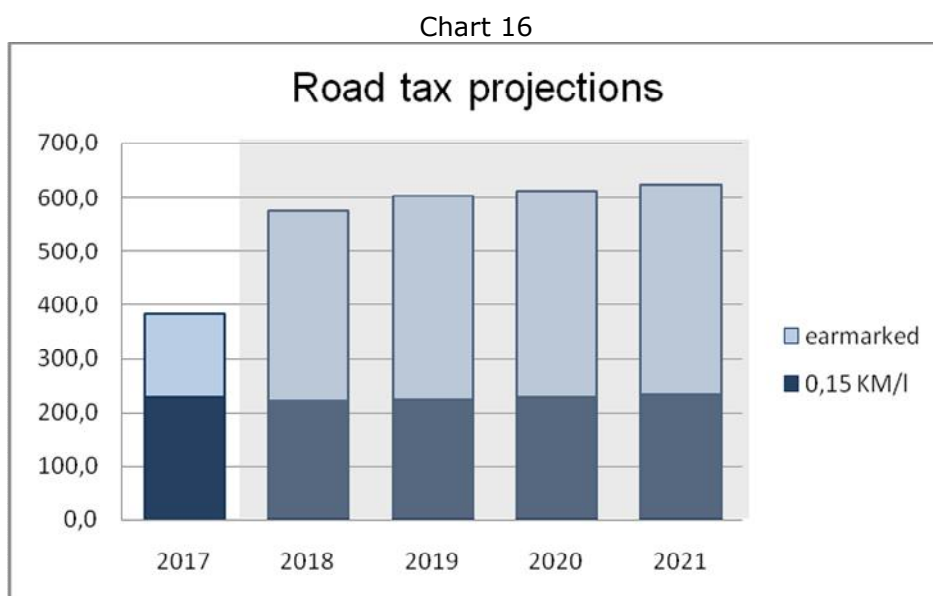
The largest generator of the surplus of indirect taxes revenues in the mentioned period is VAT, given its significant share in revenues and planned stable growth rates. In all three years, VAT revenues generate over two thirds of the absolute annual projected revenue increase (Chart 15).



Projections of revenues from excises on tobacco products for 2019 are based on the increase of specific excise to the level of 1,65 KM / package. If the new additional tax burden (excise + VAT) completely transferred to the retail prices, the total amount of excise taxes contained in the retail prices of all cigarette brands should be higher than the legally prescribed ceiling of 176 KM / 1000 pcs (or 3,52 KM / package). This would end the process of harmonization of the tax burden of cigarettes with a valid EU standard (90 EUR / 1000 pcs) in 2019. A new increase in excise taxes in

2019 will further aggravate the cigarette market, strengthen the black market and erode revenues. Completion of the harmonization process in 2020 and 2021 should lead to stabilization of the market and increase of excise revenues in accordance with the projections of growth in consumption and income. Starting from these assumptions, a fall in excise tax revenues of 0,9% is expected in 2019, and in 2020 and 2021 growth of 3,1% and 3,2% respectively.

Road tax revenues do not contribute significantly to the planned absolute revenue growth in the period 2019-2021, due to the exhaustion of the effects of increase in tax rates. A somewhat higher growth is planned only in 2019 (28,2 million KM), since the higher rate of earmarked road tax has not been applied from the very beginning of 2018 (Chart 16).

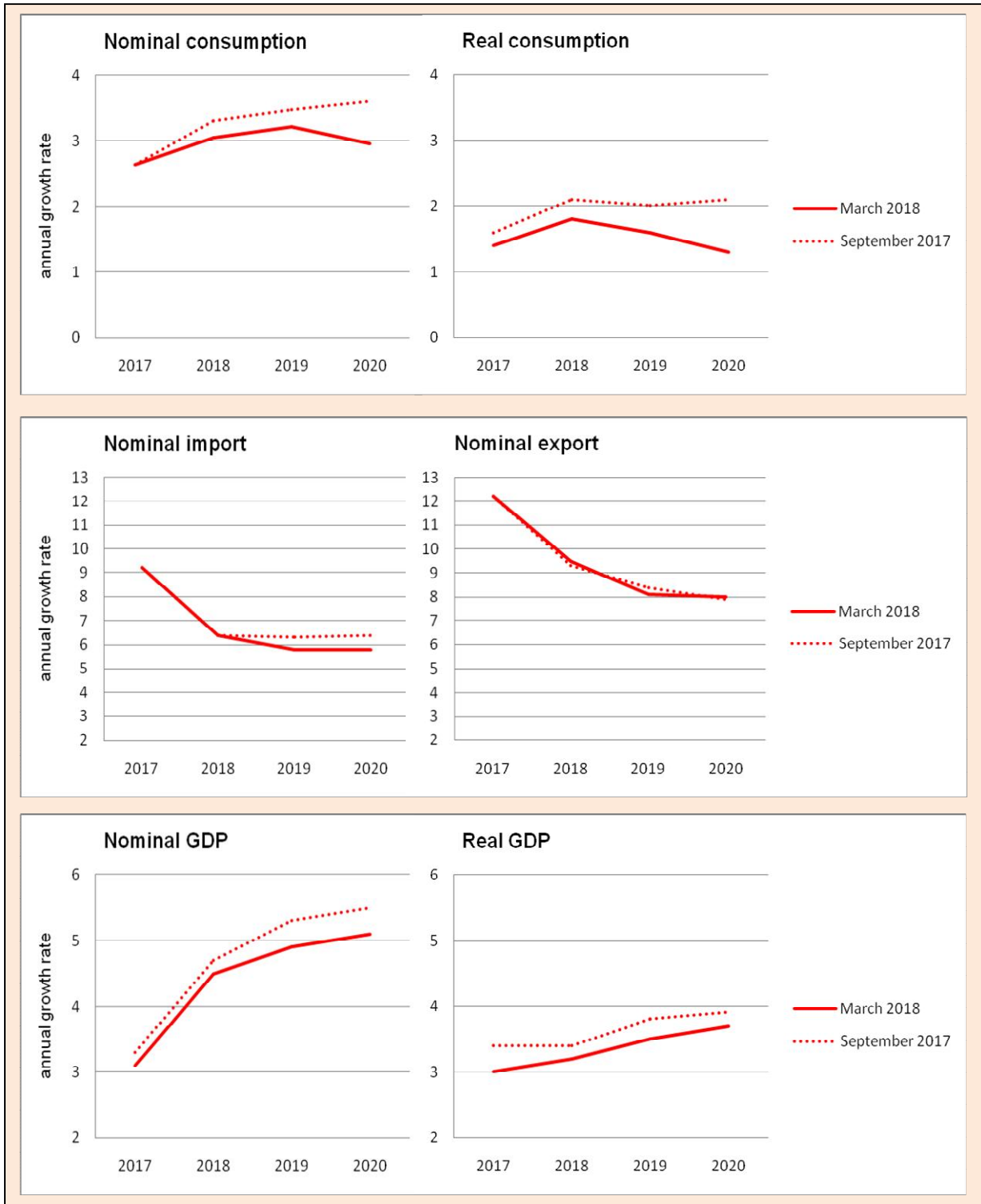


3.3. Differences compared to previous projections

Considering that there were no significant changes in the projections of macroeconomic indicators for the period 2019-2020 in comparison with the September projections for the stated period (Chart 17), the differences in the projections of revenues from indirect taxes are mostly due to the inclusion of the effects of changes to the Law on Excise Duties (as of 1st February 2018) and the difference in revenue execution in 2017 compared to the projections.

It should be kept in mind that macroeconomic indicators for 2017 from the DEP's document from March 2018, which is the basis for projections of indirect tax revenues, are still projections rather than official data.

Chart 17



Source: Projections of the Directorate for Economic Planning (September 2017 and March 2018)

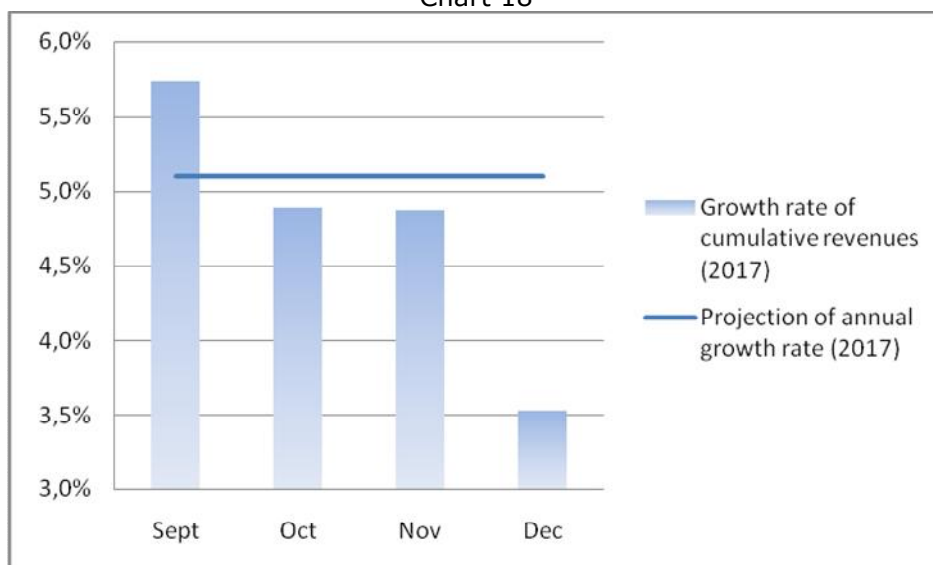
3.3.1. Execution for 2017

Table 2: Differences in relation to the October 2017 projections

Revenues in 2017	in million KM		
Type of revenue (net)	Projection	Collection	Difference
VAT	3.621,9	3.576,1	-45,8
Excises	1.497,1	1.464,8	-32,3
Customs	272,0	269,1	-2,9
Road tax	379,9	382,5	2,6
Other	41,2	33,4	-7,8
TOTAL	5.812,1	5.726,0	-86,1

Projections of indirect taxes for 2017 from the October last year were based on data on revenue collection for the period January - September 2017. The cumulative growth rate of net revenues amounted 5,7% in September, which was above the projected annual growth rate for 2017 (5,1%). The cumulative collection rate (4,9%) fell below the projected annual rate already in October. In the period after that the deterioration of the collection trends continued due to the escalation of the refunds and the fall in excise revenues, so in the end the cumulative collection in December fell 1,6 pp below the projected rate (Chart 18).

Chart 18



3.3.2. Projections for 2018-2020

Projections for 2018 were revised upwards by 77,7 million KM (Table 3) compared to the October projections. Although there were no significant changes of projections of macroeconomic indicators by the DEP, the projections of VAT and excise revenues were revised downwards. Projections of VAT revenues and excises on tobacco have been revised downwards mostly due to the lower base in 2017 compared to October projections, while the projections of excises on oil derivatives have been revised due to negative expectations regarding the trend of consumption of derivatives due to the increase in the tax rate and prices.

Projection of road tax revenues for 2018 is higher by even 186,0 million KM and comes from the inclusion of the effects of changes to the Law on Excise Duties as of 1st February 2018. The increase in revenue in comparison with the October projections refers to the earmarked road tax (+197,3 million KM), while the road tax which is charged at the rate of 0,15 KM / l, was even revised downwards (-11,3 million KM).

Table 3: Differences from October 2017 projections

Type of revenue (net)	In million KM		
	2018	2019	2020
VAT	-42,5	-72,2	-125,4
Excises	-63,7	-77,0	-89,8
Customs	-0,6	-1,4	-2,7
Road tax	186,0	206,5	207,8
Other	-1,7	-1,5	-1,3
TOTAL	77,7	54,4	-11,3

Projections for 2019 were revised upwards by KM 54,4 million. VAT and excise revenues were revised downwards due to the changes in the comparison bases (2018), while road tax revenues were revised upwards due to the effects of higher taxation rates on derivatives. While in 2019 the upwards correction of road tax revenue was higher than the downward corrections of all other revenues, in the year 2020 it was reversed, so the projections of total revenues were revised downwards in comparison with the October projections (-11,3 million KM).

IV RISKS FOR PROJECTIONS

Given the basic set of projections of indirect taxes and overall economic conditions in B&H and in the world, the realization of the projected level of indirect tax revenues in the period 2017-2020 is subject to the following risks:

- Projections of indirect tax revenues are closely related to the projections of macroeconomic indicators of DEP. Any deviation of these parameters from the projected value represents the risk for revenue projection;
- The weak economic recovery of the main export partners of B&H (EU, CEFTA countries) increases the level of risk for achievement of macroeconomic projections, and thus projections of indirect tax revenues as a whole;
- Strengthening of the black market of tobacco products, caused by the faster growth of the tax burden on cigarettes in B&H compared to the countries in environment, can jeopardize the execution of projections of revenues from excise duties on cigarettes;
- The appearance of external shocks, in view of rising oil prices and derivatives in the world market beyond current expectations, will hit the market of derivatives in B&H and will negatively affect the derivative consumption and thus the execution of projections for revenues from excise duties on derivatives and road fees from the price of oil derivatives.