

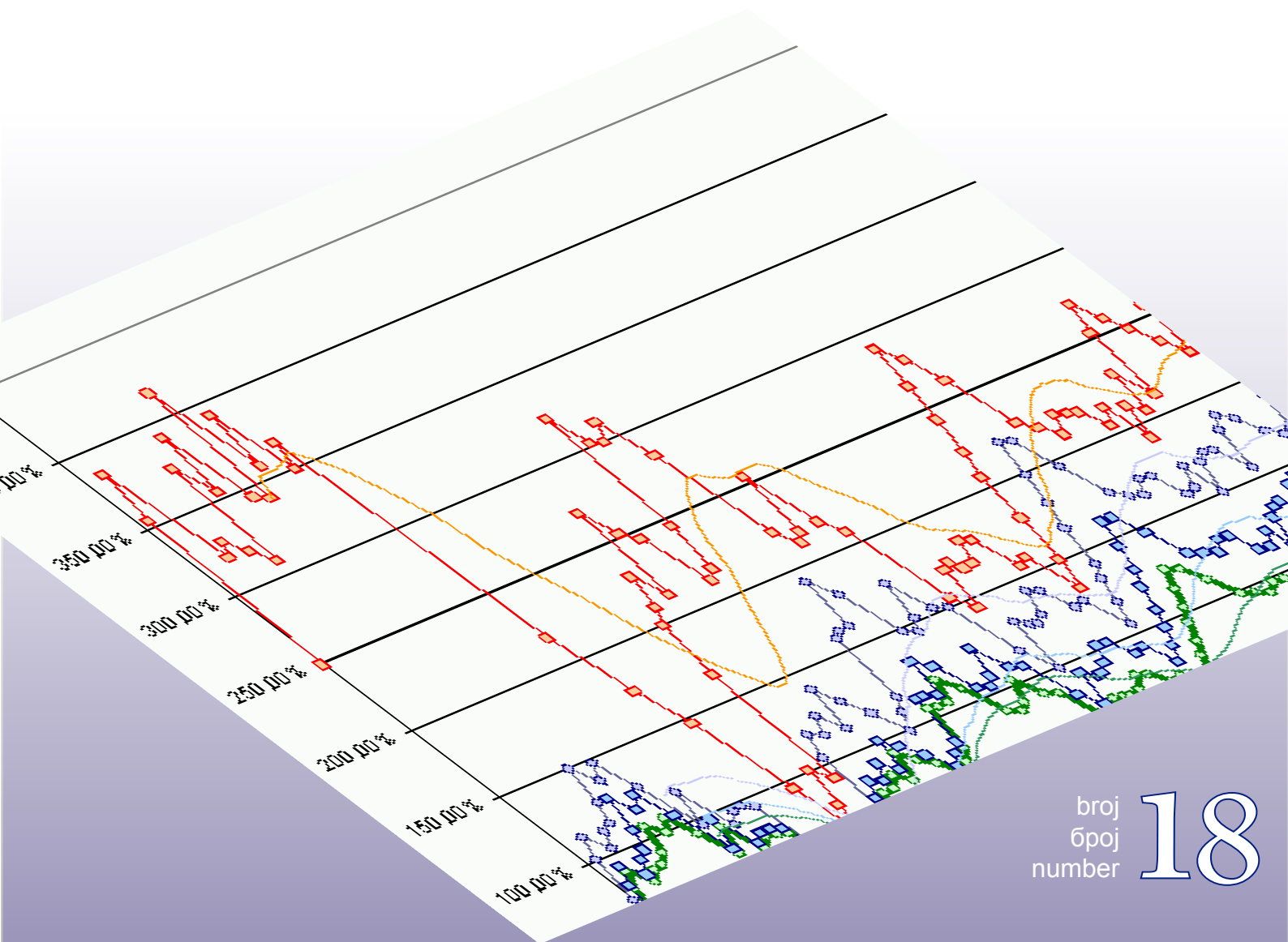
Bosna i Hercegovina
Odjeljenje za makroekonomsku analizu
Upravnog odbora Uprave za indirektno-
neizravno oporezivanje



Босна и Херцеговина
Одјељење за макроекономску анализу
Управног одбора Управе за indirektno-
опорезивање

Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Oma Bilten



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In this issue...

A year of the implementation of value added tax (VAT) is behind us. Introduction of VAT has caused significant growth of revenues from indirect taxes, which were distributed to all layers of the government except the state.

High inflow of VAT in 2006 is result of: 1. system factors and advantages of VAT system to sales tax 2. higher VAT rate than revenue neutral one 3. strengthening taxpayer's financial compliance 4. efficiency of Indirect Taxation Authority. However, large share of revenues refers to single effects: expansion of tax base by inclusion high number of taxpayers, reduction of tax evasions in this context and suspension of refunds to taxpayers who are not predominant exporters.

According to experiences of other countries, the collection of VAT after initial implementation might be jeopardized by expansion of tax frauds. In our circumstances, eliminating suspension of refunds will motivate new companies to commit frauds in terms of overstating input tax and refunds as well as frauds in retail stage. You can find more information about this in special article of this issue.

In accordance with dynamics of data delivery, we are continuing to publish consolidated monthly reports for the general government, which include fiscal operations of central governments (budgets of BiH, entities, Brcko District), cantonal budgets for eleven months in 2006, consolidated report for the Federation of BiH for ten months that includes cantons and municipalities, and consolidated reports for some cantons. Due to delays in data delivery, consolidated reports for fiscal operations of the single account and entities for December 2006 will be additionally published on the Unit's web site and you will be informed about it in time.

Dinka Antić, MSc
Head of Unit – Supervisor

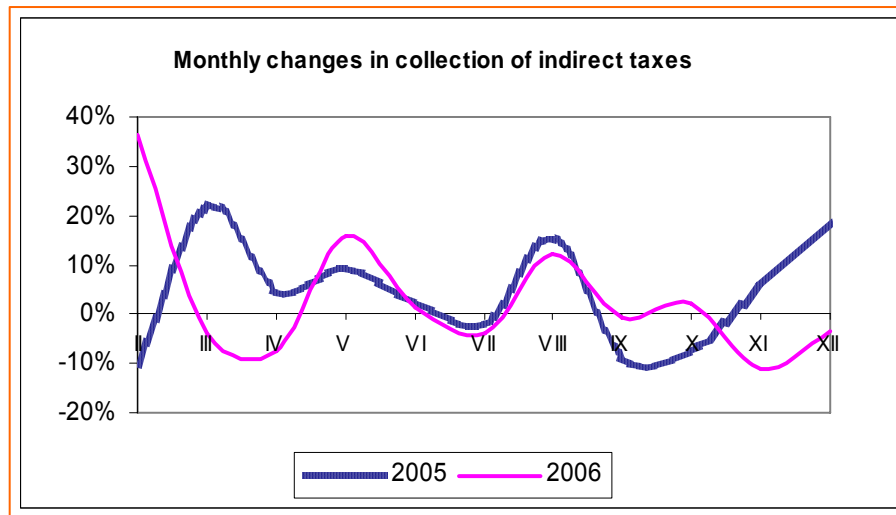
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Collection of indirect taxes: December 2006

(Prepared by: Dinka Antić, MSc)

In December 2006, 349¹ million KM was collected to the single account for indirect taxes in net amount, which is 1,5% decrease compared to the same month in 2005. However, December 2005 is not representative month for comparison. Prior to introduction of VAT last year, enormous quantity of goods was imported, which had an impact on higher collection of indirect taxes in that month (18% higher than in December 2004). Oscillations in collection of taxes in both years are shown in the following graph 1.

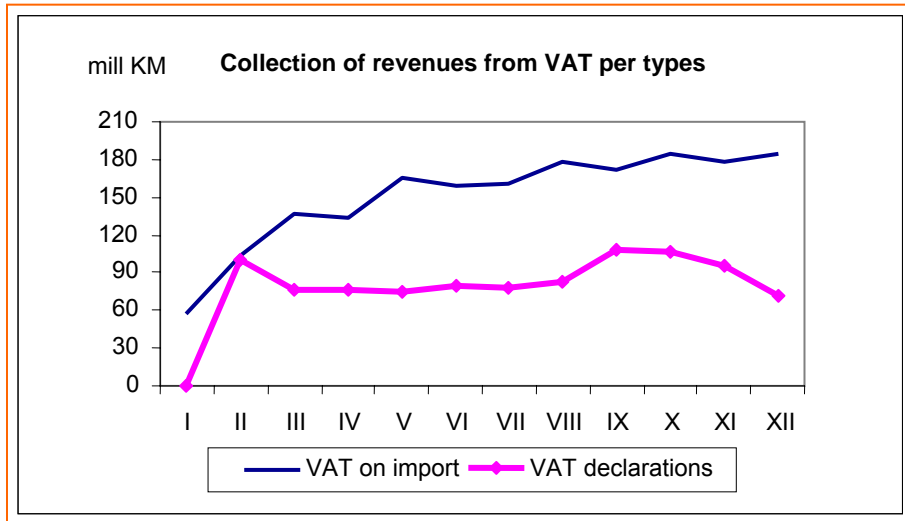


Graph 1.

Out of all groups of revenues from indirect taxes, only increase was noted for customs revenues, which increased by 3,72% compared to November. Shortfall in collection of excise by 2,93% compared to November is result of shortfall in revenues from import excise on oil and oil products, and imported tobacco products. There was increase only of excise on imported and domestic alcohol drinks and beer as logical result during holidays. However, this could not significantly influence due to low share of excise for this group of products in total excise revenues. Shortfall of net VAT collection in December was a bit moderated because refunds in December were a bit less than in November.

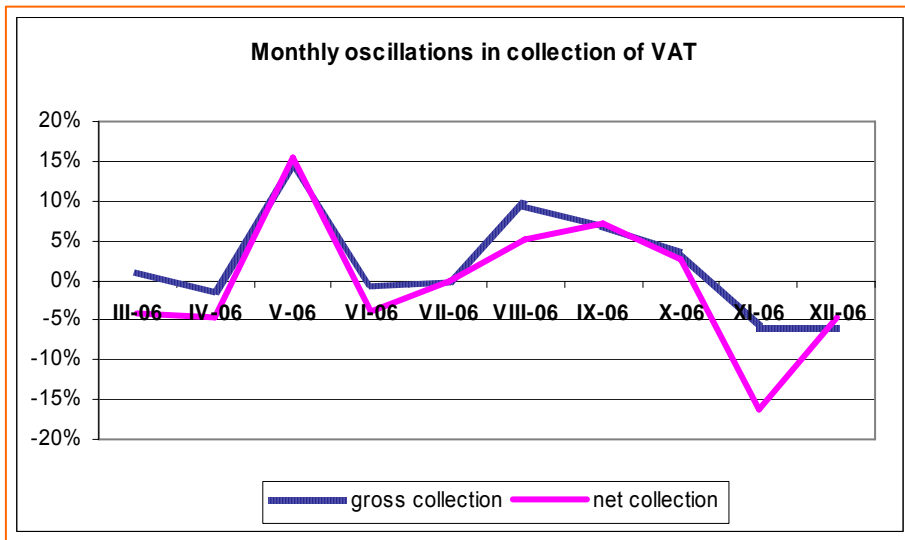
Shortfall of gross VAT is result of great shortfall in collection of VAT on basis of declarations by 24% compared to November and it was lowest in December since the introduction of VAT. Shortfall of VAT on basis of declarations can be a result of decreased economic activity (sales) and possible cause could be purchases of stock of goods for holidays (which had an impact on high input VAT and reduction of liabilities for payment) in November and postponing sales before holidays. VAT from sales in December will be paid in January when declaration for December is filed. Whether this is a real reason will be clear after VAT declarations from December are processed.

¹ ITA also collected 65,584 million KM of indirect taxes that remained unadjusted on December 31, 2006 and that were not taken into consideration in this analysis.



Graph 2.

Oscillations in collection of gross and net VAT and impact of refunds can be seen in the graph 3.



Graph 3.

Collection of indirect taxes in comparison with December 2005 shows decrease of 22% in collection of customs and increase of 6% of excise. In terms of comparing with sales tax, VAT along with lagging sales tax had increase of 3,46% compared to December 2005.

Collection of indirect taxes in 2006

(Prepared by: Dinka Antić, MSc)

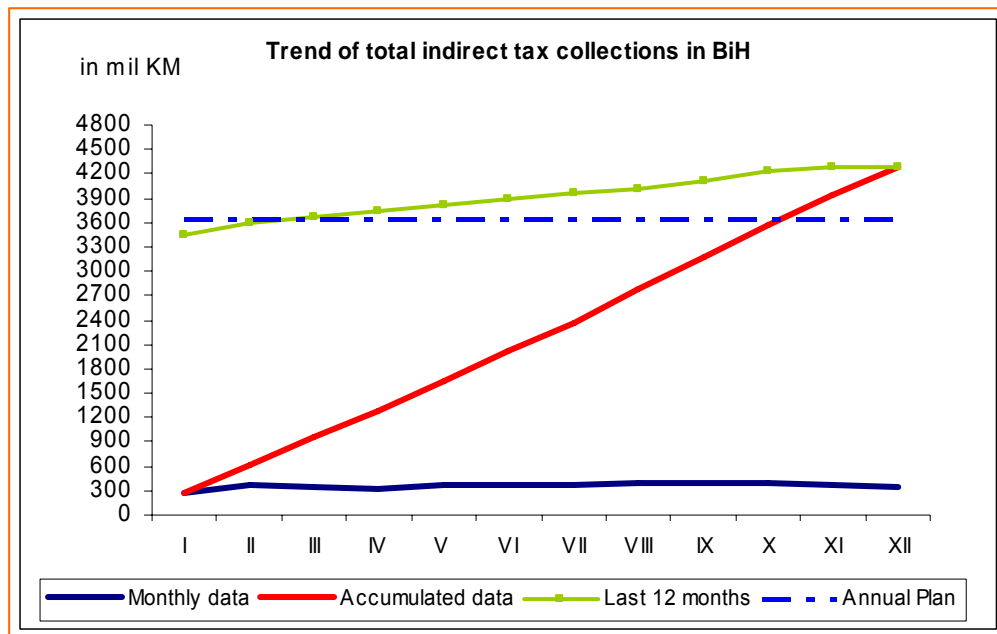
Introduction: Applied methodology

Analysis of the collection of indirect taxes in 2006 is based on the following data:

- net cashflow to the ITA single account²,
- total collection of indirect taxes in BiH for the period from 2002 to 2006 regardless what level of government carried out the collection (ITA, entities, Brčko District)³,
- total collection of indirect taxes in BiH for the period from 2002 to 2006

Analysis of total collection

In 2006, the amount of 4,291 billion KM of indirect taxes was collected in BiH or 26,11% more than in 2005. ITA collected 4,057 billion KM of net revenues or 94,56% and entity administrations collected 233,4 million KM⁴. It should be emphasized that the ITA collected additional 65,584 million KM of indirect taxes that were not adjusted on December 31, 2006, but were included in the amount available and distributed to entities and Brcko District in accordance with decisions. However, the structure of unadjusted revenues is unknown, and in order to be consistent in analysis, these were not considered in the analysis of total collection of indirect taxes and analysis of collection per types of indirect taxes. Trends in total collection of indirect taxes in 2006 are shown in the following graph 4.



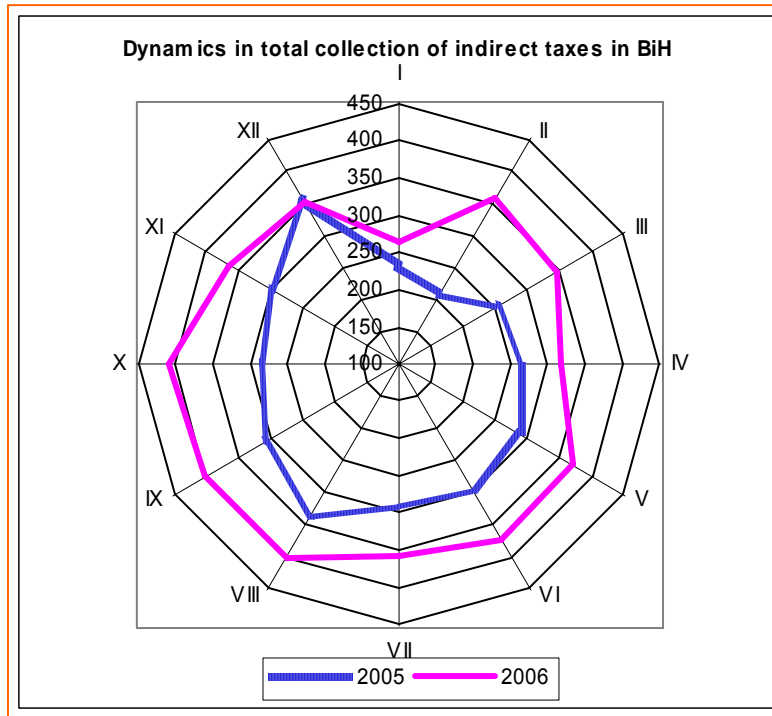
Graph 4.

In the graph 5. shows all turbulences in the collection of indirect taxes in the last two years: impact of VAT introduction on growth of revenues in December 2005, oscillations in collection during 2006 and shortfall in collection in the end of 2006.

² Gross VAT collection comprises of collection of VAT on imports, collection of VAT on basis of declarations and other cases of single or enforced collection of VAT. Net collection of VAT is result of reducing gross collection for the amount of refunds. Revenues from other indirect taxes are reduced for amounts of other refunds from the single account.

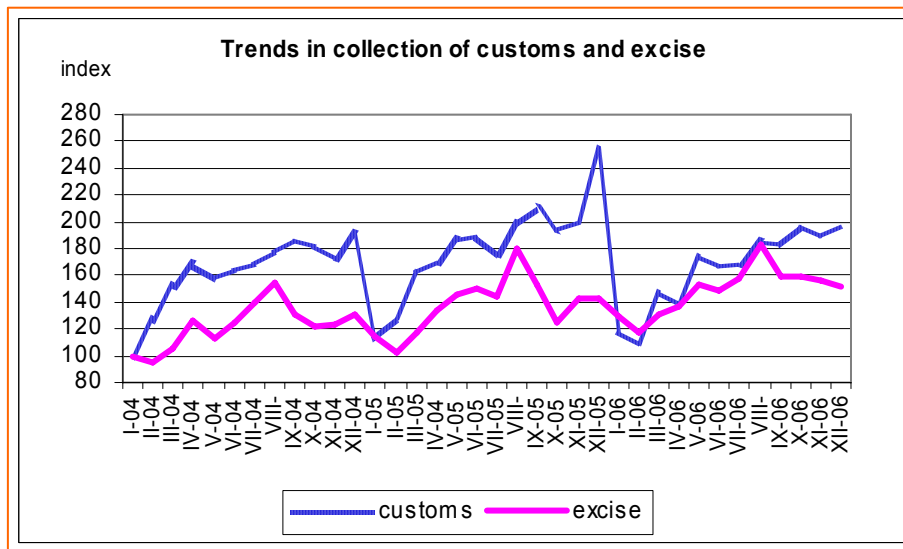
³ more information on problems in reporting on collected indirect taxes in the first year of VAT can be found in the Bulletin no. 7

⁴ Data on collection of lagging sales tax are missing for Brcko District/December 2006, but their influence on total collection is negligible (more info in continued text)



Graph 5.

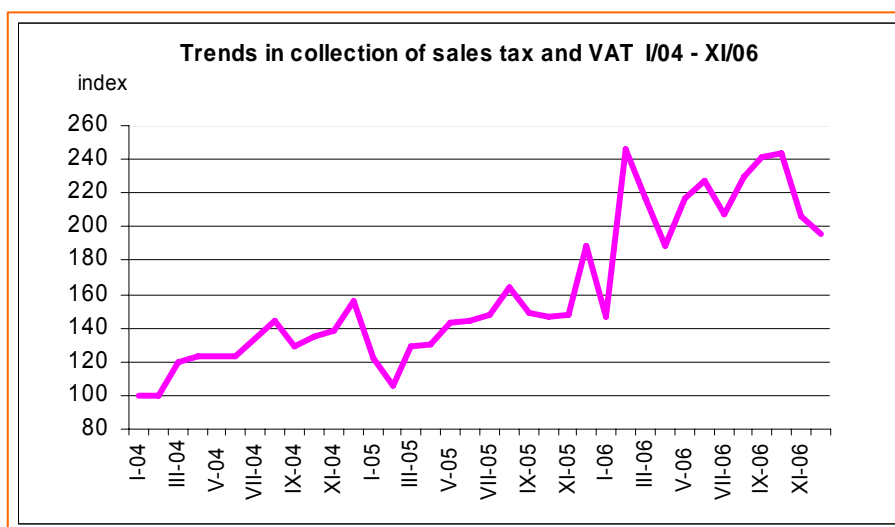
There was shortfall of 9,57% in collection of customs duties at the annual level. This trend was expected due to implementation of the contract on free trade, shortfall of oil prices in the world market and growth of imports by less than 2% in 2006. Collection of excise increased by 8% in 2006 compared to the last year.



Graph 6.

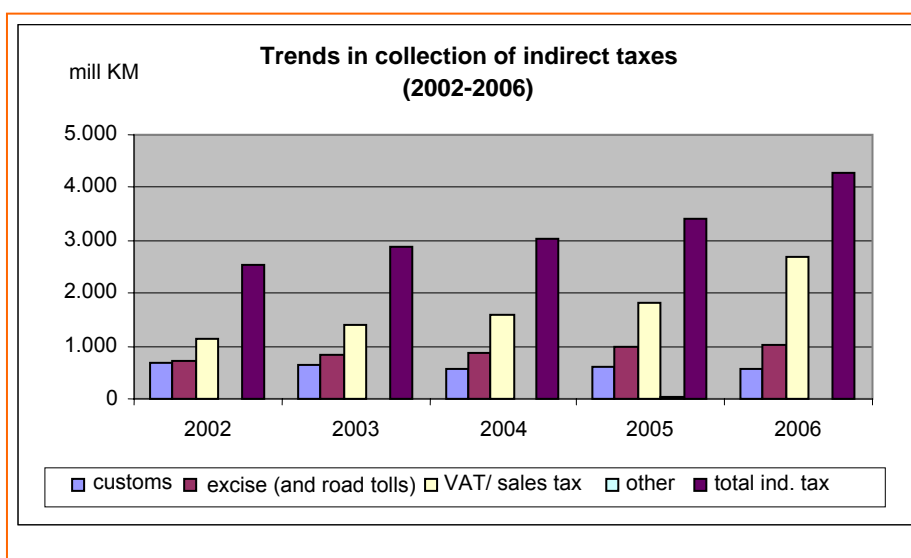
Collection of VAT and sales tax together was 48,69% higher than sales tax itself in 2005. Highest collection of VAT was in October after which the collection suddenly started decreasing due to faster refunds of unused tax credits. Low level of debts also had positive impact on high level of VAT collection. In the end of the year, VAT debts amounted to 87,678 million KM, out of which only 15,36 million KM or 17,5% refers to unpaid debts on basis of VAT declaration and the rest refers to automatic debt

assessment in the IT system of ITA⁵. Tax administrations of entities and Brcko District collected 233,4 million KM of the lagging sales tax. BiH Federation collection 69,54%, Republika Srpska 27,84% and Brcko District 2,62%. Share of lagging sales tax in total collection of indirect taxes is 5,5%.



Graph 7.

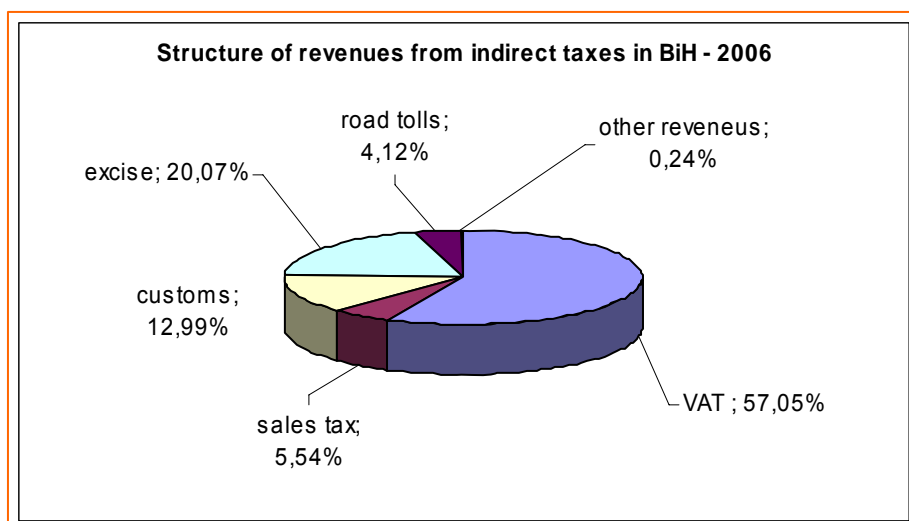
Comparison of indirect taxes collection in the period from 2002 to 2006 shows constant growth. The collection in 2006 compared to 2005 is 26,11% higher (Graph 8.).



Graph 8.

So far, the sales tax had highest share in collection of indirect taxes. With the introduction of VAT and reduction of tax evasions, this share increased i.e. collection of VAT/sales tax in 2006 grew faster than the total collection of indirect taxes and it represents 62,59% of total indirect taxes, excise and road tolls are 24,19% and customs as taxes on international trade is 12,99% (Graph 9).

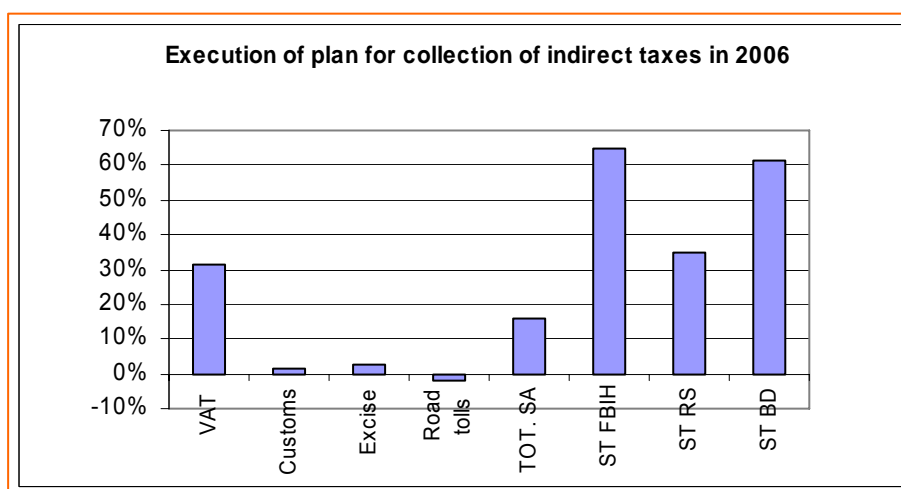
⁵ Tax assessment is done automatically in the IT system on basis of estimated turnover from this or last year, which means it might happen that in procedure of debt collection it's identified that amount of real debt for VAT less than assessed especially if some taxpayers stopped their business without informing ITA.



Graph 9.

Execution of collection plan and single fiscal effects of VAT introduction

The projection of indirect taxes collection⁶ envisaged a collection in the amount of 3,653 billion KM, out of which 3,503 billion KM to the ITA single account. In the end, projections were exceeded by 17,45% and by 15,83% for total indirect taxes. As it can be seen in the graph 10. VAT has best performance out of all other groups while excise and customs are slightly higher than projected amount. The collection of sales tax is much higher than projected due to lots of imports in the end of 2005 when the goods were imported, which were either not taxed or taxed with lower sales tax rate (10%), and due to invoicing services in 2005 instead of 2006. Large bulk of collected lagging sales tax is single effect of VAT introduction and entity budgets can not count on it in future.



Graph 10.

Having in mind the fact that projected VAT rate is 17% and revenue neutral was 16%, it was realistic to expect higher collection of VAT revenues by 6,25%. Everything higher than that is the result of much broader tax base, reduction of tax evasions (which is result of good VAT system⁷: collection of VAT on imports at the border, possibility to deduct input VAT on basis of valid invoice only etc.), better financial compliance of taxpayers and ITA efficiency. Increase of tax base (on more than 37,000 taxpayers in comparison to maximum projection of 20,000)) with the rate which is higher than revenue neutral one multiplied collected revenues. Expansion of tax base in 2006 is

⁶ Plan for collection of indirect taxes was adopted by the BiH Fiscal Council in October 2005. More information on this can be found in the Bulletin no. 3.

⁷ more information on this is in the Bulletin no. 17

single effect of VAT introduction, which will not repeat unless VAT threshold for mandatory registration is reduced. However, the question would be raised then on ratio of administrations costs and benefits/revenues collected.

Legal provisions on suspension of refunds to taxpayers who are not predominant exporters⁸ also had significant impact on net collection of indirect taxes in 2006. Taxpayers with more than 30% of exports in total turnover were entitled to VAT refunds within 30 days from filing VAT declaration. Other taxpayers were entitled to tax credit that could be used for offsetting future tax liabilities. Decision of the ITA Governing Board from July 2006 speeded up payments of tax credits and final payment of unused tax credits will be made in April 2007⁹. On December 31, 2006, balance of unused tax credit amounts to 186,668 million KM, which represents 7,6% of net VAT inflow or 4,5% of net inflow to the ITA single account. Faster payment of unused tax credits caused growth of refunds from originally 24 million KM to 65 million KM in November, which had an impact on shortfall in collection in the end of 2006. By imposing temporary legal solution, legislation makers tried to protect revenues in BiH from frauds and evasions in the first year of VAT introduction. However, impossibility to refund surplus of input VAT exceeding VAT liabilities jeopardized liquidity of companies that have long purchase period or production cycle (such as construction, processing industry) or which are under seasonal influence (agriculture, tourism, catering or transport). Suspension of refunds had negative impact on large investments in facilities and equipment that require longer period of return on investment.

Effects of refund suspension are single fiscal effects of the first year of VAT introduction. Since unused tax credits from 2006 are still refunded, it is questionable if suspension will have positive or negative effect on revenues. Reduced liquidity and having money of companies kept by state had negative impact on business operations and sales, which had "boomerang effects" in terms of decrease in sales tax revenues. It's hard to estimate how much suspension of refunds influenced on reduction of business activities in BiH since this also depended on company management being ready to use adequate and financial policy to neutralize negative effects that introduction of VAT had on liquidity¹⁰.

⁸ Besides the impact of refunds suspension on liquidity in construction, it was also influenced by change of special scheme, which means transfer of VAT liabilities from cooperant to investor and their joint responsibility for VAT payments. Negative impact of scheme has the impact on liquidity of companies due to recognition of right on deduction of input tax and right to tax credit following payment of tax liability. From August 2006, all EU member states have possibility to apply similar schemes as prevention of tax frauds and evasions that are huge in construction due to amount of investments.

⁹ As of January 1, 2007, general provisions are in force according to which other taxpayers have the right to refunds of VAT within 60 days from filing the declaration.

¹⁰ Level of impact on liquidity also depends on business policy and strategy of company management since suspension was announced a year prior to VAT implementation. This also depends on capability of management to handle VAT as financial liability or claims within management of cashflow, buyers, suppliers and goods in stock.

VAT in BiH: How much is a economic activity really taxed??

1. Numerous VAT effects

The first year of year of VAT implementation was successful. This is joint assessment of relevant international institutions such as European Commission, IMF and World Bank. Success of VAT implementation reflects primarily in high growth of revenues. So, VAT effects on BiH economy will depend on how will these revenues be disbursed. Basic reasons for growth of revenues are due to the VAT system itself, which has proven more efficient than the old sales tax and we wrote more about this in the last issue of the Bulletin. VAT on import¹¹ had highest share in total VAT revenues. We will mention some: positive effects include higher level of tax compatibility of BiH with EU and region, achievement of higher level of tax neutrality in comparison with the old system, improvement of competitiveness of domestic importers and reduction of trade deficit. VAT also had negative effects, primarily increase of retail prices that had negative impact on budgets of socially vulnerable categories and worsening of taxpayers' position in terms of liquidity.

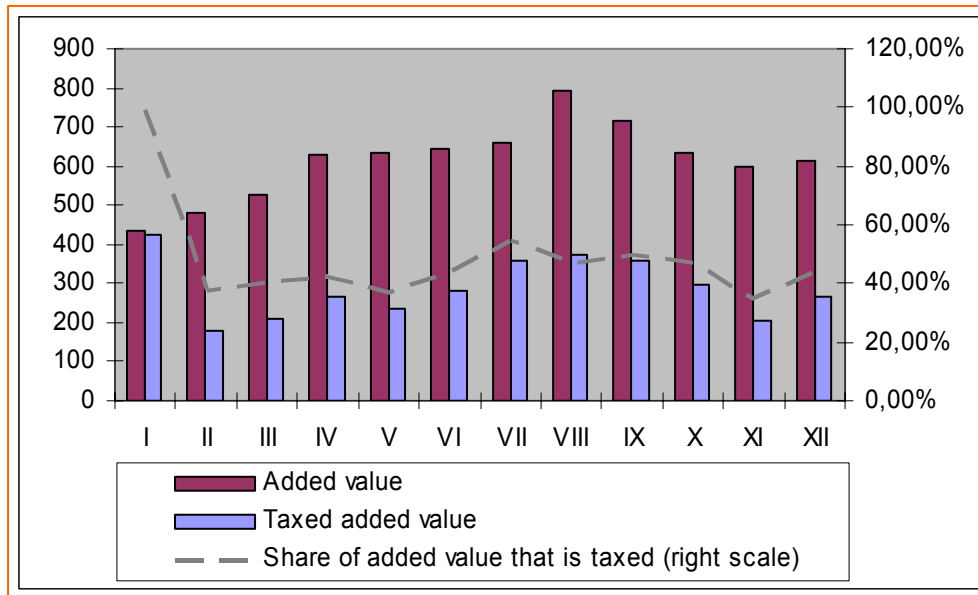
2. Low taxation of domestic added value

Conversely to VAT on imports, revenues on basis of VAT declarations (so called "domestic VAT") were limited. Gross revenues on basis of VAT declarations in 2006 amounted to the amount of KM 632 million. It should be underlined that refunds paid in 2006 are lower than total claims that were accumulated by taxpayers in the past period. In other hand, ITA has significant amount of claims towards to taxpayers in the form of unpaid tax liabilities. In order to have comprehensive review of created financial liabilities in 2007 between ITA and VAT taxpayers, we used data from aggregate tax declarations¹² on monthly level for the purpose of this analysis. These data include all claims in both directions and they reflect level of taxation for domestic economic activity through VAT system in the best way. According to these data, **total VAT liabilities on basis of filed VAT declaration in 2006 amounted to KM 587 million.** This amount actually represents nothing else but difference between calculated output and input VAT for all VAT taxpayers in 2006.

It's interesting that the data show that complete export from BiH went trough registered VAT taxpayers because value of export in VAT declarations correspond to total BiH export (KM 5,2 billion). This confirms that exporters had great motivation to join VAT system and register their exports. It's very interesting to compare share of exporters and other taxpayers in the VAT system. Graph 11 shows relationship between total added value created by registered VAT taxpayers and the part that was taxed with VAT. Difference between these two values i.e. non-taxed share of added value refers to export activities. It can be seen in the graph that this non-taxed share represents more than half of total added value of VAT taxpayers (57% except January). **This shows us proportionally large share of exporters compared to non-exporters in the VAT system.**

¹¹ VAT on imports in 2006 represented approximately two thirds of gross VAT revenues and this share in net revenues (VAT revenues reduced for the amount of refunds to taxpayers) goes up to three fourths.

¹² Cumulative tax declarations for all VAT taxpayers at BiH level as of January 22, 2006.



Graph 11. VAT added value of taxpayers at level of BiH in 2006, in KM million¹³
Source of data: BiH Indirect Taxation Authority

If we look at the value of gross domestic product (GDP) we will see that the share of VAT taxpayers in GDP is at level of 46%¹⁴. We know that GDP represents total sum of added value in all sectors of economy (plus taxes minus subsidies on products). Added value of one sector represents difference between total values of output and input in that sector. So, it does not include value of imports raw materials made by one sector and it does not include value of raw materials, semi-products and products that this sector took over from other sector. It only includes the value (added value) by which inputs were enriched. Simple review of official GDP structure in 2005 (see table 1) shows that share of taxable activities according to the Law on VAT is much higher than what was achieved by VAT taxpayers¹⁵. If we also add grey economy to GDP, which is estimated to be between 30% and 50% of official GDP, share of VAT taxpayers in total GDP then decreases to range from 31% to 35%. If we calculate only a share of added value of VAT taxpayers that was taxes i.e. exclude exporters, then **share of taxed added value amounts to 20% in official GDP and 13-15% in GDP that includes grey economy**. The question is why is domestic added value taxed with VAT so low? First of all, we should seek an answer in the retail stage as there is strong motivation not to register sales that occur between seller and buyer.

¹³ Data on added value of VAT taxpayers represents difference between output and input while taxed added value represents VAT base that is result of difference between VAT on outputs and VAT on inputs. Data on added value of VAT taxpayers were corrected for February, May and September.

¹⁴ The amount of GDP in 2006 – Projection of Directorate for Economic Planning in the amount of KM 15,9 billion was used.

¹⁵ These data should be taken with care due to insufficient breakdown of data available on structure of GDP as well as the fact that classification of individual economic subjects in certain activity in preparation of BDP was done according to major activity that these subjects carry out. Also, data on GDP in 2005 from the table 1 include estimated value of imputed rent that reduces share of taxable activities in the year.

	KM million	%
A. Agriculture, hunting and forestry	1.286,0	8,2%
B. Fishing	2,3	0,0%
C. Mining	326,9	2,1%
D. Processing industry	1.474,4	9,4%
E. Supply of power, gas and water	860,9	5,5%
F. Construction	552,7	3,5%
Production activities	4.503,2	28,6%
G. Wholesale and retail; repair of cars and goods for personal use and household	1.833,3	11,6%
H. Hotels and restaurants	309,1	2,0%
I. Transport, storage and communications	1.255,1	8,0%
J. Financial intermediation	606,7	3,9%
K. Real estate business, renting and business services	1.538,5	9,8%
L. Public administration and defense; mandatory social insurance	1.447,6	9,2%
M. Education	663,1	4,2%
N. Health and social care	642,5	4,1%
O. Other social and personal services	340,8	2,2%
Activities in field of services	8.636,7	54,8%
Total-all activities	13.139,9	83,4%
Indirectly measured banking services	-418,8	-2,7%
Total added value of base price	12.721,1	80,8%
Taxes on products minus subsidies on products	3.028,4	19,2%
GROSS DOMESTIC PRODUCT, market prices	15.749,5	100,0%

Table 1. Gross domestic product in BiH for 2005

Source of data: BiH Statistics Agency

3. Retail is most problematic

Specified data suggest that the share of value created in BiH (from activities that are taxable according to the Law on VAT) ended up in final consumption avoiding VAT system. This is of course against VAT system principle on comprehensiveness that we tend to in BiH. Single rate and small number of exempt activities created preconditions for including large tax base and harmonized treatment of all sectors in the economy. However, share of domestic economic activity still ends up being untaxed, which leaves room for development of disloyal competition and redirection of economic activities.

Import of goods for final consumption (final products) offers a great chance to evade significant share of taxes if sales to final consumers are not registered. In terms of import of final products, the situation is mainly like with former sales tax. After an import of final products there is a need for only one transaction for goods to achieve final consumers. We already know that final consumer is not very motivated to register his purchase in this transaction. In this case, the only difference between VAT and sales tax is the fact that VAT on imports is collected on the border for all goods while sales tax was collected only for excisable products (from 2003). This change – collection of VAT for all products on the border – made biggest progress in comparison with sales tax (where there was always opportunity to evade total amount of tax). However, taxation of these transactions following the import still remains to be a problem even in VAT system. This suggests relatively low share of taxation of domestic added value.

There are different ways through which VAT taxpayers can avoid showing their sales to final consumers. As an illustration, we provide the following example:

	Real activity	Shown
1.	Importer imports goods for final consumption in the value of 150 KM <i>(Should pay 25,5 KM of VAT on imports).</i>	He shows import value of 100 KM <i>(Pays 17 KM of VAT on imports).</i>
2.	Importer sells all goods to VAT taxpayer for 250 KM <i>(Should pay 17 KM of VAT).</i>	He shows that he sold goods for 110 KM out of which 105 KM to final consumers and 5 KM to VAT taxpayer <i>(He pays another 1,7 KM of VAT).</i>
3.	VAT taxpayer sells goods for 350 KM to final consumers <i>(Should pay 17 KM of VAT).</i>	VAT taxpayer shows turnover of 8 KM and deducts 5 KM of input tax <i>(Pays 0,51 KM of VAT).</i>
	Total amount of VAT that should be collected: 59,5 KM	VAT collected: 19,21 KM

In addition to this, there is a number of other possible models to hide final consumption and these models may more or less differ from each other.

Situation where significant share of final consumption is covered by tax system causes number of economic effects and we will illustrate some of those as follows:

1. Tax evasion at retail stage reflects on level of revenues. It's important to mention that not showing total turnover by number of traders keeps them under trashhold of 50.000 KM and they avoid mandatory VAT registration.

2. Collection of VAT at the border for imported goods and evasion of this in next transaction creates high motive to show low values in imports. The fact that this phenomena had significant effect is also shown through data that import increased only by 1,8% in 2006 while import in 2005 increased by 20%¹⁶. In other hand, if retailer is "forced" to show complete turnover and register as VAT taxpayer, his interest changes in terms of showing import value i.e. he will request importer to show real value in the invoice that will be used for deduction of input tax. According to this, we can conclude that increase in VAT taxation of final consumption will result in declaring more realistic import values.

3. VAT evasion at the retail stage puts domestic producers in inferior position to imported products. This is very important effect that directly reflects on competitiveness of domestic economy. Product made in BiH goes through more stages of sales in different form (raw materials, semi-product, final product) on the way to final consumer where newly created added value is taxed at each stage. If VAT taxpayers participate in these transactions, chances for showing understated value are small because VAT taxpayer will insist on showing real price. So, if final product is evaded at retail stage, only a share of VAT will not be collected. In other hand, importer who imports final product has much more flexibility. In case such product is evaded at retail stage, total VAT burden remains on VAT amount paid at import. Due to this (and other) reason it is important to prevent showing underestimated values in import of final products.

¹⁶ This effect is not reason for total decrease of imports and there was more information on this topic in the last issue of the Bulletin.

4. Strengthening of activities in retail control

Tax awareness of consumers is one of key factors in successful strategy that aims to reduce "black" retail. Activities aiming to increase awareness of citizens on this issue can have different forms such as informing public on importance of issuing invoices in retail and different ways of stimulation to report disloyal traders. Other ways of strengthening controls of sales in retail include tax controls aiming to determine real sales figures and sanction differences from reported figures. Third element against "black" retail includes insisting on valorization of goods in foreign value of imports.

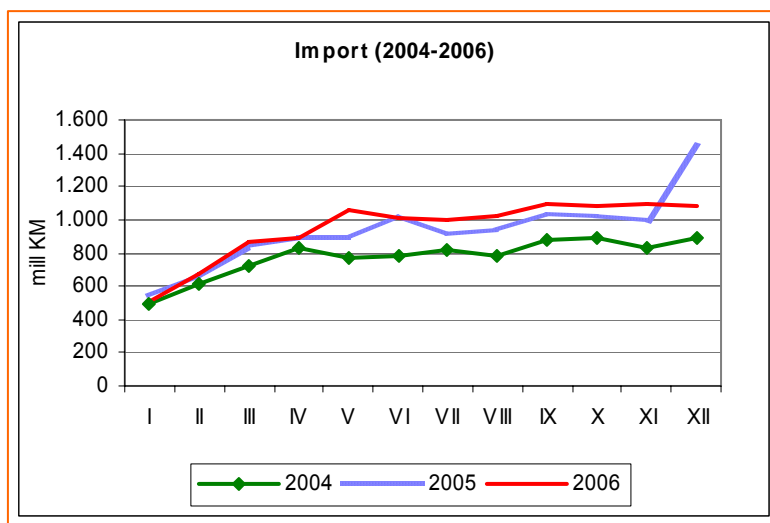
It's necessary to state that this problem of incomplete coverage of final consumption did not start with introduction of VAT, but it was present with sales tax too. Problem in registering final consumption is more and less present in all transition countries. Some economists even consider VAT as system that is more appropriate to developed economies that have more sales stages. According to this logic, VAT system in BiH should have better results in medium and long term as domestic economy develops. Of course, this does not mean that the improvements in short term are not possible.

Analysis of trade balance in 2006

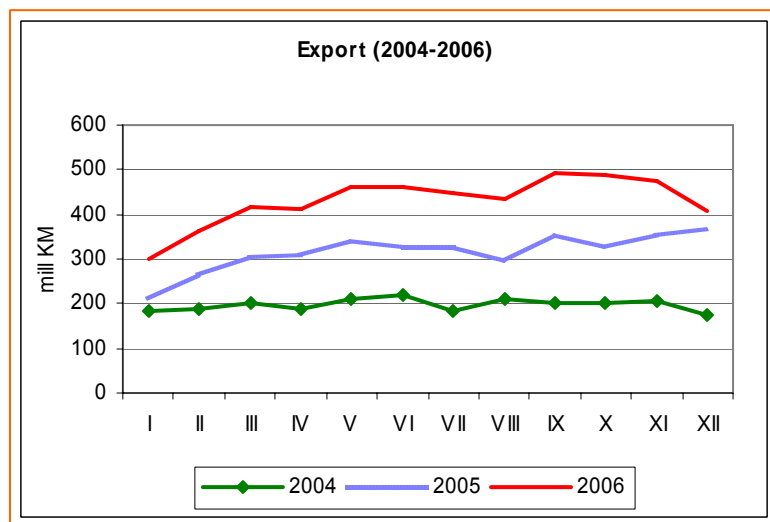
(Prepared by: Dinka Antić, MSc.)

Just before the introduction of VAT, foreign balance of trade got worse resulting in increase of deficit by 14% compared to trends in 2004. Bad results in 2005 were influenced by large increase of imports in December 2005 and postponement of some exports for 2006 due to the VAT stimulation effects on exports. Beginning of VAT application brought decrease of imports and increase of exports¹⁷. Imports started increase later but not as in 2005. Export had strong growth, but there was significant decrease in the last quarter.

Increase of imports at annual level amounts only to 1,88% (Graph 12.) and export increased by 36,5% despite decrease in the fourth quarter of 2006 (Graph 13.).



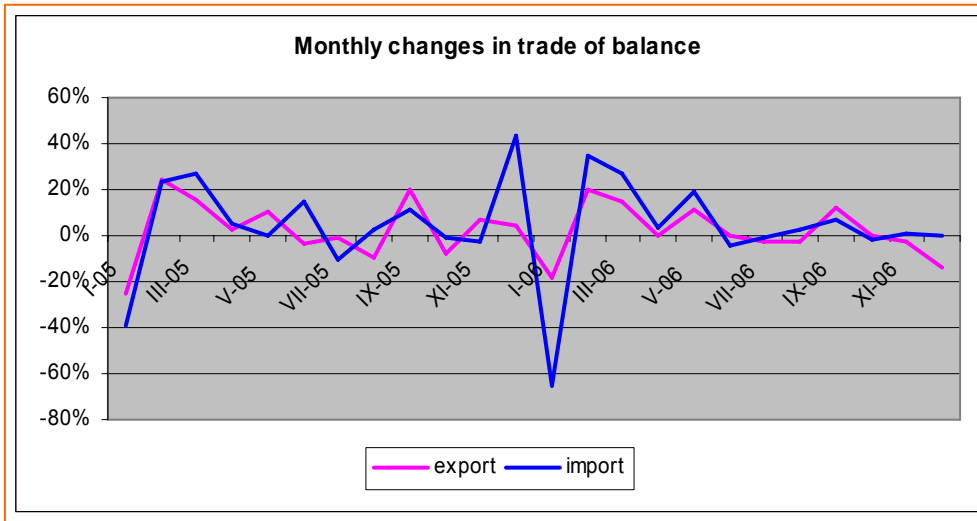
Graph 12.



Graph 13.

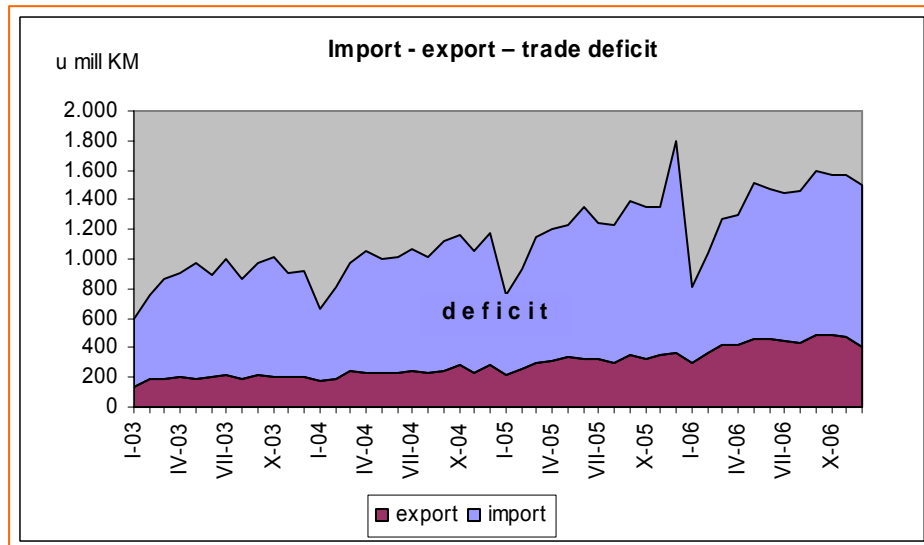
¹⁷ Source of data: Indirect Taxation Authority, processed by: BiH Statistics Agency, time series: Central bank BiH

Analysis of monthly changes for the period 2005-2006 shows "depth of disturbance" in balance of trade with abroad caused by introduction of VAT and "lowering" imports in 2006 and decrease of export in fourth quarter.



Grafikon 14.

Sudden growth of exports and very slow growth of imports had an impact on increase of covering imports by exports, which was 45,34% in 2006, which is 34% more than in 2005. Trade deficit was 15,83% lower than in 2005 and 4% lower in 2004.

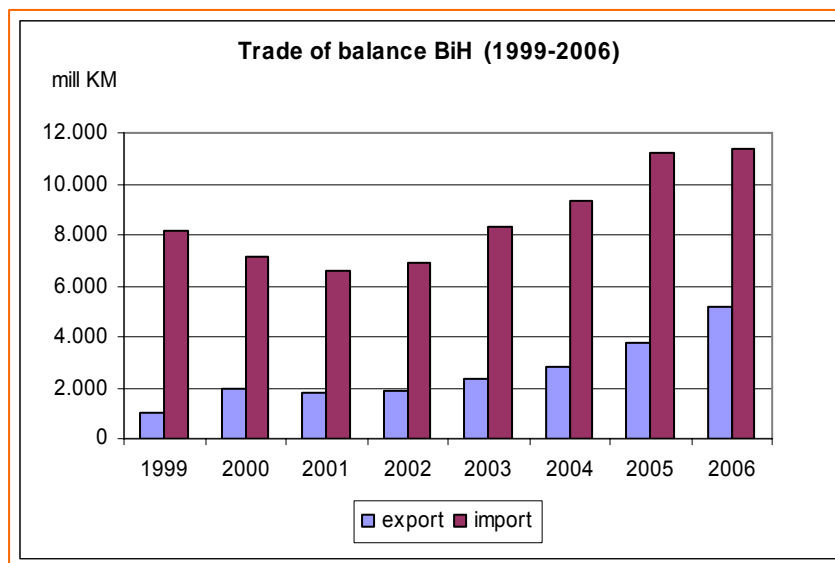


Graph 15.

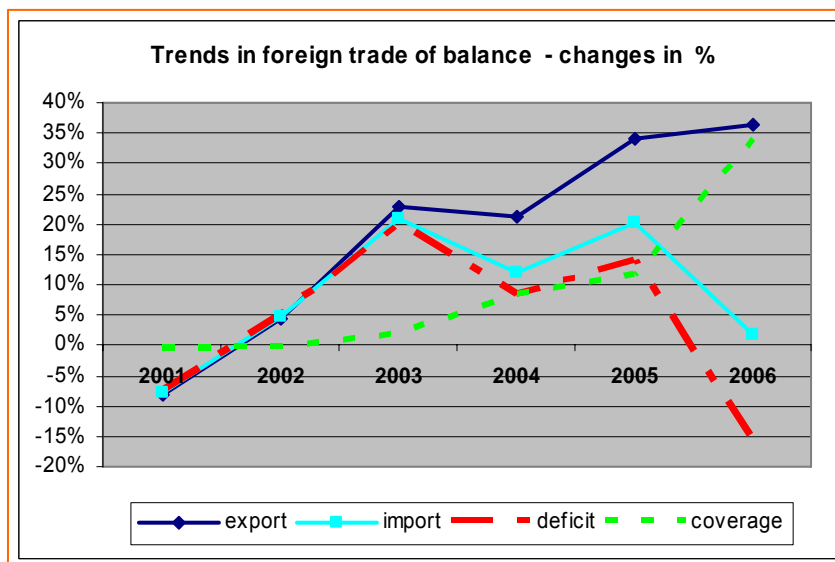
According to time series available covering period 1999-2006 it is obvious that significant improvement trade of balance with abroad in 2006 (graph 16.), which is illustrated in percentage changes, as shown in the table 2. and graph 17.

	2001	2002	2003	2004	2005	2006
export	-8.27%	4.52%	23.01%	21.35%	34.22%	36.50%
import	-7.74%	4.84%	20.89%	11.86%	20.12%	1.88%
deficit	-7.53%	4.96%	20.09%	8.19%	14.00%	-15.83%
coverage	-0.58%	-0.31%	1.75%	8.48%	11.73%	33.98%

Table 2. Trends in foreign trade of balance



Graph 16.



Graph 17.

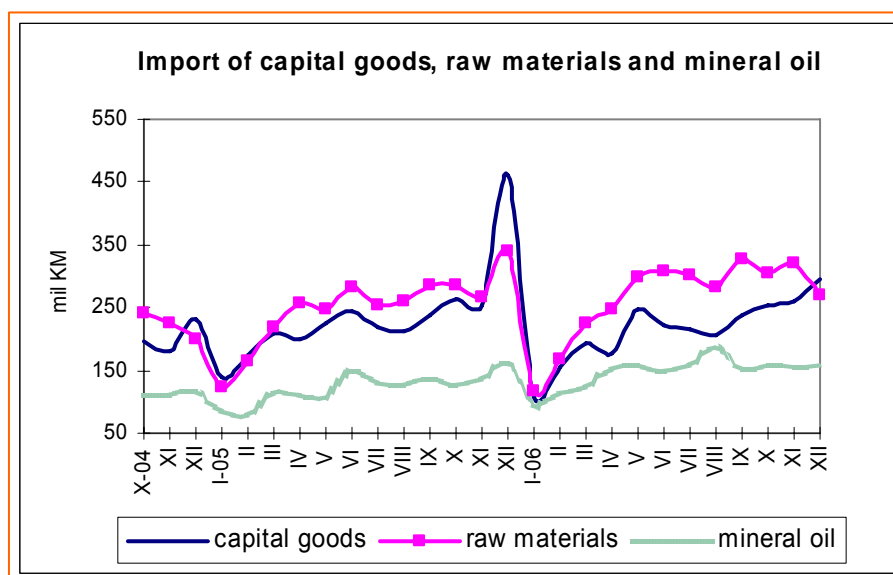
Trade balance structure¹⁸

The last quarter of 2006 has brought stabilization of imports. Looking at main groups of products for which we followed imports in the last year, there was lower decrease of imports of mineral oil, raw materials, drinks, coffee and excisable products. Conversely to that, import of cars significantly increased as well as import of pharmaceutical products, machines and equipment. Looking at the structure of imports remained almost unchanged except slow growth of import of mineral oil. However, import trends by groups in the same period shows that there was sudden growth of imports of raw skin and excisable products in 2006 (oil and oil products, drinks, coffee), and there was decrease in import of food and food products, cars, machines and equipment. (Table 3.)

	2004	2005	2006
total import	12%	20%	2%
mineral fuel and oil	37%	35%	21%
cars	16%	29%	-12%
machines and equipment	13%	37%	-8%
pharmaceutical products	17%	21%	1%
raw materials / reproduction materials	10%	20%	6%
raw skin	19%	29%	63%
food, food products	5%	4%	-8%
drinks, coffee	7%	-1%	26%
other products	5%	9%	-3%

Tabela 3.

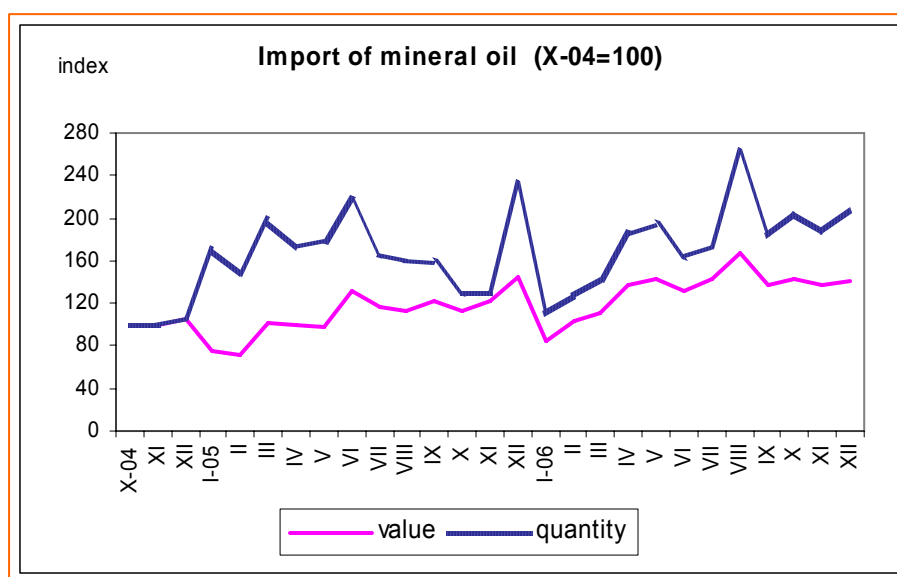
Transfer to the system of VAT taxation has brought huge growth in import of capital goods and raw materials and there was stabilization of imports in 2006 (Graph 18.).



Graph 18.

Introduction of VAT did not have significant impact on import of mineral oil (rate is even lower than sales tax rate), but oil price trend in the world market did have impact.

¹⁸ data for analysis of trade balance structure were prepared by Igor Gavran, BiH



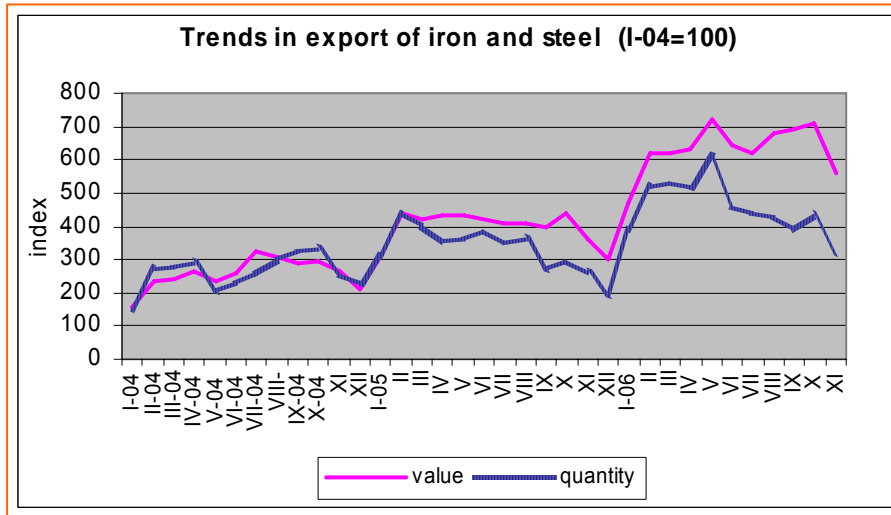
Graph 19.

There was significant decrease of export of chemical products while export significantly of machines increased amongst the groups that we followed so far in our bulletins.

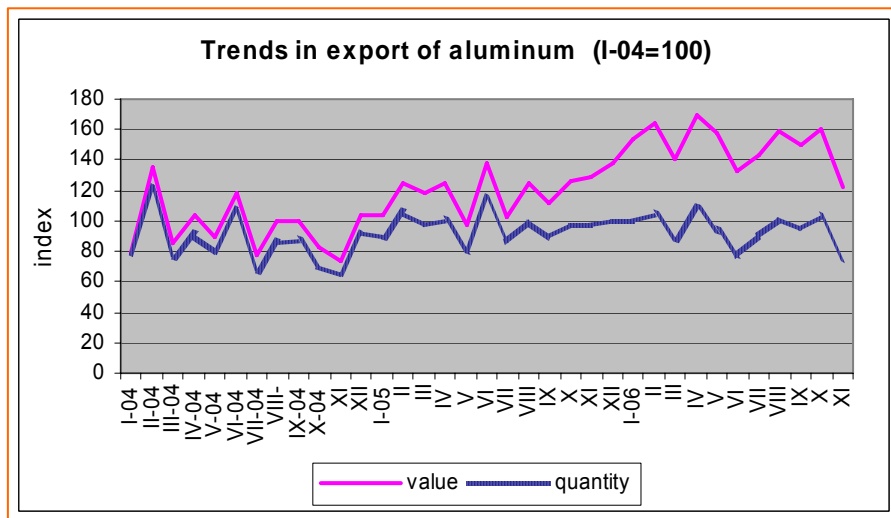
	2004	2005	2006
total export	22.75%	34.28%	36.65%
energy (coke, power)	52.77%	14.83%	25.60%
inorganic chemical products	566.43%	36.62%	15.44%
wood	10.00%	-12.47%	22.87%
iron and steel	64.29%	57.41%	55.20%
aluminum and aluminum products	20.39%	22.67%	27.48%
mechanic and electronic machines	5.90%	168.24%	18.25%
furniture	-3.49%	13.51%	73.95%
other	8.43%	34.66%	46.43%

Table 4.

By looking at the structure of exports at annual level in the period from 2003 to 2006, there were no significant moves in favor of some other group of products. Comparison of annual rates in growth of exports in the same period, we can see high rates in growth of export of furniture, and stable-high growth of exports iron and steel, growth of export of aluminum and aluminum products (Graph 20 and 21). From the graph, we can review impact of change in price of aluminum, iron and steel at world market on quantity of exports. Export of values of iron and steel increase faster than exported quantities, which tells us about price growth at the world market and, in other hand, about limited capacities in the country and impossibility to sell larger quantities at world market.



Graph 20.



Graph 21.

2006 was a year of great expectations in terms of VAT impact on trade balance. From the experiences of other countries, we are aware of non-stimulating VAT effects on import and stimulating effects on export. Besides that, we are aware of import/export frauds in VAT system. After rough import oscillations, there was stabilization and 2006 was completed successfully with very low growth of imports¹⁹. Export growth effects "melted" in the end of the year, and growth rate, although very high, it is slightly higher than rate of export growth in 2005. Abolishing suspension on VAT refunds to taxpayers who are not predominant exporters will open room for more export scheme frauds. What's worrying is the fact that BiH export is based on few key products of primary production only, which creates high dependency and sensitivity of trade balance and payment of balance on price trends in the world market.

¹⁹ More information on effects of VAT introduction on imports can be found in the bulletins 17, 18 and other issues

Consolidated reports

(prepared by Aleksandra Regoje, Macroeconomist in the Unit)

Notes to table 5

1. The consolidated report includes:
 - revenues and expenditures of the budget of Bosnia and Herzegovina,
 - revenues and expenditures of the budget of Brčko District,
 - revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
 - revenues and expenditures of the budget of the Republika Srpska,
 - revenues and expenditures of the budget of 10 cantons in the Federation
2. Report doesn't include amortization of foreign debt
3. November data for Bosnian-Podrinje Canton are estimated

Notes to table 6

1. The consolidated report includes:
 - revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
 - revenues and expenditures of cantonal budgets in FBiH,
 - revenues and expenditures of municipal budgets in FBiH,
2. U Izveštaj nije uključena amortizacija vanjskog duga,
3. The following data were estimated: October data for the following municipalities: Bosansko Grahovo, Ravno, Ilijas, Siroki Brijeg and Tesanj, and all months data for Municipality of Drvar

Notes to table 7,8 i 9

Consolidated report includes:

- revenues and expenditures of the cantonal budgets,
- revenues and expenditures of the budgets of related municipalities.

Expenditure item of the cantonal budgets "Grants to other levels of government" and "Capital grants to other levels of government" is reconciled with revenue items of municipalities "Grants from other levels of government" and "Capital support from other levels of government";

Since the expenditure item "Grants to individuals" contains grants directed through municipal budgets, in cases where the amount of grants to other levels of government on expenditure side of cantons is lower than received grants on municipal items, the Unit proceeded in the following way:

- Remaining difference on items of municipalities "Grants from other levels of government" and "Capital support from other levels of governments" is reconciled with expenditure item of the cantonal budget "Grants to individuals".

* Net domestic lending = lending-repayment of borrowing

** Net domestic financing = Credits received – repayment of debts

Notice:

Since data have been submitted late, monthly consolidated report for fiscal operations of the single account and the Entities for December will be later on published on the Unit's internet page www.oma.uino.ba, of which you will be informed on time.

FBiH, I – X 2006

		I	II	III	IV	V	VI	VII	VIII	IX	X	Q1	Q2	Q3	Q4	Total
1	Current Revenues	126.593.841	94.421.913	363.917.766	235.144.348	303.193.498	260.774.686	348.385.702	275.932.537	291.112.605	284.099.817	584.933.519	799.112.532	915.430.843	284.099.817	2.583.576.711
11	Taxes	101.922.961	59.784.247	316.127.050	205.537.706	267.387.505	222.301.773	218.191.115	240.240.353	243.136.540	245.046.101	477.834.258	695.226.983	701.568.008	245.046.101	2.119.675.350
	Income & profit tax	10.845.363	13.195.094	14.471.787	7.529.944	7.274.868	9.299.426	10.463.097	8.881.457	11.274.334	9.215.220	38.512.244	24.104.238	30.618.888	9.215.220	102.450.590
	Taxes on personal income and self-employment	12.538.656	12.566.859	14.035.620	16.324.518	15.488.990	15.337.338	15.074.415	15.500.968	18.795.258	18.172.998	39.141.135	47.150.846	49.370.641	18.172.998	153.835.620
	Property tax	5.483.405	5.525.746	5.230.167	4.441.842	4.850.602	4.851.930	5.179.200	5.300.953	5.242.897	5.668.349	16.239.318	14.144.373	15.723.049	5.668.349	51.775.089
	Sales tax (incl.excises) (according to Regulations until 31,12,2005)	57.495.864	27.326.203	14.641.753	10.764.707	10.689.709	13.265.814	6.777.834	6.032.955	10.305.141	5.867.226	99.463.820	34.720.229	23.115.930	5.867.226	163.167.205
	Transfers from Single Account	14.602.119	49.906	264.394.732	164.817.810	227.999.332	178.442.798	179.343.050	203.246.555	196.087.415	204.867.796	279.046.757	571.259.940	578.677.021	204.867.796	1.633.851.514
	Other taxes	957.553	1.120.439	3.352.991	1.658.886	1.084.004	1.104.468	1.353.519	1.277.466	1.431.494	1.254.512	5.430.983	3.847.358	4.062.478	1.254.512	14.595.332
12	Non-tax revenues	24.359.153	33.419.650	47.360.347	29.516.862	35.218.928	37.618.918	129.347.192	35.093.311	47.418.243	37.920.959	105.139.150	102.354.707	211.858.746	37.920.959	457.273.563
13	Grants	284.195	1.019.589	352.193	44.056	502.029	677.379	761.376	81.967	240.228	434.384	1.655.977	1.223.464	1.083.571	434.384	4.397.395
14	Other revenues	27.532	198.426	78.176	45.724	85.037	176.617	86.018	516.906	317.595	698.373	304.135	307.378	920.518	698.373	2.230.403
2	Total expenditures	132.043.677	146.386.690	181.381.843	201.085.015	235.768.759	227.815.615	204.626.742	219.915.917	252.085.682	231.929.123	459.812.210	664.669.388	676.628.341	231.929.123	2.033.039.063
21	Current expenditures	132.115.507	146.418.872	184.624.512	201.615.507	235.986.687	230.334.281	204.835.280	210.726.907	249.957.287	230.562.063	463.158.892	667.936.474	665.519.474	230.562.063	2.027.176.902
	Wages and compensations	62.067.683	74.352.267	78.590.596	79.973.594	81.127.552	96.892.287	71.889.665	84.784.265	85.033.382	88.104.125	215.010.546	257.993.433	241.707.312	88.104.125	802.815.416
	of which: Gross wages	51.819.520	60.904.462	63.181.948	65.304.230	64.836.970	73.511.245	55.235.757	65.027.574	69.107.058	68.305.158	175.905.931	203.652.444	189.370.389	68.305.158	637.233.922
	of which: Compensations	10.248.163	13.447.804	15.408.648	14.669.364	16.290.583	23.381.043	16.653.908	19.756.691	15.926.324	19.798.967	39.104.615	54.340.989	52.336.923	19.798.967	165.581.494
	Other taxes and contributions	6.194.123	7.224.751	7.579.543	7.736.923	7.711.792	8.840.556	6.612.155	7.761.136	8.309.845	8.759.212	20.998.417	24.289.271	22.683.136	8.759.212	76.730.036
	Purchases of goods and services	13.065.965	21.932.914	23.744.247	21.328.188	23.776.015	26.064.809	19.595.313	19.816.722	24.281.790	25.884.173	58.743.126	71.169.012	63.693.825	25.884.173	219.490.135
	Grants	49.742.225	40.976.068	72.264.568	90.467.657	121.650.372	94.921.360	104.206.519	94.262.424	128.866.909	105.280.233	162.982.861	307.039.388	327.335.852	105.280.233	902.638.334
	o/w Grants to other levels of government	3.427.849	4.399.985	3.956.451	5.009.761	4.952.229	6.782.532	5.454.404	6.606.935	9.910.123	8.998.609	11.784.284	16.744.522	21.971.462	8.998.609	59.498.877
	Interest	348.705	741.148	722.841	53.689	429.424	728.599	387.843	2.140.809	338.415	685.622	1.812.694	1.211.711	2.867.067	685.622	6.577.094
	Transfers to lower spending units	696.806	1.191.725	1.722.718	2.055.457	1.291.532	2.886.671	2.143.784	1.961.550	3.126.948	1.848.698	3.611.248	6.233.659	7.232.281	1.848.698	18.925.887
22	Net lending*	-71.830	-32.182	-3.242.669	-530.492	-217.928	-2.518.667	-208.538	9.189.011	2.128.395	1.367.061	-3.346.681	-3.267.086	11.108.868	1.367.061	5.862.161
3	Net acquisition of nonfinancial assets	1.926.282	551.070	4.977.531	4.007.344	5.627.989	12.374.660	30.649.110	15.951.865	18.141.051	17.936.311	7.454.884	22.009.992	64.742.025	17.936.311	112.143.212
4	Government surplus(+)/deficit(-)	-7.376.119	-52.515.847	177.558.391	30.051.989	61.796.750	20.584.412	113.109.850	40.064.755	20.885.872	34.234.383	117.666.425	112.433.151	174.060.477	34.234.383	438.394.436
5	Net financing**	-15.616	12.364.466	-614.350	-1.688.656	-661.623	-1.387.566	-557.670	-1.128.055	-10.200.491	-453.739	11.734.499	-3.737.845	-11.886.217	-453.739	-4.343.301

Table 6. Monthly Consolidated Report

Posavina Canton, I – XI 2006

		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	Q1	Q2	Q3	Q4	Total
1	Total revenues (11+12+13+14)	1.815.419	1.922.605	4.995.728	1.338.724	4.361.437	3.315.269	3.643.875	3.715.710	4.429.932	3.474.972	3.581.229	8.733.752	9.015.429	11.789.517	7.056.202	36.594.900
11	Tax revenues	1.496.091	985.299	4.343.963	762.092	3.539.911	2.619.569	2.699.054	2.861.151	2.811.904	2.830.875	2.915.720	6.825.353	6.921.572	8.372.109	5.746.595	27.865.631
	Income & profit tax	36.023	107.810	126.959	46.250	36.851	44.035	61.758	60.302	36.796	56.098	57.479	270.792	127.137	158.855	113.577	670.361
	Taxes on personal income and self-employment	186.113	139.599	150.909	249.901	178.946	176.232	191.198	190.508	167.262	207.377	208.739	476.621	605.080	548.969	416.116	2.046.786
	Property tax	27.089	21.356	16.931	23.003	20.221	71.361	13.959	47.164	19.998	87.953	156.975	65.375	114.586	81.120	244.928	506.010
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	1.003.873	670.862	116.576	137.037	31.007	212.882	134.712	45.151	137.685	50.738	262.032	1.791.310	380.926	317.548	312.771	2.802.554
	Transfers from Single Account	216.366	13.509	3.863.738	280.084	3.249.118	2.101.970	2.272.557	2.434.976	2.312.288	2.369.664	2.156.890	4.093.613	5.631.172	7.019.821	4.526.555	21.271.160
	Other taxes	26.627	32.164	68.851	25.817	23.768	13.088	24.871	83.050	137.876	59.045	73.605	127.642	62.672	245.796	132.649	568.759
12	Non-tax revenues	285.113	438.896	470.099	394.965	458.193	423.033	457.327	604.558	501.528	462.315	478.727	1.194.108	1.276.190	1.563.413	941.043	4.974.754
13	Grants	34.215	498.410	181.667	181.667	363.333	272.667	487.494	250.000	1.070.000	179.782	179.782	714.291	817.667	1.807.494	359.564	3.699.015
	of which: Grants from other levels of government	0	185.667	181.667	181.667	363.333	231.667	360.367	250.000	1.070.000	22.000	22.000	367.333	776.667	1.680.367	44.000	2.868.367
14	Other revenues	0	0	0	0	0	0	0	0	46.500	2.000	7.000	0	0	46.500	9.000	55.500
2	Total expenditures (21+22)	1.930.774	2.081.600	2.595.200	2.425.715	2.548.258	2.847.023	2.585.719	2.365.646	3.113.109	3.504.889	3.455.671	6.607.574	7.820.996	8.064.474	6.960.559	29.453.603
21	Current expenditures	1.930.321	2.084.005	2.595.200	2.427.032	2.549.575	2.847.023	2.588.736	2.366.646	3.134.109	3.506.539	3.456.221	6.609.526	7.823.630	8.089.491	6.962.759	29.485.406
	Wages and compensations	1.212.293	1.240.960	1.297.876	1.269.115	1.318.214	1.335.639	1.394.749	1.145.443	1.342.365	1.354.769	1.401.096	3.751.129	3.922.968	3.882.557	2.755.866	14.312.519
	of which: Gross wages	986.429	1.006.704	1.024.321	1.025.275	1.054.303	1.021.455	986.198	947.952	1.090.117	1.029.918	1.060.582	3.017.454	3.101.033	3.024.267	2.090.500	11.233.255
	of which: Compensations	225.863	234.256	273.555	243.840	263.911	314.184	408.551	197.491	252.248	324.851	340.515	733.674	821.935	858.290	665.366	3.079.264
	Other taxes and contributions	119.786	122.838	124.306	128.140	130.002	129.965	127.625	115.485	136.112	128.201	138.057	366.931	388.108	379.222	266.258	1.400.518
	Purchases of goods and services	425.160	508.676	623.004	394.706	498.898	709.289	401.820	304.072	598.984	638.441	626.877	1.556.840	1.602.892	1.304.876	1.265.318	5.729.926
	Grants	170.377	209.064	547.555	632.593	600.059	672.124	654.251	801.646	1.056.648	1.385.127	1.290.191	926.996	1.904.775	2.512.545	2.675.317	8.019.634
	of which: Capital grants to other levels of government	12.691	18.279	138.385	269.491	142.962	171.002	246.095	143.178	92.289	508.320	232.964	169.354	583.455	481.562	741.284	1.975.654
	Interest	2.704	2.467	2.459	2.478	2.403	6	10.291	0	0	0	0	7.630	4.887	10.291	0	22.808
22	Net lending*	454	-2.405	0	-1.317	-1.317	0	-3.017	-1.000	-21.000	-1.650	-550	-1.952	-2.634	-25.017	-2.200	-31.803
3	Net acquisition of nonfinancial assets	260.469	12.233	28.995	35.198	155.785	104.534	73.548	143.954	896.063	1.030.004	1.163.958	301.698	295.517	1.113.565	2.193.962	3.904.741
4	Government surplus/deficit (1-2-3)	-375.824	-171.228	2.371.533	-1.122.189	1.657.393	363.712	984.608	1.206.109	420.761	-1.059.920	-1.038.399	1.824.481	898.916	2.611.479	-2.098.319	3.236.556
5	Net financing **	-3.943	-3.943	0	0	0	0	0	0	-20.000	0	0	-7.886	0	-20.000	0	-27.886

Table 7. Monthly Consolidated Report

Una-Sana Canton, I – XI 2006

		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	Q1	Q2	Q3	Q4	Total
1	Total revenues (11+12+13+14)	9.943.058	6.614.969	5.819.896	27.483.639	23.114.597	16.541.338	18.122.192	18.806.817	18.203.968	18.888.596	17.937.048	22.377.922	67.139.575	55.132.977	36.825.644	181.476.118
11	Tax revenues	8.153.476	4.295.132	3.610.304	25.070.832	20.780.844	13.806.907	14.664.861	15.734.300	14.387.414	15.684.099	15.440.029	16.058.912	59.658.583	44.786.575	31.124.129	151.628.198
	Income & profit tax	194.395	277.479	378.266	295.324	338.648	397.419	395.215	423.189	217.198	237.949	413.226	850.140	1.031.391	1.035.602	651.174	3.568.308
	Taxes on personal income and self-employment	838.766	731.543	828.907	1.428.784	1.042.911	1.014.857	1.110.930	1.100.037	1.091.311	1.571.952	1.291.000	2.399.217	3.486.552	3.302.279	2.862.952	12.050.999
	Property tax	265.696	279.249	254.411	256.533	287.149	197.848	436.806	410.515	257.690	332.278	460.719	799.356	741.530	1.105.011	792.997	3.438.894
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	5.544.602	2.971.373	1.182.769	1.058.126	1.140.903	728.065	736.689	792.517	565.485	549.151	518.160	9.698.744	2.927.094	2.094.691	1.067.311	15.787.840
	Transfers from Single Account	1.201.978	191	928.521	21.959.410	17.921.948	11.424.428	11.930.829	12.955.847	12.205.776	12.943.043	12.705.622	2.130.689	51.305.786	37.092.452	25.648.664	116.177.592
	Other taxes	108.038	35.298	37.429	72.656	49.286	44.289	54.392	52.195	49.953	49.726	51.303	180.765	166.231	156.540	101.030	604.565
12	Non-tax revenues	1.776.576	2.284.982	2.179.705	2.412.808	2.325.356	2.604.795	2.966.352	2.037.336	3.620.864	3.150.187	2.215.720	6.241.263	7.342.958	8.624.552	5.365.906	27.574.679
13	Grants	13.006	34.855	29.887	0	8.398	129.635	490.980	1.035.181	165.690	54.310	159.868	77.748	138.033	1.691.851	214.178	2.121.809
	of which: Grants from other level of government	0	0	0	0	0	0	0	1.000.000	130.000	0	11.000	0	0	1.130.000	11.000	1.141.000
14	Other revenues	0	0	0	0	0	0	0	0	30.000	0	121.431	0	0	30.000	121.431	151.431
2	Total expenditures (21+22)	11.067.542	12.060.641	12.760.715	11.028.983	12.948.570	12.545.136	11.495.638	14.080.698	13.995.242	13.228.347	14.631.923	35.888.898	36.522.689	39.571.577	27.860.269	139.843.434
21	Current expenditures	11.021.260	11.984.005	12.776.715	11.096.641	12.962.646	12.600.514	11.502.473	13.990.698	14.694.594	13.228.347	14.632.360	35.781.980	36.659.801	40.187.764	27.860.706	140.490.252
	Wages and compensations	6.663.563	7.274.333	8.225.551	6.886.844	7.192.421	8.217.747	6.477.219	8.842.348	7.620.554	7.311.282	8.039.692	22.163.448	22.297.012	22.940.120	15.350.974	82.751.554
	of which: Gross wages	5.723.924	6.132.330	6.903.055	5.908.645	5.936.637	6.632.812	5.589.664	6.058.357	6.629.116	5.846.982	6.471.032	18.759.308	18.478.094	18.277.138	12.318.013	67.832.553
	of which: Compensations	939.640	1.142.003	1.322.496	978.199	1.255.784	1.584.936	887.555	2.783.990	991.438	1.464.300	1.568.660	3.404.139	3.818.918	4.662.983	3.032.961	14.919.001
	Other taxes and contributions	688.021	727.091	815.298	707.630	707.416	790.499	658.653	728.403	795.617	693.124	769.232	2.230.411	2.205.545	2.182.672	1.462.356	8.080.984
	Purchases of goods and services	1.262.933	1.902.563	1.408.646	1.077.344	2.606.990	1.358.821	1.513.277	1.426.354	1.577.074	1.726.158	1.995.745	4.574.143	5.043.155	4.516.705	3.721.903	17.855.906
	Grants	2.314.694	1.883.477	1.998.275	2.253.017	2.357.415	2.065.162	2.683.035	2.753.057	4.038.668	3.333.106	3.513.314	6.196.446	6.675.594	9.474.760	6.846.420	29.193.220
	of which: Grants to other levels of government	150.755	301.733	140.034	492.774	422.415	287.541	402.269	228.022	997.307	391.141	194.122	592.522	1.202.729	1.627.598	585.262	4.008.112
	Interest	16.451	59.036	23.615	100.691	22.362	80.105	102.280	87.261	-10.832	50.073	138.541	99.102	203.158	178.708	188.613	669.581
	Transfers to lower levels	75.599	137.504	305.330	71.114	76.043	88.180	68.009	153.276	673.513	114.604	175.837	518.432	235.337	894.798	290.441	1.939.007
22	Net lending*	46.282	76.636	-16.000	-67.658	-14.076	-55.378	-6.835	90.000	-699.352	0	-437	106.918	-137.112	-616.187	-437	-646.818
3	Net acquisition of nonfinancial assets	120.578	127.766	118.333	228.656	347.798	640.663	460.742	601.596	1.471.531	1.122.154	2.836.846	366.677	1.217.117	2.533.869	3.959.000	8.076.664
4	Government surplus/deficit	-1.245.063	-5.573.439	-7.059.152	16.226.000	9.818.229	3.355.539	6.165.812	4.124.523	2.737.196	4.538.095	468.279	-13.877.653	29.399.768	13.027.531	5.006.374	33.556.020
5	Net financing **	110.685	-69.164	-11.283	-103.727	-47.017	-40.837	-59.866	-286.768	-68.697	-29.322	-28.992	30.238	-191.581	-415.331	-58.314	-634.988

Table 8. Monthly Consolidated Report

Zenica-Doboj Canton, I – IX 2006

		I	II	III	IV	V	VI	VII	VIII	IX	Q1	Q2	Q3	Total
1	Total revenues (11+12+13)	14.298.847	7.613.052	37.168.513	18.659.127	20.835.779	22.867.285	12.399.405	24.056.685	22.873.023	59.080.412	62.362.191	59.329.113	180.771.716
11	Tax revenues	11.474.926	4.695.665	32.619.768	15.637.471	17.870.614	19.331.294	8.130.769	20.209.261	19.283.449	48.790.359	52.839.379	47.623.479	149.253.217
	Income & profit tax	597.651	578.673	379.738	445.291	1.184.729	594.352	482.047	564.773	608.642	1.556.063	2.224.372	1.655.462	5.435.897
	Taxes on personal income and self-employment	1.644.457	1.314.073	2.104.171	2.011.875	2.284.532	1.912.552	1.879.155	1.997.723	2.138.223	5.062.701	6.208.959	6.015.101	17.286.761
	Property tax	372.990	547.271	727.961	630.257	423.130	515.746	645.703	554.422	477.537	1.648.223	1.569.132	1.677.662	4.895.017
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	7.370.780	2.148.140	2.305.680	817.063	919.597	2.015.799	1.057.631	1.062.786	518.608	11.824.600	3.752.458	2.639.025	18.216.083
	Transfers from Single Account	1.448.218	40.808	26.992.150	11.687.781	12.994.875	14.236.122	4.003.712	15.965.898	15.474.625	28.481.175	38.918.778	35.444.234	102.844.188
	Other taxes	40.830	66.700	110.067	45.204	63.752	56.724	62.520	63.660	65.814	217.598	165.680	191.994	575.272
12	Non-tax revenues	2.817.076	2.866.430	4.509.626	3.021.657	2.956.747	3.189.067	4.193.772	3.821.275	3.530.313	10.193.132	9.167.470	11.545.360	30.905.962
13	Grants	6.845	50.957	39.119	0	8.418	346.924	74.865	26.149	59.260	96.921	355.342	160.273	612.537
	of which: Grants from other level of government	0	4.283	1.750	0	8.418	3.000	8.983	3.983	0	6.033	11.418	12.967	30.418
2	Total expenditures (21+22)	13.111.540	15.025.602	16.509.275	16.798.495	16.240.772	17.582.931	16.021.657	18.385.832	21.113.976	44.646.417	50.622.198	55.521.465	150.790.080
21	Current expenditures	13.116.540	15.025.602	16.509.275	16.798.495	16.240.772	17.582.931	16.021.657	18.385.832	21.113.976	44.651.417	50.622.198	55.521.465	150.795.080
	Wages and compensations	7.519.840	8.191.324	8.312.479	8.210.224	8.290.918	8.347.599	7.638.793	11.508.565	9.490.645	24.023.643	24.848.741	28.638.004	77.510.387
	of which: Gross wages	6.308.354	6.775.642	6.713.910	6.830.023	6.835.822	6.772.108	6.657.189	8.471.342	7.918.586	19.797.907	20.437.953	23.047.117	63.282.976
	of which: Compensations	1.211.485	1.415.682	1.598.568	1.380.201	1.455.096	1.575.490	981.605	3.037.223	1.572.060	4.225.736	4.410.788	5.590.887	14.227.411
	Other taxes and contributions	751.679	805.822	813.840	826.219	810.511	821.258	808.907	1.012.471	938.797	2.371.340	2.457.989	2.760.175	7.589.504
	Purchases of goods and services	2.377.377	3.315.587	3.170.286	3.070.810	2.981.777	3.197.797	2.417.781	2.494.071	3.270.306	8.863.250	9.250.385	8.182.157	26.295.791
	Grants	2.182.342	2.510.253	3.749.529	4.225.928	3.871.710	4.638.932	4.506.571	3.183.826	7.128.145	8.442.124	12.736.570	14.818.543	35.997.236
	of which: Grants to other levels of government	33.808	127.935	94.457	131.909	159.883	119.885	268.455	156.596	294.687	256.200	411.677	719.739	1.387.615
	Interest	75.916	5.842	3.605	19.310	7.192	3.601	65.337	0	6.197	85.363	30.103	71.534	187.000
	Transfers to lower levels	209.387	196.774	459.536	446.003	278.664	573.745	584.268	186.899	279.886	865.697	1.298.412	1.051.053	3.215.162
22	Net lending*	-5.000	0	0	0	0	0	0	0	0	-5.000	0	0	-5.000
3	Net acquisition of nonfinancial assets	466.307	-241.976	611.977	168.650	1.672.300	2.766.889	4.056.770	4.960.669	5.703.190	836.308	4.607.839	14.720.630	20.164.777
4	Government surplus/deficit	721.000	-7.170.574	20.047.262	1.691.982	2.922.708	2.517.465	-7.679.021	710.183	-3.944.144	13.597.687	7.132.155	-10.912.982	9.816.860
5	Net financing **	-25.281	-12.498	-12.498	0	-24.996	-12.498	-24.601	0	-24.956	-50.276	-37.493	-49.557	-137.326

Table 9. Monthly Consolidated Report

From the work of ITA Governing Board

(Prepared by: Šerifa Mujčić, Milan Kuridža)

74th session of the ITA Governing Board took place

At 74th session of the Governing Board that took place on January 30th, 2007, the following issues were discussed:

1. Decision on procedure for accessing right to be exempt from customs duties on import of equipment that will be used for carrying out production activities in free zone,
2. ITA proposal on restructuring of ITA costs in 2006,
3. Information on closing of EU CAFAO in BiH and future EU technical assistance,
4. Information on invitation for study visit to Germany,
6. Decision on temporary allocation for February – March 2007,

Governing Board:

- o postponed adopting the decision on procedure for accessing right to be exempt from customs duties on import of equipment that will be used for carrying out production activities in free zone,
- o made the decision on restructuring ITA costs in the amount of 150.000 KM,
- o acknowledged information from representatives of European Commission on closing EU CAFAO in BiH, and formed the commission that will have talks with EC Delegation on further EC support in the field of indirect taxes,
- o acknowledged information on planned study visit to Germany,
- o made the decision on temporary allocation of revenues for February and March 2007. Interim coefficients for allocation of revenues to entities and Brčko District were determined on basis of data on final consumption, according to VAT declarations, provided by ITA on January 22, 2007, for January 2006:

- BiH Federation	65,05 %,
- Republika Srpska	31,57 %,
- Brčko Distrikt	3,38 %.

Basics on legal position of ITA and ITA Governing Board

Legal position specifics of Indirect Taxation Authority and ITA Governing Board reflect through special legal position of legal entities, which partially differs from legal position of other bodies in the system of state administration in Bosnia and Herzegovina.

ITA and ITA Governing Board were established by the Law. ITA was established by the Transitional Law on merger of customs administration and establishment of Indirect Taxation Authority²⁰, and the establishment was finalized by the Law on Indirect Taxation Authority.²¹ ITA Governing Board was established by the Law on System of Indirect Taxation²². Preceding bodies were called Commission for Indirect Tax Policy and Transitional Governing Board.

ITA is autonomous administrative organization with the status of legal entity, i.e. administrative organization that is not part of appropriate ministry. ITA Governing Board also has status of legal entity. Organization of Indirect Taxation Authority is regulated by the Law on Indirect Taxation Authority²³, Law on Administration²⁴, Law on System of

²⁰ „BiH Official Gazette“, no. 18/03

²¹ „BiH Official Gazette“, no. 89/05

²² „BiH Official Gazette“, no. 44/03

²³ „BiH Official Gazette“, no. 89/05

²⁴ „BiH Official Gazette“, no. 32/02

Indirect Taxation,²⁵ Law on Civil Service in BiH Institutions²⁶, Law on work of BiH Institutions²⁷. Aforementioned laws are more important legal sources, which regulate issues of internal organization and "external" relationships of the ITA. Some provisions that regulate organizational issues are found in some other laws. Organization of ITA is also regulated by bylaws of the ITA and Governing Board.

Specifics in legal position of ITA also reflect (amongst others) in the following:

- Significant number of provisions of the Law on civil service in BiH institutions does not apply to ITA employees (provisions on wages and compensations, external relocation, disciplinary responsibility...),
- Certain number of internal documents is approved by ITA Governing Board,
- ITA Director is appointed and dismissed by the Council of Minister at the proposal of the Governing Board etc.

Most of the issues that are that are differently regulated than provisions that apply to other state bodies, are regulated by the Law on Indirect Taxation Authority and the Law on System of Indirect Taxation. Provisions on exemptions from application of general regulations are clear enough and there are no major doubts in application of relevant law for certain field. Aim of special regulation of legal position of ITA and its employees is to provide certain level of autonomy and independence of this administrative organization from influence of the Council of Ministers. Number of other regulations follow this direction.

Special position of the ITA Governing Board, as special legal entity with specific competencies and organization, aimed to transfer part of tax policy and normative competencies from administrative bodies that worked on this in classical system of division of competencies (Ministry of Finance and Council of Ministers) to this legal entity. The aim was to provide independency in proposing indirect taxation policy, regulations in the field of indirect taxation for which Council of Ministers and BiH Parliament are competent, control over the work of ITA and independency in making bylaws.

Specific position of both legal entities with emphasized independency and autonomy is new quality in organization of state administration at BiH level.

²⁵ v' BiH Official Gazette", no, 44/03 i 52/04

²⁶ v' BiH Official Gazette", no. 19/02, 35/03, 4/04, 17/04, 26/04, 37/04, 48/05 and 2/06

²⁷ v' BiH Official Gazette', no. 26/04, 7/05 i 48/05