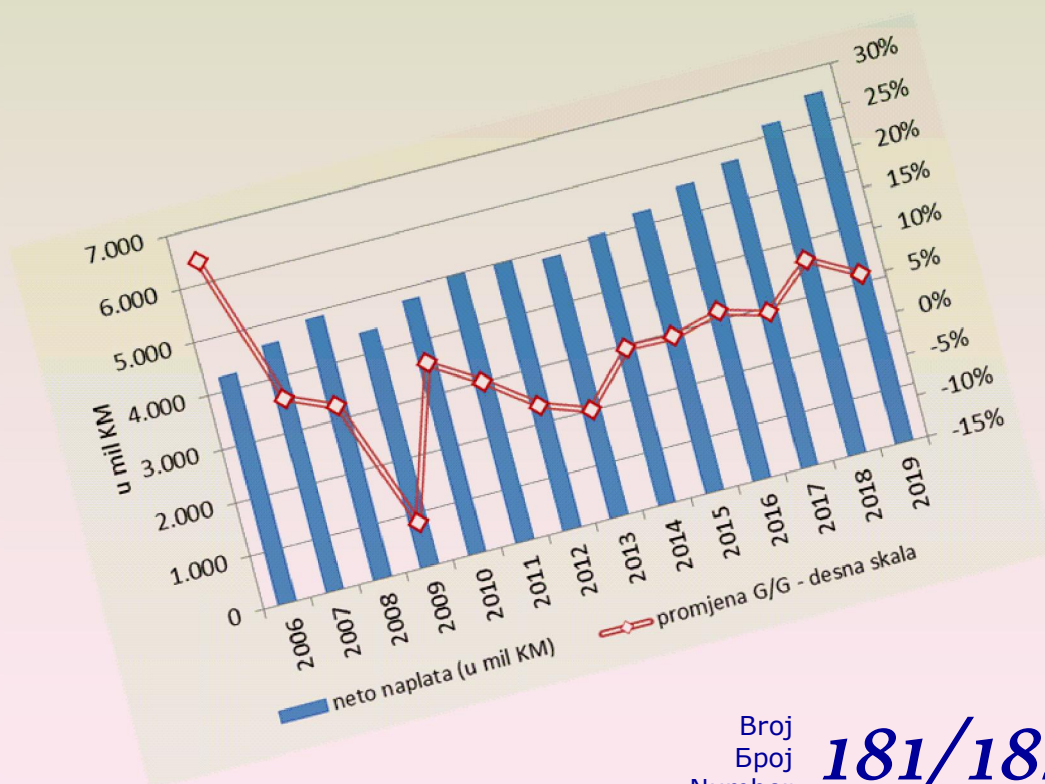




Macroeconomic Unit of the Governing Board of the Indirect Taxation Authority

# ОМЈА Билтен

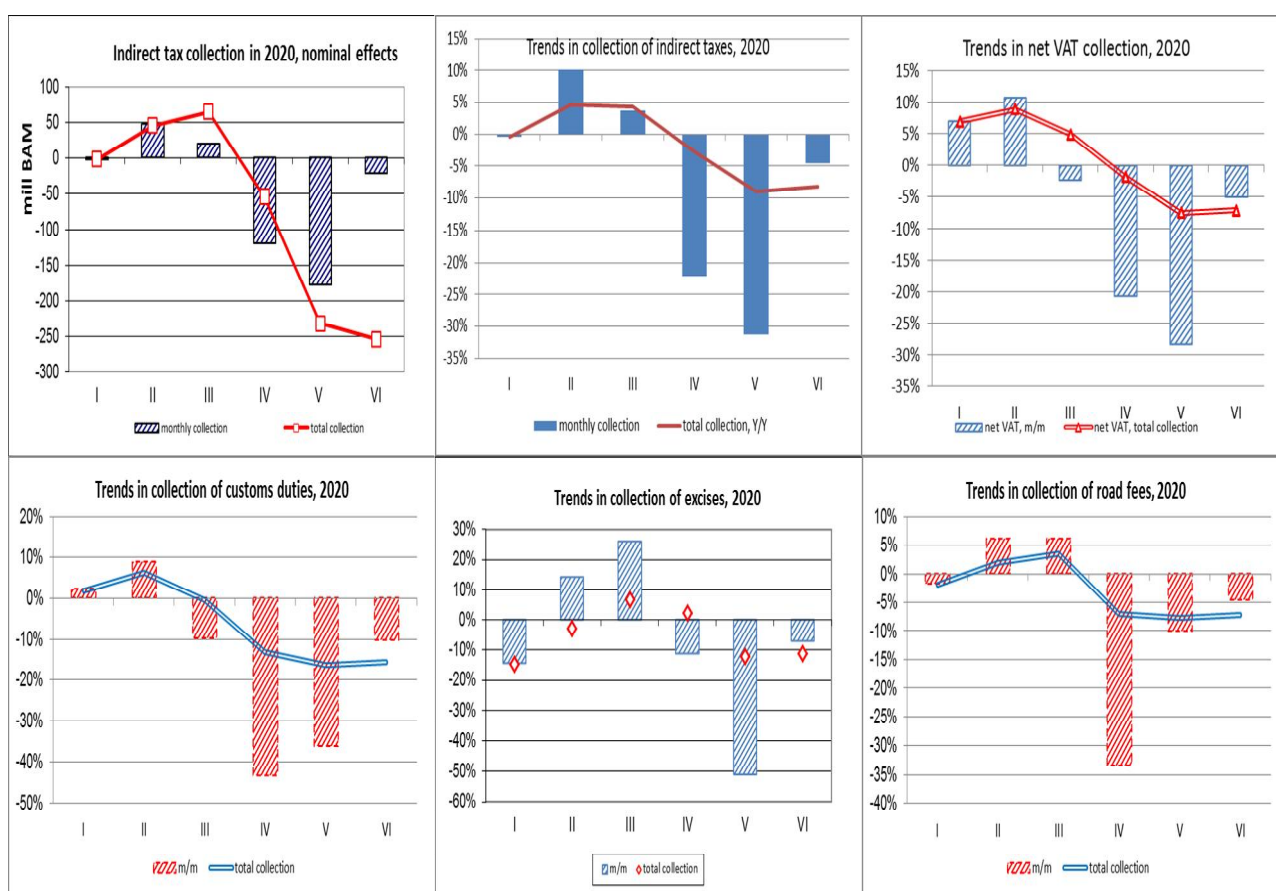


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**With this issue**

According to the preliminary cash flow report, in June 2020 the ITA collected 562 million BAM of gross revenues from indirect taxes on SA, which is 43,6 million BAM less than in the same month of 2019. The refund payments were lower by 21,6 million BAM and, therefore, the decline in net revenues was smaller than the decline in gross collection, amounting to 22 million BAM or 4,6% compared to June 2020. A smaller decline in revenues in June has stopped the precipitous decline in total revenues in 2020. In the first six months of 2020, the gross collection was lower by 368,8 million BAM. Since the refund payments decreased by 115,2 million BAM, the net drop in revenue amounted to 253,5 million BAM. This represents a decrease of 8,3%, which is 0,7 p.p. less than the fall in the five months period. The gallery of charts shows that the decline in collection of all major types of indirect taxes was stopped in June, which is an encouraging signal of economic recovery, and thus of revenues from indirect taxes.



Dinka Antić, PhD  
Head of Unit

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## Effects of changes to the Law on Excise Duties adopted in 2017 on the consumption of derivatives and indirect tax revenues

(prepared by: Aleksandra Regoje, Macroeconomist)

### Introduction

The policy of excise duties on oil derivatives in B&H is defined by the Law on Excise Duties in Bosnia and Herzegovina („Official Gazette of B&H“ No. 49/09) adopted in 2009 (hereinafter referred to as „the Law“). The Law has been changed /amended three times since 2009, twice in 2014 („Official Gazette of B&H“ 49/14 and 60/14), and in 2017 („Official Gazette of B&H“ 91/17). Amendments to the Law adopted in 2014 were related to the taxation of tobacco products („Official Gazette of B&H“ No. 49/14) and soft drinks, beer and wine („Official Gazette of B&H“ No 60/14). The amendments to Law adopted in 2017 were related to the taxation of oil derivatives.

Below is a brief overview of the legislation in the field of taxation of oil derivatives. Given that in this article we will show the effects of changes to the Law in this area on the indirect tax revenues, we will emphasize the changes to the 2017 legislation in a different color of the text, to make them more visible.

### I Review of the changes from 2017 to the Law on Excises

This section provides an overview of changes to the 2017 legislation in the field of excise duties and road tax on oil derivatives and biofuels and bio-liquids („Official Gazette of B&H“ 91/17). The changes have been **in force since February 1, 2018**.

In Article 4 of the Law, the scope of excise products has been changed in order to include biofuels and bio-liquids. The coverage of excise products according to the changed Law is shown in Box No. 1.

#### Box 1. Excise products

Article 4  
(Excise products)

- a) oil derivatives;
- b) tobacco products;
- c) non-alcoholic beverages;
- d) alcohol, alcoholic beverages and natural fruit brandy;
- e) beer and wine;
- f) coffee;
- g) biofuels and bio-liquids.

Source: Law on Excise Duties in Bosnia and Herzegovina (Official Gazette of B&H 49/09, 49/14, 60/14 and 91/17), unofficial consolidated text of the author<sup>1</sup>

The Article 5 of the Law has been changed in order to include liquid petroleum gas for motor vehicles in the scope of term „oil derivatives“. The coverage of oil derivatives according to the amended Law is given in Box 2.

<sup>1</sup> The author's unofficial consolidated text is for illustrative purposes only and cannot be used for official purposes.

## Box 2. Oil derivatives

Article 5  
(Oil derivatives)

- a) motor petrol, including unleaded petrol, regardless of its octane value and commercial name;
- b) diesel fuels and other gas oils;
- c) petroleum (kerosene);
- d) heating oil extra light and easy special (EL and ES);
- e) liquid petroleum gas for the propulsion of motor vehicles.

Source: Ibid.

The rate of excise duty on heating oil in the Article 17 of the Law has been changed from 0,30 KM/l to 0,45 KM/l. Excise duty rates for liquid petroleum gas for motor vehicles and biofuels and bio-liquids were also set at KM 0,00/l and KM 0,30/l, respectively. An overview of excise duty rates under current legislation is presented in Box 3.

## Box 3. Excise duties on oil derivatives

Article 17  
(Excise duties on oil derivatives)

- a) diesel fuels and other gas oils: 0,30 BAM;
- b) petroleum (kerosene): 0,30 BAM;
- c) motor petrol - unleaded: 0,35 BAM;
- d) motor petrol 0,40 BAM;
- e) heating oil extra light and easy special 0,45 BAM;
- f) liquid petroleum gas for the propulsion of motor vehicles 0,00 BAM;
- g) biofuels and bio-liquids 0,30 BAM.

Source: Ibid.

Article 35 of the Law regulating the base and rate of the road tax has been amended. In comparison with the 2009 Law, the amendments relate to the coverage of the road tax base, in the sense that, according to the changed Law, the base also includes biofuels and bio-liquids referred to in Article 4 of the Law, and liquid petroleum gas for the propulsion of motor vehicles referred to in Article 5 of the Law. Earmarked road tax rate has been increased from 0,10 BAM/l to 0,25 BAM/l, and has been split to 0,20 BAM/l for highway construction and 0,05 BAM/l for construction and reconstruction of other roads.

According to the current legislation, the road tax is charged on biofuels and bio-liquids and on the following petroleum products from the Box 2. „Oil derivatives“: motor petrol, including unleaded, regardless of octane value and commercial name; diesel fuels and other gas oils; and liquid petroleum gas for the propulsion of motor vehicles. We see that kerosene and heating oil are not included in the road tax base, same as it was under the 2009 Law.

Based on all the above, we can conclude that the changes in the excise policy on oil derivatives and road tax from 2017 refer to: increase in the excise rate on heating oil from 0,30 to 0,45 BAM/l; introduction of excise tax on biofuels and bio-liquids (0,30 BAM/l); increase in the rate of earmarked road tax from 0,10 to 0,25 BAM/l (with separation of rates and funds by purpose for highways and other roads); and change in the road tax base in terms of inclusion biofuels and bio-liquids, and liquid petroleum gas for motor vehicles.

Table 1 shows changes in rates of excise duties and road tax in the 2017 Law compared to the old 2009 Law. Parts 1.1 and 1.2 show excise duty and road tax rates under old and current law. Section 1.3 shows the total rate calculated by summing excise duties and road tax rates under

current and old law, as well as differences between the totals. Excise duties and road tax on oil derivatives are charged per liter, except in the case of road tax on liquid petroleum gas, where it is charged per kg.

Table 1. Excise duty and road tax rates

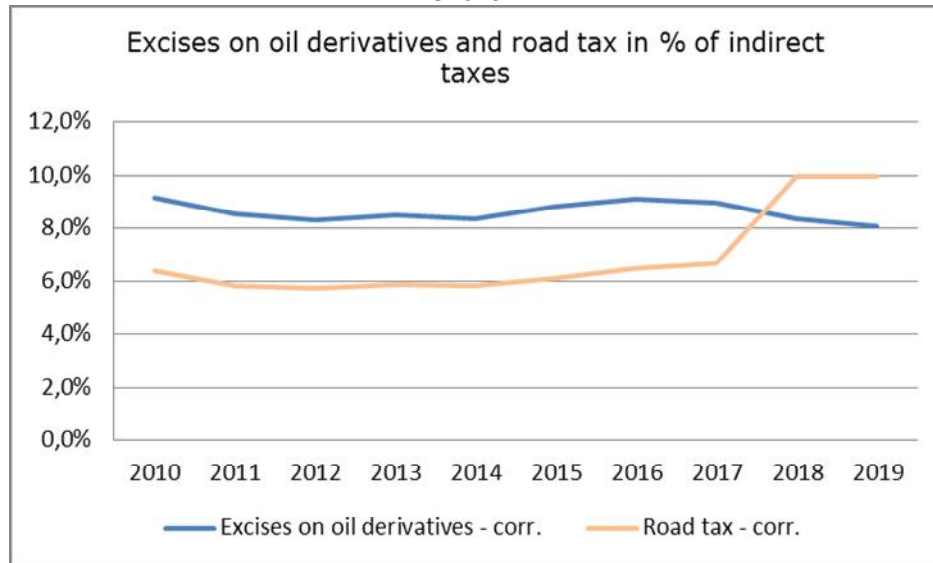
<b>Part 1.1. EXCISES</b>		<b>rate (BAM/l)</b>		
<i>Excise duty rates under the 2009 and 2017 Laws</i>		(1)	(2)	(3)=(2)-(1)
	Base	2009 Law	Changes in the Law (2017)	difference
a)	diesel fuels and other gas oils	0,30	0,30	
b)	petroleum (kerosene)	0,30	0,30	
c)	motor petrol - unleaded	0,35	0,35	
d)	motor petrol	0,40	0,40	
e)	heating oil extra light and easy special	0,30	0,45	0,15
f)	liquid petroleum gas for the propulsion of motor vehicles		0,00	
g)	biofuels and bio-liquids		0,30	0,30
<b>Part 1.2. ROAD TAX</b>		<b>rate (BAM/l)</b>		
<i>Road tax rates under the 2009 and 2017 Laws</i>		(4)	(5)	(6)=(5)-(4)
	Base	2009 Law	Changes in the Law (2017)	difference
a)	diesel fuels and other gas oils	0,25	0,40	0,15
b)	petroleum (kerosene)			
c)	motor petrol - unleaded	0,25	0,40	0,15
d)	motor petrol	0,25	0,40	0,15
e)	heating oil extra light and easy special			
f)	liquid petroleum gas for the propulsion of motor vehicles*		0,40	0,40
g)	biofuels and bio-liquids		0,40	0,40
<b>Part 1.3. EXCISES AND ROAD TAX</b>		<b>total rate (BAM/l)</b>		
<i>Changes in excise duty and road tax rates under the 2017 Law compared to the 2009 Law</i>		(7)=(1)+(4)	(8)=(2)+(5)	(9)=(8)-(7)
	Base	2009 Law	Changes in the Law (2017)	difference
a)	diesel fuels and other gas oils	0,55	0,70	0,15
b)	petroleum (kerosene)	0,30	0,30	
c)	motor petrol - unleaded	0,60	0,75	0,15
d)	motor petrol	0,65	0,80	0,15
e)	heating oil extra light and easy special	0,30	0,45	0,15
f)	liquid petroleum gas for the propulsion of motor vehicles*		0,40	0,40
g)	biofuels and bio-liquids		0,70	0,70

\* Road tax on liquid petroleum gas is expressed in BAM/kg

## II Significance of revenues from excises on oil derivatives and road tax for government financing

Revenues from excises and road tax had a significant share in indirect tax revenues and GDP even before the amendments to the Law from 2017. Therefore, the change in derivative taxation policies has been a focus of interest for all: government, entrepreneurs and the general public. In 2017, prior to the application of the revised rates, excise tax revenues accounted for 9,0% and road tax revenues for 6,7% of net revenues from indirect taxes on the SA of the ITA (Chart 1).

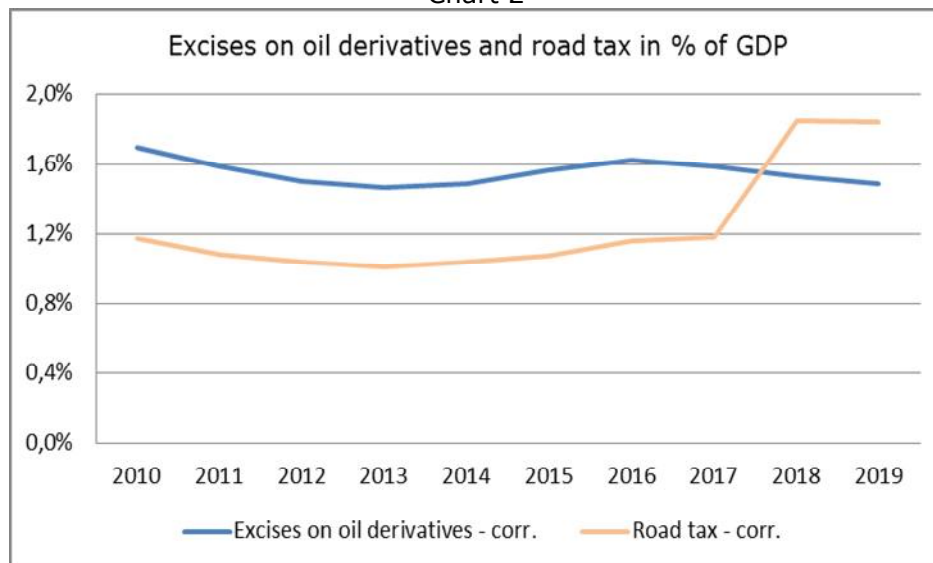
Chart 1



Source: data of the ITA, calculation of the MAU: an adjusted amount that takes into account collected revenues from excise duty through offsetting with VAT claims

Total revenues from indirect taxes accounted for 17,7% of GDP in 2017, while revenues from excise duties on oil derivatives and road tax together accounted for 2,8% of GDP (Chart 2), and with associated VAT revenues, and as much as 3,2% of GDP.

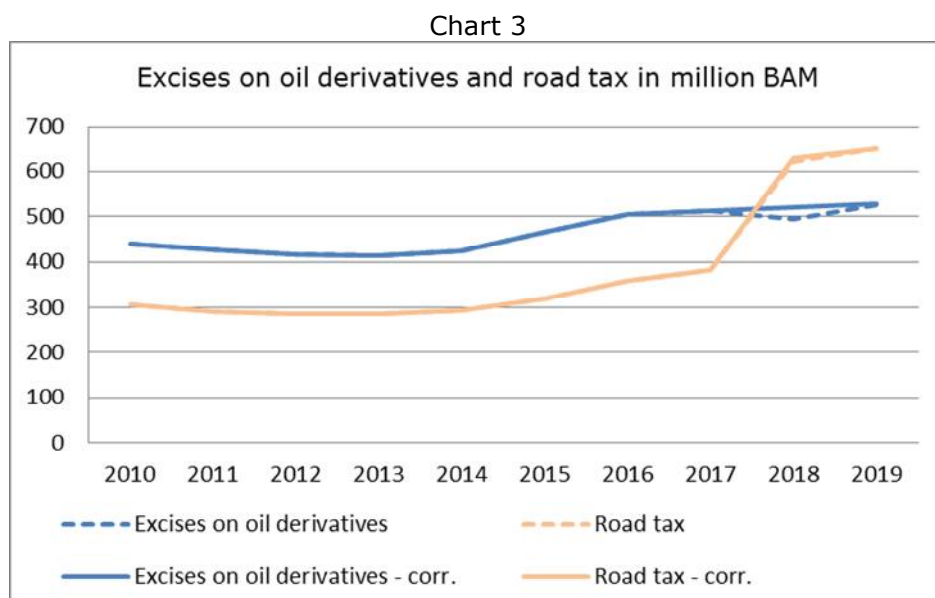
Chart 2



Source: data of the ITA, calculation of the MAU: an adjusted amount that takes into account collected revenues from excise duty through offsetting with VAT claims



Taking into account the collected revenues from excise duties and road tax through offsetting with VAT claims, both types of revenues have a continuous upward trend since 2014 (Chart 3).<sup>2</sup> The year 2017 is the last year when revenues from excise duties on oil derivatives were higher than those from road tax.



### III The effects of Law changes from 2017 (in force since February 2018)

In order to avoid the effects of not entering into force the Law at the very beginning of 2018, here we will compare the collection of excise duties on oil derivatives and road tax in 2019 and 2017.

#### Effects of Law changes on excise tax revenues

Since February 2018, higher rate of excise duty on heating oil has been applied, and the excise tax base has been extended to biofuels and bio-liquids. The extension of tax base for excises and road tax on biofuels did not produce effects in the form of revenue generated on these excise products, since a negligible amount of revenue was collected on that basis in both 2018 and 2019. The extension of the base, in fact, was not intended to have the effect in form of excise and road tax revenues on biofuels and bio-liquids, but rather to stop the legal tax evasion which had been conducting by substituting consumption of oil derivatives with biodiesel which was untaxed at that time.

**In 2019, there was a 2,7% increase in net excise tax revenue on oil derivatives<sup>3</sup> compared to 2017.** The total excise duty base increased by only 1,5% in the aforementioned period. It should be noted that the term "base" in this article refers to the quantities calculated by the author, and that for excise duties it includes the amount of imported oil derivatives and

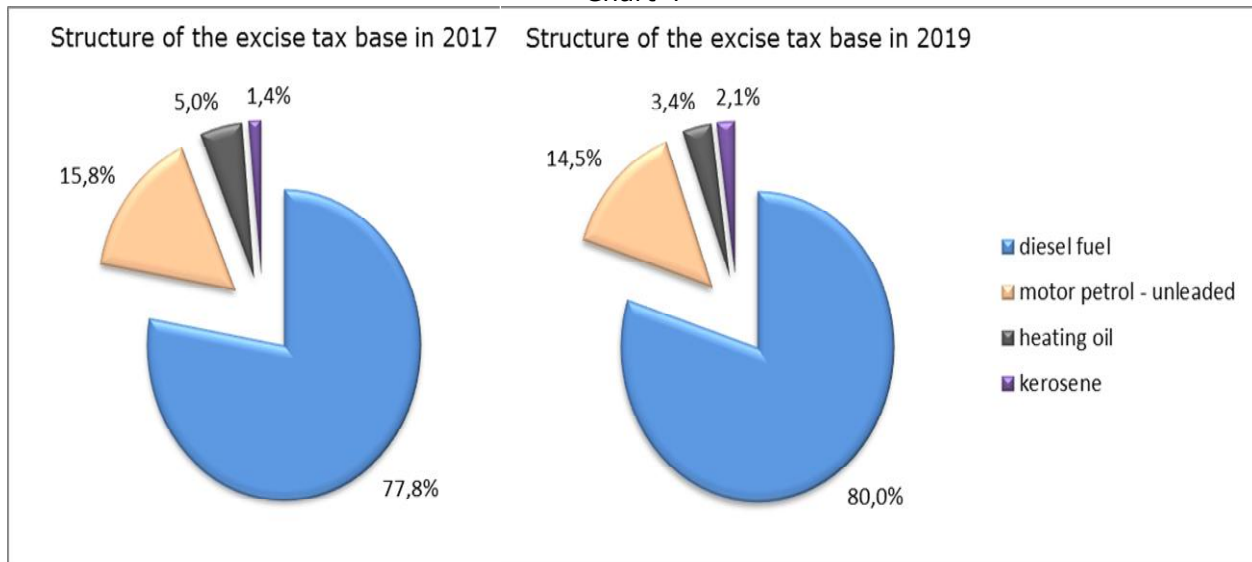
<sup>2</sup> According to net cash reports of the ITA, revenues from excise duties on oil derivatives have fallen in 2018, as a significant portion of excise duties on oil derivatives and road tax in 2018 was paid from VAT credits. The correction in revenues for the amount of offset liabilities, the growth rate of excise tax revenues on oil derivatives in 2018 obtained a positive value (Chart 3).

<sup>3</sup> ITA data- an adjusted amount that takes into account the collected excise tax revenues through offsetting with VAT claims.

biofuels and the amount of domestic<sup>4</sup> derivatives and biofuels placed on the market. The different rate of growth of excise tax revenue on oil derivatives from the growth of the base calculated in this way is the result of: (1) differentiated rates of derivative taxation and changes in the base structure; (2) the change in the structure of excise duties on derivatives according to split into import and domestic ones.

We can see from Chart 4 that there have been significant changes in the structure of the excise tax base on oil derivatives in the short period of two years. As expected, the share of heating oil in the base decreased significantly, from 5,0% in 2017 to 3,4% in 2019. The share of kerosene, as a component with the lowest aggregate tax rate (comprised of road and excise tax rates) increased from 1,4% to 2,1%. It should be borne in mind that these two categories of derivatives could not have a significant impact on the dynamics of the total base and revenues, given their low weight in the base. Despite the lower excise duty rate (0,3 BAM/l), the high share of diesel in the base together with stable consumption growth rates has led to this type of derivatives generating the largest amount of excise tax revenue growth in the period 2017-2019. The component of unleaded petrol consumption (as well as its share in the excise duty base) decreased and had a negative impact on the growth rate of revenues in the observed period.

Chart 4

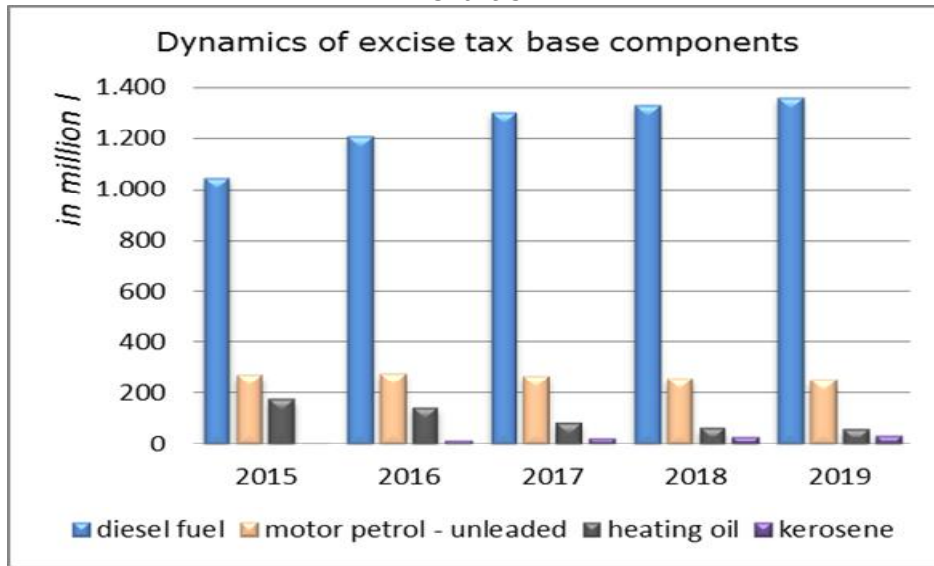


Source: Author's calculation based on the ITA data

<sup>4</sup> Amounts from excise declarations were taken with the time lag  $m-1$ , in order for the base to be correctly presented in accordance with the provisions of the Law on the occurrence of the obligation and payment of excise duties.



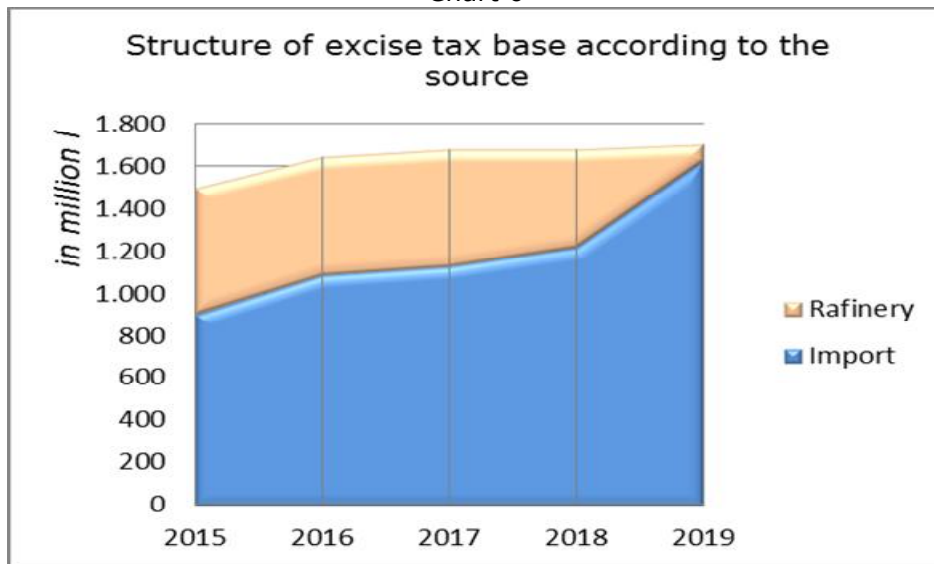
Chart 5



Source: Author's calculation based on the ITA data

Chart 6 shows the dynamics of the excise duty base, according to the split into imported and domestic derivatives. Due to the suspension of production in the Oil Refinery Brod after the crash in October 2018, there have been significant changes in the structure of revenues from excises on derivatives, according to the mentioned split. Due to the different time of prescribed incurrance of liability and payment of excise duties on imported and domestic derivatives (Articles 22 and 23 of the Law), the change in the structure of derivatives in the base has brought a shift in advance of one part of excise tax revenue.

Chart 6



Source: Author's calculation based on the ITA data

### Effects of Law changes on road tax revenues

As noted above, higher road tax rate and extension of the base have been applied since February 2018. Changes in the structure of the base, in terms of the components which had been included in 2017, had no effect as in the case of excise duties, given the unique rate of taxation of derivatives by road tax. An exception is the extension of the base to biofuels and liquid petroleum gas for motor vehicles, which has generated additional revenue.

According to the equation in Box 4, the growth of road tax revenue can be divided into the rate growth effect, the base growth effect, and the combined effect of applying a higher rate to a higher base.

Box 4. Road tax revenue growth in 2017-2019 (in millions of BAM)

$$B_{2019} * R_{2019} - B_{2017} * R_{2017} = (B_{2017} + \Delta B) * (R_{2017} + \Delta R) - (B_{2017} * R_{2017}) = B_{2017} * \Delta R + \Delta B * R_{2017} + \Delta B * \Delta R$$

rate and base growth effects = rate growth effect + base growth effect + joint effects  
*(in millions of BAM)*                      *(in millions of BAM)*                      *(in millions of BAM)*                      *(in millions of BAM)*

Legend

B- Base (l)

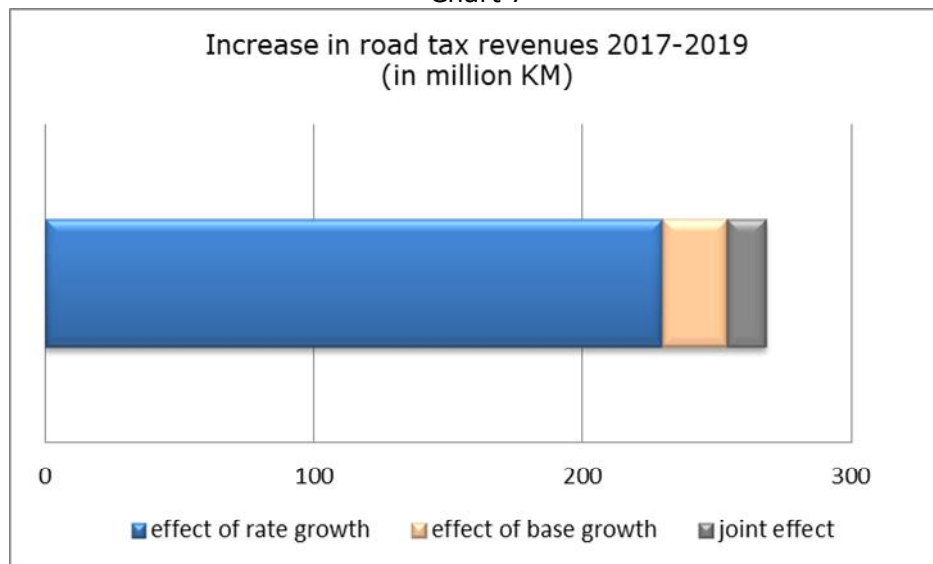
$\Delta B$ - Increase in base (u l)

R- Rate (BAM/l)

$\Delta R$ -Increase in rate (BAM/l)

In 2017, 382,5 million BAM of net road tax revenues was collected. The absolute growth of road tax revenues in the period 2017-2019 was 268,1 million BAM.<sup>5</sup> We can see from Chart 7 that the biggest effects were caused by the increase of the road tax rate by 60% - as much as KM 229,5 million. The rest relates to the effect of the base growth over the period and the combined effect of applying a higher rate to a higher base.

Chart 7



Source: Author's calculation based on the ITA data

<sup>5</sup> ITA data- an adjusted amount that takes into account the collected excise tax revenues through offsetting with VAT claims.

**As much as 70,1% more revenues was collected in 2019 than in 2017.** According to the equation in Box 4, it is a multiplied effect of a 60% increase in the rate of taxation, and a 6,3% increase in the tax base over the period; as follows:  $(1+0,600)*(1+0,063)-1$ .

Box 4. Road tax revenue growth in the period 2017-2019 (in %)

$$\frac{\text{Revenues}_{2019}}{\text{Revenues}_{2017}} = \frac{(B_{2019} * R_{2019})}{(B_{2017} * R_{2017})}$$

$$(1 + \text{revenue growth in \%}) = (1 + \text{base growth in \%}) * (1 + \text{rate growth in \%})$$

$$\text{revenue growth in \%} = (1 + \text{base growth in \%}) * (1 + \text{rate growth in \%}) - 1$$

Legend

B- Base (I)

R- Rate (BAM/I)

We see that the growth rate of the road tax base (6,3%) was much higher than the growth rate of the base for excises on oil derivatives in the period 2017-2019 (1,5%). The reasons are the different coverage of derivatives in the bases and the different dynamics of individual derivatives in the mentioned period. Heating oil, which had a negative effect on the dynamics of the excise tax base, is not included in the road tax base. On the other hand, the 2019 road tax base included liquid petroleum gas, which was not included in the 2017 road tax base, thus having positive effects on the dynamics of the road tax base and revenues. Another factor that influenced the higher growth of the road tax base than the excise tax base was the decline in the realization of exempted diesel fuel used for the needs of mines, thermal power plants and railways in the mentioned period.

### Instead of a conclusion

Excise duties on oil derivatives increased by 2,7% in 2019 compared to 2017. The total excise tax base, i.e. the amount of taxed derivatives, increased by only 1,5% in the aforementioned period. That rate is well below the estimated two-year growth rate of real GDP and consumption (DEP projections, September 2019), and we can look for reasons in the rise in derivative prices.

The picture is quite different in the case of road tax revenues. As much as 70,1% more revenue was collected in 2019 than in 2017. This is a multiplied effect of a 60% increase in the rate of taxation and a 6,3% increase in tax base in the aforementioned period. The reasons for higher base growth than in the case of excise taxes were:

- (1) decrease in consumption of heating oil, which was one of the goals of the amendments to the Law, in order to reduce abuses in the use of heating oil as fuel;
- (2) the extension of the road tax base on liquid petroleum gas, which had not been included in the road tax base in 2017;
- (3) a decline in the realization of the exempted diesel fuel used for the needs of mines, thermal power plants and railways in the said period.

## Import and collection of excise revenues on beer, wine and alcohol, trends 2006-2019

(Author: Mirjana Popović, Expert Advisor - Macroeconomist)

*The analysis presents the most significant characteristics of the dynamics and direction of the quantity, value and average price of imported beer, wine and alcohol in Bosnia and Herzegovina (hereinafter: B&H), reflecting the movement of consumer preferences, disposable income used to purchase these excise products, as well as price movements of these products. The period 2010-2019 was used for the sample analysis of the movement dynamics of the imported quantity and value of beer, wine and alcohol. The analysis also presents excise tax revenues on beer, wine and alcohol by components - import and domestic excise, and the period 2006-2019 was used as a sample for this analysis. It is important to note that the calculation of excise duty is based on the amount of imported and traded beer, wine and alcohol.*

### 1. Excise duty on beer

In terms of the Law on Excise Duties in B&H<sup>6</sup> (hereinafter: the Law), beer is considered an excise product that is subject to taxation. By amending the Law, as of September 1, 2014, B&H introduced differentiated rates of excise duty on beer. In accordance with the amendments to the Law, the excise tax on beer is paid 0.25 BAM/l.

Exceptionally, a beer producer whose average production in the previous three years is less than 400,000 hl, pays excise 0.20 BAM/l, as well as beer importers provided that the beer is procured from a producer whose average production in the previous three years is less than 400,000 hl. By amending the Law, the previous standard excise rate of 0.20 BAM / l, became a lower rate.

It was expected that the lower rate would be applied to domestic beers and higher to imported beers, which would provide a more favorable effect to domestic producers, having in mind the legal threshold of annual production as well as other conditions for exercising the right to a lower rate of excise duty. However, Banja Luka Brewery very quickly exceeded the prescribed threshold for the application of a differentiated rate of excise duty, which put it at a disadvantage in relation to imported beers and domestic competition.

#### 1.1. Movement dynamics of imported quantity and value of beer

Table 1 shows the movement dynamics of imported quantity and value of beer in B&H in the period 2010-2019. The percentage of increase / decrease in imported quantity and value of beer compared to 2010, which was used as the base year for each subsequent year, is shown<sup>7</sup>.

Table 1.

	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>quantity</b>	100.00	104.21	103.76	102.13	104.31	105.65	112.70	115.60	115.06	117.05
<b>value</b>	100.00	104.48	105.45	106.84	110.94	112.08	99.40	92.91	96.67	87.89
<b>average price</b>	0.98	0.99	1.00	1.03	1.05	1.04	0.87	0.79	0.83	0.74
<b>% of growth of the average price</b>	100.00	100.26	101.63	104.61	106.36	106.08	88.20	80.38	84.01	75.09

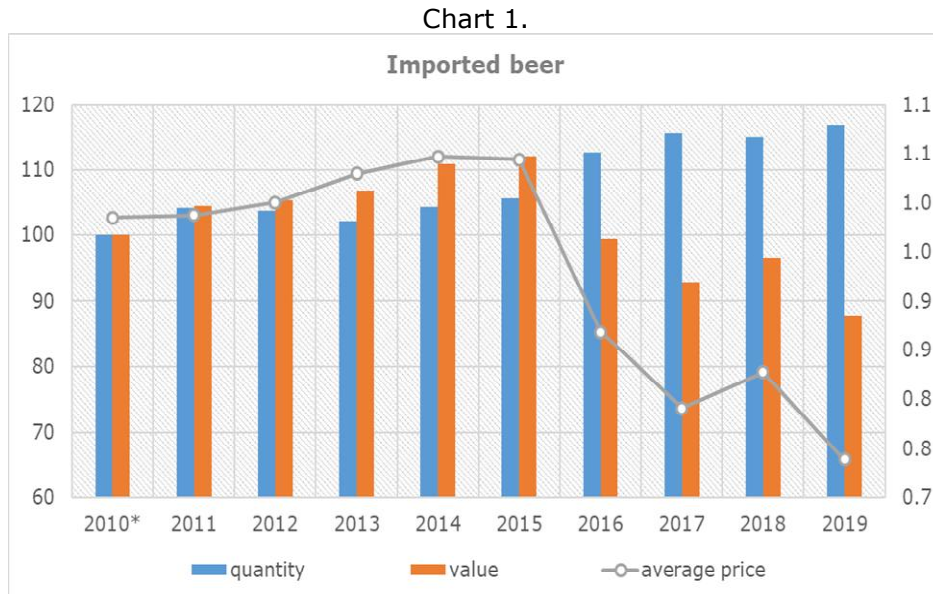
Source: Data from the Indirect Taxation Authority of B&H, OMA overview

Chart 1 presents the imported quantity and value of beer in the period 2010-2019, in relation to 2010. The value of the unit price per kilogram of imported beer in convertible marks (BAM) is shown on the right scale, and a gray line represents this movement. The average price per

<sup>6</sup> „Official Gazette of B&H”, no. 49/09, 49/14, 60/14, 91/17

<sup>7</sup> Methodology: the analysis used available data relating to the period 2010 - 2019, and the base index with the base year 2010, in order to emphasize the direction and intensity of the observed phenomena. Comparisons were made in relation to the base year.

kilogram of imported beer in the observed period ranged between 0.74 BAM in 2019 when the lowest was recorded, to 1.05 BAM in 2014 when the highest average price of beer was recorded in the observed period.



Source: Data from the Indirect Taxation Authority of B&H, OMA overview

The period presented in Chart 1 can be observed in two parts. The five-year period 2010-2015, in which the imported amount of beer was approximately interval, i.e. the period in which there were no significant deviations in the amount of imported beer, which increased slightly, while its value recorded a more significant growth trend. The movement of the ratio of quantity and value in this period indicates an increase in the average price of imported beer.

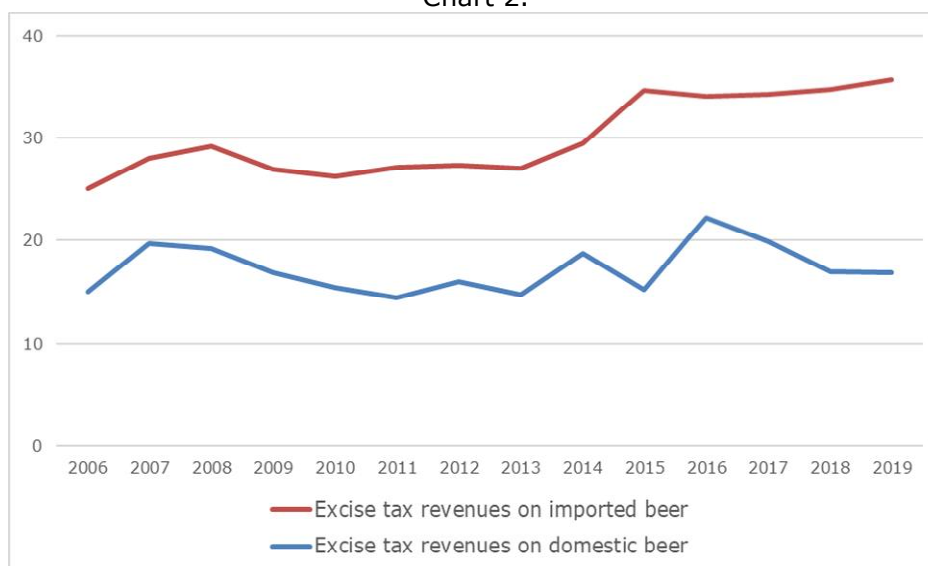
After a five-year period, in 2016, there was a significant increase of 12.70% in the imported quantity of beer compared to 2010, or 6.67% compared to the 2015 as previous year. The value of imported beer decreased by 0.60% compared to 2010, or 11.31% compared to the previous year, 2015. This ratio of quantity and value indicates a decrease in the average price of imported beer.

The same trend continued until 2019, when the import of the most significant amount of beer was recorded, which is by 17.05% higher than in 2010, as well as the lowest value of imported beer, which is by 12.11% lower compared to the initial period. The trend of movement of quantity and value indicates the lowest average price per kilogram of imported beer in 2019.

### 1.2. Movement of import and domestic excise tax revenues on beer

Chart 2 shows the annual excise tax revenues on beer during the period 2006-2019, in millions of BAM (left vertical scale).

Chart 2.



Source: Data from the Indirect Taxation Authority of B&H, OMA overview

Excise tax revenues on imported beer are significantly higher than excise tax revenues on domestic beer. Excise tax revenues on imported beer in the three-year period 2006-2008 tended to grow, while in 2009 there was a decline in revenues caused by the global economic crisis, after which there was stagnation. This trend continued until the beginning of the application of the amendment to the Law, i.e. until September 1, 2014. The effects of the amendments to the Act became recognizable already in the fourth quarter of 2014, and in 2015, there was a significant increase in annual revenues, which were by 37.69% higher than in 2006 and by 17.29% compared to the previous year. After this period, a significant increase in excise tax revenues on imported beer was recorded, which remained at the annual level until 2019, and in 2019 the most significant revenues were recorded, which are by 41.89% higher than in 2006.

Excise tax revenues on domestic beer in the period 2006-2014 have a similar trend as excise tax revenues on imported beer. However, in 2015 there was a decrease in excise tax revenues on domestic beer, after which in 2016 the most significant revenue was recorded in the observed period, which is by 47.82% higher than in 2006. In 2019, excise tax revenues on domestic beer were by 12.69% higher than in the initial period, i.e. in 2006.

## 2. Excise duty on wine and alcohol

In terms of the Law, wine is considered an excise product that is subject to taxation. The circulation of wine is subject to excise duty of 0.25 BAM per liter.

Also, for the circulation of alcohol, alcoholic beverages and natural fruit brandy (hereinafter: alcohol), excise duty is paid per liter of absolute alcohol, or in proportion to the amount of absolute alcohol in the package, as follows:

- alcohol 15.00 BAM
- alcoholic beverages 15.00 BAM
- natural fruit brandy 8.00 BAM



### 2.1. Movement dynamics of imported quantity and value of wine

Table 2 shows the dynamics of the imported quantity and value of wine in B&H in the period 2010-2019. The percentage of increase / decrease in the imported quantity and value of wine in relation to 2010 is shown, which was used as the base year for the each following year.<sup>8</sup>

Table 2.

	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>quantity</b>	100.00	82.74	89.88	74.64	80.32	92.78	88.67	93.93	91.73	96.57
<b>value</b>	100.00	87.86	96.31	77.85	83.05	95.82	97.76	102.22	99.82	111.41
<b>average price</b>	3.34	3.55	3.58	3.48	3.45	3.45	3.68	3.63	3.62	3.85
<b>% of growth of the average price</b>	100.00	106.20	107.16	104.30	103.41	103.29	110.25	108.82	108.40	115.37

Source: Data from the Indirect Taxation Authority of B&H, OMA overview

Chart 3 presents the imported quantity and value of wine for the period 2010-2019, in relation to 2010. The right scale shows the value of the unit price per kilogram of imported wine in BAM, and a gray line represents this movement. The average price per kilogram of imported wine in the observed period ranged between 3.34 BAM in 2010 when the lowest was recorded, to 3.85 BAM in 2019 when the highest average price of wine was recorded in the observed period.

Chart 3.



Source: Data from the Indirect Taxation Authority of B&H, OMA overview

The imported quantity of wine was the most significant in 2010, after which it has a fluctuating trend, and in 2013 the lowest imported quantity of wine was recorded at the annual level, which is by 25.36% lower compared to the initial period, i.e. 2010. The quantity of imported wine in 2019 is by 3.43% lower compared to the initial period, i.e. 2010.

The value of imported wine also changed in the observed period, and in 2013 the lowest value of imported wine was recorded, which is by 22.15% lower than in 2010, while in 2019 the most significant value was recorded, which was by 11.41% higher compared to the initial period, i.e. 2010.

<sup>8</sup> Methodology: the analysis used available data relating to the period 2010 - 2019, and the base index with the base year 2010, in order to emphasize the direction and intensity of the observed phenomena. Comparisons were made in relation to the base year.

The average price of imported wine did not change significantly in the observed nine-year period. In 2019, the highest price of imported wine was recorded, which is by 15.37% higher than in 2010, when the price per kilogram of imported wine was the lowest. This trend of declining imported quantities on the one hand, and increasing the value of imported wine on the other, is causally related to the increase in the average price of this product in B&H. This is the effect of the combined action of several factors such as the increase in wine prices in the markets of the countries from which wine is imported, as well as the increase in demand for better and more expensive wines on the B&H market.

## 2.2. Movement dynamics of imported quantity and value of alcohol

Table 3 shows the movement dynamics of imported quantities and values of alcohol in B&H in the period 2010-2019. The percentage of increase / decrease in the imported quantity and value of alcohol in relation to 2010 is shown, which was used as the base year for each following year<sup>9</sup>.

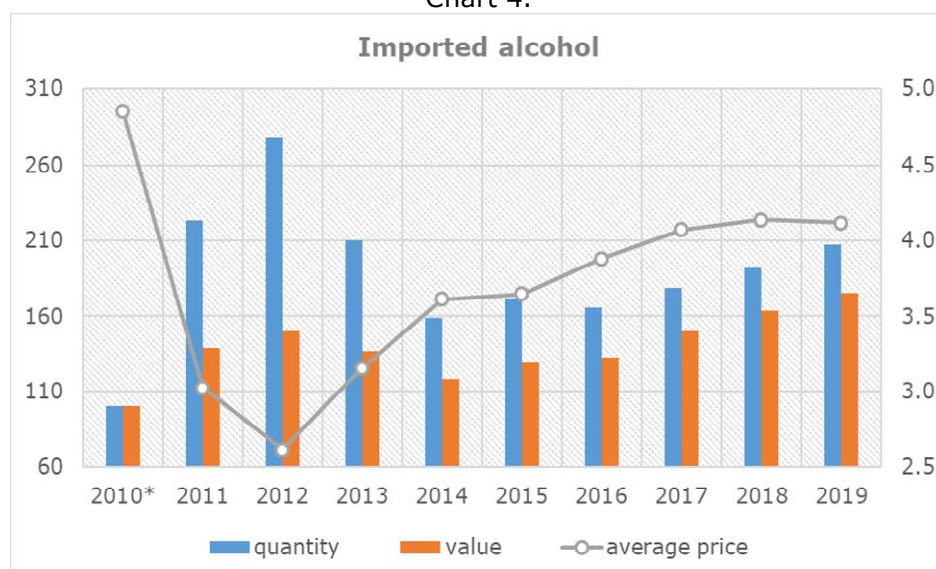
Table 3.

	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>quantity</b>	100.00	222.76	278.42	209.91	158.50	171.64	165.80	178.74	191.93	206.97
<b>value</b>	100.00	138.76	149.97	136.41	117.99	129.07	132.59	149.95	163.65	175.44
<b>average price</b>	4.85	3.02	2.61	3.15	3.61	3.65	3.88	4.07	4.14	4.11
<b>% of growth of the average price</b>	100.00	62.29	53.86	64.98	74.44	75.20	79.97	83.89	85.26	84.77

Source: Data from the Indirect Taxation Authority of B&H, OMA overview

Chart 4 presents the imported quantity and value of alcohol for the period 2010-2019, in relation to 2010. The right scale shows the value of the unit price per kilogram of imported alcohol in BAM, and a gray line represents this movement. The average price per kilogram of imported alcohol in the observed period ranged between 2.61 BAM in 2012, which recorded the lowest, to 4.85 BAM in 2010, which recorded the highest average price of alcohol in the observed period.

Chart 4.



Source: Data from the Indirect Taxation Authority of B&H, OMA overview

<sup>9</sup> Methodology: the analysis used available data relating to the period 2010 – 2019, and base indices with the base year 2010 in order to emphasize the direction and intensity of the observed phenomena. Comparisons were made in relation to the base year.

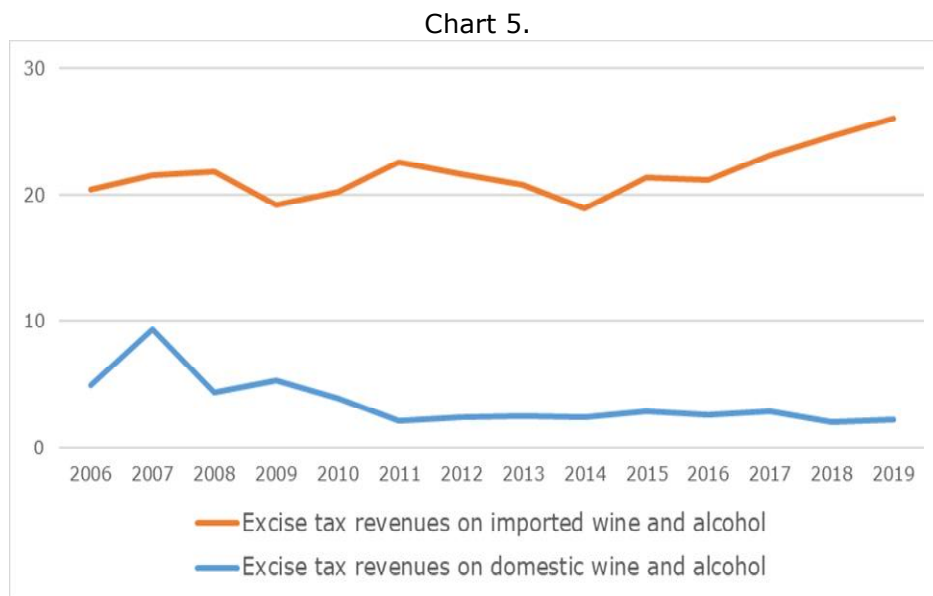
The imported amount of alcohol was the most significant in 2012, when it increased by 178.42% compared to 2010, after which the amount of imported alcohol began to gradually decline. This downward trend continued until 2016, with a slight deviation in 2015, after which the import of the amount of alcohol on an annual level is constantly gradually increasing. Thus, in 2019, the amount of imported alcohol is higher by 106.97% compared to the initial period, i.e. 2010. However, compared to 2012, when the imported amount of alcohol was at the most significant level, in 2019 it was lower by 25.66%.

The value of imported alcohol in 2019 is the most significant and is by 75.44% higher than the initial period, in 2010, when the lowest value per kilogram of imported alcohol was recorded. As the quantity and value changed significantly in the period 2010-2014, the average price of imported alcohol was accompanied by a fluctuating trend.

The most significant gap between quantity and value recorded in 2012 resulted in the lowest average price of alcohol, which is lower by 46.14% compared to 2010, while the average price per kilogram of imported alcohol in 2019 was by 15.23% lower than in 2010.

### 2.3. Movement of import and domestic excise tax revenues on wine and alcohol

Chart 5 shows the excise tax revenues on wine and alcohol during the period 2006-2019, in millions of BAM (left vertical scale)<sup>10</sup>.



Source: Data from the Indirect Taxation Authority of B&H, OMA overview

Excise tax revenues on imported wine and alcohol are significantly higher than excise tax revenues on domestic wine and alcohol. Excise tax revenues on imported wine and alcohol in the period 2006-2008 had a tendency to grow. After this period, in 2009, there was a decline in revenues caused by the global economic crisis. During 2010 and 2011, excise tax revenues on imported wine and alcohol increased significantly, and in 2014 they decreased again by 9.20% compared to the previous year, and 7.37% compared to 2006, which was used as the base year.

<sup>10</sup> Revenues from excise duties on wine and alcohol are shown together, given that revenues from imported and domestic wine began to be recorded separately from 2018, and their analysis separately from alcohol is not possible given the length of the time series used in the analysis.

After 2014, excise tax revenues on imported wine and alcohol have a growth trend, and in 2019, they reached a maximum that is by 27.40% higher compared to the initial period, i.e. 2006.

The most significant excise tax revenues on domestic wine and alcohol in the period 2006-2019 were recorded in 2007, after which there was a significant decline. In the period 2011-2019, these revenues do not oscillate significantly. In 2019, excise tax revenues on domestic wine and alcohol are lower by 56.45% compared to 2006, while they are for 76.86% lower compared to 2007, in which the most significant revenues were recorded annually on this basis.