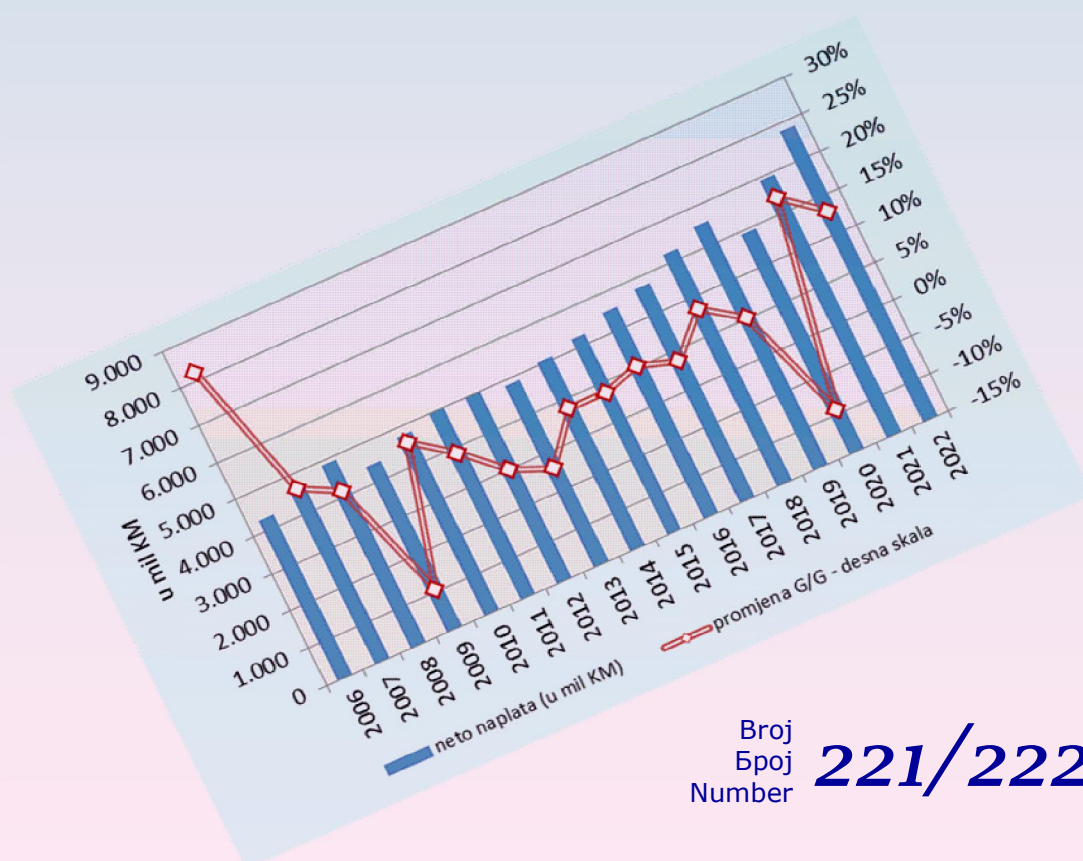




Macroeconomic Unit of the Governing Board of the Indirect Taxation Authority

ОМА Билтен



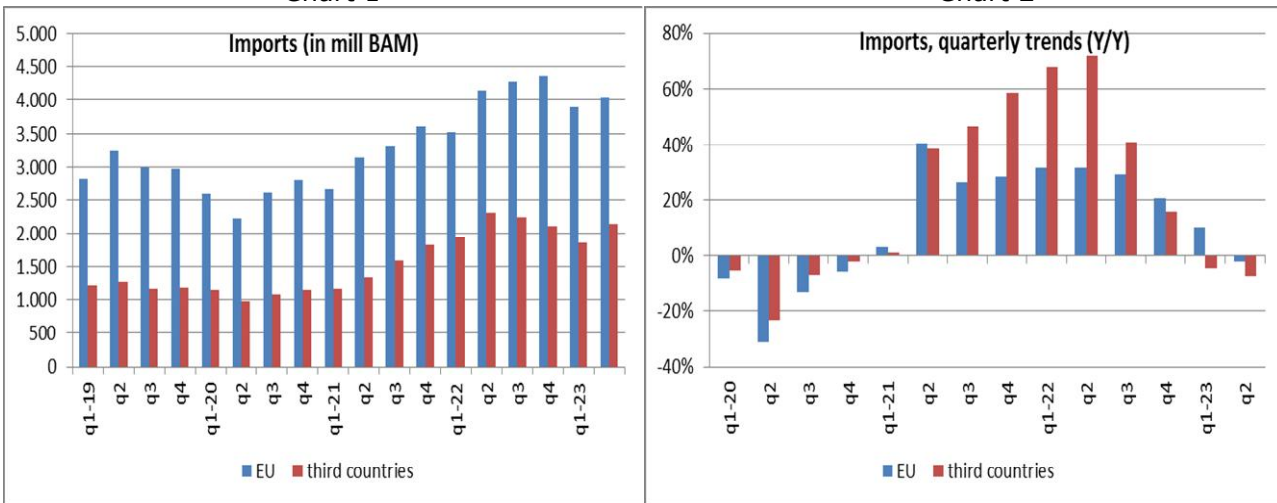
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With this issue

When preparing the revised projections of revenues from indirect taxes for the period 2023-2026, which we publish in this Bulletin, and were submitted to the fiscal authorities of B&H in mid-October 2023, the analytical data on the foreign trade exchange of B&H were available only for eight months of 2023. In contrast from monthly analyses, which indicate fluctuations in imports, quarterly comparisons, which could have been performed on the basis of the latest data on imports in the period January - September 2023, allow an overview of trends. The import of goods from third countries and part of goods from the EU that remain under the customs regime is relevant for the collection of customs revenue. In the third quarter of 2023, the growth of imports from the EU is noticeable in absolute terms, and it can even be concluded that there is an increasing trend (Chart 1).

Chart 1

Chart 2



However, the comparison of imports with the same quarter of the previous year (YoY) shows the continuation of the negative growth of imports from the EU as of the second quarter of 2023 (Chart 2). Thus, in the second quarter of 2023, a drop in imports from the EU was recorded by 2.2%, and in the third quarter by 0.9%. On the other hand, imports from third countries, absolutely and relatively, are worse in all three quarters of 2023. In the first quarter, the drop in imports was 4.6%, in the second 7.1%, and in the third even 10.8% (Chart 2).

Dinka Antić, PhD
Head of Unit

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Technical design: Sulejman Hasanović, IT expert
Reader/translator: Darija Komlenović, professor

REVISED PROJECTIONS OF REVENUES FROM INDIRECT TAXES FOR THE PERIOD 2023-2026

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Summary

Projections of macroeconomic indicators

According to data of the Agency for Statistics of B&H (BHAS), for the year 2022, it is estimated that nominal GDP growth of 13.7% was recorded in Bosnia and Herzegovina compared to the previous year. According to the estimate of the Directorate for Economic Planning (DEP), nominal GDP growth of 6.5% is expected in B&H in 2023. According to the same projections, nominal economic growth rates of 5.6% in 2024, 5.4% in 2025 and 5.5% in 2026 are expected in Bosnia and Herzegovina.

Current revenue collection trends

In the period January - September 2023, a growth of 7% was achieved in the gross collection of revenues from indirect taxes. The net absolute increase in indirect tax collection in the period January-September 2023 was 441.2 million BAM, representing a growth of 7.6%.

Projections of revenues from indirect taxes

The growth rate of net projected revenues from indirect taxes for 2023 is 0.1 p.p. higher than the nine-month growth rate and amounts to 7.7%. The projected growth rates of net revenues from indirect taxes for 2024, 2025 and 2026 are 4.8%, 3.6% and 3.7%, respectively. The revenue projection in the mentioned period is based on the projected relevant macroeconomic indicators, historical seasonal collection pattern and projections of certain categories of revenues for the year 2023.

Risks

There are significant risks for the realization of projections of revenues from indirect taxes. The achievement of the projected level of revenues from indirect taxes in the period 2023-2026 is subject to the following risks: all risks for the achievement of projected macroeconomic indicators (DEP) and risks related to the collection of revenues from indirect taxes and the fight against grey economy.

BASIC SCENARIO OF REVISED PROJECTIONS OF INDIRECT TAXES

1. Basics and assumptions of indirect tax revenue projections from the baseline scenario

Indirect tax projections are based on the September 2023 macroeconomic projections of the DEP, and consider trends in indirect tax collection and current government policies in the field of indirect taxation (baseline scenario).

1.1. Projections of macroeconomic indicators, DEP, September 2023

Table 1 presents the latest projections of the Directorate for Economic Planning of B&H (DEP, September 2023) of nominal and real GDP growth rates for the period 2023-2026.

Table 1. GDP growth projection, DEP, September 2023

	Official data		Projections			
	2021	2022	2023	2024	2025	2026
Nominal growth	12,5	13,7	6,5	5,6	5,4	5,5
Real growth	7,2	3,8	2,0	2,9	3,0	3,4

Source: DEP, September 2023

1.1.1. Official data for 2022

According to data of the Agency for Statistics of B&H (BHAS) for the year 2022, it is estimated that real GDP growth of 3.8% was recorded in Bosnia and Herzegovina compared to the previous year.¹ The DEP explains² that the increase in private consumption was the most responsible for the achieved economic growth in 2022, and that in addition to the increase in final consumption, there was a certain growth in private investments, while public investments did not achieve significant growth. What is characteristic for the year 2022, both in B&H and at the global level, are extremely high rates of growth in the prices of goods and services. According to BHAS data, in 2022, an average increase in price levels of 14% was recorded in B&H compared to the previous year.³

1.1.2. Projections for the period 2023-2026

According to DEP's projections, nominal GDP growth of 6.5% and real growth of 2% are expected in B&H in 2023. The DEP states that domestic demand, through the expected increase in final consumption, should represent the key pillar of economic growth. The document points out that external dynamics represent an important structural determinant of economic trends in B&H, and that the latest developments will play a major role in the prospects of economic growth in the coming period, which especially applies to the year 2024. In addition, they also state that, in addition to external dynamics, a very important factor for economic growth in the country is the institutional capacity of the country in the implementation of structural reforms. According to DEP projections, real economic growth of 2.9% in 2024, 3.0% in 2025 and 3.4% in 2026 are expected in B&H (nominal growth rates: 5.6% in 2024, 5.4% in 2025 and 5.5% in 2026).

¹ GDP for B&H, 2022, Expenditure approach, first results, Sarajevo, September 29, 2023.

² DEP, Macroeconomic Projections 2024-2026, September 2023

³ BHAS, Consumer price index in Bosnia and Herzegovina, Thematic bulletin TB 09, Sarajevo 2023

1.2. Current policies in the field of indirect taxation

VAT obligations and payment system are regulated by the Law on Value Added Tax ("Official Gazette of B&H", No. 9/05, 35/05, 100/08 and 33/17). Excise policy is regulated by the Law on Excises in Bosnia and Herzegovina (Official Gazette of B&H", No. 49/09, 49/14, 60/14, 91/17 and 50/22)⁴. The policy of excises on tobacco in 2023 has been regulated by the Law on Excises and Decision⁵ of the ITA Governing Board. As the legally prescribed ceiling of the total excise tax on cigarettes of 176 BAM / 1000 cigarettes was reached for all price categories of cigarettes in 2019, the harmonization with EU standards in the field of cigarette taxation was completed, while the taxation of cut tobacco is regulated according to the amendments to the Law (in force since 2014).⁶ The Law⁷ on Customs Policy in Bosnia and Herzegovina regulates the basic elements of customs policy and general rules and procedures that apply to goods brought into and out of the customs territory of Bosnia and Herzegovina.

1.3. Indirect tax collection trends

1.3.1. Collection in the period 2006-2022

In 2006, 4.12 billion BAM of net revenues from indirect taxes were collected on the Single Account (SA) of the ITA. In almost all years since the establishment of the ITA, there has been an increase in revenues collected at the ITA SA. The exceptions were: the "crisis" year of 2009, when there was a 9.9% drop in revenue, stagnation and a milder drop in revenues in 2012 and 2013, and a drop in 2020 of 9.3% as a result of the effects of the virus corona. In all other years, the growth of these revenues was recorded, and the highest was achieved in 2021, at a rate of 16.7%. In 2022, the annual growth of revenues from indirect taxes of 13.1% and a record nominal collection since the establishment of the ITA in the amount of 7.83 billion BAM has been achieved. Finally, the increase in collection in 2022 compared to 2006 was a high 89.8%.

The share of indirect taxes on the ITA SA in GDP has varied significantly in recent years (Table 2). Since the introduction of the VAT (2006), this indicator has ranged from 16.6% (minimum value, 2009) to 19.2% (maximum value, 2007). It amounted 17.2% in 2022. The dynamics of indirect taxes in GDP depended on numerous factors: trends in tax rates and tax base, efficiency of tax collection, consumption trends, but the other categories of gross domestic product (investments, imports and exports), which, like consumption, also affect denominator of this indicator.

The share of indirect taxes on the ITA SA in total consumption has also varied, having a continuous growth trend in the period from 2014 to 2019. In 2019, it amounted 19.9%, while in 2020 it dropped to 18.4%. In 2021, it grew again to 20.2%, which is the maximum value since the introduction of the VAT. In 2022, it amounted to 19.9%, which corresponds to the 2019 level.

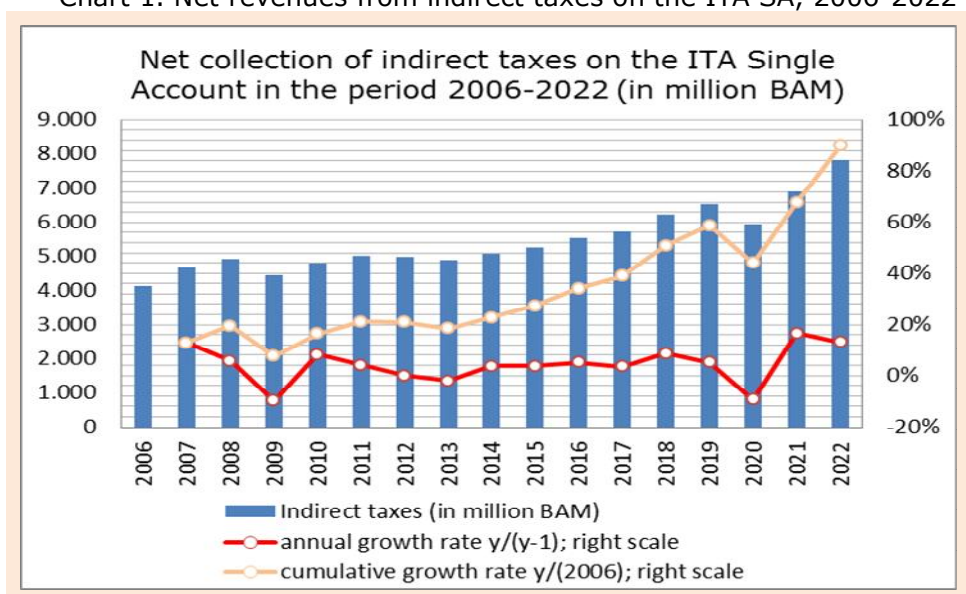
⁴ "Changes to the Law on Excises ("Official Gazette of B&H" No. 50/22) have been applied from the moment of entry into force of the by-laws adopted by the Governing Board of the ITA.

⁵ Decision on Determination of the Specific and Minimum Excise Duty for Cigarettes and Amount of the Excise Duty on Smoking Tobacco for 2023 („Official Gazette of B&H" No. 74/22). The decision for 2024 should be made by the Governing Board of the ITA by the end of October 2023.

⁶ The new policy is in effect since August 1, 2014 (Amendments to the Law on Excises in B&H "Official Gazette of B&H" No. 49/14)

⁷ The new Law on Customs Policy ("Official Gazette of B&H" No. 58/15) has been applied as of August 1, 2022 ("Official Gazette of B&H" No. 23/22), and until that date the old Law on Customs Policy was applied, with the exception of Article 207 of the new Law which has been applied as of 25 April 2018.

Chart 1. Net revenues from indirect taxes on the ITA SA, 2006-2022



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

Table 2. Share of indirect taxes collected on the ITA SA in GDP and in total consumption

(in %)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
indirect taxes / GDP	19,1	19,2	18,1	16,6	18,0	18,2	17,8	17,0	17,5	17,3	17,5	17,3	17,8	17,9	16,7	17,3	17,2
indirect taxes / C	18,8	19,3	18,0	16,6	17,7	17,9	17,6	17,1	17,5	17,9	18,6	18,8	19,7	19,9	18,4	20,2	19,9

Source: Calculation based on the ITA and BHAS data⁸

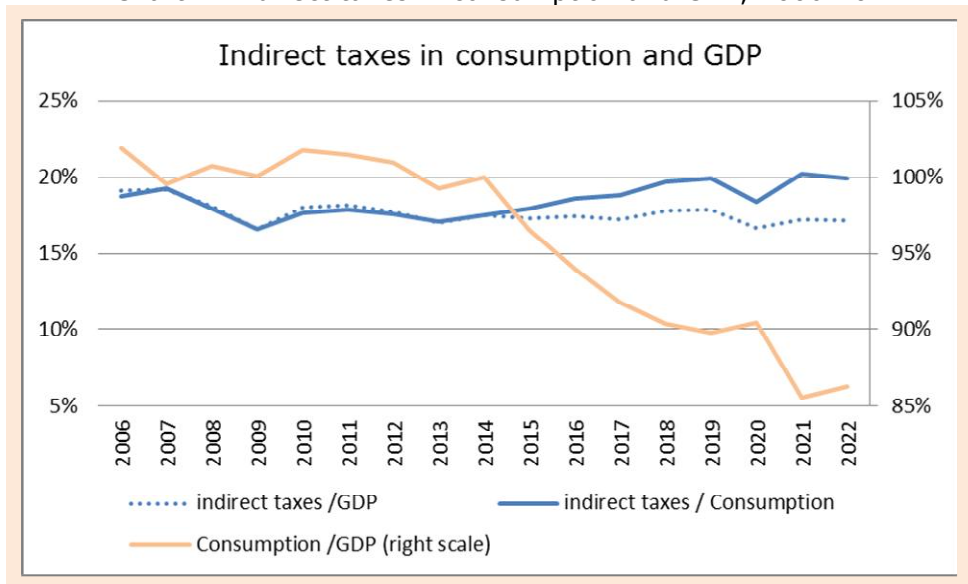
In Chart 2, the share of indirect taxes in GDP of B&H in the period 2008-2022 is broken down into product components, in accordance with the methodology from the OECD analysis⁹: (1) share of indirect tax revenues in total consumption and (2) share of total consumption in GDP. It can be concluded from the Chart 2 that the share of indirect taxes in GDP and consumption was at approximately the same level until 2015, when the share of consumption in GDP was around 100%. As of 2015, there has been a downward trend in the share of consumption in GDP (with the exception of a slight increase in 2020 and 2022), and in 2022 it amounted to 86.3%. With the decline in the share of consumption in GDP, since 2015, the line of the share of indirect taxes in consumption has been above the line of their share in GDP.

In 2022, the share of indirect taxes in GDP decreased by 0.09 p.p., reaching the level of 17.2%. Analyzed according to the components from the OECD equation, the decline in the share of indirect taxes in GDP in 2022 was the cumulative result of the annual decline in the share of indirect taxes in consumption by 0.27 p.p., and the increase in the share of consumption in GDP by 0.72 p.p.

⁸ GDP for B&H, 2022, Expenditure approach, first results, Sarajevo, September 29, 2023.

⁹ Simon, H. and M. Harding (2020), "What drives consumption tax revenues?: Disentangling policy and macroeconomic drivers" *OECD Taxation Working Papers*.

Chart 2. Indirect taxes in consumption and GDP, 2006-2022



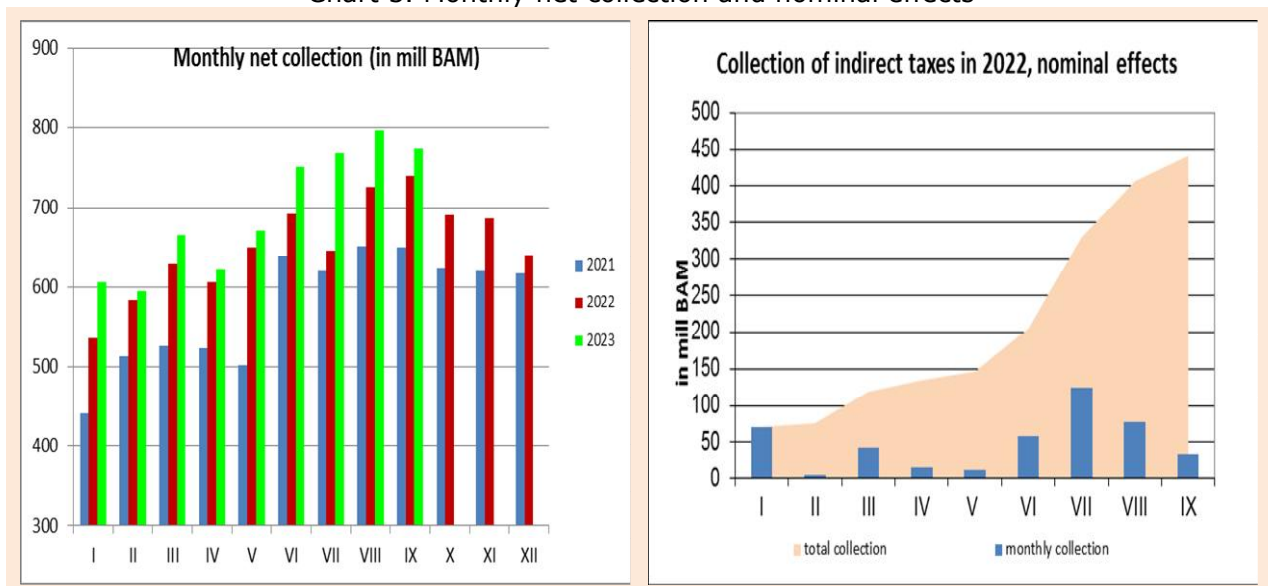
Source: Indirect Taxation Authority of B&H and BHAS, calculation and presentation of the MAU

1.3.2. Collection in the period January - September 2023

Total collection

According to the preliminary report of the ITA, in September 2023, it was collected 932.8 million BAM of gross revenues from indirect taxes on the SA, which is 19.7 million BAM more than in the same month in 2022. Refund payments were 8.3% lower, so the net collection was ultimately higher by 34.1 BAM, or by 4.6%. The growth in the collection of indirect taxes in September had a positive effect on the cumulative effects at the level of nine months in 2023. Thus, in the period January - September 2023, gross collection growth of 7% was achieved, while refund payments were higher by 73.6 million BAM. Ultimately, the net absolute increase in the indirect tax collection in the period January-September 2023 was 441.2 million BAM, representing a growth of 7.6%.

Chart 3. Monthly net collection and nominal effects



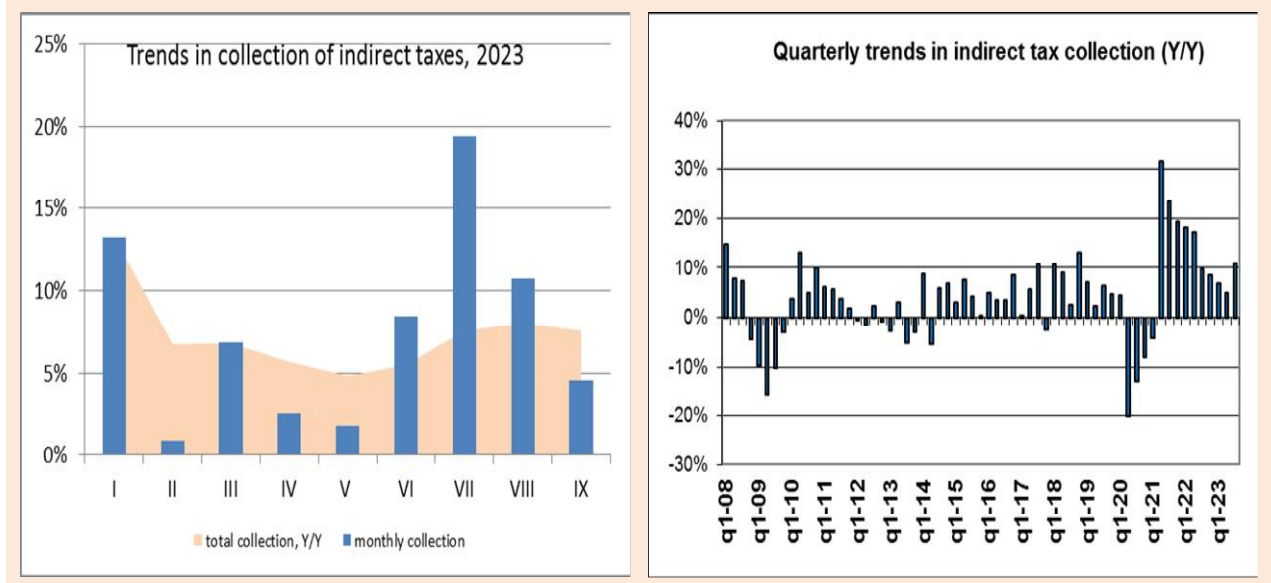
Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

Banja Luka: Bana Lazarevića, 78 000 Banja Luka, Tel/fax: +387 51 335 350, E-mail: oma@uino.gov.ba
 Sarajevo: Zmaja od Bosne 47b, 71 000 Sarajevo, Tel:+387 33 246 081, Fax:+387 033 246 080, Web: www.oma.uino.gov.ba

The beginning of the year was characterized by a modest growth in the collection of indirect taxes. Such a trend has continued until June, when a strong growth in collection in absolute amount was recorded. The growing trend continued in July and August, with a slight slowdown in September (Chart 3, left). Thanks to the recovery in collection, the net effects, expressed in absolute terms, have grown sharply since June (Chart 3, right), as well as growth rates, both monthly and cumulative (Chart 4, left).

The positive effects in collection from June 2023 have resulted from the cumulative effect of two positive trends - the growth of gross collection and stagnation, and then the reduction of VAT refund payments.

Chart 4. Indirect tax collection growth rates



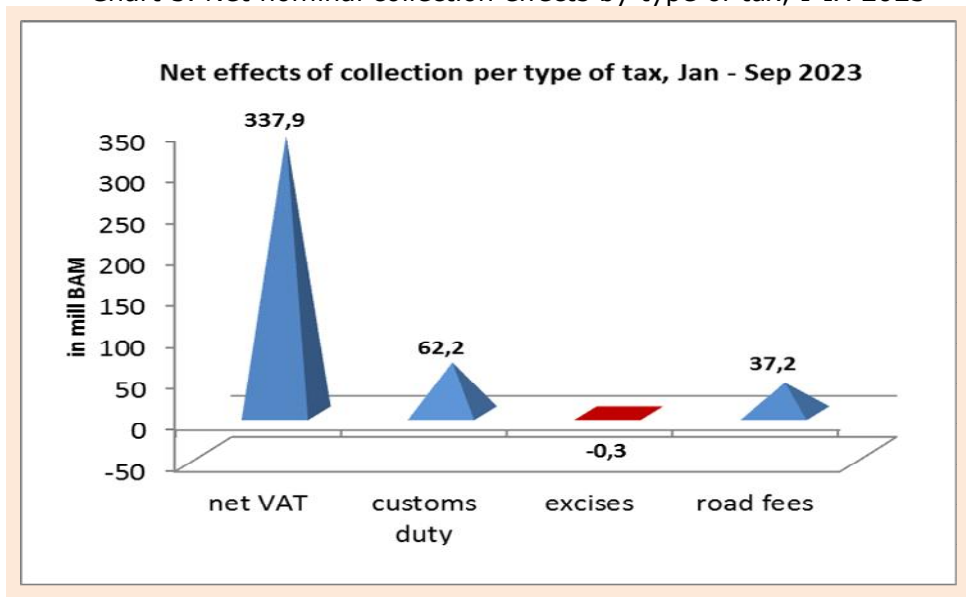
Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

The slowdown in the collection of indirect taxes in the first half of 2023 can also be seen in the quarterly trends (Chart 4, right). After extremely high growth rates in 2021 and 2022, in the first quarter of 2023 the growth rate of indirect tax revenues was 6.7%, and in the second quarter 4.9%. The lower quarterly growth rates in the first half of 2023 were a consequence of the drop in imports in 2023 and the negative effects of the change in the excise duty payment regime on tobacco products, which has been applied from the spring of 2023. The influence of the statistical base effect from 2022 for the comparison of collection is also significant. The emergence of the war in Ukraine affected in different ways the revenues from indirect taxes in 2022, and thus the statistical basis used for comparing the collection of indirect taxes in 2023. The sharp rise in the prices of goods and services in the country, as a result of the energy crisis and supply disruptions on the world market, brought an increase in the collection of *ad valorem* taxes (VAT, duties) in 2022 and a higher basis for comparisons of the collection of these revenues in 2023. On the other hand, a huge increase in the prices of oil derivatives brought a drop in consumption and, consequently, a drop in revenues from excise taxes and road fees in 2022 and a lower base for comparing the collection of these revenues in 2023. The negative effects of a higher base in the second quarter of 2023 and uncertainty in the collection of excise taxes on tobacco products were partially mitigated by the growth of domestic VAT, reduced refund payments and increase in revenues from customs duties. Continued growth in the collection of domestic VAT, customs and excises / road fees on oil derivatives, and a significant slowdown in refund payments, resulted in a high growth rate of net collection of indirect taxes in the third quarter of even 10.8%.

Collection by types of revenue

Observed by types of revenue, the largest absolute increase for the nine months of 2023 compared to the same period in 2022 was achieved in the collection of VAT (+337.9 million BAM) and customs duties (+62.2 million KM). Increase in road fee revenues has reached 37.2 million BAM, while excise duty collection was at the level of collection in the same period in 2022 (Chart 5). Since during the preparation of the preliminary report approximately 45.4 million BAM of revenue remained unadjusted, after the final adjustment of revenue collection with applications and declarations in the IT system of the ITA, an even greater increase, first of all, in VAT revenue can be expected.

Chart 5. Net nominal collection effects by type of tax, I-IX 2023

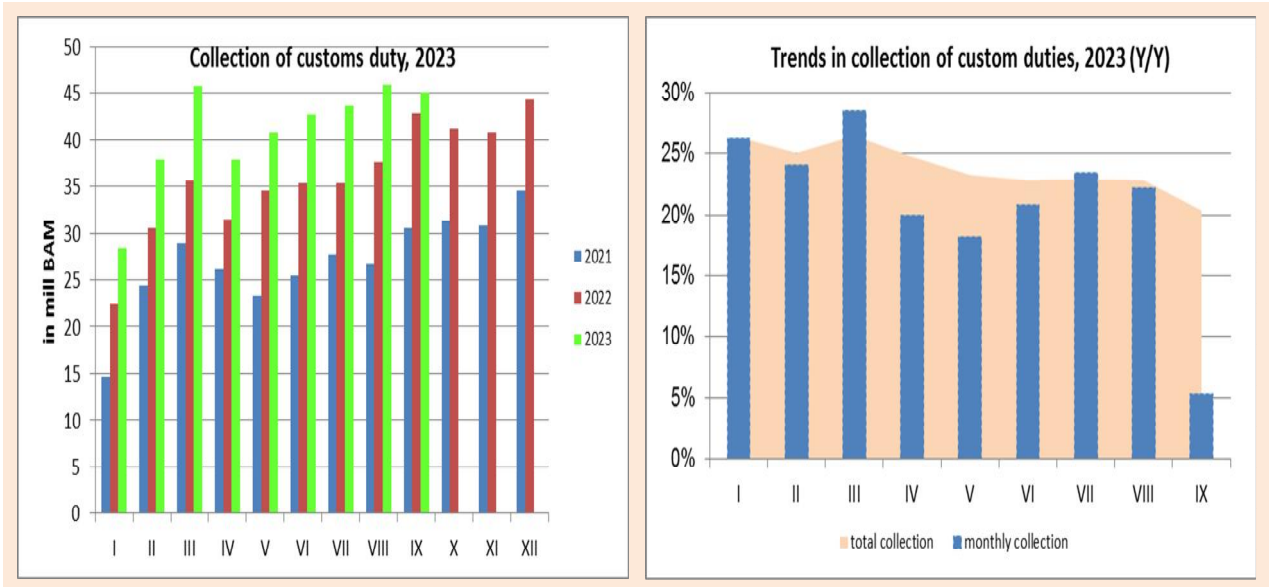


Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

Customs duties

In the first months of 2023, an increase in customs revenue collection was recorded. Due to the lower base in the first quarter of 2022, monthly growth rates were more than 25% (Chart 6, left), thanks to the effect of the lower base before the outbreak of the war in Ukraine. In the following months, customs revenue collection in absolute terms has increased, but growth rates were lower due to the effect of a higher base after the start of the war in Ukraine. In September, the lowest monthly growth rate in 2023 was achieved at 5.2%, reducing the cumulative growth to 20.4% (Chart 6, right).

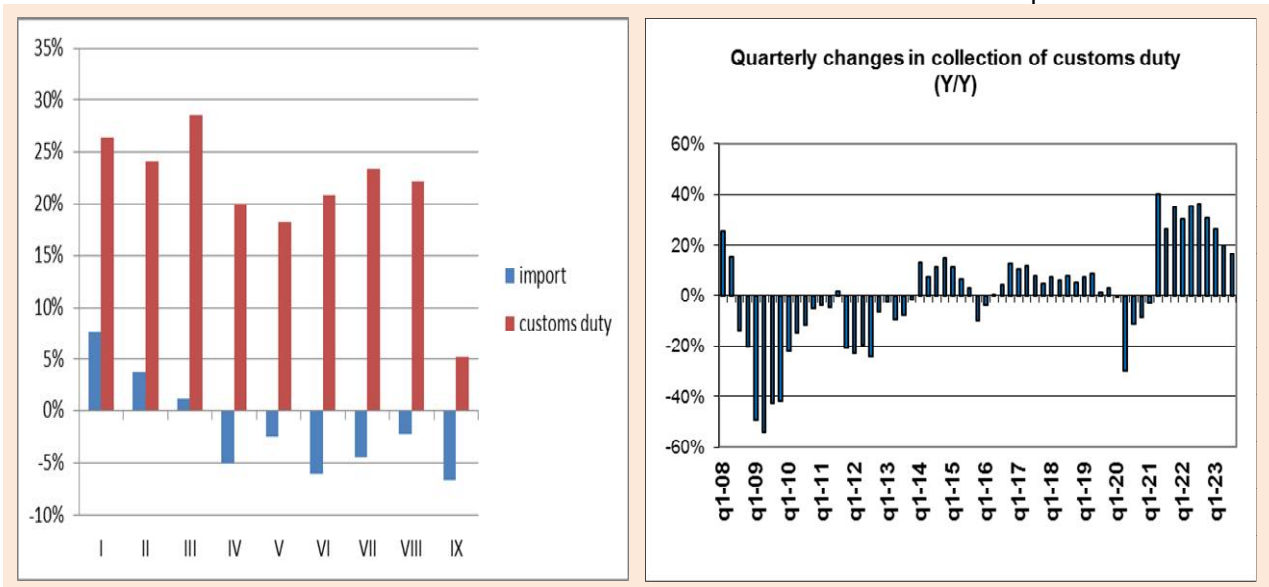
Chart 6. Collection of revenues from customs duties



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

The trend of high growth rates of customs revenues was a surprise considering the decline in imports in 2023. A comparison of the growth rates of customs revenues and statistical data¹⁰ on the movement of imports for the nine months of 2023 indicate an unusually large discrepancy in favor of the growth of customs revenues in the first three months, and then the opposite trends - a drop in imports and an increase in customs revenues as of April (Chart 7, left).

Chart 7. Growth rates of revenues from customs duties and imports



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

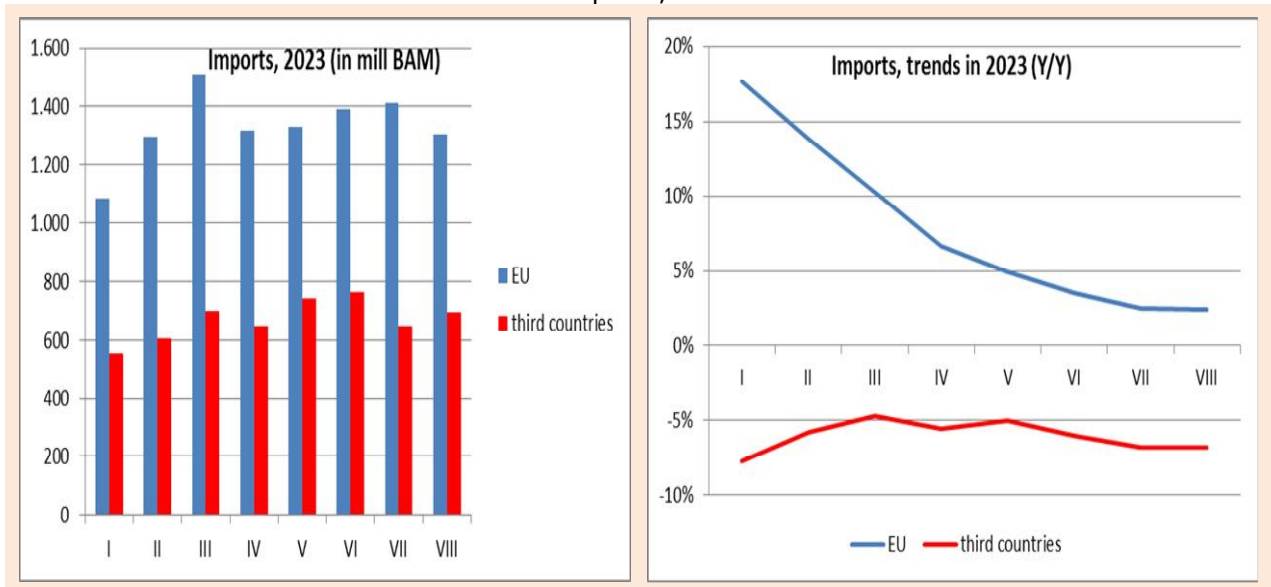
The slowdown in the growth of customs revenues can also be seen in the review of quarterly growth rates (Chart 7, right). After very high growth rates in 2022, which ranged from 30% to

¹⁰ The source for data on imports: Agency for Statistics of B&H (data for the period January - August 2023) and Indirect Taxation Authority (data for September 2023).

40%, in the first quarter of 2023 customs revenue growth of 26.4% was recorded, in the second 19.7%, and in the third 16.3% .

Reasons for the higher growth of revenues from customs duties could be the collection of old debts based on customs duties from the previous year¹¹ and changes in customs procedures¹². Likewise, the reason may be a disproportionate increase in the customs value of goods on which customs duties are calculated in relation to the increase in imports. Considering the limited range of goods to which the customs regime is applied during importation, the growth of customs revenue depends on the growth of imports from the EU and from third countries. The presentation of import trends by main groupings of countries relevant for the collection of customs revenue shows a strong slowdown in imports from the EU as of April 2023. On the other hand, imports from third countries show three-month cycles that start with lower imports increasing by the end of the quarter, each time at a higher level of imports (Chart 8, left). However, generally, the import of goods from third countries, which is relevant for the collection of customs revenues, was 6.9% lower in the eight months of 2023 compared to the same period in 2022. On the other hand, imports from the EU increased by 2.4%, but downward trends were noticeable, reflecting the deterioration in the economies of the EU (Chart 8, right).

Chart 8. Imports, trends in 2023



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

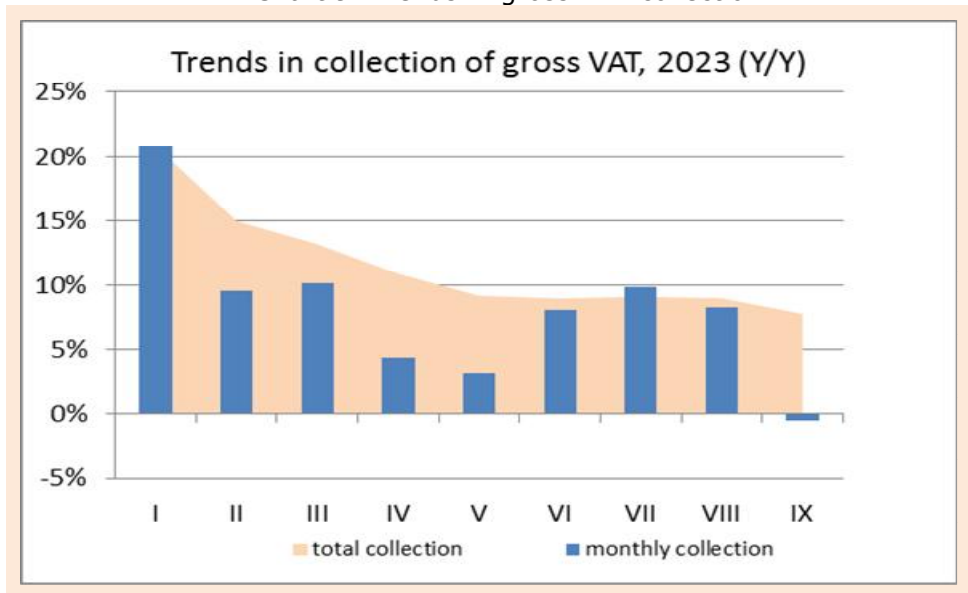
VAT

The trend of a strong slowdown in gross VAT collection in the first five months of 2023 was stopped in June, and since then the monthly growth rates have been significantly higher. However, in September, for the first time this year, gross VAT collection fell by 0.5%, which reduced the cumulative growth rate to 7.8% (Chart 9). Given that approximately 45.4 million BAM of non-adjusted revenues were recorded in September, the negative growth of gross VAT can be expected to be annulled, bearing in mind that a significant part of non-adjusted revenues relates to domestic VAT, as a component of gross VAT.

¹¹ Old customs debts amount to 3.5% of the annual customs collection in 2022. Source: Activity report of the ITA for 2022.

¹² For example, the suspension of the confirmation of EU origin for a large number of imported cars as of April 1, 2023.

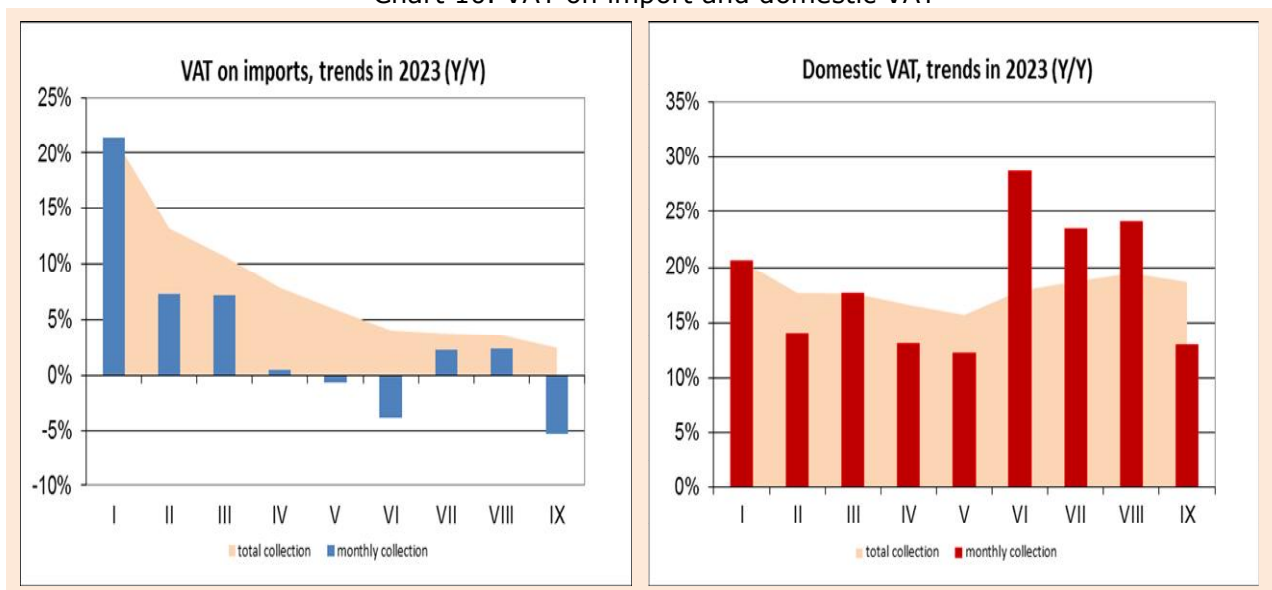
Chart 9. Trends in gross VAT collection



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

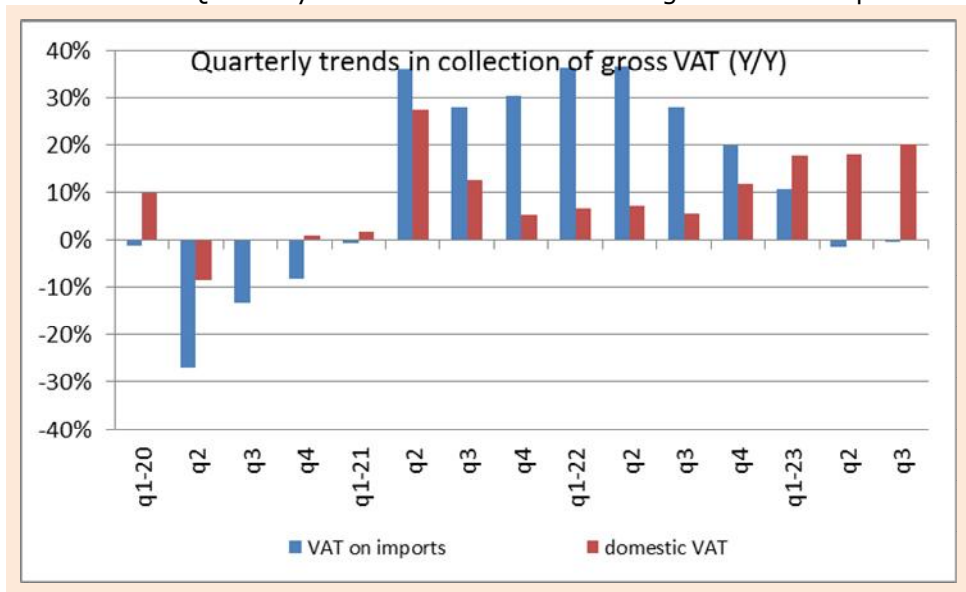
The analysis of the gross VAT structure points to the conclusion that the drop in gross collection in September was a consequence of the drop in VAT collection on imports of 5.3% (Chart 10, left), which could not be compensated by the high growth rate of domestic VAT of 13% (Chart 10, right) due to the high weight of VAT on imports in the gross VAT. There has been a noticeable downward trend in the growth of VAT on imports, so that at the level of nine months, the collection of VAT on import grew at a rate of a modest 2.5%, while the growth of domestic VAT amounted even 18.6%. The increase in domestic VAT was partly a consequence of maintaining high prices in the country even after the drop in import prices, especially energy prices. One of the growth factors was the expansion of the scope of taxation of bank service packages, which brought 1.7 percentage points of the increase in domestic VAT. In any case, it is a very high growth rate of domestic VAT, far above consumption projections.

Chart 10. VAT on import and domestic VAT



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

Chart 11. Quarterly trends in the collection of gross VAT components

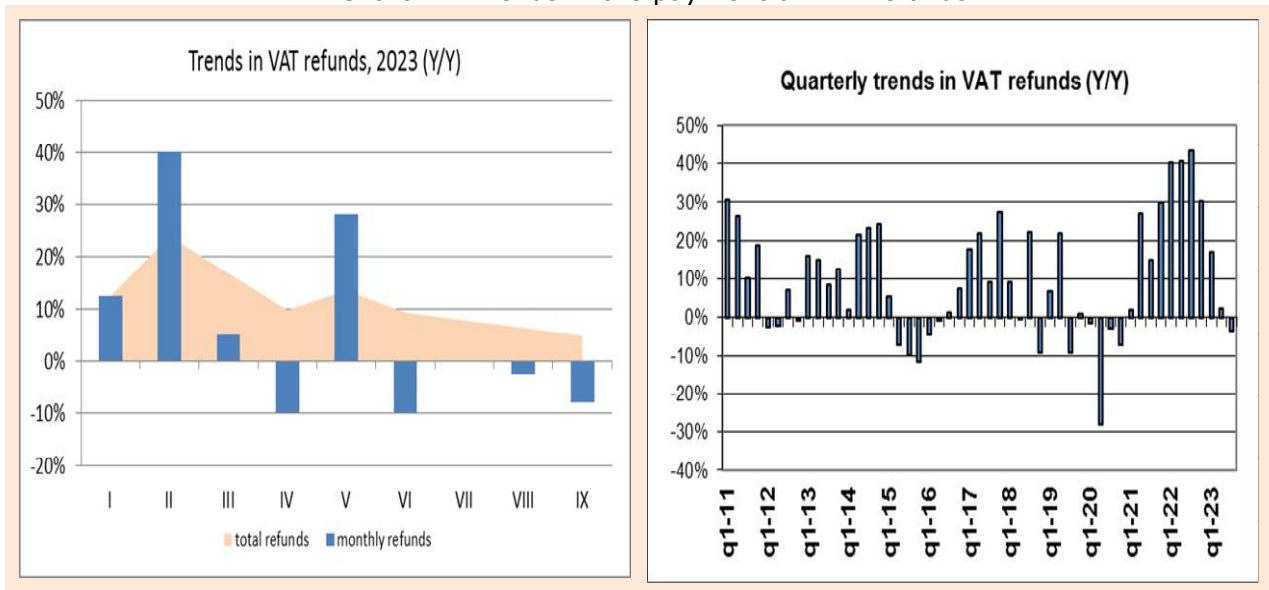


Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

Quarterly trends in the collection of gross VAT components confirm the conclusions presented above (Chart 11). A sharp drop in quarterly growth rates of VAT on imports is noticeable. In the first quarter of 2023, the growth rate was positive, amounting 10.7%, but in the second it was negative, amounting -1.4%, the first time after 9 quarters of continuous positive growth. The situation has improved slightly in the third quarter, when VAT on imports fell by 0.4%. On the other hand, there has been a continuous growing trend of domestic VAT. In the first quarter of 2023, the growth rate was 17.6%, in the second 18.1%, and in the third even 20.2% (Chart 11).

VAT refund payments fluctuated strongly in the first five months of 2023, with monthly growth rates ranging between -10% and +40% (Chart 12, left). Since June, monthly growth rates have been continuously negative. In September, refund payments were down 8% compared to the same month in 2022, which reduced the cumulative growth rate to only 4.9%.

Chart 12. Trends in the payment of VAT refunds



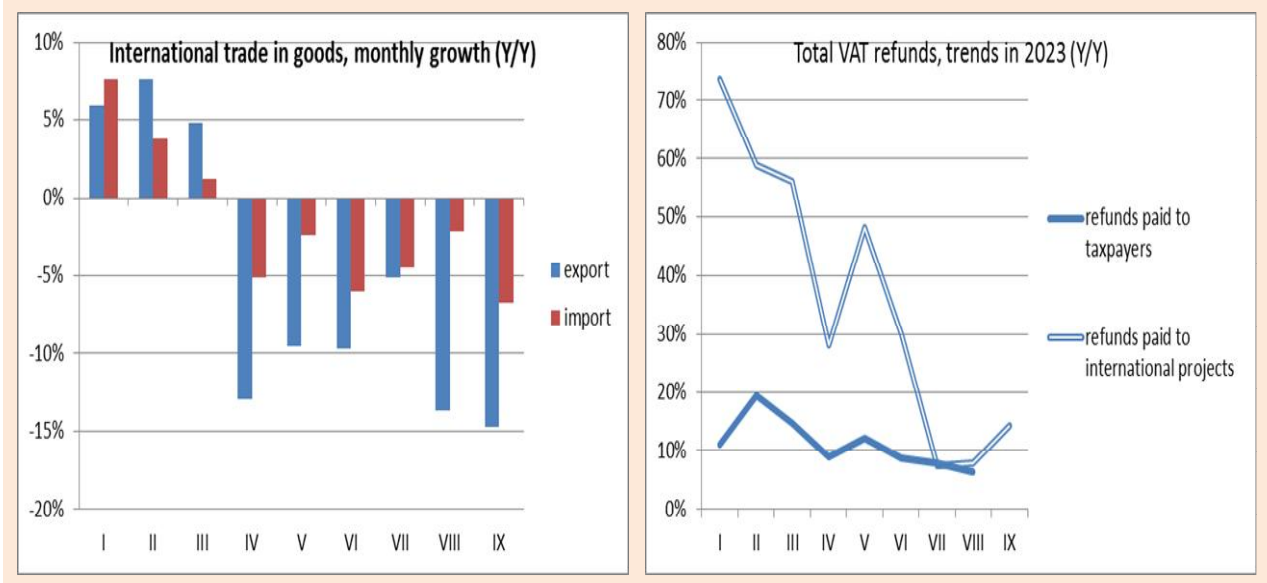
Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

After extremely high quarterly growth rates of refunds in 2022, quarterly comparisons indicate a strong slowdown in 2023. Thus, in the first quarter of 2023, growth rate of VAT refunds was 16.8%, and in the second only 2.5%, while in the third quarter, the refunds fell by 3.4% (Chart 12, right). An indicator of the downward trend of refunds in 2023 is the decline in the share of cumulative refunds in cumulative gross VAT, which fell from the initial 33.2% in January to 28% in September. Likewise, the share of cumulative VAT refunds in cumulative gross VAT for nine months in 2023 is lower by 0.8 pp. compared to the share in the same period in 2022.

The trends in refund payments are not surprising given the decline in imports and exports since April 2023 (Chart 13, left). Having in mind the deadlines¹³ prescribed by the Law on VAT, for the payment of refunds to taxpayers in September 2023, the VAT returns from July and August are the reference. It should also be borne in mind that payments based on international projects are a significant factor that mitigated the effects of the drop in imports and exports on refund payments. These refunds are not directly related to exports and imports, but to the dynamics of the completion of certain phases of projects (e.g. construction of sections of highways or progress billing in the construction industry for other infrastructure projects). Over the course of the year, the impact of refund payments to international projects on cumulative trends has weakened more and more, so that the cumulative growth rate increased in September. On the other hand, refund payments to taxpayers have a slowing trend (Chart 13, right).

¹³ According to the Law on VAT, refunds are paid to major exporters within 30 days from the submission of the VAT return, and refunds to other taxpayers (other exporters and importers) within 60 days from the submission of the VAT return.

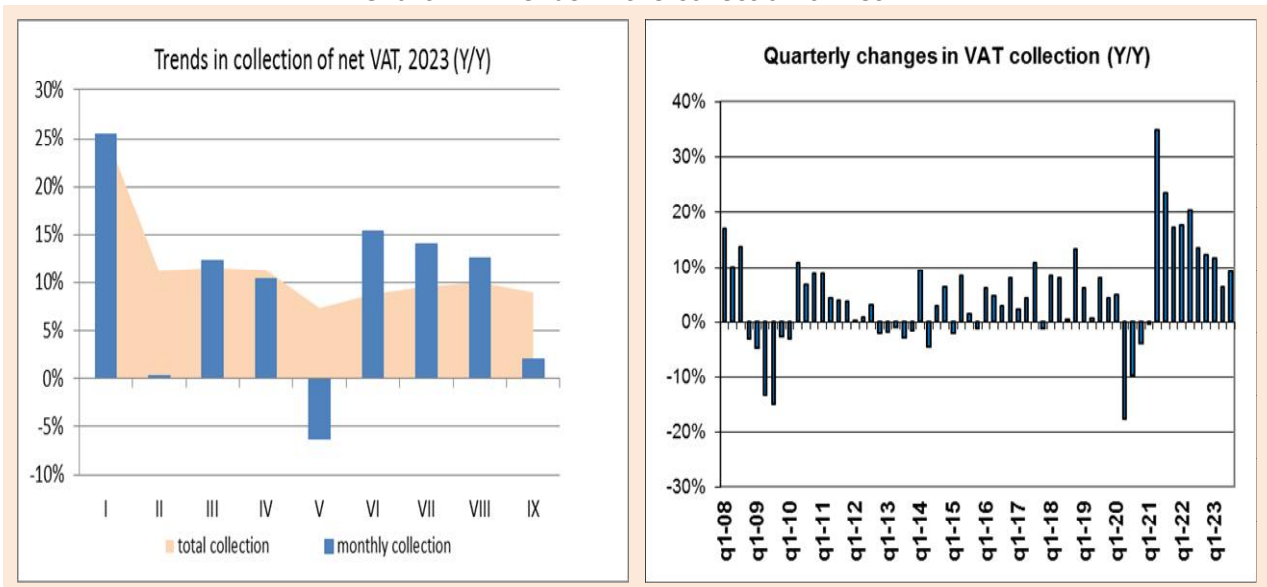
Chart 13. International trade in goods of B&H, monthly growth rates and cumulative VAT refunds



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

The slowdown in refund payments had a positive effect on net VAT collection. The effect was further strengthened by the increase in gross VAT collection in recent months. However, the poor gross collection of VAT in September neutralized to a certain extent the positive effects of the reduction in refunds, so that the growth of net VAT in September amounted to only 2%. The poor collection in September was also reflected in the growth of cumulative net VAT, so that the growth rate fell to 9% (Chart 14, left).

Chart 14. Trends in the collection of net VAT



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

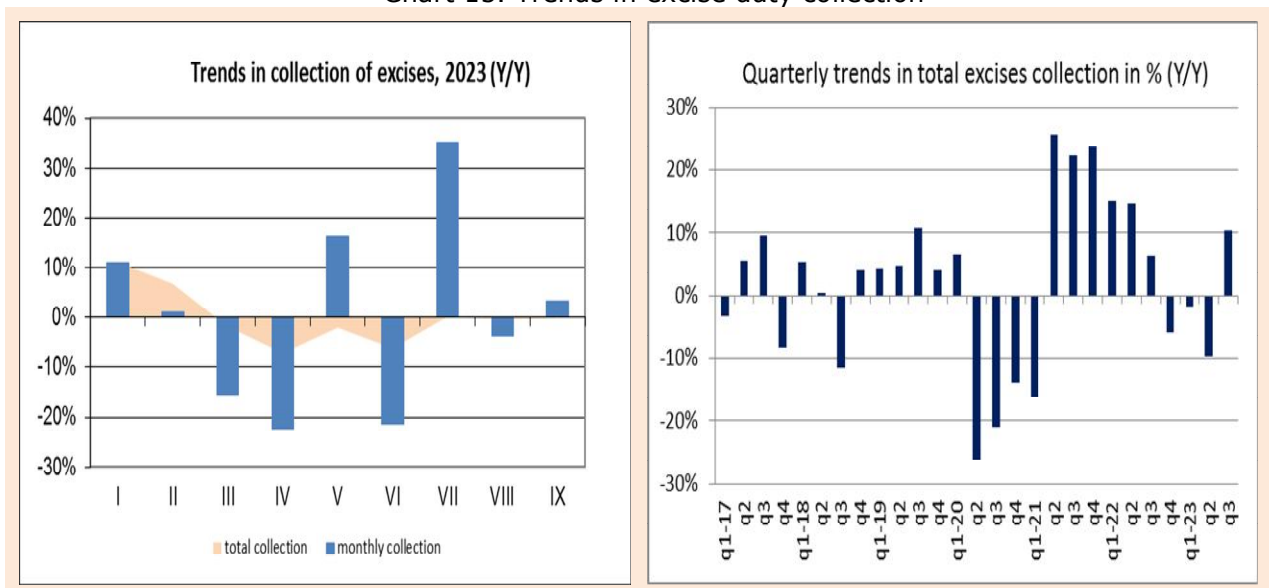
Quarterly comparisons show an increasing trend in net VAT. In the first quarter, a growth rate of 11.6% was achieved, which corresponded to the growth level of net VAT in the second half of 2022. Due to the deterioration of VAT collection on imports, which dominates the structure of gross VAT, despite the extraordinary increase in domestic VAT and the slowdown of refunds, the

growth of net VAT in the second quarter of 2023 amounted to 6.4% (Chart 14, right). However, in the third quarter, thanks to the significant reduction in refund payments and the growth of gross VAT in July and August, the net VAT growth rate was 9.3%. The already mentioned expansion of the scope of taxation of bank services brought 0.9 pp. of the increase in net VAT.

Excises and road fee

The collection of excise duties is usually characterized by strong monthly oscillations, determined by the collection of excise duties on tobacco products as the most significant component in total excise revenues. Oscillations in monthly growth rates ranged from -22% in April to +35% in July (Chart 15, left, "monthly collection"). The cumulative growth rate has also fluctuated, but for most of the year it was in the negative growth zone. In September, a slight increase in excise revenues of 3% was recorded, and the total collected excise revenue has only just reached the collection in the same period of 2022 (Chart 15, left, "cumulative"). Monthly fluctuations in excise duty collection are the result of several factors. Of those related to developments in 2023, the most important are the change in the excise duty collection scheme due to the application of the new excise duty payment regime on tobacco products, as well as fluctuations in the retail prices of oil derivatives in the country, and thus the consumption of derivatives caused by movements on the world energy market. Likewise, monthly growth rates have oscillated due to the influence of the statistical base for comparison, which was strongly influenced by the start of the war in Ukraine as of March 2022, when it comes to excise taxes on oil derivatives.

Chart 15. Trends in excise duty collection



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

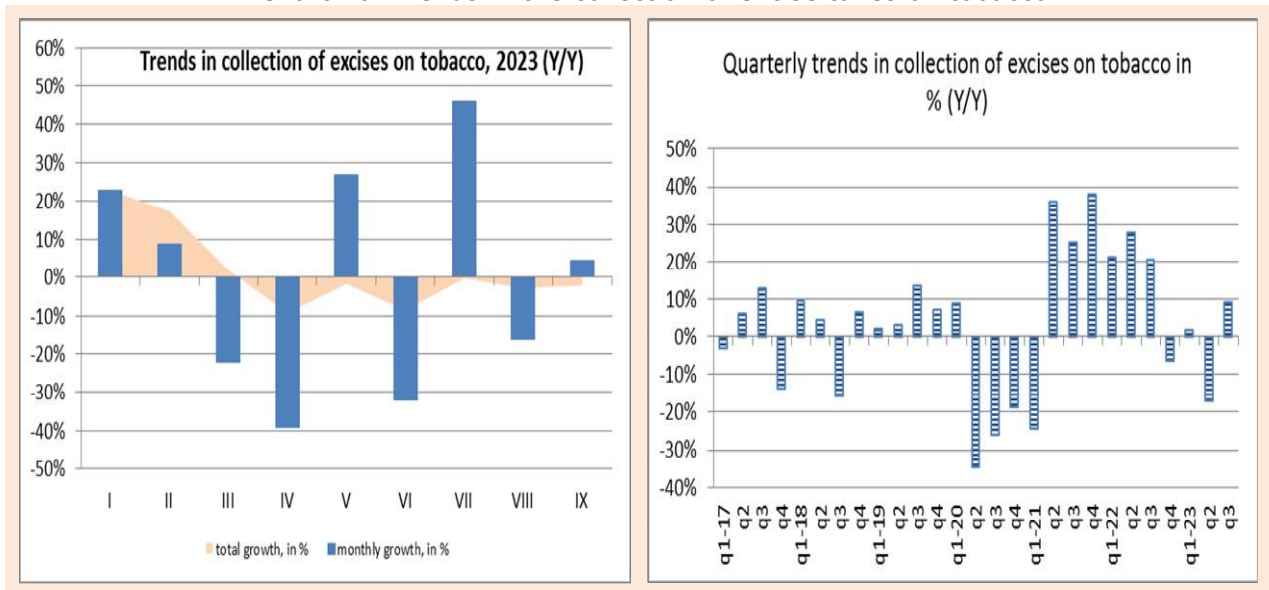
An overview of quarterly trends shows negative growth rates in the first and second quarters of 2023 of 1.8% and 9.7%, respectively (Chart 15, right). However, extremely high increase in excise duty collection in July and mild increase in September have brought growth rate in the third quarter to the level of 10.5%.

Oscillations in the collection of excise taxes on tobacco products are common, given that the collection depends on the sales policies of two multinational tobacco corporations, which hold 85% of the cigarette market in B&H. However, in 2023, the oscillations in the collection of excise duty

have been further intensified due to the application of the new payment regime since the spring of 2023.¹⁴

The new excise duty payment regime implies paying excise duty when importing tobacco products instead of paying excise duty when collecting excise stamps. With the transition to the new excise duty payment regime, the time lag between the payment of excise duty and the placement of cigarettes to which the payment refers has been shortened.¹⁵ The consequence of the transition to the new payment regime was a vacuum in the collection of excise duties, the length of which and, consequently, the impact on the collection of excise revenues, depended on the interval between the collection of stamps and the import of cigarettes.¹⁶ It is a one-time effect, which is positive for the cash flow of tobacco companies, while for the state it represents a loss of revenues from excise taxes. Although it was expected that with the entry into force of all implementing regulations, tobacco companies would switch to the new payment regime in January 2023, this did not happen due to adaptation to customs procedures regarding the payment of excise duties on imports (obtaining bank guarantees, etc.). Bearing this in mind, it is understandable that the pace of adoption of new procedures by tobacco companies and the transition to a new payment regime has differed. Ultimately, this had the consequence that the effect of the loss of revenues extends from mid-February to mid-April, that is, in three monthly reports in the period February - April (Chart 16, left). With the end of the transition period, revenue collection has stabilized. In May, revenue growth of as much as 26.9% was achieved, but already in June, collection was extremely bad and a drop of even 32% was recorded. A strong increase in excise duty collection of 46% in July almost canceled out the decline in excise duty collection from the first half of the year, however, a 16.9% decline in August collection and a modest increase of 4.3% in September have brought the cumulative collection back into the negative growth zone with at a rate of -2.1% (Chart 16, left, "cumulative").

Chart 16. Trends in the collection of excise taxes on tobacco



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

¹⁴ Amendments to the Law on Excises ("Official Gazette of BiH" No. 50/2022)..

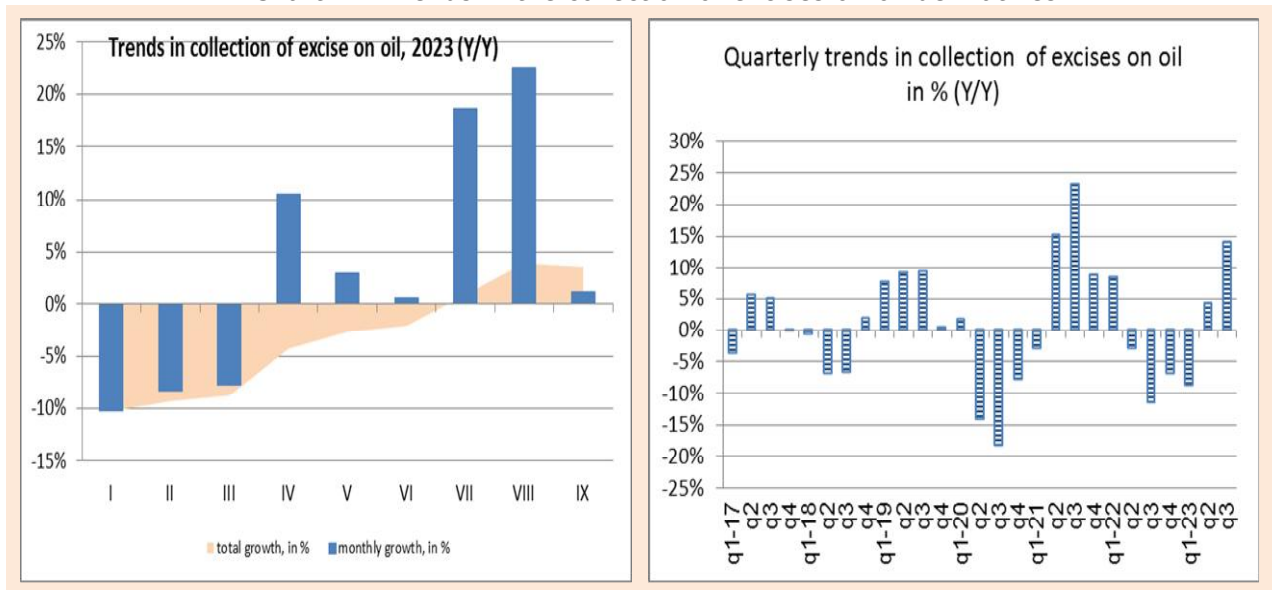
¹⁵ Until the amendments to the Law on Excise Duties, excise taxes were paid at the time of receipt of stamps, which produced negative effects on the cash flow of tobacco companies, since it was necessary to pay significant financial resources for excise taxes long before their sale.

¹⁶ Between those two final activities, it is necessary to export excise stamps to the countries where tobacco products are produced, produce cigarettes and transport them to Bosnia and Herzegovina. Until now, depending on the manufacturer, it has taken at least a month to import cigarettes with excise stamps on which excise duties have been paid.

An overview of quarterly growth rates shows a slight improvement in the first quarter of 2023, when a growth rate of 1.8% was achieved, while in the second quarter of 2023, due to the application of the new excise tax payment regime and poor collection in April and June, a drop of as much as 17% was achieved (Chart 16, right). In the third quarter, under the influence of the increase in consumption by non-residents in the summer season, excise collection has stabilized, achieving a growth of 9.1% (Chart 16, right).

In the first three months of 2023, negative growth rates of excises on oil derivatives were recorded, while in the rest of the year, a strong recovery was achieved, so that a cumulative growth of 3.6% was achieved at the level of nine months of 2023 (Chart 17, left). Trends in the collection of excises on oil derivatives were strongly determined by the statistical base effect from 2022. In the first three months of last year, in the period before the start of the war in Ukraine, consumption of oil derivatives was stable due to stable prices on the world market, which had a positive effect on the collection of excises in that period. However, in the same period in 2023, excise collection was lower due to a drop in consumption caused by higher energy prices as a result of turbulences on the world energy market caused by the war in Ukraine. In the following months, effect of the base was opposite. In the period April - September 2022, due to the increase in prices, there was a decrease in consumption of oil derivatives and, consequently, in the collection of excises, while in the same period in 2023, the prices of oil derivatives stabilized and then started to fall, which had positive effects on consumption and collection of excises. As a result of the mentioned trends on the derivatives market, excise collection in the period April - September 2023 was higher by 3.6% compared to the same period in 2022.

Chart 17. Trends in the collection of excises on oil derivatives

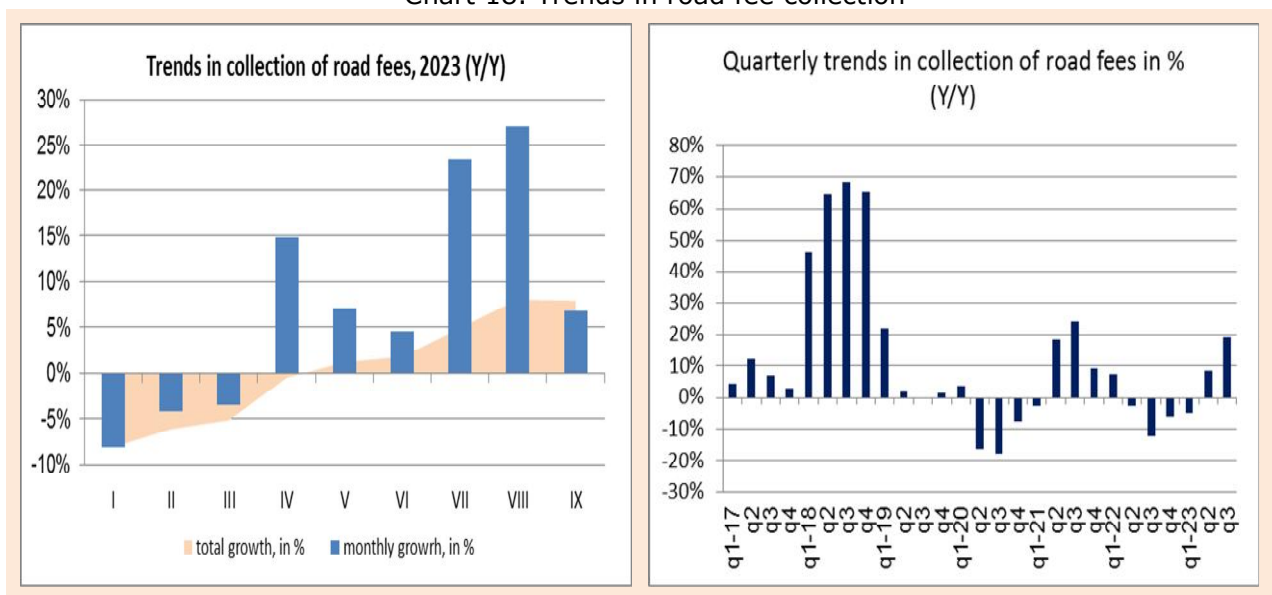


Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

Quarterly comparisons indicate a strong recovery in the collection of excises on oil derivatives in the third quarter of 2023, when a growth rate of even 14.1% was achieved, in contrast to the first quarter, when a decline of 8.7% was recorded, and a modest growth rate in the second quarter of 4.3% (Chart 17, right).

Basically, the trends in the collection of road fee in 2023 were similar to the trends in the collection of excises on oil derivatives (Chart 18, left). In the first quarter, a 5.1% drop in road fee revenue was recorded, while in the second and third quarters, a positive growth rates of 8.4% and even 19.1% were achieved, respectively (Chart 18, right). At the level of nine months, a growth of 6.8% was achieved, which is significantly higher than the growth in the collection of excises on oil derivatives. Differences in growth/decline rates originate from different bases on which road fees and excises on oil derivatives are calculated and paid, as well as from reliefs, in the form of road fee exemptions, which are provided for mines, thermal power plants and railways. However, due to the decision¹⁷ of the State Aid Council of B&H, the exemption of road fee payment for the above categories of taxpayers was suspended in 2023, resulting in higher road fee collection in 2023, higher road fee growth rates and a greater discrepancy in relation to the growth of excises on oil derivatives. The effect of suspension of road fee exemption for mines and thermal power plants in 2023 brought 3.8 p.p. of the road fee collection growth for nine months in 2023.

Chart 18. Trends in road fee collection

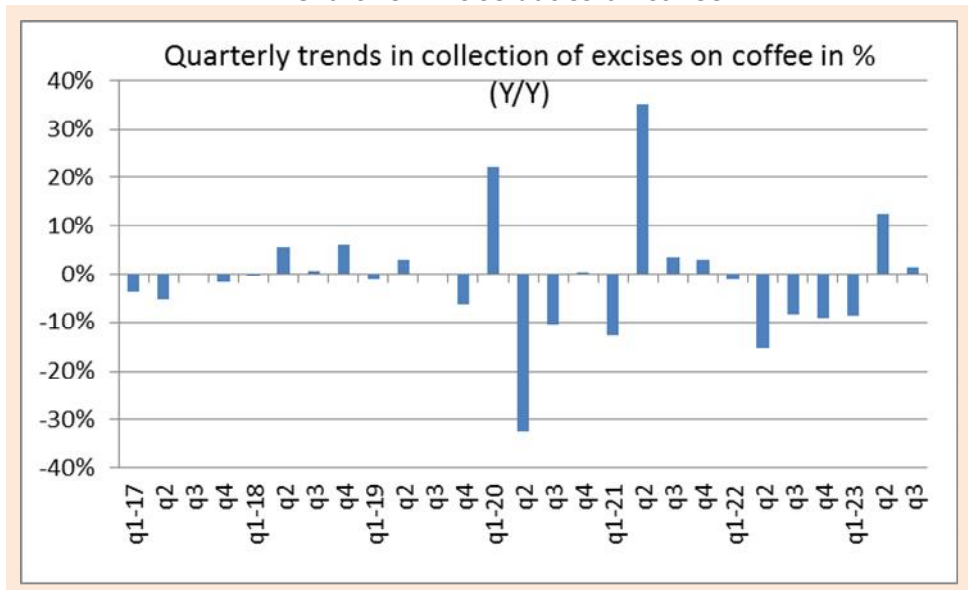


Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

After negative trends in revenues from excises on coffee in 2022 and drop of 8.5% in the first quarter of 2023, in the second and third quarters of 2023, the collection has recovered, and positive growth rates of 12.5 % and 1.4%, respectively, were recorded (Chart 19). Positive developments in the last two quarters have improved cumulative growth, so that in the period January - September 2023, a 7.9% increase in revenues from excises on coffee was achieved.

¹⁷ "Official Gazette of B&H" 49/23 and "Official Gazette of B&H" 63/23

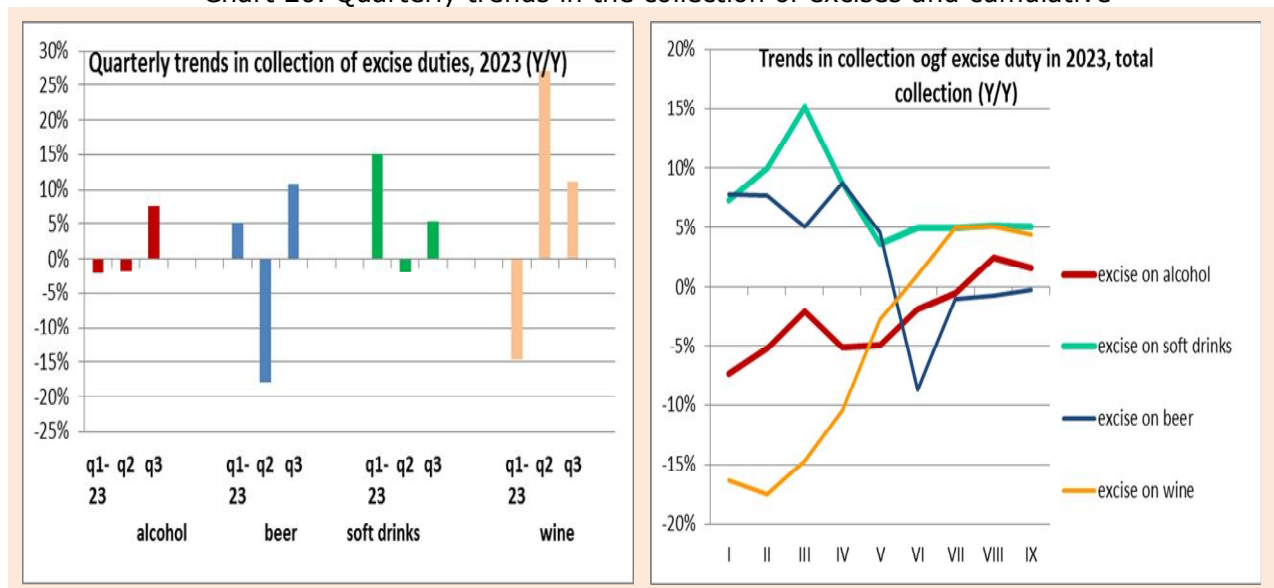
Chart 19. Excise duties on coffee



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

During the first two quarters of 2023, the trends in the collection of excise duties on the group of products, which consists of beer, wine, alcohol, alcoholic and non-alcoholic beverages, were oscillatory for all the listed products (Chart 20, left). However, the growth in the third quarter was decisive to achieve a positive growth rate of excise taxes on wine, alcohol, alcoholic and non-alcoholic beverages in the period January - September 2023 (Chart 20, left). Realized revenues from excise duties on beer for the nine months of 2023 were at the level of collection in the same period of 2022, thanks to the growth of excise duties on imported beers of 2.3%, which completely neutralized the decline in the collection of excise duties on domestic beers of 9.7% in the same period.

Chart 20. Quarterly trends in the collection of excises and cumulative



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

2. Projections of revenues from indirect taxes 2023-2026 (baseline scenario)

Revenue projections for the period 2023-2026 are available in Table 3. In order to ensure comparability of projected and collected indirect tax revenues, indirect tax revenue projections are presented on a cash basis in accordance with the ITA reports on collection by types of revenues.

Table 4 shows revenue projections in % of GDP.

Table 3. Baseline scenario of indirect tax revenue projections (2023-2026), October 2023

Type of revenue (net)	in million BAM					Projected growth rate			
	Realization	Projection				2023	2024	2025	2026
	2022	2023	2024	2025	2026				
VAT	5.121,5	5.565,5	5.783,3	5.988,9	6.200,0	8,7%	3,9%	3,6%	3,5%
Excises	1.580,0	1.612,9	1.755,3	1.801,9	1.852,9	2,1%	8,8%	2,7%	2,8%
Customs	431,9	511,2	547,5	588,6	638,6	18,4%	7,1%	7,5%	8,5%
Road fee	627,2	683,4	703,2	724,3	748,9	9,0%	2,9%	3,0%	3,4%
Other	66,1	54,5	43,6	43,6	43,6	-17,5%	-20,0%	0,0%	0,0%
TOTAL	7.826,7	8.427,5	8.832,9	9.147,3	9.484,1	7,7%	4,8%	3,6%	3,7%
Earmarked road tax *)	-392,0	-427,1	-439,5	-452,7	-468,1	9,0%	2,9%	3,0%	3,4%
Funds for distribution	7.434,8	8.000,3	8.393,4	8.694,6	9.016,0	7,6%	4,9%	3,6%	3,7%

Note:

*) Until February 1, 2018, the earmarked road fee amounted to 0.10 BAM per litter of oil derivative, intended entirely for the construction of highways. As of February 1, 2018 it amounts to 0.25 BAM per litter of oil derivative (0.20 BAM/l for the construction of highways and 0.05 BAM/l for the construction and reconstruction of other roads).

The category "Other" includes other revenues that are collected at Single Account of the ITA (revenues from terminals, rents, etc.) and unadjusted revenues (revenues that remain unadjusted after the final adjustment of revenue collection with applications and declarations in the ITA IT system)

Table 4. Baseline scenario of indirect tax revenue projections, October 2023 (% of GDP)

Type of revenue (net)	in % of GDP				
	Realization	Projection			
	2022	2023	2024	2025	2026
VAT	11,3%	11,5%	11,3%	11,1%	10,9%
Excises	3,5%	3,3%	3,4%	3,3%	3,3%
Customs	0,9%	1,1%	1,1%	1,1%	1,1%
Road fee	1,4%	1,4%	1,4%	1,3%	1,3%
Other	0,1%	0,1%	0,1%	0,1%	0,1%
TOTAL	17,2%	17,4%	17,3%	17,0%	16,7%
Earmarked road tax *)	-0,9%	-0,9%	-0,9%	-0,8%	-0,8%
Funds for distribution	16,3%	16,5%	16,4%	16,1%	15,8%

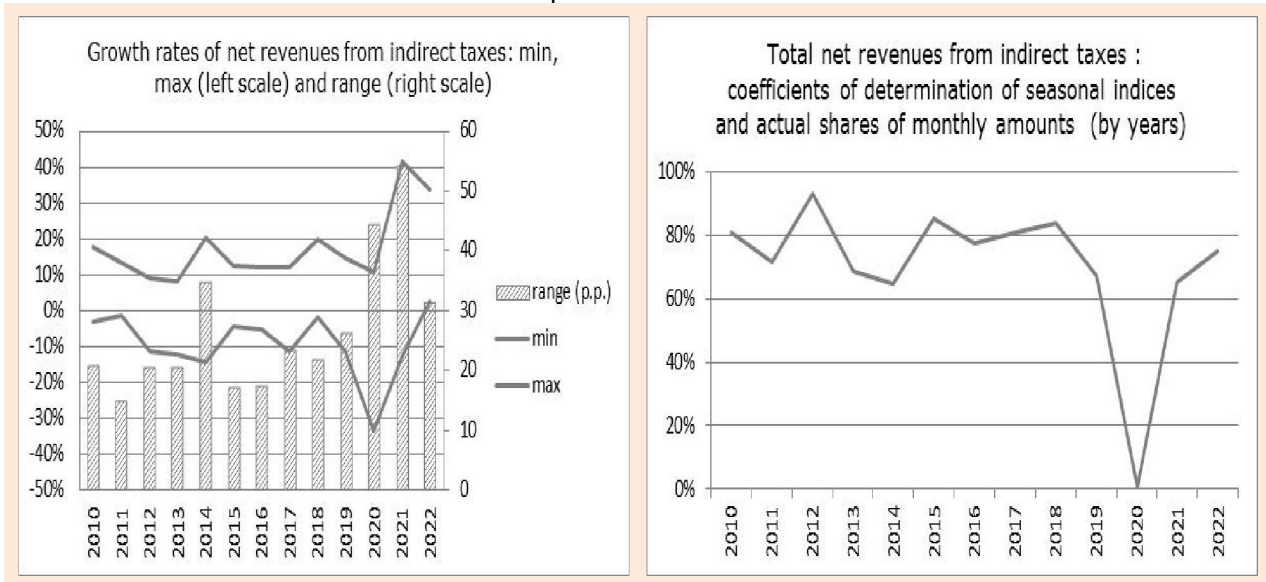
Data source for GDP: BHAS, Expenditure Approach, September 2023 and DEP Projections, September 2023

2.1. Projections for 2023

Preparation of revenue projections for 2023 cannot rely on seasonal revenue collection scheme from 2020 and 2021, as they dropped from all previous seasonal patterns due to the effects of coronavirus.¹⁸ Despite disruptions on the global level, turbulences on the oil derivative's market and strong price growth, in 2022, the range of monthly growth rates of net revenues from indirect taxes decreased compared to the previous two years (Chart 21, left), and the monthly dynamics of revenues in 2022 has pretty much returned to the pre-COVID-19 seasonal pattern¹⁹ (Chart 21, right). This is especially pronounced for revenues from VAT, excise duties on alcohol, beer and non-alcoholic beverages, while excise duties on oil derivatives and road fees, as expected, deviate considerably from the old seasonal pattern in 2022 as well. Revenues from excise taxes on tobacco and coffee have never had a pronounced seasonal component.²⁰

In the first nine months of 2023, the growth rate of net revenues from indirect taxes was 7.6% compared to the same period in 2022. According to DEP's projections, nominal GDP growth of 6.5% in 2023 is expected. **The growth rate of total net projected revenues from indirect taxes for 2023 is 0.1 pp. higher than the nine-month growth rate and amounts to 7.7%.²¹**

Chart 21. Measures of dispersion of revenues from indirect taxes



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU
 Note: Total net monthly revenues in the calculation do not include unadjusted revenues on the ITA SA

¹⁸ The monthly dynamics of revenues in 2020 completely deviated from the so-called pre-COVID-19 seasonal pattern. The range of monthly growth rates of net revenues (the difference between the maximum and minimum value) was 44.2 percentage points. Although it has partly returned to the old pattern, the collection of net revenues from indirect taxes in 2021 was also quite different from the old seasonal scheme. The range of monthly growth rates of net indirect tax revenues was even higher in 2021 than in 2020 (54.1 percentage points), which was the result of: (1) disorders of the seasonal pattern in the base year 2020, and (2) characteristics of the seasonal pattern in 2021.

¹⁹ After calculating seasonal indices based on data from the period 2010-2019, regression models were estimated and the coefficients of determination of seasonal indices and actual shares of monthly amounts of individual types of revenue in the corresponding period were calculated, in order to show how well the seasonal indices „fit“ into the real shares in the observed period.

²⁰ For more information about the monthly fluctuations of certain types of indirect tax revenues and the strength of the seasonal component see the bulletins of the Unit no. 174/175 and 209/210 (www.oma.uino.gov.ba)

²¹ Projected revenue growth rates by types, on the other hand, differ from the realized growth rates in the first three quarters due to the specificities in the collection of certain revenues in the current year, but also in the statistical basis for comparing *ad valorem* taxes and taxes (excises and road fees) on oil derivatives (see Section 1.3.2.)

2.1.1. VAT

After a 6.8% drop in net VAT revenues in 2020, which was a consequence of the corona virus pandemic, in 2021 and 2022, their strong recovery and high growth rates of 18.2% and 15,6%, were achieved, respectively. Net revenues from VAT in 2022 were 1.1 billion BAM higher than in the pre-crisis year, 2019, representing a growth of 27.3%.

Compared to 2006, when VAT was introduced, net VAT revenues in 2022 were higher by as much as 2.6 billion BAM or by 106.2%. In the period 2006-2021, the share of net VAT revenues in the total net revenues from indirect taxes was in the range of 60-64%, while the share in 2022 was a high 65.4%

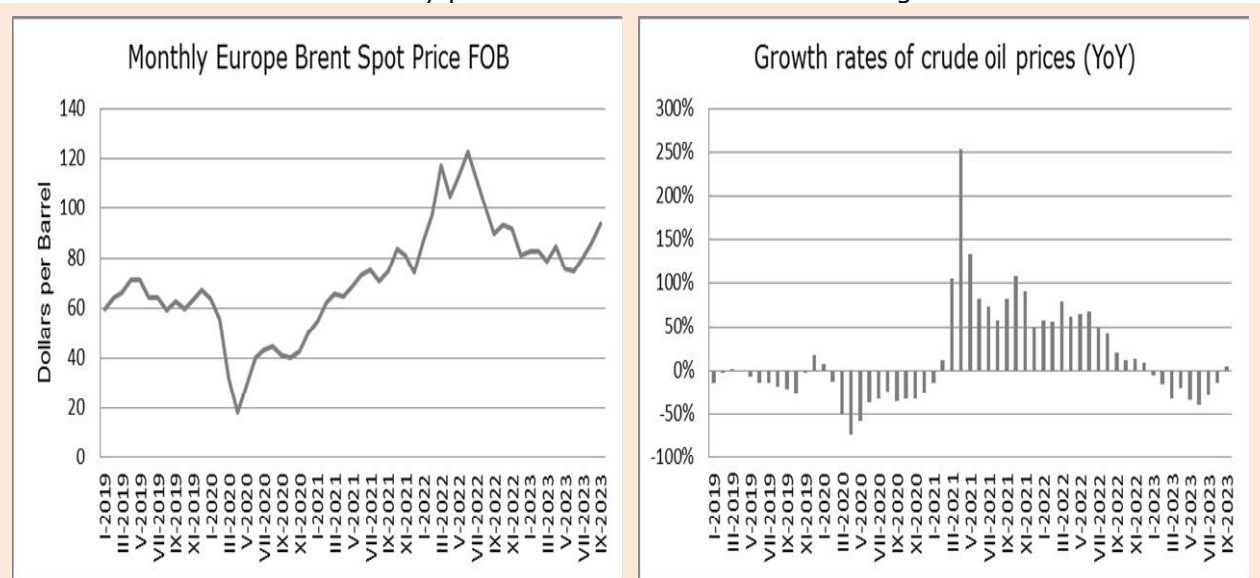
The projected amount of net revenues from VAT in 2023 is 5,565.5 million BAM, which is 8.7% more than the collection in 2022. The projection is based on the historical seasonal collection pattern of certain categories of VAT (which does not include specifics in 2020 and 2021), and trends and projections of macroeconomic indicators.

2.1.2. Excise duties and road fees

Excise duties on oil derivatives and road fees

The price of crude oil has fluctuated significantly between early 2019 and September 2023, when the latest data from the US Energy Information Administration was available, at the time of the preparing of projections of revenues from indirect taxes. Chart 22 shows the monthly prices of Brent crude oil (Europe Brent Spot Price FOB) in the specified period, and their growth rates (YoY). It can be concluded that in 2022, positive growth rates of crude oil prices were recorded in all months, in the range between 9.1% (December) and 67.7% (June), which was the result of high prices caused by war events in Ukraine (Chart 22, right).

Chart 22. Monthly prices of Brent crude oil and their growth rates



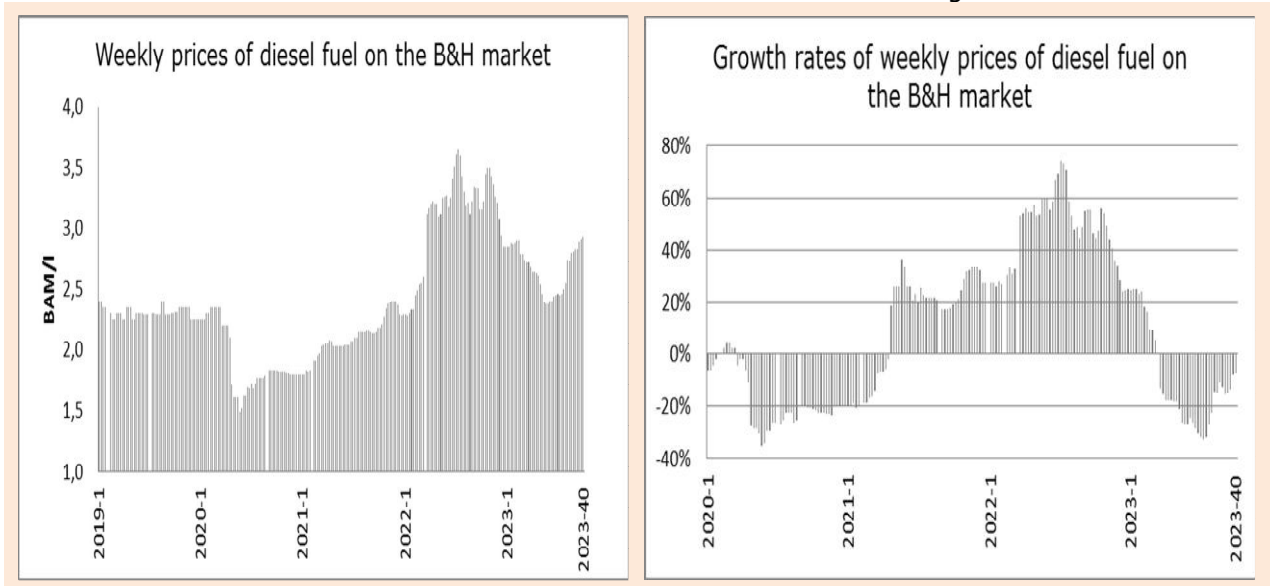
Source: Calculation and presentation of the MAU based on data from US Energy Information Administration, Europe Brent Spot Price FOB (Dollars per Barrel)

In 2023, there was a drop in crude oil prices and negative monthly growth rates. As a consequence of the high statistical base from the previous year and relatively lower prices in 2023, by the end of August, the price growth rates ranged between -39.0% (June) and -4.6%

(January). In September 2023, crude oil prices rose by 4.4% compared to the same month of the previous year.

Factors that influence the formation of oil derivative prices on the B&H market are crude oil prices, trade margins, tax rates, etc.

Chart 23. Prices of oil derivatives in Bosnia and Herzegovina



Source: Calculation and presentation of the MAU based on data from Foreign Trade Chamber of Bosnia and Herzegovina

Chart 23 shows the weekly prices of diesel fuel²² in Bosnia and Herzegovina in the period from 2019 until the 40th week of 2023, which follow the dynamics of crude oil prices. After a period of extremely stable prices in 2019, the prices of oil derivatives on the B&H market fell sharply in the spring of 2020, as a result of the coronavirus pandemic. In the 21st week of 2020, the price of diesel fuel amounted to only 1.5 BAM/l. From the 22nd week of 2020 (end of May), the prices of derivatives have recorded a stable growth trend, which has been maintained throughout the entire 2021. At the end of 2021, the average weekly price of diesel fuel was 2.3 BAM/l. The events in Ukraine influenced the intensification of the price growth trend in 2022. The average price of diesel fuel reached its maximum of 3.7 BAM/l in the 28th week of 2022 (mid July). After that, the trend of falling prices of diesel fuel has begun, and in the last week of the first half of 2023 (week 26), they amounted to 2.5 BAM/l. Since then, the trend of rising diesel fuel prices has started again, and in the 40th week they amounted to 2.9 BAM/l, as at the beginning of 2023.

If we compare weekly prices of diesel fuel with the prices from the same week of the previous year, it can be concluded that they grew throughout 2022, with a culmination in the middle of the year. At the beginning of 2023, positive growth rates of weekly diesel fuel prices were maintained, with a downward trend. From the 12th week of 2023 (end of March), a downward trend in weekly prices has begun, at increasing rates, from -12,9% in the 12th week to -32,7% in the 28th week (mid July). With weekly diesel fuel prices rising from the 29th week of 2023 (Chart 23, left), their year-on-year growth rates have begun to decline. In the 40th week of 2023, the observed rate was -7,2%.

²² Data from the *International Road Transport Union* were used, taken from the website of the Foreign Trade Chamber of B&H. After the 19th week of 2022, price reporting for fuel 95 BMB and 98 BMB on the website of the Foreign Trade Chamber of B&H according to data from the International Road Transport Union was discontinued. Only data on the most common fuel prices for individual companies in Bosnia and Herzegovina are available.

At the time of preparing the projections, data on the consumption of oil derivatives until the end of the third quarter of 2023 were available.²³ The consumption of oil derivatives in the first quarter of 2023 was lower by 6.8% compared to the same quarter in the previous year, due to relatively high prices and a high statistical basis for comparison. In the second quarter, due to lower prices of oil derivatives, it recovered and reached a growth of 4.5%. In the third quarter of 2023, the total consumption of oil derivatives increased by a high 12.5%, as a cumulative result of a low statistical basis for comparison and lower prices of derivatives compared to the same quarter in the previous year. Observed at the level of three quarters, the consumption of oil derivatives in I-IX 2023 increased by 3.9% compared to I-IX 2022, with the consumption of diesel fuel increasing by 4.3%, gasoline by 3.3% and other derivatives (fuel oil, kerosene and liquid petroleum gas) by 0.5%.

Quarterly growth rates of revenues from excises and road fees were influenced by the movement of derivative prices, specificities in the statistical basis for comparison, and the suspension of exemption from road fee payments for mines and thermal power plants (see Section 1.3.2.). Thus, in the first quarter of 2023, negative growth rates of excises on oil derivatives and road fees were recorded, while high growth rates of these revenues were achieved in the second, and especially in the third quarter of 2023. Therefore, the year 2022, as well as the previous two (due to other specifics), cannot represent the basis for creating revenue projections. Based on the old seasonal pattern and collection trends in 2023, growth rates of net revenues from excises on oil and road fee of 5.3% and 9.0%, respectively, were projected. The difference in the projection of the growth rate of road fee compared to the projection of the growth of excises on oil derivatives mostly stems from the effect of the suspension of road fee exemptions for mines and thermal power plants in 2023.

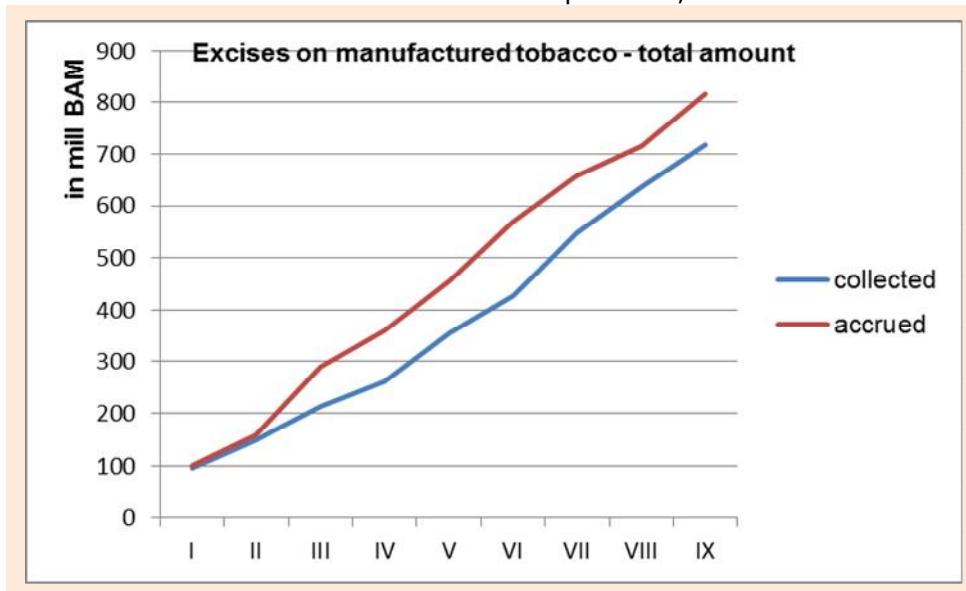
Revenues from excises on tobacco

The main unknown regarding the projections of excise taxes on tobacco products is the loss of revenues due to the shift to a new regime of paying excise taxes at the moment of importing cigarettes instead of when collecting excise stamps. Assuming that the time gap between the receipt of the stamps and the import is one month, the Unit estimated in the April projections a one-time loss in revenues from excises in the amount of the average monthly collection in 2022. The time interval depends on the location of cigarette production, transport and distribution costs, which can vary significantly considering that the multinational corporations are in question. The variations are understandable, because the tobacco companies were adapting to the new excise payment procedures on the fly, which was also reflected in the production and marketing plans. Likewise, one of the reasons for the greater discrepancy may be the taking over of a larger amount of stamps compared to the practice in previous years, because after the changes in the Law it is no longer necessary to have secured financial resources for paying excise taxes at the time of taking over the stamps. The assessment of the loss of revenues from excise taxes has proven to be underestimated over time, from which it can be concluded that the time gap between the collection of stamps and the import of cigarettes is longer than a month. According to expectations, positive trends were achieved on the market of tobacco products in B&H in the period January - September 2023. An increase in the amount of cigarettes of 8.1% was recorded, measured by the number of excise stamps, while the increase in the value of the cigarette market was 12.6%, compared to the same period 2022. However, although the amount of accrued excise duty in the period January - September 2023 is 11% higher than the amount of excises collected in the same period in 2022, due to the change in the excise duty payment regime, 2.1% less

²³ It should be noted that the term "consumption of oil derivatives" in this article refers to the quantities calculated by the author, including the amount of imported oil derivatives and the amount of domestic derivatives placed on the market. Amounts of domestic derivatives 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. The last year in which domestic derivatives were placed on the market was 2019, due to the suspension of production in the Oil Refinery Brod after the crash in October 2018.

revenue was collected than in the same period in 2022. The difference between the accrued and collected excise tax (Chart 24) represents the loss of revenue due to shift to a new payment regime. The loss, which amounts to approximately 10% of collected revenues from excise taxes on tobacco products in 2022, reduces the projected growth of total indirect taxes in 2023 by 1.2 pp.

Chart 24. Excises on tobacco products, cumulative



Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

It is realistic to expect that companies from the tobacco industry have already managed to establish a new dynamic of production and sale of tobacco products, which should have a positive effect on the excise duty collection scheme in the fourth quarter, in terms of mitigating fluctuations and achieving a growth in excise revenue which would cancel out the drop in revenue that occurred during the year. Since there are no announcements of an increase in the retail prices of cigarettes until the end of the year, in the fourth quarter of 2023 we can expect a stabilization of excise collection, which, bearing in mind the very low statistical base from December 2022, as a result of the expected change in the payment regime, should result in a modest increase in revenue from excises on tobacco products of 0.8% in 2023.

Revenues from other categories of excise taxes

Revenues from other excise tax categories (alcohol and alcoholic beverages, beer, wine, non-alcoholic beverages and coffee) do not have a significant share in total excise revenue.²⁴ They are projected in accordance with current collection trends, historical seasonal patterns and projections of relevant macroeconomic indicators.

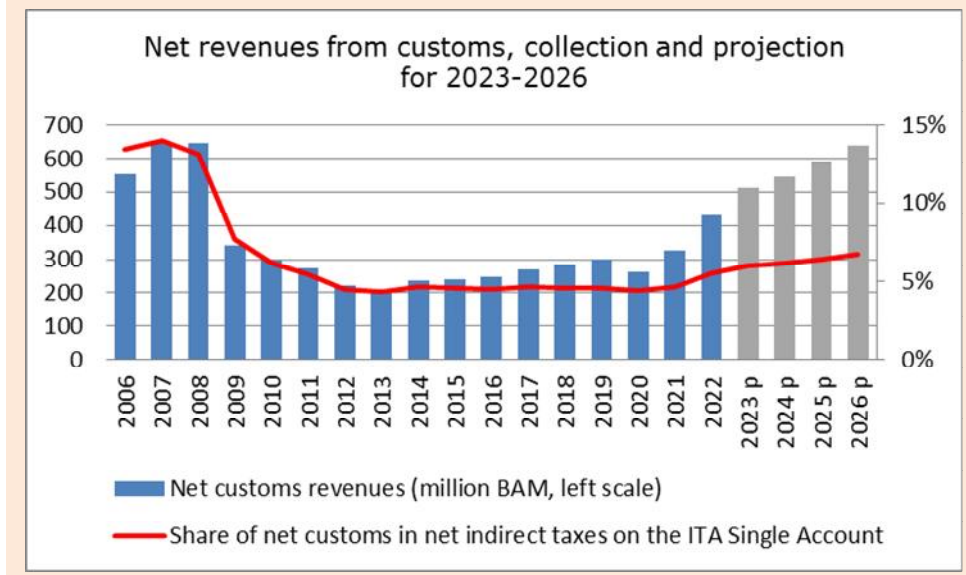
2.1.3. Customs duties

Liberalization of foreign trade led to a strong drop in customs revenues, both in absolute amounts and as a share in total net revenues from indirect taxes. From 650.4 million BAM in 2007, net revenues from customs fell to only 211 million BAM in 2013. Since 2014, a six-year trend of slight growth of these revenues has been recorded, reaching the level of 300.6 million BAM in 2019. In 2020, with the coronavirus pandemic, these revenues fell again to 262.2 million BAM, while in 2021 and 2022 they recorded a strong recovery, amounting to 431.9 million BAM in 2022, which

²⁴ Gross revenues from all listed types of excise taxes accounted for only 9.2% of gross revenues from excise taxes in 2022.

represents the highest level since the beginning of the implementation of the Stabilization and Association Agreement with the EU in 2008. The analysis of the share in total net revenues from indirect taxes shows a strong decline in the period from 2007 to 2013, from 14.0% to 4.3%. After that period (2014-2021), this share was relatively stable, ranging from 4.4% to 4.7%. In 2022, it increased to 5.5% (Chart 25).

Chart 25. Net revenues from customs duties 2006-2022 and projections for 2023-2026



Source: Calculation and presentation of the MAU based on the ITA data and MAU projections

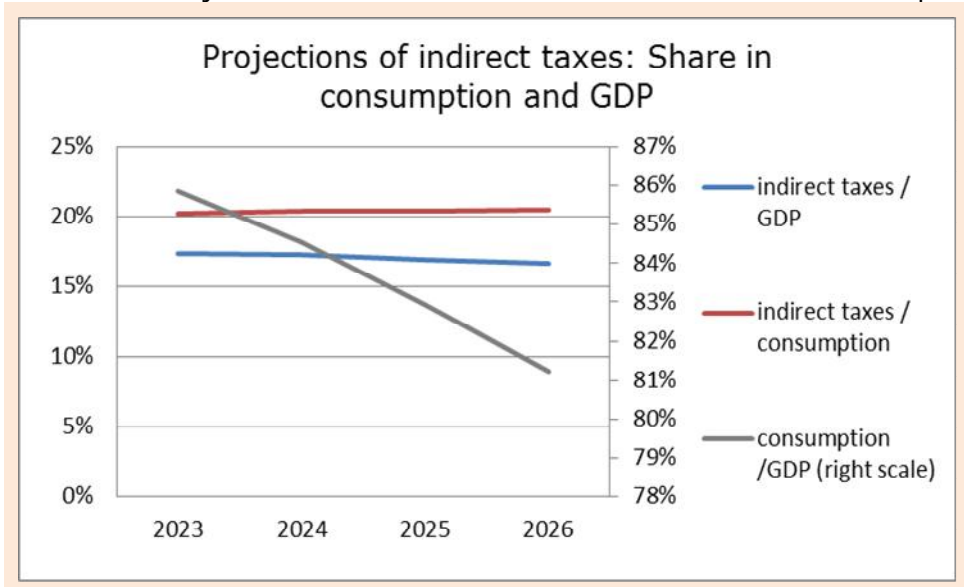
According to data of the Indirect Taxation Authority of Bosnia and Herzegovina, in the period I-IX 2023, the import growth rate was -1.9% compared to the same period of the previous year. Taking into account trends in the collection of customs revenues, movement of imports and DEP's projections, the net collection of customs duties in the amount of 511.2 million BAM is projected for 2023, which is 18.4% more than the collection in the previous year. It is estimated that the share of customs duties in total net revenues from indirect taxes will further increase to 6.1% in 2023 (Chart 25, right scale).

2.2. Projections for the period 2024-2026

The projected growth rates of net revenues from indirect taxes for 2024, 2025 and 2026 are 4.8%, 3.6% and 3.7%, respectively. Revenue projection in the mentioned period is based on projected relevant macroeconomic indicators, historical seasonal collection pattern and projections of certain categories of revenues for the year 2023.

In contrast to the projected decline of indirect taxes in GDP in the period 2023-2026 (see Table 4 and Chart 26), the projected share of revenues from indirect taxes (MAU) in consumption (DEP) in the specified period has been slightly increasing from 20.2% in 2023 to 20.5% in 2026. The decline in the projected share of indirect taxes in GDP in the period 2023-2026 was the cumulative result of a slight increase in indirect taxes in consumption and a decline in the share of consumption in GDP (Chart 26).

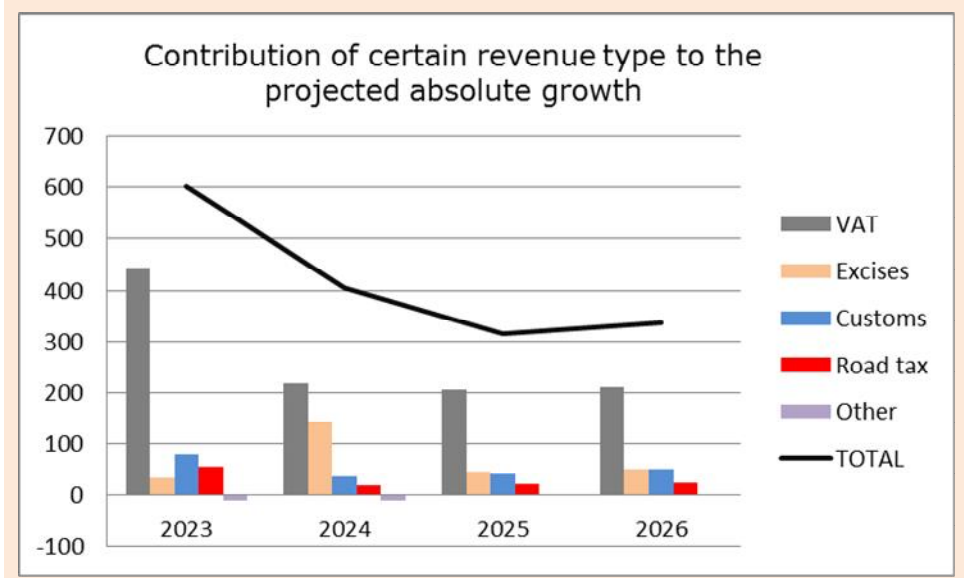
Chart 26. Projected share of indirect taxes in GDP and total consumption



Source: Calculation and presentation of the MAU based on indirect tax revenue projections (MAU, October 2023) and projections of macroeconomic indicators (DEP, September 2023)

The largest generator of annual absolute growth of revenues from indirect taxes in this period is VAT, given its significant share in revenues and projected stable growth rates (Chart 27). In 2024, excise taxes are also a significant generator of absolute growth, due to the strong projected absolute growth of excise taxes on tobacco (see explanation below in the section "Excise duties on tobacco").

Chart 27. Contribution of certain revenue type to the projected absolute growth



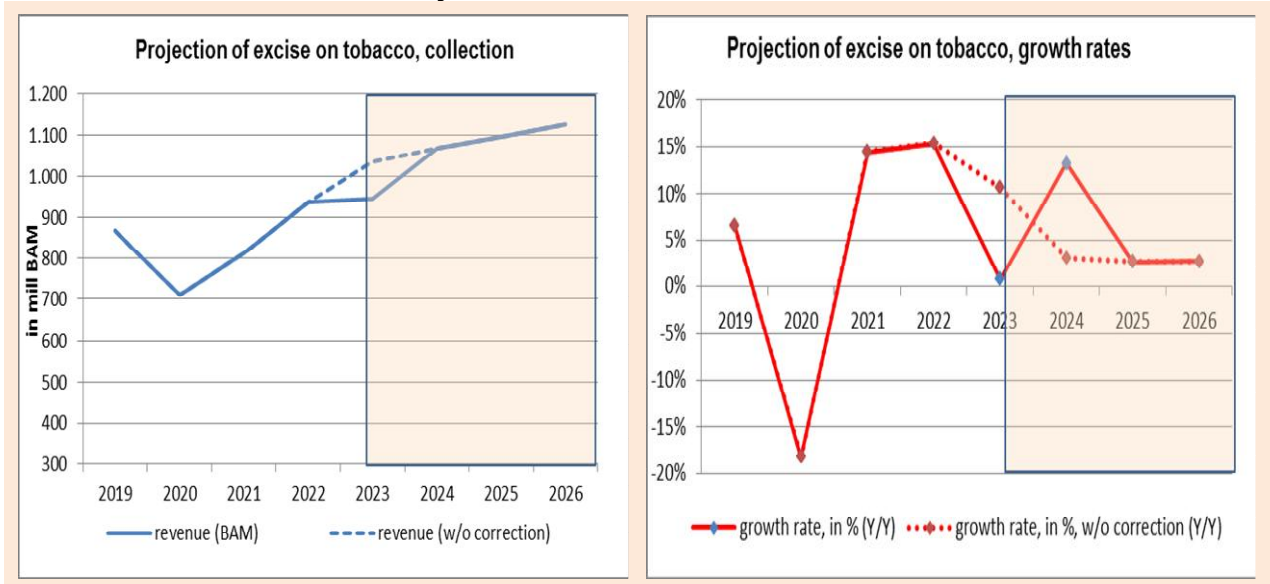
Source: Calculation and presentation of the MAU based on indirect tax revenue projections (MAU, October 2023)

Excise duties on tobacco

Unlike 2023, in which there is a mix of two excise tax payment schemes, with a one-time negative effect on excise tax collection, a new excise tax payment scheme will be established as of 2024, which will be neutral on the collection of excise revenue. An important factor in the realization of excise tax collection projections is the unchanged excise policy and the continuous fight against the black market of cigarettes and tobacco in Bosnia and Herzegovina. The growth of the market of tobacco products should follow the macroeconomic projections of consumption, which, along with a moderate increase in the weighted average price of cigarettes, should lead to a further increase in the value of cigarette sales and taxed amounts of cigarettes.

Under the mentioned assumptions, in 2024, 2025, and 2026, growth in revenue collection from excise taxes on tobacco products can be expected (Chart 28, left), with growth rates of 13.2%, 2.7%, and 2.7% respectively (Chart 28, right). The higher growth rate of excise tax revenue in 2024 is a consequence of the lower statistical base from 2023 due to the one-time loss of revenue due to the transition to the new excise tax payment regime.²⁵

Chart 28. Projection of revenues from excises on tobacco



Source: Calculation and presentation of the MAU based on the ITA data and MAU projections

²⁵ If there had been no change in the excise duty payment regime, the expected growth rate of excise duties on tobacco products would have been 10.7% in 2023, and 3.1% in 2024 (see Chart 28, lines "without correction").

3. Differences compared to previous projections of revenues from indirect taxes

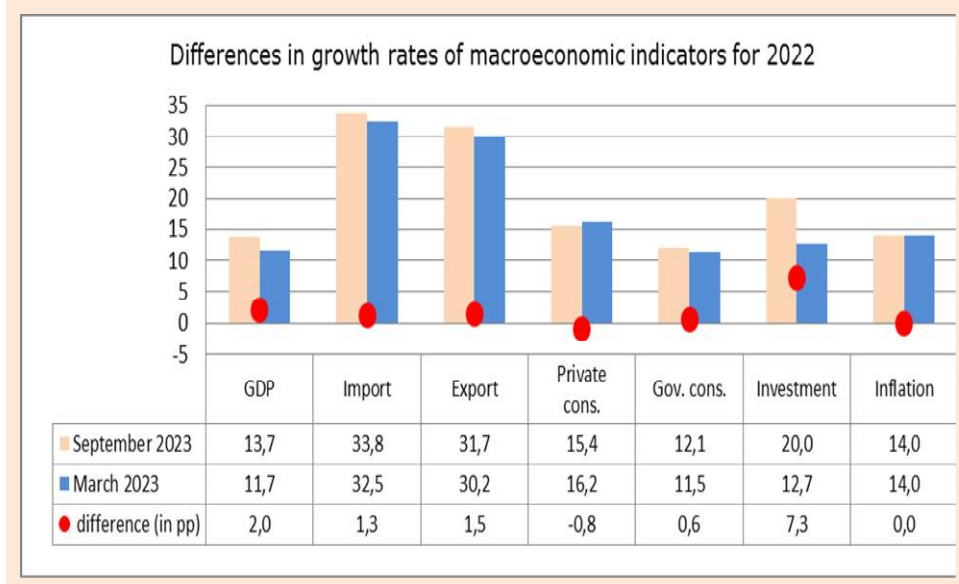
Projections of indirect tax revenues are closely related to the DEP's projections of GDP and its components. Any deviation of these parameters from the projected value represents the risk for revenue projection.

3.1. DEP, revision of projections of macroeconomic indicators for B&H

3.1.1. Revision of projections of macroeconomic indicators for 2022

The official BHAS data shown in DEP's latest projections (September 2023) and DEP's previous projections (March 2023) can be compared in the Chart 29. The data refer to GDP growth rates for 2022 and its components. The nominal GDP growth rate was revised by +2.0 pp., from 11.7% to 13.7%. The growth rate of investments was revised the most (+7.3 p.p.).

Chart 29. The difference in growth rates of macroeconomic indicators for 2022

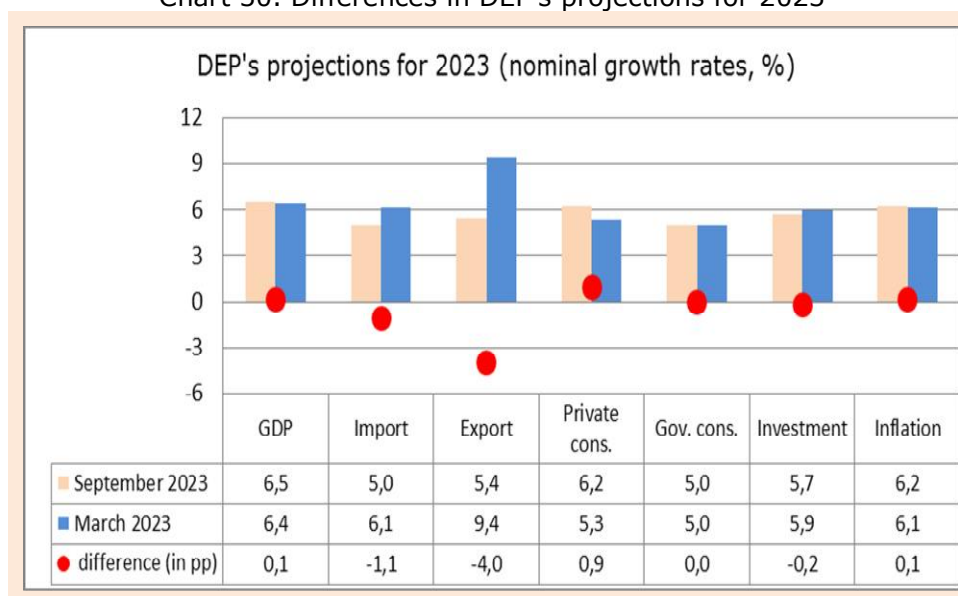


Source: Calculation and presentation of the MAU based on DEP's projections from September 2023 (official BHAS data) and March 2023 (projections)

3.1.2. Revision of projections of macroeconomic indicators for 2023

There are no significant corrections in the projected GDP growth rate for 2023 in the latest (September 2023) compared to the previous DEP's projections (March 2023).

Chart 30. Differences in DEP's projections for 2023



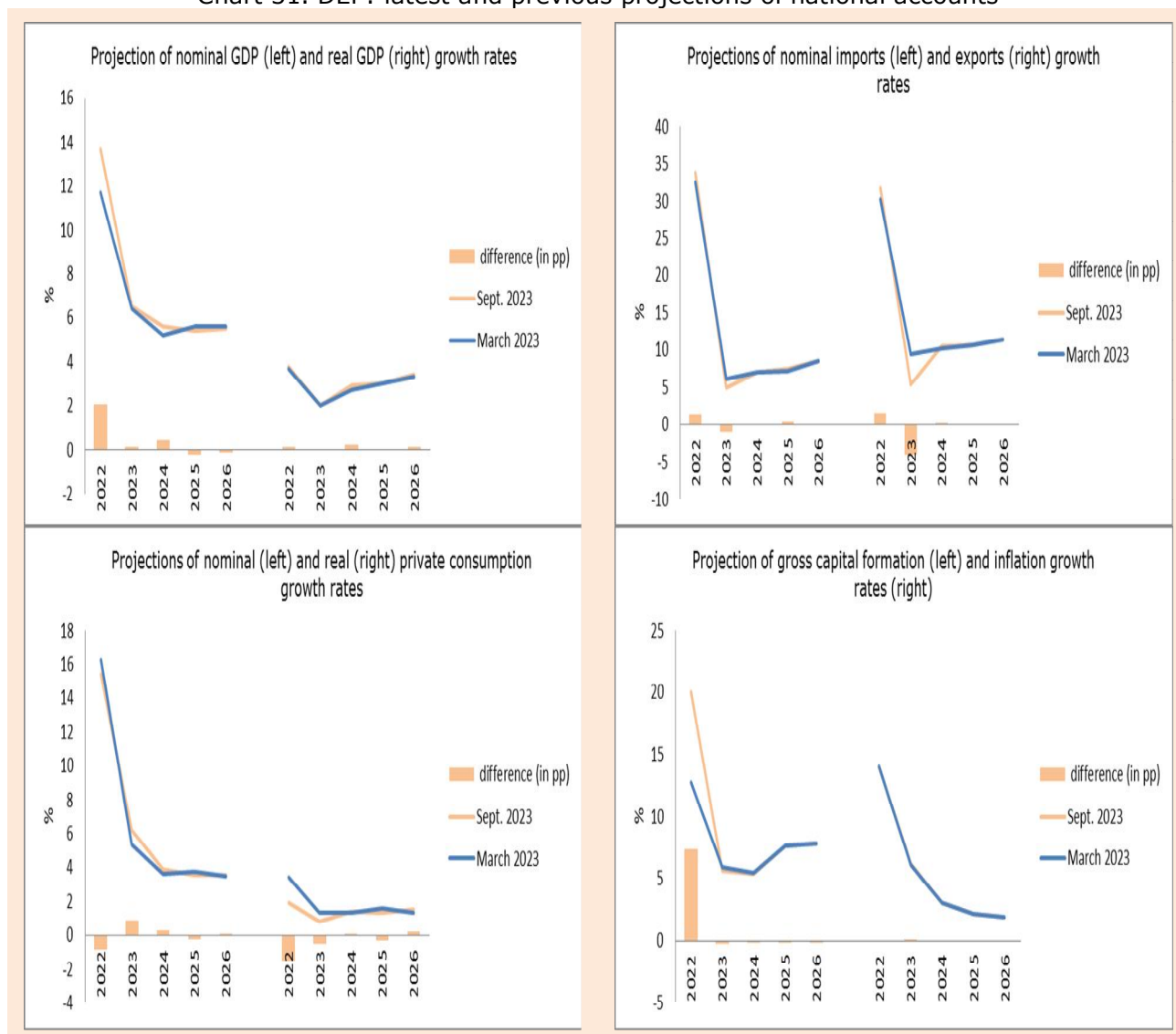
Source: Calculation and presentation of the MAU based on DEP's projections

The projected nominal GDP growth rate was revised by only +0.1 pp. On the other hand, there were significant corrections in the projections of GDP components. The projected nominal growth rates of imports and exports were revised by -1.1 and -4.0 pp., respectively. Private consumption growth projections were revised by +0.9 pp., while government consumption growth projections were unchanged. The projected investment growth rate was revised by -0.2 pp. (Chart 30).

3.1.3. Revision of projections of macroeconomic indicators for the period 2024 - 2026

Chart 31 shows the September projections of GDP and components for the period 2022-2026 compared to the previous DEP projections (March 2023), from which it can be seen that the corrections for the period 2024-2026 were not significant. Compared to the previous ones, nominal GDP growth projections were revised by +0.4 pp., -0.2 pp. and -0.1 pp. for 2024, 2025 and 2026. Chart 31 also shows the revision of individual GDP components and the inflation rate.

Chart 31. DEP: latest and previous projections of national accounts



Source: Calculation and presentation of the MAU based on DEP's projections from March 2023 and September 2023.

3.2. MAU, revision of indirect tax revenue projections

3.2.1. Differences in revenue projections for 2023 compared to projections from April

The projection of revenues from indirect taxes for the year 2023 is higher by 275.8 million BAM compared to the projections from April 2023. The highest correction was made on VAT revenues, in the amount of +183.4 million BAM. The revision was made primarily due to the high growth rates of domestic VAT, which are well above DEP's projected consumption growth rate, both from March and from September 2023. Revenues from excises were revised by -10.4 million BAM, which is the cumulative result of an upward revision of excises on oil derivatives, a downward revision of excises on tobacco²⁶, and minor corrections in other categories of excise duties²⁷.

²⁶ The application of the new excise duty payment scheme introduced a lot of uncertainties into the projections of excise duty collection in 2023. Although it was expected that, with the entry into force of all the implementing regulations, the tobacco companies would switch to the new payment regime in January 2023, this did not happen due to the adjustment

Revenues from customs duties were revised upward by 40.9 million BAM due to the trend of high growth rates of these revenues despite the current trend of falling imports (see Section 1.3.2). Road fee revenues were revised by +43.7 million BAM, which was the cumulative result of the suspension of the exemptions of road fees for mines and thermal power plants in 2023, and positive collection trends above expectations in April 2023. Other revenues were revised by +18.2 million KM, on unadjusted revenues.

3.2.2. Differences in revenue projections for the period 2024-2026 compared to projections from April

The differences in the revenue projections for the period 2024-2026 compared to the April 2023 projections are presented in Table 5. Compared to the projections from April 2023, the revenue projections for 2024, 2025 and 2026 have been revised by +314 , million BAM, +313.6 million BAM and +309.2 million BAM, respectively.

Table 5. Differences in revenue projections for the period 2023-2026 compared to the projections from April 2023.

Type of revenue (net)	2023	2024	2025	2026
VAT	183,4	204,7	199,2	207,5
Excises	-10,4	12,0	10,8	-8,3
Customs	40,9	43,8	48,6	52,8
Road fee	43,7	46,2	47,6	49,9
Other	18,2	7,3	7,3	7,3
TOTAL	275,8	314,1	313,6	309,2

The revision is the cumulative result of corrections in the base (revenue projection for the previous year: $y-1$) and revision of growth rates of macroeconomic indicators for the current year (Chart 32).

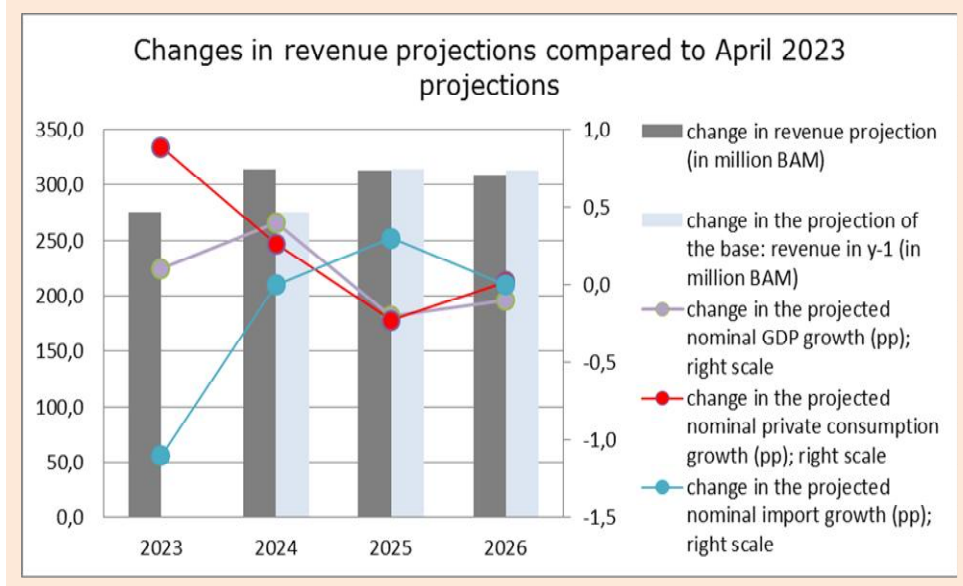
Based on Chart 32, it can be concluded that there were no major revisions in DEP's growth projections of relevant macroeconomic indicators for the period 2024-2026 in September 2023 compared to their March projections. The factors that led to the differences in the projections of certain types of revenues compared to the Unit's previous, April, projections are mainly related to the revision of the basis for comparison (2023 for 2024, and consequent changes in the basis for the following period). We have seen that the revision in the projection of the statistical base for 2024 (revision of revenues for 2023) was positive for all revenue types, except for the projections of revenues from excise taxes on tobacco²⁸ and minor corrections of revenues from excise taxes on beer and non-alcoholic beverages (see Section 3.2.1.).

to customs procedures regarding the payment of excise duties on imports (obtaining bank guarantees, etc.). The pace of adoption of new procedures by tobacco companies and the transition to a new payment regime have differed, causing a longer adjustment period and large fluctuations in excise collection. The retail prices of cigarettes were increased above the Unit's expectations, which had a negative impact on the sale of cigarettes, resulting in a lower collection of excise revenues than expected. Finally, the lower consumption of non-residents in the summer season than expected had a negative effect on excise duty collection.

²⁷ Projections of revenues from excises on alcohol and alcoholic beverages and the excises on coffee have been revised upwards, while the projections of excises on beer and non-alcoholic beverages have been revised downwards.

²⁸ Factors that led to a lower tobacco excise base were greater losses of excise revenue in 2023 after the change in the excise duty payment regime on tobacco products compared to the estimate in April 2023 as well as the higher growth in the weighted average price of cigarettes than projected.

Chart 32. Differences in revenue projections compared to April 2023 projections



Source: Calculation and presentation of the MAU based on MAU's and DEP's projections

4. Risks

Considering the huge unknowns at the time of preparing the projections about the further development of the situation on the international level related to the events in Ukraine and the assumptions used (DEP, macroeconomic projections), **we point out that there are significant risks for the realization of projections of indirect tax revenues, where the risks of worse outcome predominate.** Given the basic assumptions of indirect tax projections and the overall economic conditions in B&H and in the world, the realization of the projected level of revenues from indirect taxes in the period 2023-2026 is subject to the following risks: (1) all risks for the realization of projected macroeconomic indicators (DEP) and (2) risks related to the collection of revenues from indirect taxes and fight against the grey economy.

Projections of indirect tax revenues are closely related to the projections of macroeconomic indicators of DEP. All risks mentioned by DEP in their projections automatically represent risks for the projections of indirect taxes, since any deviation of the realization of DEP parameters from their projected values inevitably leads to deviations from the projected indirect tax revenues. The September 2023 DEP's projections state that the risks to their projections can be classified into two groups: external and internal. The same document states the following: *„...At the time of preparation of this report, it seems that external risks are much more pronounced and represent a greater risk for the realization of economic growth projections from the baseline scenario, compared to internal ones. Namely, after the stabilization of the epidemiological situation related to COVID19, at the beginning of 2022, there was an escalation of the conflict between Ukraine and Russia, which will undoubtedly have negative economic consequences for the global economy and, therefore, for Bosnia and Herzegovina. Further escalation of the Ukrainian crisis, as well as strengthening inflationary pressures both globally and in Bosnia and Herzegovina would certainly have a negative impact on consumption, investment, foreign trade and thus on the economic growth projections in the baseline scenario.“*²⁹

Risks that may jeopardize the realization of indirect tax revenue projections in the area of policy and administration of indirect taxes include the following:

²⁹ DEP, Macroeconomic Projections 2024-2026, September 2023.

- The weakening of the measures to combat black market of tobacco products after completion of the harmonization of tax burden on cigarettes in B&H with the EU standards;
- Weakening of the fight against VAT fraud, especially in the field of refunds, which, in a situation of falling employment and illiquidity of taxpayers become attractive for fraud;
- Proposed changes in the policy of indirect taxation, such as: differentiated VAT rates; temporary abolition of excise duties on oil derivatives, increasing the threshold for registration for VAT, requests for exemption or payment of refunds for sales in the country (e.g. medicines) etc.

The decisions of the State Aid Council of B&H regarding exemptions of road fee for mines and thermal power plants carry certain risks for the collection of indirect taxes. The decisions require the following: suspension of road fee exemptions for mines and thermal power plants, cancellation of exemptions in the Law on Excises for the specified categories of taxpayers and the return of relief, which would entail the payment of road fee by mines and thermal power plants on the amounts of diesel that were exempt from road fee in 2022. Bearing in mind the decision of the Council, the projections of road fee revenues for the period 2024-2026 imply the collection of road fee for all payers, except for railways. A different outcome of the possible legal proceedings of the users of the tax relief would imply a lower road fee collection compared to the projections. On the other hand, the return of the relief would have a positive effect on the collection of road revenues.³⁰

³⁰ Bearing in mind the unknowns regarding the dynamics of refund collection and the duration of possible legal proceedings in this regard, the refund of the relief is not included as a one-time additional revenue in the revenue projections for the period 2024-2026.

Annex I: Latest projections of international institutions

i. Projections of the European Commission (EC)

Based on Table 7, we can see the projections of real GDP growth and inflation for the period from 2022 to 2024 from the latest EC projections.³¹ For 2022, it was estimated that real GDP growth of 3.4% was achieved in the EU, while growth rates of 0.8% and 1.4% are projected for 2023 and 2024, respectively. As for the inflation rate in the EU, it is estimated that it will fall from 9.2% in 2022 to 6.5% in 2023, and to 3.2% in 2024.

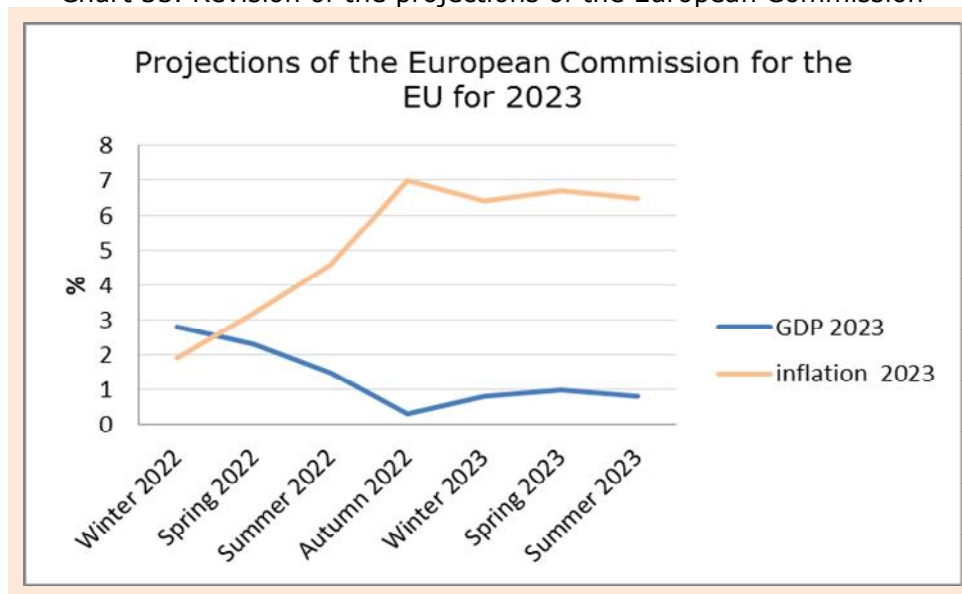
Table 6. EC Summer Projections, September 2023

Projection	Real GDP growth			Inflation		
	2022	2023	2024	2022	2023	2024
EA	3,3	0,8	1,3	8,4	5,6	2,9
EU	3,4	0,8	1,4	9,2	6,5	3,2

Source: European Economic Forecast, Summer 2023

Chart 33 shows the revision of the GDP and inflation projections for 2023 compared to the previous several editions of EC projections.

Chart 33. Revision of the projections of the European Commission



Source: Presentation of the MAU based on the European Commission projections

ii. Projections of the International Monetary Fund (IMF)

The latest IMF projections date from October 2023.³² According to the source, global growth is projected to fall from an estimated 3.5% in 2022 to 3% in 2023 and 2.9% in 2024. The forecast for 2024 is 0.1 percentage points lower than the IMF's July 2023 forecast (Table 6).

In addition to the projections for the world economy, Table 7 presents the IMF's projections for the Eurozone.

³¹ European Economic Forecast, Summer 2023 (Interim), Institutional paper 255, September 2023

³² IMF, World Economic Outlook, October 2023.

Table 7. Real GDP growth projections, IMF, October 2023

	2022	Projection		Difference from July 2023 WEO	
		2023	2024	2023	2024
World Output	3,5	3,0	2,9	0,0	-0,1
Euro Area	3,3	0,7	1,2	-0,2	-0,3

Source: IMF, World Economic Outlook, October 2023.

iii. Projections of the European Central Bank (ECB)

The ECB projections from September 2023 state that the annual average real GDP growth in the Eurozone should slow down from 3.4% in 2022 to 0.7% in 2023 and then increase to 1% in 2024 and 1.5% in 2025.

Table 8. ECB GDP growth and inflation projections for the Eurozone

	2021	2022	2023	2024	2025
Real GDP	5,6	3,4	0,7	1,0	1,5
HIPC Inflation	2,6	8,4	5,6	3,2	2,1

Source: ECB projections from September 2023; www.ecb.europa.eu

Archive of bulletins:

http://www.oma.uino.gov.ba/04_objasnjenja.asp?l=e

Analysis of revenue collection from excise duties on coffee

(Author: Mirjana Popović, expert advisor - macroeconomist)

1. Introduction

Coffee is certainly one of the most popular drink in the world, but also in Bosnia and Herzegovina (hereinafter: BiH), where there is a unique cult of enjoyment as well as a daily tradition of drinking coffee. Given that coffee is an excise product that is imported into BiH, revenues from the collection of excise duties on coffee refer exclusively to revenues from excise duties on imported coffee, regardless of whether it is caffeinated or not, roasted or not.

The economic crisis caused by the war between Russia and Ukraine, which began in February of last year, as well as weather disasters and climate changes, shook the "natural" growth of raw coffee prices in the world. This was reflected in the increase in the prices of this excise product in BiH, both when shopping in stores and drinking coffee in cafes. Brazil, as the largest producer of coffee in the world, is significantly affected by the weather, and the possibilities of coffee production in that country are not what they were in previous years. The other leading coffee-producing countries are no exception, struggling with economic, climatic and other cause-and-effect relationships that line up with these difficulties.

Given that the world coffee market is unstable, and that the price of raw coffee on the world market is constantly rising, the question arises as to how price growth affected coffee consumption and excise duty collection in the observed period, which is the focus of the analysis. The following analysis of revenue collection from excise duties on coffee will try to find an answer to the question from which the country's authorities can create a policy of further action on the price of coffee, which affects coffee consumption, and thus the collection of revenues from excise duties on coffee.

The focus of the analysis³³ is:

- Annual collection of revenues from excise duties on coffee in BiH in 2022³⁴ compared to the previous 2021³⁵.
- Quarterly collection of revenues from excise duties on coffee in BiH for the period from the first quarter (Q1) of 2021 to the third quarter (Q3) of 2023³⁶.
- Monthly collection of revenues from excise duties on coffee in BiH for the period from January 2021 to September 2023³⁷.

2. Annual movement of revenues from excise duties on coffee

Total revenues from excise duties largely participate in total revenues from indirect taxes, while the share of revenues from excise duties on coffee ranges from 2.0 to 2.3% in total revenues from excise taxes at the annual level in the observed last two years.

³³ More about the coffee taxation policy and the collection of revenues from excise duties on coffee in: Popović, M. (2022), "Analysis of revenue collection from excise duties on coffee"; MAU bulletin no. 207/208

³⁴ Latest available annual data

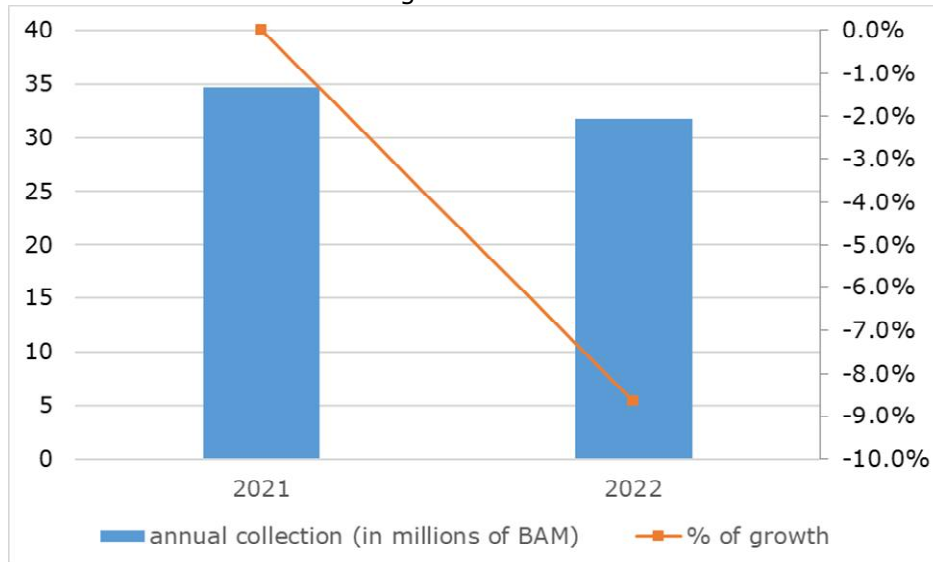
³⁵ Due to the emergence of the Covid-19 pandemic as well as the measures introduced to combat the spread of the virus, the 2020 is not relevant for comparison, and the analysis does not show a longer time series that would include this period.

³⁶ Latest available quarterly data

³⁷ Latest available monthly data

Chart 1 shows the annual collection of revenues from excise duties on coffee for 2021 and 2022, in millions of BAM (left vertical scale) and the annual growth rate of these revenues (right vertical scale)³⁸.

Chart 1. Annual collection of revenues from excise duties on coffee (in millions of BAM) and annual growth rate



Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The collection of revenues from excise duties on coffee was reduced in 2022 compared to 2021 by 8.7% (Chart 1, % of growth). Considering that upon arrival of green coffee in the main coffee ports within the member states of the European Union as well as on the entire European area, the origin of the green coffee is recorded by the country in which the port is located³⁹. Two key events have changed the export trends of roasted coffee from EU countries. These are Brexit and the war between Russia and Ukraine, during which there will be disruptions in supply chains in 2022, which will be reflected in the reduction of these revenues.

For the purpose of a more detailed analysis of the collection of coffee excise revenue, a quarterly and monthly analysis of the collection of these revenues is presented below. A more detailed analysis provides information on the reasons for the decrease / increase of these revenues, the influence of other external factors on the collection of these revenues, and shows the rate of growth in their collection.

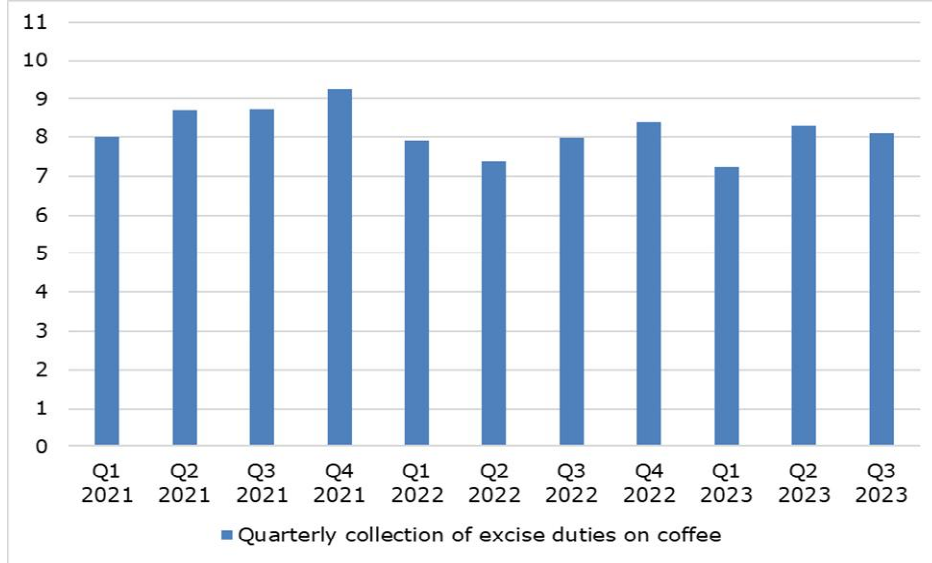
3. Quarterly movement of revenues from excise duties on coffee

Chart 2 shows the quarterly collection of revenues from excise duties on coffee for the period from the first quarter (Q1) of 2021 to the third quarter (Q3) of 2023, in millions of BAM.

³⁸ the 2021 was used as a base

³⁹ More in: Popović, M. (2019). " Coffee as excise goods in European Union countries and Bosnia and Herzegovina - Part I"; MAU bulletin no. 172/173

Chart 2. Quarterly collection of revenues from excise duties on coffee (in millions of BAM)



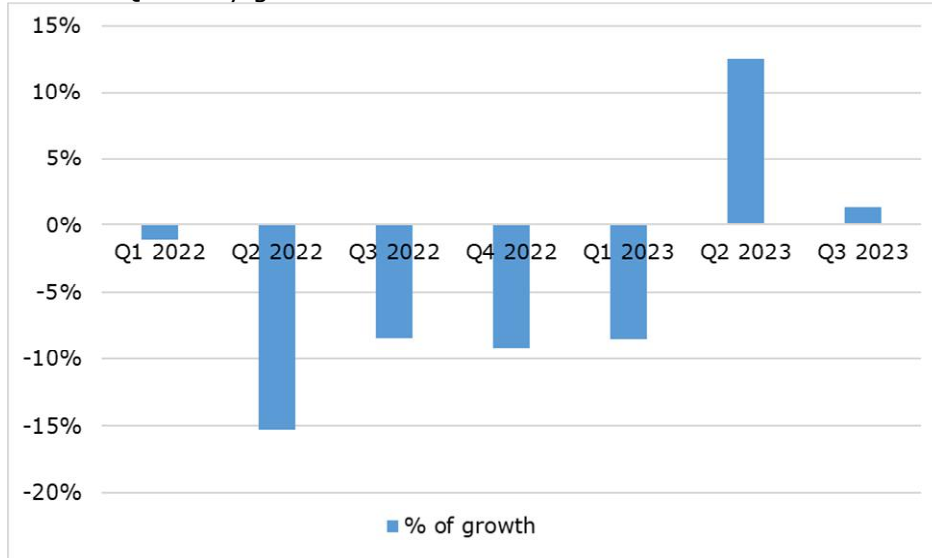
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The movement of revenue collection from excise duties on coffee has a tendency to increase on a quarterly basis in 2021, and in the observed period the highest collection was recorded in the fourth quarter of the same year. The positive trend in the collection of these revenues did not continue in the first and second quarter of 2022, while the second half of the same year recorded a slight recovery in collection.

The beginning of the current year, i.e. the first quarter of the current year, is characterized by the lowest collection of coffee excise revenues compared to all observed quarters. In the second quarter of the current year, the collection of these revenues increased by 14.7% compared to the first quarter, while in the third quarter a slight decrease in collection was recorded compared to the second quarter.

Chart 3 shows the quarterly growth rate of revenues from excise duties on coffee for the period Q1 2022 - Q3 2023, compared to the same quarter of the previous year.

Chart 3. Quarterly growth rate of revenues from excise duties on coffee



Source: Data from the Indirect Taxation Authority of BiH, MAU overview

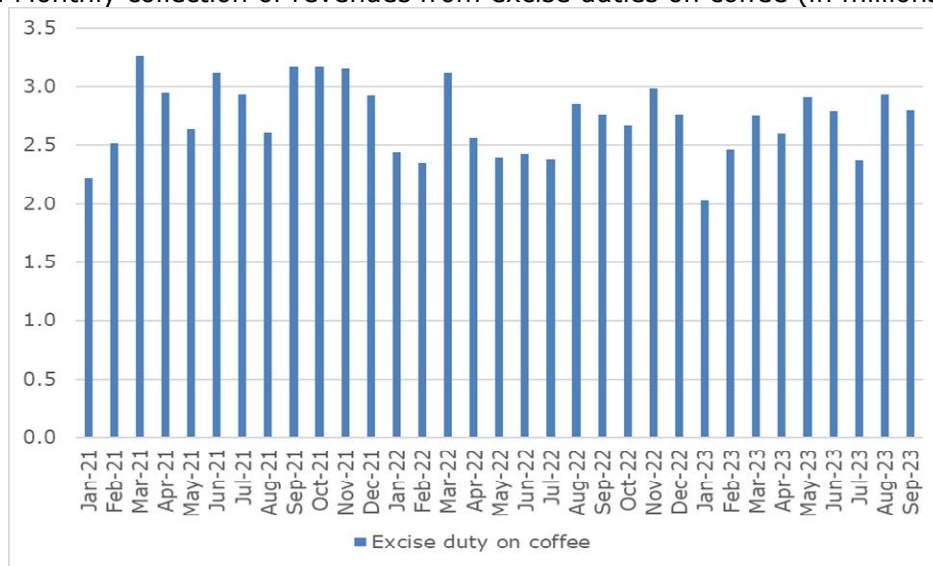
The quarterly collection of revenues from excise duties on coffee has a negative growth rate throughout 2022 compared to 2021, as well as in the first quarter of the current year compared to the same quarter of the previous year. In the second quarter of 2022, the largest decrease in the collection of these revenues was recorded by 15.3% compared to the collection in the second quarter of 2021, after which a decrease of 8.4% and 9.2% was recorded in the third and fourth quarter, compared to the same quarter of 2021. In the first quarter of the current year, a decrease of 8.5% was recorded compared to the same quarter of the previous year. The negative growth rate was interrupted only in the second quarter of the current year, where a growth in the collection of these revenues of 12.5% was recorded compared to the same quarter of the previous year. The third quarter of the current year is characterized by a positive growth rate of these revenues of 1.2% compared to the same quarter of the previous year.

4. Monthly movement of revenues from excise duties on coffee

The monthly dynamics of collection of revenues from excise duties on coffee is shown for the period from January 2021 to September 2023, and this presentation of the collection of these revenues provides detailed information on the dynamics of coffee consumption under the influence of various external factors.

Chart 4 shows the monthly movement of revenues from excise duties on coffee for the period January 2021 - September 2023, in millions of BAM.

Chart 4. Monthly collection of revenues from excise duties on coffee (in millions of BAM)



Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The highest monthly collection of excise duty on coffee in the period shown in the chart was recorded in March, September, October and November 2021, March and November 2022, as well as in May and August of the current year. The lowest collection of these revenues on a monthly basis in the observed period was recorded in January of the current year, and compared to December of the previous year it is lower by 26.3%.

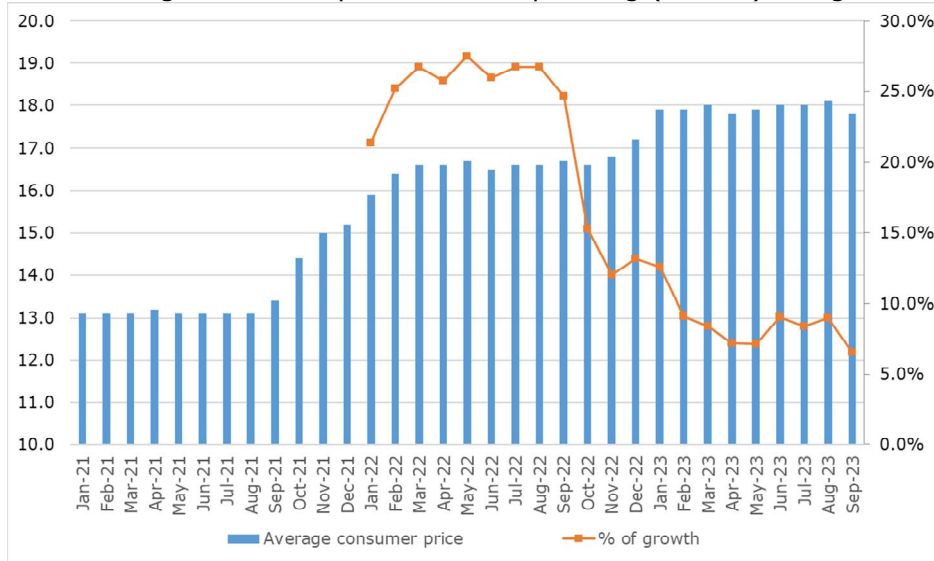
Given that coffee is not a seasonal beverage like other beverages that are subject to excise duty such as non-alcoholic beverages, alcoholic beverages and beer whose consumption is influenced by seasonal factors, fluctuations in coffee consumption cannot be tied to a certain period of the year. However, coffee consumption is affected by other factors such as disruptions in supply chains, the price of raw coffee on the world market, the price of transportation, which is affected by the price of a barrel of oil, then the price of packaging, labor and other factors have an

additional impact. All of the above dictates the selling price of coffee both in stores (coffee beans or ground coffee) and in bars and restaurants (espresso and other types of coffee with or without caffeine), which directly affects the amount of excise revenue collected on coffee.

In order to gain a more detailed understanding of the monthly collection of revenues from excise duties on this excise product, i.e. the rate of growth of excise duty on coffee, chart 5 shows the following:

- monthly movement of the average consumer price of coffee per kilogram for the period January 2021.-September 2023, in BAM (left vertical scale) and
- monthly growth rate of the average consumer price of coffee for the same period (right vertical scale)⁴⁰.

Chart 5. Average consumer price of coffee per 1 kg (in BAM) and growth rate



Source: Data from the Agency for Statistics of BiH, MAU overview

The chart shows that the average consumer price of coffee per kilogram in the observed period on a monthly basis stagnated during the first eight months of 2021, after which it recorded constant growth from September of the same year. In August of the current year, the highest average consumer price of ground coffee per kilogram was recorded, which is higher by 38.2% compared to the price of the same product in the first observed month, i.e. January 2021. In September of the current year, the average price of coffee per kilogram dropped slightly to the level of April of the same year, and compared to the previous month, it was 1.7% lower.

The highest growth in the average consumer price of coffee per kilogram on a monthly basis was recorded in the first nine months of 2022 compared to the same period in 2021. The average consumer price of coffee per kilogram in May 2022, when the highest growth rate was recorded, was 27.5% higher than in the same month of 2021. After September 2022, the increase in the prices of this excise product slowed down slightly, and the growth rate in the period September 2022 - September 2023 is also lower.

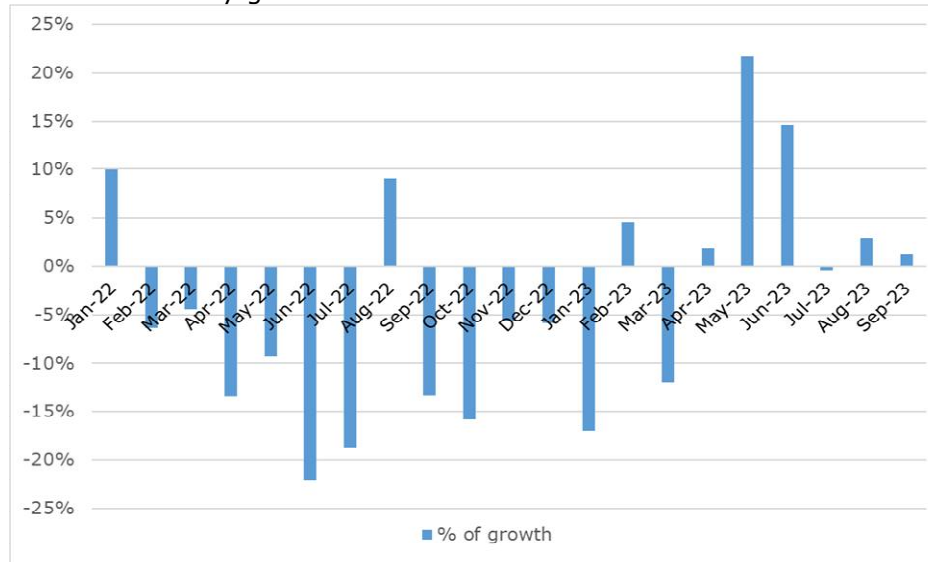
Considering the fact that the coffee market in the world is unpredictable, and that the average consumer price of coffee in BiH is constantly increasing, concern about the price can be justified. A significant increase in the price can cause a significant decrease in coffee consumption, which can further affect the reduction in the collection of revenues from excise duties on this excise product.

⁴⁰ The latest available data from the Agency for Statistics of BiH, MAU overview

The authorities in the country cannot directly influence the movement of coffee prices, but they can limit margins in crises, such as the situation with covid.

Chart 6 shows the monthly growth rate of coffee excise revenue for the period January 2022 - September 2023, compared to the same month of the previous year.

Chart 6. Monthly growth rate of revenues from excise duties on coffee



Source: Data from the Indirect Taxation Authority of BiH, MAU overview

If the growth rate of coffee excise revenue is analyzed on a monthly basis, the biggest drop in collection was recorded in June 22.1% and July 18.7% in 2022, compared to the same month in 2021. The highest growth rate of these revenues was recorded in May of the current year, 21.7%, compared to May of the previous year.

Due to disruptions on the world market and higher prices of raw materials, the expectation is that the price of coffee will continue to rise in the coming period, both on the world market and on the BiH market. Namely, the huge stocks of coffee beans in Brazil and Vietnam, as the largest producers of coffee, are decreasing and could be halved by the end of the year compared to the previous year, which will further affect the rising global coffee prices. In the last period, the stock market prices of coffee have increased significantly, so it is certain that the prices of raw materials will not decrease. In addition, the currently unstable situation in the Middle East causes an increase in the price of a barrel of oil. This will also affect additional disruptions and difficulties in supply chains in the coming period, which will be the subject of analysis in the coming period.