

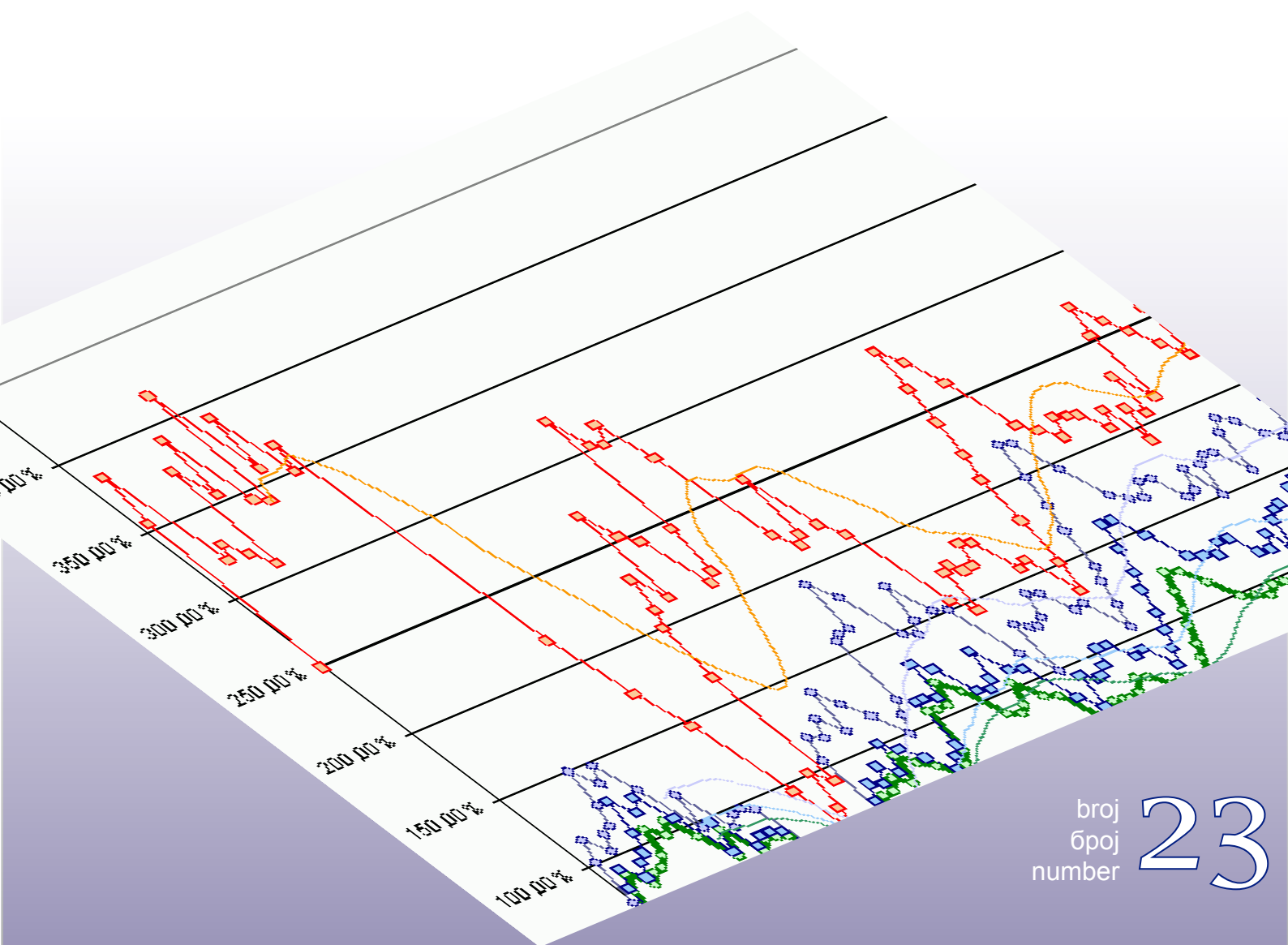
Bosna i Hercegovina
Odjeljenje za makroekonomsku analizu
Upravnog odbora Uprave za indirektno-
neizravno oporezivanje



Босна и Херцеговина
Одјељење за макроекономску анализу
Управног одбора Управе за индиректно
опорезивање

Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Oma Bilten



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With this issue....

There is no doubt that introduction of Value Added Tax (VAT) is one of largest reforms in Bosnia and Herzegovina after the war. This is general assessment of international and domestic experts. However, for more serious analysis of effects of introduction and efficiency, it's necessary for some time to pass in order to lose effects of shifting from the sales tax system to VAT system. This is also due to the effects of legal constraints from first year of the implementation (e.g. suspension of refunds). Since of efficiency of VAT collection is also affected by efficiency of tax administration, certain time is needed for consolidation of Indirect Taxation Authority and achieving certain level of "maturity". In the end, time is needed for learning and training of taxpayers. Experiences of other countries are examples, which show us that certain time is needed for consolidation of "grey economy" and shift to new type of tax frauds, which are significantly different than frauds in the sales tax system. Differences in VAT systems, level of administration development make it significantly difficult to make a comparison of VAT efficiency between different countries. In this issue, we are publishing article on standard indicators of efficiency in VAT system and factors that affect them, with comparative analysis of BiH and other countries.

We are publishing an article on collection of indirect taxes in May. Macroeconomic Analysis Unit continued to collect monthly reports on revenues and expenditures for all levels of administration in 2007. In this issue, we are able to publish preliminary consolidated report for general government in BiH for first quarter of 2007. In addition to institutions of BiH, Federation of BiH, Republika Srpska and District, this report also includes budget performance of cantons. We are also publishing consolidated report for May 2007, which includes data from the ITA Single Account and budget performance for that month as well as monthly consolidated reports for some cantons in the Federation of BiH.

Dinka Antić, Msc
Head of Unit – Supervisor

Table of contents:

Efficiency of VAT collection in BiH	2
Collection of indirect taxes: May 2007	7
Consolidated reports: general government, cantons, 1 st quarter 2007	11
Consolidated reports: general government, May 2007	12
Consolidated reports: Cantons	13
From the work of the ITA Governing Board	16

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Efficiency of VAT collection in BiH

(Prepared by: Dinka Antić, Msc)

Efficiency of VAT collection has been in focus of BiH public for long time. One year of VAT implementation is very short period of time to make reliable conclusions, especially as the first year had many one time effects that are special for transfer from the sales tax system to VAT system. We should always have this fact in mind in analyzing effects of VAT introduction in BiH in 2006.

VAT was introduced in over 130 countries in the world. Besides common principles in taxation of products and services and credit methods, VAT systems are different in different countries. This makes it difficult to compare results in collection of VAT in BiH with other countries. Segments that are different in VAT systems of different countries are: standard rate, base, scope of exemption and reduced rates, registration threshold, refund methods etc. Differences in VAT system are one of the factors that can affect different indicators of efficiency in VAT collection in different countries.

Efficiency of the work of tax administration is another important factor in efficiency of tax collection. It often happens contrary in practice, where efficiency in collection of certain taxes is considered as one of indicators for efficiency of tax administration that collects these taxes. However efficiency of collection by administration should be considered from number of aspects of using administration capacity, expenditures (budget) and benefits (revenues). Way of administering VAT has an impact on efficiency of the work of tax administrations and efficiency in collection of VAT.

Efficiency of VAT collection is also affected of taxpayer's compliance i.e. level of tax evasions.

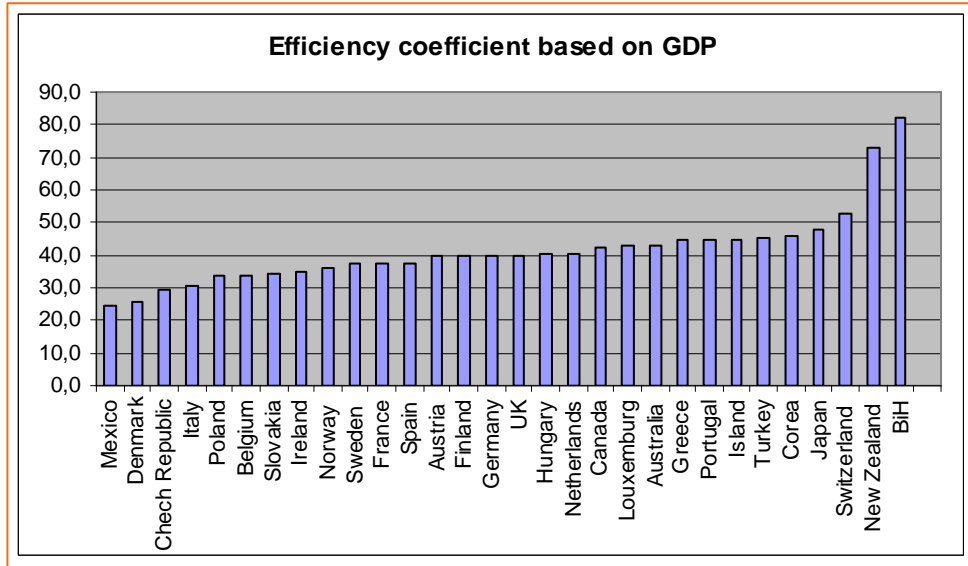
Coefficient of VAT collection efficiency

There are different measures-indicators of VAT collection efficiency. **Efficiency coefficient** is used as standard indicator that is calculated using ratio of VAT share in GDP and standard VAT rate. Coefficient is expressed in percentage and it's interpreted in the following way: for example, efficiency coefficient of 50% means that increase of standard rate by 1% results in increasing VAT share in ratio to GDP by 0,5%. Standard efficiency coefficient is sometimes called "productivity coefficient". Although it's used as overall indicator of efficiency, its reliability is not high mainly due to mistakes in GDP measurement that are the result of not including non observed activities¹ in GDP calculation. According to conservative estimates of IMF and World Bank, so called non observed activities represent 30% of official GDP of BiH, which is an improvement compared to the estimate of 50% from 2001. However, mistakes in measuring GDP are not specific for BiH. Reliability of GDP and all indicators that have ground in GDP have reversed proportionality to level of non observed economy in concrete country. Reliability is usually lower in developing and transition countries than in developed economies. According to estimates, level of non observed activities in new EU member states is 12% and it's 30% in former Soviet republics.

Graph below shows efficiency coefficients of VAT/sales tax in selected number of developed OECD countries, developing countries and EU members EU-15².

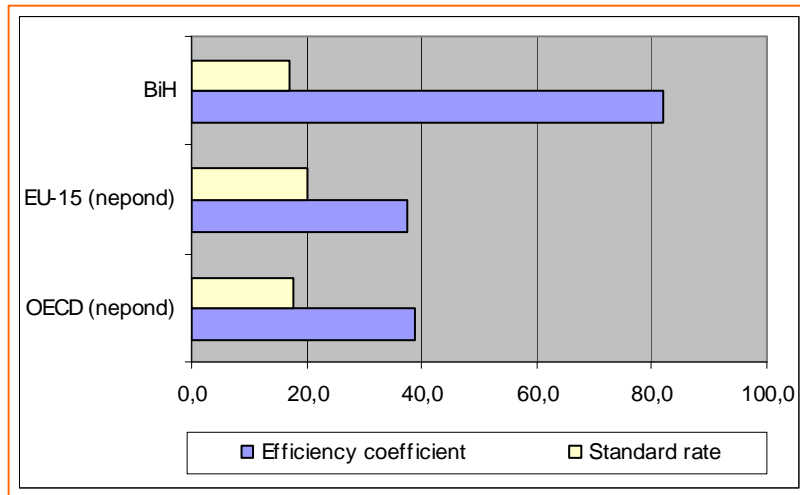
¹ Non observed economy includes non registered activities (e.g. in order to avoid taxes and contributions), non formal sector etc.

² EU-15: acronym for „old “ EU members



Graph 1.
Source: own calculation on basis of OECD data for 2003

Except for New Zealand, efficiency coefficient based on GDP is more and less same and it is about OECD average +/- 6%, except for Mexico and Denmark that are 13-14% below average and New Zealand is far above average. We can notice that coefficient for BiH is 82%, which is far above average of EU-15 and OECD (Graph 2.).



Graph 2. Average efficiency coefficients in EU/OECD, 2003, and BiH³

C-efficiency coefficient

As one of more convenient indicators for VAT efficiency, so called **C – efficiency coefficient**⁴ is used and it's based on consumption. C-coefficient is defined as ratio of VAT share in consumption and standard VAT rate, expressed in percentage. C-efficiency coefficient pushes away standard efficiency coefficient that is based on GDP. Advantage of C-coefficient is that it reflects VAT efficiency better because VAT is tax on consumption and most countries have VAT as consumption form with right to deduct input tax for all purchases of products and services. Contrary to that, efficiency coefficient is based more

³ Data on estimate of GDP and consumption in BiH for 2006 were taken from Directorate for Economic Planning.

⁴ C-efficiency ratio ili CER

on production or revenue form of VAT. For these two forms of VAT, credit method (refund of input tax) does not apply (or it applies partially) on purchases of capital assets. This increases tax bases and efficiency coefficient which can show delusion that VAT collection efficiency is higher.

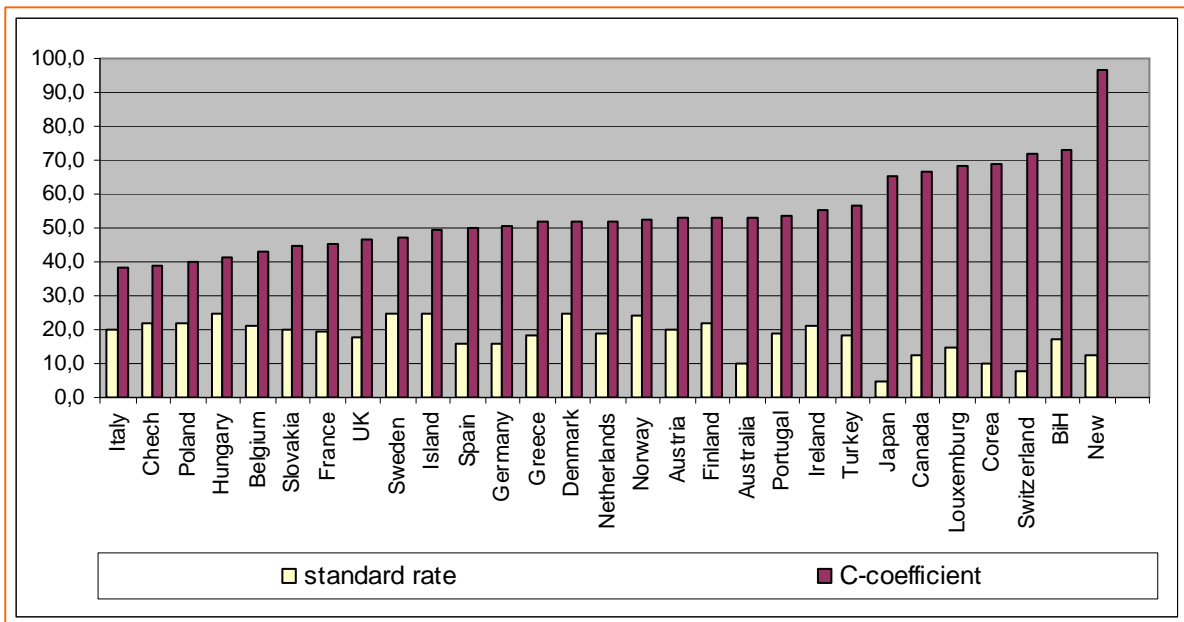
For calculation of C-coefficient, private consumption is mainly used as statistics is more reliable and also due to different tax treatment of delivery of goods and services to government institutions and public sector. In some countries such as BiH, consumption of government sector is treated as final consumption, so government institutions fully cover burden of VAT. However, in other hand, government institutions of all levels of administration are financed from VAT collected by central government and by system of allocation of revenues to lower levels of administration. In a way, receipts and outflows on basis of VAT represent accounting operation only.

In the world, issue of VAT taxation of government sector is regulated in different ways:

- Application of zero rate on deliveries to government with right to input tax deduction or
- Enabling government institutions to have right to refunds on purchases or
- Including government in VAT system under the same conditions as other VAT payers.

Since government institutions in VAT system are considered to be final consumption and all deliveries of goods and services to government in BiH are taxes, for needs of calculating C-coefficient for BiH, we took total consumption (private and public), since VAT revenues already contain VAT on deliveries to government institutions. Assumption is that there are no evasions in this part of VAT system i.e. public sector suppliers paid their liabilities to the ITA single account.

The following graph shows standard rates and CER coefficient for certain countries of OECD, EU-15 and Bosnia and Herzegovina.

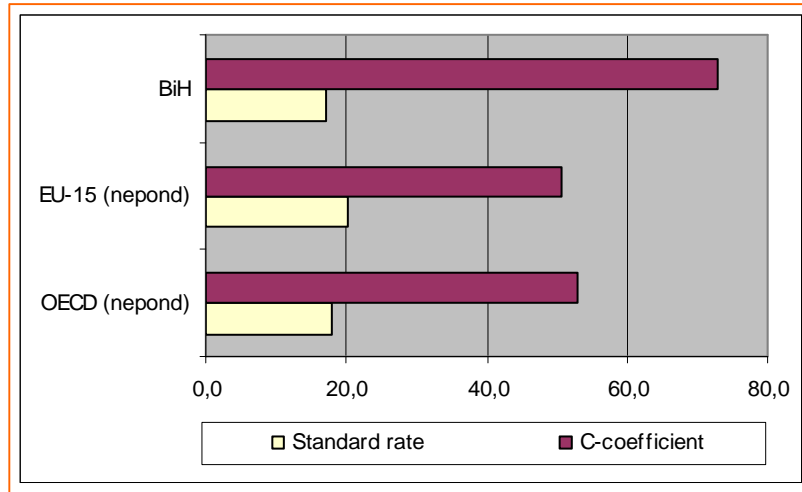


Graph 3.

Source: OECD, 2003 from: "Consumption Tax Trends", OECD Publishing, 2006, pp. 53

By rule, C-coefficient is higher than efficiency coefficient because consumption is lower than GDP. However, C-coefficient for BiH is lower than efficiency coefficient, which is the

result of high consumption that exceeds GDP. This is another paradox in BiH. We should bear in mind underestimation of GDP in BiH as good share of non observed sector is not included. If we corrected GDP in BiH just by 10%, both coefficients would decrease by about 10%.



Graph 4. Average C-coefficients in EU/OECD, 2003, and BiH

Factors that have impact on VAT efficiency

We can conclude that there are no rules that could be followed in this analysis. It's hard to estimate what countries have more efficient VAT system and what are non efficient ones as different coefficients have different taxation conditions. In ideal VAT system with single rate where there is no break of VAT chain (everyone in sales chain are VAT payers) and where entire consumption is taxed (no exemptions), C-coefficient would amount to 100%. However, C-coefficient can exceed 100% if large share of activities is outside VAT system and those have significant share in sales chain with others who are VAT payers. This causes breaks in VAT sales chain and so called cascade effect, which is a feature and also big disadvantage of the sales tax system. Break in VAT chain leads to double taxation in the next phase of sales chain. In addition to final consumption, VAT is taxed on purchases from suppliers who are not taxpayers.

VAT efficiency is affected by numerous factors and we can mention the following:

i. *standard rate* – It is expected that higher standard rate should bring more revenues. However, as we can see from the graph above, C-coefficient for BiH is significantly above average of OECD and EU-15, although average standard VAT rate in OECD countries is about 17,7%. As BiH has VAT rate of 17%, it's obvious that standard rate is not most important for VAT efficiency. Besides BiH, only Japan, Denmark and Slovakia have one VAT rate, but both rate and efficiency are lower in Slovakia than in Denmark. Japan has very low single VAT rate and high C-coefficient.

ii. *scale of exemptions and differentiated rate* – Lower efficiency coefficient can be the result of expanding volume of exemptions or introduction of lower rates, which decreases tax base. EU countries have slightly higher average standard rate, but they have wider scale of reduced rates and exemptions than BiH, which reduces VAT revenues. In 2006, BiH had very high rate of VAT collection efficiency, which was about 73%. Relief for BiH is that it has only one VAT rate, which in certain way eliminates tax frauds caused by existence of differentiated rates. Also, VAT system in BiH includes very limited volume of exemptions allowed by EU legal framework.

iii. *tax base* – We can notice that New Zealand has record efficiency C-coefficient that is the result of low rate and wide tax base. Expanding tax base on investment goods (production or revenue form of VAT) has impact on C-coefficient.

iv. *registration trashhold* – Besides VAT rates and exemptions, existence of registration trashhold has big impact. Relatively high taxation trashhold (over USD 20,000 – OECD indicator) is in BiH and about ten countries (e.g Japan, Slovakia, New Zealand). Existence of registration trashhold makes breaks in VAT chain that leads to cascade effect and this has impact on increase of C-coefficient. According to OECD measures, BiH has relatively high registration trashhold.

v. *administration efficiency* – Lower C-efficiency coefficient can be a result of high tax evasion and non efficient tax administration. Vice versa, high C-coefficient can be a result of efficient administration. Way of administering VAT is of great importance for collection efficiency. In BiH, in the form of ITA, we have a world rare combination of customs and tax administration, which enables collection of VAT by one institution only. Existence of such VAT administration enables establishment of integral IT system of indirect taxes, single control of VAT payers. It reduces costs of taxpayers since all issues in indirect taxation (registration, filing declaration, payments, refunds, and complaints) are dealt by one institution. Single VAT administration is much more efficient from an aspect of collecting VAT revenues and costs of administration.

vi. *level of compliance of taxpayers in regards to tax regulations* – Higher C-coefficient reflects higher compliance of taxpayers.

vii. *Regular payment of VAT refunds* – Postponement of VAT refunds may create seeming of good results in collection of VAT and artificially increase efficiency. There is a practice of postponing payments of refunds to taxpayers in some countries in the world and justification for this is time needed for control. This became lack of VAT system and efficiency of entire system is often measured by compliance with deadlines for VAT refunds to taxpayers. However, postponing refunds may be regulated by law as it was the case in BiH in 2006 for taxpayers who were not predominantly exporters. So, one of the reasons why C-coefficient for BiH is higher than in other countries is also suspension of refunds, which had an impact on higher net VAT revenues. However, postponing refunds from 2006 will reflect on lower net collection of VAT in 2007, so we can expect lower C-coefficient for BiH in this year.

viii. *open economy (import)* – Open economy also has impact on C-coefficient. As economy is more open in terms of imports, efficiency is higher as it's easier and cheaper to collect VAT on border than in transactions within the country. Higher effects are achieved especially when it comes to comparison with costs for control of VAT collection in retail. Share of VAT revenue from imports in total VAT revenues has been maximum of 71% from introduction of VAT until today, and average was 65%. This reflects relatively high import and level of country being open, which has impact on increase of C-coefficient.

Each of these segments of VAT system differently affects VAT collection efficiency. Scale of VAT rates and expanding scope of exemptions creates new costs for tax administrations and taxpayers. It also opens area for tax evasions and derogating system. Similar negative effects come from reducing registration trashhold, when effects in terms of higher revenues minor compared to increased scope of activities of tax administrations. In other hand, too high standard VAT rate is not desired as it motivates taxpayers to look for new ways to commit tax fraud, stimulates smuggling, illegal production, and strengthens black market and grey economy. High standard rate is efficient only in countries that have developed "tax culture" of citizens. Complex tax administration increases costs of administering administrations and taxpayers. Also,

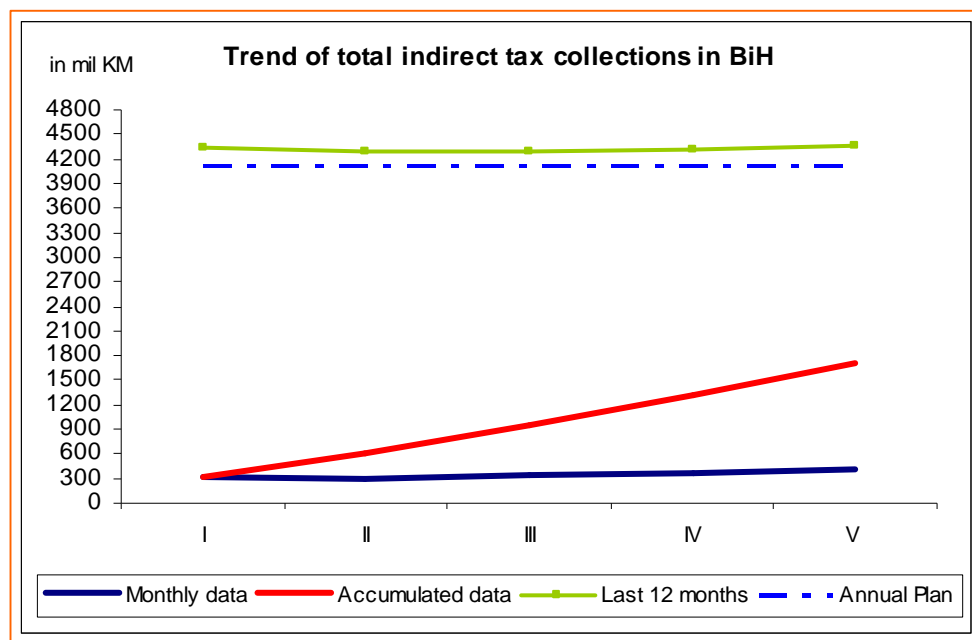
"maturity" of tax administration, efficient functional organization, technical and material equipment may have impact on higher level of efficiency in collection of VAT.

It's hard to weight what factor is crucial for efficiency of VAT collection. Just as in other segments of economy, it's necessary to find right balance, which depends on situation in concrete country.

Collection of indirect taxes: May 2007

(Prepared by: Dinka Antić, MSc)

In May 2007, total net⁵ amount of 406 million KM was collected to the ITA single account, which is about 14% higher than in previous month and 10,6% higher than in the same month last year if we observe entire BiH (Graph 5.). For the level of five months, collection of indirect taxes is higher by almost 70 million KM than in the same period in 2006. In May, ITA collected additional 10 million KM of unadjusted revenues⁶.

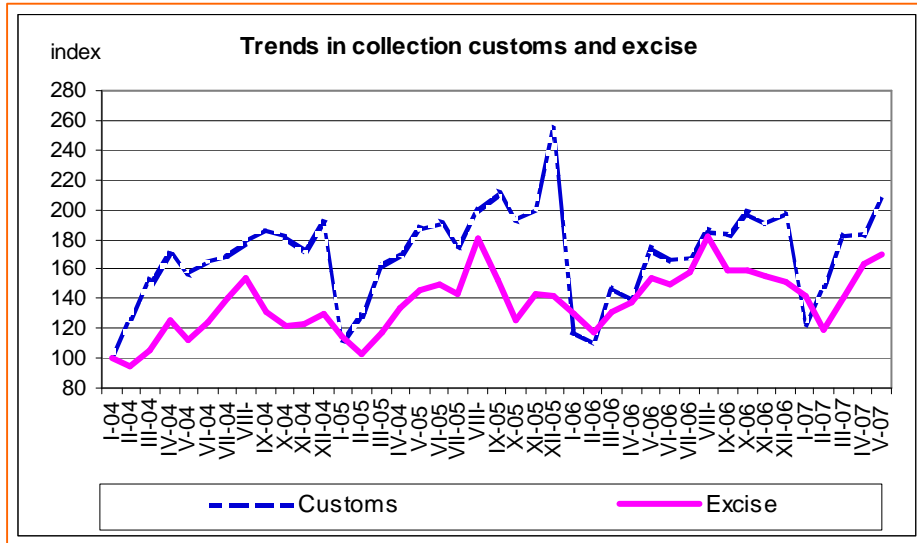


Graph 5.

Higher collection in May 2007 compared to April is mainly due to growth in collection of VAT, customs and domestic excise on tobacco and tobacco products, beer and soft drinks. Collection of excise increased by 4,45% compared to April 2007 and almost 11% compared to May 2006. Collection of excise in the first five months of this year was 9,8% higher than in the same period last year. There was strong increase in collection of customs and it was 10,5% higher than in previous month and 19% higher than in May 2006. For the entire period of five months, the collection was 23,8% higher than for five months in 2006 (Graph 6.).

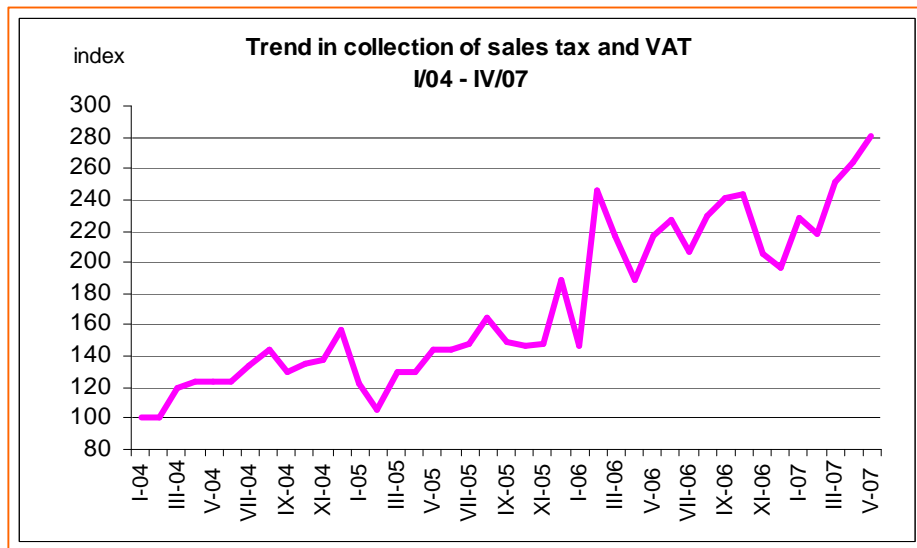
⁵ Gross collection of VAT includes gross collection of VAT on imports, collection of VAT per declarations and other cases of one time or enforced collection of VAT. Net VAT collection is obtained after deducting refunds from gross collection. Revenues from other indirect taxes are reduced by amounts of other refunds from the single account.

⁶ Unadjusted revenues include revenues for which relation can not be made between analytics of payment (single account) and analytical records of taxpayers in modules of ITA IT system (VAT, customs, excise)



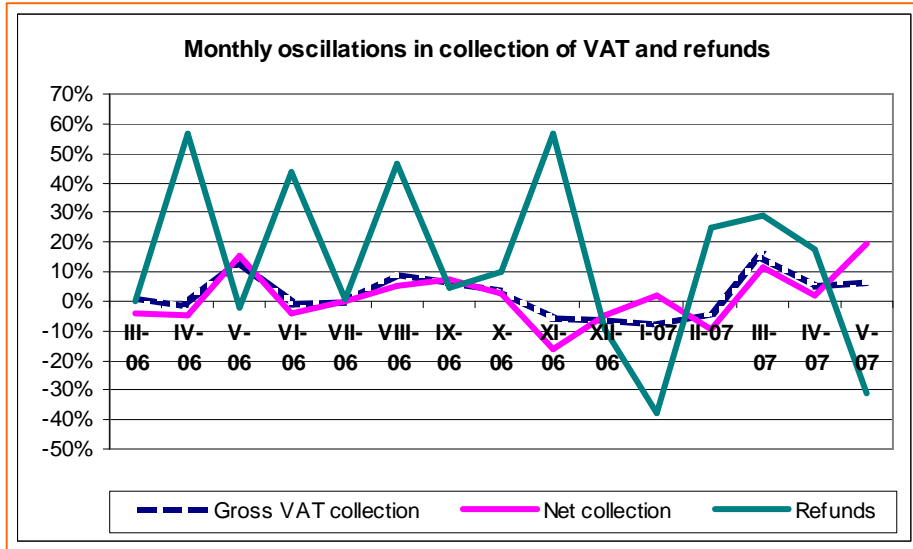
Graph 6.

Highest increase in collection for May in comparison to April was experienced in VAT revenues, which were higher by almost 40 million KM and this represents an increase of 10% compared to the same month in 2006 (Graph 7.).



Graph 7.

Increase in collection of VAT revenues is the result of growth in gross collection (6,4%) and decrease in VAT refunds. As a result of this, VAT net collection increased by 19,21%. Share of refund in VAT gross revenues amounted to 16% in May, which is a bit above average refund for the period from March to December 2006. Suspension of refunds was in force during this period, so current refund rate is surprisingly low since the suspension rule was abolished. High monthly oscillations in payments of refunds may be observed on the Graph 8..



Graph 8.

On May 31st, 2007, 86,633 million KM of tax credits was registered that will be used for compensation of future VAT liabilities. Debts of taxpayers for VAT liabilities from declarations amount to 21,364 million KM. Amount of debt that is automatically assessed in the ITA IT system for taxpayers who failed to file declaration amounts to 48,441 million KM.

Consolidated Reports

(prepared by Aleksandra Regoje, macroeconomist in the Unit)

Notes to table 1

1. The consolidated report includes:

- revenues and expenditures of the budget of Bosnia and Herzegovina
- revenues and expenditures of the budget of Brčko District,
- revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
- revenues and expenditures of the budget of the Republika Srpska,
- revenues and expenditures of the budget of 10 cantons in the Federation

2. Report includes amortization of foreign debt

3. Bosnia-Podrinje Canton data are estimated

4. Since budget execution data for B&H and Federation have been available only on quarterly basis (except for March revenue data for Federal budget), monthly data were estimated.

Notes to table 2

The consolidated report includes:

- revenues from indirect taxes collected by the Indirect Tax Authority on the Single Account,
- transfers from the ITA Single Account for external debt servicing,
- transfers from the ITA Single Account for financing Brčko District, cantons, municipalities and Road Directorates,
- revenues of the budget of Bosnia and Herzegovina from the ITA Single Account,
- revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
- revenues and expenditures of the budget of the Republika Srpska.

Notes to table 3, 4 i 5

Consolidated report includes:

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

* Net lending = lending-repayment of borrowing

** Net financing = Credits received – repayment of debts

Consolidated reports: general government, cantons, 1st quarter 2007

	I	II	III	I-III 2007	
1	Current Revenues (11+12+13+14)	364.342.781	364.857.280	439.815.269	1.169.015.329
11	Taxes	329.908.635	322.287.897	382.911.217	1.035.107.749
	Income & profit tax	12.529.540	20.647.864	35.258.684	68.436.088
	Social security contributions (Brcko)	885.378	1.295.751	1.443.594	3.624.723
	Taxes on personal income and self-employment	19.324.909	20.459.000	23.212.562	62.996.471
	Property tax	3.191.533	2.831.227	2.592.065	8.614.825
	Transfers from Single Account	293.214.339	275.564.797	316.402.513	885.181.648
	Other taxes	762.937	1.489.258	4.001.799	6.253.993
12	Non-tax revenues	32.167.220	40.495.431	54.334.017	126.996.668
13	Grants	2.266.668	2.073.707	2.471.256	6.811.631
14	Other revenues	257	245	98.779	99.281
2	Total expenditures (21+22+23)	242.727.296	284.307.805	310.829.111	837.864.212
21	Current expenditures	236.154.565	278.613.091	305.849.226	820.616.881
	Wages and compensations	141.750.627	145.019.597	150.711.107	437.481.330
	of which: Gross wages	118.159.375	122.514.098	125.059.578	365.733.051
	of which: Compensations	23.591.252	22.505.499	25.651.529	71.748.280
	Other taxes and contributions	7.795.693	7.734.111	8.268.341	23.798.146
	Purchases of goods and services	22.016.545	29.381.383	31.918.836	83.316.764
	Grants	61.098.983	81.591.483	109.012.311	251.702.778
	Interest	3.492.717	14.886.516	5.938.630	24.317.863
22	Other expenditures	6.826.200	6.750.553	5.057.629	18.634.382
23	Net lending*	-253.469	-1.055.839	-77.743	-1.387.051
3	Net acquisition of nonfinancial assets	1.606.026	-146.399	2.280.989	3.740.617
4	Government surplus/deficit (1-2-3)	120.009.458	80.695.874	126.705.168	327.410.500
5	Net financing **	-30.387.909	-7.232.384	-8.941.455	-46.561.748

Table 1. Monthly Consolidated Report

Consolidated reports: general government, May 2007

mill KM

	I	II	III	IV	V	Q1	Q2	Total	
1	Current revenues	348.5	337.5	403.3	393.5	444.0	1089.3	837.5	1926.8
11	Taxes	338.3	318.9	378.0	372.8	425.9	1035.2	798.8	1834.0
111	Indirect taxes	321.0	296.5	339.4	356.4	407.8	957.0	764.2	1721.2
	VAT	202.5	182.6	203.8	207.2	246.8	588.9	454.0	1042.9
	VAT on imports	126.6	144.9	180.5	184.9	197.4	452.0	382.3	834.3
	VAT from VAT returns	111.6	82.4	81.4	90.9	96.1	275.4	187.0	462.5
	VAT from automatic assessment done by ITA	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.2
	One-off VAT payments	0.2	0.4	0.1	0.1	0.1	0.8	0.2	1.0
	Other	0.9	0.9	1.3	1.1	1.2	3.1	2.3	5.4
	VAT refunds	-36.9	-46.1	-59.6	-69.8	-48.0	-142.6	-117.9	-260.5
	Custom duties	35.2	41.5	52.1	52.9	58.4	128.9	111.3	240.1
	Sales tax	0.7	1.5	0.8	1.1	0.9	2.9	2.0	4.9
	Excises	68.3	57.4	68.0	78.8	83.3	193.7	162.1	355.8
	on imports	53.7	47.5	54.2	64.7	65.5	155.4	130.2	285.6
	on domestic production	14.6	9.9	13.8	14.1	17.8	38.3	31.9	70.2
	Railroad tax	13.7	11.9	13.8	16.3	17.0	39.5	33.3	72.8
	Other	1.0	2.0	1.4	1.1	1.9	4.4	3.0	7.4
	Other refunds	-0.5	-0.4	-0.5	-1.0	-0.5	-1.3	-1.5	-2.7
112	Direct taxes	17.2	22.4	38.6	16.4	18.2	78.2	34.6	112.8
	Income taxes	6.2	12.6	27.5	5.3	7.3	46.3	12.6	58.9
	Other tax revenues	11.0	9.8	11.1	11.1	10.9	31.9	22.0	53.9
12	Non-tax income	10.0	18.4	25.1	20.2	17.9	53.5	38.1	91.6
13	Other revenues	0.0	0.0	0.1	0.1		0.1	0.1	0.2
14	Grants	0.0		0.0	0.0	0.0	0.0	0.0	0.0
15	Transfers from other level of government	0.2	0.1	0.1	0.4	0.1	0.5	0.5	1.0
2	Current expenditures	256.1	316.7	353.6	372.0	408.7	926.4	780.7	1707.2
21	Consumption expenditures	34.5	50.2	54.7	54.5	51.1	139.4	105.6	245.0
211	Wages and compensations	30.4	45.1	46.0	44.4	41.2	121.5	85.7	207.2
212	Purchases of goods and services	4.1	5.1	8.8	10.1	9.9	17.9	19.9	37.8
22	Grants	14.3	46.3	51.9	53.6	87.5	112.4	141.1	253.5
	Transfers to households	10.7	38.0	40.2	40.1	74.6	88.9	114.7	203.6
	Transfers to institutions / organizations	0.9	1.8	1.0	1.7	2.6	3.7	4.4	8.0
	Subsidies	2.7	6.5	10.6	11.8	10.3	19.9	22.0	41.9
23	Interest payments	0.3	19.6	3.5	4.8	12.2	23.5	17.0	40.5
24	Other outlays	2.5	10.8	7.6	19.3	16.7	21.0	35.9	56.9
25	Transfers from Single Account	201.8	173.8	207.3	233.2	226.1	582.8	459.2	1042.1
	o/w : BiH Budget	46.2	44.0	46.2	67.6	54.1	136.5	121.7	258.2
	o/w: FBiH / Cantons, Municipalities, Road Fund	119.2	97.0	128.3	127.2	134.4	344.4	261.6	606.0
	o/w: RS / Municipalities, Road Fund	25.8	23.7	22.2	27.7	25.5	71.7	53.2	124.9
	o/w: Brcko	10.6	9.1	10.6	10.7	12.0	30.2	22.7	52.9
27	Transfers to lower levels of government	2.7	16.1	28.5	8.0	18.1	47.3	26.2	73.5
28	Net lending*			0.0	-1.3	-3.0	0.0	-4.4	-4.4
3	Net acquisition of nonfinancial assets	0.1	-1.0	1.0	0.9	-7.9	0.2	-6.9	-6.8
4	Government surplus (+)/ deficit(-) (1-2-3)	92.3	21.8	48.7	20.5	43.2	162.7	63.7	226.4
5	Net financing**	-24.80	-11.3	-10.3	-14.1	-12.6	-46.4	-26.7	-73.1

Table 2. Monthly Consolidated Report

Posavina Canton, I – IV 2007

	I	II	III	IV	Q1	Q2	I-IV 2007	I-IV 2006
1 Total revenues (11+12+13+14)	2,838,992	2,519,335	3,064,276	3,610,813	8,422,603	3,610,813	12,033,416	10,072,476
11 Tax revenues	2,450,787	2,129,629	2,569,908	2,480,844	7,150,325	2,480,844	9,631,169	7,587,446
Income & profit tax	90,539	128,286	158,393	71,692	377,218	71,692	448,910	317,042
Taxes on personal income and self-employment	192,187	176,707	195,543	207,571	564,437	207,571	772,008	726,523
Property tax	48,138	31,794	30,487	45,591	110,418	45,591	156,009	88,379
Sales tax (incl.excises)(according to Regulations until 31,12,2005)	45,949	30,065	28,209	29,758	104,223	29,758	133,981	1,928,347
Transfers from Single Account	2,041,576	1,742,521	2,104,097	2,104,229	5,888,194	2,104,229	7,992,423	4,373,696
Other taxes	32,398	20,257	53,179	22,004	105,834	22,004	127,837	153,459
12 Non-tax revenues	309,205	389,705	494,368	463,302	1,193,278	463,302	1,656,580	1,589,072
13 Grants	79,000	0	0	666,667	79,000	666,667	745,667	895,958
14 Other revenues	0	0	0	0	0	0	0	0
2 Total expenditures (21+22)	2,255,269	2,222,278	2,346,195	2,299,019	6,823,742	2,299,019	9,122,761	9,033,289
21 Current expenditures	2,255,269	2,222,478	2,343,395	2,299,119	6,821,142	2,299,119	9,120,261	9,036,558
Wages and compensations	1,355,586	1,354,642	1,417,877	1,363,422	4,128,105	1,363,422	5,491,527	5,020,244
of which: Gross wages	1,049,837	1,070,906	1,101,249	1,059,115	3,221,992	1,059,115	4,281,107	4,042,729
of which: Compensations	305,749	283,736	316,628	304,307	906,113	304,307	1,210,420	977,515
Other taxes and contributions	133,184	134,071	139,931	133,691	407,187	133,691	540,877	495,071
Purchases of goods and services	458,922	372,096	443,703	409,694	1,274,721	409,694	1,684,416	1,951,546
Grants	307,576	361,668	341,885	392,313	1,011,129	392,313	1,403,442	1,559,589
Interest	0	0	0	0	0	0	0	10,108
22 Net lending*	0	-200	2,800	-100	2,600	-100	2,500	-3,269
3 Net acquisition of nonfinancial assets	31,500	15,850	24,668	3,690	72,018	3,690	75,708	336,896
4 Government surplus/deficit (1-2-3)	552,223	281,207	693,413	1,308,104	1,526,843	1,308,104	2,834,947	702,291
5 Net financing **	0	0	0	0	0	0	0	-7,886

Table 3. Monthly Consolidated Report

Una - Sana Canton, I – IV 2007

		I	II	III	IV	Q1	Q2	I-IV 2007	I-IV 2006
1	Total revenues (11+12+13+14)	16,874,597	15,511,724	17,734,432	17,570,725	50,120,754	17,570,725	67,691,478	49,861,562
11	Tax revenues	13,791,433	12,491,690	14,502,314	14,706,696	40,785,437	14,706,696	55,492,133	41,129,744
	Income & profit tax	342,461	519,429	379,963	450,985	1,241,853	450,985	1,692,838	1,145,464
	Taxes on personal income and self-employment	1,035,361	1,460,084	1,190,035	1,152,482	3,685,480	1,152,482	4,837,962	3,828,000
	Property tax	283,460	333,385	230,945	435,757	847,790	435,757	1,283,547	1,055,890
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	573,102	278,377	327,818	294,013	1,179,297	294,013	1,473,310	10,756,870
	Transfers from Single Account	11,510,659	9,852,723	12,312,678	12,317,180	33,676,060	12,317,180	45,993,241	24,090,100
	Other taxes	46,390	47,692	60,875	56,278	154,957	56,278	211,235	253,420
12	Non-tax revenues	2,825,588	2,987,456	2,946,737	2,766,895	8,759,781	2,766,895	11,526,676	8,654,070
13	Grants	257,576	29,778	285,381	95,734	572,736	95,734	668,470	77,748
14	Other revenues	0	2,800	0	1,400	2,800	1,400	4,200	
2	Total expenditures (21+22)	10,657,265	11,071,898	14,217,414	15,256,593	35,946,577	15,256,593	51,203,170	46,917,882
21	Current expenditures	10,657,265	11,075,142	14,217,582	15,256,593	35,949,989	15,256,593	51,206,582	46,878,622
	Wages and compensations	6,929,460	7,420,399	8,817,654	8,858,335	23,167,513	8,858,335	32,025,847	29,050,292
	of which: Gross wages	5,851,223	6,350,605	7,028,958	7,217,380	19,230,786	7,217,380	26,448,166	24,667,954
	of which: Compensations	1,078,237	1,069,794	1,788,696	1,640,955	3,936,727	1,640,955	5,577,681	4,382,338
	Other taxes and contributions	698,939	751,245	929,274	788,965	2,379,458	788,965	3,168,423	2,938,041
	Purchases of goods and services	1,242,153	1,014,250	1,741,041	2,627,958	3,997,445	2,627,958	6,625,403	5,651,487
	Grants	1,662,082	1,708,065	2,509,369	2,756,110	5,879,515	2,756,110	8,635,625	8,449,463
	Purchases of goods and services	24,294	50,316	103,537	147,271	178,147	147,271	325,418	199,793
	Transfers to lower levels of government	100,337	130,868	116,708	77,953	347,912	77,953	425,866	589,546
22	Net lending*	0	-3,244	-168	0	-3,412	0	-3,412	39,260
3	Net acquisition of nonfinancial assets	211,190	103,184	545,138	451,789	859,512	451,789	1,311,301	595,333
4	Government surplus/deficit (1-2-3)	6,006,142	4,336,642	2,971,880	1,862,343	13,314,664	1,862,343	15,177,007	2,348,347
5	Net financing **	-9,145	-9,098	-42,395	-9,098	-60,638	-9,098	-69,736	-73,489

Table 4. Monthly Consolidated Report

West Herzegovina Canton, I – IV 2007

	I	II	III	IV	Q1	Q2	I-IV 2007	I-IV 2006
1 Total revenues (11+12+13+14)	6,477,454	5,765,405	7,116,735	7,224,114	19,359,594	7,224,114	26,583,709	21,834,468
11 Tax revenues	5,499,238	4,937,146	6,046,183	6,362,746	16,482,567	6,362,746	22,845,313	17,654,751
Income & profit tax	154,547	340,310	667,316	968,302	1,162,173	968,302	2,130,475	1,149,899
Taxes on personal income and self-employment	377,977	469,992	570,032	746,352	1,418,001	746,352	2,164,354	1,435,163
Property tax	89,257	121,735	135,363	89,426	346,355	89,426	435,781	721,872
Sales tax (incl.excises)(according to Regulations until 31,12,2005)	445,732	218,934	165,734	209,562	830,400	209,562	1,039,962	5,161,473
Transfers from Single Account	4,202,629	3,558,343	4,328,665	4,155,231	12,089,637	4,155,231	16,244,868	8,762,412
Other taxes	229,096	227,831	179,074	193,873	636,002	193,873	829,874	423,932
12 Non-tax revenues	761,441	814,695	1,025,458	815,947	2,601,594	815,947	3,417,541	3,865,263
13 Grants	89,364	13,564	45,094	45,421	148,022	45,421	193,443	222,281
14 Other revenues	127,411	0	0	0	127,411	0	127,411	92,173
2 Total expenditures (21+22)	4,714,883	6,177,463	6,359,985	6,450,008	17,252,331	6,450,008	23,702,338	20,051,003
21 Current expenditures	4,714,883	6,177,463	6,359,985	6,390,008	17,252,331	6,390,008	23,642,338	20,051,003
Wages and compensations	2,874,444	2,834,991	2,925,434	3,461,372	8,634,870	3,461,372	12,096,241	10,960,046
of which: Gross wages	2,267,685	2,240,383	2,223,598	2,741,680	6,731,666	2,741,680	9,473,346	8,432,326
of which: Compensations	606,759	594,608	701,836	719,692	1,903,204	719,692	2,622,896	2,527,720
Other taxes and contributions	236,415	247,356	244,492	287,570	728,263	287,570	1,015,833	903,107
Purchases of goods and services	428,830	572,919	869,529	595,720	1,871,279	595,720	2,466,999	3,095,402
Grants	914,635	2,188,293	1,899,085	1,713,328	5,002,012	1,713,328	6,715,340	3,963,602
Purchases of goods and services	27,552	30,823	68,259	57,133	126,634	57,133	183,766	623,925
Transfers to lower levels of government	233,007	303,081	353,186	274,885	889,274	274,885	1,164,159	504,921
22 Net lending*	0	0	0	60,000	0	60,000	60,000	0
3 Net acquisition of nonfinancial assets	17,950	-2,155,458	-6,878	78,455	-2,144,385	78,455	-2,065,930	453,375
4 Government surplus/deficit (1-2-3)	1,744,621	1,743,400	763,628	695,651	4,251,649	695,651	4,947,301	1,330,090
5 Net financing **	-34,952	-53,048	-111,897	-86,650	-199,897	-86,650	-286,546	-10,752

Table 5. Monthly Consolidated Report

From the work of ITA Governing Board

Agreement on final reconciliation for 2005 reached

After almost two year discussions on allocation of indirect taxes between entities and Brcko District in 2005, the Governing Board made the decision on reconciliation between allocation beneficiaries on the session that took place in Banja Luka on June 5th, 2007. Reconciliation is based on one of the models presented in auditor's report for 2005.

According to selected model, the Federation of BiH is obliged to transfer 26.879.832 KM to RS and 2.137.101 KM to Brcko District. This finally completes transitional period of single account operations in 2005. Much more important than concrete figures is the fact that this agreement on reconciliation contributes to strengthening of cooperation between levels of administration and returning trust in the system of indirect taxes.

Coefficients agreed for allocation of indirect taxes until October 2007

At the same session, members of the ITA Governing Board agreed on temporary coefficients for allocation of indirect taxes for the next four months (July, August, September, October). According to the agreement, the Federation gets 64,58%, Republika Srpska 31,87% and Brčko District 3,55% of the amount that remains after payment of refunds of indirect taxes and share for funding the budget of BiH institutions. Decision on allocation coefficients complies with the decision of High Representative, which amended the Law on system of indirect taxation and the Law on payments to single account and allocation of revenues. According to this decision, Brcko District gets 3,55% in 2007, but annual transferred amount must not be below 124 million KM. Allocation coefficients for entities should still be calculated on basis of shares in final consumption shown on VAT declarations⁷.

High quality of last decision of the Governing Board on allocation coefficients lies in longer period of application. Up to now, decisions were passed on monthly basis or for two months. Due to this, regular work of the Governing Board was constantly burdened with discussions about coefficients and there was constant threat for blocking allocation of indirect taxes. Lower levels of administration (cantons, municipalities), as well as others who are funded through the budget where most of funds come from indirect taxes, were in constant doubt in regards to inflow of funds to budgets. Temporary decision for four months gives an opportunity to the Governing Board to have needed respite and find longer solution and model for allocation of indirect taxes between entities.

⁷ Decision of the High Representative may be found on the following links:

http://www.ohr.int/decisions/econdec/default.asp?content_id=39688

http://www.ohr.int/decisions/econdec/default.asp?content_id=39690