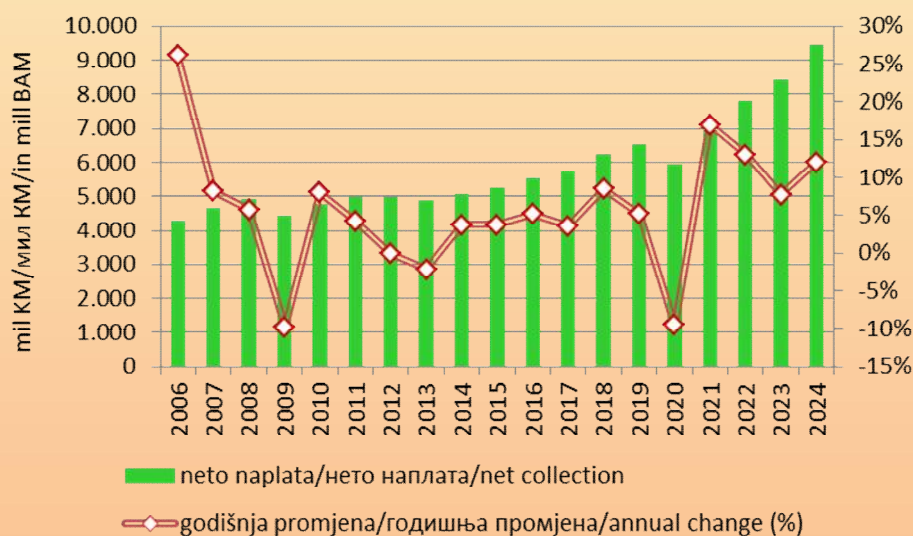




Macroeconomic Unit of the Governing Board of the Indirect Taxation Authority

# ОМЈА Билтен



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## With this issue

At the time of preparation (mid-April) of the medium-term projections of indirect tax revenues for the period 2025-2028, official data on imports in March 2025 were not available, but data on the collection of VAT on imports and customs duties indirectly indicated a growth trend in imports. For the collection of customs revenues, it is important to monitor imports from the EU and third countries. After the publication of official data, it can be concluded that in the first quarter of 2025, imports from the EU were lower in absolute terms than in the previous three quarters, while imports from third countries were at the level of the last two quarters (Chart 1).

Chart 1

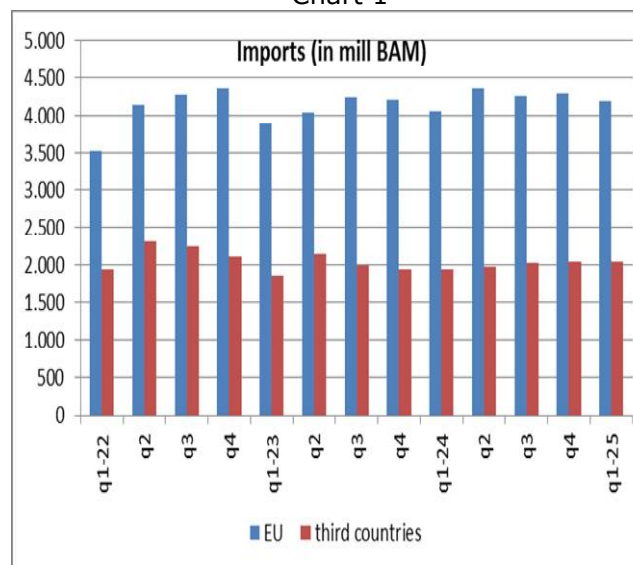
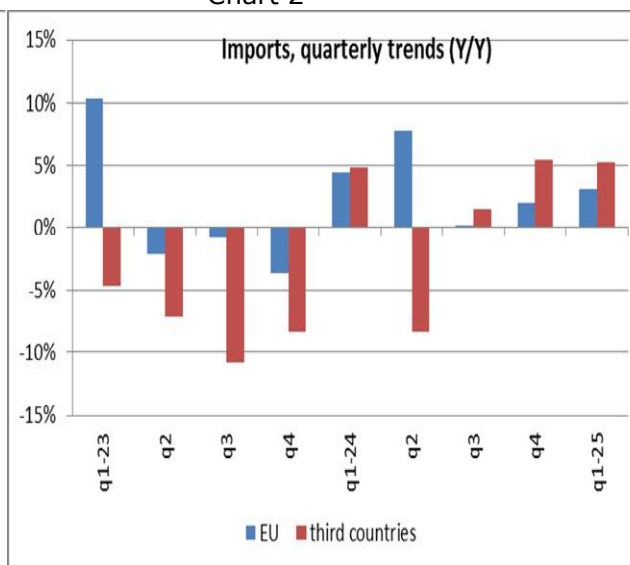


Chart 2



However, quarterly comparisons point to a different conclusion. Import growth rates in the last three quarters have an increasing trend. Imports from the EU in the first quarter of 2025 are higher by 3.1% compared to the same quarter of 2024, while imports from third countries are higher by 5.3% (Chart 2).

Dinka Antić, PhD  
Head of Unit

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Technical design: Sulejman Hasanović, IT expert

Reader/translator: Darija Komlenović, professor

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

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*Abstract**Macroeconomic projections indicators*

*According to DEP projections, real GDP growth of 2.7% is expected in B&H in 2025. The projected real growth rate of final consumption for 2025 is 2.1%, while the projected growth rate of investments is 4.5%. The expected real growth rate of exports is 3.4%, and of imports is 3.6%. According to DEP projections, real GDP growth rates of 3%, 3.1% and 3.3% are expected in 2026, 2027 and 2028, respectively.*

*Trends in revenue collection from indirect taxes 2006-2024*

*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 2024, the annual growth of revenues from indirect taxes of 12% and a record nominal collection since the establishment of the ITA in the amount of 9.45 billion BAM has been achieved.*

*Trends in revenue collection from indirect taxes in I-III 2025*

*In the first quarter of 2025, the collection of indirect taxes fluctuated strongly. In the first two months of 2025, despite the growth in gross collection, net collection was lower compared to the same period in 2024. The reason for the poor start at the beginning of the year was the high payments of VAT refunds. However, the strong growth in indirect tax collection in March has stopped the negative trends from the first two months of 2025. Ultimately, net collection in the first quarter of 2025 amounted to 2.21 billion BAM or 103.4 million BAM more compared to the first quarter of 2024.*

*Projections of revenues from indirect taxes*

*The projected collection of indirect tax revenues in 2025 amounts to 9,920.6 million BAM, which is 5% more than in the previous year. The projected growth rates of net indirect tax revenues for 2026, 2027 and 2028 are 4.2%, 4.6% and 4.3% respectively. The revenue projection for the aforementioned period is based on projected relevant macroeconomic indicators, historical seasonal collection patterns and projections of individual revenue categories for 2025.*

*Risks*

*The achievement of the projected level of revenues from indirect taxes in the period 2025-2028 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. Amendments to the Law on VAT introducing the right to a VAT refund on the purchase of a first residential property entered into force in April 2025, but will be applied after the entry into force of amendments to the Book of Rules on the Implementation of the Law on VAT, which will specify the conditions for applying the right to VAT refund. For this reason, at the time of preparing the projections, it was not possible to estimate the static effects on the collection of indirect taxes in terms of VAT revenue losses.*

## I BASIS AND ASSUMPTIONS OF THE PROJECTIONS OF REVENUES FROM INDIRECT TAXES

Projections of revenues from indirect taxes are based on the projections of macroeconomic indicators of the DEP from March 2025, and take into account trends in the collection of indirect taxes, and the current government policy in the field of indirect taxation (baseline scenario). **Amendments to the Law on VAT introducing the right to a VAT refund on the purchase of a first residential property<sup>1</sup> entered into force on April 12, 2025, but will be applied after the entry into force of amendments to the Book of Rules on the Implementation of the Law on VAT.** The amendments to the Book of Rules will specify the conditions for the application of the right to a VAT refund. For this reason, at the time of preparing this document, it was not possible to estimate losses in indirect tax collection on this basis, and **potential effects on VAT revenue collection were not included in indirect tax revenue projections.**

### 1. Projections of macroeconomic indicators, DEP

#### 1.1. Projections, DEP, March 2025

##### *Economic trends in 2024*

According to data from the Agency for Statistics of Bosnia and Herzegovina for the period January-September 2024, it is estimated that real GDP growth in Bosnia and Herzegovina was 2.5% compared to the same period of the previous year.<sup>2</sup> This economic growth rate is equal to the growth for the entire year 2024, estimated by the Directorate for Economic Planning of Bosnia and Herzegovina (DEP).<sup>3</sup> DEP emphasizes that domestic demand (consumption and investments) was the main driver of economic growth. According to DEP's estimate, the growth of final consumption amounted to 2.6%. The estimated growth rate of investments in 2024 was 8%.<sup>4</sup> The DEP report states that the contribution of the external sector to economic growth in Bosnia and Herzegovina was negative. According to their estimate, real growth of imports was 2.5%, and of exports - 1.6%.

##### *Projections for the period 2025-2028*

Table 1 presents the latest DEP's projections (DEP, March 2025) of nominal and real GDP growth rates for the period 2025-2028.

Table 1. GDP growth projection, DEP, March 2025

	Official data	Projections				
	2023	2024	2025	2026	2027	2028
Nominal growth	11,7	5,2	5,6	4,9	4,9	5,2
Real growth	1,9	2,5	2,7	3,0	3,1	3,3

Source: DEP, March 2025

<sup>1</sup> Official Gazette of B&H No. 20/25

<sup>2</sup> Agency for Statistics of Bosnia and Herzegovina, Press Release, "Gross Domestic Product, Expenditure Approach, Quarterly Data for Q3 2024", December 30, 2024.

<sup>3</sup> DEP's projections, March 2025

<sup>4</sup> DEP specifically emphasizes that when interpreting the investment growth rate, it is necessary to keep in mind that this category also includes inventories, which makes it difficult to analyze the contribution of investments in the structure of economic growth in Bosnia and Herzegovina.

According to DEP's projections, real GDP growth of 2.7% is expected in B&H in 2025. DEP states that the domestic demand, through increased consumption and investment, should represent the mainstay of projected economic growth, with a more positive contribution from the external sector compared to 2024. The projected real growth rate of final consumption in 2025 is 2.1%, while of investment is 4.5%. The expected real growth rate of exports is 3.4%, and of imports is 3.6%.

According to DEP's projections, real GDP growth rates of 3%, 3.1% and 3.3% are expected in 2026, 2027 and 2028, respectively. As in 2025, private consumption and investments are the key pillars of the forecasted economic growth during this period. Thus, in the period from 2026 to 2028, an average growth rate of 1.8%<sup>5</sup> in private consumption is expected, and an average growth rate of the same rate<sup>6</sup> in government consumption is expected on an annual basis. In the mentioned period, an increase in investments is expected at an average annual growth rate of about 5.3%<sup>7</sup>, a slightly lower average annual growth rate of about 4.3%<sup>8</sup> in exports, and a slower average annual growth rate of 3.4%<sup>9</sup> in imports.

## 1.2. DEP, revision of macroeconomic indicator projections for B&H

Based on Chart 1, DEP's latest projections (March 2025) of GDP growth rates and its components can be compared with the previous ones (September 2024).

### *Projections for 2024*

When looking at DEP's projections for 2024, it can be concluded that there were no significant corrections compared to their previous, September projections. The nominal GDP growth rate was corrected by only +0.1 p.p., from 5.1% in September 2024 to 5.2% in March 2025. The import growth rate projection remained the same, while the export growth rate projection was corrected by -1.4 p.p. The nominal growth projection of private and government consumption was not corrected, while the investment growth rate projection was corrected by +3 p.p. Finally, the projected inflation growth rate was corrected by -0.3 p.p. while the real GDP growth rate was corrected by +0.1 p.p. (Chart 1, 2024)

### *Projections for 2025*

If we look at the DEP's projections for the current year, 2025, we can conclude that the projection of nominal GDP growth has been increased by +0.5 p.p., from 5.1% in September 2024 to 5.6% in March 2025. The projected growth rate of imports has been corrected by +0.6 p.p., and that of exports by -1.1 p.p.<sup>10</sup> The projected growth rate of private consumption has been corrected the most, by +1.5 p.p., while the government consumption rate has been corrected by +0.3 p.p. Finally, the growth rate of investments has been corrected by +0.5 p.p. It should also be noted that the inflation rate for 2025 has been corrected by +1.1 p.p., from 1.9% in September 2024 to 3% in March 2025. The real GDP growth rate has been modestly corrected by -0.1 p.p. (Chart 1, 2025).

### *Projections for 2026*

Compared to previous DEP's projections, the nominal GDP growth projection for 2026 has been corrected by -0.4 p.p., as follows: import growth projection by -1.4 p.p., export by -3.1 p.p.,

<sup>5</sup> 2026: 1,9%, 2027: 2%, 2028: 1,5%

<sup>6</sup> 2026: 1,7%, 2027: 2,1%, 2028: 1,6%

<sup>7</sup> 2026: 4,1%, 2027: 5,6%, 2028: 6,2%

<sup>8</sup> 2026: 2,9%, 2027: 4,7%, 2028: 5,3%

<sup>9</sup> 2026: 2,6%, 2027: 3,6%, 2028: 4,0%

<sup>10</sup> The import growth projection was corrected from 4.5% to 5.1%, and export growth from 6.3% to 5.2%.

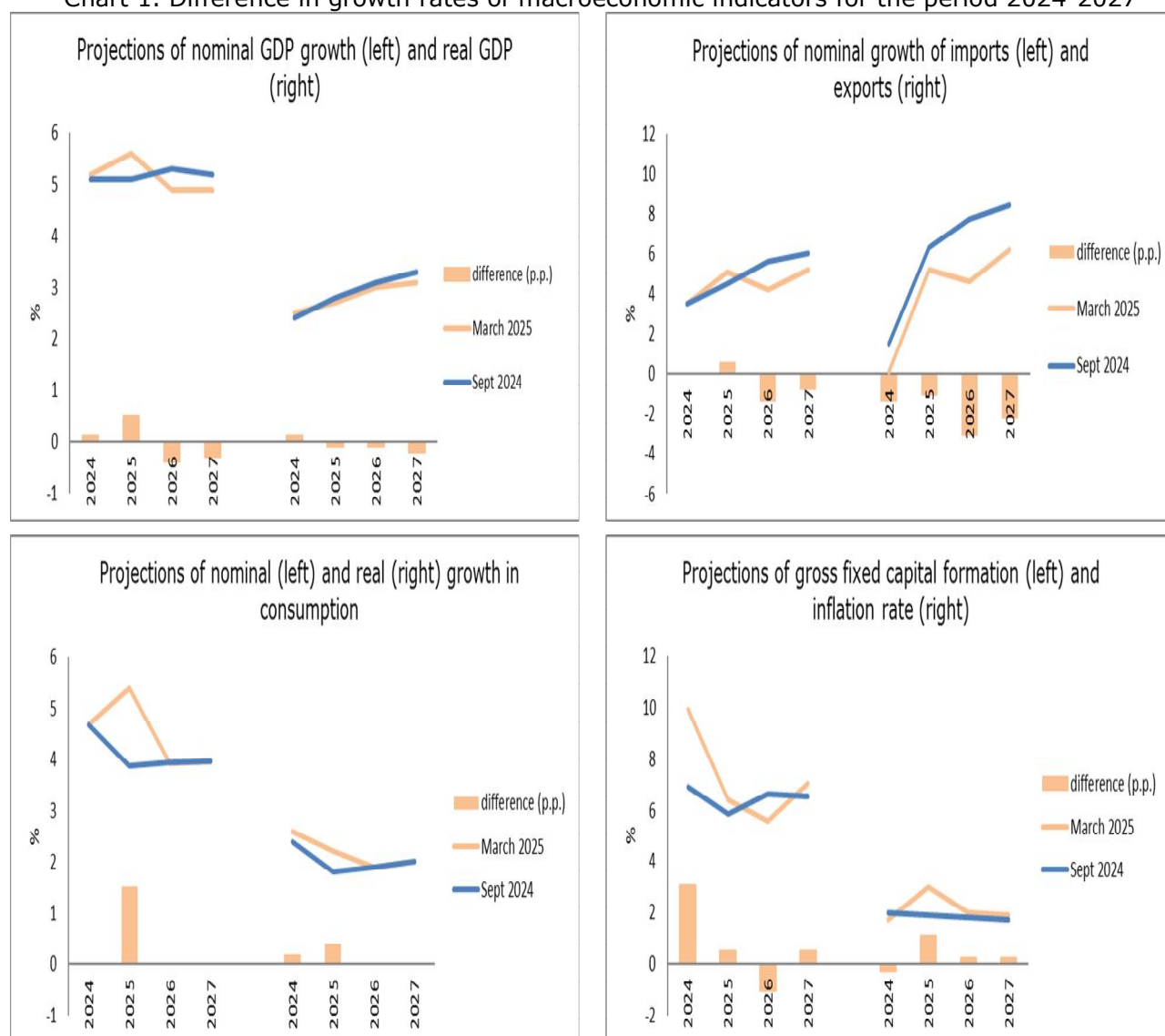


investment by -1.1 p.p., while the projected growth rates of private and government consumption have not been corrected (Chart 1, 2026).

### Projections for 2027

The projection of nominal GDP growth for 2027 has been corrected by -0.3 p.p. compared to previous projections, as follows: import growth projection by -0.8 p.p., export by -2.2 p.p., investment by +0.5 p.p., government consumption by +0.7 p.p., while the projection of the growth rate of private consumption has not been corrected (Chart 1, 2027).

Chart 1. Difference in growth rates of macroeconomic indicators for the period 2024-2027



Source: Calculation and presentation of the MAU based on DEP's projections from March 2025 and September 2024

## 2. Current policies in the field of indirect taxation

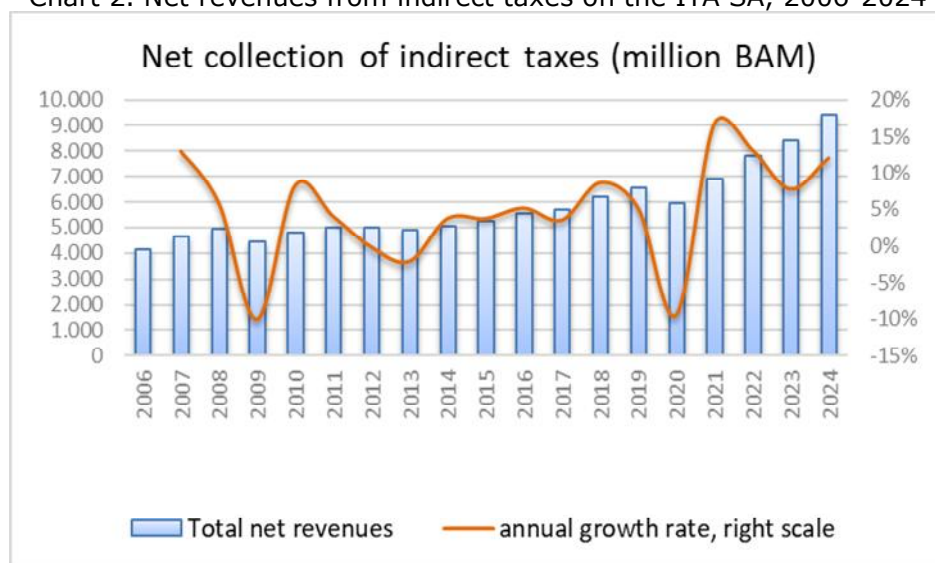
VAT obligations and payment system are regulated by the Law on Value Added Tax ("Official Gazette of B&H", No. 9/05, 35/05, 100/08 and 33/17). Excise policy is regulated by the Law on Excises in Bosnia and Herzegovina ("Official Gazette of B&H", No. 49/09, 49/14, 60/14, 91/17 and

50/22).<sup>11</sup> The policy of excises on tobacco in 2025 is regulated by the Law on Excises and Decision<sup>12</sup> 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).<sup>13</sup> The Law<sup>14</sup> 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.

### 3. Indirect tax collection trends (2006-2024)

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 2024, the annual growth of revenues from indirect taxes of 12% and a record nominal collection since the establishment of the ITA in the amount of 9.45 billion BAM has been achieved. Finally, the increase in collection in 2024 compared to 2006 was a high 129.2%.

Chart 2. Net revenues from indirect taxes on the ITA SA, 2006-2024



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

In Chart 3, the share of indirect taxes in GDP of B&H in the period 2008-2024 is broken down into product components, in accordance with the methodology from the OECD analysis<sup>15</sup> : (1) share of

<sup>11</sup> Changes to the Law on Excises ("Official Gazette of B&H" No. 50/22) began to be applied from the moment of entry into force of the by-laws adopted by the Governing Board of the ITA.

<sup>12</sup> Decision on Determination of the Specific and Minimum Excise Duty for Cigarettes and the Amount of the Excise Duty on Smoking Tobacco for 2025 („Official Gazette of B&H" No. 84/24)

<sup>13</sup> 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)

<sup>14</sup> 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.

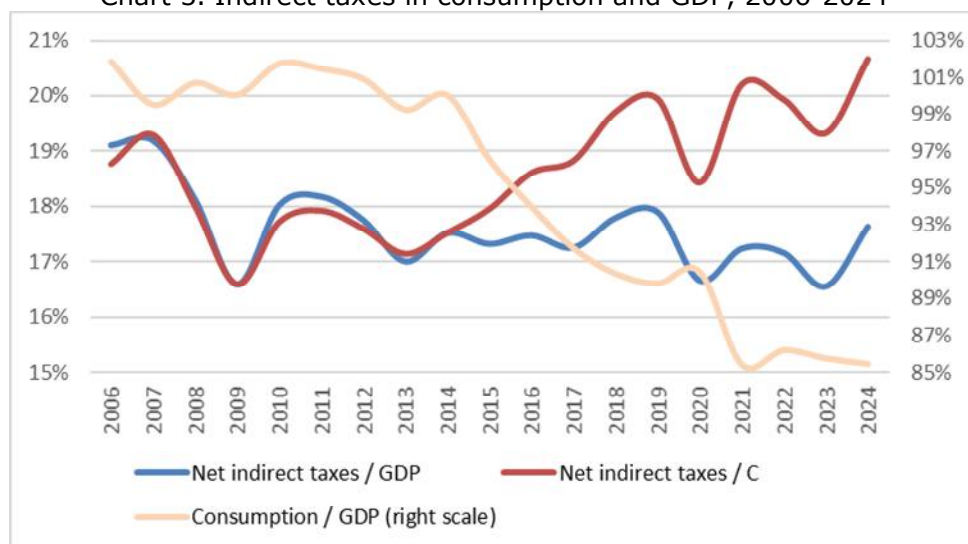
<sup>15</sup> Simon, H. and M. Harding (2020), "What drives consumption tax revenues?: Disentangling policy and macroeconomic drivers" *OECD Taxation Working Papers*.



indirect tax revenues in total consumption and (2) share of total consumption in GDP. It can be concluded from the Chart 3 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 2023 it amounted to 85.7%. 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.

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). In 2023, it amounted to 16.6%, repeating its minimum value from 2009. 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.

Chart 3. Indirect taxes in consumption and GDP, 2006-2024



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

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%, and 19.3% in 2023.

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

%	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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	17,2	17,2	16,6	17,6
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	19,3	20,7

Source: Calculation based on the ITA and BHAS data<sup>16</sup> and DEP's projection for 2024

<sup>16</sup> Gross domestic product according to production, income and expenditure approach 2023, published on January 23, 2025; Agency for Statistics of B&H (for data 2015-2023); Gross domestic product - extraordinary announcement, published on July 19, 2021 (Tab.2.1), Agency for Statistics of BiH (for data up to 2014)

If we take into account the projections of macroeconomic indicators for 2024 by the Directorate for Economic Planning of B&H (DEP) from March 2025, we can see the share of net collection of indirect taxes in gross domestic product and consumption in the aforementioned year.

The estimated<sup>17</sup> share of net indirect tax collection in GDP increased by 1.08 p.p. from 16.6% in 2023 to 17.6% in 2024.

**The estimated increase in the share of net indirect taxes in total consumption in 2024 was 1.33 p.p.** (from 19.3% in 2023 to 20.7% in 2024). The largest contribution to the estimated increase comes from VAT revenues (+0.82 p.p.), which, given the unchanged taxation policies, indicates an increase in the efficiency of revenue collection. This is followed by revenues from excise duties and road fees, where the joint contribution to the increase of the share in consumption is +0.42 p.p. Of this, the growth in the share of excise duties on tobacco itself is 0.28 p.p., which indicates base effects, i.e. loss of excise revenues due to the change in the method of payment of excise duties on tobacco products in 2023.

**Once the official data from the Agency for Statistics of B&H (BHAS) on macroeconomic indicators are available, it will be possible to calculate the official level of the aforementioned share** and assess how much it was influenced by the increase in the efficiency of revenue collection, and how much by the effects of policy change measures (primarily the base effect, i.e. the impact of the change in tobacco taxation policy on the base in 2023).

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<sup>17</sup> It is an estimate because the denominator is the estimated category.

## II PROJECTIONS OF INDIRECT TAX REVENUES 2025-2028 (baseline scenario)

### 1. Tabular presentation of projected revenues (2025-2028)

Table 3. Baseline scenario of indirect tax revenue projections (2025-2028), April 2025

Type of revenue (net)	In million BAM						Projected growth rate			
	Realiz.	Projection					2025	2026	2027	2028
	2024	2025	2026	2027	2028					
VAT	6.227,1	6.552,0	6.842,0	7.174,9	7.475,9		5,2%	4,4%	4,9%	4,2%
Excises	1.851,7	1.929,9	2.011,2	2.098,0	2.193,7		4,2%	4,2%	4,3%	4,6%
Customs	580,1	649,9	677,2	712,4	750,8		12,0%	4,2%	5,2%	5,4%
Road fee	732,3	739,5	761,6	785,3	811,2		1,0%	3,0%	3,1%	3,3%
Other	57,4	49,4	49,4	49,4	49,4		14,1%	0,0%	0,0%	0,0%
TOTAL	9.448,6	9.920,6	10.341,3	10.819,9	11.280,9		5,0%	4,2%	4,6%	4,3%
Earmarked road tax *)	-457,4	-462,2	-476,0	-490,8	-507,0		1,0%	3,0%	3,1%	3,3%
Funds for distribution	8.991,2	9.458,5	9.865,3	10.329,1	10.773,9		5,2%	4,3%	4,7%	4,3%

Note:

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.

\*) 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), netted with other refunds that are not directly related to types of revenue.

Table 4. Baseline scenario of indirect tax revenue projections in percentage of GDP, April 2025

Type of revenue (net)	In % of GDP				
	Realization	Projection			
	2024	2025	2026	2027	2028
VAT	11,6%	11,6%	11,5%	11,5%	11,4%
Excises	3,5%	3,4%	3,4%	3,4%	3,3%
Customs	1,1%	1,1%	1,1%	1,1%	1,1%
Road fee	1,4%	1,3%	1,3%	1,3%	1,2%
Other	0,1%	0,1%	0,1%	0,1%	0,1%
<b>TOTAL</b>	<b>17,6%</b>	<b>17,5%</b>	<b>17,4%</b>	<b>17,4%</b>	<b>17,2%</b>
Earmarked road tax *)	-0,9%	-0,8%	-0,8%	-0,8%	-0,8%
Funds for distribution	16,8%	16,7%	16,6%	16,6%	16,4%

Data source for GDP: DEP, Macroeconomic Projections, March 2025.

## 2. MAU, revision of indirect tax revenue projections

### 2.1. Differences between realization in 2024 and projections from October 2024.

In 2024, 9,448.6 million BAM of indirect tax revenue was collected. In the revised projections from October 2024, it was planned that 9,365.8 million BAM would be collected. The difference between the realized revenues and the projections from October 2024 is +82.8 million BAM (Table 5).

The cumulative growth rate of indirect tax revenues for the eleven months of 2024 compared to the same period of the previous year was 11%, which exactly corresponded to the projected growth rate at the annual level. However, in December 2024, a high 23.2% growth in revenues was achieved compared to the same month of the previous year, which raised the cumulative growth rate for twelve months to 12%. Observed in absolute terms, net indirect tax revenues increased by 160.6 million BAM in December 2024. The strong growth of net revenues in December was the result of high growth in revenues from excise duties on tobacco, customs duties and VAT on imports, as well as a decrease in refund payments.

Table 5. Differences between realization in 2024 and projections from October 2024.

Type of revenue (net) In million BAM	Projection October 2024	Realization of revenues in 2024	Difference
VAT	6.204,1	6.227,1	23,0
Excises	1.807,5	1.851,7	44,1
Customs	574,9	580,1	5,2
Road fee	729,5	732,3	2,8
Other	49,7	57,4	7,7
<b>TOTAL</b>	<b>9.365,8</b>	<b>9.448,6</b>	<b>82,8</b>

Almost half of the difference between revenue realization and October 2024 projections relates to tobacco excise revenue (+39.9 million BAM). The strong growth in tobacco excise revenue in December 2024 (25.3%) and the large decline in January 2025 (-14.7%) indicate that tobacco companies estimated at the time that the beginning of the winter season would be in December 2024. This ultimately proved to be correct, unlike previous years when the peak of the winter season was in January/February.

### 2.2. Differences between revenue projections for the period 2025-2027 and October projections

The differences in revenue projections for the period 2025-2027 compared to the projections from October 2024 are presented in Table 6. Compared to previous projections, revenue projections for 2025, 2026 and 2027 have been revised by +187.6 million BAM, +214.6 million BAM and +275.7 million BAM, respectively.

Table 6. Differences between revenue projections and October 2024 projections

Type of revenue (net) In million BAM	2025	2026	2027
VAT	107,8	144,0	210,9
Excises	43,6	41,8	40,7
Customs	49,1	42,7	39,9
Road fee	-10,5	-11,5	-13,5
Other	-2,3	-2,3	-2,3
<b>TOTAL</b>	<b>187,6</b>	<b>214,6</b>	<b>275,7</b>

Compared to the previous ones, the DEP's projections from March 2025 for 2025 were revised upwards for: total GDP (+0.5 p.p.), and its components: imports (+0.6 p.p.), private consumption (1.5 p.p.), government consumption (+0.3 p.p.), investments (+0.5 p.p.), while the projections for the export growth rate were reduced (-1.1 p.p.). The projection of nominal GDP growth for 2026 was corrected by -0.4 p.p. while the same for 2027 was corrected by -0.3 p.p.<sup>18</sup>

We can conclude that the revision of VAT, excise and customs projections for 2025 is the result of: (1) an increase in the statistical base (+82.8 million BAM; difference between revenue realization in 2024 and projections from October 2024), (2) current collection trends in 2025, according to available data, and (3) an upward revision of the GDP, import and consumption growth projections for 2025.

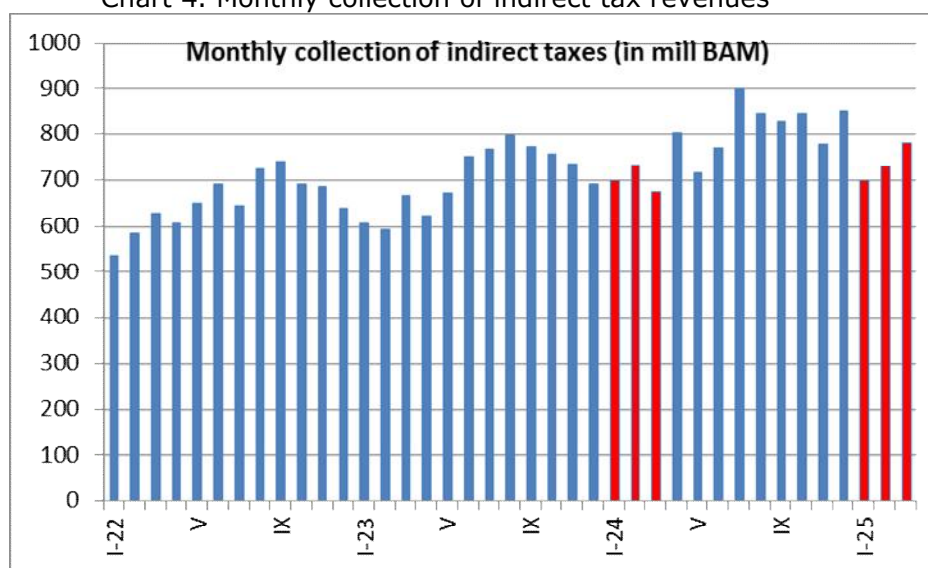
The revision of revenue projections for 2026 and 2027 is the cumulative result of a change in the statistical base (projections for 2025) and a revision of projections of macroeconomic indicators.

### 3. *Projection of total indirect tax revenues*

### 3.1. Projections for 2025

In the first quarter, the collection of indirect tax revenues fluctuated strongly. In the first two months of 2025, despite the growth in gross collection, net collection was 3.3 million BAM lower compared to the same period in 2024, or by 0.2%. The reason for the poor start at the beginning of the year was the high payments of VAT refunds. However, the strong growth in indirect tax collection in March has stopped the negative trends from the first two months of 2025 (Chart 4).

#### Chart 4. Monthly collection of indirect tax revenues



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

According to the preliminary cash flow report at the ITA, in March 2025, 949.8 million BAM of gross revenue was collected, or 76.8 million BAM more than in March 2024. Refund payments were 29.4 million BAM lower, so net collection amounted to 781 million BAM, representing an increase of 15.7%.

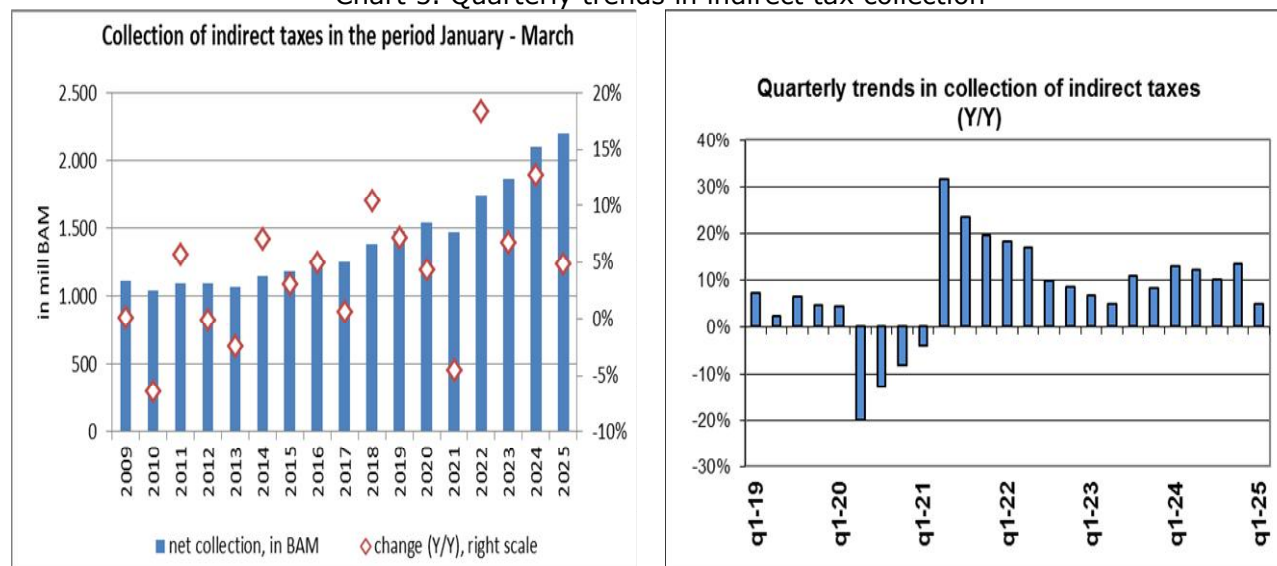
<sup>18</sup> See Chapter 1.2. DEP, revision of macroeconomic indicator projections for B&H

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

Strong revenue growth in March increased the cumulative effects in the first quarter of 2025. Gross collection was higher by 121.2 million BAM. However, the decrease in refund payments in March was not enough to neutralize the high refund payments in the first two months of 2025, so that at the quarterly level, refunds were higher by 3.4% or by 17.8 million BAM. Ultimately, the net collection in the first quarter of 2025 amounted to 2.21 billion BAM or 103.4 million BAM more compared to the first quarter of 2024 (Chart 5, left).

A review of quarterly trends shows that positive quarterly growth in indirect tax revenues has been ongoing since 2021. This was when the recovery began, after the drop in revenues caused by the coronavirus pandemic (Chart 5, right). The war in Ukraine and the energy crisis led to a decrease in growth rates. Although prices on the global energy market and other commodity exchanges have stabilized over time, a significant amount of revenue from excise duties on tobacco products was lost in 2023 after the transition to a new payment regime<sup>19</sup> in the first months of 2023. The effect of the lower base from the first half of 2023 resulted in higher quarterly growth rates, 12.8% in the first quarter and 12.2% in the second quarter of 2024. In the third quarter of that year, the growth rate was reduced to 10% due to the effect of a higher base from 2023, but due to the high collection of indirect tax revenues in December 2024, a growth of 13.4% was achieved in the fourth quarter of 2024. The unexpectedly high growth in collection in December 2024 was partly due to the shift of revenues at the end of one fiscal year to the beginning of a new one, as a result of business decisions made by taxpayers (e.g. paying VAT on imports in December in order to immediately exercise the right to deduct input VAT in the VAT return in January or because of estimates of tobacco companies about the earlier start of the winter season than in previous years). Given all this, it is not surprising that gross collection growth was low at the beginning of 2025. On the other hand, the recovery of imports and exports in the fourth quarter of 2024, due to the deadlines for exercising the right to a refund by exporters and other taxpayers, had a negative effect on refund payments at the beginning of 2025. In such circumstances, the growth rate achieved in the first quarter of 2025 was 4.9%, which is more modest compared to 2024, and it is also the lowest quarterly growth rate since 2021 (Chart 5, right).

Chart 5. Quarterly trends in indirect tax collection



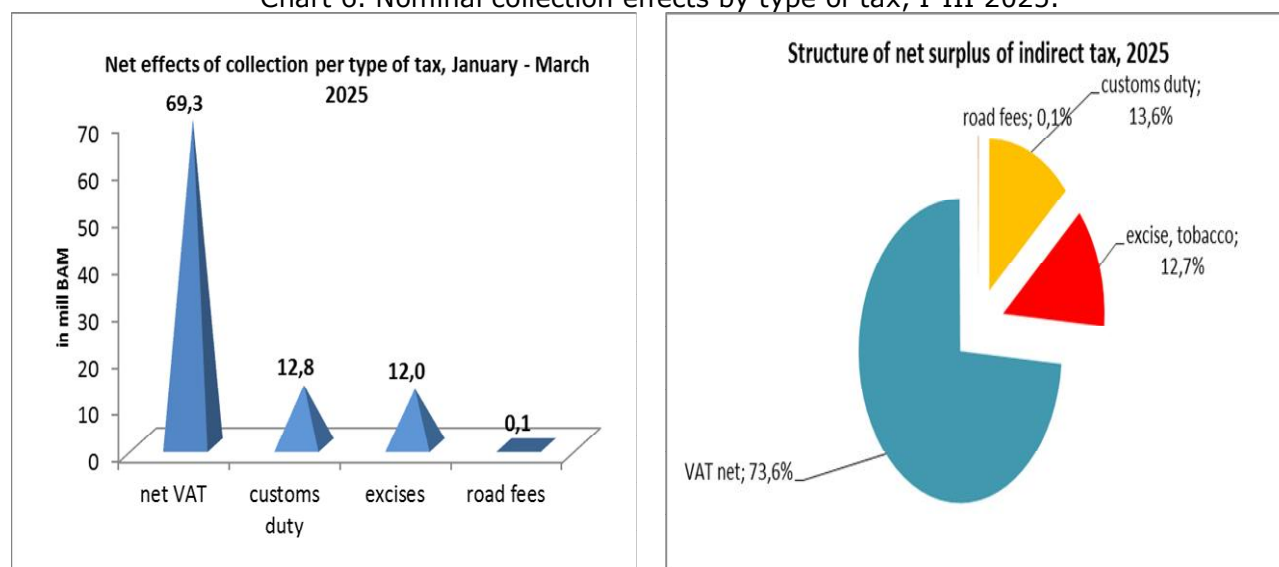
Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

<sup>19</sup> The new excise duty payment regime on tobacco products implies payment upon import, and not upon receipt of excise stamps, as was prescribed until 2023.



The structure of the net absolute increase achieved in the first quarter points to the conclusion that the main factor in the growth of indirect tax revenues in the first quarter of 2025 was VAT (Chart 6, left). In the first quarter, 69.3 million BAM more VAT was collected than in the same quarter of 2024, which accounts for as much as 73.6% of the net absolute increase (Chart 6, right). The absolute increase in excise revenues relates entirely to excise duties on tobacco, and the remaining amount of the increase relates to customs revenues.

Chart 6. Nominal collection effects by type of tax, I-III 2025.



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

According to DEP's projections, nominal GDP growth of 5.6% is expected in 2025, and private consumption growth of 5.4%. The projected inflation rate is 3%.<sup>20</sup>

Taking all of the above into account, it is expected that the collection of indirect tax revenues in 2025 will amount to 9,920.6 million BAM. The projected growth rate of indirect tax revenues for 2025 is slightly higher than the quarterly revenue growth rate and amounts to 5%.

### 3.2. Projection for the period 2026-2028

For the period 2026-2028, DEP projected slightly lower nominal GDP and consumption growth rates than for 2025 (Chart 7). The projected nominal GDP growth rate for 2026 is lower by 0.7 p.p. compared to the projected rate for 2025. Compared to the projections for 2025, the projected nominal GDP growth rates for 2027 and 2028 are lower by 0.7 p.p. and 0.4 p.p., while the projected private consumption growth rates are lower by 1.4 p.p. and 1.9 p.p., respectively.

**The projected growth rates of net indirect tax revenues for 2026, 2027 and 2028 are 4.2%, 4.6% and 4.3% respectively.** The revenue projection for the aforementioned period is based on projected relevant macroeconomic indicators, historical seasonal collection patterns and projections of individual revenue categories for 2025.

<sup>20</sup> Inflation measured by the Consumer Price Index, DEP, March 2025

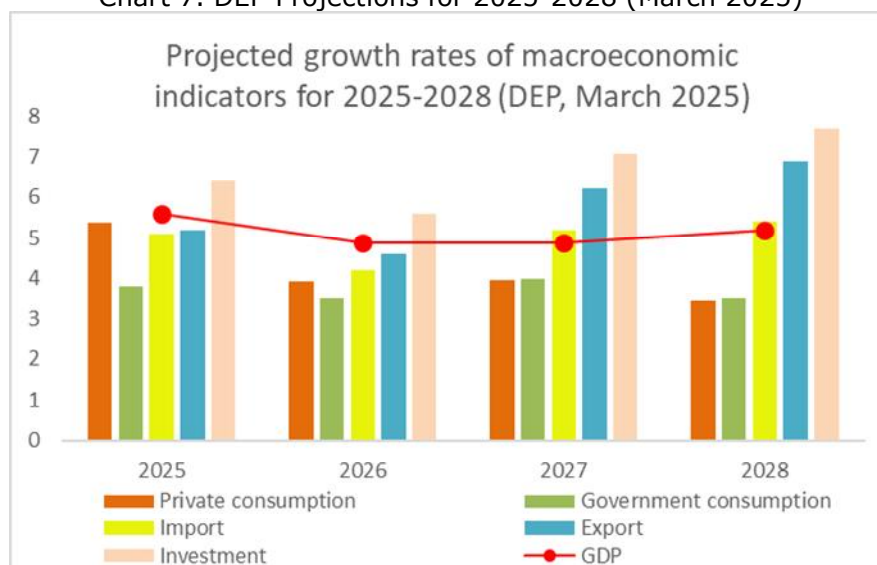
Text box 1: Projections of indirect tax revenues

	2024	2025	2026	2027	2028
Projections, million BAM	9.448,6	9.920,6	10.341,3	10.819,9	11.280,9
Projections, growth rate		5,0%	4,2%	4,6%	4,3%
Projections, % GDP	17,6%	17,5%	17,4%	17,4%	17,2%

In contrast to the projected decline in the share of indirect taxes in GDP from 17.5% in 2025 to 17.2% in 2028 (Text box 1), **the projected share of indirect tax revenues (MAU) in consumption (DEP) in the mentioned period increased from 20.6% in 2025 to 21% in 2028.**

The decline in the projected share of indirect taxes in GDP in the period 2025-2028 is the cumulative result of the growth of indirect taxes in consumption and the decline in the projected share of consumption in GDP from 84.9% in 2025 to 81.9% in 2028.

Chart 7. DEP Projections for 2025-2028 (March 2025)



Source: Calculation and presentation of the MAU based on DEP's projections from March 2025

### III ANALYSIS OF PROJECTIONS OF REVENUES FROM INDIRECT TAXES BY TYPE

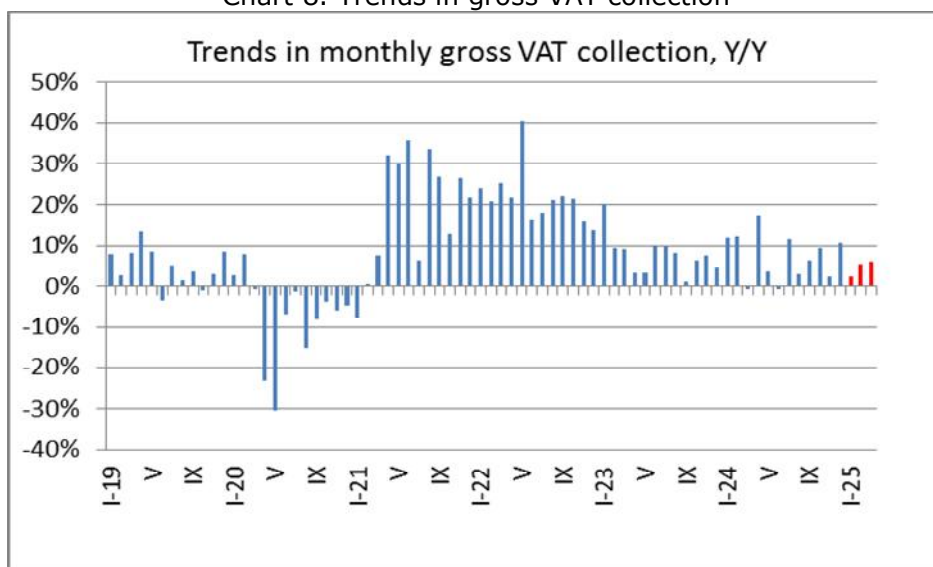
#### 1. VAT

##### 1.1. VAT revenue projections for 2025

###### *Gross VAT collection*

After a high growth in gross VAT collection in December 2024, the first three months of 2025 saw more modest growth rates, 2.4% in January, 5.3% in February and 6.2% in March (Chart 8). The slowdown in growth rates was also reflected in the growth rate in the first quarter, which amounted to 4.7%.

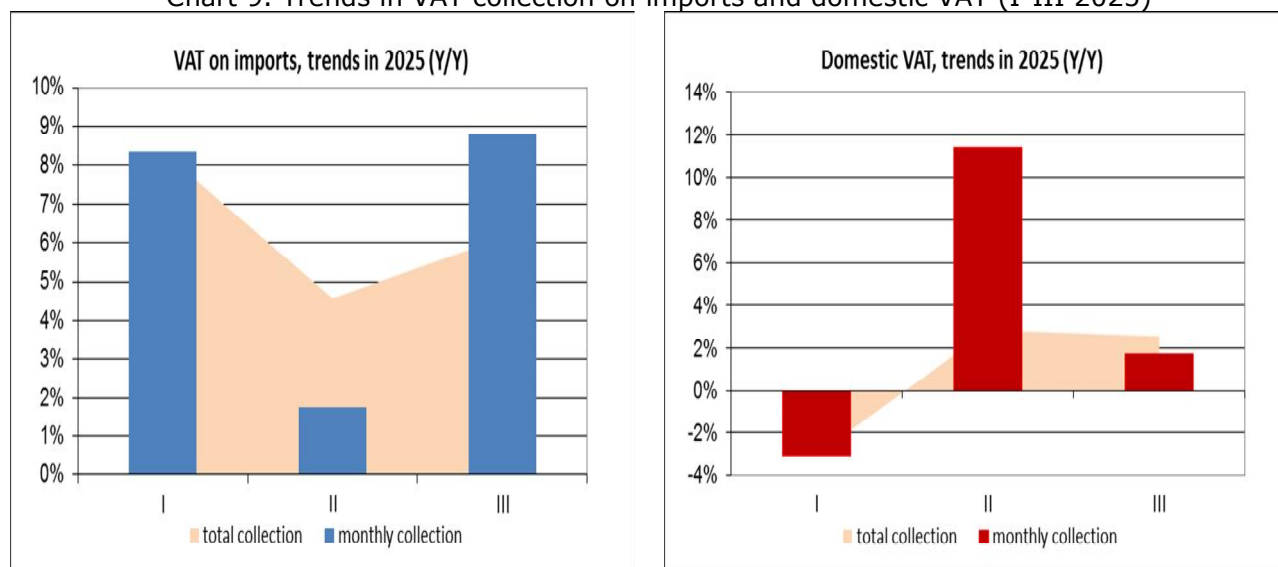
Chart 8. Trends in gross VAT collection



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

The analysis of the structure of gross VAT in the first quarter of 2025 points to the conclusion that the more modest growth of gross VAT collection in the first months of 2025 was a consequence of divergent trends and oscillations in the collection of components of gross VAT. VAT on imports grew at a rate of 8.3% in January, only 1.7% in February, while an increase of 8.8% was recorded in March (Chart 9, left). On the other hand, in January 2025, for the first time after almost three years, there was a decrease in the collection of domestic VAT of -3.1%, in February there was an increase of 11.4%, and in March only 1.7% (Chart 9, right).

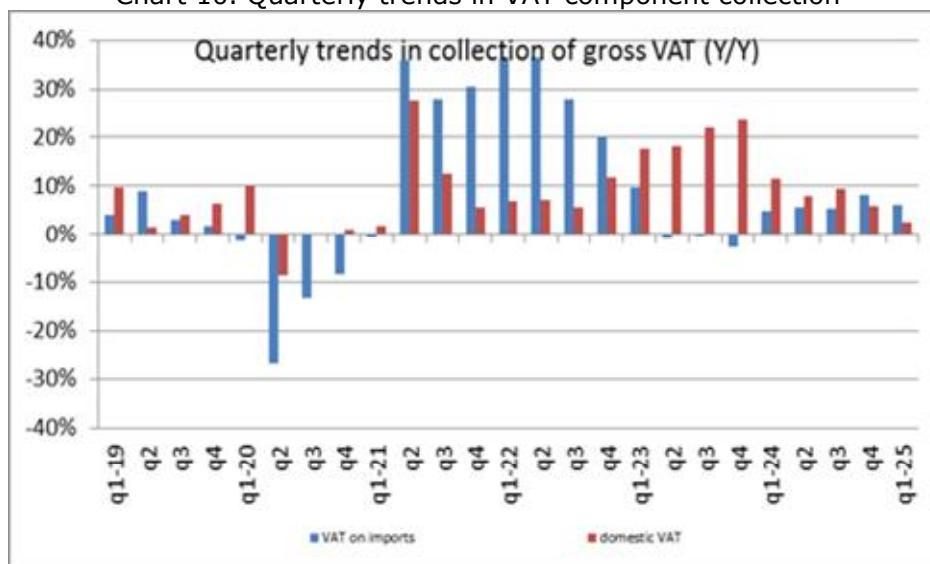
Chart 9. Trends in VAT collection on imports and domestic VAT (I-III 2025)



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

Despite the divergent trends in gross VAT components, the VAT growth rate of 6.1% in the first quarter of 2025 has maintained the stable growth trend from 2024 (Chart 10). On the other hand, domestic VAT grew at a rate of only 2.6% in the first quarter of 2025, thus continuing the slowdown in the growth of domestic VAT collections from the fourth quarter of 2024. Given that 24.4 million BAM of unadjusted revenues were recorded in the first three months, a higher growth in domestic VAT can be expected, because a larger part of unadjusted revenues regularly relates to VAT payments.

Chart 10. Quarterly trends in VAT component collection

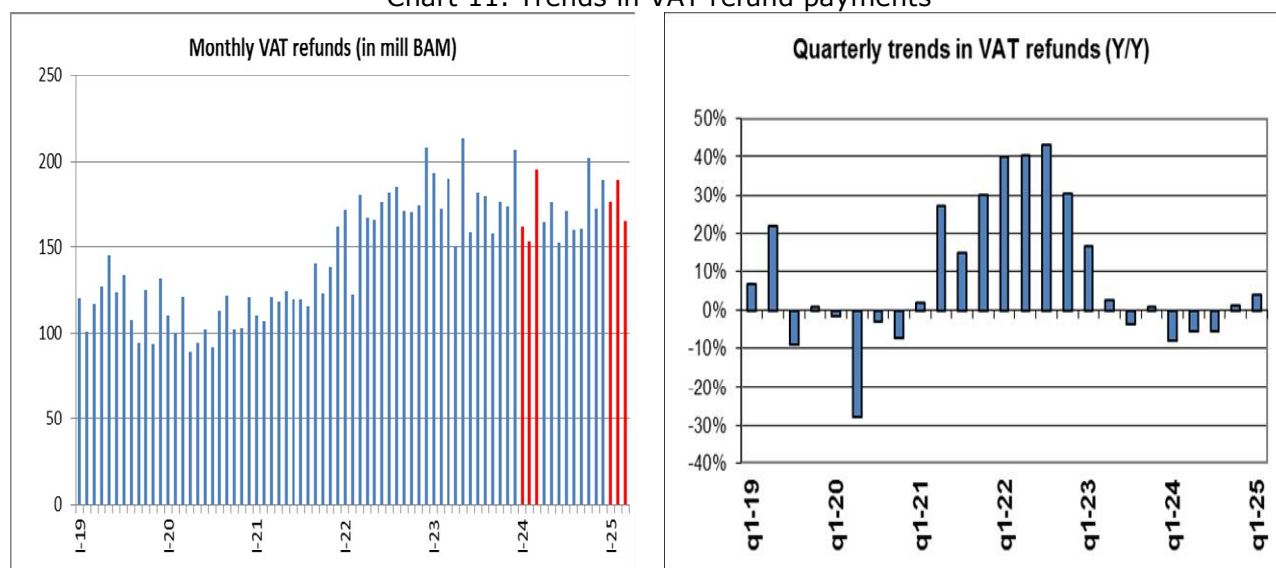


Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

### VAT refunds

Generally, when looking at refund payments in absolute amounts compared to the years before the pandemic and the war in Ukraine, it can be concluded that in the first months of 2025, the trend of very high payments continued, which has been going on since 2022 (Chart 11, left). Trends were oscillatory in terms of growth rates, and the range of oscillations in growth rates was large, from -15.5% in March to 23.7% in February.

Chart 11. Trends in VAT refund payments



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

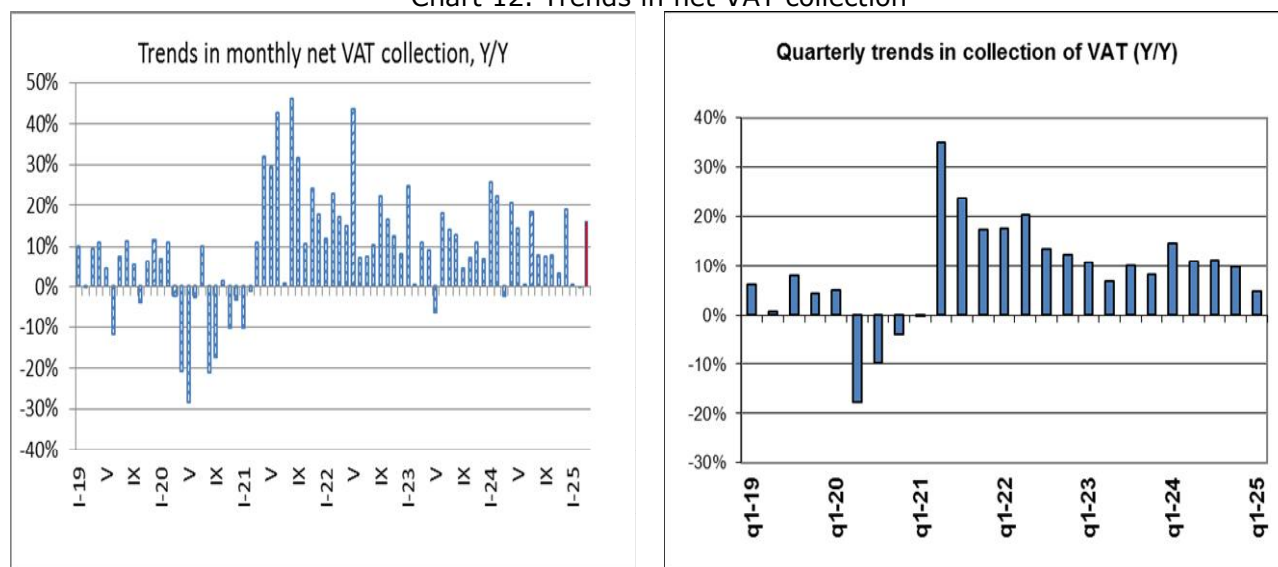
Despite the growth in refund payments, the share of VAT refunds in gross VAT in the first three months of 2025 was 26.3%, which is 0.2 p.p. less than the share of refunds in gross collection in the first quarter of 2024. From the analysis of the structure of refunds by refund beneficiaries, it can be concluded that the main reason for the increased VAT refund payments was payments under the international projects. Thus, in the first three months of 2025, taxpayers were refunded 2.7 million BAM less refunds than in the same period in 2024, but international projects were refunded 18.5 million BAM more VAT refunds than in the same period in 2024.

Quarterly comparisons also show the impact of the recovery of B&H's foreign trade on refund payments. After the first three quarters of 2024, when a significant decline in refund payments was recorded, even up to -8%, in the fourth quarter of 2024, VAT refunds grew by 1.2%, and in the first quarter of 2025, by 4% (Chart 11, right).

### Net collection

After high growth rates in the second half of 2024, in January and February 2025, net VAT collection was at the level of collection in the same period of 2024 (Chart 12, left). The reason for the poor start in 2025 was the strong growth in VAT refunds, which nullified the effects of the modest growth in gross VAT. However, in March, a strong growth in net VAT of 16% was recorded, as a result of reduced refund payments, which brought the cumulative growth rate from zero to +4.9%. After adjusting for unadjusted revenues, a higher growth rate can be expected, because a larger part of unadjusted revenues regularly relates to VAT payments.

Chart 12. Trends in net VAT collection



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

Quarterly comparisons show a slowdown in net VAT growth (Chart 12, right). Compared to the last three quarters of 2024, the net VAT growth rate in the first quarter of 2025 has halved, and, it is only 1/3 of the growth rate from the first quarter of 2024. Analysis of trends since 2021 indicates that this is the lowest quarterly growth rate in the past four years.

The projected amount of net VAT revenue in 2025 is 6,552 million BAM, which is 5.2% more than the realization in 2024 (Chart 13 and Box 2). The projection is based on the historical seasonal collection pattern of individual VAT categories (which does not include years with specificities), and the trends and projections of macroeconomic indicators.

## 1.2. VAT revenue projections for the period 2026-2028

VAT revenues represent the largest generator of annual absolute growth in total indirect tax revenues in the period 2025-2027.<sup>21</sup> VAT revenues in the aforementioned period are projected in accordance with long-term collection trends, historical seasonal patterns, and projections of relevant macroeconomic indicators.

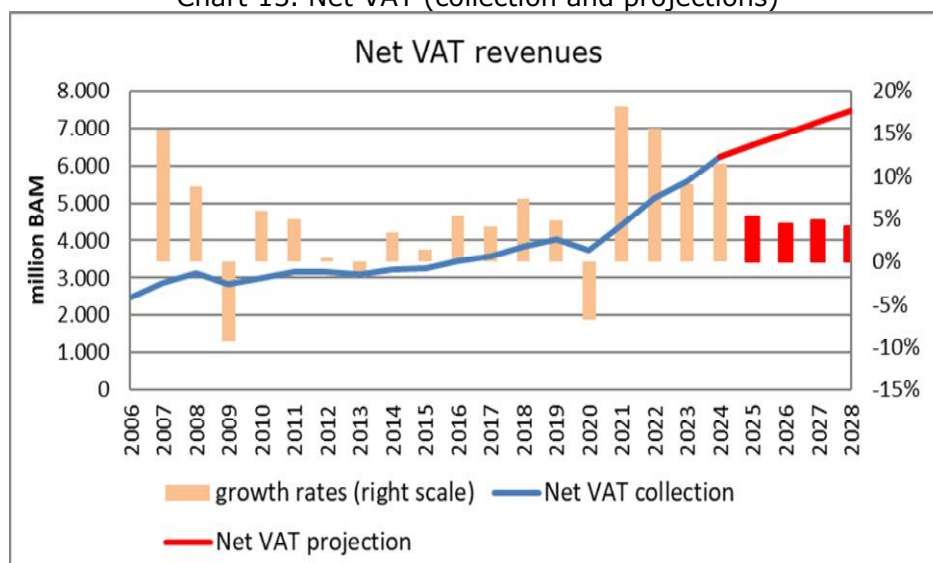
Analysis of collection trends indicates a long-term growth in VAT revenues. In the year of VAT introduction (2006), 2,483.8 million BAM of net VAT revenues were collected. In all subsequent years, except for 2009 and 2020,<sup>22</sup> these revenues have increased. High growth rates were particularly pronounced in the year after VAT was introduced (2007), and in the years following the outbreak of the coronavirus pandemic (2021 and 2022). Finally, in 2024, 6,227.1 million BAM of net VAT revenues were collected, representing a growth of a high 3,743.3 million BAM or 150.7% compared to 2006.

<sup>21</sup> Over 65% of absolute revenue growth in all years relates to VAT revenues.

<sup>22</sup> Years in which the effects of the global financial crisis (2009) and the outbreak of the coronavirus pandemic (2020) were pronounced



Chart 13. Net VAT (collection and projections)



Source: ITA data and projections of the MAU

Text box 2: VAT revenue projections

	2024	2025	2026	2027	2028
Projections, million BAM	6.227,1	6.552,0	6.842,0	7.174,9	7.475,9
Projections, growth rate		5,2%	4,4%	4,9%	4,2%
Projections, % GDP	11,6%	11,6%	11,5%	11,5%	11,4%

After a projected growth rate of 5.2% in 2025, stable growth rates of VAT revenues are planned in the following years based on the regression model, in line with projected consumption growth rates (Text box 2).

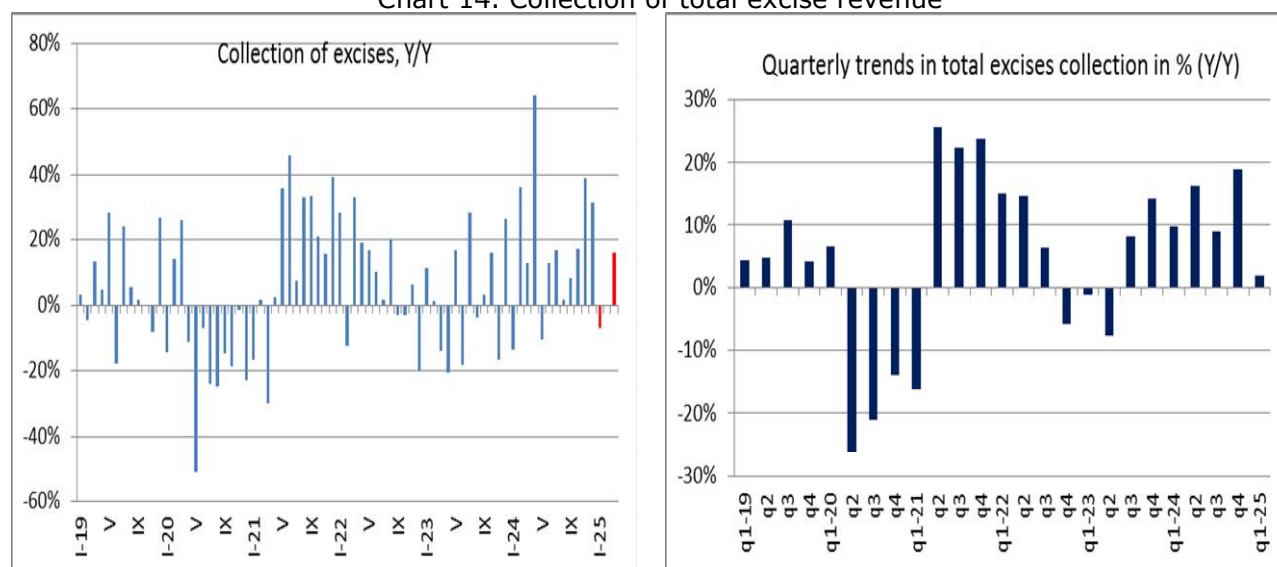
## 2. Excise duties

### 2.1. Total excise taxes

After seven months of positive growth, characterized by extremely high growth rates, in January and February 2025, there were decreases in excise revenue of -7.1% and -0.3% respectively (Chart 14, left), leading to a negative cumulative growth rate of -3.6%. However, in March, a 16% increase in excise revenue was again achieved.

The strong growth in excise revenue in March 2025 compensated for the loss from first two months and led to a growth of 3.1% at the first quarter level. Quarterly comparisons show that the lowest growth rate in the past six quarters was achieved in the first quarter of 2025 (Chart 14, right).

Chart 14. Collection of total excise revenue



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

The projected amount of net excise revenue in 2025 is 1,929.9 million BAM, which is 4.2% more than the realization in 2024 (Text box 3). The projection is based on the historical seasonal collection pattern of individual excise tax categories (which does not include years with specificities), as well as trends and projections of macroeconomic indicators.

Text box 3: Excise revenue projections

	2024	2025	2026	2027	2028
Projections, million BAM	1.851,7	1.929,9	2.011,2	2.098,0	2.193,7
Projections, growth rate		4,2%	4,2%	4,3%	4,6%
Projections, % GDP	3,5%	3,4%	3,4%	3,4%	3,3%

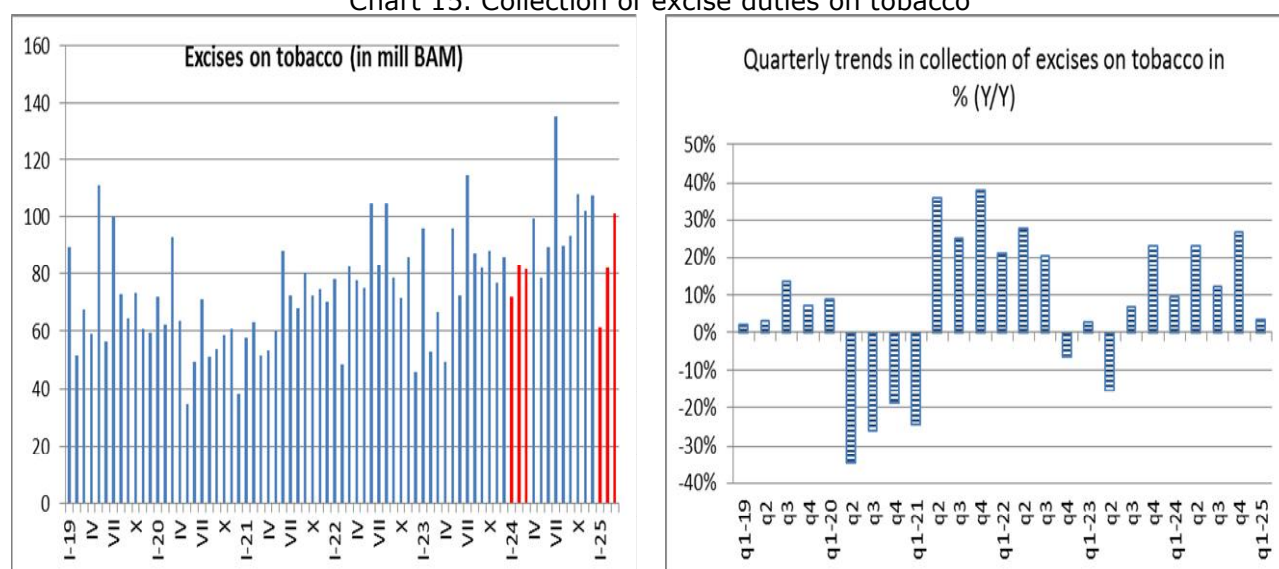
### 2.2. Excise duties on tobacco products

#### *Projections of excise taxes on tobacco products for 2025*

An analysis of the structure of excise revenue shows that the increase achieved in excise revenue collection in the first quarter of 2025 compared to the same quarter of 2024 stems exclusively from the collection of excise taxes on tobacco products. However, the aforementioned increase

was achieved only in March. The collection of excise taxes on tobacco products in January 2025 was halved compared to the collection in December 2024, and in February it was at the level of collection in February 2024 (Chart 15, left). Only in March did the collection of excise duties in absolute terms approach the level of excise duty collection on tobacco products in the last quarter of 2024. Oscillations in the collection of excise duties on tobacco products are common, given that only two tobacco corporations pay over 83% of excise duty revenue, and, bearing this in mind, any change in business policies or *ad hoc* business decisions based on the current assessment of the market situation by the management of these two corporations inevitably have an impact on the total collection of excise duties on tobacco products. Following business policies and estimates of the beginning of the winter season at the end of 2024, instead of at the beginning of the following year, cigarette imports increased significantly, which resulted in a high growth in revenues from excises on tobacco products, increasing the growth rate of excise duty revenue in 2024.

Chart 15. Collection of excise duties on tobacco



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

The recovery in excise duty collection on tobacco products in March resulted in a growth rate of 3.6% in the first quarter of 2025. This is a modest growth rate considering the growth rates in the previous six quarters, and especially compared to the fourth quarter of 2024, when a high growth of 26.7% was recorded (Chart 15, right). Although after the change in the excise duty payment regime on tobacco products, data from the records on issued excise stamps are not directly correlated with collected excise revenue, they are important for understanding trends in the cigarette and tobacco market and future trends in excise duty collection. According to reports for the first two months of 2025, the quantity of cigarettes, measured by the number of excise stamps issued, increased by 22.4%, and the value of cigarettes was 27.8% higher compared to the same period in 2024. Since the cumulative calculated excise revenue in the first two months of 2025 was as much as 74% higher, it is assumed that part of the difference will be collected in March and April, taking into account the time required for cigarette production outside B&H after the excise stamps are exported. The growth in the weighted average retail price in the first two months of 2025 compared to the weighted average retail price in 2024 was minimal, only 1%, which was expected given the announcements of retail price increases.<sup>23</sup>

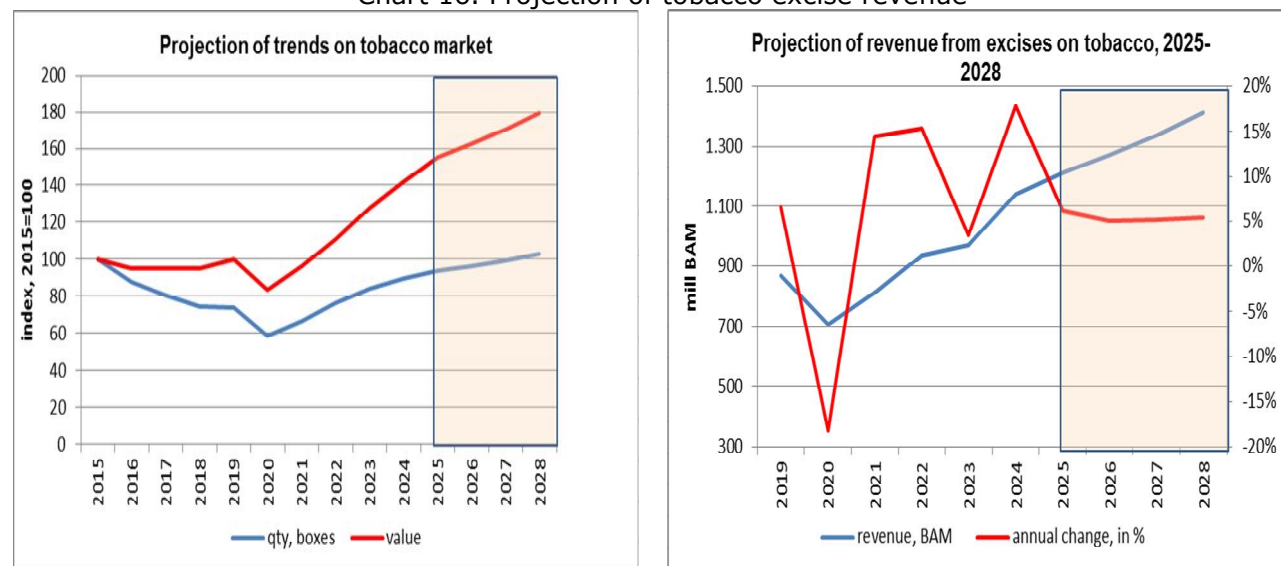
<sup>23</sup> In the first two months of 2025, retail prices of certain cigarette brands of the two largest tobacco corporations were increased twice, on March 3, 2025 and February 17, 2025. The report and the above analysis do not include the effects of

The basic starting point for projections of excise tax revenues on tobacco products for 2025 are the current trends in excise tax collection on tobacco products, which are characterized by large oscillations. Unlike projections for previous years, historical trends in excise tax collection on tobacco products cannot represent a reliable starting point for collection projections in 2025 due to the change in the excise tax payment regime in 2023, which led to a structural break in the data series and the loss of direct correlation between collected excise tax revenues and data on quantities, prices and market values of cigarettes and tobacco from the records of issued excise stamps for tobacco products. Taking into account all limitations, starting from current trends in the collection of excise duties on tobacco products and current trends in the cigarette market in B&H in the first quarter of 2025, assuming that the total increase in the weighted average price of cigarettes in 2025, including the increase in retail cigarette prices in the first quarter of 2025, will be in line with the DEP's consumer price index projections, an increase in excise duties on tobacco products of 6.2% can be expected in 2025.

#### *Projections of excise duties on tobacco products for 2026-2028*

An important factor in achieving excise duty collection projections is the unchanged excise policy and the continuous fight against the black market of cigarettes and tobacco in B&H. In the next three years, the political situation in the world is expected to stabilize, as well as the stabilization of commodity exchanges and prices on the world market, recovery and growth of the economy, income and consumption in accordance with macroeconomic projections. Market growth should follow macroeconomic projections of consumption, which, together with the growth of the weighted average price in accordance with the DEP's projections of consumer price index, should lead to a further increase in the value of cigarette turnover and taxed quantities of cigarettes (Chart 16, left). Under the above assumptions, an increase in revenues from excises on tobacco products of 5.1%, 5.2% and 5.5% can be expected in 2026, 2027 and 2028 (Chart 16, right).

Chart 16. Projection of tobacco excise revenue



Source: ITA data and projections of the MAU

the third increase in prices of certain cigarette brands of other tobacco companies in the first quarter, which came into force on March 17, 2025.

### 2.3. Excise duty on oil derivatives

#### *Revenues from excise duties on oil derivatives compared to oil prices on the world market*

In the period from 2006 to 2014, the net collection of excise duties on oil derivatives was quite uniform, with an average of 426.5 million BAM (min 414.4 million; max 441.7 million BAM). On the other hand, the average oil prices on the world market in the mentioned period varied strongly<sup>24</sup>, ranging between 61.7 and 111.6 dollars per barrel. Average oil prices on the world market fell sharply in 2015, leading to a drop in prices of derivatives on the B&H market and to an increase in the net collection of excise duties on oil derivatives. In the period from 2015 to 2019, the average annual oil prices on the world market ranged from 43.6 to 71.3 dollars per barrel, while the net collection of excise duties on the Single Account of the ITA ranged from 465.1 to 526.5 million BAM. The following period, 2020-2023, was very turbulent, both in terms of oil prices and in terms of the collection of excise duties on oil derivatives. The prices of derivatives fell sharply in 2020 (an average of only 42 dollars per barrel), and contrary to the laws of the market economy, as a result of restrictive measures in the fight against the coronavirus and the resulting loss of consumption, the net collection of excise duties on oil derivatives also fell (469.5 million BAM). In 2021, both oil prices on the world market (to 70.9 dollars per barrel) and the net collection of excise duties on derivatives (524.4 million BAM) increased, due to the recovery in consumption. In 2022, there was another decline in net excise duty collection (501.9 million BAM) with high oil prices on the world market (average 100.9 dollars per barrel) due to the war in Ukraine, while in 2023, reverse trends were recorded (average oil prices on the world market 82.5 dollars per barrel, net excise duty collection on oil derivatives 522.1 million BAM). In 2024, average oil prices on the world market amounted to 80.5 dollars per barrel, and net excise duty collection on oil derivatives 563.1 million BAM.

Based on the above, it can be concluded that oil prices on the world market have varied much more than excise taxes collected on oil derivatives in B&H.

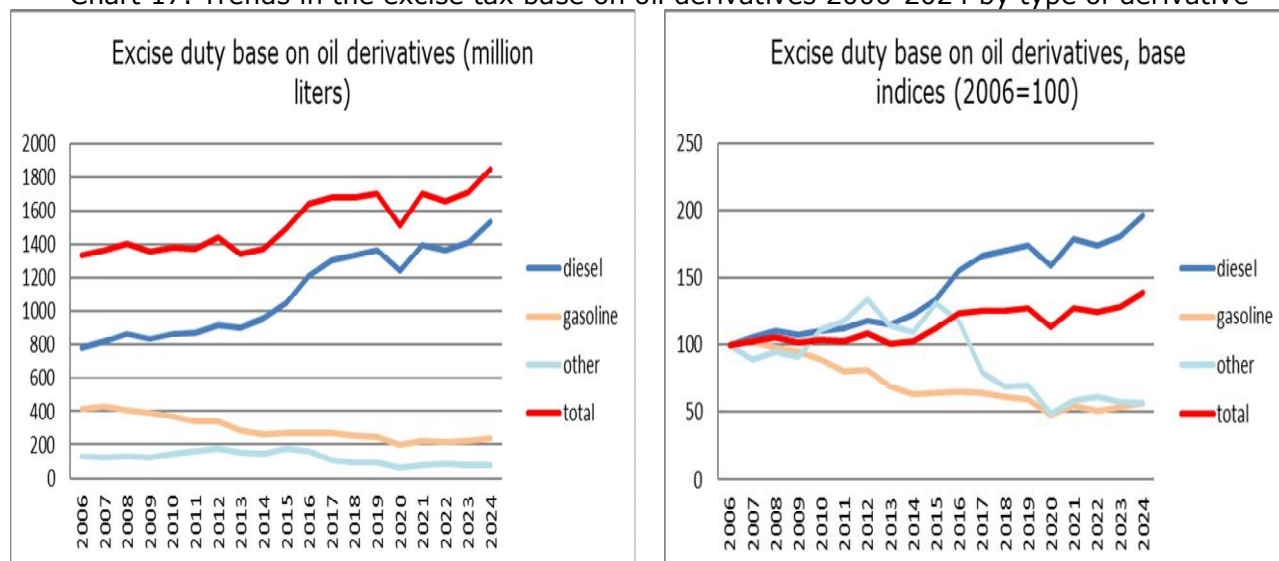
#### *Structure of the excise tax base on oil derivatives*

It is also interesting to analyze the trends in consumption categories that are included in the excise tax base. Compared to 2006, diesel fuel consumption increased by a high 96%, while the component of consumption of gasoline and other derivatives that are included in the base (kerosene and heating oil) almost halved (-43% and -43.5%, respectively).

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<sup>24</sup> Data from U.S. Energy Information Administration, Europe Brent Spot Price FOB, dollars per barrel  
Banja Luka: Bana Lazarevića, 78 000 Banja Luka, Tel/fax: +387 51 335 350, E-mail: [oma@uino.gov.ba](mailto:oma@uino.gov.ba)  
Sarajevo: Zmaja od Bosne 47b, 71 000 Sarajevo, Tel:+387 33 246 081, Fax:+387 33 246 080, Web: [www.oma.uino.gov.ba](http://www.oma.uino.gov.ba)

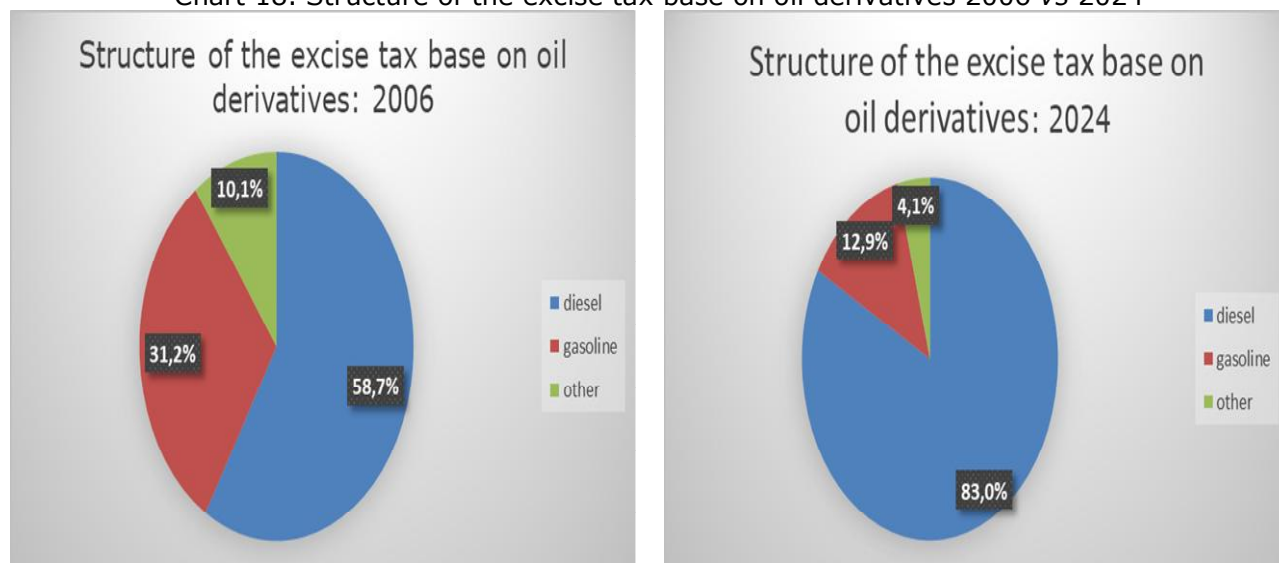
Chart 17. Trends in the excise tax base on oil derivatives 2006-2024 by type of derivative



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

The structure of the excise tax base has changed significantly over the period 2006-2024. From a 58.7% share in the base in 2006, diesel consumption has increased to a high 83%. On the other hand, gasoline consumption has decreased from 31.2% in 2006 to 12.9% in 2024.

Chart 18. Structure of the excise tax base on oil derivatives 2006 vs 2024



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

### Projections of excise duties on oil derivatives for 2025

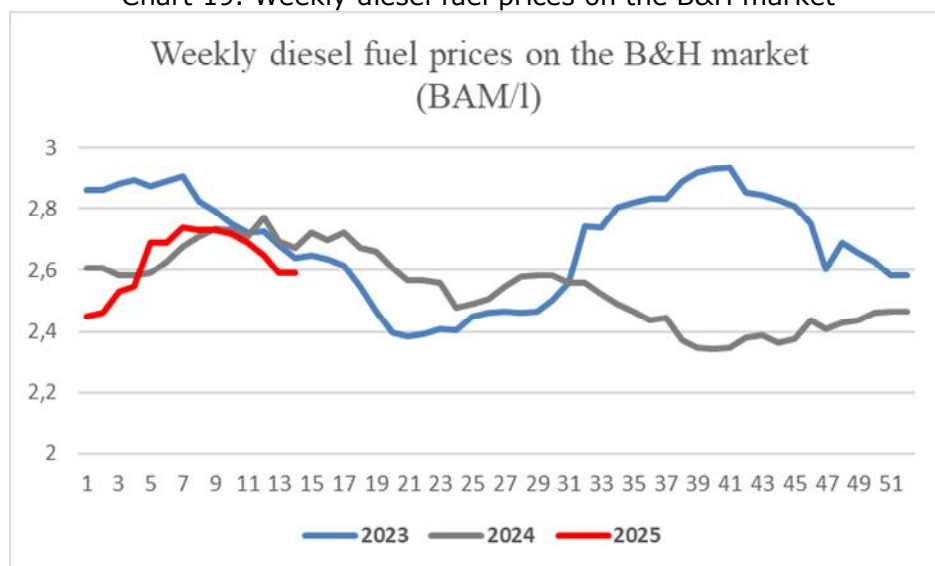
Weekly diesel fuel prices in 2024<sup>25</sup> ranged between 2.34 BAM/l and 2.77 BAM/l. Compared to the same week in 2023, diesel fuel prices in 2024 were lower until the end of week 11 (mid-March) and then again from week 32 until the end of the year. In the first quarter of 2025, weekly diesel fuel prices ranged from 2.45 to 2.74 BAM/l. Weekly prices in the first quarter of 2025 were below

<sup>25</sup> International Road Transport Union data taken from the website of the Foreign Trade Chamber of BiH  
 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 33 246 080, Web: www.oma.uino.gov.ba



the corresponding prices in 2023. Compared to the same week in 2024, weekly prices in 2025 were lower until the end of week 4 and then again from weeks 9 to 14. From the 5<sup>th</sup> to the 8<sup>th</sup> week of 2025, they were above prices in 2024 (Chart 19).

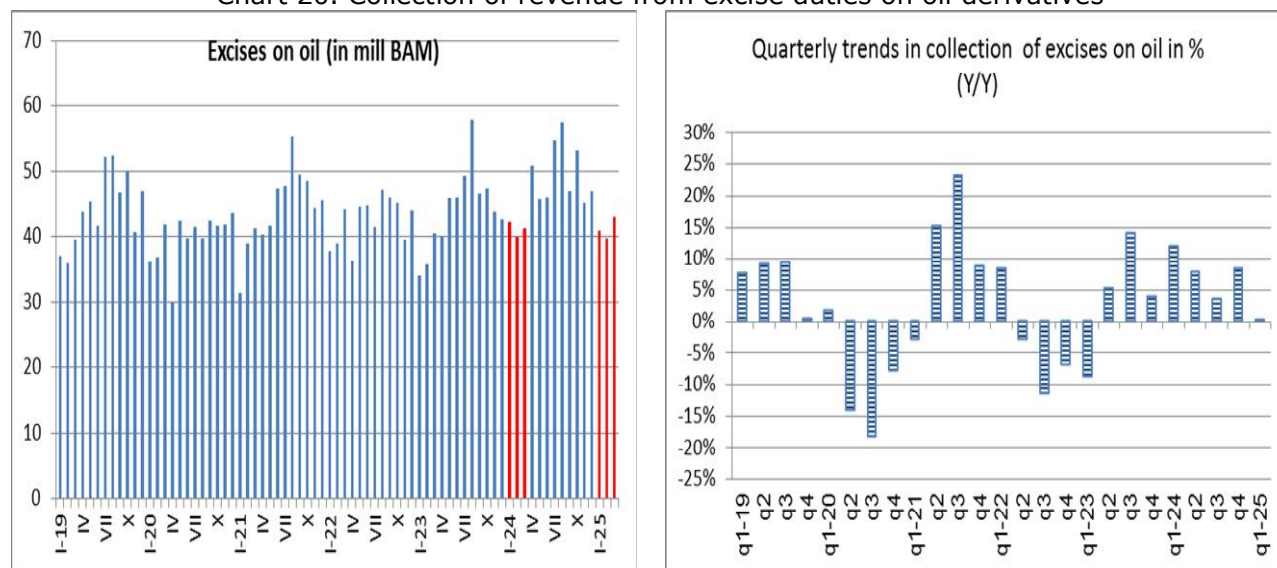
Chart 19. Weekly diesel fuel prices on the B&H market



Source: Calculation and presentation of the MAU based on the International Road Transport Union, taken from the website of the Foreign Trade Chamber of B&H

In January 2025, a 3% decline in excise revenue on oil derivatives was recorded, and in February the decline was -0.7% (Chart 20, left), which increased the cumulative decline to -1.9%. After a worse start, in March, a 3.9% increase in excise revenue on oil derivatives was achieved. The increase in collection in March completely cancelled the decline from the first two months, and a minimal quarterly growth of 0.1% was achieved. This is the lowest quarterly growth rate in the last two years (Chart 20, right).

Chart 20. Collection of revenue from excise duties on oil derivatives



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

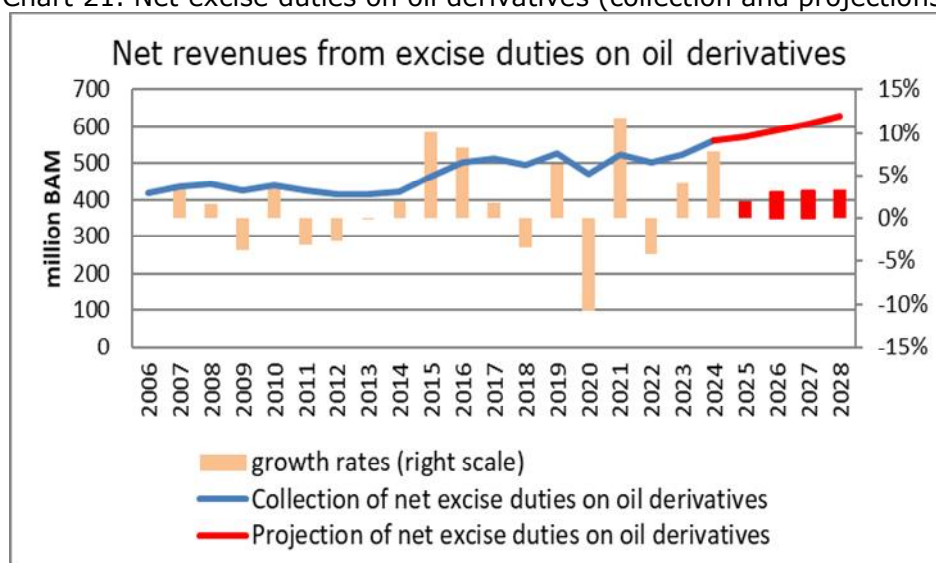
Bearing in mind all of the above, and based on projections of macroeconomic indicators, price movements on the world oil market and prices of derivatives on the B&H market, and the latest trends in excise duty collection and the seasonal collection pattern that does not include years with specifics, the projected growth rate of net revenue from excise duties on oil derivatives for 2025 is 1.9%.

#### *Projections of excise duties on oil derivatives for 2026-2028*

From the previous text, it can be concluded that the strong price turbulences in the past period, together with the movements of relevant macroeconomic indicators, determined the consumption of oil derivatives on the B&H market, and thus the collected revenues from excise duties on oil derivatives, which have a significant share in total revenues from indirect taxes. Since the consumption of oil derivatives is price inelastic,<sup>26</sup> net revenues from excise duties on oil derivatives were extremely stable. Their range (the difference between the maximum and minimum values) in the period 2006-2024 amounted to only about 150 million BAM. In 2006, they amounted to 418.4 million BAM, and with occasional ups and downs, by 2024 they reached the level of 563.1 million BAM.

Projections of excise duties on oil derivatives for the period 2026-2028 follow the projections of relevant macroeconomic indicators. In 2026, 2027 and 2028, stable growth rates of excise duties on oil derivatives are planned, namely: 3%, 3.1% and 3.3%, respectively (Chart 21).

Chart 21. Net excise duties on oil derivatives (collection and projections)



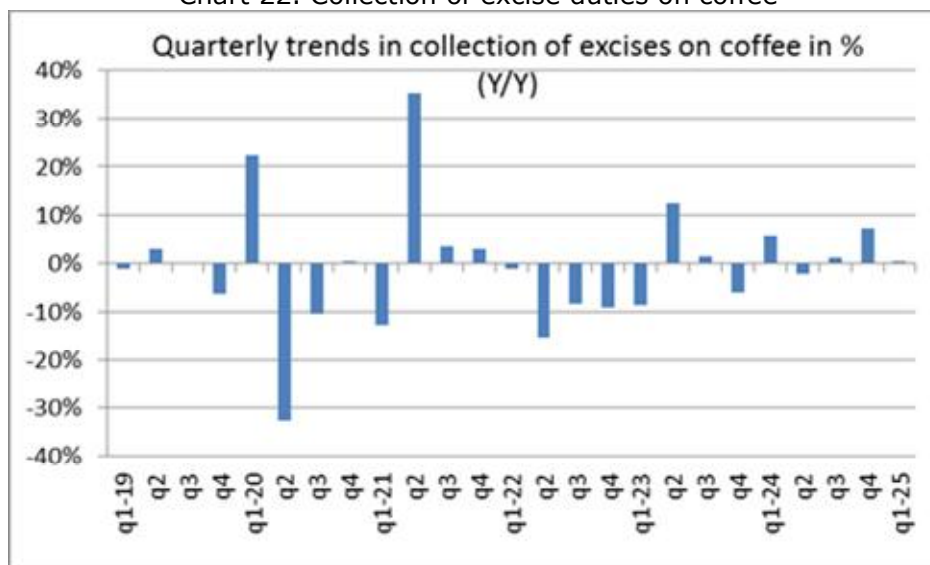
Source: ITA data and projections of the MAU

## 2.4. Other

The collection of excise duties on coffee in the first quarter fluctuated from -3.6% in February to 4.7% in January, so that at the first quarter level, a minimal growth of 0.1% was achieved (Chart 22). Quarterly comparisons in the last two years show strong oscillations in quarterly growth rates, but in absolute terms, the differences are not significant.

<sup>26</sup> The calculation of the elasticity of demand for oil derivatives in Bosnia and Herzegovina is available in MAU Bulletin 237/238, [www.oma.uino.gov.ba](http://www.oma.uino.gov.ba)

Chart 22. Collection of excise duties on coffee

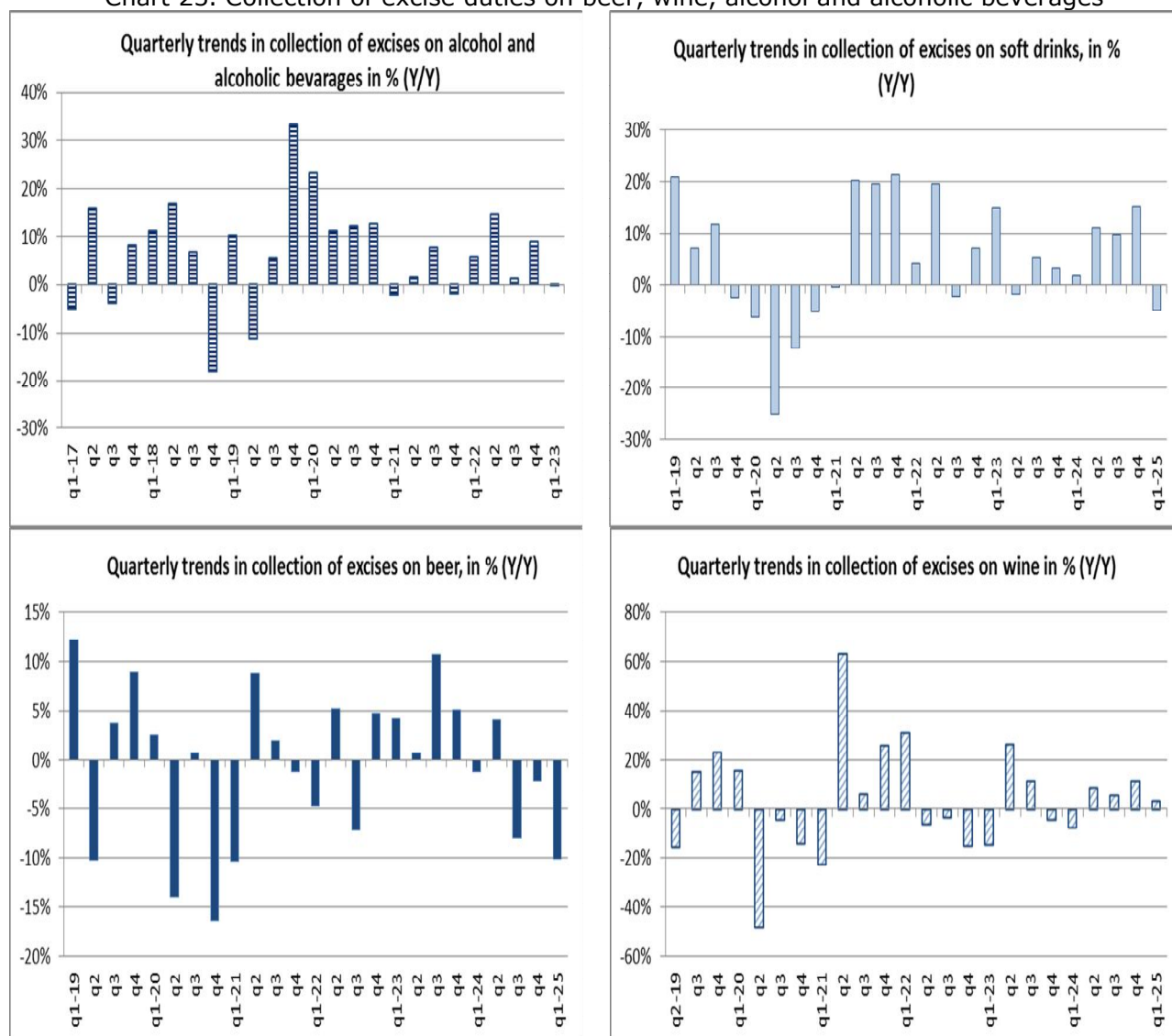


Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

The collection of excise duties on the product group consisting of beer, wine, alcohol, alcoholic and non-alcoholic beverages was 5.2% lower in the first quarter of 2025 than in the same period in 2024. However, trends within the structure of excise duties collected by product type differ depending on the type of product. Positive quarterly growth was achieved only in the collection of excise duties on wine, which has a minor share in the total amount of excise duties collected on products from this group. The collection of excise duties on alcohol and alcoholic beverages was at the level of the collection from the same period in 2024, while the excise duty on non-alcoholic beverages was collected 4.3% less. The largest drop of -10.1% was achieved in the collection of excise duties on beer (Chart 23).

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 tax revenues. Their projections are based on the historical seasonal collection pattern of individual excise tax categories (which does not include years with specificities), collection in the first quarter of 2025, and trends and projections of macroeconomic indicators.

Chart 23. Collection of excise duties on beer, wine, alcohol and alcoholic beverages



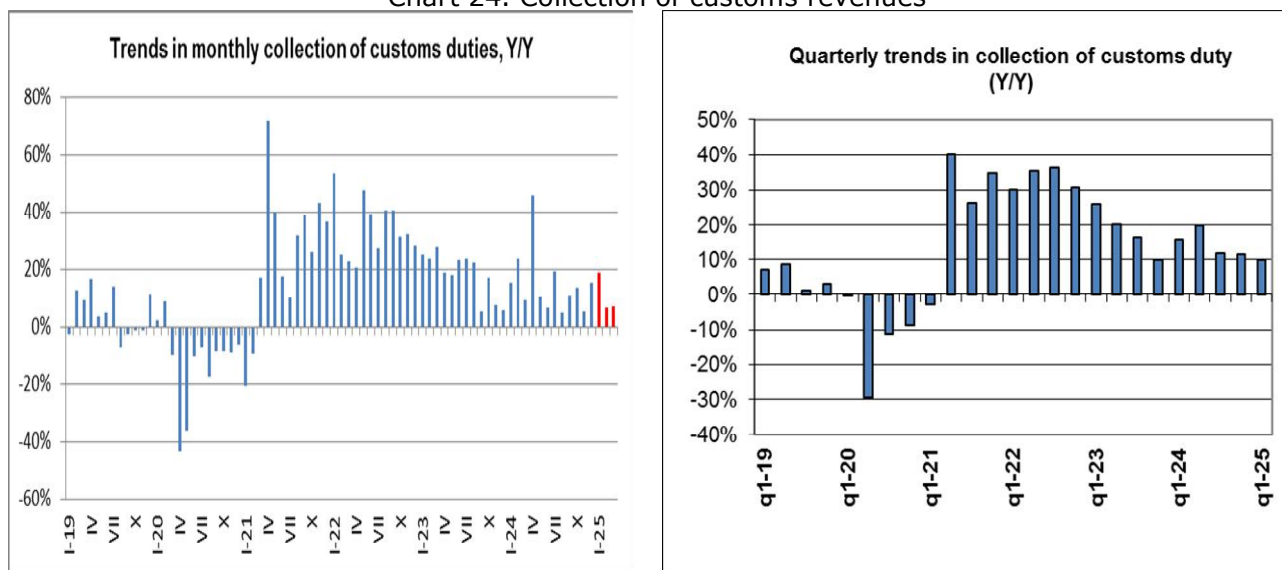
Source: Indirect Taxation Authority of B&amp;H, calculation and presentation of the MAU

### 3. Customs

#### 3.1. Customs revenue projections for 2025

In January 2025, the trend of positive growth rates of customs revenue from the previous year has continued. A growth of 18.8% was achieved, the highest in the last six months (Chart 24, left). At the level of the first quarter, the growth rate was 10%, which is lower by 1.5 p.p. than in the third and fourth quarters of 2024 (Chart 24, left). Considering that customs duties are retained only on a limited number of goods imported from the EU, and on the import of goods from China and other third countries, the increase in customs revenue was a consequence of the increase in the import of these goods. According to official data<sup>27</sup>, in the first two months of 2025, imports from third countries grew by 9.5%, within which the growth of imports from China was as much as 25.9%. At the same time, imports from EU member states grew by 3%.

Chart 24. Collection of customs revenues



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

According to ITA data, in the period I-III 2025, the import growth rate was 5.5% compared to the same period of the previous year. According to DEP's projections, a slightly lower import growth rate of 5.1% will be achieved at the annual level. Taking into account the trends in customs revenue collection, import trends and DEP's projections, net customs collection is projected for 2025 in the amount of 649.9 million BAM, which is 12% more than the collection in the previous year.

#### 3.2. Projections of customs revenue for the period 2026-2028

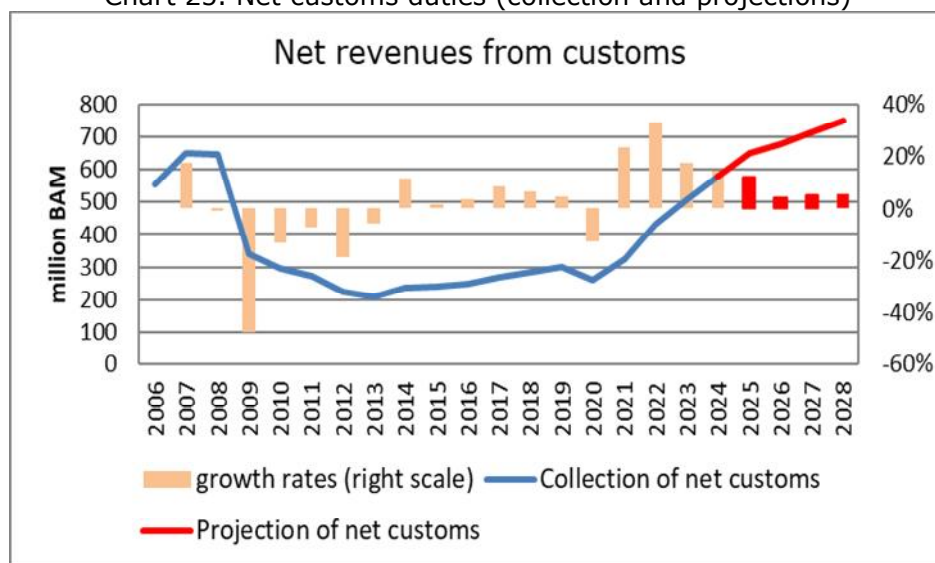
The liberalization of foreign trade has led to a sharp decline in customs revenues. From 650.4 million BAM in 2007, net customs revenue fell to just 211 million BAM in 2013. Since 2014, there has been a six-year trend of slight growth in these revenues, reaching a level of 300.6 million BAM in 2019. In 2020, with the coronavirus pandemic, net customs revenue fell again to 262.2 million BAM, while in the period 2021-2024 it recorded a strong recovery, and in 2024 it amounted to 580.1 million BAM. Projections of customs revenue (Text box 4) are based on collection trends, and follow projections of import trends. In 2026, 2027 and 2028, customs revenue growth rates of 4.2%, 5.2% and 5.4% are planned, respectively (Chart 25).

<sup>27</sup> Source: Agency for Statistics of B6H

Text box 4: Customs revenue projections

	2024	2025	2026	2027	2028
Projections, million BAM	580,1	649,9	677,2	712,4	750,8
Projections, growth rate		12,0%	4,2%	5,2%	5,4%
Projections, % GDP	1,1%	1,1%	1,1%	1,1%	1,1%

Chart 25. Net customs duties (collection and projections)



Source: ITA data and projections of the MAU

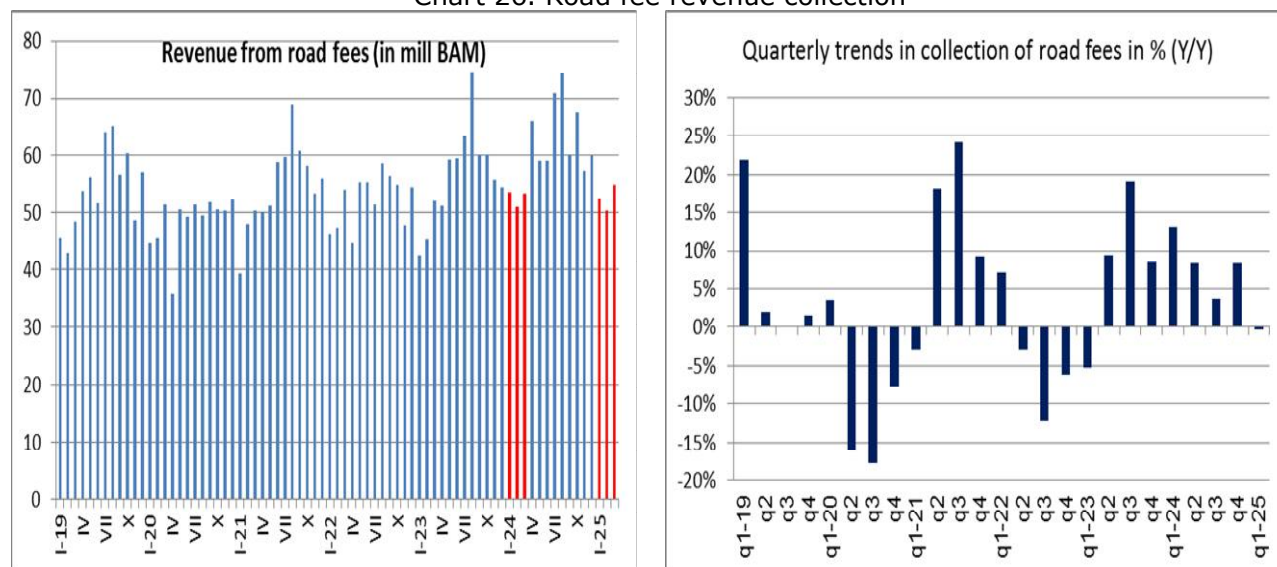


## 4. Road fee

### 4.1. Road fee revenue projections for 2025

In January 2025, a decline in road fee revenues of 2.1% was recorded, and a further deterioration in February of -1.4% increased the cumulative decline to -1.8% (Chart 26, left). In March, road fee collection increased by 2.5%. However, this was not enough to cancel the deficit from the first two months, so in the first quarter of 2025, a decline in road fee revenues of -0.3% was recorded (Chart 26, right). This is also the first quarter with negative growth in the last two years.

Chart 26. Road fee revenue collection



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

The projected amount of net road fee collection in 2025 is 739.5 million BAM, which is 1% more than in the previous year. In accordance with the decisions of the State Aid Council, the projections of road fee revenue imply the collection of road fee for all taxpayers, except for railways.

### 4.2. Projections of road fee revenues for the period 2026-2028

The long-term dynamics of road fee revenues were most affected by changes in taxation rates. Until 2009, the share of road fee revenues was not significant in indirect tax revenues. With the increase in the earmarked road fee rate in the middle of 2009<sup>28</sup>, road fee revenues have a more significant share in indirect taxes. Observed in absolute terms, in the period 2009-2014, net road fee revenues were in the range between 250.2 and 307 million BAM. With the drop in oil prices on the world market and the prices of oil derivatives on the B&H market, in 2015, road fee revenues increased. In the period 2015-2017, net road fee revenues were in the range between 320.5 and 382.7 million BAM. In February 2018, the earmarked road fee rate increased again,<sup>29</sup> and net road fee revenues recorded a sharp jump in collection. In the period 2018-2023, they were in the range

<sup>28</sup> In mid-2009, the new Law on Excises introduced the earmarked road fee for highways, in the amount of 0.10 BAM/l. This increased the total road fee rate from 0.15 BAM/l to 0.25 BAM/l.

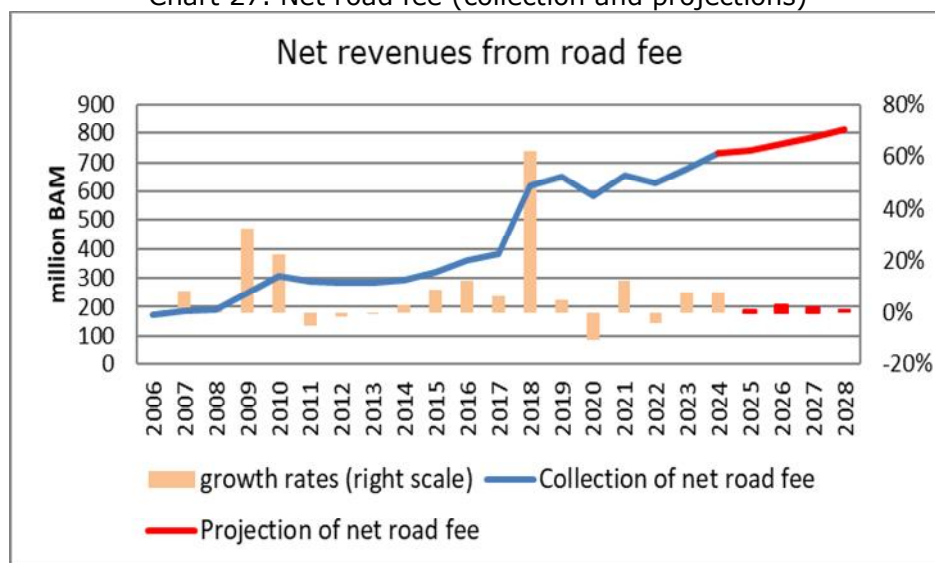
<sup>29</sup> With the amendments to the Law in 2017 (implemented as of February 2018), the article regulating the base and amount of the road fee was changed. The earmarked road fee rate increased from 0.10 BAM/l to 0.25 BAM/l, and was divided into 0.20 BAM/l for the construction of highways and 0.05 BAM/l for the construction and reconstruction of other roads. This increased the total road fee rate from 0.25 BAM/l to 0.40 BAM/l.

between 584 and 677.7 million BAM. The significant fluctuation in this period was a consequence of restrictive measures in the fight against the corona virus, the war in Ukraine and the resulting huge fluctuations in the prices of oil on the world market and oil derivatives on the B&H market. In 2024, road fee revenues amounted to 732.3 million BAM.

Text box 5: Projections of road fee revenues

	2024	2025	2026	2027	2028
Projections, million BAM	732,3	739,5	761,6	785,3	811,2
Projections, growth rate		1,0%	3,0%	3,1%	3,3%
Projections, % GDP	1,4%	1,3%	1,3%	1,3%	1,2%

Chart 27. Net road fee (collection and projections)



Source: ITA data and projections of the MAU

Road fee projections follow projections of relevant macroeconomic indicators (Text box 5). Taking into account the decisions of the State Aid Council of B&H, road fee revenue projections assume road fee collection for all taxpayers, except for railways. Road fee revenue growth rates of 3%, 3.1% and 3.3% are planned for 2026, 2027 and 2028, respectively (Chart 27).

## IV RISKS

Considering the enormous unknowns at the time of making projections about the further development of the international situation related to war events in the world and the assumptions used (DEP, macroeconomic projections), we point out that there are significant risks for the realization of projections of indirect tax revenues. 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 2025-2028 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.

### *Macroeconomic risks*

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's parameters from their projected values inevitably leads to deviations from the projected indirect tax revenues.

### *VAT refund on the purchase of the first residential property*

Amendments<sup>30</sup> to the Law on VAT introducing the right to a VAT refund on the purchase of a first residential property entered into force on April 12, 2025, but will be applied after the entry into force of amendments to the Book of Rules on the Implementation of the Law on VAT. The amendments to the Book of Rules will specify the conditions for the application of the right to a VAT refund. For this reason, it is not possible to estimate the static effects on the collection of indirect taxes in terms of VAT revenue losses. However, a dynamic analysis for the next years should take into account estimates of macroeconomic indicators and the price elasticity of demand for apartments. **A possible risk of elastic demand for apartments is the neutralization of the positive effects of VAT refunds for individuals.** Given that this is a significant amount of relief, the increase in demand for apartments caused by the right to a VAT refund may result in an increase in apartment prices, which may deter potential buyers from purchasing apartments (by postponing or abandoning the purchase), as well as other buyers who would not be entitled to a VAT refund. This could ultimately nullify the relief granted to apartment buyers, thereby defeating the main objective of amending the VAT Law.

### *Elimination of customs duties on imports of goods originating in the USA*

The proposal to abolish customs duties on imports of goods originating in the USA into B&H implies the temporary abolition of customs duties until the signing of a free trade agreement between B&H and the USA.

According to the static estimate, which is based on ITA data on collected import duties by origin of goods in 2024, the loss of revenue from indirect taxes would amount to 17.2 million BAM, in the structure of which 14.7 million BAM refers to customs revenues, and the rest to the corresponding VAT (Text box 6). The dynamic estimate of revenue loss takes into account all assumptions used in the preparation of projections of customs revenues and VAT revenues in the period 2025-2028. In the mentioned period, the total loss of revenue from indirect taxes (customs duties and VAT) would range between 19.1 million BAM in 2025 and 22 million BAM in 2028, representing 2.5% of customs revenues, 0.2% of total indirect tax revenues, or 0.03% of GDP (Text box 6).

Text box 6: Estimated losses due to the elimination of tariffs on imports from the USA

<sup>30</sup> Official Gazette of BiH No. 20/25 of April 4, 2025.

losses:	2024	2025	2026	2027	2028
VAT revenues, million BAM	2,5	2,6	2,7	2,9	3,0
customs revenues, mil BAM	14,7	16,5	17,2	18,1	19,0
total revenue losses, mil BAM		19,1	19,9	20,9	22,0
as a % of customs revenue		2,5%	2,5%	2,5%	2,5%
as % of indirect tax revenue		0,2%	0,2%	0,2%	0,2%
as % of GDP		0,03%	0,03%	0,03%	0,03%
Source: Indirect Taxation Authority (Report on collected duties by origin for 2024); DEP (GDP 2025-2028); MAU projections (2025-2028); Calculation of the MAU.					

#### *Potential risks related to road fee exemption*

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. Bearing in mind the decisions of the Council, the projections of road fee revenues for the period 2025-2028 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, that is, the obligation to refund previously paid road fee to taxpayers. On the other hand, the return of the relief would have a positive effect on the collection of road fee revenues. 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 one-time additional revenue in the revenue projections for the period 2025-2028.

#### *Other risks: risks from the sphere of indirect taxes*

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

- 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, requests for exemption or payment of refunds for sales in the country etc.

## Appendix: Latest projections of international institutions

### i. Projections of the European Commission (EC)

Based on Table 7, projections of real GDP growth and inflation for the period from 2024 to 2026 can be seen from the latest EC projections.<sup>31</sup> For 2024, it was estimated that real GDP growth of 0.9% was achieved in the EU, while growth rates of 1.5% and 1.8% are projected for 2025 and 2026, respectively. As for the inflation rate in the EU, it is estimated to fall from 2.6% in 2024 to 2.4% in 2025 and to 2% in 2026.

Table 7. EC projections, Autumn 2024

Projection	Real GDP growth (%)				Inflation (%)		
	2024	2025	2026		2024	2025	2026
Euro Area	0,8	1,3	1,6		2,4	2,1	1,9
EU	0,9	1,5	1,8		2,6	2,4	2

Source: European Economic Forecast, Autumn 2024

### ii. Projections of the International Monetary Fund (IMF)

The latest IMF projections date from January 2025.<sup>32</sup> According to the source, it is estimated that global growth in 2024 amounted to 3.2%, and that growth rates in 2025 and 2026 will amount to the same 3.3% (Table 8).

In addition to the projections for the World economy, Table 8 presents the IMF's projections for the Euro Area.

Table 8. Real GDP growth projections, IMF, January 2024

		Projection			Difference compared to the October 2024 WEO	
		2024	2025	2026	2024	2025
World Output	3,2	3,3	3,3		0,1	0,0
Euro Area	0,8	1,0	1,4		-0,2	-0,1

Source: IMF, World Economic Outlook Update, January 2025.

### iii. Projections of the European Central Bank (ECB)

The ECB's March 2025 projections expect average annual real GDP growth in the Eurozone to be 0.9% in 2025, strengthening to 1.2% in 2026 and 1.3% in 2027.

Table 9. GDP growth and inflation projections for the Eurozone, ECB, March 2025.

	2024	2025	2026	2027
Real GDP growth	0,8	0,9	1,2	1,3
HICP inflation	2,4	2,3	1,9	2,0

Source: ECB projections from March 2025; [www.ecb.europa.eu](http://www.ecb.europa.eu)

<sup>31</sup> European Economic Forecast, Autumn 2024, October 2024

<sup>32</sup> IMF, World Economic Outlook Update, January 2025

## Trends in revenue from excise duties on beer

(Author: Mirjana Popović, expert advisor - macroeconomist)

### Summary

*The analysis of trends in revenues from excise duty on beer in Bosnia and Herzegovina (hereinafter: BiH) is a continuation of the analyses published in previous issues of the Unit's bulletin<sup>33</sup> focusing on:*

- *Annual collection of total revenues from excise duty on beer and revenues from excise duty on imported and domestic beer in the period 2021<sup>34</sup>-2024<sup>35</sup>, as well as the annual growth rate of these revenues for the period 2022-2024.*
- *Quarterly collection of total revenues from excise duty on beer and revenues from excise duty on imported and domestic beer for the period first quarter (Q1) 2021-fourth quarter (Q4) 2024<sup>36</sup>, as well as the quarterly growth rate of these revenues for the period first quarter (Q1) 2022-fourth quarter (Q4) 2024.*
- *Monthly collection of total revenues from excise duty on beer and revenues from excise duty on imported and domestic beer for the period January 2021-February 2025<sup>37</sup>, as well as the monthly growth rate of these revenues for the period January 2022-February 2025.*

*The objectives of the analysis are to identify trends in the collection of revenue from excise duty on beer, to differentiate between domestic and imported production, and to determine the factors that influence changes in revenue. The analysis of trends and impacts includes an overview of revenue collection over recent years, seasonal effects, and the impact of economic factors such as inflation, wage growth, or a decrease in purchasing power that affect beer consumption.*

### 1. Annual trends in revenues from excise duty on beer

Total revenues from excise duties have a large share in total revenues from indirect taxes, while total revenues from excise duty on beer will contribute 2.7% to total revenues from excise duties in 2024.

Chart one shows the trend in annual collection of revenues from excise duty on beer for the period 2021-2024, in millions of BAM. It shows the annual collection of total revenues on excise duty on beer in the observed time period and the annual collection of revenues on excise duty separated into components: revenues on excise duty on imported and domestic beer.

<sup>33</sup> More about the beer taxation policy and collection of revenues from excise duty on beer: Popović, M. (2022). "Analysis of collection of revenues from excise duties on beer". MAU bulletin no. 205/206

<sup>34</sup> Due to the consequences of the Covid-19 pandemic, the 2020 is not relevant for comparison

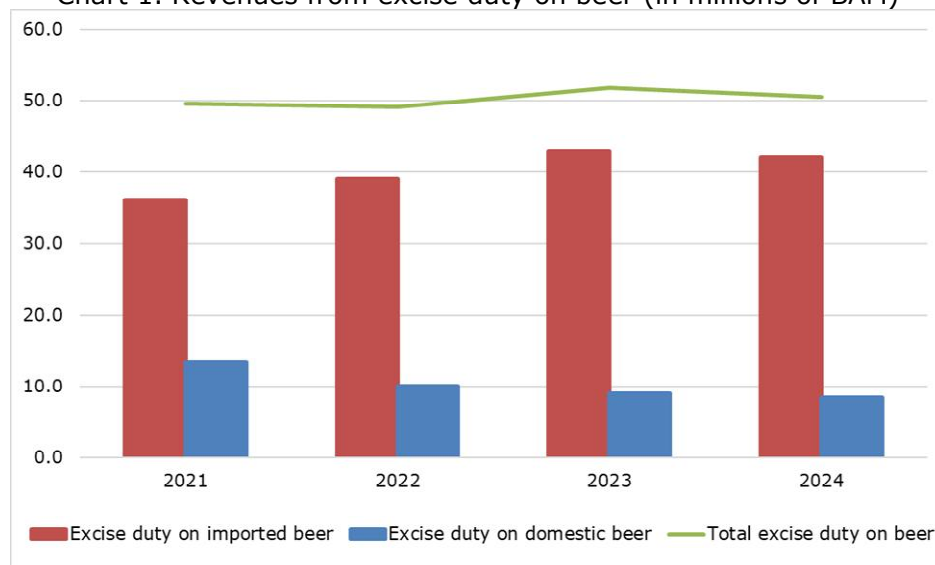
<sup>35</sup> Latest available annual data

<sup>36</sup> Latest available quarterly data

<sup>37</sup> Latest available monthly data



Chart 1. Revenues from excise duty on beer (in millions of BAM)



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

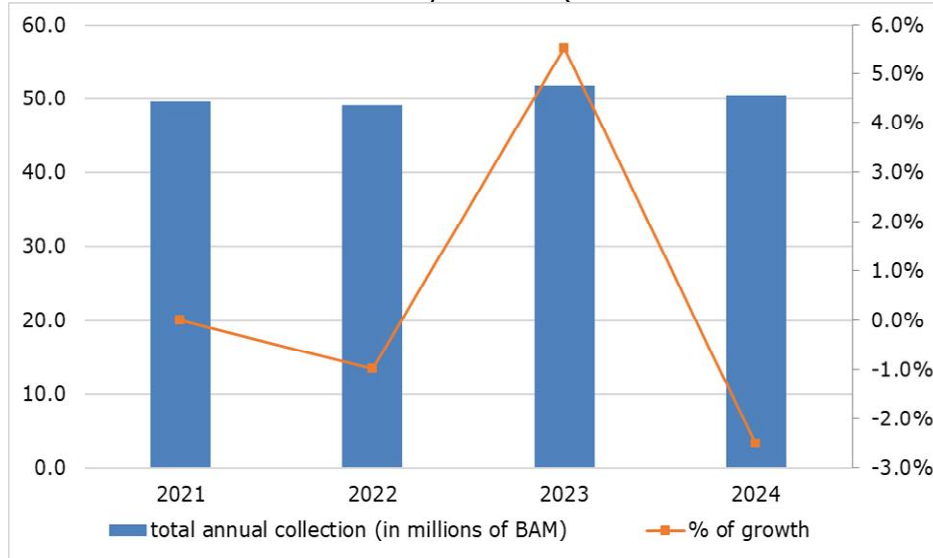
The chart shows the trend revenues from excise duty on beer in the period 2021-2024. In 2024, the collection of these revenues decreased slightly compared to the previous year. A decrease in excise revenue on imported beer was recorded, as well as a decrease in excise revenue on domestic beers, resulting in a decrease in total excise revenue on beer. Excise revenue on imported beer tended to grow until 2023, while on the other hand, the collection of excise revenue on domestic beer has been decreasing year by year. The biggest causes of this decrease are consumer preferences and the diversity of the imported beer offer, the price competitiveness of imported beer, which is available at lower prices. It creates unfair competition for domestic producers, the decline in production and consumption of domestic beer, and the insufficient representation of craft beer. Although the popularity of craft beer is growing globally, this trend is not sufficiently developed in BiH due to the limited distribution network, which affects the overall sales of domestic beer, while the constant dominance of imported beer on the BiH market further complicates the position of domestic producers.

### **1.1. Annual movement of total revenues from excise duty on beer**

Chart two shows the annual trend in the collection of total revenues from excise duty on beer for the period 2021-2024, in millions of BAM (left vertical scale) and the annual growth rate of these revenues for the period 2022-2024 (right vertical scale)<sup>38</sup>.

<sup>38</sup> compared to the previous year

Chart 2. Total revenues from excise duty on beer (in millions of BAM and % of growth)



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

In 2024, the collection of total revenues from excise duty on beer decreased by -2.5% compared to the collection of these revenues in 2023, while in 2023, the collection of these revenues recorded a significant increase of 5.5% compared to the collection in 2022. A slight decrease in total revenues from excise duty on beer of -1.0% was also recorded in 2022 compared to their collection in 2021 (Chart 2, % of growth).

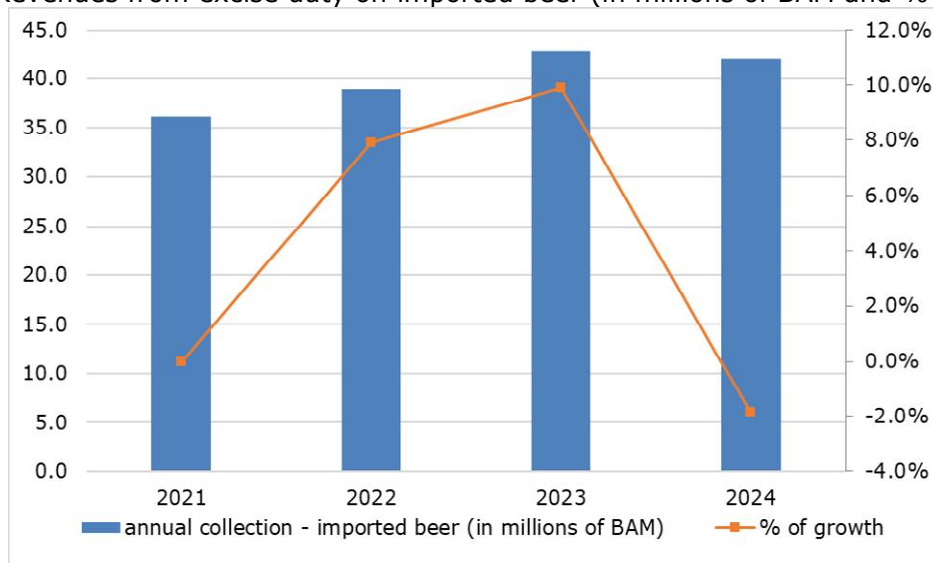
In addition to the annual collection of total revenues from excise duty on beer in the period 2021-2024, the analysis below shows the collection of revenues from excise duty on imported and domestic beer for the same period, which provides a more detailed picture of consumer preferences and the impact of other external factors on the consumption of this excise product.

### **1.2. Annual movement of revenues from excise duty on imported beer**

Chart three shows the annual trend in the collection of revenues from excise duty on imported beer for the period 2021-2024, in millions of BAM (left vertical scale), as well as the annual growth rate of these revenues for the period 2022-2024 (right vertical scale)<sup>39</sup>.

<sup>39</sup> compared to the previous year

Chart 3. Revenues from excise duty on imported beer (in millions of BAM and % of growth)



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

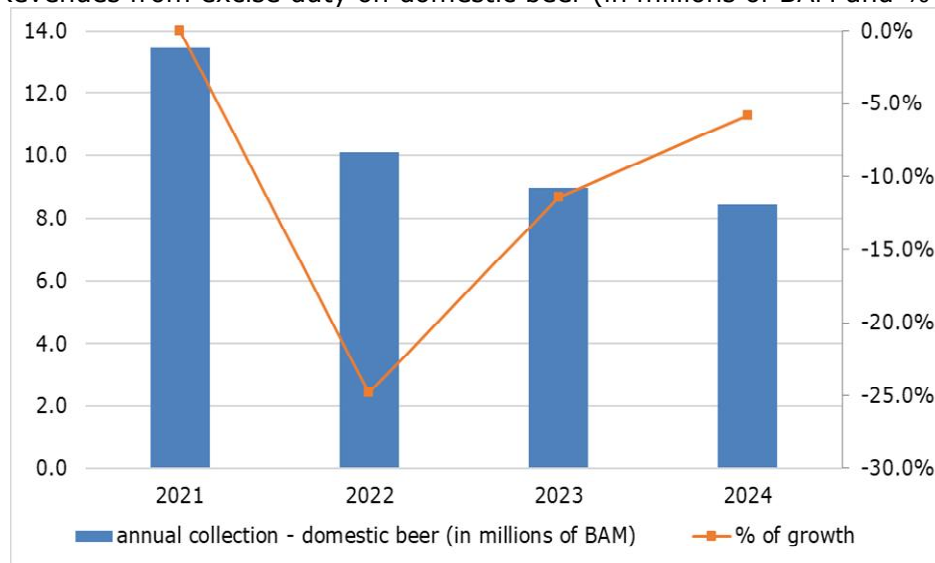
Given that the largest share in the total revenues from excise duty on beer are revenues from excise duty on imported beer, the collection of revenues from excise duty on imported beer had the greatest impact on the increase in the collection of total revenues from excise duty on beer. In 2024, revenues from excise duty on imported beer recorded a slight decrease of -1.8% compared to 2023, while in the previous two years, these revenues increased by 9.9% in 2023 and 7.9% in 2022, compared to the previous year (Chart 3, % of growth). The continuous increase in the collection of revenues from excise duty on imported beer from year to year is a consequence of consumer preferences, the increasing popularity of imported beer compared to domestic beer, as well as a more aggressive expansion of the offer of imported beer distributors. The significantly larger offer of imported beer compared to domestic producers and slight differences in selling prices are additional reasons for the increase in the consumption of imported beer compared to domestic beer.

### 1.3. Annual movement of revenues from excise duty on domestic beer

Chart four shows the trend in annual collection of revenues from excise duty on domestic beer for the period 2021-2024, in millions of BAM (left vertical scale), as well as the annual growth rate of these revenues for the period 2022-2024 (right vertical scale)<sup>40</sup>.

<sup>40</sup> compared to the previous year

Chart 4. Revenues from excise duty on domestic beer (in millions of BAM and % of growth)



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

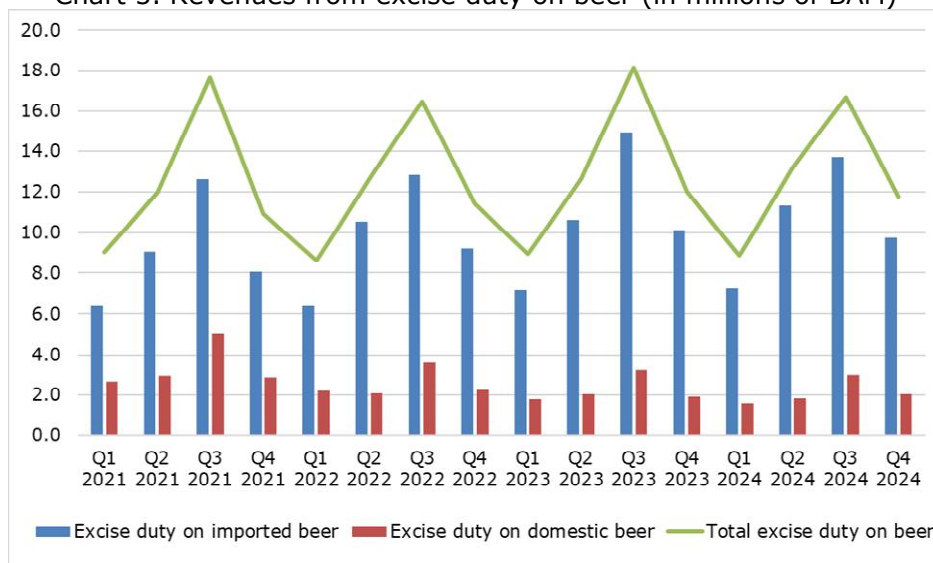
Unlike the increasingly popular imported beer, the collection of revenues from excise duty on domestic beer is decreasing year by year. Thus, in 2024, -5.8% less of these revenues were collected compared to 2023, while the collection of these revenues in 2023 was lower by -11.4%, and in 2022 by -24.8% compared to the previous year (Chart 4, % of growth). The decline in demand for domestic beer in BiH, despite the good quality of water and the opening of new markets, may be a consequence of several key factors, such as changing consumer habits, especially among young people who increasingly prefer international brands while traditional consumers of domestic beer brands are slowly declining in number. The perception of the quality and prestige of imported beer, which often has a stronger brand and recognition, which makes them more desirable even when domestic products have similar or better quality, is an additional reason for the demand. Also, more aggressive marketing dominance of foreign brands and greater diversification of imported beer, whose brands offer a wide range of different styles and flavors, further reduce demand for domestic brands, which often stick to traditional recipes.

## 2. Quarterly movement of revenues from excise duty on beer

The quarterly dynamics of revenue collection from excise duties on beer depends on seasonal, economic and regulatory factors such as seasonality, consumer habits, tourist season, distribution strategies, promotions, marketing campaigns, etc.

Chart five shows the quarterly trend in excise revenue on beer for the period (Q1) 2021-(Q4) 2024 in millions of BAM. The quarterly dynamics of total revenues on excise duty on beer, as well as revenues from excise duty on imported and domestic beer for this period are shown.

Chart 5. Revenues from excise duty on beer (in millions of BAM)



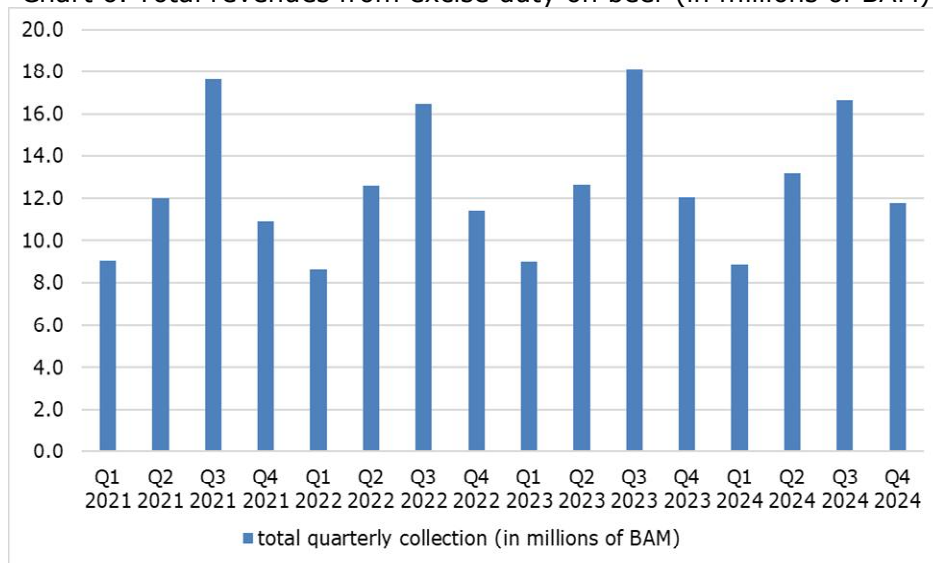
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The data shown in the chart represent an analysis of the seasonal trend, which is most influenced by weather conditions. Accordingly, the highest beer consumption in the four years under review was recorded in the third quarters, i.e. in the warm months, which implies higher imports and higher excise duty collection in the summer period. Beer consumption in the remaining quarters decreases, most often due to consumers switching to other alcoholic beverages such as wine, brandy and boiled alcoholic beverages. The arrival of tourists in the summer period further increases beer consumption in the country, while winter tourism can partially stimulate the consumption of this excise product in ski resorts, but cannot reach the level of the summer season. Below is a more detailed analysis of total revenues from excise duty on beer, revenues from excise duty on imported and domestic beer, as well as the growth rate of these revenues by quarter for the analyzed period.

### **2.1. Quarterly movement of total revenues from excise duty on beer**

Chart six shows the quarterly trend in the collection of total revenues from excise duty on beer, in millions of BAM for the period Q1 2021 - Q4 2024.

Chart 6. Total revenues from excise duty on beer (in millions of BAM)

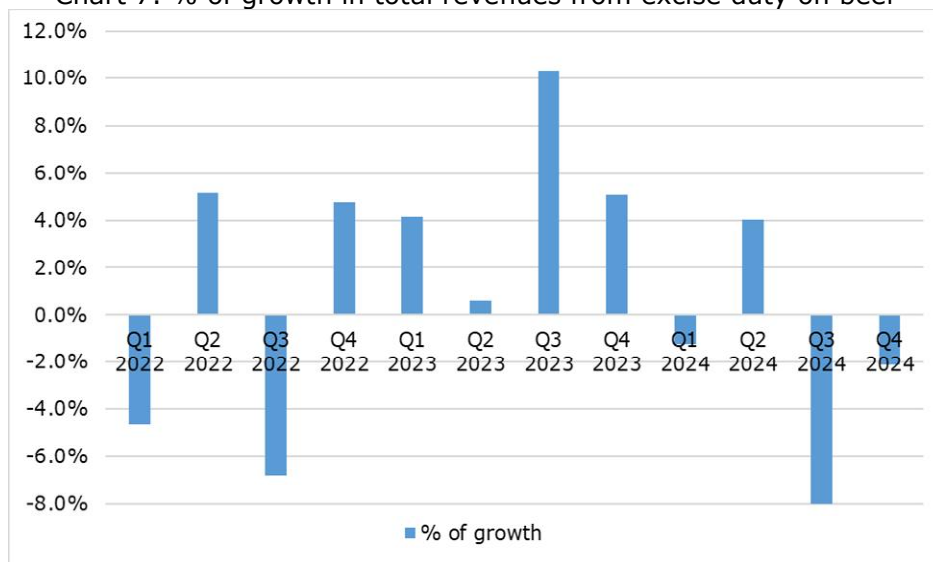


Source: Data from the Indirect Taxation Authority of BiH, MAU overview

As stated, the movement of the collection of total revenues from excise duty on beer at the quarterly level in the observed period is seasonal, and the collection of these revenues in the analyzed period is highest in the third quarters. Promotions and discounts that are often organized in the summer months and before the New Year holidays additionally affect short-term jumps in the collection of excise duties on beer.

Chart seven shows the quarterly growth rate of total revenues from excise duty on beer for the period Q1 2022 - Q4 2024, compared to the same quarter of the previous year.

Chart 7. % of growth in total revenues from excise duty on beer



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

An analysis of quarterly trends in total revenues from excise duty on beer recorded a decrease in the collection of these revenues in the first, third and fourth quarters of 2024 by -1.2%, -8.0% and -2.1%, as well as in the first and third quarters of 2022. In the observed period, the largest

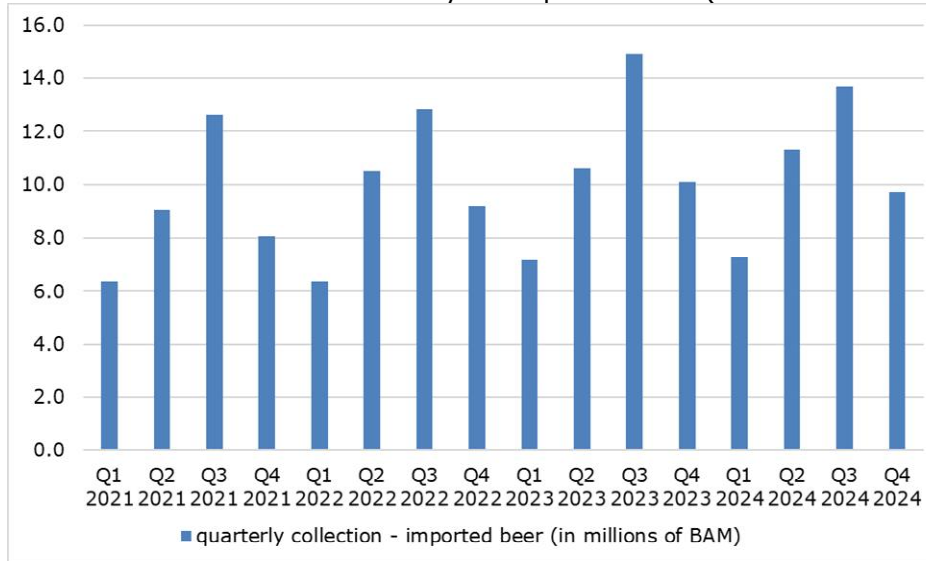


increase in the collection of these revenues was recorded in the third quarter of 2023, 10.3%, while in 2024 the only increase was recorded in the second quarter by 4.0%, compared to the same quarter of the previous year.

## 2.2. Quarterly movement of revenues from excise duty on imported beer

Chart eight shows the quarterly trend in revenue collection from excise duty on imported beer, in millions of BAM for the period Q1 2021 – Q4 2024.

Chart 8. Revenues from excise duty on imported beer (in millions of BAM)

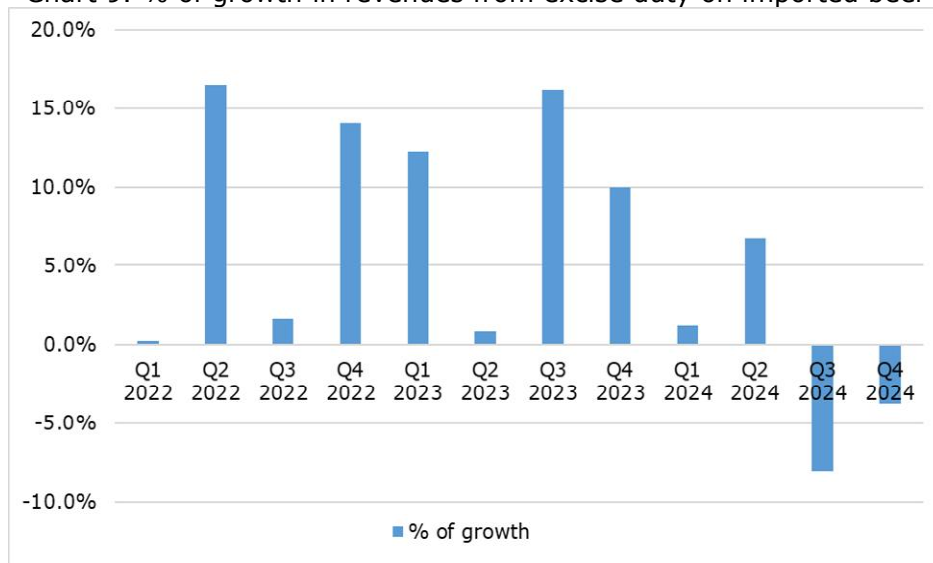


Source: Data from the Indirect Taxation Authority of BiH, MAU overview

As with the trend in total revenues from excise duty on beer, the quarterly trend in revenue collection from excise duty on imported beer is also seasonal, with the highest collection of these revenues occurring in the third quarters.

Chart nine shows the quarterly growth rate of revenues from excise duty on imported beer for the period Q1 2022 - Q4 2024, compared to the same quarter of the previous year.

Chart 9. % of growth in revenues from excise duty on imported beer



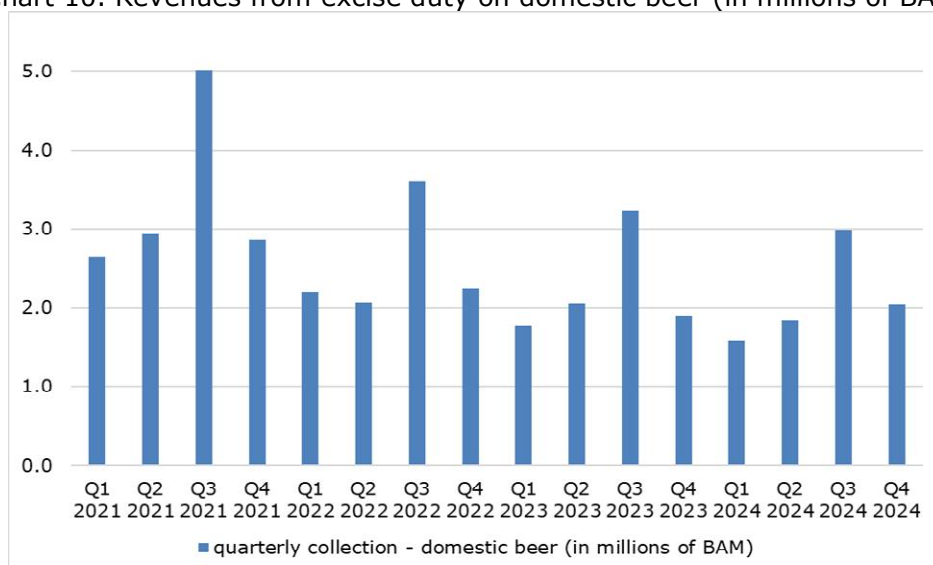
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

Quarterly collection of revenues from excise duty on imported beer in the observed period has a positive trend ending with the second quarter of 2024, after which a decrease in the collection of these revenues was recorded in the last two quarters; -8.1% in the third quarter, and -3.8% in the fourth quarter. The largest growth in these revenues was recorded in the second quarter of 2022, 16.5%, and the fourth quarter of the same year, 14.0%, as well as in the first quarter of 2023, 12.2%, and the third quarter of 2023, 16.2%, compared to the same quarter of the previous year.

### 2.3. Quarterly movement of revenues from excise duty on domestic beer

Chart 10 shows the quarterly movement in excise duty revenue collection on domestic beer, in millions of BAM for the period Q1 2021 - Q4 2024.

Chart 10. Revenues from excise duty on domestic beer (in millions of BAM)

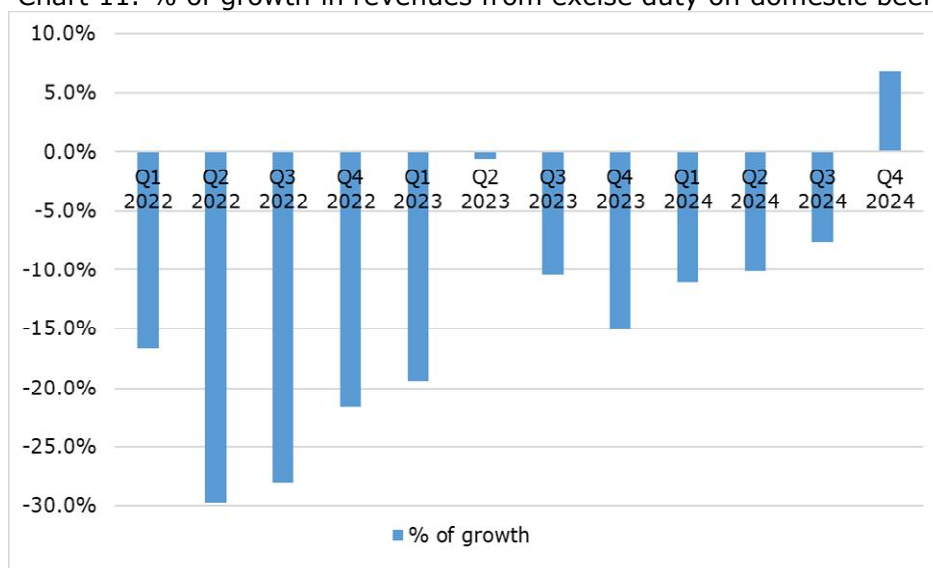


Source: Data from the Indirect Taxation Authority of BiH, MAU overview

These data are declining, indicating a trend of reduced excise revenue on domestic beer. This trend can be explained by a combination of several factors, the most important of which is the decline in domestic beer consumption. 2021 is characterized by a recovery after the pandemic shock, when in the second and third quarters there is a seasonal increase in consumption, while in the fourth quarter weather conditions affect the decrease in consumption. Inflation during 2022 and the increase in production costs in 2023 contribute to a larger decrease, while the lowest excise revenue on domestic beer was recorded in 2024 and is associated with competition from imports, weaker marketing and the failure of the market and production to recover.

Chart 11 shows the quarterly growth rate of revenues from excise duty on domestic beer for the period Q1 2022 - Q4 2024, compared to the same quarter of the previous year.

Chart 11. % of growth in revenues from excise duty on domestic beer



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

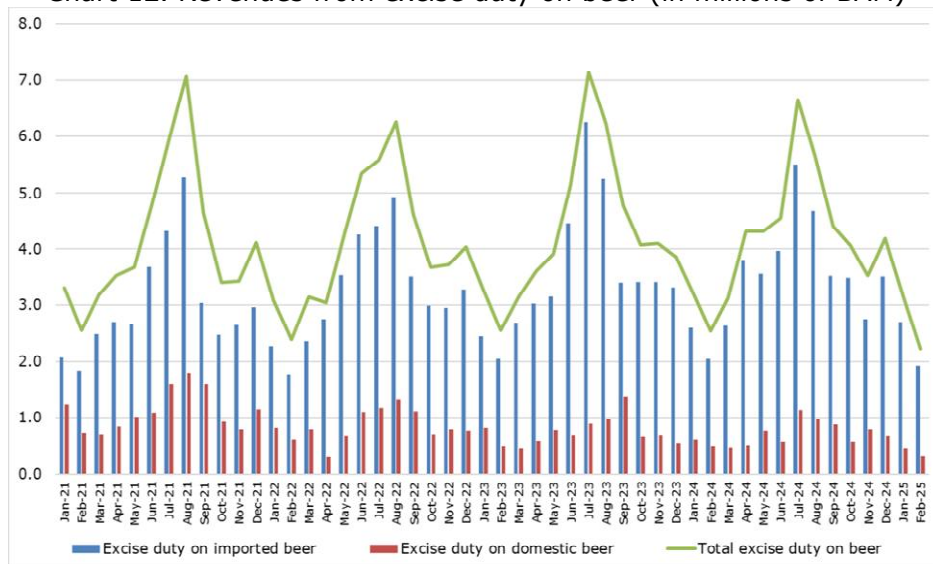
A negative trend in the collection of revenues from excise duty on domestic beer at the quarterly level was recorded in all observed quarters except for the last quarter of 2024, when an increase of 6.8% was recorded. The largest decrease in these revenues was recorded in the second quarter of 2022 -29.8%, in the third and fourth quarters of the same year, -28.1% and -21.6%, respectively, compared to the same quarter of the previous year. The smallest decrease in the collection of these revenues was recorded in the second quarter of 2023 -0.6%.

### 3. Monthly movement of revenues from excise duty on beer

The main objective of the analysis of monthly collection of revenues from excise duty on beer in relation to annual and quarterly trends is to monitor short-term trends and identify seasonal, economic or market changes that affect these revenues. Monthly analysis enables rapid detection of seasonal fluctuations and helps in early detection of collection problems, which leads to faster decision-making and adjustment of tax strategy. Monitoring the collection of these revenues on a monthly basis contributes to determining the stability and predictability of these revenues, studying the impact of seasonal factors, inflation and changes in consumer preferences. Also, the focus of the monthly analysis is a more detailed overview of the movement of these revenues under the influence of numerous external factors on the price of beer, the quantity consumed, consumer behavior and preferences.

Chart 12 shows the monthly trend in revenues from excise duty on beer for the period from January 2021 to February 2025, in millions of BAM. It shows the monthly trend in total revenue collection from excise duties on beer in the observed period, as well as the monthly trend in revenue collection from excise duties on imported and domestic beer.

Chart 12. Revenues from excise duty on beer (in millions of BAM)



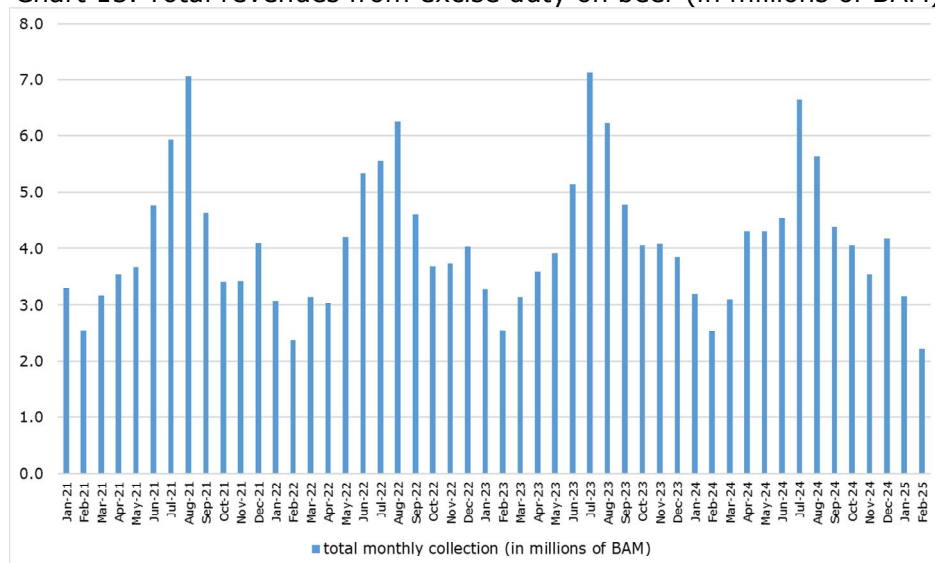
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

From the chart, it can be concluded that weather conditions and the seasonal factor have the greatest impact when it comes to these revenues, and the largest collection of revenues from excise duty on beer on a monthly basis is in the summer months. Due to a combination of seasonal, social and psychological factors that influence consumer habits, the highest consumption of beer is in the period from June to September. Summer consumption of beer is the highest due to high temperatures, a greater number of social activities, tourism, marketing and other circumstances that create an environment for increased sales and consumption. After the summer, consumption drops slightly until December. A combination of increased holiday spending, hospitality events, marketing and tourism factors led to a jump in beer excise duty collections in December. A more detailed analysis of the trends in total monthly revenues from excise duty on beer and monthly revenues from excise duty on imported and domestic beer is presented below.

### 3.1. Monthly movement of total revenues from excise duty on beer

Chart 13 shows the monthly trend in the collection of total revenues from excise duty on beer, in millions of BAM for the period January 2021 - February 2025.

Chart 13. Total revenues from excise duty on beer (in millions of BAM)

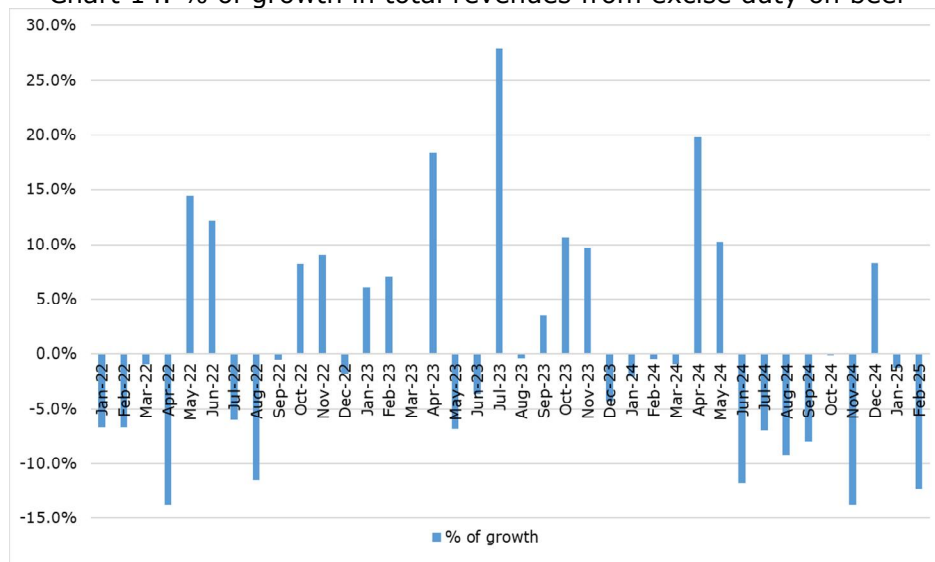


Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The highest collection of total revenues from excise duty on beer is recorded every year in July and August when beer consumption is at its highest. In addition to the previously mentioned seasonal factors that increase the consumption of beer during the summer months, there are additional reasons why the collection of excise duties on beer reaches its peak in July and August. Increased production and distribution in the spring and early summer to meet rising demand, growth in seasonal employment which increases purchasing power and spending on beverages including beer, and other factors combine to peak these revenues during the summer.

Chart 14 shows the monthly growth rate of total revenues from excise duty on beer for the period January 2022 - February 2025, compared to the same month of the previous year.

Chart 14. % of growth in total revenues from excise duty on beer



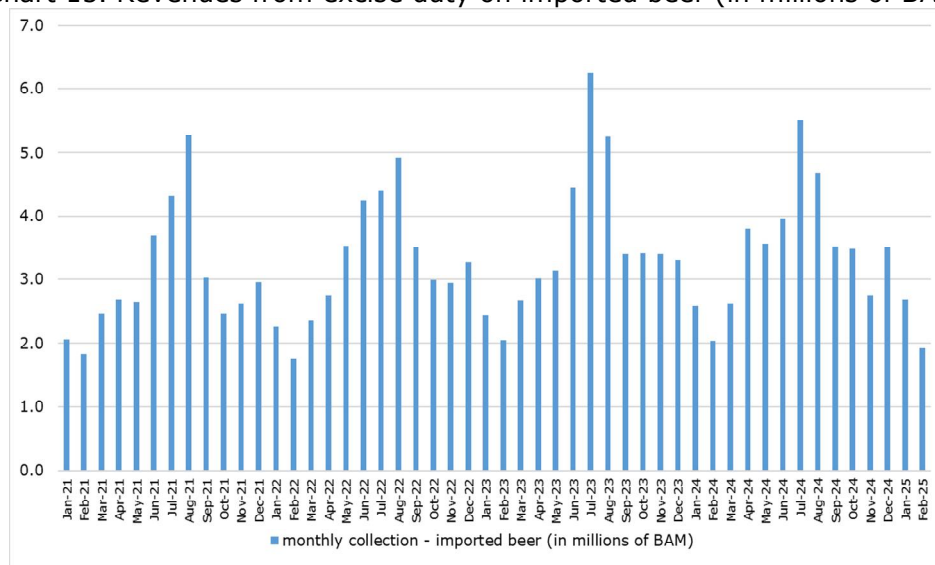
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

During the first two months of the current year, a decrease in total revenues from excise duty on beer was recorded in January -1.3% and February -12.4%. The growth in revenues from excise duty on beer at a monthly level in 2024 was recorded in April 19.8%, May 10.2% and December 8.3%, while a decrease in these revenues was recorded in the remaining months, of which the largest decrease was recorded in November -13.9% and June -11.8%. In the observed period, the largest increase of 27.9% of these revenues was recorded in July 2023.

### 3.2. Monthly movement of revenues from excise duty on imported beer

Chart 15 shows the monthly movement in the collection of revenues from excise duty on imported beer, in millions of BAM for the period January 2021 - February 2025.

Chart 15. Revenues from excise duty on imported beer (in millions of BAM)



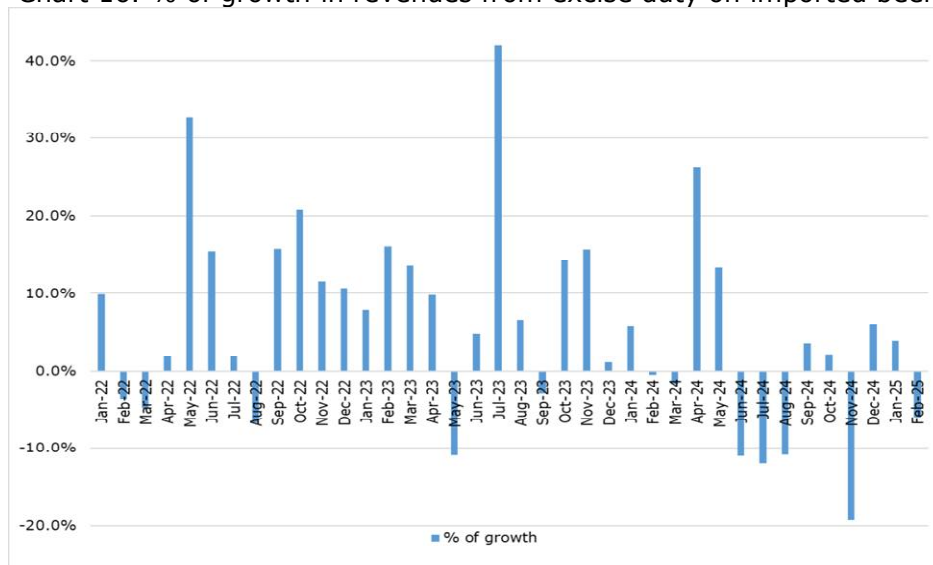
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

As with total revenues from excise duty on beer shown on a monthly basis, the highest collection of revenues from excise duty on imported beer is also in the summer months. In the observed period, the highest collection of these revenues was recorded in July 2023, while the lowest collection was recorded in February 2022.

Chart 16 shows the monthly growth rate of revenues from excise duty on imported beer for the period January 2022 - February 2025, compared to the same month of the previous year.



Chart 16. % of growth in revenues from excise duty on imported beer



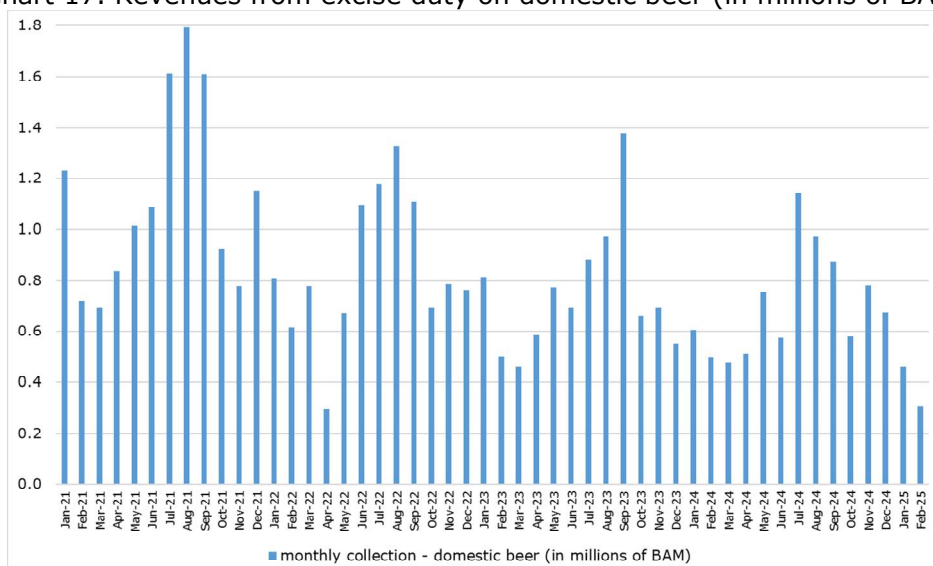
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

Given that the consumption of imported beer has a large share in the total consumption of beer, the growth rate of excise revenue from imported beer largely affects the growth rate of total excise revenue on beer. In January of the current year, these revenues increased by 3.9%, while in February a decrease in their collection was recorded by -5.9%. During 2024, the highest growth was recorded in April by 26.1%, and the largest decrease in November by -19.3%. In the key months for the collection of these revenues, a decrease was recorded in the same year in June by -11.0%, July by -12.0% and August by -10.9%. In the observed period, the highest growth in revenues from excise duty on imported beer at a monthly level was recorded in July 2023 by 42.0%.

### 3.3. Monthly movement of revenues from excise duty on domestic beer

Chart 17 shows the monthly movement in the collection of revenues from excise duty on domestic beer, in millions of BAM for the period January 2021 - February 2024.

Chart 17. Revenues from excise duty on domestic beer (in millions of BAM)

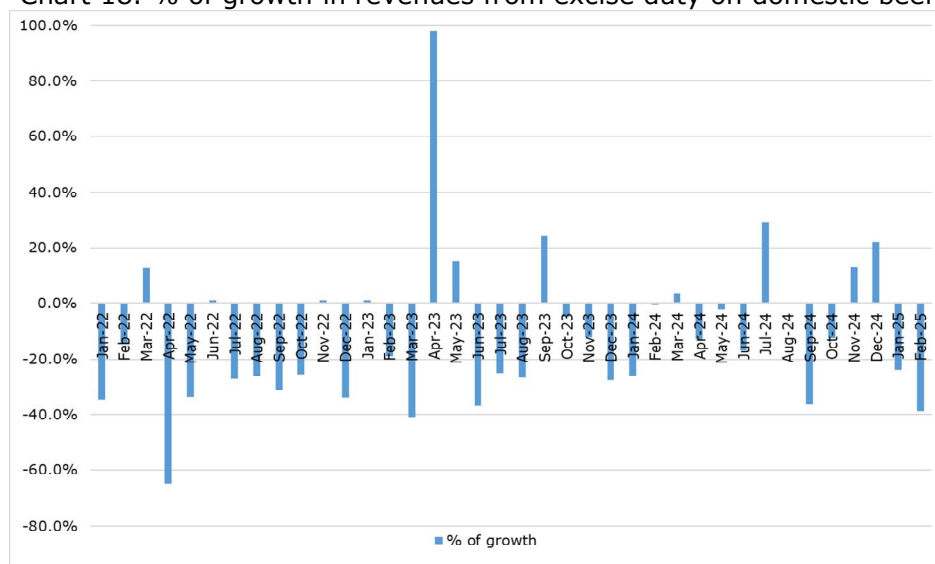


Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The consumption of domestic beer is decreasing year by year. As with revenues from excise duty on imported beer and total excise revenue on beer, the collection of these revenues is also seasonal and is highest in the summer months. The highest collection in the observed period was recorded in August 2021, while the lowest collection was recorded in April 2022.

Chart 18 shows the monthly growth rate of revenues from excise duty on domestic beer for the period January 2022 - February 2025, compared to the same month of the previous year.

Chart 18. % of growth in revenues from excise duty on domestic beer



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

The first two months of the current year recorded a decrease in revenues from excise duty on domestic beer -23.8% in January, and -38.9% in February. During the previous year, an increase in these revenues was recorded in March by 3.3%, July by 29.1%, November by 12.9% and December by 22.1%, while a decrease was recorded in the remaining months. The largest drop in revenues from excise duty on domestic beer in the observed period was recorded in April 2022 by -64.7%, while the largest increase was recorded in April 2023 by 98.1%, compared to the same month of the previous year.

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