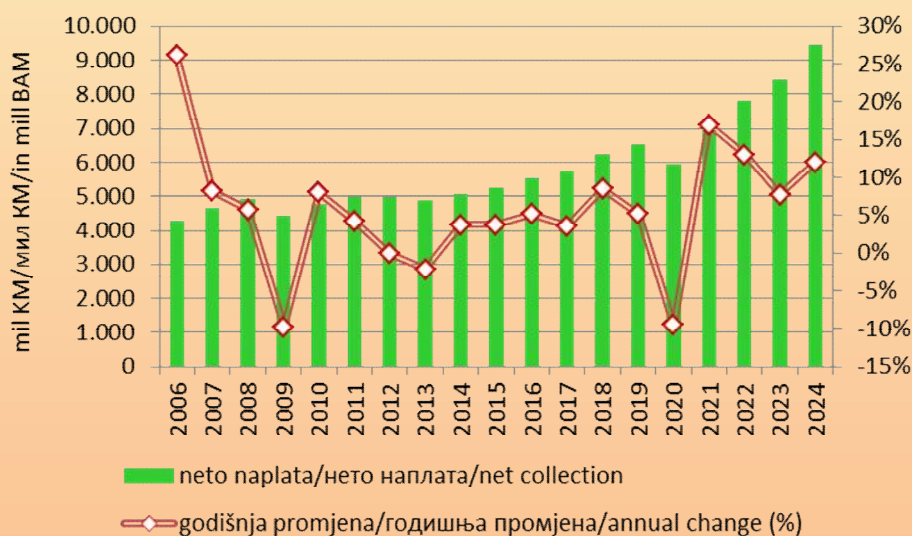




Macroeconomic Unit of the Governing Board of the Indirect Taxation Authority

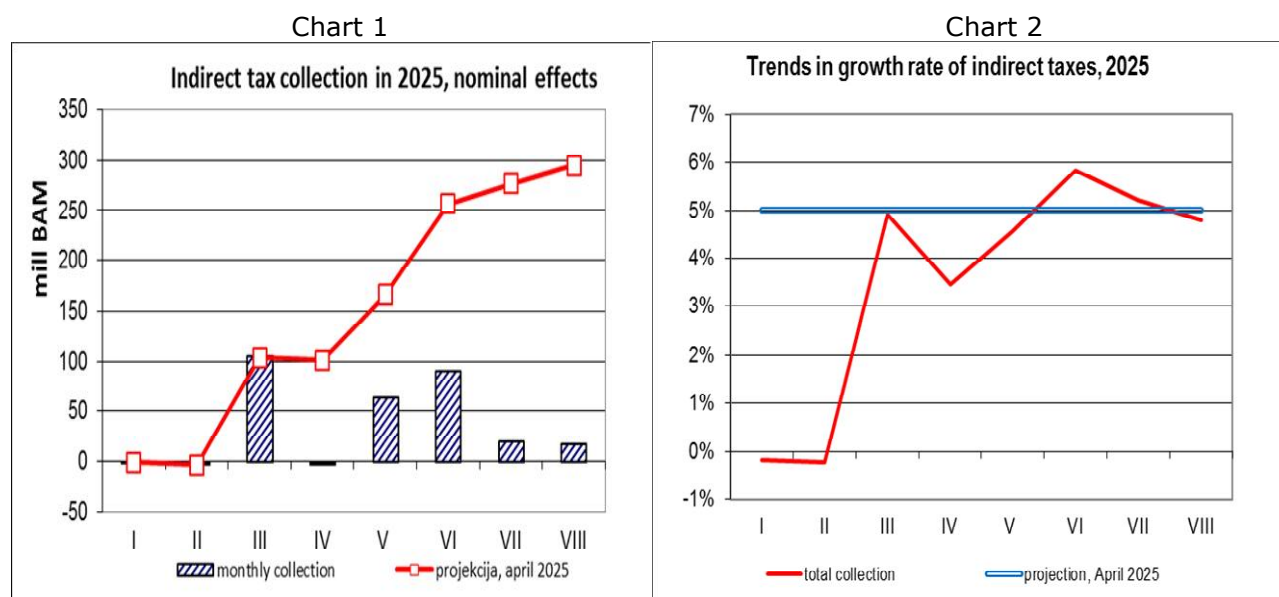
# ОМЈА Билтен



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## With this issue

According to the preliminary report, in August 2025, the ITA collected 1.04 billion BAM of gross revenues from indirect taxes on the Single Account, which was 27.8 million BAM more than in the same month in 2024. Since refund payments were higher by 9.5 million BAM, the net collection was higher by 18.2 million BAM (Chart 1, "monthly collection"), or by 2.2%, which is identical to the growth rate in July. In the period January-August 2025, the cumulative net absolute increase amounted to 295.1 million BAM (Chart 1, "cumulative").



In the last two months, more modest growth rates slowed down the cumulative growth rate of net indirect tax revenues by even 1 p.p., from a maximum of 5.8%, achieved in the first half of 2025, to 4.8%, achieved in eight months (Chart 2, "cumulative collection"). It is also 2 p.p. below the projected growth rate for 2025 (Chart 2, " projection, April 2025 "), more about the projections: MAU Bulletin #239/240)

Dinka Antić, PhD  
Head of Unit

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## The role and significance of customs duties in the tax structure

(author: Dinka Antić, PhD)

*Customs duties are a form of consumption tax levied on goods that enter the territory of a certain country, cross the territory of the country or leave the territory of the country. As a tax on consumption, customs duties belong to indirect taxes. According to international classifications, customs and customs duties are included in taxes on international trade. Customs duties represent one of the oldest types of public revenues. The primary motive for the introduction of customs duties was fiscal, and with the development of international trade, they become the basic policy instrument for the protection of domestic economy. Given that they represent an instrument of state intervention on the market, customs duties produce the so-called deadweight and negatively affect the efficiency of capital allocation, protecting inefficient domestic production and burdening citizens' budgets. Due to the global process of liberalization of foreign trade exchanges, customs duties had a marginal importance in the tax structure of most countries for many years. However, the latest events, leading to the "customs war", brought customs back into the focus of all governments in the world and the business community, and became the subject of professional and academic discussions. The effects of the "customs war" from the spring of 2025, both in B&H and in other countries, will only be seen in the middle of next year, when the data for 2025 will be available. For Bosnia and Herzegovina, this is the moment when the fiscal authorities should reconsider the achieved degree of liberalization of foreign trade exchange and estimate the potential effects on customs revenues in the case of a continuation of the process.*

### INTRODUCTION

As expected, the liberalization of foreign trade exchange in Bosnia and Herzegovina brought about a significant decrease in customs revenue in absolute terms, but also measured as a share in GDP. The analysis<sup>1</sup> of the period 2006 - 2017 showed a significant reduction in customs revenue collection and a sharp drop in the share of total collected indirect taxes, because of the liberalization of foreign trade exchange in B&H. The analysis in this article covers the last seven years, in which there was no significant change in customs policy. Nevertheless, even in the circumstances of unchanged customs policy, from year to year, due to the growth of imports of goods that remained under the customs regime, customs revenues have grown in absolute terms. In this way, customs revenues regain the importance they had in the tax structure in the past. Considering the marginalization of customs duties so far, as well as the current use of customs duties as an instrument of protectionism, it is useful to look at the significance and role of customs duties as public revenue in the light of taxation theory. For a comprehensive analysis of trends in the process of foreign trade liberalization in B&H, reviews of the import structure of B&H, trends in the collection of customs revenues and the structure of customs revenues with regard to the origin of the goods on which they are collected are important. In addition, a comparative analysis of the process of liberalization in the EU Member States and the impact of customs revenue on the EU tax structure is also useful.

### CUSTOMS DUTIES IN TAXATION THEORY

#### The concept and role of customs

Customs duties represent one of the oldest public revenues. They appear 3,000 years before the new era in ancient Egypt and Asia, in circumstances when revenues from the conquered territories and the gifts of war allies were not sufficient to finance the wars. Duties have been collecting on cereals, wood, oil, wine and other products that were mass-produced in accordance with the level of development at that time. In the Old and Early Middle Ages, customs duties were collected in

<sup>1</sup> See Antić (2018). „Liberalization of foreign trade in BiH (2007-2017): implications and comparative analysis“. MAU Bulletin No. 152/153, March/April 2018., [www.oma.uino.gov.ba](http://www.oma.uino.gov.ba)

ports, and were later collected when goods crossed bridges or were transported on roads within national borders by feudal, local or city authorities.

In late feudalism, in the age of mercantilism, customs duties have gained importance as an instrument of the government protectionist policy. Countries that were developed traders at that time have introduced tariffs in order to protect domestic production, which indirectly ensured the monopoly position of traders. Adam Smith strongly opposed the views of mercantilists. He believed that, the government forces consumers to subsidize retailers through tariffs or quotas, because consumers pay higher prices than necessary. Smith nevertheless allowed certain exceptions to the free market concept. Although, in principle, he did not agree with the use of tariffs to retaliate against another country implementing protectionist measures, he nevertheless allowed the introduction of tariffs as a countermeasure to internal taxes introduced by other countries for reasons of national defense, and with the aim of developing industry in accordance with safety and health requirements. However, Smith believed that such protection was slowing down growth.

Although his contemporaries, such as Alexander Hamilton<sup>2</sup>, argued in favor of introducing protective tariffs for "infant industries," requiring temporary protection by tariffs at an early stage of development, Smith doubted that the time would ever come to muster enough political will to remove subsidies once the industry had matured.<sup>3</sup> David Ricardo believed that tariffs tended to limit economic growth and that most protectionist demands were cleverly camouflaged as efforts to help consumers, grow jobs, or stimulate the economy. Nevertheless, Ricardo believed that states should use protectionism wisely, for the purposes of national defense or to ensure political stability in times of war or insecurity.<sup>4</sup>

After the era of mercantilism, there was a strengthening of liberal ideas in the economy, which resulted in the expansion of the market and development of international trade. Given that high tariffs limit and make international trade more expensive, countries, in an effort to ensure the free flow of goods and market expansion, limited and reduced tariff rates. However, already at the end of the 19th century, with the change in the role of state in the economy, there was a re-strengthening of state protectionism. The introduction of tariffs on the import of almost all foreign goods has led to the closure of national economies, weakening of the efficiency of the internal economy and the efficiency of investments, on the one hand, and strengthening of monopolistic market structures, on the other. Economic theorists believe that state protectionism, based on high and comprehensive tariffs, was the cause of the Great Crisis of 1929-1933, which has deepened, because states raised high tariffs partly as retaliation against other states.<sup>5</sup>

After the end of the Second World War, the prevailing view was that protectionism slows down and limits the efforts of states to recover economically and consolidate fiscally, so the liberalization of international trade was imposed as a catalyst for the revival of ruined economies. Already in 1947, the General Agreement on Tariffs and Trade (GATT) was signed in Geneva. GATT represented an international agreement, which established rules for conducting international trade, but also an international organization, which should support the agreement. The agreement was joined by 23 signatory countries, which in the first round of negotiations agreed to lower customs duties. In the period up to 1994, seven more rounds of negotiations were held, and the number of signatory countries expanded to 123 countries. Within the framework of the Uruguay Round (1986-1994), there was a continuation of customs liberalization, which also included non-customs measures,

<sup>2</sup> A. Hamilton (1755-1804), economist and diplomat, one of the founders of the USA and the first minister of finance. He is known for establishment of the US central bank, introduction of tariffs and establishment of the customs administration, and introduction of tax on whiskey.

<sup>3</sup> Bucholz T., "New Ideas from dead Economists - An Introduction to modern economic thought", second revised edition, A Plume Book, USA, April 2007., pp. 38-40.

<sup>4</sup> Ibid. pp. 78-79.

<sup>5</sup> Ibid. p. 39.

negotiations were conducted regarding services, intellectual property, the resolution of international trade disputes, the liberalization of the import of textiles and agricultural products, etc. The World Trade Organization (WTO) was also established within the framework of the Uruguay Round.<sup>6</sup> Although one could conclude that the WTO is a continuation of the GATT, there are important differences between these two agreements. Formally speaking, the GATT had "contracting parties", while the WTO has its "members". The GATT was an *ad hoc* and temporary agreement, which has never been ratified by the member states' parliaments and contained no provisions for the establishing of the organization, while the WTO and its agreements are permanent, as they were ratified by the members. There are also differences in the scope of these agreements. Within the framework of the GATT, negotiations were carried out in the area of trade goods, while the scope of the WTO was extended to include services and intellectual property.<sup>7</sup> The result of negotiations within the framework of GATT and WTO is a significant lowering of the average customs rate.

The second half of the 20<sup>th</sup> century was also characterized by free trade zones. To date, a large number of them have been established, the most significant of which are NAFTA<sup>8</sup> in North America, EFTA<sup>9</sup> in Europe, free trade zones in Asia and CEFTA in Southeast Europe. With the establishment and expansion of the EC, i.e. the EU, the process of trade liberalization was fully completed within the framework of the Customs Union. The liberalization of world trade was significantly contributed by the expansion of multinational corporations that established branches around the world and were not satisfied with fiscal and non-fiscal barriers in world trade, especially with underdeveloped countries. In addition, the development of new technologies, telecommunications and informatics has led to the acceleration of trade exchange, an increase in the volume of exchange, but also to the emergence of new forms of trade (e-commerce, trade via the Internet and digital platforms). Enumerated global processes derogated customs duties as an instrument of protection of domestic production. On the fiscal level, the abolition or reduction of customs duties, despite the multiple increase in the volume of international exchange, has led to a large drop in the share of customs and customs duties in the revenue structure of modern countries, and thus to a decrease in the significance of customs duties as fiscal revenues.

The above-mentioned global processes derogated customs duties as an instrument of protection of domestic production. In the fiscal sphere, the abolition or reduction of customs duties, despite the multiple increase in the volume of international exchange<sup>10</sup>, has led to a large drop in the share of customs and customs duties in the revenue structure of modern countries, and thus to a decrease in the significance of customs duties as fiscal revenues.

### Classification of customs duties

In light of the latest "customs war", it should be noted that customs duties as public revenue are not a monolithic and unequivocal category. There are several classifications of customs duties according to different observation criteria (see Chart 1).

Customs duties are most often broken down according to the direction of movement of customs goods. Import duties are levied on goods entering the customs territory, while export duties are levied on goods leaving the customs territory. In the event that customs goods cross the territory of the state, transit customs may also be reported. Today, export duties rarely occur, except in situations where there is a shortage of certain essential goods in the country (e.g. agricultural

<sup>6</sup> See: WTO, "Understanding the WTO", 5<sup>th</sup> edition, Genève, July 2011.

<sup>7</sup> See: WTO, "Trading into the Future", 2<sup>nd</sup> edition Revised, Genève, March 2001.

<sup>8</sup> North American Free Trade Association, founded in 1994.

<sup>9</sup> European Free Trade Association (founded in 1959 in Stockholm)

<sup>10</sup> According to WTO data, the volume of international trade increased 22 times from 1950 to 2000. [www.wto.org](http://www.wto.org)

products or energy<sup>11</sup>). Transit duties were collected in the Middle Ages by the government for the transport (hence the other name "transport duties") of goods from one customs area to another. Transit duties are almost non-existent today in the customs systems of modern countries.<sup>12</sup>

Most countries introduce only import duties, so the term "customs" appears as a synonym for the term "import duties". From the historical review of the development of customs duties, it can be concluded that for many years import duties had the character of **fiscal custom duties**, considering that they represented a significant source of revenue. In addition to providing significant fiscal revenues, import duties can also represent an instrument of the government protectionist policy.

**Economic (protective) customs** are introduced with the aim of protecting domestic production from cheaper goods of foreign competition. Protective customs can be justified for so-called young industries, which are in the initial stage of development, burdened with large investments and not yet able to generate a return of profit exceeding the funds invested. However, long-term customs protection of domestic production can become counterproductive for a country that resorts to protective tariffs, because it threatens the efficiency of the internal economy in the long term and protects the low productivity of domestic business entities. Protective tariffs endanger the functioning of market mechanisms and capital allocation, while investors are sent wrong signals about profitable branches and activities. With the application of protective tariffs, the domestic economy becomes unable to compete in the open market in the long term. Citizens who buy goods that are more expensive than they would be in the absence of customs protection benefit the least from customs protection. It is considered that protective tariffs are justified if they are introduced as a "measure for a state of emergency" in order to protect manufacturers from imports that cause serious damage to their business.<sup>13</sup>

Protective tariffs can be introduced with or without a time limit. In principle, customs duties are unlimited in time, unless a time clause of application is prescribed during their introduction. Time-limited customs duties serve to protect newly created economic branches or industries. They are used until the moment of making the branch and industry capable of market competition with foreign competition. They are also called "educational customs". Time-limited customs duties also include "crisis customs duties", which are introduced in case of major economic disturbances or economic crises.

**Prohibitive tariffs** are introduced in order to prevent the import of goods. In order to completely eliminate imports, countries introduce very high prohibitive customs duties. Since the selling price of imported goods exceeds the prices of domestic goods due to high customs duties, the import of goods becomes completely economically unprofitable.

The state also resorts to customs duties when it wants to protect the domestic market from imported goods whose prices are lower than the usual prices on the world market. In this case, **anti-dumping (compensatory) custom duties** are introduced, as a response of the importing country to the dumping price policy of the exporting country. The importing country introduces additional customs duties that equalize the price of imported goods at the border with the prices of

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<sup>11</sup> There is the example of Russia, which introduced customs duties on the export of gas, oil, metal and roundwood. According to Article XX (i) and (j) of the GATT, export duties can be introduced in order to make it difficult to export rare raw materials or food products that are offered at prices lower than the prices prevailing on the world market, and their export can lead to supply disruptions on the domestic market.

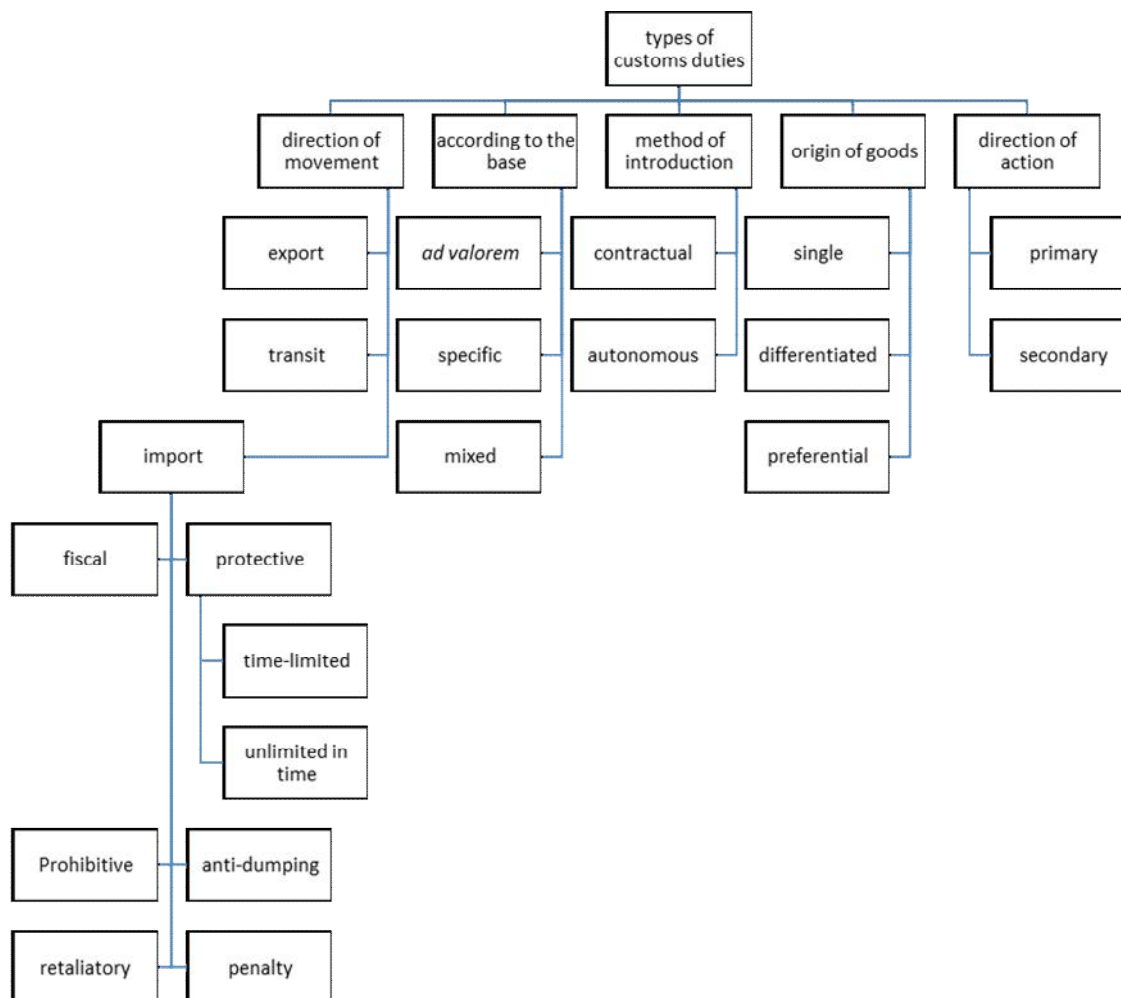
<sup>12</sup> In accordance with the provisions of GATT, Article V (1-3), signatories may not impose customs duties or customs duties on goods in transit through the customs territory of The General Agreement on Tariffs and Trade (GATT 1947), Text of the General Agreement, Genève, July 1986.

<sup>13</sup> In accordance with article XIX of GATT.



the same or similar goods on the domestic market.<sup>14</sup> In this way, customs duties serve as an instrument to prevent the spread of monopolies and cartels, contributing to ensure fair trade.

Chart 1: Overview of types of customs duties (presentation of the author)



In the event that the country to which the goods are exported introduces high protective or prohibitive custom duties, the exporting country can, as a countermeasure, introduce **retaliatory tariffs** on the goods it imports from that country. They are also called **repressive customs duties**. Because of their effects, they can be a motive for trade and customs wars. **Penalty tariffs**, which are introduced as a response to non-application or violation of obligations arising from international trade agreements, can be added to this group.<sup>15</sup>

According to the method of determining the customs base, customs duties are broken down into *ad valorem* and specific customs duties. Customs base of *ad valorem* customs duties is the value of customs goods, expressed in monetary units. The customs rate in this case is expressed as a percentage, and the customs liability is calculated by applying the customs duty percentage to the customs value of the goods. *Ad valorem* customs duties have the advantage of revenue stability in times of inflation or due to automatic adjustment in the event of an increase or decrease in prices.

<sup>14</sup> Some authors also count anti-dumping duties as time-limited duties, which are introduced until the market is stabilized.

<sup>15</sup> Their introduction is in accordance with Article XXIII of GATT.

Other advantages relate to the visibility of the *ad valorem* customs duty in foreign trade calculations and the possibility of flat-rate customs duty reductions. However, *ad valorem* customs duties also have significant disadvantages, since it is more difficult to determine the customs value than to weigh or count goods, and the possibilities for fraud are greater, because invoices, on the basis of which the customs value is usually determined, can easily be falsified.<sup>16</sup>

**Specific duties** are duties whose customs base is expressed in units of measure (kg, piece), while the customs rate is expressed in monetary units per unit of measure. In the case of application of specific duties, the customs liability is calculated by multiplying the customs rate by the quantity of customs goods being imported. Specific duties have numerous advantages, but also disadvantages, especially if they are applied to goods whose weight changes during transport or in the case of damage or breakage of goods, when the duty is paid on the total quantity of goods without the possibility of reduction, as is possible with *ad valorem* duties.<sup>17</sup> Today, *ad valorem* duties represent the dominant type of customs duty in the world, while specific duties have almost been abolished.

For taxation of imports of agricultural products, livestock and fish, a **mixed (combined) tariff** is very often used, which involves a combination of *ad valorem* and specific tariffs.

The differentiation between autonomous and contractual customs duties depends on the method of their introduction. **Contractual tariffs** are introduced on the basis of a bilateral agreement between two countries or a multilateral agreement between several countries. **Autonomous customs duties** represent customs that states unilaterally introduce, change or abolish on the basis of their fiscal sovereignty.

According to the origin of the goods, customs duties are broken down into single, preferential and differentiated. **Single customs duties** imply customs duties in which a single customs tariff (rate) is applied regardless of the country of origin of the good, while **differentiated customs duties** imply the application of customs rates with respect to the country of origin of goods, which are higher than rates applied to similar products from other countries. **Preferential customs duties** imply preferential customs treatment for certain countries in the form of lower customs duties for goods originating from those countries. For example, after signing the Agreement with the EU, on the import of goods originating from the EU, B&H has been applying lower customs rates compared to the same goods originating from third countries, or a zero rate.

The "Tariff War", which the USA started against the rest of the world at the beginning of 2025, brought another classification of customs according to the direction of action into primary and secondary. **Primary** custom duties are those that are introduced targeted to a specific country, while **secondary** custom duties are those that punish third countries that trade with a certain country. Therefore, it could be concluded that the primary duties are direct, and the secondary duties are indirect in nature.

## REVENUES FROM CUSTOMS IN THE EU TAX STRUCTURE

In contrast to the classic competences of government levels, the EU level does not have its own, nor common taxes. The provisions of the Treaty of Lisbon<sup>18</sup> stipulate that the EU budget "Without prejudice to other revenue ... shall be financed wholly from own resources". Own revenue sources include those subsidized by member states. Basic sources of revenues were prescribed as early as

<sup>16</sup> Lux M., „Das Zollrecht der EG“. Ein Lehr – und Übungsbuch sowie Nachschlagewerk für Praktiker, 2. Auflage, Köln, 2004, translation: „Carinski propisi Europske unije“, Poslovni zbornik, Zagreb, February 2005., page 122.

<sup>17</sup> Ibid. page 123-124.

<sup>18</sup> Article 311 (ex 269) of the Treaty (Treaty on European Union and the Treaty on the Functioning of the European Union, consolidated version, OJ C 115, 9.5.2008.).



1970 by Council Directive 70/243/EC. The structure of own resources has changed since then, but the most important sources of revenue for EU institutions are still traditional own resources, VAT-based sources and GDP-based revenues. Traditional own resources mainly consist of duties collected on the import of products from third countries. This source of revenue mostly includes customs and customs duties. Members have the right to keep 25% of the revenue from customs duties they collect on import to cover the costs of customs administrations. Revenues from customs duties are the second most important source for financing EU expenditures. The share of customs revenue in the EU budget for 2024 was 17.3%.

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The global liberalization process, as well as internal processes in the EU in the form of enlargement (2004, 2007, 2013), which required the abolition of customs duties on trade between the old EU-15 member states and the new member states before joining the EU, resulted in a drastic reduction in revenues from customs and other import duties. According to data for 2023,<sup>20</sup> the amount of revenue collected from customs and other EU import duties has been halved compared to the collection in 2010,<sup>21</sup> and amounted only 0.4% of the Union's GDP. This is slightly more than the main competitor USA, whose revenues from import duties in 2023 amounted to 0.3% of GDP or 1.8% of federal revenues.<sup>22</sup> In any case, the tax burden<sup>23</sup> in the EU-27 of 39% of GDP is higher than in Japan (34.4% of GDP),<sup>24</sup> and the difference is even greater compared to the USA (25.2% of GDP).<sup>25</sup> For this reason, the USA has more space for maneuver regarding the growth of the tax burden, and the "customs war", which was launched by the USA, can harm the EU more, because the reintroduction of customs or their increase, as a countermeasure, can only worsen the tax/GDP ratio, thereby jeopardizing the competitiveness of the EU economy on the global level.

In the majority of member states, customs revenues are of minor importance compared to the total collected indirect taxes (Chart 2).<sup>26</sup> The share is about 20% in only two member states, and varies from 8% to 12% in four member states.

<sup>19</sup> The dominant source of revenue is GDP-based revenue with a share of 56.9%, and the remaining sources are VAT-based revenue with a share of 16.5%, revenue from non-recycled plastic packaging with a share of 5% and other revenue. Calculation based on data from the EU budget for 2024. (Definitive adoption (EU, Euratom) 2024/207 of the European Union's annual budget for the financial year 2024, 22 Feb 2024).

<sup>20</sup> Source: European Commission (2024). Annual Report on Taxation 2024.

<sup>21</sup> Revenue from customs duties for 2010 excludes revenues from Great Britain. Source: European Commission/EUROSTAT (2012). Taxation Trends in the European Union, 2012 Edition.

<sup>22</sup> Source: <https://usafacts.org/>

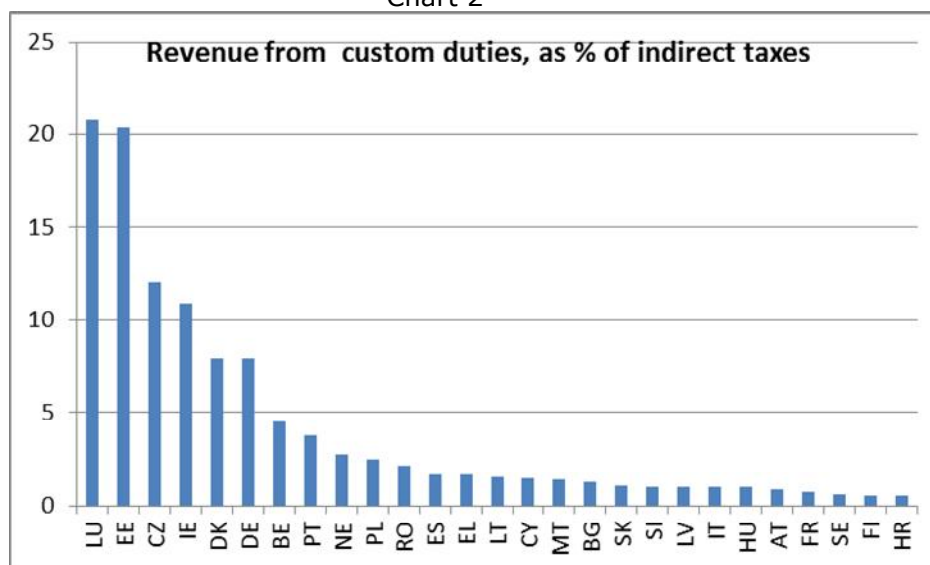
<sup>23</sup> Source: European Commission (2024). Annual Report on Taxation 2024.

<sup>24</sup> Source: OECD, Revenue Statistics 2024, Center for Tax Policy and Administration.

<sup>25</sup> Source: Ibid.

<sup>26</sup> Abbreviations: AT-Austria, BE-Belgium, BG-Bulgaria, CZ-Czech Republic, CY-Cyprus, DE-Germany, DK-Denmark, EE-Estonia, EL-Greece, ES-Spain, FI-Finland, FR-France, HR-Croatia, HU-Hungary, IE-Ireland, IT-Italy, LV-Latvia, LT-Lithuania, LU-Luxembourg, MT-Malta, NL-Netherlands, PL-Poland, PT-Portugal, RO-Romania, SE-Sweden, SI-Slovenia, SK-Slovakia.

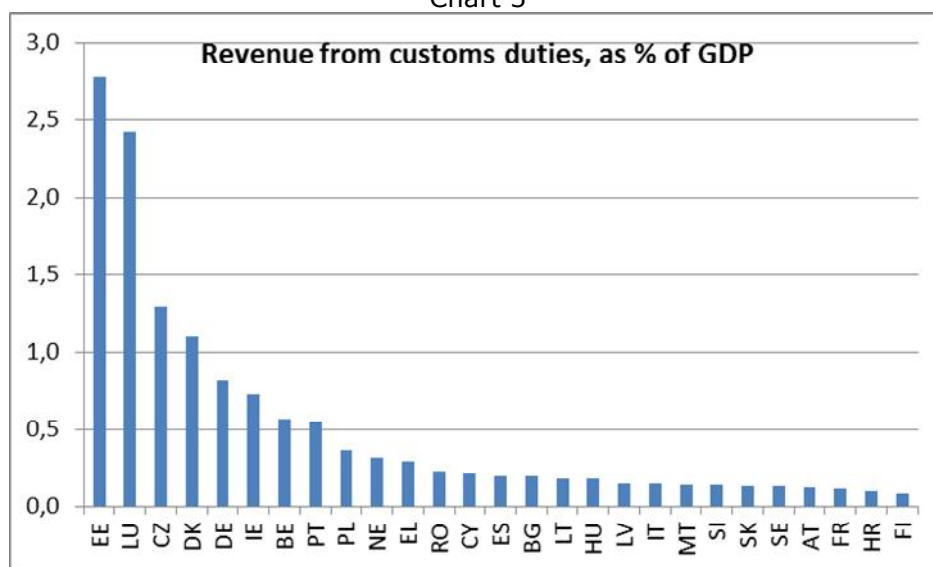
Chart 2



Source: European Commission (2024). Annual Report on Taxation 2024; calculation and presentation of the author

Having in mind inflation, especially during the global crises of recent years (COVID-19, war in Ukraine, energy crisis), more relevant conclusions can be obtained by measuring collected revenues from customs and other import duties in relation to GDP. Customs revenues exceed 1% of GDP in only four member states, and the maximum of 2.8% is in Estonia (Chart 3). In most member states (16), revenues range between 0.1% and 0.2% of GDP.

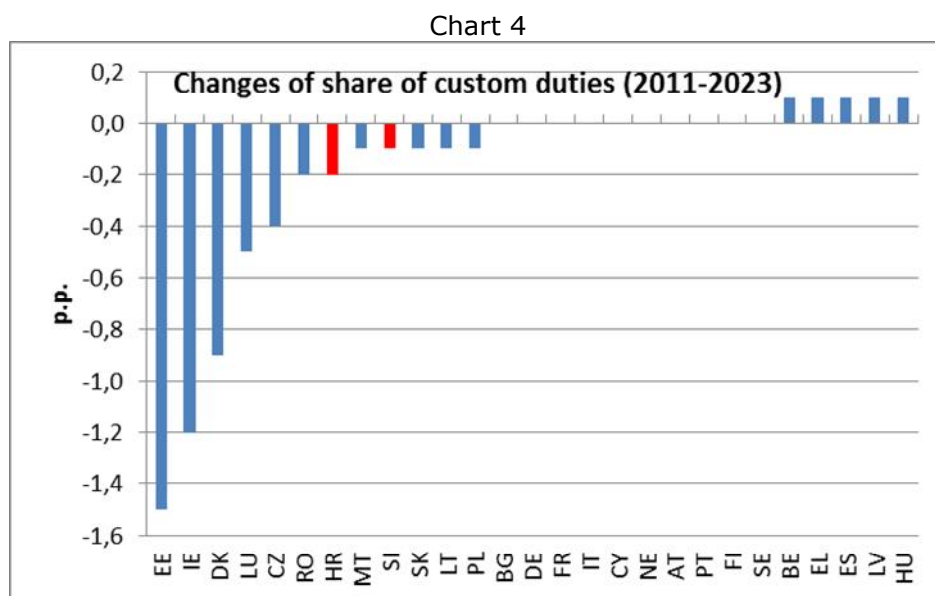
Chart 3



Source: European Commission (2024). Annual Report on Taxation 2024; calculation and presentation of the author

The process of decreasing the importance of customs revenues is a continuous process. In the period 2011-2023, revenues were reduced in 12 member states, most notably in Estonia, Ireland and Denmark (Chart 4). It is interesting to observe the trends in the mentioned period in Croatia, which joined the EU on 1/7/2013 and had to liberalize its customs policy with the EU member states by that date. However, after accession, Croatia's borders became EU borders, and Croatia has the right to keep 25% of the customs revenues it collects, which partially compensated for the

losses due to liberalization. However, customs revenues in Croatia in the mentioned period decreased by 0.2 p.p. On the other hand, with Croatia's accession to the EU, the borders of Slovenia (which joined the EU on 1/5/2004) became internal EU borders, which led to a decrease in customs revenues of 0.1 p.p. (Chart 4).



Source: European Commission (2024). Annual Report on Taxation 2024; calculation and presentation of the author

## LIBERALIZATION OF IMPORTS IN B&H

### Phases of the B&H foreign trade liberalization process

Bearing in mind the commitment to the "European way", the trade liberalization process in B&H has inevitably followed the trends in the EU and the new member states that joined the EU in the last two decades. The process was implemented in stages over a period of ten years (Chart 5). In the first phase of liberalization, which began in 2007, Bosnia and Herzegovina joined the CEFTA<sup>27</sup> agreement. The agreement implies the abolition of almost all customs duties in trade with neighboring countries (Croatia, Serbia, Montenegro, Macedonia, Albania, and Moldova). The second phase of liberalization, which started on July 1<sup>st</sup>, 2008 with the application of the Stabilization and Association Agreement with the EU<sup>28</sup> ("SAA"), involved the gradual reduction of imports of goods originating in the EU to duty-free imports over a period of five years, while maintaining customs duties on goods of strategic interest to B&H. The third phase of the process of liberalization of foreign trade exchange partially affected third countries as well, by abolishing 1% of customs registration. Customs registration was previously abolished for the import of goods from the EU, while it was abolished for the import of goods from third countries in the fourth quarter of 2011. The fourth phase of liberalization process included the abolition of customs duties and all other duties of a fiscal nature on the import of goods originating in the EU in a period of 3 years (2015-2017), as well as bilateral concessions between B&H and certain members of the European Free Trade Association - EFTA (Switzerland, Norway, Iceland, Liechtenstein). The fifth phase of liberalization, which started on February 1, 2017,<sup>29</sup> *de facto* represents the second stage

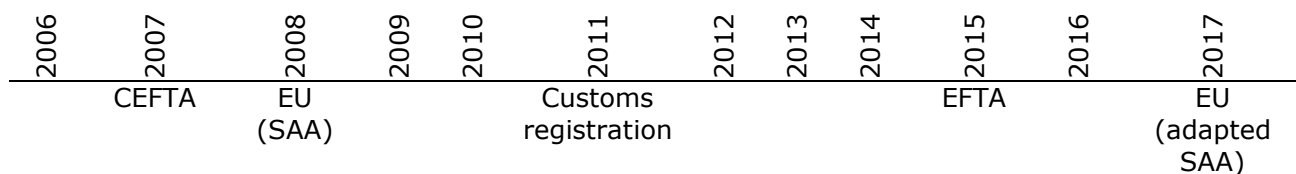
<sup>27</sup> Central European Free Trade Agreement

<sup>28</sup> "Official Gazette of Bosnia and Herzegovina - International Agreements", No. 10/08

<sup>29</sup> Protocol to the Stabilization and Association Agreement concerning the Accession of the Republic of Croatia to the European Union ("Official Gazette of B&H - International Agreements", number: 8/17).

of trade liberalization with the EU member states, and implies further abolition of customs duties based on the adapted SAA.

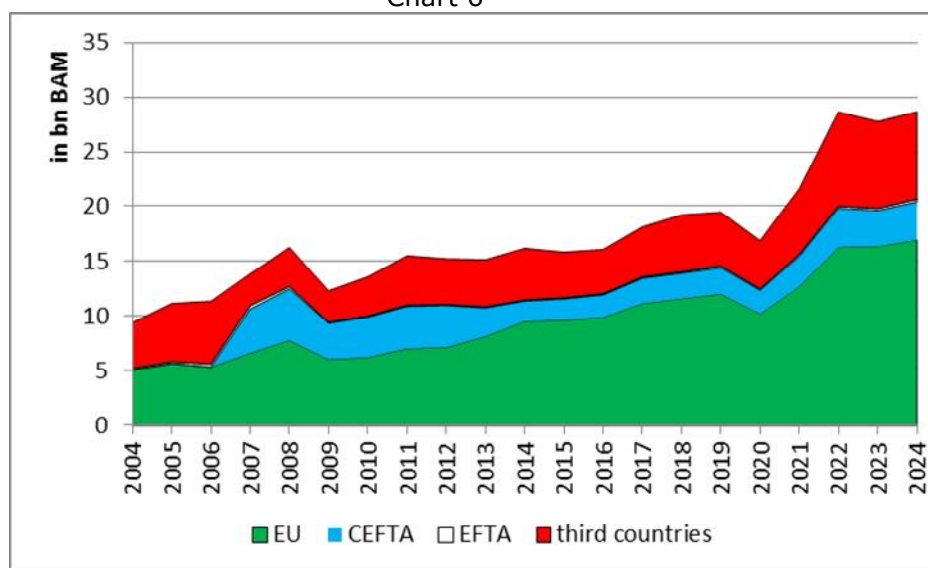
Chart 5: Phases of liberalization of foreign trade in B&H (presentation of the author)



### B&H imports – structure and trends

In order to analyze trends in the collection of customs duties in B&H, it is necessary to observe the movement of imports of goods from third countries and imports of goods from the EU that are still under the customs regime. The analysis of trends in the last 20 years shows a continuous growth of imports, except in the "crisis" years, 2009-2010, due to the global economic and financial crisis, and 2020, due to the emergence of the COVID-19 pandemic (Chart 6). However, there has been a noticeable sharp increase in the value of imports as of 2022, as a consequence of the explosion of prices on the world market after the start of the war in Ukraine and the outbreak of the energy crisis. The stabilization of the world market resulted in a smaller drop in prices, and thus in imports. Therefore, in 2023, a drop of 3% was recorded. However, this decline was already compensated during 2024, so that the value of imports reached the level of 2022 (Chart 6).

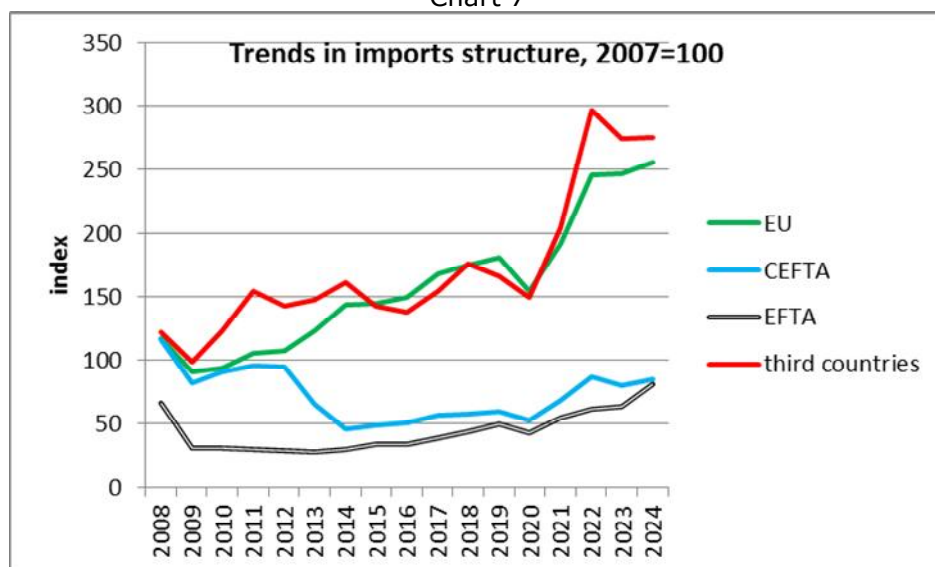
Chart 6



Source: Agency for Statistics of B&H; calculation and presentation of the author

Compared to the initial year of import liberalization (2007=100), imports from the EU had increased by 150 index points by 2019, and in the following five years, there was a growth by another 100 index points (Chart 7). The same was the case with imports from third countries until 2019, and in just five subsequent years, the import increased by as much as 150 index points.

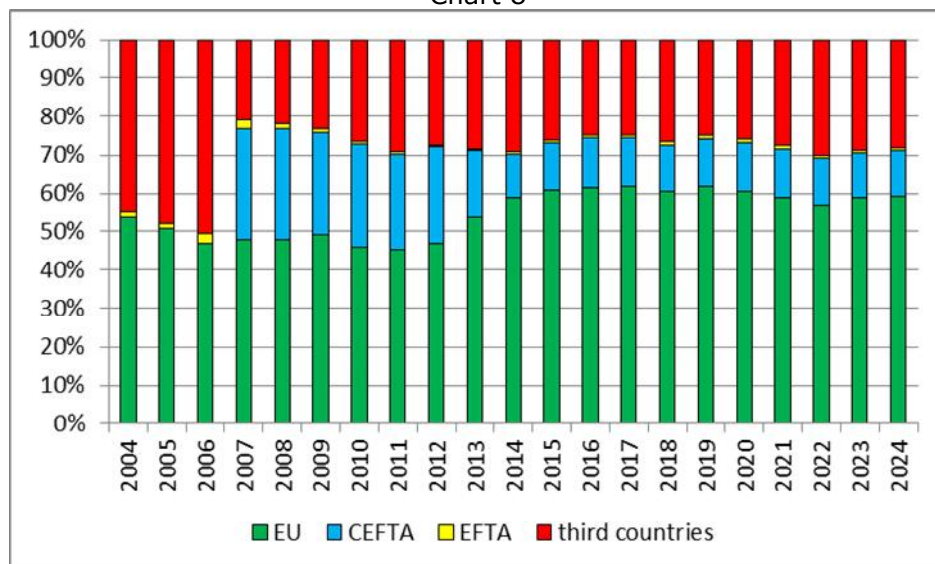
Chart 7



Source: Agency for Statistics of B&H; calculation and presentation of the author

In addition to the value growth of imports in previous years, the structure of imports has also changed (Chart 8). The growth of imports from third countries has been strengthened despite the application of customs duties. On the other hand, with Croatia's exit from CEFTA and entry into the EU, imports from that group of countries have decreased, while imports from the EU have increased.

Chart 8



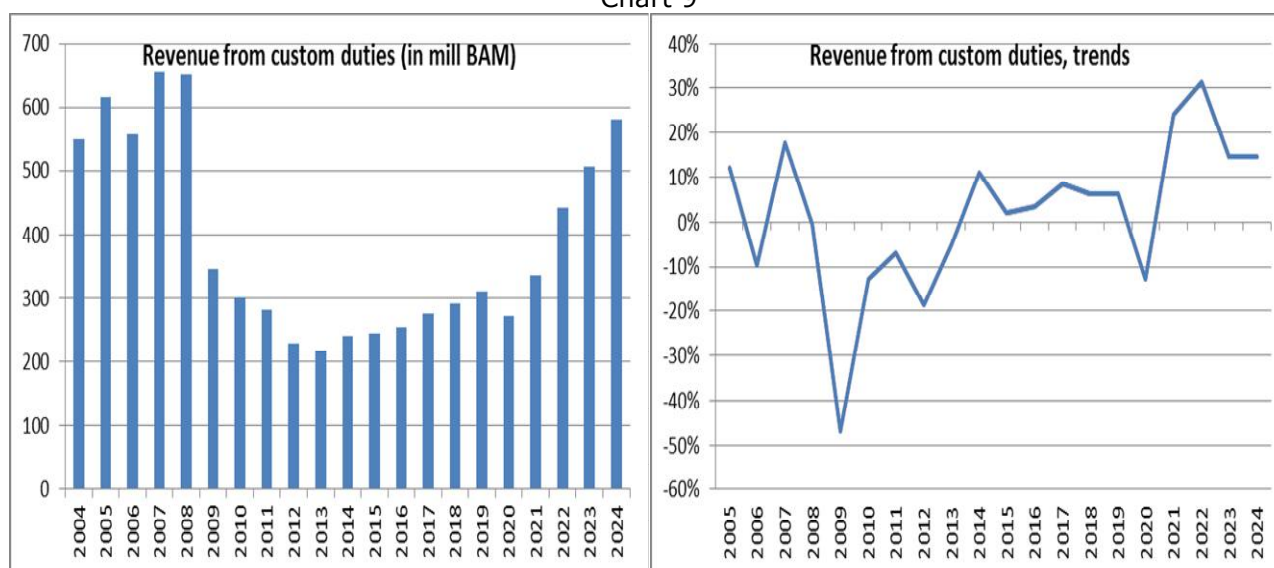
Source: Agency for Statistics of B&H; calculation and presentation of the author

## CUSTOMS REVENUE IN BIH

### Trends

In the first three years of the foreign trade liberalization, there was a sharp drop in revenues from customs duties, which was strongly stimulated by the effects of the global economic crisis of 2009-2010 (Chart 9, left). It was expected that the process of liberalization of foreign trade in B&H would produce direct revenue losses from customs revenues, as well as indirectly, through increased substitution of imports from other countries, which remained subject to customs, alongside duty-free imports from the EU and the surrounding area. However, the activation of the domestic oil refinery at the beginning of 2009 led to a strong increase in oil imports from Russia, and consequently, revenue from customs, but also the so-called customs registration<sup>30</sup>, which has the same fiscal effect as customs. The recovery of customs revenues was recorded during 2011, but from the fourth quarter, there has been a gradual decline in customs revenues caused by the abolition of customs registration on the import of goods from third countries. The lowest level of customs revenue collection was achieved in 2013, when revenue fell to only 33% of the revenue achieved in 2007 (the year with the highest revenue from customs since the establishment of the ITA).

Chart 9



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the author

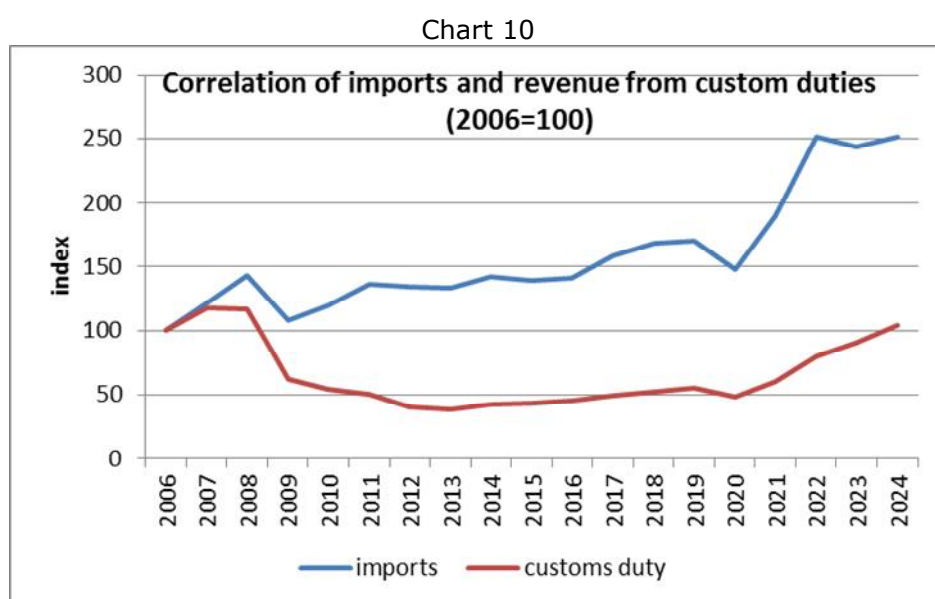
Since 2014, revenues from customs duties have been continuously growing, mainly due to the growth of imports from China (e.g. investments in TE Stanari) and other Asian countries. The import of goods originating from the EU that remained under the customs regime has also been growing. Growth, with moderate annual rates ranging from 2% to 8.5%, continued until the outbreak of the COVID-19 virus pandemic in 2020 (Chart 9, right). The closure of countries in order to prevent the spread of the epidemic resulted in a sharp decrease in foreign trade, which, along with additional business restrictions imposed on domestic companies, led to a large drop in imports and, consequently, customs revenue of -12.9%. The easing of isolation measures has reduced the pressure on imports to some extent, contributing to the growth of customs revenue in 2021 by 24.2%. The outbreak of the war in Ukraine led to shocks on the world commodity exchanges of energy, food and raw materials, which triggered a strong rise in prices. Because of accelerated global inflation, B&H's imports have grown drastically in absolute terms, and thus

<sup>30</sup> Customs registration was charged at the rate of 1% of the customs base.



customs revenues, which are mostly *ad valorem* (since their growth is linked to the growth of the customs base, i.e. import prices and costs up to the border). For this reason, a huge increase in revenues of 31.3% was recorded in 2022. Calming down occurred in the following two years, when the growth of customs revenue was around 14.5% per year.

Considering the *ad valorem* nature of customs revenues, there should be a strong correlation between imports, i.e. the customs base and collection of customs revenues. However, the exclusion of a huge number of goods from the customs regime, because of the liberalization of foreign trade, has led to a certain gap between the trends in imports and the trends in the collection of customs revenues (Chart 10).

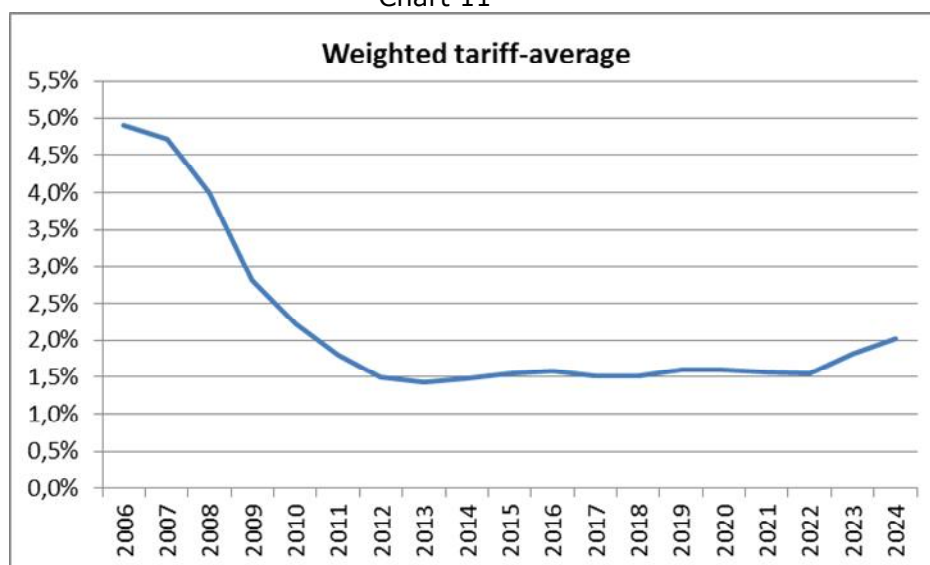


Source: Agency for Statistics of B&H; Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the author

The inconsistency of trends, as a result of liberalization, can best be seen through the coefficient of determination ( $R^2$ ). In the period preceding liberalization (2004-2007), the coefficient of determination was a very high, amounting to 0.93, and indicating a very strong connection between the movement of imports and the collection of customs duties. In the period 2008-2013, when the most important process of import liberalization with CEFTA and the EU was completed, the coefficient of determination was 0.12, which represents a very weak connection between imports and customs collection. After the end of liberalization, in the period of stable growth from 2014 to 2019, the coefficient of determination was 0.77, representing a very strong connection between import growth and customs revenue growth. Finally, after the pandemic, during the time of strong price growth from 2021 to 2024, the coefficient of determination was 0.67, which also represents a strong connection, but still somewhat weaker than during the time of stability of the domestic economy and the world market.

The liberalization of foreign trade in Bosnia and Herzegovina led to a drastic reduction in the weighted average customs duty (Chart 11). In the period of liberalization (2007-2013), the weighted average customs duty fell by 3.5 p.p. It remained at that level until 2023, when it increased by 0.3 p.p. In 2024, it amounted to 2%. The probable reason for the increase in the weighted average rate was the discrepancy between the trend of imports and the trend of customs collection in the mentioned two years (the growth of customs revenue in both years was approximately 14.5%, and on the other hand, there was a decrease in imports in 2023 and a modest increase in 2024).

Chart 11

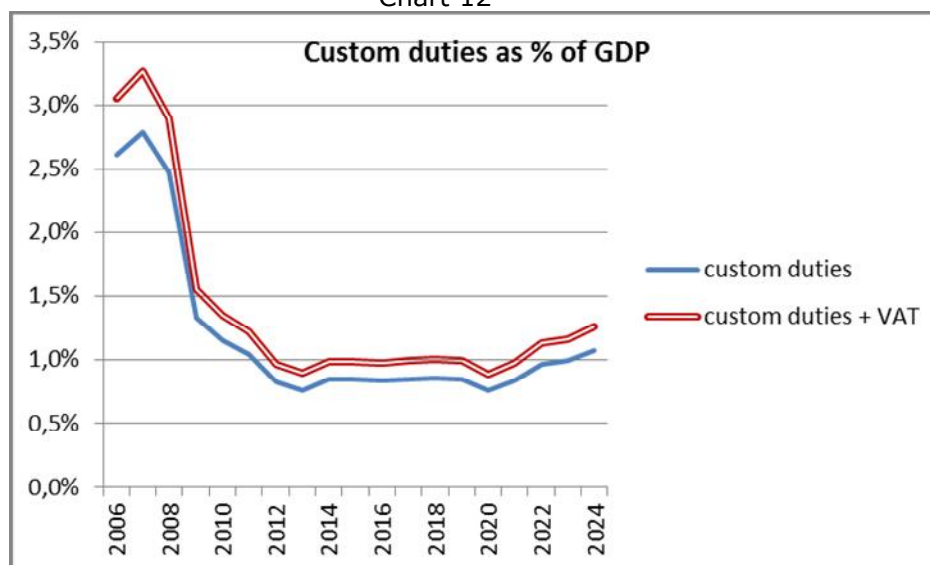


Source: Agency for Statistics of B&H; Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the author

### Importance of customs revenue

The wide scope of trade liberalization in B&H has resulted in a drastic decline in the significance of customs revenues. The share of customs revenues, measured as a % of GDP, has fallen from 2.8% in 2006 to only 0.8% of GDP in 2012 (Chart 12). It remained at the level of 0.8%-0.9% until 2021, when it increased to 1% of GDP. In 2024, the share of customs revenues has reached 1.1% of GDP, and with VAT included, it amounted to 1.3% of GDP.

Chart 12



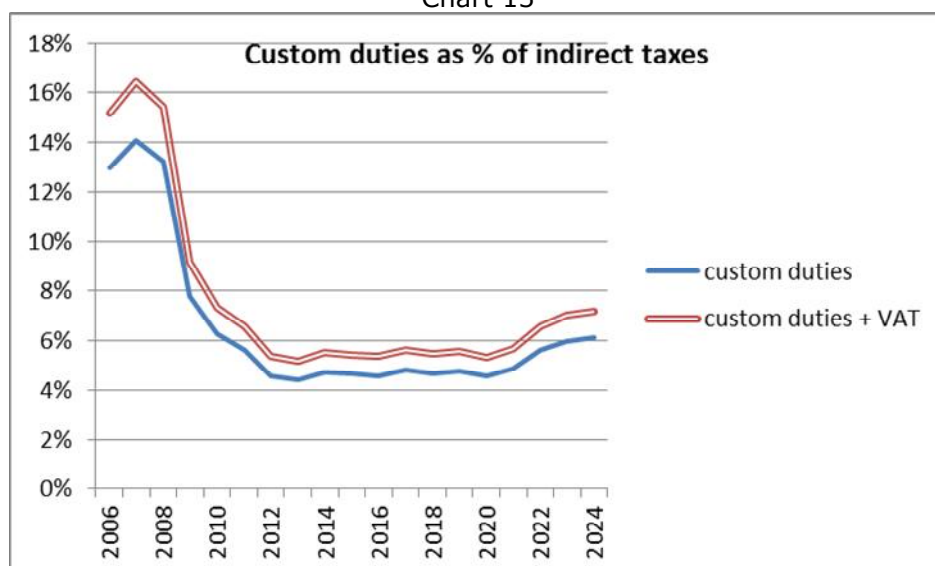
Source: Agency for Statistics of B&H (GDP 2006-2024); Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the author

The share of customs revenue measured as a % of GDP is higher than in the majority of EU member states. The share is identical to the share of customs duties in GDP in Denmark. Only

three member states, Estonia, Luxembourg and Czech Republic, have a larger share than B&H. Even if B&H's entry into the EU would lead to a complete liberalization of the customs regime with the EU, which would imply a loss of customs revenue in the amount of 0.3% of GDP, the rest of the customs revenue, which would be collected on goods from third countries, would be higher than in most member states.

The largest share of customs in collected indirect taxes was recorded in 2007 at 14.1% (Chart 13). Liberalization of foreign trade brought a sharp drop in customs revenue, so that in 2013 the minimum share in total indirect taxes of 4.4% was recorded. Until 2021, the share of revenue from customs duties ranged narrowly between 4.6% and 4.9% of indirect taxes. It then rose sharply during a period of strong price growth on the world market reaching 6.1% in 2024, or 7.2% with VAT included. Given that other *ad valorem* indirect taxes also grew at that time (*ad valorem* component of excises on cigarettes and VAT- which is also an *ad valorem* tax that has a dominant share of 2/3 in indirect tax revenues), it can still be concluded that the growth of customs revenues was strong and faster than the growth of total indirect taxes, because the share of customs in the structure of indirect taxes in 2024 increased by 1.2 p.p. compared to 2021.

Chart 13

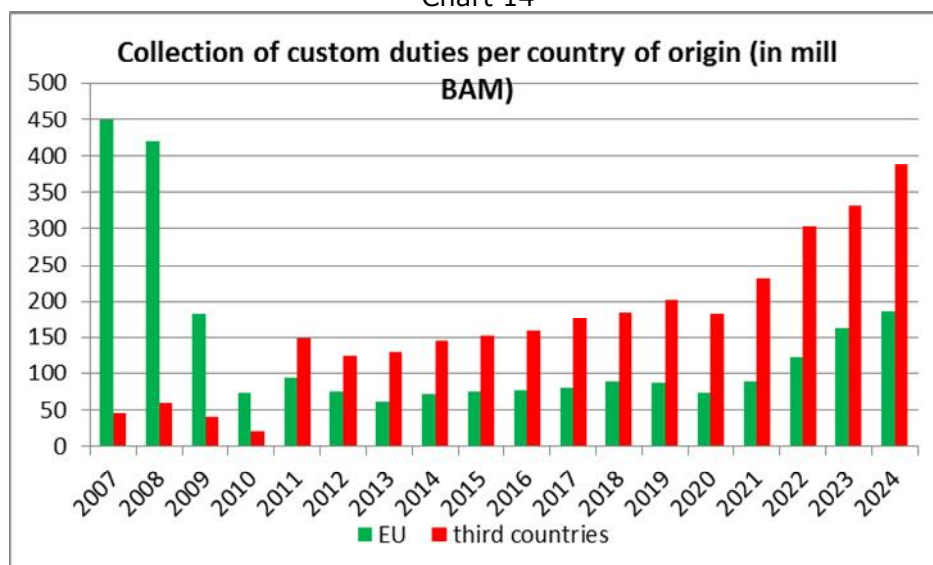


Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the author

### Structure of customs revenue

Liberalization of foreign trade in Bosnia and Herzegovina has brought dramatic changes in the structure of customs revenues. Chart 14 shows the cascading decline in customs revenues from the EU, which had the greatest proportions in the first three years of the implementation of the SAA. In recent years, under the influence of global price growth, revenues from customs duties on goods from the EU have doubled. A similar trend was recorded in the collection of customs duties on goods from third countries, only at a higher level of collection.

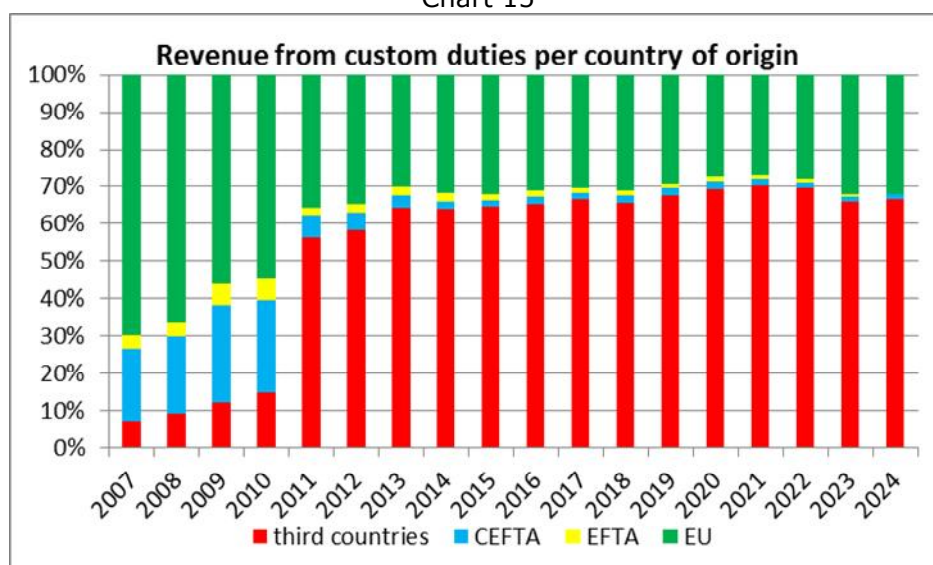
Chart 14



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the author

While revenues from customs duties on goods originating in the EU in 2007 accounted for 70% of total customs revenues in 2016, the share fell to 30%. The minimum amounts of revenues from customs duties are levied on goods from CEFTA and EFTA countries, while 2/3 are those levied on imports from third countries (Chart 15).

Chart 15

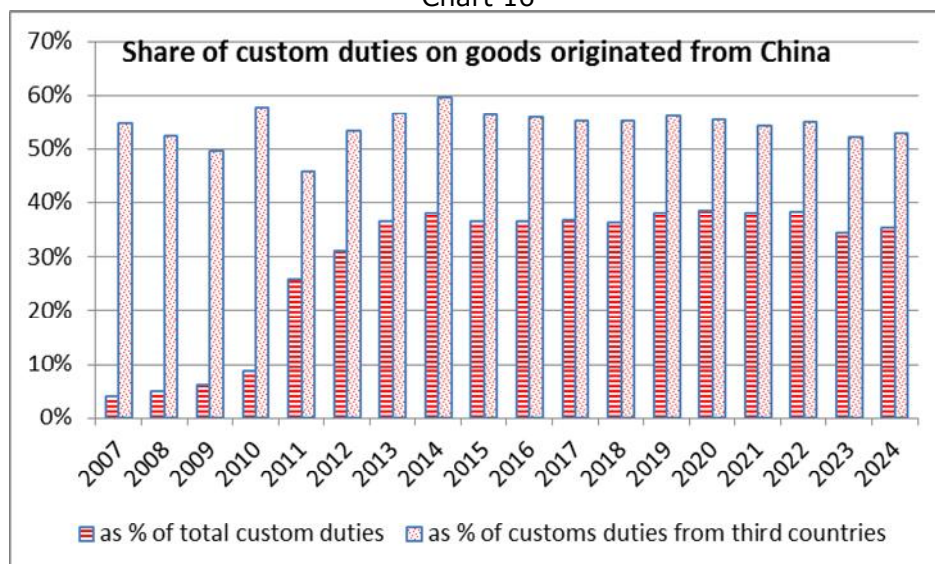


Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the author

It is necessary to look at the structure of revenues from customs duties on goods from third countries regarding their origin. More than half of the customs revenues on imports from third countries, or as much as 35% of the total customs collected, refers to imports from China (Chart 16). After the initial modest amounts of collected customs duties, since 2011, there has been the expansion of imports from China, both consumer goods and capital equipment (e.g. imports for

Thermal power plant Stanari), resulting in a sharp increase in customs revenues, regardless of the abolition of 1% customs registration in 2011.

Chart 16



Source: Indirect Taxation Authority of Bosnia and Herzegovina; calculation and presentation of the author

## **INSTEAD OF A CONCLUSION: THE CONTINUATION OF LIBERALIZATION OF B&H'S FOREIGN TRADE AND THE EFFECTS ON THE COLLECTION OF INDIRECT TAXES**

Bearing in mind the structure of customs revenues dominated by customs duties on goods from China, and taking into account the current growing trend and projections of import growth in the coming years, the impact of customs revenues on imports of goods from third countries will be increasing. For the above reasons, it is necessary to carefully consider the fiscal effects (the so-called "fiscal cost"<sup>31</sup>) of initiatives to liberalize foreign trade with China. Such an approach is necessary, because due to the expected slower economic growth of B&H, the possibilities of reimbursing revenue from customs duties on imports from China are limited in the event of trade liberalization with China. Sources for compensating for lost customs revenue can be VAT, excises on tobacco or excises on oil derivatives. However, maintaining the same policy of indirect taxes with slower economic growth and continuous growth in the budgets of all levels of government does not leave the possibility of redirecting additional revenues from indirect taxes to compensate for the loss of customs revenue. An additional problem, which could complicate the compensation of the fiscal cost, would be the acceptance of various initiatives (such as differentiated VAT rates, expansion of the scope of VAT refunds beyond the usual for the VAT system, exemptions from VAT payment for certain goods, reduction or abolition of excise duties on oil derivatives, etc.) all of which lead to lower collection of indirect tax revenues.

<sup>31</sup> More about the "fiscal cost": Antić D. (2018), "Liberalization of Foreign Trade in B&H (2007-2017): implications and comparative analysis"; MAU Bulletin no. 152/153, March/April 2018, [www.oma.uino.gov.ba](http://www.oma.uino.gov.ba).



## Analysis of revenues from excise duties on alcohol, alcoholic beverages and natural fruit brandy

(Author: Mirjana Popović, expert advisor - macroeconomist)

### Introduction

*Revenues from excise duties on alcohol, alcoholic beverages and natural fruit brandy (hereinafter: alcoholic beverages) represent a stable and fiscally significant source of public revenue in Bosnia and Herzegovina (hereinafter: BiH), with a dual role: providing budgetary funds and achieving public health goals through taxation of products with negative externalities. In the context of post-pandemic recovery, changing consumer habits, tourism dynamics and inflationary pressures, monitoring the trend of excise revenues on alcohol provides insight into broader trends in consumption, market formalization and tax policy effectiveness.*

*The key objectives of the analysis are:*

- to quantify trends and volatility of excise revenues on alcoholic beverages in the observed period;*
- to identify seasonal patterns in quarterly and monthly dynamics;*
- to assess potential factors of revenue movements such as personal consumption, tourism, changes in consumer behavior;*
- to compare the relative contribution of alcoholic beverage categories.*

*The research questions guiding the analysis are:*

- In the analyzed period, did revenues from excise taxes on alcohol show a permanent growth and to what extent was the growth conditioned by the weakening of inflationary pressures?*
- How pronounced is seasonality and is its pattern changing?*
- To what extent do differences between import and domestic flows affect the overall revenue dynamics?*

*Data for the analysis were taken from official administrative sources of the Indirect Taxation Authority. Methodologically, the paper uses descriptive statistics, visualizations (annual, quarterly and monthly data series). The structure of the paper is as follows: after the summary, there is a descriptive analysis at the annual, quarterly and monthly levels, and a short conclusion.*

### Summary

*The analysis includes total excise revenue on alcoholic beverages and a breakdown of data by category of origin (imported and domestic alcoholic beverages). This paper is a continuation of the analyses published in previous issues of the Department's bulletin<sup>32</sup> and analyzes the movement of excise revenue on alcoholic beverages through three periods:*

- Annual collection in the period 2021<sup>33</sup>-2024<sup>34</sup> and the annual growth rate for the period 2022-2024 of total revenues from excise duties on alcoholic beverages, revenues from excise duties on imported and domestic alcoholic beverages.*

<sup>32</sup> More about the policy of taxation of alcoholic beverages and the collection of revenue from excise duties on alcoholic beverages in: Popovic, M. (2022). "Analysis of revenue collection from excise duties on alcohol, alcoholic beverages and natural fruit brandy"; MAU bulletin no. 209/210. More about trends in the collection of these revenues and current trends in: Popovic M. (2023) "Analysis of revenue collection from excise duties on alcohol, alcoholic beverages and natural fruit brandy and current trends". MAU bulletin no. 219/220 and "Analysis of revenue from excise duties on alcohol, alcoholic beverages and natural fruit brandy" MAU bulletin no. 231/232.

<sup>33</sup> Due to the outbreak of the Covid-19 pandemic, the 2020 is not relevant for comparison.

<sup>34</sup> Latest available annual data



- Quarterly collection for the period first quarter (Q1) 2021–second quarter (Q2) 2025<sup>35</sup> and the quarterly growth rate for the period Q1 2022–Q2 2025 total revenues from excise duties on alcoholic beverages, revenues from excise duties on imported and domestic alcoholic beverages.
- Monthly collection for the period January 2021–June 2025<sup>36</sup> and the monthly growth rate for the period January 2022–June 2025 of total revenues from excise duties on alcoholic beverages, revenues from excise duties on imported and domestic alcoholic beverages.

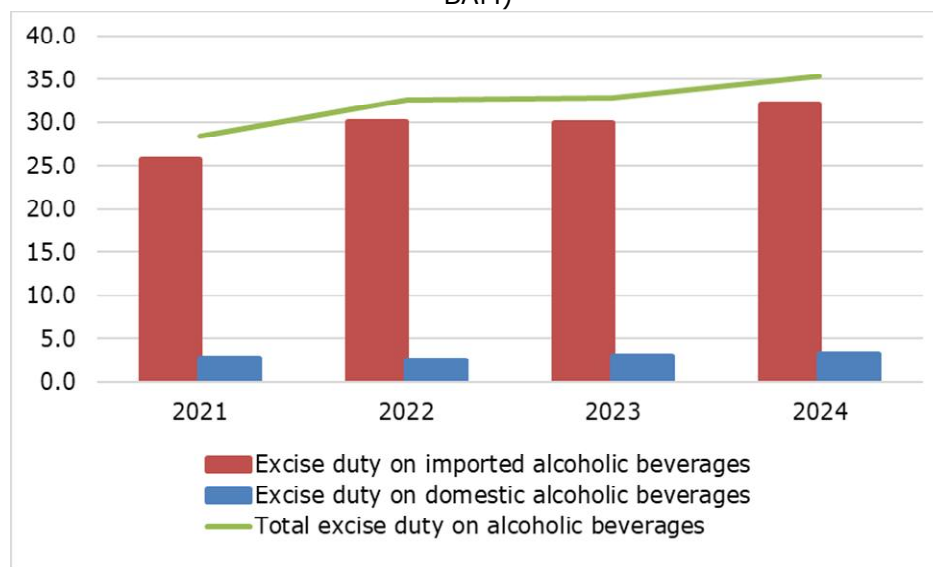
This granularity makes it possible to identify long-term trends, seasonality such as summer and holiday peaks, and short-term shocks and changes in revenue collection dynamics.

### 1. Annual trends in revenues from excise duties on alcoholic beverages

Revenues from excise duties on alcoholic beverages in BiH account for a relatively small share of total excise revenues, ranging between 1.9% and 2.0% during the observed period. Although their fiscal significance is lower than excise duties on tobacco or fuel, these revenues are stable in nature and reflect the level of consumption of alcoholic products as well as the market structure between imported and domestic producers.

Chart 1 shows the trend in annual collection of revenues from excise duties on alcoholic beverages for the period 2021–2024, in millions of BAM. It shows the annual collection of total revenues from excise duties on alcoholic beverages and revenues from excise duties on imported and domestic alcoholic beverages in the analyzed period.

Chart 1. Annual collection of revenues from excise duties on alcoholic beverages (in millions of BAM)



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

In the period 2021–2024 a stable growth of the total collection of these revenues was recorded, while the record collection level since the establishment of the Indirect Taxation Authority was reached last year. The chart shows an upward trend, with a clearly visible dominance of imported

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

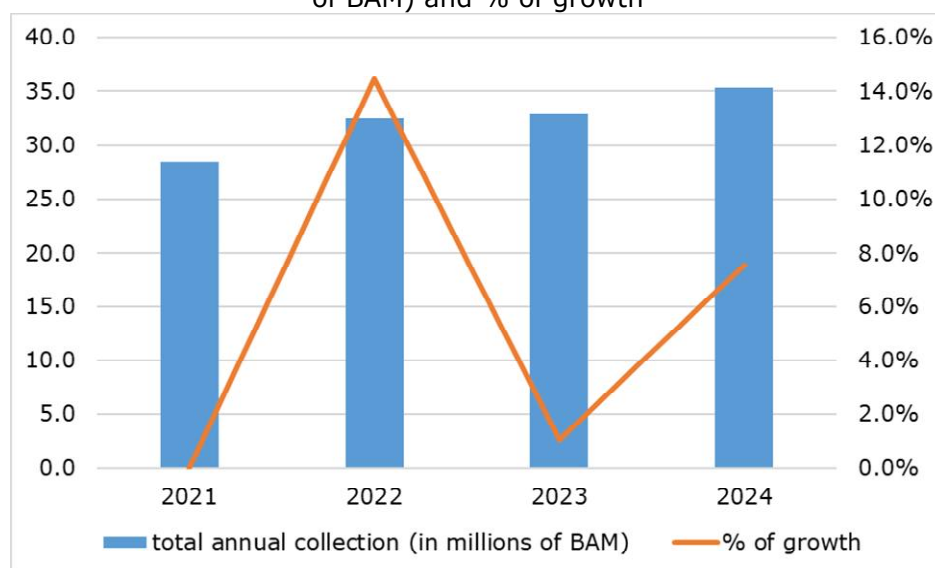
<sup>36</sup> Latest available monthly data

products in the income structure, while the share of domestic production ranges from approximately 8% to 10% of the total collection.

### **1.1. Annual trends in total revenues from excise duties on alcoholic beverages**

Chart 2 shows the annual collection of total revenues from excise duties on alcoholic beverages for the period 2021-2024, in millions of BAM (left vertical scale) and the annual growth rate of these revenues in the period 2022-2024 (right vertical scale).

Chart 2. Annual collection of total revenues from excise duties on alcoholic beverages (in millions of BAM) and % of growth



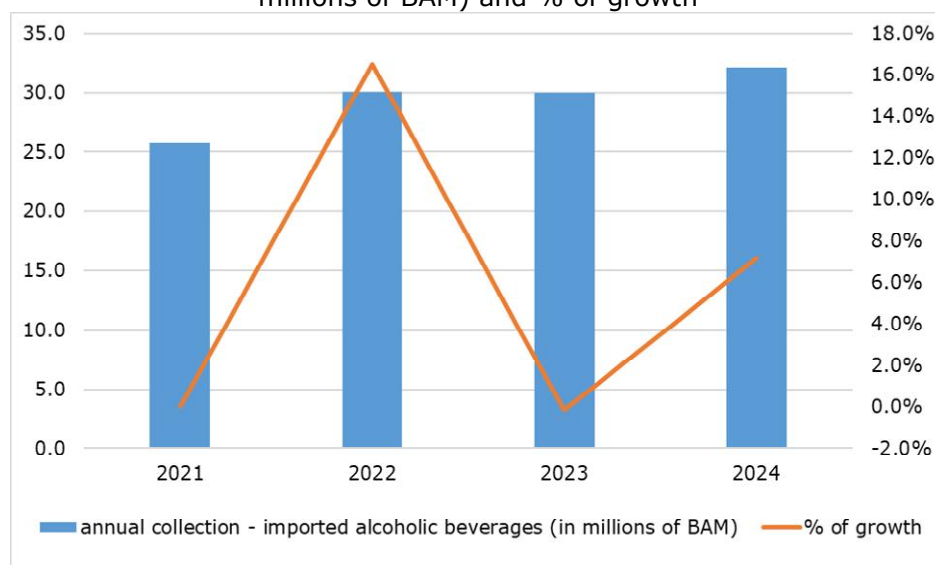
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

In 2024, the collection of total revenues from excise duties on alcoholic beverages increased slightly by 7.6%, in 2023 by 1.1%, while in 2022, the highest growth of these revenues in the observed period was recorded (14.4%), compared to the previous year (Chart 2, % of growth). This growth was recorded because of increased imports and consumption in 2022 due to the recovery from the Covid-19 pandemic and the normalization of the operation of catering establishments.

### **1.2. Annual trends in revenues from excise duties on imported alcoholic beverages**

Chart 3 shows the annual collection of revenues from excise duties on imported alcoholic beverages for the period 2021-2024, in millions of BAM (left vertical scale) and the annual growth rate of these revenues in the period 2022-2024 (right vertical scale).

Chart 3. Annual collection of revenues from excise duties on imported alcoholic beverages (in millions of BAM) and % of growth



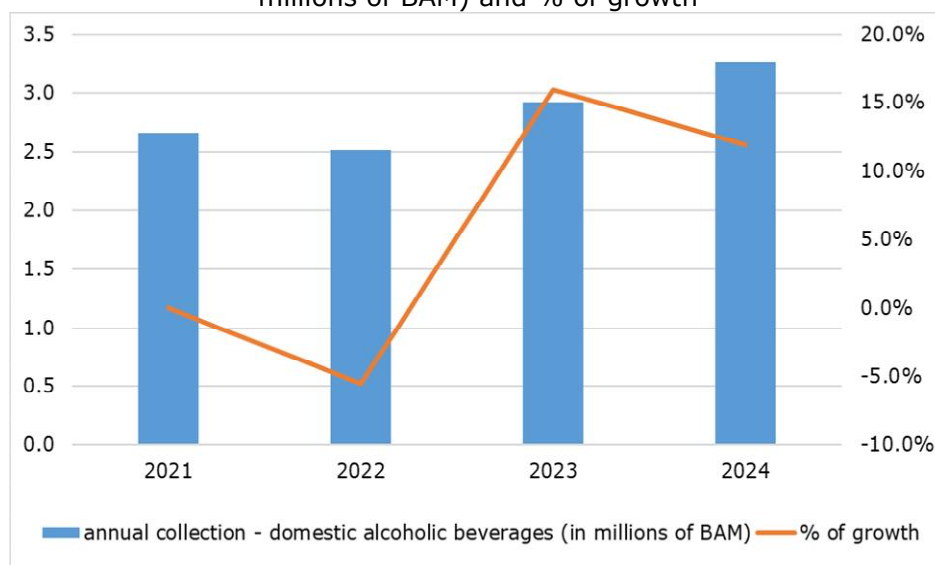
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

There was a significant increase in revenues from excise duties on imported alcoholic beverages by 16.5% in 2022, compared to the previous year. This increase can be primarily attributed to the increase in import volumes after the pandemic. In 2023, there was a slight decrease by -0.2%, suggesting a relative stabilization of import volumes and prices, with possible adjustment of consumption. In 2024, growth by 7.1% was again achieved because of increased demand, with possible changes in the structure of consumption of imported alcoholic beverages.

### **1.3. Annual trends in revenues from excise duties on domestic alcoholic beverages**

Chart 4 shows the annual collection of revenues from excise duties on domestic alcoholic beverages for the period 2021-2024, in millions of BAM (left vertical scale) and the annual growth rate of these revenues in the period 2022-2023 (right vertical scale).

Chart 4. Annual collection of revenues from excise duties on domestic alcoholic beverages (in millions of BAM) and % of growth



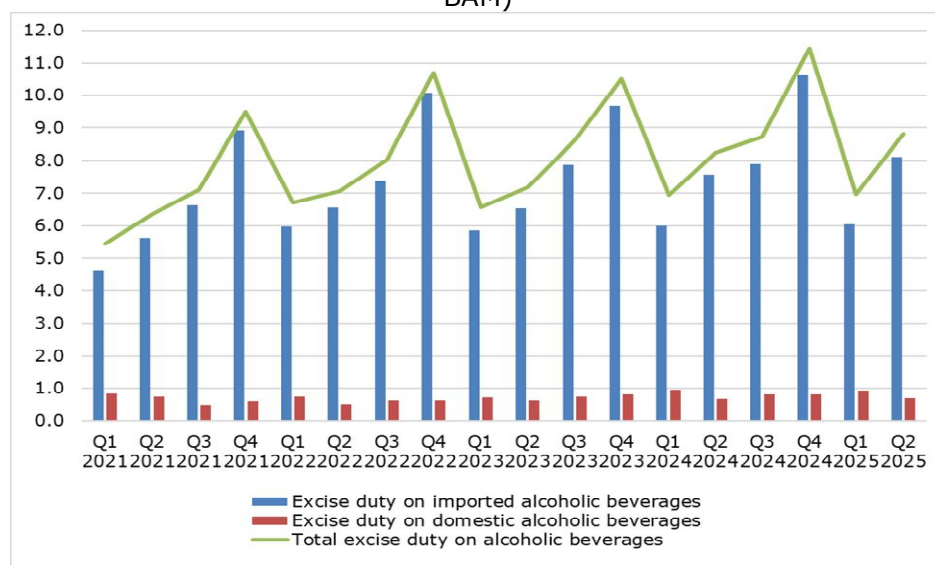
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

Annual excise duty collection on imported alcoholic beverages has been on a fluctuating trend over the period under review. In 2022, there was a -5.5% decline compared to the previous year, which may indicate a decrease in import volumes or a change in consumer habits. In 2023, there was a significant growth of 15.9%, driven by increased imports and consumption. The positive trend continued in 2024, with a growth of 11.9%, suggesting a further increase in demand and import value.

## 2. Quarterly trends in revenues from excise duties on alcoholic beverages

Chart 5 shows the quarterly dynamics of the collection of total revenues from excise duties on alcoholic beverages, excise revenues on imported and domestic alcoholic beverages for the period from the first quarter (Q1) of 2021 to the second quarter (Q2) of 2025, in millions of BAM.

Chart 5. Quarterly collection of revenues from excise duties on alcoholic beverages (in millions of BAM)



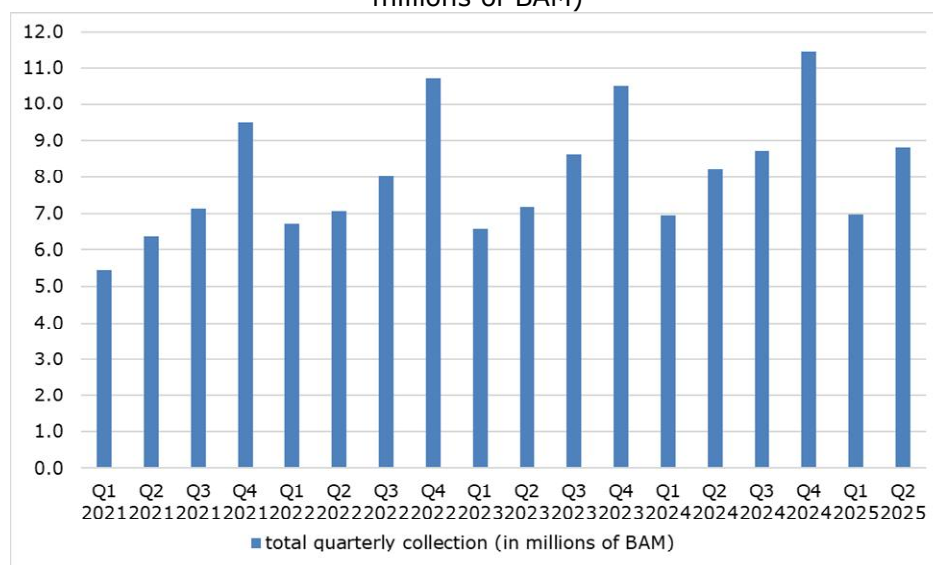
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

A pronounced seasonal pattern is visible, with revenues being lowest in the first quarters of each year and highest in the fourth quarters. This dynamic is mainly a consequence of increased spending ahead of the holiday season, more intensive promotional activities and stockpiling by retailers and distributors. Revenues from excise duties on imported alcoholic beverages dominate the total collection and show a similar seasonal trend as the overall series, with pronounced spikes at the end of each year. Revenues from excise duties on domestic alcoholic beverages are significantly lower and record increases in the first quarters of each year. The trend of total revenues from excise duties on alcoholic beverages confirms the existence of a clear seasonal peak in the fourth quarters, followed by a decline in the first quarters of each year and a gradual increase through the second and third quarters.

### 2.1. Quarterly trends in total revenues from excise duties on alcoholic beverages

Chart 6 shows the quarterly collection of total revenues from excise duties on alcoholic beverages for the period Q1 2021–Q2 2025, in millions of BAM.

Chart 6. Quarterly collection of total revenues from excise duties on alcoholic beverages (in millions of BAM)



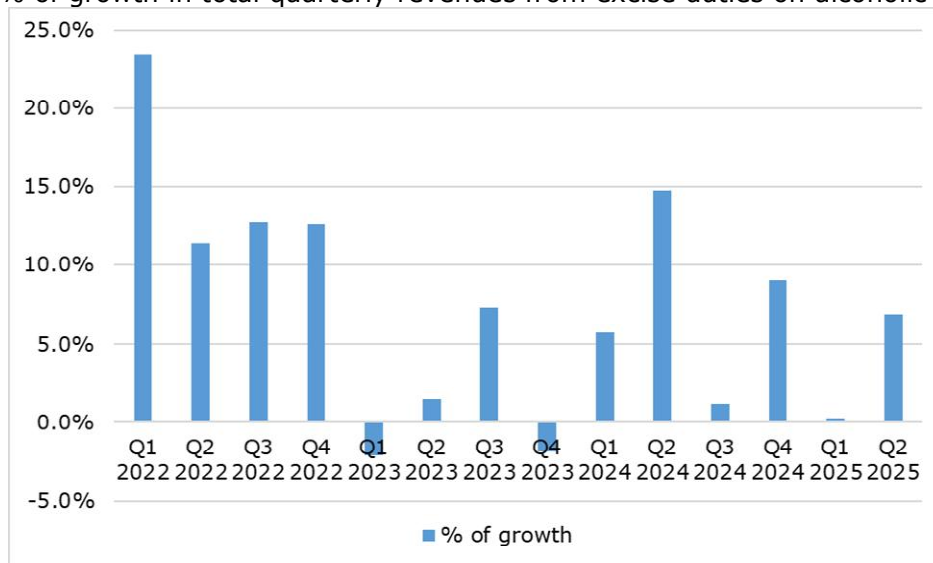
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The chart shows a clear seasonal pattern, with the lowest values recorded in the first quarters of each year, while the highest revenues are generated in the fourth quarters. In the second and third quarters, revenues gradually increase, following the growth of consumption in the warmer part of the year, while the sharp jump in the fourth quarter represents the annual peak. The reasons for this trend are seasonal demand in the fourth quarter, which includes the holiday season (New Year and Christmas holidays) when the consumption of alcoholic beverages increases, which increases the collection of excise duties. Promotional activities and marketing campaigns when manufacturers and distributors intensify their offer and end-of-year promotions additionally stimulate sales in fourth quarters. Retailers and caterers make larger stocks at the end of the year for the holiday period, which also results in increased excise duty payments in the same quarter. The tourist season in the third quarter in some years, results in moderate growth associated with tourist events and increased consumption during the summer. All of the above, as well as macroeconomic factors such as changes in consumer purchasing power, affect the amount of revenues generated, but do not disrupt the seasonal pattern.

Chart 7 shows the quarterly growth rate of total revenues from excise duties on alcoholic beverages for the period Q1 2022–Q2 2025.



Chart 7. % of growth in total quarterly revenues from excise duties on alcoholic beverages



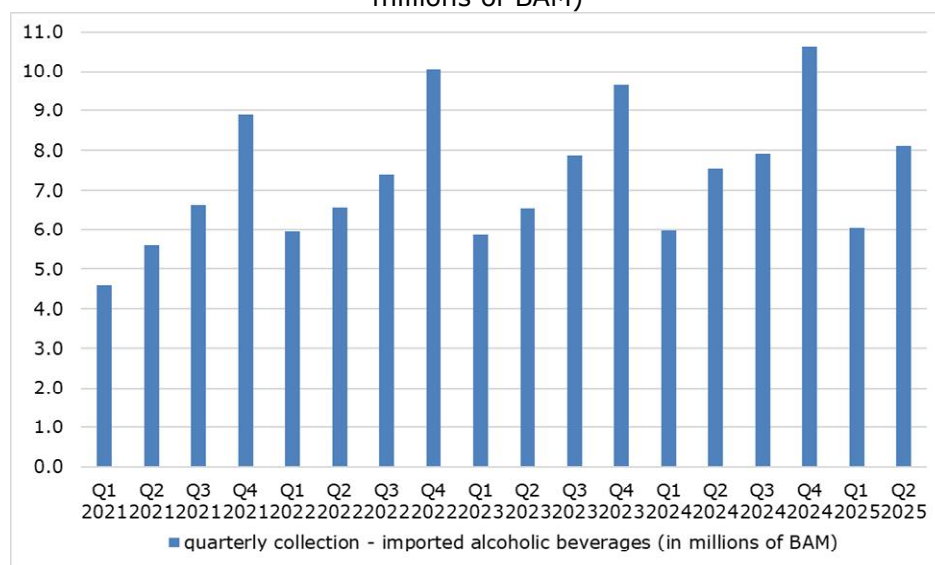
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The movement of the growth rate shows pronounced oscillations between individual quarters, which reflects seasonal patterns of consumption, but also changes in imports. The highest growth rate was recorded in the first quarter of 2022 23.4%, while other more pronounced jumps were present in quarters such as Q2 2024 (14.8%), Q3 2022 (12.8%), Q4 2022 (12.6%) and Q2 2022 (11.4%). In some quarters, the growth was minimal or close to zero, which indicates the stabilization of revenues in those periods. The decline in the collection of total revenues from excise duties on alcoholic beverages in the analyzed period was recorded in the first quarter of 2023 (-2.1%) and the fourth quarter of 2023 (-1.9%). The largest increase in these revenues in all quarters was recorded during 2022 because of the recovery of the economy from the effects of Covid-19.

## 2.2. Quarterly trends in revenues from excise duties on imported alcoholic beverages

Chart 8 shows the quarterly collection of revenues from excise duties on imported alcoholic beverages for the period Q1 2021–Q2 2025, in millions of BAM.

Chart 8. Quarterly collection of revenues from excise duties on imported alcoholic beverages (in millions of BAM)



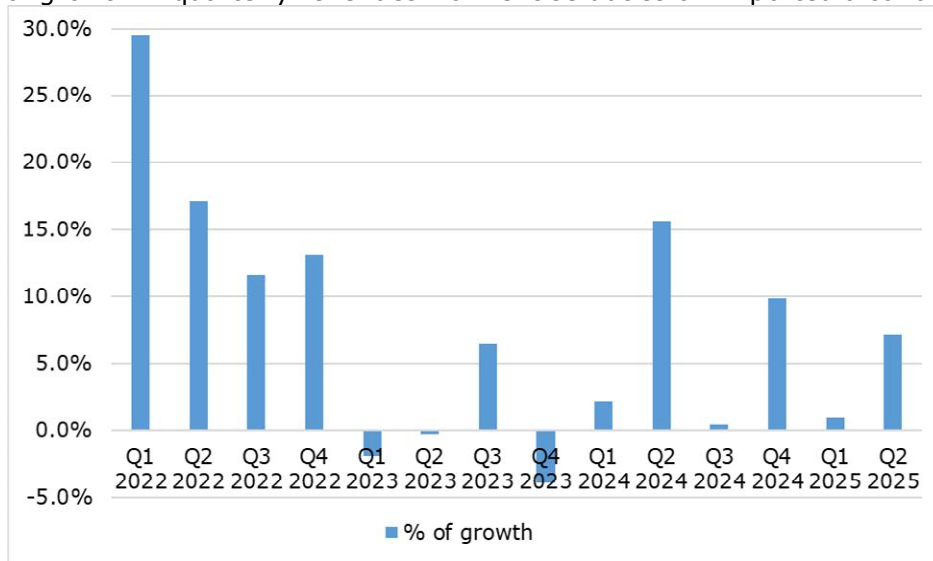
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

It is evident that revenues have pronounced seasonal oscillations, with the lowest in the first quarters of each year, while reaching a maximum in the fourth quarters. This dynamics mainly results from increased consumption during the summer months and especially during the New Year and Christmas holidays, when imports of alcoholic beverages also increase. The largest jump in these revenues was recorded in Q4 2022 and Q4 2024, when collections approached or exceeded the value of 10 millions of BAM, while the weakest results were achieved in the first quarters of the observed years. During the years shown, stable growth was noticeable, which can be linked to the recovery of consumer purchasing power after inflationary pressures, but also to the recovery of the hospitality and tourism sector after the Covid-19 pandemic.

Given the fact that imported alcoholic beverages have a dominant share in total revenues from excise duties on alcoholic beverages, their movement almost completely mirrors the overall trend in excise duty collection on alcoholic beverages. Thus, fluctuations in imported beverages are a key factor in the overall dynamics in this category of revenues. From an economic perspective, this trend indicates that revenues from excise duties on alcoholic beverages are significantly dependent on consumer habits related to seasonal demand, tourist flows and holiday spending, while stability on an annual basis depends on the broader economic situation, disposable income of the population and import policy.

Chart 9 shows the quarterly growth rate of revenues from excise duties on imported alcoholic beverages for the period Q1 2022–Q2 2025.

Chart 9. % of growth in quarterly revenues from excise duties on imported alcoholic beverages



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

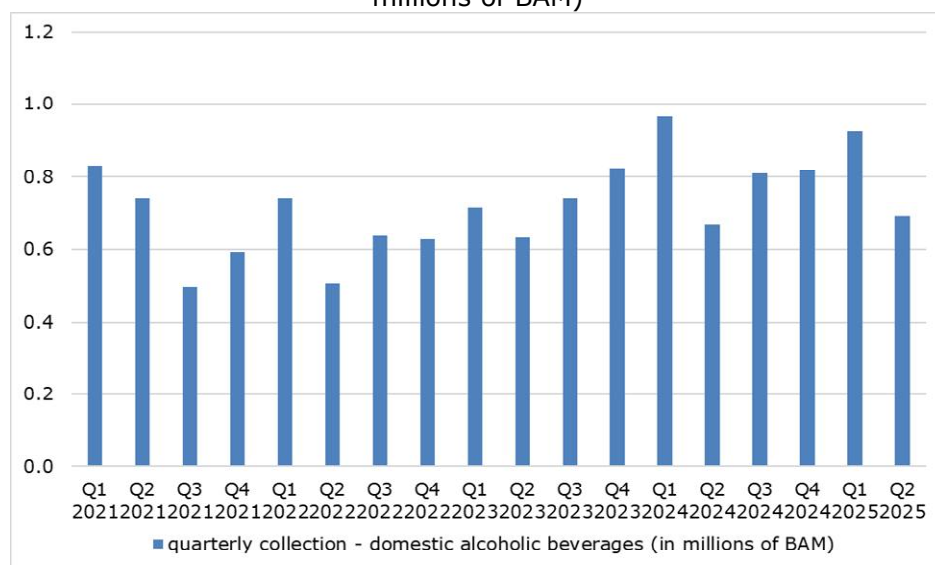
The largest increase was recorded in the first quarter of 2022, when a growth rate of 29.5% was achieved, which is a consequence of the market recovery after the pandemic. In the following quarters of the same year, growth stabilized at a lower level (between 10–17%), while 2023 was marked by a significantly weaker growth dynamic so growth rates were mostly minimal or close to zero, and in some quarters even negative (Q1 and Q4). These trends indicate a slowdown in consumption, partly due to inflationary pressures and a decrease in real income of the population. In 2024, growth strengthened again, especially in the second quarter, in which growth of 15.7% was achieved, which can be associated with a seasonal increase in consumption. In the first half of the current year, the growth rate fluctuated again, with mild growth recorded in the first and somewhat more pronounced in the second quarter.

These data show that excise revenues on imported alcoholic beverages did not have a constant growth trend, but are sensitive to economic and seasonal factors. The most pronounced growth occurred immediately after the pandemic, while subsequent developments can be described as a stabilization phase, with occasional seasonal spikes.

### **2.3. Quarterly trends in revenues from excise duties on domestic alcoholic beverages**

Chart 10 shows the quarterly collection of revenues from excise duties on domestic alcoholic beverages for the period Q1 2021–Q2 2025, in millions of BAM.

Chart 10. Quarterly collection of revenues from excise duties on domestic alcoholic beverages (in millions of BAM)



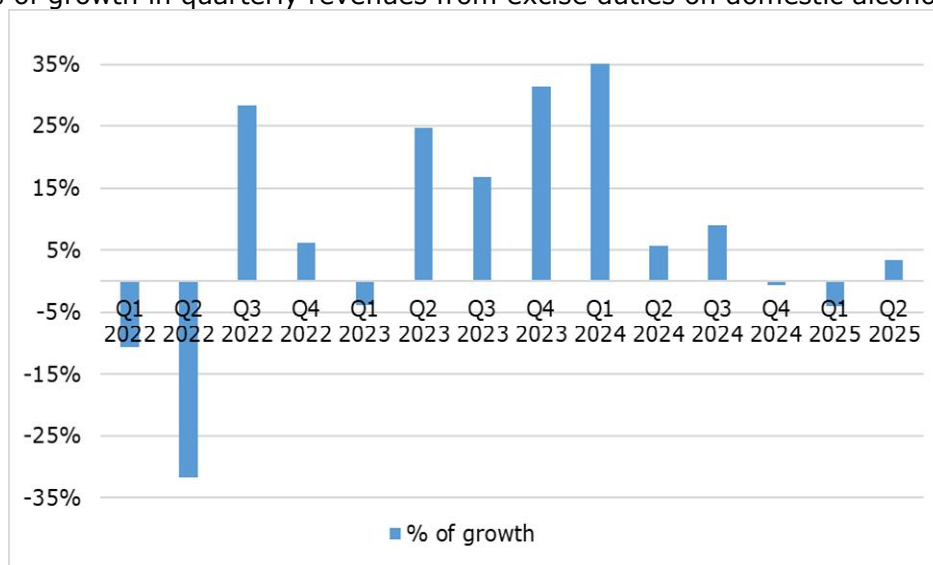
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

Quarterly revenue collection from excise duties on domestic alcoholic beverages shows much more modest amounts compared to imported beverages, on average below one million BAM per quarter. In contrast to the more stable pattern of imported beverages, a fluctuating trend is noticeable here without a clear seasonal pattern.

The highest collection was achieved in the first quarters of 2024 and 2025, while the lowest level was recorded in the second quarter of 2022. Trends indicate that domestic alcoholic beverages have a smaller and more variable market share, which depends on a number of factors such as seasonal production, supply and demand, price competitiveness compared to imported beverages, as well as consumer purchasing power.

Chart 11 shows the quarterly growth rate of revenues from excise duties on domestic alcoholic beverages for the period Q1 2022–Q2 2025.

Chart 11. % of growth in quarterly revenues from excise duties on domestic alcoholic beverages



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

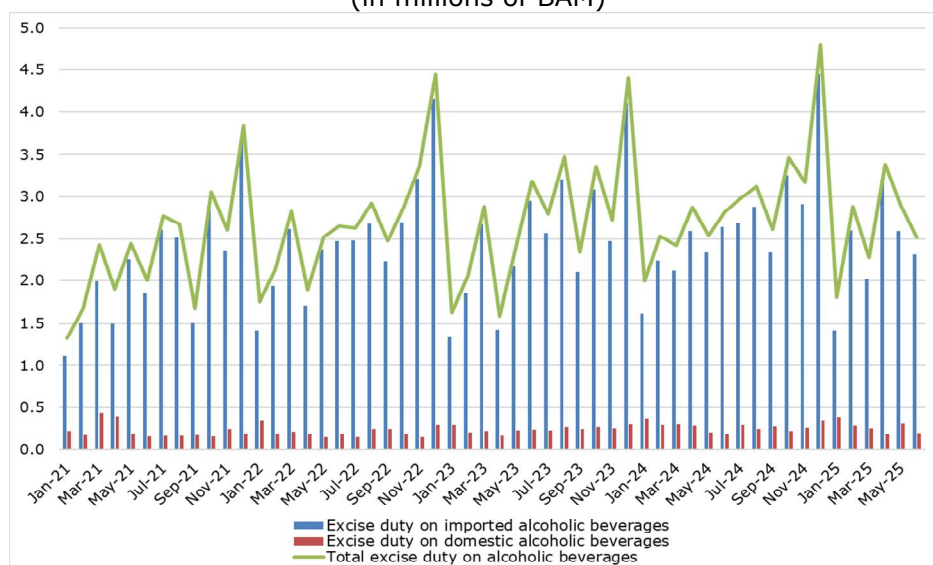
The growth rates of revenues from excise duties on domestic alcoholic beverages show more pronounced oscillations than for imported ones. The largest decline was recorded in the second quarter of 2022 (-31.7%) indicating a sharp decrease in collection compared to the same quarter of the previous year. This was followed by a recovery and positive growth rates in the last two quarters of the same year. The largest positive growth rate was recorded in the first quarter of 2024, when growth reached 35.0%, which is likely a consequence of higher sales volumes of domestic products and more favorable market circumstances. In 2025, the growth dynamics are modest in the second quarter, while in the first quarter a slight decline by -4.1% was recorded, compared to the same quarter of the previous year.

### 3. Monthly trends in revenue from excise duties on alcoholic beverages

The monthly dynamics of the collection of excise duties on alcoholic beverages is presented for the period from January 2021 to June 2025. This presentation of the collection of these revenues provides detailed information on the dynamics of the consumption of alcoholic beverages under the influence of various external factors such as the monthly seasonal factor, inflation and changes in consumer purchasing power.

Chart 12 shows the monthly trend in revenues from excise duties on alcoholic beverages for the period January 2021 - June 2025, in millions of BAM. It shows the monthly trend in total collection of revenues from excise duties on alcoholic beverages and revenues from excise duties on imported and domestic alcoholic beverages in the observed period.

Chart 12. Monthly collection of revenues from excise duties on alcoholic beverages  
(in millions of BAM)



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

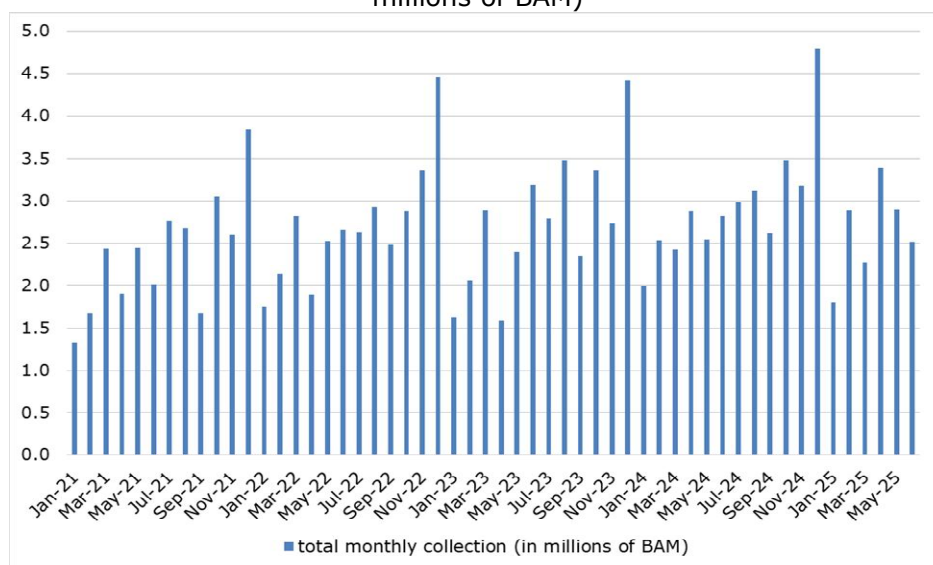
The chart shows a clear seasonal pattern, with revenues regularly at their lowest in January, then gradually increasing during the spring and summer, peaking in December each year. The highest collection in the observed period was recorded in December 2024, while the lowest was recorded in January 2021. These trends reflect the typical dynamics of alcoholic beverage consumption, more modest in the first months of the year, more pronounced during the summer months, and peaking during the New Year holidays. In general, excise duty collection shows a stable trend with seasonal oscillations, without major deviations from the usual annual pattern.

### 3.1. Monthly trends in total revenues from excise duties on alcoholic beverages

Chart 13 shows the monthly collection of total revenues from excise duties on alcoholic beverages for the period January 2021 - June 2025, in millions of BAM.



Chart 13. Monthly collection of total revenues from excise duties on alcoholic beverages (in millions of BAM)

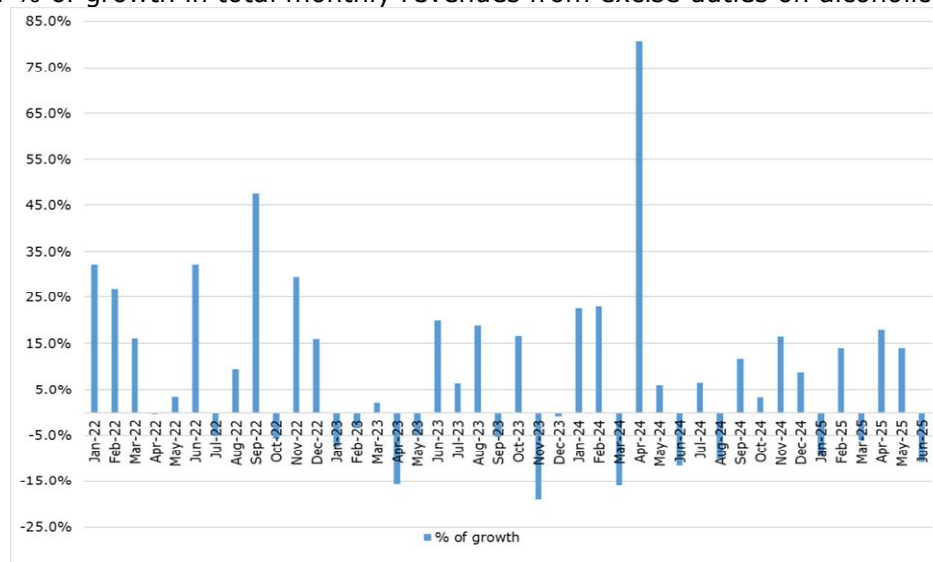


Source: Data from the Indirect Taxation Authority of BiH, MAU overview

A clear seasonality is observed, with the lowest revenues in January, growth during spring and summer, with a peak in December each year, which indicates a general trend, i.e. stable dynamics with slight growth throughout the observed period.

Chart 14 shows the monthly growth rate of total revenues from excise duties on alcoholic beverages for the period January 2022 - June 2025, compared to the same month of the previous year.

Chart 14. % of growth in total monthly revenues from excise duties on alcoholic beverages



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

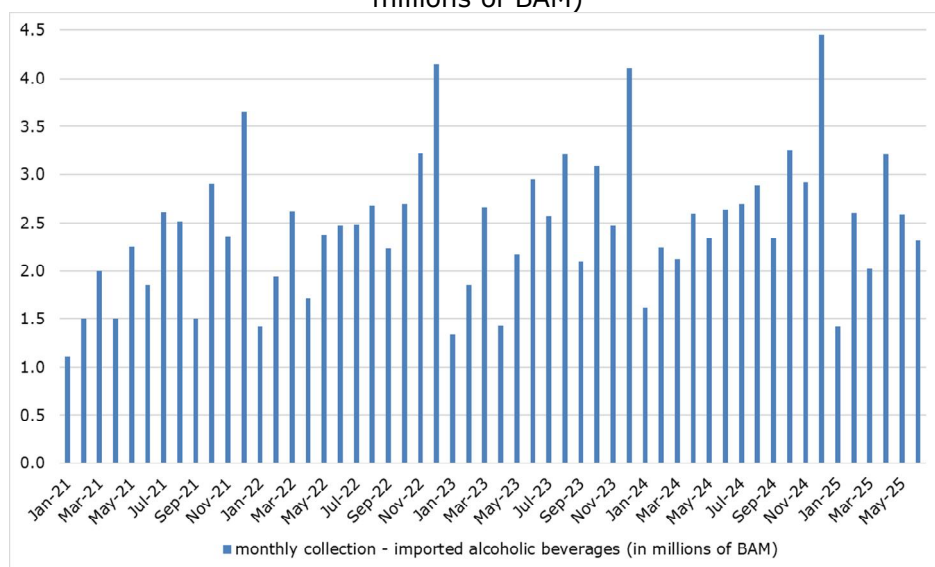
In the observed period, the highest growth in total monthly revenues from excise duties on alcoholic beverages was recorded in April 2024 (80.6%) as a combination of increased procurement and seasonal consumption. A large increase in these revenues was also recorded in

September 2022 (47.6%) compared to September 2021. Looking at the collection in the current year, a slight decrease was recorded in January, March and June, while an increase in the collection of these revenues was recorded in other months, compared to the same month in 2024.

### **3.2. Monthly trends in revenues from excise duties on imported alcoholic beverages**

Chart 15 shows the monthly trend in the collection of revenues from excise duties on imported alcoholic beverages for the period January 2021 - June 2025, in millions of BAM.

Chart 15. Monthly collection of revenues from excise duties on imported alcoholic beverages (in millions of BAM)

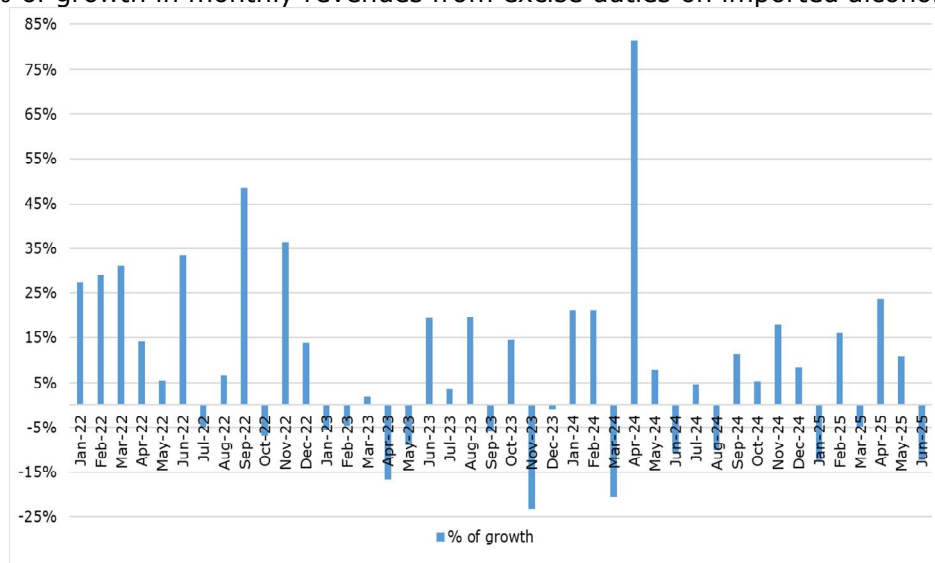


Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The chart shows high values in the summer months (July–August) and December, and the lowest values in January. The monthly collection of excise duties on imported alcoholic beverages shows a similar seasonal pattern as the monthly collection of total revenues from excise duties on alcoholic beverages. Imported alcoholic beverages have the greatest impact of seasonal fluctuations because they have a significant share in the total revenues from excise duties on alcoholic beverages. The highest value was recorded in December 2024, which corresponds to the overall trend.

Chart 16 shows the monthly growth rate of revenues from excise duties on imported alcoholic beverages for the period January 2022 - June 2025, compared to the same month of the previous year.

Chart 16. % of growth in monthly revenues from excise duties on imported alcoholic beverages



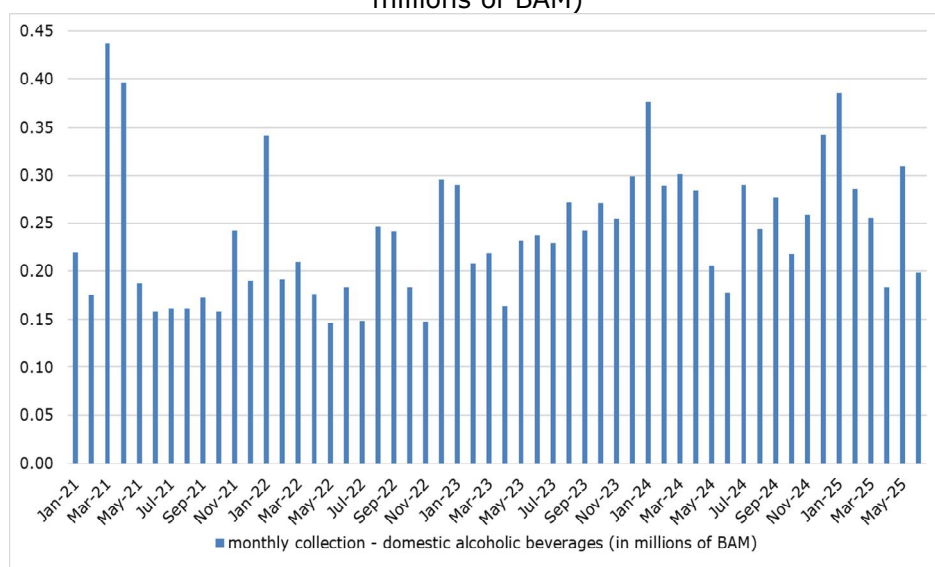
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

Given that imported alcoholic beverages are the dominant source of total excise revenue on alcohol, the large jump in these revenues in April 2024 by 81.5% was the main contributor to the jump in total excise revenue on alcoholic beverages in this month. Significantly higher growth in the observed period was recorded in a number of months during 2022 as a result of increased consumption after the Covid-19 pandemic. The same trend in these revenues was recorded on a monthly basis in the current year as was recorded for total excise revenue on alcoholic beverages.

### 3.3. Monthly trends in revenues from excise duties on domestic alcoholic beverages

Chart 17 shows the monthly trend in the collection of revenues from excise duties on domestic alcoholic beverages for the period January 2021 - June 2025, in millions of BAM.

Chart 17. Monthly collection of revenues from excise duties on domestic alcoholic beverages (in millions of BAM)



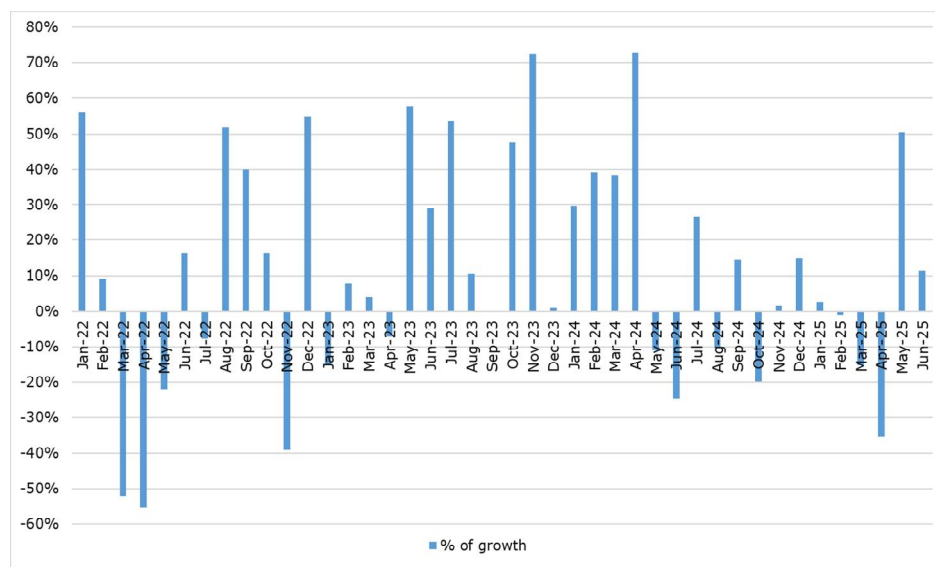
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

Unlike total revenues from excise duties on alcoholic beverages and revenues from excise duties on imported alcoholic beverages that are highest at the end of the year, the collection of revenues from excise duties on domestic alcoholic beverages is highest in March and April 2021, January 2022, 2024 and 2025.

The difference in patterns of excise duty collection on domestic alcoholic beverages compared to total revenues or imported beverages can be explained by a combination of several factors such as the seasonal production and consumption of domestic beverages such as brandy and domestic liqueurs, which are often produced and sold seasonally, depending on agricultural production or holiday periods. This explains the higher revenues in March/April after winter distillation and harvest, as well as in January during the holidays.

Chart 18 shows the monthly growth rate of revenues from excise duties on domestic alcoholic beverages for the period January 2022-June 2025, compared to the same month of the previous year.

Chart 18. % of growth in monthly revenues from excise duties on domestic alcoholic beverages



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

The highest growth in collection of revenues from excise duties on domestic alcoholic beverages was recorded in November 2023 (72.4%) and April 2024 (73.0%), while a significant decrease was recorded in March and April 2022. In April of the current year, a decrease in these revenues by -35.5% was recorded, while in May, an increase of 50.5% was recorded, compared to the same month of the previous year. Large oscillations, jumps and falls, can primarily be explained by the specifics of excise duty collection for domestic producers and the seasonality of production. The production of domestic beverages such as brandy and liqueurs depends on agricultural harvesting and distillation, which often occurs in spring or autumn, leading to higher collections later.

#### 4. Conclusion

An analysis of quarterly excise revenues shows a clear difference between imported and domestic alcoholic beverages. Imported alcoholic beverages generate much higher revenues than domestic ones, with a pronounced seasonal pattern. The lowest revenues are in the first quarters and months of the year, while they reach their maximum in the fourth quarters, i.e. at the end of the year, and are influenced by holiday and tourist spending. Revenue growth rates from imported beverages are generally more stable, with the largest jump immediately after the pandemic, while more oscillations that are moderate are noticeable later.

On the other hand, domestic alcoholic beverages record a significantly lower level of revenue and an unstable collection trend, without a clear seasonal pattern. Their growth rates are much more volatile and this oscillatory nature indicates the sensitivity of domestic production to market and economic factors, as well as a weaker market position compared to imported alcoholic beverages. Revenues from excise duties on domestic alcoholic beverages do not reflect the actual monthly change in consumption, but rather a combination of administrative collection rules and seasonal cycles in production.

From all of the above, it can be concluded that imported alcoholic beverages dominate the structure of excise revenue, determining the overall trend in the market, while domestic beverages have a marginal, but more dynamic and variable movement, which speaks of their sensitivity and potential dependence on protective or stimulating measures within the framework of fiscal and economic policy.

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