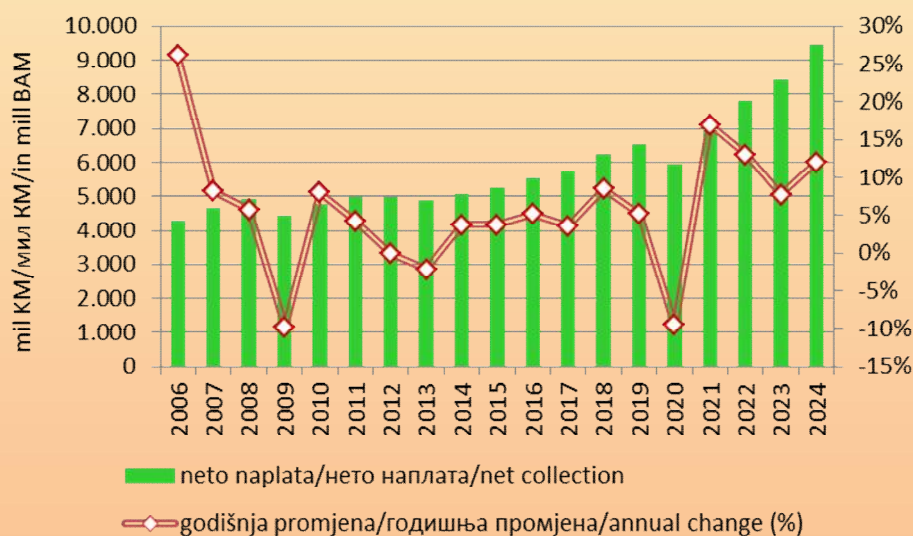




Macroeconomic Unit of the Governing Board of the Indirect Taxation Authority

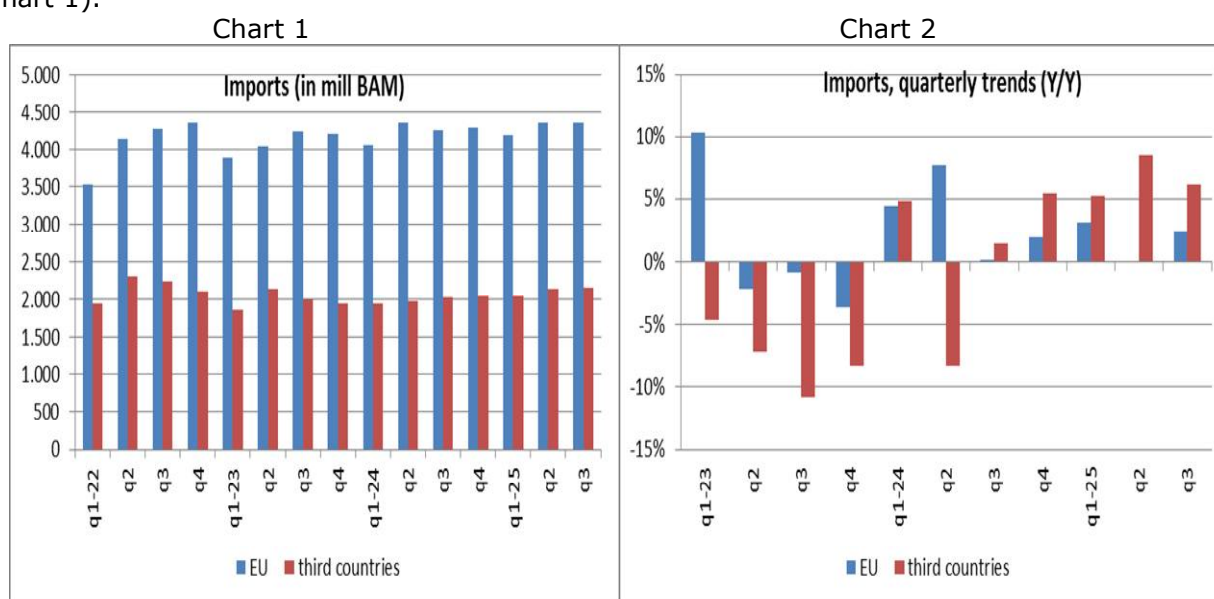
# ОМЈА Билтен



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## With this issue

At the time of preparing the revised projections of indirect tax revenues for the period 2025-2028, which we publish in this Bulletin, and which were submitted to the fiscal authorities of B&H in mid-October 2025, analytical data on B&H's foreign trade were available only for eight months of 2025. The latest data from the Agency for Statistics of B&H for nine months of 2025 provide us with an overview of trends. Imports of goods from third countries and a part of goods from the EU that remained under the customs regime are relevant for the collection of customs revenues. Comparisons of imports in absolute terms show that imports from the EU and third countries in the third quarter of 2025 were almost identical to the values from the second quarter of 2025 (Chart 1).



However, quarterly comparisons of imports (Y/Y) show strong oscillations in imports from the EU. The maximum quarterly growth rate was achieved in the first quarter, and growth rates ranged from 0.1% to 3.1%. Quarterly trends in imports from third countries were also oscillatory, but growth rates were significantly higher, ranging from 5.3% to 8.6% (Chart 2).

Dinka Antić, PhD  
Head of Unit

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Technical design: Sulejman Hasanović, IT expert

Reader/translator: Darija Komlenović, professor

## REVISED PROJECTIONS OF INDIRECT TAX REVENUES FOR THE PERIOD 2025-2028

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## Summary

### *Macroeconomic indicators projections*

*According to DEP's projections, real GDP growth of 2.3% is expected in 2025. Based on available reports from international reference institutions indicating a continued growth trend in economic activity in the world and EU countries, and on the basis of available data and macroeconomic models, DEP projects real GDP growth of 2.6% in 2026, while economic growth of 3.0% and 3.1% can be expected in 2027 and 2028, respectively.*

### *Trends in indirect tax revenue collection 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 January-September 2025*

*An overview of trends in net indirect tax collection for the first nine months of 2025 implies that the beginning and spring of 2025 were marked by poorer collection of indirect tax revenues. Positive growth rates were achieved in the remaining months, with rates ranging from 9% to 16% in four months. Oscillatory trends in indirect tax collection have continued in September, when high net effects were again achieved. In the first nine months, the cumulative net absolute increase in revenues amounted to 399.7 million BAM.*

### *Projections of indirect tax revenues*

*The projected net collection of indirect tax revenues in 2025 amounts to 9,977.3 million BAM, which is 5.6% more than in the previous year. The projected growth rates of net indirect tax revenues for 2026, 2027 and 2028 are 4.5%, 4.2% and 3.9% respectively. The revenue projection in the aforementioned period is based on projected relevant macroeconomic indicators, the historical seasonal collection pattern and projections of individual revenue categories for 2025.*

### *Risks*

*The achievement of the projected level of indirect tax revenue 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 indirect tax revenue itself, which can be positive or negative (VAT refund on the purchase of the first residential property, risks related to the exemption from paying road fees, possible growth in the consumption of derivatives in B&H due to the introduction of US sanctions on the Serbian Oil Industry, the abolition of customs duties on the import of goods originating in the USA, etc.).*

## I BASIS AND ASSUMPTIONS OF THE REVISED PROJECTIONS OF INDIRECT TAX REVENUES

The revised projections of indirect tax revenues are based on the projections of macroeconomic indicators of the Directorate for Economic Planning (DEP) from September 2025, and take into account trends in indirect tax collection and current government policies in the area 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.

The effects of:

- initiation of legal proceedings by economic entities (mines and thermal power plants) that had been beneficiaries of road fee exemption until the adoption of the Decision of the State Aid Council of B&H,
- possible abolition of customs duties on imports of goods originating in the USA, and
- introduction of US sanctions on the Serbian Oil Industry,

are also not included in the revenue projections, but are explained in detail in Chapter IV "Risks".

### 1. Projections of macroeconomic indicators, DEP

#### 1.1. Projections, DEP, September 2025

##### *Economic trends in 2024*

Projections of macroeconomic indicators made by DEP rely on preliminary data from the Agency for Statistics of B&H (BHAS), according to which a nominal GDP growth of 2.6% was achieved in B&H in 2024, calculated according to the expenditure approach.

##### *Projections for 2025*

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

Table 1. GDP growth projection, DEP, September 2025

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

Source: DEP, September 2025

The DEP's macroeconomic projection document states that BHAS estimates real GDP growth at the level of 1.7% in the first quarter of 2025. They conclude that domestic demand, through increased consumption and investment, represented the main source of growth, while the contribution of the

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

trade balance was slightly negative. According to DEP's projections, real GDP growth of 2.3% is expected in 2025. As in the first quarter, domestic demand, through increased final consumption and partly investment, should represent the mainstay of growth. The projected real growth of final consumption is 2.2%, and its contribution to GDP growth is 1.9 p.p. The contribution of investments to the projected real GDP growth is around 1.3 p.p., while the contribution of the trade balance is -0.9 p.p.

### *Projections for 2026*

Based on currently available reports from international reference institutions indicating a continued growth trend in economic activity in the world and EU countries, and based on available data and macroeconomic models, DEP projects a real GDP growth at the level of 2.6% in 2026. The assumptions in the baseline scenario of DEP's projections represent a somewhat more favorable external environment and stabilization of internal dynamics in the country. The projected contribution of final consumption to economic growth is 1.8 p.p., investment 1.2 p.p., and foreign trade -0.4 p.p.

### *Projections for 2027 and 2028*

When preparing projections of economic developments in the international economic environment, DEP used the available publication of the European Central Bank<sup>2</sup>, according to which the projected real economic growth in the Eurozone in 2027 is 1.3%, while the expected inflation rate is 1.9%.<sup>3</sup> In addition to external dynamics, DEP emphasizes that an important factor for economic growth in the country during the period 2027-2028 is also the country's institutional capacity to implement structural reforms. According to DEP's projections, economic growth of 3.0% in 2027 and 3.1% in 2028 can be expected in B&H.

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

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

### *Data for 2024*

The level of GDP achieved in 2024, which was stated in the DEP's document from September 2025 as official data (taken from BHAS), is higher than in the DEP's projections from March 2025. The data series presented in the latest publication of the Agency for Statistics of B&H<sup>4</sup> differs from the earlier published series for a number of years. BHAS explains this by changes resulting from the revision of data on household final consumption expenditure, data on investments in gross fixed capital formation and data from the Central Bank of B&H.<sup>5</sup>

The official GDP growth rate for 2024 is 0.8 p.p. higher than in the DEP's projections from March. Observed by categories, the nominal import growth rate is higher by 1 p.p., the export growth rate is lower by 0.3 p.p., and the nominal private consumption growth rate is higher by 1.75 p.p.

<sup>2</sup> European Central Bank staff macroeconomic projections for the euro area (September 2025)

<sup>3</sup> DEP cites the availability of international data as an additional challenge for creating macroeconomic projections, as the autumn edition of the ECFIN forecasts was not available at the time of the preparation of their report.

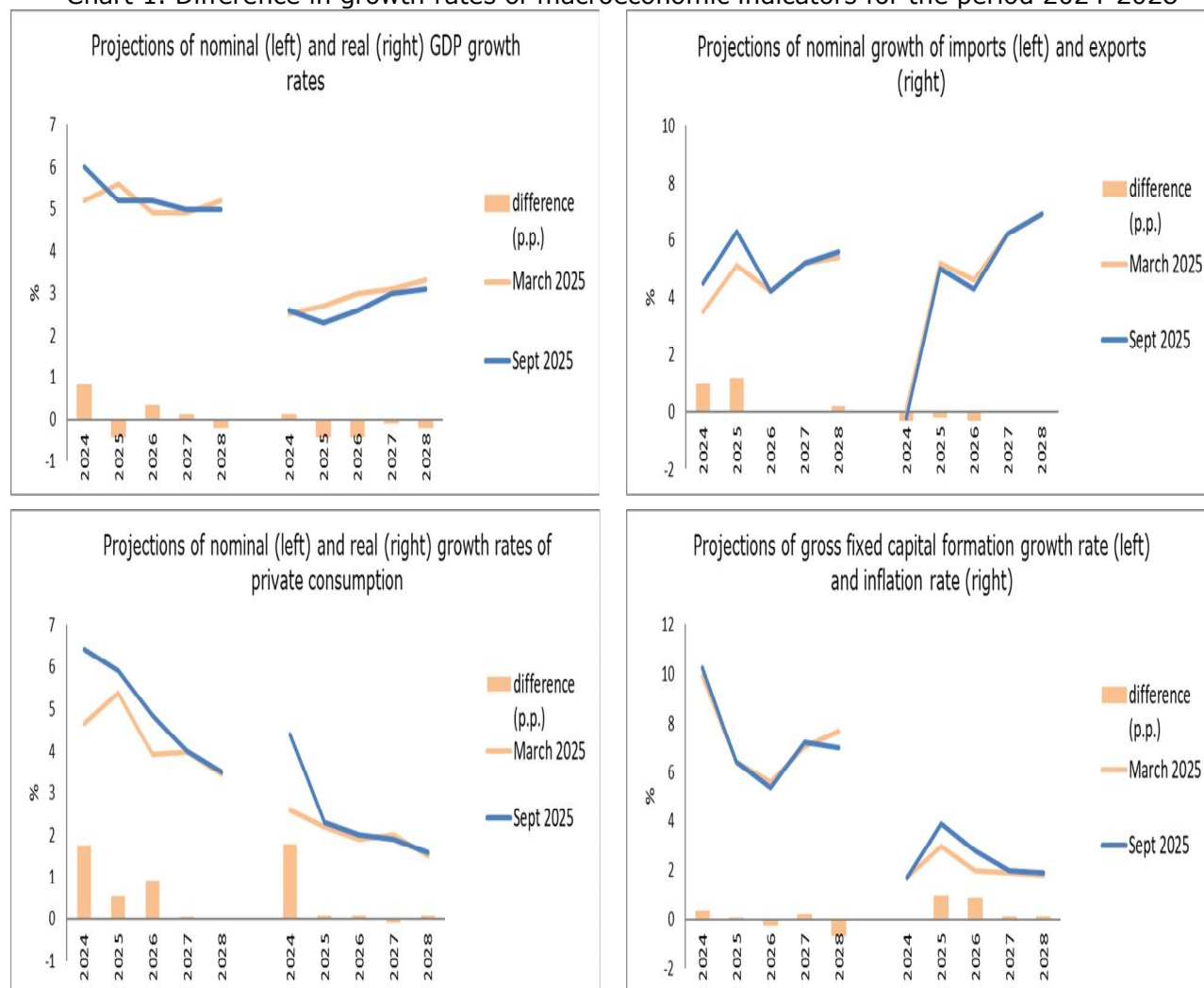
<sup>4</sup> Gross Domestic Product for Bosnia and Herzegovina for 2024, Expenditure Approach, First Results; BHAS, September 2025.

<sup>5</sup> BHAS states that "the revision of household final consumption and gross fixed capital formation data includes significant methodological improvements: the transition to the new Classification of Individual Consumption. According to Purpose (COICOP 2018) as well as the revision of goods flows, which affected both the levels and changes in household final consumption data and gross fixed capital formation data (machinery and equipment)."

### Projections for 2025

The projected nominal GDP growth rate in the DEP's September 2025 projections was lower by 0.4 p.p. compared to their March 2025 projections (Chart 1). The projected nominal import growth rate was increased by 1.2 p.p., and that of exports was reduced by 0.2 p.p. The projected nominal private consumption growth rate was increased by 0.5 p.p. The projected inflation rate was increased by 0.9 p.p., while the GDP deflator projection was unchanged.

Chart 1. Difference in growth rates of macroeconomic indicators for the period 2024-2028



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

### Projections for 2026

The projected nominal GDP growth rate in the latest DEP's projections for 2026 is 5.2%, which is 0.3 p.p. above the corresponding projection made in March 2025. Conversely, the projected real GDP growth rate for 2026 was reduced by 0.4 p.p., from 3% in March, to 2.6% in September 2025, and the downward correction was the result of an upward correction of the GDP deflator projection. The projection of nominal private consumption growth for 2026 increased by 0.9 p.p., and that of exports decreased by 0.3 p.p., while the projection of nominal import growth has not been corrected (Chart 1).

*Projections for 2027 and 2028*

The GDP growth rate projections for 2027 and 2028 have not been significantly revised in the September 2025 DEP's projections compared to previous projections (Chart 1). Nominal GDP growth rates were revised by 0.1 and -0.2 p.p. for 2027 and 2028, respectively. Projections of growth rates of GDP expenditure categories have also not been significantly revised.

## 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>6</sup> The policy of excises on tobacco in 2025 is regulated by the Law on Excises and Decision<sup>7</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>8</sup> The Law<sup>9</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 (Chart 2). Finally, the increase in collection in 2024 compared to 2006 was a high 129.2%.

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>10</sup>: (1) share of 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 2014, 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, 2022 and 2024), and in 2024 it amounted to 86.3%. With the decline in the share of consumption in GDP, since 2015, the line of the share of indirect taxes in consumption has been above the line of their share in GDP.

<sup>6</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.

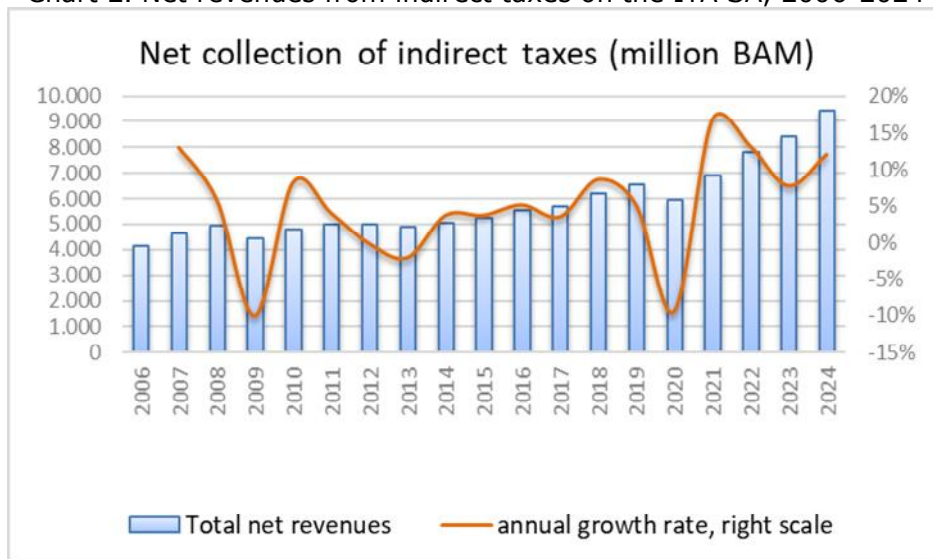
<sup>7</sup> Decision on Determination of the Specific and Minimum Excise Duty for Cigarettes and the Amount of the Excise Duty on Smoking Tobacco for 2025 („Official Gazette of B&H" No. 84/24)

<sup>8</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>9</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>10</sup> Simon, H. and M. Harding (2020), "What drives consumption tax revenues?: Disentangling policy and macroeconomic drivers" *OECD Taxation Working Papers*.

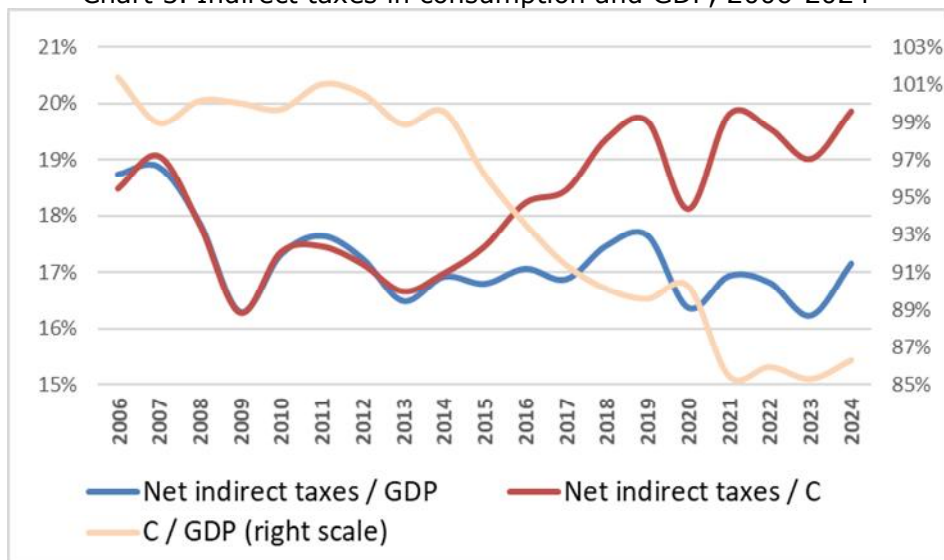
Chart 2. Net revenues from indirect taxes on the ITA SA, 2006-2024



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

The share of indirect taxes from the ITA Single Account in GDP has varied significantly in recent years (Table 2). Since the introduction of VAT (2006), this indicator ranged from 16.2% (minimum value, 2023) to 18.9% (maximum value, 2007). In 2024, it amounted to 17.2%. The dynamics of indirect taxes in GDP depended on numerous factors: trends in tax rates and tax bases, efficiency of tax collection, trends in consumption, but also on other categories of gross domestic product (investments, imports and exports), which, in addition to consumption, affect the level of the denominator of this indicator.

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



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

The share of indirect taxes from the ITA in total consumption has also varied, and from 2014 to 2019 it showed a continuous growth trend. In 2019, it amounted to 19.7%, while in the pandemic year, 2020, it fell sharply to 18.1%. After that, oscillations of this indicator have been recorded. In

2021, it increased to 19.8%, in 2022 and 2023 it declined slightly, and in 2024 it recorded its historical maximum of 19.9%.

Table 2. Share of indirect tax revenues from the ITA SA in GDP and 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 | 18,7 | 18,9 | 17,9 | 16,3 | 17,3 | 17,6 | 17,2 | 16,5 | 16,9 | 16,8 | 17,1 | 16,9 | 17,5 | 17,6 | 16,4 | 16,9 | 16,8 | 16,2 | 17,2 |
| Indirect taxes / C   | 18,5 | 19,1 | 17,9 | 16,3 | 17,4 | 17,5 | 17,2 | 16,7 | 17,0 | 17,5 | 18,2 | 18,5 | 19,4 | 19,7 | 18,1 | 19,8 | 19,6 | 19,0 | 19,9 |

Source: Calculation of the MAU based on ITA and BHAS data <sup>11</sup>

**The increase in the share of net indirect taxes in total consumption in 2024 amounted to 0.85 p.p.** (from 19% in 2023 to 19.9% in 2024). The biggest contribution to growth comes from VAT revenues (+0.5 p.p.), **which, given the unchanged taxation policies, may indicate 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 growth of their share in consumption is +0.29 p.p. Of this, the growth in the share of excise duties on tobacco amounts to 0.21 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.

<sup>11</sup>Gross Domestic Product for Bosnia and Herzegovina for 2024, Expenditure Approach, First Results; BHAS, September 2025.

## II REVISED 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 revised projections (2025-2028), October 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        | 6.554,0    | 6.875,2  | 7.170,8  | 7.443,3  |  | 5,2%                  | 4,9% | 4,3% | 3,8% |
| Excises                | 1.851,7        | 1.993,4    | 2.077,7  | 2.162,3  | 2.251,0  |  | 7,7%                  | 4,2% | 4,1% | 4,1% |
| Customs                | 580,1          | 618,0      | 644,0    | 677,5    | 715,4    |  | 6,5%                  | 4,2% | 5,2% | 5,6% |
| Road fee               | 732,3          | 759,7      | 779,5    | 802,9    | 827,7    |  | 3,7%                  | 2,6% | 3,0% | 3,1% |
| Other *)               | 57,4           | 52,2       | 52,2     | 52,2     | 52,2     |  | -9,2%                 | 0,0% | 0,0% | 0,0% |
| TOTAL                  | 9.448,6        | 9.977,3    | 10.428,5 | 10.865,6 | 11.289,6 |  | 5,6%                  | 4,5% | 4,2% | 3,9% |
| Earmarked road tax **) | -457,4         | -474,8     | -487,2   | -501,8   | -517,3   |  | 3,8%                  | 2,6% | 3,0% | 3,1% |
| Funds for distribution | 8.991,2        | 9.502,4    | 9.941,3  | 10.363,8 | 10.772,3 |  | 5,7%                  | 4,6% | 4,2% | 3,9% |

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.

\*) 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.

\*\*) 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).

Table 4. Baseline scenario of indirect tax revenue revised projections in % of GDP, October 2025

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

Data source for GDP: BHAS, September 2025 and DEP, Macroeconomic Projections, September 2025

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

### 2.1. Projections for 2025

Compared to the Unit's projections from April 2025 (hereinafter referred to as "previous projections"), the projections of indirect tax revenues from October are 56.6 million BAM higher. The projections of VAT revenues were not significantly corrected (+2 million BAM). The projections of net excise revenues were revised by +63.4 million BAM. Of these, excise taxes on tobacco (+42.8 million BAM) were corrected the most, due to better current collection than assumed in April. Due to a significant slowdown in the growth trend compared to the first quarter of 2025, the projections of net customs revenues have been revised by -31.9 million BAM compared to the previous projections. On the other hand, due to more favorable recent collection trends, the projections of road fee revenues have been revised upwards by +20.3 million BAM. Other revenues have been corrected by +2.8 million BAM.

### 2.2. Projections for 2026-2028

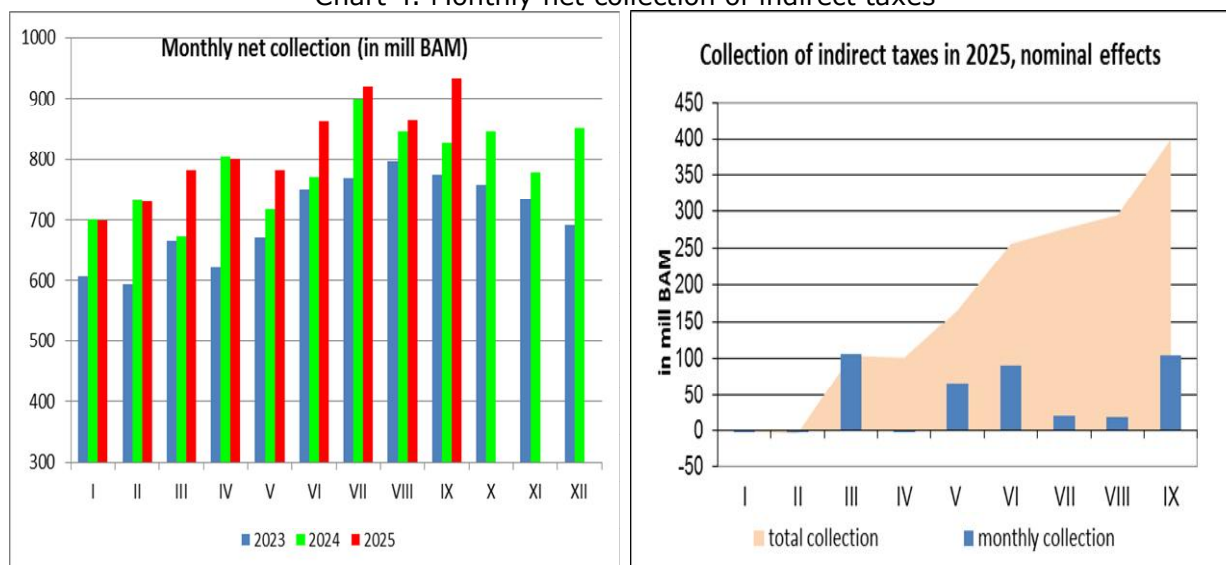
Compared to previous projections, indirect tax revenue projections for 2026, 2027 and 2028 have been revised by +87.1 million BAM, +45.7 million BAM and +8.7 million BAM, respectively. Revision of the projections is the cumulative result of the change in the statistical base (projections for 2025) and the revision of the projections of macroeconomic indicators (Chart 1).

## 3. Projection of total indirect tax revenues

### 3.1. Projections for 2025

According to the ITA preliminary cash flow report, in September 2025, 1.12 billion BAM of gross revenue was collected or 130.4 million BAM more than in September 2024. Refund payments were 25.8 million BAM higher, so the net effects in June amounted to 104.6 million BAM, representing an increase of 12.6%.

Chart 4. Monthly net collection of indirect taxes



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

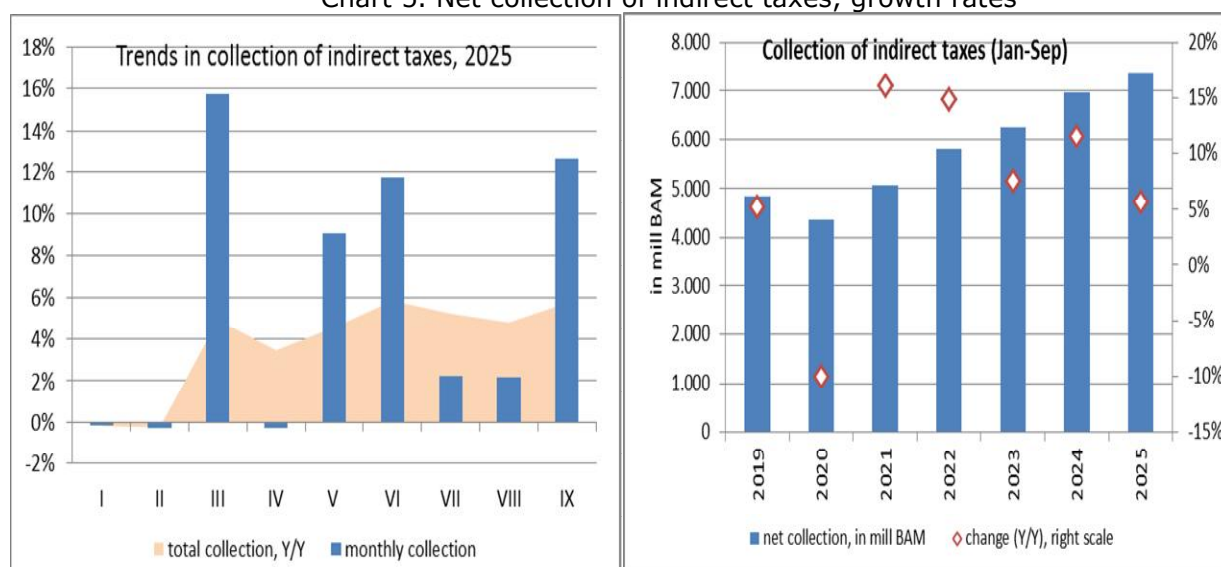
Based on an overview of the monthly net collection of indirect taxes, it can be concluded that in January, February and April, collection was lower than in the same months of 2024, while in the other six months it was above collection in the same months of 2024 (Chart 4, left).

Despite the growth in gross indirect tax collection, due to the high growth in refund payments, the net collection effects were negative in the first two months of 2025 (Chart 4, right). Only with the growth of net collection in March, significant positive cumulative effects were achieved. After stagnation in April, a sharp increase in the surplus was achieved in May and June, so that at the six-month level, a net growth of 256.3 million BAM was achieved, representing a growth in indirect tax revenues of 5.8%. However, modest net effects were achieved in July and August due to the high comparison base in those months in 2024, which also represent the months in which maximum collections were achieved in that year. Oscillatory trends in the collection of indirect taxes have continued in September, when high net effects were again achieved, increasing the cumulative net effects to 399.7 million BAM.

The conclusion about strong oscillations in collection in the first half of the year is also indicated by the fact that of the total net effects of increase in indirect tax revenues for the nine months of 2025, as much as 92% was achieved in just four months – 27% in March, 26% in September, 23% in June and 16% in May (Chart 4, right).

An overview of trends in net indirect tax collection for the first nine months of 2025 implies that the beginning and spring of 2025 were marked by poorer indirect tax revenue collection. Positive growth rates were achieved in the remaining months, ranging from 9% to 16% in four months (Chart 5, left).

Chart 5. Net collection of indirect taxes, growth rates



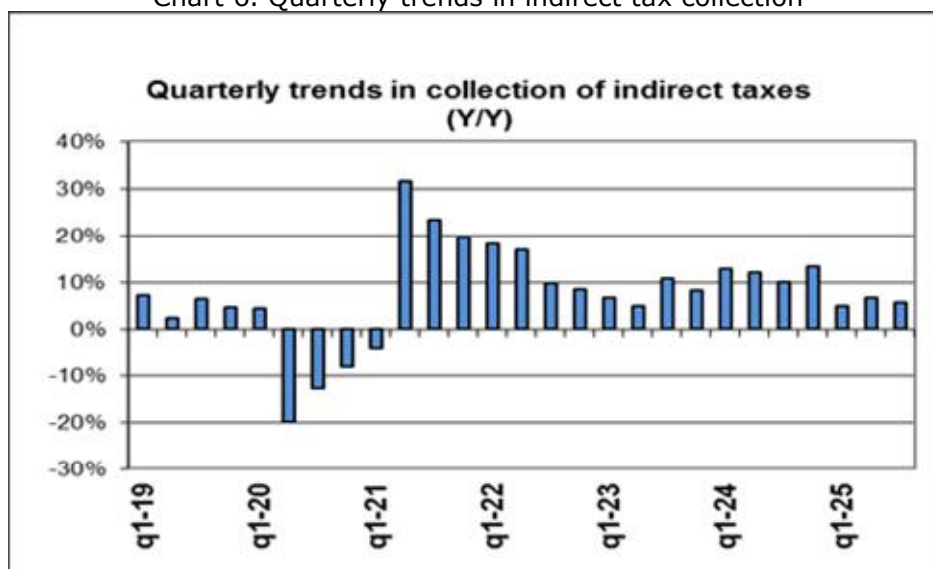
Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

From the review of growth rates at the nine-month level (Chart 5, right), it can be concluded that, after the turbulent period 2020 – 2024 (which includes the pandemic, the beginning of the war in Ukraine, the energy crisis, the beginning of the war in the Middle East and the change in excise policy<sup>12</sup>) the growth rate has finally stabilized. After extremely low (2020) and extremely high growth rates (2021, 2022, 2024), it is obvious that a time of “normalization” of growth rates in indirect tax revenue collection is coming.

<sup>12</sup> Change in the excise duty payment regime on tobacco products

An overview of quarterly growth rates of indirect tax revenues shows that positive quarterly growth has been ongoing since 2021, when a recovery began after the drop in revenues caused by the coronavirus pandemic (Chart 6). 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 stabilized over time in 2023, a significant amount of revenue from excise duties on tobacco products was lost after the transition to a new payment regime in the first months of 2023. The effect of the lower base from the first half of 2023 resulted in higher quarterly growth rates in 2024, especially in the fourth quarter of that year when growth rate of 13.4% was achieved. The unexpectedly high growth in collection in December 2024 was partly a result of the spillover of revenues at the end of one fiscal year and the beginning of a new one, because of business decisions of taxpayers. Given all this, the lower growth of gross collection at the beginning of 2025 is not a surprise. On the other hand, the recovery of imports and exports in the fourth quarter of 2025 had its full effect on refund payments at the beginning of 2025. In such circumstances, the growth rate of 5% was achieved in the first quarter of 2025, which was modest compared to 2024. It is also the lowest quarterly growth rate since 2021. However, the strong growth in indirect tax collection in May, June and September 2025 resulted in higher growth rates in the second and third quarters of 2025 of 6.6% and 5.6%, respectively (Chart 6). However, the fact that quarterly growth rates in 2025 were halved compared to previous years indicates that indirect tax collection is returning to "normal" growth frameworks.

Chart 6. Quarterly trends in indirect tax collection

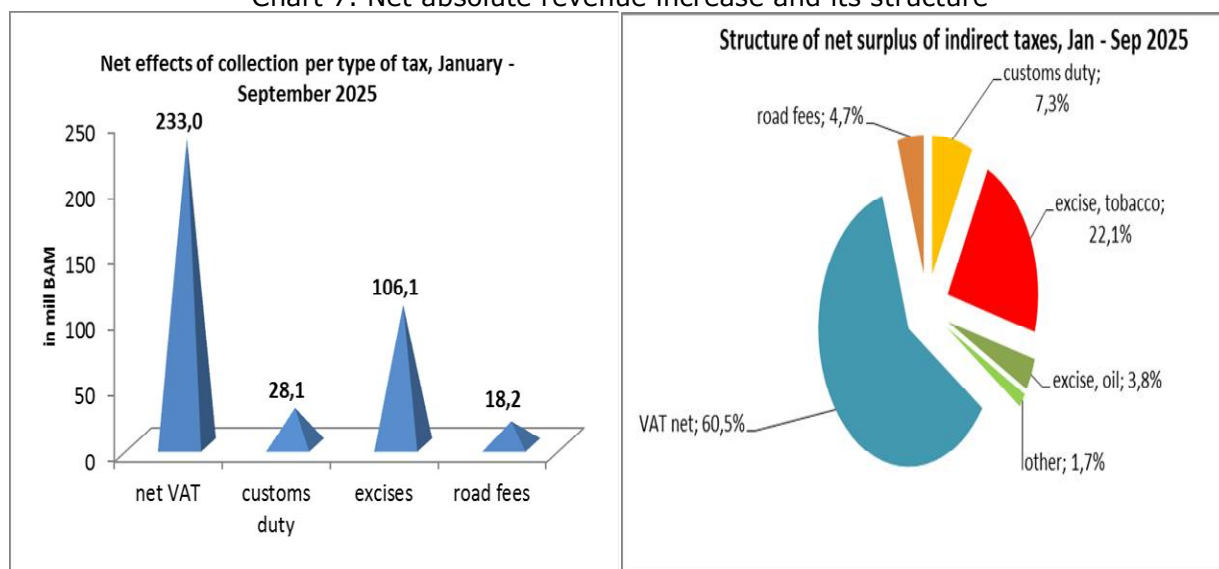


Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

An analysis of the structure of net absolute increase achieved in the period January - September 2025 points to the conclusion that the main factor in the growth of indirect tax revenues was VAT. In the period January - September 2025, 233 million BAM more VAT revenues were collected than in the same period in 2024, while the collection of excise duty was higher by 106.1 million BAM (Chart 7, left).

In the structure of indirect tax revenues, net VAT most often accounts for 2/3 of revenues. However, due to the strong growth in excise duty collection on tobacco products during 2025, the share of VAT in the structure of net absolute increase in revenues from indirect taxes was significantly reduced to 60.6%, while, on the other hand, the share of excises on tobacco products increased to as much as 22.1% (Chart 7, right).

Chart 7. Net absolute revenue increase and its structure



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

According to DEP's projections, nominal GDP growth of 5.2% is expected in 2025, and private consumption growth of 5.9%. The projected inflation rate is 3.9%.<sup>13</sup> Taking into account all of the above, **it is expected that the collection of indirect tax revenues in 2025 will amount to 9,977.3 million BAM. The projected growth rate of indirect tax revenues for 2025 is 5.6%.**

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

For the period 2026-2028, DEP projected approximately the same GDP growth rates as for 2025, at the level of around 5%. On the other hand, much lower nominal growth rates of consumption were projected. The projected nominal growth rate of private consumption for 2026 is lower by 1.1 p.p. compared to the projected rate for 2025. Compared to the projections for 2025, the projected nominal growth rates of private consumption for 2027 and 2028 are lower by 1.9 p.p. and 2.4 p.p., respectively.

#### Box 1: Projections of indirect tax revenues

|                          | 2024    | 2025    | 2026     | 2027     | 2028     |
|--------------------------|---------|---------|----------|----------|----------|
| Projections, BAM         | 9.448,6 | 9.977,3 | 10.428,5 | 10.865,6 | 11.289,6 |
| Projections, growth rate |         | 5,6%    | 4,5%     | 4,2%     | 3,9%     |
| Projections, % of GDP    | 17,2%   | 17,2%   | 17,1%    | 17,0%    | 16,8%    |

**The projected growth rates of net indirect tax revenues for 2026, 2027 and 2028 are 4.5%, 4.2% and 3.9%, respectively.** The revenue projection for the period is based on projected relevant macroeconomic indicators, historical seasonal collection patterns and projections of individual revenue categories for 2025.

<sup>13</sup> Inflation measured by the consumer price index, DEP, September 2025

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

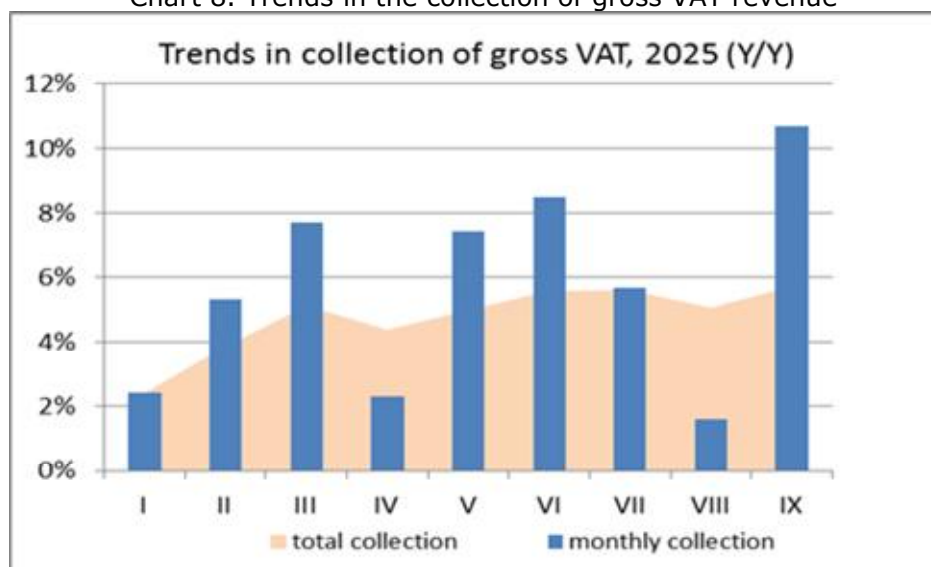
#### 1. VAT

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

###### *Gross collection*

Despite strong monthly oscillations, a growing trend in gross VAT collection was noticeable in the period January - September 2025. After a high growth in gross VAT collection in December 2024, a modest growth rate was achieved in January 2025, followed by a significant recovery in the following two months (Chart 8). However, low growth was recorded again in April, followed by a recovery in the following three months. In July, the growth rate was at the level of semi-annual growth, and in August modest growth was recorded. However, a high growth rate of 10.7% was achieved in September, representing the maximum monthly growth in 2025. Strong oscillations in the last two months did not significantly affect the cumulative growth of gross VAT, so a growth rate of 5.7% was recorded for nine months (Chart 8, "total collection").

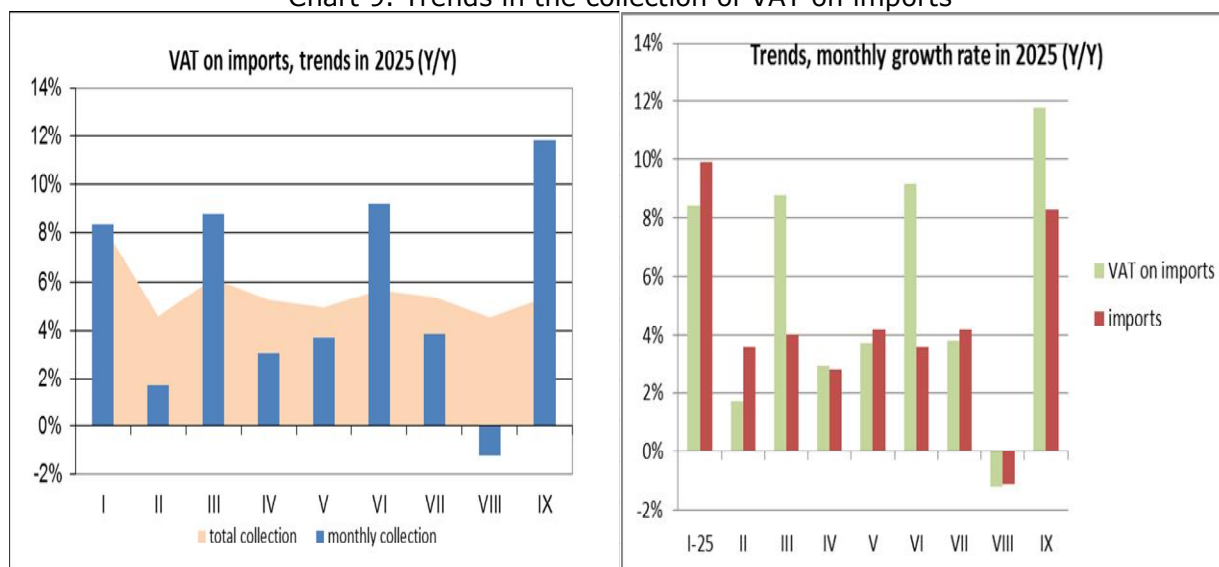
Chart 8. Trends in the collection of gross VAT revenue



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

From the movement of the cumulative growth rate, it can be concluded that the growth of gross VAT has been stable, despite monthly fluctuations, and the cumulative growth rate moved within a narrow interval of around 5%. The stability of the growth rate of gross VAT largely depends on trends in the collection of VAT on imports, which have a dominant weight in the structure of gross VAT. A strong oscillatory trend in the collection of VAT on imports has been noticeable, with a range of monthly rates from -1.2% in August to 11.8% in September (Chart 9, left). The regularity of the pattern of VAT collection on imports is also noticeable, showing intervals of 2-3 months with a high growth rate in one month, and modest growth rates in the other months in the interval. Strong oscillations in the last two months did not change the cumulative trends, so that in nine months VAT on imports grew by 5.4%, which was the same as at the semi-annual level (Chart 9, left, "total collection").

Chart 9. Trends in the collection of VAT on imports



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

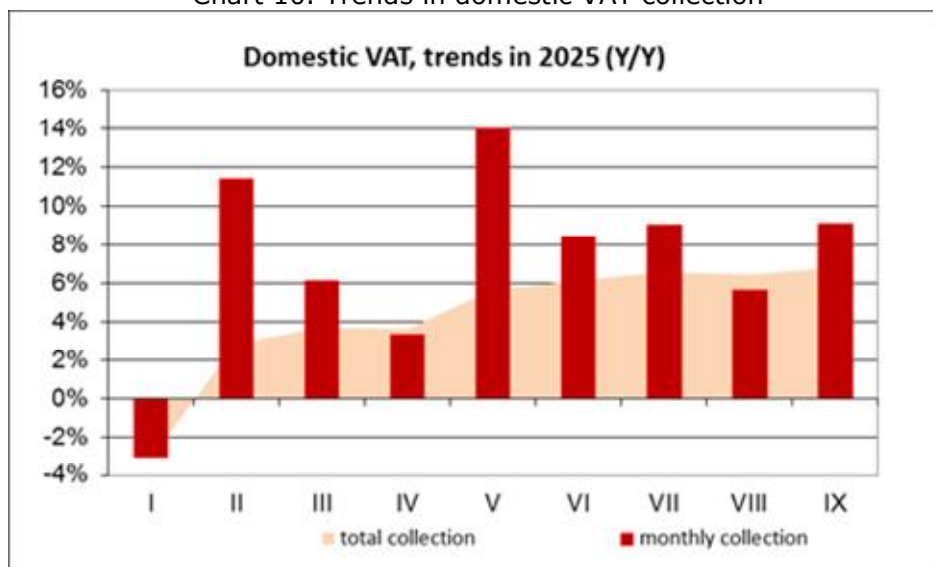
Considering the connection between import trends and trends in VAT on imports, coordinated movements in monthly growth rates are noticeable except in March, June and September, when the growth rate of VAT on imports significantly exceeded the growth of imports (Chart 9, right). These are also the months in which very high growth rates of VAT on imports were achieved.

Unlike trends in VAT collection on imports, as of March 2025, domestic VAT collection has been characterized by a positive growth trend with milder monthly oscillations. Despite a poor start in January 2025, when, for the first time in almost three years, a decline in domestic VAT collection of -3.1% was recorded, high growth rates from May (when a maximum of 14% was achieved), until September<sup>14</sup> have significantly contributed to the stabilization of the cumulative growth rate within a narrow range. Even poorer collection in August did not significantly reduce the cumulative growth, which amounted to 6.8% for the period of nine months (Chart 10, "total collection").

Given that 37.1 million BAM of unadjusted revenues were recorded in nine months, a higher growth rate of domestic VAT can be expected, bearing in mind that the majority of unadjusted revenues are regularly related to VAT payments.

<sup>14</sup> The largest amount of domestic VAT in 2025 was collected in September, relating to sales in August. An exceptional circumstance that could have contributed to the strong growth in domestic VAT collection in September was the payment of a significant amount of assistance to pensioners in the Federation of B&H in August.

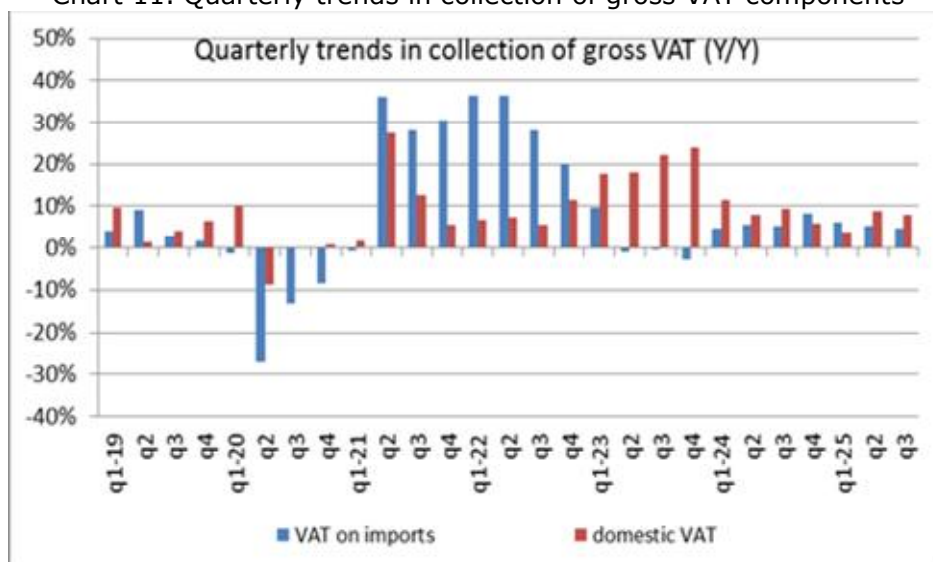
Chart 10. Trends in domestic VAT collection



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

Quarterly comparisons of VAT collection on imports indicate a downward growth trend. After a high growth rate in the first quarter of 2025 of 6.1%, a growth of 5.2% was recorded in the second. Even the strong growth in collection in September could not compensate for the modest collection of VAT on imports in July and August, so the third quarter recorded a growth rate of 4.8% (Chart 11, "VAT on imports"). On the other hand, quarterly analyses of domestic VAT collection indicate an increasing trend. A weaker start in the first quarter of 2025 brought a growth of domestic VAT of a modest 3.7%, but the strong growth in domestic VAT collection as of May resulted in high growth rates in the second and third quarters of 8.8% and 7.9%, respectively. After the final adjustment of revenues, a higher growth rate of domestic VAT can be expected in the third quarter of 2025.

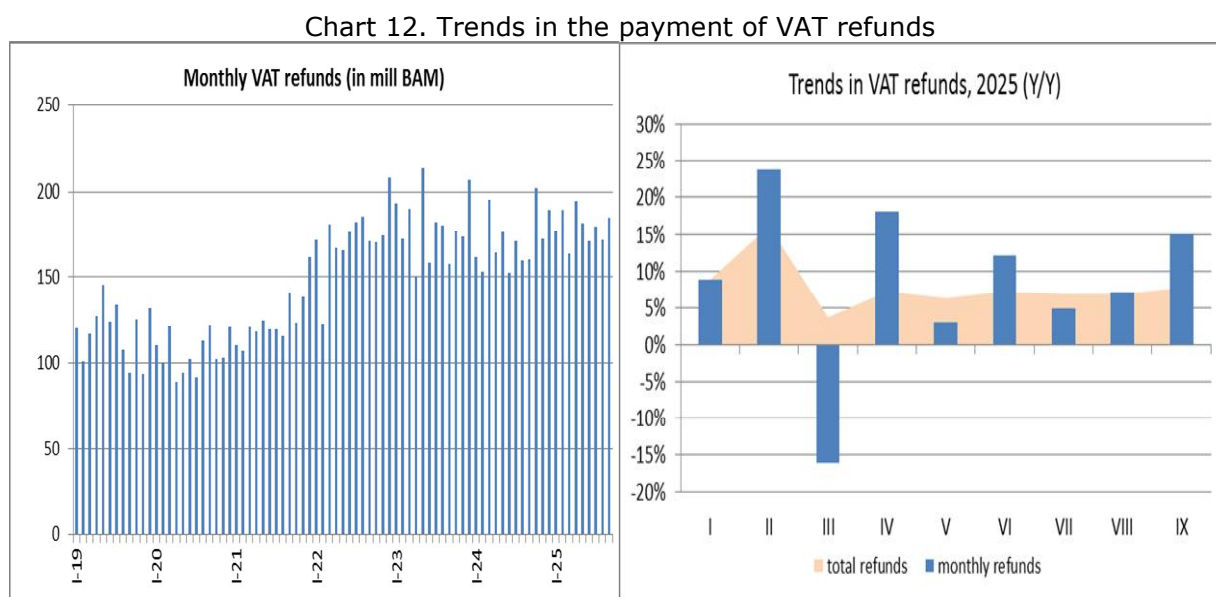
Chart 11. Quarterly trends in collection of gross VAT components



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

### VAT refund payments

Overall, when observing refund payments in absolute terms compared to the years before the pandemic and the war in Ukraine, it can be concluded that the trend of very high payments from the second half of 2024 continued in the first months of 2025 (Chart 12, left). In terms of growth rates, the trends were oscillatory, and the range of oscillations in growth rates was large, from -16.1% in March to +23.7% in February (Chart 12, right). Despite strong monthly oscillations, the cumulative growth of refund payments has been stable, at a level of 6-7% growth since April (Chart 12, right, "total refunds").



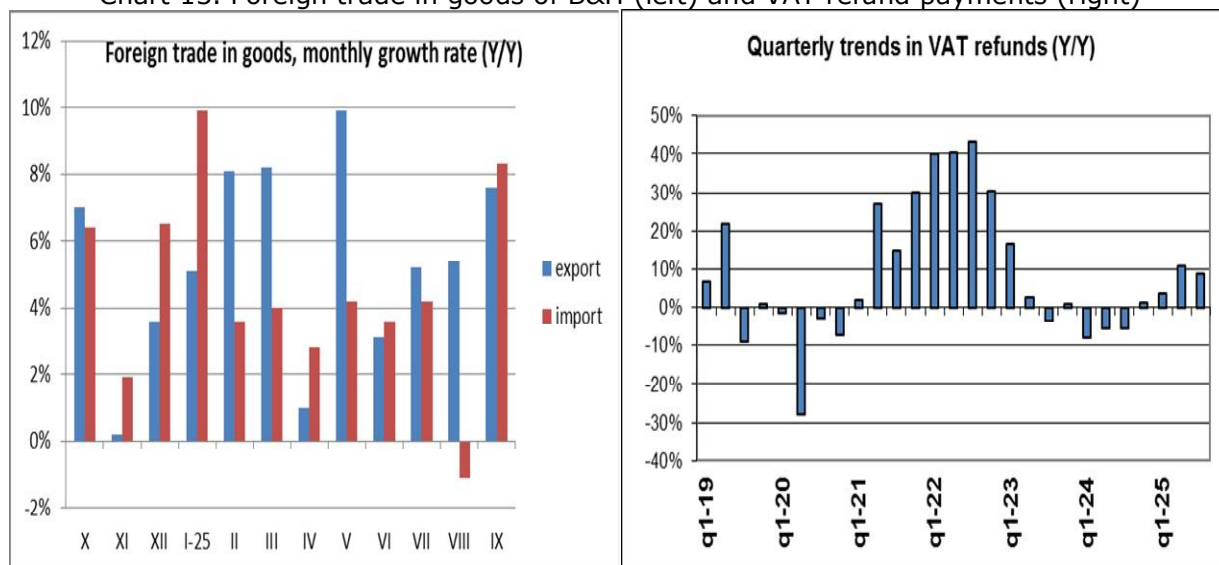
Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

Despite the growth in refund payments in absolute terms, their share in gross VAT has been declining, from a maximum of 27% in February to 25% in September 2025. However, despite such a trend, this is 0.5 p.p. higher than the share of refunds in gross collection in the same period in 2024.

From the analysis of the structure of refunds to users, it can be concluded that, when it comes to growth rates, payments to taxpayers were the main reason for increased VAT refund payments. Thus, in the period January - September 2025, a growth of VAT payments to taxpayers of 7.5% was achieved, and to international projects of 3.5%. In absolute terms, in the mentioned period, compared to the same period in 2024, 107.2 million BAM more was refunded to taxpayers, and 2.3 million BAM more to international projects.

The decrease in refund payments in March can be linked to the high base from March 2024, while the increased refund payments in the other months of 2025 were consequences of the recovery of exports and imports in the last quarter of 2024 and during 2025 (Chart 13, left).

Chart 13. Foreign trade in goods of B&amp;H (left) and VAT refund payments (right)



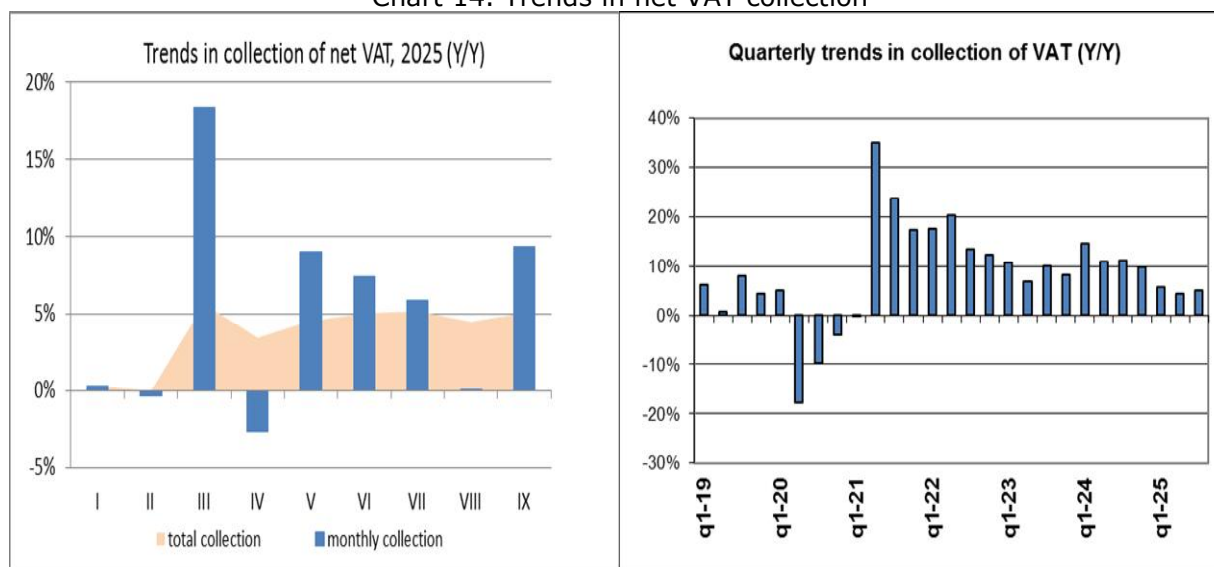
Source: Indirect Taxation Authority of B&H, BHAS; calculation and presentation of the MAU

Quarterly comparisons 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 a modest growth of VAT refunds of 1.2% was achieved. In 2025, the growth trend in VAT refund payments has continued, with a growth of 3.8% in the first quarter of 2025, and 10.7% and 8.9% in the second and third, respectively (Chart 13, right). The strong growth in refund payments in the second quarter was a consequence of high export growth rates in March and May 2025 (Chart 13, left). When analyzing the effects of imports and exports on VAT refunds, the delayed impact of imports and exports on refunds should be taken into account due to the legal deadlines for refund payments. Thus, the effects of high import and export growth rates in September will be reflected in refund payments in the fourth quarter of 2025.

### Net collection

After high growth rates in the second half of 2024, in January and February, net VAT collection was at the level of collection in the same period in 2024 (Chart 11, left). The reason for the poor start in 2025 was the strong increase in VAT refunds, which nullified the effects of the modest growth in gross VAT. However, already in March, as a result of reduced refund payments, a strong growth in net VAT of 18.4% was recorded, shifting the cumulative growth rate from zero growth to +5.6%. In April, there was a decline in net collection as a result of low growth in gross collections and increased refund payments in that month. However, a high rate of net VAT growth of 9.1% was achieved in May, and positive growth, albeit with a downward trend, had continued in the next two months. In August, a zero growth rate of net VAT collection was achieved as a result of poor gross VAT collection and increase in refunds. The oscillatory trend has continued in September, when a 9.4% increase in net VAT collection was recorded. After a bad start, since May, the cumulative growth rate of net VAT has been moving within a narrow range of 4%-5% (Chart 14, left, "total collection"). After the adjustment of unadjusted revenues, it is possible to expect a slightly higher growth rate at the level of nine months in 2025, because the greater part of unadjusted revenues is regularly related to VAT payments.

Chart 14. 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 14, right). Compared to the last three quarters of 2024, the net VAT growth rate in the first quarter of 2025 was halved and amounted to 5.6%. In the second and third quarters, the growth has stabilized, with rates of 4.5% and 5.1%, respectively. An analysis of trends in the period 2021-2025 indicates that this was the lowest quarterly growth in the past four years.

The projected amount of net VAT revenue in 2025 is 6,554 million BAM, which is 5.2% more than the realization in 2024 (Chart 15 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

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>15</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.

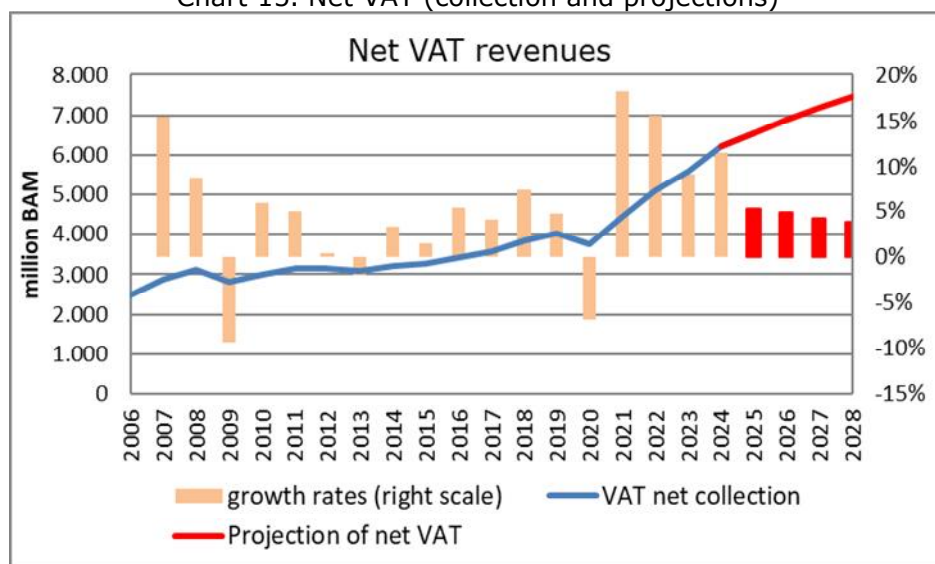
VAT revenues represent the largest generator of annual absolute increase in total revenues from indirect taxes in the period 2025-2027. In the aforementioned period, they are projected in accordance with long-term collection trends, historical seasonal patterns, and projections of relevant macroeconomic indicators.

<sup>15</sup> Years in which the effects of the global financial crisis (2009) and the outbreak of the coronavirus pandemic (2020) were pronounced

## Box 2: VAT revenue projections

|                          | 2024    | 2025    | 2026    | 2027    | 2028    |
|--------------------------|---------|---------|---------|---------|---------|
| Projections, BAM         | 6.227,1 | 6.554,0 | 6.875,2 | 7.170,8 | 7.443,3 |
| Projections, growth rate |         | 5,2%    | 4,9%    | 4,3%    | 3,8%    |
| Projections, % of GDP    | 11,3%   | 11,3%   | 11,3%   | 11,2%   | 11,1%   |

Chart 15. Net VAT (collection and projections)



Source: ITA data and MAU projections

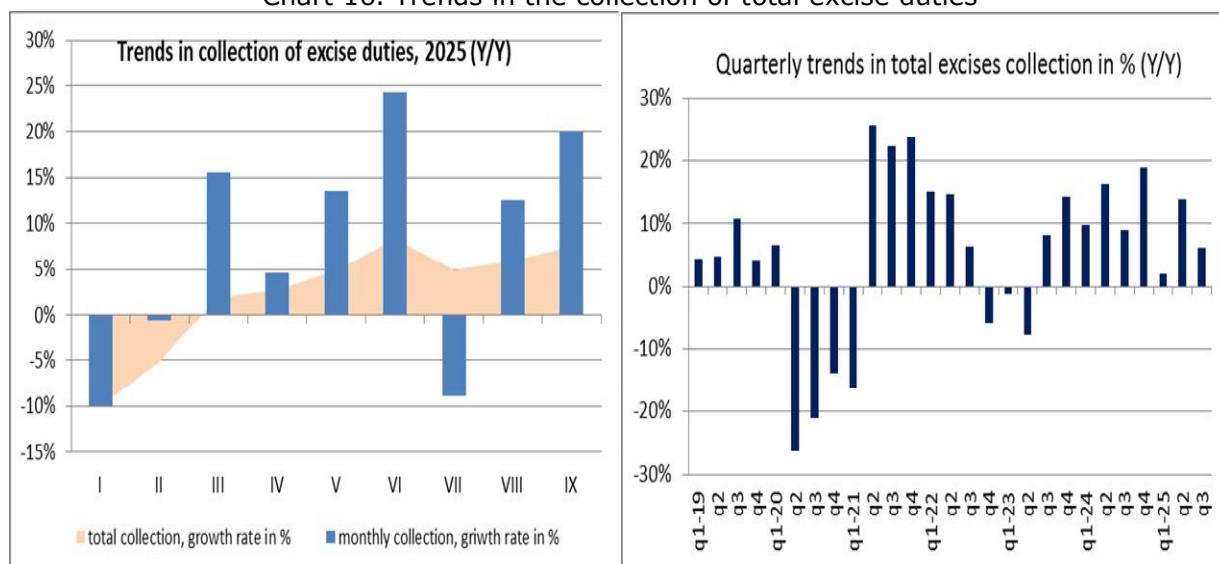
After a projected growth rate of 5.2% in 2025, lower, stable growth rates of VAT revenues are planned in the following years based on the regression model, in line with projected consumption growth rates (Chart 15 and Box 2).

## 2. Excise duties

### 2.1. Total excise taxes

After seven months of continuous positive growth in 2024, when extremely high monthly growth rates were achieved, in the first two months of 2025 negative growth rates of excise revenue were achieved. Since March, there has been a trend of positive growth in excise duty collection, which was characterized by high growth rates with a maximum in June of 24.3%. (Chart 16, left). Oscillatory collection continued in July, when the largest drop of -8.9% was recorded, while in August and September, high growth rates of 12.5% and 20% were achieved again, respectively. The cumulative growth rate came out of the negative zone in March, and in June, it reached 8.3% compared to the collection in the first six months of 2024. However, the positive trends were stopped in July, when excise revenue fell by -9.1%, which cut the cumulative growth rate in half. However, after the collection recovery in the following two months, the cumulative growth rate of excise duty reached 7.5% (Chart 16, left, "total collection").

Chart 16. Trends in the collection of total excise duties



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

The strong growth in excise revenue in March 2025 cancelled out the loss from the first two months and a growth of 1.9% was achieved at the level of the first quarter. Quarterly comparisons show that the lowest growth rate in the past six quarters was achieved in the first quarter of 2025 (Chart 16, right). The strong growth in revenue collection in the second quarter of 2025 resulted in a quarterly growth rate of 13.9%. A review of quarterly growth trends shows that excise tax revenue collection in the second quarter of 2025 follows the trend that existed from mid-2023 to the end of 2024. However, the poor excise collection in July, despite high growth rates in August and September, resulted in a lower growth rate in the third quarter of 2025 of 6.3%.

The projected amount of net excise revenue in 2025 is 1,993.4 million BAM, which is 7.7% more than the realization in 2024 (Box 3). The projection is based on current collection trends, the historical seasonal collection pattern of individual excise tax categories (which does not include years with specificities), and trends and projections of macroeconomic indicators.

## Box 3: Excise revenue projections

|                          | 2024    | 2025    | 2026    | 2027    | 2028    |
|--------------------------|---------|---------|---------|---------|---------|
| Projections, BAM         | 1.851,7 | 1.993,4 | 2.077,7 | 2.162,3 | 2.251,0 |
| Projections, growth rate |         | 7,7%    | 4,2%    | 4,1%    | 4,1%    |
| Projections, % of GDP    | 3,4%    | 3,4%    | 3,4%    | 3,4%    | 3,3%    |

Based on projections for 2025 and projections of macroeconomic indicators, stable growth rates of excise revenue are projected for the coming years (4.2% in 2026 and 4.1% in 2027 and 2028). A stable share of these revenues in GDP is also planned in the upcoming medium-term period at the level of 3.3%-3.4% (Box 3).

## 2.2. Excise duties on tobacco products

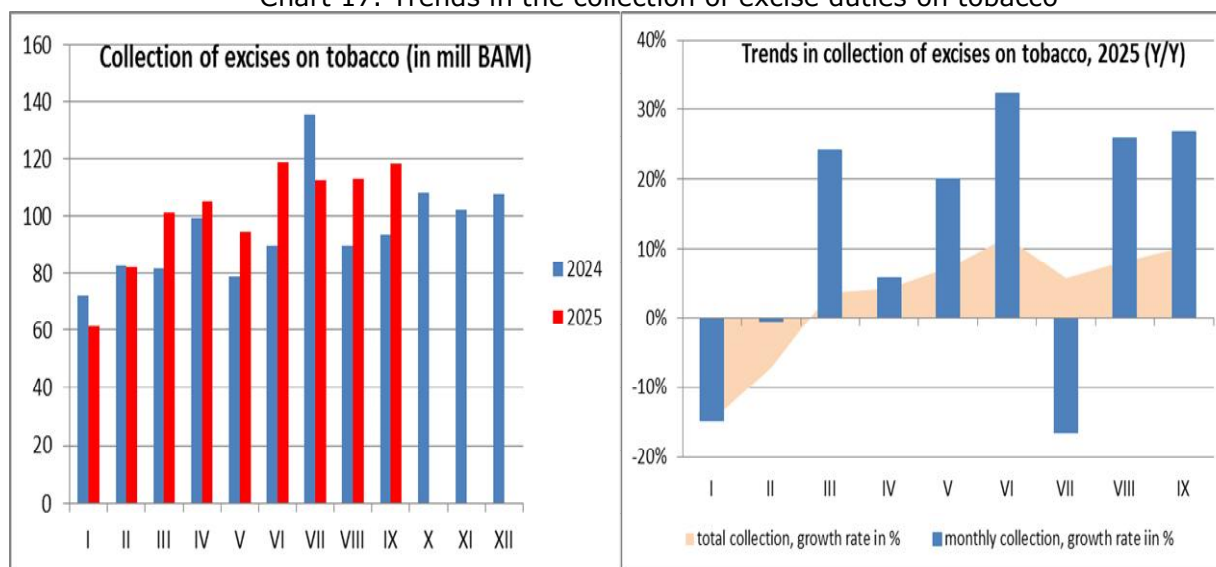
### *Projections of excise taxes on tobacco products for 2025*

An analysis of the structure of excise revenue shows that the vast majority of the absolute increase (83%) achieved in excise revenue collection in the period January - September 2025 compared to the same period in 2024 comes from the collection of excise taxes on tobacco products.

The collection of excise duties 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 17, left). Only in March did the collection of excises in absolute terms approach the average monthly level of excise collection on tobacco products achieved in the last quarter of 2024. Monthly oscillations in the growth rate of collected excises were large. In the period January - September 2025, the range of oscillations was even 48.8 p.p., from -16.5% (July) to +32.3% (June) - (Chart 17, right). Oscillations in the collection of excise duties on tobacco products are common, given that only two tobacco corporations pay over 83% of excise revenue. 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. Due to business policies and estimates of the start of the winter season at the end of 2024, instead of the beginning of next year, cigarette imports have increased significantly, which has resulted in high growth in excise revenue on tobacco products, increasing the growth rate of excise revenue in 2024, and reducing growth in the first two months of 2025 to -7.2%.

The high growth in excise duty collection in March and the continuation of positive trends in the following three months resulted in an increase in the cumulative rate. A large drop in collection in July affected the decrease in the cumulative growth rate to 5.7%, which is 6 p.p. less than in the first half of the year (Chart 17, right, "total collection"). However, the high growth in excise duty collection in August and September compensated for the losses, and the cumulative growth rate increased to as much as 10.4%.

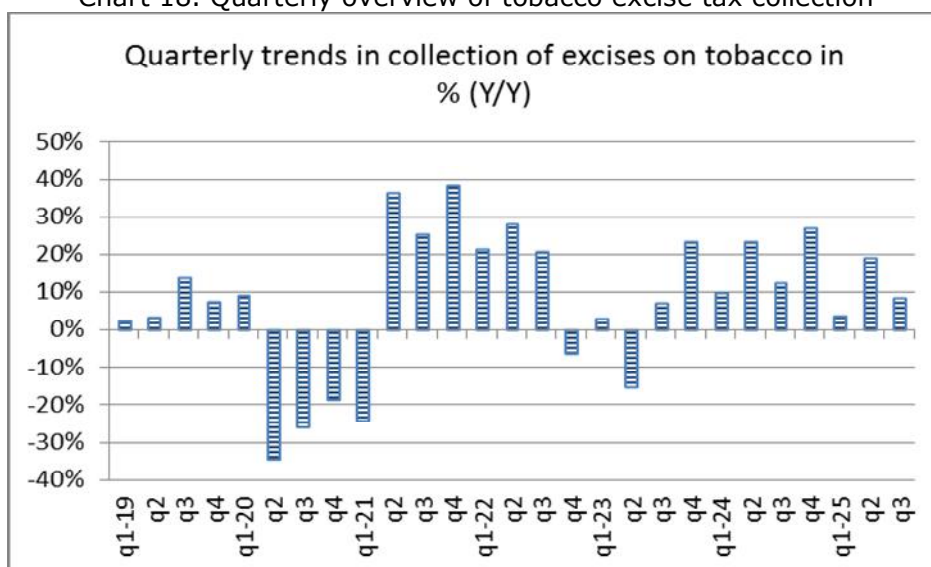
Chart 17. Trends in the collection of excise duties on tobacco



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 high 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 18). However, strong growth in collection in May and June brought a high growth rate in the second quarter of 18%. Trends in the third quarter were negatively affected by the decline in excise duty collection on tobacco products in July, so that a growth rate of 8.2% was recorded in the third quarter.

Chart 18. Quarterly overview of tobacco excise tax collection



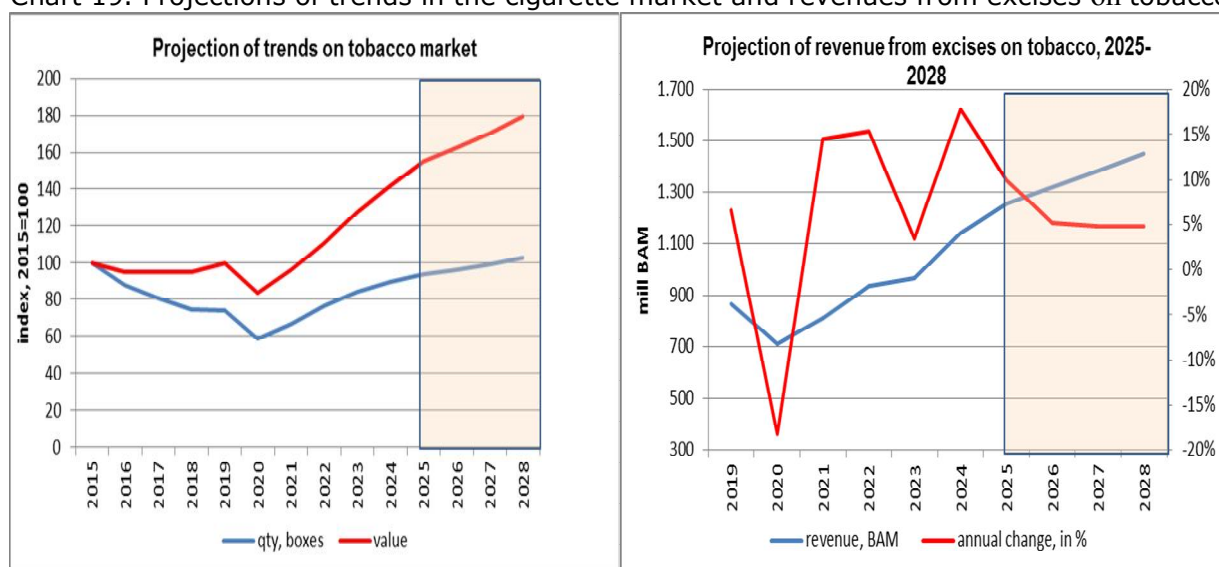
Source: Indirect Taxation Authority of B&H, calculation and presentation of the MAU

The basic starting point for projections of revenues from excises 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 the projection of collection 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 the quantities, prices and value of the cigarette and tobacco market from the records of issued excise stamps for tobacco products. Data on collected excise stamps for cigarettes and tobacco that will be imported in the coming period indicate an increase in the quantities and values of cigarettes and other tobacco products, which is positive from the perspective of future collection. According to the ITA reports for the first nine months of 2025, the quantity of cigarettes, measured by the number of excise stamps issued, increased by 4.9% and the value of cigarettes was 9.8% higher compared to the same period in 2024. The weighted average price of cigarettes for the first nine months is 4.2% higher compared to the weighted average price of cigarettes for 2024. Taking into account all the limitations, starting from current trends in the collection of excise duties on tobacco products and current trends on the cigarette market in B&H in the period January - September 2025, assuming that there will be no additional increase in retail cigarette prices by the end of 2025, an increase in excise duties on tobacco products in 2025 of 9.9% can be expected.

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

An important factor in achieving the projections of the collection of excise duties on tobacco products 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 commodity exchanges and prices on the world market, recovery and growth of the economy, income and consumption in line with macroeconomic projections. Market growth should follow macroeconomic projections for economic and consumption growth, which, together with the growth of the weighted average price in accordance with the projections of the DEP consumer price index, should lead to a further increase in the value of cigarette turnover and taxed quantities of cigarettes (Chart 19, left). Under the above assumptions, an increase in revenues from excises on tobacco products of 5.2%, 4.8% and 4.8% can be expected in 2026, 2027 and 2028 (Chart 19, right).

Chart 19. Projections of trends in the cigarette market and revenues from excises on tobacco



Source: ITA data and projections of the MAU

### 2.3. Excise duties on oil derivatives

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

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>16</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.

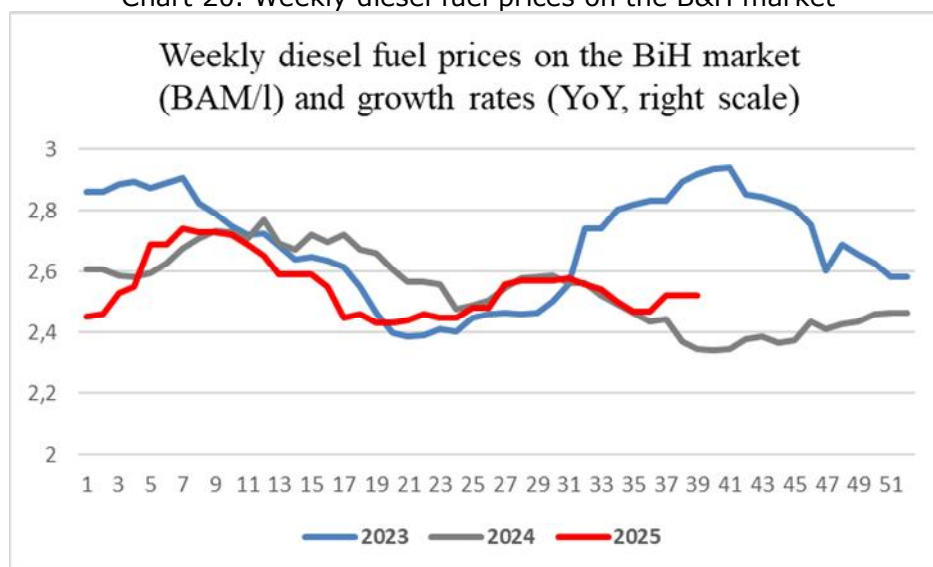
#### *Weekly diesel fuel prices on the B&H market*

Weekly diesel prices<sup>17</sup> have fluctuated strongly in recent years. Looking at the last seven years, they were lowest in 2020 (unweighted average 1.92 BAM/l) and highest in 2022 (unweighted average 3.10 BAM/l). In 2023, they ranged between 2.39 BAM/l and 2.94 BAM/l, and in 2024, between 2.34 BAM/l and 2.77 BAM/l. Available data up to week 39 of 2025 show that in that part of the year, prices varied in a narrow range of 2.43 BAM/l - 2.74 BAM/l (Chart 20 and Table 5).

<sup>16</sup> Data from U.S. Energy Information Administration, Europe Brent Spot Price FOB, dollars per barrel

<sup>17</sup> Data from International Road Transport Union-a taken from the website of the Foreign Trade Chamber

Chart 20. Weekly diesel fuel prices on the B&amp;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

Table 5. Weekly diesel fuel prices on the B&amp;H market

|                         | until<br>week 39 |       |      |       |      |      |      |
|-------------------------|------------------|-------|------|-------|------|------|------|
|                         | 2019             | 2020  | 2021 | 2022  | 2023 | 2024 | 2025 |
| average (unweighted)    | 2,32             | 1,92  | 2,12 | 3,10  | 2,69 | 2,54 | 2,55 |
| average deviation       | 0,03             | 0,23  | 0,13 | 0,29  | 0,15 | 0,10 | 0,08 |
| standard deviation      | 0,04             | 0,26  | 0,16 | 0,38  | 0,17 | 0,12 | 0,09 |
| coeff. of variation (%) | 1,89             | 13,56 | 7,51 | 12,09 | 6,37 | 4,74 | 3,66 |
| min                     | 2,26             | 1,50  | 1,80 | 2,29  | 2,39 | 2,34 | 2,43 |
| max                     | 2,41             | 2,36  | 2,40 | 3,66  | 2,94 | 2,77 | 2,74 |
| range                   | 0,15             | 0,86  | 0,60 | 1,37  | 0,55 | 0,43 | 0,31 |

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

#### Structure of the tax base for excises on oil derivatives

It is also interesting to analyze the trends in the consumption categories that are included in the excise tax base in the long term. Compared to 2006, in 2024, 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).

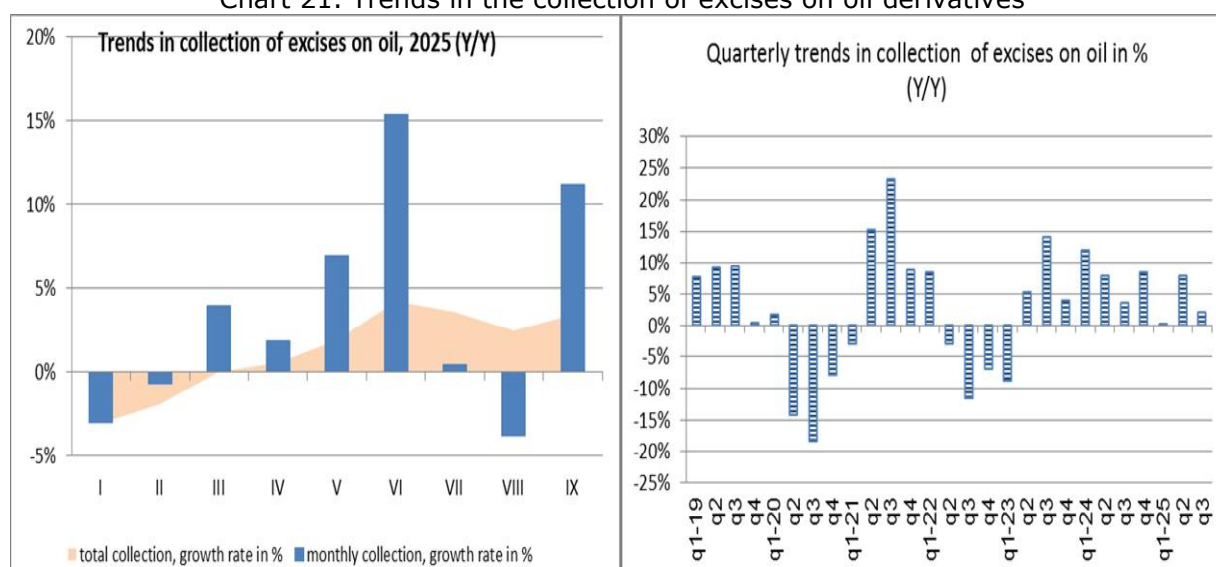
In the first nine months of 2025, by which time data from excise declarations are available, imports of diesel fuel increased by 3.3%, gasoline by 5.3% and kerosene by 21.8%, compared to the same period last year. In the same period, imports of heating oil decreased by 15.1%.

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

The beginning of 2025 was marked by a decline in the collection of excise duties on oil derivatives (Chart 21, left). After a poor start, excise duties on oil derivatives grew by 3.9% in March, but modest growth was already recorded in April. A more serious increase in the collection of excise duties on oil derivatives was achieved only in May, and in June the maximum growth rate of 15.4%. However, the improvement was short-lived, as trends have worsened, first in July, when minimal growth was achieved, and then in August, when a drop in collection of -3.8% was recorded. However, in September a high growth rate of 11.2% was again achieved (Chart 21, left).

After a poor start, the cumulative growth rate reached zero growth only in March. The improvement in collection trends in the rest of the year resulted in a cumulative growth rate of 4.2% at the half-year level. However, oscillatory trends in the last three months reduced the cumulative growth rate to 3.4% (Chart 21, left "total collection").

Chart 21. Trends in the collection of excises on oil derivatives



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

The growth of collection in March completely canceled the decline from the first two months of 2025, and a minimum quarterly growth of 0.1% was achieved. This is the lowest quarterly growth rate since 2023 (Chart 21, right). A strong recovery in the collection of excise duties on oil derivatives in May and June brought growth in the second quarter of 7.9%. However, the high growth rate in September could not largely neutralize the poor trends in July and August, and in the third quarter of 2025, growth of only 2.1% was achieved.

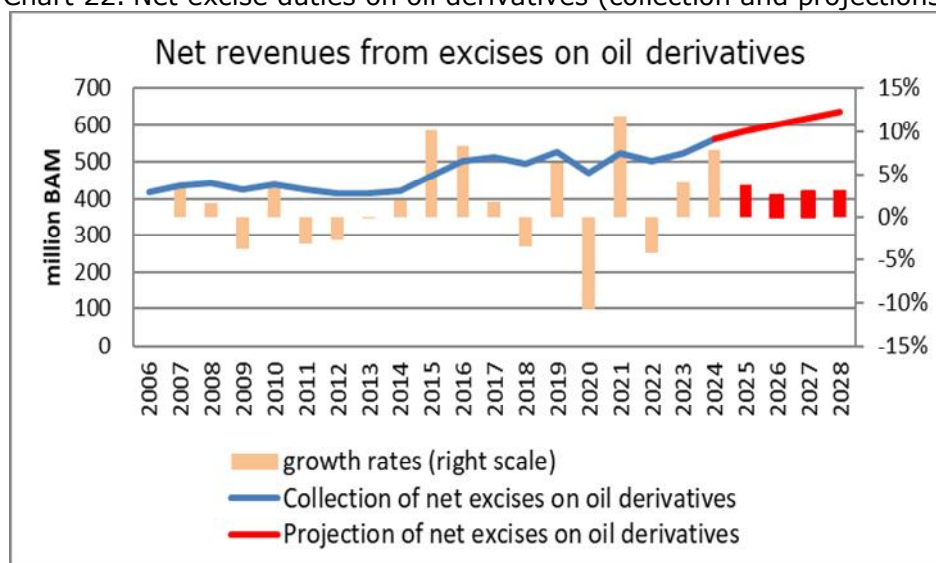
Bearing in mind all of the above, and based on projections of macroeconomic indicators, price movements on the world oil market and prices of derivatives on the B&H market, and the latest trends in excise collection and the seasonal collection pattern that does not include years with specifics, the projected growth rate of net revenues from excises on oil derivatives for 2025 amounts to 3.8%.

### *Projections of excises 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>18</sup> net revenues from excise duties on oil derivatives were extremely stable.

Projections of excises on oil derivatives for the period 2026-2028 follow projections of relevant macroeconomic indicators. In 2026, 2027 and 2028, stable growth rates of excise duties on oil derivatives are planned, namely: 2.6%, 3% and 3.1%, respectively (Chart 22).

Chart 22. Net excise duties on oil derivatives (collection and projections)



Source: ITA data and projections of the MAU

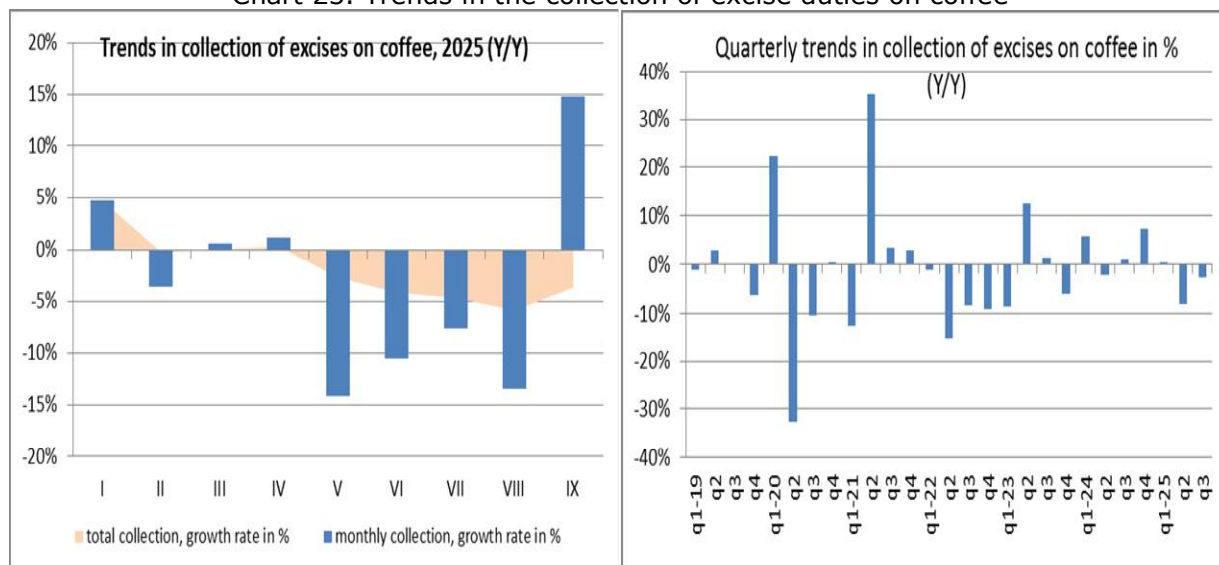
## **2.4. Other**

In contrast to the positive trend in the collection of excises on tobacco products and oil derivatives, the collection of excise duties on coffee has been worsening from month to month. However, the high growth rate in September could not compensate for the negative trends from the previous months, so a 3.7% drop was achieved in nine months (Chart 23, left, "total collection").

Quarterly comparisons over the last two years show strong oscillations in quarterly growth rates, but in absolute terms, the differences were not significant. In the first quarter of 2025, a minimal increase in coffee excise revenue of 0.1% was achieved (Chart 23, right). The deterioration in trends of excise collection on coffee in May and June resulted in a negative growth rate of -8.1% compared to the second quarter of 2025. The strong recovery in revenues from excises on coffee in September mitigated the negative trends from the previous two months, and in the third quarter, a decrease in excise revenue of -2.7% was achieved.

<sup>18</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)

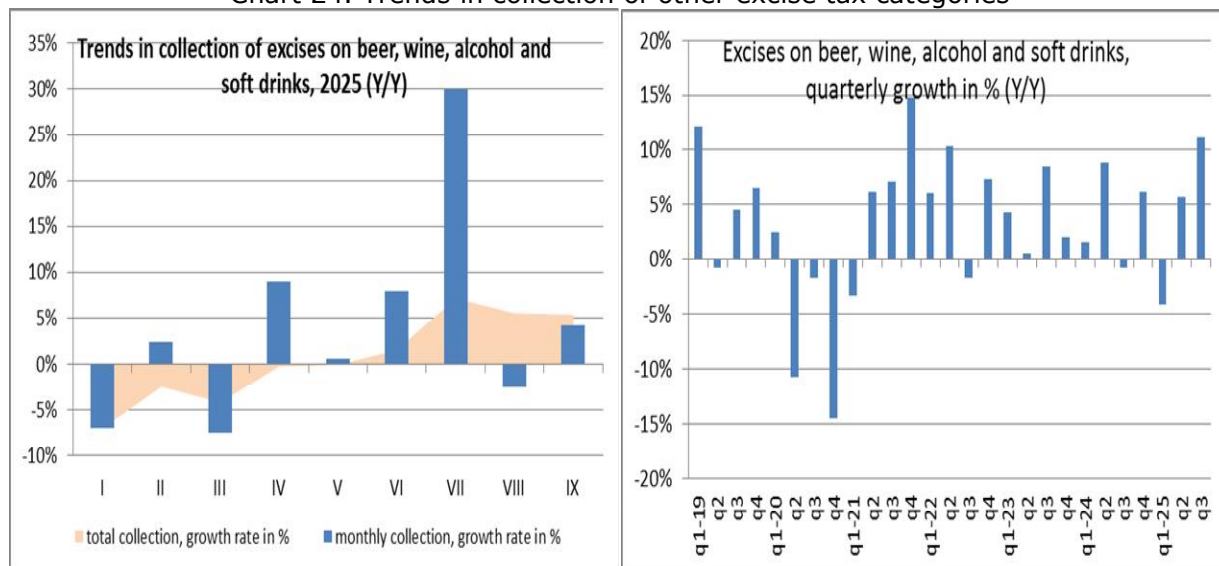
Chart 23. Trends in the collection of excise duties on coffee



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

The collection of excise duties on the product group consisting of beer, wine, alcohol, alcoholic and soft drinks was 4.3% higher in the period January - September 2025 than in the same period in 2024. The growth was mainly contributed by the collection of excise duties in July (Chart 24, left). Quarterly comparisons show contrasting trends in the collection of excise duties. In the first quarter, a decrease of -4.1% was recorded, and in the second quarter of 2025, a growth of 5.8% (Chart 24, right). The high growth in collection in the third quarter brought a growth rate of as much as 11.1%.

Chart 24. Trends in collection of other excise tax categories

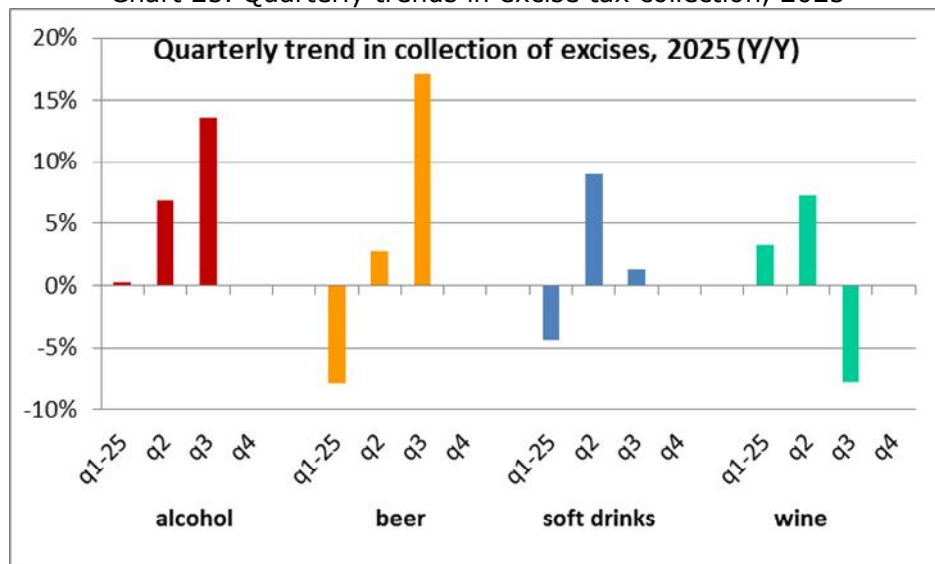


Source: Indirect Taxation Authority of B&amp;H, calculation and presentation of the MAU

Trends in the structure of excise duty collection vary depending on the type of excise product. The general conclusion that can be drawn is that monthly collection has fluctuated, and that cumulative excise duty collection was in the zone of growth, with a tendency to increase in excise duties on alcohol and alcoholic beverages.

An overview of quarterly growth rates indicates possible trends in the fourth quarter of 2025. A strong growth trend is noticeable in excises on alcohol and alcoholic beverages, and excises on beer. It should be noted that the high growth in collection of excises on beer in the third quarter was largely a consequence of the collection of old excise duty debt, and has a one-off impact on collection and as such was excluded from the current trend that was the basis for revenue projections. In excise duties on soft drinks, trends have been worsened and in excise duties on wine, collection was in the negative growth zone (Chart 25).

Chart 25. Quarterly trends in excise tax collection, 2025



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

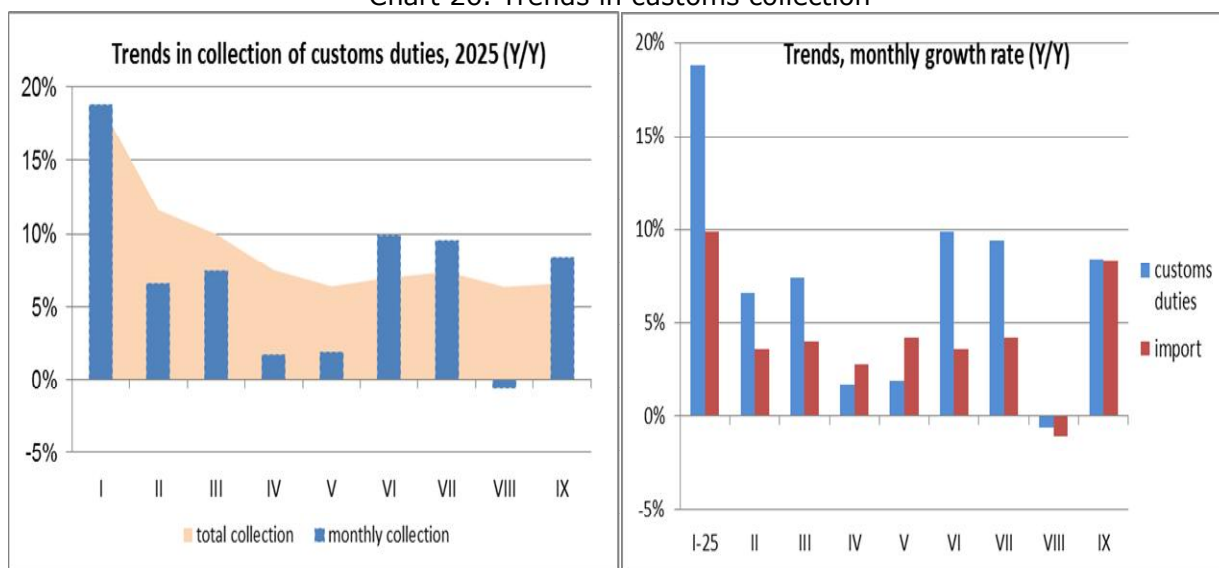
Revenues from other excise tax categories (alcohol and alcoholic beverages, beer, wine, soft drinks and coffee) do not have a significant share in total excise tax revenues. Their projections are made separately for each category of excise product, and are based on the historical seasonal collection pattern of individual excise tax categories (which does not include years with specificities), collection in the first three quarters of 2025, and trends and projections of macroeconomic indicators. The projected growth rate of all other net excise tax revenues for 2025 is 2.5%. In 2026, 2027 and 2028, stable growth rates of these revenues are planned at the rates: 2%, 1.9% and 1.6%, respectively.

### 3. Customs

#### 3.1. Customs revenue projections for 2025

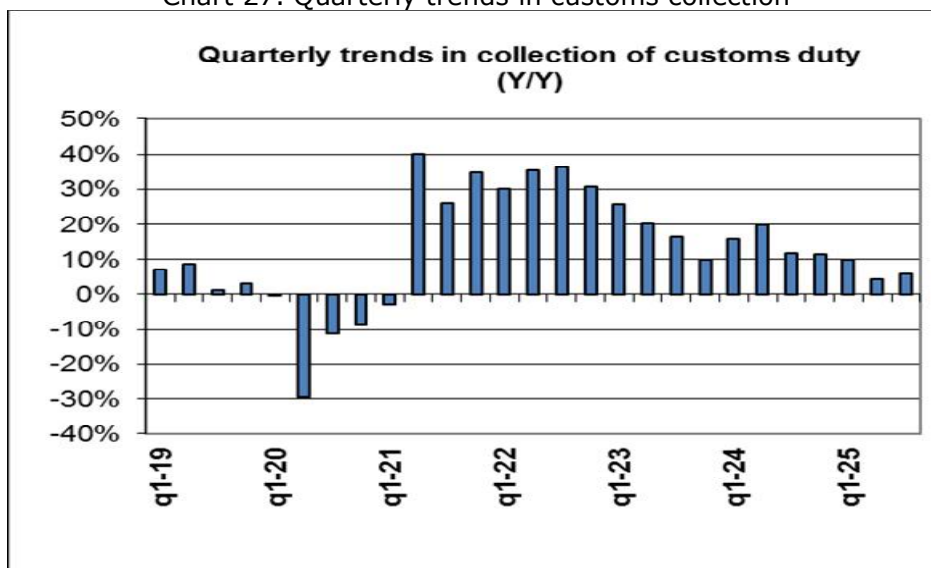
In 2025, the trend of positive growth rates of customs revenues from the previous year have continued (Chart 26, left). However, after the high growth rate in January of 18.8%, which was the highest rate since August 2024, a trend of slowing down the growth rate can be observed, so that in August a drop in customs revenue collection of -0.6% was recorded, for the first time since February 2021. A strong slowdown in monthly growth rates during the year, caused by lower import growth rates (Chart 26, right) resulted in a reduction of the cumulative growth rate to 6.6% for the nine months of 2025 (Chart 26, left "total collection").

Chart 26. Trends in customs collection



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

Chart 27. Quarterly trends in customs collection



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

Data on VAT collection on imports and customs duties indirectly indicated a growth trend in imports (Chart 26, right). Based on an overview of trends in imports and customs revenues, it can be concluded that the growth in customs duties in five months was significantly higher than the growth in imports, which shows that imports of goods subject to customs duties grew faster than imports of other goods to which customs duties were not applied. On the other hand, in April, May and August, the discrepancy was in favor of imports. Quarterly comparisons of customs revenue collection show that at the level of the first quarter, the growth rate was 10% or 1.5 p.p. lower than in the third and fourth quarters of 2024. (Chart 27). Despite the strong growth in customs collection in June, poorer performance in April and May resulted in a significantly lower growth rate in the second quarter of 4.4%. This was also the lowest quarterly growth rate of customs revenue in the last four years. The strong growth in customs collection in July and September had a positive impact on the growth rate in the third quarter of 2025, which amounted to 5.9% (Chart 27).

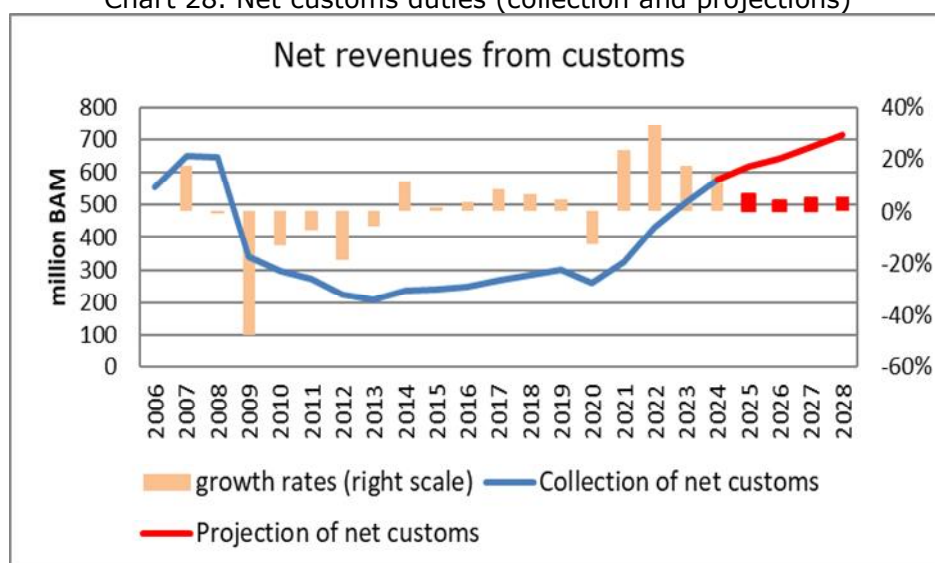
According to ITA data, in the period I-IX 2025, the growth rate of imports was 4.1%, compared to the same period of the previous year. According to DEP's projections, an import growth rate of 6.3% should be achieved at the level of the entire year. Taking into account the trends in the collection of customs revenue and the movement of imports, for 2025 the net collection of customs duties is projected in the amount of 618 million KM, which is 6.5% more than the collection in the previous year.

### 3.2. Projections of customs revenues 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 (Box 4) are based on collection trends, and are followed by projections of import trends. In 2026, 2027 and 2028, customs revenue growth rates of 4.2%, 5.2% and 5.6% are planned, respectively (Chart 28).

Chart 28. Net customs duties (collection and projections)



Source: ITA data and projections of the MAU

## Box 4: Customs revenue projections

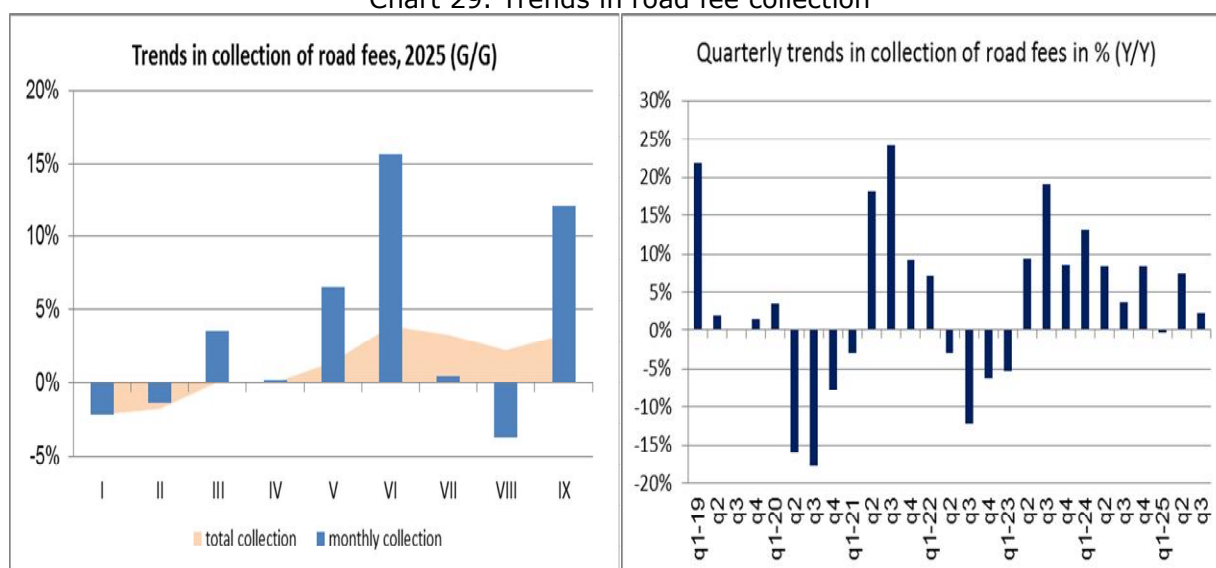
|                          | 2024  | 2025  | 2026  | 2027  | 2028  |
|--------------------------|-------|-------|-------|-------|-------|
| Projections, BAM         | 580,1 | 618,0 | 644,0 | 677,5 | 715,4 |
| Projections, growth rate |       | 6,5%  | 4,2%  | 5,2%  | 5,6%  |
| Projections, % of GDP    | 1,1%  | 1,1%  | 1,1%  | 1,1%  | 1,1%  |

## 4. Road fee

### 4.1. Road fee revenue projections for 2025

Although calculated according to the same principle, the growth rates of road fee revenues were lower than the growth rates of excise duties on oil derivatives, due to differences in the base and exemptions. Negative trends in road fee collection lasted for four months. The growth of road fee collection in March and April was modest, and thus insufficient to cancel the deficit from the first two months. Positive collection growth rates in May, June and September brought the cumulative growth rate into the positive zone, so that a cumulative growth rate of 3.3% was achieved in nine months (Chart 29, left).

Chart 29. Trends in road fee collection



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

Quarterly comparisons show that negative trends in road fee collection resulted in a -0.3% decline in revenue in the first quarter of 2025 (Chart 29, right). This is the first quarter with negative growth rate in the last two years. However, due to strong growth in road fee collection in May and June, growth of 7.5% was achieved in the second quarter of 2025. Poor collection in the two months of the third quarter resulted in a lower quarterly growth rate of 2.3%.

The projected amount of net road fee collection in 2025 is 759.7 million BAM, which is 3.7% 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

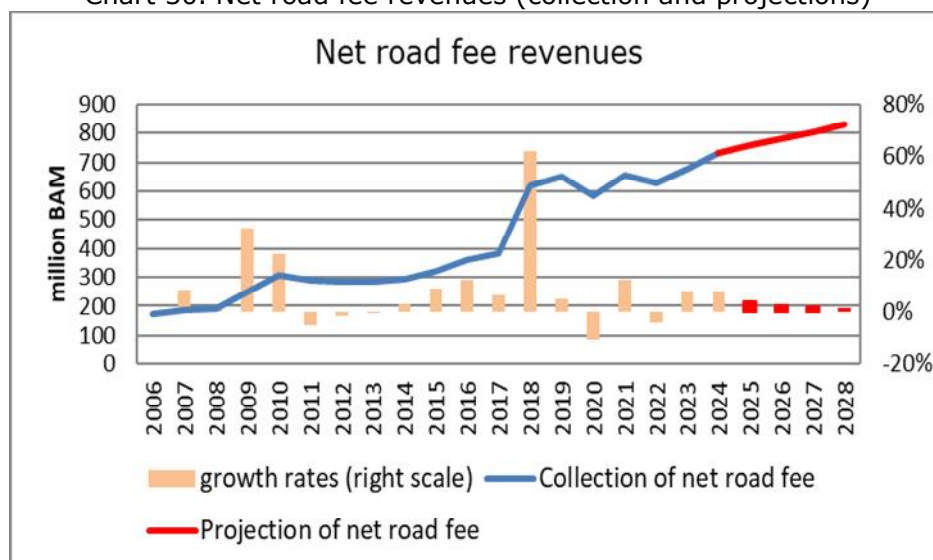
The long-term dynamics of road fee revenues were most affected by changes in taxation rates. Until 2009, the share of road fee revenues was not significant in indirect tax revenues. With the increase in the earmarked road fee rate in the middle of 2009<sup>19</sup>, road fee revenues have a more significant 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>20</sup> and net road fee revenues recorded a sharp jump in collection. In the period 2018-2023, they were in the range 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.

Projections of road fee revenues follow the projections of relevant macroeconomic indicators (Box 5). Taking into account the decisions of the State Aid Council of B&H, road fee revenue projections assume the collection from all the taxpayers, except for railways. In 2026, 2027 and 2028, road fee revenue growth rates of 2.6%, 3% and 3.1%, respectively, are planned (Chart 30).

Box 5: Projections of road fee revenues

|                          | 2024  | 2025  | 2026  | 2027  | 2028  |
|--------------------------|-------|-------|-------|-------|-------|
| Projections, BAM         | 732,3 | 759,7 | 779,5 | 802,9 | 827,7 |
| Projections, growth rate |       | 3,7%  | 2,6%  | 3,0%  | 3,1%  |
| Projections, % of GDP    | 1,3%  | 1,3%  | 1,3%  | 1,3%  | 1,2%  |

Chart 30. Net road fee revenues (collection and projections)



Source: ITA data and projections of the MAU

<sup>19</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>20</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.

## 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 building*

Amendments<sup>21</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. The amendments to the Law envisage the adoption of amendments to the Book of Rules on the Implementation of the Law on VAT within 60 days, which will specify the conditions for the application of the right to a VAT refund. However, due to the complexity of the matter, consideration of all possible situations that may arise in practice and the implementation of the mandatory e-consultation procedure, at the time of revising the projections of indirect tax revenues, amendments to the Book of Rules have not been adopted. Therefore, the date of the start of VAT refund payments is not known. For this reason, it is not possible to estimate the static effects on the collection of indirect taxes in terms of losses of VAT revenues. However, the 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.

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

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. According to available information, some of the economic entities that were beneficiaries of the road fee exemption have initiated proceedings before the Court of B&H for the damage compensation i.e. reimbursement of the road fee paid for 2023, and the Court has issued first-instance judgments ordering the payment of the road fee refund to the taxpayers. It is not known how many economic entities have filed lawsuits for the road fee refunds, nor is it possible to predict the final outcome of the proceedings. Taking into account the decisions of the Council, the projections of road fee revenue for the period 2025-2028 imply the collection of road fee for all taxpayers, except for railways. A

<sup>21</sup> Official Gazette of BiH No. 20/25 of April 4, 2025.

different outcome of possible legal proceedings by the beneficiaries of the tax relief (i.e. a final judgment of the Court in favor of the taxpayers) would imply the obligation to refund the previously paid road fee to the taxpayers, which means a lower collection of road fee compared to the projections.

Given the above uncertainties, it is necessary to consider the maximum magnitude of the negative impact of paying refunds to taxpayers entitled to them under the Law on Excise Duties. According to data<sup>22</sup> from 2022, the last year in which road fee exemptions were applied to mines and thermal power plants, the above-mentioned relief was used by 22 economic entities and two entity railways. The amount of diesel that was exempt from road fees in that year and used by mines and thermal power plants exceeded 54.6 million liters, from which it can be concluded that the road fee exemption amounted to 21.8 million BAM. The road fee exemption was not applied in 2023, 2024 and 2025. Therefore, the maximum negative amount of road fee refunds for three years would be 65.4 million BAM, based on data from 2022 and maintaining the same volume of business activities of mines and thermal power plants in the previous three years.

#### *Introduction of US sanctions on the Oil Industry of Serbia*

The introduction of US sanctions on the Oil Industry of Serbia (NIS) could have a positive impact on the consumption of derivatives in B&H and therefore on the collection of excise duties on oil derivatives, road fees and the corresponding part of VAT to the Single Account of the ITA of B&H. Given the more favorable prices of oil derivatives in B&H compared to the surrounding area and EU member states<sup>23</sup>, it is possible that their turnover in the border areas between B&H and Serbia will increase, as well as the emergence of the so-called "tank tourism". The tank tourism involves the deliberate diversion of trucks with large tanks from the usual routes and transport across the territory of B&H, in order to use cheaper derivatives and savings on transport costs<sup>24</sup>.

#### *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 implied the temporary abolition of customs duties until the signing of a free trade agreement between B&H and the USA. In the meantime, the USA has introduced additional tariffs on imports of goods from B&H. Given that the Governing Board of the ITA has recently<sup>25</sup> accepted the ITA's opinion on this initiative, the possible elimination of tariffs on imports of goods originating in the USA may pose a risk to the projections of customs revenue.

According to the static estimate, based on the ITA data on collected import duties by origin of goods in 2024, the loss of revenues from indirect taxes would amount to 17.2 million BAM, in the structure of which 14.7 million BAM refers to customs revenue, and the rest to the corresponding VAT (Box 6). The dynamic estimate of revenue loss takes into account all assumptions used in the projections of customs and VAT revenues in the period 2025-2028. In the mentioned period, the total loss of revenues from indirect taxes (customs duties and VAT) would range from 18.3 million BAM in 2025 to 21.1 million BAM in 2028, representing 2.5% of customs revenue, 0.2% of total indirect tax revenue, or 0.03% of GDP (Box 6).

<sup>22</sup> Source: ITA report on the implementation of the Decision on the quantities of diesel fuel exempt from road fee payment for 2022 for the period from January 1 to December 31, 2022, by beneficiaries of the exemption.

<sup>23</sup> See: European Commission, Weekly Oil Bulletin, 9 October 2025

<sup>24</sup> The phenomenon of "tank tourism" was detected in the EU about 15 years ago, when analyses showed that in conditions of different excise rates in EU member states, international transport companies pursue a certain "micro-fiscal" policy, by refueling in member states where excise taxes on fuel (and thus retail prices) are lowest. With this business policy, which is based on differences in tax competitiveness between countries, companies achieve direct fiscal savings on fuel costs, while the country in which they purchase fuel achieves additional fiscal revenues, higher employment and growth in certain sectors.

<sup>25</sup> 10<sup>th</sup> session of the Governing Board of the ITA, held on September 5, 2025.

Box 6 refers to estimates of the amount of revenue from customs duties and related VAT on imports of goods originating in the USA into B&H for the entire year. Namely, these would be the amounts of the estimated loss if the implementation of the policy change began on January 1 for a specific year. At the time of preparation of the projections of revenues from indirect taxes, it is not known whether the initiative will be considered by the competent institutions. Therefore, the specific amount of loss can be estimated as proportion of the eventual length of application of the legislative change in the year, i.e. the number of months of application of the abolition of customs duties originating in the USA.

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

| losses:                                                                                                                                                        | 2024 | 2025  | 2026  | 2027  | 2028  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------|-------|-------|-------|
| VAT revenues, million BAM                                                                                                                                      | 2,5  | 2,6   | 2,8   | 2,9   | 3,0   |
| customs revenues, million BAM                                                                                                                                  | 14,7 | 15,7  | 16,3  | 17,2  | 18,1  |
| total revenue losses, million BAM                                                                                                                              |      | 18,3  | 19,1  | 20,0  | 21,1  |
| 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. |      |       |       |       |       |

*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)

Table 6 shows the projections of real GDP growth and inflation for the period 2024-2026 from the latest EC projections (spring 2025). For 2024, it is estimated that real GDP growth in the EU was 1%, while for 2025 and 2026, growth rates of 1.1% and 1.5% are projected, respectively. As for the inflation rate in the EU, it is estimated that it will fall from 2.6% in 2024 to 2.3% in 2025 and to 1.9% in 2026.

Table 6. EC projections, spring 2025

| Projection | Real GDP growth (%) |      |      |  | Inflation (%) |      |      |
|------------|---------------------|------|------|--|---------------|------|------|
|            | 2024                | 2025 | 2026 |  | 2024          | 2025 | 2026 |
| Euro Area  | 0,9                 | 0,9  | 1,4  |  | 2,4           | 2,1  | 1,7  |
| EU         | 1,0                 | 1,1  | 1,5  |  | 2,6           | 2,3  | 1,9  |

Source: European Economic Forecast, Spring 2025

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

The latest IMF projections date from October 2025. According to the aforementioned source, it is estimated that global growth in 2024 amounted to 3.3%, and growth rates in 2025 and 2026 will be 3.2% and 3.1%, respectively (Table 7).

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

Table 7. Real GDP growth projections, IMF, October 2025

|              |      | Projection |      |
|--------------|------|------------|------|
|              | 2024 | 2025       | 2026 |
| World Output | 3,3  | 3,2        | 3,1  |
| Euro Area    | 0.9  | 1.2        | 1.1  |

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

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

In the ECB projections from September 2025, it is expected that the average annual growth of real GDP in the Eurozone will amount to 1.2% in 2025, and that it will amount to 1.0% in 2026 and 1.3% in 2027.

Table 8. GDP growth and inflation projections for the Eurozone, ECB, September 2025.

|                 | 2024 | 2025 | 2026 | 2027 |
|-----------------|------|------|------|------|
| Real GDP growth | 0,8  | 1,2  | 1,0  | 1,3  |
| HICP inflation  | 2,4  | 2,1  | 1,7  | 1,9  |

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

## Trends in revenues from excise duties on coffee

(Author: Mirjana Popović, expert advisor - macroeconomist)

### Introduction

*Excise duties are one of the most important forms of indirect taxes and play an important role in the fiscal system of every country. Their main purpose is to provide stable revenues to the budget, but also to regulate the consumption of certain products, most often those that are considered luxurious or whose excessive use can have negative external effects.*

*Coffee occupies a special place among the products on which excise duties are levied. Excise duties on coffee in Bosnia and Herzegovina (hereinafter: BiH) are regulated by the Law on Excise Duties in BiH<sup>26</sup> and are calculated per kilogram of imported goods. Due to its widespread use and stable demand, excise duties on coffee represent a stable source of revenue. The estimated annual coffee consumption in BiH is around six kilograms per capita<sup>27</sup>, making the country one of the largest coffee consumers in the region. Excise duties on coffee directly affect fiscal revenues, but also the market, from retail prices to consumer habits. This estimate shows that coffee is a widely consumed product, which justifies its monitoring within the framework of fiscal analysis.*

*The aim of the analysis is to provide a detailed overview of trends in the collection of excise duties on coffee in the observed period, identify factors that influenced their movement, possible directions of development and recommendations for improving fiscal policy in this segment. Special attention will be paid to seasonal fluctuations and the connection with broader macroeconomic trends and consumer habits.*

### Summary

*This paper is a continuation of the analyses published in previous issues of the Unit's bulletin<sup>28</sup> and monitors the collection of excise revenues on coffee in BiH for the annual period from 2021 to 2024, with detailed insight into quarterly data until the third quarter of 2025 and monthly data until September 2025. Since all coffee sold on the BiH market is imported, changes in collection directly depend on the volume of imports and movements in average retail coffee prices.*

### Methodological framework

*The analysis is based on data from the Indirect Taxation Authority of BiH, with internal calculations and presentation in the system of the Macroeconomic Analysis Unit (hereinafter: MAU). All indicators are expressed in nominal values, without adjustment for inflation. Annual and quarterly growth rates are calculated based on comparable periods of the previous year.*

### Analysis coverage

- Annual collection of revenues from excise duties on coffee

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<sup>26</sup> "Official Gazette of BiH", no. 49/09, 49/14, 60/14, 91/17, 50/22

<sup>27</sup> The estimate of per capita consumption was derived based on data from the Indirect Taxation Authority of BiH on total coffee imports (about 18 million kilograms per year) and the estimated population (~3 million). Based on this, annual consumption is approximately 6 kg per capita.

<sup>28</sup> More about coffee taxation policy and collection of revenues from excise duties on coffee in: Popović, M. (2022) "Analysis of revenue collection from excise duties on coffee"; MAU bulletin no. 207/208. More about trends in the collection of these revenues and current trends in: Popović M. (2023) "Analysis of revenue collection from excise duties on coffee", MAU bulletin no. 221/222; Popović M. (2024) "Analysis of revenues from excise duties on coffee" MAU bulletin no. 233/234.

*Overview of annual revenues from excise duties on coffee (**2021<sup>29</sup>–2024<sup>30</sup>**) and calculation of growth rate (2022–2024).*

- **Annual** movement of coffee imports  
*Analysis of the import volume of coffee (**2021–2024**) and interannual growth rates (2022–2024), in order to see the connection between the volume of imports and the collection of excise duties.*
- Quarterly collection of revenues from excise duties on coffee  
*Overview of quarterly collection trends (**Q1 2021–Q3 2025<sup>31</sup>**) and quarterly growth rates (Q1 2022–Q3 2025), with an emphasis on seasonal fluctuations.*
- Monthly collection of revenues from excise duties on coffee  
*Detailed monthly dynamics of collection (**January 2021–September 2025<sup>32</sup>**) and monthly growth rates (**January 2022– September 2025**).*
- Average price of ground coffee  
*Movement of the monthly average retail price (**January 2021 – September 2025**) and calculation of the monthly growth rate (**January 2022 – September 2025**).*
- Relationship between variables  
*Comparative analysis showing how imports, price and seasonality affect excise duty collection and long-term revenue trends.*

*This overview provides an overview of long-term trends, seasonal influences, and factors shaping coffee excise revenue in BiH.*

## **1. Annual trends in revenues from excise duties on coffee and coffee imports**

Revenues from excise duties on coffee in BiH account for a relatively small share of total excise revenues, ranging between 1.7% and 2.3% 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 imports, and consequently the level of coffee consumption.

Chart 1 shows the trend in annual collection of revenues from excise duties on coffee for the period 2021–2024, in millions of BAM.

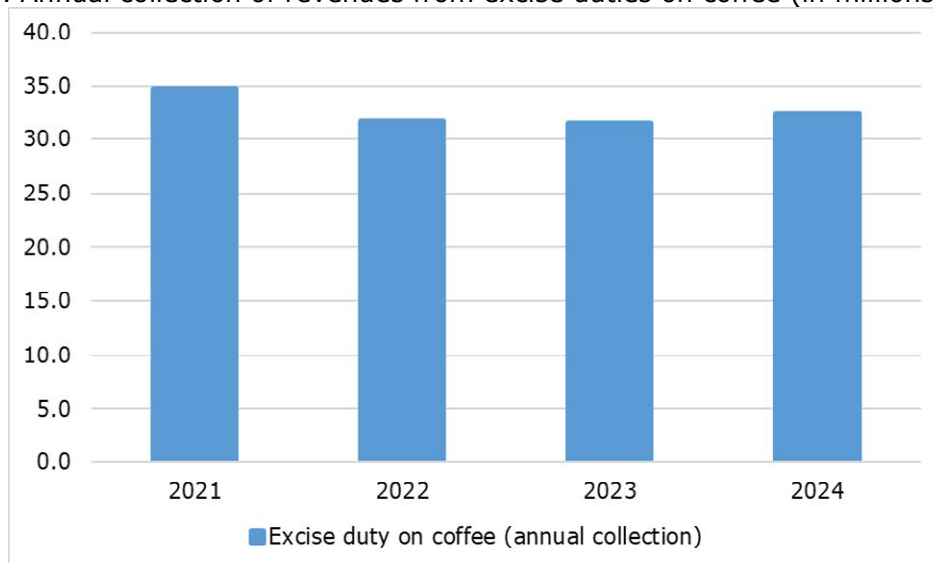
<sup>29</sup> Due to the outbreak of the Covid-19 pandemic, 2020 is not relevant for comparison.

<sup>30</sup> Latest available annual data

<sup>31</sup> Latest available quarterly data

<sup>32</sup> Latest available monthly data

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

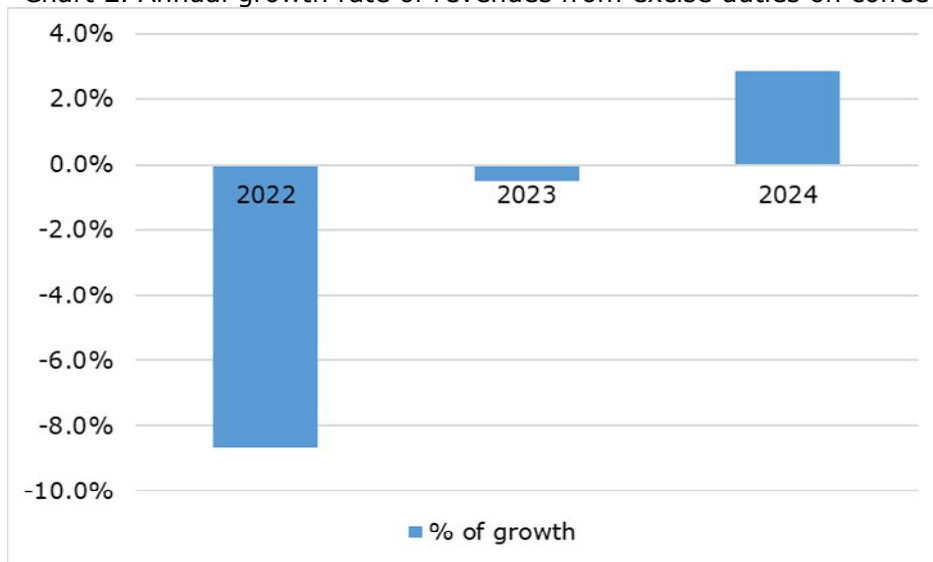


Source: Data from the Indirect Taxation Authority of BiH, MAU overview

The highest collection was achieved in 2021, with an amount of close to 35 millions of BAM. In 2022 and 2023, a slight decline in revenue is recorded, which may indicate a decrease in coffee consumption or import volumes. During 2024, a moderate recovery was recorded, but revenues still remain below the 2021 level.

Chart 2 shows the annual growth rate of revenues from excise duties on coffee in the period from 2022 to 2024.

Chart 2. Annual growth rate of revenues from excise duties on coffee



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

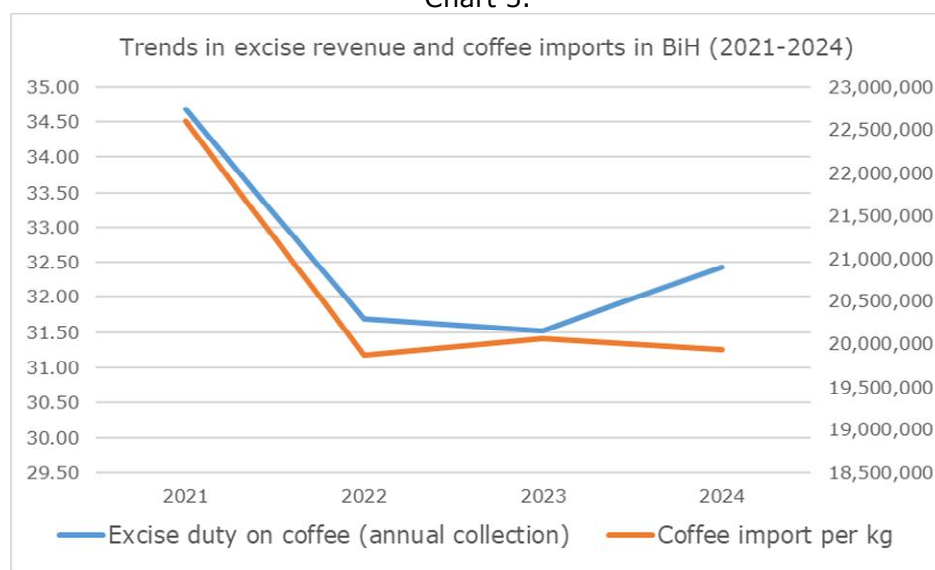
The 8.7% decline in collection in 2022 is the result of the combined effect of reduced imports of raw coffee and rising prices on the world market, which limited domestic consumption. 2023 shows almost stagnation, with a slight additional decrease of 0.5%, while 2024 brings a turnaround with a growth of 2.9%, indicating a slight recovery in the collection of these revenues.

These data clearly show that the largest negative trend was recorded in 2022, while 2024 is marked by moderate growth and stabilization of collection.

In summary, the trend of coffee excise revenue in the last two years shows a high degree of resilience compared to other excise revenue categories. The recovery in 2024 indicates a stabilization of consumption and market adjustment following the disruptions caused by price increases and global supply chains in previous years.

Chart three shows the comparative trend in revenues from excise duties on coffee in millions of BAM (left vertical scale) and the trend in the total imported quantity of coffee per kg (right vertical scale) in BiH for the period 2021-2024.

Chart 3.



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

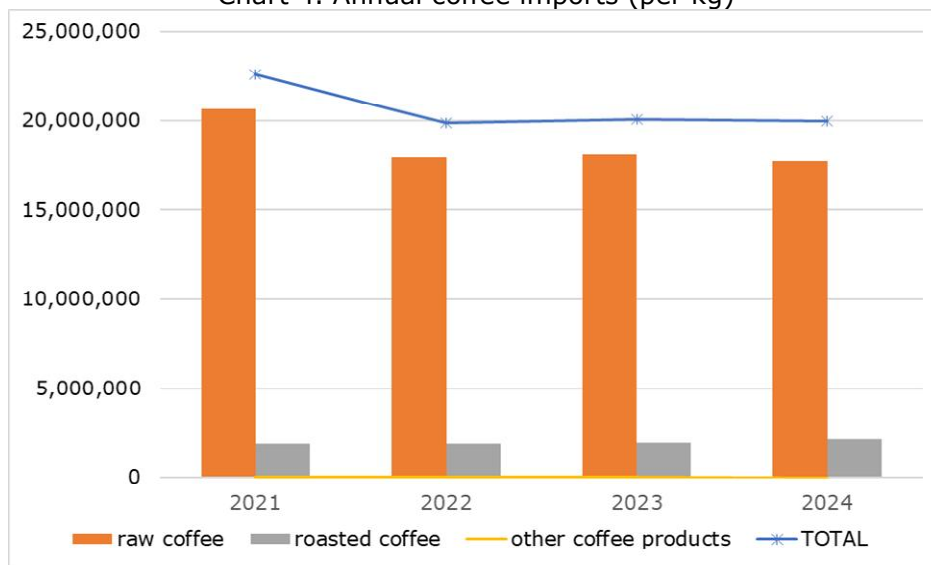
It is noticeable that both indicators have a similar pattern of movement, a decline in 2022, stabilization in 2023 and a slight increase in 2024. However, in 2024, a divergence of trends is observed, while coffee imports record a slight decrease, excise revenue shows an increase. Given that excise duty on coffee is paid upon import per kilogram<sup>33</sup>, this trend can be explained by a change in the structure of imports, i.e. a higher share of roasted coffee, to which a higher excise rate is applied, compared to raw coffee. In addition, a slight increase in revenue may also indicate improved control and collection of excise duties by the Indirect Taxation Authority. This confirms that excise revenue does not depend solely on the quantity of imported coffee, but also on its composition and structure by product type.

Since the difference between the movement of excise revenue and coffee imports indicates changes in the structure of imports, the analysis continues with a more detailed annual overview of coffee imports by product type, expressed in kilograms, and the corresponding annual growth rates. Thus, chart 4 shows the movement of coffee imports on an annual basis for the period 2021-2024.

<sup>33</sup> For:

- a) Raw coffee BAM 1.50
- b) Roasted coffee (bean or ground) BAM 3.00
- c) Roasted coffee husks and membranes and other coffee products BAM 3.50

Chart 4. Annual coffee imports (per kg)



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

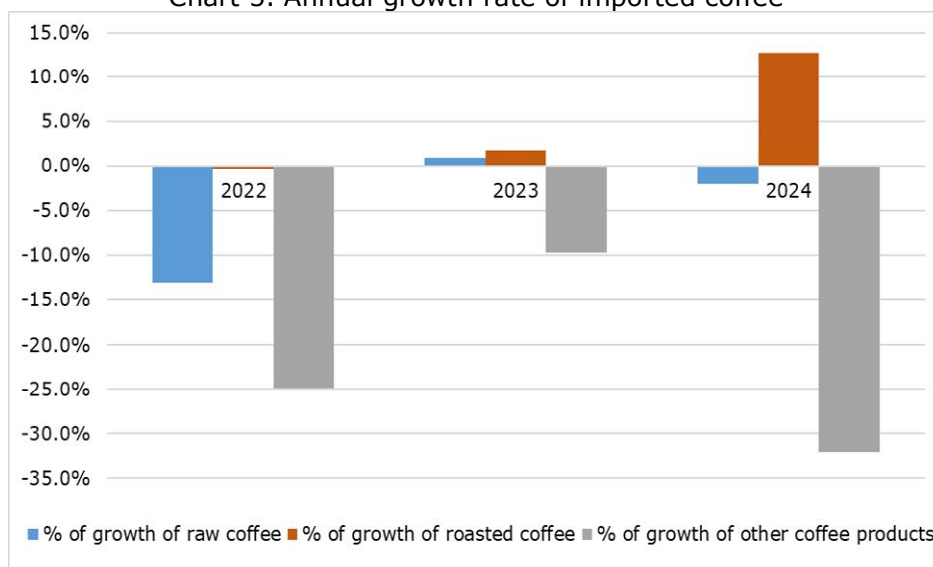
Raw coffee is subject to a lower excise duty rate but makes up a larger volume of imports, which explains the reasons for the different trends. The analysis indicates a larger drop in the import of raw coffee in 2022, which is significantly higher in quantity compared to roasted coffee and other coffee products. A greater decline in the import of other coffee products was also recorded in all analyzed years.

Changes in the structure of imports also suggest a slight diversification of the market, with an increase in roasted coffee imports and a lower share of more expensive coffee products. These trends follow broader regional consumption patterns<sup>34</sup>, where consumers are increasingly turning to ready-made and convenient products, while maintaining traditional consumption habits.

Chart 5 shows the annual growth rate of imports of raw coffee, roasted coffee and other coffee products for the period 2022-2024.

<sup>34</sup> Author's processing based on data from Eurostat, the International Coffee Organization (ICO) and national statistical sources: European Coffee Federation, *European Coffee Report 2022/2023* — PDF report ([https://www.ecf-coffee.org/wp-content/uploads/2023/05/European-Coffee-Report-2022-2023.pdf?utm\\_source=chatgpt.com](https://www.ecf-coffee.org/wp-content/uploads/2023/05/European-Coffee-Report-2022-2023.pdf?utm_source=chatgpt.com)); Report Centre for the Promotion of Imports from developing countries (CBI) under the name *What is the demand for coffee on the European market?*

Chart 5. Annual growth rate of imported coffee



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

In 2022, there was a decline in the import of raw coffee (-13.1%) and other coffee products (-24.9%), while the import of roasted coffee decreased slightly (-0.3%) compared to 2021. The trend of reduction of other coffee products continued in 2023 (-9.7%), while the import of raw and roasted coffee increased slightly in the same year.

In 2024, the import trends of individual coffee categories are mixed. Imports of raw coffee decreased slightly (-2.0%), indicating a stabilization and possible adjustment of inventories in the processing industry after a significant decline in the previous two years. In contrast, imports of roasted coffee achieved strong growth of 12.7%, suggesting an increase in consumption of finished products and increased domestic demand, likely driven by changing consumer habits and the growth of the retail market. In contrast, imports of other coffee products recorded a significant decrease (-32.1%), which may be a consequence of lower demand for processed and more expensive products, as well as reduced imports outside the core coffee categories. Overall, the structure of imports in 2024 indicates a return to traditional consumption and an orientation towards core coffee types, with a simultaneous recovery of the roasted coffee market.

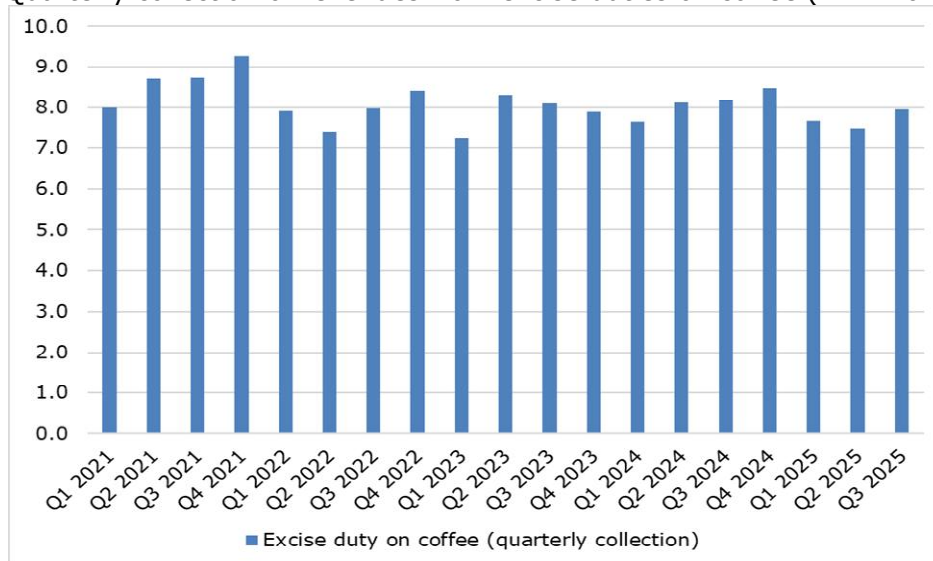
Key findings show that excise duty collection on coffee has been on a slight downward trajectory between 2021 and 2024, with a temporary stabilization in the past year. They show that the fluctuations are mostly related to changes in raw coffee imports and world market prices, and that roasted coffee consumption is gradually increasing, reflecting changes in consumer habits.

## 2. Quarterly trends in revenues from excise duties on coffee

Analysis of quarterly data provides a more detailed insight into short-term changes and seasonal patterns in the collection of excise revenue on coffee. Unlike annual data, which show aggregated values, quarterly data reveal periodic oscillations in revenue that may result from changes in consumption, import activities, coffee prices on the world market, or seasonal effects in domestic demand.

Chart 6 shows the quarterly collection of revenues from excise duties on coffee for the period from the first quarter (Q1) of 2021 to the third quarter (Q3) of 2025, in millions of BAM.

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



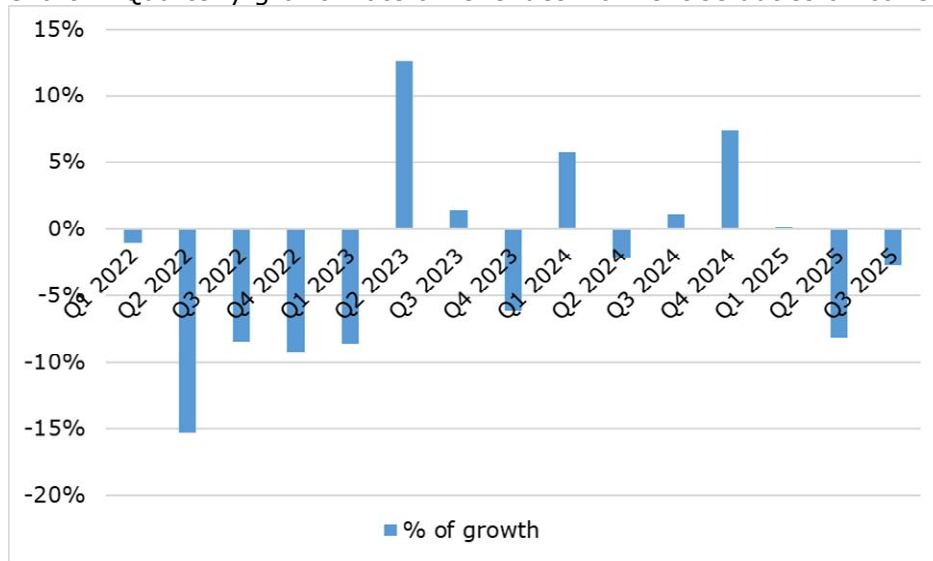
Source: Data from the Indirect Taxation Authority of BiH, MAU overview

Quarterly data on the collection of excise duties on coffee in the observed period show pronounced oscillations with a slight downward trend since 2022. The highest level of collection was recorded in the fourth quarter of 2021, which can be linked to increased consumption after the pandemic recovery and the growth of coffee imports in that period. The lowest quarterly collection was recorded in the first quarter of 2023, after which it stabilized at a slightly lower level, with a moderate decline in the first half of the current year, which may indicate market saturation and changes in consumer habits, as well as the increase in raw coffee prices on the world market.

In order to provide a more complete overview of the trends in revenues from excise duties on coffee, the quarterly growth rate of these revenues is shown in addition to the absolute collection amounts. This indicator allows for monitoring relative changes between consecutive quarters, i.e. periods of acceleration or deceleration in revenue growth to be observed. In this way, it is possible to more precisely identify short-term changes in collection dynamics, seasonal effects and potential external influences.

Chart 7 shows the quarterly growth rate of revenues from excise duties on coffee for the period Q1 2022 - Q3 2025, compared to the same quarter of the previous year.

Chart 7. Quarterly growth rate of revenues from excise duties on coffee



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

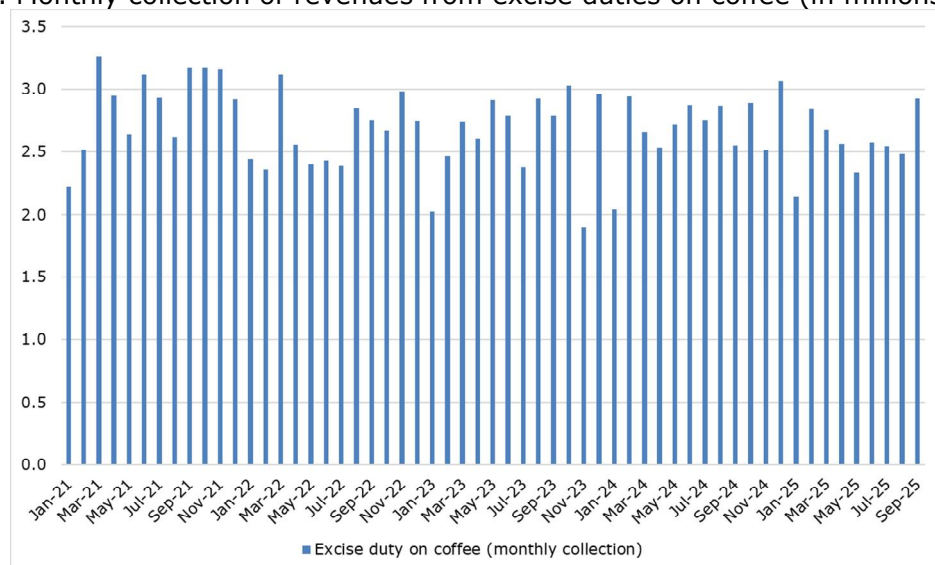
The quarterly growth rate of coffee excise revenue in the analyzed period shows pronounced oscillations, with alternating phases of growth and decline. The largest decline was recorded in the second quarter of 2022, when coffee excise revenue decreased by 15.3%, which is a consequence of reduced imports and weaker consumption due to rising prices and inflationary pressures. The largest growth was recorded in the second quarter of 2023, 12.6%, with the market recovering and the stabilization of raw coffee prices. During 2024, moderate and intermittent growth was observed except in the second quarter, while 2025 marks a slightly negative trend, which may indicate a slowdown in consumption and a shift of some consumers to cheaper brands or substitute products.

### 3. Monthly trends in revenues from excise duties on coffee

Analysis of monthly data allows for more detailed monitoring of short-term changes in revenue trends and the identification of seasonal patterns that cannot be observed on an annual or quarterly basis. Monthly trends in these revenues provide additional information on changes in consumption and import activity, which may be the result of movements in coffee prices on the world market or changes in consumer habits.

The monthly dynamics of the collection of revenues from excise duties on coffee is shown in Chart 8 for the period from January 2021 to September 2025, in millions of BAM.

Chart 8. Monthly collection of revenues from excise duties on coffee (in millions of BAM)



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

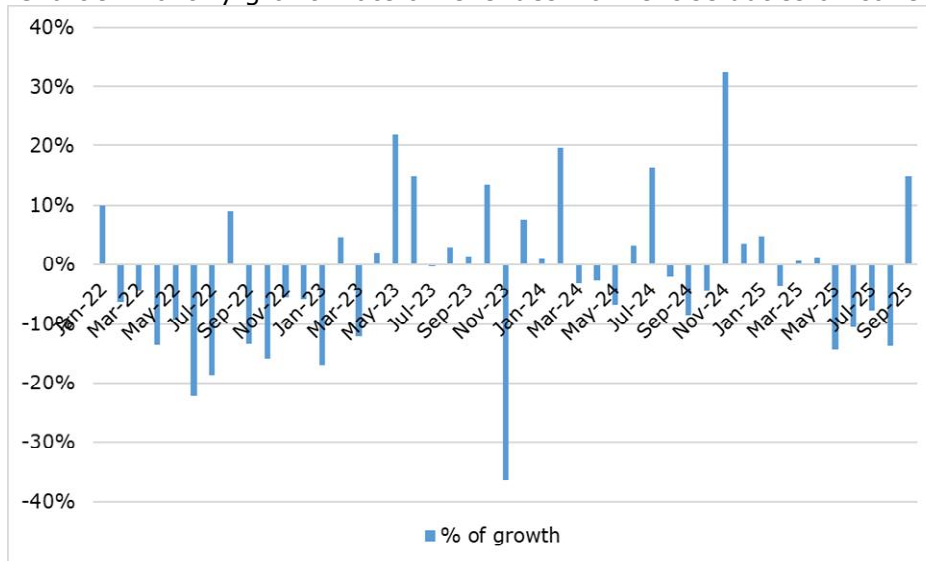
Given that coffee is not a seasonal product like non-alcoholic and alcoholic beverages or beer, whose consumption depends on weather conditions and seasons, monthly fluctuations in the collection of excise revenue on coffee cannot be linked to seasonal factors. Coffee consumption and the movement of these revenues are primarily influenced by external and market factors, such as disruptions in supply chains, changes in raw coffee prices on the world market, transport costs, packaging and exchange rates.

Although the world price of coffee is increasing, consumption is not decreasing significantly, because coffee belongs to products with low price elasticity of demand, it is part of everyday consumption and habits of the population.

The monthly growth rate of revenues from excise duties on coffee allows more detailed look at short-term changes in the dynamics of collection of these revenues. This indicator is important because it indicates the direction and intensity of changes compared to the same month of the previous year, which identifies periods of acceleration or deceleration of growth, as well as possible irregularities in collection that may be the result of changes in imports, prices or fiscal policies.

Chart 9 shows the monthly growth rate of revenues from excise duties on coffee for the period January 2022–September 2025, compared to the same month of the previous year.

Chart 9. Monthly growth rate of revenues from excise duties on coffee



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

The monthly growth rate of these revenues shows significant volatility, with frequent changes in positive and negative values. The largest decline was recorded in November 2023, when the growth rate fell by 36.4%, while the highest growth was achieved in November 2024, at 32.3%. Such developments reflect the sensitivity of the coffee market to changes in prices on the world market and variations in import flows. In 2025, a somewhat more stable dynamics is noticeable, with milder oscillations, which indicates a partial adjustment of the market after a period of increased instability in previous years.

#### 4. Monthly movement of the price of coffee

Monitoring the monthly movement of coffee prices in BiH is important because it allows for an understanding of the impact of market factors on consumption, import costs and fiscal revenues from excise duties. The price of coffee, as one of the most commonly consumed beverages, directly affects consumption patterns and total household consumption, and indirectly affects the dynamics of excise duty and VAT revenue collection.

In recent times, there has been a significant increase in the average consumer price of ground coffee on the domestic market, which is the result of the combined effects of global and domestic factors. On the global market, the price increase is primarily caused by climatic disasters, droughts and reduced yields in the previous period in the largest coffee producing countries, such as Brazil and Vietnam. Limited supply has led to an increase in the price of raw coffee on the stock exchanges, which, with a time lag, is also reflected in the domestic market.

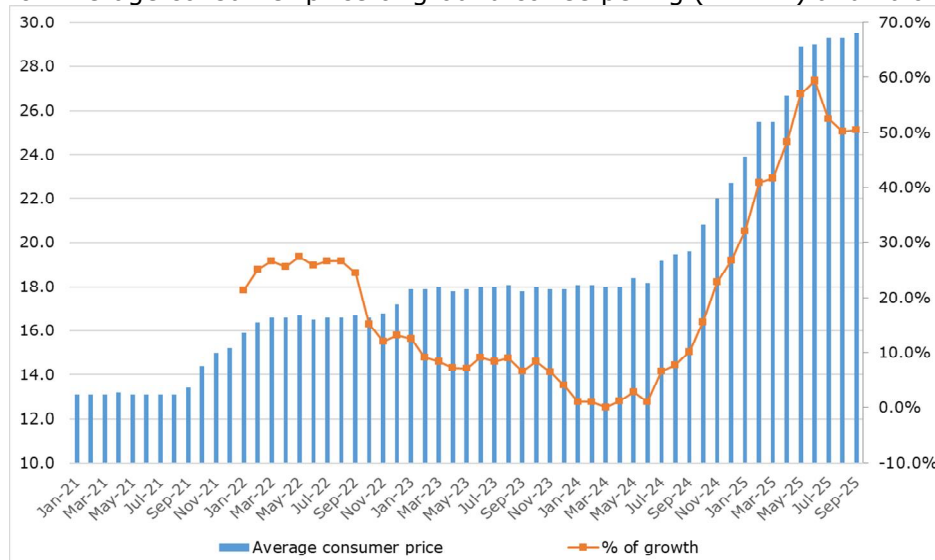
Additional upward pressure on prices comes from increased costs of transportation, energy, packaging and insurance, as well as disruptions in global supply chains and geopolitical tensions affecting international trade flows. In such conditions, import prices rise, which is passed on to retail prices and consumers.

Therefore, the monthly trend of coffee prices in BiH is important for understanding the temporal dynamics of the transmission of global shocks to the domestic market and their impact on fiscal revenues. Price increases may temporarily increase the value of imports and excise revenues, but in the long term may have the opposite effect if they lead to a decrease in consumption.

These data provide important insights into changes in consumer prices and complement the analysis of import trends and excise revenue, as they allow for an assessment of how changes in the global market and currency pressures are reflected in domestic consumption and fiscal flows.

Chart 10 shows the monthly movement of the average consumer price of ground coffee in BiH per kilogram for the period from January 2021 to September 2025 in BAM<sup>35</sup> (left vertical scale) and the monthly growth rate of the average consumer price of coffee for the period from January 2022 to September 2025 (right vertical scale).

Chart 10. Average consumer price of ground coffee per kg (in BAM) and % of growth



Source: Data from the Agency for Statistics of BiH<sup>36</sup>, MAU overview

The average consumer price of ground coffee in BiH per kilogram, shown monthly for the period January 2021–September 2025, had a stagnant growth rate during the first eight months of 2021, after which continuous growth was recorded from September of the same year until the beginning of 2023. During 2023 and in the first half of 2024, prices stabilized, without significant oscillations. From July 2024, there was a marked growth, which continued throughout 2025.

The highest average consumer price for ground coffee was recorded in September 2025, when it was almost BAM 30 per kilogram, an increase of 59.3% compared to the same month of the previous year. This sharp increase indicates strong inflationary pressure in the domestic coffee market, most likely transmitted from global supply chains and market shocks in coffee production and transportation.

In times of high prices, consumers often change their purchasing patterns, switching to coffee consumption at home instead of restaurants, choosing instant or mixed types of coffee instead of freshly ground, or opting for cheaper Robusta instead of more expensive Arabica. Although coffee is generally categorized as a necessity and not a luxury in the population's consumption, the widening of the price range and greater availability of substitutes make consumption more elastic, so price increases have an increasingly pronounced negative effect on total consumption.

From a comprehensive analysis, it can be concluded that the recent increase in coffee prices is a key factor that has led to a decrease in coffee consumption and imports, and thus to a decrease in

<sup>35</sup> The latest available data from the Agency for Statistics of BiH

<sup>36</sup> Monthly release: Average consumer prices in Bosnia and Herzegovina

excise revenue on this product. This trend is particularly visible since mid-2024, when price growth significantly exceeds the growth in household incomes, which limits purchasing power.

Given that, the global coffee market remains volatile and subject to changes due to climate risks, supply chain disruptions and changes in transportation costs, further price increases in the domestic market remain possible. There is a justified concern that further price increases could lead to even more pronounced reductions in consumption, imports and fiscal revenues from excise duties.

Although domestic authorities cannot directly influence the movement of coffee prices on the world market, in crises, it is possible to react with measures such as temporary margin restrictions or certain tax breaks, in order to prevent additional burden on consumers and preserve the stability of excise revenue.

## Conclusion

Analysis of the trends in excise revenue on coffee in BiH during the analyzed period shows a strong correlation between global market trends, import prices and domestic consumption. Although coffee is traditionally a stable and widely consumed product in household consumption, in recent years it has become increasingly sensitive to global price changes and disruptions in supply chains.

The rise in coffee stock prices, caused by climate disasters in the largest producing countries, increased transportation and energy costs, and geopolitical instability, has led to a continuous increase in retail prices on the domestic market.

In such conditions, there is a change in consumer habits, a decrease in quantitative consumption, a switch to cheaper types of coffee or a substitution with lower quality products. This can directly reflect a decrease in imports, and consequently lower excise tax revenues, despite nominally higher prices. Therefore, the increase in prices did not result in higher fiscal inflows. On the contrary, indicates a decrease due to weaker consumption.

These trends confirm the need to view coffee price movements not only as a market indicator, but also as an important element of fiscal and consumer policy. Monitoring monthly price movements and coffee imports allows for timely assessment of potential risks to excise revenue and planning of measures to mitigate negative effects. In situations where there are sudden price spikes, targeted margin caps or temporary fiscal measures can help preserve consumption and the stability of public revenues.

In conclusion, the coffee market remains strongly influenced by global factors that domestic authorities cannot directly control. However, with careful monitoring, timely policy adjustments, and better consumer information, it is possible to mitigate the negative consequences of price increases and ensure the sustainability of excise revenues on this important product in the structure of BiH's public finances.

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