

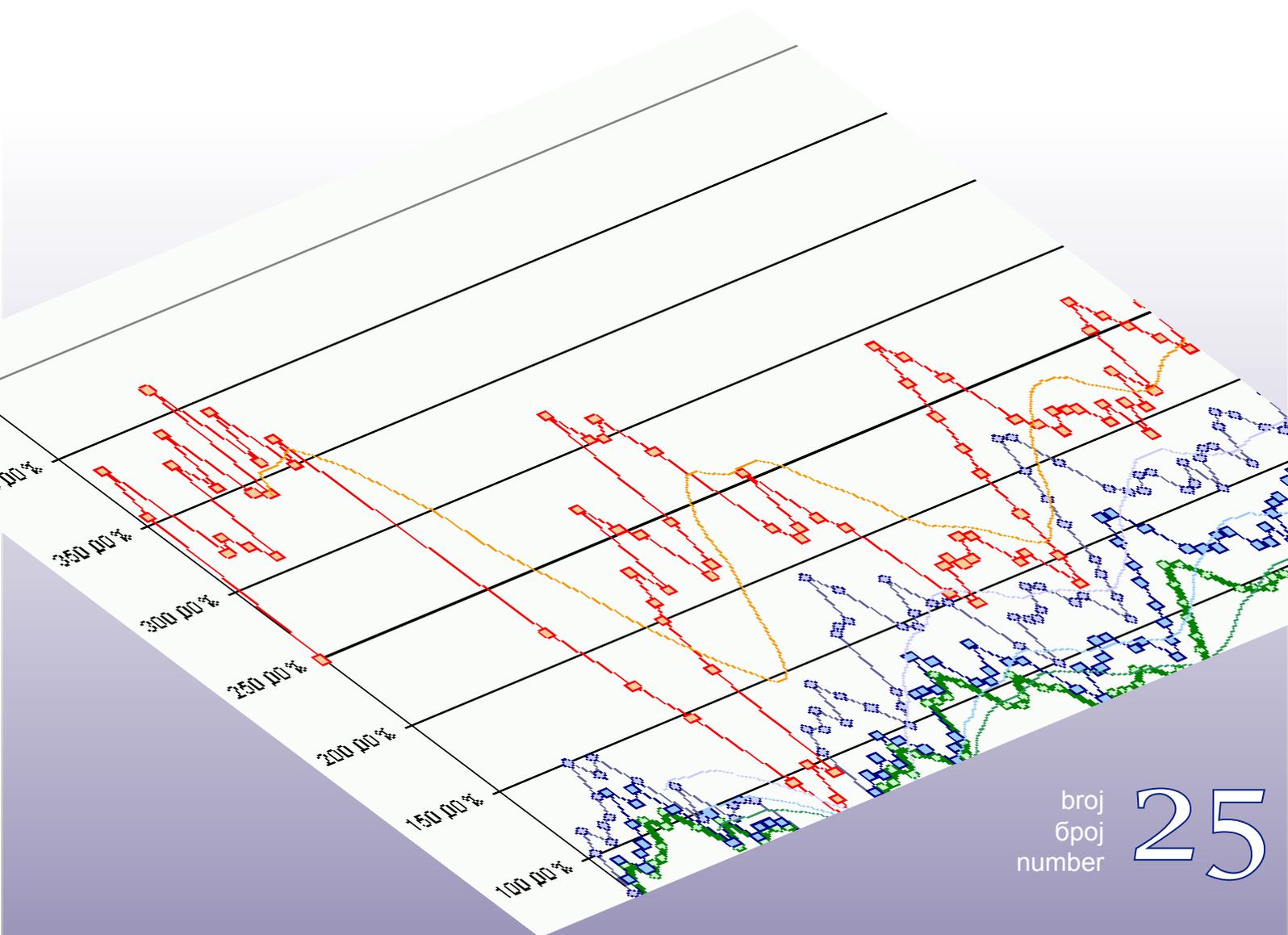
Bosna i Hercegovina
Odjeljenje za makroekonomsku analizu
Upravnog odbora Uprave za indirektno-
neizravno oporezivanje



Босна и Херцеговина
Одјељење за макроекономску анализу
Управног одбора Управе за indirektno-
опорезивање

Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Oma Bilten



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With this issue...

BiH public has lately focused its attention to redesign of excise system. Having in mind dedication of Bosnia and Herzegovina to European integrations, activities on changes of legal framework for excise in BiH should be directed to EU standard in this field. Although excise represents significant source of revenues for BiH, we should bear in mind that primary objective of EU in introduction of high excise rates is not fiscal one, but protection consumer's health, when it comes to excise on cigarettes and alcohol as well as protection of environment and stimulation for use of alternative sources of energy. Also, we should bear in mind that harmonization of excises in BiH with minimal excise rates in EU requires long period of few years and careful balancing of consequences for economic and social system in BiH caused by excise rate increase. In this issue, the Unit brings you overview of basic features of legal framework for excise and its operational structure in EU.

After transfer of competencies in the field of indirect taxes, partial analyses of budget performance for state and entities without consolidation of vertical transfers can not be enough for review of BiH fiscal position. Apart from that, after the transfer of competencies in the field of defense to level of BiH, it's not possible to make a comparison of entity budgets with previous years. On basis of data from Unit's database for the period from 2004 to 2007 and budgets of central governments for 2007, the Unit is able to offer comparative analysis of consolidated fiscal balance of general government that includes central government (BiH, entities, District).

In this issue of the bulletin, we are providing regular analysis of collection of indirect taxes for July 2007. In accordance with dynamics of data inflow, we are continuing to publish consolidated monthly reports for general government of BiH that includes fiscal operations of central governments (budgets of BiH, entities, Brcko District) and budgets of cantons for the first six months of 2006. We are publishing consolidated report for July 2007 that includes data from ITA single account and budget performance of entities for that month. We also publish consolidated monthly reports for some cantons from which all municipalities sent monthly reports to the Unit and whose data were verified and processed by the time of this issue.

Dinka Antić, MSc
Head of Unit – Supervisor

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Collection of indirect taxes: July 2007

(Prepared by: Dinka Antić, MSc)

In July 2007, total net¹ amount of 439 million KM was collected to the ITA single account, which is 11,43% higher than in previous month and 22,66% higher than in the same month last year at level of entire BiH. At the level of five months, collection was higher by 171 million KM of indirect taxes than in the same period 2006. In May, ITA collected additional 10,864 million KM of unadjusted revenues². Collection line shows trend of growth (Chart 1).

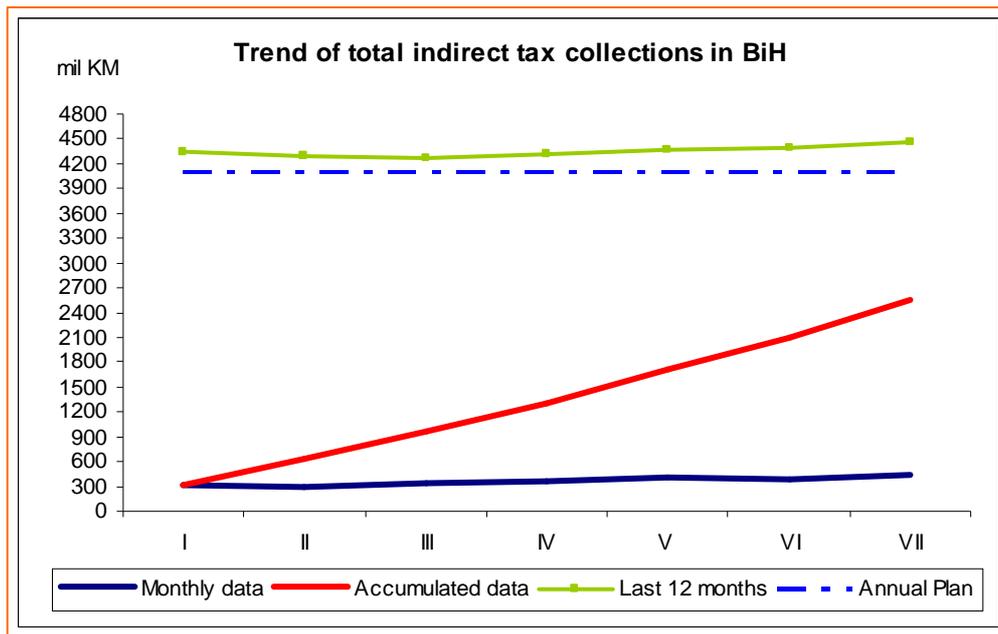


Chart 1.

There was increase in collection of all types of revenues in July 2007. Collection of excise increased by 14,79% in comparison with June 2007 and 15,84% in comparison with July 2006. At the level of the period, collection of excise increased by 10,27% for seven months compared to the same period last year. (Chart 2.). In structure of collection, highest growth was noted by excise on imported oil and derivatives approximately 21%, which corresponds to growth of revenues from road tolls from price of oil derivatives in July. Collection of road tolls is still increasing and collection for seven months was 10,71% higher than in the same period 2006. Customs had stable growth of 9,51% higher than in previous month and 23,93% higher than in July 2006. At the level of this period, collection was 22,26% higher compared to seven months in 2006.

¹ Gross collection of VAT includes gross collection of VAT on imports, collection of VAT per declarations and other cases of one time or enforced collection of VAT. Net VAT collection is obtained after deducting refunds from gross collection. Revenues from other indirect taxes are reduced by amounts of other refunds from the single account.

² Unadjusted revenues include revenues for which relation can not be made between analytics of payment (single account) and analytical records of taxpayers in modules of ITA IT system (VAT, customs, excise)

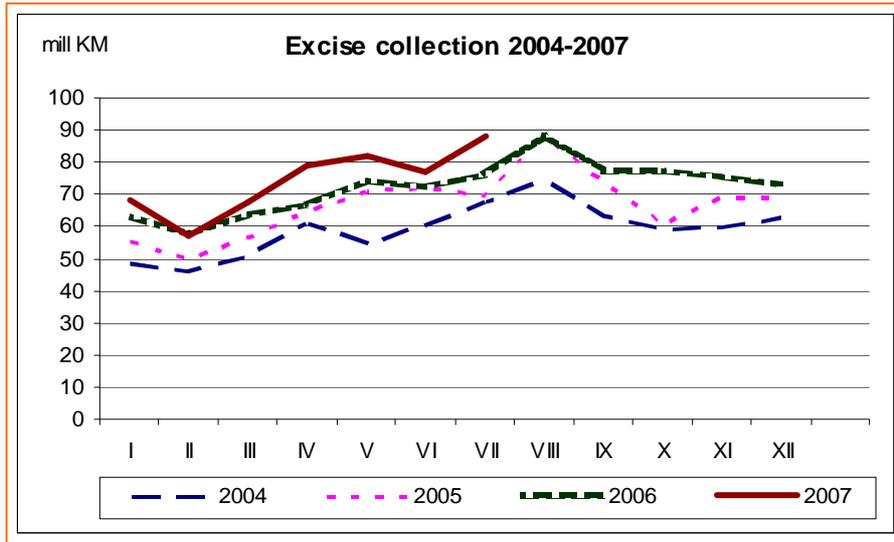


Chart 2.

Collection of VAT is increasing as it can be seen in the chart 3 In July 2007, collection of VAT was 10% higher than in June and 26,45% higher than in July 2006.

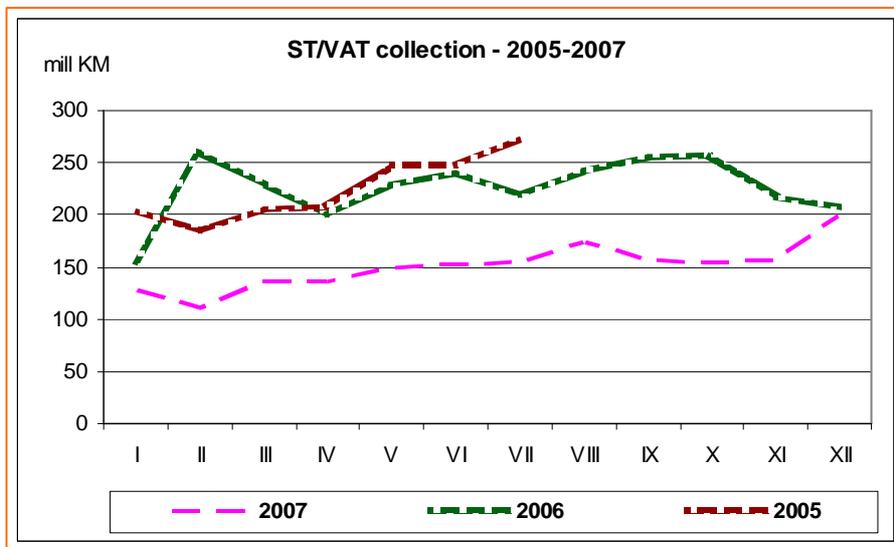


Chart 3.

Although refunds in July were a bit higher than in June, its share of refunds in gross VAT revenues is still decreasing and it amounts only to 14,5%, which is below average refund rate for the period from March to December 2006. At that time, there was suspension of refunds to taxpayers who are not predominantly exporters (Chart 4). Despite expectations, taxpayers selected tax credits instead of cash refunds, higher refunds that will include lagging tax credits from VAT declarations for January might be expected in August.

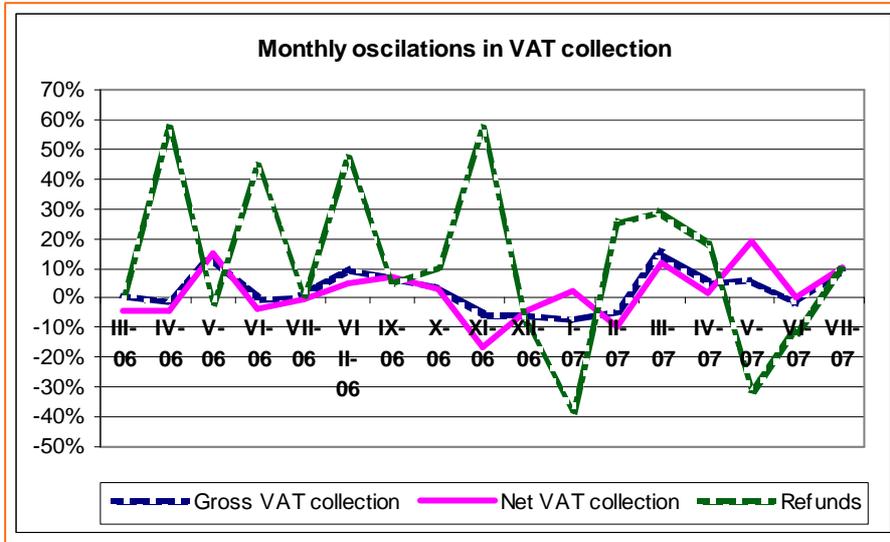


Chart 4.

On July 31st, 2007, 110,454 million KM of tax credits were recorded, which will be used for compensation of future VAT liabilities. Debts of taxpayers for VAT declarations amount to 20,474 million KM, while the amount debt that is automatically assessed in ITA IT system for taxpayers who failed to file tax declarations amount to 51,435 million KM.

Medium term performance of public revenues and new trends

(Prepared by: Aleksandra Regoje, Macroeconomist in the Unit)

Consolidated fiscal balance 2004-2007

According to consolidated report for BiH that includes data for state, entity and Brcko District budgets (hereinafter central government)³, total collected revenues without capital receipts and funds for financing in 2006 amount to 3.290,27 million KM, which is 26,02 % higher than collected revenues in the last year. Expenditures in public sector did not fully follow increase of revenues (16,99 % compared to 2005) and amounted to 2.727,11 million KM. So, consolidated budget surplus of the central government in the end of 2006 was significantly improved and it amounted to 468,61 million.

		In thousand KM				Index		
		2004	2005	2006	2007 (plan)	2005	2006	2007
1	Revenues (11+12+13+14)	2.506.511,81	2.610.878,47	3.290.272,95	3.426.423,27	104,16	126,02	104,14
11	Revenues from taxes	1.858.057,37	2.075.128,58	2.749.974,85	2.852.732,96	111,68	132,52	103,74
12	Non tax revenues	497.000,46	483.877,15	518.996,72	555.780,31	97,36	107,26	107,09
13	Current support	150.631,01	51.846,16	20.598,65	17.910,00	34,42	39,73	86,95
14	Other revenues	822,97	26,58	702,73	0,00	3,23	2643,72	0,00
2	Expenditures (21+22+23)	2.220.520,03	2.331.041,45	2.727.114,72	3.177.582,68	104,98	116,99	116,52
21	Current expenditures	2.143.500,31	2.223.871,56	2.596.086,20	3.010.394,38	103,75	116,74	115,96
22	Other expenditures	70.641,27	100.964,56	112.890,37	150.652,30	142,93	111,81	133,45
23	Net borrowing	6.378,46	6.205,34	18.138,16	16.535,99	97,29	292,30	91,17
3	Net purchase of nonfinancial means	73.523,50	98.321,39	94.544,07	216.236,51	133,73	96,16	228,72
4	Government surplus /deficit (1-2-3)	212.468,28	181.515,62	468.614,15	32.604,09	85,43	258,17	6,96
5	Net financing	2.431,34	-85.480,11	-224.966,05	-212.994,27			

Table 1. Consolidated review of budget performance of BiH, RS, FBiH and Brcko District

Due to transfer of competencies from one level of government to the other one that took place in the past period, comparison of budget performance with previous year for certain levels of government would not be useful. The only correct way is analyses of consolidated reports of all levels within which aforementioned transfers took place.

Up to 2005, state mainly financed from the entity transfers. Two thirds of transfer was made from the Federation budget and one third from the RS budget. Management and collection of all taxes was under jurisdiction of entities and Brcko District. By establishment of Indirect Taxation Authority, transfer of competencies for collection of indirect taxes was made to the state level. In 2005, ITA took over competencies for collection of customs and customs duties, excise, sales tax on excisable products and road tolls from the price of oil derivatives. With introduction of value added tax in January 2006, ITA took over competencies for collectio of all indirect taxes. All revenues from indirect taxes are paid into the single account and allocated in the way where funds for reserves of refunds and share for funding state budget are allocated first. Remaining amount is allocated to Federation of BiH, Republika Srpska and Brcko District after the amount is reduced for the amount used for payment of foreign debt.

In order to have data on collection of indirect taxes comparable with previous years, it's necessary to observe them at total level. Revenues collected at the single account get so

³ According to the Manual for government finance statistics (*Government Finance Statistics - GFS Manual*), prepared by IMF, central government also includes cantons.

called lagging amounts i.e. direct payments of indirect taxes that were made to accounts of entities and Brcko District in accordance with regulations that were in force until the end of 2005.

Transfer of competencies in the field of defense and establishment of the Ministry of Defense at the state level in 2006 contributed the most to increase of state and decrease of entity budgets. Collection of budget revenues for BiH institutions⁴ for 2006 is 83% higher than in 2005. Chart 5 shows share of revenues of certain levels of government in consolidated report of the central government.

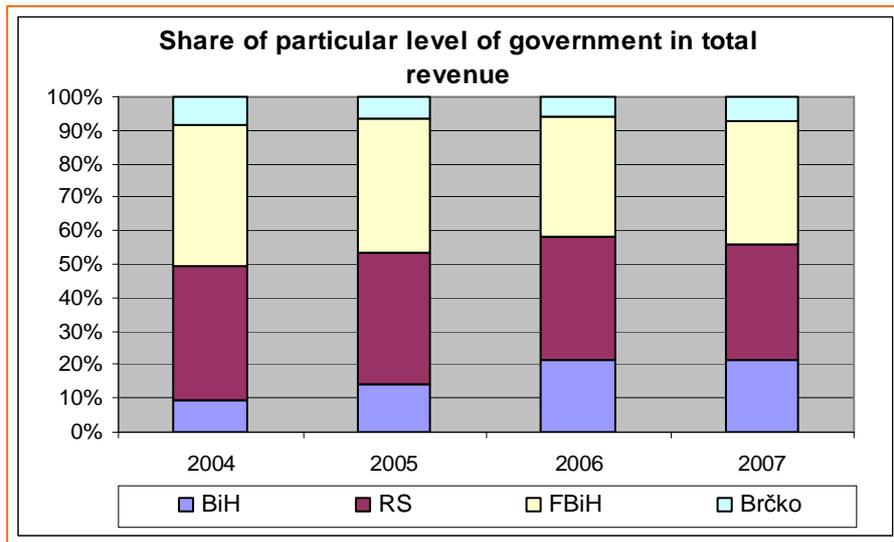


Chart 5.

Collected public revenues of the central government in the period from 2004 to 2006 and plan for 2007

The following table can analytically show collected revenues of the budget for central government in the last three years as well as budget plan for current year. Review does not include capital receipts and financing.

⁴ Does not include funds for depreciation of foreign debt

		In thousand KM				Structure %				Index		
		2004	2005	2006	2007(plan)	2004	2005	2006	2007	2005	2006	2007
1	Revenues (11+12+13+14)	2.506.512	2.610.878	3.290.273	3.426.423	100,00%	100,00%	100,00%	100,00%	101,04	126,02	104,14
11	Revenues from taxes	1.858.057	2.075.129	2.749.975	2.852.733	74,13%	79,48%	83,58%	83,26%	101,12	132,52	103,74
	Income and profit tax	60.216	73.916	89.094	205.710	2,40%	2,83%	2,71%	6,00%	101,23	120,53	230,89
	Income tax	4.672	4.645	3.831	102.647	0,19%	0,18%	0,12%	3,00%	100,99	82,48	2679,15
	Profit tax	51.831	65.075	81.935	103.062	2,07%	2,49%	2,49%	3,01%	101,26	125,91	125,78
	Income tax on capital gains	3.712	4.196	3.328	0	0,15%	0,16%	0,10%	0,00%	101,13	79,31	0,00
	Social welfare contributions (Brčko)	13.591	16.337	18.132	23.789	0,54%	0,63%	0,55%	0,69%	101,20	110,99	131,19
	Wage and labor taxes	100.918	109.621	137.716	5.982	4,03%	4,20%	4,19%	0,17%	101,09	125,63	4,34
	Property tax	22.038	23.847	22.377	25.080	0,88%	0,91%	0,68%	0,73%	101,08	93,83	112,08
	Revenues from indirect taxes ⁵	1.580.967	1.835.138	2.473.135	2.589.973	63,07%	70,29%	75,17%	75,59%	101,16	134,77	104,72
	Other taxes	80.328	16.270	9.521	2.200	3,20%	0,62%	0,29%	0,06%	100,20	58,52	23,11
12	Non tax revenues	497.000	483.877	518.997	555.780	19,83%	18,53%	15,77%	16,22%	100,97	107,26	107,09
13	Current support (Grants)	150.631	51.846	20.599	17.910	6,01%	1,99%	0,63%	0,52%	100,34	39,73	86,95
	Grants from abroad	22.483	50.717	18.603	17.850	0,90%	1,94%	0,57%	0,52%	102,26	36,68	95,95
	Grants from other levels of government	1.413	1.129	1.996	60	0,06%	0,04%	0,06%	0,00%	100,80	176,84	3,01
14	Other revenues	823	27	703	0	0,03%	0,00%	0,02%	0,00%	100,03	2643,72	0,00

Table 2. Consolidated review of revenues of budgets for BiH, RS, FBiH and Brcko District

⁵ Includes direct payments of indirect taxes to accounts of entities and Brcko District in accordance with regulations until 31.12.2005.g.

Highest item within consolidated report of revenues are taxes (83,58 % of total revenues) on basis of which total amount of 2.749,97 million KM was collected in 2005. Tax revenues also had highest increase of 32,52% in comparison with 2005 (see Chart 6).

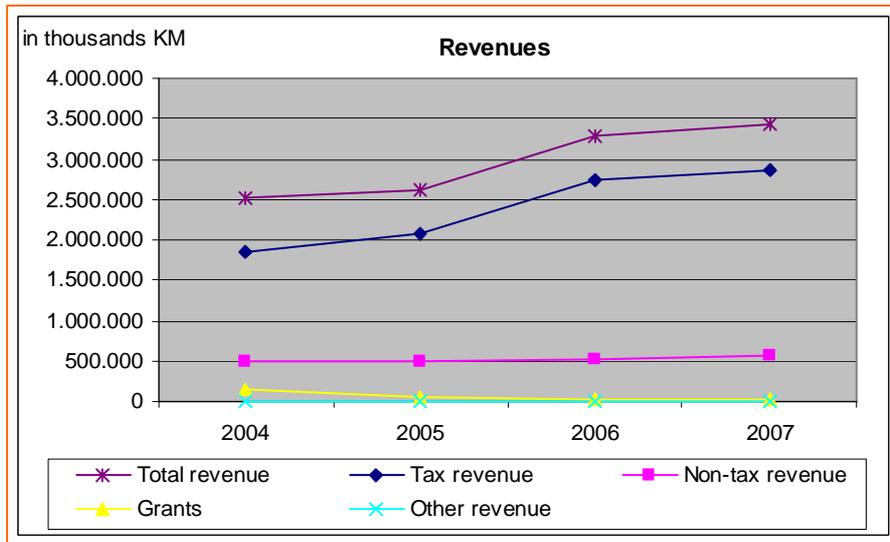


Chart 6.

When it comes to tax revenues, direct taxes have shown very good performance, but revenues from indirect taxes are the most important for increase of taxes and revenues in general in 2006 (See chart 7).

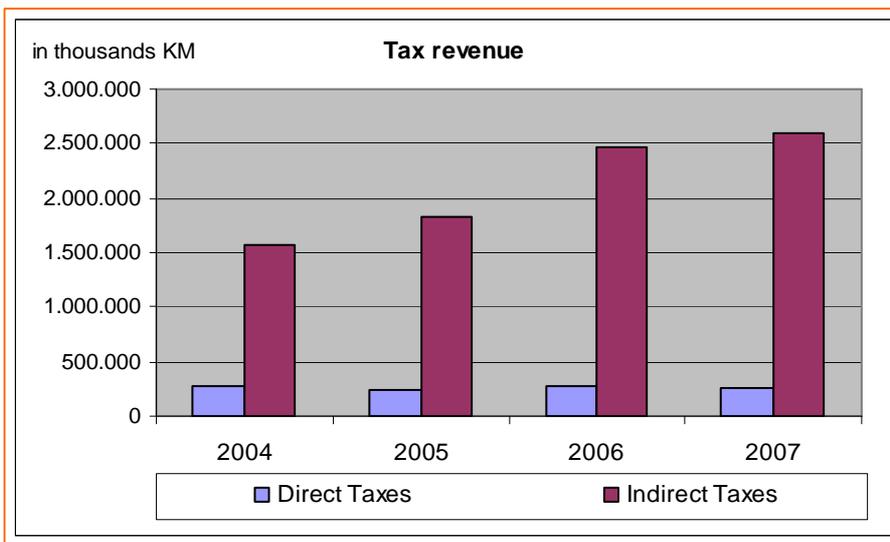


Chart 7.

Revenues from indirect taxes for 2006 represent 75,15% of total revenues of the central government. VAT through coverage of great scope of grey economy and more efficient system of taxation contributed to high growth of revenues from indirect taxes in 2006 (for budgets of central government, it was 34,77% compared to previous year). One of causes of significant growth of indirect taxes in 2006 and planned slower growth in 2007 is suspension of right to payment of refunds to non exporters in 2006, so share of VAT revenues in 2006 was collected at the expense of refunds for the next year. Plan of the central government budget for 2007 projects growth of revenues from indirect taxes by only 4,72% compared to 2006.

Bookkeeping of public revenues in BiH is based on cash basis, which means that bookkeeping is made in the moment of receipt of certain revenues. That's why it's possible that moment when revenues are recorded significantly differs from the moment when economic activity that generated revenue took place. Higher revenues in 2006 were recorded also due to delay in collection of sales tax according to regulations that were in force until the end of 2005. As opposed to principle of collected realization, according to the manual for government finance statistics, prepared by IMF, recording of revenues is based on accrual basis. In this case, revenues are recorded when they are due. Basic reason for accepting such principle is opinion that principle of accrual basis provides better estimate of macroeconomic effects of fiscal policy.

BiH authorities were expected to use share of additional revenues from new indirect taxation system on reduction of tax burden in the field of direct taxation. More specifically, there was expectation for reduction and harmonization of labor taxes in order to stimulate creation of new jobs in private sector. Unfortunately, reforms did not take place in the year of VAT introduction and most of additional revenues were used for public spending. New law on profit tax and law on income tax⁶ went into force in Republika Srpska in January 2007 and this represents significant progress towards reduction of grey economy and strengthening of competitiveness of companies. Advantage of these laws is not only in financial effect, but it also contains other incentives such as low tax rate, simplified regime for small companies, stimulating modernization etc. Reform of direct taxes was not carried out in the Federation. In many aspects, current system of taxation in BiH is not in accordance with single economic space, so entrepreneurs who carry out economic activity in both entities face with problems like they are acting in different countries. Federation of BiH expects to pass similar regulatory framework that will be more favorable for entrepreneurship and creation of competitive economic environment that can ensure employment and income for population.

Projected plan of profit tax of the central government for 2007 amounts to 103,06 million, which is 25,91% higher in comparison to performance in 2006. Basic reasons for such increase are projected effects of new law on profit tax in Republika Srpska.

In accordance with the law on allocation of public revenues in F BiH, wage tax is allocated to cantons and municipalities. Wage taxes on employees at the state level are paid according to entity and place of residence. So, item "wage and labor taxes" in consolidated report (Tables 1 and 2) include relevant revenues generated in budgets of Brcko District and RS. In accordance with new law, citizen's income represents single category that covers wage, income from copyrights, income from capital, independent activities and capital gains. All aforementioned revenues in the budget of RS for 2007 are recorded in the item Income tax. In previous years, tax on income from capital gains and wage tax were recorded in separate items. In order for data to be comparable with previous years, we aggregated mentioned items (Chart 8.)

⁶ More information on law on income tax and law on profit tax may be found in the bulletins 16 and 17
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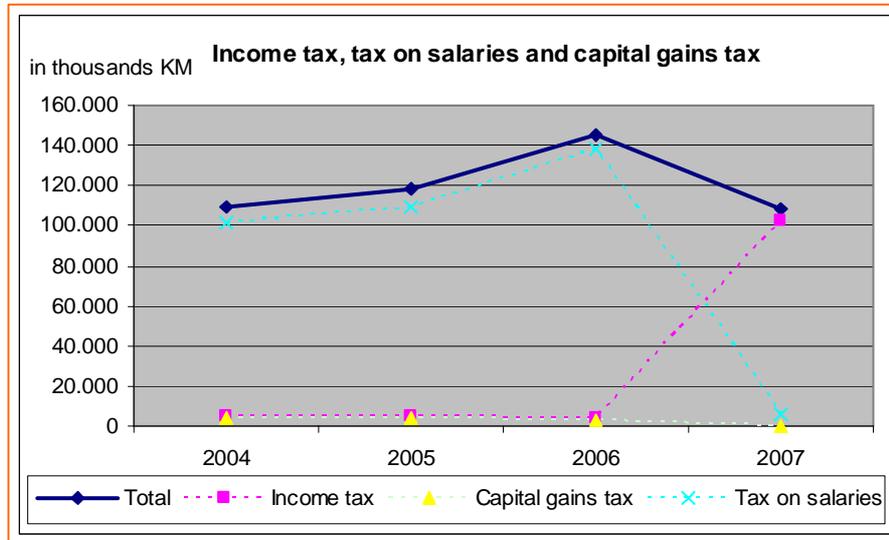


Chart 8.

The chart shows planned reduction of total revenues from income tax in 2007. Basic reason is application of new law on income tax in RS, which means introduction of nontaxable part and variable tax base. The law exempts lowest income. In long term, new approach of taxation opens opportunities for new jobs and lower social spending from the budget.

An item social welfare contribution includes relevant revenues of Brcko government district. In 2007, health insurance fund become separate financial institution in Brcko District and total amount of planned budget of the central government for 2007 includes budget of aforementioned fund for data to be comparable.

Non tax revenues had share of 15,77 % in the revenues of the central government in 2006 with increase of 7,26% compared to previous year. Non tax revenues are expected to decrease in future as consequence of decrease of revenues from dividends due to the privatization.

International aid tends to decrease (63,32% in 2006). Foreign support to budgets is expected to decrease in future and this will require further fiscal reforms and strengthening institutions due to more efficient use and better direction of public spending.

Instead of conclusion

Consolidated balance of the central government budget in the end of 2006 was significantly improved despite decrease of inflows from international donations. Such results should be attributed mainly to introduction of new system for indirect taxation and VAT. Its cumulative effects along with expansion of tax base, reduction of grey economy, growth of tax administration efficiency and financial discipline of taxpayers, temporary postponement of VAT refunds to non exporters in 2006 and high collection of lagging sales tax from 2005 contributed to high growth of revenues. Since this growth of revenues from VAT mainly had one time effect of initial year of VAT implementation, which will not repeat in the following years, it is recommended to take care in conducting fiscal policy and strengthening of fiscal coordination. It is extremely important to realize positive financial balances at all levels of authorities and direct it to domestic investments and economic development. It's recommended to continue reform of tax regulation in direction of stimulating entrepreneurship and attracting foreign investments in BiH.

Source:

- Reports on budget performance of BiH, RS, FBiH and Brcko District for 2004, 2005 and 2006
- Budget plans for 2007 for BiH, RS, FBiH, Brcko District and Health Insurance Fund of Brcko District
- Database of the Unit

Assumptions for harmonization of excise in BiH with EU standards

(Prepared by: Dinka Antić, MSc)

Legal framework of excise system in EU

Excises represent taxes on transactions of production, import, sale or consumption, mainly on products such as oil and gasoline, alcohol and tobacco. Since it is collected by excise taxpayers at the burden of final consumer in behalf of state, excises fall under indirect taxes. In European Union, excise is collected on:

- Beer, wine, alcohol and alcohol drinks
- Tobacco products
- Energy (Oil, gasoline, electricity, natural gas, coal and coke).

All EU members apply excise on these three groups of products. Revenues from excise are calculated at the entire territory of EU and collected excise represents revenues of member states. As opposed to sales tax or VAT that vary on price, excise is collected as **special tax (specific excise)**⁷, expressed in financial amount for unit of product or volume and/or as **ad valorem** excise in percentage on certain base.

Harmonized legislation in the field of excise at level of EU was adopted as part of defining assumptions for functioning of internal market of European Community that was established on January 1st, 1993, which envisages elimination of internal borders and controls of traffic between member states at the border. Single excise system in EU includes monitoring of import of excisable products to EU, production and sale of excisable products within EU. Single system requires definition of single legal framework that will be mandatory for all EU member states. Basic principles of excise system in EU are:

- **Equal tax treatment of domestic and imported product** in order to ensure proper functioning of Union market and operation of market mechanisms for allocation of capital,
- **Determining minimal excise** that ensures stability of excise revenues in all member states, harmonize rates and avoid harmful tax competition between member states.

Establishment of harmonized excise system in EU went through phases:

- I. Passing regulations at EU level (single excise rates, rules and procedures)
- II. Harmonization of national regulations of member states in the field of excise with EU legislation
- III. Implementation of minimal excise rates in EU and procedures in the territory of member states
- IV. Gradual convergence of national excise rates with EU rates
- V. Establishment of coordination system for member states in regards to control of excise taxation.

⁷ engl. specific excise

EU legal framework in the field of excise taxation covers two sets of regulations:

1. **General legislation**, which regulates certain common segments of excise system
2. **Special directives**, which regulate for **every type of excisable products**:
 - **Single definitions** of excisable products
 - **Single structure** of excise and also in terms of other indirect taxes (VAT)
 - **Minimal rates** of excise, which are mandatory for all member states.

General directive defines scope of harmonized excise system in EU. Directive defines and regulates the following:

- **General procedures** of import, export, production, processing, keeping and placing into sale of excisable products;
- **Definitions** (place of excise taxation, private and commercial use of excisable products, minimum entry of excisable products for private consumption, definition of tax warehouse, shipment, type and contents of documents and required records as well as procedures for issuing and use of documents and procedure of documents and procedure with shipment);
- **Persons** – participants in procedure of excise taxation;
- **Procedures and proceedings** (surveillance of movement of excisable products between member states, placing into sale of excisable products that are already ready for consumption, regularity of excise payment, procedures for excise exempt, refunds and additional collection of evaded taxes, procedures with excisable goods in tax free shops on flight or ship travel between member states);
- **Mandatory surveillance over application of directive** (establishment of excise commission, mandatory cooperation of tax administrations from member states and right to apply national tax stamps for marking excisable products).

Structure of excise system in EU

Excise system in EU covers the following segments:

1. **Tax structure** that is applied to certain group of products. Structure of taxation includes definitions for product categories, method of excise calculation: special (per hectoliter, per degree of alcohol, for 1000 cigarettes etc.) and/or *ad valorem*, scope of possible deviations, exempts etc.
2. **Minimal amount of excise** that every member state must apply and respect for every type of product. Every member state can freely determine own amount of excise above mandatory minimum;
3. **Procedures and proceedings of excise taxation** that refer to persons-participants in sales of excisable products and on import, production, storage and sales of excisable products between member states;
4. **Operational system** for efficient implementation of regulations in the field of excise that included connecting customs and tax administrations from member states, integral IT system, creating documents and flow of documents between member states, system for excise collection and refunds of excise;
5. **System of cooperation between member states** in procedures of monitoring sales of excisable products and in procedures of control and audit.

For purpose of controlling movement of excisable products within member states, European Commission is developing IT system for monitoring movement of excisable products EMSC⁸. System provides member states *on line* access and obtaining information in real time, which are necessary for carrying out controls and required checks of movement of products under suspension between tax warehouses within EU. System should be established by July 1st, 2009, at the latest. System is composed of two components: (i) *components at the level of EU* (integral system that will enable surveillance of movement of excisable products within EU and surveillance of excisable products and other goods that are taxed with other taxes, and that are imported from third countries or exported from EU) and (ii) *national components* (national databases as

⁸ Excise Movement Control System

part of the system, links between national database and EU databases, software or equipment in the territory of member states that is required for functioning of the system in member states). **European Commission invited all countries that are EU membership candidates and third countries to participate in testing the system.** It is expected that about 80,000 excise taxpayers will be included in the system by 2009.

EU established system of official cooperation of tax and customs administrations in the field of excise. Member states are obliged to establish central liaison offices that are in charge of official communication and exchange of data between member states (horizontal exchange) and between member states and European Commission (vertical exchange). **“Third countries” that are outside EU may also participate in the system for exchange of data.** System for exchange of data includes access to electronic registers that contain data on: authorized warehouse keepers, registered traders and registered tax warehouses. Also, EU regulations regulate participation of inspectors from one member state in controls of taxpayers in the territory of other member state.

Obligation of harmonizing national regulations of future member states

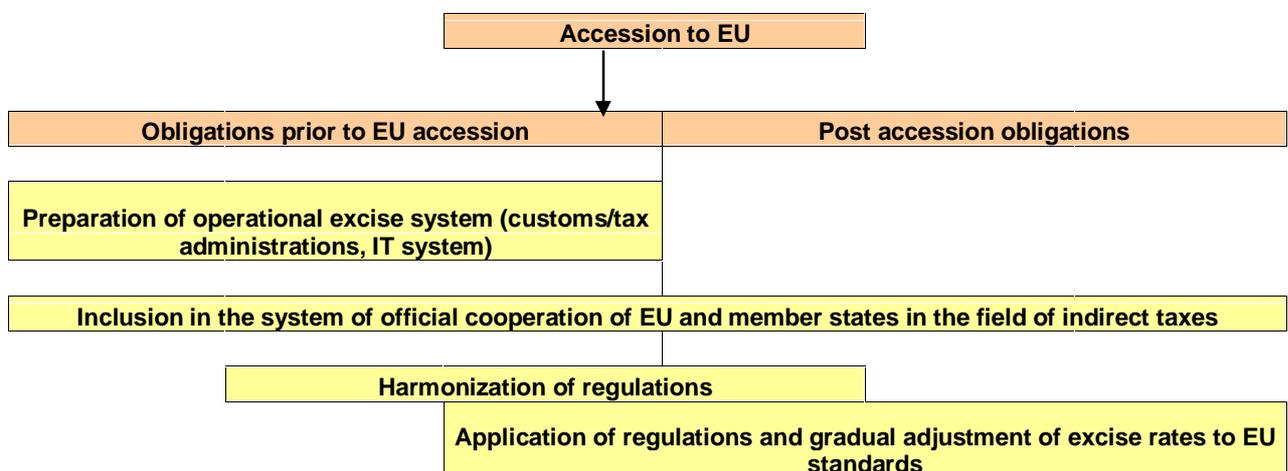
By accession to EU, every country gives up a part of its national sovereignty and transfers powers, fully or partially to EU bodies in order to achieve common postulates and objectives of EU:

- (1) Ensuring “four freedoms” – freedom of movement of labor, goods, services and capital;
- (2) Ensuring sovereignty of EU citizens.

Integration foresees elimination of barriers, acceptance of common objectives and development strategy for Union and coordination of economic and social policies. By accession to EU, new member state should accept “game rules” of EU internal market. EU member can no longer have independent economic (and tax policy) in terms of other member states and overall EU policy. Accession to EU membership means fulfillment of obligations prior to accession (pre-accession obligations) and fulfillment of obligations after accession (post-accession obligations). Pre-accession obligations in the field of indirect taxes (customs, excise, VAT) are defined in chapters 10 and 25 of *Acquis Communautaire*, legal heritage of EU. In the field of indirect taxes, countries that are candidates for EU accession are obliged to:

- Harmonize regulations
- Build efficient operational system for application of new regulations
- Join the system of official cooperation with EU.

Obligations and phases of preparing new member states in the field of indirect taxes may be seen in the following chart:



Especially difficult issue is harmonization of excise rates with minimal rates in EU. This was especially difficult task for more developed member states of EU-15 as well as for new twelve member states. Excise rates have impact on social standard since we are talking about price inelastic products (cigarettes, alcohol) as well as on input costs through price of transport and heating when it comes to energy. Increase of prices leads to strengthening of black market, smuggling and illegal production of excisable products, which then has an impact on level of revenues and macroeconomic stability in the country.

However, prior to EU accession, it's necessary to carry out modernization of tax and customs administrations in order to improve personnel and technology for application of EU harmonized regulations. Also, prior to EU accession, customs and tax administrations of future member states should join the system of fighting smuggling, illegal production and black market of excisable products. For this purpose, there are EU financial funds⁹, and EU regulations on establishment of IT system for monitoring of sales of excisable products in EU and mechanisms of official cooperation of member states in the field of excise with "third countries" enables access to system for exchange of data with EU member states and European Commission on excise taxpayers, products and warehouses.

What stage is Bosnia and Herzegovina in?

Although date for BiH accession to EU seems very far, having in mind scope of obligations and details of reforms that BiH needs to carry out, it's necessary to start process of harmonization of excise system in BiH as soon as possible.

By establishment of Indirect Taxation Authority, which is modern and functional combination of customs and tax administration in one institution, BiH already started with modernization of tax and customs administration. Modern integral IT system of ITA that was designed in cooperation between EU-CAFAO and ITA, where there is one excise module, represents "backbone" of entire system for indirect taxation in BiH and good platform for linking with IT system of EU.

In the field of indirect taxes, state law on excise is in force since January 1st, 2005. State law was necessity and assumption for establishment of single system of indirect taxation. It's interesting that the Federation of BiH up to 2005 had set of special regulations that regulated excises for every excisable product, which is a standard in EU. New state law on excise covered all excisable products with one regulation without detailed definitions of excisable products. **Excise rates are far below prescribed minimal excise rates in EU.** In the next issues of the bulletin, Unit will write about principles of harmonized excise system in EU for certain excisable products and analyze possible implication of harmonizing excise in BiH with EU standards. This means that BiH is expected to have radical change of regulations in the field of excise in order to harmonize them with EU as well as difficult years in increasing excise rates and harmonization with European minimal excise rate.

⁹ In order to strengthen administrations of old and new member states, Union implemented programs Customs 2007 and Fiscalis 2003-2007, and there are ongoing preparations for adoption of new programs for the period until 2013. Both programs envisage funding for activities related to countries that want to become members of EU, countries of Western Balkans, other European countries and third countries. It is envisaged to gradually increase budget for these projects until 2013, so the program Customs should increase from initial 157 mill. EUR to total amount of 324 mill. EUR, while the program Fiscalis should increase from initial 67 mill EUR to 175 mill EUR. Assistance should go in three directions: development of IT system and change of customs and tax legislation.

Consolidated Reports

(prepared by: Aleksandra Regoje, macroeconomist in the Unit and Mirela Kadić, research assistant)

Notes to table 3

The consolidated report includes:

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

Notes to table 4

The consolidated report includes:

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

- Report includes amortization of foreign debt

Notes to table 5

1. The consolidated report includes:

- revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
- revenues and expenditures of cantonal budgets in FBiH,
- revenues and expenditures of municipal budgets in FBiH.

2. Report includes foreign debt amortization

3. Data for the following municipalities are estimated: Drvar, Ravno, Kupres (all months); Bosansko Grahovo (March, April, May); Konjic, Tomislavgrad (April, May); Sanski Most, Kakanj and Novi Grad (May).

Notes to table 6 and 7

Consolidated report includes:

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

* Net lending = lending-repayment of borrowing

** Net financing = Credits received – repayment of debts

General government, I – VII 2007

mill KM

		I	II	III	IV	V	VI	VII	Q1	Q2	Q3	Total
1	Current revenues	348,5	337,5	403,3	393,5	444,2	429,9	567,2	1089,3	1267,6	567,2	2924,2
11	Taxes	338,3	318,9	378,0	372,8	425,9	413,2	459,9	1035,2	1212,0	459,9	2707,0
111	Indirect taxes	321,0	296,5	339,4	356,4	407,8	393,9	439,4	957,0	1158,1	439,4	2554,5
	VAT	202,5	182,6	203,8	207,2	246,8	247,1	272,1	588,9	701,2	272,1	1562,1
	VAT on imports	126,6	144,9	180,5	184,9	197,4	188,8	207,2	452,0	571,1	207,2	1230,3
	VAT from VAT returns	111,6	82,4	81,4	90,9	96,1	99,1	109,8	275,4	286,1	109,8	671,4
	VAT from automatic assessment done by ITA	0,1	0,1	0,0	0,0	0,1		0,1	0,1	0,1	0,1	0,3
	One-off VAT payments	0,2	0,4	0,1	0,1	0,1	0,1	0,1	0,8	0,2	0,1	1,1
	Other	0,9	0,9	1,3	1,1	1,2	1,5	1,0	3,1	3,8	1,0	7,9
	VAT refunds	-36,9	-46,1	-59,6	-69,8	-48,0	-42,3	-46,1	-142,6	-160,2	-46,1	-348,9
	Custom duties	35,2	41,5	52,1	52,9	58,4	53,6	58,7	128,9	164,9	58,7	352,5
	Sales tax	0,7	1,5	0,8	1,1	0,9	0,7	0,9	2,9	2,6	0,9	6,5
	Excises	68,3	57,4	68,0	78,8	83,3	76,8	88,4	193,7	238,9	88,4	521,0
	on imports	53,7	47,5	54,2	64,7	65,5	61,3	70,3	155,4	191,5	70,3	417,2
	on domestic production	14,6	9,9	13,8	14,1	17,8	15,5	18,1	38,3	47,4	18,1	103,8
	Railroad tax	13,7	11,9	13,8	16,3	17,0	14,8	18,1	39,5	48,1	18,1	105,7
	Other	1,0	2,0	1,4	1,1	1,9	1,6	1,4	4,4	4,5	1,4	10,3
	Other refunds	-0,5	-0,4	-0,5	-1,0	-0,5	-0,7	-0,2	-1,3	-2,1	-0,2	-3,6
112	Direct taxes	17,2	22,4	38,6	16,4	18,2	19,3	20,5	78,2	53,9	20,5	152,6
	Income taxes	6,2	12,6	27,5	5,3	7,3	8,7	8,6	46,3	21,3	8,6	76,2
	Other tax revenues	11,0	9,8	11,1	11,1	10,9	10,6	11,8	31,9	32,6	11,8	76,4
12	Non-tax income	10,0	18,4	25,1	20,2	18,1	16,5	107,3	53,5	54,8	107,3	215,6
13	Other revenues	0,0	0,0	0,1	0,1		0,1	0,0	0,1	0,2	0,0	0,3
14	Grants	0,0		0,0	0,0	0,0	0,0		0,0	0,0		0,0
15	Transfers from other level of government	0,2	0,1	0,1	0,4	0,1	0,1	0,1	0,5	0,6	0,1	1,2
2	Current expenditures	256,1	316,7	353,6	376,3	413,7	462,3	451,1	926,4	1252,2	451,1	2629,7
21	Consumption expenditures	34,5	50,2	54,7	54,5	55,6	87,1	42,5	139,4	197,2	42,5	379,2
211	Wages and compensations	30,4	45,1	46,0	44,4	45,6	75,0	32,5	121,5	165,0	32,5	319,0
212	Purchases of goods and services	4,1	5,1	8,8	10,1	10,0	12,1	10,1	17,9	32,2	10,1	60,1
22	Grants	14,3	46,3	51,9	53,6	87,5	89,7	83,9	112,4	230,8	83,9	427,2
	Transfers to households	10,7	38,0	40,2	40,1	74,6	67,8	66,2	88,9	182,5	66,2	337,6
	Transfers to institutions / organizations	0,9	1,8	1,1	4,7	4,1	11,0	8,3	3,8	19,9	8,3	32,0
	Subsidies	2,7	6,5	10,6	8,7	8,8	10,9	9,4	19,7	28,4	9,4	57,6
23	Interest payments	0,3	19,6	3,5	4,7	12,3	22,0	0,4	23,5	39,1	0,4	63,0
24	Other outlays	2,5	10,8	7,6	19,3	17,1	31,3	45,2	21,0	67,6	45,2	133,8
25	Transfers from Single Account	201,8	173,8	207,3	233,2	226,1	213,9	260,8	582,8	673,1	260,8	1516,8
	o/w : BiH Budget	46,2	44,0	46,2	67,6	54,1	51,6	54,1	136,5	173,3	54,1	364,0
	o/w: FBiH / Cantons, Municipalities, Road Fund	119,2	97,0	128,3	127,2	134,4	122,1	159,4	344,4	383,8	159,4	887,6
	o/w: RS / Municipalities, Road Fund	25,8	23,7	22,2	27,7	25,5	28,1	33,6	71,7	81,3	33,6	186,6
	o/w: Brcko	10,6	9,1	10,6	10,7	12,0	12,0	13,7	30,2	34,7	13,7	78,6
27	Transfers to lower levels of government	2,7	16,1	28,5	8,0	18,1	19,0	19,3	47,3	45,1	19,3	111,8
28	Net lending*			0,0	3,0	-3,0	-0,7	-1,1	0,0	-0,8	-1,1	-1,9
3	Net acquisition of nonfinancial assets	0,2	0,5	1,0	0,9	-7,9	29,0	19,7	1,8	22,0	19,7	43,5
4	Government surplus (+)/ deficit(-) (1-2-3)	92,2	20,3	48,7	16,3	38,4	-61,4	96,5	161,1	-6,7	96,5	250,9
5	Net financing**	24,80	-11,3	-10,3	-9,9	-12,6	-23,8	-8,3	-46,4	-46,4	-8,3	-101,0

Table 3. Monthly Consolidated Report

General government, Cantons, I - VI 2007

		I	II	III	IV	V	VI	Q1	Q2	Total
1	Current Revenues (11+12+13+14)	365.853.319	365.764.097	441.703.425	456.590.338	466.650.760	472.931.341	1.173.320.842	1.396.172.439	2.569.493.281
11	Taxes	331.283.490	323.182.088	384.673.392	381.698.247	419.852.717	412.528.346	1.039.138.969	1.214.079.311	2.253.218.280
	Income & profit tax	12.544.367	20.659.293	35.279.565	11.944.860	12.594.308	15.405.196	68.483.225	39.944.363	108.427.588
	Social security contributions (Brcko)	885.378	1.295.751	1.443.594	205.387	-3.458.698	-314.381	3.624.723	-3.567.692	57.031
	Taxes on personal income and self-employment	19.415.095	20.527.455	23.334.679	24.872.495	24.061.042	24.573.194	63.277.230	73.506.730	136.783.959
	Property tax	3.198.734	2.840.035	2.604.756	2.875.495	2.443.384	2.153.934	8.643.525	7.472.812	16.116.337
	Indirect tax revenues*	294.474.565	276.367.428	318.006.051	340.717.809	383.171.156	369.638.144	888.848.043	1.093.527.108	1.982.375.151
	Other taxes	765.350	1.492.127	4.004.746	1.082.202	1.041.526	1.072.260	6.262.224	3.195.989	9.458.213
12	Non-tax revenues	31.751.067	39.858.923	53.795.385	44.976.955	45.156.802	54.812.047	125.405.374	144.945.804	270.351.179
13	Grants	2.147.082	2.051.417	2.464.446	28.664.288	832.778	3.121.593	6.662.945	32.618.658	39.281.603
14	Other revenues	671.681	671.669	770.203	1.250.848	808.463	2.469.355	2.113.553	4.528.666	6.642.219
2	Total expenditures (21+22+23)	243.355.195	284.730.544	311.219.867	351.238.558	393.009.184	490.495.419	839.305.606	1.234.743.161	2.074.048.767
21	Current expenditures	236.837.941	279.042.396	306.246.395	342.949.267	392.009.132	465.451.674	822.126.732	1.200.410.073	2.022.536.805
	Wages and compensations	141.997.276	145.154.787	150.948.699	159.698.233	167.675.725	213.017.927	438.100.762	540.391.884	978.492.646
	of which: Gross wages	118.386.827	122.623.996	125.278.025	134.068.263	138.343.193	141.734.959	366.288.847	414.146.415	780.435.262
	of which: Compensations	23.610.449	22.530.791	25.670.674	25.629.969	29.332.532	71.282.968	71.811.915	126.245.469	198.057.384
	Other taxes and contributions	7.823.503	7.745.142	8.293.336	8.750.853	9.268.724	13.859.325	23.861.981	31.878.901	55.740.882
	Purchases of goods and services	22.174.691	29.517.224	31.927.012	36.388.806	34.776.455	36.490.712	83.618.926	107.655.973	191.274.900
	Grants	61.350.281	81.740.117	109.140.085	133.299.164	167.837.019	180.001.708	252.230.484	481.137.892	733.368.375
	Interest	3.492.189	14.885.126	5.937.263	4.812.212	12.451.209	22.082.003	24.314.579	39.345.424	63.660.002
22	Other expenditures	6.826.200	6.750.553	5.057.629	5.720.201	2.425.934	27.270.808	18.634.382	35.416.943	54.051.325
23	Net lending*	-308.946	-1.062.405	-84.157	2.569.090	-1.425.881	-2.227.064	-1.455.508	-1.083.855	-2.539.363
3	Net acquisition of nonfinancial assets	1.383.321	-168.908	2.256.112	3.254.240	-1.291.753	25.810.385	3.470.524	27.772.871	31.243.396
4	Government surplus/deficit (1-2-3)	121.114.804	81.202.460	128.227.447	102.097.540	74.933.329	-43.374.463	330.544.711	133.656.407	464.201.118
5	Net financing **	-30.358.447	-7.240.853	-8.949.968	-10.024.049	-12.707.760	-31.853.221	-46.549.268	-54.585.029	-101.134.297

* Includes indirect tax revenues according to Regulations by 31 Dec 2005

Table 4. Monthly Consolidated Report

FBIH, I - V 2007

		I	II	III	IV	V	Q1	Q2	Total
1	Current Revenues	253.197.036	248.388.584	286.970.356	286.592.640	326.072.400	788.555.976	612.665.040	1.401.221.016
11	Taxes	222.208.531	215.441.653	240.861.777	242.447.560	284.055.158	678.511.960	526.502.717	1.205.014.678
	Income & profit tax	12.676.813	16.341.272	12.477.500	8.202.579	8.226.566	41.495.585	16.429.146	57.924.730
	Taxes on personal income and self-employment	13.728.813	16.052.663	18.300.341	20.214.030	19.231.507	48.081.817	39.445.537	87.527.354
	Property tax	6.517.035	8.451.382	5.394.664	6.224.773	7.326.373	20.363.080	13.551.146	33.914.226
	Indirect tax revenues *	188.078.731	172.860.463	200.343.296	206.333.874	247.794.546	561.282.490	454.128.420	1.015.410.910
	Other taxes	1.207.139	1.735.873	4.345.977	1.472.304	1.476.166	7.288.989	2.948.470	10.237.458
12	Non-tax revenues	30.058.559	31.821.886	44.594.740	42.852.957	39.458.539	106.475.184	82.311.496	188.786.680
13	Grants	835.175	751.997	1.240.085	1.020.512	2.189.124	2.827.258	3.209.635	6.036.893
14	Other revenues	94.772	373.048	273.753	271.612	369.580	741.573	641.192	1.382.765
2	Total expenditures	158.420.314	176.637.079	201.692.998	257.095.278	285.559.492	536.750.391	542.654.771	1.079.405.161
21	Current expenditures	157.109.397	175.155.648	199.043.098	255.635.842	281.674.860	531.308.143	537.310.702	1.068.618.845
	Wages and compensations	79.530.118	83.720.290	90.433.173	96.351.377	102.116.482	253.683.581	198.467.859	452.151.440
	of which: Gross wages	63.611.587	67.971.141	71.358.086	77.233.900	80.198.923	202.940.813	157.432.823	360.373.636
	of which: Compensations	15.918.532	15.749.149	19.075.087	19.117.476	21.917.559	50.742.768	41.035.036	91.777.804
	Other taxes and contributions	7.549.527	7.972.489	8.488.081	9.108.276	9.495.089	24.010.098	18.603.364	42.613.462
	Purchases of goods and services	17.290.076	20.922.130	27.590.732	25.754.852	26.676.426	65.802.939	52.431.278	118.234.217
	Grants	49.493.540	59.127.770	68.834.899	120.366.954	139.684.678	177.456.208	260.051.632	437.507.840
	Interest	3.246.136	3.412.969	3.696.213	4.054.383	3.702.185	10.355.318	7.756.568	18.111.886
22	Other expenditures	1.567.112	2.535.726	2.692.597	1.807.632	2.256.535	6.795.435	4.064.167	10.859.602
23	Net lending**	-256.196	-1.054.295	-42.697	-348.195	1.628.097	-1.353.188	1.279.902	-73.286
3	Net acquisition of nonfinancial assets	2.870.593	685.514	6.009.922	-472.012	-1.497.432	9.566.029	-1.969.444	7.596.586
4	Government surplus(+)/deficit(-)	91.906.129	71.065.991	79.267.436	29.969.373	42.010.340	242.239.556	71.979.713	314.219.269
5	Net financing***	-5.642.893	-5.869.000	-5.459.341	-6.859.476	-8.466.157	-16.971.233	-15.325.633	-32.296.866

* Includes indirect tax revenues according to Regulations by 31 Dec 2005

Table 5. Monthly Consolidated Report

Bosnian – Podrinje Canton, I – VI 2007. godine

	I	II	III	IV	V	VI	Q1	Q2	I-VI 2007	I-VI 2006
1 Total revenues (11+12+13+14)	2.770.245	2.220.982	2.664.828	4.858.767	3.132.567	4.122.478	7.656.055	12.113.812	19.769.867	13.427.729
11 Tax revenues	2.211.541	1.929.457	2.302.558	2.229.278	2.769.311	2.539.044	6.443.557	7.537.633	13.981.190	7.604.629
Income & profit tax	36.511	32.666	44.719	63.650	28.719	17.950	113.896	110.319	224.215	135.106
Taxes on personal income and self-employment	193.984	192.594	200.581	200.592	230.627	229.594	587.159	660.813	1.247.972	1.017.425
Property tax	18.376	23.296	27.118	25.850	25.437	29.714	68.790	81.001	149.791	94.897
Sales tax (incl.excises)(according to Regulations until 31,12,2005)	31.091	9.444	17.688	22.396	102.239	24.301	58.222	148.935	207.157	960.401
Transfers from Single Account	1.925.114	1.663.807	2.004.593	1.908.507	2.373.650	2.228.963	5.593.514	6.511.121	12.104.634	5.352.196
Other taxes	6.465	7.650	7.860	8.284	8.640	8.521	21.975	25.445	47.420	44.604
12 Non-tax revenues	373.445	199.404	259.332	124.231	213.079	185.592	832.181	522.902	1.355.084	2.016.275
13 Grants	179.861	88.513	100.670	2.500.383	144.692	1.378.840	369.044	4.023.915	4.392.959	3.786.741
14 Other revenues	5.397	3.607	2.269	4.875	5.485	19.002	11.273	29.362	40.635	20.084
2 Total expenditures (21+22)	2.384.176	2.396.102	2.583.778	2.681.382	2.508.043	2.885.131	7.364.056	8.074.557	15.438.612	11.014.905
21 Current expenditures	2.384.841	2.389.583	2.583.778	2.679.758	2.491.127	2.885.423	7.358.202	8.056.308	15.414.510	11.015.928
Wages and compensations	1.015.559	1.068.873	1.156.775	1.236.538	1.236.597	1.302.807	3.241.206	3.775.942	7.017.148	5.715.816
of which: Gross wages	817.323	832.593	933.316	984.739	990.776	952.831	2.583.233	2.928.346	5.511.579	4.373.384
of which: Compensations	198.236	236.279	223.458	251.800	245.821	349.976	657.974	847.596	1.505.570	1.342.431
Other taxes and contributions	100.615	100.528	113.255	117.954	117.816	116.031	314.397	351.802	666.199	564.062
Purchases of goods and services	499.269	561.206	433.439	494.637	422.436	263.849	1.493.914	1.180.922	2.674.836	2.241.632
Grants	766.975	656.896	878.042	828.441	712.343	1.200.602	2.301.912	2.741.385	5.043.298	2.477.853
Interest	2.424	2.080	2.268	2.188	1.934	2.134	6.772	6.257	13.029	16.565
Transfers to lower spending units	0	0	0	0	0	0	0	0	0	
22 Net lending*	-665	6.519	0	1.624	16.917	-292	5.854	18.249	24.102	-1.023
3 Net acquisition of nonfinancial assets	11.699	33.370	8.092	138.215	130.516	18.255	53.161	286.985	340.146	321.561
4 Government surplus/deficit (1-2-3)	374.370	-208.490	72.959	2.039.170	494.008	1.219.092	238.839	3.752.270	3.991.108	2.091.263
5 Net financing **	-14.702	-13.598	-14.356	-14.096	-13.398	-833	-42.657	-28.328	-70.984	-87.592

Table 6. Monthly Consolidated Report

Tuzla Canton, I – VI 2007

		I	II	III	IV	V	VI	Q1	Q2	I-VI 2007	I-VI 2006
1	Total revenues (11+12+13+14)	28.688.805	27.419.076	34.492.165	36.998.540	38.439.899	39.949.199	90.600.047	115.387.638	205.987.684	172.797.459
11	Tax revenues	25.183.617	23.023.769	28.074.059	29.307.277	31.689.397	31.714.437	76.281.445	92.711.111	168.992.556	142.563.487
	Income & profit tax	714.064	897.192	1.065.960	893.793	764.080	920.674	2.677.216	2.578.547	5.255.763	4.043.051
	Taxes on personal income and self-employment	2.431.098	2.743.196	2.834.868	3.382.583	3.324.082	3.535.128	8.009.162	10.241.794	18.250.956	14.754.053
	Property tax	725.732	913.553	997.191	1.460.401	1.587.067	1.334.229	2.636.476	4.381.697	7.018.173	4.570.231
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	1.223.223	857.388	1.685.323	1.169.028	942.308	886.861	3.765.934	2.998.198	6.764.132	24.147.244
	Transfers from Single Account	20.051.367	17.565.820	21.435.023	22.327.626	24.991.802	24.960.958	59.052.210	72.280.386	131.332.596	94.406.413
	Other taxes	38.133	46.620	55.693	73.845	80.057	76.587	140.446	230.490	370.936	642.495
12	Non-tax revenues	3.368.083	3.981.559	5.855.026	7.001.463	6.269.574	6.910.553	13.204.669	20.181.590	33.386.259	30.200.377
13	Grants	132.070	400.548	559.306	657.515	459.121	1.313.977	1.091.923	2.430.613	3.522.537	15.269
14	Other revenues	5.035	13.200	3.775	32.285	21.806	10.232	22.010	64.322	86.332	18.326
2	Total expenditures (21+22)	20.857.277	23.021.807	27.470.006	32.405.453	32.661.229	36.197.905	71.349.090	101.264.587	172.613.677	142.402.368
21	Current expenditures	20.921.272	23.048.656	27.510.679	32.442.081	32.698.820	36.239.829	71.480.606	101.380.729	172.861.335	142.341.608
	Wages and compensations	13.762.354	14.551.192	14.943.875	17.204.373	17.121.451	21.690.126	43.257.421	56.015.950	99.273.371	83.444.470
	of which: Gross wages	11.633.258	12.155.109	12.456.347	13.991.939	13.932.387	13.923.141	36.244.713	41.847.467	78.092.180	66.544.773
	of which: Compensations	2.129.096	2.396.083	2.487.528	3.212.434	3.189.064	7.766.985	7.012.707	14.168.483	21.181.190	16.899.697
	Other taxes and contributions	1.385.163	1.445.340	1.469.086	1.666.801	1.654.167	1.656.674	4.299.590	4.977.642	9.277.232	7.940.357
	Purchases of goods and services	3.379.465	3.440.594	5.578.543	5.270.733	5.091.004	5.331.926	12.398.602	15.693.662	28.092.265	23.542.131
	Grants	2.045.378	2.937.767	4.903.431	7.767.252	8.345.442	7.081.090	9.886.576	23.193.784	33.080.361	25.556.697
	Interest	7.472	29.296	18.804	32.754	90.922	51.568	55.572	175.244	230.816	243.106
	Transfers to lower spending units	341.439	644.466	596.940	500.167	395.835	428.444	1.582.845	1.324.446	2.907.291	1.614.847
22	Net lending*	-63.995	-26.849	-40.673	-36.628	-37.591	-41.923	-131.517	-116.142	-247.658	60.760
3	Net acquisition of nonfinancial assets	1.199.394	711.171	1.749.490	1.845.684	2.403.590	3.290.532	3.660.055	7.539.806	11.199.862	5.203.314
4	Government surplus/deficit (1-2-3)	6.632.134	3.686.098	5.272.670	2.747.402	3.375.080	460.762	15.590.902	6.583.244	22.174.146	25.191.777
5	Net financing **	-17.441	-157.857	343.355	251.612	329.194	490.835	168.057	1.071.641	1.239.699	-558.497

Table 7. Monthly Consolidated Report

From work of the ITA Governing Board

(Prepared by: Šerifa Mujčić, Milan Kuridža)

After the summer break, Governing Board has its 81st session in Sarajevo on September 4th, 2007. Governing Board learned about initiative of the Federation Ministry of Finance that suggests VAT exemption for medical products purchased for public health sector through donations and favorable loans from entity budgets. This initiative will be considered as part of comprehensive analysis of the Law on Value Added Tax and compliance of this initiative with adequate directive of European Union will also be checked.

Governing Board agreed with initiative from the Council of Ministers to make changes and amendments to the Law on Customs Tariff, in the part that refers customs free import of wheat in the quantity of 100.000 tones for needs of entity reserves. At the same time, the Governing Board did not support of the Council of Ministers to initiate procedure for changes of the Law on Added Tax. Council of Ministers suggested changes of aforementioned Law in the way to prescribe tax rate on added value of 5% on wheat in the quantity of 100.000 tones for needs of entity reserves.

It was also concluded that the initiative of Committee for finance and budget of House of Representatives of BiH for amending the Law on excises (initiative was processed by the Committee for foreign trade and customs of the same house) should be forwarded to working group of ITA Governing Board that is in charge to prepare comprehensive proposal of this law. Governing Board members who are ministers will have a separate meeting and forward their opinion to the working group of ITA Governing Board. As part of this issue, it was also discussed about control of free zones. It was concluded that there will be special meeting between Governing Board chairman, director of ITA, EU CAFAO and Governing Board members/experts in order to clarify doubts related to this issue.

Two sessions of the Governing Board are planned for October 2007. We can expect discussions about significant issues such as:

- Discussion on laws that regulate way for allocation of revenues from indirect taxes (regulating internal debt issues),
- Discussion on amendments to Rulebook on application of the Law on Value Added Tax,
- Discussion on Rulebook on allocation of revenues from indirect taxes (prepared draft that ensures regulation of allocation of revenues from indirect taxes),
- Discussion on method for resolving issues on liabilities of former customs administrations.

Governing Board will decide if all or only some of these issues are going to be included in the agenda. If bylaw is passed that will in long term regulate issue of allocation of revenues from indirect taxes, Governing Board would leave have time for making decisions on other issues as issue of revenue allocation is dominant topic at sessions of the Governing Board.