With this issue

In accordance with common guidelines for preparation of budgets of BiH institutions, entities and Brcko District, ITA Macroeconomic Analysis Unit prepares three year projections for collection of indirect taxes. The Unit prepares this two times a year in April and September. Projections presented by the Unit in April 2008 represented program scenario, which included certain changes in the policy of indirect taxes. As we reported in the bulletins of the Unit this year, although there was strong growth of prices in the world market and imports, growth of revenues from indirect taxes started slowing down in second quarter of 2008 and this slowdown was even more present after the application of SAA started. Slowdown in consumption (for example in energy), changes in consumption structure (for example cigarettes) or faster payment of VAT refunds above expectations are indicators of weakening of liquidity of real sector and households, caused by global financial crisis and expensive money borrowing. First few months of SAA implementation have shown all complexity of precise estimates, since the revenues largely depend not only on dynamics of implementing customs free base according to SAA Annexes, but also on business decisions of companies on dynamics of imports, level of import substitution from third countries with imports from EU, share of preferential imports from EU in imports from EU (which includes not only a transposition of EUR-1 form, but also submitting evidence on origin, which was only statistical data so far and it is irrelevant for revenue projections etc.). All presented arguments, trend in collection of indirect taxes after preparation of projections, and global recession do not give to much basis for optimistic forecasts for collection of revenues from indirect taxes in next year. This increases responsibility of BiH fiscal authorities to constrain or reduce expenditures in order to create a room for interventions in the economy.

In the last issue, we already announced intensive activities on changes of the Law on Excise in BiH. In this issue, we present you with basic features of EU legal framework that relates to taxation of tobacco products. Since there are ongoing activities of the Working group for change of the Law on excise, which was appointed by ITA Governing Board, this article is very interesting.

Dinka Antić, Ph.D.
Head of Unit

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Collection of indirect taxes: January – October 2008

(Author:Dinka Antić, Ph.D.)

For the period of ten months of 2008, Indirect Taxation Authority collected total of 4,147 billion KM of indirect taxes in net amount after the deduction of VAT refunds and other indirect taxes. This represents an increase of 8,48% compared to the same period last year and 6% compared to planned revenues. In the same period, ITA collected additional 20,5 million KM that remained unadjusted on October 31st, 2008[1]. The plan for collection of indirect taxes for ten months is 8&% complete (Chart 1).

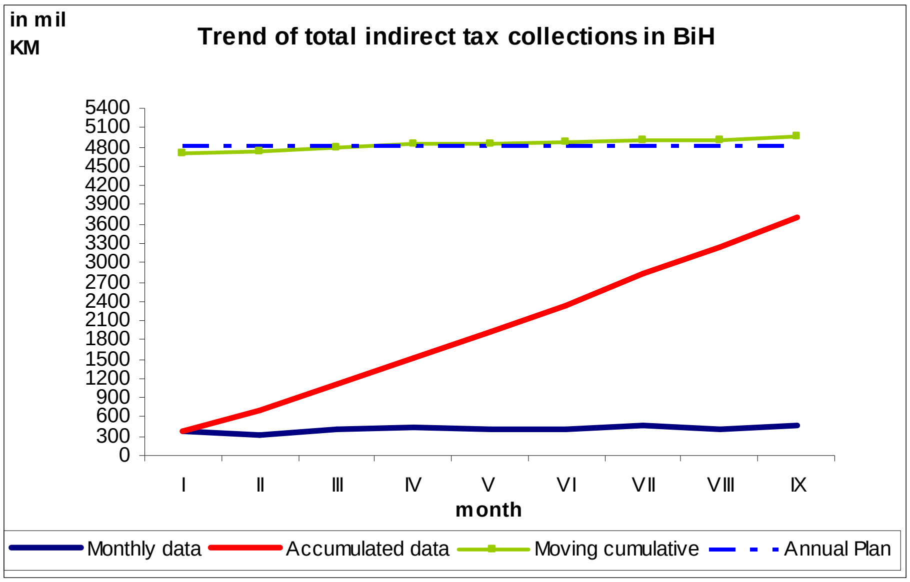

Chart 1

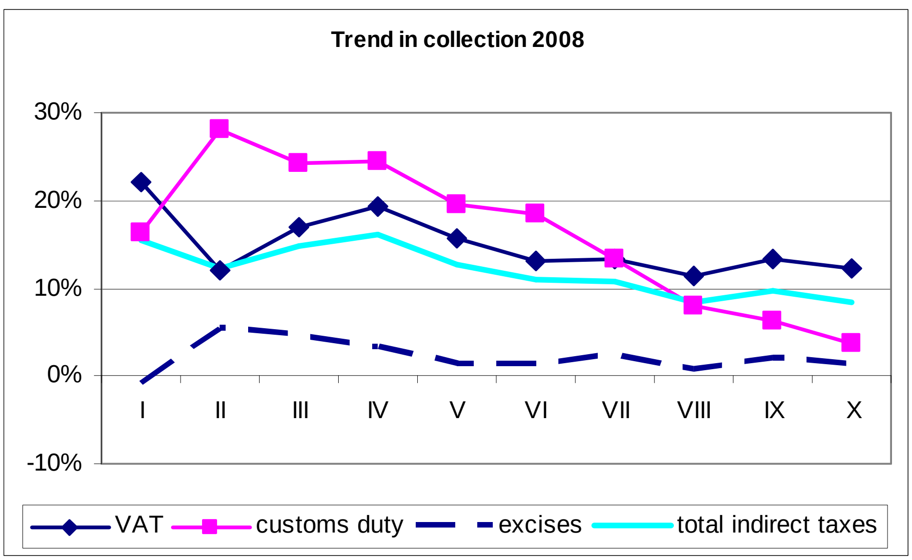

Chart 2

In the period of ten months of 2008, there was growth of all types of indirect taxes in the comparison with the same period 2007. However, observation of monthly changes show

[1] Unadjusted revenues include revenues for which breakdown of payments (single account) and analytical records of taxpayers in IT modules of ITA can not be matched (VAT, customs, excise)

decreasing trend in collection of all types of indirect taxes (Chart 2). In comparison with the October 2007, collection of customs revenues decreased by 13,65% and excise by 3,37%.

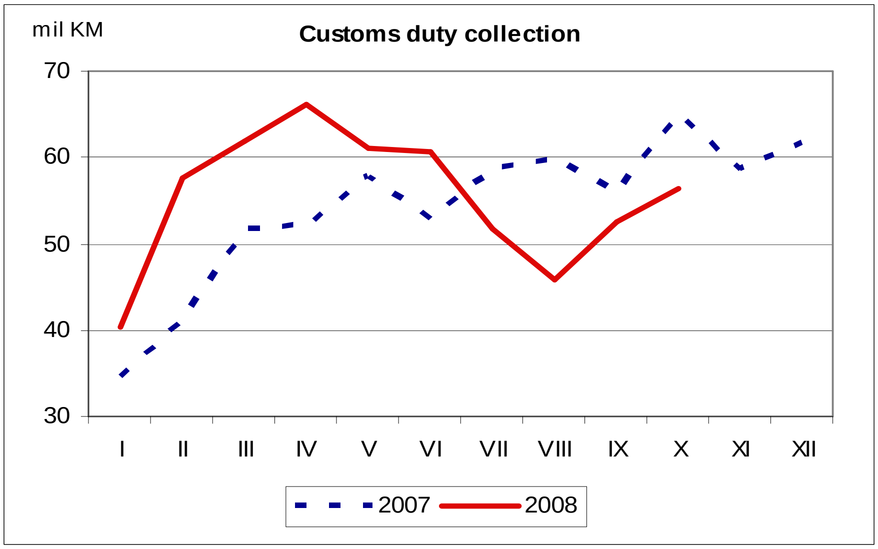

Chart 3

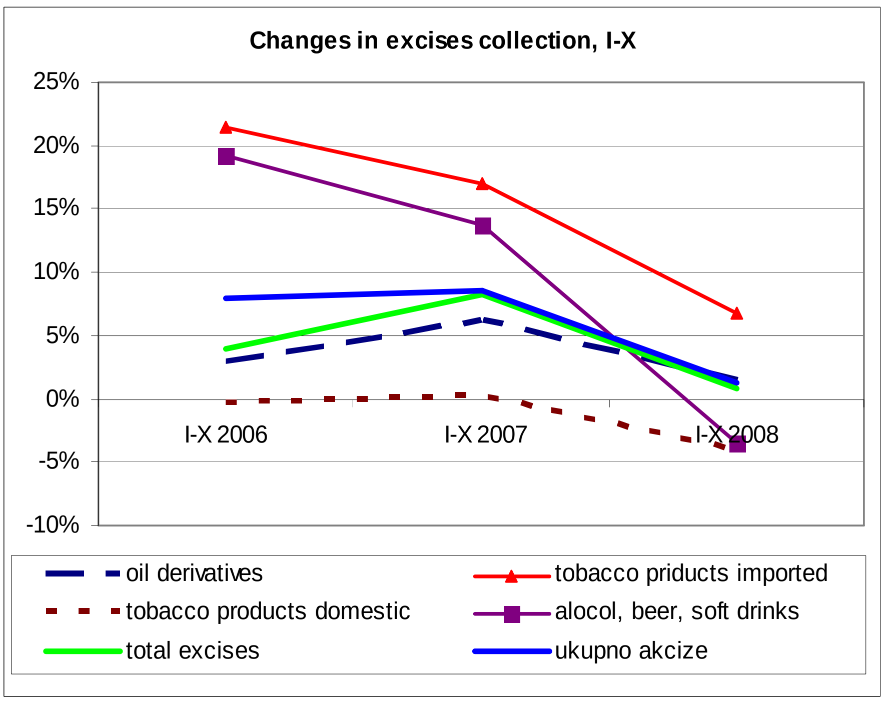

Chart 4

Period I-X	**I-IX 2008**	**I-X 2008**
Oil derivatives	2.32%	1.49%
Tobacco products - total	3.26%	2.93%
Imported tobacco products	7.67%	6.76%
Domestic tobacco products	-4.66%	-4.09%
Coffee	-3.43%	-4.50%
Alcohol, beer, soft drinks	-3.11%	-3.45%
Total excise	**1.88%**	**1.30%**
Road fees	1.43%	0.90%

From the table above, we can conclude that there was worsening in collection of excise on almost all excise products, except for excise on domestic tobacco products. Such trend resulted with decrease of total excise revenues.

Collection of VAT increased by 12,33% in comparison with the period of ten months in 2007, which is above projected growth. However, due to high VAT refunds, collection of VAT in October was 9,17% less than in September.

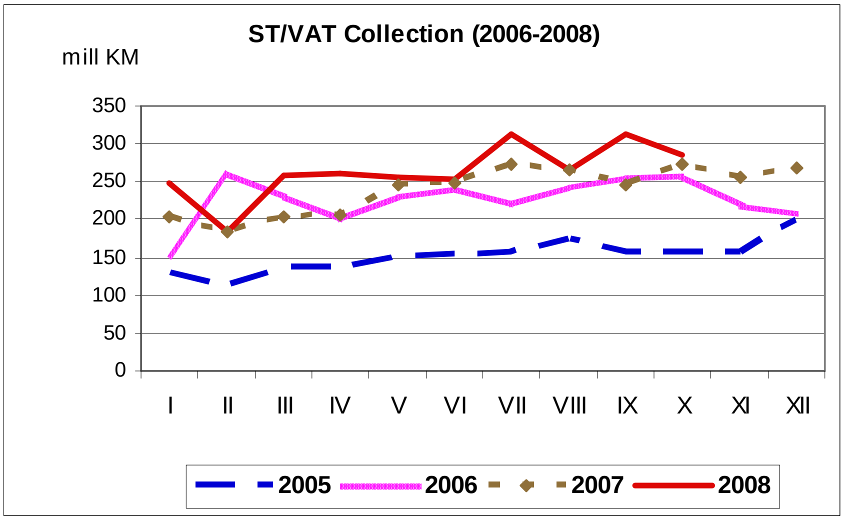

Chart 5

There is evident trend in slowdown in total collection although the collection is above projected one. However, in comparison with the same month of last year, collection of indirect taxes in October 2008 was the same as in October last year. Fourth quarter is traditionally a period with highest collection of revenue from indirect taxes. Although evidential losses from customs revenues are evident, they should not jeopardize growth of seasonal revenues. By observing other indicators such as refunds, tax credits, and VAT debts, we can now say that decreasing trend in collection represents the first signal in decrease of consumption and economic activities in the country. In addition, increase of VAT refunds, decrease in requests for tax credits and their faster use signalize problems in keeping the liquidity in economy. At the time of global financial crisis, more efficient financial VAT management and possible frauds are becoming sources for financing current activities.

Revenue projections of indirect taxes, 2008-2011

(Author: Aleksandra Regoje, macroeconomist)

Developing countries usually generate highest share of its revenues from indirect taxes and significant share comes from customs revenues. Revenue shocks caused by losses in customs revenues are usually considered as basic obstacle for market liberalization. On December 19th, 2006 in Bucharest, representatives of Bosnia and Herzegovina signed a Central European Free Trade Agreement (CEFTA). This signed multilateral agreement, which went into force in November 2007, replaces a range of bilateral agreements on free trade in the region. BiH foreign trade was further liberalized on July 1st, 2008, when provisions of Stabilization and Accession Agreement (SAA) went into force, which foresees establishment of free trade with European Union over the period of six years. SAA brings numerous benefits, but also some losses in the collection of revenues from indirect taxes. With the beginning of its implementation or gradually over this period, customs will be abolished on most of the goods imported from EU.

At the time April revenue projections from indirect taxes[2] were made, contents and date of application of SAA were not known as well as the date of abolishment of customs recording on goods imported from EU. In the Bulletin no. 34, program scenario of April projections was published and it based on the following assumptions:

- Implementation of Stabilization and Accession Agreement starts from June 1st, 2008,
- Abolishment of customs recording and introduction of fee on basis of customs clearance as of January 1st, 2009
- Changes of the Law on Excise as of January 1st, 2009

The Agreement went into force one month after it was originally planned in preliminary projections. Customs recording on import of goods from EU was abolished on the day when SAA went into force, and measures have not been introduced to partially compensate the loss of this revenue.

Basic scenario of projections: without changes of policies in the field of indirect taxation

The table 1 represents basic scenario of September revenue projections from indirect taxes, which were prepared on basis of dynamics in collection of revenues[3] and revise macroeconomic projections prepared by Directorate for Economic Planning. It was estimated that total revenues from indirect taxes collected to the ITA Single Account in 2008 will amount to 4.989 billion KM. **projected revenue growth in the next year amounts to 3,59% if policies in the field of indirect taxation do not change.**

VAT

It is planned to collect 3.177 billion KM of net revenues from VAT until the end of 2008, which is 10,76% higher than in previous year. Regardless strong growth of refunds in second quarter of 2008, the projection for current year has not significantly changed compared to April one, primarily due to strong growth of imports and normal consumption. Projections on growth of imports and consumption provided by Directorate for Economic Planning (DEP) in September were revised by 4,4% and 3% respectively.
VAT revenue projections for next period (growth of 9,88% in 2009) is based on indicators of current collection of certain revenue categories from VAT and refunds, requests for refunds and tax credits that represent liabilities in next period, as well as on DEP projections of relevant macroeconomic indicators.

Excise

Projection in excise growth in 2008 amounts to 2,12%, which is significantly lower in comparison with the collection in previous years. Chart no. 1 shows monthly growth rates from excise (month in the year in comparison with the same month previous year). It is obvious that monthly growth rates are significantly lower than last year except for February. Until August 2008 (data available at the time projections were prepared) increase in collection of revenues compared to the same period last year was only 0,74%. In this period, excise on alcohol and coffee had a decrease by 10,06% and 5,82% respectively, which can be explained by inflatory pressures on budgets of consumers[4]. In next years, stronger growth rates are planned in accordance with estimates of relevant macroeconomic indicators provided by DEP.

[2] Revenue projections for indirect taxes are prepared two times a year in April and September. April projections are preliminary, while September projections represent basis for planning the budget for next year.
[3] At the time projections were prepared, data were available until August 2008.
[4] More information on revenue analysis in the Bulletin no. 38

Table 1. Revenue projections of indirect taxes 2008-2001, basic scenario

	In million KM					Year / previous (u %)			
	2007	**2008**	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**
VAT (net)	2,868.46	3,177.02	3,490.85	3,777.88	4,057.35	10.76%	9.88%	8.22%	7.40%
Sales tax to Single Account	0.52	0.00	0.00	0.00	0.00				
Excise	917.55	937.00	989.86	1,040.03	1,095.01	2.12%	5.64%	5.07%	5.29%
Customs	655.17	657.37	457.53	433.67	375.08	0.34%	-30.40%	-5.21%	-13.51%
Road toll	186.74	189.18	201.09	212.56	224.67	1.30%	6.30%	5.70%	5.70%
Other	28.13	28.41	28.70	28.99	29.28	0.98%	1.02%	1.01%	1.00%
Total	4,656.58	4,988.98	5,168.03	5,493.13	5,781.39	7.14%	3.59%	6.29%	5.25%
Transfer of funds	110.9								
Funds for allocation	4,767.48	4,988.98	5,168.03	5,493.13	5,781.39	4.65%	3.59%	6.29%	5.25%

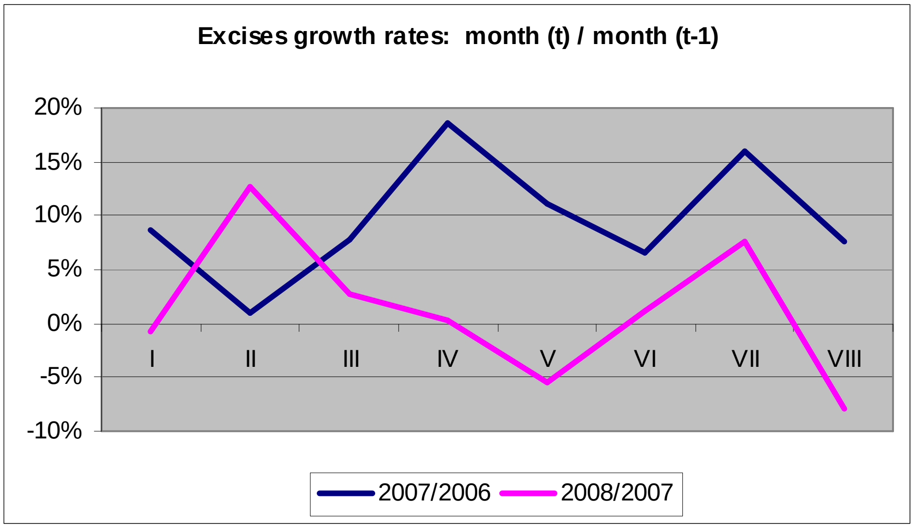

Chart 1

Customs

As it was already mentioned, trade liberalization with EU contributed to decrease of customs revenues. After strong growth of customs revenues in the first six months of 2008 (19,33%) in comparison with the same period previous year, beginning of the implementation of Stabilization and Accession Agreement caused decrease of these revenues. In July and August this year, customs revenues (including customs recording) were collected in the amount that is 17,52% less than the amount collected in the same period last year. Basics of customs projections are current trends of collection, previsions of SAA that regulate their reduction in next period and projections of imports provided by DEP. We should bear in mind share of preferential imports from EU in total imports, structure of imports by certain protocols/annexes of the Agreement and a possibility to substitute imports from third countries with imports from EU. Projected amount in collection of customs in 2008 is close to the collection from previous year (growth of 0,34%), while we expect strong decrease of 30,4% next year.

Program scenario of projections: changes of policies in the field of indirect taxation

Program scenario starts from the assumption that changes of excise rates will go into force on January 1st, 2009, in accordance with the proposal of the Working group for change of the Law on Excise. Proposal of the Working group means a change of rates of certain excise categories due to partial compensation of decrease in customs revenues after the provisions of EU Stabilization and Accession Agreement go into force.

The Unit prepared one "optimistic" and other "less optimistic" program scenario, which differ in starting assumptions related to effects of increase of excise on tobacco on retail prices of cigarettes. Calculation of effects of the change of laws in the field of other excise products, which was prepared by the Working group are fully incorporated in both versions of the program scenario.
Optimistic program scenario starts from the assumption that producers will fully "transfer" costs caused by increase of excise on tobacco to buyer with keeping the same quantity and structure of consumption. According to this scenario, expected growth of total revenues from indirect taxation will amount to 8,16% in 2009.

Less optimistic program scenario starts from the assumption that there will be partial transfer of costs due to increase of excise on tobacco (price) i.e. producers will still cover increase of excise in order to retain customers. According to this scenario, expected growth of revenues from indirect taxes will amount to 6,26% in 2009.

Tobacco taxation policy in the European Union

(Author: Aleksandar Eskic, Macroeconomist in the Unit)

INTRODUCTION

In this edition we introduce basic characteristics of the tax-related legislation in the EU which prescribe the taxation cigarettes area. It is more about the evolution of european thought on taxation cigarettes in light of establishing the single market of the EU. In next editions we will present contemporary viewpoints and attitudes of other stakeholders in the EU, that take into account fulfilling the wider objectives from the Treaty. Furthermore, we will talk some fundemental elements of tax systems in some european countries, first and foremost about taxation policy and approximation of rates and structures of excise duties on cigarettes.

EVOLUTION OF THE EUROPEAN LEGISLATION

Under Article 93 (99) EC, the Council is required to adopt measures for the harmonization of "turnover taxes, excise duties and other indirect taxes" where this is "necessary to ensure the establishment and functioning of the Internal Market."

The rates and structures of excise duties vary between Member States, affecting competition. Levying duties on products from other Member States at higher rates than on those domestically produced is discriminatory, and forbidden by EC Treaty Article 90 (95); Very large discrepancies in the duty on a particular product can result in tax-induced movements of goods, in loss of revenue and in fraud.

Attempts have therefore been made since the early 1970s to harmonize both structures and rates; but progress has been slight, in part because of considerations other than the purely fiscal. For example, high levels of duty have been imposed in some Member States as part of general policies to discourage smoking. On the other hand, tobacco is an important agricultural product in some Member States.

The basic structure of tobacco excises within the Community was established in 1972 by Directive 72/464/EEC. Between then and 1978 the Directive was modified 13 times. A Second Directive, 79/32/EEC was adopted at the end of 1978. Finally, both Directives were modified in the light of the Single Market programme by Directive 92/78/EEC. All these Directives are now covered by a single consolidated text (COM(94)355 of 3 October 1994). The categories of manufactured tobacco subject to taxation are defined as cigarettes; cigars and cigarillos; smoking tobacco (fine-cut for the rolling of cigarettes); and smoking tobacco (other).

In the case of cigarettes, the tax must consist of a ***proportional*** **("ad valorem") excise duty**, calculated as a percentage of the maximum retail selling price, combined with a ***specific*** **excise duty**, calculated per unit of the product. Proportional and specific rates must be the same for all cigarettes; and the specific rate must be set "by reference to cigarettes in the most popular price category".

Establishing clear criteria has nevertheless proved an intractable problem. The Directive states that "at the final stage of harmonisation of structures" the balance between the specific element and the proportional element (including the VAT charged on top of the excise) should be the same in every Member State. The ratio should also "reflect fairly the differences in the manufacturers' delivery prices". The most that has so far been achieved, however, is that the specific element "may not be lower than 5% nor higher than 75% of the aggregate amount of the proportional excise duty and the specific excise duty..", nor more than 55% of the total tax burden (i.e. after VAT is added).

The difficulty of reaching a fixed ratio reflects the structure of the Community tobacco industry. A **specific tax** - so many ECU per thousand cigarettes - benefits the more expensive products of the private companies by narrowing price differences. A **proportional tax**, particularly when combined with VAT, has the opposite effect, multiplying up price differences. Within the broad ratio so far laid down, some Member States have chosen a minimum specific element; others have chosen a maximum, so contributing to variations in retail prices.

The Commission's original proposals on excise duties within the context of the Single Market programme (COM(87)0325 and COM(87)0326) were for the absolute harmonization of rates. For tobacco products, the proposed rate was the arithmetic average - in the case of cigarettes the average specific rate (ECU 19.5 per thousand) plus the average proportional rate (53% including VAT). In the end, the Directives on cigarettes, 92/79/EEC, and other tobacco products, 92/80/EEC, set only minimum rates:

- Cigarettes: 57% of the tax-included retail price;
- Hand-rolled tobacco: 30% of t-i. retail price, or ECU 20 per kilo;
- Cigars & cigarillos: 5% of t-i. retail price, or ECU 7 per 1000 or per kilo;
- Pipe tobacco: 20% of t-i. retail price, or ECU 15 per kilo.

Both the Directives required the Council, on the basis of a report from the Commission, to examine these rates - and adjust them if necessary - before the end of 1994. The Commission report, eventually published in September 1995 (COM(95)285), noted that, in the case of cigarettes, a strict application of the 57% threshold risked *widening* rather than narrowing the divergences between national excise rates.

A further report published in May 1998 advocated a solution to the "57% problem" through a technical adjustment giving Member States more flexibility in applying minimum rates. It also proposed increases in the *specific* minimum amounts to take account of inflation: + 18.5% for the period 1992-98 and +4.5% for 1999 and 2000 inclusive (though no Member State actually charges below the resulting rates). Finally, it proposed that reviews of the system should in future take place every five rather than every two years. These proposals were not adopted.

A new Report and draft Directive (COM (2001)133) was published in **2001**. This proposed:

- As regards cigarettes, most Member States would have to apply a minimum excise incidence (specific and *ad valorem* together) of 57% of the tax-inclusive retail-selling price of the most popular price category; *and* a minimum excise (specific and *ad valorem* together) of €70 per 1000 cigarettes.
- A €100 minimum specific excise **as an alternative** *to* the 57% rule. Higher-taxing countries like Sweden, which have difficulties in complying with the 57% rule, would have to apply: **either** the minimum excise incidence (specific and *ad valorem* together) of 57% of the tax-inclusive retail-selling price of the most popular price category, **or** a minimum excise (specific and *ad valorem* together) of €100 per 1000 cigarettes for the category most in demand.
- A higher minimum excise duty on very cheap (imported) cigarettes.

These proposals were rejected by the European Parliament (see below); but in February 2002 were adopted in a modified form by Council (Directive 2002/10/EC). The €100 per 1000 alternative threshold was reduced to €95 and the €70 additional threshold to €60 per 1000 from July 2002, rising to €64 from July 2006. Spain and Greece were given later deadlines.

EUROPEAN COMMISSION PROPOSES INCREASING EXCISE DUTIES

The European Commission presented a Report and a proposal for a Directive to amend the current EU excise duty legislation on tobacco. The draft Directive foresees a gradual increase in the EU minimum taxation levels on cigarettes and fine cut tobacco up to 2014. It also updates the definitions of different types of tobacco products so as to remove loopholes which allow certain cigarettes or fine cut tobacco to be presented as cigars, cigarillos or pipe tobacco and therefore benefiting from a lower tax rate. This proposal will narrow differences between Member States' tobacco taxation levels and so help tackle intra-EU tobacco smuggling. It would also make the taxation rules more transparent, thereby creating a level playing field for manufacturers and giving flexibility to Member States to set minimum taxes. It also aims to contribute to reducing tobacco consumption by 10% within the next 5 years.

Taxation forms part of an overall strategy towards the prevention and dissuasion of tobacco consumption. This strategy also includes other important measures such as non-price measures, protection from exposure to tobacco smoke, regulation of the contents, advertising restrictions etc. However, according to the World Bank, price increases in tobacco products are the most effective single intervention in preventing smoking.

At present, there are considerable differences in taxation levels between the lowest and the highest taxing Member States. For cigarettes, the difference can be up to almost 600% of the excise burden expressed in Euros. As a result of this great divergence in taxation levels within the Union it is estimated that the total market penetration of the non-domestically taxed consumption represented in 2004 approximately 13% of the tobacco market in the EU-25. In a number of main markets, this figure even rises to more than 20%.

ACTUAL TAX DUTY OF CIGARETTES IN THE EU

Currently, excise duties levied on cigarettes must account for at least 57% of price, and must be at least €64 per 1000 cigarettes, for products falling under the "most popular price category" in that country.

The concept of the "**most popular price category**" was designed more than thirty years ago, when national markets were dominated by one brand that was clearly 'most popular'. Nowadays, markets are more dynamic with several popular brands and regular price changes. In order to create more transparency and to ensure a level playing field for manufacturers, the Commission proposes replacing the most popular price category with a *weighted average price* of all cigarettes for determining the tax base. In order to underscore health objectives it will be combined with a monetary minimum tax applicable to all cigarettes.

The current percentage of 57% will be increased to 63% of the weighted average price and the rate of €64 will rise to €90 for all cigarettes by 2014, under the new proposal. It is estimated that this will contribute to a 10% decrease in tobacco consumption in most Member States within the next 5 years.

The Commission also proposes giving Member States more flexibility in tobacco taxation. This will be ensured by abolishing the existing rule which forbid Member States to levy a minimum excise tax higher than 100% of the total excise on the most popular price category. Furthermore, the Commission proposes to widen the band of the specific component of the excise duty from 5% - 55% to 10% - 75%.

EXTRACTS OF THE EUROPEAN TAXING TOBACCO-RELATED DIRECTIVES

COUNCIL DIRECTIVE 92/79/EEC of 19 October 1992 on the approximation of taxes on cigarettes

In order to create an internal market without frontiers it is necessary to establish an overall minimum excise duty for cigarettes up until 1 January 1993. Kingdom of Spain will be given a transitional period of two years in order to attain that overall minimum excise duty. Whatsoever, the Portuguese Republic should be granted the possibility of a reduced rate for cigarettes made by small-scale producers and consumed in the most remote regions of the Azores and Madeira.

Not later than 1 January 1993, Member States shall apply to cigarettes minimum consumption taxes in accordance with the rules provided for in this Directive. Taxes that are levied on cigarettes and which comprise:

- a specific excise duty per unit of the product;
- a proportional excise duty calculated on the basis of the maximum retail selling price;
- a VAT proportional to the retail selling price.

Excise duty composed this way shall be set at 57 % of the retail selling price (inclusive of all taxes) for cigarettes of the price category most in demand not later than 1 January 1993.

Every two years, and for the first time not later than 31 December 1994, the Council, acting on the basis of a report and, where appropriate, a proposal from the Commission, shall examine the overall minimum excise duty laid down in the Directive. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive not later than 31 December 1992. When Member States adopt these measures, they shall contain a reference to this Directive or shall be accompanied by such reference on the occasion of their official publication.

COUNCIL DIRECTIVE 95/59/EC of 27 November 1995 on taxes other than turnover taxes which affect the consumption of manufactured tobacco

Basic precondition is definition of taxation standards which affect the consumption of manufactured tobacco in a way that manufactured tobacco, achievement of this aim presupposes that the application in the Member States of taxes affecting the consumption of products in this sector does not distort conditions of competition and does not impede their free movement within the Community. Harmonization of structures must, in particular, result in competition in the different categories of manufactured tobacco belonging to the same group not being distorted by the effects of the charging of the tax and, consequently, in the opening of the national markets of the Member States

The imperative need of **competition** implies a system of freely formed prices for all groups of manufactured tobacco. The structures for excise duties on manufactured tobacco should be **harmonized by stages**. As regards to the cigarettes, the abovementioned objective is best achieved by a system which provides for a digression in the incidence of the tax and whereas for this purpose, the tax imposed on these products should consist of a proportional excise duty combined with a specific excise duty, the amount of which is fixed by each Member State in accordance with Community criteria. The structure of the excise duty on cigarettes must include, in addition to a specific component calculated per unit of the product, a proportional component based on the retail selling price, inclusive of all taxes; whereas the turnover tax on cigarettes has the same effect as a proportional excise duty and this fact should be taken into account when the ratio between the specific component of the excise duty and the total tax burden is being established.

This Directive lays down general principles for this **harmonization of excise duties**, as well as the special criteria applicable during the stages of harmonization. The transition from one stage of harmonization to the next shall be decided on by the Council on a proposal from the Commission, taking into account the effects produced during the stage in progress by the measures introduced by the Member States into their system of excise duties in order to comply with the provisions applicable during that stage. The transition from one stage to the next may be deferred especially if it is likely to involve disproportionate losses of revenue for a Member State.

At the final stage of harmonization of structures, the same ratio shall be established for cigarettes in all Member States between the specific excise duty and the sum of the proportional excise duty and the turnover tax, in such a way that the range of retail selling prices reflects fairly the difference in the manufacturers' delivery prices. Manufacturers, or, where appropriate, their representatives or authorized agents in the Community and importers of tobacco from non-member countries shall be free to determine the maximum retail selling price for each of their products for each Member State for which the products in question are to be released for consumption.

The above paragraph may not, however, hinder implementation of national systems of legislation regarding the control of price levels or the observance of imposed prices, provided that they are compatible with Community legislation.

During the preceding stages the excise duty shall, in principle, be collected by means of tax stamps. If they collect the excise duty by means of tax stamps, Member States shall be obliged to make these stamps available to manufacturers and dealers in other Member States. If they collect the excise duty by other means, Member States shall ensure that no obstacle, either administrative or technical, affects trade between Member States on that account.

COUNCIL DIRECTIVE 2002/10/EC of 12 February 2002 amending Directives 92/79/EEC, 92/80/EEC and 95/59/EC as regards the structure and rates of excise duty applied on manufactured tobacco

The main reason for shaping and adopting this Directive is the Commission's first report on the subject, of 13 September 1995, that drew attention to certain difficulties encountered in implementing the Directives. The Commission's second report, of 15 May 1998, examined the necessary technical amendments, which were mainly to do with adjusting the incidence of the overall minimum duty on cigarettes, but kept the structures and rates of duty unchanged. The report, submitted to the Council on 18 May 1998, included a proposal for an amending Directive.

An analysis of the changes of prices and excise rates for tobacco products in the Community shows that there are still considerable differences between Member States which may disturb the operation of the internal market as it is now and as it will be after enlargement. **Greater convergence** between the tax rates applied in the Member States would help **reduce fraud and smuggling** within the Community. The introduction of a fixed minimum amount expressed in euro, in addition to the minimum excise incidence of 57 % of the retail selling price of cigarettes of the price category most in demand, will ensure that a minimum level of excise duties is levied on such cigarettes. Member States, for which the immediate introduction of this fixed minimum amount expressed in euro would be problematic for economic reasons, should be authorised to postpone the implementation of this new requirement until 31 December 2004 at the latest. Member States which already levy a high level of excise duty should be allowed greater leeway in setting the rates. A further increase of the fixed minimum amounts, on 1 July 2006, should be foreseen. In view of the economic difficulties that could be caused by the implementation at this date of this increased amount, the Kingdom of Spain and the Hellenic Republic should be authorised to postpone its implementation until 31 December 2007.

The Treaty requires that the definition and implementation of all Community policies and activities ensure a **high level of human health protection**. Cigarettes and fine-cut tobacco intended for the rolling of cigarettes are both harmful to consumers' health. The level of taxation is a major factor in the price of tobacco products, which in turn influences consumers' smoking habits. Member States should be given more effective means to deal with unfair pricing practices or the appearance of products which disrupt the market. This objective can be achieved by authorizing Member States to levy a minimum excise duty on cigarettes on condition that it does not exceed the excise duty levied on cigarettes of the price category most in demand.

Directive 92/79/EEC is amended as for that each Member State shall apply an overall minimum excise duty (specific duty plus ad valorem duty excluding VAT), the incidence of which shall be set at 57 % of the retail selling price (inclusive of all taxes) and which shall not be less than EUR 60 per 1000 cigarettes for cigarettes of the price category most in demand. As from 1 July 2006, the figure of 'EUR 60' shall be replaced by 'EUR 64'. Furthermore, Member States which levy an overall minimum excise duty of at least EUR 95 per 1000 cigarettes for cigarettes of the price category most in demand need not comply with the 57 % minimum incidence requirement. As from 1 July 2006 the figure of 'EUR 95' shall be replaced by 'EUR 101'.
Directive 95/59/EC is hereby amended in part that prescribes defining the minimum excise duty. Now it says that Member States may levy a minimum excise duty on cigarettes sold at a price lower than the retail selling price for cigarettes of the price category most in demand, provided that such excise duty does not exceed the amount of the excise duty levied on cigarettes of the price category most in demand.

LEGAL FRAMEWORK IN BiH

According to the existing law[5] that prescribes excise duty on tobacco and tobacco products in Bosnia and Herzegovina, tax duty starts with submitiing the request for printing the tax stamps. Tax base is defined by retail selling price where the VAT is excluded. Excise duty on trade of tobacco products is calculated as 49% of tax base defined by the law. If the excise duty is not paid in a timely manner, the law prescribes the interest rate calculated as 0.06% of the debt on a daily basis.
There is a characteristic[6] when defining the size of a tax base of trade of tobacco products and that is that the retail selling price is know in advance because the tax payer (manufacturer or importer of tobacco products) is obliged to declare the price before putting them on market, in accordance with article 23 of Law on excise in BiH. Tax base of tobacco products is retail selling price printed on tax stamps.

CONCLUSION

We can conclude that the country of Bosnia and Herzegovina is going to face with the period of **harmonizing the domestic legislation with European**, and shaping then adopting minimum standards as well that are in force accross the European Union, prescribed by the Council of European Union. The goal is clear, equal treatment of these products (cigarettes first of all), accomplishing fiscal goals along with achieving wider goals set by the Treaty.

Indirect taxes in Bosnia and Herzegovina in comparison with EU countries

(Author: Aleksandra Regoje, macroeconomist)

Tax reforms in Bosnia and Herzegovina were in direction of harmonization of its fiscal system with the norms of European Union. Fiscal systems of the Union emerged at the time when there was only modest relation between economies of certain countries. The integration process contributed to harmonization of certain tax systems. However, there is no single tax policy in EU. All member states kept their fiscal sovereignty. Taxation of income and profit is usually national competence and common tax policy mainly relates to harmonization of indirect taxes, which creates preconditions for functioning of the single market for goods and services. Treaty on European Community prohibits tax discrimination in terms of giving advantage to national products over the products of other member states. The treaty envisages harmonization of value added tax, excise and other indirect taxes.

Burden with indirect taxes in EU

Since 1990, many EU member states conducted reforms in indirect taxes. Indirect taxes were increased and new "ecological" taxes were introduced in order to compensate loss of revenues due to decrease of income tax. New member states usually increased excise duties in order to harmonize rates with EU standards. Observed in % of GDP, revenues from indirect taxes EU-27 reached highest level in 1999[7]. From the Chart 1, it is possible to see that fiscal burden with indirect taxes strongly increased until 1999, and it then stabilized, showing slow trend of growth again from 2002.

Until 2006, the burden with indirect taxes was a bit higher in EU-27 than in Euro zone (EA-15[8]). This can be explained by the fact that all countries, which joined EU and new member states relied on indirect taxes as source of revenues compared to Euro zone countries that are mainly old member states.

[5] Existing Law on excise duties in BiH has been in force since 1 January 2005 (Official Gazette BiH 62/04)
[6] Questions from the Instruction for different calculating the VAT duty on tobacco products
[7] Pondered mean was 14,3%
[8] Euro area (BE, DE, IE, GR, ES, FR, IT, CY, LU, MT, NL, AT, PT, SI, FI)

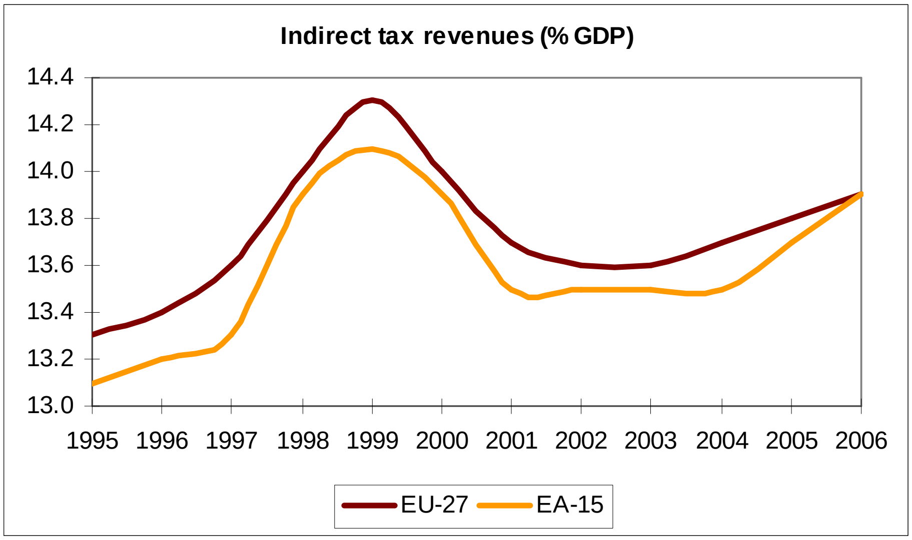

Chart 1
Source: Eurostat

Calculation of the share of certain tax revenues in gross domestic product provides possibility to compare fiscal burden and taxation structure in different EU member states, as well as their development in certain time period. In addition to aforementioned, useful indicator is also so called **implicit tax rate – ITR,** which measures average effective tax burden of different types of revenues and it is calculated through ratio of tax revenues and potential tax base. ITR on consumption is defined as ratio of all taxes on consumption and final private consumption in certain economic territory. In 2006, average ITR on consumption was 22,1% for EU-25. The country with highest taxation rate for consumption above average is Denmark (34%). With almost six percent less ITR on consumption are Sweden, Finland, Netherlands and Ireland.

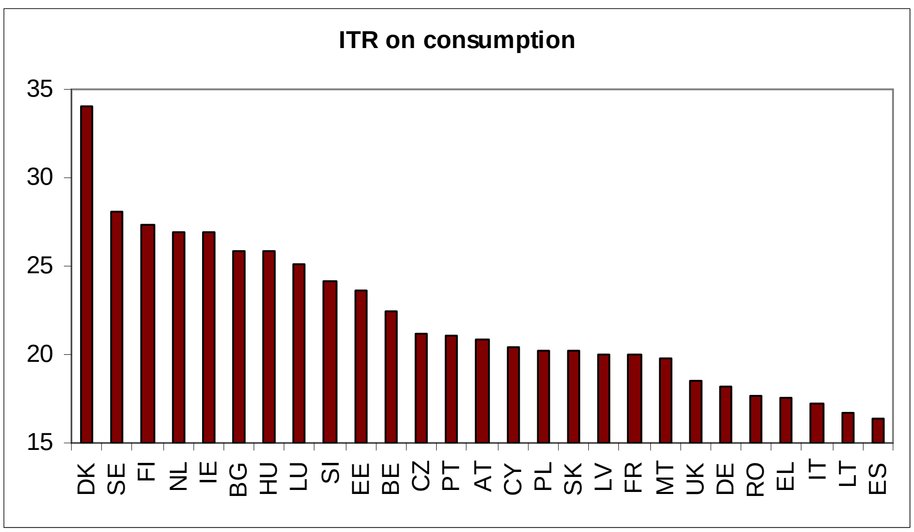

Chart 2[9]
Source: Eurostat

Changes in ITR on consumption in observed period from 1995 to 2006 point to the fact that increasing trend of taxing consumption included large number of EU-25 states. In comparison

[9] Legend: BE-Belgium, BG-Bulgaria, CZ-Czech Republic, DK-Denmark, DE-Germany, EE-Estonia, IE-Ireland, EL-Greece, ES-Spain, FR-France, IT-Italia, CY-Cyprus, LV-Latonia, LT-Lithuania, LU-Luxemburg, HU-Hungary, MT-Malta, NL-Netherlands, AT-Austria, PL-Poland, PT-Portugal, RO-Romania, SI-Slovenia, SK-Slovakia, FI-Finland, SE-Sweden, UK-United Kingdom

with 1995, significant decrease of implicit tax rate on consumption was recorded only in Slovakia (5,8%) and Hungary (5%). Small decrease was recorded in other nine countries (from 0 to 1,5%), while other countries recorded significant growth. ITR for Cyprus increased by 7,8% from lowest level in 1995 to almost average EU level in 2006. Bulgaria and Romania for which data became available in the last few years also show strong growth of ITR on consumption. Indicator ITR on consumption increased by 7% in the period from 2001 to 2006 for Bulgaria and 1,1% for Romania in the period from 2002 to 2006.

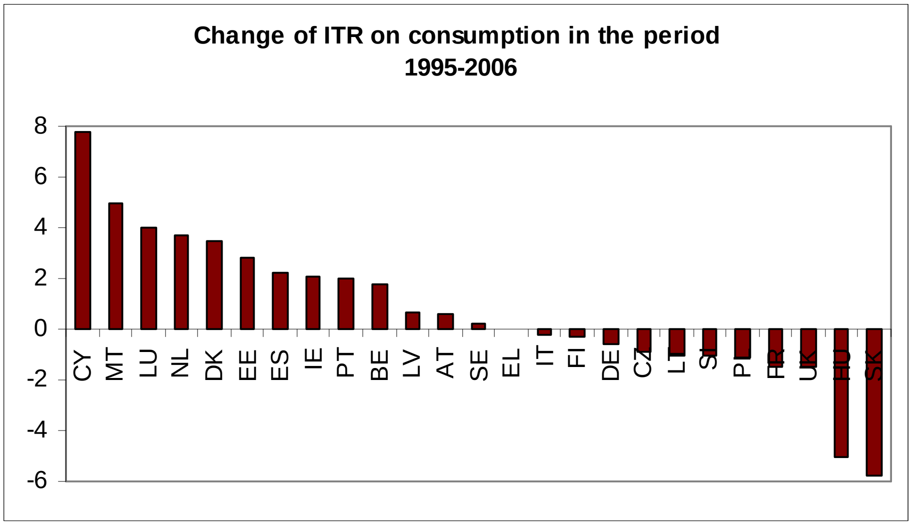

Chart 3
Source: Eurostat

Structure of indirect taxes in BiH and comparison with EU

With introduction of VAT in 2006, Bosnia and Herzegovina finalized reforms in indirect taxation. All indirect taxes are harmonized at the state level and competence for collection of these taxes was transferred to Indirect Taxation Authority. Tax system in BiH has consumption character and share of indirect taxes in tax revenues is much more significant than in most EU member states. Last issue of the Bulleting provided more information on tax structure. In this issue, we will talk about the structure of indirect taxes in BiH and make a comparison with EU member states. In comparison of the structure of indirect taxes, we should bear in mind that the data are not fully comparable with EU due to different classification and treatment of certain revenue categories. Many types of revenues that EU classifies as indirect taxes are not either collected by BiH or they are classified under other revenue categories[10]

Chart no. 4 presents fiscal burden of gross domestic product with certain types of indirect taxes according to the classification ESA 95 (*European System of National and Regional Accounts*). It is harmonized methodology for keeping accounts, which must be applied by EU member states. It provides consistent and comparable quantitative analysis of economies of the member states[11]. According to ESA 95, indirect taxes are classified in two groups:

1) Taxes on products
2) Other taxes on production

Taxes on products cover VAT, excise and taxes on consumption and other taxes on products including import duties[12].

[10] Detailed classification of indirect taxes is available in the Bulletin no. 30, page 9
[11] More on methodology in the Bulletin no. 30
[12] Detailed classification of indirect taxes according to ESA-95 is available in the Bulleting no. 30

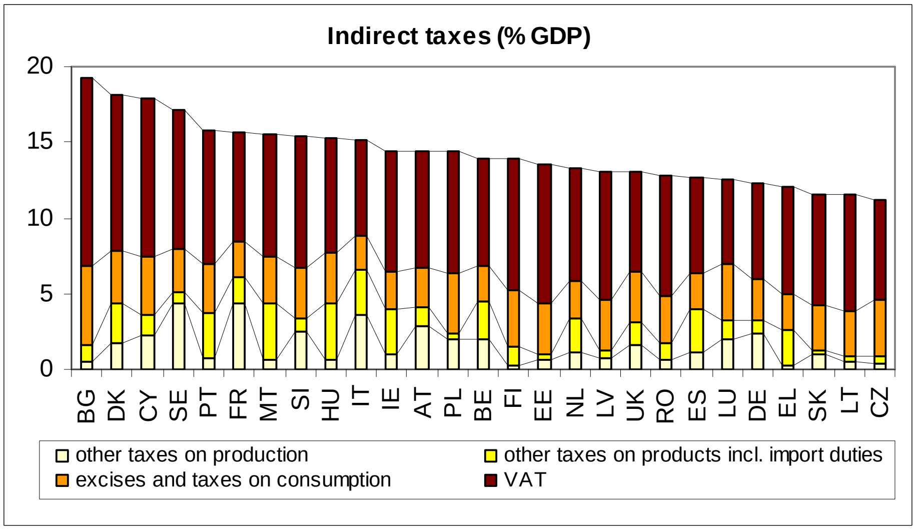

Chart 4
Source:Eurostat

1) Taxes on products

On average, **VAT revenues** have highest share in the structure of indirect taxes in European Union. Average share of VAT revenues in gross domestic product of EU member states was 7% in 2006[13]. There are no significant differences in indicators of value added tax burden in GDP amongst the member states. Frequency distribution shows that 77,8% member states has this indicator in the range from 6% to 9%. Bulgaria deviates from this average the most as it has extremely high burden of value added tax – 12,4%. Bulgaria has high standard VAT rate, significant share of VAT in indirect taxes (64,3%) and extremely high share of indirect taxes in total revenues (56,5%). Contrary to this, Luxemburg is typical for extremely low burden with value added tax (5,4%), mainly due to modest VAT rates[14]. Average amount of VAT component in ITR on consumption (ratio of VAT revenues and private consumption) for EU-27 amounts to approximately 14%. If we take certain member states and calculate difference of standard VAT rate and VAT component in ITR on consumption, we will get so called **indicator of reduced rate and VAT base,** which aims to determine characteristics of VAT system i.e. determine how much the system differ VAT base and private consumption, and the role of reduced VAT rates. High value of this indicator points to the fact that significant share of private consumption is taxes with the rate that is lower than standard rate or it is exempt from taxation. Other reasons that contribute to high value of this indicator are high trashhold for taxation, high level of grey economy etc. Indicators of reduced rate and VAT base shows highest value of 9% in Italy and Poland, which can be explained by application of high number of reduced rates on ROBU SIROKE POTROSNJE. Lowest values of this indicator (1-2%) are typical for Estonia, Cyprus and Luxemburg.

As with the case of EU member states, VAT revenues represent highest share in the structure of indirect taxes in Bosnia and Herzegovina. In 2007, share of VAT in indirect taxes amounted to 62,5%, which is 12% higher than the average of EU member states. Burden of VAT[15] on gross domestic product in BiH is almost double compared to EU average (13,7%). In other hand, VAT component in ITR on consumption does not deviate much from EU average and it was 14,8% in 2007[16]. This shows tremendous differences in the structure of gross domestic product of BiH and EU i.e. the component of private consumption on average has more significant share in GDP of BiH than it is the case in EU. Indicator of reduced rate and VAT base

[13] Pondered mean
[14] There 6 VAT rates ranging from 3 to 15%
[15] Including lagging collection of sales tax
[16] Share of revenues from VAT/sales tax in total consumption (including government) was 12,12%

was 2,2%. This low indicator of reduced rate and VAT base is explained by single VAT rate and low share of consumption that is tax exempt..

Excise and taxes on consumption represent 19,6% of total indirect taxes in EU. Highest share of excise and taxes on consumption is typical for Czech Republic (33,1%) and Luxemburg (30,5%). In order to make a comparison of all revenues with the ones in BiH, we will observe extracted tax indicators of implicit tax rates on consumption for categories of excise that "drive" highest share of these revenues.

Energy component in ITR on consumption (ration of revenues from oil excise and private consumption)[17] is on average 3,4% for EU-27. Lowest values are recorded in Greece (1,8%) and Malta (1,9%), and highest are in Luxemburg (6,5%), Sweden (4,9%) and Czech Republic (4,7%). Appropriate indicator for BiH is significantly lower than EU average and it is 2%. If we include revenues from road/toll fees (special fee collected on quantity of traded oil derivatives), we get the value of 3,1%, which is near EU average. Component of alcohol and cigarettes in ITR on consumption is on average 2% in EU, which is near the average in BiH (2,1%). Share of alcohol and cigarettes in final consumption is usually lower in the countries with higher available income. Taken this into consideration, it is not surprising that lowest ITR components of alcohol and cigarettes are typical for old EU member states such as Netherlands (1%), Italy and Austria (both are 1,2 %)[18].

Share of **other taxes on products including import duties** in the structure of indirect taxes significantly varies amongst EU member states. The average is 13,04%. Highest share of these revenues is typical for Hungary (24,8 %), Malta (23,9%) and Spain (22,9%). Poland (1,9%), Slovakia (2,8%) and Estonia (2,9%) have extremely low share of aforementioned revenues. If we observe only import duties, their share in GDP is more and less equal and it ranges from 0,1% to 0,3% of GDP. New member states (Bulgaria and Romania) significantly deviate with the share of these revenues in GDP of 0,9 and 0,7% respectively. Revenues from customs duties in Bosnia and Herzegovina were 3% of GDP in 2007.

2) Other taxes on production

This category of revenues covers taxes that companies must pay regardless the quantity or value of produced goods and services. Their share in indirect taxes varies amongst the member states and the average is 17%.In BiH, these taxes are not treated as indirect taxes.

Instead of the conclusion

Different classification of indirect taxes in Bosnia and Herzegovina and EU makes it difficult to compare their structure. There is a number of revenue categories that EU member states classify as indirect taxes while BiH does not do it. So, it is more correct to compare derived tax indicators such as partial fiscal burdens (share of individual types of revenues in private consumption) than share of certain types of revenues in total indirect taxes.

On basis of the comparison of provided indicators for categories of indirect taxes collected in BiH with adequate indicators in EU, we may conclude that fiscal burden of gross domestic product with VAT is above EU average. However, private consumption is more and less equally taxed. Burden of total private consumption with basic categories of excise duties (alcohol and cigarettes, energy) is close to EU average. Since the excise rates in BiH are much higher than prescribed minimal rates in EU, this shows that the share of excise products in BiH consumption is much higher than EU average. In the next period, BiH expects change of regulations in the field of excise in order to harmonize it with European minimal rates[19]. Fiscal burden with customs duties is much higher in BiH than in EU. It is expected to have radical

[17] In calculation different components of ITR on consumption, common denominator was used – value of total private consumption.
[18] Taxation trends in European Union, Eurostat, 2008 edition
[19] More information on harmonization of excise in BiH with EU standards is available in the Bulletin no. 25

decrease of these revenues since the Stabilization and Accession Agreement went into force in July this year. Most important provisions of this agreement are related to establishment of free trade with EU.

Foreign trade in the period January-September 2008

(Author: Mirela Kadić)

Analysis of foreign trade exchange in the period from January-February, 2008, represents continuation of analysis published in previous issues of the Unit's bulletin, as well as analysis of first effects of signing the Stabilization and Accession Agreement.

Main trends in foreign trade exchange

Chart 1 presents us a picture with trends in foreign trade exchange of Bosnia and Herzegovina and abroad in the period January 2005 to September 2008 and January 2005 represents the base. Volume of trade has continually increased (compared to the same period last year- it increased by almost 3 billion KM), which does not necessarily mean increase in quantities. In addition to this trend of increase in volume of trade, we can notice repetition of standard pattern in trend of imports and exports of BiH i.e. trend of significant worsening in foreign trade relations in the end of year due to increase of imports and decrease of exports. Such trends in foreign trade are expected in the last quarter of 2008. In first nine months of this year, there was nominal growth of exports by 16,73% and growth of imports of 22,26% compared to the same period last year. In observing these relations, we should take into consideration that the period of first nine months of this year had general increase of prices in the world market. This growth had to significantly reflect on increase of BiH imports. Detailed quantitative analysis would provide us with real picture on foreign trade in BiH. In comparison with the same period last year, deficit increased by 26,55% and coverage of imports by exports decreased by 4,52%, so it is 41,73%.

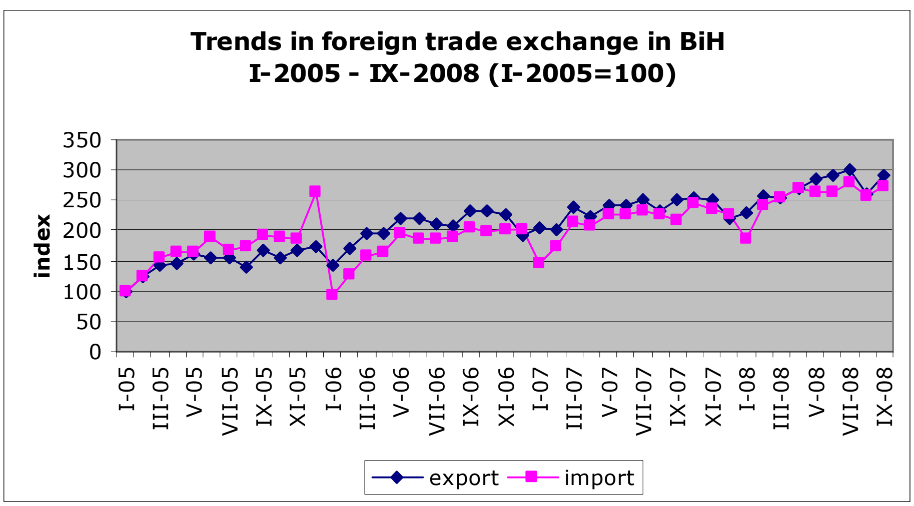

Chart 1

Table 1

U 000 KM

	I-IX					
	2006	**2007**	**2008**	**2007/2006**	**2008/2007**	**2008/2006**
Export	3.793.085	4.410.495	5.148.582	116,28	116,73	135,74
Import	8.130.477	10.091.247	12.337.666	124,12	122,26	151,75
Deficit	4.337.392	5.680.752	7.189.084	130,97	126,55	165,75
Coverage	46,65%	43,71%	41,73%	93,68%	95,48%	89,45%
Volume of trade	11.923.561	14.501.743	17.486.248	121,62	120,58	146,65

Structure of the trade

Imports

Products of mineral origin, base materials and products of base metals, machines and devices, transport means, chemical industry products and food products represent over 65% of total BiH imports i.e. about 8,2 billion KM. Highest increase in first nine months was recorded for the products of mineral origin i.e. sub-group "mineral oils", so nominal growth of this group was 45,73% compared to the same period last year. Increase higher than average rate was recorded for imports of transport means (33,33%) and imports of base metals and products of base metals (especially iron, steel and iron and steel products – 28,17%). Observing changes within certain quarters, we can notices that there are no significant and turbulent trends in third quarter of 2008 in comparison with the same quarter last year or in comparison with second quarter of 2008. Trends higher than the average were recorded within the group of products of mineral origin due to high increase of oil price in the world market in first nine months of 2008. In comparison of third and second quarter of current year, we can conclude that import activities showed stagnation in third quarter.

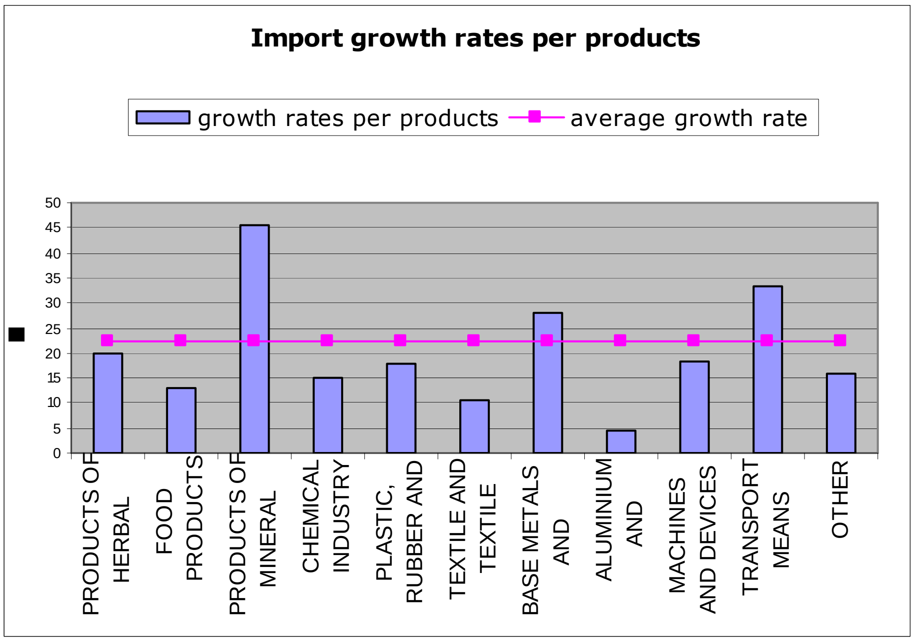

Chart 2

GROUP OF PRODUCTS – IMPORT	I kv 08/ I kv 07	II kv 08/ II kv 07	III kv 08 /III kv 07	III kv 08/ II kv 08	I kv 08	II kv 08	III kv 08
TOTAL	**27,39%**	**20,94%**	**19,50%**	**1,26%**	**100,00**	**100,00**	**100,00**
PRODUCTS OF HERBAL ORIGIN	33,45%	25,22%	3,59%	-4,13	5,28	4,08	3,86
FOOD PRODUCTS	18,37%	10,98%	10,70%	8,03	8,13	8,25	8,8
PRODUCTS OF MINERAL ORIGIN	42,03%	46,39%	44,54%	9,25	16,13	17,25	18,61
CHEMICAL INDUSTRY PRODUCTS	8,58%	14,03%	22,48%	0,33	8,49	8,66	8,58
PLASTIC, RUBBER AND CAOUTCHOUE	20,90%	15,65%	17,55%	11,47	4,34	4,77	5,25
TEXTILE AND TEXTILE PRODUCTS	15,69%	8,37%	8,73%	-5,75	4,31	4,66	4,33
BASE METALS AND PRODUCTS	27,54%	19,93%	17,95%	-5,17	12,83	12,92	12,1
MACHINES AND DEVICES	28,77%	16,29%	11,37%	-5,07	17,35	15,81	14,82
TRANSPORT MEANS	54,79%	30,09%	21,52%	-5,22	8,23	8,32	7,79
OTHER					14,91	15,28	15,86

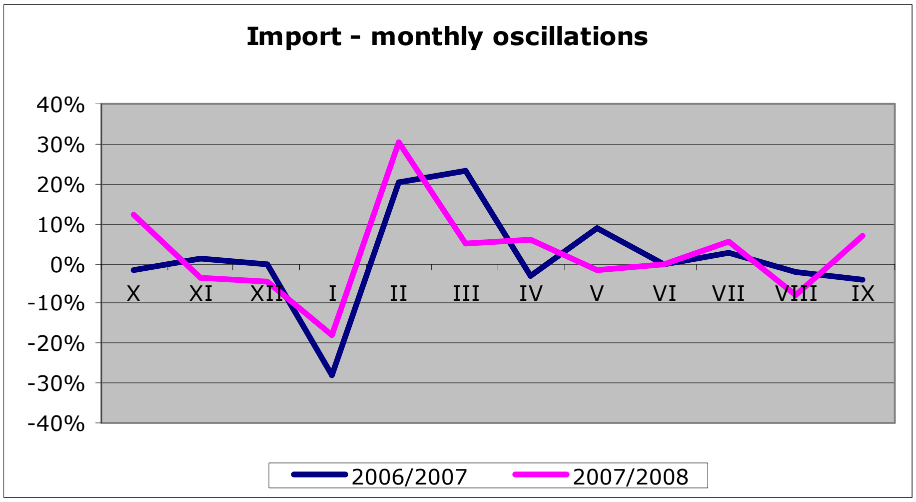

Chart 3

Export

Highest nominal growth was recorded for the group of products of mineral origin (even 73,6%), chemical industry products 42,97% (especially unorganic chemical products and pharmaceutical products), food products (29,89%), textile and textile products (23,32%), iron and steel, iron and steel products (21,24%) and furniture (17,71%). Lower increase than the average in first nine months was recorded for export of alumina (only 3,19% higher than in the same period last year), while the export of wood and wood products showed decrease of 6,68%. Share of wood and wood products in 2008 represent 7,39% of total BiH exports.

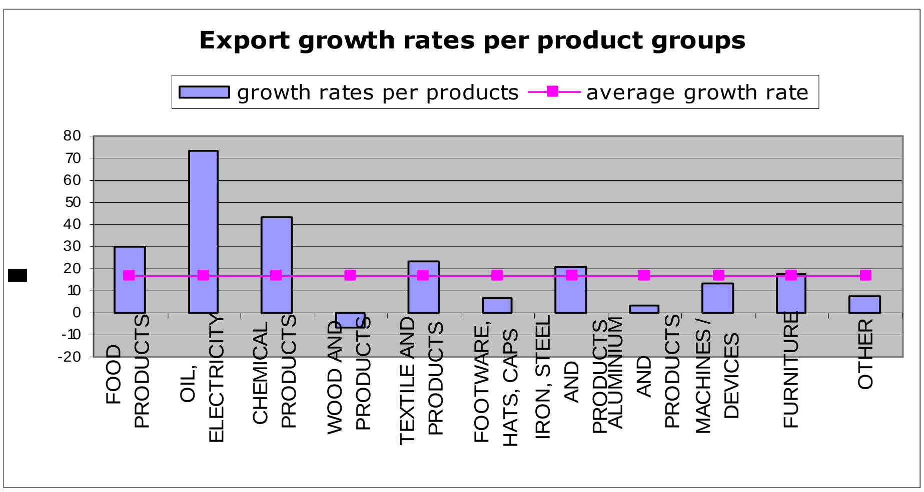

Chart 4

Quarterly trends show stagnation of export activities in third quarter. Reason for this may seasonal slowdown of export activities in third and fourth quarter, decrease of prices of BiH strategic export products (alumina and iron), but there is also a possibility for decrease of export demand due to world economic crisis. From this time distance, it is impossible to make any serious conclusions.

Table 3

GROUP OF PRODUCTS - EXPORT	I kv 08/ I kv 07	II kv 08/ II kv 07	III kv 08/ III kv 07	III kv 08/ II kv 08	I kv 08	II kv 08	III kv 08
TOTAL	14,81%	19,01%	16,23%	0,93%	100,00	100,00	100,00
FOOD PRODUCTS	26,94%	29,21%	32,73%	14,13%	2,79	2,95	3,33
MINERAL OILS, ELECTRICITY	125,38%	53,88%	61,48%	37,24%	9,53	8,32	11,32
WOOD AND WOOD PRODUCTS	-10,26%	-4,59%	-5,84%	-5,25%	6,85	7,87	7,39
TEXTILE AND TEXTILE PRODUCTS	24,28%	36,46%	12,45%	7,86%	5,49	4,59	4,90
SHOES, HATS, CAPS AND SIMILAR PRODUCTS	8,14%	10,79%	0,73%	-12,07%	5,81	5,77	5,03
IRON AND STEEL, IRON AND STEEL PRODUCTS	18,33%	23,59%	21,44%	-4,97%	15,39	16,18	15,23
ALUMINA AND ALUMINA PRODUCTS	-8,08%	11,91%	7,22%	-3,26%	10,56	9,95	9,54
MACHINES AND DEVICES	23,72%	13,73%	4,94%	-11,23%	13,28	12,71	11,18
FURNITURE	20,76%	16,35%	16,23%	-8,71%	8,13	7,72	6,98
OTHER					22,17	23,93	25,09

Instead of the conclusion

In the period of January to September 2008, there were few basic trends in comparison with the same period last year:

- Increase of imports by 22,26%
- Increase of exports by 16,73%
- Increase of deficit in foreign trade by 26,55%
- Decrease of import-export coverage by 4,52%, so it is now 41,73%

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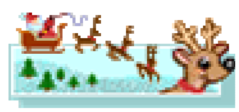

To all our associates in Ministries of Finance of BiH, Federation, Republika Srpska, Brcko District, cantons, municipalities and extra budgetary funds, as well as to all readers, we wish happy and succesfull New 2009!

Consolidated reports

(prepared by: Mirela Kadić, Research Assistant)

Table 1. (Consolidated report: BiH: SA and Entities)

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.

Table 2. (Consolidated report: BiH: State, Entities, Brčko Distrikt, Cantons)

1.The consolidated report includes:

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

2. Report includes amortization of foreign debt
3. 2007 year report is not fully comparable with previous year data because of separation ofHealth insurance fund of Brcko District as an independent financial institution.

Table 3. (Consolidated report: RS: Budget of RS, funds, municipalities)

1.The consolidated report includes:

- revenues and expenditures of the budget of the Republika Srpska,
- revenues and expenditures of extrabudgetary funds (Pension Fund, Health Insurance Fund, Employment Bureau and Child Protection Fund)
- budget revenues and expenditures of the RS municipalities.

Table 4. (Consolidated reports: Cantons)

1. Consolidated report includes:
   - revenues and expenditures of the cantonal budgets,
   - revenues and expenditures of the budgets of related municipalities.
2. Data for Ravno municipality are estimated.

BiH: SA and Entities, I-X, 2008.

		I	II	III	IV	V	VI	VII	VIII	IX	X	Q1	Q2	Q3	Q4	Total
1	**Current Revenues**	**411,9**	**381,9**	**482,2**	**490,3**	**457,4**	**476,0**	**559,7**	**490,6**	**520,1**	**502,8**	**1276,0**	**1423,7**	**1570,4**	**502,8**	**4772,8**
11	Taxes	386,5	354,6	444,9	465,0	437,4	432,8	502,5	441,3	489,5	464,9	1186,0	1335,3	1433,3	464,9	4419,4
111	Indirect taxes	370,2	325,0	405,8	424,6	415,1	409,4	479,2	419,2	468,0	442,6	1101,0	1249,1	1366,3	442,6	4159,1
	VAT	247,3	183,8	257,3	260,5	256,9	253,7	311,8	266,2	313,2	284,6	688,5	771,1	891,2	284,6	2635,4
	Vat on imports	149,5	200,9	217,0	234,0	222,7	228,6	246,4	228,2	249,5	250,6	567,4	685,3	724,1	250,6	2227,3
	VAT from VAT returns	128,9	100,4	94,8	100,0	102,4	109,4	124,0	125,1	128,2	127,2	324,0	311,7	377,2	127,2	1140,2
	VAT from automatic assessment done by ITA	0,0	0,0	0,0	0,1		0,0	0,2	-0,1	0,1	0,1	0,1	0,1	0,2	0,1	0,4
	One-off VAR payments	0,3	0,1	0,2	0,1	0,1	0,1	0,1	0,0	0,4	0,1	0,6	0,2	0,5	0,1	1,5
	Other	1,2	1,1	1,0	1,1	1,9	0,9	1,2	1,1	0,8	1,3	3,3	3,9	3,1	1,3	11,6
	VAT refunds	-32,6	-118,6	-55,7	-74,6	-70,2	-85,3	-60,1	-88,1	-65,7	-94,6	-206,9	-230,1	-213,9	-94,6	-745,5
	Custom duties	40,8	58,2	62,3	66,8	61,6	60,9	52,1	46,0	53,0	56,9	161,3	189,3	151,1	56,9	558,6
	Sales tax	0,5	1,5	0,9	0,7	1,7	0,9	0,9	1,1	0,6	0,7	3,0	3,2	2,6	0,7	9,5
	Excises	67,8	66,6	70,0	79,0	77,8	77,7	95,0	87,4	82,3	82,2	204,3	234,5	264,7	82,2	785,7
	on imports	53,9	55,0	57,9	65,9	64,2	64,0	76,9	71,4	68,0	68,7	166,8	194,2	216,3	68,7	646,0
	on domestic production	13,9	11,6	12,1	13,1	13,5	13,6	18,1	16,0	14,3	13,5	37,5	40,2	48,4	13,5	139,6
	Railroad tax	12,7	14,4	14,0	16,6	16,2	15,0	18,1	17,4	17,7	16,9	41,0	47,9	53,3	16,9	159,1
	Other	1,4	1,4	1,8	1,5	1,6	1,7	1,6	1,4	1,6	1,8	4,7	4,8	4,6	1,8	15,9
	Other refunds	-0,4	-0,9	-0,6	-0,7	-0,6	-0,3	-0,4	-0,3	-0,4	-0,5	-1,8	-1,6	-1,1	-0,5	-5,1
112	Direct taxes	16,3	29,6	39,1	40,4	22,3	23,3	23,3	22,1	21,5	22,2	85,0	86,1	66,9	22,2	260,3
	Income taxes	8,0	18,8	26,6	27,4	11,0	10,1	10,1	8,0	8,7	8,9	53,4	48,5	26,8	8,9	137,6
	Other tax revenues	8,3	10,8	12,5	13,1	11,3	13,3	13,3	14,1	12,7	13,3	31,6	37,7	40,1	13,3	122,6
12	Non-tax income	24,3	27,1	37,1	24,5	19,8	41,9	56,6	49,9	29,9	36,6	88,5	86,3	136,4	36,6	347,7
13	Other revenue			0,1		0,1	0,2	0,0		0,2	0,0	0,1	0,3	0,2	0,0	0,5
14	Grants, gifts	0,2	0,0	0,0	0,5	0,0	0,2	0,0		0,0	0,0	0,2	0,7	0,0	0,0	1,0
15	Transfers from higher levels of government	0,9	0,1	0,1	0,2	0,1	0,9	0,6	-0,7	0,6	1,3	1,2	1,2	0,5	1,3	4,1
		I	II	III	IV	V	VI	VII	VIII	IX	X	Q1	Q2	Q3	Q4	Total

2	**Expenditures**	**305,0**	**400,2**	**427,7**	**490,2**	**447,9**	**514,1**	**506,4**	**461,8**	**526,0**	**493,5**	**1133,0**	**1452,2**	**1494,3**	**493,5**	**4572,9**
21	Current expenditures	48,5	68,7	85,7	80,4	77,2	99,0	61,6	88,3	91,3	82,5	202,9	256,6	241,2	82,5	783,1
211	Wages and compensations	45,2	61,0	68,5	67,1	65,9	86,4	48,0	71,8	72,6	66,3	174,6	219,4	192,4	66,3	652,7
212	Purchases of goods and services	3,3	7,7	17,2	13,2	11,3	12,6	13,5	16,5	18,7	16,2	28,3	37,2	48,7	16,2	130,4
22	Grants	13,7	53,5	64,6	79,5	68,5	95,9	107,6	87,4	104,4	89,6	131,9	243,9	299,3	89,6	764,7
	Transfers to households	10,7	48,5	43,4	56,1	50,3	67,2	58,1	56,1	70,7	56,1	102,7	173,6	184,9	56,1	517,3
	Transfers to institutions / organizations	0,3	1,2	5,9	5,1	8,9	6,1	11,8	12,3	7,2	3,2	7,4	20,1	31,4	3,2	62,1
	Subsidies	2,7	3,8	15,2	18,3	9,3	22,6	37,7	19,0	26,4	30,3	21,8	50,2	83,0	30,3	185,3
23	Interest payments	0,6	10,1	13,6	5,4	16,2	19,8	0,6	13,5	6,2	6,3	24,3	41,5	20,3	6,3	92,3
24	Other outlays	1,9	44,4	25,5	32,1	36,7	37,3	30,2	30,1	35,2	35,8	71,8	106,1	95,4	35,8	309,2
25	Transfers from SA	224,3	205,4	219,8	248,2	226,9	239,7	287,6	220,8	266,3	252,7	649,5	714,9	774,8	252,7	2391,8
	o/w: BiH Budget	51,6	51,6	61,5	57,6	52,3	54,9	60,2	54,9	57,6	60,2	164,8	164,8	172,7	60,2	562,5
	o/w: FBiH / cantons, municipalities, Road Fund	130,8	121,1	117,7	144,6	135,4	141,6	153,5	135,7	158,8	148,2	369,6	421,5	448,0	148,2	1387,4
	o/w: RS/ cities, municipalities, Road Fund	30,7	22,7	28,4	33,1	26,5	30,4	57,1	17,0	35,3	30,7	81,8	89,9	109,5	30,7	311,9
	o/w: Brčko	11,2	10,0	12,1	13,1	12,7	12,8	16,8	13,1	14,7	13,7	33,3	38,6	44,6	13,7	130,1
27	Transfers to lower levels of government	17,2	18,1	18,7	40,2	23,0	25,4	17,6	21,7	22,8	22,6	54,0	88,5	62,2	22,6	227,3
28	Net lending*	-1,3		-0,1	4,4	-0,7	-3,0	1,2		-0,1	4,0	-1,4	0,7	1,1	4,0	4,4
3	**Net acquisition of nonfinancial assets**	**4,7**	**4,7**	**8,4**	**13,3**	**6,5**	**19,3**	**16,7**	**11,3**	**5,7**	**19,0**	**17,8**	**39,2**	**33,6**	**19,0**	**109,6**
4	**Government surplus (+)/deficit(-)**	**102,2**	**-23,0**	**46,1**	**-13,3**	**3,0**	**-57,4**	**36,6**	**17,5**	**-11,6**	**-9,7**	**125,2**	**-67,7**	**42,5**	**-9,7**	**90,3**
5	**Net financing****	**-0,57**	**-1,4**	**-35,2**	**-9,0**	**-5,6**	**-8,2**	**-2,0**	**-34,9**	**-8,3**	**-9,7**	**-37,2**	**-22,8**	**-45,3**	**-9,7**	**-115,0**

Table 1.

BiH: State, Entiteties, Brcko District, cantons, I-IX, 2008. g.

		I	II	III	IV	V	VI	VII	VIII	IX	Total
1	**Revenues** (11+12+13+14+15)	**423.911.258**	**419.830.532**	**483.068.613**	**556.006.439**	**468.523.715**	**497.069.484**	**532.898.590**	**514.059.080**	**521.029.842**	**4.416.397.554**
11	Taxes	**365.884.873**	**361.235.083**	**419.722.044**	**440.198.400**	**417.019.360**	**418.060.758**	**444.367.373**	**433.309.303**	**460.788.268**	**3.760.585.461**
	Income and profit tax	18.111.809	24.534.333	35.964.793	33.784.658	17.149.409	15.838.074	17.308.939	12.559.922	15.234.533	190.486.470
	Taxes on personal income and self-employment	20.074.584	28.816.874	25.692.452	32.049.227	27.338.511	29.409.851	30.867.976	27.982.487	30.074.404	252.306.368
	Property tax	2.214.127	2.371.659	1.696.239	1.745.895	1.540.358	1.592.552	1.873.806	1.505.809	1.649.514	16.189.959
	Indirect tax revenues*	324.480.548	303.963.832	351.223.953	371.079.375	367.318.003	367.878.130	392.409.405	387.890.170	409.485.394	3.275.728.811
	Other taxes	1.003.805	1.548.385	5.144.607	1.539.245	3.673.078	3.342.150	1.907.246	3.370.915	4.344.423	25.873.854
12	Social security contributions	**56.389.323**	**56.149.652**	**61.220.330**	**54.319.749**	**41.940.535**	**76.245.023**	**85.029.119**	**74.385.293**	**54.813.444**	**560.492.468**
13	Nontax revenues	**1.517.035**	**2.389.365**	**2.060.368**	**61.486.462**	**9.504.312**	**2.549.536**	**3.487.865**	**6.364.484**	**5.275.830**	**94.635.257**
14	Grants	**120.027**	**56.432**	**65.872**	**1.828**	**59.509**	**214.167**	**14.233**	**0**	**152.300**	**684.368**
15	Other revenue	**316.074.784**	**365.852.430**	**372.739.333**	**464.218.454**	**436.927.114**	**518.070.659**	**499.908.497**	**458.602.586**	**497.991.047**	**3.930.384.904**
2	**Expenditures** (21+22+23**)**	**315.668.774**	**363.353.017**	**369.619.421**	**455.405.173**	**433.630.837**	**515.656.325**	**494.580.429**	**455.787.647**	**499.961.328**	**3.903.662.953**
21	Current expenditures	173.384.264	176.831.289	177.108.249	192.306.714	189.580.814	218.525.693	195.872.357	192.200.220	205.231.912	1.721.041.512
	Wages and compensations	148.024.166	150.109.364	150.336.024	160.421.313	158.839.536	175.291.435	151.059.750	165.028.482	171.341.400	1.430.451.470
	of which: gross wages	25.360.098	26.721.925	26.772.225	31.885.401	30.741.278	43.234.257	44.812.607	27.171.739	33.890.512	290.590.042
	of which: compensations	8.231.021	8.469.281	8.339.164	9.448.301	9.398.233	11.378.568	7.655.969	9.398.724	9.836.974	82.156.233
	Other taxes and contributions	26.336.520	35.359.678	44.612.437	43.158.361	39.587.953	43.944.017	43.009.376	42.172.832	54.731.524	372.912.699
	Purchases of goods and services	103.187.783	128.805.949	133.192.342	204.691.714	178.740.713	221.866.834	247.124.230	198.456.139	223.755.967	1.639.821.670
	Grants	4.529.186	13.886.820	6.367.230	5.800.083	16.323.124	19.941.213	918.497	13.559.732	6.404.952	87.730.839
	Interest payments	**2.064.457**	**2.196.423**	**2.900.735**	**4.780.059**	**4.064.912**	**3.160.173**	**4.460.097**	**2.856.302**	**4.168.081**	**30.651.237**
22	Other expenditures	**-1.658.447**	**302.990**	**219.176**	**4.033.222**	**-768.636**	**-745.838**	**867.972**	**-41.363**	**-6.138.362**	**-3.929.286**
23	Net lending *	**9.660.446**	**7.610.028**	**10.375.184**	**20.352.056**	**18.223.714**	**31.868.537**	**30.889.037**	**27.919.387**	**26.031.445**	**182.929.834**
3	**Net acquisition on nonfinancial assets**	**98.176.028**	**46.368.074**	**99.954.096**	**71.435.929**	**13.372.888**	**-52.869.712**	**2.101.055**	**27.537.107**	**-2.992.650**	**303.082.816**
4	**Gov. surplus (+)/ deficit(-)** (1-2-3)	**-11.358.160**	**-13.075.109**	**-12.188.258**	**-8.667.075**	**-5.715.626**	**-8.410.429**	**-2.471.593**	**-35.081.172**	**-8.689.676**	**-105.657.098**

Table 2.

BiH: RS Budget, funds, municipalities, I-IX, 2008.

		I	II	III	IV	V	VI	VII	VIII	IX	Total
1	**Revenues** (11+12+13+14+15)	**197.415.362**	**230.978.612**	**274.869.510**	**268.367.200**	**250.884.663**	**266.841.208**	**289.939.169**	**284.232.444**	**289.961.002**	**2.353.489.170**
11	Taxes	110.392.441	116.541.993	149.285.353	157.676.413	142.294.465	140.710.384	155.627.948	160.720.648	154.710.263	1.287.959.909
	Income and profit tax	3.756.445	8.600.505	22.796.331	26.562.276	10.434.022	8.798.487	7.663.824	6.728.570	6.777.293	102.117.753
	Taxes on personal income and self-employment	9.308.063	12.013.318	13.960.575	14.641.531	12.690.993	15.043.641	14.803.174	13.664.852	13.989.534	120.115.682
	Property tax	2.768.334	4.526.126	3.689.687	3.869.697	3.473.707	3.257.374	4.060.303	3.472.031	3.627.014	32.744.275
	Indirect tax revenues*	94.117.372	90.507.199	107.936.547	111.747.652	115.050.037	112.811.596	128.274.066	134.038.754	129.322.581	1.023.805.804
	Other taxes	442.226	894.845	902.212	855.256	645.706	799.286	826.581	2.816.442	993.840	9.176.395
12	Social security contributions	60.762.146	77.728.129	83.250.858	101.316.584	85.985.605	92.389.447	95.020.046	100.019.175	94.409.437	790.881.428
13	Nontax revenues	26.455.640	35.043.692	42.050.605	31.067.812	24.600.942	30.551.510	36.755.509	25.710.499	35.898.313	288.134.521
14	Grants	-381.944	1.537.867	157.109	-21.844.188	-2.280.004	2.872.244	2.224.007	-2.563.708	3.091.369	-17.187.248
15	Other revenue	187.079	126.930	125.585	150.579	283.656	317.623	311.659	345.830	1.851.621	3.700.561
2	**Expenditures** (21+22+23**)**	**167.221.110**	**206.823.721**	**243.325.791**	**227.796.308**	**222.012.134**	**262.143.116**	**255.196.293**	**253.100.683**	**280.620.768**	**2.118.239.924**
21	Current expenditures	164.745.759	198.185.553	235.533.849	216.261.655	215.516.854	254.275.913	250.546.785	248.048.905	277.905.705	2.061.020.980
	Wages and compensations	56.263.412	56.764.998	60.411.997	61.797.170	60.450.159	62.286.841	63.264.968	63.415.828	67.689.433	552.344.807
	of which: gross wages	53.459.641	53.853.809	56.252.510	56.765.585	55.735.737	56.520.684	58.759.085	59.003.522	61.341.824	511.692.397
	of which: compensations	2.803.771	2.911.189	4.159.487	5.031.585	4.714.422	5.766.157	4.505.883	4.412.307	6.347.609	40.652.410
	Other taxes and contributions	567.991	537.355	654.454	1.106.131	850.465	1.542.635	1.088.411	835.637	1.423.849	8.606.926
	Purchases of goods and services	23.045.997	40.692.226	76.710.299	54.504.805	48.422.933	46.598.365	56.707.503	59.875.986	61.596.099	468.154.213
	Grants	83.961.989	89.520.938	94.764.943	96.571.678	95.309.621	135.019.884	128.405.800	115.605.525	143.184.160	982.344.537
	Interest payments	906.372	10.670.036	2.992.156	2.281.871	10.483.677	8.828.189	1.080.104	8.315.929	4.012.164	49.570.496
22	Other expenditures	3.601.732	8.307.814	7.701.908	7.028.612	6.999.952	9.239.296	2.197.960	3.597.854	-2.016.734	46.658.394
23	Net lending *	-1.126.382	330.353	90.034	4.506.040	-504.671	-1.372.093	2.451.548	1.453.923	4.731.797	10.560.550
3	**Net acquisition on nonfinancial assets**	**7.783.193**	**5.181.618**	**7.969.995**	**19.645.916**	**13.140.662**	**23.610.618**	**23.971.694**	**23.052.066**	**34.952.722**	**159.308.483**
4	**Gov. surplus (+)/ deficit(-)** (1-2-3)	**22.411.059**	**18.973.273**	**23.573.724**	**20.924.977**	**15.731.866**	**-18.912.526**	**10.771.183**	**8.079.695**	**-25.612.487**	**75.940.763**
5	**Net financing****	**-925.460**	**999.723**	**430.027**	**-594.259**	**1.363.661**	**1.681.461**	**11.501.689**	**-19.171.499**	**8.674.097**	**3.959.440**

Table 3.

Herzegovina- Neretva Canton I-VII 2008.g.

		I	II	III	IV	V	VI	VII	Total
1	**Revenues** (11+12+13+14+15)	**21.387.548**	**19.176.321**	**21.237.053**	**20.380.326**	**23.290.296**	**22.807.312**	**23.191.610**	**151.470.466**
11	Taxes	**16.657.850**	**13.534.303**	**16.667.248**	**16.319.588**	**16.747.786**	**16.759.409**	**17.736.332**	**114.422.516**
	Income and profit tax	881.292	876.727	916.127	522.555	594.201	411.311	593.999	4.796.212
	Taxes on personal income and self-employment	2.113.871	2.170.801	2.117.694	2.385.138	2.483.179	2.361.909	2.500.614	16.133.207
	Property tax	907.584	596.444	821.174	660.451	1.065.574	733.113	797.152	5.581.492
	Indirect tax revenues*	775.530	453.110	430.965	82.941	348.498	360.414	178.028	2.629.485
	Other taxes	11.859.034	9.245.414	12.135.341	12.431.898	12.101.768	12.718.784	13.505.106	83.997.345
	Social security contributions	120.540	191.806	245.947	236.606	154.565	173.878	161.432	1.284.774
12	Nontax revenues	3.417.275	5.276.366	4.280.377	3.798.730	6.150.526	4.098.659	4.373.250	31.395.183
13	Grants	**1.312.423**	**325.106**	**284.939**	**228.737**	**278.788**	**1.194.535**	**946.444**	**4.570.973**
14	Other revenue	0	40.546	4.488	33.272	113.195	754.709	135.584	1.081.794
2	**Expenditures** (21+22+23**)**	**13.998.197**	**15.674.326**	**18.751.883**	**16.805.862**	**20.685.887**	**21.764.777**	**19.617.863**	**127.298.795**
21	Current expenditures	**13.998.197**	**15.674.326**	**18.751.883**	**16.805.862**	**20.685.887**	**21.764.777**	**19.617.863**	**127.298.795**
	Wages and compensations	8.263.364	8.347.086	7.911.603	10.467.549	9.721.363	9.952.051	11.795.197	66.458.213
	of which: gross wages	6.576.433	6.658.022	6.249.239	7.941.948	7.779.896	7.764.703	7.630.443	50.600.683
	of which: compensations	1.686.931	1.689.064	1.662.364	2.525.602	1.941.467	2.187.349	4.164.754	15.857.530
	Other taxes and contributions	786.844	782.321	644.532	1.026.299	933.022	922.044	904.224	5.999.285
	Purchases of goods and services	1.707.121	1.843.072	2.780.713	2.146.228	2.622.818	3.441.078	2.036.113	16.577.142
	Grants	2.947.263	4.014.138	6.082.749	2.900.514	6.781.124	5.986.707	4.265.038	32.977.533
	Interest payments	116.061	18.177	27.185	20.370	19.627	18.751	111.928	332.099
	Other expenditures	177.544	669.533	1.305.102	244.901	607.934	1.444.147	505.362	4.954.523
22	Net lending *	0	0	0	0	0	0	0	0
3	**Net acquisition on nonfinancial assets**	**624.855**	**1.203.143**	**775.161**	**981.352**	**1.188.369**	**1.725.086**	**2.686.328**	**9.184.294**
4	**Gov. surplus (+)/ deficit(-)** (1-2-3)	**6.764.496**	**2.298.852**	**1.710.008**	**2.593.113**	**1.416.040**	**-682.552**	**887.419**	**14.987.376**
5	**Net financing****	**-204.256**	**228.268**	**35.134**	**-21.849**	**351.331**	**-22.018**	**-191.545**	**175.064**

Table 4.