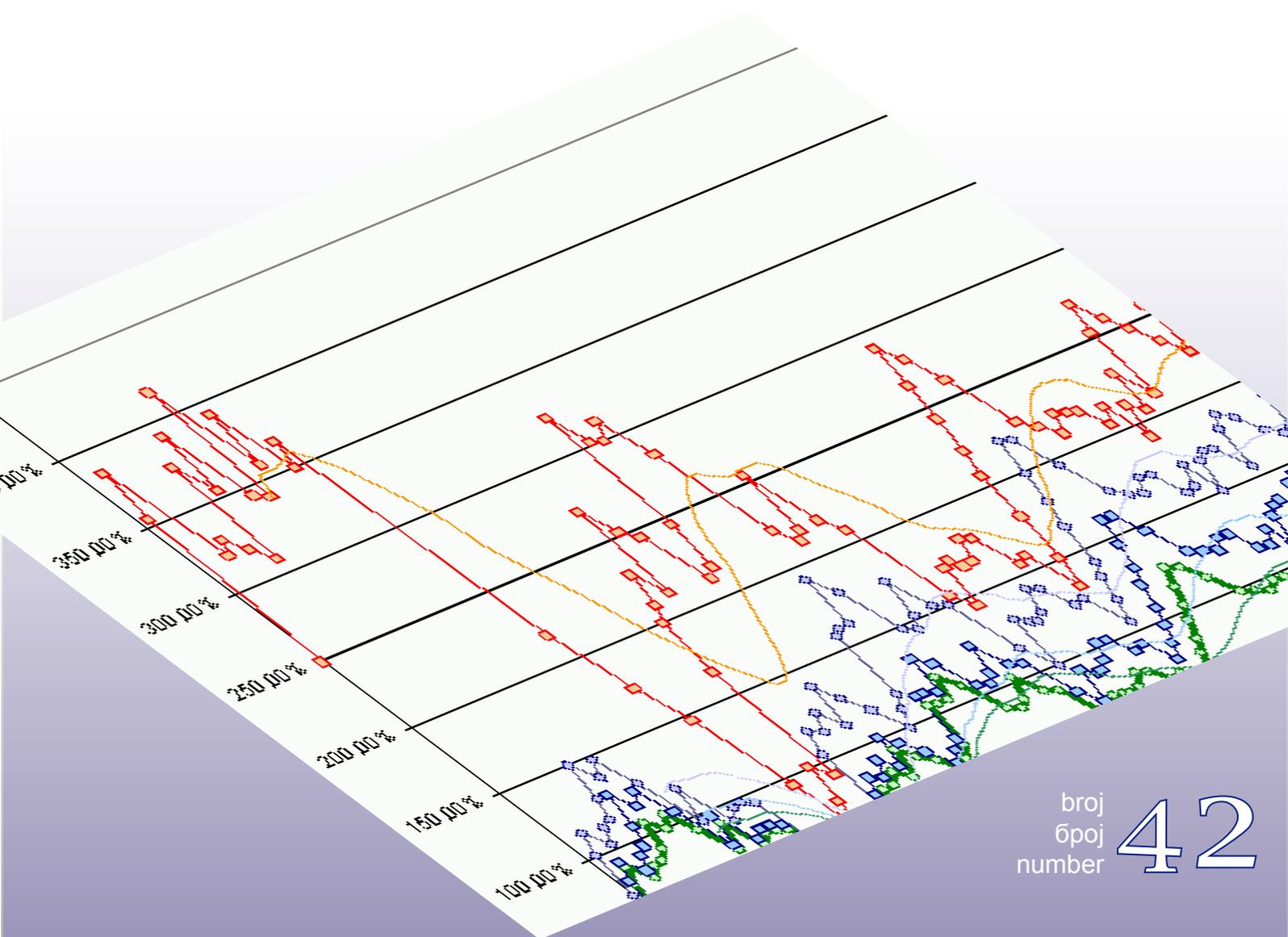




Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Oma Bilten



broj
број
number **42**

With this issue

Collection of fiscal revenues sufficient for financing public goods and services traditionally represents primary goal of taxation in every country. New millennium has brought, at least when it comes to excise, a change of focus of taxation. Fiscal aspect of the taxation is placed in second plan while primary goal of national governments and EU becomes the protection of health of people and environment. In this way, principle is implemented so that the ones who pollute environment or put health of people in danger pay and not entire society through spending the budgets of member states on fixing externalities or spending social and health funds, which are insufficient due to financing demographic ageing of EU population. For longer period of time now, attention of business community and public in Bosnia and Herzegovina has been focused on change of the Law on excise. Recently the ITA Governing Board adopted a draft Law on excise, by which the European standards are introduced gradually. We should bear in mind that harmonization of excise in BiH with minimal excise rates in EU requires longer period of time and careful balancing of consequences of increasing excise rates for macroeconomic and social system in BiH. In one hand, having in mind that BiH is in time gap when it comes to issues of European integrations and experience with bad planning in dynamics of opening the chapter "taxation" from *Acquis* in Croatia, it is necessary for BiH to start with the process of harmonization of standards in EU now. In this issue, we continue with an analysis of development and proposal for improvement of tobacco taxation in the EU, effects of harmonization process in selected state members, with a review of current excise taxation in BiH.

In accordance with dynamics of data collection for the reporting units, we have a chance to publish consolidated report for ten months of 2008, which includes budget execution of BiH institutions, budget of BiH Federation, Republika Srpska, Brčko District and cantons for aforementioned period.

Dinka Antić, PhD

Head of Unit

Contemporary developments of cigarettes` taxation policy in EU

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Collection of indirect taxes: January – November 2008

(Author: Dinka Antić, PhD)

For eleven months of 2008, Indirect Taxation Authority collected net amount of 4,536 billion KM of indirect taxes after deduction of VAT refunds and other indirect taxes. This is 7,40% higher than in the same period of 2007. ITA collected additional 21,330 million KM that remained as unadjusted on November 30th, 2008¹. 94% of the plan for the collection of indirect taxes for ten months was completed (Chart 1).

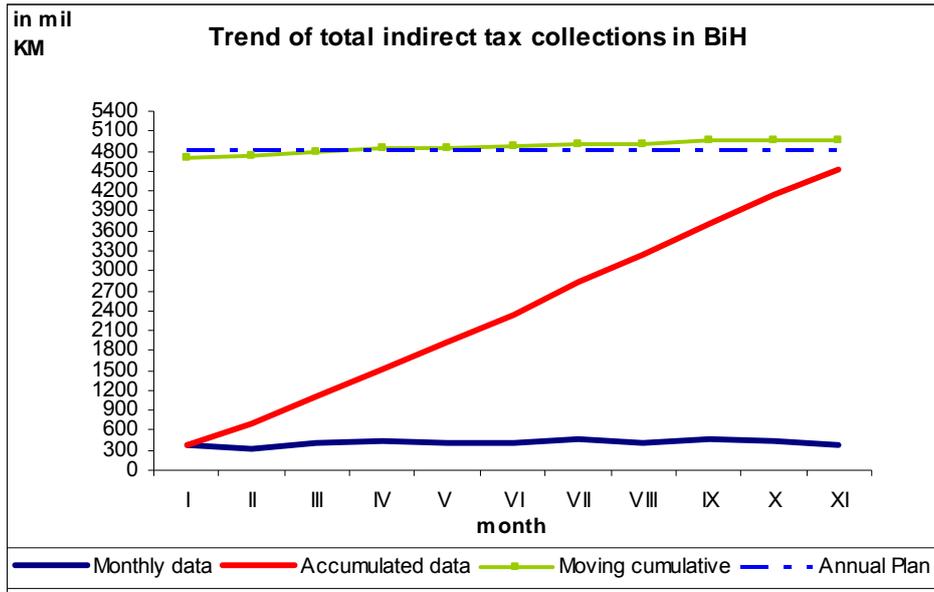


Chart 1

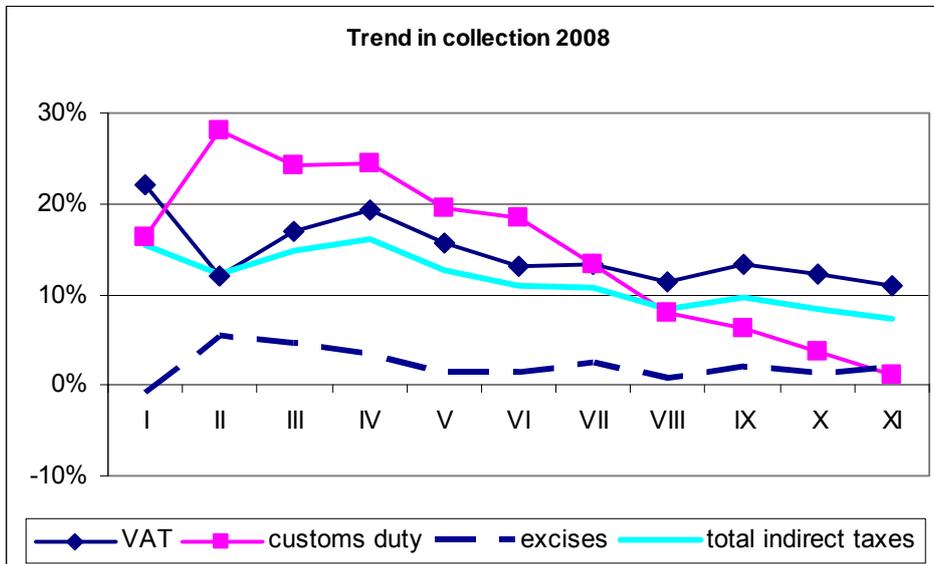


Chart 2

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)

In the period of eleven months of 2008, there was increase in the collection of indirect taxes compared to the same period in 2007 thanks to trends in the first six months. However, observation of trends of cumulative of collected revenues, there was decreasing trend in collection of all indirect taxes in the second six months (Chart 2).

Collection of VAT was at the level of collection from November 2007. It is the signal that financial problems, which jeopardized business operations of companies in other countries and led to world recession in fourth quarter of 2008 are slowly being transferred to domestic market (Chart 3).

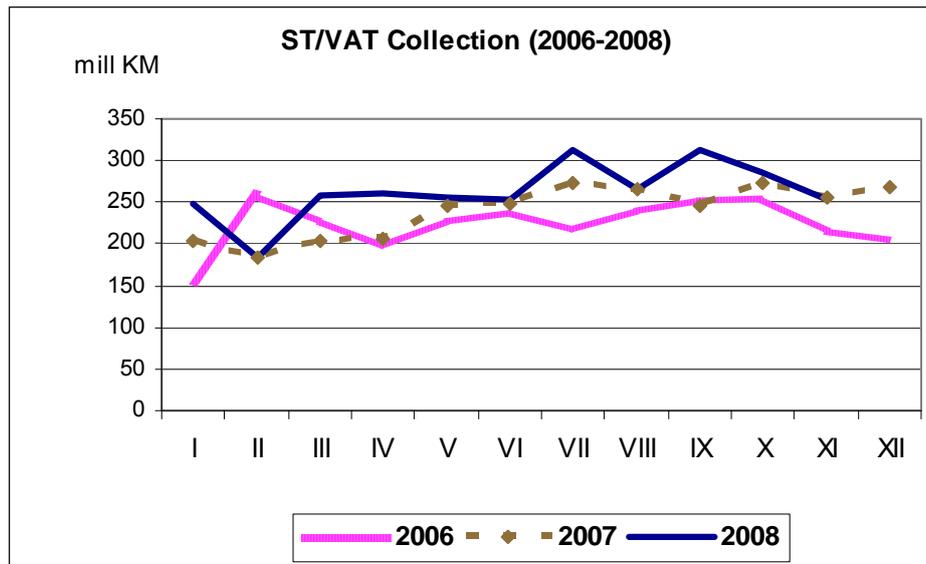


Chart 3

Collection of revenues from excise slightly increased in November compared to October primarily due to better collection of duties on imported tobacco products. Comparison of trends from September show slowdown in collection of excise on oil derivatives including road fees, which represents a signal for decrease of demand in the country.

	I-IX 2008	I-X 2008	I-XI 2008
Oil derivatives	2.32%	1.49%	0.93%
Tobacco	3.26%	2.93%	4.63%
Imported tobacco products	7.67%	6.76%	9.09%
Domestic tobacco products	-4.66%	-4.09%	-3.46%
Coffee	-3.43%	-4.50%	-5.11%
Alcohol, beer, soft drinks	-3.11%	-3.45%	-3.08%
Total excise	1.88%	1.30%	1.69%
Road fees	1.43%	0.90%	0.54%

***** New book *****

“Macroeconomic stability and fiscal federalism in Bosnia and Herzegovina”

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publisher:

FIRCON d.o.o., Mostar

350 pages
250x210 mm, hardcover

Orders:

FIRCON d.o.o.
Kneza Višeslava 77a
88000 Mostar
tel/fax: 036/333-065
e-mail: rif-hb@tel.net.ba
www.fircon.biz

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Contemporary developments of cigarettes` taxation policy in EU

(author: Aleksandar Eskic, Macroeconomist within the Unit)

INTRODUCTION

The discussion on the architecture of the European tax system, which had been started again in 1985 resulting with the White Paper on establishing the single European market, lasts even today. It is about the very first proposal by the **European Commission** about **full harmonization** of excise duties applied on manufactured tobacco. Despite that, **European Council** had decided not to adopt this approach and so the harmonization has been applied in the field of taxation structure and minimum rates.

European Commission has published several reports thus far, out of which the third one is of special interest for us. This report, introduced in March 2001, was accompanied with the Directive proposal which included significant changes. For cigarettes, the Commission proposed minimum excise of 70 EUR per 1000 cigarettes, additionally on existing minimum of 57% in order to level tax duties between member countries. The Commission`s proposal covers the taxation of fine cut tobacco which will be in line with cigarettes in order to improve competition. The proposal was adopted by the Council as a Directive 2002/10/EC. Nevertheless, the Council agreed on 64 EUR as minimum duty, and did not support equalization of cigarettes and fine cut tobacco taxation.

CONSUMPTION OF CIGARETTES IN EU FOR THE PERIOD 2002 – 2004

In order to get a sense about the efficiency of undertaken measures and functioning of cigarettes` market in general, European Commission conducted a study which deals with consumption of cigarettes for the period 2002 – 2004.

The main conclusions arising from this study are as follows:

- The weighted average of quantities of cigarettes released in the EU-25 decreased from 2002 to 2004 by 10%. This is due to a decrease in consumption, to an increase in circumvention and a switch to other tobacco products. During the same period the EU-25 average tax inclusive retail selling price (TIRSP) for cigarettes increased by 12%.
- The total circumvention in 2004 is estimated at approximately 13% of the EU-25 tobacco market whereby 4% to 5% consists of legitimate circumvention and 8% to 9% illegitimate circumvention. The market share of circumvention for the period 2002-2004 has increased sharply (+5%) in certain Member States.
- In various Member States, fine-cut tobacco has been partly the beneficiary of cigarettes price increases, which widening are even further the existing price gap between both tobacco products (substitution-effect). It increased in quantity, from 2002 to 2004, by 20%. In 2004, the average TIRSP of cigarettes was 2,37 higher than the average TIRSP of fine-cut tobacco (12 selected Member States only).
- The market share of cheap cigarettes soared in a majority of Member States during the period 2002-2004 triggering less tax revenue and/or mitigating the downward effect of tax hikes on the consumption of cigarettes. A combination of both minimum excise duty rates and a (more) specific excise duty structure (as opposed to ad valorem taxes) seems an efficient tool in order to tackle the increasing market share of cheap cigarettes.
- **On average the EU pre-tax price is equal to 28,61% of the TIRSP** for cigarettes. However, it is remarkable that expressed in EUR, pre-tax prices range between Member States from 15 EUR to 75 EUR/1000 – a fivefold difference.
- As concerns the structure of excise duties on cigarettes, this study raises questions as to the desirability of maintaining the "most popular price category" (MPPC) as a reference point to set EU requirements on the calculation of excise duties.

- As concerns the new Member States (**EU-10**) the total **quantity of cigarettes** released for consumption **decreased by 7%**. However, **total duties collected increased by 17% between 2002 and 2004**. This was due to the alignment of excise duties to the EU minimum requirements, resulting in an **increase of the average TIRSP by 23%**. Nevertheless, it should be noted that the new Member States which have been granted transitional periods have still a long way to go to reach the EU minimum excise duty and that in certain new Member States cigarettes are still relatively cheap measured in local purchasing power. However, illegitimate circumvention is soaring due to, inter alia, the widening price gap between the new Member States and their neighbouring third countries which renders bootlegging and smuggling more profitable to the fraudsters.
- Finally, two types of scenarios for possible changes in EC legislation were examined, comprising on the one hand changes in excise duty minimum rates and on the other hand in the structures. *An increase of the specific excise duties by 10% and a scenario that sets all duties to specific duties would entail a narrowing of price differences at EU level by an average of 2,5% and 50%, respectively. When setting the specific excise duty at 50% of the total excise duties, a narrowing of the price gap by 45% in Member States favouring an ad valorem excise duty structure and a widening of the price gap by 20% to 60% in Member States favouring a specific excise duty structure would occur.*

DESCRIPTION OF THE EXCISE DUTY STRUCTURE ON TOBACCO PRODUCTS

Minimum excise duty 60 EUR per 1.000 cigarettes (MPPC only)

Council Directive 92/79/EEC states that each Member State shall apply an overall minimum excise duty which shall not be less than 60 EUR (64 EUR as from 1 July 2006) per 1.000 cigarettes of the MPPC. Specific excise duties guarantee tax revenue independent of industry price strategies. By the end of 2004, all EU-15 and Cyprus and Malta, reached the overall minimum excise duty of 60 EUR per 1.000 cigarettes.

Minimum excise duty per 1.000 cigarettes (price categories lower than MPPC)

Council Directive 95/59/EC states that Member States may levy a minimum excise duty on cigarettes sold at a price lower than the MPPC provided that such excise duty does not exceed the amount of the excise duty levied on the MPPC. Although this minimum excise duty may be regarded as a specific excise duty component, its calculation depends on the MPPC and, therefore, may depend on industry price strategies. By the end of 2004, 15 Member States levied a minimum excise duty on cigarettes. 7 Member States introduced a minimum excise duty during the period 2002-2004.

Minimum incidence rule of 57% of the tax inclusive retail selling price (TIRSP)

Council Directive 92/79/EEC states that each Member State shall apply an overall minimum excise duty, the incidence of which shall be set at 57% of the TIRSP. Further, Member States which levy an overall minimum excise duty of at least 95 EUR per 1.000 cigarettes for cigarettes of the MPPC do not need to comply with the 57% minimum incidence requirement (currently Sweden and Denmark).

QUANTITIES RELEASED FOR CONSUMPTION AND DUTIES COLLECTED

Weighted average tax inclusive retail selling price (TIRSP)

The EU weighted average TIRSP expressed in EUR for cigarettes increased by 12% (taking into account fluctuation exchange rates) between 2002 and 2004. The weighted average TIRSP expressed in EUR for cigarettes with respect to the EU-15 increased by 9%. The weighted average TIRSP expressed in EUR for cigarettes with respect to the new Member States increased by 23%.

Factors influencing weighted average retail selling price

On the one hand the fact that the weighted average TIRSP expressed in national currency decreased or hardly increased (<10%) in certain Member States, may be attributed to a decrease of the excise duty rates (Denmark); a status quo of the excise duty rates (Sweden and Finland), a minor increase of the excise duty rates (Austria, the Czech Republic, Greece, Portugal, Spain and the United Kingdom) or the introduction of cheap brands or significant increase of the market share of cheap brands (Denmark, Finland, Greece).

On the other hand the fact that the weighted average TIRSP expressed in national currency increased dramatically (> 25%) in certain Member States, is due to excise duty hikes (Estonia, France, Hungary, Lithuania, Malta, Slovakia and Slovenia).

Weighted average of total quantity of cigarettes released for consumption

The EU weighted average of the total quantity of cigarettes released for consumption decreased by 10% between 2002 and 2004. The weighted average of the total quantity of cigarettes released for consumption with respect to the EU-15 decreased by 11%. The weighted average of the total quantity of cigarettes released for consumption with respect to the new Member States decreased by 7%.

Factors influencing weighted average quantities

The figures show a steady but slow decline in the consumption of cigarettes at EU level. However, in a number of Member States the quantities released for consumption have either increased or decreased spectacularly (> 20%). On the one hand, the fact that the total quantities released for consumption increased in certain Member States can be explained by a decrease of the excise duty rates (Denmark), a status quo of the excise duty rates (Finland), a minor increase of the excise duty rates (The Czech Republic, Greece, Portugal and Spain), the introduction of or significant increase of the market share of cheap brands (Denmark, Finland and Greece) or a steady increase of the excise duty rates stimulating cross-border sales (Luxembourg).

On the other hand, the fact that the total quantities released for consumption decreased dramatically (> 20%) in certain Member States is due to excise duty hikes (France, Germany, Hungary and Lithuania), an increase of the excise duty rates in combination with a high TIRSP (Ireland).

Weighted average of total duties collected

The EU weighted average of the total duties collected increased by 1% between 2002 and 2004. The weighted average of the total duties collected with respect to the EU-15 remained unchanged. The weighted average of the total duties collected with respect to most new Member States increased by 17%.

It follows that regardless of the volume drop triggered by tax hikes and/or increase of the circumvented market share, most of the new Member States did not suffer lower tax revenues during the period 2002-2004.

Factors influencing weighted average total duties

From above mentioned causal relations, it follows that increase of tax duty does not necessarily result with the higher income (Germany, Hungary, Ireland and UK). Anyhow, member states that define higher tax rate aiming to decrease tobacco consumption should anticipate less income.

PRE-TAX PRICE AND TOTAL TAX BURDEN

The EU average total tax burden equals 71,39% of the TIRSP. France has the highest tax burden amongst the Member States amounting to 80,39% of the TIRSP due to the fact that the total excise burden was set in 2004 at 64% of the TIRSP.

Furthermore, comparing the purchasing power standard of each Member State with the average TIRSP shows in which Member States cigarettes are relatively expensive and in which they are relatively cheap. Again there are substantial differences between the Member States. Particularly in certain new Member States (e.g. the Czech Republic) cigarettes are relatively cheap measured in local purchasing power. This leaves margin for increasing the TIRSP via excise duties.

THE MOST POPULAR PRICE CATEGORY (MPPC)

The MPPC stands for the price category most in demand according to data established as at 1 January of each year. The MPPC is the benchmark for Member States whether they comply with the EC requirements (see above) as the assessment of the minimum excise duty is based on the MPPC. The MPPC has received a lot of criticism over the years and suggestions have been made to abandon the concept:

- The average **market share of the MPPC in 2004 was only 36%**. The average market share of the MPPC with respect to the period 2002-2004 decreased by 2%
- When collecting data for this study, it was clear that various Member States calculate the MPPC in a different way.
- Further, the MPPC can fluctuate during one year due to changes in tax components, price structure, external components, etc,
- In some Member States the MPPC falls within a low price category while in other Member States it falls within a high price category.
- It has been noticed that in most cases the MPPC and the weighted average TIRSP are falling within the same price scope while substantial differences occasionally exist.
- In certain new Member States, the MPPC has been replaced (Poland 2004) or represents only a low market share (Slovakia 2004: 14%) which makes the MPPC as a reference point unpredictable. Moreover, in certain new Member States (Estonia, Poland and Slovakia) the MPPC is challenged by a rapidly increasing market share of cheap cigarettes. It follows that the excise duty policy of Member States, which is primarily based on the MPPC, may depend on industry price strategies.

Consequently, it is questionable whether it is desirable to maintain the MPPC as a reference point to set EU requirements on the calculation of excise duties. However, if the MPPC is to be retained, a clear definition should be given in order to ensure a uniform application in all Member States. Abolishing the MPPC as a reference point would mean that EU minimum duties apply to all cigarettes. .

A NEW PROPOSAL IN THE TAXATION SYSTEM OF TOBACCO PRODUCTS

The European Commission presented a Report and a proposal for a Directive to amend the current EU excise duty legislation on tobacco in the mid 2008. 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. Today's 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.

The policy objectives are the following:

- to ensure the smooth operation of the single market , narrow the differences in price levels of tobacco products and to ensure stability of budgetary resources for Member States,
- to contribute to the Community objectives of creating a high level of health protection,
- to modernise the current arrangements and create a level playing field for producers, importers and retailers,
- to give more flexibility to Member States to set minimum taxes.

Excise duties levied on cigarettes must fulfill the following conditions:

- They must **include a proportional component**, calculated on the basis of the maximum retail selling price, and a **specific component**, levied on each unit of the product.
- They must account for at least 57% of the retail selling price, inclusive of all taxes, and be at least €64 per 1000 cigarettes for the cigarettes belonging to the most popular price category (MPPC).
- The specific component of excise duty must not represent less than 5% or more than 55% of the amount of the total tax burden on cigarettes falling in the MPPC.
- In addition, Member States may levy a minimum excise tax but this may not be more than 100% of the total excise on the MPPC.

However there are also a number of derogations and transitional periods:

- Member States which levy an excise duty of at least €101 per 1000 cigarettes for cigarettes of the MPPC do not need to comply with the 57% rule. This "escape clause" is needed to ensure that the higher-taxing Member States do not have to constantly raise the excise duty in order to comply with the 57% rule.
- Under their Acts of Accession, a number of new Member States were granted derogations to postpone the application of the minimum excise duties for periods

The proposal contains two main elements:

- With a view to more transparency of the arrangements and in order to create a level playing field across the tobacco sector, the MPPC (the most popular price category) should be replaced by weighted average prices (WAP) as a reference point for EU minimum requirements. In order to underscore health objectives it should be combined with a monetary minimum applicable to all cigarettes
- From a health perspective an increase in the minimum duties over the next five years to €90 on all cigarettes and 63% on WAP would probably contribute to a 10% decrease in demand. In addition, the Commission proposes to give more flexibility to Member States to fix the structures of excises duties as they wish

This proposal will contribute to creating a high level of health protection in several ways:

- it will increase taxes on cigarettes and reduce cigarette consumption; the proposal aims to contribute to a 10% reduction in cigarette consumption over the coming 5 years;
- it will make it easier for Member States to ensure a minimum price level for cigarettes and to tackle in particular the very cheap cigarettes on the markets.
- it will also increase taxes on other tobacco products which are substitutes for cigarettes; in this way it avoids substitution of cigarettes by other products which are equally harmful for health.

The new proposal contributes to ensuring convergence between member states on cigarette prices. The increase in the minimum duties to €90 on all cigarettes and 63% on WAP will decrease the gap between the cheapest and most expensive cigarettes in the EU.

According to the impact assessment which is based on figures of 2006, the direct impact of the proposal on price and demand would be as follows (assuming that all Member States have reached the current minimum levels including those which were granted transitional periods till 2009):

Price increase – demand decrease:

Latvia (28.9% - 12.4%)

Lithuania (32.9% - 14.1%)

Slovakia (35.8% - 15.4%)

Record price increase – record demand decrease:

Poland – 46.8% - 20.1%

Bulgaria – 36.0% - 15.5%

A combination of a €90 on all cigarettes and a 63% on WAP would mean on average a probable 10% reduction in demand in the 22 affected Member States.

The Commission proposes to widen the band from 5-55% to 10- 75% of the total tax burden. This system would provide the Member States with more flexibility to determine freely the relative weight of both excise elements, taking into account the characteristics of their national market for cigarettes.

Table 1: Comparative overview of excise duty structures

	Bulgaria	Italy
Specific Excise (1000 pieces) - EUR	18.92	6.58
As % of TRISP	29.89%	3.76%
As % of Total taxation (specific + ad valorem + VAT)	36.65%	5.00%
Ad Valorem Excise (as % of TRISP)	35.00%	54.74%
VAT % (as % of TRISP)	16.67%	16.67%
Ad Valorem Excise + VAT (as % of TRISP)	51.67%	71.41%
Total Tax (incl VAT) (as % of TRISP)	81.56%	75.17%
Current MPPC per 1000 cigarettes	63.29	175
Excise yield (EUR per 1000 cigarettes)	41.07	102.38
Minimum excise duty pursuant to Article 16(5) Dir. 95/59 EUR/1000 cig.		102.38
Overall minimum Excise Duty as % of TRISP (specific + ad valorem + excl. VAT)	64.89%	58.50%

CIGARETTES IN THE TAX SYSTEM IN SLOVENIA

The custom rate is 57,6% calculated on declared value of imported cigarettes. VAT is 20%. Every 6 months the Government publishes a piece of legislation on determining the excise duty on cigarettes. The excise duty is determined based on Most Popular Price Category. Twice a year the Government defines both specific and proportional excise duty as well as the MPPC which relates to the European legislation. On 1st of January, 2007 MPPC was 2 EUR and specific component was 15.0576 EUR per 1000 cigarettes, and proportional component was 43.4732% of the retail price. For cigarettes (packs) that belong to 1.73 EUR or less price categories, total excise duty was 52.7365 EUR per 1000 cigarettes. On 1st of July, 2007 MPPC was 2.20 EUR and specific component was 16.4667 EUR whereas proportional component was 43.2121%. For cigarettes that belong to 1.90 EUR or less price categories, the total excise duty is 57.60 EUR.

Table 2: Price structure of imported cigarettes in Slovenia

Price in EUR	VAT	Specific excise	Ad valorem excise	Total excise	Customs value	Customs
2.50	0.41666	0.32933	1.08030	1.41	0.42725	0.24609
	16.67%	13.17%	43.21%	56.39%	17.09%	9.84%
2.20	0.36666	0.32933	0.95066	1.28	0.35111	0.20222
	16.67%	14.97%	43.21%	58.18%	15.96%	9.19%
1.90	0.31666	1.152	0	1.152	0.27369	0.15765
	16.67%	60.63%	0%	60.63%	14.40%	8.30%
1.70	0.28333	1.152	0	1.152	0.16794	0.09673
	16.67%	67.76%	0%	67.76%	9.88%	5.69%

Using the ratio analysis we can withdraw several important conclusions; in the upper part of the table the TIRSP of cigarettes from 2.50 EUR price category is 14% higher in comparison with cigarettes at price 2.20 EUR while the size of trading element is 22% higher. The situation in the lower part of the table is even more drastic. While the TIRSP from 1.90 EUR category is for 12% higher in comparison with the one from 1.70 EUR, the trading element is 63% higher at the same time.

CIGARETTES IN THE TAX SYSTEM IN IRELAND

Three domestic tobacco companies cover around 99% of the domestic market. Excise duty on cigarettes consists of specific and proportional component. The practice in Ireland is to have specific component as higher as possible and at the moment it is 108.19 EUR whereas proportional element is 18.73%. At the same time, specific component can not be less than 5% and higher than 55% of total tax burden. Above mentioned makes that share of total tax duty is decreasing with the price increase and that leads to narrowing the price difference and make revenue from this source relatively more stable.

Table 3: Overview of the price structure of cigarettes from two price categories in Ireland

Price in EUR	VAT	Specific excise	Ad valorem excise	Trading element
4.56	0.79	2.16	0.85	0.76
	21%	47.37%	18.73%	16.67%
5.21	0.90	2.16	0.98	1.17
	21%	41.46%	18.73%	22.46%

Results of the ratio analysis tell us that the retail price from higher price category is 14% higher while the trading element is 54% higher.

Table 4: Size of specific component by countries

Country	Specific component as % of total tax
Ireland	54.52
UK	54.13
Portugal	51.43
Germany	48.83
Austria	19.50
Sweden	15.27
Greece	5.00
France	5.00
Average value	26.93

It could be seen from the table that Ireland, UK, Portugal and Germany prefer more higher values of specific components while Greece and France belong to the group of countries with the lowest specific component.

Table 5: Overview of the amount of total and the size of MPC by selected countries

Country	MPPC	Total excise
UK	7.01	4.60
Ireland	5.16	3.13
Denmark	4.03	2.49
Sweden	3.85	1.92
Finland	4.00	2.30
France	3.85	1.92
Germany	3.60	2.12
Austria	2.82	1.60
Greece	2.69	1.51
Italia	2.08	1.61
Spain	1.95	1.22
Average	3.30	1.98

CIGARETTES IN THE TAX SYSTEM IN BOSNIA AND HERZEGOVINA

According to the existing law which defines excises on tobacco and tobacco products in Bosnia and Herzegovina, tax base is defined with retail price excluding the VAT. Excise duty is 49% that calculates on the tax base defined by the law. Recalculated excise rate is 41.88% on retail price including VAT. Customs rate on imported cigarettes is 15% of declared value. From 1st January, 2009 customs rate on cigarettes originates from EU will be 12%, from CEFTA countries 0% with the exception of Albania where the will be maintained on 15%, whereas with Turkey the rate will be 0%.

Table 6: Prices of imported and domestic cigarettes in BiH by 2009 (customs 15%)

Price in KM	VAT	Specific excise	Ad valorem excise	Total excise	Declared value	Customs
3.10	0.45043	0	1.29829	1.29829	1.17503	0.17625
	14.53%	0%	41.88%	41.88%	37.91%	5.69%
2.00	0.29059	0	0.83760	0.83760	0.75810	0.11371
	14.53%	0%	41.88%	41.88%	37.91%	5.69%
1.70	0.24700	0	0.71196	0.71196	0.74104	
	14.53%	0%	41.88%	41.88%	43.59%	
1.20	0.17436	0	0.50256	0.50256	0.52308	
	14.53%	0%	41.88%	41.88%	43.59%	

We want to remind you that the customs rate on cigarettes was 16% before BiH signed the SAA with the EU. It means the manufacturers and distributors got more maneuver space in a very short period of time. Exactly thanks to such a treatment of tobacco products, they were given the possibility to absorb all the shocks that were coming from the outside lately, and did not change prices of cigarettes. From the above table we can see that for the cigarettes from the 3.10 KM price category it means around 3% whereas for the 2.00 KM cigarettes price category it makes colossal 15%.

Table 7: Prices of imported and domestic cigarettes from 2009 (EU 0%, CEFTA 12%)

Price in KM	VAT	Specific excise	Ad valorem excise	Total excise	Declared value	Customs
3.10 ²	0.45043	0	1.29829	1.29829	1.20650	0.14478
	14.53%	0%	41.88%	41.88%	38.92%	4.67%
2.00 ³	0.29059	0	0.83760	0.83760	0.87181	
	14.53%	0%	41.88%	41.88%	43.59%	

² Pod cigaretama iz cjenovnog razreda 3.10 KM prvenstveno smo imali u vidu cigarete `Marlboro` iz Krakowa, Poljska.

³ Pod cigaretama iz cjenovnog razreda 2.00 KM mislimo na cigarete `Ronhil` iz Rovinja, Hrvatska.

In BiH cigarettes that are most in demand belong to 1.20 KM price category. It's market share is 25.8% for 2008. They are followed by the cigarettes from 2.00 KM price category. If the actual Draft of the Excise Law is to be adopted which understands introducing specific component on excise duty, the existing gap which is 66.7% today, in terms of retail prices is going to be narrower. And if we add up the expressed tendency of increased consumption of cigarettes from higher price categories, we can conclude that the next period for domestic manufacturers will be challenging. Here we must say that possible introduction of multiple excise duty rates is in collision with the Article 35. of SAA which forbids fiscal discrimination of any kind, and which says: 'the Community and BiH will remove any measure or practice of fiscal nature where exist that leads, directly or indirectly, to discrimination between products on the one side and similar products originates from the other side'.

Supporting the practice of defining the minimum price policy in order to protect domestic manufacturers from importing dumping has been qualified in several case thus far as increased state's involvement and regulation of the market where the position on the market should be defined through internal economy and consumer's preferences. European Court of Justice has been dealt with some cases of this nature and decided that imposing the minimum retail price of cigarettes is not in accordance with legal heritage of the EU because it limits the freedom of manufacturers as well as importers to define more competitive retail price. These Court's decisions represent laws, case laws, and are mandatory for all member countries, yet for BiH are just useful directives for performing the harmonization excise duty rates policy.

With all the understing for difficult position of domestic tobacco manufacturers, the solution of these accumulated problems and justification of expressed deviations should be searched for outside the fiscal arena. Policy of excise duty on cigarettes as well as policy on excise duty on alcohol, can not be discussed from the standpoint of possible hit on standard of most vulnerable category of population (which can be a valid argument only when discussing excise duty on fuel and energy). Quite contrary, higher excise rates on cigarettes in EU are justified with the final goal and that is to discourage tobacco consumption and to ease negative social and health consequences (addictions and harmful consequences for health and environment which leads to a need for higher expenditures for these purposes). Fiscal goals when taxing tobacco are not at the first place any more in the EU. For that reason revenue from this source in old member countries, measured as ratio to GDP, is twice as much smaller than in BiH.

The path to Europe does not have alternative and requires following the european rules and standards. That is why we think that all changes of existing legislation should be done in accordance with EU's legal heritage, and not with inadequate practices of other countries.

CONCLUSION

We saw that the average retail price of cigarettes before taxes in the EU is 28.61% of TIRSP. Also, we saw that the pre-tax price ranges from 15 EUR to 75 EUR per 1000 cigarettes between member countries. In BiH the reality is much different. The price before taxes ranges is around 40% of TIRSP while the pre-tax price goes from 10 to 30 EUR. Also it should not be forgotten that the value of MPPC in Ireland is 5.16 EUR, in Germany 3.60 EUR, in Slovenia 2.20 EUR while in BiH it is 0.61 EUR. At the end, two scenarios are feasible basically when talking about the changing the existing legislation; on one side change of minimum excise duty rates and, on the other side, change of its structures. When estimating fiscal effects we should not neglect the fact that the price increase means consumption decrease. That leads us to a conclusion that basic goals of state should be reshaped. Lately it could be heard the health care as the primary goal in the EU. In next edition we will introduce that aspect too and finalize the analysis of taxing tobacco topic, with special focus on EU.

New tax regulations in Republika Srpska

(Author: Dinka Antić, PhD)

Harmonization with the standards of EU and other western countries in the field of direct taxes requires transfer from net to gross principle on contracting a wage. In addition to taxation of income, which mainly comes from wage, this also requires redefining rates for wage contributions. After only two years since it was passed, Republika Srpska recently ammended the Law on Income Tax and Law on Wage Contributions, which specify taxation of gross wage. This was also a chance to correct these two laws in other segments. Changes of these laws went into force on January 1st, 2009. In comparison with regulations in F BiH, we can notice significant harmonization in income taxation except for the rate, which is lower in RS. However, to make assesment of full tax burden of labor, burden of wage contributions has to be also considered. Reduction of income tax rate will be compensated with lower increase of contributions introduced by claculation on gross wage. Apart from that, inclusion of certain categories of taxpayers will expand base for claculation of contributions, which increases tax burden measured as % of GDP.

Changes of the Law on Income Tax

Tax base – Prior to passing the Law, it was necessary to calculate tax basse for each type of income. With these changes of the Law, tax base is calculated on cumulative base as a difference of total taxable income and total deductions related to income generation.

General deductions – Changes introduce annual personal deduction in the amount of KM 3,600. In addition, every taxpayer may deduct the following:

- 30% of annual personal deduction for each family dependent;
- Interest paid on housing loans;
- Paid voluntary pension insurance of 1,200 per year.

Family dependents are the ones whose annual income does not exceed KM 3,600.

Income from indepent activity – In accordance with a decision to use gross wage principle, income from independent activity includes gross wage and all other income received from employer. Contributions are deducted from income.

Rate – Provisions of the Law on Income Tax that are not out of force regulated scale of tax rates of 10% and 15% and non taxable trashhold⁴. Changes of the Law introduce a single rate of 8%.

Changes of the Law on Contributions

In accordance with regulations of Republika Srpska, the base of taxpyaers is expanded to include employees of BiH institutions with RS residence, priests, receipters of pensions and other income from pension-disability insurance, persons who are receiving unemployment allowance etc. Further more, changes also include different categories of persons for whom pension and health insurance is paid mandatory or as one of insurances.

In accordance with new definition of wage, social contributions are calculated on gross wage, which includes net amount paid to employee, income tax and contributions. For certain categories of taxpayers, base for contributions is determined as percentage of average gross wage paid in RS in previous month based on data of RS Statistical Institute.

From Janaury 1st, 2009, the following contributions rates will apply:

- For pension insurance 17%

⁴ More information on this is in the Bulletin 16, November 2006

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- For health insurance 11,5%
- For unemployment insurance 0,7%
- For child allowance 1,4%.

Something new is also regulation of payment of health contributions on paid pensions in the amount of 3,75%.

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

Table 3. (Consolidated reports: Cantons)

1. Consolidated report includes:

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

BiH: entiteti i JR, I-X, 2008. g.

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	Q1	Q2	Q3	Q4	Ukupno
1 Current Revenues	411,9	381,9	482,2	490,3	457,4	476,0	559,7	490,6	520,1	502,8	430,2	1276,0	1423,7	1570,4	933,0	5203,0
11 Taxes	386,5	354,6	444,9	465,0	437,4	432,8	502,5	441,3	489,5	464,9	409,3	1186,0	1335,3	1433,3	874,2	4828,7
111 Indirect taxes	370,2	325,0	405,8	424,6	415,1	409,4	479,2	419,2	468,0	442,6	390,4	1101,0	1249,1	1366,3	833,1	4549,5
VAT	247,3	183,8	257,3	260,5	256,9	253,7	311,8	266,2	313,2	284,6	252,7	688,5	771,1	891,2	537,3	2888,2
Vat on imports	149,5	200,9	217,0	234,0	222,7	228,6	246,4	228,2	249,5	250,6	201,8	567,4	685,3	724,1	452,4	2429,1
VAT from VAT returns	128,9	100,4	94,8	100,0	102,4	109,4	124,0	125,1	128,2	127,2	123,0	324,0	311,7	377,2	250,2	1263,2
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	0,2	0,1	0,1	0,2	0,2	0,6
One-off VAR payments	0,3	0,1	0,2	0,1	0,1	0,1	0,1	0,0	0,4	0,1	0,1	0,6	0,2	0,5	0,2	1,6
Other	1,2	1,1	1,0	1,1	1,9	0,9	1,2	1,1	0,8	1,3	1,2	3,3	3,9	3,1	2,5	12,7
VAT refunds	-32,6	-118,6	-55,7	-74,6	-70,2	-85,3	-60,1	-88,1	-65,7	-94,6	-73,5	-206,9	-230,1	-213,9	-168,1	-819,0
Custom duties	40,8	58,2	62,3	66,8	61,6	60,9	52,1	46,0	53,0	56,9	45,8	161,3	189,3	151,1	102,7	604,4
Sales tax	0,5	1,5	0,9	0,7	1,7	0,9	0,9	1,1	0,6	0,7	0,8	3,0	3,2	2,6	1,6	10,4
Excises	67,8	66,6	70,0	79,0	77,8	77,7	95,0	87,4	82,3	82,2	74,9	204,3	234,5	264,7	157,1	860,6
on imports	53,9	55,0	57,9	65,9	64,2	64,0	76,9	71,4	68,0	68,7	61,3	166,8	194,2	216,3	130,1	707,4
on domestic production	13,9	11,6	12,1	13,1	13,5	13,6	18,1	16,0	14,3	13,5	13,6	37,5	40,2	48,4	27,0	153,2
Railroad tax	12,7	14,4	14,0	16,6	16,2	15,0	18,1	17,4	17,7	16,9	14,7	41,0	47,9	53,3	31,6	173,8
Other	1,4	1,4	1,8	1,5	1,6	1,7	1,6	1,4	1,6	1,8	1,7	4,7	4,8	4,6	3,5	17,5
Other refunds	-0,4	-0,9	-0,6	-0,7	-0,6	-0,3	-0,4	-0,3	-0,4	-0,5	-0,2	-1,8	-1,6	-1,1	-0,7	-5,3
112 Direct taxes	16,3	29,6	39,1	40,4	22,3	23,3	23,3	22,1	21,5	22,2	18,9	85,0	86,1	66,9	41,1	279,2
Income taxes	8,0	18,8	26,6	27,4	11,0	10,1	10,1	8,0	8,7	8,9	6,7	53,4	48,5	26,8	15,6	144,3
Other tax revenues	8,3	10,8	12,5	13,1	11,3	13,3	13,3	14,1	12,7	13,3	12,2	31,6	37,7	40,1	25,5	134,8
12 Non-tax income	24,3	27,1	37,1	24,5	19,8	41,9	56,6	49,9	29,9	36,6	20,6	88,5	86,3	136,4	57,2	368,4
13 Other revenue			0,1		0,1	0,2	0,0		0,2	0,0	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	0,1	0,2	0,7	0,0	0,1	1,1
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	0,2	1,2	1,2	0,5	1,4	4,3

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	Q1	Q2	Q3	Q4	Ukupno
2 Expenditures	305,0	400,2	427,7	490,2	447,9	514,1	506,4	461,8	526,0	499,1	453,2	1133,0	1452,2	1494,3	952,3	5031,7
21 Current expenditures	48,5	68,7	85,7	80,4	77,2	99,0	61,6	88,3	91,3	87,7	85,5	202,9	256,6	241,2	173,3	873,9
211 Wages and compensations	45,2	61,0	68,5	67,1	65,9	86,4	48,0	71,8	72,6	70,9	68,2	174,6	219,4	192,4	139,1	725,5
212 Purchases of goods and services	3,3	7,7	17,2	13,2	11,3	12,6	13,5	16,5	18,7	16,8	17,3	28,3	37,2	48,7	34,1	148,3
22 Grants	13,7	53,5	64,6	79,5	68,5	95,9	107,6	87,4	104,4	89,6	76,8	131,9	243,9	299,3	166,4	841,5
Transfers to households	10,7	48,5	43,4	56,1	50,3	67,2	58,1	56,1	70,7	56,1	56,7	102,7	173,6	184,9	112,8	574,0
Transfers to institutions / organizations	0,3	1,2	5,9	5,1	8,9	6,1	11,8	12,3	7,2	3,2	4,0	7,4	20,1	31,4	7,2	66,1
Subsidies	2,7	3,8	15,2	18,3	9,3	22,6	37,7	19,0	26,4	30,3	16,1	21,8	50,2	83,0	46,4	201,4
23 Interest payments	0,6	10,1	13,6	5,4	16,2	19,8	0,6	13,5	6,2	6,3	18,0	24,3	41,5	20,3	24,4	110,4
24 Other outlays	1,9	44,4	25,5	32,1	36,7	37,3	30,2	30,1	35,2	35,9	40,4	71,8	106,1	95,4	76,4	349,7
25 Transfers from SA	224,3	205,4	219,8	248,2	226,9	239,7	287,6	220,8	266,3	252,7	209,0	649,5	714,9	774,8	461,7	2600,8
o/w: BiH Budget	51,6	51,6	61,5	57,6	52,3	54,9	60,2	54,9	57,6	60,2	52,3	164,8	164,8	172,7	112,5	614,8
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	118,2	369,6	421,5	448,0	266,4	1505,6
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	26,5	81,8	89,9	109,5	57,2	338,4
o/w: Brčko	11,2	10,0	12,1	13,1	12,7	12,8	16,8	13,1	14,7	13,7	11,9	33,3	38,6	44,6	25,5	142,0
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	22,8	23,1	54,0	88,5	62,2	46,0	250,7
28 Net lending*	-1,3		-0,1	4,4	-0,7	-3,0	1,2		-0,1	4,0	0,3	-1,4	0,7	1,1	4,2	4,7
3 Net acquisition of nonfinancial assets	4,7	4,7	8,4	13,3	6,5	19,3	16,7	11,3	5,7	19,2	5,8	17,8	39,2	33,6	24,9	115,5
4 Government surplus (+)/deficit(-)	102,2	-23,0	46,1	-13,3	3,0	-57,4	36,6	17,5	-11,6	-15,5	-28,7	125,2	-67,7	42,5	-44,2	55,8
5 Net financing**	-0,57	-1,4	-35,2	-9,0	-5,6	-8,2	-2,0	-34,9	-8,3	-9,7	-6,9	-37,2	-22,8	-45,3	-16,6	-121,9

Table 1.

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

	I	II	III	IV	V	VI	VII	VIII	IX	X	I-X 2008
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	522.092.096	4.938.489.650
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	449.509.682	4.210.095.143
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	16.222.075	206.708.545
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	29.885.300	282.191.668
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	1.550.199	17.740.157
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	399.205.406	3.674.934.218
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	2.646.702	28.520.556
12 Nontax revenues	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	66.967.815	627.460.283
13 Grants	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	5.572.938	100.208.195
14 Other revenues	120.027	56.432	65.872	1.828	59.509	214.167	14.233	0	152.300	41.662	726.029
2 Expenditures (21+22+23)	316.074.784	365.852.430	372.739.333	464.218.454	436.853.931	518.070.659	499.908.497	458.602.586	497.990.409	492.717.858	4.423.028.941
21 Current expenditures	315.668.774	363.353.017	369.619.421	455.405.173	433.557.654	515.656.325	494.580.429	455.787.647	499.960.691	484.240.206	4.387.829.338
Wages and compensations	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	206.188.118	1.927.229.630
of which: gross wages	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	172.542.421	1.602.993.891
of which: compensations	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	33.645.697	324.235.739
Other taxes and contributions	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	9.896.750	92.052.983
Purchases of goods and services	26.336.520	35.359.678	44.612.437	43.158.361	39.537.837	43.944.017	43.009.376	42.172.832	54.730.886	52.609.600	425.471.545
Grants	103.187.783	128.805.949	133.192.342	204.691.714	178.717.121	221.866.834	247.124.230	198.456.139	223.755.967	208.380.939	1.848.179.018
Interest payments	4.529.186	13.886.820	6.367.230	5.800.083	16.323.649	19.941.213	918.497	13.559.732	6.404.952	7.164.799	94.896.162
22 Other expenditures	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	4.215.442	34.866.679
23 Net lending*	-1.658.447	302.990	219.176	4.033.222	-768.636	-745.838	867.972	-41.363	-6.138.362	4.262.209	332.923
3 Net acquisition on nonfinancial assets	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	38.333.153	221.262.987
4 Gov. surplus (+)/ deficit(-) (1-2-3)	98.176.028	46.368.074	99.954.096	71.435.929	13.446.071	-52.869.712	2.101.055	27.537.107	-2.992.012	-8.958.914	294.197.723
5 Net financing**	-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	-9.947.292	-115.604.390

Table 2.

Bosnian-Podrinje Canton, I-IX, 2008

	I	II	III	IV	V	VI	VII	VIII	IX	I-IX 2008	I-IX 2007
1 Total revenues (11+12+13+14)	2.768.849	2.750.910	3.037.627	3.311.453	5.735.885	3.985.677	5.795.821	3.529.348	3.541.007	34.456.576	31.571.655
11 Taxes	2.467.845	2.248.870	2.728.926	2.830.978	2.725.008	2.848.934	3.038.011	2.785.484	2.983.414	24.657.470	22.281.503
Income and profit tax	37.212	65.132	44.962	31.750	51.546	38.941	25.966	64.128	13.595	373.231	311.142
Taxes on personal income and self-employment	160.574	255.134	266.876	314.130	250.979	250.126	281.557	256.668	275.736	2.311.781	1.946.294
Property tax	32.174	77.592	51.961	55.401	53.291	71.460	61.718	103.562	41.940	549.101	257.514
Sales tax (incl.excises) (according to Regulations until 31,12,2005)	58.243	64.563	10.764	7.722	26.260	21.794	52.691	7.346	25.910	275.294	307.293
Transfers from Single Account	2.172.347	1.775.526	2.343.046	2.408.667	2.330.852	2.453.168	2.603.354	2.341.641	2.613.797	21.042.397	19.382.614
Other taxes	7.296	10.922	11.317	13.308	12.080	13.445	12.725	12.139	12.436	105.666	76.646
12 Non-tax revenues	242.861	391.911	238.928	380.340	253.382	509.700	415.748	397.867	222.425	3.053.163	1.810.408
13 Grants	19.326	104.955	66.742	96.622	2.754.508	623.844	2.327.001	327.172	326.870	6.647.040	7.381.906
14 Other revenues	38.817	5.174	3.032	3.512	2.986	3.199	15.061	18.825	8.297	98.903	97.838
2 Total expenditures (21+22)	2.680.335	2.890.455	3.317.224	3.218.587	3.082.728	3.761.428	3.869.327	3.824.276	3.075.544	29.719.905	24.879.403
21 Current expenditures	2.680.335	2.890.977	3.317.663	3.219.507	3.082.812	3.761.866	3.869.807	3.824.839	3.073.322	29.721.128	24.856.468
Wages and compensations	1.510.491	1.614.763	1.602.434	1.609.114	1.634.022	1.656.784	1.930.869	1.562.009	1.635.146	14.755.633	11.129.058
Of which: Gross wages	1.295.121	1.377.112	1.342.975	1.340.794	1.371.096	1.350.562	1.330.774	1.339.172	1.381.823	12.129.430	8.788.438
Of which: Compensations	215.370	237.650	259.460	268.320	262.925	306.222	600.095	222.837	253.324	2.626.203	2.340.620
Other taxes and contributions	161.773	164.952	166.770	165.738	168.521	177.070	163.737	167.736	169.026	1.505.322	1.071.360
Purchases of goods and services	405.810	528.559	524.316	411.936	317.417	310.080	261.763	171.701	332.175	3.263.756	4.097.153
Grants	602.070	580.335	1.022.392	1.031.353	958.553	1.611.663	1.512.014	1.914.545	886.106	10.119.032	8.539.027
Interest payments	191	2.368	1.364	1.366	1.489	1.269	1.424	1.314	24.934	35.719	16.870
Transfers to lower spending units	0	0	386	0	2.810	5.000	0	7.535	25.935	41.666	3.000
22 Net lending*	0	-522	-438	-920	-83	-438	-480	-563	2.222	-1.223	22.935
3 Net acquisition on nonfinancial assets	70.853	55.825	369.530	210.721	69.281	15.057	49.568	48.802	139.459	1.029.096	1.065.785
4 Gov. surplus (+)/ deficit(-) (1-2-3)	17.660	-195.370	-649.127	-117.855	2.583.875	209.192	1.876.926	-343.730	326.005	3.707.576	5.626.467
5 Net financing**	-8.193	-18.465	-129.110	-12.050	-11.993	-11.770	-43.377	-143.280	-14.650	-392.889	-85.143

Table 3.1.

Posavina Canton, I-XI, 2008

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	I-XI 2008	I-XI 2007
1 Total revenues (11+12+13+14)	3.490.226	3.075.106	3.170.705	3.190.802	4.655.629	3.414.978	4.422.218	3.785.964	3.661.350	3.487.057	3.008.661	39.362.695	38.636.953
11 Taxes	2.599.548	2.249.073	2.760.559	2.719.794	2.678.273	2.826.659	2.961.125	2.712.508	3.051.856	2.987.955	2.419.124	29.966.475	30.311.157
Income and profit tax	117.870	145.482	103.275	38.614	46.127	22.584	27.568	41.832	24.270	71.074	57.556	696.253	780.437
Taxes on personal income and self-employment	223.105	266.557	239.037	266.437	256.950	261.103	263.378	234.808	256.136	260.977	257.934	2.786.423	2.506.222
Property tax	43.961	37.479	68.256	20.487	37.242	54.317	23.264	56.231	33.236	31.311	30.534	436.319	477.616
Sales tax (incl.excises) (according to Regulations until 31,12,2005)	54.757	31.903	34.642	28.218	29.133	38.147	32.852	41.710	46.009	64.288	71.769	473.429	727.114
Transfers from Single Account	2.126.256	1.729.663	2.275.991	2.340.381	2.267.159	2.382.851	2.531.023	2.295.561	2.642.536	2.518.011	1.968.027	25.077.457	25.303.767
Other taxes	33.598	37.989	39.358	25.656	41.662	67.657	83.039	42.366	49.670	42.294	33.305	496.594	516.001
12 Non-tax revenues	705.479	768.601	345.643	424.611	385.627	413.742	578.954	460.456	445.790	392.981	495.502	5.417.386	4.996.474
13 Grants	95.722	1.000	60.143	44.569	1.590.770	173.619	882.139	608.000	144.204	106.120	92.035	3.798.321	3.157.999
14 Other revenues	89.476	56.432	4.360	1.828	959	958	0	5.000	19.500	0	2.000	180.513	171.323
2 Total expenditures (21+22)	2.392.746	2.561.099	3.270.755	3.181.784	3.468.213	3.952.333	3.094.834	3.414.874	4.756.448	3.477.800	2.827.943	36.398.831	29.126.432
21 Current expenditures	2.392.746	2.563.099	3.268.904	3.181.784	3.468.213	3.952.333	3.080.793	3.415.074	4.756.648	3.478.000	2.831.143	36.388.739	29.164.432
Wages and compensations	1.505.819	1.541.399	1.507.173	1.515.393	1.659.704	1.926.055	1.322.103	1.478.269	1.625.938	1.713.236	1.545.998	17.341.086	15.374.489
Of which: Gross wages	1.155.484	1.194.786	1.179.583	1.106.774	1.337.547	1.206.031	1.059.435	1.154.221	1.206.932	1.251.185	1.214.277	13.066.256	11.685.001
Of which: Compensations	350.334	346.613	327.590	408.618	322.157	720.024	262.668	324.048	419.006	462.051	331.721	4.274.831	3.689.488
Other taxes and contributions	139.408	141.599	140.170	139.221	163.146	145.619	128.373	134.751	140.924	147.323	145.109	1.565.643	1.444.317
Purchases of goods and services	865.313	562.737	816.101	718.050	554.827	589.050	492.200	542.442	869.671	571.668	580.492	7.162.553	5.083.677
Grants	-134.739	315.663	804.122	807.337	1.088.809	1.291.608	1.123.189	1.257.943	2.118.474	1.044.213	557.966	10.274.587	7.246.023
Interest payments	16.947	1.701	1.337	1.782	1.727	0	14.929	1.669	1.641	1.560	1.578	44.870	15.926
Transfers to lower spending units	0	0	0	0	0	0	0	0	0	0	0	0	0
22 Net lending*	0	-2.000	1.851	0	0	0	14.041	-200	-200	-200	-3.200	10.092	-38.000
3 Net acquisition on nonfinancial assets	677	216.414	97.679	2.859	534.061	95.221	436.157	102.044	549.458	25.022	329.883	2.389.475	1.173.268
4 Gov. surplus (+)/ deficit(-) (1-2-3)	1.096.803	297.592	-197.729	6.160	653.354	-632.575	891.227	269.046	-1.644.557	-15.765	-149.165	574.389	8.337.253
5 Net financing**	0	0	-3.943	-3.943	-3.973	0	-3.943	-3.943	-3.943	0	0	-23.688	0

Table 3.2.

Sarajevo Canton, I-IX, 2008

	I	II	III	IV	V	VI	VII	VIII	IX	I-IX 2008	I-IX 2007
1 Total revenues (11+12+13+14)	70.039.724	72.258.081	71.585.397	71.695.466	64.342.106	72.666.604	73.471.277	70.259.556	74.381.547	640.699.757	574.802.622
11 Taxes	54.369.084	56.703.791	55.831.616	60.427.283	54.735.805	56.308.998	61.331.452	52.849.911	60.205.807	512.763.747	481.811.140
Income and profit tax	6.047.944	7.440.639	3.173.372	3.687.758	3.513.144	2.329.481	3.535.729	2.302.059	2.176.296	34.206.423	36.386.729
Taxes on personal income and self-employment	5.566.816	10.711.212	6.360.538	9.905.526	7.908.859	7.594.735	8.871.737	7.582.676	8.599.513	73.101.613	57.569.658
Property tax	4.081.959	4.890.591	3.736.779	3.941.120	2.390.394	3.259.458	3.480.816	2.536.824	4.022.708	32.340.649	26.155.173
Sales tax (incl.excises) (according to Regulations until 31,12,2005)	1.208.967	1.059.302	407.413	1.386.370	897.714	809.101	604.172	323.251	566.316	7.262.606	7.225.462
Transfers from Single Account	37.076.445	31.987.579	38.128.912	40.934.167	39.552.529	41.776.536	44.320.250	39.559.750	44.273.448	357.609.617	347.662.502
Other taxes	386.952	614.467	4.024.602	572.341	473.165	539.687	518.748	545.351	567.526	8.242.839	6.811.615
12 Non-tax revenues	15.345.228	13.603.044	13.389.247	9.837.285	8.214.838	13.033.783	10.234.431	13.186.063	10.401.719	107.245.639	80.115.437
13 Grants	266.750	1.279.428	1.992.716	1.059.080	1.389.535	2.952.005	1.161.757	3.851.764	3.402.202	17.355.236	10.254.351
14 Other revenues	58.663	671.818	371.818	371.818	1.928	371.818	743.636	371.818	371.819	3.335.136	2.621.694
2 Total expenditures (21+22)	41.677.819	64.439.715	63.079.857	68.496.443	67.427.683	82.428.885	73.699.896	67.468.879	66.911.040	595.630.216	495.191.754
21 Current expenditures	42.347.936	64.484.502	63.149.337	68.906.820	67.496.437	82.468.041	74.136.800	67.363.537	72.811.114	603.164.523	496.675.466
Wages and compensations	20.854.429	22.684.064	22.934.820	22.788.013	21.715.947	30.997.638	20.426.183	20.829.489	22.974.697	206.205.280	181.401.338
Of which: Gross wages	16.769.824	17.682.481	17.897.490	17.605.145	16.959.479	18.526.410	17.310.154	17.194.045	17.762.631	157.707.661	136.773.685
Of which: Compensations	4.084.605	5.001.583	5.037.330	5.182.868	4.756.467	12.471.228	3.116.028	3.635.443	5.212.066	48.497.619	44.627.652
Other taxes and contributions	2.004.174	2.131.675	2.127.182	2.114.882	2.030.755	2.210.214	2.063.824	2.061.912	2.126.823	18.871.442	16.355.649
Purchases of goods and services	2.706.082	6.756.081	6.570.401	7.012.821	5.687.166	6.232.753	5.207.821	5.214.603	5.996.961	51.384.689	40.503.504
Grants	16.696.820	32.909.830	31.467.028	36.976.076	38.012.386	43.021.908	46.357.024	39.254.816	41.659.124	326.355.013	257.012.608
Interest payments	86.431	2.853	49.906	15.027	50.183	5.528	81.947	2.717	53.508	348.100	1.402.367
Transfers to lower spending units	0	0	0	0	0	0	0	0	0	0	0
22 Net lending*	-670.117	-44.788	-69.480	-410.376	-68.754	-39.156	-436.904	105.342	-5.900.074	-7.534.307	-1.483.712
3 Net acquisition on nonfinancial assets	285.518	2.648.859	3.135.340	3.430.242	5.293.052	7.558.674	3.904.302	5.458.187	7.956.813	39.670.987	6.778.872
4 Gov. surplus (+)/ deficit(-) (1-2-3)	28.076.387	5.169.507	5.370.200	-231.220	-8.378.629	-17.320.955	-4.132.921	-2.667.509	-486.305	5.398.554	72.831.996
5 Net financing**	-125.000	-9.722	-246.310	-16.843	-66.957	-9.722	-119.240	-9.722	-270.557	-874.073	-130.128

Table 3.3.

Central Bosnia Canton, I-IX, 2008

	I	II	III	IV	V	VI	VII	VIII	IX	I-IX 2008	I-IX 2007
1 Total revenues (11+12+13+14)	16.015.798	13.894.783	16.408.958	18.723.404	18.086.121	16.658.857	18.879.134	18.701.315	18.851.545	156.219.914	136.097.204
11 Taxes	13.387.956	11.225.963	14.029.694	15.562.952	15.584.285	14.202.745	15.655.666	14.252.551	15.817.860	129.719.672	114.364.561
Income and profit tax	246.556	223.469	264.274	810.388	376.224	483.833	533.809	366.507	263.920	3.568.980	2.300.714
Taxes on personal income and self-employment	1.408.130	1.413.751	1.447.687	1.749.961	1.903.228	1.566.052	1.672.531	1.547.719	2.042.834	14.751.893	11.688.556
Property tax	450.566	319.485	436.794	390.246	571.019	488.451	509.568	423.484	534.004	4.123.616	4.561.768
Sales tax (incl.excises) (according to Regulations until 31,12,2005)	190.326	567.959	445.738	865.869	802.556	223.689	284.716	113.973	202.792	3.697.619	2.253.758
Transfers from Single Account	11.020.592	8.623.995	11.356.218	11.629.737	11.823.018	11.352.159	12.561.832	11.696.236	12.688.910	102.752.696	92.885.495
Other taxes	71.785	77.304	78.984	116.752	108.240	88.561	93.210	104.631	85.400	824.868	674.270
12 Non-tax revenues	2.247.532	2.340.477	2.216.162	2.788.669	2.092.703	1.935.268	2.541.028	3.295.122	2.286.510	21.743.470	19.679.262
13 Grants	352.810	328.343	163.102	371.783	409.132	520.844	682.440	1.153.643	747.175	4.729.272	2.140.611
14 Other revenues	27.500	0	27.500	-87.230							
2 Total expenditures (21+22)	11.579.277	13.170.769	14.869.546	17.122.464	15.287.832	19.273.778	15.731.036	15.198.061	18.742.618	140.975.381	114.271.465
21 Current expenditures	11.579.277	13.170.769	14.869.546	17.122.464	15.287.832	19.273.778	15.731.036	15.198.061	18.742.618	140.975.381	114.271.465
Wages and compensations	7.141.901	7.499.816	7.443.584	8.452.916	8.372.930	10.842.750	7.702.861	7.715.427	8.604.997	73.777.182	66.646.217
Of which: Gross wages	5.594.489	5.727.419	5.774.171	6.579.469	6.552.527	6.479.876	6.474.331	6.298.967	6.614.478	56.095.727	49.101.895
Of which: Compensations	1.547.412	1.772.397	1.669.413	1.873.447	1.820.402	4.362.874	1.228.530	1.416.460	1.990.520	17.681.455	17.544.322
Other taxes and contributions	687.751	700.190	707.070	795.654	790.199	784.381	788.470	752.951	796.833	6.803.499	5.931.821
Purchases of goods and services	1.610.340	1.671.347	2.005.064	1.868.355	1.475.665	1.779.253	1.485.039	1.125.014	2.188.335	15.208.412	12.504.705
Grants	2.047.067	3.214.946	4.586.870	5.914.601	4.579.694	5.768.575	5.666.433	5.521.008	7.034.867	44.334.061	28.465.297
Interest payments	20.148	11.226	54.001	4.839	4.965	15.019	4.898	5.025	24.249	144.371	66.110
Transfers to lower spending units	72.070	73.244	72.956	86.099	64.380	83.801	83.334	78.637	93.336	707.857	657.315
22 Net lending*	0	0									
3 Net acquisition on nonfinancial assets	200.033	171.377	328.955	498.820	777.631	1.517.129	652.061	1.230.109	1.447.336	6.823.450	2.952.018
4 Gov. surplus (+)/ deficit(-) (1-2-3)	4.236.489	552.637	1.210.457	1.102.120	2.020.658	-4.132.050	2.496.037	2.273.145	-1.338.409	8.421.083	18.873.721
5 Net financing**	-2.266	-2.282	-2.291	-2.294	-2.304	-2.314	-2.308	-2.318	-2.328	-20.706	-24.871

Table 3.4.

Una-Sana Canton, I-X, 2008

	I	II	III	IV	V	VI	VII	VIII	IX	X	I-X 2008	I-X 2007
1 Total revenues (11+12+13+14)	20.067.566	17.881.682	20.574.663	22.341.100	21.664.612	20.812.626	22.765.558	21.880.935	23.621.900	23.293.795	214.904.438	194.663.857
11 Taxes	16.461.802	13.947.626	16.658.883	17.570.808	16.464.022	17.001.827	18.133.118	16.271.669	19.498.045	18.029.229	170.037.028	158.865.370
Income and profit tax	562.084	548.285	385.650	582.678	426.431	302.428	234.107	309.791	1.008.047	247.288	4.606.788	4.434.595
Taxes on personal income and self-employment	1.231.875	1.361.470	1.351.203	1.663.042	1.298.788	1.424.837	1.419.895	1.404.512	1.675.984	1.427.047	14.258.652	12.577.272
Property tax	536.647	680.350	561.504	505.949	421.649	707.418	777.698	322.266	359.994	551.838	5.425.313	4.485.630
Sales tax (incl.excises) (according to Regulations until 31,12,2005)	791.858	596.587	307.919	263.636	87.584	64.140	116.645	133.736	93.930	91.220	2.547.256	4.028.250
Transfers from Single Account	13.273.018	10.679.276	13.978.449	14.471.651	14.152.952	14.425.911	15.477.494	14.025.547	16.280.591	15.628.489	142.393.377	132.707.370
Other taxes	66.321	81.658	74.157	83.852	76.618	77.093	107.278	75.818	79.500	83.347	805.642	632.253
12 Non-tax revenues	3.596.764	3.873.251	3.379.649	4.165.886	4.893.470	3.504.600	3.496.308	4.570.517	3.358.361	4.425.350	39.264.157	31.291.471
13 Grants	9.000	60.805	536.131	604.405	307.120	306.199	1.136.133	1.038.748	765.495	839.217	5.603.253	4.502.816
14 Other revenues	0	0	0	0	0	4.200						
2 Total expenditures (21+22)	13.680.705	15.298.820	17.200.582	19.105.473	16.971.187	18.816.621	31.005.366	19.403.475	23.704.089	23.377.509	198.563.826	156.462.406
21 Current expenditures	13.680.705	15.310.710	17.188.039	19.105.473	16.971.187	18.802.321	31.009.654	19.426.576	23.692.968	23.393.478	198.581.110	156.544.679
Wages and compensations	8.685.481	8.978.123	9.467.693	9.784.173	9.751.742	10.226.231	12.926.381	9.497.874	10.867.030	10.682.875	100.867.603	86.228.122
Of which: Gross wages	7.162.158	7.442.346	7.664.285	7.580.606	7.978.900	8.144.728	8.010.544	8.303.386	9.118.233	8.688.904	80.094.091	70.363.111
Of which: Compensations	1.523.322	1.535.777	1.803.408	2.203.567	1.772.842	2.081.503	4.915.837	1.194.488	1.748.797	1.993.971	20.773.513	15.865.011
Other taxes and contributions	873.842	889.296	921.802	924.907	971.730	980.599	987.318	1.015.603	1.111.607	1.064.883	9.741.587	8.526.774
Purchases of goods and services	1.266.870	1.227.447	1.765.420	2.601.604	2.263.187	1.594.091	2.536.192	1.841.973	1.804.431	2.927.966	19.829.181	16.806.351
Grants	1.070.717	2.597.507	2.423.523	3.769.704	1.887.374	3.674.643	12.838.701	4.925.621	4.714.771	6.587.402	44.489.962	42.975.538
Interest payments	89.914	126.406	82.656	83.268	104.125	60.841	117.921	55.360	76.058	53.877	850.426	736.048
Transfers to lower spending units	1.693.881	1.491.932	2.526.945	1.941.817	1.993.029	2.265.917	1.603.140	2.090.144	5.119.070	2.076.476	22.802.351	1.271.846
22 Net lending*	0	-11.890	12.543	0	0	14.300	-4.288	-23.101	11.121	-15.969	-17.284	-82.273
3 Net acquisition on nonfinancial assets	760.113	507.648	1.161.961	2.194.712	2.465.069	2.465.918	3.603.632	3.416.542	1.211.244	2.458.521	20.245.362	7.068.975
4 Gov. surplus (+)/ deficit(-) (1-2-3)	5.626.748	2.075.214	2.212.119	1.040.915	2.228.357	-469.914	-11.843.440	-939.082	-1.293.433	-2.542.235	-3.904.750	31.132.476
5 Net financing**	-1.673	-1.673	-38.782	-8.126	-8.107	-8.249	3.568.098	1.699.409	1.191.146	-9.025	6.383.018	-138.551

Table 3.5.

West Herzegovina Canton, I-IX, 2008

	I	II	III	IV	V	VI	VII	VIII	IX	I-IX 2008	I-IX 2007
1 Total revenues (11+12+13+14)	7.080.483	6.718.356	7.849.804	7.726.982	6.841.019	7.552.935	9.284.451	9.076.997	8.162.823	70.293.850	65.952.291
11 Taxes	5.883.174	5.126.440	6.285.725	6.708.219	5.899.206	6.353.846	6.778.969	6.038.380	7.172.411	56.246.369	56.509.198
Income and profit tax	405.650	346.946	533.055	592.394	225.749	401.003	372.947	320.339	462.437	3.660.521	3.785.526
Taxes on personal income and self-employment	497.745	589.119	511.570	832.156	593.243	689.802	699.956	658.034	590.345	5.661.970	5.087.473
Property tax	214.591	255.907	147.280	174.854	115.130	88.878	161.835	71.803	85.943	1.316.221	1.033.478
Sales tax (incl.excises) (according to Regulations until 31,12,2005)	180.300	88.124	45.576	40.579	191.776	60.078	52.192	30.497	237.811	926.932	2.551.854
Transfers from Single Account	4.474.769	3.669.905	4.905.820	4.911.767	4.703.192	5.055.314	5.316.610	4.769.222	5.551.266	43.357.866	42.253.298
Other taxes	110.119	176.439	142.423	156.469	70.116	58.770	175.428	188.484	244.609	1.322.859	1.797.569
12 Non-tax revenues	1.066.321	1.235.285	1.545.500	980.493	800.369	1.071.970	1.189.690	1.225.397	929.519	10.044.542	7.888.004
13 Grants	130.988	356.631	18.579	18.527	128.354	125.520	1.315.293	1.813.220	60.894	3.968.006	1.421.738
14 Other revenues	0	0	0	19.743	13.090	1.600	500	0	0	34.933	133.351
2 Total expenditures (21+22)	6.009.242	7.309.120	6.950.312	7.753.308	6.722.426	6.503.123	8.101.286	7.502.089	9.616.148	66.467.055	58.471.338
21 Current expenditures	6.009.242	7.309.120	6.950.312	7.753.308	6.672.426	6.503.123	8.101.286	7.432.089	9.616.148	66.347.055	58.471.338
Wages and compensations	3.253.289	3.475.609	3.541.291	3.751.578	3.546.889	3.717.657	4.151.268	3.401.601	4.011.602	32.850.784	27.772.455
Of which: Gross wages	2.570.248	2.596.682	2.750.573	2.875.406	2.781.583	2.819.171	2.800.733	2.758.899	3.055.998	25.009.294	21.746.576
Of which: Compensations	683.041	878.927	790.717	876.173	765.306	898.487	1.350.535	642.702	955.604	7.841.490	6.025.879
Other taxes and contributions	284.024	288.428	306.187	320.082	309.695	320.152	311.798	307.563	340.301	2.788.229	2.388.251
Purchases of goods and services	941.856	1.166.245	968.836	1.042.188	786.884	460.666	1.121.005	772.126	1.555.292	8.815.097	7.980.833
Grants	1.309.927	2.149.451	1.913.761	2.392.484	1.791.422	1.746.646	2.255.054	2.702.166	3.128.595	19.389.507	17.088.910
Interest payments	48.665	49.434	68.161	73.801	41.786	52.360	58.374	32.887	302.806	728.276	449.263
Transfers to lower spending units	171.482	179.953	152.076	173.174	195.750	205.642	203.787	215.746	277.554	1.775.163	2.791.626
22 Net lending*	0	0	0	0	50.000	0	0	70.000	0	120.000	0
3 Net acquisition on nonfinancial assets	-276.586	161.385	148.107	455.471	803.528	-61.947	238.828	402.196	635.147	2.506.128	-1.662.990
4 Gov. surplus (+)/ deficit(-) (1-2-3)	1.347.826	-752.150	751.385	-481.797	-684.935	1.111.759	944.338	1.172.712	-2.088.471	1.320.667	9.143.943
5 Net financing**	-73.024	-72.547	-128.634	-113.611	-107.610	-105.377	-107.012	-52.281	-107.600	-867.697	-787.627

Table 3.6.