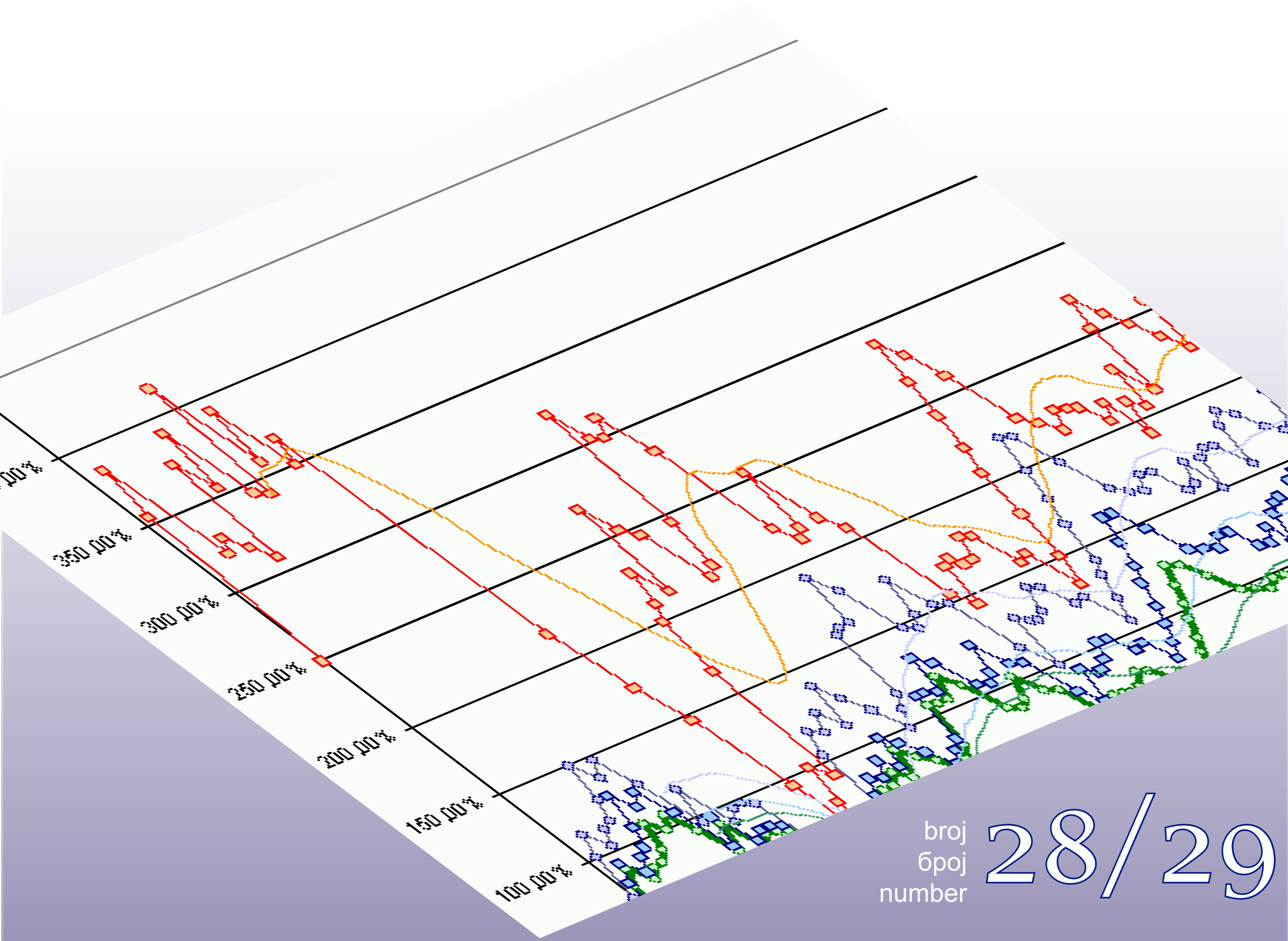
Bosna i Hercegovina
Odjeljenje za makroekonomsku analizu
Upravnog odbora Uprave za indirektno-neizravno oporezivanje

Босна и Херцеговина
Одјељење за макроекономску анализу
Управног одбора Управе за индиректно опорезивање

Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Oma Bilten



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Dear readers,

In this double issue, we are glad that we can present a study on effects of introduction of "gross salary" concept in Republika Srpska. In his work, Professor Rajko Tomas analyzes microeconomic and macroeconomic controversy of applying "net principle" in wage calculation, especially in terms of legal inconsistency and forming different stakeholders between main participants in negotiations about wages. Initiative to shift to concept of calculation of wages, taxes and contributions, which are applied world wide, comes in a right moment when entities started the process of harmonizing income taxation. Proposed model of "gross wage" in RS incorporates achievements of legal framework for wage system and their taxation in EU and best practices from member states. Besides, proposed model is in line with pension and social system reform in BiH, relating costs (wage taxes and contributions) covered by citizens and benefits (services) they get from public sector.

In accordance with common budget calendar, which was agreed as part of activities of Budget coordination board, the Unit prepares projections of indirect taxes on two occasions this year. We are in a situation to publish revised working projection from September, which were used for preparation of budget framework document for governments of BiH, entities and Brcko District for the period from 2008 to 2010. Analysis of fiscal operations of local communities shows that local communities in F BiH have higher dependency on grants from higher levels of administration, which makes them more sensitive to discretion fiscal policy of the Federation and cantons, while local communities in RS rely more on funding from indirect taxes. Although legal base for allocation of indirect taxes to entities and within entities provides security for funding of levels of administration, we should bear in mind that financing of the budget depends on the process of decision making in regards to allocation coefficients in ITA Governing Board. In this sense, adoption of long term approach in allocation of indirect taxes represents an urgent issue.

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Head of Unit – Supervisor

Table of contents:

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Collection of indirect taxes: January – October 2007

(Prepared by: Dinka Antić, MSc.)

Comment on collection in third quarter of 2007

Collection of total indirect taxes in the period from January to October was high and stable. For nine months, Indirect Taxation Authority (ITA) collected 3,396 billion KM of net[1] indirect taxes, out of which 15,163 million KM remained as unadjusted and it's not included in structural analysis[2]. For the period of nine months, it was collection of indirect taxes was higher than in the same period in 2006 by 206 million KM or 6,5%.

First half of 2007 was marked by significant growth of customs revenues, primarily thanks to external factors: raise in price of energy products in the world market and accession of Bulgaria and Romania to EU, which as of January 1st, 2007, are not in the regime of free trade agreement. Customs revenues kept growing during the year although slower than in the first half of the year. Basic reasons are strong growth of imports into BiH (24%), drought and enormous increase in price of energy products and other prices that have significant share of energy costs in its structure. Increase in oil price was moderated by decrease of US dollar against of EUR. However, although customs revenues in September this year were for the first time lower than in previous month by 6,6% (Graph 2), there was increase of 19,5% for the entire period.

Due to shortfall in excise collection in September, increase in collection of excise for the period of nine months was a bit lower (8,2%). It should be underlined that decrease of excise collection in the second half of year has been trend in the past few years as part of seasonal pattern in excise collection. Changes in excise collection by different type of excise products in the first nine months of 2007 compared to the same period in 2006 are provided in the following table:

Excise product	% change	
	Import	Domestic
Oil and oil products	6.51%	
Tobacco and tobacco products	15.10%	0.16%
Alcohol and alcohol drinks	1.50%	73.74%
Soft drinks	14.41%	20.53%
Beer	14.83%	11.46%
Coffee	0.84%	12.47%
Total	**9.03%**	**5.36%**
Road tolls	8.41%	

If we analyze excise collection by type of product and compare it with trends in the first six months[3], we can see that collection of excise on oil and oil products slows down in third quarter and in comparison to trends in the same period last year. This reflected on total excise collection since excise on oil and oil products, represents almost 48% of total excise collection. It is noted that collection of road tolls also slows down, which generally shows reduction in imported quantity of energy products. This is also confirmed by decrease of 13% in imported quantities of mineral oils in September compared to August.

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

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

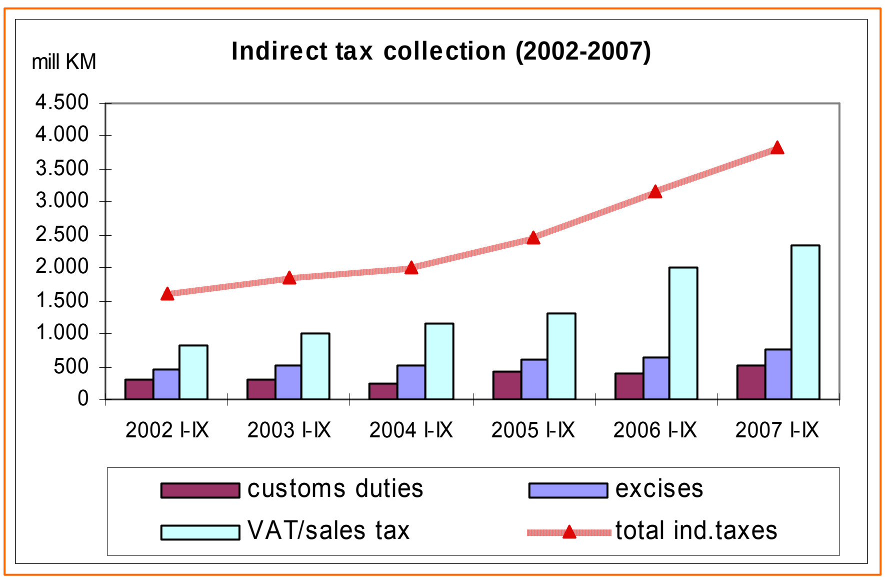
[3] see Article in the Bulletin 24

As we already mentioned in earlier analysis, comparison for the period of nine months can not provide objective picture since 2006 is not representative year for comparison for VAT. Comparison is possible only when collection of lagging sales tax is added to collection of VAT in 2006. If we use methodology of total sales tax regardless if it's one stage or multi stage (VAT), we can conclude that VAT collected this year was 2,9% higher than collection of VAT and lagging sales tax in the same period of 2006. Growth of customs revenues helped an increase in collection of VAT on imports since customs is included in base for VAT calculation. However, due to increase of input prices, input costs increased in the same proportion and also VAT revenues from domestic sales. Overall result is that ratio of VAT collected on imports and from domestic sales remained as the last year i.e. 64%:36%. Slowdown in growth of indirect taxes, especially in collection of VAT was expected because it's not possible to repeat a large growth in collection from 2006 (Graph 1).

Summary of trends in collection of total indirect taxes and most important types for nine months in the period from 2002 to 2007 is provided in the following table and graph 1.

Collection of indirect taxes, nine months (2002-2007) million KM

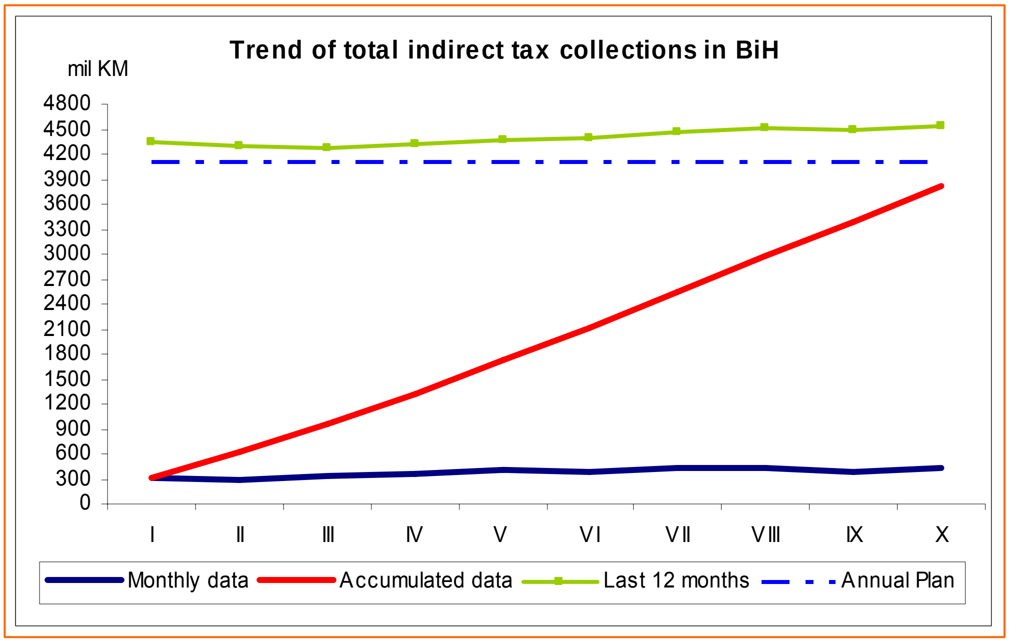
Revenue type	2003	2004	2005	2006	2007
Customs	-0.08%	-17.31%	76.42%	-9.36%	18.31%
Excise	13.33%	2.53%	14.04%	5.99%	8.29%
VAT net/ sales tax	21.86%	15.70%	12.70%	55.05%	2.87%
Total indirect taxes	**15.46%**	**7.95%**	**22.94%**	**28.95%**	**6.51%**



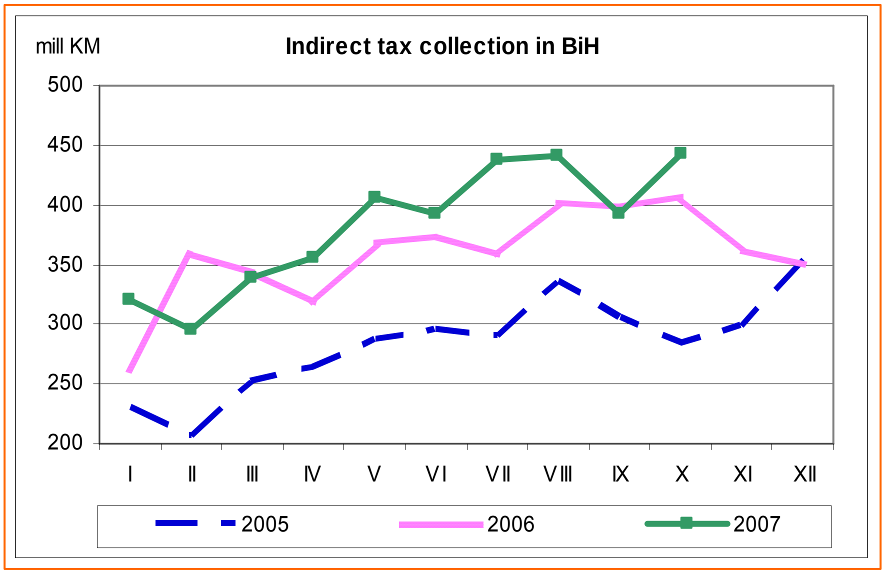
Graph 1

Trends in collection of indirect taxes in October 2007

In October 2007, total amount of 442,6 million KM of net indirect taxes was collected to the ITA Single Account. This is 12,59% higher than in the last month and 8,98% higher than in the same month last year for entire BiH (Graphs 2 and 3). Growth rate for the period of ten months is 6,78%.

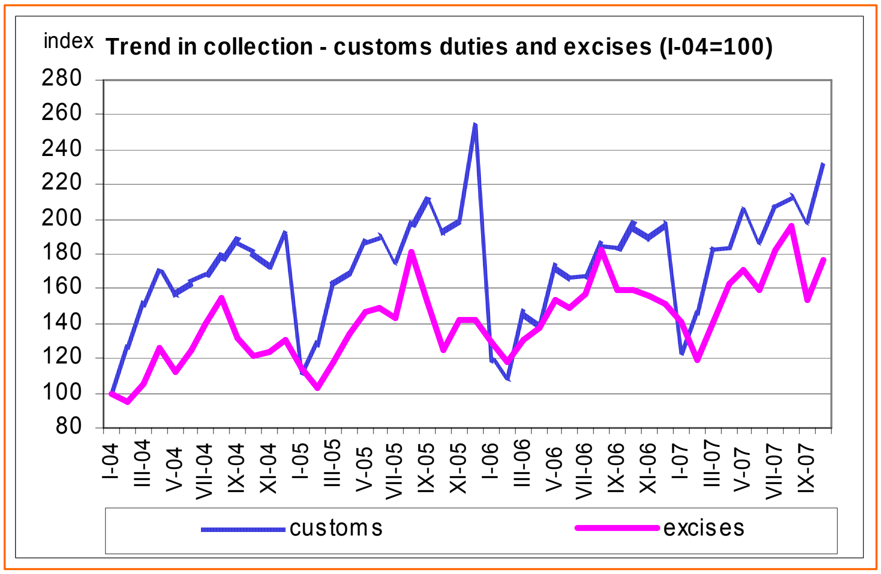


Graph 2



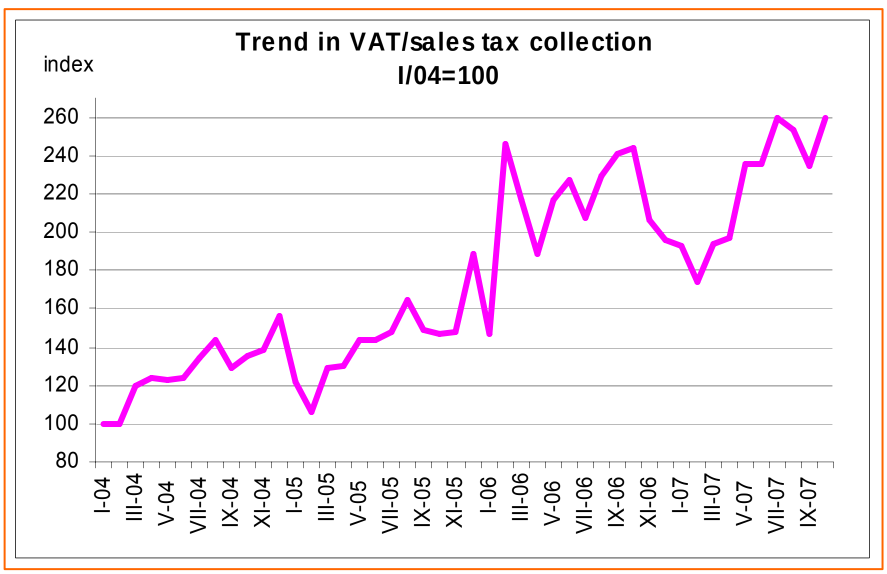
Graph 3

There was growth in collection of all significant types of indirect taxes in October. Customs revenues increased by 16,62% compared to September and 17,87% compared to October 2006. Collection of excise suddenly increased in October and it compensated shortfall in September. Increase in collection of excise compared to October 2006 is 10,53%. (Graph 4).



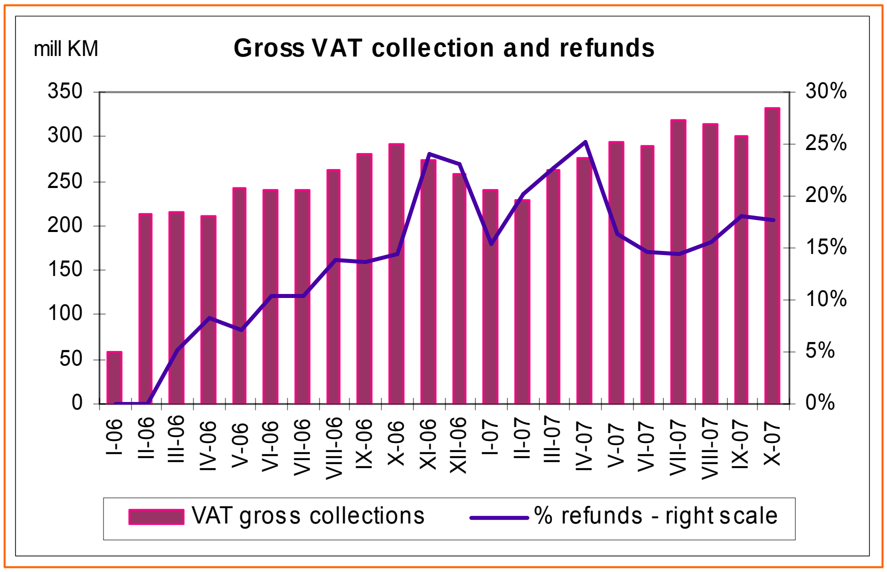
Graph 4

In October, VAT net revenues increased by 10,79% compared to September and 9,35% compared to October 2006. Although amount of refunds was higher than in September, this did not have significant impact on net revenues since growth rate from gross VAT revenues was 10% 10% (Graph 5).

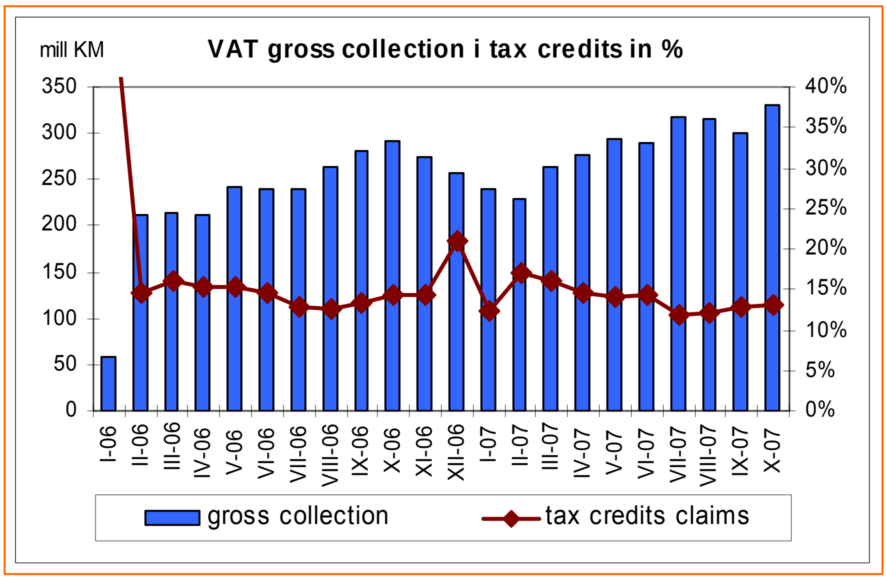


Graph 5

In addition to stable gross collection, lower outflow for VAT refunds also had impact on better collection of VAT in terms of exceeding projections (Graph 5). Amount of total VAT refunds in 2007 regardless if it refers to payment of unused accumulated tax credits from 2006 or current refunds, is 17,9% of gross VAT collection (Graph 6). Requests for VAT refunds lead to outflows of funds from the single account, it's in the next month for payments to exporters or in the second month if it's payments to other taxpayers. However, if tax credits are high, they lead to constant decrease of gross collection in every future month. Level of tax credits in 2007 was surprisingly high with the average of 14% of monthly gross VAT collection (Graph 7).



Graph 6

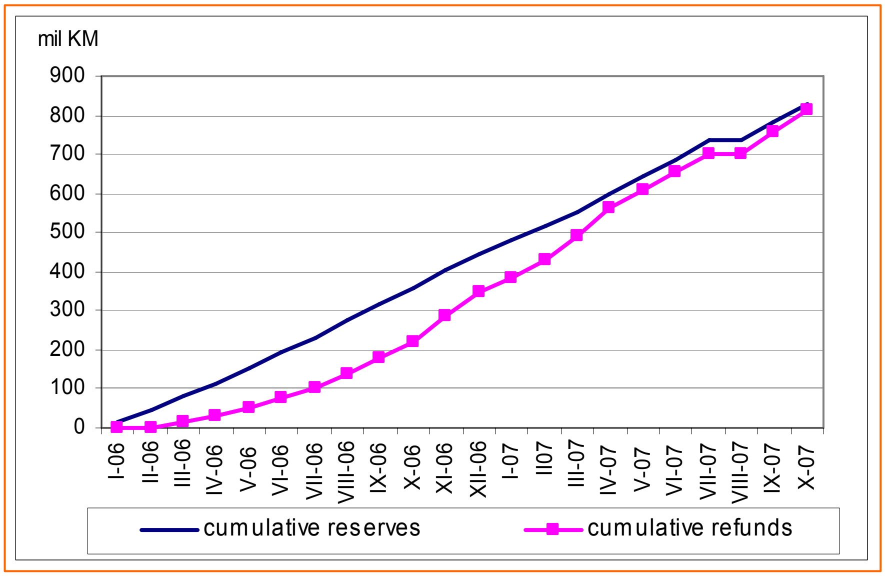


Graph 7

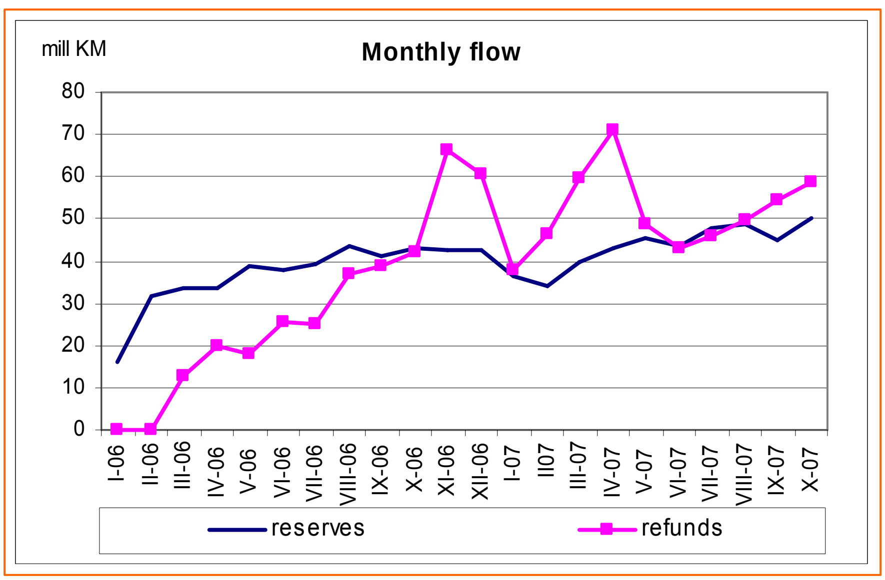
Since the deadline for making refunds to taxpayers who are not predominantly exporters is 60 days, use of tax credits is economically justified if they are sufficient for financing VAT liabilities in that period. However, accumulation of tax credits in long term and even up to six months[4] does not represent economic behavior, especially in circumstances with lower liquidity and expensive loans for working assets. One of possible reasons is avoidance of ITA controls that are mandatory if taxpayer decides to get refund. In addition to this, expressing higher amount of tax credits on monthly basis blur real trend of gross collection and refunds[5]. If taxpayers decided to get refunds, amount of gross collection would be higher as well as amount of refunds. Increase in number of refund requests touches on issue of monthly allocation for reserves in the ITA Single Account[6]

[4] Some taxpayers would probably keep tax credits for more than six months, but ITA is legally obliged to make payment of unused tax credits after six months from the month stated in VAT declaration.
[5] It should be mentioned that sum of total requested refunds does not have to always 100% correspond to sum of approved credits, which ITA approved to taxpayer after formal verifications and checking debt on basis of other indirect taxes.
[6] More information on problem of allocation for reserves can be found in the Bulletin 19

(Graphs 8 and 9). According to trend in growth of gross collection, refunds and credits, **it is obvious that current allocation of 10% from gross collection of indirect taxes is not in any case enough for regular payments to taxpayers,** which is legal obligation of ITA. We mention that payment of refunds for VAT and other indirect taxes have absolute priority in payments from ITA single account before payments to state, entities and Brcko District. Regular payments of refunds represent credibility test for state and total system of VAT. Fixed rate for allocation to reserves makes it easier for entities and District to plan budgets, but it makes entire allocation system inflexible in terms of unforeseen oscillations in collection of indirect taxes. In order to protect integrity of the VAT system in BiH, it's a final time to resolve problem of reserves on basis of active financial management of inflows and outflows from the ITA single account with constant provision of minimum amount.



Graph 8



Graph 9

Projection of revenues from indirect taxes for the period from 2007 to 2010
(Prepared by: Aleksandra Regoje, Expert advisor – Macroeconomist)

In the process of planning and preparation of budget, BiH institutions, entities and Brcko District prepare three year documents of framework budgets and annual budgets. Budget framework paper contains medium term fiscal forecasts for current and next two years and it represents starting base for preparation of annual budget for the next year. As part of budget cycle, Macroeconomic Analysis Unit is responsible for preparing projections of revenues from indirect taxes collected by Indirect Taxation Authority of BiH. Projections are prepared in the beginning of budget cycle, which is in April. These are then updated in September prior to making draft budget.

In this number of the Bulletin, we are publishing projections for indirect taxes as revised in September, which were used as input parameter for making draft budget of central governments in BiH. We mention that projections start from data on collection of revenues to the ITA single account that were available at the time projections were prepared and dynamics in trends of macroeconomic indicators presented by Directorate for Economic Planning of the Council of Ministers (DEP). We would like to underline that real trends in collection of indirect taxes after revisions of indirect taxes projections mainly confirm Unit's projections.
It's expected that net amount of collected amounts to the ITA Single Account in 2007 will reach 4.591 million KM. Amount of projected revenues for allocation was increased by the amount of unallocated funds from previous year, so, if we assume that all collected funds in 2007 will be allocated to beneficiaries in that year, projected amount of funds for allocation is higher and it amounts 4.702 million KM.

In 2008, it is expected to have growth of revenues from indirect taxes by 5,19%. Due to mentioned move of base for comparison (transferred unallocated funds from 2006), projected growth of funds for allocation to budget beneficiaries differs from growth of revenues and it is only 2,71%.

Basic reason for slower growth of revenues in 2008 is projected decrease of customs revenues. In terms of this, there are doubts related to dynamics in decreasing customs revenues and elimination of certain customs, which will be more elaborated in continuation.

PDV

VAT revenue projection is based on real data for the period from January 2006 to August 2007 and macroeconomic projections of DEP. Correction of revenues in terms of increase compared to the projection from April of this year is mainly based on higher consumption and imports in comparison with macroeconomic projections from April. Projection was made in such way that VAT base was projected to follow trends in consumption and revenues were corrected in order to use cash flow approach. Revenues from VAT on imports in 2007 are based on data for the first 8 months of the current year and historical seasonal pattern, while growth of the same revenues in future period is related to projected growth of imports. Projection is that collection of VAT net revenues in 2007 will be 2.759 million KM, which is 12,69% higher compared to the last year and projection for next year is increase of 6,94%.

Excise

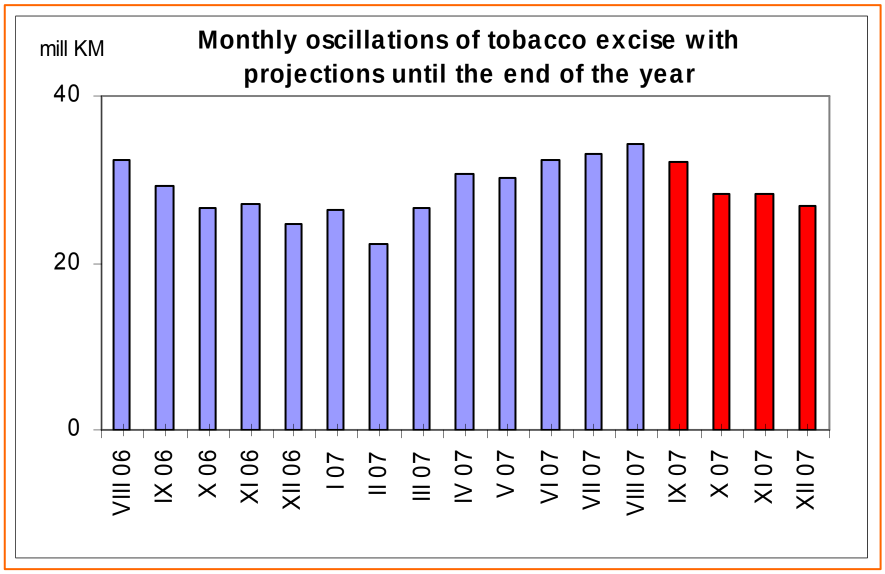
Projections of revenues from excise for 2007 were prepared on basis of data for the first 8 months of 2007 as well as on basis of their historical seasonal pattern. Projections of revenues for 2007 was not significantly changed compared to projections from April this year.

Oil

Due to increase in price of oil products in the world market, revenues from excise on oil products had slower growth than projected. Projected growth for 2007 is 4,86%. Projections for future period are related to real growth of gross domestic product (6,3% in the next year).

Tobacco

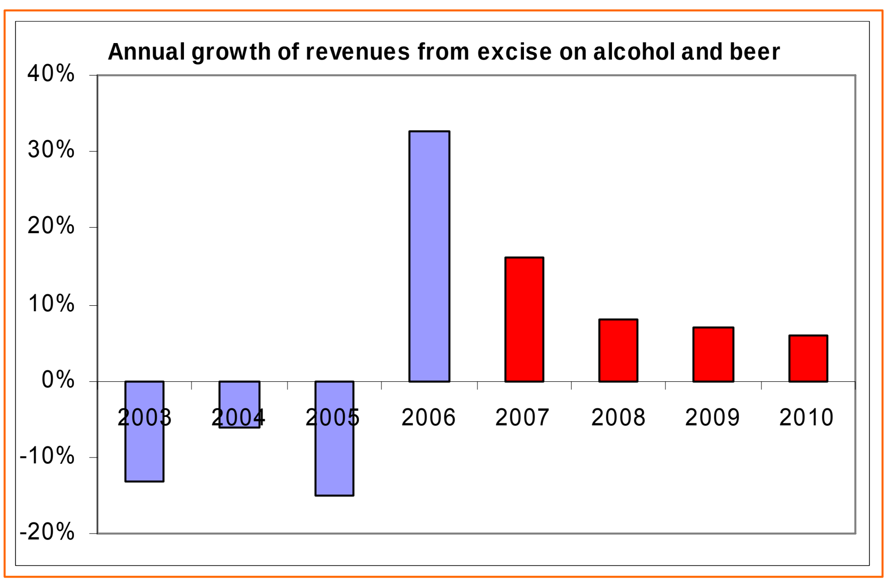
Although data from the first months indicated slowing of growth in collection of tobacco excise, recent data show stable growth of these revenues. In 2007, projected growth is 9,57% compared to the last year. Projections for future years are related to projected growth of consumption.



Graph 10

Alcohol and beer

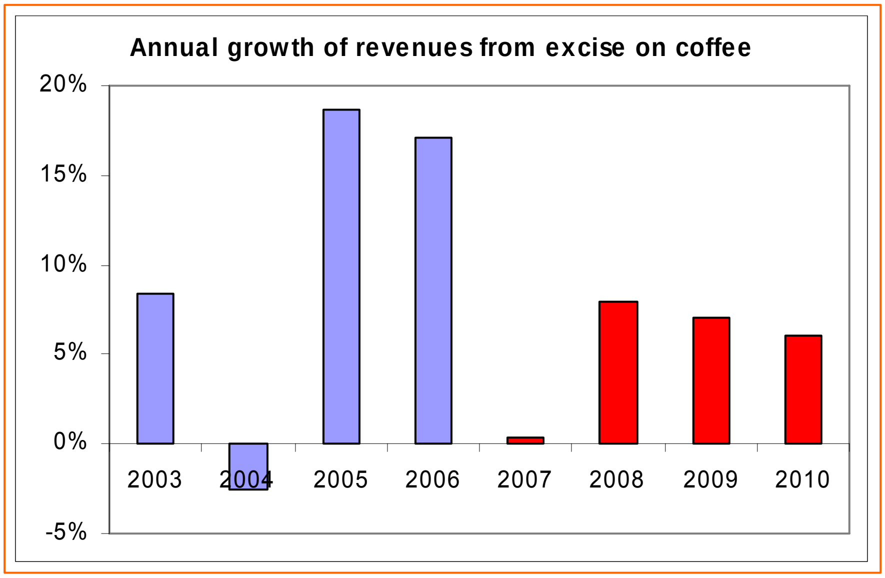
After shortfall in recent year, revenues from excise on alcohol and beer had high growth of 32,61% in 2006. In 2007, these revenues have shown stable growth trend and are projected at the level of 16,06%. Revenues in future period are related to projected growth of consumption.



Graph 11

Soft drinks
After instable trends in previous years, excise on soft drinks has had stable growth and projected at the level of 22,31% in 2007. Revenues in future period are related to projected growth of consumption.

Coffee
After high growth of revenues from excise on coffee in 2005 and 2006, these revenues slowed down in 2007. Projections show that these revenues will increase by 0,40% by the end of this compared to the last year. Revenues in future period are related to projected growth of consumption.



Graph 12

Customs

Signing of the EU Stabilization and Accession Agreement means provision of concessions i.e. customs free imports from EU. We should bear in mind that imports from EU represent 47,64% of total imports to BiH and CEFTA counties have share 28,21%, rest of the world remaining 24,15%[7]. Since that we already have free trade agreements with CEFTA countries, abolishment of customs on imports from EU means rapid decrease of total customs revenues. Negotiations with EU envisage five year period for gradual abolishment of customs. After finalization of technical negotiations in the end of 2006, we expected to sign Stabilization and Accession Agreement soon, which also reflected on projections of indirect taxes that the Unit prepared for budget preparations for 2007. However, the Agreement has not been signed and customs revenues significantly increased thanks to price trends in thw world market and total growth of imports, so significant growth in collection of indirect taxes in 2007 was above projected due to unexpected growth of customs revenues.

Revised projections of customs revenues for 2007 is based on the first 8 months of 2007, historical seasonal pattern and macroeconomic projection of growth in imports. Projection for future period is also related to projected growth of imports and assumption that import of goods from EU will be on customs free basis in five year period starting in 2008.

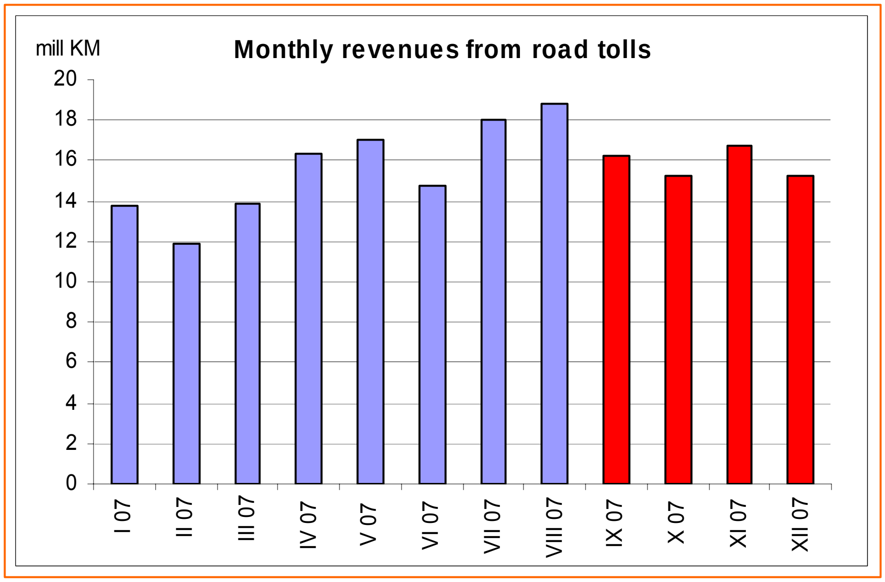
In addition to this, at the request of EU, it's necessary to abolish 1% customs recording as of January 1st, 2008, which *de facto* has a character of additional customs as it's calculated *ad valorem.* It's estimated that this form of customs will contributed with over 70 million KM of

[7] „Foreign trade statistics" , Publication no. 10, BiH Statistics Agency

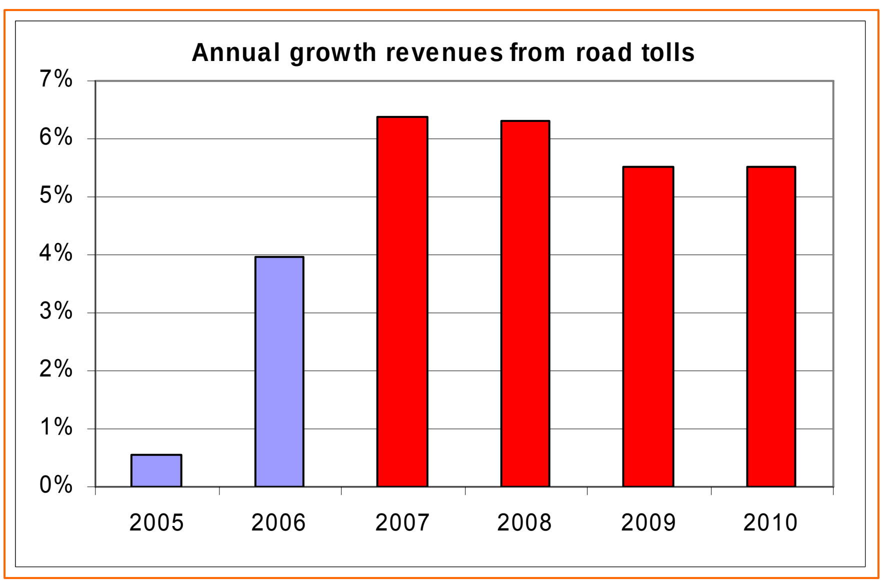
revenues + VAT in 2007. Although there is a possibility to introduce special fee for customs administering instead of customs recording, we should bear in mind that this new fee would have character of special fee (e.g. per vehicle) and total revenues from this would not proportionally increase with increase in value of import as it was the case with customs recording. ITA Governing Board has not made decision yet on abolishment of customs recording and introduction of new administrative fee. **Since these assumptions were not taken into consideration in making projections, we would like to underline that there should be special care in budget performance next year.**

Road tolls

Revenues from road tolls are projected with the growth of 6,38 in 2007 and projections for future years are related to projected growth of real gross domestic product.



Graph 13



Grafikon 14

Other

Item „Other" in the Table Projection of revenues from indirect taxes to the Single Account (2007 – 2010) covers other revenues and fees, other refunds and collected, but unadjusted revenues.

Projection of revenues from indirect taxes to the Single Account (2007 – 2010)

		In million KM							year / previous year (%)				
		2005	**2006**	**2007**	**2008**	**2009**	**2010**		**2006**	**2007**	**2008**	**2009**	**2010**
I	**VAT (net)**	...	2.448,77	2.759,42	2.950,84	3.152,25	3.334,58		...	12,69%	6,94%	6,83%	5,78%
II	Sales tax to Single Account	539	12,03	0	0	0	0		-97,77%				
III	**Excise**	790,9	861,24	927,63	994,38	1056,99	1117,95		8,89%	7,71%	7,20%	6,30%	5,77%
III.1	Oil	405,6	418,39	438,74	...	...	...		3,15%	4,86%			
III.2	Tobacco	282,9	320,43	351,11	...	...	...		13,27%	9,57%			
III.3	Alcohol and beer	53,2	70,55	81,88	...	...	...		32,61%	16,06%			
III.4	Soft drinks	19,9	17,45	21,34	...	...	...		-12,31%	22,31%			
III.5	Coffee	29,3	34,42	34,56	...	...	...		17,48%	0,40%			
IV	**Customs**	605,6	557,29	668,99	636,24	582,26	511,02		-7,98%	20,04%	-4,90%	-8,48%	-12,24%
V	**Road tolls**	169,9	176,60	187,87	199,71	210,69	222,28		3,95%	6,38%	6,30%	5,50%	5,50%
VI	**Other**	6,2	66,66	47,15	48,09	49,05	50,04		975,24%	-29,27%	2,00%	2,00%	2,00%
VII	**TOTAL**	**2.111,60**	**4.122,60**	**4.591,07**	**4.829,27**	**5.051,25**	**5.235,87**		95,24%	11,36%	5,19%	4,60%	3,65%
VIII	Transfer to next year		-110,9	110,9									
IX	**FUNDS FOR ALLOCATION**	**2.111,60**	**4.011,70**	**4.701,97**	**4.829,27**	**5.051,25**	**5.235,87**		89,98%	17,21%	2,71%	4,60%	3,65%

Funding of local governance in BiH

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

Bosnia and Herzegovina has 139 municipalities and 4 cities that significantly differ by size and population. Significant differences in infrastructure and level of urbanization do not have impact on assigned competencies. Small municipalities often have insufficient tax bases. This especially applies to rural municipalities with small population, few companies and other sources of revenues for funding their competencies. Funding of these municipalities largely depends on grants from higher levels, so grants from higher level have highest share in structure of their revenues. In other hand, we have economically developed municipalities and tourist centers that have tax revenues as highest share in structure of their revenues.

Reform of municipal finances started with the reform of tax system. When sales tax as most significant source of municipal revenues got replaced by value added tax, rules for funding municipalities also changed.

According to data from 2006, average municipal revenues[8] per capita in Bosnia and Herzegovina amounted to 288 KM. Distribution of frequencies shows that only 26,2% of municipalities belongs to a group that deviate less than 20% from average revenues per capita in BiH, and 35% of municipalities have revenues per capita higher than the average.

Republika Srpska

In accordance with the Law on budget system of Republika Srpska, municipal budgets get revenues from property tax, municipal administrative fees, communal fees, municipal fees for use of natural and other resources of general interest and other municipal revenues. In addition to primary sources, municipalities also get "shared taxes" i.e. revenues shared between budget or RS, municipalities and cities. In accordance with the Law on changes and amendments of the Law on budget system in RS from December 2006, municipal budgets get the following:

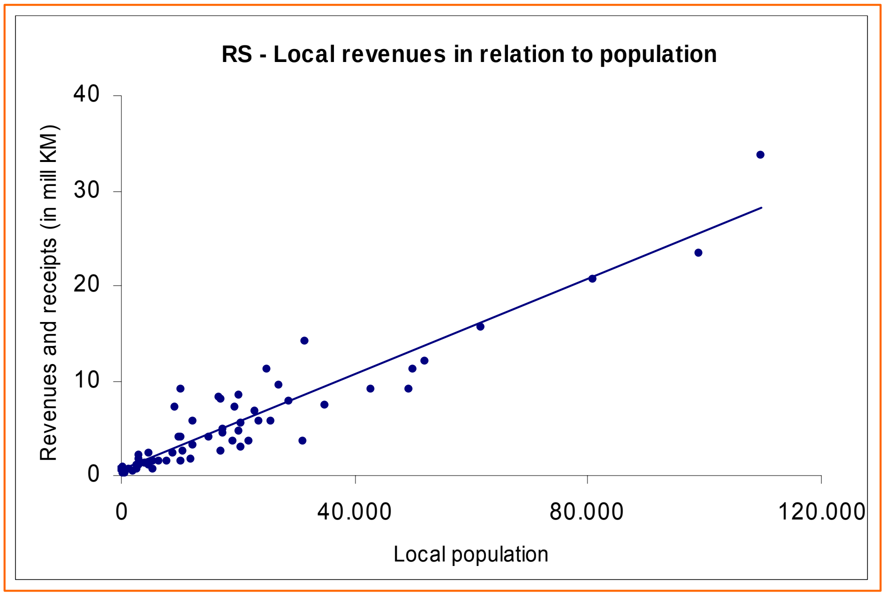
- 24% of revenues from indirect taxes from the ITA Single Account that belong to Republika Srpska (after funds are allocated for servicing foreign debt of RS),
- 25 % of tax on income of citizens,
- 70% fees for change of agricultural land use,
- 70% fees for use of mineral raw materials
- 30% of seized property and funds received from sale of items that Republican market inspection is in charge of.

Even before value added tax was introduced, Republika Srpska had a mechanism for leveling of municipal revenues by regulating a share in "shared revenues" on basis of development of municipality. New Law prescribes formula for allocation of revenues from indirect taxes, which also enables horizontal fiscal leveling and it's based on:
(a) historical shares in revenues from sales tax and excise in 2005,
(b) population, geographical size and number of students in high schools in municipalities.

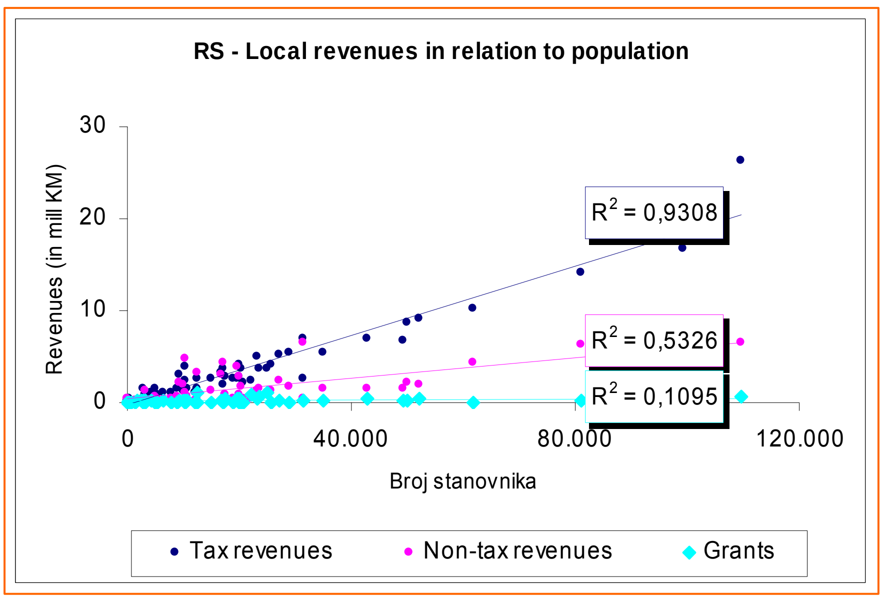
Formula is made in the way that will gradually reduce ponder of historical share of sales tax in the next 10 years as opposed to so called "demographic" ponder that will increase and it's going to be 1 in the end of this period. After ten year period, allocation of indirect taxes to municipalities in Republika Srpska will be determined by a formula in accordance with the following criteria: 75% on basis of population in municipality, 15% on basis of size of municipality and 10% on basis of number of students in high schools.[9]

[8] Revenues and receipts, excluding funding
[9] Details about the Law are in the Bulletin no. 10

In graph 15 and 16, there is a diagram with spread of data on municipal revenues in 2006 compared to population in municipalities. We can make a conclusion that there is a high level of co variation between observed trends.



Graph 15



Graph 16
Source: Ministry of Finance RS, USAID GAP (population data)

If we divide revenues by type: tax, non-tax and grants, and calculate determination coefficients for every type of revenue compared to population, we can make the following conclusion:

- 93% of municipal tax revenues are explained by population in municipality and other 7% falls on impact of other factors. Value of determination coefficient of 0,93 shows that relation of observed phenomena is extremely high, which is logical since taxes are allocated according to administrative origin except revenues from the single account. In this case, revenues are allocated using formula and size of population has significant effect on allocation as one of variables that determines final consumption of entities.
- Determination coefficient for non-tax revenues amounts to 0,53, which shows that conditionality between observed phenomena is significant, but not so much as for tax revenues. Only 53% of non-tax revenues are explained by size of population in municipalities.
- Determination coefficient for grants amounts to 0,11, which means that relation of observed phenomena is not significant and it can be neglected.

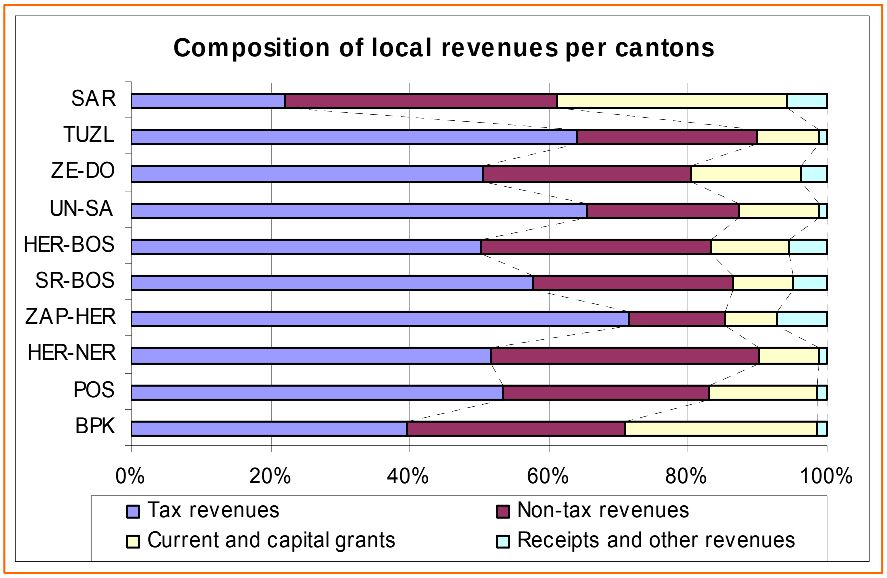
Average municipal revenues per capita in Republika Srpska amounted to 327,46 KM in 2006, which is higher than the average i BiH.[10] Municipal revenues for the first half of 2007 increased by 26,7% compared to the same period in previous year.[11]

Federation of BiH

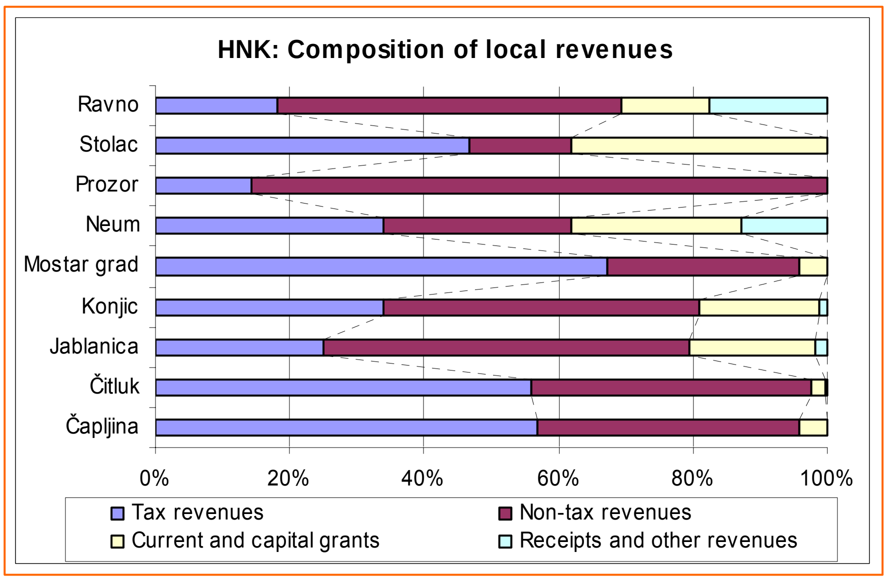
Until new Law was passed on allocation of revenues in F BiH in June 2006, municipalities received public revenues in accordance with cantonal regulations. Allocation of public revenues between cantons and municipalities was regulated by cantonal laws on allocation of public revenues with the exception of Sarajevo Canton that made decision on transfers to municipalities and Zenica canton that regulate municipal revenues by the decision on temporary allocation of revenues to municipalities. Sales tax was the biggest source of revenues for municipalities. Allocation mechanism was based on derivation, which means that taxes collected in area of certain canton were allocated to that canton and municipalities in accordance with cantonal regulations.

Structure of municipal revenues differs between certain cantons and municipalities within cantons (graph 17 and 18)

[10] Includes revenues and receipts without fundig
[11] Preliminary data



Graph 17



Graph 18
Source: MAU database, 2006

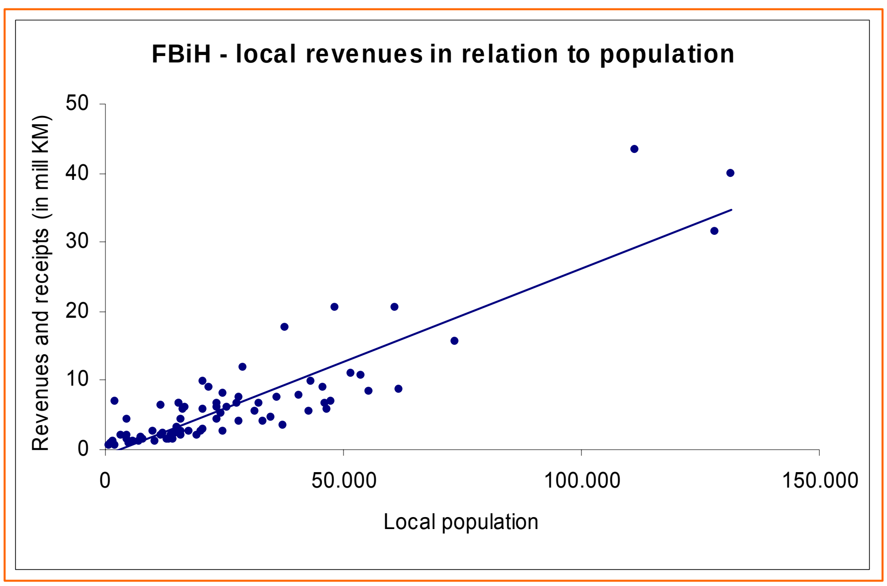
Variety of cantonal regulations on funding municipalities was replaced by a single Law on allocation of public revenues in F BiH, according to which municipal revenues are as follows:

- shared revenues from indirect taxes from the single account (8,42% of revenues that belong to F BiH after funds are allocated for foreign debt servicing),
- at least 28,5% revenues from wage tax paid in every unit,
- fees for use and change of construction land, fees in accordance with local regulations etc.

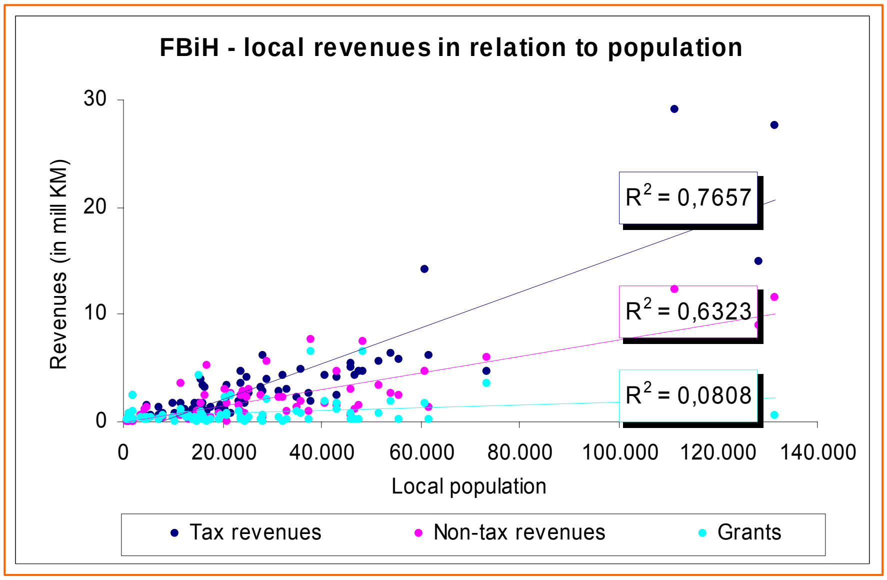
Individual share of local governance units in allocation of revenues from the single account is calculated on basis of formula as follows: 68% on basis of population, 5% on size of municipality, 20% on number of students in primary schools and 7% on development of municipality defined through development index. Development index represents ratio of revenues from sales tax and income tax in the Federation and average revenues from these taxes per capita. Lowe development index means that allocation coefficient is higher. Formula contains corrective coefficient for municipalities with population over 60.000, and for municipalities that cover costs of primary education. In order to avoid budget shocks, formula is being gradually introduced in six year period. Similar to Republika Srpska, there is a ponder of historical share in revenues from sales tax, which reduces over the time; and ponder for share that municipality has after application of allocation formula gradually increases and it is 1 after six year period. Transparent system of allocation, based on single formula will enable horizontal fiscal leveling and more efficient planning of revenues.

Due to specifics of allocation between cantons and their municipalities, Sarajevo canton has special treatment as local governance units do not get revenues from wage tax and where revenues from indirect tax are allocated to Canton, which then allocates them to local governance units on basis of its own regulations.

If we have a look diagram showing spread of data on size of population and types of municipal revenues in F BiH, we can conclude that there is a strong relation between population size and tax revenues, so population size has significant impact on non-tax revenues. 76,57% of tax revenues of municipalities is explained by size of population, and the rest can be attributed to other factors. Determination coefficient of 0,08 shows that there is not significant relation between size of population and received grants.

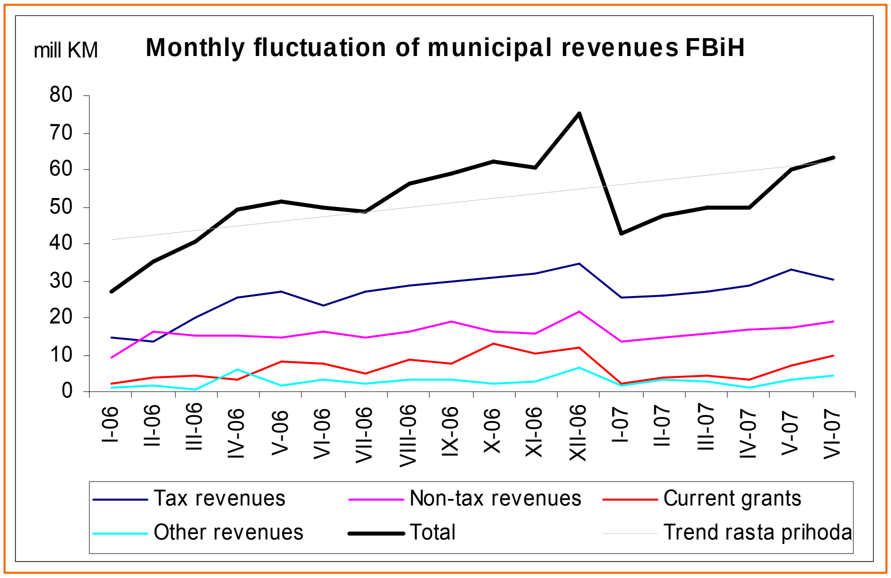


Graph 19



Graph 20
Source: MAU database, USAID GAP (data on population)

Curve showing total collected municipal revenues in F BiH[12] shows stable trend of growth. According to data from the Unit, in the first half year of 2007, municipal revenues in F BiH increased by 24,6% compared to the same period in previous year. This growth of revenues was mainly influenced by growth in collection of tax revenues (37,7%). Non-tax revenues for the period I-VI 2007 are 12,4% higher compared to the same period in previous year.

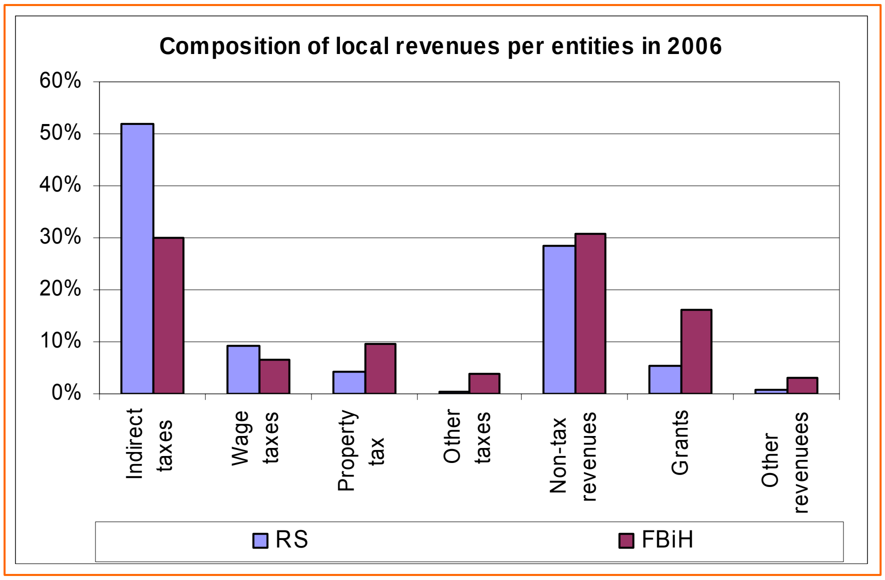


Graph 21
Source: MAU database and estimates

[12] It does not include funding

Structure of municipal revenues by entities

Over 50% of municipal revenues in Republika Srpska come from indirect taxes, while this amount in the Federation varies about 30% of total revenues and grants have much higher share in structure of municipal revenues in the Federation than i RS. (graph 22). We should bear in mind the fact that municipalities of the richest canton in F BiH record revenues from indirect taxes as "transfers from higher levels", which has significant effect on aforementioned differences.[13] Methodologically and generally, there are differences between transfers and revenues that come to lower levels through allocation of revenues. Theory and practices of budget accounting treats revenues from allocation of taxes (in our case it's indirect taxes from the ITA single account) as own revenues of that level, while transfers (grants) are treated as additional funding (conditional or not, on purpose or not etc).



Graph 22
Source: Ministry of Finance RS, MAU database, 2006

[13] Data refer to 2006

Shift to gross wage model in Republika Srpska[14]

(By: Prof. Dr. Rajko Tomaš[15])

Summary

This paper analyses confusion that exists in regulations of Republika Srpska in regards to regulating net and gross wage and its economic implications to motivation and real behavior of employees, employers and state. Current state of regulations confuses investors and stimulates formation of coalitions between participants in negotiations on wages, which prevent establishment of usual model of negotiations on wages between employees (unions), employers and state. This paper identifies paradoxes and suggests a way for harmonization of regulations in order to create business environment on basis of market economy.

Key words: gross wage, net wage, contributions.

1. Differences in economic meaning of the terms "gross" and "net" salary

Statically observed, many would not notice a big difference depending whether in calculation of contributions and taxes to income starting point is a net or gross salary as a base. At first glance, a base selection is not so significant for revenues distribution from gross salary to various beneficiaries (worker – net salary; funds – contributions; state – personal income tax). By adjusting applicable rates, one could provide that the income of every entity is identically the same regardless of the fact that one has taken as a tax base gross or net salary. However, if we would like to run the salary policy, the contributions policy, and personal income tax policy tax base selection is extremely important as it determines the outcome of the aims of the set up policy. Therefore, in dynamic economies, such as market economy, requiring flexible policy of salaries and taxes, it is necessary to make adequate selection of a tax base that would foster policy exercising and implementation of the goals.

A gross salary represents an overall expenditure of an employer on the basis of an employee labor services used during a certain period. Therefore, gross salary includes: net salary, contributions and taxes on personal income. Usually gross salaries represent the highest part of labor costs. Net salary represents a part of gross salary paid to an employee as a compensation for employee's work after deducting gross salary for the contributions amounts.

Consequently, on pure calculation manner, from revenues and expenditures aspect, it is not that significant whether in personal income tax calculation and contributions one would start from gross or net salary. However, if gross and net salary is observed from the ownership aspect and if we link with difference between the two certain material rights in the form of specific services, the problem begins to acquire its economic form: interests and motivation become recognizable and, in relation to that, opened are also possibilities of implementation of certain aims through running of the economic policy. If it is defined in one economy that gross salary is ownership of an employee (employer's costs), an employee will be interested to have, at given gross salary, other allocations from gross salary as lower as possible in order to keep higher amount of net salary. Such interest will be manifested in daily rational behavior which supports policy that reduces salary impositions (tributes). Naturally, employees will be interested also in gross salary growth with fixed salary impositions. If contributions paid from gross salary constitute

[14] With prior approval of the Publisher, article was taken from the Magazine of Association of accountants and auditors of Republika Srspka „FINRAR" No. 9/07, Finrar d.o.o., Banja Luka, pages 16-27.

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right to certain public services and employee insurances (pension insurance, health insurance, insurance in the event of unemployment), it is the employee's interest to have these contributions calculated and paid indeed. Regarding gross salary which as a whole belongs to an employee, an employer is also motivated. Employer's interest will be for gross salary to be as lower as possible as it would reduce his expenses and increase profit. In that respect, he will enter the coalition with employees in exerting pressure to the authorities to reduce salary burden with contributions and taxes. However, the employer will also be interested in lower net salaries as it would reduce labor costs. Regarding this motive the employer might enter the coalition with government due to the fact the lower labor costs increase competitiveness of local economy. Naturally, all these elements influence predetermination of strategy selection in negotiations on salaries.

If gross salary is of pure calculation character and employee fails to understand it as his own income, but only as its part representing net salary, employees will be interested in as higher as possible net salary. Also, employee will be indifferent to payment of contributions and taxes, in particular if public services offered for paid contributions are bad. In that respect, employees and employer will enter the coalition against the contributions: it will be in their interest to have as lower as possible contributions and will tend to make a coalition in order to avoid contribution payments. Thus, their negotiations on salaries will be limited to negotiations on net salary.

Depending on that whether in determining liabilities upon contributions and taxes a start point is net or gross salary, different effects of economic and fiscal policy may incur. If authorities apply policy of fiscal relief to salaries in order to stimulate employment, when using net salary as tax and contribution base, the effects of declined rate and introduction of untaxed portion of income will go to the benefit of employer. However, if a base is gross salary when determining contributions and taxes, tax rate and contributions reduction or introduction of untaxed portion of income will be done for the benefits of employees.

Higher interest of employee in gross salary will be demonstrated in the event the link between paid contributions and taxes on one side and exercised rights in public services (pension, health, social insurance) on the other side is more direct. In that case, employee through paid contributions in fact "purchases" public services. Therefore, pension and health system reform aiming to establish more direct link between payments made to funds and services rendered by funds, imply gross salary as a base from which employee pays services of pension, health and social insurance.

Employment contract signed by an employer and an employee regulates whether the subject of the contract is gross or net salary. This is equally significant for both sides since, as we observed well, their motivation and reactions is dependant on it in relation to the government economic policy. However, it is also important for the government how employees and employers react to certain measures of economic and fiscal policy; therefore the government would have a particular interest in the manner of regulating contract relations. It is important to the government due to its position in negotiation process of the government, employers and union as well as due to efficiency of the measures undertaken with regards to local economy competitiveness instigation, employment incentives and pension and health system efficiency.

2. Net salary – start base of contribution and tax calculation in the RS

In Republika Srpska it has not been foreseen in the law whether gross or net salary is subject of contract between employer and employee. The Labor Law[16] regulates that employer and

[16] Labor Law, RS OG Nos. 38/00 and 41/00

employee sign employment contract. Also, it is précised in the Law which elements are incorporated in the employment contract[17]. Salary is a compulsory element of the employment contract, but it is not elaborated whether it is gross or net salary. It is only regulated in the Rulebook on employment contract forms[18], precisely in a form UR-1 that the salary is contracted as net amount[19]. On the basis of the aforementioned, as a result of by-laws implementation which were drafted on the basis of the Labor Law, all employment contracts in the RS are signed to the net salary amount. Also, employer by signing employment contract takes over commitment to register employee at relevant funds for pension and health insurance and to regularly, in parallel with payment of contracted salary, makes insurance payments.

Other documents relevant for amount of contracted salary also fail to precise whether it is referred to gross or net salary. General Collective Agreement[20] mentions net salary (Article 33, Paragraph 1) in explanation on salary compensation during paid leave, while in other definitions of various salary forms or elements to determine salary (basic salary, lowest salary, labor price) is not précised whether it is about net or gross amount. Also, the Decision on the lowest salary[21] with set amount of the lowest salary in the RS it has not been outlined whether it is the net or gross salary at stake. However, due to previous provisions of the Rulebook on employment contracts form, one might conclude that signatories of the General Collective Agreement and Decision on the lowest salary refer to net amount.

Law on pension and disability insurance[22] treats employer as binding to pay contributions for pension insurance[23] hence "net concept" is a basis of regulating this sphere[24]. The Law prescribes that the employer is due obliged to pay contributions for pension and disability insurance for all employees – insured ones when paying the salaries" and other income to which contributions are paid (Article 25). However, the Law reads further on, separating payment of salaries from payment of contributions for pension insurance. The same Article reads as follows: "If during a certain month an employer fails to pay salary and contributions to employees, employer is due to pay contribution no later than 15th of the current month for previous month, according to base representing salary amount to which employee is entitled to for that month, in line with the law and collective agreement." Thus, payments of salary and contributions are separated in time what entirely negates the concept of gross salary. Obligation of contribution payments exists regardless of the fact whether employer generated profit from which employer would pay labor costs. Quoted provision, *de facto*, transformed contribution for pension insurance in a certain employees' tax that should belong to the past.[25] Also, Article 24 of the Law on pension and disability insurance prescribes that "the employer who fails to pay contributions in due time is obliged to in addition to due amount also pay interest as per interest rate in line with valid regulations." Since in previous articles of the Law it was defined that employer is obliged person in this respect it enhance further and more directly such commitment by foreseeing sanctions for failure.

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[17] Article 19 of the Labor Law
[18] RS OG No. 4/01
[19] In the aforementioned Rulebook, in form UR-1 (employment contract form), Item 5 reads: "employee salary for regular work is determined in the amount of up to _______ convertible marks net per month and is paid by the tenth in the month for preceding month."
[20] RS OG No. 27/06
[21] RS OG No. 27/06
[22] Cleared text, Nov 15 2005
[23] Art. 22 of the Law on pension and disability insurance
[24] Directly confirmed in Art. 77 of the Law by prescribing that the basis for defining the pension "represents average amount of net salaries of insured ones…"
[25] Art.26, Para 1 of the Law on pension and disability insurance is in collision with Art.16 of the Law on contributions. Art 26, Para 1 of the Law on pension and disability insurance reads:"Fund keeps registers and controls calculation and payment of contributions for pension and disability insurance." Art.16 of the Law on contributions reads: "Authorized tax body controls calculation and payment of contributions in line with the Tax Administration Law."

Health Insurance Law[26] treats employer as obliged person to pay contributions for health insurance in almost identical manner as foreseen in the Law on pension and disability insurance. Article 53 clearly defines that a person due to pay contributions "for insured ones - employees is organization i.e. employer at which insured one is employed with."

Pursuant to the Law on pension and disability insurance, Health insurance law and by-laws regulating implementation of the Labor law, at first glance, one could get impression that employer is due to pay contributions to salary paid to employee. However, the Law on contributions[27], Article 4 clearly defines that a person due to pay contributions is a physical person, RS resident who is "employed with legal or physical person". Also, Article 8 defines that contribution calculation base is "net salary and all compensations paid by employer in line with employment contract, collective agreement and rulebook on labor." Therefore, employer is not contribution payer. Employer is obliged by the Law to make calculation and payment of contributions on behalf of employee.[28] Thus rationale of calculation and contribution collection is achieved as well as synchronization of payment flows and fund revenues flow but also a higher security level and collection compulsoriness since it seems less likely that employees would voluntary pay the same amount of contributions.

There is obvious collision in treatment of contribution payer in the Labor law, Pension and disability insurance law and Health insurance law on one hand, and Contributions law on the other. Pension and disability insurance law, in aforementioned Article 24 initiates debate on another complex and serious issue in regards with "gross" and "net" concept. Creditor is entitled to seek from debtor penalty interest payment on due/mature but unpaid obligations. Is employer or insured one a debtor to Pension and Disability Insurance Fund (PDI Fund)? May PDI Fund collect penalty interest from employer for obligations employer failed to, *de facto*, carry out towards employee? Employee (insured one) would have to be taken to a legal position to feel as assets owner which are paid to funds by employer and managed and disposed by funds. Employee can exert pressure in most efficient manner to employer to pay insurance for him and to funds to rationally consume assets. The essence of pension and health insurance reform should lay exactly on this. More direct connection of assets owner in the manner of its consumption and quality of service acquired in that respect serves as the best guarantee of rational assets use. Naturally, coercion mechanisms are necessary for those violating the law and failing to comply with undertaken commitments. However, the coercion should primarily protect interest of assets owner; in this case, insured ones. Manner in which coercion is regulated in the Pension and disability insurance law (Articles 24 and 25) primarily preserves interest of PDI Fund i.e. current beneficiaries of Fund assets. Actual assets owner may not even receive net salary and employer is still obliged to pay contributions for pension insurance. These provisions fully derogate actual economic function of gross salary in market economy.

Pursuant to Labor law, employer is treated as "payer" of all payments with regard to labor payments. Articulately, he will be interested for any payments to be as lower as possible. On the other hand, via Labor law employee is not set as contribution payer and his interest is primarily linked with maximizing of net salary. From the Contributions law aspect, employer is not contribution payer. It is obvious from the above stated that obligation of contributions payment has not had equal legal treatment in different laws in the RS. Also, it is obvious that both employer and employee are stimulated to treat contributions as expense that is limiting them in accomplishing of their own economic aims. This is logical since there is no direct connection of employer or employee with scope and quality of services offered for assets paid on

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[26] RS OG No.18/99
[27] RS OG No. 51/01
[28] Art.6 of the Tax Administration Law foresees that employer, in respect of contribution payment, is only a tax intermediary. It would be logical that the laws passed after the Tax Administration Law refer to employer's role in calculation and tax withholding to employees income and contributions as in a more adequate term: "tax intermediary".

behalf of contributions. Also efforts have been undertaken through pension and health insurance reform to establish a direct relation between amounts of paid contributions and a right emerging in that respect, system has continued to function predominantly on solidarity insurance system; therefore one could understand insufficient interest of employees in gross salary as a full price of their labor.[29]

Profit Tax Law[30] acknowledges gross salary withholding as labor costs in calculated amount. Personal Income Tax Law[31] in basic line practices "gross concept" although some of its provisions, in order to have a functional system in place, have been adjusted for implementation in line with employment contracts in effect. Personal Income Tax Law in a unique manner establishes taxation of income of personal wages and income arising from independent business activity. However, due to "net concept" in employment contracts, in real life a "net concept" is applied to the income on the basis of personal wages while "gross concept" applies to income arising from independent business activity and other income. As a consequence there is uneven tax burden on personal wages income and income generated from other sources. Although the tax rate is identical, mixing of "gross" and "net" concept leads to differences in tax base, thus personal wages income is burdened with lower real tax rate than income arising from other sources (see Table 2 in Annex).

Previous analysis shows uneven treatment of gross and net salary from the aspect of employer and employee throughout various laws in the RS. Formally observing, it might be seen as irrelevant. However, from aspect of economic motivation that incurs in that respect on the side of employer and employee this is a very important issue. We have seen that through Labor law and Contributions law neither employer nor employee are economically motivated to increase and pay contributions.[32] Exactly due to that, a frequent coalition of employers and employees is evident on underestimating a base for liabilities accrual in respect of contributions. Also, such a formal treatment of contributions instigates tendency of both employers and employees to constitute "black labor". In addition to that, under such circumstance the ambiance for leading economic policy is not suitable. Due to unequal treatment, the same measure might be interpreted also as instigation and as restriction, depending on from which legal aspect it is observed. If employees are not interested in gross salary, what is exactly the case in the RS, the issue of contribution amounts to be paid becomes primarily the problem of government and funds assets beneficiaries on one hand and employers on the other hand. Funds assets beneficiaries are mainly pensioners and health institutions. In order to have employees interested in gross salary, i.e. a portion dedicated for contributions, it is required for them to acquire rights to funds public services in proportion with amount of money allocated from gross salary to funds. However, pension insurance system which is operating on the generations' solidarity (pay as you go) and health insurance operating on the basis of social solidarity, divided payments to funds and rights acquired on the basis hereof. Therefore, at this fact one should search for a key reason for a lack of more intensive interest of employees in gross salary as subject of employment contract with employer. Dominance of "net concept" in contracting salaries between employer and employees in RS is logical consequence of a system in which rights to public funds services have not been in proportion with mass of paid assets into funds. If there is no economic motivation for gross salary functions, employees and employers will continue to see contributions exclusively as salary tax and tend to avoid its paying. Rigorous

[29] For instance, if employer fails to pay contributions for health insurance in due deadline, employee will be deprived of a right to use "gratis" health services ("cannot very his/her health booklet"). However, when employer pays residues obligations, assets pertaining to insurance for the period in which insured one was deprived of the right to use health services free of charge shall not be returned to insured ones. Now, assets paid for insurance are consumed regardless of insured one, i.e. regardless of fact whether insured one was provided with service or not.

[30] RS OG No. 91/06

[31] RS OG No. 91/06

[32] This was most likely the reason due to which legislator decided in Art.26 of the Pension and disability law and Art.80 of the Health insurance law to grant authority to respective Funds to undertake control of accrual and contribution payments for pension and disability insurance i.e. health insurance, although this capacity belongs to Tax Administration pursuant to the Tax Administration Law and Contributions Law.

measures of calculation control and contribution collection may be counterproductive and create informal system of salary payments, in particular due to overlapping interest of employer and employees.

3. Possible "net concept" misuse

Under the terms of employees' indifference to gross salary, as already mentioned, there is possibility of setting up formal and silent coalition of employers and employees on avoiding contributions and tax payments. The point of the coalition pertains to contributions evasion to really paid net salary of employee. Employers register to the Pension Fund and Health Insurance Fund low net salary as a base for contributions calculation i.e. lower salary than actual paid net salary.[33] In that respect, a portion of net salary is paid to employee in cash ("cash in hands") and this is not recorded as salary payment. Thus at least 42% is "saved" in the amount of paid unrecorded salaries. Employees often agree with this model of payment as they are aware that though such model they will generate higher actual net salary, what is their primal motive. Naturally, gains of the coalition partners are paid at the burden of fund i.e. their services beneficiaries.

Where does the money for "cash" payments come from? There are several methods of cash "creation" to pay unrecorded salaries. Firstly, cash business is not fully and consistently regulated, therefore it incurs that a part of cash from transactions is used for cash payments of unrecorded salaries. It is not rare at all to notice discounts given by vendors for cash payments. This discount is a price they are ready to pay in order to grab alternative cash use in comparison with gyro money. If they are prepared to pay to get to cash assets it means that with cash they can better achieve their motives than with gyro assets, although the par value of gyro and cash assets is 1:1. Secondly, through corporation profit tax payment employer may obtain cash which would have legal origin and which is not taxed as natural person income.[34] This money is usually used to pay salaries to employees hired without registration (black labor); differences in salaries to which taxes and contributions were not accrued, goods obtained at "black market" intended for further distribution and "premiums" payments to owners ("in shadow") without status of company's employees.

4. Necessity to change to "gross concept"

Although it is not difficult to find counterparts considering that the "net concept" is a good one and there is no need to change it, previously given analysis clearly demonstrated that there are more reasons in favor of "gross concept". Here are some basic reasons:

a) Profit Tax Law acknowledges labor costs as gross salary in respect of employer in the same manner as any other expense, therefore it makes sense and in accounting is more precise to

[33] For instance, in line with sample of 68155 employees who received salary in February 2007 in the RS, one could draw a conclusion that over 70% employees is registered at lower net salary than average and over 90% at net salary lower than 1000,- BAM. Even 99% employees is registered at net salary lower than 2000,-BAM. In the same month basic food basket in the RS amounted up to 477, 81 BAM. About 65% employees are registered at net salary lower than basic food basket. Reminder, basic food basket includes only value of food products for average family during a month. Therefore, this excludes clothing, shoes, cosmetics, personal vehicles, accommodation expenses, traveling, going out to coffee bars..
Explanation that higher consumption is only a privilege of a small group of wealthy people is not fully convincing: a small group of wealth people cannot make such a huge traffic jam, occupy as many places in cafés, purchase all clothes in boutiques, consume as many drinks, apply all the expensive cosmetics…
Even superficial analysis demonstrates that there is something wrong with our manner of income deposition (see Table 1 in Annex).

[34] Personal Income Tax Law does not foresee taxation of natural person income arising from interests on deposits, dividends, profit and capital gains at capital market.

have employment contract, on the basis of which labor costs incur, signed for the full amount of labor price.

b) Pension and health insurance Reforms in the RS cannot be implemented without setting up more direct interdependence between contributions payments and entitlement to public services incurred on the basis of such payments. It is necessary to "unite" payments to funds and rights arising hereof. Through gross salary, as a subject of employment contract, employee is given opportunity to be motivated to support reformed institutions of pension and health insurance, to show higher interest in its work and development of democratic supervision over public consumption.

c) Current situation lead to creation of market-wise unacceptable coalitions between normal negotiation entities on salaries: employers, union and state. In order to provide market favorable influence to labor demand and supply as well as labor price as significant parameter of entire economy functioning it is necessary to establish a natural motivation in negotiating structures. "Gross concept" will soon enough and simply eliminate artificial coalitions in negotiation process. Each negotiating side will assume authentic motivation and identity.

d) In order to have labor market in function it is necessary to establish opposing interests of employers and employees with regard to gross salary. Gross salary contracted under the terms of opposed interests of employers and employees is a market price that represents real parameter for economic policy and development strategy as well as functioning of pension and health insurance institutions.

e) In market economies gross salary is contracting subject between employer and employee. Therefore it is usually understood that gross salary is a base for contribution accrual i.e. that certain rate of contribution implies to gross salary as a base. In the RS, however, this is not the case. It is publicly known that in the RS summed up contributions rate is 42%. This often disorientates foreign investors, by creating distorted picture on greater burden put on salaries regarding contributions than in more developed western countries or some countries in transition. Collective contribution rate, calculated in gross salary, amounts up to 27.6%.[35] This data, in its economic sense, is fully understood by foreign investors. Also this data brings a whole set of advantages for the RS in the eyes of foreign investors. Thus, and in order to make recognized investment advantages in the RS it is necessary to change to "gross concept " so the manner of price establishing regarding production factors and expenses indications would be comparable with economically advanced countries in the world.

5. What is to be changed?

Above elaborated analysis implied that in the RS there is no uniform dedication in respect of "gross" or "net" concept implementation. Different legal and by-laws solutions directly call upon or mean one of the mentioned concepts. Also, we have noticed that it is not a technical selection but a significant parameter in motivation of employers, employees and government, as well as an important determinant of economic policy steps selection and measurement of its successfulness. In market economy all advantages lay on the side of "gross concept". The worst option is a mixture of concepts, what currently characterizes situation in the RS. This fact puts additional load and make this issue even more serious and requires a synchronized action of changes and harmonization of several important regulations in the RS.

[35] This rate is equivalent to 42% rate to net salary under the assumption that the contribution and tax bases on income are identical. As the Personal Income Tax Law from 2006 changed tax base on income, i.e. untaxed part of income was introduced as well as marginal tax rate, calculated contribution rate from net to gross salary would not remain the same for each salary level. This is an additional reason for which one should search for finding the solution that would be functionally consistent.

Our analysis has shown that regulations to be changed are the following:[36]

1. Rulebook on Employment Contract Forms,
2. Contributions Law,
3. Pension and Disability Insurance Law,
4. Health Insurance Law,
5. Personal Income Tax Law,
6. General Collective Agreement and
7. Decision on Lowest Salary.

6. How should the regulations be changed?

6.1. Rulebook on Employment Contracts Form. It is not common practice to have such an important decision such as selection of base and contribution and tax accrual concept regulated by by-laws. Rulebook on Employment Contract Forms (UR-1) stipulates that salary is contracted in net amount, although in accordance with the Labor Law there is equal number of arguments in favor of gross salary. As it is not technical issue of the Law implementation, the most correct would be to add a word "gross" in the Labor Law, in Article prescribing the form and content of employment, under Item regulating that contract must include salary data. That would constitute a liability to change also the Rulebook on Employment Contract Forms, i.e. in Item 5 a word "net" would be replaced with word "gross".[37] However, if one would like to avoid changes to the Labor Law, the same effect could be achieved by changing only Item 5 of the Rulebook in a manner described above. These changes imply uniform manner of gross salary establishing which is equivalent to current contracted net salaries for all RS employees. In order to provide aforementioned, the RS Government should pass a Decree on manner of calculation of current net salaries to gross salaries.[38] This Decree would constitute a commitment for employers to calculate in certain period current net salaries to gross salaries and use such established gross salary as a ground for contribution calculation and income tax accrual. Current net salary concept, de facto, is net income after tax payment, which is market economies an unusual model. On the other hand, we have seen, a model of net income before tax payment is valid for entrepreneurs. This dual interpretation of tax base, on the grounds of the same law should be eliminated. By the aforementioned Decree a harmonization of income tax base would be carried out for both income arising from personal wages and income arising form independent business activity. Starting from net salary of current employment contracts, gross salary of new employment contract would be determines on the basis of the formula as follows:

$$Bp = Np + Do + Pd$$

Therefore, gross salary (Bp) equals a sum of current employment contract net salary (Np), contributions (Do) accrued on current net salary (therefore, $Np \times 0.42 = Do$) and income tax (Pd) accrued on current net salary.

6.2. Contributions Law. The Contributions Law treats contribution payer in a proper manner and in that respect starts from "gross concept". However, for calculation base it takes net salary therefore rates are relatively higher too. In order to change to a full "gross concept", Articles 8 and 9 should be changed i.e. words "net salary" and "net revenues" should be replaced with "gross salary" and "gross revenues". The greatest change in the Contributions Law should be

[36] We do not exclude possibility to come across the need to make changes in additional regulations which were not subject of the analysis hereof but we believe that previously given general explanations had sufficiently elaborate on reasons why changes are required and in which direction should be taken, thus designing a framework for a full transfer to "gross concept".

[37] Certainly, change from "net" to gross concept means undertaking changes in all revenues paid in net amounts (therefore not only salaries!) with personal income character i.e. which enter in a base for contribution and income tax calculation.

[38] If one opts for Labor Law changes through which a liability of signing employment contracts with gross salary would be stipulated, one could envisage passing of the Rulebook on calculation net salary to gross salary, therefore the Decree would not be required.

made in Article 11 Increase of contribution base via changes of Articles 8 and 9 implying calculation of existing contribution rates to apply to gross salary. However, due to uneven relative burden over salaries by income tax and due to existence of untaxed part of income, uniform calculated rates would not be neutral from the funds revenues aspect or tax payer burden. Neutral basis calculation would not be practical for implementation and, most likely it would be more expensive that effects of income transfers. However, since the aim of reform is not a technical side of the problem (pure transfer to "gross concept") but positive effects of economically based motivation of negotiating positions of employees, employers and government, the changes to the Contributions Law should reflect the goals of these changes. Due to extreme difficulties with assets providing for funds financing, primarily PDI Fund, it would be savvy to use changes to the Contributions Law for setting up more efficient reallocation of assets that employees give away from their gross salary. For several years now, the RS Government makes assets transfers from the RS Budget to PDI Fund to provide pension payments. Changes of more than several laws could be used to benefit setting up of new money flow from employees to the Budget and Funds. In final part of the Study hereof we shall explain the model to achieve aforementioned.

6.3. Pension and Disability Insurance Law. Changes to the Pension and Disability Insurance Law should be directed in four lines: (1) changes of contribution payer; (2) changes of contributions base for pension and disability insurance; (3) merging of salary and contribution flows and (4) PDI Fund surrender penalty and controlling measures. In Article 22 of the Law it should be précised that the contributions payer is person insured, i.e. employee and employer should be treated as tax intermediary. Gross salary should be taken as a base (change Article 77). Also, it economically illogical to require from contribution payer (or intermediary) to pay contributions before income from which contribution is paid had been generated, therefore Article 25 should be changed in order to ensure congruity of salary and contributions flow. Should the previous changes be provided, it would be logical that PDI Fund surrenders its controlling function (Article 26) and let it to be handled by the Tax Administration. In conformity with this approach, collection of penalty interest to due liabilities would be located within the framework of contracts and torts and not pension insurance. PDI Fund would most likely be put in much better position should it require reporting from authorized specialized institutions on revenues collection than to take over their functions on its own.

6.4. Health Insurance Law. The changes to this law should be carried out in the same line as those pertaining to the Pension and Disability Insurance Law, plus, in addition to that, Health Insurance Fund should surrender its auditing function too. PDI Fund and Health Insurance Fund, should they change relation to contribution payer and contribution calculation base would be more open to reforms that are inevitable for both Funds. "Integration" of insured person and contribution payer in one entity and setting up congruity of gross salary and contribution flow constitute fundaments of contemporary pension and health system.

6.5. Personal Income Tax Law. This Law starts from overall revenue from which net income is generated by deducing for the amount of costs needed to acquire and preserve revenues. Consistent implementation of "gross concept" in the Law hereof is disturbed by definition of net salary given in by-laws to the Labor Law. Should these regulations start with gross salary as subject of contract between employee and employer, by applying definition of net income as referred under Article 2, Paragraph 3 of the Personal Income Tax Law, base for tax calculation would be reached that originally belongs to "gross concept". In relation to currently applied base, new base would be higher since it would represent amount before taxation, while current base represents amount after taxation. Current income taxation model arising from employment is only formally named personal income tax while in real life it functions as classic model of salary tax paid by employer. Employment contracts signed on gross salaries would truly enable functioning of personal income tax from revenues arising from the employment basis.

Admittedly, new base would be higher than currently applied one, and preserving the current rates would lead to reallocation at expense of employees and to the benefits of the state. That problem could be solved by reducing tax rates. This means changes to Article 4, Paragraphs 2 and 3. Rate amounting up to 10% in Article 4, Paragraph 2 should be reduced to 6% while rate 15% referred under Article 4, Paragraph 3 should be reduced to 9%.[39]

6.6. General Collective Agreement. General Collective Agreement should also directly call upon gross salary and in all its determinants refer to gross salary. Through this document an overall scope of employees' rights should be visible, liabilities taken over by employers and business climate in labor market accepted by government.

6.7. Decision on Lowest Salary. The lowest salary should also be contracted in gross amount. Naturally, the lowest salary is also subject to contributions payment. After reduction of the lowest gross salary for the amount of contributions a net amount would remain which is, in line with Article 4 of the Personal Income Tax Law, untaxed.

Regulations changes presented herewith are given under the assumption that each and every change acts neutrally in relation to current state of affairs in respect of income reallocation. However, there are many reasons due to which one could not be satisfied with current income distribution between employees, employers, funds and state. Therefore, these changes should not be neutral but serve as an opportunity to create more righteous and stable relations.

7. New calculation model

Complex analysis of the laws, effects of law implementation, budget consumption structure, dynamics of income changes, prices and living costs led us to reach determinants that define a model of more righteous ad stable reallocation of revenues incurred in gross salary distribution. In this matter, none of the sides would be damaged and many conflict situations currently existing would be overcome. In undertaking economic reforms it is rarely met such a plethora of circumstances that with several well designed changes one could improve entire system functioning. Such an opportunity should be used.

Elementary parameters of new model of calculation net salaries, contributions and personal income tax are the following:

1. ***Gross salary*** (contracted between employer and employee or recalculated on the basis of net salary from current employment contract);
2. ***Lowest salary*** set forth by Decision on Lowest Salary i.e. General Collective Agreement. Lowest salary would be defined in gross amount of up to 330 marks, thus, after calculation of contribution it would remain as net amount of up to 231 marks[40]. Net salary up to that amount would not be taxed via personal income tax. Also, 231 marks would be a base for calculation of tax base reduction referred under Article 9, Paragraph 1, Item a) of the Personal Income Tax Law.
3. ***Collective contribution rate of up to 30% to gross salary***. In this matter, rate of contributions to pension and disability insurance would be 17.5%, rate of contributions to health insurance would be 10.4%, rate of contributions to unemployment insurance would be 0.7% and rate of contributions to children protection up to 1.4%.

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[39] Rulebook on implementation of the Personal Income Tax Law would sustain extensive changes.

[40] Current lowest net salary is up to 205 BAM. It was set on March 21st 2006 and it was foreseen to be applied in 2006. Proposed increase in the amount of up to 26 marks (205 BAM + 26 BAM = 231 BAM) would represent 12,7% increase, which is almost equal to increased living costs in 2006 thus such an increase would be considered really neutral.

4. ***Personal income tax rate*** from 6% to income of up to four average annual salaries and 9% to annual income exceeding four average annual salaries.

Example:

On August 29th 2007, an employee A has contracted net salary amounting up to 600 BAM, while employee B has net salary amounting up to 2900 BAM. Assuming that as of September 1st 2007, change to "gross concept" starts in line with above-mentioned parameters. What is the salary calculation look like, contributions calculation and tax withholdings for the two employees as per "net" and "gross" concept?

Explanation:

1. Firstly current net salaries should be "transferred" to gross salaries. According to previously given formula, employee A will have net salary as follows:

   Bp(A) = Np + Do + Pd = 600 BAM + 252 BAM + 39.5 BAM = 891.5 BAM in which Do = 600 BAM x 0.42 = 252 BAM (net salary multiplied with collective contributions rate to net salary) and Pd = (600 BAM – 205 BAM) x 0.1 = 39.5 BAM (10% net salary reduced for untaxed part).

   For employee B gross salary calculation is somewhat more sophisticated since it requires inclusion of two income tax rates. As in previous case, formula is used as follows:

   Bp(B) = Np + Do + Pd = 2900 BAM + 1218 BAM + (2900 BAM - 2084 BAM) x 0.15 + (2084 BAM – 205 BAM) x 0.1 = 2900 BAM + 1218 BAM + 122.4 BAM + 187.9 BAM = 4428.3 BAM.[41]

2. Employer and employee will conclude new employment contracts read at gross salary amount: for employee A 891.5 BAM (instead 600 BAM net) and for employee B 4428.3 BAM (instead 2900 BAM net).[42]
3. In calculation of contributions and personal income tax, upon signing employment contract to gross amount, start point is gross salary. New collective contribution rate is 30% to gross salary. Overall contributions for employee A will reach up to: Do = Bp x 0.3 = 891.5 BAM x 0.3 = 267.45 BAM and for employee B: Do = Bp x 0.3 = 4428.3 BAM x 0.3 = 1328.49 BAM. Calculation of individual contributions as per previously explained rates is shown in a table below:

Contribution	**A: Bp = 891.5 KM**	**B: Bp = 4428.3 KM**
- for pension and disability insurance 17.5 %	156.01	774.95
- for health insurance 10.4 %	92.72	460.54
- for unemployment insurance 0.7%	6.24	31.00
- for child protection 1.4 %	12.48	62.00
Total contributions	**267.45**	**1328.49**

4. Subtracting calculated contributions from gross salary gives net income, i.e. net salary before taxation. It serves as base for personal income tax calculation.
5. Monthly net salary reached up to the amount of 231 BAM is untaxed, thus it is paid to employee in full amount. Net salary from 231 BAM to 2084 BAM is taxed as per 6% rate and monthly net salary exceeding 2084 BAM as per 9% rate. Personal income tax calculation for employees A and B is shown in Table below:

[41] Amount 2084 represents margin for rate 10 and 15% application in 2007. Therefore, to balance (2900 BAM – 2084 BAM) we apply 15% rate while on balance (2084 BAM – 205 BAM) rate is 10%. Sum of two tax amounts represents personal income tax of employee B.
[42] Naturally, employer and employee might agree on model of "rounding" of established gross salary.

Description	Employee A	Employee B
Gross salary	**891.50**	**4428.30**
- Calculated contributions	-267.45	-1328.49
= Net income (salary) before taxation	624.05	3099.81
- Untaxed income 231 KM	-231.00	-231.00
=Tax base per tax rate 6%	393.05	1853.00
Personal income tax per rate 6%	23.58	111.18
Tax base per tax rate 9%	0.0	1015.81
Personal income tax per rate 9%	0.00	91.42
- Total personal income tax	23.58	202.60
= Net income (salary) after taxation	**600.47**	**2897.21**

6. Employee A will receive net salary in the amount of up to 600.47 BAM and employee B will get net salary of up to 2897.21 BAM[43].

8. New model effects

In order to demonstrate effects of new model of calculation and to better illustrate to which extent it contributes to implementation of objectives in regard to new model introduction, we will compare calculations as per both existing and new model for employees A and B.

Description	**Employee A**			**Employee B**		
	Current model (S)	New (N) model	Balance (N – S)	Current model (S)	New (N) model	Balance (N – S)
Gross salary	891.50	891.50	0	4428.30	4428.30	0
Contributions	252.00	267.45	+15.45	1218.00	1328.49	+110.49
Untaxed part	205.00	231.00	+26.00	205.00	231.00	+26.00
Tax, lower rate	39.50	23.58	-15.92	187.90	111.18	- 76.72
Tax, higher rate	0	0	0	122.40	91.42	-30.98
Tax, total	39.50	23.58	-15.92	310.30	202.66	-107.70
Net salary	600.00	600.47	+0.47	2900.00	2897.15	-2.79

Pursuant to comparison of calculation as per current and newly proposed model one could draw conclusions as follows:

a) labor costs remain the same, thus new model is neutral from the aspect of employers' burden i.e. enterprise business efficiency;
b) amount of calculated contributions grows, for pension insurance primarily, thus creating financial assumptions to resolve a whole set of open social issues;
c) net salary remains unchanged thus new model is also neutral towards employees;
d) personal income tax is reduced to the benefit of increasing amounts for contributions which increases interests of employees in contribution consumption and constitutes liability for the state to make certain activities more efficient via surrendering fiscal burden of salaries and reformation of fund consumption.

In this matter, we see that proposed calculation model is neutral at microeconomic level. Naturally, it could be simulative for employees, due to contracting salary in gross amount, to increase their interest in manner of contribution assets consumption and to be prepared to support reforms that would enable more direct link if assets allocations to funds and services

[43] Minor discrepancies in relation to start net salary (with employee A + 0.47 BAM, while with employee B – 2.79 BAM) incurred due to rounding amount an rounding contributions rates as well as personal income tax rate.

provided to insured persons. Reformed funds and public institutions under the terms of new model application would mean higher relative disposal with salary on the employees' side.

As previously explained objective of changes is to fix new motivation at microeconomic level as well as just and more righteous and economically more stable reallocation of public revenues. New model does not imply reallocation between employers and employees. It is focused on setting up new macroeconomic reallocation between state, employees and funds. What effects in that sphere a new model offers? Outline is given in the Table as follows.

Comparison of contribution and personal income tax calculation model effects

Elements	Current model (S)	New model (N)	Balance (N - S)
Annual gross salaries	**2,204,797,189**	**2,204,797,189**	**0**
Annual contributions, total*	**624,413,782**	**661,439,157**	**37,025,375**
Out of that:			
pension and disability insurance	356,807,876	385,839,508	29,031,632
health insurance	223,004,922	229,298,908	6,293,986
unemployment insurance	14,866,995	15,433,580	566,585
child protection	29,733,990	30,867,161	1,133,171
Personal income tax, total	**93,683,925**	**52,074,945**	**-41,608,980**
Paid annual salaries	**1,486,699,482**	**1,491,283,088**	**4,583,606**

* Herewith only contribution collection assumption is given on the basis of current salaries paid. Also, amount excludes collection of due but unpaid liabilities from previous periods.

Implementation of proposed new model of contribution calculation and personal income tax calculation at the Republika Srpska level would foster the following effects:

(a) labor costs would remain unchanged, i.e. reform is neutral from the business costs aspect and would not in any possible manner endanger enterprises competitiveness or budget performance;

(b) total contributions on the basis of new calculation model would increase for up to 6%. This rate excludes increment incurred as a result of economic growth and income indexation;

(c) all funds revenues would increase since a part of personal income tax would be reallocated to the benefit of contributions;

(d) PDI fund revenues would increase for more than 8% just as per new model of calculation since more than 78% of contributions growth would be turn to this fund;

(e) paid net salaries would also register a slight growth. Model would foster conditions for directing the largest part of generated effect of paid salaries to growth of salaries that are below average.

Table 1.

Number of employees as per interval of paid net salary in February 2007

Serial No.	Net salary, BAM	Number of employees	% out of total number	Cumulated	Serial No.	Net salary, BAM	Number of employees	% out of total number	Cumulated
0	1	2	3	4	0	1	2	3	4
1	1 - 205	2,694	3.95	3.95	28	2401 - 2500	43	0.06	99.42
2	201 - 250	1,628	2.39	6.34	29	2501 - 2600	52	0.08	99.49
3	251 - 300	24,559	36.03	42.38	30	2601 - 2700	39	0.06	99.55
4	301 - 350	5,442	7.98	50.36	31	2701 - 2800	36	0.05	99.6
5	351 - 400	3,827	5.62	55.98	32	2801 - 2900	21	0.03	99.63
6	401 - 450	3,143	4.61	60.59	33	2901 - 3000	34	0.05	99.68
7	451 - 500	3,368	4.94	65.53	34	3001 - 3100	18	0.03	99.71
8	501 - 550	3,818	5.6	71.13	35	3101 - 3200	19	0.03	99.74
9	551 - 600	3,285	4.82	75.95	36	3201 - 3300	15	0.02	99.76
10	601 - 700	4,301	6.31	82.26	37	3301 - 3400	22	0.03	99.79
11	701 - 800	2,777	4.07	86.34	38	3401 - 3500	15	0.02	99.82
12	801 - 900	2,170	3.18	89.52	39	3501 - 3600	14	0.02	99.84
13	901 - 1000	1,553	2.28	91.8	40	3601 - 3700	10	0.01	99.85
14	1001 - 1100	1,088	1.6	93.39	41	3701 - 3800	7	0.01	99.86
15	1101 - 1200	930	1.36	94.76	42	3801 - 3900	4	0.01	99.87
16	1201 - 1300	653	0.96	95.72	43	3901 - 4000	12	0.02	99.88
17	1301 - 1400	531	0.78	96.5	44	4001 - 4100	6	0.01	99.89
18	1401 - 1500	453	0.66	97.16	45	4101 - 4200	4	0.01	99.9
19	1501 - 1600	329	0.48	97.64	46	4201 - 4300	3	0	99.9
20	1601 - 1700	238	0.35	97.99	47	4301 - 4400	6	0.01	99.91
21	1701 - 1800	225	0.33	98.32	48	4401 - 4500	4	0.01	99.92
22	1801 - 1900	173	0.25	98.58	49	4501 - 4600	1	0	99.92
23	1901 - 2000	187	0.27	98.85	50	4701 - 4800	3	0	99.92
24	2001 - 2100	119	0.17	99.03	51	4801 - 4900	2	0	99.93
25	2101 - 2200	97	0.14	99.17	52	4901 - 5000	5	0.01	99.93
26	2201 - 2300	73	0.11	99.28	53	5001 i više	45	0.07	100
27	2301 - 2400	54	0.08	99.35		**Total paid:**	**68,155**	100	

Table 2.
Comparison personal income tax calculation arising from employment and independent business activity

Description	a) Personal income from employment	6) Personal income from independent business activity
0	1	2
TOTAL INCOME a) total annual salary b) total income from independent activity	 39,458 	 39,458
TOTAL EXPENSES a) contributions to net salary (42%) b) business costs	 10,920 	 10,920
NET INCOME a) paid net salary b) total income – total expenses	 26,000 	 28,538
PERSONAL INCOME TAX a) as per rate 10% a) as per rate 15 % a) total personal income tax b) as per rate 10 % b) as per rate 15 % b) total personal income tax	 1,986 552 2,538 	 1,986 622 2,608
PERSONAL CONSUMPTION INCOME a) paid «on hands» to employee 6) other after taxation	 26,000 	 25,930
% TAX IN RELATION TO INCOME a) 2,538 : 39,458 b) 2,608 : 39,458	 6.4% 	 6.6%
% TAX IN INCOME «ON HANDS» a) 2,538 : 26,000 b) 2,608 : 25,930	 9.76% 	 10.06 %

Table 3.
Pension insurance contributions as gross salary part

COUNTRY	Rate paid by employer	Rate paid by employee	Collective rate to gross salary	COUNTRY	Rate paid by employer	Rate paid by employee	Collective rate to gross salary
0	1	2	3	0	1	2	3
Belarus	35	1	36	Hungary	18	8	26
Uzbekistan	31.6	2.5	34.1	Tajikistan	25	1	26
Ukraine	32	2	34	Slovenia	8.9	15.5	24.4
Poland	16.3	16.3	32.6	Armenia	19.3	3	22.3
Romania	22	9.5	31.5	Estonia	20	2	22
Moldavia	28	2	30	Montenegro	9.6	12	21.6
Albania	21.3	8.6	29.9	Serbia	10.3	10.3	20.6
Kyrgyzstan	21.3	8.6	29.9	Croatia	0	20	20
Azerbaijan	27	2	29	Macedonia	20	0	20
Bulgaria	21.8	6.5	28.3	Turkey	11	9	20
Georgia	27	1	28	BiH - FBiH	5.3	12.6	17.9
Russia	28	0	28	BiH - RS	0	15.8	15.8
Slovakia	21.6	6.4	28	Kazakhstan	0	10	10
Czech	19.5	6.5	26				

Source: ***Labor Market Update: The Role of Industrial Relations***, Document of the World Bank, Report No. 32650-BA, December 2005, p. 94.

Consolidated Reports

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Notes to table 4

The consolidated report includes:

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

Notes to table 5

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 of Health insurance fund of Brcko District as an independent financial institution.

Notes to table 6

1. The consolidated report includes:
-revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
-revenues and expenditures of cantonal budgets in FBiH,
-revenues and expenditures of municipal budgets in FBiH.
2. Report includes foreign debt amortization
3. Data for the following municipalities are estimated: Drvar, Ravno, Kupres (all months); Tomislavgrad (July, Aug)

Notes to tables 7, 8, 9, 10 and 11

Consolidated report includes:

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

BiH, entities, Single account, I-X 2007

		I	II	III	IV	V	VI	VII	VIII	IX	X	Q1	Q2	Q3	Q4	Total
1	**Current revenues**	**348,5**	**337,5**	**403,3**	**393,5**	**444,2**	**430,2**	**569,9**	**483,5**	**429,8**	**489,4**	**1089,3**	**1267,9**	**1483,2**	**489,4**	**4329,9**
11	Taxes	338,3	318,9	378,0	372,8	425,9	413,2	459,9	458,7	410,4	461,3	1035,2	1212,0	1329,0	461,3	4037,5
111	Indirect taxes	321,0	296,5	339,4	356,4	407,8	393,9	439,4	441,7	394,3	444,1	957,0	1158,1	1275,3	444,1	3834,5
	VAT	202,5	182,6	203,8	207,2	246,8	247,1	272,1	265,8	245,9	272,5	588,9	701,2	783,8	272,5	2346,3
	VAT on imports	126,6	144,9	180,5	184,9	197,4	188,8	207,2	207,3	189,9	221,2	452,0	571,1	604,3	221,2	1848,7
	VAT from VAT returns	111,6	82,4	81,4	90,9	96,1	99,1	109,8	107,2	108,9	108,7	275,4	286,1	325,9	108,7	996,2
	VAT from automatic assessment done by ITA	0,1	0,1	0,0	0,0	0,1		0,1	0,0	0,1	0,0	0,1	0,1	0,2	0,0	0,4
	One-off VAT payments	0,2	0,4	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,8	0,2	0,2	0,1	1,3
	Other	0,9	0,9	1,3	1,1	1,2	1,5	1,0	0,5	1,2	0,9	3,1	3,8	2,7	0,9	10,5
	VAT refunds	-36,9	-46,1	-59,6	-69,8	-48,0	-42,3	-46,1	-49,2	-54,2	-58,5	-142,6	-160,2	-149,6	-58,5	-510,8
	Custom duties	35,2	41,5	52,1	52,9	58,4	53,6	58,7	60,2	56,3	65,6	128,9	164,9	175,2	65,6	534,6
	Sales tax	0,7	1,5	0,8	1,1	0,9	0,7	0,9	1,0	1,1	1,4	2,9	2,6	3,0	1,4	10,0
	Excises	68,3	57,4	68,0	78,8	83,3	76,8	88,4	94,9	73,9	85,0	193,7	238,9	257,2	85,0	774,8
	on imports	53,7	47,5	54,2	64,7	65,5	61,3	70,3	75,3	61,9	71,1	155,4	191,5	207,5	71,1	625,5
	on dosmestic poduction	14,6	9,9	13,8	14,1	17,8	15,5	18,1	19,6	12,0	13,9	38,3	47,4	49,7	13,9	149,3
	Railroad tax	13,7	11,9	13,8	16,3	17,0	14,8	18,1	18,8	15,8	17,5	39,5	48,1	52,6	17,5	157,8
	Other	1,0	2,0	1,4	1,1	1,9	1,6	1,4	1,3	1,5	2,4	4,4	4,5	4,2	2,4	15,5
	Other refunds	-0,5	-0,4	-0,5	-1,0	-0,5	-0,7	-0,2	-0,3	-0,2	-0,4	-1,3	-2,1	-0,7	-0,4	-4,5
112	Direct taxes	17,2	22,4	38,6	16,4	18,2	19,3	20,5	17,1	16,2	17,2	78,2	53,9	53,7	17,2	203,0
	Income taxes	6,2	12,6	27,5	5,3	7,3	8,7	8,6	6,2	6,0	6,1	46,3	21,3	20,9	6,1	94,5
	Other tax revenues	11,0	9,8	11,1	11,1	10,9	10,6	11,8	10,8	10,1	11,1	31,9	32,6	32,8	11,1	108,5
12	Non-tax income	10,0	18,4	25,1	20,2	18,1	16,8	109,9	24,5	19,1	27,8	53,5	55,1	153,6	27,8	290,0
13	Other revenues	0,0	0,0	0,1	0,1		0,1	0,0		0,0	0,1	0,1	0,2	0,0	0,1	0,4
14	Grants	0,0		0,0	0,0	0,0	0,0	0,0		0,1	0,1	0,0	0,0	0,1	0,1	0,2
15	Transfers from other level of government	0,2	0,1	0,1	0,4	0,1	0,1	0,1	0,2	0,2	0,1	0,5	0,6	0,5	0,1	1,8

2	**Current expenditures**	**256,1**	**316,7**	**353,6**	**376,3**	**413,7**	**454,3**	**447,2**	**421,6**	**426,6**	**464,2**	**926,4**	**1244,3**	**1295,4**	**464,2**	**3930,3**
21	Consumption expenditures	34,5	50,2	54,7	54,5	55,6	87,1	42,7	56,4	68,0	76,3	139,4	197,2	167,1	76,3	580,0
211	Wages and compensations	30,4	45,1	46,0	44,4	45,6	75,0	32,5	48,1	50,1	54,5	121,5	165,0	130,7	54,5	471,7
212	Purchases of goods and services	4,1	5,1	8,8	10,1	10,0	12,1	10,3	8,3	17,8	21,8	17,9	32,2	36,4	21,8	108,3
22	Grants	14,3	46,3	51,9	53,6	87,5	81,8	77,0	61,2	70,7	75,4	112,4	222,8	208,9	75,4	619,6
	Transfers to households	10,7	38,0	40,2	40,1	74,6	59,9	59,2	44,4	44,9	47,1	88,9	174,6	148,5	47,1	459,1
	Transfers to institutions / organizations	0,9	1,8	1,1	4,7	4,1	11,0	8,3	4,5	3,2	8,7	3,8	19,9	16,1	8,7	48,6
	Subsidies	2,7	6,5	10,6	8,7	8,8	10,9	9,4	12,3	22,6	19,5	19,7	28,4	44,3	19,5	111,9
23	Interest payments	0,3	19,6	3,5	4,7	12,3	22,0	0,4	12,8	11,5	5,2	23,5	39,1	24,7	5,2	92,5
24	Other outlays	2,5	10,8	7,6	19,3	17,1	31,3	47,9	23,1	22,2	11,7	21,0	67,6	93,3	11,7	193,6
25	Transfers from Single Account	201,8	173,8	207,3	233,2	226,1	213,9	260,8	248,2	229,7	264,1	582,8	673,1	738,7	264,1	2258,7
	o/w : BiH Budget	46,2	44,0	46,2	67,6	54,1	51,6	54,1	56,6	49,2	56,6	136,5	173,3	159,8	56,6	526,3
	o/w: FBiH / Cantons, Municipalities, Road Fund	119,2	97,0	128,3	127,2	134,4	122,1	159,4	147,4	138,7	152,2	344,4	383,8	445,5	152,2	1326,0
	o/w: RS / Municialities, Road Fund	25,8	23,7	22,2	27,7	25,5	28,1	33,6	30,6	29,2	40,6	71,7	81,3	93,4	40,6	287,0
	o/w: Brcko	10,6	9,1	10,6	10,7	12,0	12,0	13,7	13,6	12,6	14,6	30,2	34,7	39,9	14,6	119,4
27	Transfers to lower levels of government	2,7	16,1	28,5	8,0	18,1	19,0	19,3	19,9	24,5	28,5	47,3	45,1	63,7	28,5	184,6
28	Net lending*			0,0	3,0	-3,0	-0,7	-0,9		0,0	3,0	0,0	-0,8	-0,9	3,0	1,4
3	**Net acquisition of nonfinantial assets**	**0,2**	**0,5**	**1,0**	**0,9**	**-7,9**	**29,0**	**20,0**	**16,3**	**5,3**	**28,9**	**1,8**	**22,0**	**41,7**	**28,9**	**94,4**
4	**Government surplus (+)/ deficit(-) (1-2-3)**	**92,2**	**20,3**	**48,7**	**16,3**	**38,4**	**-53,1**	**102,6**	**45,5**	**-2,1**	**-3,7**	**161,1**	**1,6**	**146,1**	**-3,7**	**305,1**
5	**Net financing****	**-24,80**	**-11,3**	**-10,3**	**-9,9**	**-12,6**	**-31,8**	**-15,2**	**-4,8**	**-21,8**	**-10,0**	**-46,4**	**-54,3**	**-41,8**	**-10,0**	**-152,5**

Table 4.

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BiH, entities, cantons, I-IX 2007

		I	II	III	IV	V	VI	VII	VIII	IX	Q1	Q2	Q3	I-IX 2007
1	**Current Revenues** (11+12+13+14)	**365.864.031**	**365.764.097**	**441.703.425**	**456.590.338**	**466.666.770**	**472.931.341**	**586.915.570**	**511.682.083**	**472.575.372**	**1.173.331.554**	**1.396.188.449**	**1.571.173.024**	**4.140.693.027**
11	Taxes	331.283.490	323.182.088	384.673.392	381.698.247	419.852.717	412.528.346	442.588.982	458.201.360	421.868.175	1.039.138.969	1.214.079.311	1.322.658.517	3.575.876.797
	Income & profit tax	12.544.367	20.659.293	35.279.565	11.944.860	12.594.308	15.405.196	16.486.412	13.876.393	13.094.073	68.483.225	39.944.363	43.456.879	151.884.467
	Social security contributions (Brcko)	885.378	1.295.751	1.443.594	205.387	-3.458.698	-314.381	58.029	101.313	-20.227	3.624.723	-3.567.692	139.115	196.146
	Taxes on personal income and self-employment	19.415.095	20.527.455	23.334.679	24.872.495	24.061.042	24.573.194	27.848.026	25.742.689	25.094.903	63.277.230	73.506.730	78.685.618	215.469.578
	Property tax	3.198.734	2.840.035	2.604.756	2.875.495	2.443.384	2.153.934	1.894.567	2.075.267	1.238.685	8.643.525	7.472.812	5.208.519	21.324.856
	Transfers from Single Account	294.474.565	276.367.428	318.006.051	340.717.809	383.171.156	369.638.144	394.916.382	414.862.130	380.877.288	888.848.043	1.093.527.108	1.190.655.800	3.173.030.952
	Other taxes	765.350	1.492.127	4.004.746	1.082.202	1.041.526	1.072.260	1.385.565	1.543.568	1.583.453	6.262.224	3.195.989	4.512.586	13.970.799
12	Non-tax revenues	31.751.067	39.858.923	53.795.385	44.976.955	45.172.812	54.812.047	140.978.673	51.618.231	47.857.736	125.405.374	144.961.814	240.454.639	510.821.828
13	Grants	2.157.794	2.051.417	2.464.446	28.664.288	832.778	3.121.593	3.198.299	1.859.021	2.828.789	6.673.657	32.618.658	7.886.108	47.178.423
14	Other revenues	671.681	671.669	770.203	1.250.848	808.463	2.469.355	149.616	3.472	20.672	2.113.553	4.528.666	173.760	6.815.979
2	**Total expenditures** (21+22+23)	**243.355.194**	**284.730.544**	**311.219.879**	**351.238.558**	**393.009.184**	**490.495.419**	**413.862.671**	**382.664.672**	**429.584.711**	**839.305.617**	**1.234.743.161**	**1.226.112.054**	**3.300.160.832**
21	Current expenditures	236.837.940	279.042.396	306.246.407	342.949.267	392.009.132	465.451.674	388.432.896	374.148.841	425.064.551	822.126.743	1.200.410.073	1.187.646.288	3.210.183.104
	Wages and compensations	141.997.276	145.154.787	150.948.711	159.698.233	167.675.725	213.017.927	153.657.712	168.786.847	178.119.027	438.100.774	540.391.884	500.563.586	1.479.056.244
	of which: Gross wages	118.386.827	122.623.996	125.278.037	134.068.263	138.343.193	141.734.959	132.680.521	143.608.816	148.361.899	366.288.859	414.146.415	424.651.236	1.205.086.511
	of which: Compensations	23.610.449	22.530.791	25.670.674	25.629.969	29.332.532	71.282.968	20.977.191	25.178.030	29.757.128	71.811.915	126.245.469	75.912.349	273.969.733
	Other taxes and contributions	7.823.503	7.745.142	8.293.336	8.750.853	9.268.724	13.859.325	8.132.968	9.922.241	10.466.545	23.861.981	31.878.901	28.521.755	84.262.637
	Purchases of goods and services	22.174.691	29.517.224	31.927.012	36.388.806	34.776.455	36.490.712	36.573.823	36.699.364	48.758.686	83.618.926	107.655.973	122.031.874	313.306.773
	Capital grants	61.350.280	81.740.117	109.140.085	133.299.164	167.837.019	180.001.708	189.261.630	145.865.643	175.671.181	252.230.483	481.137.892	510.798.453	1.244.166.827
	Interest	3.492.189	14.885.126	5.937.263	4.812.212	12.451.209	22.082.003	806.763	12.874.746	12.049.111	24.314.579	39.345.424	25.730.621	89.390.623
22	Other expenditures	6.826.200	6.750.553	5.057.629	5.720.201	2.425.934	27.270.808	26.746.291	7.756.375	2.133.510	18.634.382	35.416.943	36.636.176	90.687.501
23	Net lending**	-308.946	-1.062.405	-84.157	2.569.090	-1.425.881	-2.227.064	-1.316.517	759.457	2.386.651	-1.455.508	-1.083.855	1.829.590	-709.773
3	**Net acquisition of nonfinancial assets**	1.488.321	1.331.092	2.256.112	3.254.240	-1.291.753	25.810.385	25.208.910	26.088.978	14.810.003	5.075.524	27.772.871	66.107.891	98.956.287
4	**Government surplus/deficit** (1-2-3)	**121.020.517**	**79.702.460**	**128.227.435**	**102.097.540**	**74.949.339**	**-43.374.463**	**147.843.989**	**102.928.432**	**28.180.657**	**328.950.412**	**133.672.417**	**278.953.079**	**741.575.908**
5	**Net financing *****	**-30.358.447**	**-7.240.853**	**-8.949.968**	**-10.024.049**	**-12.707.760**	**-31.853.221**	**-14.752.193**	**-4.864.036**	**-21.212.886**	**-46.549.268**	**-54.585.029**	**-40.829.115**	**-141.963.413**

Table 5.

FBiH, cantons, municipalities, I-VIII 2007

		I	II	III	IV	V	VI	VII	VIII	Q1	Q2	Q3	I-VIII 2007
1	**Total revenues** (11+12+13+14)	**252.894.702**	**248.020.089**	**286.785.128**	**286.407.818**	**326.580.180**	**327.299.335**	**435.618.148**	**360.470.365**	**787.699.918**	**940.287.332**	**796.088.514**	**2.524.075.764**
11	Tax revenues	222.110.929	215.282.928	240.754.039	242.212.691	284.424.694	283.303.608	301.962.614	313.776.200	678.147.897	809.940.993	615.738.814	2.103.827.704
	Income & profit tax	12.676.263	16.340.042	12.463.198	8.202.952	8.237.117	11.186.839	11.856.369	10.027.506	41.479.503	27.626.908	21.883.874	90.990.285
	Taxes on personal income and self-employment	13.709.481	16.034.690	18.284.503	20.138.041	19.285.615	19.775.305	21.862.807	20.479.206	48.028.673	59.198.961	42.342.013	149.569.648
	Property tax	6.507.873	8.433.224	5.382.359	6.361.152	7.485.619	6.586.689	6.914.015	8.543.116	20.323.457	20.433.460	15.457.131	56.214.047
	Indirect tax revenues *	188.013.274	172.777.142	200.303.286	206.048.639	247.934.394	244.404.884	259.712.989	272.751.014	561.093.702	698.387.917	532.464.003	1.791.945.622
	Other taxes	1.204.039	1.697.831	4.320.692	1.461.907	1.481.949	1.349.891	1.616.435	1.975.358	7.222.562	4.293.747	3.591.793	15.108.103
12	Non-tax revenues	29.966.936	31.730.080	44.528.721	42.891.390	39.623.124	40.820.211	130.114.049	43.682.306	106.225.737	123.334.724	173.796.355	403.356.817
13	Grants	722.064	768.723	1.251.087	1.042.012	2.178.969	2.360.329	2.032.127	2.645.108	2.741.874	5.581.310	4.677.235	13.000.419
14	Other revenues	94.772	238.357	251.281	261.726	353.392	815.186	1.509.358	366.751	584.411	1.430.305	1.876.110	3.890.825
2	**Total expenditures** (21+22+23)	**158.200.568**	**176.482.927**	**201.372.762**	**257.592.321**	**286.041.282**	**335.658.670**	**278.587.524**	**254.485.072**	**536.056.257**	**879.292.274**	**533.072.596**	**1.948.421.127**
21	Current expenditures	156.904.608	175.021.147	198.745.879	256.274.006	282.452.436	334.514.867	277.456.451	251.525.818	530.671.634	873.241.309	528.982.269	1.932.895.212
	Wages and compensations	79.420.676	83.629.706	90.329.689	96.130.904	102.069.612	140.113.397	89.632.208	104.705.929	253.380.071	338.313.913	194.338.137	786.032.122
	of which: Gross wages	63.523.479	67.917.171	71.287.370	77.077.935	80.180.049	93.384.607	73.273.480	85.975.776	202.728.021	250.642.591	159.249.255	612.619.867
	of which: Compensations	15.897.197	15.712.535	19.042.319	19.052.970	21.889.563	46.728.789	16.358.729	18.730.153	50.652.051	87.671.322	35.088.882	173.412.254
	Other taxes and contributions	7.542.156	7.969.055	8.483.090	9.101.163	9.495.717	11.183.257	8.691.376	10.208.608	23.994.301	29.780.137	18.899.983	72.674.422
	Purchases of goods and services	17.252.143	20.834.557	27.476.052	25.582.952	26.795.630	28.955.477	23.633.736	22.688.776	65.562.752	81.334.058	46.322.512	193.219.323
	Grants	49.443.577	59.175.149	68.762.482	121.404.603	140.395.579	139.358.698	154.950.450	111.854.312	177.381.207	401.158.880	266.804.761	845.344.849
	Interest	3.246.055	3.412.680	3.694.566	4.054.383	3.695.899	14.904.038	548.681	2.068.194	10.353.302	22.654.320	2.616.875	35.624.497
22	Other expenditures	1.552.156	2.516.075	2.669.580	1.666.511	1.960.749	2.720.577	1.535.624	2.200.941	6.737.811	6.347.837	3.736.565	16.822.213
23	Net lending*	-256.196	-1.054.295	-42.697	-348.195	1.628.097	-1.576.774	-404.552	758.313	-1.353.188	-296.872	353.761	-1.296.299
3	**Net acquisition of nonfinancial assets**	2.786.224	548.132	5.925.553	-508.627	-991.429	26.909.839	24.181.153	22.617.485	9.259.909	25.409.782	46.798.638	81.468.329
4	**Government surplus/deficit** (1-2-3)	**91.907.910**	**70.989.030**	**79.486.813**	**29.324.125**	**41.530.326**	**-35.269.174**	**132.849.471**	**83.367.809**	**242.383.752**	**35.585.276**	**216.217.280**	**494.186.308**
5	**Net financing ****	**-5.642.893**	**-5.818.713**	**-5.385.387**	**-6.888.699**	**-8.457.782**	**-26.140.944**	**-7.972.570**	**-3.490.101**	**-16.846.992**	**-41.487.425**	**-11.462.671**	**-69.797.088**

Table 6.

Sarajevo Canton, I – VIII 2007

		I	II	III	IV	V	VI	VII	VIII	Q1	Q2	Q3	I-VIII 2007	I-VIII 2006
1	**Total revenues** (11+12+13+14)	**55.893.808**	**57.221.329**	**65.488.877**	**61.101.230**	**63.224.733**	**64.285.552**	**75.339.148**	**66.349.482**	**178.604.014**	**188.611.515**	**141.688.630**	**508.904.159**	**467.937.040**
11	Tax revenues	46.742.283	48.007.226	52.280.435	50.577.359	54.245.478	52.719.698	63.642.264	58.150.121	147.029.943	157.542.535	121.792.385	426.364.863	396.715.171
	Income & profit tax	4.024.279	6.240.866	3.939.355	3.608.856	2.501.215	2.978.892	4.313.461	4.291.773	14.204.501	9.088.964	8.605.233	31.898.697	27.366.250
	Taxes on personal income and self-employment	4.351.201	5.839.852	6.955.161	7.770.376	6.305.552	6.383.509	7.538.566	6.288.668	17.146.214	20.459.437	13.827.234	51.432.885	44.237.811
	Property tax	3.102.185	5.407.642	2.069.444	2.215.034	3.189.662	2.619.483	2.708.159	2.551.111	10.579.271	8.024.179	5.259.271	23.862.721	17.838.642
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	617.592	520.157	378.014	853.546	1.289.848	533.487	2.294.070	357.669	1.515.763	2.676.881	2.651.740	6.844.384	46.078.570
	Transfers from Single Account	34.349.633	29.600.555	35.625.820	35.643.281	40.479.317	39.766.542	46.289.447	44.224.448	99.576.008	115.889.140	90.513.895	305.979.043	256.700.746
	Other taxes	297.393	398.153	3.312.641	486.264	479.884	437.785	498.561	436.452	4.008.187	1.403.933	935.013	6.347.133	4.493.152
12	Non-tax revenues	9.012.924	7.847.816	12.227.033	8.815.997	7.273.274	9.744.198	9.288.829	6.959.703	29.087.773	25.833.468	16.248.532	71.169.773	66.194.502
13	Grants	138.601	1.147.537	758.244	1.484.709	1.379.879	1.169.452	2.081.953	913.556	2.044.382	4.034.040	2.995.509	9.073.932	5.027.367
14	Other revenues	0	218.750	223.166	223.166	326.102	652.204	326.102	326.102	441.916	1.201.472	652.204	2.295.592	
2	**Total expenditures** (21+22)	**37.126.998**	**42.675.385**	**48.768.516**	**74.269.601**	**55.847.897**	**59.626.552**	**61.846.624**	**51.775.677**	**128.570.899**	**189.744.050**	**113.622.300**	**431.937.249**	**387.797.191**
21	Current expenditures	37.368.534	43.705.906	48.808.170	74.642.692	55.875.456	61.111.663	62.215.259	51.796.713	129.882.610	191.629.811	114.011.972	435.524.392	394.580.603
	Wages and compensations	19.930.262	19.440.569	19.876.650	19.953.676	20.018.185	26.233.389	17.893.198	18.560.972	59.247.481	66.205.250	36.454.170	161.906.902	146.906.409
	of which: Gross wages	14.499.556	15.427.224	15.457.228	15.352.343	15.259.149	15.227.935	15.195.356	14.970.893	45.384.008	45.839.427	30.166.249	121.389.684	115.590.813
	of which: Compensations	5.430.706	4.013.345	4.419.422	4.601.333	4.759.037	11.005.454	2.697.842	3.590.080	13.863.474	20.365.823	6.287.921	40.517.218	31.315.596
	Other taxes and contributions	1.732.216	1.836.867	1.852.870	1.834.091	1.823.882	1.819.086	1.821.095	1.794.355	5.421.954	5.477.059	3.615.449	14.514.462	13.908.937
	Purchases of goods and services	2.810.395	4.403.112	5.481.026	4.929.226	5.253.764	5.677.680	3.568.068	3.421.902	12.694.532	15.860.669	6.989.971	35.545.172	38.558.476
	Grants	12.895.616	17.787.187	21.174.675	47.890.633	28.708.470	27.378.127	38.711.610	28.016.106	51.857.478	103.977.230	66.727.716	222.562.424	193.684.681
	Interest	44	238.171	422.949	35.067	71.155	3.382	221.288	3.377	661.164	109.603	224.665	995.432	1.522.100
22	Net lending*	-241.536	-1.030.521	-39.654	-373.091	-27.559	-1.485.111	-368.635	-21.036	-1.311.711	-1.885.761	-389.671	-3.587.143	-6.783.412
3	**Net acquisition of nonfinancial assets**	**-171.812**	**215.726**	**1.016.102**	**-7.618.417**	**3.075.363**	**1.731.861**	**1.581.977**	**4.356.669**	**1.060.016**	**-2.811.192**	**5.938.647**	**4.187.471**	**6.864.474**
4	**Government surplus/deficit** (1-2-3)	**18.938.622**	**14.330.217**	**15.704.260**	**-5.549.954**	**4.301.472**	**2.927.139**	**11.910.546**	**10.217.137**	**48.973.099**	**1.678.657**	**22.127.683**	**72.779.439**	**73.275.376**
5	**Net financing ****	**-1.568**	**-19.445**	**-10.517**	**-10.524**	**-47.552**	**-10.539**	**-10.539**	**-9.722**	**-31.529**	**-68.615**	**-20.261**	**-120.406**	**-47.055**

Table 7.

Central Bosnia Canton, I – VIII 2007

		I	II	III	IV	V	VI	VII	VIII	Q1	Q2	Q3	I-VIII 2007	I-VIII 2006
1	**Total revenues** (11+12+13+14)	**13.855.796**	**12.243.721**	**15.733.810**	**14.020.326**	**15.535.645**	**15.006.931**	**17.417.766**	**16.309.884**	**41.833.327**	**44.562.902**	**33.727.649**	**120.123.878**	**98.575.928**
11	Tax revenues	12.067.530	10.005.376	11.522.116	11.803.126	13.176.005	12.920.945	15.070.718	14.285.613	33.595.022	37.900.077	29.356.331	100.851.430	83.655.307
	Income & profit tax	220.556	307.631	215.594	229.269	196.217	254.389	467.841	173.514	743.782	679.876	641.355	2.065.013	1.641.012
	Taxes on personal income and self-employment	1.264.224	1.143.837	1.223.899	1.245.760	1.387.133	1.407.171	1.461.496	1.282.113	3.631.960	4.040.064	2.743.610	10.415.634	8.531.896
	Property tax	748.645	374.689	324.736	443.450	412.242	461.451	380.242	771.353	1.448.070	1.317.143	1.151.595	3.916.808	2.950.005
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	294.358	226.095	214.664	293.740	338.533	210.305	335.594	153.985	735.117	842.578	489.579	2.067.274	10.983.571
	Transfers from Single Account	9.475.103	7.883.227	9.478.993	9.530.631	10.774.711	10.516.376	12.309.301	11.810.137	26.837.323	30.821.718	24.119.438	81.778.479	58.562.357
	Other taxes	64.644	69.895	64.231	60.276	67.169	71.252	116.242	94.511	198.770	198.698	210.753	608.221	986.466
12	Non-tax revenues	1.622.439	2.077.817	4.206.161	1.935.912	2.205.280	1.913.895	2.001.997	1.735.865	7.906.417	6.055.087	3.737.862	17.699.365	13.645.907
13	Grants	253.057	160.528	5.533	281.288	154.359	172.091	345.051	288.406	419.118	607.738	633.457	1.660.313	1.164.462
	o/w: Grants from other level government	207.424	155.147	5.530	272.567	140.456	144.624	345.051	274.067	368.101	557.647	619.118	1.544.866	738.125
14	Other revenues	-87.230	0	0	0	0	0	0	0	-87.230	0	0	-87.230	110.252
2	**Total expenditures** (21+22)	**10.768.121**	**11.873.232**	**14.763.513**	**12.572.089**	**14.893.672**	**11.971.366**	**12.755.239**	**11.907.022**	**37.404.865**	**39.437.127**	**24.662.261**	**101.504.253**	**85.816.654**
21	Current expenditures	10.768.121	11.873.232	14.763.513	12.572.089	14.893.672	11.971.366	12.755.239	11.907.022	37.404.865	39.437.127	24.662.261	101.504.253	85.816.654
	Wages and compensations	6.586.019	6.936.043	8.331.013	7.050.661	8.761.975	6.695.278	8.476.637	6.784.944	21.853.075	22.507.914	15.261.582	59.622.570	51.201.284
	of which: Gross wages	5.230.826	5.468.163	5.567.040	5.588.006	5.475.635	5.255.271	5.409.962	5.489.488	16.266.029	16.318.912	10.899.450	43.484.391	40.373.805
	of which: Compensations	1.355.193	1.467.881	2.763.973	1.462.655	3.286.340	1.440.007	3.066.675	1.295.457	5.587.046	6.189.002	4.362.132	16.138.179	10.827.479
	Other taxes and contributions	620.349	643.854	650.320	670.799	666.649	653.399	659.939	677.472	1.914.523	1.990.848	1.337.411	5.242.782	4.812.667
	Purchases of goods and services	1.473.724	1.719.592	1.584.978	1.458.625	1.379.006	1.329.784	915.058	1.131.298	4.778.294	4.167.415	2.046.356	10.992.065	9.212.732
	Grants	1.945.554	2.502.314	4.132.181	3.294.278	4.014.534	3.222.612	2.635.948	3.241.762	8.580.048	10.531.424	5.877.710	24.989.182	19.667.700
	Interest	7.162	5.406	595	21.898	10.591	2.898	11.273	904	13.163	35.387	12.178	60.727	64.399
	Transfers to lower spending units	135.313	66.023	64.426	75.828	60.917	67.395	56.383	70.642	265.762	204.140	127.025	596.927	857.872
22	Net lending*	0	0	0	0	0	0	0	0	0	0	0	0	
3	**Net acquisition of nonfinancial assets**	**-129.799**	**226.665**	**209.728**	**288.490**	**-563.239**	**492.715**	**616.235**	**1.244.098**	**306.595**	**217.966**	**1.860.332**	**2.384.893**	**4.388.271**
4	**Government surplus/deficit** (1-2-3)	**3.217.474**	**143.824**	**760.569**	**1.159.746**	**1.205.212**	**2.542.851**	**4.046.292**	**3.158.764**	**4.121.866**	**4.907.809**	**7.205.056**	**16.234.731**	**8.371.003**
5	**Net financing ****	**0**	**0**	**-964**	**-972**	**-975**	**0**	**-18.721**	**-992**	**-964**	**-1.947**	**-19.713**	**-22.624**	**-120.313**

Table 8.

Tuzla Canton, I – IX 2007

		I	II	III	IV	V	VI	VII	VIII	IX	Q1	Q2	Q3	I-IX 2007	I-IX 2006
1	**Total revenues** (11+12+13+14)	**28.688.805**	**27.419.076**	**34.492.165**	**36.996.350**	**38.412.251**	**39.945.669**	**44.859.098**	**42.434.337**	**43.457.058**	**90.600.047**	**115.354.270**	**130.750.493**	**336.704.809**	**290.278.980**
11	Tax revenues	25.183.617	23.023.769	28.074.059	29.307.277	31.689.397	31.714.437	36.756.238	35.916.403	34.764.219	76.281.445	92.711.111	107.436.860	276.429.417	238.822.729
	Income & profit tax	714.064	897.192	1.065.960	893.793	764.080	920.674	1.048.239	986.944	963.498	2.677.216	2.578.547	2.998.681	8.254.444	6.050.397
	Taxes on personal income and self-employment	2.431.098	2.743.196	2.834.868	3.382.583	3.324.082	3.535.128	3.699.810	3.697.803	3.739.495	8.009.162	10.241.794	11.137.107	29.388.063	26.017.818
	Property tax	725.732	913.553	997.191	1.460.401	1.587.067	1.334.229	1.402.404	1.878.448	1.637.516	2.636.476	4.381.697	4.918.368	11.936.542	8.104.155
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	1.223.223	857.388	1.685.323	1.169.028	942.308	886.861	1.322.193	715.810	778.837	3.765.934	2.998.198	2.816.840	9.580.972	33.266.923
	Transfers from Single Account	20.051.367	17.565.820	21.435.023	22.327.626	24.991.802	24.960.958	29.197.309	28.529.843	27.545.414	59.052.210	72.280.386	85.272.566	216.605.162	164.367.320
	Other taxes	38.133	46.620	55.693	73.845	80.057	76.587	86.284	107.555	99.459	140.446	230.490	293.298	664.235	1.016.116
12	Non-tax revenues	3.368.083	3.981.559	5.855.026	7.001.463	6.285.584	6.910.553	6.306.679	5.575.391	6.962.754	13.204.669	20.197.600	18.844.824	52.247.094	50.700.508
13	Grants	132.070	400.548	559.306	655.325	415.463	1.310.447	789.836	911.922	1.688.976	1.091.923	2.381.236	3.390.734	6.863.893	672.712
14	Other revenues	5.035	13.200	3.775	32.285	21.806	10.232	1.006.345	30.621	41.108	22.010	64.322	1.078.074	1.164.406	83.031
2	**Total expenditures** (21+22)	**20.857.277**	**23.036.807**	**27.470.006**	**32.403.263**	**32.617.571**	**36.251.257**	**30.734.489**	**30.124.454**	**34.615.105**	**71.364.090**	**101.272.091**	**95.474.047**	**268.110.228**	**229.012.571**
21	Current expenditures	**20.921.272**	**23.063.656**	**27.510.679**	**32.439.891**	**32.655.162**	**36.293.180**	**30.770.013**	**29.616.312**	**34.741.883**	**71.495.606**	**101.388.233**	**95.128.208**	**268.012.048**	**228.903.068**
	Wages and compensations	13.762.354	14.551.192	14.943.875	17.204.373	17.121.451	21.747.008	15.888.721	15.934.763	17.635.772	43.257.421	56.072.832	49.459.257	148.789.509	128.771.465
	of which: Gross wages	11.633.258	12.155.109	12.456.347	13.991.939	13.932.387	13.923.141	13.751.264	13.446.125	14.356.169	36.244.713	41.847.467	41.553.558	119.645.738	103.746.543
	of which: Compensations	2.129.096	2.396.083	2.487.528	3.212.434	3.189.064	7.823.867	2.137.457	2.488.639	3.279.603	7.012.707	14.225.365	7.905.699	29.143.771	25.024.922
	Other taxes and contributions	1.385.163	1.445.340	1.469.086	1.666.801	1.654.167	1.656.674	1.630.571	1.598.377	1.702.940	4.299.590	4.977.642	4.931.889	14.209.121	12.365.628
	Purchases of goods and services	3.379.465	3.440.594	5.578.543	5.270.733	5.091.004	5.331.926	4.744.033	4.209.133	4.649.340	12.398.602	15.693.662	13.602.506	41.694.771	35.711.666
	Grants	2.045.378	2.952.767	4.903.431	7.765.062	8.301.784	7.077.560	7.898.247	7.258.064	10.002.375	9.901.576	23.144.407	25.158.687	58.204.670	48.643.263
	Interest	7.472	29.296	18.804	32.754	90.922	51.568	51.589	32.999	37.521	55.572	175.244	122.109	352.925	384.694
	Transfers to lower spending units	341.439	644.466	596.940	500.167	395.835	428.444	556.852	582.975	713.935	1.582.845	1.324.446	1.853.762	4.761.053	3.026.352
22	Net lending*	-63.995	-26.849	-40.673	-36.628	-37.591	-41.923	-35.525	508.142	-126.779	-131.517	-116.142	345.838	98.180	109.503
3	**Net acquisition of nonfinancial assets**	**1.199.394**	**711.171**	**1.749.490**	**1.845.684**	**2.403.590**	**3.290.532**	**2.379.320**	**4.640.294**	**3.991.377**	**3.660.055**	**7.539.806**	**11.010.991**	**22.210.852**	**10.393.859**
4	**Government surplus/deficit** (1-2-3)	**6.632.134**	**3.671.098**	**5.272.670**	**2.747.402**	**3.391.090**	**403.880**	**11.745.290**	**7.669.589**	**4.850.576**	**15.575.902**	**6.542.372**	**24.265.455**	**46.383.729**	**50.872.550**
5	**Net financing ****	**-17.441**	**-157.857**	**343.355**	**251.612**	**329.194**	**490.835**	**-567.320**	**356.241**	**485.756**	**168.057**	**1.071.641**	**274.677**	**1.514.375**	**-1.003.354**

Table 9.

Una Sana Canton, I – VIII 2007

		I	II	III	IV	V	VI	VII	VIII	Q1	Q2	Q3	I-VIII 2007	I-VIII 2006
1	**Total revenues** (11+12+13+14)	**16.874.597**	**15.528.560**	**17.734.432**	**17.572.030**	**20.471.967**	**20.183.764**	**22.915.300**	**21.007.663**	**50.137.590**	**58.227.761**	**43.922.963**	**152.288.314**	**126.446.505**
11	Tax revenues	13.791.433	12.491.690	14.502.314	14.706.696	16.756.222	15.718.415	19.217.370	17.152.939	40.785.437	47.181.333	36.370.309	124.337.080	106.116.656
	Income & profit tax	342.461	519.429	379.963	450.985	711.071	386.566	672.973	313.841	1.241.853	1.548.623	986.814	3.777.290	2.699.935
	Taxes on personal income and self-employment	1.035.361	1.460.084	1.190.035	1.152.482	1.127.743	1.387.472	1.430.912	1.243.180	3.685.480	3.667.697	2.674.092	10.027.269	8.096.735
	Property tax	283.460	333.385	230.945	435.757	348.189	341.152	474.471	566.771	847.790	1.125.099	1.041.242	3.014.131	2.388.208
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	573.102	278.377	327.818	294.013	820.547	278.243	845.578	250.663	1.179.297	1.392.803	1.096.241	3.668.342	14.155.043
	Transfers from Single Account	11.510.659	9.852.723	12.312.678	12.317.180	13.682.962	13.233.305	15.714.351	14.713.221	33.676.060	39.233.447	30.427.572	103.337.079	78.323.151
	Other taxes	46.390	47.692	60.875	56.278	65.711	91.675	79.084	65.264	154.957	213.664	144.348	512.969	453.583
12	Non-tax revenues	2.825.588	3.004.292	2.946.737	2.768.200	2.796.732	4.326.772	3.038.392	2.890.011	8.776.617	9.891.704	5.928.403	24.596.724	18.587.908
13	Grants	257.576	29.778	285.381	95.734	919.012	138.578	659.538	964.713	572.736	1.153.324	1.624.251	3.350.311	1.741.941
14	Other revenues	0	2.800	0	1.400	0	0	0	0	2.800	1.400	0	4.200	
2	**Total expenditures** (21+22)	**10.657.265**	**11.071.898**	**14.217.414**	**15.256.593**	**14.912.889**	**17.438.116**	**23.549.590**	**16.309.835**	**35.946.577**	**47.607.597**	**39.859.425**	**123.413.599**	**97.987.923**
21	Current expenditures	10.657.265	11.075.142	14.217.582	15.256.593	14.984.552	17.427.464	23.549.590	16.309.835	35.949.989	47.668.608	39.859.425	123.478.022	97.934.952
	Wages and compensations	6.929.460	7.420.399	8.817.654	8.858.335	8.536.904	11.186.847	8.013.463	8.652.912	23.167.513	28.582.086	16.666.375	68.415.973	59.780.027
	of which: Gross wages	5.851.223	6.350.605	7.028.958	7.217.380	7.146.306	7.780.356	6.711.306	7.486.912	19.230.786	22.144.042	14.198.218	55.573.046	48.885.424
	of which: Compensations	1.078.237	1.069.794	1.788.696	1.640.955	1.390.598	3.406.491	1.302.157	1.166.000	3.936.727	6.438.044	2.468.156	12.842.927	10.894.603
	Other taxes and contributions	698.939	751.245	929.274	788.965	875.529	931.931	848.951	922.079	2.379.458	2.596.426	1.771.030	6.746.913	5.823.011
	Purchases of goods and services	1.242.153	1.014.250	1.741.041	2.627.958	1.530.833	1.596.207	2.028.554	1.374.877	3.997.445	5.754.998	3.403.432	13.155.875	12.556.929
	Grants	1.662.082	1.708.065	2.509.369	2.756.110	3.849.988	3.501.181	12.475.147	5.082.659	5.879.515	10.107.279	17.557.806	33.544.600	18.308.132
	Interest	24.294	50.316	103.537	147.271	98.271	38.726	67.853	39.012	178.147	284.268	106.865	569.279	491.800
	Transfers to lower spending units	100.337	130.868	116.708	77.953	93.027	172.572	115.621	238.296	347.912	343.552	353.918	1.045.382	975.053
22	Net lending*	0	-3.244	-168	0	-71.663	10.652	0	0	-3.412	-61.011	0	-64.423	52.971
3	**Net acquisition of nonfinancial assets**	**211.190**	**103.184**	**545.138**	**451.789**	**1.143.885**	**503.900**	**815.364**	**1.007.559**	**859.512**	**2.099.575**	**1.822.923**	**4.782.010**	**2.646.133**
4	**Government surplus/deficit** (1-2-3)	**6.006.142**	**4.353.478**	**2.971.880**	**1.863.648**	**4.415.193**	**2.241.749**	**-1.449.654**	**3.690.269**	**13.331.500**	**8.520.590**	**2.240.615**	**24.092.705**	**25.812.450**
5	**Net financing ****	**-9.145**	**-9.098**	**-42.395**	**-9.098**	**-9.098**	**-29.164**	**-1.673**	**-1.673**	**-60.638**	**-47.360**	**-3.346**	**-111.344**	**-507.977**

Table 10.

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Zenica Doboj Canton, I – VIII 2007

		I	II	III	IV	V	VI	VII	VIII	Q1	Q2	Q3	I-VIII 2007	I-VIII 2006
1	**Total revenues** (11+12+13+14)	**21.963.948**	**20.050.580**	**22.494.542**	**24.204.945**	**27.027.735**	**26.994.855**	**31.567.222**	**31.772.668**	**64.509.070**	**78.227.535**	**63.339.889**	**206.076.494**	**157.900.473**
11	Tax revenues	18.685.977	16.438.923	19.824.356	19.664.512	22.740.334	21.320.304	25.492.450	23.574.363	54.949.256	63.725.151	49.066.814	167.741.220	129.971.800
	Income & profit tax	619.574	930.077	747.120	575.611	656.128	605.968	508.173	596.285	2.296.772	1.837.707	1.104.458	5.238.937	4.827.254
	Taxes on personal income and self-employment	1.787.676	1.815.629	2.151.723	2.626.446	2.347.114	2.339.363	2.987.809	2.516.205	5.755.029	7.312.922	5.504.014	18.571.965	15.148.538
	Property tax	795.592	526.232	825.077	680.301	666.318	821.460	774.751	1.188.172	2.146.901	2.168.079	1.962.923	6.277.903	4.417.480
	Sales tax (incl.excises)(according to Regulations until 31,12,2005)	834.153	478.372	840.570	469.137	1.814.486	579.922	1.452.205	65.951	2.153.094	2.863.546	1.518.156	6.534.796	17.697.476
	Transfers from Single Account	14.590.835	12.628.419	15.195.654	15.231.165	17.186.138	16.901.146	19.681.977	18.806.623	42.414.908	49.318.448	38.488.601	130.221.957	87.371.595
	Other taxes	58.147	60.194	64.211	81.852	70.151	72.445	87.536	401.126	182.552	224.449	488.662	895.662	509.457
12	Non-tax revenues	3.248.235	3.602.417	2.583.678	4.536.741	4.235.220	4.924.152	5.974.629	7.669.200	9.434.329	13.696.113	13.643.829	36.774.272	27.375.396
13	Grants	29.736	9.240	64.436	3.692	52.180	652.591	100.142	529.104	103.413	708.463	629.246	1.441.122	553.277
14	Other revenues	0	0	22.072	0	0	97.809	0	0	22.072	97.809	0	119.881	
2	**Total expenditures** (21+22)	**15.582.742**	**18.468.155**	**19.520.619**	**20.089.762**	**19.946.937**	**23.211.733**	**21.128.541**	**20.636.568**	**53.571.517**	**63.248.432**	**41.765.110**	**158.585.059**	**129.692.609**
21	Current expenditures	**15.582.742**	**18.468.155**	**19.520.619**	**20.089.762**	**19.946.937**	**23.211.733**	**21.128.541**	**20.636.568**	**53.571.517**	**63.248.432**	**41.765.110**	**158.585.059**	**129.697.609**
	Wages and compensations	9.149.541	10.003.874	10.460.779	10.803.952	10.870.845	13.323.994	10.144.626	10.216.181	29.614.194	34.998.791	20.360.807	84.973.793	68.021.712
	of which: Gross wages	7.744.414	8.454.797	8.657.755	9.061.370	9.033.763	9.180.613	8.826.892	8.716.926	24.856.966	27.275.746	17.543.818	69.676.530	55.364.255
	of which: Compensations	1.405.127	1.549.077	1.803.025	1.742.582	1.837.082	4.143.381	1.317.733	1.499.256	4.757.228	7.723.045	2.816.989	15.297.263	12.657.457
	Other taxes and contributions	915.780	1.001.232	1.020.343	1.069.999	1.071.730	1.093.699	1.039.508	1.030.553	2.937.354	3.235.429	2.070.061	8.242.844	6.650.955
	Purchases of goods and services	2.885.747	3.952.216	4.067.908	3.499.167	3.301.340	3.942.882	3.081.797	2.621.956	10.905.872	10.743.389	5.703.753	27.353.014	23.041.680
	Transfers to lower spending units	479.885	524.843	194.723	158.233	191.765	275.505	213.646	159.049	1.199.450	625.503	372.696	2.197.648	2.935.276
22	Net lending*	0	0	0	0	0	0	0	0	0	0	0	0	-5.000
3	**Net acquisition of nonfinancial assets**	**788.936**	**409.335**	**570.455**	**1.794.514**	**1.950.223**	**1.436.382**	**1.969.077**	**1.872.264**	**1.768.727**	**5.181.119**	**3.841.341**	**10.791.187**	**14.476.485**
4	**Government surplus/deficit** (1-2-3)	**5.592.269**	**1.173.089**	**2.403.468**	**2.320.669**	**5.130.575**	**2.346.740**	**8.469.603**	**9.263.835**	**9.168.826**	**9.797.984**	**17.733.438**	**36.700.248**	**13.731.379**
5	**Net financing ****	**-24.413**	**-24.996**	**0**	**-24.996**	**-12.498**	**0**	**-23.863**	**7.502**	**-49.409**	**-37.493**	**-16.361**	**-103.263**	**-112.372**

Table 11.

Activities of the Unit

(prepared by Mirela Kadić)

On November 27 and 28, 2007, workshop on the topic "Promotion of budget transparency and accountability – role of Parliament in analyzing and review of Government budgets" took place in Sarajevo. Workshop was organized by the project "Strengthening public finance management in BiH", funded by DFID. Workshop participants were delegates of the Parliamentary assembly of Bosnia and Herzegovina, presidents and members of committees and boards for budget and finance, representatives of international organizations, media, NGO's and representatives of Macroeconomic Analysis Unit.

Workshop was opened by mr. Matthew Rycroft, ambassador of Great Britain in BiH. He underlined importance of adequate allocation of funds from budget on high priority goals of Bosnia and Herzegovina and importance of increasing role of BiH Parliament in this process.

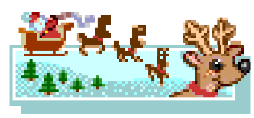
Moderators of the workshop were mr. Martin Bowen, PKF team leader, who talked about budget reforms and strengthening of public expenditures management in BiH and Ms. Naida Trkić, PKF project coordinator, who talked about medium term budget planning and linking budget funds with priority policies. Mr. Bowen emphasized importance of cooperation of all levels of government in BiH in managing public expenditures and also said that PKF was experiencing good cooperation with some relevant institutions and one of which was Macroeconomic Analysis Unit.

Mr. Dana Frey, advisor to parliaments, talked about best international practices in budget processes and discussions on budget in parliaments. Part of his lecture included two brief documentary movies on examples of discussions in Great Britain and meetings of budget commissions. Mr. Milenko Krajisnik, budget advisor in RS Government, talked about budget documents, importance of forming budget ceilings and savings options. As part of this workshop, there were few interactive activities that included case studies in the field of budgeting process. In the end of the workshop, all participants received reference manual "Planning and preparation of budgets at the level of BiH institutions" that was explained by Mr. Faruk Hujic, budget advisor for F BiH Government budget.

News from ITA Governing Board

At the session that took place on December 4th, 2007, in Banja Luka, the Governing Board made the decision on temporary coefficients for allocation of indirect taxes for January and February 2008. According to the agreement, the Federation of BiH will get 64,58%, Republika Srpska 31,87% and Brcko District 3,55% of the amount that is remained after refunds of indirect taxes and share for financing the budget of BiH institutions. At the same session, Mr. Peter Nicholl, chairman of ITA Governing Board, presented four options fro allocation of indirect taxes along with possible pros and cons of each option. Ministers Bevanda and Džombić presented possible models of indirect taxes in behalf of their governments. Basically, offered models could be categorized in two groups: the one that are based on current legal framework of indirect taxes system and other group that requires passing of new laws. It was agreed to intensively work on approximation of opinions in order to get permanent solution as soon as possible.

At the same session, ITA Governing Board adopted changes of the Rulebook on VAT in regards to tax treatment of services of securities registers. Board also adopted the budget of ITA for 2008 within framework determined by the Ministry of Finance and Treasury of BiH and Budget Framework Paper of BiH Institutions.



To all aour 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 2008!