

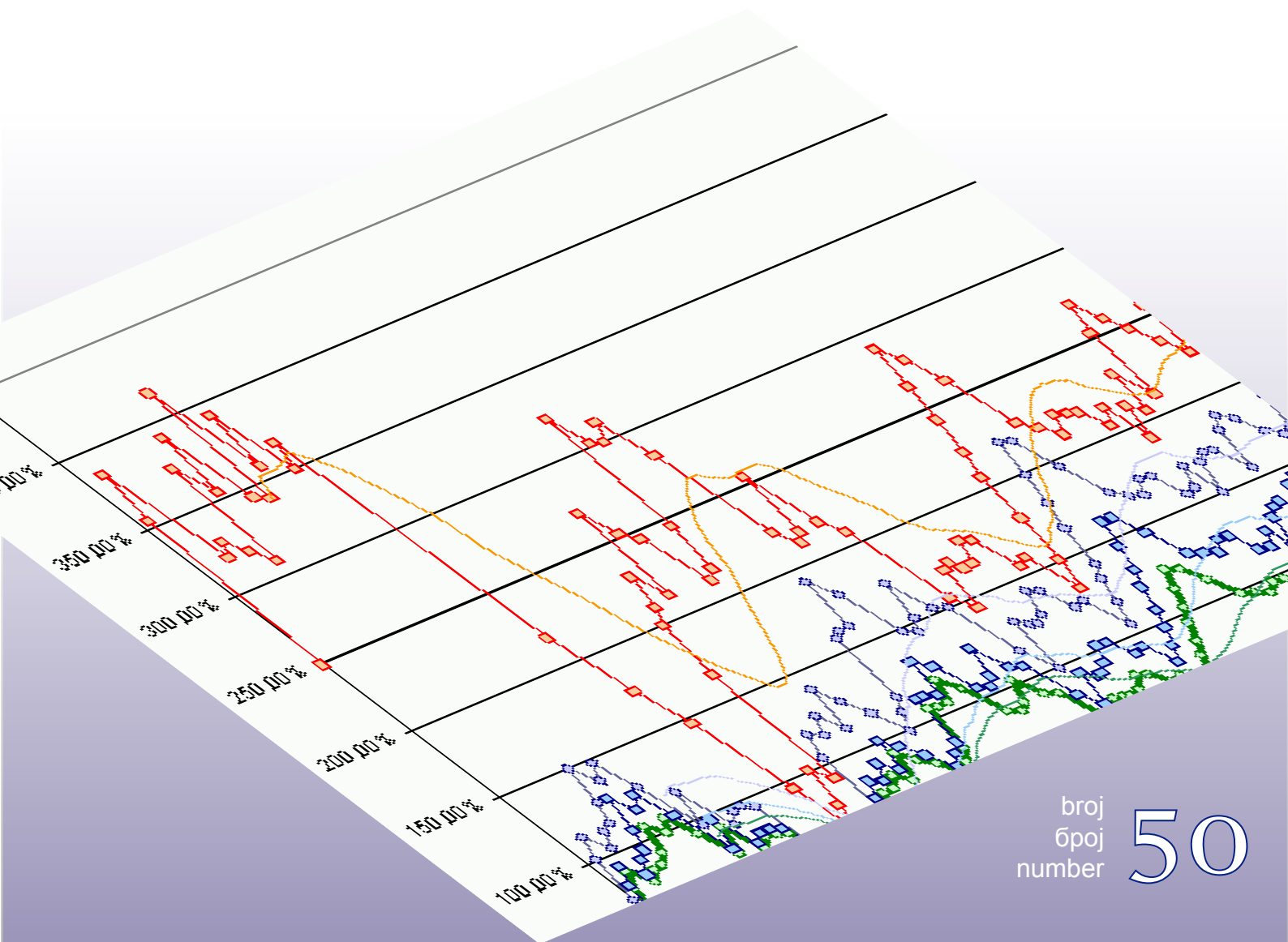
Bosna i Hercegovina
Odjeljenje za makroekonomsku analizu
Upravnog odbora Uprave za indirektno-
neizravno oporezivanje



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

Macroeconomic Unit of the Governing Board of the Indirect Tax Authority

Oma Bilten



broj
број
number **50**

With memorial issue

When we started with first MAU Bulletin on August 1st, 2005, greatest optimists did not think that the Bulletin would get to its 50th electronic issue. Reforms in the field of indirect taxation, implementation of VAT, strong demands for establishment of fiscal coordination and formalization of the Fiscal Council work with continued harmonization of direct taxation at the entity level represented significant basis and stimulation for researches within the Unit in regards to estimates and simulations of proposed reforms and analysis of conducted reforms. Selection of European path and signing of Stabilization and Accession Agreement imposed obligation to continually harmonize principles of taxation with minimum EU standards. Macroeconomic Analysis Unit provided significant technical support to technical work of ITA Governing Board. Ultimately, collection and publishing consolidated fiscal statistics of general BiH in bulletins of the Unit are in line with obligations from IMF stand-by arrangements. This should be observed as catalyst of deeper fiscal reforms in BiH in direction of fiscal stabilization and taking over international methodologies and standards of fiscal EU statistics. We are glad that our published articles were often approved by expert and academic public, media, companies, domestic and international institutions, which represents incentive for further research and improvement of the bulletin quality.

In the last few issues, we analyzed effects of the application of new Law on Excise in BiH in the segment of taxation of cigarettes, oil products, alcohol and alcohol drinks. In this issue, we are continuing with series of articles related to excise products with the focus on import/sales and taxation of coffee in BiH and EU.

EU Lisbon strategy and global economic crisis impose a need to adjust policies of taxation to demands of companies in order to strengthen their competitive position and keeping liquidity. In the last issue, we wrote about role of the fiscal policy as instrument to reduce negative effects of world economic and financial crisis. In article in this issue, we are elaborating instruments available in the field of VAT that can be directly or indirectly impact aggregate consumption, liquidity of companies and fiscal balance.

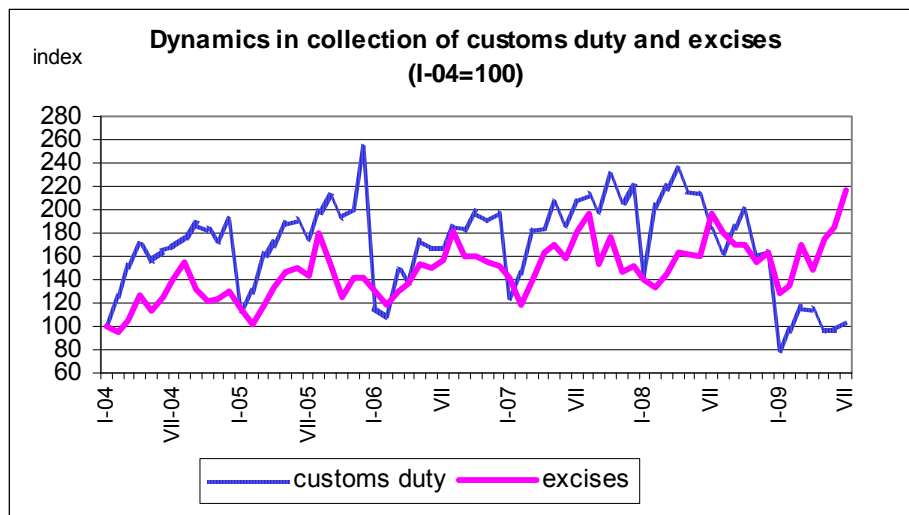
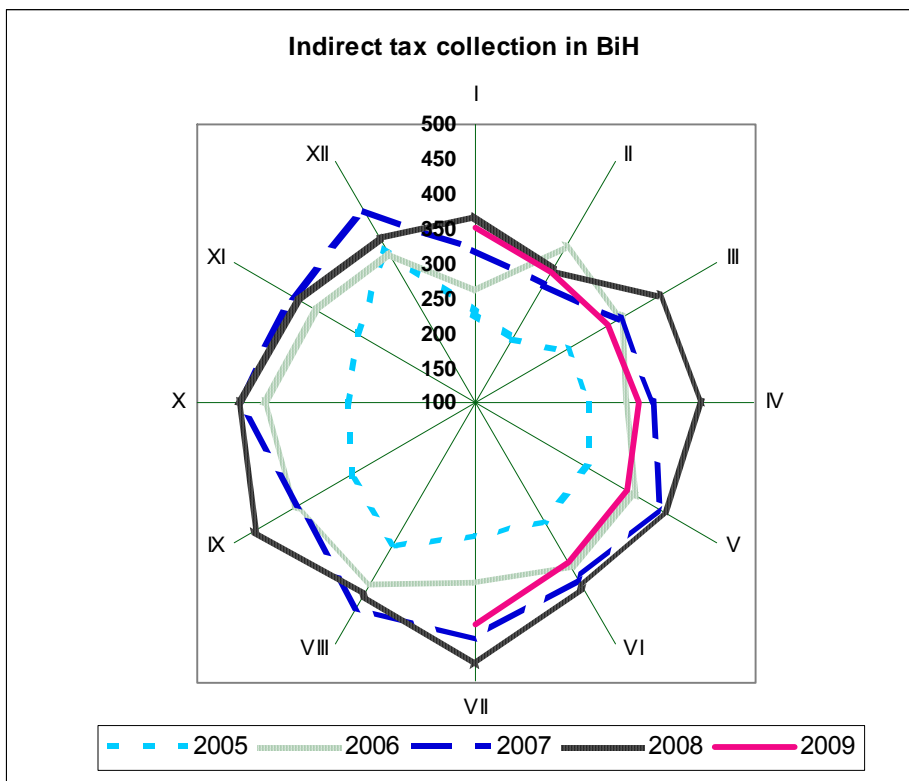
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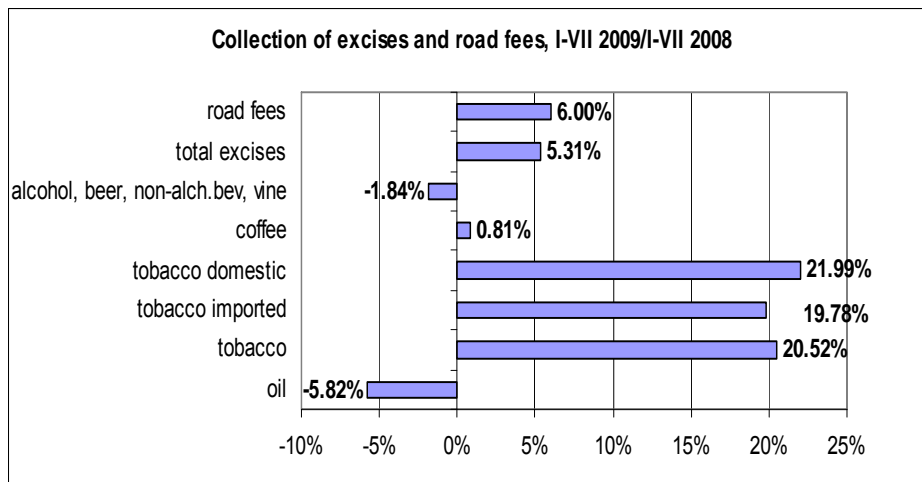
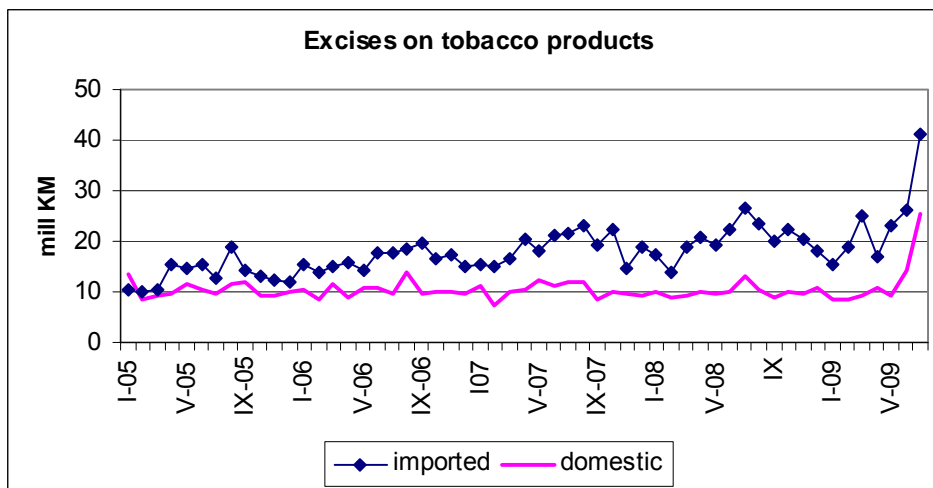
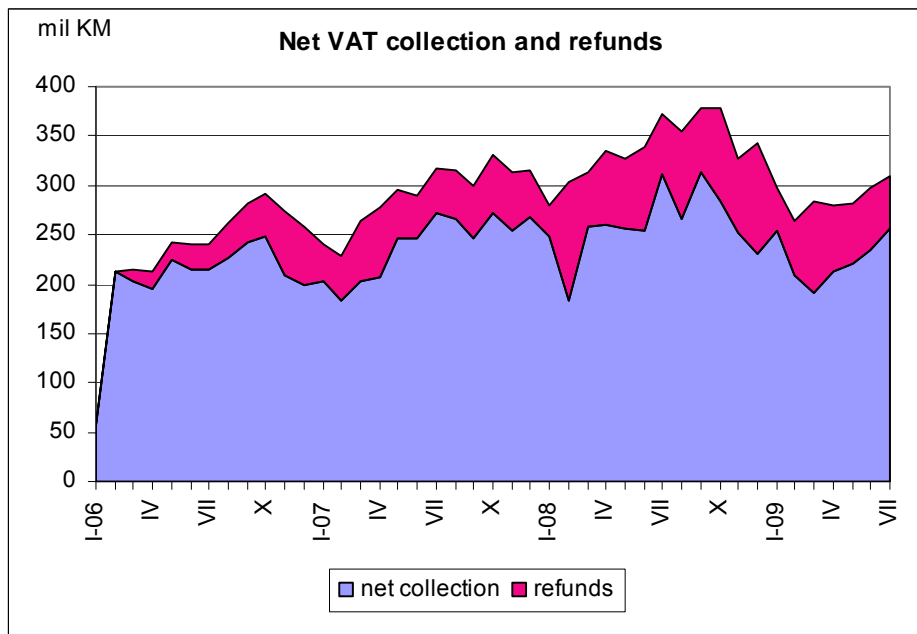
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Technical design	: Sulejman Hasanović, IT associate
Translation	: Edin Smailhodžić

Highlights: Collection of indirect taxes in the period January – July 2009

(prepared by: Dinka Antić)





Dynamics of imports and revenue from excise duties on coffee with an emphasis on the legal framework of the EU and the environing countries

(Author: Aleksandar Eskić, macroeconomist in the Unit)

Some basic facts...

Some or all goods may be taxed except those exempted by law. In theory a tax that covers certain goods is called analytical or special tax on consumption, while a tax that covers all the goods for consumption is called general (synthetic) sales tax.

In the context of previously mentioned, theory differs two types of special (analytic) tax on consumption. These are fiscal monopolies and excise taxes. Fiscal monopolies are rarely present nowadays. It is the income that is realized by the state through the right to organize the production and / or sale of certain products in wide use. Defining monopoly price, the state is able to and it incorporates the planned amount of taxes. The price itself contains the cost of production, trade and tax margin. A country usually practiced this kind of monopoly with the following products in wide use: matches, tobacco and its products, cigarette paper, and the oil for light.

Excise taxes as analytical tax on consumption were present in the Kingdom of Yugoslavia under the name `trosarina`. They existed in the certain extent in years 1947-1948.

Overview of the dynamics of imported quantity and value of coffee¹

With the chart we clearly see on the chart that the quantity of imported coffee has not been dramatically changed during the observed period, while the value of imported coffee has almost doubled in the observed period 03 - P1 09. In comparison to the base year, value has been increased very quickly and peaked in the base year and from then has been more or less stagnating.

On the right scale we track trend of unit prices of imported coffee represented by a red line. The price has been constantly increasing. In 2003 it amounted for 2.00 KM and by the end of the first six months of 2009 reached its maximum of 3.60 KM. This phenomenon corresponds with the tendency of prices on the world coffee market.

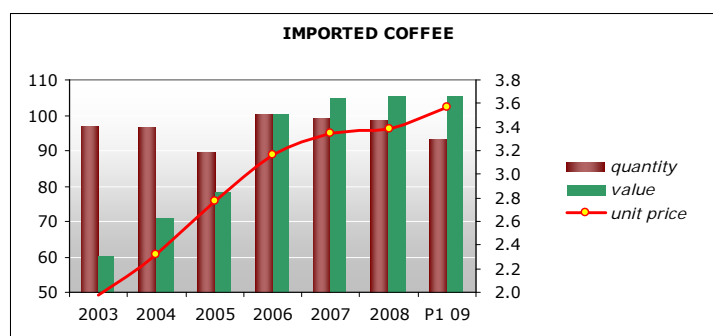
Trend of composite coffee prices on markets in New York and Germany

(US \$ / lb)	2006	2007	2008	I-VI 2009
price	0.96	1.08	1.24	1.32

source: International Coffee Organization

The following graph shows the trend of imported quantity and value of coffee as well as the trend of unit prices.

¹ *Methodology:* In the analysis we use data that are related to the period from 2003 - to P1 in 2009 (first six months). Also, we decided to use the index with base year 2006 in order to better highlight the direction and intensity of trends of the observed phenomenon. Also, it is necessary to highlight the comparisons were in the same period of previous year (2008 with 2007 and P1 of 2009 with P1 of 2008)



	2003	2004	2005	2006	2007	2008	P1 09
quantity	96.8	96.6	89.4	100.0	99.1	98.8	93.2
value	60.4	70.8	78.3	100.0	104.7	105.7	105.5
unit price	2.0	2.3	2.8	3.2	3.3	3.4	3.6

Coffee market in Bosnia and Herzegovina

Coffee market in every country is a big business, and that is the case in B&H, which traditionally spends huge amounts of coffee. Coffee of lower quality such as Rio Minas and Robusta, that creates the base of traditional Turkish coffee, were and still are, the dominant share in the consumption of coffee in our country, while the higher quality coffee have relatively smaller share of the market. B&H market is within the region of Eastern Europe a very specific market when it comes to consumption of low quality coffee. The difference is primarily in the sorts of coffee that is used for the preparation of the so-called Turkish coffee, which is mainly pure or mixture of Robusta, which is considered to be lower quality coffee. Arabica coffee sorts, which creates the base for espresso and instant coffee is considered to be the best kind of coffee, the coffee taste is harmonious, gentle, and the impact on the organism is healthier for the alimentary tract in relation to the lower quality coffee. Each region has its own specifics. We got used to so called medical flavor, Minas coffee tastes, which belongs to the lower middle class quality.

Analyzing available data on the import of coffee in 2009 we notice the domination of Rio Minas and Robusta. Furthermore, in 20% of imports, which is very high percentage, the Customs authorities of Bosnia and Herzegovina make correction of the declared price of coffee through the established procedure. The process is so defined that there are opinions how it is able to improve it and ensure more inflow of funds onto Single Account.

Trend of import and domestic excise

Looking at the graph shown below we can conclude that the revenues from excise taxes on coffee, observing the components, behave differently. However, cumulatively speaking, revenues from excise taxes on coffee have neutral growth during the observed period, and year 2009 is characteristic in that it is continuing to pace the fall of import components whereas domestic component changes it`s direction and goes back to the level from 2007, which stands as a maximum for the observed period. Since quantity corresponds to the amount of excise duty, we conclude that we have the redistribution between market players on the stagnating domestic market.



	2006	2007	2008	P1 09
Import excise	100.0	100.0	98.1	89.1
Domestic excise	100.0	109.3	97.3	108.0

According to the new legal solution, excise duty will be accounted when imported and by that home processing industry of coffee will be stimulated. This way, it leaves more space to domestic entrepreneurs and potential investors for their products and services to enrich and deepen the domestic coffee market. Similarly, comparison of data relating to the period before the entry of new law and after 01.07.2009. becomes limited and more complex.

Coffee trade between EU member countries

In accordance with the creation of a single European market in 1992, there is no trade between member countries, but only the movement of goods. An institution, which is authorized for collection of excise duty in Germany, is the Federal Customs Administration.

Overview of excise duties on coffee:

- roasted coffee - EUR 2.19/kg
- instant coffee - EUR 4.78/kg

Germany is the single largest manufacturer and trader of soluble coffee in the EU. German re-export of manufactured coffee increased from 45,000 bags in 1964 on impressive 5.5 million bags in 2005. In 2006 four fifths of German import and export of coffee accounted as intra EU trade. Others, such as Italy and Belgium experienced also huge increase.

We can say that all the imports in the EU is reported on the entering point into the EU area, and not in the country of consumption. Hence, many problems arises when we want exact determination of the national database for the purposes of national statistics.

According to the European Federation for Coffee we have three largest coffee manufacturer in Europe, and these are Germany, the United Kingdom and Spain. Processing of soluble coffee in tons in 2006 amounted for 141,484 in Germany, 56,166 in the UK and 40,407 in Spain, but with a completely different preferences in consumption. So we have that the high tendency in Spain, the United Kingdom, medium, while in Germany is very low.

In the table below we present the largest world producers of coffee by countries for the period 2006 – 2008. In the first four months of 2009 the import of coffee from Brazil participated with about 2/3 of the total imports.

Trends of coffee production by countries (000 bags)

	2006	2007	2008
Brasil	42,512	36,070	45,992
Vietnam	19,340	16,467	16,000
Columbia	12,153	12,515	10,500
Indonesia	7,483	7,751	5,833
TOTAL	127,653	117,882	127,005

Source: International Coffee Organization

Some countries-producers of soluble coffee, outside the EU, still have a high level of exports in countries such as Poland, the Czech Republic and Hungary. But in comparison with 2005, indicators (the first full year after the entry of these countries in the EU) show that some countries as producers of soluble coffee outside the EU are simply squeezed out as direct exporters in certain EU countries. For example, Brazil and Colombia were the third, i.e. the fourth coffee exporters in the Czech Republic in 2005. But next year they were not even among the top five. May not lead to loss of market, as one could conclude at first glance because imports from South America has not been reduced, but is redirected to other point where the import of coffee is packed up and transported further under, for example, Polish label. Indeed, Poland was the second supplier of soluble coffee to neighboring Czech Republic in 2006. Although it was not among the top five a year earlier.

Import of soluble coffee from countries by origin in 2006

Poland		Hungary		Czech Republic	
Germany	5002	Germany	5034	Germany	2129
Ecuador	3355	India	1349	Poland	1198
Hungary	2695	Poland	855	Hungary	686
UK	1618	Spain	635	UK	441
Brasil	1345	Netherland	340	Slovakia	408
Others	4958	Others	362	Others	1491
TOTAL	18973	TOTAL	8574	TOTAL	6353

Source: European Federation for Coffee

Overview of excise duties in the EU

Excise duties are indirect taxes that are accounted in the phase of import or processing of certain products. Their purpose is to tax consumption of these products, since the suppliers increase their prices and so transfer tax on the consumers. Excise duties are calculated on the products that we keep they cause of high external costs, such as the health consequences, environmental pollution, in order to discourage their consumption or waste.

In addition, a unique arrangement of the area of taxation the consumption through excises in the EU single market helps to avoid distortion of competition within the area between the member countries, such as cross-border trade within the EU.

EU legislation related to excise duties can be divided into three main groups:

1. general agreements which relate to the movement and storage of products that are subject to excise duties
2. tax structure that applies to the certain product
3. tax rates that

The first group of rules is covered by Directive 92/12/EEC that relates to the general regulation-related products that are subject to excise duties as well as the holding, movement and monitoring of these products. Member countries can introduce the indirect tax on goods, but so that these taxes do not cause a significant slowing of cross-border flow of goods, i.e. increase formalities. Each country sets its own rules regarding the production, processing and holding of products subject to excises taxation, but also all activities have to be in accordance with the provisions established by the EU directives.

Taxable products that are subject to taxation i.e. excise duties by the end of the production process (anywhere in the EU) or accomplished imports (from countries that are not members of the EU). Also, excise duties should be executed when coming to the final consumption of goods. If a product is imported in the country but transported to another member country for final consumption, the excise duties is executed in the country where comes to the final consumption or use of imported products.

Existing legislation in B&H, neighboring countries and EU

According to the Law on Excise Taxes in Bosnia and Herzegovina, which is in force since July 1st 2009 the amount of excise duties is changed in comparison to the previous law. So we have the excise duty on coffee, which is to be paid when importing per kilogram for raw coffee is 1.50 KM, roasted coffee 3.00 KM, other products of the coffee 3.50 KM. In one article, we have more detailed definition of coffee, so we have the raw coffee (with or without caffeine), roasted coffee (with or without caffeine), other products of coffee, which in themselves contain 50 % and more coffee. As for the base excise, excise taxes on coffee is to be paid for one kilogram of net weight of coffee. If the coffee product release for consumption weight more or less than one kilogram, excise taxes are paid in proportion to the amount of coffee in the pack.

In relation to the rates of excise taxes that were valid before July 1st 2009, excise duty is increased for 0.50 KM/kg for raw coffee, for roasted coffee 0.50 KM/kg, so that the total excise taxes is 1.50 KM/kg and 3.00 KM/kg. This increase in excise duties does not automatically mean increase of retail prices, especially for coffee which is manufactured in B&H, but certainly affects the reduction of the gray economy and increasing revenues from VAT. One of the basic and important invention is marking coffee intended for retail sale.

Overview of excise duties on coffee in neighboring countries

B&H	Croatia	Serbia	Macedonia and Montenegro
Raw coffee – 1.50 KM Roasted coffee – 3.00 KM, Other products of coffee 3.50 KM	Raw coffee - 5 kn Roasted coffee - 12 kn Other products of coffee – 15 and 20 kn	30% of coffee price	No excise duty

Source: relevant legislation of observed countries

The very first basic, comprehensive piece of legislation on the European Union level is Directive from June 27th 1977 that refers to the approximation of laws of member states related to the coffee extract and chicory extracts (77/436/EEC). It also takes into account and approximates the provisions of national laws, regulations and other regulations in force in the member countries in relation to the definition of coffee and chicory extracts, determining which substances can be

added during the manufacture and sets specific rules in regard to their marking. With the aim of protection and informing consumers needed at the community level to determine the rules that must be respected in terms of the composition of these products, the substance of which shall be used in their production and processing, materials for packaging and marking, as well as the conditions under which can be used. It is sure that by this Directive is not possible to harmonize all the provisions that apply to food and that can negatively affect the trade of food, but we can say that the obstacles in trade are about to reduce the growing level of harmonization. Determination of procedure relating to the taking of samples and methods of analysis needed to check the composition and production characteristics of these products is a measure of technical nature with the aim of simplification and acceleration of the whole procedure.

In terms of this Directive extracts of coffee products with any level of concentration of the extraction of roasted coffee using water only as a mean of extraction and excluding any process that includes addition of some acid or base, so to contain some aromatic ingredients or may contain insoluble oils obtained from coffee, insoluble traces of other substances of coffee or insoluble substances that are not from the coffee. Extracts of chicory products with any level of concentration obtained by extraction of fried chicory using only water as a means of extraction.

Directive 1999/4/EC is a step further in terms of simplification of legislation and bringing the Directive 77/436/EEC in line with the horizontal rules for food. It also deals with the question of range of the nominal weight of packaging and methods of analysis. Ultimate goal is to ensure a properly functioning of single market and free movement of goods within the Community. It provides policy on, in particular, marking as well as additional rules on marking according to Directive 79/112/EEC. It is sure that the Directive provides descriptions, definitions and characteristics of products.

Certain vertical Directives relating to food should be simplified in order to take into account only the essential requirements that products should include are to met in order to ensure their free movement within the internal market, in accordance with the conclusions of the European Council held in Edinburgh on December 11th and 12th 1992.

Council Directive 77/436/EEC so-centered-as differences in national laws on the extract of chicory coffee would not resulted in conditions of unfair competition which would incorrectly informed consumers, and so had a direct impact on the establishment and functioning of the single market.

Above-mentioned Directive is also designed to define coffee and chicory extract, so that determines which substances can be added during manufacturing, to determine the common rules regarding the packaging and marking of these extracts and to specify the conditions under which certain options can be used for some of these products, to ensure free movement within the Community.

General rules on marking food is Directive 79/112/EEC that approximates laws of member states regarding the marking, the presentation and advertising of food for the sale to the final consumer.

In order to avoid creating new barriers of free movement, the members should refrain from adopting, for the products by an questions, national provisions that are not given by this Directive.

Conclusion

On the basis of the fact that we import coffee with lower level of finalization we can conclude that many countries, including our own, have been developed necessary capacities which have positive influence on the economic condition of every economy. Some countries take a step further and think about the coverage of regional markets.

Revenue growth on this basis can be provided in several ways. One is to increase consumption, which, if you look at the dynamic of consumption in quantity terms, we see that it is more or less unchanged in the observed period. Especially if you consider that excise duties are calculated based on the quantity of excise duty. Another source is shifting consumption from raw coffee Robusta sorts and Rio Minas towards better sorts of Arabica and instant coffee market. For example, instant coffee market in the UK amounts to 89% of the total coffee market. And the third basic method is the reduction of illegal coffee market as well as increased control of all elements of the imports that significantly affect the revenue from this source.

Also we see that we must prepare well in this market segment for the moment of joining the EU, both in production technology, marketing terms and harmonizing our national legislation with EU legislation and the maximum exploit of left free space. A good example is the acknowledgment of opinions of the business community when developing new Law on Excise Taxes in the part relating to the taxation of coffee. It remains a task for us to measure effects of these measures/changes in time to come and make certain conclusions with the aim of further improvement the coffee market, and consequently increase of revenues as much as we can from this source.

From activities of the Unit

Međugorje, 24/25 September, 2009 – As part of IV. International symposium “International financial and accounting standards vs. national practice” in addition to eminent participants from Croatia and BiH, Dr. Dinka Antić, Head of Macroeconomic Analysis Unit, gave presentation on “Takeover of international tax classifications in the function of improvement of fiscal statistics in BiH”. Symposium was organized by “FIRCON” d.o.o. from Mostar and there was large number of businessmen, accounting experts and auditors from entire BiH.

VAT policy in conditions of global economic crisis

(Author: Dinka Antić, Phd)

1. INTRODUCTION

Global financial crisis, which started in autumn 2008, led to world economic crisis for which duration and scope can not be assessed yet. What worries the most is depth of crisis and inexistence of consistent and coordinate policies of most countries of the world. Fiscal policy represents one of major instruments for stimulating economic activity. Common estimate of economists is that fiscal incentives at the time of global crisis, recession and depression of consumption, either as cuts on revenue side or fiscal incentive on expenditure side represent main segment of countries' actions today. Best indicators of wandering of developed countries in definition of measures and instruments in the policy of VAT at EU level. Analysis of measures in VAT policy that some EU member states and other countries in the world brought in the end of 2008 and beginning of 2009 point to divergent objectives that are in the focus of governments. While some are motivated by stimulating private consumption and reducing liquidity of companies, which have direct or indirect impact on growth of economic activity, other countries have priority to keep budget revenues at the cost of increase taxes and continuation of consumption depression and GUSENJA of economic activities. Since all measures do not have same impact on all subjects: state, companies and citizens, it is necessary to balance costs and benefits of each measure, which requires trade offs.

Another problem in fight against crisis of which less is spoken represents slow reactions in EU, even in the situation when consensus is reached on some measures. EU size and slow institutions, slow changes of directives at EU level and their transposition into national regulations contribute to the above mentioned. Facing with global crisis and inability to react, fast, timely and with appropriate proportion opens an issue of redefinition of process for adoption of measures and instruments in VAT policy. Flexibility in making certain measures reflected through stronger role of the government and "surpassing" parliaments has proven as very useful practice in the time of crisis.

2. DIRECTIONS OF MEASURES AND INSTRUMENTS IN VAT SYSTEM

Although there is trend of closing national markets and lobbying for protectionism under motto "buy domestic and keep jobs", efficiency in the world market can not be achieved but use of comparative advantages of countries. Protection of domestic companies from healthy competition often leads to inefficiency and irrational use of resources. Today, when big economies are trying to help problematic production giants, a question is raised on what is more important: to keep domestic companies and jobs under every prices and even by spending money of taxpayers and future generations on inefficient programs and irresponsible company management or to use current crisis for stimulation of companies that have health attitude to business operations. In addition to direct provision of capital, nationalization of banks and companies, taking over bad debts and claims, the states may abolish different administrative burdens or regulations that restrain business operations or jeopardize their finances as well as all obstacles including fiscal ones that prevent fair market game.

Global crisis just additionally sharpened the fight for market. In the beginning of millennium, EU member states recognized a need to abolish all competitiveness obstacles and development strategy until 2020 focuses on strengthening of competitiveness of European companies. In the segment of VAT taxation, the strategy includes few goals: (i) proper functioning of EU market, which means removal of bad competition between member states in which fiscal measures stimulate companies of certain member state at EU internal market, (ii) harmonization of VAT taxation principle that enables fair market game of EU companies with companies from the rest of

the world in EU market and (iii) strengthening competitiveness of companies from EU by reduction of costs of administration and removal of deviations in VAT system, which lead to "hidden" taxation of inputs (so called cascade effect) and burden of company profits. Modernization of administering VAT reduces costs of compliance, which indirectly strengthens liquidity of companies, which is very important at the time of difficult access to sources of funding, especially for working capital².

Analysis of experiences of the member states has identified a number of deviations in VAT system in EU that is weakening competitiveness of EU companies. In addition to weaknesses of EU internal market concept, which includes removal of barriers and freedom of movement of goods, services, persons and capital. In other hand, it weakens control of taxation of transaction of goods and services between member states and it leaves room for large tax frauds, we can also find causes for weakened competitiveness in the system itself and VAT policy. Existence of trashhold for taxation, exempts, differentiated rates, certain selective provisions and principles of taxation of goods and services may lead to certain group of taxpayers, goods or services into more favorable position compared to others in EU³. This violates basic neutrality of VAT on economic position of taxpayers. Sources of unfair competition may be observed from aspect VAT system effects on position of taxpayers in domestic and international market. In analysis of domestic VAT system effects, position of domestic companies, groups or sectors is analyzed in comparison with importers and other domestic companies. In analysis of domestic taxpayers in the world market, it is necessary to compare features of the VAT system in the country and features of VAT system in third countries.

3. REDESIGNING VAT POLICY IN THE WORLD

Measures and instruments that EU and other countries adopted in the end of 2008 and beginning of 2009 may be grouped in few categories⁴:

- Measures directed to stimulation of aggregate demand (reduction of VAT rate and narrowing tax base),
- Measures that strengthen fiscal position of governments (by increasing VAT and lower rates, narrowing of scope in application of differentiated rates),
- Measures that improve liquidity of companies (prolonging deadlines for filing declarations and payment of VAT, shortening deadlines for refunds, measures that reduce bankruptcy effects of companies on business partners),
- Measures targeted to increase competitiveness (i.e. by improving positions of small companies in VAT system),
- Measures against tax frauds in VAT system,
- Measures that lead to simplification of VAT administration.

We can notice that certain measures have multiple effects. Measures against tax frauds have impact on strengthening of competitiveness and single economic space, but also on reduction of tax evasions and growth of VAT revenues. Simplification of VAT administration reduces costs of taxpayers, which strengthens liquidity of economy and also removes burden of tax administration costs. This provides savings in budgets, which can be directed to public investments. In continuation of the article, we will provide a review of current measures that EU member states

² More information on this: D. Antić, "Reflexes of VAT system redesign in EU on BiH", 9th international symposium « Competitiveness and European path BiH», Revicon, Neum, 29-31 May 2008.

³ More information on this: D. Antić, "Fight against frauds in VAT system in function of providing market competitiveness", IInd international symposium "Finance and accounting in function of economic growth BiH", Mostar, 20/21-IX-2007., FIRCON, Mostar, pages 419-438.

⁴ More details on undertaken measures: D. Antić, "Need for redesigning VAT policy in conditions of global crisis", 10th international symposium « European path of BiH in conditions of economic crisis», Neum, 28-30th May 2009, Revicon – Sarajevo, pages 115-140.

have undertaken in the last few months. Some of the measures are short term and effects can be expected in long term.

World leading economists note that different fiscal stimulations need to be combined to reduce effects of economic crisis and these include: (i) acting on public expenditure side (e.g. opening public works) (ii) stimulations directed towards consumers (e.g. reduction of VAT rate) or (iii) stimulations directed towards companies (e.g. incentives and subsidies).

Effects of measures directed towards consumers and companies are questionable and they can produce biggest effect on public expenditure side. Economists conclude that fiscal incentive should be timely, large, diversified, long term, collective, stable and sustainable.⁵ Selection of measures and instruments for which the government opts in fight against global recession depends on importance of VAT revenues in total public revenues and share of taxable consumption. Higher level of consumption taxation leaves room for stimulation of private consumption by reduction of VAT rates and expansion of base of goods and services on which differentiated rates are applied.

Introduction of lower VAT rates in systems of EU member states is most popular pre-election measures, most often justified by social reasons, reduction of VAT regressive effects on population with lower income or even by demographic reasons. However, current long term practice has shown different effects. For example, lower rates on baby equipment, child clothing, shoes or food did not contribute to increase of birth rate. Reduction of rates does not always have to lead to reduction of prices and stimulation for new consumption. Model of taxpayers' behavior in situation when VAT rates are changed has already been confirmed in practice. Increase of tax rates on certain goods and services often leads to higher increase of retail prices than increase of tax burden. In other hand, reduction of tax rates in most cases leads to lower decrease of retail prices than tax decrease. Size of effect caused by decrease of VAT rate on prices and employment figures ultimately depends on many factors: preferences of consumers and demand price elasticity for certain goods and services, level of competition within sector, size of grey economy, where it is labor-intensive or capital-intensive activity etc.

It is possible to achieve certain economic benefits by reduction of VAT rates if that's limited on sectors that are more affected by grey economy i.e. informal, unregistered and non-taxable activities. If rates are reduced on goods and services that many produce or provide in households, it is assumed to have impact on change of household preferences in terms of higher use of services or goods procured from registered suppliers. This leaves space for focusing on more efficient and productive carrying out of regular operations in formal economy instead of employees using their resources on "do it yourself" jobs. Growth of productivity leads to economies of scale while redirection of consumption towards regular market leads to increase of demand for certain goods and services, which stimulates employment growth in these sectors and overall growth of economy. All this contributes to increase of tax revenues (direct and indirect).

Studies showed that highest effects on sales prices are achieved by reduction of VAT rate on final consumption products, which are locally delivered. If rate is reduced on products and services of regional character, mobile tax base under impact of migration of citizens and market, effects of reduced rate will disappear soon. Increased demand for these products and services will lead to establishment of final price, which is above desired sales price. In other hand, reduction of VAT rate on semi-products, raw materials and materials does not have effect on reduction of costs in production and sales price in the sector since VAT is not element of pricing cost.

Intention of EU to use reduced rates to tax labor-intensive services is justified by efforts to stimulate new employment in sectors with low inputs and high added value. Reduction of VAT rate

⁵ More information on this: Spilimergo A., Symansky S., Blanchard O., Cottarelli C., „Fiscal Policy for the Crisis“, IMF staff position note SPN/08/01, IMF, Washington, 29 December 2008, www.imf.org, pp. 2 – 7.

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may have effects on higher employment if it applies on products and services with elastic demand (e.g. luxury goods). In other hand, reduction of rates on basic foodstuff that have non-elastic price demand will not lead to increase of demand and higher employment of these sectors and it will have limited social effects. However, we should not forget that labor market is pretty rigid depending on the sector (labor or capital intensive), strength of competition, so called structural unemployment and existence of fixed contracts. It also requires longer term to achieve effects of higher employments in certain sectors by change of VAT rates. Application of reduced rate on products and services for final consumption where substitutes exist may lead to favoring of certain sectors by above mentioned instruments, which can have negative impact by directing of resources to inefficient sectors.

Analysts consider that effects of temporary reduction of rate in UK can be felt only by those who are not in VAT system since input VAT, that they can not deduct, will be lower as well as costing price. It will be also profitable to humanitarian organizations and caritative institutions. In addition, it is considered that volume of consumption of goods and services on which standard rate is applied is relatively narrow. Most of goods and services are taxed by lower or zero rate (e.g. renting apartments, most of foodstuff, heating oil, energy for households). Next objection refers to sudden shift to lower standard rate, so taxpayers were not prepared and this caused them additional costs due to fast adjustment. There are also objections regarding announcement on limited time period of application. In that way, consumers are being stimulated to buy goods in 2009 in higher volume than required. In other hand, this can be "two edged sword" since seller's model of behavior in case of change of rates is known. Having in mind all this, it is realistic to expect that producers who sell goods with non-elastic demand will postpone their investments for 2010 when tax rate is going to be 17,5% again as this enables them to increase prices and make additional profits in 2010. IMF leading economists consider that reduction of rate by few percents is not enough to stimulate aggregate consumption⁶. It is interesting that some countries in EU and world decided to increase standard rates in order to keep fiscal revenues⁷ forgetting that it leads to further contraction of consumption and economic activities. Increase of standard rate leads to increase of prices, which can be extremely bad in case of energy products. Last year in the time of high increase in price of energy, raw materials and food at world market has shown that the systems of most member states (standard + one or more differentiated rates) became generator of inflation. High standard rates in EU member states, which are the result in change of scale of reduced VAT rates and zero rate in some countries and wide range of derogations from general taxation rules through increase of oil price became catalyst for increase of prices of all goods and services including the ones because of which reduced and zero rates were introduced. This basically devaluates basic motive used by the member states – protection of living standards of citizens. Increase of standard rates may neutralize fiscal injections that the member states get from international institutions.

It is also necessary to take into account that a reaction of consumers on reduction of VAT rate is not the same in time of recession and unemployment growth as in the time of economic activity. Loss of jobs, decrease of wage due to shorter working hours, fear from job loss, increase of interest on loans and sharpening of conditions for new loans – these are all factors that direct consumption of citizens and have impact on reduction of available income for consumption. In such situation, the population will decide to buy necessary goods and services, and reduction of VAT rates may lead to price decrease for products and services that have higher share in total consumption.

Effects of the most of listed measures are mainly directed to strengthening of liquidity and economic position of companies, stimulation of consumption of population, which has chain consequence effects on increase of sales, investments, income, employment etc. However, some

⁶ Ibid. pp. 6 – 7.

⁷ Latvia officially justified increase of VAT justified with need for "reducing consequences of economic crisis".

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measures may have negative effects too. Existence of VAT registration threshold may have positive or negative impact on companies that are not in VAT system, but also on taxpayers if they do business with small companies. For small companies that do not make large procurements and sell their products and services as final consumption, decrease of registration threshold may be bad for liquidity and business operations. In other hand, positive effects will be for taxpayers who make purchases from small companies since sales price of small companies will not be burdened will not be taxed with VAT from their purchases. It is vice versa if taxation threshold is increased. Size of VAT effect hidden in the costing price on production costs of VAT taxpayers and final sales price depends on share of these small companies or exempts for sectors (e.g. financial, postal services) in GDP. Due to this, proposals to tax financial services between taxpayers and include financial companies in VAT group go in direction of minimizing impact of cascade VAT hidden in purchases of companies that are not taxpayers and its effect on general price level of goods and service

We have similar case with introduction of different types of VAT declarations that can have different consequences on taxpayers. Extension of tax period has negative impact on taxpayers who are not importers and on investors as it inevitably prolongs deadline for VAT refunds. In other hand, maximum reductions of deadlines for VAT refunds places pressure on tax administrations to verify refunds in short time and this can represent new "trigger" for tax frauds. Introduction of special arrangements e.g. cash accounting does not *a priori* bring companies into favorable position. Companies that have such position to postpone payment of liabilities to suppliers will rather choose general taxation principle, which means deduction of input VAT from purchases and reduction of tax base by that amount. That amount of input VAT services as free interest loan. Measures that are introduced against tax frauds, such as expansion of applying reverse charge mechanism or filing additional declarations or lists of purchases/sales may additionally burden costs of regular taxpayers. Current rules for electronic filing of declarations in EU are very complex and require additional efforts of taxpayers. In other hand, all measures have impact on costs of tax administrations. More rates, lower registration threshold, wide range of exempts, special schemes etc. put burden on budgets of tax administrations, so net fiscal effect is questionable.

4. TRADE OFFS

Analysis of effects of measures and instruments that states use in VAT policy showed that it requires trade offs. Every measure can produce both positive and negative effects. So trade offs in terms of sacrificing maximum benefits of one measure in favor of positive effects of other measures. It is necessary to have measures as targeted as possible on certain segments or markets (such as application of reduced rates for labor-intensive activities) and not to deepen deviations in the market or produce new incompetitiveness with the balance of costs and benefits for taxpayers and tax administrations.

What are the lessons for Bosnia and Herzegovina? In absence of monetary policy, fiscal policy in BiH becomes basic instrument of macroeconomic policy. VAT revenues represent basic revenues to all governments in BiH, which makes oscillations in collection higher. Neglecting constant political discussions related to introduction of differentiated rates of which positive effects on aggregated demand are very questionable, focus of activities should be directed to measures and instruments in VAT policies that contribute to strengthening liquidity of companies, reduction of tax frauds and stronger competitiveness. Next bulleting will have information about current proposals and measures to be undertaken in VAT system in BiH in order to achieve above mentioned goals.

Consolidated reports

(prepared by: Mirela Kadić, Research Assistant)

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

The consolidated report includes:

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

Table 2.1. (Consolidated report: BiH: State, Entities, Brčko District, funds, cantons, municipalities)

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 fund of Brčko District,
- revenues and expenditures of the budget of the Republika Srpska,
- revenues and expenditures of the extrabudgetary funds of the Republika Srpska,
- revenues and expenditures of the budget of municipalities in the Republika Srpska,
- revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
- revenues and expenditures of the budget of the federal and cantonal extrabudgetary funds in FBiH,
- revenues and expenditures of the budget of 10 cantons in the Federation,
- revenues and expenditures of the budget of municipalities in the Federation.

2. Report includes amortization of foreign debt

3. Data for the municipalities in FB&H: Ravno, Prozor (all months), Donji Vakuf (April, May, June), Tomislavgrad, Neum (May and June), Sarajevo, Tešanj i Pale-Prača (June) are estimated

4. Monthly data for the municipalities in RS are estimated on the basis of the quarterly data delivered by Moff RS

Table 2.2. (Consolidated report: BiH: State, Entities, Brčko District, cantons)

1. The consolidated report includes:

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

Table 2.3. (Consolidated report: FBiH: FBiH budget, funds, cantons, municipalities)

1. The consolidated report includes:

- revenues and expenditures of the budget of the Federation of Bosnia and Herzegovina,
- revenues and expenditures of the budget of the federal and cantonal extrabudgetary funds in FBiH,
- revenues and expenditures of the budget of 10 cantons in the Federation,
- revenues and expenditures of the budget of municipalities in the Federation.

2. Data for the municipalities in FB&H: Ravno, Prozor (all months), Donji Vakuf (April, May, June), Tomislavgrad, Neum (May and June), Sarajevo, Tešanj i Pale-Prača (June) are estimated

Table 2.3. (Consolidated report: FBiH: FBiH budget, funds, cantons, municipalities)

1. The consolidated report includes:

- revenues and expenditures of the budget of the Republika Srpska,
- revenues and expenditures of the extrabudgetary funds of the Republika Srpska,
- revenues and expenditures of the budget of municipalities in the Republika Srpska,

2. Monthly data for the municipalities in RS are estimated on the basis of the quarterly data delivered by Moff RS

Table 3.1, 3.2. and 3.3. (Consolidated report: Cantons)

1. Consolidated report includes:

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

BiH: entities and SA, I-VI, 2009.

		I	II	III	IV	V	VI	VII	Q1	Q2	Q3	Ukupno
1	Current revenues	384,6	359,4	402,3	417,5	426,9	445,6	499,0	1146,3	1290,0	499,0	2935,3
11	Taxes	367,0	337,2	370,4	392,8	380,0	387,7	441,6	1074,6	1160,5	441,6	2676,7
111	Indirect taxes	351,7	316,9	322,8	335,6	355,0	365,1	420,0	991,4	1055,7	420,0	2467,1
	VAT	254,3	209,2	191,4	213,1	222,7	235,1	255,8	654,9	670,9	255,8	1581,7
	VAT on imports	126,3	151,9	174,9	177,3	161,5	178,3	182,6	453,0	517,1	182,6	1152,6
	VAT from VAT returns	168,1	109,4	106,1	100,2	117,5	116,8	124,4	383,6	334,6	124,4	842,5
	VAT from automatic assessment done by ITA	0,0	0,0		0,0	0,1	0,0	0,1	0,1	0,1	0,1	0,2
	One-off VAT payments	0,1	0,4	0,1	0,2	0,1	0,1	0,1	0,6	0,4	0,1	1,0
	Other	2,6	1,9	2,3	1,6	1,7	1,8	2,4	6,9	5,2	2,4	14,5
	VAT refunds	-42,8	-54,4	-92,0	-66,3	-58,2	-61,9	-53,7	-189,2	-186,3	-53,7	-429,2
	Custom duties	22,3	27,7	33,2	32,4	27,9	28,5	29,7	83,2	88,8	29,7	201,6
	Sales tax	0,4	0,7	0,6	1,0	0,6	0,5	0,7	1,7	2,1	0,7	4,5
	Excises	61,7	65,4	81,8	71,5	84,9	89,7	104,9	209,0	246,0	104,9	559,9
	on imports	49,1	44,2	55,9	45,4	53,4	57,6	74,0	149,2	156,3	74,0	379,5
	on domestic production	12,6	21,2	25,9	26,1	31,5	32,1	30,9	59,8	89,7	30,9	180,5
	Railroad tax	12,0	13,3	15,4	16,7	17,9	10,7	27,5	40,7	45,4	27,5	113,6
	Other	1,0	1,1	1,3	1,4	1,5	1,4	1,8	3,4	4,2	1,8	9,5
	Other refunds	-0,2	-0,5	-0,8	-0,4	-0,5	-0,9	-0,4	-1,5	-1,8	-0,4	-3,6
112	Direct taxes	15,3	20,3	47,5	57,2	25,0	22,6	21,6	83,1	104,8	21,6	209,5
	Income taxes	14,2	18,6	45,7	56,0	24,0	21,6	20,4	78,5	101,6	20,4	200,5
	Other tax revenues	1,1	1,7	1,8	1,1	1,0	1,1	1,2	4,6	3,2	1,2	9,0
12	Non-tax income	16,0	21,9	31,5	24,5	46,8	57,2	56,8	69,4	128,4	56,8	254,7
13	Other revenues	0,0	0,1	0,1	0,1	0,0	0,5	0,1	0,2	0,6	0,1	0,9
14	Grants	0,7		0,2	0,1	0,0	0,0	0,0	0,9	0,0	0,0	1,0
15	Transfers from other level of government	0,8	0,2	0,2	0,1	0,1	0,3	0,4	1,2	0,5	0,4	2,1

	I	II	III	IV	V	VI	VII	Q1	Q2	Q3	Ukupno	
2	Current expenditures	311,6	374,2	396,9	437,7	419,7	468,3	468,3	1082,7	1325,6	468,3	2876,6
21	Consumption expenditures	56,3	80,3	82,0	88,0	86,3	107,0	65,3	218,6	281,3	65,3	565,2
211	Wages and compensations	53,0	72,7	72,4	72,9	73,2	91,8	50,4	198,1	238,0	50,4	486,5
212	Purchases of goods and services	3,4	7,6	9,6	15,1	13,1	15,2	14,9	20,5	43,3	14,9	78,7
22	Grants, transfers, subsidies	17,4	55,4	69,6	86,9	81,6	74,6	106,7	142,4	243,1	106,7	492,2
23	Interest payments	0,7	9,1	13,1	2,2	20,2	23,5	3,0	22,8	45,9	3,0	71,7
24	Other expenditure/transfers	1,0	20,6	21,6	24,4	21,8	28,3	27,0	43,2	74,5	27,0	144,7
25	Transfers from Single Account	216,8	200,8	176,8	210,9	188,0	213,1	243,1	594,4	612,0	243,1	1449,6
	o/w : BiH Budget	52,3	60,7	62,2	62,2	56,5	62,2	65,0	175,2	180,8	65,0	421,0
	o/w: FBiH / Cantons, Municipalities, Road Fund	124,0	110,9	84,1	115,4	99,0	113,6	138,2	319,0	328,0	138,2	785,2
	o/w: RS / Municipalities, Road Fund	29,8	20,0	21,3	23,5	22,2	26,5	28,1	71,1	72,2	28,1	171,4
	o/w: Brcko	10,6	9,2	9,2	9,8	10,3	10,9	11,9	29,1	31,0	11,9	72,0
27	Transfers to lower levels of government	18,7	7,5	33,6	22,7	22,6	21,8	22,6	59,8	67,1	22,6	149,5
28	Net lending*	0,7	0,5	0,2	2,6	-0,7	-0,1	0,5	1,4	1,8	0,5	3,7
3	Net acquisition of nonfinancial assets	0,3	9,7	10,8	5,7	5,6	7,8	5,2	20,9	19,0	5,2	45,1
4	Government surplus (+)/ deficit(-) (1-2-3)	72,6	-24,5	-5,4	-25,8	1,6	-30,4	25,4	42,7	-54,6	25,4	13,5
5	Net financing**	-0,63	-0,40	15,96	97,48	154,84	-19,36	372,96	14,9	233,0	373,0	620,9

Table 1.

BiH: BiH, entities, BD, funds, cantons, municipalities, I-VI, 2009

		I	II	III	IV	V	VI	Q1	Q2	Ukupno
1	Revenues (11+12+13+14)	707.560.571	772.152.841	833.284.743	980.674.250	824.836.797	888.928.389	2.312.998.156	2.694.439.435	5.007.437.591
11	Tax revenue	626.290.262	685.668.062	734.624.743	764.363.605	715.074.920	726.686.769	2.046.583.068	2.206.125.293	4.252.708.361
	Income and profit tax	28.946.787	45.658.000	81.843.341	117.198.916	61.013.413	50.217.123	156.448.128	228.429.452	384.877.580
	Social contributions	257.908.149	297.425.505	304.245.251	306.379.390	290.276.119	306.718.806	859.578.905	903.374.315	1.762.953.221
	Property tax	11.919.255	11.686.442	10.680.107	9.426.445	7.401.727	8.265.195	34.285.804	25.093.367	59.379.171
	Indirect taxes	326.323.974	329.261.352	336.459.165	328.770.804	353.468.833	358.855.201	992.044.491	1.041.094.839	2.033.139.330
	Other taxes	1.192.097	1.636.763	1.396.879	2.588.050	2.914.827	2.630.444	4.225.739	8.133.320	12.359.059
12	Nontax revenues	67.990.475	75.980.295	87.941.274	207.973.043	101.925.228	143.999.103	231.912.045	453.897.374	685.809.419
13	Grants	12.083.674	8.795.873	9.050.517	7.307.816	6.737.600	16.698.187	29.930.064	30.743.603	60.673.667
14	Other revenues	1.196.160	1.708.610	1.668.210	1.029.785	1.099.049	1.544.330	4.572.980	3.673.165	8.246.144
2	Expenditures (21+22+23)	673.469.620	767.621.738	884.902.138	858.166.148	849.833.251	930.685.857	2.325.993.497	2.638.685.256	4.964.678.752
21	Current expenditures	668.153.783	757.951.326	872.867.870	844.137.342	838.150.234	915.840.492	2.298.972.979	2.598.128.067	4.897.101.046
	Gross wages and compensations	230.872.472	259.368.248	262.425.369	258.237.829	260.703.854	319.721.583	752.666.089	838.663.266	1.591.329.355
	Purchases of goods and services	130.134.294	184.011.866	202.963.147	183.787.352	191.376.614	218.648.045	517.109.307	593.812.011	1.110.921.318
	Grants	304.668.733	304.349.497	393.264.404	398.630.344	364.571.378	352.020.191	1.002.282.634	1.115.221.913	2.117.504.547
	Interest payments	2.478.283	10.221.716	14.214.950	3.481.817	21.498.388	25.450.672	26.914.949	50.430.877	77.345.826
22	Other expenditures	4.551.237	9.018.845	11.895.031	11.809.636	12.743.315	15.659.884	25.465.113	40.212.834	65.677.947
23	Net lending	764.600	651.567	139.237	2.219.171	-1.060.298	-814.519	1.555.405	344.355	1.899.759
3	Net acquisition of nonfinancial assets	17.794.174	20.535.708	26.557.575	26.646.360	31.184.395	47.313.656	64.887.457	105.144.411	170.031.868
4	Gov. surplus/deficit (1-2-3)	16.296.777	-16.004.605	-78.174.969	95.861.741	-56.180.849	-89.071.123	-77.882.798	-49.390.232	-127.273.029
5	Net financing	613.729	-1.684.680	15.424.043	100.471.852	157.867.739	-25.072.196	14.353.092	233.267.394	247.620.486

Table 2.1.

BiH: BiH, entities, BD, cantons, I-VI, 2009

	I	II	III	IV	V	VI	Q1	Q2	Ukupno	
1	Revenues (11+12+13+14)	361.428.773	384.567.688	439.342.812	577.438.561	450.466.367	493.803.508	1.185.339.273	1.521.708.436	2.707.047.709
11	Tax revenue	319.298.953	340.213.980	383.291.493	401.195.094	378.019.476	371.096.110	1.042.804.426	1.150.310.681	2.193.115.107
	Income and profit tax	23.185.593	39.045.333	76.485.845	103.317.370	53.990.200	43.046.132	138.716.772	200.353.702	339.070.474
	Property tax	2.616.954	2.550.559	1.618.842	1.547.039	1.591.952	1.682.943	6.786.355	4.821.934	11.608.289
	Indirect taxes	292.781.079	297.423.279	304.253.151	294.137.097	319.854.295	324.343.011	894.457.509	938.334.402	1.832.791.911
	Other taxes	715.327	1.194.809	933.655	2.193.589	2.583.030	2.024.024	2.843.791	6.800.643	9.644.434
12	Nontax revenues	37.355.275	42.477.553	55.144.550	173.230.120	70.476.578	109.853.520	134.977.378	353.560.218	488.537.596
13	Grants	4.750.762	1.736.662	852.211	2.949.876	1.958.317	12.370.135	7.339.635	17.278.328	24.617.963
14	Other revenues	23.784	139.492	54.558	63.471	11.996	483.742	217.834	559.209	777.043
2	Expenditures (21+22+23)	313.072.038	361.273.485	442.477.429	454.447.819	454.124.361	519.336.359	1.116.822.952	1.427.908.538	2.544.731.490
21	Current expenditures	311.207.586	356.708.261	438.404.874	445.499.994	448.472.113	513.014.462	1.106.320.721	1.406.986.569	2.513.307.290
	Gross wages and compensations	195.666.838	221.839.913	222.760.579	220.823.261	223.359.595	280.374.290	640.267.330	724.557.146	1.364.824.476
	Purchases of goods and services	23.099.718	33.162.532	38.208.844	44.588.143	42.045.367	70.501.761	94.471.095	157.135.270	251.606.365
	Grants	91.022.478	92.530.863	164.262.234	177.818.537	162.819.699	137.822.981	347.815.575	478.461.218	826.276.793
	Interest payments	1.418.553	9.174.952	13.173.216	2.270.053	20.247.451	24.315.429	23.766.721	46.832.934	70.599.655
22	Other expenditures	1.280.520	4.127.522	4.129.946	6.541.133	6.544.775	6.528.415	9.537.988	19.614.323	29.152.311
23	Net lending	583.932	437.702	-57.391	2.406.692	-892.527	-206.518	964.243	1.307.647	2.271.890
3	Net acquisition of nonfinancial assets	7.421.692	9.851.371	14.836.257	11.052.760	16.892.610	31.681.541	32.109.321	59.626.911	91.736.232
4	Gov. surplus/deficit (1-2-3)	40.935.043	13.442.832	-17.970.874	111.937.981	-20.550.603	-57.214.392	36.407.000	34.172.986	70.579.987
5	Net financing	-1.284.777	-640.935	15.568.201	100.858.810	154.684.991	-24.366.718	13.642.489	231.177.083	244.819.572

Table 2.2.

FBiH: FBiH budget, funds, cantons, municipalities, I-VI, 2009

	I	II	III	IV	V	VI	Q1	Q2	Ukupno	
1	Revenues (11+12+13+14)	420.901.046	442.128.029	479.281.580	508.005.068	512.151.480	533.198.818	1.342.310.654	1.553.355.366	2.895.666.020
11	Tax revenue	380.465.471	397.318.854	424.588.174	452.494.644	438.185.424	424.224.948	1.202.372.499	1.314.905.016	2.517.277.514
	Income and profit tax	14.291.383	24.764.333	36.341.875	73.548.990	39.520.508	25.796.982	75.397.592	138.866.480	214.264.072
	Social contributions	189.782.744	196.151.137	196.919.324	200.326.413	199.070.420	199.499.516	582.853.204	598.896.349	1.181.749.553
	Property tax	9.561.869	9.173.423	7.951.537	6.933.095	4.968.560	5.747.737	26.686.828	17.649.392	44.336.220
	Indirect taxes	166.247.895	166.550.427	182.769.878	170.811.983	194.212.952	192.521.125	515.568.200	557.546.059	1.073.114.260
	Other taxes	581.580	679.534	605.560	874.163	412.984	659.589	1.866.674	1.946.736	3.813.410
12	Nontax revenues	37.132.332	40.265.322	50.817.931	51.328.723	68.682.473	102.427.033	128.215.584	222.438.229	350.653.814
13	Grants	3.128.382	3.980.729	3.263.494	3.717.805	4.699.387	5.997.846	10.372.605	14.415.039	24.787.644
14	Other revenues	174.861	563.124	611.981	463.896	584.195	548.991	1.349.966	1.597.083	2.947.048
2	Expenditures (21+22+23)	406.187.189	447.045.860	525.085.256	500.316.201	481.686.983	563.902.935	1.378.318.305	1.545.906.119	2.924.224.424
21	Current expenditures	403.249.731	442.460.993	517.780.060	497.253.703	477.632.812	557.301.872	1.363.490.784	1.532.188.388	2.895.679.171
	Gross wages and compensations	105.317.736	131.630.984	133.328.938	125.666.754	130.249.064	190.068.676	370.277.658	445.984.495	816.262.153
	Purchases of goods and services	99.487.504	106.940.387	114.644.549	110.351.967	110.039.570	133.572.467	321.072.441	353.964.004	675.036.444
	Grants	197.236.165	203.408.125	258.679.075	260.773.379	226.840.950	218.395.328	659.323.365	706.009.657	1.365.333.022
	Interest payments	1.208.325	481.496	11.127.499	461.603	10.503.228	15.265.401	12.817.320	26.230.232	39.047.552
22	Other expenditures	2.880.211	4.500.817	7.374.579	3.255.611	4.185.649	7.118.578	14.755.608	14.559.838	29.315.446
23	Net lending	57.247	84.050	-69.383	-193.113	-131.478	-517.515	71.914	-842.107	-770.193
3	Net acquisition of nonfinancial assets	10.096.351	9.502.850	7.419.837	11.707.387	14.338.768	18.220.885	27.019.038	44.267.040	71.286.078
4	Gov. surplus/deficit (1-2-3)	4.617.506	-14.420.681	-53.223.514	-4.018.520	16.125.729	-48.925.001	-63.026.689	-36.817.792	-99.844.481
5	Net financing	461.580	-1.837.329	15.271.394	101.218.193	156.035.203	-23.730.130	13.895.645	233.523.266	247.418.910

Table 2.3.

RS: RS budget, funds, municipalities, I-VI, 2009

	I	II	III	IV	V	VI	Q1	Q2	Ukupno	
1	Revenues (11+12+13+14)	199.869.723	238.940.445	271.574.783	264.504.602	233.252.523	254.397.842	710.384.951	752.154.967	1.462.539.917
11	Tax revenue	170.507.695	206.065.439	234.892.521	235.237.719	204.703.305	223.500.373	611.465.655	663.441.397	1.274.907.052
	Income and profit tax	14.228.337	19.746.171	43.882.860	42.518.999	20.425.875	22.445.238	77.857.369	85.390.111	163.247.481
	Social contributions	67.084.306	99.415.423	105.271.431	104.054.948	89.380.379	105.252.494	271.771.160	298.687.820	570.458.980
	Property tax	2.337.906	2.494.303	2.721.763	2.487.827	2.428.966	2.517.458	7.553.972	7.434.251	14.988.222
	Indirect taxes	86.385.890	83.461.187	82.233.011	85.965.619	92.294.579	93.179.147	252.080.089	271.439.345	523.519.434
	Other taxes	471.255	948.354	783.456	210.328	173.506	106.037	2.203.065	489.870	2.692.935
12	Nontax revenues	22.407.362	27.161.802	30.209.197	27.043.023	26.509.727	28.239.093	79.778.361	81.791.843	161.570.204
13	Grants	5.933.367	4.567.717	5.416.836	1.657.971	1.524.637	1.663.037	15.917.921	4.845.645	20.763.566
14	Other revenues	1.021.299	1.145.486	1.056.229	565.889	514.854	995.339	3.223.014	2.076.082	5.299.096
2	Expenditures (21+22+23)	203.342.265	247.416.354	281.590.996	277.648.632	284.769.040	277.529.355	732.349.615	839.947.027	1.572.296.642
21	Current expenditures	201.103.786	243.466.284	278.036.645	267.924.183	278.004.024	270.423.937	722.606.715	816.352.143	1.538.958.858
	Gross wages and compensations	70.233.937	69.942.080	70.040.237	70.788.249	70.849.201	69.746.357	210.216.254	211.383.807	421.600.061
	Purchases of goods and services	23.012.583	65.727.736	73.363.072	59.749.092	60.515.360	61.705.490	162.103.391	181.969.942	344.073.333
	Grants	106.591.703	98.057.329	131.545.885	134.366.629	135.644.940	128.786.819	336.194.918	398.798.387	734.993.305
	Interest payments	1.265.563	9.739.139	3.087.451	3.020.214	10.994.523	10.185.271	14.092.152	24.200.008	38.292.160
22	Other expenditures	1.531.126	3.382.554	3.345.730	7.312.164	7.693.836	7.402.422	8.259.409	22.408.422	30.667.831
23	Net lending	707.353	567.517	208.620	2.412.285	-928.819	-297.003	1.483.491	1.186.462	2.669.953
3	Net acquisition of nonfinancial assets	6.557.336	9.900.019	16.663.570	12.369.259	11.111.037	11.352.707	33.120.924	34.833.003	67.953.928
4	Gov. surplus/deficit (1-2-3)	-10.029.878	-18.375.928	-26.679.782	-25.513.290	-62.627.554	-34.484.220	-55.085.588	-122.625.064	-177.710.652
5	Net financing	152.149	152.649	152.649	-746.341	1.832.536	-1.342.066	457.447	-255.871	201.576

Table 2.4.

Posavina canton, I-VI, 2009

		I	II	III	IV	V	VI	Q1	Q2	I-VI 2009	I-VI 2008
1	Revenues (11+12+13+14)	2.910.075	2.046.434	2.669.607	3.072.257	4.071.836	2.525.487	7.626.116	9.669.581	17.295.697	21.107.310
11	Tax revenue	2.136.462	1.681.150	2.059.492	2.541.017	2.073.835	2.078.148	5.877.103	6.693.000	12.570.103	15.844.788
	Income and profit tax	146.828	136.598	379.781	742.126	305.884	277.011	663.206	1.325.020	1.988.226	1.987.163
	Property tax	50.711	33.473	24.064	34.033	29.860	57.063	108.247	120.955	229.203	261.742
	Indirect taxes	1.921.038	1.494.251	1.639.368	1.759.756	1.734.110	1.741.539	5.054.657	5.235.404	10.290.062	13.339.102
	Other taxes	17.885	16.828	16.280	5.103	3.982	2.535	50.993	11.620	62.613	256.781
12	Nontax revenues	551.256	365.285	585.424	390.720	439.441	397.806	1.501.965	1.227.966	2.729.932	3.129.380
13	Grants	222.356	0	24.691	140.520	1.558.561	49.534	247.047	1.748.615	1.995.662	1.979.129
14	Other revenues	0	0	0	0	0	0	0	0	0	154.013
2	Expenditures (21+22+23)	2.674.705	3.364.393	2.664.348	2.583.762	2.845.399	2.793.350	8.703.446	8.222.511	16.925.957	19.077.799
21	Current expenditures	2.674.705	3.364.393	2.664.348	2.583.762	2.848.899	2.793.350	8.703.446	8.226.011	16.929.457	19.077.948
	Gross wages and compensations	1.701.767	1.734.507	1.740.624	1.733.393	1.725.622	1.706.055	5.176.897	5.165.070	10.341.967	10.542.322
	Purchases of goods and services	633.595	675.853	672.658	498.283	469.917	585.125	1.982.106	1.553.326	3.535.432	4.328.421
	Grants	322.860	952.840	248.399	352.086	653.360	502.169	1.524.099	1.507.616	3.031.714	4.183.711
	Interest payments	16.483	1.193	2.668	0	0	0	20.344	0	20.344	23.494
	Other expenditures	0	0	0	0	0	0	0	0	0	
22	Net lending	0	0	0	0	-3.500	0	0	-3.500	-3.500	-149
3	Net acquisition of nonfinancial assets	338.356	293.344	78.138	24.134	294.477	63.749	709.837	382.360	1.092.197	946.730
4	Gov. surplus/deficit (1-2-3)	-102.986	-1.611.302	-72.880	464.361	931.960	-331.611	-1.787.168	1.064.710	-722.458	1.082.781
5	Net financing	0	0	0	0	0	0	0	0	0	-11.859

Table 3.1.

Una-Sana canton, I-VI, 2009

		I	II	III	IV	V	VI	Q1	Q2	I-VI 2009	I-VI 2008
1	Revenues (11+12+13+14)	16.879.496	15.066.541	15.744.683	19.689.764	19.677.749	19.318.018	47.690.720	58.685.531	106.376.251	123.342.249
11	Tax revenue	13.115.451	11.907.454	12.231.764	16.345.315	13.370.649	14.576.421	37.254.669	44.292.384	81.547.053	98.104.968
	Income and profit tax	652.461	633.805	996.271	4.290.544	1.733.162	1.652.189	2.282.537	7.675.895	9.958.432	11.138.770
	Property tax	676.893	595.498	385.930	300.716	342.713	361.048	1.658.321	1.004.477	2.662.798	3.413.517
	Indirect taxes	11.775.006	10.665.780	10.841.059	11.743.237	11.282.343	12.551.394	33.281.845	35.576.974	68.858.819	83.092.981
	Other taxes	11.091	12.371	8.504	10.818	12.431	11.790	31.965	35.039	67.004	459.700
12	Nontax revenues	3.368.727	2.459.199	2.859.018	3.031.372	4.458.396	3.333.043	8.686.944	10.822.811	19.509.755	23.413.621
13	Grants	390.785	704.421	653.901	313.077	1.848.704	1.408.554	1.749.107	3.570.335	5.319.442	1.823.660
14	Other revenues	4.533	-4.533	0	0	0	0	0	0	0	0
2	Expenditures (21+22+23)	16.305.907	16.347.920	20.856.300	16.576.334	17.293.641	20.587.445	53.510.128	54.457.420	107.967.547	101.073.387
21	Current expenditures	16.311.696	16.351.507	20.855.624	16.582.316	17.293.641	20.587.445	53.518.828	54.463.402	107.982.229	101.058.434
	Gross wages and compensations	11.335.351	11.195.414	12.558.462	11.504.620	10.849.917	11.134.613	35.089.227	33.489.151	68.578.378	62.455.619
	Purchases of goods and services	1.757.583	1.572.992	1.665.807	1.058.234	1.474.805	2.013.992	4.996.381	4.547.031	9.543.413	10.718.618
	Grants	2.859.676	2.380.571	3.492.865	3.593.517	3.603.964	3.633.106	8.733.113	10.830.587	19.563.700	15.423.467
	Interest payments	154.890	71.068	43.846	119.978	118.050	24.469	269.805	262.497	532.302	547.210
	Other expenditures	204.196	1.131.462	3.094.644	305.967	1.246.904	3.781.264	4.430.302	5.334.135	9.764.437	11.913.521
22	Net lending	-5.789	-3.587	676	-5.982	0	0	-8.700	-5.982	-14.682	14.953
3	Net acquisition of nonfinancial assets	450.985	308.038	1.239.504	539.757	1.624.266	670.978	1.998.526	2.835.001	4.833.527	9.555.422
4	Gov. surplus/deficit (1-2-3)	122.604	-1.589.416	-6.351.122	2.573.673	759.842	-1.940.405	-7.817.934	1.393.110	-6.424.824	12.713.440
5	Net financing	-9.126	-29.904	-9.070	-21.218	-105.286	-8.759	-48.100	-135.264	-183.364	-66.610

Table 3.2.

West Herzegovina canton, I-VI, 2009

		I	II	III	IV	V	VI	Q1	Q2	I-VI 2009	I-VI 2008
1	Revenues (11+12+13+14)	6.478.714	7.177.376	7.776.554	6.792.348	8.422.695	5.906.556	21.432.644	21.121.600	42.554.244	43.769.579
11	Tax revenue	5.481.697	4.889.810	6.524.273	5.761.106	5.229.806	4.738.761	16.895.780	15.729.673	32.625.453	36.256.611
	Income and profit tax	924.553	1.167.962	2.665.387	1.740.347	1.320.838	705.244	4.757.902	3.766.429	8.524.331	6.218.433
	Property tax	361.837	275.365	254.451	172.888	165.496	68.601	891.652	406.985	1.298.637	996.640
	Indirect taxes	4.009.101	3.341.176	3.503.147	3.771.461	3.691.551	3.766.108	10.853.424	11.229.119	22.082.543	28.327.201
	Other taxes	186.207	105.308	101.288	76.411	51.922	198.808	392.802	327.141	719.943	714.337
12	Nontax revenues	837.627	2.259.053	1.189.174	995.398	1.243.837	926.015	4.285.854	3.165.250	7.451.104	6.699.937
13	Grants	158.989	28.514	44.215	35.845	1.924.276	206.156	231.718	2.166.276	2.397.994	778.598
14	Other revenues	400	0	18.892	0	24.776	35.624	19.292	60.400	79.692	34.433
2	Expenditures (21+22+23)	6.418.958	7.999.320	10.666.129	8.824.386	7.021.331	6.696.268	25.084.407	22.541.985	47.626.392	41.247.530
21	Current expenditures	6.368.958	7.999.320	10.636.129	8.802.600	7.019.459	6.696.268	25.004.407	22.518.327	47.522.734	41.197.530
	Gross wages and compensations	4.000.859	4.131.699	4.109.509	3.998.623	3.989.277	4.067.389	12.242.067	12.055.289	24.297.357	23.114.880
	Purchases of goods and services	991.775	1.193.249	1.095.740	1.173.813	1.174.631	793.058	3.280.765	3.141.501	6.422.266	5.366.674
	Grants	1.174.548	2.405.230	5.038.922	3.233.173	1.588.058	1.485.399	8.618.700	6.306.631	14.925.331	11.303.692
	Interest payments	16.274	50.093	46.548	59.571	43.911	55.208	112.915	158.690	271.604	334.208
	Other expenditures	185.502	219.049	345.410	337.420	223.582	295.214	749.960	856.216	1.606.176	1.078.076
22	Net lending	50.000	0	30.000	21.786	1.872	0	80.000	23.658	103.658	50.000
3	Net acquisition of nonfinancial assets	422.681	412.684	115.734	318.688	180.654	214.918	951.099	714.259	1.665.358	1.229.958
4	Gov. surplus/deficit (1-2-3)	-362.925	-1.234.627	-3.005.309	-2.350.726	1.220.711	-1.004.630	-4.602.862	-2.134.644	-6.737.506	1.292.091
5	Net financing	-34.939	-1.028.563	-93.711	3.371.769	-83.298	-108.903	-1.157.213	3.179.568	2.022.355	-600.804

Table 3.3.