Main changes within the amendments to the 2013 Budget Law

The Government of the Republic of Serbia has submitted amendments to the 2013 Draft Budget Law to the National Assembly. Therefore, as a separate segment of its assessment of the Draft Budget Law, the Fiscal Council also prepares a supplementary assessment of the most recent proposed amendments.

The amendments of the Government of the Republic of Serbia to the 2013 Budget Law envisage unchanged budget deficit level of RSD 121.9 billion, but the structure of expected revenues and planned expenditure has been partly changed. Budget revenues and expenditure are higher than those within the original Draft Budget Law by RSD 9.3 billion – and therefore, the deficit of the Republic remained the same even after these changes (RSD 121.9 billion). The Fiscal Council still estimates that the budget deficit will be probably by around RSD 25 billion higher than the planned one. However, we think now that the revenues will be around RSD 6 billion lower, while the expenditure will be around RSD 19 billion higher than the planned ones (formerly, we thought that the discrepancy of RSD 25 billion will arise primarily due to higher budget expenditure, while we expected the revenues to be close to the planned level).

In terms of revenues, within the latest amendments, the Government calculated the inflation increase during this autumn and therefore, they increased tax revenues, first of all, those arising from the VAT (by around RSD 5 billion). This accelerated inflation was noted by the Fiscal Council and it was included in its budget assessment. Therefore, the latest VAT-based revenue assessments are almost in line with Fiscal Council assessment (Table 1). The Government also reduced non-tax revenues by RSD 9 billion, due to lower profitability of public enterprises (Telekom Srbija) which will cause lower revenues from dividends. The Fiscal Council indicated this risk as well within its report and considered this change to be justified. In the end, the Government also adopted a methodological change – the refund of agricultural excise has been booked in net value so far, while, now, it is booked in gross value. This means that excise revenues were increased by 8 billion in comparison to expected excise refund next year, and equivalently, relevant revenues of the ministry of agriculture are also increased by RSD 8 billion.

Bearing in mind all the above given, the Fiscal Council estimates that the revenues will be around RSD 6 billion lower than those envisaged in the amendments to the Draft Budget Law. Namely, in its original report, the Fiscal Council assessed that the planned tax revenues will be collected to a nearly the same level but not because we fully agreed with the assessments of the Government. Actually, we believed that some revenues will be lower (corporate income tax), but that, due to higher inflation, some other revenues will be higher, and that in total, planned revenues will be reached. Now, the arguments that some revenues will be increased due to inflation were accepted, but the corporate income tax is still planned with optimism – therefore, we expect that tax revenues will be around 6 billion lower than the planned ones.

The amendments to the Draft Budget Law did not include significant changes in Republic budget expenditure, although, we do notice that the expenditure plan is a bit more realistic than in the original budget draft. With agricultural subsidies increased by over RSD 8 billion (which are actually methodological by nature), social security funds and subsidies were increased, while the level of funds for net lending is slightly decreased. We think that these changes are headed in the right direction, but they are still not sufficient so as to resolve the discrepancy which will arise due to, as it seems to us, certain underestimation of the true level of budget expenditure next year.

Therefore, the Fiscal Council thinks that 2013 budget expenditure will probably exceed the plan by around RSD 19 billion. In comparison to our former assessment (before the amendment), we somewhat reduced the level of discrepancy between our assessment and the Government plan since the budget amendments eliminated some of smaller omissions which were noticed in budget expenditure plans. To that end, since the planned funds were lower than the contracted liabilities and legal rights – as it was stated in the Fiscal Council’s report, subsidies for credits for liquidity were increased by RSD 1 billion and social security funds by another RSD 1 billion. However, we do not think that all necessary funds for these purposes are envisaged even with those increases. In addition, the Government gave up their intention to offer subsidies of around RSD 1 billion for shipbuilding next year – we think this is justified, too. Funds allocated for the procurement of goods and services in 2012 were slightly reduced and, for this reason, we reduced expected expenditure for this purpose for 2013 and, therefore, even in this issue, our assessment became closer to the Government’s plan. Table 1 indicates the assessments of individual Republic budget revenues and expenditure. All the changes in structure and level of public revenues and expenditure in the former Draft Budget Law, the latest Government amendments and Fiscal Council assessments are given in the Table 1.

Table 1. Republic budget revenues and expenditure

	Budget - original draft		Budget with amendments	
	Ministry of Finance and Economy	Fiscal council	Ministry of Finance and Economy	Fiscal Council
TOTAL REVENUE	**956,4**	**954,2**	**965,7**	**959,1**
PIT	53,5	55	55,1	55
CIT	70,4	66	70,4	66
VAT	429	432	434,3	433
Excise duties	224,8	225	233,3	233,5
Customs duties	33,1	34	35,6	35
Other tax revenue	8	8	8,4	8
Non-tax revenue	136,4	133	127,4	127,4
Donations and capital revenue	1,2	1,2	1,2	1,2
TOTAL EXPENDITURE	**1078,3**	**1100,3**	**1087,6**	**1105,7**
Current expenditure	1021,1	1043,1	1031,2	1049,4
Employee expenditure	266,2	266,2	266,2	266,2
Expenditure for use of goods and services	87,9	93,9	87,9	91,9
Expenditure for interest payments	90,1	95,1	90,1	95,1
Subsidies	82,2	89,7	91,5	98,0
Transfers to other levels of government	75,5	75,5	75,5	75,5
Other transfers	2,9	2,9	2,9	2,9
Transfers to mandatory social insurance funds	302,9	302,9	302,9	302,9
Social protection from the budget	100,9	102,4	101,9	102,4
Other current expenditure	12,5	14,5	12,5	14,5
Capital expenditure	46,9	46,9	46,9	46,9
Outflows for acquisition of financial assets	10,4	10,4	9,4	9,4
DEFICIT	**121,9**	**146,1**	**121,9**	**146,6**

Source: Ministry of Finance and Economy, Fiscal Council