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BUDGET ANALYSIS OF THE REPUBLIC OF SERBIA FOR THE PERIOD FROM 2003 TO 2009

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***Abstract*—**When speaking of the budget of a country, the first thought should be the budget of a family in that country. That is, if we start from the family which is the foundation of society and the issue of its existence, the fact also has to be borne in mind that its budget depends on income and expenditure, and whether the end of the month it will be in the plus or minus. Of course these are different types of income and expenses but the final result is the same. That is if of a household, a family is expected to timely settle its liabilities (tax, electricity, water, utilities ...) and thereat not taking into account its existence (the number of family members, sources of income, the number of employed in the family ...) then the state first must show it by its own example. Meaning the executive authority has to make such budgets that realistically show the revenue side, and also has to take more care on spending that is not allowing the budget to be in deficit. If it is not possible to record a surplus then achieve at least break even. It is the fact that the global economic crisis has touched all the countries of the world and the entire population, but it also the fact that the privatization process through which Serbia is still passing is not well conducted, that is we have lost industrial production, we import more than we export, unemployment is growing day by day, there are few of those dealing with production and much more those people selling a variety of services ... Expenditures are higher than income. All owe, both the population and the state.

***Keywords*—**public revenues, public expenditure, direct and indirect taxes.

I. Introduction

PUBLIC finance are the activities of the state and its authorities in the collection and spending of material resources, in order to fulfill public functions. The subject of the public finances are public sector finances, the economic analysis of the financial activities of the state in which the focus of the study is the acquisition and use of public revenues and expenditures [1].

The state has its own institutions, such as provinces, cities, municipalities, public utilities, various agencies. The work of all institutions has to be always provided by law, regardless of the fact that it is about raising or spending, that is public revenue or public expenditure.

A state is a political phenomenon expressed through the balance of political powers, so that the financial measures bear the stamp of the political goals of the parties in power [3]. Practice has proved that if one party is in power, there may come to the self-will of the party individual, that is until the adoption of various laws in the interests of a particular individual or group of individuals. That is, if we have a case that the government of a country is made up of several political options, parties (say four or five), and they all basically have a totally different programs (social, economic, agricultural ...), then it carries a lot of more negativity, i.e. the possibilities of various influences, blackmails, self-interest. As long as the financial measures are influenced by the political parties in power (the painless model would be that the government is made up of two parties, including two that have the most votes in the election) financial measures will bear the imprint of the goals of political parties. Fiscal policy is a part of economic policy and its instruments are the public revenue and public expenditure. Fiscal function of the state is to ensure that public revenues finance public expenditures. The main instrument of the fiscal system are taxes. Thus, the goals of fiscal and economic policies should be unique. Those are: allocation of resources (tax cuts when hiring new workers, stimulating the release of export taxes); redistribution of national income as the goal of fiscal policy is comprised of a result of the outcome changes arising from the market distribution, primarily allocation of income and assets and the provision of equal access to public goods and benefits for all citizens [4]; good stabilization policy (through which, in order to increase economic growth, the government uses methods to increase or reduce the tax burden influences the supply and demand, prices, inflation).

II. Public revenues and public expenditures

The state must harmonize economic and social effects of financing, using all the tools at its disposal in order to stabilize, develop and redistribute the revenues. Given the rise in inflation, the decline in gross domestic product for 3% in 2009, borrowing that has reached 42% of GDP, and further stagnation in economic growth especially in the manufacturing and export sectors, negligible share of investment in total financing of the real sector, our country would have to take the following measures in the future in the area of fiscal policy:

1. reduction of public expenditure,
2. greater incentives to production of the public and private sectors,
3. determining tax liability according to the economic and material strength of physical and legal persons

Institutions of public finance are:

- public expenditures,
- public revenues,
- public loan,
- financial arrangement,
- state budget.

Under public expenditure we imply spending of public revenues. The basic types of public expenditures are: general purposes (military, state administration, police), common needs (pension, social security and medicare) and the incentives of development (state interventions in the economy). The state needs to first determine public expenditures, their level and fiscal capacity (sum of all taxes, fees and contributions), as well as to bring into balance expenditures and revenues and in the process of preparation, drafting and adoption of the budget.

The types of public revenues are:

1. fiscal revenues

- taxes - the most important instrument of public revenue and used to meet the public expenditure,
- fees – are the revenues that represent compensation for services provided by the state government bodies and organizations (administrative, judicial, customs, residence, utility) and used to meet part of the costs caused by the provisions of services by public authorities to citizens,
- charges - paid for the use of public goods of general interest (fees for the use of forests, water, roads, mineral resources, land) and may be the national and local,
- contributions- mandatory payment in order to achieve economic benefits of taxpayers,
- customs duties - a kind of fiscal revenue. We distinguish between: import, export and transit tariffs.

2. non-fiscal revenues – the feature is the absence of coercion, and the types of revenues are:

From the sale of state assets, the issuance of state assets, from the government, public enterprises, public loans, from the government monopoly.

III. Analysis of revenues and expenditures during the period from 2003 to 2009

Based on the data (Public Finance Bulletin December 2009) there comes to the conclusion that the revenues grew from year to year with stagnation in 2008 and 2009. That is, they ranged from 8% to 19%. If we observe the year 2009 in relation to 2003 it can be found that the share of revenues in the budget recorded a growth of 237%. But despite the increase in tax revenues only the year 2004 and 2005 records surpluses, in other years the state is in deficit.

Analysis of expenditures from 2003 to 2009 leads to the data that growth from year to year is consistently recorded. The analysis of expenditure shows that in 2003, 2006, 2007, 2008, 2009 the state recorded a higher growth of expenditures than revenues that is the budget was in deficit. This means that despite the increase in revenues, the state recorded a much higher expenditure growth, that is, when the year 2003 is observed as the base year compared to 2009 the share of expenditures in the budget records the increase by 250%.

3.1. Public revenues

For a state to exist, it must have available the public revenues and public expenditures. Public revenues are characterized by: revenue generation in cash, revenue generation continuity, their spending does not question the existing property; they serve meeting costs of a general nature.

Total public revenues are divided into current revenues and tax revenues.

Fig. 1. Distribution of total public revenues of Serbia [2]

Total public revenues		
Current public revenues		**Capital revenues**
tax	**non-tax**	**Revenues from capital goods**
Tax on income	Revenues from property	Transfers from non-governmental institutions
Tax on profit	Fees	
Value-added tax	Stamp duties	
Excise duties	Fines	
Customs duties		
Contributions		
Other tax revenues		

Public revenues are characterized by:

- obligateness
- the absence of counter-service at the payment of taxes by the state

The state collects taxes and they make its public revenues, and then directs these funds on funding state functions that is the state.

Comparing the results from 2009 compared to 2003 we obtain information that the budget deficit increased by 332%, meaning that revenues increased by 241% and expenditures by 248%. In the base year 2003 we had a slight increase in expenditures over revenues because in the same period there were commitments for loan repayment.

When analyzing the representation of tax revenues in the period from 2003 to 2009 the growth is observed, and then 2009 year records decreased revenues, which cause lower income from the personal income tax, corporate income tax, value added tax and customs duties. The only increase was recorded in excise duty by 19% as a result of intervention by the state through administrative measures or increasing the rate of excise duties.

Table 1. % share of public revenues by type of tax in the budget of Serbia [2]

Year	The intermediate, indirect taxes (shares, value added tax)	The immediate, direct taxes (income tax, corporate income tax, other tax revenues	Customs duties	Non-tax revenues, grants, interest paid	%
2003	58%	23%	9%	10%	100
2004	56%	22%	10%	12%	100
2005	64%	14%	9%	13%	100
2006	62%	17%	9%	13%	100
2007	60%	17%	10%	13%	100
2008	61%	17%	10%	12%	100
2009 – Jan.-Nov.	64%	16%	7%	13%	100

The intermediate, indirect taxes (excise tax, value added tax) in budget revenues in 2003 year accounted for 58%, while the immediate, direct taxes (income tax, corporate income tax, other tax revenues) accounted for 23% and customs duties for 9%. The intermediate, indirect taxes (excise tax, value added tax) in budget revenues in 2004 year accounted for 56%, while the immediate, direct taxes (income tax, corporate income tax, other tax revenues) accounted for 22% and customs duties for 10%. There was a slight decline in both the direct and indirect taxes compared to 2003, while the customs duties recorded an increase by 1%. The intermediate indirect taxes (excise, value added tax) of budget revenues in 2005 accounted for 64% (compared to the previous calendar year they recorded increase in of the share of 14%), while immediate, direct taxes (income tax, corporate tax, income tax had heat) accounted for 14% (compared to the previous calendar year they recorded decline in the share of 63.4%), and tariffs raised revenue with 9% of the state budget. The intermediate indirect taxes (excise, value added tax) of budget revenues in 2006 accounted for 62% (compared to the previous calendar year they recorded increase in of the share of 96,8%), while immediate, direct taxes (income tax, corporate tax, income tax had heat) accounted for 17% (compared to the previous calendar year they recorded decline in the share of 82.3%), and tariffs raised revenue with 9% of the state budget. The intermediate indirect taxes (excise, value added tax) of budget revenues in 2007 accounted for 60% (compared to the previous calendar year they recorded increase in of the share of 96,7%), while immediate, direct taxes (income tax, corporate tax, income tax had heat) accounted for 17% (compared to the previous calendar year there are no changes), and tariffs raised revenue with 10% of the state budget. The intermediate indirect taxes (excise, value added tax) of budget revenues in 2008 accounted for 61% (compared to the previous calendar year they recorded increase in of the share of 1,6%), while immediate, direct taxes (income tax, corporate tax, income tax had heat) accounted for 17% (compared to the previous calendar year there are no changes), and tariffs raised revenue with 10% of the state budget.

The intermediate indirect taxes (excise, value added tax) of budget revenues in 2009 accounted for 64% (compared to the previous calendar year they recorded increase in of the share of 4,9%), while immediate, direct taxes (income tax, corporate tax, income tax had heat) accounted for 16% (compared to the previous calendar year they recorded decline in the share of 94,1%).

It is necessary to increase public revenues being current public tax revenues. Debts by all tax types by taxpayers are extremely high. If the state, through the Tax Administration would pick only revenues from debt of taxpayers kept in the system (fox and dis) it would lead to a huge increase in public revenues. For example: debt on the basis of value added tax at the end of the first quarter of 2009 amounted to 31 billion dinars. Or if the state, through its institutions (the Tax Administration, the Tax Police, various government and public inspections) would reduce the number of undocumented workers in the informal economy (today the number is around 600,000 people, even though the data is not accurate because two methodologies are used in practice - one is used by the National Employment Service, and the second method is used by the Republic Institute for Statistics) revenues would be poured in the budget amounting to about 40 billion dinars just on the basis of pension and social security contributions at the expense of employers and workers [5].

3.2. Public expenditures

Contemporary economic conditions had resulted in an increase of public expenditure. With respect to the basis in the paper, in the economic and financial theory and practice there are many divisions of public expenditures. Some of them are the following:

- according to period of time - regular and irregular,
- according to the subject of spending - central or local government level
- according to the object of spending – personal and material
- according to the establishment of the company - profitable and unprofitable

The following table shows the expenditure budget of Serbia, where total expenditures are presented by economic classification (type of expenditure, the expenditure economic characteristics and the impact of government spending on goods and services market as well as the financial market and the redistribution of income. Total expenditures are divided into:

- current expenditures - the final budget outflows and are not intended to acquisition of non-financial assets,
- payroll expenditures - include net salary with taxes and contributions,
- the purchase of goods and services - electricity, telephone, business travels, current maintenance, supply of materials,
- interest payments - including interest on domestic debt, on external debt, and interest payments on activated guarantees and associated borrowing costs,
- subventions - all the funds that are transferred to the corporate sector to cover current expenses,
- expenditures of social security and social protection - including the payment of pensions, sickness and unemployment benefits ...
- other current expenses - including grants to non-governmental organizations, fees and penalties imposed by one government level to another ...
- capital expenses - including payments for purchase of non-financial assets, the construction of buildings and infrastructure.
- net budget loans – implies the expenses for purchase of financial assets, which aims to implement certain government policy.

Consolidated expenditures are the sum of expenditures of each individual level of government; the expenditures from contributions paid by the state as an employer are excluded, as well as transfers which are given from one government level to another.

Table 2. % share of expenditures by type of budget in Serbia [2]

Year	Expend. for employees	Use of goods and services	Interest payment	Subv-ent.	Soc. Insur. rights	Other current expend.	Current and capital transfers	Capital expendit.	Budget deficit	%
2003	19%	8%	4%	10%	11%	1%	40%	4%	3%	100
2004	20%	7%	4%	10%	9%	1%	42%	6%	1%	100
2005	20%	8%	4%	7%	11%	1%	42%	6%	1%	100
2006	20%	8%	4%	7%	11%	1%	42%	6%	1%	100
2007	25%	7%	2%	6%	12%	1%	34%	11%	2%	100
2008	26%	7%	2%	7%	11%	1%	37%	7%	2%	100
2009 – Jan. – Nov.	25%	7%	3%	5%	10%	1%	43%	4%	2%	100

Expenditures for employees (civil servants salaries) participate in budget spending for 2003 year with 19%, in the 2004 they amount 20% that is they record a larger share of the budget from the previous year by 105%. Compensation for employees in the 2005 budget amount to 20%, that is they recorded the same percentage ratio as the previous year, for 2006 amount to 20%, i.e. recorded the same percentage ratio as the previous year, while in 2007 they amount to 25% and there was an increase in the share of the budget compared to the previous calendar year by 125%. Compensation for employees in the 2008 budget amount to 26% that is they recorded an increase in the share of the budget compared to the previous calendar year by 104%.

IV. CONCLUSION

It is essential that the state undertakes the following actions: reduce public expenditures meaning payroll expenditures (Republic bodies: reduce the number of ministries (taking into account the size of our country an optimal number of ministries would be around 10), reduce the number of assistants in ministries and state secretaries (one Assistant in one Ministry and Secretary of State), reduce the number of agencies, and some even abolish (their jobs, depending on the type of work transfer to the ministry or local government), cancel a councilor; local authorities (to reduce the number of civil servants in local governments, towns to comprise about 50 employees, and cities from 100 to 150 employees) then reduce expenditures on business trips, representations, vehicle fleet; perform the reorganization of all state organs, the classification of jobs and bring administration to an enviable level in terms of efficiency and effectiveness of the operation (recent studies show that the effective work of employees in state bodies of 8 hours is 3.5 hours). Reduce the total state administration by 30%, to abolish the practice of taking a loan or if the period of growing borrowing continues, it will not be long for our country to fall into a "debt slavery."

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