

Serbia: Gov to introduce tax for electricity and gas instead of price increase?

Categories : [News Serbia Energy](#)

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More expensive gas and electricity are possible measures for filling the state budget. Economists say IMF sews new prices due to delays in reforms in the Serbian public companies.

Taxes list which will erode household budget next year could be extended to additional excise tax on electricity and gas as well as the increased price of natural gas. However, the money from the price increase probably will not go for the reconstruction of facilities in public companies but, under IMF pressure, benefit from "reheated" energy could directly blend - in the state budget.

Instead of the planned increase in electricity prices at the end of the heating season the state could impose levies from April 1st which bypasses EPS and more directly "heats" state budget for ten to 15 percent. The similar situation is with the gas price, because the base does not change from the beginning of next year but additional costs for transport, which blue energy source "raise" for about two dinars, or four to five percent.

The public palpation to the news of the electricity and juices price increase, economic analyst Sasa Djogovic explained as a way to prevent the eventual delay in the announced reform of state-owned enterprises and those in restructuring:

- IMF probably requested, due to the eventual deviations from plans, to be found safe and predictable way of additional filling the budget. I expect that there is a demand reduction in juices without the excise introduction, because salaries and pensions in the public sector have been reduced. With the electricity, however, will be bigger problem because it has to be spent. There will be a delay in payment, especially those with low incomes. States must help that.

The new excise tax on electricity for the citizens practically mean electricity price increase, but energy experts wonder where the extra money will finish.

- Is it necessary to introduce excise on kilowatts depends on where the money will go - says Aleksandar Gajic, a new member of the EPS Supervisory Board and Professor of Mechanical Engineering Faculty in Belgrade. - If this surplus in funds is invested in environmental protection, for example, it is entirely justified and I support it. If, however, it only serves to fill the holes in the state budget, then it should give further consideration. However, in the new EPS Supervisory board I will advocate for the economic cost of electricity that company' plants could be rebuilt and the system to be set on healthy feet.

Also the leaders of the two largest energy companies confirm that this price increase is "the

game of the big players". EPS said they were not officially informed of the possibility of introducing excise duties on electricity, because this is a matter for the Government. Director Aleksandar Obradovic said that the IMF would monitor EPS savings.

- In its support plan to Serbia, IMF has put EPS as a company over which it will look how public sector reform progresses - Obradovic said.

The director of "Srbijagas" Dusan Bajatovic also similarly explains the price correction, who said that this time IMF in arrangement also would monitor the businesses.

- I got the instruction from the Government that everyone has to pay the gas by January 1st - Bajatovic said. - If we want "Srbijagas" to be competitive in the market and to reduce pressure on the budget, transport gas must be more expensive for two dinars and the fee shall be erected at a fair price.

These three measures, as he said, will bring the missing 100 million dollars annually in the budget of Serbia.