

Most countries in our region have introduced this excise duty on consumed kilowatt-hours of electricity, like the EU, but they have not been applying it.

According to the arrangement with the International Monetary Fund, i.e. the Letter of Intent, our Government has promised that, along with the regular electricity price increase, it will also introduce the excise duty on kilowatt-hours for the first time, with the aim of reducing electricity consumption, as it is stated in the explanation of this decision. And this already as of April 2015.

According to what Serbia wrote in the Memorandum of Economic Policy for the IMF, the electricity price should be increased by 15 percent as of 1st April 2015. Additional adjustment will also ensue in April 2016, if necessary, after the process of restructuring and financial consolidation of the EPS, it is stated decisively in the document submitted to the IMF.

The excise duty on kilowatt-hours should also be included in this price increase of 15 percent, whereas the other part is the price increase, as the electricity price has not been changed since August 2013 when it was increased by 10.9 percent for households, which makes the electricity price in our country the lowest in Europe.

Informed sources say that the introduction of excise duties will not happen for the time being and that it is only the electricity price that will have to be increased. How much? For now, no one has come out with estimates. Various calculations are made.

Currently, the average price of a kilowatt hour, VAT excluded, amounts to 6.148 RSD for households, and to 5.854 RSD for industry. Western European countries have the excise duties on electricity because this kind of burden on electricity price is envisaged by European standards. Simultaneously, the countries within the region apply a zero rate although they have an envisaged excise duty on electricity. This practically means that there is no such levy.

We will soon find out if Serbia will stick with the region or it will introduce the excise duty on electricity. Probably at the end of the heating season. Even if the green light is given for the price increase, according to law, the public must be informed thereof 15 days in advance.

Power utility EPS has not sent any requests for price adjustment to the Energy Agency, nor has the AERS (Energy Agency of the Republic of Serbia) given any opinion about this. The calculation shows that, if the real production costs of the EPS are taken into account, plus the costs of loans repayment, desulphurization, reduction in the harmful gases emission and, possibly, for the EPS to even make some profit, the price increase itself could be even higher than 15 percent!

On the other hand, if the price increase was calculated only on the basis of the market price which has been dropping in the recent months, then this price increase would be somewhat smaller than the mentioned 15 percent.

In case of the price adjustment by such percentage, the average bill will be higher by around 500 RSD, which would not even have been so bad, had salaries and pensions not been reduced in the meantime. One should not lose sight of another fact and this is that the price of gas for heating purposes has been increased five to six times in the recent months, and that, since two days ago, one cubic meter has been sold at the new price amounting to 52.4 RSD with „Serbiagas”, and to 53.2 RSD with all other distributors.

In response to the comment that it is interesting that Serbia, which has a social price of electricity, should introduce excise duties that are mainly introduced on luxury goods, Srboľjub Antić, a former representative of our country in the IMF, says „that it seems that the electricity has become a luxury in Serbia”.

- Does our Government have to assume exactly everything prescribed by the IMF, even the excise duties on electricity? Some European countries have this levy, but if we really want to help the EPS, then the price of electricity should be increased, provided that the money goes into further investments of the EPS and into a secure supply, the construction of new capacities, and not into the state coffers to be spent by others, says Antić.

Slobodan Ružić, former advisor to the Minister of Energy, says that he has not heard of anyone introducing the excise duties on electricity, especially if the electricity price is a social category, as is the case in Serbia.

- On the other hand, how come that the Government and the IMF interfere with the electricity price, if the ministers keep repeating that they have nothing to do with it and that the price of a kilowatt hour is determined by the independent Agency, Ružić asks.

And whereas various organizations and associations for consumer protection appeal to the Government not to increase the electricity price because the budget of the citizens is already thinned, in the NBS, they say that the electricity price adjustment has already been included in their projections. It is estimated that the price increase of 15 percent will directly affect a rise in the prices of other products by 1.08 percent on the average.

Potential New Excise Duties on Fuel

Commenting on the announcements that the Government could also increase the excise duties on fuel again, although this is not included in the Memorandum with the IMF, in the Association of Oil Companies of Serbia, they say that this will be bad both for them and for consumers.

The excise duties in the price of fuel already exceed 55 and 60 percent, which places our country at the very top when it comes to these state interceptions.

- It is not good that the increase in excise duties should be observed independently from all other costs that companies have, and which are reflected in the retail price. Since the end of 2014 and the beginning of 2015, new levies have already been imposed, both due to the excise duties on liquefied petroleum gas and the mandatory commodity reserves. The introduction of the levy on blending biodiesel in fuel and the marking fees is yet to ensue,

which already represents a sufficient burden on the price of one liter of fuel. The majority of countries within the region and in the EU does not have all these levies, so the state has to observe the new increase in excise duties comprehensively, because the turnover could drop so much that all this could have a boomerang effect on the state through a smaller inflow of money into the budget, as concluded by Tomislav Mićović, the Association secretary.