

The Serbian citizens are charged a fee by the Serbian Government, for the production of electricity from renewable energy sources, in order to subsidize producers of energy derived from the wind, sun, water and other clean sources. The fee is duplicated this year, and the Government charges VAT, too. Why is the state charging citizens the tax on something that is essentially tax itself?

Fee for renewable sources this year is 8.1 paras per kilowatt, which means that within the electricity bill of approximately 10.000 dinars, that fee takes around 100 dinars. This money is used to help producers of “green” energy to be stimulated for such expensive production. This does not mean that the Serbian electricity produced from coal is paid differently in comparison to the electricity produced from water or the sun. EPS does not receive any subsidies for clean energy produced in the “Djerdap”, and the so-called privileged producers are receiving incentive only for electricity produced from certain installed power plants capacity. That means if they build more wind farms or solar power plants than the Government have planned to support, they will be able to sell the energy from these capacities at regular prices, but not higher.

Accordingly, it follows that in this case it is a pure subsidy: the state has made a political decision to financially support limited amount of “green” energy and to provide the necessary resources so that the citizens will have to pay the determinate fee. So, that practically means that the state has introduced the tax which will be used for the purpose of encouraging “green” electricity.

And then there is another tax to be charged on - VAT. And while the fee goes (or should go) to the clean energy producers, tax goes to the state for its needs. Why is it being paid when final consumers do not receive any service or product for the value? They buy electricity from their supplier, so far still from the EPS and not from the producers of clean energy. What contracts does EPS have with these producers is not the matter of the final consumers.

The state has already created additional costs for consumers by introducing fees, but is it more beneficial then to give the 20 percent VAT to producers, in order to produce more “green” energy in Serbia or to reduce the amount of compensation and to keep more money in the pockets of citizens? Instead, the state created a mandatory expenditure and collects taxes on it (other compulsory expenditure) which it retains for itself, having nothing to do with encouraging of clean energy production.

Instead, the state may simply provide this subsidy as a budget item, or, if it doesn't want to finance renewable energy itself, introduce a separate tax, by which public revenue would be created and from which subsidies could be shared to producers.

In the Ministry of Finance they explain the present situation like this.

- The mentioned fee is not actually the public revenue and it is a part of the cost of electricity, which means that VAT is calculated and being paid on that amount. In fact, in

the structure of the electricity consumption, the electricity produced using renewable sources is contained as well. This stems from the Energy Law - they say in the Ministry. But the experts have different opinions.

Tax consultant Djerdj Pap said it was weird that the VAT was charged on that fee and that it was "at first glance unusual."

- It seems that this is not the VAT transaction. This is a fee, and VAT is not supposed to be paid on the fee. This is another mistake in our system, and one mistake leads to another. This should be considered more detailed. It is a kind of parafiscal charge or slightly worse than that. The question is if this is essential public revenue. Is there such a character? If so, then it must be carried through the budget and not to go beyond it. Everything that does not go through the budget is wrong. So let them collect the tax, and then see where the money goes - Pap says.

Randjelovic: It is not public revenue

Sasa Randjelovic from Faculty of Economics draws a parallel with the excise tax. "And for oil derivatives the state charges firstly excise tax, and then VAT," says Randjelovic. When asked if it is ok, he stated that the fee case was not inconsistent with current policy. "That money does not go to EPS, but to the producers of renewable energy, so that is a charge for the service that we all will use in order to obtain electricity from clean sources. And it is not public revenue," Randjelovic says.

The sum of half a billion dinars has been collected

During 2012, the Public utility EPS was purchasing "green" energy from 38 producers, who were paid a total amount of 494 million dinars, according to the data from EPS from last year. That means that small power plants which receive electricity from clean sources by then have produced 36.2 million kilowatt-hours of electricity. It is still very little, considering the potential Serbia has to produce energy from renewable sources.

Source; Serbia Energy