XI INTERNATIONAL CONFERENCE

“SERVICE SECTOR IN TERMS OF CHANGING ENVIRONMENT”

27-29.10.2011, Hotel Metropol, Ohrid.

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www.ftu.uklo.edu.mk
XI INTERNATIONAL CONFERENCE

SERVICE SECTOR IN TERMS OF CHANGING ENVIRONMENT

CONFERENCE PROCEEDINGS

27-29 October 2011, Hotel Metropol, Ohrid.
SERVICE SECTOR IN TERMS OF CHANGING ENVIRONMENT

Conference topics:

- Competition in tourism in terms of changing environment
- Development of insurance in terms of changing environment
- Current trends in customs and freight forwarding
- Current tendencies in gastronomy and nutrition
- Financial services in terms of changing environment

Round table:
- Scientific research experiences and possibilities for cooperation

Organizing Committee

Dr. Saso Korunovski
Dr. Lidija Simonceska
Dr. Cvetko Andreeski
Dr. Gordana Reckoska
Dr. Naume Marinoski
Dr. Liljana Batkoska
Dr. Jagotka Strezovska
Dr. Ivana Nestoroska
Dr. Angela Vasilevska
Dr. Ivica Smilkovski

Conference dates:
October 27-29, 2011 Ohrid

Conference information:
www.ftu.uklo.edu.mk

Scientific Committee:

Dr. Marijana Curak - Croatia
Dr. Vladimir Njegomir - Serbia
Dr. Borisav Marovic - Serbia
Dr. Thomas Aiuppa - USA
Dr. Helmut Gründl - Germany
Dr. Klime Poposki - Macedonia
Dr. Djurdjica Stojanovic - Serbia
Dr. Hans Michael Wolfgang - Germany
Dr. Wieslaw “Wes” Czyzowicz - Poland
Dr. Irena Kikerkova - Macedonia
Dr. Bernd Eisenstein - Germany
Dr. Zdenko Cerovic Croatia
Dr. Sandra Jankovic - Croatia
Dr. Kilipiris Fotis - Greece
Dr. Lazar Lazic - Serbia
Dr. Theuma Nadia - Malta
Dr. Vodeb Ksenija - Slovenia
Dr. Hartmut Rein - Germany
Dr. Tome Nenoski - Macedonia
Dr. Zorka Grandov - Bosnia and Herzegovina
Dr. Ilija Iliev – Bulgaria
Dr. Marija Petrovic - Serbia
Conference Program

Plenary session

<table>
<thead>
<tr>
<th>Time: 27.10.2011, 10.30-12.00h</th>
<th>Hall: Biljana</th>
<th>Chair: Irina Petrovska, PhD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speaker</td>
<td>Title</td>
<td></td>
</tr>
<tr>
<td>1. Ksenija Vodeb, PhD</td>
<td>Competition in tourism in terms of changing environment</td>
<td></td>
</tr>
<tr>
<td>2. Thomas Aiuppa, PhD</td>
<td>Enterprise Risk Management: Opportunities for Providers of Financial Services</td>
<td></td>
</tr>
<tr>
<td>3. Wieslaw &quot;Wes&quot; Czyzowicz, PhD</td>
<td>Current trends in customs policy - challenges and future</td>
<td></td>
</tr>
<tr>
<td>4. Vladimir Njegomir, PhD</td>
<td>Contemporary trends in the insurance industry</td>
<td></td>
</tr>
</tbody>
</table>

Session 1A

<table>
<thead>
<tr>
<th>Time: 27.10.2011, 12.30-14.30h</th>
<th>Session title: Competitiveness in tourism in terms of changing environment</th>
<th>Hall: Ohrid</th>
<th>Chair: Zdenko Cerović, PhD; Lidija Simonceska, PhD; Liljana Batkoska, PhD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speaker</td>
<td>Title</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Naume Marinoski, PhD Faculty of Tourism and Hospitality - Ohrid Saso Korunovski, PhD Faculty of Tourism and Hospitality – Ohrid Sofronija Miladinoski, PhD Faculty of Tourism and Hospitality – Ohrid</td>
<td>Tourism in Macedonia in changing environment</td>
<td></td>
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<tr>
<td>2. Lidija Simonceska, PhD Faculty of Tourism and Hospitality - Ohrid</td>
<td>The changes and the innovation as a factor of competitiveness of the tourist offer (the case of Ohrid)</td>
<td></td>
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</tr>
<tr>
<td>3. Mirjana Knežević, PhD Faculty of Economics, University of Kragujevac, Serbia</td>
<td>The contract on time-share in a new business environment</td>
<td></td>
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</tr>
<tr>
<td>4. Fotis Kilipiris, PhD Alexander TEI of Thessaloniki, Dept. of Tourism Management, Thessaloniki, Greece Stella Zardava University of Macedonia, Dept. of Economics, Thessaloniki, Greece</td>
<td>Developing sustainable tourism in a changing environment: issues for the tourism enterprises (travel agencies and hospitality enterprises)</td>
<td></td>
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<tr>
<td>5. Tea Baldigara, PhD Faculty of Tourism and Hospitality Management - Opatija Maja Mamula, MSc</td>
<td>Tourism statistics in Croatia: present status and future challenges</td>
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</tr>
</tbody>
</table>
| 6.  | Leisure tourist offer as a component of competitive advantage in the situation of changing environment (Case of Ohrid tourist region) | Mitre Avramoski, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Raman Ismaili, PhD  
Faculty of Tourism and Hospitality Management - Opatija |
| 7.  | Offer management of trading goods in tourist spending | Ždenko Cerović, PhD  
Faculty of Tourism and Hospitality Management - Opatija  
Sanda Grudić - Kvasić  
Faculty of Tourism and Hospitality Management - Opatija  
Ivana Ivančić  
Faculty of Tourism and Hospitality Management - Opatija |
| 8.  | The impact of cognitive learning on consumer behaviour | Liljana Batkoska, PhD  
Faculty of Tourism and Hospitality - Ohrid |
| 9.  | (No) Competitiveness and sustainable development of serbian tourism | Marija Petrović - Randelović, PhD  
University of Nis, Faculty of Economics, Serbia  
Dalibor Miletic, MSc  
MEGATREND University Belgrade, High School for Management and Business, Zaječar, Serbia |
| 10. | Projecting accommodation capacities in Macedonia | Biljana Petrevska, PhD  
Faculty of Tourism and Business Logistics - Gevgelija |
| 11. | Identifying tourism potentials of Macedonia through regional approach | Ivanka Nestoroska, PhD  
Faculty of Tourism and Hospitality - Ohrid |
| 12. | Cultural tourism in Ohrid as a selective form of the tourism development | Saso Korunovski, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Naume Marinoski, PhD  
Faculty of Tourism and Hospitality - Ohrid |
| 13. | Uniform System of Accounts in the Lodging Industry (USALI) in creating a Responsibility Accounting in the hotel enterprises in Republic of Macedonia | Desa Kosarkoska, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Irina Mircheska, MSc  
Faculty of Tourism and Hospitality - Ohrid |
| 14. | Innovation at tourism business: challenges and creativity for development | Nako Taskov, PhD  
Faculty of Tourism and Business Logistics - Gevgelija  
Tatjana Dzaleva, MA  
Faculty of Tourism and Business Logistics - Gevgelija  
Dejan Metodijeski, MA  
Faculty of Tourism and Business Logistics - Gevgelija  
Oliver Filiposki, MA  
Faculty of Tourism and Business Logistics - Gevgelija |
### Session 1B

**Time:** 27.10.2011, 12.30-14.30h  
**Session title:** - Development of insurance in terms of changing environment  
- Financial services in terms of changing environment  
**Hall:** Kaneo  
**Chair:** Vladimir Njegomir, PhD; Cvetko Andreeski, PhD; Evelina Bazini, PhD

<table>
<thead>
<tr>
<th>No</th>
<th>Speaker</th>
<th>Title</th>
</tr>
</thead>
</table>
| 1. | Goran Petrevski, PhD  
Faculty of Economics - Skopje  
Jane Bogoev  
National Bank of the Republic of Macedonia, Skopje, Macedonia | Interest rate pass-through in a small open economy with fixed exchange rate - the case of Macedonia |
| 2. | Vladimir Njegomir, PhD  
Faculty for Legal and Business Studies, Novi Sad  
Boris Marović, PhD  
Faculty of Technical Sciences, Novi Sad | Contemporary trends in the global insurance industry |
| 3. | Bratislav Milosević, PhD  
Faculty of Tourism and Hospitality - Ohrid | Global financial crisis - determination for development of life insurance in the Republic of Macedonia |
| 4. | Evelina Bazini  
University of Vlora “Ismail Qemali”, Faculty of Economy, Albania  
Liljana Elmazi  
University of Tirana, Faculty of Economy, Albania  
Shkelqim Sinanaj  
University of Vlora “Ismail Qemali”, Faculty of Economy, Albania | Importance of relationship management in the insurance business in Albania |
| 5. | Mirjana Sekulovska, PhD  
University “St. Kliment Ohridski” - Bitola | Internet business models for e-insurance and conditions in Republic of Macedonia |
| 6. | Cvetko Andreeski, PhD  
Faculty of tourism and hospitality - Ohrid | Analysis of mortality tables in R. Macedonia |
| 7. | Petar Taleski  
Marketing and Sales Department, NLB Nov Penziski Fond AD, Skopje  
Nako Tashkov, PhD  
Faculty of Tourism and Business Logistic - Gevgelija | Insurance in tourism industry |
<table>
<thead>
<tr>
<th>No</th>
<th>Speaker</th>
<th>Title</th>
</tr>
</thead>
</table>
| 8  | Risto Rechkoski, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Maja Georgioska, MSc candidate  
Faculty of Tourism and Hospitality - Ohrid | Risk management during work interruptions                                               |
| 9  | Jordan Kjosevski, PhD  
Stopanska Banka AD - Skopje | Challenges for insurance industry in the 21st century                                    |
| 10 | Bratislav Milosević, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Stevo Mečeski, MSc  
Faculty of Tourism and Hospitality - Ohrid  
Bojan Srbinoski  
Faculty of Tourism and Hospitality - Ohrid | Municipal bonds as an investment opportunity for life insurance companies on capital market in Macedonia |
| 11 | Elena Koseska, BA in Insurance  
Faculty of Tourism and Hospitality- Ohrid  
Kliment Arnaudov, BA in Tourism  
Faculty of Tourism and Hospitality- Ohrid | Negotiation skills a guideline for insurance development in conditions of a changeable surrounding |
| 12 | Boban Tomeski | Development of motor third party liability insurance market in terms of variable regulation |

Session 2A

**Time:** 27.10.2011, 16.00-19.00h  
**Session title:** Competitiveness in tourism in terms of changing environment  
**Hall:** Ohrid  
**Chair:** Ksenija Vodeb, PhD; Elena Cickovska, MSc; Ivanka Nestoroska, PhD

<table>
<thead>
<tr>
<th>No</th>
<th>Speaker</th>
<th>Title</th>
</tr>
</thead>
</table>
| 1  | Katerina Angelevska - Najdeska, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Gabriela Rakicevik, PhD  
Faculty of Tourism and Hospitality - Ohrid | Planning of sustainable tourism development                                               |
| 2  | Branišlava Ilić, MSc  
University of Nis, Dept. of Geography, Faculty of Science and mathematics, Serbia  
Aleksandar Radičević, PhD  
University of Nis, Dept. of Geography, Faculty of Science and mathematics, Serbia | Regional and international cooperation as a factor in increasing influx of tourists in Pirot |
| 3  | Tanja Angelkova, MSc  
Faculty of Tourism and Business Logistic - Gevgelija  
Cane Koteski, PhD  
Faculty of Tourism and Business Logistic - Gevgelija | Sustainability and competitiveness of tourism                                              |
<table>
<thead>
<tr>
<th>No.</th>
<th>Authors</th>
<th>Affiliations</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Marko Šostar, Berislav Andrić</td>
<td>Regional Development Agency of Pozega-Slavonia County</td>
<td>Impact of funds on the rural tourism development in Croatia</td>
</tr>
<tr>
<td>5.</td>
<td>Arben Oda, Mitre Avramoski</td>
<td>Faculty of Tourism and Hospitality - Ohrid</td>
<td>Strategic management and strategic positioning in the situation of changing environment - research on Struga tourist region</td>
</tr>
<tr>
<td>6.</td>
<td>Suzana Marković, Sanja Raspor</td>
<td>Faculty of Tourism and Hospitality Management - Opatija</td>
<td>Guests expectations in croatian hotel industry: factor and reliability analyses</td>
</tr>
<tr>
<td>7.</td>
<td>Irina Petrovska</td>
<td>Faculty of Tourism and Hospitality - Ohrid</td>
<td>Teaching lexical patterns in english and macedonian tourism discourse</td>
</tr>
<tr>
<td>8.</td>
<td>Marija Milenkovic</td>
<td>University of Nis, Republic of Serbia</td>
<td>Ecoregionalism - factor cross-border cooperation and tourism development</td>
</tr>
<tr>
<td>9.</td>
<td>Tatjana Petkovska – Mirchevska, Diana Boshkovska</td>
<td>Institute of Economics, Skopje</td>
<td>Importance of corporate and marketing communications for improving tourist offer</td>
</tr>
<tr>
<td>10.</td>
<td>Desa Kosarkoska, Irina Mircheska</td>
<td>Faculty of Tourism and Hospitality - Ohrid</td>
<td>The main processes in the international financial reporting at the beginning of 21st century</td>
</tr>
<tr>
<td>11.</td>
<td>Vjekoslav Bratić, Predrag Bejaković, Anton Devčić</td>
<td>Institute of Public Finance, Zagreb, Croatia</td>
<td>Tax system as a factor of tourism competitiveness: the case of Croatia</td>
</tr>
<tr>
<td>12.</td>
<td>Elena Cickovska</td>
<td>Faculty of Tourism and Research of service sector needs for and in academic language learning</td>
<td></td>
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<tr>
<td>13.</td>
<td>Economic development of the Republic of Croatia encouraged by implementation of marketing system</td>
<td>Ana Vizjak, PhD Faculty of Tourism and Hospitality Management - Opatija Daniela Gračan, PhD Faculty of Tourism and Hospitality Management - Opatija Andreja Rudančić - Lugarić Faculty of Tourism and Hospitality Management - Opatija</td>
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<tr>
<td>14.</td>
<td>Evaluation the customers/consumer’s contentment - the competitive advantage of macedonian travel companies</td>
<td>Elizabeta Mitreva, PhD Faculty of Technology - Probishipt Vesna Prodanovska, MA Faculty of Philology - Stip</td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>The role of human values of consumer’ preferences for travel destinations and positioning of rural tourism offer of Albania</td>
<td>Iris Kazazi, PhD student Faculty of Economics, University of Tirana, Albania Bledi Hoxha, PhD student Faculty of Economics, University of Tirana, Albania</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>German language tourist information in Macedonia and the translational activity</td>
<td>Jagotka Strezovska, PhD Faculty of Tourism and Hospitality - Ohrid</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Management of culture contents offer in a tourist destination</td>
<td>Ines Milohnić Faculty of tourism and hospitality management, Department of management, Opatija, Croatia Marta Cerović Faculty of tourism and hospitality management, Department of work organization in hospitality industry, Opatija, Croatia</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>The establishment of synergy amont the competitiveness factors as a prerequisite for rural tourism development in Prespa region</td>
<td>Anastas Dzurovski, PhD Faculty of Law - Kichevo Goran Tasevski Independent Free Lance Consultant</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Coastal tourist’s attitudes on sustainable tourist offers in Istrian countryside</td>
<td>Ksenija Vodeb, PhD University of Primorska, Faculty of tourism studies - TURISTICA, Portorose, Slovenia</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Strategic approach of sustainable management of development of rural tourism - a case study of Macedonia</td>
<td>Blagoj Gjorgjievski, PhD Faculty of Law - Kichevo</td>
<td></td>
</tr>
<tr>
<td>21.</td>
<td>Competitiveness strategies for supporting economic development of the touristic destination</td>
<td>Tatjana Dimoska, PhD Faculty of Tourism and Hospitality - Ohrid Boris Trimchev</td>
<td></td>
</tr>
</tbody>
</table>
**Session 2B**

**Time:** 27.10.2011, 16.00-19.00h  
**Session title:**  
- Current trends in customs and freight forwarding  
- Financial services in terms of changing environment  
**Hall:** Kaneo  
**Chair:** Gordana Rechkoska, PhD; Jovanka Biljan, PhD; Zlate Dimovski, PhD

<table>
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<tr>
<th>No</th>
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</table>
| 1. | Gordana Rechkoska, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Risto Rechkoski, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Maja Georgioska, MSc candidate  
Faculty of Tourism and Hospitality - Ohrid | Transport of dangerous substances in the Republic of Macedonia |
| 2. | Jovanka Biljan, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Aleksandar Trajkov, MSc  
Faculty of Tourism and Hospitality - Ohrid | Risk management and customs performance improvements: the case of the Republic of Macedonia |
| 3. | Aleksandar Trajkov, MSc  
Faculty of Tourism and Hospitality - Ohrid  
Jovanka Biljan, PhD  
Faculty of Tourism and Hospitality - Ohrid | Logistic services trade balance as indicator of macedonian logistic industry potential |
| 4. | Miladin Krstanoski, PhD  
Faculty of Tourism and Hospitality - Ohrid  
Larisa Vasileska, MSc  
Faculty of Tourism and Hospitality - Ohrid | The new role of macedonian customs administration |
| 5. | Robert Vodopivec, PhD  
University of Maribor, MEDIFAS: Mediterranean institute for advanced studies | Influence of political globalisation and global crisis on traditional marketing management theory and practice |
| 6. | Tatjana Dzaleva, MSc  
Faculty of Tourism and Business Logistics - Gevgelija  
Nako Taskov, PhD  
Faculty of Tourism and Business Logistics - Gevgelija  
Dejan Metodijeski  
Faculty of Tourism and Business Logistics - Gevgelija  
Aleksandar Ilievski  
Faculty of Tourism and Business Logistics - Gevgelija | Influence of trade facilitation in Republic of Macedonia |
| 7. | Danijela Miloshoskova, PhD  
Faculty of Tourism and Hospitality - Ohrid | Measures of the customs administration of the Republic of Macedonia for the protection of the intellectual property rights as part of the contemporary trends in customs |
| 8. | Zlate Dimovski, PhD  
Faculty of Security-Skopje | The meaning of the customs service in the collaboration and the exchange of |
<table>
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<th>No</th>
<th>Speaker</th>
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<tbody>
<tr>
<td>9.</td>
<td>Tome Nenovski, PhD&lt;br&gt;University American College - Skopje&lt;br&gt;Evica Delova Jolevska, PhD&lt;br&gt;University American College - Skopje&lt;br&gt;Ilija Andovski, MSc&lt;br&gt;National Bank of the Republic of Macedonia</td>
<td>Banking services in terms of changing environment</td>
</tr>
<tr>
<td>10.</td>
<td>Shkelqim Sinanaj&lt;br&gt;University of Vlora &quot;Ismail Qemali&quot;, Faculty of Economy, Albania&lt;br&gt;Evelina Bazini, PhD&lt;br&gt;University of Vlora &quot;Ismail Qemali&quot;, Faculty of Economy, Albania&lt;br&gt;Liljana Elmazi&lt;br&gt;University of Tirana, Faculty of Economy, Albania</td>
<td>The relationship between marketing culture and marketing effectiveness &amp; profitability in financial service organisations in Albania</td>
</tr>
<tr>
<td>11.</td>
<td>Elsa Gega&lt;br&gt;Faculty of Economy, University &quot;Aleksander Moisiu&quot;, Elbasan, Albania&lt;br&gt;Ilir Elmaz&lt;br&gt;Faculty of Economy, University of Vlora &quot;Ismail Qemali&quot;, Albania</td>
<td>The impact of service quality on customer loyalty: A study of financial organizations in Tirana, Albania</td>
</tr>
<tr>
<td>12.</td>
<td>Zoran Mihanovic&lt;br&gt;University of Split, Faculty of Economics, Split, Croatia</td>
<td>Service marketing management and reputation of service organizations: the case of adult education in Croatia</td>
</tr>
</tbody>
</table>

Session 3A

**Time:** 28.10.2011, 10.00-12.00h

**Session title:**
- Competitiveness in tourism in terms of changing environment
- Current tendencies in gastronomy and nutrition

**Hall:** Ohrid

**Chair:** Pere Aslimoski, PhD; Angela Vasileska, PhD; Bayram Şahin, PhD

<table>
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<th>No</th>
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<tr>
<td>1.</td>
<td>Pere Aslimoski, PhD&lt;br&gt;Faculty of Tourism and Hospitality - Ohrid&lt;br&gt;Sase Gerasimoski, PhD&lt;br&gt;Faculty of Security-Skopje</td>
<td>Food and nutrition as tourist phenomenon</td>
</tr>
<tr>
<td>2.</td>
<td>Angela Vasileska, PhD&lt;br&gt;Faculty of Tourism and Hospitality - Ohrid&lt;br&gt;Gordana Rechkoska, PhD&lt;br&gt;Faculty of Tourism and Hospitality - Ohrid</td>
<td>Global and regional food consumption patterns and trends</td>
</tr>
<tr>
<td>3.</td>
<td>Bayram Şahin, PhD&lt;br&gt;Balikesir University The School of Hotel and Tourism Management, Balikesir, Turkey&lt;br&gt;Seda Sahin, Research Assistant</td>
<td>Changing consumer tendency and effects of local kitchens on tourism movements</td>
</tr>
</tbody>
</table>
| Balıkesir University The School of Hotel and Tourism Management, Balıkesir, Turkey | 4. Nako Taskov, PhD  
Faculty of Tourism and Business Logistics - Gevgelija  
Dejan Metodijeski  
Faculty of Tourism and Business Logistics - Gevgelija  
Nikola V. Dimitrov, PhD  
Faculty of Tourism and Business Logistics - Gevgelija | Collecting - from hobby to profession, from private ownership to tourism offer, from black market to legal activity |
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<tbody>
<tr>
<td>Nuray Tetik, Research Assistant Balıkesir University The School of Hotel and Tourism Management, Balıkesir, Turkey</td>
<td>5. Muhammad Irbaz Khan, Senior Research Associate Department of English Language and Literature, University of Management and Technology Lahore, Pakistan</td>
<td>Humor as an essential component in tourism education</td>
</tr>
</tbody>
</table>
| Göksel Kemal Girgin, Research Assistant Balıkesir University The School of Hotel and Tourism Management, Balıkesir, Turkey | 6. Vera P. Simovska, PhD  
Faculty of Technology and Technical Sciences-Veles  
Dragan Damjanovski, PhD  
Faculty of Technology and Technical Sciences-Veles  
Mila P. Vidin, MSc  
HEPA Macedonia National organization for the promotion of Health-Enhancing Physical Activity  
Valentina Pavloska, PhD  
Faculty of Technology and Technical Sciences-Veles  
Sasko Martinovski, MSc  
Faculty of Technology and Technical Sciences-Veles | Evaluation of dietary habits and physical activity levels as a basis for a new health promotion strategy of the Republic of Macedonia |
| | 7. Seda Şahin, Research Assistant Balıkesir University The School of Hotel and Tourism Management, Balıkesir, Turkey | Culinary tourism and the role of tourist guides in presenting kitchen and food culture |
| Nuray Tetik, Research Assistant Balıkesir University The School of Hotel and Tourism Management, Balıkesir, Turkey | Michael Risteski, BA in tourism | Spatial planning and sustainable |
| Göksel Kemal Girgin, Research Assistant Balıkesir University The School of Hotel and Tourism Management, Balıkesir, Turkey | | |
| Bayram Şahin, PhD Balıkesir University The School of Hotel and Tourism Management, Balıkesir, Turkey | | |
### Session 3B

**Time:** 28.10.2011, 10.00-12.00h  
**Session title:** Financial services in terms of changing environment  
**Hall:** Kaneo  
**Chair:** Klime Poposki, PhD; Snežana Dičevska, PhD; Marijana Ćurak, PhD

<table>
<thead>
<tr>
<th>No</th>
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</tr>
</thead>
</table>
| 1. | Marijana Ćurak, PhD  
University of Split, Faculty of Economics - Split, Croatia  
Klime Poposki, PhD  
Insurance Supervision Agency - Skopje  
Sandra Pepur, MSc  
University of Split, Faculty of Economics - Split, Croatia | Profitability of macedonian banking sector in changing environment |
| 2. | Tome Nenovski, PhD  
University American College - Skopje  
Ivica Smilkovski, PhD  
Faculty of Tourism and Hospitality - Ohrid | Macedonian economy before and after the global economic crises |
<p>| 3. | Tamara Milenković - Kerković, PhD | Factoring in the changing |</p>
<table>
<thead>
<tr>
<th>University of Nis, Faculty of Economics, Serbia</th>
<th>environment: legal and financial aspects</th>
</tr>
</thead>
</table>
| Ksenija Denić - Mihajlov, PhD
| University of Nis, Faculty of Economics, Serbia |

| 4. Risto Gogoski, PhD
| Faculty of Tourism and Hospitality - Ohrid |
| Payment systems in economy - present and future |

| 5. Snezana Mojoska, PhD
| Faculty of Security - Skopje |
| Sase Gerasimoski, PhD |
| Faculty of Security - Skopje |
| Functioning of investment funds in R.Macedonia in terms of changing environment |

| 6. Svetlana Nikoleska, PhD
| Faculty of Security - Skopje |
| Ivica Simonovski, PhD |
| Administration for preventing money laundering and financial terrorism - Skopje |
| Role of banks as entity in the system for prevention of money laundering in the Republic of Macedonia |

| 7. Snežana Đičevska, PhD
| Faculty of Tourism and Hospitality - Ohrid |
| Credit risk - creating system of credit risk management in changing economic conditions |

| 8. Vera Karadzova, PhD
| Faculty of Tourism and Hospitality - Ohrid |
| Country risk - conditions and trends in Macedonia, proposals for reduction in conditions of unstable environment |

| 9. Zorka Grandov, PhD
| Faculty of Economics and Engineering Management, University Business Academy, Novi Sad |
| Radica Jovanović, PhD |
| Faculty of entrepreneurial business, Union University, Belgrade |
| Maja Đjokic, MSc |
| University Autonoma in Barcelona, Postgraduate course-Doctoral student in the field of Audivisual communications and advertising Asturias, Barcelona |
| Banking services and consumer protection |

**Round table**

**Time:** 28.10.2011, 12.30-13.30h
**Title:** Scientific research experiences and opportunities for cooperation
**Hall:** Labino
**Chair:** Jagotka Strezovska, PhD
TAX SYSTEM AS A FACTOR OF TOURISM COMPETITIVENESS: THE CASE OF CROATIA

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Abstract - The main purpose of the paper is to determine the connection and mutual causality of the tax and hidden tax burden and their influence on the development of tourism sector and its competitiveness in Croatia. In the part on taxes burden the attention is dedicated to the corporate income tax (CIT) and the value added tax (VAT). In comparison to other countries, CIT rate in Croatia is not so high, while the current reduced VAT rate of 10% is only applied to accommodation services or accommodation with breakfast, half board or full board in all kinds of commercial catering establishments. The same VAT rate is paid on provisions on agency fees in connection with these services. Services support (the half or full board) and the agency fee are not included in the reduced tax rate.

The section on the other tax burden includes an analysis of social security contributions and hidden fees. The Croatian fiscal system includes an extensive list of hidden fees, and neither the number of these different fees nor the way in which they are calculated is fully known. The paper focuses on those fees and non-tax expenditures that are important from the position of hotel businesses: monument fee, utility service payment for the use of the town estate and water allowance.

Index terms - tax system, tourism, competitiveness, hidden fees, Croatia.

1. INTRODUCTION

Hotel industry and tourism are significant factors of competitiveness abilities and development of observed country. For example, only in European Union member states tourism today contributes to around 10 % of the gross domestic product [1], while in many countries, especially smaller and more dependent on tourism, tax revenues from tourism are considerably higher than 10% [2]. In that way taxing presents public policy that mostly directly or indirectly influences hotel industry and the whole sector of tourism, because due to the relative elasticity of demand¹ easily twisted the behaviour of guests, in a way that due to the introduction or changes of taxes changed prices modify the behaviour of potential guests.

The Study of Deloitte and Touche [3] showed that higher tax burden reduces hotels and tourism revenues, while the increase or decrease of tax rate significantly influences the decisions of the tourists regarding the destination of a voyage and the way and means of accommodation. In other words, because of mobility, information and sensitivities to prices, tourists very often select the destination having in mind the prices required by providers of accommodation and catering². Due to all mentioned, hotel industry in any observed country has an aim to achieve more favourable position in comparison to its competition, and one of the way how to achieve it is to provide encouraging taxing of tourist services and hotel industry. As a result, many countries in recent years introduced, reduced and/or redesigned a whole scope of tax forms that are intended for hotel industry and tourism [4]. In mentioned process Croatia is not

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¹ Price elasticity of demand measures the sensitivity of quantity of demand regarding the changes in prices, and shows how much in percentage it changes the quantity of demand of some good if its price grows for 1%.

² A good example is the experience of American federal state New York, where in 1990 with other state and local taxes 5% tourist tax on hotel rooms was introduced so the price of hotel accommodation increased for around 5%. The Survey conducted after 4 years showed that mentioned price increase caused 2.5% reduction in demand for hotel accommodation, so the mentioned tax was soon abolished [5].
the exception, because the reduction of the total tax and non-tax burden (hidden fees or parafiscal charges) for the hotel industry could help the preservation of the competitiveness abilities of tourism in respect to other tourist destinations.

In the further text the main aim of the paper will be explained, and succinctly will be shown how taxes influence the tourist sector. Furthermore, basic forms of fiscal and parafiscal fees that influence the tourism will be presented, with particular attention to the situation in special in Croatia.

2. HOW THE TAXATION INFLUENCES TOURISM AND HOTEL BUSINESS?

Gooroochurn and Sinclair [6] identified around 45 various taxes that are collected in tourism, where around 30 are born by tourist guests, while 15 are born by hotel firms, although shifting\(^3\) can be different depending on demand and supply price elasticity [7]. The impact of introduced tax on the hotel room price will mostly depend on demand price elasticity. If the demand is sufficiently elastic, hotels will not be able to increase the accommodation price and shift the tax to guests, but they will have to bear it by themselves and reduce the profit. If, on the other side, the demand is inelastic, hotels will be able to increase the accommodation price and guests will have to bear the newly introduced or increased tax through increased accommodation price. Where there is high price elasticity for the hotel sector, as is the case in Croatia, in the conditions of possible increased of accommodation prices due to increased tax and non-tax burden, in final there could be a huge redirection of guests to other cheap and more competitive destinations.

The World Tourism Organisation [8] quotes the existence of many groups of taxes and fees related to the tourist activity. These are for travelling (visa fees, entry and exit charge); air and ship transport (airport and harbour charges and fees, charges on travel tickets, contributions and taxes on the fuel, tax on the transit, allowance for the safety); hotel and other accommodation (overall 15 different taxes and fees); restaurant (the value added tax, excises on the alcohol); road traffic (the toll and excise on the gas); car rental (municipal and local taxes, other taxes, excises on the gas); tax and fees for visiting tourist attractions; and, finally, taxes on games of chance which pay the casino and gambling house.

In further text will be explained which tax and other parafiscal levies mostly burden business activities in hotel industry and in tourism. In the part on taxes the attention has been dedicated to the corporate income tax (CIT) and value added tax (VAT), while in the part on the hidden fees most important burdens, i.e., contributes and user allowance are explained.

2.1. Tax burden of tourism and hotel industry - corporate income tax and value added tax

Table 1. Rate of corporate income tax and value added tax in selected countries, 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>Corporate income tax</th>
<th>Standard VAT rate</th>
<th>Reduced VAT rate</th>
<th>Note on reduced (lower) VAT rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>10</td>
<td>20</td>
<td>7</td>
<td>7% on hotel services that are part of organised touristic packet</td>
</tr>
<tr>
<td>Cyprus</td>
<td>10</td>
<td>15</td>
<td>5 / 8</td>
<td>8% on all kind of accommodation, including hotels</td>
</tr>
<tr>
<td>Montenegro</td>
<td>9</td>
<td>17</td>
<td>7</td>
<td>7% on hotel accommodation</td>
</tr>
<tr>
<td>France</td>
<td>33.33</td>
<td>19.6</td>
<td>5.5</td>
<td>-</td>
</tr>
<tr>
<td>Greece</td>
<td>23</td>
<td>23</td>
<td>6.5/13</td>
<td>6.57% on hotel accommodation</td>
</tr>
<tr>
<td>Croatia</td>
<td>20</td>
<td>23</td>
<td>10</td>
<td>10% on hotel accommodation</td>
</tr>
<tr>
<td>Italy</td>
<td>27.5</td>
<td>20</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Malta</td>
<td>35</td>
<td>18</td>
<td>5 / 7</td>
<td>7% on hotel accommodation</td>
</tr>
<tr>
<td>Portugal</td>
<td>25</td>
<td>23</td>
<td>6 / 13</td>
<td>-</td>
</tr>
<tr>
<td>Slovenia</td>
<td>20</td>
<td>20</td>
<td>8.5</td>
<td>8.5% on food preparation</td>
</tr>
<tr>
<td>Spain</td>
<td>30</td>
<td>18</td>
<td>8</td>
<td>8% on hotel accommodation</td>
</tr>
<tr>
<td>Turkey</td>
<td>20</td>
<td>18</td>
<td>8</td>
<td>8% on touristic services</td>
</tr>
</tbody>
</table>

Source: [9] and [10].

Lower CIT rates Europe in comparison with Croatia (20%) only has Montenegro (9%) followed by Cyprus and Bulgaria (10%), while the highest is on Malta (35%). However, tax rate on CIT is not the only decisive factor, because tax burden depends also on how tax base is determined, i.e., items that increase or decrease tax base, (non)existence of tax deduction, allowance, incentives and subsidies.

It is quite common that for hotel accommodation and some services in tourism reduced VAT rate is applied. Currently in Croatia the reduced VAT rate of 10% is only applied to accommodation services or accommodation with breakfast, half board or full board in all kinds of commercial catering establishments as well as on the agency provision for related mentioned services. In comparison with other countries presented in Table 2.1, mentioned rate is among the highest, what without doubt reduces Croatian competitiveness, particularly having in mind that other changes in VAT in the last few years, like

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[3] Legal incidence shows who is responsible according the law to bear the tax, but as prices can be changed depending to the taxation, whole really pays the tax can be seen by economic incidence. It presents the changes in distribution of available private real income due to the introduction of taxes because of changes in prices. Fiscal theory analyses the factors that determine the differences between legal and economic tax incidence – the amount of tax shifting.
the cancelation of subsidies for reduction of organised transport costs, increase of VAT rate for touristic agency service from 0 to 22% and accommodation booked through agency from 0% to 10%, are not negligible.

In the following text main forms of parafiscal burden for tourism in selected countries, primarily contribution for social insurance and hidden fees, will be presented.

2.2. Parafiscal burden for tourism and hotel industry

From parafiscal burden contribution for social insurance and hidden fees that belong to the different levels of government are presented.

2.2.1. Contribution for social insurance

Large contribution for social insurance increases labour costs and lowers the competitiveness of firms and economy. In the long-term the burden of contributions, including those paid by employers, are shifted to employees in the form of lower wages and salaries. In Table 2 contribution rates for social insurance for selected countries in 2011 are presented.

<table>
<thead>
<tr>
<th>Country</th>
<th>Maximum contribution rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employee</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>12.9</td>
</tr>
<tr>
<td>Cyprus</td>
<td>6.8</td>
</tr>
<tr>
<td>Montenegro</td>
<td>24</td>
</tr>
<tr>
<td>Greece</td>
<td>16 -19.45</td>
</tr>
<tr>
<td>Croatia</td>
<td>20</td>
</tr>
<tr>
<td>Italy</td>
<td>10</td>
</tr>
<tr>
<td>Malta</td>
<td>10</td>
</tr>
<tr>
<td>Portugal</td>
<td>11 (9.3 for managers)</td>
</tr>
<tr>
<td>Slovenia</td>
<td>22.1</td>
</tr>
<tr>
<td>Spain</td>
<td>6.35</td>
</tr>
<tr>
<td>Turkey</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: [11].

Contribution rate for social insurance in Croatia is relatively high, but with the exception of Cyprus, not higher or different in comparison with other observed countries. Despite the mentioned and having in mind unfavourable relation between the number of active insured persons and pensioners and substantial outlays for health care in Croatia, mentioned rate is still insufficient for covering all costs and financing the system. Possible reduction of contribution rate for social insurance will without doubt aggravate payment of pensions and financing of health protection. That will with maintaining of the current high level of public spending require further need for borrowing on the financial market. At the end, that would also cause hard situation and problems for the public finance. Thus, the only solution is to reduce public expenditures because that is the only correct way to insure long-term fiscal sustainability and reduce total fiscal and parafiscal burden.

2.2.2. Users’ fees

Next to the taxes, in other countries and in Croatia there is a whole scope of public revenues in form of hidden fees. Neither the number of these different fees nor the way in which they are calculated is fully known. Parafiscal burden shows the share of personal income or corporate income that is paid for various types of administrative and communal fees, levies and charges.

Usually these fees are not in the centre of political discussion and/or public attention of those that mostly deal with tax burden and tax rates. These „hidden fees and other non-fiscal revenues are heavy burden for economic activity and a serious threat to international competitiveness, and simultaneously very weakly explored area of public revenues”[12]. Organisation for Economic Cooperation and Development (OECD) classifies all charges paid by users that are linked to the costs of service provision as non-tax revenues, but simultaneously a part of charges and fees (for example, licences for allowing the performance of economic activities, fishing and hunting, lotteries, betting and entertainment) is included in category of tax revenues⁴, what limits comparisons between the countries.

User charges or fees are intended for covering the expenses which emerge by the usage of public resources and most often present the most important autonomous source of non-tax incomes of local units with beforehand earmarked purpose. In that way they are reimbursements for service done to users by state and local self-government bodies or non-capital goods which are not of the industrial nature. Charge payment obligation usually arises after the user personally has initiated the activity of the state or the quasi-state body. In doing so, in majority of the cases there is no competition because there is only one (or low number of) provider(s). These are most often the state bodies or the companies in the public ownership, so it is easily to acquire monopoly (or

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⁴ For example, VAT and various fees and charges are included in the category tax on sales of goods and services.
and Croatia, 2000-2007, in % GDP

Table 3. Non-tax revenues in selected EU members

<table>
<thead>
<tr>
<th></th>
<th>France</th>
<th>Greece</th>
<th>Italy</th>
<th>Portugal</th>
<th>Croatia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4.8</td>
<td>6.5</td>
<td>3.5</td>
<td>4.8</td>
<td>-</td>
</tr>
<tr>
<td>2001</td>
<td>4.9</td>
<td>5.9</td>
<td>3.6</td>
<td>3.6</td>
<td>-</td>
</tr>
<tr>
<td>2002</td>
<td>4.9</td>
<td>4.8</td>
<td>3.6</td>
<td>3.7</td>
<td>3.4</td>
</tr>
<tr>
<td>2003</td>
<td>4.7</td>
<td>5.1</td>
<td>3.3</td>
<td>4.8</td>
<td>3.5</td>
</tr>
<tr>
<td>2004</td>
<td>4.7</td>
<td>4.7</td>
<td>3.3</td>
<td>-</td>
<td>4.3</td>
</tr>
<tr>
<td>2005</td>
<td>5.2</td>
<td>4.6</td>
<td>3.1</td>
<td>-</td>
<td>4.3</td>
</tr>
<tr>
<td>2006</td>
<td>4.8</td>
<td>5.8</td>
<td>3.1</td>
<td>3.3</td>
<td>4.0</td>
</tr>
<tr>
<td>2007</td>
<td>4.8</td>
<td>-</td>
<td>3.1</td>
<td>4.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Average</td>
<td>4.9</td>
<td>4.7</td>
<td>3.3</td>
<td>3.1</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Source: for non-tax revenues not consolidated general budget: [14]; for GDP: [15]; for Croatia: [16] and [17]. For the reasons of comparison included are concessions that are part of this Registry, but of the Registry of concessions. Calculation by authors.

In selected analysed countries where data are available, non-tax revenues have been in the range from 3 to 6% of GDP. In the whole observed period from 2000 to 2007 the lowest average share of non-tax revenues in GDP has been recorded in Portugal (3.1%), and the highest in France (4.9%).

2.3. Users fees in Croatia

The most important revenues of local self-government in Croatia are various fees, primarily communal contribution and communal fee or charge. On the level of local units (municipalities and cities) there are at least 20 various fees, charges and contributions that are introduced by own decision or responsible body. The differences between their number and size of particular municipality and city are significant.

By the Registry of non-tax revenues in Croatia established in 2008, for the first time 245 court and administrative duties, compensations, charges and fees, penal fees, fees and duties for various certificate exams, membership fees etc have been incorporated. Despite the mentioned, in the general public there have been neither a discussion on prices and quality of public services, nor about the way how to recognise 50 to 60 hidden fees and charges that in the most cases have the characteristics of taxes [18].

According to the Survey by the Institute of Public Finance [19], for the hotel industry the most important are the following non-tax duties: monument fee (2 types in percentage to revenues and respecting to the size of the object), utility service payment for the use of the town estate, utility contribution, water allowance for using and protecting of water and water contribution), concession on maritime good, parking and harbours of particular purpose, and fee for woods. As stated by the mentioned Survey „four firstly mentioned main contributions and fees (compensation for using and protection of water, but not water contribution) present more than three fourth of fifth of all outlays

[6] From other charges there is a need to mention: communal contribution or fee for the connecting to the communal infrastructure; graveyard fee, fee for registration of the firm, contribution for collecting crude garbage; fee for exploitation of mineral raw materials, oil and gas; concession for performance of communal services; concession for using agriculture land; concession for extracting mineral and thermal water; concession for using water from public sources; water conservation charge, water use charge, charge or fee for changing purpose of agricultural land; charge for lease of state agricultural land; fee for concession of using agricultural land; revenues of selling state agricultural land; forest contribution; sojourner tourist tax; fee for announcement and promotion; fee on betting store; parking fee; hunting lease and hunting rights concession charge; administrative charges.

[5] The existance of small number of service providers on the market what enables them to collude and achieve a monopoly position.
of hotel industry for various hidden fees. Significant burden to hotels presents also compensations for using protected copyrights in the field of music and Croatian public television subscription”.

The collection of non-tax revenues is performed by local units (mainly communal utility companies). Just therefore tax authorities cannot easily determine the payer and amount of payment or tax debts according to the revenues by special regulations or hidden fees or allowances, because they have neither insight in types, nor the names of payer of numerous fees and allowances.

The problem of non-tax revenues is directly linked to the quality of life and the quality of communal infrastructure. Especially are important low allowance level and small number of the fees with clear established payment rules. The hidden fees and allowances present the invisible burden of financial transaction for hotel companies and tourist visiting. Therefore, it is necessary to work systematically on the simplification and reduction of the non-tax burden in order to alleviate the picture of Croatia as the paradise of hidden fees.

3. CONCLUSION

Tax burden for hotel industry and the tourist sector in general is significant in all observed countries, but because of large government expenditures the space for its bigger decrease is narrowed. Next to the tax, there is also non-tax parafiscal burden of various hidden fees and allowances. The activity for the improvement of positions of hotel industry should primarily be directed in conceiving and decrease this form of financial burden. Non-tax revenues in majority of observed countries as well as in Croatia present important sources of budget revenues. However, their administration is not simple and smooth because for various allowances are responsible different bodies and/or levels of governmental power, and often they are not efficient and fair.

From touristic sector in observed countries increased competition will demand strengthened efforts in retaining the existing and attracting new visitors. In all this, almost decisive issue is quality and a price of the touristic product. The biggest part of the price is cost of hotel accommodation which is in significant measure determined by the level of the tax and non-tax burden.

Although in 2008 the Registry of non-tax revenues has been established for the first time, in Croatia there is still a need to perform additional organized activity on the rationalisation, adjustment and simplifying in the system and regulation of non-tax revenues as well as to examine, cancel and decrease particular forms of imposed non-tax fees, especially on local level. Furthermore, it is important to define clear rule of their distribution. It is necessary to keep in mind particular specific quality of Croatian tourism, and also of the tourism in general, like its season character and occupancy of accommodation capacities.

4. REFERENCES


[16] Ministarstvo financija, [www.mfin.hr], other revenues of consolidate central government.


