Standard Summary Project Fiche – IPA centralised programmes

Project Number 04: Modernisation of Tax Administration

1. BASIC INFORMATION

1.1 CRIS Number: **2011/022-585**

1.2 Title: Modernisation of Tax Administration

1.3 ELARG statcode **03.16** European Standards. Taxation.

1.4 Location Republic of Serbia

Implementing arrangements:

1.5 Contracting Authority: EU Delegation to the Republic of Serbia

1.6 Implementing Agency: EU Delegation to the Republic of Serbia

1.7 Beneficiary (including details of project manager)

Ministry:	Ministry of Finance – Tax Administration
Name:	Dragutin Radosavljevic, PhD
Department:	Director of Tax Administration
Address:	Save Maskovica 3 - 5, Belgrade.

Steering committee:

The Steering Committee will be chaired by the Beneficiary Project Manager and additionally consist of representatives of the EU Delegation, and the Ministry of finance. The Steering Committee meet each quarter to discuss the scope and progress of implementation.

Financing:

1.8 Overall cost: EUR 9.47 million

1.9 EU contribution: EUR 7.60 million

1.10 Final date for contracting: 2 years after the signature of the Financing Agreement.

1.11 Final date for execution of contracts: 4 years after the signature of the Financing Agreement.

1.12 Final date for   5 years after the signature of the Financing Agreement**.**
       disbursements:

2. OVERALL OBJECTIVE AND PROJECT PURPOSE

2.1 Overall Objective:

Establishing efficient tax system aligned with the EU requirements.

2.2 Project purpose:

Increase tax collection capacity of the Serbian Tax Administration in order that it becomes client-oriented and efficient in the management of human resources according to EU best EU practices.

2.3 Link with AP/NPAA / EP/ SAA

European Partnership with Serbia (Council Decision 2008/213/EC, of 18 February 2008) outlines the implementation of the public administration reform as one of the main priorities. Thereby, the task of the tax administration is to: Continue approximation of tax legislation to the *acquis*, implement tax legislation, in particular on revenue collection and control in order to reduce tax fraud and increase enforcement capacity; Commit to the principles of the Code of Conduct for business taxation and ensure that new tax measures comply with these principles; Ensure continued approximation of customs and taxation as well as other fiscal legislation to the *acquis*, and continue to strengthen the administrative capacity to implement this legislation and to fight corruption, cross-border crime and fiscal evasion; Improve transparency and the exchange of information with EU Member States in order to facilitate enforcement of measures preventing avoidance or evasion of taxes.

The **administrative capacity** of the Serbian tax administration continued to improve as a result of intensive training efforts. In April 2010, the administration opened a new Contact Centre as an integrated and centralised information point for taxpayers. Some new organisational units, such as groups for strategy and coordination, for risk management and for internal audit, were created in December 2009. New management tools were developed and the overall business strategy was adopted in June 2010. At the end of 2009 a single taxpayers' register was completed, as the basis for the future new information system. Implementing legislation on tax identification number of legal entities aimed at simplifying procedure and cutting unnecessary paperwork in line with the comprehensive regulatory reform was also adopted in July. Laws on avoidance of double taxation were ratified for a number of EU Member States. However, despite good results in enforcement by the tax police, the general collection capacity of the administration improved only slightly. The share of the 'grey' economy remains high and cumbersome procedures for tax collection remain in place.

Overall, in the area of taxation, Serbia is well on the way to meeting the EU standards. The enforcement capacity of the tax administration and tax collection has improved, although further progress is required in this respect. In addition, the problem of the informal economy remains yet to be tackled. Serbia needs to take follow-up action to ensure that its tax legislation complies with the Code of Conduct for business taxation.

The *National Plan for the Integration of the Republic of Serbia into the European Union* provides the following features with regards to competencies of tax administration:

- Tax reform and reform of tax administration

- Modernisation and improvement of tax administration

- Improvement of IT of public administration with implementation of modern IT and communication technology

- Strengthening of professional level of public administration that represents a trained, responsible and efficient administration

- Improvement of the system for collection and audit of public revenues, with the aim of decrease of tax evasion, i.e. introduction of gray economy into official flows

- Securing of high-quality service to the citizens and creation of a public administration that can significantly contribute to the economic stability and quality of living standard, which is of crucial importance for the quality and efficiency of economic and social reforms

According to the NPI, main goal of Serbian tax administration is to establish modern, client oriented organization with high level of voluntary tax compliance. In order to achieve this goal, it is necessary to implement projects which will improve system in the area of collection and control taxes, as well as in the area of providing services to taxpayers.

2.4   Link with 2011-2013 MIPD[1]

A Strategy of development of Information Technology for the Serbian Tax Administration aims at properly and efficiently managing tax collection and improving servicing and auditing of the taxpayers. Modernization of Tax Administration falls under the Public Administration sector and more specifically under its objective to improve the efficiency and effectiveness of the public administration.

The main goal is to support policy reforms for EU integration. Focus will be on capacity building for policy reforms, and implementation of the existing legal and strategic framework. Particular attention will be paid to the administrative capacities in the European integration process. There is a need to strengthen capacities in all line Ministries dealing with EU *acquis*; to enhance policy coordination and enable the country to align and implement the EU *acquis* effectively, as well as to meet the requirements for the implementation of IPA assistance under the Decentralised Management System (DIS).

2.5   Link with National Development Plan (where applicable)

N/A

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[1] Multi-Annual Indicative Planning Document

2.6 Link with national / sectoral plans

Strategy for poverty reduction in Serbia underlines that, in the area of fiscal reforms, it is necessary to improve performances and to increase the functioning of Serbian Tax Administration. This is estimated of vital importance in creating attractive environment for foreign direct investments and as an indirect result, this will lead to the reduction of poverty in Serbia.

The document *Strategy of development of IT technology of Serbian Tax Administration* aims to:

- Properly and efficiently manage tax collection
- Promote voluntary compliance,
- Improve servicing of the taxpayers,
- Improve audit of the taxpayers,
- Improve support to the basic business processes of TA and
- Upgrade the management IT system of TA.

The Serbian Government and the other governments of the South-Eastern European countries are firmly resolved to pursue the priorities and objectives defined by *eSEEurope Agenda+ for the development of information society in SEE 2007-2012.* The concrete actions to be taken, based on the positive experiences of the eEurope and eEurope+ processes towards development of Information Society, are in the fields of:

- Organization through establishment of an institutional framework for ICT-based society;
- Legislation through introduction of new and modification of the existing legislative frameworks for Information and Communication Technology-based society;
- Regulation, policy and strategy related to electronic communications infrastructure and associated services;
- Promotion through encouragement of civil society, non-governmental organizations, e-Governance, e-Learning, e- Health, e-Democracy, eGovernance Centre for South East Europe and other regional-scale activities;
- e-Economy for growth, productivity and employment;
- Inclusiveness through providing citizens with the access and skills needed to live and work in the new information society.

3. DESCRIPTION OF PROJECT

3.1 Background and justification:

The role of tax administration is especially important today. The global economic crisis has had a dramatic effect on tax revenues at national, state, and local levels. In that sense, the extent of success of the Tax Administration in its role should be reflected through a higher

revenue growth. Only with collected taxes, governments are able to provide all public services and to implement welfare programs.

One of the main elements of tax reforms in Serbia, is to introduce a modern, advanced tax systems in line with systems in EU Member States and other OECD countries. The establishment of the efficient tax administration in line with the EU standards requires further modernisation and strengthening of institutional capacities, both in the tax administration itself and in other organisations and bodies involved in the management of the tax system. The emphasis is on the improvement of business processes; upgrading of technical infrastructure; improving the knowledge and skills of the employees, as well as improvement of the services that are being provided for the taxpayers and citizens. Serbian tax administration (STA) is a body within the Ministry of Finance in charge of the assessment, audit and collection of public revenues. Its competence is defined by the Law on tax procedure and tax administration (Official Gazette of RS 80/2002 … 20/09). STA is organized as follows: headquarters, 5 Regional centres, large taxpayers' unit, affiliates, branches, points and special units. The Head office of STA consists of seven sectors (sector for tax-legal affairs and coordination, audit sector, collection sector, tax police sector, sector for development and IT support, education and communication sector and human and material resources sector), and four groups (strategic planning and coordination, risk assessment, internal audit and internal control).

The overall administrative capacity of STA has improved, but the problem of informal economy has not been tackled yet (the Serbia 2009 Progress Report). Also, there is a lack of strategic and business planning capabilities, with no clearly defined modernisation strategy and plan. Furthermore, STA lacks IT support throughout all operations (the International Monetary Fund report).

In order to address these weaknesses, the two new operational units have been established within the new organisational scheme: the Group for strategic planning and coordinantion and the Group for risk assessment. The main purpose of these units is to create conditions for the successful allignment of the tax administration with EU standard and best practices. In addition, a Working Group for the elaboration of the Strategic Plan of the STA for period 2010 – 2014 was established with the aim to draft the new strategic document. This strategy paper encompasses all major directions of development in the tax area. One of the main elements of the Strategic Plan is to create a modern tax administration in compliance with EU standards..

The EU fiscal blueprints have been developed by the European Commission in 2003 with the purpose to help the partner countries to meet the EU requirements in tax administration. A gap analysis and a technical needs analysis have been instrumental in establishing a roadmap for future reform activities and introduce a number of new tasks not included in the previously developed projects, in particular for the implementation of effective management and operational performance of tax administrations, as well as for providing high quality services to the STA clients, and the functioning of the efficient IT systems. The analysis has shown major gaps in the field of voluntary compliance, human resource management, tax fraud and avoidance and revenue collection and enforcement. It was concluded that STA has to establish an *Integrated System* of tax management consisting of different complementary systems. The integrated system should concentrate on the following fields and include respective subsystems:

1.	improving voluntary compliance to ensure payment of the correct amount of tax at the right time with a minimum of administrative intervention (to establish systems for registering and accounting for tax that are simple to use and efficient to administer);

2.   developing Human Resources Management systems and procedures that support the achievement of the Tax Administration's objectives and the development of members of staff through structured training and professional development;

3.   identifying, investigating, and prosecuting tax fraud and tax avoidance in order to increase the general level of tax compliance;

4.   putting in place and maintain regulations, systems and procedures including enforcement powers, which ensure that taxpayers pay the correct amount of tax at the right time;

5.   using IT to the maximum possible extent in support of the business strategy and operations of the Tax Administration using systems that are flexible, stable and secure.

The new scheme of integrated tax management will allow for more efficiency and effectiveness in tax administration. It is crucial for the improvement of the overall performance of the STA. The main objectives of the system are to: improve services to citizens by opening new channels of communication and improving the relationship with the administration; fully integrated information under a single database; providing adequate information through business intelligence process; adjusting technology as a key instrument to treat information and to comply with the concept of e-government; ensuring that every up-coming project is aligned with the goal of an integrated system of tax management. The scheme of the desired integrated management system is presented below:
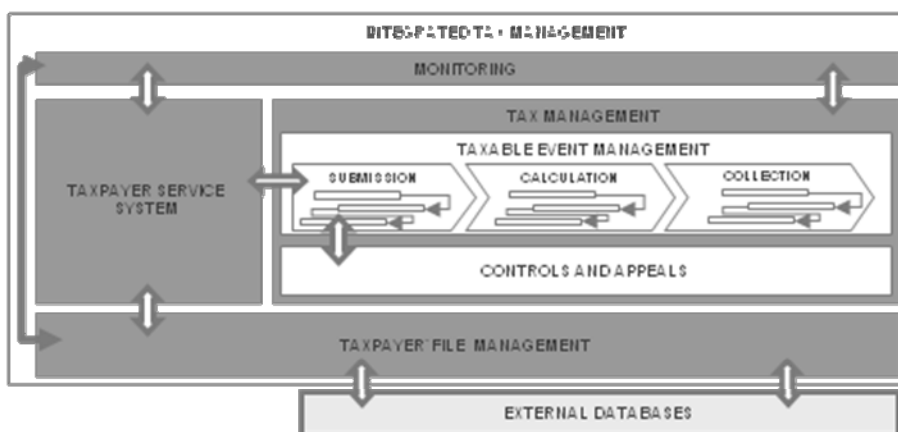
The new tax model is based on macro processes such as "managing the relationship with tax-payer" or "managing fiscal files". The new model of tax management and the new scheme of relationship between citizens and public administrations are in line with EU's policy to develop e-governance. To that end, STA adopted the "IT Strategic plan for 2009-2011", in which supporting future Integrated management system is the main goal. The main objectives outlined in the Strategy are the following: developing system for tax collection improving tax payer services, improving the efficiency of internal business process in tax administration, and the introduction of the e-system in Serbia. Thus, the main orientation of STA's IT system in the coming period is to provide adequate services to taxpayers with adequate enforcements elements through establishment of the *integrated management system.*

STA has started the work on establishing integrated management system. It is currently implementing the "Contact Centre" project financed by CARDS program 2006. The Serbian

Tax Administration is improving its client oriented policy by working "with" the citizens providing them the best possible chances to fulfil their rights and obligations in relation to the tax system in an efficient way. Client orientation, partnership relations and the public's trust are corner pillars on this course to achieve the objectives of the tax administration. Furthermore, the project "Further development of the education function through initial training of employees", financed under IPA 2007, aims at: institutional building of human resources in the Tax Administration in accordance with EU best practice; increasing administrative capacities for implementation of tax law, fight against corruption, cross-border crime and evasion of payment of tax obligations; improving and developing audit and collection functions within the Tax Administration of the Republic of Serbia. The main goal of both projects is to contribute to the establishment of the client oriented and efficient tax administration, while maintaining and increasing the level of tax collection. Both systems will be a part of future integrated system. In the previous period, a number of projects relating to improving STA performance were implemented. The focus was on fighting against tax evasion and tax fraud, improving capacity of tax administrators through trainings and education, aligning tax laws with EU regulations, provision of IT equipment, etc.

3.2 Assessment of the project impact, the catalytic effect, the sustainability and the cross border impact (where applicable)

Impact:

While the immediate direct effects are targeted towards the Serbian Tax Administration and its capacities, the implementation of the project is expected to have indirect but still tangible effects on the functioning of the overall tax system in Serbia. The STA should be able to modernise its business processes, making them more compatible with comparable systems in EU member states and in allowing for savings both in time and in physical resources. With regards to broader influence of the project implementation, it will help in ensuring stability and in increasing long-term economic growth notably through measures dedicated to fight against tax evasion and frauds. This is not only important for the country itself but also for establishing a more reliable cooperation with the countries of the whole WB region. The successful implementation of the IPA 2011 Project will be a good sign of efforts deployed in creating a business friendly environment that generates employment and leads to a rationalised but more efficient public sector. Furthermore, all of this will enhance Serbia's prospects for benefiting from closer integration with Europe.

Building a more transparent tax system with a more effective exchange of information, will provide the STA with efficient instruments for the enforcement of Serbia's agreed tax policy. This is of crucial importance also in the view of OECD objectives, requiring a sound fiduciary environment and promoting national Tax Administrations as guarantors of the certainty of fiscal revenues of a country. Furthermore, with an efficiently developed and improved tax system and policy the Serbian Tax Administration could improve its status in IOTA.

3.3 Results and measurable indicators

Result 1: Designed efficient support system for the tax collection function

> *Measurable indicators:*

- Project implementation ensures the system availability to all organisational parts of STA (176 organisational units and 256 locations).
- Already in the first two years after the completion of the Project, time required for the public revenues processing is lessened by 40% compared to 2009.

- Project implementation ensures the creation of standardised reports necessary for risk analysis and management decisions making.
- Decrease in number of unjustified excessive refunds and correct computation of tax liability in comparison with 2009.
- Already in the first two years after the completion of the Project, 10% of increase in the number of tax inspections to be recorded - compared to figures from 2009.

Result 2: Designed system for an efficient financial and material accounting management

Measurable indicators:

- In the year following the completion of the Project, centralised system of financial and material accounting is in place, instead of the existing (in 2010) distributive system.
- In the year following the completion of the Project, material accounting is fully integrated with financial accounting.
- In the year following the completion of the Project, new functionalities of material and accounting system are introduced.
- In the year following the completion of the Project, number of users of new systems is increased by 30% compared to 2009.

Result 3: Designed system for collecting all relevant information on tax evasion cases and adequate reporting system implemented

Measurable indicators:

- Already in the first two years after the completion of the Project, the number of successful fraud investigations increases by 30 % as compared to the number for 2009.
- Already in the first two years after the completion of the Project, the number of tax evasion and fraud cases brought to Court increased by 30 % as compared to 2009 figures.
- Shortening the time for actual tax audit in taxpayers' premises – already in the year following the completion of the Project compared to time recorded in 2009.
- Tax optimisation of the business process in dealing with tax criminal offences detection.

Result 4: Implemented system for efficient human resources management

Measurable indicators:

- In the year following the completion of the Project, decisions regarding recruitment, retention, performance management and assessment, promotion, career progression, training and development, transfer, severance, dismissal and retirement are improved by using new system compared to 2009.
- Shortening the time for providing all relevant information regarding human resources in STA – already in the year following the completion of the Project, in comparison to year 2009.
- Database of the information system for human resources contains all the necessary information and is easily accessible (user-friendly).
- Already in the first two years following the Project completion training policies and programmes based on an agreed system for full and proper analysis of the organisation's present and future training needs and priorities are in regular use.
- Approximately 300 officers of the STA human and material resource Department (both from central and regional level) are trained in using the new system.

Result 5: Designed internet portal for providing service to taxpayers via internet

Measurable indicators:

- Already in the first two years following the Project completion, Tax Administration electronically communicates with 80% of tax payers - legal entities.
- Already in the first two years following the Project completion, Tax Administration electronically communicates with 70% of tax payers – natural persons.
- In the year following the Project completion,, at least 1.600.000 visits are registered at the e-portal of TA.
- After Project implementation, all relevant information relating to the work of STA, are available at the Internet portal of STA.
- The amount of information available to taxpayers is increased compared to previous years.

Result 6: Implemented systems of tax collection function, financial and material accounting management, for collecting all relevant information on tax evasion cases and adequate reporting system, and internet portal

Measurable indicators:

- All systems are fully integrated with IT system of STA

- Detailed compendium of documentation prepared to serve as the track record for understanding and future improvements of the implemented software solutions

- Approximately 300 officers of the STA (both from central and regional level) are trained in using the new systems.

3.4 Activities:

Activity 1. Designed efficient support system for the tax collection function

    1.1 Present state analysis

    1.2 Designing the system for supporting tax collection function, while properly documenting the selected software solution

Activity 2. Designed system for an efficient financial and material accounting management

    2.1 Present state analysis

    2.2 Designing material and financial accounting system, while properly documenting the selected software solution

Activity 3. Designed system for collecting all relevant information on tax evasion cases and adequate reporting system implemented

    3.1 Present state analysis

    3.2 Designing the system for tracking of the cases in detection of tax criminal offences, their perpetrators and accomplices, while properly documenting the selected software solution

Activity 4. Implemented system for efficient human resources management

4.1 Present state analysis

4.2 Software designing for personnel records

4.3 Software designing for file rooms

4.4 Implementation of the human resources management system

4.5 Integration of the human resource management system with the existing IT system of the Tax Administration, while properly documenting the process of the software merger

4.6 Personnel training for system maintenance

Activity 5. Designed internet portal for providing service to taxpayers via internet

5.1 Present state analysis

5.2 Tax Administration's internet portal designing

Activity 6: Implemented systems of tax collection function, financial and material accounting management, for collecting all relevant information on tax evasion cases and adequate reporting system, and internet portal

6.1 Implementation of the system for supporting tax collection function, of the material and financial accounting system, for collecting all relevant information on tax evasion cases and adequate reporting system, and of the internet portal system

6.2 Integration of the systems with the existing IT system of the Tax Administration

6.3 Simulating the production environment in order to perform the final testing before the software acceptance, while properly documenting the process of the merger of the selected software solutions

6.4 Personnel training for new systems maintenance

The Technical Assistance to be provided had a decisive importance to determine the type of contract suitable for the project implementation,. In cooperation with the STA, as the main beneficiary to the project, it has been decided that the best results would be achieved through three Service Contracts as outlined in the above table, whereby results 1, 2, 3 and 5 will be implemented under one Service Contract and the respective Technical Assistance will deal with the analyses of the existing mechanisms for modules 1, 2, 3 and 5, as well as with the design of the future integrated system per each of the mentioned module. The Technical Assistance is expected to complete the tasks within approximately 9 tro 12 months.

In parallel, another Service Contract is envisaged to provide for the Technical Assistance that would address the activities covered under result 6 – i.e. the activities of implementation of the designed systems, integration of the systems with the existing IT system of the Tax Administration and for the personnel training for new systems maintenance.

A third Service Contract will provide for Technical Assistance to support the necessary analyses, redesigning and the implementation of the module related to the efficient human resources management (Result 4.)

In addition to this, as outlined in the indicative budget table, national co-financing is envisaged in the average of 20% of the overall Project costs, which will encompass supplies

of all the necessary equipment for the designed systems to be introduced, as well as the purchasing of respective licences for the functioning of the system.

In sum: Results 1, 2, 3, 5 will be implemented by one service contract/technical assistance.

Result 4 will be implemented by one service contract/technical assistance.

Result 6 will be implemented by one service contract/technical assistance.

3.5   Conditionality and sequencing:

Conditionality:

In line the logical framework matrix, several time aspects have to be taken into consideration for the smooth project implementation:

- to roll-out the Project, Ministry of Finance/STA is committed to establish a detailed working plan for the technical assistance, incorporating all developments expected in parallel to the project, in particular the adoption of the Development Strategy of STA for period 2010 – 2014, which is due by the end of 2010. The initial results of the implementation of the internal Strategy, problems encountered and alternatives for improvement, will feed into the concept of the implementation of the IPA 2011 Project.., In relation to co-financing, Ministry of Finance-Tax Administration will ensure the timely planning of the budget resources allocated for this project, as well as coordinated withdrawing of the respective national allocation so that it coincides with the dynamics and the needs of Project implementation. Furthermore, the STA will constantly upgrade the IT infrastructure.

- More "external" conditions refer to the continuation of the process of European Integrations for the Republic of Serbia and the overall political and macro-economic stability. As the authorities of Serbia are committed to fulfil relevant conditions in various arrangements (with the IMF, with the World Bank, as well as with the European Union concerning Direct Budgetary Support and the Macro-financial Assistance), it can be considered that the risk not to fulfil the general conditionalities are minimized, or at least that the level of risk is shared and monitored also on the behalf of important international stakeholders.

Sequencing:

As outlined in the chapter 3.4, results 1, 2, 3 and 5 will be implemented under one Service Contract and the respective Technical Assistance will deal with the analyses of the existing mechanisms for modules 1, 2, 3 and 5, as well as with the design of the future integrated system per each of the mentioned module. This Technical Assistance is expected to complete the tasks it is assigned with, in approximately three to four quarters from the moment of the engagement (outlined as Contract 1. within the Indicative Budget table below).
In the sequence with this Service Contract, another Service Contract is envisaged to provide for the Technical Assistance that would address the activities covered under result 6 – i.e. the activities of implementation of the designed systems, integration of the systems with the existing IT system of the Tax Administration and for the personnel training for new systems maintenance (outlined as Contract 3. within the Indicative Budget table below).
As far as the third the Service Contract, it is envisaged that the respective Technical Assistance will completely support the necessary analyses, redesigning and the implementation of the module related to the efficient human resources management (Result

4.). The timing for this contract, in the starting point can well coincide with the timing of the Service Contract envisaged for the results 1, 2, 3 and 5, and be implemented in parallel, but it will most probably take more time (additional quarters) for all the activities under Result 4. to be completed (Outlined as the Contract 2. within the Indicative Budget table below).

The System implementation is made up according to different environments. On a regular basis three contexts will be established: development, preproduction and production.
  (a) At the development stage main components of the system will be built according to logical and physical specifications.
  (b) In the second phase an environment similar to production will be set, where necessary tests will be preformed before the software acceptance.
  (c) At the last stage the final implementation of the system will be performed.

During the integration, analysts will assess the status, volume and quality of existing information in the current system. Subsequently, they will design the migration strategy and the time for performing it. The adequate solution for the data migration will be implemented, allowing maximum re-use of data coming from the current system. Key aspects for integration are:

  - Present situation of data to be migrated

  - Coherence analysis

  - Data selection for migration

  - Timing for migration (joint migration, partitioned)

After the configuration and parameterisation of the new system, all data stored on the old system will be processed, and loaded on the new system. Data will be filtered in order to exclude invalid or duplicated records. It is important to get the approval of the Tax Administration to ensure that data have been correctly uploaded in the production environment. All connections to the backend or central system are performed through a single point in order to guarantee the highest security.

3.6   Linked activities

Since August 2002, through the European Agency for Reconstruction and other donors, EU has supported development of the education function within the project "Modernisation of the Tax Administration of the Republic of Serbia", through:

- Establishment of 4 Tax Administration Education Centres in Belgrade, Novi Sad, Kragujevac and Nis

- Training of TA Training Coordinators in preparation of training material

- Carrying out of IT trainings

- Training of trainers

- Providing of software for management of education function

From April 2009 the EU funded project "Support for the Establishment of Tax Administration Contact Centre" (CARDS 2006 Programme) is supporting the implementation of a modern multi-functional Contact Centre of the Serbian Tax Administration. One important ingredient of this is the training of staff in subjects relating to service provision and the topics and type of questions the centre is supposed to handle. The project is planned to be finalised March 2011.

Tax Administration's Project Proposal, development of initial training, would be a natural continuation of a part of the project "Modernisation of Tax Administration", because it would be a systemic completion of education function in the Tax Administration. This would maximize the effect of overall reform activities in this field.

Regarding the USAID program, Tax Administration's Project Proposal, development of initial training, would be a natural continuation of a part of the project "Modernisation of Tax Administration", because it would be a systemic completion of education function in the Tax Administration. This would maximize the effect of overall reform activities in this field.

In the below Table is list of Projects implemented with international organisations:

Name of organisation/ Project ID	Period	Project description
ADETEF	2005	ADETEF assisted the Serbian Tax Administration, Sector of Tax Police, in improving the work of tax administration in the following areas: • Exchange experiences regarding prevention and detection of VAT frauds • Exchange of law regulation between France and Serbia regarding criminal proceedings and substantive law • Support to the modernisation of the Serbian Tax Administration – drafting Business change management plan, which is based on fiscal blueprints. Alias of project: Fiscal blueprints standards • Training of Tax administration managers. Public Administration and human resource management, organised by French school of administration, ENA. ADETEF gave financial support for this training.
CAFAO	2005 - 2006	Course 'Technique of investigation work' for Tax police Cooperation and support regarding proposed changes in Criminal code of the Republic of Serbia Study visits in London and Cardiff
EAR - Atos Origin	2006	IT Strategy Support to the modernisation of the Ministry of Finance Economy of the Republic of Serbia" - 03SER01/01/008 – 2005. Drafting of a comprehensive IT Development Strategy and associated IT Management policies for the Ministry of Finance and the subordinated Agencies Drafting of a comprehensive IT Development Strategy for the Tax Administration Implementation of the proposed IT Development Strategy at the Tax Administration through the implementation of a Tax Payer Register and Case Tracking system for the Tax Police Drafting of the Information Security documentation that included an IS Implementation plan Completion of the first phase of the Information Security Implementation plan for the Tax, Treasury and Customs Administrations Provision of IT equipment

EuropeAid/12 5807/D/SUP/ YU	2009	Tax Administration Contact Centre IT equipment
EuropeAid/12 5809/D/SER/ YU	2009 - 2011	Support for the Establishment of Tax Administration Contact Centre
EuropeAid/11 4578/D/SV/Y U – AC0363 - 2003. and EuropeAid/11 4 579/D/SV/	2002	Establishment of the Public Revenue Agency Training Centre: • Provision of IT equipment • Training and transfer of know how
The French National School of Administratio n – ENA – 2005/2006	2005 - 2006	Training cycle on the topic 'Management and human resource management in public administration' organised for top management of Tax Administration
French Treasury	2005 - 2006	Development of a document centre, Human Resources support, Public Revenue Agency Donor coordination
GTZ	2004	Support to the Value Added Tax implementation (due on 1 January 2004)
GTZ	2005	Support in reforming financial system of Republic of Serbia The Project had the following overall objective: 'Serbian financial system gives significant contribution toward economic, financial and social stabilisation of Republic of Serbia and it is according with international legal and administrative standards, such as EU standards' • Definition and implementation of profession 'Tax Adviser' in Serbian law system • Drafting of a comprehensive property tax concept in the sense of financing local autonomy • Drafting and implementing of a comprehensive modern synthetic tax system on income • Develop and implementation instruments for defining taxes and forecasting of public revenues • Training of tax administration employees with emphasize on area of fraud and evasion in VAT system
Hanns Zeidel	2005 - 2007	Tax police sector has established cooperation with German nongovernmental organisation Hanns Zeidel, which has referred in organising courses for Tax police on the following topic: • Restrain black economy • Fight against tax evasion and tax fraud
IOTA	2007	Joined IOTA as Full member in 2002. Permanent members in several working groups
OEBS	2005	The following cooperation's have been provided during the period:

- 2008		• Cooperation and supports regarding proposal in changing of Criminal code of the Republic of Serbia • Seminar 'Financial and tax investigation' • Study visits in Rome – visiting office Guardia di Finanza
USAID/US – BearingPoint	2004	Serbia Tax Reform project Collections MIS Of the Tax Administration of Serbia
USAID/US – BearingPoint	2005	Serbia Tax Police and Administrative Reform project – PCE-I-00-00-00014-00 IT Procurement of hardware and software for the Tax police Intelligence System Design of Tax Police Automated Case Tracking System
USAID/US Treasury	2005 - 2006	Tax policy and organizational support to the Public revenue Agency
CARDS	2006	Support for the Establishment of Tax Administration Contact Centre - Serbia
IPA	2007	Further development of the education function of the Tax Administration through initial training of employees

3.7 Lessons learned

According to European Agency for Reconstruction evaluation report of the EU's tax administration programme pointed out that future programming should focus more on key institutional reforms rather than on provision of equipment. The report also recommended that the Agency makes greater use of institutional assessments and implementation blueprints to minimize start implementation delays. These lessons further stress the need to focus support towards fundamental areas of public administration reform including civil service, human resource development (training, career development), policy making/inter-ministerial and donor coordination, budget process/budget implementation and public financial control. Programme assistance has to be tailored to the beneficiary's absorption capacity.

4. INDICATIVE BUDGET (AMOUNTS IN M€)

Title: Modernisation of Tax Administration			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB	INV	M€ (a) = (b) + (c) + (d)	M€ (b)	%*	Total M€ (c) = (x) + (y) + (z)	%*	Central M€ (x)	Regional / Local M€ (y)	IFIs M€ (z)	M€ (d)	%*
Contract 1	X		2.28	2.28	100%	0	0%					
Contract 2	X		1.90	1.90	100%	0	0%					
Contract 3	X		5.29	3.42	65%	1.87	35%	1.87				
TOTAL IB			9.47	7.60	80%	1.87	20%					
TOTAL INV												
TOTAL PROJECT			9.47	7.60	80%	1.87	20%	1.87				

Amounts net of VAT

(1) In the Activity row use "X" to indentify whether IB or INV

(2) Expressed in % of sum of each line of the **Total** Expenditure (column (a))

5.   INDICATIVE IMPLEMENTATION SCHEDULE

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1	T+1Q	T+3Q	T+6Q
Contract 2	T+1Q	T+3Q	T+10Q
Contract 3	T+3Q	T+6Q	T+10Q

6.   CROSS CUTTING ISSUES

6.1. Equal Opportunity

With regard to employment, the Serbian Tax Administration shall facilitate the reform of the employment policy in Serbia, in the context of strengthened economic reform and integration, including the development and implementation of transparent and impartial recruitment procedures, human resources management, continued training and the promotion of ethics, providing equal opportunities and good working conditions for all social groups, men and women, which is aligned with the Tax Administration's overall strategic management policy, as well as with the EU acquis.

6.2   Environment

With the aim of strengthening its administrative structure and procedures, STA shall also ensure strategic planning of environment issues and coordination between relevant actors in order to halt further degradation and start improving the environmental situation with the aim of sustainable development as well as to align its legislation to the EU acquis.

6.3   Minorities

In the alignment with Serbian employment policy and especially EU acquis, STA and its strategic management policy shall provide adjusted working conditions and equal opportunities for women and men, for people with disabilities and for people belonging to minority and other vulnerable groups.

ANNEXES

  I.   Logframe in Standard Format

II.   Indicative amounts contracted and Disbursed per Quarter over the full duration of Programme

III.   Description of Institutional Framework

IV.   Reference to laws, regulations and strategic documents:

               Reference list of relevant laws and regulations

               Reference to AP /NPAA / EP / SAA

               Reference to MIPD

               Reference to National Development Plan

               Reference to national / sectoral investment plans

V.   Details per EU funded contract (where applicable)

ANNEX I: Logical framework matrix

LOGFRAME PLANNING MATRIX FOR Project Fiche			
Title: Modernisation of Tax Administration		Contracting period expires two years after signature of Financing Agreement	Disbursement period expires fives years after signature of Financing Agreement
		Total budget :EUR 9.47 million	IPA budget: EUR 7.60 million
OVERALL OBJECTIVE	**Objectively verifiable indicators**	**Sources of Verification**	
Establishing efficient tax system aligned with the EU requirements	▪ Growth of total amount of budget revenues ▪ Reduction of ratio between administrative costs and amount of collected revenue ▪ The accuracy of the tax revenues projections is increasing compared with the actually collected revenues	▪ Annual Report of the Ministry of Finance. ▪ European Commission Annual Report on progress of the Republic of Serbia within the process of stabilization and accession. ▪ Annual Progress Work Report of the Tax Administration.	
SPECIFIC PROJECT PURPOSE	**Objectively verifiable indicators**	**Sources of Verification**	**Assumptions**
Increase tax collection capacity of the Serbian Tax Administration in order that it becomes client-oriented and efficient in the management of human resources according to EU best EU practices..	▪ Already in the first two years after the completion of the Project, the extent of revenue collection is increased by 15% compared to 2009. ▪ Already in the first two years after the completion of the Project, the extent of voluntary tax compliance is increased by 20% compared to 2009. ▪ Already in the first two years after the completion of the Project, the grey economy level is been reduced by 10% compared to 2009.	▪ Annual Report of the Ministry of Finance. ▪ Tax Police department Report on the number of detected tax criminal offences. ▪ Reports made by other state bodies and organizations.	▪ Continuation of process of stabilization and association to the EU. ▪ Social and economic stability in the region and continuation of macroeconomic and political reforms in the country.

RESULTS	Objectively verifiable indicators	Sources of Verification	Assumptions
1. Designed efficient support system for the tax collection function	▪ Project implementation ensures the system availability to all organizational parts of STA (176 organizational units and 256 locations). ▪ Already in the first two years after the completion of the Project, time required for the public revenues processing is lessened by 40% compared to 2009. ▪ Project implementation ensures the creation of standardized reports necessary for risk analysis and management decisions making. ▪ Decrease in number of unjustified excessive refunds and correct computation of tax liability in comparison with 2009. ▪ Already in the first two years after the completion of the Project, 10% of increase in the number of tax inspections to be recorded - compared to figures from 2009.	▪ Annual reports of the STA ▪ Various statistic reviews from the new information system ▪ Collection Sector Report and Audit department Report / The Statistics of the processed files ▪ Management reports ▪ Project reports	▪ Adopted Development Strategy of TA for period 2010 – 2014 ▪ Delivered programs fully comply with TA`s needs ▪ Raised level of awareness of taxpayers to communicate electronically
2. Designed system for an efficient financial and material accounting management	▪ In the year following the completion of the Project, centralized system of financial and material accounting is in place, instead of the existing (in 2010) distributive system. ▪ In the year following the completion of the Project, material accounting is fully integrated with financial accounting. ▪ In the year following the completion of the Project, new functionalities of material and accounting system are introduced. ▪ In the year following the completion of the Project, number of users of new systems is increased by 30% compared to 2009.	▪ Annual reports of the STA ▪ Tax Police department Reports ▪ Various statistic reviews from the new information system ▪ Project reports	

3. Designed system for collecting all relevant information on tax evasion cases and adequate reporting system implemented	▪ Already in the first two years after the completion of the Project, the number of successful fraud investigations increases by 30 % as compared to the number for 2009. ▪ Already in the first two years after the completion of the Project, the number of tax evasion and fraud cases brought to Court increased by 30 % as compared to 2009 figures. ▪ Shortening the time for actual tax audit in taxpayers' premises – already in the year following the completion of the Project compared to time recorded in 2009. ▪ Tax optimization of the business process in dealing with tax criminal offences detection.	▪ Annual reports of the STA ▪ Tax Police department Reports ▪ Various statistic reviews from the new information system ▪ Project reports	
4. Implemented system for efficient human resources management	▪ In the year following the completion of the Project, decisions regarding recruitment, retention, performance management and assessment, promotion, career progression, training and development, transfer, severance, dismissal and retirement are improved by using new system compared to 2009. ▪ Shortening the time for providing all relevant information regarding human resources in STA – already in the year following the completion of the Project, in comparison to year 2009. ▪ Database of the information system for human resources contains all the necessary information and is easily accessible (user-friendly). ▪ Already in the first two years following	▪ Annual reports of the STA ▪ Human and Material resources department Report ▪ Various statistic reviews from the new information system ▪ Project reports	

	the Project completion training policies and programmes based on an agreed system for full and proper analysis of the organisation's present and future training needs and priorities are in regular use. ▪ Approximately 300 officers of the STA human and material resource Department (both from central and regional level) are trained in using the new system.		
5. Designed internet portal for providing service to taxpayers via internet	▪ ,Already in the first two years following the Project completion, Tax Administration electronically communicates with 80% of tax payers - legal entities. ▪ Already in the first two years following the Project completion, Tax Administration electronically communicates with 70% of tax payers – natural persons. ▪ In the year following the Project completion,, at least 1.600.000 visits are registered at the e-portal of TA. ▪ After Project implementation, all relevant information relating to the work of STA, are available at the Internet portal of STA. ▪ The amount of information available to taxpayers is increased compared to previous years.	▪ Report on the number document electronically produced by taxpayers ▪ Report on access number to the website of STA ▪ Internal and external marks of STA' website and portal. ▪ Annual reports of the STA ▪ The public opinion surveys ▪ Project reports	
6. Implemented systems of tax collection function, financial and material accounting management, for collecting all relevant information on tax evasion cases and adequate reporting system, human resources management and	▪ All systems are fully integrated with IT system of STA ▪ Detailed compendium of documentation prepared to serve as the track record for understanding and future improvements of the implemented software	▪ Annual reports of the STA ▪ Various statistic reviews from the new information systems ▪ Management reports	

internet portal	solutions ▪ Approximately 300 officers of the STA (both from central and regional level) are trained in using the new systems.	▪ Project reports	

Activities	Means & Costs	Assumptions
Result 1. Designed efficient support system for the tax collection function 1.1 Present state analysis 1.2 Designing the system for supporting tax collection function, while properly documenting the selected software solution	1. Technical Assistance for the results 1, 2, 3, and 5. 2. Technical Assistance for the result 4. 3. Technical Assistance for the result 6.	All supplies envisaged for Project co-financing completed on time and in adequate quality and quantity.
Result 2. Designed system for an efficient financial and material accounting management 2.1 Present state analysis 2.2 Designing material and financial accounting system, while properly documenting the selected software solution	1..Service Contract: EUR 2.28 million; 2. Service Contract: EUR 1.9 million;	
Result 3. Designed system for collecting all relevant information on tax evasion cases and adequate reporting system implemented 3.1 Present state analysis 3.2 Designing the system for tracking of the cases in detection of tax criminal offences, their perpetrators and accomplices, while properly documenting the selected software solution	3. Service Contract: EUR 3.42 million	
Result 4. Designed system for efficient human resources management		

4.1 Present state analysis

Activities	Means & Costs	Assumptions
4.2 Software designing for personnel records 4.3 Software designing for file rooms 4.4 Implementation of the human resources management system 4.5 Integration of the human resource management system with the existing IT system of the Tax Administration, while properly documenting the process of the software merger 4.5 Personnel training for system maintenance		
Result 5. Designed internet portal for providing service to taxpayers via internet 5.1 Present state analysis 5.2 Tax Administration's internet portal designing		
Result 6. Implemented systems of tax collection function, financial and material accounting management, for collecting all relevant information on tax evasion cases and adequate reporting system, and internet portal 6.1 Implementation of the system for supporting tax collection function, of the material and financial accounting system, for collecting all relevant information on tax evasion cases and adequate reporting system, and of the internet portal system 6.2 Integration of the systems with the existing IT system of the Tax Administration 6.3 Simulating the production environment in order to perform the final testing before the software acceptance, while properly documenting the process of the merger of the selected software solutions 6.4 Personnel training for new systems maintenance		

Preconditions: Signed Financial Agreement between the Republic of Serbia and European Union
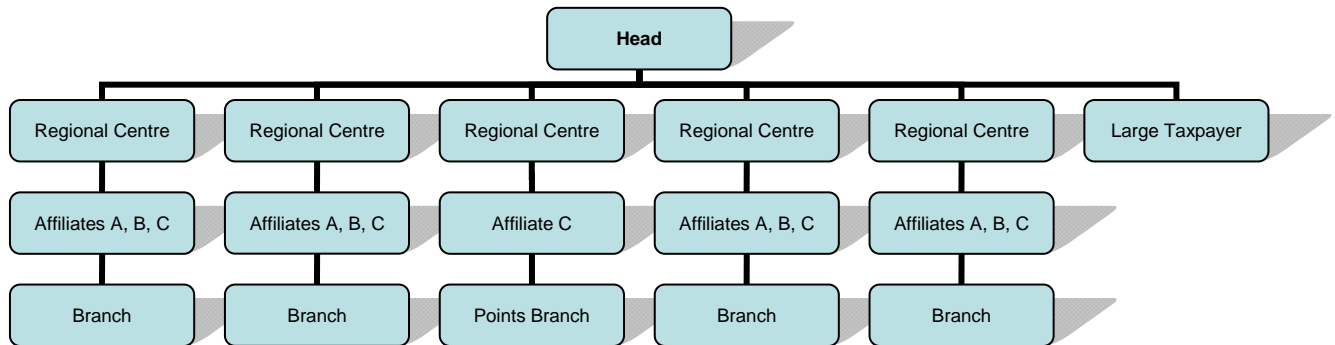
ANNEX II: **Indicative amounts (in M€) Contracted and disbursed by quarter for the project** (IPA contribution only)

Contracted	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Total
Contract 1			2.28								**2.28**
Contract 2			1.90								**1.9**
Contract 3						3.42					**3.42**
Cumulated			**4.18**			**7.6**					**7.6**
Disbursement	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Total
Contract 1			0.912	0.0	1.14	0.228					**2.28**
Contract 2			0.57	0.0	0.38	0.0	0.38	0.0	0.38	0.19	**1.9**
Contract 3						1.026	0.0	2.052	0.0	0.342	**3.42**
Cumulated			**1.482**	**1.482**	**3.002**	**4.256**	**4.636**	**6.688**	**7.068**	**7.6**	**7.6**

ANNEX III: Institutional Framework – legal responsibilities and statutes

The structure of the Tax Administration is as follows:

```
                                    Head
  ┌──────────┬──────────┬──────────┬──────────┬──────────┐
Regional   Regional   Regional   Regional   Regional   Large
Centre     Centre     Centre     Centre     Centre     Taxpayer
  │          │          │          │          │
Affiliates Affiliates Affiliate  Affiliates Affiliates
A, B, C    A, B, C    C          A, B, C    A, B, C
  │          │          │          │          │
Branch     Branch     Points     Branch     Branch
                       Branch
```

The structure of the Head Office of Tax Administration is as follows:

```
                        Director General
                              │
          Internal Audit Group ─── Internal Control Group
                              │
          Strategic and Coordination Group ─── Risk analysis Group
                              │
  ┌────────┬────────┬────────┬────────┬────────┬────────┐
Directorate Audit  Collection Tax Police IT System Education & Human & Materials
for Tax     Directorate Directorate Directorate Development & Communication Resource Directorate
Legal                                          Support    Directorate
Affairs &
Coordination
```
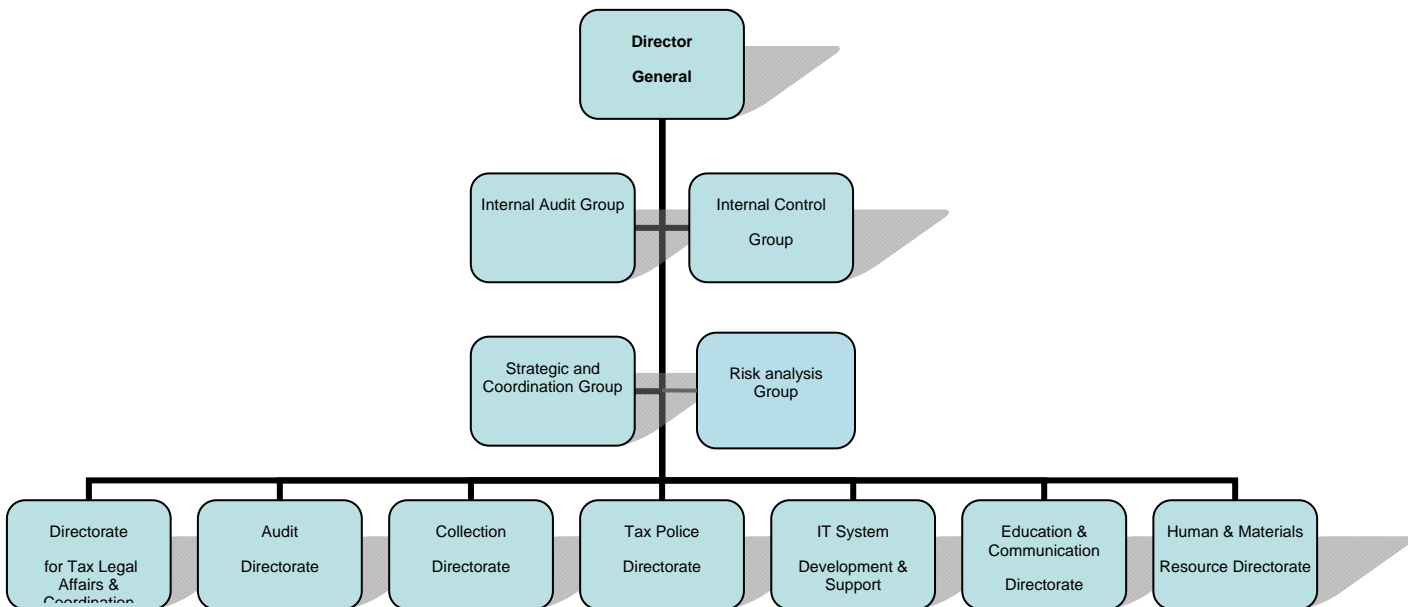
Besides the Head Office the national organization of the Tax Administration is as follows:

In total the number of organizational units is:
- Head Office
- 5 regional centres
- Centre for large taxpayers – Large Tax Office (LTO)
- 24 Affiliates Type A
- 17 Affiliates Type B
- 39 Affiliates Type C
- 93 branch offices
- 5 posts
- 22 special departments

Affiliates are divided in following groups, depending on number of registered and activate tax payers who poses TIN number, number of citizens who live in area which are under the scope of duty of specific affiliates, and for more rationale, efficient and on-time achievement of rights and obligations of taxpayers and for realization of Tax administration duties:

- Affiliates Type A (more than 90 employees)
- Affiliates Type B (51 to 90 employees)
- Affiliates Type C (up to 90 employees)

Further information about the organizational structure and competences is displayed on the website of the Tax Administration: www.poreskauprava.gov.rs

Taxpayers can be divided into:

- Individual Taxpayers (citizens):   1.900.000
- Small & Medium Business Taxpayers: 410.000
- Large Taxpayers: 350

From the technical point of view, in maintaining the complex IT system, Serbian Tax Administration is implementing measures to prevent, detect or contain incidents, which, if unchecked, could result in disaster. However, disaster recovery system (DRS) does not exist and the plan is, in the forthcoming period, to establish DRS according to the EU standards.

ANNEX IV: Reference to laws, regulations and strategic documents

1. Law on Tax Procedure and Tax Administration (Official Gazette of the Republic of Serbia, No. 80/02, 84/02, 23/03, 55/04)

2. Sales Tax Law (Official Gazette of the Republic of Serbia, No. 22/01, 80/02, 70/03)

3. Excise Tax Law (Official Gazette of the Republic of Serbia, No. 22/01, 73/01, 80/02, 43/03, 72/03, 43/04 and 55/04)

4. Profit Tax Law (Official Gazette of the Republic of Serbia, No. 25/01, 80/02)

5. Property Tax Law (Official Gazette of the Republic of Serbia, No. 26/01, 80/01)

6. Law on Use, Maintenance and Possession of Goods Tax (Official Gazette of the Republic of Serbia, No. 26/01, 80/02, 43/04)

7. Individual Income Tax Law (Official Gazette of the Republic of Serbia, No. 24/01, 80/02)

8. Regulation on Recording Transactions over fiscal cash registers with fiscal memory and dynamics of introduction of such cash registers (Official Gazette of the Republic of Serbia, No. 5/03, 39/03, 72/03, 2/04)

9. Law on VAT

10. Law on Lottery Games.

11. Civil Service Law

12. Law on Civil Servants

In addition to the above-mentioned Legislation also important are the following strategies and documents:

MIPD – *Multi-Annual Indicative Document for the Republic of Serbia* **2008-2010:**

"Assistance is foreseen for the support to Customs and Taxation administration, supplementing existing programmes in the area or allowing them to continue or ensuring follow-up to present actions."(page 17)

"Improving the performance of Serbia's public administration at all levels (governmental, parliamentary, para-governmental and regulatory bodies/ structures) to foster democratic governance and public service to all people in Serbia. Making further sustained efforts to implement the reform of the public administration, including the civil service pay system, to ensure transparent recruitment, observing gender mainstreaming principles at all levels, professionalism and accountability specially of the senior civil service…" (page 18)

"Improving budget and fiscal management, enhancing control and collection capacity of the tax and customs administration, contribute to consolidating revenue collection for Serbia's consolidated budget, make tax policy coherent at central and local levels and improve the management of expenditures."(page 19)

"A general civil service reform strategy and more transparent procedures on recruitment, transfer, appraisal, promotion, conduct and dismissal of civil servants; improved quality and availability of basic public services to all communities…Increased tax collection revenues, better control mechanisms introduced into the tax and customs administrations, improved consolidated budget transparency, harmonised and coherent tax policy at central and local level introduced, improving the management of expenditures."(page 20)

"Support the development and implementation of strategies and policies in order to establish sectoral policies and a regulatory framework compatible with European standards as follows:…Supporting the development and implementation of other strategies and policies in order to establish sectoral policies and a regulatory framework compatible with European standards e.g. statistics, information society, electronic communications, customs and taxation, social policy, nuclear safety, research, public internal control and external audit, environment, transport."(page 26)

European Partnership with Serbia (Council Decision 2008/213/EC, of 18th February 2008):

ANNEX 2 - PRIORITIES FOR SERBIA

SHORT TERM PRIORITIES

Key priorities-Continue efforts to implement the reform of the public administration, including the civil service pay system, (page 5)

European standards - *Customs and taxation*

— Continue approximation of tax legislation to the *acquis*, implement tax legislation, in particular on revenue collection and control in order to reduce tax fraud and increase enforcement capacity.

— Commit to the principles of the Code of Conduct for business taxation and ensure that new tax measures comply with these principles, (page 8)

MEDIUM-TERM PRIORITIES - European standards - *Customs and taxation*

— Ensure continued approximation of customs and taxation as well as other fiscal legislation to the *acquis*, and continue to strengthen the administrative capacity to implement this legislation and to fight corruption, cross-border crime and fiscal evasion.

— Improve transparency and the exchange of information with EU Member States in order to facilitate enforcement of measures preventing avoidance or evasion of taxes, (page 13).

SAA – *Stabilisation and Association Agreement* between the European Communities and their Member States of the one part, and the Republic of Serbia, of the other part:

ARTICLE 100 - Taxation

The Parties shall establish cooperation in the field of taxation including measures aiming at the further reform of Serbia's fiscal system and the restructuring of tax administration with a view to ensuring effectiveness of tax collection and the fight against fiscal fraud.

Cooperation shall take due account of priority areas related to the EU acquis in the field of taxation and in the fight against harmful tax competition. Elimination of harmful tax competition should be carried out on the basis of the principles of the Code of Conduct for business taxation agreed by the Council on 1 December 1997.

Cooperation shall also be geared to enhancing transparency and fighting corruption, and to include exchange of information with the Member States in an effort to facilitate the enforcement of measures preventing tax fraud, evasion and avoidance, (page CE/SE/en 97)

NPI-National Programme for Integration with the European Union

"3.16. TAXATION

3.16.1. TAXATION POLICY…

…Medium-term priorities

Realization of mid-term priorities should enable further modernization of Tax Administration as client-oriented tax administration enabling the increase of voluntary tax payment, simplification and rationalization of procedures for realizing the rights and duties of taxpayers, full designing of business functions, which enables integral risk management in the functions of control and collection, as well as further development of communications with business community with a view to fully understand tax obligations.

Such approach requires the projecting and implementation of the system for function management with full respect of European standards of interconnectivity and ino-operability, as well as further establishment of procedures for identification, selection and recruitment of personnel. All implemented systems and procedures for monitoring the work of the personnel should prevent corruption in the Tax Administration."(page 479)

"**3.16.6. Administrative capacities**…

…B) MEDIUM TERM PRIORITIES

   Mid-term priorities of Tax Administration is to finalize the projects initiated in 2007 and 2008 in line with the European Partnership document, as well as:

1. Realization of Plan for change management as a final stage of Tax Administration activities on fiscal blueprints. Realization of Plan for change management would mark the end of strategic modernization of Tax Administration in line with the standards of organization and functioning of tax administrations in the European Union member states.

2. Adoption and realization of strategy for IT, as a system for tax function management, which ensures interconnectivity and inoperability between tax administration, business community and other institutions of the Republic of Serbia.

3. Full knowledge of skills for selection, identification and recruitment of human resources in Tax Administration, with the aim of institutional capacity building in terms of human resources.

4. Further strengthening of professionalism and integrity of employees in Tax Administration through training of staff and application of career promotion principles.

5. Proper application of code of conduct for Tax Administration personnel, further institutionalization of the Group for Internal Control and design of business processes, which will, along with the code of conduct and the Group for Internal Control, act as prevention against different forms of corruption.

6. By implementation of a contact centre, ensure the establishment of all communication modes with business community, along with maximizing the services for taxpayers' right realization (full e-service for application, payment and notification on status of tax obligations, as well as amendment of tax legislation for all taxpayers and not alike this stage – only for the centre for large taxpayers - CLT).

7. Enabling the CLT as an organizational unit of Tax Administration for administering of around 60% of fiscal revenues of Serbia, instead of present 30%.

8. Further development of the system for risk management and development of a special system for risk management for large companies and special system for entrepreneurs, small and medium enterprises.

9. Adoption and implementation of new strategy for collection after the finalization of privatization procedure and improving a voluntary level of tax payment.

10. Finalisation of the development of the system for detection and processing of tax evasions according to best practice principles and within the framework of "twinning" project…"(page 481)

ANNEX V: Details per EU-funded contract (where applicable):

Activities will be carried out by the Technical Assistance teams under Three Service Contracts:

Contract # and Name	Description	Cost Estimates (EUR m)
Service contract 1	Within the scope of the first Service Contract, adequate Technical Assistance will be engaged to produce following deliverables for the expected Results 1, 2, 3 and 5 of the present Project: • Overview and Analysis of the state of play of the parameters relevant for the tax collection function; • Design of the support software/module for the efficient tax collection function within the system of the STA; • Overview and Analysis of the state of play of the parameters relevant for the financial and material accounting management; • Design of the centralized system software for the efficient financial and material accounting management for the STA, and replacement of the former distributive system; • Overview and Analysis of the state of play of the parameters relevant for collecting data on tax evasion cases as well as for the respective reporting system; • Design of the system for tracking of the cases in detection of tax criminal offences, their precipitators and accomplices; • Overview and Analysis of the state of play of the parameters relevant for providing services to taxpayers via internet; • Design of the Tax Administration's e-portal allowing for the electronic communication of STA with tax payers – both legal entities and natural persons.	EUR 2.28 million

Contract # and Name	Description	Cost Estimates (EUR m)
Service contract 2	Within the scope of the second Service Contract, adequate Technical Assistance will be engaged to produce following deliverables for the expected Result 4 of the present Project: • Overview and Analysis of the state of play of the parameters relevant for the mechanisms of human	EUR 1.9 million

resources management within the STA;

- Design of the software for personnel records;

- Design of the software for file rooms;

- Compatibility checks and integration of the designed modules of the new human resources management system with the existing IT system of STA

- Training delivered to officers of STA human and material resource Department (central and regional level) for the usage and maintenance of the integrated system.

Contract # and Name	Description	Cost Estimates (EUR m)
Service contract 3	Within the scope of the second Service Contract, adequate Technical Assistance will be engaged to produce following deliverables for the expected Result 6 of the present Project: - Implementation and integration of software modules for tax collection function, financial and material accounting management, collecting data and reporting on tax evasion cases and the internet portal module, - with the existing IT system of the STA; - Training delivered to STA officers for the usage and maintenance of the integrated system	EUR 3.42 million

The maintenance and sustainable treatment of the innovated IT setup will be addressed in two levels, the first of which is rather technical and contractual while the other one involves the capacity building approach:

- Over a period of one month, the project supplier will provide support to any users of the system, both at functional and technical level (user support). Likewise, the contractor shall undertake any corrections in the system to ensure proper performance (corrective maintenance). Additionally, contractor must implement small changes that might be necessary to adapt the system operability (lower maintenance for evolution). Finally, basic 12 months warranty will be established for all the works performed during the project development, the starting date being counted from the moment the system starts production.

- Training and change management are considered by the STA as the critical factors for the success of the project implementation and sustainability. Staff capacity building will be carefully defined during the design phase and continuously undertaken over the lifespan of the project. The emphasis will be on the training on key aspects of the newly implemented modules, the relationship among them and their integration into the general system of tax administration. Training will target users of the system (that will turn into trainers because

they will teach other co-workers) and other individuals in charge of administration and maintenance. The main objective will be to provide people with the knowledge and skills they need to develop new functions and tasks as expected and to adapt quicker and easily to the environment, achieving the objectives. In doing so, changes will be highlighted by clarifying and identifying innovations that are introduced in each job/position.

ANNEX VI: National Co-financing

National co-financing	Description	Cost Estimates (EUR m)
Supplies	As complementary to the realization of the Result 6 of the present Project, national co-financing is envisaged in the average of 20% of the overall Project costs, whereby it will encompass supplies of all the necessary equipment for the designed systems to be introduced, as well as the purchasing of respective licences for the functioning of the integrated system.	EUR 1.87 million