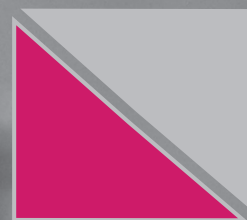


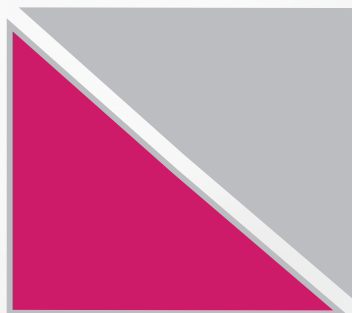
STRATEGIC PLAN



2009 - 2011



Republic of Macedonia
Ministry of Finance
PUBLIC REVENUE OFFICE



Strategic plan 2009 - 2011

December 2008

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THE MISSION

Our mission is to provide high quality of taxpayer services and simplified tax procedures, in order to achieve timely and accurate tax compliance as well as fair and efficient collection of taxes and public fees.

THE VISION

Increase of the administrative capacities and raising of the quality standards of the tax administration towards making the Public Revenue Office a role model for professional organization in the public sector as well as approximation to the EU practices and standards.

THE COMPETENCES

The Public Revenues Office (PRO) operates solely on the territory of the Republic of Macedonia. On the basis of the Law on Public Revenue Office, it does the administrative and other technical work in the scope of its mandate as well as the work stipulated in the specific tax laws. The Public Revenue Office implements the tax policy, collects taxes and other public fees thus providing the functioning of the State.

THE STRUCTURE

The existing structure

The Public Revenue Office is a state administration body within the Ministry of Finance, with a status of legal entity. The PRO mandate is implemented through the General Directorate (HQ), Large Taxpayers Office (LTO), six Regional Offices (RO) and twenty four Local Offices with a total of 1.250 staff (as on 30.09.2008).

According the organizational structure, the PRO performs its functions according to regional coverage and size of the taxpayers. The three level are functionally integrated when it comes to the realization of the core competencies.

Planned changes

In order to increase the efficiency and the effectiveness in the work, and mainly to improve the taxpayer services, the PRO abandons (step by step) the territorial organization and shifts towards functional positioning of the organizational units. During 2009 it is planned to work according to the new organizational structure supported by appropriate acts. The new organizational structure supports the decentralization of the "taxpayer services" function, which will be realized through the Regional Offices, Branch Offices and the network of Front Offices (the so called "Tax Counters"). At the same time the new organization supports the centralization of the "receiving and processing of tax returns" and "enforced collection of tax debts" functions by establishing a Center for processing of tax returns and the Center for debt collection.

THE PROGRAMS

The strategic priorities of the Public Revenue Office include the main development components the realization of which is planned in the period 2009 - 2011. The document provides the general directions as priority goals, the measures that have to be undertaken for their realization and the activities that have to provide not only realization of the basic mission and vision of the institution but they will be the basis for establishing of modern tax authority with high reputation and integrity in the taxpayers, in the local and international public - confidence in professionalism, effectiveness, transparency and service-oriented organization.

For the period 2009 - 2011, the Public Revenue Office plans to implement six basic strategic priorities. The biggest challenge for the PRO in 2009 will be the implementation of the new responsibilities in reference to the administration of the social contributions, management with the misdemeanour procedures and implementation of the new Tax Information System of the PRO (TIS).

This will establish new quality in the PRO competencies and in the realization of the rights and duties of the taxpayers. The integration of these activities in a single institution will provide conditions for reduction of the costs for procedures, both for the administration and the taxpayers, as well as strengthening of the tax discipline.

The expansion of the PRO competences is also very important because of the huge efforts that will be invested in the future necessary to provide correct functioning of the system and due to the necessity of engagement of important financial and other resources - modern IT system, spatial and other material equipping as well as provision of staff and their education.

The foreseen goals and tasks are planned to be realized through the following measures and activities:

- ✓ **Strengthening of the PRO administrative capacities**
- ✓ **Expanding of the PRO functions and competences**
- ✓ **Provision of higher level of tax revenues in the Budget of the Republic of Macedonia**
- ✓ **Improving the taxpayer services**
- ✓ **Development of the human resources**
- ✓ **Strengthening the international cooperation with EU member states and other countries**






STRENGTHENING THE PRO ADMINISTRATIVE CAPACITIES





STRENGTHENING THE PRO ADMINISTRATIVE CAPACITIES

The PRO goal is to strengthen its own administrative capacities for enforcement of the legislation which is in accordance with the European Acquis for effective fight against tax evasion, through:

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- ***Further promotion of the work with small and medium taxpayers*** through introduction of modern standards and methods of work with small and medium taxpayers, which means complete modernization of the work of the Regional Offices and mirroring of all positive experiences from the implementation of the Pilot Project in RO Stip. At the same time a Strategy for taxpayer's services and new control methods will be developed and applied, according to the relevant Action Plan. The service activities will be implemented by services teams and for that purpose they will be trained according to the mandate of their work. The implementation of the new PRO organization will start at the beginning of the year which will provide decentralization of the "taxpayer's services" function in order for them be present and available in the working/living areas of the taxpayers.
 - ***Improving the work with large taxpayers***
Large Taxpayers Office, which was established in 2006, yielded the results which were expected. In order to improve the efficiency and effectiveness of LTO, tools for risk evaluation and for control preparation at large taxpayers it will be implemented and developed. By organizing forms of group cooperation and by improving the environment transparency of work will be promoted and efforts will be made to increase taxpayer's satisfaction.
 - ***Development of system for central processing of the tax returns***
In order to achieve higher efficiency and effectiveness in the process of mass data processing and their reconciliation, centralized data processing of all tax returns processing has been introduced, incoming from all Regional Offices into a single Centre for processing of tax returns which started in 2008. During this planned period all kinds of tax returns which are submitted to PRO will be gradually undertaken. From 2009 computer forecasting will be introduced as well as additional equipment with integrated hardware and software solutions for the Centre and relevant training of the employees.

- ***Introduction of integrated information system strengthened with security criteria***

In 2008, the development of the Study for the new integrated information system of PRO was completed and the creation of new system for business processes has been started. For that purpose supply of new computer equipment has started which will be permanently implemented in the following period. In relation to provision of conditions for work of the new system, the plan is to refurbish the system room in the General Directorate of PRO, upgrade of the security system, purchasing of the relevant licenses, purchase of network equipment, purchase of backup communication line, improvement of the network access and data migration from the PRO existing system to the new system. The testing of the new system will start in 2009. In order to use and maintain new solution, training will be delivered for the employees as well as training for the LTO auditors for implementation of computer audits and implementation the Excel Office audit method.

- ***Improving the Internal Audit System***

In order to reduce and manage the key risks, as well as to promote the Internal Audit System, the internal operational guidelines for different functions will be revised by integrating the estimated risks. In the planned period new types of audits will be implemented - IT audit, integrity audit, audits for use of the IPA funds with relevant training for the internal auditors.

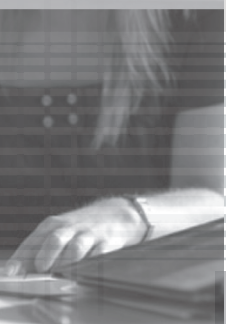
- ***Exchange of information of PRO with other institutions***

In order to expand the database necessary for operation of the PRO functions and realization of the e-Government program, interconnection will be established with other institutions: interconnection with National Intelligence Database (NIDB) supplemented by provision of necessary equipment and premises with controlled video surveillance; interconnection with the State Commission for Anticorruption, improved exchange of information with Customs, with Central Registry and with Clearing Interbank system.

- ***Development of the analytical information system for conditions from doing business and making statistics in PRO***

In order to provide timely and accurate information to the PRO management team, the organizational units by function and the public for the realization of tax revenues and by all other bases, system will be developed for analysis and information on the conditions and statuses thus creating statistics necessary for the PRO work. In order to realize this goal various reports, analyses, reviews, plans, evidence and data filing will be developed.





- ***Improving the communication system within the PRO and informing the public***

According to the "Communication Strategy" efforts are made to strengthen the PRO communication capacities and staffing of the Communication and Public Relations Office. In the area of external communications the focus will be on strengthening of the PRO organization by adopting a Book of Graphic Standards, issuing of technical and informational materials for the taxpayers, promotion of important events and new forms of the PRO work and organization. In order to improve the internal communication and create communication system within the PRO, Intranet network will be established, Guidelines for preparing written materials will be developed, as well as Plan for communication in crisis situations with relevant training of the staff and other documents regarding the communication and information.

INCOME ADDITIONAL
FISCALISATION TAXES
REVENUE CONTRIBUTIONS
TAXES PROFIT
CONTRIBUTIONS REVENUE
FISCALISATION INCOME

EXPANDING THE PRO FUNCTIONS AND COMPETENCES



EXPANDING THE PRO FUNCTIONS AND COMPETENCES

- ***Administering social contributions***

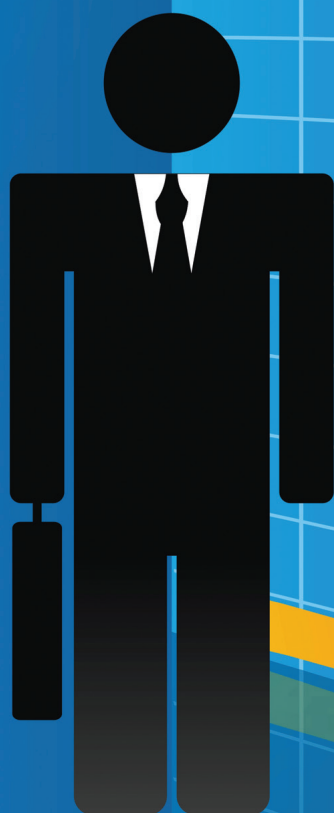
In order to simplify the procedures, achieve efficient administration with the public expenditures, provide satisfying level of contributions collection as well as to reduce operational expenditures of the administration and the taxpayers, integrated collection of the social contributions and Personal Income Tax will be developed. From the beginning of 2009: supply of relevant hardware and licensed software, definition of new tax evidences for integrated collection in the PRO functions, establishment of new e-Accounting in the integrated IT system of the PRO and development of instruments for administering and managing information from the system.

- ***Management with the misdemeanor procedure***

During 2008 many activities have been implemented which will make it possible, from 2009, to initiate management with the misdemeanor procedures in PRO: opening of archives in the Regional Offices and in the LTO for management with the cases undertaken from the courts, establishment of Departments for preparing the misdemeanor cases in the Departments for Legal Issues and creation of Sections in the Departments for External Audit in the ROs and the LTO for administrative preparation of filed requests. In 2009 the following activities will be realized: education of the staff involved in the procedures, preparation of the relevant operational guidelines and work forms for all phases of the procedure, development of act for the litigation procedure and definition of the user requests for software solution.

During 2009 efforts will be done on adoption of the Practical Guideline for application of the Law on Tax Procedure.

PROVISION OF HIGHER LEVEL OF TAX REVENUES IN THE BUDGET OF THE REPUBLIC OF MACEDONIA



PROVISION OF HIGHER LEVEL OF TAX REVENUES IN THE BUDGET OF THE REPUBLIC OF MACEDONIA

The provision of higher level of tax revenues will be realized by undertaking activities in many areas, primarily mainly in the reduction of grey economy and increase in the number of taxpayers.

- ***Identifying non registered taxpayers and their inclusion in the legal tax system of the Republic of Macedonia***

In order to realize this measure, it will be implemented the Instruction for the way of detecting non registered taxpayers, audit, registration and tax obligation (through monitoring media announcement, advisory visits), it will be increased the number of common controls in cooperation with other audit bodies (Market Audit, MOI etc.) and detected non registered taxpayers will be obliged by tax.

- ***Strengthening the external audit capacity***

In order to improve the tax discipline, modern methods and procedures of External Audit will be introduced: risk criteria for various types of taxes will be developed and introduced, various taxpayers and non registered taxpayers for the purpose of selection and planning of the external audits on the national and regional level; analysis of the results from the application of criteria and their software integration; improvement of external audit tools; introduction and promotion of new audit methods (office control, visiting taxpayers, package-control), new techniques for control of (VAT, Income Taxes), implementing computer controls, methods and techniques per specific sectors; preparing and implementing High Wealth Individuals Strategy, who acquired wealth from untaxed or insufficiently taxed revenues; preparing tools and specific computer software for specific characteristics of taxpayers; development of control methods for fight against corruption, unreported taxes and other punishable acts; supplying appropriate hardware and software for carrying out computer audits and relevant training of the staff.

- ***Improving the tax debt collection***

In order to increase the tax collection the methods for debt managing will be improved as well as methods for debt collection from public enterprises and from taxpayers who have claims from public institutions will be introduced.

- ***Organization and development of Reconciliation Center***

In order to increase the collection of tax debt arrears, the function will be centralized and Centre for collection and reconciliation will be established and development i.e. activities will be undertaken for spatial, material-technical and staff equipment, appointment of staff and their training, establishment of archives for initiated procedures for enforced collection, provision of space for storing of all tangible assets and keeping material and financial record of these assets.



IMPROVING THE TAXPAYERS SERVICES



IMPROVING THE TAXPAYER SERVICES

The main goal is to continue the policy of provision of taxpayer services and to strengthen taxpayer's confidence in the PRO, where the PRO is ready to help them professionally to resolve tax issues and to motivate them for volunteer compliance.

- ***Raising the level of taxpayers awareness about their social role in the society***

In order to raise the taxpayers awareness for their social role in the society, prepared written materials in different forms will be developed as well as training will be delivered for the employees for provision of quality services to the taxpayers. In cooperation with the Advisory Board of Macedonian Taxpayers (consultative body consisted of professional external experts), the transparent relations with public and with taxpayers will be continued and promoted.

- ***Training the taxpayers for volunteer compliance and legal realization of their tax obligation without the need for PRO intervention***

In order to raise the level of voluntary and legal compliance by the taxpayers, Contact Centre will be organized and equipped for provision of services to the taxpayers. This Center will be staffed, this staff will be trained and software will be supplied for use of the knowledge database. Surveys will be carried out for checking the taxpayer's satisfaction by the PRO operations. Within the framework of the Project - Industrial Partnership with the taxpayers by specific industries, advisory meetings will be organized with the representatives from the selected industries and with their associations, the taxation status in the industry will be identified, external audit activities for industry members will be implemented, summarizing of the results, statistics database will be established and media activity will be implemented regarding the results for the results.

- ***Provision of high level of e-services developing***

In order to provide modern technical assumptions for achieving the set targets and tasks, it will be provided high level of e-services developing: updating PRO web site; developing method of e-submission of tax returns for small and medium taxpayers and optimizing the applicative decision for such taxpayer's services; redesigning e-Tax services; preparing e-Tax calculator for specific target group; e-Archiving of PRO titles in the daily press media.



HUMAN RESOURCES DEVELOPMENT



HUMAN RESOURCES DEVELOPMENT

The main goal is to create staff which is highly adequate and professional to respond to the modern work challenges. In order to accomplish this goal, the following activities will be undertaken:

- ***Improving employee structure and working conditions***

In order to improve the employee structure programs will be implemented for employment of adequate staff for various functions and for the new competences of PRO. In order to provide proper working conditions, premises and equipment will be obtained and provided, as well as refurbishment of the premises with the trademark and colors of the PRO and with friendly look for provision services to the taxpayers.

- ***Systematically focused education regarding tax problems and working processes as well as organization of the Regional Tax Academy***

In order to realize systematically focused training and education of the employees, Project for education by organization of Regional Tax Academy will be organized and implemented. During 2009 Strategy and Action Plan will be prepared, resources and space will be provided, database for education and monitoring of the results of the applied education per employee will be established.

- ***Appropriate fair and motivational rewarding***

In order to stimulate the existing staff as well as to attract and employ people with high potential, the PRO will establish adequate and motivated rewarding. For that purpose Strategy for human resources and Acts for motivation will be adopted and implemented, both of them based on the performance measurement (implementation of gross salaries and bonuses based on performance measurement), realization of new organizational structure of PRO and adoption of the relevant acts.

- ***Employee integrity defined in Code of Conduct***

For further strengthening of professionalism and dignity of PRO employees, activities for implementation of Code of Conduct of the tax servants will be delivered, acts will be adopted for rights and duties of the employees and for managing discipline procedures and procedures for material responsibility, the anticorruption units of the internal audit will be strengthened as well as the training of the staff engaged in the activities for fight against corruption.





STRENGTHENING THE INTERNATIONAL COOPERATION



STRENGTHENING THE INTERNATIONAL COOPERATION

The strengthening of the international cooperation with the EU member states and with other countries will be realized in the areas related to avoiding of double taxation or non taxation, exchange of information regarding tax frauds and exchange of information for Value Added Tax and Excises within the EU framework (VIES and EMCS).

- ***Avoiding of double taxation or non taxation***

In order to provide basis for correct taxation of the taxpayers for revenues realized abroad and for revenues of foreign persons realized in the country, in accordance with international agreements for avoiding of double taxation or non taxation, registry will be established of for authorized contact persons and exchange of information with countries that have signed agreements for avoiding double taxation with the Republic of Macedonia. Also established will be electronic and spontaneous exchange of information for avoiding of double taxation or non taxation.

- ***Exchange of information regarding tax frauds***

The system for exchange of information for tax frauds and financial criminal will be strengthen and within that framework authorized persons for exchange of information will be appointed, hardware and software basis will be established as well as staff training engaged in this area.

- ***Exchange of information for Value Added Tax and Excises within EU framework - VIES and EMCS***

VIES and EMCS systems for exchange of information for Value Added Tax and Excises within the EU framework has to be established before the EU accession. For that purpose, in the forthcoming period it is necessary to adopt the relevant legal framework, technical support for building the system and the manner of its use through staff education and through provision of technical and spatial conditions for implementation of the system.

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