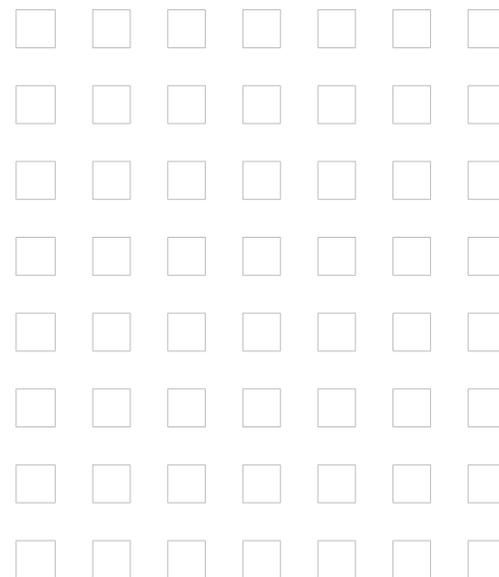




Republic of Macedonia  
Ministry of Finance  
PUBLIC REVENUE OFFICE



# Strategic Plan 2013 - 2015

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# INTRODUCTION

The strategic priorities of the Public Revenue Office (PRO) contain the basic development components which implementation is planned for the period of 2013 to 2015. The document provides the general directions as priority objectives, the measures for its implementation and the activities which, with proper application by the staff and adequate financing, will provide not only implementation of the primary mission and vision of the institution, but also will represent a foundation for building of a modern tax authority with a high reputation and integrity in front of the taxpayers, the domestic and international community – confidence in the professionalism, the efficiency, the transparency and the service orientation.

The Document is aligned with the:

- Strategic goals of the Programme of the Government of Republic of Macedonia for the period of 2011-2015;
- Programme of the Government of Republic of Macedonia for the period of 2011-2015;
- National programme for the adoption of the law of the European Union;
- Recommendations listed in the Report „Strengthening of the tax administration: Review of the reforms in 2010 and future reform priorities” from 27.06.2011, prepared after the completion of the Project for technical assistance in implementing the reform of the tax administration for the period 2010-2011, implemented with the Fiscal Affairs Department of the International Monetary Fund (IMF);
- Recommendations by the consulting team of the Project „Support to Tax Reform” funded by the European Union; and
- Strategic Plan of the Public Revenue Office for the period of 2012-2014.



## VISION

The Public Revenue office to become a model for professional organization in the public sector valued in accordance with the practices and standards of the European Union. To achieve our vision we will continue to strengthen the administrative capacity and to raise the qualitative standards of work through high degree of computerization of the working processes, providing services to the taxpayers and with systematic and modern education of the employees.

## MISSION

To provide high quality of services for the taxpayers, simplified tax procedures for timely and accurate fulfillment of the obligations, as well as fair and efficient collection of taxes and other public duties.

# VALUES

- **PROFESSIONALISM** – legal, impartial and equal treatment towards all taxpayers.
- **SERVICE ORIENTED** – easy and quick access to information needed by the taxpayers for timely and lawful fulfillment of tax obligations and increase of satisfaction among the users of our services.
- **EQUITY** - timely payment and refund of the tax and other public duties “neither more nor less.”
- **SIMPLICITY** – reducing of the administrative costs for both the taxpayers and the PRO.
- **EFFICIENCY** - timely action on requests from the taxpayers and reducing the number of complaints and appeals.
- **TRANSPARENCY** – Open and proper informing of the public, while respecting the privacy and confidentiality of personal and business data.
- **THE FIGHT AGAINST CORRUPTION AND NON-PAYERS OF TAX** - everyone is obliged to pay tax and other public duties and participate in the reduction of public expenditure in the manner prescribed by law.
- **LEADERSHIP** – anticipation of changes, risk management skills, innovation, originality, ability to raise the organization on a higher level.
- **SOCIAL RESPONSIBILITY** – encouraging of a positive impact to the environment, users, employees, communities and other target groups of the public sphere.
- **CARE FOR THE HUMAN CAPITAL** - advanced and objective evaluation of the skills, knowledge, time and invested effort of the staff.
- **MANAGING IN COMPLIANCE WITH INTERNATIONAL QUALITY STANDARDS**

# COMPETENCIES

The Public Revenue Office works solely on the territory of Republic of Macedonia. On the basis of the Law on Public Revenue Office, the PRO performs the administrative and other professional activities related to its scope of work, as well as matters arising from the special tax laws and other laws.

The Public Revenue Office operatively implements the tax policy and collects taxes and other public duties, provides assistance to taxpayers to meet their tax obligations, monitors and analyses the functioning of the tax system and make suggestions for its improvement, cooperates with tax authorities from other countries and provides an international legal assistance in tax matters.

The competences of the Public Revenue Office are extended with matters relating to management and performance due to collection of fines and costs imposed by litigation, civil and administrative proceedings in favor of the Republic of Macedonia and the assessment and collection of other public duties entrusted by law or by concluded contract with fee that is income of the Republic of Macedonia.

The distinctiveness of the Public Revenue Office is demonstrated through its significant role in providing funds in the Budget of the Republic of Macedonia, which ensures the realization of the functions of the state and according to the responsibilities in recent years, are in range around 70% of the projected budget.



# LEGAL FRAMEWORK

The legal framework for the operation of the PRO, the general tax law and tax administrative procedure are defined in two acts - the Law on Public Revenue Office and Tax Procedure Law. The Law on Public Revenue Office, which was adopted in September 2005, represent a legal framework which determines the scope, organization, the way of performing of the operations and management, as well as the authorization and responsibilities at collection, record keeping, processing and data protection in connection with the works of the PRO. With the changes and the amendments of the Law from July 2008, a legal framework was created for the new organization of the PRO on a functional model and for changing the status of the employees into a “tax servants”.

With the Law on Tax Procedure, which was adopted in January 2006, and the changes and amendments in the period to 2012, it is regulated: the general tax law, the tax assessment procedure, the audit procedure, procedure for collection of public revenues, rights and obligations of taxpayers, the appeal procedure, the conduct of misdemeanor proceedings and misdemeanor provisions.

With the specified legal framework is provided the opportunity to strengthen the administrative capacity for implementing the legislation and to fight against fiscal evasion of taxes.



# ORGANIZATIONAL STRUCTURE

The Public Revenue Office is a body of the state administration within the Ministry of Finance acting as a legal entity.

As of 31.12.2012, the number of employees in the PRO is 1 302.

Since 1st of January 2009, with the amendments of the Law of the Public Revenue Office, the matters within the scope of the PRO are carried out by:

- General Directorate
- Large Taxpayers Office
- Five (5) Regional directories, located in Skopje, Bitola, Shtip, Tetovo and Kavadarci.
  - Eight (8) Branch Offices, located in Ohrid, Prilep, Kumanovo, Strumica, Gostivar, Kichevo, Veles and Gevgelija.
  - Forty three (43) Service Points, located in the same number of municipalities and Mobile Service Points (3) that serve the remaining 29 municipalities where there is no financial justification for their permanent location.

With the amendments of the acts for work organization and the systematization of working posts from February 2011, it is provided:

- Organizing of Inspectorate for special controls within the General tax inspectorate;
- Further decentralization of the taxpayers services function by opening mobile service points in municipalities where there is no economic justification for existence of another organizational form;
- Full reorganization of the “Enforced collection” function by organizing “Center for storage and collection of seized movable estate” and “Center for collection of fines and other public fees”;
- Organization of a special unit „Tax Academy” for implementation of the processes for regular and systematic education.

In order to increase the efficiency and effectiveness in the work and the harmonization of the PRO organization, which should support the growing role in taxation of individuals, which is executed through social contributions from salary and personal income tax, besides the started decentralization of the function “services to taxpayers”, a qualitative reorganization of the Office is planned in terms of division of work and assignments relating to taxation to:

- Business community - entities that pursue economic / commercial activities;
- Individuals (citizens) - individuals who are taxed according to the income.



For the period 2013-2015 the Public Revenue Office is planning five primary strategic development objectives. Most of them represent a continuous development and upgrade of the already introduced measures that require long-term implementation, as well as new activities for strengthening of the capacity of the PRO for thorough performance of the basic functions with a new quality.

- Strengthening of the administrative capacities
- Always a step ahead
- Service orientation
- Organization of learning and knowledge
- A place in the international community

**PROGRAMMES 2013 - 2015**

# STRENGTHENING OF THE ADMINISTRATIVE CAPACITIES



*Increasing of the functional ability for implementation of the programmes and strategic commitments, increasing of the transparency and implementation of measures and activities for strengthening of the capacities of the Office for implementing the legislation and fighting against evasion of taxes.*

## 1. Reorganization and specialization of the functions

*With a specialization of the employees on specific matters is expected to increase the efficiency in achieving tasks, expand the database of the PRO and increase of the degree of collection of tax revenues.*

Qualitative reorganization and narrower specialization of the working of the functions, implies the division of work and working tasks relating to taxation to:

- Business community - entities that perform economic / commercial activities;
- Individuals (citizens) - individuals who earn income on different grounds.

The narrower specialization will mean defining the activities and duties of the employees in a different way-on one hand, on issues related with monitoring of the economic activities of the companies and operations of public - legal companies which includes working with turnover taxes and profit tax, and on the other hand, defining of the duties and tasks related with monitoring the revenues of the citizens-individuals, which includes working with personal income tax, social security contributions from salary, as well broadcasting tax and imposed fines and penalties by the different authorities in the Republic of Macedonia.

By integrating the data on social security contributions and personal income tax of the taxpayers-citizens, arising from the gross salary report, the annual tax returns, the annual reports of the payers of income, and then from the data that the PRO is taking from other institutions and databases, a functional entirety for work with taxpayers-citizens will be formed. Considering the characteristics of this target group, it will be introduced and developed adequate methods of control.

With aim of harmonizing with the European legislation and practice, a tax number for taxpayer – citizens will be introduced; a special Register for taxpayers – citizens and electronic tax dossier for every taxpayer – citizen will be established.

Within the General Tax Inspectorate - Special Audit Inspectorate - an IT forensics laboratory will start functioning as well as a separate organizational unit targeted for electronic connection with organizers of special games of chance and the flow of information from their operations in real time.

## 2. Introducing of e-archive and e-tax dossier

*Reducing of the time and the cost of communication and managing with the PRO documents, expansion of the database and increase of the level of transparency and accountability in the operation of each individual*

The "E-archive" means electronic recording, memorizing and allocation of all input and output documents and registration of their internal flow. The started projecting of the electronic archive - document management (DMS), the projecting of the allocation and the following of the document flow (document flow management), the introducing of electronic signature for every employee and forming of electronic dossier for each file and electronic dossier for every taxpayer will be finished.

For this purpose, a scan of the existing paper archive material and its connection to electronic files will be performed. For this purpose a new space disk for expansion of electronic document storage and raise of the capacity of the network flow will be provided. A supply of computer equipment and software for scanning and electronic archiving of paper documents is required. During the system placing into production, training for employees in all departments of the Office, Branch Offices and Service Points will be carried out.

## 3. Improvement of the internal audit system

*Strengthening of the objectivity of the actions, especially in the operative parts of the PRO, by increasing the number of introduced and described working procedures in which are embedded the internal control mechanisms to avoid the identified risks.*

Lead activity of the Unit - Internal Audit will be the organization and monitoring of the establishment of a public internal financial control system in the PRO, which means specifying all work processes, their mapping, defining of the procedures in each process and detection of risks according their size. It is planned the Project, in which is included the education of employees from different sectors, to be implemented with the technical assistance of the Ministry of Finance of the Kingdom of the Netherlands.

The Unit for Internal Audit will carry out new types of audits - IT Audit and audit of the integrity, by continuous training of internal auditors. To regulate all proceedings of internal audit in accordance with International standards for internal audit, electronic dossier will be

made for all activities of the auditors and dossier for each audit conducted in the determined forms.

The Chief Internal Auditor, and a number of auditors will have the obligation to obtain a certificate of auditors, for which issuance will be responsible a competent commission in the Ministry of Finance.

#### **4. System of professional standards**

*Rise of the level of professionalism and integrity of the employees.*

The Unit for Professional Standards is working on the development of methods and procedures for corruption prevention and investigation of corruption and unprofessional conduct of the employees and for that purpose harmonization of existing guidelines and instructions will be made.

Strengthening of the Unit with the required number of employees and their education for implementation of new methods and procedures of work, as well as establishing cooperation and exchange of experiences with identical organizational units in other government bodies is necessary.

#### **5. Strategic planning, informing and creating of statistics for work conditions (situations)**

*Improving of the quality of strategic planning, further standardization of information needed for management of the functions, monitoring of the success of the work of individuals and individual organizational units and informing the public and authorities for the work of the PRO, in order to increase the accountability of PRO for the realization of its mission to the authorities and the public.*

In the next period it will continue the development of the planning system through short-term projections, annual planning and with special emphasis on strategic planning and the process of production of statistics to support the functions (data records, archiving / recording of media and statistics for the purposes of the functions).

A manual for the implementation of procedures for providing data is prepared and which development has been initiated in 2011.

## 6. Developing and upgrading the information system

*Developing and establishing of fully integrated information system for simplification and greater efficiency of all procedures in the PRO.*

The PRO plans to build an integrated information system in two phases:

- The first phase - Developing of software modules for input of tax returns, registration of taxpayers, administration of users, tax accounting, e-taxation and procurement of equipment for strengthening of the hardware.
- In the second phase - developing of systems for audit control, enforced collection, for analysis and statistics and for performances measurement.

After the preparation of the new IT system and putting into operation in stages, the data from the old IT system will be migrated, testing of the new system and training on the use and maintenance of the new information solution for all employees under their authority for use and special needs will be performed. The procurement of the needed computer equipment will continuously be performed, especially peripheral computer equipment, renting of printers and the existing security system (firewall) will be upgraded, procurement of a network equipment, networking of the remaining Branch offices and Service points, change of the outdated network equipment in all organizational units and modification of the existing system for the Call center - line 198.

For improvement of the system of education and communication within the PRO, a software for e-learning of the employees will be built through,, INTRANET,, which will continue to be upgraded and developed.

The work processes will be defined and after them it will be developed and implemented a module for legal affairs, and at the same time the construction of the module for enforced collection will continue.

Previously started construction of application for electronic connectivity with the organizers of games of chance and monitoring the progress of the games (connectivity, communication, data storage hardware, software inspection, protection and security of the system) will continue to be developed also in this planning period.

For all new software solutions the administrators, the technical support and the final users will be educated.

The final year of the planned period will be devoted for further development of the IT system for which it will be required contribution of foreign consultants hired by a project fiche for:

- Preparation of project documentation, technical specifications and technical assistance for procurement of IT equipment (hardware, software and training) for Data Warehouse and its integration into the overall system of the PRO.
- Technical specification and technical assistance for procurement of IT equipment (hardware, software, and training) for establishing of electronic administration for enforced collection.
- Technical assistance for improvement of the system for e-learning in the PRO.
- Preparation of project documentation, technical specifications and technical assistance for procurement of IT equipment (hardware, software, and training) for exchange of information for tax purposes with the EU member states.
- Periodic risk assessment of the key IT initiatives.

## **7. Exchange of data and linking the system of the PRO with other institutions**

*Increasing of the level of usage of data between the institutions in the Republic of Macedonia, making the data for the citizens and taxpayers to be submitted once - in one institution and will be used by one-stop shop system in different institutions for different purposes in accordance with the regulations for protection of the personal data.*

After introducing the one-stop shop system for registration with the Central Registry of the Republic of Macedonia, the exchange of data will expand by providing access to the database on the annual accounts led by the Central Registry of the Republic of Macedonia. In the framework of the e-Services projects on the level of the Government of the Republic of Macedonia (Project of the Ministry of Information Society and Administration) the following electronic services are planned:

- One -Stop Shop System - Request and data delivery ex officio among institutions – the citizen will submit only one request to the institutions, and they are obliged ex officio to provide the data and documents at disposal at the other state institutions.

- E-Documents – a system by which the citizens with use of an electronic signature will receive documents from the state institutions via the Internet.
- Interconnection and use of data between state institutions (Interoperability) - all the necessary information to be electronically available at each service point, which will reduce multiple address of the citizens from service point to service point, as well as the unnecessary paper documents.
- Government 2.0 -Further development of the system of interoperability where all of the documents issued by state institutions for the needs of the citizens will be available on the Internet.

## **8. Communication, public relation and social responsibility**

*Reducing of the time and cost of internal and external communication of the PRO, increase of transparency and strengthening the organizational public image of the PRO, as well as stimulating a positive impact on the environment and different groups of society*

Improving of communication and informing (external and intra-organizational) by further strengthening of the capacity of Public Relations and Communication Office and introduction of new and development of existing e-tools, which will provide complete informing of the employees and connection of the organizational units of the PRO, as well as fast and easy access and distribution of tax information to the public and target groups at national and local level.

For the organizational image, improving of the quality of service and communication with clients, the further defining of the graphic standards is important, which will be integrated into a special “Book”.

The public interest is the only interest of operation of the Public Revenue Office. Managed by the basic principles of our social acting, we started with implementing of programs and activities - humanitarian and blood donation actions, raising awareness about environmental protection, through which we will have positive influence on the environment, customers and will show care towards employees, the community and other target groups in the public sphere.

# ALWAYS A STEP AHEAD

*Strengthening of the mechanisms for collection of the public revenue, through introducing of new programmes for reducing of the grey economy and expansion the base for taxation, starting from the primary constitutional principle that “everybody is obliged to pay taxes and other public duties and to participate in the reduction of the public expenses in a law established way”.*



## **1. System of records of tax liabilities**

*Increasing of the voluntary report and payment, accuracy of the data and reduce of the late payment of taxes, contributions and other public duties which are administrated by the PRO.*

For the system “Gross salary” (integrated payment of the personal income tax and social contributions from salary) a system of records by salary payer and insuree is needed to be built, as well as upgrade and development of tax records for the income and tax liabilities of the citizens. For all processes an Operative instruction will be prepared in the tax accounting. With an aim of increasing the volume of the voluntary report and payment of the taxes, initiatives and suggestions will be proposed to the Ministry of Finance to amend the tax rules for determining of the tax with self taxation, the adoption of which will then cause a change of the tax returns and change of the working procedures.

## **2. Equal standars for work**

*Rise of the quality and efficiency in the work, and before all equal treatment in all organizational units of the Public Revenue Office.*

The purpose of this measure is the introduction of higher standards of work and equality of the work processes in all organizational units of the PRO, through sharing and implementing of the best practices in each environment, harmonization of the work processes, reallocation of human resources to achieve their usefullnes and better work quality.

After the activities undertaken in 2012 in several sectors of the PRO, and in this planed period, we will work on introducing international quality standards in the operation and organization of the public administration (ISO 9001:2008 standard) and certification.

## **3. Centralizing of the receipt and processing of the tax returns and printing of tax acts**

*With the development of the system of centralized processing of tax returns and centralized printing of solutions and other tax acts, the redeployment of staff in essential functions of data analysis for the assessment and collection of taxes will be allowed and the introduction of new methods for information and reminder for payment of the debts before enforced collection also will be allowed.*

The Center for processing of tax returns (COP) will take over the admission and processing of all tax returns for all Regional directorates, which means all paper and e-tax returns, except the MPIN submitted on a medium in the tax offices.

For the paper VAT returns is secured a centralized optical reading, automatic process, and digitalization and archiving in DMS systems (electronic store), which is development tendency and for the other types of tax returns. For this purpose, information design of the work of the COP and procurement of resources will be carried out.

The system for centralized printing of decision and other tax acts started at 2010 and in the next period will be developed and upgraded.

#### **4. Decrease of the Grey economy**

*Increase of the number of registered taxpayers.*

As one segment in the decrease of the grey economy, we will be working on developing of methods for detection of unregistered taxpayers and their inclusion in the regular legislative flows. The cooperation with other inspection bodies will be strengthened through the increase of the number of joint controls, especially with the State Market Inspectorate, the Ministry of Internal Affairs and other inspection bodies, and methods for assesment of tax liabilites of those subjects will be established.

#### **5. Strenghtening of the capacity of the Tax inspectorate**

*Strengthening the fight against tax evasion of the risky taxpayers.*

The Strategy for external audit in this planning period is especially focused on organizational, personnel and technical development of the Inspectorate for special audits and IT Forensic Laboratory.

Of particular importance is the formation and development of the special organuizational unit for electronic connection of the PRO with the organizers of games of chance through the Supervisory Information System (SIS), the following of all payments and disbursements in real time, audit of the organizers of games of chance and training of the employees.

In regards of the risk criteria, the following will be provided: software for electronic evaluation of the efficiency of the risk criteria, software implementation of the updated risk criteria for VAT and the newly registered taxpayers, software implementation of risk criteria of social contributions from salary and the personal income tax and their integration, replenishment and assessment of the risk criteria for corporate income tax. In the competent organizational unit further staffing will be carried out and technical support will be provided.

A plan is made for improving and upgrading the existing tools for external audit and constant education of the inspectors for their use.

After the construction of the system for risks, control methods and techniques in the construction industry, in the upcoming period the General Tax Inspectorate will develop methods and techniques for other specific activities, in particular to promote the use of modern methods of computer audit and data from Internet purchase or sale.

For full and proper realization of the plan, trainings for the inspectors for transfer pricing, tax fraud, computer audit, exchange of information with third parties, office controls, the application of new control modules and the application of new control programmes will be implemented.

## **6. New methods for supervision**

*Achieving greater efficiency and economy in the official proceedings of the Public Revenue Office through preventive and proactive action, reducing conflict between the Office and taxpayers that may arise when the assesment of tax compliance is deffered, taxpayer education and at the same time upgrading and expanding of the knowledge of the employees.*

From 2012 in the Regional Directorates of the PRO began the application of the method “desk audit” for supervision of the small and medium taxpayers. The desk audits mean ongoing checking of the small-scale situations that are considered risky and are generally related to the verification of the accuracy and reliability of the data the taxpayer has declared. Such proceedings are conducted in the tax offices with a request to the taxpayer to provide evidence and to explain the reported data. In such a procedure it may be required the taxpayer himself to perform the check on preset criteria and to enforce the correction of the tax return. For a fully functioning system, at this time it will be build an application for recording and monitoring of the desk audits that will result in individual and summary reports on the activities.

The method of insight “horizontal monitoring” is a pilot project in the Large Taxpayers Office (LTO) and is ongoing audit with limited checking and occasional insight into the documentation, the data and the reports on the business activities of the taxpayer.

In 2013 with this surveillance it is planned:

- To include the taxpayers who have the most significant participation in the payment of taxes and the realization of the planned tax revenues, and their business activities to be monitored on ongoing level, so the information of the business activities that may have incidentally or long-term impact of the collection of taxes can be available on time;
- The included taxpayers shall submit a predetermined documentation for an insight in the LTO, as well as data and explanations, in fixed monthly or other time frame, and if necessary, additional requirements;
- The information will refer to: quantitative indicators of production and the turnover, important business decisions of the management bodies and their tax impact assessment, information from the areas of business risk involved in the criteria for risk from tax aspect and so on.;
- The selection of taxpayers will be on the basis of indicators from 2012, with the possibility during 2013 to commence horizontal monitoring of taxpayers for who it will be estimated that have a significant impact on the payment of taxes and the achievement of planned tax revenue;
- Horizontal monitoring will be implemented by a team of employees for desk audit;
- Horizontal monitoring will be conducted by the team of employees for informational purposes in the PRO and shall not limit the ability to implement the desk or inspection control based on the findings.

## **7. Methods and procedures of enforced collection of debts**

*Acceleration of the debt collection process, increasing amounts of collected debts and reducing the cost of enforced collection.*

In this planning period, the process of development of new methodologies for enforced collection, particularly with the development of e-Auctions <http://e-aukcii.ujp.gov.mk> for collection of tax debts through the sale of seized goods and preparation of reports for the results of the held auctions will continue.

Structuring of the debts according to the collectibility and introduction of evidence of bad debts will be preformed, and it will be commenced with preparation of Annual Plans for the target amounts for collection of debts by Regional Directorates.

For efficient operation it is necessary to establish electronic communication for downloading data from the Central Register of the Republic of Macedonia - the Pledge Registry and Real Estate Cadastre Agency of the Republic of Macedonia.

For complete functioning of the system of enforced collection, electronic records will be established for monitoring of the cases, for which the work process is already defined, and after its preparation the data for the started procedures will be entered, also an electronic measuring of performances will be established and the required training of the employees will be done.

After having obtained legal framework and electronic connection with the services of EU, data exchange will be established for management of cases of enforced collection of taxpayers debts incurred in other countries and vice versa.

## **8. Development of the Centre for the collection of fines and other public revenue**

*By overtaking the collection of fines and costs imposed in civil, misdemeanor, criminal and administrative procedures imposed by the courts and other misdemeanor authorities under the jurisdiction of the PRO, is expected to increase the efficiency in the collection of the “fines”.*

Although “the Centre for the collection of fines and other public fees” functions throughout 2012, in the next period it’s further staffing and training of the newly appointed persons will be carrying out.

For a fully functioning system the software for electronic records of the fines, costs and lump sum, for enforced collection of broadcasting fee, as well as decisions derived for execution will be upgraded.

The PRO will work on establishing of agreements with other institutions for the electronic transmission of the subjects for the collection of fines.

## **9. Integrated automated system for constant electronic communication of the taxpayers with the PRO (GPRS)**

*Obtaining fast and accurate information about the completed cash turnover of the taxpayers, which will reduce the need for direct audit in businesses and engaging human resources of the PRO that will focus on the more fundamental controls.*

With the introduction of the integrated automated system for continuous electronic communication of the PRO with the taxpayers who own system of fiscal equipment, the fiscalization process would be completed in the Republic of Macedonia and will increase the efficiency and effectiveness of the PRO in monitoring cash turnover.

The integrated automated system involves setting up and installing GPRS devices on the incremental equipment at the taxpayers and supplying the appropriate IT equipment in the PRO for acceptance, recording, analyzing and reporting for the undertaken data.

For the purpose of this draft, amendments to the Law on Registration of cash circulation and the Rulebook for the application of this law are being prepared.

The project will be implemented in phases and in the first phase will include major shopping chains and petrol stations.

## **10. Lawyers stamps (advance payment of the income tax of the lawyers individuals)**

*Increasing of tax revenues from legal services and reducing of the risks of collection of the tax revenue.*

In 2012 is adopted the Law on attorneys' stamps which will apply from 2013. Although the activities related to the adoption and application were not provided in the PRO 2012-2014 Strategic Plan, however, with the adoption of the Law they got priority, and in this context

a Rulebook is brought on the form, content, value, method of the issue, raising, withdrawal from use, as well the form and content of the records for the used attorneys stamps and forms within its structure, a choice for authorized printer is made, software has been prepared and staff training is performed.

Though initiated in 2012, in 2013 will be implemented educating of taxpayers- lawyers and target groups for full implementation of the law.

## **11. Compliance management (risk)**

*Since the introduction of specialized strategy for management of different categories of taxpayers increasing of the self taxation and reducing of risks for tax revenue is expected.*

The Public Revenue Office will introduce a systemic approach in the management of various categories of taxpayers, ie the risk that they cause in the tax system. For this purpose, it will be determined the most important risks and their holders and Annual Plan for compliance management will be prepared.

After defining the risks for each category of taxpayers and the environment that is characteristic for them or for period, the activities that should be undertaken in the next year will be defined, the holders of those activities, deadlines for implementation and expected results. For the actions undertaken, reports will be prepared.

To achieve a better effect of the introduction of this system of work, a workshop will be held with international experts who will bring the best experiences, and after that will be prepared an action plan for usage.

# SERVICE ORIENTATIION

*Larger extent of voluntary report of taxes by improving services to taxpayers and further strengthening of their trust in the PRO as a professional institution ready to help and effectively resolve tax matters.*



## 1. Voluntary and lawful fulfillment of tax obligations without intervention of the PRO

*Increase of the number of timely and accurate tax returns and the payment of taxes, through further education and information to taxpayers for the tax problems.*

To achieve this goal it will be continued with the preparation of publications and other materials intended for informing different target groups, by holding seminars and other educational and informative meetings with taxpayers and other interest groups.

The PRO will continue with the education of young people within secondary and university education (Project “Fiscal youth education”), for which was prepared a special program. According to the structure of the taxpayers in each particular municipality, a plan and education program of population through the tax counters of the PRO shall be adopted. Particular attention will be paid to the education and information of newly-established enterprises.

To improve the services in progress is the introduction of e-Registry for status changes for tax purposes - an opportunity to apply changes to the data in the PRO and the taxpayers will receive notification by SMS or e-mail for tax liabilities.

The reaffirming of the existing civil diary data will be approached by introducing new forms for expressing the opinion of the citizens.

## 2. Business oriented instead of bureaucracy

*Administration exists for the citizens, not the citizens of administration.*

The service orientation means broad support of the taxpayers in the achieving of their liabilities with the lowest administrative costs and commitments. In this sense, in this period will continue the Regulatory Guillotine fourth phase, which will ensure the simplification of procedures, shortening the deadlines for execution, implementation of the law “silence is consent”, for which will be developed an appropriate Operational Instruction. For the employee attitude in the defined tasks, the established deadlines for their execution and quality execution, the following projects will be implemented:

- Citizen before all - application of the deadlines for treatment by civil servants and managing persons and sanctions for failure to work in due time.

- Rate this administration - direct expression of citizens' satisfaction of services received from state institutions, through a special device that will be connected to the system software for calculation of the salary in order to raise the accountability of civil servants
- Barometer of the quality - system for continuous measurements of the user satisfaction of administrative services, where the institutions will be evaluated in terms of satisfaction of the citizens when issuing of the service.
- Memorandum of cooperation between the PRO and the State Statistical Office - it will be fully implemented in 2013, and then regularly with submitting data after the annual returns for the personal income tax and corporate income tax.

### 3. High degree of development of electronic services

*Increase of the use of e-services, in particular increasing the number of electronically submitted tax returns.*

This measure means continuation of the process of developing methods of electronic communication with taxpayers in all areas of the PRO. Particular interest is the increase of the number of taxpayers, especially medium and small taxpayers and citizens who submit tax returns electronically, for which an intensive campaign and education will be lead.

The PRO will implement a system for numbering of the VAT invoices (e-VAT) and the opportunity to apply for a certificate of paid taxes and certificate for realized income as a new e-service.

According to the program "e-Services for citizens", the PRO's e- services will become available to individuals, and the program "e-Tax" refers to the development of methods of electronic communication with taxpayers, which in 2013 partly, and from 2014 completely, will become a legal obligation.

In cooperation with the Ministry of Information Society and Administration, it will be worked on the "E-Government" project', with which the possibility of filling tax returns through smart phones will be available.

# ORGANIZATION OF LEARNING AND KNOWLEDGE

*Taking care of employees and the creation of a trained professional staff will enable the PRO to become a desirable work place for people with high potentials that will invest their entire capacity in advancing the work of the Office.*

## 1. Improve the structure and fairly reward of the employees

*Motivation for work and fair reward of the employees and increase human resources of the PRO.*

By the implementation of the programs for employment of young highly educated staff and with the system of redeployment of employees (technical and non-core functions to essential things), will affect the quality and efficiency of the PRO.

In the next period, particular attention will be paid to the objective evaluation of the working results of individuals and in 2013 the first annual evaluation of employees under the methodology of evaluation of performances of the PRO will be made, a model of motivation and reward according to the results of the work will be established and will promote and monitor the performance measures and standards.

In order to strengthen the quality and expertise of tax officers the project “Top Management” will be carried out, which represents a continuous training of the highest senior officers; periodical testing of the knowledge of the employees shall be established; a system of mandatory transferring and application of knowledge gained by the participants on an international training would be introduced; Electronic System for knowledge management (LMS), which involves the formation of a dossier for visited training courses and knowledge which every employee have, as a prerequisite for promotion in the system of career; Electronic system for resource management (ERP) will be established, which is a register with an overview of the capacities of the employees.

## 2. Organizing of a systemic training of employees

*Increase of the efficiency through education and establishing international exchange of experiences through the Regional Tax Academy.*

The training strategy of the PRO aims to support the reorganization of the institution and new work processes of key features, and training needs for the work and management in order to improve the ability of staff at all levels, leading to improved performance of the work and service, the voluntary fulfillment of tax obligations of taxpayers and the forcible enforcement, when it will be needed. The training strategy goes through four stages of development of the training to achieve the ultimate goal - “Regional Tax Academy” (RDA):

- Phase one - Establishment of internal training of the employees on management positions for leadership skills, introducing of taxes and tax procedures for the employees in audit, assessment and collection of taxes and other functions by specific experts, which was mainly realized in 2011;
- Second phase - Establishing of a Training Academy for the employees, which is made possible by recent organizational changes;
- Third Phase - The tax Academy to expand the program to other interested users: tax advisors, financial institutions, training on management in state institutions, training for taxpayers; and
- Fourth stage - The tax Academy to become a Regional Tax Academy and Eastern European Centre for best practices for the tax administration, which will be possible when the academy will exceed the internal needs of the PRO and the needs of the interested users in the country.

A budget will be provided for the deployment of human resources, renovation and equipping of space for RDA and a database will be established to record and track the results of applied education per employee.

As in 2012 as well as in 2013 and subsequent years, education programs will be conducted on the basis of the Annual Plan of the academy.

# A PLACE IN THE INTERNATIONAL COMMUNITY

*Establishing of the Macedonian Tax Administration in the international arena through exchange of information and experiences on international level and acceleration of the process of modernization of the PRO and alignment with European practices.*



## **1. Avoidance of double taxation or non-taxation and exchange of information for tax fraud**

*Increase of the number of signed and ratified international treaties and bilateral agreements upon which is acted and exchanged necessary data needed to combat tax fraud and avoidance of tax payment.*

The process of implementation of international agreements on avoidance of double taxation or non-taxation, developing of the introduced system for the employee's education implementation of international agreements and tax withheld and updating the website of the PRO with this theme continues in the next period with a tendency to use all OECD methods.

At the same time goes on the strengthening of the system of data exchange, used for the prevention or early detection of tax fraud and financial crime.

It will be worked on developing the technical basis of the exchange of data with the procurement of appropriate hardware and software that will enable continuous data exchange with EU countries.

## **2. Data exchange for VAT within the EU (VIES system)**

In order of a constant exchange of VAT information with the EU Member States in the prescribed manner, it is necessary to establish a liaison office to exchange VAT data for which will be procured a prescribed hardware and software base for VIES, staff will be hired and their education will be carried out according to the EU standards in the period just before the country's entry into the EU.

## **3. Cooperation with international institutions, organizations and tax administrations**

*Transfer of the international experience and reduction of the tax fraud with international background.*

Through communication with international institutions and organizations, the objectives are to: strengthen / extend the cooperation or to establish a stable framework for future cooperation; enable application and participation in projects that are part of the annual programs of international institutions and organizations, and then periodically report on the degree of implementation of projects; organizing donor conferences; participate in the annual program and Annual Meeting of the Intra-European organization of Tax administrations (IOTA).

Cooperation with the tax administrations of the Member States of the European Union and other countries will be accomplished through bilateral cooperation and operationalization on the PRO initiative to exchange information between the Balkan tax administrations as early prevention of new trends in tax evasion.

#### 4. Euro integration process

*Approximation of the PRO to work standards that apply in the tax administrations of the Member States of the EU and the country's contribution to the overall activities of the faster EU integration processes.*

Within the EU integration process the PRO activities will be accomplished for to preparation of the NPAA Programme and the monthly reporting to the Secretariat for European Affairs (SEA) and the EU Office in the Republic of Macedonia for the extent of the implementation of the NPAA program; implementation of the IPA program (programming, implementation, monitoring and evaluation); Implementation of the Programme Fiscalis (implementation the annual program of FISCALIS, monitoring, evaluation, organization of workshops, creating of a Profile of the PRO within TACTIC - FISKALIS); preparation of subcommittees within the Stabilisation and Association Committee; and communication and coordination of activities within DG TAXUD.

\* \* \*

For the anticipated development and implementation of the new programs under the Strategy 2013-2015, in the Public Revenue Office is predicted new 105 jobs (35 per year), which would be distributed as needed.

For achieving the strategic goals in the next three-year period, it is anticipated that funds will be needed in the amount of 1,541,857,500 denars per year: (2013) 540 942 500 denars (2014) 471 620 000 denars and (in 2015) 529 295 000 denars.

The stated amounts of assets in the planning period will be allocated per separate organizational units of the PRO according to the plan and the needs for the following purposes: Regional Tax Academy - 61.5 million denars; installing GPRS fiscal equipment to the taxpayers - 826,500,000 denars; software and hardware - 473,857,500 denars and; and new hires - 180,000,000 denars.



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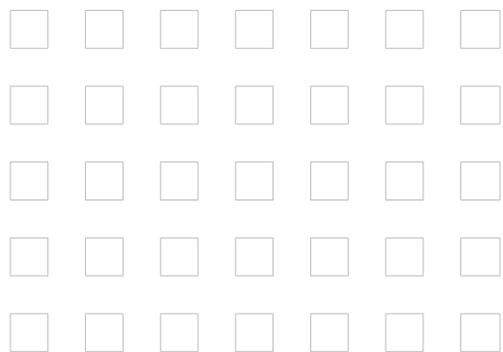
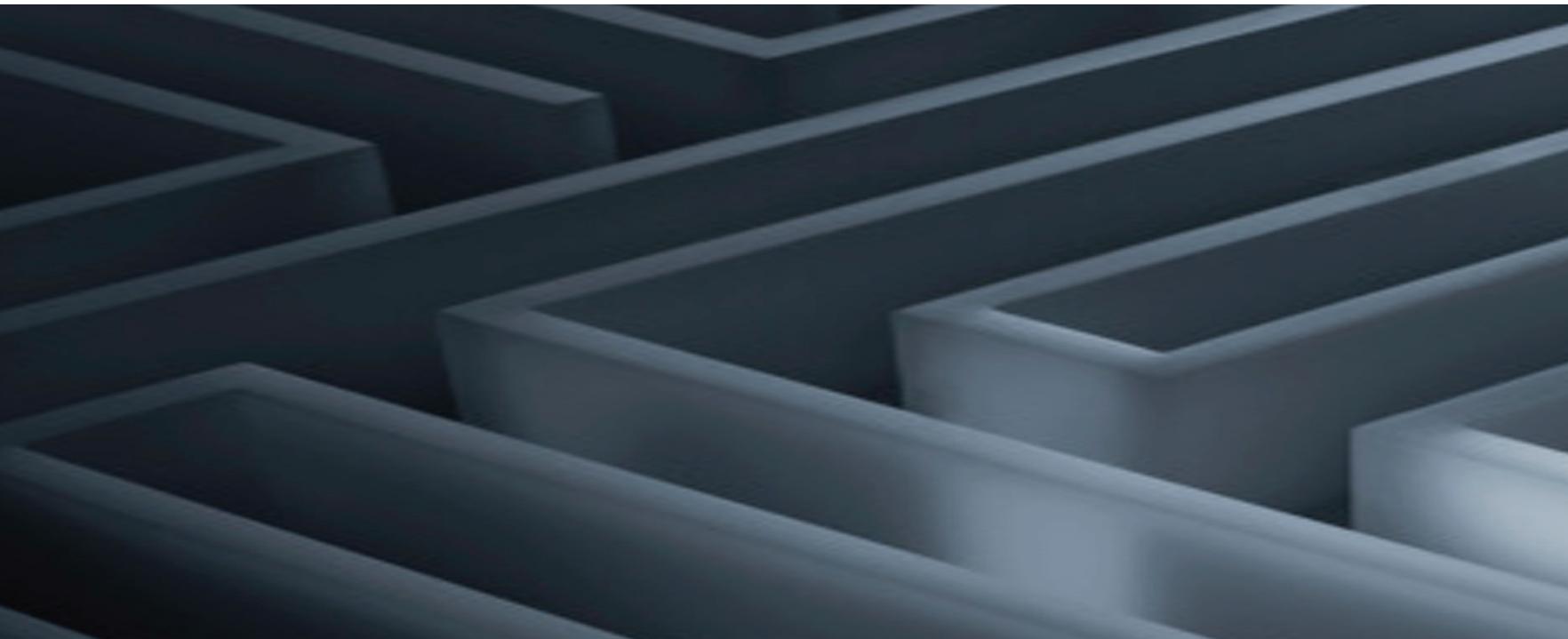
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