THE REPUBLIC OF SERBIA
NEGOTIATION CHAPTER 16 - TAXATION

PREVENTION OF TAX EVASION AND AVOIDANCE/ADMINISTRATIVE COOPERATION
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1. ADMINISTRATIVE COOPERATION AND INTERNATIONAL LEGAL ASSISTANCE IN TAX-LEGAL MATTER
Agreements on avoidance of double taxation related to taxes on income and property

The Law on tax procedure and tax administration ("RS Official Gazette", No.80 / 02, 84/02 - correction 23/03, correction 70/03, 55/04, 61/05, 85/05 - other law, 62/06 - other law, 61/07, 20/09, 72/09 - other law, 53/10, 101/11, 2/12 - correction, 93/12, 47/13, 108/13, 68/14, 105/14 ), hereinafter LTPTA

Regional Agreements on cooperation and mutual assistance
TYPES OF COOPERATION

- Multilateral cooperation
- Cooperation with European commission
- Bilateral cooperation
- Regional agreements
MULTILATERAL COOPERATION

The tax administration cooperates with international financial institutions and organizations:

- World Bank (WB)
- International Monetary Fund (IMF)
- OECD - SIGMA
- Intra-European Organization of Tax Administrations (IOTA)
COOPERATION WITH THE EUROPEAN COMMISSION

- Directorate General for Taxation and Customs Union (DG TAXUD)
  - Monitoring mission
  - Technical support

- European Commission, Directorate General for Neighbourhood Policy and Enlargements Negotiations (DG NEAR), TAIEX instrument

The tax administration will in the following period intensify the use of TAIEX instrument in order to implement EU acquis.
The Republic of Serbia applies 54 international agreements on avoiding double taxation related to income tax and property tax (hereinafter: The Agreement).

- Subject: personal income tax, corporate income tax and property tax
- Out of the mentioned number - 26 Agreements are applied with EU member states
- The Agreement is concluded with Luxembourg, and negotiations are in process with Portugal
REGIONAL AGREEMENTS (1/2)

- Agreements on cooperation and mutual assistance from 11/06/2006, concluded between the competent authorities - the tax administration of Bosnia and Herzegovina, the Republic of Bulgaria, the Republic of Macedonia, Montenegro and Serbia;

- Agreement on cooperation in the field of direct taxation of 14/10/2010 was concluded with the Tax Administration of the Serbian Republic (BIH)
REGIONAL AGREEMENTS (2/2)

- Agreement on cooperation between member states in the field of the Tax Administration activities from 17/03/2011, so-called B6, concluded between the competent authorities - the tax administrations of: Bosnia and Herzegovina (Tax Administration and the Indirect Taxation Administration), the Serbian Republic (BIH), the Republic of Slovenia, the Republic of Montenegro and the Republic of Serbia;

- Memorandum of understanding in the field of information cooperation with the Financial Police of the Republic of Italy, concluded on 08/03/2012.
EXCHANGE OF INFORMATION WITH EU MEMBER STATES (1/2)

- From 2012 to 2014 the Tax Administration of the Republic of Serbia exchanged information with the following EU member states:
  The Republic of Poland, the Slovak Republic, the Italian Republic, the Kingdom of Sweden, the Republic of Greece, the Republic of Lithuania, the Republic of Romania, the United Kingdom of Great Britain, the Republic of Slovenia, the Republic of Hungary, the Republic of France, the Kingdom of Belgium, the Czech Republic, the Republic of Croatia, the Republic of Austria, the Republic of Bulgaria, the Kingdom of Denmark and the Federal Republic of Germany.
EXCHANGE OF INFORMATION WITH EU MEMBER STATES (2/2)

- The subject of the largest number of requests refers to the exchange of information in accordance with the agreements on avoidance of double taxation and it applies to the control of the business relationship and delivery of data on gross taxable income.

- Most intensive administrative cooperation the Tax Administration established with the Republic of Hungary, in accordance with the Agreement on avoidance of double taxation with respect to income tax and property tax.
EXCHANGE OF INFORMATION WITH NON EU MEMBER STATES

- From 2012 to 2014 the Tax Administration of the Republic of Serbia, exchanged information with the following countries which are not members of the EU:
  
  Bosnia and Herzegovina (Serbian Republic and the Federation of Bosnia and Herzegovina), the Republic of Belarus, the Republic of Ukraine, the Russian Federation, the Republic of Macedonia, Montenegro, United Arab Emirates, Cape Verde, Republic of Mauritius, the Republic of Turkey and the Swiss Confederation.
SUBJECT AND METHOD OF EXCHANGE OF INFORMATION IN TAX MATTER

- The most frequent exchange of information: control of the business relationship, sending data on gross taxable income, tax service of administrative acts.

- Exchange of information at the request of the competent authority is the most common form of exchange of information in tax matters.

- The requests are submitted in writing.
HARMONIZATION WITH THE EU ACQUIS IN THE FIELD OF ADMINISTRATIVE COOPERATION

THE REPUBLIC OF SERBIA WILL HAVE NO DIFFICULTY IN ACCEPTING THE EU ACQUIS IN THE FIELD OF ADMINISTRATIVE COOPERATION
FORMING THE CENTRAL LIAISON OFFICE

DEPARTMENT FOR THE EXCHANGE OF INFORMATION (CENTRAL LIAISON OFFICE)

LIAISON DIVISION FOR DIRECT TAXES
Administration cooperation based on:
1. Taxation of income from savings interests
2. All taxes of any kind paid to member states
3. Agreements on avoidance of double taxation

Authorized contact persons in regional departments

LIAISON DIVISION FOR INDIRECT TAXES
(Administration cooperation in the field of VAT and excise)

Authorized contact persons in regional departments

LIAISON DIVISION FOR RECOVERY OF CLAIMS

Authorized contact persons in regional departments
CONDUCTED ACTIVITIES

- IOTA technical questionnaire related to organization and functioning of the Central liaison office.
- Replies obtained from 12 IOTA member states which are also EU members.
- The analysis of received data is in process in order to identify the best practice.
- Application for TAIEX study visit to Hungarian tax and customs administration (NTCA) - topic: Central Liaison Office (CLO).
CREATION OF IT SYSTEMS FOR THE EXCHANGE OF INFORMATION

- Building VIES system;
- Building of Excise Movement Control System (EMCS);
- Building other information systems for the exchange of information.
2. BUILDING ADMINISTRATIVE CAPACITIES
PREVIOUS PROJECTS OF THE TAX ADMINISTRATION (2002-2007)

Previously implemented Projects mainly related to:

- Modernization of business infrastructure
- Modernization of education infrastructure
- Modernization of IT infrastructure
- Support to the overall modernization and management
- Improvement and alignment of legislative framework

The projects were aimed at preparing the Tax Administration for business changes that were to contribute to more productive and efficient work in compliance with and enforcement of legal norms, as well as at preparing for the alignment with EU acquis and the best practice of tax administrations of EU member states.
EU FUNDED PROJECTS OF TAX ADMINISTRATION (1/4)

- IPA 2008 Harmonization of the Serbian Customs Enforcement Division with the standards, organization and operational methodology of the EU enforcement agencies
- Budget: 1.4 million euros

The project was realized in cooperation with the Customs Administration and the twinning partner was the Italian Customs and Monopoly Agency.

The project implementation took 18 months.
It was finished in February 2013.
EU FUNDED PROJECTS OF TAX ADMINISTRATION (2/4)

RESULTS:

1. Enhanced cooperation among Customs Administration, Tax Administration, other state bodies and businesses sector in the field of tax policy
2. Alignment of tax and customs legislation, notably in the field of indirect taxation, based on the results of gap analysis
3. Developed effective policies of Customs Administration and Tax Administration to combat tax evasion and fraud, including evasion and fraud at international level
4. Improved competences of customs and tax officers in order to successfully enforce legislation and detect and prevent potential tax fraud (training)
EU FUNDED PROJECTS OF TAX ADMINISTRATION (3/4)

ONGOING PROJECTS

IPA 2011 – Modernization of Tax Administration
Total project value is: €9,470,000

Co-financing – €1,870,000

General objective: Establishing efficient tax system in accordance with EU requirements

Specific objectives: Enlargement of tax collection capacities by the Tax Administration which is client-oriented and efficient in human resources management in accordance with the best EU practice.
EU FUNDED PROJECTS OF TAX ADMINISTRATION (4/4)

PROJECT RESULTS:

1. Designed efficient support system for the tax collection function,
2. Designed system for an efficient financial and material accounting management,
3. Designed system for collecting all relevant information on tax evasion cases and adequate reporting system implemented,
4. Designed and implemented system for efficient human resources management,
5. Designed internet portal for providing service to taxpayers via internet,
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.
TECHNICAL ASSISTANCE

GIZ Deutsche Gesellschaft für Internationaler Zusammenarbeit GmbH
(German Organization for International Cooperation)

Public Finance Reform Project (2012 – 2014)

Project objective:
▪ Support in the process of alignment of the Law on tax procedure and tax administration with the EU standards;
▪ Support in the improvement of organizational structure, administrative procedures and reporting system of the Tax Administration;
▪ Support in the institutionalization of tax dialogue and education of taxpayers on compliance;
Technical Assistance of Swiss Confederation for South-Eastern Europe (2010 – 2014)

The program is implemented by IMF – International Monetary Fund

**Project objective:** Capacity Building of Tax Administration in the following areas:
- Strategic planning
- Core and support functions of Tax Administration

**Project components**
- Strategic planning
- Risk management
- Performance management
- IT reform
PLANNED PROJECTS (estimations)

EU INFORMATION EXCHANGE SYSTEMS

Objective: Perform general assessment of the existing capacities, gap analysis and needs assessment for the alignment in order to achieve full interconnectivity and interoperability.

The precondition for the functioning of EU information exchange system is building of common communication network/comon interface system (CCN/CSI).

DG TAXUD recommendation: The projects related to the preparation and alignment of legal and procedure aspects should begin 4-5 years prior to the accession, and the projects related to the software development and hardware installation should begin 2-3 years prior to the accession.
They refer to the system establishment and preparation for the implementation of information exchange systems used in EU.

**CCN/CSI common communication networks/common interface system**

- Assigning planned location (Customs Administration, June 2015 – New Computerized Transit System (NCTS);
- Training for the use of the equipment;
- Supply, installation and testing of technical equipment;
- Tax Administration and Customs Administration sign the Service Level Agreement (SLA) which will enable TA to use and access the network;
- Full connectivity realized 6-9 months prior to the accession to full membership.
VAT INFORMATION EXCHANGE SYSTEMS

• VIES - VAT Information Exchange System - IT system for VAT information exchange with two main subprojects:
  - VAT information exchange system
  - VIES on the web (VoW)

The project is to enable the alignment of the existing VAT system with the EU acquis and the establishment of the foundation for the development of information system, interconnectivity among the EU members for the exchange of data on sales of goods taxable with VAT (VIES) through the adjustment of the existing national information system.
In the following phase of the project: development of VIES and VoES systems and efficient management of VIES.

VIES SYSTEM HAS TO BE OPERATIONAL AS OF THE DAY OF EU ACCESSION

• VAT system on eServices (VAT on eServices VoeS)

After the implementation and necessary adaptation, M1CS will cease to exist;

• VAT refund (VAT REFUND system)

The refund process is simplified by submitting a request in a member state where a taxpayer resides.

• E-forms (connected project of Recovery of Claims)

• M1CS - Mini one-stop shop system
PLANNED PROJECTS (4/8)

INFORMATION EXCHANGE SYSTEMS FOR THE RECOVERY OF CLAIMS

• Recovery of claims per e-form request (Exchange of Forms)
• eForm Central Application (eFCA)
• Automatic exchange for collection

INFORMATION EXCHANGE SYSTEMS FOR OTHER TAXES

- TEDB (tax database in Europe) from 2007 and TEDBv2;
- TEDBv3
PLANNED PROJECTS (5/8)

INFORMATION EXCHANGE SYSTEMS FOR DIRECT TAXATION

• ToS – taxation of savings
• ToW Tax identification number on the web
• FISCO Future project in the status of feasibility study
• E-forms for direct taxation
  a) eForms for direct taxation
  b) AEoI (Automatic Exchange of Information)
• Central Application
PLANNED PROJECTS (6/8)

INFORMATION EXCHANGE SYSTEMS FOR JOINT SUPPORT

- VIES monitoring system (VMS);
- CCN-Mail for taxation;
- SSTS (Self-service check system);
- TIC (taxation information and communication);
- TSS (taxation statistics system);
- eFCA (eForm central application)
CENTRAL LIAISON OFFICE (CLO)

• Contact point of Tax Administration for communication with other EU member states regarding administrative cooperation and exchange of information related to VAT and all other taxes in providing mutual assistance for the recovery of foreign claims.
PLANNED PROJECTS (8/8)

EMCS PROJECT

DG TAXUD recommendation:

• Excise business reorganization to be run by one Administration or to be discussed at the Government level regarding the ownership of excise business either to be run by Tax Administration, Customs Administration or both administrations.

• EMCS at the national level, after EU accession, Serbian EMCS communicates with the excise systems of other member states through CCN/CSI.

• Twinning project in order to gain experience and support the necessary legal, organizational and procedural adaptation.
## PLANNED ACTIVITIES AND GENERAL TIMETABLE FOR THE ESTABLISHMENT OF CENTRAL LIAISON OFFICE

### OBJECTIVES

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<td><strong>Preparation business processes and procedures; defining the organizational structure, relationships, authorizations, and duties of various structures in the TA in connection with the work of the Central Liaison Office</strong></td>
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| **Establishing a network of contact persons in the organizational units of the Tax Administration** |
| Establishing a network of contact persons in the organizational units of the Tax Administration |
| Identifying the best position for the contact person in the organizational structure of the Tax Administration, defining the necessary conditions for the contact person in the organizational units of the Tax Administration (branches), defining job descriptions for contact persons, including granting jurisdiction for proceeding per the high priority request, special training for contact persons |
| IPA, TWINING, TAIEX and FISCALIS 2020 |

| **The development of standard work documents** |
| The development of standard work documents |
| The development of standard work documents |
| IPA, TWINING, TAIEX and FISCALIS 2020 |

| **Engagement of future employees of the Central Liaison Office** |
| Engagement of future employees of the Central Liaison Office |
| The analysis of staff needs and preparation of the Act of systematization |
| IPA, TWINING, TAIEX and FISCALIS 2020 |

| **Training of future employees of the Central Liaison Office** |
| Training of future employees of the Central Liaison Office |
| Identifying the need for training - initial and continuous training, identification of methods, training programs |
| IPA, TWINING, TAIEX and FISCALIS 2020 |
# PLANNED ACTIVITIES AND GENERAL TIMETABLE FOR THE BUILDING OF INFORMATION EXCHANGE SYSTEM

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FISCALIS PROGRAM

- The Fiscalis program should significantly support the education of employees in future as well as technical issues of systems design;
- Within the Fiscalis 2020 program, monitor all ongoing developments in the EU system in order to plan and anticipate the inclusion of improved performance of the system being introduced;
- All developments of VAT regime must be monitored which will lead to the introduction of significant changes;
- Within Fiscalis 2020, to participate in working groups and monitor developments in the sphere of taxes and excise duties to include planned possibilities within the system architecture during its design;
- Use program activities in the form of organizing the working visits to EU member states and use their experience on the road to European integration.
TAIEX

- Plan – more active use of the possibilities of TAIEX instrument
- DG TAXUD Mission recommendation is the use of study visits to the developed countries:
  - For the needs of the alignment with EU acquis (DG TAXUD Mission report held from 14-18 July 2014 in the clause 3.5.3 recommendation No. 22)
  - Design and further development of Data Center (clause 3.7.3. recommendation No. 32)
  - Continuous training of employees and the improvement of capacity building program (clause 2.9.3. recommendation No. 45)
Thank you for your attention!

QUESTIONS?