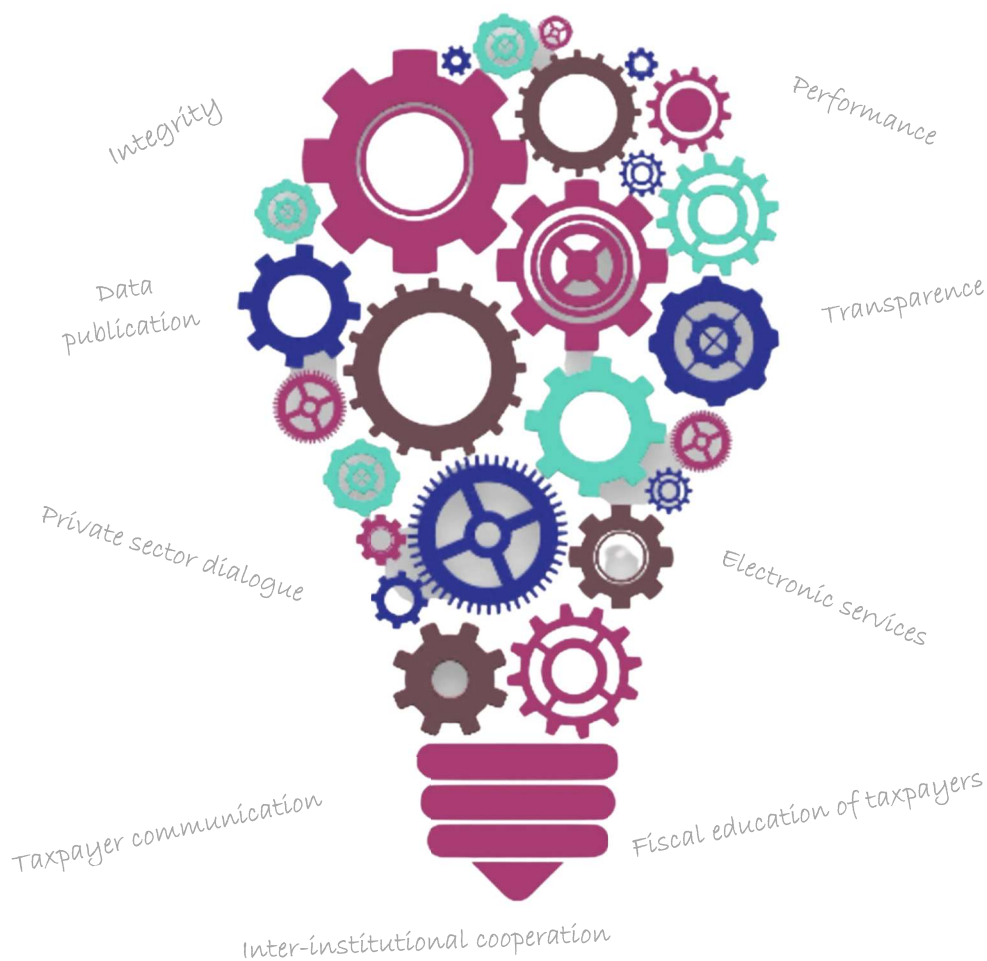




## Tax Administration of Kosovo Integrity Improvement Plan

2021 – 2023



November 2020

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## For the Public/Reader

Tax Administration of Kosovo (TAK) has continuously tried to create mechanisms that protect and improve its integrity in relation to taxpayers and citizens, by improving and advancing services towards them. These services have greatly facilitated the working procedures between TAK and taxpayers/citizens, as it has moved towards the realization of strategic objectives planned to digitize as many services, which in turn have increased trust of the public to TAK. Our institution has made progress in other processes, such as increasing accountability and transparency, which have brought positive assessments in various reports of international institutions, but also from surveys conducted with taxpayers.

When discussing digitalization of services to taxpayers, this does not mean that TAK is oriented only toward the advancement and modernization of services to taxpayers, it has also enabled the current system to help in reducing corruption, by eliminating the discretion of TAK officials, in some segments where the possibility of corruption and abuse of office has been relatively more likely.

Having in mind that numerous elements, which might in one way or another, give a negative impact on its profile, in 2019, TAK, in cooperation with the USAID Economic Governance Activity in Kosovo has started drafting the Integrity Improvement Plan (IIP), which aims to identify areas that contribute directly or indirectly to management ambitions to improve TAK's efficiency and integrity.

Improving TAK's integrity through this plan is focused on the use of objective data on the performance of internal management and communication with the public, shift the focus of communication between TAK and taxpayers, introduce additional electronic services for citizens which currently require them to make physical visits to TAK offices etc. In addition, this plan will help improve the internal structures, HR processes, policies and procedures, trainings in order to highlight potential integrity issues related to the TAKs' staff work.

TAK expects that the implementation of this plan will increase transparency, accountability, which will then further increase public confidence in it.

## Introduction and Problem Background

Over the past years, the Tax Administration of Kosovo has made good progress in improving its services to taxpayers/citizens, by enabling electronic services, including electronic tax filing and provision of numerous services through electronic platforms; optimization of internal processes, such as VAT reimbursement procedures, and is introducing changes to its institutional structure for a more effective management of its key functions.

However, further improvements are needed in order to make TAK a leading example among public institutions providing highest quality services to citizens. According to the IMF Technical Assistance (TA) report on the "Mid-Term Plan for Strengthening the Performance of Tax Administration" from September 2018, *"the public perception about TAK is that the institution is considered a professional organization, however, the results of a series of surveys also suggest that there is room for improvement. In a tax survey conducted in 2015, funded by GIZ, 40% of respondents agreed that TAK inspectors were open to bribery, which fluctuated to 43% in 2017, and to 36% in 2019."* According to the Public Pulse Report<sup>1</sup>, respondents' perception of the prevalence of corruption in TAK is 18.9% in April 2020, 42.2% in November 2019, 35.3% in May 2019, and 25.4% in November 2018.

Therefore, in order to address the public perception about TAK and to realize TAK's management commitment to further improve the quality of services for citizens, there is a need, in the medium term, for TAK to improve its efficiency based on processes, accountability and transparency, which in turn will increase public trust in TAK. Such improvements would reduce opportunities for and perception of corruption, especially if objective performance data is used to communicate with the public about TAK activities.

To address the above issues, TAK has developed and will implement an "Integrity Improvement Plan" (IIP), which identifies areas for improvement that directly or indirectly contribute to the management's ambitions to improve TAK's efficiency and integrity. These areas include the *use of objective data for performance measurement, risk-based systems, improving communication with taxpayers and increasing transparency, advancing electronic services, and developing human resources.*

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<sup>1</sup> [https://www.ks.undp.org/content/kosovo/en/home/library/democratic\\_governance/public-pulse-xviii.html](https://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/public-pulse-xviii.html)

## Approach

TAK will take the leadership in coordinating this plan, whereas the USAID Kosovo Economic Governance Activity can provide technical advice and support during this time. Since most of the proposed areas to be covered by this document include various institutions, the process should be comprehensive, by including other public institutions, other donors and the private sector.

Involving policymakers, civil society and the private sector in the design and implementation of TAK's integrity and transparency policies (which neutralize opportunities for and perception of corruption) is important not only to ensure the buy-in and commitment of stakeholders, but also to ensure that most pressing issues are addressed and that the state has the necessary capacity to implement agreed reforms/activities.

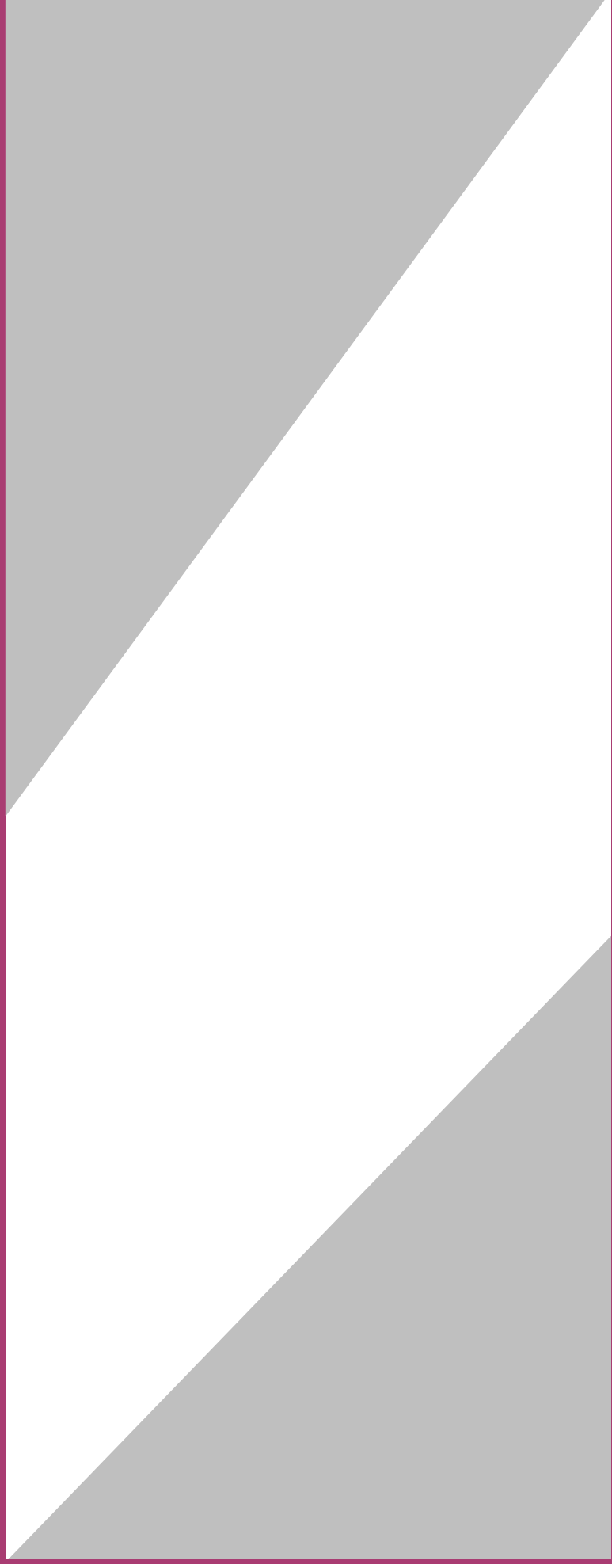
A series of workshops within TAK and public consultations with businesses, associations, civil society, media, donors and public institutions were held in advance of drafting and implementation of the Integrity Improvement Plan of the Tax Administration of Kosovo. These consultative roundtables were important in building the first structured dialogue of its kind to encourage public input to improve TAK's transparency and accountability. About 100 participants have provided their recommendations regarding expectations for the integrity of TAK.

Based on the information gathered during consultations, five main pillars for further strategic and operational improvement in TAK have been identified, along with detailed actions within each pillar. Where relevant, the activities are complemented with objective and measurable indicators, which are detailed in an accompanying document to this plan: Document on Indicators.

*In case of any differences between versions, the Albanian language version prevails*

# Pillar I

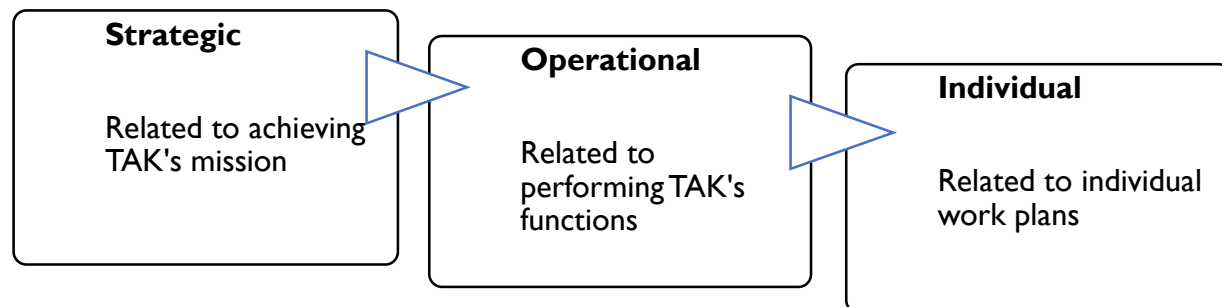
Improvement of performance by using objective data for measurement



## I. PILLAR I - Improvement of performance by using objective data for measurement

With the purpose of improving TAK's performance, and consequently provide better services to taxpayers and citizens, TAK will **strengthen the performance appraisal mechanism** of the institution at all levels of the organization. Installing an effective performance measurement system is essential to ensure that TAK fulfils its duties responsibly by improving the quality of services to citizens. The performance measurement system will be strengthened by undertaking **activities** at three organizational levels of the institution: strategic, operational, and individual (Figure 1)<sup>2</sup>.

**Figure 1: Levels of performance measurement through indicators**



To implement this approach, the relevant indicators (clear, objective, measurable, and achievable) for measuring performance at the three levels mentioned above will be identified first, and then data and information from the existing TAK database will be used to measure current performance and set reasonable targets for improvement during implementation of this Plan.

For the purpose of increasing transparency and improving communication and reliability vis-à-vis taxpayers, TAK will publish data that monitor and reflect TAK's performance at strategic and operational level (related to pillar number III). The publication of objective data on TAK's performance will directly affect improved the increase of credibility and integrity of the institution. Below, are presented **activities** for the implementation of a performance management system, for the three organizational levels of the institution.

### I.1. Improving performance at the strategic level

This level aims to assess the success in achieving the mission of the institution, which mainly focuses on increasing the state budget through tax collection. Tax legislation in Kosovo is based on the principle of voluntary compliance; therefore, the taxpayer is the key word in any reform undertaken by TAK. Therefore, if TAK is perceived as a professional organization with integrity, taxpayers will be more inclined to increase cooperation with it; declare and pay taxes regularly and accurately.

Consequently, through reforms that facilitate voluntary compliance, TAK aims to reduce informality, namely increase formal economic activity in the country, by expanding the tax base, which will

<sup>2</sup>Source: <https://www.imf.org/external/pubs/ft/tnm/2010/tnm1011.pdf>. This strategic objective is based on "Revenue Administration: Performance Measurement in Tax Administration" (FAD IMF), with a few changes to suit the institution.

increase state budget revenues. This will be reflected in the contribution that revenues collected by TAK provide to the total collection of tax revenues in the country, and thus in the economic growth of the country, through greater budgetary opportunities and equal treatment of all taxpayers.

Improvement of performance at strategic level can be monitored through a small, but focused number of indicators. During the implementation of this activity, TAK will initially identify indicators that will serve as a measure for achieving TAK's strategic objectives. Since in this case this is a measure at strategic level, the entire managerial level of the institution is responsible for achieving it.

Activities:

- I.1.1. Setting of indicators
- I.1.2. Setting of baselines and targets
- I.1.3. Analysis and reporting of results for each indicator

## I.2. Improving performance at the operational level

This level aims to produce a number of measurable indicators, which help improve TAK's processes and operations, which directly affects the achievement of strategic objectives of the institution. Indicators that measure operational performance will be comprehensive in terms of covering the main functions of the institution.

While each function will serve to improve the efficiency and productivity of the institution, in terms of time, priority will be given to external services/functions (those that are directly related to TAK's work with citizens/taxpayers). At the same time, considering that taxpayer services require support from staff and back-office units, prioritization of internal functions will be done by taking into account the contribution of that function in relation to external services; taxpayers. Therefore, while TAK intends to improve all processes and operations through measurable indicators, it will initially focus on the most priority functions.

Since in this case it is about operational level meters, the responsibility for implementing this activity lies with the Heads of the respective Departments of functions, as well as the deputy Director of the Functional Pillar for Programs and Procedures.

Activities:

- I.2.1. Inventory of TAK functions
- I.2.2. Setting of indicators
- I.2.3. Setting baselines and targets
- I.2.4. Analysis and reporting of results for each indicator



### 1.3. Improving performance at individual level

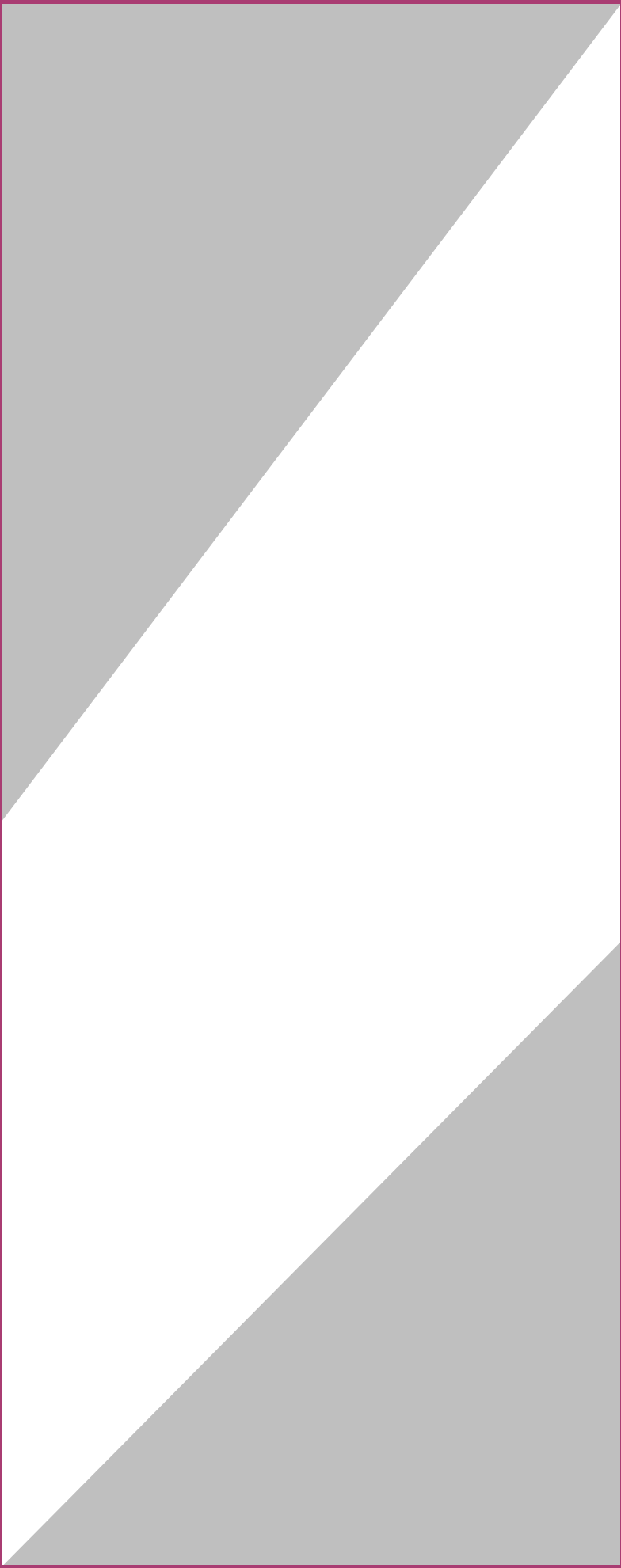
This section will be drafted in accordance with the individual work plans that TAK has through certain functions, according to indicators defined at the operational level. This will also be in line with some of the activities expected to be undertaken in Pillar V (in relation to Human Resources).

Activities:

- 1.3.1. Adaptation of individual work plans according to indicators defined in 1.2
- 1.3.2. Setting of baselines and targets
- 1.3.3. Analysis and reporting of results for each indicator

# Pillar II

Risk-based systems



## PILLAR II - Risk-based systems

Considering that TAK is responsible for collecting taxes from all taxpayers in Kosovo, it is impossible, from the operational point of view, for the institution to control and audit each entity. The best way to discover any tax evasion, while not overburdening the taxpayer, is the approach based on the risk assessment. TAK will strengthen the operational level systems that determine the risk that designated taxpayer poses for tax collection, based on which assessment TAK officials undertake the visit or audit.

As the IMF Technical Assistance Report suggests, TAK needs to improve its current method of tax compliance risk management to ensure that compliance efforts address the key risks that make up the bulk of the tax gap; "... the current approach involves allocating resources and structuring activities based on identified risk patterns, using a range of interventions to address

the causes (rather than symptoms) of non-compliance behavior and assessing the success of interventions in terms of their impact on the behavior of the taxpayer."

Therefore, the increased application of risk-based assessment in tax compliance would help TAK identify risk sources that are currently contributing to under-declaration and informality, as well as in improving local revenue consolidation by targeting high risk cases. Moreover, this takes away the tax inspectors' discretion in their interactions with taxpayers, so that they have limited physical communication with taxpayers, which would contribute to reducing the possibility of corruption. In addition, the creation of electronic files for each taxpayer can help verify taxpayer documents by TAK offices during compliance visits/inspections, thus reducing physical contact with taxpayers and at the same time reducing the possibility of abuse of official duty.

### 2.1. Increasing the number of operational activities based on risk assessment

Using risk assessment in TAK's operational activities allows for better measurement of the decision-making processes quality within departments, making it easier to increase TAK's efficiency and at the same time enabling reduced discretion of tax officials in decision making. Furthermore, risk-based activities help TAK achieve equal treatment of taxpayers, make the best use of available human, financial, and technical resources, and increase the level of voluntary taxpayer compliance.

Activities:

- 2.1.1. Increasing visits based on risk assessment
- 2.1.2. Increasing audits based on risk assessment
- 2.1.3. Advancing the electronic EDI system<sup>3</sup> to enable electronic information and reporting of taxpayers for visit/audit performed (reason, parameters)
- 2.1.4. Advancing the electronic module to enable appointment of tax officials to perform audits based on risk assessment

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<sup>3</sup> TAK is currently implementing the Information Technology system overhaul project. In the future, the name of the "Electronic EDI System" may be subject to change, but the functionality and activities foreseen in this document will remain the same.

- 2.1.5. Addressing specific requirements of taxpayers based on risk assessment (registration by TAK, deregistration, change of form/status of business, change of owner, etc.)
- 2.1.6. Evaluating the intervention successes and continuously reviewing audit and visit procedures

## 2.2. Expanding the database through the interoperability of systems

TAK will identify the appropriate resources regarding information systems and document management systems, so that the information is adequate, reliable, timely, secure and accurate. The key features of a risk management system within each stage of the risk management process are data exchange/interoperability, data integration, traceability, and data security.

Activities:

- 2.2.1. Developing of an audit case management system (electronic files)
- 2.2.2. Expanding the database through interoperability of systems (notaries, banks, etc.)
- 2.2.3. Advancing the EDI electronic system to allow for electronic submission of financial statements

## 2.3. Automation of reimbursement procedures

Adopting a risk-based approach on handling tax reimbursement applications and implementing an online module for implementing and tracking tax reimbursement processes has created opportunities for further improvements to the reimbursement process. Currently, tax officials use TAK internal regulations and guidelines to determine the risk level of taxpayers seeking tax reimbursement. This process gives tax officials the discretion to interpret the risk categorization criteria and may bring subjectivity to the process.

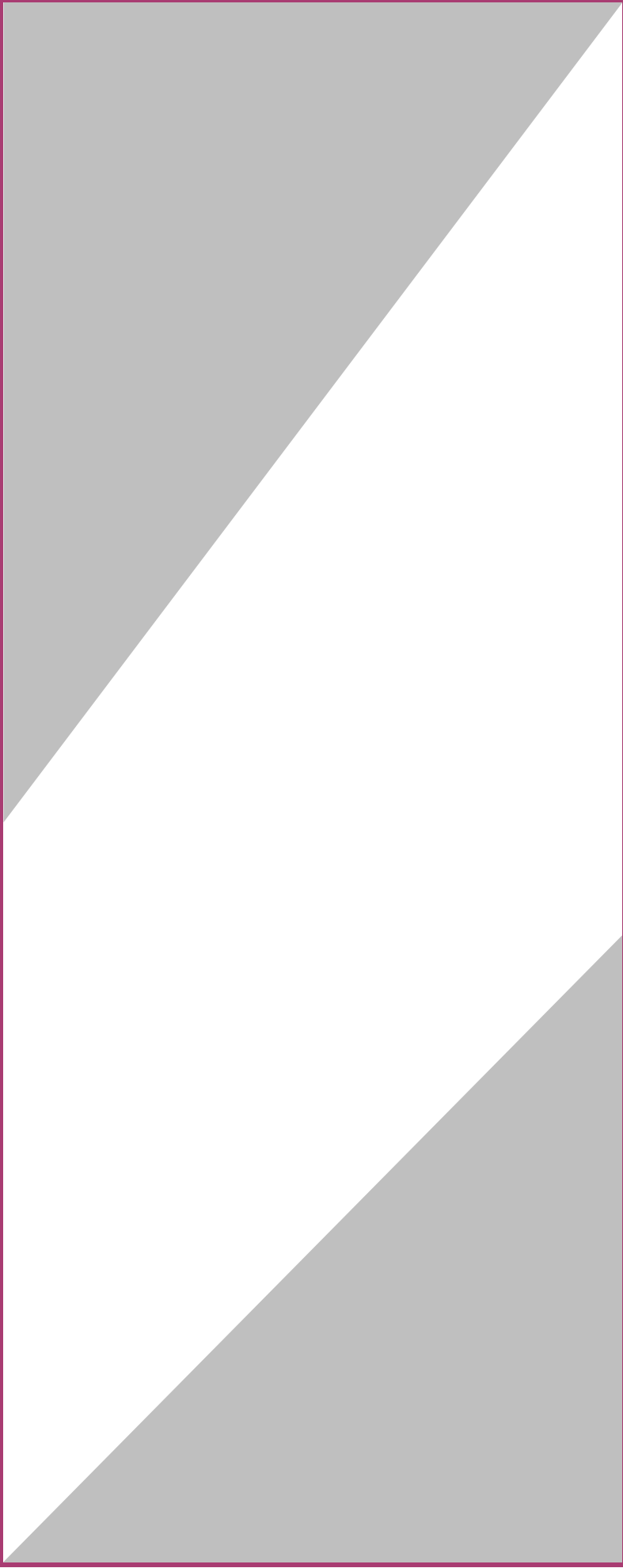
On the other hand, in 2019 TAK approved the 'Medium Term Performance Improvement Plan', whereby it has committed to further strengthen the management of risk-based tax compliance. This creates a unique opportunity to pilot - for specific taxpayer segments - automatic/immediate reimbursement without any prior verification. This would equate the reimbursement process with the tax return process, where any misreporting/declaration are identified through risk-based audits following the filing of the return.

Activities:

- 2.3.1. Automation of reimbursement procedures based on tax compliance classification criteria, starting with VAT
- 2.3.2. Annual review of tax compliance classification criteria in reimbursement processes, based on data analysis from prior application

# Pillar III

Improved communication with taxpayers and increased transparency



### 3. PILLAR III – Improved communication with taxpayers and increased transparency

In order to improve transparency, TAK will increase and strengthen communication mechanisms with taxpayers. TAK can achieve this by opening the data, increasing the capacity of TAK's staff for transparency and communication with taxpayers, updating published information on taxpayers and TAK, providing fiscal education for citizens/taxpayers, improving perception regarding the selection of taxpayer for audit, as well as enabling citizens to report on business informality.

Key to public administration reform at the national level for the Government of Kosovo is the commitment to open data. In the practice of democratic societies, everyone has the right to seek and receive information. The right of access to information is vital for achieving, and protecting other rights, ensuring democracy, and developing the country. TAK maintains important information and documents, which it keeps on behalf of the public; therefore, it should proactively publish information and documents, as well as give access to citizens and taxpayers who want any specific information. However, passive forms of obtaining information through individual requests are still practiced at TAK. The whole process lacks efficiency, and there are instances of delays in reviewing requests, or requests are not reviewed at all for different reasons.

Furthermore, by clearly articulating administrative process flow charts, by measuring performance, and making those data available to the general public, TAK eliminates the discretion of individuals/entities that could potentially favor specific groups/individuals/institutions and improves public trust in TAK through strengthened management oversight and monitoring tools.

#### 3.1. Publication of Open Data

TAK has not developed an adequate open data infrastructure. Therefore, this activity aims to achieve publication of TAK's open data.

Although progress has been made in recent years about the opening government data at national level, data is still rarely published in accordance with the concept of open data. To be considered open data, they must be: complete, updated, structured, accessible, computer readable, non-discriminatory, non-proprietary and without any form of licensing or patenting. Therefore, the first step prior to publishing data is to understand the classification of open data. From what open data is, to how it is used, developing of a guide will be a quick reference to everything TAK needs to know about the open data initiative.

Currently, TAK publishes some data on revenue, tax debt, number of taxpayers, etc., but all of these are published in PDF format. However, taking into account the fact that TAK has a lot of data for some areas, such as active businesses, by region, by activity, data on sales/turnover, employment, etc., these data will be published in a format more usable for citizens (info graphics, newsletters, leaflets, excel, video, etc.), and will be updated more often than once a year.

The publication of open data, as well as statistics by TAK, will help citizens/professionals to better understand the economy and use that data for various analyses. In addition, this will help inform the

public about TAK's development over the years, by publishing comparative materials and information on the official TAK website.

Activities:

- 3.1.1. Developing of a guideline, which will define the criteria for open data;
- 3.1.2. Identification of data to be published according to best international practice for the type of data that are most useful for publication;
- 3.1.3. Consultation with stakeholders to identify relevant data to be published;
- 3.1.4. Continuous publication of open data related to business status, NACE code, size, number of employees, location, owner's gender, local or foreign ownership, types of taxes collected, fiscal status, etc.;
- 3.1.5. Publication of reports generated by TAK, in open data format, for evaluation of TAK's performance;
- 3.1.6. Publication of decisions from Complaints, as well as reports generated by the Taxpayer Lawyer at TAK;
- 3.1.7. Publication on a periodic basis of the results generated from citizens' reports on informality; Publication of fines as a summary on a quarterly basis, to motivate citizens to report cases of tax evasion;
- 3.1.8. Initiation of legal initiatives for publication of taxpayers with outstanding liabilities to TAK, and their publication based on the guidelines for publication;
- 3.1.9. Publication of open data related to the undertaking of measures by Professional Standards by TAK;
- 3.1.10. Publication of data from Fiscal Electronic Device (FED)/Fiscal Systems (FS), regarding the number of FED/SF, the number of daily reports, as well as the number of fiscal coupons.

### 3.2. Capacity building for transparency and communication with taxpayers

Capacity building for transparency and communication with taxpayers includes all TAK's staff that are in direct and indirect communication with taxpayers, beyond just the media and public communication office, or taxpayer education office, etc.

For that reason, provision of adequate training to improve transparency and communication with taxpayers for all these officials is necessary, following the exact identification of officials who communicate with taxpayers. These trainings will include two dimensions: continuous professional training for tax officials who communicate with taxpayers, hence improving technical knowledge of officials who communicate with taxpayers and at the same time the quality of communication, as well as on-going training related to communication for tax officials, thus improving the way of communication with taxpayers and at the same time the quality and consistency of communication. The trainings are integrated in the last objective/pillar V of TAK's Integrity Improvement Plan.

Also, this activity aims to improve procedures for reporting of informality; informing the public about the procedures and ways for reporting informality, as well as the notification for taking steps regarding the handling of the case reported by the citizen. The effectiveness of citizens' reporting on informality will be measured on a regular basis regarding the level of information that citizens have about the ways of reporting informality.

This activity, which will be applied in all levels of service delivery and communication with taxpayers, increases accountability of the TAK as an institution, putting into operation bilateral TAK/Taxpayer monitoring mechanisms regarding service delivery.

Activities:

- 3.2.1 Identification of tax officials who communicate with taxpayers;
- 3.2.2 Bilateral TAK/Taxpayer monitoring regarding provision of services;
- 3.2.3 Improving procedures for reporting tax irregularities;
- 3.2.4 Notification to the public regarding procedures and ways for reporting tax irregularities;
- 3.2.5 Notification for taking steps regarding handling of the reporting case by the citizen;
- 3.2.6 Regular measurement regarding the level of information that citizens have about the ways of reporting tax irregularities.

### 3.3. Refreshing and updating published information for taxpayers and TAK

Refreshing and updating all information published about taxpayers and TAK, especially information which facilitates communication and information of public opinion that can contribute to creating a better image for TAK, is a necessary activity for realization of this integrity plan.

This constant refreshing and updating of information published for taxpayers, includes information that is published on the website in the form of open data, leaflets, brochures, public explanations, questions & answers, presentations for taxpayers, criteria for selection of the taxpayer for audit, etc. Furthermore, the structuring and automation of key TAK statistical reports will be carried out, which are currently generated manually, which can provide very important comparative data to the public related to TAK.

Activities:

- 3.3.1 Continuous refreshing and updating of information published for taxpayers, such as: Leaflets, Brochures, Public Explanations, Questions & Answers, Presentations for taxpayers, etc.;
- 3.3.2 Structuring and automation of key statistical reports.

### 3.4. Fiscal education for citizens/taxpayers

Fiscal education as well as engagement of citizens, businesses and non-governmental organizations in this regard plays a crucial role in protecting the integrity of TAK. At the same time, this can facilitate the achievement of better results at lower costs, greater compliance with rendered decisions, shared responsibility for service delivery and improved TAK integrity.

As such, this activity aims to advance direct communication with taxpayers. One way to achieve this is by advancing communication with taxpayers for a particular sector, as well as advancing communication through stakeholders, including current stakeholders with which TAK communicates, such as key Chambers of Commerce, and various Auditing and Accounting Associations, as well as the media, etc., but also by extending stakeholders engagement by involving other additional representatives (such as associations that export their services to international markets, etc.).



Currently, TAK is conducting seminars with taxpayers in centers throughout Kosovo regions, but it is necessary that the information from these sessions be disseminated further, beyond those physically present at these seminars. Therefore, conducting these online seminars with taxpayers is a necessary step to amplify taxpayer information on TAK novelties and explanations.

Also, fiscal education of citizens and taxpayers as well as advancing communication with taxpayers through social media, and the Call Centre, even after regular working hours at TAK, is more than necessary.

Meanwhile, the continuous fiscal education for students, in cooperation with the Ministry of Education, Science, Technology and Innovation (MEST) will continue further. If possible, it should be enabled to inform students also through the integration of fiscal education into the curriculum.

Activities:

- 3.4.1 Conducting online seminars with taxpayers;
- 3.4.2 Continuous fiscal education for students in cooperation with MEST (enabling information through integration into the curriculum).
- 3.4.3 Advancing communication through stakeholders (Chambers of Commerce, Associations, media, etc.) and with taxpayers for a specific sector.

### 3.5. Improving perception regarding selection of a taxpayers for audit

The manner of selecting taxpayers to be audited by TAK is currently not known to taxpayers. Furthermore, most taxpayers appear to have incorrect information regarding this updated TAK process, thus resulting in a poor perception of the transparency and fairness of this process. As such, this activity aims to identify the criteria for selection of the taxpayer for audit, which can be shared with the public, and as a step further, to work on informing the specific taxpayer about his classification according to the TAK's risk analysis.

Activities:

- 3.5.1 Identifying the criteria that can be shared with the public, which affect the selection of the taxpayer for audit;
- 3.5.2 Informing the concrete taxpayer regarding their classification according to the TAK's risk analysis;

# Pillar IV

Advanced electronic services



## 4 PILLAR IV – Advanced electronic services

Electronic services allow for economization and prioritization of scarce public resources, activating automated management and public performance metrics, thus reducing the need for physical contact with citizens and making it easier for businesses and citizens to access services, as well as for TAK officers to prioritize their efforts.

Herewith, the clarification of processes, measures and reduction of physical contacts, enable the improvement of specific interactions and also create opportunities for proactive positive transmission of messages to the public, which contribute to the professional and positive image of TAK, and contribute to reduce perception of potential arbitrary decision-making and corruption, as well as to the institutional integrity in general.

These improvements increase public trust in the institutions, supporting the adherence of, and voluntary compliance with, tax obligations. These systems also provide personal, professional and institutional protection for TAK officers in carefully prioritizing the timing and manner of interactions and provide objective data to justify all actions. This will also help TAK make a better distribution of its human resources, as well as improve quality of services delivered to taxpayers.

In addition, TAK will regularly consult with representatives of the private sector to better understand their needs and understand which services currently and most often require resources that necessitate direct contact for both parties. This given that interactions between TAK and the private sector are often challenging for both parties and should aim to facilitate constructive and informative communication for all parties involved, to further build mutual trust and respect.

In addition, since the Government of Kosovo should take steps to address potential gaps in the e-government framework, TAK's support and participation in this effort should be envisaged in each plan, in addition to specific implementation steps that are specific to TAK, when gaps in the national, legal and institutional framework are addressed.

### 4.1. Increasing the number of electronic services

TAK's investments in technology and electronic solutions have enabled 100% electronic tax filing, making it easier for taxpayers to voluntarily declare and file taxes, as well as easier automation of compliance data and more efficient allocation of resources, based on objective data, in order to address non-compliance for TAK. As a result, the number of taxpayers who use this service has increased significantly.

For the purpose of addressing TAK's priorities, services that require taxpayers to visit TAK's offices will be identified. The digitalization of these services will help TAK in the better allocation of its human resources, in further improving the quality of services for taxpayers, in reducing physical contacts between TAK officers and taxpayers, allowing better prioritization of data-driven compliance activities, thus improving the perception on integrity and professionalism of TAK, simultaneously reducing the perception of and opportunities for corruption.

Range of electronic services to be extended further:

- Request to open or close tax accounts;
- Request for deregistration from VAT;
- Debit-Credit transfer request;
- Request for Residence Certificate;
- Business Transfer Notice;
- Request for real income tax;
- Request for refund of pension contributions for the self-employed;
- Request for refund of pension contributions for the employer;
- Notice on disposal or destruction of obsolete goods;
- Request for the change of taxpayer's address after the change in KBRA;

Activities:

- 4.1.1. Prioritizing digitalization of services based on requirements of the private sector/taxpayers;
- 4.1.2. Designing requirements and adapting relevant modules;
- 4.1.3. Launching additional online services and informing taxpayers.

#### 4.2. Adapting existing platforms to facilitate the communication with taxpayers

Further expansion of EDI is a good way to improve communication with taxpayers. This is because EDI has already gained the status of a functional and reliable platform for taxpayers. This will also be done through the introduction of direct communication with taxpayers through the EDI platform, the integration of the inbox, or the 'pop-up' box to provide quick information to users (amendments to legislation, and information packages on tax liabilities for all new registrants, etc.).

Activities:

- 4.2.1. Advancing the electronic EDI system for the option to declare all taxes withheld through payroll (interest, property rights, rent, winning the lottery and gambling and for non-residents, as applied today for filing and payment of tax on salaries and contributions)
- 4.2.2. Advancing the electronic EDI system for the option to generate the overall situation of the taxpayer
- 4.2.3. Introducing direct communication with taxpayers through the EDI platform, inbox integration, or 'pop-up' box

#### 4.3. Optimization of internal processes through digitalization

In addition to identified services pending digitalization, TAK will publish information, including full decisions that will be made available to a library on its website, regarding individual decisions and resolved issues that may be used as a reference by other taxpayers and can facilitate proactive compliance.

This would enable the optimization of TAK's internal processes and the exemption of human resources from numerous administrative tasks will be achieved.

In addition, an application is planned to be created through which citizens can contribute to the reporting of any abuses and can recommend the improvement of current electronic services, as well as to develop modules that help the fiscalization process.

Activities:

- 4.3.1. Creating an application for informality reporting;
- 4.3.2. Creating a module for taxpayers' requests (equipment with EFD/Fiscal System, servicing, change, fiscalization of tax blocks, as well as deregistration of EFD/Fiscal System);
- 4.3.3. Establishment of a module for TAK staff management (setting objectives, establishing access to the system, secondary job requirements, etc.).

# Pillar V

Improved Human Resource structures



## 5. PILLAR V - Improved Human Resource structures

While it is important to simplify and automate procedures and processes that are directly related to taxpayers (such as VAT reimbursement, electronic tax declaration, tax verification, etc.), it is equally important for TAK to improve its internal structures and processes that minimize the possibility of misuse of public office for individual benefits, which is achieved by motivating staff, creating a reliable working environment, implementing processes that eliminate subjectivity and enable staff management based on performance.

As mentioned above (Pillar I), process-related data can help managers identify individual staff (as well as department/function) performance, potential resource misuse or misconduct, and opportunities/needs in order to enhance staff skills and knowledge. Further, as part of this plan, strengthening of the human resource function on ethics and to raise awareness of potential integrity issues is also envisaged.

In the context of improving the internal structures of TAK, the issue of safety and security of taxpayers' confidential information is an important point which affects the reliability and integrity of TAK. In coordination with information technology structures, the implementation of an authorization module for the dissemination of confidential information can be monitored with the help of information technology.

### 5.1. Amending and supplementing the legislation and internal regulations for the protection of integrity

To ensure smooth running of activities related to increasing TAK's integrity, the need has been identified to amend and supplement existing laws, and to draft internal regulations. Given that the legislative agenda is not under the full control of TAK as an executive institution, some of the following activities are related to the initiation of necessary amendments, whose implementation depends on the agenda of the Government or the Assembly.

Activities:

- 5.1.1. Issuing an internal regulation on the prevention of conflict of interest in TAK (including the declaration of conflict of interest for engagement in audit/visit);
- 5.1.2. Initiating legal initiatives for introduction of provisions that define secondary work in the field of taxes (in the Law on Tax Administration and Procedures);
- 5.1.3. Initiating legal initiatives for declaration of assets and sanctioning the officials who do not declare assets as per the legal deadlines;
- 5.1.4. Establishing a regulation for rotation of tax officials;
- 5.1.5. Revising the code of ethics and code of conduct;
- 5.1.6. Establishing an internal regulation for determining confidential information.

## 5.2. Increasing the skills and knowledge of TAK staff

Continuous staff training and advancement are key activities for each institution. TAK as an agency of the Government of Kosovo has put in place predefined procedures for evaluation and implementation of the training plan. However, in order to increase integrity, TAK will perform a more detailed, analytical, and objective assessment of the current situation regarding the adequacy of skills and job descriptions for TAK's staff. This assessment will serve as grounds for reviewing the training plan, within the existing legal framework and the existing budget for this function. Therefore, we will see an increase in the effectiveness (better use) of the existing training offer that TAK already has.

Activities:

- 5.2.1. Analyzing the adequacy of TAK objectives and training plan;
- 5.2.2. Reviewing the training plan;
- 5.2.3. Improving the skills of low-ranking officials;
- 5.2.4. Improving the professional skills of TAK officials;
- 5.2.5. Improving the communication skills of tax officials through continuous training;
- 5.2.6. Improving the technical skills of officials in the Call Centre, as well as other officials who communicate with taxpayers, to provide answers to tax issues.

## 5.3. Improving accountability within TAK

In combination with activity 5.1., the following activities that will strengthen the accountability chain in TAK have been identified. For example, the assumption is that if TAK starts analyzing system browsing, TAK officials will make sure they access the system according to the applicable regulations and thus reduce the number of unauthorized browsing. This, combined with the signing of a conflict of interest declaration, will make it easier for TAK management to hold officers accountable.

Activities:

- 5.3.1. Ensuring accountability based on unauthorized browsing and search on TAK systems;
- 5.3.2. Implementing recommendations of the Internal Auditor and NAO, Professional Standards, Quality Control etc.



## ANNEX I – ACTION PLAN

Pillars	Objectives	Activity	Start date	Completion date	Responsible and support department	Output	Link to Document on Indicators (DI)	Budget impact <sup>4</sup>
I. Improvement of performance by using objective data for measurement	I.1. Improving performance at the strategic level	I.1.1 Determination of indicators	20/10/2020	31/10/2020	Refer to the Indicator Document (ID)	ID	N/A	No impact
		I.1.2 Setting baselines and targets, implementation risks	20/10/2020	31/12/2020 <sup>5</sup>		Completion of ID	N/A	No impact
		I.1.3 Analysis and reporting of results for each indicator	01/01/2021	Ongoing		Completion of ID	N/A	No impact
	I.2 Improving performance at the operational level	I.2.1 Inventory of functions	20/10/2020	31/12/2020		Completion of ID (to add indicators as appropriate)	N/A	No impact
		I.2.2 Setting of indicators	20/10/2020	31/10/2020		ID	N/A	No impact
		I.2.3 Setting of baselines and targets, implementation risks	20/10/2020	31/12/2020		Completion of ID	N/A	No impact
		I.2.4 Analysis and reporting of results for each indicator	01/01/2021	Ongoing		Completion of ID	N/A	No impact
	I.3. Improving performance at individual level	I.3.1 Adaptation of indicators under I.2 to the individual work plan	20/10/2020	30/11/2020		Completion of ID	N/A	No impact
		I.3.2 Setting baseline levels and targets	20/10/2020	31/12/2020		Completion of ID	N/A	No impact
		I.3.3 Analysis and reporting of results for each indicator	01/01/2021	Ongoing		Completion of ID	N/A	No impact

<sup>4</sup> Budget impact assessments were made based on the need for: Workshops within Kosovo (10 people, 5 working days), study visit (5 people, 5 working days), supply of software tools, supply of communication equipment. In total these costs amount to 35,150 Euro.

<sup>5</sup> Dokumenti për indikatorë do të azhurnohet pasi që të përfundojë ky aktivitet (të jenë caktuar nivelet referuese dhe caqet)

<b>2. Risk-based system</b>	2.1. Increasing the number of operational activities based on risk assessment	2.1.1 Increasing visits based on risk assessment	01/02/2021	Ongoing	Operations (Regional Directorates), RMPD	Reference to ID	8	No impact
		2.1.2 Increasing audits based on risk assessment	01/02/2021	Ongoing	Operations (Regional Directorates), RMPD	Reference to ID	9	No impact
		2.1.3 Advancing the electronic EDI system to enable electronic information of taxpayers about the visit/audit performed	01/04/2021	31/05/2021	IT, Services Department, RMPD	Advanced EDI	N/A	No impact-linked to the new IT system
		2.1.4 Advancing electronic module to enable appointment of officials to perform audits based on risk assessment	01/04/2021	31/05/2021	IT, RMPD	Advanced module	10	No impact
		2.1.5 Addressing specific taxpayer requirements based on risk assessment	01/05/2021	Ongoing	IT, Services Department, RMPD	Reference to ID	11	No impact
		2.1.6 On-going review of audit procedures and visits	01/03/2021	Ongoing	Control department	Review of procedures	N/A	No impact
	2.2 Expanding the database through the interoperability of systems	2.2.1 Developing an audit case management system (electronic files)	01/07/2021	30/09/2021	IT, Department of Control and RMPD	Developed system	N/A	No impact-linked to the new IT system
		2.2.2 Expanding the database through the interoperability of systems	01/04/2021	Ongoing	IT, RMPD	Reference to ID	12	Dependent on third parties providing the source of information
		2.2.3 Advancing the EDI electronic system to enable the electronic submission of financial statements	01/01/2021	31/03/2021	IT, Services Department	Advanced EDI	N/A	3,800 Euros
	2.3 Automation of reimbursement procedures	2.3.1 Automation of reimbursement processes based on tax compliance classification criteria	01/02/2021	31/03/2021	IT, Reimbursement Department, RMPD	Reference to ID	3	No impact

		2.3.2 Annual review of tax compliance classification criteria in reimbursement processes	01/03/2021	Ongoing	Reimbursement Department, IT, RMPD	Review conducted	N/A	No impact
<b>3. Improved communication with taxpayers and increased transparency</b>	3.1 Publication of Open Data	3.1.1 Preparation of a guide, which will define the criteria for data opening	01/02/2021	31/03/2021	Media Relations Office and Legal Office	Prepared guide	N/A	No impact
		3.1.2 Identification of data which will be published according to good international practices for the type of data that is most useful for publication;	01/03/2021	01/07/2021	Department of Planning and Analysis and Media Relations Office	List of data for publication	N/A	No impact
		3.1.3 Consultation with stakeholders on the disclosure of relevant data to be published	15/02/2020	31/03/2021	Services Department and Media Relations Office	Consultation held	N/A	No impact
		3.1.4 Continuous publication of open data related to business status, NACE code, size, number of employees, location, owner's gender, domestic or foreign ownership, types of taxes collected, fiscal status, etc.	01/01/2022	Ongoing	Services Department and Media Relations Office	Published data, Reference to ID	15	No impact
		3.1.5 Publication of reports generated by TAK, in open data format, for the evaluation of TAK performance;	01/06/2021	Ongoing	Services Department and Media Relations Office	Published reports, Reference to ID	15	No impact
		3.1.6. Publication of reports and decisions from Complaints and reports generated by the Taxpayer Advocate at TAK;	01/06/2021	Ongoing	Appeals Division, Taxpayers Advocate, IT	Published decisions	N/A	No impact
		3.1.7. Periodical publication of results generated from citizens' reports on informality; publication of fines as a summary on a quarterly basis, to motivate citizens to report cases of tax evasion;	01/05/2021	Ongoing	Media Relations Office, Professional Standards, IT	Published reports	N/A	No impact
		3.1.8. Initiation of legal initiatives for the publication of taxpayers with outstanding liabilities to	01/01/2022	Ongoing	Debt Department, IT	List published	N/A	No impact

		TAK, and their publication based on publication guidelines <sup>6</sup>						
		3.1.9 Publication of open data on integrity related to undertaking TAK activities	01/03/2021	Ongoing	Professional Standards, IT	Published data	N/A	No impact
		3.1.10 Publication of Data from Fiscal Electronic Devices (FED)/Fiscal Systems (FS), regarding the number of FED/SF, the number of daily reports, as well as the number of fiscal coupons.	01/06/2021	Ongoing	Fiscal Cash Division, IT	Published data	N/A	No impact
3.2 Capacity building for transparency and communication with taxpayers		3.2.1 Identification of tax officials who communicate with taxpayers;	01/04/2021	01/06/2021	Services Department, Regional Directorates	List of officials	N/A	No impact
		3.2.2 Mutual TAK/Taxpayer monitoring regarding provision of services;	01/08/2021	Ongoing	Services Department, IT	Mutual cooperation with taxpayers	N/A	No impact
		3.2.3 Improving procedures for reporting of tax irregularities;	01/06/2021	30/07/2021	Legal Office, Regional Directorates, Audit Department	Revised reporting procedure	N/A	No impact
		3.2.4 Notice to the public regarding the procedures and ways of reporting tax irregularities;	01/09/2021	30/09/2021	Media Relations Office and Services Department	Official notification completed	N/A	No impact
		3.2.5 Notice on undertaking steps for addressing cases reported by citizens	01/01/2021	31/13/2021	Professional Standards, Media Relations Office	Official notification completed	N/A	No impact
		3.2.6 Regular measurement regarding the level of information that citizens have about the ways of reporting tax irregularities;	01/08/2021	Ongoing	Audit Department, Services Department, IT	Measurement performed	N/A	No impact
		3.3 Refreshing and updating published	3.3.1 Continuous updating and updating of published information for taxpayers, such as: Leaflets,	01/05/2021	Ongoing	Services Department	Refresh performed	N/A

<sup>6</sup>Subparagraph 5 of Paragraph 1, of Article 5 of Law No. 06/L-082 on Protection of Personal Data determines that lawful processing of personal data is applicable if "processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the controller".

Reference: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=18616>

	information for taxpayers and TAK	Brochures, Public Explanations, Questions & Answers, Presentations, etc.							
		3.3.2 Structuring and automation of key statistical reports	01/02/2022	Ongoing	Department of Planning and Analysis, IT	Restructured reports	N/A	No impact	
	3.4 Fiscal education for citizens/taxpayers	3.4.1 Conducting online seminars with taxpayers;	01/04/2021	Ongoing	Services Department, Media Relations Office, IT	Launch of the online seminar	N/A	500 Euro	
		3.4.2 Continuing fiscal education for students in cooperation with MEST (to enable information through integration in the teaching curriculum);	01/04/2022	31/04/2023	Services Department	Initiative sent to MEST	N/A	No impact	
		3.4.3 Advancing communication through stakeholders (Chambers of Commerce, Associations, media, etc.) and with taxpayers for a specific sector.	01/07/2021	Ongoing	Services Department, Media Relations Office	On-going communication with stakeholders	N/A	No impact	
	3.5 Improving perception regarding the selection of taxpayers for audit	3.5.1 Identification of criteria that can be shared with the public, which affect the selection of the taxpayer for an audit;	01/04/2022	01/06/2022	Planning and Analysis Department, Audit Department, Services Department, IT	List of criteria	N/A	No impact	
		3.5.2 Informing the concrete taxpayer regarding his classification according to the risk analysis in TAK;	01/06/2022	Ongoing	Planning and Analysis Department, IT	Advanced system	N/A	No impact	
	<b>4. Advanced electronic services</b>	4.1. Increasing the number of electronic services	4.1.1 Prioritization of services based on private sector requirements	01/01/2021	01/02/2021	IT, Media Relations Office	List of services	N/A	No impact
			4.1.2 Requirements design and adaptation of relevant modules	01/02/2021	31/03/2021	IT, Services Department, RMPD	System development	N/A	No impact
			4.1.3 Launching additional online services and informing taxpayers	01/05/2021	31/12/2021	IT, Media Relations Office	Launch changes to the system	N/A	No impact
4.2. Adapting existing platforms to		4.2.1 Advancing the electronic EDI system to enable the	01/03/2021	31/08/2021	IT, Services Department	Advanced EDI	N/A	3,800 Euro	

	facilitate communication with taxpayers	declaration of all taxes withheld through the payroll						
		4.2.2 Advancement of the electronic EDI system for the possibility of generating the general situation of the taxpayer	01/03/2021	31/08/2021	IT	Advanced EDI	N/A	
		4.2.3. Introduce direct communication with taxpayers through the EDI platform, inbox integration, or pop-up box	01/01/2021	31/03/2021	IT, Media Relations Office, Services Department	Advanced EDI	N/A	
	4.3. Optimization of internal processes through digitalization	4.3.1 Creating an application for informality reporting	01/04/2021	31/07/2021	IT, Professional Standards	Application developed	N/A	7,650 Euro
		4.3.2 Creating a module for taxpayers' requests (equipment with FED/Fiscal System, servicing, change, fiscalization of tax blocks, as well as deregistration of FED/Fiscal System)	01/03/2021	31/06/2021	IT, Fiscal Cash Division	Module developed	N/A	No impact
		4.3.3 Establishing a module for TAK staff management (setting objectives, creating access to the system, requests for secondary work, etc.)	01/07/2021	31/10/2021	IT, HR	Module developed	N/A	5,000-8,000 Euro
<b>5. Improved human resource structures</b>	5.1 Amending and supplementing the legislation and internal regulations for the protection of integrity	5.1.1 Issuing an internal regulation for the prevention of conflict of interest in TAK;	01/03/2021	31/06/2021	General Director of TAK	Approved regulation	N/A	3,800 Euro
		5.1.2 Initiating legal initiatives for the introduction of provisions that define the secondary work of TAK staff in the field of taxation (to the law on Tax Administration and Procedures)	01/04/2021	30/09/2021	DSP and TAK Legal Affairs Department	Initiatives initiated	N/A	No impact
		5.1.3 Initiating legal initiatives for declaration of assets and sanctioning officials who do not declare assets according to legal requirements	01/04/2021	30/09/2021	DSP and TAK Legal Affairs Department	Initiatives initiated	N/A	No impact

		5.1.4 Establishing a regulation for the rotation of tax officials <sup>7</sup>	01/05/2021	30/09/2021	General Director of TAK	Approved regulation	N/A	3,800 Euro
		5.1.5 Revising TAK code of ethics and conduct	01/01/2023	30/06/2023	General Director of TAK	New approved code	N/A	No impact
		5.1.6 Establishing an internal regulation for determining confidential information	01/02/2021	01/06/2021	General Director and Working Group	Approved regulation	N/A	3,800 Euro
	5.2 Increasing the skills and knowledge of TAK staff	5.2.1 Analyzing the adequacy of TAK objectives and training plan	01/03/2021	15/07/2021	HR and Training Office	Approved analysis	N/A	No impact
		5.2.2 Reviewing of the training plan	01/03/2021	15/07/2021	HR and Training Office	Revised plan	N/A	No impact
		5.2.3 Improving the skills of low-ranking officials	01/04/2021	Ongoing	HR and Training Office	Increased performance from the previous year	13	No impact
		5.2.4. Improving the professional skills of TAK officials	01/03/2021	Ongoing	HR and Training Office		14	No impact
		5.2.5. Improving the communication skills of tax officials;	01/03/2021	Ongoing	HR and Training Office	Training held	16(a)	No impact
		5.2.6. Capacity building of officials in the Call Centre to provide answers to tax issues.	01/03/2021	Ongoing	HR and Training Office, Call Centre Division	Start of service provision	16(b)	No impact
	5.3 Improving accountability	5.3.1 Accountability based on unauthorized browsing and searches in TAK systems	01/09/2021	Ongoing	General Director of TAK and OPS	No. of verified samples; No. of initiated cases	N/A	No impact
		5.3.2 Implementation of the recommendations of the Internal and External Auditor, Professional Standards, Quality Control etc.	01/04/2021	Ongoing	Senior management	Recommendations implemented	N/A	No impact

<sup>7</sup>This will be done in full compliance with the law on Public Officials and bylaws of this law  
<https://map.rks-gov.net/desk/incl/media/2DF4E40D-6163-4BB6-A34B-79A24051A372.pdf>

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