



Strategy of the Tax Administration of Kosovo 2021-2025

Prishtina, April 2021

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Acronyms:

TAK - Tax Administration of Kosovo;

KPI - Key Performance Indicators;

VAT - Value Added Tax;

PIT - Personal Income Tax;

CIT - Corporate Income Tax;

WTW - Withholding Tax on Wages.

INTRODUCTION

The Strategy of the Tax Administration of Kosovo (TAK) 2021-2025, defines future priorities, namely strategic goals and key performance indicators, such as: reduction of tax gap, treatment and collection of tax debts, as well as the development of the Organization in line with the best European standards.

Acting in accordance with this Strategy, the Tax Administration will achieve measurable strategic results to be monitored and evaluated in accordance with the recognized methodology of key performance indicators. Monitoring and evaluation of results is the responsibility of senior management, headed by the General Director. The Tax Administration will make a formal evaluation of key performance indicators on annual basis.

In order for the expected values to be more realistic, they are planned for the next three years, and after three years, or earlier if appropriate, the table of indicators may need to be updated. Strategic Plan 2021-2025, as a result of dynamic changes in developments in the modernization of processes within the Tax Administration will be reviewed after a 1-year implementation period.

Speech of the General Director of TAK

To ensure a high level of tax compliance, The Tax Administration of Kosovo is consistently focused on three main issues: voluntary compliance, provision of professional services and fair and equal treatment of all taxpayers.

Through strategic plans, TAK has consistently managed to successfully achieve the foreseen objectives, i.e., generating tax revenues according to the defined projections.

Having a vision to reach the level of developed tax administrations, we have drafted the Strategy 2021-2025, being aware that only by planning and focusing on the necessary areas will we continue to be successful and ensure stability for the budget of the Republic of Kosovo.

Strategy 2021-2025 sets out the future priorities, namely strategic goals and key performance indicators, such as: reduction of tax gap, collection and treating tax debts, and development of the Organization in line with the best European standards.

We will be committed to implementing the Strategic Plan 2021-2025, i.e., achieving the planned strategic goals and key performance indicators, complying with tax legislation, as well as relying on transparency, integrity and professionalism described in duties and responsibilities and relationships with partners and society.

We will continuously focus on providing all taxpayers with education, information and facilitation of procedures, through the provision of professional, transparent and efficient services in accordance with the Tax Legislation.

We appreciate the cooperation and support of taxpayers, associations, as well as other local and international institutions. We also appreciate the cooperation, dedication and professional commitment of all TAK officials.

We are aware that we will face challenges in achieving the objectives, but united we will continue to achieve our goals, where each one of them will reflect on the strengthening and development of the state.



April, 2021

I. MISSION

"We are here to collect taxes and contributions in order to support the public interest and well-being of the citizens of Kosovo."

We will be successful if projected government revenues are collected to provide important government services, mainly through voluntary compliance of taxpayers according to Kosovo Tax Legislation, and if employers pay the required contributions for pension savings and other contributions to their employees.

II. VISION

"To be reliable and respected, as well as to be well comparable to the leading tax administrations in Europe."

A sound tax system is an outcome of genuine tax policies and legislation, and a good administration.

We have described our vision in such a way, because experiences around the world show that revenue collection is most effective when taxpayers do voluntary compliance, and this is achieved when they have trust and respect for the tax authority and consider it to be very competent.

III. OUR VALUES - TIP



Transparency



Integrity



Professionalism

TAK builds on transparency, integrity and professionalism described in the duties and responsibilities and relationships with partners and society. Also, these values are an important foundation of the current TAK's strategy and activities.

IV. STRATEGIC GOALS AND KEY PERFORMANCE INDICATORS

| GOAL | KPI's (Key Performance Indicators) | |
|---|---------------------------------------|--|
| 1. REDUCTION OF TAX GAP | KPI 1 | Realization of tax revenues versus to projected revenues (%) |
| | KPI 2 | Realization of tax revenues versus previous year (%) |
| | KPI 3 | Percentage of declaration by tax types |
| | KPI 4 | Percentage of timely declarations versus total declarations |
| | KPI 5 | Businesses that are liable to pay versus the total of declaring businesses (%) |
| | KPI 6 | Timely payment of taxes from self-assessment versus total payments (%) |
| | KPI 7 | Voluntary compliance rate versus total tax payment (%) |
| | KPI 8 | Selected audits using risk criteria versus total audits (%) |
| | KPI 9 | Accuracy of taxpayer register (%) |
| 2. COLLECTION AND TREATMENT OF TAX DEBTS (reduction of tax debts) | KPI 1 | Percentage of tax debt collected versus revenues collected |
| | KPI 2 | Tax debt older than 12 months versus total tax debt (%) |
| | KPI 3 | New debts collected (within 90 days from the date of debt generation) versus new debts created (%) |
| | KPI 4 | Reduction of the tax debt stock versus revenues (%) |
| | KPI 5 | Finalized cases versus the total number of cases (amount over EUR 3,000) (%) |
| | KPI 6 | Debt collected versus the total collectable debt (%) |
| | KPI 7 | Taxpayers in arrears versus number of active taxpayers (over EUR 3,000) (%) |
| 3. DEVELOPMENT OF THE ORGANIZATION IN LINE WITH THE BEST EUROPEAN STANDARDS | KPI 1 | Number of electronic services for taxpayers |
| | KPI 2 | Automation of internal work processes (number) |
| | KPI 3 | Visits subject to treatment according to risk assessment versus the total number of visits conducted (%) |
| | KPI 4 | Average time for resolving internal complaints (in days) |
| | KPI 5 | TAK cost for every EUR 100 collected (taxes and contributions) (EUR) |
| | KPI 6 | Modernization of the basic ICT tax system |

GOAL 1: REDUCTIN OF TAX GAP

| Key Performance Indicators - KPI | | KPI values per year | | | |
|----------------------------------|--|---------------------|----------------------------|-------|-------|
| | | 2019 ¹ | 2021 | 2022 | 2023 |
| | | Base year | Target (planned) situation | | |
| KPI 1 | Realization of tax revenues versus to projected revenues (%) | 97.7 | 100.0 | 100.0 | 100.0 |
| KPI 2 | Realization of tax revenues versus previous year (%) | 110.4 | 105.7 | 106.5 | 107.0 |
| KPI 3 | Percentage of declaration by tax types | VAT: 91.2 | 92.0 | 95.0 | 98.0 |
| | | PIT: 88.0 | 90.0 | 92.0 | 95.0 |
| | | CIT: 82.0 | 80.0 | 85.0 | 90.0 |
| KPI 4 | Percentage of timely declarations versus total declarations | VAT: 64.0 | 70.0 | 80.0 | 85.0 |
| | | PIT: 63.0 | 75.0 | 80.0 | 85.0 |
| | | CIT: 54.6 | 75.0 | 80.0 | 85.0 |
| | | TMBP: 55.3 | 75.0 | 80.0 | 85.0 |
| KPI 5 | Businesses that are liable to pay versus the total of declaring businesses (%) | 66.0 | 70.0 | 75.0 | 85.0 |
| KPI 6 | Timely payment of taxes from self-assessment versus total payments (%) | 90.3 | 91.0 | 92.0 | 93.0 |
| KPI 7 | Voluntary compliance rate versus total tax payment (%) | 88.3 | 91.5 | 93.0 | 95.0 |
| KPI 8 | Selected audits using risk criteria versus total audits (%) | 86.9 | 90.0 | 90.0 | 90.0 |
| KPI 9 | Accuracy of taxpayer register (%). | 70.6 | 75.0 | 80.0 | 90.0 |

¹ The year 2019 is taken as a basis for calculation, due to the effect of the pandemic during 2020, many of the indicators of 2020, cannot be taken as a good basis to make calculations for key performance indicators.

GOAL 2: COLLECTION AND TREATMENT OF TAX DEBTS (reduction of tax debts)

| Key Performance Indicators - KPI | | KPI values per year | | | |
|----------------------------------|--|---------------------|----------------------------|------|------|
| | | 2020 | 2021 | 2022 | 2023 |
| | | Base year | Target (planned) situation | | |
| KPI 1 | Percentage of tax debt collected versus revenues collected | 15.1 | 18.5 | 20.0 | 23.0 |
| KPI 2 | Tax debt older than 12 months versus total tax debt (%) | 63.79 | 60.0 | 55.0 | 50.0 |
| KPI 3 | New debts collected (within 90 days from the date of debt generation) versus new debts created (%) | 27.8 | 40.0 | 50.0 | 60.0 |
| KPI 4 | Reduction of the tax debt stock versus revenues (%) | 75.7 | 65.0 | 50.0 | 45.0 |
| KPI 5 | Finalized cases versus the total number of cases (amount over EUR 3,000) (%) | 49.6 | 55.0 | 65.0 | 75.0 |
| KPI 6 | Debt collected versus the total collectable debt (%) | 25.6 | 40.0 | 50.0 | 60.0 |
| KPI 7 | Taxpayers in arrears versus number of active taxpayers (over EUR 3,000) (%) | 7.5 | 2.1 | 1.8 | 1.5 |

GOAL 3: DEVELOPMENT OF THE ORGANIZATION IN ACCORDANCE WITH THE BEST EUROPEAN STANDARDS

| Key Performance Indicators - KPI | | KPI values per year | | | |
|----------------------------------|--|---------------------|--|---|----------------------------------|
| | | 2020 | 2021 | 2022 | 2023 |
| | | Base year | Target (planned) situation | | |
| KPI 1 | Number of electronic services for taxpayers | 46 | 53 | 57 | 60 |
| KPI 2 | Automation of internal work processes (number) | 7 | 8 | 10 | 12 |
| KPI 3 | Visits subject to treatment according to risk assessment versus the total number of visits conducted (%) | - | 70.0 | 75.0 | 80.0 |
| KPI 4 | Average time for resolving internal complaints (in days) | 44.8 | 35.0 | 30.0 | 25.0 |
| KPI 5 | TAK cost for every EUR 100 collected (taxes and contributions) (EUR) | 1.43 | 1.40 | 1.37 | 1.35 |
| KPI 6 | Modernization of the basic ICT tax system | - | Functionalization of the new system for compliance functions | Functionalization of the new system for service functions | Complete solution for the system |

FIGURE SHOWING THE CONTENT OF THE STRATEGIC PLAN

