

Tax Administration of Kosovo Integrity Improvement Plan

Indicators Document

2021 – 2023

Contents

Introduction	3
1. Increased efficiency.....	4
2. Share of voluntary compliance to total tax revenues	4
3. Average number of days for tax reimbursement.....	5
4. Number of audits in appeals procedure.....	6
5. The share of appeals resulting in a decision in favor of the taxpayer to total number of appeals ...	6
6. Number of cases closed through mandatory collection as a percentage of total active cases due for mandatory collection	7
7. Volume of debt collected as a percentage of debt stock increase	8
8. Increase in the number of visits based on risk assessment.....	8
9. Increase of audits based on risk assessment	9
10. Assignment of tax officials for audits based on risk assessment.....	9
11. Handling of taxpayers' specific requests based on risk assessment.....	10
12. Number of external systems interoperable with the TAK system	11
13. Capacity building of low-score officials	12
14. Capacity building of TAK officials.....	13
15. Publication of open data	14
16. Capacity building of officials communicating with citizens/taxpayers	14

Introduction

The indicators in this document serve to measure the implementation of the Integrity Improvement Plan, however, this is an open document that TAK can modify by adding indicators as needed during the implementation period. Depending on the time limit set for this document, TAK will determine the implementation, enforcement and monitoring, by:

- *Collecting data to enable measurement of baselines and targets*
- *Setting the baselines*
- *Monitoring the reporting period for each indicator (monthly, quarterly, or annually)*
- *Monitoring the targets to be achieved for each month/quarter/year for each indicator*

The indicators used in this document are based on best international practices¹ that are relevant and measurable to TAK. These sources include the World Bank, the International Monetary Fund, the Organization for Economic Co-operation and Development, etc., with a focus on research and methodologies used by them to measure the performance of public institutions, in particular tax administrations.

At the core in the selection of these indicators is the extraction of data on the realization of certain TAK activities, their regular tracking, and comparison with previous periods, to measure the extent to which the goals of the institution have been achieved. Extracting numerical data to measure the performance facilitates institution's work in prioritizing resources and better planning. It also serves as an objective foundation around which dialogue with external partners (private sector, NGOs, donors, etc.) can focus on the achievements and room for improvement.

¹ Tax Administrations and Small and Medium Enterprises (SMEs) in Developing Countries - World Bank Group
< <http://documents.worldbank.org/curated/en/711511468779448847/pdf/391100Taxadmin01PUBLIC1.pdf>>
Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series
< <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/comparative/CIS-2010.pdf>>
Revenue Administration: Performance Measurement in Tax Administration – IMF
< <https://www.imf.org/external/pubs/ft/tnm/2010/tnm1011.pdf>>

I. Increased efficiency

$$\text{Cost of collection (efficiency)} = \frac{\text{TAK budget}_t}{\text{Revenues collected by TAK}_t} \times 100$$

This indicator measures the efficiency of the institution in terms of necessary expenditures for the collection of a certain amount of revenues, i.e., it estimates the cost of tax collection in the country. For example, this indicator aims to measure institution's budget expenditures for collection of 100 Euros in tax revenues. The lower this indicator, the more efficient the management of tax collection is.

	2016	2017	2018
in millions of Euros			
TAK budget	8,856,995	8,807,447	9,271,843
Revenues collected by TAK	386,385,285	414,355,294	456,798,495
Cost of collection	2.29%	2.13%	2.03%

Source: Kosovo Consolidated Budget and TAK Annual Report

Responsible Department for data collection and reporting: TAK Management

Reporting period: Annually (monthly, quarterly or annually)

Baseline: [2.11%]

Targets: [2021: 2.11%; 2022: 2.05%; 2023: 2.0%]

Contributes to: Pillar I

Implementation risks: Contingencies in economy, slower recovery after the pandemic, legislative and procedural changes within the institution

2. Share of voluntary compliance to total tax revenues

$$\text{Voluntary compliance} = \frac{\text{Tax collected through voluntary compliance}_t}{\text{Revenues collected by TAK}_t} \times 100$$

This indicator measures the share of revenues collected by TAK under voluntary compliance. Therefore, this does not include revenues resulting from audits, fines, penalties, interest, mandatory collection, etc. The latter are TAK's key instruments and need to be strengthened, but this indicator shows how much of TAK's revenues are collected without using enforced collection instruments. The increase of this this indicator's level will reflect the increase of taxpayer's education level on voluntary fulfilment of tax liabilities, which will in turn reduce the need to use enforced collection instruments for tax revenues.

Responsible Department for data collection and reporting: Analysis, Planning and IT Department

Reporting period: Annually

Baseline: [88.5%]

	2018	2019	2020
Tax collected from voluntary compliance	399,698,683	445,280,888	419,401,770
TAK Revenues	456,798,495	504,281,866	467,039,833
Voluntary compliance	87.5%	88.3%	89.8%

Targets²: [2021: 91.5%; 2022: 93.0%; 2023: 95.0%]

Contributes to: Pillar I

Implementation risks: External factors, legislative and procedural changes within the institution

3. Average number of days for tax reimbursement

Average tax refund time

This indicator pertains to the tax reimbursement function, more specifically, it measures the average time needed for the refund of tax credit balance to taxpayers, in days. This indicator already exists in TAK reports. The same formula applies to all three taxes (CIT, PIT, and VAT).

Responsible Department for data collection and reporting: Reimbursement Department

Reporting period: Monthly

Baseline: [22.2]

	2018	2019	2020
VAT (per day)	21.7	18.7	23.0
CIT (per day)	21.7	25.9	26.6
PIT (per day)	32.1	19.1	16.1
Average (VAT, CIT PIT)	27.6	19.1	20.0

Targets: [2021: 20 ditë; 2022: 19 ditë; 2023: 18 ditë]

Contributes to: Pillar I and Pillar II

Implementation risks: External factors, lack of staff, lack of inter-institutional cooperation, delay in confirming the status of the taxpayer with mandatory collection.

² Targets for indicator 2 are based on TAK Strategy 2021-2025, specifically on KPI 7

4. Number of audits in appeals procedure

$$\text{Audits in appeal} = \frac{\text{Number of appeals per audit results}_t}{\text{Total number of audits}_t}$$

This indicator aims to measure how many audit results end up in appeal procedure for further review. Therefore, as an indicator, it does not aim to measure the quality of audits or of the appeal procedure, rather only tries to clarify how many of the audit cases cause disputes between the taxpayer and TAK. If needed, the same can be applied to compliance visits.

Responsible Department for data collection and reporting: Audit Department

Reporting period: Quarterly

Baseline: [17.9%]

	2018	2019	2020
Total number of audits	1,714	1,915	1,014
Number of complaints about audit results	298	346	188
Audits in grievance procedure	17.3 %	18.1%	18.5%

Targets: [2021: 18.0%, 2022: 17.0%, 2023: 16.0%]

Contributes to: Pillar I

Implementation risks: Legislative changes and internal procedural changes of the institution.

5. The share of appeals resulting in a decision in favor of the taxpayer to total number of appeals

$$\text{Effectiveness of appeal} = \frac{\text{Total number of appeals resulting in favour of the taxpayer}_{t_3}}{\text{Total number of appeals}_t}$$

This indicator measures the “success” rate of the appeal procedure, i.e., how many of the total appeals regarding audit results end up in favor of the taxpayer.

Responsible Department for data collection and reporting: Appeals Division

Reporting period: Quarterly

Baseline: [25.7%]

³ Complaints include: audits, formal determinations, penalties and more. This indicator includes all complaints related to taxpayer dissatisfaction

	2018	2019	2020
Complaints in favor of taxpayers	166	138	134
Total complaints	602	612	496
Effectiveness of grievance procedure	27.6%	22.5%	27.0%

Targets: [2021: 28%, 2022: 29%, 2023: 30%]

Contributes to: Pillar I

Implementation risks: Changing the current approach regarding the grievance procedure, lack of staff for consideration of complaints.

6. Number of cases closed through mandatory collection as a percentage of total active cases due for mandatory collection

$$\text{Efficiency of mandatory collection} = \frac{\text{Cases closed}_t}{\text{Total of cases due for collection}_t}$$

This indicator aims to measure how many of the cases due for mandatory collection are handled in relation to the total, i.e., what is the efficiency rate of the management of collection cases. In combination with debt stock data, this indicator provides information on whether mandatory collection is being effectively managed, or simply the tax debt in Kosovo's economy is created very quickly.

Responsible Department for data collection and reporting: Mandatory Collection Department

Reporting period: Quarterly

Baseline: [27.3%]

	2018	2019	2020
Closed cases per year ⁴	858	2,009	809
Total cases for collection	3,603	6,450	3,004
Efficiency of mandatory collection	23.8%	31.1%	26.9%

Targets: [2021: 27.5%, 2022: 28.0%, 2023: 28.5%]

Contributes to: Pillar I

⁴ Closed cases include taxpayers who have paid the debt as a result of mandatory collection mechanisms and the creation of TAK-taxpayer agreements. This does not include cases where the debt becomes time-barred (more than 6 years).

Implementation risks: Lack of staff, extraordinary factors, inherited cases in the mandatory collection department, potential government decisions to debt relief/ defer payments.

7. Volume of debt collected as a percentage of debt stock

$$\text{Debt reduction efficiency} = \frac{\text{Collected debt}_t}{\text{Debt Stock}}$$

This indicator aims to compare debt collection to the (natural) increase in debt stock, i.e., it compares TAK's debt stock reduction efforts with the natural creation of tax debt in the economy.

Responsible Department for data collection and reporting: Debt Department

Reporting period: Quarterly

Baseline: [24.2%]

	2018	2019	2020
Debt collected	75,332,172	103,444,066	97,563,764
Debt stock	367,008,982	357,294,252	418,880,661
Debt reduction efficiency	20.5%	28.9%	23.2%

Targets: [2021: 25.0%, 2022: 27.0%, 2023: 29.0%]

Contributes to: Pillar I

Implementation risks: Lack of staff and extraordinary factors

Below are several different indicators, which from the operational standpoint aim to measure to what extent TAK manages to transform its functions into risk-based functions. Therefore, the operations are performed depending on what automated systems dictate, thus removing the discretion from the TAK official.

8. Increase in the number of visits based on risk assessment

$$\text{Risk based visits} = \frac{\text{Number of visits conducted based on risk assessment}_t}{\text{Total number of visits conducted}_t}$$

Responsible Department for data collection and reporting: Risk Management and Planning Department

Reporting period: Monthly

Baseline: [There is no baseline]

Targets: [2021:80%, 2022: 85%, 2023: 90%]

Contributes to: Pillar II

Implementation risks: Changing the current approach regarding the conduct of field visits, reluctance on the part of regional directorates in handling cases from the headquarters, application of technical changes required to be made to the system.

9. Increase of audits based on risk assessment

$$\text{Risk based audits} = \frac{\text{Number of audits conducted based on risk assessment}_t}{\text{Total number of audits conducted}_t}$$

Responsible Department for data collection and reporting: Risk Management and Planning
Department

Reporting period: Monthly

Baseline: [80%]

Targets: [2021: 85%, 2022: 90%, 2023: 95%]

Contributes to: Pillar II

Implementation risks: Changing the current approach regarding the implementation of field audits, reluctance on the part of regional directorates in handling cases from the headquarters, application of technical changes required to be made to the system.

10. Assignment of tax officials for audits based on risk assessment

$$\begin{aligned} &\text{Risk based assignment of officials} \\ &= \frac{\text{Number of officials assigned for audits from the risk module}_t}{\text{Total number of audits}_t} \end{aligned}$$

Responsible Department for data collection and reporting: Risk Management and Planning
Department

Reporting period: Monthly

Baseline: [There is no baseline]

Targets: [2021: 30%, 2022: 40%, 2023: 50%]

Contributes to: Pillar II

Implementation risks: Conducting the activity is closely related to the developments of the technical aspect by the IT system and the functionality of this system, the reluctance on the part of the regional directorates in handling cases from the headquarter.

(10. a.) Reduce the percentage of citizens who are under the perception that TAK inspectors are open / asking for bribes or other favors

This indicator will measure whether there will be a decrease in the percentage of citizens' perception that TAK inspectors are open / asking for bribes or other favors. According to the Taxpayer Survey Report for 2015, 2017 and 2019, it turned out that, on average, 39.6% of respondents agree that the inspector was open to bribery.

This indicator is the only one in this document that does not use any administrative data within TAK, but rather uses data from a survey. The aim is to help assess the impact of these changes on the perception of integrity.

Responsible Department for data collection and reporting: Primary responsibility: Office of Media Communication; Secondary responsibility: Planning and Reporting Department

Reporting period: 2 years

Baseline: [39.6%]

Targets: [2023: 30%]

Contributes to: Pillars I, II and III

Implementation risks: The technical aspect of conducting the survey and its financing, extraordinary factors.

II. Handling of taxpayers' specific requests based on risk assessment

$$\text{Risk based handling of requests} = \frac{\text{Number of requests handled from the risk module}_t}{\text{Total number of requests}_t}$$

This indicator aims to measure how many specific requests: registration, deregistration, change of business form/status, change of owner, etc., are handled based on the risk module. Therefore, when the taxpayer changes his/her address (for instance), this should no longer constitute an immediate signal for an audit but rather the risk module should determine whether the case calls for an audit.

Responsible Department for data collection and reporting: Risk Management and Planning Department

Reporting period: Monthly

Baseline: [There is no baseline]

Targets: [2021: 80%, 2022: 85%, 2023: 90%]

Contributes to: Pillar II

Implementation risks: Conducting the activity is closely related to the developments of the technical aspect by the IT system and the functionality of this system, the reluctance on the part of the regional directorates in handling cases from the headquarter.

12. Number of external systems interoperable with the TAK system

This indicator relates to the function of risk, audit, and procedures. One of the ways in which we can measure the performance of this function is the number of external institutions' systems that are interoperable with the current TAK system. This is done for TAK to have more sources of information available (with notaries, banks, etc.) for analytical purposes of the audit function. Currently, TAK's information system is interoperable with the Kosovo Customs, Kosovo Pension Savings Trust, KBRA, KAS, MLSW, KJC, MFT, Treasury, MIA, FIU [list here all institutions with which there is interoperability of IT systems]. The baseline for this indicator is the total number of institutions the system is interoperable with; [X]. This number can be increased by concluding memoranda of understanding (and then functionalizing interoperability) with various relevant institutions, according to the agenda set by the TAK management.

Responsible Department for data collection and reporting: Information Technology, Risk Management and Planning Department

Reporting period: Annually

Baseline: [12]

1. Interconnection to KBRA, 2020
2. Interconnection to MIA / CRA and MIA / Vehicle Registration, 2020
3. Interconnection to Municipality of Prishtina, 2020
4. Interconnection to Commercial Banks and Payment Institutions, 2020
5. Interconnection to Property Tax, 2020
6. Interconnection to IRS (FATCA), 2019
7. Interconnection to KAA, 2019
8. Interconnection to ICK, 2019
9. Interconnection to E-Procurement, 2019

I0. Interconnection to NGOs, 2019

I1. Interconnection to MED-KEDIS, 2018

I2. Interconnection to MLSW, 2018

Targets: [2021: 14, 2022: 17, 2023: 20]

Contributes to: Pillar II

Implementation risks: Lack of public key infrastructure (public identity - IQP), resistance from the party to establish interconnections

13. Capacity building of low-score officials

$$\text{Capacity building} = \frac{\text{Number of low – score officials trained}_t}{\text{Total number of officials trained}_t}$$

The purpose of this indicator is to return the focus of human resource development to the portion of the staff that needs it most; i.e., those who receive lower scores during assessments. The number of officials that need training (with a score of 1 to 1.5 ‘unsatisfactory/inadequate’ and 1.5 to 2.5 ‘satisfactory / adequate’).

Responsible Department for data collection and reporting: Human Resources Division

Reporting period: Annually

Baseline: [Nuk ka nivel referues]

Targets: [2021: 80%, 2022: 90%, 2023: 100%]

Contributes to: Pillar V

Implementation risks: Lack of budget, lack of adequate training programs, resistance of staff to training.

14. Capacity building of TAK officials

(14. a.)

$$\text{Capacity building of officials} = \frac{\text{Number of trainings with tests}_t}{\text{Total number of trainings held}_t}$$

(14. b.)

$$\text{Capacity building of officials} = \frac{\text{Number of sucesfully passed tests}_t}{\text{Total number of tests}_t}$$

This indicator aims to measure how well is material covered in trainings attended by TAK officials absorbed. The training plan should strive to include training containing a testing/assessment component, but when not possible, it is recommended for the official's supervisor to perform an assessment of the official's training material absorption.

	2018	2019	2020
Total number of trainings	789	696	382
Number of trainings with tests ⁵	30	20	0
Number of tests passed successfully	28	20	0
14.a	3.8%	2.8%	0%
14.b	93.3%	100%	0%

Responsible Department for data collection and reporting: Human Resources Division

Reporting period: Annually

Baseline (14.a): [3.3%]

Baseline (14.b): [96.6%]

Targets (14.a): [2021: 4.0%, 2022: 6.0%, 2023: 10.0%]

Targets (14.b): [2021: 100%, 2022: 100%, 2023: 100%]

Contributes to: Pillar V

Implementation risks: Lack of budget, lack of adequate training programs, health-related excuses of staff for being absent in training, resistance of staff to training.

⁵ Trainings that include testing are only those from the basic training program for new inspectors. TAK has no other training that includes testing modules.

15. Publication of open data

$$\text{Publication of open data} = \frac{\text{Total number of open data}_t}{\text{Number of datasets in TAK identified for opening}_t}$$

This indicator aims to directly measure implementation of one activity of objective/pillar III of Integrity Improvement Plan of TAK, i.e., that of data disclosure. This, since one sub-activity of data disclosure enables the identification of possible data for disclosure, and then subsequent sub-activities will implement the disclosure of certain data with priority.

Responsible Department for data collection and reporting: Planning and Analysis Department,
Media Relations Office

Reporting period: Quarterly

Baseline: [Nuk ka nivel referues]

Targets: [2021: drafting the guide; 2022: 40% 2023: 70%]

Contributes to: Pillar III

Implementation risks: Technical aspect of implementation in IT system, extraordinary factors

16. Capacity building of officials communicating with citizens/taxpayers

The purpose of this indicator is to measure investment in human resources development in terms of improving communication with citizens/taxpayers, although it can be considered that some of the officials communicating with citizens/taxpayers already have satisfactory capacities to communicate with them. The output, or the result of training in practice (i.e., the quality and efficiency of communications with citizens/taxpayers), can also be measured at a later time.

To measure this indicator, we must ensure that an official trained on communication and on technical knowledge is not counted/considered twice.

16 (a)

Capacity building of officials communicating with citizens/taxpayers

$$= \frac{\text{Number of officials successfully trained on communication}_t}{\text{Total number of officials communicating with citizens/taxpayers}_t}$$

16 (b)

Capacity building of officials communicating with citizens/taxpayers

$$= \frac{\text{Number of officials successfully trained on technical knowledge}_t}{\text{Total number of officials communicating with citizens/taxpayers}_t}$$

	2018	2019	2020
Total number of officials communicating with taxpayers	70	74	75
Number of officials successfully trained in communication	2	74 ⁶	6
Number of officials successfully trained in technical knowledge	3	1	22
Increasing communication capacity	2.8%	100%	8%
Increasing the capacity of technical knowledge	4.3%	1.3%	29.3%

Responsible Department for data collection and reporting: Training Division

Reporting period: Annually

Baseline (16.a): [36.9%]

Baseline (16.b): [11.6%]

Targets (16.a): [2021: 37%, 2022: 40%, 2023: 60%]

Targets (16.b): [2021: 30%, 2022: 40%, 2023: 60%]

Contributes to: Pillar III and Pillar V

Implementation risks: Lack of budget, lack of adequate training programs, health-related excuses of staff for being absent in training, resistance of staff to training.

⁶ In 2019, GIZ organized a communication training for officials who communicate with taxpayers.

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