TECHNICAL ASSISTANCE REPORT

KOSOVO

25 Years of Tax Administration: Progress Review and a Roadmap for Continued Success

JANUARY 2025

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Contents

ABBREVIATIONS AND ACRONYMS 4
PREFACE 5
EXECUTIVE SUMMARY 6
I. INTRODUCTION 7
II. REFORM PROGRESS REVIEW 10
A. Progress of the Strategic Plan 2022 - 2026 10
B. Progress in achieving international good practices 14
C. Main drivers of reform progress 15
III. FURTHER IMPLEMENTATION OF THE STRATEGIC PLAN 16
A. Estimated Revenue Yields from Reforming Tax Administration 16
B. Recommendations for second half of strategic plan period 16
IV. CAPACITY DEVELOPMENT 18

Figures

Figure 1. Tax-to-GDP 7
Figure 2. Revenue Collections 7
Figure 3. Contributions to Change in Tax Revenues Since 2017 8
Figure 4. Tax Revenue Yield Estimates From Changes in TAK's Operational Strengths 8
Figure 5. Selected ISORA Benchmarks 8
Figure 6. Progress of Strategic Actions 10
Figure 7. Growth in Tax Revenues 11
Figure 8. TAK Staff Capacity 14
Figure 9. Tax Revenue Yield Estimates from Reform Simulation 16
Figure 10. Changes in Operational Strength Index Sub-Components 16

Tables

Table 1. EU Progress Report - Summary of Findings 9
Table 2. Information exchanging agreements 12

Abbreviations and Acronyms

CD	Capacity Development
CRM	Compliance Risk Management
DG	Director General
EC	European Commission
ERM	Enterprise Risk Management
EU	European Union
FAD	Fiscal Affairs Department
GIZ	German Society for International Cooperation
IMF	International Monetary Fund
ISORA	International Survey on Revenue Administration
KBRA	Kosovo Business Registration Agency
LTD	Large Taxpayer Department
MoU	Memorandum of Understanding
MTD	Medium Taxpayer Department
MTRAP	Medium-Term Reform Action Plan
PIT	Personal Income Tax
SBA	Stand-By Arrangement
SECO	Swiss State Secretariat for Economic Affairs
TA-AYT	Tax Administration assessment and Yield Tool
TADAT	Tax Administration Diagnostic Assessment Tool
TAK	Tax Administration of Kosovo
TSD	Taxpayers Service Department
VAT	Value Added Tax
WB	World Bank

Preface

As part of the IMF Fiscal Affairs Department's (FAD) capacity development (CD) program concerning revenue administration in Southeast Europe, a tax administration mission was undertaken during the period of November 19-25, 2024, to the Tax Administration of Kosovo (TAK). The main purpose of this mission was to assess progress, advise on key areas for future reform, and prepare a CD plan to support TAK's reform implementation in 2025. The review took place against the findings of the 2022 Tax Administration Diagnostic Assessment Tool (TADAT) assessment,[1] and TAK's midterm evaluation of the Revenue Administration Strategic Plan 2022-2026.

The mission team comprised Mr. Frank van Brunschot (FAD) and Mr. Jim Sorensen (FAD revenue administration advisor for Kosovo). Ms. Debra Adams, division chief of FAD's Revenue Administration 1 division, attended some meetings.

The team met with Mr. Hekuran Murati, Minister of Finance, Labor and Transfers, Mr. Ilir Murtezaj, TAK's acting Director General (DG), and many senior managers and staff. The team further met with Mr. Arian Zeka - Executive Director & Authorized Representative – American Chamber of Commerce, Ms. Lebibe Haliti, Executive Director Kosovo Business Registration Agency (KBRA), and representatives of international organizations supporting the tax administration, including the European Union's (EU) Office in Kosovo, and the German Society for International Cooperation (GIZ).

This report comprises an Executive Summary and four sections: (I) Introduction; (II) Reform Progress Review; (III) Further implementation of the Strategic Plan; and (IV) Capacity Development.

[1] Kosovo – Performance Assessment Report, Van Brunschot et. al., January 2023).

Executive Summary

This report reviews the midterm progress and achievements under the Tax Administration of Kosovo's (TAK) Strategic Plan 2022 – 2026.

Since its establishment in January 2000, TAK has made notable progress, with early priorities focused on creating a functioning tax system, building institutional capacity, and strengthening strategic planning, compliance risk management (CRM), and core tax administration functions. Revenue collection, both monetary and in percentage of GDP, show a continuous upward trend.

TAK's mission is to maximize voluntary compliance, provide professional, transparent, and effective services, and ensure fair, efficient and cost-effective revenue collection. It aims to further strengthen revenue collection, modernize tax administration, and build staff and institutional capacity. The Strategic Plan includes 83 strategic actions, with 35 already successfully implemented. Key areas of focus include enhancing CRM, improving data management, and modernizing IT systems.

The report identifies several drivers of TAK's success, including consistent senior management commitment, a mature CRM framework, and effective debt management strategies. The International Survey on Revenue Administration (ISORA) benchmark indicates strong performance in many areas of tax administration: TAK's scores for seven out of eight indices are higher compared to Emerging Market Economies (EME) and meet or exceed the average for Advanced Economies (AE) for five indicators. IMF's Tax Administration Assessment and Yield Tool (TA-AYT) estimates an extra potential revenue increase between 0.5 and 0.9 percent of GDP over the period 2025 – 2028.

However, challenges remain, particularly in digital transformation and human resource capacity. The mission team recommends the following:

- **Continue implementing the Strategic Plan to maintain momentum in addressing the primary risks of digitalization and human resources.** It is essential that TAK maintain momentum by addressing these two primary risks. By focusing on these areas, TAK can elevate its tax administration practices to meet international standards within a few years.
- **Prioritize the use of domestic and international third-party data.** International experience indicates that a focus on enhanced use of third-party data will have a substantial positive impact on compliance levels and revenues.
- **Invest in improving data quality, and enhance stakeholder partnerships**, in particular with the Ministry of Finance, Kosovo Business Registration Agency (KBRA), and business associations.
- **Initiate strategic planning for Digital Transformation.** TAK should initiate the development of a new Strategic Plan 2027 - 2031, with a focus on creating a clear vision for digital transformation, in line with Kosovo's E-government strategy.

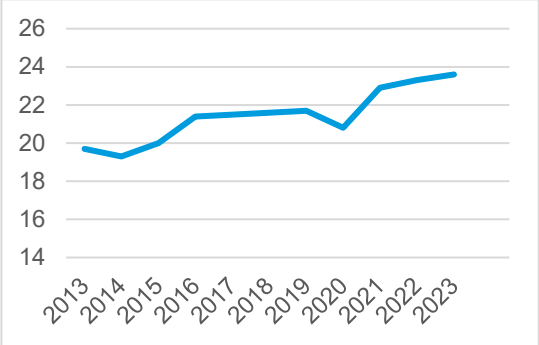
TAK's commitment to continuous improvement and collaboration with international partners is crucial for achieving its vision of becoming a modern, risk-based, data-driven, and taxpayer-focused tax administration.

I. Introduction

1. The Tax Administration of Kosovo (TAK) has developed significantly over the past 25 years.[2] After the establishment in 2000, the first priorities were to create a functioning tax system and build institutional capacity. TAK made substantial progress in the early years, having all basic functions and processes in place. With the adoption of the Medium-Term Reform Action Plan (MTRAP) 2019-2021, the foundational elements of a robust tax administration have gradually been established, and tangible progress has been achieved in several critical areas, including strategic planning and reform management, organization, compliance risk management (CRM), debt management and revenue collection. TAK's current Strategic Plan 2022-2026 builds on these lessons learned. Progress will further be discussed in section II of this report.

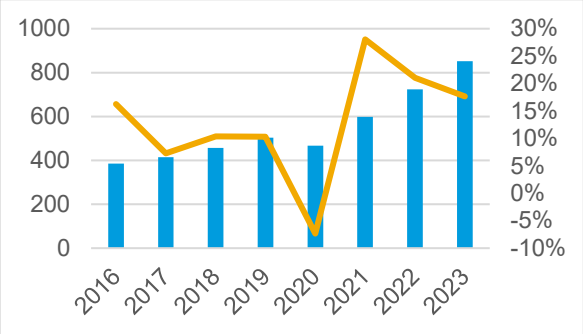
2. Tax revenue performance has progressed in recent years. Total tax revenues collected by TAK as a percentage of gross domestic product (GDP) have trended upwards in recent years except for 2020 as illustrated in Figure 1. The increase in absolute values and growth year-on-year is illustrated in Figure 2. The strong revenue performance continues into 2024.

Figure 1. Tax-to-GDP



Source: WEO. Tax revenues excluding trade taxes and social security contributions.

Figure 2. Revenue Collections



Source: TAK performance report. Amounts in mln. EUR. Revenue collections in blue. The yellow line reflects the annual increase in percentage.

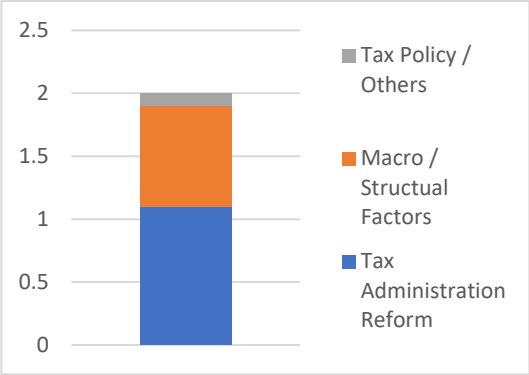
3. TAK's reform progress since 2017 has contributed to the increase in the tax-to-GDP ratio. IMF's Tax Administration Assessment and Yield Tool (TA-AYT) [3] is an analytical tool designed to estimate the revenue yields from tax administration reforms. The tool creates an index score of the organizational strength of a tax administration, compiled from seven sub-indices – CRM, use of third-party data, digitalization, service orientation, public accountability, autonomy and LTO – as well as size of workforce. According to this tool, an estimated 1.1 percent of the growth in tax-to-GDP can be attributed to tax

[2] https://www.atk-ks.org/en/about-us/

[3] The TA-AYT tools quantifies the revenue yields from tax administration reforms, using data from the International Survey on Tax Administration (ISORA), the Tax Administration Diagnostic Assessment Tool (TADAT), and tax administration reform episodes datasets. See: International Monetary Fund. 2023. Quantifying the Revenue Yields from Tax Administration Reforms. https://www.imf.org/en/Publications/WP/Issues/2023/11/10/Quantifying-the-Revenue-Yields-from-Tax-Administration-Reforms-541407.

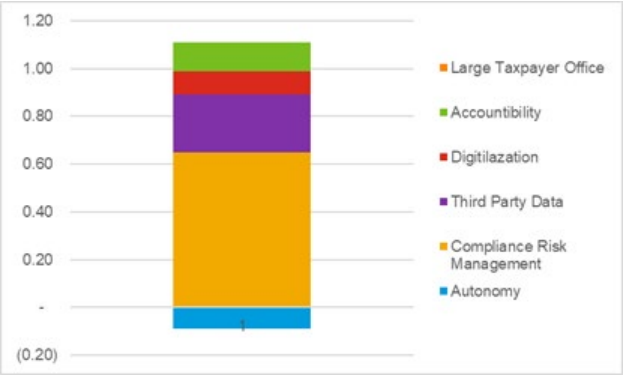
administration reform improvements (Figure 3). The main contributors are the strengthening of CRM (0.65 percent) and increasing use of third-party data (0.24 percent) (Figure 4).

Figure 3. Contributions to Change in Tax Revenues since 2017 (percent of GDP)[4]



Source: TA-AYT

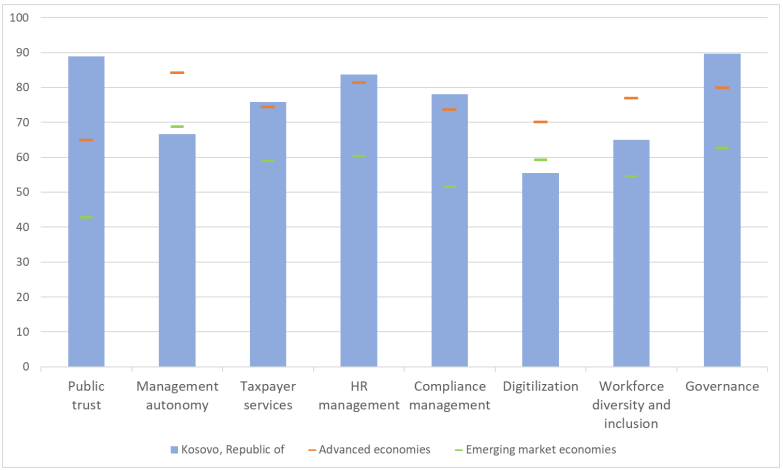
Figure 4. Tax Revenue Yield Estimates from Changes in TAK's Operational Strengths



Source: TA-AYT

4. The ISORA benchmarks indicate strong performance in many areas of tax administration. TAK participates in the International Survey on Revenue Administration (ISORA)[5], which allows for comparative analysis and benchmarks. The recently developed eight indices provide a broad perspective on tax administration activity. As shown in figure 5, TAK's scores for seven indices is higher compared to Emerging Market Economies (EME),[6] and meets or exceeds the average for Advanced Economies for five indicators.

Figure 5. Selected ISORA Benchmarks



Source: ISORA

[4] The impact of Tax Policy to the revenue yields could not be calculated as the required information was not available. During the assessed period, the category "others" is in other countries very often negative, due to support measures during the Covid-19 pandemic.

[5] The International Survey on Revenue Administration (ISORA) collects comparable data on tax administration from around the world, using standardized questions and definitions.

[6] Kosovo is classified as an EME.

5. Kosovo receives IMF budget support via two IMF programs. A Stand-By Arrangement (SBA) of SDR[7] 80.2 million, and a Resilience and Sustainability Facility (RSF) SDR 61.95 million provide budget support. In November 2024, The IMF staff and the Kosovo authorities have reached staff-level agreement on policies for completion of the third reviews under both arrangements. Performance under the SBA/RSF has been strong: to date, the SBA has been treated as precautionary by the authorities without any purchases have been done; RSF disbursements were made but the resources are earmarked in the budget law for the purposes of expanding the generation of renewable-based energy and other climate-friendly interventions. To date, all quantitative performance criteria, indicative targets, and structural benchmarks have been met.[8]

6. A recent EU progress report concludes that Kosovo continued to demonstrate good performance in tax collection, enforcement, and compliance. Kosovo is recognized as a potential candidate for EU membership, but formal negotiations for accession have not yet begun. Table 1 provides a summary of findings from EU's recent progress report.

Table 1. EU Progress Report - Summary of Findings

😊	▪ Good performance in tax collection, enforcement, and compliance. ▪ Adoption of Law on Tax Administration and procedures. ▪ Progress in bilateral agreements on double taxation. ▪ Progress on service digitalization and service delivery. ▪ Intensified risk-based approach regarding tax compliance. ▪ Increased analytical capacity. ▪ Started activities for high-wealth individuals.
😐	▪ Finalized strategy for combatting informal economy, but not yet approved.
☹	▪ No Progress on revision of tax policy. ▪ Tax gap still need to be finalized. ▪ Not been able to join inclusive framework. ▪ Professional capacities need to be strengthened. ▪ The IT infrastructure of the TAK remains obsolete.

Source: European Commission Staff Working Document - Kosovo* 2024 Report, SWD (2024) 692 final (Chapter 16), and IMF staff appreciation.

7. TAK is well under way to becoming a modern, data-driven, risk-based, taxpayer focused tax administration. Details of the achievements made, and areas where further strengthening is advisable, are described in section II.

[7] The IMF's Special Drawing Rights (SDRs) are an international reserve asset created to supplement member countries' official reserves, with a value based on a basket of major currencies including the US dollar, euro, Chinese yuan, Japanese yen, and British pound. One DSR is equivalent to USD 1.3123 (November 21, 2024).

[8] https://www.imf.org/en/News/Articles/2024/11/11/pr-24411-kosovo-imf-reaches-sla-on-3rd-rev-of-stand-by-arr-and-rsf-and-concludes-aiv-discussions.

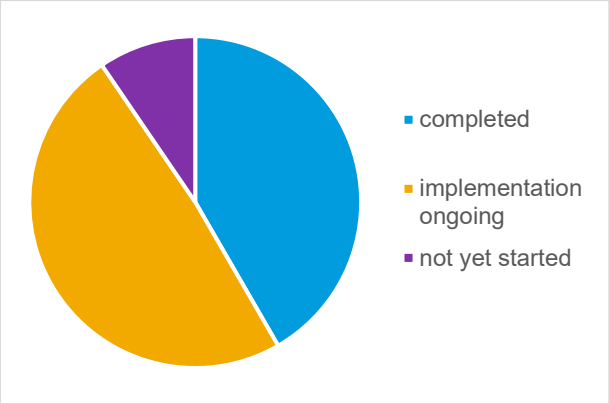
II. Reform Progress Review

A. Progress of the Strategic Plan 2022 - 2026

8. The Strategic Plan 2022 – 2026 is designed to help the TAK achieve its vision to be credible and respected, as well as to be comparable to the leading tax administrations in Europe.[9] The plan has three strategic goals: (i) strengthening revenue collection and reducing the tax gap; (ii) modernizing tax administration; and (iii) building staff and institutional capacity to meet future business' needs. The three strategic goals are broken down in ten strategic objectives, to be implemented via 83 actions. There is a clear line of sight between the strategy, the strategy action plan, and the annual working plans.

9. Implementation progress is well underway. TAK's governance provides a strong foundation for achieving the strategic objectives. The strategic actions are reviewed twice per year. The review addresses any emerging issues that may impact current strategies. According to the recent progress report, 35 of the 83 actions are already successfully implemented (see figure 6). The key achievements made to date, and areas for increased focus are described in the rest of this section.

Figure 6. Progress of Strategic Actions



Source: Six Monthly report on implementation of the action plan 2022 – 2024

Strengthening revenue collection and reducing the tax gap

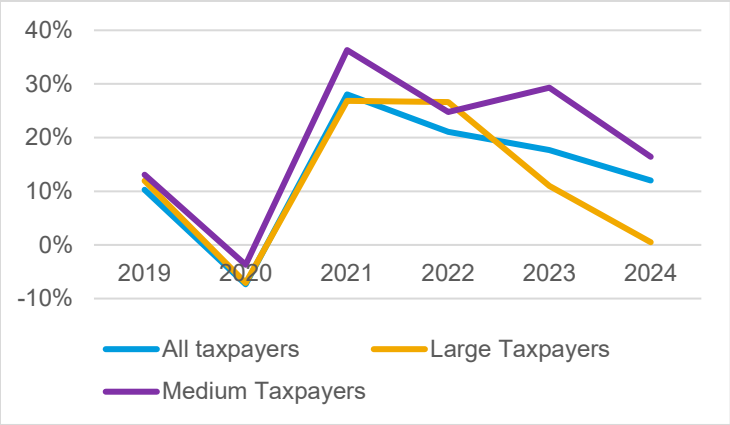
10. Over recent years, revenue collection has increased significantly. As described in section I, revenue collection has increased year-on-year, both monetary and as a percentage of GDP, caused substantially by TAK being more effective in reducing Kosovo's compliance gap. TAK has, in collaboration with the World Bank, developed a preliminary tax gap study and is preparing to build institutional capacity for future tax gap analysis. This will help TAK better understand compliance levels and identify priority compliance risks, guiding strategies to sustainably reduce the tax gap.

11. Revenues of the Large Taxpayers segments has stabilized and the focus on medium-sized taxpayers has been enhanced. The Large Taxpayer Department (LTD) was established in 2001.

[9] https://www.atk-ks.org/wp-content/uploads/2023/11/ENG-ATK-Plani-Strategjik-1.pdf

Revenue performance indicates that revenue growth for large taxpayers between 2019 and 2022 was above the average for all taxpayers, as is shown in figure 7. The relatively lower growth in 2023 and onwards, which is still higher than Kosovo's economic growth, might indicate that current compliance actions are reaching the maximum potential.[10] With the establishment of the Medium Taxpayer Department (MTD) in 2023, the increase of revenues is significantly higher than the average for all taxpayers. The years 2025-2026 will prioritize tackling international tax avoidance and evasion practices while building technical capacity to manage international tax risks. Strengthening compliance management for large taxpayers remains crucial for increasing revenue collection.

Figure 7. Growth in Tax Revenues



Source: TAK. for 2024 - revenues January - June

12. Filing, correct reporting, and payment compliance have been strengthened. A successful and efficient revenue generation requires operational excellence of core tax administration processes. TAK continues to enhance CRM and data analysis capabilities to identify and mitigate compliance risks, aiming to reduce the tax gap. Identifying risks and developing mitigation strategies allows TAK to focus on significant issues and allocate resources effectively. The 2024 risk management plan includes specific compliance initiatives being implemented this year. Current successful projects include Construction, Informal Employment, Accommodation and Food Services, Shortages in Stocks and Goods without Origin, VAT Crediting, and addressing non-declarants. Additionally, two new projects related to the non-declaration of income in Personal Income Tax (PIT) have been initiated recently.

13. Data-driven governance and strategic collaborations are strengthened. TAK is making significant strides in data management through a well-defined action plan. TAK is committed to evolving its operations into a more data-oriented approach, has strengthened its CRM framework, and is now focused on enhancing data structures and use of data for improved CRM activities. The new law on Tax Administration and Procedures[11] has given TAK better opportunities to receive third party data in bulk. TAK is in the final stages of signing a Memorandum of Understanding (MoU) with the Central Bank and is actively pursuing additional collaborations with other financial institutions. TAK has ongoing agreements with four institutions and completed six in 2023/2024. See table 2.

[10] The action plan has seven actions to improve large taxpayer compliance, including an enhanced focus on identifying and addressing large taxpayer risks.

[11] Law 08/L 257 https://www.atk-ks.org/en/legislation/laws/.

Table 2. Information exchanging agreements

Implemented	Under negotiation
Kosovo Cadastral Agency	Kosovo central Bank
Labor Inspectorate	Agency for Agricultural Development
Property Tax Department	Kosovo Statistics Agency
Employment Agency of the Republic of Kosovo	Public Procurement Regulatory Commission
Kosovo Treasury	
Regulatory Authority for Postal and Electronic Communications	

14. TAK provides contemporary taxpayer services. The Taxpayers Service Department (TSD) continuously shares information with the public through various channels, including TAK's website, social media (Facebook, Instagram), print and electronic media campaigns, seminars, training sessions, and brochures like "Tax Treatments of Electronic Supplies."[12] A survey was conducted to evaluate taxpayer satisfaction with TAK's services and performance. TSD has also prepared procedures for three new digital services: (i) Request for Debit-Credit Compensation, (ii) Sending Notifications to Taxpayers, and (iii) Request for Opening Tax Accounts. While these procedures have been approved by the Director General (DG), they are not yet developed due to limited resources. Strengthening collaborative relationships with external stakeholders, in particular large businesses and business representatives, will be crucial for optimizing taxpayer education and service delivery, and compliance initiatives.

Modernizing tax administration

15. TAK has strengthened the management framework and accountability. TAK is enhancing governance by implementing a framework for managing institutional risks. A strategy, action plan, and risk register are now in place to help management identify and address specific risks. TAK is also contributing to improving the legal framework, including drafting proposals for Double Taxation Agreements with neighboring countries, and suggesting options for Automated Exchange of Information (AEoI). These proposals are essential for utilizing AEoI data in risk analysis and audits. While TAK is actively promoting international relations and participating in training sessions, support from the Ministry of Finance remains crucial for progress. TAK also aims to build stronger partnerships with the Kosovo Business Registration Agency (KBRA) to improve data quality in the full integrated taxpayer registration, and with business organizations to enhance trust in the tax authority through greater transparency and efficiency in handling appeals and disputes with taxpayers. Following the midterm evaluation of the Strategic Plan, the next step is to initiate discussions in 2025 for the next Strategic Plan, which must include a vision for digital transformation.

[12] https://www.atk-ks.org/en/?s=electronic+supplies&lang=en. Other examples are brochures on tax compliance, and the taxpayer charter, which is send to all new registered taxpayers. The Taxpayers Service Department (TSD) continuously shares information with the public through various channels, including TAK's website, social media (Facebook, Instagram), print and electronic media campaigns, seminars, training sessions, and brochures.

16. Contemporary information technology (IT) systems, processes, and tools are functional. TAK is undergoing a significant digital transformation to modernize its revenue collection processes. The introduction of mandatory e-filing and e-payment systems in 2022 significantly improved tax administration efficiency. The Taxpayer Portal allows for online tax declarations, payments, and updates, enhancing taxpayer engagement and compliance.

17. The most critical concern for TAK is the core IT system, which represents one of the highest operational risks. Although the current system remains functional, it is outdated and limits advanced analytics and real-time compliance tracking. TAK plans to update the IT system next year, ensuring that the vendor continues to provide support. The update will enhance cybersecurity measures but will not provide additional functional value. The DG's intention is to find an external partner for a complete risk assessment of the current system.

18. Ongoing efforts should focus on gradually expanding functionalities within the taxpayer portal, risk management, e-invoicing, and cash management. Successful implementation of these updates hinges on resolving funding shortages and a limited IT workforce. TAK's digital transformation requires further improved human resource capacity and investment.

19. Implementing a Commercial Off-The-Shelf (COTS) solution can align TAK with good international practices. This will contribute to digitalizing revenue administration, enhancing user-friendliness and transparency. Engaging stakeholders in change management will facilitate these changes and leverage digital technologies for better tax compliance and administrative efficiency.

20. TAK has adopted international good practices for debt management. After the successful centralization of debt collection, senior management remains committed to debt collection reforms, focusing on continuous improvements aligned with international good practices. Timely tax payments are on the rise, with VAT on-time payments increasing from 87.9 percent in 2022 to 90.5 percent in 2023 and reaching 93.0 percent among large taxpayers. This improvement reflects a sustained effort to encourage taxpayers to pay on time. To enhance performance, priority should be given to case management, the largest debt cases, stronger enforcement measures and writing off or canceling debts.[13] TAK is the leading Tax Administration in the South East Europe regional Community of Practice on debt management.

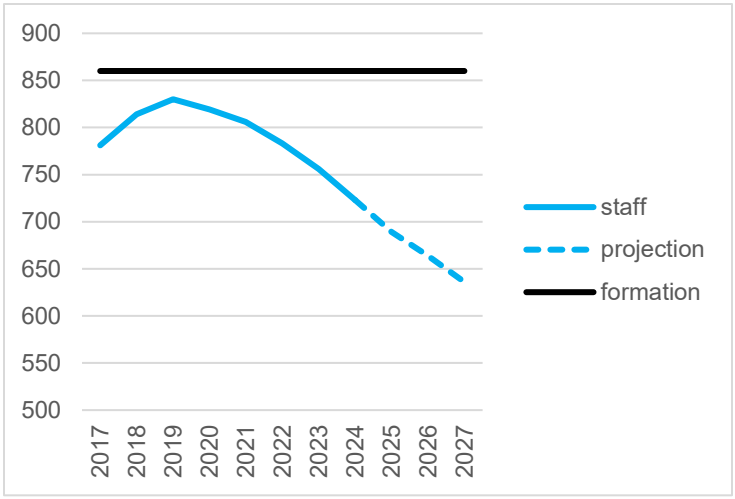
Building staff and institutional capacity

21. Modern tax administration organizational structures have been adopted and several Human Resources (HR) risks have been identified. The MTD has been consolidated into a single center in Pristina, with staff transferred from Regional Tax Departments. Further centralization of processes should be prioritized in line with international good practices. The first version of the Enterprise Risk Management (ERM) risk register identified 40 risks, of which 30 percent are related to HR. As shown in figure 8, TAK's staff capacity has been decreasing since 2019. TAK is not been allowed to recruit staff in recent years, which has also led to an aged staff. The percentage of female staff is far below the

[13] See recent FAD recommendations in: Kosovo - Strengthening Tax Debt Collection (Paul Duffus, October 2024).

regional average. While training needs for 2024 have been identified and are being addressed, greater institutional autonomy,[14] effort and creativity are essential to enhance staff capacity and skills.

Figure 8. TAK Staff Capacity



Source: TAK. The projection for 2024 and onwards is based on retirement of staff only.

22. TAK has strengthened its integrity framework. The Integrity Plan for 2024-2026, developed in accordance with the Agency for the Prevention of Corruption's methodology, includes eight measures to be implemented by July 1, 2024. Five measures have been fully implemented, and three are partially implemented. Rules and procedures for preventing conflicts of interest and the Code of Ethics and Conduct have been approved, and training on "Integrity and Anti-Corruption" has been conducted.

B. Progress in achieving international good practices

23. The 2022 repeat TADAT assessment[15] indicated mixed performance across the nine performance outcome areas. Scores for 20 out of 32 indicators were in the A-B range reflecting strong performance while scores for the other 12 indicators are in the C-D range reflecting weak performance.

24. TAK has taken action to address to lower TADAT scores. TAK concluded that the Strategic Plan 2022 – 2026 already actioned the areas that received lower scores. A recently undertaken TADAT self-assessment confirmed that all C and D scores are already being addressed. Good progress has been achieved in the accuracy of taxpayer information (P1-1), management of operational risks (P2-6), management of non-filers (P4-13), scope of verification actions (P6-19), use of large-scale data matching (P6-20), and adequacy of tax refunds (P8-28).

[14] The ISORA Management Autonomy indicator is 66.7, which is slightly below the EME average, and lower than Albania (88.9), Bosnia and Herzegovina (85.2), Montenegro (74.1), and Serbia (81.5). The new law on tax administration and procedures has strengthened TAK's autonomy, likely leading to an improved score over time.

[15] Kosovo – Performance Assessment Report, Van Brunschot et. al., February 2025.The Tax Administration Diagnostic Assessment Tool (TADAT) provides an objective assessment of the health of key components of a country's tax administration system, focusing on nine key performance outcome areas, see www.tadat.org.

C. Main drivers of reform progress

25. TAK has made good progress in improving tax administration performance. The increase of revenues, ISORA benchmarks, and implementation of key elements of the Strategic Plan 2022 – 2026, confirm that TAK is actively pursuing the characteristics of a modern tax administration. The mission team identified the following main drivers.

- **Consistent senior management commitment.** TAK's governance provides a strong foundation for achieving the strategic objectives, with a focus on getting the core functions operating effectively. TAK has benefitted from a stable leadership that remains committed to long-term plans. This consistency has facilitated a steady implementation of strategies, following the "plan-do-check-act" cycle, which promotes institutional learning and gradual improvements.

- **Maturity in CRM.** The high maturity level of CRM has allowed TAK to engage the entire organization in compliance efforts. By making CRM a central focus, TAK has effectively prioritized risks and strengthened their approach to taxpayer interactions, enhancing overall compliance.

- **Effective debt management strategies.** TAK has shown patience and persistence in its debt management efforts, understanding that progress takes time. By focusing on incremental improvements over the years, the results of their strategies have become evident, ultimately leading to greater compliance and revenue collection.

- **Cultural adaptation and learning from mistakes.** TAK's staff embrace a culture of continuous improvement, demonstrating a willingness to learn from initial shortcomings. By being transparent about challenges and involving experts, they foster an environment where iterative learning is encouraged, leading to gradual enhancements in service delivery and compliance.

- **Mutual trust and collaboration.** The establishment of mutual trust between TAK management and FAD advisors has created a conducive environment for change. This trust has empowered TAK to confidently implement reforms and share challenges openly, enhancing collective problem-solving capabilities, and ensuring that strategies are relevant and effective by addressing local priorities.

- **Integrated assistance aligned with strategic planning.** The alignment of assistance from FAD with TAK's Strategic Plan has ensured that initiatives are coherent and focused. This integrated approach has facilitated the execution of management's vision and led to more effective implementation of reforms.

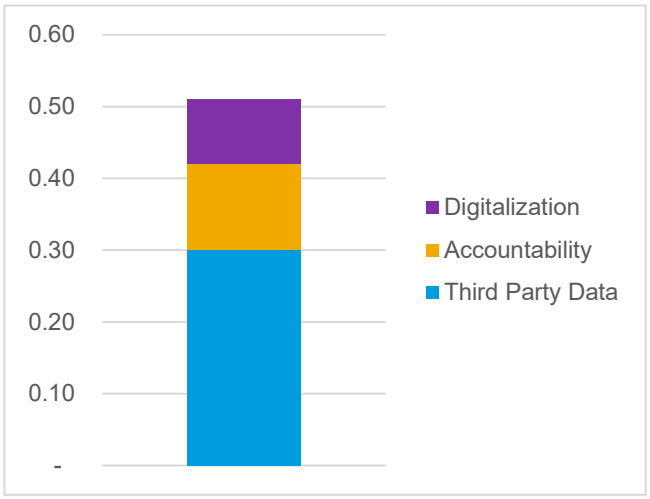
- **Competitive spirit and knowledge sharing.** TAK's pride in its achievements and competitive spirit drives them to excel. They actively share their learnings and challenges with other tax administrations in the Communities of Practice, creating a collaborative network that fosters improvement across the region.

III. Further Implementation of the Strategic Plan

A. Estimated Revenue Yields from Reforming Tax Administration

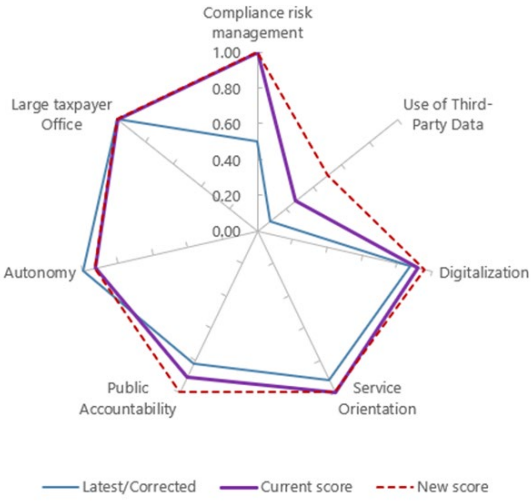
26. The TA-AYT tool estimates a potential additional revenue ranging between 0.5 and 0.9 of GDP. The mission team workshopped in September 2024 the TA-AYT tool with TAK staff. Reform measures from TAK's Strategic Plan 2022 – 2026 indicate a potential increase of revenues between 0.5 (lower bound) and 0.9 (point estimate) of tax-to-GDP. Main drivers are the increased use of third-party data, digitalization (in particular fiscalization), and accountability (in particular tax gap studies) (see figure 9). Figure 10 visualizes for all seven sub-indices the progress made to date, and the expected progress (red dotted line).

Figure 9. Tax Revenue Yield Estimates from Reform Simulation (Lower Bound)



Source: TA-AYT

Figure 10. Changes in Operational Strength Index Sub-Components



Source: TA-AYT

27. However, expectations of increased revenue yields must consider lead times in implementing future reform initiatives and the availability of essential funding. Expectations must be tempered considering the lead time before reform measures are implemented and the expected revenues are actually collected. To avoid slippage in other areas, current strengths need to be secured. TAK also need to assure that other preconditions are in place, in particular the IT infrastructure and staff capacity. This will be further elaborated in the next section.

B. Recommendations for second half of strategic plan period

28. Implementation of the Strategic Plan 2022 – 2026 is well under way. TAK's governance provides a strong foundation for achieving the strategic objectives. The mission team's conclusion is that TAK's most recent progress review (June 2024) reflects the achievements made to date. For a successful completion of the plan activities, we recommend the following:

- **Continue with the implementation of the Strategic Plan.** TAK is currently making significant progress in implementing its Strategic Plan. It is essential that TAK continues this momentum by addressing the two primary risks affecting revenue and tax administration operations: digitalization and human resources. By focusing on these areas, TAK can elevate its tax administration practices to meeting international standards within a few years.

- **Prioritize the use of domestic and International third-party data.** International experience indicates that a focus on enhanced use of third-party date will have a substantial positive impact on compliance levels and revenues. TAK's current maturity level is high enough to achieve this. Failing to leverage this opportunity could result in lower revenues than required for government spending.

29. Invest in improving data quality and enhance stakeholder partnerships. While finalizing the action plan, it is vital to ensure that TAK adequately addresses: (i) data quality issues, such as identity verification for businesses, (ii) the establishment of international agreements, (iii) enhance more transparency in appeal procedures, and (iv) enhancement of strategic partnerships with stakeholders, such as the Ministry of Finance, business associations, and KBRA.**Initiate Strategic Planning for Digital Transformation.** Following the completion of Strategic Plan 2022 – 2026 action plan and the risk assessment of the current IT systems, TAK should initiate the development of its new Strategic Plan 2027 - 2031. This plan should focus on creating a clear vision for digital transformation in collaboration with the Ministry of Finance, and in line with Kosovo's E-government strategy.[16]

[16] Kosovo's e-Government Strategy 2023-2027 is a strategic document focusing on the main areas of public sector digitalization that help to achieve the vision set out in the Digital Agenda of Kosovo 2030 to transform Kosovo into a successful digital country.https://mpb.rks-gov.net/Uploads/Documents/Pdf/EN/2700/e-Government%20Strategy%20Kosovo%202023-2027.pdf

IV. Capacity Development

30. FAD has provided extensive CD to support the tax administration reform through the Southeast Europe Project funded by the European Commission (EC) and the Swiss State Secretariat for Economic Affairs (SECO). The support provided in 2023 and 2024 has included assistance from the regional advisor, two CD activities focused on timely payment and debt management, and four integrated CD initiatives on CRM improvement, data driven compliance, data analytics, and a blueprint for capturing, transforming, and integrating data to create a modern data warehouse. TAK has also benefited from the SEE Communities of Practice arrangements on CRM, debt management, audit, and participation in the international taxation workshop.

31. VITARA[17] online trainings can be used to enhance staff capacity skills and the development of work culture. Ten modules are currently available, including institutional governance, reform management, performance management, strategic management, enterprise risk management, organization, information technology and data management, human resource management, CRM, and audit.[18] Many other educational products are available on the IMF revenue portal,[19] including online training in TADAT, and VAT gap estimation model.[20]

32. FAD will continue to provide CD support to TAK, and this support will be closely aligned with the activities from other stakeholders.[21] Managerial and strategic support will remain consistent. In 2025, targeted assistance will focus on agile data driven compliance, preparations for international data exchange, and assistance on the analysis of tax gaps.[22] Ongoing commitment to the three SEE Communities of Practice on CRM, debt management, and audit will benefit both TAK and the other SEE tax administrations.

[17] Virtual Training to Advance Revenue Administration (VITARA) is a joint initiative of four international organizations: the Inter-American Center of Tax Administrations (CIAT), the Intra-European Organization of Tax Administrations (IOTA), the International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD).

[18] TAK's participation VITARA is low.

[19] Revenue-Portal (imf.org)

[20] www.imf.org/en/Capacity-Development/Training/ICDTC/Courses/VGAPX

[21] WB and GIZ: Support for drafting, implementing and evaluation of VAT Lottery; Access and greater use of data from the third parties for Tax Administration. Project for non-filers and late filers. Support in determining institutional, operational, and human resources risks; Digitalization of 'Tax Residency Certificate;' Inbound calls application for Call Center.

[22] Tax gap support will build on earlier work from the WB and the training on the VAT gap estimation model.