



2017 REPORT

Banja Luka, January 2018.

TABLE OF CONTENTS:

GENERAL REMARKS	2
I TAX COLLECTION MANAGEMENT	3
1.1. Collection of Public Revenues	3
1.2. Debt Balance	6
1.3. Decision Documents/Notices on Payment Liabilities.....	6
1.4. Enforced Collection Procedure.....	7
1.5. Agreements/Decision Documents on Extended Payment of Tax Liabilities	8
1.6. Specific procedures	9
II FIGHT AGAINST THE GREY ECONOMY	11
2.1. Field and Desk Audits	12
2.2. Special and Other Audits	13
2.3. Investigations and Intelligence.....	14
2.4. Minor Offence Procedure.....	15
III TAXPAYER TREATMENT	16
3.1. Taxpayer Information and Media Activities	16
3.2. Registered and De-registered Taxpayers	18
3.3. Certificates Issued to Taxpayer	18
3.4. Refunds, Transfers, and Corrections	19
3.5. Receiving and Processing Tax Returns	20
3.6. Tax Appeals – First Level of Appeal	20
IV ELECTRONIC SERVICES	22
V OTHER ACTIVITIES	24
5.1. Implementation of the Integrated Information System (IIS)	24
5.2. Information Technologies	24
5.3. Unified System for Registration, Control, and Collection of Contributions	25
VI INTERNATIONAL COOPERATION	26
VII HUMAN RESOURCES	29
CONCLUSION	30

GENERAL REMARKS

During the previous period, the Tax Administration initiated many activities in order to improve performance through enhancement of business processes and appropriate resource reallocation, and which, at the end, resulted in more efficient public revenue collection in its jurisdiction.

Mentioned activities were concentrated around three key parts:

- Public revenue collection in planned amount with as little costs as collecting the same,
- Implementation of the Integrated Information System and
- Changing the mindset of citizens.

As the most important work results in 2017, we would like to emphasise the following:

- **Record collection of public revenues.** The Tax Administration of the Republic of Srpska collected **the total amount of BAM 2,353 billion** on public revenue account of the Republic of Srpska in 2017, that represents enormous collection of public revenues in the Republic of Srpska, i.e. the largest annual collection of public revenues from 2002, the date of The Tax Administration of the Republic of Srpska foundation.
- **Fight against grey economy.** The Tax Administration is pointed a great number of its activities to fight against the grey economy. Namely, serious procedures have been taken, in order to reduce volume of the grey economy in the Republic of Srpska, by changes and amendments within the Law on Tax Procedure of the Republic of Srpska.
- **Electronic services.** The Tax Administration recognized the importance of electronic business for taxpayers and citizens and it continued with implementation of new electronic services in 2017. At the beginning of the year, a new service of the real estate electronic bill issue has been implemented as **eBill**. Also, within FAR project, **electronic archive and eBox projects** are activated. The final aim of the electronic service implementation is improvement of business climate through reduction of costs related to paper documents production, reduction of works related to entry, control, and archiving of paper documents, saving the time for taxpayers and reduced number of needed arrivals to The Tax Administration of the Republic of Srpska.
- **Integrated Information System.** Stabilization of business processes were released in production in 2017 (part of reception and processing of returns, tax accounting, control administration procedure, office management, processes of forced collection in a part of document decision execution for payment by number of inspections and acts of other bodies and interface for updating the data of taxpayers), and implementation activities of Integrated Information System with new implementer have been continued.
- **Establishment of a new organization of work in the Tax Administration.** During 2017, new Rulebook on Internal Organization and Systematization of Positions in Tax Administration of the Republic of Srpska was adopted, and it has been reflection of need for more quality and efficient fulfillment of tasks in the Tax Administration.

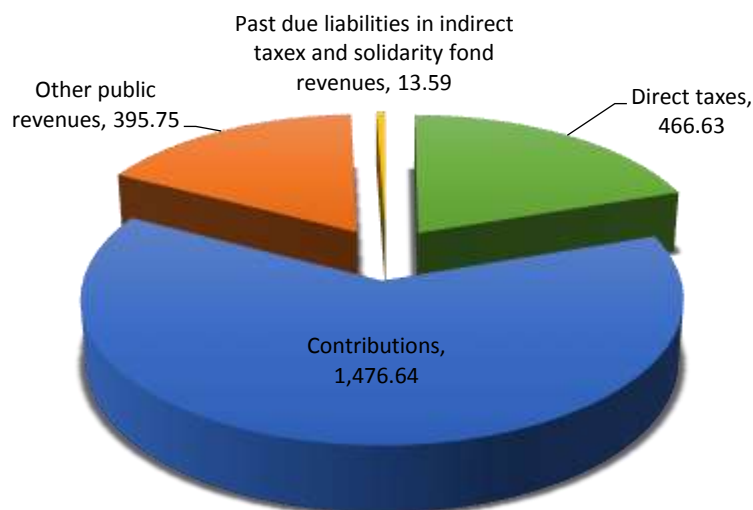
I TAX COLLECTION MANAGEMENT

The Tax Administration of the Republic of Srpska kept the positive trend in the whole last year in Collection of Public Revenues that may be attributed to everyday activities which the Tax Administration performs within its jurisdiction and it pointed into regular collection and field controls but also in further strengthen of taxpayers services and modernization of its business. Also, implementation of new Integrated Information System made us possible to issue warnings automatically as well as to create the decision documents on enforced collection that has had positive effect in Collection of Public Revenues, which are in The Tax Administration of the Republic of Srpska jurisdiction. Particularly, implementation of the new information system would greatly make possible to automatize certain part of the internal processes and in that way to redirect the employees on other jobs.

1.1. Collection of Public Revenues

The Tax Administration of the Republic of Srpska collected **public revenues in total amount of BAM 2.353 billion** between Januar 01, 2017 and December 31, 2017. In addition to collection via public revenue accounts, the total amount above includes BAM 54,56 million based on the system of multilateral compensation and according to the Law on the Unified System of Multilateral Compensation and Cession. Beside that, additional **BAM 2,75 million collected by the bonds of internal debt of the Republic of Srpska.**

Collected public revenues in jurisdiction of PURS in 2017. (BAM million)



Collection plan of public revenues for 2017 is realized 104% while regarding to the same period of the last year BAM 176,48 million collected or 8% of public revenues more.

Direct Taxes

Collected amount on the basis of **the direct taxes** for period between January 01, 2017 and December 31, 2017 is more for 7% related to the same period of the previous year and **BAM 466,63**

million collected or BAM 32,35 million more on which significantly affected rising the collection of corporate income tax and personal income tax in relation to the previous year.

Corporate income tax is collected in amount of **BAM 192,88 million** that is more for BAM 11,44 million or 6% more relative to the last year. In regards of increasing of corporate income tax collection we can say that it is result of positive activity of business entities in 2017 and regular registration and paying of all liabilities as well as timely taken measures of the collection by the Tax Administration. The plan of income tax collection for 2017 is 104% realized.

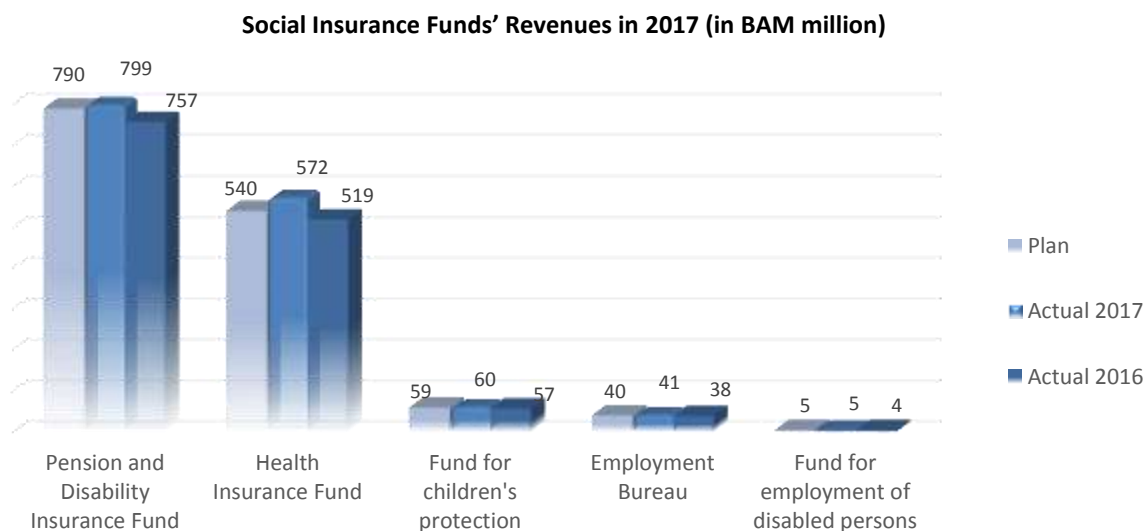
On the basis of **the personal income tax, BAM 234,33 million** collected and that is BAM 18,20 million more i.e. 8% more relative to the same period of the last year. To the higher revenue collection partly affected the increment of the lowest wages from January 2017. Also, we can say that the increment of the above mentioned revenue is affected by the implementation of the legal decisions from June 2016. The plan of tax revenue collection related to personal income tax for 2017 is 104% realized.

Tax on use, possession and carrying of goods is collected in **BAM 14,34 million**, which is 3% more relative to the same period of the last year.

Revenues collection on the basis of **real estate tax** is **BAM 25,08 million** that is BAM 2,25 million more i.e. 10% more relative to the same period of the last year.

Revenues

Total collected **revenues from social insurance funds** in 2017 are **BAM 1,477 billion** that is more for BAM 101,14 million i.e. 7% more related to the same period in 2016, while 3% is more collected related to the planned amount which is BAM 43,14 million revenues more.



Other Public Revenues

On the basis of **other public revenues BAM 395,75 million** collected, that is 13% more or BAM 45,1 million more related to the same period of the last year.

Revenues based on the **fees and charges** in 2017 are BAM 246,05 million, and it may be realized that 14% more is collected related to the last year i.e. BAM 29,34 million.

Revenues collection regarding to the **charges for organization of games of chance** is **BAM 25,15 million** that is 12% more or BAM 2,62 more related to the same period of the last year.

Collected revenues regarding to **the fines** are **BAM 20,88 million** that is 15% more related to the last year or 13% more related to the plan.

Collection regarded to **the other revenues** for the period between January 01 and December 31, 2017 is **BAM 68,52 million** that is BAM 19,51 million more or 40% more related to the last year. The collection plan related to the other revenues is 125% realized.

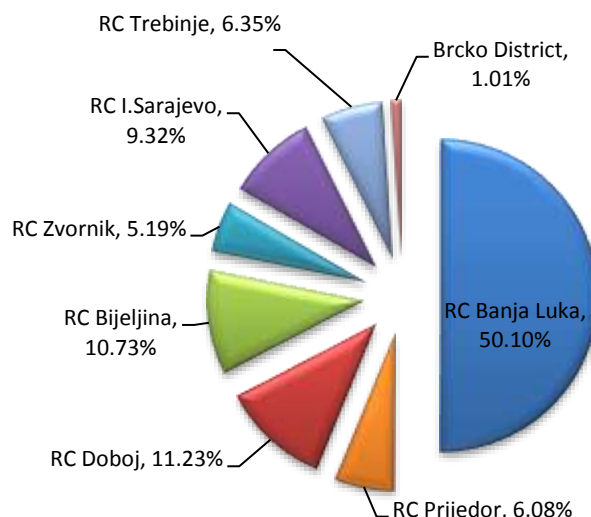
In regards to **the concession fees collection revenues** is **BAM 35,15 million** collected which is less for BAM 9,1 million i.e. 21% related to the last year. The collection plan regarding to the concession fees is 70% realized.

In regards to **the past due indirect tax liabilities and solidarity fund revenues** in 2017, BAM 13,59 million is collected which is less for BAM 2,10 million that is in accordance with the expected dynamic of collections decreasment of this type of revenues.

Collection by Regional Centers

Regarding to the public revenues collection by RSTA Regional center it may be seen that all centers achieved better results of the public revenues collection related to the last year except RC Trebinje which is on the border of accomplishment, while realization ratio of the plan of public revenues collection in regional ceters is from 96% (RC Trebinje) to 109% (RC Banja Luka).

The share of RSTA Regional Centers in collected public revenues in 2017

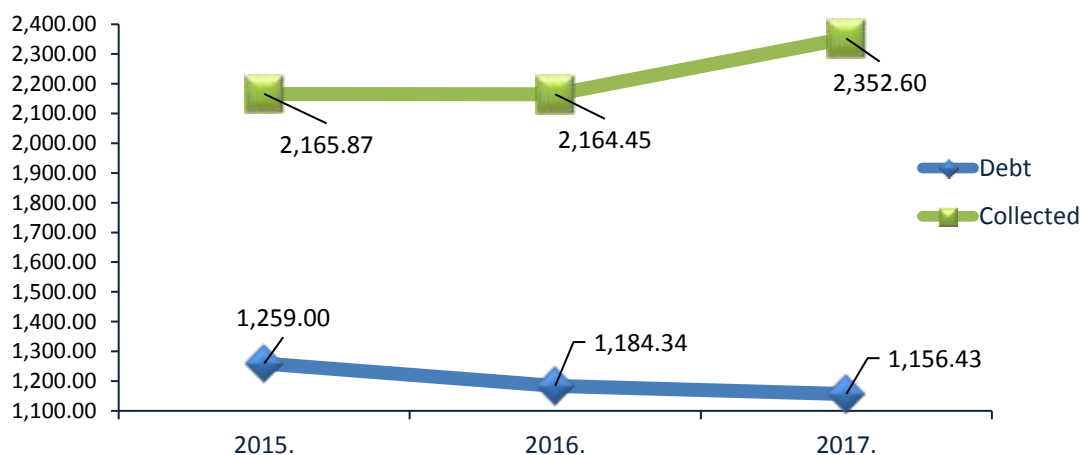


Also, BAM 23,85 million is collected of the collected revenues related to the taxpayers of the revenues for pension and disability insurance who are employed in Brcko District and whose place of living is Brcko District and are registered in the Unified System for Registration, Control, and Collection of Contributions of the Republic of Srpska.

1.2. Debt Balance

According to official records of The Tax Administration of the Republic of Srpska, debt due balance and outstanding debt on December 31, 2017 was BAM 1,156 billion. In comparison, debt balance on December 31, 2016 was BAM 1,184 billion which means that the same debt in 2017 is decreased for BAM 27,91 million or 2,36%.

Collected public revenues and debts for the period 2015-2017



Debt Reconciliation against Bonds

Persuant to the Decree on payment of tax liabilities with the Republic of Srpska bonds (Official Gazette of the Republic of Srpska, No 58/09), which regulates the terms and procedure for payment of due tax liabilities, incurred until December 31, 2007, by means of the Republic of Srpska internal debt bonds, the RS Ministry of Finance issued 50 decision documents in 2017 for payment of debt with bonds for the total amount of BAM 2,75 million.

1.3. Decision Documents/Notices on Payment Liabilities

In reporting period, 161,736 notices have been issued in regards of payment of due liabilities for the amount of liabilities of BAM 542,16 million. Taxpayers paid BAM 139,91 million within 8 days i.e. 26% of the total amount of due liabilities included by issued notices. According to the issued notices in the previous period, BAM 18,231 million collected in the reporting period.

Related to the same period of the last year 28% of more notices have been issued, while **BAM 22,97 million more collected within voluntary period**. Plan of notice issue for payment is 131% realized.

	Plan 2017	Actual 2017	Actual 2016	Actual vs. Plan	Index 17/16
Number of notices	123.197	161.736	126.727	131%	128
Collected within period	59.942.565	139.932.889	116.960.110	233%	120

Good results in this segment of the Tax Administration are automatically notices issue which is enabled through implementation of Integrated Information System.

1.4. Enforced Collection Procedure

81,113 enforced collection procedures were initiated in 2017 pertaining to debt amount of BAM 160,61 million whereas BAM 54,18 million or 34% were collected in relation to decision documents from the preceding period. Additionally, according to enforced collection resolution from the previous period, BAM 17,39 million more collected in the reporting period. In enforced collection procedure in relation to all decision documents **the total amount of BAM 71,57 million were collected.**

	Plan 2017	Actual 2017	Actual 2016	Actual vs. Plan	Index 17/16
Number of procedures	45.762	81.113	44.926	177%	181
Debt, as per EC decision documents (BAM)	85.804.309	160.613.809	130.164.360	187%	123
Collected (BAM)	33.478.000	54.182.741	45.759.773	162%	118

Relative to the same period of the previous year 36,187 of enforced collection procedures were initiated more and the total amount of collected liabilities by the decisions of enforced collection that has been initiated in the reporting period is higher for BAM 8,42 million then in the same period in 2016.

Relative to the planned number, 35,351 more procedures have been initiated, i.e. 77% more than planned number, and 62% more collected than in the enforced collection plan.

In the structure of initiated enforced collection procedures in the reporting period the most immanent are **notices for paying of reported liabilities with the participation of 57% in structure of all enforced collections procedures in the reporting period**, and decisions of enforced collection related to the tax bills for real estate tax which are 26% of all decisions of enforced collection initiated in the reporting period.

Also, minor offense reports and decisions are immanently present and delivered by the courts and make 14% of all enforced collection procedures initiated in the reporting period.

In the reporting period, 280 proposals were submitted to the Court/The Republic Administration for Geodetic and Property-Legal Affairs for registration of mortgage on taxpayers' real estate on the amount of BAM 11,46 million in liabilities, and 110 requests for discharge of mortgage on the liability amount of BAM 3,34 million.

In the reporting period, on the proposal of RSTA, 261 decisions for registration of legal mortgage have been issued on behalf of RSTA on the liability amount of BAM 8,11 million, 73 decisions on discharge of registered legal mortgage of BAM 2,66 million, and 19 decisions of rejecting the registration of the mortgage of BAM 556.868,43.

On the level of RSTA, 49 proposals have been submitted to the court for initiating the executive procedure on the taxpayer property for the amount of BAM 2,13 million.

Total amount **of uninitiated enforced collection procedures** on December 31, 2017 was **96,381 for the debt amount of BAM 24,61 million**. Debt participation related to uninitiated enforced collection procedures in total payable, and outstandable debt was 2,13% on December 31, 2017.

It should be noted that in the structure of uninitiated enforced collection procedures, 70% of issues are related to minor offence reports and decisions delivered by the Courts.

1.5. Agreements/Decision Documents on Extended Payment of Tax Liabilities

RS Ministry of Finance Decision Documents on Deferred Payment

Accordingly, to the Law on Deferred Payment of Tax Debt (Official Gazette of the Republic of Srpska, No 94/15) **the Ministry of Finance of the Republic of Srpska issued 103 decision documents on deferred payment of tax debt namely of the amount of BAM 60,29 million**.

In the reporting period, BAM 26,54 million have been collected in connection with the above said decision documents, including the decision documents in the previous period **with BAM 36,94 million remaining in past due liabilities**.

In addition, Ministry of Finance of the Republic of Srpska issued and RSTA received 29 decision documents abolishing the previously issued deferred payment decision documents pertaining to the amount of debt of BAM 6,23 million, due to taxpayer's failure to adhere to the given terms and deadlines. Moreover, 4 decision documents of deferred payment pertaining to the amount of debt of BAM 730,40 thousand were cancelled because the bankruptcy procedure is conducted.

Relative to the previous year, and to Ministry of Finance of the Republic of Srpska decision documents on deferred payments of tax liabilities, 65% more liabilities were collected, and the collection plan is 141% realized by these decisions.

Agreements on Debt Resheduling in Line with RS Government Decisions

In 2017, apart from the decision of Ministry of Finance of the Republic of Srpska on deffered payment, BAM 48,52 million were paid in rescheduled liabilities according to the Decision of the Government of the Republic of Srpska from the previous years.

Due, and unpaid rescheduled liabilities amounted to BAM 13,05 million, whereas outstanding debt for all reschedules signed accordingly to decisions of the Government of the Republic of Srpska from the previous years was BAM 63,10 million.

The collection plan of rescheduled liabilities for annual report is 139% realized while related to the same period of the previous year 499% more rescheduled liabilities were collected. The reason more for collected rescheduled liabilities related to the same period of the previous year comes from committed compensation part of taxpayer debt of Rafinerija nafte, PLC Brod.

Due to disobedience of the conditions prescribed by the agreement, The Tax Administration of the Republic of Srpska cancelled 2 agreements during reporting period accounting for BAM 1,45 million and undertook enforcement collection measures in accordance with the Law on Tax Procedure of the Republic of Srpska.

RSTA Agreements/Decision Documents on Deferred Payment

Accordingly, to the Law on Deferred Payment of Tax Debt (Official Gazette of the Republic of Srpska, No.94/15) **the Tax Administration of the Republic of Srpska issued 88 decision documents on deferred payment of tax liabilities, namely for the amount of BAM 1,23 million.**

During 2017, RSTA issued 63 decision documents for abolishing the decision on deferred payment of tax liabilities for the amount of debt of BAM 499,016.

Please note in regard to the conditions and manners prescribed by the Law on Deferred Payment of Tax Debt, the director of the Tax Administration shall decide to issue a decision upon the request for postponement of payment of the tax debt not exceeding BAM 30,000.

In pursuance to 427 agreements/decision documents on deferred payment of liabilities (including the one from the preceding period) BAM 964,762 have been collected in 2017. Due and outstanding liabilities by these agreements/decision documents are in total of BAM 293,656.

The remaining debt in connection with all signed agreements/decision documents on deferred payment is BAM 2,09 million. The amount pertains to all active agreements/decision documents, including the ones for which interest has not yet been calculated, or it has been calculated but not paid.

Relative to the last year, collection is 24% lower, whereas actual against plan ratio, for all agreements/decision documents, is 106%.

1.6. Specific procedures

Bankruptcy and Liquidation

Bankruptcy procedure has been initiated for 117 taxpayers in 2017. RSTA registered receivables amount to BAM 12,77 million, out of which BAM 7,94 million were endorsed.

In the reporting period, BAM 1,93 million collected by all initiated bankruptcy procedures.

In 2017, liquidation procedure has been initiated for 355 taxpayers. The amount of registered receivables was BAM 12,71 million, out of which BAM 2,49 million were endorsed. The amount of BAM 175,318 was collected in regard of initiated liquidation procedures.

Out of 1,663 bankruptcy procedures from 2002 until December 31, 2017, 1,402 have been completed, and 28 have been suspended. Out of all initiated bankruptcy procedures involving RSTA as a creditor, 233 procedures have been still in process pertaining to debt amount of BAM 201,65 million.

Out of 3,161 initiated liquidations, 2,423 have been completed, 539 have been suspended, while 199 have been still in process pertaining to debt amount of BAM 12,22 million.

In period between January 01, 2017 and December 31, 2017, for determination of conditions to initiate bankruptcy procedures with debt amount of BAM 7,91 million, 73 preceding procedures have been initiated. Out of that number of procedures, 53 bankruptcy procedures have been initiated, while the rests are in the process of determination of conditions for initiating bankruptcy procedures, while the one liquidation procedure has been initiated. On December 31, 2017, 31 preceding procedures were in process.

In the reporting period, according to the Law on Bankruptcy (Official Gazette of the Republic of Srpska, No. 16/16), one procedure of restructuring has been initiated.

Write-off of Receivables on the Grounds of Bankruptcy and Statute on Limitation

Following completion of bankruptcy related court procedure, The Tax Administration issues a decision document on irrecoverable tax arrears from the respective tax payers, i.e. debtor. Based upon that, 389 decision documents on irrecoverable tax liabilities were issued in 2017 in debt amount of BAM 67,18 million.

In the reporting period, 7.236 decision documents on irrecoverable tax liability have been issued based on statute on limitation, for the debt amount of BAM 3,07 million, accordingly to the Law on Tax Procedure (Official Gazette of the Republic of Srpska, No. 102/11, 108/11, 67/13, 31/14, 44/16).

II FIGHT AGAINST THE GREY ECONOMY

No matter how a country seeks to legally regulate economic activities, there are always segments in which a greater or lesser volume of economic transactions avoids some of these regulations, i.e. a certain percentage of the grey economy. According to recent studies in BIH, the level of grey economy is estimated as 25.5% in 2014¹, while in the Republic of Srpska, according to the latest study in 2010², the grey economy is covered by 20% of GDP.

With the aim of combating grey economy in 2015 the Government of the Republic of Srpska has established an Action Plan for grey economy suppression with the improvement of work in inspection bodies which anticipated issuance and amendment of set of laws:

- Law on Tax Procedure,
- Law on Inspections in the Republic of Srpska,
- Law on Crafts and Entrepreneurial Activity,
- Law on the Public Service System.

In 2017, the Tax Administration directed a large part of its activities to fight against the grey economy. Namely, by amending the Law on Tax Procedure of the Republic of Srpska as part of the reform of the economic system of the Republic of Srpska, serious steps were taken to reduce the grey economy in RS. Registration of business entities whose founders have unsettled tax liabilities, as well as those whose founders are also the founders of businesses that have outstanding tax liabilities were disabled.

In accordance with the Law on Changes and Amendments to the Law on Tax Procedure as well as the Law on Inspections in the Republic of Srpska, all inspectors have been authorized within their competences to control the registration of employees in the Unified System for Registration, Control, and Collection of Contributions. In order for RSTA to fully implement the provisions of The Tax Administration of the Republic of Srpska Procedure Law related to imposition of measures prohibiting the performance of activities due to failure to register employees in the Unified System for Registration, Control and Collection of Contributions, a Rulebook on the manner of implementing the measure of prohibiting performance of activities due to failure to register in the Unified system was issued (Official Gazette of the Republic of Srpska, No. 29/17).

Moreover, in 2017 RSTA put emphasis on the implementation of indirect methods in determining the tax base, especially when it comes to the so-called related controls based on the principle of disproportionate income and property ratio.

Also, the new Law on Banks of the Republic of Srpska, in the part referring to the obligation to submit data at the request of tax authorities, will significantly facilitate the activities in the fight against the grey economy.

RSTA has intensified its activities in controlling the correctness of the presentation of turnover through fiscal cash registers, which influenced the improvement of tax discipline with all taxpayers and establishment of a proper attitude in regard to the tax liabilities.

Within the framework of the RSTA Strategy for 2016-2018, one of the strategic goals is to reduce of tax gap and level of grey economy. Some of the crucial activities are as follows:

¹ Research conducted by companies MasterCard and Ernst&Young, published in 2016.

² PhD Rajko Tomas, 2010, „Crisis and Grey Economy in Bosnia and Herzegovina“.

- identify new ways of tax evasion (through registration, illegal cash transactions, transfer of assets, etc.),
- finding better legal solutions based on practices,
- strengthening cooperation and exchange of information between all institutions dealing with control,
- full implementation of the Action Plan of the Government of the Republic of Srpska for fighting grey economy by improving the functioning of the control bodies,
- systematic work to strengthen confidence of taxpayers in work of RSTA,
- raising awareness of the importance of legal business.

When it comes to raising awareness about the importance of legal business, in 2017 RSTA continued with the campaign "*Make a step, take a bill*" in order to raise awareness about the importance of issuing and taking the bills, and launched a new campaign "*Pay the tax, strengthen the RS*" where we emphasize the importance of paying tax obligations and the benefits arising from it.

Moreover, it is important to mention that the Tax Administration initiated a whole set of law amendments in the previous year, which adoption would significantly influence the fighting of grey economy, raising awareness among taxpayers about the importance of reporting and paying taxes, and improving the work of the Tax Administration. Thus, amendments to the following laws have been proposed:

- Law on Notaries,
- Law on Securities Market,
- Law on Minor Offences of the Republic of Srpska,
- Law on Electronic Document of the Republic of Srpska,
- Law on Contributions,
- Law on Health Care,
- Law on Communal Taxes,
- Law on Tax Procedure of the Republic of Srpska,
- Law on Special Republic Fees,
- Law on Court Fees,
- Corporate Income Tax Law, and
- Personal Income Tax Law.
- Out of the mentioned initiatives, the following have been adopted up to date: Law on Notaries, Law on Minor Offences of the Republic of Srpska, and **Law on Contributions**.

2.1. Field and Desk Audits

Apart from rising the awareness among the citizens that tax compliance gives more benefits to all citizens than non-compliance, the practice has shown that the existence of a law does not mean that it is fully applied. For that reason, the audits exist as well as sanctions for non-compliance of the law, which at the same time represent an assurance for compliance of the same.

There were 3.922 audits in 2017 (field and desk), at RSTA level, out of which 183 pertain to large taxpayers.

Relative to the previous year, there was 19% of audits more, whereas the actual against plan ratio for 2017 regarding the number of audits is 118%. Planned amount of liabilities stated in the decision documents on payment was 84%.

Type of Audit	Number of Audits				
	Plan 2017	Actual 2017	Actual 2016	Actual vs. Plan	Index 17/16
Field Audits	1.452	1.567	1.438	108%	109
Desk Audits	1.861	2.335	1.861	127%	127
TOTAL	3.313	3.922	3.299	118%	119

In 2.463 audit cases, i.e. 63% of all cases, irregularities were identified pertaining to taxpayers' operations, whereas for 2.380 audits new liabilities were assessed.

RSTA inspectors assessed new liabilities in amount of BAM 37,84 million while auditing 2.380 taxpayers.

For unpaid portion of liabilities, following audits inspectors have issued decision documents on payment of liabilities for the total amount of BAM 33,80 million (principal debt + interest). 98 appeals have been filed to the said decision documents, including the appeals to the inspectors' decisions made in previous period. This difference between new liabilities and issued decision documents on payment liabilities is related to the withholding tax.

BAM 6,40 million, i.e. 19% of total liabilities were paid within the voluntary period stated in the decision documents on payment. Additional BAM 2,83 million was collected within the voluntary period as a result of completed audits.

Following audits, Tax Administration's auditors have filed 434 minor offence reports for the total amount of BAM 951.594, due to irregularities identified in operations of audited taxpayers. In addition, 42 requests have been filed for initiation of minor offence procedure.

2.2. Special and Other Audits

By means of the Law on Amendments to the Law on Tax Procedure (Official Gazette of the Republic of Srpska, No. 44/16) two new audits have been established: special audit and unregistered entity audit. Special audits represent the verification of the legality and regularity of the implementation of tax regulations, except for checking the legality and regularity of reporting, fulfilling and determining tax liabilities, while the unregistered entity audit is carried out in accordance with the regulations governing the work of inspections in the RS.

In 2017, 3.520 special audits were conducted i.e. **3.370 inspections in reference to recording of sales via fiscal cash registers and 150 controls related to registration of contribution payers.**

Type of Audit	Number of Audits			Actual vs. Plan	Index 2017/2016
	Plan 2017	Actual 2017	Actual 2016		
OTHER AUDITS					
Unregistered entity audit	653	5	0	1%	-
Cash register fiscalization	12.470	10.028	10.172	80%	99
TOTAL	13.123	10.033	10.172	76%	99

SPECIAL AUDITS					
Inspections of recording of sales via fiscal cash registers	3.143	3.370	4.311	107%	78
Control related to registration of contribution payers	300	150	0	50%	-
TOTAL	3.443	3.520	4.311	102%	82

Following audits related to registration of contribution payers, Tax Administration's auditors have filed 63 minor offence reports for the total amount of BAM 245.000, out of which BAM 89.500 was paid for 48 orders. In reference to inspection of recording of sales via fiscal cash registers, 1.620 minor offence reports were issued for the amount of BAM 1.14 million, out of which BAM 172.465 have been collected in pursuance of 587 reports. 78 requests were filed to initiate minor offense proceedings, and **584 taxpayers were temporarily banned to conduct business.**

While conducting special audits, Tax Administration's auditors detected **129 unregistered contribution payers.**

In regard to other audits, inspectors have conducted **10.028 fiscalization of fiscal cash registers and 5 audits pertaining unregistered entities.**

This figure also pertains to other activities in connection with fiscalization, such as module replacement, de-fiscalization, terminal replacement, change of address of sales outlets, and such like.

720 initial fiscalization applications were filed in period 01.01-31.12.2017, and The Tax Administration of the Republic of Srpska issued 724 decision documents on fiscalization (one part of decision documents on fiscalization pertain to requests filed during the previous year). Since the start of implementation of the Law on Fiscal Cash Registers i.e. from 2008 until 31 December 2017, RSTA issued **50.736 decision documents on taxpayer fiscalization**, whereas 50.741 initial fiscalization applications were filed.

2.3. Investigations and Intelligence

Throughout 2017, inspectors-investigators forwarded **26 reports to the competent Prosecutor's Office:**

- 5 reports were filed due to reasonable doubt of criminal offense being perpetrated in regards to abuse of authority in business dealings (Article 292 of the Criminal Code of the Republic of Srpska),
- 15 reports in connection to reasonable doubt of criminal offense being perpetrated in regards to tax and contributions evasion (Article 287 of the Criminal Code of the Republic of Srpska),
- 3 reports were filed due to reasonable doubt of criminal offense being perpetrated in regards to abuse of authority in business dealings (Article 263 of the Criminal Code of the Republic of Srpska), and
- 3 reports were filed due to reasonable doubt of criminal offense being perpetrated in regards to damages or privileges of creditors (Article 262 of the Criminal Code of the Republic of Srpska)

with total damage inflicted to the RS Budget in the amount of BAM 4,69 million.

86 consultation meetings were held with competent Prosecutor's Offices where instructions have been provided in regards to further actions in connection with the requests of the Prosecutors.

135 depositions related to audit findings were taken from suspects and witnesses in the process of audit in companies and in line with the order of the Prosecutor's Office; namely 83 depositions pursuant to the provisions of the Administrative Proceedings Law and 52 depositions pursuant to the Criminal Proceedings Code. Moreover, 708 checks were conducted within RSTA records upon the requests from Intelligence-Security Agency of Bosnia and Herzegovina as well as 371 checks in audits and within RSTA official records at the request of other state authorities and organizations.

2.4. Minor Offence Procedure

2.379 minor offense reports were issued in 2017 in reference to all procedures arising from the RS Law on Tax Procedure and other laws regulating minor offense sanctions enforced by RSTA, **with penalties stated in the amount of BAM 2,51 million**. Out of that number 830 reports were approved, with BAM 430.948 collected respectively. 156 requests have been filed for initiating minor offence procedure. Moreover, 584 measures on prohibition of performance of activities have been issued.

The most of minor offence reports i.e. 1.631 were issued in regards to breach of regulations on fiscal cash registers, whereas 408 minor offence reports were issued due to non-filing of tax liabilities.

Relative to the previous year, the number of minor offence reports was higher by 146, with increase in collection by BAM 449.746. Out of the total number of issued reports, 1.318 are still in process (for the amount of fines of BAM 1,26 million), i.e. voluntary payment period extends beyond 31 December, 2017.

III TAXPAYER TREATMENT

3.1. Taxpayer Information and Media Activities

The Tax Administration of the Republic of Srpska, as a taxpayer service, has the obligation to consistently, efficiently, and impartially supports taxpayers with appliance of regulations of its competence as well as to provide quality services to the taxpayers. The Tax Administration continuously work in the area of improving services to taxpayers in order to reduce costs, stimulate voluntarily tax compliances and thereby increase the collection of public revenues. Building of well-known and positive picture of the Tax Administration in the public represents one of the RSTA priority assessment, that has been achieved through proactive and partner relations with all targets (taxpayers, media, etc.).

Meaning of that, at the beginning of April, the Tax Administration started a new service of electronic bill delivery (**eBill**) for real estate tax to taxpayers. The aim of the electronic bill for real estate is to reduce the costs of data process, and efficient, faster, and cheaper bill delivery for real estate tax and digital transformation, with respect to enable the Tax Administration more efficient citizen's service.

Also, activities on establishing **e-box** have been initiated, by which tax documents like real estate bills, reminders for unreported/unpaid tax liabilities, complaints to tax bills and similar have been interchanged.

In cooperation with Chamber of Commerce of the Republic of Srpska number of seminars have been held on the topic "Filling the Annual Tax Return for Income Tax for 2016 (forms 1101 and 1102) and Annual Registration of Controlled Transactions", as well as topics related to changes of tax regulations which have been in RSTA jurisdiction. The aim of these activities is support for taxpayers to be informed with changes of tax regulations as well as the ways of its application, and also, that the Tax Administration make easier, as possible as it can, for taxpayers' execution of their liabilities.

Then, we published audio-video record of how to complete Annual Return Form for Income Tax (Form 1101) that has been viewed 4.711 times and we will continue with this practice in the next period.

Also, temporarily **info-desk** was established, and there the taxpayers could get all needed information related to tax return submission and provided all needed help with completion of tax return for rental income tax. In this respect, the Tax Administration of the Republic of Srpska in cooperation with the city of Banja Luka as the largest community in the Republic of Srpska, and its condominium owners' community, conducted campaign in which invitations have been distributed to citizens to report the rental capital gains tax with detailed explanations how to submit the return.

In 2017, the Tax Administration continued with campaign that has been started in 2016 "**Make a step, take the bill**" when all media indicated the importance of the issue of fiscal bill, and started new campaign "**Pay the tax, strengthen the RS**" which aim is raising awareness among citizens of importance of paying the tax liabilities and benefits that come from that. The aim is that all citizens of the Republic of Srpska, from the youngest to the eldest, be informed of all benefits of tax paying, and to encourage individuals to respect regulations and to indicate that reverence of regulations brings more benefits than its disobedience.

In the promotion of the importance of tax system and tax payment, and benefits that come from that, either for the individual or for society in general, **education for pupils** of final classes of Economic school in Banja Luka, Technical and Commercial schools throughout The Republic of Srpska was held. It was about continuance of activities of education of the youngest population by the Tax Administration of the Republic of Srpska, as for the future taxpayers to have needed knowledges and realization the importance and advantages of regular paying of tax liabilities.

During 2017, The Tax Administration of the Republic of Srpska and Association of Economists of the Republic of Srpska – “SWOT” signed the agreement of mutual cooperation on realization of projects from more areas that are of the common interest.

In 2017, the Taxpayer Service Sector had the following number of contacts with taxpayers:

Type of contact	Plan 2017.	Actual 2017.	Actual 2016.	Actual vs. Plan	Index 17/16
Personal contact in RSTA premises	600	520	660	87%	79
Telephone	15.000	15.957	22.428	106%	71
e-mail	1.000	999	1.148	100%	87
Correspondence	320	222	419	69%	53
Designated topic meetings	50	5	37	10%	14
Public information in cooperation with RSTA spokesperson	2	21	14	1050%	150
Public notification	1	1	1	100%	100
2017 Tax Calendars	3	3	3	100%	100
Web page information	120	133	119	111%	112
Taxpayer seminars, training courses, etc.	10	68	14	680%	486
Opinion polls	1	0	1	0%	0

In the reporting period, there were **575.435 hits on our web page**. The highest number of hits was in February and March due to the fact that most tax returns are due by the end of the first quarter.

Concerning Public relations in 2017, the following have been done:

- The Tax Administration appeared in the public **414** times, 321 times from RSTA central office and 93 media appearances from regional centers;
- **64 announcements** were published, with the most common topic of uncollected public revenues related to the campaign of enhanced controls of fiscal bills issue, deadlines for tax return submission, blockade of health institutions, education for pupils and businessmen organized by RSTA, etc.;
- **170 answers to the journalist questions** were drafted, mostly related to the taxpayers debt, extensions, account blockades, controls, written-off debts, enforced collection, undeclared employment, freelancer tax return, a day flats rent, real estate tax, etc.;
- **7 interviews** have been given by RSTA, 9 participations in radio stations and 13 participations in TV shows have been recorded. The topics were related to fiscal bills issue, collections, real estate tax, rent revenue, strengthen of tax morale, deadlines for tax return submission, etc.;

- **42 statements** are given to electronic media;
- **11 self-initiative actions**, related to RSTA work results promotion, were noted. The topics were importance of taking the fiscal bill, importance of regular tax payment, reports submitted to the Prosecutor's Office, etc.

Beside above mentioned, campaigns related to electronic certificate issue, electronic delivery of real estate tax bill, invitation to taxpayers to report tax of lease and to submit annual tax return have been conducted in 2017. These campaigns have been conducted through either written and electronic medias, and also public appearances in some of them.

3.2. Registered and De-registered Taxpayers

The Tax Administration of the Republic of Srpska registered 51.398 new taxpayers in 2017, whereas 2.422 taxpayers were de-registered.

Taxpayers	Legal persons	Physical persons (entrepreneurs)	Citizens	Other*
Registered	1.190	2.933	41.451	5.824
De-registered	329	1.178	541	374

*Ex-officio (de)registration of branch offices of legal persons from FB&H and Brcko District, foreign diplomatic missions, aliens, and non-residents.

3.3. Certificates Issued to Taxpayer

Certificates Issued

The Tax Administration issued **118.462 tax certificates in 2017**, out of which 14.943 were issued to legal persons, 4.069 to entrepreneurs, and 99.450 to citizens. **Total amount of tax arrears received in the process of issuing of tax certificate was BAM 24,76 million.**

Plan of issuing of certificates in 2017, is 143%, and relative to the previous year the amount of issued certificates was higher by 15%.

Certificates issued in 2017

No		Number of Tax Certificates			Actual vs. Plan	Index 17/16
		Plan 2017.	Actual 2017.	Actual 2016.		
	Legal persons	15.481	14.943	19.685	97%	76
	Entrepreneurs	4.967	4.069	6.400	82%	64
	Citizens	62.390	99.450	76.872	159%	129
	TOTAL (1+2+3)	82.838	118.462	102.957	143%	115

Certificates Issued in Reference to TIN De-registration

3.125 requests were filed in 2017 pertaining to de-registration of TIN (including 14.498 open cases from the previous period). Respectively **1.556 certificates have been issued**. Therefore, **16.067 open cases pertaining to de-registration of TIN have been assigned to the next period.**

In 2017, the Tax Administration initiated change of the Law on Tax Procedure of the Republic of Srpska for the purpose of simpler taxpayers' de-registration, in a way to delete provision of mandatory tax control during de-registration of taxpayer by which the number of unsolved requests for TIN de-registration was lower and facilitate taxpayer de-registration procedure.

The lower number of issued certificates of TIN de-registration by comparison with the number of submitted returns is the result of fact that issue of this certificate is conditioned by settlement of tax liabilities, but by provisions of the Law on Tax Procedure of the Republic of Srpska which requires control before de-registration of the taxpayer.

In the procedure of TIN de-registration, BAM 57.351 collected regularly and BAM 13.254 collected through procedures of compulsory collection in 2017.

Certificates Issued to Taxpayers

By means of the Law on Amendments to the Law on Tax Procedure (Official Gazette of the Republic of Srpska, No. 102/11, 108/11, 67/13, 31/14 and 44/16) Tax Administration, as a control body, is authorized to deny and take away TIN from legal persons and entrepreneurs if their founders and related parties have due and unpaid tax liabilities.

All anticipated instances of denial of TIN are cases in which tax evasion is possible by individuals and legal persons who are the founders of a taxpayer who has outstanding tax liabilities by means of establishing new entities, without settling their liabilities or liabilities of the entities whose founders they were. Therefore, in cases of avoidance of paying taxes, the Tax Administration will not assign a tax identification number.

In the reporting period, RSTA issued 27 TIN certificate denial decision documents, while 3.711 certificates have been issued for the purpose of TIN assignment, of which 3.546 certificates are outstanding liabilities and 126 are arrears, and 39 certificates are in the case when the amount of debt is up to BAM 1.500 and which is settled within 8 days from the date of return submission for TIN assesment or if there is irrevocable bank guarantee or bank guaranteed bill of exchange.

3.4. Refunds, Transfers, and Corrections

Central Tax Documentation Processing Sector enters data into the System for Financial Information Management (SUFI), creates forms, in line with the Instruction on the format, contents, and method of completion of forms used in treasury operations of the budgetary beneficiaries (Official Gazette of the Republic of Srpska, No. 86/02, 5/03, 109/03, and 117/05), and creates entry notifications.

5.591 enforceable decision documents have been entered into the SUFI in 2017. In addition to this, SUFI is also used to record tax refunds approved and paid on the basis of Form 1004-Annual Personal Income Tax Return. The amount of the respective refund processed via SUFI in 2017 was BAM 6.198,26.

During 2017, a mandatory multilateral compensation was held in accordance with the Law on the Unified System of Multilateral Compensation and Cession, whereas BAM 54.655.645,91 was paid out for the liabilities representing the revenues of the RS Budget, extrabudgetary funds and the local self-government units. The number of transactions processed under the multilateral compensation was 4.949.

Local offices within RSTA received 10.240 requests for transfer and refund of more and/or incorrectly paid public revenues, whilst 4.304 unsolved requests were transferred from the previous period, out of which 4.056 or 28% submitted requests were not made.

In addition to before mentioned activities, activities were performed in the Central Tax Documentation Processing Sector pertaining preparation, design, testing and delivery of reports to end users about the origin and settlement of tax liabilities for the period from 1st January to 31st December 2016, and 1st January-30th June 2017, in accordance with the Rulebook on the System of Tax Accounting. Moreover, matters related to the exchange of data with end-users have been done, as well as the submission of analytics to users pertaining the Report from Unique Evidence on Reported and Paid Taxes Based on Their Requirements.

3.5. Receiving and Processing Tax Returns

The Tax Administration of the Republic of Srpska received **1.664.763 tax declarations** in 2017, including the registration forms for the Fiscal Real Estate and declarations pertaining to the Unified System for Registration, Control, and Collection of Contributions.

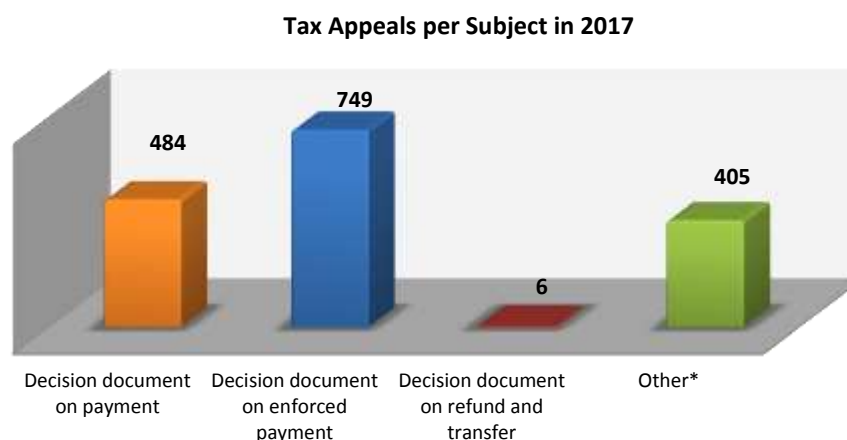
The majority of filed declarations pertain to the Monthly Withholding Tax Form 1002, totaling to 933.449 i.e. 56%.

Note that, from January 01, 2017, with the entry into force of Regulation on Procedure and Submission of Tax Returns (Official Gazette of the Republic of Srpska, No. 81/16) regulated that all payers of income or contributors have to submit monthly withholding tax (Form 1002) only electronically signed by the electronic signature. These changes are very important for the future work of RSTA because it reduces skanning and archiving.

Actual against planned index for 2017, when it comes to filing, is 107%.

3.6. Tax Appeals – First Level of Appeal

RSTA Regional Centers received 1.466 appeals in 2017 pertaining to all procedures in connection with the Law on Tax Procedure of the Republic of Srpska, whereas 178 appeals from the previous period were resolved.



* Decision documents on statute of limitation, registration of mortgage, ban of activity, denial of de-registration request, tax bill appeals, etc.

Of the total number of appeals in 2017, 46% appeals have been stated against decision document on enforced collection for which appeal doesn't delay enforcement.

IV ELECTRONIC SERVICES

Today, electronic operation has a great part in every day life of taxpayers and citizens. In line with this, for better Tax Administration in developing plans, the project of implementation of the Tax Administration **e-services** has been started so that a new quality may be created in communication with taxpayers.

The Tax Administration e-service enables unlimited access to all our e-services in one web page, without paper work, through “virtual interactive window”. Within this service, safe interchange of electronic documents conducts between taxpayer and the Tax Administration.

Development of this project, the taxpayers and citizens are enabled the following e-services:

- Drafting and distribution of electronic certificates for e-Signature,
- Electronic submission of most frequently tax return 1002,
- Review of liabilities and withholding tax payment,
- Review of reported reductions on the basis on personal deduction and tax card,
- Review of working engagements,
- Synthetic review of liabilities and payment of contributions,
- Review of all accounts for real estate tax,
- Review of correctness of sending daily reports for owners of fiscal cash registers and
- eBill for real estate tax.

Bearing in mind that one of the aims of the Tax Administration is increasment of a level of services for taxpayers, a new service, **eBill**, has been implemented in 2017, for issuing account for real estate electronically, for the ones who subscribed to receive tax bills in that way. The aim of electronic real estate bill is to reduce costs of data processing, and more efficient, faster, and cheaper delivery of the real estate tax bill, as well as digital transformation, which enables The Tax Administration of the Republic of Srpska to become more efficient service of citizens.

Then, within components *“Improvement of business environment through implementation of electronic documents, issue of electronic tax certificates and provision of other services and services to taxpayers electronically”*, of FAR project, **electronic archive and eBox have been activated**.

As regards to **electronic archive**, the first phase has been successfully finished for implementation of the electronic archive. Namely, software for digitalization of applications from fiscal real estate register is developed, and it consists over 3 million of applications that have to be kept permanently. In 2017, 977.087 PFRN (Applications for Registration into Fiscal Real Estate Register) are digitalized which is in accordance with plans to digitalize nearly million documents in the first year of the system work.

Implementation of the electronic archive in the Tax Administration will resolve problem of 10 million of paper documents in existing archive of which more than 70% has to be kept permanently, which means that there are more than 700.000 new documents every year that should be kept permanently with the problem of large costs of manipulation of paper document and adequate space for keeping this number of documents.

Electronic box that also should be realized within this project, will serve as a tool for safe two-way communication (taxpayers/Tax Administration) which will in the first phase enable deliverance of

real estate tax bills and notices for unpaid liabilities and in the next phases, this interchange of documents should be done with bonds through this portal site. The electronic box will be developed as a modular system, either in respect of addition, changing and deleting of contents, and the access rights to defined contents. Beside the interchanges of tax documents, some other services such as review of reports, asking questions, polls, notices and similar would be enabled through eBox.

The final goal of **E-service project** is improvement of business climate throughout cost reduction related to production of paper documents, reduction of work related to entry, control, and archiving of paper documents, saving the time for taxpayers, and decreasing number of needed arrivals to the Tax Administration of the Republic of Srpska, saving the costs of the post delivery of paper documents, simple searching of documents in the electronic archive and reduced possibility of its losses.

Namely, annual savings for taxpayers and the Tax Administration from online business, considering electronic submission of applications, electronic archive and electronic box, would be around BAM 2,3 million, including savings of time for taxpayers, reduction of work in RSTA, and simpler data search.

The Tax Administration E-services satisfy high safety standards in order to data electronic transactions would be carried continuously safe, with no risk of stealing and compromising.

The electronic services actively use 8.564 users, which is around 70% of total number of registered users. The total number of users (legal persons and entrepreneurs) is 10.698, and physical persons: 1.460. The largest number of users is registered in Banja Luka (3.369), and Bijeljina (1.343) and Gradiska (959). In the next period, the plan is to continue the promotion of RSTA electronic services as well as to increase the coverage of taxpayers.

It should be noted that the electronic services, which are currently available for taxpayers and citizens, are absolutely free.

V OTHER ACTIVITIES

5.1. Implementation of the Integrated Information System (IIS)

During 2017, it has been worked on stabilisation of business processes which have been released in production and the further implementation of the integrated information system project has been continued in RSTA with a new implementer.

Continuation of implementation included the processes whose implementation has been initiated but not finished (processes of forced collection, reschedules, planning of tax controls, notifications of overpayments and other initiated processes), as well as implementation of processes that have not been initiated and related to implementation of remaining tax applications and applications for registration, interactive center and business report.

Phase of preparation for continuance of project, within project teams are appointed and all necessary project documentation has been rendered in order to project unhindered, like methodology of work, scope of the project, project draft, standards of project, general training plan and plan of communication, is finished at the end of August, 2017.

During September, 2017, final preparations are ended and certain number of new functionalities in PSCD modul (tax accounting) are released in production.

In October, November, and December of the current year, activities in all moduls and teams, within functional phase 3, have been continued and related to errors in production, transaction reports for which the conditions and priority authorizations have been acquired.

5.2. Information Technologies

In 2017, the activities primarily related to the activities for preparation of implementation continuance and the continuance of Implementation of Integrated Information System (IIS), we may say that the main activities were concentrated to:

- Maintenance of existing applications,
- Issuing tax bills for real estates,
- Project eBox,
- Preparation of reports from Unified records of reported and paid taxes,
- Maintenance of reporting systems.

In the reporting period, the system for reporting of RSTA was working at full capacity. The total number of starts was 1.165.832 which is 20% more than in the same period of the last year. When it comes to the exterior users, servicing of fiscal cash registers is the most active (83.948 starts), and the most active in public authorities and funds are, the RS Ministry of Internal Affairs (53.634 sRSTA) and the RS Ministry of Finance (2.427 starts). In total, 77 existing reports were modified and 45 new reports were created.

Addition to the above, the numerous activities have been done in development and maintenance of system communication infrastructure.

Continuous activity of IT Sector is provision of technical support to taxpayers, budgeteary funds, as well as regional units and RSTA functional sectors.

Also, preparation of documentation has been carried out, as well as development and maintenance of applications for processing of returns Form 1002 (PPO/PPO_PU/PPO_SJ), for procession of other tax applications and tax bills for real estate tax (PP/PP_KV) and other applications.

Special significance within IT Sector is attached to activities related to information security and security of IKT system.

5.3. Unified System for Registration, Control, and Collection of Contributions

Implementation of Unified System for Registration, Control, and Collection of Contributions increased efficiency of control and collection of taxes and contributions, and unified database which disposed with these data and exchange them with extrabudgetary funds is established in RSTA.

In that regard, regular dynamic of holding the meetings is imposed with extrabudgetary funds with the aim that in the often direct communication resolve all open questions in relation with functioning of Unified System for Registration, Control, and Collection of Contributions.

In 2017, five coordinated meetings were held with other participants with the range of Unified System for Registration, Control, and Collection of Contributions. Three meetings were held with the representatives of Pension and Disability Insurance Fund, and they discussed about ongoing topics and problems in relation with functioning of the Unified System for Collection of Contributions.

One meeting was held with representatives of Public Fund for Children's Protection in which point Protocol of data exchange between RSTA and Public Fund for Children's Protection were defined. After the meeting and the protocol adjustment, RSTA and Public Fund for Children's Protection signed defined Protocol of Data Exchange.

One meeting was held with representatives of Health Insurance Fund and The Employment Service, and the topic was inconsistency register of unemployed persons in date bases of Health Insurance Fund, the Employment Service and the Tax Administration.

VI INTERNATIONAL COOPERATION

IOTA

In the reporting period, representatives of RSTA were present at the following IOTA meetings/workshops in accordance with agreed cooperation plan for 2017:

- 24th Forum of IOTA Principal Contact Persons,
- 21st General IOTA Assembly,
- Workshop on “Transparency and Personalization in the Delivery of e-Services: Online Taxpayer Account”,
- Workshop – Customer – Centric Approach in Design and Development of Digital Services (IOTA and OECD congress) and
- Meeting thematic groups for debt management area.

Also, during the year, RSTA made and sent comment on preposition of making of IOTA Strategy for 2018-2022.

Cooperation with Swedish International Tax Agency (STA)

At the beginning of 2017, representatives of RSTA were present at common meeting in Sarajevo with representatives of Swedish Tax Agency, Tax Administrations of Federation and Brcko District, Indirect Taxation Authority of Bosnia and Herzegovina and Swedish Embassy. The aim of the meeting was presentation of final Project proposal which would be financed by the Swedish Agency for International Cooperation and Development, and to open discuss about goals, resources and working plan for 2017.

The project is officially started with activities in September, 2017. Action plan for the beginning of project is represented and on that project long term and short term experts should actively participated either from Swedish Tax Agency and BiH Tax Administrations. RSTA appointed its permanent representatives for four Project fields: Risk Management, Taxpayers Services, 3rd Party Reporting and Pre-filled Tax Returns, and Changes of Mindset.

In 2017, two cycles of professional workshops for all four Project fields are realized, and also one study visit of the team in the field of Changes of Mindset was in Swedish Tax Agency.

Cooperation with World Bank

During March, 2017, the meeting was held with representatives of the World Bank within Mission for Technical Support to Programme of Public Administration Reform. The main aim of the meeting was discussion about preliminary results of analysis that is carried out within reform of State Service and Public Administration as well as collection of needed information for preparation of the following steps and the future cooperation on Programme.

OECD/SIGMA

In March, 2017, the meeting was held in RSTA with team mission members OECD/SIGMA related to condition evaluation in public administration in BiH for 2017, management of public finances area. The aim of the meeting was acquaintance of representatives of RSTA with system of internal financial controls in public sector as well as concept that European Commission developed in order to help potential countries candidates in reform of its systems of internal financial controls. The concept is founded on international standards of internal control and practice of European countries.

Fiscalis 2020

At the beginning of 2017, the Tax Administration of the Republic of Srpska started with implementation of European Union Programme Fiscalis 2020. Programme Fiscalis 2020 has an aim of improvement of regular function of tax systems in internal market of European Union through expansion of cooperation between Programme member states, its tax authorities and its official, and to support fight against tax frauds, tax evasion and aggressive tax planning as well as to provide information exchanges.

In March 30, 31, 2017, RSTA representatives together with representatives of the Tax Administration of BiH Federation visited the Tax Administration of Slovenia as the first realized working visit within *Fiscalis 2020* Programme on the topic "Risk Management and Control Selections".

Also, in May 25, 26, 2017, working visit has been realized to the Tax Administration Serbia in which two RSTA representatives participated on the topic "Tax Administration experience in e-control".

FAR Project

At the end of 2015, Action plan about enforcing **Memorandum of understanding between the RS Government and USAID Mission of fiscal sector improvement** is signed in order to precisely regulate activities that will be realized within fiscal sector reform project (FAR).

FAR Project consists of five components of which the fourth component, "Improvement of business environment through implementation of electronic documents, electronic issue of tax certificates and providing other services to taxpayers electronically", implements into RSTA.

Within FAR project component, that has been implemented in RSTA in 2017, the following activities have been completed:

- Electronic archive: 977.087 applications of Fiscal Real Estate Register (FRN) are digitalized as of December 27, 2017.;
- E-box: test version of internet application "e-box" for taking over of electronic documents from payers is created as well as test version of windows application "e-signing" for mass signing and archiving of electronic documents;
- Support to a certification body: *Negios system* has been installed for monitoring of the performance of certification body and other important server systems and also training of administrators to work with a given system.

In May, 2017, presentation was held in RSTA, and all who were present had opportunity to see realized activities within this project in RSTA, the ones that are ongoing, the plans for the next period, and advantages of online business. It has underlined that complete online business will be in accordance with regulations that regulates this area like the Law on Electronic Document of the Republic of Srpska, the Law on Electronic Signature of the Republic of Srpske and the Law on Electronic Business of the Republic of Srpska, or to be equivalent to traditional way of doing business.

Center of Excellence in Finance (CEF)

In the reporting period, the following activities in cooperation with CEF were carried out:

- Seminar on topic “Changing Perspective: From Forced to Voluntarily Tax Compliance”,
- Seminar on topic: “Making a Plan for Tax Compliances”, and
- Annual Coordination Meeting of Programme for Technical Support, supported by the European Commission and IMF – Strengthen the Economic Management and Management of the Public Finances in South-East Europe.

International Monetary Fund (IMF)

Project for giving support to Revenue Administrations of Bosnia and Herzegovina has been carried out within technical support of International Monetary Fund, Fiscal Affairs Department (FAD). The aim of the project is reflected in the following: improvement of the legal framework with the aim of giving support in tax management and conduction of controls and investigations, either direct and indirect tax; strengthening the capacity for gradual adoption of modern access to risk management; and improvement of efficiency in chosen main work processes. The planned period of duration of the Project is from 1st May, 2017 to 30th April, 2020.

During September, 2017, five days’ workshop has been held in RSTA on the topic “Indirect methods of control”. The following topics were elaborated: control of unreported revenue, referent indicators for small businessmen (financial indexes), investigation of revenues, financial analysis, conversation with taxpayer, bank services, observation lifestyle of taxpayer, personal life costs analysis, cash expenditure, “T-cash” analysis, moment of decision, methods of further control, indirect control methods, “T-account”, source and usage of finances, method of netto value, indicators of investments in business, legal and administrative framework – options and limitations.

Working Visits

During March, 2017, RSTA representatives visited the Tax Administration of Serbia with the aim to intensify and strengthen the cooperation of these two institutions in the next period. Also, series of parallel meetings have been organized in which the topics were the Control of Public Revenues, Tax Collection, and Debt Management, but providing services to taxpayers, modernization and transformation of the Tax Administration of Serbia, as well as segment of relations with the public, and international cooperation.

In September, 2017, the Tax Administration of Serbia visited RSTA, and then also series of parallel meetings have been organized.

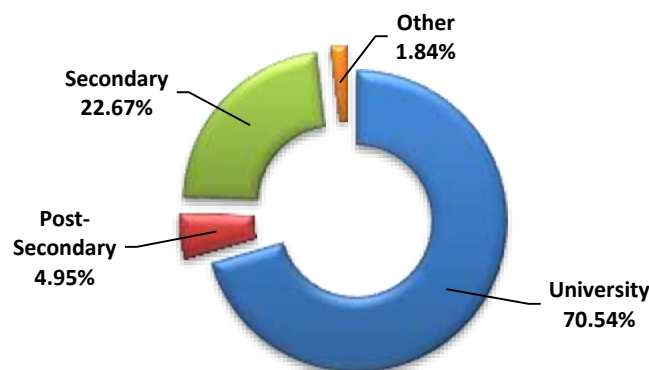
VII HUMAN RESOURCES

The number of employees in RSTA as of December 31, 2017 was 869 of which there were:

- 792 permanent employees or 91,15%,
- 63 fixed-term contract employees or 7,25% and
- 14 apprentices or 3,05% of the total number of employees.

Also, 38 persons were hired on the basis of contract for voluntarily work/professional work and 3 persons were hired on the basis of contract for work.

RSTA Staff Educational Structure as of 31/12/2017



The important chain in process of human resource management represents professional improvement of employees that should represent permanent, systematic, and planned organized process during which the knowledges update and skills and capabilities develop through study and practical work. The Tax Administration recognized the importance of this step that is particularly important during the reform process, whereas it is adopted a great number of new regulations and practices for which realization is necessary to improve understanding of its content. Beside that, constant training increases efficiency in every day work. In that regard, the employees in RSTA are given possibilities, that through different seminars, educations, workshops and similar, expand their knowledge and exchange experiences with tax administrations from different areas of tax policy.

In the reporting period, the procedure of making the new Regulations of internal organization and systematization of posts in RSTA is completed.

CONCLUSION

The Tax Administration of the Republic of Srpska collected **BAM 2.353 billion** at the account of public revenues in 2017, which is BAM 176,48 million or 8% more than in 2016. Revenue increasment is satisfactory in almost all segments, by which the positive trend of the collection from the beginning of the year is continued.

Credits for such positive indicators may be attributed to automation of the public revenue collection in RSTA, namely to implementation of Integrated Information System as well as constant activities which this institution has taken within its jurisdiction, and which are focused, first of all, to regular collection and field controls.

Also, activities related to control of regular transaction presentation through fiscal cash registers and registration of employees are intensified which affected on improvement of tax discipline at all taxpayers and developing of proper relationship toward taxpayers.

One of important activities in 2017 is implementation continuation of the Project of Integrated Information System in RSTA with new implementer, and work on stabilisation of business processes that have been released in production. We expect that ending of remaining functionalities of the Integrated Information System will reach full effect in the form of increasment of taxpayers' tax discipline but the changes in behavior of RSTA employees.

Namely, we will be able to focus large number of employees on providing services to taxpayers, education of young people, but on promotion of importance of paying the tax for all social community.

In the reporting period, *the campaign "Make a step, take the bill"* with the aim of raising awareness of citizens about importance of taking fiscal bill, is continued, and initiated *new campaign "Pay the tax, strengthen the RS"* has the aim of rising awareness of citizens about importance of payment of tax liabilities and benefits that come from that.

The aim is, that all citizens, from the youngest to the eldest, should be informed of all advantages of tax payment, and encourage individuals to comply with regulations and imply them that compliance of regulations brings more benefits to all citizens then it would its disobedience.

Activities, that are related to important changes of organizational structure, are initiated where the productivity would be getting better through improvement of business processes and appropriate redistribution of resources and it would lead to more efficient public revenues collection that is in our jurisdiction. Our aim is to achieve complete balans in work of all organizational units in RSTA with new organizational structure.

Also, there are still **strengthening of electronic services** of RSTA, like electronic bill delivery, continuation of the activity for establishment of *"Electronic archive"* of RSTA that assumes digitalization of existing paper tax applications and archiving new electronic tax applications, establishing electronic box which would be in use for communication with taxpayers, but other activities related to digitalization of business processes.

The Tax Administration will continue to take all measures and activities from its jurisdiction in order to give its contribution in conduction both reform processes and tasks and aims ahead us and

which are defined by RSTA Strategy for 2016-2018 with constant strengthening the trust of the public into tax system through complete transparent work of the Tax Administration.

*Banja Luka, January, 2018
No: 06/1.01/0101-014.1-102/2018
Republic of Srpska*

*Director
of The Tax Administration of the*

Zora Vidović