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NATIONAL PROGRAM FOR COUNTERING SHADOW ECONOMY IN SERBIA 2019/20 >>>

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Pursuant to Article 38, Paragraph 1 of the Law on Planning System of the Republic of Serbia
The Government of Serbia adopts the

NATIONAL PROGRAM FOR COUNTERING SHADOW ECONOMY WITH THE ACTION PLAN FOR THE IMPLEMENTATION OF NATIONAL PROGRAM FOR COUNTERING SHADOW ECONOMY FOR THE PERIOD 2019-2020

VISION

The shadow economy threatens the very essence of a trust and loyalty relationship between the state and its inhabitants: citizens and businesses. The very notion of shadow economy implies disloyalty not only regarding the legal provisions and good business practices that safeguard a fair market competition, but also disloyalty to the basic social agreement and the principle that the regulations relate and apply equally to all.

Even when citizens have understanding for shadow economy, it does not abolish the state from the obligation to protect itself, the businesses and citizens who show low awareness about the harmful effects of shadow economy on the quality of their lives, or the extent of illegitimate benefits enjoyed by those involved in the shadow zone.

A business entity that follows regulations, while being continuously exposed to unfair competition, sometimes even to the extent that it cannot survive on the market, is an entity betrayed by the society. The Republic of Serbia is determined not to disappoint any single business that complies with the regulations or deny them the right to compete in a fair market game, where those that are willing to steal from the community do not get rewarded.

The adoption of this program reflects the state's determination to reduce shadow economy to a level that is socially and economically acceptable, bearing in mind that not a single country is spared the problem of shadow economy. It is the state's responsibility to create an environment that makes legal business the easiest and most cost-effective, by providing equal conditions, understandable and logical rules that are not difficult to follow, but also certain sanctions for those who nevertheless ignore them.

In the battle against shadow economy, the state cannot win without active participation of citizens. Every time a citizen achieves a certain small benefit by purchasing "grey" goods or "grey" services, in the long run, they are actually at a loss, because they risk their money, safety and health, while at the same time contributing to the reduction of available funds for services and infrastructure, generated from paid taxes. An employee who agrees to informal employment motivated by cash earnings, as well as an unregistered entrepreneur, loses more than they receive in the long run - they do not have social security, safety and health at work, labor rights, adequate visibility on the market, access to funding sources, etc.

Matching the complex and profound causes that lead to shadow economy, as well as the great benefits enjoyed by some of its actors, the state's activities to counter the shadow economy must be equally comprehensive, powerful and uncompromising. The resources the state will allocate to fight the shadow economy are a small price taking into account the damage the shadow zone inflicts on Serbia's development, as well as the benefits its suppression would bring for the economic environment and the society as a whole. This includes those businesses currently enjoying the benefits of the shadow zone, though in reality often being in its trap, preventing or impeding their growth.

REASONS FOR THE REVISION OF THE NATIONAL PROGRAM FOR COUNTERING SHADOW ECONOMY

The legal basis for the revision of the National Program for Countering Economy is given in the document itself, whose implementation plan determines that the program will, if necessary, be revised in 2018. This formulation leaves the possibility for the National Program not to be revised, unless the need is identified. Section below provides an overview of the reasons that point to the need of reviewing the National Program for Countering Shadow Economy.

It has been nearly three and a half years since the adoption of the National Program for Countering Shadow Economy (adopted in December 2015). Since then, many circumstances of relevance to the program implementation have changed, largely due to the previous National Program implementation, as well as the changes in the overall volume of shadow economy and the change of its intensity in various business sectors. A number of analytical documents, prepared in the meantime, enable us to better understand the phenomenon of shadow economy and respond to this issue more competently.

With this revision, the state also shows that the National Program is seen as a dynamic document that lives in at least two ways: a) by being actively implemented and thereby changing the reality in which it is being realized, and b) by changing the National Program itself, for harmonization with this changed reality.

New findings on the shadow economy

Thanks to NALED's *Study of Shadow Economy in Serbia 2017: Evaluation of the scope, stakeholders' characteristics and determinants*¹, we have obtained a much clearer and more up-to-date image of how shadow economy is generated in our country, its scope and variations among different sectors. Now we can be more realistic in setting the goals for implementation of this Program and determine more precisely the measures for achieving these goals.

The size of shadow economy is lower today than it was five years ago. Regarding registered businesses, in terms of product turnover and wages, shadow economy was reduced from 21.2% in 2012 to 15.4% of GDP in 2017.

¹ Findings and recommendations in this section are mostly taken from the analysis *Shadow Economy in Serbia 2017: Evaluation of the scope, stakeholders' characteristics and determinants*, performed by NALED

Improving the business environment and macroeconomic stability, registered GDP growth, labor market recovery, as well as improved inspection oversight, stricter penal policy and more efficient tax collection all contributed to the reduction of shadow economy in this five-year period.

In 2017, 16.9% of registered businesses engaged in some kind of shadow economy, compared to 2012, when such enterprises accounted for 28.4%. Observing the forms of informal business, approximately one in ten businesses (10.8%) have informal employees, while 6.9% make cash payments, although being in the VAT system. On the other hand, businesses estimate that the share of unregistered companies in their industry amounts to 17.2%, so it can be concluded that almost every third company operates in the grey zone.

Regarding the structure of shadow economy, informal employment, i.e. partial or complete payment of wages in cash, accounts for a much larger part of the shadow economy than the undeclared business surplus (profit).

Doing business in the shadow economy is largely linked to the survival strategy, since the likelihood that loss-making enterprises will find themselves in the shadow zone is twice as large as in the case of successful businesses. This finding also confirms that the improvement of the macroeconomic and regulatory environment is of great importance for the transition of business entities from the shadow to the formal business zone. As unregistered employees or partial or complete payment of wages in cash represent the dominant form of shadow economy in our country, the focus of public policy measures should remain on reducing informal employment.

The likelihood for entrepreneurs to engage in shadow economy is more than twice as high as in the case of companies, but the probability is lower among entrepreneurs submitting their financial statements. With regards to companies, the ones that do not have employees or do business with affiliated entities clearly stand out. The likelihood that companies without employees will engage in shadow economy is even four times higher than for those employing workers. These findings confirm the need for adequate targeting of high-risk businesses, which would make the use of scarce resources of inspections and other authorities more efficient.

The findings show that over the past five years there has been improvement in prevention, which has led to a reduction of shadow economy. The perception of businesses, both in terms of the probability of detection, and severity of the sanction, is now significantly higher than five years ago.

Businesses' expectations regarding the likelihood of detecting illegal business and the perceived weight of sanctions are now at a significantly higher level than five years ago. According to the analysis, the composite expected probability that a business will bear the sanctions for operating in the shadow economy (probability of detection, as well as the probability that the sentence will be declared and executed) in 2017 is 24.1%, which is ca. 65% higher compared to 2012, when it amounted to 14.5%. Also, a considerably smaller number of business entities now believe that businesses continue with informal work after being sentenced (53% in 2017, compared to about 2/3 in 2012).

Consciousness has an important role to play in joining the shadow economy. The attitude of business entities that shadow economy operations are justified has a significant impact on whether and to what extent such entity will take part in the shadow economy. Even 80% of business entities in 2017 consider such operations unjustified or largely unjustified, while this percentage was 72% in 2012. Only 3% of business entities in 2017 consider the business in the grey zone to be mostly justified, while in 2012 8% considered it to be largely or completely justified.

Since the shadow economy among registered business entities is not limited to one or two industries, it is important that, when formulating strategies, as well as specific measures for the formalization of the informal economy, the focus is aimed on sector-neutral measures.

Significant changes for countering shadow economy compared to the period of the National Program adoption in 2015

a) The business environment has improved

- The economy of Serbia has recorded growth in the last few years, which is a significant improvement compared to the conditions when the original National Program was adopted;
- International economic cycle has improved, which additionally stimulates economic growth in the Republic of Serbia;
- The administrative burden of compliance has been reduced, making the business in the legal zone cheaper and more cost-effective.

b) The state's capacity to control the shadow economy flows has been improved

- The full implementation of the Law on Inspection Oversight is at work, which has refocused the priorities of the inspection bodies and provided them with legal powers and mechanisms for coordination, control of unregistered entities and prevention, which they previously lacked;
- The efficiency of VAT revenues collection has been significantly improved since 2013, and the highest growth was achieved in 2016, which is due to better control of taxpayers, stricter penal policies, as well as education of taxpayers;
- The government declared 2017 and 2018 the years of countering shadow economy, thus instructing all state bodies to treat the activities envisaged by the National Program as a priority.

c) The public's attitude towards the shadow economy has improved

- The campaign "Get the receipt to win" has entered almost every house in the Republic of Serbia, most often several times, and it was closely accompanied by a discourse pointing out the negative consequences of shadow economy;
- The degree of justifying the shadow economy in the public has been notably reduced.

Improvements in the business environment

For the first time after a long period of time, a fiscal surplus has been achieved, among other things, because of the significantly higher collection of public revenues than planned. A strong contribution to the growth of public revenues was made through efficient collection of taxes, thanks to the implemented measures to combat the shadow economy that the Tax Administration implemented on the ground. The efficiency of VAT revenues collection has been significantly improved since 2013, and the highest growth was achieved in 2016, which is due to better control of taxpayers, stricter penal policies, as well as education of taxpayers. In addition, the improvement of labor market trends, through growth of formal employment, has led to increased revenues from social security contributions compared to the initial plan. The Labor Force Survey data indicate a recovery in the labor market since 2012, reflected in a significant increase in the employment rate and a reduction in the unemployment rate.

The introduction of electronic services for businesses and other measures has led to reduced administrative burden to business. This is also recognized in the global World Bank's Doing Business Report 2018, where the Republic of Serbia has progressed 48 places compared to the 2015 edition - from 91st to 43th position, though our country has declined by five positions in the past year and currently occupies 48th place.

More favorable fiscal trends in 2018

In 2018, there was a general government fiscal surplus in the amount of RSD 32.2 billion - around RSD 64.2 billion higher than the plan, which foresaw a deficit of 32 billion dinars. A better fiscal outcome in 2018 is largely due to better revenue collection. Total revenues of the state sector in the observed period were higher by 89.7 billion dinars than the original official plan. A part of the better collection of revenues (about 44.6 billion dinars) refers to non-tax revenues, having a one-time character.

Better collection of tax revenues than planned (RSD 46.2 billion) has a mostly permanent character. Improvements in tax collection are largely due to more favorable macroeconomic changes, whose effects include increased employment, economic activity and consumption.

The total VAT revenues matched the planned amount. Gross VAT payment was 9% higher in comparison with the previous year, thanks to both growth of available income and the export demand, while returns increased by 19.6%, resulting from both payments made at the beginning of the year, as well as improved control and efficiency in this domain.

Effective tax rate records a mild upward trend, which among other things indicates that the spending structure is showing increase in favor of products with a general VAT rate. Bearing in mind that the tax policy in this domain has not changed significantly over the last five years, a slight increase in effective tax rate is the result of improved living standard of the population.

Total income from corporate income tax is 16.8% higher than planned. The overall profit of businesses in 2017, which serves as a basis for taxation in 2018, has increased by 24.7%. Excise revenues were higher by 1.3% than planned, mostly due to the revenues from petroleum products excises, which exceeded the plan by 2.4%, being 6.1% higher than the previous year.

The increase in formal employment (with nominal wage growth of 6.5% in the period January-November 2018) contributed to increased revenues from social security contributions and income taxes. The collection of social security contributions in the observed period exceeded the plan by about 2.8% (RSD 17 billion). Income tax collection is also better by 5.6% than planned (RSD 9.6 billion).

Progress in reducing the administrative burden to doing business

The Republic of Serbia has been recording continuous growth on the World Bank's Doing Business list for the first time, in the reports for 2015, 2016, 2017 and 2018, while experiencing a 5-spot decline in 2019, being ranked 48th. The Republic of Serbia has maintained a high position in the field of Construction Permits (11th place). The lowest rating was seen in the field of Getting Electricity (104th place) which takes 125 days. These are followed by Protection of Minority Stakeholders (83rd rank) and Paying taxes (79th rank), which involves a total of 33 payments. We are holding the 65th place in the area of Enforcing Contracts, which takes 635 days, while being 49th in the field of Resolving Insolvency which lasts two years, where we are also lagging behind the best world practices.

Observed in the regional context, in the 2014 report the Republic of Serbia was ranked lowest (93rd place), after Bosnia and Herzegovina (131). Today, Serbia (48) is better than Bosnia and Herzegovina (89), Albania (63), Croatia (58), Montenegro (50), Romania (52), but still behind Hungary (43), Slovenia (40) and the Northern Macedonia (10th place).

Activities aimed at the development of e-government and electronic business contribute to the transparency of work of both the state and the businesses, and reduce the opportunities for arbitrariness, corruption and unregistered transactions. The adoption a new Law on General Administrative Procedure, established a universal principle and obligation of public authorities to obtain public information ex officio, with misdemeanor responsibility for acting contrary. With the beginning of implementation of the e-information system, in public administration officers received an instrument that enables them to quickly and easily access the data necessary for decision-making in administrative procedures, thanks to the linking of databases of a large number of state bodies.

The adoption of the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Operations was a regulatory basis for the improvement and broader application of electronic business and communications, since this law enables reliable electronic identification and electronic delivery, and under the threat of misdemeanor responsibility, guarantees equal treatment to mail delivery, paper document and personal signature.

Full implementation of the Law on E-Government should enable simpler, more transparent and efficient functioning of electronic public services, and above all facilitate electronic communication of citizens and business entities with administrative bodies.

A new system of data exchange between the Republic Fund for Health Insurance and the Tax Administration was implemented, with data on debts and payments of mandatory health insurance contributions for self-employed persons, priests, farmers and free artists.

Since January 1st 2018 taxpayers can submit electronic tax returns through the E-Tax Portal for all revenues administered by the Tax Administration. During 2017, the Tax Administration significantly improved its electronic operations and introduced new electronic services for filing tax returns. A new user application was developed for accessing the E-Tax portal, and the technical capacities of the Tax Administration information system have been expanded. On the E-Taxes portal, the taxpayers can check the status of their tax accounts, while starting from 1 March 2019 they can also receive an electronic certificate of paid taxes.

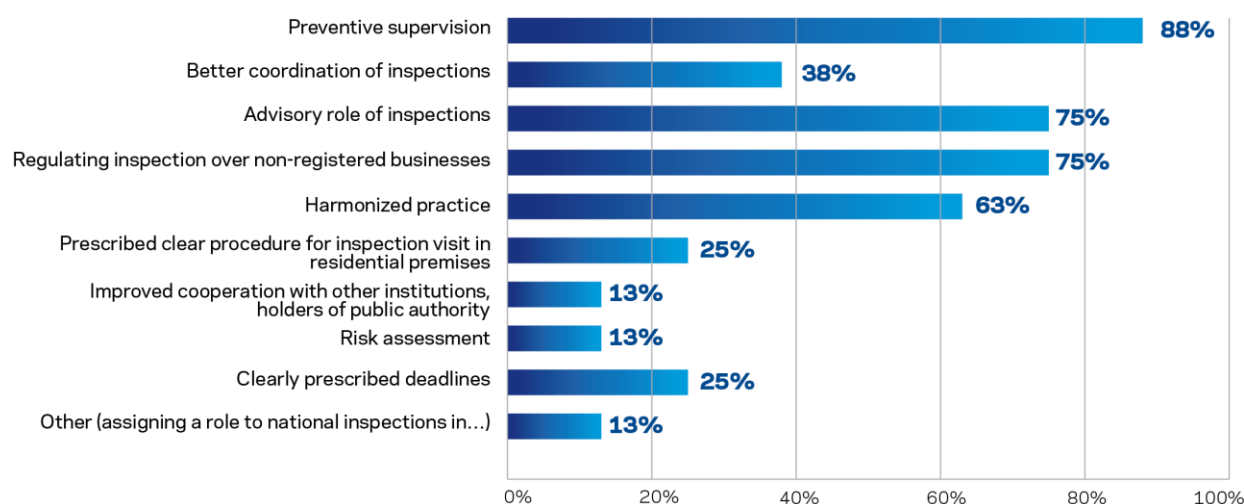
More efficient monitoring of implementation of regulations

As of 30 April 2016, the Law on Inspection Oversight is being fully implemented. This law refocused the priorities of the inspection bodies with a detailed elaboration of preventive action and provided them with legal powers in performing oversight over unregistered business entities, and coordination mechanisms that they previously lacked.

Organizational strengthening for countering shadow economy

Establishment of the Support Unit to the Coordination Commission in June 2017 contributed to better coordination of all inspections and enabled focusing on further law implementation, in particular the plans for joint inspection oversight of multiple inspections and a unified information system – e-Inspector. In April 2017, the Coordination Commission Board adopted the Recommendations related to improved organization of inspection activities and the planning and execution of inspection oversight, in accordance with the analyses made by representatives of the Balkan Center for Regulatory Reform. Recommendations and methodologies were adopted for improving the misdemeanor practice, preventive action, internal control, preventing corruption, as well as a new Guide for implementation of the Law on Inspection Oversight, info sheet on the rights and obligations of businesses in inspection oversight, and other documents. All inspections monthly report on their work, and the Coordination Commission is informed of it at each session. In January 2019 a comprehensive analysis of the national inspections' capacities was presented with defined recommendations regarding the optimal number of inspectors.

Graph 1: Improvements brought by the Law on Inspection Oversight, as perceived by the republic inspections



Source: Analysis of implementation of the Law on Inspection Oversight, p. 13.

Activities are undertaken to implement the Strategy and Action Plan for Integrated Border Management, adopted by the Government in February 2017. Since December 2017, the Operational Plan is being implemented for the purpose of joint action by the Border Police Administration and the Customs Administration on combating cross-border crime.

In Belgrade, Niš, Novi Sad and Kraljevo, special departments for countering corruption have started operating as a part of the higher public prosecutor's office, whose jurisdiction also includes illicit trade as a qualified form of criminal offense. These departments are also in charge of coordinating the work of the prosecution with liaison officers from other state institutions. Tax Administration - Tax Police, Customs Administration, National Bank of Serbia, Administration for the Prevention of Money Laundering, Business Registers Agency, Central Securities Depository and Clearing House, State Audit Institution, Republic Geodetic Authority, Anti-Corruption Agency, Republic Pension and Disability Insurance Fund, Republic Health Insurance Fund, Republic Property Directorate of Serbia and the Public Procurement Office must determine at least one liaison officer in order to achieve cooperation and enable more efficient data delivery of these institutions and organizations to the Prosecutor's Office for Organized Crime and special departments of the Higher Public Prosecutor's Offices for countering corruption.

Since the period of validity of the Financial Crime Investigation Strategy has expired, it is necessary to establish a new strategic framework for capacity building, coordination and efficiency in this area, as well as to revise the National Strategy for the Fight against Money Laundering and Terrorism Financing. In July 2018, the Risk Assessment of Money Laundering and the Risk Assessment of Terrorism Financing was adopted.

Characteristic activities of state authorities and the private sector in countering shadow economy

- *The Market Inspection conducted control of entrepreneurs in the status of temporary de-registration in the Business Registers Agency (period 27 April – 31 December 2017) – a total of 4,136 inspection visits. It was found that 194 subjects were doing business even though they registered a temporary cease of activity. In 191 cases they were banned from performing activities and ordered to register in the Basic Registry, along with 189 cases of banned activities, and 22 decisions on confiscation of goods. There have been 187 filed requests for initiating misdemeanor proceedings.*
 - *As part of the control of the taxpayers that were de-registered at the Business Registers Agency, but still continued to provide dental services, the Tax Administration inspectors scheduled examination in 50 dental offices, and they were provided health services in 23 clinics (46%).*
 - *Controls of taxpayers engaged in the purchase, processing, packaging and marketing of honey were carried out with 13 subjects. Trade of inadequate-quality honey was determined in 11 cases, with calculated public revenues amounting to 36,018,236.00 dinars.*
 - *In 11 performed controls of taxpayers engaged in organizing celebrations and weddings, newly discovered revenues were determined in the amount of 18,330,225.01 dinars. In subsequent monitoring of those taxpayers through Tax Administration records, the recorded turnover of these taxpayers increased by 80% compared to the reported amount in the previous year.*
 - *The Tax Administration states that during 2017, 176 controls of persons performing unregistered activity were carried out, with irregularities found in 142 cases (80.68%) and imposed liabilities in the amount of 31,720,666.27 dinars (seized goods 11,415,748.00 dinars, tax in the amount of 20,304,918.27 dinars).*
 - *According to the Tax Administration data, irregularities were detected in 14.49% controls of the VAT return procedures.*
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Improving the tax culture

With the purpose of carrying out a national campaign to promote the years 2017/18 as Years of Countering Shadow Economy, various actions are performed, such as "Get the receipt to win" and "Taxes paid – double luck made ". The prize "Get the receipt to win" was organized in February and March 2017, and during that period, the citizens sent out 8,565,070 envelopes or 85,650,070 fiscal receipts and card slips.

According to a citizens' survey conducted by NALED in the first quarter of 2017, it was estimated that up to 40% of the population participated in the prize competition, which is several times higher than in Slovakia, which is one of the best practice examples in the organization of fiscal lotteries. In the first quarter of 2017, the total turnover registered with fiscal cash registers experienced a 7.64% growth compared to the same period of the previous year. The largest growth, as much as 33.84%, was recorded among the so-called small taxpayers where the shadow economy is most prevalent, as well as in target sectors with the highest achieved turnover. During the prize game, it has been noticed that the citizens were more willing to indicate the cases of business operations not complying with regulations. Tax alarm data show that, during the first three months of this year, citizens filed 47.3% more applications for non-issuing receipts than in the first quarter of 2016. The highest monthly growth was recorded in March, as much as 88.55%.

In the first quarter of 2017, there were 709 irregularities in issuing fiscal receipts, which is 24.33% less compared to the same quarter of 2016, when 937 irregularities were identified. There were also fewer cases of imposing a ban of business operations due to non-issuance of the receipts.

In 2018, the second cycle of the "Get the receipt to win" prize game was organized in two rounds, lasting one month each. The first round lasted from March 3 to March 31, 2018, and the second from April 7 to May 5, 2018. During the prize game, citizens sent 107,322,950 fiscal accounts and card slips, or 10,732,295 envelopes. The minimum value of sent receipts is estimated at 37.4 billion dinars, with the corresponding VAT being 3.4 billion dinars or 28.5 million euros.

According to a citizens' opinion survey conducted by IPSOS for the needs of NALED in May 2018, 41% of the population participated in the prize game (24% directly, 17% through family members), which makes this prize game among the most successful in Europe.

After the finalization of the prize game, 50% of citizens stated they were asking for a fiscal receipt because they are aware it is a legal obligation of the trader and serves a confirmation of paid taxes, which is an increase of as much as 44% compared to February 2017, when the first prize game was organized. The number of citizens who would once again participate in the competition has increased from 35% to 42%, which testifies to further strengthening of trust and interest regarding this action.

Also, according to the survey, as many as 35% of citizens said that the prize game encouraged them to take fiscal accounts, and 13% were encouraged to pay with the card. Citizens' support for countering shadow economy has, the same as last year, remained at an extremely high level of 90%.

During the prize game, it has been noticed that the citizens were more willing to report cases of business operations which are not following regulations. Data from the Tax Alarm show that citizens submitted 13% more applications for non-issuance of fiscal receipts in the period from January to April 2018 than in the same period of the previous year, and as much as 55% of applications more than the base year (2016) when no prize games were organized. A record number of reports was noticed in April, during the second round of the prize game, when the number of reports for non-issuance of receipts was twice as high than in the same month of the previous year.

OVERVIEW AND ANALYSIS OF THE CURRENT SITUATION

The shadow economy includes economic activities that bypass or otherwise avoid regulations, taxation or monitoring by the line institutions and authorities. From a statistical point of view, the shadow economy is classified into registered and unregistered, from the point of legality to a legal and illegal form, from a fiscal angle to taxed, taxable (but with entire or part of income being hidden from tax authorities) and other (where tax regulations are not clear and legal gaps are used). A particularly big problem is the black economy, which is related to criminal activities and is also covered by this strategic document.

According to NALED's study from 2017, the size of the shadow economy among registered businesses, in terms of product turnover and wages, is estimated at 15.4% of GDP, using the survey method of assessment. The data show there was a significant reduction in the shadow economy, which amounted to 21.2% of GDP in 2012. The shadow economy was also evaluated for the first time by using a new survey method called the "Shadow Economy Index" used to estimate the shadow economy of the three Baltic countries and Montenegro. According to this method, the size of shadow economy in the Republic of Serbia in 2017 was estimated at 14.9% of GDP. This assessment represents the lower margin of the shadow economy, since the survey covered only registered companies and entrepreneurs. Compared to other countries where this method was applied, the shadow economy in Serbia (expressed as a share of GDP) is lower than in Montenegro (24.5%) and Latvia (20.3%), and approximately similar to Estonia 15.4% and Lithuania (16.5%). However, one should not lose sight of the fact that the share of unregistered enterprises in the Republic of Serbia is significantly higher than in the Baltic countries and amounts to 17.2%.

Table 1. Estimations of the shadow economy in the Republic of Serbia and selected countries using the direct survey method of assessment ("shadow economy index")

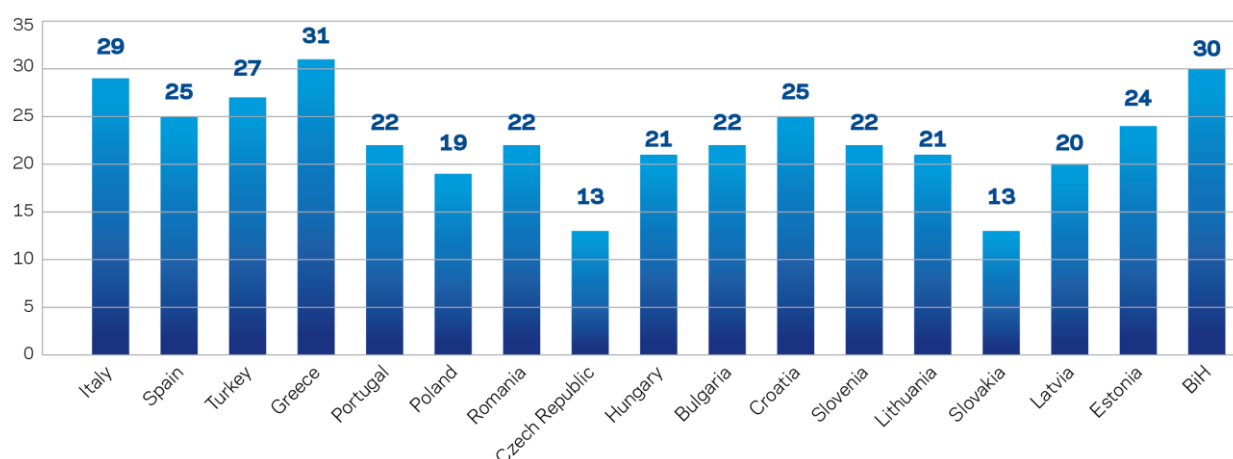
Country	Year	Shadow economy in % GDP
Republic of Serbia	2017	14.9
Montenegro	2014	24.5
Republic of Estonia	2016	15.4
Republic of Latvia	2016	20.3
Republic of Lithuania	2016	16.5

Source: Survey on business conditions for enterprises (companies and entrepreneurs) in the Republic of Serbia, 2017, Ipsos and NALED

Estimates according to the MIMIC method give somewhat greater scope of shadow economy compared to the direct method, as can be seen on the example of the Republic of Serbia (Table 1), the Republic of Estonia, the Republic of Latvia and the Republic of Lithuania, where shadow economy scope can be compared by both methods (Figure 2). This is, among other reasons, because the MIMIC method includes the shadow economy of unregistered economic entities, in contrast to the direct method of assessment used here.

However, although it gives a significantly larger scope of shadow economy in relation to direct methods, the MIMIC method can be used to examine the dynamics of shadow economy, since there are no comparable estimates based on the same method for a long period of time. Estimates based on this method indicate that there has been a slight decrease in shadow economy in the Republic of Serbia in the period from 2009 to 2013, from 31.6% to 27.9% of GDP, while estimates for the later period are not available.

Graph 2. Shadow economy in the countries of Southern and Eastern Europe in% of GDP, 2015



Source: Medina and Schneider (2017), *Shadow Economies around the World: New Results for 158 countries over 1991-2015*.

The authors of this work (Hassan and Schneider, 2016) also pointed out the need to revise the macro estimates of the shadow economy obtained by the MIMIC method due to the relatively high estimates, so they corrected the scope shadow economy by deducting the legally purchased material for carrying out shadow economy activities, illegal activities, and do-it-yourself activities from the total estimated shadow economy. This way, the size of shadow economy of 157 countries was reduced by 35%. In the case of the Republic of Serbia after this correction, the shadow economy averaged 22.3% in the period 1999-2013 and in 2013 it was estimated at 18.1% of GDP, which is significantly closer to the estimates performed based on the direct and HTC methods.

Sanctioning the shadow economy

Until full implementation of the Law on Inspection Oversight ("Official Gazette of RS" No. 36/15), the inspection procedure was regulated by the Law on State Administration ("Official Gazette of the Republic of Serbia" No. 79/05, 101/07, 95/10 and 99/14) as well as numerous other special regulations - laws and by-laws.

In addition, there are numerous instructions, guidelines, opinions and interpretations used by inspections in their work. In April 2015, the Law on Inspection Oversight was adopted, which regulates the content, types, forms and procedures of inspection supervision, the powers and obligations of the participants in inspection oversight and other relevant issues. Full implementation of this law began on 30 April 2016.

In April 2015 the Law on Inspection Supervision explicitly stipulated the inspection of illegal companies as the obligation of all inspections. This was also one of the first provisions of the law that came into force (July 30 of the same year). By the end of April 2016, the inspection bodies discovered 510 flats suspected of hosting unregistered fir. After control, 2,156 reports for punishable offenses and 783 misdemeanor orders were filed. It is interesting that the majority of the flat owners agreed to the inspection, so only 76 cases required a court order for the search. The number of newly registered entities after intensifying the inspection oversight was increased by 15.5%.

With the full implementation of the Law on Inspection Oversight, the regulatory framework for performing inspection eliminated numerous restrictions on the inspectors' conduct in combating the shadow economy. Also, the Law solved the problems of overlapping competencies, i.e. the unclear designation of which inspection is competent in the specific case, which had a negative impact on the inspections' work as well as on controlled subjects. On the one hand, in the absence of clear jurisdiction, controlled subjects do not know whom to contact and on the other hand, in case of overlapping competencies, they are subjected to controls by various inspections that often have different views on the same issue.

The decision on forming the Coordination Commission ("Official Gazette of the Republic of Serbia" No. 66/15) initiated the process of establishing systemic coordination of inspections in the Republic of Serbia, which should ensure permanent coordination of inspection services in order to reduce conflicts and shortcomings in the competencies of individual inspections, as well as more efficient work in combating the shadow economy. The Coordination Commission also coordinates the harmonization of sectoral laws governing inspections with the Law on Inspection Oversight, the improvement of working conditions of the delegated inspectors, governing inspections treatment towards shadow economy perpetrators in their area of work, etc. The comprehensive unified portal publishes the regulations, checklists, control plans, instructions for performing prescribed procedures for legal entities and individuals, answers to submitted questions and other documents and data related to inspection oversight, with the aim of harmonizing the inspection practice and facilitating compliance with valid regulations among businesses.

On the other hand, in certain areas of inspection oversight, the regulatory framework has not been elaborated through by-law legislation, i.e. it has not been entirely realized, which makes its full implementation impossible. As an example, Articles 23 and 24 of the Law on Food Safety ("Official Gazette of the Republic of Serbia" No. 41/09 and 17/19), stipulate the establishment of an Expert Council for Risk Assessment in the field of food safety, tasked with (among others) improvements and coordination in using risk assessment methods in the field of food safety. The Council has not yet become functional, and therefore the food safety inspection is being performed without previously carried out risk analysis.

Furthermore, there are gaps in cooperation between inspection bodies on one hand, and police, prosecutors and courts on the other, which results in inadequate degree of sanctioning of criminal offense perpetrators in areas under the control of inspectors.

Inspectors are not sufficiently trained to file criminal charges, requests for initiating misdemeanor proceedings, reports on commercial offenses and criminal charges, nor engage in court proceedings, since they come from various professions and often lack the experience in legal practices. Legal shortcomings in reports filed by inspectors against the subject of inspection control allow for more room for defense, or even lead to dismissal of charges, leaving businesses unpunished in a large number of cases, despite the committed violation of regulations. Additionally, among the submitted requests for initiation of misdemeanor proceedings, there is a large number of outdated procedures, suspended proceedings, stated warnings or terminated procedures in the first instance bodies for misdemeanor proceedings. In 2013, only 46% of initiated misdemeanor procedures were completed, with an average duration of 168 days. In addition, only 40.51% of the total amount of imposed fines was collected (source: NALED, Analysis of inspection capacities, based on data obtained from 29 misdemeanor courts in the Republic of Serbia).

The misdemeanor statement order is introduced for certain offenses being the main jurisdiction of local inspections, tourist inspection and several other republic inspections, and it is necessary to extend its application where justified in line with the nature and type of violation. The practice of plea bargain has been initiated for customs misdemeanors, aimed at simplifying and speeding up the procedure, and enabling higher probability of punishment and reduction of outdated cases. This practice was introduced in 2018 in the work of the Labor Inspectorate and Market Inspection as well, and the best practice examples can be used for other inspections.

Suitable conditions for the shadow economy exist when importing goods across the border and further distributing through gray channels. In addition to the direct damage caused to the budget of the Republic of Serbia due to evasion of tax obligations, the safety of these products is not subject to control either, which poses a great risk to the safety and health of consumers, while creating unfair competition for businesses operating legally.

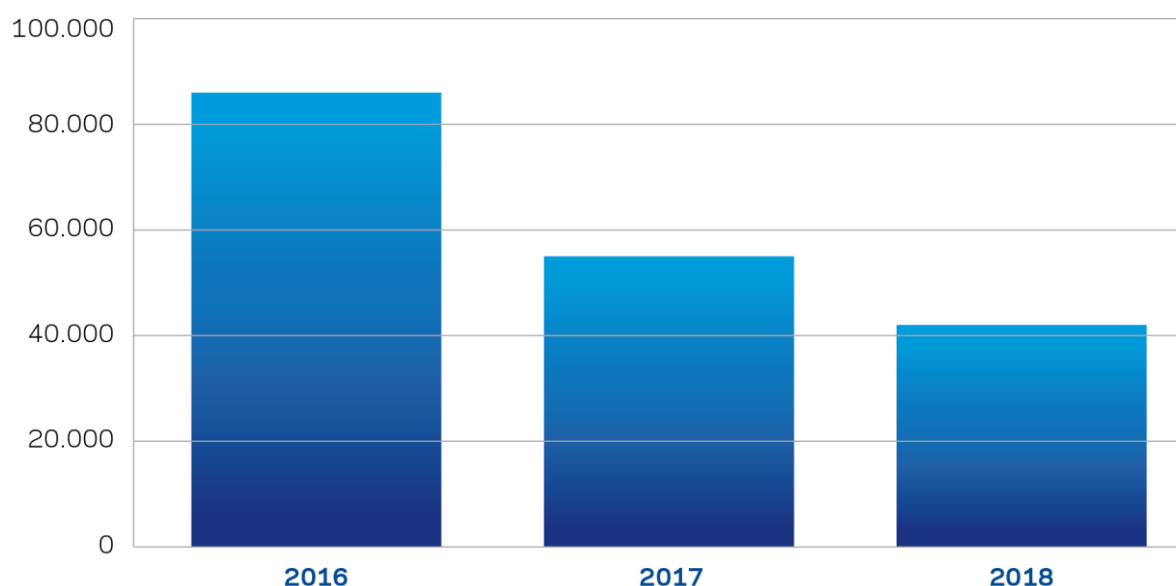
The sanctioning of shadow economy forms is governed by numerous sectoral regulations, which are often not aligned with each other and are often changed, while the practice of sanctioning is inconsistent. It is necessary to amend the sectoral regulations so that the sanctions are aligned, normatively and in practice, with the gravity of offense and the economic strength of the supervised subject, in order to encourage a higher degree of compliance with the regulations by all businesses, while at the same time accomplishing the purpose of punishment – specific and general prevention.

This impression is also supported by examples of systemic deficiencies in inspection supervision, such as the example of a retail store operating 24 hours a day with only one employee registered, while none of the inspection controls showed any irregularities, because the business complies with the regulations governing labor relations. Also, bearing in mind the amount of taxes and tax burdens in the oil and petroleum products trade, there is a continuous interest to avoid payment of these duties and to trade these products in the grey zone.

The introduction of fuel marking has reduced the volume of illicit trade, contributing to the fact that the highest increase in excise collection in 2017 was achieved for oil derivatives. This has contributed to shifting the focus of illicit trade to base oils, which are currently not subject to excise tax. Among other things, numerous companies are engaged in wholesale, retail and storage of oil and petroleum products, based on a license to operate in the field of energy.

At the initiative of the Ministry of Mining and Energy, during 2017 and 2018, the competent inspection services intensified their activities to prevent unregistered or undeclared activity in oil derivatives trade, parallel with stricter control of the base oil importers. Paired with the marking of oil derivatives, this resulted in increased excises payments to the budget of the Republic of Serbia, as well as reduced imports of base oils (as shown in the picture below).⁷

Graph 3: Imports of base oil (in tons)



The number of valid licenses for performing these operations in the Republic of Serbia is incomparably greater than the number of licenses in countries in the region. Licenses are issued for a period of ten years in accordance with the Law on Energy ("Official Gazette of the Republic of Serbia", No. 145/14 and 95/18-d laws).

Tax policy, fiscal, para-fiscal and administrative burden to businesses

The shadow economy level is influenced by: the amount, predictability and structure of tax burden, Tax Administration's efficiency in tax collection, the penal policy, complexity and fairness of the tax system.

Namely, the increase of tax burden to businesses and the inconsistent tax policy make the activities in the informal sector more inviting. The total tax burden in the Republic of Serbia, measured by the ratio of tax revenues and GDP, is moderate and similar to the average level of other countries of Central and Eastern Europe.

On the other hand, the fiscal burden of labor, measured by the share of wage taxes and social security contributions in total labor costs, is relatively high in Serbia, both in absolute terms and compared to the country's development level - therefore the tax burden to income, in particular the social security contributions, is a significant cause of the shadow economy. When entities operating in the grey zone migrate their business into legal flows, including the informally self-employed, this usually involves the registration of employees with established minimum wages. If the tax burden is high at this level as well, this represents a clear obstacle to job formalization. Additionally, the existence of minimum social security contributions restricts formalization of part-time jobs.

A particular problem refers to the sudden changes of taxes that prevent business predictability and make it difficult to meet the adopted business plans and business sustainability in general, especially when it comes to small and medium enterprises. Additionally, such changes are causing sudden and unplanned modifications in retail prices, and consequently market distortions and threatened competitiveness of legal businesses by those operating in the grey zone. This particularly applies to excise products (for example, petroleum and tobacco products), due to the fact that most of their retail price accounts for fiscal levies. Taking into account the need to change the fiscal burden in certain areas (most often due to alignment with EU fiscal policy recommendations), the most adequate solution is undoubtedly the adoption of strategic documents with long-term tax plans in these areas.

The penalties system for tax evasion in the Republic of Serbia is relatively well defined, both in terms of types, the amount of fines, and in the manner of their determination. However, the inappropriate and inconsistent application of the available penalty mechanisms is a factor that stimulates the shadow economy growth in the Republic of Serbia. It is already a well-established practice that the state, from time to time, will write off the interest receivables for late tax payments, provided they continue to pay taxes in the future on a regular basis. This way, the taxpayers who regularly settle their obligations are placed in an unequal position, and this encourages taxpayers to behave according to the principle of moral hazard, which negatively affects their future willingness to timely settle their tax obligations in the prescribed manner. This practice needs to be changed, and parallel with the consistent sanctioning of non-compliance with tax regulations, there is a need to establish a system of institutional recognition and incentives for businesses regularly settling their tax obligations.

The tax system complexity, reflected in the existence of a large number of tax forms, as well as in the rules complexity for the individual taxes calculation and non-tax forms (fees and taxes), also affects the size of the shadow economy. If there is a large number of different types of public revenues, or complex rules for calculating and applying taxes, the possibility for good specialization of inspectors to control all tax forms becomes lower, which reduces probability of detecting tax evasion. In such cases, unintentional tax avoidance may arise among taxpayers, who may fail to pay taxes due to the lack of information about the tax obligation or the lack of sufficient technical knowledge for correct calculation.

USAID Project for Support to Regulation of Para-Fiscal Charges created a register of non-tax levies (fees, charges, mandatory membership fees, payments, costs, etc.) the legal entities and individuals are obliged to pay to state authorities, local governments, independent agencies and regulatory bodies, directorates, commissions, chambers, certification bodies, public enterprises and other public and non-public entities.

The registry, available at <http://parafiskali.rs>, included 1,037 forms paid by businesses and citizens, which are not taxes – these included 668 fees, 124 charges and 245 other forms of liabilities, of which 270 are not registered by the Treasury, though generating about \$ 1.3 billion of budget revenues.

The analysis of regulations governing non-tax and para-fiscal charges in the Republic of Serbia, conducted by the National Alliance for Local Economic Development in 2014, showed that the existing system of non-tax and para-fiscal charges in the Republic of Serbia is characterized by:

- the absence of clear goals planned to be achieved by the existence or introduction of new non-tax benefits, or the absence of explanation on what kind of activities or investments would be funded from these revenues (purpose-oriented spending of revenues);
- legal framework that did not regulate this system in its entirety or in a consistent and fair manner, or is not being consistently applied (as is the case with the Law on the Budget System - "Official Gazette of the Republic of Serbia", No. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13-correction, 108/13, 142/14, 68/15 - other law, 103/15, 99/16, 113/17 and 95/18). Even after the adoption of the Law on Fees for Use of Public Goods ("Official Gazette of the Republic of Serbia" No. 95/18), there is still room for public authority holders to issue decisions (issued by management / supervisory bodies in public agencies, public companies and other public bodies) to "freely" introduce various levies;
- questionable functionality of the institutional framework and the diminished role of the Ministry of Finance, whose position in the system requires having a complete picture, performing comprehensive monitoring and institutional oversight and control of the non-tax and para-fiscal revenues system. Because of this, certain line ministries and their bodies, public agencies, public enterprises and other public bodies still have the practice determining the basic elements and amounts of non-tax and para-fiscal charges beyond the legally defined mandatory elements and procedures. In this respect, there is an indication of circumventing the rules governing price calculation for public services provision (Law on the Budget System and the accompanying Rulebook on methodology and manner of determining the costs of providing public services);
- insufficient transparency that characterizes the process of introducing individual levies and the accompanying changes, i.e. defining their basic elements, causes an environment in which the taxpayer finds it difficult to administratively manage the labyrinth of these payments. The taxpayer's willingness to pay non-tax levies is also affected by insufficient transparency in spending these funds, especially when it comes to revenues with specific purpose.

Further reform of the para-fiscal charges system, which would ensure predictability and transparency of the non-tax system, would diminish the impact of this factor on the shadow economy in the Republic of Serbia.

Practice has shown that entities which are not in the VAT system, but pay taxes based on lump-sum taxation, very often report far less earnings than the actual sum, which can easily be checked through the number of fiscal receipts issued. Furthermore, by cross-linking the data on their basic costs and the earnings they reported, it can be clearly seen that they cannot maintain their business even in the short term, and especially for a longer period of time.

On the other hand, the criteria for lump-sum taxation are not logically elaborated and are not applied equally by various branches of the Tax Administration. Entrepreneurs have a particular difficulty in doing business because their tax decisions are not delivered in a timely manner, so there were cases of a newly created business not getting a decision for up to two years, and once it is delivered, the entrepreneur needs to pay the entire delayed tax amount within 15 days from the delivery date. An additional challenge is that this tax form is charged by the Republic Tax Administration, while the revenues belong to the local governments.

Considering the number of fiscal cash registers in the Republic of Serbia (around 191,400) and the number of taxpayers - entrepreneurs and legal entities (around 333,000) and field control inspectors, about 500, it can be concluded that physical control on the field, implemented in the same manner as so far, does not produce the desired results. Bearing in mind the limited capacities of the Tax Administration, and the fact that information technology is becoming more and more advanced, one should look at and use all the advantages it offers in order to more effectively combat the shadow economy.

At the same time, one of the most important forms of controlling tax evasion and encouraging taxpayers to regularly settle their obligations, prescribed in certain proceedings conducted by public administration bodies, which require verification of paid taxes, is not sufficiently exploited. In this regard, public procurement regulations explicitly stipulate that the bidder in a public procurement procedure must prove, among other things, that they settled relevant taxes, contributions and other obligations. However, the practice has shown that public procurement institutions do not follow the instructions of the Public Procurement Directorate in proving this requirement, especially in small-value procurement procedures. At the same time, there is an issue with ensuring up-to-date data in the register of bidders (entities registered in the register do not have to prove the fulfillment of these conditions), so sometimes the bidders in public procurement procedures may include entities that do not fulfill their tax obligations. Aside from that, due attention needs to be paid to the lowest bids, and particularly the unusually low offers, which often involve tax evasion for goods, services and the workforce necessary for executing the public procurement contract.

Tax culture, informing citizens and businesses about the negative impact of shadow economy and their engagement in its countering

A 2018 citizens' opinion survey, conducted annually by Ipsos Strategic Marketing for the needs of NALED, shows consistent results that indicate that most citizens of the Republic of Serbia (90%) personally support the countering of shadow economy. Furthermore, a significant majority of Serbia's citizens (70%) do not justify the existence of shadow economy and are almost unanimous in the view that illegal business violates the workers' rights, reduces revenues of both the state and businesses, and threatens companies that operate in accordance with the law. However, the research also showed that a large share of citizens does not clearly recognize all forms of shadow economy and that there is insufficient citizens' awareness about their direct role in suppressing this phenomenon. Namely, one in ten citizens of the Republic of Serbia cannot define what shadow economy represents. Most citizens perceive it to as unregistered work (31%), while more than a quarter (28%), understand it as avoiding taxes and other obligations towards the state. This is followed by a view that shadow economy refers to selling goods on the black market (11%), doing business illegally (16%), while less than 5% think it is about smuggling, theft, a way of survival or getting rich illegally.

Half of the citizens (59%) believe that the shadow economy size has decreased compared to the previous year. On the other hand, less than a fifth of citizens (17%) think that the size of shadow economy has increased, while one in four could not estimate the situation (25%). Even 45% of citizens know that 2017 and 2018 were proclaimed the Years of Countering Shadow Economy, and 41% directly or indirectly participated in the "Get the receipt to win" prize game, while only 1% of them did not even hear about the prize game.

Although 90% of respondents support the suppression of illegal work, most of them would not report illegal business - 62% of the respondents would not report an employer who hires them or their colleague informally, primarily because of the fear of job loss (20% gets partial or full salary without being paid the taxes and contributions). Furthermore, despite the fact that the respondents agreed the shadow economy reduces state revenues, as many as 74% of respondents would not report a store or a cafe that does not issue fiscal receipts.

A business opinion survey on shadow economy performed in 2019 shows similar trends to those observed among citizens. As much as 78% of businesses believe that the shadow economy size has decreased in the previous year, which is a 10 percentage points improvement compared to the previous survey of 2017. Also, businesses estimate that every fifth company in their line of work operates in the grey zone, which is nine percentage points lower than two years ago.

The share of companies that see the strongest effects of shadow economy in the decline of product prices (65%) and decreased turnover (43%) has nearly doubled, and according to them, the main causes for shadow economy are seen in high salary taxes and contributions (62% of responses) and non-tax charges (45%).

Compared to 2017, the share of businesses that admit that they make part of the transactions in cash has remained unchanged (17%), while 27% say that they fully or partially avoid paying employees' contributions. Every third business (34%) is not satisfied with the efficiency of penalty system for businesses operating in the grey zone, but the percentage of those believing that the penalty will be charged has been doubled (from 9% to 17%).

The private sector recognizes the Tax Administration (38%) and Market Inspection (28%) as institutions to whom they would first report cases of the shadow economy. However, similar to citizens, business people are not well aware of their role in suppressing non-compliant business. Only 32% of businesses and entrepreneurs would report unfair competition, primarily because they consider it the government's job (half of the answers), they do not believe it would have an effect (18%) or they justify working in the grey zone with the need to "survive" (15%).

78% of businessmen do not doubt the country's determination to tackle the shadow economy, and 79% think that the shadow economy is not justified (the share of businessmen that heard about the Years of Countering Shadow Economy, 64%, is much higher than among citizens). However, one in three businesses (36%) estimate that the state does not have the capacities to deal with the problem of unregistered companies, and there is a significant percentage of those who believe that such individuals enjoy political protection (18%) or they see the main problem in corrupt inspectors (17%).

A particular challenge that does not only concern tax culture, but broader financial culture of citizens, is a relatively small share of non-cash payments in the total volume of transactions. This share is relatively small both in terms of payments between the citizens and the public sector, as well as in commercial transactions.

Increased reliance on non-cash payment methods discriminates the unregistered entities, i.e. favors the registered businesses. Moreover, non-cash payments largely facilitate the control of financial flows, which further enables easier detection and prosecution of illegal operations. According to an Ernst & Young research from 2016, an increase in the value of card payments at POS terminals in the amount of 1% of GDP results in a decrease of passive shadow economy by 0.03% GDP. This means that the reduction of cash payments by 25% in a country where the size of passive grey economy accounts for 20% of GDP results in 15% decrease of the shadow economy scope.

From January 2017 to late 2018, the number of websites in the Republic of Serbia accepting payments has increased by 109% (from 354 to 741). Additionally, the number of people making payments via mobile phones has increased from 650,000 to 1.4 million since September last year, while the number of online payment users rose from 1.5 to 2.46 million. While the number of POS terminals in 2017 was constantly declining and reduced from 84,412 to 72,521 (a 14% drop), in 2018 there was an upward trend, and the number of POS terminals reached 88,009.

The fact that the state has multiple interests for expanding the use of non-cash payments (reducing the gray economy by favoring the position of registered businesses, facilitating the supervision of financial transactions, preventing manipulation of payments by paying public revenues etc.) makes the country especially interested in promoting non-cash payments. Significant steps in this direction have been made by facilitating electronic payments on the e-Government portal, but it has not even nearly exhausted the country's available options regarding the regulatory framework, incentive measures and raising citizens' awareness of the benefits of non-cash payments.

Causes and effects of shadow economy

Based on the conducted analyses, the following basic causes of the shadow economy have been identified:

- Low level of tax culture among citizens and businesses, characterized by justification of doing business in the grey zone, mainly caused by mistrust in state institutions, non-transparent spending of funds, insufficient information and corruption;
- Complicated regulatory framework for doing business, subject to frequent changes, inconsistent implementation of regulations, insufficient knowledge of regulations and weak capacity of public administration to implement regulations, which makes it more difficult to do business legally for those entities that are not keen on operating in the grey zone;
- Relatively high tax and non-tax burden;
- Relatively high level of corruption and state tolerance towards the shadow economy (inspections, customs, judiciary system, police);
- High unemployment rate and poverty, as well as the general unfavorable state of the business environment.

The effects of shadow economy are:

- Hindered operations for legal businesses, caused by entities operating in the shadow zone, which leads to the closure of businesses that comply with regulations or their transition to the grey areas, layoffs and reduced investments;
- Decreased budget revenues, leading to low quality of public services such as: education, health, police, judiciary, utility services, etc.;
- Violation of rights of employees, including their safety and health (absence of contributions for pension and disability insurance, health insurance and unemployment insurance, insurance in case of injury at work, for students engaged through a student cooperative, compromised quality and health safety of products).

Combating the shadow economy is a key step in establishing a predictable and stable business environment and a level playing field, and it requires coordinated efforts by public administration and market participants. Repressive measures give the results in the short run and are insufficient. It is only with planning and implementation of systemic solutions that one can affect the long-term reduction of shadow economy and its consequences. Hence, it is necessary to achieve a public interest and improve the transparency and interaction not only between the holders of public authorizations and the taxpayers, but also among taxpayers themselves.

Picture 1: Causes and effects of shadow economy



The performed analyses regarding the scope and forms of the shadow economy and the institutional capacities for its suppression in the Republic of Serbia, pointed out the key systemic deficiencies related to suppression of the main causes of shadow economy, and provided guidelines for formulating the basic principles and measures that should be implemented through the National program and Action Plan.

By adopting the National Program for Countering Shadow Economy, the Government determines as its main goal the reduction of shadow economy from 15.4% to 15% of GDP, or from 14.9% to 14.5% according to the new survey method among registered entities, and the reduction of unregistered entities' share in the market from 17.2% to 15%, through implementation of the following specific goals:

1. More efficient monitoring of shadow economy and more efficient work by institutions in countering shadow economy;
2. Tax Administration Reform for the purpose of more efficient taxation and better tax collection;
3. Incentive measures for fair competition, legal entrepreneurship and employment;
4. Reducing costs and administrative burden for businesses complying to regulations;
5. Raising awareness among citizens and businesses about the importance of countering shadow economy.

In order to successfully tackle the shadow economy, it is necessary to actively involve public administration and organizations, as well as the businesses and citizens, because the reduction of the informal economy brings benefits for the entire society.

STRATEGIC FRAMEWORK

The national program represents a framework for countering shadow economy in the Republic of Serbia and is complementary to previously adopted documents that cover certain segments relevant for this area, primarily the Public Administration Reform Strategy in the Republic of Serbia ("Official Gazette of RS", No. 9/14 and 42/14 - correction), the Action Plan for Implementation of the Public Administration Reform Strategy in the Republic of Serbia for the period 2015-2017 ("Official Gazette of RS", No. 31/15), the National Anti-Corruption Strategy in the Republic of Serbia for the period 2013-2018 ("Official Gazette of RS", No. 57/13), the Action Plan for Implementation of the National Strategy for Countering Corruption in the Republic of Serbia for the period 2013-2018 ("Official Gazette of the Republic of Serbia" No. 79/13), the National Strategy for Judicial Reform for the period 2013-2018. ("Official Gazette of RS", No. 57/13), the Strategy for supporting the development of small and medium enterprises, entrepreneurship and competitiveness for the period from 2015 to 2020 and the Action Plan for implementation of the Strategy for supporting the development of small and medium enterprises, entrepreneurship and competitiveness for 2015 with a projection for 2016 ("Official Gazette RS ", number 35/15), the Strategy for Integrated Border Management in the Republic of Serbia for the period 2017-2020, the Action Plan for the Implementation of the Integrated Border Management Strategy for 2017-2020, the Fiscal Strategy for 2019 with projections for 2020 and 2021, the Strategy of Regulatory Reform and Improvement of the Public Policy Management System for the period 2016-2020 (with the Action Plan and Annexes), as well as the National Strategy for the Countering Money Laundering and Financing of Terrorism.

The aim of the National Program is to provide a systematic approach in combating the shadow economy. Given that the uniform policy of countering shadow economy has elements of a horizontal policy, some areas of this program are already more or less included in other strategic documents, e.g. in the field of public administration reform and inspection oversight, which is covered by the Public Administration Reform Strategy in the Republic of Serbia and the Action Plan for Implementation of the Public Administration Reform Strategy in the Republic of Serbia for the period 2015-2017. The complementarity of the National Program with this strategy and the accompanying action plan is already reflected in the overall goal of public administration reform, which refers to further improvement of public administration's work, in accordance with the principles of "European Administrative Space", that is, ensuring high quality of services for citizens and businesses, as well as establishing a public administration that would significantly contribute to economic stability and improve the of citizens standard of living . The national program seeks to achieve the same goal, but primarily in the segment of improving the inspection services and enabling their better cooperation with judicial authorities with the aim of tackling the shadow economy.

Another common goal of these two documents is the improvement of business environment and the living standard of citizens in general, by reducing the administrative barriers and the share of shadow economy in Serbia' national GDP. These two documents are also linked in the part related to the improvement of legislative process, administrative procedures and the reform of inspection oversight, noting that the main goal of the National Program is specified in the function of curbing the shadow economy. Hence, it is easily notable that the National Program objectives are closely linked with the specific goals of public administration reform, in particular with the improvement of public finance and public procurement management, legal security, the business environment and public service quality, as well as the strengthening of transparency, ethics and responsibility in performing public administration tasks.

The National Program also extends from the public administration reform measures related to e-Government development, especially in terms of establishing and improving the record keeping registries, ensuring more reliable and up-to-date data, as well as interconnection and exchange of data. In addition, the National Program has been prepared in accordance with the goals set in the Public Administration Reform Strategy in the Republic of Serbia, specifically its part referring to improving the conditions for public participation in the work of public administration, by engaging all stakeholders in the process of combating gray economy, which implies a principle of openness in creating and implementing public policies in this field.

The National Anti-Corruption Strategy for the period 2013-2018 and the accompanying Action Plan for the implementation of this Strategy elaborate measures and activities in various areas where a significant degree of corruption has been identified. In this regard, the measures and activities for preventing and countering corruption in public finances and judiciary are also important for combating the shadow zone, since corruption is a significant cause of numerous forms of shadow economy. The National Program is based on goals set in the National Strategy for Countering Corruption for the period 2013-2018 and the related Action Plan for implementation of this strategy, especially the part referring to establishing and eliminating deficiencies in the legal framework for customs operations, which allow for corruption.

The National Program also develops a control system for the implementation of customs regulations by involving all competent authorities in the work of Coordination Body and the Operational Working Group for Integrated Border Management Coordination, establishing continuous cooperation between Coordinating Body for Integrated Border Management and the Coordination Commission, implementing integrated border control pilots, improving the coordination of customs, inspection and police, applying the analysis of criminal measures in sectoral regulations and imposed sentences, as well as the harmonization of sector regulations in accordance with this analysis.

The realization of goals foreseen in the National Program for Countering Shadow Economy is also supported by the measures implemented as part of the Tax Administration's strategic documents, including the Tax Administration Transformation Program for the period 2015-2020 and the Strategy of providing services to taxpayers for the period 2017-2019. Tax Administration Transformation and its goals are based on the idea of a modern and efficient administration, on creating room for easier and fair business conditions for taxpayers and better communication between taxpayers and Tax Administration. Implementing these strategic documents should lead to a higher level of voluntary tax settlement and greater efficiency of Tax Administration in collecting revenues, including collection from non-registered business entities and those that carry out part of their activities in the shadow zone. One of the priorities of the National Judicial Reform Strategy for the period 2013-2018 is the improvement of legal security and the restoration of citizens' trust in the judicial system in the Republic of Serbia, which is closely related to the goal set in the National Program – establishing better cooperation between judicial and inspection bodies in order to successfully combat shadow economy.

Strategic planning and management in the field of justice, elaborated through the Action Plan for Implementation of the National Judicial Reform Strategy for the period 2013-2018 is one of the starting points for establishing a quality system for combating shadow economy, bearing in mind that the previous approach based on temporary solutions has not yielded adequate results. Furthermore, the Action Plan enacted with the National Program envisages activities to improve the system of prosecution of criminal and commercial offenses, provide professional training for inspections, customs, prosecutors, police and tax police in order to better deal with the shadow economy, establish information exchange system among all stakeholders in detecting criminal and misdemeanor liability in the field of the shadow economy, establish special organizational units in the Prosecutor's Office for dealing with economic criminal offenses and perform professional training for prosecutors, police and judges to prosecute perpetrators of economic crimes.

A direct link between the National Program and the Strategy for Supporting the Development of Small and Medium Enterprises, Entrepreneurship and Competitiveness for the period from 2015 to 2020 is reflected in the recognition of shadow economy as one of the main causes for slow development of SME sector and entrepreneurship due to major unfair competition. In this regard, the Action Plan for Implementation of the Strategy for Supporting Development of Small and Medium Enterprises, Entrepreneurship and Competitiveness for 2015 and projection for 2016, under the Pillar 1 "Improving the Business Environment", envisages the adoption of the National Program.

Starting from the strategic guidelines previously determined in defined strategic documents, in all of the mentioned areas, the National Program brings additional content, which is harmonized and represents a continuity of already established priorities. In addition, observed in the national strategic framework, the National Program serves as a basis for systemic approach of all public authorities, businesses and citizens in combating the shadow economy. In this sense, the program represents a logical continuation and upgrade of the current policy in this area, ensuring continuity and consistency with the previous and planned activities regarding the shadow economy issues.

THE PRINCIPLES AND GOALS OF IMPLEMENTING THE NATIONAL PROGRAM FOR COUNTERING SHADOW ECONOMY

The principles of countering shadow economy

Bearing in mind the importance of countering shadow economy, the National Program for suppressing the shadow zone will be implemented based on the following principles:

Principle of prevention

The first method of reducing the shadow economy is the prevention of business entities from joining the grey zone in the first place. Among the preventive actions, particularly important ones include the effective oversight of shadow economy and an appropriate penalty policy. There is no such low level of fiscal burden, nor a public administration system so simple for businesses to fulfill their administrative obligations, that can compete with doing business in grey zone, i.e. with zero tax rates and no administrative obligations. And it is hard to find such strongly developed awareness among businesses, anywhere in the world, that would favor legal operations over certainty of unpunished operations in the shadow zone. This means that all activities to ease the burden on businesses in the legal zone cannot yield results as long as the grey zone operations are not perceived as an irrational and risky business strategy.

Somewhat simplified, the probability of doing business in the grey zone is proportional to the expected benefits of such business (for example, the evaded taxes and the saved time needed to fulfill the administrative obligations), and inversely proportional to perceived probability of punishment, the severity of expected penalties, and benefits available only to businesses in the legal zone (for example, access to the capital market based on the developed credit history). The principle of preventive action can be applied in all of these aspects and is being operationalized through goals of this program related to the improvement of overall business conditions, raising public awareness on negative aspects of the informal economy, advisory and informative activities of inspections and other state authorities, etc.

Principle of incentive action

The state and autonomous province institutions, as well as the local government units, undertake activities aimed at increasing the benefits from doing business legally compared to the grey zone, using a set of tax policy measures, regulatory requirements, public procurement policies, as well as through measures of institutional recognition and benefits of legal business.

The principle of incentive action is operationalized through objectives related to fiscal incentives, reduction of administrative burden, privileged position of businesses with confirmed legal status in administrative procedures (so-called white lists), encouraging private association confirming the status of a suitable economic entity (so-called supply chains), etc.

Principle of integrity

The state and autonomous province institutions, as well as the local government units, ensure that the issue of combating shadow economy is included in all sectoral policies and regulations. The integrity principle is operationalized in this program through all objectives that include segments of determining and implementing public policies and regulations.

Principle of mutual interest and division of responsibilities

Harmful consequences of shadow economy to economic development of the Republic of Serbia require all stakeholders to participate in the suppression of shadow economy – the ones that are affected by different forms of shadow economy, or the ones who have jurisdiction to help the suppression of shadow economy - public administration bodies, organizations, businesses and citizens. In combating shadow economy, the responsibility of state authorities is clearly distributed. This division of responsibilities is also called upon when their authorities overlap in certain procedures, in accordance with the principle that overlapping of powers serves to enable more efficient functioning of state institutions, and not to blur the responsibility lines among public administration bodies.

The principle of common interest and shared responsibility is operationalized in this program through goals that include interventions in the legal framework, as well as through objectives that imply joint activities of various public administration bodies.

Principle of proportionality and efficient use of resources

In accordance with the proportionality principle, the countering of shadow economy uses those measures that are proportionate to the risk and harmful consequences arising from various forms of shadow economy, so as to achieve the goal and purpose of the law and legal business in a most appropriate and favorable manner.

In allocating the funds to tackle the informal economy, the state will be guided by the idea that the effects of using these funds in order to increase the public revenues are higher than the costs; In addition to this criterion, when planning funds for combating shadow economy various factors will be considered, such as the expected reduction of risks related to grey zone activities, improved competitiveness and general business conditions, as well as the effects on strengthening the rule of law and citizens' trust in the public administration bodies.

The principle of efficient use of resources is operationalized in this program through all activities that involve planning and use of resources for the purpose of suppressing shadow economy.

Principle of improving the business conditions

Apart from providing the setting for a fair market competition and improving the public finances, the improvement of business conditions is a key objective of the activities aimed at curbing the shadow economy. The principle of improving the business conditions is being operationalized in this program through measures taken by public authorities and special organizations to improve regulations and practices in the field of inspection, judicial control of shadow economy, reform of para-fiscal charges and, above all, the reduction of fiscal and administrative burden on businesses.

Overall goal of countering shadow economy

The overall goal of the National Program for Countering the Shadow Economy is to reduce shadow economy by monitoring the following indicators:

- The share of shadow economy in GDP of the Republic of Serbia among registered businesses decreased from 14.9% to 14.5%;
- The share of unregistered businesses in the total number of business entities decreased from 17% to 15%;
- Relative reduction of VAT gap by 2 pp;
- Decreased share of informal employment in total employment from 19.5% in 2018 to 17.5% in 2020.

Activities aimed at reducing the shadow economy share in the gross domestic product can have one of the following three directions:

- Ensuring that business entities that are entering the market start their business with full respect for the regulations, and that those operating legally remain in that status (preventing the entry of businesses in the grey zone);
- Creating conditions for illegal entities to legalize their business activities (translating business entities from the gray into the legal zone);
- Increasing the overall volume of economic activity, while maintaining the existing size of shadow economy, thus reducing the share of shadow economy in gross domestic product.

The special focus of the National Program for Countering the Shadow Economy includes activities aimed at reducing the share of unregistered entities in the total number of business entities, as well as continuously reducing the share of these entities in the total volume of Serbia's economy. The first and most important step in sanctioning this phenomenon was made by giving the legal power to the state authorities to supervise unregistered entities and deliver special measures to suppress their operations, which did not exist previously.

In further steps, it is necessary to strengthen the organizational, personnel, technical and other capacities of state institutions to effectively exert their authority towards unregistered businesses. In order for activities aimed at sanctioning the work of unregistered businesses to deliver the needed results, it is necessary to build public support for these measures, which primarily involves the de-legitimizing of unregistered business.

Equally important, in terms of preventing the entry of businesses or potential business entities into the grey zone, numerous measures have been and are being implemented to ease the fiscal and administrative burden to businesses, with the objective to encourage potential businesses to enter the market as registered entities, and to encourage registration of illegal businesses. As an additional benefit of implementing these measures, there should be an increase in the total number of business entities active in the market.

The overall goal will be achieved through the following specific goals:

- Specific goal 1: More effective control over the flows of shadow economy;
- Specific goal e 2: Improving the work of Tax Administration aimed at more efficient taxation and better tax collection;
- Specific goal 3: Incentive measures for fair competition, legal entrepreneurship and employment;
- Specific goal 4: Reduction of administrative and para-fiscal burden to businesses and citizens;
- Specific goal 5: Raising awareness among citizens and businesses on the importance of countering shadow economy.

Proposed measures will influence the causes of shadow economy, which will lead to:

- establishing clear competencies and improved coordination of work of public administration bodies in combating the grey economy, along with establishing a balanced system of sanctions;
- raising public awareness on undesirable consequences of shadow economy, including the way it affects responsible businesses, workers' and consumers' rights, and active citizens involvement in countering shadow economy;
- reducing the size of shadow economy by applying a set of tax and non-tax policy measures and public procurement policies and through institutional appreciation of responsible business.

Specific goal 1: More efficient control over the flows of shadow economy

Inspection control

In accordance with the Law on Inspection Oversight, the basic principle in the work of inspection services is their preventive action and advisory role to businesses, in order to achieve a greater degree of compliance with the regulations and better public risk management. Inspection control should be based on a previous risk analysis, in order to optimize available resources while at the same time achieving more effective control.

The Coordination Commission has also developed guidelines for the application of risk assessment methods in various areas, which enables development of inspection plans based on performed risk analysis. Implementation of the comprehensive e-Inspector information system, which would provide faster and easier information exchange in the field of inspection, will prevent duplicated controls, provide more efficient inspection supervision and enable monitoring in the field of inspection control. The aim is to make sure that all inspections are using the same set of data and information about a controlled entity.

Establishing the e-Inspector system will lead to the following results:

- Facilitated work of inspector;
- Reduced number of field controls;
- Businesses are no longer asked to provide the same set of data multiple times;
- Controls are better coordinated;
- Data from all inspections are used in risk analysis
- Created records of businesses and inspected objects, with a designation of risk used for planning the inspection visits.

One of the measures in the Action Plan is the establishment of a contact center that will serve as a link between competent inspections and citizens and businesses, and will increase the efficiency and coordination of inspection supervision. Citizens and businesses should have a single point of contact when they want to report an irregularity or seek supervision because of a suspicion that a business has violated the law.

Contact center users will be able to report their problems through the web portal, e-mail and phone. Also, the contact center will enable complaints about the work of inspectors and monitoring of control statistics. As soon as the contact center staff receives the report, they will redirect it to the competent inspection or inspections, which decide on the further steps. The Contact Center will guarantee a response to each request within 48 hours, along with the status report after the inspection visit. This system is one of the ways to introduce unregistered entities into the system. The data on reported entities will be used to calculate risks in the e-Inspector system for registered entities.

Ensuring human and material capacities of inspections, as along with improving the material situation of inspectors, is necessary to ensure further implementation of inspection control reform. Bearing in mind the average age of inspectors, 56 years, it is necessary to adopt a plan for the employment of young inspectors, and to establish a model for equipping inspections, since their current equipment is outdated. This measure includes adoption of the Action Plan for the Employment of Inspectors and the Model of Equipping Inspections, based on the Functional Analysis of the Capacities of Republic Inspectorates. The aim is to employ the required number of inspectors in the first year of Action Plan implementation, i.e. in 2019. Additionally, the inspectors are currently not evaluated based on their contribution in achieving the public interest, but based on the number of conducted controls, the amount of seized goods etc. For this reason, an adequate model for evaluating the work of inspectors needs to be developed.

By introducing a plea bargain for all regulations in five key inspections (Market, Tax Administration, Labor Inspectorate, Agricultural and Tourist Inspection), the pressure on the courts is reduced, the effect of punishing and charging penalties and the probability of punishment decreases, and the administration is reduced both for inspections and offenders. It is recommended that the Inspectorate should initiate plea bargain by sending a plea proposal to the defendant, in cases where a misdemeanor procedure is initiated, and where the case is suitable for this approach, in accordance with the expert-methodological explanations adopted by the Coordination Commission for Inspection Oversight. The aim is to introduce the notification of a plea bargain possibility - the offer for a plea bargain - into the models of inspections' by-laws.

Cooperation among state authorities

Constant education and specialization of misdemeanor judges and judicial authorities is a prerequisite for successful detection, prosecution and punishment of various forms of shadow economy and for developing best practices. The specialization of misdemeanor judges will relate to the most common procedures: market inspection, Tax Administration, Labor Inspectorate, tourist, agricultural, phytosanitary, veterinary and construction inspection. The aim is to specialize at least one misdemeanor judge in each misdemeanor court to handle cases in the field of shadow economy.

At present, inspectors do not know how their procedures end up, which negatively affects their work. Enabling an information exchange system for information about the course and outcome of the procedures initiated by the inspector - the connection of e-Inspector and SIPRES systems - will help in improving the work of inspectors on presenting evidence, monitoring the effectiveness of misdemeanor judges in proceedings and in communicating about the punished offenders (the key reason for not reporting shadow economy is the fact that citizens and businesses think that perpetrators have never been punished). This measure involves the establishment of a system for filing and receiving electronic requests for initiating and conducting misdemeanor proceedings with monitoring the course and realization of the procedure and establishing exchange of data on submitted requests for misdemeanor proceedings.

The focus on “black spots”

Based on the studies and analyzes of shadow economy, as well as on insight and information from inspections and other bodies and business associations, it was noted that there is a need for strengthened and organized activities of all competent authorities in detecting illegal business in certain critical areas and specific "black spots". The establishment of working groups for related business activities should enable active cooperation between the competent bodies of public administration and expert business associations. It is also necessary, by planning documents to regulate joint action of competent public administration bodies in all stages of countering shadow economy (from detection, through processing to sanctioning) for clearly defined critical areas, that is, activities of shadow economy which pose the greatest threat to the safety and health of citizens, and for the fiscal system of the Republic of Serbia.

The following period should involve more intensive work on suppressing online advertising and sales of goods by unregistered entities, by searching online sales platforms, social networks and control through postal operators, in order to identify unregistered traders who advertise excise products, products that are protected by intellectual property rights, medicines and medical devices, as well as their processing.

One of the priority sectors of countering shadow economy is the construction sector and the suppression of illegal construction. After the adoption of the Law on the Legalization of Buildings in 2015, which served as a basis to perform satellite recording of all buildings that may be subject to legalization, any illegal construction of buildings should be severely punished.

This problem is particularly emphasized and visible to citizens in Belgrade. Therefore, there is a need for appropriate response by line authorities and monitoring the implementation of the measure, to enable impact analysis. One of the activities in suppressing illegal construction is entering a note on transaction ban for all facilities built after 2015, where the ban is registered based on independent Article 106 of the Law on amendments to the Law on Planning and Construction, which prohibits the trade of such facilities, and the ban note is registered based on the decision on removing the facilities or their parts issued by the construction inspector.

The second major problem in the construction sector is the illegal loading of goods in water transport outside the ports and harbors. On the Danube, Sava and Tisa, loading of goods is allowed in 11 ports and 2 cargo ports in the Republic of Serbia. According to the data of the Republic Inspection for Safety of Navigation, there have been more than 150 places identified where illegal loading of goods occurred, primarily gravel and sand, oil and oil derivatives, as well as agricultural products.

The existence of illegal loading places negatively affects the revenues of the budget, since the port services are not paid, nor any other tax liability, due to the absence of state authorities that are otherwise present in ports (port authorities, Ministry of Interior, Customs Administration, sanitary and phytosanitary inspection, etc.). Additionally, these objects cause a serious market retorsion, which leads to legal port operators losing their positions in the international market. Illegal loading of oil and petroleum products is performed with the aim to avoid taxes and excise for this type of goods.

The priority area in combating shadow economy in the transport sector is the prevention of illegal transport of passengers in public transport. Although the Law on Passenger Transport in Road Transport entered into force in 2015, with the latest amendments adopted in 2018, there is no consistent implementation of the Law in practice, which leads to negative consequences for the business environment, secure operations of legal businesses, safety and security in providing the service of citizen transportation, as well as on the amount of budget revenues of the Republic of Serbia and local governments.

With the aim of ensuring more efficient implementation of the Law provisions, protection of investments in this sector, countering shadow economy in the field of transport, providing support to local governments in consistently implementing the Law provisions and governing business conditions in their territory, there is a need for urgent harmonization of practices by all line authorities in implementing the legal provisions governing this field.

Retail is an area that, by a rule, cannot fall under the lump-sum taxation system, i.e. it needs to be in the fiscalization system, which ensures records of traded goods and the obligation of issuing receipts. An exception refers to individual agricultural producers and craftsmen selling their own products. However, this status is also allowed to other sellers that re-sell bought products in green and commodity markets. Holding the status of individual agricultural producers or entrepreneurs, they are classified in the third group of lump-sum taxpayers – trade activities performed outside of business premises, in market stalls and similar facilities. They do not fall under the obligation of keeping sales records like other traders, and it cannot be determined whether the goods they are selling has been legally purchased.

This represents direct unfair competition and tax evasion in the field of trade., and it is necessary to make an analysis of the situation and regulations in the field of re-selling products and other commodities in commodity and green markets, primarily by registered agricultural households, independent trade shops or independent craft shops,, with recommendations for amending regulations and performing supervision over the implementation of prescribed obligations.

In the agricultural sector, as one of three priority sectors with the highest risk of operating and working in the gray zone, the following measures were highlighted as a priority in suppressing the so-called "black spots" of trade:

1. Illegal trade of animals - There has been a large number of cases on illegal trade of animal, especially in the Raška and Pčinja administrative districts. The estimated value of illegal trade of animals in the border areas is 3 million EUR a year. Agricultural households cannot trade animals, i.e. buy or sell them with the aim of gaining profit, without being properly registered in the Registry of Business Entities. This problem will be solved through increased field control of living animals in cooperation with the Ministry of Interior, Tax Administration (Ministry of Finance) and Market Inspection (Ministry of Trade, Tourism and Telecommunications).
2. Control of illegal entities that engage in illegal exploitation of water and forest resources (wood, sand and gravel) - illegal logging has been increased due to insufficient coordination among various institutions. Forestry inspectors have no authority to pull-over the vehicles transporting wood.
3. Combating illegal production of tobacco and GMO soybean - Controls are carried out according to the annual control plan, as well as upon citizens reports or as part of regular planning controls of the Phytosanitary Inspection Department, in the period when the production of these crops is initiated, with control being performed in the place of production. It is necessary to develop a plan of coordination of activities to prevent the production and sale of GMO soy and further implement the plan. It is necessary to develop a coordination plan of activities to prevent the production and sale of GMO soy and to implement such a plan.

Specific goal 2: Improving the work of Tax Administration aimed at more efficient taxation and tax collection

In the previous period, the Tax Administration confirmed its key role in combating shadow economy. The further realization of the objectives set forth in this National Program and other strategic Government documents sets the complex requirements before the Tax Administration in at least three aspects: a) internal strengthening of Tax Administration and its capacities to ensure adequate implementation of regulations; b) more efficient connection of Tax Administration with other state bodies and ensuring functional exchange of data and enabling planning, coordination and implementation of joint activities; and c) developing a client-oriented approach in providing services to taxpayers and improving relations with taxpayers and their professional service providers, as well as with the broader public, with the aim of encouraging voluntary compliance and discouraging taxpayers from violating tax regulations.

The continuation of transformation process of Tax Administration, in accordance with the adopted strategic documents that provide the framework for this process, should lead to changes in the structure and work methods of Tax Administration, i.e. the upgraded organizational capacity to perform its basic functions (identification, control, collection and tax-legal jobs) more effectively. For this purpose, efforts will be made on creating a framework that will stimulate taxpayers to comply with tax regulations, while strengthening systemic capacity to detect and punish those that do not. One of the essential elements of this process is more efficient networking between Tax Administration and other competent authorities that play a role in detecting and punishing violations of tax regulations.

The role of Tax Administration in combating shadow economy is not only broader than just ensuring control over compliance with regulations by business entities, but also from preventive actions that result in deterring businesses from violating regulations. An important role of Tax Administration is also to ensure a reduction of administrative burden to businesses, not only in terms of fulfilling their tax liabilities, but in all aspects where businesses interact with the taxmen. Tax authorities around the globe are getting increasingly complex tasks, that have long since stopped revolving around filling the state budget. The legality and equal treatment of equal taxpayers are now undoubtedly the priority requirements placed before tax administrations; in addition to the amount of collected funds, it is equally important how strict is the arm that charges these funds.

The anticipated fiscalization reform, which involves expanding the scope and introduction of on-line fiscal cash registers, creates conditions for qualitative improvement of the Tax Administration capacity for the control of VAT payments.

Bearing in mind the latest available data that the number of active fiscal cash registers is 191,400, it is clear that automatic exchange and data analysis between the taxpayer and the Tax Administration is an optimal way of planning and carrying out controls based on risk assessment. The special expected benefit of this measure is reflected in the fact that two separate analyses (by the Republic Secretariat for Public Policy and the Serbian Chamber of Commerce) have determined significant savings for business based on the implementation of the new system – according to a conservative scenario, the savings would be at least 1.5 million euros per year, while more realistic scenarios expect the amount to be about ten times higher. A new system of fiscalization should be established through Action Plan implementation (where turnover information is sent to the tax authorities in real time, at all stages), which implies improved tax administration software and incorporation of risk analysis module for turnover non-registration. New fiscalization law also needs to expand the fiscalization scope successively to all forms of trade of goods and services and all trade phases (including invoices) regardless of whether they are in the VAT system, starting from the transport sector.

Switching to electronic invoices with a reliable delivery system opens up new opportunities for more efficient operations of taxpayers, but also more efficient monitoring of VAT payments, and it is necessary to focus resources on adapting to this change in technical and personnel terms. Establishing reliable delivery of invoices in the system will enable greater legal certainty of agreement parties, along with better execution of contracts, development of factoring services and microfinance of small business entities.

Tax Administration has to issue more than 300,000 tax decisions a year to taxpayers in the system of lump-sum taxation. More than 300 tax inspectors work on delivering these decisions. Amendments to the by-laws and development of software enabling automatic calculation and issuance of tax decisions would save thousands of hours and enable higher predictability for the taxpayers.

This measure entails amending amendments to the regulatory framework that would simplify the procedure for calculating lump-sum tax with the aim of automating the process of determining the amount of lump-sum tax, and prepare a functional specification for submitting electronic requests and automatic calculation of the amount of lump-sum tax.

Specific goal 3: Incentive measures for fair competition, legal entrepreneurship and employment

Although the total tax burden in the Republic of Serbia, measured by the ratio of tax revenues and GDP, is moderate and approximately similar to other countries in Central and Eastern Europe, the distribution of this burden complicates the Tax Administration's tasks in collecting labor taxes and contributions. Namely, the fiscal burden on labor, measured by the share of labor taxes and social security contributions in total labor costs, is relatively high in the Republic of Serbia, both in absolute terms and in relation to the level of our country's development.

An analysis of tax and non-tax burden to new businesses, performed by NALED in cooperation with the Faculty of Political Sciences, showed that an entrepreneur who keeps business records and pays a minimum wage, allocates as much as 44.22% of the total income for tax and contributions in Serbia compared to 25% in the Republic of Croatia 25%, 25-35% in Hungary %, and twice as lower rate in the Federal Republic of Germany (21.13%).

When entities operating in the grey zone migrate their business into legal flows, including the informally self-employed, this usually involves the registration of employees with established minimum wages. If the tax burden is high at this level as well, this represents a clear obstacle to job formalization, and increases the spread of informal employment, which leads to losses in public revenues and significant engagement of state authorities resources, including the Tax Administration, to suppress this phenomenon.

It is necessary to regulate new forms of work engagement, by enabling employment by foreign employers, working via web portals, or part-time work. This type of jobs is not adequately governed and leads to informal employment. The increased flexibility of employment will tackle the employment abuses through leasing agencies and youth cooperatives. The action plan also stipulates the preparation of analysis of national regulations and comparative legislation, labor market conditions and flexible forms of work engagement with a foreign element - working in Serbia for a foreign employer (which does not have a representative office or a branch in the territory of the Republic of Serbia). Based on the analysis findings and adequate amendments to the regulations, adjustments will be made to tax bases and minimum contributions bases for the new forms of work engagement, as well as the calculation of the years of service.

Significant improvement of public finances on one hand, and high level of unemployment on the other, especially if informal employment is not considered in the equation, creates room for a higher focus on the analysis of various possible modalities of fiscal incentives for employment. The fact that not much progress has been made in this field opens the possibility to carefully plan the possible reforms, taking into account the comparative experience and circumstances in the Republic of Serbia, and above all the state of public finances and the key generators of informal employment. Therefore, one of the first activities to be undertaken is the adoption of the long-term plan of fiscal measures for stimulating entrepreneurship, which would be preceded by an impact analysis to the level of employment, economic activity and the state of public finances.

Since October 2018, new businesses have been exempt from paying the income taxes and contributions, in the first year of operation. It is necessary to analyze the effects of these and similar existing incentive measures and enable the extension of self-employment model to beginners in business, with exemption from taxes and contributions for a period of 1 to 2 years.

In 2018, the Law on Simplified Work Engagement on Seasonal Jobs in Selected Areas was adopted, which primarily refers to electronic registration of seasonal workers in agriculture. There is a need to perform an ex post analysis of law implementation, and an ex ante analysis for extending the scope of the Law to other activities. The aim is to simplify certain tasks (e.g. housekeeping) that have a limited duration (several days a month - house cleaning, nannies, etc.), to include them into legal flows, simplify the payment of taxes and contributions, as well as the engagement model, while ensuring the rights of engaged individuals in accordance with international standards.

Incentive measures are particularly important for the development of entrepreneurship among young people, where the unemployment rate was 31.3% at the end of 2016, which is nearly three times higher than the overall unemployment rate in the Republic of Serbia and significantly higher than the EU average (18, 5%). Self-employment among young people in Serbia is rare - only 7.8% have the status of an employer or a family business owner, and more than 60% do not have the desire to start a business.

Encouraging cashless payments

In parallel with the expansion of scope and the improvement of fiscalization system, it is necessary to stimulate non-cash payments, primarily by encouraging the introduction of electronic payments in the sectors dominated by cash payments (catering, taxi services, health services, etc.), enabling innovative ways of cashless payments, subsidizing terminals in small and micro companies, providing benefits for non-cash transactions compared to cash payments, as well as determining the maximum amount of fees for non-cash payment, charged by stakeholders in card payments system, following the example of European practice. The analysis conducted by NALED within the project "Support to the Government of Serbia in Countering Shadow Economy" in collaboration with the German Development Cooperation has shown that more and more countries are stimulating the abandonment of cash by reducing VAT on electronic payments, paying salaries and pensions to bank accounts only, introducing POS terminals at counters and subsidizing their purchase, as well as the abolition of coins and largest banknotes.

The analysis highlights the example of the Republic of Korea which reduces VAT by 2% when using cards. Japan and Mexico subsidize the purchase of POS terminals, while EU countries are lowering the maximum amounts payable in cash (2,500 euros in Spain to, 1,000 in France and Italy, 500 euros in Greece). India offers lower prices for tolls, fuels and railways if paid electronically.

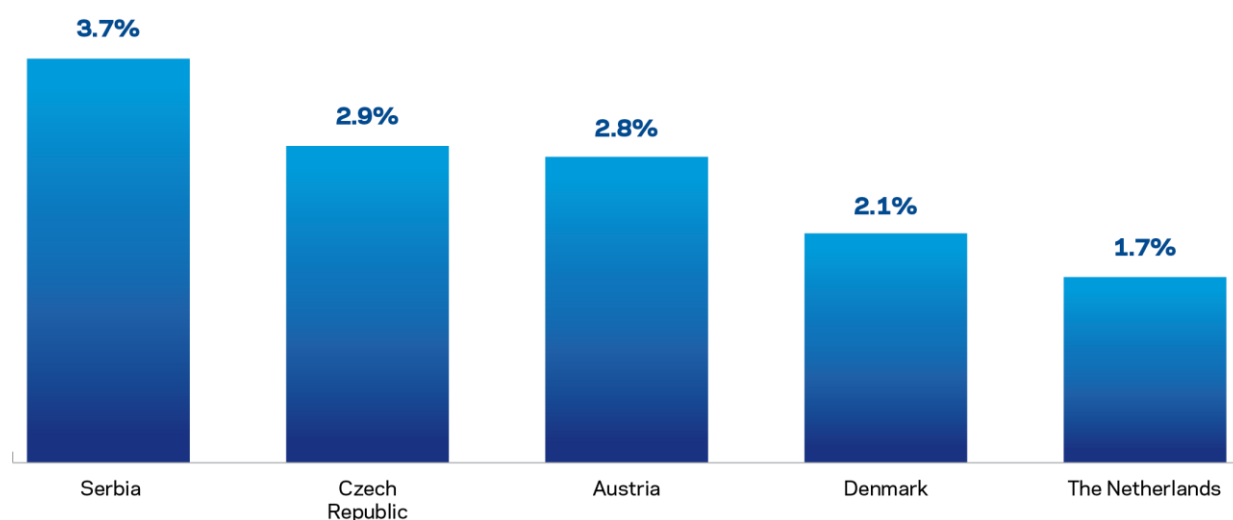
Testifying example that e-payments are not stimulated only in the most developed countries is the Republic of Bulgaria, which will introduce the obligation to use POS terminals for the entire public sector, by the end of this year. The introduction of POS terminals would give the citizens an opportunity to pay a fee at the counter and receive a card slip as a payment confirmation. This would eliminate payment orders, which can be manipulated by paying a smaller amount and later adding more digits.

It is necessary for the public sector to follow this trend and enable non-cash payments for all of its electronic services. The aim is to establish an identification system of persons paying for public services - where services could be provided without the need to submit proof of payment, thus facilitating electronic payment. There is also a need to consider the justification of regulatory interventions towards determining the amounts and types of payments that have to be made electronically (for start, in the field of public revenues payment, to facilitate supervision and to establish and process irregularities), i.e. obliging certain economic entities to possess a module for non-cash payments.

Parallel to these activities, it is necessary to work on educating citizens and businesses about the advantages of non-cash payments and breaking down prejudices that are most often related to security issues. The first step was made with the "Get the receipt to win" prize game, providing a double chance of winning to everyone paying with cards.

Specific goal 4: Reducing the administrative and para-fiscal burden to businesses and citizens

Graph 4: A comparative overview of administrative burden – share of GDP



Source: USAID BEP

In addition to fiscal burdens, administrative procedures may also cause a significant burden to businesses, and their simplification has been recognized as one of the main objectives of the National Program.

According to a survey conducted by USAID Business Enabling Project, the administrative burden to businesses accounted for 3.67% of GDP in 2013, based on the analyzed 188 of the most significant administrative procedures.

The introduction of electronic services and a one-stop-shop system in a number of areas can significantly help in simplifying and accelerating the administrative procedures, while costs borne by businesses are reduced. In the upcoming period, it is necessary to continue with the improvement of the e-Government Portal, which should unify all administrative procedures and requirements by state administration, provincial government and local governments, all at one place. The room for improvement in the field of e-Government is significant, especially if observing the comparative data on development in this area from countries in the region.

Registries of administrative procedures and non-tax fees in the function of legal certainty and optimization of administrative procedures

The public registry of non-tax charges will include all charges and national and local administrative fees, all non-tax levies towards the Republic, the public enterprises and local governments. There are currently charges that are not covered by the Law on Fees for the Use of Public Goods. Based on the register, the introduction of new, unregistered charges should be prevented, while allowing for systemic control over the types and amounts of fees.

There are several ongoing projects for optimization and simplification of administrative procedures affecting the business in the Republic of Serbia. Another project is being implemented involving a plan of full digitalization of 100 administrative procedures.

One of the Action Plan priorities is the agriculture sector. In this sector, there is a problem with facilities working with food that operate without an approval, i.e. they are not registered in the registry of approved facilities managed by the Ministry of Agriculture, Forestry and Water Management, which is a pre-requisite for operating in the area of food production and placement. A similar problem is seen in the field of production and trade of alcoholic beverages and coffee, as excise products. If these businesses are not additionally registered in the relevant registers with the Tax Administration, they are considered unregistered entities. Namely, all of these entities can be considered operating in the shadow zone, without being aware of it, due to lack of knowledge about regulations and obligations to register in specific registries.

The solution for greater compliance and fair competition in this sector is the optimization of procedures for registration or authorization for performing activities for food business operators, which will also enable efficient control through automated data exchange between institutions. There is also a need to enable two-way exchange of information about producers of alcoholic beverages and coffee, between the Ministry of Agriculture, Forestry and Water Management and the Tax Administration, in order to reduce the possibility of unlawfully trading products that do not meet the product safety and excise goods requirements.

E-public procurement

In order to ensure the transparency of public procurement system, it is necessary to establish an electronic public procurement procedure, covering all stages of planning and implementation of public procurement procedure, as well as the obligation to publish a contract award notice, containing detailed information on the concluded contract, i.e. the data on the contracted value and other relevant information - a unique portal used to conduct all public procurements in the Republic of Serbia.

The system would have the following characteristics:

- The documentation and other written memos published by the purchaser will be publicly available via the electronic portal,
- The system does not allow anyone to view offers before the deadline for submission expires. Therefore, at the moment of expiration, i.e. at the moment of bid opening, the system would automatically generate the offered prices and other commercial conditions from the submitted bids, being important for evaluating and ranking the bids. Additionally, the system would electronically send a report on bid opening with indicated data, only to those bidders who took part in the public procurement process, i.e. the ones who filed a bid via the web portal. The decision on awarding the task is public, the notices on concluded contracts are broadly published and contain all relevant information important for concluding the contract,
- The procedure for protecting the rights of bidders is electronically and publicly available on the public procurement portal;
- The internal control of the execution of contractual obligations and the assessment of the contract enforcement is obligatory for the contracting authority through the public procurement portal.

Monitoring official opinions issues by ministries, with the aim of facilitating business operations and legal certainty

Unclear regulations and their unequal interpretation for different businesses, caused by failure to provide or publish opinions, leads to legal uncertainty and favors the unfair competition. Additionally, opinions are issued with more than a year of delay, which pushes legal businesses to unwillingly violate regulations and leads to their punishing. This would identify the obviously unclear regulations, with multiple confusing issues to be improved. An analysis of the current situation in the field of issuing official opinions should be made, followed by optimization of the process for submitting requests for their issuance through a unique contact point, as a new electronic service, where requests could be submitted electronically through a web portal. Upon analyzing the regulations which called for the highest number of official opinions, they will be specified with the adoption of a general legal act, or amendments to the existing provisions, in order to eliminate uncertainties and enable greater applicability of the norm.

Specific goal 5: Raising awareness among citizens and businesses about the importance of countering shadow economy

Countering shadow economy implies synergy, i.e. active involvement of all state institutions, organizations, businesses and citizens. This is exactly what the Republic of Serbia has accomplished to a great extent, so today countering shadow economy as a term is widespread and more understandable. This is primarily the result of the campaign "Get the receipt to win", but also the implementation and promotion of reforms in the field of inspection, more proactive attitude of Tax Administration towards taxpayers and the progress made in the introduction of e-Government services, which enabled major and easily visible results in simplifying administrative procedures and reducing the room for shadow economy and corruption.

Active participation of businesses and citizens in countering shadow economy produces effects of their positive pressure on public administration to be more efficient in performing their tasks, and the support for more decisive use of mechanisms for countering shadow economy. In order to achieve the effect of actively involving businesses and citizens in the countering of shadow economy, it is primarily necessary to make additional efforts to strengthen the tax culture and the awareness of negative consequences of shadow economy. Inspections and other competent supervisory and control bodies get the information on shadow economy from operational fieldwork and office work, analytical examination of critical control points and other ways. But one of the very important sources of data about shadow economy is information provided by citizens and businesses.

The difficult legacy of the 1990s brought challenges to the Republic of Serbia that were not seen in other transition countries. One of them is social legitimization of phenomena such as tax evasion, non-registration of workers and non-registration of business entities. In conditions where production has stagnated, parallel with a strengthening trade sector based on resale in the grey zone, the emerging forms of shadow economy were perceived as part of the survival strategy rather than the enrichment at the expense of market actors operating in accordance with regulations. It is not surprising that, in that period, both society and the state became too tolerant towards such a mode of business, mainly in order to maintain social peace.

In the previous period, there was no systemic approach in countering shadow economy, allowing for its persistent high share in GDP. During this period, the legitimization of shadow economy occurred based on its resulting savings for household budgets, due to the fact that goods and services in shadow economy are cheaper than those in the legal flows. Taxation is regarded as an irrational expense that is used for the salaries of a large number of public sector employees, and it is overlooked that taxation allows wider public spending on general goods - the construction of schools, kindergartens, and other institutions of public importance, the improvement of health and social system, infrastructure and living standards of all citizens. In order to change this approach of citizens and businesses, state authorities and all other participants in countering shadow economy must pay special attention to activities aimed at strengthening tax culture and awareness of the harmful effects of shadow economy.

In order to present the public sector as a credible partner in this activity, it is necessary to promote the activities of transparent public reporting on public funds spending, as a method for strengthening the trust relationship between the state on one side, and the citizens and businesses on the other.

The declaring of the Years of Countering Shadow Economy also largely contributed towards focusing the resources and attention of the public and state authorities on tackling this problem. This instrument significantly contributes to the mobilization of broad social support, which in turn stimulates government bodies to act more energetically in relation to shadow economy.

It is particularly important that individual state authorities do not perceive the implementation of these massive and centralized activities as the only channel of communicating the importance of countering shadow economy. On the contrary, it is necessary to encourage state authorities to inform citizens and businesses, through their available channels of communication, of all activities that are aimed at reducing shadow economy.

Special attention will be paid to educating young people (especially primary and secondary school students) and educating the media about the harmful effects of shadow economy. Activities that involve the activation of local governments to take part in countering shadow economy will continue.

The key campaign goals include:

1. Better citizens' understanding of what shadow economy represents, what are its consequences for the living standard and why it is important to pay taxes;
2. Education of citizens on how to recognize and report shadow economy;
3. Education of students aimed at developing fiscal awareness and the importance of taxes;
4. Strengthening trust in the state and the way of spending the budget funds.

The above stated key objectives will be reflected in the strengthening of tax culture and the creation of an environment that fosters compliance with tax regulations, and finally through an increase in public revenues that will enable higher quality of public services. Polls and public opinion surveys will be conducted in order to regularly monitor the effectiveness of measures that are being implemented in order to raise awareness among citizens and businesses about the importance of countering shadow economy and its harmfulness.

INSTITUTIONAL FRAMEWORK AND PLAN FOR MONITORING IMPLEMENTATION

The Government Decision ("Official Gazette of the Republic of Serbia" No. 20/19) established the Coordination Body for Countering Shadow Negative Economy (hereinafter: the Coordination Body), with the task of coordinating the work of state administration bodies and directing activities on the preparation and implementation of the National Program for Countering Shadow Economy. The same decision formed the Expert Group of the Coordination Body (hereinafter: the Expert Group), with the task of preparing and submitting the Draft National Program to the Coordinating Body, with the Draft Action Plan for Countering Shadow Economy.

The Expert Group includes: the Prime Minister's Cabinet, the Deputy Prime Minister's Cabinet, Ministry of Agriculture, Forestry and Water Management, Ministry of Public Administration and Local Government, Ministry of Trade, Tourism and Telecommunications, Ministry of Finance, Ministry of Economy, Ministry of Labor, Employment, Veteran and Social Affairs, Ministry of Justice, Ministry of Interior, Tax Administration, Customs Administration, Republic Secretariat for Public Policies, National Alliance for Local Economic Development, Fair Competition Alliance, Office for Information Technology and E-Government, Security Information Agency and Fiscal Council.

This way it is ensured that the key state bodies in charge of countering different forms of shadow economy actively participate in defining the basic goals, principles, measures and activities for combating shadow economy, together with the representatives of business and civil society. This confirms that countering shadow economy is a common goal of the state, businesses and all of its citizens. At the same time, this has enabled coordinated work of competent authorities, who are also proposers of all relevant regulations that can influence the reduction of shadow economy.

Plan for monitoring the implementation of the National Program

The implementation of the National Program will be based on annual action plans, which will be prepared in cooperation with all relevant public administration bodies and through dialogue with the private sector and civil society. Implementation of policies for organized battle against shadow economy is characterized by complexity and multidimensionality, which requires respect of the principle of division of competences among the responsible institutions and their coordination. Another important principle relates to the need for continuous dialogue, involvement and cooperation with business representatives, civil society, professional and general public. The line ministries and public administration bodies are responsible for the implementation of the measures and activities foreseen in the action plan, which are within their competence, and they report quarterly to the Expert Group.

The Coordination Body, as a Government institution, has the task of coordinating the work of state administration bodies and directing the activities for preparation and implementation of the National Program for Countering Shadow Economy, and it further oversees and coordinates the implementation of the National Program. The line ministry of the President of the Coordination Body, with the support of NALED, performs administrative and technical tasks for the needs of the Coordination Body and the Expert Group, the technical coordination of the implementation of the National Program and the regular reporting of the Coordination Body on open issues in implementing the National Program and the Action Plan, particularly the activities that are not meeting the adopted deadlines. Reporting is also performed by providing the necessary data and information to the implementation group of the Ministerial Group 3 - "Better Public Service Provision" of the Coordination Body for the preparation and monitoring of realization of the Action Plan for implementing the Government Program – this body was introduced with the Decision on establishing the Coordination Body for Preparation and Monitoring of Realization of the Action Plan for the the Government Program implementation ("Official Gazette of RS", No. 88/17), where an authorized representative of the Ministry of Finance is in charge. Also, the Coordination Body will report to the Government annually on the implementation of the National Program.

Table 2 - Implementation cycle of the National Program

Year	Activities before the designated period	Activities during and after the designated period
2019	– Preparation of the Action Plan for 2019 and 2020	– Quarterly implementation reports – Annual implementation report – Updating the indicators
2020	– Implementation of the Action Plan for 2020; – Revision of the National Program for the purpose of its adoption for the following period	– Quarterly implementation reports – Annual implementation report – Updating the indicators – Assessment of the implementation results of the National Program (Final external evaluation) – Initiating a procedure for developing a new strategic document

The measures and activities contained in the action plans for the implementation of the National Program will be financed from the budget of the Republic of Serbia, donor funds, as well as from international financial institutions, in accordance with budgetary constraints. The Ministry of Finance prepares an annual review of required funds and their sources envisaged for the implementation of the action plan for the forthcoming period, based on the information provided by competent authorities, or the central institutions designated for implementation of certain measures and activities from the action plan. Preparation of annual reviews of necessary funds and their sources will be carried out simultaneously with the budget preparation of the Republic of Serbia for the following year.

The most significant identified risks for the implementation of the National Program are the lack of financial resources and inadequate cooperation and coordination of the competent public administration bodies. The coordination body is the basic mechanism for risk management related to the cooperation of competent public administration bodies, while the planned measure for avoiding or reducing the risk of lacking funds involves project planning and the use of donor funds.

In cooperation with the Republic Secretariat for Public Policy, the Ministry of Finance will develop a system for monitoring the implementation results of the National Program, based on objectively verifiable performance indicators that will rely on relevant and verified data. The activities, with deadlines, institutions and organizations responsible for their realization, the necessary financial resources and indicators for monitoring the implementation of measures of the National Program will be defined by annual action plans, adopted by the Government.

Key performance indicators

The main indicators for monitoring the implementation of strategic goals are given in Table 3 - Indicators for monitoring achievement of the strategic goals.

Table 3 - Indicators for monitoring achievement of the strategic goals

General indicators	Last available data	2020	Source of data
Estimated share of shadow economy in the GDP of the Republic of Serbia among registered businesses	14.9%	14.5%	Study on countering shadow economy
Share of unregistered entities in the total number of businesses	17.2%	15%	Study on countering shadow economy
Relative reduction of VAT gap	-	2 p.p.	Calculation by the Ministry of Finance
Share of informally employed in total employment	19.5 % (2018)	17.5 %	Labor Force Survey (National Statistics Office)

FINAL PROVISIONS

An integral part of this program is the Action plan for the implementation of the National Program for Countering Shadow Economy for the period 2019-2020.

This program is to be published on the Government website, the e-Government portal, and the Ministry of Finance's website.

This program is to be published in the „Official Gazette of the Republic of Serbia”.

05 No: 306-3359/2019-3

In Belgrade, 4 April 2019

GOVERNMENT OF SERBIA

PRIME MINISTER

Ana Brnabić

ACTION PLAN FOR THE IMPLEMENTATION OF THE NATIONAL PROGRAM FOR COUNTERING SHADOW ECONOMY FOR THE PERIOD 2019-2020²

OVERALL GOAL: COUNTERING SHADOW ECONOMY

Indicators for the overall goal:

1. Estimated share of shadow economy in Serbia's GDP among registered businesses:
SV: 14,9%
TV: 14,5%
2. The share of non-registered businesses:
SV: 17,2%
TV: 15%
3. Relative reduction of the VAT collection gap:
SV: -
TV: 2 percentage points
4. The share of informal employment in total employment:
SV: 19,5%
TV: 17,5%

SPECIFIC GOAL 1: MORE EFFICIENT SUPERVISION OVER SHADOW ECONOMY

Measure 1.1: Establishing an information system e-inspector for all inspections

Performance indicators:

1. Number of inspections that perform oversight through the eSystem and mutually exchange data
SV: 4 pilot inspections
TV: 36
2. 8 key national inspections (Tax Administration, Labor Inspectorate, market, tourism, sanitary, agricultural, phytosanitary and veterinary inspection) analyze the risks and design supervision plans based on risk analysis
SV: 0
TV: 8 inspections
3. The ratio of extraordinary to regular inspection oversight controls shows higher number of regular visits, in 8 key national inspections
SV: 48% extraordinary and 52% regular visits
TV: 40% extraordinary and 60% regular visits

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
<p>The aim is to have all inspections using the same set of data and information about the supervised subject. The establishing of e-Inspector will lead to the following results:</p> <ul style="list-style-type: none"> - Eased and more efficient work of inspectors - Reduced number of field controls - Businesses are no longer asked to provide the same set of data - Better coordination of supervision visits - The data of all inspections are used in risk analysis - Developed records of entities subject to supervision, with designated risk used for planning the inspection visits. 	Q4 2019	Ministry of Public Administration and Local Government (hereinafter: MPALG) – Coordination Commission for Inspection Oversight	Office for Information Technologies and E-Government (hereinafter: ITE) All inspections using the e-Inspector system

² For the needs of this publication, the last two columns have been omitted from the Action plan, indicating estimated financial resources for the first and second year of implementation. The integral version of the Action plan has been published in the Official Gazette of RS No. 27/2019, and it is available on the website of the Ministry of Finance <http://www.mfin.gov.rs>.

	Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.1.1	Developed universal module for the needs of 4 pilot inspections and all inspectors from the pilot inspections trained for its use.	April 2019	MPALG ITE	4 pilot inspections: market, Labor Inspectorate, administrative and sanitary inspection
1.1.2	22 inspections included in the e-Inspector system.	Q2 2019	MPALG ITE	22 inspections
1.1.3	Tax inspection system is linked with the e-Inspector system.	Q1 2020	Tax Administration (hereinafter: TA)	
1.1.4	Established records of all entities subject to inspection oversight by collecting data from the existing records, the inspectors enter data on new entities, successively.	Q2 2019	MPALG ITE	Inspections
1.1.5	Developing an analysis for linking e-Inspector with the Customs Administration.	Q4 2019	Customs administration MPALG ITE	
1.1.6	Linking e-Inspector with the Customs Administration.	Q2 2019	Customs administration MPALG ITE	

Measure 1.2: Establishing a comprehensive contact center for inspection oversight for citizens and businesses and establishing a “book” of inspection oversight

Performance indicators:

- Number of national inspections included in the system of comprehensive contact center
SV: 0
TV: 40
- Improved efficiency in responding to irregularities/appeals
SV: % no available data
TV: % of responses to filed reports within 48 hours is 70%
- Business and citizens opinion surveys show satisfaction
SV: % of citizens and % of businesses that believe an offender would be punished based on a filed report in 2018
TV: % 20% growth compared to the SV

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
Citizens and businesses should have a unique contact point when they wish to report irregularities or to ask for inspection, due to a suspicion that a business broke the law. The establishing of a contact center to serve as a link between line institutions and citizens and businesses will improve the efficiency and coordination of inspection oversight. The contact center users will be able to report their problems via website, e-mail and phone. Further on, the contact center will also enable complaints regarding the work of inspectors and monitoring of inspection statistics. As soon as the contact center employees receive a report, they will forward it to the line inspection or inspections that decide about the further steps. The contact		MPALG – Support Unit to the Coordination Commission for Inspection Oversight National inspections	ITE

center will guarantee a response to any claim within 48 hours, as well as the case status after the inspections' activities.

This system is one of the ways to introduce non-registered businesses into the system. The data about registered businesses will be used for calculating the risk in the e-Inspector system for registered businesses.

The contact center will also involve engagement of the Support Unit to the Coordination Commission, which will collect the most frequent reports/claims and inspections' responses and develop a book of inspection practices.

Further on, the Coordination Commission will adopt the most important recommendations from the book of inspection practices as mandatory guidelines, which will ease and harmonize the work of inspectors.

	Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.2.1	Establishing an information system for the contact center (CRM) being linked with 1) web portal for reports and inquiries on the e-Inspector website, 2) contact phone, 3) mobile application enabling the option of sending photos and location related with the report.	Q4 2019, for activities listed under 1) and 2) Q4 2019 for activities listed under 3).	ITE	MPALG – Support Unit to the Coordination Commission for Inspection Oversight
1.2.2	Within the Support Unit to Coordination Commission, there are at least three operators engaged on analyzing and forwarding the reports and claims to the defined contact points in the national inspections, in line with their jurisdiction, notifying the applicant about the taken measures within 48 hours and analyzing the statistics of responsiveness of the inspections and contact center.	Q4 2019.	MPALG – Support Unit to the Coordination Commission for Inspection Oversight	NALED
1.2.3	Linking the data from the reports filed through the contact center with the e-Inspector system for the purpose of risk analysis and planning of inspection oversight.	Q4 2019	ITE	National inspections
1.2.4	Established “book of inspection practices” monitoring the work of inspections, while improving and harmonizing the practice and reducing the number of complaints.	Q3 2020	MPALG – Support Unit to the Coordination Commission for Inspection Oversight	

Measure 1.3: Introducing and implementing the plea bargain for all regulations in 5 key inspections (Market inspection, Tax Administration, Labor Inspectorate, Agricultural and Tourism Inspection)

Performance indicators:

1. Total share of all misdemeanor offenses that are finalized with a plea bargain

SV: 0

TV: %

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
The introduction of plea bargain reduces the pressure to courts, improves the effect of penalties and collection of fines, as well as the probability of penalties, while reducing administration performed by inspections and perpetrators. It is also recommended that the inspections should initiate the signing of a plea bargain in cases where a misdemeanor proceeding has been initiated, if they are suitable for the plea bargain option, in line with the expert methodological explanations adopted by the Coordination Commission, by sending a proposal for a plea bargain to the defendant.		Market inspection Tourism inspection Labor Inspectorate Tax Administration (hereinafter: TA) Agricultural inspection	Association of misdemeanor court judges (hereinafter: AMCJ) MPALG
Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.3.1 Design guidelines – methodological instructions for implementing the plea bargain for regulations whose implementation is under the jurisdiction of the defined inspections.	April 2019 Labor Inspectorate and Market Inspection Q2 2019 Tourism, Agricultural and Tax Inspection		
1.3.2 Introduce a notice about the option of signing a plea bargain into the models of inspections' acts (minutes, request for initiating a misdemeanor proceeding).	Q2 2019	MPALG – Coordination Commission for Inspection Oversight	Misdemeanor courts
1.3.3 Within the 5 defined inspections, allocate the required number of employees who will deal with plea bargains and monitor the statistics of signed plea bargains via the Coordination Commission, in line with the existing capacities.	Q2 2019 – Monitoring the statistics as continuous activity	Market inspection Tourism inspection Labor Inspectorate TA Agricultural inspection	MPALG – Coordination Commission for Inspection Oversight
1.3.4 Performing an analysis to evaluate possibilities and needs for prescribing: a. Earlier erasing of convictions from the misdemeanor records in case of signing a plea bargain b. Institute of minor misdemeanor c. Punishing of non-registered entities as <i>de facto</i> business entities.	Q2 2019	Ministry of Justice	Misdemeanor courts

1.3.5	Amend the Law on Misdemeanor Offenses by stipulating longer deadline for obsolescence of offenses and prepare amendments in line with recommendations from the analysis listed in 1.3.4.	Q3 2019, designed Draft amendments to the Law on Misdemeanor Offenses	Ministry of Justice	Misdemeanor courts and Misdemeanor Appeal Court
1.3.6	Each of the 5 inspections should define the TV indicator.	Q2 2019	Market Inspection Tourism Inspection Labor Inspectorate TA Agricultural Inspection	National Public Policies Secretariat (hereinafter: NPPS) NALED

Measure 1.4: Performed specialization of misdemeanor judges for the misdemeanor proceedings in the field of shadow economy

Performance indicators:

- At least one misdemeanor judge trained for managing the shadow economy offenses, in each misdemeanor court
SV: 0
TV: 45 misdemeanor courts

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
Specialization of misdemeanor judges will refer to misdemeanor proceedings most commonly initiated by: market inspection, Tax Administration, Labor Inspectorate, tourism, agricultural, phytosanitary, veterinary and construction inspection.		Judicial Academy	Ministry of Justice AMCJ
Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.4.1 Designate the judges to manage misdemeanor proceedings initiated by the defined inspections.	Q2 2019	Misdemeanor courts Misdemeanor Appeal Court	
1.4.2 Design the curriculum for specialization in the defined areas of supervision.	Q3 2019	Judicial Academy	Ministry of Justice Ministry of Finance, MTTT, Ministry of Labor, Employment, Veteran and Social Affairs (hereinafter: MLEVSA) Ministry of Agriculture, Forestry and Water Management (hereinafter: MAFWM) Ministry of Construction, Transport and Infrastructure (hereinafter: MCTI)

Measure 1.5: Establish a system for exchanging information about the course and outcomes of proceedings initiated by an inspector – linking the e-Inspector system and Registry of Non-Paid Fines or Other Monetary Amounts (SIPRES)

Performance indicators:

1. Number of electronically filed requests for initiating a misdemeanor proceeding:

SV:

TV:

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
Currently, the inspectors have no information about how their proceedings are finalized, which negatively affects their work. Additionally, monitoring the statistics of court outcomes would help in improving the work of inspectors when submitting evidence, monitoring the efficiency of misdemeanor judges would help in managing the proceedings and in communicating about the punished offenders (currently the main reason for not reporting shadow economy is the fact that citizens and businesses think the offenders never get punished).		Ministry of Justice ITE	MPALG
Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.5.1 Performed analysis of data exchange on the submitted requests for initiating a misdemeanor proceeding, defined sets of data and exchange vocabulary, performed analysis of businesses processes and internal procedures, performed analysis of the e-Inspector and SIPRES expansion.	Q2 2019	Ministry of Justice MPALG	ITE
1.5.2 Establishing a system for submitting and receiving electronic requests for initiating and managing misdemeanor proceedings, and monitoring the course and realization of the proceeding.	Q4 2019	ITE Ministry of Justice	All inspections in the e-Inspector system
1.5.3 Establishing data exchange on the submitted requests for initiating a misdemeanor proceeding, about the current stage of a case file, about the deadlines for obsolescence and other information significant for managing and monitoring the misdemeanor proceedings initiated by national inspections in the e-Inspector system.	Q2 2020	ITE Ministry of Justice	Support Unit to Coordination Commission for Inspection Oversight
1.5.4 Define the SV and TV for the indicator	Q4 2019	Ministry of Justice	

Measure 1.6: Countering illegal construction

Performance indicators:

1. Number of recorded buildings constructed illegally after November 2015 in Belgrade
SV: X
TV: X
2. Number of demolished buildings during 2019 in Belgrade
SV: X
TV: X
3. The ratio between the number of filed criminal / misdemeanor reports, accusations and issued judgements
SV: X
TV: X

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
<p>The aim of this measure is to reduce illegal construction, with special focus on Belgrade.</p> <p>After the adoption of the Law on Legalization of Buildings in 2015, which served as a basis to perform satellite recording of all buildings that may be subject to legalization, any illegal construction of buildings should be severely punished. This problem is particularly emphasized and visible to citizens in Belgrade. Therefore, there is a need for appropriate response by line authorities and monitoring the implementation of the measure, to enable impact analysis.</p>		Ministry of Construction, Transport and Infrastructure (hereinafter: MCTI)	Republic Public Prosecutor's Office
Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.6.1 Entering a note in the Cadaster on the prohibition of trade of all buildings constructed after 2015, with the note being required based on independent Article 106 of the Law on amendments to the Law on Planning and Construction, which prohibits the trade of such buildings, and the note being registered based on a decision on removing the building or its parts issued by a construction inspector.	Q4 2019	City of Belgrade	MCTI
1.6.2 Submitting requests for initiating criminal or misdemeanor offenses against architects, investors or contractors engaged in construction of buildings from item 1.6.1 and regular monitoring of statistics of the initiated proceedings.	Continuously	City of Belgrade Republic Public Prosecutor's Office	MCTI Ministry of Interior Ministry of Justice
1.6.3 Performing demolition of buildings from item 1.6.1 and reporting to the line ministry.	Q2 2020	City of Belgrade	MCTI Ministry of Interior

1.6.4	Introducing an obligation through general mandatory instruction of Public Prosecutor's Office that, in the event of postponed criminal prosecution for perpetrators of „building without a construction permit” from Article 219a of the Criminal Code, committed after 26 November 2015, the accused party should be imposed an additional obligation to remove the harmful effects arising from the committed criminal offense, i.e. remove the illegal building. In this case, the decision on dismissing criminal charges would be postponed until all obligations from the order on postponing criminal prosecution are fulfilled (which would significantly ease and accelerate the demolition of illegal buildings).	Q2 2019	Republic Public Prosecutor's Office	Ministry of Justice MCTI
1.6.5	Define the SV and TV for the indicator.	Q4 2019	MCTI City of Belgrade	

Measure 1.7: Countering online advertising and sale of goods by non-registered entities

Performance indicators:

- Number of identified entities engaging in advertising and illegal sale of goods online
SV: unknown
TV: x entities
- Number of trial court convictions for entities engaging in illegal sales activities online
SV: x in 2018
TV: number of convicting trial court judgements in 2020

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
Organized countering of online advertising and sale of goods by non-registered entities, through search of online sale platforms, social networks and control via postal operators, for the purpose of identifying non-registered traders advertising the sale of excise products, copyright products, medicines and medical devices, as well as their prosecution.		Ministry of Trade, Tourism and Telecommunications (hereinafter: MTTT)	MPALG – Coordination Commission for Inspection Oversight Ministry of Interior Prosecutor's Office for High Technology Criminal TA
Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.7.1 Establishing a mechanism of quarterly monitoring the reporting on adopted Gantt charts of the working group for countering illicit trade.	Q2 2019	MPALG TA	MTTT
1.7.2 Organizing the work of the operational group from relevant institutions for implementing the Gantt chart	Q2 2019	MTTT – Market Inspection	Prosecutor's Office for High Technology Criminal (hereinafter Prosecutor's Office for HTC)

	for countering illicit trade online, which files reports on achieved results to the Coordination Commission for Inspection Oversight and the Coordination Body for Countering Shadow Economy.			Ministry of Interior TA Sanitary inspection, Inspection for medicines and medical devices, Serbian Agency for Medicines and Medical Devices
1.7.3	Scanning the publicly available web portals, social networks and other e-platforms used by subjects to engage in advertising and illegal online sale for the specially designated products.	Q3 2019	Ministry of Interior Security Intelligence Agency	TA Market inspection Prosecutor's Office for HTC
1.7.4	Amending the Law on Postal Services to enable identification of both sender and receiver by post offices, upon insight in personal documents.	Q2 2019	MTTT	
1.7.5	Define the SV and TV for the indicator.	Q4 2019	MTTT	

Measure 1.8: Regulate the re-selling of bought products in commodity and green markets

Performance indicators:

- Increase in the number of entrepreneurs operating through market stalls that opt to officially manage the business records compared to the situation observed in the analysis
SV: x
TV:
- Increased number of fiscalized sellers in the markets compared to the situation observed in the analysis
SV:
TV:

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
Retail trade, by a rule, is an area that cannot be included in the lump-sum taxation system, i.e. it needs to be in the fiscalization system, thus ensuring the records of traded goods and the obligation of issuing a receipt. An exception refers to individual agricultural producers and craftsmen selling their own products. However, this status is also allowed to other sellers that re-sell bought products in green and commodity markets. Holding the status of individual agricultural producers or entrepreneurs, they are classified in the third group of lump-sum taxpayers – trade activities performed outside of business premises, in market stalls and similar facilities. They do not fall under the obligation of keeping sales records like other traders, and it cannot be determined whether the goods they are selling has been legally purchased. This represents direct unfair competition and tax evasion in the field of trade.		MTTT Ministry of Finance TA Public enterprise City Markets	

	Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.8.1	Designing the analysis of situation and regulations in the field of re-selling of bought products and other goods in green and commodity markets, primarily by registered agricultural households, independent trade shops or independent craft shops, with recommendations for amending regulations and performing oversight regarding implementation of prescribed liabilities.	Q3 2019	Ministry of Finance MTTT	TA Association of Serbian Green Markets Customs Administration
1.8.2	Amending relevant regulations in line with the recommendations provided with the analysis.	Q4 2019	Ministry of Finance MTTT	TA
1.8.3	Designing and implementing the Gantt chart for coordinating the inspection oversight.	Q4 2020	MPALG TA Market inspection Communal inspection Agricultural inspection Veterinary Inspection	Association of Serbian Green Markets
1.8.4	Define the SV and TV for the indicator.	Q4 2019	MTTT Ministry of Finance TA	

Measure 1.9: Preventing illegal loading of goods in water transport outside of ports or piers

Performance indicators:

- Number of mapped illegal loading spots
SV:
TV:
- Number of temporary sand and gravel landfills
SV:
TV:
- Number of imposed measures for prohibiting the operations of illegal loading spots and temporary sand and gravel landfills
SV:
TV:
- Number of criminal charges and number of trial court convictions against persons engaging in illegal loading of oil and petroleum products
SV:
TV:

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
On the Danube, Sava and Tisa there are 11 ports and 2 cargo ports in the Republic of Serbia allowing illegal loading of goods. According to the data of the national inspection for navigation safety, there have been 150 registered places where illegal loading of goods was performed,		MCTI	

primarily gravel and sand, oil and petroleum products, and agricultural products. The existence of illegal places/facilities enabling illegal loading of goods in water transport has a negative impact on the budget revenues, bearing in mind that the provision of such services is not subject to port fees or other tax liabilities, due to the absence of state authorities being normally present in ports (port authorities, police, customs, sanitary and phytosanitary inspection etc.). Further on, these facilities cause major market retorsion, which leads to legal port operators losing their positions in the international market. Illegal loading of oil and petroleum products is performed with the aim to avoid taxes and excise for this type of goods.

Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.9.1. Identification of illegal loading spots on the shores of the Danube, Sava and Tisa through inventorying of illegal spots and issuing of local government decisions on temporary sand and gravel landfills.	Q2 2019	MCTI Local governments	
1.9.2. Prohibiting the operations of illegal loading spots and temporary sand and gravel landfills.	Q3 2019	MCTI	Local governments
1.9.3. Performing operative activities for identifying the spots and prosecuting entities engaging in illegal loading of oil and petroleum products from the ships sailing or anchored in international ports in the Republic of Serbia.	Continuously starting from Q3 2019	Security Intelligence Agency Ministry of Interior Prosecutor's Office	Customs Administration MCTI TA
1.9.4. Define the SV and TV for the indicator.	Q4 2019	MCTI	

Measure 1.10: Preventing illegal transport of passengers in public transport

Performance indicators:

- Number of performed controls
SV:
TV:
- Number of filed reports by the types of proceedings
SV:
TV:
- Number of imposed temporary protective measures
SV:
TV:
- Number of final convictions for misdemeanor offenses
SV:
TV:

5. Number of dismissed charges and outdated procedures
SV:
TV:
6. Number of charged fines based on imposed judgements
SV:
TV:
7. Number of inspectors at various levels of authority who effectively perform oversight over passenger transport in road traffic
SV:
TV:

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
Even though the Law on Passenger Transport in Road Traffic entered into force back in 2015, with latest amendments adopted in 2018, the Law provisions are not being consistently applied in practice, which leads to a series of negative effects on the business environment, the secure operations of legal businesses, safety and security in providing passenger transport services, as well as the amount of budget revenues on the national and local government level. With the aim of ensuring more efficient implementation of the Law provisions, protection of investments in this sector, countering shadow economy in the field of transport, providing support to local governments in consistently implementing the Law provisions and governing business conditions in their territory, there is a need for urgent harmonization of practices by all line authorities in implementing the legal provisions governing this field.		MCTI	Local governments Ministry of Justice MTTT TA Misdemeanor courts

Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.10.1 Through amendments to Article 155 Paragraph 1 of the Law on Passenger Transport in Road Traffic, enable the local transport inspection to perform oversight of intercity transport.	Q2 2019	MCTI	
1.10.2 Monitoring the statistics of outcomes and analysis of misdemeanor court verdicts in proceedings initiated by local transport inspectors.	Continuous activity	Local governments	Misdemeanor courts
1.10.3 Define the SV and TV for the indicator.	Q4 2019	MCTI	

Measure 1.11: Controlling the critical spots of non-registered trade

Performance indicators:

1. Number of detected and number of prosecuted cases of illegal trade of animals
SV: 7 in 2018
TV: 10 in 2019, 15 in 2020

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
There has been a large number of noted cases of illegal trade of animals, particularly in the Raška and Pčinja administrative districts. The estimated value of illegal trade of animals in the border areas is 3 million EUR a year. Agricultural households cannot trade animals, i.e. buy or sell them with the aim of gaining profit, without being properly registered in the Registry of Business Entities.		Ministry of Interior Veterinary Inspection	TA Market inspection

Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.11.1 Strengthened field control over trade of living animals in cooperation with the Ministry of Interior, Tax Administration (Ministry of Finance) and Market inspection (MTT).	Continuously during 2019/2020	Ministry of Interior Veterinary Inspection	TA Market inspection

Measure 1.12: Controlling the illegal entities engaging in illegal exploitation of water and forest resources (wood, sand and gravel)

Performance indicators:

- Number of detected and prosecuted cases of illegal exploitation of wood, sand and gravel
SV: 51 (sand and gravel) / 2029 (illegal exploitation of forests)
TV: 40 (sand and gravel) / 1800 (illegal exploitation of forests)

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
There has been increased illegal logging of forests due to lack of coordination among various authorities. Forest inspectors do not have the authority to pull-over the vehicles transporting wood for trade, so there is a need for cooperation with authorities that have such jurisdiction.		MAFWM: Republic Directorate for Waters MAFWM: Forest inspection Provincial Secretariat for Agriculture, Water Management and Forestry	TA MTTT Ministry of Interior Forest guards Public enterprise and forest owners

Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.12.1 Harmonizing the coordination of activities and adoption of Gantt diagrams for countering illegal exploitation of water resources, applied by all defined authorities.	Q3 2019	Republic Directorate for Waters – MAFWM	MTTT Working group of the Coordination Commission for Inspection Oversight
1.12.2 Designing and monitoring the realization of Gantt diagram for controlling the illegal logging of forests and trade of raw wood.	Q3 2019	Forestry inspection – MAFWM Ministry of Interior	Provincial Secretariat for Agriculture, Water Management and Forestry Forest guards and forest owners

Measure 1.13: Countering illegal production of tobacco and GMO soy

Performance indicators:

1. Reports on the implementation of Gantt diagrams for tobacco, GMO soy are being performed
SV:
TV:
2. Increased amount of legally planted tobacco compared to illegally planted tobacco
SV: x% of illegally planted tobacco
TV: % of illegally planted tobacco

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
Controls are performed in line with the annual plans of control visits, as well as based on reports filed by citizens, or as part of the regular planned controls of the Phytosanitary inspection department in the period when the production of these crops is initiated, with control being performed in the place of production.		Phytosanitary inspection – MAFWM	TA
Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.13.1 Design a plan for coordination of activities for preventing the production and trade of GMO soy (Gantt diagram).	Q2 2019	MAFWM – phytosanitary inspection, agricultural inspection Ministry of Finance – Tobacco Directorate	Ministry of Interior
1.13.2 Full implementation of the Gantt diagram for countering illegal production and trade of tobacco and tobacco products, in areas referring to the import and purchase of seeds, registration of agreements on tobacco fields and purchase of raw and dry tobacco.	Continuously starting from Q2 2019	MAFWM – phytosanitary inspection, agricultural inspection Ministry of Finance – Tobacco Directorate	TA
1.13.3 Define the SV and TV for the indicator.	Q4 2019	MAFWM	

Measure 1.14: Reaching the necessary human and material capacities in inspections and introduction of new criteria for evaluating the work of inspectors

Performance indicators:

1. Employed at least 60% of inspectors of the recommended needs in the Analysis of national inspections' capacities
SV: 0
TV: 60%
2. Average age of inspectors lowered to 45
SV: 0
TV: 45
3. Adoption of a model for evaluating the work of inspectors.
SV: 0
TV:

Measure description	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
Ensuring adequate human and material capacities of inspections, as well as an adequate material situation of inspectors, is necessary in order to		MPALG National inspections	Ministry of Finance

enable further implementation of the inspection oversight reform. Bearing in mind that the average age of inspectors is 56, there is a need for developing a plan of employment of younger inspectors, while the outdated equipment used by inspectors calls for establishing a model for adequately equipping these institutions.

Furthermore, currently there is no model for evaluating the inspectors based on their work to achieve the public interests - they are rather being evaluated based on the number of performed controls, the amount of confiscated goods etc. For this reason, there is a need to design an adequate model for evaluating the work of inspectors.

	Description of activities	Deadline for realization/realization period	Institution responsible for realization	Partners in realization
1.14.1	Adoption of Action plan for employment of inspectors and ensuring equipment for the inspections, based on the Functional analysis of national inspections' capacities.	Q2 2019	MPALG – Coordination Commission for Inspection Oversight	Ministry of Finance
1.14.2	Employing inspectors within the first year of implementation of the Action plan for the employment of young inspectors.	Q4 2019	National inspections	Ministry of Finance
1.14.3	Amendments to the Regulation on job classification and criteria for describing the job positions of public officers, with mandatory development of job descriptions for inspectors, amendments to methodology which should consider the work conditions for the inspectors and adapt the percent of limitation of the number of highest inspector titles.	Q2 2019	MPALG	Ministry of Finance
1.14.4	Introducing the term "inspector" in the job titles of public officers performing the tasks of inspection oversight.	Q4 2019	MPALG	Ministry of Finance
1.14.5	Establishing a comprehensive Registry of national inspectors with data about the equipment, qualifications and monitoring of career development.	Q4 2019	Coordination Commission for Inspection Oversight	National inspections
1.14.6	Defining the measures for achieving public interest for every inspection.	Q4 2019 – agricultural and sanitary inspection Q4 2020 – all inspections	Coordination Commission, MPALG	National inspections

1.14.7	Defining the methodology for monitoring and measuring the achievement of public interest for every inspection.	Q4 2019	Coordination Commission, MPALG	National inspections
1.14.8	Adoption of the Model for evaluating the work of inspectors.	Q2 2020	Coordination Commission	

SPECIFIC GOAL 2: IMPROVING THE WORK OF TAX ADMINISTRATION AIMED AT MORE EFFICIENT TAXATION AND TAX COLLECTION

Measure 2.1: Digital fiscalization – turnover information are sent to tax authorities in real time, at all stages

Performance indicators:

- Number of fiscalized businesses compared to the total number of businesses:
SV:
TV:
- More cost-effective system maintenance
SV:
TV:
- Increased number of determined irregularities compared to the total number of controls:
SV:
TV:

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
		TA Ministry of Finance	
Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
2.1.1 Adoption of the Bill on Fiscalization which successively expands the scope of fiscalization to all forms of sales of goods and services, as well as all stages of trade.	Q4 2019	Government Ministry of Finance	TA
2.1.2 Development of the Action plan for the introduction of new fiscalization and the plan for performing expansion of the scope of fiscalization to additional sectors and taxpayers.	Q4 2019	Ministry of Finance TA	Market Inspection
2.1.3 Adoption of by-laws for the implementation of the Law on Fiscalization.	Q2 2020	Ministry of Finance	TA
2.1.4 Development of functional specification and procurement of software and hardware components – incorporating the risk analysis module for non-registration of sales.	Q2 2020	Ministry of Finance	
2.1.5 Trainings for Tax Administration officers.	Q2 2020	TA	Ministry of Finance
2.1.6 Define the SV and TV for the indicator.	Q4 2019	Ministry of Finance	

Measure 2.2: Automated calculation of lump-sum taxation and consolidated payment of taxes and contributions for lump-sum taxpayers through a consolidation tax collection system

Performance indicators:

- At least 70% of lump-sum taxpayers register taxes and contribution through a consolidated system of tax collection in 2019
SV: 0
TV: 100
- Reduced average time needed for payment of taxes and contributions
SV: x minutes
TV: ? minutes
- Increased number of irregularities compared to the number of performed inspection controls for lump-sum taxpayers
SV: 0
TV: 100
- The share of automated exchange of data compared to the overall data exchanged among Pension and Disability Insurance Fund, Republic Health Insurance Fund and Central Registry of Mandatory Social Insurance about the taxpayers in the lump-sum taxation system
SV: 0
TV: 100

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
<p>The Tax Administration needs to issue more than 300,000 tax decisions a year to taxpayers in the lump-sum taxation system. More than 300 tax inspectors are engaged on issuing these decisions. Amendments to the by-laws and development of a software enabling automatic calculation and issuance of tax decisions would save thousands of hours and enable higher predictability for the taxpayers.</p> <p>Amendments to regulatory framework would simplify the procedure for calculating lump-sum tax with the aim to automate the process of determining the amount of tax, and prepare a functional specification for submitting electronic requests and automatic calculation of lump-sum tax.</p>		Ministry of Finance	TA
Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
2.2.1 Adopted amendments to the Regulation on lump-sum taxation and the Bill on Personal Income Tax with the aim of introducing consolidated payment of taxes and automated calculation of lump-sum tax.	Q4 2019	Government Ministry of Finance	TA
2.2.2 Preparation and development of software for automated lump-sum taxation.	Q1 2020	TA	Ministry of Finance
2.2.3 Preparation and development of software for consolidated system of tax collection.	Q4 2019	TA	Ministry of Finance
2.2.4 Training public officers for using the software.	Q2 2020	TA	
2.2.5 Define the SV and TV for the indicator.	Q4 2019	Ministry of Finance	

Measure 2.3: eInvoices – Introducing a system for electronic exchange of invoices

Performance indicators:

1. Reduced share of irregularities compared to the total number of supervised invoices:
SV: 0
TV:
2. Reduced VAT refund time:
SV:
TV:
3. 5% growth of the factoring industry:
SV:
TV:
4. Number of businesses issuing eInvoices
SV: 0
TV:

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
Establishing reliable delivery of invoices in the system would enable higher legal certainty among the agreement parties, better realization of agreements, the development of factoring services and micro-financing of small businesses.		Ministry of Finance	TA Treasury Administration

Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
2.3.1 Performed analysis of business processes and analysis of effects on the budget and businesses, distinction of 2 phases: issuing eInvoices to state institutions and issuing eInvoices among businesses.	Q3 2019	Ministry of Finance	TA (for phase 2) Treasury Administration (for phase 1)
2.3.2 Designing a functional and technical specification of hardware and software in line with the analysis from item 2.3.1 for the phase 1.	Q3 2019	Ministry of Finance	Treasury Administration
2.3.3 Designing a functional and technical specification of hardware and software in line with the analysis from item 2.3.1 for the phase 2.	Q1 2020	Ministry of Finance	
2.3.4 Prescribing the manner and special conditions and standards for issuing and receiving electronic invoices within the unified system and mandatory form of eInvoice in line with the functional specification from item 2.3.3, for phase 1.	Q3 2019	Ministry of Finance	TA Treasury Administration
2.3.5 Prescribing the manner and special conditions and standards for issuing and receiving electronic invoices within the unified system and mandatory form of eInvoice in line with the functional specification from item 2.3.3, for phase 2.	Q1 2020	Ministry of Finance	

2.3.6	Purchasing the required hardware, software and licenses for establishing the eInvoice system, for phase 1.	Q4 2019	Treasury Administration	Ministry of Finance
2.3.7	Purchasing the required hardware, software and licenses for establishing the eInvoice system, for phase 2.	Q2 2020	Ministry of Finance	
2.3.8	Training public officers to use the system (in a test environment) for phase 1.	Q1 2020 and further continuously	Treasury Administration Ministry of Finance	
2.3.9	Training public officers to use the system (in a test environment) for phase 2.	Q3 2020	Ministry of Finance	
2.3.10	Define the SV and TV for the indicator.	Q4 2019	Ministry of Finance	

SPECIFIC GOAL 3: INCENTIVE MEASURES FOR FAIR COMPETITION, LEGAL ENTREPRENEURSHIP AND EMPLOYMENT

Measure 3.1: Regulating new forms of work engagement through special regulations

Performance indicators:

- Increased share of formal employment
SV: %
TV: %

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
Enable employment of individuals by foreign employees, work engagement via web portals, part-time employment. This type of work is not adequately regulated and it leads to formal unemployment. Increase flexibility of employment in order to avoid misuse of employment via leasing agencies and youth cooperatives.		Ministry of Labor, Employment, Veteran and Social Affairs (hereinafter: MLEVSA)	Ministry of Interior NBS TA NALED Ministry of Economy Ministry of Finance
Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
3.1.1 Performed analysis of regulations of the Republic of Serbia, along with comparative legislation, labor market situation and flexible forms of work engagement with a foreign element – working in the territory of Serbia for a foreign employer (that has no representative office nor a branch in the territory of Serbia).	Q4 2019	MLEVSA	Ministry of Economy Ministry of Finance NALED; NSO; PDI Fund RHIF; NBS; M3 Ministry of Interior and other line institutions and organizations that monitor or dispose information about work performed via web portals for foreign employers
3.1.2 In line with the analysis findings, design a plan for normative governing of work via web portals for a foreign employer, with a list of regulations that need to be amended, the deadlines and course of reform, and if necessary, a developed proposal for creating a special regulation governing the new forms of flexible types of work.	Q2 2020	MLEVSA	Ministry of Economy Ministry of Finance Exemplary representatives of unions and employers' associations and other NGOs, NALED, NSO PDI Fund, RHIF, NBS Ministry of Health Ministry of Interior

3.1.3	Developing regulations in line with the plan for normative governing of work performed via web portals for a foreign employer.	Q4 2020	MLEVSA	Ministry of Finance Ministry of Economy Exemplary representatives of unions and employers' associations and other NGOs, NALED NSO PDI Fund RHIF NBS Ministry of Health Ministry of Interior
3.1.4	Define the SV and TV for the indicator.	Q4 2019	MLEVSA	

Measure 3.2: Introducing new tax treatments for new forms of work engagement

Performance indicators:

- Increased share of formal employment
SV: %
TV: %

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
In line with the newly regulated forms of labor (measure 3.1), perform adaptation of tax bases and minimum bases for social contributions for the new forms of work engagement, along with formulas for calculating the years of service.		Ministry of Finance	MLEVSA TA
Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
3.2.1 Performed impact analysis of tax burden for the new forms of work engagement, with recommendations.	Q4 2019	Ministry of Finance	MLEVSA
3.2.2 Designing amendments to regulations in line with the recommendations.	Q4 2020	Ministry of Finance	MLEVSA
3.2.3 Define the SV and TV for the indicator.	Q4 2019	Ministry of Finance	

Measure 3.3: Reducing the fiscal burden of labor

Performance indicators:

- Reducing the tax burden to net salaries
SV: 63%
TV: 61%
- Increased number of formally employed people
SV: 2.308,2 thousand (Q4 2018)
TV: 2.326,2 thousand (Q4 2020/19)

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
Reducing the tax burden to salaries by lowering the non-taxable limits or/and reducing the rates of contributions.		Ministry of Finance	MLEVSA Fiscal Council IMF NALED

	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
3.3.1	Performing an analysis of budget revenues and expenditures based on labor taxes and contributions, and designing a proposal for reducing the fiscal burden to labor in line with the IMF guidelines, fiscal room and impact on the business environment and economic growth.	Q4 2019	Ministry of Finance	Fiscal Council IMF
3.3.2	Designing draft regulations in line with the results of the analysis from 3.3.1.	Q1 2020	Ministry of Finance	Fiscal Council IMF
3.3.3	Performing an analysis of budget revenues and expenditures based on labor taxes and contributions, and designing a proposal for reducing the fiscal burden to labor in line with the IMF guidelines, fiscal room and impact on the business environment and economic growth.	Q4 2020	Ministry of Finance	Fiscal Council IMF

Measure 3.4: Expanding the scope of the Law on Simplified Work Engagement on Seasonal Jobs in Selected Areas to new areas of work

Performance indicators:

- Increased formal employment in the sector
SV: 0
TV: 100
- Number of registered seasonal workers in a relevant sector:
SV:
TV:

	Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
	The expansion of the scope of the Law on Simplified Work Engagement on Seasonal Jobs in Selected Areas to other areas – the aim is to simplify the work of household support staff, with limited duration (several days per month – cleaning, nannies etc.), introduce them into legal flows and simplify the payment of taxes and contributions, along with the form of engagement, while ensuring the rights of hired persons in line with the international standards.	Q3 2020	MLEVSA Ministry of Finance	TA National Employment Service (hereinafter: NES) Central registry of mandatory social insurance (hereinafter: CRMSI) NALED
	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
3.4.1	Performing an ex post analysis of the implementation of the Law on simplified work engagement on seasonal jobs in selected areas, in the field of agriculture.	Q2 2019	MLEVSA (Labor Inspectorate)	NALED TA MAFWM

3.4.2	Performing an ex ante analysis for the expansion of the measure to additional areas of work. Preparing the Draft Law on the amendments to the Law on Simplified Work Engagement on Seasonal and Other Jobs in Selected Areas.	Q2 2020	MLEVSA Ministry of Finance	NALED NSO CRMSI, PDI Fund RHIF TA Ministry of Health Exemplary representatives of unions and employers' associations and other NGOs
3.4.3	Adopted Bill on amendments to the Law on Simplified Work Engagement on Seasonal and Other Jobs in Selected Areas, in line with the analysis findings.	Q3 2020	Government MLEVSA Ministry of Finance	NALED NSO CRMSI PDI Fund RHIF TA Ministry of Health NES
3.4.4	Define the SV and TV for the indicator.	Q4 2019	MLEVSA	

Measure 3.5: Expanding the scope of the incentive measure for new businesses to new categories of beneficiaries

Performance indicators:

- Number of beneficiaries of the incentive measure for new businesses:
SV: 0
TV:
- Number of beneficiaries that continued their business operations in the following 12 months after the period of using the measure:
SV:
TV:

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
Within this measure, there is a need to analyze the effects of the existing measures and enable the expansion of self-employment model for new businesses, which would be exempt from paying the mandatory social insurance contributions for a period of 1 to 2 years.		Ministry of Finance	MLEVSA TA NES
Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
3.5.1 Impact analysis of the incentive measure for new businesses, as well as other measures focusing on employment and development of entrepreneurship with recommendations for defining the fiscal policy in this field	Q2 2019	Ministry of Finance	MLEVSA TA NES
3.5.2 In line with the analysis findings, develop a plan on the extension, expansion or redefining of the measure.	Q3 2019	Ministry of Finance	MLEVSA TA NES
3.5.3 Amendments to relevant regulations in line with the plan from item 3.5.2.	Q1 2020	Ministry of Finance	MLEVSA TA NES
3.5.4 Define the SV and TV for the indicator.	Q4 2019	Ministry of Finance	

Measure 3.6: Stimulating cashless payments

Performance indicators:

1. Increased revenues generated from fees
SV:
TV:
2. Number of counters with POS terminals, or enabling instant payments, compared to the total number of counters in public administration:
SV:
TV:
3. The share of transactions performed via POS, or via instant payments, compared to the total number of transactions among holders of public authority with installed POS terminals:
SV: %
TV: %
4. Increase in the number of cashless payments in the public sector:
SV: %
TV: %

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
The aim is to establish a system of identification of the person paying for the service, thus enabling public service provision without submitting a proof of payment, which would ease the electronic payments (eBanking, mBanking). The current system allows for fraud (adding a zero, submitting the same proof multiple times) and disables automatization of processes for a more efficient e-government, thus hindering legal operations and increasing the risk of corruption.		Ministry of Finance	National Bank of Serbia (hereinafter: NBS) ITE
Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
3.6.1 Installing POS terminals at all counters of public administration.	Q4 2019 - 40% of local governments Q4 2019 - 40% counters of state administration	ITE	Commercial banks NBS
3.6.2 Enabling instant payments at all counters of public administration.	Q3 2019 - 70% of local governments Q4 2019 - 40% counters of state administration	NBS ITE Local governments	Commercial banks
3.6.3 Performing a business analysis for the implementation of a system for matching and classifying payments based on the reference case number, i.e. the payer – a party in the procedure. The analysis should include an Action plan with defined liabilities of designated authorities, and the deadlines.	Q3 2019	Ministry of Finance	ITE Treasury Administration NALED
3.6.4 Implementation of activities defined in item 3.6.3. (performing changes in information systems where needs are identified, amendments to laws and by-laws where needed).	Q1 2020 and further on continuously	Ministry of Finance	Treasury Administration NBS Ministry of Interior ITE

3.6.5	User trainings.	Q2 2020 and further on continuously	Ministry of Finance	NALED Treasury Administration ITE Local governments and authorities implementing the matching system
3.6.6	Define the SV and TV for the indicator.	Q4 2019	Ministry of Finance	

SPECIFIC GOAL 4: REDUCING THE ADMINISTRATIVE AND PARA-FISCAL BURDEN

Measure 4.1: Establishing a comprehensive database of official opinions

Performance indicators:

1. Average time for institutions to issue an opinion to a business, upon submitting a request and paying the appropriate fee:
SV: 0
TV: 100
2. Number of amended regulations that involve the most requests for issuing an opinion
SV: 0
TV: 3
3. Percent of reduction of request for opinions
SV: 0%
TV: 50%

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
Unclear regulations or their different interpretation for various businesses require issuance of official opinions for clarification – when authorities fail to issue or publish these opinions, such practice often leads to legal uncertainty and favoring of unfair competition. Further on, opinions are issued with delays of more than a year, which pushes legal businesses to unwillingly violate regulations and leads to their punishing. This would identify the obviously unclear regulations, with multiple confusing issues to be improved.		ITE	All institutions issuing opinions
Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
4.1.1 Performing an analysis of the current situation in the field of issuing official opinions, and process optimization enabling submission of requests for opinions via a single contact point as a new electronic service.	Q3 2019	ITE	Relevant ministries
4.1.2 Enabling online submission of requests, based on conclusions of the analysis from item 4.1.1. and monitoring in the database.	Q4 2019	ITE	NALED, MPALG Support Unit to the Coordination Commission for Inspection Oversight
4.1.3 Analysis of 20 regulations which called for the highest number of opinions in the previous period, with recommendations for improvement, or harmonization of the practice.	Q4 2019	Expert group of the Coordination Body for Countering Shadow Economy	Line ministries per areas NALED NPPS

4.1.4	Adoption of the Government's conclusion for issuing instructions, or amendments to regulations after harmonization.	Q3 2020	Expert group of the Coordination Body for Countering Shadow Economy	Line ministries per areas NALED NPPS
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Measure 4.2: Public registry of non-tax charges and elimination of para-fiscal charges

Performance indicators:

- Established registry of non-tax charges
SV:
TV:

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
Public registry of non-tax charges will involve all fees and charges, as well as republic and local administrative fees, all non-tax levies charged by the Republic of Serbia, public enterprises or local governments. Currently, there are fees that are not included in the Law on Fees for Use of Public Goods. The Registry should enable systemic control of the types and amounts of fees.		Ministry of Finance	Holders of public authority charging non-tax fees e
Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
4.2.1 Define an electronic registry which would be updated any time the amount, name or manner of calculation of any fee or non-tax charge is changed.	Q4 2019	Ministry of Finance	Ministries, other institutions charging non-tax fees
4.2.2 Define the SV and TV for the indicator.	Q4 2019	Ministry of Finance	

Measure 4.3: E-public procurement – establish the electronic procedure of public procurement

Performance indicators:

- Average number of bidders per tender
SV: 2.5
TV: 2.6
- Reduction of the average days of duration of a public procurement procedure
SV: 63
TV: 61

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
Establish an electronic procedure for public procurement involving all phases, from the point of planning to realization of public procurement, as well as the obligation of publishing notices about awarding contracts, including detailed information about the concluded contract, i.e. about the agreed value and other relevant information – a comprehensive web portal to be used for performing all public procurement in the Republic of Serbia. The system would have the following characteristics:		Ministry of Finance	Public Procurement Office

- The documentation and other written memos published by the purchaser will be publicly available via the electronic portal,
- The system does not allow anyone to view offers before the deadline for submission expires. Therefore, at the moment of expiration, i.e. at the moment of bid opening, the system would automatically generate the offered prices and other commercial conditions from the submitted bids, being important for evaluating and ranking the bids. Additionally, the system would electronically send a report on bid opening with indicated data, only to those bidders who took part in the public procurement process, i.e. the ones who filed a bid via the web portal. The decision on awarding the task is public, the notices on concluded contracts are broadly published and contain all relevant information important for concluding the contract,
- Implement the solution enabling electronic and public process of protecting the bidders' rights through the public procurement portal, while not jeopardizing the public procurement process,
- Internal control of the execution of contractual obligations is mandatory for the purchaser,
- Implement an efficient mechanism for evaluating the contract enforcement and for implementing a secure mechanism that limits and prevents businesses that operated in the grey zone from participating in public procurement.

	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
4.3.1	Adoption of the Public Procurement Bill	Q2 2019	Government Ministry of Finance	Public Procurement Office (hereinafter: PPO) ITE
4.3.2	Designing a new web portal for public procurement.	Q4 2019	Ministry of Finance PPO	ITE
4.3.3	Training state officers for using the portal.	Q4 2019	National Academy of Public Administration	Ministry of Finance PPO

4.3.4	Defining the officers in charge of monitoring implementation of contracts after the public procurement and evaluating the quality of performed task by the selected bidder.	Q4 2019	All holders of public authority conducting public procurement	Budget inspection State Audit Institution
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Measure 4.4: Optimization of administrative procedures influencing legal business operations

Performance indicators:

1. Reducing the number of processes (steps) a businesses operating with food needs to perform in order to get registered in the prescribed registries:

SV: Number of steps identified in the analysis

TV: Reduced number of steps by a minimum of 30%

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
<p>The optimization of the most common administrative procedure relevant for starting a business and for the conditions of operating within a sector.</p> <p>The Action plan's priority is the field of agriculture. In this sector, there is a problem with facilities working with food that operate without an approval, i.e. they are not registered in the registry of approved facilities managed by MAFWM, which is a pre-requisite for operating in the area of food production and placement. A similar problem is seen in the field of production and trade of alcoholic beverages and production of grapes and vine, with businesses not being included in relevant registries, which classifies them as non-registered entities. Namely, all of these entities can be considered operating in the shadow zone, without being aware of it, due to lack of knowledge about regulations and obligations to register in specific registries.</p> <p>The solution for higher compliance and fair competition in this sector is seen in the optimization of procedures for registering or getting approval for those working with food, which would also enable efficient control through automated exchange of data among institutions.</p> <p>Further on, there is a need to enable exchange of information about coffee producers between MAFWM and Tax Administration, in order to reduce possibility of illegal placement of products that do not comply with the product safety and excise goods requirements.</p>		MAFWM	TA Business Registers Agency (hereinafter: BRA)

	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
4.4.1	Performing a business analysis and functional specification for optimizing procedures for registration of entities operating with food in the BRA, in the MAFWM, (with possibility of including the process of approval as well), as well the registration with Tax Administration in case of coffee and spirits producers.	Q4 2019	MAFWM Ministry of Finance - ПУ	ITE NALED NPPS Ministry of Health BRA
4.4.2	Amending regulations to enable implementation of analysis recommendations from item 4.4.1.	Q1 2020	Ministry of Finance MAFWM	NPPS NALED BRA
4.4.3	Procurement and installing of software and hardware required for optimization of registries in the MAFWM and TAZ, related to the procedures referred to in item 4.4.1.	Q2 2020	ITE TA MAFWM	NALED BRA
4.4.4	Testing the system and training public officers to use the system of optimized registration and approval of entities operating with food.	Q2 2020	National Academy of Public Administration TA BRA MAFWM	ITE NALED

SPECIFIC GOAL 5: RAISING AWARENESS OF CITIZENS AND BUSINESSES ABOUT THE IMPORTANCE OF COUNTERING SHADOW ECONOMY

Measure 5.1: Introducing financial literacy and fiscal culture in the curriculum of elementary and high schools and promotion of countering shadow economy in faculties

Performance indicators:

1. Number of trainings intended for teachers
SV: 0
TV:
2. Number of held classes in schools
SV: 0
TV:
3. Number of debates and student competitions in faculties
SV: 0
TV:

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
Education in elementary and high schools would involve topics on why we have taxes, the purpose of taxes, how tax rates are determined and for what purpose, how taxes are collected, what is the damage caused by shadow economy for citizens and businesses. Promotion at faculties involves active engagement of youth in the discussion about the importance of countering shadow economy and possible creative solutions for its reduction.		Ministry of Education, Science and Technological Development (hereinafter MESTD) Ministry of Finance	TA

	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
5.1.1	Developing a curriculum for fiscal culture classes in elementary and high schools.	Q4 2019	MESTD	TA
5.1.2	Adopting an Action plan for introducing fiscal culture classes in schools.	Q1 2020	MESTD	TA
5.1.3	Campaign to introduce financial literacy in pilot pre-school, elementary and high school facilities.	Q2 2020	MESTD	Ministry of Finance TA NALED
5.1.4	Organizing debates about importance of countering shadow zone and student competitions for identifying creative solutions to tackle shadow economy.	Q2 2020	Faculties TA NALED	MESTD
5.1.5	Define the SV and TV for the indicator.	Q4 2019	MESTD	

Measure 5.2: Conducting a campaign on demolishing illegal buildings

Performance indicators:

- Increased citizen support for countering illegal construction
SV:
TV:
- Reduced illegal construction
SV:
TV:

	Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
	In relation to the implementation of measure 1.6		MCTI	
	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
5.2.1	Designing a website / map serving for citizens to report illegal construction, which should also include a list of illegal buildings constructed after November 2015 and the status of demolition procedure.	Continuously starting from 2020	MCTI	City of Belgrade RGA
5.2.2	Define the SV and TV for the indicator.	Q4 2019	MCTI	

Measure 5.3: Conducting a campaign on incentives for legal business

Performance indicators:

- Number of incentive beneficiaries increased:
SV: 470
TV: 2300

	Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
	In relation to the implementation of measure 3.5		Ministry of Finance	TA NALED

The measure introduced in October 2018 for exempting new businesses from salary taxes and contributions in the first year of work, intended for youth and the unemployed, needs to be promoted so that as many beneficiaries get informed and encouraged to „start legally”, i.e. start their own businesses within the legal flows. Along with tax exemption, with the aim of reducing the administrative burden, the Tax Administration introduces electronic services and simplified procedures for entrepreneurs, which should be promoted.

Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
5.3.1 Organizing 5 info days about the tax exemption measure at faculties in Belgrade, Novi Sad, Niš and Kragujevac.	Q2 2019	NALED	
5.3.2 Designing a promo video, poster and banner for the „Start-up legally” campaign and promotion at the counters of relevant institutions and through available communication channels.	Q2 2019	NALED	Ministry of Finance
5.3.3 Competition for the most entrepreneurial municipalities – monitoring the number of tax exemption beneficiaries and the number of newly established companies or entrepreneurs in municipalities.	Q4 2019	TA NALED	MPALG
5.3.4 Promotion of Tax Administration’s new digital services and simplified procedures for entrepreneurs.	Continuously starting from 2020	TA	
5.3.5 Organizing 10 educational workshops for new businesses – beneficiaries of tax exemption measure.	Q2 2020	NALED	

Measure 5.4: Campaign on encouraging cashless payments in the public and private sectors and incentives

Performance indicators:

- Increased number of cashless payments in the public sector from x to y
SV: 0
TV: 100

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
In relation to the implementation of m3.6. The citizens are insufficiently informed about the benefits and possibilities of paying with cards at the counters of state institutions, so there is a need for promotion.		Ministry of Finance	NBS

	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
5.4.1	Implemented campaign accompanying the introduction of POS terminals in the work of local governments and encouraging citizens to use cashless payment methods.	Q4 2019	ITE	NALED NBS Ministry of Finance

Measure 5.5: Campaign on transparent budget execution „We pay taxes for...”

Performance indicators:

1. Published data about the national budget execution
SV: 0
TV: 100
2. The share of citizens who understand how the budget funds are spent (survey)
SV: %
TV: %

	Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
	In order to strengthen the tax culture and develop an environment that stimulates compliance with tax regulations, which is later reflected in increased budget revenues, the citizens need to be largely informed about the manner the budget funds are being spent.	Q4 2019	Ministry of Finance	TA Treasury Administration

	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
5.5.1	The budget, the report on budget realization, and the plan of public procurement for state institutions and local governments are made publicly available in a machine-readable form	Q4 2019	Ministry of Finance	TA Treasury Administration
5.5.2	Preparing an article - Citizens' Guide to the Budget.	Q3 2019	Ministry of Finance	

Measure 5.6: Campaign on the introduction of new fiscalization system and the expansion of taxpayers scope

Performance indicators:

1. Improved trust
SV:
TV:
2. Citizens as inspectors
SV:
TV:

	Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
	In relation with the implementation of measure 2.1.	Q3 2020	Ministry of Finance	TA
	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
5.6.1	Organizing an educational media campaign about the importance of paying taxes and benefits of the new system of fiscalization.	Q2 2020	Ministry of Finance	TA

5.6.2	Including all educational messages on the fiscal receipts, presenting all areas financed from VAT / by taking a receipt.	NALED		
5.6.3	Design and promotion of use of designed vibrant stickers for all traders of goods and services, labelled with letter „F” for fiscal receipts and „R” for regular receipts, as a clear indication of whether the trader is obliged to issue a fiscal or regular receipt, so as to avoid confusion among citizens and manipulation among sellers.	Q2 2020	Ministry of Finance	TA
5.6.4	Improving the content and design of the notice on closing a shop/facility due to failure to issue receipts.	NALED		
5.6.5	Designing and implementing quizzes, photo competitions with hashtags for the problematic industries in terms of issuing the fiscal receipts, or other activations on social media (Facebook, Instagram) with the aim of engaging youth and influencers.	Q2 2020	Ministry of Finance	TA
5.6.6	Organizing electronic prize game for citizens in collecting fiscal receipts and card slips that are registered online to participate in electronic draws.	NALED		
5.6.7	Define the SV and TV for the indicator.	MTTT		

Measure 5.7: Campaign on the importance of „Inspector” profession

Performance indicators:

- Developed and published promotional films about inspections
SV: 0
TV: 15
- Published articles within the section „An inspector’s diary”
SV: 0
TV: 8

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
In relation with the implementation of measure 1.14. The aim of campaign is to improve the reputation of inspector title in the broader society, and raise awareness among citizens and businesses about their importance.		MPALG	National inspections
Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
5.7.1 Forming a journalists’ team for following the work of inspections.	Q2 2019	NALED	MPALG Coordination Commission for Inspection Oversight
5.7.2 Establishing a permanent section in daily newspaper „An inspector’s diary”.	Q2 2019	NALED	National inspections

5.7.3	Designing and publishing promotional films about each inspection.	Q3 2019 – this is performed successively during a period of one year	MPALG Coordination Commission for Inspection Oversight	National inspections
5.7.4	Creating a LinkedIn profile for the „Inspector“.	Q3 2019	MPALG Coordination Commission for Inspection Oversight	
5.7.5	Designing an interactive web portal within the website www.inspektor.gov.rs .	Q4 2019	Coordination Commission for Inspection Oversight, PALG	

Measure 5.8: Campaign for the promotion of electronic registration of seasonal workers

Performance indicators:

- Increased number of registered seasonal workers:
SV:
TV:

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
In relation with the implementation of measure 3.4.		MAFWM	NALED, German development cooperation – Deutsche Gesellschaft für Internationale Zusammenarbeit (hereinafter: GIZ)

Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
5.8.1 Establishing info-centers for support and education with regards to electronic registration of seasonal workers.	Q3 2019	NALED	MAFWM MPALG NALED GIZ TA
5.8.2 Promotion of electronic registration of seasonal workers among employers.	Q2 2019	NALED	MAFWM GIZ TA
5.8.3 Maintaining the web portal www.sezoniskiradnici.gov.rs and reporting to the public about the portal use.	Continuously starting from Q4 2019	NALED	MAFWM GIZ TA
5.8.4 Define the SV and TV for the indicator.	Q4 2019	MAFWM	

Measure 5.9: Educational campaign about the forms of shadow economy and importance of its countering

Performance indicators:

- Higher awareness and support among citizens in countering shadow economy
SV:
TV:

Measure description	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
With the aim of raising citizen awareness about the negative effects of shadow economy and the need for their engagement in the process of countering shadow economy, it is essential to continuously engage in a comprehensive educational campaign through cooperation and joint investments of the public, private and civil sector.		NALED Ministry of Finance	

	Description of activities	Deadline for realization/ realization period	Institution responsible for realization	Partners in realization
5.9.1	Designing short educational videos about the shadow economy to be used for promotion on social media, websites of the state and partner institutions, in central halls of local governments and public enterprises, public transport etc.	Q1 2020	NALED Ministry of Finance	TA
5.9.2	Designing and displaying educational posters (about the negative impact / forms of shadow economy, importance of paying taxes and information on how to report cases of shadow economy) in counter halls of institutions, public enterprises, hospitals and other institutions financed from taxes, the public transport, retail shops of responsible businesses etc.	Q1 2020	Ministry of Finance NALED	TA
5.9.3	Development and maintenance of the national web portal incorporating all information about the shadow economy issues (www.sivaekonomija.rs , www.uzmiracun.rs).	Continuously	NALED	Ministry of Finance TA
5.9.4	Organizing expert, scientific and promotional events on the topic of countering shadow economy – organizing a national business to Government conference at least once a year.	Q2 2019 Q2 2020	Ministry of Finance NALED	
5.9.5	Organizing a prize contest for journalists with the aim of stimulating the public reporting and investigative journalism in the field of shadow economy.	Q4 2019	NALED	TA Ministry of Finance
5.9.6	Conducting annual citizens' and businesses' opinion surveys on shadow economy and promote the results in the public.	Q2 2019 Q2 2020	NALED	GIZ
5.9.7	Define the SV and TV for the indicator.	Q4 2019	NALED Ministry of Finance	

[illegible]