2015 REPORT

Banja Luka, January 2016
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1. TAX COLLECTION MANAGEMENT

1.1. Collection of Public Revenues

The Tax Administration of Republic of Srpska collected public revenues in the total amount of BAM 2,252 billion during 2015. In addition to collection via public revenue accounts, the total amount above includes BAM 12,6 million collected in RS internal debt bonds, as well as BAM 36,1 million of liabilities settled through multilateral compensation system by the Law on Unified System of Multilateral Compensation and Cession.

The level of realization of the 2015 collection plan is 101%, whereas relative to 2014 actuals, 116,69 million more have been collected, i.e. 5%.

<table>
<thead>
<tr>
<th>#</th>
<th>TYPE OF REVENUE</th>
<th>Budget Amendments (A)</th>
<th>Realized (R)</th>
<th>R/A</th>
<th>2015/2014</th>
<th>Difference (2015-2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>DIRECT TAXES</td>
<td>411.900.000</td>
<td>413.397.981</td>
<td>396.514.633</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Personal Income Tax</td>
<td>237.900.000</td>
<td>228.025.802</td>
<td>227.925.438</td>
<td>96%</td>
<td>100</td>
</tr>
<tr>
<td>1.2</td>
<td>Corporate Income Tax</td>
<td>135.000.000</td>
<td>145.256.178</td>
<td>131.656.983</td>
<td>108%</td>
<td>110</td>
</tr>
<tr>
<td>1.3</td>
<td>Tax on use, holding, and bearing of goods</td>
<td>14.500.000</td>
<td>17.047.071</td>
<td>14.157.889</td>
<td>118%</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Real estate tax, property taxes</td>
<td>24.500.000</td>
<td>23.068.930</td>
<td>22.774.323</td>
<td>94%</td>
<td>101</td>
</tr>
<tr>
<td>2.</td>
<td>CONTRIBUTIONS</td>
<td>1.434.200.000</td>
<td>1.466.304.564</td>
<td>1.389.437.419</td>
<td>102%</td>
<td>106</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Pension and Disability Insurance Fund</td>
<td>763.000.000</td>
<td>754.405.877</td>
<td>738.612.590</td>
<td>99%</td>
<td>102</td>
</tr>
<tr>
<td>2.2</td>
<td>Health Insurance Fund</td>
<td>537.000.000</td>
<td>539.042.865</td>
<td>512.243.714</td>
<td>100%</td>
<td>105</td>
</tr>
<tr>
<td>2.3</td>
<td>Child Protection Fund</td>
<td>55.000.000</td>
<td>56.481.313</td>
<td>54.539.589</td>
<td>103%</td>
<td>104</td>
</tr>
<tr>
<td>2.4</td>
<td>Employment Bureau</td>
<td>38.000.000</td>
<td>38.325.659</td>
<td>37.046.754</td>
<td>101%</td>
<td>103</td>
</tr>
<tr>
<td>2.5</td>
<td>Fund for employment of disabled persons</td>
<td>4.500.000</td>
<td>4.102.558</td>
<td>4.350.332</td>
<td>91%</td>
<td>94</td>
</tr>
<tr>
<td>2.6</td>
<td>Solidarity Fund</td>
<td>36.700.000</td>
<td>73.946.294</td>
<td>42.644.440</td>
<td>201%</td>
<td>173</td>
</tr>
<tr>
<td>3.</td>
<td>OTHER PUBLIC REVENUES</td>
<td>342.000.000</td>
<td>337.931.574</td>
<td>345.061.026</td>
<td>99%</td>
<td>98</td>
</tr>
<tr>
<td>3.1</td>
<td>Fees and charges</td>
<td>200.000.000</td>
<td>207.063.898</td>
<td>191.332.493</td>
<td>104%</td>
<td>108</td>
</tr>
<tr>
<td>3.2</td>
<td>Charges for organization of games of chance</td>
<td>17.500.000</td>
<td>19.987.774</td>
<td>17.058.882</td>
<td>114%</td>
<td>117</td>
</tr>
<tr>
<td>3.3</td>
<td>Fines</td>
<td>19.500.000</td>
<td>17.687.732</td>
<td>19.154.069</td>
<td>91%</td>
<td>92</td>
</tr>
<tr>
<td>3.4</td>
<td>Other revenues</td>
<td>55.000.000</td>
<td>41.350.685</td>
<td>81.057.808</td>
<td>75%</td>
<td>51</td>
</tr>
<tr>
<td>3.5</td>
<td>Concession fees</td>
<td>50.000.000</td>
<td>51.841.485</td>
<td>36.457.775</td>
<td>104%</td>
<td>142</td>
</tr>
<tr>
<td>4.</td>
<td>PAST DUE LIABILITIES IN INDIRECT TAXES</td>
<td>50.000.000</td>
<td>34.793.064</td>
<td>4.720.193</td>
<td>70%</td>
<td>737</td>
</tr>
<tr>
<td>TOTAL PUBLIC REVENUES MANAGED BY TARS</td>
<td>2.238.100.000</td>
<td>2.252.427.184</td>
<td>2.135.733.271</td>
<td>101%</td>
<td>105</td>
<td>116.693.912</td>
</tr>
</tbody>
</table>
The highest growth rate in regards to collected direct taxes, relative to the last year, is noted for tax on use, holding, and bearing of goods (20%), partly due to changes of legislation. In addition, collection rate is 10% higher relative to 2014 for corporate income tax, and 1% higher with regards to real estate tax. Revenues collected in connection with personal income taxes are at the last year’s level.

It should be noted that the new Personal Income Tax Law came into force on 1 September 2015 (“Official Gazette of Republic of Srpska”, no 60/15) whereby, among other, the taxation of dividends and share in profits of legal entities has been abolished and deduction of tax base on grounds of paid life insurance premium introduced.

Collection of revenues pertaining the social insurance funds is by 6% higher than the year before. More words about this issue will be mentioned in next Chapter.

In regards to the other public revenues category, concession fees collection has increased by 42%, and that regarding organization of games of chance by 17%, whereas revenues collected in regards to fees and charges are 8% higher than in the last year. The collected revenues from fines are 8% lower than in the last year, whereas collection of other revenues is 49% lower i.e. BAM 39,71 million relative to 2014 given the fact that in 2014 on grounds of revenues from dividends and shares in profit of public companies and financial institutions.

The level of realization of the 2015 collection plan is 101%. Comparison of collection actuals against the plan shows that the collection has been realized according to the plan in almost all categories or approaches the achieving limit except the collection of other revenues (75% actual/plan) and arrears from indirect taxes (70% actual/plan).

Better collection results relative to 2014 have been achieved in all RS Tax Administration Regional Centers. The best results were achieved in RC Doboj (105%), RC Bijeljina (104%), RC Zvornik (103%), RC Sarajevo East (102%), and as for other RCs the 2014 collection level approached the achieving limit as of 99% (RC Banja Luka and PC Prijedor) i.e. 97% (RC Trebinje).
Also, the amount of BAM 20,87 million of contributions for pension and disability insurance has been collected for those contribution payers who are employed in the Brcko District and whose place of residence is in Brcko District and they are registered in the Unified System for Registration, Control, and Collection of Contributions of Republic of Srpska.

Social Insurance Funds’ Revenue

Total collected revenues from social insurance funds in 2015 are BAM 1,466 billion. Relative to the previous year’s collection, the revenues have been increased with BAM 76,87 million i.e. 6%.

One of the main TARS focuses is on collection of contribution which resulted in an increase in collection of these revenues compared to the previous year.

<table>
<thead>
<tr>
<th>FUND</th>
<th>2015 Plan</th>
<th>2015 Actual</th>
<th>2014 Actual</th>
<th>Actual vs. Plan</th>
<th>Index 15/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension and Disability</td>
<td>763,000,000</td>
<td>754,405,877</td>
<td>738,612,590</td>
<td>99%</td>
<td>102</td>
</tr>
<tr>
<td>Health</td>
<td>537,000,000</td>
<td>539,042,865</td>
<td>512,243,714</td>
<td>100%</td>
<td>105</td>
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<td>173</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,434,200,000</td>
<td>1,466,304,564</td>
<td>1,389,437,419</td>
<td>102%</td>
<td>106</td>
</tr>
</tbody>
</table>

The Table above shows that the actual against planned rate for collection of contributions for 2015 is 102%.

1.2. Debt Balance

According to official records of RS Tax Administration, debt balance as of 31.12.2015 was BAM 1,48 billion.

<table>
<thead>
<tr>
<th>#</th>
<th>Period</th>
<th>Total Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>31.12.2015</td>
<td>1,479,933,470,57</td>
</tr>
<tr>
<td>2.</td>
<td>31.12.2014</td>
<td>1,434,851,161,80</td>
</tr>
<tr>
<td>3.</td>
<td>Difference (1-2)</td>
<td>45,082,308,77</td>
</tr>
<tr>
<td>4.</td>
<td>As percentage</td>
<td>3,14%</td>
</tr>
</tbody>
</table>
The above table indicates a tendency of increase of total debt by BAM 45.08 million or 3.14% relative to balance as of 31.12.2014.

The debt increase has mainly resulted due to growth in the amount of rescheduled liabilities and, consequently, calculated and accrued interests on the basis of the decision on deferral of tax liabilities payment.

**Debt Reconciliation Against Bonds**

Pursuant to the Decree on payment of tax liabilities with Republic of Srpska bonds (“Official Gazette of RS”, no. 58/09), which regulates the terms and procedure for payment of due tax liabilities incurred until 31.12.2007, by means of Republic of Srpska internal debt bonds, the RS Ministry of Finance issued 89 decision documents in 2015 for payment of debt by bonds, for the total amount of BAM 12,65 million. The decision documents have been forwarded to TARS regional centers for further action.

### 1.3. Decision Documents/Notices on Payment of Due Liabilities

According to the new RS Law on Tax Procedure, the taxpayer who has failed to, fully or partially, file or pay the liability on due date will receive form the Tax Administration a Notice regarding the type and the amount of due tax liability, forewarning the taxpayer to file or pay the liability. For liabilities filed prior to 2012, Tax Administration will continue to issue decision documents for payment of filed, non-paid, liabilities.

**During 2015, 56.134 notices have been issued in regards to filing or payment of due liabilities** for the amount of liabilities of BAM 239.45 million. Taxpayers paid BAM 80.72 million within the permitted period i.e. 34 % relative to the total amount of due liabilities included by issued notices.

Moreover, **1.062 of the above said decision documents have been issued in 2015** for the amount of liabilities of BAM 5.84 million. Out of that, BAM 62.419 have been collected within voluntary period. Taxpayers have filed 60 appeals against the said decision documents.

Relative to 2014, 15% more decision documents/notifications have been issued in 2015, with BAM 11,01 million more collected within voluntary period. The actual against planned rate for issued decision documents/notices for 2015 is 161%.

<table>
<thead>
<tr>
<th></th>
<th>2015 Plan</th>
<th>2015 Actual</th>
<th>2014 Actual</th>
<th>Actual/Plan</th>
<th>Index 15/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of decision documents/notes</td>
<td>35.554</td>
<td>57.196</td>
<td>49.750</td>
<td>161%</td>
<td>115</td>
</tr>
<tr>
<td>Collected within the period</td>
<td>63.921.060</td>
<td>80.780.660</td>
<td>69.767.117</td>
<td>126%</td>
<td>116</td>
</tr>
</tbody>
</table>
1.4. Enforced Collection Procedure

54,818 enforced collections were initiated in 2015 pertaining to debt amount of BAM 127,09 million. Out of that amount, BAM 36,45 million were collected in enforced collection, whereas BAM 15,05 million were collected in relation to decision documents from the preceding period.


<table>
<thead>
<tr>
<th></th>
<th>2015 Plan</th>
<th>2015 Actual</th>
<th>2014 Actual</th>
<th>Actual/Plan</th>
<th>Index 15/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Procedures</td>
<td>39,397</td>
<td>54,818</td>
<td>51,395</td>
<td>139%</td>
<td>107</td>
</tr>
<tr>
<td>Debt, as per EC decision documents (BAM)</td>
<td>79,279,262</td>
<td>127,091,424</td>
<td>112,891,385</td>
<td>160%</td>
<td>112</td>
</tr>
<tr>
<td>Collected (BAM)</td>
<td>26,383,000</td>
<td>55,290,841</td>
<td>50,018,931</td>
<td>210%</td>
<td>111</td>
</tr>
</tbody>
</table>

Relative to 2014, the number of initiated enforced collections was higher by 3,423, whereas the amount of liabilities collected in these procedures was higher by BAM 5,27 million.

Relative to plan, there were 11,998 more enforced collection cases initiated, i.e. 39% above the plan, whereas the collection was 11% higher against the plan.

Minor offense reports and court decision documents take up the largest share in the structure of EC cases initiated in 2015, namely 43%, whereas decision documents ordering payment of reported liabilities make 26%. Furthermore, the significant part belongs to decision documents related to the real estate tax that make 20% of all EC initiated in 2015.

451 proposals were filed to competent court/Republic Administration for Geodetic and Property Affairs for registration of mortgage over tax debtors’ real estate for the amount of BAM 37,55 million and 108 requests for cancellation of mortgage for the amount of BAM 3,98 million.

334 mortgages have been registered in 2015 in reference to BAM 50,38 million in liabilities. In addition, 79 decision documents have been issued on mortgage cancellation rejection for the amount of BAM 8,05 million, and 41 decision documents on mortgage rejection in reference to BAM 3,45 million in liabilities.

Total of 77 proposals at the level of TARS was submitted to the Court for Initiation of Enforced Collection Procedure on the property of taxpayers for the amount of BAM 8,60 million in liabilities.

Total number of uninitiated EC procedures, as of 31 December 2015, was 62,274 in regards to debt amounting to BAM 10,75 million. Compared to the balance as of 31.12.2014. The number of uninitiated EC procedures was lower by 6,201. It should be noted that within the structure of uninitiated EC procedures, 95% of cases were related to misdemeanor orders and decisions delivered by the courts.
1.5. Agreements/Decision Documents on Extended Payment of Tax Liabilities

Agreements on Debt Reschedule in Line with RS Government Decisions

BAM 46.29 million were paid in rescheduled debt in 2015, out of which BAM 32.34 million were collected from due reschedule installments, BAM 11.60 million from RS internal debt bonds, and BAM 2.35 million through multilateral compensation system.

Due and unpaid rescheduled liabilities amounted to BAM 13.77 million, whereas outstanding debt for all reschedules signed accordingly to decisions of RS Government was BAM 122.66 million.

2015 plan pertaining to collection of rescheduled debt was fulfilled at the rate of 140%, and in comparison to the last year collection was BAM 32.28 million higher for rescheduled liabilities. The reason of high plan implementation percentage as well as more collected rescheduled liabilities in relation to the same period of previous year is in the payments of rescheduled liabilities of the taxpayer “Rafinerija nafte” a.d. Brod in the amount of BAM 36.66 million.

Due to disobedience of the conditions prescribed by the agreement, RS Tax Administration cancelled 4 agreements in 2015 accounting for BAM 3.52 million in tax liability and undertook enforcement collection measures in accordance with the Law on Tax Procedure of RS.

RS Ministry of Finance Decision Documents on Deferred Payment

Accordingly to RS Tax Procedure Law (“Official Gazette of RS”, no. 102/11, 108/11, 67/13, and 31/14), the Law on Special Modalities for Tax Debt Servicing (“Official Gazette of RS”, no. 66/13, and
52/14), and the Law on Deferred Payment of Tax Debt (“Official Gazette of RS”, no. 94/15), the RS Ministry of Finance issued 197 decisions documents on deferred payment of tax liabilities, namely for the amount of BAM 253,92 million.

During 2015, BAM 15,62 million have been collected in connection with the above said decision documents, whereas past due liabilities amount to BAM 11,56 million.

In addition, RS Ministry of Finance issued and TARS received 63 decision documents abolishing the previously issued deferred payment decision documents pertaining to the amount of debt of BAM 28,50 million, due to taxpayers’ failure to adhere to the given terms and deadlines thereof or the taxpayer submitted the request for decision abolishment, in order to receive new decision document for suffering a damage caused by the floods in May 2014.

Moreover, 9 Agreements signed accordingly to the old Tax Administration Law have been abolished in connection with the amount of debt of BAM 352,497,54 due to taxpayers’ failure to adhere to the provisions of the Agreement.

Relative to the previous year, collection pertaining to the respective RS Ministry of Finance decision documents have been increased by 54%, with actual against planned ratio of 138%.

**TARS Agreements/ Decision Documents on Deferred Payment**

Accordingly to RS Tax Procedure Law, the Law on Special Modalities for Tax Debt Servicing, and the Law on Deferred Payment of Tax Debt, the RS Tax Administration issued 239 decisions documents on deferred payment of tax liabilities, namely for the amount of BAM 2,60 million. At the same time, 74 of the said decision documents have been abolished for the amount of debt of BAM 1,03 million due to taxpayers’ failure to adhere to the given terms and deadlines.

In pursuance to 504 agreements/decision documents on deferred payment of liabilities (including the one form the preceding period) BAM 1,11 million have been collected in 2015. In connection with the said agreements/decision documents BAM 326,517 are past due.

The remaining debt in connection with all signed agreements/decision documents on deferred payment is BAM 3,37 million. The amount pertains to all active agreements/decision documents, including the ones for which interest has not yet been calculated, or it has been calculated but not paid.

Relative to last year, collection in this area is 43% higher, whereas actual against plan ratio, for all agreements/decision documents, is 158%.

1.6. **Specific Procedures**

**Bankruptcy and Liquidation**

For 118 taxpayers, bankruptcy procedure has been initiated in 2015. Registered receivables amount to BAM 13,18 million, out of which BAM 6,94 million were endorsed. BAM 2,40 million have been collected in reference to all initiated bankruptcy procedures.
In 2015, liquidation procedure has been initiated for 284 taxpayers. The amount of registered receivables was BAM 10,19 million, out of which BAM 686,878 were endorsed. A large number of liquidation procedures were initiated at the competent courts within the RC Sarajevo East and RC Doboj. The liquidation procedure was suspended in six cases, whilst the proposal for initiation of liquidation procedure with registered receivables within TARS was dismissed in 32 cases. In regards to all liquidation procedures (initiated in 2015 and prior to it), BAM 65,704 were collected.

An analysis has been prepared in regards to all initiated bankruptcy procedures from 2002 until 31.12.2015. Out of the 1,409 cases in total, 1,143 have been completed and 28 have been suspended. **Out of all initiated bankruptcy procedures involving TARS as a creditor, 238 procedures have been still in process.**

Out of 2,593 initiated liquidations, 2,025 have been completed, 428 have been suspended, and 140 are still in process.

In 2015, 95 previous procedures have been initiated in regards of opening the liquidation procedures pertaining to debt amount of BAM 11,34 million.

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

Following completion of bankruptcy related court procedure, Tax Administration issues a decision document on irrecoverable tax arrears from the respective taxpayer, i.e. debtor. Based upon that, 100 decision documents were issued in 2015 on irrecoverable tax liabilities in connection to debt amount of BAM 68,61 million.

Given all the shortcomings of the bankruptcy proceeding and consequently low percentage of debt collection in bankruptcy proceeding, the need aroused to adopt new legal solutions in order to improve the regulatory framework in this area.

We are expecting that the new Law on Bankruptcy, whose draft is in the parliamentary procedure, will resolve to significant extent problems noticed during bankruptcy proceedings so far.

Accordingly to RS Tax Procedure Law, 14,864 decision documents have been issued on irrecoverable tax liabilities based on statute of limitation, for the amount of BAM 3,22 million.

In accordance with the Law on Special Modalities for Tax Debt Servicing (“Official Gazette of RS“, no. 66/13, and 52/14), 103 decision documents were issued based on interest write-off for the amount of BAM 1,80 million.
II  AUDIT, INVESTIGATION AND INTELLIGENCE

2.1.  Field and Desk Audits

There were 3,883 audits in 2015, at TARS level, out of which 197 pertain to large taxpayers.

In addition to reported, unpaid liabilities, inspectors assessed additional liabilities in the amount of BAM 69,69 million. For unpaid portion of liabilities, following audits inspectors have issued decision documents on payment of liabilities for the total amount of BAM 94,05 million (principal debt + interest), whilst 130 appeals have been filed to the said decision documents, including the appeals to the inspectors’ decisions made in previous period.

BAM 7,20 million, i.e. 7,65% of total liabilities were paid within the voluntary period stated in the decision documents on payment, issued upon field audits. Additional BAM 418,570 have been collected within the voluntary period as a result of completed audits.

Relative to 2014, there was 12% of audits less, whereas the actual against plan ratio for 2015 regarding the number of audits is 106%.

<table>
<thead>
<tr>
<th>Type of Audit</th>
<th>Number of Audits</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Plan 2015</td>
<td>Actual 2015</td>
<td>Actual 2014</td>
<td>Actual vs. Plan</td>
<td>Index 15/14</td>
</tr>
<tr>
<td>Field Audits</td>
<td>1,770</td>
<td>1,752</td>
<td>1,692</td>
<td>99%</td>
<td>104</td>
</tr>
<tr>
<td>Desk Audits</td>
<td>1,899</td>
<td>2,131</td>
<td>2,702</td>
<td>112%</td>
<td>79</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,669</td>
<td>3,883</td>
<td>4,394</td>
<td>106%</td>
<td>88</td>
</tr>
</tbody>
</table>

In 2,468 audit cases, i.e. 64% of all cases, irregularities were identified pertaining to taxpayers’ operations, whereas for 2,346 audits new liabilities were assessed.

Following audits, Tax Administration’s auditors have filed 356 minor offence reports for the total amount of BAM 779,069, due to irregularities identified in operations of audited taxpayers. In addition, 53 requests have been filed for initiation of minor offence procedure.

2.2.  Fiscalization

627 initial fiscalization applications were filed in 2015, and RS Tax Administration issued 625 decision documents on fiscalization(one part of decision documents on fiscalization pertain to requests filed during the previous year).

Since the start of implementation of the Law on Fiscal Cash Registers i.e. from 2008 until 31 December 2014, TARS issued 48,522 decision documents on taxpayer fiscalization, whereas 48,529 initial fiscalization applications were filed.

Inspectors have conducted 12,109 fiscalization related controls. This figure also pertains to other activities in connection with fiscalization, such as module replacement, de-fiscalization, terminal replacement, change of address of sales outlets, and such like.
Actual against planned in the segment of fiscalization controls is 91%, with 33% decrease relative to 2014.

2.283 inspections were conducted in reference to recording of sales via fiscal cash registers, wherefrom plan realization level is 72% with 22% decrease relative to 2014. Inspectors are controlling sales registration using fiscal cash registers, software and fiscal seals in the cash register and the terminal, transfer of data via terminal, and control of the software. Noteworthy, the inspectors are also controlling the application of the Decree on Terms and Method of Cash Payment.

In reference to inspection of recording of sales via fiscal cash registers in 2015, 1.105 minor offence reports were issued for the amount of BAM 755.292, out of which BAM 213.599 have been collected in pursuance of 560 reports. 36 requests were filed to initiate minor offense proceedings, and 369 taxpayers were temporarily banned to conduct business.

### 2015 Fiscalization Audit Plan Figures

<table>
<thead>
<tr>
<th>Type of Control</th>
<th>2015 Plan</th>
<th>2015 Actual</th>
<th>2014 Actual</th>
<th>Actual vs. Plan</th>
<th>Index 15/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash register fiscalization</td>
<td>13.310</td>
<td>12.109</td>
<td>17.950</td>
<td>91%</td>
<td>67</td>
</tr>
<tr>
<td>Inspections of recording of sales</td>
<td>3.176</td>
<td>2.283</td>
<td>2.916</td>
<td>72%</td>
<td>78</td>
</tr>
<tr>
<td>via fiscal cash registers</td>
<td></td>
<td></td>
<td></td>
<td>87%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>16.486</strong></td>
<td><strong>14.392</strong></td>
<td><strong>20.866</strong></td>
<td><strong>87%</strong></td>
<td><strong>69</strong></td>
</tr>
</tbody>
</table>

2.3. Investigations and Intelligence

Throughout 2015, inspectors-investigators forwarded **32 reports to the competent Prosecutor’s Office with total damage inflicted to the RS Budget in the amount of BAM 10.804.154.11**:

- 13 reports in connection to reasonable doubt of criminal offense being perpetrated in regards to irregular allocation of funds in legal entity (Article 292 of the RS Criminal Code),
- 7 reports in connection to reasonable doubt of criminal offense being perpetrated in regards to tax and contributions evasion (Article 287, Paragraph 3 of the RS Criminal Code),
- 2 reports in connection to reasonable doubt of criminal offense being perpetrated in regards to forgery of the official permits (Article 379 of the RS Criminal Code),
- 7 reports were filed due to reasonable doubt of criminal offense being perpetrated in regards to abuse of authority in business dealings (Article 263 of the RS Criminal Code),
- 2 reports in connection to reasonable doubt of criminal offense being perpetrated in regards to filing of false tax return (Article 289 of the RS Criminal Code),
- one report in connection to reasonable doubt of criminal offence being perpetrated in regards of misuse of official position or authorization (Article 347 of RS Criminal Code).

115 consultation meetings were held with competent Prosecutor’s Offices where instructions have been provided in regards to further actions in connection with the requests of the Prosecutors.
205 depositions related to audit findings were taken from suspects and witnesses in the process of audit in companies and in line with the order of the Prosecutor’s Office; namely 170 depositions pursuant to the provisions of the Administrative Proceedings Law and 35 depositions pursuant to the Criminal Proceedings Code. In afore mentioned inspections, BAM 2.930.092,42 were assessed in tax liabilities.

2.4. Minor Offense Procedure

2.121 minor offense reports were issued in 2015 in reference to all procedures arising from the RS Law on Tax Procedure and other laws regulating minor offense sanctions enforced by TARS, with penalties stated in the amount of BAM 1,99 million. Out of that number 1.077 reports were approved, with BAM 373.739 collected respectively. 245 requests have been filed for initiating minor offence procedure. Moreover, 369 measures on prohibition of performance of activities have been issued.

The most of minor offence reports i.e. 1.140 were issued in regards to breach of regulations on fiscal cash registers, whereas 841 minor offense reports were issued due to non-filing of tax liabilities.

Relative to 2014, the number of minor offence reports was lower by 359, with increase in collection by BAM 127.828.

Out of the total number of issued reports, 801 are still in process (for the amount of fines of BAM 712.744), i.e. voluntary payment period extends beyond 31 December 2015.
III  TAXPAYER TREATMENT

3.1. Registered and De-registered Taxpayers

RS Tax Administration registered 43,948 new taxpayers in 2015, whereas 2,315 taxpayers were de-registered.

<table>
<thead>
<tr>
<th>Taxpayers</th>
<th>Registered</th>
<th>De-registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal persons</td>
<td>1,504</td>
<td>189</td>
</tr>
<tr>
<td>Physical persons (entrepreneurs)</td>
<td>3,774</td>
<td>1,296</td>
</tr>
<tr>
<td>Citizens</td>
<td>33,746</td>
<td>279</td>
</tr>
<tr>
<td>Other*</td>
<td>4,924</td>
<td>551</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>43,948</strong></td>
<td><strong>2,315</strong></td>
</tr>
</tbody>
</table>

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

Until and inclusive of 31 December 2015, 1,908,346 taxpayers were registered with the Tax Administration, out of which:

- 29,791 legal persons, branch offices excluded,
- 49,302 entrepreneurs, branch offices excluded,
- 1,775,317 citizens, and
- 53,936 other.

3.2. Taxpayer Information and Media Activities

Being an institution in charge of collection of public revenues and implementation of laws and regulations, as well as provision of services to taxpayers, RS Tax Administration has the obligation to consistently, efficiently, and impartially implement all laws pertinent to the Tax Administration’s scope of work, as well as to provide quality services to taxpayers and timely inform the public on all current affairs in the field of tax policy in order to improve the level of voluntary compliance.

Our mission is to continuously work in the area of improving services to taxpayers in order to reduce costs, stimulate voluntary tax compliance, and thereby increase the collection of public revenues.

In 2015, the Taxpayer Services Sector had the following number of contacts with taxpayers:

<table>
<thead>
<tr>
<th>Type of Contact</th>
<th>Plan 2015</th>
<th>2015 Actual</th>
<th>2014 Actual</th>
<th>Plan against Actual</th>
<th>Index 15/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal contact in TARS premises</td>
<td>450</td>
<td>516</td>
<td>594</td>
<td>115%</td>
<td>87</td>
</tr>
<tr>
<td>Telephone</td>
<td>15,000</td>
<td>19,870</td>
<td>20,263</td>
<td>132%</td>
<td>98</td>
</tr>
<tr>
<td>E-mail</td>
<td>850</td>
<td>987</td>
<td>1,049</td>
<td>116%</td>
<td>94</td>
</tr>
</tbody>
</table>
There were 406,107 hits on our web page in 2015. The highest number of hits was in February and March due to the fact that most tax returns are due by the end of the first quarter. Relative to the last year, we have noted 9% less hits on TARS web page.

RS Tax Administration held lectures in five high schools in the Republic of Srpska during April. The aim of these activities was to send a positive message about the importance of paying taxes and benefits deriving from it, both for the individuals and for society as a whole.

At these lectures, high school students, as future taxpayers, were introduced to the tax regulations, modus operandi of TARS, the tax system of the Republic of Srpska, and existing taxes, procedures, terms of payment of tax liabilities, rights and obligations of taxpayers.

Training activities for young people will be continued in the future as well, and it is planned that the lectures are going to be held both in high schools and at universities throughout the Republic of Srpska.

Furthermore, TARS held a series of seminars for newly registered taxpayers (legal entities and entrepreneurs). On that occasion the new taxpayers were provided with detailed information on the application of regulations within the competence of the Tax Administration, namely personal income tax, corporate income tax, contributions, fiscalization, fees and real estate taxes.

The purpose of the education of tax taxpayers is to achieve a discipline related to the reporting and payment of tax liabilities, as well as increasing the level of voluntary compliance, and improvement the work in respect for the law.

In 2015, RS Tax Administration had 221 media appearances, out of which 153 pertaining to Head Office public addresses, and 68 of those made by the Regional Centers.

The greatest attention in the media in the first half of the year caused topics related to control of turnover through fiscal cash registers, data from TARS on the lowest salaries reported in the RS, the debt of taxpayers, as well as measures taken against certain tax debtors. The first half of 2015 was also marked by activities related to the promotion of tax payments, as well as press inquiries regarding municipalities that are exempt from real estate tax. Statements were given regarding seminars for newly registered taxpayers in the area of Banja Luka, as well as the deadlines for payment of tax bills for real estate tax. The end of the first half of the year was marked by the interest of the media in connection with the auction of property confiscated in the process of enforced collection, blocking of the account of medical institutions, and the effects of traffic control over cash registers.
In the second half of 2015, in addition to already mentioned topics, media expressed greater interest for the new Law on Personal Income Tax, particularly with regard to decreasing the tax base on the basis of housing loans and premiums for life insurance. At the end of the year, TARS spoke out in the media in connection with multilateral compensations, exercising the rights to reduce the tax base for income taxes based on the tax card, the results of the TARS work in 2015 etc., and have intensified activities related to informing the public about the deadlines for settlement of the second rate for real estate tax.

Additionally, TARS was continuously publishing a press release about collected public revenues on a monthly basis, and since April 2015 on the official website of TARS data on the number of persons with personal income based on employment in certain ranges were published monthly. A list of tax debtors at regional centers of TARS is published monthly on the Web page of TARS.

3.3. Certificates Issued to Taxpayers

Tax Certificates

Tax Administration issued 82,227 tax certificates in 2015, out of which 22,324 were issued to legal persons, 7,797 to entrepreneurs and 52,106 to citizens. Total amount of tax arrears received in the process of issuing of tax certificate was BAM 29,02 million whilst in the process of issuing of tax certificate for de-registration of contribution payers was BAM 30,47 million pertaining to due and outstanding contributions.

2015 actual against planned ratio, in terms of issuing of certificates, is 94%, and relative to 2014 the amount of issued certificates was lower by 5%.

<table>
<thead>
<tr>
<th>Certificates Issued in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of tax certificates</strong></td>
</tr>
<tr>
<td><strong>2015 Plan</strong></td>
</tr>
<tr>
<td>Legal persons</td>
</tr>
<tr>
<td>Entrepreneurs</td>
</tr>
<tr>
<td>Citizens</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

Certificates Issued in Reference to Taxpayer Identification Number (TIN) De-registration

2,968 requests were filed in 2015 pertaining to de-registration of TIN (including 11,505 open cases from the previous period). Respectively **1,562 certificates have been issued**. Therefore, 12,911 open cases pertaining to de-registration of TIN have been assigned to the next period.

Lower number of issued TIN de-registration certificates could be interpreted by the fact that all tax liabilities must be paid in full before a certificate can be issued to taxpayer, and that, accordingly to the provisions of the RS Tax Procedure Law, an audit is to be conducted prior to de-registration.
Current number of tax audits does not cover the number of the open cases. Therefore, TARS initiated the changes of legal provisions in this particular Section.

In regards to the TIN de-registration procedure in 2015, BAM 120.193 have been collected in regular procedure, whereas BAM 23.798 were recovered through enforced collection.

3.4. Refunds, Transfers and Corrections

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

3.169 enforceable decision documents have been entered into the SUFI in 2015. In addition to this, SUFI is also used to record tax refunds approved and paid on the basis of Form 1004-Annual Personal Income Tax Return. The amount of the respective refund processed via SUFI in 2015 was BAM 74.632.49.

Local offices within TARS received 9,987 requests for transfer and refund of more and/or incorrectly paid public revenues, whilst 1,880 unsolved requests were transferred from the previous period, out of which 1,925 or 16% submitted requests were not made.

TARS processed 69,057 decision documents in 2015, whereby various transactions were recorded pertaining to corrections arising from administrative and other procedures.

Processing of transactions implies formal and substantial review of documents pertaining to corrections, including regularity and analysis of data in relation to balances entered into records. This activity is much more time consuming than the review of tax returns.

3.5. Receiving and Processing Tax Returns

RS Tax Administration officers received 1,598,452 tax declarations in 2015, including the registration forms for the Fiscal Real Estate and declarations pertaining to the Unified System for Registration, Control and Collection of Contributions.

The majority of filed declarations pertain to the Monthly Withholding Tax Form 1002, totaling to 1,011,795 i.e. 63%.

Actual against planned index for 2015, when it comes to filing, is 115%.

E-filing

During 2015, 669,513 MPO-1002 tax declarations, i.e. 66% of the total number thereof, have been e-filed.

It is evident the growth trend of e-filling, since there have been 9% more tax declarations submitted relative to the previous year.
3.6. Tax Appeals – First Level of Appeal

TARS Regional Centers received **1,897 appeals** in 2015 pertaining to all procedures in connection with the RS Tax Procedure Law, whereas 148 appeals from the previous period were resolved.

*Decision documents on payment – reported, unpaid, and assessed liabilities, court fees

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

Cooperation with the Intra-European Organization of Tax Administrations (IOTA)

The following activities were realized in line with the agreed plan of cooperation with IOTA in 2015:

- 22nd Principal Contact Persons Forum;
- Two area group – debt management workshops;
- Three workshops: „Role of the Media in Building Trust Between Taxpayers and Tax Authorities”, “Tax Returns: Prefilled and Implicit – Existing Methods and Perspective”, “Choosing e-Services: How to Encourage Customers Use Digital Services”;
- IOTA Large Taxpayers Forum;
- 19th General Assembly.

International Monetary Fund (IMF)

In the context of the IMF mission in 2015, there were four meetings with the representatives of the RS Tax Administration. TARS, in preparation for the first meeting which was held in March of the current year, provided the requested data.

In the beginning of June two meetings were held in TARS with the Tax Administration Advisor from Fiscal Affairs Department of the International Monetary Fund for Serbia (FAD). The meetings were informative in nature, and one of the topics was the importance of e-controls of taxpayers.

The IMF representatives informed TARS officials that, in addition to commercial solutions for e-controls (ACL, IDEA, SESAM) in the German tax administrations (16 of them) a non-commercial SRP solution has been in use, designed by a German tax collector, for which purchasing license is unnecessary. The intention of the IMF is to inform the tax inspectors in Serbia of this solution, as part of one pilot project, and if they are happy with it, have a similar presentation held in the Republic of Srpska.

On 18 June 2015, an IMF mission held a meeting with representatives of the TARS, regarding the fulfillment of the conditions for a new arrangement for B&H. The main topics of the meeting were: the exchange of information between tax administrations, tax debts and debts on the basis of non-payment of contributions and parafiscal charges.

World Bank

On 18 March 2015 as a part of cooperation with the World Bank, the meeting was held at TARS with the topic "Research / Study on Tax Procedures Implementation Costs". By agreement on cooperation on the Project for Increasing the Transparency and Simplification of Tax Procedures, the RS Government and the World Bank Group are committed to conduct activities in the field of simplification of tax administration through process of improvement and cost reduction and
performance of these procedures, especially for small and medium-sized enterprises. The main objective of the project is the research on all tax procedures that the private sector is required to make, the research will include in all the procedures regulated in B&H, depending on the jurisdiction.

Representative of TARS attended the one-day conference organized by the World Bank Group in May of the current year in Sarajevo, on the topic "Aspects of the Bankruptcy and Creditor-Debt System in BiH". The main theme of the conference is linked to the publication of the Report on the monitoring of standards and regulations in the field of aspects of bankruptcy and creditor-debtor's system (ICR ROSC), conducted in parallel with the Financial Sector Assessment Program (FSAP) in B&H.

In the context of the mission of the World Bank, and in conjunction with a support to the program for employment and DPL (Credit Line to Support Development Policies), on 28 May 2015 the meeting was held at TARS. The main topic of the meeting was related to communication of the reform processes, as well as discussions about what the next steps are to be taken in order to ensure broad public support for the adoption and implementation of reform legislation in the area of tax policy.

In September 2015, a representative of the World Bank held a one-hour presentation in the TARS on the topic "Tax Model That Focuses on Revenue Distribution".

Swedish International Development Agency (SIDA)

An informative meeting with representatives of SIDA was held at TARS in September 2015. The main goal of the delegation’s visit was related to collection of the necessary data on the work of the Tax Administration of RS for possible assessment of the situation, as well as the suggestion of possible modalities for future cooperation. Namely, in the coming period SIDA intends to initiate a project to reform the fiscal system in B&H.

Representative of SIDA emphasized the importance of pre-filled tax returns and work with third parties, as well as the importance of data exchange and investment in the Information Technology Sector for providing better and more efficient service to taxpayers.

Representatives of TARS informed members of the delegation about the work and the current problems that the Tax Administration is facing. One of the main TARS focuses has been related to the transfer pricing, training of staff (inspectors and all employed experts involved in that particular area) as well as the introduction of electronic signatures in order to facilitate and relieve the system of communication with taxpayers. It has also highlighted the problem of mass taxation challenges, particularly of physical persons in the system of self-report taxes, and TARS interest for the possibilities offered by modern information technology for filling out the tax returns by TARS, on behalf of the taxpayers pertaining data that the TARS possess.

It has been agreed that TARS and the Ministry of Finance will present a joint proposal for the possible modalities of future cooperation with SIDA.

Fiscal Sector Reform Project (FAR)

Based on the Memorandum of Understanding signed on 15 May 2015 between the Government of the Republic of Srpska and the United States Agency for International Development
Mission (USAID) with regard to fiscal sector improvements through the implementation of the Fiscal Sector Reform Activity Project (FAR), the Tax Administration of the Republic of Srpska and holders of the Project have signed on 10 December 2015 an Action Plan on the implementation of the Memorandum in order to precisely regulate the relations between the TARS and the Fiscal Sector Reform Activity Project pertaining the implementation of activities planned in the Memorandum.

The signing of the Action plan was preceded by numerous meetings between representatives of the Project holder and TARS. The main focus of FAR Project that implements Finit Consulting is on fiscal discipline, creating a better business environment, introduction of new methods of work and electronic operations.

FAR project intends to support the TARS in improving of the business environment and reducing the burden on taxpayers through the introduction of electronic documents, enabling electronic issuance of tax certificates and providing other services to taxpayers by electronic means. Also, the FAR Project is focused on the electronic archiving of data.

The FAR Project will work in TARS on building the information system module for archiving of electronic documents in accordance with regulations governing office operations of republican administration bodies, as well as regulations that define the activity of archiving and the support to providing the services to taxpayers electronically. Implementation activities will be conducted in three phases, each one will have a clearly defined task and the expected result.

The completion of this Action Plan is expected in November 2018.

Other

On 13 December 2013 Center of Excellence in Finance (CEF) organized a high-level dialogue on tax administration and tax compliance, whereby the proposal on establishment of the Supporting Capacity Development of Tax Administrations in South East Europe Project was adopted. The overall objective of the Project is to contribute to strengthening the capacity of tax administrations, their coping with the challenges in terms of trying to reach a more effective and efficient form of risk management. The Project shall be implemented over a period of two years through 14 field seminars and learning based on the experiences and network activities with the possibility to extend to five years, depending on the results obtained and the possibility of further financing. The Project is supported by the Dutch Ministry of Finance, Center of Excellence in Finance (CEF), International Monetary Fund (IMF) and Assistance Technique France (ADETEF).

In November and December 2015, TARS representatives participated in learning events: "Strengthening Management Skills in Tax Administration Reform Processes," and "Working with Large Business Taxpayers" that took place in Ljubljana, Slovenia.

As a part of activities related to European integration, the TARS representative in the Subcommittee for Trade, Industry, Customs and Cooperation with other candidate countries on two occasions, and in accordance with the responsibilities of TARS, supplemented the document "Enclosure of B&H Institutions for the Annual Report on the Progress of B&H in the Process of European Integration for 2015" pertaining the results achieved and progress made in the period from 1 September 2014 to 1 April 2015 and 1 April – 31 July 2015.
In June 2015, the Agreement on the Stabilization and Association between B&H and the EU entered into force. In July 2015, B&H has also adopted the Reform Agenda aimed to tackle serious socio-economic situation and improvement of reforms in justice and public administration. All this imposes additional obligations to Tax Administration of the Republic of Srpska to get involved actively in the European integration processes in the fiscal area, in accordance with the constitutional competencies of the entities primarily through participation in development and undertaking of measures and activities from the Action plans for the realization of recommendations of the European Commission from the Report to B&H, and the Action plan pertaining the Reform Agenda implementation for 2015-2018.
V OTHER ACTIVITIES

5.1. Implementation of the Integrated Information System (IIS)

In 2015, the activities related to the implementation of the first ASAP phase were continued. In accordance with the Project Plan, the Action Plan of the Leadership of the project and Operative Plans of Functional Modules work was carried out on development activities on the side of the implementers and testing activities on the side of the TARS. Over 120,000 test scenarios were tested, and testing included from 60 employees weekly at the beginning of the year, to over 350 employees in the course of October and November, who were involved in the project of IIS implementation.

Training of members of project teams and regional centers priority end users were intensified, in modules CRM - Control, CRM – Enforced Collection, CRM IC - Office Operations and PSCD - Tax Accounting, and the goal of the training is to enable key and priority end users to independently carry out training of other employees (end users) in regional centers of TARS whose training was initiated in the reporting period.

In the past year there were five meetings of the Steering Committee and one session of the Collegium of the Project. At the 21st Session of the Steering Committee meeting held on 29 April 2015, the phase commissioning into production of Functional phase I was proposed, since the Project Leadership, by analyzing every aspect of their work, the time spent and the results, found that an attempt should be made to change the approach to the Project.

The very idea of phased commissioning is based on the document "Prioritizing of activities for moving to production in Phase I of the project IIS in TARS" which the director of S & T presented to the Project Sponsor, and the same was given to the opinion of the members of the Steering Committee.

In accordance with the plan of phase movement in the production of Functional phase I, starting from 23 July 2015, module HR - Human Resources was commissioned. The Final record was made pertaining to takeover of part of the project within the Functional phase I, which confirmed the completion of the successful implementation of sub-modules: Personnel Management (PA) and Organizational Management (OM) from the HR module.

The following is planned to be implemented within the Second sub phase:

- office operations in full,
- within PSCD it is necessary to completely finalize the entire development and testing of developed functionalities;
- in the context of administrative proceedings of the Control, Reprogram and Enforced Collection - parts of the procedure which have integrative relation with PSCD;
- TRM in the part of integration with PSCD and ICR for functionality of warnings for filing tax returns;
- migration of data in all cases of migration;
- interfaces associated with PSCD and other modules if it is associated with functionalities of the Second sub phase.
Owing to the increased involvement of the entire Project team, with appropriate changes in the organization and monitoring of the work of teams in September and October, there was a tendency of rapid completion of development activities. This trend continued during November and December, and at the end of December performance of the second test was enabled in the period from 22 December 2015 to 29 December 2015. The Second integration test found errors mainly in CRM teams for which its maintenance would be repeated during the period from 1 December 2016 to 18 January 2016. Given the scope and nature of errors, the Project Leadership considered it was necessary to continue with the realization of the adopted plan of movement in production.

5.2. Information Technologies

In addition to activities primarily related to the Implementation of Integrated Information System (IIS), in this period we have worked on other tasks which are not in direct relation with Project implementation.

Apart from the commitment to the implementation of new information system, one of the important activities was the project of introducing a One Stop Shop System, whose main contractor is Lanaco, and the Tax Administration as one of the key institutions. The project was successfully started at the beginning of 2014.

In the first half of the year another service was developed for taxpayers, defined as access to certain personal information through portal eServices. Through this portal, a user, among other things, can see his tax card, settled liabilities arising from taxes on real estates and the like. This portal is upgradable and it is intended that the scope of provided services increases over time. At this stage it is planned to popularize the portal with taxpayers, and future services would be implemented in accordance with the implementation of IIS.

In addition to this project, the initiative for the electronic submission of applications was initiated again in the second half of the year. A prerequisite for the execution of this project is the implementation of electronic signature. USAID, which will finance the implementation of electronic signature within the scope of its projects, has been actively involved in the project of implementation of electronic signature. The project anticipates that the implementation is completed in the first two months of 2016, by which time it is necessary that TARS enables submission and electronic signature of MPO tax declarations. Implementation of the CA body creates the assumption that all tax returns can be submitted and signed electronically, and further implementation of electronic submission of other returns will be conditioned by the implementation of IIS.

In addition to regular provision of services to external users, Ministry of Interior of the Republic of Srpska was involved in the list of beneficiaries who were given a review of paid liabilities based on the registration of motor vehicles. The service has been enabled via Web service and through the reporting system.

The current informing system (Report Server) in the previous year also played a key role in business analysis, thus in 2015, a significant number of new reports was generated: a 65 existing reports were modified and 45 new reports created. In 2015, the reporting system was launched 491.508 times, which means that the monthly average was over 40.000 runs. The most active among
external users were servicemen of the fiscal cash registers (34,056 runs), and among the public administration and funds it was the Ministry of Finance of the Republic of Srpska (1.720 runs) and the Pension and Disability Fund (1.886 runs).

In addition, numerous activities were carried out on the development and maintenance of system and communication infrastructure.

Particular importance within the IT Sector was given to activities pertaining the safety of information, as well as safety of ICT system.

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

In 2015, five coordination meetings were held with representatives of the Pension and Disability Insurance Fund which discussed current issues in the domain of functioning of the Unified System for Registration, Control, and Collection of Contributions. One of the coordination meetings was attended by representatives of the RS Employment Bureau to try and solve the problem of failure to deliver MPO-1002 tax declarations to TARS by the RS Employment Bureau.

A meeting was held with representatives of the Employment Bureau of the Republic of Srpska which adopted the proposals to solve the problem of delivery of MPO-1002 tax declarations. Namely, since December 2013 the Employment Bureau has not submitted MPO-1002 tax declarations for insured persons to Tax Administration of Republic of Srpska for which it pays assets on the basis of financial compensation, additional purchase of service and unemployment insurance. Colleagues from the Bureau pointed out that the problem is the software itself and that they will make every effort to overcome these problems in the shortest possible period. For this reason, all users meeting the criteria for retirement receive a temporary decision if in the period before entitlement to pension they had earnings on the basis of the stated grounds of insurance, that is, income on the basis of additional purchase of service or compensation.

In the reporting period, more contacts were realized with all the funds related to reporting in accordance with the Rulebook on Tax Accounting. Additionally, officials of TARS daily contact with officials of the funds if there are any problems in the exercise of the rights of the insured persons, that is, the contribution payers.

5.4. Human Resources

During 2015, 40 full-time employees left TARS, and at the same time 35 employees were hired.

The number of staff employed in TARS as of 31 December 2015 was 855, including:

- 794 full-time employees,
- 53 part–time employees, and
- 8 apprentices.

Educational structure of staff is as follows:

- 573 with university degree,
• 53 with postsecondary level of education,
• 213 with secondary level of education, and
• 16 other.

Age structure of staff is as follows:
• 6,78% staff in age group 21 to 30,
• 25,38% staff in age group 31 to 40,
• 13,33% staff in age group 41 to 50,
• 42,22% staff in age group 51 to 60, and
• 12,28% staff in age group 61 to 65.
Having recognized employee education as an extremely important aspect in realization of set tasks and objectives, TARS provided its staff a possibility to expand their knowledge and exchange experiences in different segments of tax policy through various types of seminars, trainings, and other similar events.

In 2015, 24 internal and external trainings have taken place, enveloping 832 participants/staff members.
VI LEGAL AND REGULATORY FRAMEWORK (LAWS AND RULEBOOKS)

Throughout 2015, several legal documents have been issued addressing the internal operations and processes in TARS, namely:

**Laws:**
- Personal Income Tax Law (“Official Gazette of Republic of Srpska”, no. 60/15),
- Corporate Income Tax Law (“Official Gazette of Republic of Srpska”, no. 94/15),
- Law on Changes and Amendments to the Law on Contributions (“Official Gazette of Republic of Srpska”, no. 103/15),
- Real Estate Tax Law (“Official Gazette of Republic of Srpska”, no. 91/15),
- Law on Deferred Payment of Tax Debt (“Official Gazette of Republic of Srpska”, no. 94/15),
- Law on Changes and Amendments to the Law on Fiscal Cash Registers (“Official Gazette of Republic of Srpska”, no. 91/15),
- Law on Special Solidarity Contribution (“Official Gazette of Republic of Srpska”, no. 110/15),
- Law on Professional Rehabilitation and Employment of Persons with Disabilities (“Official Gazette of Republic of Srpska”, no. 82/15),
- Law on Changes and Amendments to the Law on Residence Tax (“Official Gazette of Republic of Srpska”, no. 106/15),
- Law on Electronic Signature of the Republic of Srpska (“Official Gazette of Republic of Srpska”, no. 106/15),
- Law on Changes and Amendments to the Law on the Use, Possession and Carrying of Goods (“Official Gazette of Republic of Srpska”, no. 110/15),
- Law on the Budget System (“Official Gazette of Republic of Srpska”, no. 103/15).

**Rulebooks:**
- Rulebook on Changes and Amendments to the Rulebook on Application of Personal Income Tax Law (“Official Gazette of Republic of Srpska”, no. 2/15 and 9/15),
- Rulebook on Conditions, Manner and Procedure of Determining Tax Base by Assessment (“Official Gazette of Republic of Srpska”, no. 10/15),
- Rulebook on Conditions, Manner and Procedure on Injunction to Perform Activities (“Official Gazette of Republic of Srpska”, no. 25/15),
- Rulebook on Conditions, Manner and Procedure of Exercising the Right of Taxation of Income from Foreign Sources (“Official Gazette of the Republic of Srpska”, no. 98/15),
- Rulebook on the Content and Manner of Keeping Books and Records and the Rules for the Adjustment of Income and Expenses from Self-employment (“Official Gazette of the Republic of Srpska”, no. 98/15),
- Rulebook on the Method of Determining the Market Value of Transactions Between Related Parties (“Official Gazette of the Republic of Srpska”, no. 98/15),
• Rulebook on the Type and Amount of Expenditures Necessary for Realization of Revenues Based on Copyright, Rights Related to Copyright and Industrial Property Rights ("Official Gazette of the Republic of Srpska", no. 98/15).
CONCLUSION

In 2015, the Tax Administration of the Republic of Srpska managed to achieve planned results in all aspects of its work.

We have collected BAM 2,252 billion public revenues in 2015 that is BAM 116,69 million or 5% more comparing to the previous year. TARS has taken all actions to continue this trend of growth of public revenues that are within its jurisdiction in the future. Particular attention was paid to collection of contributions, which resulted in an increase in collection of these revenues compared to the previous year by 6%, or BAM 76.87 million. The needs of social insurance funds are certainly higher, but what we can say with certainty is that TARS engage all its resources to the maximum, both human and material, in the collection of contributions. We believe that without an increase in coverage of insurance payers, i.e. without increasing employment, a more significant raise in the collection of contributions in the Republic of Srpska can not be achieved.

In the previous period, considerable attention was paid to tax audits and investigations. 6,166 tax audits were carried out. In 2,468 performed audits, that is 64% of the total number of performed audits, irregularities that were committed by taxpayer’s were found, while in 2,346 audits of taxpayer’s new obligations were determined with interest in the amount of BAM 93.79 million.

In addition to direct methods, indirect methods for determining the tax base by assessment that represents unreported income have been applied. To make each taxpayer pay tax fairly, which means according to their incomes, earnings and assets, we have introduced this indirect method in the process of tax control, concurrently applying the Rulebook on the Conditions, Manner and Procedure of Determining the Tax Base by Assessment, which the Ministry of Finance issued in February this year.

In 2015, inspectors of the Tax Administration of the Republic of Srpska conducted 2,283 controls in reference to recording of sales via fiscal cash registers and 1,105 misdemeanor warrants were issued, and 369 taxpayers received a measure of temporary prohibition of activity. Tax Administration in all its regional centers introduced contact phones that citizens can use to report non-issuance of fiscal receipts for purchased goods or services.

Implementation of investigations was significantly increased in 2015, towards the discovery of more complex cases of illegal activities related to a serious violation of provisions of the Criminal Code of the Republic of Srpska, as well as exploring new models pertaining tax liability evasion. In 2015, inspector investigators have submitted a total of 32 reports to competent Prosecutor’s Offices with total damage caused to the budget of the Republic of Srpska in the amount of BAM 10.80 million.

Among the important activities of TARS in the past year, we single out participation of TARS in the work of the Subgroup for improvement of the work of the inspection, within the Working group for combating gray economy, that is, the Committee for Reform of Economic System. As a result of the work of this group, we single out proposal for amendments to the Law on Tax Procedure. In particular, as a novelty we single out provisions relating to registration of taxpayers, according to which TARS interdicts and takes away the TIN. Namely, in cases in which paying taxes is being avoided by physical persons who are founders of business entities that have outstanding tax liabilities and who as well establish new businesses, without meeting their commitments or liabilities of entities whose founders they were, TARS will not award them with TIN, and without issued TIN they will not be able to appear
in the payment system. We believe that these provisions will make a significant contribution to reducing the outstanding debts and "tricking" the system.

Additionally, the proposed amendments to the Law envision compulsory registration of workers in the Unified System for Registration, Control, and Collection of Contributions prior to entering work, and prohibition of carrying out activities for those who violate this provision. Significant novelties are the possibility of tax control of unregistered business entities. These measures should make a significant contribution to combating illegal employment.

In 2015, TARS intensively worked on the implementation of a portal for electronic services of the Tax Administration. Users have been allowed to review their tax cards, the list of liabilities from the Real Estate Register, civil identity cards, synthetic overview of liabilities and payment of contributions for Pension and Disability Insurance by years (from 2010) as well as an employment record.

We have initiated activities related to promotion of tax payments, primarily through education of young people. The aim of these promotional activities is to send a positive message about the importance of paying taxes and benefits resulting from it, for both the individual and society as a whole.

One of the most important activities in 2015 in the field of work of TARS is further implementation of the Integrated Information System concerning that considerable material and human resources of TARS have been engaged in these activities. Tax Administration of Republic of Srpska is making every effort to provide that the engagement of employed in the Project IIS does not affect the performance of regular tasks without additional funds, with a maximum of reorganization and rationalization of operations within the Tax Administration of the Republic of Srpska.

In accordance with the plan of phase commissioning into production of the Functional Phase I, HR module was released in the production. This means that all changes in the personnel records have been implemented in the new integrated information system. The next step is a priority commissioning into production of PSCD module, i.e. tax accounting, followed by office operations and administrative control procedures and enforced collection, as well as TRM module for submitting tax returns in the part where the integration with PSCD module exists.

In the period to come we will try to implement all tasks and goals that are ahead of us, with constant strengthening of public confidence in the tax system through full transparency of the Tax Administration.

Banja Luka, January 2016
Director
of RS Tax Administration

Zora Vidović