



PUBLIC REVENUE OFFICE



annual report
2007

Republic of Macedonia
Ministry of Finance
PUBLIC REVENUE OFFICE



Annual report 2007

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Dear All,

This is the first Annual Report of the Public Revenue Office in which we present to the public our annual activities and results achieved. This is product of the modernization process taking place within the Public Revenue Office on which very extensive work has been carried out during 2007 and the result of which is the accountability and transparency about the results achieved. This resulted in achievement of significant results in all fields of work of the Public Revenue Office in 2007.

In 2007 we managed to generate tax revenues on significantly higher level than those in the previous years and higher than what was expected. Our pleasure from the results achieved is even greater if we take into account the fact that most of the revenues were realized on the principle of self-taxation i.e. voluntarily paid by the taxpayers that declare and pay their tax liabilities. Such attitude means that the Public Revenue Office managed to strengthen its institutional position in the society. It was promoted as professional institution that is capable to resolve the tax issues and in the same time ready to assist the taxpayers in their compliance efforts as well as in the realization of their rights. Another fact in favor of winning the trust of the taxpayers and promotion of partnership relation with them is the fact that in 2007 the largest refunds of VAT ever took place, since the VAT tax was introduced. This enabled the taxpayers to increase their liquidity ratios and more easily realize their economic activities.

The operational results are important base for further upgrade and development. In the upcoming period the Public Revenue Office will continue to develop the activities related to building of the administrative capacity needed for good enforcement of the tax legislation and preparation for EU membership. In this regard activities will be undertaken for approximation to the practices and standards of the EU and shall be building the capacities of an effective and efficient tax administration that, with expanded competencies and assisted with modern management information system, will secure greater collection of taxes and other public duties.

In order to realize this goal, in the future period we will pay special attention to all issues related to the human resources, their education and raising of the quality standards of their work since this Report speaks about their results.

GENERAL DIRECTOR
Goran Trajkovski

PROFILE OF THE PUBLIC REVENUE OFFICE

Legal framework

The basic law of establishment of the Public Revenue Office (PRO) in the Republic of Macedonia is the Law on Public Revenue Office published in the Official Gazette of the Republic of Macedonia No.80, dated 30 December 1993 and entered into force from 1 January 1994. With the adoption of this Law, the then-existing National Authority for Revenues and its branch authorities – Departments for Taxes and the Departments for Inspection, continue their work, now as Public Revenue Office in its new scope, established by this Law. The new institution undertakes and includes within employees from the former Authority for Accounting of the Republic of Macedonia that perform activities related to audit (control).

The PRO bases its organization and scope of work on the Law on Public Revenue Office. It is the operational body that implements the tax policy and does collection of taxes and other public duties on the basis of the Law on Tax Procedure and special tax laws and international agreements in the area of taxes; it provides assistance to the taxpayers in their compliance efforts; monitors and analyzes the functioning of the tax system and also provides proposals for its improvement in order to increase the efficiency and effectiveness in the collection of taxes; cooperates with the tax authorities from other countries and provides international legal aid in tax matters.

The mission of the Public Revenue Office is to collect the taxes and other public duties in order to secure the functions of the state. PRO exists to provide assistance to the taxpayers with regards to their volunteer compliance. Our slogan is **Your tax, your future!**

PRO commits to respect the rights of the taxpayers in accordance with the **Charter of the Taxpayer Rights** and provide:

- Confidentiality and secrecy
- Professional and correct service
- Equal treatment of all taxpayers
- Payment of the true amount of tax
- Efficient operations
- Selection for audit on the basis of established criteria
- Right on appeal and litigation

The PRO is **financed** from the following sources:

- National Budget of the Republic of Macedonia
- Revenues from agreements signed related to realization of audits and collection of public duties
- 25% from the revenues coming from identified and collected taxes and revenues
- Other revenues foreseen by the Law

In 2007 the PRO had available funds in the total of 700 million denars (429 million denars i.e. 61,31% were received from the National Budget of the Republic of Macedonia while 271 million denars i.e. 38,69% are own revenues realized). 30,41% of these own funds are carried forward from the previous year as surplus of funds, 15,44% come from non-tax revenues while 54,14% originate from tax revenues that the PRO is legally entitled to use.

The total expenditures of the PRO for 2007 are 594 million denars whereas 65,71% are the gross salaries of the staff while the rest is the costs for running and investment maintenance, printing and keeping of the control excise stickers, forms and other working materials. The surplus of 105 million denars of the realized revenues has been carried forward into 2008.

Efficiency and effectiveness in the business operations

In 2006, having a total of 1.251 staff, the PRO collected a total of 52.847 million denars of taxes which translates into tax revenues realized in the amount of **42,2 million denars per employee.**

In 2007, having a total of 1.231 staff, the PRO collected a total of 61.337 million denars of taxes which translates into tax revenues

realized in the amount of **49,8 million denars per employee.**

Total expenditures made by the PRO in order to achieve the results in **2006** were 684 million denars which translates into **547 thousand denars costs per employee.**

Total expenditures made by the PRO in order to achieve the results in **2007** were 594 million denars which translates into **483 thousand denars costs per employee.**

On 31.12.2007 the PRO employs a total of 1.231 persons.

The structure of these 1.231 employees, regarding their educational background, is the following:

- ◆ 50,77% with higher education,
- ◆ 14,95% with tertiary education,
- ◆ 33,39% with secondary education, and
- ◆ 0,89% with elementary education.

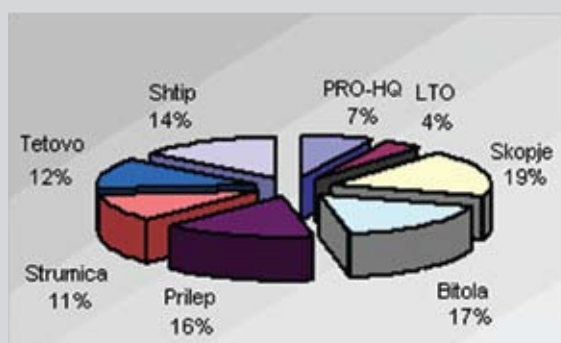
The age structure of the staff is as follows:

- ◆ 9,01%- age group of 20-34 years
- ◆ 37,78- age group of 35-49 years
- ◆ 47,6%- age group of 50-59 years
- ◆ 5.61%- age group of over 60 years

The unfavorable age structure of the staff as well as the relatively high percentage of

higher education staff is improved in 2007 with the hiring of 42 young people with higher education. These young people have various profiles (economists, lawyers, IT persons) which introduces new quality in the structures.

Allocation of the staff per Regional Offices



Acknowledgements and awards for the staff

The goal of the PRO is to transform into place of choice for work and carrier progress for the young, educated and progressive people which are ready, during their career, to improve their knowledge and introduce innovations in their working processes. Therefore, working with the human resources becomes one of the central activities that related to the modernization process and the full realization of the program activities are expected in the following year.

The Day of tax officers – St. Mathew, Protector of the tax offices and the only tax officer among the 12 Saint Apostles (celebrated on 29th November) was celebrated and accompanied with awarding of acknowledgements for professionalism and efficiency in the work of the Sector for Collection and Assessment of Taxes in the PRO HQ and the Regional Office Skopje, including rewards to ten employees for achieved results in their work.

Organizational structure

The PRO functions on the entire territory of the Republic of Macedonia. It is authority in the frames of the Ministry of Finance and has the status of legal entity. It performs its activities according to the regional division and size of the taxpayers, as follows: General Headquarters in Skopje, six Regional Offices, one Office for Large Taxpayers (LTO) and twenty four Local Offices



RO SHTIP

LO Kumanovo
LO Vinica
LO Delchevo
LO Kochani
LO Kratovo
LO Kriva Palanka
LO Probishtip
LO Sveti Nikole

RO SKOPJE

RO TETOVO

LO Gostivar
LO Kichevo
LO Debar

LARGE TAXPAYERS OFFICE

PRO HQ DIRECTOR

SECTORS DIRECTLY RELATED TO SUPPORT THE DG WORK

- *Issues directly related to the General Director*
- *Internal audit*
- *Legal issues*
- *Objections*

SECTORS PER FUNCTION

- *Taxpayer services and taxes*
- *Tax assessment and collection*
- *External audit*
- *Enforced collection*
- *Strategic planning and development, analysis and statistics*

OTHER SECTORS

- *Human resources management and education*
- *Budget and finances*
- *IT technology*
- *General issues*

RO PRILEP

LO Veles
LO Kavadarci
LO Krushevo
LO Makedonski Brod
LO Negotino

RO BITOLA

LO Struga
LO Ohrid
LO Resen
LO Demir Hisar

RO STRUMICA

LO Berovo
LO Valandovo
LO Gevgelija
LO Radovich

FACTORS AND ENVIRONMENT

The following factors had the major impact on the work of the Public Revenue Office and on the amount of the tax revenues that were generated by the PRO in 2007:

- The macroeconomic environment
- The Decision for Establishment of the Strategic Priorities of the Government of the Republic of Macedonia in 2007
- Changes in the tax legislation
- The National Program for Adoption of the EU Acquis
- The Project for Technical Assistance in the Implementation of the Tax Administration Reform for the period 2005-2008, implemented by the Fiscal Affairs Department of the International Monetary Fund
- Program for Stimulation of Investments in the Republic of Macedonia 2007-2010
- The PRO Strategic Determinations for the period 2007-2009

Macroeconomic environment

The Republic of Macedonia in 2007 achieved the best economic results so far, compared with the entire transitional period, with positive trends in all sectors of the economy. According to the estimations, the real increase of the GDP in 2007 was 5,1% which was accordingly reflected in the tax revenues.

Changes in the tax legislation

The amount of revenues realized in 2007, on the basis of the Annual Accounts for 2006 and ongoing for 2007 was mainly influenced by the changes and amendments in the Law on Profit Tax and the Law on Personal Income Tax that were made at the end of December 2005 and 2006 as well as the changes and amendments in the Law on Value Added Tax, which resulted in the change and amendments of the Decision for Establishment of Products that are Subject to Preferable VAT Tax Rate.

The changes and amendments of the Law on Profit Tax and the Law on Personal Income Tax introduced the so called flat tax rate i.e. the profit tax and the personal income tax are now taxable at the rate of 10%, with transitional 12% rate in 2007. There were also significant changes made with regards to the tax incentives and relieves.

The changes in the laws that regulate the tax on revenues significantly increased the tax base and abolished certain tax relieves,

The changes and amendments in the Law on VAT have expanded the application of the favorable tax rate of 5% on other products (drugs and certain medical accessories, computers and PC software, terminal solar systems and components as well as turnover of services related to transport of people and their luggage).

National Program for adoption of the EU Acquis

The main task of the PRO, in accordance with the National Program for Adoption of the European Union Acquis, is strengthening of its administrative capacities for implementation of the tax legislation and for fight against the tax evasion. It is a summary of many measures, the most important of which is the need to undertake reforms in the policy of audit and strengthening of its capacities, adoption of comprehensive strategy for collection of taxes, strategy for introduction and development of services towards the taxpayers, especially the electronic services and introduction of administrative support

and mutual assistance with the European Union countries.

Project for Tax Administration reform 2005-2008, implemented with the IMF Fiscal Affairs Department

The goal of the project is gradual integration, in the PRO, of collection of the social contributions which are at the moment collected by three Funds. The aim is to collect them together with the taxes. For this purpose, starting from 2005, the Public Revenue Office created complex program for improvement of the capacities related to collection of revenues which is supposed to provide the following in short-term and middle-term:

- Increased level of compliance to the legal obligations by the taxpayers, manifested in increased volunteer compliance
- Provision of better services and simplified procedures that will reduce the compliance costs for the taxpayers
- Reduction of the operational costs and increased efficiency and effectiveness of the PRO through overall development of the human resources, professionalism and business environment for the staff

Program for stimulation of investments in the Republic of Macedonia 2007-2010

The Program for Stimulation of Investments in the Republic of Macedonia 2007-2010 aims to develop policies and undertake reforms that will result in more dynamic economic development of the country, through development of three pillars: increase of local and foreign investments, increased competitiveness of the companies and improved capacities of the public institutions for implementation of the reforms. In these frames, the development of the PRO, as institution in charge to collect the taxes and social contribution, has been evaluated as very important. For this purpose it is necessary to strengthen its material and staff capacities, introduction of new strategies for audit, improved working procedures, introduction of programs for training of the staff and increased transparency in the work.

Strategic determination of the PRO for the period 2007-2009

The main goals of the PRO for the period 2007-2009 that were established as strategic priorities are the following:

- Reduction of the compliance costs for the taxes and social contributions
- Development of professionalism, equality and integrity of the human resources in the PRO
- Improvement of the overall efficiency
- Activities to fight the non-compliance related to taxes and social contributions
- Harmonization of the PRO practices with the European Union Standards

These documents are part of the modernization program of the PRO. Furthermore, within the the PRO there is clear vision and full support that is manifested through numerous initiatives for their realization.

MODERNIZATION

In order to harmonize our practices with the European Union standards, we are currently support by the international support provided by the IMF, EU CAFAO MAK, Ministry of Finance of the Dutch Government and we have ongoing cooperation with the Intra-European Organisation of Tax Administrations (IOTA) etc.

We expressed our gratitude by awarding acknowledgments for special support and contribution to the modernization efforts to the Royal Dutch Embassy in Macedonia, to Mr. Stan Shrosbree, IMF Tax Reform Advisor and to the European Union CAFAO office in Macedonia.

Very important for realization of the modernization projects are the consultancy programs realized in the frames of the Technical assistance provided by the IMF Fiscal Affairs Department and the Program for Fiscal Support of the European Union. These two tackle the issue of the functional organization of the PRO and its efficient function, development of the human resources, establishment and functioning of the IT, development of taxpayer services and increased level of their volunteer compliance with the tax obligation. This also includes development of Audit Strategy and special methods for audit, processing, late declaration of taxes and methods for collection of taxes, strategy for performance measurement, activities related to harmonization of the basis of the social contributions and the personal income tax, including development of communication and transparency of the PRO in the public relations.

PRO projects in 2007:

- **Improvement of the legal framework** - The adoption of the Law on Public Revenue Office established legal framework for restructuring of the PRO HQ and introduction of changes in the organization on regional and on local levels, in accordance with the principles of functional organization, including establishment of the Large Taxpayers Office (LTO). In 2007 developed and put into procedure for adoption were changes and amendments of this Law. The changes have established introduction of concept of new business model (right now there is work ongoing on this model) which will be introduced with the changes of this Law and will enable decentralization and wider implementation of services to the taxpayers through operational units. It will also regulate the status of the employees as “tax servants” which will result in increased professionalism and efficiency in the work.
- **New strategy for taxpayer services** which started its implementation aims to train and encourage the taxpayers to voluntarily meet their tax obligations, without the PRO intervention.
- **Public relations** - The PRO communication with the public is based on the principle of transparency, interactivity and involvement of all interested stakeholders. We see the PR component as factor in

the establishment of values in the institution and improvement of the public trust. For this purpose, a comprehensive communication strategy was adopted, including the new corporate image, logo and slogan of the PRO.

- **Collection program** - In the fight against tax evasion, in 2006 we started to develop a comprehensive program for collection on the basis of which in 2007 activities have started and resumed related to improved collection of outstanding liabilities and related to late tax returns. Strategy was adopted, including plan and methods are being developed for assessment, selection and collection of debt as well procedures for their implementation, including education of the staff. In 2007 basis were established for centralized processing of the tax returns which is expected to yield greater efficiency in the work and accuracy of the data.
- **Performance measurement** - One of the key elements of an effective tax administration is well designed system for measurement of the results from its work. The PRO established specific standards for work on the key tax functions. They aim to improve the efficiency, effectiveness and the accountability of the organization with regards to the performance and strengthen its systems to manage the results.
- **Improving small and medium tax environment** - Another measure for improvement of the overall capacity of the PRO is also the improvement of the work related to small and medium taxpayers and its realization through the Pilot Project in the Regional Office Shtip. This activity will also continue in the following year. Strategy was adopted for realization of the pilot project as well as operation plans for development of the main functions, and these are currently in the pipeline of implementation.
- **External Audit reform** - During 2007 structural measures were implemented for reform of the audit policy, by developing strategy for revision and appropriate objective systems for audit, including planning criteria. Their adoption enabled identification of objective criteria for selection for audit, risk factors for special taxes and for special status of companies in order to avoid subjective approach in the selection for audit and discriminatory application of the legislation.
- **Human resources** - Strategy for Development of the Human Resources has been developed. The strengthening of the human resources does not take place only through their increased number but also as re-allocation of the staff in order to better meet the needs of the working place, improvement of the working conditions and technical base as well as introduction of comprehensive programs for training. Implementation of the new Code of Conduct has started. Also important are the activities for participation in international educational programs, seminars, workshops, study visits to foreign tax administrations, participation on forums and conferences.
- **International Cooperation** – On the initiative and organized by the Public Revenue Office, the First Conference of the Tax Authorities from the Balkan Region took place on 1-3 October 2007 in Skopje. The intention is introduce this event as traditional annual meeting of the tax administrations for the purpose of exchange of knowledge and experiences.
- **Internal audit** - The function of the internal audit is being improved, as internal controlling system for compliance to the laws, policies, strategic goals, internal rules and procedures, cost-efficiency and effectiveness in the use of resources, including appropriate audit of the risk. This tool is used by the PRO management in order to improve the processes of management and introduction of new practices that are needed.

- **IT System** - Entire 2007 has been dedicated to construction of the new Study for the New IT System of the PRO which is supposed to realize the new IT Strategy and establish new case management system. This process will start its development in 2008.

All individual modernization programs are focused on the common goal – the project for work with small and medium taxpayers which, in fact, should be the picture of the future modern tax administration. In other words, after the establishment and organization of the Large Taxpayers Office which succeeded in the improvement of the compliance and improvement of the services to the largest business entities in Macedonia, the entire PRO potential was focused on the processes of reorganization, training of the staff, technical, spatial and other improvements of the Regional Office. In order to acquire realistic picture of the current situation in which the PRO was in at the beginning of 2007, batch of questions were developed regarding all segments of the PRO work. These questions were provided to the taxpayers in a form of Survey of the Opinion of Our Clients.

WHAT IS THE PICTURE ABOUT US IN THE EYES OF THOSE WE EXIST FOR

In June 2007 an independent specialized company implemented Survey about the level of satisfaction by the taxpayers from the PRO work in various aspects:

- *Standards in the provision of services*
- *Efficiency in the work*
- *Transparency in the procedures*
- *Professional integrity of the Staff*

The Survey was implemented on a representative sample of 703 small and medium taxpayers all over the country which represent the attitude of our clients. The aim of this Survey was to help us build tax administration that is

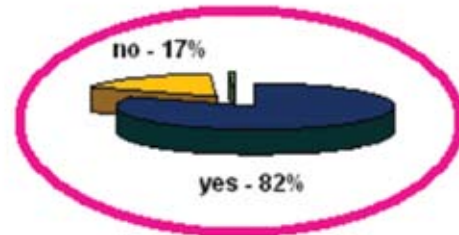
- *Efficient*
- *Fair and*
- *Service oriented*

WHAT ARE THE RESULTS FROM THE SURVEY?

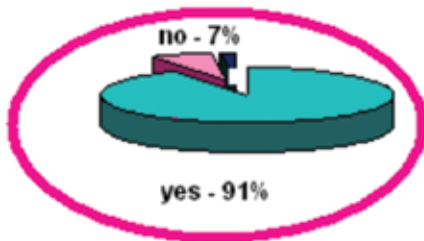
The taxpayers responded that they are:

- Well informed about the tax procedure----- 82%
- That the information received from the PRO are correct and legal-----78%
- That the information is clear and understandable-----71%
- That the information is easy to access-----77%

Do you have sufficient information for the tax procedure?



Do you think that the tax inspectors were objective in controlling your company?



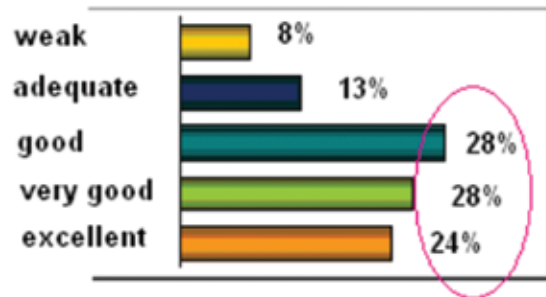
Satisfaction from the attitude of the PRO staff

- The PRO staff treat the clients with respect -----81%
- They meet their obligations in time -----79%
- They act fairly -----89%
- The auditors are objective when performing audits -----91%

About the working procedures:

- It is simple to fill in the tax returns -----88%
- The procedures are clear-----72%
- They are done in reasonable time -----80%

Speed of tax procedures



**How can we increase the rate of voluntary tax collection?
By better informing taxpayers**

no - 20%



yes - 80%

How to improve the volunteer tax compliance was the question to which 80% of the clients surveyed responded with development of services and communication with the taxpayers.

The modernization processes aim to increase the operational efficiency in the realization of all tax procedures. This will facilitate the access of the taxpayers to the administration and will simplify the realization their tax obligations. In 2007 the Public Revenues Office managed to promote itself as an institution that is professional and capable to efficiently resolve the tax issues – an institution that is ready to assist the taxpayers. This resulted in the increase of the tax discipline among the taxpayers and increased tax revenues.

Considering the above, the following specific results were achieved...

TAXPAYER SERVICES AND REGISTRATION

In 2007 the Public Revenues Office administered a total of 125.604 taxpayers, whereas:

• Legal entities	105.304
• Sole proprietors	20.300
<i>New registered taxpayers - [increase of 6,5 % compared to 2007/06]</i>	
Legal entities	10.981
Sole proprietors	2.432
<i>Deregistered taxpayers - [increase of 50,0 % compared to 2007/06]</i>	
Legal entities	3.979
Sole proprietors	1.499

From the total number of taxpayers, 32.995 are registered for VAT. During the year a total of 4.433 new taxpayers were registered for VAT and this status was abandoned by 2.843 taxpayers.

In accordance with the Law on Registration of Cash Payments, in the period 2002-2007 a total of 51.121 taxpayers installed a total of 65.090 cash register machines (this is called fiscalization process).

Regarding the attitude towards the taxpayers, the PRO adopted a Strategy which aims to increase the level of relations towards the taxpayers, to establish means and mechanisms for better access by the taxpayers to information they need, this increasing the level of awareness about their social role in the society with regards to the need to pay taxes. For this purpose activities were undertaken which mean:

The Taxpayer Services and Registration Function is performed with 217 staff

Simplification of the procedures and reduction of direct contact with taxpayers

The introduction of the simplified procedures to declare and pay taxes, especially the profit taxes, facilitates the compliance and creates an environment for volunteer compliance.

The simplification of the procedures, the shortening of the time needed for their realization and elimination of the need for the taxpayers to come in person in the PRO are the main reasons for introduction and expansion of the electronic tax services. The PRO enabled electronic link with the Central Registry of the Republic of Macedonia which is used for the functioning of the one-stop-shop system for registration of legal entities and persons registered in other master registries in the Republic of Macedonia. In this system, the PRO plays active role in the allocation of the Tax Identification Number (TIN) in order to identify each and every taxpayer in the tax procedure and its electronic submission within 90 minutes to the Central Registry which registers the TIN in his Decision for Registration of particular entity.

In the LTO it is possible for all taxpayers to use the e-tax system for submission of all tax returns. In 2007 the activities for stimulation of wider use of the e-tax system have continued.

In order to simplify the taxation procedures legally it was introduced and promoted new simplified system for taxation of small taxpayers with tax on the total revenues which replaces their complex calculation of profit tax. Also introduced were simplified tax returns for personal income tax which enabled timely declaration of the tax liabilities and greater accuracy of the information.

The provision of better services in a form of correct and timely information and education, the PRO works on the establishment of socially aware taxpayers that understand the tax system and the function of the taxes. The 2007 was characterized with development of special programs for services for the taxpayers which include development of: Strategy for Services, knowledge base on how to use the redesigned website of the PRO as well as Contact Center (which will be realized in 2008), development of Citizens Log, education and information written materials and also organization of seminars and information events for the taxpayers.

Education, information and assistance

Telephone contacts with the taxpayers -----	33 097
Face to face communication with taxpayers -----	20 335
Correspondence (opinions and answers) to the taxpayers -----	874
Visits to the green markets -----	127
Semianrs for the people using stands on the green markets -----	31

The goal of the PRO is to train the taxpayers in independent and responsible compliance and is providing them with the necessary education and timely information. Many brochures, guides, fliers, notifications and information were developed in 2007 meant to assist the taxpayers. Also provided were educational services by providing answers to letters, to verbal and electronic questions, and there were also numerous direct meetings with the taxpayers.

In 2007 we started to implement advisory and information visits aimed to assist the taxpayers on how to use the regulations, especially in the start-up period of their work. They were explained with their obligations and compliance deadlines but this was also an opportunity for the PRO to obtain

information about the taxpayer's business, trends, impacts and risks that influence his revenues. Very important are the advisory visits in the frames of the Pilot Project for work with small and medium taxpayers in the Regional Office in Shtip and the advisory visits by the LTO account representatives that aimed to inform the new taxpayers that were included under the umbrella of the LTO from 1 January 2008.

In the frames of the Program for Reduction of the Shadow Economy in the Republic of Macedonia there was wide media campaign, through the national and local media, there were numerous information and educational visits to the green markets and educational seminars for the people using stands on the green market in order to inform them and educate them about the legal obligations, including opportunities and procedures for appropriate registration and fiscalization.

One of the reasons for increased number of registration of new taxpayers and increased tax revenues is the implementation of the said programs

PROCESSING OF TAX RETURNS, TAX ASSESSMENT AND COLLECTION PROCEDURES

The speed and efficiency of the procedure of acceptance and processing of information from the tax returns, the accuracy and timeliness – are all preconditions for realization of the following functions – tax assessment and collections. The main goal is to achieve maximum inclusion of the taxpayers and high level of volunteer compliance with their tax liabilities. For this purpose Strategy for Increase of the Volunteer Declaration of Taxes and their increased collection has been developed.

Strategy for Increased Declaration of Taxes and Their Collection

This Strategy should enable development of comprehensive programs for introduction of new methods of receiving and processing of the tax returns, improvement of the collection of taxes and introduction of mechanisms for increased collection tax debts that are not timely and voluntarily paid, as well as stimulation of the volunteer declaration and payment of taxes by the taxpayers.

The following tax returns were received and processed in 2007:

Tax Returns processed in 2007

•	VAT tax returns -----	128.067
•	Excise returns for mineral oils -----	144
•	Excise returns for alcohol and spiritis -----	36
•	Monthly Tax Balance for Profit Tax -----	169.272
•	Annual Tax Balance for Profit Tax -----	60.422
•	Monthly Calculation of the Payer of the Salaries -----	545.489
•	Annual Tax Return for Personal Income Tax (citizens) -----	19.447
•	Advance Payment Tax Returns for:	
	Revenues from real estate and real estate rights -----	3.738
	Revenues from performing independent activity -----	14.684
	Revenues from capital gains -----	12.618

In 2007 in the LTO agreements were signed for the use of E-Tax system for filing of tax returns with 119 taxpayers (from the total of 133 that were under the umbrella of the LTO in that year).

Electronic Tax Returns received in the LTO in 2007

•	VAT Tax Return -----	1.122
•	Monthly Tax Balance for Profit Tax -----	1.198
•	Monthly Calculation of the Payer of the Salaries -----	1.161

The main principle in the assessment of the tax, in accordance with the existing legislation, is the principle of self-declaration and self-assessment. However, in particular cases this means that the tax assessment will be done by the PRO with adoption of Tax Decision, in cases which are not prescribed by the Law to do self-assessment where, beside the fact that self-assessment was made, tax decision must be adopted, when the tax payer is assessed to be fully or partially relieved from taxes, when his request for tax assessment has been rejected or when there are deviations from the self-assessment by the taxpayers. In 2007 the PRO adopted the following Tax Assessment Decisions:

Tax assessment issued in 2007

•	Physical persons perform in crafts -----	1.112
•	Annual Revenue of Physical Persons -----	46.413
•	Revenues from performing independent activity -----	16.351
•	Revenues from real estate and real estate rights -----	6.450
•	Revenues from capital gains -----	12.058
•	For collection of litigation fees -----	6.140

In accordance with the Strategy for Increased volunteer declaration of taxes and their increased collection, the principle of “quick identification and early reaction” is used for the accrued debt in the payment of taxes. These activities are implemented in all organizational units of the PRO where the most peculiar are those undertaken in the Large Taxpayers Office (LTO).

In cases when there is no volunteer payment of taxes there are various procedures for collection in accordance with the status of the debt and the capacity of the debtor – collection of tax debt with offsetting with surplus of other tax paid, postponed enforcement on the basis of guarantees (collateral) provided, interim writing-off of tax, seizure and cashing of assets, and other measures foreseen by the Law on Tax Procedures.

The PRO identifies the “outstanding” tax debt, notifies the taxpayers about the amount of the tax debt and is using the available instruments for collection of such debt – all towards collecting the debt but without disruption of the economic capacity of the taxpayer.

Collection procedures of the PRO in 2007

- **Off-setting and re-allocation of surplus and incorrectly paid taxes**
- Procedures for offsetting of surplus tax paid against the tax debt -----1.609
[increase by 102% compared to 2007/06]
- Procedures for reallocation of surplus and incorrectly paid taxes -----7.960
[increase by 6% compared to 2007/06]
- **Cessions- Payments with cessions** -----1.462
- **Reprogramming (deferred payment)**
- Procedures implemented for all types of taxes -----185
- **Temporary writing-off of taxes**
- Procedures in cases when the collection fails or when the collection costs are
disproportional with the tax debt -----3.223
- **Warnings**
- Warnings issued for collection of debt for taxes and other auxiliary duties -----22.921
[increase by 4% compared to 2007/06]
- Upon which payments were made -----1.295
- **Enforced collection**
- Prohibition for the debtor to use his finances (frozen bank account) -----5.575
[increase by 67% compared to 2007/06]
- Collection procedure from movable and non-movable assets -----56
[[increase by 91% compared to 2007/06]
- Collection procedure from debtors that have liabilities towards the
the debtor -----129
[increase by 1.512% compared to 2007/06]
- Collection procedures related to personal revenues -----2
[increase by 991% compared to 2007/06]
- **Collection of court (litigation) fees**
- Procedures for enforced collection of litigation fees, upon request by the courts -----256

In 2007, the PRO, in accordance with the official records and upon request by the taxpayers and other institutions, realized the following activities:

• Tax clearance certificates -----	131.619
- For legal entities -----	13.433
- For sole proprietors -----	5.689
- For physical persons -----	112.497
• Conclusions for unpaid taxes -----	460
- For legal entities -----	438
- For sole proprietors -----	18
- For physical persons -----	4
• Procedure for refund of surplus and incorrectly paid taxes -----	807
[increase of 7,3% compared to 2007/06 7,3]	
• Requests for collection of litigation fees -----	12.518

In 2007, the Public Revenues Office, in accordance with the authorizations vested from the Law on Corruption Prevention and the Law on Personal Income Tax, implemented procedures for additional assessment of tax in the cases when the revenues are partially or completely undeclared and un-taxed.

Special procedures for additional assessment of tax

Procedure for examination of the assets and wealth status of appointed or elected official as well as other officer or responsible person in a public enterprise, public institution or other legal entity that includes state capital

• Total number of procedures -----	3
• Tax assessed -----	9.185.658 denars

Procedure for assessment/examination of assets when the person has assets or has funds greater than the funds taxed, revenues on which no tax has been assessed or incompletely assessed

• Total number of procedures -----	46
• Tax assessed -----	301.295.856 denars

The assessment and collection Function is realized with 472 employees whereas 148 work in the enforced collection

EXTERNAL AUDIT

The external audit function is performed with 305 employees, 232 of which are tax auditors

The external audit purpose is to reconsider and assess the legality and timely realization of the tax liabilities of the taxpayers.

In 2007 a **Strategy for planning of the External Audits** has been adopted. It identifies the key goals that should be realized and establishes the methods and strategies that will be used to realize these goals. In order to implement the Strategy and better plan and improve the process of work, risk criteria were developed for selection of cases for external audit, info packages that include the features and the most important information for the taxpayers, including sets of helpful tools with the necessary indicators.

New audit methods were introduced tested via pilot projects. These methods are:

- correspondence audit
- office audit
- field audit (package of audits)

The following are being developed as separate strategies:

- Strategy for Integrated External Audit,
- Strategy towards High Wealth Individuals which also includes identification of the high wealth persons and creation of database, and
- Strategy for identification of unregistered taxpayers, audit, registration and indebting with tax as a measure to fight the tax evasion and shadow economy.

In 2007 development has started on special audit methodology in the registration of new business, full audits methodology, methodology for audit of the opportunities and types of collection of debt, development also started on the audit methods related to fight against corruption and other punishable acts.

The following results were achieved with the use of the external audit methodology:

AUDITS PERFORMED

Audits performed in 2007 -----	19.977
Audits performed in 2006 -----	24.749
[Reduction by 19% compared to 2007/06]	
With irregularities-----	4.585 or 23%
Without irregularities -----	15.392 or 77%

RESULTS ACHIEVED - in denars

Irregularities identified in 2007 -----	3.696.876.273
Irregularities identified in 2006 -----	2.910.849.570
[increase by 27% compared to 2007/06]	
Taxes collected following audit in 2007 -----	585.400.731
Taxes collected following audit in 2006 -----	436.042.721
[increase by 34% compared to 2007/06]	
Findings that increase the realization of the taxes in 2007 -----	1.063.774.456
Findings that increase the realization of the taxes in 2006 -----	640.806.167
[increase by 66% compared to 2007/06]	

Related to the activities for reduction of the shadow economy, the entire year of 2007 has been featured with numerous audits related to introduction and use of the cash register systems (so called fiscalization process).

AUDITS PERFORMED for cash registers

Audits performed at taxpayers	6.903
They use cash register	5722
They do not use cash register	765
They do not have cash register	401
Filed request for cash register	15

MEASURES UNDERTAKEN

Invitations for mandate penalties – legal entities	879
Invitations for mandate penalties – physical persons	154
Invitations for mandate penalties – responsible persons	882
Misdemeanor procedures initiated	839
Businesses closed	1.026

The external audit uses and acts upon information received on the free hotline 198 that provides and opportunity for the citizens from all over Macedonia to declare incorrect or illegal work of the taxpayers, including non-professional and corruptive behavior of the taxpayers. This line is used by the PRO for:

198 HOTLINE

- ***Prevention of corruptive behaviour of the staff***
- ***Prevention of non-professional attitude of the staff***
- ***Increased level of use of cash registers (fiscalization)***
- ***Increased number of registered taxpayers***
- ***Remedy of other deviant cases and phenomena.***

In accordance with the Survey implemented among the taxpayers regarding the level of satisfaction of the taxpayers from the PRO work, when asked about the 198 hotline their attitude was:

- ◆ ***Very efficient***24%
- ◆ ***Partially efficient*** 49%
- ◆ ***Completely inefficient***12%

OTHER ACTIVITIES

The PRO acts on ex officio basis upon objections filed by the taxpayers. An appeal can be against tax administrative act (tax assessment or decisions related to regular and enforced collection. The legal experts of the PRO initiate requests for initiation of misdemeanor and criminal procedures against citizens and others, and perform other legal duties such as advocating of the PRO in front of the courts and involvement in bankruptcy and administrative-accounting disputes.

The legal issues are handled by 38 persons, 15 of which work on dealing with objections

In 2007, the PRO acted upon objections filed by the taxpayers in the following manner:

OBJECTIONS

Objections filed against tax administrative acts	-----3.112
Objections filed by:	
- Legal entities	-----1.554
- Sole proprietors	----- 445
- Physical persons	-----1.113

PROCEDURES IMPLEMENTED BY THE PRO

Decisions adopted with regards to the objections	-----2.809
Dismissed as ill founded	-----332
Partially accepted objection	-----126
Objection accepted	-----722
Rejected as unjustified	-----1.629

PROCEDURES INITIATED

Request for initiation of misdemeanor procedure	-----11.045
Criminal procedures	-----152

THE WEALTH OF THE STATE IS BUILT UPON THE TAX REVENUES

The tax revenues in Macedonia are the most important instrument for financing of the State functions. The funds collected in the National Budget are used in the areas of social protection, employment, education, culture, health, investments in sports, provision of funds for pensions, for subsidies in the agriculture, for employment of single parents and orphan children, for realization of infrastructural projects...

Your tax, Your future!

The National Budget of the Republic of Macedonia for 2007 has been projected in the amount of 79.522.497.000 denars. During the year two rebalances of the Budget were made. The first one happened in August 2007 whereas the total revenues were projected in the amount of 91.540.812.000 denars and the second one was in October 2007 where the total revenues were projected at the amount of 94.392.812.000 denars. With the second rebalance, the amount of revenues planned has been increased by 18,7% compared to the initial projections. The assumptions for the two rebalances were based on the increased realization in all types of revenues.

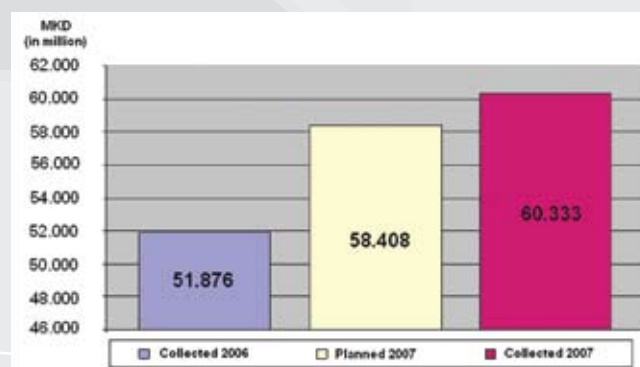
The rebalances of the Budget corrected the total amount of tax revenues. Initially, a total 53.512.000.000 denars were planned but this amount was increased to 56.641.000.000 denars with the first rebalance and then to 58.408.000.000 with the second rebalance (9,2%). The amounts for each and every type of tax were increased differently, in accordance with the projections for their realization. This caused change of the individual participation into the total revenues. In accordance with the realistic movements, the rebalances are accompanied with increased participation of the personal income tax, especially the profit tax and reduction of the participation of the VAT and excises.

The trend of increasing of the planned and realized tax revenues is present in all previous years. The amounts of revenues planned in each and every year, compared to the previous year (for the period 2003-2007) are higher. From 43.986 million denars in 2003 reached the level of 58.408 million denars in 2007. In this regard, the increase intensity in each and every year, compared to the previous year, is different and it was greatest in 2007 when, compared to 2006, the revenues are planned to increase by 14,4%. The amount of the total tax revenues realized in the National Budget of the Republic of Macedonia in 2007 was 60.333 million denars and it is the greatest amount of tax revenues registered ever.

Tax revenues in 2007 are:

- ◆ 3,3% greater than project (compared against the second rebalance)
- ◆ 16,3% greater than those realized in 2006

TAX REVENUES PLANNED AND REALIZED



The VAT and excise contribute with largest extent in the structure of the taxes, same as in the previous years

STRUCTURE OF THE TAXES COLLECTED

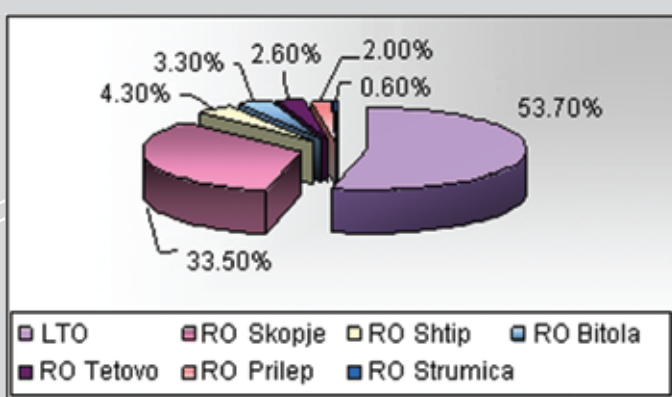
- ◆ VAT ----- 54,63%
- ◆ Excise ----- 20,56%
- ◆ Personal Income Tax ----- 14,74%
- ◆ Profit Tax ----- 9,77%

The main mission of the PRO – to support and stimulate the volunteer declaration and payment of taxes by the taxpayers, without PRO intervention – has been met to great extent in 2007. This is evident from the structure of the manners of collection of all taxes. This yield is a result of the new strategies for collection of taxes, activities derived from the strategy for taxpayer services strategy and increased transparency and publicity in the work of the PRO.

COLLECTION STRUCTURE

Total net tax revenues collected	60,333,226,454	100,00%
• Volunteer payment	53,307,895,506	88,36%
• Revenues from audits 75%	439,556,977	0,73%
• Collection of PIT following PRO Decision	1,151,313,655	1,91%
• Collection with offsetting and re-allocation	611,312,783	1,01%
• Collection with cessions	192,592,585	0,32%
• Reprogramming – deferred payment	549,603,066	0,91%
• Interim writing-off of tax	1,455,583,744	2,41%
• Collection after warnings	1,088,807,000	1,80%
• Enforced collection	1,476,913,000	2,45%
• Special procedures	59,648,138	0,10%
<hr/>		
• Revenues from audits (25% goes for the PRO)	146,519,403	
• Volunteer payment for other clients	857,092,980	
Total gross tax revenues collected	61,336,838,837	

PARTICIPATION OF THE REGIONAL OFFICES IN THE TAX REVENUES



The participation of the individual regional offices is unequal in the amount the total tax revenues realized. This is related to the total economic capacity of the regions and concentration of the large taxpayers in the LTO.

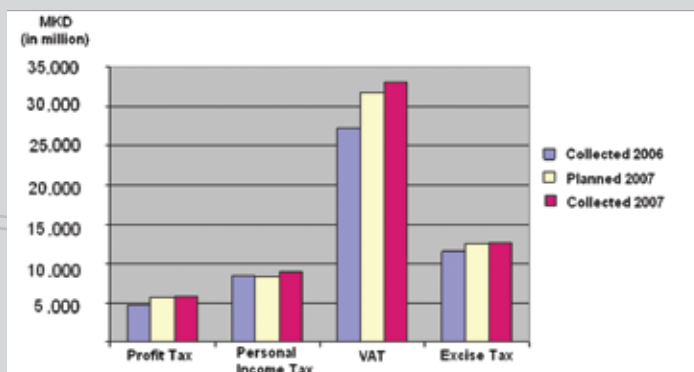
The increasing trend in the collection of taxes for 2007 (compared to the collection in 2006) is for all types of taxes.

PROFIT TAX - Profit Tax

PIT - Personal income tax

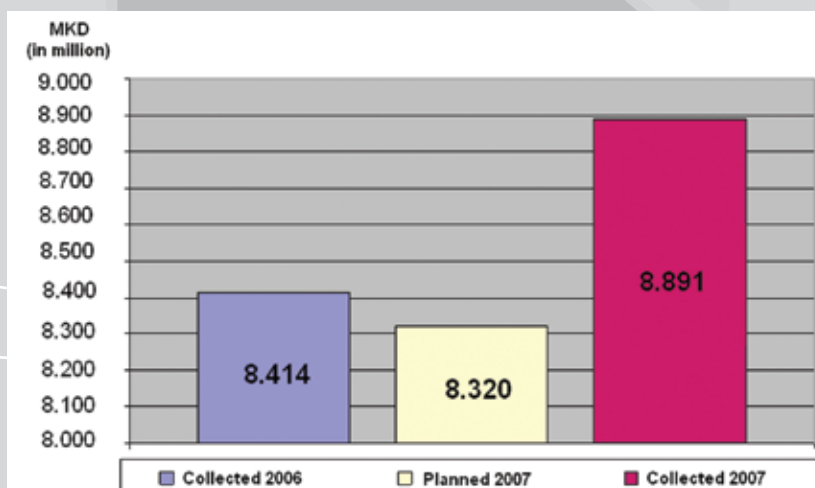
VAT - Value Added Tax

Excise - Excise

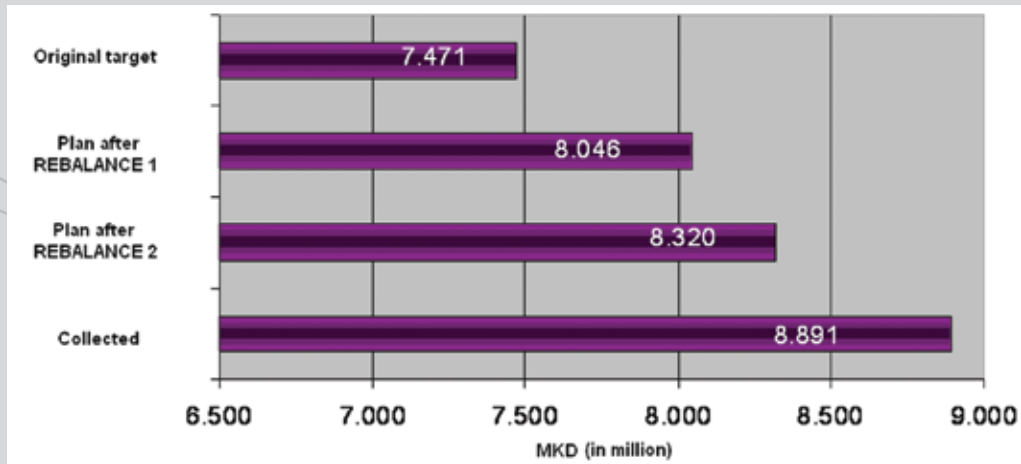


PERSONAL INCOME TAX (PIT)

Total amount of personal income tax in 2007 is 8.890.911.001 denars. It is 6,86% higher than the planned amount of 8.320.000.000 denars. Regarding the total taxes realized in 2006 (8.413.823.850 denars) it is greater by 5,67%.



During the year, because of the great dynamics of realization of the revenues, two rebalances of the Budget were made that followed the initial planning for the year. The annual revenues from the personal income tax (PIT) exceed all amounts that were projected.

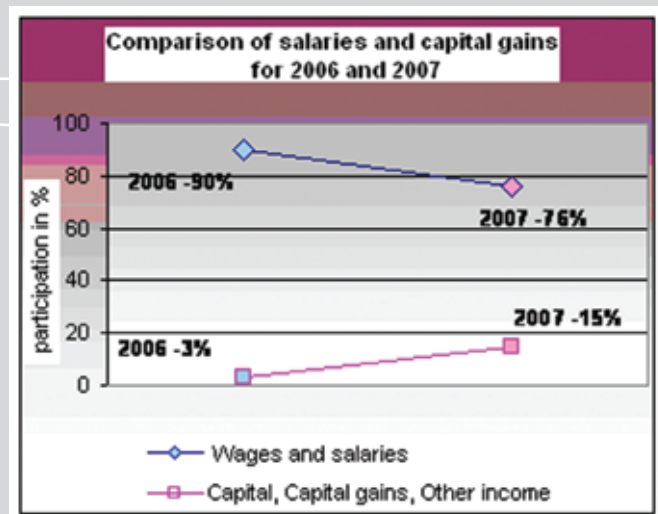


The revenues from PIT have the following global structure of taxed revenues:

PARTICIPATION OF INDIVIDUAL TYPES OF PERSONAL INCOME TAX IN THE TOTAL PERSONAL INCOME TAX

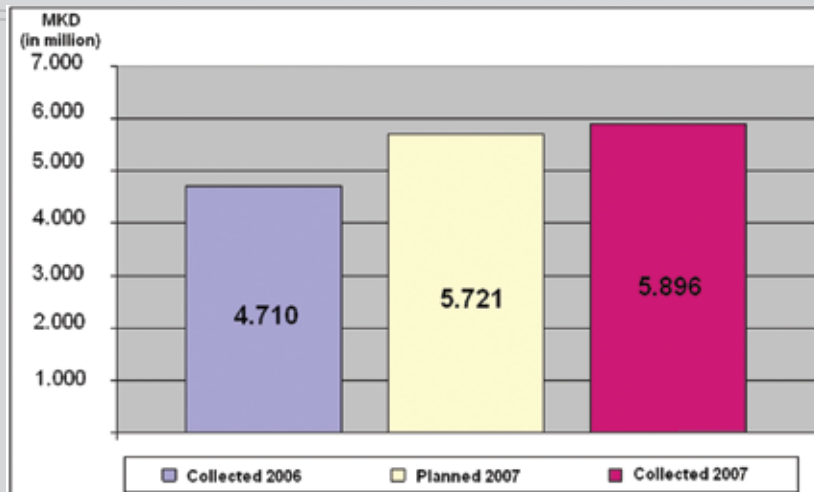
- Salaries and other personal revenues ----- 75,86%
- Revenues from independent activity ----- 0,95%
- Various types of revenues from capital ----- 14,68%
- Revenues from real estate and real estate rights, royalties, industrial property rights and lotteries ----- 4,61%
- Additional payments following annual decisions ----- 2,87%
- Non-taxed revenues ----- 0,43%
- Interest ----- 0,59%

The introduction of the flat tax rate of 10% (transitional solution of 12% in 2007) and the abolishment of progressive taxation, the expectations were met regarding reduction in the revenues from taxation of salaries and other personal income in the total revenues generated by the PIT. This reduction is compensated with increased contributions from taxes collected on revenues from capital, capital gains, transfer of shares and equity in companies free of charge, revenues from renting of real estate and real estate rights and identification of revenues that were not taxed. All these things resulted in the total increase of revenues from the PIT.

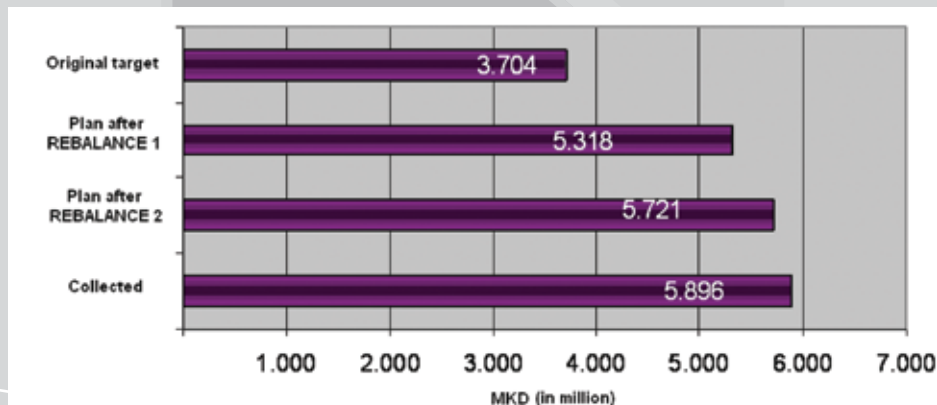


PROFIT TAX (PT)

Total profit tax collected in 2007 was 5.896.448.147,00 denars. This is 3,07% more than the planned amount of 5.721.000.000,00 denars and more than 25,19% compared to 4.709.824.969,00 denars realized in 2006. The increased collection of profit tax is due to the improved economic performances of the country and the effects caused by the legal changes.



During the year, because of the great dynamics of realization of the revenues two rebalances were made that followed after the initial planning for the year. The annual revenues from the profit tax exceed all amounts that were projected.



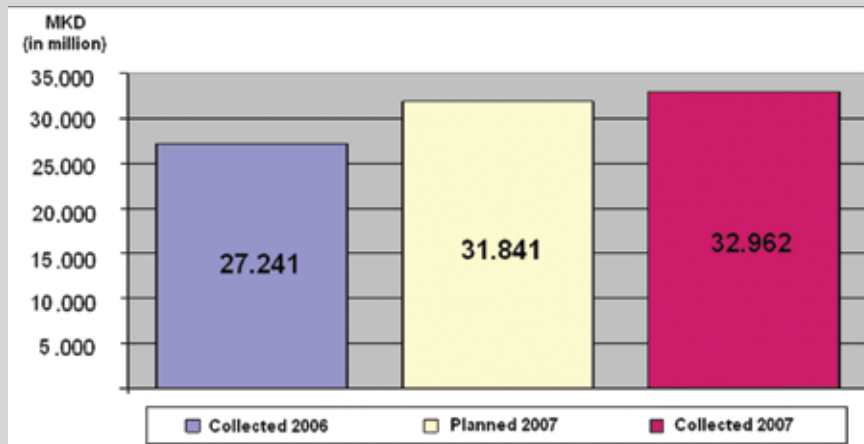
The revenues from profit tax have the following structure:

PROFIT TAX COLLECTED-----5.896.448.147-----100%

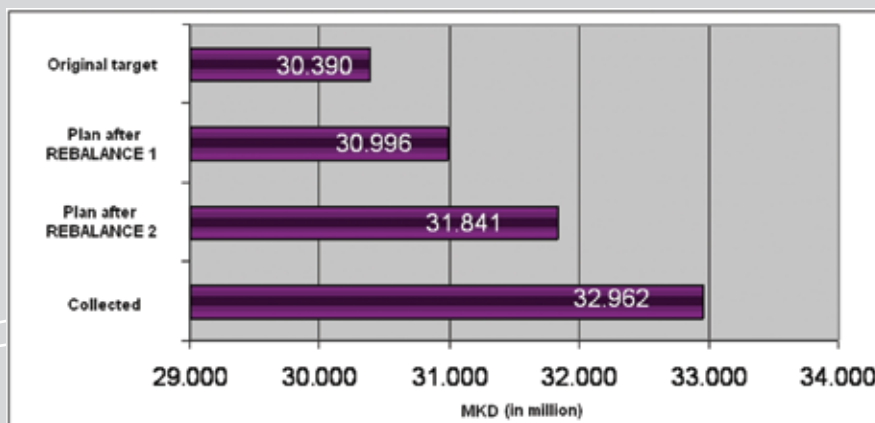
- Monthly advance payments of the profit tax ----- 3.813.875.657----- 64,68%
- Additional payment for the tax balance for 2006 -----1.499.281.651----- 25,43%
- Tax withheld to foreign legal entities ----- 537.676.573 ----- 9,12%
- Interest ----- 45.614.267----- 0,77%

VALUE ADDED TAX (VAT)

Total VAT tax collected in 2007, including the tax on turnover on goods and services (DPPU), was 32.962.052.789,00 denars, as follows: from VAT 32.949.156.982,00 denars and from DPPU, 12.895.808,00 denars. The tax collected is higher than the planned amount of 31.841.000.000,00 denars by 3,48% and is also higher by 20,96% compared to the tax realized in 2006 in the amount of



During the year, because of the great dynamics of realization of the revenues two rebalances were made that followed after the initial planning for the year. The annual revenues from the VAT tax exceed all amounts that were projected.



The VAT structure from which the total tax revenue was realized is as follows:

VAT STRUCTURE

TOTAL VAT REALIZED ----- **32.949.156.982**
 VAT realized from imports ----- 34.453.793.230
 VAT realized from turnover in the country----15.356.660.218
 VAT realized from donations -----197.216.252
VAT Refund -----**17.376.024.006**
 Interest -----317.511.288

VAT refund
17.376.024.006
HIGHEST SINCE 2000

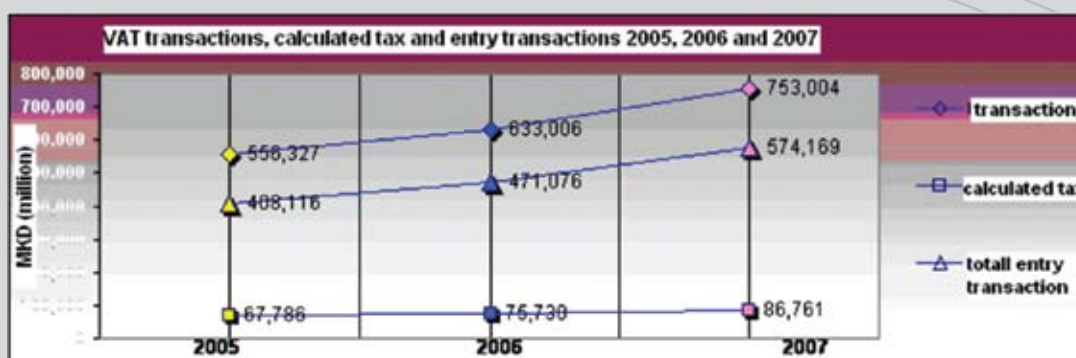
- 53% from VAT revenues
- 44% higher compared to 2006
- 1.448.000.000 denars average monthly amount of refund

In 2007 there was an increase of all parameters that impact the VAT amount.

TURNOVER, ENTRY TURNOVER AND CALCULATED VAT (in millions of denars)

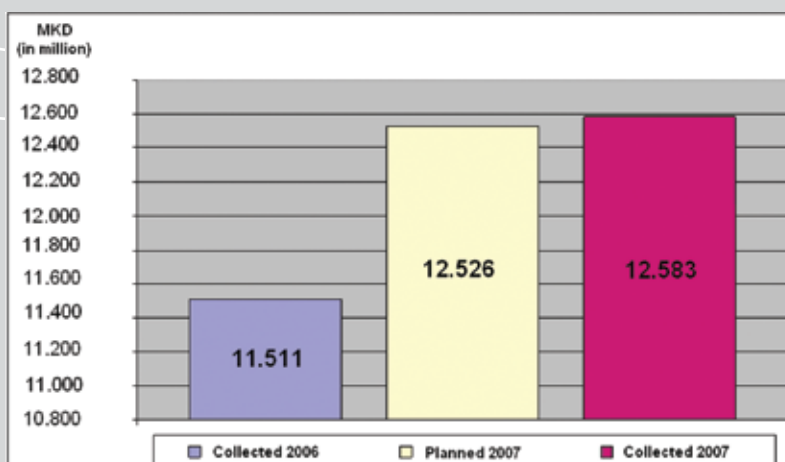
	2005	2006	2007
• Turnover subject to taxation	433.359	480.601	558.833
• Total turnover	556.327	633.006	753.005
• Import and entry turnover in the country	408.116	471.076	574.170
• VAT calculated on the turnover	67.787	75.731	86.761

All parameters have tendency of proportional increase to higher level.

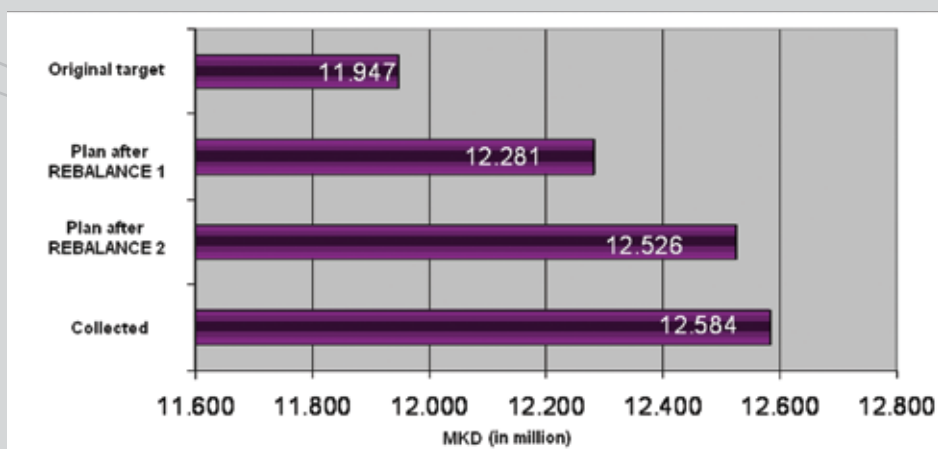


EXCISE

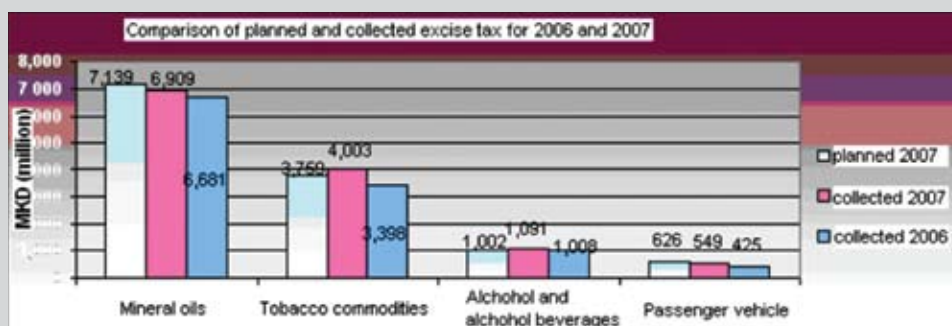
In 2007 the total excise collected were in the amount of 12.583.801.655,00 denars which is by 0,46% greater than the planned amount of 12.526.000.000,00 denars and, compared to the amount realized in 2006 (11.511.412.124,00 denars) it is greater by 9,32%.



During the year, because of the great dynamics of realization of the revenues two rebalances were made that followed after the initial planning for the year. The annual revenues from excise exceed all amounts that were projected.



The realization of the excise is not with the same effect as with all other types of excise goods, regarding their planned and realized amounts in 2006.



► Excise from turnover with *mineral oils* generated revenues in the total amount of 6.908.767.795,00 denars which, compared to the plan for 2007 of 7.139.000.000,00 denars, is reduction of 3,22% and, compared to the revenues realized in 2006 in the amount of 6.680.670.617,00 denars is an increase of 3,41%.

► Excise from turnover with *tobacco goods* generated revenues in the total amount of 4.003.124.789,00 denars which, compared to the plan for 2007 of 3.759.000.000,00 denars and with the realizations in 2006 in the amount of 3.397.838.759,00 denars is an increase of 6,49% i.e. 17,81%.

► Excise from turnover with *alcoholic beverages* generated revenues in the total amount of 1.091.336.716,00 denars which, compared to the planned revenues for 2007 of 1.002.000.000,00 denars, is an increase of 8,88% and, compared to the revenues realized in 2006 in the amount of 1.007.763.819,00 denars is an increase of 8,23%.

► Excise from turnover with *passenger vehicles* generated revenues in the total amount of 580.572.354,50 denars which, compared to the planned revenues for 2007 of 626.000.000,00 denars, is a reduction of 7,19% and, compared to the revenues realized in 2006 in the amount of 425.138.931,00 denars is an increase of 36,71%.

TRANSPARENCY

One of the key elements of an effective tax administration is well designed system for measurement of the results from its work.



As part of the Program for modernization and efforts to improve its work Plan, the Public Revenue Office established specific standards for work for the core (essential) tax functions. Their aim is to improve the efficiency, effectiveness and accountability of the organization with regards to the performance and improve its results management systems. The linking between the strategic and operational goals of the PRO will yield benefits in relation to provision of information for the PRO management team, thus helping the team in the policy making and in the management of the functions.

The experience has shown that the areas measures by the tax administration are the areas where its results are further improved. In order to achieve the working results it is first necessary to enable their measurement i.e. to introduce standards for quantity and quality for each and every functional area which should be used equally in the entire PRO and compare them against the delivery and realization.

For these reasons, package measures were introduced in 2007 which are significantly expanded for 2008 and which aim to improve the work of the main tax functions of the PRO: the measurements of the number are supplemented with the measurement of the timeliness and accuracy; the measurement of the tax revenues is supplemented with the measurement of the debt; the measurement of the amount of newly assessed tax in the external audit procedures with their collection rate; the measurement of the debt amount with its age, etc.

The measurements on whether the standards for 2007 were met is the beginning of the process. No appropriate software solution has yet being secured for this purpose but the measurements should enable further:

- Defining of methods, procedures and systems needed for collection of information for each and every measure
- Identification of the criteria and procedures that will be used for revision of the quality in each functional area
- Identification of new working standard for the core tax functions
- Use the performance measurements in the results management system
- Regular publishing of report on the tax administration results which should be publicly accessible

The performance measures package realized its main goal – the performance of the key functions of the PRO has been improved. This is mainly through provision of information for the management team of the PRO for successful and better policy making and management with the functions.

STATISTICS 2007

%

%

%

REGISTRATION OF TAXPAYERS

Regional Office/ LTO	TAXPAYERS REGISTERED BY THE END OF 2007			
	2006	New in 2007	De-registered in 2007	2007
RO Skopje	47,901	4,546	1,654	50,793
RO Bitola	16,026	1,877	652	17,251
RO Prilep	11,721	1,751	551	12,921
RO Strumica	9,837	1,407	810	10,434
RO Tetovo	14,792	1,627	644	15,775
RO Shtip	17,259	2,205	1,167	18,297
LTO	131	0	0	133
Total	117,667	13,413	5,478	125,604

Regional Office/ LTO	LEGAL ENTITIES REGISTERED			
	2006	New in 2007	De-registered in 2007	2007
RO Skopje	41,249	4,192	1,335	44,106
RO Bitola	14,182	1,691	514	15,359
RO Prilep	9,605	1,201	366	10,440
RO Strumica	8,479	1,150	628	9,001
RO Tetovo	10,340	1,240	278	11,302
RO Shtip	14,314	1,507	858	14,963
LTO	131			133
Total	98,300	10,981	3,979	105,304

Regional Office/ LTO	SOLE PROPRIETORS REGISTERED			
	2006	New in 2007	De-registered in 2007	2007
RO Skopje	6,652	354	319	6,687
RO Bitola	1,844	186	138	1,892
RO Prilep	2,116	550	185	2,481
RO Strumica	1,358	257	182	1,433
RO Tetovo	4,452	387	366	4,473
RO Shtip	2,945	698	309	3,334
Total	19,367	2,432	1,499	20,300

Regional Office/ LTO	VAT TAXPAYERS REGISTERED BY THE END OF 2007			
	2006	New in 2007	De-registered in 2007	2007
RO Skopje	13,783	1,843	1,350	14,276
RO Bitola	4,570	675	479	4,766
RO Prilep	3,519	514	347	3,686
RO Strumica	2,747	424	256	2,915
RO Tetovo	2,642	393	118	2,917
RO Shtip	4,026	581	292	4,315
LTO	118	3	1	120
Total	31,405	4,433	2,843	32,995

CASH REGISTER MACHINES REGISTERED BY THE END OF 2007			
Regional Office/LTO	Number of cash registers 2002-2006	Total number of cash registers 2002-2007	Taxpayers that have installed the cash registers
RO Skopje	17,759	22,500	17,471
RO Bitola	8,086	10,170	8,128
RO Prilep	5,668	7,492	6,073
RO Strumica	4,457	6,117	4,987
RO Tetovo	5,558	7,264	6,270
RO Shtip	7,179	9,789	8,075
LTO		1,758	117
Total	48,707	65,090	51,121

TAXPAYER SERVICES – Education, Information, Assistance

Taxpayer services	Skopje	Bitola	Prilep	Strumica	Tetovo	Shtip	LTO	Total
Telephone contacts	5,270	7,388	1,635	5,347	3,967	6,560	2,930	33,097
Correspondence	8	185	30	101	326	9	215	874
Face to face communication	4,661	5,570	1,030	5,350	2,225	1,410	89	20,335

EXTERNAL AUDIT PROCEDURES

Number of auditors and audits planned in 2007

RO	Number of auditors	VAT	PIT	Profit	Excise	Cash registers	Other audits	Total	Audits per auditor
Skopje	52	2,038	390	304	3	1,179	129	4,043	78
Bitola	39	1,525	504	309	39	1,618	149	4,144	106
Prilep	38	1,312	738	347	57	924	57	3,435	90
Strumica	30	1,476	437	182	18	1,197	56	3,366	112
Tetovo	26	909	273	240	0	779	99	2,300	88
Shtip	39	1,289	627	148	24	2,476	78	4,642	119
Total	224	8,549	2,969	1,530	141	8,173	568	21,930	98
LTO	8	54	24	23	11	11	49	172	22
Total	232	8,603	2,993	1,553	152	8,184	617	22,102	95

RO	with and without irregularities	Total number of audits performed, with or without irregularities in 2007					
		VAT	PIT	Profit Tax	Excise	Other	Total
SKOPJE	WITHOUT	824	84	159	7	826	1,900
	WITH	468	122	106	3	214	913
	Total	1,292	206	265	10	1,040	2,813
BITOLA	WITHOUT	892	438	124	5	1,860	3,319
	WITH	405	107	149	1	282	944
	Total	1,297	545	273	6	2,142	4,263
PRILEP	WITHOUT	747	338	147	20	1,401	2,653
	WITH	302	144	93	1	27	567
	Total	1,049	482	240	21	1,428	3,220
STRUMICA	WITHOUT	1,100	328	110	21	1,241	2,800
	CO WITH	410	82	100	0	164	756
	Total	1,510	410	210	21	1,405	3,556
TETOVO	WITHOUT	240	267	87	1	857	1,452
	WITH	344	88	65	0	61	558
	Total	584	355	152	1	918	2,010
SHTIP	WITHOUT	1,043	465	105	24	1,506	3,143
	WITH	469	171	103	10	51	804
	Total	1,512	636	208	34	1,557	3,947
LTO	WITHOUT	31	21	9	11	53	125
	WITH	20	13	9	0	1	43
	Total	51	34	18	11	54	168
Total	WITHOUT	4,877	1,941	741	89	7,744	15,392
	WITH	2,418	727	625	15	800	4,585
	Total	7,295	2,668	1,366	104	8,544	19,977

Irregularities identified in relation to public revenues during external audit

Types of taxes	Surplus declared	Less declared	Interest calculated	Total (3+4)
1	2	3	4	5
VAT	-2,291,071	1,427,056,630	17,597,785	1,444,654,415
PIT	-13,928	565,861,849	230,036,783	795,898,632
PROFIT TAX	-180,395	811,143,550	99,665,323	910,808,873
Excise	0	266,210,269	206,092,556	472,302,825
Other		130,435,155	1,634,392	132,069,547
Total	-2,485,394	3,142,631,497	554,244,776	3,696,876,273

Irregularities identified per RO/LTO in 2007 - in thousands of denars

Types of taxes	Skopje	Bitola	Prilep	Strumica	Tetovo	Shtip	LTO	Total
VAT	725,123	176,732	100,075	55,525	120,903	90,102	176,193	1,444,654
PIT	252,453	105,834	196,962	60,874	42,581	61,916	75,279	795,899
Profit TAX	137,776	196,127	275,341	60,894	48,458	101,128	91,085	910,809
Excise	48	428,311	13,741	0	0	30,202	0	472,303
Other	48,434	10,111	7,537	1,509	7	1,794	3,820	73,212
Total	1,163,834	917,115	593,655	178,802	211,950	285,143	346,378	3,696,876
Index	31.48	24.81	16.06	4.84	5.73	7.71	9.37	100.00

External audit findings that increase the realization of taxes - in thousands denars

Types of taxes	Skopje	Bitola	Prilep	Strumica	Tetovo	Shtip	LTO	Total
VAT	501,103	40,118	11,347	12,668	69,735	32,752	154,306	822,030
PIT	41,912	5,767	3,399	5,595	3,977	7,795	29,117	97,562
Profit TAX	58,224	14,564	5,819	7,596	1,905	9,760	39,473	137,341
Excise	48	0	0	0	0	4	0	52
Other	1,179	2,935	1,185	936	7	546	0	6,789
Total	602,467	63,385	21,750	26,795	75,625	50,857	222,895	1,063,774
Index	56.63	5.96	2.04	2.52	7.11	4.78	20.95	100.00

Time spent during external audit procedure per RO/LTO in 2007

RO	Total number of auditors	Total number of audits performed	Total number of business hours per year	Business hours x Number of auditors	Total time spent	Average time per auditor	Average time spent per audit
Skopje	52	2,813	1,488	77,376	84,376	1,623	30.00
Bitola	39	4,263	1,488	58,032	57,543	1,475	13.50
Prilep	38	3,220	1,488	56,544	51,077	1,344	15.86
Strumica	30	3,556	1,488	44,640	43,602	1,453	12.26
Tetovo	26	2,010	1,488	38,688	40,431	1,555	20.11
Shtip	39	3,947	1,488	58,032	46,637	1,196	11.82
LTO	8	168	1,488	11,904	19,850	2,481	118.15
Total	232	19,977	1,488	345,216	343,516	1,481	17.20

OTHER PRO ACTIVITIES

RO	Total objections filed			Decisions in relation to the objection					
	Eligible objections	Non-eligible objections	Total (3+4)	Dismissed as ill founded	Partially accepted objection	Objection accepted	Rejected as unjustified	Total 6+7+8+9	
1	2	3	4	5	6	7	8	9	10
1	Skopje	980	258	1,238	258	28	399	516	1,201
2	Bitola	527	6	533	6	11	49	386	452
3	Prilep	366	16	382	16	10	35	218	279
4	Strumica	266	6	272	14	47	122	86	269
5	Tetovo	211	23	234	23	18	35	158	234
6	Shtip	348	9	357	9	0	72	218	299
7	LTO	90	6	96	6	12	10	47	75
TOTAL		2,788	324	3,112	332	126	722	1,629	2,809

Requests for initiation of misdemeanor and criminal procedures

	RO	Misdemeanor procedures	Criminal procedures
1	Skopje	9,245	9
2	Bitola	253	13
3	Prilep	291	15
4	Strumica	783	10
5	Tetovo	231	40
6	Shtip	179	61
7	LTO	63	4
	Total	11,045	152

TAX REVENUES PLANNED AND REALIZED IN 2007

Tax revenues planned in 2007 on total level					
in denars / structure in %					
Description	Budget Plan 2007	Rebalance 1	Budget Plan 2007 Rebalance 2	Structure according to the 2 Rebalance	Structure according to the 2 Rebalance
Total revenues	79,522,497,000	91,540,812,000	94,392,812,000		100.00
Tax revenues (Profit tax, PIT, VAT and Excise)	53,512,000,000	56,641,000,000	58,408,000,000	100.00	61.88
Taxes on revenues – profit and capital gains	11,175,000,000	13,364,000,000	14,041,000,000	24.04	14.88
PIT	7,471,000,000	8,046,000,000	8,320,000,000	14.24	8.81
Profit tax	3,704,000,000	5,318,000,000	5,721,000,000	9.79	6.06
Local taxes on goods and services	42,337,000,000	43,277,000,000	44,367,000,000	75.96	47.00
VAT	30,390,000,000	30,996,000,000	31,841,000,000	54.51	33.73
Excise	11,947,000,000	12,281,000,000	12,526,000,000	21.45	13.27
Taxes related to international trade	5,519,000,000	5,887,000,000	5,652,000,000		5.99
Fees for usage or licenses for doing business	1,800,000,000	2,000,000,000	2,000,000,000		2.12
Non-taxed revenues	12,119,497,000	19,498,812,000	20,818,812,000		22.06
Other categories (from 73 to 78)	6,572,000,000	7,514,000,000	7,514,000,000		7.96

Taxes	Budget rebalance plan for 2007	Realized 01.01.-31.12.2007	Realized 01.01.-31.12.2006	Index real.plan (4:2)	Index '07/'06 (4:5)
1	2	4	5	6	8
Profit tax	5,721,000,000	5,896,448,147	4,709,824,969	103.07	125.19
Personal income tax	8,320,000,000	8,890,911,002	8,413,823,850	106.86	105.67
VAT	31,841,000,000	32,962,052,789	27,240,309,493	103.52	121.00
Excise	12,526,000,000	12,583,801,655	11,511,412,124	100.46	109.32
Tax on financial transactions	0	12,862	247,010		5.21
Total	58,408,000,000	60,333,226,455	51,875,617,446	103.30	116.30

REVENUES REALIZED PER REGIONAL OFFICES

Tax revenues realized in 2007 (per types of taxes and Regional Offices)

<i>In millions denars</i>							
RO	Total	Structure	PIT	Profit Tax	VAT and DPPU	Excise	
Skopje	20,220	33.5%	4,117	1,586	13,119	1,398	
Bitola	2,006	3.3%	782	182	1,022	20	
Prilep	1,186	2.0%	462	136	593	-5	
Strumica	335	0.6%	365	177	-231	24	
Tetovo	1,592	2.6%	427	106	1,055	4	
Shtip	2,610	4.3%	596	254	1,681	79	
LTO	32,384	53.7%	2,142	3,455	15,723	11,064	
Total	60,333	100.0%	8,891	5,896	32,962	12,584	

PERSONAL INCOME TAX (PIT)

Revenues realized from PIT, per months, in the period 2003-2007 – in millions denars

Year	Jan	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2003	487	590	601	686	570	635	661	555	609	645	591	872	7,502
2004	505	576	657	715	581	627	714	574	644	603	614	899	7,709
2005	527	648	660	762	586	704	690	605	656	642	667	952	8,099
2006	511	662	760	703	665	729	666	676	684	693	683	981	8,413
2007	623	589	631	665	655	686	760	699	761	747	966	1,109	8,891
Plan 2007	623	589	631	665	655	686	760	699	761	710	719	822	8,320

PROFIT TAX (PT)

Revenues realized from Profit Tax, per months, in the period 2003-2007 - in millions denars

Year	Jan	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2003	189	388	609	192	191	239	346	213	236	240	200	227	3,270
2004	140	300	518	178	152	175	195	175	152	146	129	100	2,362
2005	145	302	633	220	196	183	272	162	189	166	147	221	2,836
2006	180	383	1,162	312	244	359	314	346	290	442	282	396	4,710
2007	252	397	1,385	407	405	425	424	403	451	430	449	468	5,896
Plan 2007	252	397	1,385	407	405	425	424	403	451	436	323	413	5,721

VALUE ADDED TAX (VAT)

Revenues realized from VAT, per months, in the period 2003-2007 - in millions denars

Year	Jan	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2003	1,785	1,331	1,753	2,071	1,626	1,855	2,173	1,169	1,729	2,342	1,772	1,570	21,176
2004	2,161	1,926	2,016	2,401	2,231	1,846	2,004	1,892	2,129	2,377	2,180	2,594	25,757
2005	2,460	1,320	1,965	2,779	1,968	2,020	2,468	1,868	2,316	2,913	2,689	2,315	27,081
2006	1,760	1,284	2,185	2,812	2,555	1,975	2,931	2,009	2,215	2,145	2,305	3,065	27,241
2007	2,940	1,756	2,410	3,116	2,510	2,524	3,381	2,866	2,721	4,392	2,549	1,797	32,962
Plan 2007	2,940	1,756	2,410	3,116	2,510	2,524	3,381	2,866	2,721	2,511	2,476	2,630	31,841

VAT revenues collected in 2007 - in denars

Month	VAT at imports	VAT turnover in the country	VAT Donations	Interest	VAT Refund	Total
01	2,327,483,350	1,812,257,905	41,690,963	45,593,436	-1,287,652,241	2,939,373,414
02	2,349,392,637	948,867,174	11,802,153	19,662,219	-1,571,613,264	1,758,110,919
03	2,386,094,056	908,899,202	22,691,943	31,216,012	-945,999,618	2,402,901,595
04	2,749,483,389	1,539,809,502	8,054,720	24,681,915	-1,202,330,789	3,119,698,736
05	2,790,188,449	1,125,499,570	14,987,243	15,186,797	-1,435,387,072	2,510,474,987
06	2,489,458,757	1,381,675,733	4,217,786	16,983,621	-1,368,898,305	2,523,437,592
07	2,846,318,703	1,630,374,470	22,163,362	39,977,698	-1,159,494,952	3,379,339,279
08	2,956,408,066	1,162,248,618	4,087,238	7,676,571	-1,264,033,457	2,866,387,035
09	2,823,587,023	1,205,212,248	13,345,739	22,208,785	-1,341,410,114	2,722,943,681
10	3,721,967,253	1,573,145,420	12,722,774	21,711,096	-948,401,974	4,381,144,569
11	3,606,495,896	1,024,329,584	14,125,859	32,771,837	-2,128,983,082	2,548,740,094
12	3,406,915,653	1,044,340,795	27,326,474	39,841,302	-2,721,819,140	1,796,605,084
Total	34,453,793,230	15,356,660,218	197,216,252	317,511,288	-17,376,024,006	32,949,156,982

VAT refunded to special entities per months in 2007 - in denars

Month	Embassies	International organizations	Foreign taxpayers	Non-profit organizations	Total
01	10,383,349	2,251,658	0	0	12,635,007
02	23,441,152	3,278,665	0	0	26,719,817
03	11,022,269	3,232,096	221,451	0	14,475,816
04	15,099,150	2,487,094	0	0	17,586,244
05	7,128,065	2,879,602	0	0	10,007,667
06	38,652,250	3,554,584	111,410	35,586	42,353,830
07	22,063,175	2,734,013	260,857	0	25,058,045
08	33,511,991	5,247,572	0	0	38,759,563
09	9,584,140	5,396,883	472,394	0	15,453,417
10	16,534,563	5,960,323	2,839,922	0	25,334,808
11	20,474,035	4,898,193	445,984	0	25,818,212
12	17,563,546	4,048,653	0	0	21,612,199
Total	225,457,685	45,969,336	4,352,018	35,586	275,814,625

EXCISE

Revenues realized from Excise tax, per months, in the period 2003-2007 - in millions denars

Year	Jan	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2003	916	729	685	815	870	903	910	1,035	1,017	881	944	860	10,565
2004	885	634	830	718	922	817	926	1,104	944	926	888	742	10,336
2005	1,044	605	668	843	1,010	924	1,022	1,105	1,066	921	936	947	11,091
2006	1,132	609	656	818	910	955	1,081	1,114	995	1,009	1,149	1,083	11,511
2007	1,039	741	854	949	997	1,121	1,276	1,227	1,092	1,129	1,173	986	12,584
Plan 2007	1,039	741	854	949	997	1,121	1,276	1,227	1,092	1,072	1,116	1,042	12,526

Revenues from Excise on mineral oils in the period 2003-2007 - in millions denars

Year	Jan	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2003	608	463	441	521	539	546	550	714	637	569	637	552	6,777
2004	599	428	499	503	603	504	562	742	586	580	560	483	6,649
2005	594	465	398	508	581	528	615	659	658	546	542	535	6,629
2006	591	448	424	504	561	517	577	655	622	536	631	615	6,681
2007	524	450	501	537	527	621	599	712	649	609	626	554	6,909
Plan 2007	524	450	501	537	527	621	599	712	649	669	692	658	7,139

Revenues from excise from tobacco goods in the period 2003-2007 - in millions denars

Year	Jan	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2003	186	185	158	189	198	221	224	173	224	195	220	222	2,395
2004	203	161	275	119	196	206	249	230	236	254	245	192	2,566
2005	353	74	201	229	287	265	266	278	269	262	293	315	3,092
2006	428	96	141	214	211	300	356	292	232	349	415	364	3,398
2007	377	203	263	284	313	359	501	334	299	388	383	299	4,003
Plan 2007	376	203	263	284	313	359	501	334	299	265	294	268	3,759

Revenues from Excise on alcoholic beverages and beer in 2003-2007 - in millions denars

Year	Jan	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2003	80	49	54	67	102	109	107	125	130	92	70	69	1,054
2004	83	45	55	74	123	107	115	131	121	93	83	67	1,097
2005	89	49	46	76	112	96	65	68	71	71	70	75	888
2006	93	38	45	67	97	91	108	128	112	88	69	72	1,008
2007	86	48	54	78	109	95	121	143	109	83	84	81	1,091
Plan 2007	86	48	54	78	109	95	121	143	109	64	48	47	1,002

Revenues from Excise on passenger vehicles and other basis in 2003-2007- in millions denars

Year	Jan	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
2003	42	32	32	37	31	28	30	23	25	25	17	17	339
2004	0	0	1	22	0	0	0	1	0	0	0	0	24
2005	8	17	23	30	30	35	29	24	32	25	34	31	318
2006	20	27	46	33	41	47	39	40	29	36	36	31	425
2007	52	40	36	50	48	46	55	38	35	49	80	52	581
Plan 2007	52	40	36	50	48	46	55	38	35	75	82	69	626

Excise amounts for refunds to special entities in 2007

Month	Embassies	International organizations	Foreign taxpayers	Non-profit organizations	Total
January	3,527,682	38,906	0	0	3,566,588
February	1,070,100	603,427	0	0	1,673,527
March	771,206	61,017	0	0	832,223
April	583,861	126,852	0	0	710,713
May	539,162	481,152	0	0	1,020,314
June	911,609	455,741	0	0	1,367,350
July	678,739	57,028	0	0	735,767
August	999,553	243,693	0	0	1,243,246
September	759,775	140,172	0	0	899,947
October	895,584	178,363	0	0	1,073,947
November	2,214,392	6,445	0	0	2,220,837
December	735,131	279,160	0	0	1,014,291
Total	13,686,794	2,671,956	0	0	16,358,750

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