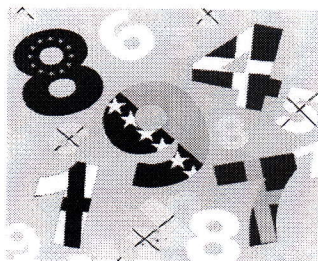
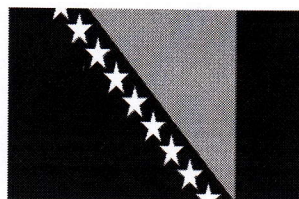
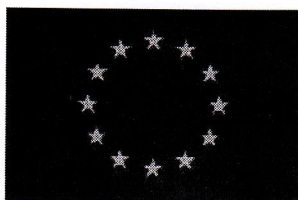


TWINNING CONTRACT

BA 17 IPA ST 01 20



Further Support to the Reform of Statistics System in Bosnia and Herzegovina



MISSION REPORT

Activity 1

Component 6: Macroeconomic Analysis Unit (MAU) 'capacities strengthened

(The name of this component will be suggested changed to ITA/MAU at the SCM no2 as ITA is the formal beneficiary institution of the project)

Mission carried out by
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5. July 2021

Version: Final

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List of Abbreviations

| | |
|------|--|
| BHAS | Agency for Statistics of Bosnia and Herzegovina |
| BiH | Bosnia and Herzegovina |
| CBBH | Central Bank of Bosnia and Herzegovina |
| EC | European Commission |
| EU | European Union |
| FBiH | Federation of Bosnia and Herzegovina |
| FIS | Institute for Statistics of Federation of Bosnia and Herzegovina |
| ITA | Indirect Tax Authorities |
| MS | EU Member State |
| RSIS | Institute for Statistics of Republika Srpska |
| RTA | Resident Twinning Adviser |
| ToR | Terms of Reference |

1. General comments

This mission report was prepared within the EU Twinning Project "Further support to the reform of the statistics system in Bosnia and Herzegovina". It was the first mission to be devoted to Component 6 of the project.

The purposes of the mission were:

- To assess the current IT-system and thereby to increase the MS understanding of why the current IT-system cannot provide the correct and required reporting. This in order to put the RTA and MS project leader in a better position to find the right experts for this component.

The meeting was planned to last for two hours each day on three consecutive dates on video (Zoom). However, after one-and-a-half hour on day one the below conclusion was made and there was no need for further time.

The views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, ITA or Statistics Denmark.

2. Assessment and results

The Macroeconomic Analysis Unit (MAU) is a unit attached to the The Indirect Taxation Authority (ITA) Governing Board, in charge of analysis and projection of indirect taxes, as a technical support to design of indirect tax policy in B&H. The Indirect Taxation Authority, which is the formal beneficiary institution of this Twinning projects component 6, is an autonomous administrative organisation responsible for its activities, through its Governing Board, to the Council of Ministers of Bosnia and Herzegovina. Its jurisdiction is in the field of administration and collection of indirect taxes (customs, value added tax, road tolls, and excises).

The current accounting/IT system monitors the cash flow of collected revenues from indirect taxes, since all revenues collected in this way are distributed to revenue users (VAT refund to indirect taxpayers, remittances to the state of BiH and the entities and the Brcko District on a daily basis. Payments made by indirect taxpayers to the accounts of the Management Board opened in several commercial banks, are loaded on a daily basis into information subsystems (where analytics-analytical cards of taxpayers are monitored) in which import duties (Asycuda subsystem) are recorded, VAT liabilities on domestic trade of goods and services, etc. (e-taxes) after which in these subsystems the paid money is adjusted with the calculated obligations of the taxpayer, and the so-called settlement files are created which are exported from the subsystem and loaded into the general ledger for reporting by types of paid revenues (VAT, excise, tolls ...). The problem arises when the taxpayer, if he/she has a tax credit on one tax use this credit to pay his/her obligation for another tax as this information is not reflected in the report on collected revenues according to the current accounting system used by the ITA. Cash accounting is necessary as only amounts actually collected can be used for expenditure. However, in order to be able to make accurate analysis and to comply with EU acquis (ESA2010) an accrual accounting system is needed.

That will require: technical assistance relating to export of data from the ITA IT System modules in accordance with rules of accrual accounting/reporting (bridge tables, interface or similar, new reports, etc.), and drafting a clear legal base for introducing accrual reporting in the ITA, meaning who (Sector/unit), when (monthly, quarterly, annually) in a form of an internal

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Book of rules or regulations/instructions on producing/providing/dissemination/reporting to users.

The result of the assessment on the mission and a subsequent e-mail correspondence is therefore that the issue is mainly an accounting and an IT issue and not a statistical one. Therefore, the experts needed for this component should preferably come from MS tax administrations.

3. Conclusions and recommendations

The conclusion of this very short mission was that the MS PL and the RTA with the assistance of the ITA shall try to find the right experts for this component. The MS PL's European/international network is within statistics, which of course complicates the task.

| Action | Deadline | Responsible person |
|---|----------------|---------------------------|
| To find the right short term expert for the component | September 2021 | RTA and MS project leader |

The content of this report is approved by: (sign and date)

MS Component leader/Expert

Niels Modem 22.10.2021

ITA Component leader

[Signature], 02/11/2021.

RTA

Niels Modem 22.10.2021

Annex 1. Terms of Reference

Terms of Reference

EU Twinning Project BA 17 IPA ST 01 20

Component 6: Indirect Taxation Authority – Strengthening Capacities of Macroeconomic Analysis Unit (MAU)

05-07 July 2021

Activity 6.A: Assessment of the current situation and understanding of the IT system

1. Mandatory results

The component on Macroeconomic Analysis Unit (MAU) capacities strengthened

There are two main objectives or sub results:

6.1 ITA cash reporting system improved to include tax offsets disclosing an accurate amount of revenue per type of taxes.

This sub result is further divided into the following:

- 6.1.1. Capacity building in analysing modules of ITA IT system (VAT, customs, and excises) and Single Account improved
- 6.1.2 Capacity building in drafting proposals for changes in modules strengthened
- 6.1.3 Capacity building in developing of the supplementary monthly reports following the principles of standard dual accounting enforced

6.2 Reporting and statistics of indirect taxes aligned/harmonized with the *acquis* and other relevant international standards.

This sub result is further divided into the following:

- 6.2.1 Dissemination of ITA tax statistics improved
- 6.2.2 Draft proposals in modules if ITA IT/Single Account system available/ready to be used
- 6.2.3 Formatting outputs/"bridge" tables from modules necessary for accrual revenue reporting prepared
- 6.2.4 Capacity building in drafting necessary regulations (BoR, instructions, etc.) improved
- 6.2.5 Capacity building in harmonization of the ITA revenue reporting system with EU requirements strengthened

6.2.6 Capacity building in formatting outputs for dissemination to the ITA GB (MAU) and other users of reports enforced: Business Statistics' capacities increased and strengthened

2. Purpose of the activity

- Assessment of the current situation via BC presentation of the current IT system
- Identification of the right Short Terms Experts
- Preparation of ToR for next activity

3. Expected output of the activity

- MS knowledge of the current IT system
- Short Terms Experts found
- Mission report
- Input provided to the ToR of next activity

Annex 2. Persons met

ITA:

Slavojka Stolić, Head of Financial Management Unit, ITA
Senada Kapetanović, Head of the Single Account Group, ITA
Kosta Đukanović, Expert Adviser in the Single Account Tracking, ITA

Short Term Expert

Martin Rune Rasmussen, MS Expert, Statistics Denmark
Niels Madsen, MS Expert, Statistics Denmark (RTA)

RTA Team:

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Interpretation:

Haris Imamovic