



ANNEX C1: Twinning Fiche

Project title: Improving Revenue Collection and Tax and Customs Policy

Final Beneficiary administration: Ministry of Finance, Public Revenue Office, Customs Administration

Twining Reference: MK 18 IPA FI 02 19

Publication notice reference: EuropeAid/ 165552/DD/ACT/MK

EU funded project

TWINNING TOOL

1. Basic Information

1.1 Programme: Annual Action Programme for the Republic of North Macedonia for the year 2018
IPA 2018/040-860/01.03/MK/PFM

Direct management by the EU Delegation

For British applicants: Please be aware that eligibility criteria must be complied with for the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that British applicants continue to be eligible, you will cease to receive EU funding (while continuing, where possible, to participate) or be required to leave the project on the basis of Article 12.2 of the General Conditions to the grant agreement.

1.2 Twinning Sector: Finance, Internal market and economic criteria

1.3 EU funded budget: EUR 3,500,000.00

2. Objectives

2.1 Overall Objective(s):

The overall objective of this project is to improve the stability, efficiency and quality of the overall revenue system in the country in order to ensure sustainable and sound management of public finances.

2.2 Specific objective:

The specific objective of the project is to improve and harmonize tax and customs legislation in line with the relevant EU *acquis* and best practices, improve economic analysis and revenue forecasting and modelling and enhance operational and administrative capacities of key institutions in the system. In addition, the project aims to simplify tax and customs procedures, including declaring and payment by reducing the administrative procedures and costs and improving quality of tax and customs services provided to citizens. The specific objective of the project is directly related to the implementation of the Tax System Reform Strategy (yet to be adopted).

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans.

Link with AP

The Accession Partnership in Chapter 16 – Taxation identifies the need for increased administrative capacity of the Public Revenue Office (PRO) to implement tax legislation and to fight against fiscal evasion.

In Chapter 29: Customs union the following is stated: Increase administrative capacity to implement customs legislation and to fight cross-border crime, and further approximate legislation and procedures to the *acquis*, in particular in the areas of transit and allocation of tariff quotas.

Link with NPAA/EC Progress Report for 2018

In the following period, the Ministry of Finance in the field of tax and customs policy will continue to analyse all the relevant EU acts for the purpose of their transposition in the national legislation, aiming to achieve full harmonization in a medium term and to enable smooth implementation. This includes harmonising the national systems with the EU *acquis* under Chapters 16 - Taxation and 29 - Customs Union.

Having in mind the key priorities in the National Programme for Adoption of the Acquis Communautaire (NPAA), assistance from EU Member State will be of great benefit for achieving further harmonization in the field of direct and indirect taxes with all relevant EU acts.

The NPAA for 2019-2021 under Chapter 29 Customs Union provides for further harmonisation of the Customs legislation and procedures with the EU acquis, as well as strengthening the administrative and operational capacities of the Customs Administration for improvement of customs controls, simplification of administrative procedures and modernisation of the customs and excise IT systems. In the period up to 2021, the process of harmonization of the customs legislation with the acquis will continue by preparation of other legal acts, operational guidelines for its implementation and other relevant documents in line with the Union Customs Code.

The European Commission (EC) Progress Report 2018 under Chapter 29 Customs Union states that the maintenance, upgrade and business continuity of all customs IT systems needs to be systematically ensured. Further increasing awareness of the benefits of the common transit system among economic operators and optimizing its use are still priorities for the Customs Administration. Several customs provisions of the law on zones for technological and industrial development are still not in line with the Acquis.

The 2018 EC Progress Report under Chapter 16 Taxation – operational capacity and computerisation, recognises that the country is moderately prepared in this area. Some progress, albeit limited, was made towards harmonising the legal framework and in building up the capacity of the Public Revenue Office (PRO) to deliver modern citizen-oriented tax services.

On operational capacity and computerisation, the PRO's re-organisation is still ongoing and aims to improve performance, align business processes with the criteria for a quality management system set out in ISO 9001/2008, and implement compliance risk management. The main recommendation from the EC is to improve the capacity of the tax system at central and local level through the development and implementation of a tax system strategy to provide modern tax services to citizens.

Link with the Stabilisation and Association Agreement (SAA)

Pursuant to Article 89 of the SAA, the Parties will establish cooperation in the field of taxation including measures aiming at the further reform of the fiscal system, the modernisation of the tax services with a view to ensuring effectiveness of tax collection and the fight against fiscal fraud.

Article 88 of the SAA refers to achieving the approximation of the customs system of the country to that of the Community and to the simplification of inspections and formalities in respect of the carriage of goods and support for introduction of modern customs information systems.

Article 78 notes that the Parties agree to cooperate on fighting and preventing criminal and illegal activities, organised or otherwise including illegal economic activities. The second paragraph, concerning the technical and administrative assistance foresees: enhancing the efficiency of the institutions charged with fighting and preventing crime, staff training and the development of investigative facilities, as well as the formulation of measures to prevent crime.

Link with IPA II Indicative Strategy Paper (ISP) 2014-2020The IPA II Indicative Strategy Paper 2014-2020¹ recognized the need to strengthen the country's economic governance and modernise public financial management based on well-designed, multi-annual reform programme, covering the reform needs in the relevant public finance sub-systems. Further on, the ISP identifies key areas of improvements such as revenue administration and collection. Closer adherence to laws and rules and stronger compliance with the EU acquis in the relevant chapters², higher efficiency in public finance and upgrading of IT interconnectivity and interoperability of customs and tax administrations with EU systems have also been identified as key priorities. The project, and in more general terms the PFM reform programme (2018-2021), will support the country in aligning with the EU standards in the relevant accession/negotiation chapters by addressing the majority of the identified weaknesses. Thus the project closely correlates with the ISP objectives of the Sector Democracy and Governance.

Public Finance Management Reform Programme 2018 - 2021

The PFM Reform Programme 2018 - 2021 was adopted by the Government on 19 December 2017.

The Project will directly support the implementation of the PFM Reform Programme 2018-2021. All the activities under the project will contribute to achievement of objectives of the PFM reforms defined under the Priority 2 of the Programme: Revenue Mobilization, aimed at improving country's performance in collecting revenues and ensuring the stability of the PFM IT systems in case of crisis.

Draft Tax System Reform Strategy 2019 - 2021

The project's activities are directly linked to the implementation of the new Tax System Reform Strategy 2019 -2021. The Strategy, which has been elaborated in accordance with the PFM Reform Programme, has been finalised, but not yet adopted.

The Tax System Reform Strategy integrates the main priorities in the area of tax policy and tax administration in the period 2019-2021, aimed to ensure fair taxation, improve revenue collection, enhance tax transparency, improve quality of services and improve legal arrangements regarding green taxation. It covers all tax institutions in the Republic of North Macedonia - the Ministry of Finance, the Public Revenue Office, the Customs Administration, the Financial Intelligence Office and the Financial Police Office.

Link with Economic Reform Programme

The Government prepares an annual ERP as part of the light European Semester for candidate and potential candidate countries, which is assessed by the Commission.

The Commission assessment of the Economic Reform Programme 2018-2020 states that "the size of the informal sector continues to hamper private sector development. The informal economy creates unfair competition from unregistered companies. Undeclared revenues and work also harm public revenue collection and workers' rights." The assessment has noted that the government plans to raise the efficiency of revenue collection by improving tax collection and administration. In addition, the Policy Guidance 4 stemming from the same assessment has recommended the need to prepare risk assessments focusing on sectors and branches most vulnerable to informality and identify and apply appropriate corrective measures. Hence, within the Strategy for formalisation of the informal economy 2018-2022, one of the aims is to strengthen the tax morale and lower the tolerance towards the informal economy.

¹The IPA II Indicative Strategy Paper 2014-2020 (revised) guides the cooperation with the EU and allocation of resources to priority areas.

² Chapter 16 - Taxation, Chapter 29 - Customs Union.

Link with Public Administration Reform (PAR) Strategy

Managing public finances is directly related and of extreme importance for effective and efficient public administration reform. In particular, the project is expected to improve human resources capacity, policy planning capacities, e-services, service delivery, transparency of tax matters, thus contributing to achievement of the objectives of the PAR Strategy.

Link with State Programme for Prevention and Repression of Corruption and Prevention and Reduction of Conflict of Interests with Action Plan 2016 - 2019

Customs Administration has prepared and adopted a Plan for implementation of activities of the Programme aimed at strengthening institutional system and legislation for prevention of corruption and conflict of interests. Also the PRO participates in activities related to the Programme.

3. Description

3.1 Background and justification:

The Ministry of Finance is responsible for developing the tax and customs policy and legislation as well as for its harmonisation with the *acquis* and EU best practices. The Public Revenue Office and Customs Administration are responsible for implementation of the tax laws and other regulation related to taxes and also for the assessment and collection of the taxes. A legislation, which will provide efficient tax collection and simplified tax procedures for the taxpayers, aligned with the EU *acquis*, is a priority for the Ministry of Finance.

In this regards, tax legislation was amended in the past in order to create legal basis for allowing integrated collection of personal income tax and social contributions. Public Revenue and Tax and Customs Policy Department at the Ministry of Finance is responsible for preparation of laws and by-laws in the field of personal income tax, profit tax, value added tax, excises, property taxes, local taxes utility and administrative fees, registration of cash payments and tax procedures, gathering and coordinating the activities in the field of customs policy, system and procedures. Also, the department is involved in analysis of tax and customs revenues collection. Domestic legislation in the area of indirect taxation is largely aligned with the *acquis*. However, further transposition and harmonisation is necessary, particularly in the area of direct taxation, indirect taxation and customs duties.

The existing legal framework is as follows:

Legal Framework for Profit Tax

The Profit Tax Law (Official Gazette No. 112/14, 129/15, 23/16, 190/16 and 248/18)) regulates the system of taxation of profit made by legal entities in the country. Legislative framework of the Profit Tax is under authority of the Ministry of Finance while its practical implementation is responsibility of the Public Revenue Office.

As from January 1, 2019 the implementation of the amendments of the Law on Corporate Income Tax started. The most important amendments refer to the new provisions on transfer prices, in accordance with the OECD guidelines. Apart from this, the amendments also include new provisions for calculating depreciation for tax purposes as well as certain amendments to the determination of the taxable base.

Legal Framework for Personal Income Tax

The Personal Income Tax Law (Official Gazette No. 241/18), regulates the taxation of annual income of natural persons.

As from January 1, 2019 the implementation of the new Law on Personal Income Tax started. The new Law makes a distinction in the taxation on income from capital and income from labour. Income from capital is taxed with flat tax rate of 15% (instead of the previous 10%), while income from

labour is taxed progressively, with rates of 10% and 18% (instead of the previous 10%). The threshold for the higher rate is set to 1,080,000 MKD annually (1,500 euros per month), covering approximately the top 1% of the earners. The new Law on Personal Income Tax also broadens the tax base, by including certain types of income which were excluded previously (income from insurance, income from interest etc.) and by reducing the tax deductions. On the other hand, the new Law increases the tax allowance (i.e. the part of the labour income exempt from taxation), in order to protect the lower income earners.

Legal Framework for VAT

The taxation on consumption of goods and services in the Beneficiary Country is regulated with the Law on Value Added Tax (Official Gazette No. 44/99,15/15). This law, as the basic legal act, regulates the calculation and payment of the value added tax when selling goods and services, paid by the taxpayer in the country within the scope of his/hers business activity, as well as when importing goods. The Law on Value Added Tax is applied since 1 April 2000, and it transposes to a large extent the requirements of the EU legislation on VAT, as follows: 1. VAT Directive – 2006/112/EC on the harmonisation of the laws of the Member States relating to turnover taxes–Common system of value added tax: uniform basis of assessment, and 2. Thirteenth Council Directive – 31986L0560 - on the harmonisation of the laws of the Member States relating to turnover taxes–Arrangements for the refund of value added tax to taxable persons not established in Community territory. During the period of application of VAT law, in order to provide for better function of the law and protect Budget Revenues, several amendments to the Law have been made. Moreover, the VAT Law should be harmonized with the Council Implementing Regulation (EU) no. 1042/2013 of 7 October 2013.

Although in the past years, progress was made in the area of taxation, legislation on both direct and indirect taxation needs to be aligned more closely with the *acquis*. Consequently, further harmonization of the tax legislation is needed. Legislation in the area of direct taxes should be harmonized with: Merger Directive (Council Directive 2009/133/EC), Parent-Subsidiary Directive (Council Directive 2011/96/EC), 6 Interests and Royalties Directive (Council Directive 2003/49/EC), EU Savings Directive (Council Directive 2003/48/EC) and other EU legislation related to direct taxes, administrative cooperation and mutual assistance by the competent authorities of the Member States in the field of direct taxation.

Legal Framework on Excises

The Law on Excises which is applicable in the moment (Official gazette 32/2001...120/2018) covers the excise goods taxable: mineral oils, tobacco products, alcohol beverages and passenger cars. This law is insufficiently harmonized with EU *acquis* related with excise, but activities have been undertaken to achieve greater alignment.

From 1 January 2018, the increased excise duty of 3 denars per litre (0.05 euros) for gas oil, used as a fuel and gas oil used as fuel for heating, started to apply. With this, the new excise duty on gas oil used as fuel is 15.121 denars per litre (0.25 euros), while the excise tax on gas oil used as fuel for heating is 6.136 denars per litre (0.1 euros). In this way, North Macedonia is approaching the European minimum excise tax on gas oil used as a fuel, which is 0.33 Euros per litre.

The newly adopted Law on Excises (Official Gazette No 108/2019) is harmonized with EU *acquis* related to excise duties. The Law will apply from 15 July 2019. The new Law introduces excises on coal, coke, gas and electricity, albeit with a zero rate until accession to the EU. The new Law also expands the list of excise products to electric cigarettes and heat-not-burn tobacco.

New draft Law on Excises does not impose taxes to passenger cars, as those are to be regulated with a new special Law on Taxation of Motor Vehicles, which should start to apply at the same time with the new Law on Excises.

Legal Framework for Tax Procedure

Law on Tax Procedure (Official Gazette no. 13/06, 88/08, 159/08, 105/09, 133/09, 145/10, 171/10, 53/11, 39/12, 84/12, 187/13, 15/15, 97/15, 129/15, 154/15, 23/16 and 35/18) regulate in particular the general tax law, the tax calculation procedure, the tax control procedure, the tax collection procedure, the rights and obligations of the taxpayer and other issues related to tax procedure. This Law apply to taxes and other public revenues administered by the Public Revenue Office.

Legal framework for Property Tax

Law on Property Taxes (Official Gazette no. 61/04... 23/16) The Law on Property Taxes regulates the taxation of the following types of property taxes: Property tax; Tax on inheritance and gifts and real estate sales tax. Property tax is paid on real estate, except for the property that is exempt from paying tax. The basis of the property tax is the market value of the real estate. The determination of the market value of the real estate is performed by an assessor employed in the unit of the local self-government, and at the request of the unit of local self-government, it can be performed by a person who is an authorized appraiser. The market value is determined according to the methodology for estimating the market value of real estate.

Legal framework for Customs Law

Customs Law (Official Gazette no. 39/05.....23/16) regulates the rights and obligations of the persons and customs authorities in relation to the goods in the passenger and goods traffic between the customs territory of the Republic of North Macedonia and the foreign customs territories. In the area of customs legislation, the degree of alignment with the *acquis* is generally high.

The conclusions of the European Commission's 2018 Progress Report in the area of Customs Union are that, the country has maintained a good level of preparation on the customs union. Some progress was made on administrative and operational capacity.

Legal framework for Customs Tariff Law

With this Law and the Customs Tariff, which is its integral part, and which is applicable in the moment (Official Gazette No. 23/03 ... 192/15), the rules on the manner of calculating the customs, the system of names and tariff numbers of the goods that are imported or exported from the customs territory of the Republic of North Macedonia are laid down, the rules for the classification of the goods in the tariff numbers and customs duties.

Customs Tariff Law has been harmonized several times with the normative part of the Council Regulation (EC) No. 2658/87 on Tariff and Statistical Nomenclature and the General Customs Tariff, and there is a high level of compliance.

Legal framework for Customs Administration Law

Customs Administration Law (Official Gazette No. 46/04...120/18) regulates the organization, the scope of work, the manner of carrying out the work, the management and the competencies of the Customs Administration, the classification of the jobs at the Customs Administration, also regulates the rights, obligations and responsibilities of the customs officers from employment, the code of behaviour, awards and recognitions, as well as the financing of the Customs Administration.

Legal framework for Customs Measures for Implementation of Protection of Intellectual Property Rights Law

This Law which is applicable in the moment (Official Gazette No.154/15...23/16) regulates the conditions and procedures for undertaking actions by the customs authority when there are justified reasons for suspicion that the goods have been placed violates intellectual property rights, is or should be the subject of customs supervision or customs control in the customs territory of the Republic of North Macedonia in accordance with the customs regulations in the respective customs procedures.

The law is in a high degree harmonized with a Regulation (EU) No 608/2013 concerning the enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003.

Legal framework for Representation in Law on Customs Administration

This Law which is applicable in the moment (Official Gazette No.180/14...23/16) regulates the manner and conditions for issuance and revocation of an authorization and license for carrying out representation activities in front of the customs authorities for the purpose of carrying out activities and formalities prescribed by the customs regulations, for passing a professional exam for a licensed representative, the composition and the mandate of the Commission for passing the professional exam, the type of fees paid and the type of records maintained in accordance with this Law, and the manner in which the control of the work of the authorized customs representatives and the licensed representatives is carried out.

One of most important thing for tax policy is evaluation of effects from tax reforms with robust results. To create a sound framework for tax modelling, the Ministry of Finance must continue to enhancing own capacities in the field of tax modelling in accordance with best practices in EU.

3.2 Ongoing reforms

The Customs Administration is currently undergoing a reform process in accordance with the Strategic Plan 2019-2021, the NPAA and is using the EC Customs Blueprints. The Strategic Plan 2019-2021 of the Customs Administration defines priorities which include: investment in the Customs Administration's employees through the reinforcement of the human resources managing capacities and strengthening of the mechanisms for performance measurement and mechanisms for professional liability and integrity of the employees; simplification and facilitation of customs and excise procedures by introducing further measures to increase the competitiveness of the national economy contributing to competitiveness and support of the economic operators, including harmonization of the national procedures and documents with the international conventions, standards and practices, introduction of paperless environment, use of enhanced methods of selectivity; improvement of the control of the trade companies and post-clearance customs control system and strengthening of their capacity; arrangement of the administrative support; permanently building institutional and administrative capacities, identification, revision, regulation and computerization of the working processes; and improvement of the logistic support through development of its systems to provide rational, purposeful and efficient use of its resources for logistic support of the activities related to its principal responsibilities, as well as harmonization of the national customs legislation with the Acquis.

The development of the new system for processing customs declarations (CDEPS) was completed in November 2018. With the CDEPS system, which is a prerequisite for further development of digital solutions and services, the work of the customs officers, border agencies and all participants in the customs and foreign trade procedure will be significantly simplified and a more efficient and modern customs environment will be created in consistent with global development and the digital era. The system will be fully operational in June 2019. The integration between the two major IT systems, CDEPS and ITE, has been established and tested.

Following the priorities in the Strategic Plan 2019-2021, Action plan of the PFM for 2019 and NPAA, the Public Revenue Office is undertaking serious reforms that will reshape the tax administration core functions from the business processes till introducing of the new tax IT integrated system.

The Strategic Plan 2019-2021 foresees the following planned changes: To continue with the strengthening of the capacities of the tax administration for administering tax revenues and contributions and for providing quality customer services, improving the skills and knowledge of tax officials, managing the changes to support the tax reforms and modernization - electronic tax administration. To continue with the development and restructuring of the work processes for the new tax integrated IT system; introducing conditions for hardware for the new integrated IT system of the

PRO; introduction of conditions for software for the new integrated IT system of the PRO; introduction of methodology for quality assurance for the new integrated IT system, including supporting the risk management process (functional and non-functional risk, risk of introducing hardware and software solutions and the risk of their compliance); development and introduction of a risk assessment system. Ensuring smooth functioning and long-term stability of the system in the event of a crisis.

The technical specifications for the software and hardware of the new integrated tax IT system were developed, as well as business processes were reengineered with appropriate tools and trainings of staff by support of the EU experts.

3.3 Linked activities:

The twinning project is connected with the following completed projects and activities

1. Title: Strengthening the Capacity of the Ministry of Finance for Macroeconomic analysis and Policy Formulation

Project funded by: EU - IPA TAIB 2009

Duration: 6 December 2012 - 10 December 2014 (24 months)

Description: The twinning project has improved economic analysis and forecasting skills of the Ministry of Finance (MoF) staff for designing a coherent medium and long-term macro-fiscal framework, through further development of the capacity for macroeconomic and tax revenues modelling, cost-benefit and fiscal analysis and improvement of the budget planning process.

Project Cost: EUR 950,000

2. Title: Strengthening the medium term budgeting for effective public financial management

Project funded by: National IPA Programme TAIB 2011

Duration: 01 December 2015 – 20 November 2017

Description: The twinning project has improved the effectiveness of medium-term budget planning (accuracy of the fiscal projections) and fiscal reporting. The Public Revenue and Tax and Customs Policy Department was involved in the project activities for further development of tax revenue models.

Project Cost: EUR 1,100,000

3. Title: Further harmonization of the tax legislation with EU acquis

Project funded by: EU - IPA Transition assistance and institution building component (TAIB)

Duration: October 2016 - May 2017 (8 months)

Description: The project improved the legal framework in the area of taxation by its harmonisation with the EU acquis and strengthened the administrative capacities of the Ministry of Finance and Public Revenue Office (PRO) for efficient implementation of tax legislation.

Project Cost: EUR 250,000

4. Title: Strengthening operational and institutional capacities of the Customs Administration

Project funded by: EU - IPA TAIB 2013

Duration: September 2017 - July 2019 (21 months) ongoing

Description: The project is expected to further harmonize the national legislation with the EU legislation in the area of customs operations, increase efficiency in detecting and preventing customs fraud through more efficient and targeted controls, strengthen customs clearance facilities and application of modern laboratory methods and tools, facilitate trade through the improvement of risk analysis in accordance with good practices and EU standards. Within this project, equipment for a customs laboratory has been provided.

Project Cost: EUR 2,000,000

5. Title: Strengthening the capacity of the Customs Administration for implementation of the customs and excise legislation

Project funded by: EU -IPA 2010 National Programme

Duration: 2014 – 2016

Description: The project improved the legislation in the area of excise and customs by its further alignment with the EU acquis and strengthened the administrative and operational capacity of the Customs Administration in the process of fulfilling the EU standards in these areas. Further support the EU integration process through capacity building of the coordination structures has been provided within two components: 1. “Finalization of the preparation for the accession to the Convention on a common transit procedure and to the Convention for simplification of formalities in trade in goods” and 2. -“Harmonization of the legislation and procedures with the acquis and EU best practice related to excise”.

Project Cost: EUR 1,890,000

6. Title: Development and re-engineering of business processes of the new tax integrated IT system

Project funded by: EU-IPA II / EUIF 2014

Duration: 2017-2019

Description: The project has further developed effective business processes based on which the new integrated IT system will be built. Also, technical specifications for the software, hardware and quality assurance for the new integrated IT system has been prepared.

Project Cost: EUR 299,766

7. Title: Supply of IT equipment for strengthening the capacity of the Public Revenue Office – Contact Centre/Call Centre

Project funded by: EU-IPA II / EUIF 2014

Duration: 2017-2018

Description: The project provided new IT equipment for new PRO Contact Centre/Call Centre aimed at improving delivery of taxpayer services and creating user-friendly environment.

Project Cost: EUR 229,675

8. Title: PPF Framework Contract – Simplification of procedures for reporting and payment of Personal Income Tax for taxpayer – individuals

Project funded by: EU-IPA 2012 / TAIB I

Duration: 2016-2018

Description: The project improved the administrative capacity and increased the efficiency of the PRO for taxation of taxpayers - citizens through improved taxpayer services and comprehensive access to databases. As a result, the administrative burden related with the submitting of tax returns by the taxpayers – citizens have been decreased.

Project Cost: EUR 93,730

9. Title: Risk Evaluation System – RES

Project funded by: Austrian Development Agency and WedoIT-Solutions GmbH

Duration: 2017-2018

Description: The Project was implemented in order to establish an objective and accurate selection of taxpayers for control, through promotion of the process of risk analysis in the external control and risk management of the taxpayers' compliance

Project Cost: EUR 360,000

10. Title: Revenue Administration and Public Financial Management Reform in Southeast Europe

Project funded by: EC/SECO (implemented by IMF - FAD)

Duration: 2019-2021

Description: The project will establish a management framework to further define reform priorities and co-ordinate the implementation of all PRO reform initiatives. Capacity development support will aim to assist the PRO in ensuring: that (i) a reform strategy and a strategic management framework are adopted and institutionalized; (ii) organizational arrangements enable more effective delivery of strategy and reforms; (iii) corporate priorities are better managed through effective risk management; (iv) a larger proportion of taxpayers meet their payment obligations as required by law; (v) audit and other verification programs more effectively ensure accuracy of reporting; and (vi) weaknesses identified in the TADAT assessment are mitigated.

Project Cost: USD 15,300,000 (cumulative amount for all beneficiary countries: Albania, Bosnia and Herzegovina, Kosovo, Republic of North Macedonia, Montenegro, Serbia)

3.4 List of applicable *Union acquis*/standards/norms:

SEE ANNEX II - List of applicable Union acquis/standards/norms

3.5. Components and results per component

The results defined under each component contribute to the achievement of the objectives of the Tax System Reform Strategy (still to be adopted).

The project is structured into four components:

Mandatory Result 1 (Component 1): Legislation in the area of taxation and customs harmonized with the *Union acquis*, standards and best practices

In the context of Mandatory Result 1, the following indicative sub-results will be achieved:

1. Tax and customs legislation harmonized with EU *acquis*, standards and best practices (Personal Income Tax, Profit Tax, Value Added Tax, Excise Duties, Taxation of Motor Vehicles, Property Taxes, Public Revenue Office, Tax Procedure, Customs Code, Customs Tariffs, Customs Measures for Protection of Intellectual Property Rights and other related legislation);
2. Public awareness for introduction of the new tax and customs legislation raised.

Measurable indicators regarding Mandatory Result 1:

1. Gap analysis of national legislative provisions (laws and bylaws and methodology) compared to the latest EU legislation and best practices, in the area of: Personal Income Tax, Profit Tax, Value Added Tax, Excise Duties, Taxation of Motor Vehicles, Property Taxes, Public Revenue Office, Tax Procedure (paperless administration and tax debt management), Customs, Customs Tariffs, Customs Measures for Protection of Intellectual Property Rights and other related legislation;
2. Reports with written recommendations for improvement of the Law on Personal Income Tax, Law on Profit Tax, Law on VAT, Law on Excises, Law on Taxation of Motor Vehicles, Law on Property Taxes, Law on Public Revenue Office, Law on Tax Procedure (paperless administration and tax debt management), Customs Law, Law on Customs Tariff, Law on Customs Measures for Protection of Intellectual Property Rights and other related legislation prepared;
3. Reports on the current normative framework on suspending autonomous customs tariff duties, favourable tariff treatment of goods for end-use, guarantees of customs debt and write-off of

uncollected claims, customs fees, their compliance with EU best practices and recommendations for their improvement prepared;

4. New legal acts and/or amendments to the existing national tax and customs legislation (laws and by-laws) prepared/drafted on the basis of the EU legislation in force (Law on Personal Income Tax, Law on Profit Tax, Law on VAT, Law on Excises, Law on Taxation of Motor Vehicles, Law on Property Taxes, Law on Public Revenue Office, Law on Tax Procedure (paperless administration and tax debt management), Customs Law, Law on Customs Tariff, Law on Customs Measures for Protection of Intellectual Property Rights and other related legislation). The drafted legislation should be delivered in both English and Macedonian language;
5. Table of concordance for the drafted legislation prepared, showing the link between the provisions of the EU *acquis* and the national legislation;
6. Methodological tools (guidelines/instructions/manuals) based on the new drafted legislation developed. The drafted documents should be delivered in both English and Macedonian language;
7. Trainings provided on the best practices, regarding the newly established measures in the new drafted legislation in the following areas: Personal Income Tax, Profit Tax, Value Added Tax, Excise Duties, Taxation of Motor Vehicles, Property Taxes, Public Revenue Office, Tax Procedure (paperless administration and tax debt management), Customs, Customs Tariffs, Customs Measures for Protection of Intellectual Property Rights and other related legislation (at least 10 trainings);
8. Impact assessment of the alignment of the Customs tariff MFN rates with the EU Common External Tariff prepared;
9. Public awareness events on the new tax and customs legislation organised and conducted (at least 6 workshops/seminars; one conference/ round table discussion with visibility materials);
10. Methodological tools for managing and creating tax policy and customs policy developed;
11. Exchange of knowledge and skills throughout 2 study visits to Member State with relevant employees (maximum 10 persons from MoF, CARNM and PRO for each study visit, for maximum 5 working days for each study visit), focused on legal framework harmonisation with EU *acquis* and best practices and EU standards, methodological tools implementation.

Mandatory Result 2 (Component 2): Capacities of the MoF for conducting tax policy analysis and forecasting enhanced

In the context of Mandatory Result 2, the following indicative sub-results will be achieved:

1. Tax reporting improved based on best EU practices;
2. Capacities for tax analysis developed;
3. Forecast accuracy of revenue forecasting models improved.

Measurable indicators regarding Mandatory Result 2

1. Review of current situation regarding availability of data needed for analysis carried out and Action plan for submission of the required data to the MoF prepared and adopted;
2. Report on estimated tax expenditures and Report on tax gaps prepared. The drafted reports should be delivered in both English and Macedonian language;
3. Public awareness events related to tax reporting organised and conducted (at least 1 one conference with visibility materials);

4. Training Needs Assessment elaborated and a training plan developed and implemented through seminars/workshops, on-the- job training incl. on Econometrics & Programming with R , Tax benefit micro-simulation model for the European Union-EUROMOD, Global Trade Analysis Project-GTAP model etc.);
5. New models for tax policy analysis developed (Input-Output table analysis, estimation effective tax levels using the Devereux/Griffith methodology METR's/ AETR's, estimation effective tariff protection rate's (ETR's) with Corden and Balassa methods, estimation net price and cross-price elasticity for excise goods, short-term revenue projections with irregular high frequency data in R; tax incidence analysis with General Equilibrium Model; determination of optimal level of direct and indirect taxation; etc.);
6. Current micro-simulation R models for direct and indirect taxation in Agent-Based Model (ABM) with dynamic component for behavioural effects between agents upgraded;
7. Adequate IT support for econometric modelling provided;
8. Data management for statistical data on the basis of best EU practices established;
9. Forecasting errors of the current forecasting models decreased;
10. Transfer of know-how carried out throughout 2 study visits to Member State with relevant employees (maximum 10 persons per each study visit, for maximum 5 working days, for each study visit), focused on sharing experience in micro-simulation and revenue forecasting (to be determined upon agreement with the selected MS).

Mandatory Result 3 (Component 3): Operational and administrative capacities of Customs Administration for enforcement of national legislation and procedures, accounting management and IT services improved

In the context of Mandatory Result 3, the following indicative sub-results will be achieved:

1. Capacities for enforcement of the amended customs and excise legislation enhanced;
2. Scope of use of simplified procedures in customs operations enlarged;
3. Efficiency of the customs controls and detection of customs fraud improved;
4. Capacity for establishing a system of traditional own resources improved (A and B accounts);
5. Capacity for business process modeling improved (enhancement of the IT and operational capacities in defining business processes of the customs procedures in direction of preparation of technical specifications);
6. Capacities of Customs Administration for the EU required/ relevant Customs and Excise IT systems and any new processes prescribed by DG TAXUD improved - taking into consideration the functionality and interoperability.

Measurable indicators regarding Mandatory Result 3:

1. New/updated guidelines, instructions, manuals and control procedures in line with the procedures and best working practices in the EU prepared (in both English and Macedonian language);
2. Training Needs Assessment elaborated and Training Programme developed and implemented for customs employees involved in: enforcement of the new legal acts and procedures for customs and excise, collection of duties, strategic planning, business process modelling, IT support (including relevant IT tools), control and investigations and fight against economy crime;

3. National technical specifications of the EU Required IT systems prepared and delivered (in English language);
4. Public awareness events on the new customs procedures organised and conducted (at least 3 workshops/ seminars; one conference/round table discussion with visibility materials);
5. Transfer of know-how carried out, through 2 study visits to Member State with relevant employees (maximum 10 persons from MoF and CARNM per each study visit, maximum 5 working days for each study visit), focused on improved operational and administrative capacities of Customs Administration for enforcement of the new legal acts and procedures for customs and excise, control and investigations, collection of duties, strategic planning, business process modelling, IT support and fight against economic crime (to be determined upon agreement with the selected MS).

Mandatory Result 4 (Component 4): Operational and administrative capacities of Public Revenue Office for enforcement of national legislation, IT services and procedures improved

In the context of Mandatory Result 4, the following indicative sub-results will be achieved:

1. Capacities of the Public Revenue Office for enforcement of improved tax legislation enhanced;
2. Capacities in the areas of management of tax debt, tax collection and tax assessment, detection of tax evasion with using of indirect methods for assessment of undeclared income internal audit function in the internal control systems, professional and ethical standards for the conduct of the employees, human resources management, public procurement, international exchange of information, and in the modernization process of the tax administration improved;
3. Quality assurance for the new IT system, e-services and business processes implemented;
4. Data Warehouse Designed.

Measurable indicators regarding Mandatory Result 4:

1. Assessment report on the existing methodological tools and implementing arrangements in the PRO with recommendations for improvement prepared;
2. New/updated methodological tools delivered (incl. assessment reports, action plans, guidelines, instructions, manuals and control procedures in line with the procedures and best EU practices);
3. Training Needs Assessment elaborated and a Training plan developed and implemented through seminars/workshops/ round table discussions/conferences/ on-the-job training for the tax employees to improve the administrative capacities of the Public Revenue Office³.
4. Quality Control Plan aligned with the Project Plan for the implementation of the new IT system, e-services and business processes, Quality Evaluation Report and list of corrective measures prepared and checks of its implementation performed;
5. Plan for integration of data and establishment of Data Warehouse and Plan for utilization of data for different analysis prepared;

³ The trainings should cover at least the enforcement of the new legal acts and procedures, tax debt management, tax collection and tax assessment and, indirect methods for assessment of undeclared income, internal audit function in the internal control systems, professional and ethical standards for the conduct of the employees, public procurement, international exchange of information, human resources management, modernization process of the tax administration and implementation of the new IT system, e-services and business processes and on the job assistance for implementation of the Data Warehouse and quality control.

6. Transfer of know-how and skills carried out through 2 study visits to Member States with relevant employees (maximum 10 persons from MoF and PRO per each study visit, maximum 5 working days for each study visit), focused on improved operational and administrative capacities of Public Revenue Office for enforcement of national legislation, IT services and procedures (to be determined upon agreement with the selected MS).

3.6. Means/input from the EU Member State Partner Administration(s)*:

The project will be implemented in the form of a Twinning contract between the Beneficiary Country and EU Member State(s). The implementation of the project requires one Project Leader (PL) with responsibility for the overall coordination of project activities and one Resident Twinning Adviser (RTA) to manage implementation of project activities, Component Leaders (CL) and pool of short-term experts within the limits of the budget. It is essential that the team has sufficiently broad expertise to cover all areas included in the project description.

Proposals submitted by Member State shall be concise and focused on the strategy and methodology and an indicative timetable underpinning this, the administrative model suggested, the quality of the expertise to be mobilised and clearly show the administrative structure and capacity of the Member State entities. Proposals shall be detailed enough to respond adequately to the Twinning Fiche, but are not expected to contain a fully elaborated project. They shall contain enough detail about the strategy and methodology and indicate the sequencing and mention key activities during the implementation of the project to ensure the achievement of overall and specific objectives and mandatory results/outputs.

The interested Member State(s) shall include in their proposal the CVs of the designated Project Leader (PL) and the Resident Twinning Adviser (RTA), as well as the CVs of the potentially designated Component Leaders-(CLs).

The Twinning project will be implemented by close co-operation between the partners aiming to achieve the mandatory results in sustainable manner.

The set of proposed activities will be further developed with the Twinning partners when drafting the initial work plan and successive rolling work plan every three months, keeping in mind that the final list of activities will be decided in cooperation with the Twinning partner. The components are closely inter-linked and need to be sequenced accordingly.

3.6.1 Profile and tasks of the PL:

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body (see Twinning Manual 4.1.4.2);
- At least a University degree⁴ preferably in management/economics/law/business administration/public finance or other relevant discipline with the project focus or equivalent professional experience of 8 years;
- At least 3 years of specific experience in the field of tax or customs legislation or procedures in relevant institution for tax/customs policy or revenue administration;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Fluent written and spoken English.

⁴For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

Tasks:

- Conceive, supervise and coordinate the overall Twinning project;
- To provide strategic advice on high level reforms supported by the Twinning;
- Coordinate and monitor the overall implementation of the project including coordination and direction of the MS Twinning partner;
- Co-ordinate MS experts' work and availability;
- Communicate with the final beneficiary and EUD;
- Ensure the backstopping functions and financial management;
- Guarantee from the MS administration side, the successful implementation of the Project's Work Plan;
- Participate in quarterly meetings of the Project Steering Committee with the BC PL;
- Participate in preparation of the initial and subsequent work plans.

3.6.2 Profile and tasks of the RTA:

One Resident Twinning Advisor (RTA) will be appointed and he/she will be located in the premises of the Ministry of Finance in the Beneficiary Country.

The secondment of the RTA will last for 36 months, during which he/she will be responsible for the direct implementation of the project under the overall supervision of the MS Project Leader.

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body (see Twinning Manual 4.1.4.2)
- At least a University degree⁵ in management/economics/law/business administration/public finance or other relevant discipline with the project focus or equivalent professional experience of 8 years;
- At least 3 years of specific experience in the field of tax or customs legislation or procedures in relevant institution for tax/customs policy or revenue administration;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Experience in working in teams;
- Fluent written and spoken English.

Tasks:

As to the general responsibility of the day-to-day implementation of the Twinning project in the Beneficiary Country, the Resident Twinning Adviser (RTA) tasks will include:

- Provide technical advice and assistance to the administration or other public sector bodies in the BC in the context of a predetermined work-plan;
- Coordination of all project activities and experts' inputs in the country;
- Ensuring day-to-day implementation of the Twinning project in the country;
- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan;
- Preparation of the materials and documentation for regular monitoring and reporting;
- Preparation of side letters;

²For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

- Together with the Project Leader, to nominate, mobilize and supervise the Short-Term experts.
- Draft interim quarterly and final report.

RTA Assistant:

The RTA will be provided with a full-time RTA assistant acting as an assistant for technical and organizational support. The assistant will be contracted in line with the Twinning Manual rules (see point 4.1.6.10) and paid from the Twinning budget. The assistant will be selected through an open call. The role of RTA Assistant is to support the RTA in the project management. In addition, the assistant will be responsible for organisation of meetings, seminars etc. and their logistics as well as for providing translation and interpretation services on a daily basis.

Full-time translator / interpreter:

For the purpose of the project and for cost effectiveness the Twinning Project foresees a part or full-time translator / interpreter who should be selected through an open call. The full-time translator / interpreter will be involved in all necessary project activities (training sessions, translation of project documents/reports and materials, organizational activities, etc.). The role of the translator / interpreter will be to provide translation and editing as well as interpretation services to the Twinning project in general.

3.6.3 Profile and tasks of Component Leaders:

The Component Leaders (4 (four) persons, one for each Component above) will be responsible for achievement of project results, ensuring the activities for the co-operation and information exchange between the RTA and the final beneficiary side and ensuring that all the required support of the management and staff of the EU side are available.

Component Leader 1: Legislation in the area of taxation and customs harmonized with the Union acquis, standards and best practices

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body;
- At least a University degree⁶ in economics/law/other relevant discipline with the project focus or equivalent professional experience of 8 years;
- At least 3 years of specific experience in the field of tax or customs legislation or tax or customs procedures,
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of drafting legislation and by-laws, manuals, training, preparing guidelines for strategic use and management of training and providing training;

³For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

Component Leader 2: Enhanced capacities of the MoF for conducting tax policy analysis and forecasting

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body;
- At least a University degree⁷ in economics/ other relevant discipline with the project focus or equivalent professional experience of 8 years;
- At least 3 years of specific experience in the field of economic analysis and econometrics,
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of analysis, manuals, training, preparing guidelines for strategic use and management of training and providing training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

Component Leader 3: Improved operational and administrative capacities of Customs Administration for enforcement of national legislation and procedures, accounting management and IT services

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body;
- At least a University degree⁸ in economics/law/other relevant discipline with the project focus or equivalent professional experience of 8 years;

³For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

³For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

- At least 3 years of specific experience in the field of customs operations,
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Experience in trainings design and/or delivery will be considered an asset
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of drafting legislation and by-laws, manuals, training, preparing guidelines for strategic use and management of training and providing training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

Component Leader 4: Improved operational and administrative capacities of Public Revenue Office for enforcement of national legislation, IT services and procedures

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body;
- At least a University degree⁹ in economics/law/other relevant discipline with the project focus or equivalent professional experience of 8 years;
- At least 3 years of specific experience in tax administration,
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Experience in trainings design and/or delivery will be considered an asset
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of drafting legislation and by-laws, manuals, training, preparing guidelines for strategic use and management of training and providing training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution within the project components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

³For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

3.6.4 Profile and tasks of other short-term experts:

Qualifications and skills:

- University degree¹⁰ in law/economics or other relevant discipline with the project focused or equivalent professional experience of 8 years;
- At least 3 years of working experience in the field of: tax legislation/customs legislation/customs procedures/econometrics/IT/tax administration/human resources management and other areas relevant for the project;
- Be fluent in written and spoken English.

A pool of short term experts is required to implement the project activities covering the following indicative subjects:

- Prepare and implement specific tasks based mainly on practical cases and experience in compliance with their mission description and in accordance with Project activities;
- Provide practical expertise/advice and transfer knowledge to relevant staff for execution of all activities related to the results and objective required within the project;
- Provision of practical support, training, advice, recommendations and reports as foreseen under the Project in close cooperation and coordination with the relevant institution;
- Address cross-cutting issues.

4. Budget

Twinning Contract	Total (EUR)	IPA contribution		Community		National Public contribution	
		EUR	%	EUR	%	EUR	%
	3,500,000.00	3,500,000.00	100	/	/	/	/

5. Implementation Arrangements

5.1 The Delegation of European Union will act as a Contracting Authority for the project, which will be responsible for all aspects for the project's tendering, contracting and payments.

Nicola Bertolini
Head of Cooperation
Delegation of European Union
Sv. Kiril I Metodij 52b, 1000 Skopje
Republic of North Macedonia

The contact person on behalf of the EU Delegation is:

Emilija Belogaska
Programme Manager
Delegation of European Union
Sv. Kiril I Metodij 52b, 1000 Skopje
Republic of North Macedonia

¹⁰ For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

5.2 Institutional framework

Main institutions involved in the management and implementation of the project are:

Ministry of Finance;
Public Revenue Office (PRO), and
Customs Administration.

Ministry of Finance - Public Revenues and Tax and Customs Policy Department

Public Revenues and Tax and Customs Policy Department performs activities related to preparation of loans and by-loans in the field of personal income tax, profit tax, value added tax, excises, property taxes, local taxes utility and administrative fees, registration of cash payments and tax procedures, gathering and coordinating the activities in the field of customs policy, system and procedures, Customs Tariff, customs value and origin, non-tariff measures, e-customs, analytics and projecting customs revenues and finding ways for their improvement, cooperation with many international organizations and institutions (WTO, WCO and EU), harmonization and preparation of customs regulations in line with the global and European standards, as well as analysing and monitoring free trade agreements. The Unit for analysis and projections within this Department, performs tasks related to: projection of tax revenues (personal income tax, corporate income tax, value added tax, import duties) using aggregate econometric modelling, microsimulation modelling, time series modelling and other econometric methods; calculations of tax buoyancy and tax elasticity of taxes and customs in relation to an macroeconomic indicator; calculates unweight tariff rate in accordance to the Customs Tariff and in accordance to the free trade agreements.

Public Revenue Office

The PRO is a body within the Ministry of Finance, with status of a legal entity carrying out its powers throughout the entire territory of the country. Pursuant to the Law on Public Revenue Office, the office performs administrative and other professional matters related to the scope of its operations, as well as issues arising from the special tax laws. The Public Revenue Office operatively implements the tax policy, maintains the single tax register and tax records of taxpayers, receives tax returns, assess, collects and performs refund of taxes, social contributions from salary and other public duties, performs inspection supervision, provides assistance to taxpayers for fulfilling their tax obligations, monitors and analyses the functioning of the tax system and makes proposals for its improvement, cooperates with tax authorities from other countries, and provides an international legal assistance in tax matters.

Customs Administration

The Customs Administration is a body within the Ministry of Finance, with status of a legal entity carrying out its powers throughout the entire territory of the country. It carries out the activities that are under its competence in accordance with the Law on Customs Administration, the Customs Law, the Customs Tariff Law, the Law on Customs Measures for Protection of Intellectual Property Rights, the Law on Excises, the Law on Tax Procedures and other laws governing the importation, exportation and transit of goods, excise as well as for the performance of all other activities that are vested under its competence with other laws. Thus, the Customs Administration is an institution of a fundamental importance which carries out the main national revenue and tax collection, through customs and excise duties collection.

Coordination of the implementation of the project will be carried out through the Project Steering Committee (PSC) which will be established at the beginning of the project, comprising senior representatives of the Final Beneficiary Institutions, the Delegation of the European Union, the Secretariat for European affairs and other relevant BC institutions and will be co-chaired by the MS PL and BC PL.

5.3 Counterparts in the Final Beneficiary administration:

5.3.1 Contact person:

Mr. Zoran Gligorov, MA
Assistant Head of Department for Public Revenues and Tax and Customs Policy
Ministry of Finance
Dame Gruev 12, 1000 Skopje, Republic of North Macedonia

5.3.2 PL counterpart

Mr. Zoran Gligorov, MA
Assistant Head of Department for Public Revenues and Tax and Customs Policy
Ministry of Finance
Dame Gruev 12, 1000 Skopje, Republic of North Macedonia

5.3.3 RTA counterpart

Ms. Irena Vasileska Salevic
Advisor for Personal Income Tax and International Agreements on Avoidance of Double Taxation
Department for Public Revenues and Tax and Customs Policy
Ministry of Finance
Dame Gruev 12, 1000 Skopje, Republic of North Macedonia

5.3.4. Component Leaders counterparts

Component 1: Harmonization of legislation in the area of taxation and customs with EU acquis, EU standards and best practices

Ms. Marina Dimoska
Advisor for Personal Income Tax
Department for Public Revenues and Tax and Customs Policy
Ministry of Finance
Dame Gruev 12, 1000 Skopje, Republic of North Macedonia

Component 2: Enhanced capacities of the MoF for conducting tax policy analysis and forecasting

Mr. Jordan Simonov, MA
Head of Unit for Projections and Analyses
Department for Public Revenues and Tax and Customs Policy
Ministry of Finance
Dame Gruev 12, 1000 Skopje, Republic of North Macedonia

Component 3: Improved operational and administrative capacities of Customs Administration for enforcement of national legislation and procedures, accounting management and IT services

Ms. Liljana Zivkovic Davitkova

Head of Unit for Fight Against Economic Crime
Investigation Department, Controls and Investigations Sector
Customs Administration of the Republic of North Macedonia
Lazar Licenoski 13, 1000 Skopje, Republic of North Macedonia

Component 4: Improved operational and administrative capacities of Public Revenue Office for enforcement of national legislation, IT services and procedures

Mr. Mihajlo Mihailov
Head of Contact Centre
Public Revenue Office
Blv. Kuzman Josifovski - Pitu 1, 1000 Skopje, Republic of North Macedonia

6. Duration of the project

The overall execution period of the Twinning project is **39 months** with an implementation period of **36 months**. (The execution period of the contract shall enter into force upon the date of notification by the Contracting Authority of the contract signed by all parties, whereas it shall end 3 months after the implementation period of the Action).

7. Management and reporting

7.1 Language

The official language of the project is the one used as contract language under the instrument (English). All formal communications regarding the project, including interim and final reports, shall be produced in the language of the contract.

7.2 Project Steering Committee

A project steering committee (PSC) shall oversee the implementation of the project. The main duties of the PSC include verification of the progress and achievements *via-à-vis* the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors, finalising the interim reports and discuss the updated work plan. Other details concerning the establishment and functioning of the PSC are described in the Twinning Manual.

7.3 Reporting

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in section 5.5.2 (interim reports) and 5.5.3 (final report) of the Twinning Manual. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twining: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC. The narrative part shall primarily take stock of the progress and achievements *via-à-vis* the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure the further progress.

8. Sustainability

The final beneficiary administrations are fully committed to ensuring long term impact of the Twinning project. The MS Twinning partners shall transfer the know-how necessary to further enhance and enforce the mandatory results to the final beneficiary administrations. During the project, the twinning partners should develop draft legal acts, manuals, documents/handouts,

guidelines that will be easily accessible for later use by the final beneficiary administrations. Staff benefiting from trainings/study visit shall transfer knowledge through subsequent training to their colleagues.

The sustainability issues will be further elaborated in the course of the project as a joint responsibility of the MS partner and BC institution. Furthermore, in the final report twinning partners will include specific recommendations for safeguarding the achievement of mandatory results in the final beneficiary administrations.

As a result of the Twinning and the assistance given, the Departments and the Ministry will work to ensure that all knowledge gained through the project will be systematically transferred to all new employees by on the job training delivered through everyday work.

9. Crosscutting issues

Equal opportunities and gender mainstreaming

The country has put in place the legal framework to ensure gender equality through the adoption of the Law on equal opportunities for women and men and the Law on prevention of and protection from discrimination. The current legal framework actually prohibits discrimination on the grounds of gender and sexual orientation and prescribes that equal representation of men and women exists when one sex is represented with at least 40% per cent in bodies at all levels (state, municipal levels other institutions). Horizontal promotional activities will be implemented for greater recognition of the growth-enhancing effects of reducing inequality.

Another important opportunity to enhance the equal opportunities between men and women is provided through Gender Responsible Budget concept. In 2012, the country adopted a Strategy for Gender Responsible Budgeting. Accordingly, the Ministry of Finance amended the budget instructions in view of introducing gender budget analysis and is continuously implementing different gender budget initiatives.

Minorities and vulnerable groups

All sector activities will support the Ohrid Framework Agreement and “Race directive” 2000 (2000/43/EC of 29 June 2000), in particular local governance and local economic development, in accordance with the principles of subsidiarity and participatory development, as well as social cohesion and good inter-community relations, based on the principles of mutual tolerance. The implementation of the Ohrid Framework Agreement has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the *acquis*.

Simultaneously, equal representation of minorities and vulnerable groups will be the guaranteed principle. The institutions involved in the execution of the activities will observe equal opportunity for all citizens regardless of their ethnic, religious background or other type of social risk they face, in the sphere of human resources development.

Engagement with civil society

The civil society but also social partners, employers' organisations, trade unions, academia and media have been engaged in the design of the PFM Reform Programme through the policy dialogue. The partners will continue playing an important role in the sector dialogue and in the implementation of sector reform activities as their involvement is guaranteed by:

(1). The PFM Reporting and monitoring mechanism, which envisages the information on achieving of the objectives of the PFM Reform Programme to be consulted with the business and donor community, academia and civil society.

(2). The implementation of the sector approach, which positions the sector working groups as main fora for policy dialogue involving donors and civil society as observers along with public administration,

(3) The measures promoting PFM transparency i.e. regular publication of the Citizens Budget, which allows citizens to better understand the Government policy as regards public finances and therefore better assess and if necessary counteract Governmental policy; or the application of transparency standards in the public administration (particularly the Ministry of Finance and related bodies) or the investments in the e-services, which will guarantee live access to PFM information.

Environment and climate change

The fifth priority of the Tax System Reform Strategy is Green Taxation. The objective of this priority is to improve legal arrangements regarding green taxation in the Republic of North Macedonia, as well as their implementation, with a final purpose to reduce pollution. By different types of measures, the Government would raise awareness for the protection of the environment by better use and allocation of resources, as well as change the behaviour of citizens and companies towards reduced environmental damage. By supporting the implementation of the Tax System Reform Strategy, the project would directly contribute to promoting environmental protection and sustainability.

10. Conditionality and sequencing

Conditionality

- Appointment of counterpart personnel by the final beneficiary before the launch of the call of proposal and guaranteeing the continuity of the appointed and trained staff;
- Allocation of working space and facilities by the final beneficiary within the premises of the beneficiaries before contract signature;
- Participation by the final beneficiary in the selection process as per EU regulations;
- Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the final beneficiaries.

Sequencing

Key milestones will be:

- 1) Approval of the Twinning project fiche;
- 2) Circulation of the Twinning Project Fiche to Member State National Contact Points;
- 3) Completion of the selection of the twinning partner;
- 4) Signature of the Twinning contract;
- 5) Commencement of the implementation of the twinning (inter alia, the arrival in the country of the Resident Twinning Adviser);
- 6) Preparation of Project Work Plan;
- 7) End of the implementation period;
- 8) Submission of the final report;
- 9) Twinning review mission (6 to 12 months after end of the project).

11. Indicators for performance measurement

Indicators for performance measurement refer to point 3.5 of this document.

12. Facilities available

The key final beneficiary institution, the Ministry of Finance, commits itself to make available

free of any charge for the project:

- Office facilities for the RTA and the RTA assistant(s) for the entire duration of their secondment, with a level of equipment at least comparable to that in use in the final beneficiary administration;
- Adequate conditions for the short-term experts to perform their work while on mission to the final beneficiary;
- Training and conference venues and presentation and interpretation equipment.

ANNEXES TO PROJECT FICHE

1. The Simplified Logical framework matrix as per Annex C1a
2. List of relevant Laws and Regulations
3. Existing donor coordination framework
4. The project/sector monitoring framework
5. Project/sector relevant publically available Conclusions/agreements between EU and the final beneficiary resulting from the political dialogue

ANNEX I - Simplified Logical Framework

	Description	Indicators	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	The overall objective of this project is to improve the stability, efficiency and quality of the overall revenue system in the country in order to ensure sustainable and sound management of public finances.	<p>1. Progress made toward fulfillment of EU accession criteria (steady progress in related Chapters 16 and 29)</p> <p>2. Increased budget revenues: PIT revenues of 3.0% of GDP CIT revenues of 2.5% of GDP VAT revenues of 8.0% of GDP Baseline data (2018¹¹): PIT revenues of 2,66% of GDP CIT revenues of 2,23% of GDP VAT revenues of 7,46% of GDP</p> <p>3. Improved tax efficiency¹² indicator: PIT tax efficiency not less than 0,29 CIT tax efficiency not less than 0,23 VAT C-efficiency not less than 0,60 Baseline data (2018¹³):</p>	<p>EC Progress Report and other relevant external assessment reports</p> <p>Data from the MoF and SSO</p>	<p>Insufficient political will for implementing the changes</p> <p>Internal resistance to changes</p> <p>Insufficient institutional and human resources capacities</p>	<p>Continuing adherence to agreed policy objectives</p> <p>Economic and fiscal stability</p> <p>Prudent fiscal discipline</p>

¹¹ Preliminary data/Source: Ministry of Finance

¹²

PIT-Tax efficiency indicator
 $Y_{pit} = (T_{pit}/GDP)/rj$
 Y_{pit}- tax efficiency indicator
 T_{pit}=PIT revenue
 rj- Tax rate first bracket

CIT-Tax efficiency indicator
 $Y_{cit} = (T_{cit}/GDP)/rj$
 Y_{cit}- tax efficiency indicator
 T_{cit}=CIT revenue
 rj-Standard tax rate

VAT- C-efficiency indicator
 $Y_{vat} = (T_{vat}/FC)/rj$
 FC-Final consumption
 Y_{vat}- C-efficiency indicator
 T_{vat}-VAT revenue
 rj-Standard tax rate

¹³ Preliminary data/Source: Ministry of Finance

		PIT tax efficiency not less than 0,27 CIT tax efficiency not less than 0,22 VAT C-efficiency not less than 0,52			
Specific (Project) Objective(s)	The specific objective of the project is to improve and harmonize tax and customs legislation in line with the relevant EU acquis and best practices, improve economic analysis and revenue forecasting and modelling and enhance operational and administrative capacities of key institutions in the system. In addition, the project aims to simplify tax and customs procedures, including declaring and payment by reducing the administrative procedures and costs and improving quality of tax and customs services provided to citizens. The specific objective of the project is directly related to the implementation of the Tax System Reform Strategy (yet to be adopted).	Level of harmonization of the national legislation with the European acquis in the field of taxes and customs - number of EU tax and customs acquis transposed in the national legislation - at least 50% of the acquis (basis is existing EU acquis in 2019) transposed; Number of customs decisions to use simplified digitalised procedures increased by 5% (baseline data is 215 (in 2016)); Forecasting errors of the current forecasting models decreased; Percentage of digitalized services of PRO of 60% (Baseline: 40%); Doing Business indicator for time for paying taxes of 100 hours per year; (Baseline: 119 hours)	EC Progress Report and other relevant external assesment reports Reports/data provided from relevant national institutions (MoF, CARNM, PRO) Tables of concordance Reports on implementation of the PFM Reform Programme	Lack of awareness and commitment from high-level officials Internal resistance to modernization processes Continuous outflow of staff and vacant high and middle level management staff positions expected to manage the modernization processes	Continuing adherence to agreed policy objectives Continued political commitment Professional commitment and openness to adopt new working methods Adoption of the Tax System Reform Strategy before start of project activities
Mandatory results/outputs by components Sub-results per	Mandatory Result 1 (Component 1): Legislation in the area of taxation and customs harmonized with the Union acquis, standards	1. Gap analysis of national legislative provisions (laws and bylaws and methodology) compared to the latest EU legislation and best practices, in the area of: Personal Income Tax,	Documents (reports, legal acts, action plans, methodological tools, technical specifications	Lack of awareness and commitment from high-level officials Internal resistance to	Continuing adherence to agreed policy objectives Good and continuous interaction between the

<p>component</p>	<p>and best practices</p> <p>In the context of Mandatory Result 1, the following indicative sub-results will be achieved:</p> <ol style="list-style-type: none"> 1. Tax and customs legislation harmonized with EU acquis, standards and best practices (Personal Income Tax, Profit Tax, Value Added Tax, Excise Duties, Taxation of Motor Vehicles, Property Taxes, Public Revenue Office, Tax Procedure, Customs Code, Customs Tariffs, Customs Measures for Protection of Intellectual Property Rights and other related legislation); 2. Public awareness for introduction of the new tax and customs legislation raised. 	<p>Profit Tax, Value Added Tax, Excise Duties, Taxation of Motor Vehicles, Property Taxes, Public Revenue Office, Tax Procedure (paperless administration and tax debt management), Customs, Customs Tariffs, Customs Measures for Protection of Intellectual Property Rights and other related legislation;</p> <ol style="list-style-type: none"> 2. Reports with written recommendations for improvement of the Law on Personal Income Tax, Law on Profit Tax, Law on VAT, Law on Excises, Law on Taxation of Motor Vehicles, Law on Property Taxes, Law on Public Revenue Office, Law on Tax Procedure (paperless administration and tax debt management), Customs Law, Law on Customs Tariff, Law on Customs Measures for Protection of Intellectual Property Rights and other related legislation prepared; 3. Reports on the current normative framework on suspending autonomous customs tariff duties, favourable tariff treatment of goods for end-use, guarantees of customs debt and write-off of uncollected claims, customs fees, their compliance with EU best practices and recommendations for their 	<p>etc.) produced</p> <p>Archive and web site of MoF, PRO and CARNM</p> <p>Training/seminars materials, attendance lists</p> <p>IT system of the MoF, PRO and CARNM</p> <p>Data published by the relevant institutions (MoF, PRO, CARNM)</p>	<p>modernization processes</p> <p>Continuous outflow of staff and vacant high and middle level management staff positions expected to manage the modernization processes</p> <p>Lack of data availability</p>	<p>stakeholders relevant to the economic sector</p> <p>Professional commitment and openness to adopt new working methods</p> <p>Adoption of the Tax System Reform Strategy before start of project activities</p> <p>Presence of qualified personnel in the project implementation</p> <p>Ensured continuity of the appointed and trained staff</p> <p>Data availability is taken into consideration while building up models</p>
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		<p>improvement prepared;</p> <p>4. New legal acts and/or amendments to the existing national tax and customs legislation (laws and by-laws) prepared/drafted on the basis of the EU legislation in force (Law on Personal Income Tax, Law on Profit Tax, Law on VAT, Law on Excises, Law on Taxation of Motor Vehicles, Law on Property Taxes, Law on Public Revenue Office, Law on Tax Procedure (paperless administration and tax debt management), Customs Law, Law on Customs Tariff, Law on Customs Measures for Protection of Intellectual Property Rights and other related legislation). The drafted legislation should be delivered in both English and Macedonian language;</p> <p>5. Table of concordance for the drafted legislation prepared, showing the link between the provisions of the EU acquis and the national legislation;</p> <p>6. Methodological tools (guidelines/instructions/manuals) based on the new drafted legislation developed. The drafted documents should be delivered in both English and Macedonian language;</p>			
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		<p>7. Trainings provided on the best practices, regarding the newly established measures in the new drafted legislation in the following areas: Personal Income Tax, Profit Tax, Value Added Tax, Excise Duties, Taxation of Motor Vehicles, Property Taxes, Public Revenue Office, Tax Procedure (paperless administration and tax debt management), Customs, Customs Tariffs, Customs Measures for Protection of Intellectual Property Rights and other related legislation (at least 10 trainings);</p> <p>8. Impact assessment of the alignment of the Customs tariff MFN rates with the EU Common External Tariff prepared;</p> <p>9. Public awareness events on the new tax and customs legislation organised and conducted (at least 6 workshops/seminars; one conference/ round table discussion with visibility materials);</p> <p>10. Methodological tools for managing and creating tax policy and customs policy developed;</p> <p>11. Exchange of knowledge and skills throughout 2 study visits to Member State with relevant employees (maximum 10 persons from MoF,</p>			
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		CARNM and PRO for each study visit, for maximum 5 working days for each study visit), focused on legal framework harmonisation with EU <i>acquis</i> and best practices and EU standards, methodological tools implementation.			
	<p>Mandatory Result 2 (Component 2): Capacities of the MoF for conducting tax policy analysis and forecasting enhanced</p> <p>In the context of Mandatory Result 2, the following indicative sub-results will be achieved:</p> <ol style="list-style-type: none"> 1. Tax reporting improved based on best EU practices; 2. Capacities for tax analysis developed; 3. Forecast accuracy of revenue forecasting models improved; 	<ol style="list-style-type: none"> 1. Review of current situation regarding availability of data needed for analysis carried out and Action plan for submission of the required data to the MoF prepared and adopted; 2. Report on estimated tax expenditures and Report on tax gaps prepared. The drafted reports should be delivered in both English and Macedonian language; 3. Public awareness events related to tax reporting organised and conducted (at least 1 one conference with visibility materials); 4. Training Needs Assessment elaborated and a training plan developed and implemented through seminars/workshops, on-the-job training incl. on Econometrics & Programming with R, Tax benefit micro-simulation model for the European Union-EUROMOD, Global Trade Analysis Project-GTAP model etc.); 5. New models for tax policy analysis 			

		<p>developed (Input-Output table analysis, estimation effective tax levels using the Devereux/Griffith methodology METR's/ AETR's, estimation effective tariff protection rate's (ETR's) with Corden and Balassa methods, estimation net price and cross-price elasticity for excise goods, short-term revenue projections with irregular high frequency data in R; tax incidence analysis with General Equilibrium Model; determination of optimal level of direct and indirect taxation; etc.);</p> <ol style="list-style-type: none"> 6. Current micro-simulation R models for direct and indirect taxation in Agent-Based Model (ABM) with dynamic component for behavioural effects between agents upgraded; 7. Adequate IT support for econometric modelling provided; 8. Data management for statistical data on the basis of best EU practices established; 9. Forecasting errors of the current forecasting models decreased; 10. Transfer of know-how carried out throughout 2 study visits to Member State with relevant employees (maximum 10 persons per study visit, for maximum 5 working days, for each study visit), focused on sharing experience in micro-simulation and 			
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		revenue forecasting (to be determined upon agreement with the selected MS).			
	<p>Mandatory Result 3 (Component 3): Operational and administrative capacities of Customs Administration for enforcement of national legislation and procedures, accounting management and IT services improved</p> <p>In the context of Mandatory Result 3, the following indicative sub-results will be achieved:</p> <ol style="list-style-type: none"> 1. Capacities for enforcement of the amended customs and excise legislation enhanced; 2. Scope of use of simplified procedures in customs operations enlarged; 3. Efficiency of the customs controls and detection of customs fraud improved; 4. Capacity for establishing a system of traditional own resources improved (A and B accounts); 5. Capacity for business process modeling improved (enhancement of the IT and 	<ol style="list-style-type: none"> 1. New/updated guidelines, instructions, manuals and control procedures in line with the procedures and best working practices in the EU prepared (in both English and Macedonian language); 2. Training Needs Assessment elaborated and Training Programme developed and implemented for customs employees involved in: enforcement of the new legal acts and procedures for customs and excise, collection of duties, strategic planning, business process modelling, IT support (including relevant IT tools), control and investigations and fight against economy crime; 3. National technical specifications of the EU Required IT systems prepared and delivered (in English language); 4. Public awareness events on the new customs procedures organised and conducted (at least 3 workshops/ seminars; one conference/round table discussion with visibility materials); 5. Transfer of know-how carried out, through through 2 study visits to Member State with relevant employees (maximum 10 persons from MoF and CARNM per each study visit, 			

	<p>operational capacities in defining business processes of the customs procedures in direction of preparation of technical specifications);</p> <p>6. Capacities of Customs Administration for the EU required/ relevant Customs and Excise IT systems and any new processes prescribed by DG TAXUD improved - taking into consideration the functionality and interoperability.</p>	<p>maximum 5 working days for each study visit), focused on improved operational and administrative capacities of Customs Administration for enforcement of the new legal acts and procedures for customs and excise, control and investigations, collection of duties, strategic planning, business process modelling, IT support and fight against economic crime (to be determined upon agreement with the selected MS).</p>			
	<p>Mandatory Result 4 (Component 4): Operational and administrative capacities of Public Revenue Office for enforcement of national legislation, IT services and procedures improved</p> <p>In the context of Mandatory Result 4, the following indicative sub-results will be achieved:</p> <p>1. Capacities of the Public Revenue Office for enforcement of improved tax legislation enhanced;</p> <p>2. Capacities in the areas of management of tax debt, tax</p>	<p>1. Assessment report on the existing methodological tools and implementing arrangements in the PRO with recommendations for improvement prepared;</p> <p>2. New/updated methodological tools delivered (incl. assessment reports, action plans, guidelines, instructions, manuals and control procedures in line with the procedures and best EU practices);</p> <p>3. Training Needs Assessment elaborated and a Training plan developed and implemented through seminars/workshops/ round table discussions/conferences/ on-the-job training for the tax employees to improve the administrative capacities</p>			

	<p>collection and tax assessment, detection of tax evasion with using of indirect methods for assessment of undeclared income internal audit function in the internal control systems, professional and ethical standards for the conduct of the employees, human resources management, public procurement, international exchange of information, and in the modernization process of the tax administration improved;</p> <p>3. Quality assurance for the new IT system, e-services and business processes implemented;</p> <p>4. Data Warehouse Designed.</p>	<p>of the Public Revenue Office¹⁴.</p> <p>4. Quality Control Plan aligned with the Project Plan for the implementation of the new IT system, e-services and business processes, Quality Evaluation Report and list of corrective measures prepared and checks of its implementation performed;</p> <p>5. Plan for integration of data and establishment of Data Warehouse and Plan for utilization of data for different analysis prepared;</p> <p>6. Transfer of know-how and skills carried out through 2 study visits to Member States with relevant employees (maximum 10 persons from MoF and PRO for each study visit, maximum 5 working days for each study visit), focused on improved operational and administrative capacities of Public Revenue Office for enforcement of national legislation, IT services and procedures (to be determined upon agreement with the selected MS).</p>			
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¹⁴ The trainings should cover at least the enforcement of the new legal acts and procedures, tax debt management, tax collection and tax assessment and, indirect methods for assessment of undeclared income, internal audit function in the internal control systems, professional and ethical standards for the conduct of the employees, public procurement, international exchange of information, human resources management, modernization process of the tax administration and implementation of the new IT system, e-services and business processes and on the job assistance for implementation of the Data Warehouse and quality control.

ANNEX II- List of applicable *Union acquis*/standards/norms:

EU acts related with Personal income tax

- Council Directive 2009/133/EC of 19 October 2009
- Commission Recommendation (94/79/EC) of 21 December 1993
- Commission Recommendation (94/390/EC) of 25 May 1994

EU acts related with Profit tax

- Council Directive 2011/96/EU of 30 November 2011
- Council Directive 2003/49/EC of 3 June 2003
- Council Directive 2009/133/EC of 19 October 2009
- COUNCIL DIRECTIVE (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market

EU acts related with VAT

- COUNCIL DIRECTIVE 2006/112/EC
- Council Directive 2009/132/EC of 19 October 2009 determining the scope of Article 143(b) and (c) of Directive 2006/112/EC as regards exemption from value added tax on the final importation of certain goods (VAT-free importation)
- Council Directive 2008/9/EC of 12 February 2008 laying down detailed rules for the refund of value added tax, provided for in Directive 2006/112/EC, to taxable persons not established in the Member State of refund but established in another Member State (VAT Refund – EU business)
- Council Directive 2007/74/EC of 20 December 2007 on the exemption from value added tax and excise duty of goods imported by persons travelling from third countries (travellers' allowances)
- Council Directive 2006/79/EC of 5 October 2006 on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries (codified version) (private consignments)
- Thirteenth Council Directive 86/560/EEC of 17 November 1986 on the harmonization of the laws of the Member States relating to turnover taxes - Arrangements for the refund of value added tax to taxable persons not established in Community territory (VAT Refund – non-EU business)
- Binding implementing measures to ensure uniform application of the VAT Directive can be found in the VAT Implementing Regulation (Council Regulation (EU) No 282/2011).

EU acts related with Excise law

- 32008L0118 COUNCIL DIRECTIVE 2008/118 / EC of 16 December 2008 concerning the general arrangements for excise duty and repealing Directive 92/12 / EEC;
- 32011L0064 COUNCIL DIRECTIVE 2011/64 / EU of 21 June 2011 on the excise structure and excise duty rates applicable to processed tobacco;
- 32003L0096 COUNCIL DIRECTIVE 2003/96 / EC of 27 October 2002 on the restructuring of the Community framework for the taxation of energy products and electricity;

- 31992L0083 COUNCIL DIRECTIVE 92/83 / EEC of 19 October 1992 on the harmonization of the structures of excise duties on alcohol and alcoholic beverages;
- 31993R3199 REGULATION OF THE COMMISSION (EC) No. 3199/93 on the mutual recognition of procedures for the complete denaturing of alcohol for the purpose of excise tax exemption;
- 31992L0084 COUNCIL DIRECTIVE 92/84 / EEC of 19 October 1992 on the harmonization of rates of excise duty on alcohol and alcoholic beverages;
- 32009R1186 COUNCIL REGULATION (EC) No. 1186/2009 of 16 November 2009 establishing a Community system for exemption from customs duties;
- 32006L0079 COUNCIL DIRECTIVE 2006/79 / EC on the tax exemption for imports of small-scale deliveries of non-commercial goods from third countries;
- 32007L0074 COUNCIL DIRECTIVE 2007/74 / EC on the exemption from value added tax and excise duty on goods imported from third countries;
- 31996R0031, 32011R0282 REGULATION OF THE COMMISSION (EC) No. 31/96 of 10 January 1996 for a certificate of exemption from excise duty;
- REGULATION OF THE COMMISSION (EC) No. 282/2011 of 15 March 2011 on measures to implement Directive 112/2006 on the common system of value added tax;
- 31992R3649 REGULATION OF THE COMMISSION (EEC) No 3649/92 of 17 December 1992 on a simplified accompanying document on the movement of goods subject to excise duty released on the market in the Member State of delivery;
- 32009R0684 REGULATION OF THE COMMISSION (EC) No. No 684/2009 of 24 July 2009 implementing the Directive of 2008/118 / EC relating to computerized procedures for the movement of excise goods under a deferred payment of the excise duty;
- 32012R0389 REGULATION (EU) No. Council Regulation (EC) No 389/2012 on administrative cooperation in the field of excise duty and repealing Regulation (EC) No. 2073/2004;
- 31995L0060 COUNCIL DIRECTIVE 65/60 / EC of 27 November 1995 on fiscal marking of gas oil and kerosene;
- 32012D0209 DECISION OF THE COMMISSION no. (2012/209 / EU) for implementation concerning the application of control and movement rules under Council Directive 2008/118 / EC for certain additives, in accordance with Article 20 (2) of Council Directive 2003/96 / EC , described in document C (2012) 2484);
- 32011D0544 DECISION OF THE COMMISSION of 16 September on the implementation of a common fiscal designation for gas and kerosene (referred to in document C (2011) 6422);

EU acts related with Law for Taxation of Motor Vehicles

Commission Regulation (EC) No 433/2009 of 23 April 2009 establishing the standard values for emissions for new passenger cars within the framework of the Community's integrated approach to reduce CO₂ emissions from light vehicles;

EU acts related with Customs Law

- Council Directive No 2007/46 / EC of 5 September 2007 establishing a framework for the homologation of motor vehicles and their trailers, and the systems, components and separate technical units intended for those vehicles;

- REGULATION (EU) No 952/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 9 October 2013 laying down the Union Customs Code
- REGULATION (EU) No 952/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 9 October 2013 laying down the Union Customs Code
- COMMISSION DELEGATED REGULATION (EU) 2016/341 of 17 December 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards transitional rules for certain provisions of the Union Customs Code where the relevant electronic systems are not yet operational and amending Delegated Regulation (EU) 2015/2446.
- COMMISSION DELEGATED REGULATION (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code.
- COMMISSION IMPLEMENTING REGULATION (EU) 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code
- Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.
- REGULATION (EU) No 608/2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003
- Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States

ANNEX III - Existing donor coordination framework

The process of donor coordination in PFM is channelled through the monitoring and coordination structures established under the PFM Reform Programme 2018 - 2021. PFM donor coordination is carried out on the following two levels:

1. Policy level - PFM Council. One of the main tasks of the PFM Council is to facilitate the policy dialogue with relevant institutions and donors.
2. Technical level - PFM Sector Working Group - directly related to the working groups established for the development and monitoring of the PFM subsystems strategies and policy papers. Also, separate donor coordination meetings on operational level are organised with regard to the implementation of specific PFM sub-areas measures.

ANNEX IV - The project/sector monitoring framework¹⁵

For the purpose of monitoring of the progress in implementation of the PFM reforms, priority outcomes with outcome indicators and activity outputs with output indicators for each priority/activity are defined in the log-frame of the Programme.

In addition, the annual Action Plans set up indicators and targets per year for each activity planned. The system of monitoring and reporting on the progress in implementation of the PFM reforms is based on the management and coordination framework elaborated in the PFM Reform Programme 2018 - 2021, which consists of the following structures established at all hierarchical levels of decision-making:

- PFM Council
- PFM Working Group
- Coordinators per Priorities
- Measure Leaders

The PFM Council has been established by the Government in February 2018, comprising heads of the key institutions involved in the PFM system reforms, chaired by the Minister of Finance (Deputy Prime Minister for economic affairs, Deputy Prime Minister for European affairs, Minister of Information Society and Administration, Minister of Economy, Auditor General of State Audit Office, Director of State Statistical Office, Director of Customs Administration, Director of Public Revenue Office, Director of Public Procurement Bureau, Director of State Appeal Commission for Public Procurement). The main tasks of the Council are to monitor the implementation of the Program and Annual Action Plans in terms of achievement of the identified results, indicators and targets, to make decisions with regard to overcoming critical bottlenecks during its implementation and to pursue a high-level policy dialogue with donors and other stakeholders on the implementation, financing and scope of public finance reform.

The Sector Working Group (SWG) for PFM has been established in June 2015 for the purpose of preparation of the PFM Reform Programme. However, in April 2018 and January 2019, the Minister of Finance adopted new Decision for establishing the new structure of the SWG for PFM, with inclusion of the donor community and civil society, thus ensuring the good practise to maintain an inclusive and open dialogue on PFM policies with all stakeholders, during implementation of the reforms. SWG comprises representatives from all relevant PFM and other related institutions (Ministry of Finance, State Audit Office, State Statistical Office, Customs Administration, Public Revenue Office, Public Procurement Bureau, State Appeal Commission for Public Procurement, Ministry of Economy, Secretariat of European Affairs, Ministry of Information Society and Administration, Cabinet of the Deputy Prime Minister for Economic Affairs), as well as observers from donor community and civil society organisations. The Decision appoints priority coordinators and measure leaders for each priority and measure from the Programme, giving them certain tasks in the system for monitoring and reporting.

Priority Coordinator monitors fulfilment of indicators under the respective priority and report on the progress in reforms on priority level to the PFM Working Group.

Measure Leader monitors the fulfilment of indicators under his measure and prepare summary reports on reform execution to the Priority Coordinator.

¹⁵ More information can be found on the following link: <https://www.finance.gov.mk/en/node/7867>

The IPA and NPAA Unit within the Ministry of Finance represents the Coordination Unit, acting as a technical secretariat to support functioning of the PFM Working Group and PFM Council. In general, its tasks will comprise of technical preparation of the meetings of the PFM Council and PFM Working Group and preparation of compiled reports on progress in implementation of the reforms under each priority and compiled annual action plans, based on the input provided by the Priority Coordinators and Measure Leaders.

These working bodies also ensure the necessary coordination among all PFM sub-system strategies and policies (Tax System Reform Strategy, PRO and CARM strategies) as well as the other related national strategies, such as the Public Administration Reform Strategy.

ANNEX V - Project/sector relevant publically available Conclusions/agreements between EU and the final beneficiary resulting from the political dialogue

Conclusions of the conducted PFM Policy Dialogues can be found on the following link:
<https://www.finance.gov.mk/en/node/7867>

List of abbreviations

ABM	Agent Based Model
AEO	Authorised Economic Operators
AP	Accession Partnership
BC	Beneficiary Country
CARNM	Customs Administration of the Republic of North Macedonia
CDEPS	Customs declaration processing system
CIT	Corporate Income Tax
CL	Component leader
CV	Curriculum Vitae
EC	European Commission
ERP	Economic Reform Programme
EU	European Union
EUD	European Union Delegation
EUIF	European Union Integration Facility
GIZ	German Corporation for International Cooperation
IPA	Instrument for Pre-accession Assistance
ISP	Indicative Strategy Paper
ISO	International Organization for Standardization
IT	Information technology
ITE	Integrated Tariff Environment
MoF	Ministry of Finance
MS	Member State
NPAA	National Programme for the Adoption of the Acquis
OECD	Organisation for Economic Cooperation and Development
PAR	Public Administration Reform
PFM	Public Finance Management
PIT	Personal Income Tax
PL	Project Leader

PSC	Project Steering Committee
PRO	Public Revenue Office
RTA	Resident Twinning Advisor
SAA	Stabilization and Association Agreement
TAIB	Transition Assistance and Institution Building
UCC	European Union Customs Code
VAT	Value Added Tax
WCO	World Customs Organization
WTO	World Trade Organization