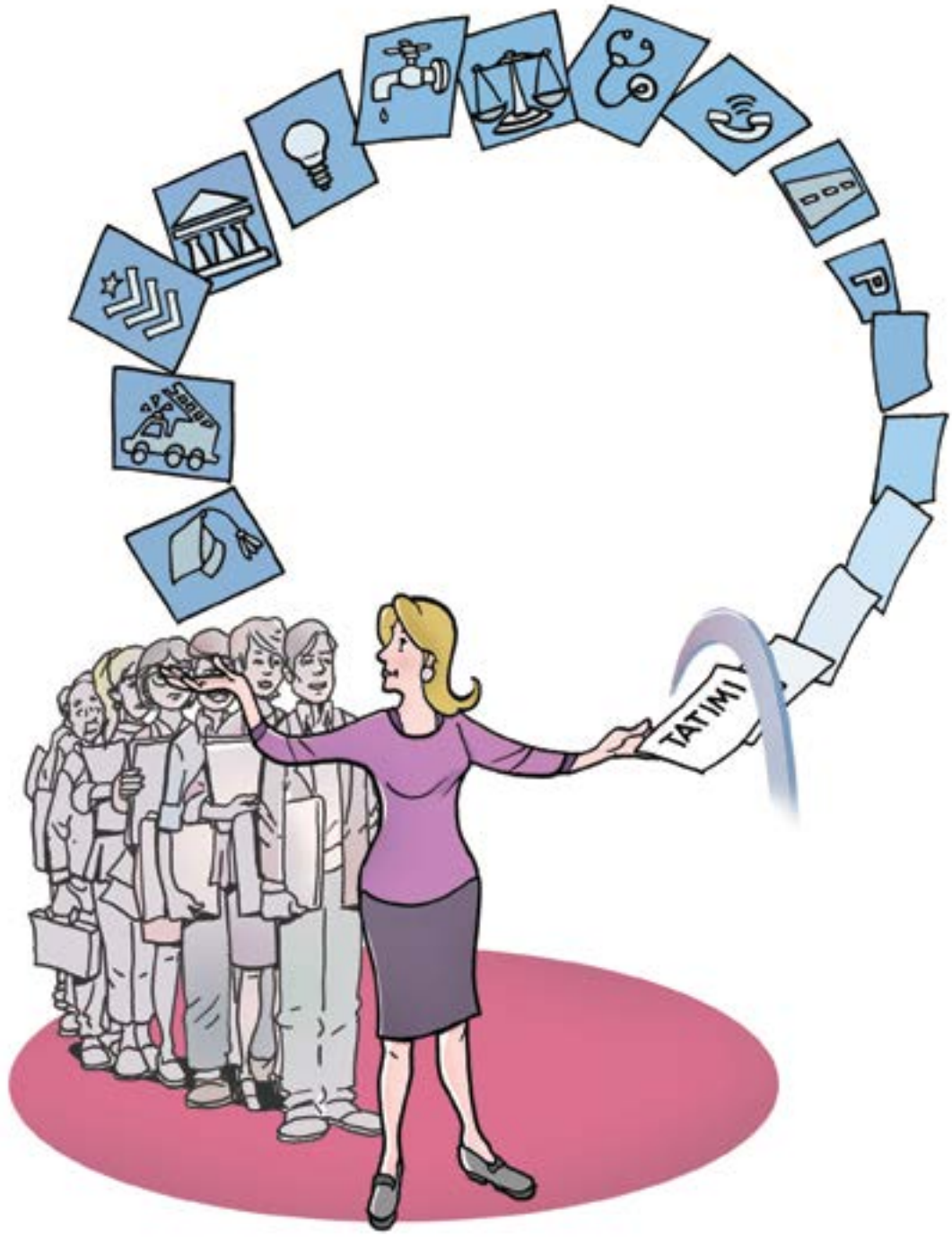
TAXPAYER SURVEY 2017 KOSOVO

Transparency, efficiency, fairness, and service-orientation of Kosovo Tax Administration



Conducted by:

german cooperation
DEUTSCHE ZUSAMMENARBEIT

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

ubo CONSULTING

TAXPAYER SURVEY 2017 KOSOVO

March 2018

Prishtina, Kosovo

Conducted by:

DISCLAIMER

THIS REPORT HAS BEEN PRODUCED WITH THE ASSISTANCE OF THE DEUTSCHE GESELLSCHAFT FÜR INTERNATIONALE ZUSAMMENARBEIT (GIZ) GMBH. HOWEVER, THE CONTENT OF THIS REPORT IS THE SOLE RESPONSIBILITY OF THE AUTHORS AND CAN IN NO WAY BE TAKEN TO REFLECT THE VIEWS OF GIZ

Table of Contents

Executive Summary 6
Introduction 8
Background 9
Kosovo's tax system 9
Methodology 12
Quantitative survey 12
Semi-structured Interviews 13
Focus Group Discussions 13
General Information 14
Transparency of Taxpayer Rights and Obligations 19
Burden of Compliance: Complexity and Time-costs of Procedures 23
Professionalism and Fair Treatment of Taxpayers 30
Service Orientation: Services Offered 37
Conclusion 43
Appendices 44
Appendix I: Quantitative Questionnaire 44
Appendix II: Qualitative Questionnaire 61
Appendix III: Focus Group Guide for Women and Men in Business 64
Appendix IV: Focus Group Guide for Office of Fines and Penalties (ZGJoNA) 69

Table of Figures

Figure 1: Quantitative Survey: Type of Businesses *13*
Figure 2: Gender Composition of Decision-making Roles within Kosovo Businesses *14*
Figure 3: Tax-related Obligations *15*
Figure 4: Exchange of Information with TAK Officials *15*
Figure 5: Compliance Visits *16*
Figure 6: Audit Visits *17*
Figure 7: Satisfaction with Audit Report *17*
Figure 8: TAK Mandate: Respondents Opinions *18*
Figure 9: 2015 to 2017 Comparison of Taxpayers' Opinion on TAK Mandate *18*
Figure 10: Satisfaction with TAK Publication of Information *20*
Figure 11: Easiness of Access of Information *20*
Figure 12: Clearness of Information *21*
Figure 13: Completeness of Information *21*
Figure 14: Reliability of Information *21*
Figure 15: Region-based Respondents' Primary Source of Information *22*
Figure 16: Region-based Information about Changes in Tax Legislation *23*
Figure 17: Taxpayers' Ratings on the Difficultness of TAK procedures *24*
Figure 18: Region-based Ratings on the Difficultness of TAK Procedures *25*
Figure 19: 2015 to 2017 Comparison of TAK Procedures Difficultness *26*
Figure 20: Taxpayers' Ratings on the Time-Consumption of TAK Procedures *27*
Figure 21: 2015 to 2017 Time-consumption Comparison of TAK Procedures *27*
Figure 22: Taxpayers' Ratings on TAK reforms *28*
Figure 23: Taxpayers' Opinion on the Impact of Fiscal Package *29*
Figure 24: Taxpayers' Opinion on TAK Approach *31*
Figure 25: 2015 to 2017 Comparison of Taxpayers' Opinion on TAK Approach *32*
Figure 26: Taxpayers' Ratings for the Professionalism and Fair Treatment of TAK inspectors *33*
Figure 27: Taxpayers' Opinion on Corruption among TAK inspectors *33*
Figure 28: Taxpayers' opinions on Using Corrupt Forms to Speed up Tax Procedures *34*
Figure 29: 2015 to 2017 Comparison of Taxpayers' Opinion on the Complaint Filing Mechanism *34*
Figure 30: Taxpayers' Opinion on the Complaint Filing Mechanism *35*
Figure 31: Taxpayers' Ratings for Tax Collection Process *36*
Figure 32: 2015 to 2017 Comparison of Disagree Opinions on TAK Effort to Collect Taxes *36*
Figure 33: Taxpayers' Knowledge about OFAP (ZGJoNA) *37*

Figure 34: Taxpayers' Opinion on TAK Efforts to Inform Taxpayers 38
Figure 35: Taxpayers' Ratings on TAK Premises 38
Figure 36: 2015 to 2017 Ratings Comparison of TAK Premises 39
Figure 37: Taxpayers' Reasons for Visiting TAK Offices 39
Figure 38: Filing Claim for VAT Reimbursement 40
Figure 39: TAK Reimbursement on VAT Assets 40
Figure 40: Recommendations for Future TAK Improvement 41
Figure 41: Taxpayers' Opinion on Motives behind Declaring and Paying Taxes 41
Figure 42: Taxpayers' Opinion on Motives behind Not Declaring and Not Paying Taxes 42

Dear taxpayers,

The TAK is oriented towards providing e-services, creating apps that facilitate taxpayers' voluntary compliance, perfecting risk analysis in the selection of taxpayers that potentially avoid paying taxes, and using the full force of the law against those who engage in tax evasion and jeopardize the fair competition of honest taxpayers.

The TAK, with its capacities and in cooperation with other Law Enforcement Institutions, is prepared to implement all Government Initiatives in order to facilitate the process of doing business in Kosovo, and we are committed to working with business representatives to support all efforts for greater economic development and fair competition in the market. Our priority is fighting informality in Kosovo, especially in the gray economy, which is TAK's responsibility.

The principle of self-assessment and voluntary compliance is the basis of our tax system, according to which taxpayers themselves determine their tax obligations and voluntarily submit statements and payments. Within the TAK, we have created conditions to facilitate this compliance, and we are constantly engaged in efforts to gain the trust of the public, in order to administer our tax system in a fair and transparent manner. Without public trust, we will find it difficult to implement a system of self-assessment and voluntary compliance. We pledge to do our job.

We believe that the most effective way to benefit from and maintain voluntary compliance is to build trust and mutual respect between the Tax Administration and Kosovo taxpayers. This is the basis of our strategy, oriented towards improving our public services, in order to meet expectations and to offer the services that the taxpayers deserve.

The second survey aims to identify our shortcomings (weaknesses), what taxpayers consider and assess as insufficient actions in our efforts to provide services to them. The findings of this survey will guide our activities so that taxpayers may realize their lawful rights, and we will not allow any infringement on these rights.

We believe that you, honored taxpayers, will continually provide your feedback to the TAK (as you have done through this survey) to ensure that the Kosovo Tax Administration treats all in fair and lawful manner, and that each taxpayer is paying their fair share. Thus, the state of Kosovo can ensure its revenues, which enable the fulfillment of its obligations towards the citizens.

Sakip Imeri

TAK Director General

Administrata Tatimore e Kosovës
Poreska Administracija Kosova
Tax Administration of Kosovo

EXECUTIVE SUMMARY

This study focuses on the perception of taxpayers, including individuals and businesses of different size and sector, regarding the work and services offered by Tax Administration in Kosovo (TAK). Specifically, the aim of this study is to assess taxpayers' opinion on TAK mandate, availability of information from TAK, the difficulty and time-consumption of TAK procedures, the professionalism and treatment they receive by TAK's staff, and their recommendations on how can TAK improve its services. This report provides a picture of the current situation of TAK based on taxpayers' opinions and offers insights for areas that need further improvement.

This research study utilizes a mixed, quantitative and qualitative, methodology. The sample size for the quantitative survey included 1,250 taxpayers in all 38 municipalities in Kosovo. The qualitative survey included semi-structured interviews with stakeholders and four focus groups with women and men in business, stakeholders, and taxpayers who have had contact with the Office for Fines and Penalties (ZGJoNA).

The findings of this report have been separated into four main categories presented below.

Transparency of Taxpayers' Rights and Obligations

In general taxpayers were satisfied with the availability of information from TAK. The majority of the taxpayers agreed that TAK information is clear, complete, and easy to find either through online sources or organized meetings and seminars. Most of the business taxpayers hire an accountant or accounting firm to address tax-related obligations and get informed for tax-related changes. The reason behind it, is that often times they do not completely understand TAK requirements and it saves time and costs to businesses. TAK website is the main source of information for taxpayers; however, through the focus group discussions, taxpayers have recommended for shorter, clearer, and more concise information.

Burden of Compliance: Complexity, Time-Cost of Procedures

In general, the majority of the interviewees rated tax-related procedures, such as documentation, declaration, and payment as easy, and that is in most cases due to TAK reforms, such as E-filing, establishment of call centres, etc. Reimbursement is rated as the most difficult procedure, followed by filing and documentation & book keeping. Compared to 2015, the number of taxpayers who rated reimbursement as difficult has decreased by 28.5 percentage points. Reimbursement, filing complaints, and audit visits are rated as the most time-consuming procedures. However, compared to 2015, the number of taxpayers who rated reimbursement and filing complains as time-consuming decreased significantly.

Professionalism and Fair Treatment of Taxpayers

In general, taxpayers agreed that the professionalism of TAK has been significantly improved in the last two years. Furthermore, the engagement of TAK inspectors in an unethical behaviour has been significantly reduced in the last two years.

Around two thirds of the taxpayers agree that TAK treats different categories of taxpayers and taxpayers of similar sector and size equally. Compared to 2015, the number of people who think that TAK does not treat different categories of taxpayers equally and taxpayers of similar sector and size equally decreased from 32% to 25% and from 30% to 24%, respectively. According to taxpayers, more work needs to be done to improve the objectivity of TAK inspections. They recommended for a more educational attitude from TAK inspectors, rather than punishment. The majority of the taxpayers have not heard about the Office for Fines and Penalties (ZGJoNA), or have little to average knowledge about it.

Service Orientation: Services Offered

In general, taxpayers were satisfied with the treatment by and professionalism of TAK officials. The highest improvement has been noted in TAK's location, where the number of taxpayers who were satisfied with TAK location increased significantly, and that should mainly be due to the newly opened one-stop shops. The majority of the taxpayers rated poor management of taxpayers' money by the government, non-payment of taxes by competitors, and perception of large-scale tax evasion by the rich and powerful, as the main important factors towards tax evasion. On the contrary, the majority of the taxpayers claimed that transparency, and the morale of a responsible citizen are the main factors that contribute to tax compliance and payment.

INTRODUCTION

Kosovo tax system is a debatable issue, mainly because of tax noncompliance and informal economy. The causes of informal economy in developing countries, both economic and non-economic, range from the insufficient economic development, bureaucratic incompetence among government agents and high level of corruption, ineffective enforcement mechanisms, weak institutional and legal framework, a complicated tax system and conflict between past economic norms and reaction to new reality.[1] To address these issues, Tax Administration in Kosovo undertook various steps, such as the simplification of tax laws, digitalization of tax procedures, provision of information, and enforcement of compliance mechanism.[2] The above-mentioned steps came as a result of knowledge-based facts from TAK and the 2015 Taxpayers Survey with individuals and businesses in all 38 municipalities in Kosovo.

In order to measure the effectiveness of the steps taken by TAK and gather comparative data, another study was initiated in 2017. Funded by GIZ and implemented by UBO Consulting, this study included quantitative and qualitative interviews with individual taxpayers and businesses in all seven major regions of Kosovo. The study results will support TAK on the implementation of 2015-2020 strategic objectives, which are summarized in the TAK Strategic Plan 2015-2020.[3] For the data to be comparative, the questionnaire used in 2017 was almost identical to that of the 2015 study. The questionnaire was divided into four main sections: Transparency of Taxpayers' Rights and Obligations; Burden of Compliance; Professionalism and Fair Treatment by TAK; and Service Orientation. In order to solidify and support the findings of the quantitative survey, UBO Consulting has conducted qualitative interviews with identified key stakeholders and focus groups with business representatives. By using the recent data, this report is mostly oriented towards further improving the capacities of tax inspectors, enhancing the efficiency and legal impartiality of audits, as well as solidifying the channels of communication between Kosovar taxpayers and TAK offices and officials. This report is among the main outputs of GIZ's project "Reform of Public Finance Systems," aiming to provide periodic data to TAK, so that they have access to information and take reliable decisions.

This report starts by providing a background on TAK's policy and tax system in Kosovo by looking at the available data, the strategies and the goals of new initiatives. Kosovo's tax background is complemented with a short summary of some of the key studies on the field. The second section describes the employed methodology, while the third part provides the analysis of the study results.

1 Zeka E. et al. (2013). To Pay or Not to Pay: A Business Perspective of Informality in Kosovo. Institute for Development Research (RIINVEST). Accessed at: http://www.fes-prishtina.org/wb/media/Publications/2013/BUSINESS_INFORMALITY__ENG_FINAL.pdf

2 Republika e Kosoves, Ministria e Financave, Administrata Tatimore e Kosoves (2011). Strategjia e Permbushjes 2012-2015/ Accessed at: http://www.atk-ks.org/wp-content/uploads/2011/11/STRATEGJIA_E_PERMBUSHJES_2012-2015.pdf

3 Administrata Tatimore e Kosoves (2015). Plani Strategjik i ATK-se. Accessed at: http://www.atk-ks.org/wp-content/uploads/2016/01/Plani-Strategjik-2015-2020Shqip.pdf

BACKGROUND

Kosovo's tax system

Economic policy is a tool by which economic entities aim to achieve goals in the short or long-term. Thus, fiscal policy, together with monetary policy, are two significant components of a state's economic policy, aiming general stability of prices, employment growth, and economic growth. Kosovo does not have a monetary policy due to the adoption of the Euro as the country's currency; thus, fiscal policy is an essential instrument of economic policy in Kosovo. As such, in Kosovo's economy, taxes directly affect the overall economic performance considering that a large part of the activities for macroeconomic purposes are performed through public revenues (taxes).[4]

Box 1 – Tax System in Kosovo

Kosovo has a relatively simple tax system oriented towards simple regulations that aim for a broad tax basis and the prevention of tax evasion. Taxes differ based on the type of business and annual turnover. Currently, Kosovo has a tax system based on EU-compatible fiscal policies.

Kosovo's tax and customs policies include direct and indirect taxes, such as Corporate Income Tax, Personal Income Tax, Value Added Tax, Customs Duty, and Excise Tax.

The latest data up until 2016, show Value Added Tax (VAT) as the primary tax in Kosovo. Since September 2015, VAT has changed in two rates: for some essential products VAT decreased from 16 percent to 8 percent; VAT for other products increased from 16 percent to 18 percent.

The Corporate Income Tax (CIT) applies to taxable corporate income. Taxpayers with annual gross income of €50,000 or less are taxed in a range from three to nine percent depending on the activity. Moreover, taxpayers with annual gross income of over €50,000 are taxed at 10 percent of their taxable income.

Personal Income Tax (PIT) applies to incomes from a range of sources such as wage, business, rent, interest, real estate, etc. It follows a mildly progressive rate at zero percent for salaries up to 960 €/year; four percent from 960 to 3.000 €/year; eight percent between 3.001 and 5.400 €/year and ten percent over 5.400 €/year.

An evident weakness of the current system is its high dependence on tax revenues collected through imports (around 75% of overall VAT). This comes as a result of Kosovo's negative balance in the Current Account (i.e. importing more than exporting).

Source: Ministry of Finance of Republic of Kosovo. (2016). Tax Regime in Kosovo (pp. 1-4). Prishtina.

4 Lecaj, V., Baftiu, N., & Sylaj, B. (2015). Fiscal Policies as Boost of the Economic Development of Kosovo. Academic Journal Of Interdisciplinary Studies, 4(2), 480-482.

When looking at nation's compliance with tax, Kosovo experiences a large tax gap. The tax gap is the difference between the amount of tax that citizens should pay and the taxes paid deliberately and on time. The large tax gap is also a result of low domestic revenue collection. Based on Business Environment and Enterprise Performance Survey, tax gap is one of the most significant constraints affecting competition.[5]

The most recent World Bank report (2014) reveals a Value Added Tax (VAT) gap of 34 percent, and the Corporate Income Tax (CIT) gap of 17 percent.[6] The Personal Income Tax (PIT) gap was estimated to be three times to the current collections and its calculation included wage tax, tax on interest, SME tax, individual profit tax, rent, and other taxes.

Based on the study "To pay or not to pay," 62.7% of respondents declared that it is relatively easy to evade taxes in Kosovo, even though there is a high chance of getting caught. This tax evasion could be narrowed from enhanced law enforcement. Tax evasion is also connected to the intrinsic incentives of not evading taxes, known as tax morale. Tax morale is the motivation of citizens to pay taxes not because of legal obligation but instead as an element of human's virtue. On the other hand, perception of firms on tax evasion by competitors is an important factor that contribute to tax evasion. Tax evasion in Kosovo is responsible for 15-25 percent of the tax gap.[7] Nevertheless, shifting the informality proportion of the economy into the formal sector would contribute to broadening the tax revenues and to improving the quality of work.

5 World Bank Group. (2017). Kosovo jobs diagnostic (pp. 8-41). Washington, D.C.

6 World Bank (2014), Republic of Kosovo Public Sector Revenues: Tax Policies, Tax Evasion and Tax Gaps. Report no: 89195 XK

7 Republic of Kosovo; Public Sector Revenues; Tax Policies, Tax Evasion, and Tax Gaps http://documents.worldbank.org/curated/en/645201468179050348/pdf/89195-PER-P133100-Box391476B-PUBLIC-Tax-Policies-Tax-Evasion-and-Tax-Gaps-in-Kosovo-ENGLISH.pdf

***Table 1** - Tax Revenue in Thousand Euros (2013 -2016) (Source: Ministry of Finance (Annual Financial Report 2015 and 2016)*

Tax Revenues (2013-2016)				
Revenues	**2013**	**2014**	**2015**	**2016**
Corporae income tax (CIT)	€ 63,695,000.00	€ 55,119,000.00	€ 67,660,000.00	€ 80,818,000.00
Presumptive tax	70,000	157,000	6,000	21,000
Profil tax	162,000	15,000	1,000	-
Corporate tax	63,463,000	54,947,000	67,653,000	80,797,000
Personal income tax (PIT)	€ 90,994,000.00	€ 110,561,000.00	€ 108,677,000.00	€ 123,982,000.00
Salary tax	61,336,00	67,419,000	71,716,000	79,851,000
Individual business tax	28,024,000	30,945,000	29,059,000	32,125,000
Tax on rent and intangible assets	-	1,765,000	1,540,000	819,000
Source whithheld tax, interest, property right	1,634,000	10,432,000	6,362,000	11,187,000
Value added tax (VAT)	€ 559,959,000.00	€ 559,991,000.00	€ 611,298,000.00	€ 693,754,000.00
Internal VAT	147,249,000	135,787,000	153,962,000	179,203,000
Deferred VAT	430,000	269,000	818,000	90,000
Border VAT	412,280,000	423,935,000	456,518,000	514,461,000
Custon duties	€ 120,128,000.00	€ 126,323,000.00	€ 131,39,000.00	€ 129,970,000.00
Customs duties on import	120,128,000	126,323,000	131,391,000	129,970,000
Excise tax	€ 301,049,000.00	€ 315,437,000.00	€ 360,632,000.00	€ 403,296,000.00
Border excise tax	286,992,000	304,075,000	349,876,000	390,922,000
Internal excise tax	14,057,000	11,362,000	10,756,000	12,374,000
Property tax	€ 16,119,000.00	€ 20,411,000.00	€ 19,796,000.00	€ 25,128,000.00
Other Taxes		€ 3,217,000.00	€ 1,741,000.00	€ 2,599,,000.00
TOTAL	€ 151,944,000.00	€ 191,059,000.00	€ 1,301,195,000.00	€ 1,459,514,000.00

One of the steps Tax Administration of Kosovo has taken to improve the collection of taxes was by increasing the awareness of citizens on the importance of taxes for the improvement of the economic situation in Kosovo. Tax Administration of Kosovo increased awareness indirectly through the policy implementation for the collection of fiscal coupons by all clients/customers. According to this policy, costumers who collected fiscal coupons were able to submit them to TAK and in return receive a refund as cashable income.[8]

Another significant step was the installation of the Electronic Cash Registrars (ECR), through which companies were obliged to register cash electronically. Due to this setup, the overall tax revenues increased.

Lastly, Doing Business 2017 found that Kosovo made paying taxes more accessible by introducing an online system for filing and paying VAT. Moreover, it made paying taxes less costly, since more types of expenses could be deducted from the calculation of corporate income tax. Besides these, higher excise taxes (tobacco, alcohol, and road fuels) and the new approach of mobilization of non-tax revenues increased tax revenues.[9]

8 Lecaj, V., Baftiu, N., & Sylaj, B. (2015). Fiscal Policies as Boost of the Economic Development of Kosovo. Academic Journal Of Interdisciplinary Studies, 4(2), 484.

9 World Bank Group (2016). Doing Business 2017: Equal Opportunity for All.

METHODOLOGY

This study employs a mixed, qualitative and quantitative, research methodology, using three main research tools: quantitative surveys, semi-structured interviews, and focus group discussions. The quantitative questionnaire is primarily composed of closed-ended questions, aimed to target the registered taxpayers in Kosovo. Semi-structured interviews entailed a mix of closed and open-questions with stakeholders, while focus groups discussions included in-depth questions with four main target groups. Each of the sections are explained in detail below.

Quantitative survey

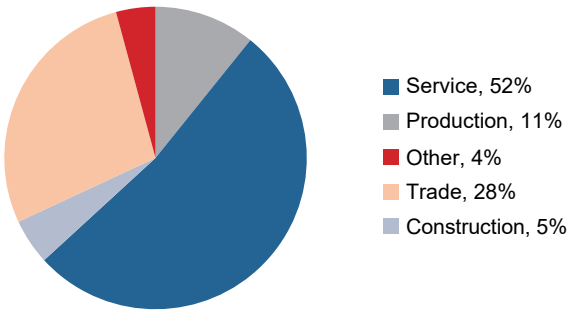
The sample size for the quantitative survey included 1,250 registered taxpayers in all 38 municipalities of Kosovo, divided proportionally into seven main regions. The sample size used a multi-stage cluster sampling determined from the taxpayer's registry as of January 2017 provided by TAK. The first stratification was done by region. Region based quotas were determined based on the population-of-interest size maintaining probability proportionate to size (PPS). The second stratification was done by municipality, and the third stratification was done by the taxpayer's type of activity. The sample was designed to have a representation of all ethnicities in Kosovo, allocated based on taxpayer's registry.

Table 2: *Quantitative Interview: Sample Size by Region*

Location Area	Region						
	Prishtinë / Pristina	Mitrovicë / Mitrovica	Prizren	Pejë / Pec	Ferizaj / Uroševac	Gjakovë / Djakovica	Gjilan / Gnjilane
Urban	91.7%	87.5%	89.2%	88.2%	96.5%	78.1%	85.8%
Rural	8.3%	12.5%	10.8%	11.8%	3.5%	21.9%	14.2%

The quantitative survey included face-to-face interviews with business owners or managerial staff, and individual taxpayers. In total 1,187 businesses were interviewed and 63 individuals. The chart below presents the type of businesses interviewed:

Figure 1: *Quantitative Survey: Type of Businesses*



The aim of the questionnaire was to assess the opinion of taxpayers regarding the TAK performance, focusing in areas such as transparency, efficiency, equitability, and service orientation. The questionnaire used for this survey was designed by UBO Consulting in Albanian language. It was also translated into English and Serbian language, and tested to check that the translated version does not include words or expressions that might be offensive to any community or suggest a specific answer for the questions. Questionnaires were administered through ASKIA system, which increased the quality of the data and decreased the error margin from data entry and computation.

Semi-structured Interviews

Semi-structured interviews with 15 stakeholders were conducted, comprised mainly of business associations, chambers of commerce operating in Kosovo, and other relevant stakeholders. The sample consisting of key stakeholders was finalized in coordination with GIZ staff. The questionnaire for this part was designed with open-ended questions related to key informants' knowledge and opinions on targeted topics of this survey, such as, TAK's performance with regard to transparency, efficiency, equitability and service orientation. The questions were prepared in English, Albanian and Serbian language. Questions aimed to yield more insights from relevant stakeholders regarding their perception of and suggestions for TAK. Additionally, these interviews also aimed to take a closer look at the cooperation and relation of the stakeholders with TAK in Kosovo.

Focus Group Discussions

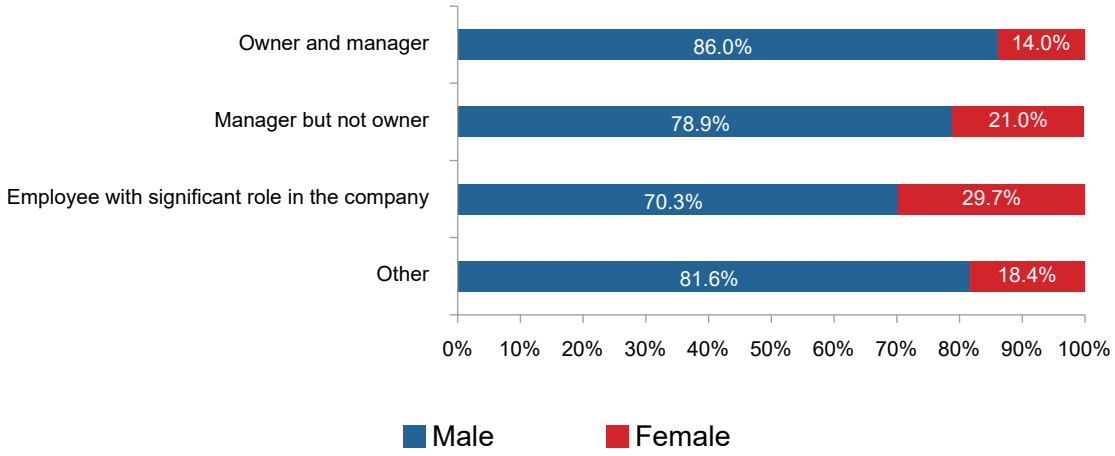
Lastly, four focus groups were organized to confirm results and get further explanations on the findings of the quantitative interviews. Two focus groups were organized with men and women as business owners; one focus group was organized with stakeholders; and one focus group was organized with taxpayers who have dealt with TAK Office for Fines and Penalties (ZGJoNA). The organized focus groups allowed the discussion of sensitive ca egories with taxpayers and provided recommendations based on issues highlighted during these sessions. The focus group guidelines strictly followed the overall research questions that were mentioned above (TAK transparency, efficiency, fairness, and service orientation).

Study Results

Due to the type of taxpayers interviewed, the quantitative survey is not gender-balanced, with a significant difference between male and female participants. Only 18 percent of the sample consisted of females, while 82 percent of the sample consisted of males. This quantitative survey included business owners (55%) business managers but not owners (20%), employees with significant role within the company (14%), and other staff (11%).

The graph below shows the gender composition of the quantitative survey based on the job functions within a company. The majority of the decision-making roles within a business in Kosovo are occupied by males, compared with a very low percentage by females.

Figure 2: *Gender Composition of Decision-making Roles within Kosovo Businesses*



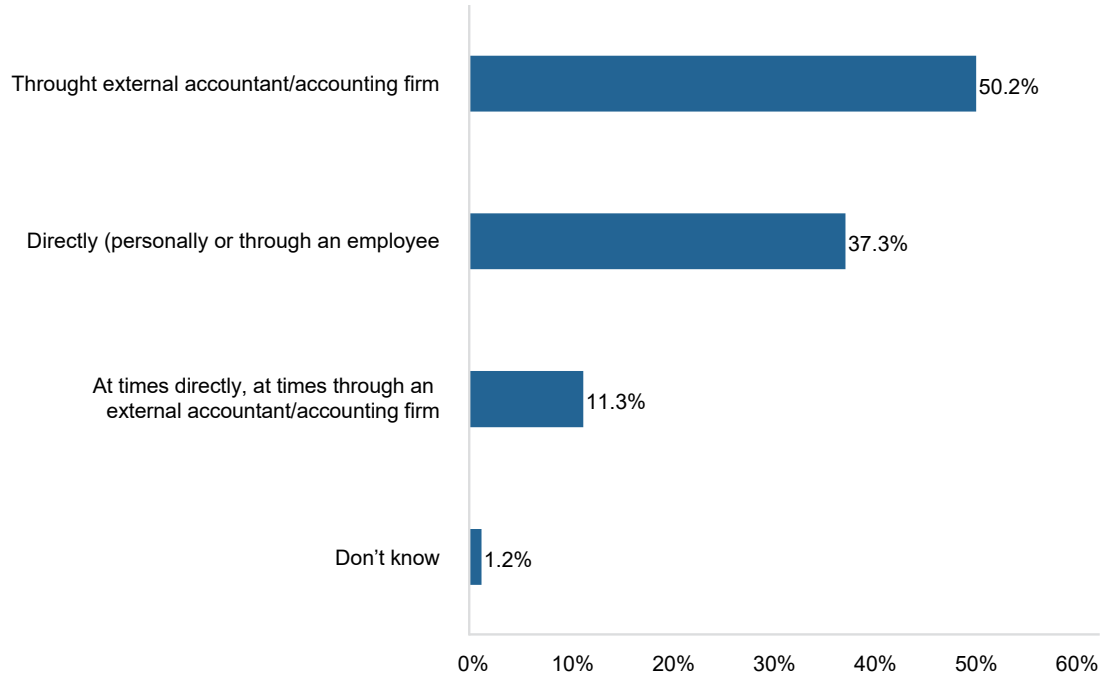
The majority of the respondents were of ages 27 to 49 years old. Forty-five percent of the respondents have finished high school, while 39 percent have graduated from university.

The results section follows the following order: the first section presents general information about taxpayers and their communication with TAK. The second section of the results offers insights on the transparency of taxpayer rights and obligations, whereas the third section presents data on the burden of compliance, mainly concerning the complexity and time-costs of TAK procedures. The final section assesses TAK's professionalism towards treatment of taxpayers and the quality of services offered.

General Information

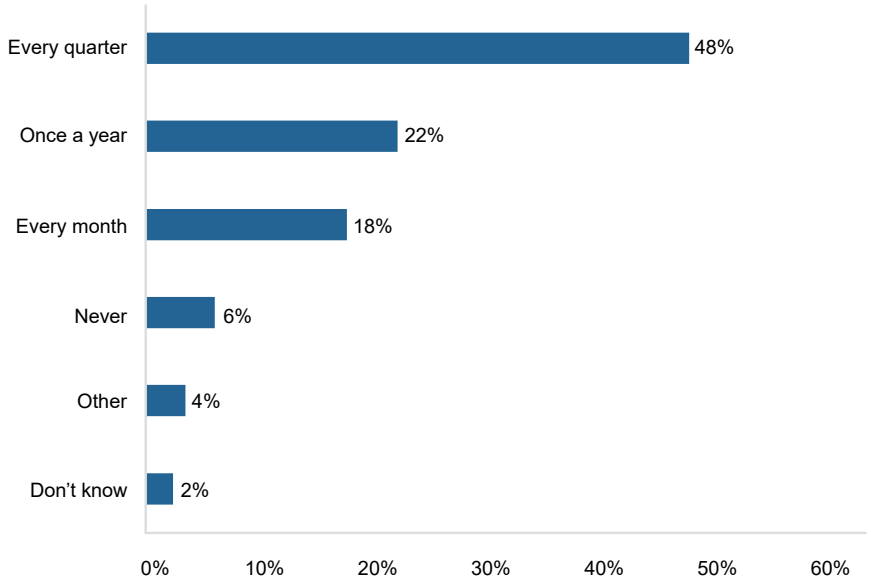
Respondents were first asked on the method they use to fulfil tax obligations. Half of the respondents claimed that they use an accounting firm or an accountant to deal with tax-related obligations and 37 percent of them claimed to deal with tax obligations personally or through an employee. As pointed out from participants in focus group with women in business, the reason of using an accountant is also related to the lack of understanding all tax-related policies and lack of time to fully address TAK requirements.

Figure 3: *Tax-related Obligations*



Almost half of the taxpayers meet or exchange information with competent TAK officials every quarter. Almost a quarter of the taxpayers claimed that they exchange information with TAK officials once a year (22%) and only 18 percent of the respondents do so every month.

Figure 4: *Exchange of Information with TAK Officials*

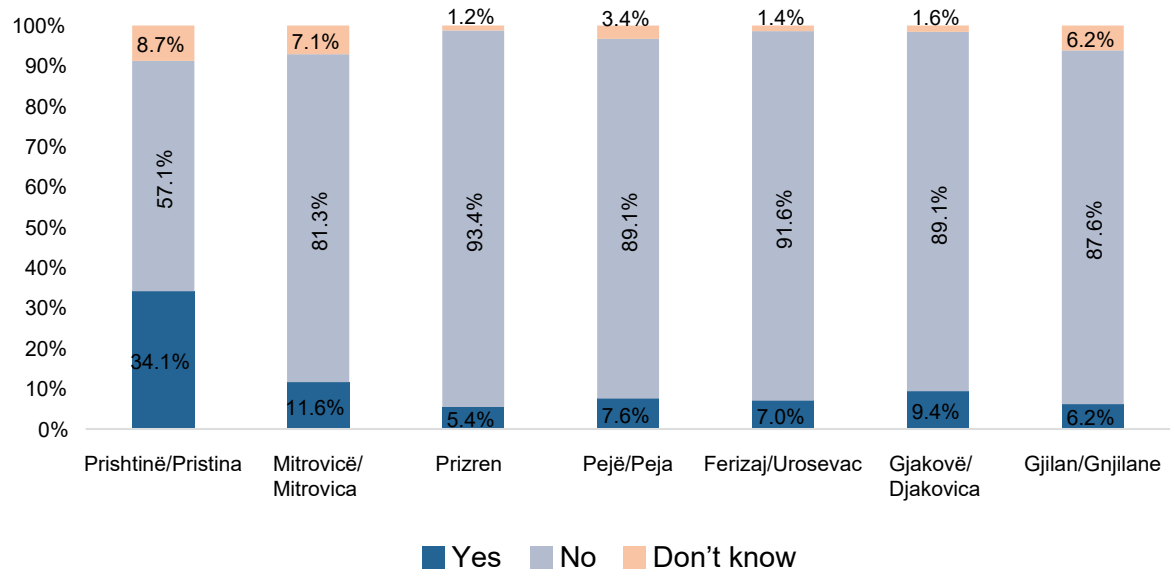


In general, 77 percent of the respondents claimed to have not been subject to a visit due to a non-fulfilment of obligations in the past two years. In order to avoid confusion, additional explanation was given to the respondents on the type of visits, including but not limited to in-

formation request from TAK officials, request for documentation, information provided by TAK officials on obligations and TAK news, etc.

Region-based segregated data also show a similar pattern to that of general data. From Figure 5 it can be seen that visits from TAK officials happen more frequently in Prishtinë/Prishtina (34%) and in Mitrovicë/Mitrovica (12%), and less often in Prizren (5%).

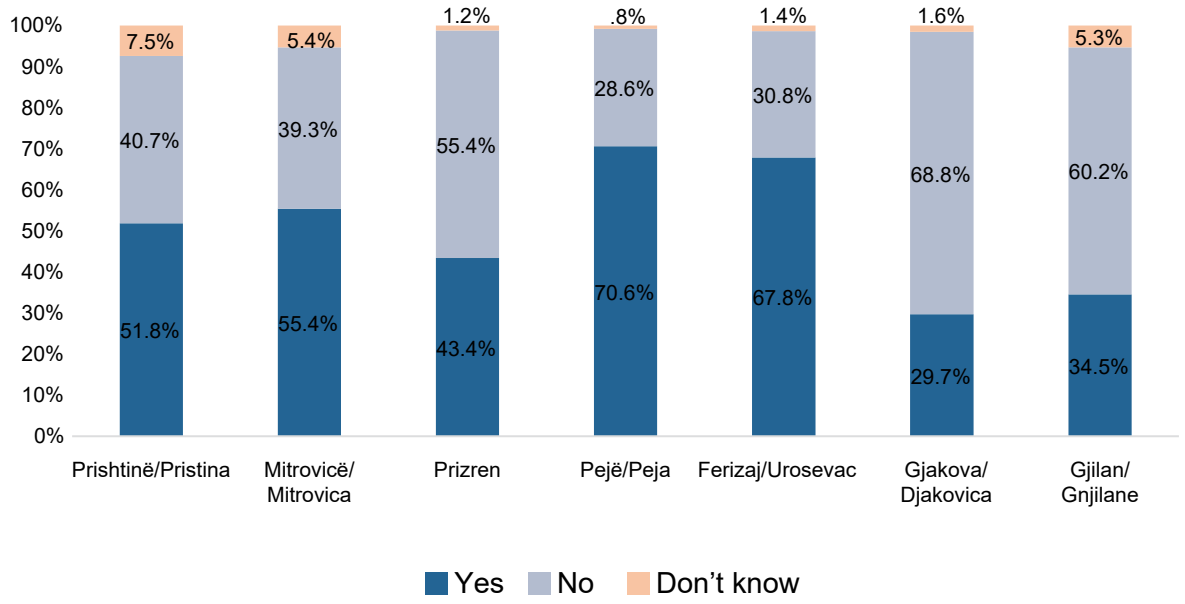
Figure 5: *Compliance Visits*



When asked about audits or tax audit visits, 51 percent of the respondents claimed to have been audited in the past two years. The reported audit visits through quantitative interviews are higher compared to the responses of in-depth interviews with stakeholders, and that might be due to a misunderstanding between a compliance and audit visit by taxpayers.

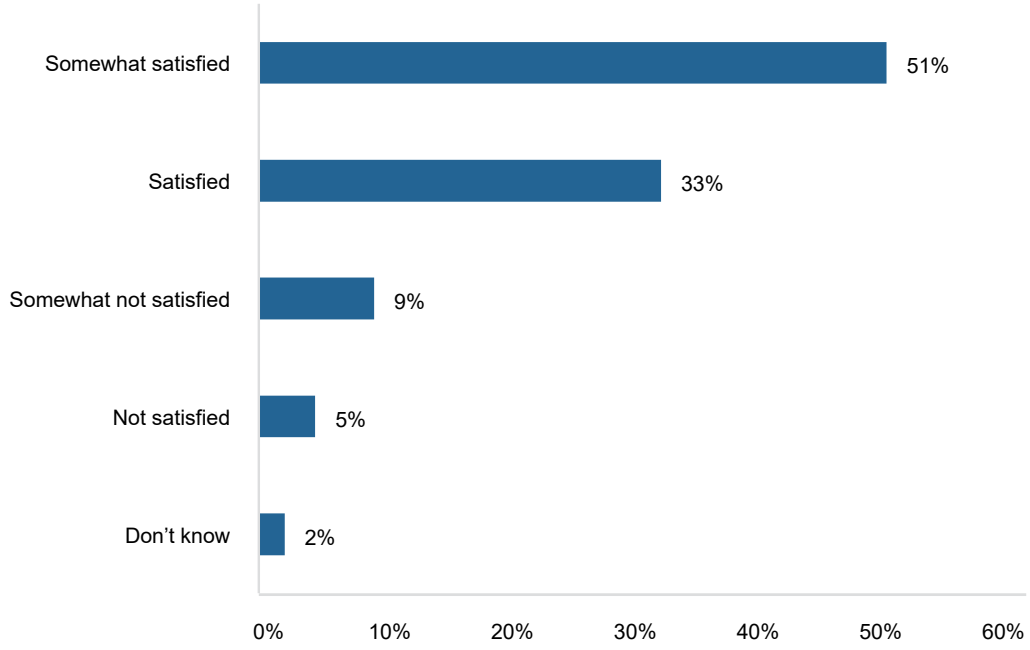
When disaggregated by region, it can be seen that 71 percent of the respondents in Pejë/Peja gave a positive answer. In Prishtinë/Prishtina, 52 percent of the respondents claimed to have been subject to an audit from TAK officials in the last two years, while 41 percent claimed the opposite. In Ferizaj/Urosevac, 68 percent of the taxpayers interviewed claimed to have gone under audit check in the last two years.

Figure 6: *Audit Visits*



Among those who were audited by TAK officials, 82 percent of them received a report. Of those who received a report, 33 percent were satisfied with its content and 51 percent were somewhat satisfied. According to focus groups with men and women in business, reports should contain more information, state the problem clearly, and give recommendations on improvement.

Figure 7: *Satisfaction with Audit Report*



Information-wise, 55 percent of the respondents of the quantitative survey claimed that they have been actively searching for information from TAK publications or other resources, such as website, leaflets, frequently asked questions (FAQ), etc. On the contrary, 45 percent of the respondents claimed to not have searched for information from these sources. Half of the respondents claimed to have requested tax-related information directly from TAK, and of those 89 percent claimed to have received a response for tax-related information directly from TAK.

Next, respondents were asked to rate, based on their opinion, each of the options presented in Figure 8 as an important or not important part of the TAK mandate. Respondents were allowed to choose more than one option as TAK's mandate. Eighty-eight percent of the interviewees said that TAK's mandate is to collect taxes; 88 percent said that TAK's job is to force taxpayers to pay taxes and fight tax evasion. The third and fourth most chosen options for TAK's mandate are to inform taxpayers about tax returns and how to pay taxes. Collection of pension contributions is chosen by 79 percent of the respondents. TAK is an authorized agent by the Kosovo Pension Savings to administer and collect pension contributions.10 A similar percentage of respondents (70%) said that TAK's mandate includes setting tax rates. Similarly, 62 percent of the respondents said that collection of custom duties are TAK's task, while this is not the case because the collection of custom duties are a task of Customs Authorities. These data show that there is some misunderstanding among citizens regarding TAK's tasks. This is an important hint, since clarity on the respective institutions and whom they can direct themselves to, as well as hold accountable, are key to a well-functioning tax system.

Figure 8: *TAK Mandate: Respondents Opinions*

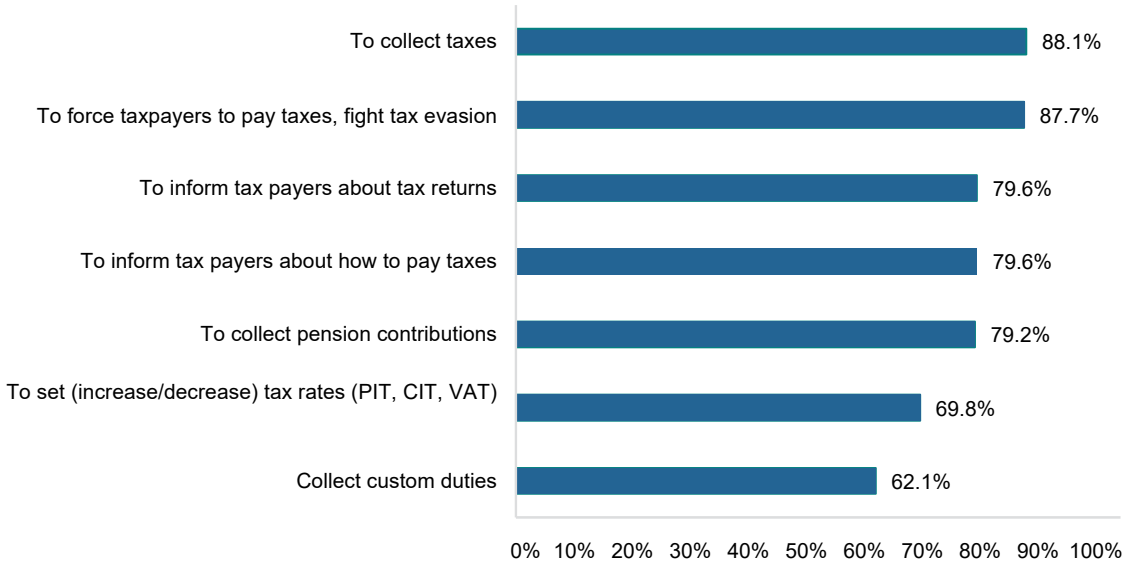
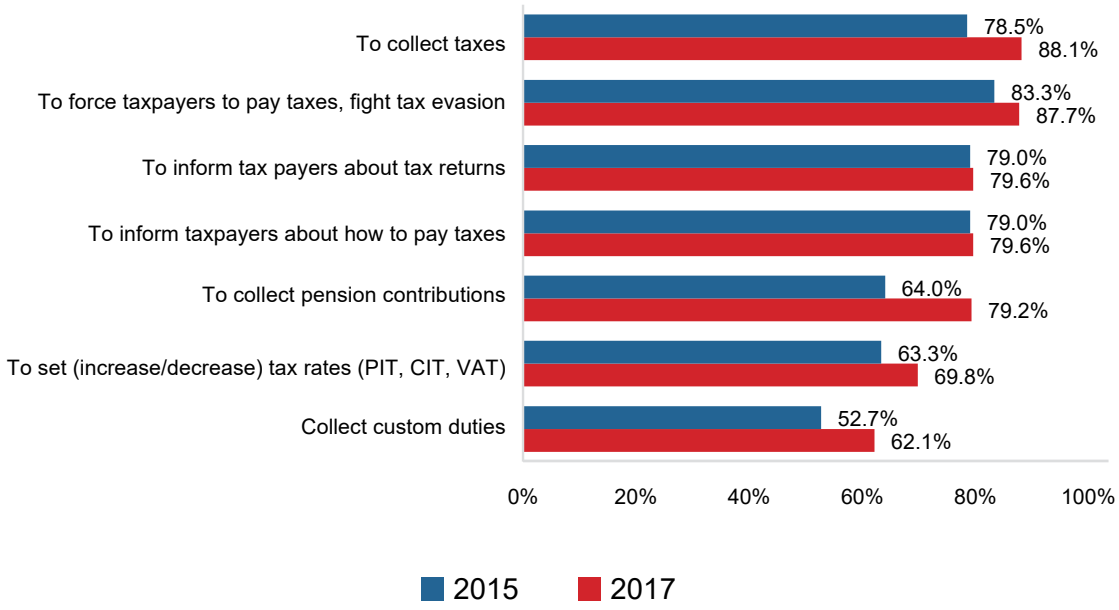


Figure 9 shows that compared to 2015, this year's study shows that the number of taxpayers who think that TAK's responsibility is to collect pension contributions increased by 15 percentage points, the share of respondents claiming that TAK is responsible for setting tax rates increased by seven percentage points, and the percentage of those who stated that TAK's mandate includes collecting custom duties increased by nine percentage points.

10 Law No. 03/L-222 for Tax Administration and Procedures

Figure 9: *2015 to 2017 Comparison of Taxpayers' Opinion on TAK Mandate*



Transparency of Taxpayer Rights and Obligations

Table I: Summary of Taxpayers Rights and Obligations Findings
85% of the respondents are satisfied with TAK's publication of information (the information is clear, easy to access, reliable, and complete).
Taxpayers get information about their rights and obligations mostly through TAK website, company's accountant/accounting firm, and through TAK office.
Taxpayers get information about changes in tax legislation mostly from announcements via TAK website, media coverage, and direct notifications from TAK office.

This section assesses the taxpayers' opinion on the availability of the information from TAK about the taxpayers' rights and obligations. Rights include ability to contest TAK findings, file a complaint, have access to regulations and decisions, etc., and obligations refer to taxes to be paid, documentations required by TAK, procedures to be followed, etc. Specifically, the aim is to get insights on the clarity and easiness of accessing information from TAK, as well as complying with obligations by taxpayers. Additionally, this section presents information on the sources taxpayers use to get information about TAK policies, procedures, and regulations.

For simplicity purposes, 'no' and 'rather no' responses have been summarized into one category as "No," and 'yes' and 'rather yes' have been grouped into one category as "Yes." The third category is the "Do not know" category.

First, respondents were asked to state their general satisfaction with the information on taxpayers' rights and obligations provided by TAK. Around 85 percent of the respondents claimed to at least be rather satisfied with TAK's job on making the information on taxpayers' obligations and rights available in a satisfying way. A similar percentage of respondents claimed that it is rather easy to find and obtain information by TAK (88%) and only six percent claimed

the opposite. Such a claim has been also confirmed in focus group discussions with men and women in business, where the majority of the participants claimed that it is easy to access tax-related information.

> ***"TAK call center has made it easier to get information about tax-related rights and comply with obligations. They timely inform us for every tax-related news"***
>
> *Participant in Focus Group with Men in Business*

Figure 10: *Satisfaction with TAK Publication of Information*

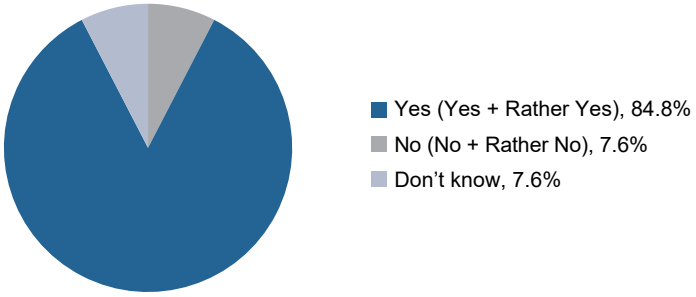
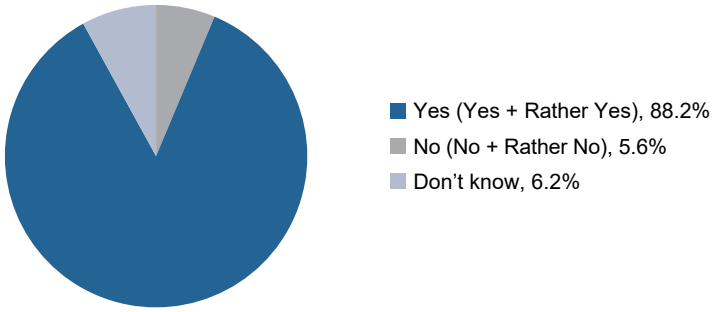


Figure 11: *Easiness of Access of Information*



In addition, 86 percent of the respondents think that this information that is provided by TAK comes in a clear form and it is rather understandable and well structured. Six percent of the respondents think that the information published by TAK is rather not clear and not understandable. A similar percentage of the respondents think that the information provided by TAK covers all the important rights and obligations that taxpayers need to know. Seven percent of the respondents think the opposite.

Figure 12: *Clearness of Information*

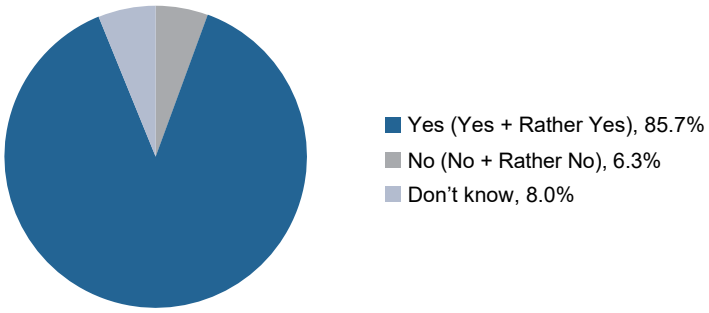
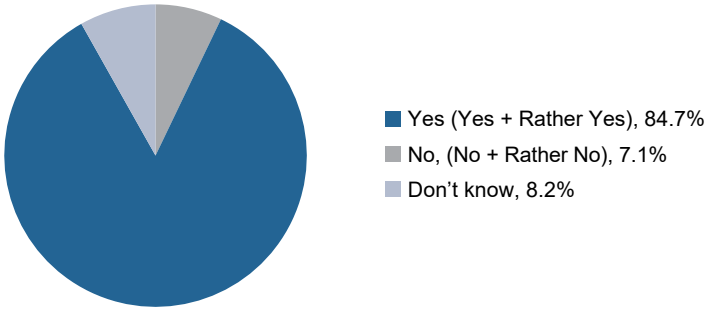
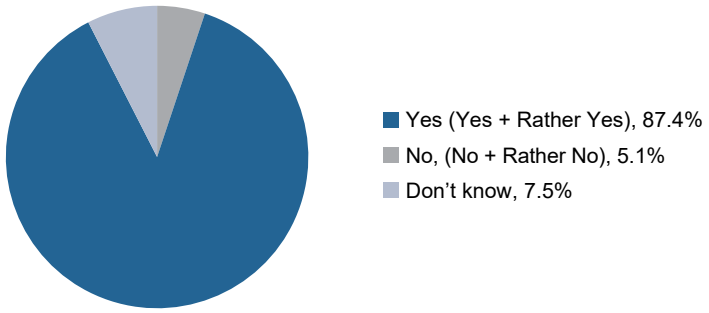


Figure 13: *Completeness of Information*



Respondents were also asked about the reliability of the data provided by TAK. This question refers to whether the information provided by TAK is factually true, consistent, and up-to-date if it is received from different sources. Eighty-seven percent of the respondents think that the information provided by TAK is reliable, and five percent think that it is not reliable.

Figure 14: *Reliability of Information*

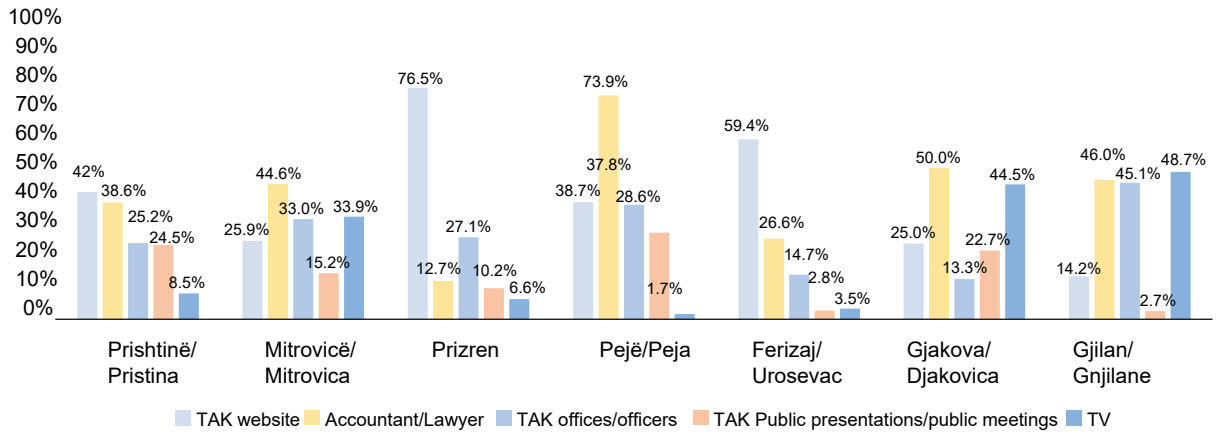


From the perspective of TAK, it is important to know which channels of information taxpayers use the most to get information about their rights and obligations towards TAK. Respondents were asked to mention the primary sources they use to get information. In general, TAK website was mentioned most frequently compared to the other sources of information (43%), followed by accountant or lawyer (40%), who are in direct contact with TAK and as such are prone to updated and reliable information and have the education and capacity to fully understand TAK requirements. The third most mentioned sources of information are TAK officers or TAK office (27%). Some of the participants in the two focus groups with men and women in business mentioned personal visits as the main source of information. They also pointed out

the need for more professional and informed staff, since there is inconsistency between the information they receive through phone and in person for the same subject.

When the data on information sources about taxpayer rights and obligations are disaggregated by region, it can be seen that the highest percentage of respondents who use TAK website for information purposes is in Prizren (77%), followed by Ferizaj/Urosevac, where 60 percent of the respondents mentioned TAK website as their primary source of information and Prishtinë/Prishtina, where 42 percent use TAK website. In Pejë/Peja, the majority of the respondents mentioned accountant or lawyer as their primary source of information with regard to TAK rights and obligations (74%). Accountant/lawyer is also a primary source of information for the majority of respondents in Gjakovë/Djakovica (50%) and Gjilan/Gnjilane (46%).

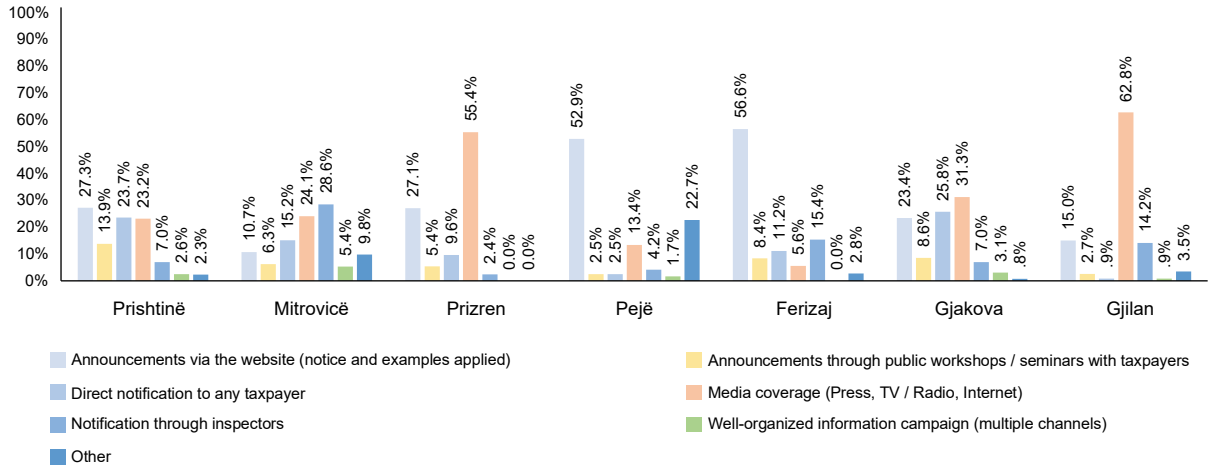
Figure 15: *Region-based Respondents' Primary Source of Information*



In cases when there are changes in tax legislation, taxpayers claimed to be informed mostly from announcements via TAK website (30%), from media coverage, including TV stations, Radio stations, and Internet (29%), from direct notifications from TAK office (16%) or through inspectors (10%).

Figure 16 shows the disaggregation of the data on information sources about changes in tax legislations. As seen below, 57 percent of the respondents in Ferizaj/Urosevac, 53 percent in Pejë/Peja, and 27 percent of the respondents in Prishtinë/Prishtina and Prizren, claimed to be informed about changes in tax legislation through announcements via TAK website. Media coverage is an important source of information regarding changes in tax legislation in Gjilan/Gnjilane (63%), Prizren (55%), and in Gjakovë/Djakovica (31%). Direct notification from TAK office is also one of the most important sources of information for changes in tax legislation in Prishtinë/Prishtina (24%), in Gjakovë/Djakovica (26%), and Mitrovicë/Mitrovica (15%).

Figure 16: *Region-based Information about Changes in Tax Legislation*



To conclude with this section, respondents were asked to mention some areas for which better information is urgently needed. According to the respondents, tax legislation needs to be changed. In this respect, respondents recommended changes in law application, since according to them there is inconsistency between law requirements and the information they get from inspectors, changes in tax rates, changes in tax incentives where small businesses would be exempt from paying taxes, and information sessions about tax law, which would make it simpler and more understandable by citizens. Furthermore, participants in the focus groups with businesses and stakeholders recommended for more friendly-compiled information on tax legislation, so that everyone can understand law requirements, not only accountants and economists. They agreed that there is plenty of information; however, this information needs to be shorter and more concise, which would save businesses time and costs. Additionally, participants in all these three focus groups suggested for more work in increasing the professionalism and knowledge of TAK employees, which would increase correctness and would improve employees' attitude towards taxpayers.

Burden of Compliance: Complexity and Time-costs of Procedures

Table II: Summary of Burden of Compliance and Time-Cost of Procedures Findings
Reimbursement is rated as the most difficult procedure.
Compared to 2015, the number of respondents who rated reimbursement and filing complaints as difficult decreased significantly.
Reimbursement and filing complaints are rated as two most time-consuming procedures.
Compared to 2015, the number of respondents who rated reimbursement and filing complaints as time-consuming decreased significantly.
73% of the respondents claimed that E-filing made it easier to comply with tax-related obligations.

The burden of compliance focuses on the complexity and time needed to fulfil the procedures and obligations required by TAK. As such, this section accesses the level of difficulty that taxpayers face with regard to registration, documentation, and declaration of taxes, which at the same time can be referred to as recommendations to TAK for improvement and bettering of policies and procedures.

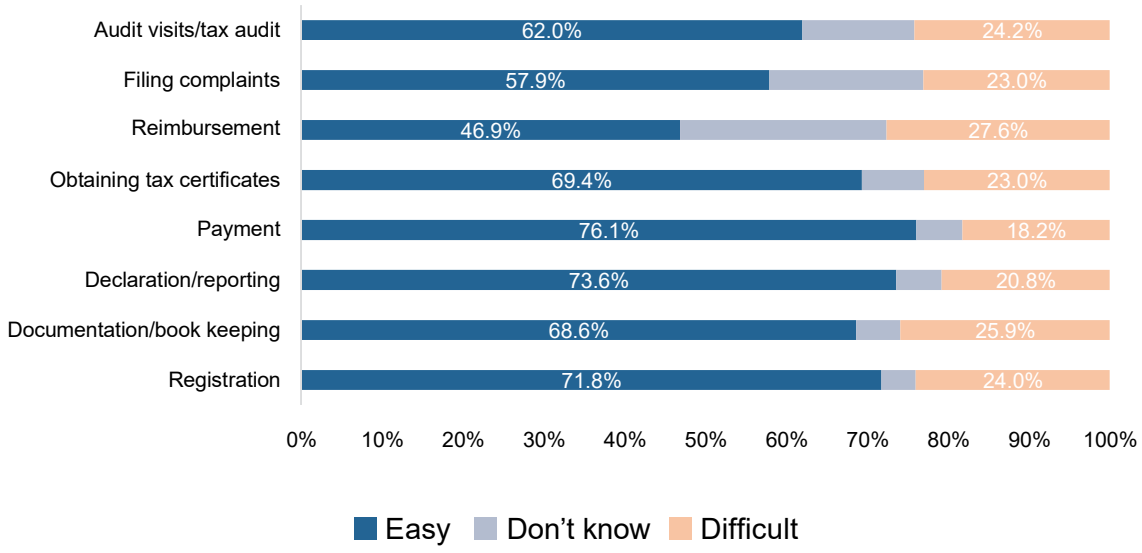
In general, the majority of the respondents rated tax-related procedures, such as documentation, declaration, and payment as easy (62%) and 29 percent of them rated these procedures as somewhat burdensome.

Next, respondents were asked to rate the difficultness of each of the following TAK procedures in a scale from one to four, where one means "easy," two means "rather easy," three "rather difficult," and four means "very difficult."

For simplicity purposes, easy and rather easy have been grouped into one category presented as "Easy" in Figure 17, and rather difficult and very difficult have been grouped into one category named as "Difficult."

As it can be seen from the figure below, reimbursement is rated as the most difficult TAK procedure, where 28 percent of the respondents rated it as difficult, followed by documentation and book keeping, where 26 percent of the respondents rated it as difficult. Reimbursement was also a common concern of participants in the focus group with men and women in business. According to them, reimbursement is a problem both because of the lack of efficacy from TAK and fear of businesses that filing a request for reimbursement will trigger additional audit visits from TAK, which might lead to additional fines and penalties due to lack of a document or mistake in bookkeeping. Audit visits and registration are rated similarly regarding their difficultness (24%), making them as such the third and fourth most difficult rated TAK procedures. On the contrary, the majority of the respondents rated payments (76%) and declarations and reporting (73%) as easy TAK procedures, and that comes as a result of TAK reforms, such as E-filing, call centres, etc.

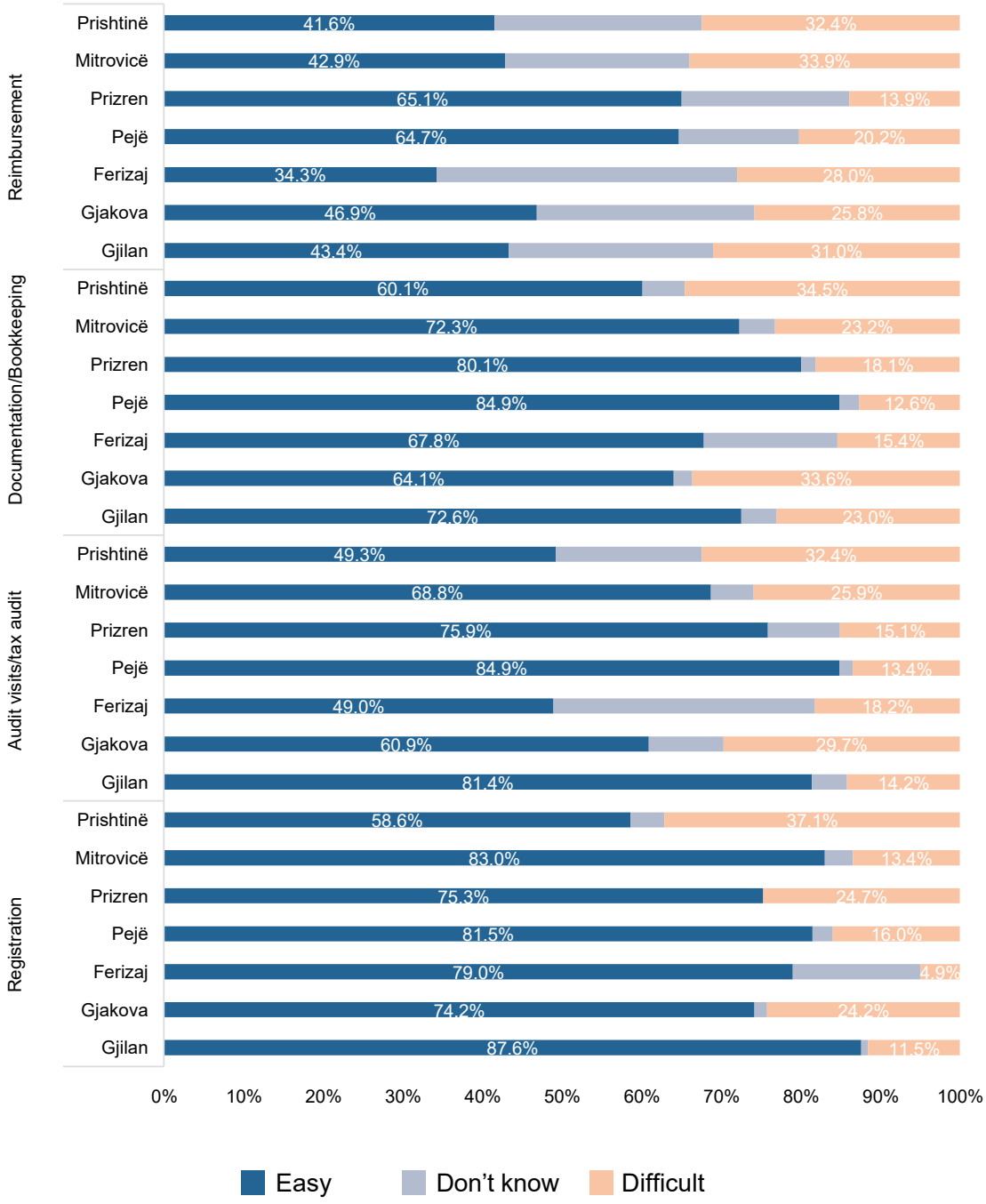
Figure 17: *Taxpayers' Ratings on the Difficultness of TAK procedures*



The four most difficult TAK procedures are also presented by region, which would allow TAK to have better estimates on which regions it needs to focus more to improve each procedure. As such, reimbursement is rated as difficult by a higher percentage of respondents in Mitrovicë/

Mitrovica (34%), Prishtinë/Prishtina (32%), and Gjilan/Gnjilane (31%). In Prizren the lowest number of respondents rated reimbursement as a difficult TAK procedure (14%). Documentation and book keeping are rated as difficult by a higher percentage of respondents in Prishtinë/Prishtina (35%) and Gjakovë/Djakovica (34%). Nevertheless, it should be noted that besides in these cities, e significant percentage of respondents in other regions, as well, rated these two TAK procedures as difficult. When it comes to registration, in Prishtinë/Prishtina, 37 percent of the respondents rated this TAK procedure as difficult, which is quite higher as percentage compared to the other regions' ratings for this particular procedure.

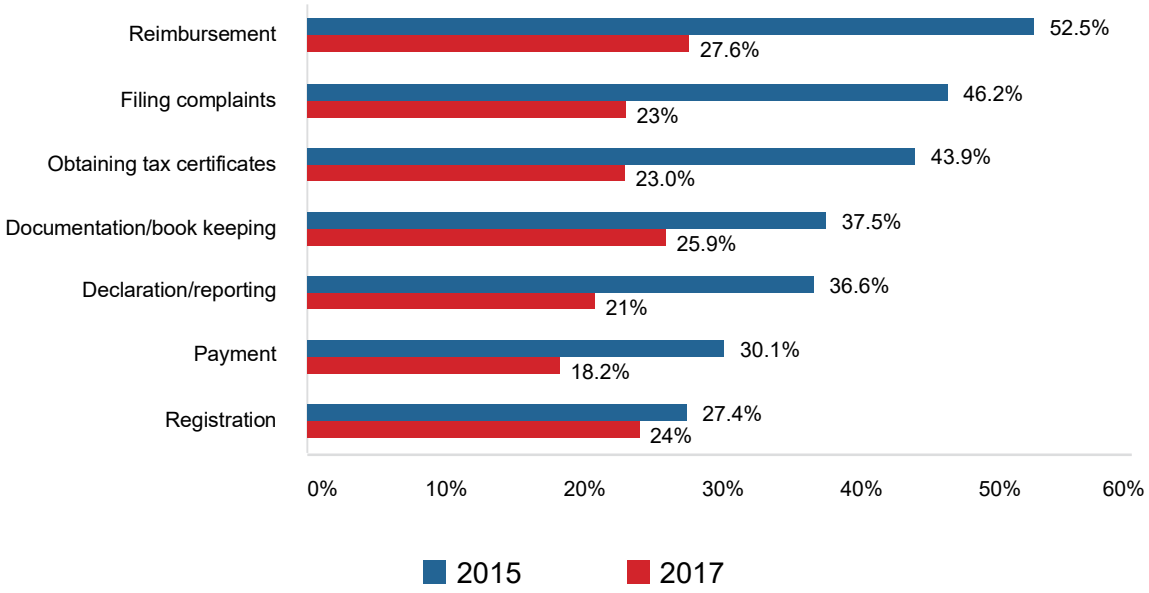
Figure 18: *Region-based Ratings on the Difficultness of TAK Procedures*



Compared to 2015, when the survey with taxpayers was conducted for the first time, the difficulty of the TAK procedures has decreased for all of them.11 Reimbursements were rated as the most difficult TAK procedure in 2015 by 53 percent of the respondents. A decrease of this percentage to 28 percent demonstrates TAK efforts taken from 2015 to 2017 towards the simplification and improvement of reimbursement process.

Filing complaints was also rated as a difficult TAK procedure by 46 percent of the respondents in 2015, while in 2017 this percentage decreased to 23 percent. Obtaining tax certificates was rated as difficult by 44 percent of the respondents; however, with the electronic system reform this procedure has been simplified and as such the number of respondents who rated it as difficult in 2017 decreased by 21 percentage points. Overall, the easiness of TAK procedures has been improved from 2015 to 2017 as a result of the improvements in legislation and reform taken by TAK.

Figure 19: *2015 to 2017 Comparison of TAK Procedures Difficultness*



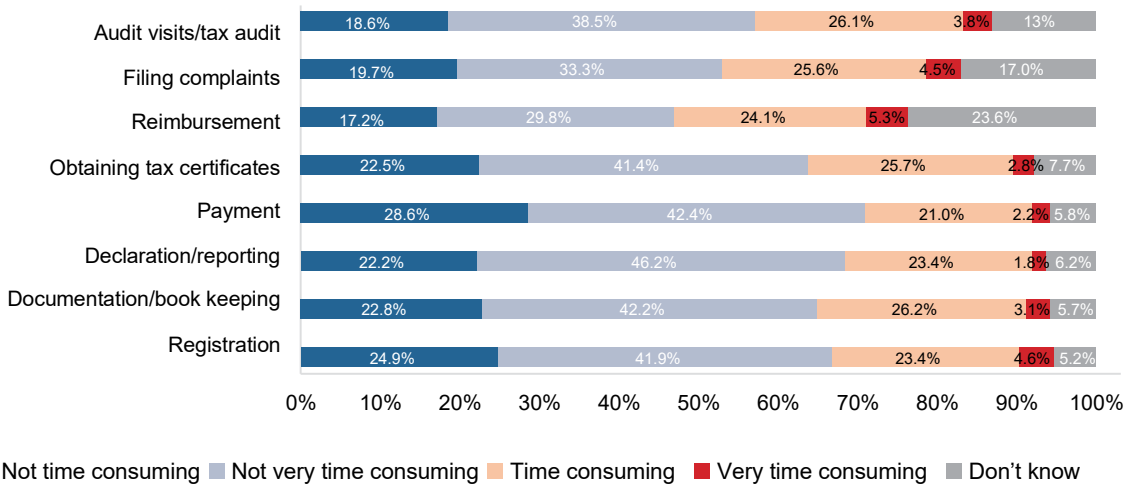
> ***"Audit visits/tax visits are quite time-consuming, which has both direct and indirect negative impact in the business"***
>
> *Participant from Focus Group with Men in Business*

Besides difficultness, taxpayers' opinion was assessed also regarding the time it takes to fulfil these TAK procedures. On average, a taxpayer, either a business that addresses tax-related obligations through employees or an accounting company, or an individual, spends five hours per month fulfilling tax-related procedures. Five percent of the respondents, rated reimbursement and filing complaints as very time consuming, while 25 percent of them rated these procedures as time consuming. Among other time-consuming policies, obtaining tax certificate, and documentation/book keeping were also rated as time consuming by 29 percent of the

11 Audit visits/tax audit is a TAK procedure that was added in the 2017 questionnaire but was not asked in the 2015 questionnaire.

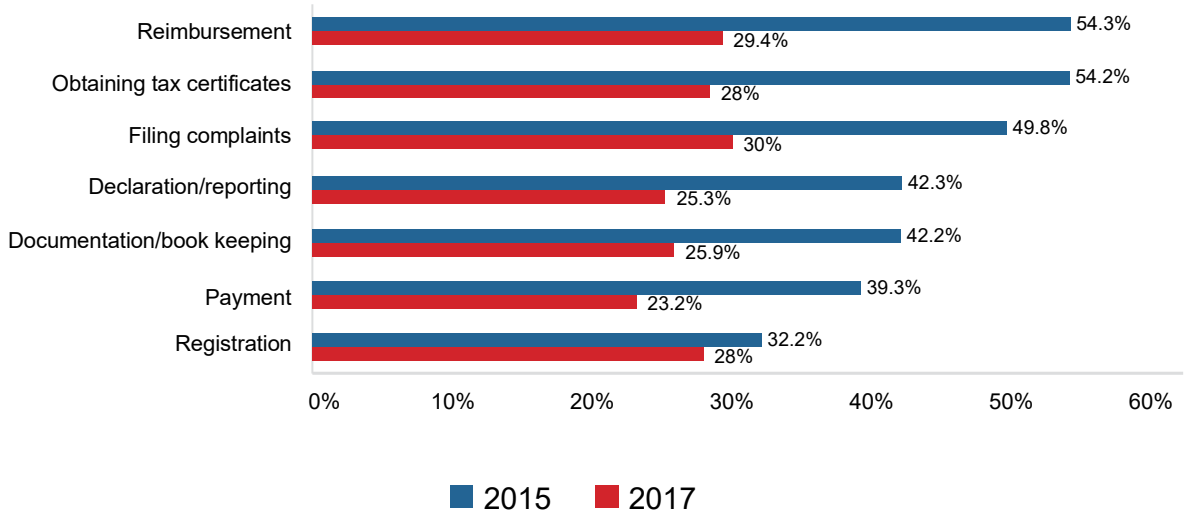
respondents.

Figure 20: *Taxpayers' Ratings on the Time-Consumption of TAK Procedures*



Compared to 2015, the time it takes to fulfil TAK procedures has significantly decreased in 2017. In 2015, 54 percent of the respondents claimed that reimbursement takes a significant amount of time, while this percentage decreased in 2017 to 29 percent. Obtaining tax certificates was also rated as one of the most time-consuming TAK procedure in 2015, but it decreased to 28 percent in 2017. This decrease can perhaps be explained by the positive impact of the electronic system established by TAK. Based on taxpayers' responses, all TAK procedures take less time to fulfil in 2017 compared to 2015. Registration is the TAK procedures that had less improvement from 2015, which would be an area to focus for TAK future strategy.

Figure 21: *2015 to 2017 Time-consumption Comparison of TAK Procedures*



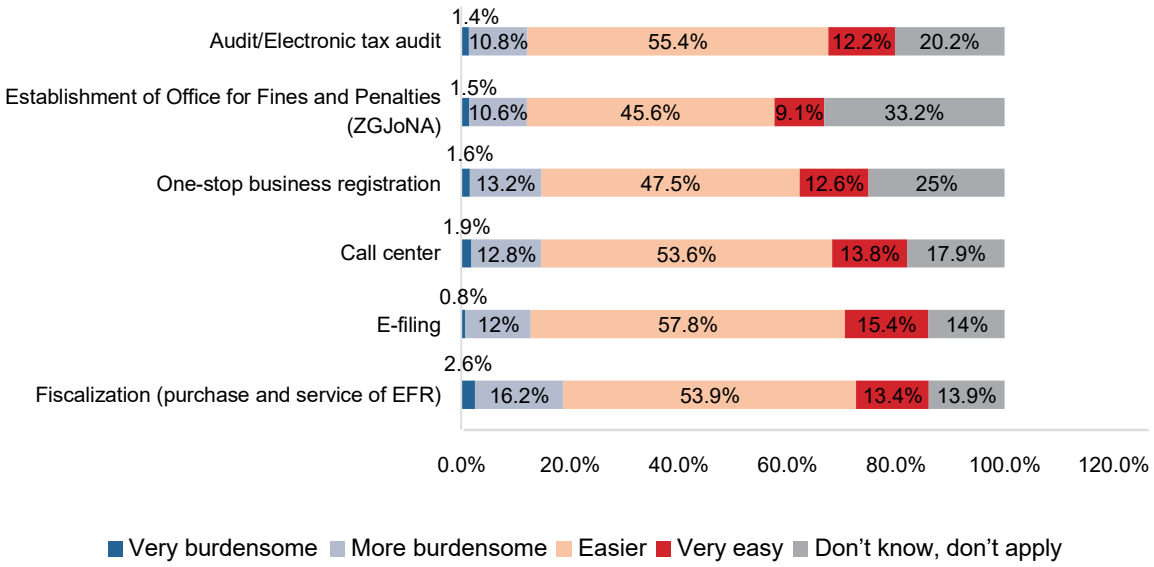
Even though the percentage of respondents who claimed that filing a complaint is difficult and time-consuming decreased from 2015 to 2017, it still remains an issue to be considered by TAK. The majority of the respondents in the quantitative survey (86%) claimed that they did not file a complaint to TAK in the past two years. However, through focus group discussions with stakeholders, respondents said that even if businesses have complaints they do not address them because it takes time and financial resources for the complaints to be reviewed and taken into account.

According to the qualitative interviews with stakeholders, even if a business files a complaint for a reimbursement or other financial considerations, the costs (both time and financial) would be higher than the amount for which they are filing the complaint. Thus, often times taxpayers decide to ignore the process. Around nine percent of the respondents filed a complaint in the last two years, and of those, half of them claimed to have received an official (written) response from TAK. To address this problem, stakeholders recommended the establishment of another review body that would address complaints after they are received and before going to the court, thus saving businesses' time and financial costs.

In order to improve registration procedure, increase tax compliance, and improve information system, TAK has undertaken various reforms from 2014 and onwards. The quantitative survey assessed the effect of these reforms on taxpayers, by asking the respondents to rate each of the reforms in a scale from one to four. Specifically, one means that the changes in TAK procedures made it very burdensome for a taxpayer to comply with tax obligations, and four means that these changes made it very easy to comply with tax obligations.

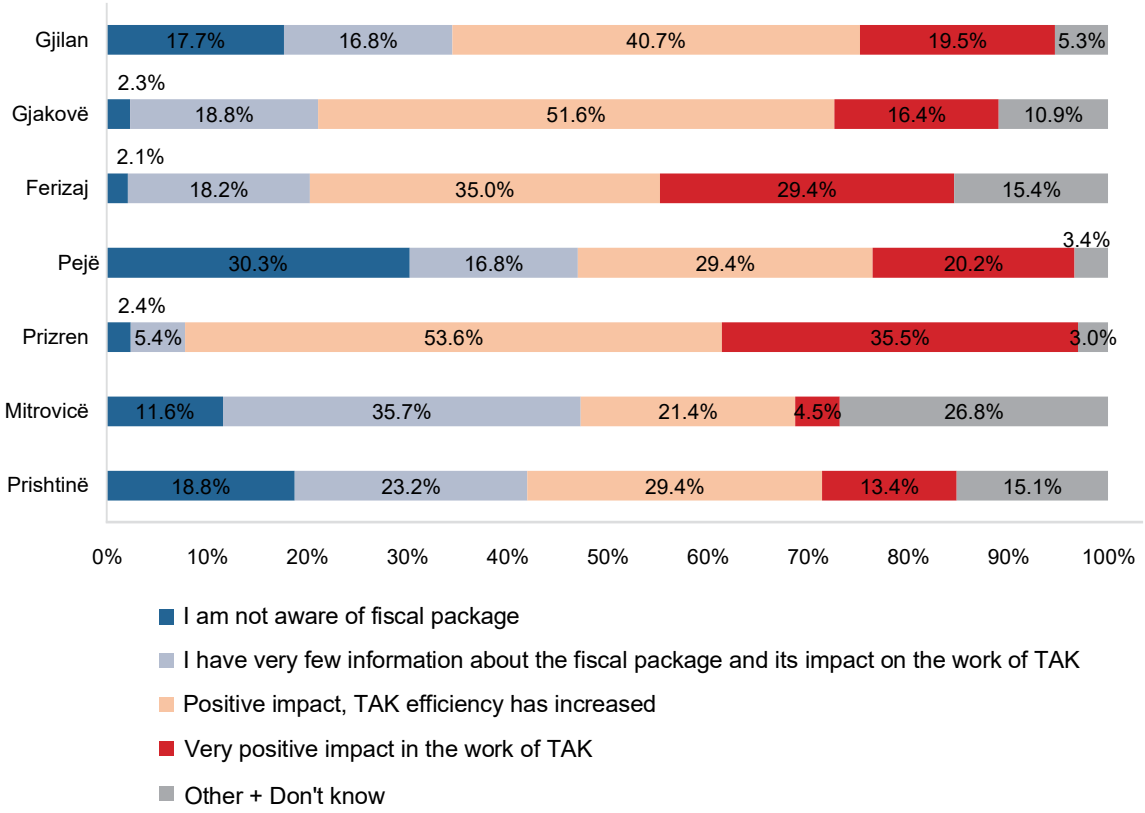
Fifty-eight percent of the respondents said that TAK changes in E-filing have made it easier to comply with tax obligations, while 15 percent claimed that complying with tax obligations is now very easy. Similar percentage follows changes in audit/electronic tax audit, where 55 percent of the respondents claimed that these reforms made it easier to comply with tax obligations, while 12 percent said that it is now very easy to fulfil tax-related obligations due to these changes. Overall, the majority of the interviewees said that all the changes presented in the figure below either made it easier or very easy to comply with tax-related obligations.

Figure 22: *Taxpayers' Ratings on TAK reforms*



Next, respondents were asked to evaluate the impact of the fiscal package on the work of TAK. Based on regional data, 30 percent of the respondents in Pejë/Peja are not aware of the fiscal package reform. The same response has been provided by 19 percent of the respondents in Prishtinë/Prishtina. On the contrary, 54 percent of the respondents in Prizren claimed that the fiscal package had a positive impact and TAK efficiency has increased. Fifty-two percent of the respondents in Gjakovë/Djakovica and 35 percent of respondents in Ferizaj/Urosevac made the same declaration.

Figure 23: *Taxpayers' Opinion on the Impact of Fiscal Package*



According to the respondents, change is most urgently needed at fiscal cash registers. Some of the recommendations were lower prices for fiscal cash registers, equal treatment of all businesses regarding this procedure, change in policies based on the size of the business, and more informational sources on fiscal cash registers. The second area stated is documentation, meaning for TAK to reduce the number of documents required and make it easier to obtain and deliver the documents, which goes one-on-one with registration, where respondents asked less procedures for registration.

Professionalism and Fair Treatment of Taxpayers

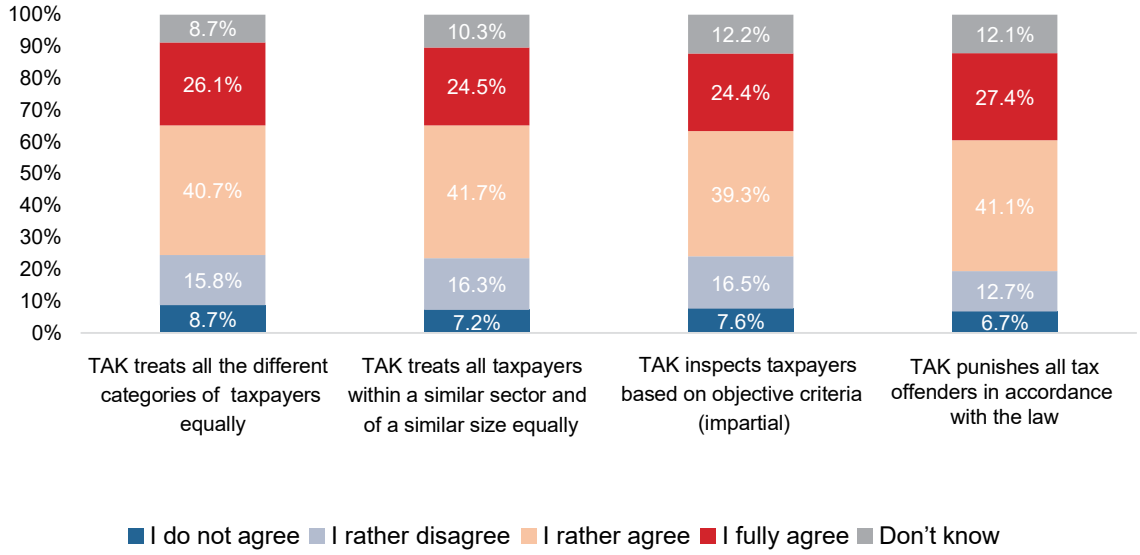
Table III: Professionalism and Fair Treatment of Taxpayers Findings
Compared to 2015, the number of people who think that TAK does not treat different categories of taxpayers equally and taxpayers of similar sector and size equally, decreased from 32% to 25% and from 30% to 24%, respectively.
Similar percentage of respondents in 2015 and 2017 think that TAK inspection is biased – additional work on this subject is recommended by taxpayers.
Taxpayers agree that the professionalism of TAK inspectors has increased and unethical behaviour has decreased significantly in the last two years.
Compared to 2015, the number of taxpayers who disagree that TAK reviews complaints objectively, TAK reviews complaints in a timely manner, and TAK decisions are well and clearly documented decreased significantly.
84% of taxpayers have not heard about the Office for Fines and Penalties (ZGJoNA), or have little to average knowledge about it.

In this section, respondents were asked to evaluate the approach of TAK towards taxpayers. More specifically, respondents were asked to rate the professionalism and fairness of TAK officials and inspectors, in both cases when they visit the business or while taxpayers visit TAK premises.

Respondents were asked to rate each of the following statements with “one” if they do not agree at all with the statement, and “four” if they fully agree with the statement asked. In general, for each of the statements asked, respondents gave a similar percentage of satisfaction and dissatisfaction. Around 67 percent of the respondents think that TAK treats taxpayers of different categories equally, as well as taxpayers of similar sector and size (66%). Even through focus group discussions, some of the participants agreed with the statement that TAK inspectors do not treat businesses of different size equally. According to them, smaller businesses are more frequently controlled and their attitude towards them is more of a punishment rather than educational.

Furthermore, as seen in Figure 24, the majority of the respondents (79%) agree that TAK punishes all tax offenders in accordance with the law and 64 percent of the respondents agree that inspectors inspect taxpayers based on objective criteria.

Figure 24: *Taxpayers' Opinion on TAK Approach*

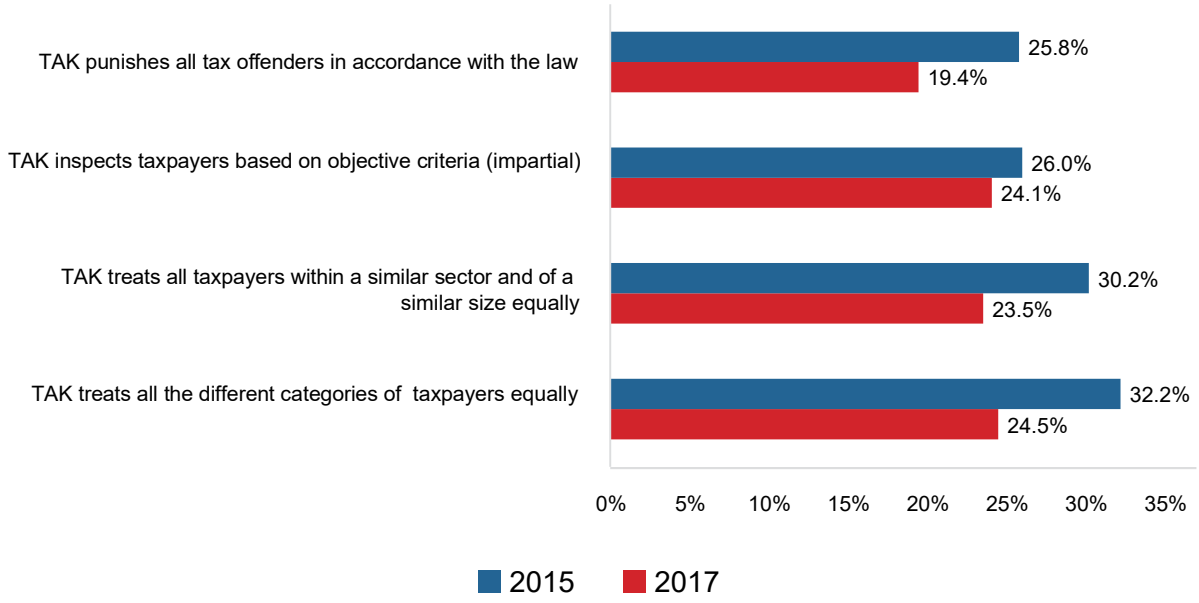


Compared to 2015, the number of people who do not agree with these statements has decreased in 2017. The share of taxpayers who think that TAK does not punish all tax offenders in accordance with the law decreased by six percentage points. The number of taxpayers who think that TAK does not treat taxpayers of similar sector and size equally has also decreased by six percentage points, while those who think that TAK does not treat different categories of taxpayer equally decreased by seven percentage points. Less improvement was seen at the impartiality of TAK, where around the same percentage of taxpayers in 2015 and 2017 think that TAK inspection is biased.

"The professionalism has increased and unethical behavior has decreased significantly in the last two years among TAK inspectors

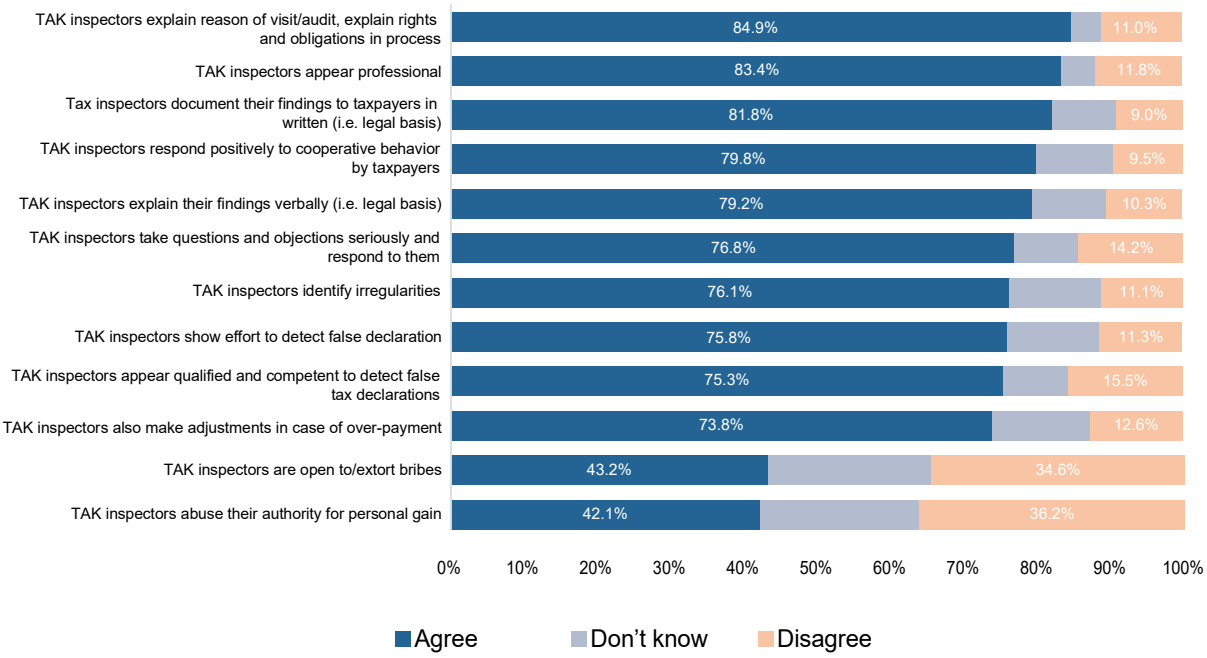
" Participant in Focus Group with Women in Business

Figure 25: *2015 to 2017 Comparison of Taxpayers' Opinion on TAK Approach*



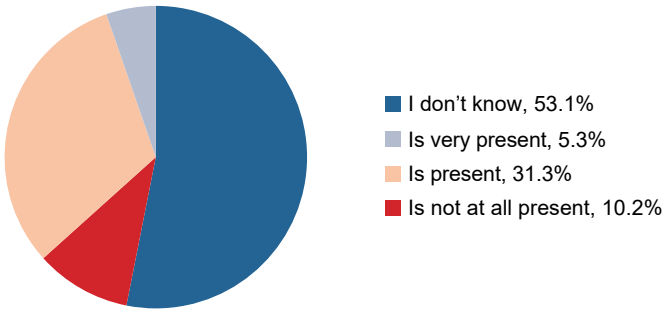
Next, respondents were asked to specifically rate audit visits. More precisely, taxpayers were asked to rate the professionalism and fairness of TAK inspectors, based on their experience. In order to see the difference more clearly, the 'agree' and 'rather agree' options have been grouped into one category labelled as 'agree', while 'disagree' and 'rather disagree' have been grouped into the category 'disagree.' Overall, respondents were satisfied with the treatment they received by TAK inspectors. A higher percentage of respondents agree that TAK inspectors explain the reason of visit/audit and the rights and obligations in process (85%). A similar percentage of respondents agree that TAK inspectors appear professional (83%) and that they document their findings to taxpayers in writing, which is also a legal requirement of inspectors (82%). Sixteen percent of the respondents did not agree with the statement that TAK inspectors appear qualified and competent to detect false declarations. Additionally, this concern was also confirmed by focus group discussions with businesses, where participant claimed that they receive fines on minor mistakes which are not purposefully made and in often cases inspectors cannot tell and also do not spent time to make the difference. On the other side, a significant percentage of respondents agreed that TAK inspectors are open to bribes (43%), which increased slightly from 2015 (40%) and that they abuse their authority for personal gain (42%), which remained the same compared to 2015.

Figure 26: *Taxpayers' Ratings for the Professionalism and Fair Treatment of TAK inspectors*



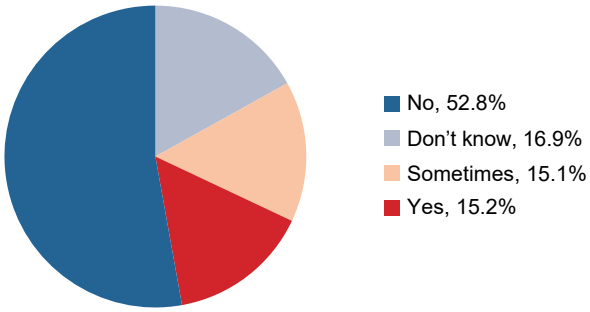
When asked specifically about the extent to which corruption is spread among TAK inspectors, based on their experience, five percent of the respondents claimed that it is very present and 31 percent claimed that it is present. Furthermore, more than half of the respondents were reluctant to give their response in this question.

Figure 27: *Taxpayers' Opinion on Corruption among TAK inspectors*



Taxpayers were also asked about their opinion as to how acceptable is intervening through corrupt forms, such as family or friend ties, or non-formal payment in cases when they need to speed up a tax procedure. Around 30 percent of the respondents claimed that it is acceptable to intervene in such a way. On the contrary, 53 percent of the respondents, were of the opinion that such actions are not acceptable.

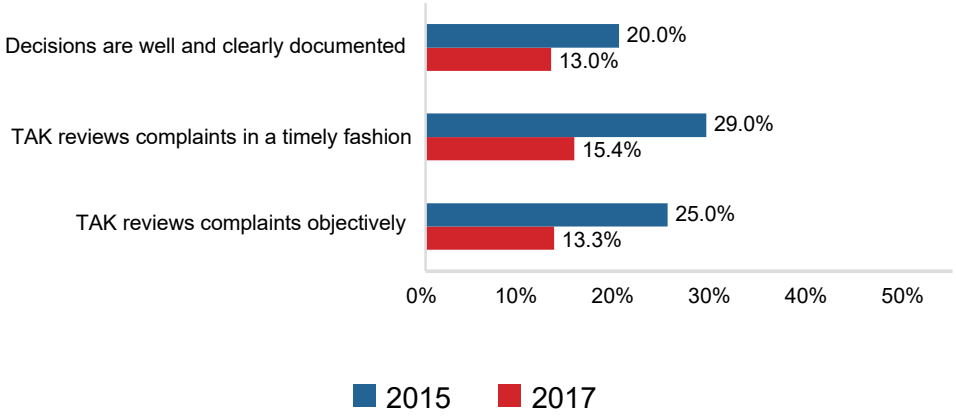
Figure 28: *Taxpayers' opinions on Using Corrupt Forms to Speed up Tax Procedures*



Regarding the complaint filing mechanism, 67 percent of the respondents think that TAK reviews complaints objectively, while 13 percent think the opposite. In general, 64 percent of the respondents agree that TAK reviews complaints in a timely manner, while 15 percent of them do not agree with this statement. The majority of the respondents (66%) think that TAK decisions are well and clearly documented, while 13 percent think of the opposite.

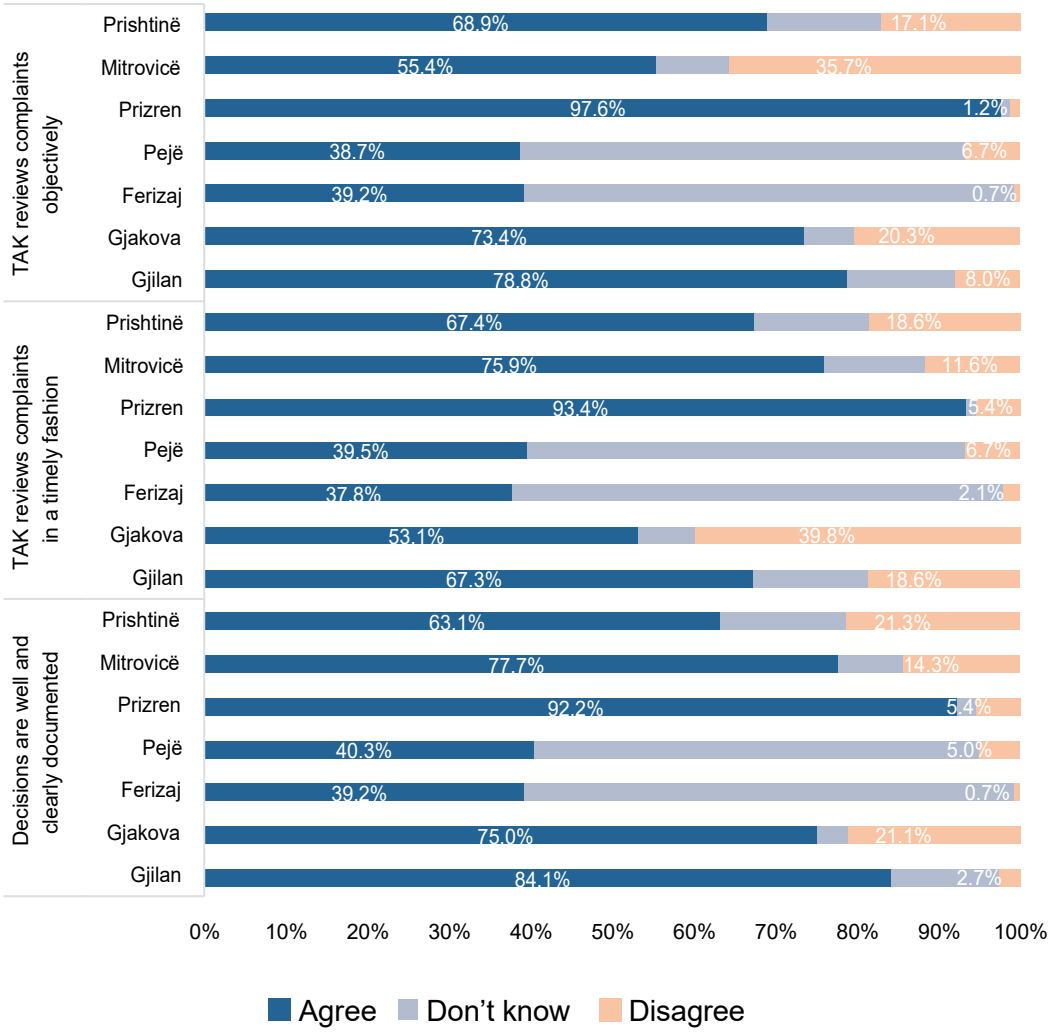
Compared to 2015, the number of taxpayers who disagree with the above-mentioned statements decreased significantly, for 12, 14, and 7 percentage points, respectively. Figure 30 shows the region-based respondents' opinions on the complaint filing mechanism.12

Figure 29: *2015 to 2017 Comparison of Taxpayers' Opinion on the Complaint Filing Mechanism*



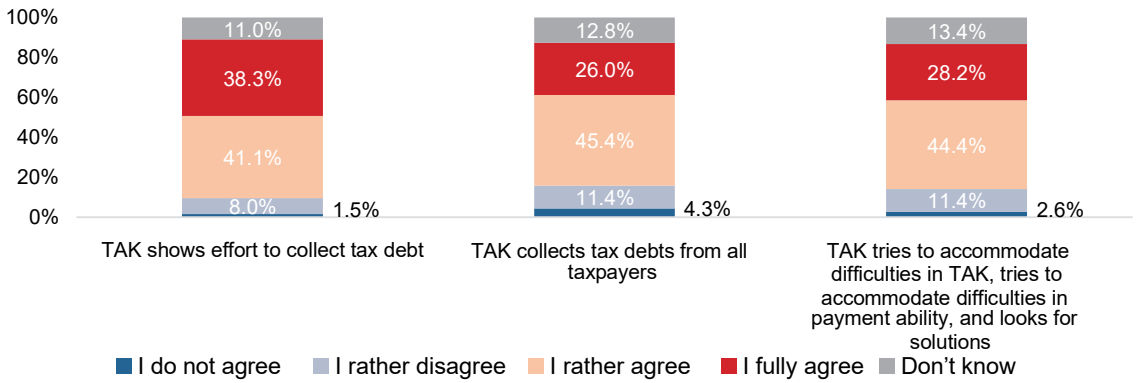
12 'Do not agree' and 'rather disagree' options in Figure 24 and 25 have been grouped into one category, the "Disagree" label, and "rather agree" and "fully agree" have been grouped into one category, the "Agree" label.

Figure 30: *Taxpayers' Opinion on the Complaint Filing Mechanism*



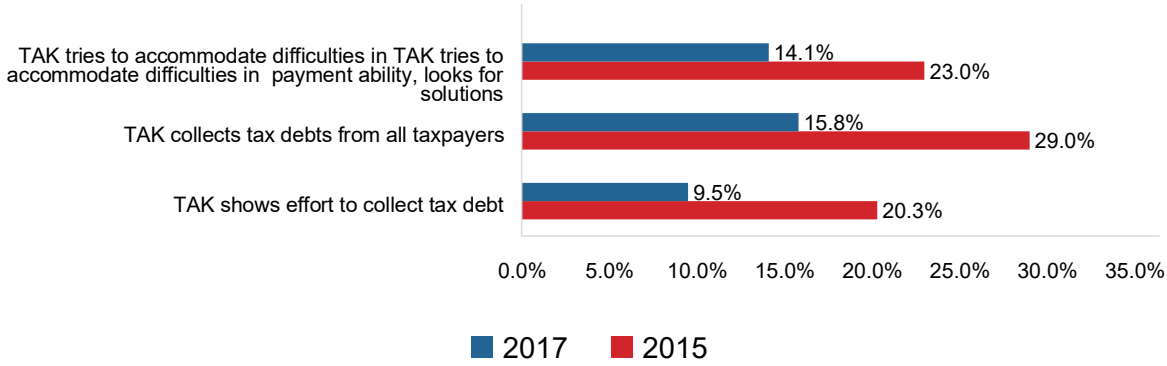
Regarding tax collection, the majority of the respondents either agreed or fully agreed with all of the below-mentioned statements. In paticular, 79 percent of the respondents agree that TAK shows effort to collect tax debt and a similar percentage of respondents also think that TAK tries to accommodate difficulties and looks for soluions. On the contrary, a higher percentage of respondents (15%), compared to the other two categories, think that TAK does not collect tax debt from all taxpayers.

Figure 31: *Taxpayers' Ratings for Tax Collection Process*



Compared to 2015, based on taxpayers' opinions, tax collection process has improved significantly. The number of respondents who think that TAK does not show effort to collect tax debt has decreased for 11 percentage points. In 2015, the percentage of taxpayers who thought that TAK does not show effort to collect debt from all taxpayers decreased by ten percentage points. In 2017, the number of respondents who think that TAK does not try to accommodate difficulties has decreased by 9 percentage points.

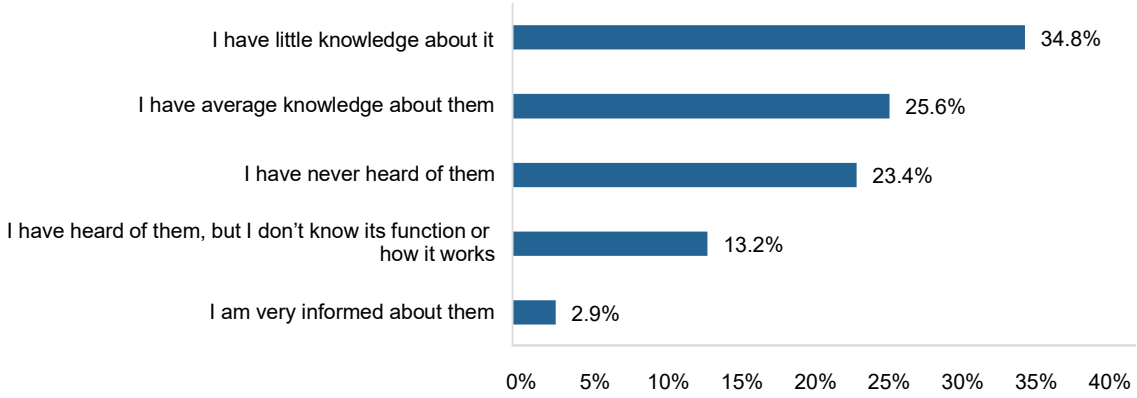
Figure 32: *2015 to 2017 Comparison of Disagree Opinions on TAK Effort to Collect Taxes*[13]



In 2014, TAK established the Office for Fines and Administrative Penalties (ZGJoNA) with the aim of reducing the work load of inspectors and improving the process of fines and complaints. The quantitative questionnaire aimed to measure the knowledge of taxpayers about the establishment of this new office. However, as it can be seen in Figure 33, around a quarter of the respondents have never heard of ZGJoNA and 13 percent have heard of it, but do not have any information on the work they do or the way it functions. Knowledge about ZGJoNA was assessed in every focus group, and in all of them, participants claimed that only accountants who are in direct contact with TAK have knowledge about it. The majority of the participants claimed to either never heard of ZGJoNA or to have very little knowledge about it.

13 The percentages presented in the figure are for the respondents who "disagree" and "rather disagree" with the statements.

Figure 33: *Taxpayers' Knowledge about OFAP (ZGJoNA)*

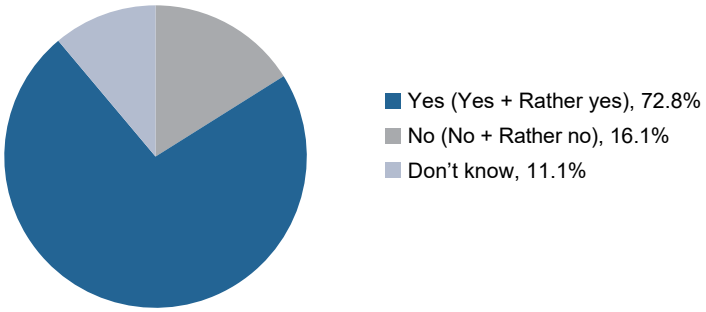


Service Orientation: Services Offered

Table IV: Summary of Service Orientation: Services Offered Findings
73% of taxpayers agree that TAK effectively informs taxpayers about tax-related changes.
Compared to 2015, the number of taxpayers who rated TAK location as good increased by 39 percentage points.
12% of the taxpayers interviewed filed a claim for VAT reimbursement.
Of the taxpayers who filed a claim on VAT reimbursement, 22% have not been reimbursed with reasoning, while 17% have not been reimbursed without any reasoning.
75% of taxpayers rated poor management of taxpayers' money by government as an important factor towards tax evasion.
71% of taxpayers rated non-payment of taxes by competitors as an important factor towards tax evasion.
68% of taxpayers rated perception of large-scale tax evasion by the rich and powerful as an important factor towards tax evasion.
The majority of the taxpayers claimed that transparency, and the morale of a responsible citizen are the main factors that contribute to tax compliance and payment.

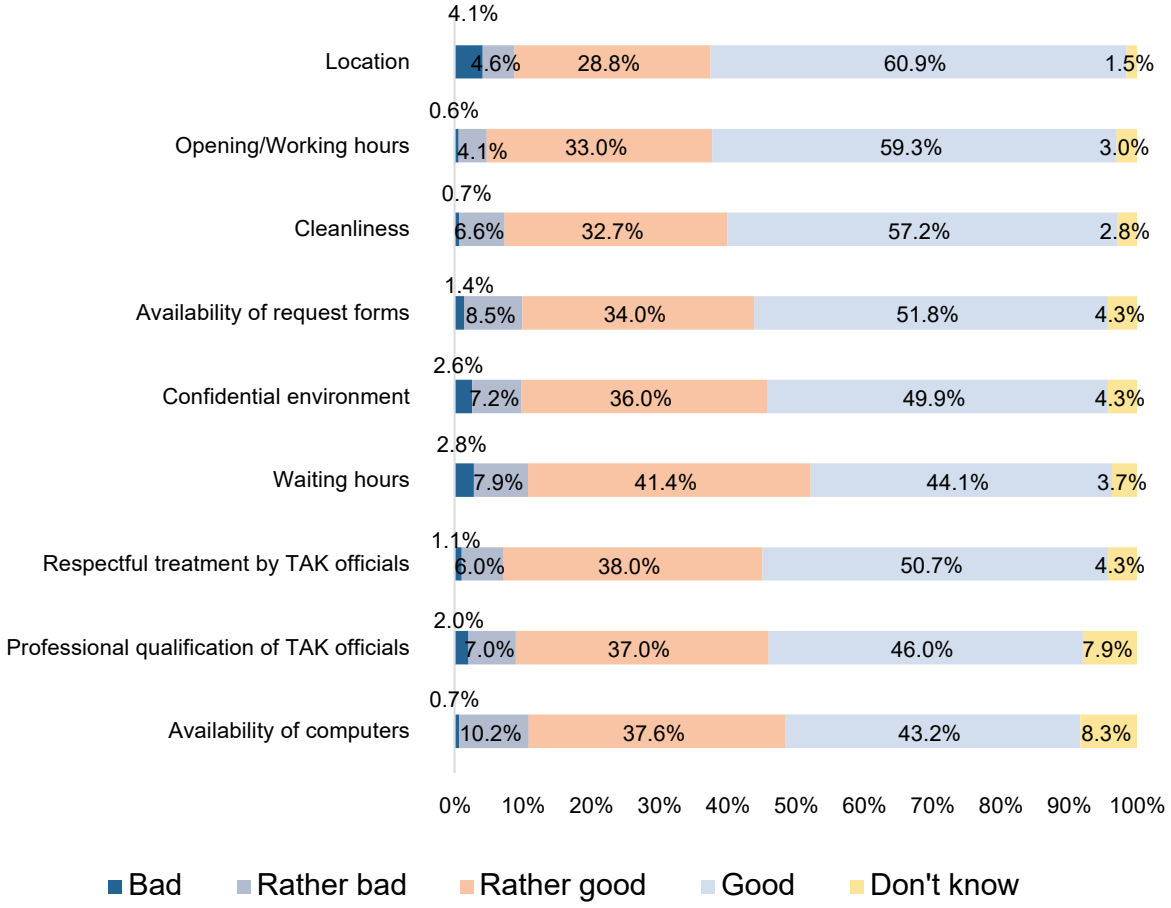
This section focuses on the taxpayers' satisfaction with TAK services. Special focus in this section is given to reimbursement and filing of a complaint, assessing mainly the experience of taxpayers with regard to time-consumption and overall satisfaction with these procedures. This section ends with taxpayers' opinions on what are the motives behind complying with or evading taxes. Besides in TAK webpage, where information is available for any change in tax legislation and procedure, TAK also reaches to taxpayers by public announcements, TV ads, meetings, seminars, public hearings, etc. The majority of the taxpayers are aware of these information sources, and 73 percent of them share the opinion that TAK effectively reaches out to taxpayers to inform them about tax-related changes.

Figure 34: *Taxpayers' Opinion on TAK Efforts to Inform Taxpayers*



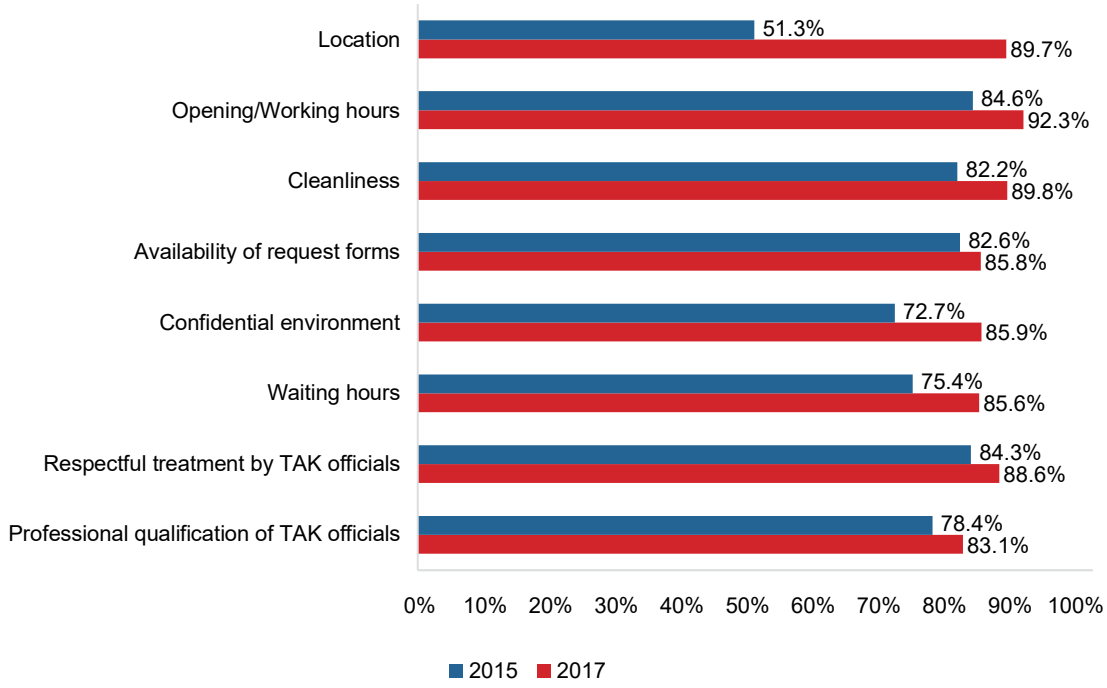
Next, taxpayers who have visited TAK offices in the last two years, were asked to rate each of the below-mentioned aspects from one to four, where one means "very bad," while four means "very good." As it can be seen in Figure 32, taxpayers were satisfied with TAK working hours (92%), cleanness and location (90%), and with the treatment they received from TAK officials (89%). In general, taxpayers have positive opinion about each of the aspects asked.

Figure 35: *Taxpayers' Ratings on TAK Premises*



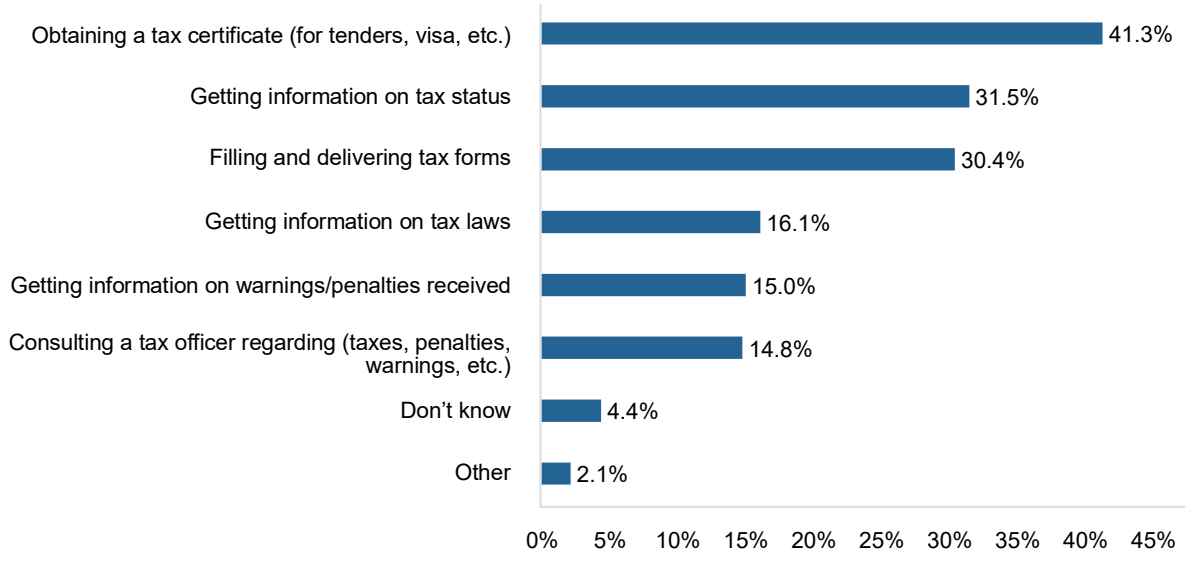
Compared to 2015, the satisfaction of taxpayers with TAK premises increased in every aspect assessed. The highest improvement has been noted in the location aspect, where the number of taxpayers who rated it as good increased from 51 to 90 percent. One factor that might have had an impact in this improvement is the opening of one-stop shops from TAK in all Kosovo municipalities. The other aspect assessed were better-rated in 2017 as compared to 2015 by two to five percentage points.

Figure 36: *2015 to 2017 Ratings Comparison of TAK Premises*



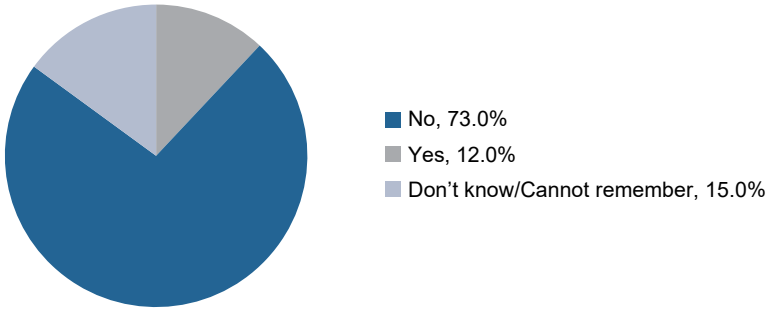
Taxpayers visit TAK offices mostly to obtain a tax certificate for purposes of visa, tenders, etc. (41%), to get information on tax status (32%), and to file and deliver tax forms (30%).

Figure 37: *Taxpayers' Reasons for Visiting TAK Offices*



The majority of the respondents have not had a concrete case of filing a claim in the past for VAT reimbursement (73%). Twelve percent of the respondents answered positively to this question, while 15 percent claimed that they cannot remember.

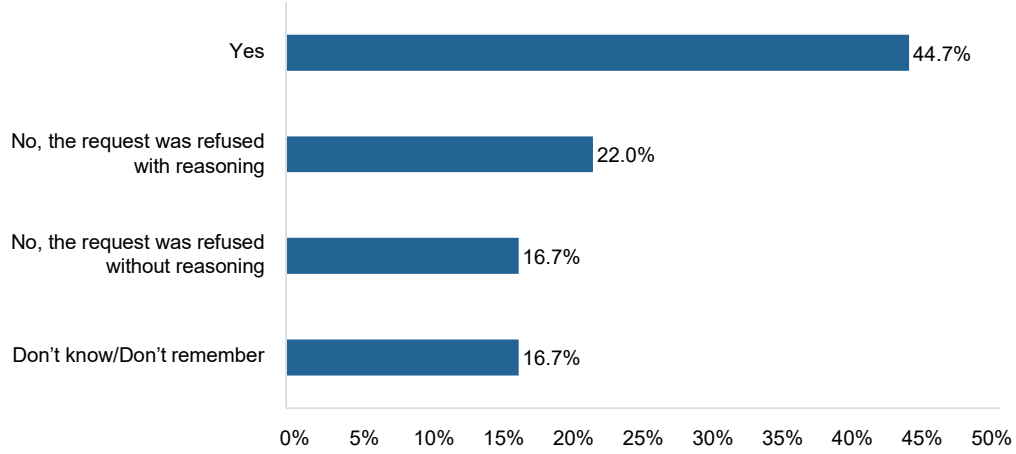
Figure 38: *Filing Claim for VAT Reimbursement*



Of the taxpayers who have filed a claim for VAT reimbursement in the past, 62 percent rated the procedure as easy, while 36 percent rated it as hard. Those taxpayers who have filed a claim, 83 percent of them got a final response from TAK, and the majority of them waited one to two weeks for this final response, while 17 percent of them claimed that they did not receive TAK final decision on reimbursement.

Only 45 percent of the taxpayers who filed a claim and received a response, claimed to actually have been reimbursed the VAT assets. Thirty-nine percent of them claimed to not have been reimbursed on the VAT funds, out of which 22 percent received a reasoning behind the decision and 17 percent did not receive any reasoning for this decision.

Figure 39: *TAK Reimbursement on VAT Assets*

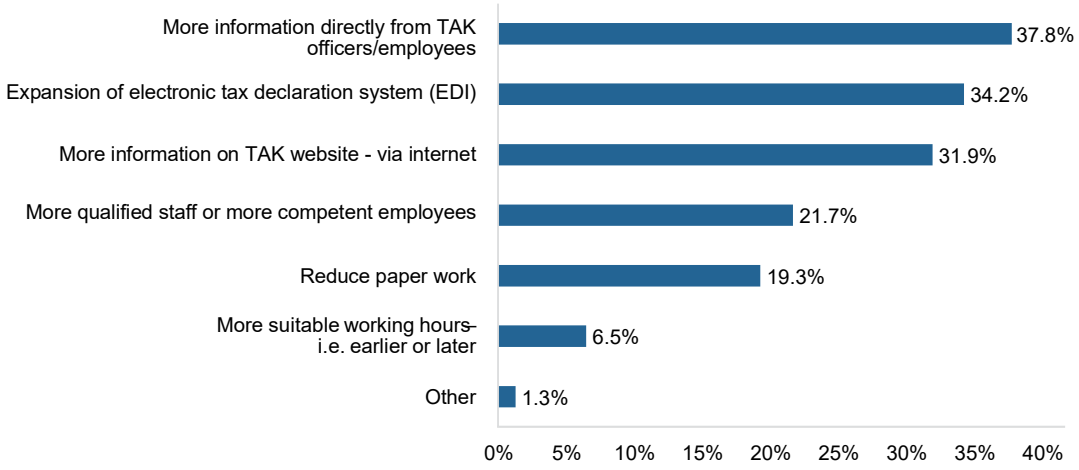


On average, taxpayers who filed a claim rated TAK's efficiency with regard to VAT refunds as somewhat efficient. On a scale from one to five, where one means "not efficient" and five "fully efficient," the average rate was 3.03.

Next, taxpayers were asked to mentioned two most important improvements they would like to see in taxpayers' services. Thirty-eight percent of them would like to receive more tax-related information directly from TAK officers or employees.

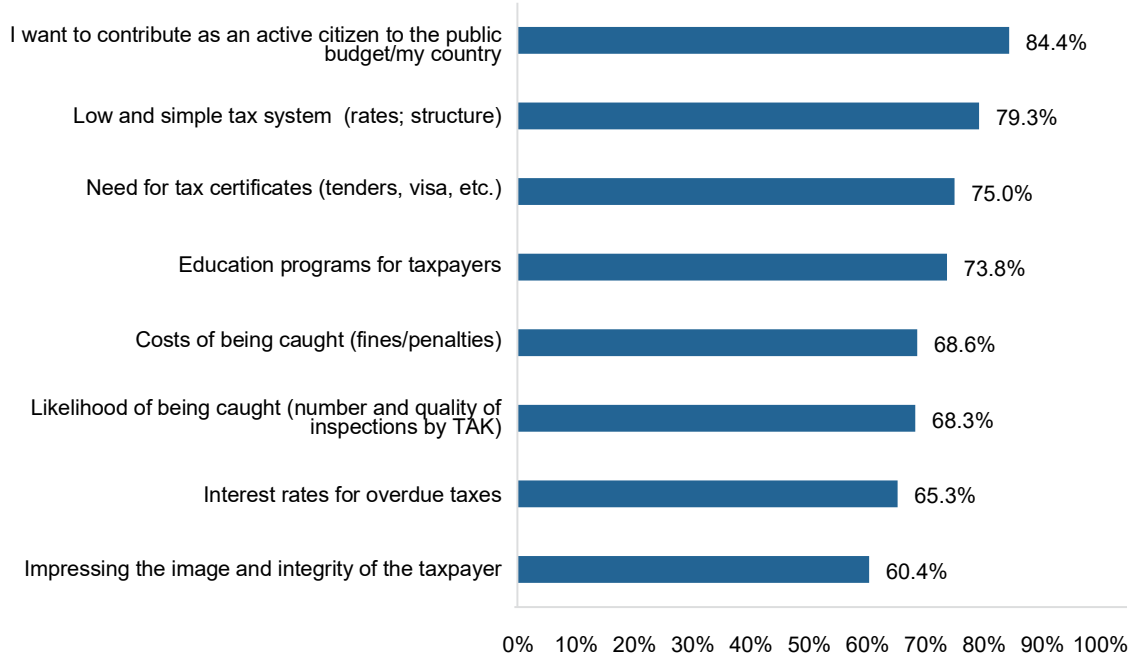
A similar percentage of taxpayers would want to see an expansion of electronic tax declaration system (EDI) (34%), and more information on TAK website – via the internet (32%). In the focus group with women and men in business, shorter, clearer, and to-the-point information from TAK was also brought up as a recommendation. According to those focus groups, there is plenty of information regarding tax changes, procedures, laws, etc.; however, there is the need for clearer and shorter information that would save taxpayers' time and simplify the process of complying with tax-related procedures.

Figure 40: *Recommendations for Future TAK Improvement*



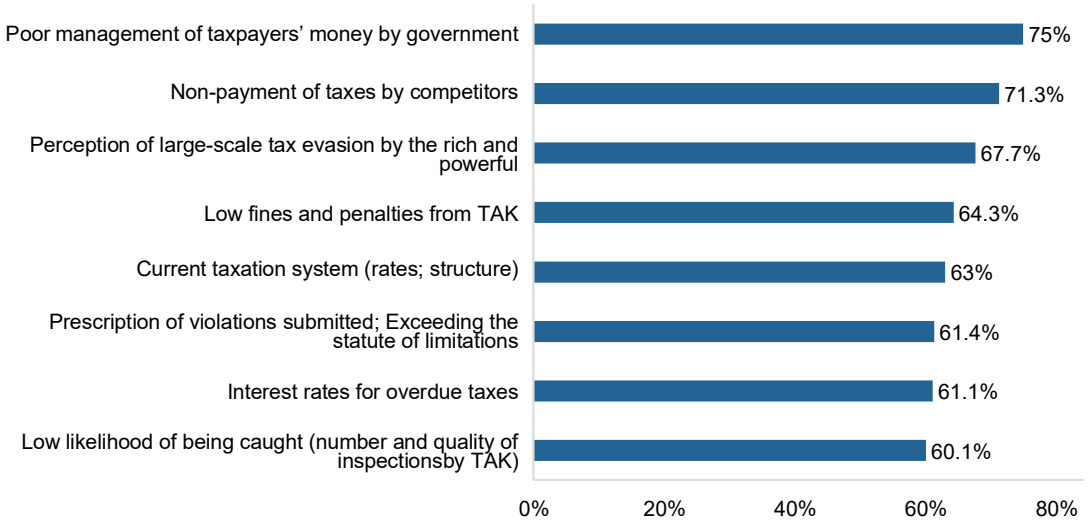
Finally, taxpayers were asked to rate different aspects presented to them on a scale from one to five, where one means “not important at all” and four means “very important.” Each of these aspects presents different motives for taxpayers to declare and pay their dues in full, and the aim is to assess the importance of each of them in tax compliance. Figure 41 sums taxpayers’ ratings “Important” and “Very important”. More than three quarters of the respondents rated the morale of being a responsible citizen to the public budget of Kosovo as important (84%). A similar percentage of respondents rated low taxes (80%), the requirements of collaborators to submit tax certificates (75%), and education programs for taxpayers (74%) as important aspects of complying with tax-related dues. Furthermore, participants in the focus group with stakeholders claimed that a cooperative and educational attitude from TAK inspectors motivates them to declare and pay tax-related obligations.

Figure 41: *Taxpayers’ Opinion on Motives behind Declaring and Paying Taxes*



Furthermore, when asked to rate aspects that prevent taxpayers from declaring and paying tax-related dues, 75 percent of them rated poor management of taxpayers' money by government as an important factor. The same reason came also through focus group discussion with men and women in business as the main motive behind tax evasion. In other words, transparency and better management of taxpayers' money by government would encourage taxpayers to declare and comply with tax dues. Non-payment of taxes by competitors and perception of large-scale tax evasion by the rich and powerful are the two other most important factors that prevent taxpayers from declaring and paying taxes, rated as such by 71 and 68 percent of the interviewees, respectively.

Figure 42: *Taxpayers' Opinion on Motives behind Not Declaring and Not Paying Taxes*



CONCLUSION

The aim of the study was to assess taxpayers' opinion on the current situation of the Tax Administration of Kosovo, focusing mainly in access to information, the difficultness and time-cost of TAK procedures, the professionalism of and treatment by TAK officials, and the quality of services offered by TAK in general. This study was funded by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and conducted by UBO Consulting.

The survey included businesses of different size and sector, individuals, and other stakeholders. A mixed-methodology was used for this survey, comprised mainly of a quantitative survey with 1,250 taxpayers and four focus groups.

The results show that in general taxpayers are satisfied with the availability of the information from TAK on the rights and obligations of taxpayers. Based on the responses, TAK information is clear, complete, and easy to find. A recommendation of participants in focus groups was for shorter and more concise information, which would save taxpayers' time and make it clearer for every-day usage. Because of this reason and the time-consumption of procedures, most of the taxpayers hire accountants or accounting firms to deal with tax-related changes.

According to taxpayers, the most difficult procedures are reimbursement and documentation and bookkeeping, and the most time-consuming ones are reimbursement and filing of complaints. However, compared to 2015, these procedures have improved significantly, and the number of people who have rated them as difficult and time-consuming has decreased. Stakeholders in the focus groups claimed that documentation and bookkeeping are rated as difficult because the possibility of making a mistake is high and businesses often times get fines and penalties for minor mistakes in their books. As such, taxpayers and stakeholders have recommended for an educational approach from TAK inspectors, which would allow for inspectors to be able to distinguish between the intentional and non-intentional mistakes.

The majority of the taxpayers agree that TAK treats all different categories of taxpayers equally. However, the perception that TAK does not inspect taxpayers of different sizes objectively, meaning that it favours larger business in comparison to smaller ones still exists. Even though there is still a high percentage of taxpayer who agree that TAK inspectors are open to bribes and use their authority for personal gains, participants in the focus groups have claimed that there has been significant improvement in these two issues in the last two years. The majority of the taxpayers have agreed that TAK reviews complaints objectively and compared to 2015, the number of taxpayers who believe that TAK does not shows effort to collect taxes and it does not do so for all taxpayers has decreased significantly.

In general, taxpayers claimed that poor management of taxpayers' money by government, non-payment of taxes by competitors, and perception of large-scale tax evasion by the rich and powerful as the main important factors towards tax evasion. On the contrary, the majority of the taxpayers claimed that transparency, and the morale of a responsible citizenship are the main factors that contribute to tax compliance and payment.

APPENDICES

Appendix I: Quantitative Questionnaire

Introduction text: My name is…., I work for UBO Consulting research agency, the reason for visiting your business today is to conduct an interview with the eligible person 18 years and older. GIZ has commissioned a study on the subject of Taxpayers perception in Kosovo. Its outcome will help to define future reform priorities for the Tax Administration of Kosovo. You have been selected randomly to participate in the interview, in a process that is very similar to a lottery game. For the participant, we guarantee that the information provided to this interview will be held strictly confidential. Results will be used for analysis and publication only by merging interview responses with all 1000 interviews, so that no reference can be made to your response. The only reference may be provided to my supervisor, who will verify every third (1/3) interview, so you might be contacted by my supervisor to confirm the interview, but not to the content of the interview. Therefore, I would like you to feel relaxed and to answer the questions as honestly as possible as per your personal belief.

The survey will cover the following aspects of the Tax Administration performance: Information on taxpayer rights and obligations; services provided to taxpayers; equitability of taxpayer treatment; and the burden of compliance for taxpayers. To give due weight to your answers, we would like to ask a few questions about your interaction with Kosovo Tax Administration (TAK) first.

Category of the interview respondent [copy the information from the sample sheet lists]

1. **Business [1. Production, 2. Service, 3. Construction, 4. Trade]**
2. **Private individuals - Taxpayer**

Respondent position....

1. Owner and manager
2. Manager but not owner
3. Employee with significant role in the company
4. Other _____

1. **How do you deal with tax-related tasks (i.e. accounting, filing tax declaration, responding to TAK requests, etc.)?**

   1. Directly (personally or through an employee)
   2. Through external accountant/accounting firm
   3. At times directly, at times through an external accountant/accounting firm
   88. Don't know

2. **If at all, how frequently do you, on average, meet/exchange information with competent TAK officials?**

   1. Never
   2. Once a year
   3. Every quarter
   4. Every month
   5. Other (_____)
   88. Don't know

3. **Have you or your company been subject of a visit due to a non-fulfilment of obligations in the past two years?**

INT.: *A visit may involve information on taxpayer obligations by TAK officials, request for documentation, etc.*

   1. Yes
   2. No
   88. Don't know

4. **Have you or your company been subject to an audit/tax audit in the past two years?**

   1. Yes
   2. No
   88. Don't know

5. **If yes, have you received a report on the audit/tax audit by the competent TAK officer?**

   1. Yes
   2. No
   88. Don't know

6. If yes, how satisfied are you with the quality of the report?

1. No
2. Rather no
3. Rather yes
4. Yes
88. Don't know

7. Have you ever actively looked-for information in TAK publications/resources (i.e. website, leaflets, FAQ)?

1. Yes
2. No

8. Have you ever requested tax related information directly from TAK?

1. Yes
2. No (skip to question 8)

9. Have you ever received tax related information directly from TAK?

1. Yes
2. No

10. Finally, before we start, which of the following tasks is an important part of the mandate of TAK in your view?

[INTERVIEWER -Read possible answers to the respondent]

1. To force taxpayers to pay taxes, fight tax evasion

1.Yes 2. No

2. To inform taxpayers about how to pay taxes

1. Yes 2. No

3. To collect taxes

1. Yes 2. No

4. To collect pension contributions

1. Yes 2. No

5. To set (increase/decrease) tax rates, e.g. for PIT, CIT, VAT

1. Yes 2. No

6. Collect custom duties

1.Yes 2. No

7. To inform tax payers about tax returns

1. Yes 2. No

88. Don't know

A. TRANSPARENCY OF TAXPAYER RIGHTS AND OBLIGATIONS

We would like to begin with your view on how well Kosovo Tax Administration makes information on taxpayers' rights and obligations available. Rights refer to ability to contest TAK findings, file a complaint, etc.; obligations refer to taxes to be paid, documentation required by TAK, procedures to be followed etc. Please indicate your level of satisfaction by giving a number from 1-4, with 1 meaning "No", 2 meaning "rather no", 3 meaning "rather yes" and 4 "yes".

11. In general, does TAK make information on Taxpayers' obligations and rights available in a satisfying way (easily accessible, clear, reliable, etc.)?

INT: *Rights refer to ability to contest TAK findings, file a complaint, etc.; obligations refer to taxes to be paid, documentation required by TAK, procedures to be followed etc.*

1. No
2. Rather no
3. Rather yes
4. Yes
88. Don't know

12. More specifically, in your opinion, do you find information provided by TAK to be easily accessible (easy to find and obtain)?

1. No
2. Rather no
3. Rather yes
4. Yes
88. Don't know

13. … in your opinion, is information provided in a clear form (understandable, well structured)?

1. No
2. Rather no
3. Rather yes
4. Yes
88. Don't know

14. …in your opinion, does information provided by TAK cover all important rights and obligations (completeness)?

1. No
2. Rather no
3. Rather yes
4. Yes
88. Don't know

15. … in your opinion, do you find information provided by TAK to be reliable

INT: *This refers to whether information is factually true, up-to-date, and consistent if received from different sources*

1. No
2. Rather no
3. Rather yes
4. Yes
88. Don't know

16. What are your primary sources of information regarding your rights and obligations as a taxpayer (up to three answers)?

1. TAK Public presentations/public meetings
2. TAK offices/officers
3. TAK website
4. TAK Facebook
5. TAK publications, manuals, brochures
6. TAK Call Centre
7. Newspapers
8. TV
9. Accountant/Lawyer
10. Friends, colleagues, family

11. Lawyer/Taxpayers' Ombudsman

12. Other (_____)

88. Don't know

17. (Only for those who have received information from TAK) If you ever requested more tax related information from TAK, have they responded satisfactorily (on time, clearly, precisely, etc.)

1. No

2. Rather no

3. Rather yes

4. Yes

88. Don't know

18. In cases when there are changes in tax legislation, how are taxpayers informed?

1. Announcements via the website (notice and examples applied)

2. Announcements through public workshops / seminars with taxpayers

3. Direct notification to any taxpayer

4. Media coverage (Press, TV / Radio, Internet)

5. Notification through inspectors

6. Well-organized information campaign (multiple channels)

7. Other _____

19. Please state in which area – if any–better information is most urgently needed (i.e. on tax laws, tax procedures, etc.)

_____

B. BURDEN OF COMPLIANCE: COMPLEXITY, TIME-COSTS OF PROCEDURES

In the following section, we would like to better understand the burden of meeting obligations with regard to registration, documentation, declaration of taxes, etc.

REQUEST FOR VISIT – AUTOMATIC OPTION DURING REGISTRATION FOR VAT

20. In general, how would you rate the burden of the following tax-related procedures – documentation, declaration, payment etc. –in terms of time spent and attention paid?

1. Very burdensome
2. Somewhat burdensome
3. Easy
4. Very easy
88. Don't know

21. Do you think that the following TAK procedures are difficult to follow (complex, unclear)?

INT: *This relates to the taxpayer knowledge on what is expected from him/her so thatmistakes can be easily avoided*

PROCEDURES		Easy	Rather easy	Rather difficult	Very Difficult	Don't know
1	Registration	1	2	3	4	88
2	Documentation/book keeping	1	2	3	4	88
3	Declaration/reporting	1	2	3	4	88
4	Payment	1	2	3	4	88
5	Obtaining tax certificates	1	2	3	4	88
6	Reimbursement	1	2	3	4	88
7	Filing complaints	1	2	3	4	88
8	Audit visits/tax audit	1	2	3	4	88

22. …in your opinion, do you think that the following TAK procedures are time-consuming to follow?

INT: *This relates to whether the taxpayer finds it difficult to meet requirements*

	PROCEDURES	Easy	Rather easy	Rather difficult	Very Difficult	Don't know
1	Registration	1	2	3	4	88
2	Documentation/book keeping	1	2	3	4	88
3	Declaration/reporting	1	2	3	4	88
4	Payment	1	2	3	4	88
5	Obtaining tax certificates	1	2	3	4	88
6	Reimbursement	1	2	3	4	88
7	Filing complaints	1	2	3	4	88
8	Audit visits/tax audit	1	2	3	4	88

23. On average, how many hours of work per month do you or your employees spend on tax-related procedures (i.e. documentation, declaration, payment etc.)?

_____

24. Have you filed a formal complaint in any matter relating to TAK in the past two years?

1. 1. Yes
2. 2. No
88. Don't know

25. If yes, have you received an official (written) response from TAK?

1. Yes
2. No
88. Don't know

26. Please rate, whether the following changes in TAK procedures made it easier/more burdensome for you to comply with your tax obligations?

	Categories	Very burden-some	More burden-some	Easier	Very easy	Don't know, don't apply
1	Fiscalization (purchase and service of EFR)	1	2	3	4	88
2	E-filing	1	2	3	4	88
3	Call center	1	2	3	4	88
4	One-stop business registra-tion	1	2	3	4	88
5	Establishment of office for fines and administrative pen-alties	1	2	3	4	88
6	Audit/Electronic tax audit	1	2	3	4	88

27. How would you evaluate the impact of the fiscal package implementation on the work of TAK?

1. I am not aware of fiscal package
2. I have very few information about the fiscal package and its impact on the work of TAK
3. Positive impact, TAK efficiency has increased
4. Very positive impact in the work of TAK
5. Other
88. Don't know

28. Please state – in any area – where improvement is most urgently needed (options: registration, documentation, fiscal cash registers, etc.)

C. PROFESSIONALISM AND FAIR TREATMENT OF TAXPAYERS

In the following section, we would like to better understand to which extent the treatment by Tax Administration is perceived as fair and professional

29. According to your opinion, which statement below reflects most closely your beliefs regarding how TAK approaches taxpayers?

	TAK approach overall	I do not agree	I rather disagree	I rather agree	I fully agree	Don't know
1	TAK treats all the different categories of taxpayers equally (size, sector, etc.)	1	2	3	4	88
2	TAK treats all taxpayers within a similar sector and of a similar size equally	1	2	3	4	88
3	TAK inspects taxpayers based on objective criteria (impartial)	1	2	3	4	88
4	TAK punishes all tax offenders in accordance with the law	1	2	3	4	88

30. With regard to the conduct of visits and audits/tax audits, please consider the following statements and rate them on a 1-4 scale according to your experience. 1=I do not agree, 4= I fully agree.

	VISITS/AUDITS/TAX AUDITS	I do not agree	I rather disagree	I rather agree	I fully agree	Don't know
1	TAK inspectors appear professional (state their name, show badge, are friendly)	1	2	3	4	88
2	TAK inspectors explain reason of visit/audit,explain rights and obligations in process	1	2	3	4	88
3	TAK inspectors appear qualified and competent to detect false tax declarations	1	2	3	4	88
4	TAK inspectors show effort to detect false declaration	1	2	3	4	88

5	TAK inspectors also make adjustments in case of over-payment	1	2	3	4	88
6	TAK inspectors explain their findings verbally (i.e. legal basis)	1	2	3	4	88
7	Tax inspector document their findings to taxpayers in written (i.e. legal basis)	1	2	3	4	88
8	TAK inspectors take questions and objections seriously and respond to them	1	2	3	4	88
9	TAK inspectors abuse their authority for personal gain	1	2	3	4	88
10	TAK inspectors are open to/ extort bribes	1	2	3	4	88
11	TAK inspectors identify irregularities	1	2	3	4	88
12	TAK inspectors respond positively to cooperative behavior by taxpayers	1	2	3	4	88

31. According to your general or specific experience, how would you assess the extent of corruption spread to TAK inspectors?

1. I don't know
2. Is not at all present
3. Is present
4. Is very present

No response

32. Please consider the following statements regarding the complaint filing mechanism and rate them on a 1-4 scale. 1=I do not agree, 4= I fully agree.

	COMPLAINTS	I do not agree	I rather disagree	I rather agree	I fully agree	Don't know
1	TAK reviews complaints objectively	1	2	3	4	88
2	TAK reviews complaints in a timely fashion	1	2	3	4	88
3	Decisions are well and clearly documented	1	2	3	4	88

33. Please consider the following statements on tax collection and rate them on a 1-4 scale. 1=I do not agree, 4= I fully agree.

	TAX COLLECTION	I do not agree	I rather disagree	I rather agree	I fully agree	Don't know
1	TAK shows effort to collect tax debt	1	2	3	4	88
2	TAK collects tax debts from all taxpayers	1	2	3	4	88
3	TAK tries to accommodate difficulties in payment ability, looks for solutions	1	2	3	4	88

34. Regardless of whether you have worked with the Office for Penalties and Administrative Penalties (ZGJNA), can you tell us if you know about it and the way it works?

1. I never heard of them
2. I have heard of them, but I don't know its function or how it works
3. I have little knowledge about it
4. I have average knowledge about them
5. I am very informed about them

88. No response

35. Do you think that for the purpose of speeding up any tax procedure, one should intervene unfairly, for example, intervene through family or friend ties, non-formal payment, other corrupt forms)?

1. No
2. Sometimes
3. Yes
4. Don't know
5. No answer

36. Please state – if any area of the above section– where improvement is most urgently needed:

_____

D. SERVICE ORIENTATION: SERVICES OFFERED

37. Do you think that TAK reaches out to taxpayers to inform about changes in tax legislation and procedures (i.e. seminars, public hearings, public announcements)?

1. No
2. Rather no
3. Rather yes
4. Yes

88. Don't know

38. (This question is administered only to those who have visited TAK offices, if not, skip to question 38) If you visited TAK offices in the past, please rate the following aspects according to your experience. 1=Very bad, 4= very good.

	ASPECTS	Bad	Rather bad	Rather good	Good	Don't know
1	Location	1	2	3	4	88
2	Opening/Working hours	1	2	3	4	88
3	Cleanliness	1	2	3	4	88
4	Availability of forms	1	2	3	4	88
5	Confidential environment	1	2	3	4	88
6	Waiting hours	1	2	3	4	88
7	Respectful treatment by TAK officials	1	2	3	4	88
8	8. Professional qualification of TAK officials	1	2	3	4	88
9	Availability of computers	1	2	3	4	88

39. What are the most common purposes of your visit to TAK premises? (choose more than one option)

1. Obtaining a tax certificate (for tenders, visa, etc.)
2. Filling and delivering tax forms
3. Getting information on tax status
4. Getting information on warnings/penalties received
5. Getting information on tax laws
6. Consulting a tax officer regarding (taxes, penalties, warnings, etc.)

7. Other (_____)

88. Don't know

40. In the past, have you had a concrete case of filing a claim for VAT reimbursement?

1. Yes

2. No (skip to question 38)

3. Don't know/Cannot remember (skip to question 38)

41. [For taxpayers who have filed a claim] How difficult was the procedure of filing the claim?

1. Very hard

2. Somewhat hard

3. Easy

4. Very easy

88. Don't know

42. [For taxpayers who have filed a claim] How long have you waited before receiving the final response from TAK regarding the request for reimbursement? [Time is in weeks]

1. _____ weeks

2. Did not take response/final decision

43. [For taxpayers who have filed a claim] Have you been reimbursed the VAT assets?

1. Yes

2. No, the request was refused with reasoning

3. No, the request was refused without reasoning

4. Don't know/Don't remember

44. [For taxpayers who have filed a claim] How would you assess TAK's efficiency with regard to VAT refunds? Rate from 1 to 5, where 1 = Not Efficient, and 5 = Fully Efficient

Not Efficient **Fully efficient**

1 2 3 4 5

45. With regard to future improvements of taxpayer services, please name the two most important changes that you would like to see.

INT: *Don't show list, select number most closely to answers below*

First choice [ ]

Second choice [ ]

1. Expansion of electronic tax declaration system (EDI)
2. More information directly from TAK officers/employees
3. More information on TAK website - via internet
4. More qualified staff or more competent employees
5. More suitable working hours – i.e. earlier or later
6. Reduce paper work
7. Other: _____

46. In your opinion, what do you think motivates taxpayers like you to declare and pay their dues in full? Evaluate each of these aspects, on a scale from 1 to 4 according to their importance.

	ASPECTS	Not Important at all	Less important	More important	Very important	Don't know
1.	I want to contribute as an active citizen to the public budget/my country	1	2	3	4	88
2.	Low and simple tax system (rates; structure)	1	2	3	4	88
3.	Education programs for taxpayers	1	2	3	4	88
4.	Need for tax certificates (tenders, visa, etc.)	1	2	3	4	88
5.	Costs of being caught (fines/ penalties)	1	2	3	4	88
6.	Likelihood of being caught (number and quality of inspections by TAK)	1	2	3	4	88
7.	Interest rates for overdue taxes	1	2	3	4	88
8	Impressing the image and integrity of the taxpayer	1	2	3	4	88

47. In your opinion, what prevents taxpayers similar to you, from declaring and paying their dues? Evaluate each of the options, on a scale from 1 to 4 according to their importance

ASPECTS		Not Important at all	Less important	More important	Very important	Don't know
1.	Non-payment of taxes by competitors	1	2	3	4	88
2.	Poor management of taxpayers' money by government	1	2	3	4	88
3	Perception of large-scale tax evasion by the rich and powerful	1	2	3	4	88
4.	Low fines and penalties from TAK	1	2	3	4	88
5.	Current taxation system (rates; structure)	1	2	3	4	88
6.	Low likelihood of being caught (number and quality of inspection by TAK)	1	2	3	4	88
7.	Interest rates for overdue taxes	1	2	3	4	88
8	Prescription of violations submitted; Obsolescence of subjects	1	2	3	4	88

E. RESPONDENT INFORMATION

D1. (GENDER)

1. Male
2. Female

D2. (AGE) (years) |__|__|

D3. (EDUCATION) How many years of school did you finish?

Some primary school education [completed years to be recorded by numbers 0 to 12] |__|__|

Student [code 13] |__|__|

High school [code 14] |__|__|

Faculty (graduated) [code 15] |__|__|

Master (post-graduate) [code 16] |__|__|

Doctorate [code 17] |__|__|

NA 99

D4. (ETHNICITY) Which is your ethnicity/what group do you belong to?

1. Albanian
2. Serb
3. Bosnian
4. Goran
5. Turk
6. Roma
7. Ashkali
8. Egyptian
9. Other. Which?_____

99. DK/NA

D5. REGION

1. Prishtina
2. Prizren
3. Peja
4. Gjakova

5. Gjilan
6. Ferizaj
7. Mitrovica

D6. MUNICIPALITY_____

D7. BUSINESS LOCATION, AREA: 1. URBAN 2. RURAL

NAME OF POLLSTER _____

DATE OF INTERVIEW_____

Appendix II: Qualitative Questionnaire

Name of the organization: _____

Name of the contact person / Position: _____/_____

Tel. Number: _____

Email: _____

Date of the interview: _ _ /_ _ / _ _

A1. Is your organization related with TAK? If yes, in what way?

_____

_____

_____

A2. Do you consider TAK effective in providing information to taxpayers in Kosovo? Can you please elaborate your point of view!

_____

_____

_____

A2a. Do you think that the information provided by TAK is sufficient in terms of informing and educating taxpayer categories in Kosovo? Which means of information do you mostly use to receive information from TAK?

_____

_____

A2b. Are there other sources of information regarding taxes, procedures, payments, returns, and other fiscal obligations that are required in Kosovo? Elaborate more for alternative sources!

A2c. Do you think that the resources such as TAK website, email correspondence, as well as personal communication with TAK officers can provide help with respect to questions or concerns that taxpayers may have?

A3. Can you please tell us how do you consider TAK in terms of its effectiveness in collecting taxes from taxpayer categories in Kosovo? Are they accomplishing their mandate? Can you please elaborate your point of view!

A4. Can you please tell us whether you believe that taxpayer categories in Kosovo are knowledgeable/educated in terms of their role vis-à-vis obligations with respect to taxes? Can you please elaborate your point of view!

A5. Can you please tell us your opinion about the tax procedures such as registration, payments, filing complains, and reimbursement, in terms of complexity (difficult to follow, unclear)? Can you please elaborate your point of view!

A5a. Can you also tell us about the time cost for tax compliance, travel, and waiting in-line? (i.e. how long does it take to travel for average taxpayers, how much does that cost, how much time do they have to wait in line, how often is this required?)

_____

_____

_____

A5b. Do you believe that electronic declaration provides an improvement in terms of efficiency (less time spent in submission, payment, and returns)? Can you please elaborate more on your point of view!

_____

_____

_____

A6. Do you think that a forced/coercive approach to non-compliant taxpayers is an effective measure to increase awareness of taxpayers? Can you please elaborate your point of view!

_____

_____

_____

A7. Can you please tell us how do you consider TAK staff in terms of professional competence, as well as behaviour in terms of professionally expected standards? Can you please elaborate your point of view!

_____

_____

_____

A8. Is there something else you would like to tell us about TAK, related to its role and mission, and that was not discussed above?

_____

_____

_____

Appendix III: Focus Group Guide for Women and Men in Business

OPENING

Welcome to everyone. First, we want to thank you for your willingness to participate in this discussion. It is very important for us to have you here and hear your opinion on our topic. Today, we will discuss about TAK's approach to taxpayers and your opinion on the experience with TAK's procedures, services and officials. Within this topic we will elaborate many aspects that we think are related to this matter, starting from your perception on transparency of TAK and moving on to complexity of procedures as well as the motives of complying with tax obligations.

Together, we will be talking for 1 hour and a half. Before starting with the discussion, we will present to you the Focus Group Ground Rules, which are not necessarily ones since for us it is more important that you remember that we want you to do the talk.

Focus Group Ground Rules

- We want to hear from every one of you. Do not wait from us to call on you.
- There is no need to raise your hand. Please, feel free to express your opinion on every question. There is no right or wrong answer.
- Respect everyone's opinion, and do not interrupt each other while talking.
- Please speak one speaker at a time and please raise your voice when speaking so everyone in the room can here you.
- If we notice that someone has not talked yet, we may call on him/her and ask for his/her opinion.
- In order to fully understand your opinions and be able to write the report after the meeting, we will have to record this discussion. However, we assure you that your opinions will remain completely anonymous and will be used for this study purpose ONLY.
- Please, turn off your cell phones and do not leave the room until the end of the talk.
- If everyone is ready, then I would like to start with a round of short presentations from each of you, indicating your name/profession/job and continue with the questions.

THE DISCUSSSION

Transparency of Taxpayer Rights and Obligations

1. **Are you aware of your rights and obligations as a taxpayer?**

Probe question:

- IF YES: Could you please briefly mention some of them?

2. **How did you get informed on your rights and obligations as a taxpayer?**

Probe questions:

- Do you personally deal with your obligations towards TAK, or do you engage someone else to do that?
- Why do you do so?

3. **Do you think that the information on your rights and obligations as a taxpayer is clearly and easily accessible from TAK?**

Probe questions:

- IF YES/NO: Why?
- In cases when there are changes in tax legislation, how are you informed?
- Do you agree with the study results? IF YES/NO: Why?

4. **Which sources of information regarding TAK inquiries do you use most often and why do you prefer those?**

Probe questions:

Those who have received information from TAK:

- If you ever requested more tax related information from TAK, have they responded satisfactorily in terms of time, clearness, precision, etc.?
- Do you agree with the study results? IF YES/NO: Why?

Probe question:

- Why is the call center so unattractive despite efforts from TAK to make it one of the key sources of information?

5. **In your opinion, what are the most ambiguous/unclear areas of information that you have tried to access but did not manage to?**

- Do you agree with the study results? IF YES/NO: Why?

Burden of Compliance: Complexity and Time-Cost of Procedures

6. **Which procedure as a business entity is most burdensome for you in terms of complexity and time-cost?**

Probe question:

- What would soften your burdens related to that procedure? (i.e. more information, less documents, etc.)

7. **Do you agree with the study results? IF YES/NO: Why?**

8. **Are you aware of the changes in TAK procedures to ease the burdens for taxpayers such as fiscalization, e-filing, call centres and one-stop business registrations?**

9. **Do you think these changes are "business-friendly": have they made your tax related tasks easier or more burdensome?**

10. **What do you think of these study results?**

11. **What do you think of one-stop business registration (i.e. Is it user friendly; Has it been popular among businesses such as yours?)**

12. **Have you filed a formal complaint in any matter related to TAK in the past two years?**

Probe questions:

- IF YES: How was it handled by TAK?
- Have you received an official (written) response from TAK?
- IF YES: In which format?

13. **Electronic Fiscal Registers, Registration, and Documentation in general were identified as the areas that need urgent improvement. What type of improvements would bring about easier compliance with tax obligations in business similar to yours?**

Professionalism and Fair Treatment of Taxpayers

14. How would you rate the experience by your business/your business' sector to TAK?

Probe question:

- Is their approach fair and professional? Provide your point of view please.

15. Do you agree with the study results? IF YES/NO: Why?

16. During their visits and audits, does it happen that TAK's inspectors abuse their authority for personal gains, or take bribes?

Probe questions:

- IF YES: Why do you think that is the case? Can you please share a similar experience with us? No need to provide personal information of the TAK's inspectors.
- Why do you think there is a reluctance to answer such question as we have found in the study? [Around 22 percent of the respondents did not provide an answer on this issue]
- According to your general or specific experience, how would you assess the extent of corruption spread to TAK inspectors?

17. Have you ever filed complaints at TAK officials?

Probe question:

- IF YES: What would you identify as the most problematic part (if at all) of the procedure?

18. Do you think there are differences in treatment when it comes to collecting debt from taxpayers? (Differences can be with respect to sectors, size, etc.)

Probe question:

- IF YES: Why do you think that is the case?
- What do you think motivates taxpayers to declare and pay their dues in full?
- What prevents taxpayers similar from declaring and paying their dues?

19. Are you aware of the changes in TAK, such as the Introduction of a separate Fines and Penalties Unit (ZGJoNA)?

Probe question:

- IF YES: How does this step from TAK relate to your overall experience with this institution?
- Would you say that for the purpose of speeding up any tax procedure, one should intervene unfairly, for example, intervene through family or friend ties, non-formal payment, other

corrupt forms)?

- IF YES: Why is that the case?

20. Are you aware of the Taxpayers' Advocate, who works within TAK and protects your rights, in case they cannot be achieved through other means/regulations defined by TAK?

Probe question:

- IF YES: Did you ever use it?
- IF YES: Was it helpful?
- IF NO/NOT HELPFUL: Why?

21. How do you think the risk-based case selection for audits is working in terms of fairness of TAK procedures? Have you noticed any changes?

22. Do you agree with the study results? IF YES/NO: Why?

Service Orientation: Services Offered

23. What are the most important changes or improvements on taxpayer services that your business would benefit most from?

24. In the past, have any of you had a concrete case of filing a claim for VAT reimbursement?

- IF YES: Can you please share your experience with us, regarding the procedures, time-costs, and TAK's efficiency with regard to VAT refunds?

25. What are the biggest barriers to tax compliance in Kosovo?

26. Do you think your taxes are being well spent? Is that an important element for you to pay taxes?

27. What would be your suggestions to improve tax compliance?

Appendix IV: Focus Group Guide for Office of Fines and Penalties (ZGJoNA)

THE DISCUSSSION

ONLY FOR PEOPLE WHO HAVE HAD DICRECT CONTACT WITH ZGJoNA.

- Screening Question: Did you have any case of penalties and fines by TAK before the establishment of ZGJoNA?

NOTE: There will be at least four participants in the discussion who have had any cases of penalties or fines before ZGJoNA was established.

Level of Information

1. **Did you hear about ZGJoNA before your case was treated by this function?**

Probe questions:

- IF NOT: Do you think that taxpayers are sufficiently informed about the establishment of this function?
- IF NOT: What measures should be taken in order to provide better information for this function?
- In your opinion, which would be the most appropriate information channels for this issue?

Procedures for Prosecution of Violations of Tax Laws

2. **How were you informed that your case will be treated by ZGJoNA?**

Probe question:

- Have you been informed by the tax inspector that your report will be sent to ZGJoNA, in order to inspect the violations?

3. **What information did you receive by the tax inspector?**

Probe question:

- Was the inspector clear and accurate in providing information for this issue?

4. **How satisfied are you with the level of information provided by the tax inspector for ZGJoNA (before starting the process of punishment and penalization at ZGJoNA)?**

5. **Have you previously been informed from ZGJoNA for your case?**

Probe questions:

- IF YES: How were you informed about your case from ZGJoNA?
- IF YES: Was the information provided on time?

6. **Did ZGJoNA provide any explanation on its decision about your case?**

Probe questions:

- IF YES: How did ZGJoNA provide that explanation/ in which form?
- IF YES: Was the explanation provided on time?
- IF YES: Have you been satisfied with the explanation provided by ZGJoNA?

7. **Did you complain about the decision made by ZGJoNA?**

8. **Do you think there is any possibility to change the decision made by ZGJoNA?**

Probe questions:

- Is ZGJoNA available to treat your arguments or their decisions are considered as final and there is no room for any negotiations?
- Was there any case when your sanctions have been cut off/increased?

The Level of Satisfaction with the Work done by ZGJoNA

9. **In general, how would you assess the work done by ZGJoNA?**

10. **Do you think your case was treated fairly by ZGJoNA?**

Probe question:

- IF NOT: Why do you think that is the case? What are your complaints?

11. **How would you assess the treatment by the tax inspector?**

12. **[This question refers only to those who have had any cases of penalties or fines in TAK, before ZGJoNA was established]. How would you assess your experience before and after ZGJoNA was established?**

13. In your opinion, is it better for your case to be treated by a special unit or by the tax inspector? [Please provide your explanation on both of them?

14. Do you think TAK has become more professional than it has previously been (before the establishment of ZGJoNA), in terms of penalties and fines?

Probe question:

- IF YES: Why?
- IF NOT: Do you have any recommendations on how the penalties and fines could be better administered by TAK?

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH,
German International Cooperation
Project “Reform of the Public Finance System” in Kosovo
Str. Anton Çetta 1
10000 Prishtinë, Kosovo