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Rochester Institute for Technology
Professional Public Administration Master Program

Compliance & Communication with Kosovar Taxpayers

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May 22 , 2012

"Submitted as a Capstone Proposal in partial fulfillment of a Master of Science Degree in Professional Studies at the RIT Center for Multidisciplinary Studies"

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List of Abbreviations

TAK – Tax Administration of Kosovo

MoF –Ministry of Finance

MTI – Ministry of Trade and Industry

IMF – International Monetary Fund

EU – European Union

OECD – Organization for Economic Co-operation and Development

UNMIK – United Nation Interim Administration Mission in Kosovo

USAID – United States Agency for International Development

KC – Kosovo Customs

KBRA -Kosovo Business Registration Agency

DB – Data Base

SIGTAS – Standard Integrated Government Tax Administration System

FN – Fiscal Number

RTSH – Risk Treatment Sheet

DC – Debt Collection

GDP – Gross Domestic Product

LTU – Large Taxpayers Unit

NGO – Non Governmental Organization

CIT – Corporate Income Tax

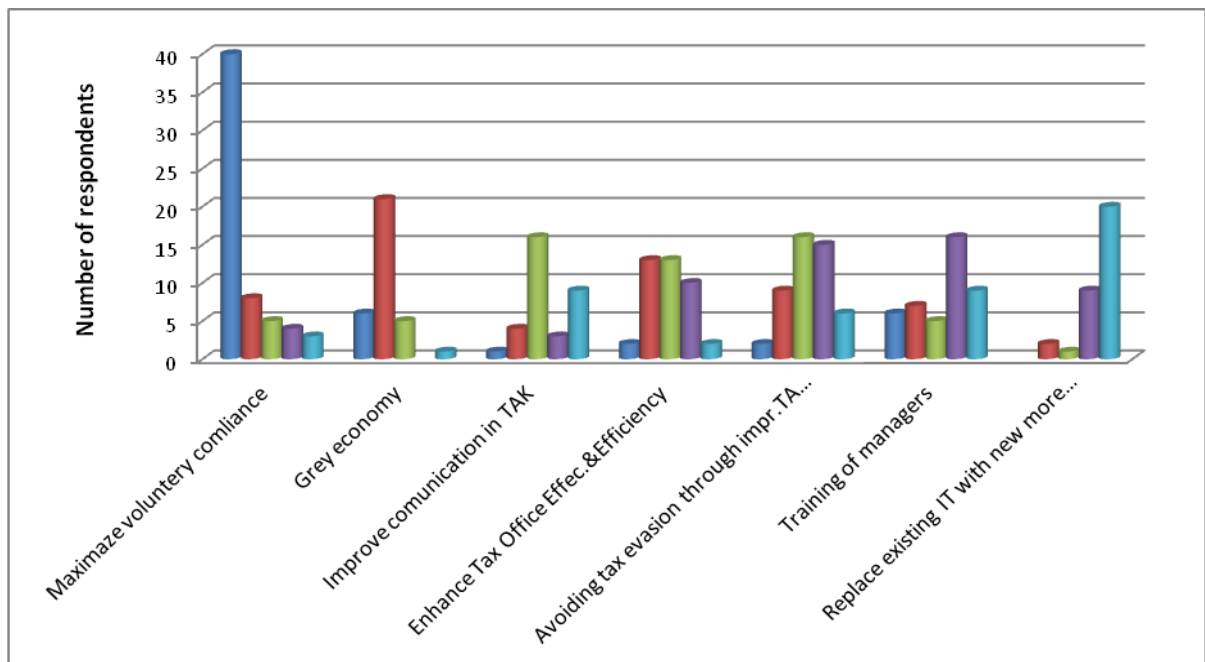
PIT – Personal Income Tax

VAT- Value Added Tax

EXECUTIVE SUMMARY

The purpose of this Capstone Project was to determine the taxpayers satisfaction level with tax authority staff in Kosovo. Its impact on tax compliance with regards to the existing tax policy; quality of tax inspectors’ services; information & services provided; tax procedures and administration mechanism and the overall tax administration. All these efforts are centered toward minimizing the time and cost of the taxpayers and also making the tax administration of Kosovo more effective, efficient and transparent. The main goal of this project was to assess possible changes to tax inspectors’ behavior towards taxpayers and provide suggestions how to ensure a positive impact on tax compliance. The research had two different questionnaires. One was for taxpayers and one for the tax authority staff. 100 questionnaires were distributed to taxpayers and 100 questionnaires to tax authority staff. 52 completed questionnaires by taxpayers and 65 completed by tax authority staff were received back. The interviews were made with taxpayers of different backgrounds such as tax advisors, lawyers, teachers, individuals, general partnerships NGOs and LTD. Respondents represented the tax authority staff in Prizren as 38% of all interweaved ; Prishtina 27%; Gjakova 23% ; Peja 8% and Ferizaj 4%.

Figure 1 . Most important tax office function



During the research it was discovered that 62 % of taxpayers declared that the most important tax office function was to maximize voluntary declarations. The next four most important functions were stated as being (2) avoiding the grey economy;(3) improving communication in TAK;(4) avoiding tax evasion through improving TAK performance and (5) replacing existing IT with new more modern system.

Major findings of this project were: (a) The majority of taxpayers stated that the treatment of non-compliance is inadequate; (b) Tax revenues have not been utilized properly by Government; (c)Tax rates are extremely high and the tax system too complicated ;and (d)Taxpayers interviewees regarded tax inspectors behavior was very important.

The top most recommendation from this project is to ensure the best implementation possible of the Strategic Plan 2010-2015 and Compliance Strategy 2012-2015. These give particular treatment for no filer's and stop filer's and also ensures voluntary compliance with tax laws and procedures.

The tax system must be simplified, as transparent as possible and should minimize uncertainty among taxpayers; to make the tax payment and procedures process very clear, short and practical that encourages more people to pay taxes regularly. (About transparency 41 % of taxpayers don't believe that government is using collected revenues on a proper level).

To establish the on – line account for taxpayers that can complete and declare taxes as well as have access to his history, connection with commercial banks about payment – to register automatic payments in the TAK system.

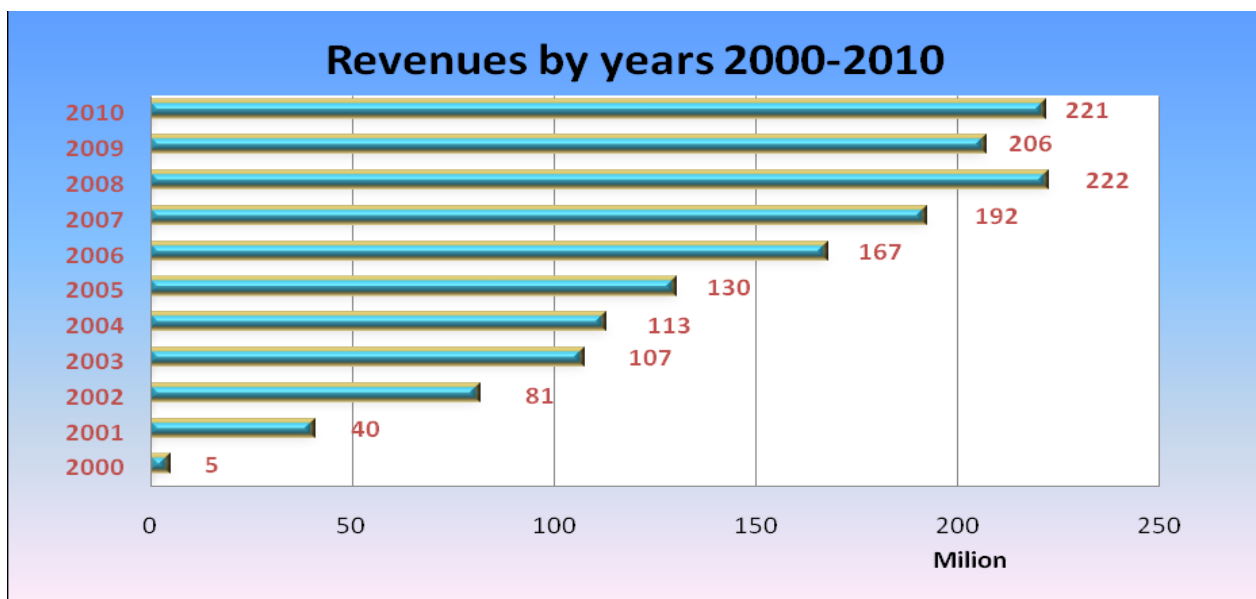
A lot of training must be provided for tax authority staff about applicable laws and training how to deal with taxpayers. Findings from research show that 66 % of tax staff declared that the most important training should be about applicable laws followed up with training for Value Added Tax ; Personal Income Tax ;Corporate Income Tax and for Courtesy & Costumer satisfaction.

Chapter 1: General overview of functioning of Tax Administration of Kosovo

The Tax Administration of Kosovo (TAK) was established on 17 January 2000 under the guidance and administration of UNMIK. TAK is an administrative organization within the Ministry of Finance. As such it was established on February 18, 2003 when the authority for TAK was transferred from UNMIK reserved powers to MoF. Since then TAK has operated as an executive agency with full operational autonomy, managed entirely by locals with the assistance of various international donor organizations, including USAID, EU and IMF. TAK has approximately 650 employees. The central office is responsible for execution of tax policy, determination of standards and organization of the implementation of regulations on taxes and overall revenue collection. During its brief history TAK has developed a functional organizational structure which is largely in line with best international practices.

There is a trend of increase in revenues collected by TAK. The following chart shows TAK revenues performance by year for the ten year period from 2000-2010. As we see in the chart above revenues in 2000 were low (5 Million) because there have been two types of taxes: tax in Restaurants, Food and Beverage and Presumptive Tax.

Figure1-1 Revenues by year 2000-2010



1.1 Organizational Chart of Tax Administration of Kosovo

The Tax administration is divided into five departments:

- ✚ Operation
- ✚ Compliance
- ✚ Information Technology
- ✚ Common Services and
- ✚ Gambling

There are nine regional offices of TAK which are responsible for organizing immediate implementation of the determination, monitoring and collection of taxes.

The Tax Administration of Kosovo:

- a) has a decentralized document processing center through which all returns are processed ;
- b) has a web page – www.atk-ks.org;
- c) has the possibility for on-line filling;
- d) downloadable forms from the webpage for completion and reporting transactions above 500 euro;
- e) can see an updated list of inactive businesses ;
- f) has access to on-going clarification for taxpayers ,including public rulings ,individual rulings different replies in hard copy or email , media etc. ;
- g) has access to taxpayers services through a Call Center;
- h) has access to a direct public line to report cases of tax evasion and other adverse phenomena;
- i) has a large taxpayer unit established to deal with the largest taxpayers in Kosovo, which is an international best practices.(2010-2015)

The Kosovo tax system evolved from the UNMIK system of regulations to the tax legal system promulgated by Republic of Kosovo Assembly, which is in line with international standards and EU principles.

The new tax laws are generally considered to be understandable and easy to administer and implement. The Compliance Strategy will be implemented in the context of economic growth, which will in itself have a positive impact on revenue collection.

Our Government requires revenues in order to meet its responsibilities to the citizens and residents of Kosovo roads, security, education, hospitals and social welfare Programs, etc. that require funding. The Tax Administration's mission is to collect the revenue that provides funding in a fair and transparent manner. It depends on taxpayers to voluntarily determine their correct tax liability and make timely payment of that liability. We are also responsible for issuing gaming licenses, monitoring compliance of the gaming industry and enforcement of the Law on gambling

1.2 The Vision of Tax Administration

Tax Administration's vision is to:

- establish and maintain a positive image for the benefit of Kosovo,
- be respected by our clients and recognized by international organizations and institutions,
- be composed of a professional and energetic staff that will guarantee a high degree of transparency and modernization of our services in relation with our clients, through which we will become the main source of revenue for Kosovo.

1.3 The Value of Tax administration

The success of TAK depends on us all sharing the same values. The Tax Administration will be driven by these values in all our dealings:

- Integrity and honesty will be a foundation stone of our institution which ensures that we provide equal treatment for taxpayers and fair application of laws,
- Professionalism will be the key of success in achieving our mission, aiming continuous improvement towards the highest standards of success,
- Transparency will be a key element to create sound relations with taxpayers and trust in tax administration,

- Respect to taxpayers is demonstrated through our contacts, in which we will recognize their rights and our obligations,
- Flexibility will be a base for new developments in our organization

1.4 The mission of Tax administration

The Tax administration mission is to:

- maximize voluntary compliance, giving full regard to tax legislation and regulations;
- provide professional, transparent and effective service to the taxpayer community in order for them to understand their tax paying obligations;
- ensure fair and uniform application and enforcement of tax laws in order to collect revenues for the government budget in an efficient and cost-effective manner.

The Year 2012 marks the 12th Anniversary of the founding of the Tax Administration of Kosovo. In the twelve years of TAK existence, significant steps have been taken to improve capacity and service to the public.

Over the years the international community, particularly the EU and USAID have provided support through training advice and support that have raised the current state of development, the past 12 years have been challenging. There is a system of tax laws that meet international standards and materialize the principles of the EU. Also there is a core base of taxpayers who pay most of the taxes. TAK challenge is to reach businesses and individuals who pay taxes, but now do not. The tax system will be more effective when everyone is part of and contributes to the right people.

“Every person is required to pay taxes and other contributions as provided by Law”

Constitution of the Republic of Kosovo, Article **119**

It is the duty and obligation of every taxpayer to respect and implement the provisions of the Applicable Tax Legislation.

“Public Expenditure and the Collection of the public revenue shall be based on the principle of accountability, effectiveness, efficiency and transparency” Constitution of the Republic of Kosovo, **Article 120.**

It is the responsibility of the Tax Administration, as an executive agency with full autonomy, to manage the implementation of any type of tax applied to the Tax Legislation in the Republic of Kosovo. Also Tax Administration, in order to realize the responsibility it is given by law has focused all efforts on the Voluntary Fulfillment means declaration and payment of tax liability by Taxpayers. This means declaration and payment of tax liability by taxpayers, while respecting the legal provisions regarding the amount of tax payable and respect the deadline of payment of this amount, without the intervention of TAK. Each taxpayer is obliged to keep records (books, records, invoices, contracts etc.) as required by Tax Legislation and by provisions of those laws that taxpayer is subject to and also is the duty of each taxpayer to be cooperative and honest, providing accurate and reliable details to TAK officials in procedures of control or verification of those documents.

Chapter 2 :Types of Taxes in Kosovo

2.1 Introduction

In Kosovo legislation the term "tax" "includes any tax, contribution or other amount payable to the appropriate authority under applicable legislation in Kosovo. The OECD - has defined taxes as "non-refundable fee required for the government". So state tax liability is subject to persons and goods under the definitions in state administrative law. That means that tax is a fee charged (levied) by a government on a product, income or activity. If tax is levied directly on personal or corporate income, than it is a direct tax. If tax is levied on the price of a good or services than it is called an indirect tax. The purpose of taxation is to finance government expenditures. One of the most important uses of taxes is to finance public goods and services.

2.2 General overview of taxes in Kosovo

The Kosovo tax system is a young system. Tax Administration of Kosovo is the only authority that administers taxes, issues general administrative regulations that are compulsory to be carried out by the Tax Administration as well as by taxpayers. TAK provides a uniform application of law and regulations regarding taxes. By this law the responsibilities of the Tax Administration of Kosovo are established. These responsibilities concern tax administration on government level such as VAT on local business, Personal Income Tax, Tax on the Incomes of Corporations and Pension Contributions. Every Regulation, in order to be applied easier contains explanatory instructions. Frequent amendments and supplementations of the tax legislation in Kosovo and expansion of the tax scheme creates the possibility of approximation with the best international practices in the fiscal field.

A number of taxes that must be applied exist for business, depending on the type of entity of the business or the status and the annual business turnover. The applied taxes in Kosovo form 01.,01.2005 administered by TAK are:

1. Value added tax (consumer tax);
2. Personal income tax;
3. Taxes on corporation incomes;

TAK is the authorized Agency of the Pension Trust Savings of Kosovo for collection of pension contributions pursuant to Regulation No. 2001/35 on Pensions in Kosovo.

2.3 Value-Added Tax

Value added tax started to be applied on imports and local supply of goods and services since 1 July, 2001 (pursuant to UNMIK Regulation No. 2001/11 “On Value Added Tax” that was amended by UNMIK Regulation Nr. 2002/17 and 2004/35). From 01.07.2001 the tax was transferred from business to consumer

The height of the rate of this type of tax was 0% and 15% and from 01.01.2009 is done by raising the VAT rate from 15% to 16% and has affected all businesses registered for VAT who carry out sale and purchase goods and services. Entities that must be registered as taxable persons are persons with annual turnover of over € 50,000.00 (and those that are below the threshold but who chose to declare VAT) apply and collect calculate VAT from their buyers and consumers and take a crediting of the deductible tax for paid VAT on their imports and local purchases.

VAT declaration forms are required to be completed every month. In cases where the required deductible VAT exceeds the estimated collected VAT the taxable person will have the right of VAT crediting.

Table 2.1 Value added tax rates

Value Added Tax and tax rates in %	
Till2008	From2009
15%	16%

2.4 Personal Income Tax

This type of tax is applicable in the country of Kosovo since 2002. PIT is also applicable in other countries of the region and Europe and plays a great importance on filling the basket in the government budget. This type of tax is considered as internal taxes, as levied by the country's legal physical persons who carry out the entries in the form of salary or income from individually owned business or partnership. Income realized from these business entities, taxed according to tax rates. This type of tax in the beginning, i.e. since 1 April, 2002, was applicable only on salaries. Since 1 January, 2005 it is a more overall tax and is applied on other income sources as follows:

- salaries;
- business activity income;
- rent income;
- games of chance;
- dividends;
- interest;
- capital gains and
- every other income that increases the net assets of taxpayers.

2.4.1 Current situation of Personal Income Tax

It started to be applied in 2002 but later was again amended pursuant to UNMIK Regulation no.2004/52 where the personal income tax and the lump sum tax were incorporated in the individual income tax. This Regulation as the derivation of two types of taxes was qualified as acceptable and advanced in relation to the EU standards. This type of tax interlocks the proportional and disproportional system of income tax.

2.4.2 Taxable persons

For this type of taxes taxable persons are natural person, residents and nonresidents of Kosovo that create gross income.

The subject of the tax for the resident taxpayer is the income created in Kosovo and the source of income from abroad. The subject of the tax for the nonresident taxpayer is the taxable income and the source of income is in Kosovo.

2.4.3 Taxation of income

This type of tax is annual while the payments for the persons realizing monthly income and business entities that realize gross income is paid on monthly and trimester basis. It is an annual tax since the annual declaration is required to be completed which should be submitted until April 1 of each respective year.

With the exception of the income exempted pursuant to this regulation the gross income means all the income accepted or added from all the sources including: (a) salaries; (b) business activities; (c) Rents; (d) Use of intangible property (e) Interest; (f) Dividends; (g) Capital gains; (h) Lotteries and games of chance; (I) Pensions paid by government, previous employer or in accordance to UNMIK Regulation of the date 22 December, 2001 on pensions in Kosovo and (j) All other income that increased the net value of the taxpayer. Every taxpayer that realizes income from business activities pays taxes every three months to a certain account of the Tax Administration at a bank licensed by the Bank and Payment Authority of Kosovo not later than fifteen (15) days after the end of every calendar trimester (15 April, 15 July, 15 October, 15 January).

2.4.4 Personal income tax rates

The system of individual income tax is a proportional system which reaches from 0% to 20 % maximum. Income tax under these categories includes 4 levels of tax rates. Taxation revenue, and their payment is made on the monthly bases but the final calculation is made on an annual basis and considered as such.

Table 2.2 Personal income tax and tax rates in %

Revenues, monthly basis	Tax rates	Revenues, annual basis
0-80	0%	0-960€
€80-€250	5%	€960-€3,000.00
€250-€450	10%	€3,000.00-€5,400.00
€450 <?	20%	€5,400.00<?

Applicable tax rates until 2008

It was governments decision to change tax rates from 20% to 10% which has positive effect in revenues growth and also in compliance.

Table 2.3. Personal Income Tax and tax rates from 2009 in %

Revenues, monthly basis	Tax rates	Revenues, annual basis
0-80	0%	0-960€
€80-€250	4%	€960-€3,000.00
€250-€450	8%	€3,000.00-€5,400.00
€450 <?	10%	€5,400.00<?

Also tax rates were reduced on dividends, interest, rent capital gains, sales of intangible property etc, from 20% to 10%. The new rates started from January 1, 2009 and this change affects each taxpayer registered for personal income tax.

2.5 Tax on Corporate Income

Corporate income is the tax applied on the real income of corporations. The criteria of being taxpayers of this tax are the juridical form of the business corporation. The corporate income tax is realized generally by all those companies that based on the legislation have the status of a separate legal entity. This type of tax is annual but the payment is made on trimester basis. The weakness of this type of tax is the advance payment of the tax taking the turnover of each year as the basis for this. More simply for the basic year the turnover must increase 10% compared to the previous year. This type of the tax leaves less money in the hands of the

Kosovar businessman and decreases the possibility of investment and expansion of production capacities.

2.5.1 Current situation of Tax on Corporate Income

According to UNMIK Regulation 2004/51 tax on corporate income , has been replacing income tax with the income of corporations. Tax is charged directly to that all those entities that meet the criteria under the aforementioned regulations. Later as additional amendments have brought the Regulations no. 2005/51 and 2007/22 Amending UNMIK Regulation 2004/52 the taxation of corporate income

2.5.2 Taxable Entities

All entities/natural and legal persons having the status of legal persons pursuant to the legislation applicable in Kosovo. Pursuant to this Regulation the following persons are taxpayers:

- A corporation or any other business company having the status of the legal person pursuant to the law in effect in Kosovo;
- A business company operating with assets of social or public ownership;
- An organization registered by UNMIK as a non-governmental organization pursuant to UNMIK Regulation no. 1999/22 dated 15 November, 1999 on registration and work of non-governmental organizations in Kosovo, and
- A permanent organization of a nonresident person.

2.5.3 Rate of Tax on Corporate Income

Below are listed all income categories that are considered tax basis, in accordance with UNMIK Regulation 2004/51;

1. A taxpayer with gross income of 50,001 Euros or more calculates taxable income by preparing financial statements and adjusting the income and expenses recorded in such statements, as provided for in this Regulation.
2. A taxpayer with annual gross income of 50,000 Euros or less, calculate taxable income based on the retention of the statements in real income or the amounts under 3% and 5%.
3. Taxpayers who choose to calculate taxable income and to prepare financial statements under

section 4.2 (b) in any tax period must calculate taxable income and prepare financial statements in that manner for each subsequent tax period.

4. As an exception to sub-paragraph above, taxpayers whose principal activity is insurance and reinsurance of life, property or other risks, calculate taxable income and pay income tax. In case of any entity whose principal activity is the insurance or reinsurance of life, property, or other risks, the tax imposed by this regulation shall be an amount equal to seven percent (7%) of gross premiums accrued during the tax period (Article 28).

Nongovernmental organizations, which undertake commercial activities or other activities that are not related to its public purpose shall be charged income tax at the rate of twenty percent (20%) on income

Not even all the revenue to carry out legal persons under this Regulation 2004/51 are taxable, so in the context of this income from tax exempt, non-governmental organizations are considered public benefit character, according to UNMIK Regulation 1999/22 , CBK income and other financial institutions and international intergovernmental permitted and authorized to operate in Kosovo (e.g. KFOR, UNMIK, EULEX, etc.). Taxation exempt from the income is revenues from dividends received from a taxpaying resident of a company that paid the tax and revenue from a contract, unless a local contractor. For the tax period for 2005 and subsequent tax periods, the tax on corporate income is twenty percent (20%) of taxable income, while reducing the tax rate is 01.01.2009 by 20% to 10% and this difference affects every taxpayer registered for tax at corporate income which is taxed on the basis of real income.

Table 2.4 Tax on Corporate income and tax rates in %

Tax on Corporate Income and tax rates in %	
Till 2008	From 2009
20%	10%

2.5.4 Taxpayers payment

Every three months taxpayers pay the tax rate in advance in the account established by the Tax Administration, in one the banks licensed by the ex-Banking and Payment Authority of Kosova on dates or prior to the dated of 15 Aril, 15 July, 15 October and 15 January for the calendar trimester following immediately these dates.

The amount of each trimester advance payment is as follows:

1. A taxpayer with annual gross income of € 5,000.00 or less: 37.5 € per trimester;
2. A taxpayer with annual gross income from € 5,001.00 to € 50,000.00 who are obliged or who do not choose to prepare financial statements pay the following trimester amounts:
 - a. Three percent (3%) of the gross annual income per trimester from trade, farming and other similar business activities;
 - b. Five percent (5%) of the gross annual income per trimester from service, professional activities, professionals school activities, entertainment and similar activities;
 - c. Sixteen (16%) of the gross annual income per trimester from rent, deducted from every kept (unpaid) amount during that trimester pursuant to Article 27.2 of the aforementioned Regulation.
1. Taxpayers with annual gross income of more than €50,000 and the taxpayers who must prepare the financial statements or the ones that choose to prepare them pay the following trimester amounts:
 - a. One fourth (1/4) of the total tax amount for the following tax period based on the taxable income evaluated and deducted from any held (unpaid) amount during the trimester pursuant to article 27 or,
 - b. for the second and the following tax periods for which the taxpayer pays the tax pursuant to this paragraph one fourth (1/4) of one hundred and ten percent (110%) of the total tax for the tax period that follows right after the following tax period reduced from any amount held (unpaid) during the trimester pursuant o article 27.

Chapter 3. About compliance in Tax authority

Tax compliance is usually cast in terms of the degree to which taxpayers comply with the tax law. The primary goal of a revenue authority is to collect the taxes and duties payable in accordance with tax law and to do this in such a manner that will sustain confidence in the tax system and its administration. The Tax authority has a central role in ensuring that taxpayers and other parties understand their obligations under the revenue laws. Therefore, tax administration should have in place strategies and structures to ensure that non-compliance with tax law is kept to a minimum.

The major strategies of compliance are:

- a) Respect for taxpayers rights and obligations and TAK rights and obligations , as specified in Taxpayers Charter;
- b) Ensure the integrity of our taxpayers database;
- c) Continuous efforts for public education regarding tax compliance;
- d) Improve our taxpayer education staff technical capacity , and use new methods of providing information for public;
- e) Establish a process that facilitates the timely filing and processing of returns and payments;
- f) Prevention and early intervention ;
- g) Enhance the effectiveness of audit programs and risk analysis, and identify opportunities, focusing on those issues and audits that have the biggest impact;
- h) Reduce opportunities for evasion and avoidance;
- i) Early and effective collection activity.

3.1 Tax Gap

Compliance is a major issue confronting all revenue authorities. One measure is the “net tax gap”. This presents the difference between the potential collected if all taxpayers were acting 100% compliant and the actual amount of collected tax. The ‘tax gap’ definition and measure are far too simplistic for practical policy purposes since successful tax administration requires taxpayers to cooperate in the operation of a tax system rather than to be forced to carry out every

aspect of their tax obligations. Measuring the tax gap is a difficult exercise but calculations can be made in a number of ways, based on various statistics. The statistics basis in Kosovo for “tax gap” calculation is somewhat deficient but a study in 2011 has tried to calculate the gap by comparing a number of sources including surveys on household consumption. Reasons that contribute to tax gap are: taxpayers’ ignorance, errors in accounting, tax evasion etc.

3.2 Requirements from taxpayers

Four required obligations of taxpayers are:

- a) Registration in the system - Any taxpayer who is a subject of any type of tax administered by TAK has to be registered and obtain fiscal number before engraining in any economic activity of taxation relevance;
- b) Timey filing of requisite taxation information – Taxpayers have to keep evidence of economic activities as required in tax legislation and present this documentation when required by TAK;
- c) Reporting of complete and accurate information(incorporate good record keeping)- Taxpayers have to file tax returns accurately and timely in accordance with tax legislation
- d) Payment of taxation obligation time – Taxpayers have to pay taxes to TAK at the specific time and place with ought TAK notice or request;

If taxpayers fail to meet any of above obligations then they may be considered to be non-compliant. However, there are clearly different degrees of non-compliance.

Three steps that tax authority staff should ensure about tax compliance are:

- a) Facilitating voluntary compliance by making it easy to comply;
- b) Positive and negative incentives including visible enforcement;
- c) Influencing the norms of taxpayers to enhance the will to comply;

3.2.1 Taxpayers choosing compliance

TAK must acquire an understanding of the diverse reasons taxpayer have for choosing compliance or non-compliance. In terms of ability and will to comply are presented in following model:

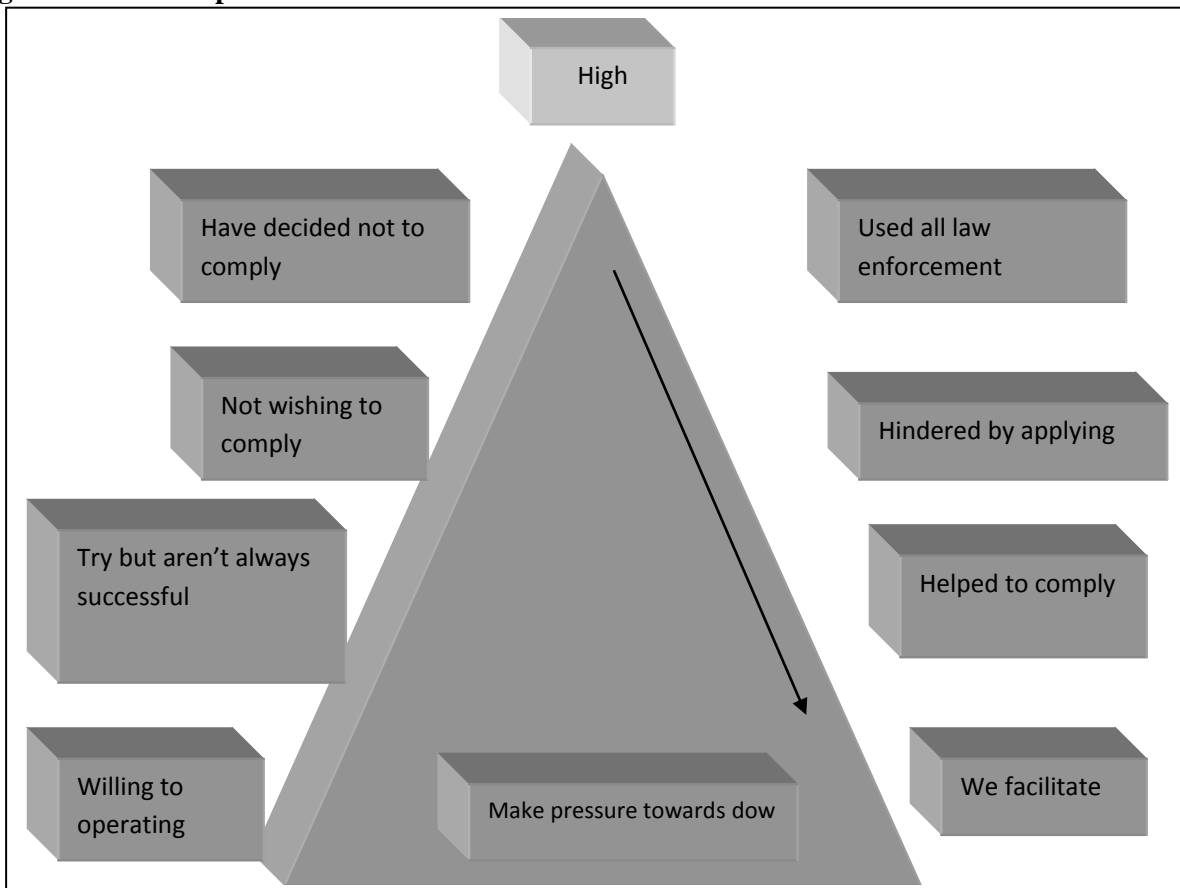
The disengaged . At the top of the pyramid is an attitude of disengagement. It characterizes those who have decided not to comply. People with this attitude either deliberately evade their responsibilities or choose to opt out. Cynicism about the tax system is usually matched by cynicism about the role of government.

Resisters. The attitude of resistance characterizes active confrontation. The system is seen as oppressive, burdensome and inflexible. This attitude characterizes those who don't want to comply but who will if they can be persuaded that their concerns are being addressed.

Tries . More positive is the attitude of those who are basically willing to comply but who have difficulty in doing so and don't always succeed. They may have difficulty understanding or meeting their obligations, but their expectation is that, in any dispute, trust and cooperation will prevail.

Supporters. The attitude here is one of willingness to do the right thing. There is a conscious commitment to supporting the system and accepting and managing effectively its demands. There is an acceptance of the legitimacy of the role of tax officers and a belief that they are fundamentally trustworthy.

Figure 3.1 The compliance model



The model shows the extension level (trend) of the taxpayer behavior towards compliance. Based on the extension level, the taxpayers have a desirable attitude 'willing to do the right thing'. In the other extreme, taxpayers have decided not to comply by choosing the evasion or by choosing to be out of system. The model also summarizes the various types of support and intervention needed to collect required revenues. The model suggests that tax office should have the capabilities to impact on taxpayer's behavior through our response and interactions.

3.3 Recognizing the tax system effects to compliance

3.3.1 Legislation

Good compliance outcomes begin with good legislation. Law that is clear and unambiguous with regards to its intent and interpretation provides a solid base upon which to build administrative compliance programs and compliance risk management. Good tax legislation is therefore a precondition for high compliance.

Good tax legislation is characterized by being:

- a) appropriate to the environment[↑] and circumstances where the taxpayers is operating;
- b) easily understandable and easy to administer ,both for TAK and for taxpayer community

3.3.2Administration

Administration begins with the law in place. The law represents a component of the context or environment in which a tax authority operates and it is from this environment that we discern the compliance risks associated with administration of the law. The challenge for tax authorities is to administer the law in a manner that sustains community confidence in their administration. Tax authority as a participant must administer within community standards.

3.3.3Act with fairness and integrity

A number of empirical studies have shown that compliance is nurtured by trust.

The key to creating trust for tax authority is to act in ways that the community will experience to be fair. People's judgments about trust are linked to their evaluations of the procedures by which

authorities act. The term ‘procedural justice’ is used to describe the perceived fairness of the procedures involved in decision making and the perceived treatment one receives from decision makers.

3.3.4 Assist

Assisting the compliance process for example giving the taxpayers easy access to filing through online channels is another important prerequisite for a high compliance rate. The assistance Of TAK shall be based on the possibilities for the taxpayers to:

- I. Have possibility on online filing;
- II. Download forms from webpage for filing and reporting the transactions;
- III. See an update list of inactive businesses;
- IV. Access on-going clarification for taxpayers including public rulings, individual rulings different replies in hard copy or e-mail, media etc.
- V. Access taxpayers services through a Call Center;
- VI. Access a direct public line to report cases of tax evasion and other adverse phenomena.

3.3.5 Inform

TAK has always make continuous efforts for increasing the information available to the taxpayers , through instructions , public and individual rulings ,TAK webpage , campaigns on the electronic and printed media ,seminars and training events , brochures and booklets. To ensure that the information is relevant, timely and provided through the right channels, the development of taxpayers ‘ services should take place in cooperation with the relevant stakeholders including businesses, accounting associations etc.

3.3.6 Make it easy to comply

The majority of taxpayers want to comply with their tax obligations (within cultural and social norms). Tax administration duty is, therefore, to make it easy for them to do so. The attention to new businesses in various jurisdictions is simply an example of attempts to make it easy for taxpayers to comply by clearly advising them of their taxation obligations at the commencement of their business lives. Making it easy to comply can, potentially, include all the initiatives an authority might take to improve service delivery.

3.3.7 Make clear to comply

When taxpayers don't understand their obligation than tax authority should help them about is the clear law; are the authority's administrative requirements clear; are clear interpretative products; such as interpretive rulings, readily accessible, are effective support services available to meet taxpayers' needs; have opportunities been taken to remind those potentially at risk of what their obligations are.

3.3.8 Use sanctions for non- compliance

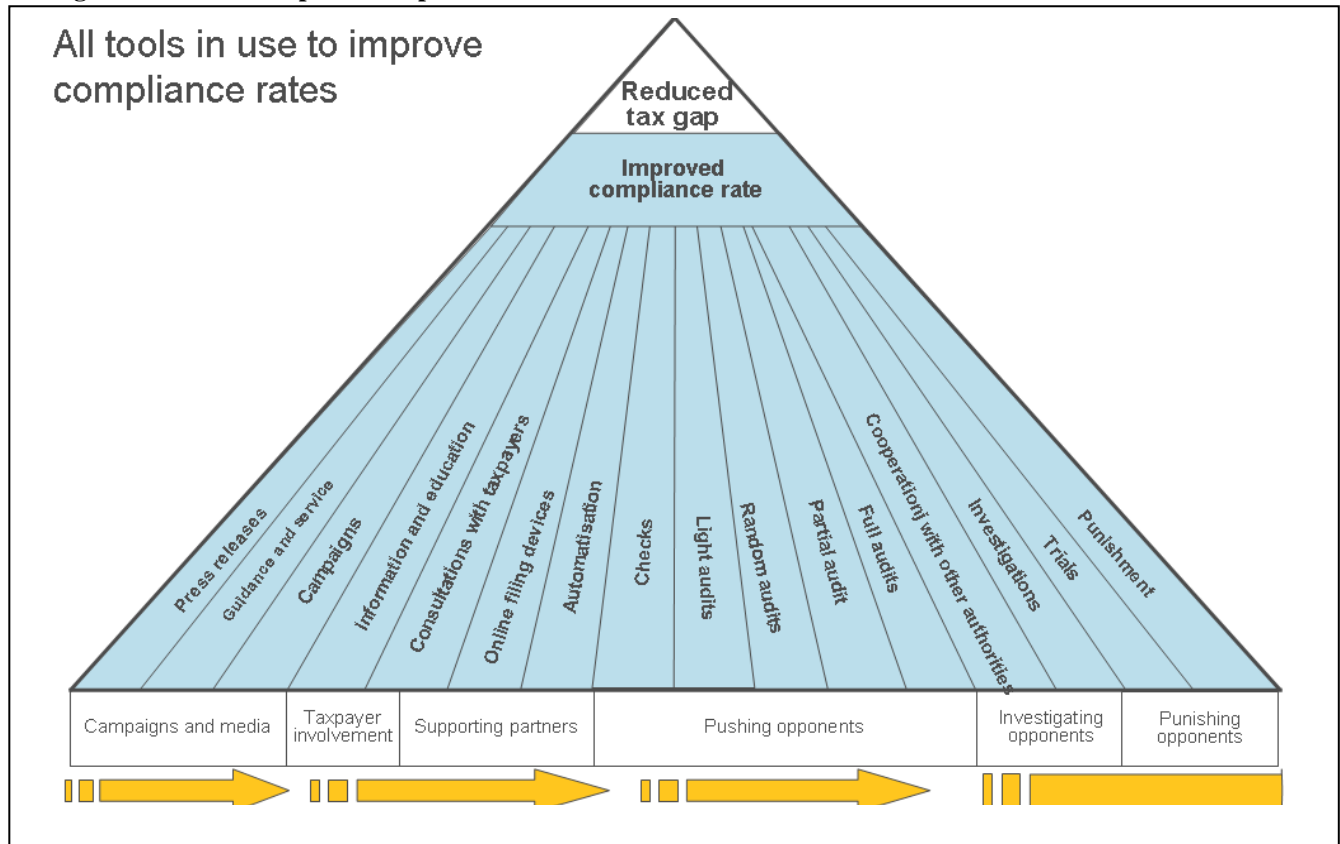
Sometimes taxpayers move the continuum of the compliance pyramid for different reasons. These reasons are what revenue authorities attempt to identify through risk assessment process. Experience has taught us that overall, it is a more cost effective proposition to achieve compliance by increasing the numbers of taxpayers at the lower levels of the pyramid. Thus, the challenge for authorities is to employ strategies that progressively move taxpayers down the continuum to the lower levels.

3.3.9 Make power and activity visible

Also tax authority must not only have powers of credible enforcement but must also communicate effectively its use of these powers. This 'aura' of power helps give the authority as an institution its credibility and allows individual officers more freedom to be co-operative with individual taxpayers. This can achieve with (a) encouraging media reports of successful prosecutions;(b) publishing information that provides taxpayers with early warning of behavior that may be regarded by the authority as non-compliant ;(c) sending 'leverage' letters advising taxpayers that the authority is aware of a specific risk and inviting a specific response.

3.4 Tools to improve compliance rates

Figure 3.2 Tools to improve compliance



The model below shows that tax authority should use the tools to improve compliance in general. The activities to the left of the figure are the less costly and should be considered before more costly activities are applied. On the other hand the more costly activities towards the right side should not be spared if the risk for example demands a certain level of audits. A mix of activities (from left to right in the figure) will often be the most effective and efficient.

Therefore the sequencing of the activities is also important. Early consultations with target group members, representatives or other stakeholders will often bring value to the planning process.

Also it is a good idea to ensure taxpayer knowledge about the demands of the legislation before audit activities are carried out. Involvement of the media can add the impact of information and

audit activities, as more taxpayers receive information of the focus of TAK. And further cooperation with taxpayer representatives can support the sustainability of compliance.

It is also good to mention that ‘taxes are what we pay for a civilized society’. To the extent that people, for whatever reason, fail to meet their obligations under the law, the community is denied the revenue that could be funding improvements in security, health, welfare, education and other government programs.

Chapter 4. Questionnaires conducted with taxpayers

Project investigation & analysis

This chapter includes questionnaires conducted with Kosovar taxpayers in the Prizren region. Via email and face to face questionnaires were used. Most of questionnaires were completed face to face (80% face to face and 20% via email). The first part of the questionnaire contains the (a) background of the taxpayers; (b) second part contains communication skills of tax inspectors (based on their personality , professional level) ; and (c) third part contains compliance which includes the information based on the satisfaction level of the taxpayers on various aspects like the importance of tax policy, tax procedures and administration mechanisms, availability of information and quality of documents.

110 questionnaires were delivered to taxpayers and 52 filled questionnaires were received and most of them were sales staff. Findings about demographic data like employers status, type of commercial business, gender, age, level of education, average monthly salary, usual contact with tax authority and general knowledge regarding compliance and communication are analyzed in this chapter

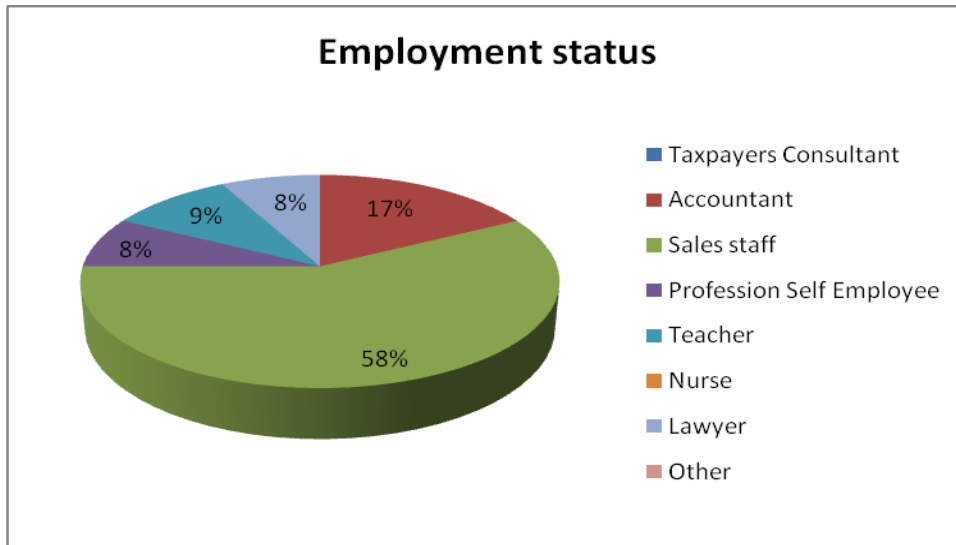
4.1 Employment status

As for the employment status 30 or 58 % of taxpayers were sales staff .This information provides the opinions regarding their background.

Table 4-1, Source of project- Taxpayers' employment status

Taxpayer	Number	Percent
Taxpayers' Consultant	0	0%
Accountant	9	17%
Sales staff	30	58%
Profession self employee	4	8%
Teachers	5	9%
Nurses	0	0%
Lawyers	4	8%
Total	52	100%

Figure 4-1, Source of project-Taxpayers' employment status

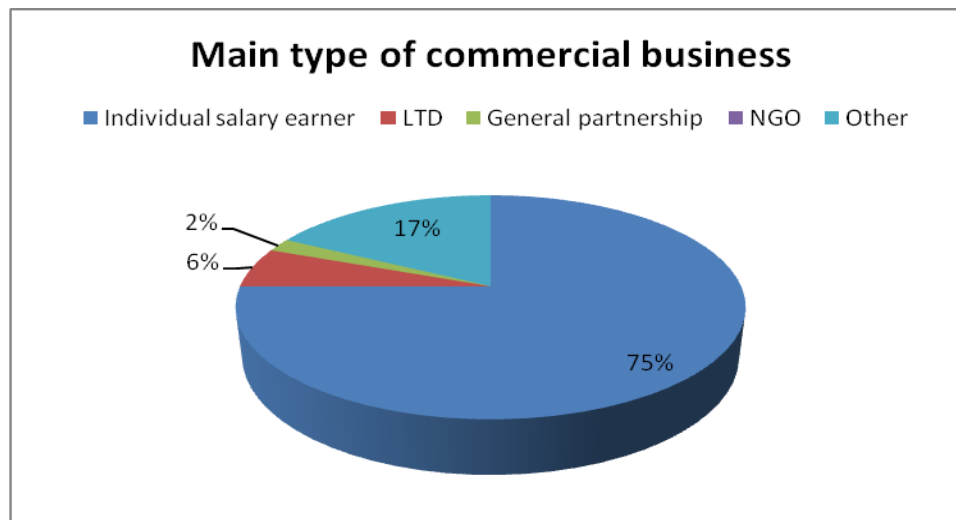


4.2 Main type of commercial business

All the sampled respondents are classified in five categories: individual salary earner, LTD , General partnership , non-governmental organization and there was the option Other. A post survey classification of these sectors was made for purpose of analysis. Of the total selected business units, the largest number are individual salary earners with 75% , followed by other which includes employees with (17%),LTD (6%) , general partnership (2%).

The distribution of the sampled business units are shown below in fig.4-2

Figure 4-2,Source of project-Main type of commercial business



4.3 Gender & Age category

54 % of the participants on the survey are male and 46 % are female.

With regards to age, the highest number of respondents are 36-50 years age group (52%) followed up by 26-35 years (27%) , 18-25 years with (15%) and 51-65 years with 6%.

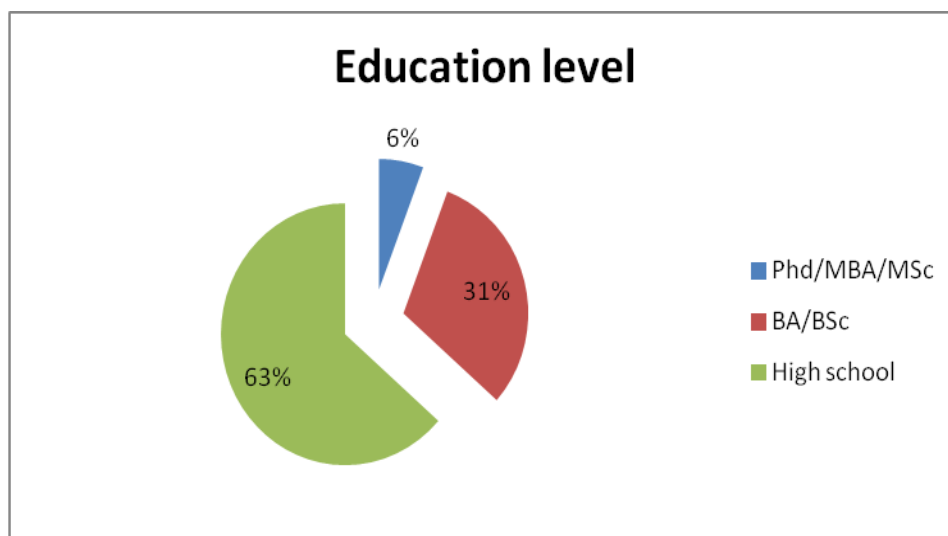
Table 4-2, Source of project - Distribution of sample by gender and age category

	Gender		Age category				
	Male	Female	18-25 year	26-35 year	36-50 year	51-65 year	> 66 year
No. of respondents	28	24	8	14	27	3	0
%	54%	46%	15%	27%	52%	6%	0

4.4 Education level

From Figure 4.3 can seen that 63% of respondents have completed high school, followed up by 31 % who have earned the bachelor degree and 6% of participants have are Phd-MBA-Msc and this is important because the respondents gave their answers based on their knowledge and their experience with tax authority staff.

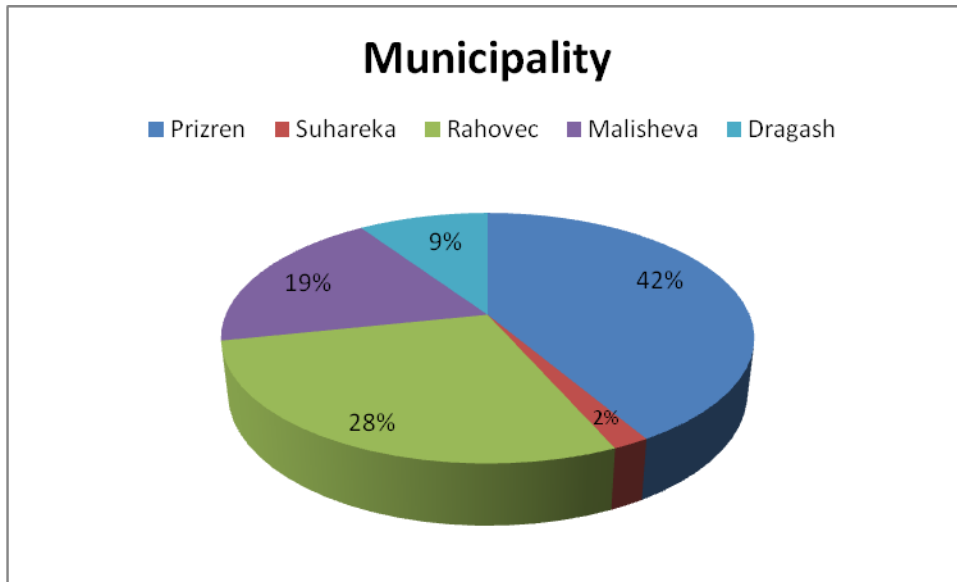
Figure 4-3, Source of project- Education level of taxpayers



4.5 Permanent residence

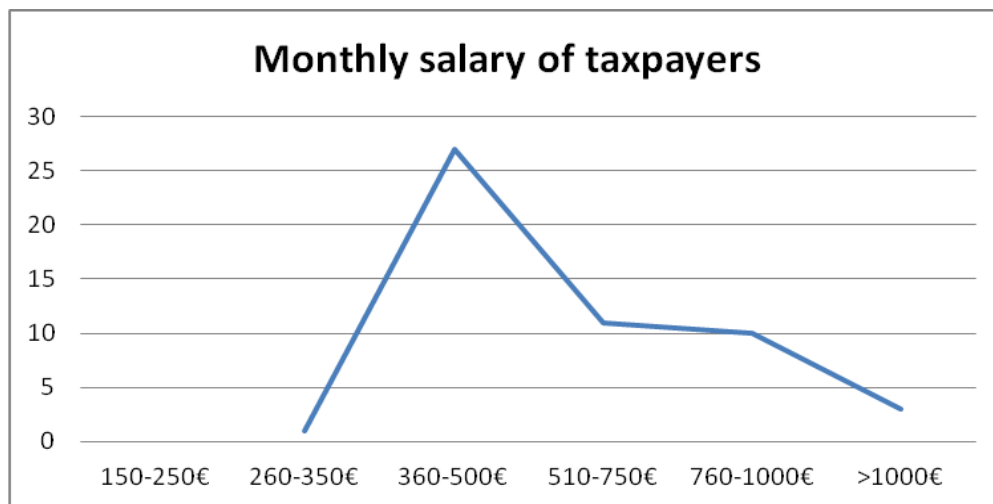
Regarding the municipality where taxpayers live 42 % of participants were from Prizren region followed up by Rahovec with (28%),Malisheva with (19%), Dragash (9%) and Suhareka with(2%).

Figure 4-4, Source of project – Municipality where taxpayers’ live



4.6 Monthly salary of taxpayers

Figure 4-5, Source of project- Monthly salary of taxpayers



6 % of participants of the research earn >1000€ salaries, followed up by 19 % earning 760-1000€ , 21 % of them earning 510-750€, 52 % of them 360-500€ ,2% 260-350€ and none with a salary of 150-250€ which means that all survey participants receive salaries higher than the average salary in Kosovo which is 170€. The chart is shown in Fig.4-5 and Table 4-3

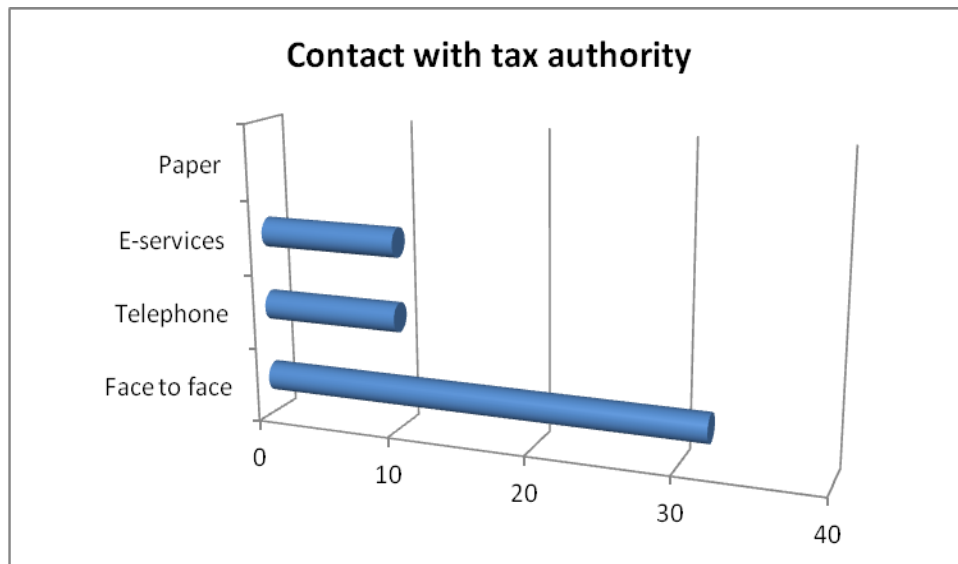
Table 4-3, Source of project –Monthly salary of taxpayers

	Average monthly salary					
	150-250€	260-350€	360-500€	510-750€	760-1000€	>1000€
No. of respondents	0	1	27	11	10	3
%	0	2%	52%	21%	19%	6%

4.7 Usual contact with taxpayers

Regarding the number of participants the finding shows that 62 % of taxpayers usually contact the Tax Administration of Kosova in the office, followed by 10% by telephone and e-services. There are no participants that contact tax authority by letter.

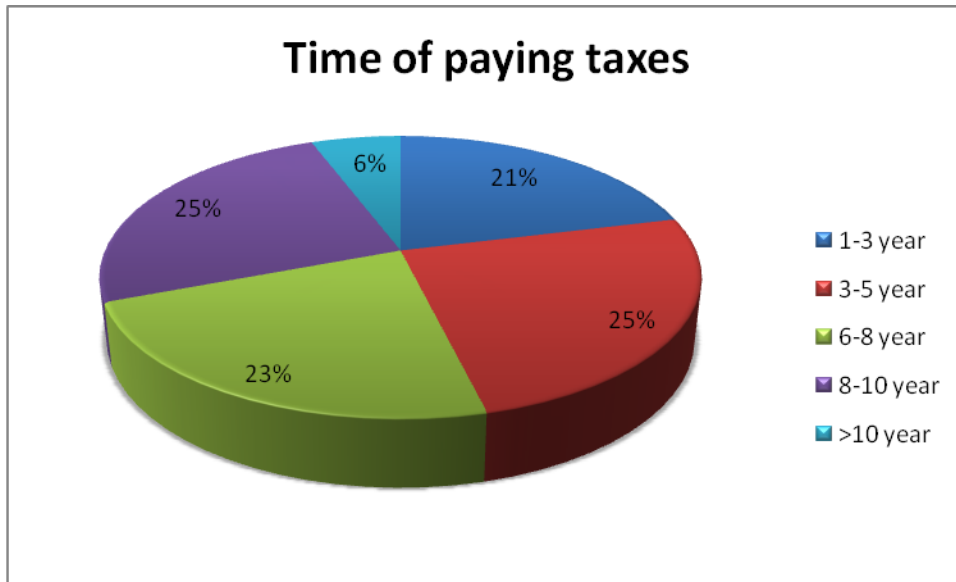
Figure 4-6,Source of project-Usual contact with Tax authority



4.8 How long have you been paying Taxes

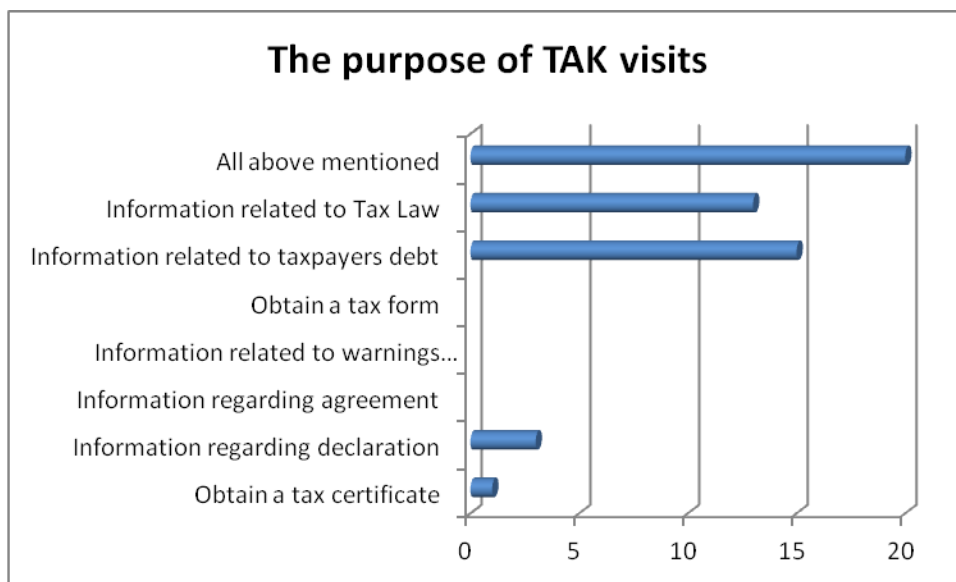
From Figure 4-7, it seems that there are two groups of respondents that have the same percentage of tax payment (3-5 years and 8-10 years) with 25 %, followed by 23 % (6-8 years) 21% (1-3 years) and 6% (> 10 years). This shows that most of the people in Kosovo are aware that they must pay taxes.

Figure 4-7, Source of project – How long have taxpayers been paying taxes



4.9 What was the purpose of your visit to TAK

Figure 4-8, Source of project-What was the purpose of your visit to TAK



It is clear from the graph that in most cases the taxpayer visits TAK for many purposes. There are a lot of purposes (a)to obtain a tax certificate; (b)to obtain information about declaration; (c) to get information about agreement ; (d) to get information about warnings ; (e) to obtain a tax form; (f)to get information about taxpayers debt; (g)to get information about tax law. Based on findings 38% of respondents visit TAK for all the aforementioned purposes, 29% visited TAK to get the information about their debt and 25 % visited it to get information about Tax Law.

4.10 What was the professional level of tax inspectors

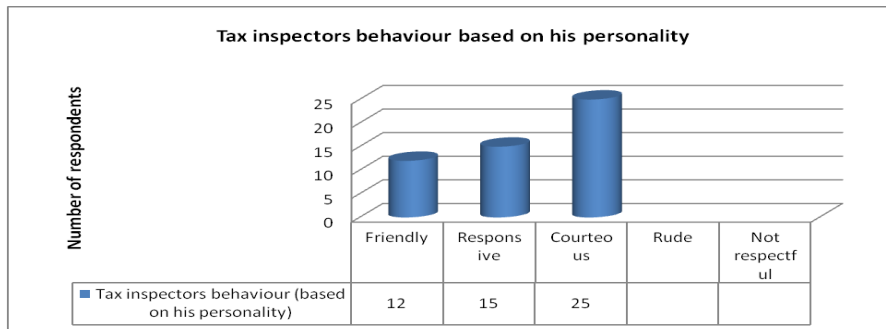
Figure 4-9, Source of project – Identified professional level of tax inspectors



Findings show that participants of the survey believe that tax inspectors’ skills are based on their professional level being a proper level. 18 out of 52 respondents had selected the knowledgeable level; 16 had selected very experiential. 11 of the participants of the research had selected serious minded; 4 participants had selected the option not experiential and 3 not serious.

4.11 What was the personal level of tax inspectors

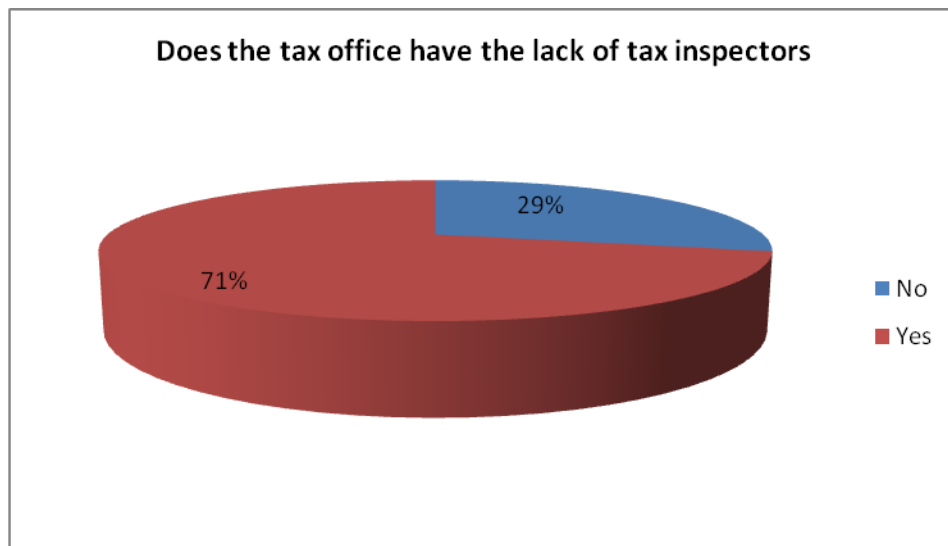
Figure 4-10 , Source of project -Identified personal level of tax inspectors



The chart presents the personal level of tax inspectors .Findings show that 25 out of 52 respondents had selected the Courteous option followed by 15 who had selected responsive and 12 had selected the friendly option. There are no respondents who chose the option Rude and Not respectful.

4.12 Is the tax office in lack of tax inspectors

Figure 4-11 , Source of project – Is the tax office in lack of tax inspectors

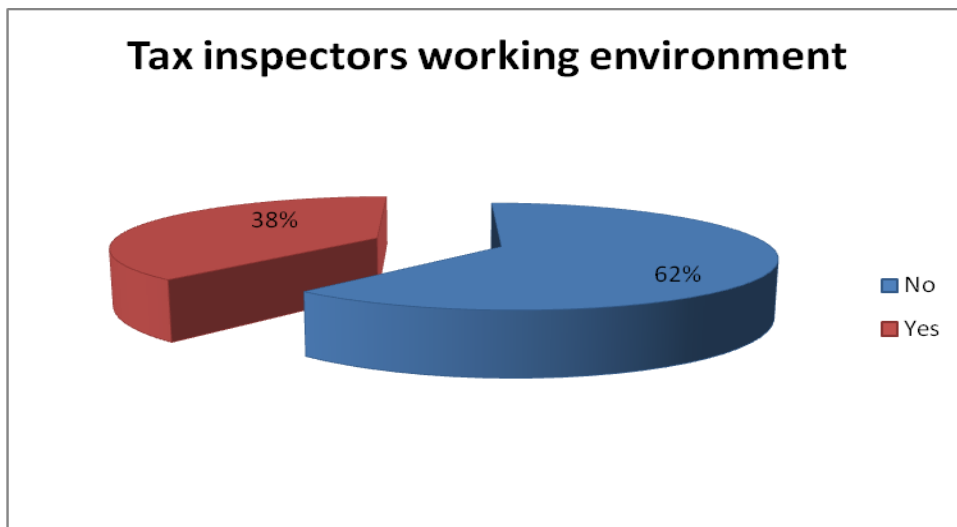


71 % of the respondents declared that there is a lack of tax inspectors in the tax office authority while 29 % replied by NO.

4.13 Do you consider that the tax inspectors' working environment (building & computers) were of appropriate satisfactory performance?

In the Figure 4-12 findings shows that tax inspectors' working environment is not of appropriate satisfactory performance . 62 % of respondents answered by NO, while 38% of the participants of the research selected the option YES.

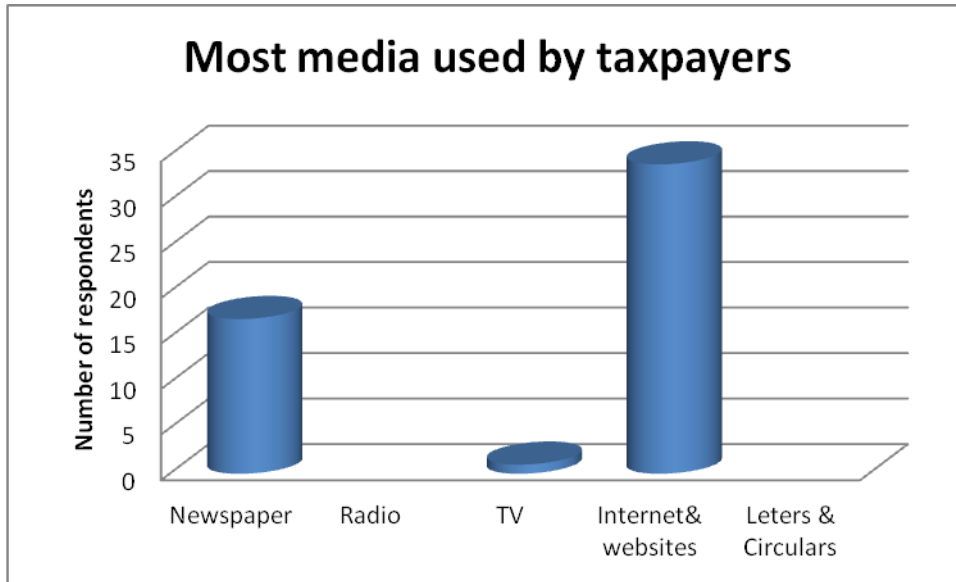
Figure 4-12, Source of project - Findings about tax inspectors' working environment



4.14 Most frequently used media for acquiring news and information

The role of media is very important for taxpayers in order for them to receive information. The chart below shows that the most used media by respondents are internet & websites (65%) followed by newspapers (33%) and TV (2%). There are no answers about radio and letters & circulars as the media used by taxpayers.

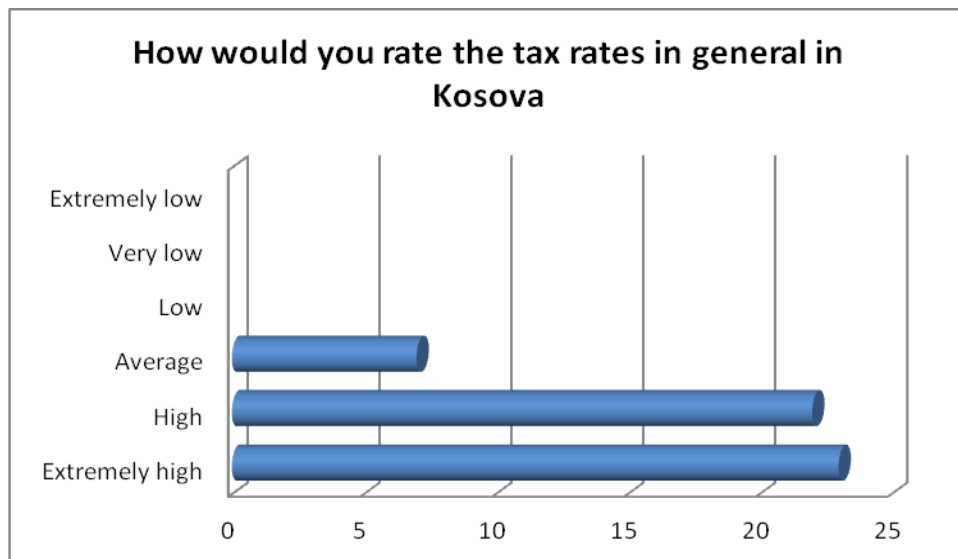
Figure 4-13, The source of the project- the most used media



4.15 How would you rate the tax rates in general in Kosovo?

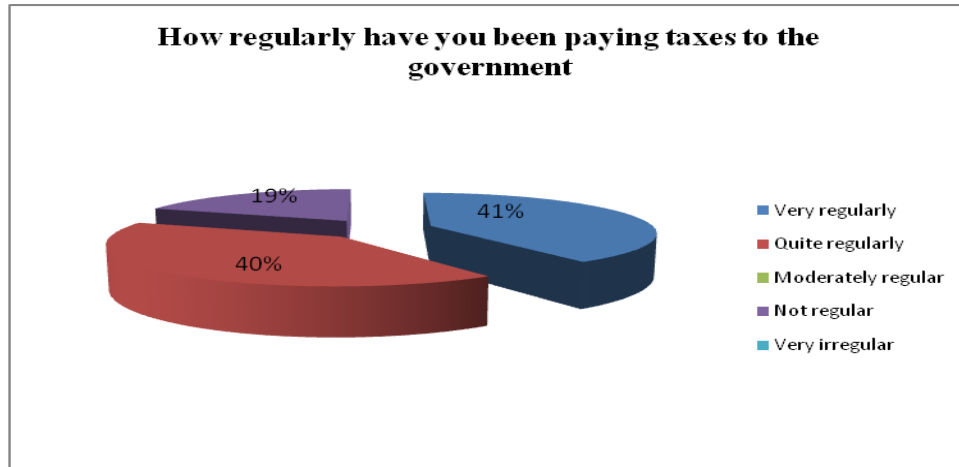
Findings from research show that tax rates in Kosovo are extremely high. 23 respondents out of 52 answered by extremely high option; while 21 answered by high option and 7 respondents by average option. There are NO taxpayers that thought the tax rates are low.

Figure 4-14, The source of project – tax rates in Kosovo



4.16 How regularly have you been paying taxes to the Government

Figure 4-15 , Source of project – How regularly have you been paying taxes to the government

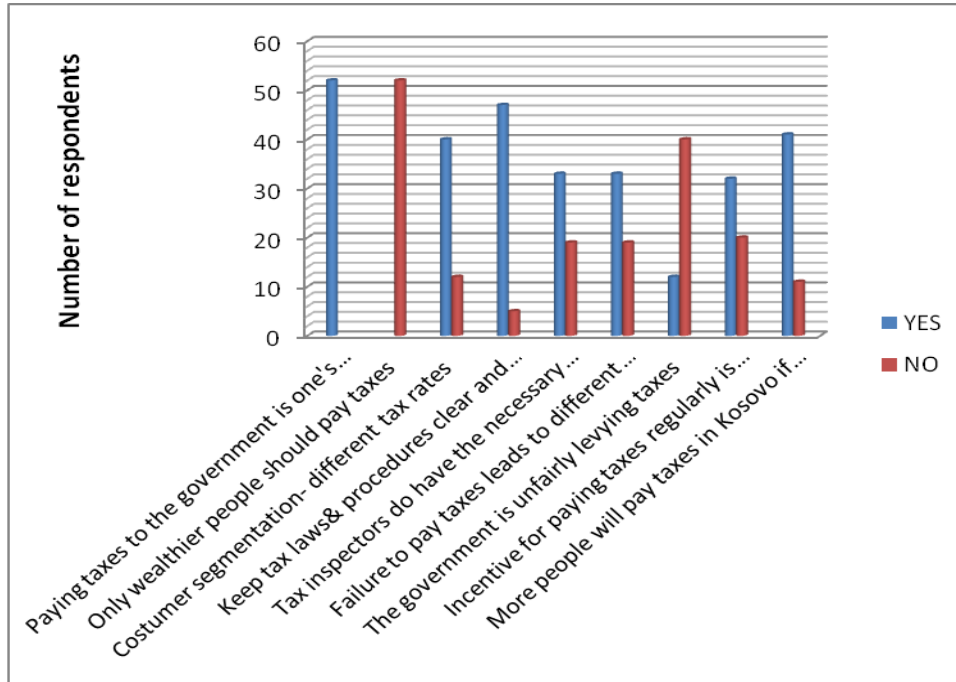


A finding shows that 41 % of participants of the survey are very regular about paying taxes to the government ;40 % respond by quite regular and 19 % of respondents answered by not regular about paying taxes to the government.

4.17 Perception of the tax by taxpayers

Figure 4-15 shows that 100 % of taxpayers agreed that paying tax to the government is one's duty. Likewise, on the question if only wealthier people should pay tax 100% of respondents disagreed. Over 80% of respondents agreed with the statement that the segmentation of taxpayers should be: high income – high tax rate; low income –low tax rate. Findings show that 90 % of participants agree with the statement that tax laws/procedures should be clear and simple. About one in every two respondents agrees that tax inspectors have discretionary power in collecting taxes. 75 % of participants disagree with statement that the government was unfairly levying taxes of the people. Over the half of respondents think that the incentive for paying taxes regularly is attractive. Based on the survey tax rates in Kosovo are too high, over 70 % of participants agreed with the statement that more people would pay taxes if the tax rates are reduced.

Figure 4-16 , Source of project – perception of tax by taxpayers



Chapter 5 - Communication between Taxpayers & Tax Authority staff

5.1 Definition of effective communication

The use of communication, particularly mass communication, is an important means for all tax administrations. This provides taxpayers with relevant information and influences their behavior and attitudes. Any customer – oriented tax administration makes use of these tools in order to make taxpayers dealing with the revenues body easier, cheaper and more personalized, thereby also promoting voluntary compliance. Communication is defined as the exchange of opinions, thoughts, information through writings or speeches. Effective communication occurs when two or more people in this case tax authority staff and taxpayers are able to share opinions, thoughts or ideas and perceive the same message. The most important part of this definition is that the information or ideas conveyed must be understood. Tax inspectors who are good communicators are able to understand taxpayers and are able to clear up uncertainties of taxpayers' requirements or responsibilities, all of which enables them to be more effective in their jobs. Having good communication skills is vital for success in the workplace, whether it's in dealing with internal or external stakeholders. In order to work effectively, TAK needs to be able to differentiate between taxpayers who are able and willing to comply and those who are not. Good communication in TAK needs to increase effectiveness and efficiency, satisfy taxpayers, improve quality and create innovative revenue. In general effective communication is important for organizational success so one role of management is to help employees improve their communication skills by different trainings.

5.2 Main types of communication

Communication is essential for effective functioning in every part of an organization.

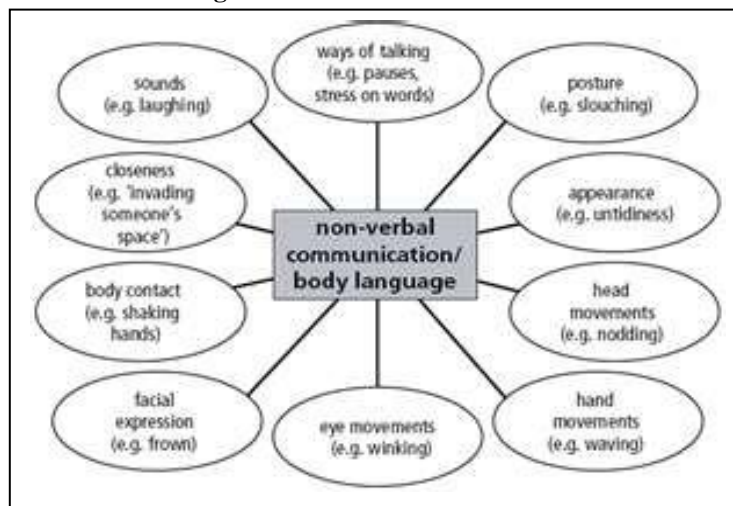
Communication is best defined as the process by which an individual (the communicators) transmits stimuli to modify the behavior of the other individuals (communicators).

The two main types of communication are nonverbal and verbal, and each is important when communicating with others.

5.2.1 Nonverbal communication

Nonverbal communication shares information through eye contact, facial expressions, body language, hand gestures and even style of dress. Eye contact shows that we are listening and are interested in conversation. It also portrays that we were being honest. Having good posture shows that we were confident and alert. Physical elements such as buildings, office furniture, and space also convey messages. Office arrangements convey status, power, and prestige.

Figure 5.1 Non-verbal communication



5.2.2 Verbal communication

Verbal communication shares information through messages into words, written or spoken. It is one way for people to communicate face to face. During the communication with taxpayers we as tax authority staff should keep in mind some tips:

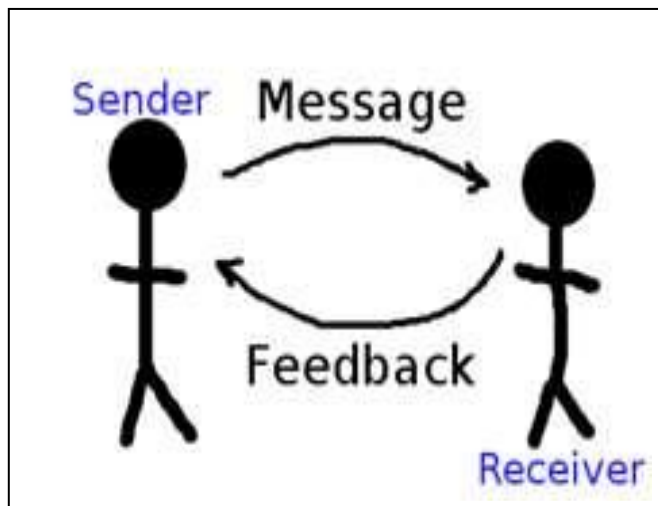
- a. Use simple word and phrases that are understood by everyone;
- b. Speak clearly and audibly;
- c. Listen don't hear;
- d. Always pay undivided attention to the speaker while listening;
- e. Listening is hard – you must choose to participate in the process of listening;
- f. Always think ahead about what you are going to say;
- g. Make eye contact with the speaker. This shows that you are interested in what they have to say;
- h. While listening always make notes of important points;

Also its important to keep in mind and some tips that we don't have to do:

- a. Do not instantly react and mutter something in anger;
- b. Do not use technical terms & terminologies not understood by majority of people;
- c. Do not speak too fast or too slow;
- d. Do not assume that everybody understands you;
- e. While listening do not glance here and there as it might distract the speaker;
- f. Do not jump to the conclusion that you have understood everything;

The most important think of communication in workplace is to remain professional, also to respect coworkers and listen to their thoughts and ideas. Give everyone a chance to speak and don't take part in workplace gossip. And to use the tips above to make sure that we are successful in communicating our own thoughts and ideas and in clarifying any issues that could keep us from performing our job to the best of our ability.

Figure 5-2, Verbal communication



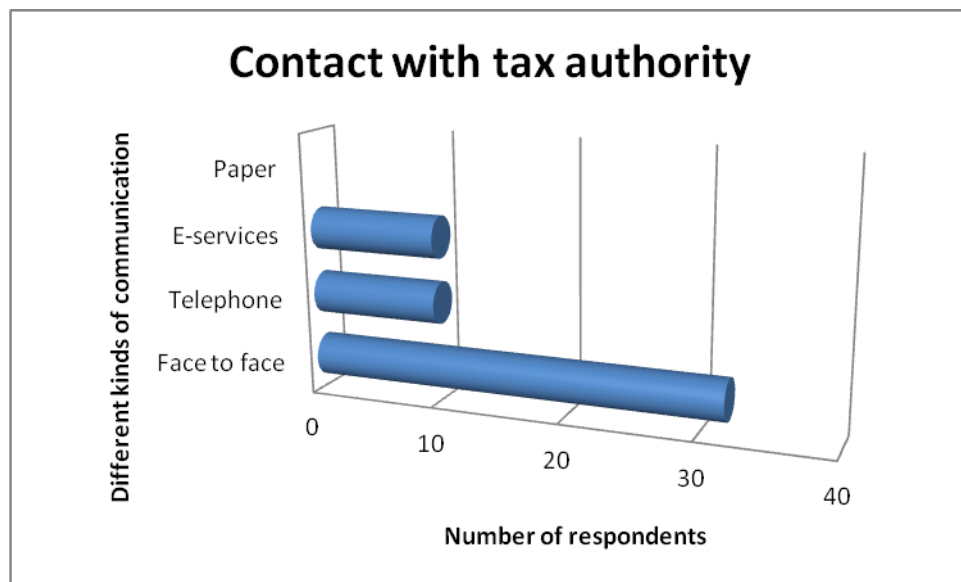
5.3 Used channels for better communication

Tax authority – revenue body provide a broad range of services related to different tasks. It can be everything from pure dispersion of information, via different types of guidance services, which often include a dialog between tax authority staff and taxpayers, to different types of transactional services. Some channels may be more suitable than others for providing different

types of services, and the taxpayers may have different channel preferences, based on who they are and which service they require. All organizations that have customer contact have at least one but normally many channels for providing different kind of services .The goal for many revenue bodies is to move the contact volume from lower part of the triangle upwards .Many revenue body stated that the ultimate goal is to make interaction with them so easy that there will be minimal or no need to contact them at all. It is important to have public confidence in the tax system for this to occur. Tax authority are not visible to those who comply, other than when they require help, but should be highly visible to those who choose not to comply.

Channels that are used in TAK –Prizren region about information regarding tax laws and administrative procedures are: face to face; telephone; e-services and paper. Figure 5-3 shows the different channels that TAK uses to contact taxpayers and the number of interactions for each channel. It shows that more taxpayers have contacted TAK through face to face option.

Figure 5-3 Source of project - Different kinds of communication



Findings from research show that there is no contact with paper which means that TAK has poor level of response by letter. There is a lack of tax inspectors training about applicable laws (VAT ,PIT,TCI) . Recommendation from this project is that tax authority staff should take continuous trainings.

Below are some strengths and weaknesses of different channels based on survey revenue body experiences:

- a. E- services – Strengths are that can send emails 24/7; independent of time and space; can push information to the client, either through list services or by placement of account specific information in secure space. Weaknesses – Not all have access to internet; often too expensive to operate; often not a secure solution for sending personal information. Many of the revenue bodies have made large investments in this channel and see this as main area for the future. Many of them started their electronic channels development by developing on-line services for one segment of users, most often business users.
- b. Telephone –Calls local tax offices or different type of call centers. Several revenue bodies have been developing modern centralized call – centre facilities to handle the bulk of phone calls. Strengths of telephone services are: ability to probe effectively; immediate answer. Weaknesses are: it can be high cost; it can be challenging to flexible capacity, in particular for peaks. Call- centers can be used as a stepping stone for customer who do not want or cannot use electronic channels.
- c. Paper –Outbound letters from revenue body, or inbound from taxpayers. Strengths of this channel are: most people are very comfortable with paper products; legally binding. Weaknesses are: takes time from sender to receiver and expensive to process. Revenue bodies are not investing heavily in this traditional channel but it will always have to be available since users – taxpayers should have the option of delivering their tax return on paper
- d. The strengths of face to face channels are that they provide direct and personal contact and weaknesses are time consuming, high cost and also limited access in time and place. The general trend across countries is to aim for a reduction in the volume of users that are served in physical channels. The main reason for that it is known to be the most expensive channel, even though revenue bodies feel that there will still be a need for the face- to-face meeting.

Chapter 6. Questionnaires conducted with Tax Authority staff

Project Investigation & Analysis

This chapter includes a questionnaires conducted with Tax Authority Staff. Most of respondents were audit tax inspectors and the selection of them was based on their level of performance (tax inspectors with high performance were selected). Via email and face to face questionnaires were used. Most of the questionnaires were completed via email. The survey took over three months to complete.(January – March 2012).

6.1 TAK employees engaged in this questionnaire , Gender & Age

This questionnaire includes results of questions and answers of Tax Administration of Kosovo employees (managers, deputy managers , team leaders , audit tax inspectors ,taxpayer service inspectors and tax collectors engaged in TAK).

100 questionnaires were delivered to those persons and 65 completed questionnaires were received and most of them were of audit tax inspectors.

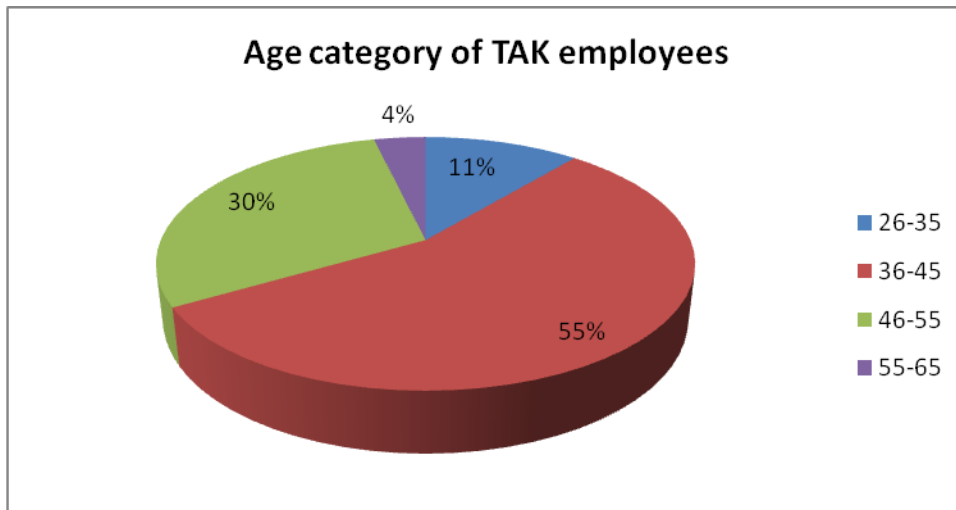
Table .6.1 Respondent participation related to gender and age category

	Gender		Age category			
	Male	Female	26-35 year	36-45 year	46-55 year	55-65 year
No. of respondents	60%	40%	17	31	16	1
%	39	26	24%	52%	23%	1%

60% of respondents of the survey are male and 40% are female. Here we can see the gender balance in Tax Administration of Kosovo.

Regarding the age category of the respondents of the survey 52% of them fall in the age group of 36-45 years. This information provides the opinions regarding Compliance and communication with taxpayers and tax inspectors' behavior toward taxpayers

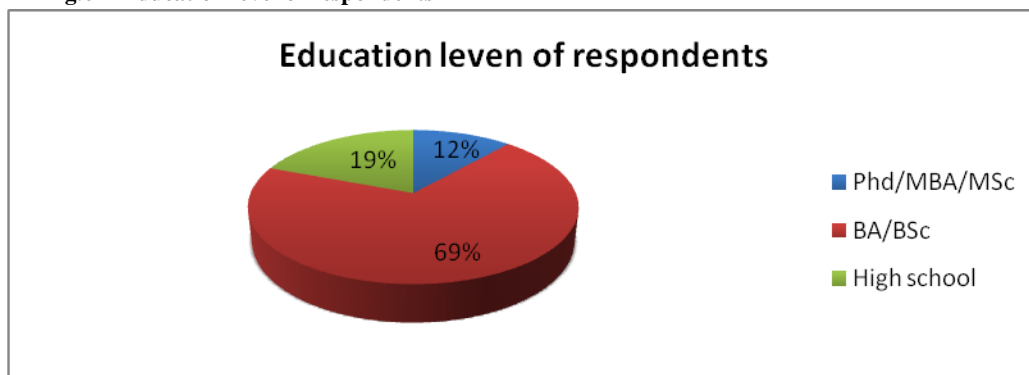
Fig.6.1.Age category of TAK employees



6.2 Education level of respondents

Regarding the education level of respondents findings show that 69 % of the TAK employees who have responded to the questionnaire were with a Bachelor’s degree, 12% with a Master’s degree and 19 % with High school. Over half of respondents are with a bachelor degree and this is important for our research because they gave answers regarding their theoretical knowledge and their experience in TAK office.

Fig.6-2 Education level of respondents

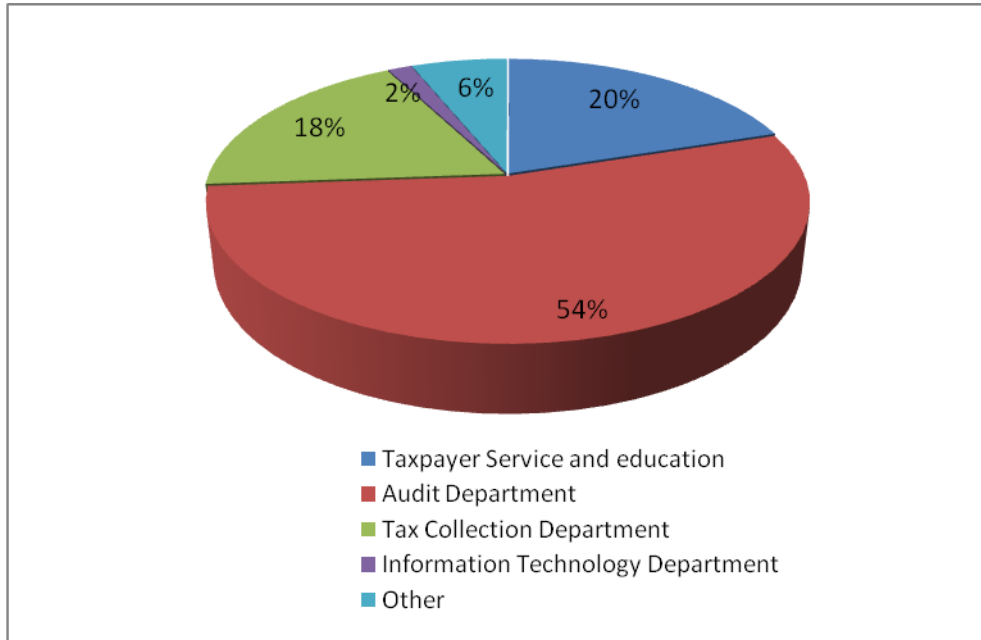


6.3 Departments where the tax inspectors work

TAK is divided in five departments: Compliance; Operation; Information Technology; Common Services and Gambling. Most of questionnaires have been conducted in the Operation department – Audit sector.

with 54 %; then the Compliance department - Tax Collection and Taxpayers' Service sector with 38 % Information Technology and Other departments 8%.Reasons most of respondents were chosen from the audit department is that they were the high performance tax inspectors.

Fig.6.3 Departments where tax inspectors work



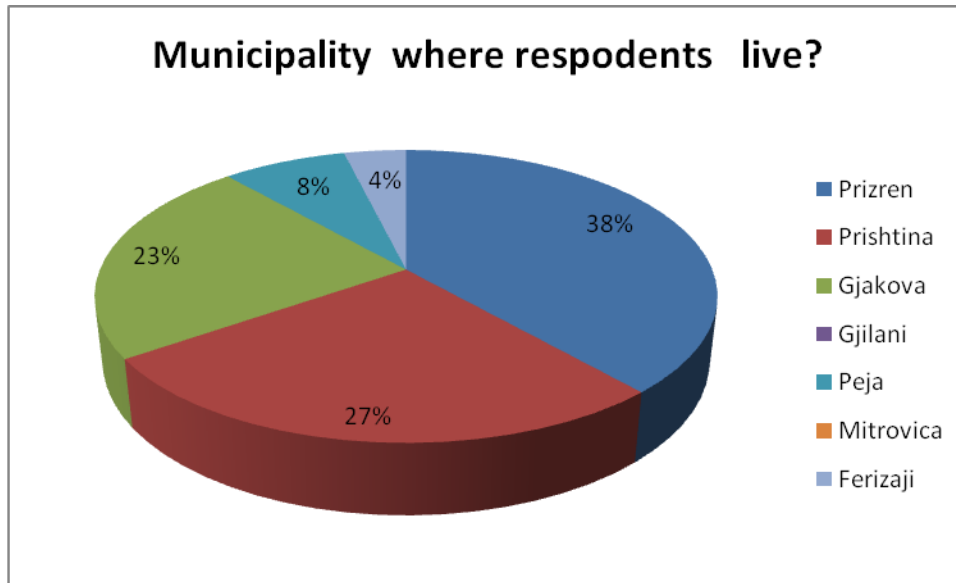
The option Other was included

- Human Resources department
- Budget department

6.4 Municipalities where the respondents live?

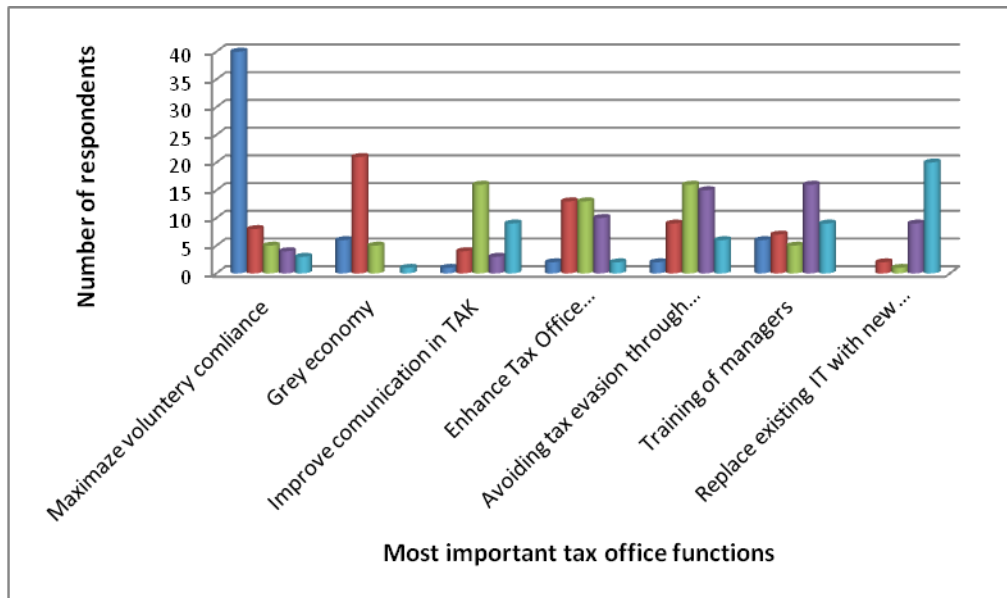
Regarding the municipalities where the tax inspectors live, 38 % of participants live in Prizren region; followed by Prishtina (27%); Gjakova (23%) Peja (8%) Ferizaj (4%).

Figure 6.4. Municipalities where respondents live?



6.5 What are the most important tax office functions?

Figure 6.5. The most important tax office functions



During the research it was discovered that 62 % of taxpayers stated that the five most important tax office functions are to maximize voluntary tax declaration; next was avoiding the grey

economy; followed by improving communication in TAK ; avoiding tax evasion through improvement of TAK performance and replacing existing IT with a new more sophisticated system .

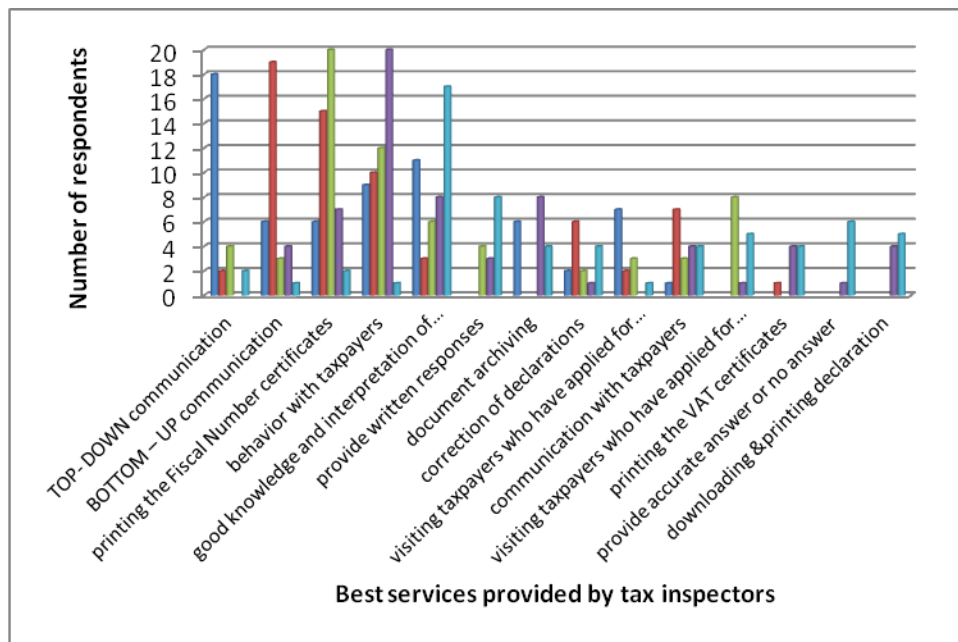
Comments provided under option Other:

a)Cash registers

The chart is shown in figure 6.5

6.6 Prioritize the five best services provided by the tax inspectors?

Fig.6.6.The best services provided by tax inspectors

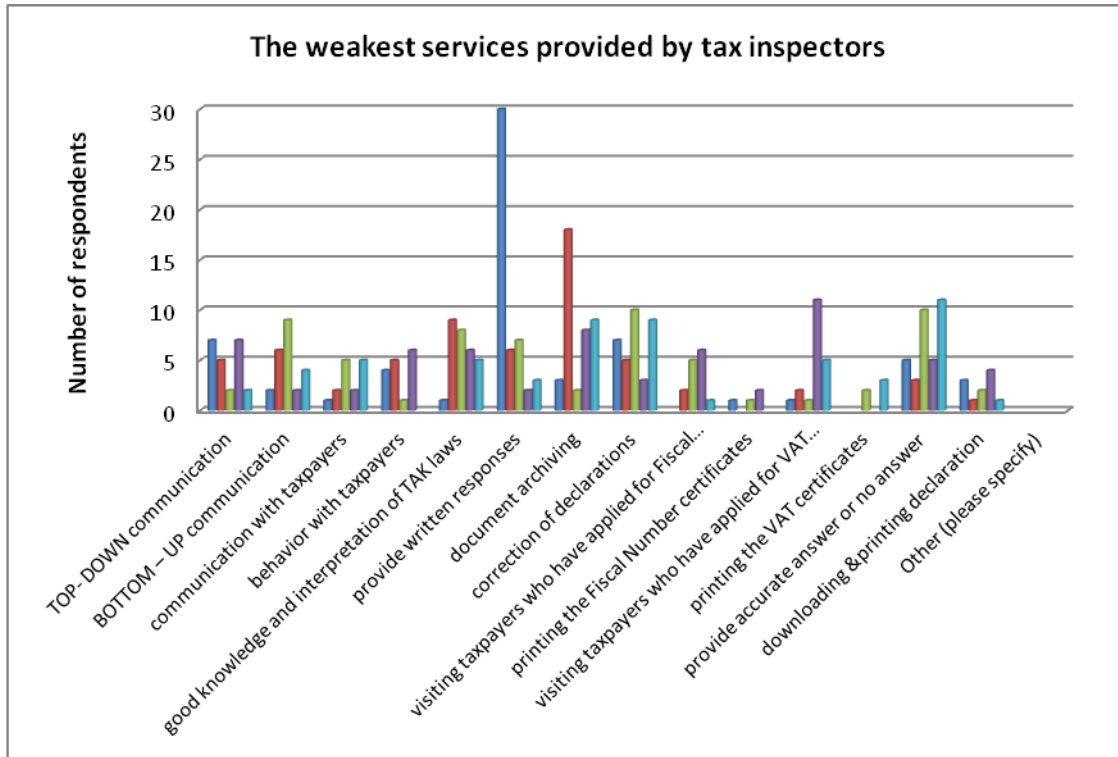


The best services that are provided by tax inspectors to taxpayers as seen in Fig 6.6 are:

- a)Top-Down communication
- b)Bottom-Up communication
- c)Printing the Fiscal Number certificates
- d)Behaviors
- e)Good knowledge and interpretation of TAK laws

6.7 Prioritize the five weakest services provided by tax inspectors?

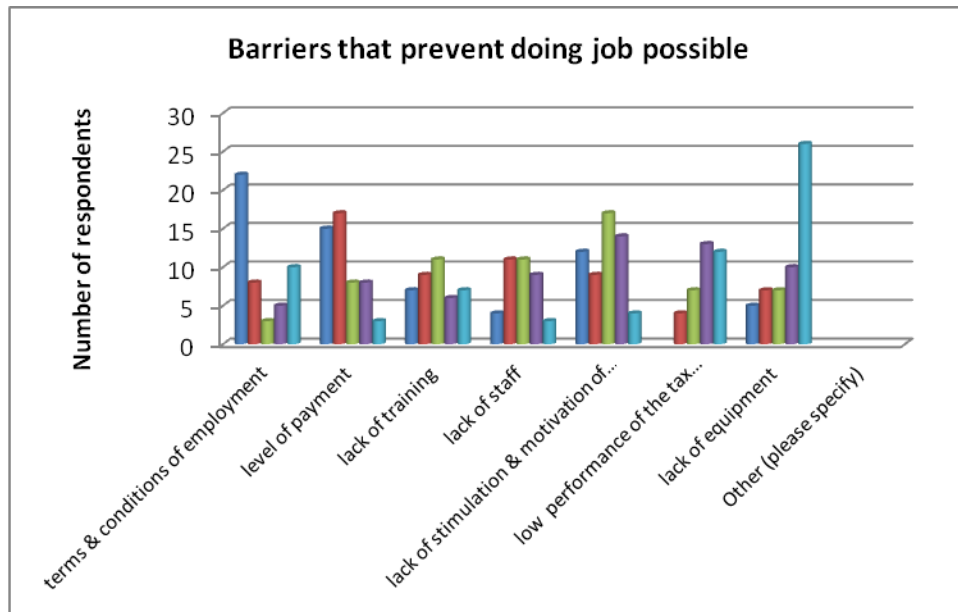
Fig 6.7. Weakest services provided by Tax inspectors



From the above chart Figure 6.7 , it seems that the weakest services provided by tax inspectors are (a)provided written responses ;(b)followed by document archiving; (c)correction of declaration;(d) visiting taxpayers who have applied for VAT and (e)providing accurate answer or no answer.

6.8 Barriers that prevent doing the best job possible by tax inspectors?

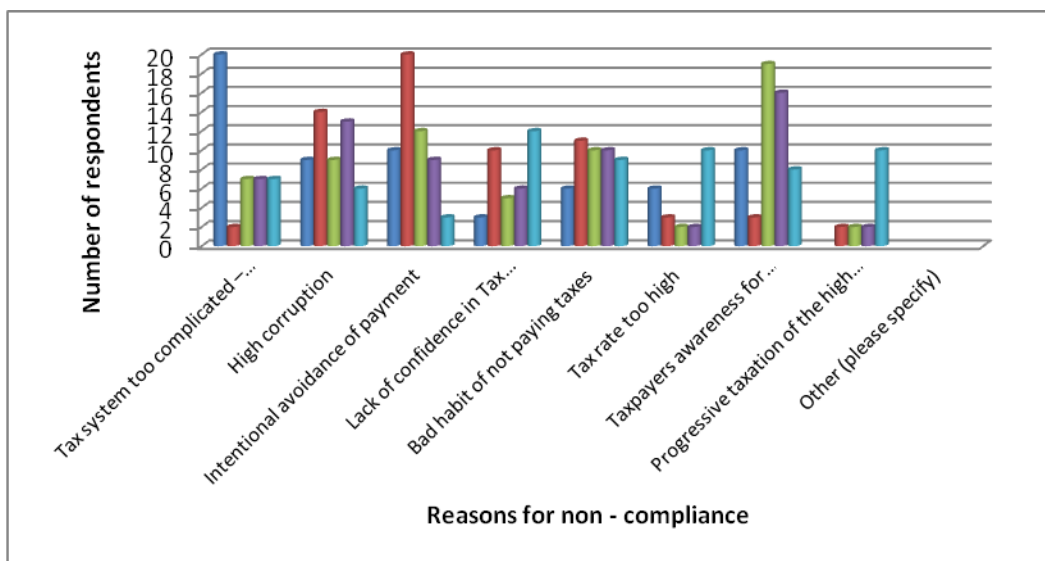
Fig.6.8 Barriers that prevent doing the best job possible



Findings show that participants of the survey believe that the five biggest barriers that prevent doing the best job possible are conditions of employment with 34% ; the next barrier is the level of payment with 23%; the lack of stimulation & motivation of TAK staff (18%) and the lack of training with 11%.

6.9 What do you consider to be the reasons for non-compliance?

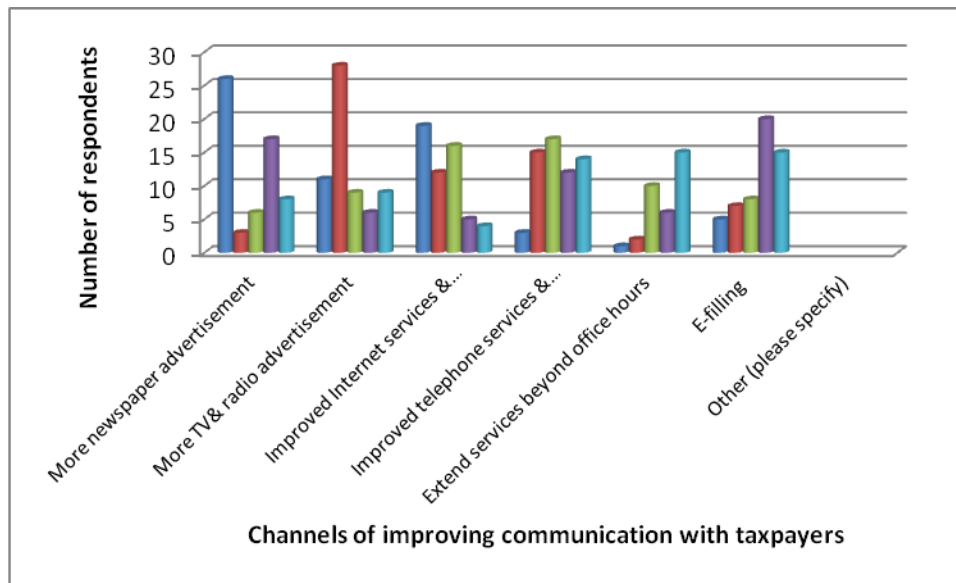
Figure 6.9 Reasons for non-compliance



During the research it was discovered that one third of the respondents considered that tax system is too complicated and intentional avoidance of payment are reasons for non compliance. Third reason based on research is taxpayers awareness about voluntary compliance, followed by lack of confidence in TAK department .

6.10 Channels of improving communication with taxpayers?

Figure 6.10 Channels of improving communication with taxpayers



Findings show that five most important channels for improving communication with taxpayers based on the survey are more newspaper advertisements (40%); followed by more TV & radio advertisements (29%) ; improved telephone services& call center(17%) ;improved internet services & on-line payment (8%)and e-filling(5%).

In this chapter findings regarding demographic data like employees’ gender, age category, a education level, position ,municipality where they live ,best and worst services provided by tax inspectors , trainings that tax staff need ,reasons for non – compliance and general knowledge regarding compliance and communication are analyzed.

From all above mentioned it is concluded and recommended to improve the channels of communication in order to increase the compliance.

Chapter 7: Final Discussion and Recommendations

There are three very essential aspects to this project. The first is (a) Quality of investigation & research methodology; secondly is (b) non-compliance strategy and thirdly (c) requirement of good communication skills. Major recommendations will follow the discussion of those issues (a) Compliance strategy ; (b) taxpayers' on-line account ; (c) transparency of tax system ;

(d) electronic archive .Next are further recommendations of this project (a) providing continuous trainings for tax authority staff ; (b) tax inspectors segmentation based on type of taxes ; (c) more IT equipment ;(d) extended office hours.

7.1 Quality of investigation & research methodology

When people pay taxes on their income as per the prevailing rules and regulations these should be an environment for them to feel proud as taxpayers. When taxpayers are not satisfied, the tax authorities have to identify the reasons for their dissatisfaction and take corrective measures. This project will present's the current situation in government institutions especially in Tax Administration of Kosovo. Objections to the appointment of tax inspectors in the office of taxpayers' service and education. This project is also collected all of the requested information from the regions of Kosovo and compared them to the prepared questionnaire. The main goal of this project was to determine the taxpayers' satisfaction level with tax authority staff in the country of Kosovo and to assess possible changes to tax inspectors behavior towards taxpayers , provide suggestions how to ensure positive impact on the tax compliance and of course revenue growth. The Tax Administration of Kosovo and its relation to the taxpayers are not at the proper level. There are many complaints from taxpayers saying they are unsatisfied with the level of services. Tax office staff are not adequately trained to meet customer requirements, there is a lack of office space, lack of channels for better communication.

Two different questionnaires were used for research, one for taxpayers and one for the tax authority staff. Analysis was based on questionnaires survey conducted by a random sample of

100 entrepreneurs in different regions of Kosovo -65 questionnaires had been received from tax authority staff and they had been analyzed.(Appendix 1).

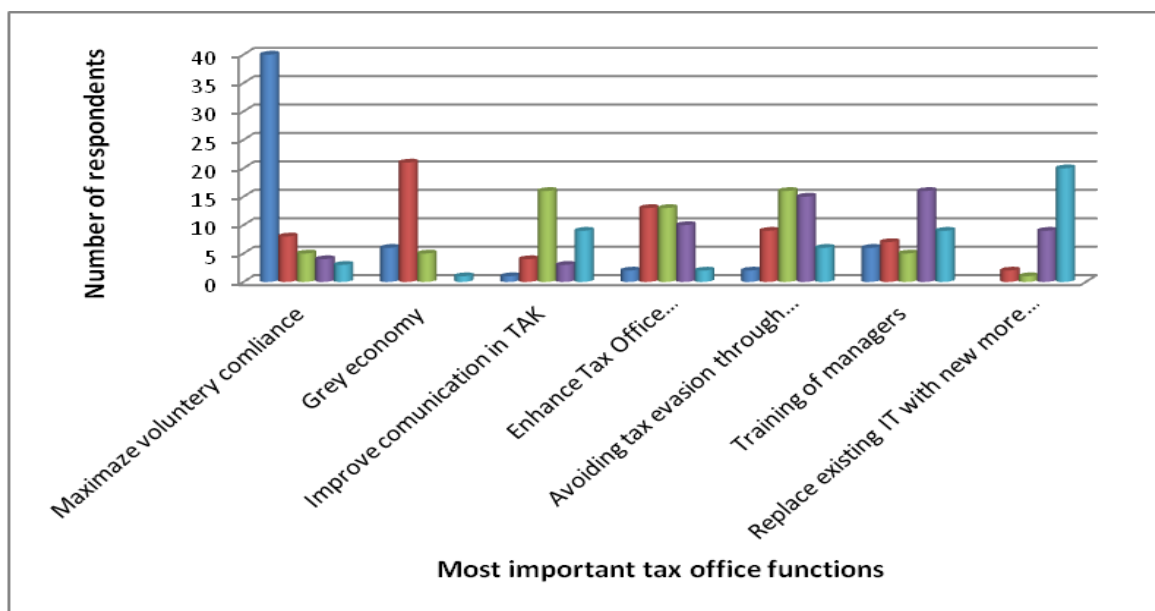
In this project a survey conducted with Kosovar taxpayers in Prizren region was also conducted. Via email and face to face questionnaires were used. Most of questionnaires were completed face to face (Appendix 2).

The TAK strategy of compliance 2012-2015 was developed with the support of International Monetary Fund with the best practices published by OECD. Here the tax system is based on the principles of self – assessment and voluntary declaration. Implementation of this strategy by TAK would affect the performance that also requires creation of conditions inside TAK.

In order to identify strengths of compliance and communication with taxpayers in Kosovo the instrument of questionnaires was used. From all the tax authority staff which was the subject of research, 62% of them stated that the most important tax office function is to maximize voluntary declaration. Next was avoiding the grey economy and tax evasion through improving TAK performance.

In the following graphic it is seen the most important functions of TAK as a result of the questionnaire.

Figure 7-1 , Source of the project – Most important Tax office functions



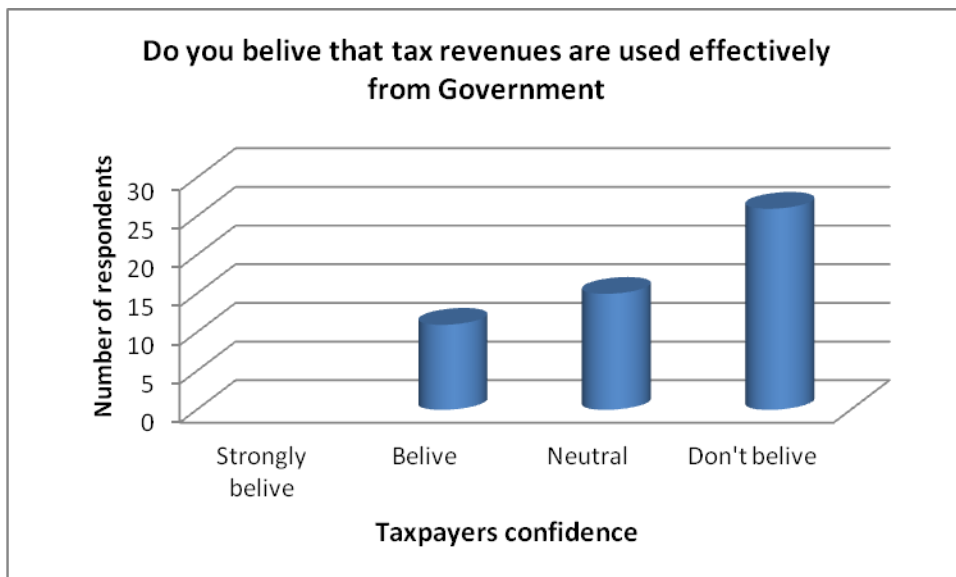
The five main weaknesses of compliance have been identified by the tax authority staff:

1. Provide written responses;
2. Document archiving;
3. Provide accurate answer or no answer;
4. The lack of trainings for tax authority staff;
5. The lack of advertisement in newspapers and TV;

Also five weaknesses of compliance have been identified by taxpayers:

1. The lack of public confidence;
2. Lack of tax inspectors in taxpayers services and education department;
3. The lack of trainings for tax authority staff;
4. The lack of equipment & advertisement in newspapers and TV;
5. Extension of working hours;

Figure 7-2 Taxpayer's confidence in efficient use of government revenues



As a conclusion we can say that the confidence of the public must increase in order to realize easier performance by administering the tax system in a fair and transparent manner.

7.2 Non – compliance strategy

The government requires revenue in order to meet its responsibilities to the citizens and residents of Kosovo. Roads, education, security, hospitals, social welfare programs etc, all require funding. The TAK mission is to collect the revenue that provides that funding in a fair and transparent manner.

Collection of revenues depends on the readiness of taxpayers to pay their liabilities in time which is affected by many factors such as business, industry, sociological, economical and psychological factors.

There are four categories of taxpayers:

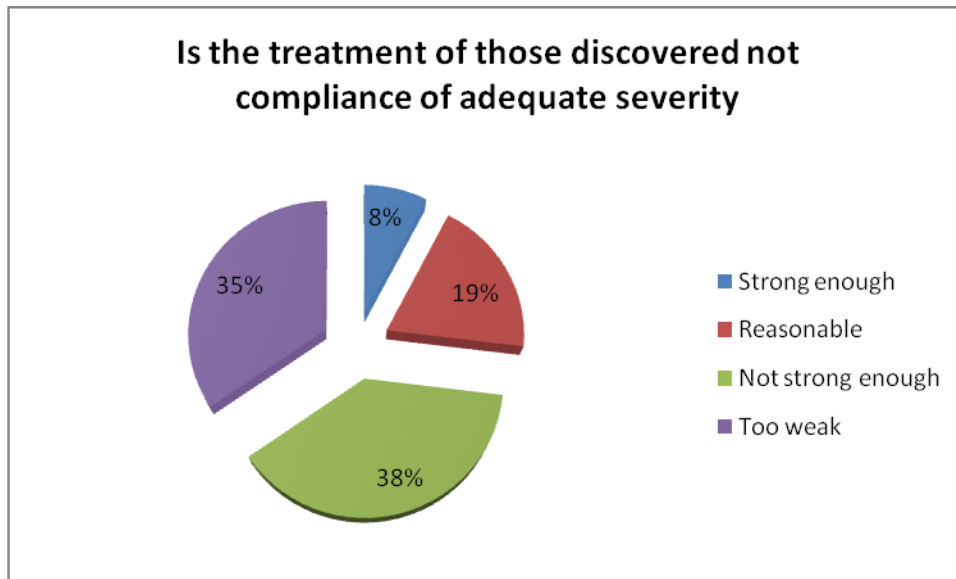
1. Those who are willing to do the right thing by timely submitting their declaration and paying their correct tax liability;
2. Those who try to do the right thing but don't always succeed;
3. Those who don't want to comply;
4. And those who have decided not to comply;

In this project findings were analyzed regarding demographic data like employer's status, type of commercial business, gender, age, level of education, average monthly salary, usual contact with tax authorities and general knowledge regarding compliance and communication. All the sampled respondents are classified in five sectors: individual salary earner, LTD, General partnership, NGO and there was the option Other. A post survey classification of these sectors was made for the purpose of analysis. Of the total selected business units, the largest number are individual salary earners with 75%, followed by other (17%), LTD (6%), general partnership (2%).

110 questionnaires were delivered to taxpayers and 52 completed questionnaires were received and most of them were sales staff.

The majority of taxpayers discovered that the treatment of non – compliance is not of adequate severity

Figure 7-3, Treatment for non-compliance



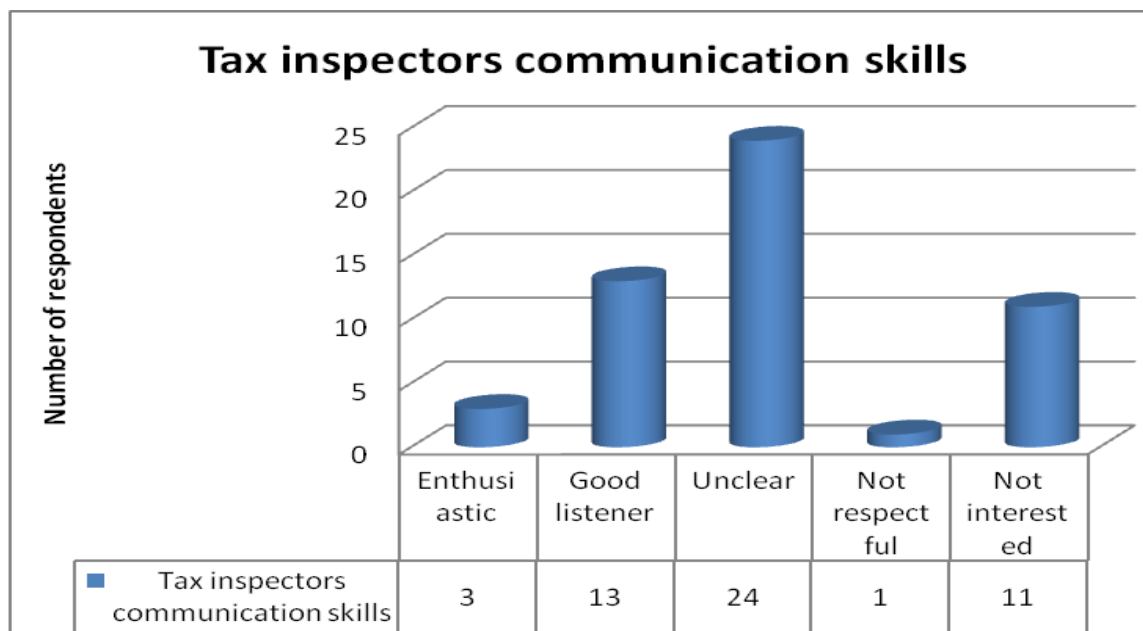
And in the question what should be the treatment for non – compliance offence 40 out of 65 tax authority staff recommended taxpayers’ awareness , followed up with written warnings and confiscation of property.

To achieve its compliance and revenue goals TAK has to ensure the integrity of taxpayers’ data base which has to be up- to- date, tax authority staff has to be well trained, laws effectively applied, and the staff performs its work with integrity and fairness. The conclusion is that all the tools should be used for the improvement of the level of performance.

7.3 Requirement of Good Communication Skills

Communication in general is a very wide term and a very important one in TAK. By this we mean communication with internal and external stakeholders. Internal stakeholders are all tax authority staff. Communication is divided into UP-Down Communication; Down-Up communication and parallel communication and for TAK the external stakeholders are the taxpayers. In the questionnaire for taxpayers the answers were not satisfactory regarding communication. Based on the data received from the survey obviously it seems that 24 from 52 taxpayers are not satisfied with tax inspectors behavior based on their communication skills and they respond with unclear answers, followed up with 13 as 'good listeners' and 11 taxpayers responded with a 'not interested' answer.

Figure 7-4, Communication skills of tax inspectors



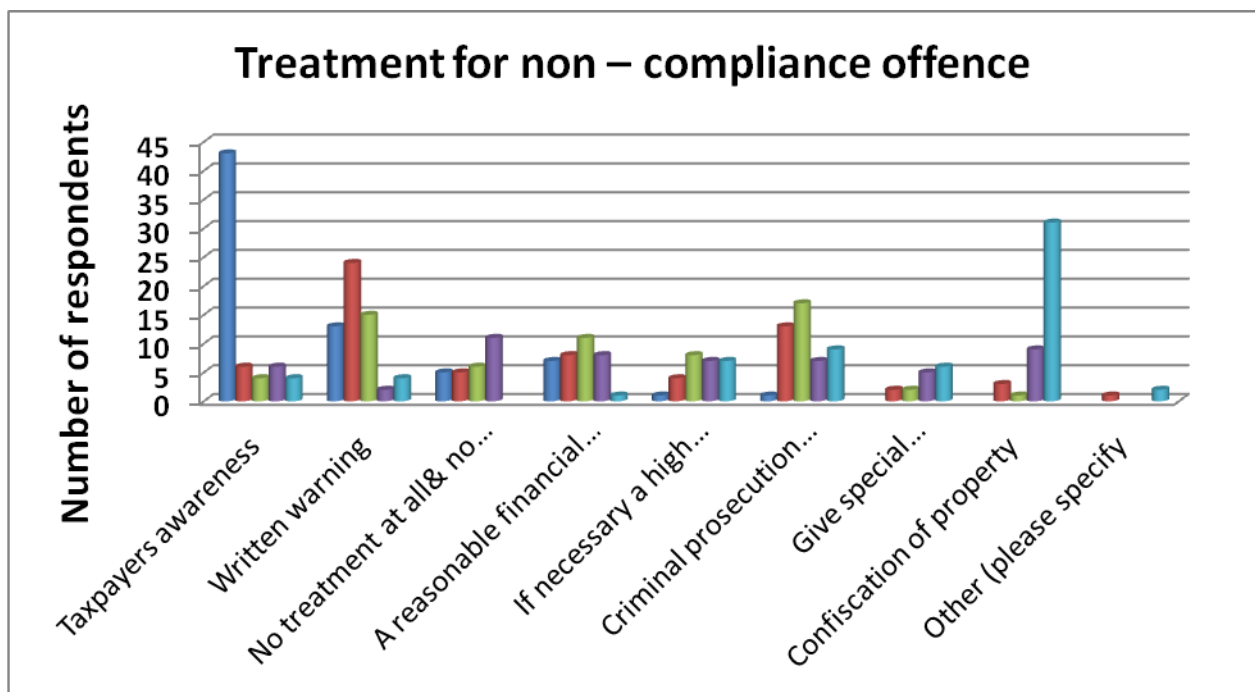
Tax authority staff should have trainings about applicable laws and administrative procedures and trainings for communication with taxpayers. It is concluded that tax officials have to learn and practice how to deal with taxpayers in fair and professional manners.

7.4 Major recommendations:

(a) Compliance strategy:

Implementation of Strategic Plan 2010-2015 and Compliance Strategy 2012-2015 with particular treatment for no filers and stop filers (non-compliance and sub-compliance), avoiding tax evasion, to increase the punishment of those who are discovered for non-compliance, tax gap that impacts directly on TAK revenues and our system of voluntary compliance. Based on the findings from research 43% of taxpayers declared that three most important reasons for non-compliance are taxpayers awareness, followed up by written warnings and confiscation of property.

Figure 7-5, Treatment for non-compliance



(b) Taxpayers' on-line account:

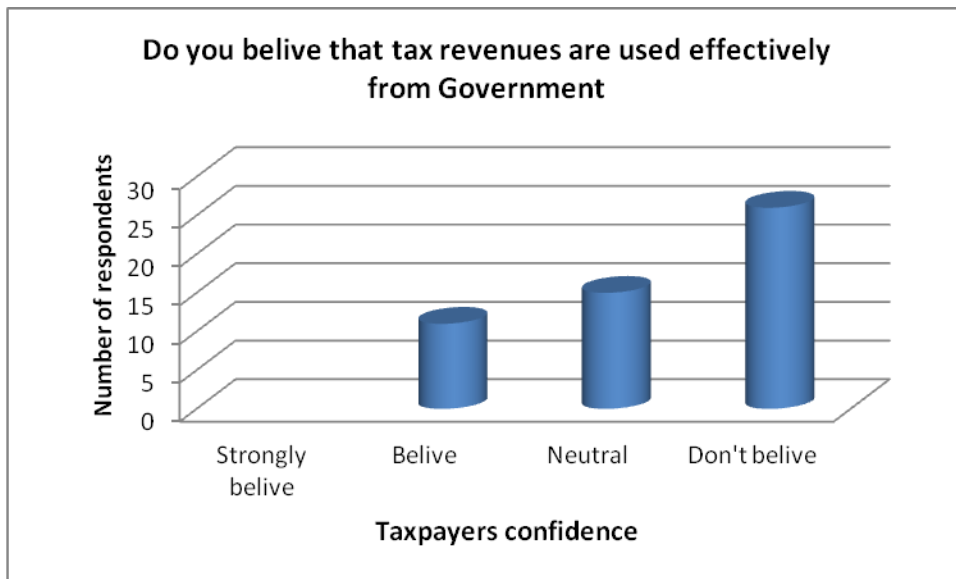
On-line declaration, modern ways to declare taxes quickly and simply.

To create an on –line account for taxpayers at TAK that can (complete and declare taxes as well as to have access to his history); connection with commercial banks about payment (in order to register automatic payments in the TAK system by creating of this account the number of taxpayers’ visits to TAK and banks will decrease because every service will be performed from home or the online location of taxpayers.)

(c) Transparency of Tax System:

The tax system should be simple, transparent as much as possible and should minimize uncertainty among taxpayers; to make the tax payment process and procedures very simple , shorter and practical that encourages more people to pay taxes regularly . This recommendation is also supported by results of the analyzed data of taxpayers. Findings show that 62% of taxpayers agreed with the statement that the tax laws & procedures should be clear and simple while about government’s transparency 41% of taxpayers don’t believe that government is using collected revenues in proper level.

Figure 7-6, Do you believe that tax revenues are used effectively from Government



(d) Electronic archive :

To establish the electronic archive that will include all taxpayer’s undertaken activities (that will include all the activities performed by TAK staff, commencing from the activities of taxpayer’s services – information about the rights and obligations of taxpayers, activities of the inspection

department – finding of facts on tax evasion as well as activities of the department of compulsory collection - reminder letters, the tax amount, last warning notices and property confiscation.)

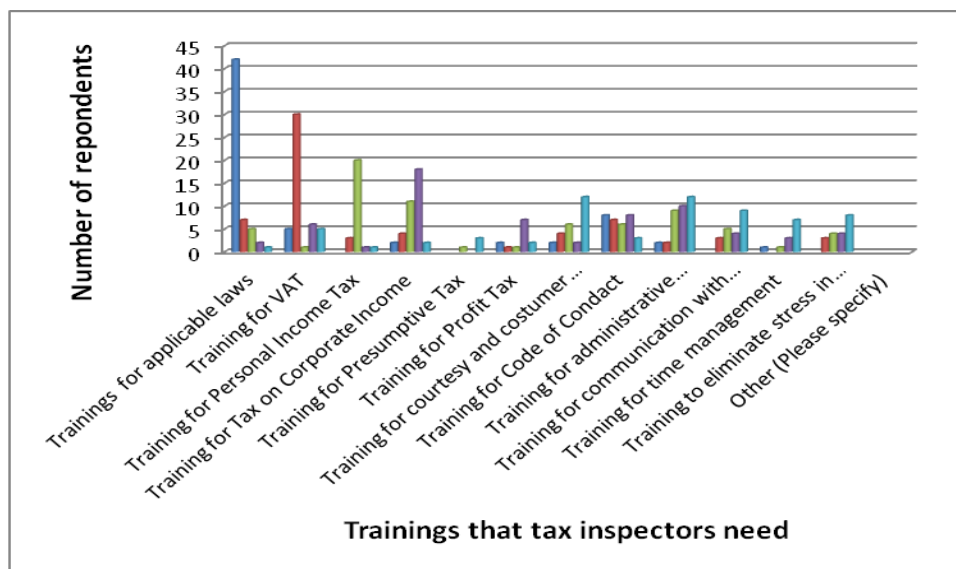
In 2009 TAK implemented a requirement that each taxpayer obtains a fiscal number before beginning any business economic activity. The electronic archive will protect taxpayers’ data base. In this case it will facilitate the tax inspectors’ job because by putting the fiscal number in the TAK program called SIGTAS they will have access to taxpayer’s history and will enhance tax office effectiveness and efficiency

7.6 Further recommendations:

(a) Providing continuous training for tax authority staff:

A lot of trainings must be provided for tax authority staff about applicable laws (VAT, PIT, TCI) and trainings about communication with taxpayers - how to behave in front of taxpayers because the officials in the taxpayers’ sector must be very competent and formative. Based on the findings from the research instrument, 66% of tax authority staff declared that most important trainings should be trainings about applicable laws followed up with trainings for VAT PIT,CITand training for courtesy and costumer satisfaction.

Figure 7-7, Trainings that tax inspectors need



(b) More Information Technology equipment :

The office of taxpayers' services is the first step with taxpayers therefore in order to offer the best possible and fast services they should be equipped with the best equipment -

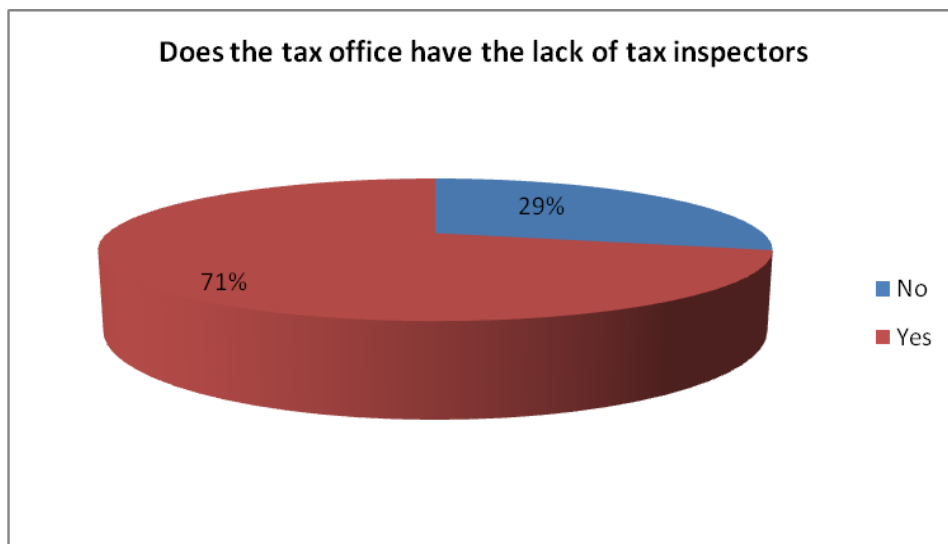
– new computer; more office space ; better air conditioning.

(c) Tax inspectors segmentation based on type of taxes:

To increase the number of the staff in the office of taxpayer's services as well the best performance inspectors should be appointed. In order for TAK to be able to treat the diversity of questions, segmentation of inspectors by types of taxes should be performed in this department (one tax inspector is to specialize in one type of taxes). This would help so that the taxpayers' would respond in writing in a more accurate and professional manner.

This recommendation is supported by results of the analyzed data from taxpayers. Findings show that to the question 'is the tax office in lack of tax inspectors' 71% of taxpayers responded with a YES answer.

Figure 7-8,does tax office have the lack of tax inspectors



(e) Extended office hours :

Extensibility of working hours in: Tax Administration of Kosovo. Based on findings in the survey, 71% of taxpayers wanted TAK to open on Saturday mornings and 27 % of them every day to 4-5 PM.

References:

Compliance Strategy 2012-2015 , Prishtina 2011

Strategic Plan 2010-2015 , Prishtina 2010

Law No 03/L – 222 “Tax Administration and Procedures” Prishtina ,2010

Law No 03/L-071 On Amendments to the Law No.2004/48 for “Administration and Procedures”, Prishtina 2009

Law no 03/L – 115 “On Personal Income Tax” Prishtina 2009

Law No 03/L- 114 “On Value Added Tax” Prishtina 2009

Law No 03/L – 113 “On Corporate Income Tax”Prishtina 2009

Electronic sources:

Official web page of Tax administration of Kosovo , www.atk-ks.org

Improving Taxpayers Service Delivery :Channel Strategy Development, www.oecd.org

Understanding and Influencing Taxpayers Compliance Behavior , www.oecd.org

Compliance Risk Management – Managing and Improving Tax Compliance, www.oecd.org

Official web page of Ministry of Finance , www.mfe.org

Intra- European Organization of Tax Administration, www.iota-tax.org

Effective Communication; Improving Communication Skills in Business and Relationships ,
www.helpguide.org

DRAFT Appendix 1

Confidential Questionnaire for Tax Authority staff:

1. **Please state your gender?** Please v

(a) Male

(b) Female

2. **Age category?** Please v

(a) 26-35

(b) 36-45

(c) 46-55

(d) 55-65

3. **Education level?** Please v

(a) Phd / MBA/MSc

(b) BA/BSc

(c) High school

4. **In which department do you work?** Please v

(a) Taxpayer Service and Education

(c) Audit Department

(d) Tax Collection Department

(e) Information Technology Department

5. **What is your position?** Please ✓

- (a) Manager
- (b) Deputy Manager
- (c) Team Leader
- (d) Audit Tax Inspector
- (e) Taxpayer Services Inspector
- (f) Tax Collector

6. **In which municipality do you live?** Please ✓

- (a) Prizren
- (b) Prishtina
- (c) Gjakova
- (d) Gjilani
- (e) Peja
- (g) Mitrovica
- (h) Ferizaji

7. Prioritize the TOP FIVE most important tax office functions?

(Numbering 1-5 with 1-is very most important and 5-less important)

- | | | | | | |
|---|---|---|---|---|---|
| (a)Maximize voluntary compliance; | 1 | 2 | 3 | 4 | 5 |
| (b)Irregular Taxpayers ; | 1 | 2 | 3 | 4 | 5 |
| (c)Improve communication in TAK; | 1 | 2 | 3 | 4 | 5 |
| (d)Enhance Tax office Effectiveness and Efficiency; | 1 | 2 | 3 | 4 | 5 |
| (e) Better understanding of the tax system through better education; | 1 | 2 | 3 | 4 | 5 |
| (f)Avoiding tax evasion through improving Tax administration performance; | 1 | 2 | 3 | 4 | 5 |
| (g)Training of tax managers; | 1 | 2 | 3 | 4 | 5 |
| (h)Replace existing IT with new more sophisticated system; | 1 | 2 | 3 | 4 | 5 |
| (i)Other (please specify)_____ | 1 | 2 | 3 | 4 | 5 |

8. Prioritize the TOP FIVE best services provided by the Tax Inspectors?

(Numbering 1-5 with 1 is the very best)

- | | | | | | |
|---|---|---|---|---|---|
| (a)TOP- DOWN communication; | 1 | 2 | 3 | 4 | 5 |
| (b)BOTTOM – UP communication; | 1 | 2 | 3 | 4 | 5 |
| (c) communication with taxpayers; | 1 | 2 | 3 | 4 | 5 |
| (d)behavior with taxpayers; | 1 | 2 | 3 | 4 | 5 |
| (e)good knowledge and interpretation of TAK laws; | 1 | 2 | 3 | 4 | 5 |
| (f) provide written responses; | 1 | 2 | 3 | 4 | 5 |
| (g)document archiving; | 1 | 2 | 3 | 4 | 5 |
| (h)correction of declarations; | 1 | 2 | 3 | 4 | 5 |
| (i)visiting taxpayers who have applied for Fiscal Number; | 1 | 2 | 3 | 4 | 5 |

(j)printing the Fiscal Number certificates;	1	2	3	4	5
(k)visiting taxpayers who have applied for VAT certificate;	1	2	3	4	5
(l)printing the VAT certificates;	1	2	3	4	5
(m)provide accurate answer or no answer;	1	2	3	4	5
(n) downloading &printing declaration;	1	2	3	4	5
(o)Other (please specify)_____	1	2	3	4	5

9. Prioritize the TOP FIVE weak services provided by the Tax Inspectors?

(Numbering 1-5 with 1 is the weakest)

(a)TOP- DOWN communication;	1	2	3	4	5
(b)BOTTOM – UP communication;	1	2	3	4	5
(c) communication with taxpayers;	1	2	3	4	5
(d)behavior with taxpayers;	1	2	3	4	5
(e) good knowledge and interpretation of TAK laws;	1	2	3	4	5
(f) provide written responses;	1	2	3	4	5
(g)document archiving;	1	2	3	4	5
(h)correction of declarations;	1	2	3	4	5
(i)visiting taxpayers who have applied for Fiscal Number;	1	2	3	4	5
(j)printing the Fiscal Number certificates;	1	2	3	4	5
(k)visiting taxpayers who have applied for VAT certificate;	1	2	3	4	5
(l)printing the VAT certificates;	1	2	3	4	5
(m)provide accurate answer or no answer;	1	2	3	4	5
(n) downloading &printing declaration;	1	2	3	4	5
(o)Other (please specify)_____	1	2	3	4	5

10. Prioritize TOP FIVE barriers that prevent you doing the best job possible ?

(Numbering 1-5 with 1 is the biggest barrier)

- | | | | | | |
|--|---|---|---|---|---|
| (a)terms & conditions of employment ; | 1 | 2 | 3 | 4 | 5 |
| (b)level of payment; | 1 | 2 | 3 | 4 | 5 |
| (c)lack of training; | 1 | 2 | 3 | 4 | 5 |
| (d)lack of staff; | 1 | 2 | 3 | 4 | 5 |
| (e) lack of stimulation & motivation of TAK staff; | 1 | 2 | 3 | 4 | 5 |
| (f)low performance of the tax inspectors; | 1 | 2 | 3 | 4 | 5 |
| (g)lack of equipment; | 1 | 2 | 3 | 4 | 5 |
| (i)Other (please specify)_____ | 1 | 2 | 3 | 4 | 5 |

11. Potential additional training that Tax Inspectors may need?

In order of importance prioritize the FIVE most important areas of training needs

(Numbering 1-5 with 1 is most important)

- | | | | | | |
|--|---|---|---|---|---|
| (a)Trainings for applicable laws; | 1 | 2 | 3 | 4 | 5 |
| (b)Training for VAT; | 1 | 2 | 3 | 4 | 5 |
| (c)Training for Personal Income Tax; | 1 | 2 | 3 | 4 | 5 |
| (d)Training for Tax on Corporate Income; | 1 | 2 | 3 | 4 | 5 |
| (e)Training for Presumptive Tax; | 1 | 2 | 3 | 4 | 5 |
| (f)Training for Profit Tax; | 1 | 2 | 3 | 4 | 5 |
| (g)Training for Code of Conduct; | 1 | 2 | 3 | 4 | 5 |
| (h)Training for Courtesy and Costumer satisfaction ; | 1 | 2 | 3 | 4 | 5 |

(i) Training for administrative procedures ;	1	2	3	4	5
(j) Training for communication with internal and external stakeholders;	1	2	3	4	5
(k) Training for time management;	1	2	3	4	5
(l) Training to eliminate stress in workplace;	1	2	3	4	5
(m) Other (Please specify) _____	1	2	3	4	5

12. What do you consider to be reasons for non-compliance with the tax laws?

(Prioritize the FIVE most important reasons #Number 1 is the most important)

(a) Tax system too complicated –Simplify it;	1	2	3	4	5
(b) High corruption;					
(c) Intentional avoidance of payment;	1	2	3	4	5
(d) Lack of confidence in Tax department;	1	2	3	4	5
(e) Bad habit of not paying taxes;	1	2	3	4	5
(f) Tax rate too high;	1	2	3	4	5
(i) Taxpayers awareness for voluntary compliance;	1	2	3	4	5
(j) Progressive taxation of the high income;	1	2	3	4	5
(k) Other (please specify) _____	1	2	3	4	5

13. Channels of improving communication with taxpayers ?

(Prioritize the TOP FIVE most important channels # Number 1 is the most important)

(a) More newspaper advertisement;	1	2	3	4	5
(b) More TV& radio advertisement;	1	2	3	4	5
(c) Improved Internet services & Online payment;	1	2	3	4	5
(d) Improved telephone services & Call center;	1	2	3	4	5

- | | | | | | |
|---|---|---|---|---|---|
| (e)Extend services beyond office hours; | 1 | 2 | 3 | 4 | 5 |
| (g)e-filling ; | 1 | 2 | 3 | 4 | 5 |
| (h) Other (please specify)_____ | 1 | 2 | 3 | 4 | 5 |

14. What should be treatment for non – compliance offence?

(Prioritize the TOP FIVE reasons # Number 1 – the most important reason)

- | | | | | | |
|---|---|---|---|---|---|
| (a) Taxpayers awareness; | 1 | 2 | 3 | 4 | 5 |
| (b) Written warning; | 1 | 2 | 3 | 4 | 5 |
| (c) No treatment at all& no penalty; | 1 | 2 | 3 | 4 | 5 |
| (d)A reasonable financial penalty should be implemented; | 1 | 2 | 3 | 4 | 5 |
| (e)If necessary a high financial penalty should be implemented; | 1 | 2 | 3 | 4 | 5 |
| (f) Criminal prosecution through justice system; | 1 | 2 | 3 | 4 | 5 |
| (g)Give special consideration to war veterans; | 1 | 2 | 3 | 4 | 5 |
| (h)Confiscation of property; | 1 | 2 | 3 | 4 | 5 |
| (i) Other (please specify)_____ | 1 | 2 | 3 | 4 | 5 |

Please kindly return the completed questionnaire by e-mail to

Adriana.Nixha@atk-ks.org

Thank you very much!

DRAFT Appendix 2

Confidential Questionnaire for Taxpayers :

A . BACKGROUND

A 1. Employment status?

- (a) Taxpayers Consultant
- (b) Accountant
- (c) Sales staff
- (d) Profession Self Employee
- (f) Teachers
- (i) Nurses
- (k) Lawyers
- (h) Other (please specify)

A 2. Main type of commercial business?

- (a) Individual salary earner
- (b) LTD
- (c) General partnership
- (d) NGO
- (e) Other (please specify)

Specify _____

A 3. Please state your gender?

- (a) Male
- (b) Female

A 4 . Age category?

- (a) 18-25
- (b) 26-35
- (c) 36-50
- (d) 51-65
- (e) 66 or above

A 5. Education level?

- (f) Phd / MBA/MSc
- (g) BA/BSc
- (c) High school

A 6. Permanent residence – (municipality where do you live)?

- (a) Prizren
- (b) Suhareka
- (c) Rahovec
- (d) Malisheva
- (e) Dragash

A 7. Average monthly salary ?

- (a) 150-250
- (b) 260-350

- (c) 360-500
- (d) 510-750
- (e) 760-1000
- (f) >1000

A 8. How do you usually contact Tax Authority's?

- (a) Face to face
- (b) Telephone
- (c) e-services
- (d) Paper

A 8. How long have you been paying taxes?

- (a) 1-3 year
- (b) 3-5 year
- (c) 6-8 year
- (d) 8-10 year
- (e) >10 year

B. COMMUNICATION

B 1. What was the purpose of your visit to TAK?

- (a) obtain a tax certificate;
- (b)information regarding declaration;
- (c) information regarding agreement;
- (d) information related to warnings received ;
- (e) obtain a tax forms ;

- (f) information related to taxpayers statement ;
- (h) information related to Tax Legislation;

B 2 . Asses the professional level of the tax inspectors?

- (a) Knowledgeable
- (b) Very experiential
- (c) Serious minded
- (d) Not experiential
- (e) Not serious

B 3. Asses the behavior (based on his personality) of the tax inspectors?

- (a) Friendly
- (b) Responsive
- (c) Courteous
- (d) Rude
- (e) Not respectful

B 4. Asses the communication skills of the tax inspector?

- (a) Enthusiastic
- (b) Good listener
- (c) Unclear
- (d) Not respectful
- (e) Not interested

B 5. Waiting time before speaking with tax inspector?

- (a) 5 – 10min
- (b) 10 -20 min
- © 20 -30 min
- (d) 30-60 min
- (e) more than 60 min

B 5. In your opinion :

Does the tax office have the lack of tax inspectors?

- a. NO
- b. YES

B 7. Are the tax office opening hours of sufficient duration?

- a. NO
- b. YES

If "NO" to above question which of the following would you like it?

- (a) 4-5 pm
- (b) 5-6pm
- (c) 6-7pm
- (d) Saturday morning
- (e) Other

B 8. Duration of your last communication with the tax inspector?

- (a) 5-15 min
- (b) 15-30 min
- (c) 30-45 min
- (d) 45-60 min
- (e) More than 60 min

B9. Do you consider the tax inspectors working environment (building & computers) were of appropriate satisfactory performance?

- (a) NO
- (b) YES

If "NO" to the above question how should the facilities be improved?

- (a) New computers
- (b) More office space is needed
- (c) New , comfortable and suitable office furniture
- (d) Better office heating & air conditioning

B 10. How would you rate our services in comparison to the similar services in the other parts of the government?

- (a) Much better
- (b) Somehow better
- (c) About the same
- (d) Somehow worse
- (e) Much worse
- (f) Don't know

C .COMPLIANCE

C1.Types of taxes you have been paying to the Government?

- (a) Personal income taxes
- (b) Value added tax
- (c) Corporate Income tax
- (d) Profit tax
- (e) Presumptive tax
- (f) Other (please specify)

C2 . How regularly have you been paying taxes to the Government?

- (a) Very regularly
- (b) Quite regularly
- (c) Moderately regular
- (d) Not regular
- (e) Very irregular

C3. Most frequently used media for acquiring news and information?

- (a) Newspapers
- (b) Radio & TV
- (c) Internet & Websites
- (d) Letters & Circulars
- (e) Colleagues/Friends/Relations

C4.Do you believe that good tax inspectors behavior has impact on compliance?

- (a) YES
- (b) NO

If “NO” to above question which of the following should be :

- (a) The lack of adequate staff in the Taxpayer service office;
- (b) The lack of knowledge of applicable laws;
- (c) More sophisticated IT ;
- (d) More tax inspectors training;
- (e) On – line advertisement ;
- (f) Other (please specify);

C5. How important is the level of honesty of the taxpayers?

- (a) Extremely important
- (b) Very important
- (c) Important
- (d) Not important

C6. How would you assess the fairness of the Tax Policy and tax system as a taxpayer?

- (a) Extremely fair
- (b) Very fair
- (c) Average
- (d) Not fair

C7. How properly do you think that government was and is using the revenues collected from the taxes?

- (a) Very properly
- (b) Quite properly
- (c) Slightly properly
- (d) Quite improperly
- (e) Very improperly

C9. How would you rate the tax rates in general in Kosova?

- (a) Extremely high
- (b) High
- (c) Average
- (d) Low
- (e) Very low
- (f) Extremely low

C10.

DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS	AGREE	DISAGREE
1. Paying taxes to the Government is one's duty	<input type="checkbox"/>	<input type="checkbox"/>
2. Only wealthier people should pay taxes	<input type="checkbox"/>	<input type="checkbox"/>
3. Preferential treatment for wealthier families compare to low income families?	<input type="checkbox"/>	<input type="checkbox"/>
4. Costumer segmentation –different tax rates	<input type="checkbox"/>	<input type="checkbox"/>
5. Keep Tax laws & procedures clear and simple	<input type="checkbox"/>	<input type="checkbox"/>
6. Tax collectors do have the necessary legal power to collect taxes	<input type="checkbox"/>	<input type="checkbox"/>
7. Failure to pay taxes leads to different types of penalization	<input type="checkbox"/>	<input type="checkbox"/>
8. The Government is unfairly levying taxes	<input type="checkbox"/>	<input type="checkbox"/>
9. Incentive for paying taxes regularly is attractive	<input type="checkbox"/>	<input type="checkbox"/>
10. More people will pay taxes in Kosovo if tax rates are reduced	<input type="checkbox"/>	<input type="checkbox"/>

C11. Do you know any individuals who are not paying taxes?

- (a) NO
- (b) YES

C12.If "YES" to C11 how would you classify the

- (a) Rich person
- (b) Clever person
- (c) Poor person

C13.Is the treatment of those discovered not compliance of adequate severity

- (a)Strong enough
- (b)Reasonable
- (c)Not strong enough
- (d)Too weak

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* Thank you very much indeed for your cooperation*