

# The State Fiscal Service of Ukraine Management Assistance Group (SFSU MAG)





# Strategic Reform Plan of the SFS

## KEY REFORM STREAMS FOR 2016

I. Customs Control and Security

II. Taxation of Legal Entities

III. Large Taxpayers

IV. Tax and Customs Audit

V. Financial Investigation

VI. Organizational Support

VII. HR

VIII. Anticorruption

IX. Appeals and Court Disputes Support



# Strategic Reform Plan of the SFS

## MAIN ACHIEVEMENTS

- Introduction of a new ‘function-based’ organizational structure
- Staff reduction and attraction of new professionals based on revised selection criteria
- Development of an efficient HR policy
- Implementation of wide range of e-services (taxpayer’s cabinet, VAT administration etc.)
- Launch of centralized appeal system
- Opening of several Large Taxpayers Offices



# Strategic Reform Plan of the SFS

## ACHIEVEMENTS

### I. Customs Control and Security

- ✓ Legal Framework for Authorized Economic Operators (AEO)
- ✓ Launch of Twinning project on development of Integrated Border Management elements
- ✓ Automated System for Video Surveillance at the Ukrainian-Belarusian border (PRINEX-2)



# Strategic Reform Plan of the SFS

## ACHIEVEMENTS

### II. Taxation of Legal Entities

- ✓ E-cabinet for tax payers
- ✓ E-system for VAT administration
- ✓ E-system for Fuel Selling administration
- ✓ Unified Register of Excise Invoices



# Strategic Reform Plan of the SFS

## ACHIEVEMENTS

### III. Large Taxpayers

- ✓ 5 new regional offices
- ✓ Simplification of procedures by means of e-services
- ✓ Desk&Field audit



# Strategic Reform Plan of the SFS

## ACHIEVEMENTS

### IV. Tax and Customs Audit

- ✓ Audit in regions centralized at the level of General Divisions
- ✓ Trainings on the best world practices for risks assessment provided for staff of audit teams



# Strategic Reform Plan of the SFS

## ACHIEVEMENTS

### V. Financial Investigation

- ✓ Tax police demilitarization
- ✓ New draft law on Financial Investigation Service prepared by SFS; pending in the Parliament
- ✓ More than UAH 46 bln - economic effect of combating shadow economy for previous year





# Strategic Reform Plan of the SFS

## ACHIEVEMENTS

### VI. Organizational Support

- ✓ New 'function-based' organizational structure
- ✓ Revision and redistribution of functions among departments of the SFS
- ✓ Reduced number of the state tax inspectorates



# Strategic Reform Plan of the SFS

## ACHIEVEMENTS

### VII. HR

- ✓ Optimization of number of staff
- ✓ Hiring new professionals
- ✓ Polygraph and psychometric testing of staff
- ✓ Start of the process of measuring Index of taxpayers' satisfaction with quality of service



# Strategic Reform Plan of the SFS

## ACHIEVEMENTS

### VIII. Anticorruption

- ✓ Initiation of new Anticorruption Program
- ✓ 85 criminal cases previous year (against 36 in 2014)
- ✓ More than UAH 3 bln the economic effect of fighting corruption



# Strategic Reform Plan of the SFS

## ACHIEVEMENTS

### IX. Appeals and Court Disputes Support

- ✓ Centralized appeal system
- ✓ New approach to appeals resolution
- ✓ Selectivity of court disputes support – new cost based approach



# International cooperation

## ORGANIZATIONS currently engaged in assisting the reform processes in the SFS

- Delegation of the European Union to Ukraine (EUDEL)
- European Commission (EC)
- European Union Advisory Mission for Ukraine (EUAM)
- European Union Border Assistance Mission to Moldova and Ukraine (EUBAM)
- European Union Member States
- German Corporation for International Cooperation (GIZ)
- International Monetary Fund (IMF)
- United States Department of the Treasury (US Treasury)
- World Bank (WB)



# International cooperation

## SUCCESSFUL PROJECTS by the EU/EC



### By the EU :

Increasing the potential of Ukraine in the area of **Integrated Border Management** EU (FRONTEX), coproviders - WCO, IOM, ICMPD

Support of the Sector Policy of **border management** by improving the control mechanisms, the relevant legal framework, bringing the infrastructure of checkpoints in compliance with European standards and the completion of negotiations on the definition and demarcation of borders

### By the EC:

**Common transit** short-term project as a preparation for a TWINNING project in 2016

EU **AEO** Network meetings and three study visits to EU MS

Bilateral meetings on Pan-EUR-Mediterranean Convention on **rules of origin**



# International cooperation

## SUCCESSFUL PROJECTS by EUBAM



Study visits, seminars,  
workshops on:

Post-clearance control and audit

IPR protection

Rules of origin

AEO

Operation of X-ray equipment

Movement of the radioactive  
materials across the border

Combating tobacco and tobacco  
products smuggling

New technologies for public  
communication

Mutual administrative assistance

Consulting and coordinating  
meetings on:

Modernization of the SFS and Customs in  
particular

Border protection, estimation of safety  
at the borders

Trade facilitation

Combating tobacco and tobacco  
products smuggling

IPR protection



# International cooperation

## SUCCESSFUL PROJECTS by GIZ



### Short/long term experts visits

Risk-based tax audits

Local tax collection in view of the decentralization process

Analysis of court practices and disputes with tax payers

### Seminars, lectures, study visits

Modern tax administration

Audit, analytical work and cooperation among the SFS units

Partnership with tax payers

Combating money laundering by using an automated register of bank accounts

Issuance and verification of EUR.1 certificates

Common transit procedure

Analysis of corruption threats

Transfer pricing

Large taxpayers service





# International cooperation

## SUCCESSFUL PROJECTS by IMF



### Short-term experts visits

- Developing strategic reforms and organizational changes
- Large taxpayer inspectorate reforms (LTI), including HNWI, management of large taxpayers
- Strengthening of debt collection
- Improving disputes resolution
- Harmonization of the USC and PIT
- Review of progress in reforming SFS, ongoing advice, planning further TA

### Long-term expert mission

- Support for planning, steering, and governance capabilities of reform implementation
- Coordination of the technical assistance and other donors activities in reform program
- Advice and assistance on implementing the SFS reform project across all reform areas



# International cooperation



## SUCCESSFUL PROJECTS by US Treasury

Short-term experts visits, trainings on:

Developing skills to conduct the risk selection, audit, international information exchange in the area of transfer pricing

Providing service for large taxpayers

Audit

Debt collection

International taxation

Control over high net-worth individuals (HNWI)

Improving forms of tax reports

Anticorruption measures

Developing IT projects



# International cooperation

## SUCCESSFUL PROJECTS by World Bank

Desk review, advisory missions, and workshops on:

**VAT administration**  
(development of legislative amendments)

**Transfer pricing**  
(development of legislative amendments)



# Further Needs For Donors Assistance

## MAJOR CHALLENGES

- Dependence on the Parliament's and Cabinet's decisions on key issues (establishment of the positions of 5 deputies in the SFS, increasing salary rates, creation of Financial Investigation Service etc.)
- Outdated technical/IT resources
- Lack of financial support/proper budgets
- Occasional misperception of the SFS image and its reforms by the general public
- Low level of trust and reluctance of the general public to engage in reforms



## PRIORITY NEEDS FOR 2016

### I. Customs Control and Security

- Development of the border infrastructure
- IT Support for implementation of the Authorized Economic Operators (AEO)
- Development and implementation of Advance Passenger Information System (APIS)
- Development and implementation of Cargo Targeting System (CTS)
- Review and strengthening of the customs enforcement capabilities



## PRIORITY NEEDS FOR 2016

### II. Taxation of Legal Entities

- Assistance in segregating different taxpayers groups within the system
- Development of the Compliance Plan
- Expert and IT support for development of electronic services and tools (automated systems for excise duty administration, e-reporting, e-audit etc.)



## PRIORITY NEEDS FOR 2016

### III. Large Taxpayers

- Expert assistance in execution of real-time audit by Large Taxpayers Offices (LTO)
- IT support for e-services provision in the LTOs
- Consultations on management of business processes in the Central LTO



## PRIORITY NEEDS FOR 2016

### IV. Tax and Customs Audit

- Studying the experience of collaboration between tax and customs officials while conducting customs audit – global expertise
- Development of Automated System of Risks Analysis and Management





## PRIORITY NEEDS FOR 2016

### V. Financial Investigation (1)

- Development of a "tax gap projects" to assess the scope of the 'shadow economy'
- Studying the best practices in: preventing money laundering and financing terrorism; revealing illegal practices with VAT; using indirect methods for estimation of individuals' tax liabilities
- Consultations on mechanisms of detection, prevention and elimination of tax evasion schemes, in particular salary payments by means of 'shadow funds' (salary in envelopes)



## PRIORITY NEEDS FOR 2016

### V. Financial Investigation (2)

- Workshops on risks selection for conducting audit on tax evasion
- Consultations on the mechanisms of processing and assessment of the information on individuals' income received by from abroad, their capital situated abroad, bank accounts in foreign banks, participation in foreign entities
- Consultations on the mechanism of declaration (legalization) of income from which taxes have not been paid



## PRIORITY NEEDS FOR 2016

### VI. Organizational Support

- Review and reengineering of the business processes (BPR):
- assistance on development of the proper methodology, templates of documents;
- staff training;
- advice on analysis of BPR results and improvement of business processes



## PRIORITY NEEDS FOR 2016

### VII. HR (1)

- Studying the best world practices of reforming HR function
- Development of the standards of professional behavior
- Program on requalification of the retired staff
- Acquisition of tests for testing the staff of the regional offices



## PRIORITY NEEDS FOR 2016

### VII. HR (2)

- Developing the Performance Management System
- Creating a platform for internal communications
- Diagnosis of tax and customs educational institutions of SFS, developing competitive, up-to-date educational programs; providing technical support



## PRIORITY NEEDS FOR 2016

### VIII. Anticorruption

- Acquisition of tests for integrity, work ethics and work stability assessments
- Trainings for staff to develop zero tolerance to corruption
- Trainings for staff of internal security division on the best practices of corruption investigation



## PRIORITY NEEDS FOR 2016

### IX. Appeals and Court Disputes Support

- Consultations on implementation of alternative disputes resolution
- Assistance in organizational restructuring of appeal system into a centralized one-level system
- IT support for creation of the SFS data base of legal practices and decisions

# Thank you for attention!



May you have any questions or suggestions, please, contact:

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