1. **Basic Information**

1.1 Publication notice reference: EuropeAid/ 137-954/IH/ACT/HR

1.2 Programme: Transition Facility IPA/2013/24986 (Annex of C(2013) 8057 final); Institution Building Envelope

1.3 Twinning Number: HR 14 IPA FI 03 16

1.4 Title: Further harmonisation of the Customs Administration with the EU acquis in the field of inspection supervisions (CRO CUSTOMS AUDIT)

1.5 Sector: Public Finance - Customs

1.6 Beneficiary country: Croatia

2. **Objectives**

2.1 Overall objective:

Full protection of the EU and Croatian financial interests from international economic frauds in the area of customs and tax administration ensured.

2.2 Project purpose:

Capacity of the Croatian Customs Administration (CCA) and Croatian Tax Administration (CTA) in the field of inspection supervisions strengthened in order to ensure full protection of the EU and Croatian financial interests from international economic frauds, the detection of which is the joint responsibility of the CCA and the CTA.

More specifically, the purpose of the project is to enhance the CCA and the CTA capacities for continuous harmonisation with the EU acquis and good practices related to inspection supervisions, in order to join all Member States in the combat against fraud and economic crime related to customs and value added tax (VAT), preventing of the occurrence of “missing traders” and “carousel frauds”, as well as detecting and preventing all new forms of fraud in general.

2.3 Contribution to Accession Treaty/Relevant national documents:

**Accession Treaty**

Following the signature of the Accession Treaty on 9 December 2011 and its ratification procedure in the Member States, Croatia joined the European Union on 1 July 2013. As a Member State, Croatia needs to further enforce laws and regulations of the European Union in the field of customs in line with the provisions of the Accession Treaty, such as: “All entry and exit checks by Croatian border guards shall be carried out in compliance with the acquis of the Union, including Member States’ obligations as regards international protection and non-refoulement. The relevant bilateral agreements establishing the common border crossing points in question shall, if necessary, be amended to that end”. Moreover, the project is in line with the Article 30 of the Accession Treaty stating that Croatia needs “to develop and strengthen its administrative capacity to implement and enforce Union law and
to foster the exchange of best practice among peers. That assistance shall fund institution-building projects and limited small-scale investments ancillary thereto” and also that “assistance shall address the continued need for strengthening institutional capacity in certain areas through action which cannot be financed by the Structural Funds or by the Rural Development funds.”

The Council Regulation No 2913/92 of 12 October 1992 establishing the Community Customs Code with all its subsequent amendments and the Regulation No. 2454/93 laying down provisions for the implementation of Council Regulation No. 2913/92 of 2 July 1993 establishing the Community Customs Code with all its subsequent amendments, include inter alia, the provisions on the implementation of several types of post-clearance controls conducted by the CCA, such as audit and Single Administrative Document (SAD) revisions.

The Union Customs Code (UCC) was adopted on 9 October 2013 as Regulation (EU) No 952/2013 of the European Parliament and of the Council in order to achieve harmonized customs proceedings in Member States. It entered into force on 30 October 2013 and repealed the Regulation (EC) No 450/2008 of the European Parliament and of the Council of 23 April 2008 laying down the Community Customs Code (Modernized). Its substantive provisions will apply on 1 May 2016, once the UCC-related Commission acts (Delegated and Implementing Acts) are adopted and in force. The UCC is part of the modernization of customs and will serve as the new framework regulation on the rules and procedures for customs throughout the EU. The changes relate to completely new approach to economic operators in general, types and ways of implementation of customs proceedings, working procedures of customs authorities in all Member States, including Croatia. In line with that adjustment is needed for activities of the risk assessment and supervision activities. The newly applicable UCC provisions which will enter into force on 1 May 2016 foresee simplification of procedures and at the same time an appropriate level of inspection of goods transported in or out of customs territory of the EU for which cooperation between responsible authorities in implementation of customs controls is needed.

Council Regulation (EU) 904/2010 of 7 October 2010 on administrative cooperation in the field of VAT has been in force since 1 January 2012. It was adopted by the Council of the European Union on 7 October 2010 and it repeals Council Regulation (EC) 1798/2003. Within the above mentioned Regulation it is acknowledged that tax evasion and tax avoidance extending across the frontiers of Member States lead to budget losses and violations of the principle of fair taxation. Therefore, close cooperation between tax and customs administrations of Member States is vital to detect and reduce tax fraud.

Strategy of Government Programmes for the period 2015-2017
Strategy of Government Programmes for the period 2015-2017 highlights macroeconomic and economic stability as one of its strategic goals, under which several specific goals were defined, two of which are connected to this Twinning project:
- A just and effective collection of tax revenues which is to be realised through the establishment of a modern and effective tax audit;
- Security and protection of market and society as well as financial interests in the field of customs, special taxes, excise tax and facilitating trade which is to be achieved, inter alia, through strengthening of customs security measures and effective supervision of trade in goods and suppression of all forms of unlawful performance of activities.

Convergence Programme of the Republic of Croatia for the Period 2015-2018
The project will contribute to the goals of the Convergence Programme which states that “in the next mid-term period the Ministry of Finance will additionally intensify the activities aimed at improving tax collection, preventing tax evasion and gradual resolving of tax liabilities”.

Croatian Customs Administration Strategy 2014-2016

This Strategy recognizes that the development of international trade is accompanied by major changes in movement, requiring a selective approach to the implementation of control and the selection of subjects. One of the goals from the strategy is effective supervision of the trade in goods and suppression of all forms of unlawful performance of activities, which is envisaged to be achieved through, inter alia, following activities: risk analysis and the implementation of target inspection audits and strengthening of operative abilities in the implementation of customs supervision measures throughout the customs area either independently or in cooperation with other competent authorities. Moreover, it is highlighted that protection of the EU and Croatian financial interests can be ensured through effective collection of revenues and contributions to the joint budget, and it is recognized that implementation of audits and ex-post controls are effective mechanisms to fight against customs, excise, tax and other fiscal frauds.

This Twinning project will contribute to the achievement of priorities and objectives stated in the abovementioned documents through synchronization of the procedures and mechanisms in the area of post-clearance control and audit, as well as through trainings of the CCA and the CTA employees. The project will lead to development of an efficient and effective post-clearance control and audit in compliance with the EU requirements.

3. Description

3.1 Background and justification:

Following Croatia's accession to the European Union, Croatia also became a part of the Customs Union, based on the free movement of people and goods throughout the territory of the EU and the EU market became a “common market” for Croatian traders. This has brought changes in procedures and rules of the Croatian Customs Administration (CCA) regarding all work processes e.g. former customs declarations were replaced by Intrastat (system for collecting information and producing statistics on the trade in goods between countries of the European Union).

Additional significant changes in procedures are brought by provisions of the Union Customs Code (UCC) that are to enter into force on 1 May 2016. The UCC and the related delegated and implementing acts shall:

- Streamline customs legislation and procedures;
- Offer greater legal certainty and uniformity to businesses;
- Increase clarity for customs officials throughout the EU;
- Simplify customs rules and procedures and facilitate more efficient customs transactions in line with modern-day needs;
- Complete the shift by Customs to a paperless and fully electronic environment;
- Reinforce swifter customs procedures for compliant and trustworthy economic operators.

In that regard, it is essential to carry out further alignment of the methods and work processes of the CCA with the UCC and with the EU standards and best practices in the implementation of inspection supervisions, e.g. regarding new types of risks and risk areas, in regard to working procedures of economic operators, and related to the occurrence of new forms of fraud.

Further obstacle for smooth functioning of the CCA work processes is lack of interconnectedness and communication with relevant institutions in the Republic of Croatia and other Member States, necessary for quality detection and reduction of tax frauds. The key forms of tax frauds related to customs throughout the territory of the EU are the so-called “carousel frauds” and “missing traders”, which result in a loss of considerable amounts of revenues due to VAT evasion, so it is necessary to
include the Croatian Tax Administration (CTA) in joint supervisory activities with the CCA. The CTA is an independent administrative organisation within the Ministry of Finance, responsible authority for collecting public revenues, all types of taxes and contributions.

There are several national legislative acts that regulate cooperation between the CTA and the CCA. The Tax Administration Act includes provisions on cooperation between the CTA and other bodies; it is stipulated, amongst other things, that the CTA cooperates with other bodies vested with public powers engaged in the field of determining, collecting and supervising public revenues, one of which is the CCA. The Customs Service Act sets out that the CCA cooperates with state bodies, local and regional self-government and legal persons vested with public powers in taking measures to achieve efficient and purposeful performance of the activities of the customs service.

The State Administration System Act stipulates that the ministries, state offices and state administrative organisations must cooperate and provide each other with professional assistance within their respective fields of work, submit notifications with data included in the official registers, align work plans, establish joint professional commissions and working groups for issues of common interest, organise joint professional counselling and encourage and organise other forms of mutual cooperation. They are also bound by the same provisions on the manner of organisation of audits.

Pursuant to the General Administrative Procedure Act, the CCA and the CTA submit/relay data and information received from third parties concerning potential irregularities connected with the application of tax or customs legislation, so that measures within the competence of the CTA (tax proceedings) or the CCA (customs proceeding) might be taken. In addition, after the relevant measures have been carried out, both administrations exchange data necessary to implement proceedings within its competence if it is established in the said proceedings that there might be irregularities in terms of violations of customs or tax legislation.

In practice, the CCA cooperates with the relevant organisational units of the CTA by carrying out joint audits pursuant to the provisions of the abovementioned legislation. Each institution separately draws up minutes on the state of facts within its field of competence, after which, in the event of irregularities, a decision is issued and further administrative procedure is conducted within each of the administrations. The need for further cooperation of the CTA and the CCA has been recognized on many occasions, particularly where there is joint supervisory interest (e.g. for customs procedures 42 (4200) and 63 (6300) relating to payments or exemption from payment of VAT in another MS), and will additionally enabled through this project.

In terms of other forms of cooperation, the CTA enabled access into its database of personal identification numbers (PINs) and the VIES database to the CCA. Furthermore, the CCA submits all data about the customs procedure 4200 (information about products from customs declarations, VAT identification numbers, etc.) to the CTA. Both administrations carry out risk analyses independently, each in the specific area of its competence. Considering the importance of risk analysis for the selection of economic operators included in preparation of plan of supervision, or choice of declarations and/or areas of supervision, through these project recommendations for determined joint risks will also be prepared.

Some of the instruments in conducting supervisions that are used by the CTA and other Member States, regarding the common EU market monitoring via information exchange, are VAT Information Exchange System (VIES), EUROFISC (network for the swift exchange of targeted information between Member States), Common Communication Network and Common System Interface (CCN/CSI) network, Programmes Information and Collaboration Space (PICS), Intra-European Organisation of Tax Administrations (IOTA). This project will assist the CCA in use of the
aforementioned instruments and provide information on the means of cooperation with the CTA as well as other relevant institutions in their common field of interest.

Specifically, all transactions taking place in the European Union territory can be monitored through the aforementioned VAT Information Exchange System (VIES), an electronic mean of transmitting information relating to VAT registration (i.e., validity of VAT numbers). Namely, EU law requires that, where goods or services are procured within the EU, VAT must be paid only in the Member State where the purchaser resides. For this reason, suppliers need an easy way to validate the VAT numbers presented by purchasers and this validation is performed through VIES. VIES does not itself maintain a VAT number database. Instead, it forwards the VAT number validation query to the database of the relevant Member State. The national VIES database is monitored by the CTA.

EUROFISC is a mechanism provided for Member States to enhance their administrative cooperation in combating organised VAT fraud and especially “carousel frauds”. EUROFISC allows for quick and targeted sharing of information between all Member States on fraudulent activities. It is believed that fast exchange of information by and between bodies for the suppression of VAT-related frauds in various MS and in particular the development of joint risk analysis models are important tools for the early detection of “carousel frauds”, where a rapid response by the competent authorities is of key importance.

The use of the Common Communication Network and Common System Interface (CCN/CSI) network, developed by the European Commission to ensure all transmissions by electronic means between competent authorities in the area of customs and taxation, further harmonises, simplifies and improves the quality of electronic information exchange.

The Programmes Information and Collaboration Space (PICS) provides common working space for exchanging information and networking and is believed to be a positive step towards more efficient use of the resources.

The Intra-European Organisation of Tax Administrations (IOTA) provides a forum to assist Members of the European Union for discussion of practical tax administration issues, to promote cooperation between tax administrations in the European region and to support their development according to their individual needs.

This project is envisaged to facilitate future cooperation through consolidation of IT systems and to prepare methodological documents for implementation of the joint CCA and CTA supervisions and to provide necessary trainings and pilot work to the CCA and the CTA employees.

Implementation of this project will enable the CCA to proceed with the alignment of the implementation of post clearance controls and audits in line with the legislation and best practices of the EU in terms of the substantial changes arising from the newly applicable UCC provisions. The project will also allow the establishment of joint cooperation with the CTA essential in the implementation of audits, as required by EU standards and best practices of the EU.

3.2 Linked activities:

**IPA 2010 ˝Harmonization of the Croatian Customs Administration with the standards, organization and operational methodology of EU post-clearance control and audit”**

Through this Twinning light project (HR/2010/IB/FI/03 TWL) the following results were achieved: Recommendations for improvement of national legal framework in the area of post-clearance control and audit prepared, Recommendations for improvement of organisational and operational capacity of
the CCA including communication and coordination procedures in relation to other stakeholders involved in post-clearance control and audit prepared, Recommendations for upgrading the existing IT system which supports post-clearance control and audit prepared, Manual of procedures for customs officials performing post-clearance control and audit and Guidelines for performing risk assessment developed, Annual plan and Operational control plan for post-clearance control and audit developed and Capacities of custom officials involved in post-clearance control and audit enhanced. The abovementioned results will represent the groundwork for the implementation of this project. The project was implemented from April 2014 to December 2014 in cooperation with Austria as MS Twinning partner.

IPA 2010 FFRAC “Supporting the capacity of CTA for further development of EU information exchange systems”

The purpose of this Twinning light project (HR/2010/IB/FI/02TL) was further development of EU information exchange systems through improving relevant procedures, establishing more efficient monitoring and managing system and strengthening capacity of relevant CTA employees. Project results were as follows: Recommendations for further development of EU information exchange systems and further improvement of related business processes (from IT aspect) produced, More efficient monitoring and management of EU information exchange systems proposed through preparation of recommendations, design of the Service Desk and development of the Operational Guidelines, Monitoring support related to conformance testing and/or transition into production provided, Service Level Agreements (SLA) documents with all relevant stakeholders produced and Capacity of CTA officials regarding monitoring and management of EU information exchange systems strengthened. The project was implemented from January 2014 to July 2014 with Austria as MS Twinning partner.

IPA 2010 “Enhancement of the CTA administrative and institutional capacity in the field of application of VAT EU common system”

The purpose of this Twinning project (HR/10/IB/FI/01) was to strengthen the administrative and organizational capacities of the CTA in order to provide successful implementation of VAT regulations concerning EU common market. The project results included: Recommendations for further alignment of national VAT legislation with EU legislation in the field of EU VAT common system prepared, Working processes and procedures in relation to the new VAT legislation (based on Council Directive 2008/8/EC and Council Directive 2008/9/EC) improved, Recommendations for improvement of efficiency of VIES system and procedures connected with VIES system elaborated and presented to the CTA senior management, CTA organizational structure in relation to VAT related tasks analysed and recommendations for organizational changes prepared and presented to the CTA senior management, Capacity of the CTA in the field of VAT legislation, working processes and procedures in relation to the EU VAT common system enhanced through targeted training, Communication and education strategy for taxpayers regarding VAT procedures on EU common market developed and educational materials for taxpayers prepared and disseminated. The project started in June 2012 and ended in April 2014 with the Netherlands as MS Twinning partner.

IPA 2009 “Enhancement of the administrative capacity of CTA in the field of audit”

The goal of this Twinning project (HR/2009/IB/FI/01) was to strengthen the CTA functions of tax auditing and battling tax fraud in line with EU best practices. The achieved results included strategy for audit of taxpayers and the related Action Plan, manual on procedures for planning and reporting on audit, guidelines on methods and techniques for audit by major type of groups of taxpayers, manual on e-audit, manual for audit of VAT and combating tax fraud. This project also contributed to enhancement of capacity of CTA staff through a number of workshops, seminars and study visits on applying modern methods and techniques in audit of taxpayers, including e-audit and fight against tax
fraud. The project started in May 2012 and was completed in March 2014 with Germany and United Kingdom as MS Twinning partners.

IPA 2010 "Integrated Border Management - Further strengthening of enforcement capacities of the Customs and Border Police"

The project consisted of two components: Twinning (HR/2010/IB/JH/03) and supply. The project purpose was further development of efficient customs and border controls at border crossing points, capable to ensure protection in line with EU standards. The Twinning project was envisioned to increase capacities of the CCA to implement customs controls in a systematic, comprehensive, flexible and consistently applied manner and to strengthening existing cooperation with the Border Police under the IBM concept, resulting in efficient prevention and suppression of illegal migration, smuggling, trafficking in human beings and other types of crime which affect particularly the most vulnerable parts of the border. Twinning project was implemented from January 2012 to December 2013 in cooperation with Austrian Twinning partners. Within supply component, equipment for the Customs and Border Police was procured in order to achieve EU standards in performing border controls.

IPA 2010 FFRAC “Strengthening the administrative capacity of the CTA on mutual cooperation in the field of taxation”

The purpose of this Twinning light project (HR/2010/IB/FL/01TL) was to strengthen the administrative capacity of the CTA in order to successfully prepare Central Liaison Office (CLO) staff for implementation of tasks concerning the administrative cooperation and mutual assistance in the field of taxation. Results achieved by this project included: New legal acts and/or amendments to the existing national legislation which regulate administrative cooperation in the field of taxation drafted, Guidelines regarding procedures and working processes in CLO in accordance with the EU legislation and best practices updated, Existing Training Manual and Training Program that are related to administrative cooperation in the field of taxation adjusted and updated, the CTA officials trained and educated on administrative cooperation in the field of taxation through training of trainers and training courses. The project started in October 2012 and ended in April 2013 with Austria as MS Twinning partner.

IPA 2009 “Harmonization of the customs risk management system with EU standards and best practice”

This Twinning light project (HR/2009/IB/JH/06TL) supported Croatia in the process of fulfilling the EU accession requirements concerning Chapter 29 (Customs Union) and parts of Chapter 16 (Taxation), Chapter 24 (Justice, Freedom and Security) and Chapter 33 (Financial and Budgetary Provisions) of the EU acquis, with regard to ensuring the application of modern and consistent risk management procedures in all customs offices that would facilitate balance between ensuring enforcement security and trade facilitation at the same time. The project was implemented from November 2011 to May 2012 in cooperation with Italian Twinning partners.

IPA 2007 “Customs Laboratory Development”

The objective of this project was further development of the Customs Laboratory in order to realize the operational capacity in compliance with the EU requirements resulting in improved legal basis, management policies, analytical equipment, analytical methods, training programmes and working methods, required to perform the wide range of responsibilities in line with the EU best practice. The project consisted of two components: Twinning (HR/2007/IB/FL/01) and supply. Twinning project was implemented from March 2011 to June 2012 in cooperation with the Spanish Twinning partners. Through supply component the necessary equipment was purchased and installed in the Customs Laboratory.
IPA 2007 “Supply of equipment for Anti-smuggling Units”

The objective of this supply project was strengthening customs control and surveillance throughout customs territory of the Republic of Croatia in order to prevent breach of customs and excise regulations and to facilitate investigation and prosecution of anti-smuggling activities and other forms of organised crime. Procured equipment consisted of: vans, vehicles for transport of official dogs and personal vehicles, all-terrain vehicles, mobile x-ray vehicle, official dogs, patrol sea boats, patrol river boats and trace detectors. Equipment was delivered during the 2011.

PHARE 2006 “Integration of the Croatian Customs Information Systems with the EU Customs Information Systems”

The objective of this project was to enable full compatibility and interconnectivity of Croatian Customs information systems with the EU customs systems in the area of customs tariff, customs transit control and import and export of excisable goods. It included development of ITMS Subsystems, EMCS phase 3, NCTS trade module and Export Control System (ECS), Common Communication Network and Common System Interface (CCN/CSI). This complex project was implemented in the period from 2008 to 2010 through 3 service, 3 Twinning and 1 supply sub-project. Twinning partners were Italian and Austrian Customs services.

PHARE 2005 “Interoperability of IT Systems with EU Customs Systems”

The objective of this project was to strengthen operational capacity of the CCA in line with the EU standards in crucial areas of customs activities within the European customs Tariff, customs transit control and excisable goods movement control in order to ensure full compatibility and interconnectivity between the Croatian and EU information systems. The EU compatible national customs interconnectivity systems TARIC, NCTS and EMCS have been developed within this project. This overall project was implemented in the period from 2007 to 2009 through 3 service and 3 Twinning projects. Twinning partner was Austrian Customs service.

Customs 2020 Programme

In addition to the abovementioned, the CCA participates in the CUSTOMS 2020 programme, which is an EU cooperation programme providing national customs administration with the possibility to create and exchange information and expertise. It allows developing and operating major trans-European IT systems in partnership and establishing various human networks by bringing together national officials from across Europe. General objective of the Customs 2020 Programme is to support the functioning and modernization of the customs union in order to strengthen the internal market by means of cooperation between participating countries, their customs authorities and their officials. The Commission is responsible for implementation of the programme and it is assisted by the Customs 2020 Committee, composed of delegates from each Member State. CCA officials took part in two working visits (Austria in 2009 and Sweden in 2010) within previous Customs community programmes. Some of the objectives of the working visits were related to general identification of measures and methods used for conducting audit and post-clearance controls and to identify necessary subjects for controls.

3.3 Results:

Result 1: Recommendations for improvement of the legal framework related to the joint CCA and CTA supervisory activities prepared

Indicators of achievement:
• Analysis of the CCA legal framework conducted and recommendations for improvement related to the joint audits with the CTA prepared
• Analysis of the CTA legal framework conducted and recommendations for improvement related to the joint audits with the CCA prepared
• Overview of legislation for the implementation of joint audits, taking into consideration the use of EU and national legal framework, including the applicable UCC provisions, prepared

Result 2: Recommendations on performing the joint CCA and CTA supervisory activities prepared

Indicators of achievement:
• Types of customs procedures related to different types of economic operators established
• Control areas for:
  o CCA supervisory and post-clearance activities
  o CTA supervisory activities
  o Joint CCA and CTA supervisory activities established
• Joint CCA and CTA working groups established and recommendations on work methodology for the joint CCA and CTA supervisory activities prepared

Result 3: Recommendations on separate and joint risks analysis in the CCA and the CTA prepared

Indicators of achievement:
• Possibility of occurrence and forms of:
  o Risks for each CCA control area\(^1\)
  o Risks for each CTA control area\(^2\)
  o Joint / interdependent risks for each joint CCA and CTA control area determined and corresponding report prepared
• Methods for joint risk analysis in post-clearance controls and audit determined, representative samples identified and corresponding report prepared
• Recommendations on separate and joint risks analysis in the CCA and the CTA prepared

Result 4: Work plans (annual and periodic) for separate and joint CCA and CTA supervisory activities prepared

Indicators of achievement:
• Annual work plan for the CCA and the CTA for each control area prepared
• Joint supervisory activities based on the Single Administrative Document (SAD) elaborated, tested and finalized
• Annual and periodic work plans for the joint supervisory activities for each joint CCA and CTA control area prepared

Result 5: Manuals, methodology for conducting joint supervisory activities and required bylaws for separate and joint CCA and CTA supervisory activities prepared

Indicators of achievement:

\(^1\) The risks will be determined in line with the newly applicable UCC provisions.
\(^2\) The risks will be determined in line with the obligations and methods of VAT payment.
- Manuals for:
  - CCA supervisory activities
  - Joint CCA and CTA supervisory activities prepared
- Methodological tools for:
  - CCA supervisory activities
  - Joint CCA and CTA supervisory activities
  - Reporting on jointly conducted supervisory activities prepared
- Bylaws related to the joint CCA and CTA supervisory activities prepared

Result 6: Recommendations for IT support related to the joint CCA and CTA supervisory activities prepared

Indicators of achievement:
- IT register of the CCA and the CTA organizational units responsible for conducting joint audits established
- Separate IT database for storing all documents from the implemented joint audits developed
- Joint electronic method of reporting on joint audits developed
- Shared access for working groups in the EU and national databases provided, their pilot work in the EU and national databases enabled and case study prepared
- Connection and use of the CCA and the CTA IT registers established
- Recommendations for IT support related to the joint CCA and CTA supervisory activities prepared

Result 7: Knowledge and skills of the CCA and the CTA employees improved through implementation of practical workshops

Indicators of achievement:
- At least one workshop for at least 15 participants from the CCA on customs accounting organized and conducted
- At least one workshop for at least 12 participants (in total) from the CCA and the CTA on use of IT databases and IT registers in joint audits organized and conducted
- At least one workshop for at least 12 participants from the CCA on mutual/international assistance in the CCA audits organized and conducted
- At least one workshop for at least 12 participants (in total) from the CCA and the CTA on mutual / international assistance in joint CCA and CTA activities organized and conducted

3.4 Activities:

The activities listed below represent the minimum activities to be implemented in the course of the Twinning project. Member State(s) may propose additional activities in line with the methodology elaborated in its proposal.

Activities linked to Result 1
Activity 1.1 Conducting analysis of the CCA legal framework and preparing recommendations for improvement related to conducting joint audits with the CTA

Activity 1.2 Conducting analysis of the CTA legal framework and preparing recommendations for improvement related to conducting joint audits with the CCA

Activity 1.3 Preparing overview of legislation for the implementation of joint audits, taking into consideration the use of EU and national legal framework, including the applicable UCC provisions

Activities linked to Result 2

Activity 2.1 Establishing types of customs procedures related to different types of economic operators in line with the newly applicable UCC provisions and the VAT Act

Activity 2.2 Establishing control areas for:
   - CCA supervisory and post-clearance activities related to the newly applicable UCC provisions
   - CTA supervisory activities in line with VAT Act
   - Joint CCA and CTA supervisory activities

Activity 2.3 Establishing joint CCA and CTA working groups and preparing recommendations on work methodology for joint CCA and CTA supervisory activities

Activities linked to Result 3

Activity 3.1 Determining possibility of occurrence and forms of:
   - Risks according to the newly applicable UCC provisions for each CCA control area
   - Risks in line with the obligations and methods of VAT payment for each CTA control area
   - Joint / interdependent risks for each joint CCA and CTA control area

And preparing corresponding report

Activity 3.2 Determining methods (within MUS, MS Excel or similar) for joint risk analysis in post-clearance controls and audit, identifying representative samples and preparing corresponding report

Activity 3.3 Preparing recommendations on methods and forms of identifying, analysing and ranking potential occurrences of risks in the CCA (according to the newly applicable UCC provisions), risks in the CTA (according to the obligations and methods of VAT payment) and joint risks analysis

Activities linked to Result 4

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3 It is envisaged that activity will include analysis of the national and EU legal framework (including the newly applicable UCC provisions) in order to determine points of contact and remove obstacles for joint supervisory activities with the CTA.

4 It is envisaged that activity will include analysis of the national and EU legal framework in order to determine points of contact and remove obstacles for joint supervisory activities with the CCA.

5 It is envisaged that chronology of the legal documents and results of analyses under activities 1.1 and 1.2 will be taken into account when preparing the overview (“legislation map”).

6 It is envisaged that the activity will establish methods and types (including job descriptions) of organising joint working groups on all levels from Central Office to local offices. Moreover, procedural work descriptions by each working group and area will be prepared, including specified stakeholders in charge of specific activities, work organisation, procedures with different AEOs, administrative premises and equipment.

7 It is envisaged that activities 3.1 and 3.2 will define hypotheses for specific risks which will be then tested by practical application in AEOs’ data by the beneficiary on the bases of which recommendations will be prepared within activity 3.3.
Activity 4.1 Preparing annual work plan for the CCA (in line with the newly applicable UCC provisions for each control area with identified subjects) and the CTA (according to the obligations and methods of VAT payment for each control area)\(^8\)

Activity 4.2 Elaborating, testing and finalizing joint supervisory activities in the CCA work plans, based on the Single Administrative Document (SAD)

Activity 4.3 Preparing annual and periodic work plans for the joint CCA and CTA supervisory activities for each control area by joint working groups with identified subjects

Activities linked to Result 5

Activity 5.1 Preparing manuals and all types of process models\(^9\) for:
  - CCA supervisory activities (by control areas) in line with the newly applicable UCC provisions
  - Joint CCA and CTA supervisory activities (by control areas) taking into account time, object of supervision, joint working groups

Activity 5.2 Preparing methodological tools (e.g. new documents, acts, methods and forms) for:
  - CCA supervisory activities in line with the newly applicable UCC provisions
  - Joint CCA and CTA supervisory activities
  - Reporting on jointly conducted supervisory activities

Activity 5.3 Preparing bylaws related to the joint CCA and CTA supervisory activities

Activities linked to Result 6

Activity 6.1 Establishing IT register of the CCA and the CTA organisational units responsible for conducting joint audits

Activity 6.2 Developing separate IT database as well as models of documents for storing all created documents from the implemented joint audits

Activity 6.3 Developing joint electronic method of reporting on results of joint audits

Activity 6.4 Providing working groups with a shared access for conducting pilot work in the EU and national databases (VIES, EUROFISC, EUROPOL)\(^10\) and preparing case study

Activity 6.5 Establishing the connection and use of the existing CCA and CTA IT registers relevant for performance of joint supervisory activities\(^11\)

Activity 6.6 Preparing recommendations for IT support related to the joint CCA and CTA supervisory activities

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\(^8\) It is envisaged that outputs from activities 4.1 and 4.2 will be tested by the beneficiary and adapted accordingly.

\(^9\) It is envisaged that outputs from this activity will be tested by the beneficiary and adapted accordingly.

\(^10\) It is envisaged that pilot work in databases by established CTA and CCA working groups will set example for future joint audits and provide bases for recommendations (activity 6.6) and trainings (activity 7.2) on IT support in joint audits.

\(^11\) It is envisaged that use of the CTA and CCA registers will be tested in order to set example for future joint audits and provide bases for recommendations (activity 6.6) and trainings (activity 7.2) on IT support in joint audits.
Activities linked to Result 7

Activity 7.1 Organizing and conducting at least one workshop for at least 15 participants from the CCA on customs accounting in inspection supervisions

Activity 7.2 Organizing and conducting at least one workshop for at least 12 participants (in total) from the CCA and the CTA on use of IT databases and IT registers in joint audits

Activity 7.3 Organizing and conducting at least one workshop for 12 participants from the CCA on mutual / international assistance in the CCA audits, taking into consideration the legal framework for mutual assistance, the newly applicable UCC provisions and EU good practice

Activity 7.4 Organizing and conducting at least one workshop for 12 participants (in total) from the CCA and the CTA on mutual / international assistance in joint CCA and CTA activities, taking into consideration the legal framework for mutual assistance and EU good practice

Minimum two visibility events will be organized in the course of the implementation of the project; Kick-off meeting at the start of the implementation and the Final meeting at the end of the implementation of the project activities.

3.5 Means/ Input from the MS Partner Administration:

MS Project Leader may participate in the project also as the short-term expert (STE) and in this case the MS Project Leader should satisfy requirements stipulated in the fiche for both the Project Leader and the relevant STE profile.

3.5.1 Profile and tasks of the Project Leader

Profile of the Project Leader

Requirements:

- University level education or equivalent professional experience of 10 years in customs administration
- Minimum 5 years of experience in the field of customs
- Working level of English language
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5
- Computer literacy
- Experience in project management

Assets:

- Experience in common (customs and tax) audits
- Experience in the area of customs risk analysis
- Participation in working groups on the application of the UCC provisions

Tasks of the Project Leader:

---

12 It is envisaged that within activities 7.3 and 7.4 practical work as regards mutual assistance (using channels/addresses from inspector’s workplace) will be implemented. Moreover, evaluation and feedback of participants of workshop will be taken into account, upon which further training will be provided if deemed necessary.
• Overall coordination and co-managing the implementation of the project in cooperation with the BC Project Leader
• Ensuring sound implementation of the envisaged activities
• Supervising project implementation and proposing remedial actions if needed
• Coordinating the MS experts’ work and availability
• Ensuring backstopping and financial management of the project in the MS
• Providing efficient leadership of the project
• Participation in Steering Committee meetings
• Project reporting

3.5.2 Profile and tasks of the RTA

Profile of the Resident Twining Adviser

Requirements:
• University level education or equivalent professional experience of 10 years in customs or tax administration
• Minimum 4 years of experience in the field of customs and/or tax administration
• Working level of English language
• Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5
• Computer literacy
• Experience in project management

Assets:
• Experience in common (customs and tax) audits
• Experience in analysis of customs and/or tax legislation
• Experience in post clearance control and customs audit

Tasks of the Resident Twining Adviser:
• Support and coordination of all activities in the BC
• Day to day management of the project in the beneficiary institution
• Coordination of the short-term experts activities
• Monitoring project implementation and proposing corrective actions, if required
• Organization of visibility events (kick-off and final event)
• Providing technical advice on EU policies and the best EU practices, and assisting Croatian administration in the context of project work plan
• Executing administrative issues (e.g. assisting in reporting)
• Organization of PIU and Steering Committee meetings
• Networking with stakeholders of the project in Croatia and in MS

The duration of the RTA secondment is 18 months.

3.5.3 Profile and tasks of the short-term experts

For each of the proposed experts in the submitted proposal the Member State(s) is kindly requested to indicate the expert’s profile.
Profile of the Short-term expert 1 (STE 1)

Requirements:
- University level education or equivalent professional experience of 8 years in customs administration
- Minimum 3 years of experience in the field of customs audit
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets:
- Experience in common (customs and tax) audits
- Experience in developing work plan for customs audit
- Experience in implementing customs procedures 4200 and/or 6300
- Experience in working with VIES database
- Experience in customs accounting audit
- Experience in developing manual or guidelines of customs procedures
- Experience in conducting trainings
- Experience in the field of customs risk analysis
- Experience in drafting legislation on customs audit
- Participation in working groups on the application of the UCC provisions

Tasks of the Short-term expert 1:
- Conducting analyses of legal framework and preparing recommendations for improvement
- Preparing legislation overview
- Establishing types of customs procedures, control areas and joint working procedures
- Preparing recommendations on work methodology for joint supervisory activities
- Determining and elaborating separate and joint risks in the CCA and the CTA
- Preparing work plans, manuals and process models for CCA and CTA activity
- Testing and elaborating SAD revisions as the basis for the implementation of joint audits
- Preparing methodological tools
- Establishing IT register, IT database, method of reporting
- Establishing connection and supervising pilot work in IT databases and IT registers
- Organizing and conducting workshops

Profile of the Short-term expert 2 (STE 2)

Requirements:
- University level education or equivalent professional experience of 8 years in tax administration
- Minimum 3 years of experience in the field of tax audit
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets:
- Experience in common (customs and tax) audits
- Experience in developing work plan for tax audit
- Experience in working with VIES database
- Experience in working with EUROFISC
- Experience in tax accounting audit
- Experience in developing manual or guidelines of tax procedures
- Experience in conducting trainings
- Experience in the field of tax risk analysis
- Experience in drafting legislation on tax audit

Tasks of the Short-term expert 2:
- Conducting analyses of legal framework and preparing recommendations for improvement
- Preparing legislation map
- Establishing types of customs procedures, control areas and joint working procedures
- Preparing recommendations on work methodology for joint supervisory activities
- Determining and elaborating separate and joint risks in the CCA and the CTA
- Preparing work plans, manuals and process models for CCA and CTA activity
- Preparing methodological tools
- Establishing IT register, IT database, method of reporting
- Establishing connection and supervising pilot work in IT databases and IT registers
- Organizing and conducting workshops

Profile of the Short-term expert 3 (STE 3)

Requirements:
- University level education or equivalent professional experience of 8 years in the field of information technology (IT)
- Minimum 3 years of experience in the field of IT
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Asset:
- Experience in customs and/or tax administration business processes

Tasks of the Short-term expert 3:
- Participating in all relevant project activities in cooperation with other short-term experts such as:
  - Preparing methodological tools
  - Establishing IT register, IT database, method of reporting
  - Establishing connection and supervising pilot work in IT databases and IT registers
  - Organizing and conducting workshops in part related to IT support

Note:

The pool of experts should include:
- At least one short-term expert who in addition to the respective profile requirements has experience in implementing common (customs and tax) audits
- At least one short-term expert who in addition to the respective profile requirements has experience in analysing or drafting legislation in the field of customs or tax administration
- At least one short-term expert who in addition to the respective profile requirements has experience in conducting trainings

4. **Institutional Framework**

   The final beneficiary of this Twinning project is the Croatian Customs Administration (CCA), Ministry of Finance. The CCA has a total of 2940 employees and is organized as a centralized structure, established upon 3 organizational layers:
   - Central Office
   - 4 Regional Customs Offices
   - 18 Local Customs Offices and 10 Border Customs Offices.

   The CCA Central Office is organised in 11 Sectors: Office of the Director - Sector for Common Tasks of Central Office; Internal Control; HRM and Legal Affairs; Finance; Customs System and Procedures; EU and Affairs International; Excises and Special Tax; Tariff, Value, Origin; Customs Laboratory; Customs Control and IT Sector, covering full spectrum of customs activities as defined by applicable regulations.

   At the central level, the Sector for Customs Control is responsible for development, maintenance and management of the customs control including the overall management of the post-clearance control and audit. Within this Sector the most complex activities related to post-clearance control and audit at customs, tax, excise duties and other duties are conducted, including inspection of business records, financial reports and documents; establishing of incorrectly calculated or unpaid duties and respective interest rates; identifying irregularities; coordination of activities such as planning, preparation and realization of targeted actions at the customs territory of the Republic of Croatia. At central level, 9 officials are currently employed in the Service for Audit and Verification (within the Sector for Customs Control), while 481 officials are employed at regional and local level, i.e. in Regional Customs Offices and Local Customs Offices.

   At regional and local level the Services for Control are responsible for providing control plans based on which post-clearance control and audit at customs, excise duties and other duties are conducted, including inspection of business records, financial reports, documents and goods if available. Moreover, they are responsible for analysing data derived from Customs Directorate’s IT system and other sources for the purpose of determining the subjects of control. Based on the control results, reports are drafted, indictment proposals or criminal charges are submitted to the authorized bodies and tax bodies are informed about the facts which are relevant for taxation of tax payers.

   Other important stakeholder institution of this project is Croatian Tax Administration (CTA), Ministry of Finance. The CTA has 4263 employees in total organized in the Central Office, Large Taxpayers Office, 6 Regional Offices and 57 Local Offices. Central Office is responsible for execution of tax policy, determination of standards and organisation of the implementation of regulations. The Regional Offices are in charge of organizing immediate determination, monitoring and collection of taxes. They are also responsible for direct implementation of regulations regarding external audit, offence procedure and enforced collection of taxes.

   Where necessary, other stakeholders at the central and local level will be included in project activities. The CCA will ensure project coordination and implementation throughout the project implementation and will monitor the progress of the project activities on a regular basis.
The results of the project may lead to a change of the institutional framework depending on the outputs achieved through Result 1.

The beneficiary institution will dedicate all necessary human and financial resources in order to guarantee an effective implementation of the respective project. In particular, the beneficiary institution will insure the availability of the following provisions:

- Adequately equipped office space for the RTA and the RTA assistant for the entire duration of their secondment (in particular a desk, a telephone line, PC with e-mail account and internet access, possibility to use fax & copy services)
- Adequate conditions for the STEs to perform their work while on mission to the BC
- Training and conference venues as well as presentation and interpretation equipment
- Costs for travel by BC participants from their capitals to a MS or between MS (study visits)
- Its active involvement in preparation of the PIU and Steering Committee meetings and participation of its members on the same
- The availability of the BC human resources (BC experts) during the implementation of the activities.

5. **Budget**

<table>
<thead>
<tr>
<th>Further harmonisation of the Customs Administration with the EU acquis in the field of inspection supervisions (CRO CUSTOMS AUDIT)</th>
<th>Transition Facility Contribution</th>
<th>National Co-financing</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning Contract</td>
<td>(90%) 693.000 EUR</td>
<td>(10%) 77.000 EUR</td>
<td>770.000,00 EUR</td>
</tr>
</tbody>
</table>

The total amounts of the Transition Facility Contribution and National Co-financing stipulated in the above table represent the total maximum amounts and therefore, they may be reduced at the level of the Twinning contract, while the relevant ratio (percentages) should be maintained as fixed.

The co-financing requirement foreseen under the Transition Facility will be considered fulfilled according to the provision of the relevant Financing Decision.

Interpretation costs will be reimbursed from the budget only for the purpose of workshops and seminars, up to 7% of the Contract amount can be used for translation and interpretation purposes.

6. **Implementation Arrangements**

6.1 Implementing Agency responsible for tendering, contracting and accounting:

Central Finance and Contracting Agency (CFCA)
Ulica grada Vukovara 284, objekt C
10000 Zagreb, Croatia
Ms Nataša Mikuš Žigman, Director
Phone: +385 1 6042 400
Fax: +385 1 6042 598
E-mail: procurement@safu.hr

Twinning Administrative Office
Central Finance and Contracting Agency
6.2 Main counterpart in the BC:

Senior Programme Officer
Ms Vladimira Ivandić, Head of Sector
Ministry of Finance
Katančićeva 5
10000 Zagreb, Croatia
Phone: +385 1 4591 258
Fax: +385 1 4922 598
E-mail: vladimira.ivandic@mfin.hr

Project Leader Counterpart
Mr Antonio Mučnjak, Assistant Director General
Ministry of Finance, Croatian Customs Administration
Alexandera von Humboldta 4a
10000 Zagreb, Croatia

RTA Counterpart
Ms Marina Kovačević Blatančić, Senior Inspector
Ministry of Finance, Croatian Customs Administration
Alexandera von Humboldta 4a
10000 Zagreb, Croatia

6.3 Contracts:

It is envisaged that the Project will be implemented through one Twinning contract with the maximum amount of 770,000.00 EUR.

7. Implementation Schedule (indicative)

7.1 Launching of the call for proposals: 1Q 2016\(^{13}\)

7.2 Start of project activities: 4Q 2016

7.3 Project completion: 2Q 2018

7.4 Duration of the execution period (number of months): 21 months; the execution period will end 3 months after the implementation period of the Action (work plan) which will take 18 months.

8. Sustainability

\(^{13}\)Member States submitting proposals for Twinning projects implemented in Croatia, as well as the beneficiary institutions, will be requested to finalise drafting of the contracts in maximum four months regardless of the period of the year during which the drafting will take place.
This Twinning project will ensure the adoption of EU standards and best practices in the field of post controls and audit and it will provide practical assistance and knowledge transfer to the staff of the beneficiary institution in the area of post control and audit policies, methodologies, practices and procedures. Moreover, it will enhance capacity of the CCA and the CTA to ensure efficient implementation of duties related to post controls and audit and to facilitate balancing of increasingly free trade with an effective common control system in line with all relevant EU regulations and especially related to the newly applicable UCC provisions.

Analysis of legal framework related to separate and joint CCA and CTA supervisory activities will be conducted, resulting in recommendations for improvement. Moreover, basis for future implementation of supervisory activities will be ensured through this project, since new procedures, control areas and joint working groups will be determined and recommendations on work methodology will be prepared. Based on the above recommendations on risk, work plans, manuals, methodological tools and bylaws for separate and joint supervisory activities of the CCA and the CTA will be prepared.

It is expected that knowledge and skills of the CCA and the CTA employees will be additionally improved through the training activities of this project while the future IT support will be ensured through activities which will establish register of organizational units, develop separate database for documents resulting from joint audits, establish connection and pilot use in the national and EU databases and registers, and prepare recommendations for future IT support related to joint supervisory activities.

The CCA will follow the recommendations of this Twinning project and implement them in all phases of supervisory activities, including also joint supervisory activities performed in cooperation with the CTA. All results, outputs and recommendations of this Twinning project will be preserved as a lasting asset of the CCA after the completion of this project.

9. **Crosscutting issues**

   Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

   The project does not involve activities with an environmental impact.

10. **Conditionality and sequencing**

    Not applicable.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. List of relevant laws and regulations
## Annex 1. Logical framework matrix in standard format

<table>
<thead>
<tr>
<th>Further harmonisation of the Customs Administration with the EU acquis in the field of inspection supervisions (CRO CUSTOMS AUDIT)</th>
<th>Programme name and number: Transition Facility IPA/2013/24986 (Annex of C(2013) 8057 final); Institution Building Envelope</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINISTRY OF FINANCE, Croatian Customs Administration (CCA)</td>
<td>Contracting period expires: 3 years from the day on which the Commission notifies the Republic of Croatia that all of its internal procedures necessary for the adoption of this Decision have been fulfilled.</td>
</tr>
<tr>
<td>Overall objective</td>
<td>Objectively Verifiable Indicators</td>
</tr>
<tr>
<td>Full protection of the EU and Croatian financial interests from international economic frauds in the area of customs and tax administration ensured.</td>
<td>Croatian Customs Administration in full compliance with the newly applicable UCC provisions Application of modern and consistent audit procedures in the CCA and the CTA ensured Improved revenue collection through improved collaboration between traders, CCA and CTA</td>
</tr>
<tr>
<td>Project purpose</td>
<td>Objectively Verifiable Indicators</td>
</tr>
</tbody>
</table>

---

14 The total amounts of the Transition Facility Contribution and National Co-financing stipulated in the above table represent the total maximum amounts and therefore, they may be reduced at the level of the Twinning contract, while the relevant ratio (percentages) should be maintained as fixed. The co-financing requirement foreseen under Transition Facility will be considered fulfilled according to the provision of the relevant Financing Decision.
Capacity of the Croatian Customs Administration (CCA) and Croatian Tax Administration (CTA) in the field of inspection supervisions strengthened in order to ensure full protection of the EU and Croatian financial interests from international economic frauds, the detection of which is the joint responsibility of the CCA and the CTA.

More specifically, the purpose of the project is to enhance the CCA and the CTA capacities for continuous harmonisation with the EU acquis and good practices related to inspection supervisions, in order to join all Member States in the combat against fraud and economic crime related to customs and value added tax (VAT), preventing the occurrence of “missing traders” and “carousel frauds”, as well as detecting and preventing all new forms of fraud in general.

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| Result 1: Recommendations for improvement of the legal framework related to the joint CCA and CTA supervisory activities prepared | • Analysis of the CCA legal framework conducted and recommendations for improvement related to the joint audits with the CTA prepared  
• Analysis of the CTA legal framework conducted and recommendations for improvement related to the joint audits with the CCA prepared  
• Overview of legislation for the implementation of joint audits, taking into consideration the use of EU and national legal framework, including the applicable UCC provisions, prepared | • Twinning project reports  
• Twinning project documentation (analysis reports, recommendations, documents, forms etc.)  
• Overview of legislation  
• Work plans  
• Manuals  
• Bylaws  
• IT register  
• IT database  
• List of participants on workshops  
• Training evaluation reports | • Continuous Government support to implementation of EU standards in customs  
• Adequate support of the CCA and the CTA high level management  
• Adequate cooperation among the CCA and the CTA  
• Adequate cooperation among relevant CCA organizational units  
• Adequate cooperation and communication between the CCA and all project stakeholders  
• Adequate BC experts appointed to participate in established workgroups  
• Adequate participants of trainings selected |
<table>
<thead>
<tr>
<th>Result 2: Recommendations on performing the joint CCA and CTA supervisory activities prepared</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Types of customs procedures related to different types of economic operators established</td>
</tr>
<tr>
<td>• Control areas for:</td>
</tr>
<tr>
<td>o CCA supervisory and post-clearance activities</td>
</tr>
<tr>
<td>o CTA supervisory activities</td>
</tr>
<tr>
<td>o Joint CCA and CTA supervisory activities established</td>
</tr>
<tr>
<td>• Joint CCA and CTA working groups established and recommendations on work methodology for the joint CCA and CTA supervisory activities prepared</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Result 3: Recommendations on separate and joint risks analysis in the CCA and the CTA prepared</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Possibility of occurrence and forms of:</td>
</tr>
<tr>
<td>o Risks for each CCA control area</td>
</tr>
<tr>
<td>o Risks for each CTA control area</td>
</tr>
<tr>
<td>o Joint / interdependent risks for each joint CCA and CTA control area determined and corresponding report prepared</td>
</tr>
<tr>
<td>• Methods for joint risk analysis in post-clearance controls and audit determined, representative samples identified and corresponding report prepared</td>
</tr>
<tr>
<td>• Recommendations on separate and joint risks analysis in the CCA and the CTA prepared</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Result 4: Work plans (annual and periodic) for separate and joint CCA and CTA supervisory activities prepared</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Annual work plan for the CCA and the CTA for each control area prepared</td>
</tr>
<tr>
<td>• Joint supervisory activities based on the Single Administrative Document (SAD) elaborated, tested and finalized</td>
</tr>
<tr>
<td>• Annual and periodic work plans for the joint supervisory activities for each joint CCA and CTA control area prepared</td>
</tr>
</tbody>
</table>

| Adequate participants of trainings selected |
| Result 5: Manuals, methodology for conducting joint supervisory activities and required bylaws for separate and joint CCA and CTA supervisory activities prepared | • Manuals for:  
  o CCA supervisory activities  
  o Joint CCA and CTA supervisory activities prepared  
  • Methodological tools for:  
    o CCA supervisory activities  
    o Joint CCA and CTA supervisory activities  
    o Reporting on jointly conducted supervisory activities prepared  
  • Bylaws related to the joint CCA and CTA supervisory activities prepared |
|---|---|
| Result 6: Recommendations for IT support related to the joint CCA and CTA supervisory activities prepared | • IT register of the CCA and the CTA organizational units responsible for conducting joint audits established  
  • Separate IT database for storing all documents from the implemented joint audits developed  
  • Joint electronic method of reporting on joint audits developed  
  • Shared access for working groups in the EU and national databases provided, their pilot work in the EU and national databases enabled and case study prepared  
  • Connection and use of the CCA and the CTA IT registers established  
  • Recommendations for IT support related to the joint CCA and CTA supervisory activities prepared |
| Result 7: Knowledge and skills of the CCA and the CTA employees improved through | • At least one workshop for at least 15 participants from the CCA on customs |
### Implementation of Practical Workshops

- At least one workshop for at least 12 participants (in total) from the CCA and the CTA on use of IT databases and IT registers in joint audits organized and conducted
- At least one workshop for at least 12 participants from the CCA on mutual/international assistance in the CCA audits organized and conducted
- At least one workshop for at least 12 participants (in total) from the CCA and the CTA on mutual / international assistance in joint CCA and CTA activities organized and conducted

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Specification of costs</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>The activities listed below represent the minimum activities to be implemented in the course of the Twinning project. Member State(s) may propose additional activities in line with the methodology elaborated in its proposal.</td>
<td>Consultations, analysis, assessment, preparation of documentation, workshop, monitoring, preparation of database and register, pilot use and testing</td>
<td>Twinning contract: 770,000 EUR</td>
<td>In line with the assumptions specified for results.</td>
</tr>
<tr>
<td>Activity 1.1 Conducting analysis of the CCA legal framework and preparing recommendations for improvement related to conducting joint audits with the CTA</td>
<td></td>
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<tr>
<td>Activity 1.2 Conducting analysis of the CTA legal framework and preparing recommendations for improvement related to conducting joint audits with the CCA</td>
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<tr>
<td>Activity 1.3 Preparing overview of legislation for the implementation of joint audits, taking into consideration the use of EU and national legal framework, including the applicable UCC provisions</td>
<td></td>
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</tr>
</tbody>
</table>
Activity 2.1 Establishing types of customs procedures related to different types of economic operators in line with the newly applicable UCC provisions and the VAT Act

Activity 2.2 Establishing control areas for:
- CCA supervisory and post-clearance activities related to the newly applicable UCC provisions
- CTA supervisory activities in line with VAT Act
- Joint CCA and CTA supervisory activities

Activity 2.3 Establishing joint CCA and CTA working groups and preparing recommendations on work methodology for joint CCA and CTA supervisory activities

Activity 3.1 Determining possibility of occurrence and forms of:
- Risks according to the newly applicable UCC provisions for each CCA control area
- Risks in line with the obligations and methods of VAT payment for each CTA control area
- Joint / interdependent risks for each joint CCA and CTA control area and preparing corresponding report

Activity 3.2 Determining methods (within MUS, MS Excel or similar) for joint risk analysis in post-clearance controls and audit, identifying representative samples and preparing corresponding report
| Activity 3.3 Preparing recommendations on methods and forms of identifying, analysing and ranking potential occurrences of risks in the CCA (according to the newly applicable UCC provisions), risks in the CTA (according to the obligations and methods of VAT payment) and joint risks analysis |
| Activity 4.1 Preparing annual work plan for the CCA (in line with the newly applicable UCC provisions for each control area with identified subjects) and the CTA (according to the obligations and methods of VAT payment for each control area) |
| Activity 4.2 Elaborating, testing and finalizing joint supervisory activities in the CCA work plans, based on the Single Administrative Document (SAD) |
| Activity 4.3 Preparing annual and periodic work plans for the joint CCA and CTA supervisory activities for each control area by joint working groups with identified subjects |
| Activity 5.1 Preparing manuals and all types of process models for:  
  o CCA supervisory activities (by control areas) in line with the newly applicable UCC provisions  
  o Joint CCA and CTA supervisory activities (by control areas) taking into account time, object of supervision, joint working groups |
Activity 5.2 Preparing methodological tools (e.g. new documents, acts, methods and forms) for:
- CCA supervisory activities in line with the newly applicable UCC provisions
- Joint CCA and CTA supervisory activities
- Reporting on jointly conducted supervisory activities

Activity 5.3 Preparing bylaws related to the joint CCA and CTA supervisory activities

Activity 6.1 Establishing IT register of the CCA and the CTA organisational units responsible for conducting joint audits

Activity 6.2 Developing separate IT database as well as models of documents for storing all created documents from the implemented joint audits

Activity 6.3 Developing joint electronic method of reporting on results of joint audits

Activity 6.4 Providing working groups with a shared access for conducting pilot work in the EU and national databases (VIES, EUROFISC, EUROPOL) and preparing case study

Activity 6.5 Establishing the connection and use of the existing CCA and CTA IT registers relevant for performance of joint
supervisory activities

Activity 6.6 Preparing recommendations for IT support related to the joint CCA and CTA supervisory activities

Activity 7.1 Organizing and conducting at least one workshop for at least 15 participants from the CCA on customs accounting in inspection supervisions

Activity 7.2 Organizing and conducting at least one workshop for at least 12 participants (in total) from the CCA and the CTA on use of IT databases and IT registers in joint audits

Activity 7.3 Organizing and conducting at least one workshop for 12 participants from the CCA on mutual / international assistance in the CCA audits, taking into consideration the legal framework for mutual assistance, the newly applicable UCC provisions and EU good practice

Activity 7.4 Organizing and conducting at least one workshop for 12 participants (in total) from the CCA and the CTA on mutual / international assistance in joint CCA and CTA activities, taking into consideration the legal framework for mutual assistance and EU good practice

Preconditions:
N/A
Annex 2: Detailed implementation chart

<table>
<thead>
<tr>
<th>Month</th>
<th>2016</th>
<th></th>
<th>2017</th>
<th></th>
<th>2018</th>
<th></th>
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<tr>
<td>Twinning</td>
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<td>A/I</td>
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</tbody>
</table>

T – Call for proposals and evaluation
C – Contracting
A/I – Arrival of the RTA/ Start of the implementation of activities
I – Implementation of activities
R – Report
Annex 3: Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)

<table>
<thead>
<tr>
<th>Further harmonisation of the Customs Administration with the EU acquis in the field of inspection supervisions (CRO CUSTOMS AUDIT)</th>
<th>Cumulative contracting schedule by quarters in EUR (provisional)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>I</td>
</tr>
<tr>
<td>Twinning</td>
<td>770.000,00</td>
</tr>
<tr>
<td><strong>TOTAL (EUR):</strong></td>
<td><strong>700.000,00</strong></td>
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<th>Further harmonisation of the Customs Administration with the EU acquis in the field of inspection supervisions (CRO CUSTOMS AUDIT)</th>
<th>2017</th>
<th>2018</th>
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Annex 4: List of relevant laws and regulations

- Regulation on Implementation of the Customs Act (OG, 161/03; 29/11)
- Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (Official Journal, L 268/1, 12.10.2010)
- Strategy of Government Programmes for the period 2015-2017
- Croatian Customs Administration Strategy 2014-2016
- Act on Implementation of EU Customs Regulations (OG, 54/13)
- Customs Service Act (OG, 68/13; 30/14)
- Tax Administration Act (OG, 148/13; 141/14)
- Value Added Tax Act (OG, 73/13; 99/13; 148/13; 153/13; 143/14)
- General Tax Act (OG, 147/08; 18/11; 78/12; 136/12; 73/13; 26/15)
- General Administrative Procedure Act (OG, 47/09)
- Excise Duties Act (OG, 83/09; 111/12)
- Excise Act on Coffee and Non-Alcoholic Beverages (OG, 72/13)
- Act on the System of State Administration (OG, 150/11; 12/13)
- Profit Tax Act (OG, 177/04, 90/05, 57/06, 146/08, 80/10, 22/12, 148/13, 143/14)
- Income Tax Act (OG, 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 120/12, Decision of the Constitutional Court of the Republic of Croatia (CCRC), 125/13, 148/13, Decision of the CCRC 83/14, 143/14, 136/15)