

STANDARD TWINNING LIGHT PROJECT FICHE

1. Basic Information

- 1.1 Publication notice reference:
- 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 04 16 TWL
- 1.4 Title: Implementation and development of monitoring and auditing e-commerce function within Croatian Tax Administration (CRO E-COM)
- 1.5 Sector: Public Finance – Taxation
- 1.6 Beneficiary country: Republic of Croatia

2. Objectives

2.1 Overall objective:

The overall objective is to strengthen administrative capacities and improve effectiveness of the Croatian Tax Administration (CTA).

2.2 Project purpose:

The project purpose is to improve the efficiency and effectiveness of tax audit function within CTA by introducing e-commerce monitoring and auditing function through design of organizational structure, manual and trainings for tax auditors related to monitoring and auditing of e-commerce activities using various specialised tools.

2.3 Contribution to Accession Treaty/Relevant national documents:

Accession Treaty

Following the signature of the Accession Treaty on 9 December 2011 by the heads of State or Government of the 27 Member States (MS) and the Republic of Croatia and its ratification procedure in the Member States, Croatia joined the European Union (EU) on 1 July 2013. As a Member State, Croatia needs to further enforce laws and regulations of the European Union in the field of taxation. The project is in line with the Article 30 of the Accession Treaty referring to Croatia's need "to develop and strengthen its administrative capacity to implement and enforce Union law and to foster the exchange of best practice among peers" and to "address the continued need for strengthening institutional capacity".

Treaty on the Functioning of the European Union

Republic of Croatia shall put into effect the measures necessary for it to comply, from the date of accession, with the provisions of directives and decisions of the Treaty on the Functioning of the European Union, especially in connection with Articles 110 to 113 regulating Taxation, Articles 114 to 118 regulating Approximation and harmonisation of laws and other regulations concerning internal market, Article 197 regulating Administrative cooperation, especially in improving administrative capacity, and Article 325 regulating combat against fraud through necessary measures in the fields of

the prevention of and fight against fraud affecting the financial interests of the Union with a view to affording effective and equivalent protection in the Member States.

Strategy of the Croatian Tax Administration for the period 2011-2015

The strategy envisages, inter alia, following goals: “to increase the tax audit efficiency by redirecting human resources to audits of those taxpayers that were classified as most risky following a risk analysis” and “to introduce and use computer tools for e-audit, with which tax audits will be further modernized”. Strategy for the following period is currently in preparation with goals and purpose of this strategy still relevant and applicable.

Tax Audit Strategy of the Croatian Tax Administration for the period 2014-2017

Tax audits will be further modernized with the application of adequate computer tools, in addition to building a risk management system resulting in an objective selection of taxpayers for audit. Main measures to be implemented within the abovementioned Tax Audit Strategy are as follows: implementation of e-tools for the treatment of risk, implementation and use of e-tools for audit planning, as well as preparation and conducting training for auditors on e-audit, whereas implementation and usage of e-audit tools in conducting risk assessment and audit is set as priority within the Audit Sector of the Croatian Tax Administration.

3. Description

3.1 Background and justification:

Croatian Tax Administration (CTA) is a public institution with main task to implement and supervise the application of the tax laws and regulations. Moreover, the CTA performs risk analysis, tax audit and activities with the purpose to prevent and combat tax fraud.

The EU Directive 2000/31/EC on legal aspects of information society services, in particular electronic commerce, in the Internal Market (E-commerce), sets up an Internal Market framework for electronic commerce. Services covered by the Directive include online information services (such as online newspapers), online selling of products and services (books, financial services and travel services), online advertising, professional services (lawyers, doctors, estate agents), entertainment services and basic intermediary services (access to the Internet and transmission and hosting of information).

In Croatia, area of electronic commerce is regulated by the Electronic Commerce Act (Official Gazette no. 173/03, 67/08, 36/09 and 130/11, 30/14) which is in full compliance with relevant EU legislation. Electronic Commerce Act defines information society services as services that are electronically provided at the individual request of a recipient of services, especially Internet sale of goods and services, offering data on the Internet, advertising on the Internet, electronic search engines, and the ability to search for data and services transferred by electronic network, mediation in network access or store user data.

Currently, e-commerce activities are not being monitored within CTA in a systematic and structured way since CTA has no organised function of monitoring and auditing of e-commerce activities or defined specialized software, tools, organizational structure and methods of performing monitoring and auditing of e-commerce. Within the CTA there are 609 tax auditors in total out of which 52 are e-auditors. E-audit function within CTA currently includes audit of accounting data and documentation given by taxpayers from their accounting software. In their work, e-auditors use analytic tool called ACL, which is specialised for analysing data from the Internet (e.g. data extracted from webpage and prepared for analysis in a structured database), however it cannot be used for monitoring of the Internet activities.

Given the existing organizational structure within the CTA and relevant functions of audit and e-audit, as well as complexity and specificity of e-commerce activities which are carried out on the Internet, this Twinning light project is to provide proposals for organizational structure that should incorporate activities for monitoring and auditing of e-commerce within relevant functions and organizational structure of the CTA. Moreover, one of the prerequisites for the implementation of the monitoring and auditing of e-commerce is the strengthening the capacities of CTA tax auditors in using the tools for the monitoring and auditing of e-commerce.

Taking into account the variety of specialized tools available, some of them being free for use, this Twinning light project is envisaged to provide proposals of tools to be used by CTA in order to efficiently perform monitoring and auditing of e-commerce e.g. searching tools (Google, Bing, local search engines), tools for gathering and analysing web pages offline (HTTrack, Web Data Extractor, etc.), Internet registration search engines and providers (Whois, Domain Tools, Domain Search, SamSpade), local providers (Croatia - CARNet), tools for tracking Internet traffic (Alexa, Google Trends etc.), analytic tools and other tools for various purposes such as programming, extracting, visualising (Python bot:s, OsInt, EMM, Foca, Edraw Mind Map, Eceyes, eBay Downloader, Xenon, Encheres, Domaines, Maltego, Web Content Extractor, X1 Social Discovery).

Additionally, within this Twinning light project training for CTA tax auditors will be conducted on usage of the abovementioned tools needed for performing monitoring and auditing of e-commerce as well as on methods and techniques used in the field e-commerce. The trained CTA tax auditors will be responsible for auditing of e-commerce as well as selection of taxpayers to be audited through monitoring and analysing of websites, i.e. monitoring trends on the Internet in terms of the business activities and frequent Internet activities and selecting the risk activities in terms of tax. Based on this, their task will be conducting analysis and selection of the web pages (groups) as well as assessment of their business revenues with the purpose of recognizing tax relevance, determining level of tax income and level of risk in taxation matters and as final result, performing possible tax audit.

International cooperation between tax administrations in identifying and exchanging data on of e-commerce activities is of great significance due to the international character of the e-commerce. However, due to lack of knowledge and experience of the CTA in the field of e-commerce and in using the methods and techniques to recognize tax risks as well as individual entities dealing with activities of e-commerce, administrative cooperation and exchange of information with other EU Member States in the field of monitoring and auditing of e-commerce could not have been fully applied, e.g. related to “missing traders” fraud. Therefore, this Twinning project is expected to provide assistance to the CTA in improvement of their organizational structure in the field of monitoring and auditing of e-commerce. Moreover CTA capacities will be strengthened within this field through developed manual and proposed tools for monitoring and auditing of e-commerce as well as through conducted trainings and trial audit of e-commerce activities.

The activities performed within this Twinning light project are designed to enable the CTA to perform monitoring and auditing of e-commerce in a systematic and structured way, thus improving the efficiency and effectiveness of tax audit function within CTA.

3.2 Linked activities:

There have been many projects implemented in the CTA with the purpose of improvement of its institutional and administrative capacities. The most relevant activities linked to this Twinning project are as follows:

IPA 2013 “Strengthening of the Croatian Tax Administration’s Government to Business (G2B) capacities through consolidation of IT systems”

This Service project started in 1st quarter 2016 and the expected duration of the project is 14 months. Overall objective of the project is further alignment of Croatian Tax Administration (CTA) with EU best practice through strengthening of IT and control functions. Expected benefits from the project include: Single Tax Administration Portal with information and data on taxpayers adjustable by CTA personnel (taxpayer content management), providing wide range of e-services for Croatian companies in one-stop-shop manner, web services for direct G2B connection, which will provide possibility for companies to connect their software to CTA IT systems, increasing security of portal to PKI level, including digital certificates for authentication and digital signing of submitted documents and declarations. The expected results of the project are as follows: Performed analysis of the existing information system of the Tax Administration, Designed information system of the Tax Administration single portal and developed visual identity specifications, Developed and implemented Tax Administration single portal, Conducted training for Tax Administration in the field of management and maintenance of the Tax Administration single portal and Developed and implemented plan for raising public awareness of the new Tax Administration single portal.

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

This Twinning light project (HR/2010/IB/FI/02TL) was implemented from January 2014 to July 2014 with Austria as MS Twinning partner. The purpose of the project was further development of EU information exchange systems through improving relevant procedures, establishing more efficient monitoring and managing system and strengthening capacity of relevant the 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 the CTA officials regarding monitoring and management of EU information exchange systems strengthened.

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

The Twinning project (HR/10/IB/FI/01) started in June 2012 and ended in April 2014 with the Netherlands as MS Twinning partner. The purpose of the project 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 and Communication and education strategy for taxpayers regarding VAT procedures on EU common market developed and educational materials for taxpayers prepared and disseminated.

IPA 2009 "Enhancement of the administrative capacity CTA in the field of audit"

This Twinning project (no. HR/2009/IB/FI/01) was implemented from May 2012 to March 2014 in

cooperation with Germany and the United Kingdom as MS Twinning partners. The main project purpose was to enhance the capacity of the Croatian Tax Administration in the field of audit and was implemented through strengthening the CTA audit system as a whole, establishing of e-audit function and enhancement of the administrative capacity in the field of audit of VAT. Establishing of e-audit resulted in development of e-audit manual based on EU best practices, which has been applied in the work of the Tax Administration, training of e-auditors on methods and techniques of e-audit (by types of taxpayers and types of taxes), and study visit for eight auditors and managers for a period of five days. During the study visit auditors not only got acquainted with e-audit in practice in the Tax and Customs Administration of the United Kingdom, but were also introduced with usage of e-commerce monitoring and auditing tools and methods (web robot and related tools).

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

This Twinning light project (HR/2010/IB/FI/01TL) started in October 2012 and ended in April 2013 with Austria as MS Twinning partner. The purpose of the project 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 and Tax Administration officials trained and educated on administrative cooperation in the field of taxation through training of trainers and training courses.

Revenue Administration Modernization Project (RAMP)

Revenue Administration Modernization Project (RAMP), co-funded by the World Bank loan, started in January 2008 and finished in June 2016. Project Components were: Organizational consolidation and functional realignment of the CTA tax offices, including physical facilities, Knowledge and professional upgrading of tax officials and stakeholders; capacity building through training and Technological upgrading for services, management information system and TIN implementation support; Business Process Reengineering and IT Strategy to effectively increase tax compliance rate and to reduce tax compliance cost. Under the RAMP project, the process of introducing the e-audit function was successfully completed and 52 tax auditors (e-auditors) started to perform e-audit with use the analytical tool called ACL specialized for the analysis of data. Specific results related to e-audit function were as follows: Assessment of current tax legislation from the perspective of e-audit, identification of possible obstacles, recommendations on changes in legislation, Definition of the e-audit for the purposes of the Tax Administration, Configuring and implementation of ACL software which will be used by tax auditors in the e-audit and Implementation of the training for e-auditors in usage of ACL software.

Fiscalis 2020 Programme

Within this EU cooperation programme enabling national tax administrations to create and exchange information and expertise, a project coordination group for e-audit was established which covers the activities in the field of monitoring and auditing of e-commerce. During one of workshops under this programme, entitled "E-Audit on e-Commerce – Extraction and the use of data acquired from the Internet" held in 2015, the list of software and resources for monitoring and auditing of e-commerce as well as the method of extraction and the usage of data acquired from the Internet was prepared, taking into account developments of Internet, IT systems and tools.

Where applicable, this Twinning light project is expected to build upon conclusions and outputs of the abovementioned projects, however, there will be no overlapping or duplication in activities.

3.3 Results:

1. Proposal for organizational structure for monitoring and auditing of e-commerce within CTA drafted

Indicators of achievement:

- Analysis of the legal framework and organisational structure related to CTA audit and e-audit functions conducted and analysis report prepared
- Analysis of practices applied in the field of e-commerce activities in the Republic of Croatia and comparative analysis with regional practices conducted and corresponding report prepared
- Comparative analysis of the best EU practices in at least 2 EU Member States on methods and techniques in the field of monitoring and auditing of e-commerce conducted and corresponding report prepared
- Round table discussion with at least 10 participants from CTA middle management and tax auditors from Central Office and regional offices, with the purpose to present and discuss the conclusions and reports from the performed analyses and comparative analyses, organized and conducted
- Proposal for organizational structure for monitoring and auditing of e-commerce within CTA drafted

2. Manual for monitoring and auditing of e-commerce and list of tools necessary for monitoring and auditing of e-commerce prepared

Indicators of achievement:

- Manual for monitoring and auditing of e-commerce taking into account conclusions from a round table discussion with at least 8 participants from CTA middle management and tax auditors from the Central Office and regional offices prepared
- List of tools necessary for monitoring and auditing of e-commerce taking into account conclusions from a round table discussion with at least 8 participants from CTA middle management and tax auditors from the Central Office and regional offices prepared

3. Tax auditors from the CTA Central Office and regional offices trained on the methods and techniques used for monitoring and auditing of e-commerce

Indicators of achievement:

- Training Needs Analysis (TNA) of tax auditors from the Central Office and regional offices on methods and techniques used for monitoring and auditing of e-commerce conducted
- Training program and training materials on methods and techniques used for monitoring and auditing of e-commerce and based on TNA and Manual for monitoring and auditing of e-commerce prepared
- Trainings¹ for at least 40 tax auditors in total organized and conducted

4. Trial audit of e-commerce activities on the selected taxpayer conducted

Indicators of achievement:

- Trial audit taxpayer selected on the basis of risk analysis performed taking into account Manual for monitoring and auditing of e-commerce and trainings

¹ It is expected that activity should cover following topics: identification, search, analysis and selection of trends and entrepreneurial activities carried out on the internet depending on their tax relevance, development of risk matrix (level of risk associated with various taxes, population groups, volume of business and the types of entrepreneurs), search techniques and tools. Trainings should be implemented using the tools for monitoring and auditing of e-commerce (defined within the Result 2).

- Supervision of trial audit of e-commerce activities on the selected taxpayer by the CTA trained tax auditors conducted and corresponding report prepared

3.4 Activities:

Member State is kindly requested to develop activities in the submitted proposal which are needed in order to achieve the results stipulated in the fiche.

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 financial sector
- Minimum 5 years of experience in the field of taxation
- Experience in project management
- Computer literacy
- Working level of English language
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets:

- Experience in managing EU funded projects
- Experience in managing projects related to tax administration
- Experience in monitoring and/or auditing of e-commerce

Tasks of the Project Leader:

- Overall responsibility of the project, support and coordination of all activities in the Beneficiary Country in cooperation with the BC Project Leader and experts engaged in undertaking activities
- Overall coordination of MS experts' work and availability
- Ensuring sound implementation of envisaged activities
- Reviewing and approving key project outputs and any revisions to the work plan according to the European Commission rules
- Coordination and networking with relevant institutions in Croatia and in the MS
- Organization of visibility events (kick-off and final events)
- Participation in Steering Committee meetings
- Project reporting
- Ensuring backstopping and financial management of the project in the MS

3.5.2 Profile and tasks of the short-term experts

Profile of the Short-term expert (STE)

Requirements:

- University level education or equivalent professional experience of 8 years in the field of taxation
- Minimum 3 years of experience in monitoring and/or auditing of e-commerce
- 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 conducting trainings in the field of monitoring and/or auditing of e-commerce
- Experience in developing manuals for monitoring and/or auditing of e-commerce

Tasks of the short-term expert:

- Conducting analysis of existing legal and organisational framework and preparing corresponding report
- Conducting analysis of practices applied in the field of e-commerce, including comparative analyses and preparing corresponding reports
- Conducting round table discussion
- Drafting proposal for organizational structure
- Preparing Manual for monitoring and auditing of e-commerce
- Preparing list of tool(s) necessary for monitoring and auditing of e-commerce
- Conducting training needs analysis
- Preparing training program and training materials
- Organising and conducting trainings
- Selecting trial audit taxpayer based on performed risk analysis
- Conducting supervising of trial audit of e-commerce activities by the CTA trained tax auditors

Note:

The pool of experts should include:

- At least one short-term expert who in addition to the respective profile requirements has experience in conducting trainings
- At least one short-term expert who in addition to the respective profile requirements has experience in developing manuals.

4. Institutional Framework

The main beneficiary institution of the project is the Croatian Tax administration (CTA). The CTA is an administrative organization within the Ministry of Finance with total of 4.298 employees out of which 609 are auditors employed within the Audit Sector. It is organized in three levels: the Central Office located in Zagreb, regional offices and local offices, which represent the constituent part of regional offices.

Moreover, audit function within Croatian Tax Administration is established through the Central Office and the following 7 Regional Offices: Regional office Zagreb, Regional office Central Croatia

(Karlovac), Regional office Northern Croatia (Varaždin), Regional office Slavonija and Baranja (Osijek), Regional office Istra, Hrvatsko primorje, Gorski kotar and Lika (Rijeka), Regional office Dalmacija (Split) and Office for large taxpayers (located in Zagreb).

The Central Office is responsible for establishment and execution of tax policy, determination of standards, organization of the implementation of regulations and for international cooperation and European integration. Tasks of the regional offices include organization of implementation and functioning of defined tax liabilities, monitoring and collection of taxes. Regional offices are also responsible for direct implementation of regulations regarding external audit, offence procedure and enforced collection of taxes. Local offices are responsible for immediate implementation of regulations and measures, monitoring and collection of taxes.

Division for Audit, organized at the Central Office, has the coordination role, while the 7 regional offices operationally carry out an external auditing of tax obligations and taxpayers contributions, including VAT auditing. Detection of tax fraud and administrative procedures are performed within organizational units both in the Central Office and within regional offices that perform regular audit. Sector for normative activities and international cooperation, Audit sector, Sector for strategy and development and Department for development of application solutions and information systems, (within Central Office) will be directly involved in implementation of this Twinning light project in cooperation with Regional office Zagreb, Office for large taxpayers and other CTA organizational units.

Implementation of this project is not expected to change the CTA institutional framework as described.

Two Steering Committee meetings will be held for the purpose of reviewing the progress made under the project as well as to discuss results achieved and/or problems occurred. The first Steering Committee meeting will be held during the third month of project activities implementation in order to discuss and comment the draft start-up report. The second Steering Committee meeting will be organized during the last month of the implementation period of the Action to discuss the draft final report. It should be noted that the participation of the Member State Project Leader in Steering Committees meetings has to be combined with expert missions in case the Member State Project Leader is also a short-term expert in the Twinning light project. If the Member State Project Leader is not short-term expert in the Twinning light project then his visits to Croatia, (one visit every three months) as part of his overall task to ensure coordination and political steering of the project, should be organized at the same time as the two Steering Committee meetings of the project.

The exact participants of the Steering Committee meetings will be defined during the implementation of the project, but will at least include the following members:

- BC Project Leader
- MS Project Leader
- CFCA Project Manager
- MRDEUF Sector Manager

The beneficiary is committed to provide all necessary infrastructure such as office space and desktop computers with internet connection for experts, venue for holding seminars and workshops, and to ensure the necessary local staff/experts inputs.

5. Budget

Implementation and development of	Transition Facility	National	TOTAL
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monitoring and auditing e-commerce function within Croatian Tax Administration (CRO E-COM)	Contribution	Co-financing	
Twinning light Contract	90% 180.000,00 EUR	10% 20.000,00 EUR	200.000,00 EUR

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 light 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.

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.

Provisions for visibility costs and expenditure verification costs should be included in the budget.

6. Implementation Arrangements

6.1 Implementing Agency responsible for tendering, contracting and accounting

Central Finance and Contracting Agency (CFCA)

Ulica grada Vukovara 284

10000 Zagreb, Croatia

Mr Tomislav Petric, Director

Phone: +385 1 6042 400

Fax: +385 1 6042 598

E-mail: procurement@safu.hr

Twinning Administrative Office

Central Finance and Contracting Agency

Ulica grada Vukovara 284

10000 Zagreb, Croatia

Ms Nirvana Sokolovski, Twinning NCP

Phone: +385 1 6042 400

Fax: +385 1 6042 598

E-mail: twinning@safu.hr

6.2 Main counterpart in the BC:

Senior Programme Officer (SPO)

Ministry of Finance

Ms Vladimira Ivandić, Head of Sector for European Union

Katančičeva 5

10000 Zagreb, Croatia

Phone: + 385 1 4591 258

Fax: +385 1 4922 598

E-mail: vladimira.ivandic@mfin.hr

BC Project Leader

Ms Ana Galušić, Head of Service for Support of Audit Activities
Ministry of Finance - Tax Administration
Boškovićeveva 5
10000 Zagreb, Croatia

6.3 Contracts:

It is envisaged that the Project will be implemented through one Twinning light contract, with the maximum amount of 200.000,00 EUR.

6.4 Reporting:

The Start-up Report will cover first two months of the contract and will be submitted during the third month.

The Start-up report should:

- Clearly define the aims and purpose of the aid provided by the project,
- Give detailed description of the content of particular parts of the project,
- Work out in detail the activities carried out and the results achieved,
- Work out in detail all modifications agreed with the beneficiary institution,
- Review difficulties met during the implementation of the project and measures that were undertaken for their removal,
- Provide all findings obtained in the meanwhile and preliminary conclusions, and
- Contain a general plan of activities for the implementation of the remained duration of the project.

The Final Report shall be submitted within three months upon the completion of the project activities and in any case within the legal duration of the project, and it should contain the following:

- Complete review of all activities carried out by MS experts during the implementation of the project,
- Achieved progress concerning each activity,
- Summary of all project results, with particular emphasis on mandatory results,
- Estimation of the project impact compared with the project aims and measures of the achieved progress,
- Identification of all important problems met during the implementation of the contract and solutions that have been applied,
- Lessons drawn from the project, and
- Recommendations for further steps in future projects.

The reports must be endorsed and countersigned by the beneficiary, who may make additional comments.

Reports shall be submitted to the Croatian Tax Administration, the Central Finance and Contracting Agency, the Ministry of Regional Development and EU Funds and the concerned service of the European Commission in a form of 3 hard copies and an electronic version. All reports should be written in English.

6.5 Language:

Working language of the project will be English.

7. Implementation Schedule (indicative)

7.1 Launching of the call for proposals: 2Q 2016

7.2 Start of project activities: 4Q 2016

7.3 Project completion: 2Q 2017

7.4 Duration of the execution period (number of months): 9 months; the execution period will end 3 months after the implementation period of the Action (work plan) which will take 6 months.

8. Sustainability

The results of this Twinning light project will provide tax auditors within the Croatian Tax Administration with a proposal of organisational structure as regards monitoring and auditing in the field of e-commerce. Moreover, based on EU rules and best practice, the Manual will be prepared on monitoring and auditing of e-commerce to be used in audit activities even after the completion of this project.

Capacities of CTA tax auditors will be enhanced through trainings conducted within this Twinning light project with the goal to enable tax auditors to use various tools and techniques in the field of monitoring and auditing of e-commerce. Efficiency and effectiveness of audit function will be increased within the Croatian Tax Administration, as tax auditors will use improved knowledge and skills in their future activities in the field of monitoring and auditing of e-commerce.

Benefits from the project will be also evident through improved administrative and operational qualification of CTA staff to implement appropriate measures in the field of external tax audit in terms of common market.

9. Crosscutting issues

Based on the fundamental principles of promoting equality and combating discrimination, participation in the operation will be guaranteed on the basis of equal access regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The activities of the project have no negative impact on the environment.

10. Conditionality and sequencing

Not applicable.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. List of relevant Laws and Regulations
3. Organigram of the Croatian Tax Administration

Annex 1. Logical framework matrix in standard format

Implementation and development of monitoring and auditing e-commerce function within Croatian Tax Administration (CRO E-COM)		Programme name and number: Transition Facility IPA/2013/24986 (Annex of C(2013) 8057 final); Institution Building Envelope	
Ministry of Finance, Croatian Tax Administration		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.	Disbursement period expires: 4 years following the expiration of the contracting deadline.
		Total budget: 200.000,00 EUR	Transition Facility funding: 180.000 EUR (90%) National co-financing: 20.000 EUR (10%) ²
Overall objective	Objectively Verifiable Indicators	Sources of Verification	
The overall objective is to strengthen administrative capacities and improve effectiveness of the Croatian Tax Administration (CTA).	<ul style="list-style-type: none"> • Increased efficiency and effectiveness of audit function in the field of monitoring and auditing of e-commerce • Effectiveness of risk analysis and effectiveness of taxpayers audit plan increased • Tax revenue resulting from monitoring and auditing of e-commerce generated • Relevant legal acts adopted • Improved administrative cooperation with other Member States 	<ul style="list-style-type: none"> • Relevant EC reports • Ministry of Finance reports and statistics • CTA reports and statistics • Regional offices reports 	
Project purpose	Objectively Verifiable Indicators	Sources of Verification	Assumptions

² 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.

<p>The project purpose is to improve the efficiency and effectiveness of tax audit function within CTA by introducing e-commerce monitoring and auditing function through design of organizational structure, manual and trainings for tax auditors related to monitoring and auditing of e-commerce activities using various specialised tools.</p>	<ul style="list-style-type: none"> • Proposal for organizational structure for monitoring and auditing of e-commerce within CTA drafted • Manual for monitoring and auditing of e-commerce and list of tools necessary for monitoring and auditing of e-commerce prepared • Tax auditors from the CTA Central Office and regional offices trained on the methods and techniques used for monitoring and auditing of e-commerce • Trial audit of e-commerce activities on the selected taxpayer conducted 	<ul style="list-style-type: none"> • Twinning light project reports • Analysis report • Comparative analysis report • List of participants in round table discussion • Manual • List of tools • TNA report • Training programme • List of participants on trainings • Training evaluation reports • Other Twinning light project documentation (Recommendations, training plan, training materials, report on trial audit, minutes of the round table discussions etc.) 	<ul style="list-style-type: none"> • Strategic commitment for modernising Croatian Tax Administration and its functions • Adequate management support • Representatives of CTA middle management, Central Office, Regional offices available for project implementation and participation at trainings. • Adequate BC experts appointed to participate in the project
<p>Results</p>	<p>Objectively Verifiable Indicators</p>	<p>Sources of Verification</p>	<p>Assumptions</p>
<p>1. Proposal for organizational structure for monitoring and auditing of e-commerce within CTA drafted</p>	<ul style="list-style-type: none"> • Analysis of the legal framework and organisational structure related to CTA audit and e-audit functions conducted and analysis report prepared • Analysis of practices applied in the field of e-commerce activities in the Republic of Croatia and comparative analysis with regional practices conducted and corresponding report prepared • Comparative analysis of the best EU practices in at least 2 EU Member States on methods and techniques in the field of monitoring and auditing of e-commerce conducted and corresponding report prepared • Round table discussion with at least 10 participants from CTA middle management and tax auditors from Central Office and regional offices, with the purpose to present and discuss the 	<ul style="list-style-type: none"> • Twinning light project reports • Analysis report • Comparative analysis report • List of participants in round table discussion • Manual • List of tools • TNA report • Training programme • List of participants on trainings • Training evaluation reports • Other Twinning light project documentation (Recommendations, training plan, training materials, report on trial audit, minutes of the round table discussions etc.) 	<ul style="list-style-type: none"> • Strategic commitment for modernising Croatian Tax Administration and its functions • Adequate management support • Representatives of CTA middle management, Central Office, Regional offices available for project implementation and participation at trainings. • Adequate BC experts appointed to participate in the project

<p>2. Manual for monitoring and auditing of e-commerce and list of tools necessary for monitoring and auditing of e-commerce prepared</p> <p>3. Tax auditors from the CTA Central Office and regional offices trained on the methods and techniques used for monitoring and auditing of e-commerce</p> <p>4. Trial audit of e-commerce activities on the selected taxpayer conducted</p>	<p>conclusions and reports from the performed analyses and comparative analyses, organized and conducted</p> <ul style="list-style-type: none"> • Proposal for organizational structure for monitoring and auditing of e-commerce within CTA drafted • Manual for monitoring and auditing of e-commerce taking into account conclusions from a round table discussion with at least 8 participants from CTA middle management and tax auditors from the Central Office and regional offices prepared • List of tools necessary for monitoring and auditing of e-commerce taking into account conclusions from a round table discussion with at least 8 participants from CTA middle management and tax auditors from the Central Office and regional offices prepared • Training Needs Analysis (TNA) of tax auditors from the Central Office and regional offices on methods and techniques used for monitoring and auditing of e-commerce conducted • Training program and training materials on methods and techniques used for monitoring and auditing of e-commerce and based on TNA and Manual for monitoring and auditing of e-commerce prepared • Trainings for at least 40 tax auditors in total organized and conducted • Trial audit taxpayer selected on the basis of risk analysis performed taking into account Manual for monitoring and 		
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	auditing of e-commerce and trainings • Supervision of trial audit of e-commerce activities on the selected taxpayer by the CTA trained tax auditors conducted and corresponding report prepared		
Activities	Means	Specification of costs	Assumptions
Activities to be implemented correspond to the activities developed in the selected MS proposal.	Analysis, consultations, round table discussions, presentations, workshops, preparation of documentation, trainings, trial audit.	Twinning light project: 200.000,00 EUR	In line with the assumptions specified for results.
			Preconditions: Not applicable

Annex 2. List of relevant Laws and Regulations

1. General Tax Act (Official Gazette NN 147/08, 18/11, 78/12, 136/12, 73/13, 26/15) at:
http://www.porezna-uprava.hr/en_propisi/_layouts/in2.vuk.sp.propisi.intranet/propisi.aspx#id=pro117
2. General Administrative Procedure Act (Official Gazette No 47/09) at:
3. Tax Administration Act (Official Gazette No 148/13, 141/14) at:
4. Value Added Tax Act (Official Gazette No 73/13, 148/13: Decision CCRC 99/13, 153/13) at:
http://www.porezna-uprava.hr/en_propisi/_layouts/in2.vuk.sp.propisi.intranet/propisi.aspx#id=pro113
5. Profit Tax Act (Official Gazette No 177/04, 90/05, 57/06, 146/08, 80/10, 22/12, 148/13, 143/14) at:
http://www.porezna-uprava.hr/en_propisi/_layouts/in2.vuk.sp.propisi.intranet/propisi.aspx#id=pro5
6. Income Tax Act (Official Gazette No 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 120/12 - Decision of the Constitutional Court of the Republic of Croatia, 125/13, 148/13, Decision of the CCRC 83/14, 143/14, 136/15) at:
http://www.porezna-uprava.hr/en_propisi/_layouts/in2.vuk.sp.propisi.intranet/propisi.aspx#id=pro2
7. Law on Electronic Commerce (NN 173/03, 67/08, 36/09 and 130/11, 30/14)
8. Administrative cooperation in the area of VAT (Regulation 1798/2003, Regulation 1925/2004, 904/2010)
9. Council Regulation 143/2008
10. Council Regulation 37/2009
11. Council Directive 2006/112/EC, 282/2011
12. Council Directive 2008/8/EC
13. Council Directive 2008/9/EC
14. Administrative cooperation in the area of direct taxes - Council Directive 2011/16/EU
15. Directive 2000/31/EC - e-commerce
16. Council Directive 2010/45/EU - e invoicing

Annex 3. Organigram of the Croatian Tax Administration

