

# ILLICIT TRADE AND INSPECTION CONTROL

2.00

## WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Adopting the Program for the Suppression of the Grey Economy for the period 2022-2025 and the accompanying Action Plan for the implementation of this program for the period 2022-2023.	2021	√		
Continuing with capacity building of republic inspections by employing new inspectors, and by improving working conditions, including material status for inspectors.	2021		√	
With the aim of increasing the efficiency of the illicit trade penal system, introducing specialization of judges for misdemeanor offences in the field of suppression of the grey economy.	2019		√	
Improving the system of fiscal burden for companies operating in the Republic of Serbia by creating a register of applicable fees, in order to further control parafiscal levies.	2018			√
Establishing a system of reporting on the measures and effects of Action Plans (flowcharts), while communicating the results of controls to stakeholders from the economy.	2021		√	
Establishing and implementing a fast and efficient procedure for regulating the storage of seized goods between the public and private sectors.	2021			√
Developing a system of advanced analytical methods for the use of data obtained from e-Fiscalization, and regularly publishing the results of the processed data.	2022		√	
Supporting the full implementation of the Law on Electronic Invoicing and related by-laws in accordance with the planned dynamics.	2022	√		
Maintaining the continuity of the process of improving import and export procedures.	2021		√	

## CURRENT SITUATION

Instead of a full recovery after the end of the two-year global crisis caused by the 2020 pandemic, 2022 was marked by a new global crisis that arose as a result of the conflict in Ukraine. Growing uncertainty, inflation and the energy crisis have placed the focus of the state authorities on preserving economic activity and standards of living of citizens.

As a result of the changed global circumstances and the adjusted economic policy priorities, as well as the long period of functioning of the Government in the technical mandate during the last year, activities related to the adoption of the new Programme for Suppressing Grey Economy in 2023-2025, which was adopted in very March 2023, were postponed, and at the beginning of June 2023, the accompanying Action Plan for the Implementation of the Programme for Suppressing Grey Economy in 2023-2024 was adopted.

## POSITIVE DEVELOPMENTS

In December 2022, a new convocation of the Coordination Body for Suppressing Grey Economy was formed, which was first established in 2015 with the task of coordinating the work of all state administration authorities and directing activities related to the preparation, revision and implementation of the Programme for Suppressing Grey Economy, with the accompanying Action Plan. As in the previous convocation, a new composition of the Expert Group was formed within the Coordination Body for Suppressing Grey Economy, which provides expert support to the Coordination Body in the preparation of the Programme with the accompanying Action Plan, monitors and coordinates the implementation of measures and activities from the Action Plan. At the same time, in December 2022, a new convocation of the Coordination Commission for Harmonizing i.e. Coordinating Inspection Supervision was formed.

After a short delay, in March 2023, the Government of the

Republic of Serbia adopted the Programme for Suppressing Grey Economy in 2023-2025, which has been in the process of drafting, harmonizing and adopting since May 2021. The new Programme sets out 23 measures to achieve three priority goals – (1) strengthening the capacity of inspections and misdemeanour courts, (2) improving the tax supervision and tax return process and (3) fiscal and administrative relief of legal operations. After the adoption of the new Programme, in June 2023, the Action Plan for the Implementation of the Programme for Suppressing the Grey Economy in 2023-2024 was adopted, with the precisely defined measures that will be implemented by the end of 2024 in order to meet the set goals. The idea is that by applying all the measures from the Programme for Suppressing Grey Economy and the accompanying Action Plan, the share of grey economy in economic activity in Serbia, which, according to the recent surveys in the previous five years, has fallen from 14.9% to 11.7% of GDP, will be reduced to 10% of GDP by 2025.

The Coordination Commission for Harmonizing i.e. Coordinating Inspection Supervision of the Ministry of Public Administration and Local Self-Government has continued with regular activities in order to improve inspection controls. The Decision on the establishment of a new convocation of the Coordination Committee from December 2022 more precisely defines its tasks in order to perform more comprehensive and effective inspection supervision and avoid overlapping and unnecessary repetition of supervision.

The work of most inspections of the Republic is carried out through the information system e-Inspector, which was expanded by two more inspections in 2022 and currently includes 36 out of a total of 43 inspections of the Republic. The number of performed inspections through the e-Inspector in 2022 was led by the Market Inspection, which achieved as much as 42.3% of the total number of the performed inspections. Updated checklists and forms in accordance with which inspection supervision is performed are regularly published on the website [www.inspektor.gov.rs](http://www.inspektor.gov.rs), which provides the opportunity for businesses to easily familiarize themselves with the conditions for doing business in accordance with the regulations.

Further expansion of the functionality of the Single Contact Centre for reporting irregularities to the inspections of the Republic continued, which has been in use since March 2020 as a single contact point for submitting petitions in

the field of inspection supervision and complaints about the work of inspection officials. Since its establishment, the Contact Centre has had numerous improvements and extensions of functionality, it is connected with the local self-government inspections and the information system e-Inspector, which all significantly simplifies the procedure for reporting irregularities.

After the delay and the transition period, the implementation of the new fiscalization system began on 1 May 2022, at the same time as the mandatory application of electronic invoicing within the public sector (G2G) and from the private sector to the public sector (B2G) began. The system for electronic exchange of invoices (e-invoices) has been in full use since 1 January 2023, when the obligation to issue and store electronic invoices also in the transactions between private sector entities (B2B) began. The application of e-fiscalization and e-invoices, as important tools in the combating grey economy, envisage the use of modern technologies for the purpose of digitization of the trade recording, electronic exchange of invoices and simpler and more efficient control of the state authorities.

In terms of activities on the improvement of import and export procedures, since 2019, the World Bank “Western Balkans Trade and Transport Facilitation Project Using the Multiphase Programmatic Approach” has been implemented, where we would like to highlight the sub-component of the project “National Single Electronic Window System Development and Implementation”. The implementation of the National Single Electronic Window System stipulates that businesses will be able to electronically submit and receive all the documents required by the state authorities to perform foreign trade activities through a single portal, which will enable faster and more efficient foreign trade operations. It is expected that the information system for the National Single Electronic Window System will be fully operational in December 2025.

## REMAINING ISSUES

As part of further improving the functionality of the information system e-Inspector, we would like to emphasize the importance of connecting all the inspections and the necessity of establishing a functionality for the exchange of information between the system of the Tax Administration and the Customs Administration with the system e-Inspector. Also, it is necessary to amend the Law on Misdemeanours in order to create a legal basis for the exchange

of cases in electronic form between the system e-Inspector and the misdemeanour court system (SIPRES), which would significantly increase the efficiency of work on the proceedings.

After the regular session held in March 2023, the members of the Coordination Commission for Inspection Supervision noted that the situation in the inspection services of Serbia was alarming, which was why it was agreed with the Government of the Republic of Serbia to amend the provisions of the Law on Inspection Supervision in the next term, which would solve a large part of the existing problems. The biggest problem in the inspection services is still the unfavourable age structure, since the average age of inspectors in Serbia is 59. Another big problem is the insufficient number of inspectors, taking into account the fact that the occupancy of the state inspection jobs ranges between 30% and 70%. Insufficient occupancy of inspection capacities is further aggravated by the fact that more than 160 inspectors of the Republic will be retired during 2023. The previous Action Plan for employing new inspectors at the state level in 2019-2021 was realized at the level of only 50%, due to the complex and long-lasting employment procedures and insufficient attractiveness of inspection jobs. In this regard, the activities to ensure an adequate number of the new inspectors and the necessary equipment, as well as the improvement of the performance evaluation system in order to increase the efficiency and hiring

of inspectors should still remain at the top of the priorities.

The public electronic register and portal with the applicable fees and charges after many years of delay has not been established, and it is necessary as one of the significant elements of predictability of business conditions and disincentives to illegal trade activities.

The system of reporting on the results of the implementation of adopted hodograms for the control of illegal trade in certain sectors/goods has not yet been finalized, and the stakeholders do not have data on the achieved control results.

One of the most significant preventive measures is an adequate system of penalties for illegal trade, and it is still necessary to improve the efficiency of the mutual communication between the control authorities and courts, as well as to specialize judges for misdemeanor offences in the field of suppressing grey economy and to monitor the work of misdemeanour courts in these processes.

An efficient system for storing the confiscated goods was not prescribed in the previous period. Due to insufficient storage capacities in state ownership and the lack of procedures for the use of privately-owned capacities for the storage of the confiscated goods, the activities of inspection authorities are limited.

## FIC RECOMMENDATIONS

- Consistently implement the Programme for Suppressing Grey Economy in 2023-2025, with the accompanying Action Plan for the Implementation of the Programme for Suppressing Grey Economy in 2023-2024.
- Continue to build the capacity of the Republic inspections by employing new inspectors, as well as by improving both the working conditions and the material compensation of inspectors.
- In order to increase the efficiency of the penal system towards illegal trade, in accordance with the Action Plan for the Implementation of the Programme for Suppressing Grey Economy in 2023-2024, introduce the specialization of judges for misdemeanor offences in the field of suppressing grey economy and monitoring the work of misdemeanour courts in this process.
- Improve the system of the fiscal burden for companies operating in the Republic of Serbia by creating a public, electronic register of applicable fees and charges, in order to control parafiscal levies and increase business transparency.
- Establish a system of reporting on the measures and effects of the Activity Plans (hodograms), and communicate

the control results with the stakeholders engaged in economy, in accordance with the Action Plan for the Implementation of the Programme for Suppressing Grey Economy in 2023-2024.

- Prescribe and implement the fast and efficient procedure for regulating the storage of the confiscated goods between the public and private sectors.
- Maintain the continuity of the process of improving import and export procedures.