

ILLICIT TRADE AND INSPECTION CONTROL

1.63

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Consistently implement the Programme for Suppressing the Grey Economy 2023-2025 in the last year of application and adopt the new national Programme for Suppressing the Grey Economy for the period 2026-2030, with the accompanying Action Plan.	2023		√	
Continue building the capacity of republic inspections by employing new inspectors, as well as by systematically solve the position of inspections through the change of the Law on Inspection Supervision, as well as by passing the special Law on Inspection Service, in order to improve the status, working conditions and material position of the inspector. In accordance with the recommendations of the International Monetary Fund, work quickly on hiring new inspectors in the Tax Administration, in order to increase capacity.	2021		√	
Improve the functionality of the e Inspector, through connecting all inspection services and establishing timely information exchange with the Tax Administration and Customs Administration.	2024		√	
Prescribe inspection competencies and control measures of illicit online trade.	2024			√
Improve the system of fiscal encumbrance for companies operating in the Republic of Serbia by creating a public, electronic register of applicable taxes and fees and enabling electronic payment of taxes and fees, in order to control parafiscal charges and greater transparency of business.	2018		√	
Establish a system of reporting on the measures and effects of the Activity Plan (hodogram), and communicate the control results with stakeholders from the economy, in accordance with the Action Plan for the implementation of the Gray Economy Suppression Program 2023-2024.	2021			√
Prescribe and implement a fast and efficient procedure for regulating the storage of seized goods between the public and private sectors.	2021			√
Maintain continuity of the process of improvement of import and export procedures.	2021		√	

CURRENT SITUATION

The year 2024 marked 10 years since the beginning of the systemic fight against the grey economy, and activities on the implementation of the current national Program for Suppressing the Grey Economy for the period 2023-2025 continued. At the end of 2024, the percentage of the fulfilment of the activities from the Action Plan for the implementation of the Program for Suppressing the Grey Economy hovered around 60%, and it is estimated that by the end of 2025, the percentage of fulfilment will be at the level of the previous Program, about 70%. At the same time, preparations have begun for the creation of a new national Program for the period 2026-2030.

In previous years, the grey economy in Serbia hovered

around 21% of GDP, or approximately 15 billion euros. The grey economy in a formally registered economy amounted to 13.8% of GDP in 2024 and was 2.1 percentage point higher compared to the previous measurement from 2022.

POSITIVE DEVELOPMENTS

The current Programme for Suppressing the Grey Economy for the period 2023-2025 defines 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 business. The idea is that by applying all the measures from the Programme for Suppressing the Grey Economy and the accompanying Action Plan, the share of grey economy in economic activity in Ser-

bia is reduced to 10% of GDP by the end of 2025 measured by survey method of formally registered business entities, or 18% of GDP measured by monetary method.

In October 2024, a new convocation of the Coordination Commission for Inspection Supervision of the Ministry of Public Administration and Local Self-Government was formed. During 2024, five meetings of the Coordination Commission were held, where annual work plans of republic inspections for 2025 and work reports for 2024 were adopted, and the aim to continuously work on increasing the capacity and improving the status of inspections was confirmed. It was proposed that the Coordination Commission also includes a Working Group for Monitoring and Harmonising the Conduct of Inspections in the Field of Illicit Trade, with the aim of contributing to the improvement of integrated market surveillance in order to suppress the grey economy in accordance with the Programme for Suppressing the Grey Economy 2023-2025.

In October 2024, the Coordination Commission concluded the agreement on cooperation in the field of inspection supervision with the Network of Inspectors of Serbia as a representative association of inspectors, in order to better coordinate and improve efficiency and effectiveness of inspections, as well as activities to improve the status of inspectors in the Republic of Serbia. For the first time, a Working Group was established to consider the possibility of improving the status of inspectors whose members are representatives of the Ministry of State Administration and Local Self-Government, the Ministry of Labour, Employment, Veteran and Social Affairs, the Ministry of Agriculture, Forestry and Water Management, the Ministry of Construction, Transport and Infrastructure, the Ministry of Finance and the association of the Network of Inspectors of Serbia. First meeting of the Working Group, at which the proposal of emergency measures to improve the status of inspectors was specified, was held in January 2025.

The Ministry of State Administration and Local Self-Government plans to form a Working Group for the preparation of the Draft Amendments to the Law on Inspection Supervision, which will include all interested stakeholders - representatives of state authorities, the civil sector and the economy.

In 2024, 38 inspections were included in the e-Inspector information system, out of which 29 were using this software, with 49.572 inspection controls being carried out.

Looking at the number of performed inspection controls through the e-Inspector in 2024, the Market Inspection once again took the lead, with as much as 35% of the total number of the performed supervisions - 17.444 controls. The practice of publishing updated checklists and forms for performing inspection controls on the website www.inspektor.gov.rs continued, which provides an opportunity for businesses to easily familiarize themselves with the conditions for doing business in accordance with the regulations.

Since March 2020, the Contact Centre of Republic Inspections is functioning as a focal point where businesses and citizens can report irregularities in the operations of entities and unfair competition, and file complaints about the work of inspectors. From the beginning of its operation until the end of 2024, the single Contact Centre has received more than 62.000 submissions. During 2024, the Contact Centre received, processed and forwarded for further processing 12.380 submissions, out of which 23% were addressed to Tax inspection, and per 10% was sent to the Labour inspection, the Republic Market inspection and the inspection services of the City of Belgrade local self-government. Since its inception, the Contact Centre has become an important link in the fight against the grey economy and its suppression, with numerous improvements and expansion of its functionality. The Contact Centre is connected with the local self-government inspections and the information system e-Inspector, which significantly simplifies the procedure for reporting irregularities.

After the introduction of the e-invoice and e-fiscalization system significantly reduced the volume of the grey economy, the introduction of e-excise duties from October 1, 2024 continued the trend, while the phased introduction of e-delivery notes is also planned in the coming period. It is also planned to introduce a special module for monitoring the movement of cigarettes and non-combustible tobacco throughout the entire distribution chain ("track and trace"), which will increase the transparency of cigarette and non-combustible tobacco trade, so that the current location and previous history of movement will be known for each product, i.e. the movement of each individual and aggregate packaging from the production line to shipping to the first retail outlet will be known.

Further reform of the Tax Administration envisages the creation of a single application for taxes in the coming years, in order to monitor all tax forms, which will significantly assist

business operations.

Through the implementation of the World Bank project “Western Balkans Trade and Transport Facilitation Project Using the Multiphase Programmatic Approach”, with the sub-component “National Single Electronic Window System Development and Implementation” (National Single Electronic Window), it is envisaged for businesses to 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. In September 2025, a public debate was conducted on the Draft Law on the National Single Electronic Window, with further procedure for the adoption of the Law to follow in order to enable the operation of the National Single Electronic Window. This would consolidate the data of more than thirty institutions thereby accelerating and facilitating the procedure of import and export of goods.

REMAINING PROBLEMS

After 6 years since the launch of e-Inspector, only the republic inspections are connected with this software solution, while provincial and local self-government are not, thus it is necessary to adjust the software to the specifics of certain inspections and include provincial, city and municipal inspections in the e-Inspector in order to complete the picture of the actual situation in the area of supervision and inspection services performance at all levels. Additionally, it is necessary to establish the functionality for the exchange of information between the systems of the Tax Administration and the Customs Administration with the system e-Inspector. During 2024, the most common problem in using the e-Inspector was the lack of connection between the e-Inspector and e-Pisarnica, and which is being eliminated. 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 e-Inspector system and the misdemeanour court system (SIPRES), which would significantly increase the efficiency of the court proceedings.

The situation in Serbia’s inspection services regarding personnel capacities remains alarming. Although there is a slightly lower average inspectors’ age compared to previous period, currently being at 51 years, unfavourable age structure is one of the significant problems in the functioning of inspection services. Another significant

problem is the insufficient number of inspectors. According to earlier estimates of the Ministry of State Administration and Local Self-Government, the minimum number of inspectors at the republic level should be 3.600, while currently 2.200 inspectors are employed at the level of the Republic of Serbia, which means that 1.400 inspectors are missing only at the republic level. At the provincial and local levels, 1.000 inspectors are missing. Surveys have shown that in the Republic of Serbia one inspector comes to 1.200 inhabitants, while in the EU, one inspector comes to 780 inhabitants. In accordance with the recommendations of the International Monetary Fund, the Tax Administration, which has had a shortage of human capacities for years, declared 2025 the year of the application during which the employment of 1.000 new employees was planned, for all areas important for the work of the Tax Administration. The problem is also an extremely unfavourable material position of inspectors, taking into account that inspectors’ earnings are below the republic average. Having in mind all of the above, the activities to ensure an adequate number of 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 be at the top of the priorities.

In accordance with the actual changes in business models, the illicit trade has largely shifted from traditional markets to the Internet, an area that does not have clear inspection jurisdictions or competencies to control these channels. Cooperation and greater capacities of the Ministry of Interior and the Prosecutor’s Office for high-tech crime will be also necessary in order to properly treat this new area.

Regarding parafiscal charges, establishment of a comprehensive public electronic register and portal with valid fees and charges is still expected, with the addition of enabling electronic payment of all fees and charges, in order to increase the transparency of business conditions and de-stimulate the activities of illegal trade. The importance of creating a unified register of all taxes and fees is evidenced by the fact that this request is included in the Reform Agenda of Serbia, which, as part of the EU Growth Plan for the Western Balkans, contains a list of priority reforms agreed with the European Union.

The system of reporting on the results of the implementation of adopted hodograms for the control of illicit trade

in goods that are most often the subject of unauthorized trade (excise products - tobacco, coffee, base oils, alcoholic products as well as textiles) in certain sectors has not 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 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 misdemeanor courts in these proceedings.

An efficient system for storing seized 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 seized goods, the activities of inspection authorities are limited.

FIC RECOMMENDATIONS

- Consistently implement the Programme for Suppressing the Grey Economy in 2023-2025 in the last year of application.
- Prepare and adopt a new National Programme for Suppressing the Grey Economy for the period 2026-2030, with the accompanying Action Plan.
- Continue to build the capacity of republic inspections by employing new inspectors, as well as systematically solve the position of inspections through amendments to the Law on Inspection Supervision, as well as by adopting a special Law on Inspection Service, in order to improve the status, working conditions and the material compensation of inspectors. In accordance with the recommendations of the International Monetary Fund, work swiftly on hiring new inspectors in the Tax Administrations, with the aim of strengthening capacities.
- Improve functionality of the e-Inspector, through connecting all inspection services and establishing timely information exchange with Tax Administration and Custom Administration.
- Prescribe inspection competences and control measures of illegal trade on the Internet.
- 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 and enabling electronic payment of fees and charges, in order to control parafiscal levies and increase business transparency.
- Establish a reporting system on the measures and effects of the Activity Plans (hodograms), and communicate the control results with stakeholders inform the economy, in accordance with the Action Plan for the Implementation of the Programme for Suppressing Grey Economy in 2023-2024.
- Prescribe and implement a fast and efficient procedure for regulating the storage of seized goods between the public and private sectors.
- Maintain the continuity of the process of improving import and export procedures.