



MINISTARSTVO FINANCIJA  
POREZNA UPRAVA

# **FISCALISATION IN THE REPUBLIC OF CROATIA**

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# Why Fiscalisation?

## 2012

- A big number of middle and small taxpayers engaged in cash transactions
- Evident payments in cash; but the annual tax returns show different – only 15% of cash turnover in cash
- Lack of tax auditors for efficient audit of turnover in cash
- Lack of Financial Discipline
- Lack of revenue budget

**Croatia needs an efficient tool for supervision of turnover in cash= on-line FISCALISATION**

# FISCALISATION – legal solution

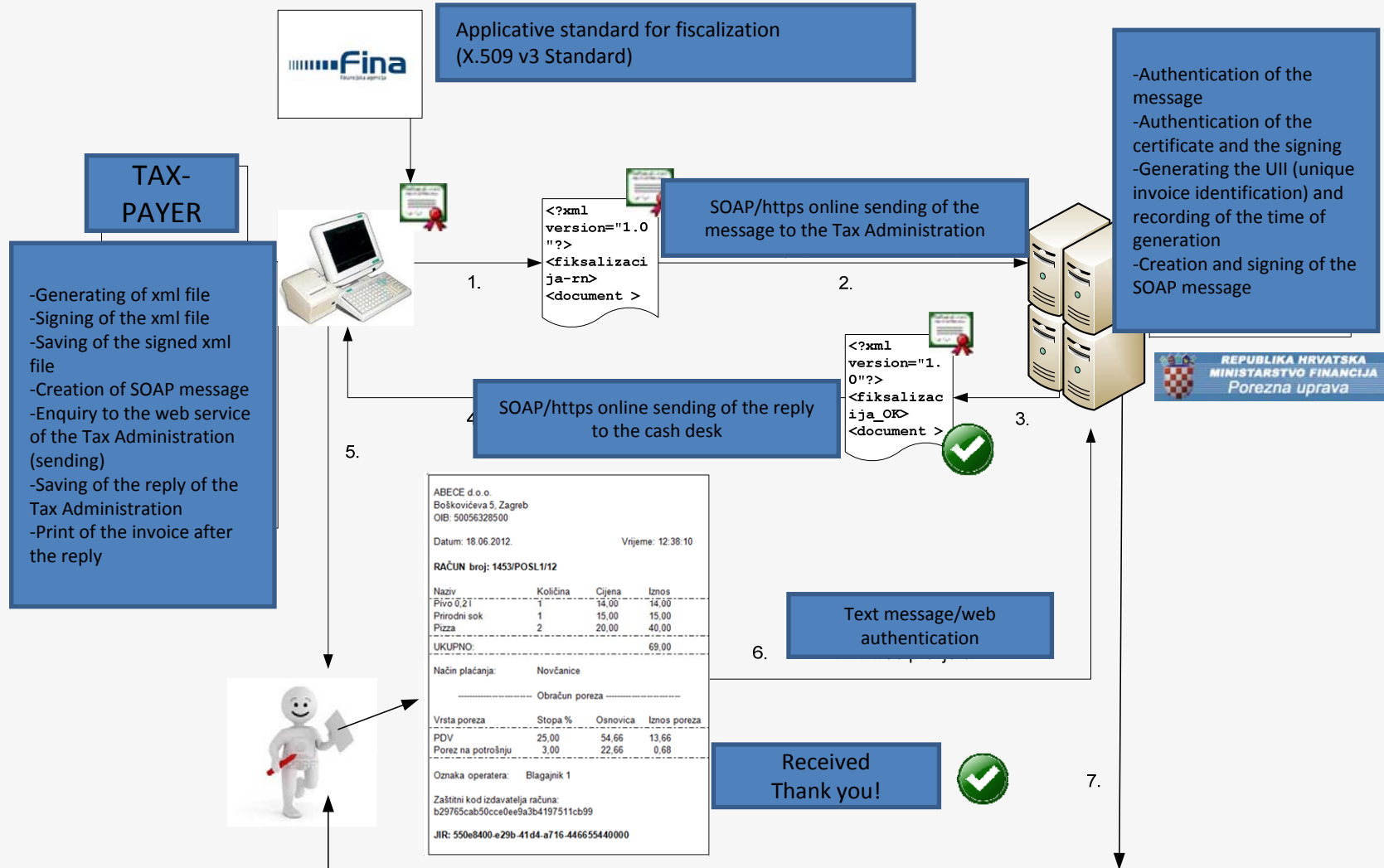
AIM	LEGAL SOLUTION
Enable efficient tax audits of large amount of small and middle entrepreneurs, that are engaged in cash transactions	Fiscalisation for all payments – transfers of money, cards, cheques and combinations
Introduce Fiscalisation with minimal costs for Entrepreneurs	Open Model of Fiscalisation , enable adjustment for all present solutions
Revive the Information of the Importance of Receipts	Make the most of the present “culture of issuance of receipts”
Change the process of tax audit; citizens as “tax auditors”	Change long-lasting audits of inventories and turnover recording = with audits of citizens, conscious of the importance of taking Receipts
Increase turnovers and incomes of small and middle Entrepreneurs	Fiscalisation for all Entrepreneurs; with no exemptions

## Communication with the key stakeholders

- IT providers – development of the model of Fiscalization,
- Citizens – media campaign was conducted to be able to adequately communicate all key messages;
- taxpayers – fight against unfair competition
- Government – key chain of support introduction of Fiscalization

# Model Scheme

## Fiscalization of issuing receipts



## Model of Fiscalisation – successful model

<b>Entrepreneurs</b>	<b>TAX ADMINISTRATION</b>	<b>CITIZENS</b>
Adjustment of present solutions with minimal costs	Receive all receipts in the system, but also additions elements of invoices	Can see Fiscalisation – receipts verification
Time limit of issuance of receipts is not extended	Received invoices and elements of receipts – data analyses	Can check receipt verification
Known rules for all scenarios of inability to issue receipts	Business processes of tax audits are changed; quick tax audits “Do more with less”	Become an extended arm of supervision as a State function
Aware that non-fiscalisation of receipt is SEEN	Quality basis for tax audit; comparison of similar taxpayers	93% of citizens support Fiscalisation
WIN	WIN	WIN

## From Idea to Legislation– in 8 months

- ▶ Project inception - April 2012
- ▶ Conceptual design – 14/6/2012
- ▶ Proposal of Fiscalisation Law – 26/7/2012
- ▶ Document of Interoperability– 05/10/2012
- ▶ Test environment available from 12/10/2012
- ▶ Final Draft of Fiscalisation Act– October 2012
- ▶ Debate in Parliament 2nd reading – beginning of November 2012
- ▶ Notice in Official Gazette – November 2012
- ▶ System Production from 27/12/2012
- ▶ Legislation material – Bylaw – November 2012
- ▶ Beginning of Fiscalisation 01/01/2013
- ▶ Information available at:
  - ▶ [www.porezna-uprava.hr](http://www.porezna-uprava.hr) FISKALIZACIJA

- The Cash Payment Fiscalisation Act – **first reading** at the session of the Parliament - **September 2012** (accepted with 98 votes for /24 restrained)
- **Act was adopted** in the second reading to enact the law at the sessions of Parliament - **November 2012** (80 votes “for”, 2 “against”, 32 “restrained”);
- majority of provisions applying from January 1, 2013
- During 2013, as the first year of Fiscalisation, fiscalisation was introduced in stages:
  - I. First stage (01/01/2013) – catering and accommodation, big taxpayers
  - II. Second stage (01/04/2013) - wholesale and retail trade and self-employed services
  - III. Third stage (01/07/2013) - all other taxpayers



# IMPLEMENTATION – taxpayers perception

➤ certain doubts about successful implementation of Fiscalisation project:

- Doubts in Fiscalisation system stability (possibility of receiving certain amount of receipts per second)
- increasing cost for taxpayers,
- Internet connectivity,
- **Resistance of specific taxpayers:**
  - Outdoor work– open – air markets, fairs
  - Mobile activities– vets, sales in airplanes, taxi drivers
  - Working conditions- fisherman, chimney sweepers,
  - Exchanges offices, lawyers

- **Taxpayers subject to Fiscalisation – all Entrepreneurs who are liable to personal income tax and corporate income tax**
  1. A natural person who is liable to personal income tax on the grounds of self-employed activities
  2. A legal and natural person who is liable to corporate tax for transactions in cash

*Proposal for further changes:*

- *For the purpose of supervising activities – extend the obligation to other persons – activities of associations, foundations and similar legal entities*

# Fiscalisation – legal solution

## **Exemptions from Fiscalisation of Invoices (minimum)**

1. If there is no obligation to issue invoices
2. For services that are measurable
3. Based on Government Decision

*Proposal for further changes:*

*- Obligation to Fiscalize all invoices regardless of payment method*

## **News arising from Fiscalisation**

1. Additional content of elements on Receipt – new way of showing date and time of issuance of Receipt, designation of cash register operator, rules for sequence of numbers of receipts, designation for means of payment, JIR and ZKI
2. Rules for Receipt issuance – verification time (4 sec), procedures in the case of the loss of the connection, malfunction of the electronic cash register..
3. Internal document – the designation of business premise, cash register, cash register operator

*Proposal for further changes:*

*- To improve monitoring of Data received*

- Special rules
- “small taxpayers subject to Fiscalisation” – taxpayers whose income and personal income tax is to be assessed on lump-sum basis
- Procedures in the case of loss of the established Internet connection
- Procedures in the case of malfunctions of the electronic cash register device

# Media Campaign

- First research on public opinion – at the end of 2012 – citizens support Fiscalisation, support order and expect from the State to introduce financial discipline
- 9/02/2013 – national campaign **“NO ACCOUNT DOES NOT COUNT”**
- **The Aim of campaign:**
  1. To raise the awareness of the importance of receipts
  2. To raise the awareness of the importance to take receipts
  3. To provide information on the consequences of the grey economy
- **Media campaign through:**
  1. TV videos
  2. seminars, educations, public forums
  3. Posters, advertisements
  4. Award games

# CRO Model of Fiscalisation

## ➤ **FISCALISATION AND CITIZENS**

- citizens- the most important partners in fiscalisation
- the first season of award game “No account does not count” in 2013 – 500.000 envelopes, more than 10 thousand receipts
- the second season of award games through 3 rounds – more than 200 bags with envelopes received, meaning around 200 thousand enveloped or more than 4 billion receipts
- 10.000 calls to report irregularities (incl. 2014)
- more than 93% of citizens supports fiscalisation – according to Croatian chamber research
- 32% of the citizens changed their behavior – they ask for receipts

## SUPPORT FISCALISATION

➤ In July 2013, minister of finance has been voted the second most popular politician in Croatia and the most popular minister in Government (according to public opinion)



## **Did Fiscalisation in Croatia succeeded**

- All results show the success of Fiscalisation

## **FISCALISATION TODAY**

- Strong political will for further development and use of tool
- Citizen still greatly support Fiscalisation
- Entrepreneurs do not find Fiscalisation as a problem in their business activities
- Exempted activities want to become a part of Fiscalisation
- Tax Administration finds Fiscalisation as a successful tool for improvement of labor efficiency; Tax Administration supports further development of Fiscalisation