

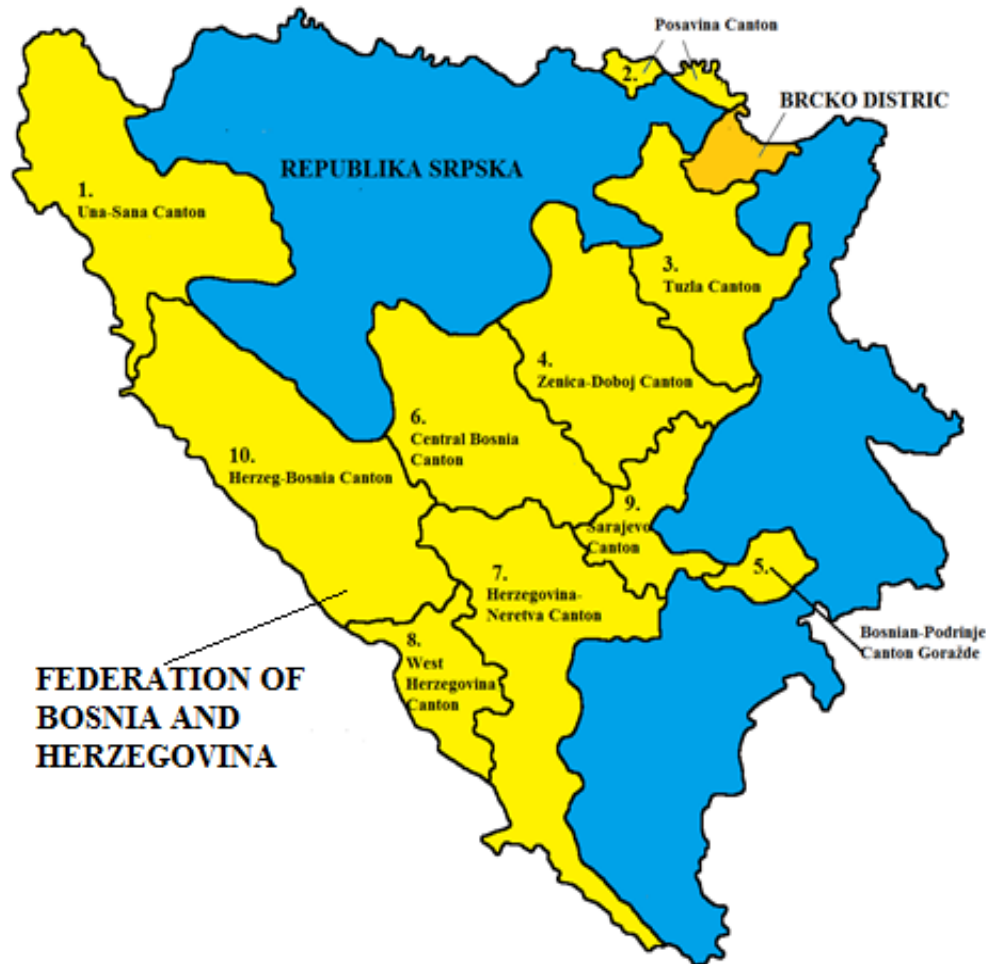
BOSNA I HERCEGOVINA / БОСНА И ХЕРЦЕГОВИНА



UPRAVA ZA INDIREKTNO - NEIZRAVNO OPOREZIVANJE
УПРАВА ЗА ИНДИРЕКТНО ОПОРЕЗИВАЊЕ

COMBATING VAT FRAUD IN CONSTRUCTION-RELATED BUSINESSES BY TRACKING CONCRETE AS A CRITICAL INPUT

BRIEF INFORMATION ABOUT THE COUNTRY AND TAX ADMINISTRATIONS

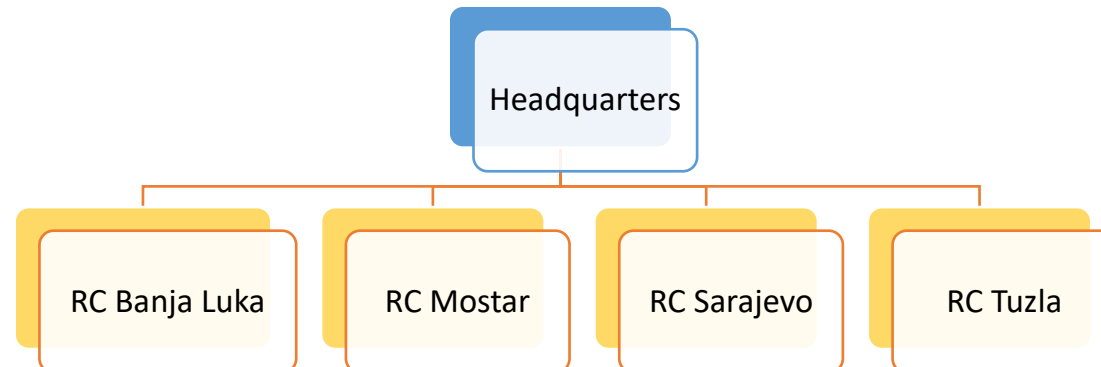


- Bosnia and Herzegovina is a country in Southeast Europe, on the Balkan Peninsula. It borders Serbia to the east, Montenegro to the southeast, and Croatia to the north and southwest. In the south it has a 20 kilometre long (12-mile) coast on the Adriatic Sea.
- Bosnia and Herzegovina has two entities: Federation of B&H (51% of territory) and Republika Srpska (49% of territory), and Brcko District. The Federation of B&H consists of ten cantons.

Area	
• Total	51,209 ^[7] km ² (19,772 sq mi) (125th)
• Water (%)	1.4%
Population	
• 2022 estimate	▼ 3,434,000 ^[7] (135th)
• 2013 census	3,531,159 ^[2]
• Density	69/km ² (178.7/sq mi) (156th)

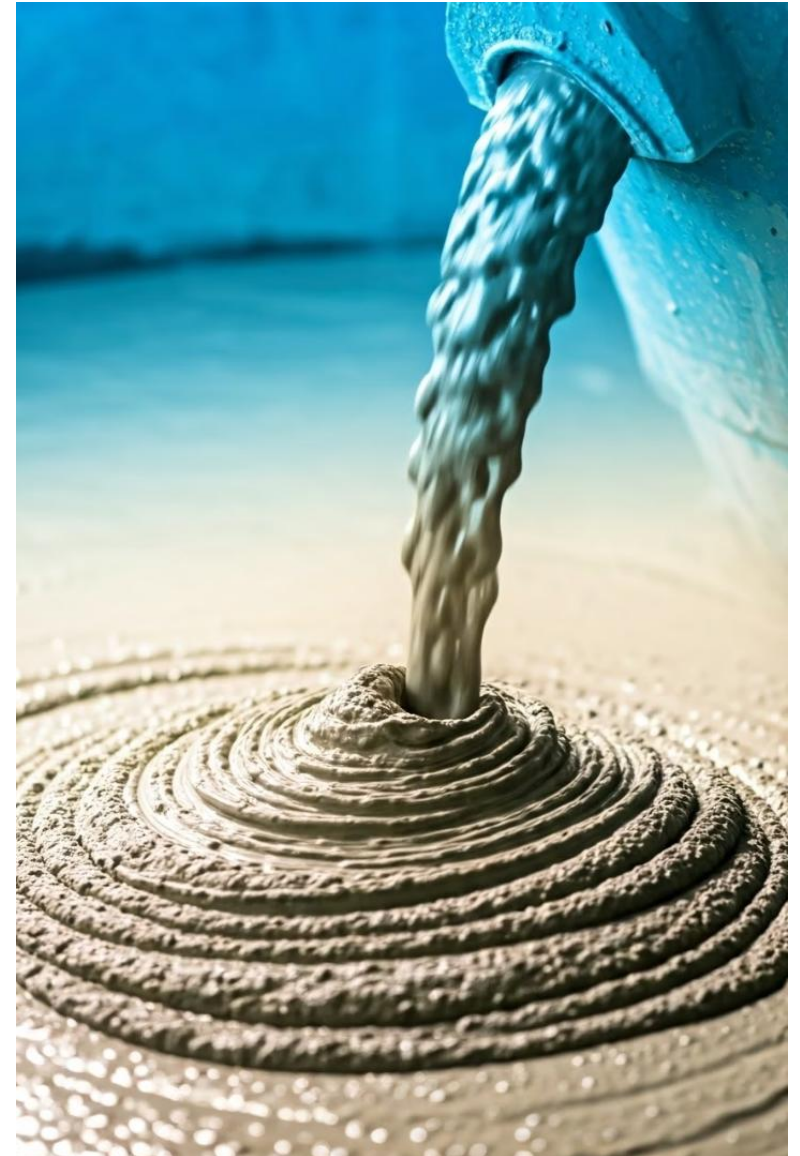
BRIEF INFORMATION ABOUT THE COUNTRY AND TAX ADMINISTRATIONS

- The tax system in B&H is based on regulations adopted at different levels of decision-making which together make up the tax system of the country.
- Direct taxes are regulated at the entity level - the Federation of B&H and Republika Srpska and at the level of the Brčko District of B&H, while indirect tax regulations are imposed at the level of B&H.
- The Law on Indirect Taxation System in B&H establishes the institutional and organisational basis for a single indirect taxation system in B&H in order to contribute to the overall macroeconomic stability and fiscal sustainability.
- ITA is the sole authority in B&H, responsible for implementation of legislation on indirect taxation and the policy as determined by the Council of Ministers of B&H at the proposal of the Governing Board of the ITA, as well as for the collection and distribution of indirect taxes in the territory of B&H.
- The Headquarters is in Banja Luka. Its four Regional Centres are based in Banja Luka, Mostar, Sarajevo and Tuzla, including 37 customs offices and 61 customs posts for customs affairs, out of which 41 are passenger border crossings, 4 airports, 8 railway border crossings, 3 overseas post offices and 5 free zones.



BASICS OF CEMENT AND CONCRETE

- Cement is a powdered ingredient used to make concrete.
- Binding agent that is used to bind various construction materials. Given its adhesive and cohesive properties, it is an essential ingredient of concrete and mortar.
- Concrete production is a technological process that has its function and application in construction and requires the necessary quality and economy.
- Concrete is equally used in construction and civil engineering.
- Concrete works are carried out in accordance with the concrete structure design, instructions for the installation and use of construction products, and appropriate standards (norms) for the construction of concrete structures.
- For the construction of concrete structures, the specifications for the constituent materials for concrete (aggregate, water, cement) are of great importance, on which the quality and price of concrete depend.



LEGAL CONTEXT FOR THE APPLICATION OF VAT AND SOME OF THE KEY REGULATORY PROVISIONS FOR THE ACTION

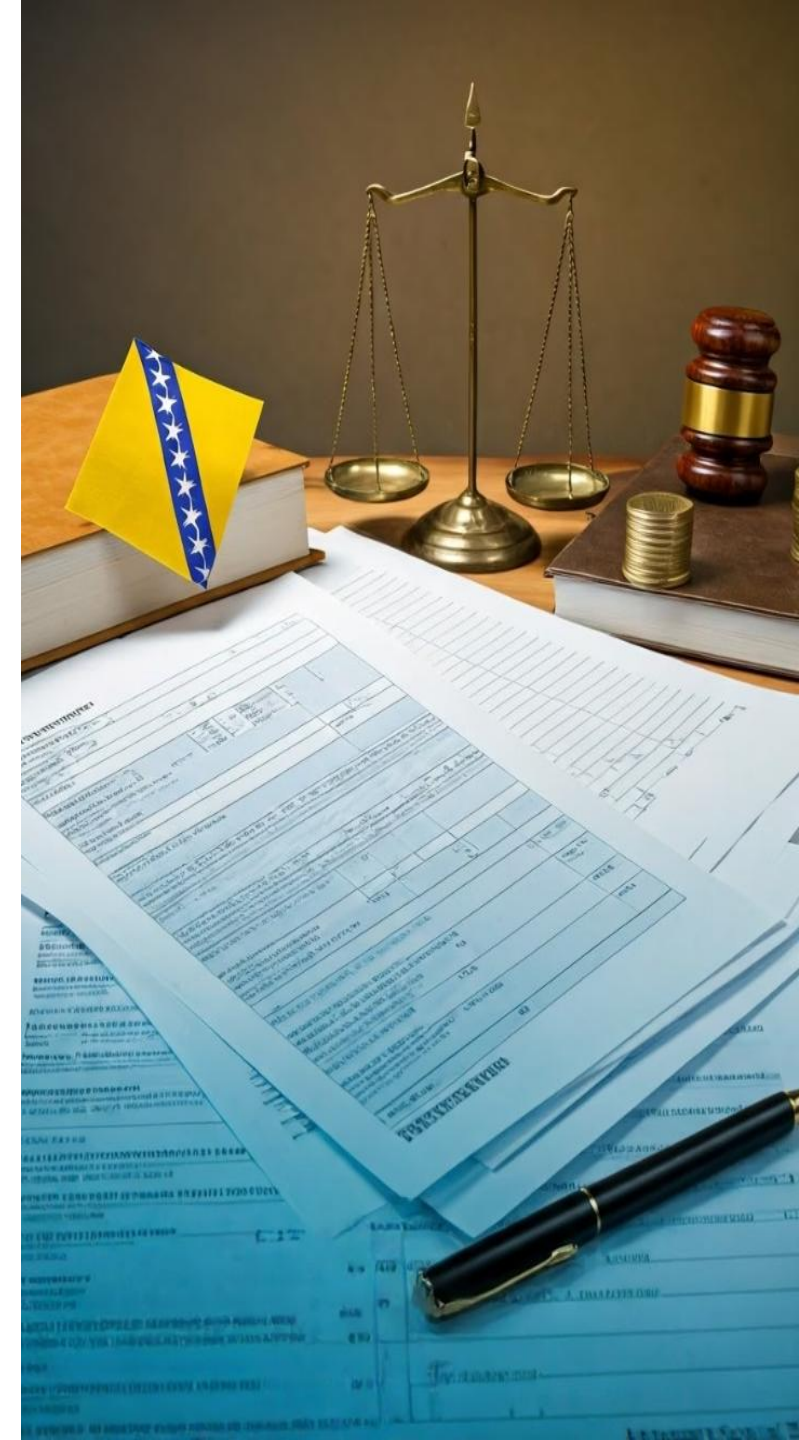
Article 55 of the Law on VAT (Tax invoices)

Article 106 of the Book of rules – invoicing, bookkeeping and storage documents

Article 107 – (content of tax invoice) (...e) name, address and when it exists, the indirect tax identification number of the purchaser, ...

Article 116 – (bill functioning as invoice)

- (1) Bills may be accepted as the base for recognizing input VAT if the total amount including VAT does not exceed KM 100,00 KM.
- (2) (2) For bill amounts exceeding 2.000,00 KM a tax invoice must be issued in addition to the bill.





LAW ON THE INDIRECT TAXATION AUTHORITY:

Article 16 “pro-forma” actions - the subject of taxation shall be considered as something it actually is, regardless of how the parties in trade call it.



LAW ON INDIRECT TAXATION PROCEDURES:

Article 61 The onus of proof shall be on the indirect tax obliged person.

Article 71

- indirect evidence on the basis of which indirect tax liabilities may be determined...
- ITA shall assess any fact, action or activity carried out by the person liable to indirect taxes without any obligations in respect of the claims made by the person liable to indirect taxes.

SOME IMPORTANT REGULATORY PROVISIONS AT THE ENTITY LEVEL: FEDERATION OF B&H AND REPUBLIKA SRPSKA, AND BRČKO DISTRICT

- **Law on internal payments system (FBiH and RS) and Law on payment transactions in Brčko District BiH** - For making payments the business entities are obliged to open accounts with the authorized organizations and keep all their funds in such accounts, as well as make payments on such accounts ...
- **Regulation on the conditions and method of payment by cash**
 - RS – payment for goods and services, except for payment for products in wholesale trade, to another business entity, if their individual amount does not exceed 200 KM (in January 2023 changed to 500 KM);
 - FBiH – Article 3 ...Point g) payment of goods and services to another business entity, if their individual amount does not exceed 200.00 KM.

PLAN OF CONTROL ACTIVITIES

Based on the Operational plan, from July 2020 ITA conducted controls of a large number of VAT taxpayers whose main activity was trade and/or use of cement for the production of concrete for construction and other concrete products.

- DATA COLLECTION AND PROCESSING
- SELECTION OF TAXPAYERS FOR INFORMATIVE CONTROLS
- INFORMING THE PUBLIC ABOUT ACTIVITIES
- CONDUCTING INFORMATIVE CONTROLS AND ANALYSING THE RESULTS
- SELECTION OF TAXPAYERS FOR PARTIAL CONTROLS
- CONDUCTING PARTIAL CONTROLS
- REPORTING
- EXTENSION OF ACTIVITIES !



ACTIVITY HOLDER:

RISK ANALYSIS DEPARTMENT

DATA COLLECTION

Collects data on taxpayers

PROCESSING

Processes data from the single register of taxpayers

RISK SCORING

Ranks taxpayers by risk

- NACE Class 23.61 - Manufacture of concrete products for construction purposes
- NACE Class 23.63 - Manufacture of ready-mixed concrete
- NACE Class 23.69 - Manufacture of other articles of concrete, plaster and cement



ACTIVITY HOLDER: TAX SECTOR

1

PRIORITY SELECTIONS AND CONTROLS

First cement producers and importers gathering information for the next phase :concrete producers

2

INFORMATIVE CONTROLS

Of cement producers and importers.

3

PARTIAL AUDITS

Based on information, facts, knowledge





08.09.2020 | VIJESTI / BOSNA I HERCEGOVINA

Izvor: Akta.ba

UIO BiH najavila pojačane kontrole proizvođača betona

Kontrole poslovanja obveznika "proizvođače betona" vršiti će se uvidom u stanje zaliha i dokumentacije u poslovnim prostorijama poreznih obveznika.

Uprava za indirektno oporezivanje provesti će pojačane kontrolne aktivnosti poreznih obveznika "proizvođača betona", na području cijele Bosne i Hercegovine i to one koji imaju prijavljenu šifru djelatnosti:

UNO će pojačano kontrolirati proizvođače betona u cijeloj BiH

8. rujna 2020. • 8 komentara



ACTIVITY HOLDER: COMMUNICATIONS DEPARTMENT

1

WRITTEN NOTICE

Published through media.

2

OFFICIAL WEBSITE

Announced on the ITA site.



UPRAVA ZA INDIREKTNO - NEIZRAVNO OPOREZIVANJE
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Biznis Info
<https://www.biznisinfo.ba> » uio-krece-u-kontrolu-proizvodjaca-betona

UIO kreće u kontrolu proizvođača betona - Biznis Info

Sep 8, 2020 · Uprava za indirektno oporezivanje provesti će pojačane kontrolne aktivnosti poreznih obveznika "proizvođača betona", na području cijele Bosne i Hercegovine i to one koji ...

Estimated Reading Time: 1 min



Poslovne novine
<https://poslovenovine.ba> » uio-pojacava-kontrole-proizvodjaca-betona

UIO pojačava kontrole proizvođačima betona - Poslovne novine

Sep 8, 2020 · Uprava za indirektno oporezivanje provesti će pojačane kontrolne aktivnosti poreznih obveznika "proizvođača betona", na području cijele Bosne i Hercegovine i to one koji ...



Nezavisne novine
<https://www.nezavisne.com> » novosti » bih » UIO-BiH...

UIO BiH pojačava kontrolu proizvođača betona - Nezavisne novine

Sep 8, 2020 · BANJALUKA · Uprava za indirektno oporezivanje (UIO) BiH do kraja oktobra pojačano će kontrolisati proizvođača betona, s ciljem boljeg uvida u evidentiranje obračuna ...



Akta.ba
<https://www.akta.ba> » vijesti » bih » uio-bih-naj...

UIO BiH najavila pojačane kontrole proizvođača betona

Sep 8, 2020 · Kontrole poslovanja obveznika "proizvođače betona" vršiti će se uvidom u stanje zaliha i dokumentacije u poslovnim prostorijama poreznih obveznika.



b1tv.ba
<https://www.b1tv.ba> » uprava-za-indirektno...

Uprava za indirektno oporezivanje BiH: Pojačane kontrolne ...

Sep 8, 2020 · Uprava za indirektno oporezivanje provesti će pojačane kontrolne aktivnosti poreznih obveznika "proizvođača betona", na području cijele Bosne i Hercegovine i to one koji ...



source.ba
<https://source.ba> » clanak » BiH » UIO-provesti...

Source.ba:UIO provesti će pojačane kontrolne aktivnosti poreznih ...

Uprava za indirektno oporezivanje provesti će pojačane kontrolne aktivnosti poreznih obveznika "proizvođača betona", na području cijele Bosne i Hercegovine.

ACTIVITY HOLDER:

COMMUNICATIONS DEPARTMENT

1

WRITTEN NOTICE

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2

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PREPARATION FOR EFFECTIVENESS AND SYNCHRONIZED ACTION

COORDINATION OF ACTIVITIES

The Head of the Audit and Control Department and the Head of the Large Taxpayers Control Department continuously coordinate activities with heads of the control groups in the regional centres of the Tax Administration.

PREPARATORY ACTIONS

Inspectors prepare for the control by studying the regulations and standards related to concrete production.



INFORMING INSPECTORS

The control begins after the immediate supervisor (group leader) informs the inspectors about the operational plan (by providing guidelines).

PROVIDING REGULATIONS

The regulations governing this area of construction are sent by email to the heads of the control groups, who are obliged to instruct the inspectors to take preparatory actions before carrying out the inspection.

STEPS (PHASES) OF CONTROL ACTIVITIES



PHASE 1 - GATHERING INFORMATION

Information gathering controls of cement manufacturers and importers in B&H.



PHASE 2 - CONTROL OF CONCRETE PRODUCERS

Analyzing data and forming a list of taxpayers for partial audits with potential assessment of additional VAT liability, and carrying out audits.



PHASE 3 - ADDITIONAL CHECKS

Applying indirect proof methods and linking findings from various controls, and the new checks...

The control activities were planned to be completed in approximately 60 days starting July 22, 2020, beginning with informative controls to gather data for taxpayer selection.

Extensions may occur if additional checks are needed or information must be obtained from other sources!

INSTRUCTIONS AND TIPS FOR INSPECTORS



COLLECTING BASIC DATA

Obtain the table of concrete grades produced and review licences and quality certificates.



INVENTORY AND STOCK CHECK

Conduct inventory of cement stocks, finished products, and additives; compare with records.



CHECKING STANDARDS AND NORMS

Verify certified standards and calculate cement consumption including allowed waste.



CROSS-CHECKING

Verify customer and supplier turnovers in tax system against reported data.

CEMENT⇒(CEMENT !)⇒CONCRETE TRACKING TABLE

[illegible]

FEEDBACK FROM PHASE 1 AND PHASE 2

- As a result of the concealment of a part of bulk cement buyers and concrete deliveries, some additional checks were needed and also waiting for the results of these checks before finishing the initially planned activities;
- Due to the lack of documentation in some cases, that could directly determine such supply (quantities and value), indirect methods of proof were applied more extensively by identifying the actual transport of bulk cement based on:
 - fuel consumption of transport vehicles,
 - control of travel orders,
 - tachograph records and other records of vehicle movements,
 - records from surveillance cameras, police records and GPS (global positioning system),
 - other available sources on the movement of transport vehicles provided at the request of the ITA.



FEEDBACK FROM PHASE 1 AND PHASE 2

- in case of concrete:
 - consumption of cement, stone aggregates, electricity and water consumption, disposition and use of construction machinery, possibilities of providing construction services - installation of concrete by certain persons, verification of presented facts with employed drivers and other personnel by taking their statements, etc.
 - To determine the facts, the requested data was obtained through various information requests, information exchanged with the ITA Law Enforcement Sector, data obtained from entity or local administrations in construction inspections, data from authorized entities for drafting and certifying norms for the production of concrete products, information from interviews with persons who have professional experience in assessing average consumption of different materials for construction or civil engineering, information from websites, internet portals and other media.



FEEDBACK FROM PHASE 1 AND PHASE 2

- High hygroscopicity of the bulk cement associated with special transport requirements challenges the existence of a longer distribution chain!
- Resale of bulk cement to further customers in parallel with the sale of other quantities to concrete plants and/or the production of concrete or concrete products - announcement of extension of the activities.
- The newly established facts required additional time to complete certain inspections, especially in cases of pro forma actions in a way that the sale of cement in retail (to unknown persons) was presented, while in reality the sale of bulk cement to known buyers and/or the production and sale of concrete was carried out (concealing the real buyers).
- The above phenomena, along with the need to link the findings of various controls and compare them, the greater use of indirect methods as a significant novelty for some inspectors compared to the classic approach based predominantly on accounting data..., and the impact of the Covid 19 epidemic, slowed down control activities.

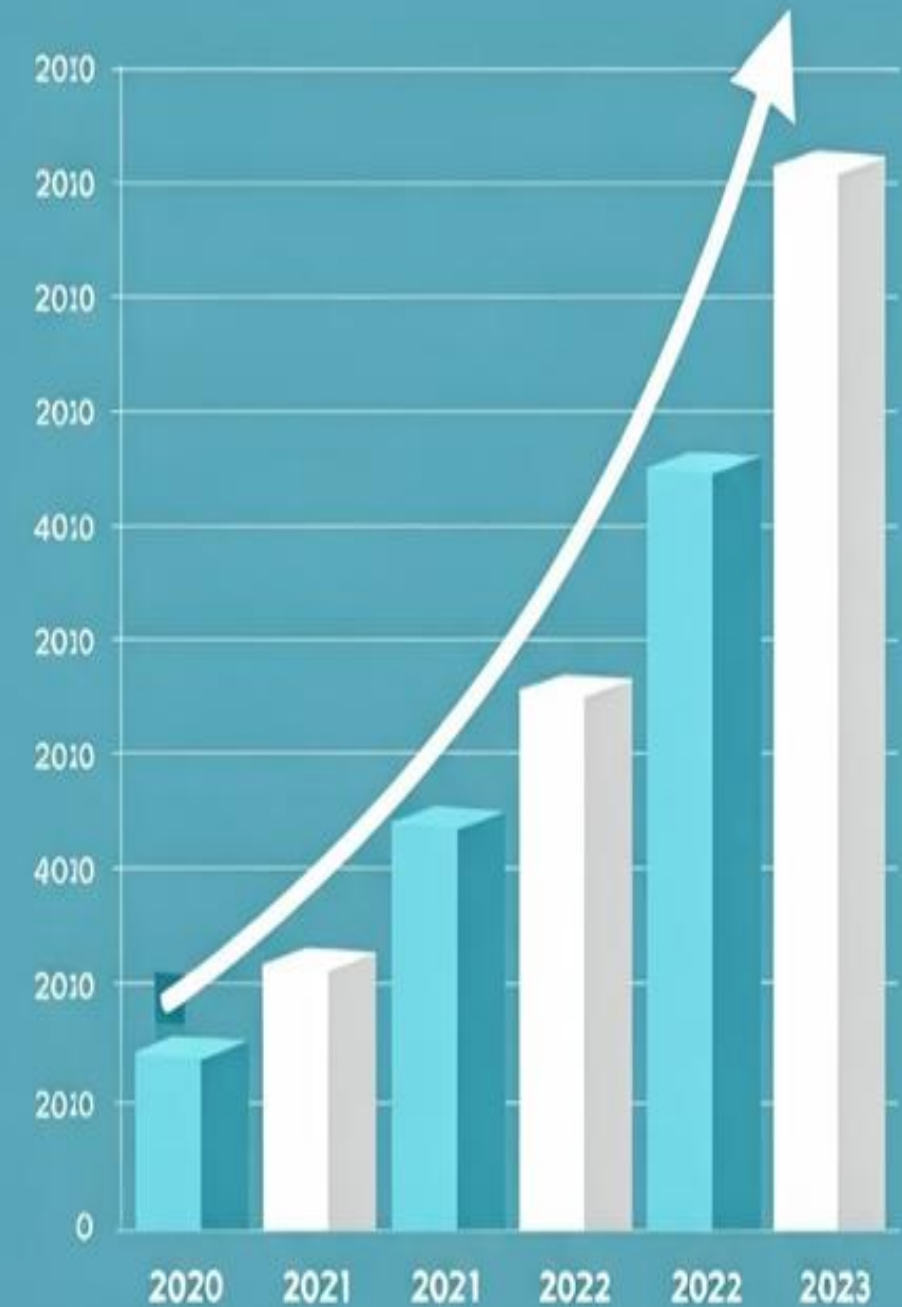
RESULTS AND ACHIEVEMENTS

70 INFORMATIVE CONTROLS

123 PARTIAL CONTROLS

13 COMPREHENSIVE CONTROLS

- ✓ Millions of BAM (KM) - Additional VAT liabilities as a direct effect of the implementation of the Operational plan
- ✓ The most significant irregularities identified were the fictitious presenting of retail sales of cement in bulk by cement traders, concealment of the actual cement buyers, in an attempt to conceal further sales of concrete and concrete products and, in this regard, avoid paying VAT.
- ✓ Other effects that are more difficult to measure should not be underestimated - improved tax compliance and a fairer environment for compliant taxpayers involved in specific businesses - valuable experience in applying the indirect assessment method.



THANK YOU FOR YOUR ATTENTION



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