



REPUBLIC OF SLOVENIA
MINISTRY OF FINANCE
TAX ADMINISTRATION OF THE
REPUBLIC OF SLOVENIA

**TAX
ADMINISTRATION
ANNUAL
REPORT
FOR
2002**

July 2003

IMPORTANT
STATISTICAL
DATA

	2001	2002	INDEX 02/01		
TAX REGISTER					
NUMBER OF ALL TAXPAYERS IN THE REGISTER OF TAXPAYERS (RTP)	2,359,661	2,402,784	101.8		
NUMBER OF ACTIVE TAXPAYERS IN THE RTP – IN TOTAL	2,300,634	2,329,425	101.3		
NUMBER OF ACTIVE TAXPAYERS IN THE RTP – LEGAL ENTITIES	87,796	89,294	101.7		
NUMBER OF ACTIVE TAXPAYERS IN THE RTP – INDIVIDUALS	2,212,838	2,240,131	101.2		
NUMBER OF ACTIVE TAXPAYERS IN THE RTP PERFORMING BUSINESS ACTIVITIES	69,673	73,549	105.6		
				ANNUAL PLAN 2003	INDEX P03/R02
REVENUES (SOURCE: DATA WAREHOUSE, A3)					
COLLECTED REVENUES – IN TOTAL (SITM*)	1,371,339	1,511,975	110.3	1,615,620	106.9
AUDITING					
NUMBER OF CONDUCTED AUDITS	12,659	9,542	75.4	7,854	82.3
ESTIMATED ADDITIONAL LIABILITIES (SITM)	21,663.3	26,037.2	120.2	25,613	98.4
PAYMENTS OF ESTIMATED ADDITIONAL LIABILITIES (SITM)	15,977.9	13,793.6	86.3		
OTHER EFFECTS OF AUDITING (SITM)	17,925.3	23,301.2	130.0	13,827	59.3
ESTIMATED ADDITIONAL LIABILITIES PER AUDIT (SITM)	1.7	2.7	159.5	3.3	119.5
ENFORCEMENT					
ISSUED ENFORCEMENT ORDERS (SITM)	81,117	103,524	127.6	100,032.1	96.6
ENFORCEMENT BASED ON ISSUED ORDERS (SITM)	32,294	38,228	118.4	38,601.0	101.0
SHARE OF COLLECTED REVENUES BASED ON ENFORCEMENT (%)	2.4	2.5	107.4	2.4	94.5
DISPUTE RESOLUTION					
DISPUTE RESOLUTION AT THE FIRST INSTANCE					
NUMBER OF FILED APPEALS	18,173	20,922	115.1	16,558	79.1
NUMBER OF PROCESSED APPEALS (RESOLVED, SUBMITTED, WITHDRAWN)	19,332	21,387	110.6	17,208	80.5
NUMBER OF UNRESOLVED DISPUTES (ON 1/1)	3,068	1,909	62.2	1,444	75.6
NUMBER OF UNRESOLVED DISPUTES (ON 31/12)	1,909	1,444	75.6	1,179	81.6
DISPUTE RESOLUTION AT THE SECOND INSTANCE					
NUMBER OF FILED APPEALS	4,659	5,325	114.3		
NUMBER OF RESOLVED DISPUTES	5,349	5,897	110.2		
NUMBER OF UNRESOLVED DISPUTES (ON 1/1)	5,597	4,907	87.7		
NUMBER OF UNRESOLVED DISPUTES (ON 31/12)	4,907	4,335	88.3		
NUMBER OF EMPLOYEES					
NUMBER OF EMPLOYEES – IN TOTAL (ON 31/12)	2,534	2,524	99.6	2,592	102.7
FUNDS USED					
AMOUNT FOR SALARIES (SITM)	10,118.9	11,393.0	112.6	12,072.8	106.0
MATERIAL EXPENDITURES (SITM)	4,865.4	5,208.2	107.0	5,203.4	99.9
INVESTMENTS (SITM)	688.6	420.3	61.0	537.6	127.9
FUNDS USED – IN TOTAL (SITM)	15,695.9	17,060.8	108.7	17,826.4	104.5
FUNDS USED PER EMPLOYEE (SITM)	6.2	6.8	109.1	6.9	101.7
FUNDS USED/COLLECTED REVENUES	1.14	1.13	98.6	1.10	97.8
AMOUNT FOR SALARIES/FUNDS USED (%)	64.47	66.78	103.6	67.72	101.4
INVESTMENTS/FUNDS USED (%)	4.39	2.46	56.2	3.02	122.4

* SOURCE: BULLETIN OF GOVERNMENT FINANCE 5/2002 (BANK OF SLOVENIA)

AVERAGE ANNUAL EXCHANGE RATE FOR SLOVENE TOLARS	EUR	USD
2001	217.2	242.8
2002	226.2	240.2

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THE MISSION

**of the Tax
Administration
of the Republic
of Slovenia
is**

**THE EFFICIENT COLLECTION OF TAXES
FOR THE GOOD OF THE STATE AND ITS CITIZENS
WITH PROPER CONDUCT
TOWARDS TAXPAYERS.**

**THE TAX ADMINISTRATION OF THE REPUBLIC OF SLOVENIA
IS A CONSTITUENT PART OF THE MINISTRY OF FINANCE.
THE SEAT OF THE TAX ADMINISTRATION OF THE RS IS IN LJUBLJANA.**

**THE TAX ADMINISTRATION IS COMPOSED OF THE HEAD OFFICE,
14 TAX OFFICES, ESTABLISHED FOR SPECIFIC REGIONS,
AND THE SPECIAL TAX OFFICE (LARGE BUSINESS OFFICE).**

**Regional tax offices have branches
as dislocated internal organisation units.**

**THE TAX ADMINISTRATION OF THE REPUBLIC OF SLOVENIA IS HEADED
BY THE DIRECTOR OF THE TAX ADMINISTRATION
WHO ALSO HEADS THE HEAD OFFICE.
REGIONAL TAX OFFICES AND THE SPECIAL TAX OFFICE ARE HEADED
BY THE DIRECTOR OF THE TAX OFFICE.**

**The Tax Administration of the Republic of Slovenia performs tasks
from the activities of the tax service, which include assessment,
charging, supervision, and enforcement of taxes and other duties
on the basis of the law and other regulations.**

INTRODUCTION

We concluded the year of 2001 with the hope that our expectations of source increase, quicker change of tax legislation, and the adoption of more carefully considered changes would be taken into consideration before the situation would influence the amount of collected government revenues.

One year later we estimate that our hopes in the above-mentioned fields have not been realised, but this still hasn't decreased the amount of collected government revenues: the amount was 10 % higher in comparison with the previous year. We collected almost 1,512,000 million tolars.

Efficiency and economy of business operations were also increased. The tasks were performed with fewer employees and with limited financial resources. The share of expenditures for Tax Administration's operations in collected government revenues was 1.1 % in spite of the fact that only the VAT amount collected by the Tax Administration (approximately one third) was considered. But the burden of processing and supervising this tax is mainly on the Tax Administration. Our Tax Administration is one of the most economical. Unfortunately development suffers on account of high level of efficiency.

The second important achievement in 2002 is that we mainly succeeded in maintaining the uniform and comprehensive tax administration. Tax branches were not divided and included within the competence of administrative units. But at the end of 2002 the appeals division was excluded from the Tax Administration's competence and attached to the Ministry of Finance.

This required a lot of effort. We had to prove the facts, which had been already proved by the establishment of the uniform tax administration in 1996 and by unambiguous results from all these years – including the results of dispute resolution at the second instance.

The third important achievement is continuation of reorganisation processes, which was put on hold by the small business lobby without any professional arguments for several months. This happened at the end of the year and prevented the merging of databases at closing of annual records. The commission, which was established for this purpose, confirmed the correctness and justification of reorganisation processes in the Tax Administration. Objectives of these changes are uniform procedures, better taxpayer services, better use of human resources, which means increased efficiency.

We have proceeded from the work concept on the basis of tax types to the concept on the basis of taxpayers. Appropriate and sufficient business premises are a condition for reorganisation of tax offices. In 2002 we successfully solved needs in connection with Tax Administration's premises at 18 locations.

Positive trends continued in all fields of our work: enforcement, tax supervision, dispute resolution, information system improvements, and training of employees.

The enforcement field improves every year. In this year we forcibly collected more than 38,000 million tolars and more than 111,000 million tolars in four years. (Enforcement on the basis of reminders is not included.) The increment of the so-called active debt is low and the share of interest decreases. This points to successful instantaneous enforcement. (The debt, which cannot be collected, remains in our records for 10 years!) A larger increment is in the category of the debt recorded out of active records, which is resolved through courts. The Tax Administration cannot influence the speed of court procedures. Unfortunately we

establish that this field transfers from the expert domain to the political one. This is perhaps one of the reasons why data about tax debt usually cannot be found in business reports of other tax administrations.

Data from the tax supervision field also show similar progress. Our capacity for detecting tax avoidance and tax evasion improves every year. Consequences are larger amounts of estimated additional tax liabilities and other measures, which serve as sanctions for these acts. During audit procedures we estimated additional liabilities in the amount of 26,000 million tolar, which means 20 % more than in the previous year.

Dispute resolution at the first instance is without delays. There are only seasonal fluctuations in the personal income tax.

We decrease the number of unresolved disputes at the second instance every year. At the end of 2002 there were only 4,335 unresolved disputes (almost 600 fewer disputes than in the previous year).

In 2002 we improved functions and quality of tax records within limited financial resources. We didn't complete a public tender for acquiring a provider for setting up the internet-based services for taxpayers (EDP). We started with intensive work on VIES project (VAT Information Exchange System), which is the project for VAT information exchange among EU Member States.

The scope and quality of training of Tax Administration's employees increase every year, also due to co-operation with experts from other tax administrations. The number of training days increased from 3,600 in 2000 to more than 8,400 in 2002. Even 51 % were intended for tax inspectors.

Factors, which had negative influence on the Tax Administration's work, also have to be mentioned.

In 2002 the number of acts, which impose additional non-tax tasks on the Tax Administration, increased. Tax legislation failed to keep pace with Tax Administration needs.

So in 2002 the Tax Administration became an institution for forcible collection of all types of claims for the state and other organisations. Heavy burden was placed on the Tax Administration without our knowledge, feasibility estimation and without necessary resources. We issued more than 256 thousand orders for forcible collection of non-tax claims and on this basis we collected 2,600 million tolar of payments. We issued 119 thousand enforcement orders in the tax field and we collected 36,000 million tolar of payments. The situation shows how we were forced to use our already modest resources unwisely and at the same time be careful not to neglect our mission.

Over 25 various acts define Tax Administration's obligation of submitting data, including those, which are considered confidential in accordance with the law. The problem of protecting these data emerges.

In general there is a growing concern about the fact that the Tax Administration keeps losing the necessary autonomy for execution of its tasks every year. In 1999 experts from the EU warned us about the lack of autonomy in the resource field. Today we estimate that a great deal of it has already been lost also in the field of organisation and that new acts offer the possibility of influencing on the tax procedure.

There is also risk that in the near future the following factors may coincide: the lack of qualified employees, additional and more demanding tasks of tax supervision in accordance with EU standards, and introduction of the new tax legislation (several acts at the same time).

In these circumstances we can truly expect problems in Tax Administration's performance.

Stojan Grilj,
Director



PERFORMING THE TASKS OF THE TAX ADMINISTRATION

REVENUES

In 2002 we completely realised the plan of revenues collected by the Tax Administration. In the period January – December 2002 1,511,975 million tolar of revenues were paid, which is 0.5 % more than it was planned and 10 % more than in the same period of the previous year.

In 2002 revenues were charged and paid in accordance with the tax legislation, which was in force already in 2001, and in accordance with changes at a tax on salaries paid, health insurance contributions, and value added tax. On January 12, 2002 a new scale for taxation of salaries paid was put into effect, which increased the threshold of non-taxed salaries with merging the lowest two categories and decreased taxation rates for 0.2 percent at other categories. Health insurance contribution rate increased for 0.2 percent on January 1, 2002. On July 27, 2002 changed VAT rates were put into effect, i.e. the general rate of 19 % was increased on 20 % and the reduced rate of 8 % was changed to 8.5 %. On October 1, 2002 changes in the field of special exemptions were put into effect, which decrease the collected VAT after the settlement.

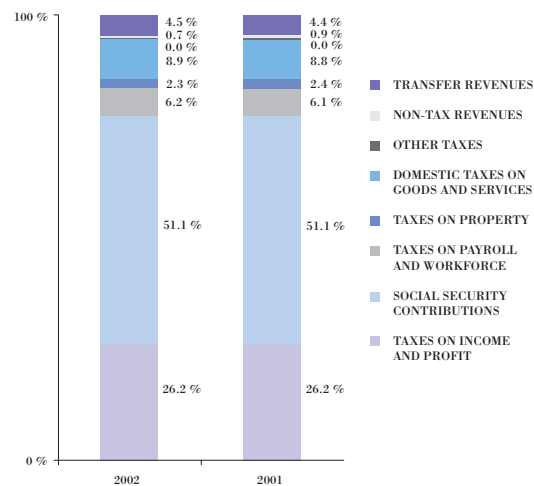
COLLECTED REVENUES IN 2002 (SITM)

TYPES OF REVENUES	ANNUAL PLAN 2002	REVENUES COLLECTED 2002	PERCENTAGE OF ANNUAL PLAN REALISATION	REVENUES COLLECTED 2001	INDEX 02/01
TAXES ON INCOME AND PROFIT	395,839	396,592	100	358,787	111
SOCIAL SECURITY CONTRIBUTIONS	773,330	772,610	100	701,317	110
TAXES ON PAYROLL AND WORKFORCE	97,459	94,091	97	83,668	112
TAXES ON PROPERTY	35,306	34,689	98	33,117	105
DOMESTIC TAXES ON GOODS AND SERVICES	126,415	134,461	106	120,550	112
OTHER TAXES	219	328	150	230	143
NON-TAX REVENUES	10,684	10,624	99	13,021	82
TRANSFER REVENUES	65,764	68,579	104	60,649	113
IN TOTAL	1.505,015	1,511,975	100	1,371,339	110

Source: Data warehouse, A3

In 2002 payments of revenues exceeded the planned amount at taxes on income and profit, domestic taxes on goods and services, other taxes, and transfer revenues. The planned amount was achieved at social security contributions. The planned amounts weren't achieved at taxes on payroll and workforce, taxes on property, and non-tax revenues.

STRUCTURE OF REVENUES IN 2002 AND 2001



The structure of revenues in 2002 remained the same in comparison with 2001.

Taxes on income and profit had 26.2 % in the overall structure of collected revenues and were realised in the amount of 396,592 million tolars, which equals the planned amount and it is 11 % more than in the previous year.

The amount of the personal income tax reached 320,981 million tolars, which means 0.5 % less than it was planned and 11 % more than in the previous year. Advance payment of the personal income tax reached 342,880 million tolars. At the annual settlement there were 12,939 million tolars of additional payments and 34,838 million tolars of rebates.

The amount of the corporate profit tax reached 75,611 million tolars, which means 3.3 % more than it was planned and 10 % more than in the previous year. On the basis of audit findings there were even 7,312 million tolars as a consequence of extra payments of this tax.

Social security contributions represent 51.1 % of all revenues. The amount of collected contributions reached 772,610 million tolars, which means 0.1 % less than it was planned and 10 % more than in 2001. In accordance with the economic classification a part of social security contributions (68,579 million tolars) is presented among transfer revenues. These are received payments for health insurance, employment, maternity leave, pension and disability insurance.

Social security contributions include contributions for employment (the collected amount is 4,079 million tolars), contributions for parental protection (the collected amount is 4,050 million tolars), contributions for pension and disability insurance (the collected amount is 495,043 million tolars), and contributions for health insurance (the collected amount is 269,438 million tolars).

In 2002 taxes on payroll and workforce (their share in the overall structure of revenues is 6.2 %) reached 94,091 million tolars, which means 3.5 % less than it was planned and 12 % more than in the previous year.

Taxes on payroll and workforce include the tax on salaries paid and special tax on specific allowances. The amount of tax on salaries paid reached 89,177 million tolars, which means 3.9 % less than it was planned and 12 % more than in the previous year. In January 2002 a new scale for taxation of salaries paid was put into effect, which merged the lowest two categories and increased the threshold of non-taxed salaries. The scale decreased taxation rates for 0.2 % in other categories. The consequence is lower collected tax on salaries paid than it was planned. The amount of special tax on specific allowances reached 4,914 million tolars, which means 5.3 % more than it was planned and 13 % more than in the previous year.

In 2002 taxes on property represented 2.3 % in the structure of collected revenues and they reached the amount of 34,689 million tolars, which means 1.7 % less than it was planned and 5 % more than in 2001.

Taxes on property include taxes on immovable property (real estate tax), which include also the compensation for the use of building land, taxes on movable property, gift and inheritance taxes, real estate sales tax and special tax on bank debit. Taxes on immovable property reached the amount of 24,620 million tolars, taxes on movable property almost 3 million tolars, gift and inheritance taxes 643 million tolars, real estate sales tax 7,594 million tolars, and special tax on bank debit reached the amount of 1,829 million tolars. The amount of revenues collected from this tax group was lower than planned mainly due to special tax on bank debit, which hardly reached the half of planned revenues because during planning data from settlements for 2001 and the amount of advance payments of this tax for 2002 were not known.

Domestic taxes on goods and services represented 8.9 % in the structure of collected revenues and they reached the amount of 134,461 million tolars, which means 6.4 % more than it was planned and 12 % more than in 2001.

Domestic taxes on goods and services include general sales taxes, value added taxes, other taxes on goods and services, taxes on special services, other taxes on the use of goods and services, and taxes on motor vehicles. General sales taxes and value added tax reached the amount of 111,867 million tolars. 111,020 million tolars out of this amount represented VAT after the settlement (from January to December 2002 there were 367,594 million tolars of payments and 256,574 million tolars of rebates), which means 4.5 % more than it was planned and 12 % more than in the previous year. Other taxes on goods and services reached the amount of 89 million tolars, taxes on special services 19,596 million tolars, other taxes on the use of goods and services 2,435 million tolars, and taxes on motor vehicles reached the amount of 475 million tolars.

Other taxes represented only a marginal share in the structure of revenues. They reached the amount of 328 million tolar, which means 50.2 % more than it was planned and 43 % more than in the previous year. This category includes abolished taxes later paid and contributions and enforcement costs.

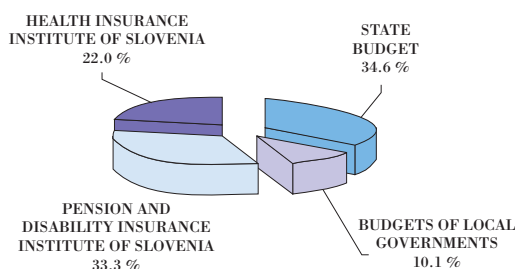
Non-tax revenues, which represented 0.7 % in the structure of revenues, reached the amount of 10,624 million tolar, which means 0.6 % less than it was planned and 18 % less than in the previous year. This category includes sharing in the profits, incomes from property, and other non-tax revenues.

Transfer revenues represented 4.5 % in the structure of revenues and they reached the amount of 68,579 million tolar, which means 4.3 % more than it was planned and 13 % more than in 2001. This category includes received payments of contributions for employment, parental protection, health insurance, pension and disability insurance from other government institutes.

Revenues according to recipients of funds

In the period January – December 2002 payments for the state budget amounted to 523,590 million tolar, which means 0.9 % more than it was planned and 10.5 % more than in 2001. Budgets of local governments received 152,784 million tolar, which is the same amount as it was planned and 8.7 % more than in the previous year. The Pension and Disability Insurance Institute of Slovenia received 502,832 million tolar, which means 0.2 % less than it was planned and 9.5 % more than in the previous year. The Health Insurance Institute of Slovenia received 332,769 million tolar, which means 0.9 % more than it was planned and 11.3 % more than in the previous year.

STRUCTURE OF REVENUES ACCORDING TO FUNDS RECIPIENTS



TAX SUPERVISION

Control

In the fields of control and assessment of taxes and other compulsory duties, we controlled concurrently the punctuality and correctness of filing tax returns and settlements, charging and paying taxes on the basis of forms and other prescribed data. We took measures when irregularities were discovered.

In 2002 we received 5,184,650 tax returns, settlements and other forms. We issued 2,512,530 decisions and other documents. While performing control of submitted tax returns and settlements, several irregularities were discovered, e.g. non-filed tax returns and settlements, forms of tax returns and settlements filled incorrectly or incompletely, inconsistency in connection with control data, incorrect enforcement of tax relief, non-paid taxes or their late or insufficient payment, payment of taxes to wrong accounts, etc.

EFFECTS OF CONTROL (SITM)

PERIOD	NUMBER OF CASES	INCREASING OF TAX BASE	INCREASING OF TAX
2002	146,062	9,346*	4,343**

* The amount of the tax, which was a consequence of increasing/decreasing of tax base, is not included in the item "Increasing of tax".

** The amount of the changed tax base, which caused the increase/decrease of the tax, is not included in the item "Increasing of tax base".

In 2002 we set up a more transparent system of monitoring quantity and value indicators for individual types of taxes (indicators are not comparable with indicators for the previous year).

Irregularities were discovered in 146,062 control procedures. The irregularities influenced the increase or decrease of tax base and tax: the tax base at types of tax, where taxpayers file tax returns, was increased for 9,346 million tolares. Additionally assessed tax at types of tax, where taxpayers file settlements, reached 4,343 million tolares.

Persons liable for the personal income tax filed 1,141,222 tax returns for assessment of the personal income tax for 2001, which is almost the same number of tax returns as in 2000. The number of issued decisions was higher than the number of filed tax returns because the personal income tax was assessed according to control data and executed control procedures for those persons liable for the tax who didn't file the tax return although they had taxable incomes. There were no significant changes in the structure of decisions for 2001 in comparison with 2000.

**FILED TAX RETURNS
FOR ASSESSMENT OF THE
PERSONAL INCOME TAX
AND ISSUED DECISIONS**

	FOR 2001		FOR 2000		INDEX 01/00
	NUMBER 2001	STRUCTURE IN %	NUMBER 2000	STRUCTURE IN %	
FILED TAX RETURNS	1,141,222		1,141,124		100
ISSUED DECISIONS	1,148,403	100.0	1,142,229	100.0	101
DECISIONS WITH ADDITIONAL PAYMENTS	143,851	12.5	143,125	12.6	101
DECISIONS WITH REBATES	791,052	68.9	793,001	69.4	100
DECISIONS WITHOUT ADDITIONAL PAYMENTS OR REBATES	213,500	18.6	206,103	18.0	104

During the control of tax returns for personal income tax assessment several irregularities were discovered, mainly at inconsistency between incomes from tax returns and control data from payers. Irregularities were discovered in tax returns at incomes, which taxpayers receive occasionally, but they forget to put them down while filling in the tax return form, at asserting tax relief for dependants, at asserting paid premiums for voluntary additional pension insurance, etc.

Taxpayers submitted 52,192 settlements for the corporate profit tax for 2001, which means 2.1 percent more than in 2000. 8,584 settlements out of this number or 16.4 percent (DDPO form) were submitted by legal entities – taxpayers, who are exempt from paying this tax in accordance with the Corporate Profit Tax Act.

Tax settlements for performing business activities in the economic zone were submitted by 24 taxpayers, who received decisions from the tax authorities, which means 4 percent less than in 2001.

Joint tax settlements for 2001 were submitted by 27 taxpayers – group representatives, which means 22.9 percent less than in the previous year.

**SUBMITTED SETTLEMENTS
FOR THE CORPORATE
PROFIT TAX (DDPO)**

	FOR 2001		FOR 2000		INDEX 01/00
	NUMBER 2001	STRUCTURE IN %	NUMBER 2000	STRUCTURE IN %	
SUBMITTED SETTLEMENTS OF TAXPAYERS FOR PAYING DDPO	43,608	83.6	47,993	93.9	91
SUBMITTED SETTLEMENTS OF TAXPAYERS, WHO ARE EXEMPT FROM PAYING DDPO	8,584	16.4	3,109	6.1	276
SUBMITTED SETTLEMENTS – IN TOTAL	52,192	100	51,102	100	102
SUBMITTED SETTLEMENTS FOR PERFORMING BUSINESS ACTIVITIES IN THE ECONOMIC ZONE	24		25		96
SUBMITTED JOINT SETTLEMENTS	27		35		77

During control of received settlements we discovered irregularities mainly at asserting relief, which decreases the tax base. We had many problems with identifying taxpayers for submitting corporate profit tax settlements because we didn't receive updated data from registers of societies and trade unions.

In 2002 we supervised 71,588 persons liable for the tax on incomes from business activities. The tax on incomes from business activities was in 91.6 percent assessed to taxpayers on the basis of tax returns and in 8.3 percent to taxpayers, where profit is estimated with standardised costs included. Only 0.1 percent of taxpayers submitted settlements for the tax on incomes from business activities (self-assessment).

SUBMITTED SETTLEMENTS
AND TAX RETURNS FOR
THE TAX ON INCOMES FROM
BUSINESS ACTIVITIES

METHOD FOR PROFIT ESTIMATION	FOR 2001		FOR 2000		INDEX 01/00
	NUMBER	STRUCTURE IN %	NUMBER	STRUCTURE IN %	
SELF-ASSESSMENT	82	0.1	81	0.1	101
ASSESSMENT ON THE BASIS OF TAX RETURNS	65,547	91.6	65,949	91.5	99
WITH STANDARDISED COSTS INCLUDED	5,959	8.3	6,024	8.4	99
IN TOTAL	71,588	100.0	72,054	100.0	99

During the control procedure the largest number of irregularities was discovered at asserting relief, which decreases the tax base. The majority of entities liable for the tax on incomes from business activities pays annual advance payments in the amount of tax in accordance with assessment decisions from the year before the previous year. The amount of tax advance payment is revaluated, but it changes due to the scope of business activities of taxpayers. If the Tax Administration estimates that the amount of advance payment doesn't correspond the expected business results, then the Tax Administration issues a decision with a new advance payment amount. During the control procedure the Tax Administration issued 1,969 decisions with a higher tax advance payment.

The control of settlements for the withholding tax and social security contributions was performed on the basis of submitted REK forms, settlements of social security contributions and payrolls, which have to be submitted to the Tax Administration by payers of personal and other incomes. Irregularities were discovered in more than 5,000 cases, which resulted in the increase of tax liabilities. Reasons for the increase of liabilities were mainly incorrect definitions of incomes.

We used a considerable amount of time for taxpayers, who were late with payments of contributions. Even 36 percent of taxpayers, who are included in obligatory insurance on a voluntary basis according to Article 34 of the Pension and Disability Insurance Act (ZPIZ-1), are late with payments for pension and disability insurance contributions. The situation is similar also with payments of contributions for social security of the insured from Article 16 of ZPIZ-1 because more than half of farmers are late with payments of their obligations. In the field of paying contributions for owners of private companies we discovered that codes of insurance bases, which the Tax Administration receives from a competent institute, are not compatible with actual characteristics of the insured. For this reason it was not clear who is the person liable for payment of contributions. In 2002 there were many ambiguities in connection with paying lump sum contributions for work injuries and diseases for students, who work through authorised student work agencies.

At the end of 2001 77,433 taxable persons were in the record for the value added tax (VAT). At the end of 2002 there were 80,284 persons, which means 3.7 % more. 516,362 VAT settlements were submitted for tax periods in 2002, which is 23.6 percent less than in the previous year. The Value Added Tax Act changed in the middle of 2001, which classified persons liable for VAT according to tax periods. The number of submitted VAT settlements consequently decreased.

SUBMITTED VAT SETTLEMENTS
FOR TAX PERIODS
IN 2002 AND 2001

	2002		2001		INDEX 01/00
	NUMBER	STRUCTURE IN %	NUMBER	STRUCTURE IN %	
MONTHLY VAT SETTLEMENTS	389,144	75.4	591,217	87.5	66
QUARTERLY VAT SETTLEMENTS	59,971	11.6	49,401	7.3	121
SEMI-ANNUALLY VAT SETTLEMENTS	67,247	13.0	35,402	5.2	190
SUBMITTED VAT SETTLEMENTS – IN TOTAL	516,362	100	676,020	100	76

In control procedures we discovered irregularities in 21,083 VAT settlements, which means 11 percent less than in 2001. In 16,519 cases out of this number tax liability was changed. The majority of discovered irregularities was a consequence of incorrect recording in tax records and mistakes at preparing tax settlements (it was similar in 2001). The number of taxable persons, who are late in submitting VAT settlements, increases.

We processed 12,121 VAT refund claims in passenger transport services, which is 6.8 percent less than in 2001, but the percentage of received and checked forms was 10 percent higher.

42,936 farmers were indirectly included into the VAT system, which is 5.7 percent more than in 2001. On the basis of the tax administration authorisation they exercise the right to lump sum as compensation for input VAT. The settlement of lump sum compensation is submitted once a year.

In 2002 we improved the concurrent supervision over charging and paying tax liabilities with the transfer from formal to substantive control, mainly in the field of the personal income tax. To provide for uniform operations we prepared methodological instructions for control of the corporate profit tax and instructions for control of control data of income payers. We supplemented instructions about control procedures for assessment of the personal income tax, from the fields of VAT control and the tax on incomes from business activities. On the basis of data from assessment of the personal income tax, tax on incomes from business activities and corporate profit tax in 2002 we started to systematically discover potential VAT taxable persons.

We improved monitoring the work in control and increased the efficiency of control also with additional training and specialisation of controllers according to the size of taxable persons, their business activities, etc. The efficiency of control is evident also in its preventive activities. Concurrent supervision over business activities of taxpayers increases the number of taxpayers, which fulfil their tax obligations correctly and in time.

Auditing

In 2002 we performed 9,542 audits, which is 8.6 percent less than it was planned and 24.6 percent less than in 2001. The reason is in the changed structure of audits and improved selection of taxpayers for auditing. A great deal of our attention was given to selection of large taxpayers, where the number of comprehensive audits was higher than before and we discovered large irregularities with large financial effects.

Irregularities were discovered in 5,100 audits (53.4 % of audits). The share of audits with discovered irregularities was the largest at comprehensive audits of legal entities (89 %), then there are annual audits of business records of sole entrepreneurs (87.1 %) and audits of the corporate profit tax (84.9 %).

During audit procedures we estimated additional liabilities in the amount of 26,037 million tolar, which is 18.7 % more than it was planned and 20.2 % more than in 2001.

EFFECTS OF AUDITING ACCORDING TO TYPES OF LIABILITIES (SITM)

TYPES OF LIABILITIES	ANNUAL PLAN 2002	2002	PERCENTAGE OF ANNUAL PLAN REALISATION	2001	INDEX 02/01	REALISED PAYMENTS IN 2002
TAXES ON INCOME AND PROFIT	12,374	11,670	94.3	12,289	95	8,560
SOCIAL SECURITY CONTRIBUTIONS	2,788	3,115	111.7	1,991	156	1,452
TAXES ON PAYROLL AND WORKFORCE	481	429	89.1	325	132	398
DOMESTIC TAXES ON GOODS AND SERVICES	6,209	10,794	173.8	6,968	155	3,344
NON-TAX REVENUES	70	30	43.0	90	33	40
IN TOTAL	21,923	26,037	118.8	21,663	120	13,794

Estimated additional liabilities at taxes on income and profit represented the largest share in the amount of 11,670 million (44.8 %). Then there were domestic taxes on goods and services in the amount of 10,794 million tolar (41.5 % of all estimated additional liabilities).

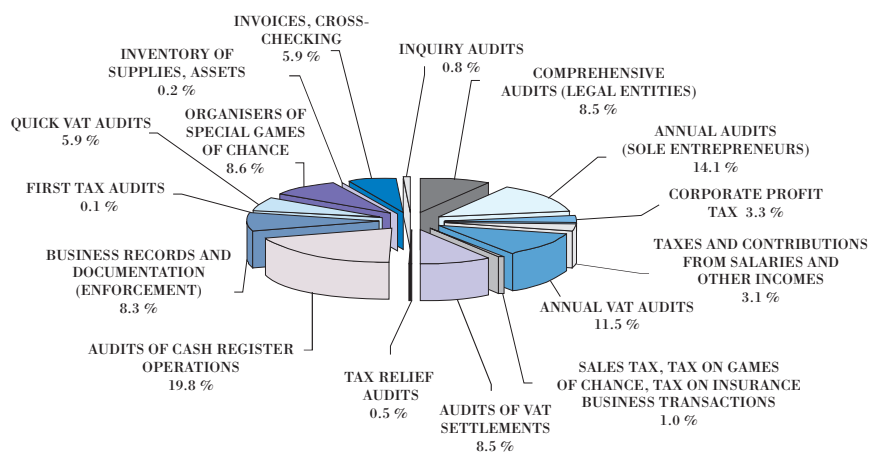
In 2002 13,794 million tolar of estimated additional liabilities were paid, which was 13.7 percent less than in 2001. Payments of taxes on income and profit represented the largest share of all payments (62.1 %) in the amount of 8,560 million tolar, then there were domestic taxes on goods and services with 24.2 % of payments in the amount of 3,344 million tolar.

There were 23,301 million tolar of other effects of auditing, which was 96.6 percent more than it was planned and 30.0 percent more than in the previous year. Decrease of loss at legal entities represented the largest share in the structure of these effects (37.8 %), then there was the effect of auditing due to refund claims (22.0 %).

NUMBER OF AUDITS
ACCORDING TO
TYPES

TYPES OF AUDITS	ANNUAL PLAN 2002	2002	PERCENTAGE OF ANNUAL PLAN REALISATION	2001	INDEX 02/01
COMPREHENSIVE AUDIT	1,875	2,154	114.9	2,475	87.0
PARTIAL AUDIT	2,407	1,803	74.9	2,130	84.6
QUICK AUDIT	3,946	3,546	89.9	5,208	68.1
JOINT AUDIT WITH OTHER STATE INSPECTIONS	2,212	2,039	92.2	2,846	71.6
IN TOTAL	10,440	9,542	91.4	12,659	75.4

AUDITS ACCORDING TO
SUBJECT MATTER

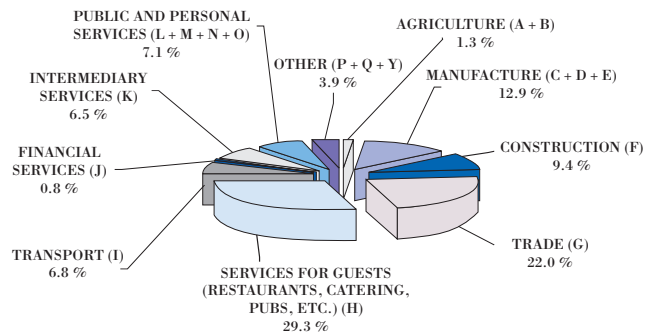


NUMBER OF
AUDITS ACCORDING TO
THE SIZE OF TAXPAYERS

SIZE OF TAXPAYERS	ANNUAL PLAN 2002	STRUCTURE IN %	2002	STRUCTURE IN %	2001	STRUCTURE IN %
LARGE LEGAL ENTITIES	627	6.0	547	5.7	480	3.8
MEDIUM LEGAL ENTITIES	1,022	9.8	777	8.1	660	5.2
SMALL LEGAL ENTITIES	3,290	31.5	2,791	29.2	3,999	31.6
SOLE ENTREPRENEURS	4,088	39.2	4,763	49.9	7,015	55.4
OTHERS	1,413	13.5	664	7.0	505	4.0
IN TOTAL	10,440	100.0	9,542	100.0	12,659	100.0

Audits at sole entrepreneurs represented the largest share, i.e. 4,763 audits or 49.9 % of all audits.

AUDITS ACCORDING TO BUSINESS ACTIVITIES



The largest number of audits was conducted at taxpayers, which perform services for guests (restaurants, catering, pubs, etc.), i.e. 2,792 or 29.3 percent of all audits. Then there were audits of taxpayers, who perform business activities in trade with 22 percent and business activities in manufacture with 12.9 % of all audits in 2002.

We co-operated with other inspections mainly in the field of black economy and checking cash transactions.

In 2002 a great deal of attention in the field of audit tasks was given to supervision over execution of adopted methodology for uniform execution of audit procedures. Inspectors were directed to preparation of data before auditing, mainly about connected persons of the audited taxpayer, and to auditing taxpayers, where large financial effects are expected. We increased the number of exchanges of specialised inspectors among tax offices. A great deal of attention was given also to procedures of invoice cross-checking. On the basis of conducted data analyses of audit procedures, invoices from the game, called "Take a Bill", the level of risk of taxpayers and the structure of audits, inspectors were directed to rational and uniform work in the field of effects of audit procedures. We set up a new test application for records of supervision, which enables an intranet connection of data, central processing of data and preparation of information reports.

Inspectors were systematically trained and informed about foreign practice about audit techniques and procedures. We've started with specialisation of inspectors, who will participate in preparation of methodology, instructions for uniform procedures and in advising other inspectors. We've started with specialisation of inspectors according to individual business activities for tax base assessment.

Data about large irregularities and particularities in connection with subject matter, discovered in audit procedures, were systematically collected also in 2002. Different groups of the public (internal and external) were informed about our work with the purpose of timely discovery and prevention of irregularities and tax evasions.

Work in the field of investigation and analysis

In 2002 we conducted numerous operational analyses in the field of investigation and analysis. We detected large violations of tax legislation, on the basis of which 85 charges were submitted after the conducted audits due to suspicion about committing criminal offence. The total amount of subsequently assessed liabilities on the basis of the work in the field of investigation and analysis amounted to 1,531 million tolar.

The analysis included 409 cases (6 out of this number were detailed). Large number of data was submitted to other state organisations upon their request: Office of the RS for Prevention of Money Laundering, the Police, Customs Administration of the RS, etc. We co-operated also with the Attorney-General's Office of the RS, Public Prosecutor's Office of the RS and the inter-departmental group for detecting and preventing black economy. Special attention was given to collection of all existing information about business activities of connected persons, risky economic sectors and individuals, on the basis of which audits will be conducted in 2003.

Concurrently with operational tasks we performed also development tasks, but the methodology for the work in the field of investigation and analysis was not completed due to the fact that legislation has not been adopted yet.

Joint training activities with law enforcement authorities and foreign tax administrations were very intensive. We strengthened the co-operation in the field of exchange of practical experiences.

International information exchange

International information exchange includes the fields of direct and indirect taxes and the recovery of claims, which refer to VAT.

International information exchange in the field of direct taxation was based on bilateral agreements about prevention of double taxation of income and property, which are signed between the Republic of Slovenia and other states. The exchange is conducted through the Ministry of Finance, which submits claims of states (parties to the agreement) to us to solve.

From the field of taxation of income and property we resolved 40 claims, 24 claims out of this number were from foreign tax administrations and 16 claims were ours, directed to foreign tax administrations. Claims asked for audits at taxpayers, performing taxable business activities in Slovenia. All claims were justified because findings were connected with tax frauds, e.g. fictitious invoices, contracts and export.

In the field of exchange of indirect taxation data we continued with the work for setting up the system for the exchange of VAT data with EU Member States.

Penalties and other measures of supervision

In 2002 the Tax Administration submitted 7,986 proposals to the misdemeanours judge, i.e. 5,513 proposals or 69 percent on the basis of control procedures and 2,473 or 31 percent on the basis of audits. 5,119 proposals out of overall number or, in other words, 64 percent were connected with individuals. Due to violating the Value Added Tax Act, 2,456 proposals were submitted to the misdemeanours judge, 1,630 out of this number due to the fact that invoices were not issued, settlements were not submitted in time, or taxpayers did not inform in time about the beginning, change or cessation of performing business activities. Due to violating the Tax Procedure Act, we submitted 4,018 proposals. The reasons were mainly incomplete issued invoices, incorrect bookkeeping, bookkeeping, which didn't provide data for estimation of tax liabilities, paying incomes to individuals without providing tax numbers, etc.

2,381 mandatory fines were imposed, all of them to individuals for violating the Tax Procedure Act due to several reasons: tax returns were not submitted in time, false data, or the lack of data, required for tax assessment.

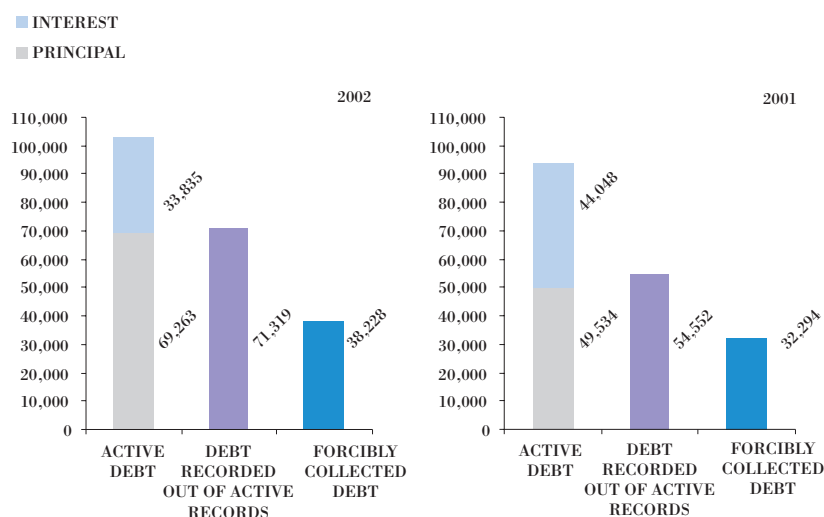
Criminal charges were submitted in 110 cases, 93 cases out of this number were based on audit records. Criminal charges were submitted against individuals (77 percent) and against legal entities (23 percent).

TAX ENFORCEMENT

Tax debt

The Tax Administration successfully managed the current tax debt with various enforcement measures. In 2002 the Tax Administration forcibly collected 14.4 % more debt than in 2001.

TAX DEBT AND
SUCCESSFULNESS OF
ENFORCEMENT
(SITM)



At the end of 2002 the tax debt (principal and interest) amounted to 174,947 million tolars. In the period from January to December 2002 the tax debt increased for 26,812 million tolars or for 18.1 percent, i.e. the active debt or the debt recorded in accountancy increased for 10,317 million tolars or for 11.1 percent and the debt recorded out of active records increased for 16,767 million tolars or for 30.7 percent. The debt, deferred in accordance with the Law on the Method of Settlement for Payable Non-paid Compulsory Contributions (ZNPDND), decreased for 271 million tolars or for 33.8 percent in comparison with 2001.

The main reason for the tax debt increase is high default interest, charged in a conformable calculation method. At paying the debt default interest is paid first. Due to efficient enforcement the share of interest in the active debt decreases.

On 31/12/2002 the share of tax debt in the gross domestic product (GDP) amounted to 3.4 % of GDP and the share of accountancy debt reached 2.0 % of GDP. In 2001 the shares amounted to 3.2 and 2.0 % respectively. The accretion of new tax debt per unit of GDP didn't increase, which means that we successfully manage the current debt.

- 58.9 percent of debt in the amount of 103,098 million tolars is recorded in accountancy records (including also the debt in the amount of 15,094 million tolars, for which the enforcement procedure is deferred in accordance with the Tax Procedure Act and the Administrative Disputes Act until disputes are resolved).
- 40.8 percent of debt in the amount of 71,319 million tolars is recorded out of active records. The court manages procedures for more than four fifths of this debt (bankruptcy, forcible settlement, and enforcement from immovable property), the rest of the debt refers to taxpayers, who don't possess movable or immovable property, which would serve as a source for forcible collection, but the time limit for the right to forcible collection is not overdue yet.
- 0.3 percent of the debt in the amount of 530 million tolars is deferred in accordance with the ZNPDND.

DEBT RECORDED IN ACCOUNTANCY
ON 31/12/2002 AND REVENUES IN 2002
ACCORDING TO PAYERS OF LIABILITIES
(SITM)

TAXPAYERS	REVENUES IN 2002	STRUCTURE OF REVENUES	DEBT RECORDED IN ACCOUNTANCY ON 31/12/2002	DEBT STRUCTURE	DEBT RECORDED IN ACCOUNTANCY/ REVENUES
LEGAL ENTITIES	1,335,678	88.3	52,196	50.6	3.9
SOLE ENTREPRENEURS	146,276	9.7	41,832	40.6	28.6
PERSONS LIABLE FOR INCOME FROM AGRICULTURE	3,376	0.2	2,205	2.1	65.3
CITIZENS	26,646	1.8	6,865	6.7	25.8
IN TOTAL	1,511,975	100.0	103,098	100.0	6.8

The share of legal entities in the debt recorded in accountancy is 50.6 %, the share of sole entrepreneurs is 40.6 %, the share of citizens is 6.7 % and the share of persons liable for income from agriculture is 2.1 %.

The share of the debt recorded in accountancy in relation to revenues reached 6.8 percent. This share was 65.3 % at persons liable for income from agriculture, 28.6 % at sole entrepreneurs, 25.8 % at citizens and only 3.9 % at legal entities.

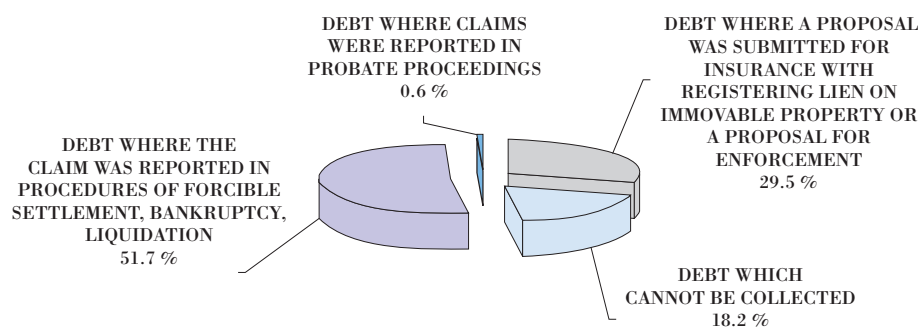
DEBT RECORDED IN ACCOUNTANCY
ON 31/12/2002 AND REVENUES
IN 2002 ACCORDING TO TYPES
OF LIABILITIES (SITM)

TYPES OF REVENUES	REVENUES IN 2002	STRUCTURE OF REVENUES	DEBT RECORDED IN ACCOUNTANCY ON 31/12/2002	DEBT STRUCTURE	DEBT RECORDED IN ACCOUNTANCY/ REVENUES
TAXES ON INCOME AND PROFIT	396,592	26.2	24,439	23.7	6.2
SOCIAL SECURITY CONTRIBUTIONS	772,610	51.1	35,735	34.7	4.6
TAXES ON PAYROLL AND WORKFORCE	94,091	6.2	1,054	1.0	1.1
TAXES ON PROPERTY	34,689	2.3	3,129	3.0	9.0
DOMESTIC TAXES ON GOODS AND SERVICES	134,461	8.9	37,152	36.0	27.6
OTHER TAXES	328	0.0	49	0.0	14.9
NON-TAX REVENUES	10,624	0.7	1,540	1.5	14.5
TRANSFER REVENUES	68,579	4.5	0	0.0	0.0
IN TOTAL	1,511,975	100.0	103,098	100.0	6.8

The largest share (36.0 %) in the debt recorded in accountancy belonged to domestic taxes on goods and services (58.3 percent of the debt referred to the tax on sales of goods and services), then there were social security contributions (43.7 %), taxes on income and profit (23.7 %), all others together had the share of 5.6 percent.

The debt recorded in accountancy in relation to revenues was the largest at domestic taxes on goods and services (27.6 %), then there were taxes on income and profit (6.2 %), social security contributions (4.6 %) and all others together had the share of 4.1 percent.

**STRUCTURE
OF THE DEBT
RECORDED OUT
OF ACTIVE RECORDS**



**Activities in
the field of
enforcement**

Also in 2002 the field of forcible collection of taxes and other obligatory duties achieved significant progress. We forcibly collected with various measures 38,704 million tolar of debt or 14.9 percent more than it was planned and 14.4 percent more than in 2001.

**FORCIBLY COLLECTED DEBT
ACCORDING TO ENFORCEMENT
MEASURES IN 2002 AND 2001 (SITM)**

MEASURES	ANNUAL PLAN 2002	2002	PERCENTAGE OF ANNUAL PLAN REALISATION	2001	INDEX 02/01
ENFORCEMENT ORDERS	33,002	38,228	115.8	32,294	118.4
PAYMENT ORDERS	661	335	50.6	1,344	24.9
ZNPDND	-	141	-	182	77.5
IN TOTAL	33,663	38,704	114.9	33,820	114.4

Payments on the basis of issued enforcement orders were realised in the amount of 38,228 million tolars or they were 15.8 percent higher than it was planned and 18.4 % higher than in the previous year. On the basis of issued payment orders to legal entities in the amount of 438 million tolars 335 million tolars were paid, which is 49.4 % less than it was planned and 75.1 percent less than in the previous year. With the transfer of payment transactions from the Agency of the RS for Payment Transactions to banks on 30/6/2002, the Tax Administration doesn't issue payment orders anymore for settlement of tax and other obligatory duties, but enforcement orders.

On the basis of the Law on the Method of Settlement for Payable Non-paid Compulsory Duties the tax debt was decreased for 141 million tolars, but the amount of payments decreased for 22.5 % in comparison with the previous year. The above-mentioned law didn't realise the expected scope of debt payments. Some companies and sole entrepreneurs paid the debt in instalments to overcome their economic difficulties.

**PAYMENTS OF THE DEBT
ON THE BASIS OF
REMINDERS
(SITM)**

	ANNUAL PLAN 2002	2002	PERCENTAGE OF ANNUAL PLAN REALISATION	2001	INDEX 02/01
REMINDERS	5,351	6,676	124.8	5,462	122.2

324,399 reminders were sent to taxpayers about non-paid liabilities in the amount of 54,424 million tolars. On the basis of sent reminders taxpayers paid 6,676 million tolars of debt, which is 24.8 % more than it was planned and 22.2 % more than in the previous year.

**NUMBER AND AMOUNTS
OF ISSUED AND PAID
ENFORCEMENT ORDERS
(SITM)**

LIABILITIES	ISSUED ORDERS		PAID ORDERS	
	NUMBER	AMOUNT	NUMBER	AMOUNT
TAXES AND OTHER OBLIGATORY DUTIES, WHICH ARE ASSESSED, SUPERVISED AND FORCIBLY COLLECTED BY THE TAX ADMINISTRATION	119,029	96,444	105,675	35,627
OTHER LIABILITIES, WHICH ARE ONLY FORCIBLY COLLECTED BY THE TAX ADMINISTRATION	256,679	7,080	149,101	2,601
IN TOTAL	375,708	103,524	254,776	38,228

In 2002 we issued 375,708 enforcement orders in total amount of 103,524 million tolar, which is 24.4 percent more than it was planned and 27.6 percent more than in 2001.

The share of issued enforcement orders for taxes and other obligatory duties, which are assessed, supervised and forcibly collected by the Tax Administration, was 31.7 % and it covered 93.2 % of the amount of the claimed debt. The share of issued enforcement orders for liabilities, which are only forcibly collected by the Tax Administration, was 68.3 % and represented only 6.8 % of the claimed debt.

254,776 enforcement orders were paid in the total amount of 38,228 million, which is 15.8 % more than it was planned and 18.4 % more than in the previous year. The share of paid enforcement orders for taxes and other obligatory duties, which are assessed, supervised and forcibly collected by the Tax Administration, was 41.5 % with the payment share of 93.2 percent. The share of paid enforcement orders for liabilities, which are only forcibly collected by the Tax Administration, was 58.5 % with 6.8 percent in the share of all payments.

In 2002 we received 327,138 claims for enforcement of liabilities, which are only forcibly collected by the Tax Administration, in the amount of 8,744 million tolar. We issued 256,679 enforcement orders in the amount of 7,080 million tolar, 36.7 percent of this amount were paid in the amount of 2,601 million tolar out.

**FORCIBLE COLLECTION OF NON-PAID LIABILITIES,
WHICH ARE ASSESSED, SUPERVISED AND
FORCIBLY COLLECTED BY THE TAX ADMINISTRATION,
AND FORCIBLE COLLECTION OF LIABILITIES,
WHICH ARE ONLY FORCIBLY COLLECTED BY
THE TAX ADMINISTRATION ON THE BASIS OF
RECEIVED CLAIMS IN 2002 (SITM)**

■ LIABILITIES, WHICH ARE ASSESSED, SUPERVISED AND FORCIBLY COLLECTED BY THE TAX ADMINISTRATION

■ LIABILITIES, WHICH ARE ONLY FORCIBLY COLLECTED BY THE TAX ADMINISTRATION

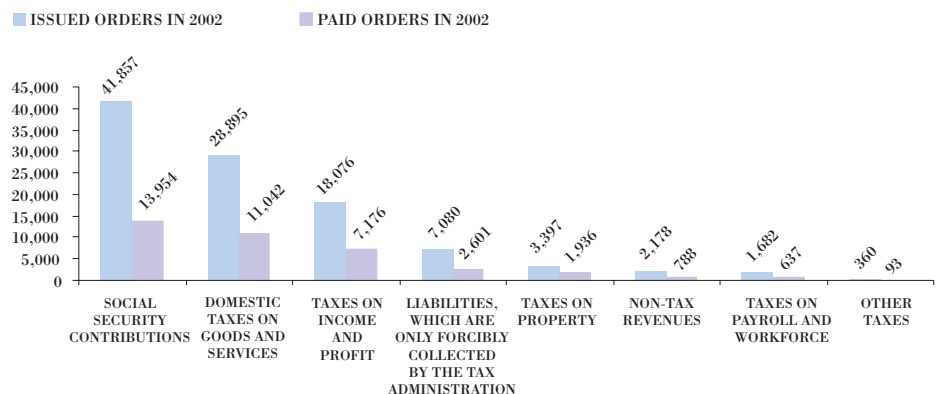


The relation between issued orders and forcibly collected amounts shows unsuitable burden on the Tax Administration in the field of allocation of tasks for forcible collection of liabilities of other state administrations and organisations.

Tax enforcement according to types of liabilities

In 2002 40.4 % of enforcement orders were issued for non-paid social security contributions in the amount of 41,857 million tolars, 27.9 percent for domestic taxes on goods and services in the amount of 28,895 million tolars, 17.5 % for taxes on income and profit in the amount of 18,076 million tolars, 6.8 % for liabilities, which are only forcibly collected by the Tax Administration, in the amount of 7,080 million tolars and 7.4 % for all other liabilities in the total amount of 7,617 million tolars.

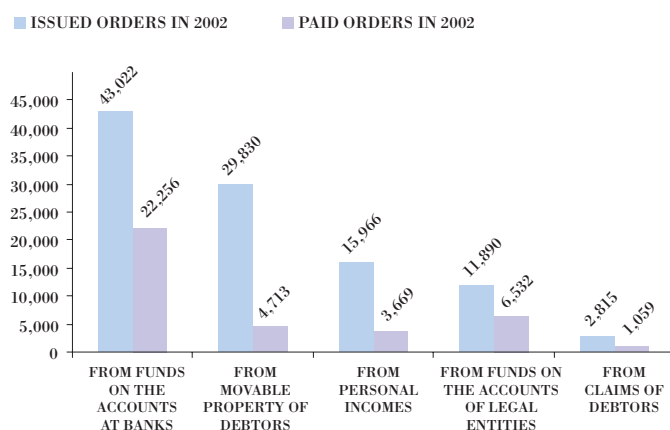
AMOUNTS OF ISSUED AND PAID ENFORCEMENT ORDERS IN 2002 ACCORDING TO TYPES OF LIABILITIES (SITM)



On the basis of issued enforcement orders social security contributions had the largest share of payments in the total amount of 13,954 million tolars or 36.5 percent of all payments, then there were payments of domestic taxes on goods and services in the total amount of 11,042 million tolars, which is 28.9 percent of all payments, then there were payments of taxes on income and profit in the amount of 7,176 million tolars or 18.8 percent of all payments and payments of liabilities, which are only forcibly collected by the Tax Administration, in the amount of 2,601 million tolars or 6.8 percent of all payments, payments of other liabilities in the total amount of 3,454 million tolars or 9.0 percent of all payments.

Tax enforcement according to the method of enforcement

AMOUNTS OF ISSUED AND PAID ENFORCEMENT ORDERS IN 2002 ACCORDING TO THE METHOD OF ENFORCEMENT (SITM)



The highest share of payments belonged to forcible collection from funds on the accounts of legal entities at the Agency of the RS for Payment Transactions (54.9 %), then there was forcible collection from funds on the accounts at banks and savings banks (51.7 %), from claims of debtors (37.6 %), from personal incomes (23.0 %) and from movable property (15.8 percent).

In 2002 we executed 6,405 cases of confiscation of movable property in the estimated value of 4,390 million tolar in procedures of forcible collection of debt from movable property.

On the basis of confiscation debtors paid 1,718 million tolar of debt. 4,021 debtors paid their debts in the amount of 1,046 million tolar before confiscation or sale of confiscated items. The amount of confiscated cash was 381 million tolar and the amount of sold confiscated movable property was 291 million tolar.

The largest share belonged to the confiscation of cash, i.e. 3,851 cases or 60.1 percent. There were 1,056 cases of motor vehicle confiscation or 16.5 percent, 852 cases of confiscation of securities or 13.3 %, 503 cases of confiscation of assets or 7.9 %, 86 cases of confiscation of merchandise (1.3 %) and 57 cases of confiscation of other movable property (0.9 %). There were 283 auctions for the sale of confiscated items. The Tax Administration issued an authorisation for sale of confiscated property executed by debtors themselves in 428 cases. A special Tax Administration's committee sold the confiscated items in 19 cases, sale on commission was executed in 630 cases.

Entries of lien on immovable property for insurance of tax debt were executed at 737 debtors in the total amount of 3,852 million tolar.

Through the Attorney-General's Office of the RS we submitted to competent courts 670 proposals for enforcement (appraisal and sale) from immovable property of debtors in the amount of 6,938 million tolar. The court conducted 72 cases of enforcement and the tax debt in the amount of 146 million tolar was paid with the sale of immovable property of debtors.

The problem of enforcement from immovable property is mainly in time-consuming estimation of property, lengthy procedures in competent courts, unsuccessful sale and third persons' lien on immovable property and the debt to the Tax Administration doesn't have priority to be paid.

Efficiency in the enforcement field was increased with uniform and comprehensive treatment of debtors (legal entities and individuals) and with the use of measures, e.g. written and telephone reminders, interviews with responsible persons for estimation of payment capability and preparation of a financial plan for settlement of debt, debt set-off, insurance of claim before the issue of an assessment decision and with original acquiring of data about debtor's accounts, securities, qualitative claims, and other property, with which the debt can be paid.

DISPUTE RESOLUTION

Dispute resolution at the first instance

In 2002 taxpayers filed 20,922 appeals against decisions and orders of first-instance bodies, which is 25.6 percent more than it was planned and 15.1 percent more than in 2001. The reason for a larger number of appeals was also an audit conducted at a large legal entity and as a consequence reopening of procedures for personal income tax assessment, which was followed by approximately 600 appeals. 1,706 appeals were filed due to errors at printing personal income tax decisions. If we take these exceptions into consideration, the number of appeals in comparison with 2001 didn't increase considerably.

In 2002 first-instance bodies considered 21,387 cases, which is 25 percent more than it was planned and 11 percent more than in 2001. 15,436 disputes out of this number were resolved, 5,037 were submitted to the second instance and 914 appeals were withdrawn. At the end of 2002 1,444 disputes remained unresolved at the first instance, which is 1 percent more than it was planned and 24.4 percent less than in the previous year.

DISPUTE
RESOLUTION AT THE
FIRST INSTANCE

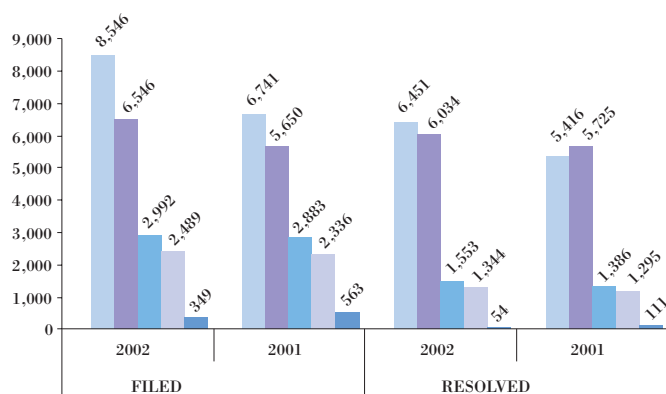
	ANNUAL PLAN 2002	2002	PERCENTAGE OF ANNUAL PLAN REALISATION	2001	INDEX 02/01
NUMBER OF FILED APPEALS	16,663	20,922	125.6	18,173	115.1
NUMBER OF RESOLVED DISPUTES WITHIN OUR COMPETENCE	12,553	15,436	123.0	13,933	110.8
NUMBER OF UNRESOLVED DISPUTES AT THE END OF THE YEAR	1,426	1,444	101.2	1,909	75.6

The largest number of filed appeals was against assessment of the personal income tax and its subtypes (8,546) and against assessment of compensation for the use of building land (6,298). The largest number of resolved disputes was from the field of the personal income tax and its subtypes (6,451) and compensation for the use of building land (5,893).

In comparison with 2001 there was an increase in 2002 in the number of appeals against the personal income tax assessment, mainly due to errors at printing and appeals against assessment of compensation for the use of building land. Taxpayers appealed mainly against the base for compensation assessment, which is sent to the Tax Administration from competent municipalities.

FILED APPEALS AND
RESOLVED DISPUTES
AT THE FIRST INSTANCE
IN 2002 AND 2001

- ASSESSMENT OF THE PERSONAL INCOME TAX AND ITS SUBTYPES
- ASSESSMENT OF COMPENSATION FOR THE USE OF BUILDING LAND
- OTHER
- TAX ENFORCEMENT
- VAT AND SALES TAX



Dispute resolution at the second instance

At the beginning of 2002 there were 4,907 unresolved disputes at the second instance. During the year we received 5,325 appeals, which is 31 percent more than it was planned and 14 percent more than in the previous year. We resolved 5,897 disputes, which is 12 percent more than it was planned and 10 percent more than in 2001. At the end of 2002 there were 4,335 unresolved disputes, which is 17 percent more than it was planned and 12 percent less than at the end of 2001.

DISPUTE RESOLUTION AT THE SECOND INSTANCE

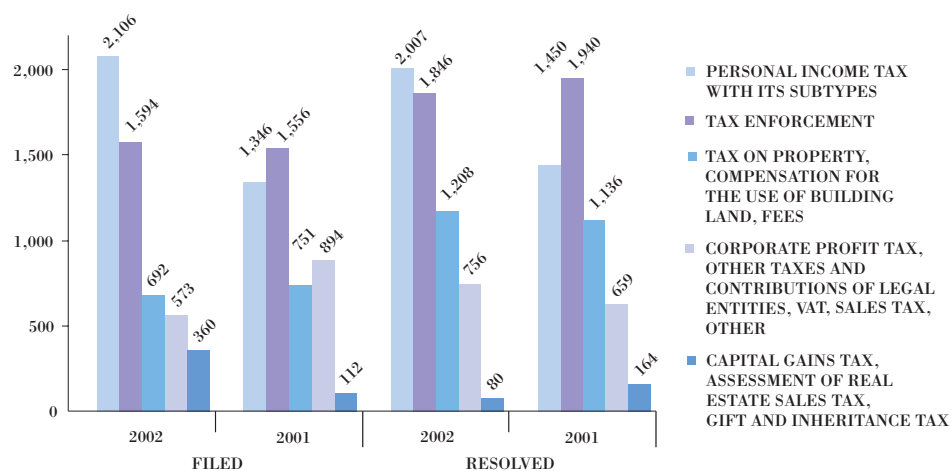
	ANNUAL PLAN 2002	2002	PERCENTAGE OF ANNUAL PLAN REALISATION	2001	INDEX 02/01
NUMBER OF FILED APPEALS	4,057	5,325	131.3	4,659	114.3
NUMBER OF RESOLVED DISPUTES	5,251	5,897	112.3	5,349	110.2
NUMBER OF UNRESOLVED DISPUTES AT THE END OF THE YEAR	3,713	4,335	116.8	4,907	88.3

The largest number of appeals was filed against the assessment of the personal income tax and its subtypes (2,106) and against enforcement (1,594). The largest number of resolved disputes was from the fields of the personal income tax and its subtypes (2,007) and enforcement (1,846).

In the second-instance procedure appeals were refused in 4,034 cases, granted in 1,807 cases, and dismissed in 56 cases. The share of granted appeals is 31 percent.

The number of unresolved disputes decreased for all tax types, with the exception of the personal income tax, capital gains tax, real estate sales tax, and value added tax (VAT). The number of submitted cases from the first instance from the field of the personal income tax increased significantly (81 percent), which is a consequence of submitting considerable number of appeals against the order on reopening of assessment procedure for the personal income tax at the end of 2002. The number of filed appeals in the fields of capital gains tax and real estate sales tax also increased significantly (221 percent). The number of submitted cases in the VAT field decreased; there were fewer resolved cases than submitted. This is the reason why the number of unresolved disputes increased for 18 percent. In comparison with 2001 the number of unresolved disputes from the fields of the corporate profit tax, other taxes for legal entities, and tax on incomes from business activities decreased.

FILED APPEALS AND
RESOLVED DISPUTES
AT THE SECOND INSTANCE
IN 2002 AND 2001



The most frequently processed objections for appeals in resolved disputes against decisions about the assessment of the personal income tax are as follows: failure to meet conditions for reopening of the procedure for personal income tax assessment, asserting special relief for dependants (relief unjustified for those parents, who do not bring up their children, children in the age of majority, who do not attend school like dependants do), time limit for asserting the decrease of personal income tax base, incorrectly established tax base (data are not consistent with control data), recognising actual expenses, death of a taxpayer during the procedure for personal income tax assessment, and correctness of assessment of personal income tax subtypes.

The most frequently processed reasons for appeals in the enforcement field are connected with debt lists (debt balance, documents for execution, default interest), with the existence of claims at forcible collection from claims towards debtor's debtor, with enforcement of other authorities' documents for execution (forcible collection of fines).

Reasons for appeals from the field of the compensation for the use of building land are mainly in connection with the obligation of paying the compensation and with areas, where the compensation is paid (generalised objections that the compensation is illegal and unconstitutional, regulations non-harmonised, and municipality ordinances illegal), in connection with the exemption from paying the compensation for specific pieces of land and buildings, with incorrect classification of pieces of land according to areas and position, with incorrectness of measurements, and in connection with assessment of compensations from water land, railway infrastructure, pieces of land for maintenance of motorways, etc.

Dispute resolution in the fields of the corporate profit tax, other taxes and contributions of legal entities and tax on incomes from business activities processed mainly the following objections for appeals: in connection with expenses recognised in tax settlements, definition of incomes according to the Personal Income Tax Act, expenses for business lunches and marketing, connected persons and transfer prices, conditions for tax base assessment, assessment method, and with reservations.

In the VAT field the most frequently resolved disputes were in connection with correctness of invoices, the right to deduct VAT in relation to the settlement period and registration for VAT, the use of correct tax rate, with repayments to aliens and with repayments to aliens in passenger traffic services, with VAT and motor vehicles, and with proving the export of goods.

In 2002 during administrative dispute procedures the Administrative Court of the RS and the Supreme Court of the RS decided in favour of Tax Administration's decisions in 74 percent of cases.

PROVIDING THE UNIFORM USE OF TAX REGULATIONS

The Tax Administration monitors and analyses the use of tax regulations on a regular basis with the purpose of providing the uniform use of tax regulations and increasing the efficiency of our work. Proposals for changes in procedure and material regulations are submitted to the Ministry of Finance and other competent authorities.

We participated in preparation of proposals for changes and amendments to the existing legislation and in consideration of proposals for new laws and implementing regulations. We achieved simplification of use and execution of regulations in the tax procedure. The quality of the text of acts was also improved and mutual alignment of regulations. We prepared methodological instructions and other guidelines for uniform management of tax procedures, we provided for a uniform form of administrative acts in the tax procedure and we prepared many explanations from the field of material regulations. We participated in the working group within the project for abolition of administrative obstacles and we proposed solutions.

Within the programme of modernising the Slovene public administration and strengthening the administrative competence of the Republic of Slovenia we participated in preparation of proposals for the Public Administration Act in the part which refers to the work of the Tax Administration, including the preparation of comments for proposal of the decree on bodies within ministries.

We submitted changes and amendments to the Ministry of Finance in connection with the Tax Procedure Act in the part, which refers to membership fees for chambers, procedure reopening, processing of data from annual reports, which are a constituent part of tax settlements, statute of limitation during court procedures, setting up the system for exchange of data on VAT (VIES) among bodies of EU Member States and in the part, which concerns protecting tax confidentiality.

The law on changes and amendments to the General Administrative Procedure Act was adopted within the government project for abolition of administrative obstacles. We detected significantly increased extent of work in the field of monitoring implementation of legislation, which obliges the Tax Administration to issue confirmations to taxpayers and other customers and to submit data, for which individual subjects are justified on the basis of various laws. We prepared comments and proposals in connection with proposed changes and amendments to the law, including comments and proposals for Decree on data exchange among public administration bodies for administrative procedure purposes, which manages the method, form, and time limits for acquiring and sending data in details.

We prepared proposals for changes and amendments to the Value Added Tax Act and rules on the implementation of this act due to further harmonisation between these regulations and the EU system and also due to abolition of some insufficiencies evident in practice. The system, which includes all explanations on the value added tax, was set up on the Intranet.

We co-operated with the Ministry of Finance in preparation of new Personal Income Tax Act and new Corporate Income Tax Act. We emphasised also possibilities of implementing new legal solutions in practice.

We prepared comments on proposals for changes and amendments to the Corporate Profit Tax Act due to adjustment of an Article 12 provision in connection with a Constitutional Court provision and in connection with the level of recognising some expenditures and tax relief. We submitted also comments on Rules on Taxpayers' Expenses not Recognized for Tax Purposes.

We prepared opinions and comments in connection with a proposal for new Decree on Economic Zones, a proposal of a form for settlement of special tax on bank debit and for methodology for filling in a form in connection with rules on harmonisation of individual accounts and for a draft of ruling and the form for settlement of tax on gambling.

Explanations in connection with taxation of incomes received by individuals and legal entities from abroad (agreements on prevention of double taxation) and in connection with tax repayments were prepared in co-operation with the Ministry of Finance.

Due to changes in the Pension and Disability Insurance Act in the part which deals with voluntary additional pension insurance, we prepared instructions about changes and amendments to instructions for entry of pension plans into the register at the Tax Administration, about report of changes, about a method for giving data and about documentation, which has to be enclosed with the application for entry into the register. In co-operation with the Pension and Disability Insurance Institute of Slovenia we defined contents and sources of data for setting up proper records, needed by the Institute in accordance with Article 443 of the Pension and Disability Insurance Act.

Due to inconsistencies between the Social Security Contributions Act and the Parental Protection and Family Benefits Act at payment of employer contributions for farmers, world-class athletes and chess players, we proposed appropriate changes of this law to the Ministry of Labour, Family and Social Affairs. Several comments were submitted also in connection with the Parental Protection and Family Benefits Act from the point of view of definition of the insured and persons liable for payment of contributions and in connection with that also from the point of view of harmonizing the Social Security Contributions Act, and in connection with the Rules on Execution of the Parental Protection and Family Benefits Act.

In co-operation with the Ministry of Labour, Family and Social Affairs we considered also the taxation of periodical work of students, the status of companies with 40 % or more disabled employees, tax relief and other questions in connection with the implementation of the Pension and Disability Insurance Act and the Insurance Contracts Tax Act.

Due to difficult supervision over payments of lump-sum contributions for injuries at work for students, who work through the agencies for student services, we submitted a suggestion for supplementing the Health Care and Health Insurance Act to the Ministry of Health and Health Insurance Institute of Slovenia.

We participated in preparation of the Rules on additional personal work and established records of persons performing additional personal work.

We submitted comments on the proposal SRS-39 in connection with the management of books of sole entrepreneurs to the Ministry of Economy.

We prepared proposals and comments on the working material of the proposal of the Real Estate Tax Act and the Real Estate Evaluation Act and the proposal for the tax return form for Real Estate Sales Tax Assessment.

In the field of assessment of compensation for the use of building land we considered problems of non-harmonisation of municipality ordinances with legislation, mainly repayments of already paid compensation to taxpayers after the revocation of municipality ordinance provisions in the Constitutional Court of the RS procedure.

In accordance with the Self-imposed Contributions Act sending data to municipalities and enforcement of non-paid self-imposed contributions were imposed to the Tax Administration. We prepared appropriate instructions for uniform execution of the task.

We participated in preparation of a proposal for changing and supplementing the Tourism Development Act, in preparation of a proposal for changing and supplementing the Decree on the tax on the use of lubricating oils and fluids, in preparation of a proposal of the Decree on the carbon dioxide emission tax, and in preparation of a proposal of the Decree on tax on the generation of end-of-life vehicles. We prepared instructions for uniform execution.

We participated also in preparation of implementing regulations of the new Payment Transactions Act with the purpose of providing proper arrangements for paying taxes and other obligatory contributions, collected by the Tax Administration.

TAX REGISTER AND TAX ACCOUNTANCY

In 2002 we continued with the improvement of the existing system of the Register of Taxpayers (RTP). The RTP has been upgraded so that it provides a qualitative system for data transfer. The upgraded system enables direct receiving of data about individuals from the Central Register of Population managed by the Ministry of the Interior. We upgraded the procedure for the transfer of transaction accounts from the Register of transaction accounts at the Bank of Slovenia, so that in addition to transaction accounts of legal entities we directly receive also transaction accounts of individuals. The connection between the RTP and bookkeeping records of legal entities (DP-2) was also set up. We introduced the central record of Register of sole entrepreneurs (VSP), which replaced the previous one, the management of which was scattered at 60 tax office branches. The data from the register are transferred directly to the RTP.

In 2002 we didn't realise the planned connections between the RTP and the court and business registers, mainly due to external reasons, on which we didn't have influence.

At the end of 2002 there were 2,402,784 persons recorded in the RTP, 2,329,425 out of this number were active taxpayers. Among taxpayers there were 89,294 legal entities and 2,240,131 individuals. 73,549 individuals performed business activities.

The Tax Administration develops the data warehouse of the central tax accountancy for assessment, supervision and enforcement of taxes and other oblig-

atory duties. Accountancy records about tax liabilities and payments of taxpayers are managed within three large systems, i.e. for individuals and taxpayers performing business activities, for legal entities and separately for taxpayers liable for value added tax (VAT). In 2002 we conducted the transfer and daily updating of data from the tax accountancy for legal entities. With continuous development of this system we will get integrated data about taxpayers from all tax records.

Due to development of the data warehouse and the transfer of domestic payment transactions for legal entities into banks, we replaced the separated register data about legal entities with the data from the RTP. On the basis of the above-mentioned facts the RTP becomes the basic data source for management of accountancy and other tax records.

We improved the VAT accountancy, mainly recording of liabilities according to procedures of tax supervision and electronic transfer of orders for VAT repayments.

Merging of accountancy records was enabled also by reorganisation of tax offices and their branches. We provided conditions for further transfer of separated accountancy records from branches to tax offices. This is a way to increase transparency of tax records and rationality of accountancy operations.

In 2002 legal entities opened transaction accounts at banks in accordance with the Payment Transactions Act. This is the reason why we introduced standard reference for identification of payments, first for VAT and then for all other taxes and obligatory duties for which supervision is conducted by the Tax Administration. This required extensive renumbering of all payment accounts into new payment sub-accounts within the uniform treasury system. The payment method performed by individuals and persons performing business activities will be changed in 2003.

A large number and complexity of transactions, recorded in the tax accountancy, can be achieved with simplification of tax collection procedures. We prepared proposals for simplification of the system of paying social contributions at processing settlements for contributions from salaries and management of records.

INFORMING TAXPAYERS

Informing taxpayers and the public in general received a great deal of our attention also in 2002. Information was available to taxpayers at tax offices and their branches and by telephone. We prepared written answers to questions received by mail or e-mail from individuals, companies, associations, etc.

Information and explanations from the field of tax legislation and other regulations, examples from domestic and European tax practice, the most frequent irregularities, discovered in tax auditing procedures, and statistical indicators were published in our external publication, called *Davčni bilten* (Tax Bulletin). In 2002 we published ten issues with thematic supplements. Specialised supplements included the consolidated text of the Value Added Tax Act (ZDDV) and the Rules on the Implementation of the Value Added Tax Act. The supplement on Societies – Legal Entities of Private Law informed about registration, management of books and

records, calculation of individual tax types, sanctions for the most frequent violations of tax regulations and the most frequent irregularities, discovered in procedures of auditing societies. One of the supplements included explanations about taxation of immovable property in accordance with the ZDDV and the Real Estate Sales Tax Act and in connection with execution of the ZDDV at sales of immovable property. Due to changes of the ZDDV, we published explanations in connection with taxation of used vehicles sales. Due to changes of the Real Estate Sales Tax Act in the same period, we published explanations in connection with taxation of immovable property.

Taxpayers were informed also through other specialised print and electronic media, where information notices and explanations from the field of tax regulations were published. In addition to the national Slovene media, we used also the local media with the purpose of informing the public in general.

We sent forms of tax settlements and paying instruments to taxpayers on a regular basis. Computer programmes for entering and submitting data from tax returns and settlements were available on floppy disks and the Tax Administration's web site.

The Tax Administration's web site included regulations and instructions, general information about taxes and contributions, information about forms and instructions for filing in tax returns and settlements, registration and other tax procedures, methods for paying taxes, changes in regulations, and reminders for important dates. Taxpayers were informed about the work of the Tax Administration and important statistical indicators.

With the purpose of increasing the level of voluntary tax compliance, a great deal of our attention was given to preparation and execution of education programmes for taxpayers. We organised a campaign for informing taxpayers in connection with filing a return for assessment of the personal income tax. Taxpayers were informed about taxation of supplementary activities on farms, notification of entry, changes and deletion of individuals, performing personal additional work. Agencies offering temporary and periodical work for students were informed about fulfilling their tax obligations. Submitting data for assessment of the personal income tax was discussed with providers of pension plans. We organised several one-day seminars for taxable persons from the VAT field due to changes in regulations and in paying VAT. We informed them about the most frequent irregularities, discovered by our tax inspectors on individual taxation fields. In co-operation with the Customs Administration and the Statistical Office of the RS we organised several informative seminars about changes when Slovenia becomes an EU Member State for legal entities, which perform intra-Community supplies.

In 2002 our representatives actively participated also in conferences, seminars, and other forms of expert co-operation, mainly with Commerce and Craft Chambers of Slovenia, Slovene Institute for Auditing, Association of Accountants, Tax Institute, and Tax Advisor Society.

With the purpose of strengthening tax consciousness at taxpayers and consumers, we continued with the game, called "Take a Bill", where two round were organised. During auditing invoices from the game we discovered various irregularities and also large tax evasion attempts.

The public in general was informed about the achieved results of the Tax Administration. They were regularly informed about current problems from the fields of tax regulations and execution of tax tasks. We pointed to problems and suggested solutions, which may provide for an even more efficient tax administration. Competent international organisations were also informed about our business results.

PREPARATION FOR THE ADOPTION OF THE ACQUIS COMMUNAUTAIRE AND INTERNATIONAL CO-OPERATION

In co-operation with the Ministry of Finance we continued with activities within the Republic of Slovenia's National Programme for the Adoption of the Acquis Communautaire. We were active also in other international fields.

We continued with the process of modernisation and reform of the Tax Administration on basic projects of tax accountancy, register of taxpayers, documentation management and support for procedures of exercising supervision and enforcement. Progress was achieved in all fields, but the public tender for internet-based services for taxpayers was not concluded. Reorganisation processes of tax offices were also slowed down. Modernisation and reform of the Tax Administration was not carried out in planned time limits, mainly due to hiring freeze and the lack of financial resources.

Administrative co-operation in the field of direct taxation requires setting up the system for exchange of information about the value added tax (VAT), when Slovenia becomes an EU Member State. Due to abolitions of borders within the EU and customs declaration, which served as an administrative source, the inclusion into VIES system is of vital importance (VAT Information Exchange System) because it enables the supervision over business operations of taxpayers performing intra-Community supplies. With the purpose of setting up the system for exchange of information on VAT with EU Member States, we prepared draft proposals within VIES project for the change of legislation, connected with the international information exchange, including forms; we defined the tasks of CLO (Central Liaison Office), the tasks of control in VIES system and indicators for preparation of risk analyses. We prepared the following models: business processes, application functional VIES processes, and data. We prepared also informative materials about VIES business processes for employees and informative materials for taxpayers.

We participated in regular activities of the Intra-European Organisation of Tax Administrations (IOTA). We were re-elected into the IOTA Financial Audit Committee. We attended seminars and workshops in the fields of tax supervision, information technology, information exchange, enforcement, human resource management, informing and education of taxpayers. We published several articles in the Tax Tribune magazine and actively participated in some other activities of IOTA.

Workshops, seminars, and exchange of experts are characteristic and successful forms of bilateral co-operation with other tax administrations. We successfully continued with bilateral co-operation with the French Tax Administration in the fields of control and investigation. Co-operation with the Danish Tax Administration included mainly auditing and information technology. Bilateral co-operation with the Netherlands included auditing, control, and communication with taxpayers.

Our participation in the Fiscalis Programme of the European Commission was also important: our experts from the field of supervision attended several seminars and workshops from the fields of information exchange and investigation of tax evasion. We attended also several seminars and workshops within Taiex, OECD and others.

PROFESSIONAL QUALIFICATIONS, MATERIAL RESOURCES, AND TECHNICAL EQUIPMENT

HUMAN RESOURCES, TRAINING, AND ORGANISATION

Human resources

On December 31, 2002 the Tax Administration had 2,524 employees in total, 2,462 out of this number on a permanent basis, 36 were employed for a limited period, and there were also 26 trainees.

The overall number of employees in 2002 decreased for 10; the number of employees on a permanent basis decreased for 3. In 2002 the Tax Administration's flow of employees was 4.5 percent.

In 2002 265 employees were assigned to new job positions within the Tax Administration, 79 employees were promoted.

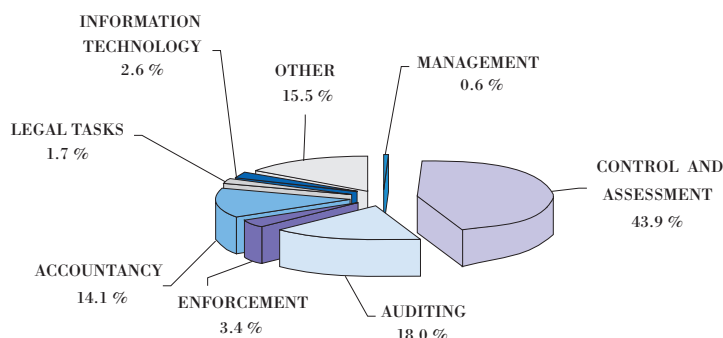
NUMBER OF PERSONS EMPLOYED ON A PERMANENT BASIS ACCORDING TO FIELDS OF WORK ON 31/12/2002

FIELDS OF WORK	SYSTEMATISED JOB POSITIONS	OCCUPIED JOB POSITIONS ON A PERMANENT BASIS ON 31/12/2002	PERCENTAGE OF ACTUAL NUMBER OF EMPLOYEES	OCCUPIED JOB POSITIONS ON A PERMANENT BASIS ON 31/12/2001	INDEX 02/01
MANAGEMENT*	17	16	94.1	16	100.0
CONTROL AND ASSESSMENT	1,266	1,082	85.5	1,074	100.7
AUDITING	752	443	58.9	445	99.6
ENFORCEMENT	142	84	59.2	87	96.6
ACCOUNTANCY	403	348	86.4	362	96.1
LEGAL TASKS	101	43	42.6	64	67.2
INFORMATION TECHNOLOGY	99	65	65.7	66	98.5
OTHER	555	381	68.6	351	108.5
IN TOTAL	3,335	2,462	73.8	2,465	99.9

* Management: director and deputy director of the Tax Administration, directors of individual tax offices.

The Tax Administration has 3,335 systematised job positions. The percentage of occupied systematised job positions in relation to the number of employees on a permanent basis is 73.8 %. The lack of human resources is most evident in the fields of legal tasks, auditing, and enforcement.

**STRUCTURE OF
PERSONS EMPLOYED ON A
PERMANENT BASIS ACCORDING
TO FIELDS OF WORK**



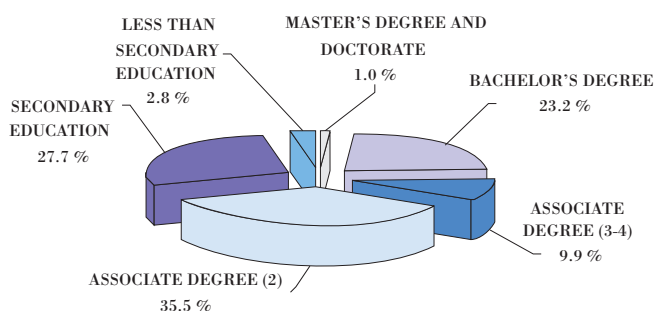
**EMPLOYEES
ACCORDING TO THE
LEVEL OF EDUCATION**

LEVEL OF EDUCATION	NUMBER OF EMPLOYEES		INDEX 02/01
	ON 31/12/2002	ON 31/12/2001	
MASTER'S DEGREE AND DOCTORATE	26	19	136.8
BACHELOR'S DEGREE	586	593	98.8
ASSOCIATE DEGREE (3-4) *	249	209	119.1
ASSOCIATE DEGREE (2) **	895	923	97.0
SECONDARY EDUCATION	698	711	98.2
LESS THAN SECONDARY EDUCATION	70	79	88.6
IN TOTAL	2,524	2,534	99.6

* Associate degree (3-4 years after secondary education)

** Associate degree (2 years after secondary education)

**STRUCTURE OF
EMPLOYEES ACCORDING
TO THE LEVEL OF EDUCATION**



In 2002 the share of employees with Associate (3-4), Bachelor's and Master's degrees increased from 32.4 to 34.1, i.e. by 5 percent, in comparison with 2001.

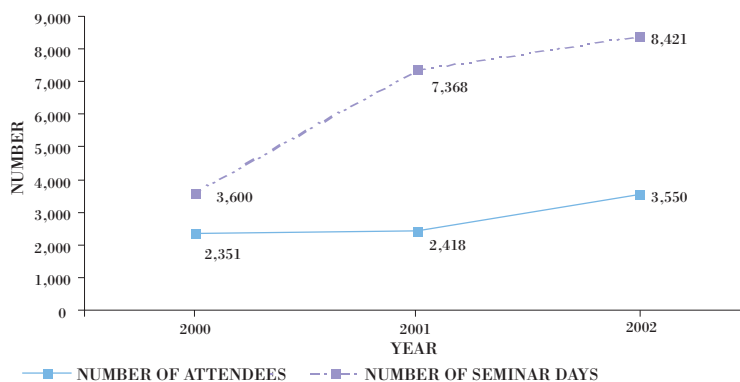
Training

Training of employees was directed towards acquiring knowledge for efficient and proper execution of tax tasks also in 2002. There were many training activities, which were mostly organised by the Tax Administration with internal and external trainers. Our employees attended also seminars prepared by external organisations. The beginning of co-operation with organisations for higher education is important. Our employees were trained also at workshops and seminars, organised within bilateral co-operation with other tax administrations and other foreign organisations. Our co-operation in the Fiscalis Programme of the European Commission is important. Our employees participated also in several seminars and workshops within Taixex programmes, OECD, IOTA and others.

Adjusting training forms to individual target groups is an important advantage of training activities, performed by our Tax Administration.

The largest share of training activities belonged to the field of supervision methods and techniques (even 51 percent of seminar days were addressed to auditing), to accountancy and enforcement, to procedure and material regulations, mainly from the fields of the personal income tax with the emphasis on assessment and tax relief for paid instalments of voluntary additional insurance, on taxation of capital gains, value added tax, corporate profit tax, including management and communication. There were also preparatory seminars for professional exams for inspectors and enforcement employees and for actions from the general administrative procedure. 337 employees passed professional exams.

NUMBERS OF SEMINAR DAYS AND ATTENDEES



There were 3,550 attendees in total at various seminars and workshops. Every employee of the Slovene Tax Administration was trained 3.5 days on average. This means 47 percent more attendees and 16 percent more seminar days per employee than in 2001.

Organisation

We continued with reorganisation processes at tax offices and their branches, but not to the planned extent. Reorganisation was completed at tax offices in Postojna, Ptuj and Koper, and partially executed at tax offices in Nova Gorica, Novo mesto, Velenje and Ljubljana. Tax offices in Brežice and Kočevje were prepared for execution of overall organisation. At the end of 2002 there were five completely reorganised tax offices, including tax offices in Hrastnik and Murska Sobota. Reorganisation of tax offices and their branches will continue in 2003.

TAX INFORMATION SYSTEM

In 2002 we executed tasks mainly in the field of maintaining and upgrading the existing information systems, activities in connection with modernisation of hardware and improvements or modernisation of software and network equipment, including improvements of system security.

We set up a uniform data warehouse of central tax accountancy for legal entities, a new version of VAT system was executed and a module for e-refunds of VAT, universal for all taxes, was introduced. We introduced a system for selection of taxpayers for auditing with additional risk analysis and for support for execution of auditing. We established Register of Sole Entrepreneurs with integration into the system of taxpayers' register (RTP). We prepared support for new tax on personal supplementary work. The RTP was upgraded in the field of data import from primary registers and integration with existing internal systems. We started the procedure of introduction of application for the Main Office support, which is centralised and integrated with the RTP. We started with the transfer from Novell server environment to Microsoft environment. We started with the Tivoli system implementation in the field of IT asset management, which will be finished in 2003. We executed also some improvements of system security.

Due to limited financial and human resources the planned accelerated development was not achieved. The setting up of architecture of new central tax information system was planned for 2002. This modern system is supposed to support all important business processes in the Tax Administration. Due to the evaluation that extensive analysis is necessary and possible re-engineering of the existing business processes due to implementation of the strategic plan 2001-2004, a feasibility study was prepared for setting up the integrated and centralised tax information system. The study defines the approach, necessary human and material resources and time frame for the realisation of the system. There was no considerable development in the field of new information system modules with the exception of design for central tax accountancy. Two public tenders were executed for setting up of internet-based services for taxpayers (EDP); the last one was not completed. The planned tasks from the field of setting up VIES system were completed for VAT information exchange with EU Member States.

MATERIAL RESOURCES

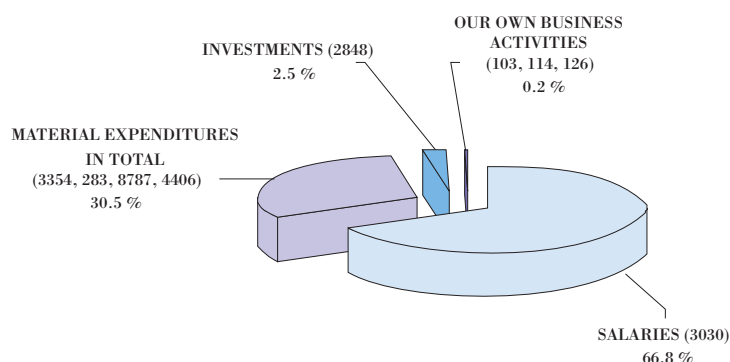
In 2002 the Tax Administration received 17,359 million tolars from the budget in force. 15,372 million tolars out of this amount were for performing Tax Administration's tasks. Besides budget funds we planned to use also funds from revenues from our own business activities in the amount of 1,974 million tolars and funds from the sale of state property and compensation in the amount of 13 million tolars.

TAX ADMINISTRATION FUNDS USED IN 2002 (SITM)

TYPES OF EXPENDITURE	BUDGET IN FORCE FOR 2002	REALISATION OF EXPENDITURES JANUARY-DECEMBER 2002	INDEX: REALISATION/ BUDGET
SALARIES (3030)	11,415	11,393	99.8
MATERIAL EXPENDITURES			
(REGULAR + OUR OWN BUSINESS ACTIVITIES)	5,444	5,208	95.7
INVESTMENTS	428	420	98.2
FUNDS FROM THE SALE OF STATE			
PROPERTY AND COMPENSATION	13	10	78.3
OUR OWN BUSINESS ACTIVITIES	60	29	49.0
IN TOTAL	17,359	17,061	98.3
SOURCES			
BUDGET ITEMS	15,372	15,323	99.7
FUNDS FROM OUR OWN BUSINESS ACTIVITIES	1,974	1,728	87.6
FUNDS FROM THE SALE OF STATE			
PROPERTY AND COMPENSATION	13	10	78.3

In 2002 we used 17,061 million tolars or 1.7 % less from funds of the budget in force. 15,323 million tolars out of this amount were used from budget items of the Tax Administration or only 0.3 % less from the funds of the budget in force and 1,728 million tolars from revenues from tax administration's own business activities, and 10 million tolars from funds from the sale of state property and compensation. The remainder of funds from our own business activities in the amount of 173 million tolars was reserved for payment of obligations from 2002 in 2003.

STRUCTURE
OF TAX
ADMINISTRATION
FUNDS USED IN
2002



The structure of tax administration funds used in 2002 shows that 66.8 % of funds were used for salaries of employees, 30.5 % for material expenditures, 2.5 percent for investments, and 0.2 % of funds for other purposes.

Expenditures for rent, lease, and maintenance of business premises represented 38.0 % in material expenditures and expenditures for post and telecommunications services represented 29.1 percent. The share of expenditures for computer services was 11.3 percent, for stationery and special materials (forms, decisions and other printed materials) 8.1 percent, the share of operational expenditures was 7.7 percent, and the share of other expenditures was 5.8 percent.

We used 420 million tolar for modernisation and realisation of development programs, 230 million tolar for IT, 97 million tolar for renovation of business premises, 23 million tolar for modernisation of equipment, 48 million tolar for modernisation of motor vehicles, and 24 million tolar for minor equipment investments.

SUPERVISION OVER TAX ADMINISTRATION WORK

In 2002 we exercised regular internal supervision over work of tax offices and we proposed solutions for elimination of discovered irregularities and sanctions for violations. We exercised extra supervision on the basis of director's order and information acquired from various sources. Co-operation with external supervisors was also an important part of activities. Extra supervision and mainly co-operation with external supervisors were considerably above the expected scope. This is the reason why planned regular supervision was not realised completely.

INTERNAL SUPERVISION

We exercised regular internal supervision in the fields of tax and contributions from agriculture (12 tax office branches), tax on immovable property transactions (11 tax office branches) and personal income tax (12 tax office branches).

On the basis of information acquired from different sources we performed 6 cases of direct extra supervision. 3 disciplinary procedures were initiated on the basis of findings.

We received 123 reports from taxpayers against employees of the Tax Administration. In 2002 the number of reports decreased for 23.1 percent in comparison with 2001. There were 37 reports from the fields of tax enforcement and accountancy or 30.1 percent of all reports, which means 32.7 percent less than in the previous year. We received 7 reports from the field of managing audit procedures, which means 5.7 percent of all reports and 69.6 percent less than in 2002. 17 reports or 13.8 percent were in connection with compliance with the Code of Ethics of Tax Administration's Employees. There are also 62 other reports, where compliance with provisions of the general administrative procedure has the largest share with 50.4 percent.

RECEIVED REPORTS

	ENFORCEMENT AND ACCOUNTANCY	AUDITING	CODE OF ETHICS	OTHER	IN TOTAL
NUMBER OF REPORTS	37	7	17	62	123
SHARE OF REPORTS IN %	30.1	5.7	13.8	50.4	100

We concluded consideration of 77 reports and established that 22 percent of reports were justified and 17 percent partly justified. Definition was not relevant for 18 percent of reports. In 2002 the share of justified and partly justified reports didn't change considerably in comparison with the previous year.

EXTERNAL SUPERVISION

In 2002 there were three external revisions of the Tax Administration work. One was conducted by the Internal Supervision Department from the Ministry of Finance and two by the Court of Audit. The second revision conducted by the Court of Audit was not finished at the end of 2002.



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