



REPUBLIC OF BULGARIA
MINISTRY OF FINANCE

TAX POLICY DIRECTORATE

STRATEGIC PLAN

2010 – 2013

TAX POLICY DIRECTORATE

JULY, 2010

I. INTRODUCTION

This paper contains the second Strategic Plan of the Tax Policy Directorate of the Ministry of Finance, and presents its main strategic goals and priorities for the period 2010-2013.

The Tax Policy Directorate operates on the basis of Article 33 of the Ministry of Finance's Rules of Procedure as adopted by an ordinance of the Council of Ministers in 2009.

The Directorate has the following main functions:

- Analyse and assess Bulgarian tax law to ensure its improvement and consistent implementation, and prevent inappropriate application and control practices
- Draft tax legislation
- Draft legislation in the area of accounting set-up, methods, methodology and practices for enterprises in the real economy
- Prepare opinions on the implementation of tax and accounting law
- Participate in the process of harmonizing Bulgarian law with tax and accounting acquis
- Participate in drafting legislation on harmonizing income bases for the purposes of taxation, social security and health insurance
- Assess the application of tax legislation and its effect on public revenue
- Prepare, on an on-going basis, reports, analyses and forecasts of tax revenues in the public budget
- Take part in budgeting the income part of the mid-term budget framework and providing the rationale for budget estimates, and in the application of the EU system of own resources in determining the contribution of the Republic of Bulgaria in the Community budget
- Produce analyses and estimates, and propose solutions concerning the overall tax and social security/health insurance burden
- Develop, analyse and suggest tax measures and instruments to increase budget revenues
- Take part in the process of drafting position papers on issues of taxation and accounting for meetings of EU institutions
- Take part in preparing opinions and positions, on behalf of the Republic of Bulgaria, on taxation and accounting matters within the remit of the Ministry, for meetings of the relevant committees and working groups of the Council and the European Commission
- Take part in developing materials in the areas of taxation and accounting, for the European Affairs Board
- Take part in working group meetings at the European Union level on drafting amendments and implementing new EU legislation in the area of taxation
- Take part in working parties on harmonising accounting legislation and practices with European rules and standards
- Monitor compliance of national tax law with rulings of the European Court of Justice and draft proposals for amendments in case of non-compliance.

The Directorate's Strategic Plan reflects the Government's priorities and the goals of the Ministry of Finance in the area of tax policy.

It takes account of the fact that, for several years now, Bulgaria has been a full member of the European Union, which generates some new requirements and commitments for the Ministry of Finance, including for its Tax Policy Directorate.

In compliance with its Strategic Plan, the Tax Policy Directorate will develop its annual activity plans, which will specify the Directorate's operations on an annual basis in light of its remit and scope of competences and in line with its goals and the resources available.

The achievement of its strategic goals will be assessed and measured against performance indicators at the strategic goal level.

In pursuing its strategic goals, the Tax Policy Directorate will cooperate with other directorates within the Ministry of Finance, the National Revenue Agency, the Customs Agency, and other relevant national and international agencies and organisations.

II. TAX POLICY DIRECTORATE MISSION, VISION AND STRATEGIC GOALS

MISSION

The Tax Policy Directorate supports the Ministry of Finance in the achievement of its strategic goals by improving the taxation system on an on-going basis, in observance of the principles of legality, transparency, efficiency and effectiveness, objectivity, competence and professionalism.

VISION

The Tax Policy Directorate is an efficiently operating organisational unit focusing its efforts on achieving the Ministry's goals of sustainable public finance and efficient revenue collection by implementing the relevant measures and instruments ensuring the achievement of its goals.

STRATEGIC GOALS

For the period 2010-2013, the Tax Policy Directorate sets itself the following main **strategic goals**:

Strategic Goal 1 - Maintain a balanced budget. Provide analytical support for budget policies, including tax policy, and forecast revenues in the public budget.

Strategic Goal 2 – Improve the efficiency and effectiveness of operations of revenue administrations.

Strategic Goal 3 – Improve the business environment and provide incentives for economic activity.

Strategic Goal 4 – Taxation policy focused on reducing the share of grey economy.

Strategic Goal 5 – Strengthen the participation of the Republic of Bulgaria in EU bodies and other international organisations.

Strategic Goal 6 – The Tax Policy Directorate is a highly motivated team of professionals.

Strategic Goal 1

Maintain a balanced budget. Provide analytical support for budget policies, including tax policy, and forecast revenues in the public budget

The purpose of this strategic goal is to produce high-quality analyses and estimates, and forecast the tax system impact on Bulgaria's economic development. An improved quality of analyses will facilitate the process of tax law improvement. A stable tax policy is based on in-depth analyses and evaluations of the economic efficiency and tax system impartiality.

Measures

- Develop a system for tax policy analysis and evaluation including a group of indicators to analyse and evaluate the impact of tax rules on economic development (investment and employment) and on discrete taxpayer groups (small and medium enterprises, multinationals).
- Develop a system for analysing the impact of existing tax law and of any change in tax law on public budget revenues.
- Develop a system for analysis and evaluation of the cost of tax compliance.

Activities

- Prepare an annual report and a statement of execution concerning the State Budget Act for the financial year concerned.
- Prepare a forecast of public budget revenues on the basis of a forecast for the macroeconomic framework and changes to the existing legislation.
- Prepare an analysis of public budget proceeds and the factors determining the revenue size.
- Take part in determining Bulgaria's contribution to the EU budget.

Expected Outcomes

- More in-depth and better structured analyses.
- More accurate and precise short-term and mid-term forecasts.

Strategic Goal 2

Improve the efficiency and effectiveness of operations of revenue administrations.

The purpose of this strategic goal is to increase tax proceeds in the budget by promoting voluntary compliance.

Measures

- Improve customer service of economic entities and promote voluntary compliance.

Activities

- Implement efficient measures to promote voluntary compliance.
- Improve the policy aimed at a better tax culture among individuals and the business community and foster high tax ethics in Bulgaria.

Expected Outcomes

- Improved voluntary compliance.
- Improved tax culture among taxpayers.

Strategic Goal 3

Improve the business environment and provide incentives for economic activity.

The purpose of this strategic goal is to increase tax proceeds in the budget and promote investment activity by improving the environment for doing business.

Measures

- Alleviate the tax burden on businesses and maintain rates of corporate taxation at the minimum levels within the EU.
- Simplify the VAT refund procedure.
- Simplify the tax system and fine-tune tax legislation in order to eliminate any inconsistencies and flaws in taxation and control practices and for the purposes of enhanced transparency and understandability for taxpayers.

Activities

- Produce an analysis and evaluation of cost of compliance with tax obligations.
- Produce an analysis of the existing tax system in terms of legislation complexity and the efficiency of revenue administrations.
- Develop a programme containing measures to simplify the tax system.
- Implement a system of indicators to evaluate the tax system impact on the business environment (effective average and marginal tax rates).
- Perform a Cost-Benefit analysis of existing tax preferences with a view of determining their optimal levels and facilitate practical application.
- Prepare an annual report on tax expenditure.

Expected Outcomes

- Reduced administrative burden on businesses.
- A simplified tax system conducive of business development.
- An improved business environment.
- An increase in foreign direct investment in Bulgaria.

Strategic Goal 4

Taxation policy focused on reducing the share of grey economy.

The purpose of this strategic goal is to increase budget revenues by reducing the share of grey economy.

Measures

- Strengthen control over tax collection and counteracting tax fraud.
- Improve legislation in terms of existing measures against tax fraud and tax evasion.
- Strengthen administrative cooperation and efficient exchange of information.

Activities

- Prepare an analysis of existing measures against tax fraud and tax evasion.
- Prepare an analysis of tax planning schemes used by taxpayers and the reasons for their application.
- Develop an appropriate legal framework to regulate risks in tax planning, and adopt a comprehensive approach to apply the relevant strategies.

Expected Outcomes

- Improve tax collection rates.
- Curb the grey economy.

- Reduce corruption in the administration.
- Increase voluntary compliance.

Strategic Goal 5

Strengthen the participation of the Republic of Bulgaria in EU bodies and other international organisations.

Measures

- Proactive participation of the Republic of Bulgaria in the development of EU policies by taking part in the work of EU bodies.
- Harmonisation of tax and accounting legislation in accordance with any changes in EU policies in the respective fields.
- Timely implementation in national law of any new EU directives.

Activities

- Prepare position papers for ECOFIN meetings in the area of accounting legislation.
- Prepare position papers for COREPER and ECOFIN meetings in the area of VAT, excise tax, direct taxation and administrative cooperation.
- Prepare framework position papers on project files concerning new legislation in the area of VAT, excise tax, direct taxation and administrative cooperation.
- Draft legislation in the area of taxation and accounting.
- Take part in meetings of European Commission and Council working parties and committees in the area of accounting and tax legislation.
- Take part in workshops and working groups of OECD, the World Bank, the International Monetary Fund and other institutions.

Expected Outcomes

- Active involvement of Bulgaria in the EU bodies and organisations.

Strategic Goal 6

The Tax Policy Directorate is a highly motivated team of professionals.

The purpose of this strategic goal is to develop highly motivated and creative, highly professional and competent human resources in the Tax Policy Directorate.

Measures

- Improve the qualifications and expertise of staff in the Directorate.

Activities

- Conduct training needs analysis for each staff member of the Directorate.
- Ensure adequate and high quality staff training in accordance with the established training needs.

Expected Outcomes

- Improved staff qualifications.
- Deeper, more structured and precise knowledge and new skills and positive attitudes acquired.
- Achieved goals and better job performance.

III. CONCLUSION

This Strategic Plan is subject to updating in accordance with any changes that may occur in the goals and objectives of the tax policy of the Ministry of Finance. The Strategic Plan will be updated upon the approval of the Minister of Finance or any person duly authorised by the Minister.