

ESTONIAN TAX AND CUSTOMS BOARD

STRATEGIC DEVELOPMENT PLAN

2013-2016

SYNOPSIS OF 2014

January 2015

GENERAL INFORMATION

Our first working year according to this strategic plan was the year 2013. By the end of 2014 we have reached half-way in the course of implementation of the strategic plan. Our strategy for 2013-2016 was drafted in pursuance of the principle that we undertake to do our work in a more intensive and better way than today and that we will do things in a different way in order to improve our performance. As a result of this we intend to improve the tax collection and suppress the black economy, at the same time taking good care of our staff. We are glad that our government and Riigikogu (parliament of Estonia) have recognised our innovativeness and have adopted quite a number of decisions that have supported us in performing our activities in 2014.

The prevailing principle of the period in question is making the services provided by ETCB available to our customers at the most acceptable place for them – either at the closest service bureau to a customer's location or through the e-channels. We do respect honest customers and we are offering them simplifications for paying taxes and for performing the customs formalities. We are providing advance information to our customers, explaining their obligations and calling their attention to the mistakes they have made, and we are giving them the chance to correct the mistakes. We also consider it our duty to ensure fair competition in the economy and in order to achieve that we are in the course of this period specially focusing on the development and application of new control measures that will grant the increased tax compliance.

We are also holding good organisational culture in great respect. The goal of development supporting the improvement of the organisational culture involves our own staff as well as the customers. By achieving this goal we can be convinced that our employees are motivated and are committed to the achievement of the set objectives, and that we are making cost-effective management decisions and are willing to apply innovative solutions offering contemporary facilities to our customers for paying taxes and for carrying out the customs procedures.

In his speech held on the occasion of the anniversary of our organisation on 4 December 2014 Mr. Marek Helm, the Director General of ETCB said: "We had to take great efforts in order to prove the necessity to further develop our organisation. Having been innovative people for many years already, we have grown accustomed with changes and have become quite tough in our minds to undertake new changes, if needed. We had to explain the necessity of our latest initiatives over and over again to our economic operators, politicians and to the public at large. Veto of the President of the Republic is by far not a common matter. We received it against our initiative to introduce the informative annex to the VAT return and it required the utmost determination from all of us to recover from this negative reaction and to push this idea ahead. I am pleased to tell you that we pressed our shoulders more tightly together with our colleagues from the Ministry of Finance and a few months later the President approved the relevant legal act. We have introduced the programme for claiming the tax arrears through the court, submission of the tax returns has become more accurate, we have made preparations for implementation of a new e-Tax Board/e-Customs portal, we have taken more initiative in international cooperation, we have strengthened control in fuel sector and in motor vehicles trading sector, we have organised numerous external and internal training events, etc."

Last year the employment register was introduced. It took two years to reach a solution on how to implement this idea; the IT solution was developed within the period of six months. As a result we received 5 million euro as the additional amount of taxes during a few months only. This means that we have now thousands of the so-called "new" taxpayers.

In autumn 2014 the Director General visited also the regional service bureaus of ETCB, where he had meetings with the local staff discussing the issues related with the employment register, essential amendments in our legal acts and explained the principles of our wage policy.

Personnel of Estonian Tax and Customs Board and wages

Estonian Tax and Customs Board is managed by the Director General who has one Deputy Director General. ETCB is composed of 12 departments.

At the beginning of 2014 we had 1690 offices in the composition of ETCB, of which 1550 offices were staffed; at the end of the year there were 1685 offices, of which 1549 offices were staffed.
At the beginning of 2014 the average salary per employee was 1204 euro, by the end of the year it was 1215 euro.
An average amount of bonuses paid per person in 2014 was 435 euro, altogether 1099 employees received bonuses (i.e. 70.6% of the staff employed).

STRATEGIC OBJECTIVES AND ACHIEVEMENTS IN 2014

Objective 1: We will collect the tax revenues into the state budget

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Collection of the tax revenues predicted in the state budget	102.15%	100%	101.54 %	100%	100.8%
Percentage of claims paid during the accounting period	99.25%	99.35%	99.49 %	99.40%	99.57%

Objective 2: We will diminish the relative share of unfair economic activities

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Percentage of undeclared taxes of the tax receipts (tax gap)	8.80%	8.70%	10.70%	8.20%	Results in September 2015
Percentage of illicit market (tobacco)	18.8%	14%	14.9%	12%	Results in April 2015

Objective 3: We will create the organisational culture supporting the development and performance efficiency

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Level of reliability of ETCB	80%	82%	76%	84%	70%
Efficiency of tax collection	0.73%	0.82%	0.64%	0.86%	0.63%
Customer satisfaction with the services provided and with the quality of service provision	Good	Very good	Very good (PI 34%)	Very good	Very good (PI 56%)
Employees' satisfaction (5 points scale)	3.97 (2010)	4.0	4.0	Not to be assessed	Not assessed
Rating to the management quality of ETCB	2009: CAF V: 51 – 70, T: 51 – 70 2011: CAF V: 49-64, T: 34-62	Not to be assessed	Not assessed	V: 50 – 65, T: 35-60	Not assessed
Keeping of operational costs within the limits (except the justified new initiatives)	Yes	Yes	Yes	Yes	Yes

In the 4th quarter of 2014 the average reliability indicator of public institutions was 64%. In comparison with the 3rd quarter of 2014 there were no changes in the average reliability indicator, it has remained at the highest level of a couple of past years.

Among Estonian people the Rescue Board is the most reliable institution (95% of population have confidence in it), Emergency Centre (88%), Police and Border Guard Board (83%). Our political parties have quite low reputation among people: 57% of population do not trust the parties, only 32% have confidence in political parties.

Reliability indicators of ETCB in the 4th quarter of 2014:

- On an average 70% of the population have confidence in ETCB;
- On reliability basis ETCB has the 7th place among 26 public institutions;
- 11% of the population believe that ETCB is an unreliable institution;

Compared with the 3rd quarter of 2014 the reliability of the Board in the 4th quarter has changed by -0.9%.

The tendency is that people whose educational level is higher, who have bigger income and better social status, tend to have more confidence in ETCB than others. Persons of 25 to 34 years of age have more confidence in ETCB and persons residing in Southern Estonia have less confidence in ETCB.

Contribution to the achievement of the above stated strategic objectives set for 2014 is presented below by the lines of business of ETCB.

SERVICE MANAGEMENT AND PROVISION OF SERVICES

Objective 1: Simplification of the fulfilment of tax liabilities through the improvement of the quality of services provided and through implementation of innovative communication channels

An important issue at service management is the reduction of the administrative burden of customers and the flexible approach regarding the needs and expectations of the target groups. Further development of already existing services and communication channels and implementation of new innovative solutions are equally important. All the solutions should enable the customers to fulfil their tax liabilities in an easy, fast and convenient way, irrespective of the place where the services are provided or of the channel of service provision.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Customer satisfaction with the services provided and with the quality of service provision (promoter index method)	Good	Very good	Very good (PI 34%)	Very good	Very good (PI 56%)
Percentage of customers using self-service channels for fulfilment of their tax liabilities	96%	96%	96.1%	97%	96.03%

Objective 2: Enhancement of the law compliance of taxpayers through the development of communication and influencing methods

The most important factor at increasing the voluntary compliance of taxpayers with the law is the timely provision of correct information. The tax authority should take proactive role in communicating with its customers, making efforts to learn the wishes and problems they might have already in advance. ETCB will provide information to customers in plain language and our customers must feel the supportive attitude of the tax authority at fulfilling their obligations. Availability of high quality information for customers enables them to fulfil their obligations through self-service channels needing no further assistance from the tax authority. Provision of explicit information by the tax authority of the one part and confidence of the customers in the tax authority of the other part will ensure the increase of voluntary payment of taxes.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Percentage of customers willingly submitting the reports required	90%	91%	94%	92%	93.8%
Percentage of persons who have improved their law compliance compared to the offenders	80%/12%	80/12%	65%/0,3%	80/12%	62%/1,6%

Objective 3: Making the service and work processes faster and more effective

The selection and application of the right work formats and service management measures, by means of which it is possible to achieve the best results at the same time using less resources, is of great importance for the development of the service line of business. Consistent analysis of the activities helps to find new possibilities for making the processes faster and more efficient. Routine manual work will be replaced by automated systems. Data collection for making sound decisions must be fast and effective.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Percentage by which the expenses of work processes were decreased	530577 h base	2% of the base	2.26% (11951h)	4% of the base	3.9% of the base

Sum and substance of 2014:

- The employment register was developed and implemented. This service was developed taking into consideration the needs of our customers. In addition to the traditional way of registration new facilities for registration of employees were created in e-Tax Board, as well as registration by SMS and by phone. Separate view was created also for the employees for checking the entries made in the register by their employers. Notices will be sent to the employees informing them of the fact that they have been entered in the register.
- IT development to connect the document management system Livelink and the e-Tax Board/e-Customs portal in order to streamline and speed up the delivery of electronic documents. Transition to the new application was completed according to the plan and all the departments of ETCB can use the interface from 01.06.2014.
- Preparations for development of the new e-Tax Board/e-Customs environment were started. The vision and the ideas of a project "Tax Collection 2025" have been summarised and the project activities have been divided into stages. Financing is envisaged from the EU Structural Funds of 2014-2020.
- Diversification of remote consultation services: installation of the telecommunication facilities at the customer service desks of the service bureaus of ETCB – the connections have been created and are used by most of the service bureaus.
- Online data exchange with Finland was started up – the relevant cooperation agreement was concluded and the testing environment for making inquiries was put into operation.
- Language of the administrative acts was improved. ETCB attained the second place at the competition "Plain message 2014" in the category "The best official text conveying plain message". Our competing document was "Order of the Tax Audit Department to submit information". The competition was arranged by the Institute of the Estonian Language.
- The performance quality of the National Contact Point and of the service desks of ETCB has constantly been improved through the feedback analysis. The system for registration of the incoming phone calls is used for analysing the content of the inquiries.
- Elaboration of the customer training programmes on problematic issues involving risk of misinterpretation and organising the customer training events in regions as a part of the principle "do it correctly from the start".
- Further development of the customer relations system (CMR). The facility to change the contact persons and attach operational information was deployed in production.
- ETCB has made preparations for opening of the new home page of the Board (notice of invitation to tender will be announced at the beginning of 2015).

TAX AUDIT

Objective 1: Decreasing of the tax gap in the construction sector

The tax revenue that the state has failed to receive from the construction sector for a long time already has been among the three areas of activity that have caused the biggest tax revenue losses. Therefore, the use of a big part of the tax audit resources for taking the construction market under control by fighting against the payment of concealed salaries (wages in envelope) and against the commitment of VAT frauds, is well justified. The percentage of the uncollected tax revenue from the construction sector must be decreased.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014

Percentage of undeclared social tax of the declared social tax in the construction sector	1.68%	10% less	1.50%	To be decreased by 10%	Increased 30%
Change in average salaries declared ¹	-	-	€982	€1000	€1014
„Percentage of “black labour force” ²	-	-	26%	10%	10%

Objective 2: Ensuring the VAT receipt from the fuel handlers

The businesses distorting competition in the business environment are those, who have gained advantages through commitment of tax frauds, as a result of which they can offer their goods and services at a lower price than their competitors. The businesses causing greater tax revenue losses have also bigger share of the market and are therefore influencing competition more than others. It is extremely important to deal consistently with the businesses causing the biggest tax revenue losses pushing them towards the increased compliance with the tax laws, through which the competitive environment will become fairer and the state revenue yield will grow.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
The amount of VAT received	-	-	€148 m	€180 m	€171.6 m

Objective 3: Curtailment of the submission of false claims for refund of VAT

In 2012 about 34 000 claims for refund of VAT per calendar month have been submitted reclaiming on the average of 95 million euro per month, which is a very big amount of money in the context of the state budget. Because of that we must prevent the persons who have no right to the refund of taxes from submitting the claims for refund of VAT. The number of persons with tax risk must be decreased in the course of this strategic period.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Number of claims for refund of VAT involving risk of fraud and percentage of such claims of the claims subject to control ³	-	-	1864 (52%)	To be decreased by 10%	7% (decrease of the number of offences in risky portfolios)
Amount of claims for refund of VAT involving risk of fraud and percentage of such claims of the claims subject to control ⁴	-	-	€30.6 m (24%)	To be decreased by 10%	9% ⁵

Sum and substance of 2014:

- Conduct of tax audits in construction sector – 1050 audits were completed in the course of which the additional amount of taxes assessed was 7.3 million euro. The tax proceedings were started at the end of the year, in the course of which the taxes to be paid by the undertakings operating in construction sector on the salaries paid to their employees will be assessed by estimation.
- Employment register was implemented (01.07.2014) – administrative proceedings to identify the fact of employment were conducted and punishments for offences were imposed. In the course of 11 months the registrations of 5860 persons employed in the construction sector were checked; 7% of the workers were not registered. The proceedings were conducted in 53 misdemeanour matters for violation of the obligation to enter the persons employed in the employment register.

¹ In use since 2014

² In use since 2014. Although the share of black market has decreased in construction sector (basic level 26%) and the employees who received concealed salaries started to pay taxes, the tax loss grew bigger due to the reduction in wages; at the same time the receipt of labour taxes has grown

³ In use since 2014

⁴ In use since 2014

⁵ Amount of claims for refund involving risk of fraud decreased by 2 million euros

- 37 misdemeanour proceedings were conducted in relation to concealed salaries, underreporting of supply and other infringements.
- Intense communication took place between ETCB and professional associations established in construction sector and other industrial sectors (EAEE – Estonian association of Electrical Enterprises, EEEL – Estonian Association of Construction Enerpreneurs) and with the construction works contracting authorities (Elektrilevi, RKAS- State Real Estate Ltd., Defence Forces of Estonia, Ministry of Defence, PRIA -Estonian Agricultural Registers and Information Board, Road Administration). Officials of ETCB participated in the meetings and seminars with the representatives of the above mentioned associations and authorities.
- Throughout the year the media reflected the activities of ETCB informing of the inspections conducted in the construction sector and of the surveillance executed over the employment register.
- Fiscal controls in fuel sector – for the first time the method of provisional detention of fuel was used twice, where 1.2 million litres of fuel was seized. Two extensive searches for collecting evidence in misdemeanour matters were carried out at the premises of persons suspected of causing damage amounting to 10 million euro through committing tax frauds. Altogether 72 tax audits were completed as a result of which additional taxes were assessed in the amount of 5.4 million euro.
- Speedy identification of new risks in fuel sector – Commitment of tax frauds related to fuel imports was prevented through introduction of new much more strict regulations for granting tax exemptions. At the end of the year the controls of the possible use of heavy fuel oil as diesel fuel were started.
- A special working group was set up in cooperation with the Estonian Oil Association to discuss the possibilities for better regulation of the fuel market and to propose the amendments to the relevant legal acts.
- Selection of the right control objects is very important at the verification of the claims for refund of taxes (continuous replenishment of risk criteria, subsequent verification of claims that were automatically refunded) – control objects have been selected, the right persons have been selected for control. The number of infringements of businesses in high risk groups has decreased. The number of persons who are attempting to cheat has fallen as compared with 2013. During the second half-year no new trends in committing frauds have been observed.
- Quality of tax proceedings was considerably improved (incl. verifications performed in relation to the transaction partners of persons applying for refund of taxes).
- 134 misdemeanour procedures relating to the claims for refund have been completed and fines in the amount of 300 000 euro have been imposed.
- We have been successful in proving the commitment of tax frauds in situations, where we have “caught the key persons” by paying unexpected visits to them. Compelled attendance of persons under the misdemeanour proceedings has also been of great assistance in combating the tax frauds.
- Prevention of tax frauds (deletion of persons from the national VAT register). Persons who are not engaged in business or are misusing the VAT number have been identified in the course of checking the claims for refund. As a result of that 560 persons were deleted from the VAT register during this year.

CUSTOMS ORGANISATION

Objective 1: Fast customs clearance for honest traders

Granting of advantages to the law-abiding customers is an important factor at the improvement of customs operations. Most important factor among others is fast customs clearance, which will be granted for the compliant traders. A package of advantages will be worked out for that purpose, which will be constantly analysed in order to find new possibilities for the improvement of customs processes.

Through the development of information systems and standardisation or simplification of the processes it is possible to reduce the side activities that influence the work processes of the customs officials and of the traders.

Indicator	Basic level	Target levels	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Time spent on the release of a customs declaration of a reliable trader (except transit decl.) (AEO vs non-AEO)	140 min	AEO: 120 non-AEO: 130	AEO: 84,4 non AEO: 98.8	AEO: 100/non-AEO: 120	AEO: 79 non AEO: 85
Percentage of AEO customs clearances of the total number of customs clearances	21%	25%	20,4%	30%	27%

Objective 2: Curtailment of the illicit tobacco market by half (2012 vs 2016)

Fighting against contraband cigarettes is the priority issue, because out of all the excise goods the cigarettes have the largest share on the illicit market causing the biggest tax revenue loss. Due to the light weight and compact size of a pack of cigarettes it is very easy to smuggle the cigarettes into the country, percentage of taxes in the price is very high and the consumers have no fear of the low quality. These are the reasons why the illicit market of cigarettes still exists. The key factor in the long run is to influence the consumer behaviour.

Indicator	Basic level	Target levels	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Percentage of illicit tobacco market of the legal market	18.8% (2011)	14%	14.9%	12%	Will become clear in April 2015
Number of cigarettes detected in the course of random checks at the border	34.7 cigarettes per person at entry	decreasing 20%	Decreased by 15.21%	decreasing 30%	Decreased by 54%
Price difference of the contraband cigarettes compared with the price of legal cigarettes (measured by the Intelligence Department)	Average legal price in 2011 €2.43 Illegal price €1.56 (64.2%)	70%	€1.67; 68% of the cheapest legal price	72% of the cheapest legal price	69% of the cheapest legal price

Sum and substance of 2014:

- Facilitation of AEOs border crossing - first priority border crossing on the basis of the fast line pilot project. Acceleration of border controls on the basis of respective agreements that were concluded with the customs administration of Russian Federation. Amended State Borders Act regulating the use of first priority border crossing rules entered into force. In November 2014 the first economic operator received the AEO first priority right for border crossing.
- Analysis on the interoperability and operational capacity of the customs information systems, including Complex, focusing on Single Window facilities was completed. A positive estimate was received on the operational capacity of Complex for exchanging messages in future.
- The solution for installing automatic gates on incoming lane of Muuga free port was developed. Muuga Port concluded the construction contract in December 2014; the gates will be opened in March 2015.
- Piloting of the e-solution for tax-free shopping at Tallinn Airport was carried out; the customs are using the tax-free database. The project will be expanded; the automatic tax-free shopping system will be introduced in Narva in summer 2015.
- Preparations were made for transition of ETT (Estonian Customs Tariff) on the new platform. Application for funding from the state budget was approved by the government (0.5 million euro was allocated for 2015). ETT invitation to tender for concluding the framework contract was published in the public procurements electronic environment in December 2014.
- Introduction of AEO facilitations in the customs information systems (AEO facilitations, NCTS will be deployed in production in January 2015. ECS and ICS will be deployed in March 2015).
- Intensification of export control. Control of goods in the manifests and in export border modules for checking the weight of goods in exit and of the container numbers has been strengthened. A number of notices of assessment have been issued on the basis of export controls (in one case the amount of taxes assessed was 70 000 euro). Several exports of goods with high value

(equipment, CDs) were stopped and export declarations were cancelled. Exporters of mobile phones stopped their activities in Estonia. We have established a number of cases, where the goods which were not located in Estonia have been presented for export.

- Improvement of the awareness of the community of the problems arising from illicit trafficking of goods (continuation of the respective campaign). Increased involvement of public institutions, economic operators, local governments and other partners in combating the contraband goods.
- Surveillance over the limits introduced on 01.12.2013 in respect of goods carried by travellers across the border exempt from duties was improved. Restrictions concerning the excise goods were successfully applied. As a result of this in Narva the number of repeated border crossings decreased considerably and the share of legal trade grew noticeably. The campaign against illegal cigarettes was carried out. A number of joint activities were carried out at border points, at the green border and inland borders in cooperation with the Police and Border Guard Board.
- Protecting the proposals of Estonia in the EU management reform working group (HLWG) and in the Customs Union Performance working group (to prevent the trade in illicit cigarettes). We presented our written opinion on the draft management reform document; we have proposed to include the control standards for eastern borders, introduction of uniform training programmes and establishment of key indicators for performance measurement of customs work in the management reform programme. All the relevant topics will be discussed at the international seminar to be held in Narva in spring of 2015 with the aim to harmonise the customs control activities at the EU eastern borders.
- Implementation of ATOKOR - the automated register of customs controls on which the inspection reports have not been prepared, including the automatically generated reports of other structural units. ATOKOR has been successfully implemented and the application for web-based inquiries by means of SAS is operating (package inquiry for selection of control objects). In principle it is possible to make web-based inquiries on the work results of all the operational units of Customs Organisation Department (customs clearances and customs controls).
- Further development of the customs control reports system TOTS2 and making preparations for procurement of x-ray equipment (mobile scanners and small size equipment). The concept to introduce the common work desk for all the lines of business of ETCB originated from TOTS.
- Preparations were made for starting up the project for procurement of railway x-ray equipment to be installed at Narva railway station. Application for financing has been drafted and will be submitted to the Ministry of Economic Affairs and Communications (the fund will be opened at the beginning of 2015).
- Tax proceedings relating to the seized goods – 24 tax proceedings were initiated in 2014 on the grounds of criminal investigations, of which 9 proceedings were completed and the amount of taxes assessed was 86 099 euro. One tax proceeding is still ongoing, where indirect taxation will be used.

REVENUE COLLECTION

Objective 1: Improvement of the discipline as regards the payment of taxes

One of the objectives of the revenue collection line of business is the improvement of the discipline as regards the payment of taxes through the development of service provision and efficient recovery of taxes. Regardless of the fact that the percentage of the payment of tax liabilities during the accounting period has grown from year to year, the aim of the tax authority is to increase the percentage of taxes paid by the due date and to inform the taxable persons of any failures in the fulfilment their tax liabilities, thus preventing the increase in the amount of the tax payable (interest).

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Percentage of claims paid during the accounting period	99.25%	99.35%	99.49%	99.40%	99.57%
Percentage of the declared tax liabilities paid by the due date	85.2%	87%	86.92%	89%	87.44%

Delays in payment of tax arrears in instalments	6.1%	6%	5.20%	5%	4.8%
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Objective 2: Reduction of the amount of the tax arrears

Automation of the recovery processes during the past few years has ensured the receipt of taxes during the accounting period almost to the extent of 99 per cent of the total liabilities. This gives us the possibility to focus on the persons who have difficulties in payment of taxes and on the more complicated cases of insolvency in order to ensure the fair competition.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
The amount of the tax arrears	€350.5 m	€298 m	€275 432	€240 m	€238.3 m

Sum and substance of 2014:

- Information system for centralised administration of the tax arrears claimed by the state (NAP) was developed. The system of administration of the tax arrears claimed through the courts has been implemented. Development of the functionality for reporting, writing-off/deletion of irrecoverable tax arrears is still ongoing.
- The team-based work organisation was introduced in the work area of processing the tax arrears (general recovery proceedings). This enables to focus on the content of the tax liabilities as a result of which the quality of recovery of tax arrears has improved to a great deal.
- Automation of the data exchange with the commercial register for better administration of compulsory dissolution warnings. ETCB has completed the development of this service but the commercial register has not yet implemented it. During 2015 they will most likely introduce this service.
- Interfacing with TARN - the programme for distribution of claims governed by public law. The interface with TARN has been created and is operational. There have been no big failures in using the interface.
- Within the framework of amending the Taxation Act a letter of intent to include the liability procedure in the Act was drafted in cooperation with the Ministry of Finance. Input of ETCB for drafting of the proposal for amendment has been delivered to the Ministry of Finance.

INVESTIGATION

Objective 1: Effective conduct of criminal proceedings

For the purposes of conducting effective and resource-saving criminal proceedings it is of great importance that the available resources for combating the tax and customs crimes are used for conducting the proceedings for which the high quality evidence satisfying the courts have been collected and the completion of which will result in the suppression of tax related criminal activities through large-scale dispossession of the material assets from the criminal offenders.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Percentage of successfully completed criminal cases of the cases completed with the final procedural decision	75 %	Not less than 75%	75.2%	75%	66%
Impact of crime prevention (on a specific business line or on the tax gap, or on both)	0.96%	At least 1%	1.60%	1.1%	0.85%

Objective 2: Improved selection of the objects in criminal proceedings

Input, i.e. the potential activity provoking the initiation of criminal proceedings, is an important factor in planning of the activities in the investigation business line. Effective control mechanism applied by the state to ensure the compliance with the tax laws facilitates the identification of tax related crimes. Selection of the objects for initiation of criminal proceedings is improved, if more objects are selected on

the basis of risk assessment or of the priority work area determined by ETCB as compared with each previous assessment period.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Percentage of the initiated criminal proceedings, where the object was selected based on risk assessment or on the basis of the priority work areas determined by the Board	25%	25%	37%	30%	44%

Sum and substance of 2014:

- Altogether 186 criminal cases were sent to the Prosecutor's Office. Decisions were made in 283 criminal cases, which means that the percentage of successfully completed cases was 66% (target level was 75%). The reason for shortfall was that investigations of many older cases relating to postal consignments had to be completed. Cases sent to the Prosecutor's Office:
 - ✓ Smuggling cases: undeclared jewellery and electronic goods in Narva in value of 0.45 million euro; handling of 2.1 million cigarettes at the eastern border; handling of 2600 litres of spirits brought in from Latvia;
 - ✓ narcotics: seizure of 6 tons of a precursor APAAN = 2000 kg of amphetamine; detection of 102 kg of hashish; cannabis cultivation with 69 plants was discovered;
 - ✓ prevention of illicit trafficking of goods – total value of VAT that should have been refunded and of the seized property is 3.58 million euro, i.e. 0.85% of the target level, which was 1.1%, which makes 420 million euro of the tax gap.
- Bigger seizures: precious metals case - 1 million euro, edible oil - 989 000 euro, metal for building - 548 000 euro. Property seized by the Investigation Department is used also for securing claims established under the tax proceedings – the value of seized property used for this purpose was 1.04 million euro.
- A cooperation meeting was held between the investigation heads of the Baltic Republics who are responsible for investigation of the tax and customs related crimes to discuss the performance assessment issues. Another meeting was held with the investigation heads of the Finnish Customs in order to identify and agree upon the common regional interest in participating in the work of international working groups. Our investigators participated also in the work of EU MTIC and EXCISE working groups, as well as at the meeting of the FER working group.
- Number of international inquiries in 2013 - 92 (TOP3 - Finland, Latvia, Poland); in 2014 - 86 (TOP3 - Latvia, Finland, Sweden).
- Acquisitions with the involvement of external financing instruments (primarily the Hercules programme). Modern equipment for digital analysis and equipment ensuring the security of radio communications and surveillance activities were purchased.

TAXATION

Objective 1: High quality tax related consulting and training

Efficiency of the collection of taxes depends a great deal on providing correct and adequate information to the taxpayers all over Estonia by the tax authority. This will enable the taxpayers to pay the right amount of taxes by the due date. For that new e-service facilities will be created for the taxpayers so that they themselves can find solutions to their problems in the e-service environment. The training events to be arranged for taxpayers will meet the requirements of the target groups and new communication channels will be introduced. Competence of the officials of ETCB in taxation issues will be improved through specific trainings and better supervision.

Indicator	Basic level	Target levels	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014

Satisfaction with the advice and trainings provided	Missing	Good	Very good	Very good	Very good ⁶
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Objective 2: Fast and clear declaration of taxes

The key factors at the effective collection of taxes are the simplicity of declaration of the tax liabilities and creation of simple facilities for payment of the taxes due. New facilities will be developed for this purpose and the existing facilities will be updated, so that only the source data will be requested from the taxpayers and the tax authority will do all the necessary calculations. Automated system for checking of the tax returns is constantly being improved in order to subdue the submission of inaccurate tax returns and prevent the commitment of tax frauds.

Indicator	Basic level	Target levels	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Satisfaction with easy completion of the tax returns	Missing	Good	Excellent	Very good	Not measured, as there were no changes

Objective 3: Participation in the legislative drafting

Taxpayers are more law-abiding if the legal acts meet their expectations and the feeling of justice. To achieve better compliance with the law the cooperation partners from the private sector will be involved in drafting the proposals for amendment of the legal acts. After the entry into force of the amended legal acts the analysis will be carried out in common with MF to ascertain if a proposal for amendment was well considered, if the wording of the amendment was understandable to the taxpayers, if the amendment met its purpose and what would be the further activities.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Analysis of the substantial amendments made in the tax laws	Missing	100%	100%	100%	100%

Sum and substance of 2014:

- Training events on the following subjects were conducted to meet the needs of taxpayers:
 - ✓ KMD INF (VAT return +INF) training courses were arranged all over Estonia;
 - ✓ TSD (income and social tax return) training courses all over Estonia;
 - ✓ Training courses on the amended rules for granting income tax incentives to non-profit associations, foundations and religious associations and on taxation of stipends in cooperation with Sports Training and Information Foundation all over Estonia;
 - ✓ Participation in numerous external events (conferences, briefings, etc.) making presentations on KMD (VAT return) and TSD2015 (income and social tax return) issues.
- Guidelines on problematic issues were produced and made available on the web site (e.g. taxation of expenses on hired labour)
 - ✓ The special section was created on web site for TSD2015;
 - ✓ Guidelines explaining all the changes that have been made were drafted and made available on the web site;
 - ✓ Exhaustive instructions were produced on completion of the KMD INF declaration and made available on the web site;

⁶ Different parts, altogether 9 promoter index canvassing was carried out in 2014. On site provision of advice is at low level, in future more efforts are required to improve the situation. Service by phone 61% (excellent), tax advice by e-mail 63% (excellent), tax consultations at local bureaus 26% (very good). Average promoter index on provision of advice was 50% (very good). Average promoter index on customer training events was 64% (excellent).

- ✓ Exhaustive instructions were produced on the amendments made in the use of fiscally marked fuels and made available on the web site.
- TSD 2015 development – customer application of TSD 2015 will be deployed in production on 5.02.2015. Applications for officials related to the internal processes will be deployed by 31.03.2015 due to the extremely tight time schedule of the works. Accounting software developers had the possibility to test the data submission from TSD file for the first time only on 8.12.2014.
- KMD INF development and the respective adjustment of KMD (VAT return) – the customer application was deployed in 2014.
- Analysis and a vision document were drafted for introduction of TUMM (electronic register of the revenue stamps). Financing is envisaged from the Structural Fund of 2014-2020.
- Stakeholders were involved in the legislative drafting of the amendments to be introduced in the legal acts (e.g. meetings with BIG4): cooperation and meetings with the accounting software developers in the course of KMD INF, KMD and TSD2015 development process and with the professional associations and other stakeholders for carrying out the relevant trainings.
- Analysis on the substantial amendments made in the tax laws, which entered into force in 2013, was prepared.

PERSONNEL MANAGEMENT

Objective 1: The posts of the Board are staffed with eligible persons

Employees of any organisation are playing the decisive role in the achievement of its strategic objectives. The objective of the personnel management policy of ETCB is to ensure the recruitment of professional and experienced staff for the organisation. To meet this objective we will systematically estimate the staffing requirements, will plan the recruitment processes, and in order to fill our vacant positions we intend to recruit as many officials from both, the private and public sectors as possible. With the aim to bring new blood into our organisation we will provide the possibility for the students of our partner institutions of higher education to conduct the professional traineeships in the Board, thus getting an overview of the actual work done in ETCB.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Percentage of staffed posts of the total staff numbers	96%	100%	100%	100%	100%
Voluntary staff turnover	4.2%	≤ 8%	6.2%	≤ 8%	5.3%

Objective 2: Employees of the Board have the required skills and knowledge

Our organisation is expecting high-level performance from our employees. This is why our employees must have excellent knowledge and skills. We will develop the systems to support the new employees who are just starting their job, but are also providing the possibilities for further in-service training to the experienced staff. It is inevitable that the officials will understand what is expected of them and how their performance and development of their skills will be assessed. For that we will improve the system of staff development and appraisal interviews enabling to evaluate the performance of the employees within the previous period, to set objectives for the future and to reach the situation where every single official of the Board is prepared for self-development.

Competence models help us to assess the level of knowledge and skills of the employees and to determine which competences should be achieved or retained. The Board will make contributions to the staff training and development programmes in order to achieve the anticipated competence levels.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Competence models have been produced for the posts of the strategic business lines	Missing	Existing models (managers, tax auditors, recovery staff)	Existing models (managers, tax auditors, top	Existing models (service staff, customs officials, lawyers, officials conducting	Strategic business lines have competence models: key specialists, managers of all 3 management levels,

			specialists)	misdemeanour proceedings)	tax auditors, competence model for officials working at the border was completed by December 2014
Each employee has passed the staff development and appraisal interview at least once a year	86.1% (2011)	<90%	80% as at 30.01.2014	100%	85%
In-service development of the employees of strategic business lines is carried out on the basis of standard training programmes	Missing	Standard training programmes for tax auditors are in place	Standard training program for new tax auditors is in place	Standard training programme for border customs officers is in place	Standard basic training programme for new tax auditors is in place (2 months' schooling programme) ⁷
Get accustomed programme for recruits has been implemented ⁸	System is described and communicated throughout the Board	-	-	Not measured	Get accustomed system has been successfully implemented. Information days are organised for new employees ⁹
Systematic development of the competences of employees performing management functions ¹⁰	Project description is produced	-	-	Management situation is mapped and action plan is produced	Competences of employees performing management functions are regularly reviewed ¹¹

Objective 3: Retention and motivation of the employees

All the employees of ETCB are playing their part and are contributing to the achievement of the objectives of the Board. The persons, whose decisions have the greatest effect on the achievement of the strategic objectives of ETCB will ensure the successful performance of the Board. Our aim is to define the posts in each line of business, which have the greatest impact on making the strategic decisions and on process management (key posts) and to ensure that these posts are staffed with motivated and qualified persons (key employees). In order to meet this purpose and keep the key employees in service it is essential to pay them competitive salaries.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Competence models are used for performance assessment of key employees	Missing	Percentage of employees meeting the required competence is \geq than 75% of the	Yes	Models are in use	Competence models were used for performance assessment of key employees in 2013, but not in 2014, because the IT system presently used does not support

⁷ Basic training programme for border officials will be completed by 2nd quarter of 2015

⁸ In use since 2014

⁹ A supervisor will be appointed for each recruit to support them during the first 2 months in service. Supervisor will get additional remuneration for this. New tax auditors will pass the specialized 2 month schooling programme, after which they have to pass the tests. Personnel Department asks and gets feedback from new employees and supervisors on regular basis about the state of affairs (meetings and written feedback).

¹⁰ In use since 2014

¹¹ Development project for improvement of management quality is in progress. Management trainings for new managers are organized according to the needs – next training will be in 2015. Development system will be completed in 2015.

		sample			it
Yearly staff turnover index of key employees is smaller than the index of total staff turnover	Missing	5%	6.2%	5%	Actual staff turnover of key employees is 5,6% ¹²
Basic salary of key employees is at least by 10% higher than the median salary of other employees of ETCB in order to keep them in service	Missing	80%	79.5%	90%	76%

Sum and substance of 2014:

- Work force analysis: forecast of the future needs for work force in ETCB has been prepared on the basis of the analysis of the labour market trends and the analysis of the staff profiles has been prepared and presented to the management of the Board. Most critical parameters of the work force required by Service Department, Tax Audit Department and Customs Organisation Department have been analysed. Planning for the activities ensuring the staff accession in these departments has been completed.
- Influencing of the staff turnover, analysing the alternatives, drafting of the action plan – workshops on management issues have been arranged, SWOT analysis is prepared, indicators of voluntary staff turnover in the departments of the Board have been continuously monitored.
- Vacant posts are generally staffed by organising the open application procedure, in exceptional cases also internal competition procedure is used. This year we announced 65 open competitions and 75 internal competitions, and we made 2 direct offers.
- Development and marketing of the new study programme for acquiring the professional education in customs and taxation areas of specialisation – the new study programme is in place and in September 2014 the first students commenced their studies according to this programme. Marketing activities: visiting the schools, local events, career-planning events were carried out in common with the Customs Organisation Department staff and with the Service Department staff. Documents (work profiles, success stories of career building) describing the possibilities of making career in ETCB, have been prepared. The professional traineeship programme in customs work area will be produced in 2015 (the first practical training will be carried out in 2017).
- Transition of the staff development and appraisal environment to the new IT platform – procurement for the IT environment was organised in May 2014. The procurement failed, because the environment that would meet all the requirements was not found. In 2014 the staff development and appraisal interviews were carried out in the existing IT system.
- Development of the competence management system: Competences assessment reports are prepared and communicated to the departments. The competence model for the officials working at the borders is in place.
- Further development of E-learning environment: 7 training courses have been refreshed, new tests and transitional questions have been added, the courses are continually improved and replenished.
- Training journal for dogs' training has been successfully introduced: dog handlers are willingly entering the results of individual trainings and the trainers are giving feedback. Based on the entries in the training journal the trainers can decide what should be the topic for the next training event already before the commencement of the training.
- Tests for new tax auditors have been inserted in the E-learning environment and work with the Tax auditor's manual is in progress.
- Preparations for starting up of the customs cooperation project of the Baltic Republics, mapping of the activities is in progress. Planning for the involvement of external financing – sources and procedures.
- Forms of cooperation have been agreed with Latvia and Lithuania: the focus is laid on obtaining new information from other countries and sharing the information and best practice among the Baltic countries. Experienced customs experts, who are willing and capable of sharing their skills and know-how with others and who are able to convey the best practice learned from others by

¹² Total staff turnover of the Board is 6.4%

- training their less experienced colleagues at home, have been selected as the target group here. Basic issues: risk assessment, customs examinations, analysis of x-ray images, dogs training.
- Start-up and implementation of the managers' development project – the project has made good progress. Workshops for sharing good management practice and discussing the problems that have emerged in the course of day-to-day work have been carried out in most of the departments of ETCB (customs organisation, tax audit, service, development, administration and legal departments). Management interviews have been conducted in Customs Organisation Department and in Tax Audit Department.
 - Reports have been prepared on the basis of assessment of the competences of key officials and the reports have been communicated to the management staff.
 - Implementation of the performance pays to be paid to key employees for the achievement of their strategic objectives and on the basis of assessment of their competences. Monetary resources for paying the performance pay form a constituent part of the personnel budget. Protection of the proposals for payment of the performance pay is taking place in January each year. Payment of the performance pay is a systematic process.

INTELLIGENCE MANAGEMENT

Objective 1: Performing of risk analysis, which is the basis for law enforcement activities of the Board and coordination of the risk management

In order to ensure the efficient functioning of the basic business lines of the Board it is necessary to increase the capacity of risk analysis. New methods for data analysis have been introduced for this purpose: data mining (2013), development of the reporting environment and automation of submitting routine reports in the reporting environment (2013), wider application of the methodology of extended impact assessment.

Selection of the control or influencing measures (e-mails, reminders, messages, etc.) on the basis of the results of analysis and canalizing the selected means of communication to the control objects (sending of messages automatically through the predetermined channels or into the electronic information systems of ETCB).

Our aim is to automatise the control processes performed at regular intervals. This means that the messages will be sent to a great number of persons without increasing the administrative burden of the officials of ETCB, at the same time ensuring the increased compliance with law.

Use of this method enables us to organise the monitoring of the control objects (samples) in a better way and to measure the impact of measures taken by ETCB (through the comparison of the groups subject to control). A new assessment method for identifying whether the changed figures are related to the changed behaviour, and if this change was caused by the measures taken by ETCB or by any other factors, would be added to the presently used statistical impact assessment.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
All the campaigns designed to influence the persons' conduct are arranged through the central electronic risk management environment	Case-by-case activities are performed manually	Electronic environment is in place and users are trained	Environment is in place, prime users are trained. First pilot campaign is in use. Communication module SDM is not yet implemented	Campaigns of tax audit (KO) and service (TNO) departments are transposed to electronic environment	Operational capacity for automated conduct of KO and TNO campaigns in e-environment, including the impact analysis is in place

Objective 2: Assessment of the impact of law enforcement activities of the Board and providing feedback thereof

Our aim is to ensure compliance with law and to influence as many persons as possible with optimum resources. Through impact assessment we can learn, if and which measures applied and activities carried out have helped us to achieve the set objectives.

Indicator	Basic level	Target levels	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Measurement of the impact of law enforcement activities in all the business lines of ETCB	Methodology for assessment of the impact of tax audit activities on the conduct of persons has been developed	Methodology for assessment of the impact of the activities of service provision and revenue collection lines of business have been developed in conjunction with the existing impact assessment methods. Data collection form for producing the methodology to be introduced in 2014 for assessment of the impact of customs activities and of the investigation of tax and customs related crimes on the conduct of persons has been developed.	Yes	Development of the methodology for assessment of the impact of customs activities and of the investigation of tax and customs related crimes on the conduct of persons was started. The respective reporting system will be implemented in 2014.	Methodology for assessment of the impact of customs activities on the conduct of persons has been developed and implemented conjunctly with the electronic environment ATOKOR, where the officials are entering the relevant data.

Objective 3: Exchange of information on law enforcement at the international level and coordination of the activities thereof

Fast and effective exchange of information at the international level, as a result of which the information is received or transmitted across the borders, is of great importance at the prevention of cross-border frauds and collection of necessary evidence for proceedings.

Indicator	Basic level	Target levels	Fulfilment	Target level	Fulfilment
	2011	2013	2013	2014	2014
Percentage of timely responses of the total number of responses to the requests received, absence of repeated requests	93%	97%	99.92%	97%	100%

Sum and substance of 2014:

- Conduct of tax audit and service provision campaigns in SAS CI environment. SAS environment was replaced in the 2nd quarter of 2014 and new versions of CI and SDM were applied. Due to this we had to start everything from the zero again (mapping, diagrams of the campaigns, HTML-codes of communication). The changes brought about lots of technical problems that had to be solved step by step. In addition to the campaigns carried out so far (e.g. disparity of VIES-VAT return data) we have introduced the communications concerning the applications for registration in the VAT register using SAS instruments and data discrepancies of the employment register and those declared in income and social tax returns (TSD). At present the output is realised through IRIS system. As a result of the employment register communications the additional tax liability (income tax and social tax of natural persons) amounts to 2.35 million euro.

- Data quality problems of tax audit, taxation, intelligence, customs organisation, service provision and revenue departments have been mapped.
- The module for monitoring the inaccurate VAT returns is functioning as required.
- ATOKOR environment, where the officials of customs organisation department are entering all the data on the performed customs supervision activities was successfully implemented. Impact analysis of customs supervision activities carried out in 2014 on the conduct of persons was presented to the managers of the Customs Organisation Department as well as at the workshop of the mobile control officials. The presentations were made on quarterly basis. Presentation of the impact analysis results for 4th quarter of 2014 will be made in 2015. The impact analysis methodology has been continuously improved according to the feedback received from Customs Organisation Department. The application for web-based real time inquiry has been created for checking the impact of customs supervision activities conducted by the officials of Customs Organisation Department on conduct of persons. It is possible to make inquiry by the persons in relation to whom customs surveillance measures have been applied or by selecting a period in the course of which certain measures were applied.
- Meetings with the information exchange units of Lithuania, Latvia, Finland and Sweden were planned in order to improve the speed of reaction to the inquiries sent by ETCB and the quality of information provided. Meetings with Finnish and Swedish information exchange units have taken place and agreements on more effective work organisation in exchanging information in the field of direct taxation and VAT issues were reached. The exchange of mass data in different work areas was also agreed upon. In December an additional meeting was held with Finnish colleagues to discuss the information exchange about the Estonians working in Finland.
- Officials of Intelligence Department have taken active part in the work of international working groups. Workshops on VAT and income tax issues were arranged in 2014 among the EU Member States aiming at the improvement of information exchange. The procedures of information exchange used in Estonia were introduced to the participants of both seminars and the shortcomings were discussed.
- Development of readiness for introduction of new information exchange forms for automatic exchange of income tax related information is practically completed. Testing of the application is in progress. The new application will be deployed in January 2015.
- A number of meetings and discussions have been held to examine the potential application of X-Road facilities. ETCB part of the Final Report is completed. Latvia is willing to start the X-Road piloting as soon as possible.

LEGAL SUPPORT

Objective 1: Effective judicial proceedings

Ensuring the proficient and effective representation of ETCB at the administrative court proceedings is the matter of great importance. This has a considerable effect on the reliability of the Board in the eyes of the public at large. Therefore, ETCB should have competent Advocates General who are capable of providing high-quality legal advice to the structural units of the Board and to protect the interests of the state in court. Application of new judicial practice in ETCB in order to ensure that administrative proceedings are conducted at a high level is equally important, because this helps to protect the interests of the state and of the taxpayers in a better way.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Increase of the percentage of successful court cases ¹³	64.4%	70%	72.6%	72.5%	80.3%
Percentage of the monetary value of the successful cases is	No	Yes	No	Yes	No

¹³ Calculation method of this indicator was changed in 2013, as well as the basic and target levels

bigger than the numeric value of successful cases					
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Objective 2: High-quality challenge proceedings

Our aim is to ensure the reliability of ETCB as a disputes settlement body among the taxpayers as well as among the judges. Decisions on challenges produced by ETCB must be well reasoned and legally competent – so that the person who has filed the challenge could be confident that his or her challenge has been dealt with utmost proficiency and fairness. The percentage of decisions on challenges made by ETCB that are declared null and void by the court must be comparatively low to demonstrate that challenge proceedings had been conducted at a high level. Achievement of the set objectives means that the percentage of the decisions on challenges contested in the court is decreasing – the persons may become convinced that the decisions received on the challenges are just and fair.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Increase of the percentage of decisions on challenges that remained valid in the course of judicial proceedings	79%	80%	80.2%	81%	87%
Percentage of amounts that remained valid in the course of judicial proceedings is bigger than the percentage of numeric value	Yes	Yes	No	Yes	No

Objective 3: Intensification of misdemeanour proceedings

An important factor at conducting misdemeanour proceedings is speeding up of the process, as a result of which the persons who have committed misdemeanours would be penalised as soon as possible after the commitment of a misdemeanour to ensure that the imposed penalty would have a greater preventive effect.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
The space of time from commencement to completion of misdemeanour proceedings will be shortened	89 days	85 days	94.4 days	81 days	73.7 days

Objective 4: Proposals for amendment of the legal acts made by ETCB are based on the impact analysis

Proposals for amendment of the legal acts prepared by ETCB as well as new initiations must be carefully considered and must contain the impact analysis to justify the amendment to be made or an initiation. Proposals for amendment containing the impact analysis will enable to economise the resources of the bodies subsequently conducting the proceedings and will speed up the decision-making process.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Impact analysis is performed according to the "Methodology of impact assessment" approved by the Government of the Republic	75%	100%	100%	100%	100%

Sum and substance of 2014:

- New concept for drawing up an inspection report and notice of assessment was developed and the respective trainings of the team leaders of the Audit Department were carried out. Feedback on the training courses carried out by Legal Department has been good and very good.

- Legal Department provided advice to other departments of ETCB on drafting of the guidelines on inspection of fuels imported from other Member States and on other issues related to fuel imports (e.g. limitation of the amount of fuel in the fuel tanks of trucks at crossing the border, at organising of the campaign "Fair fuel", VAT frauds committed in the fuel handling business, etc.).
- Training events organised for the employees of Legal Department – all the requested training courses have been carried out.
- Coordination of the plan for development of the information system for misdemeanour proceedings (MIS) with the authorities functioning under the Ministry of the Interior - the ministry has started up a new project "MIS 2" with the purpose to develop a new electronic environment for misdemeanour proceedings that would be suitable for all the bodies conducting extrajudicial proceedings.
- All the planned training events on misdemeanour proceedings were carried out by the officials of Legal Department. Feedback on the training courses was good and very good.
- Activities needed for application of the new Code of Misdemeanour Procedure in ETCB were mapped. The draft act is in the legislative proceeding of Riigikogu (parliament of Estonia). It will be under debate in the Riigikogu also in 2015.
- Proposals of amendments to be made in the Taxation Act in 2015 have been communicated to the Ministry of Finance.
- The amendments made in the Taxation Act in 2014 entered into force on 01.08.2014.
- Preparing the proposals for amending the Taxation Act with the purpose to provide a more clear definition to the claim for refund: principal agreement on the new concept of the claim for refund has been reached inside ETCB but the proposal for amendment has not yet been formulated.

ADMINISTRATIVE SUPPORT

Objective 1: Optimal and economical use of rental premises

The primary objective in using the registered immovable and rental premises is to do it in the most economical way. This means that we have to abandon the rental premises, for which we do not have the purposeful use, either by reduction or exchange of the rented surface area. Above all we intend to minimise the share of the surface area meant for general use (corridors, unused store rooms, etc.) compared with the total area of office premises. In addition to that the cost of office premises per one square metre must also be reduced. The key steppingstone for achievement of this objective is the selection of best administration services through well prepared public procurements at a reasonable cost. Making of necessary investments to border points through the State Real Estate Ltd. (RKAS) has two purposes: to minimise the amount of unexpected costs to be paid by ETCB in the middle of the budgetary year, which may arise from the investment needs of other state agencies operating at the border points; and to ensure that the investments would indeed be needed and that the economic costs of future periods arising from the investments to the utility systems or registered immovable would be of a minimum size.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Surface area of office premises	24m ² /person	14 m ² /person	13.42 m ² /person	14 m ² /person	13.55 m ² /person
Expenses of the office premises	€22/m ²	€22/m ²	€32.72 /m ²	€31/m ²	€31.15/m ²

Objective 2: Best use of the fleet of motor vehicles

Best use of the fleet of motor vehicles of the Board means that the number of cars and expenses relating to their operation must be kept under control. At the same time we must have the sufficient number of cars in order to provide transport services to the officials of ETCB enabling them to perform their duties as is expected of them. We can save costs through effective procurement procedures (leasing of cars on favourable conditions, well organised maintenance procurements, etc.).

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014

Expenses on special and universal vehicles ¹⁴	-	-	-	€390/person	€383/person
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Objective 3: Professional and efficient organisation of public procurements

Public procurements are most successful if the contract can be awarded to the winner after the first procurement round and if the product or service procured really meets the needs of ETGB. To achieve this thoroughgoing groundwork and market research must be done, experts and the users of a product or service must be involved in the procurement process and the correct estimate of expenditure must be prepared already at drafting of the procurement plan.

More extensive use of e-procurements is a growing tendency, because the administration of procurement processes in the electronic environment is easier and more transparent. Our aim is to organise the public procurements in a proper way and in compliance with the Public Procurement Act of the Republic of Estonia.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Percentage of successful procurements	80%	80%	94.83%	85%	93%
Percentage of e-procurements of the total number of procurements	78%	85%	100%	90%	95%
Assessment of the National Audit Office	No serious reprimands				

Objective 4: Procurement of uniforms and personal protective equipment for the officials taking into account their specific needs

The concept of new uniforms to be procured for the officials of ETGB will be developed by 2013. The requirements of the officials relating to the new uniforms will be precisely mapped depending on their needs and the nature of work. The representatives of all structural units, the officials of which are wearing uniforms, will be involved in the process of working out the new concept. For the planning period of 2013-2016 we have set the overall objective to procure more comfortable uniforms and better personal protective equipment for our officials at the same time spending no more money on that.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Expenses on the uniforms and on the protective equipment ¹⁵	-	-	-	€347/person	€382/person
User satisfaction with the uniforms and the protective equipment (6 points system)	3.39 points	3.39 points	No survey was done	4 points	No survey was done

Objective 5: Management of the state assets, preservation of the history of ETGB

Having a good overview of the state assets in the possession of ETGB is a prerequisite for the expedient use of these assets. The specific programmes for maintaining stock records will be developed and implemented for keeping the accounts of the assets used. As a result of this we can avoid making unrealistic expenditures on the acquisitions. At the same time the expenses on storing the state property and the seized goods will be reduced by convergence of the warehouses and negotiating for more flexible terms for using or renting of the store rooms. Latest by 2015 all the items with historic value will be stored and displayed in one place.

Indicator	Basic level	Target levels	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Cost of state assets per one employee	€101/person	€101/person	€82.08/person	€95/person	€128.3/person

¹⁴ In use since 2014

¹⁵ In use since 2014

Expenses on the store rooms	€38/person	€38/person	€37.69/person	€35/person	€34.47/person
Collection and archiving of the items with historic value	Missing	40%	70%	80%	80%

Sum and substance of 2014:

- Reorganisation of the office rooms of Jõgeva, Paide and Rapla service bureaus: in November Jõgeva service bureau moved into new premises. Rented space of Rapla service bureau was decreased and repairs in the service hall was completed in October (- 180 m²; - €20 000). Agreement for renting office rooms for Paide service bureau was concluded with RKAS (State Real Estate Ltd.), construction is in progress and rooms will be ready by 15.01.2015, in February 2015 the officials will move in.
- Renovation of the Tartu service bureau was completed in October – November 2014. New service hall was taken into use. The former archive rooms were reconstructed and a meeting room, IT training room and office rooms were built instead of the archive. Now we have two rooms in Tartu equipped with the video conference installations.
- Reconstruction of Narva border point is in good progress since the problems that emerged during the construction of the foundation have been settled. The building will be completed by the end of 2015.
- Reconstruction of the border points at the southern border. The activities are still in the designing phase. According to the plan the construction works will be completed by the end of 2015.
- Development and implementation of a new system for booking the use of cars of the Board. The new system and the relevant database will give us better overview of the use of cars. The respective application will be implemented in February 2015.
- In 2014 36 public procurements have been organised with the estimated total value of 5.9 million euro; in the event of 5 procurement procedures the contracts have not yet been awarded. Major procurements: alcohol revenue stamps, sewing of uniforms for office staff and for field officials, purchasing the motor fuel for the cars of the Board (joint procurement with the Ministry of the Interior), procurement for lease of vehicles, framework contract for purchasing the office chairs, procurement of postal services, procurement of translation services.
- Procurement procedure of ETCB was updated.
- Looking for the possibilities of cooperation in organising the public procurements in common with other authorities functioning within the area of government of the Ministry of Finance. The procurement of office chairs in December was arranged in common with the Ministry of Finance. We have organised 6 joint procurements altogether (dog food, travel services, postal services, motor fuel for vehicles, office chairs and drinking water).
- Government of the Republic regulation on the new concept of uniforms was adopted.
- All the procurements of uniforms and protective equipment are completed, contracts have been awarded and the new uniforms have been distributed to the officials of Customs Organisation Department and of the Service Department of ETCB.
- The new procedure for state assets management has been approved.
- Taking part in the Museums Night event organised by the Estonian museums on 16.05.2014. We also set up a display in the rooms of Riigikogu (parliament of Estonia) on 05.06. 2014. In November we set up a display on the history of the premises of ETCB and on the process of construction of our new building at Lõõtsa 8a.
- In total 200 000 litres of fuel was handed over to the social welfare institutions in 2014. Participation in the working group of the Ministry of the Interior dealing with the issues of handling the confiscated goods and evidence. A new contract for storing the confiscated goods has been concluded under which the storage space was decreased by 700 m² starting from 01.07.2015.

ORGANISATION DEVELOPMENT

Objective 1: Effective coordination of strategic management

Implementation of the strategic management system meeting the expectations and needs of the Board is of great importance indeed. The process for development of the strategy must be flexible; the changes in the surrounding environment and the role of ETCB in it must be taken into account.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Simple and effective reporting system	No	Yes	Yes	Yes	Yes
Strategic development plan is revised annually	No	Yes	Yes	Yes	Yes

Objective 2: Effective budget management

The important factor in the development of financial management of ETCB is that the financial planning, budget implementation and cost management system would meet the needs of the Board. In the course of further development of the cost management system we will create the facility for generating the monthly financial reports automatically by the system. This helps the cost managers to monitor the expenses in a better way and to improve the cost planning in their line of business. The cost management system must contain adequate rules to support the cost management activities; it must be simple and should not allow unreasonable spending. Management of the travel expenses and personnel costs have been distributed between the departments, who are monitoring and planning the travel and personnel expenses related to the activities of the respective departments and are responsible for keeping their expenses within the limits of the budget resources assigned to them.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Simple financial reports	No	Yes	Yes	Yes	Yes ¹⁶

Objective 3: Maximum involvement of external resources

Involvement of external funds alongside with the budgetary resources will bring in additional finances for investments, has positive impact on the development of ETCB and supports the achievement of the strategic objectives of the Board.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Submitted applications end with the conclusion of contracts	60%	90%	75%	95%	100%

Objective 4: Simple and cost-effective records management

Records management must be cost-effective and the processes must be optimized. Routine manual work will be automated. Transmission of documents will be done in the electronic environment.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Expenses on posting of the	€195/person	€150/person	€199/per	€280 000 ¹⁷	€383 269 ¹⁸

¹⁶ Since 2014 it is possible to view statements of mission expenses in SAP BO system (in the previous year it was not possible). Statement on expenditure on use of cars has been updated.

¹⁷ Accounting methodology was changed – expenses on posting the documents are entered in the budget of postal services of a calendar year (incl. land tax notices).

¹⁸ Total expenses €383 269, of which land tax notices form €80 588 and notification of persons having small tax arrears forms €35 000.

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Objective 5: Simplification of archiving processes for in-house customers

The purpose of archiving is to retain and communicate the data (documents and data contained in databases) that have been created in the course of activities of ETCB. For effective use of the data the register of archived documents must be created in the document management system DHS. Also the forms of inquiries in archives and the forms of documents delivery to the in-house customers and the respective reporting system must be developed. Analysis of the use of archived documents helps us to decide upon the necessity to retain the documents and upon the size of archives storage space needed in future.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Electronic forms for making data inquiries and for document delivery have been created in DHS system ¹⁹	No	-	-	Yes	No

Sum and substance of 2014:

- Three workshops were organised in order to get an overview of the state of play in meeting of the strategic objectives set out in the strategic plan of ETCB for the period of 2013-2016 and to discuss the plans for future.
- The strategic development plan of the Board for the period of 2013-2016 was reviewed and necessary amendments for 2014 were made.
- Monthly reviews of cash expenses were carried out and discussions thereof were held with the management.
- Principles of drafting the strategic plan and the budget were updated; the updated process is accessible in Intranet.
- Budget management was successful – less than 3% of budgetary resources were carried over for future period.
- Applications for seeking financing from the Structural Funds available under the financing period of 2014-2020 for the IT developments of ETCB were entered in the information system of the Ministry of the Economic Affairs and Communications and preparations were made for preliminary qualification rounds.
- The interface between the document management system Livelink and the e-Tax Board/e-Customs portal was developed and implemented as a result of which it is possible to transmit the documents from Livelink directly to e/Tax Board/e-Customs (expenses on posting were cut down noticeably – within 6 months savings in monetary value amounted to ca 24 000 euro).
- All the user manuals of the document management system Livelink were updated.
- Reconditioning of the ETCB information systems and databases in RIHA (administration system of the state information systems) was started up.
- New procedures for expense management, making official travels, records management and document management, and for organisation development were produced and confirmed.
- The Board’s archives were centralised – archives of Tartu service bureau was moved to Tallinn in March 2014 being the last big regional archives collection integrated in the centralised archives.

INTERNAL CONTROL

Objective 1: Ensuring the reliability of ETCB in terms of data protection

Technical as well as human factors are playing an important role at data protection. Access of the officials of ETCB to miscellaneous databases must be taken under stricter control compared with the present situation. Access rights should be granted exclusively to the persons who have the need to use certain databases, it is also important that the access rights should be revoked if the need to use a database

¹⁹ In use since 2014.

does not exist anymore. A single information management system containing the data of all the users of databases and of the databases themselves must be developed to ensure the high quality administration of the access rights.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
	2012	2013	2013	2014	2014
Administration of the access rights of ETCB officials to the databases they need for their work is done in a single system	Missing	Looking for software solutions	Yes	Mapping of user groups. Software piloting project	Mapping of user groups is completed and the software piloting project has been carried out
Monitoring the lawful use of the databases interfaced with the log server by means of SAS EG	Missing	SAS trainings and system installation	Yes	Training of all new employees and 8 follow-up trainings	Altogether 12 training events were carried out

Objective 2: Prevention of offences related to office

Categories of the officials who are obliged to submit the declarations of economic interests according to the Anti-corruption Act must be established in order to strengthen the fight against corruption. Joining with the register of the declarations of economic interests, which will be established in the nearest future is a priority issue for ETCB in order to perform effective control over the activities of the officials of the Board.

Indicator	Basic level	Target level	Fulfilment	Target level	Fulfilment
		2013	2013	2014	2014
The system for control of conforming with the requirements established by the Anti-corruption Act will be developed and implemented by 01.01.2014	Control is executed on the basis of the effective Anti-corruption Act	Control is executed on the basis of the effective Anti-corruption Act taking into account the amended provisions	Yes	Interfacing of the applications with SAS and compiling of inquiries	9 applications have been interfaced with SAS and test inquiries are being made

Sum and substance of 2014:

- The ETCB user rights default profile was agreed upon and introduced. User profiles of the departments were agreed upon - altogether 70 profiles. Testing of Oracle IM was completed by RMIT (IT Centre of the Ministry of Finance) and the product was found suitable for automatic administration of user rights.
- In 2014 12 trainings on data protection issues were carried out, in which 299 employees and officials of ETCB participated.