1. Basic information
1.1 Désirée number: PL01.01.04 Twinning number: PL/IB/2001/FI/01/a and PL/IB/2001/FI/01/b
1.2 Title: Modernisation of Polish tax administration
1.3 Sector: Taxation and Finance
1.4 Location: Poland

2. Objectives
2.1. Wider objective
Adaptation of Poland’s tax administration to the standards defined by the European Commission within the framework of the “Fiscal Blueprints” programme in order to fully apply acquis communautaire and ensure effective counteracting of money laundering.

2.2. Immediate objectives
- The rationalisation of the activities of the tax administration as far as taxpayer management, taxpayer service, internal communication, risk analysis and the functioning of major taxpayers offices are concerned. Strengthening the tax audits system. Prevention of money laundering.

2.3. Accession Partnership priority
Strengthening of the institutional and administrative capacity in taxation, improvement in tax enforcement, reform of customs and tax administration are medium-term priorities. Prevention of money laundering, adaptation of the legislation and the establishment of a financial information entity are short-term priorities.

2.4. Reference to the NPPM.
Modernisation of tax administration is priority number 10.3 of the 2000 NPPA in the taxation area which final objective will be the improvement of functioning of tax administration in order to prepare Polish tax administration for co-operation with administrations of the other Member States within the internal market. Prevention of money laundering, adaptation of the legislation and the establishment of a financial information entity is priority number 4.2 of the 2000 NPPA in the free movement of capital area.

3. Description
3.1. Background and justification
A Tax Reform and Modernisation Programme for CEECs (Fiscal Blueprints) is an additional element (beside screening process) of the pre-accession strategy for Candidate Countries. In 1997, the EC prepared the document “A Customs and Taxation Pre-accession Strategy” DG XXI/831/97 which was accepted by the Members States and Candidate Countries. Undersecretary of State Mr Jan Wojcieszczuk signed a “Declaration of acceptation pre-accession strategy for the Polish customs and tax administration on 27 January 1998. Additionally in 1997 Member States approved document “Enlargement - Pre-accession strategy for taxation” DGXXI/2131/97. Both documents are in compliance with the NPAA. The project is connected with the Fiscal Blueprints exercise and refers to the Business Change Management Plan (BCMP). The project is also a continuation of activities undertaken within the Phare'99 project “Improved Tax Administration” in the area of tax audits and strengthening of the tax administration. These activities involve the need to develop a taxpayer management strategy, develop a taxpayer service strategy, develop rules for the risk management strategy in the activities of the tax administration, prepare an analysis regarding the expediency of setting up large taxpayers service offices, develop an internal communication strategy (continuation of the activities from the Phare'99 project, in which the priority was the external communication), prepare risk analysis methodology from the point of view of selecting entities to be audited in order to increase the effectiveness of tax audits, develop procedures of periodic assessment of tax audit systems and methods in order to improve their effectiveness, prepare the methodology of analysing of tax inspectors work performance in order to optimise their tasks, and develop and implement a tax audit strategy in Poland. The planned adoption in the year 2000 of the Act on the prevention of the introduction into financial transactions of assets originating from illicit or undisclosed sources which will appoint the General Inspector of Financial Information (GIFI) meeting all the criteria of a financial intelligence unit shall ensure the harmonisation of Polish law with directive 91/308/EEC and enable co-operation with the European Commission according to article 7 of the second protocol to the Convention concerning protection the financial interest of the EU. The tasks of the GIFI will include: collection and analysing information from financial and credit institutions, investigating suspect transactions, stopping transactions bearing the marks of money laundering, drawing up and furnishing to the Police and Public Prosecutors information and evidence.
relating to suspicions of money laundering, training of staff of financial and credit institutions, supervising
the performance of statutory obligations, co-operation with the European Commission, co-operation with
foreign institutions dealing with the prevention of money laundering. The effectiveness of measures
designed to combat money laundering will depend on the effectiveness of the GIFI. The project will
involve an assessment of the effectiveness of the solutions introduced during the first stage of
functioning of the Polish financial intelligence unit (FIU) and recommendations regarding the necessary
improvements. The effectiveness of the GIFI in combating money laundering will be affected by the co-
operation with financial and credit institutions obliged to provide information on transactions exceeding a
given amount or transactions arousing suspicion. The draft envisages activities ensuring the propagation
of knowledge among employees of this institution regarding their duties concerning combating money
laundering and detection of suspicious transactions. Taking into account the international character of
money laundering it is necessary to ensure co-operation between financial intelligence units of different
countries. The objective of the project is to ensure international co-operation of the GIFI by defining the
rules governing the flow of information between institutions responsible for preventing money laundering
and obtaining the necessary information by the GIFI. The objective of this component is to lend assistance in the practical application of solutions put forward under the a.m. programmes and to make the necessary corrections based on the initial experiences of the GIFI.

3.2. Linked activities
The Phare 2001 programme in its part regarding “The rationalisation of the activities of the tax
administration as far as relations with taxpayers, taxpayer service, internal communication, risk analysis
and the functioning of major taxpayers offices is concerned” and “Strengthening the tax audits system” is
linked to the preparation of the structure of the Polish tax administration to a more effective utilisation of
acquis and to increase operational capabilities of the tax service in order to effectively co-operate with
EU tax administrations. The contents of this part of the project stems from the Tax Reform
Modernisation Programme for the States of Central and Eastern Europe (Fiscal Blueprints) and
represents the realisation of tasks set out in the “Needs analysis”. This component, in its part concerning
taxpayer service is linked to the PHARE’97 project and forms an element of Poznan pilot scheme under
which the Wielkopolska Tax Information Centre has been set up. During the Project Phare’97 five
trainings concerning taxpayer service and administrative co-operation were organised for the employees
of the Polish tax administration (125 employees were trained). Additionally two study visits (in Ireland
and Finland) were organised concerning taxpayer service and VIES. Subject concerning internal and
external communication is linked to the PHARE’99 project called “Improved Tax Administration”. In the
frame of Phare’99 a training module on promotion of voluntary compliance and develop adhesion to the
overall objectives of the tax administration will be developed. The component concerning the
“Reinforcement of the tax audits system” is linked to the PHARE’99 project called “Improved tax
administration”. It is a continuation of one of its modules entitled “The methodology of fiscal audit”. This
component is also an element of the Poznan pilot scheme realised in co-operation with a group of
experts from the US Treasury Department in the part regarding the utilisation of working time of fiscal
audit inspectors. The preparation for the establishment in Poland of a financial intelligence unit was the
subject of the PHARE’97 programme. During the realisation of the program following activities were
performed: Developing the report about the organisational, legal and functional regulations concerning
the financial intelligence units in the EU countries, in Lithuania and in the USA; Developing the project of
the executive provisions concerning register of the transactions for the money laundering act; Study visit
in Italy (Italian administration is the twinning partner in the PHARE’99 program called “Liberalisation of
free movement of capital”); Purchase of the IT equipment (15 PCs, 9 printers and scanner) for the GIFI
office. Activities linked to the establishment and the initial phase of operation of the financial intelligence
unit will also be realised within the framework of the PHARE’99 programme called “Liberalisation of free
movement of capital”. In particular, they will concern training of the personnel of GIFI and financial and
credit institutions. Study visits may be part of the project. A detailed report (based on the concept
developed within the framework of PHARE’97) on the necessary computer equipment and software will
also be compiled. The co-ordination between the 4 programmes will be assured.

IMF: Poland co-operates closely with the International Monetary Fund, and first of all, in terms of Fiscal
Matters. In the years 1997-1999, Poland hosted a few IMF missions, which resulted in the development of
the documents “Poland: Strategic Priorities of Tax Administration” and “The Modernisation Strategy of the
Tax Administration.”

USA: The US Treasury has had an advisory programme for the Polish Ministry of Finance for many
years. US Treasury advisors provided assistance in the following areas: taxpayer education and
assistance, fiscal control, execution, declaration processing, information technology, the development
and design of tax forms, and penal fiscal investigations. Within the programme, the Poznan Pilot Project was developed in co-operation with the Ministry of Finance and the Tax Chamber and the Tax Audit Office in Poznan. From a variety of proposals made by the US Treasury advisors, three areas were developed in the Poznan Pilot Project: taxpayer assistance and education, development of an automated selection system for fiscal control, and the consolidation of processing tax declarations. Areas of co-operation included also the development of the Wielkopolska Tax Information Centre in Leszno, which answers taxpayer questions by telephone, develops publications for internal and external use, develops educational materials for schools, and organises seminars for specific groups of taxpayers. An automated system to select taxpayers for control has also been developed for the Tax Audit Office in Poznan. At the request of the Fiscal Control Department of the Ministry of Finance, the US advisors helped in developing a management information system and the Large Case Audit Programme for fiscal control. The US Treasury decided to finish co-operation with the Polish Tax Administration in September 2000.

3.3. Results
For twinning 1: Implementation of certain elements of the BCMP
For twinning 2: Implementation of the BCMP related to the establishment of the tax audits system and prevention of money laundering.

3.4. Activities
For twinning 1: Implementation of the BCMP: Preparation of a report on the types of strategies for the relations between tax administration and taxpayers in selected EU countries (BCMP–2.4.3); Preparation of a comparable report as regards the appeal system (with the issue of the Taxpayers Ombudsman taken into consideration) and on the education system in Poland in comparison with such systems in the EU (BCMP–2.4.3); Preparation of the Polish taxpayer management strategy (BCMP–2.4.6); Preparation of a report on the types of taxpayer service strategies in selected EU countries (BCMP–2.3.3); Preparation of the taxpayer service strategy (BCMP–2.3.6); Preparation of a report on the forms and rules applying to taxpayer service in selected EU countries (BCMP–4.1.2); Preparation of a report on the most suitable forms of taxpayer service to be utilised in Poland (BCMP–4.1.5); Drawing up of taxpayer service standards binding on employees of tax administration (BCMP–4.1.5); Drawing up of the requirements which must be met by employees of taxpayer service units (BCMP–4.1.5); Preparation of a report on the forms and rules applying to contacts with the media in selected EU countries (BCMP–7.2.2); Preparation of a report on the forms and rules applying to contacts with the media to be utilised in Poland (BCMP–7.2.5); Drawing up of information materials (brochures and the Taxpayer’s Rights and Duties Chart) for taxpayers (BCMP–2.1.4 and 2.3.6); Drawing up of procedures for communicating with taxpayers and tax advisers (BCMP–2.2.3 and 7.1.5); Preparation of a report on the methodology of risk analysis used in selected EU countries (BCMP–4.2.2 and 4.2.4); Selection of the types of tax administration activities for which risk analysis would be necessary (report) and defining type of data (information) necessary for the risk analysis (BCMP–4.2.5 and 4.2.6); Preparation of computer applications assisting risk analysis (BCMP–4.2.7); Preparation of a report on the possibility of establishing large taxpayers service offices (in Poland) (BCMP–4.2.3); Preparation of a report on the rules of communicating applied in tax administrations of the EU countries (BCMP–7.1.2); Drawing up of formalised rules of communicating for Poland’s tax administration (BCMP–7.1.5); Preparation of training and information materials for employees of tax administration: for the taxpayer service units (BCMP–4.1.10), for the public relations units (BCMP–7.2.8), for the large taxpayers offices (BCMP–4.3.8) and for the risk management methodology (BCMP–4.2.9); Purchase of equipment (BCMP–2.3.10, 4.1.12 and 7.2.7).

For twinning 2:

Strengthening the tax audits system: Preparation of a training programme for employees of the fiscal audit offices and fiscal intelligence (BCMP–9.1.12, 9.3.10); Implementation of organisational changes and equipment and software installation; Preparation risk analysis from the point of view of selecting entities to be audited (BCMP–9.1.8); Correction of instruments, systems, audit methods and methods of collating and analysing operational information on tax crimes (BCMP–9.3.7); Preparation analysis regarding tax inspectors work performance (BCMP–9.4.4); Preparation of the tax audit strategy (BCMP–9.5.6); Purchase of equipment (see Annex 5) (BCMP–9.1.13, 9.3.9). The present IT equipment working in Control Audit Offices is out of date. It must be changed in order to work properly with the software, which will be prepared in the frame of this project.

Prevention of money laundering: Preparation of an analysis regarding the functioning of the GIFI office; Preparation of an analysis regarding the computer system used for gathering and processing information and the financing of the purchase of additional software and office equipment for the GIFI;
Drawing up of proposals and rules of co-operation with representatives of foreign FIUs; Drawing up of rules of co-operation with foreign financial intelligence units and fostering working contacts with representatives of foreign FIU; Drawing up of rules of co-operation with the European Commission. The project will be implemented in the form of two twinning agreements between the Ministry of Finance and tax administration of selected member states. The activities undertaken in the framework of the project require the employment of Pre-Accession Advisors (PAAs). The first PAA will assist in the activities enumerated under twinning 1 above. The second PAA will assist in the activities enumerated under twinning 2 above.

4. **Institutional Framework**

The beneficiary of the project is the Ministry of Finance (Department of Tax Administration, Department of Fiscal Control, Fiscal Documentation Bureau), the planned Bureau of the General Inspector of Financial Information, financial and credit institutions, fiscal audit offices, regional tax chambers and local tax offices. The Tax Administration Department is responsible for rationalising the activity of Polish tax administration as regards: relations with taxpayers, taxpayer service, internal communication, risk analysis and the functioning of the large taxpayers offices (together with the Fiscal Control Department). The Fiscal Control Department is responsible for strengthening the tax audits system. The General Inspector of Financial Information (GIFI) will be appointed by the Prime Minister in the rank of Under-secretary of State at the Ministry of Finance. The GIFI acting as the organ responsible for combating money laundering will be assisted by the financial intelligence unit established within the structure of the Ministry of Finance. The GIFI will also work together with Polish financial and credit institutions listed in the act on the prevention of admittance to financial transactions of assets originating from illegal or undisclosed sources and obliged to provide information on financial transactions. The implementation of the project will result in the strengthening of the institutional and organisational framework of tax administration and will also positively affect the institutional development and effectiveness of the GIFI.

5. **Detailed Budget (M€)**

<table>
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<th>Modernisation of tax administration</th>
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<td>3.5</td>
<td>1.1</td>
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The co-financing funds for the project implementation will be available.

6. **Implementation arrangements**

6.1. Implementing agency:

PAO: P. Samecki, Under-secretary of State at the Office of the European Integration Committee, Al. Ujazdowskie 9, 00-918 Warsaw, phone: +48 22 455 52 41, fax: +48 22 455 52 43.

CFCU: Fundusz Współpracy, Co-operation Fund, Central Financing and Contracting Unit, 6/12 Nowy Swiat, 00-400 Warsaw, Poland, phone: +48 22 661 76 33, e-mail: cofund@cofund.org.pl

6.2. Twinning

The project will be implemented in the form of two twinning agreements. Contact persons:

Contract 1: Jaroslaw Wyszynski Ministry of Finance-Tax Administration Department ul. Swietokrzyska 12, 00-916 Warsaw, phone/fax +4822 694 53 43, e-mail: iota_pl@mof.mofnet.gov.pl

Contract 2: Jan Delis, Ministry of Finance – Acting Director in the Fiscal Audit Department ul. Swietokrzyska 12, 00-916 Warsaw, phone/fax +48 22 694-43-25.

6.3. Non-standard aspects

The project will be implemented in accordance with the DIS Manual and the Twinning Manual.

6.4. Contracts

1. Twinning agreement (2,250,000 EURO)
2. Twinning agreement (1,460,000 EURO)
3. Purchase of technical equipment (890,000 EURO).
7. **Implementation schedule**

7.1. Start of tendering process: 3rd quarter of 2001
7.2. Start of project activity: 2nd quarter of 2002
7.3. Project completion: 4th quarter of 2003

8. **Equal Opportunity**

Equal opportunity for the utilisation of the aid funds will be assured. The only participation criterion is professionalism and experience.

9. **Conditionality and sequencing**

The realisation of tasks relating to the rationalisation of the activities of Polish tax administration as far as relations with taxpayers, taxpayer service, internal communication, risk analysis and the functioning of large taxpayers offices and the strengthening of tax audits are concerned depends on the adoption by the Government of the Strategy of Modernisation of Polish Tax Administration to the year 2003. The Strategy is developing in the Ministry of Finance on the base of BCMP. BCMP was approved by the Management of the Ministry of Finance last year. Project of the Strategy will be forwarded to the Government in the 3rd quarter of 2001 for approval. The money laundering Act has been adopted by the Parliament in November 2000. Prime Minister nominated the General Inspector of Financial Information (who is Under-secretary of State in Ministry of Finance) in February 2001. Ministry of Finance decided that this project (Phare’2001 Modernisation of Polish tax administration) will be the last in the field of tax administration.
### Annex 1. LOGICAL PLANNING MATRIX FOR THE PROJECT REGARDING LONG-TERM BUDGET PLANNING

<table>
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<th>Planning period</th>
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<td>End Contracting:</td>
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<td>Project title:</td>
<td>MODERNISATION OF POLISH TAX ADMINISTRATION</td>
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<td>Total budget:</td>
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<tr>
<td>Phare budget:</td>
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### Wider objectives
- Adaptation of Polish tax administration to the standards defined by the EC under the “Fiscal Blueprint” Programme in order to fully apply acquis communautaire and the ensure effective functioning of the Polish financial intelligence unit and its inclusion in international co-operation concerning the prevention of money laundering.
- Institutional capability of tax administration to fully apply acquis communautaire in the tax and financial sector. Ensuring financial transactions security.
- Progress report from the implementation of the Accession Partnership and NPAA programme. Statistical data concerning the detection of money laundering crimes.
- Poland’s intention to quickly join the EU. Possibility to fully implement the regulations of the act on the counteracting the introduction to financial transactions of assets originating from illegal or undisclosed sources. Allocation of appropriate funds for the realisation of the task.

### Immediate objectives
- Rationalisation of the activities of Polish tax administration as far as relations with taxpayers, taxpayer service, internal communication, risk analysis and the functioning of large taxpayers offices are concerned. Strengthening the tax audits system. Prevention of money laundering.
- Increased level of taxpayers’ satisfaction with the service provided by tax administration. Improved effectiveness of selecting entities for audits and the effectiveness of the audits themselves. The degree of reduction of transactions involving assets from illegal or undisclosed sources and the increase of financial transactions safety.
- Reports from the implementation of the NPAA. Results of opinion polls conducted among taxpayers. Official publications. Departmental statistics.
- Allocation of sufficient funds for the implementation of the project. Successful implementation of the project. Reluctance on the part of employees to change their working methods. Establishment of effective co-operation between financial and credit institutions and the GIFI. Possibility to establish major taxpayers service offices.

### Results/Outputs
- Improved co-operation between taxpayers and tax administration; Improved service for taxpayers; Utilisation of risk analysis in the activities of tax administration; Ability to better serve large taxpayers; Improved internal communication system within tax administration; Strengthened system of information gathering and processing; Application of risk analysis in selecting entities to be audited; Increased effectiveness of tax audit systems and methods; Improved effectiveness of work of tax inspectors; Ensuring the harmonisation of Polish law to the EU legislation and its implementation.
- Prepared strategy of relations between tax administration and taxpayers; 25 “information kiosks” installed in tax offices; The telephone central ready to operate; Drawn up procedures for the utilisation of risk analysis in selected areas of activity of tax administration; Prepared taxpayer service strategy; Established major taxpayers service offices; Prepared assumptions for effective internal communication within tax administration; Established contacts with foreign FIUs; Established contacts with the EC; Progress in implementing the GIFI Act; The number of expert opinions translated into Polish; 75 people participated in study visits; The number of employees of tax administration, financial and credit institutions trained.
- NPAA progress reports. Departmental statistics. Program implementation reports.
- Keeping the trained personnel in the administration. Commitment on the part of employees. Partners interested in good co-operation. Ensuring high class experts.

### Activities

### Inputs

### Sources of information

### Assumptions and risks
Activities (continued): with taxpayers and tax advisers. Preparation of a report on the methodology of risk analysis used in selected EU states; Selection of the types of tax administration activities for which risk analysis would be necessary (report) and defining type of data (information) necessary for the risk analysis; Preparation of computer applications assisting risk analysis; Preparation of a report on the possibility of establishing audit and large taxpayers service offices (in Poland); Preparation of a report on the rules of communicating applied in tax administrations of the EU states; Drawing up of formalised rules of communicating for Poland’s tax administration; Preparation of training and information materials for employees of tax administration; Preparation of a training programme for employees of the fiscal audit offices and fiscal intelligence; Implementation of organisational changes and equipment and software installation; Preparation risk analysis from the point of view of selecting entities to be audited; Correction of instruments, systems, audit methods and methods of collating and analysing operational information on tax crimes; Preparation of an analysis regarding tax inspectors work performance; Preparation of the tax audit strategy; Preparation of an analysis regarding the functioning of the GIFI office; Preparation of an analysis regarding the computer system used for gathering and processing information and the financing of the purchase of additional software and office equipment for the GIFI; Drawing up of proposals and rules of co-operation with representatives of foreign FIUs; Drawing up of rules of co-operation with foreign financial intelligence units and fostering working contacts with representatives of foreign FIU; Drawing up of rules of co-operation with the EC.

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<th>Annex 2: Implementation, contracting and disbursement schedule</th>
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INVESTMENT NEEDS

1. Rationalisation of the activities of Polish tax administration - 350.000 Euro
   a/ Taxpayer service strategy (taxpayer service units) [BCMP – 2.3.10 or 4.1.14]
      **305.000 Euro:**
      - “Information kiosks” (tactile monitor + PC + software) - 25 units X 5.000 Euro = 125.000 Euro,
      - Telephone central for the regional centres of taxpayer service or telephone equipment for the taxpayer service units in the tax offices (decision about the way of using the money will be taken after developing a report, by EU expert, on “the most suitable forms of taxpayer service to be utilised in Poland” 100.000 Euro,
      - Computer equipment for the taxpayer service units in the tax offices:
        - 60 PCs X 1.000 Euro = 60.000 Euro
        - 40 printers X 500 Euro = 20.000 Euro
        - Subtotal 80.000 Euro.
   
   b/ Public relations unit [BCMP – 7.2.7]
      **45.000 Euro:**
      - Notebooks – 6 units X 3.000 Euro = 18.000 Euro,
      - PCs – 10 units X 1.000 Euro = 10.000 Euro,
      - Printers – 2 units X 1.000 Euro = 2.000 Euro,
      - Mobile video projector – 2 units X 5.000 Euro = 10.000 Euro,
      - Xero machine with printer and fax – 2 units X 3.000 Euro = 6.000 Euro.

2. Strengthening the system of tax audits 440.000 Euro.
   - Server - 7 units X 20.000 Euro = 140.000 Euro.
   - Working stations 200 X 1.500 Euro = 300.000 Euro.

   Control Audit Offices have to be provided with the modern IT equipment which make possible exchange of fiscal secret information and analysis of this information. Part of PC`s are out of date and will not be able to work with the software which will be prepared in PHARE’2001 Programme.

3. Prevention of money laundering 100.000 Euro.
   In the frame of PHARE’97 “Tax legislation and administration” and PHARE’99 “Liberalisation of free movement of capital” there will be developed a detailed report on the needs for hardware and software for GIFI. On the basis of this report the equipment for GIFI will be purchased.

4. Total 890.000 Euro