1. Basic information

1.1. CRIS Number: 2002/000-196.01.05 Twinning number: PL02/IB/FI/01

1.2. Title: Modernization of the system of tax collection and taxpayers control.

1.3. Sector: Taxation

1.4. Location: Poland

2. Objectives

2.1. Overall objective

Adaptation of Polish tax administration to the EU standards in scope of tax collection and taxpayers’ control.

2.2. Project purpose/immediate objective

- Preparation of implement ‘Tax Control IT Supporting System’ in Poland.
- Increase of efficiency of Polish tax administration by: introduction of new structure (setting apart two main areas: tax policy function and tax administration management function), performance management, efficient tax collection, unified tax regulations application, use of IT tools to contact taxpayers as well as cooperation with customs duty administration and social security administration.
- Creation of transfer price control system.

2.3. Accession Partnership and NPAA Priorities

Reference to the Accession Partnership 1999:
- Institutional reinforcement in scope of taxation (short-term priority).
- Improvement of tax collection, reform of custom and tax administrations (medium-term priority).

Reference to the National Programme for EU Accession Preparation (NPAA) 2001:
- Improvement of tax administration functioning is Priority No 10.3 NPAA in scope of taxation; the main objective is preparation of Polish tax administration to cooperation with other member countries’ administrations in the single market framework.

Reference to the Regular Report:
- Some efforts have been made to initiate the process of modernizing the Polish tax administration. The implementation of the needs indentified in this area will be an essential task in Poland’s pre-accession strategy. The computerisation of the tax administration should also be addressed more rigorously.

2.4. Reference to Preliminary National Development Plan. N/A

2.5. Cross-border effect N/A

3. Description

3.1. Background and justification

The Taxation Reform and Modernization Programme for Central and Eastern European Countries (Fiscal Blueprints) is, along with the screening process, an additional element of pre-accession strategy for candidate states. In 1997 the European Commission (DG XXI) prepared a document entitled “Tax and Customs Pre-Accession Strategy” DG XXI/83/97, which was accepted for implementation by candidate states. In January 1998, Poland signed “Declaration of adoption of pre-accession strategy by tax and customs administration”. In addition, in 1997, the Member States approved “Enlargement: Pre-Accession strategy for taxation” DG XXI/2131/97. Both documents conform to NPPC.

From the beginning of 1999 the Ministry of Finance of Poland has been working on implementation of the Taxation Reform and Modernization Programme for Central and Eastern European Countries (Fiscal Blueprints) is, along with the screening process, an additional element of pre-accession strategy for candidate states. In 1997 the European Commission (DG XXI) prepared a document entitled “Tax and Customs Pre-Accession Strategy” DG XXI/83/97, which was accepted for implementation by candidate states. In January 1998, Poland signed “Declaration of adoption of pre-accession strategy by tax and customs administration”. In addition, in 1997, the Member States approved “Enlargement: Pre-Accession strategy for taxation” DG XXI/2131/97. Both documents conform to NPPC.

From the beginning of 1999 the Ministry of Finance of Poland has been working on implementation of the Taxation Reform and Modernization Programme for Central and Eastern European Countries (Fiscal Blueprints). Within the period of 1999 and 2000 the following documents have been prepared: gap analysis, needs analysis and Modernization Strategy – BCMP (all of these documents have been successively sent to the EC). The main objective of presently performed study works will be “Modernization Strategy for Polish Tax Administration”. To achieve this objective, within the Ministry of Finance, there have been a working group appointed to coordinate and supervise activities connected
with the Strategy preparation. Additionally special sub-groups work on 42 activities described in the Modernization Strategy (BCMP).

Polish tax administration is insufficiently equipped in modern IT tools. Until now the risk analysis to choose entities for tax audit purposes has not been applied, and tax audit inspectors cannot use informational system and, therefore, make their audits more efficient. This kind of software (providing risk analysis procedures, databases etc) might already be available (e.g. ESKORT software).

Enforcement of tax administration and audit procedures is necessary before Poland’s accession to European Union.

The IT support system for tax audits in Poland, based on experiences from Member States and databases available for Polish tax administration employees will allow to:
- Improvement of effectiveness of tax audits,
- Implementation of standardized tax audit methodology,
- Analysis of efficiency of tax audit activities.

Preparations to carry out this project have already been made. Part of preparatory works has been carried out in scope of PHARE 1999 and PHARE 2001.

PHARE 1999 will develop the “Methodology model for tax audits planning” and new methods for tax audit planning. According to the time schedule the module will start in September 2001.

PHARE 2001 will develop tax audits strategy and also will allow for realization of detailed activities described in the strategy. It is also planned to develop preliminary assumptions for:
- tax audit inspectors’ work efficiency analysis;
- periodical evaluation of efficiency of applied control systems and methods;
- risk analysis in selection entities for tax audit purposes.

The Ministry of Finance has also been working on various projects (those projects have different degree of advancement) to develop IT support systems for tax audit inspections. The most important projects concern:
- The IT system for tax audit services in tax offices including the basics of selecting entities for tax audits and recording of tax audit findings are developed by the Tax Chamber in Wroclaw in cooperation with the IT Department of the Ministry of Finance.
- Calculation of tax audit inspectors’ working time developed in cooperation with US Tax Department and its pilot implementation in Poznan Tax Inspection Office.
- “Tax audit in large taxpayers” programme which includes principles used for selection of large taxpayers for tax audit purposes, introduced in 2000 into tax audit offices.
- ‘Unrevealed sources of income inspection’ programme introduced into tax audit offices and tax offices in I quarter 2001.

Therefore, PHARE 2002 is in fact a continuation of preparatory actions taken in preceding years. There will be no overlap between the activities of PHARE 2001 and PHARE 2002 programmes.

In the financial sector there is an operating WAN network that links distributed databases with the Ministry of Finance. The Study for establishment the Data Processing Center is to be prepared in 2002 and since then we are going to start the process of building up the Center. Ministry of Finance has already started centralization of data processing – first subsystem Central Registration is to be prepared in 2002.

Existing (and being created) infrastructure and distributed system (centralized in future) enable tax control activities at present, and ongoing process of the POLTAX system centralization in parallel with PHARE 2002 would enable performance of control activities with use of central database beside distributed data bases.

The IT equipment financed by the project will allow to introduce modern information technology into tax audit offices and tax offices and, in turn, use already created system.

3.2. Linked activities

The project continues actions undertaken in the field of tax audits and modernization of tax administration in relation to Poland’s accession to the European Union. PHARE 2001 entitled “Improvement of tax audits system” is directly linked to PHARE 1999 entitled “Improved tax administration”. The above projects aim at e.g. improvement of taxpayers’ services, efficient use of budgetary means by tax administration by implementation of risk analysis and increasing efficiency of tax
audit inspectors. Results of the above projects will be used to achieve objectives specified in PHARE 2002 project.

Assumptions for the most important modules of IT systems supporting tax audits are being prepared.

**MFW:**

Poland has been cooperating closely with International Monetary Fund in particular with the Fiscal Affairs Department. Since 1997 until 1999 several IMF official have had their missions in Poland. Results of their work have been presented in the following documents: “Poland. Strategic priorities of tax administration” and “Tax Administration Modernisation Strategy”.

One of the main recommendations presented by IMF experts was the necessity of setting apart two main areas: tax policy function and tax administration management function. Such separation would result in greater autonomy gained by the tax administration.

The other recommendation for the tax administration was to unified implementation of tax regulation within the whole country.

**USA**

US Treasury Department’s Advisory Program was introduced to the Ministry of Finance and concerned taxpayer’s service and education, tax audits, enforcement, tax returns processing, IT systems, preparation of tax return declaration and penal tax investigations.

### 3.3. Results

Project implementation, in scope of tax audits will result in:

- more efficient selection of taxpayers for tax audits purposes and smaller number of so called no-result audits,
- better coordination of tax audits in case of many units participating in audit activities,
- shorter and simpler some tax audit procedures,
- decrease of number of appeals; mainly as a result of limitation of procedural mistakes made by tax inspectors,
- introduction of objective factors in inspectors’ work assessment,
- improvement of tax inspectors’ qualifications,
- efficient management of tax inspectors’ work,
- increase of tax audits efficiency and effectiveness (20% increase in tax audit effectiveness after implementation of ESCORT system in Danmark),
- better access to information by WAN.

As for administration modernization the project implementation will result in:

- improvement in tax administration management based on results achieved,
- development of effective forms of cooperation of administrations responsible for realization of state budget income,
- effective functioning of monitoring system for application of tax law by the tax authorities,
- more efficient large taxpayers’ services,
- effective functioning of a monitoring system for application of tax law,
- created organizational and legal basis for application of effective strategy for tax collection,
- increased administration capacity to counteract transfer pricing.

### 3.4. Activities

The project will be implemented in the form of a twinning agreement between the Ministry of Finance and tax administrations of selected Member States and in the form of Technical Assistance. The technical support will be delivered in form of equipment purchase.

**Technical assistance: Development and implementation of ‘Tax Control IT Supporting System’**

- evaluation of solutions applied in scope of tax audit support hitherto used in Poland, including possibility to use databases with information about taxpayers;
- preparation of framework for the system; including users’ expectations, legal and technical way of accessing useful data, change in tax audit organization;
- preparation of project definition - IT system for tax audit support;
- preparation of a model system based on systems already working in the Member States, bearing in mind Polish databases and specific nature of Polish tax system;
- preparation of implementation of 'Tax Control IT Supporting System';
- on the basis of experiences gathered in the Phare 2001 framework and earlier (pilot) solutions, preparation of a computer software for risk analysis in tax audit purposes (BCMP 9.1.8);
- defining tax audit plaining method (criteria for selection, monitoring of efficiency of criteria used, cooperation with other countries) - continuation of Phare 1999 activities (BCMP 9.2.4, 9.2.6);
- preparation of database comprising information about already finished and planned tax audits (BCMP 9.2.8);
- preparation of database about inspectors' professional qualifications and their work efficiency (BCMP 9.4.6);
- preparation of the framework for “IT tax audit support system” (BCMP 9.4.5);
- preparation of computer software: “IT tax audit support system” (BCMP 9.4.5);
- training for employees and preparation for system implementation in the whole country (BCMP 9.1.12, 9.1.13, 9.1.14, 9.3.9, 9.3.10);

**Twinning: Modernization of Polish tax administration**

- preparation of analysis of indicators hitherto used for tax administration efficiency evaluation (4.6.4);
- preparation of a list of indicators to be used in the field of performance management (BCMP 4.6.5);
- 2 study visits concerning of interconnection between systems of human resources management, communication, IT, professional training and ethics;
- preparation of a report on necessary forms of cooperation between administrations responsible for realization of budget revenues: customs duty, social security payments (10.1.5);
- preparation of a report on necessary forms of cooperation between administrations responsible for realization of budget revenues of the EU Member States (10.1.3);
- preparation of a list/report on IT tools used in Member States for contacts with taxpayers;
- organization of services within the Ministry of Finance responsible for presenting information on the Internet website (BCMP 7.3);
- preparation of a report on operations of a system for taxpayer service and large taxpayers tax audits (BCMP 1.1.6);
- preparation of a report and organization of training sessions on general system of reaction to faulty tax law application by fiscal services, training for employees (BCMP 1.3.3);
- two study visits to familiarize Polish officials with practical application of assumptions mentioned in the tax collection strategy;
- preparation of a report on tax collection strategy in selected EU Member States (BCMP 8.1.2-3);
- preparation of diagnosing document which will describe present situation in the scope of tax collection strategy and propositions of necessary organizational and legislative changes (BCMP 8.1.4);
- preparation of a report defining an organizational structure, tasks and functions of tax administration after setting apart tax policy function and tax administration management function (BCMP 1.2.7);
- printing training materials (BCMP - 4.5.2, 1.1.6, 4.6.6)
- printing information leaflets for management officers and tax administration employees (BCMP 10.1.4, 7.3.3, 1.2.7, 1.6.6, 4.6.6);
- study visits:
  - 3 study visits - collecting information about using in EU countries monitoring systems supporting tax law application by tax services to improve formed Tax Information System (SIP) and diagnose other – possible to implement in Poland – solutions in the scope of the uniform usage of tax law (BCMP 1.1.3),
  - 2 study visits - familiarization with practical solution of the strategies of tax collection in the EU Member States (BCMP 8.1.2),
  - 2 study visits - analysis of regulations concerning evaluation of tax administration employees’ work in EU (BCMP 4.6.3);
  - 3 study visits in the EU countries assigned by experts, which systems of combating transfer pricing could be applied in Poland.
(the number of study visits was reduced, reports contain recommendations and suggestions for the projects further implementation on the strength of the study visits will be formulated),

- training courses for tax administration in the performance management;
- comparison of systems used for transfer pricing revealing in chosen EU countries, defining solutions possible to be implemented in Poland;
- defining sources of information that should constitute basis for database necessary for transfer prices’ control and framework for its functioning;
- preparation of transfer prices’ control system.

The aim of the study visits is to familiarise with applied solutions in given area in the EU Member States. After each study visit a report containing proposals of organisational and legal changes in Polish Tax Administration will be presented.

- 3 study visits - collecting information about using in the EU countries monitoring systems supporting tax law application by tax services to improve formed Tax Information System (SIP) and diagnose other – possible to implement in Poland – solutions in the scope of the uniform usage of tax law (BCMP 1.1.3),
- 2 study visits - familiarisation with practical solution of the strategies of tax collection in the EU Member States (BCMP 8.1.2).
  - to encourage voluntary compliance,
  - to enforce the Revenue streams in case of non-compliance.
- 2 study visits - analysis of regulations concerning evaluation of tax administration employees’ work in EU (BCMP 4.6.3).
  - indicators of work assessment in tax administration,
  - methods of reporting of the data from indicators,
  - statistical methods of analysing the assessment procedures.
- 3 study visits in the EU countries assigned by experts, which systems of combating transfer pricing could be applied in Poland. (the number of study visits was reduced, reports contain recommendations and suggestions for the projects further implementation on the base of the study visits will be formulated).
  - organisational changes,
  - computer applications.

Actions taken in scope of the twinning contracts implementation require hiring of a Pre-Accession Advisor (PAA). The PAA’s basic duty will be advisory and professional assistance in the program implementation. PAA will also provide expertise and coordinate work of other experts on implementation of tasks listed under “Twinning”. The PAA should have at least ten years of experience with tax administration of a Member State, especially in field of tax audits and at least general understanding of Polish tax administration procedures.

**Technical equipment**

In all units dealing with tax audits, necessary conditions for implementation of system operation within the Wide Area Network are fulfilled. In scope of preparatory actions, tax offices and tax audit offices receive necessary technical support (cables and necessary plug-ins). Part of all offices (tax offices), are already technically prepared for tax audit, other (tax audit offices hiring totally more than 8 000 employees) do not have proper technical equipment.

1. When preparing the requirements for ‘Tax Control IT Supporting System’ it was assumed that it is necessary to equip tax audit offices with:
   - 16 servers,
   - ca. 6,000 working stations,
   - ca. 1,000 notebooks with network adapter,
   - ca. 1,000 network printers,
   - exchange of ca. 1,000 PCs with 386, 486 and Pentium I processors.

Total estimated cost of equipment for ‘Tax Control IT Supporting System’ is **14,200,000 EUR**.

This will lead up to reach the standard: one PC computer for one employee.
Expenses planned in Phare 2002 will assure technical tests and pilot implementation of the “Tax Control IT Supporting System” in 3 selected tax audit offices. The pilot implementation will enable the decision of the system implementation in the entire tax administration.

Within Contract 3 for the “Tax Control IT Supporting System” the following equipment will be purchased:
- 3 servers for pilot implementation of the system in the selected tax audit offices,
- ca. 400 working stations,
- ca. 200 network printers.

Total cost of this equipment is 1,050,000 EUR.

It is assumed that at least 600,000 EUR of domestic co-financing will be spend (purchase of servers, working stations, notebooks) till the end of the year 2002.

Dedication of the pre-accession funds and domestic co-financing will allow to activate ‘Tax Control IT Supporting System’ and to improve the tax audit offices IT equipment from 0,25 PC for one employee (in the year 2001 c.a. 8,000 people have been working in the tax audit offices and there have been c.a. 2,000 PC’s) to 0,31 per person.

The implementation of the system is based on the strategic document ‘The Plan Of Finance Administration IT Development’ which has been accepted by Minister of Finance on January 31st 2001. It assumes the creation of the central system in Fiscal Control Department of the Ministry of Finance and in the tax audit offices. This system will allow effective usage of information gathered in the entire tax administration. It will be possible to collect online information concerning taxpayer. The system will also enable risk analysis and analysis of tax activities effectiveness.

Financial commitment made by The Resolution of The Government Cabinet of December 21st 2000 designate 38,000,000 USD from Polish Stabilisation Fund for IT development for the tax administration. This Resolution authorises the Ministry of Finance to the allocation of those funds for IT development for the tax administration. The funds will be utilised for IT equipment (servers, graphic terminals and network printers) in tax audit offices.

Irrespective of the Polish Stabilisation Fund resources, each year, tax audit offices budgets enable the utilisation of funds for IT development.

2. The idea of creation the Tax Information System (SIP) is based on a perceived need to ensure a solid application of tax laws by all levels of tax authorities in Poland. The first step to achieve the goal is to broaden an access to materials having a good knowledge of which is a prerequisite for the correct interpretation and, as a consequence, application of tax law in a day-to-day practice by fiscal administration. The system is to enable also an identification of elements of the tax law which removal, change or introduction into taxation system is necessary. The system will be accessible for each unit of the tax administration.

SIP is software that consists of the database (the archives) and an application providing an administrator and users with full database service, i.e. help to expand, update and explore it. The SIP database is to be located on the central server, placed in the Ministry of Finance – a motor for the system. An access of all tax administration units to the server is based on Wide Area Network.

When preparing the requirements for SIP it was assumed that:
- the archives would expand with 6,000 documents annually (going back as far as 1990),
- all tax authorities’ employees should be users of the system; implementing SIP requires providing them with necessary computer equipment, therefore it needs to be acquired:
  - servers: basic server, back-up for the basic server, file server, back-up for the file server and web server - estimated purchase cost – 82,000 EUR,
  - 527 working stations (PCs): one for each of 357 tax offices, 8 for each of 16 tax chambers, 2 for each of 16 tax audit offices, 10 for Ministry of Finance - estimated purchase cost – 632,000 EUR,
  - scanners: one for each of 16 tax chambers - estimated purchase cost – 8,000 EUR,
  - software for servers - estimated purchase cost – 155,000 EUR.

Total cost of this equipment is – 877,000 EUR.

It needs to be noted that the amount of 190,000 EUR the Ministry of Finance is applying for, based on Phare 2002, is an equivalent of about 20 % of total outlays. It will cover:

I. Servers with capabilities of broad expansion of disk space:
  1. Basic server - accessible for data input with Oracle base – 37,000 EUR,
  2. Back-up for the basic server - 20,000 EUR,
3. File server - 9,000 EUR,
4. Back-up for the file server – 9,000 EUR,
5. Web server - 5,000 EUR,

II. Working stations:
6. 10 for Ministry of Finance – 12,000 EUR,
7. 80 for tax chambers (5 for each) – 98,000 EUR.

**Total cost of this equipment is 190,000 EUR.**

It is assumed that there will be 10 users simultaneously logged-in in each of 389 units of tax administration and 150 users in the Ministry of Finance. This gives 550 users in total. Assuming that each user is working on 5 sessions, this leads to 2750 connections to the application at the same time. Due to the above it is necessary to ensure an appropriate (high) quality of the network connection.

3. Efficient tax administration management based on **performance management** (equipment for units responsible for this task). Purchased equipment will include:
   - working stations (PC),
   - printer.

**Total cost of this equipment is 10,000 EUR.**

**Total cost of the equipment from the 1,2,3 parts of “Technical equipment” contract is:**

\[1,050,000 \text{ EUR} (\text{part 1}) + 190,000 \text{ EUR} (\text{part 2}) + 10,000 \text{ EUR} (\text{part 3}) = 1,250,000 \text{ EUR}.\]

4. **Institutional framework**

The Ministry of Finance is the project beneficiary (Department of Fiscal Control, Fiscal Documentation Office, IT Department, Tax Organization Department, and Tax System Department).

Department of Fiscal Control in co-operation with IT Department are responsible for IT system for inspection support.

Tax Organization Department, Tax System Department, and Department of Fiscal Control are responsible for components related to modernisation of Polish tax administration.

Following project implementation, institutional and organisational framework of tax administration will be strengthened. The project will affect institutional development and effectiveness of tax inspections. Project implementation will also affect achievement of EU standards in the field of tax audit.

5. **Budget**

<table>
<thead>
<tr>
<th>PHARE financing</th>
<th>PHARE Total</th>
<th>National co-funding</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment support INW</strong></td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Department of Fiscal Control</strong></td>
<td>0</td>
<td>0</td>
<td>0.75</td>
<td>0.075</td>
</tr>
<tr>
<td><strong>Tax Organization Department</strong></td>
<td>1.25</td>
<td>0</td>
<td>1.25</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Contract 3</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TA IT system for tax audits support</strong></td>
<td>1.25</td>
<td>2.75</td>
<td>4</td>
<td>1.075</td>
</tr>
</tbody>
</table>

The Polish authorities assure that the cofinancing is available either through the reserve budget foreseen specifically by the Ministry of Finance for this purpose or through the budget of the relevant Ministry.

6. **Implementation arrangements**

6.1. **Implementing agency**

PAO: Paweł Samecki, Undersecretary of State at the Office of the Committee for European Integration, Al. Ujazdowskie 9, 00-918 Warszawa. Tel. +4822 455 52 41, Fax: +4822 455 52 43,

CFCU: Foundation “Co-operation Fund”, ul. Górnoślaska 4A, 00-444 Warsaw. The CFCU is responsible for handling tendering, contracting and payments of contracts on behalf of the Ministry of Finance.

6.2. **Twinning**
Part of the project will be implemented in the form of a twinning agreement. Contact persons: Jarosław Wyszynski, Head of Division at the Department of Tax Organization, Ministry of Finance, ul. Swietokrzyska 12, 00-916 Warszawa, tel/fax +4822 694 5343, e-mail: iota_pl@mofnet.gov.pl.
The Department of Tax Organisation within the Ministry of Finance will be the beneficiary.

6.3. Non-standard aspects
The project implementation will be performed according to the Phare programming described in the DIS Manual, Twinning Manual, and the “Practical Guide to PHARE, ISPA and SAPARD”.

6.3. Contracts
TA (Phare financing - 2,000,000 EUR).
twinning agreement (Phare financing - 750,000 EUR).
Technical equipment (Phare financing - 1,250,000 EUR).

7. Implementation schedule
7.1. Drawing up of ToR Q3 2002
7.2. Start of program Q3 2002
7.3. Date of last payment of the last contract Q4 2004

8. Equal opportunity
Equal opportunity will be ensured for use of aid funds. The only criteria of project participation is professionalism and experience in implementation of similar projects.

12.1 Conditionality and sequencing
Implementation of an IT system for tax audit support depends on implementation of tasks described in PHARE 1999 and 2001 projects related to this task (wider description in par. 3.1).
Purchase of IT equipment for the needs of tax audit offices (IT system for tax audit support) should be made at the final stage of project implementation, after development and pilot implementation of the first version of software.

12.2 Sequence of proposed activities
– preparation of computer software: “IT tax audit support system”,
– pilot implementation of the software in the selected offices,
– preparation for software implementation in the whole country.

12.3 Main stages of project implementation
– selection of partner for twinning agreements realization - III quarter of 2002
– purchase of the technical equipment - II quarter of 2004

Appendices to the project fiche
### Overall objective

Adaptation of Polish tax administration to the EU standards in scope of tax collection and taxpayers control.

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring required institutional level of Polish tax administration meeting EU requirements on taxes</td>
<td>Official publications</td>
<td>Intention to join the EU fast. Receipt of technical support in the scope of task implementation.</td>
</tr>
</tbody>
</table>

### Project purpose (immediate objectives)

Preparation of implement “Tax Control IT Supporting System” in Poland. Increase of efficiency of Polish tax administration by: introduction of new structure (setting apart two main areas: tax policy function and tax administration management function), performance management, efficient tax collection, unified tax regulations application, use of IT tools to contact taxpayers as well as cooperation with customs duty administration and social security administration. Creation of transfer price control system.

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions and risk factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>shorter average time of tax inspection. fewer appeals against decisions of tax inspectors. improved image of tax services through liquidation of questionable issues in the field of competencies. prepared system of performance management. Pilot implementation of &quot;Tax Control IT Supporting System&quot;, less time consuming process of consultations between taxpayers and tax administration staff. organised service and improved procedure of handling large taxpayers. application of uniform operating rules by tax services in similar actual and legal conditions. improved indicator of voluntary payment of taxes. improved indicator of collection efficiency. increased number and efficiency of inspections with regard to revenue transfer. proper selection of tax payers for auditing in scope of transfer pricing.</td>
<td>Official publications Information brochures Departmental statistics</td>
<td>Cooperation of all institutions involved in project implementation Award of relevant funds for project implementation</td>
</tr>
</tbody>
</table>

### Results/products

more efficient selection of taxpayers for tax audits purposes and smaller number of so called no-result audits. better coordination of tax audits in case of many units participating in audit activities, shorter and simpler some tax audit procedures, decreased number of appeals; mainly as a result of limitation of procedural

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>increased tax controllers effectiveness, fewer inspections without results. better information flow between institutions on inspections carried out and planned. increased number of decisions without appeals, prepared objective ranking of tax</td>
<td>Official publications Departmental statistics Training reports</td>
<td>provisions of required funds punctual implementation of PHARE 1999 “Strengthened tax administration” and PHARE 2001 “Modernisation of Polish tax administration” programs</td>
</tr>
</tbody>
</table>
mistakes made by tax inspectors, objective factors in inspectors’ work assessment, improvement of tax inspectors’ qualifications, efficient management of tax inspectors’ work, increase of tax audits efficiency and effectiveness (20% increase in tax audit effectiveness after implementation of ESCORT system in Denmark), better access to information by WAN, improvement of tax administration management based on results achieved, development of effective forms of cooperation of administrations responsible for realization of state budget income, effective functioning of a monitoring system for application of tax law, formulated projects of changes in tax law for application of effective tax collection strategy, prepared bases for organization of the support system of transfer pricing control.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Investments</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>evaluation of solutions applied in scope of tax audit support hitherto used in Poland, including possibility to use databases with information about taxpayers; preparation of framework for the system; including users' expectations, legal and technical way of accessing useful data, change in tax audit organization; preparation of project definition - IT system for tax audit support; preparation of a model system based on systems already working in Member States, bearing in mind Polish databases and specific nature of Polish tax system; preparation of implementation of &quot;Tax Control IT Supporting System&quot; analysis of indicators hitherto used for tax administration efficiency evaluation (4.6.4); preparation of a list of indicators to be used in the field of performance management (BCMP 4.6.5); preparation of a report on necessary forms of cooperation between administrations responsible for realization of budget revenues: customs duty, social security payments (10.1.5); preparation of a report on necessary forms of cooperation between administrations responsible for realization of budget revenues of the EU Member States (10.1.3); preparation of a list/report on IT tools used in Member States for contacts with taxpayers; organization of services within the Ministry of Finance responsible for presenting information on the Internet website (BCMP 7.3); preparation of a report on operations of a system for on the basis of experiences gathered in the Phare 2001 framework and earlier (pilot) solutions, preparation of a computer software for risk analysis in tax audit purposes (BCMP 9.1.8); defining tax audit planning method (criteria for selection, monitoring of efficiency of criteria used, cooperation with other countries) - continuation of Phare 1999 activities (BCMP 9.2.4, 9.2.6); preparation of database comprising information about already finished and planned tax audits (BCMP 9.2.8); preparation of database about inspectors' professional qualifications and their work efficiency (BCMP 9.4.6); preparation of the framework for IT tax audit support system (BCMP 9.4.5); preparation of computer software: &quot;IT tax audit support system&quot; (BCMP 9.4.5); training for employees and preparation for system implementation in the whole country (BCMP 9.1.12, 9.1.13, 9.1.14, 9.3.9, 9.3.10); printing training materials (BCMP - 4.5.2, 4.5.3, 4.5.4);</td>
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<td>Project reports Implemenation documentation Users assessment</td>
<td>Phare 1999 and 2001 realization Qualifications of tax administration staff Ensuring of high professional level of training Full provision of IT and data transmission equipment Provision of necessary funds</td>
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taxpayer service and large taxpayers tax audits (BCMP 1.1.6); preparation of a report and organization of training sessions on general system of reaction to faulty tax law application by fiscal services, training for employees (BCMP 1.3.3); two study visits to familiarize Polish officials with practical application of assumptions mentioned in the tax collection strategy; preparation of a report on tax collection strategy in selected EU Member States (BCMP 8.1.2-3); preparation of diagnosing document which will describe present situation in the scope of tax collection strategy and propositions of necessary organizational and legislative changes (BCMP 8.1.4); preparation of a report defining an organizational structure, tasks and functions of tax administration after setting apart tax policy function and tax administration management function (BCMP 1.2.7); comparison of systems used for transfer pricing revealing in chosen EU countries, defining solutions possible to be implemented in Poland; study visits enabling familiarization with systems used in counteracting transfer pricing; defining sources of information that should constitute basis for database necessary for transfer prices' control and framework for its functioning; preparation of transfer prices' control system.

1.1.6, 4.6.6) printing information leaflets for management officers and tax administration employees (BCMP 10.1.4, 7.3.3, 1.2.7, 1.6.6, 4.6.6); purchase and installation of IT equipment and software for Tax Information System (BCMP 1.1.6); study visits: (BCMP 1.1.3 - collecting information about using monitoring systems supporting tax law application by tax services; BCMP 8.1.2 familiarization with types of strategies of tax collection in the EU Member States, bearing in mind good cooperation with Sweden and France; BCMP 4.6.3 analysis of regulations concerning evaluation of tax administration employees' work in EU); training courses for tax administration in the performance management.

<table>
<thead>
<tr>
<th>Annex 2Implementation, contracting and disbursement schedules</th>
<th>Date of Drafting</th>
<th>XI 2001</th>
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