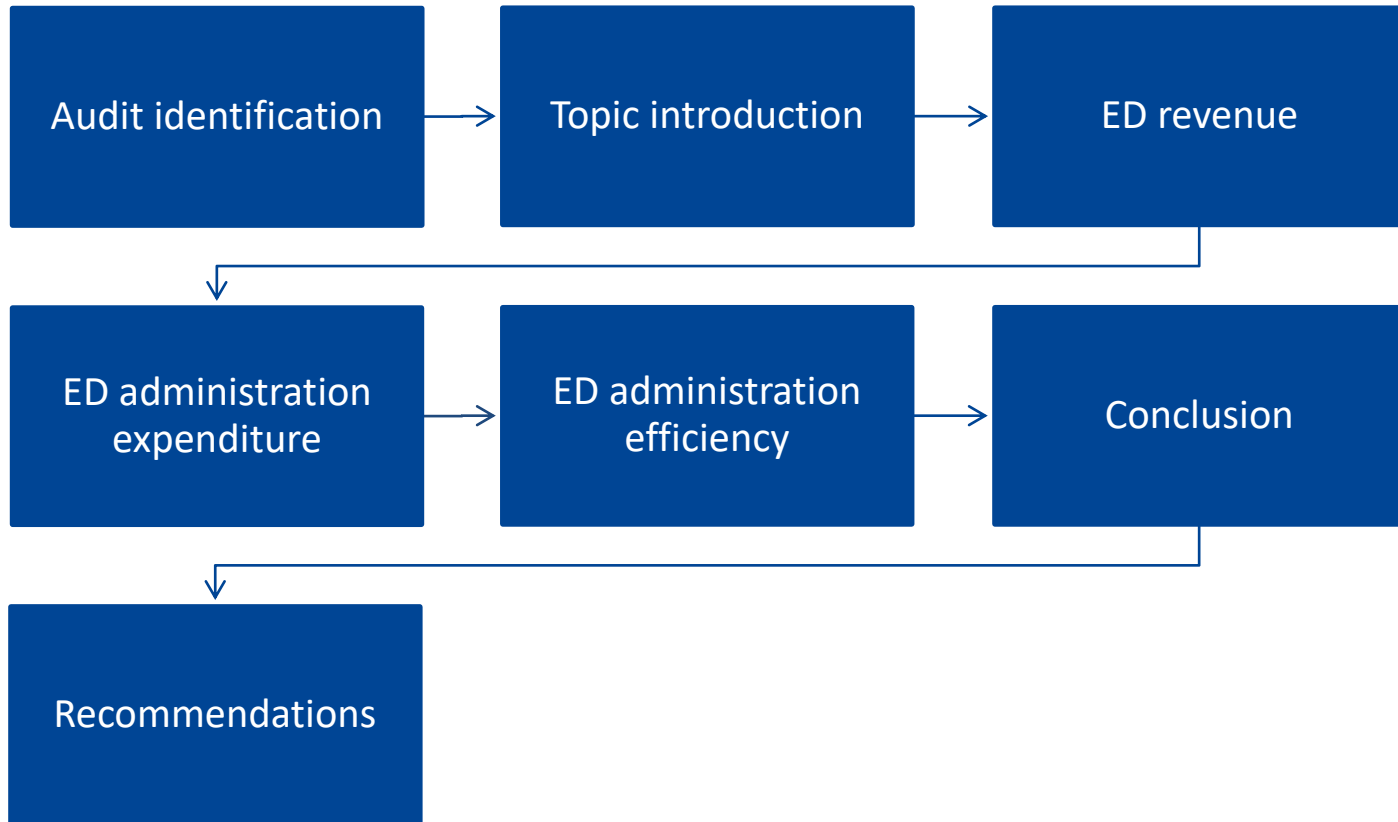




# Outline



# Audit identification

- ✓ SAO CZ and SAO SK performed a **parallel audit focusing on excise duty administration.**

Audited period	2012-2015
Auditee	General Directorate of Customs (CZ) Financial Directorate of the Slovak Republic (SK)
Objective	To compare the performance of the excise duty administrators while taking into account qualitative and quantitative indicators and identifying weaknesses in the excise duty administration process.

# Audited topic introduction

- ✓ The professional public, the government of the Czech Republic, the EU institutions and the World Bank have long declared the need to:



the efficiency of  
public administration



the administrative  
burden on the public

- ✓ Main taxation tasks set by CZ, SK and EU strategic documents:
  - Reducing **tax evasion**
  - Reducing the **financial and time consumption** of tax collection for both taxpayers and tax authorities
  - Reducing taxation on labour compensated by shifting the tax burden to **energy, environmental and property taxes**

# Excise duty revenue

- ✓ Excise duty as a percentage of total tax revenues and as a percentage of GDP **fell slightly** according to the OECD data.
- ✓ The achieved values ( % total tax revenues; % GDP) are **consistently above average** compared to the OECD average.

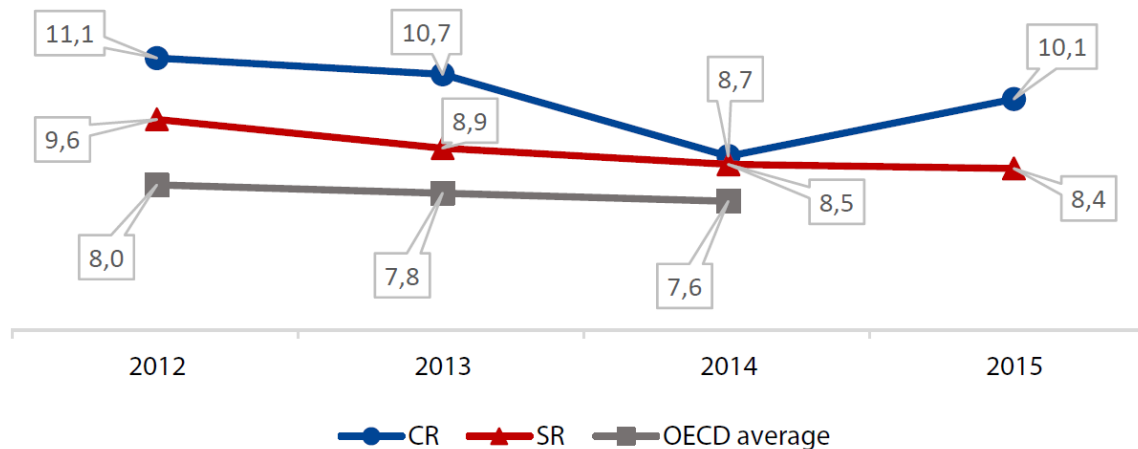
Indicator	2012		2013		2014		2015	
	CR	OECD average	CR	OECD average	CR	OECD average	CR	OECD average
Excise tax revenues as % of GDP	3.7	2.7	3.7	2.6	2.9	2.6	3.4	-
Excise tax revenues as % of total tax revenues	11.1	8.0	10.7	7.8	8.7	7.6	10.1	-
Total excise tax collection per capita (in €)	530.75	-	477.23	-	476.46	-	520.86	-
Population as at 31 Dec. (in thousands)	10,516		10,512		10,538		10,554	

Source: <https://stats.oecd.org/Index.aspx?DataSetCode=REV> as at 1 Dec. 2016, Reports on CA CR Operations for 2012 to 2015, Czech Statistical Office

Note.: GDP – Gross domestic product

# Excise duty revenue

- ✓ The difference between CZ and SK: collection of **ED on mineral oils and tobacco products** which are 2.8 times higher in CZ
- ✓ Indexation of ED rates is not implemented in CZ and SK:
  - The regulatory function of such rates **is reduced**.
  - The EU objectives to make Europe less dependent on environmentally unfriendly resources and the objectives in the area of reducing dependencies on alcohol and tobacco **are not sufficiently supported**.



Source: <https://stats.oecd.org/Index.aspx?DataSetCode=REV> as at 1 December 2016

# Excise duty revenue

CZ: 56 %

SK: 53 %

the share of ED on mineral oils in ED collection in 2015

The trend toward environmentally friendly cars and support for biofuels have negatively affected ED on MO revenue.

CZ: 34 %

SK: 32 %

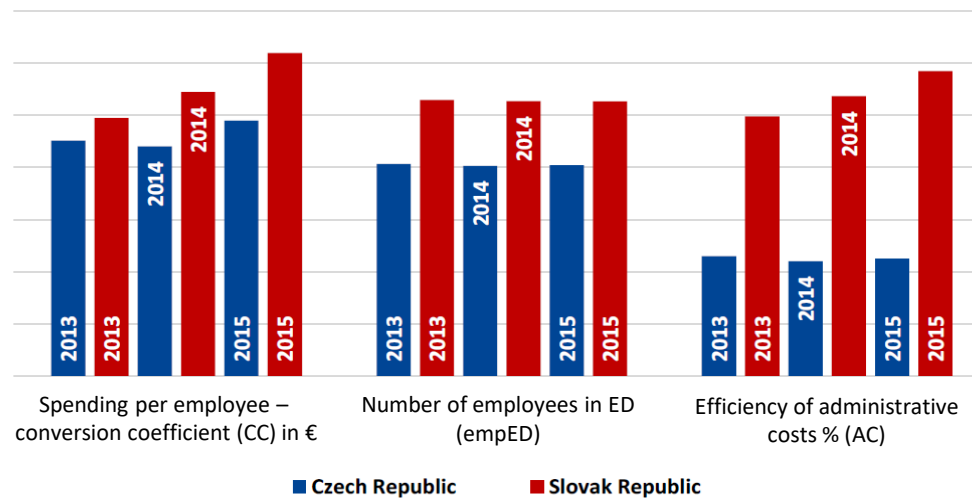
the share of ED on tobacco products in ED collection in 2015

ED on TP revenue was positively affected by the increase in tax rates.

- ✓ % of duty on natural gas, duty on solid fuels, and duty on electricity on total tax collection is negligible, tax rates close to the **minimum rates set by the EU.**

# Excise duty administration expenditure

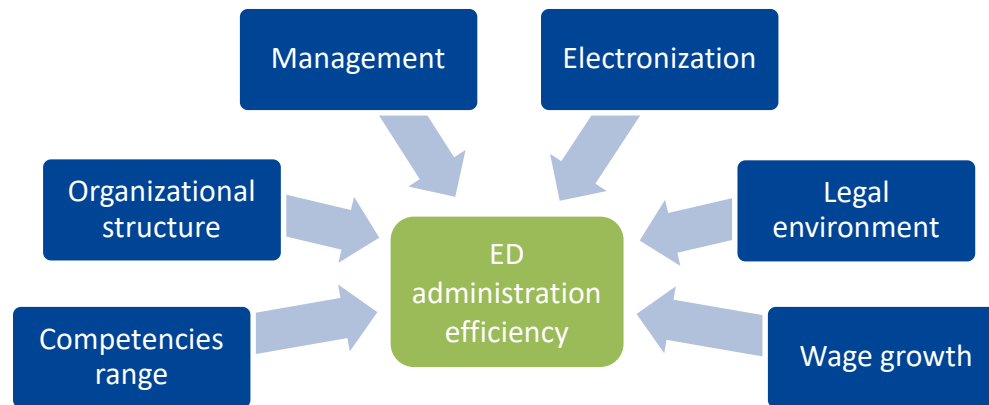
- ✓ Administrative expenditure on ED administration show a **long-term growth trend**.
  - Caused by increase in wages and investment into electronization of tax administration.
  - Compared to SK, payroll expenses in CZ are positively affected by the broader powers of the customs administration.





# ED administration efficiency

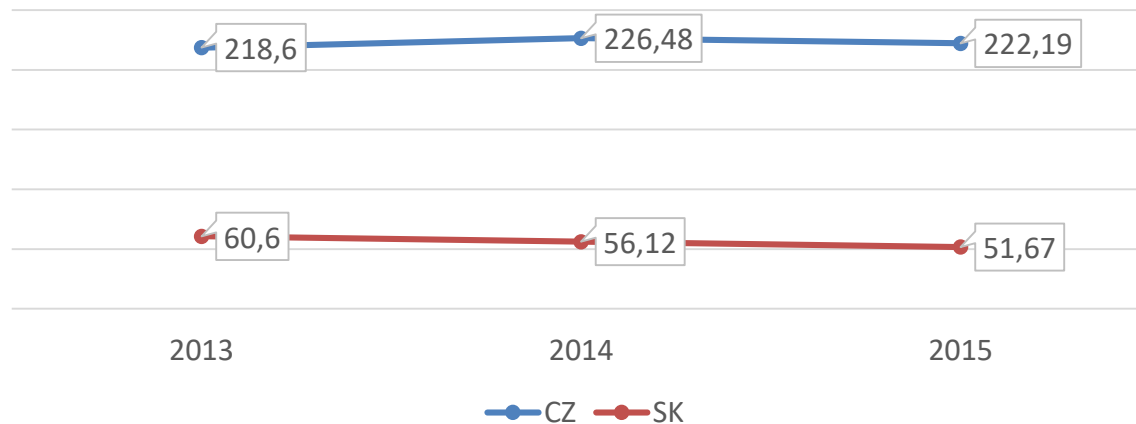
- ✓ **ED administration efficiency** = relationship between the expenditure and revenue associated with the ED administration



- ✓ Revenue side: ED total revenue
- ✓ Expenditure side: total expenditure of customs administration and financial administration converted to the number of employees directly providing ED administrative tasks

# ED administration efficiency

- ✓ The efficiency of administrative costs in SK is decreasing much faster than in CZ.
  - Long-term decline caused by expenditure growing faster than the total ED collection.



- ✓ ED administration stays administratively highly demanding.
- ✓ Number of employees involved in ED administration is not falling.

# Conclusion

## STRENGTHS

HIGH LEVEL OF TAXATION

WIDE SCOPE OF SUPERVISION

HIGH ED ADMINISTRATION  
EFFICIENCY

## WEAKNESSES

COMPLEX GOVERNANCE  
SYSTEM

LACK OF DATA PROCESSING  
AUTOMATION

LOW SHARE OF ENERGY  
TAXES IN TOTAL TAX REVENUE

# Czech SAO recommendations

## HIGHER ELECTRONIZATION

of tax administration with focus on obtaining information on the handling and movement of selected products

## SMART OBJECTIVES

in the strategic materials and focusing the goals on the financial indicators of individual competencies

## AUTOMATION

of processing data stated in the tax returns and reports sent by the tax entities

## TAX ASSESMENT

based on data sent to the tax administration authorities by the tax entities etc.

