



SUMMARY: 2023-2025 PROGRAM FOR COUNTERING SHADOW ECONOMY

What is Shadow Economy?

The shadow economy is a negative phenomenon existing in all countries. In the broadest terms, the shadow economy is any economic activity carried out in such a way as to avoid the law, the taxes and the government supervision, in order to gain benefits for oneself but to the detriment of the whole society. It always generates deep socio-economic challenges, starting from less tax revenues to weakening the competitiveness of law-abiding companies, and thus jeopardizes the normal functioning of the economy and society as a whole. It is a multifaceted problem by its nature that is constantly changing the shape, so it must be addressed continuously and systematically.

A Systemic Approach to Countering Shadow Economy

The first interdepartmental Coordination body for combating shadow economy was established by the Government of Serbia in 2015. The coordination body facilitated the connection of all relevant stakeholders from the government, the private sector, the academic community, and civil society organizations. The first strategic document – the National Program for Countering Shadow Economy – was adopted in that same year, to guide the activities of institutions towards a common goal.

Shadow Economy Tendencies in Serbia

As a result of the systemic approach and the strengthening of the economy, the shadow economy is in decline.

The perception of the scope of the shadow economy shows that the shadow economy in the formally registered economy decreased to 13.8% of GDP in 2024, which is about 1 percentage point lower than in 2017 and about 8 percentage points lower than in 2012. According to the monetary method, the total size of the shadow economy (among registered and unregistered companies) fell to 18.4% of GDP in 2024, which is about 4 percentage points less than in 2017 and about 8 percentage points less than in 2012. The estimated volume of the economy not included, which mainly refers to illegal, underground, and informal activities, shows that this aggregate fell from about 8.3% in 2017 to 6.3% in 2021.

Shadow economy in registered economy

13.8%

of GDP in 2024.

Total volume of shadow economy according to monetary method

18.4%

of GDP in 2024.

Drop from
8.3%
to **6.3%**

of GDP approximation of hidden economy volume

23 

measures contained in the Program for Countering Shadow Economy until 2025

The Program for Countering Shadow Economy until the end of 2025 contains 23 measures.

These measures are aimed at improving oversight and enforcement of violations on one hand, and introducing incentives and reliefs for legal businesses on the other, and can be divided into three groups:

1. Strengthening the capacity of inspections and misdemeanor courts

- 1.1 Establishing full functionality of the eInspector system and the unified Contact Center for national inspections
- 1.2 Improving the efficiency of inspections and inspection practices
- 1.3 Improving the position of inspectors
- 1.4 Development and supervision of the implementation of a hodograph for coordination of inspection oversight
- 1.5 Improving the efficiency of misdemeanor proceedings
- 1.6 Preventing cases of fraud related to food products

2. Improving the tax oversight and reporting procedure

- 2.1 Improving the capacity of the Tax Administration and business entities to implement the Law on Fiscalization
- 2.2 Improving the electronic invoice exchange system
- 2.3 Campaign to promote fiscal responsibility and discipline, and to combat the shadow economy
- 2.4 Strengthening the IT sector and analytical capacities of the Tax Administration
- 2.5 Financial and fiscal education of young people
- 2.6 Establishment of a unified administrative point for issuing certificates on taxes paid (at both national and local levels)
- 2.7 Encouraging the collection of taxes on property lease income

3. Fiscal and administrative relief for legal businesses

- 3.1 Fiscal relief for labor
- 3.2 Establishing a public electronic register of non-tax charges and reform of parafiscal levies
- 3.3 Encouraging cashless payments for public services
- 3.4 Encouraging cashless payments for other goods and services
- 3.5 Campaign to encourage cashless payments
- 3.6 Regulating new forms of employment and their tax treatment, and expanding the scope of simplified employment to new activities
- 3.7 Development and improvement of measures for business startups, and promotion of entrepreneurial mentality and innovation
- 3.8 Countering the shadow economy in real estate brokerage and leasing activities
- 3.9 Improving the procedure of legalization of facilities
- 3.10 Establishment of a unified database of opinions issued by ministries at the request of business entities

Through Dialogue to a Solution

The Program was prepared with the participation of the government, private, and civil sectors. The Coordination Body for Countering Shadow Economy, led by the Ministry of Finance, along with its associated expert-technical body – the Expert Group for Countering Shadow Economy – prepared the draft of this Program. A large number of institutions took part in drafting the document, including the Ministry of Finance, the Ministry of Internal and Foreign Trade, the Ministry of Public Administration and Local Self-Government, the Ministry of Economy, the Ministry of Labor, Employment, Veteran and Social Affairs, the Tax Administration, the National Bank of Serbia, the Fiscal Council, and many others. Additionally, representatives of the academic community, the business sector, and NALED were involved in the role of coordinator of the Expert Group. Thorough consultations were also conducted with the professional and general public, as well as with representatives of the international community who supported the Program.

The preparation and implementation of the Program was supported by the National Cashless Payment Initiative “Better Way.” This is a joint project of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and Mastercard and Visa, implemented under the auspices of the develoPPP program of the German Federal Ministry for Economic Cooperation and Development (BMZ) in cooperation with NALED and the Ministry of Finance of the Republic of Serbia. The goal of the project is greater financial inclusion of citizens and businesses, and the reduction of the shadow economy, by promoting greater use of cashless payments as a key mechanism for establishing transparency of cash flows. An analysis by FREN (June 2024) showed that reaching a level of cashless payments comparable to that of Central and Eastern European countries would lead to an increase in tax revenues of up to 0.7% of GDP, or approximately 380 million euros per year.



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