



# 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 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 the institutions towards a common goal.

## Shadow Economy Tendencies in Serbia

**As a result of the systemic approach and the economy strengthening, 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 11.7% of GDP in 2022, i.e., by about 3 percentage points compared to 2017 and by about 10 percentage points compared to 2012. According to the monetary method, the total size of the shadow economy (among registered and unregistered companies) fell to 20.1% of GDP in 2021, which is by about 2 percentage points less than in 2017, and by about 6 percentage points less than in 2012. The estimated volume of the economy not included, which refers mainly to illegal, underground, informal activities, shows that this aggregate fell from about 8.3% in 2017 to 5.9% in 2021. Subject indicators also coincide with the data of official statistics – where in the same period a significant increase in tax revenues was observed, as well as a significant decline in informally registered workers.

Shadow economy in registered economy

**11,7%**

of GDP in 2022

Total volume of shadow economy according to monetary method

**20,1%**

of GDP in 2021

Drop from **8,3%** to **5,9%** of GDP approximation of hidden economy volume

**23**

measures contained in the new 2023-2025 Program for Countering Shadow Economy

**The new Program for Countering Shadow Economy by 2025 lists 23 measures.** These measures are aimed at improving the oversight and processing of violations on the one hand, and introducing incentives and reliefs for legal business on the other, and can be divided into three groups:

### 1. Strengthening the capacity of inspections and misdemeanor courts

- 1.1 Establishing the full functionality of the inspector system and the one stop Contact Center of the 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 the inspection oversight coordination
- 1.5 Improving the efficiency of misdemeanor proceedings
- 1.6 Preventing fraud connected with foodstuffs

### 2. Improving the tax oversight and reporting procedure

- 2.1 Improving the capacity of the Tax Administration and companies to implement the Law on Fiscalization
- 2.2 Improvement of the electronic invoice exchange system
- 2.3 Campaign to promote fiscal accountability and discipline and the fight against 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 single administrative spot for issuing certificates on taxes paid at local and national level
- 2.7 Encouraging the collection of taxes on property lease income

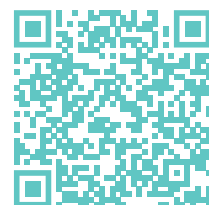
### 3. Fiscal and administrative relief for legal businesses

- 3.1 Fiscal relief for labor
- 3.2 Creating a public, electronic register of non-tax duties and reform of parafiscal charges
- 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 related tax treatment and extending the scope of simplified employment to new activities
- 3.7 Development and improved implementation of measures for startups and promotion of entrepreneurial mentality and innovation
- 3.8 Translation into legal flows of real estate brokerage and leasing activities
- 3.9 Improving the procedure of real estate legalization
- 3.10 Creating a single database of opinions by the ministries issued at the request of business entities

## Through Dialogue to a Solution

**The program was prepared together with the government, private and civil sector.** The Coordination Body for Countering Shadow Economy, led by the Ministry of Finance, and its associated expert-technical body – the Expert Group for Countering Shadow Economy, have prepared a proposal of the subject Program. A number of institutions participated in the drafting of the document – the Ministry of Finance, the Ministry of Internal and Foreign Trade, the Ministry of Public Administration and Local 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. In addition, representatives of the academic community, the businesses, and NALED were involved through the role of the coordinator of the Expert Group. Detailed consultations were also conducted with the professional and the wider public, as well as with representatives of the international community who supported the new Program.

**The development 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, which is 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 reduced shadow economy, while achieving greater use of cashless payments as a key mechanism of creating transparency of cash flows. FREN’s analysis showed that reaching a level of cashless payments comparable to the countries of Central and Eastern Europe would lead to a growth in tax revenues of 1.35% of GDP, or about 700 million euros per year.



Download the 2023-2025 Program for Countering Shadow Economy