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Town view of Subotica, Serbia (generic image)

**CASE STUDY: e-Government**

**DIGITALIZING PROPERTY TAXATION  
IN SERBIA**

Zurich, February 2022

## INTRODUCTION

The Municipal Economic Development (MED) programme is implemented by HELVETAS Swiss Inter-cooperation (HSI) and is funded by the Swiss Agency for Development & Cooperation (SDC). The overall goal of the second phase 2017–2021 is that “Citizens and businesses in target municipalities benefit from a more participatory and accountable local governance and improved public services through enhanced awareness and rule-based management of property tax as a municipal revenue”.

Contributing to this are the three interrelated outcomes:

- Municipalities manage registration and collection of property tax more effectively
- Municipalities and citizens (taxpayers) engage more closely in issues of collection and use of property tax resulting in more municipal investments in services and municipal infrastructure”
- **An effective policy dialogue between the Programme stakeholders at the local and central levels leads to improved efficiency in property taxation in line with the good governance principles**

## WHAT IS E-GOVERNMENT?

In a nutshell, e-Government is the use of a range of information and communication technologies (ICT) by government agencies to transform their operations in order to improve effectiveness, efficiency, service delivery and to promote democratic governance. Over the past decade multiple e-Government programmes and projects have been piloted and implemented globally within the sphere of international development cooperation. On one hand e-Government presents challenges related to digital data security, enhanced surveillance, politically motivated infodemics on social media, risks of increasing the digital divide and closures of online civic spaces. On the other hand, the Covid pandemic has in many countries brought more focus to its transformational potential e.g., by prompting stronger virtual state-citizens engagement at local governance level and giving opportunity for civil society to dialogue more regularly with Government stakeholders in policy and decision-making processes. While these experiences are directly contributing to SDG target 16.7 of “inclusive, participatory, and representative decision-making at all levels”, lessons learned on other

MED applies **inclusive systemic thinking** as a core approach towards achieving durable solutions and systemic change. Consequently, the Programme pursues policy- and legislative changes within the multi-level governance system of the Republic of Serbia. In alignment with the national e-Government strategy, MED successfully contributed to legal amendments with Article 159 of the Law on Tax Procedure and Tax Administration which prompted the initiative of establishing a **Unified Information System (UIS) for Property Tax Management**

entry points for e-Government have been generated related to the categories below<sup>1</sup>.

The case narrated here on establishing an online **Unified Information System for Property Tax Management** in Serbia, falls in the category of “Digital Government Services”.

**Digital Government Systems**  
(e.g. digitized fiscal transfer and salary payment)

**Digital Government Services**  
(e.g. online one-stop-shop and tax payment system)

**Digital Participation in Governance**  
(e.g. online public hearing with citizens)

**Global Digital Governance**  
Norms, institutions and standards regulating management of private data and information

<sup>1</sup> Inspired by SDC paper “Key Issues in Digitalisation and Governance”, June 2021

## PROPERTY TAXATION IN SERBIA

Serbian municipalities have over the years experienced capacity gaps in managing the registration and collection of property tax. Until 2006 property tax was in Serbia administrated and collected by the National Tax Authority. Property tax revenues collected until then were very modest and property tax databases were poorly maintained. All this resulted in negative financial implications for Serbian towns and municipalities. With the adoption of the Law on Financing of Local Self-Government, municipalities have since 2007 been responsible for the collection and administration of property tax, which since then developed into the main source of own revenue<sup>2</sup> contributing to the total municipal budget by ca. 9% on average. With the transfer of property tax administration responsibilities to municipalities, Local Tax Administrations (LTA) overtook poor and incomplete databases of taxpayers and properties from the National Tax Authority. Furthermore, citizens and business owners (taxpayers) have historically not engaged much with municipalities to discuss the importance of paying property tax with the aim to generate public funds for investments in public service improvements and municipal infrastructure. This is largely because of a weak social contract where taxpayers have had little confidence that municipalities would plough back tax payments into e.g., improved health, water, education, and recreational facilities into communities. Aside from the e-solution featured here, MED interventions have led to increased public awareness of the significance of property tax for enhanced local development and well-being. Throughout the Programme partnering municipalities have actively informed their citizens about the importance of property tax payment for the delivery of quality, affordable and accessible public services. When doing so, municipalities have become more transparent and thereby revamped

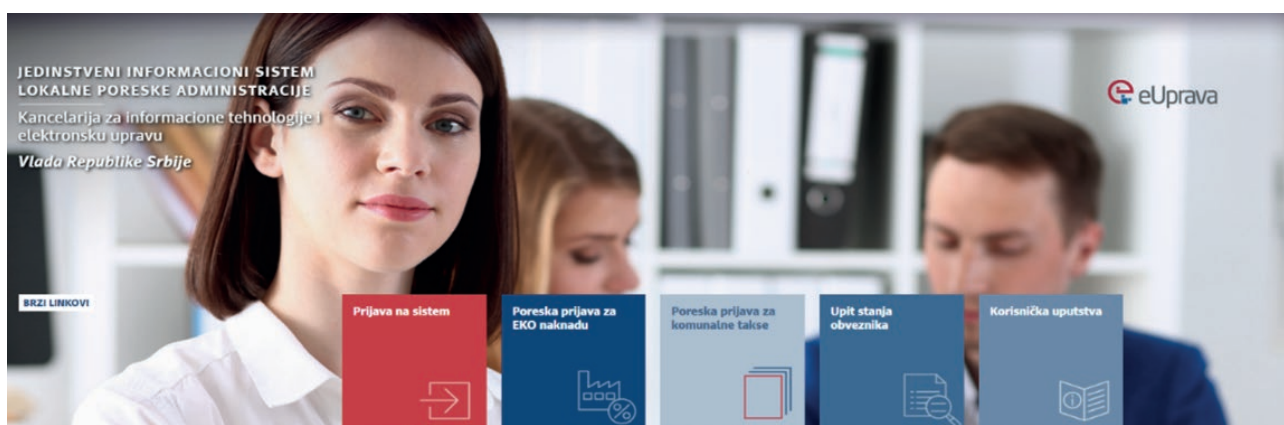
public trust by making information available on their revenues from property tax and expenditures for service and infrastructure investments.

### The e-solution to improve property tax management

At the macro level, the enabling environment for effective property tax management in Serbia has been below-par due to inadequate policies and legislation for decentralized fiscal governance and taxation policies that would ensure that municipalities have commensurate revenues and income streams to effectively carry out their mandate. With support from MED, Standing Conference of Town and Municipalities (SCTM)<sup>3</sup> and national institutions have engaged in policy dialogues to introduce much needed policy- and legislative changes. One of the main outcomes was the new Article 159 of the Law on Tax Procedure and Tax Administration which was drafted by the MED team of experts and adopted by the National Parliament in April 2018. This ultimately led to policymakers agreeing on the e-solution to improve digital Government services by establishing a more efficient online property tax system – Unified Information System.

Until the introduction of the UIS, Local Tax Administrations had their own individual software solutions and databases for tax data administration which where technically not all compatible with the UIS.

- 2 Own Source Revenue refers to taxes, levies, licences, and fees which Municipalities are allowed to collect and manage autonomously from Central Government
- 3 Founded in 1953, SCTM is the National Association of Towns and Municipalities in Serbia





The MED programme therefore supported 31 municipalities to migrate their data to a compatible database. The new system also enabled the exchange of necessary data between all LTAs and other authorities, for example with the Ministry of Interior and Cadastre. This simplified administrative procedures and made data management more efficient. In addition, taxpayers are no longer required to submit data which can already be obtained from official records through centralized and institutional interchange of data. It is important to point out that the system has good data security. Taxpayers are logging into the system by two-factor authentication, which provides good data protection.

MED supported the technical development of the Unified Information System<sup>4</sup>. It took 7 months to set up and was launched on January 1, 2019 with nationwide attention and media coverage in TV news and talk-shows.

So, by taking a systemic approach MED both prompted policy and legislative changes and supported creating the actual system. A key ingredient for this dual approach was the fostering of multiple stakeholders' ownership to ensure that the e-solution would be durable and supported across the board. The key Governmental stakeholders were the Prime Minister's Office and the Government Office for IT and e-Government which was technically supported by the state-owned software developer Mihajlo Pupin Institute. The Government of Serbia (GoS) appointed the Delivery Unit for IT and e-Government to carry out the task. During the implementation GoS decided to institutionalise this Delivery Unit into a permanent Government Office directly linked to the Prime Minister's Office. To this end, 60 people have been trained and employed by GoS to sustainably implement and monitor policy changes requiring state-of-the-art ICT supported solutions to provide enhanced services to citizens and entrepreneurs.



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Aerial view of houses in Prijepolje, Serbia (generic image)

## THE IMPACT

“Local Tax Administration, the future is here: With the Fourth Industrial (Digital) Revolution, we have a chance to make up for lagging behind and catch up with more developed countries. This technological revolution will fundamentally change our lives, it is inevitable and unstoppable.

Only winning societies choose to welcome changes, they do not averse from them. The digitization process will enhance the standard and quality of life for hundreds of thousands of Serbian citizens. The digitization process is the most important catalyst of innovations, competitiveness and growth”

The Office for Information Technologies and E-Government

The systemic changes made towards improving property tax management has so far resulted in the integration of all 145 Serbian Local Tax Administrations and 3,000,000 property tax users into the Unified Information System. As a direct result, municipalities have collected a total of CHF 122.446 Mio. thereby generating an additional CHF 5.16 Mio. in property tax revenues. The number of registered properties has increased by 26% from 638,175 to 803,813.

Before the introduction of UIS, the main challenge for taxpayers was that property data was not centralized in one place. Therefore, citizens and business owners had to deal with multiple Local Tax Authorities for the territories in which they own property. The UIS greatly reduced red tape and made it easier for taxpayers to obtain the necessary tax documentation and settle their tax payments in one place. Now they can use the [online portal](#) to fill in and submit tax returns, check their property tax obligations and balances in real-time throughout the country and they can also pay it online. A mobile app is also available. Citizens who have opened electronic mailboxes can receive property tax bill in electronic form. This has also reduced red tape and proven to be of great convenience during the global Covid pandemic.

After setting up the UIS, MED has continued to facilitate policy dialogue in cooperation with the SCTM leading to the introduction of digital innovations in the eco-fee collection which is another own source revenue of municipalities. Following the introduction of this efficient e-service in August 2020 more than 500,000 eco-fee applications were registered in less than six months. The introduction of the MED supported eco-fee e-service triggered collection of additional CHF 5 Mio. of own source revenues for Serbian LGs in 2020 only.



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### Gender and Social Equity in Property Taxation

Gender and Social Equity has been a key transversal topic in MED related to property tax revenues and their funding of public services which respond to the needs of women and most vulnerable community groups. In Serbia, the majority of private property taxpayers are men as they are the predominant owners of private property. On the expenditure side, women on the other hand, are the main beneficiaries of public services co-financed by property tax revenues. Property tax is also in other terms a socially fair and progressive tax. Owners of larger properties and properties on more expensive locations have to pay significantly higher taxes than owners of small properties in less attractive areas. Property tax thereby contributes to fiscal redistribution and providing resources to address social needs in vulnerable groups.



## KEY LESSONS LEARNED

While MED technically supported the establishment of the UIS the key enabling factor for improved property taxation in Serbia was how the Programme fostered the understanding and nudged the support of national policymakers. A wide range of working groups and meetings with line ministries, representatives of municipalities and government bodies (Prime Minister's Office, E-Government Office) were organized to amend the legislation. So, after the adoption of article 159 of the Law on Tax Procedure and Tax Administration, the frame conditions were conducive for the technical implementation of the UIS.

Also, the mass media's agenda-setting and focus on property taxation, local governance and finances proved to be crucial factors for the Programme's success. The media has continuously aimed to raise citizens awareness about the relevance of the topics addressed by MED. Mayors, Programme partners and staff effectively disseminated information to the general public, citizens, entrepreneurs and taxpayers about the activities and relevance of the Programme for Serbia in national and local TV and radio broadcasts, daily and weekly newspapers.

**COVID-19** clearly disrupted and transformed the context in which MED operated. It confirmed that development programmes such as MED, which aim to achieve systemic and sustainable impact, are required to perform adaptive management. This was based on deepened analysis of the political, social, and economic context to ensure an agile and successful implementation and to effectively respond to unforeseen challenges and a changing environmental setting. The limited opportunities for face-to-face interactions in the ongoing pandemic underlined the advantages and efficiency of virtual engagement and digital e-government services.



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Houses in Zemun (Belgrade), Serbia (generic image)