

TAX PROCEDURES IN DIGITAL DECADE – SITUATION ASSESSMENT AND PERSPECTIVES

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ABSTRACT

The digital transformation of public administration is of strategic importance for Croatia, and digitization has been an important goal in shaping public policy in Croatia and the European Union in recent years. Modernization of Croatian public administration and fast and reliable public service delivery are necessary for a stimulating entrepreneurial environment and better living conditions for all citizens. Public administration needs stable institutions, which should be oriented towards the satisfaction of all users, but at the same time sufficiently adaptable to the numerous social challenges.

The fundamental task of tax administrations is to educate and inform taxpayers about their obligations, provide them with assistance, process applications in a timely and professional manner, and ensure accuracy and fairness in the determination and allocation of obligations, thereby strengthening trust in the tax administration as an institution and consequently encouraging taxpayers to voluntarily fulfill their obligations as responsible citizens of the Republic of Croatia.

Citizens, tradesmen and entrepreneurs communicate with the tax administration on a daily basis, so there is a strong awareness among the public of the need for efficiency, fairness and competence of the tax administration in every area.

The digital transformation of tax administration can significantly impact the synergy between tax administration and taxpayers. Taxpayers will have new, modern, and widely available communication channels that allow access to accurate, timely data at any time and from any location, and the tax administration will have the ability to process data quickly, efficiently, and accurately and take the necessary actions to collect revenue.

This paper presents the progress of the Republic of Croatia in the digitization process and the changes in the regulations, and compares the state of digitization in the Republic of Croatia and Estonia, which is the leader in Europe in terms of the level of digitization in the field of public services.

Keywords: *Digitization, Digital Decade, DESI 2022, E-tax, real estate transfers, tax procedures*

1. EUROPE'S DIGITAL DECADE: DIGITAL TARGETS FOR 2030

The digital world should be based on European values - where no one is left behind and everyone enjoys freedom, protection and fairness. Europe's digital decade is one where everyone has the ability to use everyday technologies. Connectivity is reaching people in villages, mountains, and remote areas, enabling everyone to take advantage of online opportunities and share in the benefits of digital society. Key public services and administrative procedures are available online to make it easier for citizens and businesses.

The Digital Decade is a comprehensive framework that will guide all measures related to digitization. The goal of the Digital Decade is to ensure that all aspects of technology and innovation benefit people.

1.1. Path to the Digital Decade

The "Path to the Digital Decade" policy program, which is a political agreement of the European Parliament and the Council of the EU, creates a mechanism for monitoring and collaboration to achieve the common goals of Europe's digital transformation set out in the Digital Compass by 2030. This relates to skills and infrastructure, including connectivity, digitization of businesses and online public services, as well as monitoring compliance with digital rights and EU principles in achieving common goals. To achieve the goal, an annual mechanism of cooperation between the Commission and member states is needed, so that the Commission, together with member states, sets the direction of European Union action toward a specific goal, after which states propose national strategic plans to achieve it.

The mechanism of cooperation would include:

- a structured, transparent, and shared monitoring system in which progress toward a given goal by 2030 is measured through the Economic and Social Digitization Index (DESI)
- an annual report on the state of the digital decade, in which the Commission assesses progress and makes recommendations for action

- multi-annual strategic plans for the Digital Decade, in which member states briefly outline adopted or planned policies and measures to support the achievement of the goal by 2030.
- a structured framework for discussing and resolving issues where insufficient progress has been made, through shared commitments between the Commission and member states
- a mechanism to support the implementation of cross-state projects¹.

1.2. National development strategy of the Republic of Croatia until 2030²

The vision of the Republic of Croatia is that in 2030 Croatia will be a competitive, innovative and secure country with a recognizable identity and culture, a country with preserved resources, good living conditions and equal opportunities for all.³ The National Development Strategy defines strategic goals in four development directions that will contribute to the realization of the vision of Croatia in 2030. With regard to the topic of the work, we will analyze the development direction Sustainable Economy and Society, whose strategic goals are: 1. A competitive and innovative economy, 2. Educated and employed people, 3. Efficient and effective judiciary, public administration and state property management, and 4. Global recognition and strengthening of Croatia's international position and role.⁴

In the next decade, the public administration should be functional and open, responding effectively at all levels to the needs of society and contributing to the quality of life of citizens and the economic progress of the country⁵. In order to increase the legal security of citizens, special efforts will be made to improve the quality of communication between public institutions and citizens. In the spirit of more accessible and understandable communication, special standards and guide-

¹ Digitalno desetljeće Europe: digitalni ciljevi za 2030., [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/europes-digital-decade-digital-targets-2030_hr], Accessed 23 March 2023.

² In 2018, the government began drafting the National Development Strategy to 2030. year as comprehensive act of strategic planning, which in the long term guides the development of society and the economy in all issues of importance to Croatia, and thus represents the first way since gaining independence, receives a framework for development in the next decade. The document is based on the competitive economic potential of Croatia and the identified challenges of development potential at the regional, national, European and global levels. The elements of the strategic framework consist of the vision of Croatia in 2030, development directions and strategic goals.

³ Razvojna nacionalna strategija Republike Hrvatske do 2030., [<https://hrvatska2030.hr/>], Accessed 24 March 2023.

⁴ *Ibid.*, p. 3.

⁵ Jurlina-Alibegović, D., *Reformskim mjerama do učinkovite javne uprave u Hrvatskoj*, in: *Novosti u upravnopravnom pravu i upravnosudskoj praksi*, 2016, pp. 1-23.

lines will be developed to improve and simplify written and online communication by state and public administration agencies.

1.3. Strategy of Digital Croatia for the period until 2032

Because of the priorities of the European Union, with the participation of representatives of the public sector, business, academic community and professional associations, the Digital Croatia Strategy for the period until 2032 was prepared and adopted by the Croatian Parliament in December 16th, 2022. The strategy is one of the acts of strategic planning that supports the implementation of the National Development Strategy of the Republic of Croatia until 2030.

The strategy sets clear goals for Croatia's digital transformation over the next decade and defines priority areas for public policy implementation⁶. Based on the defined vision, which determines what should be achieved through digitalization, and based on the analysis of the current situation and the identified development needs and potential, four strategic goals were set: Developed and innovative digital economy, Digitized public administration⁷, developed, available and used networks with very large capacities, and Developed digital skills for living and working in the Digital age.⁸

The plan envisages Croatia becoming a country with digitally and economically competitive businesses and a digitized public administration by 2032, with the importance of all levels of government and citizens being actively involved in digital processes.

1.4. National plan for the development of public administration for the period from 2022 to 2027.⁹

The national plan was created respecting the principles of partnership and transparency, using different dialogue and consultation mechanisms. By decision of the

⁶ Tham, J., *Critical Factors for Creating a Successful Digital Public Administration*, SSRN Electronic Journal, 2018, [<http://dx.doi.org/10.2139/ssrn.3296207>].

⁷ Ižaković, I., *Sustav e-Građani kao čimbenik razvoja e-uprave – perspektiva primjene u izvanrednim okolnostima*, in: Sudarić, Ž.; Petrašević, T. (ur.), *Zbornik radova 11. međunarodne konferencije „Razvoj javne uprave“*, Veleučilište „Lavoslav Ružička“, Vukovar 2021., pp. 175-184.

⁸ *Strategija digitalne Hrvatske za razdoblje do 2032.*, [<https://rdd.gov.hr/istaknute-teme/strategija-digitalne-hrvatske-za-razdoblje-do-2032/2009>], Accessed 24 March 2023.

⁹ The goal in the next seven years is to act in three directions: legislative, organizational and development, and all in order to ensure faster and better quality public services, resilient and agile public services and administration that is capable of responding to the demands of citizens and business entities.

Government of the Republic of Croatia, Ministry of Justice and Public Administration was charged for creating the National plan and they formed an expert working group.

Every citizen of the Republic of Croatia has the right to good public administration¹⁰. Good public administration means an efficient administration organized in such a way that the rights of citizens can be easily exercised and the norms and principles of (administrative) conduct are respected. Without good public administration, there will be neither transparent and accountable executive authorities nor independent institutions.¹¹

The reforms implemented in the Croatian public administration over the past two decades have improved the efficiency of the public administration and its cost effectiveness. State administration and public institutions have become more open and transparent, and access to public information has improved through digitalization.

National plan for the development of public administration for the period from 2022 to 2027 will enable the further transformation of Croatian public administration into a professionalized, efficient and transparent public administration, adapted to the needs of society and citizens. In the period of implementation of the National plan, public administration will take advantage of the opportunities offered by digital transformation.

One of the biggest challenges for public administration is finding and keeping high competent and motivated employees. The knowledge, skills and motivation of each employee have significant impact on the productivity and quality of public administration, and thus the quality of public services. Therefore, one of the most important goals of the National plan is related to reform and development human resources in public administration.

There is a need to integrate technological innovations into public administration business processes, especially to meet the expectations of users, primarily citizens and businesses. Citizens expect to find all necessary information about public institutions on the Internet and social networks.

¹⁰ Čolak, K.; Tušek, K.; Pušeljić, M., *Uloga menadžmenta u procesu digitalne transformacije*, Društvena i tehnička istraživanja, Vol. 6, No. 2, 2020, pp. 196-212.

¹¹ Charter of Fundamental Rights of the European Union, [<https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:12016P/TXT&from=RO>], Accessed 24 March 2023.

2. DIGITAL ECONOMY AND SOCIETY INDEX 2022 (DESI 2022)¹²

The proposed Path to the Digital Decade Policy Programme will use DESI indicators to monitor progress towards the 2030 targets. The targets set out in the proposed Digital Decade Policy Programme are organised under four cardinal points: a digitally skilled population and highly skilled digital professionals, secure and sustainable digital infrastructures, the digital transformation of businesses, and the digitalisation of public services. The structure of the DESI and indicators have been adapted accordingly.¹³

The DESI 2022 results show that while most of the Member States are making progress in their digital transformation, the adoption of key digital technologies by businesses, such as artificial intelligence and big data remains low.

As in the previous years, Finland, Denmark, the Netherlands and Sweden continue to be the EU frontrunners and the data indicates that Italy, Poland and Greece made the most progress over the last 5 years. The other Member States are advancing and EU as a whole continues to improve its level of digitalisation.

In the area of digital public services, DESI monitors the online provision of public services by scoring Member States on whether or not it is possible to complete each step of key services completely online, and the extent to which they are available cross-border. The scores (describing how fully the services are provided online) reached 75 out of 100 for digital public services for citizens and 82 out of 100 for businesses. Estonia, Denmark, Finland and Malta have the highest scores for digital public services in DESI, while Romania and Greece have the lowest. Like we said before, The Path to the Digital Decade sets the target that all key public services for citizens and businesses should be fully online by 2030.

¹² The European Commission has monitored Member States' progress on digital and published annual Digital Economy and Society Index (DESI) reports since 2014. The Digital Economy and Society Index (DESI) is an annual report published by the European Commission that monitors the progress of EU Member States on their digital development. This report includes country profiles, which help Member States identify areas for priority action, as well as thematic chapters providing an EU-level analysis in the four principal policy areas: human capital, connectivity, integration of digital technology, and digital public services. In addition, the DESI country reports provide an assessment of national digital policies and an overview of the digital investments and reforms in the Recovery and Resilience Plans.

¹³ Questions and Answers: Digital Economy and Society Indeks (DESI) 2022, [https://ec.europa.eu/commission/presscorner/detail/en/qanda_22_4561], Accessed 11 April 2023.

2.1. DESI-Croatia¹⁴

Croatia ranks 21th of 27 EU Member States in the 2022, with score 47.5, while EU score is 52.3. Croatia scores well in terms of open data, but its score is counter-balanced by poor performance in the field of Digital Public Services, with a small number of users, a scarce use of prefilled forms and limited provision of public services both to citizens and enterprises. Ongoing efforts need to be continued to achieve the Digital Decade target of 100% online provision of key public services for citizens and businesses.

Croatia ranks 23rd in the EU on Digital public services. Despite many improvements by the government in digital public services, Croatia is still underperforming on the availability of digital public services, with a score of 69 on digital public services for citizens (average in EU is 75) and 68 for businesses (average in EU is 82). The people of Croatia have access to a variety of online services through the e-Citizen national web portal, which has been used more than 33.5 million times in 2021.¹⁵

Among the new applications launched in 2021 were the e-Application of Life Partnership, enrolment in educational institutions, the population census and the EU Digital COVID certificate.

2.2. Estonia - world's most advanced digital society

Estonia is a global leader in the digitalisation of public services and continues to invest heavily in this area. Both the public and businesses are used to carrying out administrative tasks online which are user-centred and very accessible, so country can be an example to other Member States for the Digital Decade in that respect.¹⁶ Thanks to a safe, convenient, and flexible digital ecosystem, Estonia has reached an unprecedented level of transparency in governance. This has built broad trust in its digital society.

Estonia often positions itself as one of the most digitalised nations in the world, branded as eEstonia. The country is also at the forefront of digital democracy. Electronic voting is possible for local, national and European elections.

¹⁴ The Digital Economy and Society Index — Countries' performance in digitization, [<https://digital-strategy.ec.europa.eu/en/policies/countries-digitisation-performance>], Accessed 11 April 2023.

¹⁵ Total number of e-citizens on 31 December 2021, was 1 571 947, with an annual increase of approx. 380 000 users in each of the last 2 years.

¹⁶ The Digital Economy and Society Index — Countries' performance in digitisation, [<https://digital-strategy.ec.europa.eu/en/policies/countries-digitisation-performance>], Accessed 11 April 2023.

Almost 90% of Estonians have an ID card, which is also an eID notified under the eID regulation and issued by the government. It gives citizens access to a wide range of digital public services. In addition, 6 additional eID systems (including 5 of them notified under the eID regulation) exist in the country. E-ID systems of 12 other Member States can be used to access digital Estonian public services.

Estonian public institutions gradually moves from legacy IT systems to a new government cloud solution, which has been developed in line with the national IT Security Standard. The Estonian Government Cloud supports the modernisation and renewal of existing information systems, allowing the government to embrace opportunities offered by cloud technology. This will allow more agility in the provision of e-services by government agencies and critical service providers to residents and e-residents.¹⁷

3. TAX PROCEDURE – SPECIAL ADMINISTRATIVE PROCEDURE

3.1. Legal framework for digitalization of administrative procedure

The rapid development of information and communication technology steers public administration towards modernization and development, especially if it wants to play the role of a socially useful and necessary service in the function of social progress.¹⁸

Electronic administration (or e-administration for short) is a public administration that has undertaken an infrastructural transformation of work processes through the use of information and communication technologies¹⁹, resulting in greater work efficiency, more rational use of budgetary resources, and higher quality in the provision of services. Their development creates the conditions for a faster response of the administration to a request made by a public service.

¹⁷ Government Cloud, [<https://e-estonia.com/solutions/e-governance/government-cloud/>], Accessed 11 April 2023.

¹⁸ Ljubanović, D., *Izazovi upotrebe sredstava elektroničke komunikacije i novi Zakon o općem upravnom postupku*, in: Koprić, I.; Đulabić, V. (ur.), *Modernizacija općeg upravnog postupka i javne uprave u Hrvatskoj*, p. 123.

¹⁹ According to the World Bank's definition, Information and communications technology expenditures include computer hardware (computers, storage devices, printers, and other peripherals); computer software (operating systems, programming tools, utilities, applications, and internal software development); computer services (information technology consulting, computer and network systems integration, Web hosting, data processing services, and other services); and communications services (voice and data communications services) and wired and wireless communications equipment.

For the digitization of public administration²⁰ to achieve the desired efficiency, digital equality, i.e., the availability of digital tools²¹, must be ensured. The basic prerequisite for the digitization of public administration and its ability to function is the provision of the material and technical prerequisites. The concept of non-availability of technologies (for the purpose of realizing the right of access to public administration services) is defined as a digital divide. The digital divide refers to differences in the use of new technologies, and this concept can be considered in terms of general Internet access and personal Internet access.²²

The Act on the General Administrative Procedure prescribes, as a general procedural regulation, the rules on the basis of which public law bodies²³ decide on administrative matters within their jurisdiction. With the Amendments of the General Administrative Procedure Act²⁴ and the New Regulation on Office Administration²⁵, a complete legal framework has been created that enables and promotes electronic communication and the digitization of administrative and other procedures and business processes of public-law entities²⁶. The principle of communication and official correspondence between public-law entities and between public-law entities and natural and legal persons is introduced, primarily by electronic means.

The Amendments of the General Administrative Procedure Act created a legal framework for reliable and secure electronic communication with parties in administrative proceedings through identification with the OIB. The certification of administrative acts by electronic signature and seal as well as delivery by electronic means were regulated²⁷.

New Regulation on Office Administration provides for the obligation to adapt or establish office operations information systems in accordance with the rules of the

²⁰ Pusić, E., *Modernizacija javne uprave, Hrvatska i komparativna javna uprava*, Vol. 1, No 1, 1999, pp. 1-42.

²¹ Đanić Čeko, A.; Guštin, M., *Digitalizacija hrvatske javne uprave s posebnim osvrtom na sustav socijalne skrbi*, Zbornik radova Pravnog fakulteta u Splitu, Vol. 59., No. 4., 2022, pp. 793-821.

²² Musa, A., E-uprava i problem digitalne podjele, in: *Informatopolis: Otvoreni dan suvremene javne uprave*, Vrčček, N.; Bača, M., Fakultet organizacije i informatike, 2006., p. 17.

²³ State administrative bodies, other state bodies, bodies of local and regional self-government units and legal persons under public law.

²⁴ Amendments of the General Administrative Procedure Act, Official Gazette, No. 47/09 and 110/21.

²⁵ New Regulation on Office Administration, Official Gazette, No. 75/21.

²⁶ Martinović, T., *Prve novele u Zakonu o općem upravnom postupku*, Financije, pravo i porezi, 2022, pp. 156-159.

²⁷ Staničić, F., Što nam donosi prva promjena Zakona o općem upravnom postupku?, *Informativ*, Vol. 69, No. 6699, 2021, pp. 1-5.

Regulation by the beginning of 2023 at the latest. The office operation information system must enable complete office operation in electronic form, it must have the possibility to connect and exchange data with other information systems kept separately for certain administrative areas, and it must have the possibility to connect and exchange data with the ZUP IT system.

Although a legal framework for digitalization is being created and information and communication solutions are being developed, we believe that public administration cannot be fully digitalized because older or financially weaker people do not have the technical conditions to use the services.

3.2. Tax procedure – special administrative procedure

All administrative matters should be treated according to the Act on General Administrative Procedure²⁸ as a general law and equally for all to whom it is applied, provided that this law contains adequate legal norms and that there are administrative bodies that know how to apply them in each case. If, nevertheless, the legislator has decided on the possibility of different treatment in certain administrative areas, this can be done only as an exception and under precise legal conditions.²⁹

The tax procedure is a special administrative procedure that establishes the rights and obligations of the taxpayer, and is governed by the General Tax Law³⁰ and special laws on certain types of taxes and other public benefits.³¹ Issues not regulated by these laws are governed by the Law on General Administrative Procedure. In the tax procedure, the tax authority³² is obliged to ascertain all facts necessary for a lawful and correct decision.

Due to the broad scope of the tax authorities' duties, the tax authority is obliged to establish an information system that provides taxpayers with clear, modern and

²⁸ Only certain matters of administrative procedure may be regulated by law in a deviating manner, if this is necessary for processing in certain administrative areas and if this does not contradict the basic provisions and purpose of the General Administrative Procedure Act.

²⁹ Ljubanović, B., *Postupanje po novom Zakonu o općem upravnom postupku i posebni upravni postupci*, in: Koprić, I.; Đulabić, V., *Modernizacija općeg upravnog postupka i javne uprave u Hrvatskoj*, Zagreb, pp. 143-155.

³⁰ General Tax Law, Official Gazette 115/16, 106/18, 121/19, 32/20, 42/20, 114/22.

³¹ General tax law regulates the relationship between taxpayers and tax authorities applying rules on taxes and other public benefits, unless special laws on certain types of taxes and other public benefits provide otherwise, and constitutes the common basis of the tax system.

³² According to the General Tax Law, a tax authority is a state administrative body, an administrative body of a regional (local) self-government unit, or an administrative body of a local self-government unit, the scope of which includes the assessment and/or supervision and/or collection of taxes.

easy access to information by publishing tax regulations and their amendments on its websites.

3.3. Implementation of e-tax

The Croatian tax system is based on the principles of equality and justice, according to which all citizens are obliged to contribute to the financing of public expenditures according to their economic possibilities. The tax administration performs its duties in compliance with these constitutional principles.

As a tax authority within the meaning of the Tax Administration Act³³, the Tax administration³⁴, in cooperation with taxpayers, collects public revenues in order to protect society, to protect the financial interests of the Republic of Croatia and the European Union, and to ensure equal conditions for all entrepreneurs and citizens in accordance with constitutional principles.

E-commerce is a very important goal of the Tax Administration, as it contributes to a further reduction of indirect tax costs. The electronic services of the Tax Administration date back to 2005, which made the Tax Administration one of the pioneers of electronic state administrative services in the Republic of Croatia. At that time, eTax was developed as a client application, and the service initially enabled the submission of a form VAT, which was later extended to other forms. During 2013, eTax became a web application and enabled the submission of a much larger number of forms and the use of other electronic services.

With the opening of the European funds, the possibility of a further step to improve the eTax services was recognized, which initiated a profiled project that foresaw the establishment of the Unified Portal of the Tax Administration (hereinafter: Unified Portal), which will unify the existing services and enable new services, such as mutual communication, verification and modification of data, transmission of applications and, furthermore, the opening of the Unified Portal services to citizens.

3.4. Unified Portal of the Tax Administration

By using eTax services, taxpayers can fulfill their obligations or exercise their rights from home without having to visit the Tax administration and without paying administrative fees. In addition to taxpayers for whom the obligation to submit

³³ Tax Administration Act, Official Gazette, No. 115/16 and 98/19.

³⁴ According to the Tax Administration Act, the Tax Administration is a unique and independent administrative organization within the Ministry of Finance, whose main task is to apply and supervise the application of tax regulations and regulations on the collection of contributions.

electronic forms is mandatory, the services of the eTax system are used more and more every day by other business clients and citizens. Within the eTax Tax Administration electronic services it is possible to submit and verify electronic forms (VAT, PD, DOH, JOPPD, etc.), submit and verify electronic applications for various services (e.g. application for issuance of certificates), verify and manage taxpayers' tax data and numerous other services.³⁵ The user of the eTax system can be any person who can log into the system of electronic services.

The basic requirement for using the system is electronic credentials for logging into the system and authorization to work in the system. Access rights to the eTax application are managed through the authorization system, and each user can log in to eTax for himself (then he is a taxpayer) or he can log in for another taxpayer, provided he has received authorization for him (then he is an authorized representative). This means that each taxpayer does not have to be a user of eTax electronic services himself, but may have an authorized representative, who, according to the provisions of the Tax Code, is considered a person who represents the taxpayer within the scope of the granted authorization and may perform actions in the tax procedure on his behalf. In the past, eTax was available only to business users who were obliged to use the eTax system in accordance with the provisions of the General Tax Law, and the application condition was the use of digital business certificates.

Following the expansion of the eTax system in 2017 by connecting it to the National Identification and Authentication System (NIAS), eTax services became available to citizens. Other issuers of digital certificates and other credentials have appeared on the market, and access to the eTax system has been simplified and facilitated in such a way that it is possible to log into the system using any NIAS credential.

With the latest improvement and expansion of the system, the division into two entrances has disappeared, and the eTax application is now entered through a single entrance, regardless of whether the user is a citizen, a natural person or a company (regardless of whether the user uses the ePorezna application for himself, for his company or for another person for whom he has a credential). A single access to eTax allows all users, whether citizens, business managers or traders, to manage their authorizations, i.e. to grant any other person the authorization to perform obligations on their behalf or to exercise certain rights through the eTax system towards the tax administration. In order to grant and manage authorizations, it is sufficient to log in to the system with any credential NIAS.

³⁵ Borota, N.; Blekić, A., *ePorezna: jedinstveni ulaz, nadogradnja sustava ovlaštenja i proširenje korisničkog pretinca*, *Financije, pravo i porezi: časopis za poduzeća i banke, obrtnike, proračune i proračunske korisnike, neprofitne i ostale organizacije*, 2020., pp. 17-27.

The eTax system enables the Tax Administration to communicate with its taxpayers through the user mailbox. The Tax Administration can send tax acts, certificates and various other documents, messages and notifications to the user mailbox. In 2019, the Tax Administration started delivering tax acts to the eTax user mailbox, in the new message category “Tax acts”. The tax document is a document with an obligation to serve, and the taxpayer will receive a notification about each delivery of the tax document to the e-mail address specified in the taxpayer’s profile, and the same notification will also be received by all authorized users for the user box at the address entered in the user’s data. After opening the message in the user’s inbox and thereby downloading the tax act, all authorized persons will receive a notification via e-mail of the reading/downloading of the tax act and the time when the tax act was downloaded, and the taxpayer will also receive additional information about which of the authorized persons read the tax act first.

Sending the notification about sending and receiving the tax document to the user’s inbox and the notification about downloading the tax document is important for the taxpayer’s right to appeal, which must be submitted within the prescribed period. It is stipulated that the delivery of the tax act to the eTax user box was made on the day of the record on the server, when the taxpayer or his authorized representative took over the tax act. If the tax act is not picked up within seven days, it will be considered that the delivery has been made after the expiry of the period of seven days from the day the tax act was sent to the user’s inbox.

It is particularly noteworthy that at the end of October 2019, the Tax administration started delivering Tax Debt Notices to the user’s inbox, if the tax obligations have not been settled within the prescribed period. Upon delivery of a notice to the user’s inbox, the taxpayer can settle the tax debt, which will prevent further calculation of default interest, or ask the Tax Administration to conclude an administrative contract before starting the enforcement procedure, which avoids paying additional costs arising from the initiation of enforcement.

4. DIGITIZATION OF THE PROCEDURE FOR DETERMINING REAL ESTATE TRANSFER TAX

4.1. Generally about real estate transfer tax

Real estate sales tax is determined and paid in accordance with the Real Estate Transfer Tax Act.³⁶ Real estate transactions are any acquisition³⁷ of real estate own-

³⁶ Real Estate Transfer Tax Act, Official gazette, No. 115/16 and 106/18.

³⁷ Acquisition of real estate is considered to be the purchase, sale, exchange, inheritance, donation, entry and removal of real estate from a trading company, acquisition by inheritance, acquisition of real estate

ership in the Republic of Croatia, and the person liable for real estate transaction tax is the acquirer of the real estate. The subject of taxation is the occurrence of the fact of transfer of ownership rights to a certain real estate.³⁸

The basis of real estate tax is the market value of the real estate at the time of the tax liability. The Tax administration determines the tax base, which represents the market value of the real estate. This is the price of the real estate that is achieved or can be achieved on the market at the time of its acquisition, considering the condition and physical properties of the real estate, such as the purpose and location of the real estate, and in the case of buildings, in addition to the aforementioned properties, the quality of construction, age of the building, equipment utilities and others.

The tax base is the price specified in the acquisition document, if the total amount of compensation given or paid by the acquirer is approximately equal to the prices that are achieved or can be achieved on the market. The Tax administration determines the market value of the real estate by assessment if the total amount of compensation is less than the prices that are achieved or can be achieved on the market at the time of the tax liability or if the real estate acquisition document does not state the value of the real estate. The assessment of the market value of the real estate is determined by an employee of the Tax Administration on the basis of comparative data on the movement of market values of similar real estate from approximately the same area at approximately the same time or exceptionally by hiring an authorized expert. Real estate sales tax is paid at the rate of 3%.

4.2. Registration of tax liability

Until January 1, 2017, mostly the tax payer was obliged to report the occurrence of tax liability on the form Real Estate Transaction Declaration, and it was the data from the Declaration that was the basic source of data on real estate transactions. Today, the taxpayer and the supplier of real estate subject to VAT submit the Application form only exceptionally in cases where the document on the basis of which the transaction is created has not been certified by a notary, drawn up as a notary act or issued by a court or other public law body (for example, acquisition of real estate on based on the European Certificate of Inheritance).³⁹

in liquidation or bankruptcy proceedings, acquisition based on a decision of a court or other body, acquisition based on the law and other ways of acquiring real estate from others person.

³⁸ Dojčić, I., *Novosti u oporezivanju prometa nekretnina*, Financije, pravo i porezi, 2018, p. 105.

³⁹ Vrdoljak, A., *Evidencija prometa nekretnina*, Financije, pravo i porezi, 2020, pp. 93-96.

With the entry into force of the Real Estate Tax Act, the provision on the method of reporting real estate transactions was changed. In accordance with the goals of the tax reform, in terms of simplifying the procedure for reporting real estate transactions and relieving the taxpayer, notaries, courts and other public law bodies have been assigned the function of reporting real estate transactions. Thus, the obligation of the notary public to certify the signatures on the documents on the sale or other way of disposal of the real estate, and within 30 days at the latest, one copy of the document, as well as any other document on the basis of which the real estate is traded (partnership agreement, contract on the establishment of building rights, etc.) along with information on the personal identification number of the participants in the procedure, submit it electronically to the office of the Tax Administration in the area where the real estate is located. The same obligation is prescribed for courts and other public law bodies, which are obliged to submit their decisions to the Tax Administration office in the area where the real estate is located, together with information on the personal identification number of the participants in the procedure by which the ownership of the real estate is changed in the land registers, i.e. in the official records, in within 15 days after the end of the month in which the decision became final, according to the regulations on mandatory personal delivery of letters. Real estate transactions are reported electronically by notaries, and by courts and other public law bodies according to the rules on personal delivery.

4.3. Records of real estate transfers

Real estate transfer records⁴⁰, as an application subsystem for recording real estate transfers, were formalized for the first time by the Amendments to the Real Estate Transaction Tax Act from 2014, and are applicable from January 1, 2015, and following the legal requirement to enter into the Transaction Records real estate, enter the data shown in the Real Estate Transfer Application form and/or in the document on the acquisition of real estate.

Real estate transaction records are the official records of the Tax Administration on all real estate transactions from the territory of the Republic of Croatia. The Act on General Administrative Procedure defines official records as records established on the basis of regulations, that is, a general act of a public authorities.

The Real Estate Transaction Tax Act contains provisions on Real Estate Transaction Records and the data it contains. The information stated in the document on the acquisition of real estate, which is reported to the Tax Administration by

⁴⁰ *Ibid.*

notaries public, courts and other public law bodies in accordance with the Law, is recorded in the Registry of Real Estate Transfers within 30 days from the date of receipt. By prescribing the deadline for recording transactions, the legislator ensured the up-to-dateness of data on the origin of real estate transactions.

Thanks to many years of continuous recording of real estate transactions, the Tax Administration has obtained a database in which an average of 230,000 transactions are recorded annually.

4.4. Determining the tax liability and making a decision

Procedural provisions for the tax procedure are contained in the General Tax Law, that stipulates that in tax proceedings, the tax authority bears the burden of proof for the facts that establish the tax, and the taxpayer for the facts that reduce or cancel the tax.

As a rule, an employee of the Tax Administration determines the obligation of real estate sales tax by direct settlement on the basis of the information specified in the document (if the document contains information necessary to determine the correct factual situation), without checking this information, and issues a temporary tax decision on it.

It is possible to review the determined tax liability later and pass a tax ruling that determines the difference in the subsequently determined tax liability. In this case, before the adoption of a tax ruling that determines the difference in the subsequently determined tax liability, it is important to allow the taxpayer to state the facts relevant to taxation, as well as to prove his allegations.

An appeal can be filed against the decision of the Tax Administration. If the employee of the Tax Administration considers that the appeal allegations are founded and that the relevant evidence is attached, the taxpayer's appeal is accepted and a new decision is issued. In the event that the appeal allegations are not founded, that is, they are not supported by appropriate evidence, the Tax Administration official will forward the appeal together with a copy of the documentation to the Independent Sector for second-level administrative proceedings.

4.5. Delivery of the tax act

A tax act that decides on individual rights and obligations from the tax-legal relationship, or when a non-extendable term begins to run from the date of delivery of the tax act, is delivered to the place of delivery by personal delivery to the

participants in the tax procedure. Personal delivery is considered a delivery made personally to the person to whom the tax document is intended.

Tax acts that decide on individual rights and obligations from the tax-legal relationship can be delivered electronically upon request or with the express consent of the party, and exceptionally personal delivery to entrepreneurs can be done electronically without a request or express consent.

The delivery of the tax act electronically is made to the electronic box designated by the tax authority for such a purpose. At the same time as the delivery of the tax act, an informative message is sent to the participant's electronic address that he has registered with the tax authority, informing him that the tax act is in his electronic inbox and that the participant is obliged to retrieve it within seven days from the day the tax act arrived in his electronic inbox. The delivery is considered to have been made on the date of the record on the server when the participant took over the tax act. If the tax act is not collected within seven days, it will be considered that the delivery was made after the expiry of the period of seven days from the day when the tax act arrived in the electronic mailbox.

5. CONCLUDING REMARKS

Europe strives to enable businesses and citizens to take advantage of a more sustainable and prosperous digital future where people come first. As part of the Digital Compass, proposed level of ambition is that by 2030: all key public services are available online, all citizens have access to their e-medical records and 80% of citizens use a digital ID solution.

Proactive public services are the future because of the simplicity of services for citizens and the government. It saves time and resources by eliminating the need for citizens to visit government offices and for officials to process each application's data manually. The government offers its services and aid proactively. Proactive public services help ensure government policies are effective and reach the people for whom they are intended.

Digital transition is accelerating. Most Member States are progressing in building resilient digital societies and economies, through the Recovery and Resilience Plans, EU Budget or, more recently also through the Structured Dialogue on Digital Education and Skills. Changes must happen already now, if European Union, and also Republic of Croatia wants to meet the Digital Decade targets in 2030.

The paper shows how changes in the legal framework contribute to a greater degree of digitization in the Republic of Croatia, and the tax procedure, i.e. the

procedure for determining real estate sales tax, is highlighted as a positive example for changes.

The real estate transfer registration process underwent changes in 2016 when new business process has completely replaced the old way of working, which was based on a lot paperwork and physical presence of taxpayers who are parties to the proceedings. Today's business processes are processes that are in accordance with the norms of the European Union, which require less work and give better results, data is stored in "data warehouses" and in each are currently available to their users. This way of doing business is achieved cooperation, partnership, and efficiency in the use of available resources. The Tax Administration is much closer to its goal and business vision.

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