

MASS CUSTOMIZATION APPROACH IN PUBLIC SECTOR - AN EXAMPLE FROM TAX ADMINISTRATION

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Abstract: *Worldwide globalization process as well as rapid development of information and communication technologies (ICT) significantly determine modern business operations in each and every organization. Many public institutions in Republic of Serbia, such as Tax Administration, have to adopt modern organizational structures and to accept innovative approaches while doing their regular activities. Decision makers have to understand deeply the importance of modern system approach and, therefore, should focus on inclusion of new concepts in their strategic development plan. The goal of Mass Customization approach in Tax Administration is to create automation system that will enable taxpayers to submit their financial reports faster and easier. On the other side, it will allow Tax Administration to conduct its processes more efficiently and accurately, and to successfully manage its tax debtors. This paper tends to present the model where taxpayer has to follow simplified administrative procedure, in order to fulfill a legal obligation.*

Key Words: *Mass Customization, Tax Administration, innovative procedures*

little attention has been paid to institutional and political environment in which tax policy is being formulated. Holcombe argues that in the presence of political institutions that exist in our everyday reality, policy recommendations based on the logic of optimal taxation can actually decrease the welfare. There are certain types evidence which show that the countries that have tax systems which generate large surpluses tend to develop much slower than countries with efficient tax systems.

If the country is not able to make a credible promise not to violate its own word, it certainly cannot carry out fully effective tax policy. In order to avoid this problem of time inconsistency, a country must be able to engage in a certain type of behavior in the future. The only question is how this can be done. One possible approach is an adoption of constitutional provisions that would prohibit the government to violate their commitments. However, as long as the government has motivation to violate its promises, the doubts will exist, which will make the attempts to implement an effective policy more complicated. These considerations suggest that the credibility of the political system must be carefully considered before the recommendations based on the optimal tax theory are made. [1]

American humorist Will Rogers once said: "People want more than just low taxes. They want to know that everybody pays his or her taxes in proportion to their wealth"¹. In the context of optimal taxation, equitable tax guarantees a fair distribution of tax burden, and the only tax that is entirely efficient is the one that creates a small amount of surplus². The tax is considered to be equitable if it imposes equal taxes to people with equal financial solvency, whereas an efficient tax system is the one that reduces administrative costs and the costs which occur during the process of adjustment to regulations.

Tax authorities use certain amounts of money in order to be able to do their job properly. Taxpayers also have certain expenses, including the amounts of money paid to accountants and tax advisers, and one should also take into account the value of time spent on filling out tax returns and tax record keeping.

1. INTRODUCTION

This paper analyzes the existing procedures in the tax system of the Republic of Serbia by pointing out its weaknesses and shortcomings. Mass customization approach will be applied to an example of the corporate income tax in Serbia, based on analysis of the current situation, where the authors suggest improvements by taking into account the characteristics and advantages of the MC concept. In order to function more efficiently and to reduce administrative procedures, the usage of latest concepts which are easy to use, flexible and accurate, is more than necessary. One of those concepts is Mass customization, which will be described in this paper.

2. THEORIES AND APPROACHES WITHIN TAX POLICY

The optimal tax theory is purely legislative in nature. It cannot predict how the actual tax systems should look like, nor can it explain how these tax systems are created. Within the framework of the aforementioned theory,

¹ Rosen, H. and Gayer, T., *Public Finance*, McGraw-Hill/Irwin, USA, 2007

² The excess burden of taxation is the efficiency cost, or deadweight loss, associated with taxation.

The expenses of administering corporate income taxes are quite low. However, the expenses of application of taxation by the taxpayers are rather high. These costs include the time devoted to the preparation of tax returns, as well as the items such as paying for expert advice, attendance at trainings and courses organized by the education center of Tax Administration, as well as purchase of guides for calculation and payment of taxes.

It is clear that the choice of tax system and subsidy system should take into account the administrative costs and the costs of application of tax legislation by taxpayers. It is clear that none of the tax systems can be applied without any expenses, the point is to find the best way of taxation for both the taxpayer and the Tax Office.

One of the problems every tax administration faces is fraud. Any type of fraud increases costs of the procedure of establishing, control and tax collection. Moreover, it is necessary to note the difference between avoiding to pay taxes within the framework of law and tax evasion, which is illegally avoiding to pay taxes.

The courts have repeatedly concluded that there is nothing unfair in conducting one's affairs in a way which would, as far as possible, reduce tax liability. Everyone does that, whether they are rich or poor, and they are all right, because no one is obliged to pay more than the law requires ... To demand more on purely ethical reasons is hypocrisy (Judge Learned Hand, v. Commissioner. Newman, 1947)³.

As an example, it is mentioned that in the U.S. only about 0.77 percent of applications for payment of federal income tax are checked [1]. If the taxpayers were controlled for free at any time, the opportunities for fraud would not exist. The fact that such control is not carried out easily, represents the main source of the problem. Fraud is a complex phenomenon for whose resolution it is essential to list many factors that influence it. It is a common knowledge that it is something bad and that a policy should be created in order to reduce its dimensions. The goal should, certainly, be the elimination of frauds with the lowest possible administrative costs. The probability of detecting tax fraud depends on size of resources available to tax authorities, the funds available and the way that they correlate between engineering systems and taxpayers by applying the provisions of the Law. Administrative costs and the costs of tax application by the taxpayers influence the choice of tax base, tax rate and the extent of tax evasion.

3. MINISTRY OF FINANCE – TAX ADMINISTRATION

Tax system is the main source of public revenues of the Republic of Serbia. All public revenues and public expenditures are included in the budget of the Republic of Serbia. The Ministry of Finance draws up the budget of the Republic of Serbia, which is also responsible for the regulation of the tax system of the Republic of Serbia. All changes within the tax system are initiated by

the Ministry of Finance, which sends a proposal to the Government of the Republic of Serbia. If the Government approves the proposal, it will be sent for the final approval at the Assembly of the Republic of Serbia, which is the highest legislative authority in the country. [2]

Tax administration, constituted within the Ministry of Finance, as the state agency, conducts the activities of establishing, control and collection of public revenue. For the purpose of carrying out the responsibilities of the Tax Administration, a number of organizational units are formed. The way of forming, the number, structure, network and scope of organizational units are regulated by the Minister of Finance, at the proposal of the Director of Tax Administration. Based on the Act on Internal Organization and Job Systematization within the Ministry of Finance - Tax Administration, the internal organizational units are: headquarters, five regional centers, center of large taxpayers, 73 subsidiaries, 95 branches, 5 check points and 22 separate units. This paper is based on a research conducted in the largest and most numerous branch of the Tax Administration in Serbia, located in Novi Sad, which employs 169 workers, and the total number of taxpayers, mostly legal entities, which it controls is over 10,000. The headquarters draws up a strategic and development policy of the tax administration, it plans and manages control functions, regular and forced collection of public revenues, combines and harmonizes the application of financial regulations in the field of fiscal legislation, which means that it consolidates and harmonizes the application of substantive and procedural regulations in tax-administrative and tax-evasion procedures.

The branches organize activities related to determining responsibilities on basis of public expenditure, receiving, processing and control of tax returns, office and on-the-spot tax supervision, and regular and mandatory payment of revenue.

Tax administration is actively working on developing functions of services and on education of taxpayers and citizens. The duty of the Tax Administration is to assist taxpayers in understanding the rights and duties they have within the tax-law relationship. In order to implement this concept, the Tax Administration has developed and is developing series of forms that should lead to raising the level of tax culture, rationality and efficiency in the voluntary execution of tax liabilities. Informing and educating taxpayers and citizens is being done through a media, as well. National and local media publish information regarding deadline for the execution of tax liabilities, innovations in the application of tax regulations, as well as activities of the tax administration that are of great importance for taxpayers.

4. CORPORATE INCOME TAX – GLOBAL PRACTICE AND THE REPUBLIC OF SERBIA

Almost all countries from all over the world have introduced corporate income tax, and those revenues make 1.8 percent of a total revenues of the countries and local authorities [1].

Systems of corporate income taxes which a country collects, differ significantly from one country to another,

³ Rosen, H. and Gayer, T., *Public Finance*, McGraw-Hill/Irwin, USA, 2007

in terms of rate structures and rules for determining taxable income. All complications which arise during analysis and the impact corporate income tax has on distribution of tax burden and its efficiency also make it difficult to understand the tax systems of different countries.

Understanding tax rules and calculating effective tax rates are just the first steps in the analysis of corporate income tax. It is necessary to determine who ultimately bears the burden of that tax and what are costs of any inefficiencies that it produces. Economic effects of corporate income taxes are among the most controversial topics in the area of public finance. One important reason for this is a disagreement related to the question of the type of that particular tax.

Several reasons why companies should be taxed in the same way as their employees are, are also mentioned here. Companies, especially the large ones, are truly independent entities. Their shareholders, or owners, are quite difficult to control. Another justification for the taxation of companies is that the society provides special privileges to those companies, out of which, the most important one is certainly limited responsibility of the shareholders. Income tax can be considered as a user fee paid for that commodity. Finally, corporate income tax protects the integrity of a personal income tax. It is clear that non-taxation creates opportunities for personal income tax evasion.

Companies are independent legal entities which are directly affected by this tax. By passing the Corporate Profit Tax Law, the harmonization was carried out with the Law on Business Companies. Like any other entity, a company has to pay its income tax or profit tax. An additional income tax enforced upon a company is not the only way of taxation of an income accumulated by those companies.

We cannot state that tax reforms that took place during the period between 1986. and 2003. are final and that we entirely support them. The way people are doing business changes every day and tax administration has to follow the current situation in that particular area and to respond to the market demands. It is necessary to take into account the entire tax system, rather than taxes separately, since this can lead to getting a completely inaccurate picture about the overall amount of the tax burden. By upgrading and further development of taxation system of corporate income tax it is necessary to, through fiscal reforms with stimulating tax rate, expand the economic role of this type of tax on businesses.

Serbian Parliament adopted the Law Amending and Supplementing the Law on Corporate Income Tax, which came into force on 27.03.2010. The main reasons for amendment and supplementation of this law can be seen in the efforts to conduct fiscal reforms in accordance with the economic policy of the Government of the Republic of Serbia and continuation of the process of establishing supportive and stimulating system of

taxation of legal entities in accordance with European tax system and policies and guidelines gives by the EU⁴.

The lack of understanding ways of establishing income taxes by taxpayers and also tax officers and their managers, leads to a more complex procedure of filing tax returns, and later on assessment, control and collection of this and some other types of taxes result from doing business.

In order to make understanding of this type of tax and the way of filling out and submitting financial and tax returns easier for employees and interested taxpayers, each year, the Tax Administration education center organizes lectures, with an aim to improve a process of implementation of statutory obligations.

Table 1: Fiscal balances by categories of taxpayers, and accompanying forms [3]

FORM	DESCRIPTION
PB1	Legal Entities (residents and non-residents)
<i>PDP</i>	<i>Tax return for the final assessment of tax liability</i>
<i>DK</i>	<i>Profit from the subject of the concession</i>
<i>OA</i>	<i>The calculation of tax depreciation of tax assets</i>
<i>OK</i>	<i>If there is an expense for interest related to the debt owed to related parties</i>
<i>PK</i>	<i>Investments in fixed assets</i>
<i>SU</i>	<i>Proportionate amount of the investment</i>
<i>SI</i>	<i>Proportionate amount of the assets acquired by status change</i>
<i>Annex PB1</i>	<i>If a taxpayer receives a tax credit</i>
<i>KRB</i>	<i>Consolidated income tax</i>
<i>PDO</i>	<i>Final assessment of tax liability (legal entities- non-residents)</i>
KPB	The parent legal entity, with each member submitting their own tax accounts (PB1)
PBN	Budget beneficiaries
<i>PDN</i>	<i>Final assessment of tax liability</i>
PBN1	Non-profit organizations, associations, citizens, associations ...
<i>PDN</i>	<i>Final assessment of tax liability</i>
PBPJ	Permanently established units of non-residents which does not keep books
	<i>Records of income and expenditures and other data relevant to the profit assessment</i>

Legal entities are required to prepare and submit tax balance sheet and tax return, with the set final profit tax for the previous year and advance payment for the following year, to the Tax Administration. The tax return is a report made by the taxpayer for the Tax Administration related to his or her profit, which is submitted on a form set by the Minister of Finance, which is submitted with attached evidence [4]. The deadline for submitting tax balance sheet and tax return is 10 days after the deadline for submission of financial

⁴ The EU is a unique economic and political partnership between 27 European countries that together cover much of the continent.

reports, which the March 10th, and it needs to be submitted directly or by mail, to the Tax Office in the place where the application for registration was filed, except for a large taxpayers who submit the tax returns only in electronic form. Tax statement determines taxable income and tax liability is calculated in the tax return, with the self-taxation rate of 10 percent. Tax period for active legal persons is a business year, which corresponds to a calendar year [5].

The newly established legal persons are required to file only a tax return no later than 15 days from the date of registration, which will provide the estimation of income, expenses and profit by the end of that financial year [6].

Apart from a tax return and tax balance sheet, a taxpayer has to submit, to the competent authority, his or her financial statements, other forms of importance in determining the profit, as well as any other documentation requested by that authority.

5. MASS CUSTOMIZATION CONCEPT

Many authors suggest simple but practical concepts which match the needs of manufacturing and providing services. They define mass customization as a system that uses information technology, flexible processes and organizational structure in order to deliver a wide range of products aimed at individual customers. This concept can be seen as an idea that involves all aspects of product selling or services, development of the production, delivery methods, which is actually the entire path from the individual customer's needs to acquiring the product. Justification for a development of Mass customization system is based on three basic ideas. Flexible manufacturing and information technology enable production systems to deliver different products at lower prices. Secondly, an increasing demand for products and adaptation to different markets can be seen, especially when they are too competitive and demanding. Finally, shortening a product's life cycle and a development of industrial competition has led to a collapse of massive industry, where a need for production strategies is aimed at individual customers. Successful MC systems have to improve standardized processes, focusing on high levels of diversity and individualization. [7]

5.1. Factors of success of the concept of Mass Customization

The success of the Mass Customization concept depends on several factors, which may represent strategies and support a development of the system. Theory mentions six different factors, out of which the first two are connected to the market while others represent parts of the organizational basis. *1. Customer demand for variety and customization must exist.* The basic justification for the MC is a need to satisfy a greater number of customers. Success depends on a balance between production and delivery of innovative products within a reasonable period of time. If our taxpayers comply with the statutory deadlines for the submission of financial statements, then a Tax Office should be organized in the way that enables it carry out the control of the submitted application. *2. Market conditions must be appropriate.* Organizations need to have the ability to respond to different market conditions. In an increasingly

competitive environment, the advantages are based on the time needed to develop the Mass Customization system. In other words, the development of Mass Customization system can provide a significant advantage over competitors, since the organization is then viewed as innovative and able to respond to all consumers' demands. *3. Value chain should be ready.* The success of mass adjustment of products or services greatly depends on the efficiency of the organization and its suppliers, distributors and vendors to take part in responding to consumers' demands. A large number of taxpayers are operating through several connected legal persons, which are not registered in the same territory and which submit their reports to different departments of Tax Administration. In order to consolidate their operations, they also have to receive replies from all tax departments. *4. Technology must be available.* Implementation of advanced manufacturing technologies represents the basis for enabling the development of the MC system. There are certain claims that this concept emerged after some companies were able to successfully integrate a wide range of information and flexible technology processes. Mass customization is one of the best systems that coordinates a work of advanced manufacturing technologies and information technologies within the value chain. *5. Products should be customizable.* Successful products need to be modular, flexible and focused on creating additional value. Although modularity is not a basic feature of MC systems, it leads to simplicity and reduction of expenses. Mass customization processes require innovations and rapid product development due to a shorter product life cycle. In the same way, a service can be viewed as a product, particularly in the field of public finance and fiscal policy implementation. *6. Knowledge must be shared.* Mass customization is a dynamic strategy and it depends on the ability to transfer consumers' demands onto new products and services. In order to achieve this, companies have to follow a culture which emphasizes the importance of knowledge and the creation of new values. This requires the development of production, technology and engineering. These factors have direct practical implications. They support an idea that MC is not the best strategy for every company. These factors emphasize the complexity which is present while trying to implement a MC. Mass customization includes the major aspect of doing business, and also manufacturing, value chain, information technologies and the development of organizational structures based on knowledge. [7]

5.2. Approaches in Mass Customization Concept

There are at least four major business practices in relation to the MC concept: *1. Agile manufacturing*, which represents the ability to make progress in an increasingly competitive environment and the ability to quickly react to changes, as well as to customers' demands [8]. A distinction can be made between internal and external agility. Internal agility is seen as an ability to quickly react and adapt to customers' demands with new products and product features. External agility is related to an idea of virtual organizations and it focuses on the following characteristics: focusing on the product, team work, short-term relationships between individuals and speed. *2. Supply chain management* refers to the coordination of resources and optimization of activities

within the value chain in order to achieve competitive advantage. As one of the key factors in the production and service systems, they include: (a) developing a network of suppliers, (b) control of the relation between the price and service delivered (c) creation of innovative products at the right time (d) delivery of products / services to individual customers. 3. *Customer-driven design and manufacture*. It represents the basis of the Mass customization system by providing conditions for customers who need to initiate the production as well as to build the infrastructure for new product development. 4. *Lean manufacturing* represents an effective way to achieve customer satisfaction. This approach enables the development of both the product and the supply chain, as well as their management after delivery. It is particularly related to the activities which create added value, reduce queues and eliminate waste in all manufacturing steps.

Existing research on Mass Customization system is still focused on the production. When compared with manufacturing, service industries and services are: a) much more intense, b) interaction is greater, user participates to a large extent, c) they are more affected by errors, d) delivery time is shorter and more precise, e) they are able to rely on the stock and to adjust if they are more dependent on reliable information. In addition, a service as a product is intangible, usually temporal and far more subjective than the manufactured product. All these elements may pose challenges for the application of MC, how it should develop a skilled workforce, how it should deliver products which match customers' demands, how to guarantee quality and safety despite the changes in the parameters, how to guarantee short delivery time for mass customized services [7].

Mass customization research is currently being explored and people are trying to understand how this concept can be implemented in different sectors. The progress is being made in the development of MC model. Establishing connections between organizational characteristics, organizational strategies and business environment leads to the configuration of this model. Organizational characteristics which are part of this model may include organizational structure, manufacturing process and control of technology, design, supply technology, management method. Organizations which operate within the MC environment offer their customers the opportunity to get a product "every time they want it, wherever they want it and in any way they want it" [9].

5.3 The Importance of MC Concept

In the beginning, when products were made following the order and customers' specifications, this included increasing delivery times and higher costs. Then came Henry Ford, who was considered to be the pioneer of mass production and who said, for the cars he produced, the following: "You can buy it in any color you want, provided it is black." Customers were happy then because they were buying products which were cheaper, even though it meant giving up their preferences. Nowadays, consumers are not completely satisfied with low costs. It is necessary to provide variety and individual customization and that nearly everyone gets exactly what they want.

The importance of the service sector is constantly increasing since there is more interaction with the customers, and therefore more room for customization. Hart examines the applications for mass customization within the service systems. Papathanassiou explores financial services and how by using the MC principle it is possible to influence the employees to provide customers with better and more complete services. Jue and his associates examined the application of the MC principle in the tourism industry in an effort to modify services in order to improve an overall customer experience.

Researchers have focused on some other implications that exist in organizations. By studying systems theory, it is necessary to predict the basis of the incomplete information and uncertainty of quality problems related to the MC. Quick responses are the main part of mass customization and it is necessary to establish a method for assessing the organization and providing guidelines for improving both the MC concept and the work of the entire organization.

It is necessary to focus on reducing the gap between the level of research in the field of MC and its application in the industry. Oftentimes, organizations hastily introduce the Mass Customization concept without prior analysis of the existing system or assumptions in which way a new concept is to improve business. It is essential that organizations follow certain guidelines. Mass customization definitely leads to an increase in market share and reduction of inventory levels. However, due to certain limitations, this concept is not yet fully accepted, despite its huge potential. [10]

6. THE POSSIBILITY OF APPLYING MC CONCEPT IN TAX SYSTEM

Submission and control of tax returns and tax balance sheets which is regulated by the Corporate Profit Tax Law is designed in a practical way. The system would have been able to function properly if the adjustment and adaptation of that system had been carried out at the right time. In smaller municipalities, ie. tax branches, this system can still survive, since, especially at this moment of closure of a large number of legal entities, tax officials are familiar with the business of legal entities in their environment. The problem is the larger municipalities, in which branches and their employees do not have frequent and direct contact with the taxpayers. Submission of tax returns and tax balance sheets has, up to now, been carried out in a rather complex way, with a seemingly high level of control.

Legal entities should submit financial statements of their operations for a previous period, which usually represents a calendar year, to a competent authority in a territory in which they are registered. From the year 2010, submission of tax returns can be carried out electronically, and after while one receives a response that financial reports have been reviewed and that they are in accordance with the law. After the submission of financial statements, legal entities have to prepare both tax returns and tax balance sheets for the same period and to send them to the relevant branch of the Tax Administration, together with appropriate supporting documents, which includes financial statements

themselves. This process is rather complex, since the system of submission of tax returns and tax balance sheet electronically is not developed.

Taxpayers used to file their tax returns at the counters of the Tax Administration, and tax officials were assigned to enter the data into a unique information system of the Tax Administration in which way tax liabilities were being charged. Ever since the establishment of the Tax Administration, this process has included all types of tax returns, apart from specific tax returns which are filed at the clerk's office (property tax) whether they are related to the everyday tax return forms filed by taxpayers, such as tax returns for the calculation of salaries of the employees, tax returns related to capital income, tax returns related to calculated and paid withholding tax, or whether they are related to the annual report which refers to the total amount of received funds in the form of wages (individual income tax forms) or corporation tax, for which the way of determining tax liability is analyzed and presented in this paper. The reception and processing of data mentioned in tax return forms are organized in the following way: Tax officials are in charge of a "letter", which refers to the first letter in the name of a legal entity, and there are signs on every counter which show which employee is in charge of which legal entities, according to their names. Taxpayers would then file their tax returns according to the names of their companies and tax officials would, after the deadline, start entering the data from tax returns into the computer system. Since it is of great importance to enter income tax forms into the analytic accounts of the taxpayers in the shortest possible time, entering the "common tax returns" would be stopped in order to enter only the salaries of those who use the budget. The advantages of this method of filing and processing of income tax forms is that the queues are significantly reduced if you keep your company's books by yourself, and the fact that the officials will thoroughly review the data, and demand all the necessary documents in order to enter the data into the information system without contacting tax taxpayers again. On the other hand, the disadvantages are that if the agencies are to file a great number of tax returns for all the companies they work for and keep their books, they can spend a lot of time going from one counter to another, looking for a "letter" for each legal entity or company they represent. After a large number of modified tax income forms, it was necessary to introduce a more effective control system for this type of tax and it was decided that the office control inspectors would be the ones who would, instead of the people working at the counters, enter the income tax forms in order to, apart from entering, carry out control of data stated in tax returns, comparing them with the documents which are submitted together with the tax returns.

Most taxpayers use services of bookkeeping agencies, which have professional computer programs which make this job much easier and which they themselves use. Although taxpayers have everything in electronic form, it is essential that they copy all their documentation related to income tax, and to deliver it, in person or by mail, to the relevant Tax Administration Office. Tax returns can be submitted at the counters and, depending on the deadline for the submission of financial statements, they are being processed by 2 to 5 employees. During the

process of submission, it is necessary to make sure that all required fields have been filled in, that all the documents have been signed and notarized, and that everything is accompanied by appropriate documentation. A period of just ten days is short for a few people to review approximately 10,000 applications. Even though all reports have been accurately completed, it is impossible to check whether data stated in those reports is really accurate. It is necessary to point out that when performing this type of work, very long queues are being formed, which represent an additional stress as well as additional expenses to taxpayers. After a daily admission of tax returns, a list is made up of all taxpayers who submitted their tax returns and after making several groups of the received applications, with the help of the tax administrators, these applications are filed in a specific place where they are kept until the deadline for submission of these types of forms. When the statutory deadline expires, the administrator hands out received tax returns to office control inspectors in order to enter tax returns into a unified system of Tax administration. For 18 office control inspectors, the daily quota was 35 applications, in addition to which it was also necessary to check the documents, which is a very complex procedure and requires a substantial period of time. If we take into account that by the deadline for the submission of financial statements there were 10,053 legal entities which submitted their income tax forms, we realize that every inspector was in charge of 550-560 tax returns that he or she had to handle, and later to enter them into a unique Tax Administration information system.

Much of these tax inspectors stop doing their regular work and start entering the data provided in the submitted documentations. Problems that occur in this stadium are as following: the taxpayers have not properly and accurately completed tax returns; correction of tax returns has to be performed by a person authorized to represent legal entities in the Tax Administration offices; long period of time passed between the moment of determining there has been a mistake and the moment of correcting it; tax inspectors lack experience in dealing with calculating corporate income tax; short deadline for data input and editing; possibility of data entry mistakes, etc.

Table 2. Shows the number of tax returns which are being entered into the Tax Administration information system per week.

Number of weeks	Legal entities PDP	Other legal entities PDN	Total number of tax returns
1	318	1675	485
2	1815	441	2256
3	1937	879	2816
4	1933	729	2662
5	1041	352	1393
6	137	52	189
7	56	7	63
8	775	3	80
Total	7314	2630	9944

By looking at the table we can notice that the total number of tax return forms entered is 9944, and according to the records of received tax returns, the total number was 10,053. The difference of 109 forms is one of the problems with which the office control inspectors are facing. If the data found in tax return forms is not correct, the inspector has to call the taxpayer who has to come personally and change the data or to send the documents that would confirm the validity of the data. Since the information systems and advanced technology have not been paid any particular attention to, nor they have been up-to-date with the newest technologies, something that should have been a two-minute task takes more than two months to complete.

A large number of employed tax officials takes part in the process of receiving, checking and control. Out of the total number of people involved in these processes, only 5% of the employees are those hired to do this particular type of work. They are employed in the department of office control - calculating and control of the corporate income tax. Others, who are not directly related to corporate income tax, can underestimate this job and accidentally or unknowingly make many mistakes, especially since there is not any kind of responsibility in case of any mistakes.

The control system is somewhat slightly better when compared to the previous method (when the clerks who worked at the counter were in charge of both reception and data entry), still much time is being wasted during the process of the entry, that is, copying of data from the income tax forms, the only possible solution being to improve that process, and to create a professional department that will have enough time to check this type of tax, which is seen as the base which reflects the entire business of a company.

The introduction of new approaches would most certainly improve tax control system, and together they would lead to the strengthening of fiscal policy in the Republic of Serbia. The following table shows a more detailed overview of income tax forms that have been overseen during the period between 2006 and 2011

Table 3: detailed overview of income tax forms that have been overseen during the period between 2006 and 2011

Year	Legal Entities PDP	Other Legal Entities PDN	Total Number of Tax Returns
2006	3604	366	3970
2007	2175	111	2286
2008	1466	171	1637
2009	1021	82	1103
2010	1522	212	1734
2011	992	63	1055

Based on everything said, it can be concluded that, although complex and time-consuming, a system of submission of tax returns does exist, while the system of control has been replaced by copying the data from the applications into the Tax Administration information system. The effect would be far greater if the Tax Administration adjusted to those taxpayers who are able to send their tax returns electronically, and there are

more and more of them nowadays, which would provide some extra time to a few of them who do this work "manually" or encourage these taxpayers to use advanced information technologies. The Department for Office Control – calculation and control of corporate income tax in the Tax Administration branch, where the research was conducted, has 1.18% employees and during the course of one year, it has time to control only those taxpayers who change the tax returns for calculating corporate income tax or change the advance payment for the current year.

Based on the analysis of jobs and existing procedures within the Tax Administration, a great need for the development of the concept of Mass customization can be noted. Legal entities, for whom this concept should be applied, monitored and continuously improved, can be divided into four basic categories. The first category can represent major bookkeeping agencies who provide their services to legal entities. In this category, we can put bookkeeping agencies that have over 150 legal entities as their customers. If we point out the fact that only three agencies have nearly 800 users, we can conclude that it is certainly a category that should be pay greater attention to and allow it to reduce its costs, shorten the amount of time it requires to do a certain job and in that way justify the trust of its clients. The second category includes legal entities which keep their own books and which also, by using advanced information technologies, can help accelerate this method of taxation. It is of crucial importance for them to register, as soon as possible, the liability related to income tax and the tax credit with the tax accountancy, in order to receive a confirmation that they have no tax liability so that they can further expand their business by participating in tenders, employing new employees and accelerate the process of obtaining various permits. The third category includes various associations, unions, tenants' assemblies and others, which are established by legal entities since the law requires them to do so. The vast majority of this category consists of those who do not have the data in their financial statements, tax returns and tax balance sheets, because during the course of a year they have no revenues and expenditures, or any basic assets. It is necessary for Tax Administration to improve the existing or create a new information system that will identify legal entities coming from this group of taxpayers and distinguish them from other legal entities which operate on the market on daily basis. The fourth category includes legal entities which, regardless of the existence of developed information systems, still carry out this type work without using the computers. The number of those who belong to this category is getting smaller and smaller and they are mostly legal entities which occasionally carry out activities for which they founded their companies. This group also includes those who want to, during the interaction with the tax officials, receive written confirmation that they have met their legal obligation within the deadline, especially due to large penalties which are imposed if it is not carried out.

It is necessary to pay attention to the factors of success that are necessary for the implementation of the Mass Customization concept. Satisfaction of a large number of companies does not have to be of great

interest to the public administration at first, since everything is regulated by laws, but there are a lot of simple things that facilitate taxpayers' duties, where with very little dedication we can get very satisfied taxpayers. If our taxpayers obey the statutory deadlines for the submission of financial statements, then the Tax Administration has to carry out the processing and control of the filed documents as soon as possible. Since we can distinguish between a number of different taxpayers, it is necessary to adapt to their specific needs. Tax Administration, or any other organization, has to become innovative and able to meet all the demands that are placed before it. The success of mass customization also depends on the connection of the territories in which legal entities have their businesses. Tax administration is currently monitoring businesses of the legal entities by using five different information programs, which are not good enough and which together show a wide variety of data, especially with the comparative documentation found with the taxpayers.

Two programs (NetTerm and DIS) are used to enter data (tax returns and other different taxes), and other programs should be able to read the data. Since different types of programs made by different manufacturers are used, it is very difficult to synchronize their work, and an additional problem is the fact that such task are being carried out outside the branches, in the Center of Tax Administration. Taxpayers who work throughout the country, receive different information from various branches and it is very difficult for them to carry out tax compliance and consolidate operations. The very concept of mass customization appeared after the integration information and flexible technology process. By improving and updating IT this system can coordinate the work of all companies in the country. Jobs in Tax Administration should be modular, flexible and should aim at searching for and creating new values, which would further lead to simplicity and cost effectiveness. Mass customization is a dynamic strategy and it depends on the ability to transmit the requests of the taxpayers to the employees working at the Tax Office, which would further develop a culture which emphasizes knowledge and creation of new values.

7. CONCLUSION

In order to implement a new work system into an organization, it is essential to carry out the analysis of the current situation first. The analysis has to include material and human resources as well as the basic assets which the organization owns. One also needs to examine the business and to accurately estimate where he or she is currently positioned and where he or she wants to be in the future.

Prerequisites for the efficient implementation of the Mass Customization concept are:

- Development and integration of tax administration information systems
- Human resources planning, education and training
- Education and training of taxpayers
- More flexible way of working - creating different ways of filing tax documents

- Elimination of unnecessary procedures during the tax collection process

As it was previously mentioned, it is necessary to create a more flexible system of taxation, which will be adapted to different categories of taxpayers, i.e. taxation system that carries out the process of taxation in different ways, and which will still to be in accordance with the law. It is necessary to adopt Mass customization approach because of its features. Flexibility is a feature that provides the advantage, if we take into account a large number of taxpayers and amendments of existing legislations that are enforced by the Tax Administration. Improvement of the existing or the introduction of new information technologies are the things which the concept of MC is based on and without which it is impossible to monitor and control the taxation system in Serbia. Resource planning in production and service systems is a process which needs to organize materials, equipment and people within the organization in order to meet the drawn up work plan. Resource planning within systems can shorten the time of production or services, increase the flexibility, improve the quality and reduce the costs. By using the MC system, based on the historical data, it is possible to recognize and adapt to future demands of consumers and, with minimal adjustments, to adjust them with the already existing resources.

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