COVER SHEET

BODY	NO.	DATE	VENUE	REFERENCE NO	PREPARED BY	ATTACHMENT(S)	TYPE
General Assembly	28	18 June 2024	Budapest, Hungary	GA-28 – 7.1.	Secretariat	3	Information, Decision

TITLE

Approval of the IOTA BUDGET 2025 and of the Amendments to the Financial Regulations and Rules

PROPOSED DECISION

7.1.1 The 28th General Assembly takes note of the proposals of the Financial Advisory Committee (FAC)
7.1.2 The 28th General Assembly approves the IOTA Budget Proposal 2025
7.1.3. The 28th General Assembly approves the amendments to the Financial Regulations and Rules

BACKGROUND

7.1.1. The FAC made proposals to make cost savings, which proposals were endorsed by the EC and those were incorporated into the Budget 2025 proposal.

7.1.2. The Budget proposal for 2025 is based on the actual figures of 2023, on the Budget for 2024 and based on the Financial Advisory Committee proposals. The mandate of this Committee is to develop a mid-term sustainability plan in line with the current Strategy.

The following important factors have been taken into account when Budget 2025 proposal was created:

1. The Financial Advisory Committee made several proposals to save costs regarding Fixed costs and the Work Programme. The EC-146 approved these proposals and those were taken into account at the planning of these expenses. Total savings in the Fixed costs (wages, Per-diem, travel costs of the staff) are 23,769 € while savings of the Work Programme costs planned to be 178,305 €.
2. The contributions will increase by 15,9% in 2025 which rate was calculated with the inflation adjustment mechanism in place. The 2023 inflation rate is 12.0%, plus the adjustment rate of 3.925% to be added due to the 2024 biennial rate, which is 4% instead of the actual 2022 inflation rate of 11.85%.
   The contributions will be increased with 154,140 € due to the 15,9% rate.
3. Some fix cost elements had to be increased significantly for 2025 since they were not planned for 2024, or will be insufficient for 2025, such as the Secretariat travel costs to the General Assembly, to the PCP Forum and other items.

The overall Income is planned to be **1,318,967 €** while the expenses are projected to be **1,398,923 €** resulting in a 79,956€ deficit, which is a **much better result than the deficit of 336,144€ projected for 2024, representing an improvement of 256,188 €.**

This deficit of 79,956 € results that the Accumulated reserve will decrease to 1,002,594 € and the cash balance to appr. **700,000€**.

7.1.3. There are 3 proposals to amend the Financial Regulations and Rules, 2 of which were proposed by the Financial Advisory Committee:

BACKGROUND

1. Update on the Per diems at IOTA staff travels

The EC approved to reduce the per diem of IOTA staff travels for international missions to the limit of 80% of the WHO/UN actual rates to any destination.

2. Update on the Investment Reserve

This proposal is to change the wording of the regulation to reflect the actual use of the Investment Reserve: Investment reserve is allocated from Operational reserve to cover the annual depreciation & amortization cost of IOTA's tangible and intangible assets.

3. Capping the inflation rate readjustment for the wages (new item)

The EC approved to have a cap on the inflation rate readjustments of 2.5% for the local staff and 1% for the international staff starting from 2025 annually. The EC can decide on a higher cap (one-off) in case the inflation increases significantly higher than the cap. This new rule cancels the existing rule in force since the 2019 General Assembly, which adjusted salaries by the full actual inflation modified by the average annual exchange rate evolution for international staff.

NEXT STEPS

After the adoption of the IOTA Budget Proposal 2025 by the 28th General Assembly the IOTA Secretariat will be tasked with the implementation of the Budget 2025 during the year 2025. Furthermore, it has to implement the changes in the Financial Regulations and Rules and in the Basic conditions of funding IOTA Events policy.

Report of the Financial Advisory Committee on the Financial Sustainability of IOTA

April 2024

Intra-European Organisation of Tax Administrations

Members of the Financial Advisory Committee

COUNTRY	NAME
BELGIUM	Annelies Lievens
GREECE	Hara Kaouni
HUNGARY	dr. Gábor Reményi
The NETHERLANDS	Albert J.H. Imming
ROMANIA	Sabina Bendas
IOTA SECRETARIAT	Alix Perrignon de Troyes (ES)
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Table of abbreviations

EC	Executive Council
GA	General Assembly
KPI	Key Performance Indicator
IOTA	Intra-European Organisation of Tax Administrations
FR	Financial Regulations
SEC	Secretariat of IOTA
FAC	Financial Advisory Committee
FFWG	Financial Framework Working Group

1. Background

The financial sustainability of IOTA is of utmost importance to ensure the viability of the Organisation for the years to come and at least in line with the 2023-2027 Strategy.

The implementation of the new Strategy 2023-2027 requires a sustainable budget for the organization in order to meet the strategic objectives of the Organisation. First of all, to provide a number of technical events in line with priorities and action areas defined by the Executive Council in February for 2024, but also to ensure that the organisational excellence will enhance better services offered to the members.

The financial sustainability has always been a high priority of the Organisation and as soon as 2018**, a Budget task Team** was set up (France, Slovakia, Spain, UK and IOTA SEC) to examine the financial situation of IOTA and to propose a set of principles to be followed when planning, forecasting and monitoring the annual IOTA budget.

From 2019 to 2023, Financial Framework working groups have been set up and made several recommendations to mitigate the budget constraints with the introduction of the Balanced Budget Principle which practically means that annual expenditures (starting from 2019) will be budgeted based on the expected income from members' contributions.

The main outcomes of the different FFWG are:

1. Updated Review the structure of Accumulated Reserve (ES Reserve)
2. Inflation Adjustment mechanism
3. Review of the structure of Accumulated Reserve (ES Reserve)
4. Updated basic conditions of funding IOTA events (thresholds)

The EC-138 in Vienna in February 2023 decided to execute a half day workshop about a 3-year financial modelling to assess the mid- term financial outlook including the financial risks of IOTA funding in line with IOTA Strategy 2023-2027.

In the EC 140 in May 2023, a 3-year budget modelling workshop took place looking into the forecasted revenue and cost and their impact on the budget of the organization for the forthcoming years. Based on the outcome of the workshop it was decided to set up a Financial Committee whose mandate is to secure the financial situation of IOTA on mid-term.

The Executive Council Annual Report 2022-2023 recommended for the new elected Executive Council to set up a Financial Advisory Committee to ensure the financial sustainability for 3 years ahead in line with the Strategy 2023-2027.

Against this background, the FAC was established in October 2023 to elaborate on a mid-term sustainability plan aiming to reduce the deficit forecasted in line with the current Strategy.

2. Objectives

The mandate of the FAC is:

- To develop a mid-term sustainability plan in line with the current Strategy
- To review and analyse expenses
- To propose set of actions aiming to make and efficient use of IOTA Income
- To propose options for enhancing revenue streams
- If necessary to propose changes to the financial Regulations and Rules

The FAC met 5 times between November 2023 and April 2024 and launched a membership-wide electronic survey regarding the scenarios proposed to mitigate the deficit:

- Review of the IOTA expenses and possible savings in the fixed costs and yet to be able to execute the Work Programme.

- Review of the sources of Revenue
- Analysis of different scenarios to mitigate the deficit along the Strategy 2023-2027 and explore its potential consequence on the budget.
- Review of the outcomes of the survey
- Proposals
- Going further with a reflection on the membership contribution system which is unchanged for almost a decade and provides the same level of funding since 2012 and other issues to be considered.

The set of proposals taking into account the outcomes of the survey were presented to the EC for endorsement at its extraordinary 146th meeting on 24 April 2024.

The mandate of the FAC is in line with the strategy term (2023-2027).

3. Summary of the proposal included in this Report

The Financial Advisory Committee proposes the adoption of the following measure, targeted to improve the financial sustainability of the Organisation based on assumptions.

3.1. Assumptions

The level of Emergency Fund out of the Accumulated Reserve (25% of the total budgeted costs) as stated in the financial regulations should be kept.

The indexation of the contribution for 2025 will be 15.9%, based on the inflation adjustment mechanism decided during the GA 2022 in Zürich.

3.2 Proposal for savings in the fixed costs of IOTA

It is suggested to make savings by reducing the level of the Per diem, the attendance of staff in meetings abroad, and the inflation rate raise readjustment for the employees.

The input from the members on the survey, shows great support for these measures.

3.3. Based on the comments of the members on the survey, the FAC makes a proposal to go towards a balanced budget by addressing several reductions in costs as well as taking into account the inflation rate adjustment. In order to mitigate the deficit, the FAC proposes to not lower the contribution starting from 2026.

3.4. FAC tasks for the next EC term

In order to ensure financial sustainability on the long term, the FAC suggests revising the membership contribution system.

The FAC will elaborate a new contribution system effective from **2027**, because the current one is not proportional enough and doesn't provide real progress in the level of contribution only on the long term. Some members did address concerns with regards to the higher contributors. A more balanced approach should be considered while still providing sufficient funding for IOTA operations.

4. Assumptions

4.1 The level of the Emergency Fund should be kept for 2025

The Accumulated Reserve of IOTA is divided into 3 chapters as stipulated in the FR;

1) ***Emergency Fund,*** being 25% of the total expenses budgeted for the coming financial year, to be used only for temporary liquidity reasons.

   Suggested to remain unchanged both its content and base of calculation.

2) ***Investment Reserve*** is allocated from Operational Reserve to fund investments that increase IOTA's long-term capabilities or its future cost efficiency.

   It is suggested to change the content for the following:

   "Investment reserve is allocated from Operational reserve to cover the yearly depreciation & amortization cost of IOTA's Fixed assets".

   This change in the financial regulations needing a qualified majority in the General Assembly.

   Operational reserve, that corresponds to the residual part of the total Accumulated Reserve and can be used by the Executive Secretary only to cover unexpected costs after the approval of the EC.

4.2 Inflation rate raise readjustment on the contribution

In June 2022, the 26th GA approved the introduction of an inflation rate to be applied to the contribution as followed: "Weighted average inflation rate should remain unchanged for 2 years for a more fixed contribution fee structure. Following 2-year-inflation rates should be adjusted based on the difference between the actual inflation rate and the bi-annually fixed rate for the second year: actual inflation will be considered continuously in the utilised rate".

In 2025 this rate will be 15.9% and in 2026, the contribution level should be kept at the same level. Some countries will jump to a new level due to GDP changes, which leads to a 1%-1.5% contribution raise in 2026 compared to 2025, meaning no change happens to 2025 contributions. In 2027 a -10% decrease of the contributions is foreseen, as the inflation rates will decrease from 2024 and the biennial rate of 15.9% set for 2026 must be corrected downwards in 2027-2028 in the current contribution system.

The FAC proposes to not change this contribution and not decrease the contribution in 2027 until a new contribution system is reviewed.

5. Integrated proposal (up for voting in the EC)

5.1 Fixed Costs savings

These costs (wages, per diem) represent 90.2% of the total fixed costs of the organisation (2023 Actuals). The fixed costs represent 62% of the total IOTA budget.

The FAC proposed the following measures to reduce the fixed costs:

5.1.1 Capping the Per diem

The FAC proposes to cap the per diem to 80% of the current level which is based on the WHO table of per diems. The FAC reviewed several per diems (Fiscalis/NL/BE/RO/HU/OECD) and noticed that an average of the analyzed per diem would be around 80% of the WHO table. The WHO table is reviewed every year and therefore remains actual.
The WHO table is mentioned in the financial regulations so this will lead to a request to change the financial regulations needing a qualified majority in the General Assembly.

Proposed savings: 3,230 euro in average yearly

5.1.2 Reduction of the Secretariat's travel costs

The FAC proposes to reduce the travel cost of IOTA staff by limiting the number of staff to attend any meeting. As a principle, only the staff that has a specific task will attend meetings, except the GA. These reduced travel costs include the travel required for the PCP Forum and the AIC and any other meetings (NTO/OECD/IMF...). The results of the survey show that this proposal is widely supported by the members.

The FAC excluded a limitation in the participation of IOTA staff in the GA since attendance of staff at the major events of IOTA is a way of motivating the staff, but also an event gathering all people involved in IOTA activities.

Proposed savings: 5,500 euro in average yearly

5.1.3 Capping the inflation rate readjustment for the wages

The mechanism of inflation rate readjustment decided by the GA in 2019 for the employees of the organisation can result in an uncontrolled situation (if not capped in 2024, it would have been 18% for local staff and 20% for international staff raise in wages instead of the indexation capped to 10% for locals and 2% for international staff in 2024). This was a decision of the EC in December 2023 (Decision 2023_EC_143_2) based on the forecasted budget that was approved by the GA of 2023 in Tbilisi. This decision needs to be agreed on in the GA of 2024. If the GA doesn't agree, the 18% for local staff and 20% for international staff should be adjusted which would lead to a huge deficit.

Decision **2023_EC 143_2:** The Executive Council took note of the initial discussions held during the kick off meeting of the Financial Advisory Committee.
The EC agreed on the inflation rate salaries readjustment at the Secretariat as per approved 2024 budget (28 196 euro), which will be provisionally in effect before GA28's decision on the matter.

Provisional savings: 84,243 euros for 2024 and onwards.

Additionally, FAC proposes to have a cap on the inflation rate readjustments of 2.5% for the local staff and 1% for the international staff starting from 2025 annually. The EC can decide on a higher cap (one-off) in case the inflation skyrockets.
This would lead to a change in the financial regulations that need to be approved by the General Assembly with a two-thirds majority.

Proposed savings: 15,538 euros for 2025 and onwards

Fixed Costs: over the 3 years (2025-2027)

- Per Diem = 80% of the WHO table, with total savings of around 9,690 euros
- Reduction of staff attending meetings abroad, total savings 16,500 euros
- Provisional saving of 84,243 euros by capping the inflation wage raise for 2024.
- Wages capped to 2.5% inflation raise each year for local and 1% for international (original decision in the GA in 2019), instead of inflation adjustment per year: 96,000 euros

5.2 Proposals for the work programme

After consultation with the members, some came up with new ideas which led to the following possible savings proposed by the FAC:

5.2.1 Reducing the number of participants covered by IOTA

The FAC reviewed the input by the members on the different scenarios in terms of reducing the number of participants and/or covering accommodation and meals. The scenario of

reducing the number of participants from 2 persons covered by IOTA accommodation and meals to 1 person was the most advised scenario by the members.
Thus far, an average of around 52 in-person experts have participated in the work programme events (Forums and Workshops). This shows that many countries already send only one participant to the meetings.
Up until now, the IOTA budget takes into account 55 participants (meals and accommodation). The reduction of the number of participants covered by IOTA would lead to **a saving of 43,000 euros for 2025 and onwards**.
The savings can go up to 73,000 euros depending on the countries hosting the events (grouping of thresholds for accommodation/meals/coffee breaks and hybrid events).
This still allows tax administrations to send more than one participant if the hosting country can abide by the request and the administrations want to pay for the accommodation/meals of their extra participant.

5.2.2 Decreasing the number of in-person Forums

The FAC suggests having 4 of the 6 Forums in-person while the other 2 should be organised online.

The Forums are the forums on Debt Management, HR, Communications, BEPS, VAT Fraud and AEoI. E.g. it can be considered to rotate the BEPS with AEoI Forum and the HR with Communication Forum. This would mean that each forum is organised in-person every two years and the other year, the Forum would be organised online thus maintaining the number of activities as today.

The steering groups should still be as active as before as they need to organise a meeting every year, regardless the format. The savings however are significant: **60,000 euros per year from 2025 and onwards**, depending on the location this can be even higher.

5.2.3 Reducing the duration of the in-person meetings

Currently, the duration of the Forums is 2.5 days. Membership advised to consider a reduction of the duration of events. After thorough analysis, the FAC proposes to reduce the duration to 2 days, starting from day 1 at noon and ending on day 3 at noon. This would reduce significantly the costs covered by IOTA since there would be the following costs:

- no welcome reception,
- one coffee break less,
- one lunch less
- one night less of accommodation.

The idea behind this proposal is to not affect the content of the events, neither the networking opportunities since the two diners are up for hosting by the hosting tax administration.

Proposed savings: **65,000 euros in 2025 and afterwards 82,000** onwards depending on the hosting countries.

5.2.4 Decreasing the hybrid costs

IOTA pays up to 40,000 euros on technical equipment when organising the work programme events (this explicitly excludes the GA and AIC). This is a significant amount. The FAC would propose the secretariat to review the technical means necessary to make the events hybrid as there are solutions on the market for meetings up to 44 participants that would lead to a one-off investment and much lower costs.

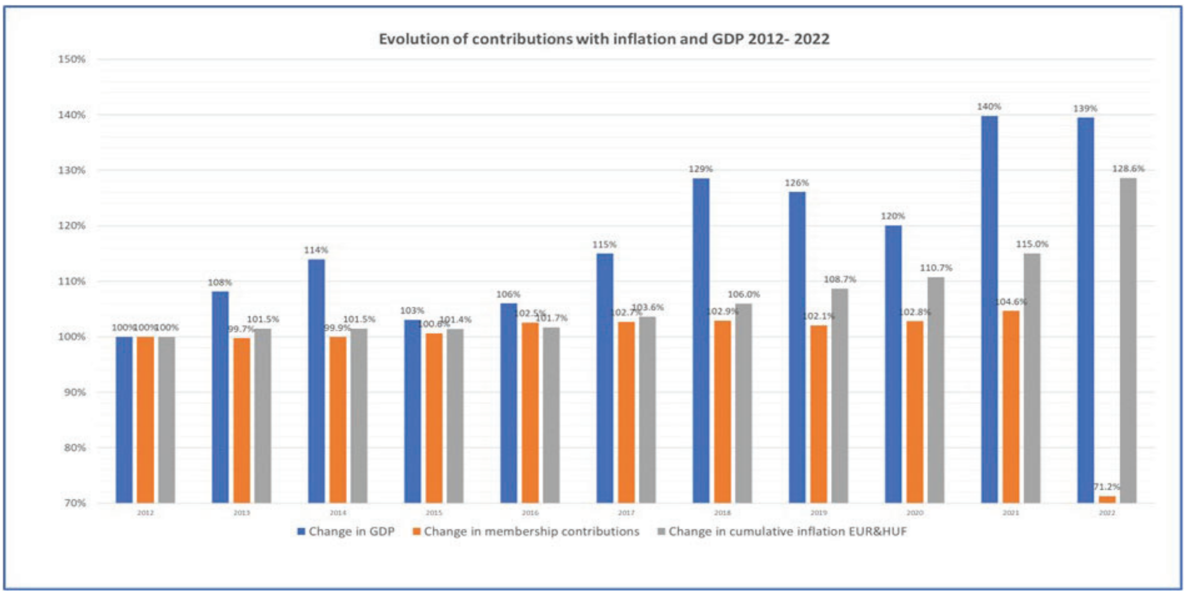
Possible savings: a very conservative 10,000 euros for 2025 and 40,000 euros for 2026 and onwards depending on the cost of such a solution (10,000 estimated as a one-off investment) and considering that 2 out of the 6 forums would be organised digitally every year (see previous proposal 6.2).

6. Going further (not up for voting in the EC)

6.1 Reflection on the contribution system

The current membership contribution system was approved in 2011 and introduced starting from 2012.

In the past 10 years, it was noticed a huge disconnection between the raise in GDP (39%) and the raise of contribution (2.9%), while the cost level of every service that IOTA is paying for (accommodation, meals, overhead, office rental, payroll) has increased constantly, mainly due to the inflation rate in Hungary. So, the increases in membership contributions didn't follow the same rhythm/pace as the increases in expenses, especially in the past 2-3 years, when prices increased at global level.



The current contribution system is dividing the countries of the membership into 10 groups based on their level of GDP, and each and every group is broken down into 5 subgroups. The contribution fee in the lowest level is 5,500 EUR while the maximum is 55,000 EUR. The interval of the subgroups is 20% of the main group, triggering a 1,100 EUR increase in the contribution fee when moving to the next subgroup level. On average, a 16% GDP increase provokes a step up to the next subgroup level. Yearly average GDP growth of the total membership was 3.7% between 2012-2022. Consequently, it would take on average 4-5 years for each country to proceed to the following subgroup level, and in total it would only increase the total revenue by 43 x 1,100 EUR = 47,300 EUR, which is around 4% of the total IOTA budget. This system doesn't link the increase of the contribution level to the growth of the GDP – the resulting consequence is that IOTA is underfinanced.

The FAC will continue its work since the mandate extends to the strategy term (2023-2027) to design a new contribution system which would be discussed and approved in the 29th General Assembly in 2025 and would be introduced from 2026. The FAC will propose to better balance the contribution system considering the large gap between the lowest contributions and the highest contributions. Some members from the higher bracket express their worry about a significant increase in contributions and the possible negative impact on the membership.

6.2 Rental of the offices

Currently, the offices of IOTA are rented at a rate of 103,000 euros/year (including utilities). Some members proposed to house the offices of the organisation within their premises.

The FAC suggests the Hungarian public administration to consider hosting the Secretariat free of charge as this wouldn't disrupt the functioning of the organisation.

Possible savings: 103,000 euros annually.

6.3 Standing committee

As IOTA and its financial situation have been an ongoing topic of concern, the FAC proposes to make the FAC a standing committee. This should be discussed by the Executive Council.

6.4 Ideas on hosting

Some members proposed to have more of the IOTA events organised in training facilities of the member administrations. This is a good proposal however it's difficult to estimate the financial benefits.

A more active and focused outreach to members for hosting events needs to be implemented. The IOTA budget takes into account a spread of the host depending on their group (as this implies an impact on the thresholds and thus budget). When the call for hosting is send out, no information on the budgetary expectations of IOTA is communicated. On the other hand, if IOTA would be more proactive and communicative towards the members in each group on the number of events planned to be organised/hosted in their country, more members would be nudged into hosting events and the budget would be more realistic. A right balance when sharing the hosting of events between the grouping for budgetary reasons is necessary.

6.5 Other issues to be considered

HR decisions of the Executive Secretary with financial consequences for the coming years, should be subject to approval of the Executive Council.

The level of the Emergency Fund (25%) could be re-examined.

6.6 Participation fee

The EC in its decision made on December 12th, 2023, decided to raise the Participation fee to attend two IOTA events;

1) Technical Session of the General Assembly
2) Annual International Conference

by differentiating based on the nature of the participating organisation;

Participant organisation type	Participation fee (per participant)
For-profit entities (up to 2 participants)	2,000 €
For-profit entities (3- 5 participant)	1,000 €
Non-profit entities	1,000 €
Tax-Administrations (only for 1 year)	0 €

Delegates of for-profit entities could participate by paying the observer fee of 2,000 EUR per participant for up to two delegates. In case of more, between 3-5 delegates the observer fee is proposed to be set at 1,000 EUR per participant from the same entity.

Delegates of non-profit entities could participate by paying the observer fee of 1,000 EUR per participant.

Delegates of a Tax-Administration could participate free of charge but only once. If there would be interest to be invited again to any of the above-mentioned IOTA events, the Tax Administration needs to become an Associate Member and thus pay the annual Associate Membership fee.

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ANNEX I. FINANCIAL CONSEQUENCES OF THE PROPOSALS

Proposed measures		Annual effect to the result of the year (rounded to '000)				Type of measure
		2025	2026	2027	2028	
1	Revenue Contribution not decreasing based on inflation rate in 2027	0 €	0 €	137,000 €	137,000 €	revenue
2	Cap in wages	16,000 €	32,000 €	49,000 €	67,000 €	cost
3	Per diem for Staff	3,000 €	3,000 €	3,000 €	3,000 €	cost
4	Travel cost for Staff	5,000 €	5,000 €	6,000 €	6,000 €	cost
5	Cover 1 person accomodation and 1 person meals	43,000 €	73,000 €	73,000 €	73,000 €	cost
6	Decrease in the number of in-person forums by 2 (online)	60,000 €	60,000 €	60,000 €	60,000 €	cost
7	Reducing the duration of in-person meetings (2,5 to 2 days) - Not covering Welcome Reception	65,000 €	74,000 €	82,000 €	82,000 €	cost
8	Decrease in the AV services (Hybrid) Costs	10,000 €	25,000 €	40,000 €	40,000 €	cost
	Total effect to result:	202,000 €	272,000 €	450,000 €	468,000 €	

ANNEX II. SCENARIOS

Scenario with no change in the Work Programme

The scenario shows that IOTA runs out of cash in 2027.

SCENARIOS WITH CONTRIBUTION CHANGE 15,9% 2025 +1% GDP 2026, 0% 2027		2025	2026	2027	2028	2029
1. NO CHANGE IN WORK PROGRAM COSTS, FIX COSTS SAVING ONLY	COST SAVING EFFECT	€23,769	€40,646	€58,399	€76,567	€95,691
	DEFICIT OF THE YEAR **	-€255,281	-€232,753	-€229,543	-€213,214	-€196,401
	ACCUMULATED RESERVE	€757,190	€524,437	€294,894	€81,680	-€114,721
	CASH BALANCE (Acc. Res. less 300,000€)*	€457,190	€224,437	-€5,106	-€218,320	-€414,721

Proposal: Summary of the measures:

The scenario with all the proposals shows that IOTA financial sustainability is ensured on mid-term.

SCENARIOS WITH CONTRIBUTION CHANGE 15,9% 2025 +1% GDP 2026, 0% 2027		2025	2026	2027	2028	2029
2. COST OF ACCOMMODATION AND COST OF MEALS FOR 1 PERSON	COST SAVING EFFECT	€202,074	€272,068	€312,937	€331,106	€350,229
	DEFICIT OF THE YEAR **	-€76,976	-€1,332	€24,995	€41,325	€58,137
	ACCUMULATED RESERVE	€935,495	€934,163	€959,158	€1,000,483	€1,058,620
	CASH BALANCE (Acc. Res. less 300,000€)*	€635,495	€634,163	€659,158	€700,483	€758,620

**= CASH BALANCE IS LESS THAN ACCUMULATED RESERVE WITH CCA. 300,000€ DUE TO NET FIXED ASSETS VALUE, CASH DEPOSIT TO OFFICE LANDLORD & OTHERS*

***= THE FIGURES FOR 2025 ARE ONLY INDICATIVE, THE DRAFT 2025 BUDGET HAS NOT BEEN FINALISED*

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ANNEX III. SURVEY OUTCOMES - SUGGESTIONS FROM THE MEMBERSHIP

Suggestions per Membership	FAC agreeing or not
increase contribution every year not every two years	yes
explore the option of having hosting administrations provide meals during events	NO
evaluate the distribution of resources within the organization. This could involve potentially reallocating staff capacity within the Secretariat to optimize event planning and organization, with a focus on utilizing more Project Coordination Pool (PCP) capacity for these tasks, using more PCP-s capacity, IOTA can explore ways to enhance efficiency without compromising its core activities.	NO
boosting member contributions but also expanding existing revenue sources and intensifying efforts to maximize income generation from current channels: 1. partnerships with academia stakeholders or by offering specialized services or products that may attract external funding. This could involve collaborating with private sector entities on specific projects or initiatives that align with IOTA's mission and objectives, thereby creating mutually beneficial arrangements. 2. introducing value-added services or products for members, such as premium access to certain resources or tools, exclusive reports or insights, or specialized training programs tailored to specific needs within the tax administration sector. 3. hosting fee-based events, workshops, or training sessions, high-quality, value-added educational opportunities, IOTA can attract participants willing to pay for these services	
take the last reported GDP from the each country itself (Statistics Committee or other state body)	yes
decreasing the 25% reserve fund threshold to 10%	yes
some seminars, meetings and forums in Training Centers of member administrations	yes
limit the participation of IOTA staff at the GA (participation of only those whose participation is necessary	NO
reduce the number of events on an annual basis. Some events may be held online in the future.	NO
doesn't just mean a blanket rise on fees without considering the tiers or scales that are used and the calculation that's applied. We would want to see different models on several options for a new contribution system.	yes
one-off or gradual incurring membership contributions, which are IOTA's main source of income.	yes
higher contribution justifiable	yes

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countries could assess if organising such an event is feasible and if certain expenses, such as hotel costs, could be covered in full or partially member states paying half the expenses to partially reduce costs	NO
membership fees must be raised, which would mean that the contribution system must be changed. review and renew the system of membership fees and inflation calculation to achieve a sustainable economic situation for the future	yes
agree with the inflation adjustments but with a cap in order to avoid extreme increases in extraordinary circumstances. including more observers in order to boost the revenue stream, with specific criteria.	yes
increase the contribution of each member tax administration, to have the same inflation adjustment and same actual rules that applies now	yes
reduce the number of events per year and perhaps, where possible, to reduce the event duration.	yes to reduce the event duration
the FAC to be assigned with the task to analyze the current contribution system and to propose amendments: gradually increase the contribution fee (for example by 5% per year or depending on the inflation rate) until IOTA is financially stable and at the same time it should be analyzed if the fixed costs can be additionally reduced with 2%.	yes
limitation in participation of IOTA staff in the GA until IOTA is financially stable	NO
Evaluate technical requirements in hybrid events. **Several tax administrations are currently facing budget cuts and then member administrations need to consider comprehensively where savings can be made.**	NO

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Member contributions are very disparate, with a gap of €50,000 between the largest contributor and the smallest (amount multiplied by 11). Members are currently divided into 11 groups: **this gap may be reduced to 5 or 6 country groups**. - The amount of contributions should not be based on members' GDP alone, but should **take into account the reality of countries' economic situations. Then, a GDP per population ratio would seem more appropriate.** - The amount of the **increase in contributions will have to be progressive and equitable**; in a system with a gap ranging from 1 to 11, i**t is unreasonable to ask all countries for the same increase and to pass on the biggest increase to the already major contributors.** Then, several other possibilities could be considered to reduce costs: - IOTA could benefit from **the provision of premises by the Hungarian tax authorities, free of charge. If the Hungarian tax authorities does not wish to host IOTA, moving in another country could be proposed.** - A **reduction in the number of events**: setting a limit of one face-to-face event and one remote event on the same theme would avoid duplicating requests. IOTA must also continue to coordinate its work program with that of other international organizations (e.g.: the subject of international tax reform is already covered in all other forums, so there's no need to invest in it within IOTA). - For the webinars, we propose that IOTA **stop funding panelists' accommodation and meals**. Participants could then have the choice of paying for their own accommodation to participate from the studio, or participate remotely from their respective member states - if the number of virtual events is reduced, even though we understand the interest of the studio for IOTA, **using a private company may be more economical** – In addition to that, we also believe that the hybrid format should be discontinued for events (face-to-face seems sufficient). It **doesn't seem necessary to film/record the whole event** as a written summary of the debates may be sufficient. - Consequently, if we decide to **reduce activity**, and if the **location of the secretariat is changed**, we may have to **reconsider the number of employees** and also compare it with that of other international or regional organisations.	yes: reduce the # of groups and decrease the gap yes: IOTA Premises free of charge yes: for the future for significant and continuous expenditure take approval from the EC

the number of events should be reduced, and the duration of events should also be shortened.	yes to reduce the event duration
need for hybrid events to be considered.	
not to decrease the contributions of a year if the GDP goes down, but to keep it stable, as of the previous year, or to have a % limit of decreasing the contributions, depending on the estimated outcome of each year, in the context of the target 'not having annual deficit'. In this way, from 2027 and on the estimated deficit may be eliminated.	yes
contribution system is reviewed, it is important to involve all Member States. reducing numbers of events, number of stuff, office situation etc.) or renunciation of tasks	no
reducing the duration of the Forums and workshops from 2,5 to 1,5 days;	yes
reform of the membership fee system, which generates the most revenue, is needed Annual indexation is therefore strongly recommended. transforming FAC into a standing committee. The work of FAC has highlighted the need for closer control of IOTA's finances by the membership. To this end, it may be appropriate to transform the FAC into a standing committee, with members rotating as a matter of course.	yes
a new system of contribution would take long time. In addition, **an increase of contributions would for several memberships most likely not be acceptable.**	
it would be necessary to understand what the ideas of the financial committee for changes in the contribution system	
combine cost reductions in the secretariat and at events, as well as possible limited adjustments to the contribution system. **Limited adjustments in the contribution system in light of the severity of the financial challenges.** Both the contribution system and the inflation adjustment mechanism should be designed with a view to avoid highly fluctuating revenues.	

improve the contribution system in order to align the contributions to the evolution of the GDP but **we would not agree to a system exclusively designed for the purposes of raising the contributions.** We propose to include a safeguard in the new system so that the contributions remain stable and **do not decrease in case of a negative evolution of the GDP.** We agree to improve the **inflation adjustment** mechanism in order to align the contributions to the real economic situation but **capping it at a certain limit.** This mechanism should be included as an element of the contribution system.	yes: not to reduce contribution yes: cap to inflation adjustment
Follow the budget balance principle strictly and do not spend more than the annual incomes received.	yes
Make use of the incomes/member contributions in a way that returns value for money to the members.	yes: for the future for significant and continuous expenditure take approval from the EC
Do not reduce expenses when it may lead to disappointment or demotivation of members or staff. the newly created Financial Committee helps to achieve a consistent approach, since it is probably the lack of consistency what has led to the current situation.	
It was not until 2022 that we went back to face-to-face meetings, but the combination of digital, face-to-face and hybrid events has been kept in order to adapt to the new working methods after the pandemic. the IOTA workforce has grown and some previously seconded experts have become IOTA staff, which leads also to higher expenses. adequate planning of expenses rather than a decrease in the service provided. support to a good combination of digital and face-to-face events. Short webinars have become popular in the .... tax administration. For the case of hybrid events, we don't know the additional costs that online format causes, but we would support to keep them as only face-to-face events if this has a substantial impact on the expenses. external funding or in-kind contributions of donors.	

Budget Proposal 2025

EXPLANATORY NOTE

1. KEY ASSUMPTIONS

The Budget 2025 is based on the following assumptions:

- No change of the IOTA Membership Contribution System
- Bi-yearly inflation adjustment mechanism voted at the 26th GA, the inflation adjustment rate for 2025 will be 15,925% based on this mechanism
- Memberships' exclusions resulting in less contribution revenue for IOTA
- The proposals of the Financial Advisory Committee approved by the Executive Council are incorporated into the Fixed costs and into the Work Programme expenses.
- Inflation environment impacting the current costs and expenses of IOTA (Technical activities, administrative costs, etc.)
- No change in the Secretariat staff.

2. KEY FIGURES

The following summary presents the key figures of the Budget 2024-2025, which shows that the **Income** increase will be **14,2%** while the **Expenses** will **decrease by 6.2%** resulting that the Balance of the year amount will be -79,956€ versus the -336,144 € result of 2024. This is a 256,188 € improvement in the result.

INCOME AND EXPENSE SUMMARY		ACTUAL 2023	BUDGET 2024	BUDGET 2025	VARIANCE 2025/2024	VARIANCE 2025/2024 %
I.	MEMBERSHIP CONTRIBUTIONS	1,142,818 €	1,131,376 €	1,282,826 €	151,451 €	
	Budgeted Contribution	1,142,818 €	1,131,376 €	1,282,826 €	151,451 €	
	New members contribution	0 €	0 €	0 €	0 €	
II.	ASSOCIATE MEMBERS' CONTRIBUTIONS -OUTSIDE E	23,452 €	23,452 €	26,141 €	2,689 €	
III	OTHER REVENUE	21,075 €	0 €	0 €	0 €	
IV	FINANCIAL INCOME+ FX	12,487 €	0 €	10,000 €	10,000 €	
C) TOTAL INCOME OF THE SUBJECT YEAR		1,199,832 €	1,154,828 €	1,318,967 €	164,140 €	114.2%
I./1	TECHNICAL ACTIVITIES PROGRAMME	656,458 €	774,093 €	623,846 €	-150,247 €	
I./2	PUBLICATIONS AND ELECTRONIC INFORMATION PLA	126,720 €	205,041 €	221,743 €	16,702 €	
II.	GENERAL ASSEMBLY	115,864 €	68,975 €	92,332 €	23,357 €	
III.	MEETINGS OF THE EXECUTIVE COUNCIL	16,930 €	16,515 €	14,700 €	-1,815 €	
IV./1	INTERNAL AUDIT	467 €	1,140 €	680 €	-460 €	
IV./2-3	OTHER MEETINGS	19,117 €	29,305 €	47,554 €	18,249 €	
V.	INTERNATIONAL MISSIONS	17,698 €	27,912 €	27,118 €	-794 €	
VI.	SECRETARIAT OF THE ORGANISATION	349,661 €	367,991 €	370,950 €	2,959 €	
B) TOTAL EXPENDITURE IN THE SUBJECT YEAR		1,302,914 €	1,490,972 €	1,398,923 €	-92,049 €	93.8%
BALANCE OF THE CURRENT YEAR		-103,082 €	-336,144 €	-79,956 €	256,188 €	
BALANCE OF THE YEAR/ INCOME RATIO		-9%	-29%	-6%		

MAIN VARIANCES 2025/2024

		AMOUNT	% OF INCOME
A	INCREASE IN CONTRIBUTIONS (15,925%)	154,140 €	11.7%
A	SAVINGS ON WORK PROGRAMME COSTS	178,300 €	13.5%
B	SAVINS ON FIXED COSTS	23,769 €	1.8%
C	NEW COST ITEMS IN 2025 BUDGET	-66,004 €	-5.0%
D	OTHER, INFLATION RELATED	-34,016 €	-2.6%
	TOTAL VARIANCES:	256,188 €	19.4%

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3. DETAILED EXPLANATIONS TO THE VARIANCES

The following are the **main variances** and their explanations to the **-79,956 €** result and to the improvement of **256,188€** compared to 2024 budgeted result:

INCOME ITEMS

1. The inflation adjustment system for the contribution fee system was based on a biennial adjustment. The inflation adjustment rate is set to 15,9% for 2025 compared to the 4% for 2024. The 15,9% rate has two parts: 2023 inflation rate was 12, 0% and the adjustment for 2024 rate is: (11,85%-4%)/2=) 3,925%, totaling 12,0%+3,925%=15,9%

   Increase in contributions: **154,140 €**

2. Interest income from excess cash deposit at bank

   Additional revenue: **10,000 €**

3. Due to the war in Ukraine IOTA the Budget doesn't contain the revenue from Ukraine (31,879 €). The income missing from the terminated members of Belarus and Russia (24,228 € BY + 53,557€ RU) affects 2025 revenue as well, as the decision about the termination will have long term effect to IOTA's financial position.

EXPENSES

I. SAVINGS ON THE FIXED COSTS

4. CAP ON WAGES OF THE SECRETARIAT
   With the current automatic inflation adjustment mechanism to cease a new regime will enter into force, a wage cap which is 2,5% for local staff and 1% for international staff. Assuming a general inflation of 4% for 2025 there will be savings on wages (and social security for local staff).

   Expense variance: **15,540 €**

5. REDUCTION OF PER DIEM FOR SECRETARIAT
   The secretariat uses the WHO/UN table for staff travelling to missions, and it was approved to keep the WHO/UN table, but with a reduction of 20%, which saves appr 3,230 € per year

   Expense variance: **3,200 €**

6. REDUCTION OF SECRETARIAT TRAVEL COSTS
   It was decided to reduce the staff travel costs, so only the staff that has a specific task will attend meetings, except the GA. It saves appr 3-4 travels per year with average 1,200-1,300 € per each.

   Expense variance: **5,000 €**

II. SAVINGS ON THE WORK PROGRAMME COSTS

7. REDUCING THE NUMBER OF PARTICIPANTS COVERED BY IOTA
In the current regulations there are 2 delegates financed by IOTA for the WP events. It was decided to reduce it to one participant per member. The savings are calculated based on the 55 persons for accommodation and 57 persons for meals based on historical data.

Expense variance: **43,000 €**

8. DECREASING THE NUMBER OF IN-PERSON FORUMS

It was proposed to reduce the number of hybrid Forum events from 6 to 4, resulting that 2 Forums will be only digital. (It will be decided later which Forums will be digital by the Secretariat and the T.A. Working Group)

Expense variance: **60,000€**

9. REDUCING THE DURATION OF THE IN-PERSON MEETINGS

Currently, the duration of the Forums and Workshops is 2,5 days. Membership advised to consider a reduction of the duration of events. After thorough analysis, the FAC proposed to reduce the duration to 2 days, starting from day 1 at noon and ending on day 3 at noon. This would reduce significantly the costs covered by IOTA since there would be the following costs savings:

- no welcome reception
- one coffee break less
- one lunch less
- one night less of accommodation

Expense variance: **65,000€**

10. DECREASING THE HYBRID COSTS

IOTA pays up to 40,000 € on technical equipment when organizing the WP events (this excludes the GA and AIC). The FAC proposed the Secretariat to review the technical means necessary to make the events hybrid as there are solutions on the market for meetings up to 40-50 participants that would lead to a one-off investment and much lower cost.

Expense variance: **10,000€**

III. NEW/INCREASED ITEMS OF EXPENSES

11. TRAVEL COST OF THE STAFF TO THE GA AND PCP FORUM

2024 Budget did not include Secretariat travel cost to these events which must be adjusted from 2025 onwards. The GA was planned with 15 staff members and the PCP Forum with 10 staff members.

Expense variance: **-32,600€**

12. MEETINGS OF THE STRATEGIC PROJECT GROUP AND WORKING GROUP

    2024 Budget did not include any cost for these types of meetings, while it is certain that in 2025 there will be costs incurred for in-persons meetings, such as meetings of the FAC, Strategy and Charter Working groups

    Expense variance: **-7,300€**

13. FIXED COSTS NEW/ADDITIONAL ITEMS

    Certain fixed cost elements had to be increased since the 2024 budget amounts for these items seem to be not sufficient for 2025, such as Webinar studio maintenance, new web-portal web-hosting services, some personnel costs (part-time staff member), depreciation, etc.

    Expense variance: **-29,500€**

ATTACHMENTS

Annex I. BUDGET SCHEDULES

BUDGET 2025 membership contributions

MEMBERSHIP CONTRIBUTIONS 2025				
GDP BASED COUNTRY GROUPS	COUNTRIES PER GROUP	BUDGET REVENUE PROJECTION		
		BASIS OF GROUPING	LIST OF COUNTRIES IN GROUP	TOTAL INCOME
MEMBER COUNTRIES				
GROUP I.	1	GDP < 5 000	Montenegro	6,376 €
GROUP II.	7	5 001 < GDP < 15 000	Moldova, B&H (ITA), Republic of Srpska (B&H), Malta, Republic of North Macedonia, Armenia, Albania,	82,886 €
GROUP III	5	15 001 < GDP < 35 000	Cyprus, Estonia, Latvia, Georgia, Iceland	84,162 €
GROUP IV.	7	35 001 < GDP < 75 000	Lithuania, Slovenia, Croatia, Bulgaria, Azerbaijan, Luxembourg, Serbia	165,773 €
GROUP V.	2	75 001 < GDP < 155 000	Slovakia, Ukraine, Hungary	59,933 €
GROUP VI.	6	155 001 < GDP < 315 000	Kazahstan, Romania, Czech Rep., Greece, Portugal, Finland	209,129 €
GROUP VII.	7	315 001 < GDP < 635 000	Denmark, Ireland, Austria, Norway, Belgium, Poland, Sweden	292,015 €
GROUP VIII.	3	635 001 < GDP < 1 275 000	Switzerland,the Netherlands, Spain	144,095 €
GROUP IX.	3	1 275 001 < GDP < 2 555 000	Italy, France	110,940 €
GROUP X.	1	GDP > 2 555 001	Germany, United Kingdom	127,518 €
MEMBERSHIP CONTRIBUTIONS	42		% OF TOTAL REVENUES 98.00%	1,282,826 €
ASSOCIATE MEMBERS (50%)			Republic of Korea	26,141 €
MANDATORY ASSOCIATE CONTR.	1		% OF TOTAL REVENUES 2.00%	26,141 €
TOTAL ESTIMATED INCOME (€)	43		100.00%	**1,308,967 €**

MEMBERSHIP CONTRIBUTION SYSTEM FOR 2025

MAIN GROUP	NO. OF COUNTI	COUNTRY	AVERAGE GDP PER COUNTRY (€)[1,2]	BASIS OF GROUPING[3]	SUBGROUPING[4]	CONTRIBUTION FEE PER SUBGROUP (€) in 2025 w/o inflation	CONTRIBUTION FEE PER COUNTRY 2025
I.	1	Montenegro	4,947	GDP < 5 000	No subgrouping	5,500	6,376
					5 001 - 7 000	6,600	
					7 001 - 9 000	7,700	
	2	B&H (ITA)*	9,993		9 001 - 11 000	8,800	10,201
	3	Srpska Republic (B&H)4	9,993			8,800	10,201
II.	4	Moldova	11,817	5 001 < GDP < 15 000	11 001 - 13 000	9,900	11,477
	5	Republic of North Macedonia	11,707			9,900	11,477
	6	Armenia	13,610		13 000 - 15 000	11,000	12,752
	7	Malta	14,703			11,000	12,752
III.	8	Albania	15,280		15 001 - 19 000	11,000	14,027
	9	Georgia	17,487			12,100	14,027
	10	Iceland	22,207		19 001 - 23 000	13,200	15,302
	11	Cyprus	23,820	15 001 < GDP < 35 000	23 001 - 27 000	14,300	16,577
					27 001 - 31 000	15,400	
	12	Estonia	31,410		31 001 - 35 000	16,500	19,128
	13	Latvia	33,830				19,128
					35 001 - 43 000	17,600	
					43 001 - 51 000	18,700	
	14	Azerbaijan	52,097		51 001 - 59 000	19,800	22,953
	15	Slovenia	52,197				22,953
IV.	16	Serbia	53,030	35 001 < GDP < 75 000			22,953
	17	Lithuania	56,920				22,953
	18	Croatia	57,873				22,953
					59 001 - 67 000	20,900	
	19	Bulgaria	71,563		67 001 - 75 000	22,000	25,504
	20	Luxembourg	71,170			22,000	25,504
					75 001 - 91 000	23,100	
	21	Slovakia	99,363		91 001 - 107 000	24,200	28,054
V.				75 001 < GDP < 155 000	107 001 - 123 000	25,300	
					123 001 - 139 000	26,400	
	22	Hungary	152,270		139 001 - 155 000	27,500	31,879
	23	Ukraine	152,330			27,500	0
	24	Kazakhstan	173,623		155 001 - 187 000	28,600	33,155
	25	Greece	184,077				33,155
					187 001 - 219 000	29,700	
	26	Portugal	225,823		219 001 - 251 000	30,800	35,705
VI.	27	Romania	246,367	155 001 < GDP < 315 000			35,705
	28	Czech Republic	241,080				35,705
	29	Finland	250,660				35,705
					251 001 - 283 000	31,900	
					283 001 - 315 000	33,000	
	30	Denmark	339,197		315 001 - 379 000	34,100	39,530
	31	Norway	421,110		379 001 - 443 000	35,200	40,806
	32	Ireland	429,007				40,806
VII.	33	Austria	407,617	315 001 < GDP < 635 000			40,806
	34	Belgium	498,397		443 001 - 507 000	36,300	42,081
	36	Sweden	519,320		507 001 - 571 000	37,400	43,356
	37	Poland	579,323		571 001 - 635 000	38,500	44,631
	37	Switzerland	695,557		635 001 - 763 000	39,600	45,906
	38	the Netherlands	860,857		763 001 - 891 000	40,700	47,181
VIII.				635 001 < GDP < 1 275 000	891 001 - 1 019 000	41,800	
					1 019 001 - 1 147 000	42,900	
	39	Spain	1,212,133		1 147 001 - 1 275 000	44,000	51,007
					1 275 001 - 1 531 000	45,100	
	40	Italy	1,772,340		1 531 001 - 1 787 000	46,200	53,557
IX.				1 275 001 < GDP < 2 555 000	1 787 001 - 2 043 000	47,300	
					2 043 001 - 2 299 000	48,400	
	41	France	2,462,833		2 299 001 - 2 555 000	49,500	57,383
X.	42	United Kingdom	2,630,770		No subgrouping	55,000	63,759
	43	Germany	3,582,847	GDP > 2 555 001			63,759
	44	Korea Rep.	1,506,967				26,141
		TOTAL GDP OF 10 GROUPS	20,279,520		TOTAL CONTRIBUTIONS IN 2025:		1,308,967

Budget 2025 Summary Report Per Chapter

BUDGET 2025 SUMMARY REPORT PER CHAPTER

	OPERATING EXPENDITURE OF IOTA IN EURO	ACTUAL 2023	BUDGET 2024	BUDGET 2025	VARIANCE 2024/2023	VARIANCE 2025/2024	VARIANCE 2024/2023 %	VARIANCE 2025/2024 %
BUDGET PART II.								
I./1	TECHNICAL ACTIVITIES PROGRAMME Direct Expenses	306,746 €	385,616 €	232,239 €	78,870 €	-153,377 €	26%	-40%
I./1	TECHNICAL ACTIVITIES PROGRAMME Allocated Expenses	349,711 €	388,477 €	391,607 €	38,765 €	3,131 €	11%	1%
I./2	PUBLICATIONS AND ELECTRONIC INFORMATION PLATFORMS INCL. WEBSITE Direct Expenses	16,714 €	78,498 €	86,717 €	61,785 €	8,219 €	370%	10%
I./2	PUBLICATIONS AND ELECTRONIC INFORMATION PLATFORMS INCL. WEBSITE Allocated Expenses	110,006 €	126,543 €	135,027 €	16,537 €	8,483 €	15%	7%
II.	GENERAL ASSEMBLY	115,864 €	68,975 €	92,332 €	-46,889 €	23,357 €	-40%	34%
III.	MEETINGS OF THE EXECUTIVE COUNCIL	16,930 €	16,515 €	14,700 €	-415 €	-1,815 €	-2%	-11%
IV.	OTHER MEETINGS & INTERNAL AUDIT	19,584 €	30,445 €	48,234 €	10,861 €	17,789 €	55%	58%
V.	INTERNATIONAL MISSIONS	17,698 €	27,912 €	27,118 €	10,214 €	-794 €	58%	-3%
VI.	SECRETARIAT OF THE ORGANISATION	349,661 €	367,991 €	370,950 €	18,329 €	2,959 €	5%	1%
II. TOTAL EXPENDITURE IN THE SUBJECT YEAR		1,302,914 €	1,490,972 €	1,398,923 €	188,058 €	-92,049 €	14%	-6%

	INCOME OF IOTA IN EURO	ACTUAL 2023	BUDGET 2024	BUDGET 2025	VARIANCE 2024/2023	VARIANCE 2025/2024	VARIANCE 2024/2023 %	VARIANCE 2025/2024 %
BUDGET PART I.								
I.	MEMBERSHIP CONTRIBUTIONS	1,142,818 €	1,131,376 €	1,282,826 €	-11,442 €	151,451 €	-1%	13%
II.	ASSOCIATE MEMBERS' CONTRIBUTIONS -OUTSIDE EUROPE	23,452 €	23,452 €	26,141 €	0 €	2,689 €	non	non
III .	OTHER REVENUE/PARTICIPATION FEE	21,075 €	0 €	0 €	-21,075 €	0 €	non	non
IV.	FINANCIAL INCOME	13,861 €	0 €	10,000 €	-13,861 €	10,000 €	non	non
V .	EXCHANGE RATE ADJUSTMENT OF THE CURRENT YEAR	-1,374 €	0 €	0 €	1,374 €	0 €	non	non
I. TOTAL INCOME OF THE SUBJECT YEAR		1,199,832 €	1,154,828 €	1,318,967 €	-45,004 €	164,140 €	-4%	14%

	RESERVE OF IOTA IN EURO	ACTUAL 2023	BUDGET 2024	BUDGET 2025	VARIANCE 2024/2023	VARIANCE 2025/2024	VARIANCE 2024/2023 %	VARIANCE 2025/2024 %
ESTIMATED ACCUMULATED RESERVE AT YEAR START		1,521,777 €	1,348,615 €	1,082,550 €	-173,162 €	-266,065 €	-11%	-29%
VI .	EXCHANGE RATE ADJUSTMENT OF THE RESERVE	0 €	0 €	0 €	0 €	0 €	non	non
REVALUED ACCUMULATED RESERVE		1,521,777 €	1,348,615 €	1,082,550 €	-173,162 €	-266,065 €	-11%	-29%
	SURPLUS/USAGE OF THE CURRENT YEAR	-103,082 €	-336,144 €	-79,956 €	-233,062 €	256,188 €	non	non
RESERVE USAGE OF THE CURRENT YEAR		-27,303 €	-336,144 €	-79,956 €	-308,841 €	256,188 €	non	193%
	OPERATIONAL RESERVE USAGE	0 €	-287,007 €	-26,604 €	-287,007 €	260,403 €	non	non
	INVESTMENT RESERVE USAGE	-27,303 €	-49,137 €	-53,352 €	-21,834 €	-4,215 €	non	9%
	EMERGENCY FUND USAGE	0 €	0 €	0 €	0 €	0 €	non	non
TOTAL ACCUMULATED RESERVE OF IOTA AT YEAR END		1,418,695 €	1,012,471 €	1,002,594 €	-406,224 €	-9,877 €	-29%	-29%
Minimum Reserve (25% of the Total Yearly Expenses)		279,710 €	372,743 €	349,731 €	93,033 €	-23,012 €	33%	25%

Budget 2025 Breakdown of Costs

BUDGET OF IOTA FOR 2025 WITH BREAKDOWN OF COSTS

OPERATING EXPENDITURE OF IOTA IN EURO		ACTUAL 2023	BUDGET 2024	BUDGET 2025	VARIANCE 2025/2024
BUDGET PART II.					
BUDGET OF THE SUBJECT YEAR					
I./1	**TECHNICAL ACTIVITIES PROGRAMME**	**656,458 €**	**774,093 €**	**623,846 €**	***-150,247 €***
	Associated travel costs (IOTA staff in the case of hosted events)	411 €	3,375 €	11,744 €	*8,369 €*
	Accommodation	129,810 €	165,150 €	79,240 €	*-85,910 €*
	Meals incl. Per Diem	95,467 €	104,379 €	63,047 €	*-41,332 €*
	Webinar(s)	10,753 €	14,929 €	11,698 €	*-3,231 €*
	Project / Steering Group meetings	0 €	0 €	0 €	*0 €*
	Other expenses (facility rental, technical equipment)	46,807 €	90,688 €	51,350 €	*-39,338 €*
	Webinar Studio/ CAPEX depreciation	16,437 €	7,096 €	7,810 €	*715 €*
	Webinar Studio related costs incl. maintenance	7,060 €	0 €	7,350 €	
	Allocated expenses*	349,711 €	388,477 €	391,607 €	*3,131 €*
	Unspecificed costs - TECHNICAL ACTIVITIES PROGRAMME inflation adj.!	0 €	0 €	0 €	*0 €*
I./2	**PUBLICATIONS AND ELECTRONIC INFORMATION PLATFORMS INCL. WEBSITE**	**126,720 €**	**205,041 €**	**221,743 €**	***16,702 €***
	Printed Publications of IOTA	3,768 €	1,200 €	1,200 €	*0 €*
	Online publications of IOTA	4,706 €	4,720 €	4,720 €	*0 €*
	WEB-site development / CAPEX depreciation	0 €	0 €	0 €	*0 €*
	WEB-site hosting and maintenance	6,075 €	31,519 €	41,940 €	*10,421 €*
	IOTA New Website / CAPEX depreciation	0 €	30,000 €	33,500 €	*3,500 €*
	IOTA App service costs	0 €	0 €	0 €	*0 €*
	ISORA / TIP	2,164 €	11,059 €	5,357 €	*-5,703 €*
	Advisory Group on Communications	0 €	0 €	0 €	*0 €*
	Allocated expenses*	110,006 €	126,543 €	135,027 €	*8,483 €*
	Unspecified costs - PUBLICATIONS AND ELECTRONIC INFORMATION PLATFORMS	0 €	0 €	0 €	*0 €*
II.	**GENERAL ASSEMBLY**	**115,864 €**	**68,975 €**	**92,332 €**	***23,357 €***
	Accommodation	10,881 €	0 €	7,500 €	*7,500 €*
	Meals incl. Per Diem	6,033 €	38,475 €	46,161 €	*7,686 €*
	Technical equipments & meeting facilities	88,275 €	28,500 €	32,171 €	*3,671 €*
	Associated travel costs (IOTA staff)	9,613 €	0 €	4,500 €	*4,500 €*
	Local Secretariat	0 €	1,000 €	1,000 €	*0 €*
	Other expenses (incl. copying, gift)	1,062 €	1,000 €	1,000 €	*0 €*
	Unspecified costs - GENERAL ASSEMBLY	0 €	0 €	0 €	*0 €*
III.	**MEETINGS OF THE EXECUTIVE COUNCIL**	**16,930 €**	**16,515 €**	**14,700 €**	***-1,815 €***
	Accommodation	5,285 €	3,900 €	3,360 €	*-540 €*
	Meals incl. Per Diem	8,612 €	9,615 €	8,940 €	*-675 €*
	Other expenses (incl. copying, gift, room rent, staff travel)	3,033 €	3,000 €	2,400 €	*-600 €*
	Unspecified costs - MEETINGS OF THE EXECUTIVE COUNCIL	0 €	0 €	0 €	*0 €*
IV./1	**INTERNAL AUDIT**	**467 €**	**1,140 €**	**680 €**	***-460 €***
	Accommodation	403 €	540 €	400 €	*-140 €*
	Meals	64 €	600 €	280 €	*-320 €*
	Other expenses (incl. copying, gift, room rent)	0 €	0 €	0 €	*0 €*
	Unspecified costs - INTERNAL AUDIT	0 €	0 €	0 €	*0 €*
IV./2-3	**OTHER MEETINGS**	**19,117 €**	**29,305 €**	**47,554 €**	***18,249 €***
IV./2	Meetings of the Principal Contact Persons	***18,189 €***	***29,305 €***	***40,194 €***	***10,889 €***
	Accommodation	6,344 €	14,784 €	24,300 €	*9,516 €*
	Meals incl. Per Diem	6,982 €	10,521 €	13,394 €	*2,873 €*
	Other expenses (Tech support, gift, room rent, staff travel)	4,864 €	4,000 €	2,500 €	*-1,500 €*
IV./3	Meetings of the Strategic Project Group and Working Group	***928 €***	***0 €***	***7,360 €***	***7,360 €***
	Accommodation	541 €	0 €	4,000 €	*4,000 €*
	Meals	387 €	0 €	3,360 €	*3,360 €*
	Other expenses (incl. copying, gift, room rent)	0 €	0 €	0 €	*0 €*
	Unspecified costs - OTHER MEETINGS	0 €	0 €	0 €	*0 €*
V.	**INTERNATIONAL MISSIONS**	**17,698 €**	**27,912 €**	**27,118 €**	***-794 €***
	Accommodation and meals	12,846 €	20,112 €	16,378 €	*-3,734 €*
	Travel and other expenses	4,853 €	7,800 €	10,740 €	*2,940 €*
	Unspecified costs - INTERNATIONAL MISSIONS	0 €	0 €	0 €	*0 €*
VI.	**SECRETARIAT OF THE ORGANISATION**	**349,661 €**	**367,991 €**	**370,950 €**	***2,959 €***
	Allocated payroll related costs	297,161 €	315,954 €	315,992 €	*38 €*
	Allocated facilities and premises	29,813 €	30,618 €	31,897 €	*1,279 €*
	Allocated Depreciation of office equipment & IT tools*	3,622 €	3,705 €	3,705 €	*0 €*
	Allocated Printings & office supply* incl maintenance	6,310 €	3,806 €	4,225 €	*419 €*
	Allocated communication/phone, internet	1,527 €	1,231 €	1,970 €	*739 €*
	Third party services/independent audit	6,546 €	5,447 €	5,581 €	*134 €*
	Other administrative cost, business insurances	5 €	600 €	600 €	*0 €*
	Financial costs (bank fees, provisions, penalties, reclaimed taxes)	4,221 €	5,430 €	5,732 €	*302 €*
	Representation cost of the Secretariat	457 €	1,200 €	1,248 €	*48 €*
	Unspecified costs - SECRETARIAT OF THE ORGANISATION	0 €	0 €	0 €	*0 €*
B) TOTAL EXPENDITURE IN THE SUBJECT YEAR		**1,302,914 €**	**1,490,972 €**	**1,398,923 €**	***-92,049 €***
BALANCE OF THE CURRENT YEAR		**-103,082 €**		**-79,956 €**	
D) RESERVE USAGE		**-27,303 €**	**-336,144 €**	**-79,956 €**	**256,188 €**
F) RESERVE OF THE CURRENT YEAR		**1,418,695 €**	**1,012,471 €**	**1,002,594 €**	
	OPERATIONAL RESERVE	**1,092,966 €**	**975,872 €**	**652,863 €**	
	INVESTMENT RESERVE	**0 €**			
	EMERGENCY FUND (25% of the Budgeted Expenses)	**325,729 €**	**372,743 €**	**349,731 €**	

INCOME OF IOTA IN EURO		ACTUAL 2023	BUDGET 2024	BUDGET 2025	VARIANCE 2025/2024
BUDGET PART I.					
A) ESTIMATED ACCUMULATED RESERVE		**1,521,777 €**	**1,348,615 €**	**1,082,550 €**	***-266,065 €***
I.	**MEMBERSHIP CONTRIBUTIONS**	**1,142,818 €**	**1,131,376 €**	**1,282,826 €**	***151,451 €***
	Budgeted Contribution	1,142,818 €	1,131,376 €	1,282,826 €	*151,451 €*
II.	**ASSOCIATE MEMBERS' CONTRIBUTIONS -OUTSIDE EUROPE**	**23,452 €**	**23,452 €**	**26,141 €**	***2,689 €***
	Republic of Korea	23,452 €	23,452 €	26,141 €	*2,689 €*
III.	**OTHER REVENUE**	**21,075 €**	**0 €**	**0 €**	***0 €***
	Participation fees at the General Assembly	21,075 €	0 €		*0 €*
	Participation fees at the International Conference				
IV.	**FINANCIAL INCOME**	**13,861 €**	**0 €**	**10,000 €**	***10,000 €***
	Bank Interest	13,861 €	0 €	10,000 €	*10,000 €*
V.	**EXCHANGE RATE ADJUSTMENT OF THE CURRENT YEAR**	**-1,374 €**	**0 €**	**0 €**	***0 €***
	Exchange rate loss/gain of revenue based on statutory P&L	-1,374 €	0 €	0 €	*0 €*
	Devaluation of surplus/deficit at the year-end HUF/EUR	0 €	0 €	0 €	*0 €*
	Exchange rate gain/loss		0 €	0 €	*0 €*
VI.	**EXCHANGE RATE ADJUSTMENT OF THE RESERVES**	**0 €**	0 €	0 €	***0 €***
	Revaluation of the Accumulated Reserves at year-end HUF/EUR	0 €	0 €	0 €	*0 €*
	9,420 €				
C) TOTAL INCOME OF THE SUBJECT YEAR		**1,199,832 €**	**1,154,828 €**	**1,318,967 €**	***164,140 €***
E) BUDGETED ACCUMULATED RESERVE			**1,348,615 €**	**1,082,550 €**	
G) ACCUMULATED RESERVE (YEAR-END)		**1,418,695 €**			
	Operational Reserve usage during the year		**-287,007 €**	**-26,604 €**	
	Investment Reserve usage during the year**	**-27,303 €**	**-49,137 €**	**-53,352 €**	***-4,215 €***
	Emergency Fund usage during the year	0 €	0 €	0 €	

Budget 2025 Allocated expenses

BREAKDOWN OF THE BUDGET 2025				
ALLOCATED EXPENSES OF IOTA	ACTUAL 2023	BUDGET 2024	BUDGET 2025	VARIANCE 2025/2024
ALLOCATED EXPENSES OF TECHNICAL ACTIVITIES PROGRAMME	**349,711.4 €**	**388,477 €**	**391,607 €**	***3,131 €***
Payroll related costs of Technical Activities Programme	282,465 €	315,755 €	314,139 €	*-1,616 €*
Facilities and occupancy	44,719 €	53,581 €	55,820 €	*2,239 €*
Depreciation of office equipment and IT tools	5,433 €	6,484 €	6,484 €	*0 €*
Printings, equipment and office supplies inlc. maintenance	8,366 €	6,661 €	7,394 €	*733 €*
Communication (phone, internet)	2,315 €	2,154 €	3,447 €	*1,293 €*
Co-operator payments (gifts)	3,878 €	960 €	1,123 €	*163 €*
Other administrative cost (legal fee)	1,831 €	782 €	1,016 €	*235 €*
Representation cost of the Secretariat	705 €	2,100 €	2,184 €	*84 €*
ALLOCATED EXPENSES OF PUBLICATIONS AND ELECTRONIC INFORMATION PLATFORMS	**110,006.0 €**	**126,543 €**	**135,027 €**	***8,483 €***
Payroll related costs of Publications and Electronic Information Platforms incl. WEB-site	88,944 €	106,040 €	113,214 €	*7,174 €*
Facilities and occupancy	14,906 €	15,309 €	15,949 €	*640 €*
Depreciation of office equipment and IT tools	1,811 €	1,853 €	1,853 €	*0 €*
Printings, equipment and office supplies inlc. maintenance	2,692 €	1,903 €	2,113 €	*210 €*
Communication (phone, internet)	764 €	615 €	985 €	*370 €*
Co-operator payments (gifts)	0 €	0 €	0 €	*0 €*
Other administrative cost (insurances, legal)	610 €	223 €	290 €	*67 €*
Representation cost of the Secretariat	279 €	600 €	624 €	*24 €*
ALLOCATED EXPENSES OF SECRETARIAT OF THE ORGANISATION	**349,661.1 €**	**367,991 €**	**370,950 €**	***2,959 €***
Payroll related costs of the Secretariat	297,160.8 €	315,954 €	315,992 €	*38 €*
Facilities and occupancy	29,813.0 €	30,618 €	31,897 €	*1,279 €*
Depreciation of office equipment and IT tools	3,621.8 €	3,705 €	3,705 €	*0 €*
Printings, equipment and office supplies inlc. maintenance	6,310.1 €	3,806 €	4,225 €	*419 €*
Communication (phone, internet)	1,527.2 €	1,231 €	1,970 €	*739 €*
Third Party Services, (legal fee, audit)	6,545.9 €	5,447 €	5,581 €	*134 €*
Other administrative cost (insurances)	4.9 €	600 €	600 €	*0 €*
Financial costs (bank fees, provisions, penalties)	4,220.7 €	5,430 €	5,732 €	*302 €*
Representation cost of the Secretariat	456.6 €	1,200 €	1,248 €	*48 €*
TOTAL ALLOCATED EXPENSES	**809,378.5 €**	**883,011 €**	**897,584 €**	***14,573 €***

Items coloured in red (depreciation of CAPEX) are financed from the Investment Reserve

ALLOCATED EXPENSES OF IOTA (total)	ACTUAL 2023	BUDGET 2024	BUDGET 2025	VARIANCE 2025/2024
Payroll related costs	**668,569 €**	**737,749 €**	**743,345 €**	***5,595 €***
Facilities and occupancy	**89,439 €**	**99,508 €**	**103,666 €**	***4,158 €***
Depreciation of office equipment and IT tools	**10,866 €**	**12,042 €**	**12,042 €**	***0 €***
Printings, equipment and office supplies inlc. maintenance	**17,368 €**	**12,370 €**	**13,731 €**	***1,362 €***
Communication (phone, internet)	**4,605 €**	**4,000 €**	**6,402 €**	***2,402 €***
Co-operator payments (gifts)	**3,878 €**	**960 €**	**1,123 €**	***163 €***
Third Party Services, (legal fee, audit)	**6,546 €**	**5,447 €**	**5,581 €**	***134 €***
Other administrative cost (insurance, legal fee)	**2,446 €**	**1,605 €**	**1,907 €**	***302 €***
Financial costs (bank fees, provisions, penalties)	**4,221 €**	**5,430 €**	**5,732 €**	***302 €***
Representation cost of the Secretariat	**1,441 €**	**3,900 €**	**4,056 €**	***156 €***
TOTAL ALLOCATED EXPENSES	**809,378 €**	**883,011 €**	**897,584 €**	***14,573 €***

Budget 2025 Direct expenses

BREAKDOWN OF THE BUDGET 2025						
	DIRECT EXPENSES OF IOTA -TECHNICAL	ACTUAL 2023	BUDGET 2024	BUDGET 2025	VARIANCE 2025/2024
BUDGET OF THE SUBJECT YEAR					
I./1	*TECHNICAL ACTIVITIES PROGRAMME*	**283,249 €**	**378,521 €**	**217,079 €**	***-161,442 €***
	FORUMS (6/2023, 6/2024 6/2025)	174,583 €	239,291 €	111,110 €	*-128,180 €*
	WORKSHOPS (2/2023, 2/2024, 2/2025)	63,266 €	51,526 €	41,363 €	*-10,163 €*
	OPTIONAL EVENTS SPECIAL INTEREST WORKSHOP (1/2023, 1/2024, 2/2025)	25,849 €	5,000 €	6,176 €	*1,176 €*
	REGIONAL WORKSHOP or EVENT (1/2023, 1/2024 1/2025)	8,798 €	5,975 €	11,390 €	*5,415 €*
	ANNUAL CONFERENCE (1/2023, 1/2024 1/2025)	0 €	61,800 €	35,342 €	*-26,458 €*
	WEBINAR (8/2023, 8/2024 8/2025)	10,753 €	14,929 €	11,698 €	*-3,231 €*
I./2	*PUBLICATIONS AND ELECTRONIC INFORMATION PLATFORMS INCL. WEBSITE*	**16,714 €**	**78,498 €**	**86,717 €**	***8,219 €***
	Preparation & dissemination of IOTA Publications	8,475 €	5,920 €	5,920 €	*0 €*
	WEB-site development / CAPEX depreciation	0 €	0 €	0 €	*0 €*
	WEB-site hosting and maintenance	6,075 €	31,519 €	41,940 €	*10,421 €*
	IOTA New web site development / CAPEX depreciation	0 €	30,000 €	33,500 €	*3,500 €*
	IOTA App service costs	0 €	0 €	0 €	*0 €*
	ISORA / TIP	2,164 €	11,059 €	5,357 €	*-5,703 €*
	Advisory Group on Communications	0 €	0 €	0 €	*0 €*
	TOTAL TECHNICAL ACTIVITIES DIRECT EXPENSES	**299,963 €**	**457,019 €**	**303,796 €**	***-153,223 €***

Annex II.

Changes in the *Basic conditions of Funding IOTA events* Policy

The Budget 2025 proposals contain items which makes necessary to change the *Basic conditions of funding IOTA events* Policy from 01.01.2025 according to the following:

1. Accommodation cost on Technical activities events
Only 2 nights of accommodation will be covered by IOTA at all technical events for the delegates.

2. Technical activities events number of participants covered by IOTA
In case of: Case Study Workshop/Workshop/Forum Special Interest Workshop/Hot Topic Workshop/Regional Event Project Group/Working Group IOTA covers the accommodation cost and meals cost only for 1 delegate.
(It is allowed to delegate a 2nd participant to the event but that should be financed by the Member Tax Administration).

3. Forum of Principal Contact Persons
IOTA covers the accommodation cost and meals cost only for 1 delegate.

4. Audio-video services (Hybrid events) costs
The IOTA contribution will be reduced to 10,000 - 10,000 EUR per event for hosting members belonging to Group 3 and Group 4.

5. Welcome reception on Technical activities events
IOTA discontinues to finance the Welcome reception events for all Technical activities events both in Budapest and at any hosted events.

Proposed amendments to the FINANCIAL REGULATIONS AND RULES OF IOTA

June 2024

Background

The Executive Council at its 147th digital meeting has approved the following three amendment proposals to the Financial Regulations and Rules of IOTA, which belongs to the powers and responsibilities of the General Assembly according to the 11.2.5 article of the IOTA Charter.

Proposed amendments

1. Update on the Per diems at IOTA staff travels

The EC approved to reduce the per diem of IOTA staff travels for international missions to the limit of 80% of the WHO/UN actual rates to save fixed costs of IOTA, (*Annex III. – Accounting Policy and Rules, 6.3 Regulations of advanced payment, per diem allowance*)

Current wording of the regulation	Proposed new wording of the regulation
6.3. ..... The amount of 'per diem allowance' depends on the country of destination for business travel. IOTA applies the Official WHO / UN Per-diem rates excluding Hotel components as 'per diem allowance'..	6.3. ..... The amount of 'per diem allowance' depends on the country of destination for business travel. IOTA applies the 80% of the Official WHO / UN Per-diem rates excluding Hotel components as 'per diem allowance'..

2. Update on the Investment Reserve (*Article 5. Emergency Fund and Operational Reserve)*

This proposal is to change the wording to reflect the actual use of the Investment Reserve. The main report of the Financial Management Report on Income, Expenditure and Result shows the usage of the Investment Reserve. The *Investment Reserve usage during the year* figure in the report is equal to the yearly depreciation & amortization cost of IOTA's tangible and intangible assets, which is the correct approach from accounting point of view, as this report presents only income and expense items; no investment (capital expenditure) can be reported there, as that is another accounting category.

Current wording of the regulation	Proposed new wording of the regulation
5.2.b Investment Reserve is allocated from Operational Reserve to fund investments that increase IOTA's long-term capabilities or its future cost efficiency.	5.2.b. Investment reserve is allocated from Operational reserve to cover the annual depreciation & amortization cost of IOTA's tangible and intangible assets.

3. Capping the inflation rate readjustment for the wages

The mechanism of inflation rate readjustment decided by the GA in 2019 (*Government Task Team report proposal 2.1*) for the employees of the organisation can result in an uncontrolled situation (if not capped in 2024, it would have been 18% for local staff and 20% for international staff raise in wages instead of the indexation capped to 10% for locals and 2% for international staff for 2024). This was a decision of the EC in December 2023 (Decision 2023_EC_143_2) based on the budget that was approved by the GA of 2023 in Tbilisi.

Additionally, the EC approved the FAC proposes to have a cap on the inflation rate readjustments of 2.5% for the local staff and 1% for the international staff starting from 2025 annually. The EC can decide on a higher cap (one-off) in case the inflation raises significantly higher than the cap.

This decision was not introduced into the Financial Regulations, the proposed new text should be incorporated this time to the Financial Regulations. Proposed article to insert the new regulation: *Annex III. Article 6. Rules of Administration and Process Management 6.6 Planning of salaries, as 2nd paragraph.*

Current wording of the regulation	Proposed new wording of the regulation
	Annual Automatic remuneration adjustment according to inflation Since the Headquarters of IOTA are located in Budapest, Hungary, IOTA employees have to face a consistent

	increase of the cost of living which justifies an automatic adjustment of their remuneration in line with the level of the annual inflation rate of Hungary, as established by the Hungarian Central Statistical Office. Since this entity announces the average inflation rate of the previous year (Y-1) each year in January (Y), it is suggested to use this rate as the basis for the calculation of the salary adjustment for the whole year (Y) but capped to 2,5% rate. In case of the international staff, the automatic inflation rate adjustment will be capped to 1% rate. In case the announced average inflation rate of the previous year (Y-1) is actually much higher than the capped rates, then the EC can decide on higher caps (one-off) taking into account the balanced budget principle rules of IOTA.