



Եվրոպայում անվտանգության և
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Implementer “Gavar
Business Center” NGO

“GAVAR BUSINESS CENTER” NGO

“MONITORING AS A TOOL FOR REDUCING CORRUPTION IN THE AREA OF REVENUE COLLECTION OF THE GOVERNMENT” PROGRAM REPORT

GEGHARKUNIQ MARZ

“Gavar Business Center” NGO implemented “Monitoring as a Tool for reducing Corruption in the Area of Revenue Collection of the Government” project with funds of small sub-grants provided in the framework of “Multi-Faceted Anti-Corruption Promotion” project implemented by the “Armenian Young Lawyers Association” NGO and the partner “Freedom of Information Center” NGO. Project budget is 1,138,500 AMD from which 970,000 AMD was provided by the “Armenian Young Lawyers Association” NGO. Project duration July 1 – October 31, 2015

“Multi-Faceted Anti-Corruption Promotion” project is co-funded by the European Union and OSCE Yerevan Office

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***"Monitoring as a tool for reducing corruption risks in collection of state revenues" Project
report***

1. Introduction / Overview of situation /

"The Gavar business center" NGO highlights the importance of society's, the public sector's and particularly specialized agencies' participation in ongoing tax reform process, particularly in terms of reducing the risks of corruption.

The organization has worked with various sectors throughout its existence. They have prioritized working with business to detect the associated problems, especially in regards to tax transparency in business relationships and to promote a favorable business environment within the region. Company experts are specialists within their sectors and are constantly pursuing the reforms and monitoring their impact on the regions' economy. A close cooperation has been established between the region's commercial and non-profit organizations as well as public sector. They have always welcomed the initiatives of the organization. The organization has trained specialists who are able to provide advice, conduct surveys and have analyzing skills in all the areas of the region. Our organization, as well as various other non-governmental organizations have carried out many projects but they have rarely touched upon the issue of taxation and taxpayers. In this connection, "The Gavar Business Center" NGO in July and October 2015 has enacted a project titled "The monitoring as a tool to reduce the risks of corruption in the state revenue collection system" (now on the Project). The project's aim was to analyze the tax situation and to evaluate the impact of the reforms on the region's economic development. The project has been supported by grants from "Armenia's Young Lawyers Association" NGO and "Freedom of Information Center" NGO in cooperation with "Promoting a comprehensive fight against corruption" program. "Promoting a comprehensive fight against corruption" program is being financed by the European Union and the OSCE.

It is also important in assessing the levels of public awareness and public control, because it largely explains the decrease corruption risks, as well as neutralizing. The project beneficiaries are taxpayers in all sectors who are active in the region of Gegharkunik.

2. Exposure of Issues and corruption risks

Reforms in tax level through anti corruption strategy aim to expose issues in the field, to reduce corruption risks, increase the fulfillment of conscientious principles in the field of state level income recruitment. It also seeks for increasing the reporting, skillfulness and application of ethics into prevention of corruption. The field reform influence on economic development in

local and state levels as well as SME representatives assessment are aggravated. For making analysis and assessment application of monitoring is important. Along with performed reforms, there are still several issues remaining. The tax payers are not enough informed, in some cases do not manage properly, do not run a proper accounting and have no wish of changing anything in their business. There are also some systematic issues which are more thoughtful and important. They would be possible to discuss and analyze through interviews with tax payers and tax inspectors, through correspondence, observation days, meetings and productive dialogues.

3. Monitoring Methodology and Tools

Due to preliminary studies the subject of monitoring was quite interesting and disputable among wide frames of society, which was also somehow close and opaque. On state income level recruitment the methodology of monitoring has been based on surveys, discussions, meetings and on spreading information about the project. During the implementation of the project the head of Tax Department and a number of officials within the same agency has been replaced. The fact was significant in terms that during the execution of the former chief there were no edges for dialogue and the situation on territorial tax level was unmanageable which was making obstacles for enterprises. Another meeting was organized in tax department, where the goals and objectives have been discussed through talks and discussions, besides the preferable outcomes have been discussed. The meetings, talks and discussions has taken place in small groups for different organizations of various areas of the marz. The project was implemented in trustful and dialogue environment between the tax payers and other participants. The monitoring results and analysis has been presented for discussion of territorial tax department to listen for remarks.

The outcome analysis and discussion with local civic society has taken place in Gavar Business Center. The monitoring results have electronically spread among the beneficiaries of the project and many other interested people.

The outcome results already with amendments and remarks have been submitted to the Ministry of RA of Finance, which were approved by the Ministry. The amendments and remarks are supposed to address certain issues. The main tool of monitoring was the survey questionnaire prepared by the experts of the organization which is comprised of seventeen questions and from suggestions part. The questionnaire did not include information part about people surveyed by taking into consideration the peculiarities and risks of the field.

4. Conclusion of Monitoring Results and Analysis

During the monitoring survey has been done with 300 /three hundred/ tax payers and 200/ two hundred citizens throughout the marz. In the Attachment 1 you can see the table and accumulative analysis of monitoring.

The survey has been done with field representative throughout the marz the organizations of which has various years of experience. Most of them are experienced.

From the table we can observe:

1. All the questioned sides were organizations.
2. Most of them have no accounting, as do not aggravate any other reporting except for tax reports.
3. The taxes are recruited mainly based on the plan provided by tax department.
4. Application of electronic version for tax accounting has reduced individual relations and delays from tax calendar which somehow has reduced corruption risks.
5. Everyone is looking for the visit or call of the tax agent by the 20th of each month and the situation of systematic tax payers has been eased.
6. The codes of conduct of tax agent and not following the observation during tax monitoring is an outcome of the not informed condition of the tax payer and illiterate way of management s well as in some cases the indulgence of the rights by the tax agent.
7. Mainly the tax payers do not know about the order of the objective investigation processes in tax field, or they do not differentiate it from the ordinary tax procedures which are used against them by the tax agents.
8. Often the dialogue between the tax payer and tax agent do not take place.
9. The analysis done as a result of relations with the tax officer gave a room to think about the proper management, correct accounting and financial reporting by the tax payer as well as conscientious principle preservations by the tax officer.
10. Each system has to function constantly and should be established. And the officer should fulfill the responsibilities given by the state conscientiously and in accordance with the law. But still sometimes it is not that way. It happens, the replacement of the officer influence on the business environment in tax system.
11. Unfortunately there was no economic growth indicated as a result of the reforms in the field throughout the marz.
12. The reforms of the field have not influence on the unequal approaches in the tax level.
13. In contradiction to the aim of reforms, the issues in the field are still resolved as a result personal ties and meetings. According to the sincere talks the initiative is reciprocal.
14. During the monitoring the theme of the fulfillment of conscientious principles by the tax agent was touched and left upon. Those principles are commented by the tax officer in their own way, mainly inappropriate to the interests of the tax payers.

15. There is no idea about public observation especially in state income recruitment. The same concerns to the taxes paid by the bankrupted entities since 2003 in the whole marz.
16. The corruption risks are still remaining in the tax level. But still these issues are not raised.
17. Many people confuse anticorruption coalitions with anticorruption bodies.

**** In the suggestions a big part was given to the ease of tax cargo, the accounting and payment process of the taxes implementing in accordance current legislation, as well as fulfillment of productive dialogue between the tax payer and tax system.***

5. Conclusion

In accordance to the demands of the RA Legislation and other legal documents, the tax payer in equal conditions can implement productive economic activities if there is a better and peaceful motivation at the tax payer and to concentrate on the development of searching development ways in his/her entity rather than to concentrate on the activities of the tax agent. But still there are some systematic issues which demand a solution, as well as there are issues the development of which the tax payers have a greater impact without estimating their duties and without recognizing their own rights. It appeared as a result of sum up of monitoring the majority of the tax payers are bad informed, do not run accountinf and financial reporting, are not well informed to the legislation regulating the field, do not perceive the dialogue with the tax agents with its al significance. With the all mentioned the corruption risks are stated. There are also systematic issues- public observation is totally lacking and there is no information among population about anticorruption organizations or the information is too low.

6. Suggestions

Based on the activities and monitoring results within the project with the aim of reducing the risks in state level tax recruitment we suggest;

- to organize discussions, informative seminars to raise the level of information among tax payers more often.
- While planning state level tax recruitment to take into consideration the economic situation in the marz and inappropriate business environment and to comply the planning to the payment by the tax payers.
- To raise the level of implementation of conscientious behavior of the tax agent to the preferable level.
- To promote shaping the productive dialogue between the tax department and SMEs, to create environment based on trust and without complexes.
- To promote creating mechanisms of public observation and their application.

Finally, the actual corruption risks in state level tax recruitment have objective features. They are the systematic issues which are based on usage of certain derivations in the procedures, on the absent of fertile environment for management of the entities of tax payers, as well as mainly due to their improper management of their entities.

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