

TAX ADMINISTRATION DIAGNOSTIC
ASSESSMENT TOOL

Performance Assessment Report

The Republic of Armenia

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January 2017

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ABBREVIATIONS AND ACRONYMS

ARLIS	Armenian Legal Information System
AMD	Armenian Dram
AP	Armenian Police
CIS	Commonwealth of Independent States
CIT	Corporate Income Tax
CRRC	Caucasus Research Resource Center
E-filing	Electronic Filing
E-invoicing	Electronic Invoicing
E-payments	Electronic Payments
EIC	External Investigative Committee
FAQ	Frequently Asked Questions
GDP	Gross Domestic Product
IAD	Internal Audit Department
IID	Internal Investigative Department
IOTA	Intra-European Organization of Tax Administrations
ISD	Internal Security Department
ISO	International Organization for Standardization
IT	Information Technology
LTI	Large Taxpayer Inspectorate
MoF	Ministry of Finance
MoJ	Ministry of Justice
MTEF	Medium Term Expenditure Framework
NSS	National Statistical Service
OCD	Organization and Control Department
PAYE	Pay As You Earn
PIT	Personal Income Tax
POA	Performance Outcome Area
SCA	State Chamber of Accounts
SRC	State Revenue Committee
SRA	State Registry Agency
TADAT	Tax Administration Diagnostic Assessment Tool
TIN	Tax Identification Number
TV	Television
USAID	United States Agency for International Development
VAT	Value Added Tax

PREFACE

An assessment of the system of tax administration of Armenia was undertaken during the period November 7 - 22, 2016 using the Tax Administration Diagnostic Assessment Tool (TADAT). The assessment was preceded by an awareness-training workshop held on November 2 - 4, 2016. TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities and, with subsequent repeat assessments, highlight reform achievements.

Under the auspices of the United States Agency for International Development (USAID), the assessment team was led by Mr. Lucky Molefe (Senior Specialist, South African Revenue Service) and comprised Ms. Nataliya Biletska (Senior Public Finance Specialist, World Bank), Ms. Elizabeth Kariuki (Senior Tax and Public Finance Specialist and USAID Short-Term Expert), and Mr. Arie de Bakker (Deputy Director, Large Business Office, Netherlands Tax and Customs Administration).

The assessment team met the Chairman of the State Revenue Committee (SRC), Mr. Vardan Harutyunyan; First Deputy Chair, Mr. Karen Brutyan; Deputy Chair Mr. Vakhtang Mirumyan; and heads of departments and officials from various departments within the SRC and the Ministry of Finance (MoF). Field visits were also undertaken to the State Registry Agency (SRA), the SRC's Large Taxpayer Inspectorate (LTI), the Arabkir Field Office and the Kotayk Field Office. Additionally, development partners based in Yerevan were apprised of the TADAT assessment outcomes.

A draft performance assessment report was presented to the SRC at the close of the in-country assessment and comments received from the authorities have been taken into account in finalizing this report.

The assessment team expresses its gratitude to the SRC's management and staff (both at head office and regional offices) for the hospitality and robust discussions during both the training session and the assessment. A special thanks to Mmes. Ani Mkhitarian and Shushan Hovhannisyan for the efficient manner in which they facilitated the work of the assessment team.

EXECUTIVE SUMMARY

The results of the TADAT assessment for Armenia follow, including the identification of the main strengths and weaknesses.

In recent years, Armenia has implemented a number of initiatives to improve tax policy and administration. In line with the Armenian government's objective of enhancing services to citizens, the SRC has used technology as a basis to improve the taxpayer experience. Some of the key initiatives implemented include a seamless link between the SRC and the SRA to simplify the registration process, expansion of e-filing to a point where it is near universal for all taxpayers, channeling of all tax payments through commercial banks thereby reducing the need to handle payments at the SRC's offices, and an enhanced website and call center that provide a range of information to taxpayers.

A number of enhancements have also been made in improving compliance risk mitigation. These include the development of an automated risk assessment system for audit selection and the introduction of e-invoicing and the cash register initiative, both of which enable the SRC to receive real-time information about commercial activities.

There are still a number of areas that require close attention to enhance the SRC's effectiveness in the medium- to long-term and these include:

- Addressing the inconsistency and unavailability of data at a central level in a number of areas including the taxpayer base, filing, payments and arrears. It is of note that information received during field office visits appeared more reliable than that provided at the central level. Improvements are needed in consolidating information centrally and proactively using it to manage operations and inform strategic decisions;
- Introducing measures to remove inactive taxpayers that are still on the taxpayer database; and
- Building on the progress already made in risk management by adopting a broader approach to assessing and prioritizing both compliance and institutional risks, linking it to mitigation strategies, and putting in place the necessary governance structures at senior management level.

The new Tax Code, to be implemented in 2017 and 2018, will also introduce a number of tax administration enhancements which, once implemented and monitored effectively, will further support efficient tax administration in Armenia.

Strengths

- Seamless registration process
- A range of information and support to enhance voluntary compliance
- Strong withholding at source and advanced payment arrangements
- Extensive use of e-filing facilities
- Universal electronic payment of taxes
- Automated risk-based audit planning
- Effective revenue accounting system but would benefit from single taxpayer accounts and periodic internal audit

Weaknesses

- A large number of inactive but registered taxpayers
- Inadequate governance structures to approve risk-mitigating strategies and evaluate their effectiveness
- Inadequate management of tax arrears
- No effective monitoring, at an aggregate level, of the number and value of payments due that are made on time
- Limited automated crosschecking of information from third party sources against taxpayer declarations
- A small percentage of VAT refunds paid within 30 days
- No evaluation of the impact of audits on the levels of taxpayer compliance
- No current strategic plan that underpins the SRC's activities

Table 1 provides a summary of performance scores, and Figure 1 a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's 9 performance outcome areas (POAs) and 28 high level indicators critical to tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

Table 1. Armenia: Summary of TADAT Performance Assessment

INDICATOR	Score 2016	SUMMARY EXPLANATION OF ASSESSMENT
POA 1: Integrity of the Registered Taxpayer Base		
P1-1. Accurate and reliable taxpayer information.	D	The design of the registration database is sound and registration is automated. However, the data in relation to the taxpayer base has a number of inconsistencies and it is not possible to place any reliance on it for the purposes of assessment.
P1-2. Knowledge of the potential taxpayer base.	B	The SRC uses various sources of information to detect unregistered taxpayers but there is no planned program for such activities.
POA 2: Effective Risk Management		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	C	A number of internal and external sources are used to identify, assess and prioritize compliance risks to inform mitigating actions but these are not linked to multi-year strategic planning.
P2-4. Mitigation of risks through a compliance improvement plan.	D	A Compliance Improvement Plan is currently not in place.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	Limited actions are taken to evaluate the effectiveness of compliance risk mitigation activities but these are not supported by formal governance structures that approve and evaluate such actions.
P2-6. Identification, assessment, and mitigation of institutional risks.	C	SRC has a risk assessment process in place to identify, assess and mitigate risks associated with its IT system. A business continuity plan exists and staff is trained on disaster recovery procedures.
POA 3: Supporting Voluntary Compliance		
P3-7. Scope, currency, and accessibility of information.	A	The SRC provides a range of information to taxpayers through various channels and

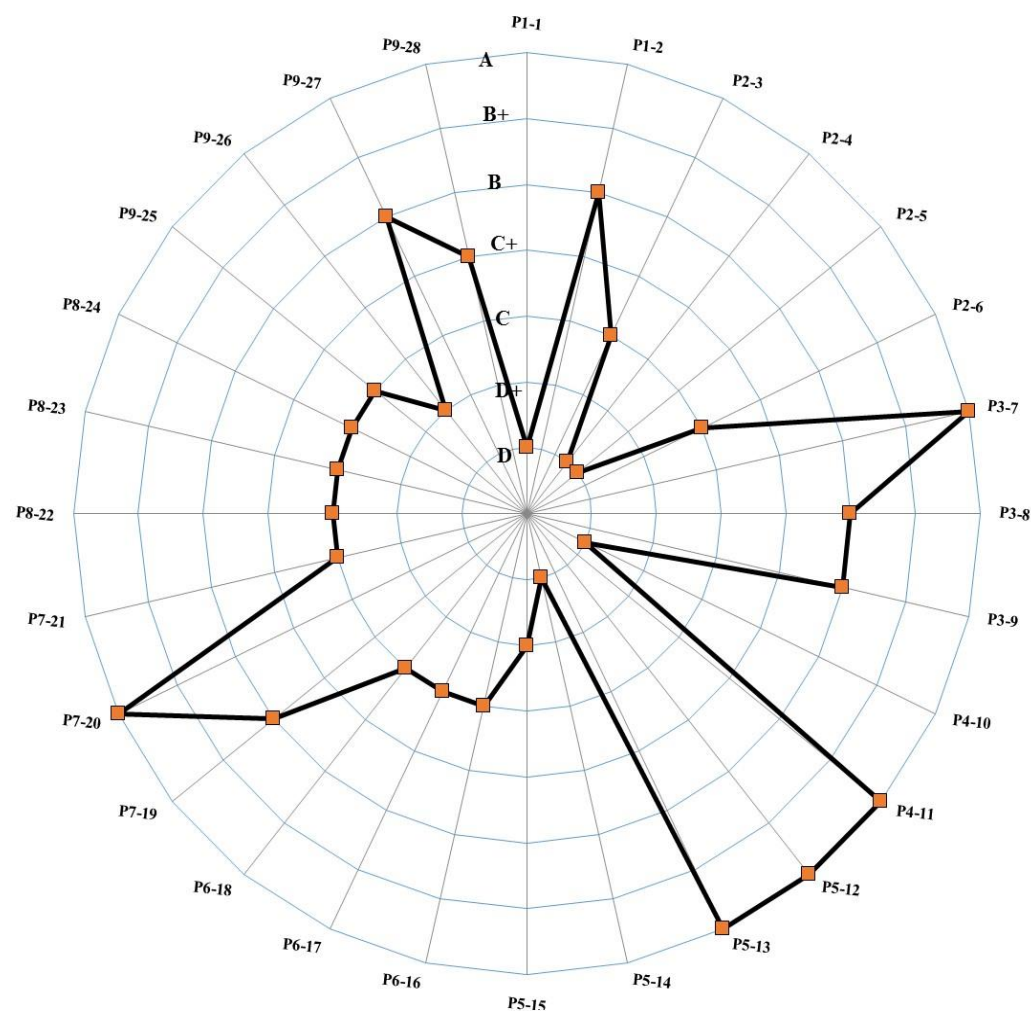
INDICATOR	Score 2016	SUMMARY EXPLANATION OF ASSESSMENT
		measures are in place to ensure that information is kept up to date.
P3-8. Scope of initiatives to reduce taxpayer compliance costs.	B	A number of measures have been introduced to reduce the cost of compliance and enable taxpayers to easily access and fulfill their tax obligations.
P3-9. Obtaining taxpayer feedback on products and services.	B	Feedback from taxpayers is used to update products and services but there is no consistent participation by taxpayers in the development of new products and services.
POA 4: Timely Filing of Tax Declarations		
P4-10. On-time filing rate.	D	Data in relation to filing is inconsistent and therefore the assessment team is unable to place any reliance on it for the purpose of determining the rate of tax declarations filed on time.
P4-11. Use of electronic filing facilities.	A	The e-filing rates are high due to a universal e-filing requirement for all taxes.
POA 5: Timely Payment of Taxes		
P5-12. Use of electronic payment methods.	A	All tax payments are made through commercial banks and funds are transferred directly to the Treasury account. No payments are handled at any of the SRC offices.
P5-13. Use of efficient collection systems.	A	Withholding at source is applied for all employment income and interest. Advanced payments are also in place and used for both PIT and CIT. Dividends are currently not subject to income tax.
P5-14. Timeliness of payments.	D	The SRC does not monitor the number or value of VAT payments made by the statutory due date.
P5-15. Stock and flow of tax arrears.	D+	There is no adequate assessment and monitoring of either the amount of tax arrears or the effectiveness of collection measures.

INDICATOR	Score 2016	SUMMARY EXPLANATION OF ASSESSMENT
POA 6: Accurate Reporting in Declarations		
P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.	C	The SRC has an annual audit program, which covers all core taxes and all taxpayer segments. However, it does not have in place facilities to enable automated large-scale cross-checking of information contained in declarations.
P6-17. Extent of proactive initiatives to encourage accurate reporting.	C	The SRC does issue both private and public rulings; however, only public rulings registered with the Ministry of Justice are legally binding. Furthermore, there are no cooperative compliance arrangements in place.
P6-18. Monitoring the extent of inaccurate reporting.	C	An external consultant last undertook a tax gap study in Armenia in 2014. However, it does not appear to have been independently reviewed or placed in the public domain. There is no evidence of specific actions taken to address issues identified in the study although SRC has indicated that it plans making this part of its continuous analysis work.
POA 7: Effective Tax Dispute Resolution		
P7-19. Existence of an independent, workable, and graduated dispute resolution process.	B	There is a three-tier graduated dispute resolution process in place. The Appeals Commission within the SRC is made up of various heads of departments including the head of the Audit Department the include of which compromises the independence of the Commission when dealing with audit reviews. The appeals procedure is accessible at the SRC's website and other websites.
P7-20. Time taken to resolve disputes.	A	A high percentage of reviews resulting from an audit assessment are completed within 30 days.
P7-21. Degree to which dispute outcomes are acted upon.	C	The decisions of the Appeals Commission are minuted, and the Commissioners can make recommendations on changes to policy, legislation and administrative procedures to other departments. However, this is not done systematically.

INDICATOR	Score 2016	SUMMARY EXPLANATION OF ASSESSMENT
POA 8: Efficient Revenue Management		
P8-22. Contribution to government tax revenue forecasting process.	C	The SRC provides input to the government's tax revenue forecast and monitors and reports on tax revenue collections against budgeted tax revenue targets, the cost to revenue of tax expenditures, and the stock of tax losses carried forward by companies. However, it does not forecast VAT refund levels.
P8-23. Adequacy of the tax revenue accounting system.	C	The SRC has an automated revenue accounting system that is compliant with government IT and accounting standards and interfaces with the MoF's Treasury system, but the system is subject to limited oversight by the internal audit unit.
P8-24. Adequacy of tax refund processing	C	The VAT refund processing system involves an automated risk-based verification and provides for offsetting of VAT credits and allocation of dedicated budget funds; the current process however does not provide for any preferential treatment for refunds claims submitted by low-risk taxpayers. Significantly, less than 80 percent of VAT refund claims (by number of cases) are paid or declined within 30 calendar days.
POA 9: Accountability and Transparency		
P9-25. Internal assurance mechanisms.	C	The SRC has an internal audit unit but an external review of its processes and activities is yet to be undertaken.
P9-26. External oversight of the tax administration.	D+	There is no recent report on annual external audits covering operational and financial performance of the SRC. The Ombusman and the External Investigative Committee provide some oversight on wrongdoings and integrity issues.
P9-27. Public perception of integrity.	B	The SRC conducted an independent survey in 2013 to monitor trends in public confidence in the tax administration and the results of the survey which was published have been taken

INDICATOR	Score 2016	SUMMARY EXPLANATION OF ASSESSMENT
		into account in enhancing its integrity framework.
P9-28. Publication of activities, results, and plans.	C+	The SRC produces an annual report which is published on its website covering its operational performance. A consolidated report of the MoF covering financial performance of all units within the Ministry is published on the MOF website. Both these reports are published within six months after the end of the fiscal year. However, there are no published strategic and operational plans.

Figure 1. Armenia: Distribution of Performance Scores



Indicator	Score
P1-1	D
P1-2	B
P2-3	C
P2-4	D
P2-5	D
P2-6	C
P3-7	A
P3-8	B
P3-9	B
P4-10	D
P4-11	A
P5-12	A
P5-13	A
P5-14	D
P5-15	D+
P6-16	C
P6-17	C
P6-18	C
P7-19	B
P7-20	A
P7-21	C
P8-22	C
P8-23	C
P8-24	C
P9-25	C
P9-26	D+
P9-27	B
P9-28	C+

I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in Armenia during the period of November 07-22, 2016 and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of 9 POAs and 28 high level indicators critical to tax administration performance that is linked to the POAs. Forty-seven measurement dimensions are taken into account in arriving at each indicator score. A four-point ‘ABCD’ scale is used to score each dimension and indicator:

- ‘A’ denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered ‘good practice,’ it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.
- ‘B’ represents sound performance (i.e., a healthy level of performance but a rung below international good practice).
- ‘C’ means weak performance relative to international good practice.
- ‘D’ denotes inadequate performance, and is applied when the requirements for a ‘C’ rating or higher are not met. Furthermore, a ‘D’ score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a ‘D’ score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

For further details on the TADAT framework, see Attachment I.

Some points to note about the TADAT diagnostic approach are the following:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to central government revenues, specifically corporate income tax (CIT), personal income tax (PIT), value-added tax (VAT), and pay-as-you-earn (PAYE) amounts withheld by employers (which, strictly speaking, are remittances of PIT). By assessing outcomes in relation to administration of these

core taxes, a picture can be developed of the relative strengths and weaknesses of a country's tax administration.

- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of Armenia).
- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector, nor does it assess customs administration.
- TADAT provides an assessment within the existing revenue policy framework in a country, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

The aim of TADAT is to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration;
- Facilitating a shared view among all stakeholders (country authorities, international organizations, donor countries, and technical assistance providers);
- Setting the reform agenda (objectives, priorities, reform initiatives, and implementation sequencing);
- Facilitating management and coordination of external support for reforms, and achieving faster and more efficient implementation; and
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

II. COUNTRY BACKGROUND INFORMATION

A. Country Profile

General background information on Armenia and the environment in which its tax system operates are provided in the country snapshot in Attachment II.

B. Data Tables

Numerical data gathered from the authorities and used in this TADAT performance assessment is contained in the tables comprising Attachment III.

C. Economic Situation¹

The Armenian economy performed better than projected in the first half of 2016, registering a 3 percent growth year on year. This was driven mainly by increased exports to Russia. However, domestic demand remains weak, reflecting a reduction in remittances, whilst monetary policy conditions remained soft.

Fiscal policy is also under pressure with revenue collections disappointing due to continued lower than expected VAT collections, driven by sluggish domestic demand and imports as well as deflation.

In the first half of 2016, the current account deficit remained below 3 percent of GDP, due to higher exports and subdued imports. The continued improvement of external accounts has eased pressures on the currency, and the Central Bank reduced foreign exchange interventions, maintaining official reserves at 5 months of import coverage.

With the expected recovery of the global economy and bottoming out of Russia's recession, Armenia's growth is projected to pick up over the medium term, reaching approximately 3 percent in 2016 and staying at similarly modest levels for several years. Growth will be hampered by structural weaknesses and slow recovery of domestic demand because of the diminishing role of remittances.

D. Main Taxes

The tax to GDP ratio in Armenia has averaged 21.1 percent in the last three years.² The major taxes are Value Added Tax (VAT) (33.2 percent of total tax revenue), Personal Income Tax (PIT) (31.0 percent of total tax revenue), and Corporate Income Tax (CIT) (10.3 percent of total tax revenue). Further details on tax revenue collections are provided in Table 1 of Attachment III.

E. Institutional Framework

Following the re-organization of the Ministry of Finance (MoF) on March 1, 2016 the SRC was re-established as a separate tax and customs agency. The SRC is responsible for the collection of direct taxes, indirect taxes and customs duties in Armenia. The agency is led by a Chairman, appointed by the President, and is supported by a first deputy and two deputies. The headquarters is based in Yerevan and 20 regional offices are spread across the country, including a Large Taxpayer Inspectorate (LTI).

An organizational chart of the tax administration is provided in Attachment IV.

¹ Source: World Bank

² Source : National Statistical Service of Armenia

F. International Information Exchange

Armenia is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. No reviews have been conducted to-date. Armenia has signed 42 Double Taxation Agreements with a number of countries including Russia, China, Iran, France, Georgia and Canada. Negotiations on further agreements are at various stages of conclusion. Armenia is also a member of regional organizations including the Intra-European Organization of Tax Administrations (IOTA), the Eurasian Economic Union and the Intra-European Union and Coordinating Council of Heads of the Tax Services of Commonwealth of Independent States (CIS) Member States.

III. ASSESSMENT OF PERFORMANCE OUTCOME AREAS

A. POA 1: Integrity of the Registered Taxpayer Base

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals that are required by law to register; these will include taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.
- P1-2—Knowledge of the potential taxpayer base.

P1-1: Accurate and reliable taxpayer information

For this indicator two measurement dimensions assess (1) the adequacy of information held in the tax administration's registration database and the extent to which it supports effective interactions with taxpayers and tax intermediaries (i.e. tax advisors and accountants); and (2) the accuracy of information held in the database. Assessed scores are shown in Table 2 followed by an explanation of reasons underlying the assessment.

Table 2. P1-1 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	M1	B	D
P1-1-2. The accuracy of information held in the registration database.		D	

The taxpayer registration database is sound, but it does not provide online access for taxpayers to update their details. Taxpayer registration is done simultaneously with business registration by the State Registry Agency (SRA) in the Ministry of Justice (MoJ) and a unique 8-digit Tax Identification Number (TIN), with a check digit, is automatically generated. All registrations are automatically sent to the SRC through a web-based interface. The information on these registrations becomes public immediately. Registration can be done online or at one of the SRA's locations.³

The SRC Information Technology (IT) system—Taxpayer-3—houses the taxpayer database, which has all the essential information about taxpayers, such as name, contact details, taxpayer segment, economic sector and related parties. The national and computerized database permits a countrywide and whole of taxpayer view for headquarters staff and a regional view for frontline staff. Furthermore, the taxpayer database interfaces with other sub-systems including filing and payments. The database is linked to a ledger balance module from which lists of due filings and payments can be monitored.

Registration related management information can be obtained from the Taxpayer-3 system on a daily basis. The systems at both the SRC and SRA have audit trails of user access. The SRA allows deregistration on request from a taxpayer but this is subject to an audit by the SRC.

The registration database contains a large number of inactive but registered taxpayers, for which a breakdown by type of tax could not be provided. In discussions with SRC officials, it was indicated that a total number of taxpayers registered in the database is about 208,000 but the SRC was not able to provide the breakdown by type-of-tax for the total; it acknowledged that the number of inactive taxpayers exceeded the number of active taxpayers. Despite further discussions with SRC officials this figure differs materially

³ Financial institutions must register at the Central Bank after being licensed to operate. Very small entrepreneurs (with no employees and a turnover below AMD 9 million) are required to be licensed and this can be done at the SRC offices.

with those indicated in Table 2 of Attachment III; the assessment team was therefore unable to place any reliance on the figures hence a ‘D’ score.

Current legislation does not allow the SRC to deregister inactive taxpayers unless a taxpayer initiates such an application at the SRC and deregisters from the SRA. The SRC uses various measures to monitor activities of these taxpayers, including measures mentioned in POA 2. In both field tax offices visited, the TADAT assessment team observed that these offices seem to know the number of inactive taxpayers in their jurisdictions and engaged in continuous monitoring of their activities.

P1-2: Knowledge of the potential taxpayer base

This indicator measures the extent of tax administration efforts to detect unregistered businesses and individuals. The assessed score is shown in Table 3 followed by an explanation of reasons underlying the assessment.

Table 3. P1-2 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	B

The SRC undertakes activities to detect unregistered businesses and individuals but there is no planned program for such activities. Analysis is conducted on a monthly basis using information from various sources such as the Armenian Police (AP), the Land Cadaster and Customs database. This is mainly done by comparing excel sheets received from these external sources. The SRC does field inspections to detect non-registered entrepreneurs, but there is no planned program of such work. Reports on unregistered taxpayers detected are produced using a standardized template and this is also shared with the SRA. These reports are generated on a monthly, semi-annual and annual basis.

B. POA 2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

- compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e., registration in the tax system, filing of tax declarations, payment of taxes on time, and complete and accurate reporting of information in declarations); and

- institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of information technology system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration).

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

Four performance indicators are used to assess POA 2:

- P2-3—Identification, assessment, ranking, and quantification of compliance risks.
- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Identification, assessment, and mitigation of institutional risks.

P2-3: Identification, assessment, ranking, and quantification of compliance risks

For this indicator two measurement dimensions assess (1) the scope of intelligence gathering and research to identify risks to the tax system; and (2) the process used to assess, rank, and quantify compliance risks. Assessed scores are shown in Table 4 followed by an explanation of reasons underlying the assessment.

Table 4. P2-3 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations	M1	B	C
P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.		C	

Intelligence gathering and research activities are undertaken but these are not part of a multi-year strategic planning process. The SRC uses information from a range of external sources to enhance its knowledge of compliance risks in respect of the main tax obligations. Sources of this information include the Land Cadaster, the AP for vehicles and movable property ownership, and the State Procurement Agency. The SRC does not carry out an environmental scan but uses one developed by the Ministry of Economy in addition to analyzing information on economic conditions, tax potential and other statistics from the

National Statistics Service (NSS). Currently the SRC does not conduct research into topical areas such as transfer pricing and aggressive tax planning by high-net worth individuals.

An important source of analysis of economic activity, especially for the large number of inactive taxpayers, is information received through the e-invoicing and cash register initiative. This enables the SRC to have access to all sales invoices and figures, which are captured on cash registers and transmitted through a connection to the SRC. This has also enabled the SRC to, for example, analyze utility bills for addresses where there has been increased activity as such expenditure may be an indication of unreported income.

A range of internal sources is also used to determine levels and trends in relation to compliance risk. Sources of analysis include tax declarations, audit results and studies into specific sectors (e.g. Energy Sector Study and the Meat Industry Reports) and also include information from Customs. A Tax Gap Study was also conducted in 2014 (see POA 6-18 for further details).

A risk assessment process is in place but it is mainly geared towards planning audits rather addressing broader tax compliance. The process covers all core taxes and main obligations. At a public sector level, the *Law on Risk Selectivity and Audit* guides all state agencies with inspection powers. Furthermore, the risk assessment process within the SRC is outlined in the *Government Decree no. 1636* dated November 10, 2011, which covers aspects such as principles of risk selection, classification, risk scoring formula, risk indicators and taxpayer segmentation. The process covers all core taxes and the four main tax obligations.

Although the most recent strategic plan for the period 2012 to 2014 includes aspects on key risks that the SRC aims to address, risk assessment efforts are more focused on generating cases for audit on an annual basis rather than enhancing broader tax compliance. There is no evidence that the tax administration uses and updates a risk register where risks are outlined or categorized in terms of their likelihood and impact.

P2-4: Mitigation of risks through a compliance improvement plan

This indicator examines the extent to which the tax administration has formulated a compliance improvement plan to address identified risks. The assessed score is shown in Table 5 followed by an explanation of reasons underlying the assessment.

Table 5. P2-4 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	D

A Compliance Improvement Program is not in place. The SRC undertakes various activities in addressing identified risks and plans for such actions are reflected in various documents, such as the 2012-2014 strategic plan and the Tax Administration Improvements Plan. However, there is no overarching document that outlines key risks, mitigation strategies around identified segments of taxpayers or sectors in the economy and how the effectiveness of such strategies will be evaluated.

P2-5: Monitoring and evaluation of compliance risk mitigation activities

This indicator looks at the process used to monitor and evaluate mitigation activities. The assessed score is shown in Table 6 followed by an explanation of reasons underlying the assessment.

Table 6. P2-5 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	D

There is no systematic evaluation and monitoring of the effectiveness of compliance risk mitigation activities. There are pockets of evidence to evaluate the effectiveness of mitigation activities. For example, the Audits, Inspections and Monitoring Department reviews results of its audits in order to inform better risk assessment even though such work is geared more towards confirming the effectiveness of risk assessment in generating additional revenue and less about compliance improvement. There is no evidence of a risk committee or equivalent that approves risk-mitigating strategies and evaluates their effectiveness.

P2-6: Identification, assessment, and mitigation of institutional risks

This indicator examines how the tax administration manages institutional risks. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

Table 7. P2-6 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P2-6. The process used to identify, assess, and mitigate institutional risks.	M1	C

A risk assessment process to address institutional risks is currently being developed.

The Internal Security Department (ISD) was created in 2014 but became operational in recent months. It is in the process of drafting a risk assessment process and a risk register for approval by the SRC's management. A Business Continuity Plan that covers emergencies in relation to earthquakes has been in place from 2012 and it is reviewed annually. A guideline for dealing with emergencies relating to fire and periodic drills also supports the implementation of the plan.

While an overall risk management process is not yet in place, the SRC does have established processes for identifying, assessing, and mitigating risks related to its IT systems. The SRC applies International Organization for Standardization (ISO) *Standard 27001* in relation to IT security.⁴ The implementation of the ISO standard is outlined in various decrees and further supported by an independent annual review by a third party for the SRC to gain re-certification. The SRC's staff members are trained in disaster recovery procedures and this includes training provided by the Ministry of Emergency Situations.

C. POA 3: Supporting Voluntary Compliance

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements and systems that eliminate the need to file.

⁴ Full name - ISO Standard 27001 version 2013 Information Technology Security Techniques- Information Security Management System-Requirements.

Three performance indicators are used to assess POA 3:

- P3-7—Scope, currency, and accessibility of information.
- P3-8—Scope of initiatives to reduce taxpayer compliance costs.
- P3-9—Obtaining taxpayer feedback on products and services.

P3-7: Scope, currency, and accessibility of information

For this indicator four measurement dimensions assess (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information; and (4) how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performance in responding to information requests generally). Assessed scores are shown in Table 8 followed by an explanation of reasons underlying the assessment.

Table 8. P3-7 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P3-7-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.	M1	A	A
P3-7-2. The degree to which information is current in terms of the law and administrative policy.		A	
P3-7-3. The ease by which taxpayers obtain information from the tax administration.		A	
P3-7-4. The time taken to respond to taxpayer and intermediary requests for information.		A	

Information on taxpayer obligations and entitlements is readily available for all core taxes and it is tailored to meet the needs of a range of taxpayers. The Administration, Methodology, Procedure and Service Department oversees efforts to ensure that taxpayers are well informed on their main obligations and entitlements in respect of all core taxes. The SRC website is the first source of information for taxpayers and it contains information on various taxes, services and procedures. The website also features video clips explaining tax procedures and featuring frequently asked questions (FAQs). Taxpayers can sign up on the website for notifications and have access to a tax calendar that highlights key events in relation to tax obligations.

A weekly 30-minute television (TV) slot addresses issues related to tax procedures and it provides additional information to support voluntary compliance.⁵ Taxpayers are also able to access the tax legislation and other related laws on a portal – Armenian Legal Information System (ALIS).⁶ Twenty service centers are located in regional offices across the country and they support taxpayers with walk-in enquiries and each center implements a training program for taxpayers. Outreach activities and delivery channels are also tailored to specific segments or industry groups and intermediaries. In limited cases, paper notices and forms are used for small entrepreneurs and taxpayers in remote locations. Eastern Armenian, the official language of the Republic of Armenia is the language used by virtually all taxpayers⁷ and the adult literacy rate is 99.7 percent⁸

Information available to taxpayers is kept current in terms of law and administrative policy. The process and procedures for updating taxpayer information is outlined in Order No. 2981/A dated December 13, 2010, which also designates responsibility to specific units within the SRC for updating particular sections of the website. Changes to legislation and administrative policy are communicated to all field offices and to relevant taxpayers before the changes take effect. The SRC also publishes quarterly legislative digests on its website which outline any changes in tax law.

Information required by taxpayers on their obligations and entitlements is easily accessible through a variety of channels and at no cost. The SRC conducts outreach activities tailored for specific segments of taxpayers such as small, medium and large, taxpayers. Staff from headquarters is dispatched to various regions to supplement training efforts undertaken across the country. An example is contained in Order no 505/A from the MoF where officials from head office were sent to hold 21 meetings across the country from September 03-24, 2014 in support of a Small, Medium and Micro Enterprise assistance package adopted by the government in May 2014.

Taxpayers and intermediaries have access to the website and the online portal that allows secure access for filing declarations. In addition taxpayers can access information through the website, call center, by email, letters and through rulings from the SRC. There is no cost to taxpayers for any services or information received from the tax administration.

⁵ The results of the taxpayer perception survey funded by USAID in 2013 indicated that 67 percent of taxpayers receive tax information through TV and radio.

⁶ (www.alis.am).

⁷ Source : www.armeniainfo.am

⁸ Source: World Bank

The amount of taxpayer enquiries that are responded to by the SRC call center in under 6 minutes is 77.8 percent of total calls received. A fully functional call center is based at the SRC's headquarters. It receives taxpayer enquiries in addition to providing inputs in enhancing the FAQs that are posted on the website. The SRC uses service-level standards that apply to all government departments in relation to response times on enquiries from the public. Public service regulations stipulate a maximum of 15 days for the resolution of enquiries but the SRC has, through an internal order, set an even reduced internal target of five days.

P3-8: Scope of initiatives to reduce taxpayer compliance costs

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

Table 9. P3-8 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P3-8. The extent of initiatives to reduce taxpayer compliance costs.	M1	B

A range of measures is in place to reduce taxpayer compliance costs but tax returns are not prefiled. Taxpayers and their authorized agents have access to an online secure portal to file their declarations and, as evidenced by Tables 9 in Attachment III, the level of electronic filing is high across all tax types. The SRC has also provided access to an e-invoicing facility that enables businesses to exchange commercial invoices (See POA 2). Simplified electronic tax returns and reduced frequency of filing have been introduced for small businesses such as sole entrepreneurs and family businesses. Examples of reduced reporting include that only two types of annual reports are required for family businesses and only quarterly reports are required in relation to turnover tax.⁹

At the Arabkir field office, the assessment team was also able to observe the online tax declaration forms that were reviewed and simplified by reducing information required from taxpayers. Salaried employees who do not have any other source of income from natural persons are not required to file a declaration because employers withhold employee tax and

⁹ Reduced reporting requirements for family business entities is stipulated in Revenue Administration Law on Taxes, Article 13.10 while Turnover tax reduced reporting is covered in Articles 9 and 10 of the same law.

file a consolidated return to the SRC. Services and products are frequently updated using feedback and queries from taxpayers on tax laws and procedures.

P3-9: Obtaining taxpayer feedback on products and services

For this indicator, two measurement dimensions assess (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

Table 10. P3-9 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P3-9-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	A	B
P3-9-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		B	

The tax administration receives feedback from taxpayers regularly, including the use of perception surveys. A Tax Council made up of officials from the MoF, business community and taxpayer rights groups was created in 2014. The Council is a forum to engage taxpayers and provides an avenue for their contributions into legislative, policy and administrative issues. A new forum under the SRC was established in October 2016 with a specific focus on tax administration, and it also includes development partners as observers. In addition to interactions with taxpayers through the 20 service centers, the SRC has an interactive survey on its website that enables taxpayers to submit their feedback on its services and products. A taxpayer perception survey, based on a statistically valid sample of key taxpayer segments, was conducted by a think tank in 2013. A follow up survey commenced in August 2016, with the report expected to be finalized in December 2016.¹⁰

The SRC uses various measures as outlined above to engage key taxpayer groups and use their input to improve its processes and products. As an example, when the Family Business tax regime was introduced, regulations were developed based on taxpayer inputs. Taxpayers were also involved in piloting the project on cash registers. However, the involvement of taxpayers and intermediaries in the design and/or testing of new products and processes is not systematically built into the SRC's processes in order for it to happen routinely.

¹⁰ The survey is funded by USAID as part of the Tax Reform Project.

D. POA 4: Timely Filing of Tax Declarations

Filing of tax declarations (also known as tax returns) remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. As noted in POA 3, however, there is a trend toward streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through prefilling tax declarations). Moreover, several countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations. There is also a strong trend towards electronic filing of declarations for all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5).

The following performance indicators are used to assess POA 4:

- P4-10—On-time filing rate.
- P4-11—Use of electronic filing facilities.

P4-10: On-time filing rate

A single performance indicator, with four measurement dimensions, is used to assess the on-time filing rate for CIT, PIT, VAT, and PAYE withholding declarations. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

Table 11. P4-10 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P4-10-1. The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT taxpayers.	M2	D	D
P4-10-2. The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers.		D	
P4-10-3. The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers.		D	
P4-10-4. The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from registered employers.		D	

Data provided for on-time filing rates has significant discrepancies and therefore cannot be used in making an assessment on filing rates. The data on the number of expected tax declarations for core taxes (see Tables 4-8 in Attachment III) has significant discrepancies with the data on the number of active taxpayers in the taxpayer registration database (see Table 2 in Attachment III.). Given the magnitude of the discrepancies, the assessment team is unable to place any reliance on the data provided. Some of the constraints include, as indicated in POA 1, the lack of legal powers for the SRC to remove inactive taxpayers from the taxpayer database and limited use of centrally generated data to proactively inform the SRC's activities, such as ensuring on-time filing of returns.

The Organization and Control Department (OCD) at the SRC headquarters that oversees regional offices is responsible for monitoring on-time filing. The timing of filing is specified in laws on CIT (Article 46), PIT (Article 12, 22) and VAT (Article 32), respectively.¹¹ Only individual entrepreneurs and individual taxpayers who have had transactions with another individual taxpayer or non-residents are required to file the PIT

¹¹ For CIT and PIT, filing is annual and the statutory deadline is April 15. For VAT, filing is monthly if turnover in the previous year was more than 100 million AMD and quarterly if below or equal to this amount. The filing is monthly for PAYE. The statutory deadline for monthly filing for VAT and PAYE is the 20th day of each month. In the case of quarterly filing for VAT, the statutory deadline is the 20th day of the first month following a quarter.

declaration. The tax legislation provides for a grace period of 15 days for filing of all core and non-core taxes.

The SRC headquarters, on ad hoc basis, issues a letter requesting regional offices to ensure on-time filing. The measures include repeat phone calls to targeted taxpayers with a weak track record of on-time filing two or three days before a statutory filing deadline. In general, proactive actions to facilitate on-time filing of regional offices are aimed primarily at newly registered taxpayers. At the same time, regional offices regularly monitor on-time filing by taxpayers prior to the statutory deadline.

However, there is lack of proactive monitoring of on-time filing by taxpayers at the aggregate level by the SRC headquarters. In particular, there is no management report tracking expected and received tax declarations. Moreover, enforcement actions are focused on late filers and non-filers. After the statutory filing deadline the SRC's information and analysis units at the regional offices regularly generate lists of taxpayers that did not submit their tax returns on time. These lists are used by the Legal Department to implement enforcement actions. The penalty for late filing is 5 percent of total tax obligations calculated every fifteen days in addition to fines but not more than the total amount of tax liability. (Law on Taxes, Article 24). The ability of the SRC to track nearly all commercial transactions through e-invoice and cash registers¹² facilitates follow up and enforcement actions.

P4-11: Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

Table 12. P4-11 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P4-11. The extent to which tax declarations are filed electronically.	M1	A

¹² An exception includes small traders who have cash transactions and are required to pay a license fee.

(continued)

The e-filing rates are high due to a universal e-filing requirement for all taxes¹³ (see Table 9 in Attachment III). Universal e-filing was rolled out using a phased approach from 2010 (Article 15.1 of the Law on Taxes). The government has actively promoted e-filing and made it available for all taxpayer segments, including for those taxpayers who do not have access to the internet, through service centers where taxpayers can fill out electronic declarations using their login, password and national identity document with a digital signature. The use of digital signatures has facilitated the roll-out of e-filing. Tax intermediaries also use e-filing by obtaining login and password information from a taxpayer they represent and by submitting their own digital signatures issued by the SRC as part of contractual agreements signed with the SRC.

E. POA 5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.

Four performance indicators are used to assess POA 5:

- P5-12—Use of electronic payment methods.
- P5-13—Use of efficient collection systems.
- P5-14—Timeliness of payments.
- P5-15—Stock and flow of tax arrears.

P5-12: Use of electronic payment methods

This indicator examines the degree to which core taxes are paid by electronic means, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the government's account), credit cards, and debit cards. For TADAT measurement purposes, payments made in person by a taxpayer to a third party agent (e.g., a bank or post office) that are then electronically transferred by the agent to the government's account are accepted as electronic payments. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

¹³ Currently, only an environmental tax is filed using paper forms.

Table 13. P5-12 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P5-12. The extent to which core taxes are paid electronically.	M1	A

All payments of taxes are made electronically. Taxpayers use commercial banks to make payments of all core taxes to the SRC. No funds are handled at any of the service centers. In line with the definition of electronic payments outlined in the TADAT methodology (i.e. it also includes payments made by taxpayers to a third party, such as a bank, who then electronically transfers such funds to the Treasury account), Table 9 in Attachment III reflects that all payments are received electronically. Taxpayers who have access to online banking use such facilities through their banks to make their payments without the need to visit a bank. Future plans include enabling the payment of taxes through the SRC filing portal and creating a single taxpayer account for all taxes that will allow taxpayers to make payment to only one account irrespective of which tax they are paying.

P5-13: Use of efficient collection systems

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment systems—are used. Assessed scores are shown in Table 14 followed by an explanation of reasons underlying the assessment.

Table 14. P5-13 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P5-13. The extent to which withholding at source and advance payment systems are used.	M1	A

Withholding at source and advanced payment arrangements are in place and used by taxpayers. Articles 19 and 47 of the PIT and CIT legislations, respectively, make provisions for advanced payments. Employers withhold employee taxes and file declarations to the SRC (see POA 3-8). Banks withhold tax on interest income to individuals and this is paid directly to the SRC. Dividends that accrue to individuals are currently not subject to income tax.

P5-14: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, VAT payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

Table 15. P5-14 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P5-14-1. The number of VAT payments made by the statutory due date in percent of the total number of payments due.	M1	D	D
P5-14-2. The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.		D	

It is not usual practice for the SRC to monitor and track, at an aggregate level, the number of payments made by the statutory deadline. The assessment team sighted several examples on the tax administration system (Taxpayer-3),¹⁴ which demonstrated that at a taxpayer level, the SRC can retrieve information about payment details including whether such payments were made before or after the due date. In cases where payments are received after the due date, the system automatically calculates interest and penalties. Taxpayer-3 is, however, not configured in a way that enables the SRC to view an aggregated picture of payments made on time. Hence, data in Table 10 on Attachment III is incomplete.

The SRC is unable to determine the value of VAT payments made by the statutory due date. Payments made by taxpayers are automatically allocated first to the oldest debt and therefore the SRC is not able to determine, with certainty, the period covered by a particular payment. It is not possible at this stage to provide the value of VAT payments made before the statutory date. Once again, data in Table 10 in Attachment III is incomplete.

¹⁴ The current SRC revenue accounting IT system—Taxpayer-3—was rolled out in 2011. It replaced the Taxpayer-2 system that was in use for about ten years.

P5-15: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections.¹⁵ A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and performance given that the rate of recovery of tax arrears tends to decline as arrears get older.). Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

Table 16. P5-15 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P5-15-1. The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.	M2	B	D+
P5-15-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.		D	
P5-15-3. The value of core tax arrears more than 12 months' old as a percentage of the value of all core tax arrears.		D	

The three-year average ratio of total arrears at the fiscal year-end as a percentage of total core tax collection for the fiscal year is 11.8 percent (See Table 11 in Attachment III). There was about a modest 1 percent decline in total tax arrears for each year from 2013 to 2015, but this is not necessarily related to a more effective debt management system as discussed below.

There is no systematic analysis and monitoring, at an aggregate level, of tax arrears.

Staff within the Legal Department is responsible for the collection of tax arrears. However, the SRC is unable to determine the value of collectible tax arrears. There is internal policy guiding the write-off of uncollectible tax arrears but given that an aggregate determination of collectible arrears cannot be made, it is not clear how this policy is applied. There is currently no age analysis of total tax arrears. It is therefore not possible to ascertain complete data for Table 11 in Attachment III. Therefore, both P5-15-2 and P5-15-3 are scored 'D.'

¹⁵ For purposes of this ratio, 'collectible' tax arrears is defined as total domestic tax arrears excluding: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

F. POA 6: Accurate Reporting in Declarations

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: verification activities (e.g., tax audits, investigations, and income matching against third party information sources) and proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

If well designed and managed, tax audit programs can have far wider impact than simply raising additional revenue from discrepancies detected by tax audits. Detecting and penalizing serious offenders serve to remind all taxpayers of the consequences of inaccurate reporting.

Also prominent in modern tax administration is high-volume automated crosschecking of amounts reported in tax declarations with third party information. Because of the high cost and relative low coverage rates associated with traditional audit methods, tax administrations are increasingly using technology to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Proactive initiatives also play an important role in addressing risks of inaccurate reporting. These include adoption of cooperative compliance approaches to build collaborative and trust-based relationships with taxpayers (especially large taxpayers) and intermediaries to resolve tax issues and bring certainty to companies' tax positions in advance of a tax declaration being filed, or before a transaction is actually entered into. A system of binding tax rulings can play an important role here.

Finally, on the issue of monitoring the extent of inaccurate reporting across the taxpayer population generally, a variety of approaches are being used, including: use of tax compliance gap estimating models, both for direct and indirect taxes; advanced analytics using large data sets (e.g., predictive models, clustering techniques, and scoring models) to determine the likelihood of taxpayers making full and accurate disclosures of income; and surveys to monitor taxpayer attitudes towards accurate reporting of income.

Against this background, three performance indicators are used to assess POA 6:

P6-16—Scope of verification actions taken to detect and deter inaccurate reporting.

P6-17—Extent of proactive initiatives to encourage accurate reporting.

P6-18—Monitoring the extent of inaccurate reporting.

P6-16: Scope of verification actions taken to detect and deter inaccurate reporting.

For this indicator, two measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

Table 17. P6-16 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P6-16-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	M2	B	C
P6-16-2. The extent of large-scale automated crosschecking to verify information in tax declarations.		D	

The SRC has an annual audit program, which covers all core taxes and all taxpayer segments. The annual audit program, which spans from July 1 to June 30, is publicly available on the SRC's website. The annual audit program focuses on large and high-risk taxpayers identified using the automated risk engine. Cases are selected centrally at the SRC headquarters. There are various types of audits undertaken, including comprehensive audits covering taxpayers' entire economic activities and the extent to which computed taxes comply with the law; however, comprehensive audits are considered the last resort. The SRC predominantly conducts partial audits, covering areas such as VAT assessments and reviews of electronic cash registers and employers' payrolls. The SRC uses both direct and indirect audit methods. However, indirect methods are only applied when direct methods are not sufficient to estimate liability.

The nature and scope of audits is guided by the law on inspections, a regulation for carrying out audits and reviews (order no. 754/A dated April 28, 2011), and decree no. 1636/A on the risk methodology dated November 10, 2011. Field offices prepare six-monthly feedback reports on the results of desk reviews. However, the SRC does not undertake routine evaluations to determine the impact of audits on tax compliance (Also see POA 2-5).

The SRC does not have in place facilities to enable automated large-scale crosschecking of information contained in declarations. Automated large-scale cross-checking is slated for introduction in 2018. The SRC does, however, undertake automated cross-checking of VAT declarations against electronic invoices and manual cross-checks of other types of declarations, largely because third-party information provided is in formats that are not compatible with the SRC's IT system. Furthermore, for legal reasons (related to secrecy), the SRC does not receive information from banks other than new accounts opened and their corresponding account numbers. The only exception is for criminal cases, in which the courts

must issue warrants requiring banks to disclose information.

P6-17: Extent of proactive initiatives to encourage accurate reporting

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

Table 18. P6-17 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P6-17. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	C

The SRC issues both private and public rulings; however private rulings are not legally binding. Certain public rulings are registered with the Ministry of Justice (MoJ). An example of a private ruling offered was one provided by the SRC to a bank on clarification of the law on VAT. The ruling was signed by the Chairman but not registered with the MoJ. During the field visit to the LTI, it was confirmed that such official clarifications are not legally binding and can be overturned. However, a taxpayer citing them will not incur penalties.

There are no cooperative compliance arrangements in place. However, Chapter 66 of Part 3 of the new Tax Code (to be introduced in 2018) provides for a ‘horizontal monitoring system’ whereby the SRC grants ‘trusted’ taxpayers (i.e. those demonstrating sound control of their tax processes and tax risks) greater certainty about their tax position in advance and, therefore, reduced exposure to audits and other administrative actions.

P6-18: Monitoring the extent of inaccurate reporting

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 19 followed by an explanation of reasons underlying the assessment.

Table 19. P6-18 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P6-18. The soundness of the method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	C

A study of the tax gap in Armenia was last undertaken by an external consultant in 2014¹⁶. The study measured the tax gap for CIT, PIT, VAT and the informal sector. There is no evidence that the report was independently reviewed and it is not in the public domain. In addition, there is no dedicated action plan, which demonstrates that steps have been taken to improve the accuracy of reporting in response to the study. However, the SRC has indicated that it planned to incorporate the tax gap analysis process into its continuous planning and a comprehensive analysis will be carried out in the near future.

G. POA 7: Effective Tax Dispute Resolution

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.

Three performance indicators are used to assess POA 7:

- P7-19—Existence of an independent, workable, and graduated dispute resolution process.
- P7-20—Time taken to resolve disputes.
- P7-21—Degree to which dispute outcomes are acted upon.

P7-19: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

¹⁶ Deloitte (2014) *Tax Gap in Armenia*. USAID, Armenia

Table 20. P7-19 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P7-19-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	M2	B	B
P7-19-2. Whether the administrative review mechanism is independent of the audit process.		B	
P7-19-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		B	

There is a three-tier graduated dispute resolution process in place but the participation of the head of the Audits, Inspections and Monitoring Department in the first stage makes the process not entirely independent. The first tier consists of an Appeals Commission based at headquarters, comprising nine Commissioners appointed by the SRC Chairman. The Commissioners are drawn from various parts of the SRC such as Audit, Legal, Investigation and the LTI. The Commission was set up in April 2016.¹⁷ The second tier comprises a Unified Commission of Inspecting Bodies with nine members and chaired by the Prime Minister.¹⁸ The third tier is made up of three courts: the Administrative Court, Administrative Review Court and Court of Cassation. Data provided by the Appeals Commission on cases lodged by taxpayers in 2016 indicates that the appeal process is used. The Legal Department also tracks appeals cases in the courts.

The Appeals Commission is physically and organizationally separate from the Audit Department. However, the head of the Audits, Inspections and Monitoring Department is one of the Appeals Commissioners, creating a potential conflict of interest. The appearance of a conflict of interest is sufficient to compromise the perceived independent of the Commission in handling audit reviews and it may be beneficial for the process if the SRC was to review the participation of the audit head in audit reviews. The decisions of the Appeals Commission are made through a simple vote. Each Commissioner has one vote, with the Chairperson having the casting vote (in the event of a deadlock). The Appeals Commission's activities are guided by procedures issued on April 12, 2016. The procedures specify: the commission's tasks and functions; how to consider and resolve complaints; and templates to be used to file an appeal and invite taxpayers to hearings.

¹⁷ Established by an order no. 5/A dated January 02, 2016 issued by the Chairman of SRC.

¹⁸ The Joint Appeals Committee/Commission of Inspecting bodies addresses appeals from all inspecting bodies in Armenia. It is established by the Law on Inspecting Bodies.

(continued)

The appeals procedure is accessible at the SRC's website and other websites.¹⁹ Auditors are not required by law to explicitly inform taxpayers of their dispute rights and procedures. Rather, before commencing an audit, the SRC submits a written notice to the taxpayer. The back of the notice indicates the taxpayer's right to dispute the audit and the procedure to be followed. The taxpayer must acknowledge that they have read their rights by signing the back of the form.

P7-20: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

Table 21. P7-20 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P7-20. The time taken to complete administrative reviews.	M1	A

A high percentage of reviews resulting from an audit assessment were completed within 30 days. Table 12 in Attachment III indicate that 97.9 percent of reviews over the period October 2015 and September 2016 were completed within 30 days, with 3 cases out a total of 141 taking longer than 30 days.

P7-21: Degree to which dispute outcomes are acted upon

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 22 followed by an explanation of reasons underlying the assessment.

¹⁹ Other websites where appeals procedures can be accessed include www.arlis.am and www.laws.am.

Table 22. P7-21 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P7-21. The extent to which the tax administration responds to dispute outcomes.	M1	C

The decisions of the Appeals Commission are minuted, and the Commissioners can make recommendations on changes to policy, legislation and administrative procedures to other departments. However, this is not done systematically. The Legal Department does not monitor appeals to the Unified Commission of Inspecting Bodies. However, it does monitor appeals in the court system as noted earlier. Where a court decision implies a policy change, the Legal Department drafts the necessary guidance. Following a decision on several review cases, the Legal Department is currently drafting a procedure on the treatment of the write-off of liabilities for sole proprietors who have terminated their activities.

H. POA 8: Efficient Revenue Management

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)²⁰
- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-22—Contribution to government tax revenue forecasting process.
- P8-23—Adequacy of the tax revenue accounting system.
- P8-24—Adequacy of tax refund processing.

²⁰ It is common for Ministries of Finance to review budget revenue forecasts and related tax collection targets during the fiscal year (particularly mid-year) to take account of changes in forecasting assumptions, especially changes in the macroeconomic environment.

P8-22: Contribution to government tax revenue forecasting process

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

Table 23. P8-22 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P8-22. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	C

The SRC provides input to government tax revenue forecasts and monitors and reports on tax revenue collections against budgeted tax revenue targets, the cost to revenue of tax expenditures and the stock of tax losses carried forward by companies. However, it does not forecast VAT refund levels. The MoF has the main responsibility for government revenue forecasting which feeds into the budget and Medium-Term Expenditure Framework (MTEF). The SRC Revenue Assessment and Analysis Unit provides inputs on tax revenue forecasts to inform the government budgeting and MTEF process once a year in September. The tax revenue forecasts are based on tax revenue performance (the share in GDP) for the last year, a set of macro-economic indicators forecast by the MoF and a target expected from improved tax administration efforts (0.3 percent of GDP for 2016).

The SRC also performs analysis at the micro level on a regular basis and this is conducted both at headquarters and by tax inspectorates with the latter using a toolkit approved by the SRC Chairman.²¹ The macro-level forecasts do not involve any sensitivity analysis. Furthermore, whereas the SRC does not forecast VAT refunds, this exercise is carried out by the MoF, albeit with no input from the SRC. Budgeted tax revenue targets are revised every quarter, and the Organization and Control Department (OCD) monitors and prepares reports on tax revenue collections against budgeted tax revenue targets on a monthly basis. Reports are also prepared on tax revenue collections and the stock of tax losses carried forward by companies on a monthly basis.

In addition, the SRC monitors and reports on the cost to revenue of tax expenditures annually albeit with one caveat. The methodology employed in this analysis considers only those tax expenditures that apply to all taxpayers, and does not take into account tax exemptions for particular groups of taxpayers or certain businesses.

²¹ SRC Chairman order 1488-A dated 16 June 2011

P8-23: Adequacy of the tax revenue accounting system

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

Table 24. P8-23 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P8-23. Adequacy of the tax administration's revenue accounting system.	M1	C

The SRC has an automated revenue accounting system that is compliant with government IT and accounting standards and interfaces with the MoF's Treasury system, but is only subjected to limited internal audits. The revenue accounting system possesses most features of a good revenue accounting system by international standards, with the exception of functionalities for write-offs and tax offsets—the latter is available but cannot be tracked as a separate transaction. The system posts tax payments to taxpayers' accounts within two business days. The MoF Order No. 48 dated January 18, 2002 describes procedures for revenue accounting. The Law on Electronic Documents and Digital Signature provides government IT standards.

Since 2014 the SRC's Internal Audit Department (IAD) has carried out internal audits of regional offices during which paper-based and electronic taxpayers' ledgers are compared. The SRC's revenue accounting system has not been subjected to external audit by the State Chamber of Account (SCA), which is a government body responsible for conducting audits on government departments and agencies.

P8-24: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing VAT refund claims. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 25. P8-24 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P8-24-1. Adequacy of the VAT refund system.	M2	B	C
P8-24-2. The time taken to pay (or offset) VAT refunds.		D	

The VAT refund processing system involves an automated risk-based verification and provides for offsetting of VAT credits and allocation of dedicated budget funds; the current process however does not provide for any preferential treatment for refunds claims submitted by low-risk taxpayers. Taxpayers file VAT refund claims electronically. There is an automatically generated list of low-risk taxpayers that do not enjoy faster processing, but are exempted from pre-refund audits. The majority of taxpayers claiming VAT refunds are usually identified as high-risk and subjected to pre-audit. When the SRC processes refund claims, it consolidates cases for each business that submitted more than one refund claim into one case.

VAT refunds are budgeted for under a dedicated expenditure program in the annual budget law of the Republic of Armenia. The amounts are allocated for a full fiscal year with allotments by quarter. In case amounts are insufficient, the MoF moves the fund allocation from the following quarter upwards, and initiates revision of the budget law in order to provide for supplemental funding for VAT refunds. In 2016, the budgeted refund amount was increased from AMD 29.3 billion to AMD 44.3 billion. Legal provisions allow for payment of interest to taxpayers on delayed refunds; however, according to the SRC all tax refunds are processed within the statutory deadline.

Only 7.8 percent of consolidated cases for VAT refund claims were paid or declined within 30 calendar days in the last 12-month period (see Table 13 in Attachment III,). The total value of refunds claims received in the last 12 months was not readily available hence an incomplete Table 13 in Attachment III. VAT refunds are offset against tax arrears, but the IT system currently does not allow for tracking the number of offsets and their value as a separate transaction. The Law on Taxes (Article 33 and Appendix 1, 11.3) sets a timeline of 30 days or 90 days for VAT refund depending on type of activity but the processing steps exceed a 30-day benchmark. The SRC headquarters monitor the number of days taken to process refund claims from the date of receipt to the date of payment

The procedure for paying VAT refunds is regulated by the SRC Order No. 57-A dated February 27, 2012. The refunds are paid by the MoF's Treasury per a letter sent by the SRC with the list of VAT claims approved for refund, including both low-risk and high-risk taxpayers. The Treasury makes payment for VAT refunds via electronic transfer within two

days. However, the tax regulation provides for a lengthy VAT refund process by the SRC which includes the following steps: an instruction for the review performed on the basis of the VAT refund application (5 business days); review of the submitted refund claims (10 business days) which may be extended if necessary (another 10 business days); and preparation of a results report (10 business days).

I. POA 9: Accountability and Transparency

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the general public.

Four performance indicators are used to assess POA 9:

- P9-25—Internal assurance mechanisms.
- P9-26—External oversight of the tax administration.
- P9-27—Public perception of integrity.
- P9-28—Publication of activities, results, and plans.

P9-25: Internal assurance mechanisms

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 26 followed by an explanation of reasons underlying the assessment.

Table 26. P9-25 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P9-25-1. Assurance provided by internal audit.	M2	C	C
P9-25-2. Staff integrity assurance mechanisms.		C	

The SRC has an organizationally independent IAD that reports to the Chairman of the SRC. The internal control policies, processes and procedures are specified in MoF order 143-N dated 17 February 2012 on internal audits and Government Decree no. 1233-N dated 11 August 2011. The internal audit annual plan that is approved by the SRC Chairman prescribes the goals and scope of activities of the tasks performed by IAD during the year, as well as the timetable for the specific tasks. The plan includes audits on, for example,

information technology, operational compliance and internal control checks. IT systems audits are in place to detect incidents relating confidentiality and integrity of taxpayer and SRC data. This is further aided by audit trails on changes made in the taxpayer database.

The IAD uses a digital toolkit that supports risk assessment. The desired audit coverage is as follows: high risk -100 percent; sensitive risk – 33 percent; medium risk – 17 percent; and low risk – 5 percent. Auditors work according to the guidelines for internal audit. There is a list of qualified auditors. Auditors follow a three-year training program and after attaining the qualifications they maintain and update their skills through 40 hours of training per year. In addition to periodic reporting, the IAD prepares annual reports that are presented to the SRC Chairman, the Internal Audit Committee and MoF outlining its activities by March 1 every year. The reports contain findings and recommendations including on the improvement of procedures to mitigate identified risks. Repeat audit findings and urgent issues are reported to the Chairman, as they are uncovered.

In accordance with order 143-N dated 17 February 2012 the internal audit function is subject to an external quality evaluation and this function is to be performed by an Authorized Body at least once every five years. Further to this Government decree no. 1233-N dated April 2012 designates the Ministry of Finance as the Authorized body. The unit within the MoF has not conducted any reviews at the time of the assessment but it envisaged that such a review will be conducted before the prescribed legal timeframe.

The Internal Investigation Department (IID) is responsible for staff integrity assurance. This department reports cases through an Internal Investigations Committee to the SRC Chairman. A complaint is reported to the SRC Chairman, and after his permission the investigation is carried out. The IID has investigative powers and exercises these powers according to the relevant laws and decrees. If there is a presumption of a crime, the SRC reports to the External Investigative Committee (EIC), which is a government body but independent of the SRC. In some cases there is co-operation with the Armenian Police (AP) and the Public Prosecutor's office. The development of integrity and ethics policies and codes of conduct for the entire Civil Service is overseen by Parliament. The IID does not provide any leadership or input in this process. The SRC reports integrity-related cases to the Parliament and publishes results on its website.

P9-26: External oversight of the tax administration

Two measurement dimensions of this indicator assess (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 27 followed by an explanation of reasons underlying the assessment.

Table 27. P9-26 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P9-26-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	D	D+
P9-26-2. The investigation process for suspected wrongdoing and maladministration.		C	

There is no evidence that the SCA conducted annual audits on the SRC's financial and operational performance: The only evidence offered by the SRC was a report issued by the SCA in 2013 in relation to specific expenditure items. In other words, this report is not a complete audit of financial and operational aspects of the SRC.

The Ombudsman and the EIC investigate cases of suspected wrongdoing and maladministration but evidence indicates that this is done on an ad hoc basis. The Ombudsman is elected by Parliament and submits a yearly report of his/her activities. He or she gives recommendations to the SRC and Parliament on reported cases. The SRC responds to the recommendations of the Ombudsman as evidenced by an example where the law was changed following such recommendations.

The EIC investigates cases that are deemed serious and cases of suspected fraud and corruption. The EIC collaborates with the IID, as appropriate, when investigating a case. Results of investigations are reported to the Chairman of the SRC and made public while preserving confidentiality.

P9-27: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 28 followed by an explanation of reasons underlying the assessment.

Table 28. P9-27 Assessment

Measurement Dimensions	Scoring Method	Score 2016
P9-27. The mechanism for monitoring public confidence in the tax administration.	M1	B

An independent “Tax Perception in Armenia Household and Enterprises survey” was conducted in November – December 2013 to monitor trends in public confidence in the

tax administration. The results of the survey were made public and SRC has taken them into account in its operations.²² As also indicated in POA 3-9, an independent third party, Caucasus Research Resource Center –Armenia (CRRC), carried out a survey on attitudes of the general public and business community towards the tax administration in 2013. The survey sample was stratified by the following criteria: (i) region and annual turnover for businesses, and (ii) region and type of settlement (urban or rural) for households. Taxpayers were randomly selected for the survey purposes. The results of the survey were made public in May 2014 at an event attended by representatives of Armenian Government, the private sector, civil society organizations, independent researchers, international agencies and the members of the public.²³ The CRRC also posted the results on its website. The SRC took results of the 2013 survey into account in strengthening its integrity framework by launching a course on integrity for the SRC’s staff in 2015. A follow up survey was commenced in August 2016 and results were expected in December 2016.

P9-28: Publication of activities, results, and plans

Two measurement dimensions of this indicator assess the extent of (1) public reporting of financial and operational performance; and (2) publication of future directions and plans. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

Table 29. P9-28 Assessment

Measurement Dimensions	Scoring Method	Score 2016	
P9-28-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	M2	A	C+
P9-28-2. The extent to which the tax administration’s future directions and plans are made public, and the timeliness of publication.		D	

The SRC produces an annual report on its operational performance and reports details about its financial performance to the MoF. Both reports are made public within six months after the end of the fiscal year. The annual report, which is published on SRC’s website, covers various aspects of work conducted by the tax administration in the course of the fiscal year. The annual report of 2015 contains information on revenue collections and

²² www.crrc.am

²³ <http://trp.am/index.php/en/news/96-trpsurveynews>

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progress made in addressing the SRC's priorities.²⁴ During 2014 and 2015 the SRC was part of the MoF and therefore its financial performance was reported to the MoF on a monthly, quarterly and annual basis. The MoF publishes a consolidated annual report covering the financial performance of various parts of the Ministry including SRC.

The SRC currently does not have published strategic and operational plans. Its last strategic plan covered the period from 2012 to 2014. Rather, the SRC publishes a list of priorities for the year, which is posted on its website by January 15 (within two weeks after the start of the financial year). The list of priorities for 2016 include improving tax administration, work on introducing a single tax account in the MOF's Treasury and risk management.

²⁴ Priorities included improving mechanisms for tax control, aligning legislation with Euro Asian Economic Zones, increased inspections, combating smuggling and taxpayer services.

Attachment I. TADAT Framework

Performance outcome areas

TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas:

1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.
2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.
3. **Support given to taxpayers to help them comply:** Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.
4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.
5. **On-time payment of taxes:** Nonpayment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.
6. **Accuracy of information reported in tax declarations:** Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities and proactive initiatives of taxpayer assistance, promote accurate reporting and mitigate tax fraud.
7. **Adequacy of dispute resolution processes:** Independent accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.



8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.
9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.

Indicators and associated measurement dimensions

A set of 28 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 47 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and four measurement dimensions.

Repeated assessments will provide information on the extent to which a country's tax administration is improving.

Scoring methodology

The assessment of indicators follows the same approach followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool so as to aid comparability where both tools are used.

Each of TADAT's 47 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator.

Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

Method M1 is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

Method M2 is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

Attachment II. Armenia Country Snapshot

Geography	A landlocked country in the Transcaucasia region, Armenia is bordered by Georgia to the north, Azerbaijan to the east, and Iran to the south And Turkey to the west.
Population	3.0 million (2015). (Source: World Bank)
Adult literacy rate	99.7 percent of population 15 years and over, both sexes. (Source: World Bank)
Gross domestic product	2015 nominal GDP: US \$ 10.6 billion (Source: World Bank)
Per capita GDP	US\$ 3,499.8 (Source: World Bank)
Main industries	Jewelry, software, food processing, brandy, mining, diamond processing, metal-cutting machine tools, forging and pressing machines, electric motors, knitted wear, hosiery, shoes, silk fabric, chemicals, trucks, instruments, microelectronics, (Source: CIA Factbook)
Communications	- Internet users per 100 people: 58.25 percent. - Mobile 'phone subscribers per 100 people: 115.15 percent (Source: World Bank)
Main taxes	Corporate Income Tax, Personal Income Tax, Value Added Tax and Pay As You Earn
Tax-to-GDP	18.8 percent in 2015, excluding customs tax collections (20.0 percent including customs). (Source: IMF)
Number of taxpayers	CIT (13,249); PAYE (46,070), PIT (52,422); VAT (10,550), and domestic excise taxes (106)
Main collection agency	State Revenue Committee
Number of staff in the main collection agency	3144 - Headquarters 1178, Tax Inspectorates 652, Tax (Territorial) inspectorate including the Large Taxpayers Inspectorate 773, Customs houses and Stations 541
Financial Year	Calendar Year

Attachment III. Data Tables

A. Tax Revenue Collections

Table 1. Tax Revenue Collections, 2013–15 ¹			
	2013	2014	2015
In Drams million			
National budgeted tax revenue forecast²	925,400	1,018,100	1,053,700
Total tax revenue collections	921,120	1,005,370	1,005,323
Corporate Income Tax (CIT)	124,598	103,597	103,660
Personal Income Tax (PIT)	256,863	289,336	311,522
Value-Added Tax (VAT)—gross domestic collections	150,623	172,442	187,284
Value-Added Tax (VAT)—collected on imports	246,070	276,611	190,989
Value-Added Tax (VAT)—refunds approved and paid	25,009	39,669	43,787
Excises on domestic transactions	8,118	18,323	18,424
Excises—collected on imports	22,915	32,237	26,886
Social contribution collections	17,632	17,006	19,574
Other domestic taxes ³	69,291	56,149	103,196
In percent of total tax revenue collections			
Total tax revenue collections	100.0	100.0	100.0
CIT	13.5	10.3	10.3
PIT	27.9	28.8	31.0
Value-Added Tax (VAT)—gross domestic collections	16.4	17.2	18.6
Value-Added Tax (VAT)—collected on imports	26.7	27.5	19.0
Value-Added Tax (VAT)—refunds approved and paid	2.7	3.9	4.4
Excises—collected on domestic transactions	0.9	1.8	1.8
Excises—collected on imports	2.5	3.2	2.7
Social contribution collections	1.9	1.7	1.9
Other domestic taxes	7.5	5.6	10.3
In percent of GDP			
Total tax revenue collections	20.2	20.8	19.9
CIT	2.7	2.1	2.1
PIT	5.6	6.0	6.2
Value-Added Tax (VAT)—gross domestic collections	3.3	3.6	3.7
Value-Added Tax (VAT)—collected on imports	5.4	5.7	3.8
Value-Added Tax (VAT)—refunds approved and paid	0.5	0.8	0.9
Excises—collected on domestic transactions	0.2	0.4	0.4
Excises—collected on imports	0.5	0.7	0.5
Social contribution collections	0.4	0.4	0.4
Other domestic taxes	1.5	1.2	2.0
Nominal GDP in local currency (JD)	4,555,600	4,843,200	5,047,400
Explanatory notes: ¹ This table gathers data for three fiscal years (e.g. 2013-15) in respect of all domestic tax revenues collected by the tax administration at the national level, plus VAT and Excise tax collected on imports by the customs and/or other agency. ² This forecast is normally set by the Ministry of Finance (or equivalent) with input from the tax administration and, for purposes of this table, should only cover the taxes listed in the table. The final budgeted forecast, as adjusted through any mid-year review process, should be used. ³ Other domestic taxes collected at the national level by the tax administration include, for example, property taxes, financial transaction taxes, and environment taxes.			

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register, 2013-15					
	2013				
	Active ¹ [A]	Inactive (not yet deregistered) [B]	Total end-year position [A + B]	Percentage of inactive (not yet deregistered)	Deregistered during the year
Corporate income tax	29,098	N/A			
Personal income tax	42,945	4,396	47,341	9.3	5,142
PA YE withholding (# of employers)	54,534	N/A			
Value Added Tax	12,099	2,262	14,361	15.8	897
Domestic excise tax	102	7	109	6.4	5
Other taxpayers	N/A				
	2014				
Corporate income tax	15,620	2,800	18,420	15.2	1,249
Personal income tax	50,032	3,156	53,188	5.9	4,682
PA YE withholding (# of employers)	44,335	2,637	46,972	5.6	2,474
Value Added Tax	11,094	1,615	12,709	12.7	480
Domestic excise tax	107	6	113	5.3	7
Other taxpayers	58,568	3,335	61,903	5.4	7,732
	2015				
Corporate income tax	13,249	1,095	14,344	7.6	868
Personal income tax	52,422	3,783	56,205	6.7	5,280
PA YE withholding (# of employers)	46,070	3,179	49,249	6.5	3,389
Value Added Tax	10,550	847	11,397	7.4	549
Domestic excise tax	106	10	116	8.6	6
Other taxpayers	59,275	3,317	62,592	5.3	9,202
<i>Explanatory note:</i> ¹ 'Active' taxpayers means registrants from whom tax declarations (returns) are expected (i.e. 'active' taxpayers exclude those who have not filed a declaration within at least the last year because the case is defunct (e.g., a business taxpayer has ceased trading or an individual is deceased, the taxpayer cannot be located, or the taxpayer is insolvent).					

C. Telephone Enquiries

Table 3. Telephone Enquiry Call Waiting Time (for most recent 12-month period)			
Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
Nov-15	12,083	11,532	95.4
Dec-15	14,117	13,509	95.7
Dec-15	34,032	23,011	67.6
Jan-16	37,166	30,947	83.3
Feb-16	25,263	22,130	87.6
Mar-16	34,353	28,006	81.5
Apr-16	17,561	15,176	86.4
May-16	19,981	16,429	82.2
Jun-16	44,703	28,470	63.7
Jul-16	34,096	23,050	67.6
Aug-16	23,876	17,098	71.6
Sep-16	22,288	19,298	86.6
12-month total	319,519	248,656	77.8

D. Filing of Declarations

Table 4. On-time Filing of CIT Declarations for 2015			
	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
All CIT taxpayers	13,465	13,833	97.3
Large taxpayers only	505	514	98.2
<p>Explanatory notes:</p> <p>¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the taxadministration as a matter of administrative policy).</p> <p>² 'Expected declarations' means the number of CIT declarations that the taxadministration expected to receive from registered CIT taxpayers that were required by law to file declarations.</p> <p>³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:</p> $\frac{\text{Number of CIT declarations filed by the due date}}{\text{Number of declarations expected from registered CIT taxpayers}} \times 100$			

Table 5. On-time Filing of PIT Declarations for 2015		
Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
50,586	55,156	91.7
<p>Explanatory notes:</p> <p>¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the taxadministration as a matter of administrative policy).</p> <p>² 'Expected declarations' means the number of PIT declarations that the taxadministration expected to receive from registered PIT taxpayers that were required by law to file declarations.</p> <p>³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:</p> $\frac{\text{Number of PIT declarations filed by the due date}}{\text{Number of PIT declarations expected from registered PIT taxpayers}} \times 100$		

Table 6. On-time Filing of VAT Declarations—All taxpayers
(for most recent 12-month period)

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
Sep-15	3,671	3,728	98.5
Oct-15	3,645	3,683	99.0
Nov-15	3,627	3,663	99.0
Dec-15	3,662	3,688	99.3
Jan-16	3,819	3,972	96.1
Feb-16	3,801	3,909	97.2
Mar-16	3,833	3,892	98.5
Apr-16	3,783	3,851	98.2
May-16	3,770	3,808	99.0
Jun-16	3,803	3,837	99.1
Jul-16	3,749	3,790	98.9
Aug-16	3,726	3,756	99.2
12-month total	44,889	45,577	98.5

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from registered VAT taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of VAT declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered VAT taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of VAT declarations filed by the due date}}{\text{Number of VAT declarations expected from registered VAT taxpayers}} \times 100$$

Table 7. On-time Filing of VAT Declarations—Large taxpayers only
(for most recent 12-month period)

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
Sep-15	498	502	99.2
Oct-15	500	501	99.8
Nov-15	498	501	99.4
Dec-15	501	501	100.0
Jan-16	514	514	100.0
Feb-16	510	511	99.8
Mar-16	508	511	99.4
Apr-16	504	509	99.0
May-16	504	507	99.4
Jun-16	505	505	100.0
Jul-16	502	506	99.2
Aug-16	504	506	99.6
12-month total	6048	6,074	99.6

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from large taxpayers that were required by law to file VAT declarations.

³ The 'on-time filing rate' is the number of VAT declarations filed by large taxpayers by the statutory due date as a percentage of the total number of VAT declarations expected from large taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of VAT declarations filed by the due date by large taxpayers}}{\text{Number of VAT declarations expected from large taxpayers}} \times 100$$

Table 8. On-time Filing of PAYE Withholding Declarations (filed by employers) (for most recent 12-month period)			
Month	Number of declarations filed on- time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
Sep-15	39,100	39,643	98.6
Oct-15	38,939	39,531	98.5
Nov-15	38,819	39,321	98.7
Dec-15	38,912	39,129	99.4
Jan-16	37,707	38,102	99.0
Feb-16	37,786	38,166	99.0
Mar-16	38,122	38,481	99.1
Apr-16	38,191	38,515	99.2
May-16	38,161	38,589	98.9
Jun-16	38,516	38,853	99.1
Jul-16	38,442	38,789	99.1
Aug-16	38,470	38,824	99.1
12-month total	461,165	465,943	99.0
Explanatory notes: ¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy). ² 'Expected declarations' means the number of PAYE withholding declarations that the tax administration expected to receive from registered employers with PAYE withholding obligations that were required by law to file declarations. ³ The 'on-time filing rate' is the number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the total number of PAYE withholding declarations expected from registered employers, i.e. expressed as a ratio: $\frac{\text{Number of PAYE withholding declarations filed by the due date}}{\text{Number of PAYE withholding declarations expected from registered employers}} \times 100$			

E. Electronic Services

Table 9. Use of Electronic Services, 2013-15¹			
	2013	2014	2015
	Electronic filing² (In percent of all declarations filed for each taxtype)		
CIT	89.9	85.6	92.9
CIT (large taxpayers)	100.0	88.1	100.0
PIT	100.0	100.0	100.0
VAT	98.4	99.7	99.2
VAT (large taxpayers)	99.3	99.9	100.0
PA YE withholding (declarations filed by employers)	100.0	100.0	100.0
	Electronic payments³ (In percent of total number of payments received for each taxtype)		
CIT	100.0	100.0	100.0
PIT	100.0	100.0	100.0
VAT	100.0	100.0	100.0
PA YE withholding (remitted by employers)	100.0	100.0	100.0
	Electronic payments (In percent of total value of payments received for each taxtype)		
CIT	100.0	100.0	100.0
PIT	100.0	100.0	100.0
VAT	100.0	100.0	100.0
PA YE withholding (remitted by employers)	100.0	100.0	100.0
Explanatory notes:			
¹ Data in this table will provide an indicator of the extent to which the tax administration is using modern technology to transform operations, namely in areas of filing and payment.			
² For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.			
³ Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made. For TADAT measurement purposes, payments made in-person by a taxpayer to a third party agent (e.g., a bank or post office) that are then electronically transferred by the agent to the Treasury account are accepted as electronic payments.			

F. Payments

Table 10. VAT Payments Made During 2015			
	VAT payments made on-time ¹	VAT payments due ²	On-time payment rate ³ (In percent)
Number of payments	53,807	Not available	
Value of payments	187,284	Not available	
<p>Explanatory notes:</p> <p>¹ 'On-time' payment means paid on or before the statutory due date for payment (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).</p> <p>² 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).</p> <p>³ The 'on-time payment rate' is the number (or value) of VAT payments made by the statutory due date in percent of the total number (or value) of VAT payments due, i.e. expressed as ratios:</p> <p>The on-time payment rate by number is: $\frac{\text{Number of VAT payments made by the due date}}{\text{Total number of VAT payments due}} \times 100$</p> <p>The on-time payment rate by value is: $\frac{\text{Value of VAT payments made by the due date}}{\text{Total value of VAT payments due}} \times 100$</p>			

G. Domestic Tax Arrears

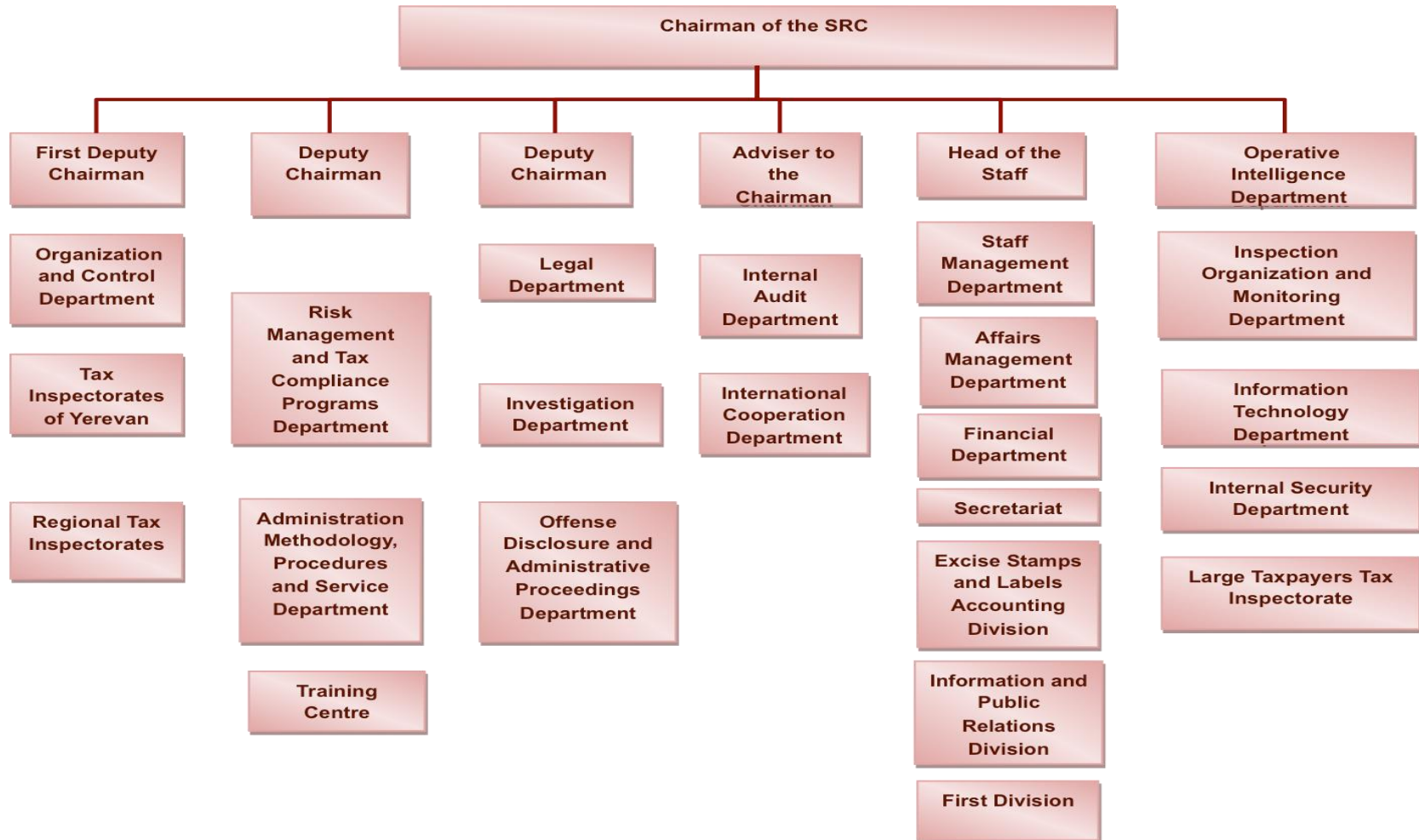
Table 11. Value of Tax Arrears, 2013-15 ¹			
	2013	2014	2015
	In local currency		
Total core tax revenue collections (from Table 1) (A)	921,120	1,005,370	1,005,323
Total core tax arrears at end of fiscal year ² (B)	116,135	114,938	113,956
Of which: Collectible ³ (C)			
Of which: More than 12 months' old (D)			
	In percent		
Ratio of (B) to (A) ⁴	12.6	11.4	11.3
Ratio of (C) to (A) ⁵	0.0	0.0	0.0
Ratio of (D) to (B) ⁶	0.0	0.0	0.0
Explanatory notes:			
¹ Data in this table will be used in assessing the value of core tax arrears relative to annual collections, and examining the extent to which unpaid tax liabilities are significantly overdue (i.e. older than 12 months).			
² 'Total core tax arrears' include tax, penalties, and accumulated interest.			
³ 'Collectible' core tax arrears is defined as the total amount of domestic tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible core tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).			
⁴ i.e. $\frac{\text{Value of total core tax arrears at end of fiscal year (B)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$			
⁵ i.e. $\frac{\text{Value of collectible core tax arrears at end of fiscal year (C)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$			
⁶ i.e. $\frac{\text{Value of total core tax arrears} > 12 \text{ months old at end of year (D)}}{\text{Value of total core tax arrears at end of fiscal year (B)}} \times 100$			

H. Tax Dispute Resolution

Table 12. Finalization of Administrative Reviews (for most recent 12-month period)							
Month	Total number finalized	Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
		Number	In percent of total	Number	In percent of total	Number	In percent of total
Oct-15	8	8	100				
Nov-15	11	11	100				
Dec-15	15	15	100				
Jan-16	11	11	100				
Feb-16	9	9	100				
Mar-16	12	12	100				
Apr-16	13	13	100				
May-16	11	11	100				
Jun-16	12	12	100				
Jul-16	13	13	100				
Aug-16	12	11	92.0			1	8.0
Sept-16	14	14	86.0	2	14.0		
12-month total	144	138	97.9	2	1.4	0	0.7

Table 13. VAT Refunds (for most recent 12-month period)		
	Number of cases	In local currency
Total VAT refund claims received (A)	630	
Total VAT refunds paid ¹		
Of which: paid within 30 days (B) ²	36	8,297,477,500
Of which: paid outside 30 days	247	40,427,307,800
VAT refund claims declined (C) ³	13	292,907,194
VAT refund claims not processed ⁴	67	11,131,565,100
Of which: no decision taken to decline refund	15	3,839,284,800
Of which: approved but not yet paid or offset	52	7,292,280,300
In percent		
Ratio of (B+C) to (A) ⁵	7.8	N/A
Explanatory notes: ¹ Include all refunds paid, as well as refunds offset against other tax liabilities. ² TADAT measures performance against a 30-day standard. ³ Include cases where a formal decision has been taken to decline (refuse) the taxpayer's claim for refund (e.g., where the legal requirements for refund have not been met). ⁴ Include all cases where refund processing is incomplete—i.e. where (a) the formal decision has not been taken to decline the refund claim; or (b) the refund has been approved but not paid or offset. ⁵ i.e. $\frac{\text{VAT refunds paid within 30 days (B)} + \text{VAT refunds declined within 30 days (C)}}{\text{Total VAT refund claims received (A)}} \times 100$		

Attachment IV. Organizational Chart



Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	<ul style="list-style-type: none"> • Law on Operative Activities. • Decree MoF 731-A. • Law on procedures. • Pictures of State of registry and registration machine. • Law on Registration. • Printed application form for registration (tax office).
P1-2. Knowledge of the potential taxpayer base.	<ul style="list-style-type: none"> • Law on Tax (registration on visible place). • Law on Tax Service. • Law for investigations. • Templates reports on audits unregistered entrepreneurs. • Reports detected unregistered taxpayers 2015. • Scheme correctness of database Taxpayer-3.
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<ul style="list-style-type: none"> • Environmental scan Ministry of Economy. • Strategic plan 2012-2014. • Order no.642 – Procedures to classify and conducting analysis on taxpayers in regional offices. • Order no. 2737/A – E-governance system including the Risk Management and audit selectivity module. • Letter between SRC deputies on procedures for the detection of undocumented workforce. • Energy Sector Analysis report – 2016. • Extract of the Law of selectivity and audit. • Government decree no. 1636/N – Approving SRC risk based audit methodology and risk criteria. • Decree no. 25 /A on the development of e-government system within SRC including a working group on the risk module. • Decree no. 1488/A – Guidelines on revenue analysis and identifying potential revenue through internal and external sources. • USAID Tax Gap Report 2014.
P2-4. Mitigation of risks through a compliance improvement plan.	<ul style="list-style-type: none"> • No compliance improvement plan. • Tax Administration Implementation Plan.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<ul style="list-style-type: none"> • Report on Audit results conducted per office – A way to validate the risk score. • Report to the Minister on audit results for the 2nd quarter 2015.
P2-6. Identification, assessment, and	<ul style="list-style-type: none"> • Business Continuity Plan 2012. • Guideline for dealing with emergencies.

Indicators	Sources of Evidence
mitigation of institutional risks.	<ul style="list-style-type: none"> • Training plan/-report on disaster recovery. • Decrees on ISO implementation.
P3-7. Scope, currency, and accessibility of information.	<ul style="list-style-type: none"> • Order 2981-A (13-12-2010) administrative procedures (incl. updating websites). • Letter from SRC Chairman to Chief of Police on placing information posters at on tax in police stations. • Letter from SRC head office to regional offices on providing a template message to inform taxpayers of changes to legislation. • Order 76/A – Procedures on updating information on the website and designation of specific units. • Webpage screen shot - Taxpayers can sign up on the website to receive reminders and alerts from SRC. • Screenshot of the Mulberry work allocation screen – tracking of enquiries and time taken to resolve them. • Screenshot of the tax calendar on SRC website • FAQ document. • Observation at the Arabkir field office. • Table 3 in Attachment III and system generated report on answered calls. • Examples of seminars conducted for different taxpayer segments including intermediaries. http://taxservice.am/Shared/Documents/_TS/Seminars/2016/ck_Erebuni_hvsk_seminar_2016.pdf
P3-8. Scope of initiatives to reduce taxpayer compliance costs.	<ul style="list-style-type: none"> • General Order no. 505/A from the Chair of SRC on an outreach campaign to SMMEs following the adoption of measures by the to support SMMEs SMME. • Report from the Kotayk regional field office on training provided to taxpayers. • Observations at Kotayk regional office
P3-9. Obtaining taxpayer feedback on products and services.	<ul style="list-style-type: none"> • Binding order no. 1419/N- Procedures for providing clarifications to taxpayer enquiries. • Order no. 2981/A – Procedures for organizing awareness programme and tailor made outreach activities to taxpayers. The order also includes a reporting template to be used by field offices. • On the mandate of the Tax Council - 1 July 2014.
P4-10. On-time filing rate.	<ul style="list-style-type: none"> • Article 46, CIT Law, dated September 30, 1997. • Article 12 and 22, PIT Law, dated December 22, 2010. • Article 32, VAT Law, dated May 14, 1997. • Data from Attachment III, Table 4-8. • Field observations at local tax offices. • Letter of the SRC Deputy Chairman of October 24, 2016 on Measures for Ensuring Timely Submission of Declarations.

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • SRC Order No. 1484-A on Generation of the List of Taxpayers Who Submitted Tax Declarations Late and the List of Taxpayers Who Failed to Submit Declarations as of June 30, 2009.
P4-11. Use of electronic filing facilities.	<ul style="list-style-type: none"> • Data from Attachment III, Table 9. • Field observations at local tax offices. • Article 15.1, Law on Taxes, dated April 14, 1997.
P5-12. Use of electronic payment methods.	<ul style="list-style-type: none"> • Table 9 in Attachment III. • Observation in System and discussions at during field visits.
P5-13. Use of efficient collection systems.	<ul style="list-style-type: none"> • Articles 19 and 47 of the PIT and CIT legislations
P5-14. Timeliness of payments.	<ul style="list-style-type: none"> • Internal policy guiding the write off of uncollectible arrears.
P5-15. Stock and flow of tax arrears.	<ul style="list-style-type: none"> • Order no. 144/A on Cooperation between the Legal Departments and Field offices in relation to arrears that are over AMD 500 000. • Example of a tracking sheet for late payments. • Table 10 in Attachment III. • Observation of taxpayer ledger at both headquarters and Arabkir field office.
P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.	<ul style="list-style-type: none"> • Regulation for carrying out audits and review – nr. 754-A 28 April 2011: Provisions: planning and conducting. Must prepare audit plans and select cases based on risk - consultative process between HQ and field offices. Annual and monthly audits. Plan must be posted on website. • Decree nr. 1636-A on the risk methodology dated November 10 2011. • Audit tool kit for field offices. Highlights what to do on different partial audits (cash registers, payroll). • 6-month feedback on desk reviews. • Annual audit plan – 1 June 2016. • Field observations at a local tax office for automated VAT cross-checking.
P6-17. Extent of proactive initiatives to encourage accurate reporting.	<ul style="list-style-type: none"> • Example public ruling (2013.12.02/32(476)). • Example public ruling (N175, reg nr. 12412299). • Example private ruling (2016, SRC ref nr. 060644781). • Chapter 66 of Part 3 of the new Tax Code, to be introduced in 2018, horizontal monitoring system.
P6-18. Monitoring the extent of inaccurate reporting.	<ul style="list-style-type: none"> • Deloitte (2014) <i>Tax Gap in Armenia</i>. USAID, Armenia.

Indicators	Sources of Evidence
P7-19. Existence of an independent, workable, and graduated dispute resolution process.	<ul style="list-style-type: none"> • Law on Tax Service 43(1) Appeals • Law on inspecting bodies – Joint Appeals Committee/Commission of Inspecting Bodies • Law on Legal Acts (mandating SRC to do public hearings) • Order on Appeals Commission • Law on inspecting bodies: The Joint Appeals Committee/Commission of Inspecting bodies. • Minutes of decisions of Appeals Commission 25 Oct 2016. Example decision commission SRC (no. 30/7) • Chairman's order setting up the SRC (no. 5-A 02-04-2016) • Appeals procedures for SRC April 12, 2016. • arlis.am and laws.am.
P7-20. Time taken to resolve disputes.	<ul style="list-style-type: none"> • Table 12 – provided in Attachment III
P7-21. Degree to which dispute outcomes are acted upon.	<ul style="list-style-type: none"> • Minutes of decisions of Appeals Commission 25 Oct 2016 • Table on the status of court cases • Discussion with the Head of the Legal Department
P8-22. Contribution to government tax revenue forecasting process.	<ul style="list-style-type: none"> • SRC report on the performance of tax revenue collections and tax losses carried forward by taxpayers in June-July 2016 • SRC monitoring reports on tax collections against targets by local tax office and by tax category and region for November 2016 • Tax expenditure report for 2016 • Observations of a tax revenue forecasting model
P8-23. Adequacy of the tax revenue accounting system.	<ul style="list-style-type: none"> • Observations of the tax revenue accounting system (IT system Taxpayer-3) • MoF Order No. 48 on revenue accounting, dated January 18, 2002 • Law on Electronic Documents and Digital Signature, dated December 14, 2004
P8-24. Adequacy of tax refund processing.	<ul style="list-style-type: none"> • Article 33 and Appendix 1, 11.3, Law on Taxes, dated April 14, 1997 • VAT Law, dated May 14, 1997 • SRC Order No. 57-A on VAT refund processing • Interviews with staff of the MoF, SRC and SRC's LTO
P9-25. Internal assurance mechanisms.	<ul style="list-style-type: none"> • 143 Law on internal audits • Order MoF on internal audits (Grutyun verapatastman temaner) • Nr. 1233 Governmental rules on professional internal auditors • Report Internal Affairs • 2015 Report to head of SRC on internal audits (Tarekan Texeknq Terutyunneri) • Audit plan approved by chairman (Tarekan Cragir)

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • www.mfe.am/minfin.am/index.php?art=1952&lang=1 (2016 testing schedule for internal auditors) • Cucak 4rd reamsyak audit- Audit Training program • Criminal procedures (for Internal Affairs etc)
P9-26. External oversight of the tax administration.	<ul style="list-style-type: none"> • www.facebook.com/Armenia_ombudsman • extract Ombudsman report • examples of cases • example of response on VAT (change of law)
P9-27. Public perception of integrity.	<ul style="list-style-type: none"> • Tax Perceptions in Armenia Household and Enterprise Survey 2013, USAID Armenia Tax Reform Project. • Outline of an integrity course for SRC staff in 2015. • www.crrc.am • http://trp.am/index.php/en/news/96-trpsurveynews
P9-28. Publication of activities, results, and plans.	<ul style="list-style-type: none"> • SRC's 2015 Annual report • Chairman's order on annual report publication deadline • SRC's budget execution reports for 2014 and 2015 • Financial reports for 2013 and 2015 • Weblink – MoF expenditure report • Weblink - annual report • Weblink – SRC's list of priorities for the year

