

GEORGIA

TADAT

Performance Assessment Report

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and Michael Hewetson

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Georgia

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Fiscal Affairs Department

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ABBREVIATIONS AND ACRONYMS

AD	Analytics Department (of GRS)
BCP	Business Continuity Plan
BEPS-MLI	Base Erosion and Profit Shifting – Multilateral Instrument
CIP	Compliance Improvement Plan
CRM	Compliance Risk Management
CIT	Corporate Income Tax
DG	Director General of GRS
DPCT	Distributed Profits Corporation Tax
ERM	Enterprise Risk Management
FAS	Finance and Analytical Services (Ministry of Finance)
G4G	USAID Governing for Growth
GEL	Georgian Lari
GRS	Georgia Revenue Service
HCR	Human Capital Risk
HQ	Headquarters
HR	Human Resources
HRD	Human Resources Department
IAD	Internal Audit Department
ISO	Internal Organization for Standardization
IT	Information Technology
MD	Methodology Department (of GRS)
MEPA	Ministry of Environment Protection and Agriculture
MoF	Ministry of Finance
NAPR	National Agency of Public Registry
PAYE	Pay as You Earn
RMC	Risk Management Committee
RPO	Recovery Point Objective
RTO	Recovery Time Objective
PIT	Personal Income Tax
POA	Performance Outcome Area
SAO	State Audit Office
SLA	Service Level Agreement
SMD	Professional Ethics and Staff Monitoring Department (of GRS)
TADAT	Tax Administration Diagnostic Assessment Tool
USAID	United States Agency for International Development
VAT	Value Added Tax
WHT	Withholding Tax

PREFACE

An assessment of the system of tax administration of Georgia was undertaken during the period September 29 – October 27, 2020 using the Tax Administration Diagnostic Assessment Tool (TADAT). 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. Due to the travel restriction relating to the COVID-19 pandemic, this mission was undertaken on a remote basis supported by the local presence in Tbilisi of the FAD Resident Advisor.

The assessment team was led by Mr. Korstiaan Kool – Fiscal Affairs Department (FAD) and comprised Ms. Jimena Acedo (TADAT Secretariat) and Mr. Frank van Brunschot (FAD), Mr. Phillip McCutchan (FAD Resident Advisor in Georgia), and Mr. Michael Hewetson (FAD external expert). Mses. Sophio Arjevanidze, Ketevan Makaradze, Mariam Margiani, and Mr. Lasha Koberidze (all Georgia Revenue Service [GRS] staff members) participated in the team to support the assessment; their contribution was invaluable to its successful completion.

The team held meetings with Minister of Finance Mr. Ivane Matchavariani, Deputy Minister Mr. Lasha Khutsishvili, and with Director General of the GRS Mr. Levan Kakava, and GRS's Deputy Directors General, Heads of Department, and their staff.

The team expresses its appreciation to GRS management and staff for their, open, candid, and active participation in the assessment.

A draft Performance Assessment Report (PAR) was presented to the GRS at the close of the assessment. Written comments on the draft PAR were received from the GRS, have been considered by the assessment team, as appropriate, and reflected in this final version of the PAR. The final PAR has been approved by FAD and cleared by the TADAT Secretariat.

EXECUTIVE SUMMARY

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

Strengths

- Strong commitment of management and staff to further modernization of the administration.
- The new Taxpayer Register provides a strong basis for improving filing compliance and arrears management.
- Strong analytical capability to identify and assess tax compliance risks.
- Good use of third-party data in compliance risk identification.
- Broad range of service channels, with a focus on e-services, and outreach activities.
- Well-established withholding regimes and advance payment systems.
- Balanced audit program, based on central risk-based selection, strong quality assurance mechanisms, and effective case management.
- Accessible and independent dispute resolution mechanisms.
- Good practices for VAT refund claims established over the last year, with automatic payment soon to be introduced.

Weaknesses

- Though access of third-party information improved, large-scale automated information exchange with financial institutions is still not in place.
- Compliance Improvements Plans need to be further developed and actioned to direct all operational activities.
- Monitoring and evaluation of tax compliance risk mitigation strategies is not systematically performed.
- A Business Continuity Plan (BCP) to support business operations is not yet developed.
- No program is in place to follow-up non-filers.
- The stock of tax arrears is high, with a considerable amount older than 12 months.
- The newly established Internal Audit function is still at an early stage of development.
- Limited public reporting of financial and operational performance and strategic and operational planning documents.

This TADAT performance assessment report follows up on an earlier assessment, conducted in 2016.¹ Compared to the 2016 assessment, Georgia has made notable progress on key areas of tax

¹ McLaughlin et.al. Georgia: TADAT Performance Assessment Report, July 2016.

administration. A new Taxpayer Register was implemented in February 2020, and now provides a strong basis for core functions, most notably filing, compliance risk management, taxpayer services, and tax arrears management. In addition, major improvements have been made in compliance risk management. The available external and internal information sources have provided the basis for a modern risk identification and assessment process, and the GRS has commenced the development of a Compliance Improvement Plan (CIP). Further steps are now needed to better connect compliance risk management with the strategic planning and operational activities across GRS, and to structurally monitor and evaluate progress and results.

The new process in place for the handling of VAT refunds reflects good international practice, though automatic payment of refunds is yet to be implemented.

The development of other core processes is still in an early stage, for example, the management of operational risks and the establishment of an internal audit function. However, GRS has taken the initiative on these issues, and is actively working on their development.

Some of the weaknesses identified in this assessment can be rectified relatively quickly, for example, the implementation of a reporting process for risk management and the development of a process to follow-up on non-filing of declarations. Nevertheless, others will require the continued commitment of GRS to reforming the tax administration. Judging from the reform progress made over the period 2016-2020, the GRS is capable of making great strides.

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 nine performance outcome areas (POAs) and 32 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. Georgia: Summary of TADAT Performance Assessment

Indicator	Scores 2016	Scores 2020	Summary Explanation of Assessment
POA 1: Integrity of the Registered Taxpayer Base			
P1-1. Accurate and reliable taxpayer information.	D	B	GRS's new taxpayer register, established in February 2020, holds all relevant taxpayer information and aligns with international good practice. Documented procedures to improve the accuracy of the information in the registration database are in place.
P1-2. Knowledge of the potential taxpayer base.	C	A	Initiatives to detect non-registrants include systematic use of third-party information and inspection of business premises.
POA 2: Effective Risk Management			

Indicator	Scores 2016	Scores 2020	Summary Explanation of Assessment
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	C	B	A structured process to assess and prioritize compliance risks that aligns with GRS's multi-year strategic priorities is in place. The GRS uses a wide range of internal and external data to analyze tax compliance risk, but is still unable to automatically access information from financial institutions for analysis.
P2-4. Mitigation of risks through a compliance improvement plan.	C	C	The GRS mitigates assessed risks to the tax system through its Compliance Improvement Plan (CIP), but is yet to establish a formal on-going process to track delivery of CIP risk treatments.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	D	A risk management committee provides oversight of compliance risks and approves risk treatments. The GRS is yet to evaluate the effectiveness of risk strategies.
P2-6. Management of operational risks.	D	D	Key components of managing enterprise risk are not in place, but GRS is working to develop an Enterprise Risk Management framework and Business Continuity Plan.
P2-7. Management of human capital risks.	NA	D	Human Resource (HR) priorities are identified as part of the GRS strategy development process. However, formal processes to identify and mitigate human capital risks are not in place.
POA 3: Supporting Voluntary Compliance			
P3-8. Scope, currency, and accessibility of information.	B	A	GRS offers a wide range of information, via user-friendly channels, to relevant taxpayer groups with specific arrangements in place for disadvantaged groups and minorities.
P3-9. Time taken to respond to information requests.	B	A	Service levels have been defined for taxpayers' interactions with GRS and they are monitored and reported against. These include correspondence, phone, and email.
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	B	B	GRS has a range of initiatives to reduce taxpayer compliance costs, including simplified reporting for small and micro business taxpayers. A secure taxpayer portal accommodates online filing and payment for all core taxes. GRS does not apply pre-filing of tax returns.
P3-11. Obtaining taxpayer feedback on products and services.	C	A	GRS obtains regular feedback on its services using surveys, website and call monitoring, and engagement with stakeholders.

Indicator	Scores 2016	Scores 2020	Summary Explanation of Assessment
POA 4: Timely Filing of Tax Declarations			
P4-12. On-time filing rate.	C	C	The on-time filing rates are low across all core taxes, except for VAT.
P4-13. Management of non-filers.	NA	D	Actions taken to follow-up non-filers are inadequate.
P4-14. Use of electronic filing facilities.	A	A	Electronic filing of all declarations is the preferred option for all taxes and widely used by taxpayers.
POA 5: Timely Payment of Taxes			
P5-15. Use of electronic payment methods.	A	B	Electronic payment is mandatory, but payments can be made via intervention of bank staff. ²
P5-16. Use of efficient collection systems.	B	B	Good use is made of withholding and advance payments, but the law does not require withholding on interest from commercial banks, nor mandatory reporting of information by financial institutions.
P5-17. Timeliness of payments.	B	B	The number of VAT payments made by the statutory due date is high, though not all payments from large taxpayers are timely. Tax payments are accounted for using a Unified Treasury Account.
P5-18. Stock and flow of tax arrears.	D+	C	The stock of tax arrears is high and comprises mostly old debt. Collectible debt is low but is trending upwards.
POA 6: Accurate Reporting in Declarations			
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	C	C ³	GRS has a segment-based audit program that covers all core taxes. An Audit Manual and methodological guidelines are in place, however, specific guidance for major economic sectors is not provided. Case selection is centralized, and risk based. Independent reviews of audit quality are performed, and the results of audits analyzed. The GRS does not evaluate the impact of audits on taxpayer compliance.
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	C	C	GRS has a system of large-scale automated crosschecking using internal and external data sources. Information from banks can only be received for individual cases.

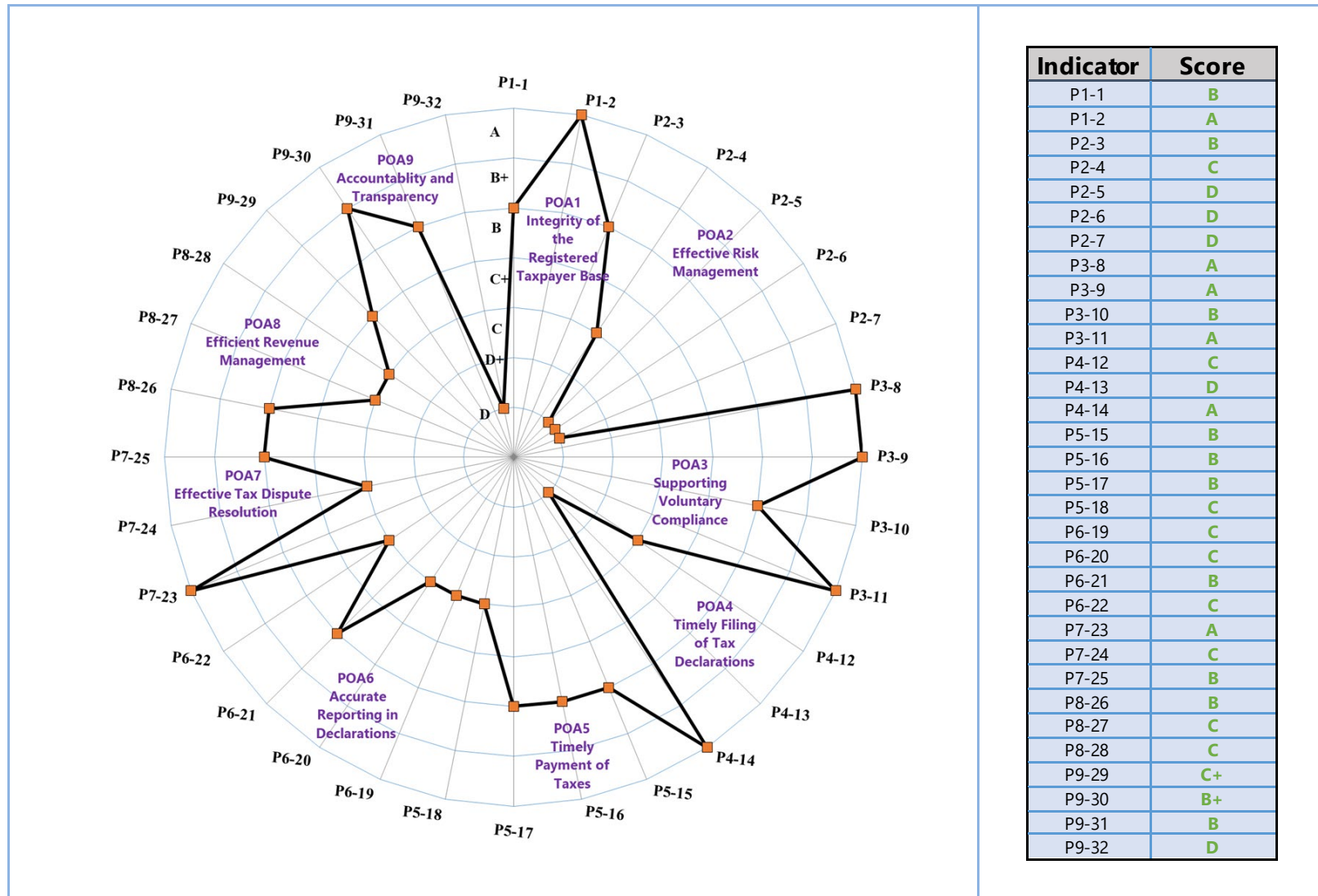
² Under the TADAT 2019 Methodology payments made via intervention of bank staff are not considered electronic payments.

³ The 2020 score for indicator P6-19 is not comparable with the 2016 score. Measurement for this indicator was redefined under 2019 TADAT Methodology, and now includes four dimensions, of which only one was included in the 2016 definition. This single dimension, P6-19-1, now scores a B.

Indicator	Scores 2016	Scores 2020	Summary Explanation of Assessment
P6-21. Initiatives undertaken to encourage accurate reporting.	B	B	GRS has a system of public and private binding rulings, although public rulings are limited. Formal cooperative compliance arrangements have not been implemented.
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	D	C	GRS monitors the level of inaccurate VAT reporting annually using the RA-GAP methodology. Tax gap studies are not made public.
POA 7: Effective Tax Dispute Resolution			
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	A	A	The dispute resolution process follows good international practice. GRS's administrative review process is organized independently from the Audit Department. GRS actively informs taxpayers about their rights.
P7-24. Time taken to resolve disputes.	C	C	The time taken to resolve a dispute over the period of the assessment is just meeting minimum standards, but performance is trending upwards
P7-25. Degree to which dispute outcomes are acted upon.	C	B	GRS monitors the outcomes of disputes on a regular basis. The outcomes of material cases are evaluated to determine if legal or procedural changes are required.
POA 8: Efficient Revenue Management			
P8-26. Contribution to government tax revenue forecasting process.	C	B	Data on tax revenues is gathered to support the government budgeting processes, with daily monitoring and reporting of revenues. GRS forecasts VAT refund levels and tracks the stock of carry-forward losses available for offset. Cost to revenue of tax expenditures is not assessed on a regular basis.
P8-27. Adequacy of the tax revenue accounting system.	C	C	The GRS has an automated accounting system that interfaces with the Ministry of Finance's revenue accounting system. No external or internal audits are conducted to ensure its quality. Taxpayers can access their account information via the taxpayer portal.
P8-28. Adequacy of tax refund processing.	D	C	The new VAT refund system aligns with international good practice. Refunds are not yet paid automatically, and interest is not paid on delayed refunds.
POA 9: Accountability and Transparency			
P9-29. Internal assurance mechanisms.	D+	C+	GRS has an organizationally independent Internal Audit Department that reports to the Director General. An Audit Committee has not yet been

Indicator	Scores 2016	Scores 2020	Summary Explanation of Assessment
			established, and a review of the internal audit operations has so far not taken place.
P9-30. External oversight of the tax administration.	C	B+	Financial audits are conducted annually by the State Audit Office, with operational performance audits performed by Internal Audit at the MoF. Independent bodies are in place to investigate taxpayer complaints of maladministration, on a 3-year basis.
P9-31. Public perception of integrity.	C	B	GRS monitors general public confidence in the tax administration via independent and internal statistically valid surveys.
P9-32. Publication of activities, results and plans.	D+	D	While GRS's 2019 annual report outlines aspects of operational performance, information on core tax administration processes and financial information was limited. Operational plans are not published.

Figure 1. Georgia: Distribution of Performance Scores



I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in Georgia during the period September 29 – October 27, 2020 and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 32 high level indicators critical to tax administration performance that is linked to the POAs. Fifty-five 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:

- 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), domestic excise tax (with a focus is on those registered domestic excise taxpayers who trade in the category of goods/services that contribute 70 percent of the total domestic excise revenue by value), 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 Georgia).
- 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.
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

II. COUNTRY BACKGROUND INFORMATION

A. Country Profile

General background information on Georgia 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 Situation

Georgia has seen steady growth over the last years, with moderate inflation and a sound fiscal balance. Real GDP growth over the last three years was around 5 percent. Georgia's main economic activities include agriculture, industry (e.g. machinery and chemicals), and services (tourism, transportation). Inflation averaged 4.4 percent over the period 2015-2019, with budget deficits around 2-3 percent over the last five years.

The Covid-19 outbreak has hit the economy hard. Specifically, the tourism and travel sector representing 20 percent of GDP in 2019. A sharp contraction in economic activity is expected to bring growth to -4 percent in 2020. Growth is expected to pick up again in 2021, projected at 4 percent.

D. Main Taxes

Total tax revenues in Georgia account for 22.8 percent of GDP (2019). Main sources of revenue for VAT (at 40.6 percent of total revenues), PIT and withholding tax (at 30.5 percent), Excises (at 13.2 percent), and CIT (at 7.6 percent). On January 1, 2017, a CIT reform came into force, replacing the traditional CIT regime with a Distributed Profit Corporate Tax (DPCT) for all legal entities except some sectors such as financial institutions and oil exploration companies. Under the DPCT, business entities are taxed only if they make a profit distribution, as dividends or other situations defined by law. At end-December 2019, 7,641 taxpayers were still under the old CIT regime. They accounted for 37 percent of the total collection from CIT.

Further details on tax revenue collections are provided in Table 1 of Attachment III.

E. Institutional Framework

The Georgia Revenue Service (GRS) is a state body under the Ministry of Finance of Georgia. It is tasked with the collection of all national taxes, and with customs control of incoming and outgoing goods. GRS employs around 3,700 staff. Its headquarters function was reorganized in 2018, with

departments organized along functional lines, allowing for a separation of policy and planning, operational and support responsibilities.

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

F. Current Status of Tax Administration Reform

The Georgian government has implemented major reforms in the tax administration over the last four years. Its focus has been on strengthening management and governance arrangements, including the establishment of a compliance risk management function, and modernization of core processes, most notably, taxpayer services and taxpayer registration. A more focused large taxpayer approach is currently being implemented. The IMF's Fiscal Affairs Department has provided capacity development to this reform program, which has benefitted from external funding from the Revenue Mobilization Thematic Fund (RMTF). The focus of this extensive capacity development project was on organization and reform management, compliance risk management, taxpayer registration and filing, audit, and payment and collection. Several other donors and partners are involved in GRS reforms, though their engagement is limited to targeted areas. Currently, the GRS receives support via programs of the World Bank, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), United States Agency for International Development (USAID), the European Union, and the United Kingdom's Foreign, Commonwealth and Development Office.

G. International Information Exchange

Georgia is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes which supports the fight against tax evasion by automatically exchanging financial and ownership information. In this regard, over 100 jurisdictions participate in the work of the Global Forum's peer review process that examines both the legal and regulatory aspects of information exchange (Phase 1 reviews) and the exchange of information in practice (Phase 2). All review reports are published once approved by the Global Forum.⁴ Georgia has committed to implement the international standard on automatic exchange of financial account information by 2023.

Georgia has also signed the Multilateral Convention to implement tax treaty-related measures to prevent base erosion and profit shifting (BEPS-MLI). The BEPS-MLI, negotiated by over 100 countries and jurisdictions, updates the existing network of tax treaties and reduces opportunities for multinational enterprises' tax avoidance. The BEPS-MLI seeks to modify existing bilateral tax treaties to swiftly implement measures relating to hybrid mismatch arrangements, treaty abuse, and permanent establishment. Georgia currently has 56 tax treaties on Avoidance of Double Taxation and the Prevention of Fiscal Evasion.

⁴ Further information is at <http://www.oecd.org/tax/transparency/>.

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 2019	
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	A	B
P1-1-2. The accuracy of information held in the registration database.		B	

The information held in the GRS's new taxpayer register is aligned with international good practice. Since February 2020, GRS has established a central national computerized registration database, that holds all the relevant taxpayer information—including core taxpayer obligations and business activity. Each taxpayer has a unique high integrity identification number.⁵ The registration

⁵ The National Agency for Public Registry (NAPR) issues a nine-digit TIN to businesses. Georgian nationals are registered with their unique 11-digit national identity number (ID), assigned at birth by the Civil Registry. GRS issues TINs to other categories of taxpayers such as physical persons (but not entrepreneurs), diplomats, partnerships, and government entities.

database: (i) interfaces with the filing and payments system; (ii) provides frontline staff with a whole-of-taxpayer view across all core taxes; (iii) allows for the deactivation of taxpayers and archives information in a way that can be restored if needed; (iv) generates registration-related management information; (v) provides an audit trail of user access and changes made to taxpayer registration data; (vi) uses taxpayer registration details to generate tax declarations; and (vii) provides secure online access—via the taxpayer portal—to register and modify details.

Documented procedures to improve the accuracy of the information in the registration database are in place, but use of large-scale cross checking is still limited. New tax legislation⁶ came into force on February 15, 2020 and requires taxpayers to update their registration details. The revision also included the introduction of penalties for failure to provide the necessary information to GRS. An app has been developed to ease the registration process for taxpayers. GRS has documented procedures and applies them routinely to: (i) identify—based on a set of 29 criteria—and separate inactive taxpayers; (ii) identify and remove false, invalid and duplicate records (e.g. duplicated TINs); (iii) flag dormant registrations; (iv) ensure applications are authentic and meet the legal requirements; (v) verify the accuracy of information by large-scale cross checking information against Government databases, including the National Agency of Public Registry (NAPR), and the Ministry of Environment Protection and Agriculture (MEPA); and (vi) allocate cases to operational units for registry cleaning purposes. Crosschecking of information against some government databases takes place on a regular basis but is not yet established as a standard procedure for all available data sources.

The accuracy of the taxpayer data base is a high priority for GRS. To this end, 123 tax officials⁷ are working on data quality assurance and register validation. Monthly reports are presented to the Director General (DG), which show confidence in the accuracy of the registration database.

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 dimension	Scoring Method	Score 2019
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	A

⁶ Order No. 416 by Minister of Finance of Georgia on December 27, 2019 amended Order No 996 by Minister of Finance of Georgia. Article 11 on Taxpayer Information Card.

⁷ Eight staff are working on data quality assurance and register validation in headquarters, and 115 staff are deployed to the Taxpayer Register program in the Tax Monitoring Department.

GRS's initiatives to detect non-registrants include systematic use of third-party information and inspections of business premises. The initiatives in place rely on the systematic use of third-party data from ten government agencies, including the State Procurement Agency, the NAPR, utility companies, and e-commerce sites. A workforce including staff from the Analytics Department (AD) and the Methodology Department (MD) has identified, analyzed, and prioritized high-risk groups (e.g. owners of rental properties and taxi drivers). District Tax Officers undertake physical visits to businesses, as planned in the Tax Monitoring Operational Plan, although the number has been reduced due to COVID-19 pandemic. A change in the tax law⁸ allows enforced registration by GRS. Results of actions are included in periodic reporting.

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 IT 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). For TADAT purposes, institutional risk is divided into two components. These are:
 - *Operational risk*—refers to disruptive actions that destroy or affect part or all of the administration's assets and resources, such as buildings, IT, and other equipment, data and records; and
 - *Human capital risk*—refers to interruptions that affect the tax administration arising out of capability, capacity, compliance, cost and connection (engagement) gaps of and by its employees.

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.

⁸ Minister of Finance of Georgia. Order No. 996, Article 5. Prior to this amendment offences were referred to the Service Department for follow up, who could impose penalties, but registration could only be effected with the taxpayer's consent.

Five 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—Management of operational (i.e. systems and processes) risks.
- P2-7—Management of human capital 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 2020	
P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.	M1	A	B
P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.		B	

The GRS gathers and analyzes information from internal and a growing range of external sources to build knowledge on compliance levels. Compliance risks are framed by the environmental scan, undertaken by the GRS as part of the development of its 2017-2020 Strategic Plan.⁹ The GRS analyzes economic tax performance by sector,¹⁰ segment and tax type. It also captures issues identified from tax declarations filed and its tax audit activity. GRS has undertaken VAT gap studies for 2016, 2017, and 2018, and is currently concluding work on the 2019 study. Internal data sources accessed include: cash register and monitoring data, customs information, and electronic invoices. While GRS uses an ever-expanding array of risk models to interrogate external data,¹¹ risk assessment and quantification is inhibited by the unavailability of information from financial

⁹ This process was repeated for the development of the current draft strategic plan for 2020 to 2022.

¹⁰ Sectoral reports have been produced on the construction, mining and small business.

¹¹ This includes cadastral information from NAPR, video and vehicle information from the Ministry of Interior and license and registration information from various agencies including: Public Registry, Civil Registry, State Procurement; MEPA, and Agriculture and Education.

institutions. No evidence of the study by GRS of topical compliance issues or taxpayer behavior was provided.

The methodology used to identify, assess and rank compliance risks aligns with international good practice. While the 2019 to 2020 Compliance Improvement Plan (CIP) was not developed as part of its multi-year strategic planning process, the GRS is working to embed Compliance Risk Management (CRM) planning into this process going forward. The structured risk assessment process—developed in 2018—allows GRS to assess and prioritize compliance risks for all core taxes, the four main compliance obligations, and to focus on the activities of the large taxpayer and high-wealth individuals segments.

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 dimension	Scoring Method	Score 2020
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	C

The GRS mitigates assessed risks to the tax system through a CIP covering 2019 and 2020. The plan, which was developed as part of the 2019 planning process, was belatedly approved by GRS's Risk Management Committee (RMC)¹² in February 2020. The CIP captures how GRS has analyzed compliance risks across the four main compliance obligations and core taxes. The plan highlights four risk areas where GRS will focus its compliance activities during the two-year period: (i) VAT – work to support taxpayers obtaining their VAT refund automatically during the process of economic activity; (ii) Withholding Tax (WHT) – GRS research suggests there is a significant gap between WHT deducted and what is reported to GRS; (iii) self-employed high wealth individuals; and (4) Large Taxpayers – this group accounts for approximately 60 percent of tax revenues. Actions to address agreed treatments are resourced annually and are discussed by the DG and the senior management team at monthly meetings. Evidence of these meetings highlight robust discussions on risks and their treatment but

¹² RMC membership: Head of GRS (Chair), First Deputy Head of GRS (Deputy Chair); two further Deputy Heads of GRS; Head and Deputy Head of Analytics Department; Head of Customs Department; Head of Tax and Customs Methodology Department; Head of Audit Department; Head of Tax Monitoring Department; Head of Service Department; Head of Information Technology centre; and Head of Reform and Planning Department.

does not demonstrate a formal or systematic process for monitoring and reporting implementation of risk treatments.

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

This indicator looks at the process used to monitor and evaluate compliance 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 dimension	Scoring Method	Score 2020
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	D

Governance arrangements are in place for managing compliance risks but these do not yet monitor and evaluate risk mitigation activities. An RMC chaired by the DG and comprising senior staff and Department Heads meets quarterly to provide oversight of enterprise risks and approve how these risks are to be treated. While the RMC approved the 2019 to 2020 CIP, there is no evidence that the committee monitors progress with implementation of agreed risk treatments, nor that it receives regular updates on the treatment of recorded compliance risks. While the GRS has monitored the effectiveness of its tax audit operations, and evaluated the effectiveness of the work of the tax monitoring department, it is yet to formally evaluate the impact of its compliance risk mitigation actions set out in the 2019 to 2020 CIP.

P2-6: Management of operational risks¹³

This indicator examines how the tax administration manages operational risks other than those related to human resources. 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 2020	
P2-6-1. The process used to identify, assess and mitigate operational risks.	M1	D	D
P2-6-2. The extent to which the effectiveness of the business continuity program is tested, monitored and evaluated.		D	

¹³ Note: this indicator was amended in 2019, and as such its results are not directly comparable with the 2016 scoring.

Key components of managing enterprise risk are not in place. GRS does not have an end-to-end process for managing operational risks, nor a Business Continuity Plan (BCP) to support its business operations. Until early 2020, each GRS department, including IT, identified and managed their own operational risks, without an enterprise approach to assessment, prioritization or treatment. With capacity development provided in-country in February 2020,¹⁴ the Internal Audit Department (IAD) of the GRS was supported to commence development of an Enterprise Risk Management (ERM) system. In addition to developing an effective framework for ERM, an enterprise level assessment of institutional (and some compliance) risks faced by the GRS was conducted. The exercise assessed risks across four dimensions: impact, likelihood, trend and control effectiveness. The results of the exercise were endorsed by GRS senior management, and IAD is using the report as a blueprint to roll-out ERM.¹⁵

GRS is working to implement a BCP. The February 2020 assignment also supported GRS in defining business continuity risks, and commencing the process of developing its BCP. When fully deployed in late 2021, the BCP will bring together strategies to respond to critical events that may disrupt operations, and define the recovery time (RTO) and recovery point (RPO) objectives for recovery of IT. While senior managers and IAD staff have been trained in risk management, and business continuity, this training has not yet been rolled out to all GRS staff. No evidence of business continuity exercises for staff was available. GRS employs a number of controls to protect confidential taxpayer information. It is also working to strengthen IT security by implementing the ISO standard for information security management systems. This will further improve information security and will reduce the likelihood of security breaches, or cyber incidents.

Without a BCP, recovery processes for IT operations after a major disruption are undocumented. Management of the IT environment on which GRS relies is divided between the Ministry of Finance Analytical Service (FAS)—that manages critical IT infrastructure for the GRS, and GRS—whose IT unit supports the business applications operated. While the two parties have successfully tested the *failover of the production machine to the back-up site* and of the data center operation, these tests are currently only performed on an ad-hoc basis. GRS has begun the development of a service level agreement (SLA) with FAS that will cover critical performance and risk management requirements, including: systems availability; data security; and business continuity. The lessons learned in responding to the challenges of the COVID-19 pandemic in ensuring critical GRS activities were maintained, will be incorporated into the SLA.

P2-7: Management of human capital risks

This indicator examines how the tax administration manages human capital risks. The assessed score is

¹⁴ Georgia: Internal Audit: Enterprise Risk Management and Business Continuity Plan, Philbin, FAD June 2020.

¹⁵ Next steps: (1) identification of risk owners; (2) action plans to mitigate tier one risk; (3) analysis of tier two risks; (4) integrate action plans into the GRS planning process; and (5) develop reporting process to monitor and review risk status.

shown in Table 8 followed by an explanation of reasons underlying the assessment.

Table 8. P2-7 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P2-7-1. The extent to which the tax administration has in place the capacity and structures to manage human capital risks.	M1	C	D
P2-7-2. The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions.		D	

GRS structures and capacity to support management of Human Capital Risk (HCR) are effective.

In developing its business strategy, GRS identified key areas where HR work and support was required. Priorities are stated in the GRS strategy document¹⁶ and specific initiatives to support these areas are captured in an HR action plan. The plan was approved by the DG, who receives regular updates on progress in implementing initiatives. Most updates are verbal and there is no evidence of a formal or systematic process for monitoring and reporting implementation of risk treatments. The RMC is yet to consider HR risks, or provide guidance on actions to mitigate these. The HR Department (HRD) is led by an experienced HR professional. The HR team has at least two senior staff that have experience and understanding of managing HCR. To-date, GRS managers and supervisors have not been trained to understand HCR and their impact on GRS, although this is planned to be addressed as part of the roll-out of ERM processes described above. The GRS operates an annual performance appraisal process for all staff, with staff receiving feedback six-monthly from their manager.

The HRD was established in 2017 and is slowly expanding its capability to support a wider array of HR functions. The operations of HRD were reviewed as part of an IMF assignment in late 2017¹⁷ with advice being provided on structure and systems. Since then GRS has initiated work in the priority areas highlighted in the HR action plan that has defined operational systems and processes. HRD has been subject to a review by the Ministry of Finance (MoF) Internal Audit team in 2020. As well as examining the overall operations of HRD, the review examined HR operating systems in contract management, staff evaluation, and employment practices. HRD plan to formally examine their operations and systems within the next three years.

While GRS reports on elements of HCR in its annual report, it currently does not undertake any formal evaluation of these risks. While in the last three years GRS has undertaken work across most of the HCR categories, it has not used independent third- parties to evaluate the status of risks, nor to conduct annual impact analysis to evaluate the efficacy of HCR mitigations.

¹⁶ GRS Strategic Plan 2017 to 2020.

¹⁷ Georgia: Developing Human Resource Department Capacity, Paulson, IMF October 2017.

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.

Four performance indicators are used to assess POA 3:

- P3-8—Scope, currency, and accessibility of information.
- P3-9—Time taken to respond to information requests.
- P3-10—Scope of initiatives to reduce taxpayer compliance costs.
- P3-11—Obtaining taxpayer feedback on products and services.

P3-8: 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. 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 2020	
P3-8-1. 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
P3-8-2. The degree to which information is current in terms of the law and administrative policy.		A	
P3-8-3. The ease by which taxpayers obtain information from the tax administration.		A	

GRS provides information to the taxpayers on a wide range of topics and tailors it to the needs of different taxpayer segments, industries and intermediaries. The recently launched new website contains a wide range of information covering all taxpayer obligations (registration, filing, reporting and payment) and entitlements (e.g. VAT refunds and the right to dispute). The information GRS provides is tailored to the needs of small business taxpayers, e.g. clarifying their accounting and filing obligations, and gives specific attention to disadvantaged groups and minorities that use other languages than Georgian.¹⁸ Information related to specific topics is available via approximately 600 methodological guidelines and procedural manuals. GRS also uses social media such as Facebook and YouTube. There are 15 regional service centers that provide information to those taxpayers who prefer face-to-face interaction.

GRS ensures that information is current and that taxpayers are made aware of changes in the law and administrative policies before they take effect. As a follow up of the previous TADAT assessment, GRS has established a working group which is operational since February 2020. This dedicated working group is responsible for keeping information up-to-date. Current and draft tax laws are monitored on a daily basis, and information provided by the operational departments to taxpayers is monitored regularly.

Taxpayers have access to information through a broad range of user-friendly channels. GRS's service development strategy 2019-2020 outlines the direction in service delivery to improve voluntary compliance by using a wide range of services and further development of new communication channels such as online chats¹⁹ and chatbot. In addition to information provided via the website, taxpayers portal, social media, the call center and the 15 regional service centers, taxpayers have access to a variety of targeted seminars and information campaigns.²⁰

Provision of information to taxpayers, intermediaries or other interested groups is free of charge. GRS asks a fee for the Privé service, a private tax advisor program, mainly used by large taxpayers, for personalized assistance. GRS is planning to make this service free of charge.

P3-9: The time taken to respond to requests for information.

This indicator examines 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 information requests generally). Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

¹⁸ GRS actively cooperates with Azerbaijani and Armenian language newspapers. In 2019, 60 informational articles were published.

¹⁹ The online chat is introduced on 12th October 2020.

²⁰ For example: in 2019 GRS organized 18 meetings with representatives of business associations to provide information and discuss challenges that business face in complying with their obligations, and educational activities were organized for school children. Mobile offices ('RS Cars') are used to provide information to taxpayers in mountainous regions.

Table 10. P3-9 Assessment

Measurement dimension	Scoring Method	Score 2020
P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information.	M1	A

Telephone enquiry calls received by the call center are generally answered within six minutes.

Taxpayers are actively informed about the service levels they can expect when dealing with the GRS.²¹ Standards to respond to requests are: (i) six minutes for telephone calls; (ii) ten working days for letters; and (iii) two working days for official e-mails. The call center currently has 39 agents deployed in the front and back offices. A new system, which meets the current international standards for a call center system, was introduced in July 2020. The previous system was outdated and was not capable of determining the overall performance level of the call center, nor to keep track of lost calls. To address this problem, GRS has developed a work-around to provide the necessary management information. Attachment III, Table 3, shows that 95 percent of all calls are answered within 6 minutes for the period until March 2020. Accurate measurement in the April-July 2020, was affected by the working-from-home arrangements that were put in place due to the COVID-19 pandemic.

P3-10: 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 11 followed by an explanation of reasons underlying the assessment.

Table 11. P3-10 Assessment

Measurement dimension	Scoring Method	Score 2020
P3-10. The extent of initiatives to reduce taxpayer compliance costs.	M1	B

GRS has a range of initiatives to reduce taxpayer compliance costs. Small and micro business taxpayers have simplified recording and reporting arrangements. The secure taxpayer portal has a 24/7 availability and accommodates online filing and e-payment for all core taxes. Tax declaration forms are periodically reviewed and Frequently Asked Questions help taxpayers understand their obligations. A system of public and private rulings is in place which, with further guidance issued by

²¹ Taxpayers' Charter and Governmental Decree N96 and GRS DG order N27897.

GRS, aims to provide certainty to taxpayers on how specific situations will be treated. GRS does not prefill tax declaration forms.²²

P3-11: 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 12 followed by an explanation of reasons underlying the assessment.

Table 12. P3-11 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P3-11-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	A	A
P3-11-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		A	

GRS obtains feedback on its services from the taxpayers. GRS engages with key stakeholders, and monitors telephone calls and taxpayer visits to its premises. Meetings with the representatives of business associations are organized at the initiative of GRS, and discuss the challenges that businesses face and options for improvement. The interaction via telephone calls and taxpayer visits to the contact center also provides GRS with feedback regarding the services provided.

A report on the attitude towards the tax system in Georgia shows a high level of trust towards the services from GRS. This report²³ was issued by the USAID Governing for Growth (G4G) program in Georgia, based on a survey of 1,742 respondents. It reports that 99 percent of the respondents were satisfied with the services from the service center and information on the website and 94 percent were satisfied with the services from the call center.

GRS consulted taxpayers on the design of the new GRS website. Primary focus of the design of the new website was that taxpayers understand the information and can easily navigate the site. To this end, a large variety of groups of taxpayers, such as small business, intermediaries, and business associations were consulted. There are some other examples where GRS has reached out to key taxpayers' groups and intermediaries to identify deficiencies in administrative processes and products, such as the design of the current VAT declaration form. GRS consults business associations and

²² It is worth mentioning that in order to simplify the process of VAT declarations, taxpayers can select approved invoices from their portal, which are automatically included in the VAT declaration. It simplifies the filing procedures, also by supporting the correct calculation of the tax liability.

²³ USAID Governing for Growth. Attitude toward tax system in Georgia. June 14, 2019.

intermediaries for the development of the methodological guidelines and procedural manuals as published on the website

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 towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filing 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).

Three performance indicators are used to assess POA 4:

- P4-12—On-time filing rate.
- P4-13—Management of non-filers
- P4-14—Use of electronic filing facilities.

P4-12: On-time filing rate

A single performance indicator, with five measurement dimensions, is used to assess the on-time filing rate for CIT, PIT, VAT and domestic excise tax, 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 13 followed by an explanation of reasons underlying the assessment.

Table 13. P4-12 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P4-12-1. 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	C

4-12-2. The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers.		C	
P4-12-3. The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers.		B	
P4-12-4. The number of domestic excise tax declarations filed by the statutory due date as a percentage of the number of declarations expected from registered domestic excise taxpayers.		C	
P4-12-5. 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.		C	

On time filing rates remain low for all core taxes except VAT. As shown in the Tables 4 to 10 in Attachment III, the rates achieved by GRS are: (i) Distributed Profits Corporation Tax (DPCT)²⁴ 68.2 percent; (ii) PIT²⁵ 67.2 percent; (iii) VAT 91.0 percent; (iv) domestic Excise Tax 69.9 percent; and (v) PAYE 58.7 percent. In this report, information regarding CIT is provided based on taxpayers filing under the DPCT regime, as these account for the highest volume as well as the major part of CIT revenues.²⁶ For PIT, the figures for traditional PIT filing are used (see Attachment III, Table 5), as revenues from this source are much higher than those from the small business turnover tax.²⁷

Low filing rates reflect the absence of filing enforcement actions. This is compounded by weaknesses in the former tax register (replaced in early 2020) that had a significant effect on the accuracy of the taxpayer database, and the lack of proactive reminders for declarations ahead of filing dates – something that was only rectified recently, in May 2020. The on-time filing rates for large taxpayers are higher than the rates for taxpayers overall – see Tables 4, 6, and 9 in Attachment III where large taxpayer DPCT, VAT, and domestic Excise on-time filing rates are 89.6 percent or higher.

²⁴ There are two forms of corporate income tax in Georgia. There is a traditional corporate income tax (CIT) still existing for a relatively small number of taxpayers. This tax is being phased out in favor of the Distributed Profits Corporation Tax (often referred to as the Estonian model). DPCT was introduced for most taxpayers in 2017. The DPCT taxes distributions such as dividends and other appropriations outside of the corporation. CIT declarations are filed annually and DPCT declarations are filed monthly.

²⁵ There are two forms of PIT (not including PAYE for employees) in Georgia. Traditional PIT with annual declarations and a 1 percent turnover tax for small business taxpayers with turnover up to GEL 0.5 million.

²⁶ For 2019, GRS statistics show GEL 866.3 million in total CIT revenues, and DPCT accounts for GEL 546.5 million.

²⁷ For 2019, GRS statistics shows revenue of GEL 77 million in traditional PIT and GEL 14 million in the small business tax.

P4-13: Management of non-filers

This indicator measures the extent to taxpayers who have failed to file declarations when due are managed. The assessed score is shown in Table 14 followed by an explanation of reasons underlying the assessment.

Table 14. P4-13 Assessment

Measurement dimension	Scoring Method	Score 2020
P4-13. Action taken to follow up non-filers.	M1	D

There are currently no non-filer administrative procedures in place in GRS. GRS does issue SMS reminder messages and makes telephone calls ahead of the filing due date for declarations but takes no further enforcement action beyond this. While two Ministerial Decrees signed in July 2019 now provide the legal basis for enforcement action against taxpayers who fail to file declarations as required, GRS is yet to establish a process utilizing that authority to demand declarations, levy automatic penalties, or to issue default assessments. A software application is being developed by the Analytics Department to automatically refer potential non-filer cases to a compliance unit and to assess penalties. GRS HQ officials have expressed confidence that administrative policies and procedures with appropriate follow-up timeframes will be introduced by January 2021. This will create an operational framework for addressing non-filing. The new taxpayer register will assist GRS to identify potential non-filers.

P4-14: 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 15 followed by an explanation of reasons underlying the assessment.

Table 15. P4-14 Assessment

Measurement dimension	Scoring Method	Score 2020
P4-14. The extent to which tax declarations are filed electronically.	M1	A

E-filing rates across all core taxes and taxpayer segments are 100 percent. See numerical data in Table 11 in Attachment III. GRS promotes e-filing through a number of avenues. It provides a range of opportunities and support to encourage taxpayers to use the Taxpayer Portal.

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:

- P5-15—Use of electronic payment methods.
- P5-16—Use of efficient collection systems.
- P5-17—Timeliness of payments
- P5-18—Stock and flow of tax arrears.

P5-15: Use of electronic payment methods

This indicator examines the degree to which core taxes are paid by electronic means without the direct intervention of bank staff or tax administration, 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, debit cards and payboxes. Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

Table 16. P5-15 Assessment

Measurement dimension	Scoring Method	Score 2020
P5-15. The extent to which core taxes are paid electronically.	M1	B

Electronic payment of taxes is mandated by law in Georgia. Electronic payments can be made by taxpayers through a wide variety of channels including electronic funds transfer, payboxes,²⁸ internet banking, and taxpayer portal. Taxpayers can also make payments in-person at a bank, where the funds are then transmitted electronically to GRS. The definition of an e-payment for TADAT purposes was revised in the 2019 Field Guide. To be electronic, a payment must now be *made from one bank account to another via electronic means without the direct intervention of bank staff or the tax administration*. As a result, payments made in-person that are then transferred electronically by the bank to GRS are no longer regarded electronic for TADAT purposes.

²⁸ Payboxes are small boxes for utility payments, that are widespread throughout Georgia.

The GRS does not categorize separately e-payments in its IT systems. GRS has worked with the banks in Georgia and determined that 62 percent of the total tax amounts paid in 2019 were through these banks' *remote banking services* and meet the new TADAT definition. Typically, large businesses would use other electronic services than these more consumer-oriented remote banking services. GRS surveyed the 97 largest taxpayers, who make up 80 percent of the total turnover for all 201 large taxpayers. All these taxpayers were found to make their payments in electronic form. With the remaining large taxpayers at least performing at the overall percentage of 62 percent, the score for all large taxpayers can be calculated to be over 92 percent.

P5-16: 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 17 followed by an explanation of reasons underlying the assessment.

Table 17. P5-16 Assessment

Measurement dimension	Scoring Method	Score 2020
P5-16. The extent to which withholding at source and advance payment systems are used.	M1	B

The GRS makes use of withholding and advance payments. Final withholding at source is in place for all employment income, and for dividend income earned by Georgian residents. The law does not require withholding on interest from commercial banks, nor mandatory reporting of information by financial institutions. Since 2017, CIT is paid by two groups: (i) circa 7,600 taxpayers that are regarded as *traditional CIT payers*; and (ii) circa 60,000 taxpayers that pay DPCT. The latter group file and pay monthly on money distributed outside the corporation to shareholders and directors. The former group file annually and make advance payments four times a year.

P5-17: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). Under the TADAT methodology, 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 18 followed by an explanation of reasons underlying the assessment.

Table 18. P5-17 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P5-17-1. The number of VAT payments made by the statutory due date in percent of the total number of payments due.	M1	B	B
P5-17-2. The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.		B	

The total number of payments made by the statutory due date is high. 95.5 percent of the total volume of VAT payments, and 96.1 percent by value is paid on time. However, the payment performance of Large Taxpayers is not strong with 13 large taxpayers, on a base of 201, failing to make VAT payments totaling GEL 41 million on time. Tax payments in Georgia are accounted for using a Unified Treasury Account. This approach allocates payments made based on pre-set rules to the various taxes administered by the GRS. See Table 12 of Attachment III.

P5-18: 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.²⁹ 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 19 followed by an explanation of reasons underlying the assessment.

Table 19. P5-18 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P5-18-1. 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	C	C
P5-18-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.		B	

²⁹ 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).

P5-18-3. The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears.		D	
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The stock of tax arrears is high and comprises mostly old debt. While GRS has written-off significant amounts of old uncollectible debt during the last year, its stock of tax arrears at the end of 2019 still accounted for more than 38 percent of tax revenue collected in that year. While the 8 percent rate for collectible debt as a percent of total tax collected is low by international standards, the trend of this ratio is upwards.

With 58.7 percent of tax arrears attributable to sanctions and interest, it suggests there is further scope for GRS to remove old debts. Legislative amendments made in 2017 have improved the ability of GRS to write off, albeit temporarily, uncollectible debts. To-date, this change has resulted in GRS writing off debts totaling circa GEL 2 billion in 2019-20. As a result of this and the successful implementation of the 2019-20 Payment and Debt Management Strategy, the value of GRS debt and its collectible value are becoming more closely aligned. See Table 13 in Attachment III.

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, four performance indicators are used to assess POA 6:

- P6-19—Scope of verification actions taken to detect and deter inaccurate reporting.
- P6-20—Use of large-scale data-matching systems to detect inaccurate reporting.
- P6-21—Initiatives undertaken to encourage accurate reporting.
- P6-22—Monitoring the tax gap to assess inaccuracy of reporting levels.

P6-19: Scope of verification actions taken to detect and deter inaccurate reporting

For this indicator, four measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

Table 20. P6-19 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	M1	B	C
P6-19-2. The extent to which the audit program is systematized around uniform practices.		C	
P6-19-3. The degree to which the quality of taxpayer audits is monitored.		A	
P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function.		C	

GRS audit activities cover taxpayers' segments and use a range of audit types and methodologies. The audit department has a staff of 336, spread over nine standard audit divisions, and divisions for Large Taxpayers, quality control, refund, transfer pricing, and monitoring. Each audit division has groups of auditors specializing on specific industries. The current version of the annual audit plan was approved on July 30, 2020 and is based on the available audit capacity and historical

information on the number of audits per type. The plan is centralized and covers the number of audits per audit type, taxpayer segments (large, medium or small), region of the taxpayer, and month.

Case selection systems are used for central risk selection and prioritization. The four identified risk areas from the CIP (see P-2-4) are part of the risk identification process. A list containing taxpayers with the highest identified risks is provided to the audit department. The list also provides background information, including: complexity ratio; economic sector; turnover; and deductions. To protect the confidentiality of the risk rules, the identified risks are not shared with the heads of the audit divisions and auditors.

GRS regulations and methodological guidelines provide guidance to be applied in field audits.

GRS's regulations for field audits issued in December 2017, outline the tax audit activities, including: (i) pre-audit activities; (ii) notification of the taxpayer; (iii) reporting of the audit; and (iv) responsibilities in the dispute resolution process. The audit manual, approved in April 2012, provides further guidance to auditors. It gives a comprehensive overview of audit methodologies, techniques and procedures. While GRS has undertaken analysis of some economic sectors,³⁰ it has not yet developed special audit manuals or guidance for the major economic sectors.

The audit training program has a broad coverage of topics. GRS auditors have a high level of education, most of them in economics. An annual questionnaire identifies the needs for yearly training. The current training program covers 14 different topics on soft skills (e.g. time management) and hard skills (e.g. international taxation). GRS has an internship program to train potential employees.

GRS has a comprehensive system of monitoring the quality of audits. The quality control system has 3 tiers for quality review:³¹ (i) self-control by the auditor; (ii) control of the head of the division; and (iii) since 2019, a separate quality control by the Tax Methodology Division. Quality control is reviewed against six standards: case selection, planning of the audit, documentation, legislation and policy use, time management, and taxpayer service.³²

Audit progress and results are actively monitored by management of the Audit Department, but taxpayer surveys are not used in monitoring performance. Heads of audit divisions meet weekly with the head of the audit department to discuss progress and results. Discussions are based on a report that reflects the number of metrics, including newly started, current and completed audits and assessed amounts in total and per auditor. Results are also discussed with senior management every month. GRS is currently deploying a fully automated integrated audit case management system that

³⁰ As referred to in POA2, GRS has analyzed the construction and mining sector as well as the small business segment.

³¹ Quality control regulation approved by the Audit Department Order N39391 of 22 October 2015.

³² A 2020 study concluded that the performance rate for communication with the taxpayer is 81 percent and above the required performance rate, but recommendations were made to improve communication skills.

includes document management and integrated reporting. GRS does not survey audited taxpayers to review staff competence and professionalism in conducting the audit.

The MD undertakes regular analysis of the results of completed audits. The most recent report analyzing tax audits dates from August 2020 and identifies systematic (recurring) deficiencies on the part of the auditors, legislative gaps identified, and provides appropriate responses to address these. Special attention was given to those audits not yielding a result, and to the ultimate results from audits, after the appeal stage.

P6-20: Use of large-scale data-matching systems to detect inaccurate reporting.

For this indicator, one measurement dimension provides an indication of the extent to which the tax administration leverages technology to screen large numbers of taxpayer records against third-party information to detect discrepancies and encourage correct reporting. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

Table 21. P6-20 Assessment

Measurement dimension	Scoring Method	Score 2020
P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations.	M1	C

GRS has a system of large-scale automated crosschecking of internal and external data in place, but the use of financial institution information is limited. GRS has signed Memoranda of Understanding with several governmental bodies including the Ministries of: Environment Protection and Agriculture, Education, Economy and Sustainable Development, Justice, Internal Affairs, and Finance to receive third-party information. Information from VAT and customs, other jurisdictions, and online vendors is available as well and routinely analyzed. Information from banks can only be received for individual cases, limiting the comprehensiveness of verifying the accuracy of tax declarations.

P6-21: Initiatives undertaken 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 22 followed by an

Table 22. P6-21 Assessment

Measurement dimension	Scoring Method	Score 2020
P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	B

GRS has a system of public and private rulings for all core taxes. Article 461 of the Georgia Tax Code is the legal basis for Public Rulings. Rulings are issued by the Ministry of Finance and are published on the website and in the Legislative Herald of Georgia. Taxpayers are entitled to apply for a private ruling which is binding for the revenue administration. The fee for a private ruling is GEL 10,000. GRS issued 61 private rulings in 2019.

No cooperative compliance programs have been adopted. A cooperative compliance program is a voluntary arrangement between the GRS and a taxpayer aiming at improving the working relationship by reducing legal uncertainty, creating a level playing field and reducing the costs for both GRS and taxpayer. The Privé service provides enhanced service to taxpayers but not to the extent that it would qualify as a cooperative compliance agreement.

P6-22: Monitoring the tax gap to assess inaccuracy of reporting levels

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 23 followed by an explanation of reasons underlying the assessment.

Table 23. P6-22 Assessment

Measurement dimensions	Scoring Method	Score 2020
P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	C

GRS monitors the extent of inaccurate reporting for VAT annually, and has conducted surveys on PAYE and excise duties on cigarettes. The tax gap studies for VAT and excises are based on the RA-GAP methodology.³³ The 2018 survey on PAYE identified a significant compliance gap, resulting in GRS proposing legislative changes that include the introduction of an employee register. This proposal has since been adopted by Parliament and will come into force in 2021. The outcomes of the tax gap

³³ The IMF Fiscal Affairs Department's Revenue Administration Gap Analysis Program (RA-GAP) is developed to assist revenue administrations in estimating revenue losses that are due to lack of compliance or to policy measures which are eroding the tax base.

analyses are not independently reviewed, nor made public.

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:

- P7-23—Existence of an independent, workable, and graduated dispute resolution process.
- P7-24—Time taken to resolve disputes.
- P7-25—Degree to which dispute outcomes are acted upon.

P7-23: 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 24 followed by an explanation of reasons underlying the assessment.

Table 24. P7-23 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	M2	A	A
P7-23-2. Whether the administrative review mechanism is independent of the audit process.		A	
P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		A	

Georgia's dispute resolution process is following good international practice. It follows a three-tier approach in which taxpayers have the legal right to appeal to the Ministry of Finance Disputes Council if their administrative appeal is wholly or partially rejected, and to court as a next stage. After a court decision, taxpayers can seek revision of the court decision in two more instances, including

redress from the Supreme Court. Membership of the Ministry of Finance Disputes Council is mandated by Ministerial Decree. The Council comprises officials from the Ministry of Finance and external members, and is chaired by the Minister of Finance. Taxpayers have the right to appeal directly to the Court at any stage of this process instead of first addressing to Disputes Council—or after the appeal has already been filed to the Council. The system does not allow for any alternative fast-track dispute resolution processes, such as arbitration. Taxpayers can submit an appeal to the GRS in electronic format through the user’s authorized portal.³⁴

The GRS administrative review process is organized independently from the Audit Department.

GRS has a Disputes Department which reports to a Deputy Director General (DDG) who has no responsibility for operational departments. Disputes are decided in the administration’s internal Disputes Council, chaired by the responsible DDG, in which heads of some other departments, except for the operational departments including Audit, participate. Over the last years, steps have been implemented to further secure the independence of the disputes process—for example, the Disputes Department is located in another building than the Audit Department and other operational units. Procedures are in place to guide the work of the Department and the internal Disputes Council.

GRS actively informs taxpayers about the possibility to appeal decisions of the administration.

Information about the appeals process, and guidance on how to file an appeal is available on the GRS website. In addition, the option of appeal is included in the published Taxpayers’ Rights document. This document is also attached to the notification of an audit prior to the audit, taxpayers are informed about their rights during the audit, in the audit report, and in the notification that follows at the conclusion of an audit, in case additional taxes and/or penalties are due.

P7-24: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 25. P7-24 Assessment

Measurement dimensions	Scoring Method	Score 2020
P7-24. The time taken to complete administrative reviews.	M1	C

The time taken for GRS to complete an administrative review over 2019/2020 meets minimum requirements and is trending upwards. During the period July 2019 to June 2020, the percentage of cases finalized within 90 days was 92.4 percent, with 83.5 percent being completed within 60 days (see

³⁴ eservices.rs.ge

Attachment III, Table 14). Measures have been taken to further improve the performance, which disputes being resolved within 60 days now over 90 percent for the period July-September 2020.

P7-25: 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 26 followed by an explanation of reasons underlying the assessment.

Table 26. P7-25 Assessment

Measurement dimension	Scoring Method	Score 2020
P7-25. The extent to which the tax administration responds to dispute outcomes.	M1	B

Several measures have been implemented to monitor and evaluate outcomes of disputes. The Disputes Department monitors, on a regular basis, cases of a more substantive nature that would require consideration of any legal changes by the Legal Department, or the MD for procedural changes. Reporting to these departments, and additional reporting to the DG via the MD, has been ad hoc, and also dependent on the actual case load. This procedure is followed for both administrative appeals and Court rulings. Recently, in August 2020, an internal Council, chaired by the DG has been established to consider outcomes of Court decisions, addressing both the option of appeal, and possible legal and procedural changes that need to be considered for issues of a more systemic nature. This Council has so far considered 150 cases. Decision impact statements are not routinely prepared. At the time of the assessment, no changes based on the Council's considerations had been proposed or implemented.

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.)³⁵

- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-26—Contribution to government tax revenue forecasting process.
- P8-27—Adequacy of the tax revenue accounting system.
- P8-28—Adequacy of tax refund processing.

P8-26: 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 26 followed by an explanation of reasons underlying the assessment.

Table 27. P8-26 Assessment

Measurement dimensions	Scoring Method	Score 2020
P8-26. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	B

The GRS has a well-developed revenue monitoring and analysis capability; however, losses carried-forward, and tax expenditures are not fully monitored and reported. The AD in GRS is closely and regularly liaising with the Macroeconomic Analysis and Fiscal Policy Planning Department of the MoF. The AD provides input into the government budgeting processes of revenue forecasting and tax revenue estimating at least twice a year and on demand—when tax laws change—using a variety of methodologies. The AD daily gathers data on tax collection and monitors it against budgeted revenue forecasts and reports it to the DG and MoF daily and fortnightly. Twice a year, the AD forecasts VAT refund levels broken down monthly. Georgia’s Tax Code provides for the carry-forward of losses under the old CIT³⁶ regime and the regular PIT regime for a five-year period. GRS keeps track of the stock of losses carried forward that may be offset against future tax liabilities for

³⁵ 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.

³⁶ On January 1, 2017, a CIT reform came into force, replacing the traditional CIT regime with a Distributed Profit Corporate Tax (DPCT) for all legal entities, except some sectors: financial institutions; oil exploration companies; individual entrepreneurs. Under the DPCT, business entities are taxed only if they make a profit distribution as dividends or distribute profits some special cases defined by law. Carry forward of losses does not occur under this regime.

traditional CIT.³⁷ Some monitoring has been done on the cost to revenue of tax expenditures, but not on a comprehensive and regular basis.

P8-27: Adequacy of the tax revenue accounting system

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 28 followed by an explanation of reasons underlying the assessment.

Table 28. P8-27 Assessment

Measurement dimension	Scoring Method	Score 2020
P8-27. Adequacy of the tax administration's revenue accounting system.	M1	C

Information from GRS feeds into the MoF accounting system, which meets modern standards, but no external or internal audits are conducted to ensure its quality. GRS core tax systems interface with the Ministry of Finance's revenue accounting system (E-Treasury). Since June 2017, with the implementation of the single treasury account, all payments received via MoF are posted to the taxpayer accounts within one day—meeting the international good practice in this respect. Taxpayers have access to their account information via the taxpayer portal. No external or internal audits have been conducted to specifically ensure the GRS accounting system aligns with the tax laws or accounting standards.

P8-28: 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 29 followed by an explanation of reasons underlying the assessment.

Table 29. P8-28 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P8-28-1. Adequacy of the VAT refund system.	M2	B	C
P8-28-2. The time taken to pay (or offset) VAT refunds.		D	

The new VAT refund system is broadly in line with international good practice, but currently, refunds are not yet paid automatically and no interest is paid on delayed refunds. GRS has

37 End-December 2019, 7,641 taxpayers were still under the old CIT regime. They accounted for 37 percent of the total collection from CIT.

implemented an automated risk-based verification process that screens excess credit VAT returns. Preferential treatment is given to low-risk taxpayers. Data provided by the GRS in respect of the time taken to process VAT refunds show that 98.7 percent (by number of cases) and 89.1 percent (by value) are processed (i.e. approved or declined) in a timely manner—within 30 calendar days. Once refund claims are approved, the amount is credited to the taxpayer account (the 'Green Card') that is accessible by the beneficiary through the taxpayer portal. Currently, this amount is not automatically paid, but only when the taxpayer requests by clicking a payment button in the taxpayer portal. Upon request, the amount is credited in the taxpayer's bank account within one day. GRS plans to start automatic refunding without request from November 2020. Budget funds are allocated by the MoF to meet legitimate refund claims when they occur. Georgia's Tax Code allows the offsetting of excess VAT and other credits against tax arrears, but does not include a payment of interest on delayed refunds.

The data provided do not allow the assessment of the time taken to pay (or offset) VAT refunds.

Data regarding actual dates of payment or offsetting of VAT refunds could not be provided to the assessment team, due to the two-step process described above. As a result, an assessment of the total time taken to pay (or offset) VAT refunds could not be made objectively.

Numerical data provided can be found in Attachment III, Table 15.

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:

- P9-29—Internal assurance mechanisms.
- P9-30—External oversight of the tax administration.
- P9-31—Public perception of integrity.
- P9-32—Publication of activities, results, and plans.

P9-29: 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 30 followed by an explanation of reasons underlying the assessment.

Table 30. P9-29 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P9-29-1. Assurance provided by internal audit.	M2	C	C+
P9-29-2. Staff integrity assurance mechanisms.		B	

GRS has an organizationally independent internal audit function that reports directly to the DG of GRS. The mandate of IAD accords with good international internal audit practice but for the absence of an audit committee to govern and support GRS internal audit activities. The audit mandate is well set out in an amended internal audit charter that was approved in July 2020. The IAD was established in 2017, but has only recently begun audit work, becoming fully resourced in August 2020. Its staff of nine has mainly focused on establishing the internal audit function, training, and developing key methodologies and practices to support its work. IAD has established a central repository for all GRS internal control policies, processes and procedures. IAD estimates that it will take about three years before all relevant control information is sourced or developed. In line with good practice, the IAD is planning a review internal audit operations and methods within a three to five-year horizon.

IAD has developed an abridged program of audits for 2020. Given its focus on development, the internal audit program for 2020 has been limited to a compliance audit of the GRS Dispute Resolution Department (which has been completed), and an efficiency audit which, at the time of the assessment, is still in progress. The MoF internal audit continues to support GRS internal audit work. While both internal audit units recognize the risks posed by IT to GRS operations, neither unit currently has the capability to conduct audits of IT systems, hardware, or security. The GRS internal audit strategy provides for an IT systems audit in 2022; until then, both units will expand their audit approach to encompass elements of IT risk in assignments in 2021.

All GRS staff are required to adhere to the Georgian Civil Service Code of Conduct as well as GRS internal regulations pertaining to ethical behavior. All staff are briefed on the code of conduct and ethical standards expected when they take up their employment with GRS. To acknowledge the briefing, staff must sign an acknowledgement form to this effect. Refresher training on the code of conduct is also carried out periodically, and GRS also conducts quarterly actions in accordance with the Government's anti-corruption plan. IT controls and systems are in place to detect incidents that threaten the confidentiality and integrity of tax administration data. Employee use of IT systems is tracked, and sound audit trails of user access and changes made to taxpayer data exist. Logs are reviewed on a daily basis with all IT incidents being escalated. An internal audit of access control practices in GRS is planned for 2021 by Internal Audit of the MoF.

Staff integrity assurance mechanisms have been enhanced. The Professional Ethics and Staff Monitoring Department (SMD), which reports directly to the DG, is authorized to conduct official inspections in cases of possible misconduct by employees, including possible conflicts of interest and

ethical breaches. Since 2016, an information security unit has been established in SMD and an information security policy implemented. In 2019 all staff were trained and tested online in information security, privacy and physical security. The grounds for in-service inspections, the management of cases, and the rights and responsibilities of the parties have also been updated. SMD has an operational plan that outlines its approach to detect and combat possible fraud or wrongdoing by staff. If there is an indication of a criminal offence by an employee, the case is immediately referred to the relevant investigative body.

SMD issues recommendations to address systemic deficiencies and maintains statistics on inspections and disciplinary measures. In 2019, SMD conducted 76 inspections relating to breaches of internal regulations, conflict of interest, and violation of other ethical norms and improper performance of duties. In addition, monthly checks were made on employee attendance and appropriate measures are taken in accordance with the internal regulations. While inspection statistics were published in the 2018 annual report, they were not included in the 2019 report.

P9-30: 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 31 followed by an explanation of reasons underlying the assessment.

Table 31. P9-30 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	B	B+
P9-30-2. The investigation process for suspected wrongdoing and maladministration.		A	

Independent external oversight is in place, with IAD of the MoF undertaking annual operational performance audits. The State Audit Office (SAO) conducts an annual audit of the GRS's financial statements. Their reports are published on the SAO website. Recommendations to GRS as a result of its audits are considered and responded to by GRS, periodically updating on progress in implementing measures to address audit findings. Audit findings and recommendations and GRS responses are not publicly reported by GRS, but are published on the website of the SAO. IAD of the MoF includes operational performance audits of GRC in its annual audit program.³⁸

³⁸ In 2019/20 audits of business continuity management practices and HR planning, hiring and development at GRS have been completed. A systems-based audit of management of the vehicle fleet at GRS and MoF is still underway.

Georgia has a Business and Tax Ombudsman service³⁹ and a Public Defender (Ombudsman)⁴⁰ that routinely investigate complaints from taxpayers and citizens. Most interactions are in respect of legislative changes and interpretation, and on service deficiencies. Recommendations are made by these bodies on individual cases and systematic matters. The SMD is responsible for monitoring implementation of the (Tax) Ombudsman's and anti-corruption agency's recommendations or complaints. The Reforms and Planning Department submits reports on implementation of recommendations to the DG. An investigative department in the MoF also has a role in investigating wrongdoing by GRS staff and complements the work of the SMD.

Georgia has a range of agencies whose roles are to prevent, detect, and investigate corruption. These include the Anti-corruption agency of the State Security Service, the Investigative Unit of the Chief Prosecutors Office, and the investigative Service of the MoF. SMD actively cooperates with these bodies.

P9-31: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 32 followed by an explanation of reasons underlying the assessment.

Table 32. P9-31 Assessment

Measurement dimension	Scoring Method	Score 2020
P9-31. The mechanism for monitoring public confidence in the tax administration.	M1	B

GRS monitors general public confidence in the tax administration via independent and internal surveys. The findings of the USAID G4G in the Georgia business survey⁴¹ are based on a representative sample of 1,472 respondents, including 770 private individual entrepreneurs and 702 businesses. The Survey results show that 94 percent of businesses consider GRS as a trustworthy institution. The report is made public via the website of GRS on January 4, 2020. The previous independent survey⁴² came to the same conclusion. The surveys from GRS of taxpayers involved in tax disputes (2020) and on remote revenue services (2018) are not primarily undertaken to monitor public

³⁹ The Business Ombudsman service is an independent office within the government that firms can turn to if they have disputes with other parts of government. The service offers legal advice, written opinions and advocacy.

⁴⁰ The Public Defender (Ombudsman) service amongst other activities provides feedback on statements and claims dealing with violations of rights and freedoms set forth by the Constitution of Georgia and law.

⁴¹ USAID Governing for Growth. Attitude toward the tax system in Georgia, 14 June 2019.

⁴² USAID Governing for Growth. Attitude towards the tax system in Georgia, 10 May 2016.

confidence but confirms the findings of the G4G survey. The aforementioned surveys did not indicate a need for reviewing GRS's integrity framework.

P9-32: 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 33 followed by an explanation of reasons underlying the assessment.

Table 33. P9-32 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P9-32-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	M2	D	D
P9-32-2. The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.		D	

The annual performance report is published timely but does not provide insights into the financial and operational performance. The 2019 annual report, covering the period January to December 2019, was made public on March 5, 2020. It outlines aspects of GRS's operational performance, such as registration, on time filing, audit, and Customs, and provides information on areas such as human resources and international relations. However, information about core tax administration processes, for example, relating to registration, payment and collection, or on dispute resolution information is not included. In addition, the financial information in the annual report is limited to the total tax revenues and does not provide any insight on revenue performance per tax type.

GRS has published its strategic plan (future directions), though not timely. The strategic plan 2017-2020 was not made public until January 9, 2020, well after the start of the period it covers. Operational plans are not published.

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. **Supporting voluntary compliance:** 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:** Non-payment 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. **Accurate reporting in 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. **Effective Tax Dispute Resolution:** 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 32 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 55 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and five 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 55 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. Georgia: Country Snapshot

Geography	<p>Georgia is located in the mountainous South Caucasus region of Eurasia, straddling Western Asia and Eastern Europe between the Black Sea and the Caspian Sea. Georgia's northern border with Russia roughly runs along the crest of the Greater Caucasus mountain range – a commonly reckoned boundary between Europe and Asia. Georgia's proximity to the bulk of Europe, combined with various cultural and political factors, has led increasingly to the inclusion of Georgia in Europe.</p> <p>Georgia's climate is affected by subtropical influences from the west and continental influences from the east. The Greater Caucasus range moderate's local climate by serving as a barrier against cold air from the north.</p>
Population	<p>3.7 million (2020)</p> <p>(Source: National Statistics Office of Georgia)</p>
Adult literacy rate	<p>99.4 percent of persons aged 15 and over can read and write. (2017)</p> <p>(Source: Knoema)</p>
Gross Domestic Product	<p>2019 nominal GDP: GEL 50 billion</p> <p>(Source: Ministry of Finance of Georgia)</p>
Per capita GDP	<p>\$4,764</p> <p>(Source: National Statistics Office of Georgia)</p>
Main industries	<p>Steel, machine tools, electrical appliances, mining (manganese, copper, gold), chemicals, wood products, wine</p>
Natural resources	<p>Timber, hydropower, manganese deposits, iron ore, copper, minor coal and petroleum deposits; coastal climate and soils allow for important tea and citrus growth</p>
Communications	<p>Internet users per 100 people: 68.9 penetration rate (2019)</p> <p>Mobile phone subscriptions per 100 people: 134.7 (2019)</p> <p>(Source: World Bank)</p>
Main taxes	<p>VAT (45.9 percent); PAYE (27.5 percent); Excise on Imports (11.9 percent; CIT (7.6 percent) (2019)</p> <p>(Source: Pre-Assessment Questionnaire)</p>
Tax-to-GDP	<p>22.8 percent (2019) including Customs collections</p> <p>(Source: IMF)</p>
Number of taxpayers	<p>PAYE Withholding 173,989; Personal Income Tax 163,641; Corporate Income Tax 94,954; VAT 71,669; and Domestic Excise 2,012 (2019)</p> <p>(Source: Pre-Assessment Questionnaire)</p>
Main collection agency	<p>Georgian Revenue Service (GRS) which comprises: Domestic Tax and Customs Departments</p>
Number of staff in the main collection agency	<p>3,719 (2019)</p> <p>(Source: GRS Annual Report – 2019)</p>
Financial Year	<p>1 January - 31 December</p>

Attachment III. Data Tables

A. Tax Revenue Collections

Table 1. Tax Revenue Collections, 2017-2019¹

	2017	2018	2019
Million GEL			
National budgeted tax revenue forecast²	9,740	10,500	11,310
Total tax revenue collections	9,779	10,506	11,418
Corporate Income Tax (CIT)	757	737	866
Personal Income Tax (PIT)	329	353	348
Pay As You Earn (PAYE) withholding by employers	2,589	2,894	3,134
Value Added Tax (VAT) net ⁴³	4,123	4,427	5,239
- Value-Added Tax (VAT)—gross domestic collections	1,232	1,077	1,516
- Value-Added Tax (VAT)—collected on imports	2,890	3,350	3,723
- Value-Added Tax (VAT)—refunds paid	(218)	(509)	(609)
Excises on domestic transactions	197	176	143
Excises—collected on imports	1,253	1,290	1,364
Social contribution collections	0	0	0
Other domestic taxes ³	458	557	244
Other taxes collected on import	72	73	79
In percent of total tax revenue collections			
Total tax revenue collections	100.0	100.0	100.0
Corporate Income Tax (CIT)	7.7	7.0	7.6
Personal Income Tax (PIT)	3.4	3.4	3.1
Pay As You Earn (PAYE) withholding by employers	26.5	27.5	27.5
Value Added Tax (VAT) net	42.2	42.1	45.9
- Value-Added Tax (VAT)—gross domestic collections	12.6	10.2	13.3
- Value-Added Tax (VAT)—collected on imports	29.6	31.9	32.6
- Value-Added Tax (VAT)—refunds paid	(2.2)	(4.8)	(5.3)
Excises—collected on domestic transactions	2.0	1.7	1.3
Excises—collected on imports	12.8	12.3	11.9
Social contribution collections	0.0	0.0	0.0
Other domestic taxes	4.7	5.3	2.1
Other taxes collected on import	0.7	0.7	0.7
In percent of GDP			
Total tax revenue collections	24.0	23.6	22.8
Corporate Income Tax (CIT)	1.9	1.7	1.7
Personal Income Tax (PIT)	0.8	0.8	0.7
Pay As You Earn (PAYE) withholding by employers	6.4	6.5	6.3
Value Added Tax (VAT) net	10.1	9.9	10.5
- Value-Added Tax (VAT)—gross domestic collections	3.0	2.4	3.0
- Value-Added Tax (VAT)—collected on imports	7.1	7.5	7.4
- Value-Added Tax (VAT)—refunds paid	(0.5)	(1.1)	(1.2)
Excises—collected on domestic transactions	0.5	0.4	0.3
Excises—collected on imports	3.1	2.9	2.7
Social contribution collections	0.0	0.0	0.0
Other domestic taxes	1.1	1.2	0.5
Other taxes collected on import	0.2	0.2	0.2
Nominal GDP in local currency	40,762	44,599	50,002
Explanatory notes:			
¹ This table gathers data for three fiscal years (e.g. 2016 -18) 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.			

⁴³ Value Added Tax = (gross domestic VAT collected + VAT collected on imports) – VAT refunds paid.

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register, 2017 – 2019

(Ref: POA1)

	Registered taxpayers ¹ [A]	Taxpayers otherwise not required to file ² [B]	Taxpayers Expected to File [C] = [(A) – (B)] ³	Memorandum items ⁴ [D]	
				New Registrations [D1]	Taxpayers deregistered during year [D2]
2017					
Corporate income tax	241,008	137,809	103,199	27,038	575
Personal income tax	1,791,856	1,636,413	155,443	54,067	1,757
PAYE withholding (# of employers)	586,754	425,477	161,277	34,270	1,583
Value Added Tax	107,274	40,957	66,317	13,079	1,583
Domestic excise tax	747	2	745	102	2
2018					
Corporate income tax	266,799	160,909	105,890	25,791	387
Personal income tax	1,887,127	1,730,606	156,521	95,271	1,268
PAYE withholding (# of employers)	619,383	459,267	160,116	32,629	788
Value Added Tax	120,502	4,893	70,609	14,810	1,668
Domestic excise tax	842	7	835	95	3
2019					
Corporate income tax	290,021	195,067	94,954	23,222	415
Personal income tax	2,197,727	2,034,086	163,641	310,600	1,089
PAYE withholding (# of employers)	743,853	569,955	173,898	36,408	828
Value Added Tax	134,138	62,469	71,669	15,330	2,029
Domestic excise tax ⁵	443	102	341	79	0

Explanatory Notes:

¹ A registered taxpayer who is in the tax administration's taxpayer database.

² Taxpayers not required to file declarations' means taxpayers who are registered but are currently not required to file by law or regulation and are explicitly flagged in the automated tax administration system.

³ Expected filing calculations to be used in Indicator P4-12.

⁴ Taxpayer register activity information.

⁵ For purposes of a TADAT assessment, the focus is on those registered domestic excise taxpayers who trade in goods/services that contribute 70 percent of the total domestic excise revenue by value.

GRS explanatory note: Data on row C includes the accumulative number of taxpayers that had to file at some point in the year.

C. Telephone Enquiries

(Ref: POA 3)

Table 3. Telephone Enquiry Call Waiting Time (for the 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
April 2019	29,925	26,715	89.3
May 2019	31,035	27,678	89.2
June 2019	26,405	24,974	94.6
July 2019	30,865	28,129	91.1
August 2019	24,081	22,637	94.0
September 2019	29,587	23,426	79.2
October 2019	32,814	30,053	91.6
November 2019	25,332	20,959	82.7
December 2019	26,338	23,938	90.9
January 2020	23,319	21,195	90.9
February 2020	28,553	26,511	92.8
March 2020	27,761	18,084	65.1
12-month total	308,254	294,299	95.5

D. Filing of Tax Declarations

(Ref: POA 4)

Table 4. On-time Filing of DPCT Declarations for 2019 ¹			
	Number of declarations filed on-time ²	Number of declarations expected to be filed ³	On-time filing rate ⁴ (In percent)
All CIT taxpayers	703,423	1,031,800	68.2
Large taxpayers only	2,506	2,798	89.6

Explanatory notes:

¹ 'This Table only includes the number of declarations for DPCT. The foiling rate for traditional CIT is 91.8 percent for all taxpayers, with a number of 7,641 declarations expected.

² '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 tax administration as a matter of administrative policy).

³ 'Expected declarations' means the number of DPCT declarations that the tax administration expected to receive from registered DPCT taxpayers that were required by law to file declarations.

⁴ 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:

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

Table 5. On-time Filing of PIT Declarations for 2019

Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
78,680 ⁴	117,106	67.2

Explanatory notes:

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 tax administration as a matter of administrative policy).

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

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:

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

⁴ Figures for regular PIT regime. Number of taxpayers under the small business regime is 45,871, at end of December 2019. The average monthly filing rate for this group is 87.6 percent.

**Table 6. On-time Filing of VAT Declarations—All VAT taxpayers
(for the 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)
Apr-19	58,375	64,896	90.0
May-19	59,275	65,679	90.2
Jun-19	59,700	66,090	90.3
Jul-19	58,672	65,974	88.9
Aug-19	59,552	66,910	89.0
Sep-19	59,782	66,674	89.7
Oct-19	60,230	67,585	89.1
Nov-19	60,788	64,826	93.8
Dec-19	61,253	65,427	93.6
Jan-20	61,551	65,983	93.3
Feb-20	60,436	65,628	92.1
Mar-20	59,522	64,632	92.1
12-month total	719,136	790,304	91.0

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 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:

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

Table 7. On-time Filing of VAT Declarations—Large taxpayers only
(for the 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)
Apr-19	258	261	98.9
May-19	253	260	97.3
Jun-19	253	259	97.7
Jul-19	251	258	97.3
Aug-19	252	254	99.2
Sep-19	249	253	98.4
Oct-19	250	253	98.8
Nov-19	249	250	99.6
Dec-19	248	249	99.6
Jan-20	207	207	100.0
Feb-20	207	207	100.0
Mar-20	207	207	100.0
12-month total	2,884	2,918	98.8

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:

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

Table 8. On-time Filing of Domestic Excise Tax Declarations (for those excise tax goods/services categories contributing, by value, 70 percent of total domestic excise tax. Figures for the 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)
Apr-19	193	267	72.3
May-19	194	273	71.1
Jun-19	196	284	69.0
Jul-19	201	288	69.8
Aug-19	203	294	69.0
Sep-19	202	300	67.3
Oct-19	198	304	65.1
Nov-19	212	303	70.0
Dec-19	223	306	72.9
Jan-20	226	326	69.3
Feb-20	239	329	72.6
Mar-20	249	353	70.5
12-month total	2,536	3,627	69.9
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) by registered domestic excise tax taxpayers who contribute up to 70 percent, by value, of the total domestic excise tax revenue. ² 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from registered domestic excise tax taxpayers (the focus is on those registered domestic excise taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value) that are required by law to file excise tax declarations. ³ The 'on-time filing rate' is the number of excise tax declarations filed by taxpayers by the statutory due date as a percentage of the total number of excise duties declarations expected from registered domestic excise tax taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value, i.e. expressed as a ratio: $\frac{\text{Number of domestic excise tax declarations filed by the due date}}{\text{No. of domestic excise tax declarations expected from active domestic excise tax taxpayers}} \times 100$			

Table 9. On-time Filing of Domestic Excise Tax Declarations—Large taxpayers only
(for the 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)
Aug-19	21	21	100.0
Sep-19	21	21	100.0
Oct-19	21	21	100.0
Nov-19	21	21	100.0
Dec-19	21	21	100.0
Jan-20	21	21	100.0
Feb-20	21	21	100.0
Mar-20	22	22	100.0
Apr-20	22	23	95.7
May-20	22	25	88.0
Jun-20	22	25	88.0
Jul-20	21	25	84.0
12-month total	256	267	95.8

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) by large taxpayers registered for domestic excise tax.

² 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from ALL large taxpayers registered for domestic excise tax and are required by law to file excise tax declarations.

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

$$\frac{\text{Number of domestic excise tax declarations from large taxpayers filed by the due date}}{\text{No. of domestic excise tax declarations expected from active large taxpayers registered for domestic excise tax}} \times 100$$

Table 10. On-time Filing of PAYE Withholding Declarations (filed by employers)
(for the 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)
Apr-19	94,323	156,244	60.4
May-19	95,674	157,651	60.7
Jun-19	94,561	153,183	61.7
Jul-19	87,280	139,724	62.5
Aug-19	88,806	145,234	61.1
Sep-19	94,606	159,680	59.2
Oct-19	95,317	171,637	55.5
Nov-19	96,190	164,959	58.3
Dec-19	97,138	166,205	58.4
Jan-20	93,428	166,897	56.0
Feb-20	92,207	164,780	56.0
Mar-20	89,937	160,857	55.9
12-month total	1,119,467	1,907,051	58.7

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

(Ref: POAs 4 and 5)

Table 11. Use of Electronic Services, ¹			
	2017	2018	2019
	Electronic filing² (In percent of all declarations filed for each tax type)		
CIT	100.0	100.0	100.0
PIT	100.0	100.0	100.0
PAYE (Withholding)	100.0	100.0	100.0
VAT	100.0	100.0	100.0
Domestic excise tax (for all registered taxpayers)	100.0	100.0	100.0
Large taxpayers (all core taxes)	100.0	100.0	100.0
	Electronic payments³ (In percent of total number of payments received for each tax type)		
CIT	52	62	64
PIT			
PAYE (Withholding)			
VAT			
Domestic excise tax (for all registered taxpayers)			
Large taxpayers (all core taxes)	-	-	-
	Electronic payments (In percent of total value of payments received for each tax type)		
CIT	45	53	62
PIT			
PAYE (Withholding)			
VAT			
Domestic excise tax (for all registered taxpayers)			
Large taxpayers (all core taxes)	-	-	> 92
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 An electronic payment is a payment made from one bank account to another via electronic means without the direct intervention of bank staff instead of using cash or check, in person or by mail. 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.			

F. Payments

(Ref: POA 5)

Table 12. VAT Payments Made During 2019

	VAT payments made on-time ¹		VAT payments due ²		On-time payment rate ³ (In percent)	
	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers
Number of payments	42,895	188	44,924	201	95.5	93.5
Value of payments	2,868,693,804	1,003,155,536	2,985,113,220	1,044,319,948	96.1	96.1

Explanatory notes:

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).

² 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).

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:

- The on-time payment rate by number is: $\frac{\text{Number of VAT payments made by the due date}}{\text{Total number of VAT payments due}} \times 100$
- The on-time payment rate by value is: $\frac{\text{Value of VAT payments made by the due date}}{\text{Total value of VAT payments due}} \times 100$

G. Domestic Tax Arrears

(Ref: POA 5)

Table 13. Value of Tax Arrears, 2017-19¹

	2017	2018	2019
	In local currency		
Total core tax revenue collections (from Table 1) (A)	9,778,948,329	10,506,316,175	11,417,838,803
Total core tax arrears at end of fiscal year ² (B)	3,809,916,940	3,846,966,025	4,392,885,385
Of which: Collectible ³ (C)	643,421,125	730,642,607	949,018,353
Of which: More than 12 months' old (D)	3,562,364,030	3,637,150,456	3,777,831,227
	In percent		
Ratio of (B) to (A) ⁴	39.0	36.6	38.5
Ratio of (C) to (A) ⁵	6.6	7.0	8.3
Ratio of (D) to (B) ⁶	93.5	94.5	86.0

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. $\frac{\text{Value of core tax arrears >12 months' old at end of year (D)}}{\text{Value of total core tax arrears at end of fiscal year (B)}} \times 100$

H. Tax Dispute Resolution

(Ref: POA 7)

Table 14. Finalization of Administrative Reviews
(for the most recent 12-month period)

Month	Number of administrative review cases				Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
	Stock at beginning of month [A]	Received during the month [B]	Finalized during the month [C]	Stock at end of month [D] = [A + B - C]	Number	In percent of total	Number	In percent of total	Number	In percent of total
19-Jul	872	697	789	780	475	60.2	673	85.3	706	89.5
19-Aug	780	599	672	707	390	58.0	559	83.2	585	87.1
19-Sep	707	554	507	754	270	53.3	453	89.3	481	94.9
19-Oct	754	653	661	746	310	46.9	569	86.1	616	93.2
19-Nov	746	601	565	782	285	50.4	479	84.8	523	92.6
19-Dec	782	610	575	817	236	41.0	485	84.3	522	90.8
20-Jan	817	774	148	1443	26	17.6	102	68.9	139	93.9
20-Feb	1443	500	440	1503	33	7.5	219	49.8	385	87.5
20-Mar	1503	484	751	1236	248	33.0	585	77.9	683	90.9
20-Apr	1237	264	506	995	418	82.6	478	94.5	502	99.2
20-May	995	215	321	889	266	82.9	314	97.8	320	99.7
20-Jun	889	465	361	993	307	85.0	344	95.3	358	99.2
Total for 12 months		6416	6296		3264	51.8	5260	83.5	5820	92.4

I. Payment of VAT Refunds

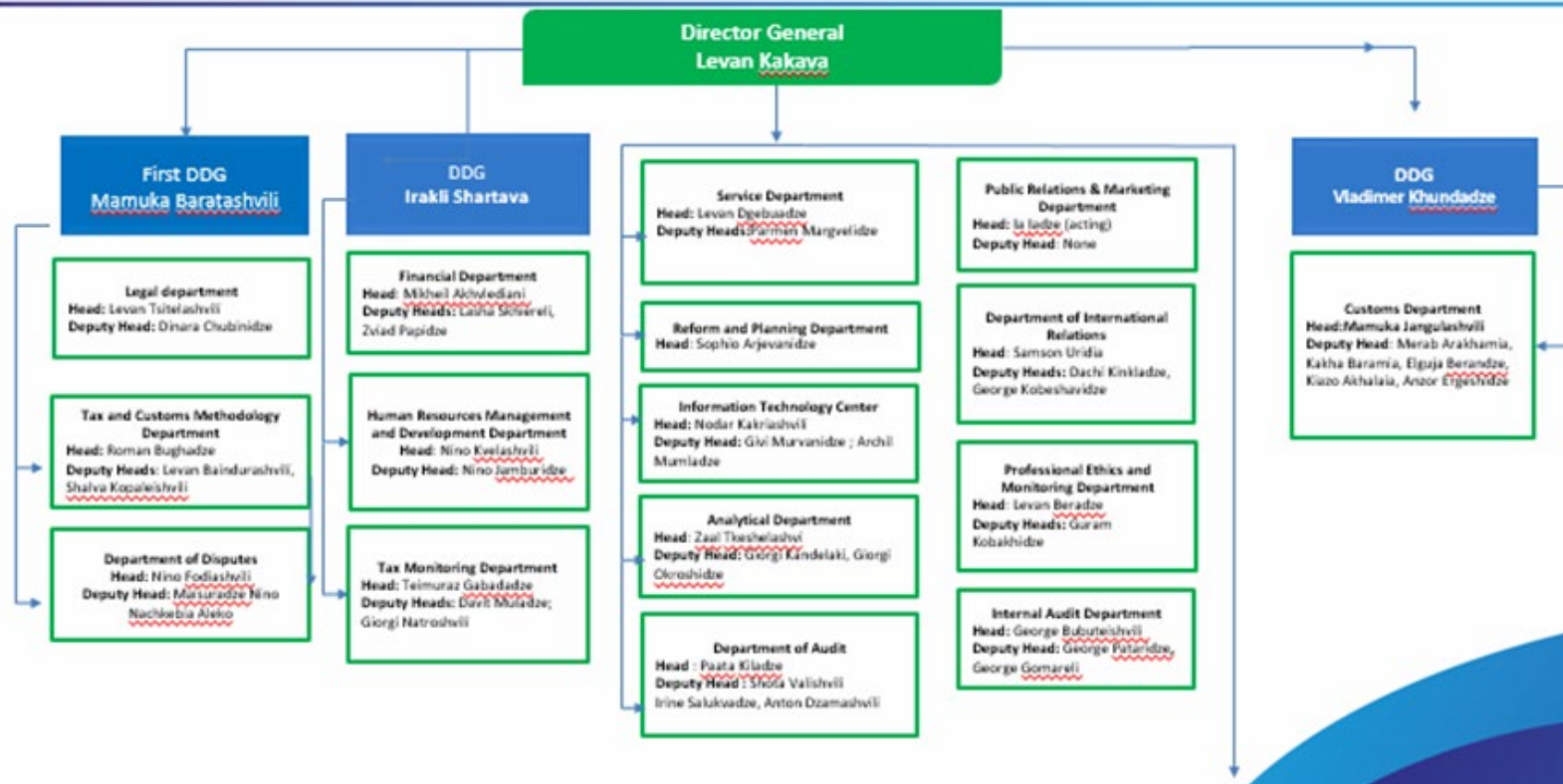
(Ref: POA 8)

Table 15. VAT Refunds September 2019 – August 2020		
	Number of cases	Value in GEL
Total VAT refund claims received (A)	238,983	2,467,362,600
Total VAT refunds paid ¹	226,417	1,815,775,500
Of which: paid within 30 days (B) ²	224,112	1,722,090,335
Of which: paid outside 30 days	2,305	93,685,165
Total VAT refund claims declined ³	12,471	515,516,976
Of which: declined within 30 days (C)	11,727	475,183,515
Of which: declined outside 30 days	744	40,333,461
Total VAT refund claims not processed ⁴	1,206	428,480,326
Of which: no decision taken to decline refund	1,206	56,427,549
Of which: approved but not yet paid or offset	* (Note 6]	372,052,777
In percent		
Ratio of (B+C) to (A) ⁵	98.8	89.2
Explanatory note: 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. $\frac{\text{VAT refunds paid within 30 days (B)} + \text{VAT refunds declined within 30 days (C)}}{\text{Total VAT refund claims received (A)}} \times 100$ * GRS Note 6: VAT Automated tax refund system has begun in January 2019, and it is not fully automated yet. The taxpayer needs to submit one more request by transferring the VAT refunded amount to their Bank account from "Green Card." There is no claims (number), which are approved but not yet paid or offset left, but there is a balance of VAT refund on the green card, which has not been transferred by taxpayers to their account yet. GRS Note 7: Number of cases includes all Primary and Amended VAT credit tax returns.		

Attachment IV. Organizational Chart



Revenue Service of Georgia



Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	<p>Dimension 1</p> <p><u>Legislation:</u></p> <ul style="list-style-type: none"> • Tax Code of Georgia • Law of Georgia on entrepreneurs • Law of Georgia on the public registry • Instruction on public registry • Ministry degree 996: Taxpayer registering and application form • E-platform registration by law • Tax register flow • Whole-of-taxpayer view screenshot • App for register/inactivate/deregister • Registration-related management information reports by years, segments, etc • Audit trails examples • Tax declaration filling instruction demonstrating usage of taxpayer registration details to generate a new tax return: https://youtube/YjUGpZnSPYE- • Taxpayer portal: https://eservicesrsgc/ • (Test user: Tbilisi, pass:123456) • Video instruction on Two-step authentication to access the portal: https://www.youtube.com/watch?v=TUi5-AuCmPw- • Field observation of the IT System <p>Dimension 2</p> <ul style="list-style-type: none"> • Minister of Finance of Georgia - Order No 996 Article 11 on Taxpayer Information Card (English) • App for register/inactivate/deregister • Procedure on taxpayer data management procedure (chapter 29) • Taxpayer registration Process to identify active-inactive • Inactivation procedure and criteria • Timeframe of actions registration by tax • Business process flowchart registration by tax • Case management module registration by tax • Statistic on false and duplicate records • Law of Georgia on entrepreneurs • Procedure on the collection of taxpayer data and quality assurance • List of third-party information sources • GRS memorandum with Service Development Agency (automatic exchange of information on personal information including the status of deceased persons) page 10, annex N1 • Example of data quality program • Data quality assurance presentations to DG June July, August
P1-2. Knowledge of the potential taxpayer base.	<ul style="list-style-type: none"> • Minister of Finance of Georgia - Order No 996 Article 5 Ensuring Registration for Tax Purposes (English) • GRS Action Plan 2020 • Non-registrant program presentation

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • List of third-party information sources • Issued protocol for non-registrants • 2019-2020 statistic of non-registrant activities • Ecommerce: List of non-registrants using e-commerce site information data
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<ul style="list-style-type: none"> • Tax Risk Management Methodology • Order N3365 – Approval of Tax Risk Management Methodology • Risk profile models • Procedural Manual for determining the accuracy of data provided in tax returns • Research on priority risks • Review of Tax Audit outcomes, 2019
P2-4. Mitigation of risks through a compliance improvement plan.	<ul style="list-style-type: none"> • Compliance Improvement Plan, 2019 to 2020 • RMC Minute approving CIP, Feb 2020 • VAT GAP methodology • Examples of legislative changes and process changes to address compliance risk
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<ul style="list-style-type: none"> • Minutes of the Risk Management Committee • VAT Gap study, 2018 • Sectorial reports on Construction and Mining • Report on Small business • Charter on Risk Management Board
P2-6. Management of operational (i.e. systems and processes) risks.	<ul style="list-style-type: none"> • Georgia: Internal Audit: Enterprise Risk Management and Business Continuity Plan, IMF June 2020 • Charter on Risk Management Board • Annual internal audit plan • Minutes of the Risk Management Committee • IT Security guidelines
P2-7. Management of human capital risks.	<ul style="list-style-type: none"> • HR structure • HR managers resumes and accountability statements • Copy of performance management policy, process and documentation • Report - State Audit Service (June 2020) and action plan. • Georgia: Developing Human Resource Department Capacity, IMF, 2017 • Competency Framework • HR review of Audit • MOF internal audit report of HRD, 2020 • Training needs analysis • Strategy of the revenue service 2017-2020 • HR action plan 2020
P3-8. Scope, currency, and accessibility of information.	<ul style="list-style-type: none"> • https://new.rs.ge/Home-en • Online evidences.doc • POA follow up.doc • https://www.rs.ge/m/Default.aspx • Observation of GRS's website • Annual report 2019 • Official letter

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • Public info order • Public info annex • https://www.rs.ge/4827 • https://www.rs.ge/Default.aspx? sec_id=6399&lang=1 • https://www.rs.ge/en/4776 • https://www.rs.ge/4827 • Education program • Open door days • School projects • Tax forum • Guidance notes for taxpayers • info@rs.ge • Service development strategy 2019-2020
P3-9. Time taken to respond to information requests.	<ul style="list-style-type: none"> • POA follow up • Taxpayer charter • Annualreport 2018 • Table 3, Attachment III • Live report of call center • Report of missed calls 8 October 2020
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	<ul style="list-style-type: none"> • Simplified record keeping for small taxpayers • POA follow up • GRS website • Documented procedures for reviewing tax declarations • Example of change tax return
P3-11. Obtaining taxpayer feedback on products and services.	<ul style="list-style-type: none"> • USAID G4G study • Meetings with stakeholders • Annualreport 2019 • Follow up interview • TADAT report 2016 • GRS website
P4-12. On-time filing rate.	<ul style="list-style-type: none"> • Numerical data from Tables 4 to 10 in Attachment III
P4-13 Management of non-filers.	<ul style="list-style-type: none"> • Interviews with GRS HQ officials who confirmed no procedures yet exist for non-filer work • Ministerial Decree N221 July 2019 – authority to raise default assessments • Ministerial Decree N996 December 2010 – obligation to register and file • Amendment to art. 67.4 of the Tax Code, the Minister can demand that a return be filed
P4-14. Use of electronic filing facilities.	<ul style="list-style-type: none"> • Numerical data from Table 11, Attachment III
P5-15. Use of electronic payment methods.	<ul style="list-style-type: none"> • Website information about electronic payment and date - https://www.rs.ge/ • Table 11, Attachment III
P5-16. Use of efficient collection systems.	<ul style="list-style-type: none"> • Articles 101, 130-134 related to withholding at source
P5-17. Timeliness of payments.	<ul style="list-style-type: none"> • Table 12, Attachment III

Indicators	Sources of Evidence
P5-18. Stock and flow of tax arrears.	<ul style="list-style-type: none"> • Tax Debt Management Strategy 2018-2020 • Action plan for Tax Payment and Debt Management Strategy (2019-2020) • Ministerial N405 for write off of tax arrears, November 10, 2017 • Debt process summary document • Mandate of Analytics Department as debt collectors • Table 13, Attachment III
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	<ul style="list-style-type: none"> • Presentation Audit Department • Risk criteria audit cases 2020 • Balanced Coverage audit plan 2020 • Decree on audit plan • Compliance improvement plan 2019-2020 • Decree on audit procedures • Audit manual • Auditors training program • General checklist for audits • Standards of audit quality control • Report Quality control • Quality control recommendations • Performance report 2019-2020 • Example Operational management information
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	<ul style="list-style-type: none"> • Overview Memoranda of Understanding • Interviews/Observations of TADAT assessment team
P6-21. Initiatives undertaken to encourage accurate reporting.	<ul style="list-style-type: none"> • Website GRS • Provision Private Rulings • Order for the working group for the development of preliminary decisions
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	<ul style="list-style-type: none"> • Tax gap methodology • Report illegal market survey • Proposal introduction register of employees
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	<ul style="list-style-type: none"> • Tax dispute info on the web • GRS organizational chart • Audit Manual, example of an Audit Accrual Order., and additional information provided via email • Taxpayer rights (provided as an appendix N2 on audit order) • Tax Code of Georgia • Internal procedure of Dispute processing in GRS • Decree on Members of Disputes Council MoF • Disputes in Ministry of Finance and Court (statistic) • USAID G4G Final Report <i>Attitude Toward Tax System In Georgia</i>, 2019
P7-24. Time taken to resolve disputes.	<ul style="list-style-type: none"> • Numerical data from Table 14, Attachment III • Additional data re period up to Sept 2020
P7-25. Degree to which dispute outcomes are acted upon.	<ul style="list-style-type: none"> • Reports, recommendation to DG on dispute Resolution N1, and N2 • Letters from Disputes Department to Legal Department, resp. to Methodological Dept. • Sample of Decree issues upon a dispute

Indicators	Sources of Evidence
P8-26. Contribution to government tax revenue forecasting process.	<ul style="list-style-type: none"> Responsibilities of all department (Regulations of the Service) Structure of each department 2017-2020 Examples of data gathering for revenue analysis Examples of VAT refund forecasting Tax expenditures studies on VAT and excises duties for 2016, 2017, 2018 Table Losses used in tax deduction 2019-2020
P8-27. Adequacy of the tax revenue accounting system.	<ul style="list-style-type: none"> Tax Administration Information System (screenshot) Unified Treasury Card of the taxpayer (full version) Accounting system (screenshot) Order N225 on the Electronic system of the state treasury Order N13446 - Methodological guidelines on the procedure for the production of taxpayers' personal registration cards Order N429 - Instructions on the rules of payment Presentations on the single treasury account
P8-28. Adequacy of tax refund processing.	<ul style="list-style-type: none"> N21655 -Instructions and procedure for refund of VAT Appendix N7 - White List (low-risk taxpayers) 3 last monthly Decrees - VAT budget funds (Determining the amount to be credited to the sub-account for the return of overpaid tax revenue from the Unified Treasury Account) Excel sheet from the MoF with refunds paid and when Table 15, Attachment III
P9-29. Internal assurance mechanisms.	<ul style="list-style-type: none"> Compliance Audit Guidelines, GIZ, 2019 Risk Management Guidelines in Public Sector Mandate of the Professional Ethics and Staff Monitoring Department (Internal Affairs Department) of GRS, 2019 Georgia Government Resolution on the System Audit Manual Various Internal Audit Methodologies Internal Audit Charter, 2019 Internal Audit Standards Internal Audit implementation action plan, June 2020 GRS Internal Audit Plan 2020 Law of Georgia on State internal financial control Code of Ethics for GRS staff, 2014 Code of Ethics for Internal Audit Internal Auditor training schedule 2019/20 Various Departmental service standards IT systems audit trail report (sample) Report by Monitoring Department on data security protection Screenshots of security requests IT intrusion detection reports/alerts. GRS Internal Audit compliance report on Dispute Resolution Department, 2020
P9-30. External oversight of the tax administration.	<ul style="list-style-type: none"> Report from Public Defender about disciplinary case Report from the Public Prosecutors Office Rules and Procedures of the GRS Executive Board Summary of recommendations of the Anti-Corruption Agency Report to the Anti-corruption Agency on implementation of recommendations

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • 2018 GRS Annualreport – disciplinary information • Anonymized sample disciplinary investigations reports • Reports of Internal Audit Department, Ministry of Finance • External Quality Assessment of Internal Audit Department, Ministry of Finance, 2019 • State Audit Office report on public procurement, remuneration and management of fixed assets, 2018 • State Audit Office, action plan for implementation of the recommendations, 2018 • State Audit Office, Compliance Audit Report, 2020 • Revenue Service 2019 Activity Report
P9-31. Public perception of integrity.	<ul style="list-style-type: none"> • Taxpayer survey on remote revenue services • Results of Survey of taxpayers involved in tax disputes • G4G technical deliverable attitude towards tax system in Georgia • https://www.rs.ge/AboutUs-en?cat=5&tab=2
P9-32. Publication of activities, results and plans.	<ul style="list-style-type: none"> • Annualreport 2019 • Annualreport 2018 • https://old.rs.ge/common/get_doc.aspx?id=10792 • https://www.rs.ge/AboutUs?cat=5&tab=2

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