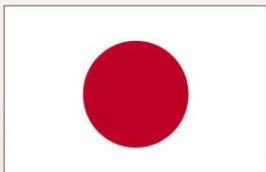


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## TAX ADMINISTRATION DIAGNOSTIC ASSESSMENT TOOL

# Performance Assessment Report

## Kyrgyz Republic

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Tomas Sudintas and Emil Abdykalykov



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## **ABBREVIATIONS AND ACRONYMS**

CIT	Corporate income tax
EEU	Eurasian Economic Union
GDP	Gross Domestic Product
GNI	Gross National Income
GoKR	Government of the Kyrgyz Republic
HQ	Headquarters
IFC	International Financial Corporation
KGS	Kyrgyz Som
LTO	Large Taxpayers Office
MoE	Ministry of Economy
MoF	Ministry of Finance
PAYE	Pay-as-you-earn
PIT	Personal income tax
POA	Performance outcome area
STS	State Tax Service
TADAT	Tax Administration Diagnostic Assessment Tool
TIN	Taxpayer Identification Number
VAT	Value-added tax
WDI	World Development Indicators

## PREFACE

An assessment of the system of tax administration of the Kyrgyz Republic was undertaken during the period of 29/06/2016 to 8/07/2016 using the Tax Administration Diagnostic Assessment Tool (TADAT)<sup>1</sup>. 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.

The assessment team comprised the following: Nataliya Biletska (Team Leader), Oleksii Balabushko, Tomas Sudintas and Emil Abdykalykov (all trained assessors). The assessment team is indebted to Aisuluu Sydygalieva (Tax Consultant, World Bank) for her important contribution to this TADAT assessment. The assessment team is also grateful to Bakyt Dubashov (Economist, World Bank) for his valuable suggestions and support in preparing the section of the Performance Assessment Report (PAR) relating to the economic situation in the Kyrgyz Republic.

The draft PAR was presented to the State Tax Service (STS) of the Kyrgyz Republic senior management at the close of the mission. Written comments since received from the STS on the draft report have been considered by the assessment team and, as appropriate, reflected in the report. The PAR has been reviewed and cleared by the TADAT Secretariat.

The mission team would like to thank the STS and the Ministry of Finance (MoF) senior management and staff for their hospitality, support and active participation during the TADAT assessment.

The mission is also grateful for the support rendered by Zhyldyz Tynaliev from the World Bank country office in Bishkek, and Zhanna Terlyga from the International Financial Corporation country office in Bishkek.

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<sup>1</sup> The TADAT team conducted multiple meetings with the State Tax Service (STS) headquarters staff and looked at different modules of the IT system (ISNAK). In addition, the team visited the Large Taxpayer Office and the Oktyabrsky Territorial Tax Office.

## EXECUTIVE SUMMARY

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

### Strengths

- Taxpayer services are developed, a centralized call center exists and its performance is monitored.
- Initiatives to reduce compliance costs including a simplified regime.
- Audit planning is based on automated taxpayers risk assessment.
- Strong PIT withholding arrangements and CIT advance payment mechanisms.
- Universal electronic payment of taxes.
- Revenue accounting system is effective with all taxes paid directly into Treasury, albeit subject to limited internal audit.

### Weaknesses

- Lack of criteria and limited capacity to separate between active and inactive taxpayers, and lack of procedures to verify accuracy of a taxpayer registration database.
- Risk management is limited to audits; does not prioritize risks by taxes, compliance obligations and segments.
- A very limited roll out of electronic filing.
- Access to third party information is limited to internal sources and cross-checking is predominantly manual.
- No systematic estimation of revenue losses and tax gap.
- Weak internal controls on data integrity (security) and IT system

The STS is performing well in taxpayer services and tax audit planning. At the same time, its ability to assess extent of tax compliance in the economy is undermined by the limited accuracy of the taxpayer registration database and the lack of intelligence on potential revenue losses. Recognizing these problems, the STS has been implementing several reform initiatives, which are likely to improve tax administration performance in the future and address some of the weaknesses identified in the assessment. Those include: (i) improving the accuracy of the taxpayer registration database by developing criteria for inactive taxpayers; (ii) establishing a monitoring and analytical department to work on compliance monitoring in 2016; and (iii) increasing attention paid to staff capacity development through a large scale training program.

The STS faces constraints in its ability to improve tax administration due to the current tax legislation and the lack of clarity of tax administration roles exercised by different government agencies, as well as limited capacity of some government agencies to provide information to the STS.

Table 1 provides a summary of performance scores, and Figure 1 a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's

9 performance outcome areas (POAs) and 28 high level indicators critical to tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

**Table 1. Kyrgyz Republic: Summary of TADAT Performance Assessment**

Indicator	Scores 2016	Summary Explanation of Assessment
<b>POA 1: Integrity of the Registered Taxpayer Base</b>		
P1-1. Accurate and reliable taxpayer information.	<b>D</b>	The STS maintains a central computerized registration database, and information held with respect to taxpayers (individuals and businesses) generally includes parameters consistent with international good practice with the exception of taxpayer segments. There are no comprehensive criteria for determining inactive taxpayers.
P1-2. Knowledge of the potential taxpayer base.	<b>C</b>	Detection of unregistered taxpayers is performed in an ad hoc manner, and with limited use of third party information.
<b>POA 2: Effective Risk Management</b>		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<b>C</b>	The STS intelligence gathering, research and risk management are not systematic to ensure good tax compliance management, with a clear focus on prioritized compliance risks and taxpayer segments.
P2-4. Mitigation of risks through a compliance improvement plan.	<b>C</b>	The STS has a regular and structured tax compliance planning process, but it does not focus on taxpayer segments.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<b>C</b>	STS monitors and evaluates compliance risk mitigation activities regularly, but there is no dedicated collegial unit (i.e., risk management board).
P2-6. Identification, assessment, and mitigation of institutional risks.	<b>D</b>	STS has no comprehensive and systematic plan to identify, assess, mitigate and evaluate institutional risks.
<b>POA 3: Supporting Voluntary Compliance</b>		
P3-7. Scope, currency, and accessibility of information.	<b>B</b>	The STS provides easily accessible and clear information on taxpayer obligations and entitlements in respect to each core tax. The STS has procedures in place for regular update of information, with the exception of targeted communication. Dedicated staff is assigned. Taxpayers can obtain information at

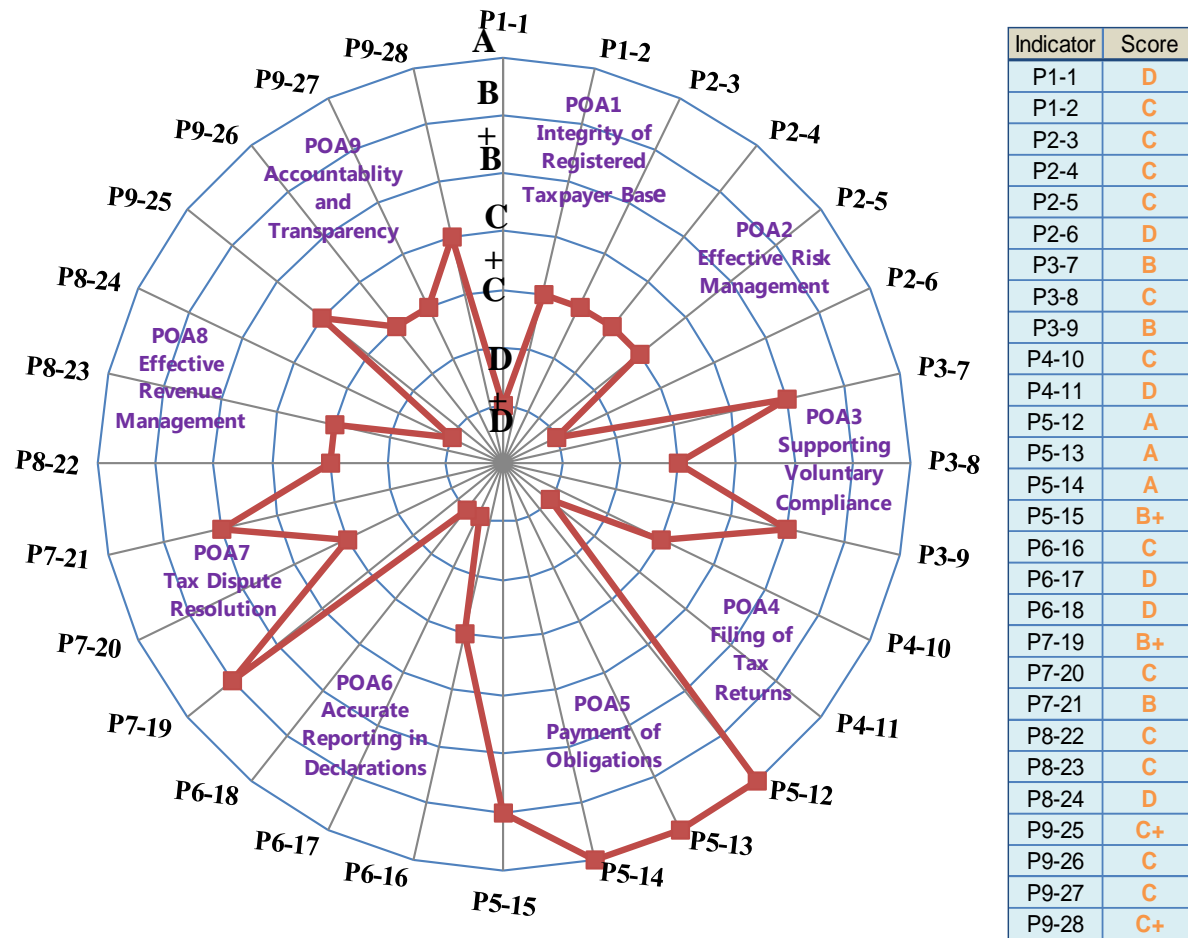


Indicator	Scores 2016	Summary Explanation of Assessment
		no cost through a variety of service delivery channels. The STS responds to taxpayer requests in a timely manner, with over 99 percent of calls answered within 6 minutes.
P3-8. Scope of initiatives to reduce taxpayer compliance costs.	C	Some initiatives to reduce compliance costs exist, such as a simplified regime for small taxpayers and reduced filing frequency. Online filing opportunity is available but online registration is not possible. The STS analyzes frequently asked questions and common misunderstanding detected through service and verification activities by territorial tax offices and updates forms and procedures based on such feedback.
P3-9. Obtaining taxpayer feedback on products and services.	B	The STS regularly obtains feedback from taxpayers through the website, email, telephone, public events, meetings with stakeholders and surveys. Taxpayers are regularly consulted to identify key deficiencies of the tax administration procedures and products but are not involved in testing new products.
POA 4: Timely Filing of Tax Declarations		
P4-10. On-time filing rate.	C	On-time filing rates are high for VAT and PAYE, reasonable for CIT, but large taxpayers file less than 90 percent of CIT declarations on time. On-time filing rate cannot be established for PIT due to the absence of mandatory filing for taxpayers.
P4-11. Use of electronic filing facilities.	D	The e-filing rates are low (highest rate is for VAT at 12.8 percent), but cover all core taxes and there is a positive trend over the last several years.
POA 5: Timely Payment of Taxes		
P5-12. Use of electronic payment methods.	A	The payment of taxes happens only through the banking system, thus achieving a universal coverage of e-payments.
P5-13. Use of efficient collection systems.	A	Withholding of tax at source is used for wage income as well as dividends and interest. The advance payment mechanism is used for CIT.

Indicator	Scores 2016	Summary Explanation of Assessment
P5-14. Timeliness of payments.	<b>A</b>	A high percentage of VAT is paid on time with the share of payment by value reaching 99.5 percent and, by number, reaching 90 percent in 2015.
P5-15. Stock and flow of tax arrears.	<b>B+</b>	The total value of core tax arrears is low, averaging 4.1 percent of total core tax collection during 2013-2015. The value of collectable core tax arrears relative to total core tax collections has also fallen over the three-year period and averages 2.7 percent. At the same time an average of around one-third of tax arrears is older than 12 months, during 2013-15.
<b>POA 6: Accurate Reporting in Declarations</b>		
P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.	<b>C</b>	The STS has comprehensive taxpayer risk assessment and audit capabilities, but there is a limited range of automated crosschecking procedures to verify the accuracy of reporting.
P6-17. Extent of proactive initiatives to encourage accurate reporting.	<b>D</b>	The proactive measures are not used to ensure accurate reporting.
P6-18. Monitoring the extent of inaccurate reporting.	<b>D</b>	The STS does not apply any methods to estimate revenue losses from inaccurate reporting.
<b>POA 7: Effective Tax Dispute Resolution</b>		
P7-19. Existence of an independent, workable, and graduated dispute resolution process.	<b>B+</b>	The review process for dispute resolution (administrative and judicial) is independent, graduated and used by taxpayers. However, lower administrative courts serve as the first avenue of appeal on an outcome of the administrative review process.
P7-20. Time taken to resolve disputes.	<b>C</b>	In 2015, 88 percent of administrative reviews were finalized within 60 days.
P7-21. Degree to which dispute outcomes are acted upon.	<b>B</b>	The STS undertakes analysis of dispute outcomes of material nature which feeds back into the tax legislation, tax administration policy and procedures.

Indicator	Scores 2016	Summary Explanation of Assessment
POA 8: Efficient Revenue Management		
P8-22. Contribution to government tax revenue forecasting process.	C	The STS performs limited revenue forecasting but provides some input into the government tax revenue forecasting process.
P8-23. Adequacy of the tax revenue accounting system.	C	The STS revenue accounting system is automated, aligned with government IT and accounting standards, interfaces with the MoF's Treasury system but internal audit of the system is limited.
P8-24. Adequacy of tax refund processing	D	There is no risk-based verification system in place for VAT refund although refunds are budgeted for and there is an annually reviewed list of low risk taxpayers that do not enjoy a faster process for VAT refund but are exempted from multiple inspections. The Tax Code sets a 60-day timeline for the VAT refund process, and hence there is no monitoring to assess performance based on a 30-day benchmark.
POA 9: Accountability and Transparency		
P9-25. Internal assurance mechanisms.	C+	The STS has an internal audit function, but there are no audits of IT system. Staff integrity assurance mechanisms are in place.
P9-26. External oversight of the tax administration.	C	The external review of STS operational performance is conducted, though the results are not available to the public. There is no independent tax ombudsman in Kyrgyz.
P9-27. Public perception of integrity.	C	There are independent party surveys of taxpayers' perceptions; but there is no evidence of systematic usage of survey results in planning STS activities.
P9-28. Publication of activities, results, and plans.	C+	Financial and operational performance reports are made public, but future plans of the STS are not made public in full—the strategic plan is published with delay and operational plans are not published.

Figure 1. Kyrgyz Republic: Distribution of Performance Scores



## I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in the Kyrgyz Republic during the period of 29/06/2016 to 07/08/2016 and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 28 high level indicators critical to tax administration performance that is linked to the POAs. Forty-seven measurement dimensions are taken into account in arriving at each indicator score. A four-point ‘ABCD’ scale is used to score each dimension and indicator:

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

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

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

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

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

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

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

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

## **II. COUNTRY BACKGROUND INFORMATION**

### **A. Country Profile**

General background information on the Kyrgyz Republic 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

**The Kyrgyz Republic has a Gross National Income (GNI) per capita of US\$ 1,170<sup>2</sup> as of 2015.** Its population is estimated at almost 6 million people and a Gross Domestic Product (GDP) at US\$ 6.6 billion. Nearly two-thirds of the population live in rural and mountainous areas. The economy is characterized by reliance on extractives and remittances, with agriculture being the largest employment sector. GDP growth averaged -3.4 percent in the 1990s and at 5.0 percent in 2000-2008. After the global economic and financial crisis in 2008, average GDP growth declined to 3.8 percent, with negative growth rates of 0.5 percent and 0.1 percent recorded in 2010 and 2012 respectively.

**Overall, the Kyrgyz economy showed resilience in spite of the economic deterioration in the region.** Worsened regional developments affected the Kyrgyz economy, reducing external trade and remittances inflow. However, real GDP grew at 4 percent in 2014 and 3.5 percent in 2015, primarily driven by agriculture, construction, trade and other services while industry contracted due to a decline in gold production. The fall in gold output had even a stronger impact in early 2016 with real GDP contracting by 4.9 percent (year-on-year) in January-April while non-gold output was flat. Inflation declined to 3.4 percent as of end-2015 from 10.5 percent a year before as lower food and fuel prices more than offset the impact of the depreciation of the KGS, domestic currency, on imported goods. A subdued domestic demand during the first months of 2016 led to a further decline in consumer prices by 0.6 percent as of end-April.

**External trade contracted sharply due to declines in both exports and imports, but a steeper fall of imports led to reduced trade and current account deficits.** Exports are estimated to have fallen by nearly 21 percent in 2015 in US dollar terms, reflecting the decline in gold production and, more importantly, dampened demand for Kyrgyz goods in main trading partner countries (Russia and Kazakhstan). Likewise, remittance inflows also fell sharply, by about 25 percent in US dollar terms, largely due to exchange rate dynamics. This, however, was offset by a steep contraction in imports (negative 28 percent in US dollar terms), leading to a reduction in both external trade and current account deficits to 28 percent and 10.4 percent of GDP, respectively, in 2015.

**Fiscal balances improved over 2015, but the public debt position deteriorated.** The fiscal deficit fell to 3 percent of GDP in 2015 (from 3.9 percent in 2014) as weaker than expected tax proceeds and higher recurrent spending were more than offset by an increase in non-tax revenues. Total revenues including grants increased to 34.9 percent of GDP from 34.4 percent in 2014. At the same time, current spending increased to 30.6 percent of GDP (from 29.3 percent in 2014) reflecting increased wages for teachers and higher spending on goods and services, while capital spending fell to 7.3 percent of GDP (from 8.4 percent in 2014)

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<sup>2</sup> Source: World Bank, World Development Indicators (WDI), Atlas method.

due to slower than anticipated implementation of public investment projects financed by foreign loans. Despite this improvement in fiscal balances, the public debt-to-GDP ratio deteriorated to 68.3 percent from 53.6 percent in 2014, mainly due to the depreciation of the exchange rate.

#### **D. Main Taxes**

**The national taxes in the Kyrgyz Republic account for 20 percent of GDP.** Main national domestic taxes comprise Value Added Tax (VAT), Corporate Income Tax (CIT) and Personal Income Tax (PIT). PIT includes income taxes paid by employers or Pay As You Earn (PAYE) and income taxes paid directly by individuals not involved in entrepreneurial activity. Collection for core taxes as a share of total tax revenues (as defined by the TADAT framework—also see Table 1, Attachment III) comprised 60.8 percent in 2015. The contributions to GDP from PIT, CIT and VAT were 1.8, 1.4 and 9.0 percent in 2015 respectively.<sup>3</sup>

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

#### **E. Institutional Framework**

**The STS under the Government of the Kyrgyz Republic (GoKR) is responsible for administering and collecting direct and indirect taxes at the national and local levels.** The STS is also responsible for administration of VAT on goods and services traded with countries within EEU.<sup>4</sup> The State Customs Service under the Government of the Kyrgyz Republic is responsible for administering taxes on international trade except for the EEU countries. The tax authority was created in 1990 under the MoF as an independent unit, underwent several administrative reforms and finally was established as the STS under the GoKR in 2010. The STS operates under the authority of the Tax Code (current version is effective since January 1, 2009) and the law on State Tax Service of the Kyrgyz Republic as well as other laws of the Kyrgyz Republic and international agreements.

**The STS is an independent agency reporting to the GoKR and has a two-level organizational structure.** It is comprised of the Central Office, the Large Taxpayers Office (LTO), the Office for Control over Free Trade Zones in the City of Bishkek and 61 territorial (local) tax offices. The LTO and the Office for Control over Free Trade Zones in the City of Bishkek are separate from the STS central office but they are regularly involved in management

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<sup>3</sup> Source: National Statistical Committee of the Kyrgyz Republic, <http://www.stat.kg/en/statistics/finansy/>

<sup>4</sup> Eurasian Economic Union (EEU) is an economic Union between the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, and the Russian Federation. The Kyrgyz Republic signed the Treaty on December 23, 2014, which came into effect on August 6, 2015. The EEU provides for free movement of goods, services, capital and labor, and pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union.

(continued)



meetings of the STS headquarters. The Chairman of the STS reports to the Prime Minister and manages the agency. The Chairman is supported by a management team including a State Secretary and three Deputy Chairmen sharing different areas of responsibilities. The STS has 2,256 staff including 201 employees deployed at headquarters. Current and capital expenditures of the STS comprised KGS 819.7 million in 2014.<sup>5</sup>

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

## **F. International Information Exchange**

**The Kyrgyz Republic has bilateral agreements with a number of countries but has not been involved in other forms of cooperation for international information exchange to date.** It is not a member of the Organization for Economic Cooperation and Development's Global Forum on Transparency and Exchange of Information for Tax Purposes. The Kyrgyz Republic has Double Taxation Agreements with the following countries: Austria, Belarus, Germany, India, Iran, Kazakhstan, Canada, China, South Korea, Latvia, Lithuania, Malaysia, Moldova, Mongolia, Poland, Russia, Tajikistan, Turkey, Ukraine, Uzbekistan, Finland, Switzerland and UAE. It also has Agreements on Bilateral Information Exchange with Azerbaijan, Armenia, Belarus, Kazakhstan, Russia, Ukraine and within other CIS countries.<sup>6</sup> Information from countries with bilateral information exchange is provided upon a request and it mainly pertains to certain foreign trade transaction. The STS exchanges on mutual trade transactions with the EEU countries on a regular basis.

## **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.

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<sup>5</sup> Source: Ministry of Finance open data portal [http://budget.okmot.kg/ru/exp\\_vedom/index.html](http://budget.okmot.kg/ru/exp_vedom/index.html)

<sup>6</sup> Source: <http://sti.gov.kg>

### P1-1: Accurate and reliable taxpayer information

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

**Table 2. P1-1 Assessment**

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

**Registration of taxpayers is performed by the Social Fund for individuals and by territorial justice agencies (under the Ministry of Justice) which serve as one-stop shops for legal entities.** These agencies send the registration information to the STS electronically. However, in the case of the Social Fund, this information is in PDF format which is then scanned and converted by a special software at the STS. Due to the lack of a compatible format for transmitting the taxpayer registration information from the Social Fund to the STS, the latter often finds invalid registrants among individual taxpayers. To ensure consistency, the STS manually verifies the information held in the taxpayer database with the Enterprise Register and the Property Register and performs automatic cross-checks with the Customs Database. The lack of properly structured registration databases with an adequate transmission functionality in other government agencies is a significant impediment to the ability of the STS to use third party information for automatic cross-checking. Internal audits check the accuracy of the taxpayer registration database on an annual basis and the internal audit reports indicate significant discrepancies between the taxpayer registration database and other government registers.

**The STS maintains a central computerized registration database, but it lacks information held with respect to taxpayers (individuals and businesses) on taxpayer segments.** The IT system automatically generates a unique Taxpayer Identifier Number (TIN) which has a self-validating 'check digit.' The taxpayer segment is included in the design of the registration database for businesses, but it is populated based on a taxpayer request to be registered as a certain segment (e.g. small and medium businesses and non-profit organizations). Large taxpayers (businesses) are segmented and tracked in a separate sub-module of the IT system. The GoKR Decree on Procedures for Tax Administration

No.144 of April 7, 2011 (Section on Criteria for Determining Large Taxpayers) establishes criteria for determining large taxpayers. As a result, not all registered taxpayers have a segment assigned in the database.

**The registration module of the IT system interfaces with other IT modules and provides frontline staff with a whole-of-taxpayer view.** It allows for deregistration of taxpayers that according to Article 99 of the Tax Code happens in the following cases: taxpayers no longer have tax obligations based on the information provided by respective government agencies and/or according to requests about deregistration filed by taxpayers or their representatives. However, the IT system does not have an adequate functionality to track deregistered taxpayers during the year by archiving registration data file of taxpayers. Currently, both individual and business taxpayers can have secure access to their registration information on-line but only for viewing purposes. On-line registration and update of registration details are not available for taxpayers.

**Generation of registration-related management information is limited by the functionality of the IT registration module.** The system is able to provide an audit trail of changes made to taxpayer registration details. However, the system cannot generate declarations using the taxpayer registration information.

**The STS carries out identification and removal of invalid/false registrants and deregistration of taxpayers, but it has not issued yet a document with comprehensive criteria for defining inactive taxpayers.** The current GoKR Decree on Procedures for Tax Administration No. 144 of April 7, 2011 (Section on Registration of Taxpayers) envisions procedures for the identification and removal of invalid/ false registrants but lacks criteria for determining inactive taxpayers and the respective functionality in the IT system. As a general rule, the STS defines inactive taxpayers as those who did not file tax returns repeatedly for two years (Article 11 of the Section on Registration of Taxpayers of the GoKR Decree No. 144), but the database is not separated by active-inactive taxpayers and the data in Table 2 of the Annex is based on various criteria, e.g. CIT active taxpayers are those who submitted quarterly advance payment estimate forms. The latter excludes large categories of taxpayers that are exempted from quarterly advances by the Tax Code. The database is subject to checks by the filing department on ad hoc basis.

## **P1-2: Knowledge of the potential taxpayer base**

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

**Table 3. P1-2 Assessment**

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

**Detection of unregistered taxpayers is conducted in an ad hoc manner, with limited use of third party information.** The STS employs the registration information from the Customs Database automatically and on a relatively systematic basis. However, because of the incompatibility of the information format and structure provided by other government agencies (for example, the Enterprise Register and the Property Register), the STS uses the registration information provided from these registers manually. At the central level, the STS specifically identifies in its reports new registrations arising from detection efforts. A field visit to the Oktyabrsky territorial tax office in the city of Bishkek shows that the STS has made efforts to detect unregistered taxpayers through manual cross-checking of the information provided by other agencies. The STS also carries out inspections of traders to detect potential individual taxpayers (entrepreneurs).

### **B. POA 2: Effective Risk Management**

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

- compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e., registration in the tax system, filing of tax declarations, payment of taxes on time, and complete and accurate reporting of information in declarations); and
- institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of information technology system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration).

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

Four performance indicators are used to assess POA 2:

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

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

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

**Table 4. P2-3 Assessment**

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

**The STS intelligence gathering and research initiatives are not systematic to ensure effective tax compliance risk management.** The STS does not have a separate unit with responsibilities for tax compliance analysis and compliance risk information gathering. The analytical research tasks are distributed to organizational departments based on their core functions. The STS prepares large scale analytical reports on a periodic but ad-hoc basis; however, the analytical reports are mainly based on internal data and focused on budget revenue analysis in respect of different type of taxes, regions and industries. The audit results data are also analyzed on a periodic basis. The external data from the Customs Agency, the Social Fund and the Property Register are received at the STS, but there is no systematic analysis of the data from a compliance risk management perspective. No financial institutions information is available to the STS since 2009—the Tax Code was amended and taxpayers’ bank account data is no longer received by the STS.<sup>7</sup> Further, the STS does not perform specific studies on taxpayers’ behavior or tax gap analysis, though the Department of Fiscal Policy of the Ministry of Economy (MoE) surveys, from time-to-time, the taxpayer

<sup>7</sup> After the completion of the TADAT assessment, Parliament of the Kyrgyz Republic adopted amendments to the Tax Code to fill this void. On August 12, 2016 the Law No. 167 amended Article 126 of the Tax Code to include the requirement that banks must provide information on open and closed taxpayers’ bank accounts to the STS upon its request.

population to estimate the level of the shadow economy and environmental factors that influence taxpayers' behavior.

**The risk management process in the STS is not systematic and does not focus on taxpayer segments.** The risk management of key compliance obligations is assigned to the appropriate STS departments that are responsible for the registration, filing, payment, reporting, and auditing processes. The risk management activities listed in the STS Annual Business Plan and Plan of Measures to Increase State Tax Revenue correspond with tasks and measures set in the STS Development Strategy. There is evidence of analytical reports that focus on key compliance obligations and core taxes, though a systematic approach to assess tax compliance risks is not in place yet. There is, also, no risk register and no evidence that the tax compliance risks are prioritized nor is there a focus on key taxpayer segments. The focus is more at the individual taxpayer level exist and procedures are applied to support the audit planning process and focus on core taxes, key compliance obligations.

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

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

**Table 5. P2-4 Assessment**

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

**The STS has a regular and structured tax compliance planning process, but it does not focus on taxpayer segments.** The tax compliance multi-year strategies are described in the STS Development Strategy, which covers period of 2015-2017. The tax compliance strategies are developed every two years and have links with the STS Annual Business Plans. The Development Strategy and the Annual Business Plan cover key compliance obligations, however the strategy's tasks and the business plan activities have no clear focus on taxpayer segments. The STS management monitors performance reports on implementation of the strategy and the annual business plan on a semi-annual and monthly basis respectively, and these reports are provided to the Office of the Prime Minister of the Kyrgyz Republic and the MoF.

*STS disagrees with the scoring of this indicator since the STS Development Strategy for 2015-2017 includes clear objectives and activities for improving taxpayer services. However,*

*it is the assessment team's view that, based on the evidence collected during and after the in-country assessment phase, the tax compliance planning process lacks focus on taxpayer segments required by the TADAT Field Guide for a higher score.*

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

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

**Table 6. P2-5 Assessment**

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

**The STS monitors and evaluates compliance risk mitigation activities regularly but there is no active risk management committee in place.** A multi-year tax compliance strategy and annual implementation plans are approved by the Prime Minister of the Kyrgyz Republic. Key performance indicators to evaluate the implementation of the tax compliance strategy are set and approved by the Prime Minister of the Kyrgyz Republic. The annual implementation plans include a range of activities to mitigate compliance risks which are aimed to assess additional tax revenue, improve effectiveness of tax administration processes, as well as some limited measures to directly influence taxpayer behavior. The implementation of the tax compliance strategy is monitored by the STS senior management on a monthly basis through reports on the implementation of annual business plans and by the senior management of the GoKR on a semi-annual basis through reports on the implementation of the tax compliance strategy.

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

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

**Table 7. P2-6 Assessment**

Measurement Dimensions	Scoring Method	Score 2016
P2-6. The process used to identify, assess, and mitigate institutional risks.	<b>M1</b>	<b>D</b>



**The STS has no comprehensive and systematic plan to identify, assess, mitigate and evaluate institutional risks.** The STS has no separate department or appointed board to develop, update and monitor the management of institutional risks. The mitigation of institutional risks is assigned to organizational departments based on their core functions. Ad hoc institutional risk management activities are provided for in the STS Annual Business Plan. Additionally, the STS has few internal regulations and procedures to mitigate risks related to the use of the IT platform and fire protection. The User Manual of Automated Information Systems is dated 01-13-2009 and provides no evidence of periodic amendment. The Decree on Fire Protection is updated annually. There is no evidence of a business continuity plan, including IT operational continuity plan/instructions, data protection, and assets protection.

### **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.

Three performance indicators are used to assess POA 3:

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

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

For this indicator four measurement dimensions assess (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information; and (4) how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for



telephone enquiry calls is used as a proxy for measuring a tax administration's performance in responding to information requests generally). Assessed scores are shown in Table 8 followed by an explanation of reasons underlying the assessment.

**Table 8. P3-7 Assessment**

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

**The STS provides easily accessible and clear taxpayer information that explains taxpayer obligations and entitlements in respect of each core tax.** The information is available on registration, filing, payment, and reporting through the website (<http://www.sti.gov.kg>), guides, manuals, as well as taxpayer education events. It is tailored for individuals, individual entrepreneurs and legal entities. Also, the information is provided in separate sections of the website on taxes for traders in key sectors of the economy (for example, natural resources), businesses trading with the EEU countries and taxpayers in the alcohol industry. In addition to the STS website, there is a specialized website on annual tax declarations (<http://www.declaracia.kg/>). The information on the STS website is provided in the Kyrgyz and Russian languages and thus is fully understandable by the population.

**The STS has procedures in place and dedicated staff to regularly update information provided in publications and on the website; however, there is no targeted communication before the law or policy takes effect.** Procedures on updating information are provided in STS Order No. 151. The Head of the IT Department oversees departments responsible for keeping information in relevant sections of the website current. Taxpayers are made aware, through general communication in the press and website, of changes in the laws and procedures before the law takes effect but the communication is not targeted to any taxpayer segment. A mailing list for every press release consists of approximately 300 journalists representing mass media at the national and regional levels—the STS has dedicated staff for this activity. Additionally, the STS has an annual media plan and publishes its own newspaper.

**Taxpayers can obtain information on all core taxes easily and at no cost through a**

**variety of service delivery channels.** The channels include the STS website, printed materials posted or distributed in the STS offices, press releases published on the website and in local media, frequently asked questions on the STS website, explanation letters and one-stop shops in territorial tax offices. Taxpayers can also contact the STS call center for assistance at no charge. According to Article 18 of the Tax Code, rulings are provided by the MoE but they are not binding. The STS can also only recommend how tax legislation should be applied. The STS Order No. 24 approved a media plan for 2015. Further, the STS Development Strategy for 2015-2017 includes actions to improve the call center's efficiency and the information delivery channels including social media, such as Facebook and Twitter, and to develop a training course for schools and universities.

**The STS central office and local offices regularly conduct public education workshops based on preapproved plans.** The workshops target different categories of taxpayers (large taxpayers, taxpayers trading with the EEU countries, taxpayers filing annual tax declarations) and business and civil society organizations. All territorial offices provide monthly reports to the STS headquarters on the implementation status of taxpayer education and support activities. Regular education campaigns are also conducted in schools in the beginning of the school year and open door days are held for university students and other interested taxpayer groups.

**The STS responds to taxpayer requests in a timely manner.** The STS general service standards are contained in its regulations for the call center. As shown in Attachment III, Table 3, the call center answers 99.2 percent of all calls within six minutes. All calls are directed through the call center. The information on the call center performance is posted through regular press releases on the STS website (<http://sti.gov.kg/news/2016/02/15/v-2015-godu-v-call-centr-gns-obratilis-bolee-52-tysyachi-nalogoplatelshikov>; <http://sti.gov.kg/news/2015/03/25/70-procentov-nalogoplatelshikov-obratilis-v-call-centr-gns-po-voprosam-end>) and is also included in the STS annual performance reports (<http://www.sti.gov.kg/STSDocuments/OtchetORaboteGNS2016.pdf>).

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

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

**Table 9. P3-8 Assessment**

Measurement Dimensions	Scoring Method	Score 2016
P3-8. The extent of initiatives to reduce taxpayer compliance costs.	<b>M1</b>	<b>C</b>

**Some initiatives are in place to reduce taxpayer compliance costs.** Small businesses with turnover less than a VAT threshold (KGS 8 million) are eligible for simplified recordkeeping.<sup>8</sup> They also have an option to choose a presumptive tax regime with quarterly filing based on a certain tax rate differentiated by an industry or a voluntary patent for a limited number of economic activities (with differentiated patent amounts subject to the annual tax filing). Taxpayers filing electronically through the STS website have access to online filing, which also provides 24-hour access to taxpayer information. However, services pertaining to the registration and update of the registration information are not available online. The access to a taxpayer account is provided through a login name, password and capture symbols preventing unauthorized access through automatic means. No prefilled declarations are used for any category of taxpayers.

**The STS analyzes frequently asked questions and common misunderstanding detected through service and verification activities provided by the territorial tax offices.** While the STS does not have a formalized procedure for such a review, the practice is that feedback from both service and training activities is collected by the Taxpayer Service Unit and provided to the Tax Legislation Department at the STS headquarters to improve procedures, services provided or tax forms. Tax forms are regularly updated to reflect changes in the tax legislation or to remove the outdated information. In these cases, taxpayers are informed about these changes. The STS has information sharing agreements with the State Customs Service, the Social Fund, the MoE and the State Registration Service. State registration of individual entrepreneurs, previously done by the National Statistical Committee, is conducted by the STS starting from January 1, 2016. In addition, the STS has been implementing a pilot on the collection of social security contributions in two districts. Upon the completion of this pilot, the GoKR intends to fully transfer this responsibility from the Social Fund to the STS to reduce excessive reporting obligations.

### **P3-9: Obtaining taxpayer feedback on products and services**

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

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<sup>8</sup> Government of Kyrgyz Republic Order No. 609 of November 11, 2013.

**Table 10. P3-9 Assessment**

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

**The STS regularly obtains feedback from taxpayers through the website, email, telephone, public events, meetings with stakeholders and surveys.** Web-based surveys, a permanent feature of the STS website, are used to gather taxpayers' opinion about various areas of tax administration. At the time of this assessment, the STS had surveyed taxpayers' opinion about the information available on the STS website. The STS carried out tax compliance cost surveys based on a statistically valid sample of key taxpayer segments in 2012 and 2014. Both surveys were conducted with support of the International Financial Corporation (IFC) by an independent survey firm – Rebicon – selected by the IFC. These surveys measured tax compliance costs and taxpayers' perception of the STS performance and information services provided. In 2013, the STS with support of the Asian Development Bank, also carried out a taxpayers' perception survey. The STS regularly conducts workshops for taxpayers to provide the information and collect their feedback. In 2015, there were 724 workshops with taxpayers organized by the STS headquarters and territorial tax offices as evidenced by the Taxpayer Service Unit's annual report.

**Taxpayers are regularly consulted to identify key deficiencies of the tax administration procedures and products, as well as new draft processes, legal acts, and e-services, but they are not involved in the design and/or testing of new processes and products.** The Methodological Council for Coordination of Fiscal Policy under the MoE is a public-private dialogue platform to consult on tax policy issues. Approximately half of its members are representatives of private businesses and independent tax experts, while the other half is represented by government bodies including the STS. Since its establishment on March 1, 2010, the Methodological Council has endorsed all main draft amendments to the Tax Code prior to their submission to Parliament. The Methodological Council also meets regularly to discuss taxpayers' requests forwarded by the MoE and provides an opinion on draft private rulings for taxpayers. As mentioned above, the feedback is obtained regularly and taken on board through the multiple meetings with taxpayers in local offices as well as large-scale events with business associations and the Chamber of Tax Consultants. The STS has cooperation agreements with main business associations, with the last two signed in November-December 2015.

**Every draft legal act prepared by the MoE and the STS is published on the STS website for comments and feedback from the civil society.** At the time of this assessment, there

were five draft laws and one government resolution posted on the website for comment. In key areas of tax administration, the business community usually requests participation in developing the tax administration procedures (e.g. cameral audit) by representation in a joint working group.

#### **D. POA 4: Timely Filing of Tax Declarations**

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

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

The following performance indicators are used to assess POA 4:

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

##### **P4-10: On-time filing rate**

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

**Table 11. P4-10 Assessment**

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

**On-time filing rates are high for VAT and PAYE, reasonable for CIT, but large taxpayers file less than 90 percent of declarations on time. On-time filing rate cannot be established for PIT due to absence of mandatory filing for taxpayers.<sup>9</sup>** The timing of filing is regulated by the Tax Code. Each November, the State Tax Service approves an action plan on ensuring filing compliance including an information campaign through mass media and the enforcement of timely filing with defined responsibilities of territorial tax offices. Timely follow up and enforcement actions are complicated by issues pertaining to the accuracy of the taxpayer registration database (see POA 1) and a low level of e-filing (see P 4-11). Article 22 of the Tax Code, also provides for a one-month grace period for filing CIT declarations, which is frequently used including by large taxpayers and causes lower rates of on-time filing. The rate of on-time filing of declarations for VAT is 79.8 percent (including 96.9 for large taxpayers), CIT — 77.0 percent (88.4 percent for large taxpayers), PAYE<sup>10</sup> — 86.2 percent. Currently, there is no mandatory PIT filing except for individual

<sup>9</sup> The number of expected declarations for CIT and PAYE does not match the number of active taxpayers specified in the Table 2 of the Data Annex as a result of absence of definition of active and non-active taxpayers. For example, the data in Table 2 on active taxpayers is based only on number of taxpayers submitting quarterly estimates for advances, which is not required for a considerable segment of taxpayers as defined in the Tax Code, Article 212. The issues with identification of active and non-active taxpayers are discussed in POA 1.

<sup>10</sup> There is a change that took place on July 1, 2015 according to the Amendments to the Tax Code approved on April 8, 2015. The change introduced a quarterly filing of PAYE by small and medium enterprises as well as non-profit organizations. This explains variation between end of quarter months and other months in the second half of 2015.

entrepreneurs. Individuals who have sources of income other than salary, who own a vehicle or real estate have to file an annual unified PIT declaration. However, since there is a limited access to the third party information (see POA 6), the STS cannot establish the number of expected PIT tax declarations and does not monitor it except for ad hoc efforts at the territorial tax offices.

#### P4-11: Use of electronic filing facilities

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

**Table 12. P4-11 Assessment**

Measurement Dimensions	Scoring Method	Score 2016
P4-11. The extent to which tax declarations are filed electronically.	<b>M1</b>	<b>D</b>

**The e-filing rates are low, but all core taxes are covered and there is a positive trend since 2013 (see Attachment III, Table 9).** According to the data provided by the STS, since the introduction of e-filing in 2011 and further introduction of web-based filing for individuals in 2015, there was a slow rollout of e-filing with rates standing at 10.1 percent for CIT, 12.8 percent for VAT, 0.93 percent for PAYE withholding, and 9.7 percent for PIT. That said, the numbers are up from 0.21 percent for CIT and 0.58 percent for VAT in 2013. According to the STS, one of the reasons for slow roll-out of e-filing is the need for taxpayers to purchase a digital signature certificate from a single private provider of digital signatures. The STS established its own digital signature center providing digital signatures free of charge since June 2016. The government plans to promote e-filing and free access to e-filing is a priority for the STS. Since 2015, individual taxpayers only can file through the website using a login and password issued by the STS.

#### **E. POA 5: Timely Payment of Taxes**

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



Four performance indicators are used to assess POA 5:

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

#### P5-12: Use of electronic payment methods

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

**Table 13. P5-12 Assessment**

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

**Taxes are paid only through the banking system, thus approaching a universal coverage of e-payments.** As of 2015, the key methods for making payments are through the credit/debit cards, banking wires. In addition, there are also mobile payments mainly used by the individual entrepreneurs and individual PIT payers. It is not possible to pay taxes by cash except through a commercial bank. However, most business entities make direct payments from their bank accounts into the Treasury.

#### P5-13: Use of efficient collection systems

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



**Table 14. P5-13 Assessment**

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

**The Kyrgyz Republic has a strong withholding at source and CIT advance payment mechanisms.** CIT and a regular tax regime for individual entrepreneurs have an advance payment mechanism as defined in Article 32 of the Tax Code – on the 20<sup>th</sup> day of the second month after each quarter, the estimated CIT amount is paid alongside with the brief calculation form. After the end of the tax year, and not later than March 1, the full declaration is submitted reconciling advance payments with tax assessment (Tax Code, Article 92). Withholding at source is used for salary income, dividends, and interest. Only tax on capital gains on real estate is the responsibility of a taxpayer and does not have a withholding mechanism.

#### **P5-14: Timeliness of payments**

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

**Table 15. P5-14 Assessment**

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

**A high percentage of VAT is paid on time.** Around 99.5 percent of the value of total VAT payments due is paid on time. 90 percent of the number of VAT payments are made on time as well— see Table 10 in Attachment III. A major contributor to this performance is the STS effort to effectively follow-up overdue payments (details discussed below in “*P5-15 Stock and flow of tax arrears*”).

### P5-15: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections.<sup>11</sup> A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

**Table 16. P5-15 Assessment**

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

**The total value of core tax arrears is low, averaging 1.8 percent of total core tax collection during 2013-2015.** Earlier there used to be no regular reporting on time profiling of tax arrears, but in the last few years the IT system captures individual arrears at a great level of detail, including the exact date when it was created. In May-June 2016, the STS carried out an inventory of tax arrears by taxpayer and plans to conduct such reviews regularly. The core tax arrears as a share of core tax collection stood at 2.1 percent in 2013 and 1.6-1.7 percent since 2014 showing a declining trend. The STS carries out ad hoc campaigns such as "June 2015 Reduce Tax Arrears Campaign".

**The value of collectable core tax arrears relative to total core tax collections has also fallen over the three-year period.** As shown in table 11 of Attachment III, the ratio has stood at 1.4 percent in 2013 and 1.0-1.1 percent since 2014. There is a procedure on writing off non-collectible arrears, however it does not result in ensuring that arrears are collected in

<sup>11</sup> 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).

a timely manner.

**Around one third of tax arrears are old.** According to the data provided by the STS, an average of arrears over 12 months old in overall value of core tax arrears was 34 percent during 2013-2015. The share is fairly stable and was 34.5, 21.5 and 46.2 percent in 2013-2015, respectively (see Table 11 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, three performance indicators are used to assess POA 6:

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

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

P6-18—Monitoring the extent of inaccurate reporting.

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

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

**Table 17. P6-16 Assessment**

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

**The STS has comprehensive taxpayer risk assessment and audit capabilities, but there is no evaluation of impact on the level of taxpayer compliance.** The STS uses a centralized and automated risk assessment IT program “Audit” for taxpayer risk assessment and prioritization purposes. The automated risk assessment is applied to all core taxes, key taxpayer segments and key compliance obligations. Currently, there are 26 risk criteria used to assess taxpayer risks. The IT program “Audit” has a separate centralized application used for audit planning and documentation. Audit planning is conducted by the STS headquarters based on a taxpayer's risk score. Taxpayers with highest risk scores are selected for a quarterly audit program for all territorial tax offices. The audit plan covers all types of audit described in Article 100 (Section 5) of the Tax Code – a planned audit, unplanned audit, crosschecking audit and re-audit. In case of a planned audit, the verification covers all types of taxes. Also, up to five percent of the quarterly audit program consists of taxpayers that are selected randomly. The STS Chairman approves the audit programs for all territorial tax offices and the LTO. The territorial tax offices and LTO have tax audit units that use the centralized IT program “Audit” to assign, conduct and document audits. The STS has in place audit methodologies, including a methodology for indirect taxation that is applied regularly.

**The STS employs a limited range of automated crosschecking procedures to verify the accuracy of reporting.** The STS has several automated data crosschecking procedures, for example, VAT returns data against VAT invoice data and import/export turnover against

VAT registration threshold—but most of them are limited to internally sourced data. VAT invoice crosschecking does not feed into refund claim processing (see P-8-24) at the time of verification. The only automated external/third party data crosschecking applied by the STS pertains to the Customs database for the verification of import/export transactions against VAT return data.

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

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

**Table 18. P6-17 Assessment**

Measurement Dimensions	Scoring Method	Score 2016
P6-17. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	<b>M1</b>	<b>D</b>

**Proactive measures are not used to encourage accurate reporting.** According to Article 18 of the Tax Code, the STS is required to regularly provide private and public rulings on tax obligations to taxpayers to ensure tax compliance. The rulings cover all core taxes and key taxpayer segments. However, these rulings are not binding on taxpayers (Article 18 of the Tax Code). The STS has signed several cooperative agreements with different taxpayers associations, though the objectives of agreements are limited to cooperation in outreach, analysis and amendment of tax regulations, and training.

#### P6-18: Monitoring the extent of inaccurate reporting

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

**Table 19. P6-18 Assessment**

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

**The STS does not apply any methods to estimate revenue losses from inaccurate reporting.** The STS does not monitor the extent of inaccurate reporting using well-

established methodologies—and VAT gap estimates have not yet been conducted. However, there is evidence of ad hoc and limited-in-scope analysis of revenue loss due to non-reporting/ incorrect reporting/ underreporting, for example, in the areas of catering, skiing, tourism and pharmaceuticals.

### G. POA 7: Effective Tax Dispute Resolution

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

Three performance indicators are used to assess POA 7:

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

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

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

**Table 20. P7-19 Assessment**

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

**The review process for dispute resolution (administrative and judicial) is independent, graduated and used by taxpayers. However, lower administrative courts serve as the first avenue of appeal for a taxpayer dissatisfied with the outcome of the administrative review process.** Articles 146-152 of the Tax Code establish the review mechanism that consists of three stages:

- **First stage**—review by the Appeals Unit which is part of the Legal and Appeals Department in STS;
- **Second stage**—review by lower administrative courts (administrative courts are independent but cannot be considered as specialized in tax matters as their mandate includes a wide range of issues that are governed by the administrative law); and
- **Third stage** – review by a higher appellate court which is an Administrative and Commercial Law Collegium of a regional court (if a taxpayer disagrees with the decision of a lower administrative court).

**The administrative review mechanism within the STS is independent of the audit process.** The Appeals Unit which is part of the Legal and Appeals Department in the STS is organizationally separate from the Analysis and Tax Audit Planning Department and reviews disputes arising from tax assessments. The review procedures for the administrative review process are uniform for all core taxes and consistently applied. According to the Tax Code, taxpayers have 30 days to file a complaint and they do not need to pay a disputed amount before lodging it. However, some taxpayers chose to pay before submitting a complaint in order to avoid paying significant penalties later on. If a dispute is resolved in the taxpayer's favor, the STS refunds the disputed amount in case the taxpayer paid the assessed taxes (typically offsets for taxes due in the next tax period). According to the law, a taxpayer is entitled to a refund of interest accrued on the paid taxes if the complaint is resolved in the taxpayer's favor. However, there have not been cases to-date in which taxpayers exercised this right.

**The STS publishes information on the dispute resolution process on its website and informs taxpayers in writing after concluding an audit; but there are no written instructions for auditors to inform taxpayers of their rights and procedures to dispute an assessment.** The dedicated information as well as the Taxpayer Charter available on the STS website provide an explanation of the dispute resolution process that applies to a tax assessment resulting from an audit as well as other tax disputes. The STS includes information on a taxpayer's right to dispute tax assessment and references a dispute resolution procedure as provided in the tax legislation, in audit finalization letters/notices of assessment, and in notifications of administrative review. However, there is no instruction requiring auditors to inform taxpayers about their rights and procedures concerning dispute resolution. In 2015, taxpayers filed 370 objections to tax assessment.

### P7-20: Time taken to resolve disputes

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

**Table 21. P7-20 Assessment**

Measurement Dimensions	Scoring Method	Score 2016
P7-20. The time taken to complete administrative reviews.	<b>M1</b>	<b>C</b>

**Administrative reviews are generally completed within 60 days, thus falling short of international good practice.**<sup>12</sup> Article 149 of the Tax Code provides a statutory deadline of 30 days. In 2015, 80.8 percent of administrative reviews were finalized within the statutory deadline and 88 percent were finalized within 60 days (Table 12 in Attachment III). Out of 370 administrative reviews considered, about 14 percent were decided in taxpayers' favor. This comprised about 84 percent of total value of taxes disputed in administrative reviews in 2015.

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

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

**Table 22. P7-21 Assessment**

Measurement Dimensions	Scoring Method	Score 2016
P7-21. The extent to which the tax administration responds to dispute outcomes.	<b>M1</b>	<b>B</b>

**The STS undertakes the analysis of dispute outcomes of a material nature which feeds back into the tax legislation, and tax administration policy and procedures.** The analysis has been taken into account for adjusting administrative procedures, application of the tax law as well as proposals for amending the Tax Code. In March 2016, the STS established an internal working group for improving the effectiveness of tax administration (STS Order No. 70 of March 30, 2016). This working group comprises key functional departments of the

<sup>12</sup> Beyond 90-day extended time is allowed by appellate authorities to obtain evidence in complex cases. Such cases do not happen every year.



STS, including the Legal and Appeals Department. The majority of disputes arise due to incorrect tax assessments as a result of tax audits. The STS has revised and made more stringent administrative processes for tax assessment and provided detailed guidelines in letters to audit departments in territorial tax offices.

## 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 MoF. 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.)<sup>13</sup>
- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

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

### P8-22: Contribution to government tax revenue forecasting process

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

**Table 23. P8-22 Assessment**

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

**The STS performs some limited revenue forecasting and provides its input to the**

<sup>13</sup> 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.

**government tax revenue forecasting process—but it does not forecast VAT refunds, tax expenditures and tax losses carried forward.** The MoF has a primary responsibility for government revenue forecasting which feeds into the budget process. The STS Operations Analysis and Forecast Unit provides inputs on tax revenue forecasts to inform the government budgeting process twice a year—during the preparation of the following year’s budget and during a mid-term budget review. In addition, it also provides input to tax revenue forecasts for the medium-term fiscal framework. These forecasts are based on a Methodology for Government Revenue Forecasting adopted by the GoKR Decree No. 604 on August 26, 2015. The tax revenue forecasts are based on historical trends for each tax for the last five years and a set of macro-economic indicators forecast by the MoE and the State Statistics Committee. Revenue from VAT is estimated using an average of its historical share in GDP. Further, there are no forecasts of VAT refunds, tax expenditures and tax losses carried forward.

**Forecasts do not involve sensitivity analysis.** The STS provides its input to the MoE which prepares an overall revenue forecast for the national budget. The MoF generally does not utilize revenue forecasts of the MoE and sets significantly higher revenue targets in the annual budgets. The STS also prepares estimates of tax collections for each tax. These estimates are made by operations analysis and forecasts units of the territorial tax offices and aggregated by the Operations Analysis and Forecast Unit at the STS headquarters. Staff employed in the tax revenue forecasting function at the STS have limited skills and training in forecasting approaches and techniques.

*The STS disagrees with the scoring for this indicator due to the Kyrgyz Republic regulation that requires the STS to provide inputs into tax revenue forecasting conducted by the MoF and does not envisage the STS to carry out forecasts of the VAT refund levels and estimation of the cost to revenue of tax expenditures and tax losses carried forward. However, based on the evidence collected during the in-country phase, the assessment team considers that a higher score is not warranted according to the TADAT Field Guide.*

#### **P8-23: Adequacy of the tax revenue accounting system**

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

**Table 24. P8-23 Assessment**

Measurement Dimensions	Scoring Method	Score 2016
P8-23. Adequacy of the tax administration’s revenue accounting system.	<b>M1</b>	<b>C</b>

**The STS revenue accounting system is automated, aligned with government IT and accounting standards, interfaces with the Treasury system but subjected to limited internal audits.** The revenue accounting system has most features that characterize a good revenue accounting system by international standards, with the exception of: (i) insufficient and strong identity verification checks for on-line access for taxpayers and their authorized agents; and (ii) limited generation of accounting related management information. The system posts tax payments to taxpayers' accounts within 24 hours. The joint Order of the STS (Order No. 66) and MoF (Order No. 43) provides procedures for revenue accounting and the Law on Information and e-Governance and the Law on Electronic Document and Electronic Digital Signature establish government IT standards.

**The joint Order of the STS and MoF explains responsibilities of the STS and the Treasury (under the MoF) and establishes a format for reconciling tax payments.** The STS revenue accounting IT system was rolled out in 2012. The STS Internal Audit Department has carried out internal audits of the revenue accounting system each year. However, these audits have examined the alignment of the IT system with the current tax laws but have not checked the correctness of various calculations built into the system. Additionally, the STS revenue accounting system has not been subjected to external audit by the State Chamber of Accounts.

#### **P8-24: Adequacy of tax refund processing**

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

**Table 25. P8-24 Assessment**

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

**There is no risk-based verification system in place for VAT refund processing.** Refunds are budgeted for, and there is an annually reviewed list of low risk taxpayers that do not enjoy faster processing, but are exempted from multiple inspections. VAT is only refunded to exporters with exports comprising over 50 percent of their operations over the previous 6 months. Other taxpayers can offset VAT credit against other tax obligations and tax arrears as per Article 278-279 of the Tax Code. There is an annual list of taxpayers (regulated by the Government Resolution No. 703-p dated December 30, 2008) who are only audited once a year for VAT refund purposes. All taxpayers not included in the list are audited every time they submit refund claim. Risk verification of refund claims is not used. VAT refunds are

treated as a budget expenditure in the budget process of Kyrgyzstan. The amounts are allocated for a full fiscal year with allotments by quarter. In case amounts are insufficient, the MoF moves fund allocation from the last quarters upwards and initiates revision of the budget law with the Budget Committee of the Parliament. In 2015, the budgeted refund amount was increased from KGS 750 million to KGS 1,050 million. Legal provisions allow for payment of interest to taxpayers on delayed refunds; however, there is no cited case of taxpayers claiming interest payment.

**The Tax Code sets a 60-day timeline for VAT refund, but there is no monitoring to assess performance based on a 30-day benchmark.** The refund claims are received by the territorial tax offices. The STS headquarters only monitors the number of days taken to process refund claims from the day received from territorial tax offices till submission of payment registry to the MoF (Table 13 in Attachment III). The procedure for paying VAT refunds is regulated by a Joint Order of the MoF and STS No. 39 of March 3, 2009. The refunds are paid by the Treasury per the payment registry submitted by the STS. According to the Treasury (MoF), STS and territorial tax office officials, the refund process takes on average 15-20 days for companies included in the list of those only audited once a year, 25-45 days for companies not included in this list, and 30-45 days for companies with refund claim higher than KGS 300,000. No systematic monitoring of the amount of time taken to process the claim from submission to payment is undertaken. Hence, Table 13 of Attachment III was not filled.

*The STS disagrees with the scoring of this dimension considering the fact that the Kyrgyz Republic Tax Code provides for the 60-day timeline for VAT refunds. However, based on the evidence collected during the in-country phase, the assessment team's view is that the requirements for a higher score for this dimension are not met according to the 30-day TADAT Field Guide benchmark of international good practice.*

## **I. POA 9: Accountability and Transparency**

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

Four performance indicators are used to assess POA 9:

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

### P9-25: Internal assurance mechanisms

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

**Table 26. P9-25 Assessment**

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

**Although the STS has an internal audit function, there are no audits of the IT system and taxpayer database.** The internal audit function is assigned to the Internal Audit Unit in the Internal Audit Department. The Internal Audit Department reports to the STS Chairman. The Internal Audit Unit implements its activities through an annual work plan and a strategic audit plan which are approved by the STS Chairman and agreed with and monitored by the MoF. The annual plan covers the core STS business processes and financial reports. However, there is no evidence of audit trails of user access, as well changes made to taxpayer data in the IT system. The STS report on the implementation of the annual internal audit work plan is submitted to the MoF annually. The internal audits are conducted according to a Methodology for Internal Audit Procedures approved by the STS Chairman. This methodology is available on the STS website. Upon the completion of each internal audit, the Internal Audit Unit prepares a report with recommendations that are assigned to appropriate departments and staff by a decision of the STS Chairman for implementation. The Internal Audit Unit is tasked with monitoring implementation of the recommendations and each department submits a performance report. The STS internal auditors are trained by outsourced training programs on a regular basis. There is no independent review of internal audit operations.

**Staff integrity assurance mechanisms are in place.** The STS has an Anti-Corruption Unit within the Internal Audit Department which, however, reports directly to the STS State Secretary and comprises four investigators. This unit is responsible for the following: (i) an internal investigation of taxpayers' complaints on wrongdoing and violation of taxpayers' rights (155 cases received in 2015); (ii) implementation of an anticorruption plan; (iii) development of standards for ethical and anticorruption behavior; and (iv) cooperation with governmental bodies responsible for anticorruption policy, such as the Anticorruption Office, the Government Apparatus and the Public Prosecution Office. The Anti-Corruption Unit maintains statistics on staff integrity and these statistics are made public through press

releases on the STS website <http://sti.gov.kg/news/2014/07/07/glava-gns-v-intervyu-vb-rasskazal-o-planah-borby-s-korrupcie-i-v-vedomstve-i-tenevym-sektorom-ekonomiki>.

#### P9-26: External oversight of the tax administration

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

**Table 27. P9-26 Assessment**

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

**The external review of the STS operational performance is conducted, however results are not publicly available.** The external review of internal audits is assigned to the MoF, though no reviews have been conducted to-date. The Chamber of Accounts (Supreme Audit Institution) performs external audits of the STS on the annual basis. These audits cover the accuracy of financial statements and the alignment of the IT system and core business processes with the current legislation, as well as data security. The STS submits a report on the implementation of recommendations resulting from audit findings to the Chamber of Accounts. Audit findings are published on the website of the Chamber of Accounts; however, responses or the implementation of the recommendations by the STS are not made public.

**There is no independent tax ombudsman or equivalent institution.** According the provisions of the Law on Public Councils in Governmental Institutions of the Kyrgyz Republic, the Public Council is established within the STS. The regulation of cooperation between the Public Council and the STS was approved by the Order of the STS Chairman. Neither the above mentioned law, nor the regulation defines responsibilities or functions equivalent to a tax ombudsman. Nevertheless, taxpayers' complaints are reviewed and investigated by several governmental bodies that include: The Anticorruption Office, the Government Apparatus, and the Public Prosecution Office. Findings of the external anticorruption bodies are reported to the STS. The STS has an Anticorruption Committee that is responsible for monitoring the implementation of anticorruption policy and corruption mitigation interventions.

### P9-27: Public perception of integrity

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

**Table 28. P9-27 Assessment**

Measurement Dimensions	Scoring Method	Score 2016
P9-27. The mechanism for monitoring public confidence in the tax administration.	<b>M1</b>	<b>C</b>

**Independent party surveys are conducted once every two years to monitor trends in public confidence of the tax administration; but there is no evidence of the systematic use of survey results in planning STS operations.** The independent third party contracted by the IFC carried out a survey on the performance of tax administration and taxpayers' perceptions of tax environment every two years as noted earlier. To conduct the survey, a sample was stratified by the following criteria: region, activity area, size based on annual turnover and taxation regime. Taxpayers were randomly selected for the survey purposes. The results of the survey were made public within six months of the completion of the survey through press releases on the STS website. There is no evidence that the STS uses the survey results in the strategic planning or operational planning processes.

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

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

**Table 29. P9-28 Assessment**

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

**The STS financial and operational performance reports are made public.** The implementation reports for the STS Development Strategy, the Annual Business Plan, the Budget Revenue Plan as well as the STS financial statement are submitted to the GoKR, the MoE and the MoF on a regular basis. These reports are made available on the STS website within six months after the end of a fiscal year.

**The future plans of the STS are made public in a limited scope and with delay.** The STS Development Strategy for 2015-2017 is available on the STS website, while the Annual Business Plan is not public. The STS Development Strategy for 2015-2017 was approved by the GoKR on April 29, 2015 and published on the STS website on May 7, 2015. Thus it was made public after three months of the commencement of the period covered by the Strategy. It is worth mentioning that the draft STS Development Strategy for 2015-2017 was published on the STS website in December 2014. The STS annual plans are not available publicly in full, as press releases of the STS Chairman published on the STS website describe only the main planned activities of the STS.

*The STS disagrees with the scoring of this dimension since the STS Development Strategy for 2015-2017 was approved by the Government of the Kyrgyz Republic on April 29, 2015 and was transmitted to the STS for implementation on May 4, 2015. The STS published the approved Strategy on May 7, 2015. The assessment team acknowledges the fact that the decision-making timeline of the GoKR is beyond the STS' authority. However, the TADAT framework provides a standardized assessment of a country's tax administration system in the context of international good practice. In addition, the assessment team considers that, based on the evidence collected during and after the in-country phase, the requirement of a full public disclosure of the STS annual business plans, including not only objectives but also specific activities and performance targets, is lacking according to the TADAT Field Guide.*



## Attachment I. TADAT Framework

### Performance outcome areas

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

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



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

### **Indicators and associated measurement dimensions**

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

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

### **Scoring methodology**

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

Each of TADAT's 47 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

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

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

## Attachment II. Kyrgyz Republic: Country Snapshot

Geography	<ul style="list-style-type: none"> <li>Landlocked and largely mountainous; 7 percent of the land area is arable; the country's natural resources - minerals (mainly gold) and water for hydropower generation.</li> </ul>
Population	<ul style="list-style-type: none"> <li>5.93 million in 2015<sup>14</sup></li> </ul>
Adult literacy rate	<ul style="list-style-type: none"> <li>99.5 percent in 2014<sup>15</sup></li> </ul>
Gross domestic product	<ul style="list-style-type: none"> <li>nominal GDP: KGS 423.6 billion (Source: National Statistic Committee)</li> </ul>
Per capita GDP	<ul style="list-style-type: none"> <li>US\$ 1,170 in 2015<sup>16</sup></li> </ul>
Main industries	<ul style="list-style-type: none"> <li>Metal production (gold)</li> <li>Food</li> <li>Hydroelectricity</li> </ul>
Communications	<ul style="list-style-type: none"> <li>Internet users per 100 people: 28.3 (2014)<sup>17</sup></li> <li>Mobile phone subscribers per 100 people: 134.5 (2014)<sup>18</sup></li> </ul>
Main taxes	<ul style="list-style-type: none"> <li>CIT, PIT, VAT</li> </ul>
Tax-to-GDP	<ul style="list-style-type: none"> <li>12.4 percent in 2015, excluding customs tax collections (17.4 percent including customs)<sup>19</sup></li> </ul>
Number of taxpayers	<ul style="list-style-type: none"> <li>CIT (74,002); PAYE (104,432), PIT (180,927), VAT (8,960), and domestic excise taxes (48)</li> </ul>
Main collection agency	<ul style="list-style-type: none"> <li>State Tax Service</li> </ul>
Number of staff in the main collection agency	<ul style="list-style-type: none"> <li>2256 staff (including 201 staff at HQ)</li> </ul>
Financial Year	<ul style="list-style-type: none"> <li>Calendar year.</li> </ul>

<sup>14</sup> Source: <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>

<sup>15</sup> Source: <http://databank.worldbank.org/data/reports.aspx?source=education-statistics--all-indicators>

<sup>16</sup> Source: World Bank, WDI, Atlas Method

<sup>17</sup> Source: <http://databank.worldbank.org/data/reports.aspx?source=millennium-development-goals#>

<sup>18</sup> Ibidem.

<sup>19</sup> Source: State Statistics Committee

## Attachment III. Data Tables

Table 1. Tax Revenue Collections

Indicators	2013	2014	2015
Thousands of KGS			
<b>Budgeted tax revenue target</b>	<b>92,593,677.8</b>	<b>100,657,000.0</b>	<b>104,952,519.4</b>
<b>Total tax revenue collections</b>	<b>72,842,388.5</b>	<b>82,639,132.3</b>	<b>84,655,200.5</b>
Tax revenue collections by State Tax Service	35,884,027.1	40,053,007.0	52,623,837.9
PIT	6,336,845.6	7,133,432.7	7,802,363.8
CIT	5,475,750.4	5,708,508.1	5,822,889.4
VAT - gross domestic collections	8,034,307.3	8,783,815.7	13,908,508.2
VAT - refunds approved and paid	-699,702.4	-749,962.3	-1,074,550.8
Social contribution collections	0	0	0
Other domestic taxes	16,037,123.8	18,427,250.6	20,478,601.1
Tax revenue collections by State Customs Service	36,958,361.4	42,586,125.3	32,031,362.5
VAT - collected on imports	22,048,869.0	23,879,587.4	19,312,330.6
Excises - collected on imports	3,023,271.4	4,935,450.4	3,034,746.1
Other customs duties	11,886,221.0	13,771,087.6	9,684,285.8
In percent of total tax revenue collections			
<b>Total tax revenue collections</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Tax revenue collections by State Tax Service	49.3	48.5	62.2
PIT	8.7	8.6	9.2
CIT	7.5	6.9	6.9
VAT - gross domestic collections	11.0	10.6	16.4
VAT - refunds approved and paid	-1.0	-0.9	-1.3
Social contribution collections	0	0	0
Other domestic taxes	22.0	22.3	24.2
Tax revenue collections by State Customs Service	50.7	51.5	37.8
VAT - collected on imports	30.3	28.9	22.8
Excises - collected on imports	4.2	6.0	3.6
Other customs duties	16.3	16.7	11.4
In percent of GDP			
<b>Total tax revenue collections</b>	<b>20.5</b>	<b>20.6</b>	<b>20.0</b>
Tax revenue collections by State Tax Service	10.1	10.0	12.4
PIT	1.8	1.8	1.8
CIT	1.5	1.4	1.4
VAT - gross domestic collections	2.3	2.2	3.3
VAT - refunds approved and paid	-0.2	-0.2	-0.3
Social contribution collections	0	0	0
Other domestic taxes	4.5	4.6	4.8
Tax revenue collections by State Customs Service	10.4	10.6	7.6
VAT - collected on imports	6.2	6.0	4.6
Excises - collected on imports	0.9	1.2	0.7
Other customs duties	3.3	3.4	2.3
<i>Nominal GDP in local currency (thousands)</i>	<i>355,294,800.0</i>	<i>400,694,000.0</i>	<i>423,635,500.0</i>
Note: This table includes data in respect of all domestic tax revenues collected by the State Tax Service and the State Customs Service. The final budgeted tax revenue target, as adjusted through a midyear review process, is set by the MoF. 'Other domestic taxes' includes, for instance, property taxes, natural resource use taxes and others. Explanatory notes: 1 This table gathers data for three fiscal years (e.g. 2013-15) in respect of all domestic tax revenues collected by the tax administration at the			

national level, plus VAT and Excise tax collected on imports by the customs and/or other agency.

2 This forecast is normally set by the Ministry of Finance (or equivalent) with input from the tax administration and, for purposes of this table, should only cover the taxes listed in the table. The final budgeted forecast, as adjusted through any mid-year review process, should be used.

3 Other domestic taxes collected at the national level by the tax administration include, for example, property taxes, financial transaction taxes, and environment taxes.

**Table 2. Movements in the Taxpayer Register in 2013-2015**

TYPE OF TAX	Active [A]	Inactive (not yet deregistered) [B] in the year	Total end-year position [A+B]	Percentage of inactive (not yet deregistered) [B]/[A+B] (%)	Deregistered during the year
<b>2013</b>					
Corporate income tax	20,339	38,034	58,373	65.2	-
Personal income tax	127,058	-	127,058	-	-
PAYE withholding (number of employers)	47,197	45,611	92,808	49.1	-
Value Added Tax	7,549	783	8,332	9.4	-
Domestic excise tax	48	-	48	-	-
Other taxpayers (natural resources, non-agriculture, environment, annual business license)	243,097	217,973	461,070	47.3	-
<b>2014</b>					
Corporate income tax	21,194	48,769	69,963	69.7	-
Personal income tax	138,892	-	138,892	-	-
PAYE withholding (number of employers)	50,243	50,544	100,787	50.1	-
Value Added Tax	7,625	783	8,408	9.3	-
Domestic excise tax	48	-	48	-	-
Other taxpayers (natural resources, non-agriculture, environment, annual business license)	281,517	198,334	479,851	41.3	-
<b>2015</b>					
Corporate income tax	22,019	51,983	74,002	70.2	-
Personal income tax	180,927	-	180,927	-	-
PAYE withholding (# of employers)	49,302	55,130	104,432	52.8	-
Value Added Tax	8,470	490	8,960	5.5	-
Domestic excise tax	47	1	48	2.1	-
Other taxpayers (natural resources, non-agriculture, environment, annual business license)	297,744	226,580	524,324	43.2	-
Note: Column deregistered during the year is not filled as the IT system ISNAK does not have functionality to archive registration data file of a taxpayer. Explanatory Note: 'Active' taxpayers means registrants from whom tax declarations (returns) are expected (i.e. 'active' taxpayers exclude those who have not filed a declaration within at least the last year because the case is defunct (e.g., a business taxpayer has ceased trading or an individual is deceased, the taxpayer cannot be located, or the taxpayer is insolvent)).					

**Table 3. Telephone Enquiries in 2015**

Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
January	2,415	2,399	99.3
February	5,125	5,079	99.1
March	6,452	6,388	99.0
April	2,469	2,457	99.5
May	1,737	1,732	99.7
June	2,137	2,129	99.6
July	2,508	2,501	99.7
August	6,674	6,614	99.1
September	6,690	6,617	98.9
October	7,293	7,199	98.7
November	4,568	4,532	99.2
December	4,678	4,650	99.4
<b>Total</b>	<b>52,746</b>	<b>52,297</b>	<b>99.1</b>

Note: press releases on Call Center performance:

<http://sti.gov.kg/news/2016/02/15/v-2015-godu-v-call-centr-gns-obratilis-bolee-52-tsyachi-nalogoplatelshikov>

<http://sti.gov.kg/news/2015/03/25/70-procentov-nalogoplatelshikov-obratilis-v-call-centr-gns-po-voprosam-end>

Other sources on call center performance:

<http://www.sti.gov.kg/STSDocuments/OtchetORaboteGNS2016.pdf>

**Table 4. On-time Filing of CIT Declarations in 2015**

	Number of declarations filed on-time	Number of declarations expected to be filed <sup>20</sup>	On-time filing rate (%)
All CIT taxpayers	35,431	46,044	77.0
Large taxpayers only	298	337	88.4

Explanatory notes:

<sup>1</sup> '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).

<sup>2</sup> 'Expected declarations' means the number of CIT declarations that the tax administration expected to receive from registered CIT taxpayers that were required by law to file declarations.

<sup>3</sup> 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:

*Number of CIT declarations filed by the due date* x 100

*Number of declarations expected from registered CIT taxpayers*

**Table 5. On-time Filing of PIT Declarations in 2015**

	Number of declarations filed on-time	Number of declarations expected to be filed <sup>21</sup>	On-time filing rate (%)
All PIT taxpayers	No data available	No data available	No data available

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<sup>20</sup> The number of declarations expected is not related to number of active taxpayers due to problems with definition of active taxpayers. See POA 4 for explanation.

<sup>21</sup> The number of declarations expected is not related to number of active taxpayers due to problems with definition of active taxpayers. See POA 4 for explanation.



**Table 6. On-time Filing of VAT Declarations – All Taxpayers in 2015**

Month	Number of declarations filed on-time	Number of declarations expected to be filed	On-time filing rate (%)
January	5,833	7,624	76.5
February	5,892	7,368	80.0
March	6,068	7,735	78.4
April	6,155	7,821	78.7
May	6,158	7,805	78.9
June	6,251	7,836	79.8
July	6,292	8,259	76.2
August	6,815	8,208	83.0
September	6,714	8,251	81.4
October	6,662	8,311	80.2
November	6,625	7,883	84.0
December	6,753	8,470	79.7
<b>12-month total</b>	<b>76,218</b>	<b>95,571</b>	<b>79.8</b>

Explanatory notes:

<sup>1</sup> '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).

<sup>2</sup> '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.

<sup>3</sup> 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:

$\text{Number of VAT declarations filed by the due date} \times 100$

$\text{Number of VAT declarations expected from registered VAT taxpayers}$

**Table 7. On-time Filing of VAT Declarations – Large Taxpayers Only in 2015**

Month	Number of declarations filed on-time	Number of declarations expected to be filed	On-time filing rate (%)
January	291	299	97.3
February	291	299	97.3
March	291	299	97.3
April	291	299	97.3
May	291	299	97.3
June	291	299	97.3
July	290	299	97.0
August	290	299	97.0
September	289	299	96.6
October	288	299	96.3
November	288	299	96.3
December	287	297	96.0
12-month total	<b>3,478</b>	<b>3,586</b>	<b>96.9</b>

Explanatory notes:

<sup>1</sup> '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).

<sup>2</sup> '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.

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

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

**Table 8. On-time Filing of PAYE Withholding Declarations  
(Filed by Employers) in 2015**

Month	Number of declarations filed on-time	Number of declarations expected to be filed	On-time filing rate (%)
January	43,636	53,201	82.1
February	43,680	47,895	91.1
March	44,001	51,748	85.0
April	44,254	52,857	83.7
May	44,155	48,504	91.0
June	44,330	49,612	89.3
July	16,609	23,045	72.1
August	15,415	19,794	77.8
September	41,944	43,165	97.1
October	14,868	19,671	75.5
November	14,843	19,671	75.5
December	49,302	54,350	80.7
<b>12-month total</b>	<b>417,037</b>	<b>483,513</b>	<b>86.2</b>

Explanatory notes:

<sup>1</sup> '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).

<sup>2</sup> '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.

<sup>3</sup> 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:

$$\frac{\text{Number of PAYE withholding declarations filed by the due date}}{\text{Number of PAYE withholding declarations expected from registered employers}} \times 100$$

**Table 9. Use of Electronic Services in 2013-2015**

Indicators	2013	2014	2015
	Electronic filing (In percent of all declarations filed for each tax type)		
CIT	0.21	8.68	10.08
PIT	0.16	8.51	9.74
VAT	0.58	18.09	12.74
PAYE withholding (declarations)	1.56	0.27	0.93
	Electronic payments (In percent of total number of payments received for each tax type)		
CIT	100	100	100
PIT	100	100	100
VAT	100	100	100
PAYE withholding (declarations)	100	100	100

Explanatory notes:

<sup>1</sup> 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.

<sup>2</sup> For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.

<sup>3</sup> Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made. For TADAT measurement purposes, payments made in-person by a taxpayer to a third party agent (e.g., a bank or post office) that are then electronically transferred by the agent to the Treasury account are accepted as electronic payments.

**Table 10. VAT Payments Made in 2015**

	VAT payments made on-time	VAT payments due	On-time payment rate (%)
Number of payments	32,505	36,139	89.9
Value of payments (VND)	9,173,343.0	9,216,368.7	99.5

Explanatory notes:

<sup>1</sup> '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).

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

<sup>3</sup> 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:  $\frac{\text{Value of VAT payments made by the due date}}{\text{Total value of VAT payments due}} \times 100$

**Table 11. Value of Tax Arrears in 2013-2015**

Indicators		2013	2014	2015
		Thousand KGS		
Total core taxes collected for the fiscal year (from table 1) <b>(A)</b>		41,895,772.3	45,505,343.8	46,846,092.0
Total core tax arrears at end of fiscal year <b>(B)</b>		867,681.5	732,540.5	800,983.5
	<i>Of which: Collectible <b>(C)</b></i>	601,614.3	461,642.1	523,014.1
	<i>Of which: More than 12 months' old <sup>(1)</sup> <b>(D)</b></i>	299,312.5	157,596.1	369,694.4
		In percent		
Ratio of (B) to (A)		2.1	1.6	1.7
Ratio of (C) to (A)		1.4	1.0	1.1
Ratio of (D) to (B)		34.5	21.5	46.2

Explanatory notes:

<sup>1</sup> 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).

<sup>2</sup> 'Total core tax arrears' include tax, penalties, and accumulated interest.

<sup>3</sup> '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).

i.e.  $\frac{\text{Value of total core tax arrears at end of fiscal year (B)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$

i.e.  $\frac{\text{Value of collectible core tax arrears at end of fiscal year (C)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$

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

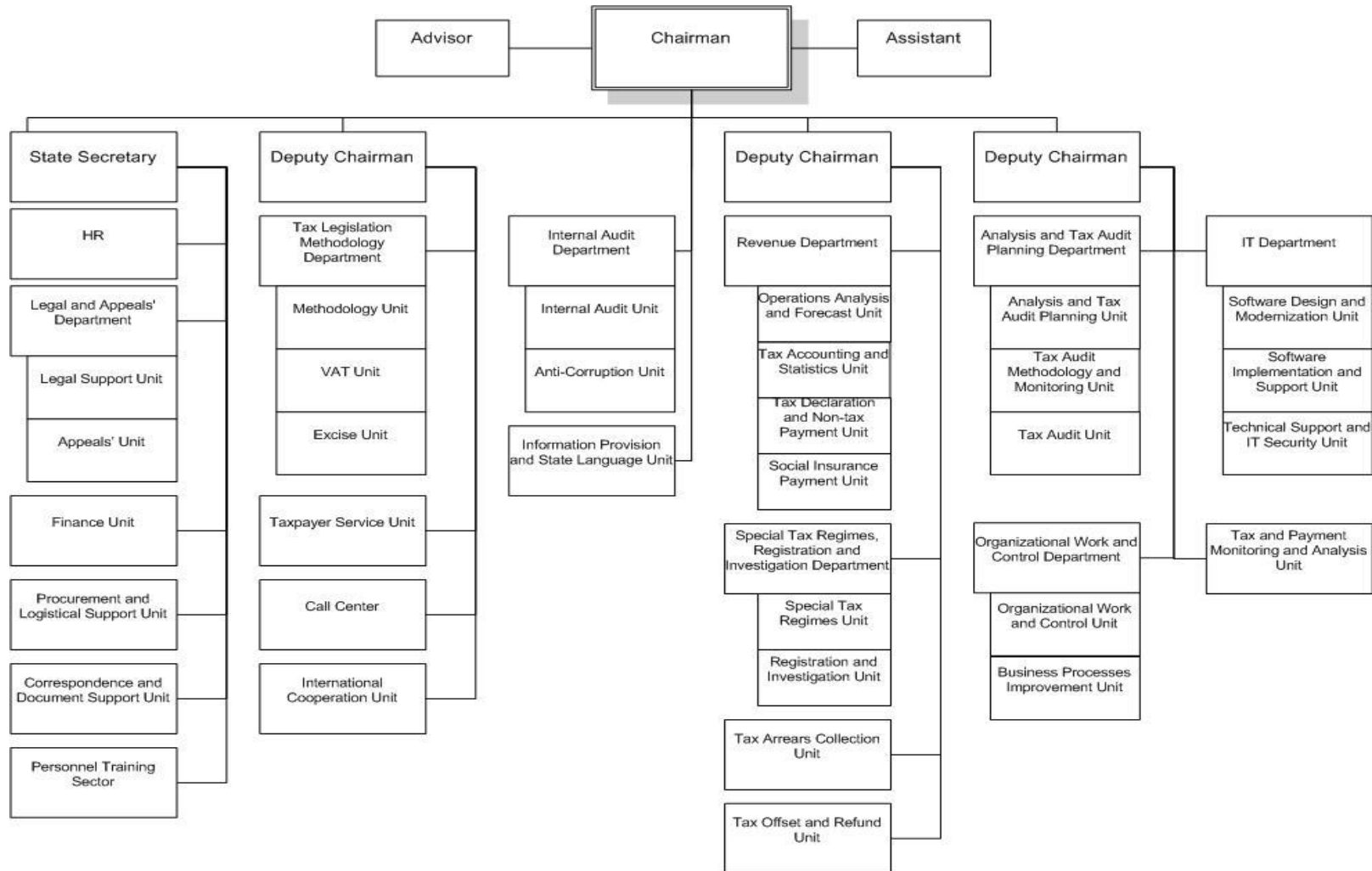
**Table 12. Tax Dispute Resolution in 2015**

Month	Total number finalized	Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
		Number	Ratio	Number	Ratio	Number	Ratio
January	34	30	88.2	1	2.9	3	8.8
February	36	25	69.4	4	11.1	7	19.4
March	26	19	73.1	2	7.7	5	19.2
April	32	24	75.0	2	6.3	6	18.8
May	25	16	64.0	0	0.0	9	36.0
June	39	30	76.9	5	12.8	4	10.3
July	52	45	86.5	3	5.8	4	7.7
August	29	27	93.1	2	6.9	0	0.0
September	23	23	100.0	0	0.0	0	0.0
October	20	19	95.0	1	5.0	0	0.0
November	26	24	92.3	2	7.7	0	0.0
December	28	17	60.7	4	14.3	7	25.0
<b>12-month total</b>	<b>370</b>	<b>299</b>	<b>80.8</b>	<b>26</b>	<b>7.0</b>	<b>45</b>	<b>12.2</b>

**Table 13. VAT refunds**

Indicators		Number of cases	Value in local currency
Total VAT refund claims received <b>(A)</b>		Data not provided	Data not provided
Total VAT refunds paid <sup>1</sup>			
	Of which: paid within 30 days <b>(B)</b> <sup>2</sup>		
	Of which: paid outside 30 days		
Total VAT refund claims declined <sup>3</sup>			
	Of which: declined within 30 days <b>(C)</b>		
	Of which: declined outside 30 days		
Total VAT refund claims not processed <sup>4</sup>			
	Of which: no decision taken to decline refund		
	Of which: approved but not yet paid or offset		
In percent			
Ratio of (B+C) to (A) <sup>5</sup>			
<p><b>Explanatory note:</b></p> <p><sup>1</sup> Include all refunds paid, as well as refunds offset against other tax liabilities.</p> <p><sup>2</sup> TADAT measures performance against a 30-day standard.</p> <p><sup>3</sup> 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).</p> <p><sup>4</sup> 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.</p> <p><sup>5</sup> i.e. <math>\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</math></p>			

### Attachment IV. Organizational Chart





### Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	<ul style="list-style-type: none"> <li>GoKR Decree on Procedures for Tax Administration No. 144 of April 7, 2011</li> <li>STS Form No. DOC STI-163 for registration of a taxpayer</li> <li>STS Form No. DOC STI-003 for registration of a VAT taxpayer</li> <li>STS Form No. DOC STI-005 for deregistration for VAT</li> <li>STS Form No. DOC STI-157 for a taxpayer request to be classified in a certain taxpayer segment</li> <li>STS Form No. DOC STI-158 for decision on classifying a taxpayer according to a certain taxpayer segment</li> <li>STS Form No. DOC STI-159 for decision on changing classification of a taxpayer according to a certain taxpayer segment</li> <li>Taxpayer registration details in the IT system (STS Form No. FORM STI-024)</li> <li>Report on the number of searched and deregistered taxpayers in 2015</li> </ul>
P1-2. Knowledge of the potential taxpayer base.	<ul style="list-style-type: none"> <li>Agreement about exchange of information with the Customs Agency as an example</li> <li>Report table on detected unregistered taxpayers</li> <li>Field observations of the team at the Oktyabrsky Territorial Tax Office</li> </ul>
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<ul style="list-style-type: none"> <li>Tax Code, Article 101</li> <li>Agreement about exchange of information with the Customs Agency</li> <li>STS analytical report of budget revenue for 2015</li> <li>STS report on tax compliance in catering business in 2016</li> <li>STS report on tax compliance in skiing tourism business in 2016</li> <li>STS letter No. 1076 of November 11, 2015</li> <li>Analytical report 24-H</li> <li>The presentation of research results on shadow economy, MoE website</li> <li>2012 Tax Compliance Cost Survey;</li> <li>2014 Tax Compliance Cost Survey;</li> <li>STS Annual Business Plan for 2015</li> <li>STS Development Strategy for 2015-2017</li> <li>STS Plan of Measures to Increase State Tax Revenue for 2016</li> </ul>
P2-4. Mitigation of risks through a compliance improvement plan.	<ul style="list-style-type: none"> <li>STS Development Strategy for 2015-2017</li> <li>2015 Annual Report on Implementation of the STS Development Strategy for 2015-2017</li> <li>STS Annual Business Plan for 2015</li> <li>Report on Implementation of the STS Annual Business Plan for 2015</li> </ul>

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> <li>• STS Plan on Measures to Increase State Budget Revenue for 2016</li> <li>• Report on Implementation of the STS Plan on Measures to Increase State Budget Revenue in 2016</li> </ul>
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<ul style="list-style-type: none"> <li>• STS Development Strategy for 2015-2017</li> <li>• 2015 Annual Report on Implementation of the STS Development Strategy for 2015-2017</li> <li>• Report on Implementation of the STS Plan of Measures to Increase State Budget Revenue in 2016</li> <li>• STS Letter No.03-1-5/ 1218 of January 29, 2016</li> <li>• STS Letter No.05-01-8/12608 of April 15, 2016</li> </ul>
P2-6. Identification, assessment, and mitigation of institutional risks.	<ul style="list-style-type: none"> <li>• User Manual of Automated Information Systems as of January 13, 2009</li> <li>• STS Decree No. 56-X on Fire Protection as of November 16, 2015</li> </ul>
P3-7. Scope, currency, and accessibility of information.	<ul style="list-style-type: none"> <li>• Taxpayer Charter</li> <li>• STS order No. 151 of June 20, 2016 on Informational Support for the STS website</li> <li>• Rules on information update of the STS website</li> <li>• Picture of brochures on various tax issues</li> <li>• Press release of May 23, 2016 with comments on CIT and VAT exemptions for specialized enterprises; press release of June 17, 2016 on approval of a new form for annual tax declaration; press release of June 27, 2016 on changes in reporting for taxpayers producing alcohol products; press release of June 28, 2016 on changes in reporting on indirect taxes</li> <li>• STS order No. 24 of January 20, 2015 on the STS Media Plan for 2015</li> <li>• STS Development Strategy for 2015-2017</li> <li>• STS Order No. 48 of February 20, 2015 establishing a schedule of workshops for taxpayers on annual tax declaration campaign for 2014</li> <li>• STS Order No. 322 of November 20, 2015 on annual tax declaration campaign for 2015</li> <li>• Press release of September 9, 2015 on workshops conducted for large taxpayers on issues related to EEU</li> <li>• STS Order No. 78 of March 24, 2015 on schedule of workshops for taxpayers on the law application in EEU</li> <li>• STS Order No. 96 of April 6, 2015 establishing a schedule of workshops for taxpayers on the law application in EEU</li> <li>• Taxpayer letter to MoE to provide explanation on various tax issues</li> <li>• Service Delivery Standard for a one stop shop in a territorial (local) tax office approved by the STS Order No. 161 on July 17, 2014</li> </ul>

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> <li>• STS Order No. 119 of May 17, 2016 on a doors open day for university students and general public</li> <li>• Field visit observations</li> <li>• STS order No. 138 of May 18, 2016 on a doors open day</li> <li>• Press release of May 24, 2016 on a doors open day</li> <li>• Letter to all territorial (local) tax offices of October 12, 2015 with request to conduct seminars on tax literacy in schools</li> <li>• Data from Attachment III, Table 3</li> <li>• Regulation on a call center</li> </ul>
P3-8. Scope of initiatives to reduce taxpayer compliance costs.	<ul style="list-style-type: none"> <li>• GoKR Resolution No. 609 of November 11, 2013 on simplified accounting for small and medium enterprises</li> <li>• Pictures of Taxpayer Inbox observations</li> <li>• List of Cooperation Agreements signed by the STS</li> <li>• STS Cooperation Agreement with the MoE</li> <li>• GoKR Resolution No. 763 of November 10, 2015 on a pilot for transferring administration of social insurance payments in two districts</li> <li>• Amendments to Law No. 115 as of May 22, 2015 on transferring registration of individual entrepreneurs from the National Statistical Committee to the STS</li> </ul>
P3-9. Obtaining taxpayer feedback on products and services.	<ul style="list-style-type: none"> <li>• 2012 Tax Compliance Cost Survey (in Russian and English), World Bank Group/IFC.</li> <li>• 2014 Tax Compliance Cost Survey (in Russian and English), World Bank Group/IFC.</li> <li>• 2013 Taxpayer Perception Survey (in Kyrgyz), Asian Development Bank.</li> <li>• 2013 Taxpayer Perception Survey (summary in Russian), Asian Development Bank.</li> <li>• STS Order No. 127 of June 1, 2016 approving a taxpayer survey on service delivery quality of tax bodies</li> <li>• MoE Order No. 250 of October 27, 2015 on the Methodological Council for Coordination of Fiscal Policy; MoE Order No. 46 of February 25, 2016 on members of the Methodological Council for Coordination of Fiscal Policy</li> <li>• Annual report of the Taxpayer Service Unit on information service provision in 2015 and a sample report provided to HQ by a territorial (local) tax office</li> <li>• Two Cooperation agreements with business associations</li> <li>• Example of STS work on taxpayer feedback with respect to cameral control procedures</li> </ul>
P4-10. On-time filing rate.	<ul style="list-style-type: none"> <li>• Data from Attachment III, Table 4-8</li> <li>• Decree of the STS No. 287 of December 17, 2014 on Action Plan for Declaration Campaign</li> </ul>

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> <li>• Tax Code, Articles 22, 212</li> </ul>
P4-11. Use of electronic filing facilities.	<ul style="list-style-type: none"> <li>• Data from Attachment III, Table 9</li> <li>• Field observations of the team at the Large Taxpayer Office and the Oktyabrsky Territorial Tax Office</li> </ul>
P5-12. Use of electronic payment methods.	<ul style="list-style-type: none"> <li>• Data from Attachment III, Table 9</li> <li>• Field observations of the team at the Large Taxpayer Office and the Oktyabrsky Territorial Tax Office</li> </ul>
P5-13. Use of efficient collection systems.	<ul style="list-style-type: none"> <li>• Tax Code, Articles 32, 92</li> <li>• Field observations of the team at the Large Taxpayer Office and the Oktyabrsky Territorial Tax Office</li> <li>• Interviews with the STS staff</li> </ul>
P5-14. Timeliness of payments.	<ul style="list-style-type: none"> <li>• Data from questionnaire-Attachment III, Table 10</li> <li>• Interviews with the STS staff</li> </ul>
P5-15. Stock and flow of tax arrears.	<ul style="list-style-type: none"> <li>• Data Attachment III, Table 11</li> <li>• Decree of the STS No. 148 of May 26, 2015 on Campaign for Reduction of Arrears</li> <li>• GoKR Resolution No. 144 of April 7, 2011 on Arrears Collection Procedure</li> </ul>
P6-15. Scope of verification actions taken to detect and deter inaccurate reporting.	<ul style="list-style-type: none"> <li>• STS Order No. 156 of December 31, 2008 on Methodological Instructions of Tax Audit Planning</li> <li>• STS Order No. 271 of October 01, 2015 on Methodological recommendations to conduct desk audit</li> <li>• STS Order No. 334 of November 30, 2015 on Methodological recommendations to conduct audit</li> <li>• GoKR Resolution No. 818 of December 29, 2009 on Methodology to estimate tax liability using indirect methods</li> <li>• STS Audit Plan for the second quarter of 2015</li> <li>• User Manual for the IT Program “Audit”</li> <li>• Architecture of the IT Program “Audit”</li> <li>• List of risk criteria used in the IT program “Audit”</li> <li>• Screenshots of the IT program “Audit” from field observations</li> </ul>
P6-17. Extent of proactive initiatives to encourage accurate reporting.	<ul style="list-style-type: none"> <li>• Tax Code, Article 18</li> <li>• STS Agreement with the Business Association of 21, 2015</li> <li>• STS Agreement with the National Alliance Business of November 12, 2015</li> </ul>

Indicators	Sources of Evidence
P6-18. Monitoring the extent of inaccurate reporting.	<ul style="list-style-type: none"> <li>• STS report on tax compliance in catering business, 2016</li> <li>• STS report on tax compliance in skiing tourism business, 2016</li> <li>• STS Letter No. 1076 of November 11, 2015</li> </ul>
P7-19. Existence of an independent, workable, and graduated dispute resolution process.	<ul style="list-style-type: none"> <li>• Tax Code, Articles 146-152</li> <li>• STS Decree No. 35 on dispute resolution procedures</li> <li>• Form No. AUDIT STI-003 for audit finalization (in the IT system)</li> <li>• Form No. AUDIT STI-009 for a notice of assessment (in the IT system)</li> <li>• Form No. APPEAL STI-001-001 for a log of correspondence on a taxpayer's complaint (in the IT system)</li> </ul>
P7-20. Time taken to resolve disputes.	<ul style="list-style-type: none"> <li>• Table 12 in Attachment III</li> <li>• Interviews with the STS staff</li> </ul>
P7-21. Degree to which dispute outcomes are acted upon.	<ul style="list-style-type: none"> <li>• Report on Implementation of the STS Annual Plan for 2015</li> <li>• STS Order No. 70 of March 30, 2016 on establishing a Working Group for Improving the Effectiveness of Tax Administration</li> <li>• Examples of letters about adjustments needed</li> <li>• Example of a proposal for amending the Tax Code</li> </ul>
P8-22. Contribution to government tax revenue forecasting process.	<ul style="list-style-type: none"> <li>• Table on tax revenue forecast</li> <li>• Monitoring report on tax revenue forecast and actual collections for January-May 2016</li> <li>• Monitoring report on tax revenue estimates quarterly and monthly</li> <li>• Monitoring report on actual CIT collections by territorial (local) tax offices in the first quarter of 2016</li> <li>• Example of the STS Order on follow up actions to meet tax collection targets in the second quarter of 2015</li> </ul>
P8-23. Adequacy of the tax revenue accounting system.	<ul style="list-style-type: none"> <li>• STS Order No. 66 of March 12, 2015 on procedures for revenue accounting and responsibilities of the Treasury and the STS</li> <li>• Law No. 92 of July 17, 2004 on Electronic Document and Electronic Digital Signature</li> <li>• Law No. 107 of October 8, 1999 on Information and e-Governance</li> </ul>
P8-24. Adequacy of tax refund processing	<ul style="list-style-type: none"> <li>• Tax Code</li> <li>• MoF and STS Order No. 39 of March 3, 2009</li> <li>• GoKR Resolution No. 735</li> <li>• Interviews with staff of the MoF, STS and LTO of the STS</li> </ul>
P9-25. External oversight of the	<ul style="list-style-type: none"> <li>• STS order No. 300 of October 28, 2015 on the functions of the internal audit department</li> <li>• STS letter No.16-2-2/9/4673 of April 03, 2015</li> </ul>

Indicators	Sources of Evidence
tax administration.	<ul style="list-style-type: none"> <li>• STS Order No. 92 of April 03, 2015</li> <li>• Annual Internal Audit Plan</li> <li>• Strategic Plan on Internal Audit for 2015-2017</li> <li>• STS order No. 152 of June 29, 2012 on Methodology for Internal Audit Procedures</li> <li>• Internal Audit Report (assigned by STS Order No. A-172 of October 28, 2015)</li> <li>• Report on Implementation of Recommendations of Internal Audit (STS Order No. A-172 of October 28, 2015)</li> <li>• STS order No. 7-b of January 14, 2016 on results of the internal audit</li> <li>• <a href="http://www.sti.gov.kg/taxservice/мероприятия-гнс-при-пкр-по-противодействию-коррупции">http://www.sti.gov.kg/taxservice/мероприятия-гнс-при-пкр-по-противодействию-коррупции</a></li> <li>• <a href="http://www.sti.gov.kg/taxservice/мероприятия-гнс-при-пкр-по-противодействию-коррупции/нормативно-правовые-акты">http://www.sti.gov.kg/taxservice/мероприятия-гнс-при-пкр-по-противодействию-коррупции/нормативно-правовые-акты</a></li> <li>• Code of Anticorruption Conduct of an STS Officer</li> <li>• Code of Conduct of an STS Audit Officer</li> <li>• STS order No. 131 of May 15, 2015 establishing the Anticorruption Commission</li> <li>• STS Order No. 176 of June 15, 2015 on the Functions of the Anticorruption Commission</li> <li>• Protocols of the Anticorruption Commission of June 9, 2016 and May 24, 2016</li> <li>• STS Order No. 190 of January 09, 2016 on the questionnaire of the anticorruption survey</li> <li>• Press release on the anticorruption survey results</li> <li>• <a href="http://www.sti.gov.kg/STSDocuments/Rezult_obr_grajdan_1kv2015.pdf">http://www.sti.gov.kg/STSDocuments/Rezult_obr_grajdan_1kv2015.pdf</a></li> <li>• <a href="http://www.sti.gov.kg/STSDocuments/Rezult_rass_obr_1polgod2015.pdf">http://www.sti.gov.kg/STSDocuments/Rezult_rass_obr_1polgod2015.pdf</a></li> </ul>
P9-26. Internal assurance mechanisms.	<ul style="list-style-type: none"> <li>• Report of the Chamber of Accounts No. 03-8/155 of November 20, 2015</li> <li>• STS Order No. 337 of December 2, 2015 on audit results of the Chamber of Accounts</li> <li>• STS Letter No. 16-1-6-102/13026 of April 22, 2016</li> <li>• STS Letter No. 16-1-6/220/10206 of August 07, 2015</li> <li>• Law on Public Councils in Governmental Institutions of the Kyrgyz Republic as of May 24, 2014</li> <li>• Regulation on Cooperation Between the Public Council and the STS, Order No. 1 of March 29, 2016</li> </ul>

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> <li>• Report on Audit by Chamber of Accounts <a href="http://esep.kg/audit-gosfinansov/otchety-o-rezultatax-audita/">http://esep.kg/audit-gosfinansov/otchety-o-rezultatax-audita/</a></li> </ul>
P9-27. Public perception of integrity.	<ul style="list-style-type: none"> <li>• Press release on a survey of public opinion about the STS in 2012 and 2014.</li> <li>• 2012 Tax Compliance Cost Survey, World Bank Group/IFC.</li> <li>• 2014 Tax Compliance Cost Survey, World Bank Group/IFC.</li> </ul>
P9-28. Publication of activities, results, and plans.	<ul style="list-style-type: none"> <li>• <a href="http://www.sti.gov.kg/taxservice/report-sts/2015-god">http://www.sti.gov.kg/taxservice/report-sts/2015-god</a></li> <li>• <a href="http://www.sti.gov.kg/taxservice/strategy2012-2014">http://www.sti.gov.kg/taxservice/strategy2012-2014</a></li> </ul>

