Appendix 6. Revenues and Payments Legislative and Institutional Analysis

Official information on the State budget revenues is available on the official website of the National Statistical Service of the Republic of Armenia. In particular, information on public finances is summarized in the Database-Publications-Year Books-Finances section of the website. The link

<http://armstat.am/file/doc/99499473.pdf> covers all public information on 2016 public finances. Specifically, following information on:

1) VAT,

2) Profit tax,

3) Income tax,

4) Excise tax,

5) Turnover tax,

6) Land tax and property tax,

7) fixed fees,

8) Natural resource utilization and nature protection fees,

9) Customs duty,

10) Simplified tax,

11) targeted social payments and

12) other tax revenues is shared.

The disadvantage of the website is that, for instance, full information relative to 2016 public finances is published in September-October, 2017.

Meanwhile, information on profits controlled by the tax authorities is available on the official website of the State Revenue Committee at the Government of the RA, where in section "Tax Information-Tax Statistics-Tax statistical data" table, diagrams, benchmarking analysis of profits controlled by tax authorities are reflected on monthly basis. Information on collection of 1) VAT, 2) Profit tax, 3) Income tax, 4) Excise tax, 5) Turnover tax, 6) Patent fees, 7) Fixed payments, 8) Nature protection and nature use fees, 9) Customs duties, 10) targeted social payments and 11) other tax revenues is available. For instance, the mentioned information for July, 2017 is available at

<http://www.petekamutner.am/Content.aspx?itn=tsTITaxStatData>. Information related to the large taxpayers and the amounts of taxes and duties paid thereby is also available on the official website of the State Revenue Committee at the Government of the RA. In particular, these lists include the taxpayer's name, TIN, place of location, taxes and customs paid as follows: 1) direct taxes, 2) indirect taxes, 3) fixed payments, 4) other taxes, duties and statutory charges. Most recent information shared on the official website of the State Revenue Committee at the Government of the RA relates to January-June of 2017, and can be found at <http://www.petekamutner.am/Content.aspx?itn=tsTILists>.

Information on areas of collection nature protection and nature use payments is available on the official website of the RA National Statistical Service, in section "Data base-Publications-Year books-Natural Resources and Environment", found at <http://armstat.am/file/doc/99499423.pdf>.

**Map of extra budgetary funds (revenues)**

Pursuant to Article 61 of the Mining Code, during mining contributions are made to the nature and environmental protection fund (reclamation) for restoration of lands damaged by mining activities. Resources of this fund are kept in the extra budgetary account of the competent authority of the Central Treasury of the Republic of Armenia per mining operators, in subaccounts opened for each of them in prescribed procedure.

The level of use of the Environmental protection fund and the amounts of compensation, the procedure of calculation are defined in the RA Government Decree No 1079-N, dated as of August 23, 2012.

**Map of revenues of local self-government authorities**

Official information on community budgets is available on the official website of the National Statistical Service of the Republic of Armenia, at the same link mentioned above - <http://armstat.am/file/doc/99499473.pdf>. Moreover, information on following types of revenues is presented, such as 1) Property taxes from immovable property, 2) Property taxes from other assets, 3) Fees for the license to use goods or engage in operations, 4) Other statutory charges from supply of goods and provision of services, 5) other tax revenues. As has been already mentions, the information is published in autumn of the next year.

Information on community budget revenues by Marzes and by communities is available on the official website of the RA Ministry of Territorial Administration and Development. Moreover, information pertaining to Marz and community budgets is shared in "Budgetary process-Budget revenues of RA communities" section on the official website of the RA Ministry of Territorial Administration and Development, found at <http://www.mtad.am/hy/budgetary-incomes/>. Most recent information on budget revenues of RA communities is as of 01.07.2017, and the 1) property tax, 2) land tax, 3) local duties, 4) state duties paid to the community budget and 5) other revenues collected by communities is presented.

**Supplies for infrastructure and regulations on merchandise exchange, possible actual cases**

The compulsory conditions and requirements included in mining contracts are governed by the RA Mining Code.

**Disaggregation of revenue related data (by Marzes, by companies, and by licenses)**

Pursuant to the RA Law on the Budgetary System of the Republic of Armenia, the financial resources paid to the budgets of the state and community budgets in accordance with the legislation, managed by state bodies and local self-government authorities are budgetary revenues.

Pursuant to the same law, the budgetary system of the RA is based on two-level budgets - state and community budgets. The state and community budgets are built upon unified fiscal, monetary and tax policy of the State.

Specifically, sources of state budget revenues are:

1. Tax revenues;
2. State duties;
3. Formal grants;
4. Other revenues.

Tax revenues are:

1. Value added tax;
2. Excise tax;
3. Profit tax;
4. Income tax;
5. Property tax for assets located outside the administrative territory of the community;
6. Land tax for the land outside the administrative territory of the community;
7. Fixed payments;
8. Customs duties;
9. Nature protection and nature utilization fees;
10. Road toll;
11. Statutory charge for regulation of public services;
12. Statutory charge for issuance of the radiofrequency use permit (renewal) and the statutory charge for using it;
13. Patent fees;
14. Turnover tax;
15. Targeted social payments;
16. Stamp fees;
17. Fines and penalties charged for violating the tax legislation, except for the fines and penalties charged for non-payment of taxes collected by community budgets, as per law;
18. Other tax revenues annexed to the state budget by law.
19. Revenues annexed to community budgets by law and other legal acts, including:
20. Tax revenues;
21. Duties;
22. Formal grants;
23. Other revenues.
    1. Tax revenues are:
24. local taxes:

- land tax for the land within the administrative territory of the community;

- property tax for the assets located within the administrative territory of the community;

- hotel tax;

- other local taxes annexed to community budgets by law.

c) Disbursements from other taxes and statutory charges annexed to the state budget by law (in quantities defined for each year by Law on the State Budget).

d) Fines and penalties charged from the taxpayers for detected violations of the tax legislation in the field of payments of local taxes to the community budget.

1.2. Duties are:

1. State duty charged for registering civil status acts, issuing copies of certificates to the citizens, issuing certificates in connection with making changes, supplements, corrections in the records made in the civil status acts and with restoration;
2. State duty charged for notary services provided by notary offices, issuing copies of documents ratified through notary, compiling drafts of deals and applications by mentioned bodies, getting the copies of documents and providing excerpts from those documents;
3. local duties.

1.4. Other revenues are:

1. fees charged for rental of lands owned by the community, as well as state owned lands within the administrative territory of the community or for building rights;
2. revenues from rental of property accounted on the balance of community institutions;
3. revenues from imposition of administrative sanctions by local self-government authorities for administrative offences;
4. withdrawals made by decision of the local council from the revenues disposed by organizations owned by the community;
5. local fees;
6. fees (charged) for duty collection services provided by community institutions;
7. funds given for implementation of responsibilities delegated by the State to the local self-government authorities;
8. other revenues collected by the community budget established by law and other legal acts.

It turns out that the scope of state, as well as local budget revenues, in this case - revenues from taxes, is clearly defined in the RA Law on the Budgetary System of the Republic of Armenia. As to withdrawals from other taxes and statutory charges annexed to the state budget (in quantities specified for each year by the Law on State Budget), such withdrawals were not made in recent year under the Laws on the State Budget. Authorities exercising control over the tax revenues of the state budget, as well as the community budgets are also clear. Control over collection of state budget revenues is exercised by the tax authority, while in case of collection of tax revenues of the community budget - by the community concerned. There is no system of disaggregation of data on revenues by Marzes, sectors, since pursuant to the RA Law on Budgetary System, the principle of full (gross) coverage of budget spending is one of the principles of the RA budgetary system, which means that all spending from the budget should be covered by budget revenues.

Budget revenues may not have any connection with certain spending, save for cases of targeted budget revenues, or revenues in case of establishment of targeted budgetary funds by laws. One can assume from application of the mentioned principle, that the revenues collected by the RA State Budget, in this case - the taxes, are not differentiated by organizations or by specific sectors. The same principle applies to revenues to the community budget.

Meanwhile, targeted budget revenues collected from the mining sector by RA legislation are also not separated; therefore, revenues collected from the mining sector are not accounted for separately.

Information on mining licenses granted for geological exploration for extraction and mining licenses for exploration is available on the website of the RA Ministry of Energy Infrastructures and Natural Resources, found at <http://www.minenergy.am/page/422>.

**Potential barriers for access to data on tax revenues**

Pursuant to the RA Law on Tax Service, one of functions of the tax authority is to account for revenues of the RA State and community budgets controlled by the tax authority. Such accounting is built upon data reflected in the calculation, statements submitted by taxpayers, as well as upon additional obligations proposed by audit carried out by the tax authority in the company concerned. Revenues controlled by the tax authority is the complexity of the taxes paid to the RA State and community budgets, duties and other statutory charges set by law, fines and penalties calculated for such charges in manner prescribed by law, accounting, monitoring of accounting (or) payment thereof, control over ensuring collection. All these data are reflected in "***Taxpayer 3"*** information database kept by the State Revenue Committee at the RA Government. "***Taxpayer 3****"* information database is flexible software equipped with the function of in-depth analysis and replenished with comprehensive information. In particular, the database includes all transactions of the taxpayer concerned; relations between other businesses are visible. Henceforth, any information about a taxpayer is available in the information database of the tax authority, which is reflected in the calculation, statements submitted to the tax authority by the latter or proposed as a result of audit.

Meanwhile, pursuant to the RA Law on Tax Service, **the tax secrecy** is any information obtained by the tax authority or tax official on the taxpayer, the activities of the taxpayer, save for:

* information disclosed by the taxpayer or with latter's consent;
* information on the taxpayer's identification number;
* information included in the taxpayer's charter;
* information on violation of the requirements of tax legislation and other legal acts regulating tax relations and the sanctions applied;
* information submitted to tax (customs) authorities of other States, based on international or interministerial treaties (agreements) on the taxpayer (activity of the taxpayer).

Cases of provision and disclosure of information containing tax secrecy are defined by the tax legislation of the Republic of Armenia.

Article 308 of the Tax Code that will become effective from January 1, 2018, lays down the lists of disclosures about taxpayers. In particular, the tax authority, for the purpose of informing the taxpayers, shall publish following information on the official website of the tax authority in form and manner defined by the Government of the Republic of Armenia:

1. by inclusive of July 1 of the fiscal year following the given fiscal year:
2. lists of taxpayers that have declared tax losses and accrued arrears in the given fiscal year;
3. lists of taxpayers that have not registered the hired employees in manner specified by legislation;
4. lists of taxpayers that have paid 50 million AMD and more profit tax to the State budget of the Republic of Armenia in the given fiscal year;
5. lists of tax agents that have paid 10 million AMD and more income tax to the State budget of the Republic of Armenia in the given fiscal year;
6. list of companies and sole proprietors with suspended activity as per Article 384 of the Code;
7. other information specified by the legislation of the Republic of Armenia;
8. by inclusive of the 25th of the month following each quarter, the lists of 1000 large taxpayers and the amount of taxes paid thereby since the beginning of the fiscal year, calculated in ascending order.

In all other cases, the information available in the information database of the tax authority is considered confidential and should be used only internally.

**Relevance, quality and reliability of the data required for collection**

Management of the information database of the tax authority is based on ISO/IEC-27001:2013 standard, compliance whereto has been validated by the internationally recognized BUREAUVERITAS company.

**Mode of submission (collection) of Government and company data**

As mentioned, the comprehensive information database on revenues controlled by the tax authority

Is maintained by the tax authority, which is based on data included in the calculation, statements submitted by the taxpayers or tax obligations proposed by the audit.

Pursuant to Article 15.1 of the RA Law on Taxes, statements, other documents and information prescribed by tax legislation must be submitted in electronic form and in accordance with following schedule:

1. from January 1, 2010:
2. for banks, credit organizations, payment and settlement organizations, reporting issuers in the securities market, investment companies, operator of the regulated market, central depository, insurance company, re-insuring company;
3. for organizations considered large as per the Republic of Armenia Law on Accounting;
4. for state management enterprises, state non-commercial organizations with 100 million AMD and more sales turnover (gross income) in the previous reporting year;
5. companies with 50% and more state-owned shares with 100 million AMD and more sales

Turnover (gross income) in the previous reporting year;

1. for companies and sole proprietors with 100 million AMD and more sales turnover (gross income) in the previous reporting year, starting from July 1, 2010;
2. for companies and sole proprietors with turnover taxed by more than 58.35 million AMD (which is above the VAT threshold) in the reporting year before January 1, 2012.

Failure to submit the calculation, declaration or another document specified by law or other legal act to the tax authority in electronic form and within deadline specified by tax legislation shall bring to responsibility specified by the RA Code on Administrative Offences and this law. Starting from January 1, 2016 the accounting documents (save for the accounting documents written off in case of coupons of cash registers and export of goods) shall be written off only in electronic form in accordance with the procedure established by the Government of the Republic of Armenia. From January 1, 2018, pursuant to Article 53 of the Tax Code, tax accounts shall be submitted to tax authorities in electronic form, except for following:

1. those tax accounts which contain pieces of information considered confidential and (or) information subject to restricted use. Tax accounts referred to in this paragraph can be submitted to tax authorities also in hard copy;
2. cases specified by the Government of the Republic of Armenia, when tax accounts can be submitted to tax authorities also in hard copy.

Pursuant to Article 310 of the Code, electronic submission of tax accounts by taxpayer or tax agent, as specified by the Tax Code, shall be based on the contract on electronic submission of tax accounts concluded with the tax authority and shall be submitted by using e-signature, login and password.

Pursuant to Article 313 of the Tax Code, the taxpayer shall be able to track his personal account card online in real time (including the tax liabilities and repayment thereof). The taxpayer shall be able to search in the excerpt from his personal account; information contained wherein is considered to be approved by the tax authority and, if needed, shall be recognized by other companies and natural persons.

***Government agencies involved:***

1. RA Ministry of Nature Protection
2. RA Ministry of Energy Infrastructures and Natural Resources
3. RA Ministry of Finance.
4. State Revenue Committee at the RA Government.

The list of government agencies involved is given having in mind only the tasks of agencies in charge of issuance of mining rights and licenses to companies, supervision thereof, enforcement of the tax legislation governing the field and implementation of tax control.

**Social Spending/Expenditures:**

* Inventory of social expenditure by mining companies (including contributions for charitable, sponsorship and scientific/research purposes)
* If possible disaggregate what is required by law, what by contract, what stemming from volunteer and public activities, etc.
* Suggest path for developing standardized approach and reporting on companies’ social spending; this includes disclosure of the recipients of the mining sector’s charitable contributions

After January 1, 2018 the nature protection and nature use fees shall be paid to the State budget. Specifically, from 2018 on nature protection fees are classified as environmental tax, which is a tax paid to the state budget in accordance with this section with a view to collection of funds essential for implementation of environmental actions.

Pursuant to Article 197 of the Tax Code, the nature use fee is a payment made to the state budget of the Republic of Armenia in accordance with this section for efficient and complex utilization of natural resources owned by the state, as well as for compensation for use of natural resources.

Meanwhile, a type of nature use fee is the royalty, which is a payment made to the state budget of the Republic of Armenia in accordance with this section for compensation of the use of metal minerals, as well as for profits from sales of metal minerals and products from processing thereof. It turns out that from January 1, 2018 community budget shall not collect any nature protection and nature utilization fees. Henceforth, from January 1, 2018 on, control over the calculation and payment of the environmental tax and nature utilization fees shall be implemented by the tax authority and full information will be available in the database of the State Revenue Committee at the RA Government.

As regards withdrawals by types of taxes from the community budget in favor of the state budget, such withdrawals can be made in accordance with the procedure established by the RA Law on the Budgetary System of the Republic of Armenia.