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THE TAX CONTROL MECHANISMS IN THE REPUBLIC OF ARMENIA ACCORDING TO THE NEW TAX CODE

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Since January 1, 2018 all the tax relations are being regulated by the new Tax Code of the Republic of Armenia which was accepted on the 4th of October, 2016. The Tax Code replaces a number of special laws and government decisions that were in force before. The legislative centralization of tax system has led to a number of changes in different regulations starting from tax base amounts till the relations between private and public sectors etc. Hence, there is a need to present all the new changes and close relations. Particularly, this article is to reveal the differences between old version of tax control mechanisms and their new application by new system.

Key words: Tax Code, tax control mechanisms, checking, risk determining criteria.

Introduction

Among the functions of economic management and the state governance functions of the Republic of Armenia is the implementation of control in the field of tax accounting whose mechanisms are mainly defined by the tax codes. Taking into account the fact that the field of tax relations in the Republic of Armenia is regulated by the new Code since January 1, 2018, the importance of understanding and implementing new mechanisms of tax control in the tax system is of practical importance.

Conflict setting

Taking into account the application of the new Tax Code, the revealing of the differences between the old and new tax codes and determining the directions of improvement gets important scientific practical significance. Based on this purpose, the following problems have been identified for the solution:

- To examine the shortcomings and omissions in the tax codes that limit the tax field;
- To establish more effective control mechanisms and levers of their implementation.

Research results

Till January 1, 2018, the tax control mechanisms in tax accounting of the Republic of Armenia have been defined by the RA Law regulations on inspection and conduct in the Republic of Armenia [1]. The law regulates the relations of organizing and conducting the checkings of operations in farms of RA and also it defines the joint set of their implementations. The Tax Code [2, section 17] defines more clearly the tax control and the ways of its implementations which are:

- 1) tax checking,
- 2) tax studies,
- 3) other operations defined by the Code and the laws of RA implemented within the framework of tax administration.

The Code also establishes the publicity of the controls, investigations or studies that have been made according to which the tax authority downloads the report on tax inspections and studies completed during the previous fiscal year on its official website till February 1 of each tax year.

The tax authority has the right to carry out 2 types of checkings: complex and thematic due to the previous regulations and Tax Code within the tax control. According to the Tax Code, the

complex tax checking is a verification of compliance with tax relations regulating legal acts and also other requirements of legal acts that authorize the tax authority. We can say that the essence of the complex inspection formerly regulated is the same as the Tax Code. Here the main difference lies in thematic checks. The scope of the thematic checks with previous regulations was too wide and unclear. However, the new Code defines specific types of tax inspection:

- 1) Checking of the accuracy of cashier machine,
- 2) Checking of the accuracy of basic data and coefficients specified in the code,
- 3) Checking of the accuracy of excise stamps and/or stamp seals,
- 4) Verification of the application for employer by an employee in the way prescribed by law and (or) an application for registration.

According to the Law, the verification is a procedure by which the reliability of the calculations, baseline data and other documents provided by the business entity including the reporting entity, declarations, taxes and other mandatory payments and the actual compliance of the latter with the requirements of laws and other legal acts are determined. By this law the tax authorities could carry out inspections in two ways: by study and chamber (office) methods. In the case of the study, the tax authority carries out the inspection in its office, and in the office case at the business entity. According to the new Tax Code, the terminology of the above mentioned checkings has been changed and under the name of "chamber" we understand the internal, i.e. the checking carried out in the tax authority. And the checking carried out at the business entity are now referred to as "outgoing" checking.

In the framework of tax audits, complex tax inspections are planned through a **risk-based** tax audit system. By means of risk-based tax inspections, the tax authority targets these areas and those taxpayers who are more risky. The director of the tax authority approves the annual program of complex tax inspections beginning from July 1 for the tax period till July 1 of the tax year following the approval of the program. These terms were the same according to the previous regulations.

According to the New Code and previous regulations, the frequency of complex tax inspections is defined by the following classification of risk degree:

- 1) In case of high risk not more often than once during the tax year;
- 2) In case of average risk not more often than once in three gradual tax years;
- 3) In case of low risk not more often than once in five gradual tax years.

The legal bases of re – inspections are more detailed and wide ranged by the Tax Code.

The tax inspection shall be carried out on the basis of a written instruction from the head of the tax authority. According to the previous regulations, the assignment could be substituted by the "order". In both cases the assignment shall be submitted to the taxpayer at least three working days before the commencement of the inspection starts (which does not include the date of the inspection notice).

The taxpayer shall have tax inspection term set by the verification order for no more than 15 unceasing working days. This term can be prolonged for up to 10 days and if the turnover of the company being the subject of the audit exceeds 3 billion drams, then the term can be prolonged up to 75 days.

The previous check-in results were summarized either by the act or by reference. The reference was given in the case no verification was detected as a result of the inspection. Otherwise, the verification act was compiled. However, according to the new Code, the reference was replaced by an act. If there are no violations, the act is drawn up and signed at once, and, if there is any violation, the act should be written down. The taxpayer may submit objections to the act within ten working days following the date of receipt of the act or inform in written form on the absence of objections.

The new Tax Code has outlined the content of the verification act and the attached documents. In the past everything was included in the act, but now the list of documents attached to the act is clearly defined.

Next method of tax inspections is tax investigation. Previously, tax audits were presented very concisely, without any explanation and necessary definitions.

According to the Tax Code, the tax audit is a procedure aimed at identifying the compliance of the tax authority with the requirements of the legal acts and the prevention and elimination of violations of these requirements as well, their identification, the tax liability presented in the manner prescribed by the legal acts that govern the tax authority and the responsibility for detected violations.

Tax investigations are also implemented by office and outgoing methods.

The purpose of the office investigation is to find out the following through tax audit and the study and analysis of information which are reported to tax authority:

- 1) tax calculation accuracy;
- 2) compliance with the comparable indicators and data available in the same tax calculation;
- 3) compliance with the comparable indicators of different tax calculations and data presented by the same taxpayer to the tax authority;
- 4) correspondence to the comparable indicators and data of the tax calculations and information submitted to the tax authority;
- 5) the compliance of the taxpayer with the election requirements of tax system (including special) to the legal acts that empowers the tax authority;
- 6) possible distortions of the requirements of the legal acts that entrust the control over the tax authority.

The types of outgoing tax investigations are:

- 1) Checking purchase – the tax authority can have control purchase aimed at the research of following the rules and demands of the tax items of the taxpayer, tax bases and the calculations (estimation) of tax liabilities, withdrawal of tax documents, control of cash machines and applying of cash registers, registration of foreign currency purchase and sale transactions and introducing of excise stamps and establishing of the performance of currency transactions.

- 2) Measurement – the tax authority can have certain measurements on factual amounts of calculation of tax items, tax bases and tax liabilities of the taxpayer, actual volumes of production, mining, realization, turnover and the implementation of works and (or) services, the deficiency of the balance and the determination of the actual selling prices as well.

- 3) Opposite study.

- 4) The study of reasonableness of the amounts apt to the single account.

- 5) The study conducted for the purpose of meeting the inquiries of the authority of the foreign country in accordance with the provisions of the international treaties of the Republic of Armenia for the return of the amount of the tax paid from the sources of the non residents of the Republic of Armenia.

According to Law Code each type has its own peculiarities, the order of implementation, the purpose, the terms and the regulations of legal relationships of the parties.

Thus, comparing the new Tax Code with previously existing laws and regulations, more available regulation of tax control mechanisms by the Tax Code becomes evident.

Here the rights and duties, legal relations and powers of the tax authority and the business entity are clearly defined.

The mechanisms of control defined by the Code are aimed at providing effective tax mechanisms for shadow turnovers thus improving the new tax mechanisms and information technologies during the operation of Tax Code.

Conclusion

In this article the theoretical and practical approaches to the tax control mechanisms formed in the field of tax auditing and the results obtained during the study as well can have positive effect on

the improvement of the activities of commercial organizations and thus contribute to the improvement and performance of the financial and economic activities of these organizations.

References

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2. Հայաստանի Հանրապետության Հարկային Օրենսգիրք, , ընդունվել է ՀՀ Ազգային ժողովի կողմից 2016 թվականի հոկտեմբերի 4-ին, ՀՕ-165-Ն, տես՝ Հայաստանի իրավական տեղեկատվական համակարգի պաշտոնական www.arlis.am կայքում:

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2. Tax Code of RA, adopted by the National assembly of Armenia on October 4, 2016, see in the official website of legal information system of Armenia www.arlis.am .

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ՀԱՅԱՍՏԱՆԻ ՀԱՆՐԱՊԵՏՈՒԹՅՈՒՆՈՒՄ ՀԱՐԿԱՅԻՆ ՀԱՇՎԱՌՄԱՆ ԲՆԱԳԱՎԱՌՈՒՄ ՎԵՐԱՀՄԿՈՂՈՒԹՅԱՆ ՄԵՌԱՆԻԶՄՆԵՐԸ ԸՍՏ ԵՎ ՀԱՐԿԱՅԻՆ ՕՐԵՆՍԳՐՔԻ

Լ.Ա. Քոչարյան

Հայաստանի պետական տնտեսագիտական համալսարան

Սկսած 2018թ. հունվար ամսից, Հայաստանում հարկային հարաբերությունները կարգավորվում են ՀՀ հարկային նոր օրենսգրքով, որը վավերացվել է 2016թ. հոկտեմբերի 4-ին: Օրենսգրքով փոխարինվել են մի շարք օրենքներում և կառավարության որոշումներով սահմանված մի շարք դրույթներ, որոնք գործում էին մինչև հարկային միասնական համակարգի ներդրումը: Ուստի անհրաժեշտություն է առաջացել վերլուծելու ընդունված փոփոխությունները և անցումային հարաբերությունները: Հոդվածում, մասնավորապես, բացահայտվում է հսկողության նոր մեխանիզմների տարբերությունը, համեմատած նախկինում օգտագործվող լշակների հետ:

Բանալի բաներ. հարկային օրենսգիրք, հարկային հսկողության մեխանիզմները, ստուգումներ, սպեցիֆիկացիայի ռիսկի ֆունկցիաները, տարբերություններ

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МЕХАНИЗМЫ НАЛОГОВОГО КОНТРОЛЯ В РЕСПУБЛИКЕ АРМЕНИЯ СОГЛАСНО НОВОМУ НАЛОГОВОМУ КОДЕКСУ

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Начиная с января 2018 года все налоговые отношения в Армении регулируются новым Налоговым кодексом Республики Армения, который был ратифицирован 4-ого октября 2016 года. Кодекс заменяет ряд различных законов и постановлений правительства РА, которые действовали до внедрения централизованной налоговой системы и вызвал ряд изменений в различных нормативных актах, регулирующих как исчисление налоговой базы, так и отношения между частным и государственным секторами и др. Следовательно, возникает необходимость представить все новые изменения и переходные отношения. В статье, в частности, раскрываются различия между старой версией механизмов налогового контроля в РА и новой системой контроля.

Ключевые слова: налоговый кодекс, механизмы налогового контроля, проверки, функции спецификации риска, различия

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