

THE WAYS OF IMPROVING THE TAX REGULATION OF RECONSTRUCTION OF POST WAR ARTSAKH ECONOMY

Karen A. Nersisyan

Shushi University of Technology
35/12, Naberejnaya 3rd alley, Stepanakert, RA
knersisyan@mail.ru
ORCID iD: 0000-0003-4715-8692
Republic of Artsakh

Nver A. Mikayelyan

Shushi University of Technology
35/12, Naberejnaya 3rd alley, Stepanakert, RA
nver211@yandex.ru
ORCID iD: 0000-0002-2536-501X
Republic of Artsakh

Absrtact

As a result of the 44-day war unleashed by Azerbaijan on September 27, 2020, the whole economy of Artsakh, individuals, legal entities as well as taxpayers found themselves in a difficult financial situation by suffering significant human, material and economic losses which also caused great difficulties in tax collection. The current situation requires new approaches and actions to transform the tax field of the republic and ensure the efficiency of its further activities.

Introduction

The Government of the Republic of Artsakh is taking effective legislative measures, both to expand the scope of tax benefits and to liberalize tax administration in order to comprehensively address the economic and social losses caused by taxpayers and to create a more favorable tax environment for business.

Particularly during the war, taxpayers faced a number of problems related to late submission of accounts, non-payment of taxes, other mandatory payments or late payment which resulted in fines and penalties. In addition, a number of organizations have provided tax-free goods to local government and local self-government bodies.

It is very important to develop and implement effective mechanisms for regulating relations of taxpayers in communities outside the control of Artsakh Republic.

Conflict setting

In order to solve the mentioned problems, the National Assembly of the Republic of Artsakh has adopted a very important legislative package which will solve the possible further problems of the existing tax legislation. Thus, according to the laws «On Profit Tax» and «On Income Tax» of the Republic of Artsakh, it is written:

1) The amount of loan, its percentage, penalties and fines owed to a legal entity who has died, become disabled or has been missing as a result of hostilities during the war in the case of a remit by a bank or credit organization cause profit tax liabilities and income tax

liabilities for them. The problem is that these provisions of the law are an obstacle for the remit of the obligations of the above-mentioned people by the bank or credit organization.

2) Business entities have suffered significant losses as a result of the war and the economy needs investments, so it is purposeful to exempt taxpayers operating at a 10% profit tax rate for a certain period of time while reducing banking, telecommunications, energy and mining rates. In such a way, it is expedient to exempt individual entrepreneurs from paying income tax in terms of income from business activities thus ensuring the continuity of their activities [1].

According to the AR Law on «Income tax»

1) Income tax refund is made in the amount of percentage paid on the mortgage loan service if the tax agent has no income tax liability at the time of application. The problem is that the income tax refund is made quarterly based on the amount of income tax calculated for each employee during each month of the given quarter while the fact of payment is taken into account for all periods, which causes problems in practice.

2) The income tax is calculated from the income of individuals working under civil law contracts and on hiring at a rate of 20%. The problem is that in the post-war situation there was a need to take more intensive steps to encourage employment by reducing the tax on income from work. Similar steps are needed to encourage the work of individuals involved in agricultural production [2].

According to the AR Law on «Value added tax»

1) The sale of agricultural products produced in the republic, mechanized works carried out during the cultivation of agricultural crops and perennial plantations, housing construction and irrigation water supply transactions must be taxed with value added tax from January 1, 2021 which will hinder the activities of the sectors.

2) Cash method is used for VAT offsets which aims to exclude more offsets (deductions) by taxpayers. Due to the fact that tax invoices are currently issued exclusively through the electronic system, this provision has lost its purpose and creates additional accounting difficulties for taxpayers [3].

According to the AR Law on «Sales tax» the sales tax is calculated based on the amount of sales turnover, without taking into account the fact that the goods purchased by taxpayers are documented, which does not encourage taxpayers to make documented acquisitions. In addition, due to the war, there was a need to create more favorable conditions for taxpayers in the sector [4].

According to the AR Laws on «Confirmed payments» and «Patented payments» the defined fees are paid regardless of the amount of actual income received by the taxpayer, i.e. the calculation of the latter is based on physical characteristics. Due to the current situation, it is expedient to exempt activities taxed with fixed patent fees from taxation, which will stimulate the development of small and medium enterprises by providing jobs [5].

According to the AR Laws on «Patented payments» and «Cash registers» in a number of spheres of small business (services of hairdresser, shoes repairing, clothes, car services etc.) should use cash registers since January 1st, 2021 [6].

According to the AR Law on «Funded pensions» the system of funded pensions has been applied in Artsakh since 2019 July 1 the member of which collects 10 percent of his/her income paying 2,5 percent and 7,5 percent is paid by the state. The participant should pay 5 percent since 2021 January 1st which is an additional burden for the participant.

According to the preliminary orders and corresponding to the relevant contracts, the activity of providing public catering services in the objects intended for the internal consumption of the customer is envisaged to be taxed through a system of fixed payments as a result of which there is a need to make a corresponding change in the Law on «Taxes» [7].

According to the AR Law on «Payments on road construction, reconstruction and preservation» was intended for providing budget incomes aimed at road construction, reconstruction and preservation.

At the same time, legal entities are considered payers and individual entrepreneurs engaged in the same activity are not payers. In a similar way, depending on the tax regime, a legal entity may be considered to be making or not paying road tax which does not ensure the principle of tax fairness.

Research results

Based on AR Law on 2021 February 1st «Tax privileges as a result of hostilities»

- From September 27, 2020 to January 31, 2021, the deadline for submission of audatory reports, information and other documents to be submitted to the tax authority has been extended until February 20, 2021.

- The deadline for taxes and other obligatory payments has been extended until february 20, 2021.

- Taxpayers were enabled to write off tax invoices that were not written off during the war through the electronic system by February 20, 2021.

- Exemption of goods supplied by taxpayers donated to state and territorial administration and local self-government bodies from value added tax, excise tax and (or) trade tax.

- To enable taxpayers to write off goods acquired for sale in the event of actual loss, destruction, damage or loss of quality due to hostilities without imposing a tax liability.

- Exemption from accounting for individual entrepreneurs who have actually operated exclusively in the communities now under the control of the Republic of Azerbaijan due to hostilities (except for those engaged in energy, mining, non-permanent activities due to their nature (except for direct transportation activities)) from unpaid tax and other mandatory tax liabilities and to return overpayments without inspections by in-house examination, in case of liquidation to provide a certificate of absence of liabilities, to reset the product balances in the tax authority database automatically and to return profit tax (income tax) and income tax minimum prepayments for 2020[1].

According to the AR Law on ««Amendements in the Law on Income tax»»

- If the amount of the loan, its percentage, penalties and fines of the individual who died, became disabled or was missing as a result of hostilities during the war is paid by the organization, these amounts should not be taxed by income tax.

- Since 2020 the tax rate for banking, energetics, mining and telecommunication was reduced up to 18 percent, then it has become 10 percent for energetics and telecommunication since January 1st, 2021.

- Taxpayers operating at 10% profit tax rate are exempt from paying profit tax in 2020-2022, except for taxpayers operating in the field of energy and telecommunications. According to that, the prepayments made for 2020 will be returned to them in 2021. At the same time, it is proposed to set the profit tax rate at 5% after the end of the privilege period.

- To make corresponding editorial amendments in the Law on «Payments for road construction, reconstruction and preservation» connected with its state of out of force [2].

The bill on «Making amendemets in AR Law on profit tax» states that

- To consider the incomes as decreasing incomes and exmpt from profit taxes bank or credit institution as a resident organization the individuals who have died, become disabled or missing as a result of hostilities during war with their spouse, cohabiting child or cohabiting parents.

- Make an income tax refund in the amount of percents paid on the mortgage loan service, if the tax agent has fully fulfilled the tax liability declared for the tax authority for all months of the given quarter, declared by the income tax calculation without taking into account the liabilities for previous periods.

- The profit tax rate was reduced defining 15 percent for 2021, 14 percent for 2022 and 13 percent for 2023 respectively.

- To set 3% of profit tax from the income equal to it for the individuals hired exclusively for the taxpayer engaged in the production of agricultural products.

- A term income tax privelege has been established for individual entrepreneurs exempting them from paying income tax from business income in 2020, 2021 and 2022 thus allowing all individual entrepreneurs to waive this exemption by submitting a written application to the tax authority by January 20 of the reporting year as a result of which the latter will be counted for work experience for the period of activity [3].

According to the ammendements in AR Law on «Value added tax»

- Sale of agricultural products produced in the country, mechanized works carried out during the cultivation of perennial plantations of agricultural crops, housing construction and transactions irrigation water supply are not subject to value added tax until January 1, 2026.

- The transaction is done automatically immediately to the supplier's tax account during the accounting time independent of having actually paid the account [3].

According to AR Law on «Sales tax» and making ammendements in it

- The sales tax rate has been revised allowing taxpayers to make deductions for documented gains and pay the sales tax at a rate of 1%. In particular, it would be better to set the sales tax rate on sales turnover at 2% for 2021 and 3% from January 1, 2022 reducing it by 1% of documented expenditures on goods purchased for sale (2% from January 1, 2022). If, after reducing, the sales tax amount is less than 1% of the sales turnover, the sales tax will be calculated at a rate of 1%, and the non-reduced portion will be deducted in consequent periods.

- The misinterpretations in the law have been clarified and it was advised to edit the Law on «Road constructions, reconstruction and preservation» to state it as out of force [4].

To make ammendements in AR Law on «Fixed payments» and «Patent payments» taxpayers of which are exempted from making fixed and patent fees for three years, except for refueling and according to pre-orders, in accordance with the relevant agreements for the provision of public catering services in the objects intended for the internal consumption of the customer [5].

According to the AR Law on «Patent payments» and «Cash registers» and making amendements in them the deadline for investing cash registers in a numbers of spheres of small enterprises is prolonged until 2026 January 1st [6].

According to AR Law on «Funding pensions» and making ammendments in it the deadline of participation of state and citizens to funding payments is prolonged for a year and

the rate of social payments is defined 3.5 percent by gradual increasing since 2022 January 1st and 5 percent from 2023 January 1st thus providing the equal participation of state and citizens [7].

According to AR Law on «Taxes» and making amendments in it the circle of taxpayers who do not enjoy the tax privilege for a period of three months has been clarified including those who provide public catering services in the objects intended for the customer's internal consumption, according to the preliminary orders, in accordance with the relevant contracts [8].

According to AR Law on «Payments for road construction, reconstruction and preservation» the law should be accepted as of out of force [9].

According to AR Law on «Defining patents on tax and other obligatory payments»

- Taxpayers having up to 10 mln AMD credit debt are exempted from their loans, penalties and fines on October 1st, 2020.

- Taxpayers exceeding 10 million AMD credit debt were exempted from their loans, penalties and fines on October 1, 2020, as well as from the payment of credits in the amount of 10 million AMD in case of repayment of loans exceeding 10 million AMD on schedule. Depending on the size of the taxpayer's debts the schedules will be signed in 12-month, 24-month, 36-month or 48-month period.

- Taxpayers having exclusively fines and penalties on tax and other obligatory payments are exempted from their loans, fines and penalties on October 1, 2020.

The patents provided by the mentioned law will be extended to the obligations of the taxpayers as a result of which there are court trials and bankruptcy proceedings [10].

Conclusion

More than 3800 taxpayers in the country have been liable for tax and other mandatory payments since the beginning of the year, the repayment of which has become problematic due to the war. Considering the current situation, it is advisable to declare tax amnesty as well as liberal tax conditions which will allow business entities to acquire working capital ensuring the continuity of operations.

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2. Արցախի Հանրապետության օրենքը «Շահութահարկի մասին» օրենքում փոփոխություններ և լրացումներ կատարելու մասին: Ընդունված է 2021 թվականի փետրվարի 11-ին:
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10. Արցախի Հանրապետության օրենքը հարկային և այլ պարտադիր վճարների գծով արտոնություններ սահմանելու մասին: Ընդունված է 2021 թվականի փետրվարի 11-ին:

**ԱՎՏՆՏԵՍՈՒԹՅԱՆ ՀԵՏՊԱՏԵՐԱԶՄՅԱՆ ՎԵՐԱԿԱՆԳՆՄԱՆ
ՀԱՐԿԱՅԻՆ ԿԱՐԳԱՎՈՐՄԱՆ ԿԱՏԱՐԵԼԱԳՈՐԾՄԱՆ ՈՒՂԻՆԵՐԸ**

Կ.Ա. Ներսիսյան, Ն.Ա. Միքայելյան

Շուշիի տեխնոլոգիական համալսարան

2020 թվականի սեպտեմբերի 27-ին Ադրբեյջանի կողմից սանձազերծված 44-օրյա պատերազմի հետևանքով Արցախի տնտեսությունն ամբողջությամբ, ֆիզիկական և իրավաբանական անձիք, ինչպես նաև հարկատուները կրելով զգալի մարդկային, նյութական և տնտեսական կորուստներ, հայտնվել են դժվարին ֆինանսական դրության մեջ, ինչն առաջ է բերել մեծ դժվարություններ հարկազանձման կազմակերպման գործընթացում: Ստեղծված իրավիճակը պահանջում է նոր մոտեցումներ և

գործողություններ հանրապետության հարկային դաշտի վերափոխման ու դրա հետագա գործունեության արդյունավետության ապահովման համար:

Բանալի բաներ: Պատերազմական գործողություններ, տնտեսական և սոցիալական վնասներ ու կորուստներ, հարկ վճարողներ, օրենսդրական փաթեթ, հարկային արտոնություններ, վճարման ժամկետ, հարկերի դրույքաչափեր, տույժեր և տուգանքներ:

ПУТИ СОВЕРШЕНСТВОВАНИЯ НАЛОГОВОГО РЕГУЛИРОВАНИЯ ПОСЛЕВОЕННОГО ВОССТАНОВЛЕНИЯ ЭКОНОМИКИ РЕСПУБЛИКИ АРЦАХ

Կ.Ա.Ներսիսյան, Ն.Ա. Միսաքյան

Шушинский технологический университет

В результате 44-дневной войны, развязанной Азербайджаном 27-го сентября 2020 года, вся экономика Арцаха, физические и юридические лица, а также налогоплательщики, понесшие значительные человеческие, материальные и экономические потери, оказались в тяжелом финансовом положении, что вызвало большие затруднения при сборе налогов. Создавшаяся ситуация требует новых подходов и действий для преобразования налогового поля республики и обеспечения эффективности его дальнейшей деятельности.

Ключевые слова: военные действия, социально-экономический ущерб и убытки, налогоплательщики, законодательный пакет, налоговые льготы, срок уплаты, налоговые ставки, пени и штрафы

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