



ITIC Bulletin

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Special Edition

Ninth Annual Eurasia Fiscal Experts' Seminar

8-10 July 2013

Paris

Summary Report

by

Douglas Townsend, Senior Advisor, ITIC London

Introduction

The ninth annual *Eurasia Fiscal Experts' Seminar* was held on 8-10 July 2013 in Paris in partnership with the Organisation for Economic Co-operation and Development (OECD). Over 90 participants gathered in Paris – including Governments and Parliaments of 11 regional countries (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Russia, Tajikistan, Ukraine, and Uzbekistan), three international organizations (OECD, International Energy Agency, Eurasia Economic Commission), 14 ITIC sponsors, and five independent international fiscal experts – to discuss the current global debate on the future of the international tax system.



Mr. Roman Troshkin, ITIC Moscow; Mr. Daniel Witt, President, ITIC; The Honorable Alexey Overchuk, Deputy Commissioner, Federal Tax Service of Russia; Mr. Pascal Saint-Amans, Director, Centre for Tax Policy and Administration, OECD; The Honorable Nurmatbek Mambataliev, Head of Tax Policy Department, Eurasia Economic Commission; and Mr. Andrey Bashkurov, Procter & Gamble.



The partnership with the OECD was most timely, as countries of the Eurasia region move towards closer economic integration with the global economy and more actively participate in the development of international taxation

system arrangements and institutions. The cooperation with the International Energy Agency (IEA) was also most appropriate as the Agency reaches out to new countries and the region's involvement in the global energy economy intensifies.

The *Seminar*, structured around a detailed tripartite dialogue between government officials/legislators, international experts and investors, provided a unique opportunity for candid consultation among government delegations and investors on questions of tax policy and administration involved not only with international business but also with major socioeconomic issues that are impacting business both international and domestic.

The *Seminar* witnessed the formal conclusion of a *memorandum of understanding* for cooperation between ITIC and the Eurasia Economic Commission (EEC). This *memorandum* reflects the new institutional realities for economic actors in the Eurasia Common Economic Space and the widening professional network across Eurasian countries and OECD jurisdictions.



Over 90 participants gathered in Paris for the ninth annual Eurasia Fiscal Experts' Seminar.

Paris Agenda: Conclusions

- EFES and its Agenda are of growing importance to regional countries. Whereas some subjects at EFES 9 were global and/or theoretical, the EFES 10 agenda should have a more specific regional focus and fewer main themes, with a case study across the regional countries (e.g. fiscal disputes resolution practice and procedures).
- The EFES 10 agenda should include a review of the previous year's developments and assessment of specific changes (or not). Positive developments in one jurisdiction should be "benchmarked" for the other (e.g. the comparative success in the Russian Federation of pre-trial disputes resolution procedures in reducing the quantum of disputes going to court).
- The interaction was highly appreciated. The number of presenters should however be reduced and more time provided for discussion. Presenters should be asked to prepare a one-page summary of their main messages which would be included in an advance briefing pack. Presenters also should respect the agenda time budget while discussants should address the specific agenda item subject-matter. Chairpersons need to encourage this discipline.
- Post-seminar "hand-outs" on the issues covered should be prepared (by ITIC) for subsequent utilization throughout the regional countries.
- Participating countries and investors should try to maintain (year-to-year) some continuity of their participating personnel so as to facilitate constructive deliberations.

Seminar Themes

- **Tax Reform: Priorities for Policy and Administration**
 - Challenges for the extractive industries (oil, gas and mining)
 - Social welfare and demographic changes
 - Equity and Equality while promoting economic competitiveness
- **Fiscal Parameters of Closer Economic Integration**
 - International taxation, treaties, and transfer pricing
 - Indirect tax policy and administration (VAT and excises)
- **Making the Fiscal System Work for Everyone**
 - Major problems and solutions for tax and customs administrations, including the growth of earmarked taxation and the proliferation of non-Ministry of Finance taxes and levies
 - Fiscal disputes resolution procedures: mediation, arbitration and the courts
 - Practice of better regulations: Applying OECD best practices

Additionally, Lithuania, an important trading partner for participating EFES countries, will be granted observer status at EFES 10.

One measure of the value of the 2013 *Seminar* was the conclusion that it should once again be held in 2014. EFES 10 will be organized in cooperation with the Institute for Austrian and International Tax Law at the Vienna University of Economics and Business. Participants also reached a number of important conclusions concerning the modalities for EFES 10 (see page 2).

This summary report should be read in conjunction with the detailed *Seminar* presentations that can be accessed on the ITIC website: www.ITICnet.org.



The Honorable Sergey Shtogrin, Deputy Chairman of the State Duma Committee on Budget and Taxes, Russian Federation; Mrs. Natalia Shtogrina; Mr. Daniel Witt; Dr. Jeffrey Owens, Distinguished Fellow, ITIC; The Honorable Mikhail Mishustin, Federal Tax Service, Russian Federation, and The Honorable Alexey Overchuk.

Overview

The Regional Scene

Notwithstanding uncertainty arising particularly from the Eurozone crisis, a number of regional economies continued to experience positive economic growth, although accompanied in some cases by heightened inflation and budget deficits. Reforming tax policy and administration in pursuit of long-term economic development and economic competitiveness commanded the highest priority across the region, evidenced in Government manifestoes and continuing substantial changes to existing legislation. *Seminar* discussions of these official actions (a number of which have fallen short of enhancing the business environment or improving tax collections) prompted deeper consideration of likely consequences, including unintended ones. Issues of indirect taxation and excises throughout the tripartite (Belarus, Kazakhstan, Russian Federation) Eurasia Customs Union were prominent. As the Union's mutual trade and investment continues to

expand, Union membership is set to increase (in Central Asia in 2014-2015, and beyond in the medium-term), while Ukraine is now an Observer.

Tax Policy

Issues of major concern include the role of tax in national economic diversification strategies, minerals resources development, economic integration projects and cross-border investment and trade. Thus, the issues of tax "take" and the distribution of the tax "burden" loom large in the resources-rich regional countries. Indirect taxation policy demonstrates a diversity of approaches across the region, reflecting the unique circumstances of each jurisdiction, with unresolved debate over the role, design and administration of consumption taxes. Governments continue to experience significant revenue losses from fraudulent VAT practices, while compliant taxpayers still face delays with VAT refunds and other administrative complexity connected with competing customs and tax arrangements. Grappling with illicit trade in excisable goods, combined with budget revenue demands, put upward pressure on excise levels.

Tax Administration

In a situation of increasingly complex tax laws, uncertain compliance levels, and taxpayer expectations of improved services, fiscal authorities have responded with:

- Greater reliance on risk management;
- Greater concentration on large taxpayers;
- Broadening the tax base through self-declaration/self-assessment/universal filing systems;
- Introduction of more sophisticated IT; and
- E-government solutions.

Further, international cooperation has been significantly intensified:

- Bilaterally with major trading partners particularly through Tax Information Exchange Agreements (TIEAs), and
- Multilaterally with key IGOs (e.g. IMF, World Bank, OECD and IOTA), and regional organizations (e.g. CIS and the EEC).

The *Seminar* provided a timely opportunity to review the results of the international cooperation projects on tax administration and international taxation, also taking into account how these administrative changes impact business.

Business Interests

Interventions by taxpayers confirmed that they share many official concerns regarding directions in international taxation provisions, including transfer pricing systems, VAT design/operation, and disputes resolution procedures.

While the Customs Union has many positive features (no customs clearance and border controls; no customs duties on mutual trade between ECU member states; uniform customs legislation, regulations and duty rates; a special confirmation procedure for zero-rate VAT) different rates of VAT and of excise continue. Russia's accession to WTO impacted the legislation of the Union (for example through scheduled decrease of the average level of customs duties). Complying with the Union's comprehensive tax and customs regulation presented a serious challenge to business and fiscal administrations. Discussions between *Seminar* participants, notably in the pre-*Seminar* workshop, clarified directions in the closer regional economic integration and their implications for business.



Seminar Proceedings

1. Challenges for the Sustainable Development of the Extractive Industries

Dramatic changes in the global energy economy involving hydrocarbons resources, their distribution, utilization and regulation were impacting both producing and consuming countries in the Region. Certainly the days of "cheap oil" were finished. Attracting the necessary large investments to sustainable development of the resource required transparent, stable and internationally-compatible fiscal and other regulatory systems.

Discussions focused initially on:

- The fundamental shift in the foundations of the global energy system;
- The significant implications for competitiveness and geopolitics of the changing global energy map; and

- The critical choices facing policy makers in reconciling energy, environmental and economic objectives.



The Honorable Ruslan Dalenov, Vice Minister of Finance, Republic of Kazakhstan; Mr. Daniel Witt, ITIC President; Mr. Adrian Cooper, Chief Executive Officer, Oxford Economics; Mr. Kenneth Mack, Partner, Dechert LLP; President, American Chamber of Commerce in Kazakhstan; The Honorable Academician Ziyad Samadzade, Chairman of the Economic Policy Committee of the Azerbaijani Parliament Milli Majlis; and Dr. Fatih Birol, Chief Economist, International Energy Agency.

The era of cheap oil was over while the new dynamics of oil and gas markets created openings and risks for Eurasian producers. Demand for Eurasian exports is increasingly set to come from Asia, providing the region with a greater diversity of markets and revenues. Further, the gains promised by energy efficiency in the Eurasia region are within reach and essential to underpin a more secure and sustainable energy system. This will also greatly enhance competitiveness. However, cost pressures in some economies were increasing and some governments need higher prices to meet their public spending needs.

Determining the impact of regulatory considerations on location decisions for the necessary large energy investments provoked a thoughtful debate, involving also an informal "case study" of Kazakhstan with particular reference to its environmental regulation. In this regard, commentators observed that uncertainty over the impact and application of environmental penalties in the extractive sector, where emissions were unavoidable, could deter investment by introducing an incalculable variable into the formulation of an investment decision, thus unbalancing revenue sharing agreements with government. They noted that:

- Taxes and penalties have grown increasingly severe in recent years;
- Emissions penalties were high in relation to other countries;
- There was no due process in their application;
- There was opacity over administrative fees; and
- No clear requirement for evidence of actual environmental damage.

Officials had a somewhat different interpretation of the state-of-play with investment in the extractive sector and the attractiveness of their investment regulatory regime for that sector. They drew attention to the substantial stock of foreign direct investment (FDI) and current strong inflows from many different countries.

While the tax regime could be expected to remain stable, the issue of particular types of levies was a separate consideration involving their own sets of procedures, permissible thresholds and damages. Nonetheless, the comparability with international standards was a relevant parameter and compatibility therewith a sensible objective.

2. Tax and Socioeconomic Challenges: Inequalities in Income and Wealth



The Honorable Yury Vasiliev, Member of the Committee on Budget and Taxes, Russian State Duma; The Honorable Sergei Shatalov, Deputy Minister of Finance, Russian Federation; Mr. Alexander Savitsky, Program Advisor, ITIC Ukraine; The Honorable Oksana P. Prodan, First Deputy Chairman of the Tax and Customs Policy Committee of the Verkhovna Rada of Ukraine; The Honorable Gulzhana Karagussova, Chairperson, Finance and Budget Committee, Majilis of the Parliament, Republic of Kazakhstan; and Dr. John Martin, Former Director for Employment, Labour and Social Affairs, OECD; Consultant to the Bertelsmann Foundation, Germany.

Growing income inequality is bad for economic growth, social cohesion and social mobility. Sustaining the fundamental principles of equality and equity in taxation requires constant attention to the composition of the tax system, the size and distribution of the tax burden, and the efficacy of the tax administration. Neither tax alone (nor its hypothecation) could achieve the range of other socioeconomic policy objectives that is currently being set in a number of jurisdictions.

Commentators observed that regional countries were suffering, differentially, from demographic and other challenges affecting:

- Income distribution vertically and horizontally;
- Financing of health care and social welfare; and
- Education and employment opportunities.

There was evidence that the inequality of opportunity involved was proving harmful for growth and welfare, while potentially encouraging extremism, corruption

and criminality. The question for the *Seminar* was the role, if any, that the tax system (supplementing reform in health/education/welfare policies) could play in helping to ameliorate these challenges. Commentators considered that there might be scope for reviewing existing tax provisions in order to try to take advantage of an increased “tax capacity” among high-income households. In turn, officials presented the detail of directions in respective national tax systems by way of examining the capacity for a reform which might better address the socioeconomic challenges.

Discussions indicated that a targeting of real estate (by market value) and financial services (elements of which currently escaped tax) could benefit revenues. However, determining the detail of their enhanced fiscal regulation and ensuring its effective administration were not straightforward. Debate over the utility of higher consumption taxes was inconclusive. In the near-term, adjusting and/or increasing the tax burden, as well as closing the tax gap were, no simple tasks, taking into account the investment-attraction value of fiscal stability and international obligations (e.g. under the ECU). The demographic pressure on pension funds would have serious implications in the medium-term for tax rates and the retirement age. There was a majority opinion for the demerit of hypothecation of social taxes which suffered from regional asymmetries and lacked universality (owing to large shadow economies).

Participants were sceptical about the ability of the tax system to significantly advance the wide range of socioeconomic policy objectives being set for it. Nonetheless, tax could play a role in stimulating economic diversification (by both sector and geography) and competition, and thereby the essential economic growth. Sovereign wealth funds (SWFs) have shown their value in moderating the socioeconomic consequences of the crisis and would continue to have such a role, in conjunction with the public investment programs of regional governments designed to achieve social equity.



3. Indirect Taxation and Excises: Policy and Practice



Professor Todd Nesbit, Senior Lecturer of Free Enterprise Economics and Competitive Markets, Ohio State University; The Honorable Ruslan Dalenov; The Honorable Ivan Shunko, Deputy Minister of Finance, Republic of Belarus; Mr. Douglas Townsend; The Honorable Sergey Shogrin, Deputy Chairman of the State Duma Committee on Budget and Taxes, Russian Federation; and Mr. Adrian Cooper.

Closer economic integration has sharpened the focus on fiscal asymmetries and raised other public policy concerns associated with indirect taxation policy and administration. Thus, partners' fiscal sovereignty could not be sacrificed to harmonization (one size does not fit all) without unintended and deleterious consequences (e.g. the encouraging of illicit trade in excisable goods). At the same time, administering the VAT system and combating VAT fraud required the closest cross-border cooperation.

Notwithstanding progress in the integration movement, commentators noted that the region remained characterized by significant country differences in:

- Tax legislation, rates and structures;
- Relative tax burden and spending power; and
- Administrative resources and skills.

Borders between regional countries and the wider world were porous and illicit trade significant. Coping with these difficult conditions put a premium on sensible tax policy and effective administration. While pursuing these objectives might be assisted by a reduced variance in tax from jurisdiction-to-jurisdiction, all participants acknowledged that tax sovereignty was critical to the policy process and should be fully respected at all costs. In the particular case of the Customs Union, the seven years "roadmap" towards tax harmonization seemed only sensible.

In a number of jurisdictions, VAT policy and administration continues to:

- Inhibit genuine risk management by the fiscal authorities;
- Impose a significant administrative burden on business; and
- Provide incentives for corruption.

Reimbursement issues continued to be controversial in some jurisdictions, with verification difficulties over the calculation period (even for legitimate business) and significant revenue losses through fraud particularly with inadequate registration and the "Missing Trader" phenomenon. This phenomenon had a domino effect, since the courts would disqualify all claims related to transactions with such nonentities. Administrations are seeking solutions by replacing the human factor with E-government systems, while the Azerbaijan Special Account system seemed to be attracting greater interest as a useful method of control.

Excises largely dominated discussion of this agenda item, owing essentially to the adverse fiscal and social consequences of imperfect regulation of high-value, easily-transportable goods. It was broadly agreed, for example in relation to tobacco, that tax rates should be set at levels which take into account individual country affordability, avoiding large inter-countries' tax and price differences, and acknowledging respective enforcement capabilities. In these various ways, increasing tax rates would gradually discourage consumers to seek illicit product, with negative consequences for smuggling and positive consequences for revenue. However, draconian tax changes would likely have converse consequences, while not achieving other public (e.g. health, criminality) policy objectives. It was a strong conclusion that tobacco tax policy should be the remit of fiscal policy experts in Ministries of Finance and Customs Departments. There was some official concern that the tobacco industry was not entirely united in its own approach to fiscal regulation.

4. International Taxation, Treaties & Transfer Pricing



Mr. Andrey Bashkurov, Associate Director of Taxes, Procter & Gamble; Mr. Daniel Witt; The Honorable Urtnasan Enkhtuvshin, Adviser to the Member of the State Great Hural, Deputy Leader of Justice Coalition, Member of Standing Committee on Industry Policy, Mongolia; and The Honorable Alexey Overchuk, Deputy Commissioner, Federal Tax Service of Russia.

Current official multilateral actions in the area of international taxation, designed to combat egregious base erosion and profits shifting (BEPS), were endorsed. In this highly-complex area, official practice across the regional jurisdictions varied and approached OECD best practice at varying speeds, reflecting diverse national

priorities, tax culture and regulatory capabilities. The role of treaties and their effective operation for attracting and retaining investment needed to be better understood, as well as the business purposes of the transfer pricing policies of multinational enterprises operating across many jurisdictions.

At the outset, Mongolia took this opportunity to explain their decision to renegotiate and reenact (perhaps from 2014) their double tax treaties (DTTs), following their wholesale abrogation of these bilateral instruments in 2012. This abrogation had been based on the conclusion that investors' "treaties-shopping" and the operations of the treaties were responsible for severe losses to the national budget. This provided an important lead for the OECD's Centre for Tax Policy and Administration presentation. Thus, a major challenge for tax policy emphasized by the OECD was to ensure that tax did not distort cross-border trade and investment nor competition and investment within each country. The OECD has long recommended that countries should reduce the distortive impacts of their tax regimes, thus improving economic growth by increasing the tax base and lowering the tax rate. Whereas economies were increasingly integrated, national tax systems were often not aligned with each other, and the mismatches resulted in double taxation and double non-taxation. The new OECD BEPS Action Plan (subsequently endorsed by the G-20 in St. Petersburg in September) was outlined. While stepping-up these efforts to address double non-taxation, the OECD continues its work to eliminate double taxation through increased efficiency of mutual agreement procedures and arbitration provisions under DTTs.

The OECD also drew attention to its current work (higher-level tax training, transparency and tax information exchange, tax and development, mutual assistance, and transfer pricing) with non-OECD member regional countries, particularly Azerbaijan, Kazakhstan and Russia. In this regard, OECD Guidelines-compatible developments were noted in Russia's transfer pricing system, which are designed to:

- Secure the tax base while providing greater certainty to entrepreneurs;
- Involve the introduction of APAs;
- Test Cooperative Compliance agreements;
- Provide greater transparency of administrative requirements including those relating to information sources and Related Parties; and
- Strengthen administrative competence.

Investors remarked positively on this change in

administrative approach in Russia, with its emphasis more on the substance of transactions and less on the form. Some further clarification was needed regarding the Judiciary's weighing of provisions of the Tax Code against those of treaties (which were paramount). As in Ukraine, more transfer pricing APAs would be welcome, along with the introduction of ATRs generally as an element of horizontal monitoring for Large Taxpayers, and transparent and real-time audits. Other reform elements to be considered should include:

- In relation to transfer pricing, cost-sharing (for R&D, market development, sales) and market price adjustments (down as well as up, symmetrically cross-border);
- In respect of VAT, the registration requirements and their enforcement; and
- In regard to treaties' interpretation and implementation, clarification of the allocation to Branches of HQ expenses.

5. Major Problems and Solutions for Tax and Customs Administrations



The Honorable Murat Kadirov, Deputy Director of Tax and Customs - Tariff Policy Department, Ministry of Finance, Republic of Uzbekistan; The Honorable Alexey Overchuk; Ms. Elizabeth Allen, Senior Economic Advisor, ITIC; The Honorable Ruslan Dalenov; The Honorable Academician Ziyad Samadzade; Ms. Fatima Aslan, ITIC representative in Azerbaijan; President, Anglo-American/ATTAS Alliance; and The Honorable Oksana P. Prodan

Regional governments sought to stimulate economic diversification, growth, and employment while strengthening compliance and protecting revenues. The following are under active consideration or have been adopted:

- Consolidating taxes;
- Changing institutional arrangements to improve inter-agencies' coordination; and
- Other administrative measures, including extended E-government procedures and more-targeted audit approaches.

Business would appreciate further simplification of tax systems and clarification of operating procedures. They acknowledged that a (three-year) forward program (as in the Russian Federation) provided stability conducive to

Delegates Enjoy Opportunities for Fellowship, Informal Discussions, and Local Entertainment



Mr. Alexander Savitsky; The Honorable Sergei Shatalov; The Honorable Oksana Prodan; Mr. John Martin; Mr. Daniel Witt; The Honorable Gulzhana Karagussova; The Honorable Yuriy Vasiliev; and The Honorable Arman Poghosyan.



Participants enjoy the welcome dinner at The Westin Paris - Vendôme Hotel on 8 July.



The Honorable Sergey Shtogrin; The Honorable Douglas Townsend; and Mrs. Elizabeth Allen during the dinner cruise on The Seine.

investment. Greater priority, officially and commercially, needs to be accorded to professional development programs for tax inspectors and business managers.



International experts offered a range of recommendations for addressing national and regional administrative challenges. These recommendations were based on the analysis of Eurasia regional countries' obligations, trading relationships, and their own historical experience with other jurisdictions and regional organizations. These recommendations included:

- Harmonizing tax structures;
- Moving towards a closer approximation of tax rates;

- Avoiding tax competition; and
- Taking into account affordability in neighboring jurisdictions.

Sustaining professional training for higher-level officials and intensifying mutual assistance between jurisdictions were axiomatic. Specifically for EEC/ECU, Eurasia standards should be agreed for a modern excise legislation covering administration and control of excisable products, licensing of excise operators, and comprehensive national E-registers accessible to officials across the Common Economic Space. Attention was drawn to ITIC's international work on the shadow economy, which remained a major problem across the region.

A range of public policy objectives being pursued via the tax system and relating to health and social welfare, economic diversification, localization, employment, and urbanization were of concern to one or other regional country. These found expression variously in increased excises, tax incentives (including Free Economic Zones), simplified tax systems for small-and-medium enterprises,

and property taxes. From the *Seminar* discussions, it seemed that a major administrative challenge was posed by indirect taxation (principally VAT) and excises. Thus, “Missing Trader” fraud and VAT refund procedures, along with excises (stamping) practices, continue to cause problems in many jurisdictions (apart from the unresolved debate over excise directions and rates and the associated harmonization/unification/sovereignty argument for Customs Union Member States).

Opinion and practice were divided on the efficacy of amalgamating national tax and customs agencies, whereas there was unanimity on the spread of E-government procedures. Improvements in tax audit procedures and associated IT bases and systems, (noting the comprehensive, risks-based approach of the Russian FTS), were being pursued in most jurisdictions.

Mixed opinion and practice prevail in respect of ATRs. Keen interest was expressed in the progress of the BEPS-driven review of the international tax system, in respect of which opinion and practice were divided on the applicability of APAs under transfer pricing systems.

There was unanimity on maximizing mutual assistance, including support for joint audits. Unanimity also prevailed regarding the need for professional development, both at the coal-face and at higher-level. In this regard, attention was invited to the program in international taxation inaugurated by ITIC in partnership with the Vienna University of Business and Economics, IFC, EY and JTI.

6. Fiscal Disputes Resolutions Procedures: Mediation, Arbitration & Court



The Honorable Muratbek Usubaliev, Head of the Tax and non-Tax Income Policy Department, Ministry of Finance of the Kyrgyz Republic; The Honorable Ruhulo Khakimov, Vice Minister of Finance, Republic of Tajikistan; Mr. Douglas Townsend; The Honorable Ruslan Akhalaia, Deputy Head, Revenue Service of Finance Ministry, Georgia; and The Honorable Ruslan Dalenov.

The high incidence of fiscal disputes is a major concern that is being addressed across all regional countries irrespective of systemic differences in national procedures. There is interest from all sides in fair, extra-judicial

disputes resolution proceedings and a division of opinion on the merits and abilities of tax courts, for reasons of legal policy and judiciary fiscal expertise. Extra-judicial proceedings have proved successful in reducing the quantum of disputes reaching court (e.g. in the Russian Federation, Georgia and Kyrgyzstan) and Kazakhstan plans to legislate an administrative procedure modeled on those of Baltic States. Business would also welcome greater attention to advance rulings as another means of avoiding disputes. Business also notes with interest the official attention being commanded by “horizontal monitoring” programs that might assist to clarify operating procedures and simplify their administrative task.



There was considerable interest in new developments in the Russian Federation system for regulating disputes between taxpayers and the Federal Tax Service. These number have fallen significantly since the introduction there of new procedures:

- From 70,000 in the mid-2000s to 50,000 in 2012;
- With complaints reducing annually by 10% and litigation by 15-20%; and
- The percentage of disputes won by the tax authorities rising from 40% to 71%.

The State Duma is now considering a draft law aimed at further implementation of the mediation settlement procedures for tax disputes. An important role had been played by more professional administration:

- Better assessment of tax risks increasing the efficiency of tax audits;
- Introduction of public criteria for the selection of taxpayers for audits; and
- Improved quality of training materials for tax audit.

In the case of Kazakhstan, proposed new procedures would be of a quasi-judicial kind. Institutionally, there would be a single, national (no regional), pre-court, independent, collegiate Appeals Institute, supported by an Advisory Agency providing guidance to taxpayers on working with the Institute. Institute members, qualified in tax law, would be appointed by the Government, on the advice of the Ministers of Justice and of Finance, for a six years’

term. The Institute would operate by majority decision but could establish informal working groups for resolving disputes through conciliation. Legal representation would be permitted in the proceedings of the Institute. It would be open to the taxpayer in dispute with the Tax Committee to approach the Institute; but such taxpayer would not be obliged to do so and could anyway go directly to court.

Notwithstanding issues of adequate human and financial resources, Kyrgyz officials favored the longer-term establishment of a specialized Tax Court operating with case law as precedent, although they greatly appreciated the new Kazakhstan approach outlined above. Currently in Kyrgyzstan, the principle of equity, with benefit-of-doubt-to-taxpayer, was central to fiscal disputes resolution, with previous cases also being utilized as a guide but not as precedent. The Council on the Methodology of Disputes would maintain a database of case law. Appeals are directed to the State Tax Inspectorate, at national level, with further appeal to the courts and ultimately the Supreme Court.

Georgia, with the fiscal authorities further engaged on a detailed work-in-progress, already had a relatively sophisticated set of anticipatory and remedial procedures involving public Audit Manuals, Advance Rulings, APAs, and a multi-tiered appeals process through the Executive (Georgia Revenue Service (GRS) and Ministry of Finance) to the Judiciary or directly from GRS to the Judiciary (from Local-to-City-to-Supreme Court). Regrettably, a number of Georgia's tax treaties lacked an arbitration provision. Prospectively, a system of public Rulings on Tax Code interpretation would be introduced, as one function of a proposed full-time, expert Disputes Resolution Council under the Minister of Finance. The Supreme Court remained the ultimate arbiter although disputes about taxpayer property rights (e.g. appeal in Ukraine on VAT refunds) could go to the European Court of Human Rights (but this would be a somewhat unreal action).

The Tajikistan tax system continues to evolve in structure, content and administration, with considerable assistance from the IFIs. Appeals may be made to higher levels of the Tax Committee and/or to the Courts, precedent not applying. Advance rulings, including APAs in the context of transfer pricing control, seem not to be contemplated although the relevant tax authority may provide written explanations to the taxpayers on the application of tax legislation. Such explanations may be considered as having binding legal power and were appreciated for being written in lay language.

7. Seminar Review and Conclusions



The Honorable Sergey Shtogrin and Mr. Daniel Witt.

In concluding that the *Seminar* should be re-convened next year, in partnership with the International Institute of Taxation at the Vienna University of Business and Economics and provisionally 8-10 July 2014 in Vienna, participants noted that:

- In the future, we should consider narrower or more specific issues. We need specific examples and case studies.
- We should ask country representatives to come to EFES prepared to discuss specific examples from their countries.
- We want to learn about the specific changes that have been made in each country and the positive results/impacts. Where possible, it would be extremely helpful to have data and statistics.
- We should ask each delegation to bring hand-outs and resource materials from their Ministry of Finance, Tax Administration and Parliament. These can include basic explanatory materials, as well as educational resources for tax payers.

Pre-Seminar Roundtable

Closer Economic Integration in Eurasia: Current Operational Fiscal Issues-Conclusions



The Honorable Yegor Kappel, Deputy, Majilis of the Republic of Kazakhstan; The Honorable Bembya Khulhachiev, Director of Finance Department, Eurasian Economic Commission; Mr. Douglas Townsend; Ms. Julia Maximovskaya, Tax Partner, Global Tax Consumer Products Leader, EY

- Closer economic integration is not rhetoric but a working reality. This reality was confirmed by comprehensive presentations, critical interventions of officials from the Member States, and investors operating in the area.
- The fiscal regulation and institutional arrangements currently governing trade and investment in the Common Economic Space, as detailed in the formal presentations of the participating officials from the Finance Department, Eurasian Economic Commission, are clear and definitive.
- Fully achieving the Single Market Four Freedoms by the 2020 “roadmap” date will involve implementing precisely a massive amount of fiscal regulation applying across all economic sectors and relating to indirect (VAT) and direct taxation (PIT, CIT), excises, tax treaties and transfer pricing. It was important to advance this task, with regulation of financial markets one urgent priority.
- The ECU provides, overall, an effective fiscal regime for trade but there are some concerns about market access/NTBs and customs operations, along with some unintended consequences particularly the prospective growth in illicit trade and the practicalities of integration in ‘asymmetrical’ national situations.
- Thus, the ECU faces challenges which need quickly to be met so that it might work better and realise its economic potential. As an example, the current divergence in Members’ excises’ policies and rates represented a strong centrifugal force which required ameliorating action.
- Such potential action---whether in the nature of ‘unification’ or ‘harmonization’ or ‘approximation’ between national systems---needed to respect sovereignty and, as with all regulation, required effective customer relations management that would fully acknowledge Investors’ interests.

ITICnet.org

All documents and presentations from EFES 9 can be downloaded from the following link: <http://www.iticnet.org/Public/PublicDocLanding.aspx?id=58>

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Meeting Agenda

Day One - 8 July

Pre-Seminar Roundtable

Chair: Mr. Douglas Townsend, Senior Advisor, ITIC

Discussants

- The Honorable Bembya Khulkhachiev, Director of Finance Department, Eurasian Economic Commission
- The Honorable Yegor Kappel, Deputy, Majilis of the Republic of Kazakhstan
- Mr. Mukhit Akhanov, President, ITIC Kazakhstan
- Ms. Julia Maximovskaya, Tax Partner, Global Tax Consumer Products Leader, EY

Welcome Reception and Dinner

ITIC/EEC New Memorandum of Cooperation: Mr. Daniel Witt, President, ITIC and The Honorable Bembya Khulkhachiev, Director of Finance Department, Eurasian Economic Commission

Dinner Address: Dr. Jeffrey Owens, Distinguished Fellow, ITIC and The Honorable Mikhail Mishustin, Head, Federal Tax Service, Russian Federation

Day Two - 9 July

Morning Session - Tax Reform: Priorities for Tax Policy and Administration

Session 1: Challenges for the Sustainable Development of the Extractive Industries

Co-Chairs: Mr. Daniel Witt and The Honorable Ruslan Dalenov, Vice Minister of Finance, Republic of Kazakhstan

Keynote Address: *Oil & Gas: The Eurasia Region in the Global Industry* – Dr. Fatih Birol, Chief Economist, International Energy Agency

Discussants

- Mr. Adrian Cooper, Chief Executive Officer, Oxford Economics
- The Honorable Academician Ziyad Samadzade, Chairman of the Economic Policy Committee of the Azerbaijani Parliament Milli Majlis
- Mr. Kenneth Mack, Partner, Dechert LLP; President, American Chamber of Commerce in Kazakhstan

Session 2: Tax and Socioeconomic Challenges: Inequalities in Income and Wealth

Co-Chairs: The Honorable Gulzhana Karagussova, Chairperson, Finance and Budget Committee, Majilis of the Parliament, Republic of Kazakhstan and Mr. Alexander Savitsky, Program Advisor, ITIC Ukraine

Keynote Address

- Dr. John Martin, Former Director for Employment, Labour and Social Affairs, OECD ; Consultant to the Bertelsmann Foundation, Germany
- The Honorable Sergei Shatalov, Deputy Minister of Finance, Russian Federation

Discussants

- The Honorable Oksana P. Prodan, First Deputy Chairman of the Tax and Customs Policy Committee of the Verkhovna Rada of Ukraine
- The Honorable Arman Poghosyan, Head, State Revenue Policy and Administrative Methodology Department, Ministry of Finance, Republic of Armenia
- The Honorable Madi Takiyev, Director, Tax and Customs Policy Department, Ministry of Budget and Economic Policy, Republic of Kazakhstan
- The Honorable Yury Vasiliev, Member of the Committee on Budget and Taxes, Russian State Duma

Afternoon Session - Fiscal Parameters of Closer Economic Integration

Session 3: Indirect Taxation and Excises: Policy and Practice

Co-Chairs: The Honorable Ivan Shunko, Deputy Minister of Finance, Republic of Belarus and Mr. Douglas Townsend

Keynote Address: The Honorable Ruslan Dalenov

Discussants

- Mr. Adrian Cooper
- Mr. Daniel Witt
- Professor Todd Nesbit, Senior Lecturer of Free Enterprise Economics and Competitive Markets, Ohio State University
- The Honorable Sergey Shtogrin, Deputy Chairman of the State Duma Committee on Budget and Taxes, Russian Federation

Evening Session: Action Agenda for Tax Systems

Session 4: International Taxation, Treaties & Transfer Pricing

Chair: Mr. Daniel Witt

Keynote Address: Mr. Pascal-Saint-Amans, Director, Centre for Tax Policy and Administration, OECD

Discussants

- The Honorable Alexey Overchuk, Deputy Commissioner, Federal Tax Service of Russia
- The Honorable Urtnasan Enkhtuvshin, Adviser to the Member of the State Great Hural, Deputy Leader of Justice Coalition, Member of Standing Committee on Industry Policy, Mongolia
- Mr. Andrey Bashkirov, Associate Director of Taxes, Procter & Gamble, Russia

Wednesday, 10 July

Morning Session: Making the Fiscal System Work for Everyone

Session 5: Major Problems and Solutions for Tax and Customs Administrations

Co-Chairs: The Honorable Ruslan Dalenov and Ms. Fatima Aslan, ITIC representative in Azerbaijan; President, Anglo-American/ATTAS Alliance

Keynote Address: The Honorable Alexey Overchuk

Discussants

- Ms. Elizabeth Allen, Senior Economic Advisor, ITIC
- The Honorable Oksana P. Prodan
- The Honorable Murat Kadirov, Deputy Director of Tax and Customs - Tariff Policy Department, Ministry of Finance, Republic of Uzbekistan
- The Honorable Academician Ziyad Samadzade

Session 6: Fiscal Disputes Resolutions Procedures: Mediation, Arbitration & Courts

Co-Chairs

- Mr. Douglas Townsend
- The Honorable Ruhulo Khakimov, Vice Minister of Finance, Republic of Tajikistan

Keynote Address: The Honorable Ruslan Dalenov

Discussants

- The Honorable Alexey Overchuk
- The Honorable Muratbek Usubaliev, Head of the Tax and non-Tax Income Policy Department, Ministry of Finance of the Kyrgyz Republic
- The Honorable Ruslan Akhalaia, Deputy Head, Revenue Service of Finance Ministry, Georgia

Session 7: Review and Conclusions**Co-Chairs:**

- Mr. Daniel Witt
- The Honorable Sergey Shtogrin

Documents Available on ITICnet.org

The following documents can be downloaded from:

<http://www.iticnet.org/Public/PublicDocLanding.aspx?id=58>

- Participant Directory
- Conclusions and Recommendations (English Language)
- Conclusions and Recommendations (Russian Language)
- Program Agenda
- Informational Flyer
- Tax Regulation in the Customs Union and the Common Economic Space by The Honorable Bembya Khulkhachiev, Director of Finance Department, Eurasian Economic Commission
- Closer Economic Integration in Eurasia: Investors' Perspective by Ms. Julia Maximovskaya, Tax Partner, Global Tax Consumer Products Leader EY
- Eurasian Economic Commission: Activities & Structure by the Honorable Bembya Khulkhachiev, Director of Finance Department, Eurasian Economic Commission
- A Glimpse into the World's Energy Future by Dr. Faith Birol, Chief Economist, International Energy Agency
- The Economic Effects of Environmental Legislation Reform in Kazakhstan by Mr. Adrian Cooper, Chief Executive Officer, Oxford Economics (English Language)
- The Economic Effects of Environmental Legislation Reform in Kazakhstan by Mr. Adrian Cooper, Chief Executive Officer, Oxford Economics (Russian)
- Income Inequality: Stylised Facts and Policies to Curb It by Dr. John Martin, Former Director for Employment, Labour and Social Affairs
- Current and Future Pressures on the Tax System in Russia by the Honorable Sergei Shatalov, Deputy Minister of Finance, Russian Federation
- Global 'Best Practice' in Tobacco Tax Policy: Insight from Tax Practitioners from Around the World by Mr. Adrian Cooper, Chief Executive Officer, Oxford Economics (English Language)
- Global 'Best Practice' in Tobacco Tax Policy: Insight from Tax Practitioners from Around the World by Mr. Adrian Cooper, Chief Executive Officer, Oxford Economics (Russian Language)
- Tax Induced Cigarette Smuggling State-level US Estimates by Professor Todd Nesbit, Senior Lecturer of Free Enterprise Economics and Competitive Markets, Ohio State University (English Language)
- Tax Induced Cigarette Smuggling State-level US Estimates by Professor Todd Nesbit, Senior Lecturer of Free Enterprise Economics and Competitive Markets, Ohio State University (Russian Language)
- Excise Taxation in the Russian Federation by The Honorable Sergey Shtogrin, Deputy Chairman of the State Duma Committee on Budget and Taxes, Russian Federation (Russian Language)
- Protecting Revenue When Moving to Closer Economic Integration by Ms. Elizabeth Allen, Senior Economic Advisor, ITIC
- A Public Private Partnership by Jeffrey Owens, Distinguished Fellow, ITIC
- The Procedure for Resolving Tax Disputes in the Republic of Kazakhstan by The Honorable Ruslan Dalenov, Deputy Minister of Finance, Republic of Kazakhstan (Russian Language)

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Official Delegations

Republic of Armenia
 Republic of Azerbaijan
 Republic of Belarus
 Georgia
 Republic of Kazakhstan
 Kyrgyz Republic
 Mongolia
 Russian Federation
 Republic of Tajikistan
 Ukraine
 Republic of Uzbekistan
 Eurasia Economic Commission
 Organisation for Economic Cooperation and Development
 International Energy Agency

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2014 Eurasia Fiscal Experts' Seminar

The 10th annual *Eurasia Fiscal Experts' Seminar* will be held on 8-10 July 2014 in Vienna. The meeting will be co-hosted by the Institute for Austrian and International Tax Law at the Vienna University of Economics and Business.

More information on EFES 10 will be sent to sponsors as the meeting nears.

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