
Armenia Government Kicks Off Tax Customs Reforms

By Haroutiun Khachatrian
EurasiaNet - 11/6/2008

Armenia's new government has taken the first steps towards a shake-up of its notoriously corrupt and inefficient tax and customs agencies.

Improving Armenia's business environment has emerged as a top priority for Prime Minister Tigran Sarkisian, a former chairman of Armenia's Central Bank, and newly inaugurated President Serzh Sarkisian (no relation to the prime minister). In 2007, the country's economy expanded by 13.7 percent, marking the sixth straight year of double-digit growth. In an effort to maintain a robust growth rate, the government is banking on an overhaul of the tax and customs sectors, two areas that Sarkisian has pledged will be "at the center of his attention," the presidential administration reports.

"In our country, apart from tax and customs revenues, there are no sources of solving social problems," Sarkisian told an April 18 meeting of the State Customs Committee broadcast by state television. "Therefore, we must follow the path of self-cleansing."

The push for reform first targeted customs, an area where President Sarkisian claimed that corruption is "thriving." The Armenian leader threatened to fire any official who failed to "work honestly."

The opposition press has hailed the criticism - albeit with a dig at the government for past failures. "Customs officials are ordered not to take bribes. This means that previously they were ordered to take them," concluded Haykakan Zhamanak, a newspaper close to the opposition movement led by ex-President Levon Ter-Petrosian. The clean-up campaign cannot last for long, the publication argued, since senior officials, it alleged, will not voluntarily give up the income bribes provide.

Some entrepreneurs, though, say they have already seen a change. In particular, implementation of a rule that allows businesspeople to fill out their own customs declaration has played a role, one leading member of Armenia's business community contends. The regulation has existed since 2001, but was never observed until recently.

"Traditionally, Armenian importers had to go through a long procedure for presenting customs declarations, and they could not do this without the participation of customs officials," recounted Gagik Poghossian, chairman of the Foundation for Small and Medium Businesses, a lobbyist group. "This used to result in high corruption."

With no need to meet with customs officers, opportunities for bribery have decreased, he added. At the same time, authorities have encouraged the use of specialized customs brokers to help businesspeople fill out their documents correctly, he said.

But the transition has not come problem-free.

One businessman who requested anonymity told EurasiaNet that the absence of bribes has, in fact, delayed his taking a routine stock of imported computers through customs. In the past, bribes facilitated the clearance for lower fees -- an excise dodge that this businessman alleges meant lower retail prices for consumers. The new shipment,

however, comes bribe-free and will be assessed at a higher excise rate, meaning that it cannot be sold until previous, cheaper stock is sold out, he said.

Poghossian, though, reports that while most businesspeople in general are happy with the changes, they remain anxious about whether or not the government will make sure that the changes are permanent.

Meanwhile, President Serzh Sarkisian's administration has moved on to tackle the tax service.

In a May 29 meeting with business representatives, President Sarkisian affirmed that "the state is on the same side as business." Particular emphasis was put on the need for an equitable application of taxes, and the closure of de facto payment loopholes for big business. Members of the business community have been asked to propose additional areas for reform or to amend suggested changes.

"If we fail to improve tax administration, we will destroy our country, our state and our statehood," Prime Minister Tigran Sarkisian admonished senior tax officials at a June 3 meeting. Tax officials' style of work must "fundamentally" change to reverse the business community's negative attitudes, Sarkisian added. Salary increases for tax officials and regular training sessions have been slotted to help in that transition.

Government critics remain skeptical about the motivation for the overhaul of the tax and customs systems. "My feeling is that these changes will lead to a situation where, instead of a dozen people having privileges in the tax and customs spheres, we will have just two people with such privileges," Hrant Bagratian, who served as prime minister from 1993-1996 under former President Ter-Petrosian, said in reference to the current president and prime minister.

Prime Minister Sarkisian reminded officials at his June 3 event that "[p]arliament members and ministers have no right to be involved in business," but the extent to which that maxim will be executed remains in doubt.

Local representatives of anti-corruption watchdog Transparency International, one of the most outspoken international critics of the shadowy line between governments and businesses, could not be reached to comment.

For now, though, one of Armenia's richest business leaders maintains that the time has come for change. "We have to forget what was in the past," oligarch Gagik Tsarukian, leader of the pro-government Prosperous Armenia Party, a member of Armenia's ruling coalition, told reporters after the May 29 meeting with President Sarkisian. "From now on, everybody should work with proper documents and must pay taxes."

Editor's Note: Haroutiun Khachatrian is a freelance reporter based in Yerevan.
