

# TAX PERCEPTIONS IN ARMENIA

## HOUSEHOLD AND ENTERPRISE

### SURVEY 2013

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This report presents the results of a study on tax perceptions among households, enterprises, and individual entrepreneurs in Armenia. The research was conducted from November to December of 2013, in the framework of the USAID Armenia Tax Reform Project.

#### THE MAIN FINDINGS OF THE HOUSEHOLD SURVEY ON THE PERCEPTIONS OF THE TAX SYSTEM

- Respondents were mainly aware of local taxes such as the property and land taxes. Familiarity with the indirect taxes, and particularly with the Value Added Tax (VAT), is significantly lower than the awareness of the direct taxes and property tax.
- About 30 percent of the respondents think that the taxes should be calculated by tax authorities instead of establishing a system of individual reporting and declaration.
- Tax perceptions are more visible among those who are involved in cattle breeding (18.1 percent of the respondents), which may be connected with a higher level of commercialization of the sector. Those involved in agriculture, which constitutes 41.4 percent of the respondents in rural areas, are noticeably less aware of taxes.
- When the survey respondents were asked what they thought the main goal of a tax authority should be, they emphasized expectations of trust and for the tax inspector to show respect toward people, acting as exemplary public servant (see table 1.7).
- Every fourth respondent said that they would be more willing to pay taxes if the tax system was more trustworthy (see table 1.17).
- Among the perceived functional roles of a tax authority, 35.5 percent of the respondents noted that the tax authority should collect taxes based on the paying capacity of the taxpayer. Eighteen point six percent of the respondents noted a tax authority should assist taxpayers to calculate taxes according to the legislation.
- Seventy-six percent of the respondents agree with the theory of the Laffer curve. According to this theory, a lower tax load increases the amount of taxes paid to the state budget (see table 1.10).
- Seventy-seven percent of the respondents expressed a willingness to cooperate with the government and pay taxes, a number that is four times higher than those who are not willing to cooperate (see table 1.11).
- Six out of every seven respondents think that the penalties for tax violations should be tightened. They also think that there should be a decrease in taxes (see table 1.12).

- Among the main reasons for avoiding paying taxes, respondents noted high taxes and the desperate financial situation (see table 1.13). Other reasons included unfair treatment of different businesses. The latter worried the respondents more than the frequent changes in the laws, complex tax procedures, and frequent tax inspections.
- Sixteen point five percent of the respondents said that they “have not lost hope,” and do not justify avoiding taxes. Having this resource, one can assume that it is possible to significantly increase the number of those who are willing to comply with tax legislation and pay taxes, even without reviewing tax rates or reforming core tax procedures. Taking into consideration that according to popular evaluations, the shadow economy constitutes about 35 percent of the overall economy, by indirect calculations one can assume that it is possible to increase the taxes paid to the state budget by 5.7 percent only through fair horizontal administrative efforts.
- Over a half of the respondents are not willing to take on additional tax burden for the needs of the country in force majeure situations: only 5.4 percent of the respondents, or one in 19 respondents, thought additional taxes were a means for acquiring resources in force majeure situations. Sixty-two percent of the respondents think that the government should borrow money from other countries (36.6 percent) or its own population (25.5 percent) in force majeure situations.
- The percentage of respondents who have other solutions for acquiring money in force majeure situations--solutions that include the government paying back its citizens before raising taxes--is twice more (13.4 percent) than the percentage of those who are willing to take on the additional burden.
- There is a general lack of knowledge about the state budget system. Thus, about every fifth respondent either does not know or refuses to answer what should be done (i.e., what methods of covering the budget deficit the government should use), if the government needs urgent resources for public purposes (see table 1.14).
- Opinions on the question of whether it is acceptable to reduce the amount of taxes paid using the opportunities that the laws provide was divided into three answers: “undecided” (23.5 percent), “pro” (39.2 percent), and “con” (37.3 percent). Moreover, slightly more than half of the “undecided” respondents consider it acceptable to pay less in taxes, thereby saving on taxes without violating the law.
- Among the primary actions in tax law enforcement that the respondents would undertake if they had decision making power in a state agency were: decreasing the number of taxes (25.7 percent), decreasing tax rates (19.7 percent), and simplifying the way the tax laws are phrased (12.6 percent) (see table 1.16).
- Respondents preferred having a fair society over the taxes themselves. Thus, 89.5 percent of the respondents either fully or partially agreed with this statement: “If people believe that the taxes are fair, they will always be willing to pay them.” Seventy-four point two percent of the respondents agree that less corruption would encourage paying more taxes (see table 1.17).
- Around a half of the respondents (47.5 percent) are willing to tolerate more complex tax legislation if the system is fair and operates in a fair society. Eighty-seven point

seven percent of the respondents agree with this statement: “Pay taxes and sleep well” (see table 1.17).

- Respondents also talk about taxes with their relatives and friends. The latter act as the second main source of information about taxes, after media such as television and radio.
- Forty-three point four percent agrees that one should inform the tax authorities in cases of tax legislation violations, so that the violators are called to responsibility. In tax terminology, informants on tax violations are called “whistle blowers.” This kind of “accepting” attitude toward whistle blowers is rather new for the Armenian society, and can be interpreted as a sign of perceived importance of the “horizontal fairness of taxation.”
- The underlying understanding of “tax law obedience” among respondents is connected with the fair and efficient use of the tax money, i.e., “the people’s money.” Regarding the question on how the government uses generated tax money, “personal purposes” (20.9 percent), “the army” (18.9 percent), and “pensions” (15.6 percent) were among the most popular answers (see table 1.22).
- Over half of the respondents (66.1 percent) think that only the 0-20 percent of paid taxes are returned to society through public services. Only 3.2 percent of the respondents think that the public receives back over half of the paid taxes (see table 1.25).
- Three-fourths of the respondents do not know what new services the tax authority should provide. Among those that are somewhat familiar with tax services, around one-third do not expect new services from the tax authority but would like to see the quality of the current services improved. The respondents also noted the need for providing “better and more accessible information.”
- In the context of general distrust toward public institutions, local self-government bodies (with 36.6 percent of the respondents fully or to some extent trusting) and the Public Defender (the Ombudsman) (39.3 percent) are among the most trusted institutions. At the same time, the National Assembly and the Government are trusted by 18.1 percent and 20.3 percent of the respondents, respectively. The levels of trust toward tax and custom services, as well as the Ministry of Finance, are not particularly high (23.7, 16.3 and 16.5 percent, respectively).
- Ninety-five point two percent of the respondents thought the tax load is heavy or very heavy, particularly in the daily lives of regular citizens. At the same time, 18.8 percent of the respondents considered the tax load to be heavy or very heavy for large businesses, and 51.1 percent said the tax load is heavy or very heavy for businesses of medium size (see table 1.27).
- The survey found that paying taxes is not considered dignifying in Armenia. Only 35.4 percent of the respondents were proud to be paying taxes and thus contributing to the solution of public issues (10 percent) or carrying out their civic obligation (25.4 percent). Meanwhile, 58.3 percent are not proud to be taxpayers, explaining that the taxes do not serve their purpose (18.5 percent) or it is not clear what purpose the taxes serve (39.8 percent).

- Seventy-nine point one percent of the respondents would not want to work at a tax authority, the reasons being the complexity of the work, a lack of skills and knowledge, and the incompatibility of the job with integrity. Another reason cited is that of the job not having a good reputation. A great majority of the respondents who would like to work at a tax authority (18.5 percent) would work there for the authority or interest that the job entails, or the high salary. Only a very small percent of the respondents would work there to make the system more people-friendly, useful or fairer (see table 2.8.1). This group constitutes 4.1 percent of Armenians (22 percent on the 18.5 percent).
- The respondents already feel and appreciate the improvements in the tax services. High positive response rates (40.6-66.7 percent of the respondents) of the electronic services are an indication of that (See Table 1.23). At the same time, the respondents expected improvements in more vital areas: around 70 percent of the respondents do not justify illegal payments (see table 1.17) and wish to change the mission of the tax authority, particularly emphasizing the paying capacity of the taxpayer (see table 1.7).
- While around half of the respondents (48.6 percent) do not justify avoiding taxes, those married before or at the moment of the survey are leaning more toward paying taxes. Fifty-two percent of married and 59 percent of widowed respondents do not justify avoiding taxes, while those who do not justify avoiding taxes constitute only 38.7 percent of the single respondents (see cross tabulation table 6.1).

## THE MAIN FINDINGS OF THE ENTERPRISES' AND INDIVIDUAL ENTREPRENEURS' SURVEY ON THE PERCEPTIONS OF THE TAX SYSTEM

1. Among the surveyed business taxpayers 91 percent chose the simplest organizational statuses – individual entrepreneurs and limited liability companies.
2. Business taxpayers mostly pay direct taxes: 96.8 percent of the taxpayers pay income tax, 33 percent pay profit tax, and only 23.3 percent deal with VAT. Seventy point five percent of the business taxpayers have dealt with non-standard tax regimes.
3. Fifty-two point five percent of the business taxpayers have been operating less than three years.
4. The owners (participants) of the enterprises in 78.8 percent of the cases are natural persons, and organizations in only 21.6 percent of the cases. This should be a signal for the tax and revenue policy makers: to take into consideration the users and the structure of the founders when developing tax regimes, thresholds, and other tools.
5. The main buyers of the products, work, and services of the Armenian taxpayers--81.3 percent-- are individuals/end-users/final consumers. Forty-nine percent of the business taxpayers work in the field of trade. Only 7.8 percent of the business taxpayers are involved in manufacturing industries.
6. Only 18.1 percent of the business taxpayers follow corporative governance regulations. Research on tax administration in the world shows that tax compliance levels are higher in the organizations that follow corporative governance regulations.

7. Business taxpayers do not tend to join professional unions or associations. Only 4.3 percent are involved in a similar horizontal cooperation.
8. Business taxpayers receive more information on taxes from each other than from mass media.
9. According to the surveyed businesses, the mission of the tax authority should be first, to collect taxes based on the paying capacity of the businesses. Secondly, the tax authority should help the taxpayers calculate taxes in compliance with the legislation.
10. Business taxpayers suggest that the government implement the following three priority measures: decrease the tax rates, decrease the number of taxes, and make the wording of the tax laws simple and clear.
11. The tax authority is good at providing business taxpayers with information on changes in the tax system and regulations (see table 5.1).
12. The business taxpayers are not very much concerned about the functions of the tax authority, and think that the paradigm developed here should not be changed. Thus, 56 percent were in favor of the list of services currently provided by the tax authority (see table 5.3). At the same time, 53.3 percent of the business taxpayers do not know what type of new services to request from the tax authority.
13. Only six percent of the business taxpayers think that they are involved and can influence the discussions on tax initiatives.
14. Seventy-one point eight percent of the business taxpayers negatively assess the measures implemented by the Government of the RA in the recent years in the sphere of tax legislation and tax administration as they pertain to the impact on businesses and business environment. Negative perceptions are lower in the organizations that use the corporate governance system and regulations, as well as organizations in the manufacturing industry.
15. According to the 40-50 percent of business taxpayers, the tax burden is heavy or very heavy. The respondents were able to more clearly assess how heavy the burden for the income tax is, and had found it more difficult to assess VAT and patent fees. Experienced managers think that the tax burden in Armenia is heavy for income tax and VAT.
16. Regarding the tax rates, profit tax received the least criticism, it even had the highest number of suggestions for rate increase (see table 2.3). Within business taxpayers, however, those in manufacturing are in favor of decreasing profit tax. Experienced managers, more than other entrepreneurs, suggest decreasing income tax rate.
17. The majority of the business taxpayers do not know about the tax privileges in Armenia (see table 2.4).
18. According to 42.8 percent of business taxpayers, tax legislation changes should not happen more often than three years. At the same time the survey analysis showed that there is a maturity age of tax perceptions among the business taxpayers. It is seven years after starting an active business operation (see: the "TAX PROFILE OF THE SUCCESSFUL ENTREPRENEUR" section).

19. According to the research results, the practice of hiring an external accounting company to calculate taxes (16.3 percent of the business taxpayers) and/or involving a tax consultant to ensure tax compliance (only 9.3 percent of the business taxpayers) is at an early stage of development in Armenia.
20. According to the entrepreneurs, non-standard (alternative) tax regimes (license fee, turnover tax, fixed fees) do not particularly contribute to tax compliance. Only 31.8 percent positively responded to that question. Opponents of the alternative tax regimes said that the alternative tax regimes are inadequate and artificial. Opponents of the tax regime constitute an almost equal percentage to those who are in favor.
21. The analysis of the question, “Is it worth being a law-abiding taxpayer? What are the advantages of tax law abidance for the business as a whole, and what are its negative consequences in the Armenian environment?” (see tables 2.11, 2.12) shows the negative perceptions of tax law abidance outnumber the positive perceptions 1.6 times.
22. Around 70 percent of the business taxpayers think that avoiding taxes is not justifiable. The same entrepreneurs think that in real life 40 percent of the business taxpayers avoid taxes when possible. In regards to the question on the relationship between tax rates and tax revenues based on the famous Laffer curve, 80 percent of the business taxpayers agreed that the state budget will receive more money as a result of lower tax rates. Comparing the findings of the same question in the households (the positive answer constitutes 76.6 percent), one can see that the entrepreneurs are more certain in the truth of the Laffer curve than the general public.
23. Forty-six point five percent of the business taxpayers said that it is acceptable to aim at paying less in tax by the law when asked the following question: “Is optimizing and planning transactions in a certain way to reduce taxes a permissible and acceptable practice?”
24. Seventy-eight point eight percent of the business taxpayers think that the tax laws are not equally enforced for all the business taxpayers. This shows the perceptions on the level of horizontal taxation fairness.
25. Seventy-five point five percent of the businesses think that the tax system is unpredictable. Seventy-six point five percent do not agree with the illegal advance payments demanded by the tax inspector, as they think that it negatively affects tax compliance.
26. Only one-fourth of the business taxpayers express disagreement during the inspections, and only 13.2 percent of the businesses initiated a specific tax appeal (Commission or court).
27. The business taxpayers are dissatisfied with the level of the discussions and solutions to the disagreements that arise during tax inspections. The business taxpayers are to some extent only satisfied with the stage of discussing the draft inspection act. Two point nine percent of the businesses are satisfied with the Appeal Commission of the SRC and Inter-Departmental Appeal Council stage, and 5.7 percent are satisfied with the court stage.
28. In regards to customs perceptions, the majority of the businesses prefer to draw up customs forms through customs brokers, rather than on their own. Businesses are more prone to record

the coding of goods according to the Commodity Nomenclature of External Economic Activity themselves. Seventy-nine percent of the businesses consider the practice of benchmark prices imperfect (only 5.8 percent considered the practice acceptable for Armenia in the current situation).

29. Only 13.3 percent of the business taxpayers budget for training on tax and accounting topics; moreover, for 90 percent of them, these expenses do not exceed 250 thousand dram annually.
30. Specific analysis was done to reveal the profile of the businesses that have “paying capacity” and to also understand what tax related obstacles the unsuccessful businesses had. Successful taxpayers (those organizations that from a perspective of sustainability in the upcoming three years foresee at least a stable situation) constitute 42 percent of the total. The share of the unsuccessful businesses, whose opinion has a special importance for the report and study of tax compliance, constitutes 38 percent.
31. Interestingly, if the successful businesses had decision making power, they would implement non-tariff measures to achieve tax compliance: first they would establish a more simple tax administration system, and would make the texts of the laws simpler and clearer in addition to having stricter sanctions for the violators. If the unsuccessful businesses were given decision making power, they would first review tax rates and review tax privileges, and would aim at increasing the level of professional preparedness of the tax service employees.

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### **WELCOME**



### **FOREWORD/AKNOWLEDGEMENTS**

**Note on the terminology used in the report**

“Paying taxes” is a term used in a general sense, and not the legal aspect of paying to the state budget. “Paying taxes” refers to the amount of the tax that the taxpayer honestly reports, and the willingness and action of the person to pay the taxes.

“Hiding taxes” is also a term used from the perspective of the citizen on not paying taxes. Using the provisions of the law to pay less or not pay taxes was considered a complex legal category, and the interviewers were trained to address this complexity. The perceptions connected with this category were treated separately during the fieldwork and the analysis (see the analysis in the table 1.15 in the “Tax compliance” section).

**Note on charts, tables and data**

All the charts and tables reflect the valid percentages, unless noted otherwise. In the cases where the respondents could choose more than one answer, the percentages do not add up to a 100; it is driven by the specificity of the analysis and is not a mathematical mistake. Numbers presented in the analysis may differ slightly from the numbers in the charts and tables, resulting from rounding up numbers. In some cases smaller numbers are excluded to avoid clutter in the presentation of the data.

**SURVEY METHODOLOGY**

Using the framework of the Tax Perceptions Project, CRRC carried out two nation-wide surveys – a survey of households and a survey of tax-paying enterprises and individual entrepreneurs. Therefore, the main characteristics and sampling methodology are also presented in two parts.

**1. Household Survey****1.1. Main characteristics of the survey**

- Method of data collection – face to face interviews;
- Data collection tools – standardized questionnaire and show cards;
- Target population of the survey - households;
- Coverage – all marzes (regions) of the Republic of Armenia and Yerevan;
- Sampling frame – household address list of electricity users (natural persons only) was provided by the Armenian Electricity Networks (CJSC).

**1.2. Sampling methodology**

Households were sampled using the following steps:

- Multistage cluster sampling with stratification by administrative marzes and the settlement type (Yerevan, other urban and rural areas);
- Random sampling of the clusters within each stratum;



- Selection of the main sample - random sample of the households within each cluster (average number of the household in each cluster: 150. Number of the randomly selected households: 15);
- Drawing one reserve sample (see the previous point);
- Margin of Error - +/-2.96%, 95% Confidence Interval;
- Sample size - 1,600 households;
- Selection of the respondent - in each selected household the respondent was chosen among the household members who were above the age of 18, by the next birthday method;
- Weights - weights were introduced to ensure the representativeness of the survey. The household and individual weights were calculated with the non-response rate taken into consideration.

Tables 1, 2 and 3, presented below, summarize the household survey sample.

Table 1. Number of the clusters and households (rural and urban), by marz

#	Marz	Rural		Other Urban	
		Number of clusters	Number of households	Number of clusters	Number of households
1	Aragatsotn	3	45	1	15
2	Ararat	6	90	2	30
3	Armavir	5	75	3	45
4	Gegharkunik	4	60	3	45
5	Kotayk	5	75	6	90
6	Lori	3	45	6	90
7	Shirak	3	45	6	90
8	Syunik	1	15	3	45
9	Vayots Dzor	1	15	1	15
10	Tavush	3	45	2	30
	<b>Total</b>	<b>34</b>	<b>510</b>	<b>33</b>	<b>495</b>

Table 2. Number of clusters and households in Yerevan, by administrative districts

#	Yerevan Administrative Districts	Number of clusters	Number of households
1	Malatia-Sebastia and Ajapniak	10	150
2	Arabkir, Kanajer-Zeytun and Davtashen	9	135
3	Nor Nork and Avan	7	105
4	Shengavit	5	75
5	Erebuni	5	75
6	Kentron (Center)	3	45
7	Nork Marash	1	15
	<b>Total for Yerevan</b>	<b>40</b>	<b>600</b>

Table 3 (Summary): Household Sample

Main Sample	1605
Reserve Sample	1605
Total households	3210
Total clusters	107

The response rate for Households survey made 49.9%. The reason of non-responses provided in Table 4 below:

Table 4 (Summary): Non-response reasons

	Frequency	Percent
Do not speak Armenian	6	0.2
Refused by household	435	15.0
Refused by respondent	28	1.0
Not permitted by a household member	7	0.2
Addresses is not found	153	5.3
Addresses is not dwelling	18	0.6
Dwelling is empty	664	22.9
Unusual circumstances	64	2.2
Respondent is not available within the survey period	80	2.8
Total	1455	100.0

## 2. Survey of tax-paying businesses and individual entrepreneurs

### 2.1. Main characteristics of the survey

- Data collection method – face to face interviews;
- Data collection tools – standardized questionnaires and show cards;
- Target population of the survey – tax-paying enterprises and individual entrepreneurs;
- Coverage – all marzes of the Republic of Armenia and Yerevan;
- Sampling frame - list of the tax-paying enterprises and individual entrepreneurs - 63,625 legal and natural persons provided by the State Revenue Committee by the Government of the RA.

### 2.2. Sampling methodology

Sampling of the businesses and individual entrepreneurs was done in the following steps:

- Stratification by marz (including Yerevan) and the volume of annual turnover (below 58 mln dram and 58 mln dram and above);
- Proportional distribution of the organizations in each stratum based on the proportional number of the organizations in the primary stratum;
- Main sample - random selection of businesses in each stratum;
- Drawing two reserve samples (see previous point);
- Sample size - 400 tax-paying businesses;
- Selection of the respondents – decision makers in the organization, e.g. the director, chief accountant, etc.

Tables 5 and 6 presented below provide the summary of the sample for the tax-paying enterprises and individual entrepreneur surveys.

Table 5. The number of the tax-paying enterprises by the marz and turnover volume

Yerevan and marzes	Turnover Volume - 1 - less than 58 mln dram annually 2 –58 mln dram or above annulally	Number of legal persons (by marz and turnover volume)	Number of natural persons (by marz and turnover volume)
Yerevan	1	78	122
	2	18	5
Aragatsotn	1	3	7
	2	1	0
Ararat	1	5	14
	2	1	1
Armavir	1	3	16
	2	1	1
Gegharkunik	1	4	8
	2	1	0
Lori	1	7	17
	2	1	1
Kotayk	1	7	14
	2	1	1
Shirak	1	6	14
	2	1	1
Syunik	1	5	12
	2	1	0
Vayots Dzor	1	2	5
	2	0	0
Tavush	1	2	12
	2	1	0
Total	1	122	241
	2	27	10
	400		

Table 6. (Summary): Sample of the tax-paying enterprises

Businesses	Main Sample	
	Turnover Volume 1 (less than 58 mln dram annually)	Turnover Volume 2 (Turnover Volume 58 mln dram and above)
Legal Persons	122	27
Natural Persons	241	10
Sub-total	363	37
Total	400	

The response rate for Survey of tax-paying businesses and individual entrepreneurs made 47.9%. The reason of non-responses provided in Table 7 below:

Table 7. Non-response reasons

	Frequency	Percent
Refused by firm	84	19.4
Refused by respondent	93	21.4
Firm doesn't exist	54	12.4
Addresses is not found	81	18.7
Firm is not found	119	27.4
Unusual circumstances	3	0.7
Total	434	100.0

## PART ONE | HOUSEHOLD SURVEY ON TAX PERCEPTIONS

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### TAXES AND GENERAL PERCEPTIONS ON TAXES: EXECUTIVE SUMMARY

All citizens pay taxes. Paying taxes is prescribed by the Constitution of the Republic of Armenia. Thus, Article 45 of the Constitution of the RA states “Everyone shall pay taxes, duties, and make other mandatory payments in the amounts and manners prescribed by law.” Taxes and other mandatory payments (in a broader sense - taxes) are collected annually in accordance with the Law on the State Budget passed by the National Assembly of the RA to cover state and public expenditures. A part of the taxes, which constitutes around 10 percent<sup>1</sup> of the collected taxes, is collected and spent in a decentralized manner, and is the local budget of the local self-government bodies.

Citizens encounter taxes in different ways - indirectly, as consumers paying VAT; directly, as taxpayers paying property and land tax, or paying income tax from the salary; and in a more mediated way, by paying profit tax.

The Armenian tax system also has non-standard tax mechanisms, such as fixed fees, license fees, turnover tax, and the mechanism to use the VAT threshold. These mechanisms are difficult to comprehend, particularly for small and medium-sized businesses.

Individuals are responsible for directly paying their taxes. For example, individual entrepreneurs pay a part of their income to the state budget through a bank. Similarly, individuals pay their property and land tax through the local self-government body. Taxes are mostly paid by a tax agent, for example when an employer pays the income tax on behalf of the employee to the state budget through a bank. In the case of the profit tax, the employee or the partners of the organization are affected by the taxes through the difference of the level of profit and expenses – the more profitable the business is, the more profit the employers will have to share with the employees. However, if the profit tax rate increases disproportionately to the ability of the business to raise the prices of the products or services, the employer will not be able to raise the salaries of the employees and this will have an effect on the employees' quality of life.

Profit tax, the income tax deducted from the salary and the property tax are directly connected with the business, the level of income of the individual and the property value. However, the VAT imposed on the prices of all the products and services and the license taxes on cigarettes, alcohol, and fuel, are not directly connected with profitability and subsequently are more unfair. Regardless of income level and whether or not a person can afford it, all citizens pay the VAT when they buy bread and medicine or pay for a hotel. However, in many countries of the world half of the budget income is collected through these “indirect” taxes, as the collection of these taxes is easier and less expensive.

In comparison to other countries Armenia does not have alternative methods of tax declaration, such as declaring taxes with the family, for example. The Armenian tax legislation foresees certain tax privileges, however over the past decade one can observe a decrease in privileges and a process of unification. The government of the RA is planning to

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<sup>1</sup> See “RA Law on 2014 State Budget, Article 1 ՀՕ-119-Ն, adopted 12.27.2013

review its approach and also tax the dividends received by natural persons. They are also planning to increase property values.

## DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Below we present the demographic construct of the household survey respondents, which greatly resembles the demographic construct of the population in Armenia.

Marital Status: 61.7 percent were married, and 32.7 were never married (see table 2.3).

Occupation: 44.3 percent of the respondents are pensioners, housewives, or students who do not work, and 19.9 percent are unemployed. Thirty point six percent of the respondents considered themselves hired workers, individual entrepreneurs/employers, or self-employed (see table 2.1).

Education: 29.8 percent of the respondents had higher education at the time of the survey, and 62.3 percent had secondary or secondary vocational education (see table 2.4).

Economic Situation: 65.9 percent of the respondents reported an income of 0 - 34 thousand drams (after tax) in the month prior to the survey. Only 0.1 percent (one in a thousand) of the respondents had a monthly income of more than 512 thousand dram. The most common income interval was between 34 and 91 thousand dram, with 21.7 percent of the respondents falling into this category (see table 2.5). Interestingly, this interval was common for the total family income as well (36 percent) (see table 2.6).

Ethnic belonging: 98.5 percent of the respondents identified themselves as Armenian; 0.4 percent Yezidi; 0.4 percent Russian; 0.3 percent Ukrainian and 0.2 percent Polish (see table 2.7).

Sphere of occupation: 26.8 percent of the respondents fall into the category of manufacturing (Agriculture, mining and quarrying); 9.4 percent – trade; 8.8 percent – transportation and construction; and 3 percent – education. The rest – other spheres (see table 2.2). In the “agriculture” category, those who are engaged in cattle breeding deal with the market and trade more than those who are involved in farming (see table 1.3-1.6).

## PUBLIC PERCEPTIONS ON TAXES

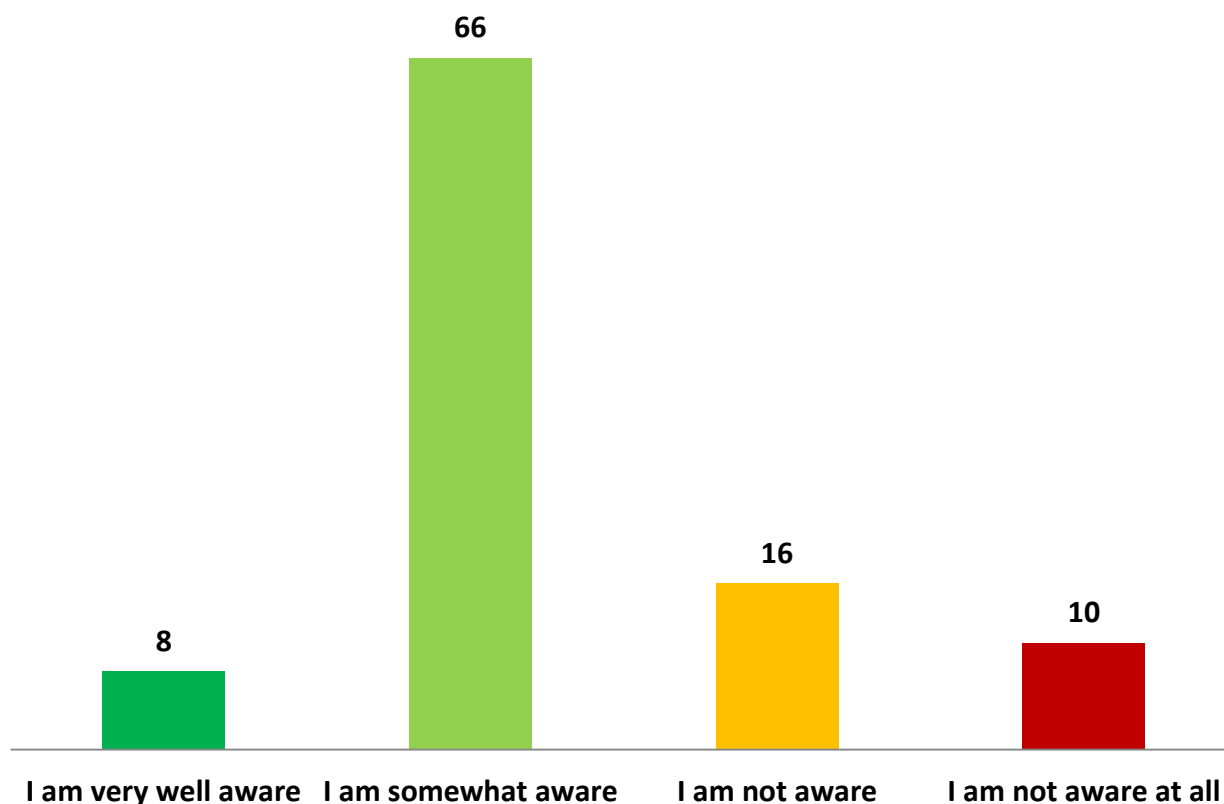
Tax perceptions among the respondents were based on the following:

- Tax legislations;
- Willingness to comply with tax legislation; fulfillment of the responsibility or even the sense of pride;
- Efficiency of how the state budget is spent;
- Trust toward tax collecting institutions, and infrastructure;
- Circumstances connected with the methods of tax collection and equal treatment under the law;
- Appealing the cases of law violations by the tax collecting institutions, as well as the level of trust toward judiciary;
- The opportunity to make the personal observations, and have their opinions heard.

The analysis of the survey results reveals the following picture on Armenians' perception of taxes:

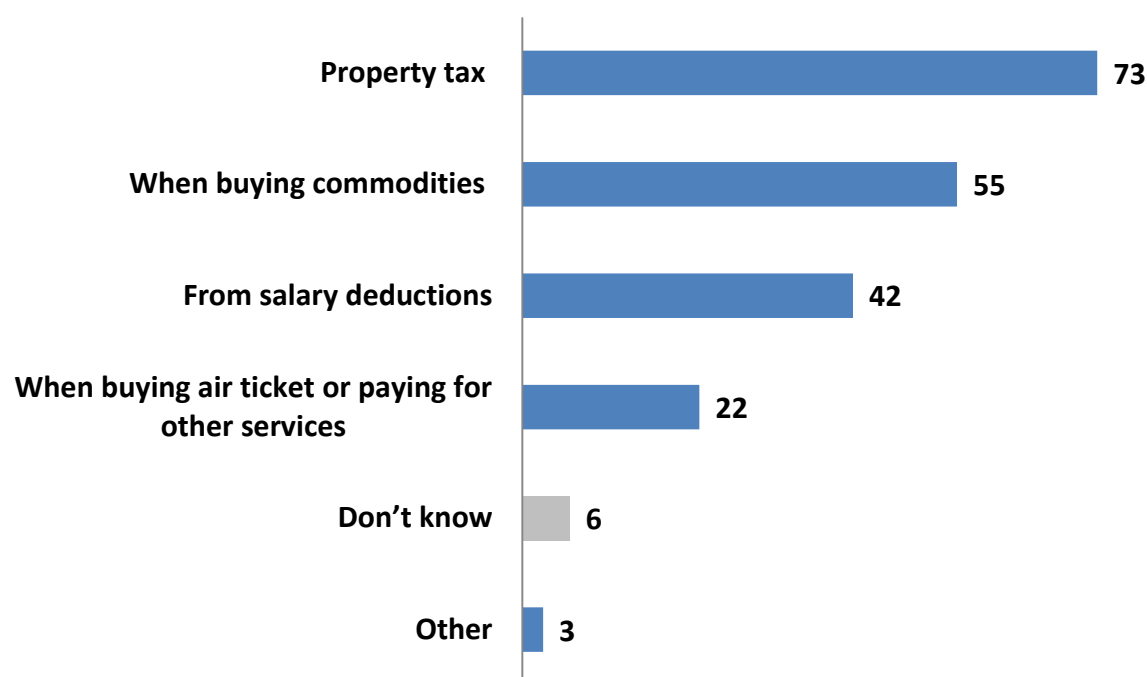
Twenty-six point one percent are not aware of the taxes existing in Armenia, even though 69.9 percent encounter property tax, and 49.9 percent encounter land tax (see table 1.1).

***Chart 1. Are you aware of the taxes in Armenia?***

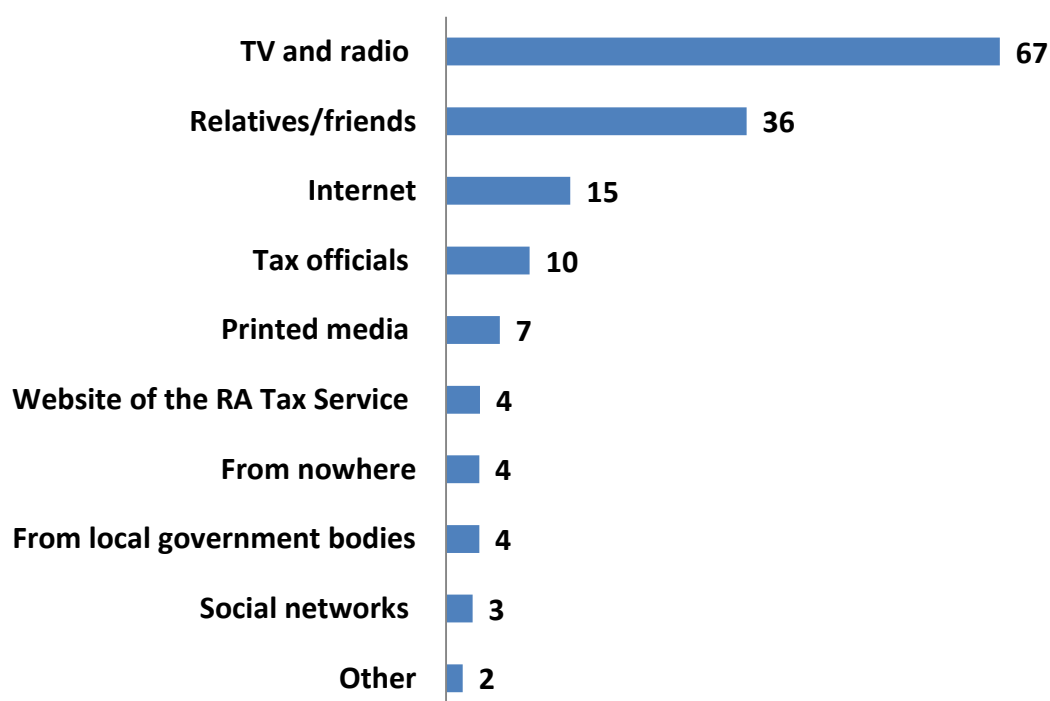


Respondents were more familiar with property taxes and working with the local self-government bodies. As a result, 42 percent of the respondents noted that they do not deal with VAT. Only 41.3 percent of the respondents noted that they or their family members deal with income tax (see table 1.2).

The respondents regard various other payments, which they encounter daily, as tax. This was the case with the tax on cattle, pastures and other similar taxes. For 72.5 percent of the respondents the understanding of paying taxes is connected particularly with paying property and land tax. Other perception “triggers” include purchasing goods (54.8 percent), payments from the salary (41.7 percent, Table 1.28 and Chart 2), and payments for airplane tickets and for other services. The latter can be connected not with an opinion on a specific tax, per se, but a general feeling of the tax burden.

**Chart 2. How do you know that you pay taxes? (Multiple answers are acceptable)**

The respondents noted that they receive information on taxes from television and radio (66.9 percent), followed by their relatives and friends (36.3 percent). The latter shows that taxes are a common topic for conversations. Only 10 percent of the respondents had received information from tax authorities; 15 percent had received information from the Internet, and only 6.5 percent had received information from print media (see table 1.18 and chart 3).

**Chart 3. Where do you get information about taxes? (Multiple answers are acceptable)**

Only 32.4 percent of the respondents “agree” or “fully agree” that the information on tax rates, legislation and regulation is fully accessible, while 56.3 percent think otherwise.

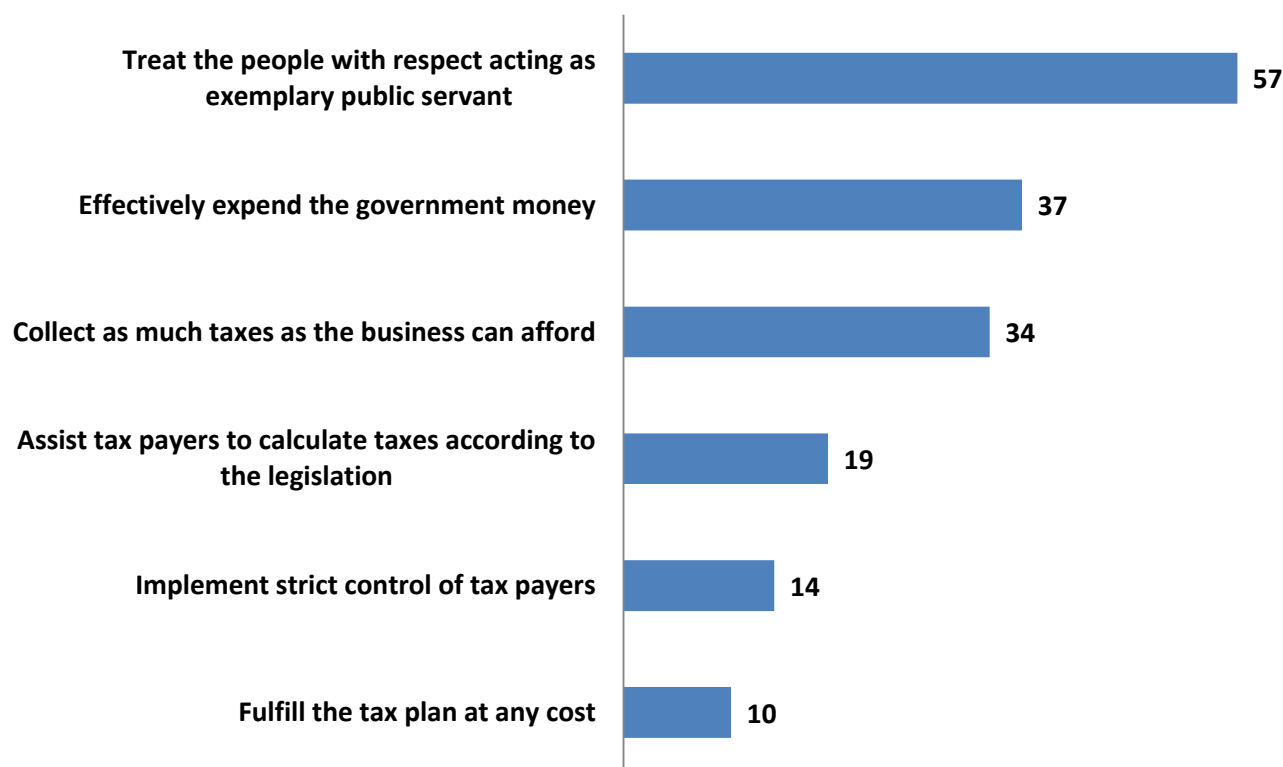


In summary, people are not well aware of indirect taxes. The perceptions of the direct taxes are formed based on the encounters with the property tax and income tax, deducted from the salary. The topic of taxes dominates conversations, and there is a need to improve the sources of information as part of tax administration direction.

## PERCEPTIONS OF THE RESPONDENTS CONCERNING TAX AUTHORITIES

Analysis of the public perceptions on the existing and desirable objectives of the tax authority showed that the respondents do not have a clear understanding of the functions of the tax authority in the public administration system. Moreover, the most popular responses on the mission and the main objectives of the tax authorities are only indirectly relevant. For example, 32 percent of the respondents wish that the tax authorities would treat people with respect – acting as exemplary public servants. Twenty point six percent also wished the tax authorities spent public money more efficiently (see table 1.7 and chart 4). As one can see, the emotional aspect is of primary importance for the respondents. This could be connected with the wish to be confident that their hard earned money is spent right. Other findings of the survey support this perception.

**Chart 4. Which of the following definitions do you think should serve as the main goal of a tax authority? (Multiple answers are acceptable)**

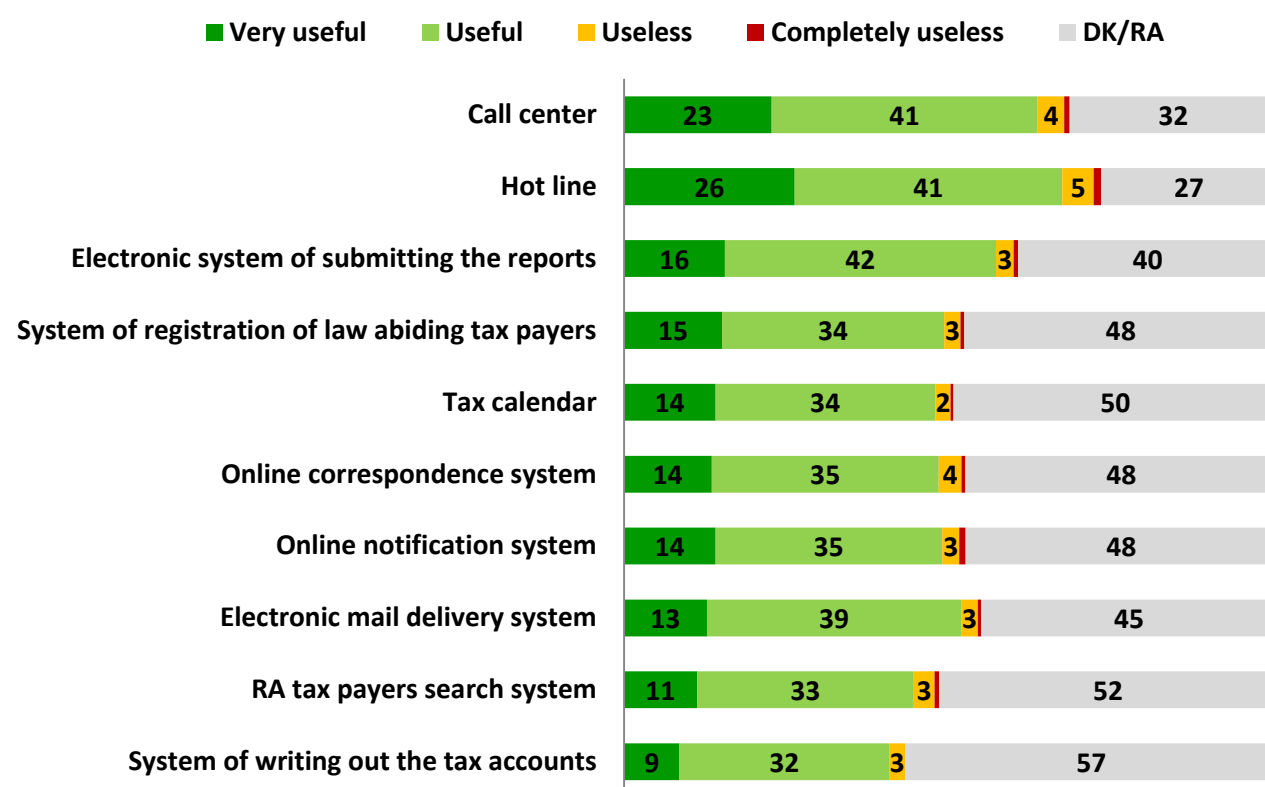


An analysis of the results concerning the functions of the tax authority reveals the following: “Collecting taxes as much as the citizens and the businesses can afford” is one of the most popular responses regarding the mission of the tax authority. It is not surprising then that 70 percent of the respondents think that the illegal solicitation of payments negatively impacts tax compliance (see tables 1.7 and 1.17):

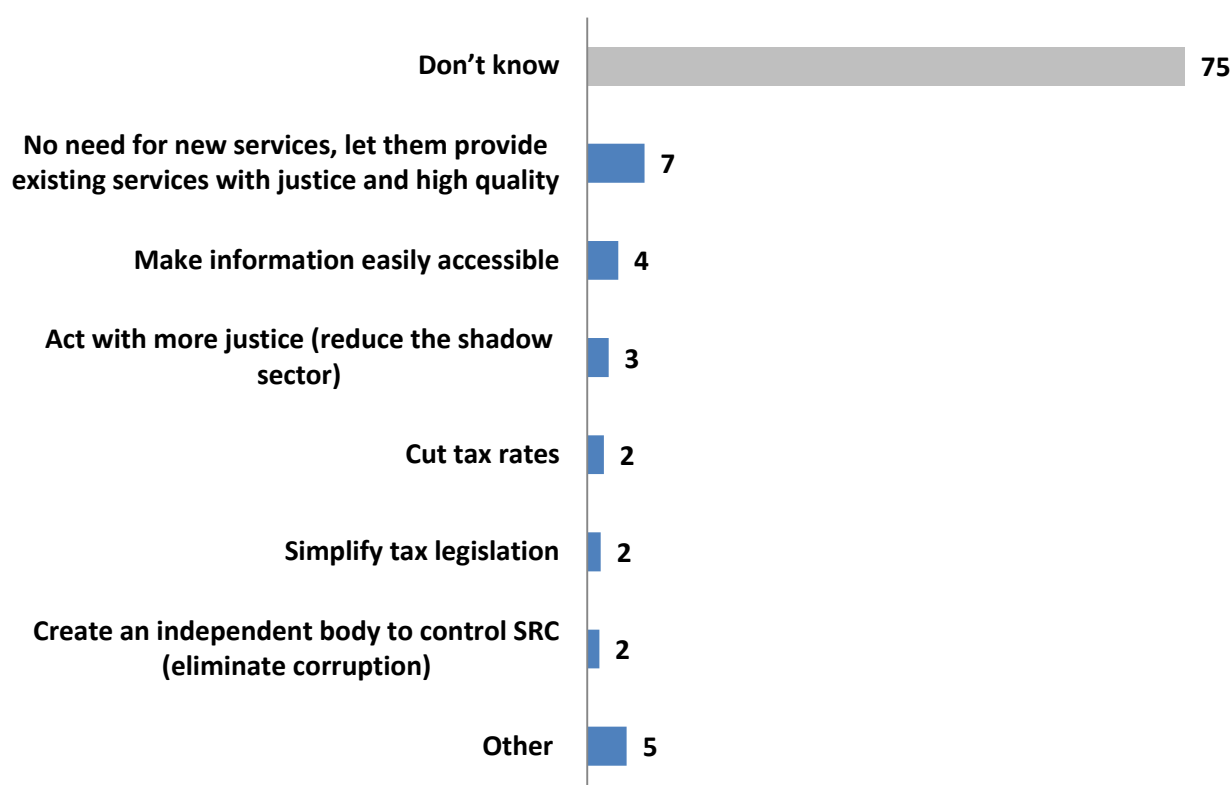
The second function of the tax authority should be helping the citizens to pay taxes according to the tax legislation. It would be interesting to juxtapose this finding with the question “Do you think that citizens should calculate and pay their own taxes?” (see table 1.19). Sixty-two point six percent of the respondents answered yes, not wishing to put that responsibility on the tax authority.

Respondents were satisfied with the electronic services provided by the tax authority, highlighting the Call Center and the electronic system of submitting the reports. However, the respondents had a difficult time assessing some of the services, for example the effectiveness of the e-invoicing system. At the same time, in fewer cases, the respondents did not find the hotline useful. These findings may be due to the nature of the survey. Since the survey was conducted in the households, not all the members of the households deal with tax services (see table 1.23 and chart 5).

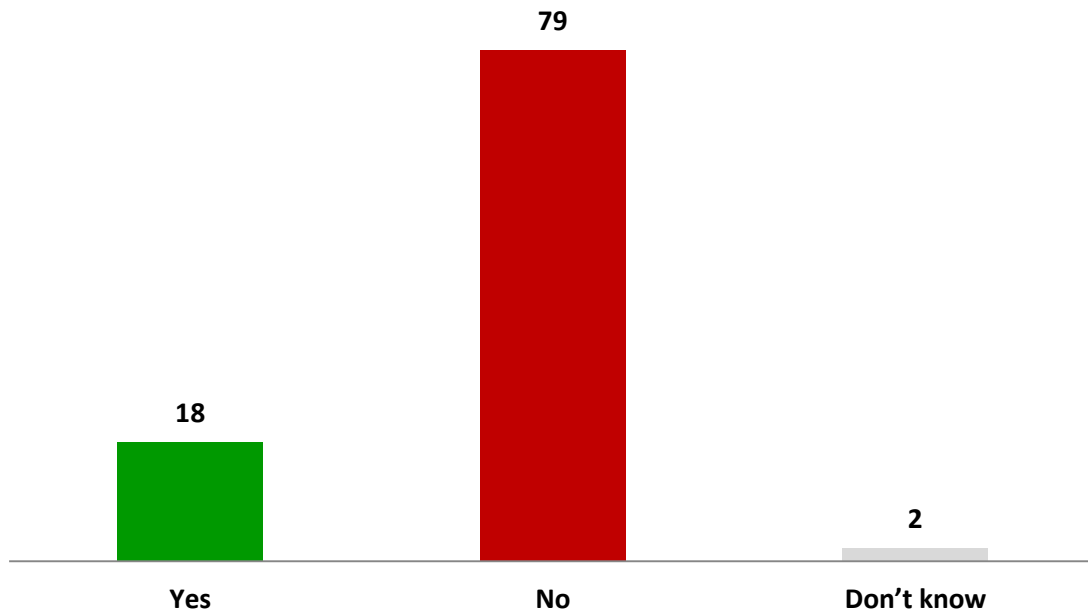
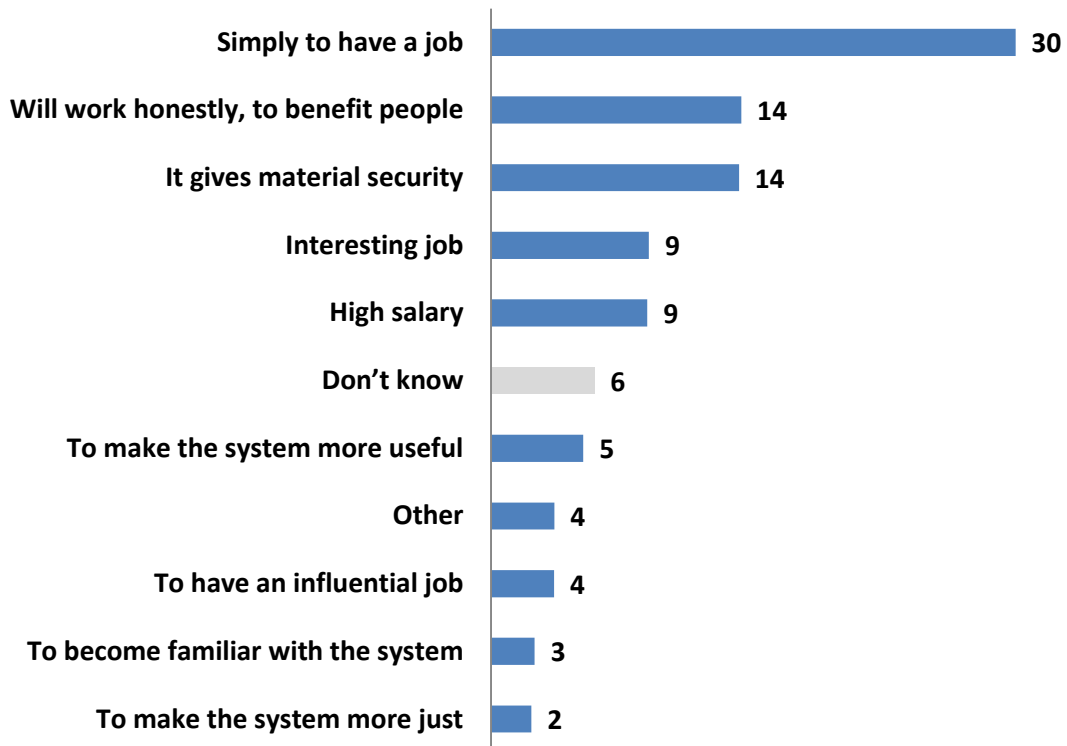
**Chart 5. How would you assess the following services delivered by the RA Tax Service?**

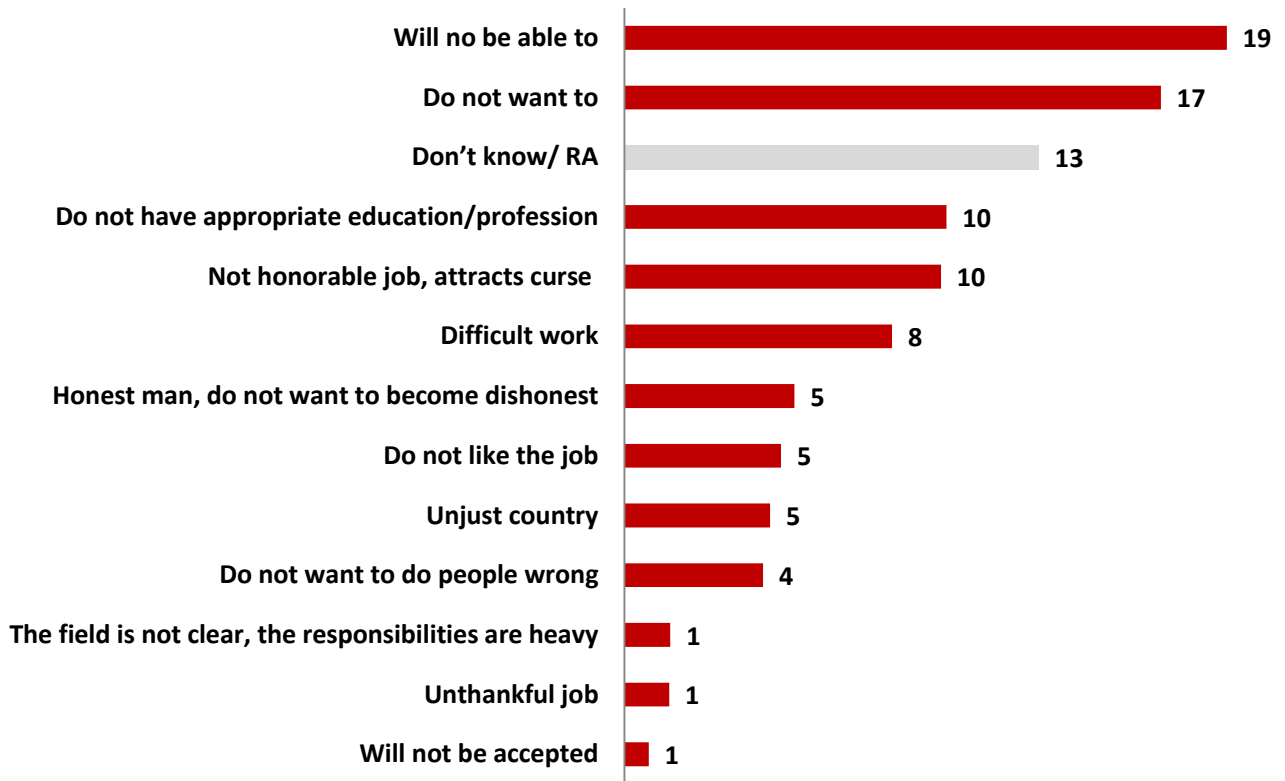


Looking at the questions on the importance of delivering new services, and leaving out the times when “don’t know” was chosen as a response, the research shows that the respondents do not want new services. They want to see improvements in existing services. The respondents have noted more specific suggestions, particularly improving the access and dissemination of information. Additionally, a segment of the respondents expect the tax authority to “function honestly” (see chart 6).

**Chart 6. What new services do you think should be delivered by the SRC?**

Only 18.5 percent of the respondents would be interested in working as a tax inspector, in comparison with the 79.1 percent of the respondents who would not (see table 2.8). Those who would like to work for the tax authority would like to work there for the job being prestigious, interesting, or well paid. Only a very small percent were interested in working for the tax authority to make the system more beneficial for the citizens, or make the system more honest and useful (see table 2.8.1). The group of these citizens constitutes 4.1 percent of the respondents or 22 percent of those interested in working for tax authority. Those who would not want to work for the tax authority gave the following reasons: the complexity of the job; the lack of skills and knowledge; and the incompatibility of the job with integrity, or the poor reputation of the job (see table 2.8.2 and 7-9).

*Chart 7. Would you like to work as a tax inspector?**Chart 8. Why would you like to work as a tax inspector?*

**Chart 9. Why would you not like to work as a tax inspector?**

Among the respondents who would work as a tax inspector, 16.7 percent wanted to do so to work honestly, for the benefit of the people, and to make the system fairer. Besides this group of elites, there is also a group of promising intellectuals who think that the job is interesting (14.4 percent) and would like to make the system more useful.

In summary, the respondents do feel the improvements in the tax system. At the same time, around 70 percent criticizes illegal solicitations by the tax authority. The respondents would like to see the tax authorities taking into consideration paying ability of taxpayers when implementing their mission as well. Twenty-nine point three percent of the respondents think that the tax authority should help the taxpayers with the calculation of the taxes, as well as considering the paying capacity of the taxpayers. This is a serious resource to mobilize to the groups of those willing to pay taxes. Few are interested in the prospect of becoming a tax inspector, and among those who are interested, monetary motives are dominating. However, there is a small group of enthusiasts who would work as an inspector to make the system fairer to benefit the population.

## TAX COMPLIANCE

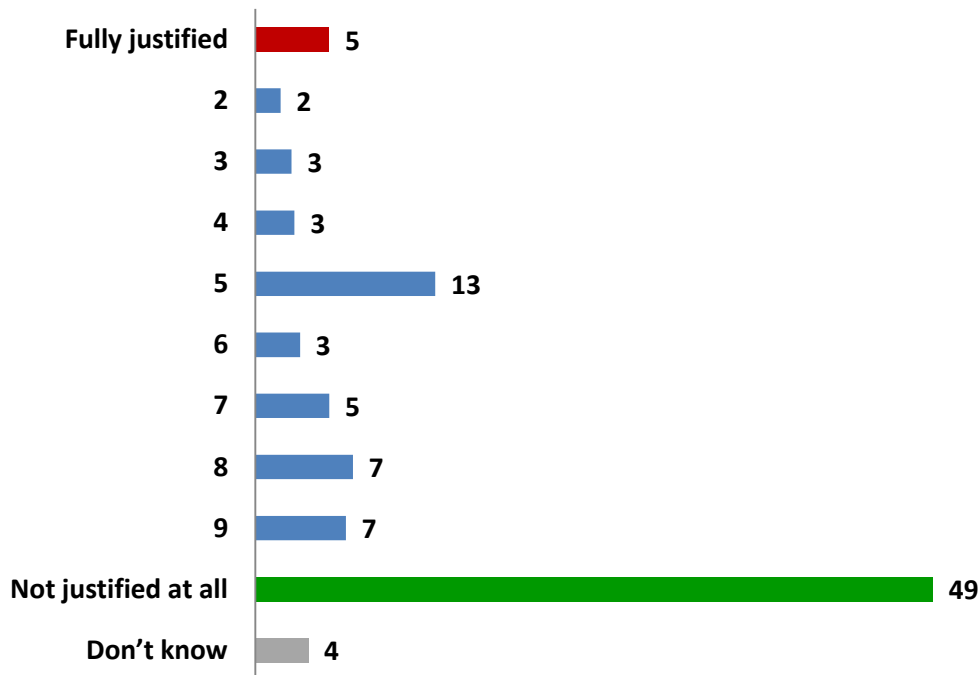
“Tax compliance” is one of the central elements in tax surveys around the world. Willingness to comply with tax legislation and the rate of tax compliance are used with the term interchangeably.

The Tax Compliance survey reveals the following perceptions and attitudes among the respondents:

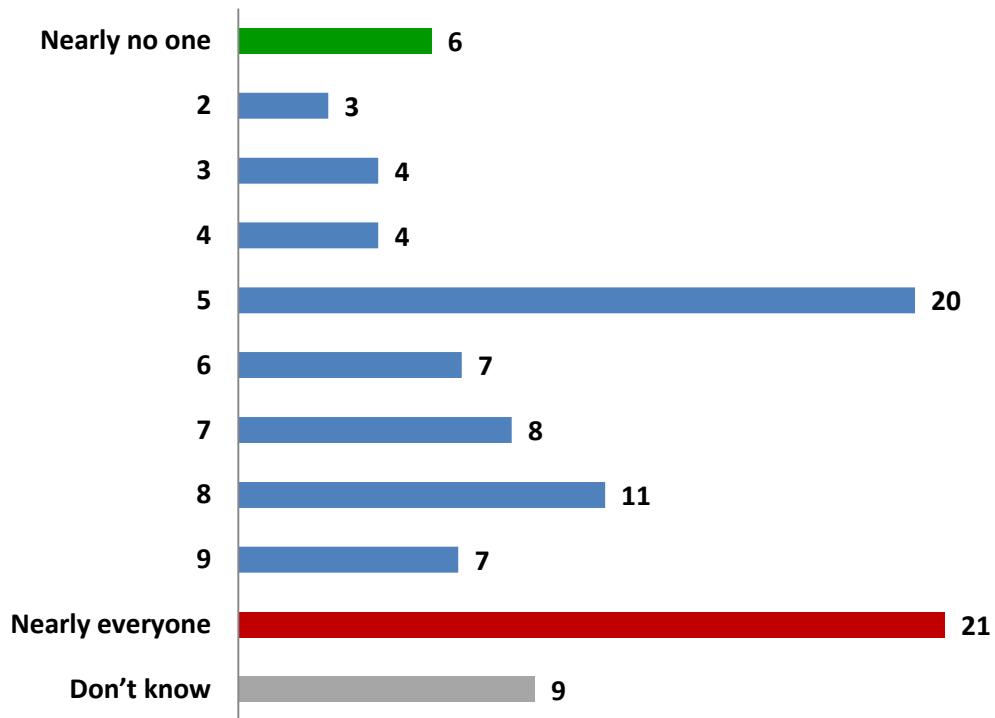
The respondents were generally not in favor of avoiding taxes when possible. On a scale of 1 to 10, where 10 is “Not justified at all,” avoiding taxes scored 7.8. At the same time, whether people cheat on taxes when possible has scored a 6.6 (see table 1.8).

Seventy-three point four percent of the respondents hold a clear position against avoiding taxes (on a scale of 1-10, reporting “6” and above). Moreover, 48.6 percent said that avoiding taxes is not justifiable at all. Important to note here is that the question addressed avoiding taxes in general, without specifying cases of avoiding taxes through official tax privileges or taking advantage of the gaps in laws (see chart 10).

**Chart 10. *How justified it is to cheat on taxes when possible?***



The results of the comparison between questions 1.8 and 1.9 are surprising. While a large segment of the respondents (48.6 percent) is categorically critical toward avoiding taxes, 53.7 hold a strong position (on a scale of 1-10, reporting “6” and above) that people cheat in reality. Moreover, 21.2 percent said that everyone cheats (see table 1.9 and chart 11).

**Chart 11. Do you think that people cheat on taxes when possible?**

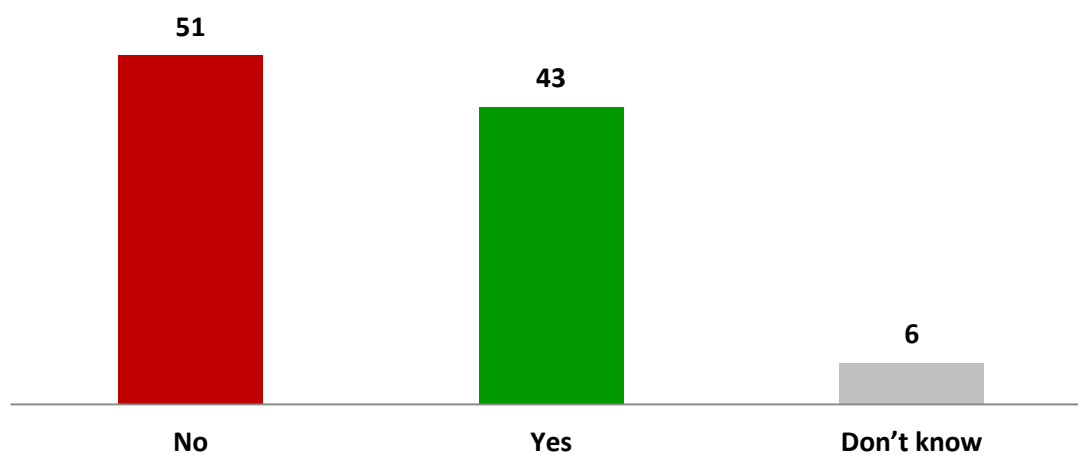
It is interesting to observe the attitude of the “undecided” respondents. While 4.1 percent of the respondents fall into the category of “Don’t Know” and “Refuse to Answer” for the hypothetical moral question 1.8, 9.2 percent fall into this category for the more practical question 1.9. The percentage of the borderline “undecided” respondents thus is twice as much. This is also a resource to increase the number of the taxpayers. Separate analysis of this 9.2 percent (see cross-tabulation tables 1-5 of table 1), one can observe that these respondents:

- Are not prone to informing the tax authorities of tax violations. If in general, the percent of the whistle-blowers is 43.4 percent, they comprise only 34 percent of this group (cross tabulation table 2.1).
- Most agree with the following statement: “Pay your taxes and sleep well” (85.3 percent, cross tabulation table 2.2).
- Would like to work as tax inspectors (in comparison to 18.5 percent of the average, 82.9 percent had responded yes in this group; see cross tabulation table 2.4). This response needs further analysis. One may explain this finding by a lower than average level of education in this group (if every fourth respondent has a bachelor’s or master’s degree, in this group only every tenth has a higher education degree; see cross tabulation table 2.3). As a result, they may be underestimating the complexity of the job.
- Most live in rural (42.5 percent) and other urban areas (36.7 percent; see cross tabulation table 2.5).

The topic of “whistle blowers” is also new for the Armenian reality. Therefore, we analyzed it separately. It is very surprising that 43.4 percent (see table 1.21 and cross tabulation table 2) said that it is right to inform tax authorities if they see tax legislation violations (for example, not providing a receipt in a store). A breakdown by marz shows that the highest rate of those

who did not know or refused to answer were in Tavush. Those clearly opposing the notion of informing were in Syunik, Vayots Dzor, and Shirak. The respondents in Armavir, Kotayk, and Ararat were more supportive of the notion (see charts s 12 and 13).

**Chart 12. Is it proper to inform the tax authorities in case of failure to fulfill the requirements of the tax legislation?**





**Chart 13. Is it proper to inform the tax authorities in case of failure to fulfill the requirements of the tax legislation? By Marz**



A more in-depth analysis of those who strictly criticize avoiding taxes (those who answered 10 on the scale for the question) reveals:

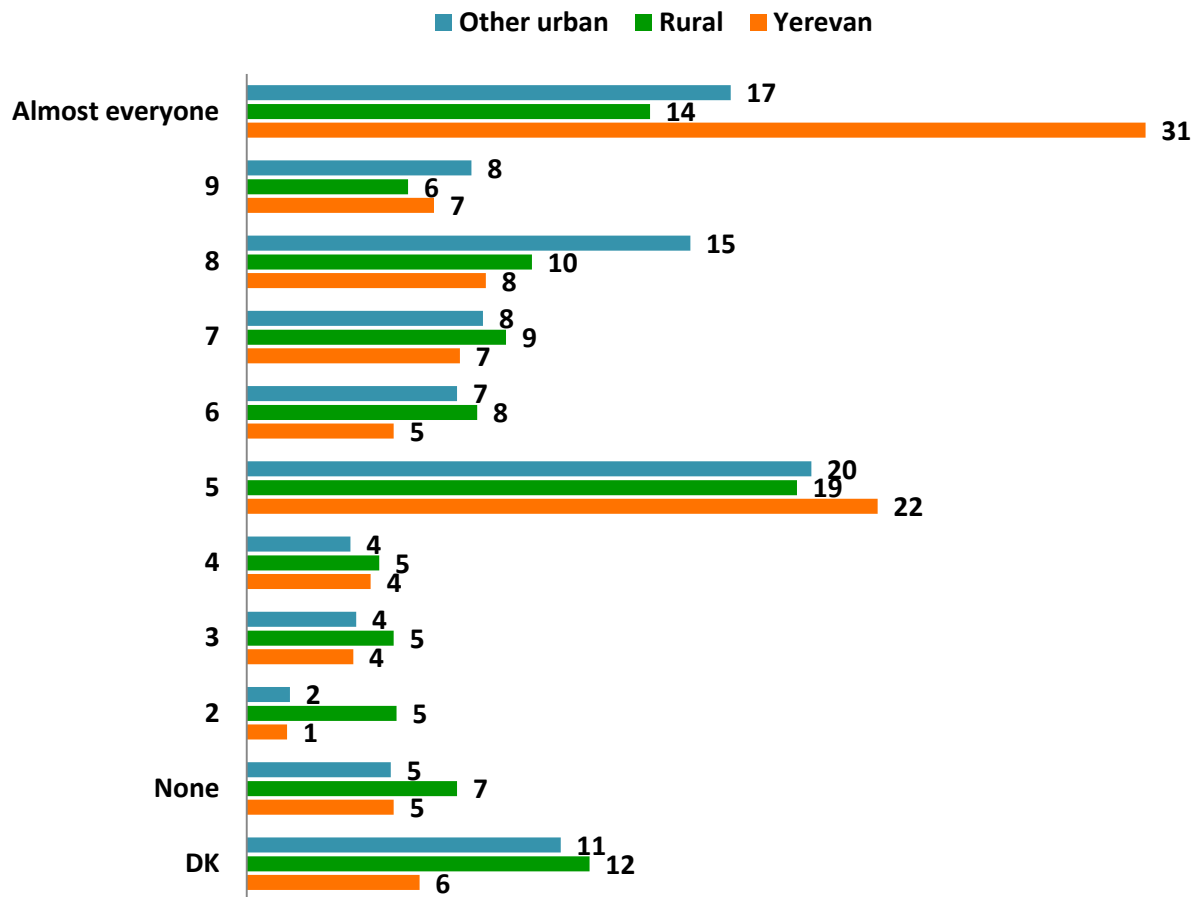
- The respondents in Syunik, followed by the Armavir and Ararat marzes are more law-abiding and critical, while those in the Tavush and Lori marzes are more accepting of avoiding taxes (see cross tabulation table 3.1, last line).
- The level of education in this group does not significantly differ from the education statistics of the overall sample. Among the more law-abiding respondents who criticize avoiding taxes, 18.7 percent have secondary education and 64.2 percent have secondary vocational education (see cross tabulation table 4). No significant difference in the attitudes is observed among those who are familiar with the existing taxes in Armenia and those respondents who are not familiar with the existing taxes.
- The share of married or widowed respondents is higher among the respondents critical toward avoiding taxes in contrast with the overall share of the married and widowed respondents in the general pool of the taxpayers. While almost half of the respondents (48.6 percent) do not justify avoiding taxes, 52 percent of the married and 59 percent of the widowed respondents do not justify avoiding taxes. Interestingly, only 38.7 percent of the single respondents hold this position (see cross tabulation table 5.1). One may conclude that the knowledge on family and marriage positively impacts the perceptions on the importance of taxes.
- Those with lower income are stricter and have a more demanding attitude toward taxes.

- The share of the respondents aged 46 and older is higher among those who are more critical toward avoiding taxes – 58.7 percent. Women tend to be more law-abiding than men (65 and 35 percent).
- A breakdown by occupation of the respondents shows that the housewives, unemployed and hired workers are less critical than the self-employed when it comes to avoiding taxes.
- Those strongly opposed to avoiding taxes display a higher sense of pride for the taxes they pay. Thus, to the question “Are you proud to be paying taxes?”, 29.2 percent responded “Yes, because I fulfill my civil duty,” while on the average this answer constitutes 25.4 percent of the responses (see cross tabulation table 5.7).

The analysis of those who think people avoid taxes in reality (those who answered 10 for the question 1.9) revealed the following perceptions:

- The perception that everyone avoids taxes when possible was particularly common in Yerevan (the highest, at 31.2 percent), followed by Kotayk marz (27.2 percent). The share of those who think so is smaller in Vayots Dzor, followed by Syunik and Shirak marzes (see cross tabulation table 3.4). The share of those who think everybody avoids taxes is smaller in rural than in other urban areas (14 percent and 16 percent, respectively; see cross tabulation table 4.3 and chart 14).
- Respondents with more education said that more people avoid taxes if possible. The share of these respondents is 29.8 percent in the 24.5 percent share of the taxpayers.
- The perception that almost everyone avoids taxes in reality is more common among individual entrepreneurs/employers, hired workers and the self-employed than among the unemployed and the pensioners (see cross tabulation table 6.1). This finding may be explained by the engagement of these segments of the population in economic activity, and subsequently observing how taxes are avoided in real life.
- Those with higher levels of income are more prone to thinking that people avoid paying taxes if possible (see cross tabulation table 6.4).

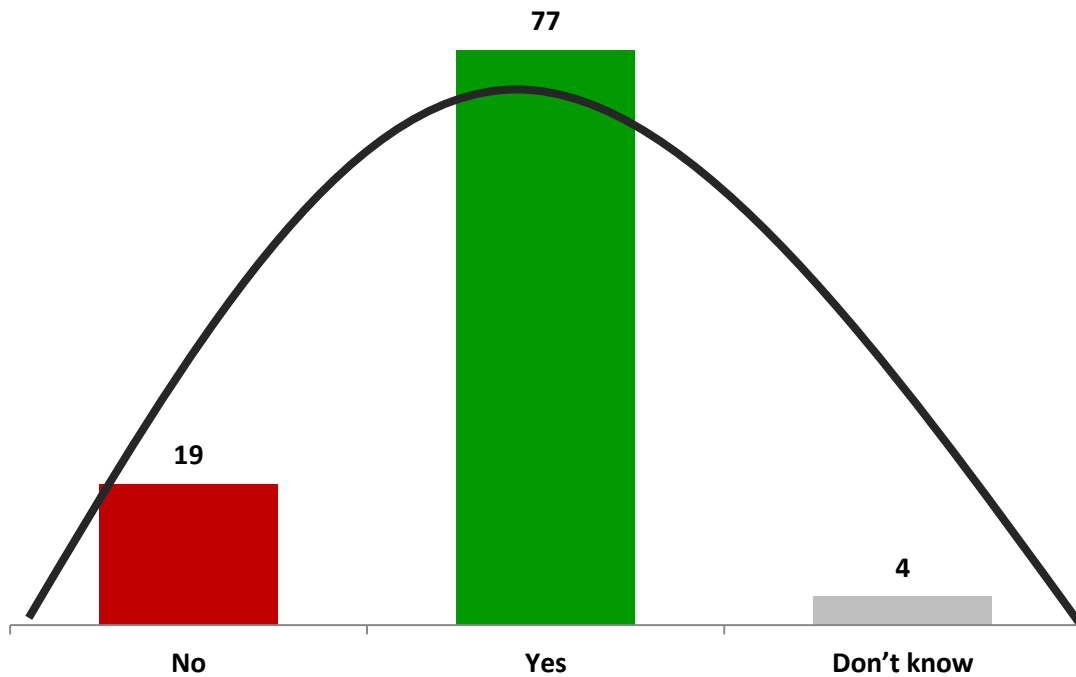
Chart 14. Do you think people cheat on taxes when possible? By settlement type



**Questions about Laffer's curve** are common in other countries. According to the theory, in the situation of higher tax rates and tax burden, people are prone to avoid paying taxes. Among other questions addressing this notion (see tables 1.10-1.13, 1.15 and 1.27), the respondents were asked whether the budget would receive more money if the government decreased tax rates. Seventy-six point six percent responded "yes," in favor of the theory.

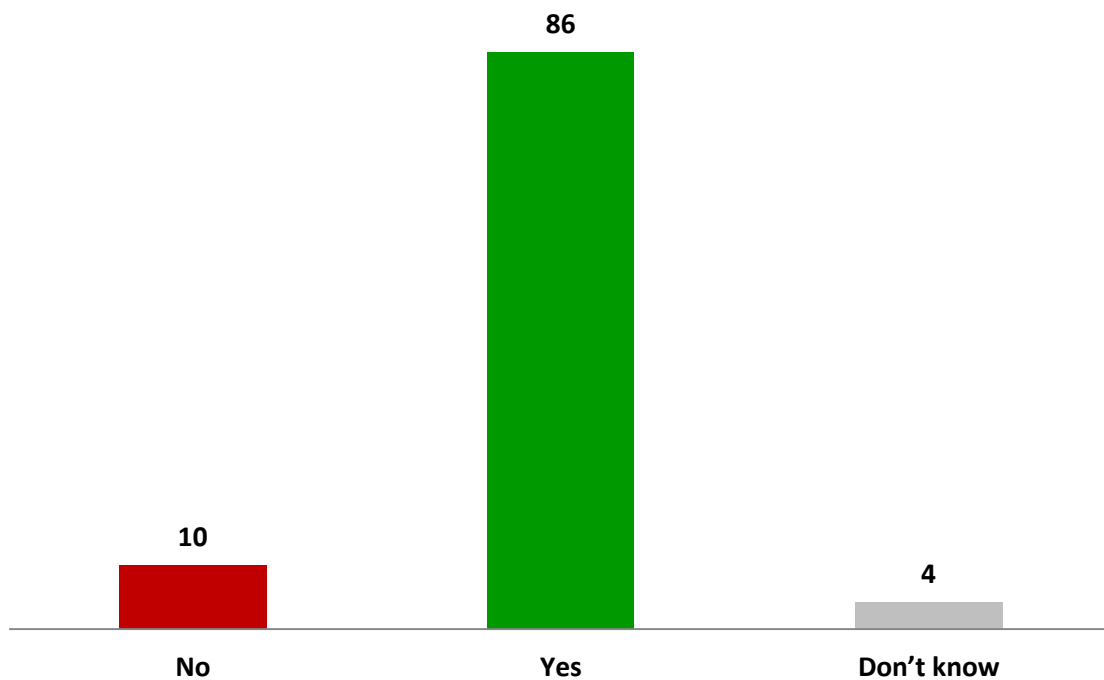
Another similar question asked whether the taxpayers would stop avoiding taxes, if the government decreased tax rates. Again, 77.1 percent of the respondents believed that citizens would stop hiding taxes and would cooperate with the government for the sake of public good. **Here again, the number of the optimists four times outnumbers those who do not think it would change anything** (see chart 15).

**Chart 15. Let's imagine that the government has decided to reduce the taxes. Will people in Armenia be ready to cooperate, i.e. to stop cheating on taxes?**



Eighty six point two percent agreed that if the tax rates are decreased, the violators should receive more serious penalties (see chart 15).

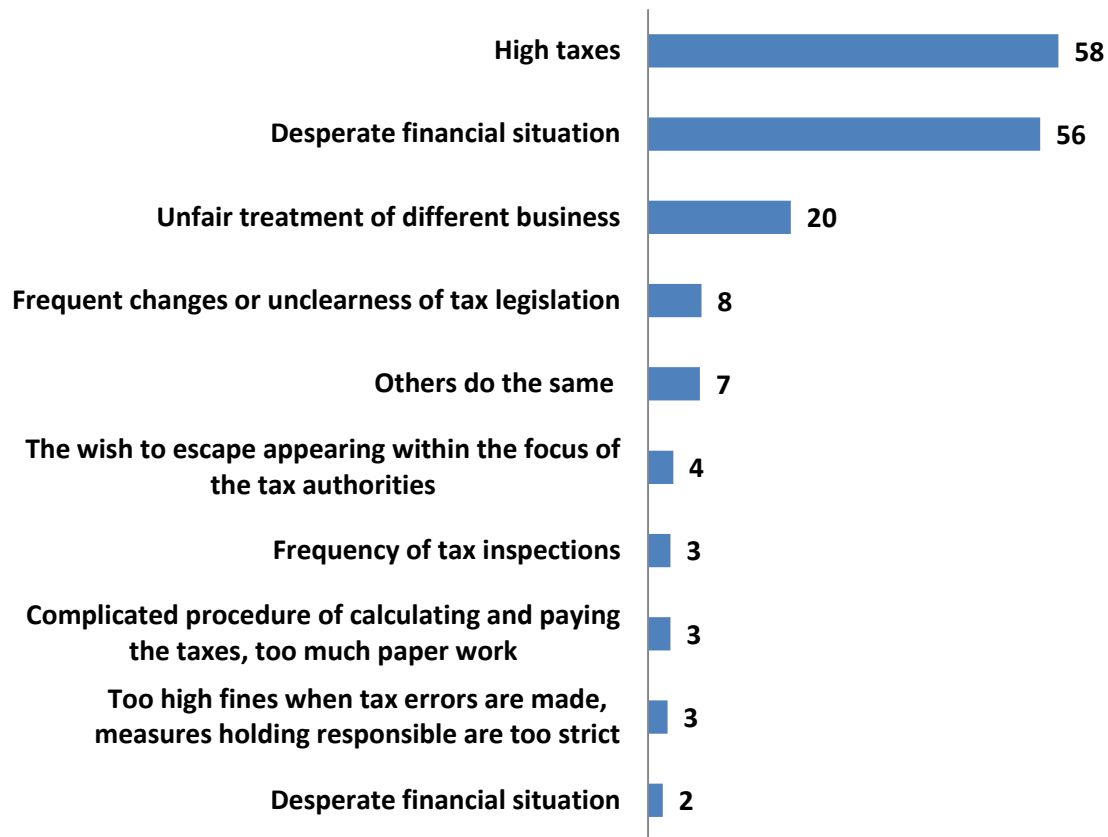
**Chart 16. Would you agree to lower the taxes but to strengthen the responsibility in cases of breaching the law (add more fines and hold those who breach otherwise liable)**



Thus, the great majority of the respondents are ready to stop avoiding taxes and even accept more serious penalties, but only if the taxes are decreased. It is important to note that 95 percent of the respondents consider the tax burden in their daily life heavy or very heavy.

The answers to the question “Why do people avoid paying taxes?” are presented in table 1.13 and chart 17.

**Chart 17. What are the main reasons for not paying or hiding the taxes? (Multiple answers are acceptable)**



One can group the answers into two categories of reasons: unfair tax administration and main tax practices. Among the two possible responses, “desperate financial situation” and “high tax rates” were among the most common. **This finding is in line with the pervious statement, which suggests that the main objective of the tax authority should be to consider the paying capacity of the taxpayers when establishing tax rates.**

“Unfair treatment of different businesses” was also among the most common answers. Comparing this finding with the other answers, one can conclude that the respondents are not as much concerned with the frequent changes in the laws, frequent inspections, or that others also avoid taxes.

The sum of these two groups of issues is 19 percent. This is also a resource for unique opportunities, as we already noted above regarding question 1.9.

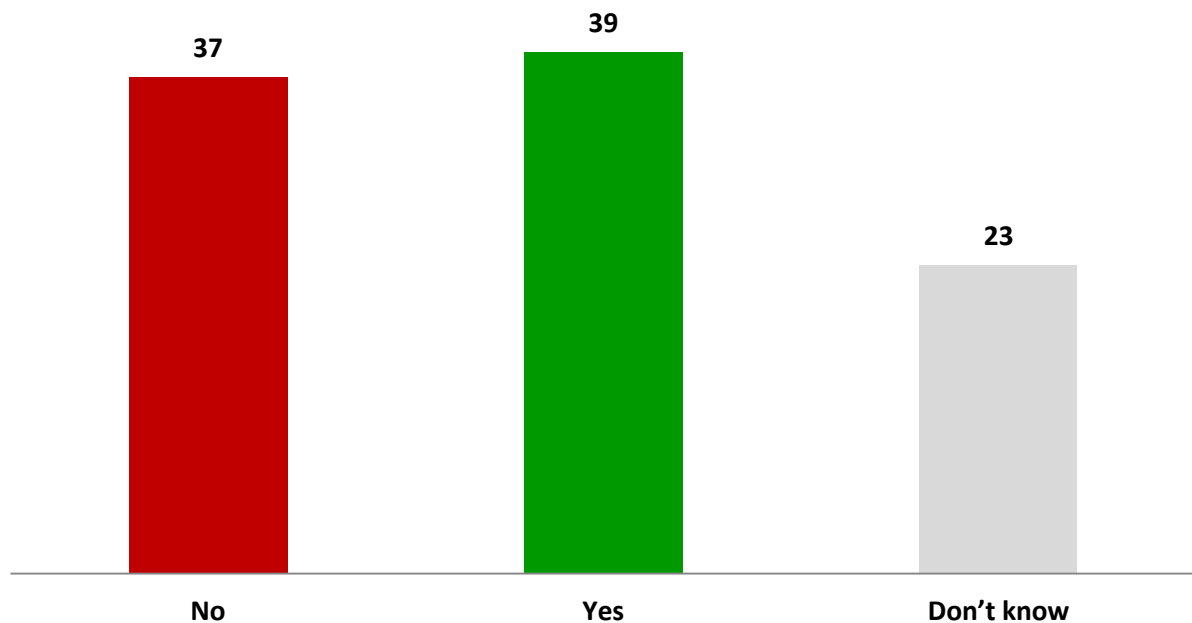
The analysis revealed perceptions on unfair taxation of various businesses: only 29.2 percent think that there are no “roofs and protection” and that everybody pays taxes equally (see table 1.17). Seventy-two point two percent of the respondents are willing to pay more taxes, if corruption is lower (see table 1.17).

In a summary of this section, one can say that it is possible to increase the number of those who are willing to comply with tax legislation by 16.5 percent, even without decreasing tax rates or reforming core tax procedures. Taking into consideration that according to popular evaluations the shadow economy constitutes about 35 percent of the overall economy and

presumably would be taxed, by indirect calculations one can assume that it is possible to increase the taxes paid to the state budget by 5.7 percent through fair horizontal administrative efforts.

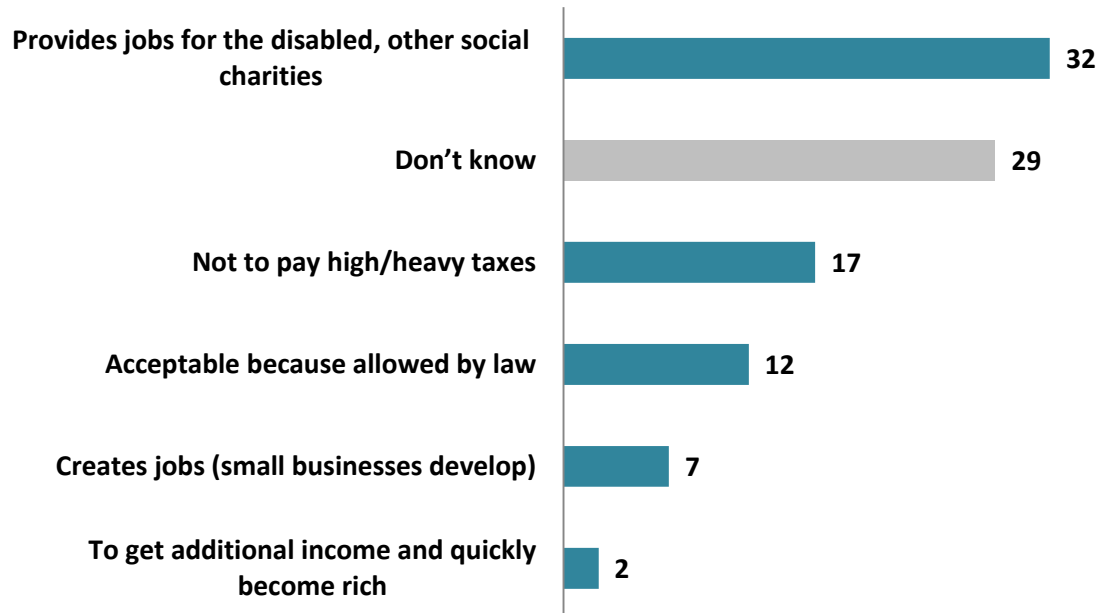
**Is it acceptable to pay less in tax in the cases permitted by the law?** This question was new for the taxpayers.

**Chart 18.** Do you think the formulating (optimizing and planning) transactions in a certain way to reduce taxes is a permissible and quite acceptable practice?

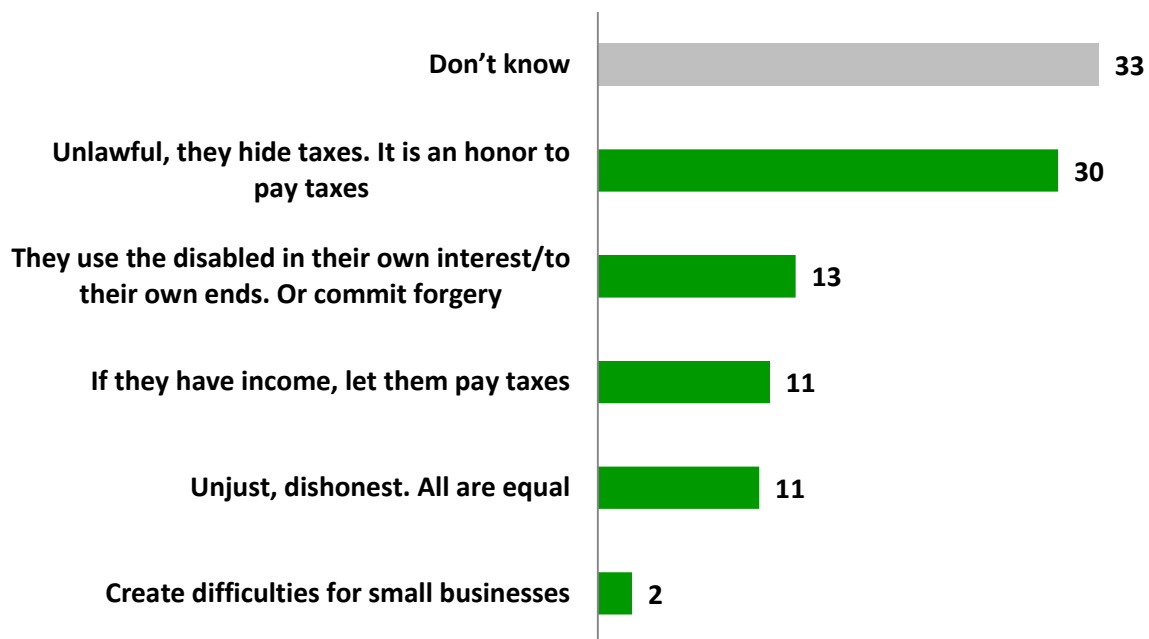


The large share of respondents who answered “don’t know,” and the equal number between “yes” and “no” answers, in addition to the large percentage of the “don’t know” responses on the follow-up question “why” to “yes” or “no” responses shows that this question is **difficult not only from the aspect of not knowing the law, but also from a psychological aspect.**

**Chart 19.** *Why is it acceptable?*



*Chart 20. Why is it not acceptable?*



Interestingly, if we exclude the undecided and left those that have a clear stance on legally saving taxes or paying less taxes, we will find that around 25 percent of all respondents think that it is unacceptable to decrease taxes using various privileges, and **only around 28 percent think that it is acceptable.**

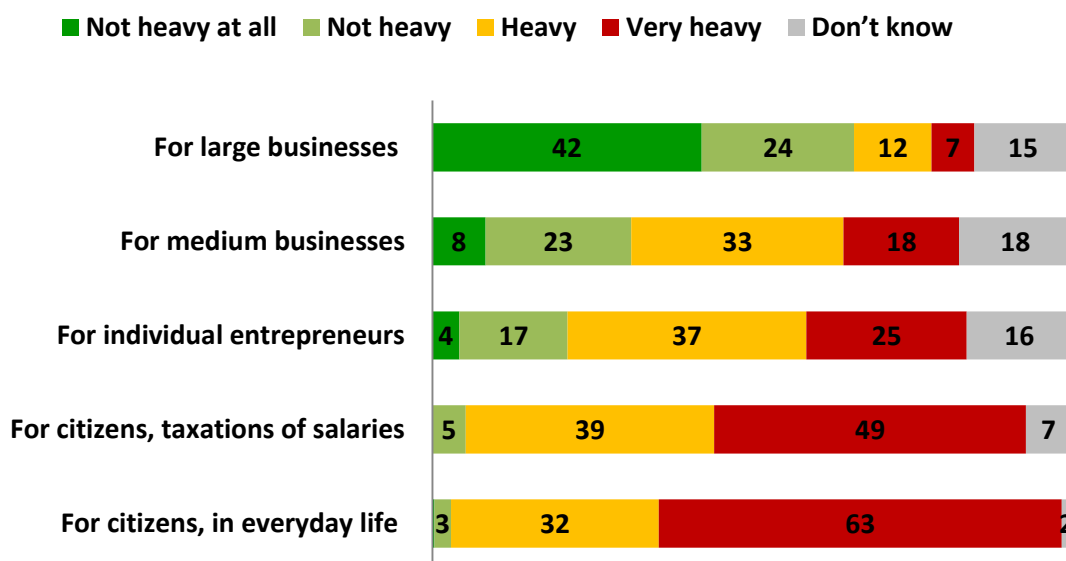
**For the sake of the tax-profit understanding and analysis** it is important to study the opinion of those who consider it acceptable to legally plan and optimize taxes (see table 1.15.1). Again, excluding the undecided, we will find that 46 percent think that it is acceptable to save on profit tax by using tax privileges, because it is connected with creating employment opportunities for people with disabilities and the implementation of social programs in general. **Thus, it seems that the public is considerably in favor of the solution of not only fiscal but also regulatory issues through tax legislation.**

Of those who find optimization of taxes acceptable, 24 percent explain their stance by the inadequate high level of tax burden. Interestingly, only **17 percent of those in favor of tax optimization (or 4.8 percent of all of the respondents with a clear stance) justify decreasing taxes as much as possible by the latter being permissible by the law.** This small group describes the competent taxpayer, who is ready to have a say in civil society and take a clear stance.

For the same tax-profit policy perspective, it is important that the great majority of the respondents (62.6 percent; see table 1.19) is ready and find it acceptable to take on the responsibility of calculating taxes themselves, instead of leaving the responsibility on the state or local self government bodies, as it is done in many other countries of the world (and in Armenia for the property tax).

The analyses of the willingness to pay taxes and attitudes toward taxes would not be complete without the opinions of respondents on tax burden. According to 95 percent of respondents the tax burden has a high level of impact on their daily life (see chart 21 and tables 1.27 and 1.27.1). Sixty-two percent of the respondents think that the tax burden is heavy for small-size businesses and 51 percent think it is heavy for medium-size businesses. Sixty-six percent did not consider it heavy for large businesses.



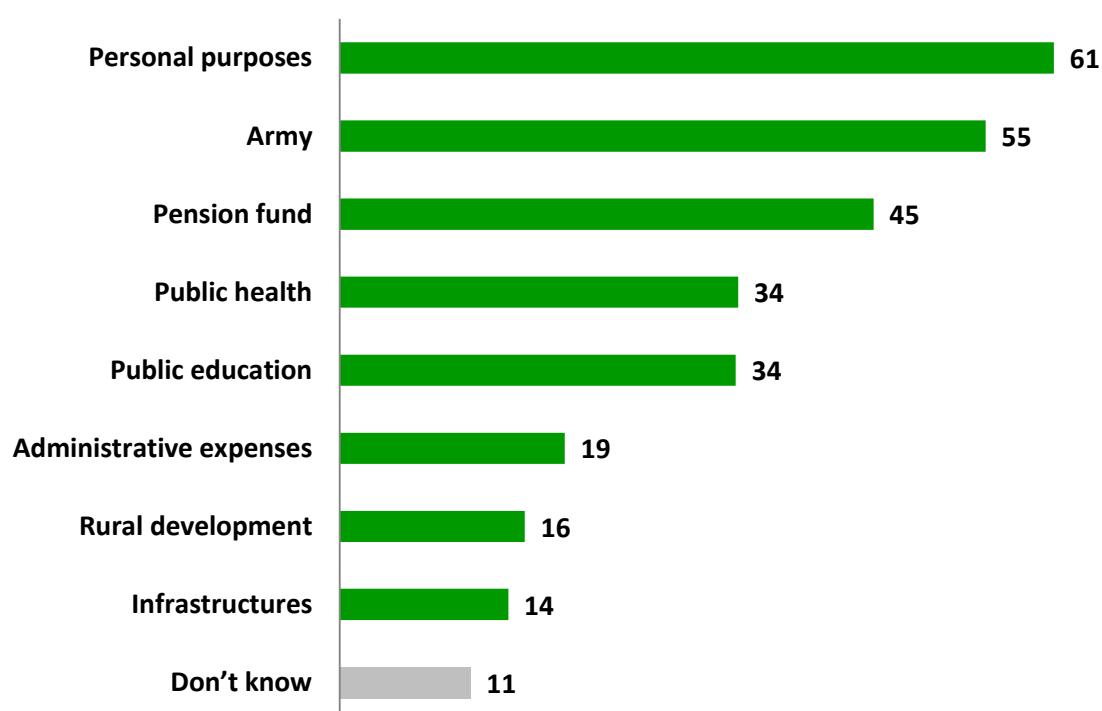
*Chart 21. In your opinion, how heavy is the tax burden...?*

## PERCEPTIONS ON TAX USE

Paying taxes is greatly driven by the justification of its purpose. Despite the level of awareness on the specifics of the budget system among the respondents, the survey revealed a very sensitive attitude of the respondents toward how the collected taxes are used (see tables 1.14, 1.16, 1.16.1, 1.17, 1.22).

Around 61 percent of the respondents surveyed on the **use of taxes** said that the government puts tax money to personal use (Chart 22). This understating is particularly pronounced in the Shirak, Ararat, and Gegharkunik marzes, and less so in the Tavush marz (see cross tabulation table 8).

**Chart 22. How does the government currently use the income generated from taxes?**  
(Multiple answers are acceptable)

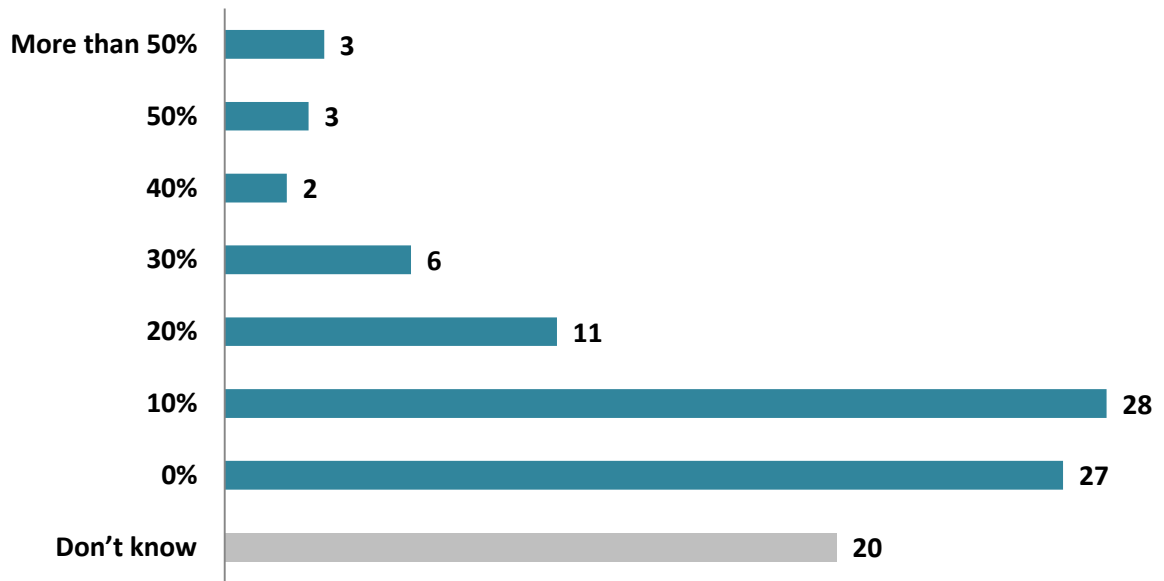


Slightly more than half of the respondents (54.8 percent) mentioned the army as a direction for using tax money, and 45.3 percent mentioned the Pension Fund. Public health and public education were mentioned as directions for spending tax money by 33-34 percent of the respondents. It is important to note here that those that answered “don’t know” or refused to answer constitute a considerable part (11.5 percent), which is a sign of a lack of education and awareness on financial and budget issues among the population.

The survey results show that awareness on the practices of tax collection and the directions of the use of tax money can influence the willingness to pay taxes. Thus, 65.1 percent of the respondents do not know or do not agree that the public services he/she receives are actually useful. At the same time 68.7 percent of the respondents agree that they would be willing to pay more taxes if they saw more social or other services that are useful to the public, such as the police, the army, and/or free education (see table 1.17, first and fourth lines).

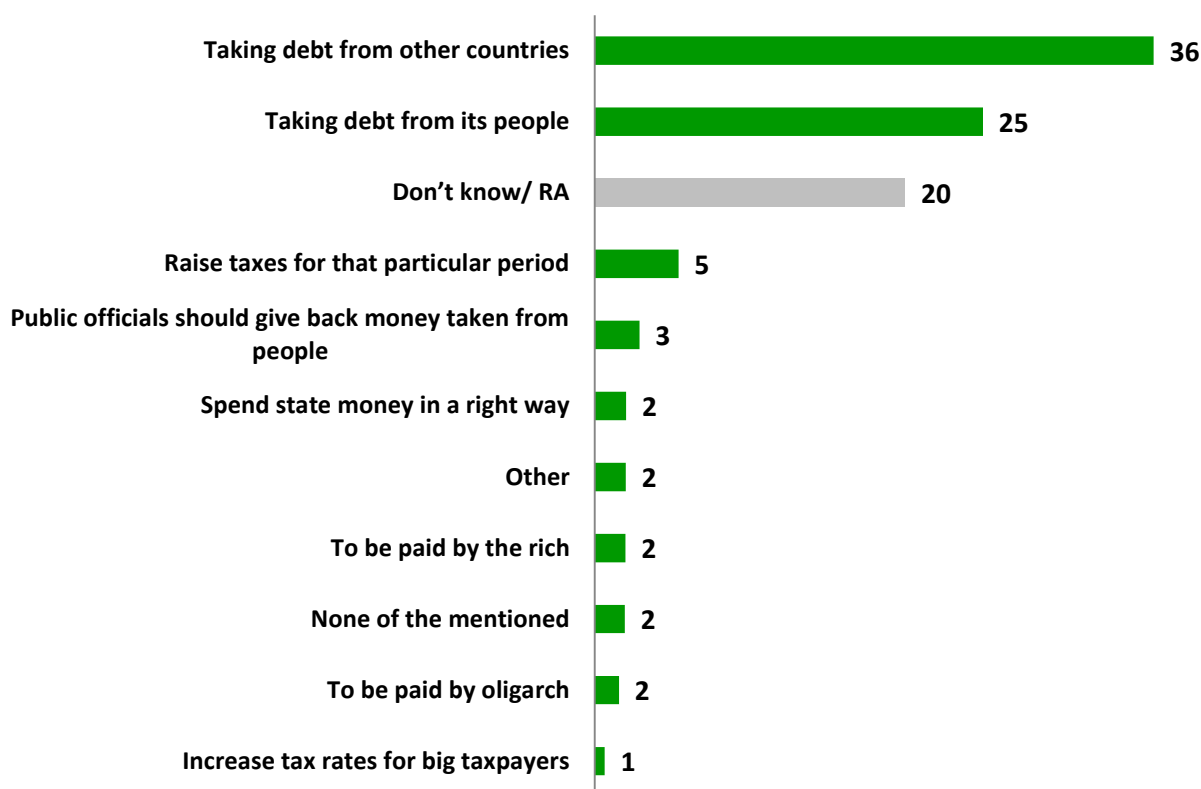
**When asked, what percentage of the taxes are returned to the society in a form of public services,** 66.1 percent of the respondents noted up to 20 percent (chart 23). Additionally, every fifth respondent said they do not have a clear idea about the issue.

**Chart 23. Please indicate the percent of the taxes that you think the society gets back through the services delivered by the state**



When asked what the government should do if more funds are needed in **case of a force majeure situation**, only 5.4 percent of the respondents think that the taxes should be raised (see chart 24).

**Chart 24. If the government needs additional money in a force majeure situation, which would be the better option?**



The majority of those that have a similar stance are people below 40. The group of those who are in favor of temporarily raising taxes is relatively larger in the Shirak and Aragatsotn marzes and almost insignificant in the Ararat, Syunik, and Kotayk marzes (see cross tabulation tables 9.1, 9.2 and 9.3).

In emergency situations as a source for additional funds, the respondents suggested borrowing from others, mostly from other countries. If the distribution of age groups is rather equal among those who are in favor of borrowing from other countries, the share of respondents below 33 is larger among those who are in favor of borrowing from its own people (for example issuing state bonds) (see cross tabulation table 9.1). In marzes, those in Syunik and Shirak are more in favor of borrowing from outside sources (in the Shirak marz the respondents also agree to temporarily raise the taxes), and are against it in Gegharkunik. Respondents in Aragatsotn and Ararat are in favor of borrowing from own people, and those who are against it reside in the Vayots Dzor, Tavush, and Syunik marzes.

Along with those that answered “don’t know” (18.5 percent), those that hold such a neutral stance on finding funds for the solution of public issues constitute 55 percent, which should be considered as a seriously worrisome indicator. Among “Other solutions” (13.4 percent of the responses), the respondents have mentioned that before raising taxes, “people’s money,” i.e. the money that has not been spent efficiently, should be returned.

The demographic analysis of those that are in favor of borrowing (62 percent of all respondents) instead of raising taxes shows (see cross tabulation tables 1-4), that:

- 34.3 percent live in rural areas;

- 76.3 percent have no higher education (those with higher levels of education are less prone to be in favor of borrowing);
- 64.0 percent are female (59 percent of all respondents are female);
- A great majority, 56.5 percent, are above 40.

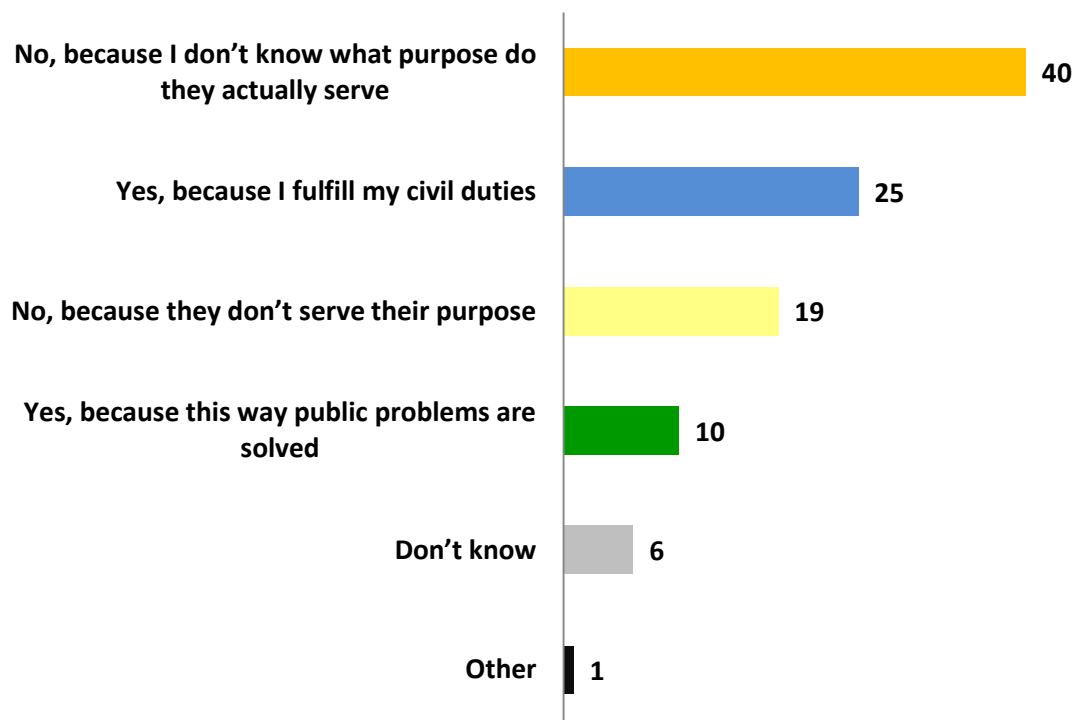
Only a half of a percent of the respondents thought “**national donation**” in a force majeure situation is acceptable.

#### THE BELIEF OF THE IMPORTANCE OF PAYING TAXES AND ACTIONS THE TAXPAYERS WOULD TAKE

The respondents were asked if they were proud to be paying taxes. The results of the research (see tables 1.16, 1.16.1, 1.17, 1.26, 1.26.1, 1.29, and tables 1-5 of cross tabulation table 11) show that the feeling of pride is directly connected with the level of trust toward the state and local self government institutions in the country. The respondents with no hesitation made suggestions on what they would do for people to trust and start paying taxes willingly and voluntarily.

Thirty-five percent of the respondents gave a positive answer when asked if **they were proud to be paying taxes**. Fifty-eight point three percent responded “no,” because according to them the taxes do not serve their purpose or they do not know what purpose the taxes serve (chart 24). Thirty-five percent is a large cohort, and these people can significantly change the perceptions of the role of taxes and improve tax collection, if the issue of fairness that was raised multiple times during the survey is solved.

*Chart 25. Are you proud to pay taxes?*



Among the 35 percent of respondents who gave a positive answer, 10 percent showed a clear and complete understanding and assessment of the purpose of taxes. This cohort explained their positive response by saying public issues are solved through taxes. A demographic

analysis of the cohort (see tables 3 and 4 of cross tabulation table 12 and table 1-5 of cross tabulation table 11) shows:

- They are mostly young, with more respondents falling in the below 33 age group. The majority of those who gave a negative response, on the other hand, are middle-aged;
- They mostly do not have higher education;
- **The proud taxpayers mostly live in rural areas.** Their number is twice as high as the proud taxpayers living in other urban areas and is 20 percent higher than the Yerevan inhabitants;
- **The highest percent of the proud taxpayers reside in Aragatsotn**, followed by Armavir; the lowest percent is recorded in the Lori and Kotayk marzes. On the other hand, the highest percentage of those who negatively responded to the question on pride reside in the Syunik, Vayots Dzor, and Ararat marzes.

In summary of this section, the respondents do not consider paying taxes dignifying or noble. The main reasons are the inefficient use of the funds and unfair distribution (see above: the answers to the question on the efficient use of revenue from the collected taxes).

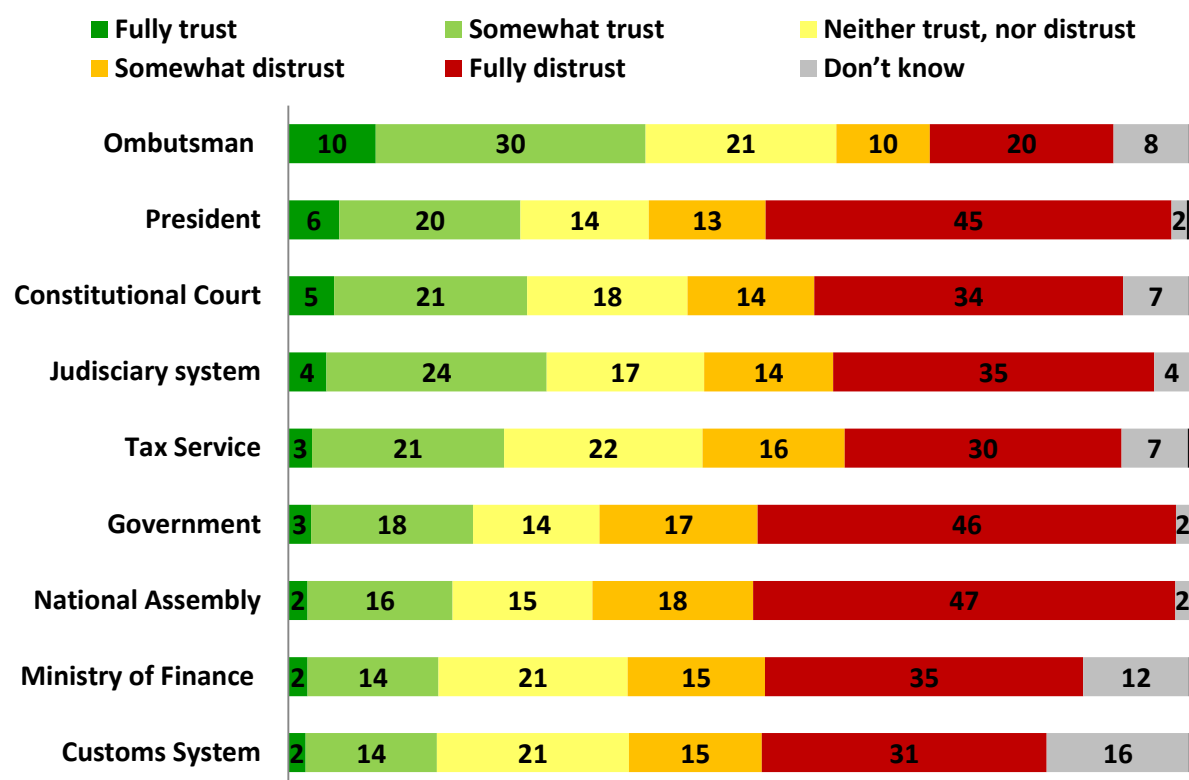
Moreover, the respondents are willing to accept a more complex tax system, but only if it is fairer. Forty-seven point five percent of the respondents agree with this point of view, which is 1.5 times higher than those who do not agree with the point of view (see table 1.17). Thus, promoting transparency and raising awareness should be a priority.

### Trust and what to do to improve tax collection

As the perceptions of the population are anchored in the institution of trust, a separate question tried to reveal what the level of trust is among the population (see table 1.26, tables 1-3 of the cross tabulation table 13, and tables 1-5 of the cross tabulation table 14). The general result is that the public shows little trust toward state institutions.

The answer “I neither trust, nor distrust” was quite common, particularly when talking about the tax services. “Don’t Know” and “Refuse to Answer” options were also common when asked about customs and tax services.

The respondents fully or somewhat trust the local self government bodies and the Ombudsmen, while the National Assembly, the government, and the president seldom got unconditional trust. This perception may be connected with the expectations from these institutions to change tax policies.

**Chart 26. To what extent do you trust the following institutions?**

The low level of trust toward the Ministry of Finance may be connected with a lack of awareness and a lack of understanding of its key functions, as we already discussed above.

Data analyses by marz and demographic breakdown of the respondents show that the level of trust toward tax authority in comparison to the country mean is lower in Syunik and Vayots Dzor, and is the highest in the Gegharkunik and Lori marzes. The findings were the same for the custom services and the Ministry of Finance.

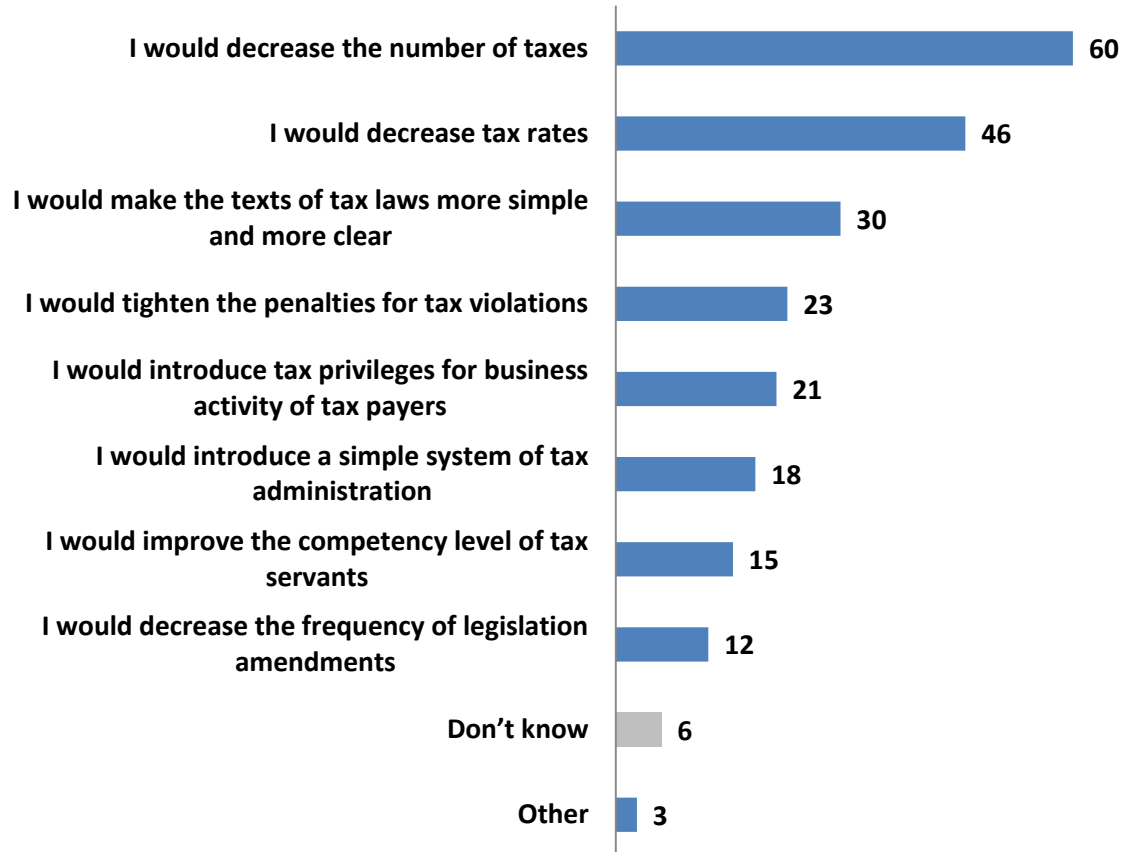
The level of distrust in these “financial” institutions is relatively higher in other rural areas than Yerevan and rural communities. The respondents in the rural communities were more accepting toward these institutions.

**In summary** of this section, the level of trust toward financial-tax institutions is not high in Armenia, and is lower than the average among other institutions. The respondents understand the role of the Ministry of Finance, the government in general, and the National Assembly as an institution setting tax policy, and from that perspective, these institutions did not receive significant public trust. From the fiscal federalism perspective, the relatively higher trust level toward the local self government has opened an interesting horizon. It may be explained by the assumption that the respondents deal with local taxes, they experience and hear about taxes when paying property and land tax, and the local self government body is one of the most trusted institutions. All conditions equal, it means that if the rules and regulations of tax collection are better followed by the self government bodies then the tax collection there would be more efficient.

**What to do to improve tax collection:** the question asked “If you were in a decision maker position in a state agency, which would be your three primary actions to stop people from avoiding taxes and have them follow tax laws and regulations?” The results show that in order to improve tax collection the respondents would first cut the number of tax types in Armenia.

Sixty point one percent of the respondents chose this answer (see Chart 27, tables 1.16, 1.16.1, 1.17, cross tabulation table 15, and cross tabulation table 7).

**Chart 27. If you were on a decision maker position in a state agency, which would be your three primary actions?**



Decreasing tax rates (45.9 percent) and simplifying the texts of the tax laws (29.5 percent) came in second and third, respectively. The latter was more supported by young and middle-aged respondents.

Other suggestions include tightening sanctions for violators and introducing tax privileges for the business activities of the taxpayers (suggested by young and middle-aged respondents). Those who are interested in working for the tax authority suggested improving the level of professional preparedness of the tax service employees as an important step.

Comparison of these answers with the opinions already discussed, one can confidently state the importance of the convenience and simplicity of paying taxes. Thus, 66.6 percent think that people would be willing to pay taxes if it was less complicated and time-consuming.

The following findings on the **tax-profit** perceptions are particularly noteworthy (see table 1.17):

- People are ready to accept more complex tax legislation if it leads to a fair tax system and society;

- The respondents want to see more predictable tax laws. Sixty-one point nine percent said that the tax system in Armenia is not predictable and they cannot correctly predict what their tax burden the following year will be;



-From the distribution of the tax burden perspective, the respondents believe in the importance of not only fair horizontal tax administration, but also vertical fairness. Eighty point seven percent of respondents believe that the government should tax the wealthy more, thus promoting social justice in the society;

- The question “Is the application of a unified tax code a necessity?” was difficult to answer for 20.5 percent of the respondents. However, 72.3 percent found a unified tax code necessary.

This section of the analytical report presented the perception of the household survey respondents. The next section of the report discusses tax perceptions of the businesses and individual entrepreneurs operating in Armenia.

## PART TWO: TAX PERCEPTIONS AMONG ORGANIZATIONS AND INDIVIDUAL ENTREPRENEURS

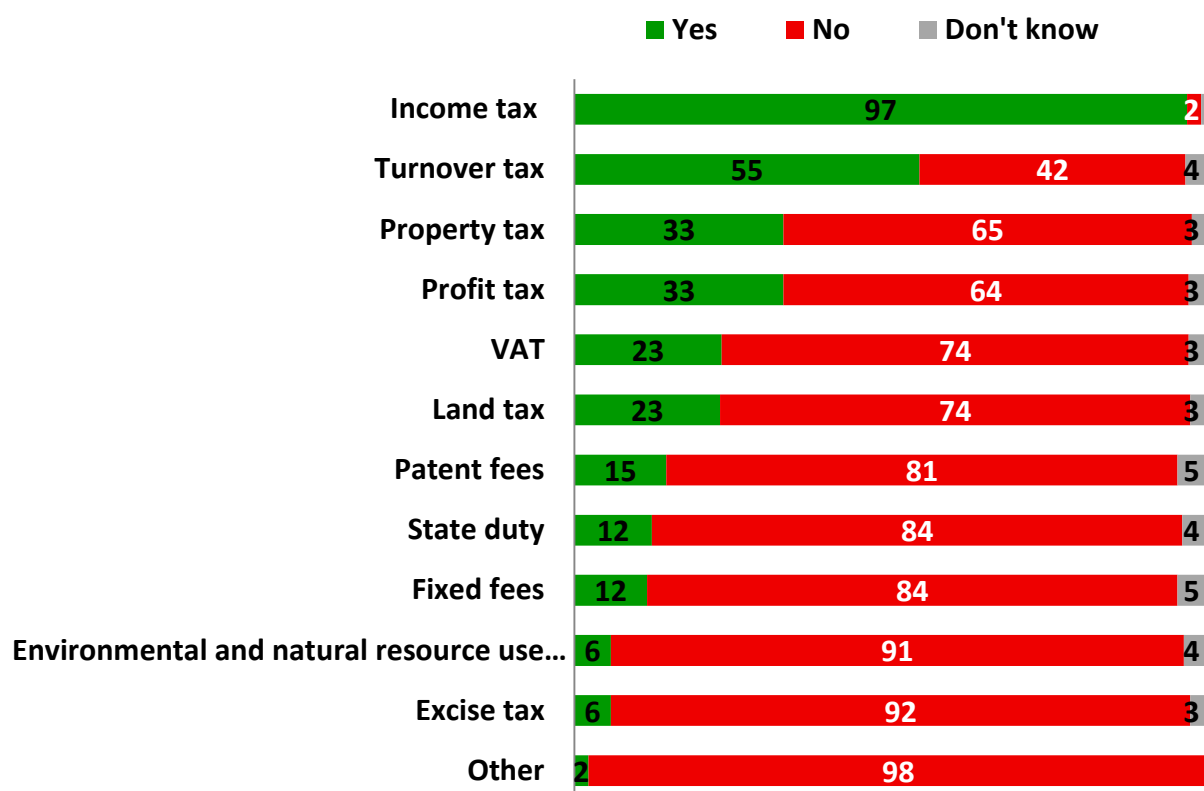
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### ENTREPRENEURSHIP AND TAXATION

Currently, Armenian taxes are created and registered by businesses as a result of their economic activity. Armenia does not have natural resources or other available resources that would allow for the creation of a public budget without collecting taxes, or keeping the rates of the taxes significantly lower. The Constitution states that all natural persons and “corporate” natural persons, otherwise known as organizations, are responsible for paying taxes. From that perspective it is important to note that the efforts of the business taxpayers play a key role, especially considering the country context. Other segments serve this key sector by carrying out other roles.

There is a difference when it comes to natural persons: on the one hand there are passive natural persons, such as hired workers, people who have bank savings, or have their property available for rent. On the other hand, there are active natural persons who take the initiative and risk by making personal investments.

**In Armenia the business taxpayer is mainly the direct tax payer** (see table 2.1). Ninety-six point eight percent of the business taxpayers deal with income tax, only 23.3 percent deal with the VAT, and 5.8 with excise tax. Seventy point five percent of the taxpayers deal with non-standard tax regimes, and 33 percent deal with the standard profit tax.

**Chart 28. Which of the following types of taxes are paid by your business?**

We analyzed the structure of the taxpayers separately, first without including individual entrepreneurs, and then without the non-commercial organizations. Looking at only the organizations one can see (cross tabulation table 1) that 53 percent of the legal persons registered in Armenia deal with standard profit tax, 39.6 percent deal with the VAT, and the percentage of those who work with non-standard tax regimes remains the same.

Looking only at the commercial legal persons, one can see (cross tabulation table 2) that 58.1 percent of the businesses deal with profit tax, and 42.7 percent work with the VAT. The number of those paying environmental fees is 2.5 times as high.

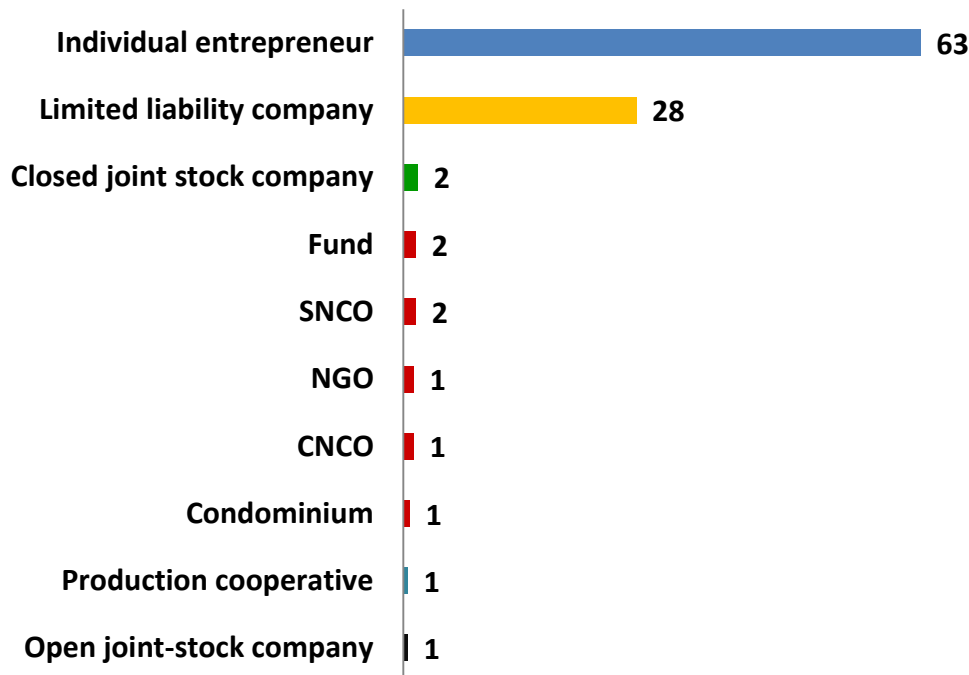
The Armenian tax legislation has different regulations depending on the size of the taxpayer. Seventy one point eight percent of the entrepreneur respondents negatively evaluated the tax legislative and administrative efforts implemented by the government of the Republic of Armenia over the past few years (see table 1.12). The aim of this analysis is based on the extensive survey results to reveal the perception of businesses on taxes, easiness and willingness to pay taxes, and their understanding of the problems in the tax system as well as possible solutions.

## DESCRIPTION OF THE TAXPAYING BUSINESS COMMUNITY

Of the 400 respondents, 251 are individual entrepreneurs. At the same time, 78.8 percent of the owners (participant, or “shareholder”) of the taxpaying organizations are natural persons. This research showed that the individual entrepreneurs tend not to join various unions and

associations. Limited Liability companies constitute 28.3 percent of the taxpaying businesses (75.8 percent of the organizations, see table 1.3).

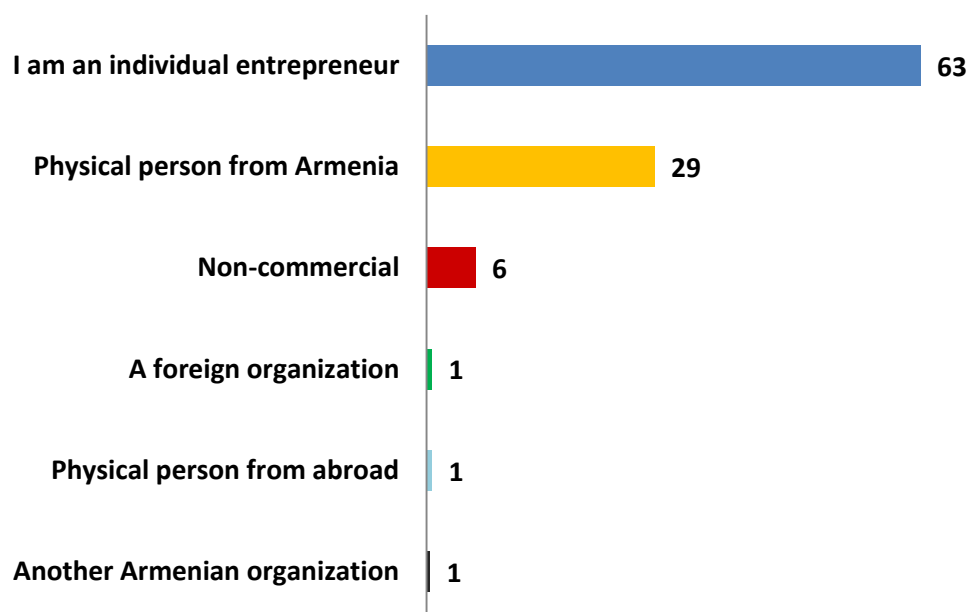
**Chart 29. What is the organizational-legal status/form of your business?**



Ninety-one percent of the business taxpayers have chosen the simplest statuses. One can assume that the choice of the simple status is driven not only by the historical tradition of finding a solution independently, but also by the willingness “not to show off”, and not wanting to complicate the management system by corporate style management. Both of these require more accountability. In the case of the limited liability companies, recordkeeping by the participants (stakeholders) are less strictly regulated. The reasoning behind the large number of natural persons among the segment of the organizations who work with the simplest tax forms requires further research, particularly because in comparison with the legal entities, natural persons assume unlimited property liability. The popularity of individual entrepreneurship can possibly be explained due to the following: the wish to “not be seen” by the tax inspectors; few accounting requirements; generally few reporting requirements; and the desire “to start from small.” It is important to note here that in comparison to some other countries, no legislation in Armenia requires changing the status of the business from natural to legal person if the production volumes or the number of employees reaches a certain level.

**Fifty-two point five percent of the taxpaying businesses in Armenia** (see table 1.2) have started their business recently, and have been operating no more than three years. Only 20 percent have been in business for more than 15 years. The percentage of the foreigners (natural persons or organizations) is very low among the owners of the **business taxpayers**, only 1.5 percent. This percentage is very low among organizations as well, at four percent (see chart 1.4). In general, the number of foreign businesses are very low in Armenia.

Chart 30. Who is the biggest shareholder/participant of your business?



**In Armenia it is more common for natural persons rather than other organizations to establish organizations.** The main owners (participants) of business tax paying organizations 78.8 percent of the time are natural persons and only 21.6 percent are organizations. This should be a signal for the tax and revenue policy makers: to take into consideration the users and the structure of the founders when developing tax regimes, thresholds, and other tools.

**Six point three percent of the business taxpayers are subsidiary companies founded by non-commercial organizations.** This small number may be explained by the fact that the Civil Code of the RA allows only limited types of legal non-commercial organizations (foundations, for example) to directly provide services or be involved in trade. The law requires for those services to be provided by the subsidiary legal entity of the non-commercial organization. Thus, the number of taxpayers is artificially increased. Later in the report one can see, however, that these organizations tend to be tax compliant.

**Forty-nine percent of the business taxpayers are engaged in trade (see table 1.5). Only 7.8 percent of the business taxpayers are involved with manufacturing.** Later in the report we separately present tax compliance indicators for the organizations in trade, manufacturing, and other job spheres, such as services

**Business taxpayers do not follow corporate governance regulations (see tables 1.6 and 1.7). Twelve point five percent do not know what “corporate governance” means.** They are not familiar with the concept of shared authority between shareholders and managers as well as the role of the board of directors and other collegial bodies, including the role of audit commissions, etc. It is peculiar that five years ago the Government of Armenia approved a corporate governance code in compliance with international standards and comprehensive Armenian, and encouraged the business community to use it. If we exclude individual

entrepreneurs who are less likely to use the corporate governance system, **only 18.1 percent of the business taxpayers follow corporative governance regulations.** It is important to note here that tax compliance levels are higher in the countries where the businesses follow corporative governance regulations. This report reviews in detail the situation of corporate governance in Armenia, and what role it plays in tax compliance. There have been some positive developments in the structure of business taxpayers if we consider the separation of the business owner/shareholder and manager. **Subsequently, people have started valuing the role of the experienced director or manager more,** even in the cases where the owner of the organization is one person. As a result, the share of the business owner/shareholders among the business taxpayer organizations is 47.1 percent. The share of those with experienced managers is 52.9 percent. Tax administrators generally tend to agree that the separation of these two levels creates an opportunity, equal conditions provided, to discuss the issue of tax compliance as well as creates another chance for the tax authority to develop cooperation with the whole corporation.

Cross tabulation reveals (see cross tabulation tables 3 - 5, 6 and 7, as well as cross tabulation tables 8-16):

- Among the surveyed businesses, 79.9 percent of the time one of the main shareholders is also the executive director.
- Having a separate, non-shareholder, experienced executive director or a manager is more common among the joint-stock companies than among the limited liability companies.
- In 45.4 percent of cases the organizations who have a “separate” system of management are newly established organizations or ones that have no more than three years of experience. As this research shows (see cross tabulation table 11), corporative management experience is gained in four to six years. It is not coincidental then that the organizations with experienced managers are familiar with the corporate governance system twice as much as the average business taxpayer (see cross tabulation table 16).
- A similar governance system is chosen in the following spheres: agriculture, forestry and fishing, education, art, entertainment and recreation, and real estate.
- Corporative governance is more or less common in closed joint-stock companies. Fifty-seven percent of these companies say that they have a well-established corporate governance system. Only 10 percent of the limited liability companies knew about the corporate governance system. State non-commercial organizations (SNCO) were better informed about the corporate managements systems than Community non-commercial organizations (CNCO) that had no knowledge of the system. The level of corporative knowledge was surprisingly low in open joint-stock companies and foundations.

- Knowledge of corporate governance is not related to having a foreign main shareholder or external economic activity.
- The breakdown by the type of activity shows that (see cross tabulation tables 6 -11):
  - Corporate governance is as common among the companies working in manufacturing as in the “average” businesses;
  - Corporate culture is significantly lower than the average in trade (2 percent, while the average is 6.8 and it is 6.5 percent among the manufacturers). Corporate culture is higher among financial and insurance spheres (it is also required by law for these types of organizations), transportation and communications, education, and real estate.
- The corporate governance system is more characteristic, is better understood, and used after four to six years of business activity.

**Business taxpayers do not tend to join professional unions or associations.** Only 4.3 percent are involved in a similar horizontal cooperation (see tables 1.8, 1.9 and 1.10). Moreover, only 1 percent are members of a professional union, and the rest are members of industry unions. This tendency can be explained by the newness of cooperation among the taxpaying businesses. Thirty- five point five percent of the business taxpayers do not know whether those unions can influence improvement of tax policies and tax administration, and another 47.5 percent do not believe that such influence is possible. Only 17 percent believe that such influence is possible.

Analysis of the organizations that are members of unions reveals the following characteristics (see cross tabulation tables 17-22):

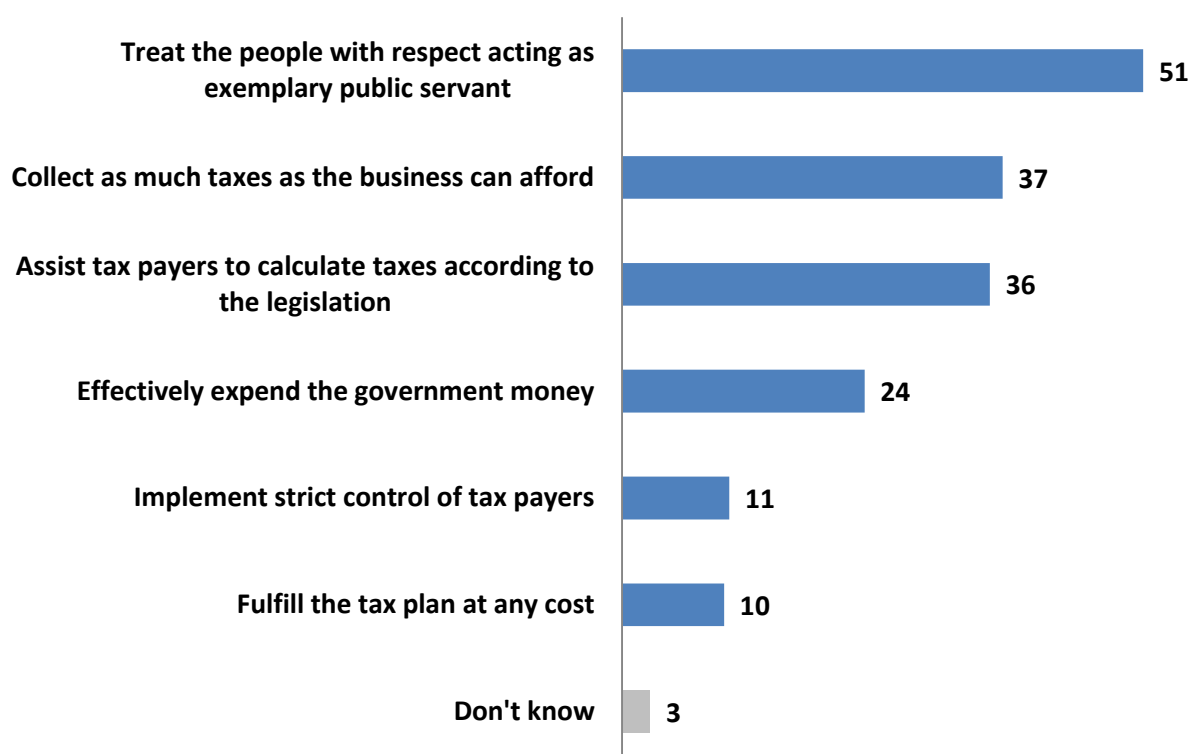
- They become members of associations mainly in the 7-10<sup>th</sup> year of their business activity;
- Limited liability companies and non-profit organizations are more prone to becoming members of unions or associations;
- **Subsidiary companies, i.e. companies founded by other companies, are more often “associated;”**
- The breakdown by the type of the business activity shows that trade organizations do not tend to join associations, while companies in mining, transportation and communications, and education tend to join associations and unions more.
- In comparison to the average business, associated companies assess the tax burden to be heavier, particularly direct taxes, and would like to see the rates of these taxes decreased.

For the business taxpayers, tax inspection is the main source of information on tax legislation and the tax system in general (see table 5.1). Interestingly, businesses receive more information from each other than from mass media.

### PERCEPTIONS OF THE BUSINESS TAXPAYERS ON THE TAX AUTHORITY AND THE SERVICES IT PROVIDES

Among the most common answers among the business taxpayers regarding the mission and main goals of the tax authority was to “Treat people with respect acting as an exemplary public servant” (see table 4.1). Looking at the administrative aspect of the tax authority, according to the business taxpayers, the mission of the tax authority should be **“Collect as much taxes as the business can afford.”** The second popular perception regarding the mission of the tax authority is that it should “Assist tax payers to calculate taxes according to the legislation.”

*Chart 31. Which of the following definitions do you think should serve as the main goal of a tax authority? (Multiple answers are acceptable)*

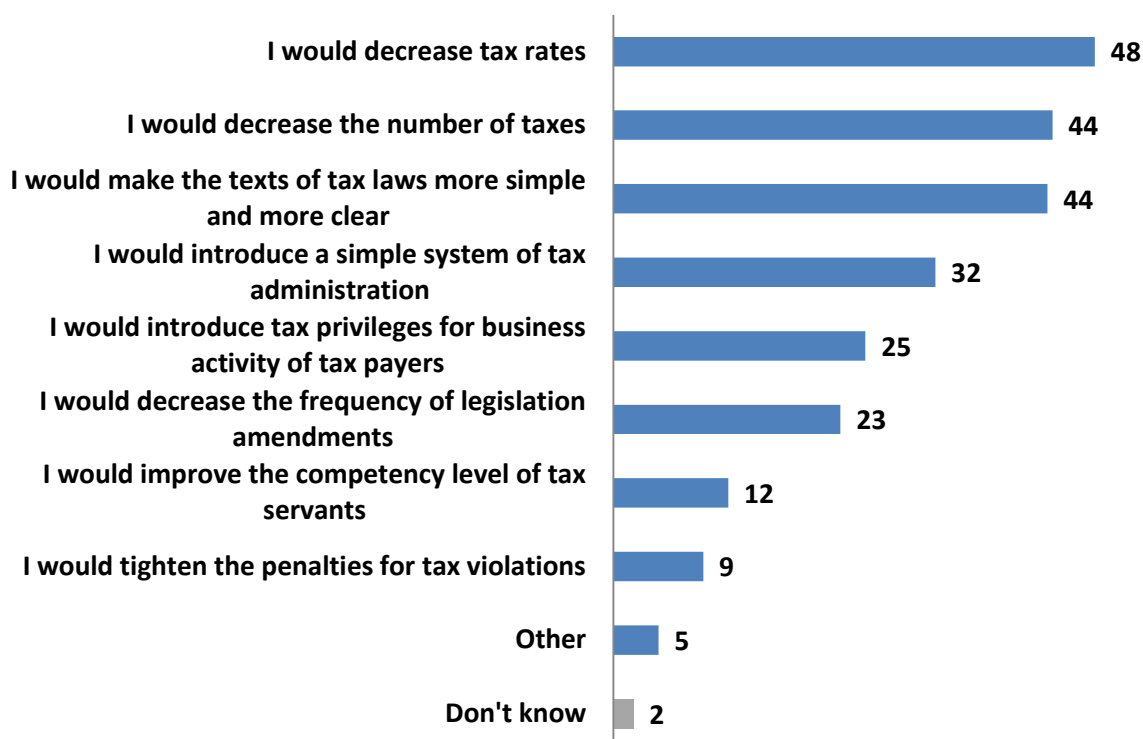


The business taxpayers thus think that if they had the opportunity to make decisions instead of the government to ensure tax compliance, they would implement the following three actions, prioritizing (see chart 6):



- **“Would decrease tax rates.”** It is important to note that this answer is proportionate here, and corresponds with the answers to the question on Laffer curve (see table 4.5), where 80 percent of the business taxpayers are certain that the budget will receive more revenue if the government decreases tax rates.
- **The number of taxes should be decreased.**
- **The text of the tax legislation should be made simpler and clearer.**

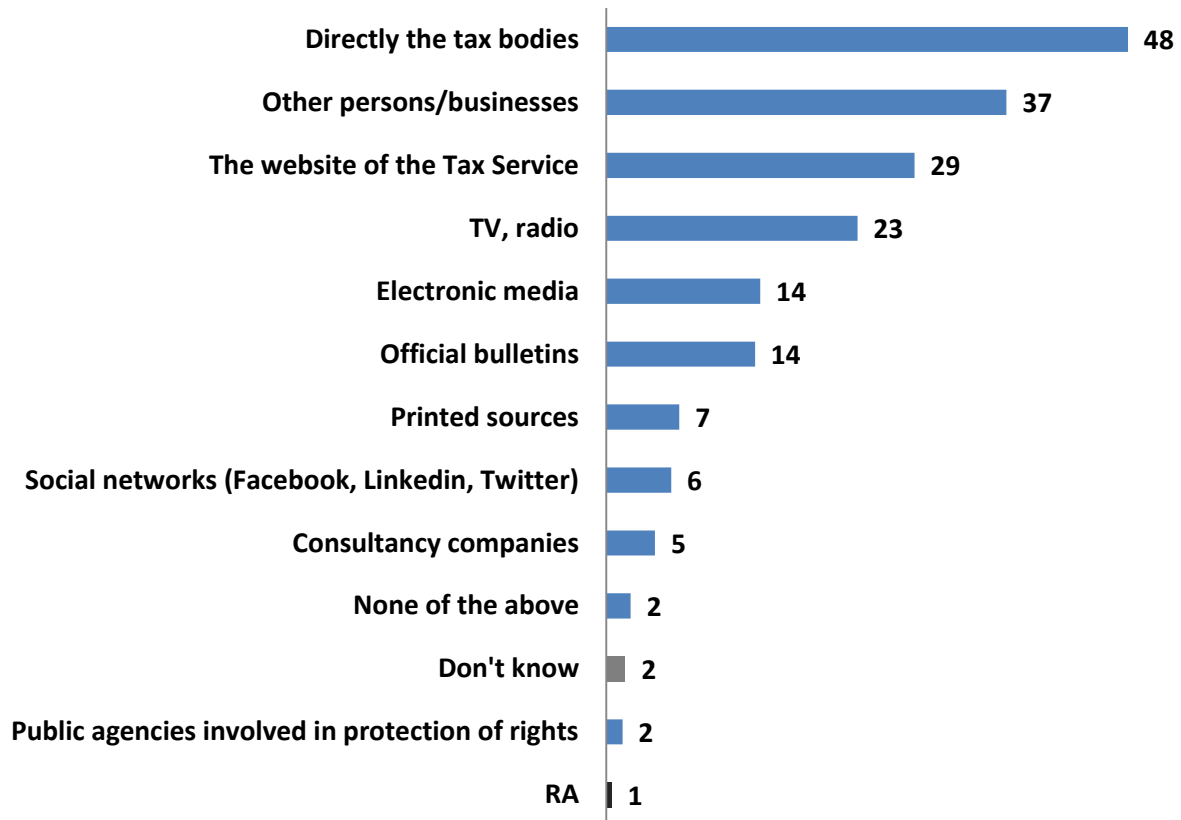
*Chart 32. If you were on a decision maker position in a state agency, which would be your three primary actions? (Multiple answers are acceptable)*



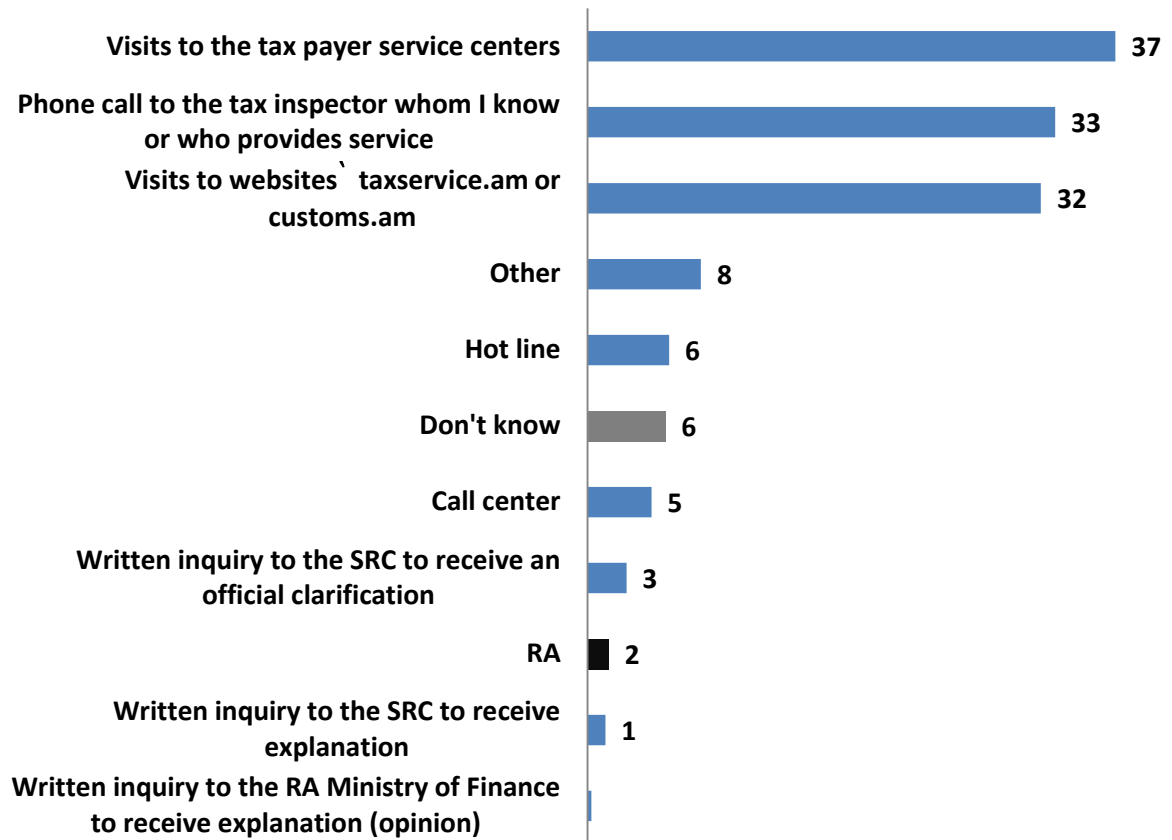
Interestingly, entrepreneurs establishing privileges for businesses if they had decision making power is only the fifth by popularity.

The respondents positively rated tax authorities on informing business taxpayers about the changes occurring in the tax systems and regulations. Moreover, the most common sources of information are the “Taxpayer assistance center” followed by “[A] phone call to the tax inspector whom I know or who provides service” (see tables 5.1 and 5.2).

**Chart 33. What are your main sources of receiving information about the changes in tax system/procedures? (Multiple answers are acceptable)**



**Chart 34. What is the preferable and most reliable way of receiving information from a tax body? (Multiple answers are acceptable)**



The analysis (see cross tabulation table 23 and tables 5.2 and 3.8) reveals that the businesses that prefer to receive information over the phone from a tax inspector they know still do not consider that connection with the tax inspector is helpful for tax inspection. They would like to have that connection without the tax inspection.

**The enterprise survey contained three questions regarding the services tax authority provides to business taxpayers (see tables 5.3, 5.4 and 5.5):**

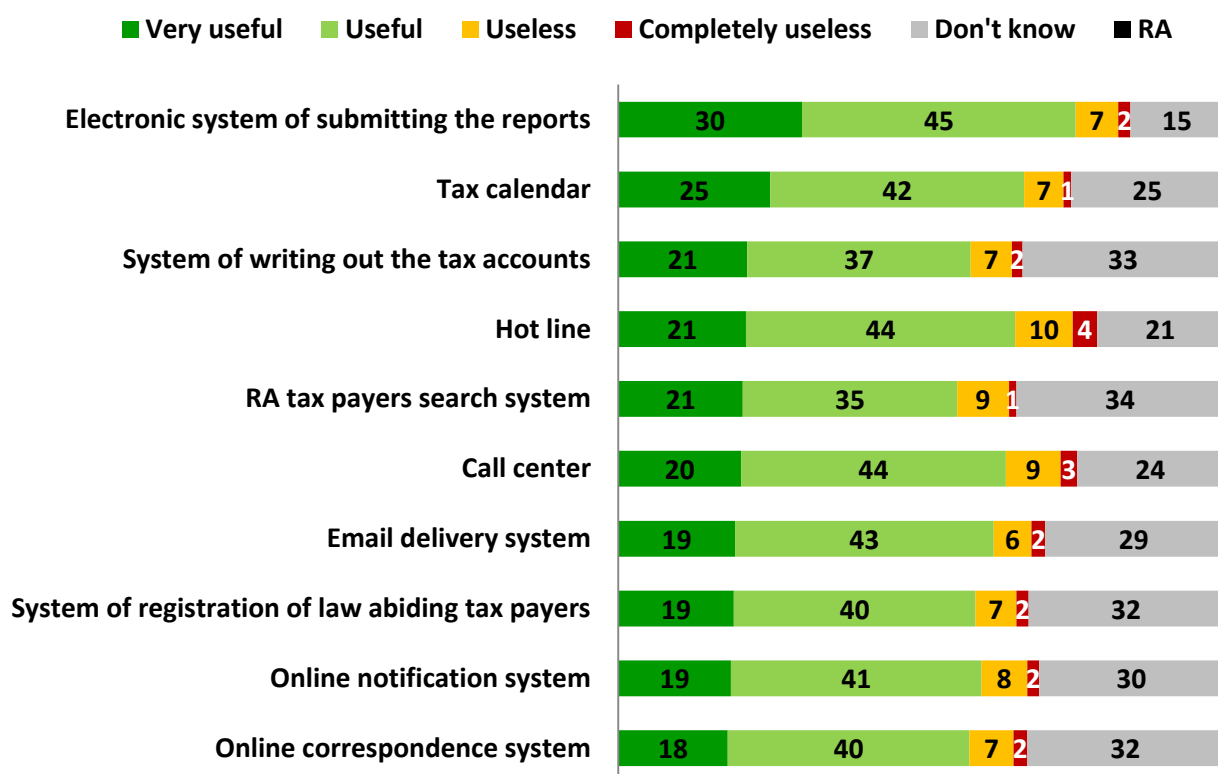
- The level of usefulness of the information and electronic services.
- Other type of services that are not directly connected with the calculation and collection of taxes and other information.
- A demand for new services.

The survey did not cover all the services provided by the tax authority. For the business taxpayers the most preferential service provided by the tax authority is the electronic system for report submission. **In general, at least 56 percent of the businesses were in favor of the listed services provided by the tax authority, which is an important indicator.** It means that the business taxpayers tend to use modern technologies in their interaction with the tax authorities, which could decrease administrative costs.

One of the well-known, yet least favorite of the information-electronic services is the hot line.

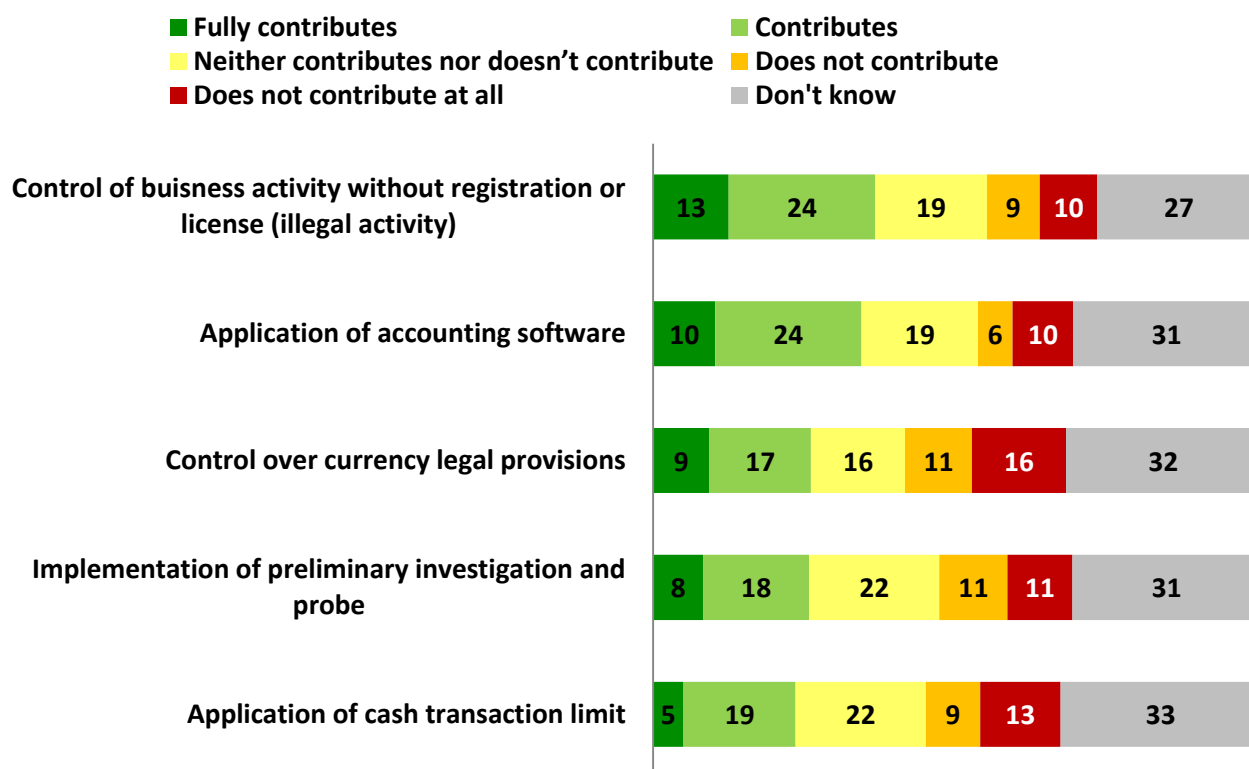
Around 30 percent of the business taxpayers are not well aware of the following services: the E-invoicing system, RA tax payers search system, the system of registration of law abiding tax payers, and the online notification system. This may be explained by the fact that these services are new and not mandatory.

**Chart 35. How would you assess the following services delivered by the RA Tax Service?**



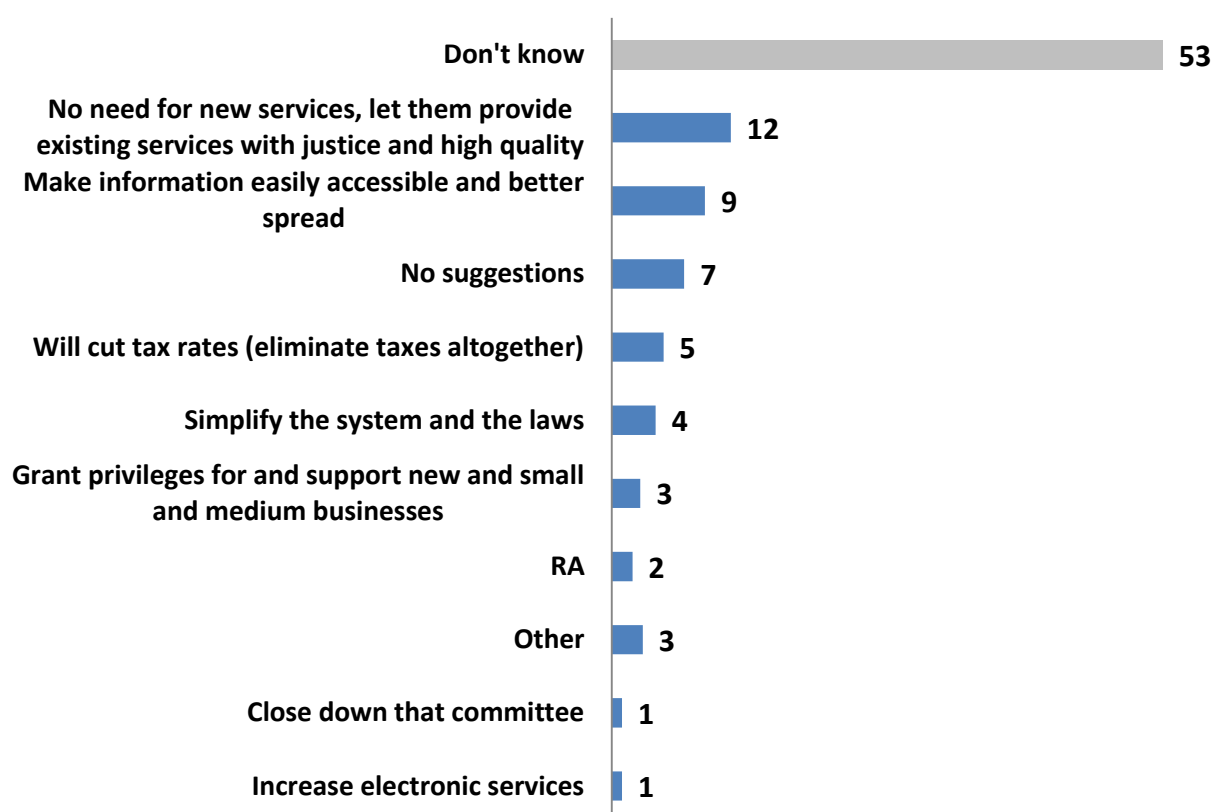
Surprisingly, the businesses are neutral when it comes to demanding new services. **Fifty-three point three percent of the business taxpayers do not know what type of new services to suggest or demand from the tax authority.** Similarly, one third of the businesses do not know whether provision of the non-professional services such as control over currency regulation and law provisions, implementation of preliminary investigation and probe, control over involvement in entrepreneurial activity without state registration and/or without a license, etc. contribute to the improvement of the public confidence towards the tax authority.

**Chart 36. To what extent the delivery of the following services by the SRC contributes to the improvement of the public confidence towards the main goal of the SRC**



The research shows that the business taxpayers do not think the tax authority should be responsible for the application of cash transaction limits. At the same time, the respondents were more or less accepting that the tax authority controls illegal business activity. In summary, the question on the “additional services” of the tax authority seemed to be difficult to answer.

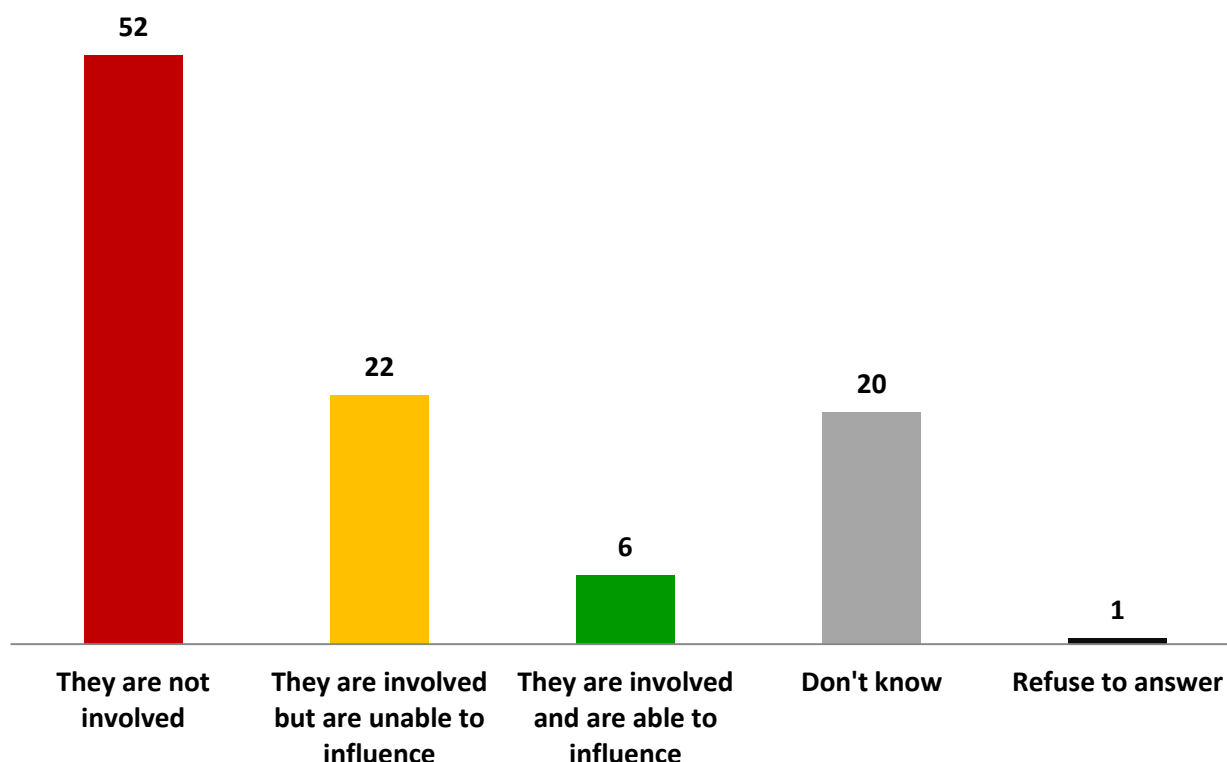
To summarize, **the business taxpayers are not very much concerned about the functions of the tax authority, and think that the paradigm developed here should not be changed.** As a proof, the main answer is “We do not want any new services. The tax authority should improve the quality and fairness of the services it provides today.”

**Chart 37. What new services do you think should be delivered by the SRC?**

## BUSINESS TAXPAYERS' PERCEPTIONS ON THE TAX RATES AND TAX PRIVILEGES, AND ITS IMPACT ON THEM

The survey asked whether the businesses are engaged in discussions of the changes in tax legislation. The business taxpayers are not directly engaged in the discussions, and are not involved in these discussions through an industry or a professional (see tables 1.10 and 1.11).

**Chart 38. To what extent the economic entities are involved in discussions of initiatives projecting amendments in the tax legislation?**



Only six percent of the business taxpayers think that they are involved and can influence the discussions on tax initiatives. Seventeen percent of the respondents think that the unions and associations can play a role in the improvement of tax policy and tax administration (see table 1.8 and 1.9).

Seventy one point eight percent of the business taxpayers negatively assess the measures implemented by the Government of the RA in the recent years in the sphere of tax legislation and tax administration as they pertain to the impact on businesses and business environment (see table 1.12). This opinion can partially be connected with the lack of awareness and/or lack of analytical resource and culture. In particular, few businesses are integrated in industry unions and do not have joint research resource centers and institutions implementing projects directed specifically at taxpayers.

From that perspective, the analysis (see cross tabulation tables 24-30) shows that:

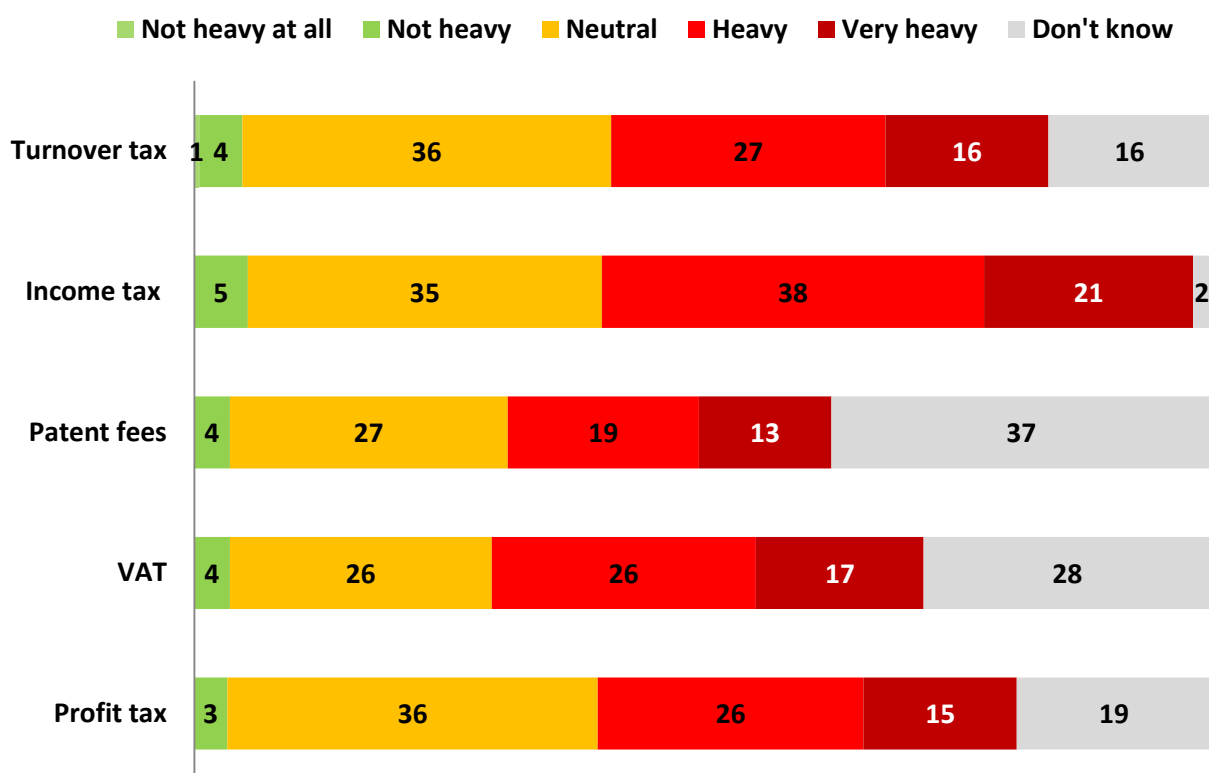
- Joint-stock companies and State Non-Commercial organizations are more positive toward the government efforts within the sphere of tax legislation and tax administration, while NGOs manufacturing cooperatives and individual entrepreneurs are more negative.

- Organizations, which have another organization as a main shareholder, are more positive toward the government efforts in sphere of tax legislation and tax administration, while organizations where the shareholder is a natural person are more critical.
- **Negative opinion about the government policy is lower in the organizations that practice corporate governance systems and regulations.** The perception is twice as more negative among the organization that do not know what it means. Similarly, the perception is less negative (61.3 percent versus the 71.8 percent noted above) in the organizations that have an experienced executive director who is not a shareholder/participant (see cross tabulation table 31).
- Analysis of the cohort of the taxpayers that have acquired accounting and taxes training shows that in comparison to the average taxpayer, this cohort rates government policies more positively at 32.1 percent versus the average of 21 percent (see cross tabulation table 27).
- **Those who are engaged in external economic activity (import-export), particularly those involved in export,** are more positive toward the government policies than those that operate only in Armenia.
- Analysis by the type of activity shows that:
  - **Business taxpayers in manufacturing are more positive toward government policies** (32.3 percent positive versus the average 20.5 percent).
  - Those involved in trade assess the government legislative efforts lower than the average. The percentage of positive answers is 16.3 percent.

**Which taxes do the businesses pay?** Fifty-six percent of the business taxpayers encounter property tax and 54.5 percent encounter turnover tax. **The majority of the business taxpayers (70.5 percent) encounter non-standard (alternative) tax regimes.** Thirty-three percent pay profit tax and 23.3 percent pay VAT. Ninety-six point eight percent pay income tax. Thus, direct and property tax payers are predominant (see table 2.1, chart 1).

**According to the 40-50 percent of business taxpayers, the tax burden is heavy or very heavy.** Note that the opinion is twice more negative among the households (see Section 1, table 1.27 and here, Section 2, table 2.2 of this report).



**Chart 39. How would you characterize current tax burden by the following types of taxes:**

Interestingly, on the question concerning the heaviness of the tax burden, the business taxpayers had more clear answers about income tax, and had more difficulties in assessing VAT and license fees. It may be explained by the direct impact of the income tax. Income tax is the heaviest tax for the business taxpayers. It may be connected with the integration of the social security payments which started in early 2013, and to some extent initiation of the mandatory cumulative pension payments, which people often view as “quasi-income tax.”

The analysis of the question concerning the tax burden by the type of the business activity (see cross tabulation table 32 - 34) shows:

- **Business taxpayers in manufacturing in general are less critical of the tax burden, compared to the average business taxpayer.** This is particularly true in the case of the VAT and income tax, but in the case of the profit tax their assessment is more critical than average (41.9 percent views profit tax burden heavy or very heavy compared to the average 41 percent).
- Those in trade significantly differ from the businesses in manufacturing in regards to their assessment of the tax burden as heavy, and rated it as “very heavy.” This is particularly true in the case of the turnover tax and income tax (accumulative percentage of heavy and very heavy tax burden is 65.3 percent and 72 percent respectively, compared with 43 percent and 58 percent among the average business taxpayers, and 38.7 percent and 54.9 percent of the manufacturing businesses).

- Organizations that have hired an executive director (instead of one of the shareholders/participants occupying that position) are less critical of the profit tax. At the same time, **the experienced managers find that the tax burden is heavy in the case of the income tax and VAT.**

Again, the respondents found it difficult to answer the question on **how the tax rates should be changed** in the case of the VAT and license payments (see table 2.3). Those in favor of decreasing tax rates two to three times outweigh those who think they should remain the same. **The current rates of the profit tax were found the most favorable among the business taxpayers. Moreover, some suggested the rates should be raised.**

Income tax has received the highest comparative rate, as 76 percent of the respondents wanted to decrease it. **Perceptions on the income tax rate may change over time**, as the perceptions may be driven by the two reasons described in the previous paragraph. It may also be connected with the fact that the corporate governance system is not common. Armenians, including the businesses, tend to work by themselves, and there is a significant number of individuals among business taxpayers which makes the income tax more influential.

The analysis of this question by the type of activity (see cross tabulation tables 35 - 37) showed that:

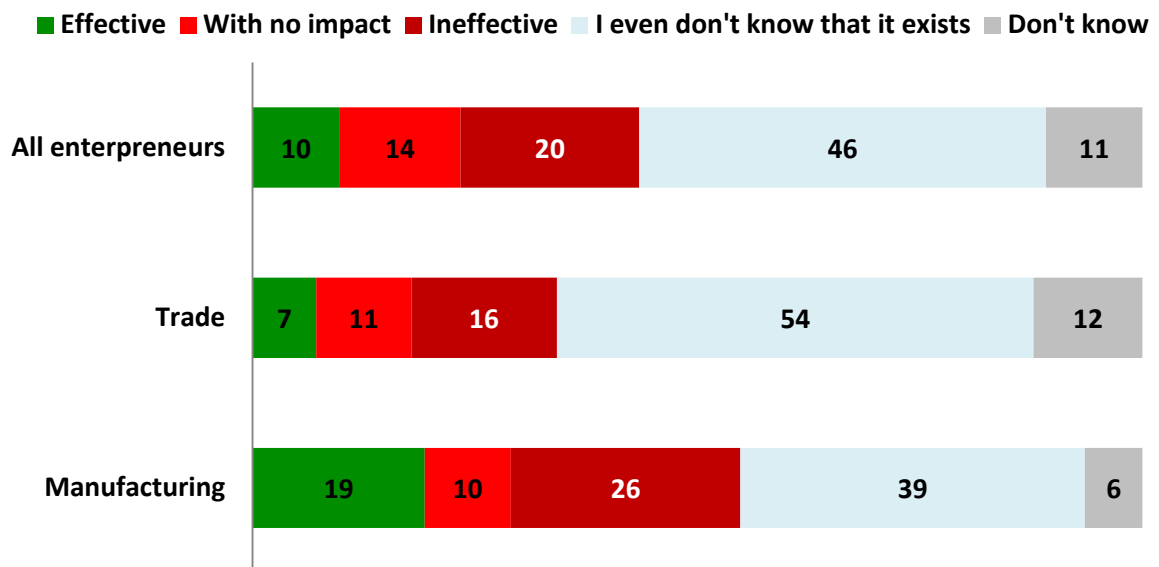
- The business taxpayers in manufacturing are less outspoken when it comes to decreasing tax rates, especially in the case of turnover tax. At the same time, the taxpayers in manufacturing would like to see a decrease in the profit tax rates more than other taxes.
- Those in trade, more than other businesses in the case of the turnover tax, would like to see a rate decrease (68.9 percent compared to the average 67 percent).
- In organisations where the business is run by professional executive directors (vs. directorship by one of shareholders), the attitude towards decreasing profit tax rate is softer (less demanding); meanwhile, these **professional managers are more demanding (compared to other businessmen) regarding lower income tax rates.**

**The impact of privileges is one of the components of the general tax burden.** Over a decade the government of Armenia is leading a consistent policy not to expand them. Today these privileges are established to address social issues, economic needs and other purposes. **The majority of the business taxpayers are not aware of the existing tax privileges** (see table 2.4). Based on the finding that only 9.8 percent of the businesses consider these tax privileges effective, one can assume that the system is not attractive, and the businesses are not interested in them. Its low impact can be explained by uneven competition and the volume of the shadow economy.

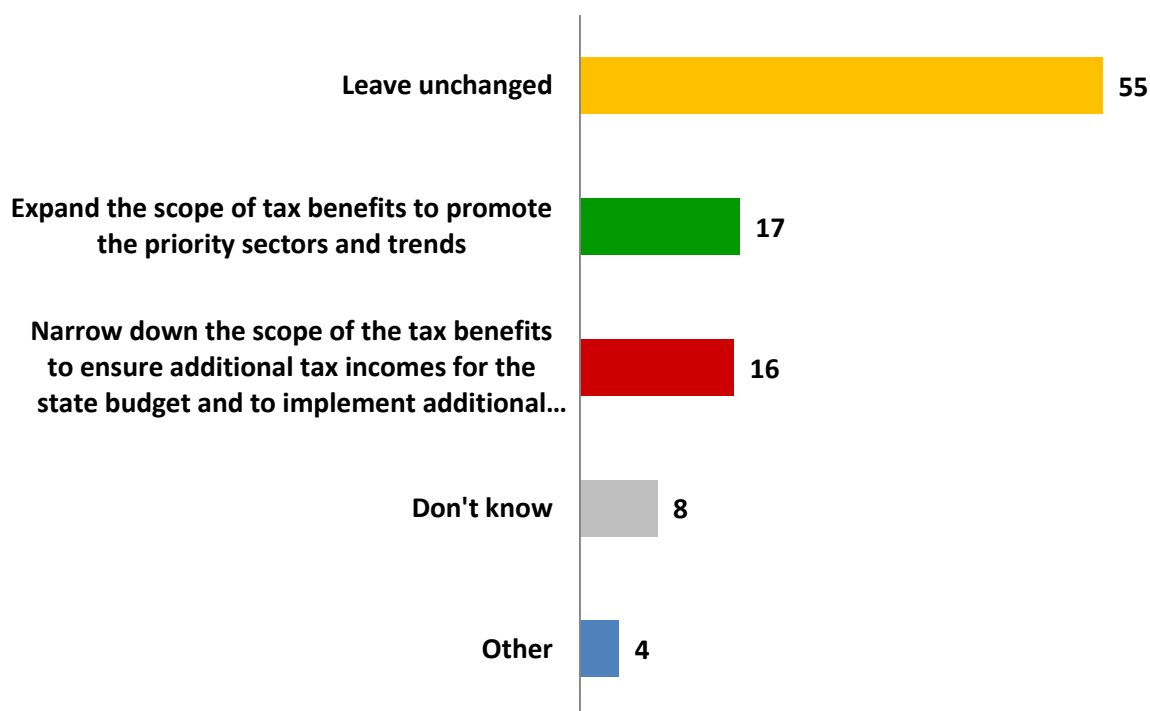
Analysis of the question on tax privileges by the type of business (see cross tabulation tables 38 - 40) showed that:

- Compared to the average business taxpayer in Armenia, experienced managers are less critical of the tax privilege system.
- **Business taxpayers in the manufacturing sphere consider the existing tax exemptions more positively than the average business taxpayers:** to assess the tax exemptions, “effective” or “no impact” answers were selected by 29.1 percent of the business taxpayers in manufacturing compared to 23.3 percent of all business taxpayers.
- Business taxpayers in the sphere of trade are significantly more dissatisfied with the system of tax privileges, with only 17.8 percent answering “effective” or “no impact.”

*Chart 40. How would you characterize the existing tax benefit system?*



This may explain why **one third of the businesses suggest not establishing new privileges and even decreasing the existing ones** (see table 2.5).

**Chart 41. Do you think it's reasonable to change it? (% in 1,2,3 answers of question 2.4)**

Around 60 percent of the business taxpayers note the importance of adopting a tax code (see table 2.6). However, around one third do not find the adoption of the tax code important at all.

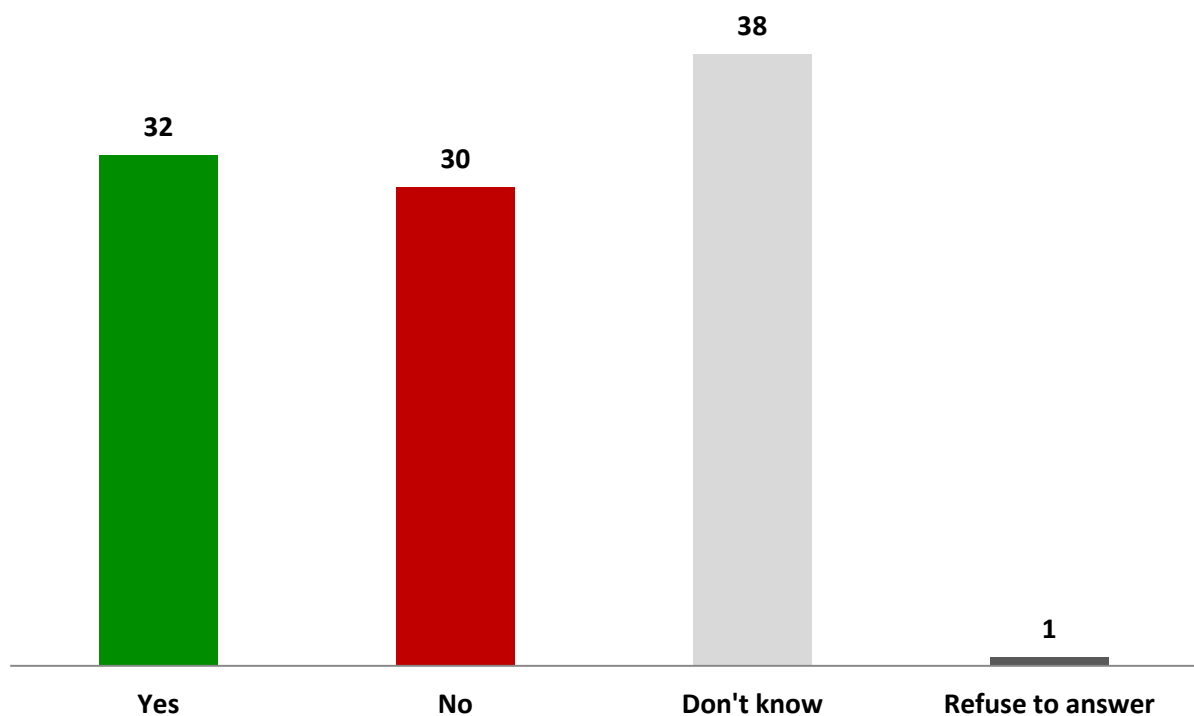
**Business taxpayers want to see less frequent changes in the tax legislation to be able to effectively plan their economic activity** (see table 2.7). Around 87 percent of the business taxpayers think that the changes should happen in one to three years of frequency, while 42.8 percent think that the changes should not happen more often than three years. This answer is connected with the implementation period of the business models; one can find more information on this by looking at the average years of “active operation” of Armenian businesses (see section “PROFILE OF THE BUSINESS TAXPAYING COMMUNITY” in this part of the report and table 1.2), with 50 percent having less than three years of “active operation” experience.

At the same time the survey analysis showed (see: “TAX PROFILE OF THE SUCCESSFUL ENTREPRENEUR” section) **that there is a maturity age of tax perceptions among the business taxpayers**. It is seven years after starting an active business operation.

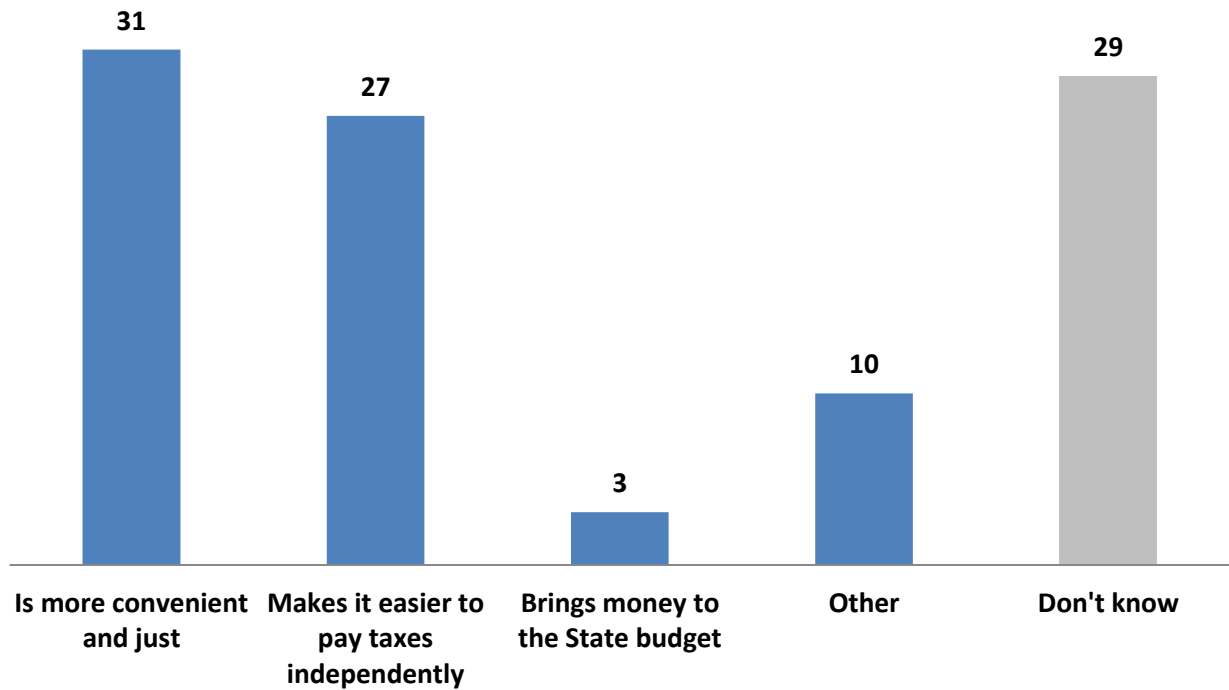
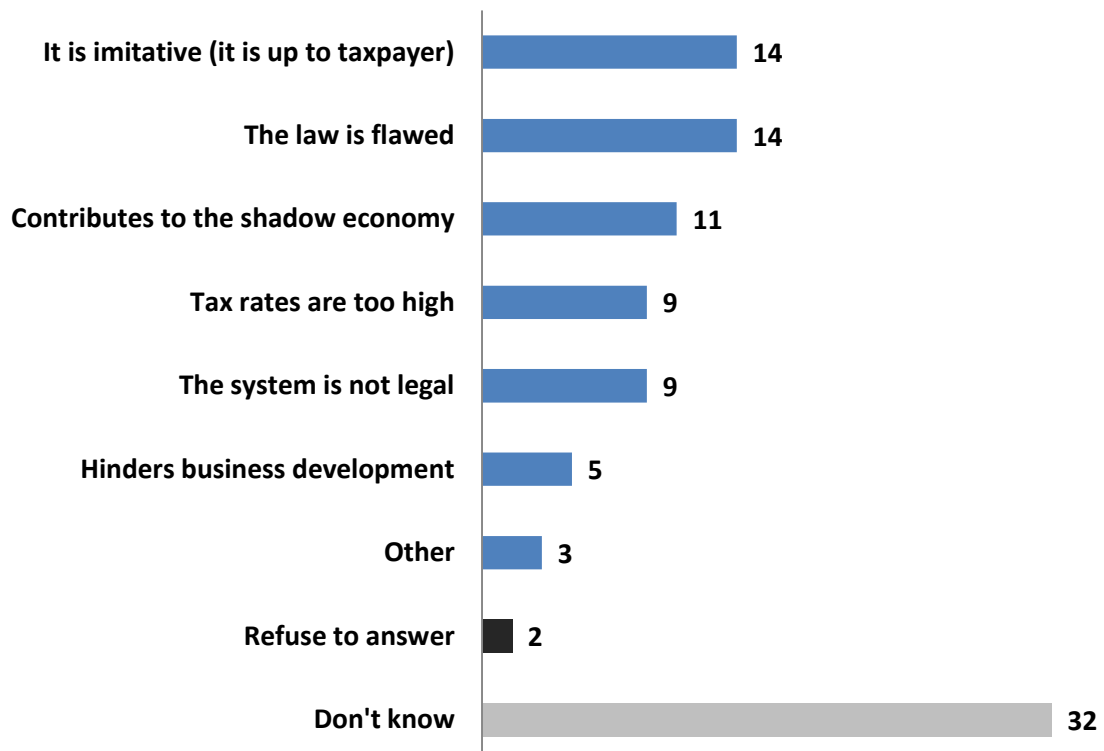
## PERCEPTIONS OF THE ENTREPRENEURS REGARDING TAX COMPLIANCE

As the majority of the business taxpayers (70.5 percent) work with non-standard (alternative) tax regimes, we start the analysis of tax compliance with these tax regimes (see table 2.8). The entrepreneurs themselves acknowledge that **non-standard (alternative) tax regimes (license fee, turnover tax, fixed fees) do not particularly contribute to tax compliance**. Only 31.8 percent positively responded to that question. One third of those who responded positively could not explain their stance (the same is true for those who gave a negative answer). One third justifies it by the system being more fair and convenient, and one fourth thinks that it makes paying taxes easier (see table 2.8.1).

*Chart 42. Do you think the uncommon tax regimes now in Armenia contribute to the tax compliance?*



Opponents of the alternative tax regimes explain a few reasons for their stance, which include **around 29 percent saying that the alternative tax regimes are inadequate and artificial** (see table 2.8.2).

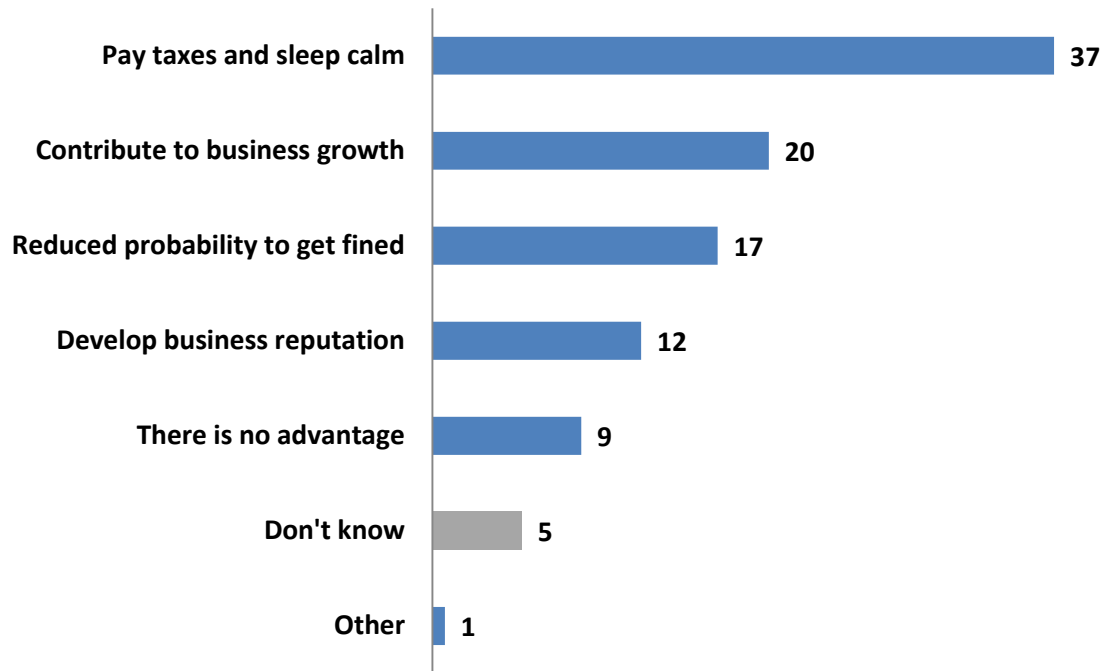
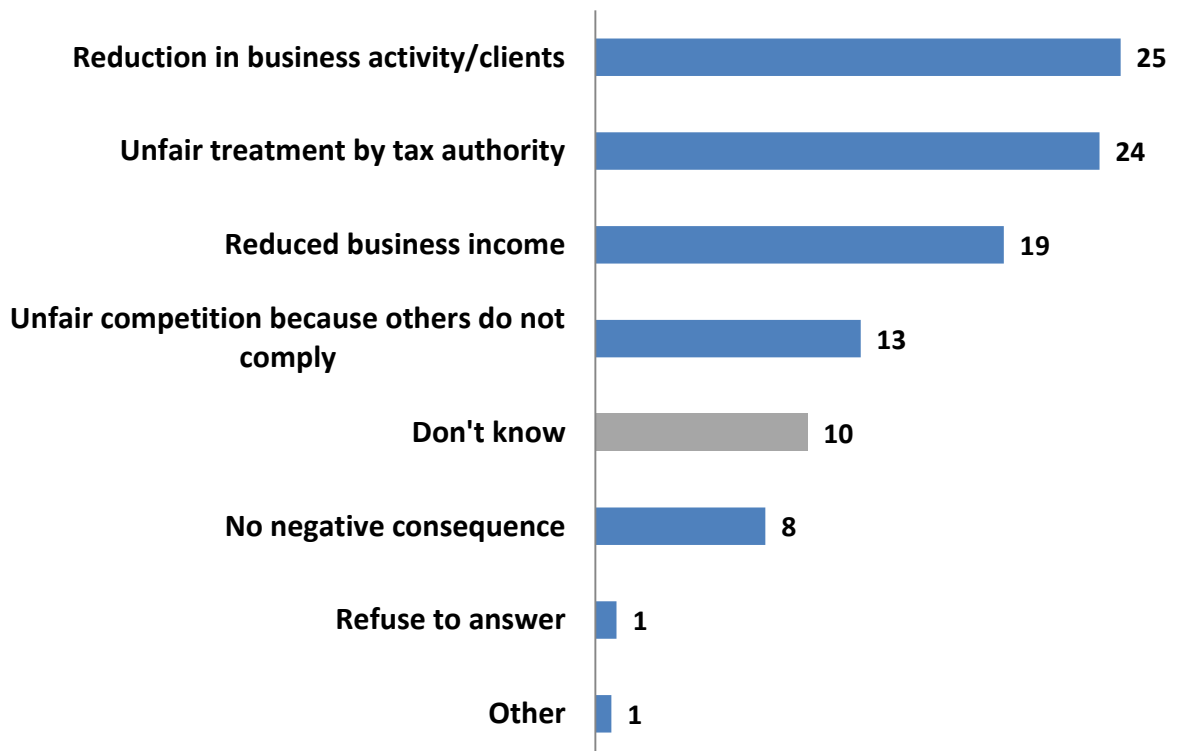
*Chart 43. Why do you think it contributes? (% in “Yes” answers of question 2.8)**Chart 44. Why do you think it does not contribute? (% in “No” answers of question 2.8)*

Over the recent years discussions on the impact of delegated accounting and tax consultants (which is considered a type of tax intermediary) on tax compliance are becoming common in tax administrations around the world. . Looking at charts 2.9 and 2.10 one can see that the practice of **hiring an external accounting company and/or tax consultant to calculate taxes to ensure tax compliance is at a very initial stage in Armenia.**

Additional analyses (see cross tabulation tables 41-52) show that:

- Business taxpayers hire external consultants for tax, customs, and legal issues mostly after the seventh year of operation.
- Foundations and companies (Limited Liability and Closed Joint-Stock), especially those with a foreign company founder, and non-commercial companies hire external consultants more often. Organizations that have a natural person as a founder also often hire external consultants. Organizations with a natural person founder also often seek external consulting.
- Analysis by the type of the activity shows that businesses in the following spheres hire external consultants: education, manufacturing, professional, scientific, and technical activity. **The demand for external consultants is low among the enterprises in trade, construction, and transportation (enterprises in construction only somewhat use external legal consulting).**

The next question is, “Is it worth being a law-abiding taxpayer? What are the advantages of tax law abidance for the business on the whole, and what are its negative consequences in the **Armenian environment?**” (See tables 2.11 and 2.12, as well as the charts below):

**Chart 45. What is the biggest advantage of tax law abidance for the business on the whole?****Chart 46. In your opinion, what is the most negative consequence of tax compliance on the business in general?**

The perceptions of the business taxpayers on the question of tax law-abidance are as follows:



**Perceptions of the advantages:**

- The biggest advantage of tax compliance is “sleeping peacefully.” The respondents also mentioned smaller risks of being fined.
- **Those that have a more active stance constitute around 49 percent.** For example, one fifth of the entrepreneurs note that tax compliance would benefit their business development. Only 12.5 percent considers it decency, or a way to acquire a good reputation, and 8.8 percent simply think that there is an advantage in abiding by tax laws.

**Perceptions on the disadvantages:**

- Here the number of those with an active stance is higher, around 80 percent. **Negative perceptions of tax law abidance outnumber the positive perceptions 1.6 times.**
- One can conclude that **entrepreneurs are not sure whether they would be able to control price increase, remodel the business in an appropriate manner, raise work productivity, or not lose customers in case of tax compliance.** The level of horizontal trust is low among the business taxpayers; they believe that other businesses will not comply. There is also a lack of vertical trust towards the tax authorities, as they will deal with the unfair and unequal treatment of the tax authority. Twenty-three point four percent think that the tax authority hardly notices and does not encourage tax law obedient behavior of the taxpayers.

The next open (indirect) question concerns **the role and extent of corruption in the taxpayer-tax inspector relationship**, as well as its roots from both sides (see tables 2.13, 2.14, 2.15, 2.16, 2.17 and 2.18).

The summary of the perceptions of the entrepreneurs concerning this sensitive question is as follows:

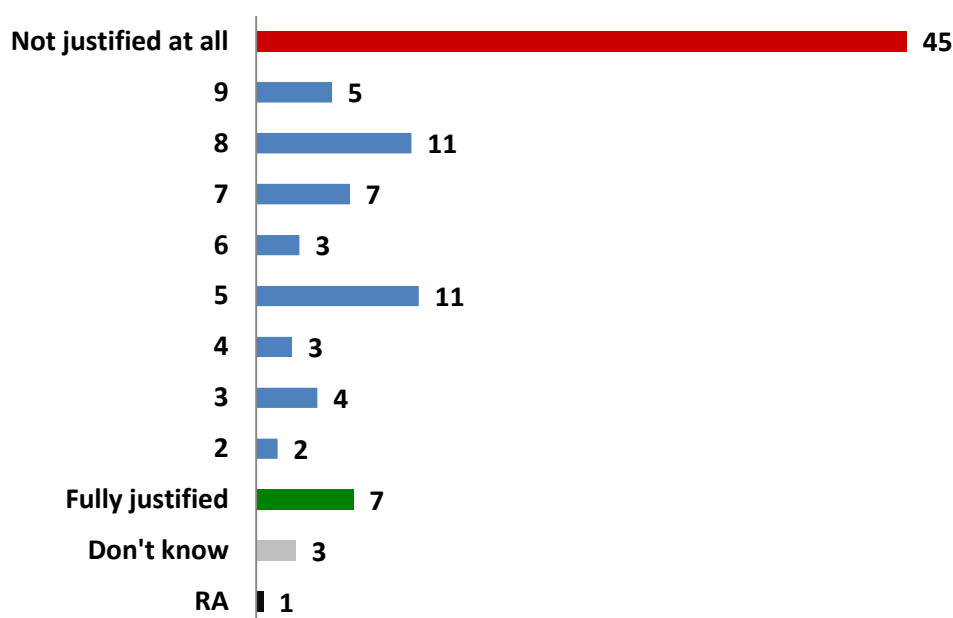
- **Forty-four point three percent think that the entrepreneurs pay bribes to the tax inspector.**
- There are three main reasons for similar cases: a) A way to save money on the expense of taxes (to increase profit); b) Because the tax inspectors “push” to pay bribes; and c) because the entrepreneurs will not be able to change anything or achieve positive results if they complain. Additionally, the business taxpayers are also concerned that the tax inspectors will start treating them unfairly otherwise.
- The inspectors engage in bribery because of the existing “systemic” problem. The problem of corruption exists to some extent in all the spheres: there is low control,

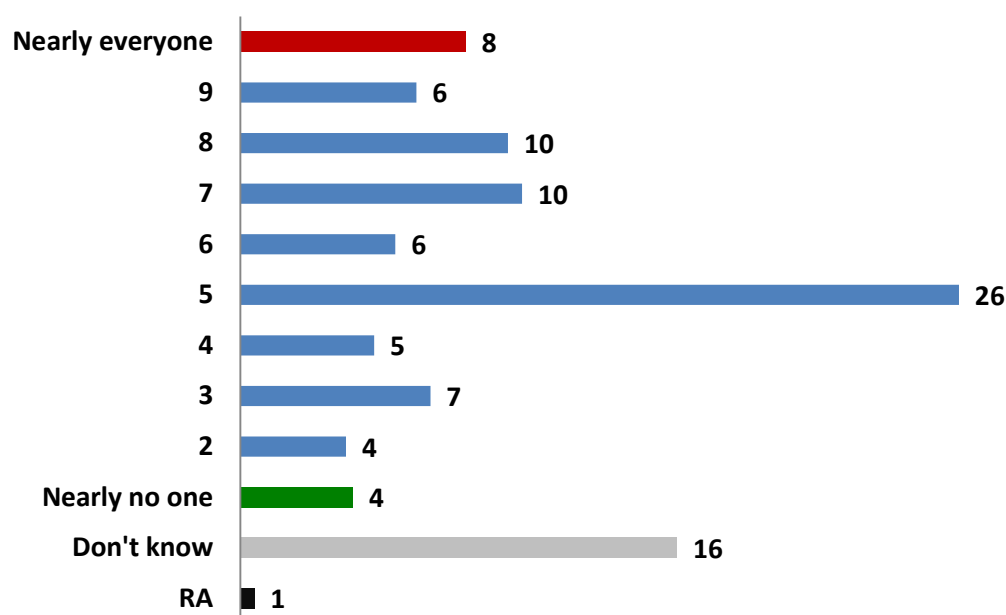
there are gaps in the legislation, , and the salary is not adequate. The businesses mentioned various steps that they can undertake when “pushed” to pay a bribe. However, there is a significant difference between “what can be done” and “what do the businesses usually do.” The most common answer was “they discuss and come to a conclusion.”

- The businesses also expressed their opinion on why the tax inspector may refuse to take the bribe. Only in 12.7 percent of cases the businesses said that the tax inspector refuses to take the bribe because of the inspector’s behavior and ethics.

The next difficult and psychological question that the survey posed to the business taxpayer was about how justifiable it is to hide taxes when possible (see table 4.2, 4.3 and 4.4). Note that not paying taxes is criminalized in Armenia (see table 3.12).

*Chart 47. How justified it is to cheat on taxes when possible?*



**Chart 48. Do you think people cheat on taxes when possible?**

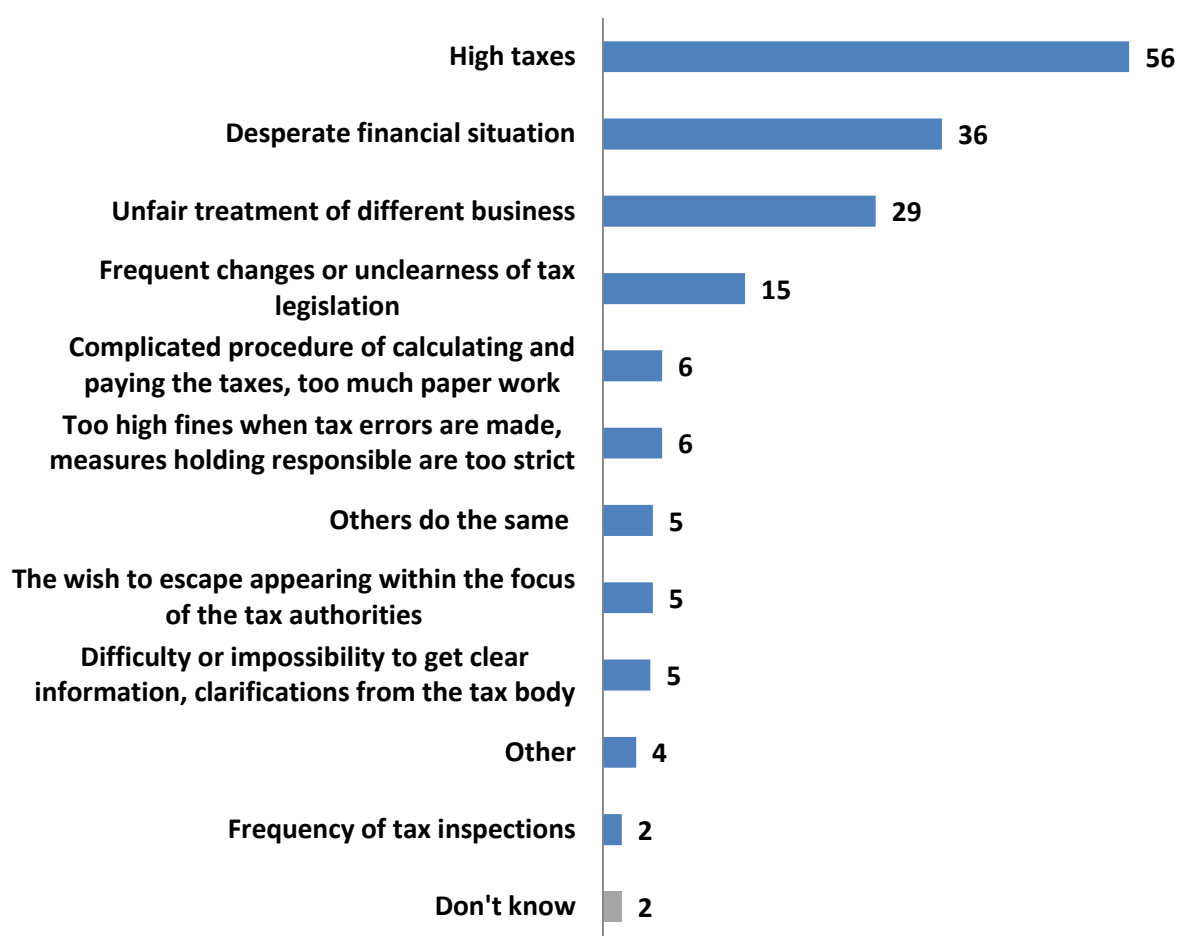
The summary of the main perceptions on hiding/avoiding taxes include:

- The majority of the business taxpayers, 64 percent, agree that not paying taxes should be criminally punishable.
- **Around 70 percent of the business taxpayers think that avoiding taxes is not justifiable.** Moreover, 45 percent thinks that it is not justifiable at all.

When the question is brought into a real life situation, however, **according to the same businesses around 40 percent of the business taxpayers avoid taxes when possible.** It is important to note here that this transition from 70 percent to 40 percent is smoother than in our findings of the household survey to the same question (see section one of this report, tables 1.8, 1.9 and charts 9 and 10).

The businesses mentioned the **main reasons behind not paying or hiding taxes** (see table 4.4).

**Chart 49. What are the main reasons for not paying or hiding the taxes? (Multiple answers are acceptable)**



The reasons behind hiding taxes according to the business taxpayers, in descending order:

- High tax rates;
- Desperate financial situation;
- Unfair approach to different businesses.

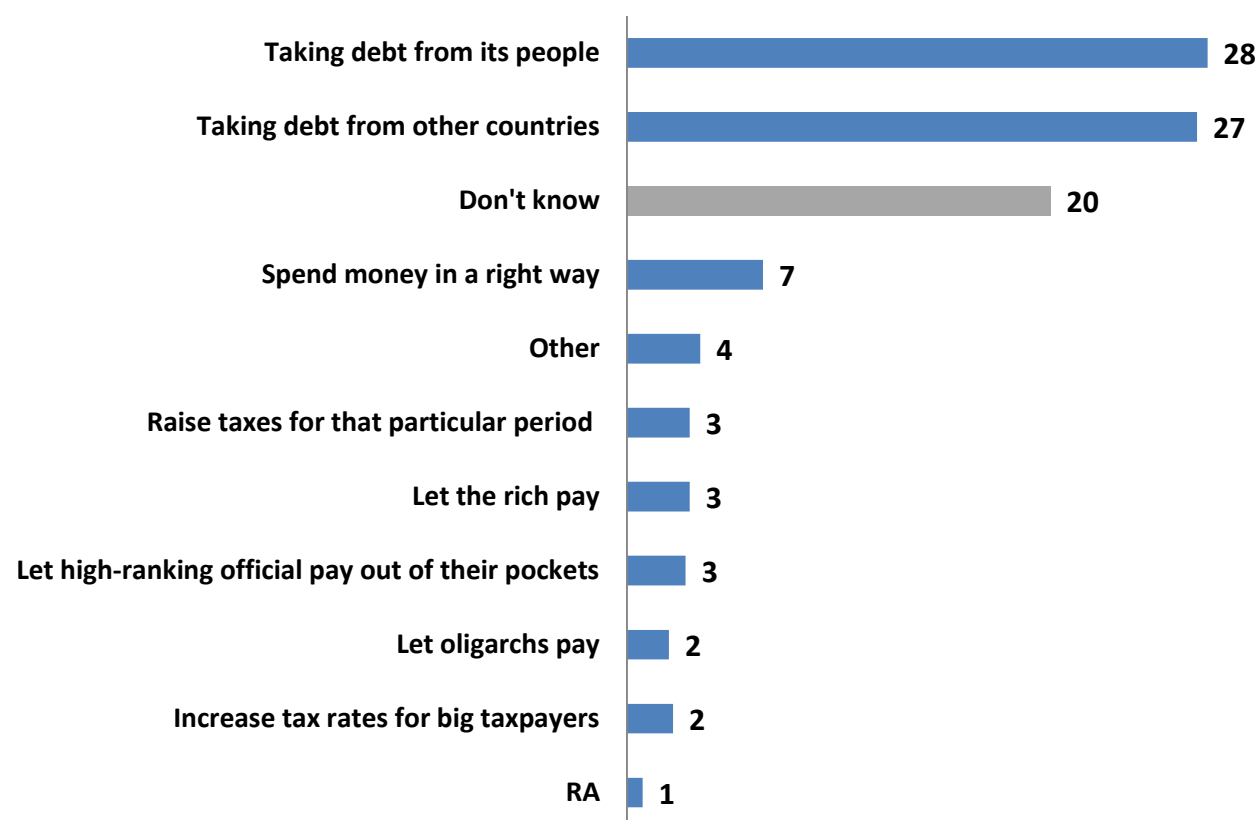
The first two reasons coincide with the opinion of the business taxpayers that they would like to see the mission of the tax authority as “[Collecting] as much taxes as the business is capable of paying.”

**On the question regarding the Laffer curve** (see table 4.5), 80 percent of the business taxpayers (opposite to the 16 percent) agree that the state budget will receive more money as a result of lower tax rates. Comparing the results of the household survey on the same question (where 76.6 percent had responded positively, see table part one, table 1.10), **one can see that the businesses are more certain** in the truthfulness of the idea expressed by the Laffer curve **than the general public**.

Similarly, **81.3 percent of the business taxpayers think that the businesses will stop hiding taxes** and would start to cooperate with the government if the tax rates are decreased. In that context, 87.3 percent of them considers tightening fines and sanctions in those circumstances acceptable (see table 4.7 and 4.8). Now too, business taxpayers (64 of them versus 31.2 percent) find it acceptable that not paying taxes is criminalized (see table 3.12).

Logically connected with the last question, another question the participants were asked was if the tax rates are decreased and additional funds are not accumulated in the state budget, or the government **has a force-majeure financial situation due to other reasons, what would be the resources used to cover the state budget deficit** (see table 4.6)? Fifty-five percent of the respondents noted that the government should borrow from other places. This included the 28 percent who said that the government should borrow from the people, and the 25 percent who said that the government should borrow from other countries.

**Chart 50. If the government needs additional money in a force-majeure situation, which would be the better option?**



Twenty percent of the business taxpayers said that they do not know how to solve that issue.

A separate analysis of the cohort of the business taxpayers that answered “don’t know” (see cross tabulation tables 53-56) shows:

- They are not very experienced and have been operating between only one to three years.

- Those that answered “don’t know” are mostly individual entrepreneurs, and those that work in the following spheres: Water supply; sewerage, waste management and remediation activities; trade; and other services.

Another 20 percent of the respondents note that the public money should be spent efficiently to cover the deficit, and oligarchs and those who have higher positions should be taxed.

Comparing these findings with the perceptions of the general public (the answers of the households discussed in the first section of this report) one can see that the business taxpayers:

- **Have a more difficult time coming up with a solution to solve the state budget deficit issue:** 20 percent in comparison to 18.5 percent of the general public.
- Are less willing to take on a loan from other countries for that purpose: 27 percent in comparison to the 36.5 percent, respectively.
- Are more careful to suggest **increasing taxes for that period: 3.5 percent** compared to the 5.4 percent, respectively.
- Are more demanding toward the efficient spending of public money and the attitude of the oligarchs and officials holding higher posts.

A separate analysis of the businesses that are for raising taxes during difficult times shows (see cross tabulation tables 57-60) that **those willing to support the state in the budget matters have the following characteristics:**

- **Newly established businesses:** 78.5 percent have up to three years of active business experience.
- Are mostly Close Joint stock companies and NGOs, and to some extent also individual entrepreneurs.
- Shareholders and founders are more often non-commercial organizations than natural persons that are citizens of the RA.
- Are more often from the following spheres: **electricity; construction; manufacturing; and professional, scientific and technical** fields. Those in trade and service spheres are less prone.

**Is optimizing and planning transactions in a certain way to reduce taxes a permissible and acceptable practice?** The respondents found this question difficult (see table 4.9). They might not be well informed of the experience of other countries in the sphere or the administrative disputes and court discussions in Armenia. Subsequently, 21.3 percent of the business taxpayers do not know whether it is acceptable to pay less tax under the law. Even those who responded with a “yes” or a “no” could not explain their position. **Nevertheless, 46.5 percent of the business taxpayers find it acceptable to aim at paying less tax.**

The following are the businesses' perceptions on popular questions characterizing tax compliance (see table 4.11).

- Around 60 percent agree that for tax compliance it is important to see public services that benefit the public.
- Only 19.8 percent said that those that those enjoying protection and “roof” pay taxes as everybody else does. Seventy-eight point eight percent think that the tax laws are not equally enforced for all the business taxpayers (**this shows the perceptions on the level of horizontal taxation fairness**).
- Sixty-six point two percent of the businesses are for progressive taxation (increasing the amount of taxes that the wealthy pay.)
- Only 29 percent find what they receive for their paid taxes useful.
- **Fifty percent of the businesses find the information on taxes in their sphere as fully accessible.**
- Seventy five point five percent of the businesses **think the tax system is unpredictable.**
- The question on corporate governance has received the highest percentage of “don’t know” answers. The business taxpayers do not know whether an efficiently applied governance system can influence the fair payment of taxes or not.
- The business, with some reservations, would agree to tolerate more complex tax laws if it contributed to fairer taxes and a fairer society.
- **Seventy-six point five percent of the businesses are not in favor of the unlawful advanced payments demanded by the tax inspectors, saying that it negatively impacts tax compliance.**

**What are the solutions that would help decrease the likelihood that taxpayers not pay their taxes?** If the business taxpayers were in the position of decision makers then (see table 4.10) they would be more prone to decreasing the rates and numbers of the taxes. They would make the tax laws more simple and clear by introducing a more simple tax administration system. Interestingly, the business taxpayers find tax privileges for businesses less important.

## INSPECTIONS AND OTHER STEPS IN CASE OF DISPUTES

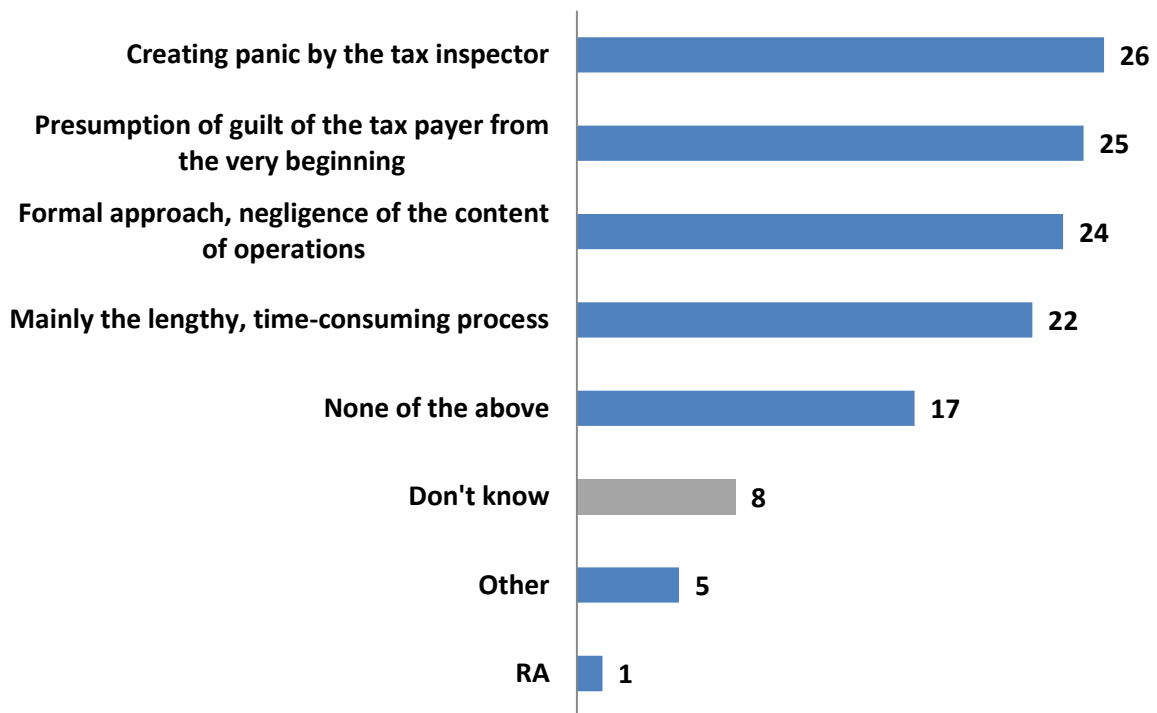
The topic of tax inspections (see tables 3.1 - 3.12) is important in understanding the tax perceptions of the businesses, because during the inspections the businesses and the tax authority directly interact.

The questions on tax inspections revealed the following picture of the businesses' perceptions on taxes:

- **Over half of the business taxpayers have dealt with tax inspections over the past three years.**
- Inspection of “unregistered employees” and inspections of the cash registers are the most common, followed by the inspections of relationships with the state budget.
- According to the business taxpayers, 85.4 percent of the inspections were within the frames of the annual plan approved by the tax authority. At the same time, around one-third of the inspections were appointed by the investigator. **The businesses think that in 50 percent of the “outside of the plan” inspection cases no grounds were mentioned in the inspection order of the head of the tax authority.**
- Only 29.5 percent of the business taxpayers consider themselves not informed about their rights during tax inspections. Thus, the indicator of unawareness is not very high. Exercising their rights is also on the same awareness level. **Only 28.5 percent of the business taxpayers cannot protect themselves exercising their rights.**
- **Negative side effects resulting from the inspection of businesses include: the panic that the tax inspector creates; a presumption of a guilty taxpayer from the very beginning; formal/artificial approach; and a negligence of the content of operations** are some of the effects listed by business owners. (see table 3.7):

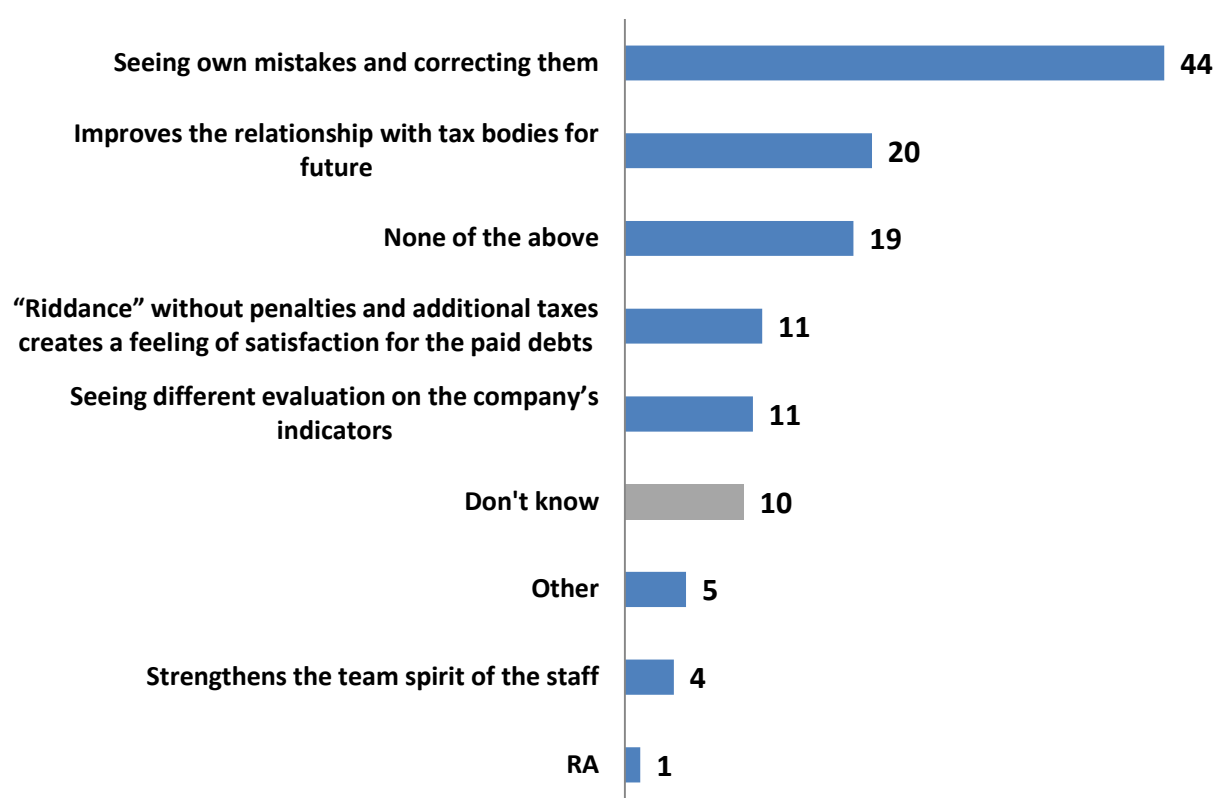


**Chart 51. Which of the below items are the negative sides of tax inspections for your business**



- Businesses also see useful, positive sides to tax inspections, particularly: “seeing [our] own mistakes and correcting them” (35.4 percent) and “[The inspection] improves the relationship with tax authorities for the future” (16.2 percent).

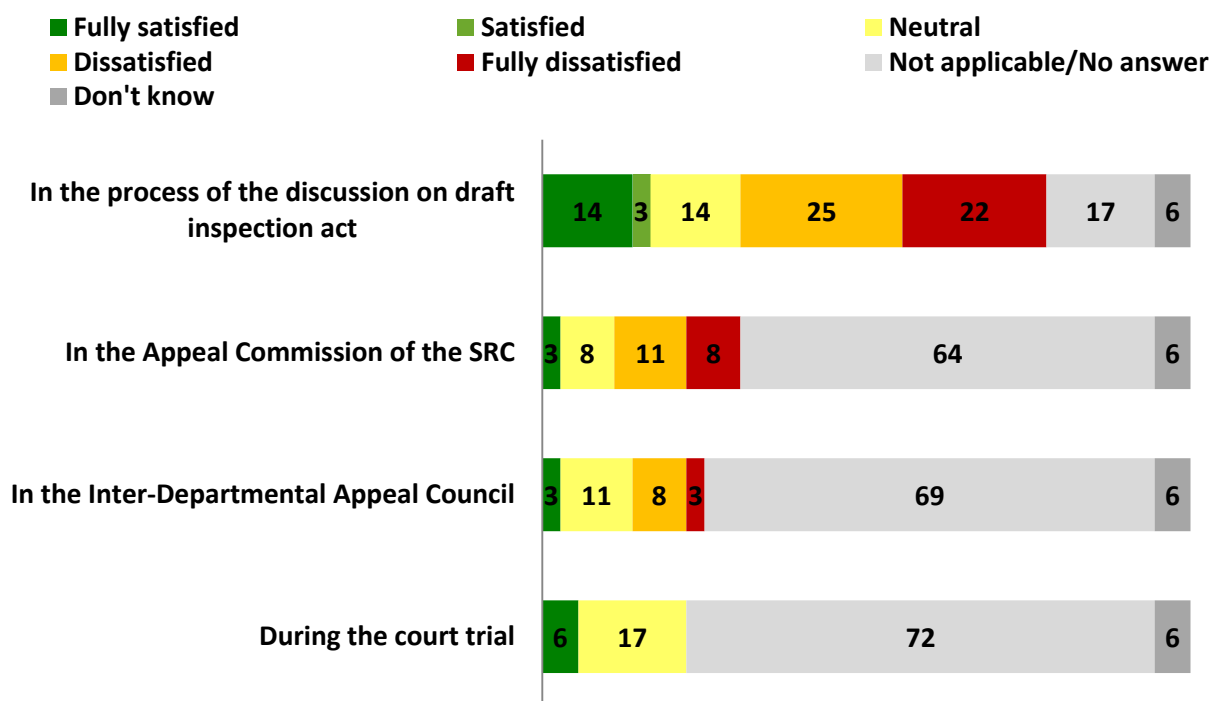
**Chart 52. Which of the below items are the positive sides of tax inspections for your business?**



Only one-fourth of the business taxpayers express disagreement during the inspections (see tables 3.9 and 3.9.1). Their steps, however, were not very active. Thus, the main step has been presenting the disagreement. Only 13.2 percent of the businesses initiated a specific tax appeal (Commission or court) (see table 3.10).

The business taxpayers are dissatisfied with the level of the discussions and solutions to the disagreements that arise during tax inspections (see table 3.11). Thus, the business taxpayers are to some extent only satisfied with the stage of discussing the draft inspection act (the presentation of the "disagreements" discussed above). Two point nine percent of the businesses are satisfied with the Appeal Commission of the SRC and Inter-Departmental Appeal Council stage, and 5.7 percent are satisfied with the court stage.

**Chart 53. How satisfied you are with the results of tax inspection? (in a scale of 1-5, where '1' means "Fully dissatisfied" and '5' means "Fully satisfied" (% of those who dealt with such cases )**



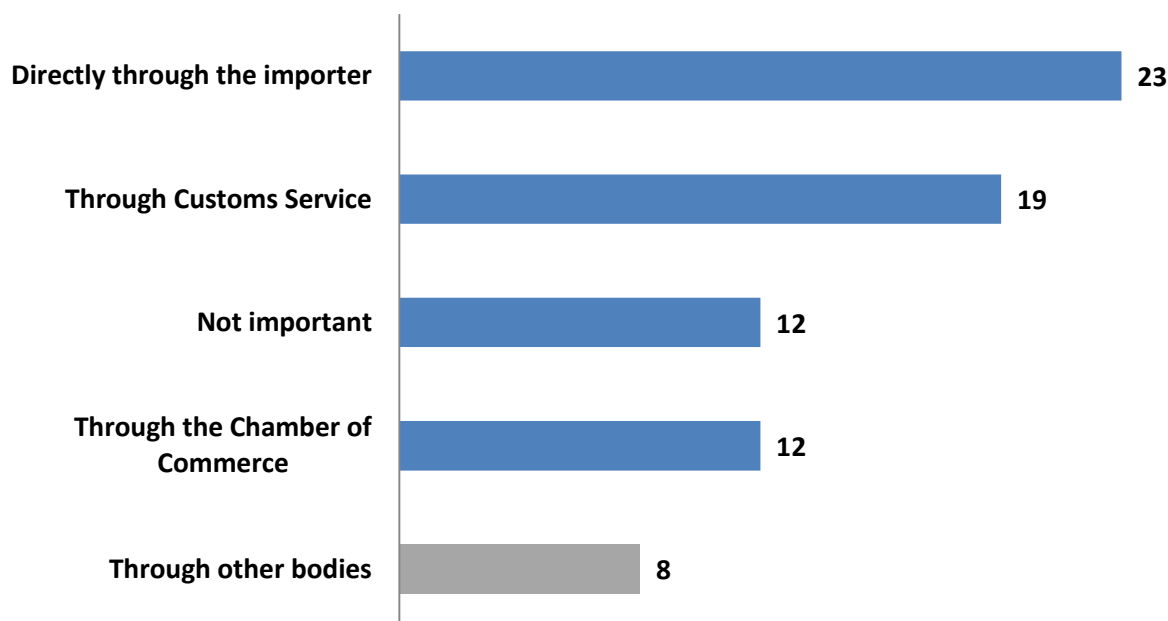
## PRACTICAL PERCEPTIONS OF SOME ASPECTS OF CUSTOMS

Only 11.25 percent of the business taxpayers deal with external trade – export and import (see table 6.1).

The survey covered: questions about drawing up custom and tax declaration forms; coding according to the Commodity Nomenclature of External Economic Activity; dealing with customs tariffs based on the coding; and the level of the customs payments through benchmark prices (including taxes paid at the border), as all of these aspects influence tax perceptions (see tables 6.2, 6.3 and 6.4).

- Perceptions on customs involve the following: The majority of the businesses prefer to draw up customs forms through customs brokers, rather than on their own (53.9 percent versus 28.9 percent, see table 6.2). This may be connected with the necessity of having specific professional knowledge.
- Businesses are more prone to record the coding of goods according to the Commodity Nomenclature of External Economic Activity themselves (see table 6.3). However, around 39 percent of respondents said that they are undecided about this question.

**Chart 54. Through what agency should the coding be done in accordance with the FEA PL (External Economic Activity Product List) classification), in terms of most efficient public trust? (% of those, who are involved in export/import activates)**



- The tax perceptions concerning customs are clearer when asked about calculating customs fees based on the benchmark prices. **Seventy-nine percent of the businesses consider the practice of benchmark prices imperfect and 50 percent of those consider the practice unacceptable.** Only 5.8 percent found the practice acceptable for modern day Armenia.

## TAX PERCEPTIONS OF SUCCESSFUL AND UNSUCCESSFUL BUSINESSES

Through cross tabulations of specific questions, this research aimed at revealing whether the successful businesses are also obedient taxpayers. Does paying taxes in compliance with the law contribute to the development of business plans? Do the businesses use mechanisms of tax planning in developing and changing their business models? Do the amendments in the tax legislation result in useful changes for the businesses, and do tax rates contribute to the improvement of the structure of the economy? If so, in which areas? Does using external tax and legal consulting (outsourcing or training only) and joining professional or sector associations positively impact the business and tax compliance? (See tables 7.2 7.3 and 7.1, 7.4, and cross tabulation tables 61-64).

The general profile of the business taxpayers was presented in greater detail above, in the section “The profile of the business taxpayers.” Here, we would like to add that the business taxpayers closely encounter the general public on daily basis. According to the survey results, **the main buyers of the products, work, and services of the Armenian taxpayers--81.3 percent-- are individuals/end-users/final consumers.** Only in 15 percent of the cases were the

consumers comprised of other organizations (see table 7.4). **This means that the business taxpayers are also aware of the tax rate flexibility and tax influences in general.**

Business taxpayers do not want to spend much money or do not see the importance of **training on tax and accounting topics**. It may be connected with the paying capacity of the taxpayers, the existence of the shadow economy, and that the businesses are more prone to find solutions, rather than deal with the issues during tax inspections. As we discussed previously, negative perceptions of the consequences of tax compliance are twice as much as the positive perceptions (table 2.11 and 2.12). Additionally, 44.3 percent of the business taxpayers think that businesses pay bribes to the tax inspector. All of these reasons hinder development of a culture of periodically using tax and accounting trainings.

**Only 13.3 percent of the business taxpayers budget for training on tax and accounting topics; moreover, for 90 percent of them, these expenses do not exceed 250 thousand dram annually (see table 7.1).**

This finding is in line with one of the findings discussed above (see table 2.9 and 2.10) that hiring external accounting firms to calculate taxes, and involving tax, customs, and legal consultants for the purposes of tax compliance, is at an early stage of development in Armenia. Similarly, business taxpayers are not prone to join professional or sector associations.

A separate analysis of the cohort of those who use tax and accounting training shows (see cross tabulation table 61-64):

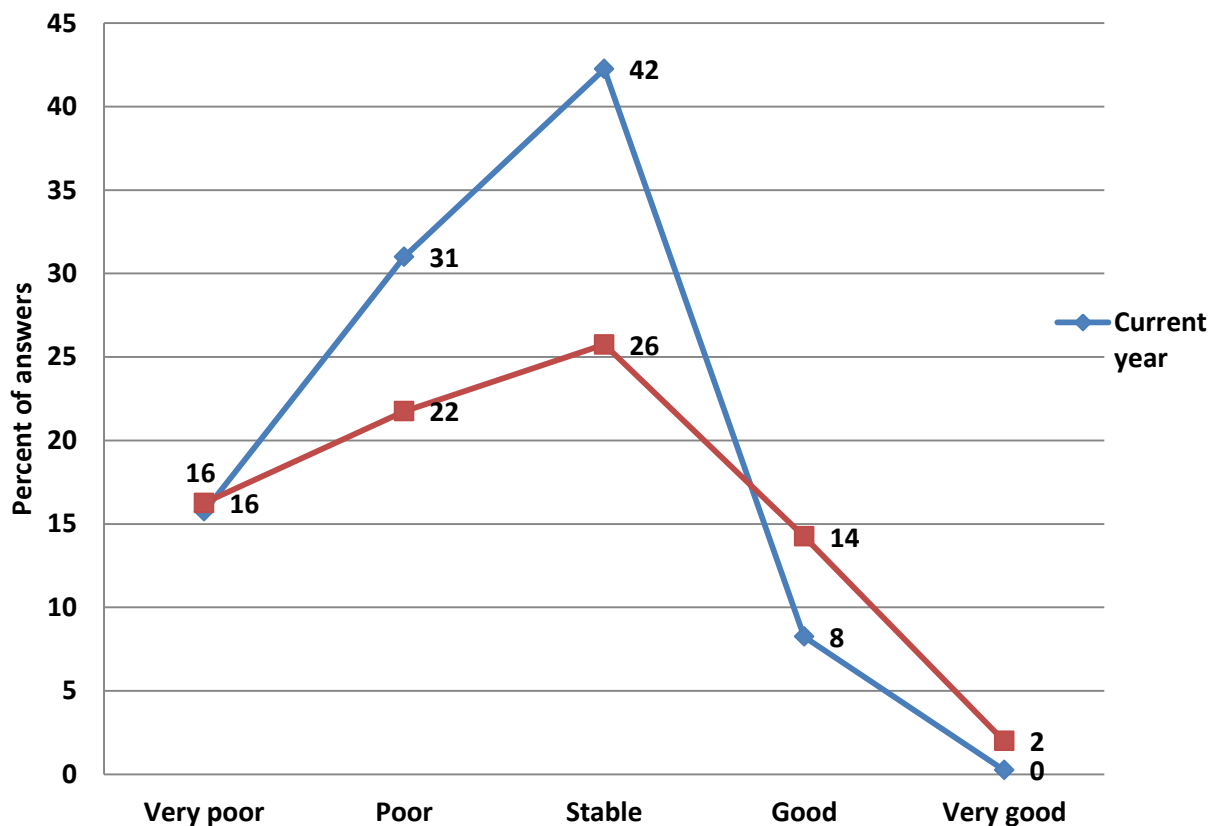
- The businesses recognize and start budgeting for trainings starting from the seventh year of business operation. This coincides with two other findings connected with seven years of operation: the business taxpayers start joining associations and unions, and they hire external tax, customs, and legal consultation. . These findings indirectly describe the **maturity age in tax perceptions of the business taxpayers, which is seven years of active business operation.**
- They are mostly joint-stock companies and non-commercial organizations, followed by Limited Liability companies (it is logical, as the Limited Liability company is the most common business status in Armenia), to a lesser extent.
- Mostly the founders/shareholders of foreign organizations and non-commercial organizations encourage training policies within the organizations. From this perspective, the picture is similar to the business taxpayers who are prone to external tax, customs, and legal consulting (see cross tabulation tables 20-22, 41-49). Armenian organizations that have established subsidiaries also see the necessity of trainings.

- Businesses in the following spheres of operation budget for tax and accounting training services: manufacturing, including electricity and construction; public administration and defense; administrative activity; and culture and entertainment.

For this report, successful taxpayers are considered those organizations that from a perspective of sustainability in the upcoming three years foresee at least stable situation, or good or very good prospects. These businesses constitute 42 percent of the total. The share of those that foresee bad prospects is lower – 38 percent. About 20 percent cannot assess the prospects or do not know. This means that the entrepreneurs

- Find it difficult to do interim predictions – one in every five respondents.
- However, in general they are more positive than negative about the upcoming three years (the survey was conducted in November-December of 2013). The feeling of optimism is with reservations, because around 51 percent evaluated their financial year of 2013 as “stable and good” (see tables 7.2 и 7.3), that is **while the share of successful taxpayers was over fifty percent in 2013, the share of those that predict staying successful in the next three years decreases.**

*Chart 55. How would you characterize the activity of your company/business in the previous year/ over the next three years?*



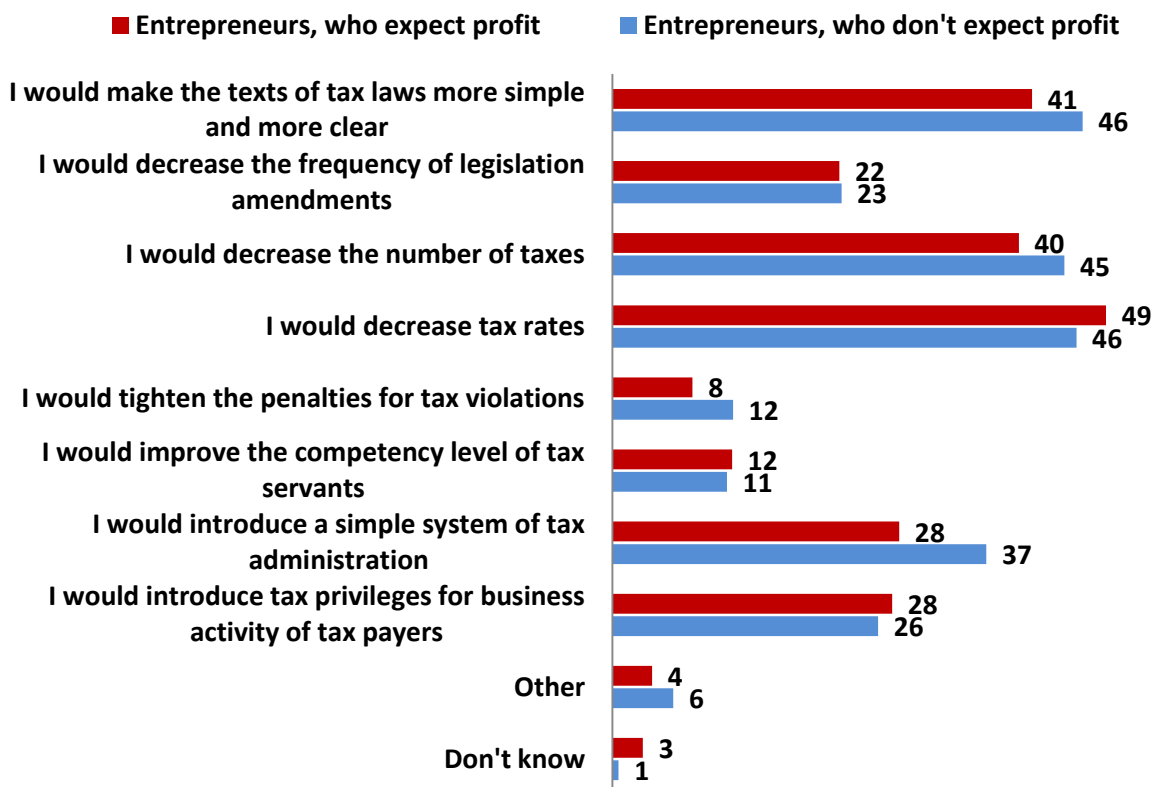
The profile of successful business taxpayers is the following (see cross tabulation tables 65-66 and 69-88, and for the predictions on prospects, see cross tabulation tables 89-92 and 93-112).

- Optimists are mostly equally distributed among the new and old entrepreneurs, with a slight shift towards those that have seven and more years of experience.
- **The share of the joint stock companies is dominating in the cohort of successful businesses, in comparison to the individual entrepreneurs and Limited Liability companies. The share of the successful taxpayers is also higher among the state non-commercial organizations and foundations** (see cross tabulation table 66). The share of the individual entrepreneurs is higher among the unsuccessful businesses.
- Organizations with foreign shareholder/participant organization or non-commercial organizations are also doing well (see cross tabulation table 67).
- The successful businesses are not only successful but optimistic in the following spheres: mining; professional, scientific and technical activities; and healthcare.
- The successful taxpayers in comparison to the average business taxpayer are more in favor of adopting a tax code in the next two to five years. Around 61 percent want to see the tax code adopted in the next two years (see cross tabulation table 69).
- **The successful taxpayers whom ask for tax privileges less frequently are more in favor of not changing the existing privileges.**
- The successful cohort in comparison to the average business taxpayer are slightly more positive (35.7 percent in comparison to 31.8 percent, see table 2.8 of this section, and cross tabulation table 85) that the non-standard tax regimes currently operating in Armenia (turnover tax, patent fee, fixed fee) contribute to tax compliance.
- **Successful taxpayers are more likely to be skeptical about the advantages of tax law obedience**, and whether it contributes to business development. The opinion that there is no advantages in tax compliance, that it is a responsibility established by the law which needs to be followed to avoid problems for the business is more common among this cohort (see cross tabulation table 72). They are even less than the average in favor of the statement “pay taxes and sleep peacefully.”
- The successful businesses believe more in fairness and agree to be penalized for not paying taxes (in comparison to the average 64 percent, 71.4 percent of the successful taxpayers think it is fair). **Interestingly, however, they are usually more prone risking and under the law paying less in tax (in comparison to the 46.5 of the average taxpayer, 48.2 percent consider it acceptable).**
- Among the primary reasons for hiding taxes, in comparison to the average taxpayers, the successful taxpayers reported that the complicated procedures of tax calculation and frequent tax inspections had more of an effect on why they hid taxes, instead of citing the issue of high tax rates or a difficult financial situation.

- Coherent with the last point, if the successful taxpayers were invited to the government and given decision-making opportunity, they would implement the following three primary actions:
  - Introduce a more simple tax administration system
  - Make the texts of the tax laws more simple and clear
  - Tighten sanctions for tax violations.

It is interesting to look at the opinion of the business taxpayers who have predicted bad prospects for their business, as their efforts to be successful and risk-taking implies not only experience but also novelty. From that perspective, their opinion is important to consider during the development of tax policy (see the appendix of these report for the cross tabulation tables of the main questions; see cross tabulation tables 93-112 and 89-92 for the perceptions of the business taxpayers of this cohort). This cohort primarily suggests to revisit tax rates, establish privileges for businesses, and then undertake measures to raise the level of professional preparedness of the tax authority employees.

*Chart 56. If you were on a decision maker position in a state agency, which would be your three primary actions?*



- Let us separately study what the perceptions of the successful and unsuccessful businesses on the tax burden are. In comparison to the average taxpayer, successful taxpayers evaluate the tax burden as less heavy by about 20 percent. Their assessment



of the income tax in particular (41 percent of the average taxpayers had given a “heavy” and “very heavy” assessment in comparison to the 31.5 percent of the successful taxpayers) and turnover tax (43 percent on comparison to 29.2 percent, respectively) are “lighter.” **Interestingly, the businesses that predict bad prospects for their business assessed these exact two taxes as high (see cross tabulation table 110 and 80).**

- **The successful business taxpayers are more willing to pay higher taxes during force majeure situations, when the government needs resources for public needs** (4.8 percent in comparison to the average 3.5 percent). At the same time, this cohort is more prone to suggesting that the government borrows from its own people, followed by other countries. This answer may be connected with the finding that the business taxpayers are slightly less prone to believe that if the government decreases the tax rates according to the Laffer curve businesses will start cooperating with the government and would stop hiding taxes. In comparison to the average 81.3 percent, the percent of those who believe in this theory is 78 percent among the successful business taxpayers, which is still a significantly large percent.
- **The unsuccessful business taxpayers (those who predict bad prospects for their business) are weaker when it comes to the protection and exercising of their rights** (see cross tabulation tables 100 and 73, and table 3.6 of this section). Thus, in comparison to the 69.8 percent of the average business taxpayers, the indicator is true for 54.6 percent of the unsuccessful business taxpayers (for this indicator we have used the sum of top three points of a five-point scale, where 5 is “fully can”), and 79.8 percent of the successful business taxpayers.

We get an interesting picture when we separately analyze and compare for this group the results of the answers to the following two questions: first, whether the business taxpayers have ever expressed disagreement with the results of the tax inspection, and second, what steps they usually undertake if the tax inspector encourages or directly asks for a bribe. The results are the following (see tables 2.16, 3.9, and cross tabulation tables 101 and 74; 111 and 81 of this section):

- The unsuccessful business taxpayers have had inspections more frequently;
- The unsuccessful business taxpayers are bolder and express their disagreement with the results of tax inspections (in 20.4 percent of the cases, in comparison to 16.7 percent of the successful business taxpayers);
- The unsuccessful taxpayers are more prone to inform (officially) the supervisor or the human rights defender if the tax inspector asks for a bribe or encourages illegal actions. The successful business taxpayers in this case are more prone to writing a letter to the

head of the State Revenue Commission through the tax authority website, and said that they would “discuss and come to a consensus.”

- **The business taxpayers who have been unsuccessful in receiving information from the tax authority prefer to call the tax inspector they know or who serves them**, in addition to sending a written query to the State Revenue Commission for opinion (explanation). **The successful business taxpayers tend to use more official sources:** a written query to the State Revenue Commission to receive official explanation, and use of the call center and the official website of the State Revenue Commission (see cross tabulation tables 109 and 84);

**And lastly, successful business taxpayers value the work of the external consultant more:** 10.7 percent of them use the services of a tax consultant, 4.8 percent use customs consultant services, and 6 percent use the paid services of a legal consultant. Involvement of external expertise is lower for unsuccessful business taxpayers, and constitutes 7.9 percent, 1.3 percent, and 4.6 percent, respectively.

## CONCLUSIONS AND RECOMMENDATIONS TOWARD THE IMPROVEMENT OF TAX POLICIES AND TAX ADMINISTRATION

This section is developed based on the goals and objectives of the tax perception research conducted in 2013.

1. Measure the level of willingness to pay taxes;
2. Develop a strategy for the improvement of public-private cooperation, to ensure cooperation between the tax authority and the taxpayers and build mutual trust;
3. Improve the quantity, efficiency and quality of the services provided by the tax authority;
4. Develop tax policy that contributes to economic growth, an increase in state budget revenues, and improvement in the level of fairness in the tax system.

The following conclusions are based on the analysis of the survey results, conducted among 1,448 households and 400 businesses and individual entrepreneurs in November-December of 2013:

1. Taxpayer status and knowledge of taxes impact the perceptions of the surveyed citizens and businesses (hereafter referred to as taxpayers). Around 70 percent<sup>2</sup> of the surveyed households deal only with direct taxes; the overwhelming majority (over 90 percent) of the business taxpayers chooses the simplest tax statuses.

The next important factor influencing the willingness to pay taxes is the attitude of the business owners toward taxes. In the majority of the cases, the business owners are not very familiar with the corporate governance system. Familiarity with the latter positively impacts tax law obedience, or the willingness to pay taxes.

The majority of the business respondents are not involved in business associations or professional organizations. Only six percent have the perception that they are involved and can impact the tax laws.

For the majority of the taxpayers, tax compliance is important. However, a segment of them are also certain that, in reality, taxpayers hide taxes due to the following reasons: heavy tax burden; a state budget that does not serve its purpose; and existing corruption. Others do not comply because of the unfair treatment of different

businesses. In these conditions, among all the respondents, tax obedience is mostly viewed as a negative consequence, rather than a positive notion.

**Thus, paying taxes is not associated with a sense of pride. The respondents think that in order to improve the willingness to pay taxes, the tax system has to be trustworthy, fair, and the taxes need to have optimal rates.**

2. Mutual trust between the taxpayers and the tax authorities is an important factor for improving the willingness to pay taxes. This concerns the improvement of the public-private cooperation in general. The surveyed taxpayers wish that the tax inspectors treat citizens with respect, serving as exemplary public officials. According to the survey results, if the respondents had the opportunity to work as public officials, they would decrease tax rates and would simplify laws.

The taxpayers would accept stricter penalties and would act as whistle-blowers if taxes were collected according to the paying capacity of the taxpayers and tax procedures were equal for everybody (according to 78.8 percent of taxpaying businesses, there is an unfair and unequal horizontal tax administration).

Taxpayers are not prone to address the tax authority with complaints, and are dissatisfied with the processes and solutions to tax inspection disagreements (the highest satisfaction rate is reported from the stage of court cases, and constitutes 5.7 percent).

Respondents also do not plan on spending much money on trainings related to taxes, and do not tend to involve external consultants on tax matters.

Surveyed taxpayers thought that working with the tax authority is inconsistent and “unpredictable.” Seventy-six point five percent of the surveyed businesses think that constant demand for advance payments negatively impacts tax compliance.

**Thus, to improve tax compliance the taxpayers suggest that the tax authority’s mission should be collecting taxes based on the paying capacity of the taxpayers.**

**Appealing against the decisions of the tax authorities is not common and has not yet become an important characteristic in the public-private relationship.**

3. The analysis of the business survey results concerning the questions on the services provided by the tax authority reveal that 56 percent of the taxpaying businesses value the services that are currently being provided, particularly the electronic services, receiving information regarding the changes in tax legislation, and the simplification in the tax reporting procedures. Surveyed taxpayers are not well aware of the detailed services of the tax authority, and say that they do not expect new functions or services, but would like to see the quality of the existing services improved.

**Thus, surveyed taxpayers prefer to see improvements in the quality of services provided by the tax authority rather than vesting them with power to introduce new services.**

4. Various questions on tax policy allow us to make the following conclusions:
  - The overwhelming majority of the taxpayers believe that a decrease in tax rates results in the expansion of the tax base and an increase in the state budget revenue through collected taxes.
  - The majority of the respondents think that the tax burden is heavy or very heavy for the Armenian reality. There is a general lack of knowledge on state expenditures and the public budgetary system.
  - The taxpayers are not ready to take on extra tax burden in a case of force majeure situations. Instead, they suggest the government borrow from other countries or its own citizens.
  - Business taxpayers are not well aware of tax privileges. The respondents have varying opinions about the tax legislation, including the role of the tax privileges in economic growth and social regulation. The surveyed households do not know to what extent it is permissible or justifiable to save on taxes, or pay less tax using the opportunities the tax legislation provides. Business taxpayers are more informed: 46.5 percent of them consider legally saving on taxes justifiable.
  - The majority of the respondents are not in favor of alternative tax regimes, qualifying those as poorly designed.
  - Regarding tax rates, the respondents show a better understanding of the direct tax rate, and the general suggestion is to decrease the rate of the income tax.

- The businesses are somewhat dissatisfied with the government efforts in recent years to improve the business environment in the country through tax policy and tax administration. Businesses involved in manufacturing, and those with a corporative management system assess these efforts more positively (only 18.1 percent of the surveyed taxpaying businesses).

The surveyed taxpaying businesses noted that in the matters of customs, it would be more reasonable for the businesses themselves to do the coding of the products in the Commodity Nomenclature of External Economic Activity. Seventy-nine percent consider the practice of using benchmark prices inadequate.

The following two questions were analyzed separately: tax perceptions of the successful business and the number of years necessary for a significant shift in tax compliance among the taxpayers. The analysis reveals that successful taxpaying businesses, i.e. those who pay taxes on their own, without extra expenses from the government, constitute 42 percent of all the surveyed enterprises. For tax compliance they suggest “non-tariff” measures – to adopt simple tax administration, simplify the texts of the laws, and tighten sanctions. Those businesses that do not foresee success in business in the next three years for tax compliance purposes (38 percent), suggest decreasing tax rates, establishing privileges, and improving the professionalism of the tax inspectors. The remaining 20 percent were not able to assess the trends and the condition of their business in near future.

Parallel analyses of a few indicators allow one to conclude that those who pay taxes for tax compliance usually change their attitude and are more willing to pay taxes starting from the seventh year of their business activity. That means that the government and the community should direct its tax compliance efforts toward these “adolescent” and particularly newly established taxpayers.

The recommendations for the improvement of the tax system presented below are not exhaustive. Analysts and tax policy specialists can use the dataset of the survey and reveal other proportions, trends, and issues and offer different measures toward the improvement of tax policy and tax administration. These recommendations are not intended only for the tax authority or the responsible bodies for tax policy. These recommendations have to be viewed in the context of other programs, and particularly budget and economic growth policies, and should have necessary human, innovative, and organizational financial resources. Only in those circumstances these recommendations can be integrated into the action plan for the next three years and be implemented in the order of its priority.

**Recommendations on the Objective:** Measure the level of willingness to pay taxes.

In the frames of the Tax Perceptions in Armenia research conducted in November-December of 2013, a set of tools, including survey samples, questionnaires, trained interviewers, and specific analytical report format were developed. We recommend that this research be treated as a baseline and tax compliance be measured using the same tools and indicators every three years.

**Recommendations on the Objective:** Develop a strategy for improving the cooperation between the tax authority and taxpayers and build mutual trust. We particularly recommend:

1. Review the mission statement of the tax authority, removing the emphasis on ensuring state budget revenue. The respondents would like to put an emphasis on collecting the taxes according to the legislation. At the same time, the tax authority should support law-obedient taxpayers and the law should establish tighter sanctions for the violators.
2. Refrain from collecting advance payments from the taxpayers outside of the laws. One of the key factors for tax compliance is for the tax authority to act in accordance with the laws.
3. Develop a plan to improve the trust of the taxpayers, particularly the trust toward equal and fair horizontal administration.
4. The programs of the state and local self-government bodies should include measures that would encourage the participation of the taxpayers in different associations and unions, as these may create a necessary platform for promoting the ideology of tax compliance. The research shows that business taxpayers receive more information from each other than mass media. Tax payer resource centers could improve the understanding of tax compliance. We recommend developing a work concept between tax intermediaries and tax authorities. They could implement joint private-public projects with the government on raising awareness, education, and cooperation in the enforcement of new and important clauses of the laws.
5. The programs of the state government should include measures that encourage the practical use of corporate governance systems. This can provide a new level of tax compliance, as in taxpaying organizations issues connected with taxes, and taking advantage of tax privileges provided by the law could be addressed by the system of risk management, be discussed by the board of directors, and be viewed by internal and external audit perspective, etc. Later on, tax authorities could also use this approach and in the frame of tax compliance cooperation system meet not only with the directors and financial directors of the organizations but also with the shareholders and/or the board of directors.

**Recommendations on the Objective:** Improve the quantity, efficiency, and quality of the services provided by the tax authority. Toward this objective, we recommend:

1. Introduce and explain to the taxpayers the services provided by the tax authority, as the taxpayers are not aware of some of the services. For example, the respondents did not know what the registration system of law-obedient taxpayers, the search system of taxpayers in the Republic of Armenia, and the online notification system are.
2. Develop a list of a few indices of public accountability on which management of tax authority would report on an annual or more frequent basis, thus increasing trust among the taxpayers toward the efficiency and quality of the services. For that reason, it would be reasonable to somewhat shift the proportion of the tax inspections toward educational and preventive efforts within the services of the tax authority (over half of the respondents have dealt with tax inspections within the last three years).
3. Conduct a separate survey to understand what the reasons behind low levels of tax appeals are, and research what the most efficient ways to improve trust toward that system are.
4. Make the actions of the tax authorities more predictable by adhering to strict procedures within the scope of the law. The surveyed taxpayers did not have trust that the tax authorities would actually appreciate tax compliance.
5. Simplify tax laws and regulations. The following measures in particular could be undertaken in regards to the tax authority:
  - a. List and code all the administrative acts every year or at least once every two years before the tax code is developed and adopted. This way the taxpayers would not have to go through all the administrative acts (decrees, amendments, official explanations, court precedents, minutes from the board of appeal) and have doubts whether all the clauses are up-to-date.
  - b. Publish directories of non-standard tax regimes for small and medium-sized business annually. These directories will be in addition to the tax instructions to support a specific area or a specific tax regime applicable to the taxpayers. A directory format would also allow for the use of pictures, graphs, and other tools which are not permitted in the administrative acts.
  - c. Publish an “Attention, Changing Next Year” guide every trimester to allow the taxpayers who have not been following legislative changes review their planning accordingly and continue tax compliance.
6. The customer service center of the tax authority should conduct support visits to newly established small businesses during the first three months. The specialist of the customer service should provide the new business with necessary training and other programmatic support. During that time there should be no tax inspections or other interventions, except when justified by the audit plan.



7. Not as crucial as the previous recommendations, it would be beneficial to create a film about the services discussed in the previous point to increase tax compliance (in future a similar film can be made to show the role of an exemplary tax specialist and inspector).

**Recommendations on the Objective:** Develop tax policy that contributes to the economic growth, an increase in state budget revenues, and improvement in the level of honesty in the tax system.

1. Revise the mission statement of the tax authority, removing the emphasis from ensuring state budget revenues. This may require relevant revisions in the state budget policies. At the same time it will contribute to the increase in tax compliance and will allow a clearer view of the paying capacity of the taxpayers, leaving space for economic growth.
2. Study tax rates (in different margins), as the overwhelming majority of the respondents (95.2 percent of the households and 40-50 percent of the taxpaying businesses) considered the tax burden as heavy or very heavy. A more experienced group of managers that were surveyed suggested a decrease in the income tax rate (though they did not say the same for the profit tax rate). At the same time, there is a need to think about optimization of the number of taxes. It is important to note here that according to the survey respondents, non-standard (alternative) tax regimes do not contribute to the tax compliance.
3. During the development of the tax code principles (72 percent of the surveyed households found it necessary to pass a tax code), and during the development of the principles of tax policy, the findings of this study should be taken into particular consideration:
  - Respondents trust local self-government bodies more;
  - Direct and property taxes are better understood, while the main counterparts of the taxpayers and ultimate consumers are natural persons.
4. Raise the awareness of the budget spending for public purposes, as the surveyed households have inadequate understanding of the use of public spending: 66 percent of the respondents think that only 0-20 percent of the paid taxes return in the form of public services. Brochures about the importance of tax compliance could be published and distributed to new taxpayers when getting the taxpayer identification number, or during the first visit of the tax customer service specialist.
5. Inform taxpayers about tax privileges, as they are intended for the taxpayers.
6. The Government should have a clear stance that is not against the taxpayers using tax privileges, and recognize that the budget revenues might be lower because of that. It is an expense that the government has legislated for. From that perspective, it is important to define by the law what an “aggressive tax scheme” is and what is acceptable tax planning. We suggest using the Central Bank of Armenia as an example:

the Central Bank approves and publishes appropriate “typologies” to support economic or other entities who report under the Anti-Money Laundering and Combating the Financing of Terrorism legislation.

7. Taking into consideration the observations of the majority of the respondents, there should be an urgent solution to the issue of using the Commodity Nomenclature of Foreign Economic Activity and benchmark prices. Only six percent of the respondents thought that benchmark prices are acceptable in Armenia.
8. Have a specific plan and steps to keep the tax legislation simple. Complexity not only hinders tax compliance, but also creates corruption risks. We recommend using the framework of this program to establish a “Council on keeping the texts of the tax legislation simple” for tax laws and regulations, with the involvement of private sector representatives. Another suggestion would be to publish a writing guide for laws and regulations, implementing usage of the semi-column in Armenian and bullet points.

## ANNEX 3: SELECTED FREQUENCIES OF HOUSEHOLDS SURVEY

Q1.1. Are you aware of the taxes in Armenia?		
	Frequency	Percent
Don't know	1934	0.2
I am very well aware	58477	7.5
I am somewhat aware	514376	66.1
I am not aware	124037	15.9
I am not aware at all	79115	10.2
Total	777939	100.0

Q1.2. What type of taxes do you (your family) deal with?,%			
	No	Yes	Don't know what it is
Property tax Home	29.2	69.9	0.9
Property tax Vehicle	61.9	37.7	0.4
Land tax	49.8	49.9	0.2
Income tax	58.1	41.3	0.6
VAT	42.0	48.1	9.9
Other	2.4	3.0	

Q1.3. Do you have any agricultural land area?		
	Frequency	Percent
Don't know	537	0.1
No	455464	58.5
Yes	321938	41.4
Total	777939	100

Q1.4. Do you use it to make profit from sales or from barter?			
	Frequency	Percent	Valid Percent
No	199918	25.7	62.1
Yes	122020	15.7	37.9
Total	321938		100.0
Skip	456001	58.6	
Total	777939	100.0	

Q1.5. Are you involved in animal husbandry?		
	Frequency	Percent
Don't know	537	0.1
No	636247	81.8
Yes	141154	18.1
Total	777939	100

Q1.6. Are you involved in it to make profit from sales or from barter?			
	Frequency	Percent	Valid Percent

No	83562	10.7	59.2
Yes	57592	7.4	40.8
Total	141154	18.1	100.0
Skip	636785	81.9	
Total	777939	100.0	

Q1.7. Which of the following definitions do you think should serve as the main goal of a tax authority? (% of cases)			
	Responses	Percent	Percent of Cases
Refuse to answer	2291	0.2	0.3
Assist tax payers to calculate taxes according to the legislation	144896	10.5	19.0
Collect as much taxes as the business can afford	260436	18.8	34.0
Implement strict control of tax payers	112299	8.1	14.0
Fulfill the tax plan at any cost	80556	5.8	10.0
Effectively spend the government money	284192	20.6	37.0
Treat the people with respect acting as exemplary public servant	442767	32.0	57.0
Total	1381725	100.0	178.0

Q1.8. Using a scale of 1-10, how justified it is to cheat on taxes when possible?			
	Frequency	Percent	Valid Percent
Fully justified	41006	5.3	5.5
2	14299	1.8	1.9
3	20289	2.6	2.7
4	21780	2.8	2.9
5	100130	12.9	13.4
6	24917	3.2	3.3
7	40976	5.3	5.5
8	54091	7.0	7.2
9	50855	6.5	6.8
Not justified at all	377873	48.6	50.6
Total	714493	95.9	100.0
Don't know	29558	3.8	
Refuse to answer	2165	0.3	
Total	777939	100	

Q1.9. Using a scale of 1-10, do you think people cheat on taxes when possible?			
	Frequency	Percent	Valid Percent
Nearly no one	45130	5.8	6.4
2	20883	2.7	3.0
3	32731	4.2	4.6

4	32341	4.2	4.6
5	157967	20.3	22.3
6	52288	6.7	7.4
7	63478	8.2	9.0
8	85630	11.0	12.1
9	51452	6.6	7.3
Nearly everyone	164952	21.2	23.3
Total	637888	90.9	100.0
Don't know	68963	8.9	
Refuse to answer	71088	0.3	
Total	777939	100.0	

Q1.8; Q1.9 Means				
	Frequency	Minimum	Maximum	Mean
Q8. Using a scale of 1-10, how justified is cheating on taxes when possible?	746216	1	10	<b>7.8</b>
Q9. Using a scale of 1-10, do you think people cheat on taxes when possible?	706851	1	10	<b>6.6</b>

Q1.10. There is a theory, according to which, the higher are the tax rates, the more people cheat on taxes, while, when the government reduces the taxes, everybody pays, and the budget gets more money. Do you think this option is applicable for Armenia?		
	Frequency	Percent
Refuse to answer	1198	0.2
Don't know	35279	4.5
No	145816	18.7
Yes	595645	76.6
Total	777939	100.0

Q1.11. Let's imagine that the government has decided to reduce the taxes. Will people in Armenia be ready to cooperate, i.e. to stop cheating on taxes?		
	Frequency	Percent
Refuse to answer	1198	0.2
No	147193	18.9
Yes	600114	77.1
Don't know	29434	3.8
Total	777939	100.0

<b>Q1.12. Would you agree to lower the taxes but to strengthen the responsibility in cases of breaching (add more fines and hold those who breach otherwise liable).</b>		
	Frequency	Percent
Refuse to answer	1577	0.2
No	74186	9.5
Yes	670879	86.2
Don't know	31296	4.0
Total	777939	100

<b>Q1.13. In your opinion, what are the reasons of non-payment or hiding the taxes? (% of cases)</b>		
	Frequency	Percent
Difficulty or impossibility to get clear information, clarifications from the tax body	16030	2.1
Too high fines when tax errors are made, measures holding responsible are too strict	21762	2.8
Difficulty or impossibility to get clear information, clarifications from the tax body	24990	3.2
Frequency of tax inspections	24620	3.2
The wish to escape appearing within the focus of the tax authorities	27948	3.6
Others do the same	57588	7.4
Frequent changes or unclearness of tax legislation	59026	7.6
Unfair treatment of different business	158005	20.3
Desperate financial situation	433161	55.7
High taxes	453639	58.3
Other	31773	4.1
<i>Including:</i>	14601	1.9
Custom and mentality	7194	0.9
They want to increase their revenue and get more profit	9979	1.3

Q1.14. If the government needs additional money in a force majeure situation, which would be the better option?		
	Frequency	Percent
Refuse to answer	4595	0.6
Don't know	144727	18.6
Taking debt from its people	198492	25.5
Taking debt from other countries	284255	36.5
Raise taxes for that particular period	41980	5.4
Other	103890	13.4
<i>Including:</i>		
<i>Increase tax rates for big taxpayers</i>		0.6
<i>To be paid by oligarchs</i>		1.6
<i>None of the mentioned</i>		1.9
<i>To be paid by the rich</i>		2.0
<i>Other</i>		2.0
<i>Spend state money in a right way</i>		2.0
<i>Public officials should give back money taken from people</i>		2.9

Q1.15. Do you think that formulating (optimizing and planning) transactions in a certain way to reduce taxes is a permissible and quite acceptable practice (for example, if a company hires a disabled person, then it obtains a privilege in payment of profit tax; or opens a new company next to the existing one and/or divides it into parts to make use of the advantages of small businesses)?		
	Frequency	Percent
Refuse to answer	2532	0.3
No	290116	37.3
Yes	304889	39.2
Don't know	180402	23.2
Total	777939	100.0

Q1.15.1. Why is it acceptable?			
	Frequency	Percent	Valid Percent
Creates jobs (small businesses develop)	21452	2.8	7.0
Provides jobs for the disabled	99021	12.7	32.5
Not to pay high/heavy taxes	51246	6.6	16.8
Acceptable because allowed by law	37702	4.8	12.4
To get additional income and quickly become rich	7118	0.9	2.3
Don't know	87897	11.3	28.8
Refuse to answer	452	0.1	0.1
Total	304889	39.2	100.0
Skip	473050	60.8	
Total	777939	100.0	

Q1.15.2. Why is it not acceptable?
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	Frequency	Percent	Valid Percent
Unjust, dishonest. All are equal.	30671	3.9	15.7
If they have income, let them pay taxes.	32692	4.2	16.8
Unlawful, they hide taxes. It is an honor to pay taxes.	87464	11.2	44.9
They use the disabled in their own interest/to their own ends. Or commit forgery.	37602	4.8	19.3
Create difficulties for small businesses.	6518	0.8	3.3
Total	194947	25.1	100.0
Skip	487823	62.7	
Don't know	95169	12.2	
Total	777939	100	

**Q1.16. If you were on a decision maker position in a state agency, which would be your three primary actions?**  
(% of cases)

	Frequency	Percent	Valid Percent
Refuse to answer	5204	0.3	0.7
Don't know	40622	2.2	5.2
I would make the texts of tax laws simpler and clearer	229676	12.6	29.5
I would decrease the frequency of legislation amendments	94473	5.2	12.1
I would decrease the number of taxes	467426	25.7	60.1
I would decrease tax rates	357308	19.7	45.9
I would tighten the penalties for tax violations	175271	9.6	22.5
I would improve the competency level of tax servants	119601	6.6	15.4
I would introduce a simple system of tax administration	142643	7.8	18.3
I would introduce tax privileges for business activity of tax payers	164053	9.0	21.1
Other	21429	1.2	2.8
Total	1820313	100.0	234.0



<b>Q1.17. On a scale of 1-4, where '1' means "Completely disagree" and 4 means "Completely agree", please indicate to what extent do you agree with the following statement,%</b>						
	RA	DK	Completely disagree	Disagree	Agree	Completely agree
If you see more useful social and other services, e.g. police, army, free education, etc., you will be willing to pay more taxes	0.5	6.4	5.1	19.4	49.3	19.4
Everybody, including those enjoying protection and "roof", pay taxes as everybody else does	0.5	6.3	29.7	34.3	17.6	11.6
The government should raise tax rates for the rich, to promote social justice in the society	0.6	2.4	3.0	13.3	37.0	43.7
The public services that you get against the taxes you pay are truly useful to you	0.6	13.8	16.0	34.1	29.7	5.7
You have full access to the necessary information on tax rates, laws and regulations	0.7	10.6	14.7	41.6	25.3	7.1
Application of a unified tax code is a necessity	0.7	20.5	1.5	5.0	42.5	29.8
If paying taxes was easy and less time-consuming, people would be more willing to pay them	0.7	8.9	5.4	18.3	50.3	16.3
The tax system in Armenia is predictable. We can accurately forecast how the tax burden will look like next year	0.5	22.7	28.2	33.7	11.4	3.5
Dealing with employees of the tax inspection is stressful	0.5	25.1	5.8	20.7	23.6	24.3
If people believe that the taxes are fair, they will always be willing to pay them	0.6	4.2	0.3	5.4	51.6	37.9
If you see less corruption, you will be willing to pay more taxes	0.5	7.7	3.8	15.8	45.6	26.6
To have a fairer tax system and society, you are ready to tolerate even a more sophisticated tax legislation	0.5	21.6	7.5	23.0	35.9	11.6
Application of tax prepayments requested illegally has a negative impact on the tax law compliance	0.5	20	2.8	7.3	43.9	25.5
Pay taxes and sleep well	0.5	2.7	2.5	6.7	47.3	40.4

<b>Q1.18. Where do you get information about taxes? (% of cases)</b>		
	Frequency	Percent

Refuse to answer	2464	0.3
Don't know	15085	1.9
Website of the RA Tax Service	31858	4.2
Printed media	50210	6.7
Tax officials	78639	10.3
Internet	116355	15.3
Social networks	24999	3.3
TV	520471	68.4
Relatives/friends	282610	37.3
Other	77835	9.7
<i>Including:</i>		
From local government bodies	32972	4.2
From nowhere	28145	3.6
From my workplace	7262	0.9
Other	6878	0.9

Q1.19. Do you think each citizen should independently calculate and pay his/her taxes?		
	Frequency	Percent
Refuse to answer	3314	0.4
Don't know	56468	7.3
No	230876	29.7
Yes	487281	62.6
Total	777939	100.0

Q1.20. Would you like to state (calculate) your own income and pay your taxes?		
	Frequency	Percent
Refuse to answer	3734	0.5
Don't know	48123	6.2
No	221892	28.5
Yes	504190	64.8
Total	777939	100.0

Q1.21. Is it proper to inform the tax authorities in case of failure to fulfill the requirements of the tax legislation (for example, when no cash receipts are provided)?		
	Frequency	Percent
No	396067	50.9
Yes	337833	43.4
Don't know/ Refuse to answer	39818	6.0
Total	777939	100.0

Q1.22. In your opinion, how does the government currently use the income generated from taxes? (% of cases)		
	Frequency	Percent
Personal purposes	471123	60.6
Army	426683	54.8
Pension fund	352069	45.3

Public health	263036	33.8
Public education	261320	33.6
Administrative expenses	148588	19.1
Rural development	121761	15.7
Infrastructures	111454	14.3
Don't know	86431	11.1
Other	11037	1.4

<b>Q1.23.1. Using a scale of 1-4, where "1" means "Completely useless" and "4" means "Very useful", how would you assess the following services delivered by the RA Tax Service?, %</b>					
	Completely useless	Useless	Useful	Very useful	Don't know/RA
Electronic system of submitting the reports	0.7	2.7	41.8	15.5	40.0
E-invoicing system		2.5	32.1	8.5	57.0
RA tax payers search system	0.7	3.2	33.3	11.2	52.0
Online notification system	1.0	2.6	34.9	14.1	48.0
Online correspondence system	0.6	3.5	34.9	13.5	48.0
System of registration of law abiding tax payers	0.6	2.5	34.1	15.0	48.0
Tax calendar	0.4	2.4	33.9	14.1	50.0
Electronic mail delivery system	0.5	2.5	38.6	12.6	45.0
Hot line	1.1	4.8	41.0	26.1	27.0
Call center	0.8	4.1	41.0	22.7	32.0

<b>Q1.23.2. Using a scale of 1-4, where '1' means "Completely useless" and '4' means "Very useful", how would you assess the following services delivered by the RA Tax Service? (without "Don't know"), %</b>				
	Completely useless	Useless	Useful	Very useful
Electronic system of submitting the reports		8	72	20
E-invoicing system	3	5	79	14
RA tax payers search system		6	76	17
Online notification system		6	72	22
Online correspondence system		8	71	21
System of registration of law abiding tax payers		8	66	26
Tax calendar	2	2	70	26
Electronic mail delivery system		6	75	19
Hot line		14	58	28
Call center		9	58	32

<b>Q1.24. What new services do you think should be delivered by the SRC?</b>			
	Frequency	Percent	Valid Percent
Not related to SRC	4327	0.6	2.3
Provide social allowances	4983	0.6	2.7
Create jobs	5074	0.7	2.7
Special TV programs	5732	0.7	3.1
Better conditions for small and medium businesses	7906	1.0	4.2
Other	9613	1.2	5.1

Create an independent body to control SRC	11956	1.5	6.4
Simplify tax legislation	13418	1.7	7.1
Cut tax rates	16516	2.1	8.8
Act with more justice (reduce the shadow sector)	21101	2.7	11.2
Make information easily accessible, distributed better	30676	3.9	16.3
No need for new services, let them provide existing services with justice and high quality	56440	7.3	30.1
Total	187743	24.1	100.0
Refuse to answer	3159	0.4	
Don't know	587037	75.5	
Total	777939	100	

**Q1.25. Please indicate the percent of the taxes that you think the society gets back through the services delivered by the state.**

	Frequency	Percent
Refuse to answer	3100	0.4
Don't know	153490	19.7
0%	209861	27.0
10%	221107	28.4
20%	82939	10.7
30%	46352	6.0
40%	15445	2.0
50%	20766	2.7
More than 50%	24878	3.2
Total	777939	100.0

**Q1.26. Using a scale of 1-5, where '1' means "Fully distrust" and '5' means "Fully trust", please tell me to what extent do you trust the following institutions?**

	RA	DK	Fully distrust	Somewhat distrust	Neither trust, nor distrust	Somewhat trust	Fully trust
Judiciary system	0.9	3.9	35.3	14.2	17.3	24.2	4.2
National Assembly	0.9	1.6	46.5	17.7	15.4	16.0	2.1
Government	0.9	1.5	46.0	17.4	13.9	17.8	2.5
President	1.2	1.7	44.6	12.8	14.1	19.9	5.6
Constitutional Court	1.0	7.2	33.9	13.9	17.6	21.2	5.0
Local governments	1.0	3.3	28.9	13.1	16.2	26.4	11.0
Tax Service	1.1	7.3	30.4	15.6	21.8	21.1	2.6
Customs system	1.0	15.6	31.3	14.6	21.1	14.4	1.9
Ministry of Finance	1.0	11.6	35.0	15.1	20.8	14.4	2.1
Ombudsman	1.0	8.3	20.2	10.3	21.0	29.7	9.6

**Q1.26.1. Using a scale of 1-5, where '1' means "Fully distrust" and '5' means "Fully trust", please tell me to what extent do you trust the following institutions?**

	Fully distrust	Somewhat distrust	Neither trust, nor distrust	Somewhat trust	Fully trust
Judiciary system	37.1	14.9	18.2	25.4	4.4
National Assembly	47.6	18.1	15.7	16.4	2.1
Government	47.1	17.8	14.3	18.2	2.5
President	45.9	13.2	14.6	20.5	5.8
Constitutional Court	37.0	15.2	19.2	23.2	5.5
Local governments	30.3	13.7	16.9	27.6	11.5

Tax Service	33.3	17.0	23.8	23.1	2.8
Customs system	37.6	17.5	25.4	17.3	2.3
Ministry of Finance	40.1	17.3	23.8	16.4	2.4
Ombudsman	22.2	11.3	23.1	32.8	10.5

Q1.27.1. In your opinion, how heavy is the tax burden...?						
	Not heavy at all	Not heavy	Heavy	Very heavy	Don't know	RA
For citizens, in everyday life (cost of commodities, services)	0.3	2.6	32.4	62.8	1.5	0.4
For citizens, taxations of salaries	0.0	5.2	38.7	48.5	7.1	0.3
For individual entrepreneurs	4.2	16.9	37.2	25.0	16.3	0.3
For medium businesses	8.3	22.7	33.1	18.0	17.5	0.3
For large businesses	42.0	23.7	12.1	6.7	15.1	0.3

Q1.27.2. In your opinion, how heavy is the tax burden...?,%			
	Don't know/RA	Not heavy + Not heavy at all	Heavy +Very heavy
For citizens, in everyday life (cost of commodities, services)	1.9	2.9	95.2
For citizens, taxations of salaries	7.5	5.2	87.3
For individual entrepreneurs	16.7	21.1	62.2
For medium businesses	17.9	31.0	51.1
For large businesses	15.5	65.7	18.8

Q1.28. How do you know that you pay taxes? (% of cases)		
	Frequency	Percent
Don't know	36258	4.7
From salary deductions (income tax)	324545	41.8
When buying goods	426033	54.8
From paying Land tax/Property tax	564174	72.5
When buying air ticket or paying for other services	173238	22.3
Other	20184	2.6

Q1.29. Are you proud to pay taxes?		
	Frequency	Percent
Yes, because this way public problems are solved	77417	10.0
No, because they don't serve their purpose	144169	18.5
Yes, because I fulfill my civil duties	197707	25.4
No, because I don't know what purpose do they actually serve	309954	39.8
Don't know	41927	5.4
Other	6765	0.9
Total	777939	100.0

Q2.1. Which of the following best describes your situation?		
	Frequency	Percent
Refuse to answer	2617	0.3

Retired (and not working)	187082	24.0
Student (and not working)	35799	4.6
Housewife (and not working)	153641	19.7
Unemployed	154561	19.9
Employee	165438	21.3
Individual entrepreneur /Employer	15692	2.0
Self-employed	57033	7.3
Disabled	6076	0.8

Q2.2. Please tell me, which of the following best describes your primary job?			
	Frequency	Percent	Valid Percent
Refuse to answer	3427	0.4	1.4
Don't know	539	0.1	0.2
Agriculture, Forestry and Fishing	41853	5.4	17.6
Mining and Quarrying	7110	0.9	3.0
Manufacturing	14968	1.9	6.3
Electricity, gas, steam and air conditioning supply	4677	0.6	2.0
Water supply; sewerage, waste management and remediation activities	975	0.1	0.4
Construction	14075	1.8	5.9
Wholesale and Retail Trade	22927	2.9	9.6
Transportation and storage	6835	0.9	2.9
Accommodation and food service activities	5647	0.7	2.4
Information and communication	4039	0.5	1.7
Financial and insurance activities	3967	0.5	1.7
Real Estate Activities	460	0.1	0.2
Professional, scientific and technical activities	3351	0.4	1.4
Public administration and defense; compulsory social security	21949	2.8	9.2
Education	30950	4.0	13.0
Human health and social work activities	15466	2.0	6.5
Arts, entertainment and recreation	7522	1.0	3.2
Other service activities	25587	3.3	10.7
Activities of extraterritorial organizations and bodies	1839	0.2	0.8
Total	238164	30.6	100.0
Skip	539775	69.4	
Total	777939	100.0	

Q2.3. Please tell me, what is your marital status?		
	Frequency	Percent
Refuse to answer	3100	0.4
Married	479740	61.7
Living together	11285	1.5
Divorced	26765	3.4
Living separately	2654	0.3
Widowed	119009	15.3
Never married	135386	17.4
Total	777939	100.0

Q2.4. Please tell me, what is the highest level of the formal education you have completed?		
	Frequency	Percent
Refuse to answer	3523	0.5

Don't have any formal education or have lower than primary education	1453	0.2
Primary education (3-4 years)	14763	1.9
Basic education	70519	9.1
Secondary (high school diploma/secondary vocational /secondary gymnasium) education	317862	40.9
Vocational education/College	179115	23.0
First level university education /Bachelor's degree	47587	6.1
Master's degree (or a higher education diploma)	139802	18.0
PhD level (candidate doctor)	3316	0.4
Total	777939	100.0

**Q2.5. In total, how much was your personal net monetary income (after the taxes are paid) last month. To which of the following groups it applies. Please think of all sources of income that you had last month.**

	Frequency	Percent
Refuse to answer	20466	2.6
Don't know	3261	0.4
More than 512,001 AMD	977	0.1
325,001- 512,000 AMD	2269	0.3
162,001- 325,000 AMD	17130	2.2
91,001- 162,000 AMD	52971	6.8
34,001- 91,000 AMD	168728	21.7
20,001- 34,000 AMD	146792	18.9
Up to 20,000 AMD	76273	9.8
0	289072	37.2
Total	777939	100.0

**Q2.6. In total, how much was the net monetary income (after the taxes are paid) of your family last month. To which of the following groups it applies. Please think of all sources of income that your family had last month.**

	Frequency	Percent
Refuse to answer	42538	5.5
Don't know	26646	3.4
More than 512,001 AMD	3035	0.4
325,001- 512,000 AMD	11008	1.4
162,001- 325,000 AMD	87331	11.2
91,001- 162,000 AMD	184301	23.7
34,001- 91,000 AMD	279417	35.9
20,001- 34,000 AMD	97615	12.5
Up to 20,000 AMD	25359	3.3
0	20689	2.7
Total	777939	100.0

**Q2.7. To what ethnic group do you think you belong?**

	Frequency	Percent
Armenian	766636	98.5
Yazidi (Yezidi, Yezdi)	2995	0.4
Ukrainian	2061	0.3
Greek	930	0.1
Polish	1345	0.2
Russian	2802	0.4
Belarusian	627	0.1
Mordvin	543	0.1
Total	777939	100.0

**Q 2.8 Would you like to work as a tax inspector?**

	Frequency	Percent
No	615119	79.1
Yes	143765	18.5
Refuse to answer	3067	0.4
Don't know	15988	2.1
Total	777939	100.0

**Q2.8.1. Why yes?**

	Frequency	Percent	Valid Percent
To make the system more just	3332	0.4	2.3
To become familiar with the system	3600	0.5	2.5
To have an influential job	5196	0.7	3.6
To make the system more useful	7620	1.0	5.3
High salary	12894	1.7	9.0
Interesting job	13025	1.7	9.1
It gives material security	20451	2.6	14.2
Will work honestly, to benefit people	20647	2.7	14.4
Simply to have a job	43254	5.6	30.1
Other	5226	0.7	3.6
Don't know	8518	1.1	5.9
Total	143765	18.5	100.0
Skip	634174	81.5	
Total	777939	100.0	

**Q2.8.2. Why no?**



	Frequency	Percent	Valid Percent
Refuse to answer	5439	0.7	0.9
Don't know	72102	9.3	11.7
Not honorable job, attracts curse	61017	7.8	9.9
Salary is low	857	0.1	0.1
Do not have appropriate education/profession	62092	8.0	10.1
Do not want to do people wrong	26693	3.4	4.3
Do not want to	103487	13.3	16.8
Will no be able to	116186	14.9	18.9
Do not like the job	30196	3.9	4.9
Unjust country	28094	3.6	4.6
Unthankful job	8607	1.1	1.4
Difficult work	51595	6.6	8.4
Will not be accepted	4686	0.6	0.8
Honest man, do not want to become dishonest	32755	4.2	5.3
The field is not clear, the responsibilities are heavy	8818	1.1	1.4
Job not for women	2495	0.3	0.4
Total	615119	79.1	100.0
Skip	162820	20.9	
Total	777939	100	

## ANNEX 4. SOME CROSSTABS FROM HOUSEHOLDS SURVEY

*In crosstabs 1.1-1.5 provide data on how the respondents who answered “Don’t know/Refuse to answer” to Q1.9, responded to some other questions*

**Crosstab 1.1**

Q1.21. Is it proper to inform the tax authorities in case of failure to fulfill the requirements of the tax legislation (for example, when no cash receipts are provided)?		
	Frequency (weighted)	Percent
Refuse to answer	1577	0.5
Don’t know	3537	5.1
No	42521	50.3
Yes	23453	34.0
Total	71088	100.0

**Crosstab 1.2**

Q1.17. Pay taxes and sleep well		
	Frequency (weighted)	Percent
Refuse to answer	1577	2.2
Don’t know	3826	5.4
Completely disagree	781	1.1
Disagree	4258	6.0
Agree	31953	44.9
Completely agree	28692	40.4
Total	71088	100.0

**Crosstab 1.3**

Q2.8.1. Would you like to work as a tax inspector?		
	Frequency (weighted)	Percent
Refuse to answer	2566	3.6
Don’t know	2239	3.1
Yes	58907	82.9
No	7376	10.4
Total	71088	100.0

**Crosstab 1.4**

Q2.4. Education		
	Frequency (weighted)	Percent
Refuse to answer	2116	3.0
Don’t have any formal education or have lower than primary education	450	0.6
Primary education (3-4 years)	4889	6.9
Basic education	8324	11.7
Secondary (high school diploma/secondary vocational /secondary gymnasium) education	36235	51.0
Vocational education/College	10685	15.0
First level university education /Bachelor’s degree	1772	2.5
Master’s degree (or a higher education diploma)	6617	9.3
Total	71088	100.0

Crosstab 1.5

Settlement type		
	Frequency (weighted)	Percent
Yerevan	14750	20.7
Other urban	26120	36.7
Rural	30218	42.5
Total	71088	100

Crosstab 2

Q1.21. Is it proper to inform the tax authorities in case of failure to fulfill the requirements of the tax legislation (for example, when no cash receipts are provided)? (by Marz, %)				
	RA	DK	No	Yes
Aragatsotn			58.9	41.1
Ararat		1.5	47.2	51.3
Armair		7.1	31.0	61.9
Gegharkunik		8.4	42.5	49.1
Kotayk		5.2	38.1	56.7
Lori	0.7	5.3	47.8	46.2
Shirak		1.4	68.3	30.3
Syunik		1.6	96.6	1.8
Vayots Dzor	2.7	5.5	86.3	5.5
Tavush	2.8	27.5	43.3	26.4
Yerevan	0.8	4.1	50.6	44.5

Crosstab 3.1

Q1.8. Using a scale of 1-10, where '1' means "Fully justified" and '10' means "Not justified at all", please tell me how justified it is to cheat on taxes when possible? (by Marz, %)											
	Aragatsotn	Ararat	Armavir	Armavir	Kotayk	Lori	Shirak	Syunik	Vayots Dzor	Tavush	Yerevan
Refuse to answer					0.6						0.6
Don't know		2.1	4.8	10.5	2.4	4.3			7.8	14.2	3.4
Fully justified		6.3	3.4	7.4	3.2	5.1	4.8		7.8	5.3	6.9
2	5.5	3.0		0.8	1.8	1.5	1.4	3.7	3.9	1.2	1.7
3	1.6	1.6	1.7	1.0	4.1	2.8	1.4	2.1	2.7	6.5	2.8
4	1.6	1.7		2.9	2.5	2.2	4.3			13.9	2.9
5	21.6	9.3	11.8	1.8	17.0	14.0	13.7	7.7	12.1	29.7	11.9
6	4.9	3.1	4.2	1.7	3.7	1.5	2.8	1.8		8.5	3.2
7	1.6	6.5	2.3	3.9	3.7	7.5	3.2	3.7	2.7	5.2	6.9
8	4.7	4.2	9.2	7.1	7.0	12.2	8.5	3.4	5.5	2.6	6.6
9	16.5	4.7	2.9	7.7	6.8	9.6	9.9	15.5	7.8		4.5
Not justified at all	41.9	57.6	59.7	55.1	47.2	39.4	50.0	62.1	49.4	12.9	48.6

Crosstab 3.2

Q1.8. Using a scale of 1-10, where '1' means "Fully justified" and '10' means "Not justified at all", please tell me how justified it is to cheat on taxes when possible? (by settlement type, %)			
	Yerevan	Other urban	Rural
Refuse to answer	0.6		0.2
Don't know	3.4	3.3	4.7
Fully justified	6.9	4.4	4.2
2	1.7	1.9	1.9
3	2.8	3.1	1.9
4	2.9	3.3	2.3
5	11.9	14.0	12.8
6	3.2	4.7	1.8
7	6.9	3.4	5.2
8	6.6	7.5	6.8
9	4.5	7.8	7.7
Not justified at all	48.6	46.4	50.6

Crosstab 3.3

Q1.9. Using a scale of 1-10, where '1' means "Nearly no one" and 10 means "Nearly everyone", do you think people cheat on taxes when possible? (by settlement type, %)			
	Yerevan	Other urban	Rural
Refuse to answer	0.6	0.0	0.2
Don't know	4.5	10.9	11.9
Nearly no one	5.1	5.0	7.3
2	1.4	1.5	5.2
3	3.7	3.8	5.1
4	4.3	3.6	4.6
5	21.9	19.6	19.1
6	5.1	7.3	8.0
7	7.4	8.2	9.0
8	8.3	15.4	9.9
9	6.5	7.8	5.6
Nearly everyone	31.2	16.8	14.0

Crosstab 3.4

Q1.9. Using a scale of 1-10, where '1' means "Nearly no one" and 10 means "Nearly everyone", do you think people cheat on taxes when possible? (by Marz, %)											
	Aragatsotn	Ararat	Armavir	Gegharkunik	Kotayk	Lori	Shirak	Syunik	Vayots Dzor	Tavush	Yerevan
Refuse to answer										1.2	0.6
Don't know	3.2	9.3	4.5	15.7	7.4	10.6	13.5	30.1	45.1	3.6	4.5
Nearly no one	8.6	3.4	1.5	18.5	5.5	8.8	5.7	5.8			5.1

Q1.9. Using a scale of 1-10, where '1' means "Nearly no one" and 10 means "Nearly everyone", do you think people cheat on taxes when possible? (by Marz, %)											
	Aragatsotn	Ararat	Armavir	Gegharkunik	Kotayk	Lori	Shirak	Syunik	Vayots Dzor	Tavush	Yerevan
2	13.3	5.1	4.9	3.0	2.4	0.8	2.6	2.1			1.4
3	3.2	4.7	9.5	5.8	1.9	2.9	6.6			5.3	3.7
4	9.1	0.7	7.1	4.7	2.9	3.0	3.4	3.8		6.8	4.3
5	18.0	18.1	18.5	14.0	26.0	16.2	18.8	20.7	20.0	24.0	21.9
6	1.5	12.2	15.3	8.2	2.5	5.8	8.0	5.6	5.5	8.3	5.1
7	6.8	18.1	6.4	5.7	6.2	7.4	7.2	1.8	9.4	18.8	7.4
8	13.7	9.6	13.3	6.3	12.4	13.4	15.4	19.6	13.3	10.9	8.3
9	11.9	3.2	0.9	2.8	5.5	17.5	11.0	3.3	3.9		6.5
Nearly everyone	10.8	15.5	18.0	15.2	27.2	13.5	7.7	7.1	2.7	21.1	31.2

*The crosstabs 4-5.6 provide data on how respondents, who answered "Is not justified at all" to Q1.8, responded to some other questions*

Crosstab 4

Q2.4. Education		
	Frequency (weighted)	Percent
Refuse to answer	906	0.2
Don't have any formal education or have lower than primary education	450	0.1
Primary education (3-4 years)	7790	2.1
Basic education	33766	8.9
Secondary (high school diploma/secondary vocational /secondary gymnasium) education	144814	38.3
Vocational education/College	97717	25.9
First level university education /Bachelor's degree	18737	5.0
Master's degree (or a higher education diploma)	70828	18.7
PhD level (candidate doctor)	2865	0.8
Total	377873	100

Crosstab 5.1

Q2.3. Marital status, %						
Q1.8	Married	Living together	Divorced	Living separately	Widow	Never married
Fully justified	4.8	12.8	12.6		4.3	7.2
2	1.4	16.0			3.0	2.1
3	2.5				3.4	3.5
4	2.9		3.8	20.0	1.0	4.2
5	13.2	7.4	13.4		10.7	17.0
6	3.4	3.8	1.8		2.8	3.8
7	5.8				2.9	8.2
8	7.0	3.9	6.0		7.3	8.4

9	6.9	7.7	12.7		5.3	6.8
Not justified at all	52.0	48.4	49.7	80.0	59.3	38.7

Crosstab 5.2

Q2.5. Income of the last month.		
	Frequency (weighted)	Percent
Refuse to answer	6116	1.6
Don't know	1587	0.4
More than 512,001 AMD	489	0.1
162,001- 325,000 AMD	8650	2.3
91,001- 162,000 AMD	24129	6.4
34,001- 91,000 AMD	95000	25.1
20,001- 34,000 AMD	71947	19.0
Up to 20,000 AMD	40265	10.7
0	129692	34.3
Total	377873	100

Crosstab 5.3

Q2.8. Would you like to work as a tax inspector?		
	Frequency (weighted)	Percent
Refuse to answer	450	0.1
Don't know	6059	1.6
No	301755	79.9
Yes	69609	18.4
Total	377873	100.0

Crosstab 5.4

Age		
	Frequency (weighted)	Percent
18-30	77129	20.4
31-45	79086	20.9
46-62	131333	34.8
63+	90326	23.9
Total	377873	100.0

Crosstab 5.5

Gender		
	Frequency (weighted)	Percent
Male	132334	35.0
Female	245539	65.0
Total	377873	100.0

Crosstab 5.6

Marital Status		
	Frequency (weighted)	Percent
Retired (and <b>not</b> working)	105746	28.0
Student (and <b>not</b> working)	15597	4.1
Housewife (and <b>not</b> working)	69617	18.4
Unemployed	69155	18.3
Hired worker	77726	20.6
Individual entrepreneur /Employer	7228	1.9
Self-employed	29485	7.8

Disabled	3319	0.9
Total	377873	100

**Crosstab 5.7**

Q1.29. Are you proud to pay taxes? (Answers of respondents, who are not justified the cheating on taxes (Q1.8=10))		
	Frequency (weighted)	Percent
Refuse to answer	1946	0.5
Don't know	13161	3.5
Yes, because I fulfill my civil duties	110470	29.2
Yes, because this way public problems are solved	43941	11.6
No, because they don't serve their purpose	63257	16.7
No, because I don't know what purpose do they actually serve	142220	37.6
Other	2878	0.8
Total	377873	100

*The crosstabs 6.1-6.4. provide data on respondents who answered "Almost everyone" to Q1.9.*

**Crosstab 6.1**

Economic status		
	Frequency (weighted)	Percent
Retired (and <b>not</b> working)	34964	21.2
Student (and <b>not</b> working)	9359	5.7
Housewife (and <b>not</b> working)	32119	19.5
Unemployed	25247	15.3
Hired worker	40093	24.3
Individual entrepreneur /Employer	4153	2.5
Self-employed	15944	9.7
Disabled	3073	1.9
Total	164952	100

**Crosstab 6.2**

Marital status		
	Frequency (weighted)	Percent
Married	105680	64.1
Living together	878	0.5
Divorced	8127	4.9
Living separately	537	0.3
Widowed	20754	12.6
Never married	28975	17.6
Total	164952	100



Crosstab 6.3

Education		
	Frequency (weighted)	Percent
Don't have any formal education or have lower than primary education	483	0.3
Primary education (3-4 years)	3681	2.2
Basic education	8862	5.4
Secondary (high school diploma/secondary vocational /secondary gymnasium) education	64693	39.2
Vocational education/College	38099	23.1
Bachelor's degree	7481	4.5
Master's degree (or a higher education diploma)	41652	25.3
Total	164952	100

Crosstab 6.4

Net Income		
	Frequency (weighted)	Percent
Refuse to answer	8690	5.3
Refuse to answer	666	0.4
More than 512,001 AMD	540	0.3
162,001- 325,000 AMD	7630	4.6
91,001- 162,000 AMD	12940	7.8
34,001- 91,000 AMD	35319	21.4
20,001- 34,000 AMD	25352	15.4
Up to 20,000 AMD	17264	10.5
0	56550	34.3
Total	164952	100

Crosstab 7

Q1.16. If you were on a decision maker position in a state agency, which would be your three primary actions? (the answers of respondents, who “will work honestly, to benefit people” as a tax inspector (Q2.8.1=4))			
	Frequency (weighted)	Percent	Դեպքերի տոկոս
I would make the texts of tax laws simpler and clearer	7297	14.5	35.3
I would decrease the frequency of legislation amendments	978	1.9	4.7
I would decrease the number of taxes	12543	25.0	60.8
I would decrease tax rates	9422	18.8	45.6
I would tighten the penalties for tax violations	6308	12.6	30.6
I would improve the competency level of tax servants	5018	10.0	24.3
I would introduce a simple system of tax administration	4022	8.0	19.5
I would introduce tax privileges for business activity of tax payers	4642.8	9.2	22.5
Total	50235.0	100.0	243.3

Crosstab 8

<b>Q1.22. In your opinion how does the government currently use the income generated from taxes? “Personal purposes” answers, by Marz, %</b>			
	Refuse to answer	No	Yes
Aragatsotn		38.0	62.0
Ararat		27.2	72.8
Armavir		32.4	67.6
Gegharkunik		28.3	71.7
Kotayk		34.0	66.0
Lori		38.2	61.8
Shirak		18.9	81.1
Syunik		36.4	63.6
Vayots Dzor	2.9	34.8	62.2
Tavush		47.1	52.9
Yerevan	0.6	30.2	69.2
Total	0.3	31.5	68.2

**Crosstab 9.1**

<b>Q1.14. If the government needs additional money in a force majeure situation, which would be the better option? (by age group), %</b>							
	18-24	25-32	33-39	40-53	54-62	63+	Total
Refuse to answer		1.1			0.4	1.6	0.6
Don't know	11.7	17.1	16.7	18.6	18.9	24.1	18.6
Taking debt from its people (e.g. issuing state bonds)	31.8	32.7	25.0	26.5	21.9	19.4	25.5
Taking debt from other countries	39.7	35.7	42.6	35.6	35.7	33.8	36.5
Raise taxes for that particular period	10.8	7.0	4.9	3.7	6.4	2.4	5.4
Other	5.9	6.4	10.8	15.6	16.7	18.7	13.4

**Crosstab 9.2**

<b>Q1.14. If the government needs additional money in a force majeure situation, which would be the better option? (by settlement type), %</b>				
	Yerevan	Other urban	Rural	Total
Refuse to answer	0.8	0.6	0.4	0.6
Don't know	13.6	20.8	22.2	18.6
Taking debt from its people (e.g. issuing state bonds)	24.3	25.5	26.9	25.5
Taking debt from other countries	32.8	38.4	39.0	36.5
Raise taxes for that particular period	6.7	5.4	3.9	5.4
Other	21.8	9.3	7.5	13.4

Crosstab 9.3

Q1.14. If the government needs additional money in a force majeure situation, which would be the better option? (by Marz), %						
	RA	DK	Taking debt from its people (e.g. issuing state bonds)	Taking debt from other countries	Raise taxes for that particular period	Other
Aragatsotn		3.2	50.8	33.8	9.0	3.2
Ararat	0.9	17.1	37.7	39.3	0.9	4.1
Armavir	0.7	29.2	22.9	32.9	6.2	8.1
Gegharkunik		28.0	18.9	25.3	3.9	23.9
Kotayk	0.6	19.0	33.7	40.9	2.5	3.3
Lori	0.7	25.5	26.4	31.7	3.7	12.0
Shirak		11.5	21.6	47.3	10.8	8.8
Syunik		26.0	11.5	53.7	1.6	7.1
Vayots Dzor	2.7	34.5	8.2	47.9		6.7
Tavush		31.4	10.7	48.3	5.6	4.0
Yerevan	0.8	13.6	24.3	32.8	6.7	21.8
Total	0.6	18.6	25.5	36.5	5.4	13.4

*The crosstabs 10.1-10.4. provide data on respondents, who answered “Taking debt from its people” and Taking debt from other countries to Q1.14*

Respondent's Education		
	Frequency (weighted)	Percent
Refuse to answer	1407	0.3
Don't have any formal education or have lower than primary education	8134	1.7
Primary education (3-4 years)	40456	8.4
Basic education	209981	43.6
Secondary (high school diploma/secondary vocational /secondary gymnasium) education	108953	22.6
First level university education /Bachelor's degree	30686	6.4
Master's degree (or a higher education diploma)	82683	17.2
PhD level (candidate doctor)	447	0.1
Total	482746	100.0

Crosstab 10.2

Settlement type		
	Frequency (weighted)	Percent
Yerevan	164195	34.0
Other urban	153175	31.7
Rural	165376	34.3
Total	482746	100.0

Crosstab 10.3

Respondent's Age		
	Frequency (weighted)	Percent
18-24	63825	13.2
25-32	83930	17.4
33-39	62228	12.9
40-53	100391	20.8
54-62	82134	17.0
63+	90239	18.7
Total	482746	100.0

Crosstab 10.4

Respondent's Gender		
	Frequency (weighted)	Percent
Male	173911	36.0
Female	308835	64.0
Total	482746	100.0

Crosstab 11.1

Q1.25. Please indicate the percent of the taxes that you think the society gets back through the services delivered by the state.  (by the option "Yes, because I fulfill my civil duties" of Q1.29)		
	Frequency (weighted)	Percent
Don't know	14157	18
0%	8012	10
10%	22311	29
20%	14383	19
30%	6454	8
40%	2115	3
50%	3854	5
More than 50%	6131	8
Total	77417	100

*The crosstabs 11.2-11.5. provide data on respondents, who answered "Yes, because I fulfill my civil duties" to Q1.29*

Crosstab 11.2

Respondent's economic status		
	Frequency (weighted)	Percent
Retired (and <b>not</b> working)	12637	16
Student (and <b>not</b> working)	4212	5
Housewife (and <b>not</b> working)	16151	21
Unemployed	11926	15
Hired worker	18101	23
Individual entrepreneur /Employer	1040	1
Self-employed	13350	17
Total	77417	100

Crosstab 11.3

Respondent's sex		
	Frequency (weighted)	Percent
Male	31930	41
Female	45487	59
Total	77417	100

Crosstab 11.4

Q1.29. Are you proud to pay taxes? (by age group), %							
	18-24	25-32	33-39	40-53	54-62	63+	Total
Refuse to answer		1.2		0.5	0.7	1.3	0.7
Don't know	5.6	4.2	4.2	3.6	4.1	6.4	4.7
Yes, because I fulfill my civil duties	20.5	24.6	21.5	25.3	26.5	29.9	25.4
Yes, because this way public problems are solved	11.2	12.1	9.2	12.7	7.1	7.9	10.0
No, because they don't serve their purpose	21.7	14.5	18.2	19.3	22.1	16.2	18.5
No, because I don't know what purpose do they actually serve	41.0	42.6	46.0	37.6	39.0	36.7	39.8
Other		0.8	0.9	0.9	0.6	1.5	0.9

Crosstab 11.5

Respondent's education		
	Frequency (weighted)	Percent
Primary education (3-4 years)	459	0.6
Basic education	7058	9.1
Secondary (high school diploma/secondary vocational /secondary gymnasium) education	33527	43.3
Vocational education/College	19843	25.6
First level university education /Bachelor's degree	5039	6.5
Master's degree (or a higher education diploma)	11490	14.8
Total	77417	100

Crosstab 12.1

Q1.29. Are you proud to pay taxes? (by age group), %							
	18-24	25-32	33-39	40-53	54-62	63+	Total
Refuse to answer		1.2		0.5	0.7	1.3	0.7
Don't know	5.6	4.2	4.2	3.6	4.1	6.4	4.7
Yes, because I fulfill my civil duties	20.5	24.6	21.5	25.3	26.5	29.9	25.4
Yes, because this way public problems are solved	11.2	12.1	9.2	12.7	7.1	7.9	10.0

No, because they don't serve their purpose	21.7	14.5	18.2	19.3	22.1	16.2	18.5
No, because I don't know what purpose do they actually serve	41.0	42.6	46.0	37.6	39.0	36.7	39.8
Other		0.8	0.9	0.9	0.6	1.5	0.9

Crosstab 12.2

Q1.29. Are you proud to pay taxes? (by settlement type), %				
	Yerevan	Other urban	Rural	Total
Refuse to answer	0.6	1.2	0.4	0.7
Don't know	5.5	3.1	5.3	4.7
Yes, because I fulfill my civil duties	21.3	21.4	34.0	25.4
Yes, because this way public problems are solved	10.9	6.7	12.0	10.0
No, because they don't serve their purpose	19.1	21.9	14.6	18.5
No, because I don't know what purpose do they actually serve	42.1	43.8	33.5	39.8
Other	0.5	1.9	0.3	0.9

Crosstab 12.3

Q1.29. Are you proud to pay taxes? (by Marz), %							
	Refuse to answer	Don't know	Yes, because I fulfill my civil duties	Yes, because this way public problems are solved	No, because they don't serve their purpose	No, because I don't know what purpose do they actually serve	Other
Aragatsotn		3.1	34.3	17.4	13.1	32.1	
Ararat	0.9	4.1	15.8	8.9	24.0	46.4	
Armavir		2.5	29.7	15.4	11.9	40.5	
Gegharkunik		2.7	38.6	8.3	9.2	40.2	0.8
Kotayk		3.5	40.9	5.6	9.2	40.8	
Lori	2.2	2.2	38.3	5.2	18.9	33.3	
Shirak	1.4	2.5	27.2	9.5	17.7	36.7	5.1
Syunik			9.8	10.0	32.2	48.0	
Vayots Dzor	2.7		9.4	6.7	33.3	47.9	
Tavush	1.2	26.6		10.7	36.4	19.8	5.3
Yerevan	0.6	5.5	21.3	10.9	19.1	42.1	0.5
Total	0.7	4.7	25.4	10.0	18.5	39.8	0.9

Crosstab 13.1

Q1.26. What extent do you trust Tax service? (by Marz), %						
Marz	Don't know	Fully distrust	Somewhat distrust	Neither trust, nor distrust	Somewhat trust	Fully trust

Aragatsotn	7.6	20.3	20.5	16.4	30.0	5.2
Ararat	4.3	46.5	8.8	19.9	20.5	
Armavir	4.8	37.5	17.3	17.8	18.2	4.5
Gegharkunik	17.6	9.4	12.8	21.4	34.3	4.6
Kotayk	4.2	24.4	15.3	31.8	22.5	1.8
Lori	8.1	19.8	13.7	29.6	25.7	3.1
Shirak	2.4	18.6	29.3	20.4	27.3	2.1
Syunik	0.0	43.6	18.9	20.6	13.4	3.5
Vayots Dzor	5.5	33.0	31.0	26.7	3.9	
Tavush	5.0	25.7	24.9	36.2	8.3	
Yerevan	12.7	35.7	12.0	17.9	19.1	2.6

Crosstab 13.2

Q1.26. What extent do you trust Customs service? (by Marz), %						
	Don't know	Fully distrust	Somewhat distrust	Neither trust, nor distrust	Somewhat trust	Fully trust
Aragatsotn	22.5	23.3	17.2	14.0	18.3	4.7
Ararat	24.8	41.8	7.6	15.0	10.8	
Armavir	17.9	42.0	13.6	13.7	10.9	1.9
Gegharkunik	27.5	11.2	16.1	22.2	19.6	3.4
Kotayk	5.4	27.5	15.1	32.7	17.5	1.8
Lori	25.1	18.9	12.0	23.2	17.7	3.0
Shirak	10.0	16.0	30.3	25.0	17.2	1.4
Syunik	0.0	45.7	16.8	18.9	16.9	1.8
Vayots Dzor	5.5	42.4	21.6	30.6		
Tavush	1.4	27.9	22.7	44.0	4.0	
Yerevan	18.6	36.5	11.3	17.6	14.0	1.9
Total	16.7	31.3	14.6	21.1	14.4	1.9

Crosstab 13.3

Q1.26. What extent do you trust Ministry of Finance? (by Marz), %						
	Don't know	Fully distrust	Somewhat distrust	Neither trust, nor distrust	Somewhat trust	Fully trust
Aragatsotn	14.1	25.3	24.0	18.2	14.9	3.6
Ararat	14.5	43.1	9.6	21.8	11.0	
Armavir	8.9	46.5	16.4	14.7	10.9	2.6
Gegharkunik	22.3	11.0	14.9	23.2	25.9	2.6
Kotayk	7.9	29.1	13.0	33.9	15.5	0.6
Lori	25.4	21.9	8.9	24.0	17.4	2.3
Shirak	3.2	24.0	32.0	22.0	17.5	1.3
Syunik	0.0	66.2	9.7	3.8	16.9	3.4
Vayots Dzor	2.7	57.3	13.3	11.8	14.9	
Tavush	1.4	24.2	25.1	46.4	2.9	
Yerevan	14.7	39.5	12.9	16.8	13.1	2.9
Total	12.7	35.0	15.1	20.8	14.4	2.1

Crosstab 14.1

Q1.26. What extent do you trust the following institutions? (without "Don't know" answers), %
--

	Distrust	Trust	Neither trust, nor distrust
National Assembly	66	18	16
Ministry of Finance	57	19	24
Customs system	55	20	25
Government	65	21	14
Tax Service	50	26	24
President	59	26	15
Constitutional Court	52	29	19
Judiciary system	52	30	18
Local governments	44	39	17
Ombudsman	34	43	23

Crosstab 14.2

Q1.26. What extent do you trust the following institutions? (by settlement type), %							
		DK/RA	Fully distrust	Somewhat distrust	Neither trust, nor distrust	Somewhat trust	Fully trust
Tax service	Yerevan	13	36	12	18	19	3
	Other urban	5	32	20	24	18	2
	Rural	6	23	15	25	27	3
Custom service	Yerevan	19	37	11	18	14	2
	Other urban	11	32	20	24	11	2
	Rural	20	24	13	23	18	2
Ministry of Finance	Yerevan	15	40	13	17	13	3
	Other urban	10	37	19	20	13	2
	Rural	13	28	14	26	17	1

Crosstab 14.3

Q1.26. What extent do you trust the <u>Tax service</u> ? (by Marz), %						
Marz	Don't know	Fully distrust	Somewhat distrust	Neither trust, nor distrust	Somewhat trust	Fully trust
Aragatsotn	7.6	20.3	20.5	16.4	30.0	5.2
Ararat	4.3	46.5	8.8	19.9	20.5	
Armavir	4.8	37.5	17.3	17.8	18.2	4.5
Gegharkunik	17.6	9.4	12.8	21.4	34.3	4.6
Kotayk	4.2	24.4	15.3	31.8	22.5	1.8
Lori	8.1	19.8	13.7	29.6	25.7	3.1
Shirak	2.4	18.6	29.3	20.4	27.3	2.1
Syunik	0.0	43.6	18.9	20.6	13.4	3.5
Vayots Dzor	5.5	33.0	31.0	26.7	3.9	
Tavush	5.0	25.7	24.9	36.2	8.3	
Yerevan	12.7	35.7	12.0	17.9	19.1	2.6

Crosstab 14.4

Q1.26. What extent do you trust the <u>Ministry of Finance</u> ? (by Marz), %
---



Marz	Don't know	Fully distrust	Somewhat distrust	Neither trust, nor distrust	Somewhat trust	Fully trust
Aragatsotn	14.1	25.3	24.0	18.2	14.9	3.6
Ararat	14.5	43.1	9.6	21.8	11.0	0
Armavir	8.9	46.5	16.4	14.7	10.9	2.6
Gegharkunik	22.3	11.0	14.9	23.2	25.9	2.6
Kotayk	7.9	29.1	13.0	33.9	15.5	0.6
Lori	25.4	21.9	8.9	24.0	17.4	2.3
Shirak	3.2	24.0	32.0	22.0	17.5	1.3
Syunik	0.0	66.2	9.7	3.8	16.9	3.4
Vayots Dzor	2.7	57.3	13.3	11.8	14.9	0
Tavush	1.4	24.2	25.1	46.4	2.9	0
Yerevan	14.7	39.5	12.9	16.8	13.1	2.9
Total	12.7	35.0	15.1	20.8	14.4	2.1

Crosstab 14.5

Q1.26. What extent do you trust the Customs system? (by Marz), %						
	Don't know	Fully distrust	Somewhat distrust	Neither trust, nor distrust	Somewhat trust	Fully trust
Aragatsotn	22.5	23.3	17.2	14.0	18.3	4.7
Ararat	24.8	41.8	7.6	15.0	10.8	0
Armavir	17.9	42.0	13.6	13.7	10.9	1.9
Gegharkunik	27.5	11.2	16.1	22.2	19.6	3.4
Kotayk	5.4	27.5	15.1	32.7	17.5	1.8
Lori	25.1	18.9	12.0	23.2	17.7	3.0
Shirak	10.0	16.0	30.3	25.0	17.2	1.4
Syunik	0.0	45.7	16.8	18.9	16.9	1.8
Vayots Dzor	5.5	42.4	21.6	30.6	0	0
Tavush	1.4	27.9	22.7	44.0	4.0	0
Yerevan	18.6	36.5	11.3	17.6	14.0	1.9
Total	16.7	31.3	14.6	21.1	14.4	1.9

Crosstab 15

Q1.16.1 If you were on a decision maker position in a state agency, which would be your three primary actions? (by Age group), %							
	18-24	25-32	33-39	40-53	54-62	63+	Total
Refuse to answer	0.8	0.7	1.3	0.3	0.5	0.7	0.7
Don't know	2.9	3.1	4.4	4.9	5.5	7.7	5.1
I would make the texts of tax laws simpler and clearer	15.9	16.1	19.0	16.2	13.1	10.5	14.6
I would decrease the frequency of legislation amendments	5.1	4.4	4.8	2.0	5.2	3.7	4.0
I would decrease the number of taxes	38.1	38.1	36.5	41.1	36.9	40.1	38.7
I would decrease tax rates	15.2	13.7	14.3	15.1	13.8	17.9	15.2
I would tighten the penalties for tax violations	7.1	6.7	4.2	4.0	8.8	6.8	6.3

Q1.16.1 If you were on a decision maker position in a state agency, which would be your three primary actions? (by Age group), %							
	18-24	25-32	33-39	40-53	54-62	63+	Total
I would improve the competency level of tax servants	4.6	5.7	5.2	6.3	3.5	2.6	4.6
I would introduce a simple system of tax administration	6.2	3.9	2.5	4.4	3.0	4.8	4.1
I would introduce tax privileges for business activity of tax payers	4.0	7.1	6.3	4.8	6.0	2.6	5.0
Other	0	0.5	1.6	0.8	3.8	2.6	1.7

## ANNEX 5: SELECTED FREQUENCIES OF SURVEY OF TAXPAYING ORGANIZATIONS, INDIVIDUAL ENTREPRENEURS

Q1.1. What is your position?		
	Frequency	Percent
Human Resource Manager	1	0.3
Shareholder/Owner	16	4.0
Individual Entrepreneur	247	61.8
President/Vice President/Executive Director	10	2.5
Director	66	16.5
Financial Manager	7	1.8
Chief Accountant	40	10.0
Head of Legal Service	1	0.3
Consultant	4	1.0
Employee	7	1.8
Founder	1	0.3
Total	400	100.0

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia?		
	Frequency	Percent
Up to 1 year	58	14.5
1-3 years	152	38.0
4-6 years	55	13.8
7-10 years	52	13.0
11-15 years	38	9.5
More than 15 years	45	11.3
Total	400	100.0

Q1.3. What is the organizational-legal status/form of your business?		
	Frequency	Percent
Individual entrepreneur	251	62.8
SNCO	6	1.5
CNCO	5	1.3
Limited liability company	113	28.3
Closed joint stock company	7	1.8
Open joint-stock company	2	0.5

Production cooperative	2	0.5
NGO	5	1.3
Fund	6	1.5
Condominium	3	0.8
Total	400	100.0

<b>Q1.4. Who is the biggest shareholder/participant of your business?</b>		
	Frequency	Percent
I am an individual entrepreneur	251	62.8
Physical person from Armenia	116	29.0
Physical person from abroad	3	0.8
Another Armenian organization	2	0.5
A foreign organization	3	0.8
Non-commercial	25	6.3
Total	400	100.0

<b>Q1.5. And what is the main type of your business operations?</b>		
	Frequency	Percent
Agriculture, Forestry and Fishing	6	1.5
Mining and Quarrying	4	1.0
Manufacturing	21	5.3
Electricity, gas, steam and air conditioning supply	3	0.8
Water supply; sewerage, waste management and remediation activities	1	0.3
Construction	12	3.0
Wholesale and Retail Trade	196	49.0
Transportation and storage	13	3.3
Accommodation and food service activities	11	2.8
Information and communication	15	3.8
Financial and insurance activities	4	1.0
Real Estate Activities	5	1.3
Professional, scientific and technical activities	15	3.8
Administrative and support service activities	3	0.8
Public administration and defense; compulsory social security	1	0.3
Education	17	4.3
Human health and social work activities	11	2.8
Arts, entertainment and recreation	10	2.5
Other service activities	51	12.8
Activities of extraterritorial organizations and bodies	1	0.3
Total	400	100.0

<b>Q1.6. Has the corporate governance system (distribution of authorities between the shareholders, board of directors, the director and the commissions, an internal audit function, etc.) been actually launched in your organization?</b>		
	Frequency	Percent
Don't know	1	0.3
No	322	80.5
Yes	27	6.8
I don't know what it is	50	12.5
Total	400	100.0

<b>Q1.7. Is the director of your enterprise simultaneously also one of the main shareholders/participants?</b>		
	Frequency	Percent
Refuse to answer	1	0.3
Don't know	6	1.5
No	75	18.8
Yes	318	79.5
Total	400	100.0

<b>Q1.8. Is your organization a member of any union, association?</b>		
	Frequency	Percent
No	383	95.8
Yes	17	4.3
Total	400	100.0

<b>Q1.9. If yes, could you give the name of that union?</b>			
	Frequency	Percent	Valid percent
Dentists Association	1	0.3	5.9
Member of Chamber of Councils	2	0.5	11.8
Union of Cognac Producers	1	0.3	5.9
Intern Foongagribiznes Man Association	1	0.3	5.9
Union of Currency Dealers	2	0.5	11.8
Car federation	1	0.3	5.9
Union of Broadcasters	1	0.3	5.9
Union of European Universities	1	0.3	5.9
Union of Mother and Child Health Preservation	1	0.3	5.9
Member of IATA International Association	1	0.3	5.9
An Association member	1	0.3	5.9
An Association member	1	0.3	5.9
Organization of Self-managing Managers	1	0.3	5.9
A network member	1	0.3	5.9
Don't know	1	0.3	5.9
Total	17	4.3	100.0
Skip	383	95.8	
Total	400	100.0	

<b>Q1.10. Do you think unions and associations are able to contribute to the improvement of tax policy and tax administration?</b>		
	Frequency	Percent
Don't know	142	35.5
Completely can	5	1.3
Can rather than cannot	63	15.8
Cannot rather than can	97	24.3
Completely cannot	93	23.3
Total	400	100.0

<b>Q1.11. To what extent the economic entities are involved in discussions of initiatives projecting amendments in the tax legislation?</b>		
	Frequency	Percent
Refuse to answer	2	0.5
Don't know	81	20.3
They are involved and are able to influence	24	6.0
They are involved but are unable to influence	87	21.8
They are not involved	206	51.5
Total	400	100.0

<b>Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment?</b>		
	Frequency	Percent
Refuse to answer	4	1.0
Don't know	25	6.3
Very positive impact	2	0.5
Positive impact	82	20.5
No real impact	136	34.0
Negative impact	93	23.3
Very negative impact	58	14.5
Total	400	100.0

<b>Q2.1. Please mention which of the following types of taxes are paid by your business, %</b>			
	Don't know	No	Yes
Profit tax	3.0	64.0	33.0
Turnover tax	3.5	42.0	54.5
Income tax (income tax and compulsory social security payment)	1.0	2.3	96.8
Value added tax	3.0	73.8	23.3
Excise tax	2.8	91.5	5.8
Property tax	2.5	64.5	33.0
Land tax	2.8	74.3	23.0
Fixed fees	4.8	83.8	11.5
Patent fees	4.8	80.8	14.5
Environmental and natural resource use fees	3.8	90.5	5.8
State duty	4.0	83.8	12.3
Other	0.3	97.5	2.3

<b>Q2.2. How would you characterize today's tax burden, according to the following types of taxes?, %</b>						
	Don't know	Very light	Light	Somewhat heavy	Heavy	Very heavy
Profit tax	19.0	0.3	3.3	36.3	26.0	15.0
Turnover tax	16.0	0.5	4.3	36.3	27.0	16.0
Income tax	1.8	0.3	5.3	34.8	37.5	20.5
Value added tax	28.3	0.0	3.5	25.8	26.0	16.5

Patent fees	37.3	0.3	3.5	27.3	18.8	13.0
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<b>Q2.3. Do you think change in rate (decreasing, increasing) is appropriate in the current economic situation in Armenia?, %</b>					
	Don't know	Decrease	Leave the same	Increase	Remove the types of tax
Profit tax	13.5	64.3	19.0	0.8	2.5
Turnover tax	10.0	67.0	20.0	0.3	2.8
Income tax	1.5	76.0	19.8	0.5	2.3
Value added tax	17.8	63.0	16.5	0.3	2.5
Patent fees	24.0	53.3	20.3	0.5	2.0

<b>Q2.4. How would you characterize the existing tax benefit system?</b>		
	Frequency	Percent
Refuse to answer	2	0.5
Don't know	43	10.8
Effective	39	9.8
With no impact	54	13.5
Ineffective	80	20.0
I even don't know that it exists	182	45.5
Total	400	100.0

<b>Q2.5. Do you think it's reasonable to change it?</b>			
	Frequency	Percent	Valid Percent
Don't know	14	3.5	8.1
Narrow down the scope of the tax benefits to ensure additional tax incomes for the state budget and to implement additional programs of social significance	28	7.0	16.2
Expand the scope of tax benefits to promote the priority sectors and trends.	95	23.8	54.9
Leave unchanged	29	7.3	16.8
Other	7	1.8	4.0
Total	173	43.3	100.0
Skip	227	56.8	
Total	400	100.0	

<b>Q2.6. Do you value the contribution of the Tax Code in unification (simplification) of the tax legislation?</b>		
	Frequency	Percent
Refuse to answer	1	0.3
Don't know	28	7.0
It is important that it is introduced during the upcoming 2 years	232	58.0
It is important that it is introduced during the upcoming 5 years	23	5.8
I don't think it is important	116	29.0
Total	400	100.0

<b>Q2.7. From the standpoint of efficient planning of economic activity, in what intervals it is reasonable that the regular changes in tax legislation are enforced, put into effect?</b>		
	Frequency	Percent
Don't know	22	5.5
Once in six months	27	6.8
Once a year	72	18.0
Once in three years	108	27.0
More than once in three years	171	42.8
Total	400	100.0

<b>Q2.8. Do you think the uncommon tax regimes now underway in Armenia (turnover tax, patent fee, fixed fee) contribute to the tax law abidance?</b>		
	Frequency	Percent
Refuse to answer	2	0.5
Don't know	152	38.0
No	119	29.8
Yes	127	31.8
Total	400	100.0

<b>Q2.8.1. If yes, why?</b>			
	Frequency	Percent	Valid Percent
Don't know	37	9.3	29.1
Makes it easier to pay taxes independently	34	8.5	26.8
Is more convenient and just	39	9.8	30.7
Brings money to the State budget	4	1.0	3.1
Other	13	3.3	10.2
Total	127	31.8	100.0
Skip	273	68.3	
Total	400	100.0	

<b>Q2.8.2. If no, why?</b>			
	Frequency	Percent	Valid Percent
Tax rates are too high	11	2.8	9.2
It is cosmetic (those who are willing do so, those who are not willing don't pay)	17	4.3	14.3
Contributes to the shadow sector	13	3.3	10.9
The system is not legal	11	2.8	9.2
Hinders business development	6	1.5	5.0
The law is flawed	17	4.3	14.3
Other	4	1.0	3.4
Refuse to answer	2	0.5	1.7
Don't know	38	9.5	31.9
Total	119	29.8	100.0
Skip	281	70.3	



Total	400	100.0	
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Q2.9. Do you practice you employ your own accountant or outsource it?		
	Frequency	Percent
Permanent	335	83.8
Accountancy is done outsourcing	65	16.3
Total	400	100.0

Q2.10. Do you use the service of a paid consultant? %		
	No	Yes
Tax consultant	90.6	9.3
Customs consultant	96.7	3.0
Legal consultant	93.7	6.0

Q2.11. In your opinion, what is the biggest advantage of tax law abidance for the business on the whole?		
	Frequency	Percent
Don't know	21	5.3
Acquiring good reputation	49	12.3
Reduced probability to get fined	67	16.8
Contributing to the business development, expansion	79	19.8
Pay taxes and sleep well	146	36.5
Other	3	0.8
There is no advantage	35	8.8
Total	400	100.0

Q2.12. In your opinion, what is the most negative consequence of tax law abidance on the business in general?		
	Frequency	Percent
Refuse to answer	4	1.0
Don't know	40	10.0
Our income will be reduced since we cannot raise adequately the prices of our products/services.	77	19.3
Still, others will not pay, so we are going to suffer in terms of competition	50	12.5
Still, we continue dealing with the unfair and unequal attitude from the tax body. I don't think the tax body will notice and encourage the change in my behavior	95	23.8
Downturn in business, loss of clients	99	24.8
Other	3	0.8
No negative consequence	32	8.0
Total	400	100.0

Q2.13. Do you think business people/businesses give bribes to tax/customs bodies?		
	Frequency	Percent
Refuse to answer	23	5.8
Don't know	107	26.8
No	93	23.3

Yes	177	44.3
Total	400	100.0

Q2.14. Why do they do so? (% in “Yes” answers of Q2.13)			
	Frequency	Percent	Percent of Cases
Refuse to answer	1	0.4	0.6
Don't know	6	2.2	3.4
Because they are motivated to do a special favor	59	21.2	33.3
Save the taxes (money)	64	23.0	36.2
Are concerned that will appear under the “biased” control of the tax body	48	17.3	27.1
Don't want to go deep into the real sense of the law provisions	23	8.3	13.0
Don't want to spend money on additional consultancy	4	1.4	2.3
Don't want to spend money on judicial disputes	7	2.5	4.0
Will not achieve any results anyways, if they protest or go to the court	61	21.9	34.5
Other	5	1.8	2.8
Total	278	100.0	157.1

Q2.15. In your opinion, what are the main reasons that the tax/customs bodies go for it?			
	Frequency	Percent	Valid Percent
Refuse to answer	3	1.0	1.7
Don't know	5	1.7	2.8
Their low salaries	40	13.8	22.6
Legislative gaps which results in the situation when businesses are not able to get prompt and clear explanations	39	13.5	22.0
Poor control	46	15.9	26.0
It is available in all sectors this way or that	42	14.5	23.7
The issue is “systemic”	109	37.7	61.6
Other reasons	5	1.7	2.8
Total	289	100.0	163.3

Q2.16. What steps can you take if a tax inspector provokes with his/her behavior or directly requests a bribe or causes to engage in other illegal actions?			
	Frequency	Percent	Percent of Cases
Refuse to answer	24	4.9	6.0
Don't know	60	12.3	15.0
I can inform about it to his/her boss (not officially)	95	19.5	23.8
I can inform about it to his/her boss (officially)	58	11.9	14.5
I can apply to law enforcement bodies	38	7.8	9.5
I can apply to the Human Rights Defender or to the Court	39	8.0	9.8
I can write a letter to the head of the SRC through SRC website	25	5.1	6.3

Q2.16. What steps can you take if a tax inspector provokes with his/her behavior or directly requests a bribe or causes to engage in other illegal actions?			
	Frequency	Percent	Percent of Cases
Other steps	149	30.5	37.3
Total	488	100.0	122.0
<i>Other Including:</i>			
Will not do anything (it will be senseless and useless), will pay the bribe	38	9.5	
Will pay the bribe	28	7.0	
Will not pay the bribe, (even if forced to pay fines)	51	12.8	
Will close down the firm	5	1.3	
Will beat them up	7	1.8	
Will call the hot line number	3	0.8	
Will take the matter up with people I know	3	0.8	
I have never been asked	5	1.3	
Other	9	2.3	
Total	149	37.3	

Q2.17. In your opinion, what are the steps that the tax payer usually takes in such situations?			
	Frequency	Percent	Percent of Cases
Refuse to answer	8	1.5	2.0
Don't know	55	10.4	13.8
Inform the head about it (not officially)	38	7.2	9.5
Inform the head about it (officially)	9	1.7	2.3
Apply to law enforcement bodies	8	1.5	2.0
Apply to the Human Rights Defender or to the Court	21	4.0	5.3
Write a letter to the head of the SRC through SRC website	6	1.1	1.5
Discuss and come to consensus	223	42.2	55.8
Don't do anything	158	29.9	39.5
Other	2	0.4	0.5
	528	100.0	132.0

Q2.18. There are many cases when tax inspectors refused the suggested bribes; what are the reasons for it?			
	Frequency	Percent	Percent of Cases
Refuse to answer	11	1.9	2.8
Don't know	72	12.7	18.0
It contradicts the code of conduct of a state employee and norms of ethics	49	8.6	12.3
Human attitude to the business when violation is in fact not significant	29	5.1	7.3
Could not close the issue of hiding the violation	92	16.2	23.0
Perhaps were afraid of the consequences	172	30.3	43.0
The suggested amount of money was small	123	21.7	30.8
Other	6	1.1	1.5

There is no such cases	13	2.3	3.3
	567	100.0	141.8

Q3.1. Tell me please, did any tax inspection (study) take place in your organization/ business during 2011-2013?		
	Frequency	Percent
No	184	46.0
Yes	216	54.0
Total	400	100.0

Q3.2. What kind of tax inspection (study, measurement) has been performed in your organization/business during 2011-2013?, % in "Yes" answers of Q3.1-h			
	Don't know	No	Yes
Checking the accuracy of relationships with the state budget	2.8	56.0	41.2
Based on the application about VAT return or clearing	3.7	75.9	18.5
Cross checking	4.2	66.2	29.2
Checking of any unregistered employees	2.8	41.2	56.0
Checking of cash receipts	2.3	27.3	67.1
Other	1.4	91.7	6.9

Q3.3. Was the inspection of accuracy of the relationship with the state budget in the scope of the annual plan approved by the tax body?			
	Frequency	Percent	Valid Percent
Don't know	7	1.8	7.9
It was within the scope of the plan	6	1.5	6.7
It was beyond the scope of the plan	76	19.0	85.4
Total	89	22.3	100.0
Skip	311	77.8	
Total	400	100.0	

Q3.4. What was the ground for the inspection out of the plan?			
	Frequency	Percent	Valid Percent
Don't know	1	0.3	16.7
No grounds are mentioned in the order	3	0.8	50.0
According to the investigators' decision that we were informed about	2	0.5	33.3
Total	6	1.5	100.0
Skip	394	98.5	
Total	400	100.0	

Q3.5. Using a scale of 1 to 5, where '1' means "Completely uninformed" and '5' means "Completely informed", please mention to what extent you are informed about your rights related to the tax inspections (studies, measurements).		
	Frequency	Percent
Don't know	4	1.0
Completely uninformed	69	17.3
2	51	12.8

3	95	23.8
4	58	14.5
Completely informed	123	30.8
Total	400	100.0

Q3.6. Using a scale of 1 to 5, where “1” means “Fully unable” and “5” means “fully able”, please mention to what extent you are able to exercise your rights.		
	Frequency	Percent
Don't know	7	1.8
Fully unable	57	14.3
2	57	14.3
3	114	28.5
4	60	15.0
Fully able	105	26.3
Total	400	100.0

Q3.7. Which of the below items are the negative sides of tax inspections for your business.			
	Frequency	Percent	Percent of Cases
Refuse to answer	5	1.0	1.3
Don't know	31	6.1	7.8
Mainly the lengthy, time-consuming process	89	17.5	22.3
Formal approach, negligence of the content of operations	95	18.7	23.8
Presumption of guilt of the tax payer from the very beginning	99	19.5	24.8
Creating panic by the tax inspector	103	20.3	25.8
Other	20	3.9	5.0
None of the above	66	13.0	16.5
Total	508	100.0	127.0
<b>Other Including:</b>			
<i>No negative sides</i>	4	1.0	
<i>There have been no tax inspections so far</i>	8	2.0	
<i>It interferes with the work</i>	5	1.3	
<i>Other</i>	3	0.8	

Q3.8. Which of the below items are the positive sides of tax inspections for your business?			
	Frequency	Percent	Percent of Cases
Refuse to answer	5	1.0	1.3
Don't know	39	7.8	9.8
Seeing different evaluation on the company's indicators	42	8.4	10.5
Seeing own mistakes and correcting them	177	35.4	44.3
“Riddance” without penalties and additional taxes creates a feeling of satisfaction for the paid debts	45	9.0	11.3
Strengthens the team spirit of the staff	16	3.2	4.0
Improves the relationship with tax bodies for future	81	16.2	20.3
Other	20	4.0	5.0

None of the above	75	15.0	18.8
Total	500	100.0	125.0
<b>Other Including:</b>			
<i>No positive sides</i>	15	3.8	
<i>There have been no tax inspections so far</i>	5	1.3	
<b>Q3.9. Have you ever expressed your disagreement about the results of tax inspections?</b>			
	Frequency	Percent	
Refuse to answer	4	1.0	
Don't know	4	1.0	
No	224	56.0	
Yes	75	18.8	
There are no controls	93	23.3	
Total	400	100.0	

<b>Q3.9.1 Have you ever expressed your disagreement about the results of tax inspections?</b>			
	Frequency	Percent	Valid Percent
Refuse to answer	4	1	1.3
Don't know	4	1	1.3
No	224	56	73
Yes	75	18.75	24.4
Total	307	76.75	100
There are no controls	93	23.25	
Total	400	100	

<b>Q3.10. What steps have you taken?</b>				
	Percent		Frequency	
	No	Yes	No	Yes
Presented disagreement on the draft inspection act	54.7	45.3	41	34
Presented objection on the inspection act to the appeal commission of the tax body	93.3	6.7	70	5
Turned to the court	93.3	6.7	70	5
Expressed the dissatisfaction in friends company	18.7	81.3	14	61

<b>Q3.11. Using a scale of 1-5, where '1' means "Fully dissatisfied" and '5' means "Fully satisfied", please tell me how satisfied you are with the results, %</b>							
	DK	Not applicable	Fully dissatisfied	Dissatisfied	Neutral	Satisfied	Fully satisfied
During the discussion about the draft inspection act	2.9	17.1	22.9	25.7	14.3	2.9	14.3
A. In the Appeal Commission of the SRC	2.9	65.7	8.6	11.4	8.6	0.0	2.9
B. In the Inter-Departmental Appeal Council	2.9	71.4	2.9	8.6	11.4	0.0	2.9
During the court trial	2.9	74.3	0.0	0.0	17.1	0.0	5.7

<b>Q3.12. Do you consider it justified to observe nonpayment of taxes as economic crime and to prosecute for that?</b>		
	Frequency	Percent
Refuse to answer	2	0.5
Don't know	15	3.8
No	127	31.8
Yes	256	64.0
Total	400	100.0

<b>Q 4.1. Which of the following definitions do you think should serve as the main goal of a tax authority?</b>			
	Frequency	Percent	Percent of Cases
Refuse to answer	1	0.1	0.3
Don't know	11	1.6	2.8
Assist tax payers to calculate taxes according to the legislation	144	21.0	36.0
Collect as much taxes as the business can afford	149	21.7	37.3
Implement strict control of tax payers	42	6.1	10.5
Fulfill the tax plan at any cost	40	5.8	10.0
Effectively spend the government money	95	13.8	23.8
Treat people with respect acting as exemplary public servant	204	29.7	51.0
	686	100.0	171.5

<b>Q 4.2. Using a scale of 1-10, where '1' means "Fully justified" and '10' means "Not justified at all", please tell me how justified it is to cheat on taxes when possible?</b>		
	Frequency	Percent
Refuse to answer	2	0.5
Don't know	11	2.8
Fully justified	27	6.8
2	6	1.5
3	17	4.3
4	10	2.5
5	45	11.3
6	12	3.0
7	26	6.5
8	43	10.8
9	21	5.3
Not justified at all	180	45.0
Total	400	100.0

Q 4.3. Using a scale of 1-10, where '1' means "Nearly no one" and 10 means "Nearly everyone", do you think people cheat on taxes when possible?		
	Frequency	Percent
Refuse to answer	2	0.5
Don't know	62	15.5
Nearly no one	16	4.0
2	15	3.8
3	27	6.8
4	19	4.8
5	102	25.5
6	22	5.5
7	40	10.0
8	38	9.5
9	25	6.3
Nearly everyone	32	8.0
Total	400	100.0

Q4.4. In your opinion, what are the main reasons for not paying or hiding the taxes?			
	Frequency	Percent	Percent of Cases
Refuse to answer	1	0.1	0.3
Don't know	8	1.2	2.0
High taxes	222	32.5	55.5
Frequent changes or unclearness of tax legislation	60	8.8	15.0
Too high fines when tax errors are made, measures holding responsible are too strict	25	3.7	6.3
Complicated procedure of calculating and paying the taxes, too much paper work	25	3.7	6.3
The wish to escape appearing within the focus of the tax authorities	21	3.1	5.3
Difficulty or impossibility to get clear information, clarifications from the tax body	20	2.9	5.0
Frequency of tax inspections	8	1.2	2.0
Desperate financial situation	143	20.9	35.8
Unfair treatment of different business	115	16.8	28.8
Others do the same	21	3.1	5.3
Other	14	2.0	3.5
Total	683	100.0	170.8
<b>Other Including:</b>			
<i>To gain extra income</i>	10	2.5	71.4
<i>Other</i>	4	1.0	28.6



**Q4.5. There is a theory, according to which the higher are the tax rates, the more people cheat on taxes, while, when the government reduces the taxes, everybody pays, and the budget gets more money. Do you think this option is applicable for Armenia?**

	Frequency	Percent
Refuse to answer	1	0.3
Don't know	17	4.3
No	63	15.8
Yes	319	79.8
Total	400	100.0

**Q4.6. If the government needs additional money in a force-majeure situation, which would be the better option?**

	Frequency	Percent
Refuse to answer	3	0.8
Don't know	81	20.3
Taking debt from its people	111	27.8
Taking debt from other countries	109	27.3
Raise taxes for that particular period	14	3.5
Other	82	20.5
Total	400	100.0
<i>Other Including:</i>		
<i>Spend money in a right way</i>	26	6.5
<i>Let oligarchs pay</i>	10	2.5
<i>Let high-ranking official pay out of their pockets</i>	11	2.8
<i>Increase tax rates for big taxpayers</i>	9	2.2
<i>Let the rich pay</i>	12	3.0
<i>Other</i>	14	3.5

**Q 4.7. Let's imagine that the government has decided to reduce the taxes. Will people in Armenia be ready to cooperate, i.e. to stop cheating the taxes?**

	Frequency	Percent
Refuse to answer	1	0.3
Don't know	12	3.0
No	62	15.5
Yes	325	81.3
Total	400	100.0

**Q 4.8. Would you agree to lower the taxes but to strengthen the responsibility in cases of breaching the law (add more fines and hold those who breach otherwise liable).**

	Frequency	Percent
Refuse to answer	2	0.5
Don't know	13	3.3
No	36	9.0
Yes	349	87.3
Total	400	100.0

**Q 4.9. Do you think formulating (optimizing and planning) transactions in a certain way to reduce taxes is a permissible and quite acceptable practice (for example, if a company hires a disabled person, then it obtains a privilege in payment of profit tax; or opens a new company next to the existing one and/or divides it into parts to make use of the advantages of small businesses)?**

	Frequency	Percent
Refuse to answer	4	1.0
Don't know	85	21.3
No	125	31.3
Yes	186	46.5
Total	400	100.0

**Q4.9.1. Why it is acceptable? % in "Yes" answers of Q4.9**

	Frequency	Percent	Valid Percent
Don't know	41	10.3	22.0
Creates jobs (small businesses develop)	10	2.5	5.4
Provides jobs for the disabled	43	10.8	23.1
Not to pay high/heavy taxes	21	5.3	11.3
Acceptable because allowed by law	59	14.8	31.7
To get additional income	12	3.0	6.5
Total	186	46.5	100.0
Skip	214	53.5	
Total	400	100.0	

**Q4.9.2. Why it is not acceptable? % in "No" answers of Q4.9**

	Frequency	Percent	Valid Percent
Refuse to answer	1	0.3	0.8
Don't know	26	6.5	20.8
Unjust, dishonest. All are equal.	31	7.8	24.8
If they have income, let them pay taxes.	16	4.0	12.8
Unlawful because they hide taxes.	40	10.0	32.0
They use the disabled in their own interest/to their own ends.	4	1.0	3.2
Create difficulties for small businesses.	7	1.8	5.6
Total	125		
Skip	275	68.8	
Total	400	100.0	

Q4.10. If you were on a decision maker position in a state agency, which would be your three primary actions?			
	Frequency	Percent	Percent of Cases
Refuse to answer	1	0.1	0.3
Don't know	8	0.8	2.0
I would make the texts of tax laws more simple and more clear	174	17.9	43.5
I would decrease the frequency of legislation amendments	91	9.4	22.8
I would decrease the number of taxes	176	18.1	44.0
I would decrease tax rates	193	19.8	48.3
I would tighten the penalties for tax violations	36	3.7	9.0
I would improve the competency level of tax servants	46	4.7	11.5
I would introduce a simple system of tax administration	129	13.3	32.3
I would introduce tax privileges for business activity of tax payers	101	10.4	25.3
Other	18	1.8	4.5
Total	973	100.0	243.3
<b>Other Including:</b>			
<i>Will exempt from taxes</i>	<i>6</i>	<i>1.5</i>	
<i>Will establish justice</i>	<i>5</i>	<i>1.3</i>	
<i>Other</i>	<i>7</i>	<i>1.8</i>	

Q 4.11. On a scale of 1-5, where '1' means "Completely disagree" and 5 means "Completely agree", please indicate to what extent do you agree with the following statement.						
	RA	DK	Completely disagree	Disagree	Agree	Completely agree
If you see more useful social and other services, e.g. police, army, free education, etc., you will be willing to pay more taxes	0.3	3.8	8.0	28.5	46.0	13.5
Everybody, including those enjoying protection and "roof", pay taxes as everybody else does	0.3	8.8	38.5	23.8	19.8	9.0
The government should raise tax rates for the rich, to promote social justice in the society	1.0	3.8	6.0	23.0	37.3	29.0
The public services that you get against the taxes you pay are truly useful to you	0.5	13.0	20.0	37.5	24.8	4.3
You have full access to the necessary information on tax rates, laws and regulations	0.5	4.5	7.0	37.8	38.3	12.0
If paying tax was easy and less time-consuming, people would be more willing to pay them	0.5	4.5	6.8	21.8	51.5	15.0
The tax system in Armenia is predictable. We can accurately forecast how the tax burden will look like next year	0.5	9.5	40.5	35.0	11.3	3.3
Effectively executed corporate governance system (distribution of shareholders, board of directors, between the director and committees, functions of internal audit, etc.) contributes to tax lawful.	0.5	49.5	5.5	16.8	25.8	2.0
Dealing with employees of the tax inspection is	0.8	5.5	7.3	17.0	42.3	27.3

<b>Q 4.11. On a scale of 1-5, where '1' means "Completely disagree" and 5 means "Completely agree", please indicate to what extent do you agree with the following statement.</b>						
	RA	DK	Completely disagree	Disagree	Agree	Completely agree
stressful						
Laws are applied equally to all taxpayers	0.5	6.3	43.8	35.0	11.0	3.5
If the business representatives believe that the taxes are fair, then they will be always willing to pay them	0.5	4.8	0.8	8.0	60.3	25.8
If you see less corruption, you will be willing to pay more taxes	0.8	6.5	6.0	20.8	43.5	22.5
To have more fair tax system and society, I am ready to tolerate even a more sophisticated tax legislation	0.5	12.8	11.3	29.3	35.8	10.5
Application of tax prepayments requested illegally has a negative impact on the tax law abidance	0.5	12.5	1.5	9.0	48.3	28.3
Pay taxes and sleep well	0.5	1.5	1.0	6.0	47.3	43.8

<b>Q5.1. What are your main sources of receiving information about the changes in tax system/procedures?</b>			
	Frequency	Percent	Percent of Cases
Refuse to answer	2	0.3	0.5
Don't know	7	0.9	1.8
Directly the tax bodies	193	25.6	48.3
The website of the Tax Service	114	15.1	28.5
Official bulletins	55	7.3	13.8
Other persons/businesses	148	19.7	37.0
Public agencies involved in protection of rights	6	0.8	1.5
Printed sources	27	3.6	6.8
Electronic media	57	7.6	14.3
Social networks (Facebook, LinkedIn, Twitter...)	24	3.2	6.0
Consultancy companies	18	2.4	4.5
Mass media (TV, radio)	93	12.4	23.3
None of the above	9	1.2	2.3
Total	753	100.0	188.3

<b>Q5.2. Please mention, what is the preferable and most reliable way of receiving information from a tax body?</b>			
	Frequency	Percent	Percent of Cases
Refuse to answer	6	1.1	1.5
Don't know	22	4.2	5.5
Visits to the tax payer service centers	149	28.3	37.3
Hot line	23	4.4	5.8
Phone call to the tax inspector whom I know or who provides service	132	25.0	33.0
Visits to websites: <a href="http://www.taxservice.am/">http://www.taxservice.am/</a> or <a href="http://www.customs.am">www.customs.am</a>	128	24.3	32.0
Call center	18	3.4	4.5

<b>Q5.2. Please mention, what is the preferable and most reliable way of receiving information from a tax body?</b>			
	Frequency	Percent	Percent of Cases
Written inquiry to the SRC to receive an official clarification	11	2.1	2.8
Written inquiry to the SRC to receive explanation (opinion)	5	0.9	1.3
Written inquiry to the RA Ministry of Finance to receive explanation (opinion) about the particular provisions of the law	1	0.2	0.3
Other	32	6.1	8.0
Total	527	100.0	131.8
<b>Other Including:</b>			
<i>Mass media</i>	4	1.0	
<i>The accountant</i>	8	2.0	
<i>Electronic messages</i>	8	2.0	
<i>Printed sources</i>	4	1.0	
<i>Other(consulting companies; friends)</i>	8	2.0	

<b>Q5.3. Using a scale of 1-5, where '1' means "Completely useless" and '5' means "Very useful", how would you assess the following services delivered by the RA Tax Service?</b>						
	RA	DK	Completely useless	Useless	Useful	Very useful
Electronic system of submitting the reports	0.5	15.3	2.0	7.0	45.0	30.2
E-invoicing system	0.5	33.0	1.8	6.8	36.8	21.2
RA tax payers search system	0.5	34.0	1.3	8.5	35.3	20.5
Online notification system	0.5	30.3	2.0	7.5	41.3	18.5
Online correspondence system	0.5	32.3	2.3	7.3	39.8	18.0
System of registration of law abiding tax payers	0.5	32.0	2.0	6.8	39.8	19.0
Tax calendar	0.5	25.0	1.3	6.5	41.8	25.0
Email delivery system	0.8	29.0	2.3	6.3	42.5	19.2
Hot line	0.5	20.8	4.0	9.5	44.3	21.0
Call center	0.5	24.0	2.8	9.0	43.5	20.2

<b>Q5.4. In your opinion, to what extent the delivery of the following services by the SRC contributes to the improvement of the public confidence towards the main goal of the SRC. Use a 1-5 scale, where '1' means "Does not contribute at all" and '5' means "Fully contributes".</b>							
	RA	DK	Does not contribute at all	2	3	4	Fully contributes
Control over currency regulation and law provisions	1.3	30.8	15.5	11.0	15.5	16.8	9.25
Application of accounting software	1.0	29.5	10.0	5.8	19.3	24.3	10.25
Application of cash transaction limit	1.0	31.8	13.3	9.0	21.5	18.5	5
Implementation of preliminary investigation and probe	1.0	29.8	10.8	11.3	21.5	17.5	8.25
Control over involvement in entrepreneurial activity without state registration and/or without a license (illegal activity)	1.0	25.5	9.5	8.8	18.5	24.3	12.5

<b>Q5.5. What new services do you think should be delivered by the SRC?</b>		
	Frequency	Percent
Refuse to answer	8	2.0
Don't know	213	53.3
No suggestions	28	7.0
No need for new services, let them provide existing services with justice and high quality	46	11.5
Will cut tax rates (eliminate taxes altogether)	20	5.0
Make information easily accessible and better spread	36	9.0
Simplify the system and the laws	17	4.3
Grant privileges for and support new and small and medium businesses	11	2.8
Increase electronic services	4	1.0
Close down that committee	4	1.0
Other	13	3.3
Total	400	100.0

<b>Q6.1. Is your business involved in import and/or export operations?</b>		
	Frequency	Percent
Refuse to answer	1	0.3
Import	44	11.0
Export	1	0.3
Both	7	1.8
None	347	86.8
Total	400	100.0

<b>Q6.2. Is the existence of customs broker institute justified or you would prefer to do customs drawing up independently?</b>			
	Frequency	Percent	Valid Percent
Don't know	5	1.3	9.6
It is preferable through a broker	28	7.0	53.8
Do the drawing up independently is preferable	15	3.8	28.8
No difference	4	1.0	7.7
Total	52	13.0	100.0
Skip	348	87.0	
	400	100.0	

<b>Q6.3. Through what agency should the coding be done in accordance with the FEA PL (External Economic Activity Product List) classification), in terms of most efficient public trust?</b>			
	Frequency	Percent	Valid Percent
Don't know	14	3.5	26.9
Through Customs Service	10	2.5	19.2
Directly through the importer	12	3.0	23.1
Through the Chamber of Commerce	6	1.5	11.5
Through other bodies	4	1.0	7.7
Not important	6	1.5	11.5
Total	52	13.0	100.0
Skip	348	87.0	
Total	400	100.0	

<b>Q6.4. How would you characterize the existing in Armenia practices of determining the customs value based on the orientation prices.</b>			
	Frequency	Percent	Valid Percent
Don't know	5	1.3	9.6
It is appropriate and acceptable for the current situation in our country	3	0.8	5.8
It is imperfect since allows to subjectively refuse the method of the transaction's price	11	2.8	21.2
It is unacceptable, because, as a rule, is not based on the transaction price method	26	6.5	50.0
It is imperfect since the methodology of determining the orientation prices is not transparent	4	1.0	7.7
I am indifferent	3	0.8	5.8
Total	52	13.0	100.0
Skip	348	87.0	
	400	100.0	

<b>Q7.1. How much money do you approximately spend yearly on trainings on accounting and tax topics?</b>		
	Frequency	Percent
Refuse to answer	4	1.0
Don't know	10	2.5
0	333	83.3
Up to 250 000 AMD	47	11.8
250 001 - 500 000 AMD	4	1.0
500 001 -1 000 000 AMD	2	0.5
Total	400	100.0

<b>Q7.2. How would you characterize the activity of your company/business in the previous fiscal year?</b>		
	Frequency	Percent
Refuse to answer	4	1.0
Don't know	6	1.5
Very poor (major losses during the previous year)	63	15.8
Poor (certain losses during the previous year)	124	31.0
Stable	169	42.3
Good (certain profit during the previous year)	33	8.3
Very good (major profit during the previous year)	1	0.3
Total	400	100.0

<b>Q 7.3. How would you describe the perspectives of your organization/business over the next three years?</b>		
	Frequency	Percent
Refuse to answer	3	0.8
Don't know	77	19.3
Very poor (major losses during the previous year)	65	16.3
Poor (certain losses during the previous year)	87	21.8
Stable	103	25.8
Good (certain profit during the previous year)	57	14.3
Very good (major profit during the previous year)	8	2.0
Total	400	100.0

<b>Q 7.4. Who is the main client of your goods or services?</b>		
	Frequency	Percent
Refuse to answer	2	0.5
Don't know	2	0.5
Individuals/final users/final consumers	325	81.3
Other companies	60	15.0
Government	4	1.0
NGOs or international organizations	4	1.0
Other	3	0.8
Total	400	100.0



## ANNEX 6. SOME CROSSTABS FROM Survey of Taxpaying Organizations and Individual Entrepreneurs

Crosstab1

Q2.1. Please mention which of the following types of taxes are paid by your business ( <i>without Individual Entrepreneurs (IE)</i> ), %			
	DK	No	Yes
Profit tax	0.0	47.0	53.0
Turnover tax	2.0	52.3	45.6
Income tax (income tax and compulsory social security payment)	0.0	1.3	98.7
Value added tax	0.0	60.4	39.6
Excise tax	0.7	93.3	6.0
Property tax	0.0	54.4	45.6
Land tax	1.3	74.5	24.2
Fixed fees	4.0	86.6	9.4
Patent fees	2.0	81.9	16.1
Environmental and natural resource use fees	1.3	87.9	10.7
State duty	2.7	80.5	16.8
Other	0.0	96.6	3.4

Crosstab2

Q2.1. Please mention which of the following types of taxes are paid by your business ( <i>without IE and non-commercials</i> ), %			
	DK	No	Yes
Profit tax	0.0	41.9	58.1
Turnover tax	2.4	43.5	54.0
Income tax (income tax and compulsory social security payment)	0.0	1.6	98.4
Value added tax	0.0	57.3	42.7
Excise tax	0.8	91.9	7.3
Property tax	0.0	50.8	49.2
Land tax	1.6	72.6	25.8
Fixed fees	4.0	84.7	11.3
Patent fees	1.6	79.0	19.4
Environmental and natural resource use fees	1.6	86.3	12.1
State duty	2.4	79.0	18.5
Other	0.0	96.0	4.0

Crosstab3

Q1.6. Has the corporate governance system been actually launched in your organization? <i>(by organizational-legal status/form of the business)</i> , %					
		DK	No	Yes	I don't know what it is
IE	Frequency	0	205	5	41
	Percent	0	82	2	16
SNCO	Frequency	0	2	3	1
	Percent	0	33	50	17
CNCO	Frequency	0	5	0	0
	Percent	0	100	0	0
LLC	Frequency	1	93	11	8
	Percent	1	82	10	7
CJSO	Frequency	0	3	4	0
	Percent	0	43	57	0
OJSC	Frequency	0	2	0	0
	Percent	0	100	0	0
PC	Frequency	0	2	0	0
	Percent	0	100	0	0
NGO	Frequency	0	3	2	0
	Percent	0	60	40	0
Fund	Frequency	0	6	0	0
	Percent	0	100	0	0
Condominium	Frequency	0	1	2	0
	Percent	0	33	67	0
Total	Frequency	1	322	27	50
	Percent	0	81	7	13

Crosstab 4

Q1.6. Has the corporate governance system been actually launched in your organization? <i>(by the biggest shareholder/participant of your business)</i> , %					
		DK	No	Yes	I don't know what it is
I am an individual entrepreneur	Frequency	0	205	5	41
	Percent	0	82	2	16
Physical person from Armenia	Frequency	0	95	14	7
	Percent	0	82	12	6
Physical person from abroad	Frequency	0	2	0	1
	Percent	0	67	0	33
Another Armenian organization	Frequency	0	1	1	0
	Percent	0	50	50	0
A foreign organization	Frequency	1	2	0	0
	Percent	33	67	0	0
Non-commercial	Frequency	0	17	7	1
	Percent	0	68	28	4
Total	Frequency	1	322	27	50
	Percent	0	81	7	13

Crosstab 4.1

<b>Q1.6. Has the corporate governance system been actually launched in your organization? (by Import/Export operations), %</b>					
		DK	No	Yes	I don't know what it is
RA	Frequency	0	1	0	0
	Percent	0	100	0	0
Import	Frequency	1	35	4	4
	Percent	2	80	9	9
Export	Frequency	0	0	1	0
	Percent	0	0	100	0
Both	Frequency	0	4	3	0
	Percent	0	57	43	0
None	Frequency	0	282	19	46
	Percent	0	81	5	13
Total	Frequency	1	322	27	50
	Percent	0	81	7	13

Crosstab 5

<b>Q1.7. Is the director of your enterprise simultaneously also one of the main shareholders/participants? (without IE and non-commercials)</b>		
	Frequency	Percent
Don't know	3	2.4
No	22	17.7
Yes	99	79.8
Total	124	100

Crosstab 6

<b>Q1.6 Has the corporate governance system been actually launched in your organization? (Answers of Businesses from Agriculture, Manufacturing and Mining sectors, Q1.5=1;2;3))</b>		
	Frequency	Percent
No	28	90.3
Yes	2	6.5
I don't know what it is	1	3.2
Total	31	100

Crosstab 7

<b>Q1.6 Has the corporate governance system been actually launched in your organization? (Answers of Businesses from Trade sector, Q1.5=1;2;3)</b>		
	Frequency	Percent
Don't know	1	0.5
No	161	82.1
Yes	4	2.0
I don't know what it is	30	15.3
Total	196	100

*Crosstabs 8-12 provide data on businesses, who answered "Yes" to Q1.6*

Crosstab 8

<b>Q1.5. What is the main type of your business operations?</b>
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	Frequency	Percent
Agriculture, Forestry and Fishing	1	3.7
Mining and Quarrying	1	3.7
Electricity, gas, steam and air conditioning supply	1	3.7
Construction	1	3.7
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	4	14.8
Information and communication	3	11.1
Financial and insurance activities	1	3.7
Real Estate Activities	2	7.4
Education	4	14.8
Human health and social work activities	1	3.7
Arts, entertainment and recreation	1	3.7
Other service activities	7	25.9
Total	27	100

Crosstab 9

Q1.4. Who is the biggest shareholder/participant of your business?		
	Frequency	Percent
I am an individual entrepreneur	5	18.5
Physical person from Armenia	14	51.9
Another Armenian organization	1	3.7
Non-commercial	7	25.9
Total	27	100

Crosstab 10

Q1.3. What is the organizational-legal status/form of your business?		
	Frequency	Percent
Individual entrepreneur	5	18.5
SNCO	3	11.1
Limited liability company	11	40.7
Closed joint stock company	4	14.8
NGO	2	7.4
Condominium	2	7.4
Total	27	100

Crosstab 11

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia?		
	Frequency	Percent
1 – 3 years	8	29.6
4 – 6 years	5	18.5
7 – 10 years	5	18.5
11 – 15 years	1	3.7
More than 15 years	8	29.6
Total	27	100

Crosstab 12

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia?		
	Frequency	Percent
Up to 1 year	14	18.7
1 – 3 years	20	26.7
4 – 6 years	9	12.0
7 – 10 years	9	12.0
11 – 15 years	5	6.7
More than 15 years	18	24.0
Total	75	100

*Crosstabs 13-16 provide data on businesses, who answered “No” to Q1.7*

Crosstab 13

Q1.3. What is the organizational-legal status/form of your business?		
	Frequency	Percent
Individual entrepreneur	30	40.0
SNCO	6	8.0
CNCO	5	6.7
Limited liability company	19	25.3
Closed joint stock company	3	4.0
NGO	3	4.0
Fund	6	8.0
Condominium	3	4.0
Total	75	100.0

Crosstab 14

Q1.4. Who is the biggest shareholder/participant of your business?		
	Frequency	Percent
I am an individual entrepreneur	30	40.0
Physical person from Armenia	17	22.7
Physical person from abroad	1	1.3
Another Armenian organization	2	2.7
A foreign organization	2	2.7
Non-commercial	23	30.7
Total	75	100

Crosstab 15

Q1.5. And what is the main type of your business operations?		
	Frequency	Percent

Q1.5. And what is the main type of your business operations?		
	Frequency	Percent
Agriculture, Forestry and Fishing	3	4.0
Electricity, gas, steam and air conditioning supply	1	1.3
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	25	33.3
Transportation and storage	3	4.0
Accommodation and food service activities	3	4.0
Information and communication	3	4.0
Real Estate Activities	3	4.0
Professional, scientific and technical activities	3	4.0
Education	13	17.3
Human health and social work activities	2	2.7
Arts, entertainment and recreation	5	6.7
Other service activities	10	13.3
Activities of extraterritorial organizations and bodies	1	1.3
Total	75	100.0

Crosstab 16

Q1.6 Has the corporate governance system been actually launched in your organization?		
	Frequency	Percent
No	50	66.7
Yes	11	14.7
I don't know what it is	14	18.7
Total	75	100

*Crosstabs 17-22 provide data on businesses, who answered "Yes" to Q1.8*

Crosstab 17

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia?		
	Frequency	Percent
Up to 1 year	1	5.9
1 – 3 years	4	23.5
4 – 6 years	2	11.8
7 – 10 years	6	35.3
11 – 15 years	2	11.8
More than 15 years	2	11.8
Total	17	100

Crosstab 18

Q1.3. What is the organizational-legal status/form of your business?		
	Frequency	Percent

Individual entrepreneur	7	41.2
Limited liability company	7	41.2
NGO	2	11.8
Fund	1	5.9
Total	17	100

Crosstab 19

Q1.4. Who is the biggest shareholder/participant of your business?		
	Frequency	Percent
Individual entrepreneur	7	41.2
Physical person from Armenia	5	29.4
Another Armenian organization	1	5.9
A foreign organization	1	5.9
Non-commercial	3	17.6
Total	17	100

Crosstab 20

Q1.5. And what is the main type of your business operations?		
	Frequency	Percent
Mining and Quarrying	1	5.9
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	1	5.9
Information and communication	3	17.6
Financial and insurance activities	1	5.9
Real Estate Activities	1	5.9
Professional, scientific and technical activities	2	11.8
Education	4	23.5
Human health and social work activities	1	5.9
Arts, entertainment and recreation	1	5.9
Other service activities	2	11.8
Total	17	100

Crosstab 21

Q2.2 How would you characterize today's tax burden, according to the following types of taxes:							
		Don't know	Very light	Light	Somewhat heavy	Heavy	Very heavy
Profit tax	Percent	29.4	0.0	0.0	5.9	35.3	29.4
	Frequency	5	0	0	1	6	5
Turnover tax	Percent	23.5	0.0	5.9	11.8	29.4	29.4
	Frequency	4	0	1	2	5	5
Income tax	Percent	0.0	0.0	0.0	17.6	29.4	52.9
	Frequency	0	0	0	3	5	9
Value added tax	Percent	29.4	0.0	0.0	17.6	23.5	29.4
	Frequency	5	0	0	3	4	5
Patent fees	Percent	23.5	5.9	11.8	5.9	29.4	23.5
	Frequency	4	1	2	1	5	4

Crosstab 22

Q2.3. Do you think change in rate (decreasing, increasing) is appropriate in the current economic situation in Armenia?, %						
		Don't know	Decrease	Leave the same	Increase	Remove the types of tax
Profit tax	Percent	11.8	76.5	5.9	5.9	0.0
	Frequency	2	13	1	1	0
Turnover tax	Percent	17.6	64.7	11.8	0.0	5.9
	Frequency	3	11	2	0	1
Income tax	Percent	0.0	82.4	17.6	0.0	0.0
	Frequency	0	14	3	0	0
Value added tax	Percent	11.8	76.5	5.9	0.0	5.9
	Frequency	2	13	1	0	1
Patent fees	Percent	11.8	58.8	23.5	5.9	0.0
	Frequency	2	10	4	1	0

Crosstab 23

Q3.8 Which of the below items are the positive sides of tax inspections for your business? (Answers of those, who responded "Phone call to the tax inspector whom I know or who provides service" to Q5.2-p)			
	Frequency	Percent	Percent of Cases
Refuse to answer	2	1.2	1.5
Don't know	9	5.4	6.8
Seeing different evaluation on the company's indicators	14	8.4	10.6
Seeing own mistakes and correcting them	59	35.5	44.7
"Riddance" without penalties and additional taxes creates a feeling of satisfaction for the paid debts	17	10.2	12.9
Strengthens the team spirit of the staff	4	2.4	3.0
Improves the relationship with tax bodies for future	23	13.9	17.4
Other	8	4.8	6.1
None of the above	30	18.1	22.7
Total	166	100.0	125.8

Crosstab 24

Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (by business the organizational-legal status), %								
		RA	Don't know	Very positive	Positive	No real impact	Negative	Very negative
IE	Frequency	1	16	0	41	88	63	42
	Percent	0.4	6.4	0.0	16.3	35.1	25.1	16.7
SNCO	Frequency	0	0	0	2	2	2	0



Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (by business the organizational-legal status), %								
		RA	Don't know	Very positive	Positive	No real impact	Negative	Very negative
	Percent	0.0	0.0	0.0	33.3	33.3	33.3	0.0
CNCO	Frequency	0	1	0	1	2	0	1
	Percent	0.0	20.0	0.0	20.0	40.0	0.0	20.0
LLC	Frequency	3	8	1	28	36	25	12
	Percent	2.7	7.1	0.9	24.8	31.9	22.1	10.6
CJSO	Frequency	0	0	0	4	3	0	0
	Percent	0.0	0.0	0.0	57.1	42.9	0.0	0.0
OPJC	Frequency	0	0	0	1	1	0	0
	Percent	0.0	0.0	0.0	50.0	50.0	0.0	0.0
PC	Frequency	0	0	0	0	1	0	1
	Percent	0.0	0.0	0.0	0.0	50.0	0.0	50.0
NGO	Frequency	0	0	0	2	0	2	1
	Percent	0.0	0.0	0.0	40.0	0.0	40.0	20.0
Fund	Frequency	0	0	0	2	3	0	1
	Percent	0.0	0.0	0.0	33.3	50.0	0.0	16.7
Condominium	Frequency	0	0	1	1	0	1	0
	Percent	0.0	0.0	33.3	33.3	0.0	33.3	0.0
Total	Frequency	4	25	2	82	136	93	58
	Percent	1.0	6.3	0.5	20.5	34.0	23.3	14.5

Crosstab 25

Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (by the biggest shareholder/participant of the business), %								
		RA	Don't know	Very positive	Positive	No real impact	Negative	Very negative
I am an individual entrepreneur	Frequency	1	16	0	41	88	63	42
	Percent	0.4	6.4	0.0	16.3	35.1	25.1	16.7
Physical person from Armenia	Frequency	2	7	0	31	39	24	13
	Percent	1.7	6.0	0.0	26.7	33.6	20.7	11.2
Physical person from abroad	Frequency	0	1	0	0	1	1	0
	Percent	0.0	33.3	0.0	0.0	33.3	33.3	0.0
Another Armenian organization	Frequency	0	0	1	1	0	0	0
	Percent	0.0	0.0	50.0	50.0	0.0	0.0	0.0
A foreign organization	Frequency	1	0	0	1	1	0	0
	Percent	33.3	0.0	0.0	33.3	33.3	0.0	0.0
Non-commercial	Frequency	0	1	1	8	7	5	3

Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (by the biggest shareholder/participant of the business) , %								
		RA	Don't know	Very positive	Positive	No real impact	Negative	Very negative
	Percent	0.0	4.0	4.0	32.0	28.0	20.0	12.0
Total	Frequency	4	25	2	82	136	93	58
	Percent	1.0	6.3	0.5	20.5	34.0	23.3	14.5

Crosstab 26

Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (by Q1.6) , %								
		RA	Don't know	Very positive	Positive	No real impact	Negative	Very negative
Refuse to answer	Frequency	0	0	0	1	0	0	0
	Percent	0.0	0.0	0.0	100.0	0.0	0.0	0.0
No	Frequency	3	17	1	66	116	76	43
	Percent	0.9	5.3	0.3	20.5	36.0	23.6	13.4
Yes	Frequency	1	2	1	11	5	5	2
	Percent	3.7	7.4	3.7	40.7	18.5	18.5	7.4
I don't know what it is	Frequency	0	6	0	4	15	12	13
	Percent	0.0	12.0	0.0	8.0	30.0	24.0	26.0
Total	Frequency	4	25	2	82	136	93	58
	Percent	1.0	6.3	0.5	20.5	34.0	23.3	14.5

Crosstab 27

Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (Answers of businesses, who spend yearly on trainings on accounting and tax topics) , %			
	Frequency	Percent	Valid Percent
Very positive	1	1.9	2.0
Positive	16	30.2	31.4
No real impact	17	32.1	33.3
Negative	7	13.2	13.7
Very negative	10	18.9	19.6
Total	51	96.2	100.0
Refuse to answer	1	1.9	
Don't know	1	1.9	
Total	2	3.8	
Total	53	100.0	

Crosstab 28

Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (by import/export operations type), %								
		Refuse to answer	Don't know	Very positive	Positive	No real impact	Negative	Very negative
Refuse to answer	Frequency	0	0	0	1	0	0	0
	Percent	0	0	0	100.0	0	0	0
Import	Frequency	1	6	0	10	13	6	8
	Percent	2.3	13.6	0.0	22.7	29.5	13.6	18.2
Export	Frequency	0	0	0	1	0	0	0
	Percent	0	0	0	100	0	0	0
Both	Frequency	0	0	0	3	3	0	1
	Percent	0	0	0	42.9	42.9	0.0	14.3
None	Frequency	3	19	2	67	120	87	49
	Percent	0.9	5.5	0.6	19.3	34.6	25.1	14.1
Total	Frequency	4	25	2	82	136	93	58
	Percent	1	6.3	0.5	20.5	34.0	23.3	14.5

Crosstab 29

Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (The answers of businesses from Agriculture, Manufacturing, Mining sectors (Q1.5=1;2;3)), %		
	Frequency	Percent
Positive	10	32.3
No real impact	12	38.7
Negative	7	22.6
Very negative	2	6.5
Total	31	100

Crosstab 30

Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (The answers of businesses from Trade sector (Q1.5=7) ), %		
	Frequency	Percent
Refuse to answer	2	1.0
Don't know	18	9.2
Positive	32	16.3
No real impact	72	36.7
Negative	44	22.4
Very negative	28	14.3
Total	196	100

Crosstab 31

Q1.12. How do you assess the impact of measures taken by the Government of the Republic of Armenia over the recent years towards improvement of the tax legislation and administration on business activity and business environment? (by "No" answers of Q1.7), %		
	Frequency	Percent
Refuse to answer	3	4.0
Don't know	4	5.3
Very positive	2	2.7
Positive	20	26.7
No real impact	27	36.0
Negative	13	17.3
Very negative	6	8.0
Total	75	100.0

Crosstab 32

Q2.2. How would you characterize today's tax burden, according to the following types of taxes: (The answers of businesses from Agriculture, Manufacturing, Mining sectors (Q1.5=1;2;3)), %							
		Don't know	Very light	Light	Somewhat heavy	Heavy	Very heavy
Profit tax	Percent	16.1	3.2	6.5	32.3	25.8	16.1
	Frequency	5	1	2	10	8	5
Turnover tax	Percent	12.9	3.2	9.7	35.5	22.6	16.1
	Frequency	4	1	3	11	7	5
Income tax	Percent	0.0	0.0	6.5	38.7	35.5	19.4
	Frequency			2.0	12	11	6
Value added tax	Percent	25.8	0.0	3.2	32.3	22.6	16.1
	Frequency	8		1	10	7	5
Patent fees	Percent	29.0	0.0	6.5	32.3	19.4	12.9
	Frequency	9		2	10	6	4

Crosstab 33

Q2.2. How would you characterize today's tax burden, according to the following types of taxes: (The answers of businesses from Trade sector (Q1.5=7) ), %							
		Refuse to answer	Don't know	Very light	Light	Heavy	Very heavy
Profit tax	Percent	0.5	20.4	0.0	2.6	33.2	26.5
	Frequency	1	40	0	5	65	52
Turnover tax	Percent	0	10.7	0.5	4.1	33.2	32.1
	Frequency	0	21	1	8	65	63
Income tax	Percent	0	1.0	0.5	6.6	34.2	37.8
	Frequency	0	2	1	13	67	74
Value added tax	Percent	0	30.6	0.0	3.6	26.5	22.4
	Frequency	0	60	0	7	52	44
Patent fees	Percent	0	39.8	0.0	3.1	23.5	19.4
	Frequency	0	78	0	6	46	38

Crosstab 34

Q2.2. How would you characterize today's tax burden, according to the following types of taxes: (by «No» answers of Q1.7), %							
		Don't know	Very light	Light	Middle	Heavy	Very heavy
Profit tax	Percent	25.3	0.0	2.7	5.3	36.0	30.7
	Frequency	19	0	2	4	27	23
Turnover tax	Percent	24.0	0.0	4.0	10.7	33.3	28.0
	Frequency	18	0	3	8	25	21
Income tax	Percent	0.0	0.0	4.0	18.7	33.3	44.0
	Frequency	0	0	3	14	25	33
Value added tax	Percent	30.7	0.0	2.7	10.7	24.0	32.0
	Frequency	23	0	2	8	18	24

Q2.2. How would you characterize today's tax burden, according to the following types of taxes: (by «No» answers of Q1.7), %							
		Don't know	Very light	Light	Middle	Heavy	Very heavy
Patent fees	Percent	45.3	0.0	2.7	5.3	26.7	20.0
	Frequency	34	0	2	20	15	4

Crosstab 35

Q2.3. Do you think change in rate (decreasing, increasing) is appropriate in the current economic situation in Armenia? (The answers of businesses from Agriculture, Manufacturing, Mining sectors (Q1.5=1;2;3)), %						
		Don't know	Decrease	Leave the same	Increase	Remove the types of tax
Profit tax	Percent	9.7	67.7	22.6	0.0	0.0
	Frequency	3	21	7	0	0
Turnover tax	Percent	6.5	61.3	29.0	0.0	3.2
	Frequency	2	19	9	0	1
Income tax	Percent	0	74.2	22.6	0.0	3.2
	Frequency		23	7	0	1
Value added tax	Percent	16.1	61.3	22.6	0.0	0.0
	Frequency	5	19	7	0	0
Patent fees	Percent	22.6	54.8	22.6	0.0	0.0
	Frequency	7	17	7	0	0

Crosstab 36

Q2.3. Do you think change in rate (decreasing, increasing) is appropriate in the current economic situation in Armenia? (The answers of businesses from trade sector (Q1.5=7)), %						
		Don't know	Decrease	Leave the same	Increase	Remove the types of tax
Profit tax	Percent	15.8	60.7	20.4	0.5	2.6
	Frequency	31	119	40	1	5
Turnover tax	Percent	7.1	68.9	20.9	0.5	2.6
	Frequency	14	135	41	1	5
Income tax	Percent	1.5	71.4	24.0	0.5	2.6
	Frequency	3	140	47	1	5
Value added tax	Percent	20.4	56.6	19.4	0.5	3.1
	Frequency	40	111	38	1	6
Patent fees	Percent	26.0	49.5	21.4	0.5	2.6
	Frequency	51	97	42	1	5

Crosstab 37

Q2.3. Do you think change in rate (decreasing, increasing) is appropriate in the current economic situation in Armenia? (by «No» answers of Q1.7), %	
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		Don't know	Decrease	Leave the same	Increase	Remove the types of tax
Profit tax	Percent	18.7	58.7	20.0	1.3	1.3
	Frequency	14	44	15	1	1
Turnover tax	Percent	14.7	64.0	20.0	0.0	1.3
	Frequency	11	48	15	0	1
Income tax	Percent	0.0	77.3	20.0	0.0	2.7
	Frequency	0	58	15	0	2
Value added tax	Percent	21.3	61.3	14.7	0.0	2.7
	Frequency	16	46	11	0	2
Patent fees	Percent	29.3	48.0	20.0	1.3	1.3
	Frequency	22	36	15	1	1

Crosstab 38

Q2.4. How would you characterize the existing tax benefit system? (The answers of businesses from Agriculture, Manufacturing, Mining sectors (Q1.5=1;2;3)), %		
	Frequency	Percent
Don't know	2	6.5
Effective	6	19.4
With no impact	3	9.7
Ineffective	8	25.8
I even don't know that it exists	12	38.7
Total	31	100

Crosstab 39

Q2.4. How would you characterize the existing tax benefit system? (The answers of businesses from Trade sector (Q1.5=7)), %		
	Frequency	Percent
Refuse to answer	2	1.0
Don't know	22	11.2
Effective	14	7.1
With no impact	21	10.7
Ineffective	32	16.3
I even don't know that it exists	105	53.6
Total	196	100

Crosstab 40

Q2.4. How would you characterize the existing tax benefit system? (by «No» answers of Q1.7), %		
	Frequency	Percent
Don't know	9	12.0
Effective	9	12.0
With no impact	12	16.0
Ineffective	11	14.7
I even don't know that it exists	34	45.3
Total	75	100.0

Crosstab 41

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia? (by «No» answers of Q2.10.1), %		
	Frequency	Percent
Up to 1 year	5	13.5
1 – 3 years	10	27.0
4 – 6 years	3	8.1
7 – 10 years	8	21.6
11 – 15 years	4	10.8
More than 15 years	7	18.9
Total	37	100

Crosstab 42

Q1.3. What is the organizational-legal status/form of your business? (by «Yes» answers of Q2.10.1), %		
	Frequency	Percent
Individual entrepreneur	14	37.8
SNOC	2	5.4
CNCO	1	2.7
Limited liability company	15	40.5
Closed joint stock company	2	5.4
Fund	3	8.1
Total	37	100

Crosstab 43

Q1.4. Who is the biggest shareholder/participant of your business? (by «Yes» answers of Q2.10.1), %		
	Frequency	Percent
I am an individual entrepreneur	14	37.8
Physical person from Armenia	15	40.5
A foreign organization	2	5.4
Non-commercial	6	16.2
Total	37	100.0

Crosstab 44

Q1.5. And what is the main type of your business operations? (by «Yes» answers of Q2.10.1), %		
	Frequency	Percent
Agriculture, Forestry and Fishing	1	2.7
Manufacturing	3	8.1
Construction	1	2.7
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	12	32.4
Transportation and storage	1	2.7
Accommodation and food service activities	2	5.4
Information and communication	1	2.7
Professional, scientific and technical activities	3	8.1



Administrative and support service activities	1	2.7
Education	5	13.5
Human health and social work activities	1	2.7
Arts, entertainment and recreation	3	8.1
Other service activities	3	8.1
Total	37	100

Crosstab 45

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia? (by «Yes» answers of Q2.10.2), %		
	Frequency	Percent
Up to 1 year	1	8.3
1 – 3 years	2	16.7
4 – 6 years	2	16.7
7 – 10 years	1	8.3
11 – 15 years	3	25.0
More than 15 years	3	25.0
Total	12	100

Crosstab 46

Q1.3. What is the organizational-legal status/form of your business? (by «Yes» answers of Q2.10.2), %		
	Frequency	Percent
Individual entrepreneur	2	16.7
SNCO	2	16.7
Limited liability company	6	50.0
Closed joint stock company	1	8.3
Fund	1	8.3
Total	12	100.0

Crosstab 47

Q1.4. Who is the biggest shareholder/participant of your business? (by «Yes» answers of Q2.10.2), %		
	Frequency	Percent
I am an individual entrepreneur	2	16.7
Physical person from Armenia	6	50.0
A foreign organization	1	8.3
Non-commercial	3	25.0
Total	12	100.0

Crosstab 48

Q1.5. And what is the main type of your business operations? (by «Yes» answers of Q2.10.2), %		
	Frequency	Percent
Agriculture, Forestry and Fishing	2	16.7
Manufacturing	1	8.3

Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	2	16.7
Accommodation and food service activities	1	8.3
Information and communication	1	8.3
Professional, scientific and technical activities	1	8.3
Administrative and support service activities	1	8.3
Education	1	8.3
Human health and social work activities	1	8.3
Arts, entertainment and recreation	1	8.3
Total	12	100

Crosstab 49

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia? (by «Yes» answers of Q2.10.3), %		
	Frequency	Percent
Up to 1 year	4	16.7
1 – 3 years	3	12.5
4 – 6 years	2	8.3
7 – 10 years	5	20.8
11 – 15 years	6	25.0
More than 15 years	4	16.7
Total	24	100

Crosstab 50

Q1.3. What is the organizational-legal status/form of your business? (by «Yes» answers of Q2.10.3), %		
	Frequency	Percent
Individual entrepreneur	2	8.3
SNCO	2	8.3
Limited liability company	16	66.7
Closed joint stock company	3	12.5
Fund	1	4.2
Total	24	100.0

Crosstab 51

Q1.4. Who is the biggest shareholder/participant of your business? (by «Yes» answers of Q2.10.3), %		
	Frequency	Percent
I am an individual entrepreneur	2	8.3
Physical person from Armenia	16	66.7
Physical person from abroad	1	4.2
A foreign organization	2	8.3
Non-commercial	3	12.5
Total	24	100.0

Crosstab 52

Q1.5. And what is the main type of your business operations? (by «Yes» answers of Q2.10.3), %		
	Frequency	Percent
Agriculture, Forestry and Fishing	2	8.3
Manufacturing	1	4.2
Construction	3	12.5
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	4	16.7
Accommodation and food service activities	1	4.2
Information and communication	3	12.5
Financial and insurance activities	1	4.2
Professional, scientific and technical activities	1	4.2
Education	2	8.3
Human health and social work activities	1	4.2
Arts, entertainment and recreation	3	12.5
Other service activities	2	8.3
Total	24	100.0

*The crosstabs 53-56 provide data on businesses, who said “Don’t know” to Q4.6*

**Crosstab 53**

<b>Q1.2. How many years has your business/organization been actually (actively) operating in Armenia?</b>		
	Frequency	Percent
Up to 1 year	10	12.3
1 – 3 years	40	49.4
4 – 6 years	8	9.9
7 – 10 years	8	9.9
11 – 15 years	9	11.1
More than 15 years	6	7.4
Total	81	100.0

**Crosstab 54**

<b>Q1.3. What is the organizational-legal status/form of your business?</b>		
	Frequency	Percent
Individual entrepreneur	58	71.6
Limited liability company	19	23.5
OJSC	1	1.2
NGO	1	1.2
Fund	2	2.5
Total	81	100

**Crosstab 55**

<b>Q1.4. Who is the biggest shareholder/participant of your business?</b>		
	Frequency	Percent
Individual entrepreneur	58	71.6
Physical person from Armenia	19	23.5
A foreign organization	1	1.2
Non-commercial	3	3.7
Total	81	100

**Crosstab 56**

<b>Q1.5. And what is the main type of your business operations?</b>		
	Frequency	Percent
Manufacturing	4	4.9
Water supply; sewerage, waste management and remediation activities	1	1.2
Construction	3	3.7
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	43	53.1
Transportation and storage	2	2.5
Accommodation and food service activities	1	1.2
Information and communication	3	3.7
Professional, scientific and technical activities	2	2.5
Education	2	2.5
Human health and social work activities	2	2.5
Arts, entertainment and recreation	3	3.7
Other service activities	15	18.5
Total	81	100.0

*The crosstabs 57-60 provide data on businesses, who answered “Raise taxes for that particular period” to Q4.6*

Crosstab 57

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia?		
	Frequency	Percent
Up to 1 year	3	21.4
1 – 3 years	8	57.1
7 – 10 years	1	7.1
11 – 15 years	1	7.1
More than 15 years	1	7.1
Total	14	100.0

Crosstab 58

Q1.3. What is the organizational-legal status/form of your business?		
	Frequency	Percent
Individual entrepreneur	9	64.3
Limited liability company	3	21.4
CJSC	1	7.1
NGO	1	7.1
Total	14	100

Crosstab 59

Q1.4. Who is the biggest shareholder/participant of your business?		
	Frequency	Percent
Individual entrepreneur	9	64.3
Physical person from Armenia	4	28.6
Non-commercial	1	7.1
Total	14	100

Crosstab 60

Q1.5. And what is the main type of your business operations?		
	Frequency	Percent
Manufacturing	1	7.1
Electricity, gas, steam and air conditioning supply	1	7.1
Construction	2	14.3
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	4	28.6
Professional, scientific and technical activities	2	14.3
Human health and social work activities	2	14.3
Other service activities	2	14.3
Total	14	100

*Crosstabs 61-64 provide data on businesses, who spend money on trainings on accounting and tax topics (Q7.1=2,3,4))*

Crosstab 61

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia?		
	Frequency	Percent
Up to 1 year	3	5.7
1 – 3 years	9	17.0
4 – 6 years	6	11.3
7 – 10 years	16	30.2
11 – 15 years	9	17.0
More than 15 years	10	18.9
Total	53	100

Crosstab 62

Q1.3. What is the organizational-legal status/form of your business?		
	Frequency	Percent
Individual entrepreneur	17	32.1
SNCO	2	3.8
Limited liability company	24	45.3
CJSC	3	5.7
OJSC	2	3.8
PC	1	1.9
NGO	2	3.8
Fund	2	3.8
Total	53	100

Crosstab 63

Q1.4. Who is the biggest shareholder/participant of your business?		
	Frequency	Percent
I am an individual entrepreneur	17	32.1
Physical person from Armenia	28	52.8
Another Armenian organization	1	1.9
A foreign organization	1	1.9
Non-commercial	6	11.3
Total	53	100

Crosstab 64

Q1.5. And what is the main type of your business operations?		
	Frequency	Percent
Agriculture, Forestry and Fishing	1	1.9
Manufacturing	3	5.7
Electricity, gas, steam and air conditioning supply	1	1.9
Construction	6	11.3
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	16	30.2
Transportation and storage	1	1.9
Accommodation and food service activities	3	5.7
Information and communication	3	5.7
Professional, scientific and technical activities	3	5.7
Administrative and support service activities	1	1.9
Public administration and defense; compulsory social security	1	1.9

Q1.5. And what is the main type of your business operations?		
	Frequency	Percent
Education	5	9.4
Human health and social work activities	1	1.9
Arts, entertainment and recreation	3	5.7
Other service activities	5	9.4
Total	53	100

*The crosstabs 65-88 provide data on businesses, who has positive expectations over the next three years (Q7.3=3;4;5)*

**Crosstab 65**

Q1.2. How many years has your business/organization been actually (actively) operating in Armenia?		
	Frequency	Percent
Up to 1 year	23	13.7
1 – 3 years	60	35.7
4 – 6 years	21	12.5
7 – 10 years	25	14.9
11 – 15 years	19	11.3
More than 15 years	20	11.9
Total	168	100

**Crosstab 66**

Q1.3. What is the organizational-legal status/form of your business?		
	Frequency	Percent
Individual entrepreneur	88	52.4
SNCO	5	3.0
CNCO	3	1.8
Limited liability company	56	33.3
Closed joint stock company	5	3.0
Open joint-stock company	1	0.6
NGO	3	1.8
Fund	4	2.4
Condominium	3	1.8
Total	168	100

**Crosstab 67**

Q1.4. Who is the biggest shareholder/participant of your business?		
	Frequency	Percent
I am an individual entrepreneur	88	52.4
Physical person from Armenia	57	33.9
Physical person from abroad	1	0.6
Another Armenian organization	1	0.6
A foreign organization	3	1.8
Non-commercial	18	10.7
Total	168	100.0

**Crosstab 68**

Q1.5. And what is the main type of your business operations?		
	Frequency	Percent
Agriculture, Forestry and Fishing	2	1.2
Mining and Quarrying	3	1.8
Manufacturing	9	5.4
Construction	5	3.0
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	67	39.9
Transportation and storage	4	2.4
Accommodation and food service activities	5	3.0
Information and communication	8	4.8
Financial and insurance activities	2	1.2
Real Estate Activities	3	1.8
Professional, scientific and technical activities	11	6.5
Administrative and support service activities	3	1.8
Education	10	6.0
Human health and social work activities	8	4.8
Arts, entertainment and recreation	5	3.0
Other service activities	22	13.1
Activities of extraterritorial organizations and bodies	1	0.6
Total	168	100

Crosstab 69

Q2.6. Do you value the contribution of the Tax Code in unification (simplification) of the tax legislation?		
	Frequency	Percent
Don't know	11	6.5
It is important that it is introduced during the upcoming 2 years	102	60.7
It is important that it is introduced during the upcoming 5 years	12	7.1
I don't think it is important	43	25.6
Total	168	100

Crosstab 70

Q2.5. Do you think it's reasonable to change it?			
	Frequency	Percent	Valid percent
Don't know	8	4.8	9
Narrow down the scope of the tax benefits to ensure additional tax incomes for the state budget and to implement additional programs of social significance	15	8.9	16.9
Expand the scope of tax benefits to promote the priority sectors and trends.	43	25.6	48.3
Leave unchanged	20	11.9	22.5
Other	3	1.8	3.4



Total	89	53	100
Skip	79	47	
Total	168	100	

**Crosstab 71**

<b>Q2.12. In your opinion, what is the most negative consequence of tax law abidance on the business in general?</b>		
	Frequency	Percent
Refuse to answer	1	0.6
Don't know	19	11.3
Our income will be reduced since we cannot raise adequately the prices of our products/services.	41	24.4
Still, others will not pay, so we are going to suffer in terms of competition	22	13.1
Still, we continue dealing with the unfair and unequal attitude from the tax body. I don't think the tax body will notice and encourage the change in my behavior	39	23.2
Downturn in business, loss of clients	31	18.5
No negative consequence	15	8.9
Total	168	100

**Crosstab 72**

<b>Q2.11. In your opinion, what is the biggest advantage of tax law abidance for the business on the whole?</b>		
	Frequency	Percent
Don't know	8	4.8
Acquiring good reputation	20	11.9
Reduced probability to get fined	26	15.5
Contributing to the business development, expansion	36	21.4
Pay taxes and sleep well	64	38.1
Other	2	1.2
There is no advantage	12	7.1
Total	168	100

**Crosstab 73**

<b>Q3.6. Using a scale of 1 to 5, where '1' means "Fully unable" and '5' means "fully able", please mention to what extent you are able to exercise your rights.</b>		
	Frequency	Percent
Don't know	2	1.2
Fully unable	11	6.5
2	21	12.5
3	57	33.9
4	28	16.7
Fully able	49	29.2
Total	168	100

**Crosstab 74**

<b>Q3.9. Have you ever expressed your disagreement about the results of tax inspections?</b>		
	Frequency	Percent
Don't know	1	0.6

No	92	54.8
Yes	28	16.7
There are no controls	47	28
Total	168	100

Crosstab 75

Q3.12. Do you consider it justified to observe nonpayment of taxes as economic crime and to prosecute for that?		
	Frequency	Percent
Don't know	5	3
No	43	25.6
Yes	120	71.4
Total	168	100

Crosstab 76

Q 4.2. Using a scale of 1-10, where '1' means "Fully justified" and '10' means "Not justified at all", please tell me how justified it is to cheat on taxes when possible?		
	Frequency	Percent
Refuse to answer	1	0.6
Don't know	3	1.8
Fully justified	14	8.3
2	1	0.6
3	9	5.4
4	3	1.8
5	19	11.3
6	3	1.8
7	8	4.8
8	18	10.7
9	5	3
Not justified at all	84	50
Total	168	100

Crosstab 77

Q 4.7. Let's imagine that the government has decided to reduce the taxes. Will people in Armenia be ready to cooperate, i.e. to stop cheating the taxes?		
	Frequency	Percent
Don't know	4	2.4
No	33	19.6
Yes	131	78
Total	168	100

Crosstab 78

Q4.6. If the government needs additional money in a force-majeure situation, which would be the better option?		
	Frequency	Percent
Don't know	30	17.9
Taking debt from its people	53	31.5
Taking debt from other countries	49	29.2
Raise taxes for that particular period	8	4.8
Other	28	16.7
Total	168	100

Crosstab 79

Q 4.9. Do you think formulating transactions in a certain way to reduce taxes is a permissible and quite acceptable practice?		
	Frequency	Percent
Don't know	32	19
No	55	32.7
Yes	81	48.2
Total	168	100

Crosstab 80

Q2.2. How would you characterize today's tax burden, according to the following types of taxes:							
		Don't know	Very light	Light	Mid	Heavy	Very heavy
Profit tax	Percent	16.1	3.6	48.2	0.6	25.0	6.5
	Frequency	27	6	81	1	42	11
Turnover tax	Percent	19.0	4.8	45.8	0.6	23.8	5.4
	Frequency	32	8	77	1	40	9
Income tax	Percent	0.6	6.5	42.9	0.6	37.5	11.9
	Frequency	1	11	72	1	63	20
Value added tax	Percent	26.2	4.2	33.9	0.6	28.6	7.1
	Frequency	44	7	57	1	48	12
Patent fees	Percent	35.7	3.6	36.9	0.6	17.3	6.0
	Frequency	60	6	62	1	29	10

Crosstab 81

Q2.17. In your opinion, what are the steps that the tax payer usually takes in such situations?			
	Frequency	Percent	Percent of Cases
Don't know	22	9.7	13.1
Inform the head about it (not officially)	16	7.1	9.5
Inform the head about it (officially)	4	1.8	2.4
Apply to law enforcement bodies	5	2.2	3.0
Apply to the Human Rights Defender or to the Court	8	3.5	4.8
Write a letter to the head of the SRC through SRC website	4	1.8	2.4
Discuss and come to consensus	101	44.7	60.1
Don't do anything	66	29.2	39.3
Total	226	100.0	134.5

Crosstab 82

Q4.4. In your opinion, what are the main reasons for not paying or hiding the taxes?			
	Frequency	Percent	Percent of Cases
Don't know	1	0.3	0.6
High taxes	97	33.4	57.7

Frequent changes or unclearness of tax legislation	23	7.9	13.7
Too high fines when tax errors are made, measures holding responsible are too strict	15	5.2	8.9
Complicated procedure of calculating and paying the taxes, too much paper work	11	3.8	6.5
The wish to escape appearing within the focus of the tax authorities	14	4.8	8.3
Difficulty or impossibility to get clear information, clarifications from the tax body	9	3.1	5.4
Frequency of tax inspections	2	0.7	1.2
Desperate financial situation	52	17.9	31.0
Unfair treatment of different business	48	16.6	28.6
Others do the same	10	3.4	6.0
Other	8	2.8	4.8
Total	290	100.0	172.6

Crosstab 83

Q4.10. If you were on a decision maker position in a state agency, which would be your three primary actions?			
	Frequency	Percent	Percent of Cases
Don't know	1	0.2	0.6
I would make the texts of tax laws more simple and more clear	78	18.4	46.4
I would decrease the frequency of legislation amendments	38	9.0	22.6
I would decrease the number of taxes	75	17.7	44.6
I would decrease tax rates	77	18.2	45.8
I would tighten the penalties for tax violations	20	4.7	11.9
I would improve the competency level of tax servants	19	4.5	11.3
I would introduce a simple system of tax administration	62	14.6	36.9
I would introduce tax privileges for business activity of tax payers	44	10.4	26.2
Other	10	2.4	6.0
Total	424	100.0	252.4

Crosstab 84

Q5.2. Please mention, what is the preferable and most reliable way of receiving information from a tax body?			
	Frequency	Percent	Percent of Cases
Refuse to answer	3	1.3	1.8
Don't know	6	2.5	3.6
Visits to the tax payer service centers	67	28.3	39.9
Hot line	13	5.5	7.0
Phone call to the tax inspector whom I know or who provides service	54	22.8	32.1
Visits to websites: <a href="http://www.taxservice.am/">http://www.taxservice.am/</a> or <a href="http://www.customs.am">www.customs.am</a>	62	26.2	36.9
Call center	10	4.2	6.0

<b>Q5.2. Please mention, what is the preferable and most reliable way of receiving information from a tax body?</b>			
	Frequency	Percent	Percent of Cases
Written inquiry to the SRC to receive an official clarification	9	3.8	5.4
Written inquiry to the SRC to receive explanation (opinion)	2	0.8	1.2
Other	11	4.6	6.5
Total	237	100.0	141.1

**Crosstab 85**

<b>Q2.8. Do you think the uncommon tax regimes now underway in Armenia (turnover tax, patent fee, fixed fee) contribute to the tax law abidance?</b>		
	Frequency	Percent
Refuse to answer	1	0.6
Don't know	64	38.1
No	43	25.6
Yes	60	35.7
Total	168	100

**Crosstab 86**

<b>Q2.8.1. Why Yes?</b>			
	Frequency	Percent	Valid Percent
Don't know	17	10.1	28.3
Makes it easier to pay taxes independently	13	7.7	21.7
Is more convenient and just	18	10.7	30.0
Brings money to the State budget	4	2.4	6.7
Other	8	4.8	13.3
Total	60	35.7	100.0
Skip	108	64.3	
Total	168	100.0	

**Crosstab 87**

<b>Q2.8.2. Why No?</b>			
	Frequency	Percent	Valid Percent
Don't know	12	7.1	27.9
Tax rates are too high	4	2.4	9.3
It is cosmetic (those who are willing do so, those who are not willing don't pay)	6	3.6	14.0
Contributes to the shadow sector	8	4.8	18.6
The system is not legal	5	3.0	11.6
Hinders business development	4	2.4	9.3
The law is flawed	4	2.4	9.3
Total	43	25.6	100.0
Skip	125	74.4	
Total	168	100.0	

Crosstab 88

Q2.10. Do you use the service of a paid consultant?			
		No	Yes
Tax consultant	Percent	89.3	10.7
	Frequency	150	18
Customs consultant	Percent	95.2	4.8
	Frequency	160	8
Legal consultant	Percent	94.0	6.0
	Frequency	158	10

*The crosstabs 65-88 provide data on businesses, who has negative expectations over the next three years (Q7.3=1;2)*

Crosstab 89

Q1.2. Who is the biggest shareholder/participant of your business?		
	Frequency	Percent
Up to 1 year	25	16.4
1 – 3 years	58	38.2
4 – 6 years	20	13.2
7 – 10 years	16	10.5
11 – 15 years	16	10.5
More than 15 years	17	11.2
Total	152	100

Crosstab 90

Q1.3. What is the organizational-legal status/form of your business?		
	Frequency	Percent
Individual entrepreneur	114	75.0
LLC	34	22.4
CJSC	1	0.7
Production cooperative	2	1.3
NGO	1	0.7
Total	152	100

Crosstab 91

Q1.4. Who is the biggest shareholder/participant of your business?		
	Frequency	Percent
I am an individual entrepreneur	114	75.0
Physical person from Armenia	34	22.4
Physical person from abroad	2	1.3
Another Armenian organization	1	0.7
Non-commercial	1	0.7
Total	152	100

Crosstab 92

Q1.5. And what is the main type of your business operations?		
	Frequency	Percent
Agriculture, Forestry and Fishing	3	2.0
Mining and Quarrying	1	0.7
Manufacturing	9	5.9
Electricity, gas, steam and air conditioning supply	1	0.7
Water supply; sewerage, waste management and remediation activities	1	0.7
Construction	2	1.3
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	90	59.2
Transportation and storage	7	4.6
Accommodation and food service activities	2	1.3
Information and communication	3	2.0
Financial and insurance activities	2	1.3
Professional, scientific and technical activities	2	1.3

Q1.5. And what is the main type of your business operations?		
	Frequency	Percent
Education	2	1.3
Human health and social work activities	2	1.3
Arts, entertainment and recreation	3	2.0
Other service activities	22	14.5
Total	152	100.0

Crosstab 93

Q2.6 Do you value the contribution of the Tax Code in unification (simplification) of the tax legislation?		
	Frequency	Percent
Don't know	8	5.3
It is important that it is introduced during the upcoming 2 years	88	57.9
It is important that it is introduced during the upcoming 5 years	8	5.3
I don't think it is important	48	31.6
Total	152	100

Crosstab 94

Q2.5. Do you think it's reasonable to change it?			
	Frequency	Percent	Valid Percent
Don't know	6	3.9	10.7
Narrow down the scope of the tax benefits to ensure additional tax incomes for the state budget and to implement additional programs of social significance	7	4.6	12.5
Expand the scope of tax benefits to promote the priority sectors and trends.	38	25	67.9
Leave unchanged	3	2	5.4
Other	2	1.3	3.6
Total	56	36.8	100
Skip	96	63.2	
Total	152	100	

Crosstab 95

Q2.8. Do you think the uncommon tax regimes now underway in Armenia (turnover tax, patent fee, fixed fee) contribute to the tax law abidance?		
	Frequency	Percent
Refuse to answer	1	0.7
Don't know	57	37.5
No	49	32.2
Yes	45	29.6
Total	152	100.0

Crosstab 96

Q2.8.1. Why Yes?			
	Frequency	Percent	Valid Percent
Don't know	17	11.2	37.8



Makes it easier to pay taxes independently	12	7.9	26.7
Is more convenient and just	14	9.2	31.1
Other	2	1.3	4.4
Total	45	29.6	100.0
Skip	107	70.4	
Total	152	100	

Crosstab 97

Q2.8.2. Why No?			
	Frequency	Percent	Valid Percent
Refuse to answer	1	0.7	2.0
Don't know	17	11.2	34.7
Tax rates are too high	7	4.6	14.3
It is cosmetic (those who are willing do so, those who are not willing don't pay)	6	3.9	12.2
Contributes to the shadow sector	3	2.0	6.1
The system is not legal	3	2.0	6.1
Hinders business development	3	2.0	6.1
The law is flawed	9	5.9	18.4
Total	49	32.2	100.0
Skip	103	67.8	
Total	152	100	

Crosstab 98

Q2.12. In your opinion, what is the most negative consequence of tax law abidance on the business in general?		
	Frequency	Percent
Don't know	14	9.2
Our income will be reduced since we cannot raise adequately the prices of our products/services.	24	15.8
Still, others will not pay, so we are going to suffer in terms of competition	20	13.2
Still, we continue dealing with the unfair and unequal attitude from the tax body. I don't think the tax body will notice and encourage the change in my behavior	35	23
Downturn in business, loss of clients	48	31.6
Other	3	2
No negative consequence	8	5.3
Total	152	100

Crosstab 99

Q2.11. In your opinion, what is the biggest advantage of tax law abidance for the business on the whole?		
	Frequency	Percent
Don't know	6	3.9
Acquiring good reputation	19	12.5
Reduced probability to get fined	33	21.7

Contributing to the business development, expansion	31	20.4
Pay taxes and sleep well	46	30.3
Other	1	0.7
There is no advantage	16	10.5
Total	152	100

Crosstab 100

Q3.6. Using a scale of 1 to 5, where '1' means "Fully unable" and '5' means "fully able", please mention to what extent you are able to exercise your rights.		
	Frequency	Percent
Don't know	2	1.3
Fully unable	36	23.7
2	28	18.4
3	34	22.4
4	19	12.5
Fully able	33	21.7
Total	152	100

Crosstab 101

Q3.9. Have you ever expressed your disagreement about the results of tax inspections?		
	Frequency	Percent
Don't know	2	1.3
No	88	57.9
Yes	31	20.4
There are no controls	31	20.4
Total	152	100

Crosstab 102

Q3.12. Do you consider it justified to observe nonpayment of taxes as economic crime and to prosecute for that?		
	Frequency	Percent
Don't know	6	3.9
No	52	34.2
Yes	94	61.8
Total	152	100

Crosstab 103

Q4.2. Using a scale of 1-10, where '1' means "Fully justified" and '10' means "Not justified at all", please tell me how justified it is to cheat on taxes when possible?		
	Frequency	Percent
Don't know	4	2.6
Fully justified	6	3.9
2	3	2
3	5	3.3
4	6	3.9
5	16	10.5

6	7	4.6
7	12	7.9
8	20	13.2
9	12	7.9
Not justified at all	61	40.1
Total	152	100

Crosstab 104

Q 4.7. Let's imagine that the government has decided to reduce the taxes. Will people in Armenia be ready to cooperate, i.e. to stop cheating the taxes?		
	Frequency	Percent
Don't know	4	2.6
No	12	7.9
Yes	136	89.5
Total	152	100

Crosstab 105

Q4.6. If the government needs additional money in a force-majeure situation, which would be the better option?		
	Frequency	Percent
Refuse to answer	1	0.7
Don't know	32	21.1
Taking debt from its people	42	27.6
Taking debt from other countries	37	24.3
Raise taxes for that particular period	4	2.6
Other	36	23.7
Total	152	100

Crosstab 106

Q 4.9. Do you think formulating (optimizing and planning) transactions in a certain way to reduce taxes is a permissible and quite acceptable practice?		
	Frequency	Percent
Refuse to answer	2	1.3
Don't know	28	18.4
No	52	34.2
Yes	70	46.1
Total	152	100

Crosstab 107

Q4.4. In your opinion, what are the main reasons for not paying or hiding the taxes?			
	Frequency	Percent	Percent of Cases
Don't know	4	1.5	2.6
High taxes	85	32.8	55.9
Frequent changes or unclearness of tax legislation	26	10.0	17.1
Too high fines when tax errors are made, measures holding responsible are too strict	8	3.1	5.3
Complicated procedure of calculating and paying the taxes, too much paper work	9	3.5	5.9

The wish to escape appearing within the focus of the tax authorities	2	.8	1.3
Difficulty or impossibility to get clear information, clarifications from the tax body	6	2.3	3.9
Frequency of tax inspections	5	1.9	3.3
Desperate financial situation	66	25.5	43.4
Unfair treatment of different business	41	15.8	27.0
Others do the same	6	2.3	3.9
Other	1	0.4	0.7
Total	259	100.0	170.4

Crosstab 108

Q4.10. If you were on a decision maker position in a state agency, which would be your three primary actions?			
	Frequency	Percent	Percent of Cases
Don't know	5	1.4	3.3
I would make the texts of tax laws more simple and more clear	63	17.6	41.4
I would decrease the frequency of legislation amendments	34	9.5	22.4
I would decrease the number of taxes	61	17.0	40.1
I would decrease tax rates	74	20.7	48.7
I would tighten the penalties for tax violations	12	3.4	7.9
I would improve the competency level of tax servants	18	5.0	11.8
I would introduce a simple system of tax administration	43	12.0	28.3
I would introduce tax privileges for business activity of tax payers	42	11.7	27.6
Other	6	1.7	3.9
Total	358	100.0	235.5

Crosstab 109

Q5.2. Please mention, what is the preferable and most reliable way of receiving information from a tax body?			
	Frequency	Percent	Percent of Cases
Refuse to answer	1	0.5	0.7
Don't know	10	5.3	6.6
Visits to the tax payer service centers	56	29.6	36.8
Hot line	6	3.2	3.9
Phone call to the tax inspector whom I know or who provides service	50	26.5	32.9
Visits to websites: <a href="http://www.taxservice.am/">http://www.taxservice.am/</a> or <a href="http://www.customs.am">www.customs.am</a>	44	23.3	28.9
Call center	7	3.7	4.6

Written inquiry to the SRC to receive an official clarification	2	1.1	1.3
Written inquiry to the SRC to receive explanation (opinion)	3	1.6	2.0
Other	10	5.3	6.6
Total	189	100.0	124.3

Crosstab 110

Q2.2. How would you characterize today's tax burden, according to the following types of taxes:						
		Don't know	Very light	Light	Heavy	Very heavy
Profit tax	Percent	23.0	1.3	23.7	25.7	25.7
	Frequency	35	2	36	39	39
Turnover tax	Percent	11.2	4.6	29.6	26.3	28.3
	Frequency	17	7	45	40	43
Income tax	Percent	2.6	4.6	28.3	33.6	30.9
	Frequency	4	7	43	51	47
Value added tax	Percent	28.9	2.0	21.7	20.4	27.0
	Frequency	44	3	33	31	41
Patent fees	Percent	36.8	3.3	21.1	17.8	21.1
	Frequency	56	5	32	27	32

Crosstab 111

Q2.17. In your opinion, what are the steps that the tax payer usually takes in such situations?			
	Frequency	Percent	Percent of Cases
Refuse to answer	4	2.0	2.6
Don't know	17	8.4	11.2
Inform the head about it (not officially)	19	9.4	12.5
Inform the head about it (officially)	5	2.5	3.3
Apply to law enforcement bodies	3	1.5	2.0
Apply to the Human Rights Defender or to the Court	9	4.4	5.9
Write a letter to the head of the SRC through SRC website	2	1.0	1.3
Discuss and come to consensus	78	38.4	51.3
Don't do anything	64	31.5	42.1
Other	2	1.0	1.3
Total	203	100.0	133.6

Crosstab 112

Q2.10. Do you use the service of a paid consultant?			
		No	Yes
Tax consultant	Percent	92.1	7.9
	Frequency	140	12
Customs consultant	Percent	98.7	1.3
	Frequency	150	2
Legal consultant	Percent	95.4	4.6
	Frequency	145	7

