

Dear Ladies and Gentlemen!

First of all I would like to express my gratitude for organizing such an important and invaluable event, which is addressing current challenges of the Asia and Pacific region. I do believe that this exchange of experiences tax-to-GDP ratio increasing mechanisms carried out by the Governments for ensuring sustainable development will serve as a good basis for the elaboration of further reforms.

In this regard it is my pleasure to introduce already implemented and ongoing reforms in Armenia for addressing tax system improvement challenges aimed at enlargement of fiscal space for essential public investments and social expenditure.

Raising tax-to-GDP ratio is one of the priorities of each country, which is of crucial importance for measuring the level of economic development, sustainability and prosperity. The tax-to-GDP ratio can be increased through appropriately sequenced and paced reforms to rationalize tax structure, improve legislation and transparency and enhance tax administration capacities.

The best solution for Armenia is ensuring the significant outcomes of tax reforms on the agenda of the economic development. The effectiveness of the referred can be earmarked by the maximizing the developmental effect on public investments and social expenditures. Armenia had a gradually increased tax-to-GDP ratio from 13.6 percent in 1998 to 21.3 in 2016. The average tax-to-GDP ratio over these years was improved around 0.4 percentage point annually. This was achieved due to the continuous tax legislative reforms in parallel with boosting the GDP generating economic sectors focusing on infrastructural development.

Currently tax policy remains one of the key pillars of our medium-term fiscal adjustment strategy. Over the last three years, considerable effort has been devoted to the preparation of a new Tax Code, which consolidates the existing legislation, removes inconsistencies, and addresses structural weaknesses in the tax system.

As a result of full introduction of the Tax code the following measures of revenue generation envisaged for 2017-2021 will underpin fiscal consolidation. The main principles of these reforms leading to revenue generation were shifting to indirect taxation, broadening tax base and closing loopholes.

- Increase of excise tax rates.
- Introduction of taxation of dividends for individuals.
- Reducing VAT exemptions.
- Reducing turnover tax threshold.
- Increase of the rates of environmental and ecological fees.
- Elimination of presumptive fees.

In addition, strengthened revenue administration measures will support tax collection and tax compliance.

On October 2016, the RA National Assembly adopted the new Tax Code, which is expected to raise the tax collection by 2 percent of GDP by 2021, with the largest revenue increase in 2018-19. Although the new Tax Code is not effective yet, it should be highlighted that in the first quarter of 2017 Armenia over-performed tax collection by AMD 13 billion (around 0.25 percent of GDP) compared to budget projection due to the informal sector.

From another hand the additional tax revenue mobilization can lead to the GDP increase and economic development, if those measures are being invested in GDP generated field. Together with this the best

options are considered structural and institutional reforms and human capital development. The ways we can implement the mentioned are public investments generating additional GDP and strictly targeted social policies. The public investment in Armenia mostly includes investments in infrastructure. The North-South Road Corridor of 556 km will give an opportunity for better connectivity between the Europe and Asia. The irrigation projects are also key priorities taking into account the fact agriculture share in GDP is almost 20 percent, so the new and modernized irrigation systems, reservoirs will contribute to the development of this sector. Another priority is the energy sector development aimed at ensuring energy independence, including improvement of high voltage networks and usage of alternative energy sources. All these sectors development are priorities of current Government agenda.

As mentioned earlier, social protection and human capital development have essential role for the Armenia's development. This is fixed in every annual budget defining the significant allocations to the social sector (around 45.8 percent).

Summarizing I would like to note that despite of specification for each country the increasing of tax-to-GDP ratio is an overall goal for all of us and this platform is a unique one for exploring those specifications and measures undertaken towards them. In the end let us agree that the exchange of experience is a perfect chance for disclosing the possible challenges and overcoming those in our economies.

Thank you for your attention.

I am open for the questions.