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# **USAID Tax Reform Programs in Central and Eastern Europe and the NIS**

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# USAID Tax Reform Programs



# USAID Tax Reform Program Countries

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- Armenia
- Bosnia
- Georgia
- Kazakhstan
- Kosovo
- Kyrgyzstan
- Lithuania
- Macedonia
- Moldova
- Montenegro
- Russia
- Serbia
- Tajikistan
- Ukraine
- Uzbekistan

# Goals of USAID's Tax Reform Efforts in CEE/NIS

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- Macro stability / IMF conditionality
- Implement market oriented reforms (e.g. expand tax net to include newly privatized enterprises and growing private sector)
- Eliminate economic distortions, introduce system consistent with international norms – VAT, definition of taxable income (supported by international accounting standards), tax rates in line with international standards, etc.
- Provide transparency and certainty to support domestic enterprise development and foreign investment
- Simplified system for SME taxation

# Scope of USAID's Tax Reform Efforts in CEE/NIS

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- **Tax Policy Reform:** VAT, definition of taxable income (supported by international accounting standards), tax rates in line with international standards, etc.
- **Tax Code:** consolidate all tax laws
- **Organizational and procedural reforms:** introduce functional organization separating audit, collections, returns processing, taxpayer service, etc.
- **Use information technology:** to modernize tax operations, increasing efficiency and effectiveness of tax administration
- **Training:** establishing training function and ongoing program
- **Taxpayer Service:** increasing transparency and promoting voluntary compliance

# Scope of USAID's Tax Reform Programs in CEE/NIS



Country	Time	Policy	Tax Code/Laws	Org. Reform	Procedural Reforms	IT Systems	Training	Taxpayer Service
Armenia	1998-2004	X		X	X	X *		
Bosnia	2000-2004			X	X	X *		
Georgia	1997-2002			X	X	X *	X	X
Kazakhstan	1994-2003	X	X	X	X	X	X	X
Kosovo	1999-2007	X	X	X	X	X	X	
Kyrgyzstan	1993-2004	X	X	X	X	X*	X	X
Lithuania	1997-1999	X	X					
Macedonia	2001-2004				X		X	
Moldova	1994-2003	X	X	X	X	X	X	
Montenegro	1999-2005	X	X	X	X	X*		
Russia	1994-2003	X	X		X			
Serbia	2002-2005		X	X	X	X *		X
Tajikistan	2003-2004		X	X	X	X *		
Ukraine	1994-2002	X	X	X	X	X		
Uzbekistan	1994-1997	X	X			X *		

\* includes provision of hardware and software

# Participation by Other Donors in Tax Reform Activities in CEE/NIS



Country	IMF	U.S. Treasury	World Bank	European Union	Other Bilateral
Armenia	*	X			
Bosnia	*	X		X	GTZ
Georgia	*	X	IT		
Kazakhstan	*		IT		
Kosovo	*			X	CIDA
Kyrgyzstan	X				
Lithuania	*	X		X	
Macedonia	*	X			
Moldova	X		IT		
Montenegro	*				DFID
Russia	X	X	IT	X	Danish, Sweds
Serbia	*	X		X	GTZ
Tajikistan	*				
Ukraine	X	X	IT		
Uzbekistan	X		IT		

\* Provided assistance through short-term mission

# Related USAID Economic Reform Activities

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- **Intergovernmental Finance**, dealing with tax sharing and tax assignment, including property taxation
- **Budget reform**, including improved macro forecasting, tax analysis and revenue forecasting
- **Accounting reform**, to enable proper measurement of income and expenses consistent with international standards
- **Commercial law**, including business registration and bankruptcy
- **Trade and investment**, including tariff and customs administration, establishing an attractive climate for investment and sometimes special incentives

# Related USAID Economic Reform Activities

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- **Banking**, for tax collections
- **Privatization**, creating private sector enterprise that play a key role in tax system
- **SME support**, trend toward establishing simplified tax system for small businesses
- **Pension reform**, including overall level of taxation on wages and integrating tax collection function.

# Related USAID Economic Reform Activities



Country	IGF	Budgeting	Accounting	Commercial Law	Trade & Inv	Banking	Privt.	SME
Armenia	X	X	X	X	X	X	X	X
Bosnia			X	X	X	X	X	X
Georgia		X		X	X	X	X	X
Kazakhstan	X	X	X	X	X	X	X	X
Kosovo	X	X	X	X	X	X	X	X
Kyrgyzstan	X	X	X	X	X	X	X	X
Lithuania						X	X	
Macedonia		X	X		X			
Moldova	X	X	X	X		X	X	X
Montenegro	X	X	X	X	X	X	X	
Russia	X	X	X			X	X	X
Serbia			X	X	X	X	X	X
Tajikistan					X	X		X
Ukraine	X	X	X	X	X	X	X	X
Uzbekistan		X	X		X	X	X	

# Conclusion

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- **USAID played leading role in tax reform in CEE/NIS and deserve much of the credit for success that the reforms have achieved**
- **Focus on comprehensive and sequenced programs** – tax policy, legislation, organizational and procedural reforms, information technology, training, taxpayer service
- **USAID supported many interrelated programs** – tax, accounting, commercial law, budgetary and intergovernmental finance reform, trade and investment programs, SME programs, etc.
- **Importance and challenges of donor coordination:**
  - IMF, U.S. Treasury, World Bank, European Union, Other Bilateral Assistance (DFID, GTZ, Danish, etc.)
- **Need time to learn and assimilate reforms**, in line with other market oriented and democratic reforms