

RECOMMENDATION 123/2012*

Improvement of Tax Systems in the BSEC Member States

1. The Parliamentary Assembly of the Black Sea Economic Cooperation (PABSEC) realizes the significance of the issues related to improvement of taxation systems in the BSEC Member States, which is a matter of great current relevance in the context of emerging trends of economic growth in the Black Sea region.
2. The PABSEC stresses that an effective taxation system constitutes one of the primary mechanisms for sustainable economic growth. Given that taxes are a major source of revenue in the business sector, taxation requires careful consideration of the constituent elements of the tax system so as to protect the interests of the state and businesses alike.
3. The PABSEC is of the opinion that taxation systems must be robust and flexible enough to respond efficiently to changes in the economic, social, and political spheres. Moreover, taxation systems not only need to facilitate production processes optimization, but also have to establish a fine balance between specific taxes, fees, and charges in order to enhance the development of national economies. To this end, the tax authorities need to conform to the current economic situation, which may call for progressive taxation instead of the strict imposition of formalities.
4. The PABSEC emphasizes that the improvement of the taxation system demands an effective and stable taxation policy that would result in sufficient budgetary recharge and implementation of efficient social policies.
5. The PABSEC deems it appropriate to streamline the necessary tax reporting procedures in terms of administration and presentation, and to eliminate wasteful practices such as duplicate indicators, unnecessary procedures, and lengthy and time-consuming forms of tax reporting.

* Rapporteur – *Mr. Gagik Minasyan, Chairman of the Committee (Armenia).*

Assembly debate on 23 May 2012 (see Doc.: GA39/EC37/REP/12, Report of the Economic, Commercial, Technological, and Environmental Affairs Committee on *Improvement of Taxation Systems in the BSEC Member States*, discussed in Tbilisi on 12 October 2011).

Text adopted by the Assembly in Yerevan on 23 May 2012.

6. The PABSEC takes into account the fact that improvement of the taxation system is closely linked to formation of a solid economic foundation and stable political conditions for social development. This inseparable link necessitates the development of consistent prerequisites for the gradual transformation of taxation systems into factors of economic growth.
7. The PABSEC recalls its previous Reports and Recommendations:
 - Report and Recommendation 42/2000 on *Promotion of Small-and Medium Enterprises in the Black Sea Region*;
 - Report and Recommendation 59/2002 on *Economic Integration in the BSEC Region: Current State and Future Prospects*;
 - Report and Recommendation 65/2002 on *The Black Sea Trade and Development Bank: the Financial Pillar of the Cooperation in the Black Sea Region*;
 - Report and Recommendation 72/2003 on *Shaping a European Economic Space*;
 - Report and Recommendation 101/2008 on *Foreign Investments and Economic Growth of the BSEC Member States*; and
 - Report and Recommendation 104/2008 on *The WTO and the Economic Development of the BSEC Member States*.
8. The PABSEC believes that in the process of developing appropriate, consistent, and harmonized trade regimes, the BSEC countries may benefit from the assistance of the consultation mechanism used by international organizations, particularly United Nations (UN) organizations — such as the UN Conference on Trade and Development (UNCTAD), the UN Commission on International Trade Law (UNCITRAL), and the UN Economic Commission for Europe (UNECE) — and the Organization for Economic Cooperation and Development (OECD), as well as international financial institutions.
9. The PABSEC welcomes the initiatives by international organizations in matters related to improvement of taxation systems, including relevant UN bodies such as UNECE, the Intra-European Organization of Tax Administrations (IOTA), the World Bank, the International Monetary Fund (IMF), as well as the Commonwealth of Independent States (CIS) and the Eurasian Economic Community (EurAsEC).
10. **Therefore, the PABSEC recommends** that the Parliaments and the Governments of the BSEC Member States:
 - i) *conduct* in-depth analyses of the existing tax codes;
 - ii) *promote* elaboration of legislation in order to adjust, update, and amend the provisions of national tax laws;
 - iii) *facilitate* the improvement of taxation systems in order to make them more democratic and transparent;
 - iv) *encourage* the use of pro-investment tax systems to reduce the impacts of financial crises;
 - v) *discuss* the possibilities for avoidance of double taxation of income;

- vi) *welcome* tax incentives aimed at enhancing energy efficiency;
- vii) *develop* mechanisms to relax the rules on due dates for payment of taxes and duties by granting grace periods, installment plans, investment tax credit, and other appropriate measures;
- viii) *optimize* taxation systems and customs duties in the sphere of production and export of oil and oil products;
- ix) *facilitate* cooperation among the tax and customs agencies to enhance efficiency in tax and customs control;
- x) *promote* the establishment and development of relevant scientific institutions in the field of taxation to promote mechanisms to improve existing taxation systems;
- xi) *advance and improve* cooperation and information exchange among the BSEC Member States on tax issues;
- xii) *promote and support* activities of public and non-governmental organizations dealing with the problems of taxation and monitoring of taxation systems.

11. **The PABSEC invites** the BSEC Council of the Ministers of Foreign Affairs to consider this Recommendation.