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PRESS RELEASE

State Tax Committee of Tajikistan, International Finance Corporation and International Monetary Fund host conference on tax administration

Dushanbe, 25 June, 2007. The State Tax Committee of Tajikistan, IFC and the International Monetary Fund last week hosted a conference on “Tax Administration Development During the Independence Period of the Republic of Tajikistan.” The purpose of the conference was to increasing entrepreneurs’ awareness about the current (2005) tax code and discuss further improvements needed in tax administration.

The State Tax Committee of Tajikistan expressed its readiness to consider suggestions from entrepreneurs and other interested parties to improve tax administration. “Tajikistan’s tax system has to contribute to the achievement of aims such as increasing tax collection, promotion and development of small and medium entrepreneurship (SME), and attracting foreign and domestic investment to develop industrial potential and create new jobs”, said the Deputy Chairman of the State Tax Committee of Tajikistan, Bakhtiyor Sultonov.

IFC’s Andrea Dall’Olio described the current situation in SME taxation based on the results of the business environment survey conducted by IFC in Tajikistan in 2006. According to the survey, tax administration in Tajikistan is still cumbersome, while the overall tax burden is high, especially for growing businesses. Among other findings, the survey revealed that the patent system of taxation, preferred by most individual entrepreneurs, is somewhat complicated due to the necessity to pay social and retail taxes separately. “Creating a super-patent, which would include the patent cost, the social tax and the retail trade tax would make the taxation process for individual entrepreneurs much simpler, and we believe that a simplified and more transparent tax system would have a significant impact on improving the business environment in the country”, Dall’Olio said.

Luc Moers, the Resident Representative of the International Monetary Fund, supported IFC’s recommendations in the area of SME taxation, but noted that careful assessment of the impact on tax revenues was needed. He also stressed that more attention should be given to reducing tax arrears, which have increased in recent years, in particular those of state-owned enterprises. Moers argued for the concentration of Tax Committee resources where the largest revenue gains could be achieved, while reducing resources allocated to inspectorates generating minimal revenue. “Most of the difficulties we are discussing are caused by confusion about the implementation of the Tax Code, and not by the Code per se. Thus, the top priority should be to develop the required supporting regulations for proper implementation of the existing Code,” he noted.

Additional recommendations from participants included consolidating taxes to simplify process, combining the social and tax registration numbers, conducting awareness campaigns about tax inspections, and increasing the quality of such inspections.

About IFC

IFC, the private sector arm of the World Bank Group, promotes open and competitive markets in developing countries. IFC supports sustainable private sector companies and other partners in generating productive jobs and delivering basic services, so that people have opportunities to escape poverty and improve their lives. Through FY06, IFC Financial Products has committed more than \$56 billion in funding for private sector investments and mobilized an additional \$25 billion in syndications for 3,531 companies in 140 developing countries. IFC Advisory Services and donor partners have provided more than \$1 billion in program support to build small enterprises, to accelerate private participation in infrastructure, to improve the business enabling environment, to increase access to finance, and to strengthen environmental and social sustainability. For more information, please visit www.ifc.org.

About IFC Business Enabling Environment - SME Policy Project

The project was launched in 2003 and is financed by Switzerland's State Secretariat for Economic Affairs (SECO). In addition to monitoring the business environment by conducting regular surveys, the project is helping implement the new inspections law, conducting preliminary analysis for the permits reform, and raising SME awareness through training and events. For more information, please visit www.ifc.org/tajikistan/sme.

About SECO

The State Secretariat for Economic Affairs is the Swiss Confederation's competence center for all the core issues related to economic policy. Its aim is to create basic regulatory and economic policy conditions to enable business to flourish and benefit all. SECO also represents Switzerland in the large multilateral trade organizations and international negotiations, and is involved in efforts to reduce poverty and help developing countries with transition economies build sustainable democratic societies and viable market economies. Each year, Switzerland spends about 1.9 billion francs on development cooperation and transition assistance to countries.

About IMF

The IMF works to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty. To maintain stability and prevent crises in the international monetary system, the IMF reviews national, regional, and global economic and financial developments. It provides advice to its 185 member countries, encouraging them to adopt policies that foster economic stability, reduce their vulnerability to economic and financial crises, and raise living standards, and serves as a forum where they can discuss the national, regional, and global consequences of their policies. The IMF also makes financing temporarily available to member countries to help them address balance of payments problems—that is, when they find themselves short of foreign exchange because their payments to other countries exceed their foreign exchange earnings. And it provides technical assistance and training to help countries build the expertise and institutions they need for economic stability and growth. For more information, please visit www.imf.org/external/country/tjk/rr.