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Ministry of Taxes: Curriculum and Pedagogical
Approach of the Tax Training Centre

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Azerbaijan Competitiveness and Trade (ACT) Project

Ministry of Taxes: Evaluation of Curriculum and Pedagogical
Approach of the Tax Training Centre

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DISCLAIMER

The authors' views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the United States Government.

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1. INTRODUCTION

The Ministry of Taxes (MoT) through First Deputy Minister Natig Amirov has requested the Assistance of the Azerbaijan Competitiveness and Trade (ACT) project to evaluate and offer recommendations on the curriculum and pedagogical approach of the recently opened Tax Training Centre in Shamakhi.

2. BACKGROUND

The MoT¹ has had a program of training of staff since its establishment more than 10 years ago. The training was carried out in the MoT in Baku but moved in September 2011 to a newly constructed training facility in Shamakhi, which is located around 120 km from Baku. The Training Center was funded by a fund under the President's Office whose purpose is to bring development and prosperity to lesser developed areas of Azerbaijan.

The Training Center is of outstanding quality and equipped to the absolute highest standards²:

- 3 classrooms/small auditoriums with room for 20, 15 and 20 students all equipped with networked PCs and internet access;
- 1 big auditorium seating in excess of 100;
- 1 big conference room seating 50 participants;
- A number of smaller meeting rooms and break out/working rooms;
- Restaurant/canteen seating 80 guests;
- Leisure facilities;
- Accommodation for 65 students;
- 36 flats for staff working in the center;
- 4 VIP flats for external instructors.

2.1. Organization

The Training Center is a department of the MoT reporting directly to the Ministry of Taxes through an advisor. In the Center is employed around 30 staff excluding support staff that is responsible for managing and implementing the activities of the Training Center. The Center's own instructors provide the training in most courses and also in cooperation with

¹ References to 'MoT' include the Ministry's regional and local departments and centers as the context requires and solicits.

² For a demonstration please refer to this clip on Youtube: http://www.youtube.com/watch?v=T3Yn2rG_IRo

the relevant department produce the training material, but the Center does also use external resources from for instance universities.

2.2. Activities

The activities of the Training Center fall into three main categories:

1. Training of new recruits to the MoT
2. Vocational training of staff
 - a. Keeping officers at all levels up to date
 - i. Tax officials
 - ii. Management
 - b. Providing training to staff whose tasks are changed
3. Making the facilities of the Training Center available to other (state) agencies

2.2.1. Training of new recruits to the MoT

The Training Center is on an ongoing basis delivering introductory training to the new recruits of the MoT. The new officials coming to the MoT are selected through the State Commission on Students' Admission. The Commission runs recruitment exercises that are customized to the needs of the MoT, and the exercises include tests providing the basis on which new recruits are identified. Most new recruits are economists or law graduates.

After a suitable candidate has been identified the person is employed as a trainee on 12 months' probation during which period the person must participate in and pass the introductory training. The training consists of:

- 24 days of training in the Training Center;
- 1 month back in his or her organizational unit of the MoT with a person from that unit being responsible for the trainee being properly introduced to the different activities of the tax office that relate to the introductory training; and
- 1 week of tests and exams, which must be passed in order for a trainee to be appointed as a tax officer.

The trainees have already been working some time – usually a few months – in their organizational units before participating in the training as their participation depends on availability. In 2012 the Training Center expects to deliver introductory training to around 200 trainees.

The trainees are regardless of their academic background trained in the same curriculum being subjects within tax law and accountancy.

2.2.2. Vocational training

The Training Center also runs three programs of vocational training for staff already in posts:

1. Training of managers
2. Training in subjects identified
3. Training of staff getting new tasks

It is integrated in the MoT training program that managers should also regularly participate in management development training and other types of training tailored to their needs.

Regarding the vocational training of other tax officials, the Training Center gets suggestions from the operational units of the MoT as preparation for the drafting of the Center's part of the MoT Annual Operational Plan. Based on the needs as they are expressed in the requests and suggestions received the Training Center makes a suggestion for their activities described in the Annual Operational Plan. The Plan is compiled by the Tax Policy Department of the MoT and eventually approved by the Minister.

In Annex 1 – Example of training activities planned for 2012' is for illustrative purposes produced a non-exhaustive list of the type of training and activities that will be performed by the Center in accordance with the action plan for 2012.

The Training Center also has a program that is tailored to meet the needs of staff getting new tasks within the MoT.

The overall training objective of the MoT and the Training Center is that staff receive the following amount of training sessions in total:

1. Chief Manager Group – 1 week per year
2. Senior Manager Group – 1 week every 6 months
3. Middle management group and tax officials/specialist – 2 weeks every 2 years

2.2.3. Availability for other State bodies

The facilities and capacity of the Training Center vastly exceeds the needs of the MoT, and it is foreseen that the Center shall also service other state bodies. The Center is so newly opened that these activities are still on a low level, but as an example it can be mentioned that there was a major conference held on 15 February 2012 regarding the fight against corruption in Azerbaijan³.

2.2.4. Mode of operations

The Training Center usually works in the following way:

³ For more information please refer to the webpage of Intra-European Organisation of Tax Administrations (IOTA): <http://www.iota-tax.org/iota-news/conference-fight-against-corruption-in-the-republic-of-azerbaijan-achievements-and-perspectives-39.html>

1. Operational units submit suggestions reflecting the needs of the MoT organizational units.
2. The Training Center finds a suitable trainer in the rare occasions that internal instructors are not able to do the task.
3. The Training Center drafts the training material for the course.
4. The training material is sent to the relevant operational units for control of consistency and suitability in terms of meeting the requirements.
5. The operational units suggest staff members for participation.
6. The Minister of Taxes finally approves the staff for participation in the training.
7. The training is conducted and evaluated in accordance with usual practices.

2.3. Other activities

Within the organizational framework of the Training Center is also operated a scientific-research division whose main objective is to provide the scientific and methodological bases for tax legislation and develop practical and legal models. Finally, the Training Center shall also develop international relations in order to improve the knowledge of foreign tax systems that may be inspirational sources for the solutions that are needed in Azerbaijan.

3. EVALUATION OF CURRENT ACTIVITIES AND RECOMMENDATIONS

The overall assessment is that the services provided by the Training Center seem to meet the immediate training requirements of the MoT.

In particular the quality of the facilities in Shamakhi is outstanding in all aspects of meeting training needs including the ample possibilities for using modern technology, design and layout, size and capacity, and in terms of the quality of the accommodation and other services provided.

4. AREAS OF CONCERN AND RECOMMENDATIONS

4.1. Education of Training Center employees

There seems to be a need to ensure the pedagogical qualifications of the trainers employed within the Training Center. It is suggested to establish cooperation with institutions that educate teachers and trainers in order to compose a program that can provide the instructors with the knowledge and skills they need in order to develop the best possible training material and deliver training in the best and most engaging ways.

4.2. Legal quality of MoT decisions

Attached as Annex 2 is a flow chart illustrating the elaborate process that is in place for selecting and preparing new recruits for working as tax officials in the MoT.

The MoT is not formally in charge of the competitions that are held in order to identify new candidates for employment as tax officials. This is left to the State Commission on Students' Admission, but it is understood that the Commission takes advice from the MoT on the type of qualifications for which the candidates should be screened.

Regardless of the thorough selection process, the training of new recruits and the quite extensive training programs that are in place for tax officials the MoT currently loses all cases that taxpayers file with the courts. This is obviously not sustainable, and the reasons must be thoroughly analyzed and actions taken. The Training Center is planning to run a training session for the Legal Department in order to try and remedy the situation, but it is likely that more thorough and comprehensive actions must be taken in terms of educating audit and control officers in the requirements of the courts and what must be done in order to meet those requirements.

The Scientific Research Division should be involved with the Legal Department in order to assess the true nature of the problems faced by the MoT as there could be requirements in the legislation that are unrealistic or are required by the courts to be applied in particularly rigorous ways. The analysis should therefore contain the following elements:

1. Analysis of the decisions of the courts to determine if there are repeated and general issues.
2. As appropriate draft amendments to the legislation.
3. Assess whether both the training of new recruits and the continuous professional training may be lacking quality and quantity. The amount of training of new recruits with 24 days of theoretical training combined with some on the job training seems in particular to be insufficient, and it is recommended to be increased with the main emphasis on case studies.

4.3. Legal tax manual

The Training Center would benefit from the existence of a legal tax manual.

Many modern tax administrations maintain such legal manuals where they describe primary and secondary tax law including

- decrees and regulations;
- description of the legal situation both regarding the tax laws in the legislation that applies to the administrative processes and legal procedures;
- interpretations and guidance given by the administration in connection with its general contacts with taxpayers and support of operational units of the administration; and
- decisions from the appeal commission and courts.

The Training Center seems to have resources and experiences that could beneficially be put into the process of the drafting of a legal manual and should be involved in this work with the Information Department and the Legal Department. It is accepted that it is a big task to

compile the document the first time, but considering it is less resource consuming to keep it updated and maintained with new legislation and decisions it is a good investment because such documents are invaluable in terms of:

- ensuring uniform application of the tax law across all units of the administration;
- providing support to officers operating in the field;
- having fully updated materials that can form the basis for training including production of training materials; and
- provide high quality reliable information on tax law to taxpayers and their advisors.

4.4. Taxpayer services and audit/control

The MoT has a bad reputation amongst businesses.

The Entrepreneurship Development Foundation (EDF) conducted an opinion poll⁴ amongst 700 small businesses⁵ in Azerbaijan during the summer of 2011.

When the respondents were asked in which spheres it is necessary to make improvements in order to speed up the development of private business in Azerbaijan they replied as follows:

	Very important	Important	Not important
Protect businesses from groundless checks	442	243	55
Improve the crediting of private business	349	230	121
Increase anti-monopoly control	291	186	223
Reduce tax payments	463	163	74
Facilitate customs procedures	327	217	156
Reduce social payments	309	220	171
Simpler procedures for registration of property	231	240	229
Simpler procedures for building permits	231	213	256
Simpler procedures for licenses and permits	316	180	204
Increase independency of courts	449	142	109

⁴ Entrepreneurship Development Foundation, Center for Support to Development of Small and Medium Business: 'The results of a face-to-face poll conducted among 700 (seven hundred) small businesses in the Azerbaijan Republic'. The publication is published on the EDF's website:

http://edf.az/ts_general/download/Preliminary_analysis_09_09_11_e.pdf (English language) and http://edf.az/ts_general/azl/tedbir/td-48.htm (Azeri language)

⁵ 'Small business' was defined in accordance with the resolution adopted by the Council of Ministers on 18 December 1992:

- Industry and construction: Less than 50 staff and 500,000 manat turnover
- Agrarian sector: Less than 25 staff and 250,000 manat turnover
- Wholesale: Less than 15 staff and 1 million manat turnover
- Retail, transport etc.: Less than 10 staff and 250,000 manat turnover

As can be seen “protect businesses from groundless checks” scores very high with almost all assessing this as ‘very important’ or ‘important’. “Reducing tax payments” scores almost equally high.

The background for the responses regarding the groundless checks seems to be the information also from the opinion poll showing that those 700 small businesses within a period of 1 year were subjected to more than 16,000 controls and audits. Obviously the MoT conducted some of those controls and audits:

	Weekly	Monthly	Bi-yearly	Annually	None
Number of businesses	10	212	183	229	66
Total number of controls	520	2,544	365	229	0

These 700 small businesses were in other words within a 1 year period subjected to around 3,700 audits and controls conducted by the MoT and close to one third of the businesses were given weekly or monthly controls or audits.

This is highly unsustainable.

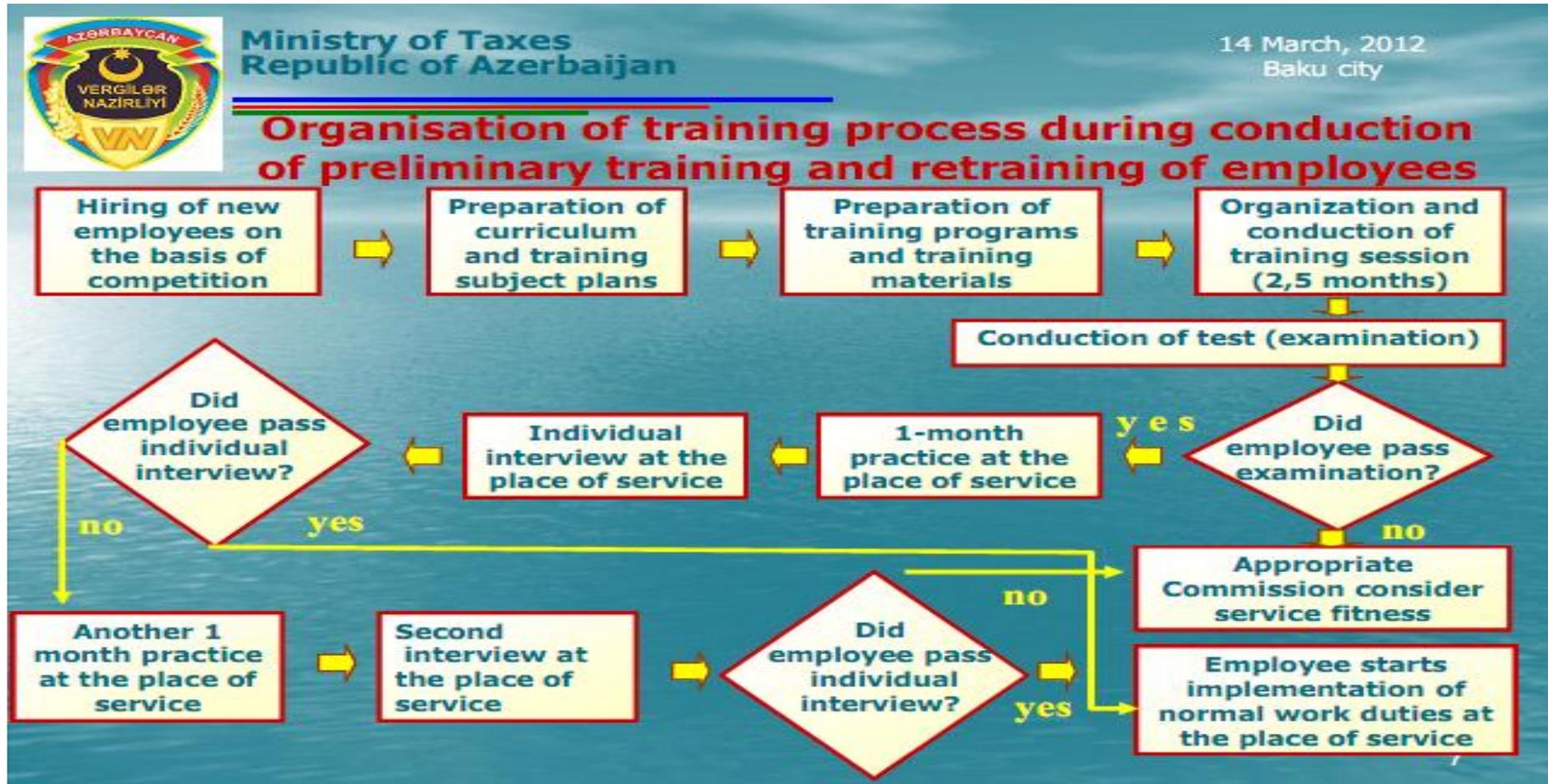
Based on experiences gathered from foreign tax administrations the Training Center’s Scientific Research Division should produce the background material needed by the MoT to totally redesign its control and audit strategies including introducing proper risk based selection of taxpayers for audits and controls and discontinuing desk audits that usually do not provide any substantial results except ample opportunities for direct contacts between tax officials and taxpayers. This change would require very substantial training efforts be conducted:

- The managers of the audit and control functions would need to manage their departments according to very different principles compared with what they currently do introducing proper management checks and controls.
- The audit and control officers’ work would change fundamentally from desk controls to proper in-depth audits substantially carried out at taxpayers’ premises.

ANNEX 1 – EXAMPLE OF TRAINING ACTIVITIES PLANNED FOR 2012

Topic	Remark
One stop shop	The MoT operates the One Stop shops in which all registrations necessary for carrying out business activities can be done.
Tax Friends	The MoT performs an information campaign aimed at children in order to raise acceptance of taxes being necessary.
State budget implementation	For the budget people in the MoT.
Tax Audit	One week's duration for tax auditors.
Investigation of tax fraud	One week's duration for tax investigators.
AVIS	Preparation and implementation of a new section in the automated tax information system AVIS.
Training techniques	Some training is based on the train-the-trainer concept. This shall ensure that the trainers who shall instruct their colleagues are sufficiently prepared to do so.
Fields of economic activities	There are a number of short sessions on special problems in particular fields of the economy such as for instance banking, insurance, manufacture, etc.
Evaluation of employees	The training concerns instruction in using a new facility in AVIS for staff evaluation.
Automated handling of documents	About introduction of E-office facilities
Administrative execution	Concerns the legislation outside the tax law that regulate the executive activities of the MoT
Tax for journalists	The course is directed towards journalists that report on tax issues and as such are in contact with the Press Office of the MoT
Legal training	The MoT loses many cases in courts. The training is supposed to better equip the legal department's work with court cases and the vetting of cases that takes place in the department prior to referring a case of suspected tax evasion to investigation.
Ethic Code	The course is designed for Internal Security that also investigates cases of suspected wrongdoing of tax officials.
Access to information	The course shall train relevant officers in the legislation governing the public's access to information held by the MoT.

ANNEX 2 – FLOW CHART OF RECRUITMENT PROCESS*.



*) Produced by A Mammadov, Advisor to Minister of Taxes.