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## HUMAN RESOURCES MANAGEMENT EFFICIENCY ISSUES RELATED TO ARMENIA'S TAXATION

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**Abstract:** The results of effective management of human resources are most clearly manifested in state agencies. In this regard, the state tax service is not considered an exception, where the effectiveness of tax administration and fiscal policy management is largely determined by the available quality of used labor resources. The article presents recommendations for improving the quality of labor resources in tax services, based on the analysis of international experience. Special emphasis is placed on systematic measures to ensure the quality of labor resources, such as motivation, targeted trainings, professional advancement paths.

**Keywords:** state revenues, tax system, human resource management, professional advancement

**JEL code:** J58

**Research hypotheses:** the effectiveness of tax administration is closely related to the continuous growth of the quality characteristics of tax officials.

**Research novelty:** the ensuring of the qualification of tax officials will be considered effective if a systematic approach is shown to that process, considering motivation, as well as opportunities for professional advancement human resources in tax authorities.

### **Introduction**

The issues of improving the quality of services provided to the society and entrepreneurs, introducing high standards of mentioned services, increasing the transparency and accountability of the activities of public bodies are always considered among the key priorities of the government. Among the most sensitive issues in this area, one may single out the state of affairs dealing with state revenues, especially the tax service. Consequently, the quality of service in this field, among other factors, directly depends on the knowledge and experience of the specialists involved in them.

In this sense, the effectiveness of tax administration is also determined by the effective management of human resources by specialists. Practice related to problems in the field of tax service in our country, and especially the need for personnel selection and proper management, indicates the need for a systematic approach to mandatory training of tax employees and their proper management. applying the acquired knowledge in practice, as well as encouraging and promoting the most outstanding tax specialists in matters of improving the system. It is clear that the above, in

turn, requires constant improvement of the internal control system and control processes based on best international experience.

### **Methodology**

The methods, the nature and process of human resource management are widely used and utilized. The best international practice of human resources management is analyzed and the possibilities of its localization in the field of taxation of the Republic of Armenia are presented. Among the main concepts of human resource management formed and efficiently used are:

- ✓ staff utilization concept;
- ✓ personnel management concept;
- ✓ concept of human resource management;
- ✓ concept of individual / human management.

Currently, the theory of human capital has become more widespread in the field of HRM, the basis of which is the importance of the personality and role of the employee, the identification of the motives of the activity and their direction to the solution of the problems facing the organization. Each of the mentioned concepts reflects the individual's role in the production process in its own way. As a result of the author's analysis of HRM concepts and approaches, it becomes obvious that currently the scope of HRM processes is expanding beyond narrow administrative functions and becoming more flexible and business oriented. Therefore, from the point of view of modern business, it is appropriate to define HRM as a direct and indirect influence on the employees by the management staff of the organization, in order to bring out their

potential, fully implement it during the organization's activities, and ensure the maximum work involvement of the employees in order to achieve the organization's goals.

### **Research results**

Based on current realities we may state that the quality of tax administration is also determined by the efficiency of human resources management. The practice related to the problems in the field of tax service in our country, and especially the need for the selection of personnel and their proper management, suggests the significance of taking proper steps and a systematic approach to the mandatory training of tax officials and the correct application of the acquired knowledge in practice to system improvement issues, as well as the encouragement and promotion of the most outstanding tax officials. It is also assumed that the above, in turn, requires continuous improvement of internal control and monitoring (Jong-Hag Choi, Sunhwa Choi, Chris E. Hogan, & Joonil Lee, 2013) processes based on most advanced international practices and success stories.

The pace of development of modern tax administration requires a constant increase in the resources used. In general, sufficient technology, human resources and financial resources are provided to the tax administration for the maintenance and efficient operation of the tax system in the context of the lack of funds from the state budget.

The current experience proves that the most effective tax administrations have a human resource management system that supports the achievement of the administration's goals, while at the

same time clearly recognizing the fact that human resources are the most valuable resource of the tax authority.

A professional and skilled staff that acts fairly and honestly is considered to be one of the most valuable features of modern tax administration.

Expert surveys indicate that the main drivers of corruption in the tax system are low wages, lack of professional ethics, conflicts of interest, ambitions to get rich quick and bureaucratic hassles. Moreover, the less satisfied the employees of tax authorities are with their salaries, or with the fairness of career advancement and financial incentive schemes, the more they tend to engage in corrupt behavior. Employee attitudes toward bribery are also determined by the degree of punishment for corrupt behavior, as well as the likelihood of punishment upon detection.

In addition, the subjective factor plays a dominant role in tax errors. According to our estimates, about the three fourth of tax errors are related to the human factor, which are caused by insufficient qualification of employees, inattention, dishonest attitude towards the performance of their duties, etc.

In this sense, the management and development of human resources is emphasized as the most important direction for the modernization of the tax system.

The tax system in our country needs qualified staff in order to achieve the goals set at the basis of its reforms for the years to come [2], which will help to increase the efficiency of work and the quality of services provided to taxpayers, thus also increasing the satisfaction of taxpayers.

The tax administration should have a fair and objective policy for recruitment, performance evaluation, career advancement and compensation of employees. Staff professional development should also include elements of anti-corruption, ethics and moral conduct. Achievements of employees in detecting tax frauds and collecting revenue should be properly evaluated. Many countries have already implemented tax administration reforms with the aim of establishing human resource management principles and getting rid of corrupt officials. Accordingly, it is important to study the experience of not only developed but also developing countries. For example, in Guatemala, Peru, and Jamaica, psychological, job-specific tests, interviews, and continuous review of an individual's behavior are used to root out corruption and get rid of underperforming employees. In order to increase the salaries of employees of tax authorities (and therefore also to reduce the promotion of corruption) a number of countries have separated the salaries of employees of tax authorities from the salaries of employees of other sectors of the civil service. For example, in Guatemala, the salaries of top executives have increased significantly in recent years, and in Russia and Albania, executives have been allowed to give performance-based bonuses.

It is worth noting that, based on the primary goal under discussion, in just one year, the RA State Revenue Committee tax body's official investigation committee heard more than seventy cases with the collected data and studies conducted during the official investigation, as a result of which 260 tax officials were subjected to disciplinary responsibility [3]. In the same period, the ratio of maintenance expenses of the tax authority and tax revenues

deposited by the tax authority into the State budget increased by 0.1% point, the latter is caused by the increase of tax revenues deposited into the state budget by the tax authority, as well as the increase of maintenance costs. In accordance with the annual training program, 12 courses of different sizes were held, in which a total number of 1931 tax employees were included. During the last ten years, a technical course on conducting audits was provided to 179 tax authority auditors by appropriately qualified specialists of the Armenian mission of the US Agency for International Development [4].

Within the framework of improving the human resource management system, the tax authority should continuously focus on solving issues related to personnel management (for example, hiring, promotion, training), as well as monitoring the rules of conduct. All this will create an opportunity to provide employees with the necessary technical means and modern technologies in line with the modern tax authority.

In particular, in order to achieve the strategic goal of effective management of human resources, in the coming years there is a need to review the training programs of the State Revenue Committee training center, as well as introduce a system for evaluating the effectiveness of training programs, pursue the study of the practical application of the experience gained abroad and its application in the Republic of Armenia, the performance evaluation system of tax employees. the study of the effectiveness of the application and based on it the use of the existing mechanisms of encouragement and promotion and the use of new methods of motivation.

With the effective implementation of the proposed steps, an effective human resources management structure can gradually be rooted in the tax system, which will contribute to the improvement of the quality of work and services provided, stimulating the increase in the level of voluntary fulfillment of tax obligations by taxpayers. This is of particular importance in 2024 when the establishment of a universal income declaration system for individuals in Armenia is expected.

In addition to the fact that RA SRC has included among its goals the study of the effectiveness of the tax employees' performance evaluation system and the use of the existing mechanisms of encouragement and promotion based on it, we believe that it is also important to emphasize the further improvement of the mentioned system. Finally, modern international benchmarks related to the tax administration employees' performance need to be utilized to make the field more transparent and effective and consider the latter among the most important factors for the effective management of human resources.

In particular, we also suggest to make the already developed performance evaluation system of tax authorities more comprehensive and meaningful for the improvement of effective human resources management and internal control mechanisms by introducing a more efficient evaluation system. Increasing the level of knowledge of tax system specialists, in turn, has an important role in reducing the shadow sector of the economy, as well as improving tax administration.

In our opinion, performance evaluation of tax authority employees can also lead to tangible results of reforms in the sector.



This is also evidenced by the approaches of profound experts in this field, in the many sources around them, reaffirming the advantages of effective evaluation.

For example, Amy DelPo in “The performance appraisal handbook: legal & practical rules for managers” states that performance appraisal can improve employee performance and morale, identify poor performance and ways to improve it, and create a legal basis for discipline and dismissal in case of non-compliance (Amy DelPo, 2007).

Furthermore, according to another expert, Paul Falcone, implementing a more effective performance appraisal system allows:

- ✓ to let employees know about the advantages and disadvantages of their activities;
- ✓ to inform about the new goals that should be agreed in advance,
- ✓ to encourage employees’ pro-active participation and involvement in the evaluation process;
- ✓ to better identify employees training needs (Falcone, Paul, and Winston Tan, 2013).

Therefore, taking into account the international instructive experience, we propose to adopt a five-point evaluation system: extraordinary, excellent, good, in accordance to the needs of improvement, and insufficient, in order to improve and make the existing evaluation system more effective.

In addition, to grant the exclusive function of regulating and controlling the overall evaluation process to the human resources personnel department. It is recommended to carry out the

assessment process twice a year - in the middle of the year and the final one - at the end of the year, and based on the outcome of the final assessment, develop a formula for calculating the bonus, which will be the basis for an assessment. In the case of unsatisfactory assessments that need further improvement, no bonus should be given. Moreover, it is recommended to dismiss the employee at once in case of unsatisfactory and improvement-needing evaluations twice in a row, and to fix this in the regulations and policies of the organization.

It is also expedient for the evaluation to be set by the employee's immediate supervisor, as a result of a discussion with the supervisor and HR department employee, so that the process is as fair as possible.

We suggest to divide the goals set for the employees into two parts - financial and non-financial, and evaluate them separately, and get the final evaluation by the average of these two evaluations. Financial goals can include those that can be measured in numbers, and non-financial goals can include goals that cannot be measured in numbers, for example, evaluating the employee's leadership qualities, the ability to work in a team, negotiations skills, to name a few.

Summarizing the topic of effective human resource management, it is no less important to emphasize the role of the personnel management department in promotion. In particular, it is important to inform the HR department first about any vacancy, which, in turn, will distribute and spread the information through the internal network so that all employees have the opportunity to be informed and, if desired, apply for that vacancy. Moreover, in

order to make the promotion process fair and more effective, it is advisable that even when the employee who applied for a vacant position has been approved by the immediate supervisor of that position, the HR department has the right to stop the promotion.

### **Conclusion**

Taking into account the progress of information technologies and rapid technological developments, the application of the achievements of the mentioned fields becomes necessary in all economic systems, including the tax system. Considering this fact, the use of new technologies and innovations in the tax field should be given a special place in the objectives of the tax administration strategy in our country.

At the meantime, in this process, special attention should also be paid to the development of the information capabilities of the tax authority, to outline the characteristic features of the tax authority and the necessary steps to be implemented in that direction. The recommendations developed in this field are justified by the results of our analysis of various processes refer to the advancement of the e-government system, as well as the continuous improvement of new systems developed for taxpayers.

Taking into account the above, as well as the need to create an improved information system, the executive power may consider IT sector reforms and the efficiency of human resource management in the tax system as an area of primary importance, fixing it in the current and prospective plans of tax administration.

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**ՄԱՐԴԿԱՅԻՆ ՌԵՍՈՒՐՍՆԵՐԻ ԱՐԴՅՈՒՆԱՎԵՏ  
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ՀԱՄԱԿԱՐԳՈՒՄ**

**Նախրի Սարգսյան**

Հայաստանի պետական տնտեսագիտական համալսարան,  
Իրավաբանական գիտությունների թեկնածու,  
Հայաստանի աուդիտորների պալատի նախագահ

**Բանալի բառեր** - պետական եկամուտներ, հարկային համակարգ, մարդկային ռեսուրսների կառավարում, մասնագիտական առաջխաղացում

Հասարակությանն ու ձեռներեցներին մատուցվող սպասարկման որակի բարձրացման, այդ ծառայությունների բարձր չափորոշիչների ներդրման, հանրային մարմինների գործունեության թափանցիկության և հաշվետվողականության բարձրացման հարցերը պետք է մշտապես լինեն պետական մարմինների գերակայությունների շարքում: Նման առավել զգայուն ոլորտներից կարելի է առանձնացնել պետական եկամուտների հետ առնչվող պետական մարմինների, հատկապես հարկային ծառայությունը: Իսկ այս ոլորտի սպասարկման որակն, ի թիվս այլ գործոնների, ուղղակիորեն կախված է դրանցում ներգրավված մասնագետների բանիմացությունից և փորձից:

Այս առումով հարկային վարչարարության արդյունավետությունը ևս պայմանավորված է մասնագետների՝ մարդկային ռեսուրսների արդյունավետ կառավարմամբ:

Մեր երկրում հարկային ծառայության ոլորտում առկա խնդիրներին առնչվող պրակտիկան և հատկապես կադրերի ընտրության և դրանց պատշաճ կառավարման անհրաժեշտությունը հուշում է, որ անհրաժեշտ է համակարգված մոտեցում ցուցաբերել հարկային ծառայողների պարտադիր վերապատրաստման և ձեռք բերած գիտելիքները պրակտիկայում ճիշտ կիրառելու, ինչպես նաև առավել աչքի ընկնող հարկային ծառայողների խրախուսման և պաշտոնեական առաջխաղացման համակարգի կատարելագործման հարցերին:

Ակնհայտ է, որ նշվածն, իր հերթին, պահանջում է միջազգային առաջատար փորձի հիման վրա ներքին հսկողության և վերահսկողության գործընթացների շարունակական բարելավում:

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