SCTMG 2020

International Scientific Conference «Social and Cultural Transformations in the Context of Modern Globalism»

THE CONTROLLING FUNCTION PARADIGM FOR TAX AUTHORITIES

Musa Shamsudinovich Basnukayev (a)*, Lyudmila Vladimirovna Popova (b), Boris Grigoryevich Maslov (c), Irina Valeryevna Sugarova (d), Ismail Tabikhanovich Batayev (e)
*Corresponding author

(a) State Federal-Funded Educational Institution of Higher Education
Chechen State University, 32, A. Sheripova st., Grozny, 364024, Russia, mail@chesu.ru,
State Federal-Funded Institution for Science Kh. Ibragimov Complex Institute of Russian Academy of
Sciences, 21-A, Staropromyslovskoye Fwy, Grozny, 364051, Russia; kniiran@mail.ru,
(b) State Federal-Funded Educational Institution of Higher Education Orel State University named after
I.S. Turgenev, 95, Komsomolskaya st., Oryol, 302026, Russia, info@oreluniver.ru,
(c) State Federal-Funded Educational Institution of Higher Education Orel State University named after
I.S. Turgenev, 95, Komsomolskaya st., Oryol, 302026, Russia, info@oreluniver.ru,
(d) State Federal-Funded Educational Institution of Higher Education North Ossetian State University named after
Kost Levanovich Khetagurov, 44–46, Vatutina st., 362025, Vladikavkaz, Russia, nosu@nosu.ru,
(e) State Federal-Funded Educational Institution of Higher Education
Chechen State University, 32, A. Sheripova st., Grozny, 364024, Russia, mail@chesu.ru

Abstract

This research deals with the aspects of applying tax control instruments in order to implement properly the taxation policy of a region. A taxation policy regulates the region's development. Any policy requires proper implementation since only efficient policies can promote growth, development, progress and social well-being in a given territory. This can be applied to taxation policies on both federal and regional levels. In order to produce an efficient taxation policy, it is necessary to consider the following: analysis, appraisal, and structural parameters. The correct functioning of the key elements of taxation mechanisms requires a subsystem of monitoring and auditing activities. This article is based on innovative research of the systemic parameters of taxation mechanisms, their efficiency, indicators, and features. Monitoring and auditing are performed via a set of organizational and legal actions. They define the parameters and the nature of the goals set for the practical tools to be used in the given region. The fact that there is no such legal term as regional taxation policy leads to contradictions. If we talk about the significance of taxation policies, it is worth defining the indicators that shall be monitored and audited by tax authorities. Some of them may include tax revenues per budgetary levels; the level of tax revenues in the gross regional product; taxes and charges that go to the budget; the level of back taxes to the budget; etc.

Keywords: Taxation policy, control; monitoring and auditing activities.

1. Introduction

Due to the deterrent effect of sanctions, the innovative development of economy requires efficient tax reforms. Timely budget replenishment at all levels requires an efficient system of both monitoring and auditing. Control instruments can be sufficient for the effective functioning of a taxation system. We would like to acknowledge the works of Shishkanova (2016), Bondarchuk (2005) and Zolochevskaya (2011) that deal with monitoring in tax payments, tax indicators, and tax burden; Maslov (as cited in Popova et al., 2019) study the problems of regulating accounting and taxation systems, while professor Galazova (as cited in Galazova & Magomayeva, 2018) focuses on the financial aspects of taxation in general and taxation mechanisms in particular.

Basnukayev (2018) investigate the problems of taxes and taxation, including monitoring and auditing activities, and professor Vasilyeva (2010) dedicated her thesis to the methodology, methods and organization of tax planning and prediction for analytical and appraisal procedures at both micro and macro levels. Selyukov (2017) has been investigating the implementation of tax mechanisms while maintaining the fiscal security of the region in his thesis.

Table 01. Methods of efficiency testing for the integral assessment of monitoring and auditing activities of tax authorities

Indicator	Indicator value	Integrated indicator share
Tax and charge collection rates in %	less than 80 % 80–90 % 90–95 % over 95 %	from 0 to 0.1 from 0.1 to 0.14 from 0.15 to 0.19 0.2
Proportion of taxpayers able to access their personal data via the Internet	less than 0.8 0.8–0.9 0.9–0.95 over 0.95	from 0 to 0.05 from 0.06 to 0.07 from 0.08 to 0.09 0.1
…….		
Integrated assessment indicator	Integrated indicator evaluation: – value over 0.9 (highly efficient tax control system) – value between 0.8 and 0.89 (efficient tax control system) – value between 0.7 and 0.79 (satisfactory tax control system) – value between 0.55 and 0.69 (non–satisfactory tax control system) – value lower 0.55 (inefficient tax control system)	

Source: (Selyukov, 2017)

Table 02. Performance Indicator Implementation Report for Federal Tax Service of Russia in 2018

Indicator	Unit	2018	
		(plan)	(real)
Efficiency of control activities for the enforcement of Russian foreign exchange regulations	percentage	51.0	99.0
Result quality for control activities in foreign exchange	percentage	88.0	96.0

Source: https://www.nalog.ru/html/sites/www.new.nalog.ru/docs/analit/FNS_indicators2018.doc

2. Problem Statement

The problem lies in the significance of the elements of monitoring and auditing activities for the promotion of regional financial and economic independence and autonomy through efficient tax policy implementation. It can be expressed in the positive indicators of the region's financial and economic functioning and development. A balanced tax policy provides for the social and economic development of the region and it is aimed at the increase of tax revenues for the regional budget. Monitoring and auditing activities in taxation are designed to help reach this balance.

3. Research Questions

The research questions are relevant and they reflect the current problems in finance, especially in taxation. They will help improve the instruments used to provide for efficient tax policy implementation in today's world. Nowadays, the lack of proper monitoring and auditing regulations at the regional level is made evident, because it influences the efficiency of the taxation system as a whole. Thus, systemic and complex research in tax control can support regional development.

4. Purpose of the Study

The goal of the research is proposing actions that would provide for the performance of the monitoring and auditing activities based on appraisal and analytical procedures. Standard systemic principles shall be created in order to respond timely and efficiently at the regional level. Today tax policies are implemented efficiently in many regions. These circumstances allow accumulating sufficient material for research aimed at defining key efficient activities.

5. Research Methods

This article made us of traditional methods of structure and function analysis, and statistical analysis (abstract logical, graphic, tabular, absolute and relative value methods). We also used economic and mathematical methods. The main source of information was the Internet, and we used such resources as Nalogovaya Statistica and Finansy portals.

6. Findings

In order to perform research in tax monitoring and auditing activities at the regional level, let us scope the issues and describe the problems that are to be eliminated and improved. We will also propose some mechanism improvements, divided into several categories.

The first problem is the lack of successful implementation of the main function of a taxation system, i.e. tax control, due to the lack of the corresponding instruments that would help implement regional taxation policies properly.

The second problem is the insufficient grounding of tax legislation improvement initiatives. It is important because the efficiency of the taxation system in a given region depends on the efficient organization of tax control legislation.

The third problem is the absence of complex studies of taxation and economy problems that businesses face during their operation.

The fourth problem is that the tax control concept shall be seen as a bundle of approaches and methods influencing the social and economic development of a region in the long term.

If tax control procedures are viewed, applied and used as a constituent of financial, business and economic activities of companies, it will be evident in accounting, research, and analytical procedures. It is especially relevant for the digital economy, where digitization methods and techniques allow tax control directly at the moment of making a deal. The tax amount payable is transferred directly to tax authorities on a fiscal document, for example, by cash register equipment. Office tax audit tools shall be automated and the data that will be included in tax reports shall undergo automated mathematical and logical control procedures.

Recently, the Federal Taxation Service has changed the legislation, forms, and objectives of monitoring activities and eliminated negative aspects of this work. The main legislator, the Tax Code, prescribes auditing as a means of tax control (in-house audits, in-depth scrutiny). In order to make the control activities more fruitful, it is possible to select economic entities to be included in the auditing schedule. The most important in this respect are the mechanisms that are necessary for the success of an audit (monitoring, appraisal, analysis, prediction, strategy).

By this day, a decent number of efficient design factors have been developed that are widely used in statistical agencies. Many authors suggest calculating integrated efficiency rating for the implementation of monitoring and auditing activities of tax authorities which would allow calculating and analyzing the results of work. In his thesis research, Selyukov (2017) proposed efficiency appraisal methods for the integrated evaluation of monitoring and auditing activities of tax authorities (Table 1).

The results of compliance auditing, e.g. with foreign exchange regulations, show 99 % real efficiency, while the planned was 51 %. However, the efficiency of control activities in currency transactions comprised 96 %, with a planned value of 88 % (Table 2).

We noticed that tax authorities nowadays use various methods widely known in jurisprudence, apart from the conventional tax control techniques. These include the polling of affected and unaffected parties, equipment inspections, and seizure of documents (within the legal scope). Breaches of tax and charge legislation damage the entire economic system, and thus the control and monitoring function shall have an economic aspect. Therefore, all of the information flows in the economy shall be strictly oriented and influence micro and macro levels.

In order to achieve the key objectives of tax control, it is necessary to follow the indicators that will increase tax revenue rates, tax collection rates, and their overall efficiency.

Concerning the tax control as a tax function, some comments must be made about fiscal management and its role in this respect. Fiscal management has a strict hierarchy in terms of taxation system management. We can observe the decentralization that promotes the development of tax relations entities at various levels, but the management functions are delegated top-down. This leads to subsidiarity, accumulation, and mobilization of financial resources for the implementation of numerous state initiatives. Mobility and adaptability in their turn may respond to various external changes. Further reasoning leads to external variability and internal differentiation, which implies clear adherence to tax

laws and regulations. Finally, we should talk about tax control. We observe an endless circle of fiscal management instruments going from more complex ones to simpler ones.

We have not mentioned anything about tax prediction and planning as tools of the theoretical study of taxes and taxation. It is actually a rather complex process that can be applied in practice. However, it is necessary and feasible to integrate all of the tax mechanism indicators described in the article.

7. Conclusion

We can outline some procedures of efficient tax control that imply efficient monitoring and auditing practices.

1. While defining a regional tax policy, we can take it as a constituent of a more general social and economic policy. It depends on budget authorities and fiscal federalism.

2. Tax policies at the current state of development have a clear idea of tax control and auditing, and those have features of a financial mechanism.

3. Automation and algorithm development for tax control procedures are being prepared and put to work.

4. The increase in the efficiency of monitoring and auditing, the use of contemporary and relevant information technologies shape the digitalization of the Russian economy in general.

5. Tax regulation is viewed as a system of mechanisms, methods, techniques, analytical procedures, fiscal management indicators and tools that are economy-oriented in general.

6. The evaluation of tax regulation tools shows that the most widely spread method is tax control and auditing as its component.

7. We defined how efficient a system of tax control elements and how stable development of business activity can be, how to attract foreign investments to Russia and how to reduce the outflow of capital.

References

Basnukayev, M. S. (2018). Taxation system and taxation systematics. *Ekomomich. i guman. Nauki, 9*(320), 11–23.

Bondarchuk, N. V. (2005). Relative indicators of the tax burden. *The acad. Sess. at MIFI-2005, 13-3*. https://studylib.ru/doc/3861319/n.v.-bondarchuk-otnositel._nye-pokazateli-nalogovoj-nagruzki

Galazova, S. S., & Magomayeva, L. R. (2018). New challenges and financial market problems in an open bank system. *Managem, 3*, 66–71. https://elibrary.ru/item.asp?id=36290653

Popova, L., Maslova, I., Korostelkina, I., Dedkova, E., & Maslov, B. (2019). *Value Formation of Innovative Product: From Idea to Commercialization.* In T. Antipova, & A. Rocha (Eds.), *Digital Science.* DSIC18 2018. *Advances in Intelligent Systems and Computing* (vol. 850). Springer. https://doi.org/10.1007/978-3-030-02351-5_38

Selyukov, M. V. (2017). *Tax mechanism implementation for the provision of region's tax security.* (Doctoral Dissertation).

Shishkanova, O. V. (2016). The analysis of tax payment and tax authority control activity indicators for Federal Taxation Service of the Russian Federation. *Ekonomich. Nauki, 49-1*. https://novainfo.ru/article/7288

Vasilyeva, M. V. (2010). *Tax prediction and planning system based on the integration of accounting and analytical procedures at macro and microlevels* (Doctoral Dissertation). https://search.rsl.ru/ru/record/01004666233

Zolochevskaya, Y. Y. (2011). Taxation indicator system in tax analysis. *Upravlench. Uchet, 2*. https://dis.ru/library/annotation/64/6610/