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TAX MONITORING: DIGITALIZATION OF TAX CONTROL

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Abstract

The article is devoted to tax monitoring as a direction of improving tax control. The concept of information interaction is designed to increase budget revenues based on a combination of the interests of taxpayers and the state. Tax monitoring can improve the efficiency of the state's tax system. Recently, the Russian tax service has been actively developing areas for improving tax administration, some of which have already proven themselves in foreign countries. The Federal Tax Service of Russia has already made a big step in changing approaches in tax administration. Analyzing the current tax legislation, it can be concluded that tax monitoring is one of the new forms of tax control and differs from tax inspections by the mechanism of implementation. Tax monitoring is designed to reduce the costs on tax administration, increase the level of tax culture of participants in tax relations. As a result of the new format of information interaction, it becomes possible to resolve disputes before the tax authorities carry out control measures, without bringing them to court. The concept of tax monitoring is given, the conditions of participants for information interaction are revealed. The mechanism of tax monitoring is considered, advantages for taxpayers and tax authorities are noted, and restrictions for its application are also noted. It is emphasized that the procedure of tax monitoring is aimed at improving the efficiency of tax administration and is aimed at countering taxification evasion.

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1. Introduction

One of the main conditions for timely and full budget revenues of taxes and other mandatory payments is an effective system of tax control. The tax authorities have recently been actively using innovative approaches to tax administration. They are aimed at mutually beneficial solution of problems of interaction between taxpayers and tax authorities. The implemented measures allow not only to reduce the time of verification during tax control, but also contribute to strengthening control over unconscientious taxpayers. At the same time, there is a further development of the risk-based approach in the implementation of control measures. In the format of such information interaction, it becomes possible to resolve tax disputes even before conducting tax inspections. In this regard, tax monitoring is characterized by a fundamentally new system of relations between taxpayers and tax authorities, which is based on openness and transparency. Thus, interaction in the tax monitoring mode increases the effect of preventing tax offenses. The use of modern technologies for processing large amounts of data makes it necessary to review the information interaction between tax authorities and taxpayers. In the future, the introduction of big data technologies will expand the possibilities of tax administration.

2. Problem Statement

At the present stage of improving the tax sphere, there is a need to analyze the measures that the tax authorities introduce to implement their tasks. The ongoing changes also affect tax control. Initially, the main form of tax control, from the point of view of detecting violations of tax legislation, was a field tax inspection, which covered a certain time period and a set of tax obligations of the taxpayer. For several years, there has been a tendency to reduce the number of field tax inspections while increasing their effectiveness. Innovations in the tax control tools used allow the tax authorities to use new methods in their work. The Federal Tax Service of Russia successfully applies a risk-based approach to the selection of objects for field tax control.

The control carried out in a new form – tax monitoring, contributes to the timely formation of tax revenues. The development and implementation of modern forms of tax control based on digital technologies require solving a number of problems in taxation. The big possibilities of digitalization lead to the creation of complete technological environments (ecosystems, platforms), within which the user can create for himself the necessary friendly environment (technological, instrumental, methodological, documentary, partner, etc.) in order to solve not individual tasks, but classes of tasks (Sviridenko, 2017).

At the present stage, the nature of the work of the tax authority is organized in the form of continuous exchange of information with taxpayers, its processing and analysis. The introduction of a new form of control changes the format of information interaction between participants in tax relations. The tax authorities are faced with the task not only of processing and analyzing large amounts of information, but also on the basis of high-tech solutions to improve the effectiveness of control measures. Tax monitoring is a method of extended information interaction, in which the organization provides the tax authority with real-time access to accounting and tax accounting data, which, in turn, exempts the organization from conducting desk and field tax inspections and retains the ability of the tax authority to verify the completeness and timeliness of the calculation (payment) of taxes and fees (Tax Code of the Russian

Federation 31.07.1998 N 146-FZ). Studying the features of tax monitoring, analyzing its effectiveness, and identifying areas for improvement are very important.

3. Research Questions

In the course of the conducted study, a number of issues are solved. The concept of "tax monitoring" is analyzed from the point of view of foreign and Russian practice. The number of participants in information interaction is estimated. The advantages of using tax monitoring in order to improve tax control measures are studied. The structure of the internal control system of the organization participating in tax monitoring is considered. The tax authorities can use the internal control system assessment to analyze the identified risks of the organization. The use of information technologies by tax authorities contributes to the optimization of work processes, the release of tax officials from labor-intensive work, the comprehensive and effective use of accumulated information for effective tax control and ensures the growth of tax revenues. Prospects for further application of tax monitoring are outlined.

4. Purpose of the Study

The level of development of information technologies creates opportunities for creating an effective mechanism of tax administration. Recently, special attention has been paid to information interaction between tax authorities and taxpayers. The use of information technologies in the activities of tax authorities allows to minimize personal contact.

To improve tax administration, it is necessary to improve the quality of information services provided to taxpayers. To implement this direction, a process of continuous exchange of information with the taxpayer should be created, with further processing and analysis of data. The introduction of new forms of control changes the format of information interaction between participants in tax relations. The tax authorities are faced with the task of not only processing and analyzing large amounts of information, but also improving the quality and efficiency of tax control based on high-tech solutions. In the system of tax administration, an important place should be occupied by ensuring information interaction between tax authorities and taxpayers. The Federal Tax Service of Russia provides for further improvement of its work tools, which will ensure the automation of tax monitoring processes.

5. Research Methods

When considering issues in the field of taxation, the greatest importance is shown in the study of foreign experience in the implementation of expanded information interaction between tax monitoring participants. In the course of the study, the role of such advanced technologies as tax monitoring was studied. In particular, a comparative analysis was carried out, which allows us to structure the obtained information. The directions of further study are determined. Significant problems that need to be studied with the help of theoretical tools are identified. In the course of the study, various methods were used. These methods can be represented as: theoretical (rational cognition); diagnostic (state analysis); empirical (description of facts and generalization of results).

6. Findings

The Tax Code of the Russian Federation sets out general provisions on tax control (Tax Code of the Russian Federation 31.07.1998 N 146-FZ). According to this norm, the activities of the authorized bodies for monitoring the compliance of economic entities with the legislation on taxes and fees are recognized as tax control. The purpose of tax control is to prevent and detect tax violations, and to bring to justice persons who have violated tax legislation. Tax control is based on the approved regulations, according to which the Inspection can check business transactions during the year, and the organization will be able to protect itself from possible errors in calculating taxes, because the tax service will provide explanations on issues of interest even before the submission of declarations. Tax control measures are the forms of activity of tax authorities provided for by the tax code of the Russian Federation to monitor compliance by taxpayers with the legislation on taxes and fees. The main and most effective form of tax control is desk and field inspections. A special feature of the desk tax inspection is that it is carried out at the location of the tax authority on the basis of tax returns (calculations) and documents submitted by the taxpayer and available to the tax authority. It is typical for field tax inspection that it is carried out on the territory (in the premises) of the taxpayer. The basis for its implementation is the decision of the head (Deputy head) of the tax authority. Analysis of the effectiveness of tax inspections allows regional authorities, as well as the tax service itself, to evaluate its performance on the basis of certain indicators. The performance of the control of tax bodies is defined as the ratio of goals and results achieved, namely the amounts of assessed and collected taxes, fees and fines according to the results of tax inspections. Conscientious taxpayers are advised to be careful when choosing counterparties in order not to fall under the inspection: check the counterparty's accounting statements for the presence of fixed assets; go to the counterparty's website to search for reviews; study the judicial history of the counterparty with whom the taxpayer plans to work, etc.

But there are factors that reduce the level of effectiveness of the tax authorities' inspections, such as the ever-increasing complexity of tax evasion schemes, as well as complex economic relations between business entities. Therefore, at present, the tax authorities face the need to improve the methods of tax administration. The use of digital technologies has conceptually changed the approach to conducting control checks, minimizing the impact of the human factor. Digital services and pre-verification analysis have reduced the number of field tax inspections. Employees of tax inspections began to come out for field inspection to collect evidence if they are sure of violations.

In the context of the active implementation of digitalization, the Federal Tax Service of Russia determines its priority to strengthen tax control, as well as its adaptation to new technological conditions. In recent years, there have been significant changes in this direction. Tax authorities are actively introducing new forms and methods of working with taxpayers. Tax monitoring has become one of these forms of interaction. Tax monitoring has long been used in countries such as the Netherlands ("horizontal monitoring"), the United States ("obtaining a private explanation by taxpayers", "expedited adjudication procedure", "rapid settlement procedure"), Australia ("forward compliance agreements"), the United Kingdom ("tax control statements"), Germany, the Netherlands, and Austria (Kuklina, 2013). For example, in the United States, the interaction between taxpayers and the taxation administration is based on information letters. Information letters are responses of the tax administration to requests from taxpayers for preliminary explanations on a particular tax issue. The taxpayer determines the actual elements of the

transaction and requests clarification on its tax effect (Vasileva & Nadtochy, 2010). In 2013, Russia introduced a new form of tax administration - expanded information interaction ("horizontal monitoring"), the main purpose of which is information exchange between tax authorities and taxpayers, aimed at compliance with the legislation of the Russian Federation on taxes and fees, increasing the predictability of tax regulation and the quality of tax control. The Federal Tax Service of Russia has signed agreements on "horizontal monitoring" with JSC "RusHydro", JSC "Mobile TeleSystems", JSC "inter RAO UES", the international organization "Ernst & Young (CIS) B. V.", JSC "Severstal". This approach to monitoring the performance of taxpayers' duties to pay taxes expands the ways of settling tax disputes without bringing them to court (Federal Tax Service, 2013).

Tax monitoring for organizations is a voluntary procedure. But not all organizations can use it. For such a form of cooperation with tax authorities, individual indicators should meet the required criteria, which are fixed in the Tax Code of the Russian Federation. Currently, only organizations can apply tax monitoring if the following conditions are met: income and assets of at least 3 billion rubles; the amount of taxes for the previous period of at least 300 million rubles. Tax monitoring is one of the forms of tax control that can be used to check in advance the correctness and timeliness of funds to be transferred to the budget. In real time, the taxpayer provides access to the data of its accounting and tax accounting to the tax authorities. In return, it receives explanations about the correctness of calculating taxes on the transactions carried out. This cooperation is very relevant, especially if the organization has certain doubts about the transactions concluded with counterparties. Conducting tax monitoring for the taxpayer reduces the risk of penalties for violation of tax legislation. And if the tax monitoring reveals contradictions between the data provided by taxpayers and the information available to the tax authorities, it is necessary to provide explanations.

With the help of a special tax monitoring tool - a motivated opinion – the taxpayer can get information about the position of the tax authority regarding the correctness of the transaction taxation. This gives greater certainty to the organization in business planning, and timely identification and elimination of risks, eliminates possible penalties from the state. One of the criteria for the taxpayer's entry into tax monitoring is technical readiness for information interaction by providing tax authorities with remote access to systems or through the exchange of information with the help of a specialized operator.

Access to the organization's data allows the tax authority to track all transactions in real time. It becomes possible to quickly evaluate the indicators generated in the reporting. In turn, the taxpayer becomes confident in the operations performed. The grounds for termination of monitoring by the tax authorities may be: non-compliance with the terms of information interaction; notification of false information by the taxpayer and refusal to provide documents. Participants in tax monitoring provide information about the internal control system (ICS) as part of information interaction with tax authorities. The ICS organization is aimed at ensuring the correctness of calculation and timeliness of payment of taxes, accuracy and completeness of performance in accountability, and not making mistakes in the accounting. The components of the ICS that are subject to disclosure by the organization are: control environment; risk assessment system; control procedures used and internal control results assessment system.

The principles of risk orientation that underlie tax monitoring encourage taxpayers to manage risks, restore order in accounting data and in the internal control system. In addition, these principles open up

wide opportunities for the formation of a new level of mutual trust between the taxpayer and the tax authorities.

The number of organizations participating in tax monitoring for the period from 2016 to 2020 is as follows: 2016 - 7 organizations; 2017 - 21 organizations; 2018 - 26 organizations; 2019 - 44 organizations; 2020 – 95 organizations. In the Russian Federation in 2020, the concept of development of the tax monitoring system (Order of the Government of the Russian Federation of 21.02.2020 N 381-p On approval of the Concept of development and functioning of the tax monitoring system in the Russian Federation) was approved. It specifies the conditions for those organizations that want to participate in monitoring: the amount of taxes paid for the previous year is not more than 100 million rubles, and the amount of income and value of assets for the year is not more than 1 billion rubles. It is proposed that from January 1, 2021, tax authorities will conduct tax monitoring in respect of 209 companies (116 new and 95 existing participants). The Federal Tax Service of Russia notes that the majority of participants (more than 90 %) provide access to their account information. Among the new participants there are also foreign companies: "Procter & Gamble" , "Leroy Merlin", "Metro Cash & Carry", "Nestle", "Ferrero", Tikkurila. This concept of tax monitoring development expands the range of possible participants: by 2022 it is planned to have 3879 organizations, and by 2024 - 7827 organizations (Prime, 2020).

A distinctive feature of tax monitoring in Russia is the possibility of switching to online interaction with the taxpayer. In other countries, it is not possible to create a unified personal account for online interaction, because the system that provides tax administration of local, regional and federal taxes is not harmonized. This opportunity for Russian taxpayers is provided through the personal account. The tax authority gets remote access to the accounting system and can control the correctness of the formation of the taxpayer's tax base. As a result, a higher level of implementation of tax control will be provided, which is aimed at establishing new relations between taxpayers and the state.

7. Conclusion

Tax control is an integral part of tax administration, the effectiveness of which largely depends on the result of the ongoing economic transformations in our country. The main direction of improving tax control should be to increase the effectiveness of tax inspections in order to prevent illegal behavior of taxpayers. In order to improve the efficiency of tax control in the Russian Federation, it is also necessary to strengthen awareness-raising work with taxpayers and improve the tax culture, which can make it possible to reduce government costs associated with tax administration.

The implementation of such actions will increase the level of effectiveness of control measures of tax authorities, ensure the implementation of budget assignments and, accordingly, increase the level of tax collection.

Tax monitoring is one of the new forms of tax control. It differs from traditional tax inspections by the implementation mechanism. The whole essence of the innovation is related to the implementation of direct interaction between the taxpayer and tax authorities in online mode to achieve mutually beneficial results. With the help of tax monitoring, the costs of tax administration are reduced, tax disputes are resolved in a pre-trial manner, and the tax culture of all participants is increased.

Within the framework of tax monitoring, the Federal Tax Service of Russia can quickly monitor compliance with tax legislation, the correctness of tax calculation and the timeliness of their payment. The implementation of these measures in the exercise of control functions by the tax authorities will contribute to the timely identification of hidden tax base and false information in the calculation of taxes, while respecting the legitimate rights and interests of taxpayers, as well as identifying taxpayers who may belong to the category of increased risk of committing tax offenses. At the same time, digitalization raises new, fundamental questions, such as privacy protection, future jobs, cybersecurity, the market power of digital platforms, who has access to data, what information is reliable, how new technologies can be used ethically, and how to ensure that people and companies can keep up with this transformation (Ministry of Economic Affairs and Climate Policy, 2018). Further digitalization and development of tax monitoring will contribute to the establishment of a new level of relations between organizations and tax authorities when conducting tax control measures.

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