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ESTIMATION OF TAX ADMINISTRATION SYSTEM BY TAXPAYERS IN THE URAL FEDERAL DISTRICT¹

Significance of a government grows considerably in the context of adverse exogenous conditions and the recessionary tendencies in the world economy. One of the effective tools of a purposeful influence on the economy is tax administration.

It is evident that tax administration system improvement is inseparable from development of a system of effectiveness evaluation. Analysis and systematization of theoretical and empirical investigations in the field of tax administration carried out in the course of study resulted in formulating the author's notion of the concept of the tax administration system, which was defined as a set of forms and methods of realization of the tax mechanism by public administration intended for the encouragement of socio-economic development.

Relying on the notion of tax administration system and the institutional theory it was concluded that first of all tax administration ought to be aimed at satisfying requirements of taxpayers. The extent of satisfying requirements of taxpayers was proposed to evaluate by means of designed technique of estimation of tax administration attractiveness for taxpayers. The results obtained by the application of the technique are presented in the article.

Keywords: taxation, tax administration, state policy, tax effectiveness, tax administration attractiveness

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Introduction

The fact that economic growth is always mediated by institutional conditions and institutional environment of economic agents is quite evident. However, before the world economic crisis which burst out in 2008–2009 to this question was not given much consideration. Such problems of the institutional environment as pure state policy and myopic state were neglected sometimes because of the continuous rise of the world economy. But owing to the recent recessionary tendencies in the world economy the necessity to increase governance efficiency has become obvious and it ought to be considered as one of the most important directions of crisis management.

Taxation is emphasized in this study of governance efficiency so far as it is one of the most effective administration instruments, which implies not only confiscating finances from taxpayers, but also favouring important economic sectors and promoting their development, equalizing revenue position differences and solving other economic problems, and it is especially influential in improving economic state in the context of adverse exogenous conditions during the present crisis.

In order to estimate the efficiency of tax administration the concept of tax administration appeal for taxpayers was used in this work. According to author's approach this concept may be considered as a substantial feature of an effective tax administration.

This research is based on statistical data of tax authorities, legislation statistics and statistic of court practice. Indicative analysis is in the foundation of this research.

Concept of tax administration and tax administration system attractiveness for taxpayers

In this work, we support the point of view that tax administration is a set of forms and methods of realization of tax mechanism by public administration intended for an encouragement of socio-economic development. But this approach is not the only one. According to economic literature devoted to the problems of tax administration two most popular approaches can be named:

— Highly dedicated approach — tax administration is an activity of tax authorities related to collecting taxes.

— Wide approach — tax administration is a state activity in a field of taxation.

Between these two approaches, the most popular for Russian economic researches is the first

one. According to the results of the investigation, the current Russian tax administration is mainly intended to implement a fiscal function - maximal filling of the national budget. That is why Russian scholars often characterize supervision and control as a first-priority form of tax administration.

In order to prove scientifically the author's approach, the concept of tax administration was considered under theoretical and empirical base.

According to theoretical study following conclusions were made:

— Tax administration as a form of administration can not have any restrictions on forms, methods and scope; thus tax administration cannot be limited to an activity of tax authorities.

— As tax administration is a standard form of administration it has such elements as planning, organizing, motivating and controlling, which cannot be implemented by tax authorities only.

In regard to the second point it should be noted that all these elements involve the whole public administration (including budgetary management, social management and many others) in the process of tax administration:

— Planning implies several types of it: strategic, tactical and operational. Operational planning can be attributed to a competence of tax authorities, but tactical and strategic planning is a competence of the whole public authority only because demands information about long-term strategy of social and economic developing of country, about external political, economic and technological factors.

— Organizing implies an ability to manage not only tax authorities, but many others organs of government including exchequer, departments and agencies involved in the process of fiscal governance.

— Motivation being a part of tax administration is a process of purposeful influence over the whole economy. Function of motivating can be implemented by tax regulation. But tax regulation cannot be organized only by tax authorities, budgetary, monetary and social regulation is to be involved if the mechanism of tax regulation. All mentioned types of regulation are inseparable parts of state governance and tax administration.

— Controlling is also a significant part of tax administration. And like other parts controlling also cannot be implemented by tax authorities only. Usually controlling is understood as an activity of tax authorities directed for inspection of tax payers. It is correct to say that tax authorities also ought to be controlled. Otherwise, the power of tax authorities became un-



Fig. Basic tasks to be solved for efficient tax administration

restricted. But this function of feedback in controlling cannot be realized without non-tax mechanisms (through legislation, public control and so on).

On the basis of these four points, we can say with confidence that tax administration is a part of the whole public administration which is not limited by tax authorities activity, but which is founded on complex mechanisms of state governance: social, fiscal and budgetary policy, strategic economic, social and even demographic planning, estimating of economic security and many other aspects.

All these conclusions are supported by an empirical study of tax administration in international comparison. According to the research study of tax administration made by the World Bank and OECD it can be deduced that in most countries tax administrations imply dealing not only with taxes, but with collecting social contributions, customs administration and other no-tax functions (property valuation, population registering, etc.) likewise.

According to considered a concept of tax administration it is quite evident that tax administration should be engaged in solving a set of tasks which present a much wider scope than to control the tax authority functioning. It requires a comprehensive and systematic approach which is capable of influencing different areas of economic activities by way of fiscal and other kinds of impact on the part of the government.

Relying on the suggested concept of tax administration basic objectives of tax administration can

be named (they are shown in the figure). These are the objectives that have to be reached with the aim of increasing effectiveness of tax administration.

This research is based on the dialectical approach. It means that we consider tax administration as a dual mechanism intended for meeting demands both public administration and taxpayers because eventually public administration, state, taxpayers, the whole society are two sides of the same coin. It is well-known that effective tax and fiscal policy should imply acceptable conditions for taxpayers. That is why we specially highlight the objective of increasing tax administration attractiveness for taxpayers.

Several basic concepts to evaluating attractiveness of tax administration system for taxpayers can be named, according to international experience and existing theoretical approaches — they are listed in table 1.

Methodology and results of research

So far as we emphasize on taxpayers in the investigation, the evaluation of tax administration attractiveness for taxpayers was put in the basis of research methodology. On the foundation of existing theoretical approaches author's technique was developed.

The author's approach of estimating tax administration attractiveness includes set of indicators organized into four categories:

— tax burden rate;

Table 1

Essential characteristics of existing approaches to evaluating attractiveness of tax administration system for taxpayers

| Approaches, representatives | Approach description |
|--|---|
| Tax service of the USA (R. Brown, M. Mazur [1]) | Taxpayer's efforts with regard to: execution of tax payments; preparation of reports; interaction with tax authorities. |
| Organization of economic cooperation and development (J. Preston, A. Packman, N. Howlett [2, 3]) | Key parameters: amount of taxes and duties; time efforts on execution of tax taxpayer's duties; real tax burden. |
| KPMG (J. McCormick, C. Morgan [4]) | Main characteristics of tax administration: consistency of tax policy; certainty of legislation; administrative policy; quality of services; tax authorities operability; administration of foreign activity. |
| IBFD international bureau of fiscal documentation (R. Vakhitov [5]) | Evaluated parameters: tax authorities operability; certainty of tax consequences; reasoning of tax authority's actions; validity of tax authority's decisions. |
| International monetary fund (J. Slemrod, S. Yitzhaki [6]) | Labour efforts with regard to: execution of tax payments; preparation of reports; complicity of tax duties fulfillment. |
| Humboldt University (I. Kalinina [7]) | Investigated parameters: quality and operability of tax authority's services; client-oriented work tax administration; level of information interaction between tax authorities and taxpayers. |
| Federal tax service of Russian Federation [8] | Fields of study: interaction between taxpayers and tax authorities during tax inspections, licensing procedures; procedures and mechanisms of appeal hearing during circuit inspections; pre-trial regulation of disputes; documentary procedures; information interaction between tax authorities and taxpayers with the use of IT; corruption in tax authorities; information services. |

- quality and stability of tax legislation;
- administrative features in the context of tax payment duties;
- administrative enforcement exerted on taxpayers by tax authorities.

The description of all indicators is presented below.

1. The tax burden rate is estimated by the following indicators:

1.1. Tax burden rate — is a ratio of taxes paid by taxpayers and revenue received by taxpayers.

1.2. Rate of benefits and deductions — is a relation of benefits and deductions given to taxpayers and taxes paid.

1.3. Tax payment differentiation between direct and indirect taxation — is a correlation of indirect taxes and all taxes paid by taxpayers.

2. Quality and stability of tax legislation are estimated by the following indicators:

2.1. Amount of legislative acts regulating taxation.

2.2. Integrate rate of tax legislation changeability — is a ratio of legislative acts passed during a certain time and legislative acts in force during the same period.

2.3. Definiteness and complicity of legislative acts regulating taxation — is a number of legal cases in comparison to the 1000 taxpayers.

3. Administrative features in the context of tax payment duties are estimated by the following indicators:

3.1. Costs of dealing with taxes — is an average salary of an accountant per month.

3.2. Complicity of receiving tax benefits and deductions — is a ratio of benefits and deductions received by taxpayers and benefits and deductions declared by taxpayers.

4. Administrative enforcement exerted on taxpayers by tax authorities is estimated by the following indicators:

4.1. Expenses on antagonism against unlawful acts by tax authorities — it is a correlation of a number of legal cases won by taxpayers and number of all legal cases between taxpayers and tax authorities during a certain period.

4.2. Pressure of tax control — it is a ratio of tax inspections and the amount of all taxpayers (comparing with 1000 taxpayers).

4.3. Tax sanctions and penalty charges — it is a ratio of tax sanctions and penalty charges paid by taxpayers and tax value paid by taxpayers.

All these indicators are ranked after their calculating in order to make them comparable and to make it possible to use them for calculating the integrated indicator of the tax administration appeal for taxpayers in a particular region.

Table 2

Ranked values of indicators of estimation of tax administration appeal for taxpayers, the year 2011

| Territory | Integrated ranked indicators | | | | |
|---------------------------------|------------------------------|-------------------|-------------------|-------------------|----------------------------|
| | Indicator group 1 | Indicator group 2 | Indicator group 3 | Indicator group 4 | Final integrated indicator |
| Russian Federation | 3 | — | 3 | 2 | 8 |
| Central Federal District | 2 | — | 3 | 2 | 7 |
| North-West Federal District | 3 | — | 3 | 2 | 8 |
| South Federal District | 3 | — | 2 | 3 | 8 |
| North-Caucasus Federal District | 4 | — | 2 | 3 | 9 |
| Privolzhskiy Federal District | 3 | — | 3 | 2 | 7 |
| Ural Federal District | 5 | — | 5 | 2 | 12 |
| Kurgan region | 3 | 2 | 3 | 1 | 9 |
| Sverdlovsk region | 2 | 2 | 4 | 4 | 12 |
| Tumen region | 7 | 2 | 6 | 2 | 17 |
| Khanty-Mansi Autonomous Area | 7 | 2 | 7 | 2 | 18 |
| Yamal-Nenets Autonomous Area | 8 | 3 | 7 | 2 | 19 |
| Chelyabinsk region | 1 | 2 | 3 | 4 | 10 |
| Siberia Federal District | 3 | — | 4 | 1 | 8 |
| Far Eastern Federal District | 5 | — | 5 | 2 | 12 |

The technique was used to estimate the tax administration attractiveness for taxpayers for regions of the Russian Federation. The results are presented in the table 2, where regions ranks are given with regard to indicator groups.

According to the results obtained we can conclude that the tax administration systems of the Ural Federal District, Far Eastern Federal District are the most attractive for taxpayers. Low complexity of regional tax legislation application is the main factor of advantage of the regions given. It brings to definiteness of legislation rules and court practice, low penalties and sanctions (the share of taxpayers being punished is only 8,7% in the Far Eastern Federal District while Russian average level is 7,9%).

The factors of high tax administration system attractiveness for Ural taxpayers are following:

1. High level of benefits and exemptions being given to taxpayers (7,9% for the value added tax).
2. Comparatively slight share of indirect taxes (12,85%, while average Russian value is 20,62%).
3. High probability to get benefits declared. 91,57% of all declared benefits were given to taxpayers while average Russian level is 89%).

Among Ural regions Yamal-Nenets Autonomous Area, Khanty-Mansi Autonomous Area, Tumen region have the highest results. It can be explained by raw material orientation. It means comparatively low complexity of business processes, presents of large transnational companies which can protect their tax interests and low density of firms in the

territory. Sverdlovsk region occupies a middle position and shows considerable perspectives for future improvement of tax administration system attractiveness for taxpayers.

Central Federal District experiences the most unattractive tax administration system compared to other regions of Russia.

Conclusion

The specific technique designed for estimating tax administration appeal for taxpayers can be used for evaluating of the efficiency of tax administration from the point of view of taxpayers. The technique allows evaluating the tax burden rate, stability and complicity of tax legislation, administrative enforcement exerted on taxpayers and some other aspects of the system of tax administration. Suggested technique is all-purpose and can be used not only in studies of tax administration in Russia, but in any other country also.

Obtained results show that Russian regions differ from the point of tax administration. It is the result of particularities in economic structure, activity of regional legislation authorities and style of tax administrating familiar to regional tax authorities.

Comparing Russian regions concerning tax administration system it should be said that they are remarkably different, the main taxation principal of "fairness" is broken and first priority aim of improving tax administration is an equalizing tax burden rate and harmonizing tax legislation.

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