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## PROBLEMATIC ASPECTS IN THE RUSSIAN FEDERATION TAX CONTROL DEVELOPMENT

*Inna M. Shor*<sup>1</sup>

*Svetlana Nikolaevna Belova*<sup>2</sup>

*Nataliya Aleksandrovna Mikhaylova*<sup>3</sup>

*Grigoriy Mikhailovich Kalashnikov*<sup>4</sup>

*Elmir Nizamievich Alimamedov*<sup>5</sup>

<sup>1</sup> *Volgograd State University, Russia, shor.inna@inbox.ru.*

<sup>2</sup> *Management Academy of the Ministry of Internal Affairs of Russia, Russia, belova.s.n@bk.ru.*

<sup>3</sup> *Management Academy of the Ministry of Internal Affairs of Russia, Russia, mikhaylova.n.a@mail.ru.*

<sup>4</sup> *Management Academy of the Ministry of Internal Affairs of Russia, Russia, kalashnikov\_g.m@mail.ru.*

<sup>5</sup> *Finance University under the Government of the Russian Federation, Department of Legal Regulation of Economic Activities, Russia, alimamedov.e.n@mail.ru.*

**Abstract:** *Subject.* Problems hindering effective tax control and the ways of surmounting them, which in turn facilitate the Russian Federation's sustainable development. *Goals.* The goals include the investigation of the modern Russian Federation's tax control problem aspects. *Methodology.* The study includes a complex approach, based on applying the generalization, comparison, grouping, analysis and synthesis methods. *Results.* The authors conclude that the modern Russian Federation's tax control problem aspects are connected with the conflict of interests between the state, represented by the tax control bodies which aim at performing budget revenue, and the taxpayers, who are interested in decreasing their tax burden. The authors also suggest that the modern Russian Federation's tax control problem aspects evolve due to the absence of a clear legislative regulation of ordering on-site and desk audit; insufficient professional competence, tax culture and Russian Federation's Federal Tax Service's officers' inadequate literacy. Accordingly, it is necessary to implement the measures on redistributing the tax burden without changing the basic taxes and fees. It is also essential to renew the criteria on ordering on-site tax audit and to develop the Federal Tax Service's officers' professional competence, tax culture and literacy. The perspectives of the tax control's further

development are defined with the digital technologies' integration, which leads to creating the digital tax administration in the Russian Federation.

**Keywords:** tax control, tax audit, tax control development problem aspects, Russia's Federal Tax Service, taxpayers.

## INTRODUCTION

The present Russian Federation's tax control system can be positively characterized by the organizational and economic, financial, technological and other criteria. In particular: Russia's Federal Tax Service exports tax legislation and administration package solutions; Russia's Federal Tax Service's electronic services are actively implemented; tax monitoring practice expansion; At the same time the provision of effective tax control is hindered by the legislation's low quality, the taxpayers and tax agents' distrust of the tax authorities, the low level of tax culture and literacy and other factors. The scientific and applied research of the tax control is represented in the works of A. Advokatova, T. (2019), Yefremova, G. (2017), Korkina, O. Smirnova (2019), N. Mamedov (2014), G. Nesterov (2011). However, the analysis of this sphere's previous research says that there is no unified approach to the effective tax control in the Russian Federation, what does not promote its development. The topicality of the study and its previous insufficient research has determined the research goal, which is connected with investigating the modern Russian Federation's tax control problem aspects. So, the research goal determines the study's structure.

## TAX CONTROL DEVELOPMENT RESULTS AND PROBLEMS

The analysis of the Russian Federation's tax control implementation results has allowed defining the following conclusions.

1. The taxes and fees collected from entities and individuals form the biggest revenue of the Russian Federation's budget system. According to Russia's Ministry of Finance data over the 2012-2013, the budget revenues in respect to the GDP amounted to 33,67%, including 30,43% of tax revenues and fees. Herewith the average of tax revenues and fees in the overall income of the Russian Federation's budget was more than 90% (Osnovnyye napravleniya byudzhetoyn, nalogovoy i tamozhenno-tarifnoy politiki..., n.d.).

2. The number of on-site tax inspections, whose effectiveness is more than 90%, is declining and the number of desk inspections, whose effectiveness is no more than 10%, is rising. Taking into consideration Russia's Tax Service's data (Otchety o rezultatakh osushchestvleniya nalogovogo i inykh vidov kontrolya, n.d.), the decline of the on-site tax inspections number in 2013-2018 was 57,23% and the number of entities inspected reduced by 0,37%. At the same time, the efficiency of on-site tax inspections is still rather high: on the average only 2 inspections out of 100 end up without charging extra fees and fines. In 2013 the on-site inspections of entities and individuals resulted in charging extra 212 billion rubles, whereas in 2018 – 217 billion rubles. The average of extra fees and fines charged in 2013-2018 rose by more than 3 times. If speaking about the desk inspections of entities and individuals, it is worth mentioning that in 2013-2015 their number reduced by 6,73%, whereas in 2015-2018 their number rose by 112,85%, what compensates for the reduction of the on-site inspections to a large extent. The

effectiveness of desk inspections is more than 10 times lower than that of on-site inspections. The amount of extra charges and fees is very low. For example, in 2013 the average of extra fees and fines charged during desk inspections amounted to 1,4 thousands of rubles, whereas the average of extra fees and fines charged during on-site inspections was 5,1 millions of rubles.

3. The level of the entities' tax burden is still rather high and continues to rise.

Considering Russia's Ministry of Finance data, it is clear that in 2018 the Russian Federation's tax burden rose up to 32,72% in relation to the GDP. It is the highest rate over the 2012-2013 years [6]. The extraction of mineral resources makes the biggest share of taxes charged. Currently there are the following tax control problem aspects:

1. The conflict of interests between the state, represented by the tax control bodies which aim at performing budget revenue, and the taxpayers, who are interested in decreasing their tax burden. This is observed in the clear fiscal character of the tax control, which hinders the achievement the expected level of effectiveness (Semenova, Marshavina, 2018). That is why there is a need to redistribute the tax burden without changing the basic taxes and fees, what will stimulate the economic growth and provide social justice in Russia. At the same time, the research authors agree with B. Titov, Commissioner under the President for the Rights of Entrepreneurs, that nowadays the agricultural, public and social services' entities have the highest tax burden, whereas the tax burden in the trade and property sector is low (Uroshleva, 2019). So, it turns out the tax system does not stimulate the growth of the most perspective economic sectors. Additionally, the diversification of taxation by the economic spheres should become the key factor of the economic development and the top priority spheres should be non-resource industries, in particular connected with producing import substituting products. Thus, according to the Russian Federation's President's Address, import substitution is a long-term priority, which should work in favour of forming a new layer of production entities with no regard to external conditions. So, it is worth pointing out that there should an optimal balance between the import substituting production and export orientation. In some cases, Russia's Federal Tax Service's officers aim at meeting primarily fiscal goals, thus toughening tax inspections. This fact was pointed out at the open session of the tax working group under the Commissioner for the Rights of Entrepreneurs in Moscow (Itogi otkrytogo zasedaniya ob uzhestochenii nalogovogo kontrolya v 2019 godu, 2019). So, this phenomenon reflects the misbalance between the rights and opportunities of the Federal Tax Service and the taxpayers. For example, Russian Federal Tax Service's officers demand from the taxpayers to clarify the obligations because of the tax "gaps" in the VAT in a row of transactions. Along with it, the taxpayers cannot make a complex analysis of the contractors' tax compliance, because there is no unified information resource, which could give the information on dishonest entities and individuals. So, the elaboration of such resource will facilitate the inner control system's security, tax risks minimization and tax violations prevention.

2. The absence of a clear legislative regulation of ordering on-site and desk audit. The picking out of the taxpayers to be checked is done, basing on the criteria, listed in the Conception of On-site Tax Inspections Planning System (Brekhova, Tabakov, Yakovenko, 2019). At the same time, N. Natalyuk, the "Pravovest-Audit" Tax Expert, Russia's Federal Tax Service's Second-Rank Advisor, mentions that in the taxpayers' open access there are only 12 criteria, whereas Russia's Federal Tax Service has over 80 criteria (Itogi otkrytogo zasedaniya ob uzhestochenii nalogovogo kontrolya v 2019 godu, 2019). The taxpayers should know all the criteria to assess the risk of an on-site tax inspection to be ordered

and have an opportunity to fix the situation. Thereby, it is essential to renew the on-site tax inspection criteria for the taxpayers' tax risk self-check, based on the tax authority's information-analytical resource. What is more, the study suggests that the information on tax inspections should be open to public. Currently the Federal Tax Service reveals its inspections plan in those spheres which are regulated by the state. As a consequence, the taxpayers are unaware of the on-site inspection's plans, approved in the tax bodies. Moreover, such data inaccessibility has no positive effect for the state's (local) budget and does not help the taxpayers to pay their taxes in a timely manner (before the on-site inspection is appointed). If speaking about the on-site inspection procedure, it is worth mentioning that the tax control measures should be thoroughly regulated. In particular, it is necessary to allow the taxpayers to make audio and video recordings when interacting with Federal Tax Service workers. Such recordings can be used in court. The Criminal Procedure Code can be used as an example when elaborating the tax control measures regulation (Pushkarev et al., 2019a).

3. Russian Federation's Federal Tax Service's officers' insufficient professionalism, tax culture and inadequate literacy. Taxpayers face not only lots of requirements recognized by law, but also a broad interpretation of the Federal Tax Service's officers' rights, procedural violations and illegal requirements during inspections. Thus, S. Trufanov, Public Commissioner for the Interaction with the State Financial Services, points out that according to the tax control results there are beneficiaries, who are groundlessly appointed. If there are unreliable subjects in the contractors' chain, the extra taxes will be paid by one of the chain's participants, who can pay the taxes without having to look for the violating entity, as it is impossible to collect the taxes from it (Itogi otkrytogo zasedaniya ob uzhestochenii nalogovogo kontrolya v 2019 godu, 2019). So, that is why it is necessary to improve the Federal Tax Service's officers' professionalism, raise the tax culture and literacy. In addition to the aforementioned problem aspects in the tax control development, it is worth paying special attention to the fact that the absence of effective tax control leads to the violation of law. That is why the problem of compensating the damage from a tax violation is quite urgent. D. Ivanov (Ivanov et al., 2020; Ivanov, Kruglikov, 2020). Suggests the solution to the problem and V. Pushkarev suggests the adversarial model of criminal procedure as a solution (Pushkarev et al., 2020). The perspectives of the Russian Federation's tax control evolution deal with the introduction of digital technologies, which help integrating all information resources and flows into a unified space with further automatic data analysis, what in turn will facilitate effective tax control. The article's authors agree with M. Mishustin, former Head of the Federal Tax Service, in the sense that the digitalization of tax control allows building the trustworthy economy, based on the fast and contactless work with the taxpayers (Mishustin, 2019). Modern technologies, analytical instruments and large data is used by the tax bodies to improve tax discipline, decrease the payers' tax burden and promote the service quality. At present there are several measures implemented in Russia in the field of digitalizing the tax control:

1. The databases and automated systems are developed to identify taxes and fees evasion cases. For example, in relation to the VAT - Automated Control System for VAT refunds.
2. The number of interactive online services on the Federal Tax Service's website is rising.
3. A mobile app which helps an individual registering without visiting the tax body is elaborated. You need to scan your passport to register.

4. The state creates special unified environment for the tax and customs bodies, which will facilitate the effective administration of revenues.

5. The exchange of information between various tax departments is currently being advanced.

It is important to note that the application of digital technologies in tax control causes new challenges and threats, what evolves the demand for elaborating the measures on eliminating them (Pushkarev et al., 2019b).

## CONCLUSION

The analysis of the Russia's tax control results provides the following conclusions: taxes and fines form the biggest revenue of the Russian Federation's budget system; the number of on-site tax inspections is declining and the number of desk tax inspections is rising but they are less effective than the on-site tax inspections; the tax burden level rises and remains very high. After having defined the problem aspects in the Russian tax control system, the article authors underlined the need to redistribute the tax burden, without changing basic fees and taxes. There is also a certain demand for a unified information source, keeping the data on dishonest taxpayers. Moreover, the criteria on appointing on-site tax inspections should be updated. And finally, it is necessary to improve the Federal Tax Service's officers' professionalism, raise the tax culture and literacy. The perspectives of the Russian Federation's tax control evolution are determined by the integration of digital technologies, uniting all information sources into a unified space with further data analysis automation.

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