

PERSPECTIVES OF TAX CONTROL DEVELOPMENT FOR INDIVIDUALS IN RUSSIA

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Abstract: The article is devoted to the basics of organizing and conducting tax control over individuals in Russia. The authors clearly presented and analyzed data on the number of individual entrepreneurs registered with the tax authorities for the period 2012-2015. In addition, the volume of additional taxes as a result of conducted on-site tax inspections was calculated and analyzed. Based on the complex analysis carried out by the authors, problems encountered in the process of organizing tax control over individuals were identified, and ways of their solution were suggested. Rational application of proposed improvement directions in practice should help not only to increase tax revenues in budget revenues, but also to increase the discipline and legal culture of taxpayers - individuals.

Keywords : tax, taxation, tax inspection, individuals, entrepreneur, tax control

1 Introduction

International relations, constant changes and transformations in state policy caused by economic reasons, such as economic crises, inflation, as well as other phenomena that lead to instability, can become a serious obstacle to the timely and full receipt of tax payments to the budget. On this basis, the state establishes special bodies responsible for monitoring taxpayers, not only to control the payment of these payments, but also to ensure compliance with tax legislation in general. The need for fiscal control is also evident in the disparity between the interests of taxpayers and the state: the taxpayers do not will to give a part of their income to the state, and it, in turn, tends to fill up the budget with the tax payments. There are three categories of taxpayers: legal entities, physical entities (individuals) and unincorporated private entrepreneurs. Each category pays the taxes specified in the Tax Code of the Russian Federation - the law regulating tax legal matters and taxes.

Tax control is one of the most important areas of tax administration: the organization of control over the tax system which today is one of the most powerful levers for state regulation of socio-economic development.

Tax control in Russia is carried out by specially authorized executive bodies with the help of various forms, methods and techniques, but the tax system of the Russian Federation requires new technologies for the implementation of tax control. Therefore, various studies are conducted continuously to find out the reasons for the ineffectiveness of tax control and the search for ways on its development.

2 Methodology

Tax inspections are one of the most frequently used and effective forms of tax control, which tax authorities resort to in their control activities both for legal entities and for individuals, since it is in tax inspections that the tax authorities' relations with taxpayers are best manifested. Tax inspections can be cameral and on site. If the criterion of effectiveness is taken as a basis for comparison, then the choice will be in favor of on-site tax inspections, since they have more opportunities to identify violations and assess additional tax liabilities, while such checks can additionally involve experts, interpreters, eye-witnesses, and attesting witnesses.

Tax control is impossible without tax registration of taxpayers. When its registering, information on each taxpayer is entered in the database of the Unified State Register of Taxpayers, and the identification number of the taxpayer is assigned to it. According to the Tax Code of the Russian Federation, all individuals must be registered for tax purposes, regardless of whether they are taxpayers or not. The content of tax accounting data, including the data of primary documents, is a tax secret. Persons who have access to the information contained in these fiscal records must keep a tax secret, as stated in Article 102 of the Tax Code of the Russian Federation. Most often, the tax activity is exercised in regard to individuals engaged in entrepreneurial activities. Also Article 103 of the Tax Code of the Russian Federation says that when conducting tax control, it is not allowed to inflict undue harm on the persons under inspection, and on the property in their possession (The Tax Code of the Russian Federation, 2016).

Let us consider how many individual entrepreneurs were registered on the basis of information from the Unified State Register of Individual Entrepreneurs in Russia.

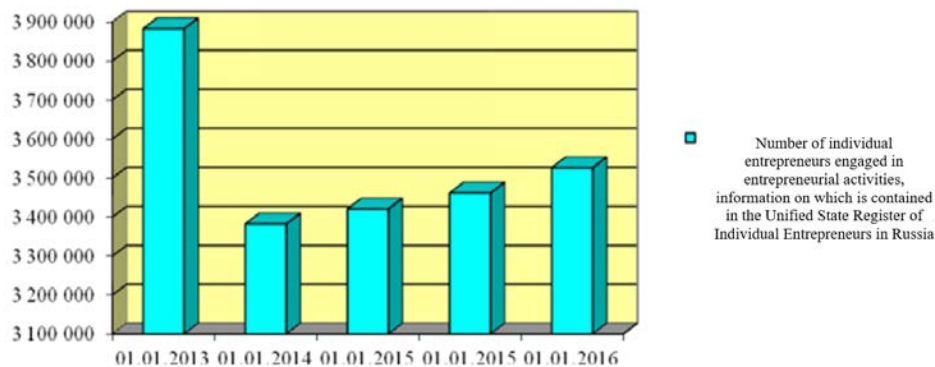


Fig 1. Number of individual entrepreneurs engaged in entrepreneurial activities, information on which is contained in the Unified State Register of Individual Entrepreneurs in Russia

Figure 1 shows a sharp decline in the number of entrepreneurs from 2013 to 2014: from 3,882,225 to 3,382,063. This decrease is mainly due to their deregistration in connection with the termination of activities which is associated with a sharp increase in insurance premiums. By 01.04.2016, there was a slight increase, and the number of individual entrepreneurs was 3,526,213. Individual entrepreneurs are a special category of taxpayers who are individuals, but which combine certain features of legal entities. Their incomes are often much higher

than the incomes of ordinary individuals, however, it is easier to control them than controlling organizations. Therefore, the state should support small and medium-sized businesses represented by entrepreneurs and promote their growth, rather than take actions that lead to the cessation of their activities: today in Russia this is one of the most urgent problems in the economic sphere. The number of conducted on-site inspections of individuals and separately individual entrepreneurs and their effectiveness will be discussed below.

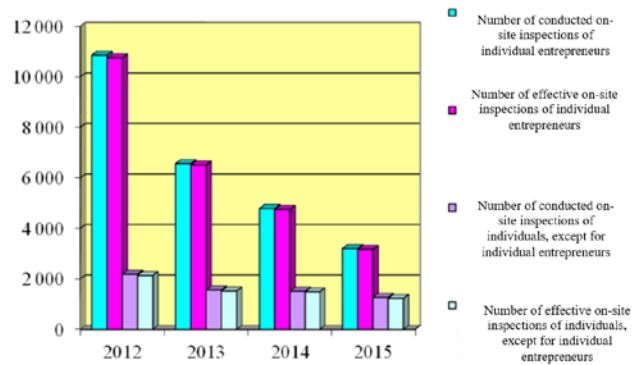


Fig 2. Ratio of the number of on-site inspections of individual entrepreneurs and individuals and their performance in Russia (Federal Tax Service of the Russian Federation [Digital source]: Statistics and analytics. 2015)

Figure 2 shows the ratio of the number of conducted on-site tax inspections to individuals who are individual entrepreneurs, as well as individuals, with the exception of individual entrepreneurs and the number of them that have revealed violations during the period from 2012 to 2015 in Russia. The figure clearly shows that on-site inspections of individual entrepreneurs are conducted much more often than just of individuals. Similarly, the conclusion that can be made immediately by analyzing the data is that every year the number of tax inspections is reduced, this is due to the fact that the tax authorities have begun to conduct a pre-test analysis before assigning an on-site inspection more carefully. In 2012, 10,857

inspections of entrepreneurs were carried out, of which 10 749 were identified for incidents, in 2013 - 6,566 and 6,508, and in 2014 - 4,787 and 4,749, respectively. Speaking about on-site inspections in 2015, that year, there were 3 201 inspections, 3,171 of which were effective. As for non-entrepreneurs, the number of conducted on-site inspections of them and the number of carried out effective inspections of them amounted to 2,183 and 2,133 in 2012, 1,560 and 1,517 in 2013, 1,512 and 1 in 2014 487, and in 2015 the number of inspections fell to 1,296, but almost all of them were effective, namely 1,228 of them. Below are the data on the amounts of additional payments due to the results of on-site inspections of individuals.

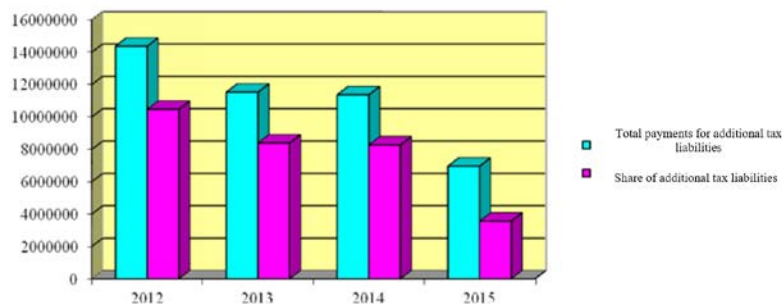


Fig 3. The amount of additional payments as a result of conducting on-site tax inspections of individuals in Russia (Federal Tax Service of the Russian Federation, 2015)

Figure 3 shows the amount of additional payments, including penalties and surcharges, and the share of taxes in this amount based on the results of on-site inspections in Russia for 2012-2015. It is seen that the bulk of these additional charges has been formed due to additionally charged tax payments. In 2012, the share of all additional payments amounted to 14,369 million rubles, of which taxes were 10,472 million rubles. In 2013, these indicators decreased to 11,529 and 8,391 million rubles, in 2014 there was also a slight decline - to 11,364 million rubles and 8,267 million rubles, respectively. In 2015, the share of additional payments amounted to 6,954 million rubles, of which taxes amounted to 3,562 million rubles.

3 Results and their discussion

The existing tax system of Russia needs to be reformed. Every year the state issues new laws, introduces amendments to the legislation, with a view to eliminating imperfections in the taxation system. Constant improvement of the mechanism for collecting debts by the tax authority allows improving the efficiency of inspections in the near future, which in turn will contribute to improving the economic well-being and financial security of the state.

High mobility inherent in individuals who are the main payers of taxes that bring considerable profitability to the budgetary system of the Russian Federation requires effective organization of tax control over them. The tax control also includes control over the expenses of individuals for the acquisition of: real estate, with the exception of perennial plantations; motor vehicles not related to real estate; shares of open joint-stock companies, cultural values; gold bullions. The main method of tax control over the expenses of a person is informing the tax authorities by organizations or authorized persons registering property, deal with it, as well as with the property rights. Such control is carried out with the goal of checking the compliance of the expenses incurred with the incomes received by an individual. The development of tax control can be considered through parallel development of its forms, methods, ways of conducting it.

The main directions of the inspection activities of the tax authorities for 2014-2017 are presented in Figure 4, and some of them, in our view, merit a special attention.

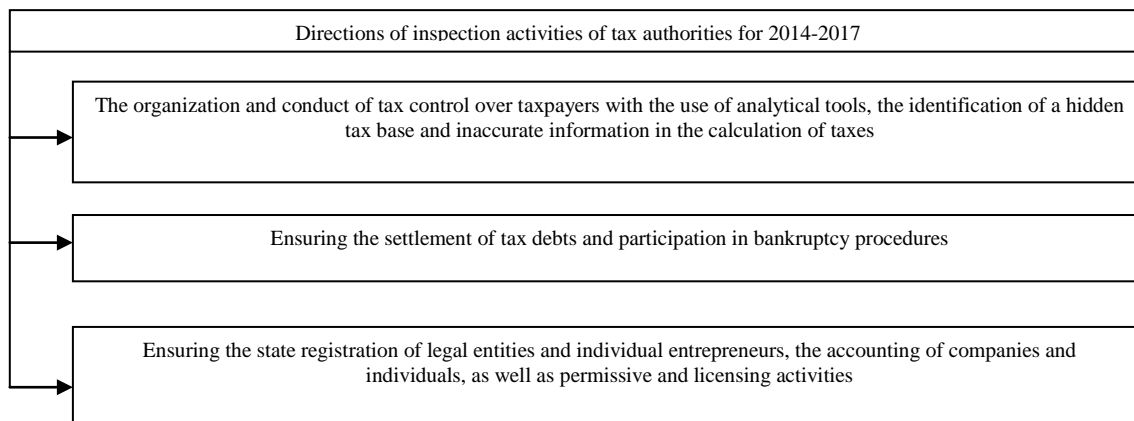


Fig 4. Directions of control activities of tax authorities for 2014-2017, as determined by the Report of the Federal Tax Service of Russia on the results and main directions of activity for 2014-2017 (Federal Tax Service of the Russian Federation, 2014). Report of the Federal Tax Service "On the results and main directions of activity for 2014-2017". - The official site of the Federal Tax Service, 2015)

Among other measures to improve tax administration for 2015-2018, the report has identified the need for legislative regulation of some practical issues relating to individuals:

- Clarification of certain powers of tax authorities in the collection of taxes, including the provision to the tax authorities of the right to suspend or resume the effective period of the order to write-off and transfer to the budget system of the Russian Federation, and also to withdraw their unfulfilled orders;
- Clarify the responsibilities of bodies that perform migration registration of individuals at their dwelling place or place of residence, register acts of civil status of individuals, report to the tax authorities on the facts of registration of an individual at the place of residence, migration registering and migration deregistering at the place of residence of a foreign employee, the facts of the birth and death of individuals;
- Establishment of the obligation of individual entrepreneurs to report to the tax authorities the information on the conclusion, termination of contracts of a simple partnership, and on the parties to these contracts.

4 Conclusions

Thus, at the present stage of the development of the tax control system, it is necessary to note the existence of some shortcomings that can be systematized into two levels: internal and external. At the same time, as a matter of internal shortcomings, it is necessary to highlight problems that are related to the work of the tax authorities themselves. External problems, in turn, are made up of objective circumstances, which include technical and legal problems: the existence of legal conflicts in the norms of tax law and in the norms of other branches of law; Insufficiently precise regulation of control measures, as well as judgmental shortcomings, the lack of rapid communication between government departments for the rapid receipt of information, and, of course, the low legal culture of citizens plays a significant role in committing tax crimes. As for possible problems that may arise in the tax control system in connection with the Russian economy's orientation towards supporting innovation activity, it is necessary to note the problem of shortening the timeframes for implementing control measures, provided that they are carried out qualitatively. Areas for improving these deficiencies are important and steps are necessary to achieve the goal of a transparent and efficient tax system that ensures receipt of tax revenues to budgets with maximum respect for the rights and interests of taxpayers. The organization of measures to overcome the above-mentioned shortcomings is possible using the experience of foreign countries, which should be comprehensive, taking into account the specifics of the Russian economy. It should be noted that the procedure for selection of taxpayers and the relationship between tax authorities and taxpayers are studied by many scientists such as (Alm et al, 2010; Alm & McKee, 2004; Li et

al, 2012; Rusdi Hidayat et al, 2014; Hauptman et al, 2014; Tay, 2009; Crokidakis, 2014). Tax evasion is studied by Tan F., Yim A. Hauptman L., Horvat M. they offer tools against tax evasion (Tan & Yim, 2014; Hauptman et al, 2014). International financial cooperation is considered in the scientific articles of Kudrle and Orlova (Kudrle, 2012; Orlova, 2014; Awadallah & Gamal Saad, 2018; Villalobos Antúnez & Bozo, 2010).

5 Summary

Based on the results of the study and the problems identified, we propose the following ways to improve tax control over individuals in Russia:

1. Due to the lack of control over the expenses of individuals, we consider it expedient to develop a special procedure for determining the tax liabilities of individuals on the basis of their expenses and generalized indicators of the standard of living.
2. The transition to full electronic interaction between tax authorities and taxpayers of individuals and individual entrepreneurs is proposed, which will save time for taxpayers and employees of tax authorities when carrying out tax control measures, as well as reducing mistakes made by payers in completing declarations.
3. Toughen the tax control over individual entrepreneurs using cash registers by increasing the liability for its absence (failure to use cash registers) in order to ensure the timely and full recording and receipt of the proceeds of individual entrepreneurs.

The practical application of the proposed directions for tax control over individuals in Russia should help not only to increase revenues from tax payments, but also to increase the discipline and legal culture of taxpayers - individuals.

Acknowledgements

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