

Research Article

Issues of Improving the Implementation of Tax Control when Managing Tax Risks and Tax Audits

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Abstract

This scientific article highlights current issues in the field of reforming tax administration in the Republic of Uzbekistan, on further improving the activities of state tax authorities and the formation of a “digital economy” with high efficiency and development of the system, as well as accelerating the implementation of generally recognized international norms and standards in the field of tax control in national legislation clarifies the essence of the issues and explains the procedural rules of these processes. In particular, the determination by the State Tax Committee of the Republic of Uzbekistan of the strategy and tactics of the tax risk management system, collection and processing of information, analysis and assessment of tax risk, development and implementation of measures to manage tax risks is emphasized. The author provides a definition of the concepts, tax risk - that is, it is the possibility of non-fulfillment or incomplete fulfillment by the taxpayer (tax agent) of tax obligations, which can lead to non-payment or incomplete payment of taxes and fees to the budget system. At the same time, the level of tax risk is a state of risk, which is determined depending on the likelihood of the risk occurring and its possible consequences. From the above, the need to automate procedures for compliance with tax legislation and simplify its procedure is analyzed. The importance of introducing simplified mechanisms to extend the deadline for paying taxes or installments was emphasized. Here, every tax official, entrepreneur and taxpayer must thoroughly master the rules of the Tax Code, for which they need regular training. At the end, recommendations were developed for involving prestigious, influential foreign experts with extensive practical experience in this field in this process.

Keywords

State Tax Authorities, Principles of Tax Control, Tax Administration, Tax Risk, Tax Monitoring, Camera Tax Audit, Mobile Tax Audit, Tax Audit

1. Introduction

In the Republic of Uzbekistan, large-scale reforms are being implemented in the fields of tax and foreign trade policy through measures aimed at creating favorable conditions for conducting business activities and improving the investment environment. Assessments of world's experienced experts and surveys conducted among business entities indicate that

there is a high level of hidden turnover in the economy, which undermines the economic interests of entrepreneurs who fully comply with tax legislation, creating unequal business conditions for them. It is necessary to reform the tax administration, to further improve the activities of the state tax service bodies and to increase their efficiency, and to

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form a highly developed "digital economy", as well as to accelerate the implementation of universally recognized international norms and standards in the field of tax control into the national legislation. It is necessary to reduce the level of the hidden economy in our country, to create equal competitive conditions for conducting business activities, including regulation and reduction of the tax burden, to automate the procedures for compliance with tax legislation and to simplify its procedure. Facilitated mechanisms have been introduced to allow extension of time for payment of taxes or payment in installments. Every tax official, entrepreneurs and taxpayers should thoroughly master the norms of the Tax Code, for which they need regular training. It is necessary to involve influential foreign experts with extensive experience in this process" [1, 3]. Also, in the Address of the President of the Republic of Uzbekistan to the Oliy Majlis on December 29, 2020, it was noted that practical assistance in terms of tax incentives and financial support totaling 66 trillion soums was given to state enterprises and more than 500,000 business entities and nearly 8 million citizens: "To mitigate and eliminate the consequences of the pandemic the state has implemented comprehensive measures totaling 82 trillion soums. In particular, the Anti-Crisis Fund was established, more than 16 trillion soums were allocated from the budget for activities related to the fight against the coronavirus, and support for the population and enterprises. In addition, state enterprises and more than 500,000 business entities and nearly 8 million citizens were given practical assistance in terms of tax benefits, extension of credit terms and financial support in the amount of 66 trillion soums" [4]. Currently, all the necessary conditions are being created for the leading sectors and branches of the country's economy to operate in line with the times. The fact that small business and private entrepreneurship are opened wide, and tax control is consistently introduced into our lives using advanced information and communication technologies form the solid foundation of our effective achievements. As a result of comprehensive reforms in the tax sector, the economy of our country is developing at a steady pace and creating a basis for further improvement of the business environment.

Analysis of literature on the topic. According to Professor Q. A. Yahyoev, "the system of tax service agencies means a set of state tax service agencies that control the correct calculation of taxes and fees and their full budget (extra-budget funds). Types of tax control are divided into three groups: 1. Preliminary control (preparation of plans, data collection, etc.). 2. Current control (financial, tax reports, review of receipt of reports is preliminary here, analysis of implementation of plans, etc.). 3. Final control (on-site inspections, audits, inventory and various audits) State tax service agencies carry out all types of controls" [5] - defined.

Professors A. V. Vahobov and A. Juraevs touched on tax control differently and said that "prevention and elimination of tax violations requires continuous improvement of current

measures and methods. The increase in tax crimes has a negative impact on meeting the needs of the state's financial resources, and as a result, the state is forced to look for tax-free revenues. This, in turn, leads to an increase in the internal and external debts of the state" [6].

By B. A. Normatov, world models of tax audit, in particular Anglo-Saxon model (Great Britain, Australia, New Zealand), Romano-Germanic model (Germany, France, Japan), Mixed model (USA, Canada) and CIS countries analyzing the model, it was noted that the concept of "tax audit" is expressed by the concept of "tax audit" in foreign countries, and according to world experience, tax audits are typically divided into two types: desk audit and mobile tax audit (field audit), risk management. It is noted that the system is called differently in foreign countries, in particular, "Risk management system", "Tax compliance management system", "Compliance Strategy", as well as the purpose of developing a risk management system is the intentional or careless action (inaction) of tax authority employees and taxpayers in the process of collecting taxes. As a result, it was concluded that tax revenues are reduced or not paid and that this system is used not only in the tax sector, but also in the financial, banking, customs and administrative sectors [7]. At the same time, other studies emphasize the importance of using approaches based on the specificity of research and local conditions in calculating the tax potential in increasing the efficiency of tax administration [8, 9]. We agree with the opinion of the author [10].

In the scientific works of foreign scientists, today the problem of state tax administration as a mechanism has been researched, the forms and types of tax administration have been classified. Mechanism of state tax administration in separate directions: State tax administration mechanism by M. V. Mishustin [11], N. N. Kunyayev, O. Yu. Shcherbakova to ensure the circulation of documents based on information and communication technologies in the management of state tax authorities [12, 13], Economic-mathematical models of tax revenue forecasting by V. A. Krasnitsky [14], Problems of organization of tax control and improvement of tax control by I. A. Peronko [15], Legal basis of tax control in ensuring information security of state tax service bodies by D. G. Korovyakovsky [16], I. Yu. Timofeeva carried out research on the security of the state's tax system, the concept of effective formation of tax control in the tax system, the methodology of tax control in ensuring the fulfillment of tax obligations of economic entities [17].

2. Research Methodology

In this article, the scientific works of foreign and national economists on tax administration, tax control, forms of tax control, tax audits, tax monitoring, tax control methodology are studied. In the analysis of the data of the State Tax Committee of the Republic of Uzbekistan, statistical data grouping, comparative analysis, and sample observation

methods were used. Comparative literature analysis, logical and structural analysis, grouping and comparative comparison, economic-statistical analysis and comparative analysis, sample observation methods were used as research methodology.

3. Analysis and Results

Comprehensive measures are being implemented in the country to improve tax policy and tax administration and to ensure transparency in taxpayers' interactions with tax authorities based on advanced foreign experience. But it is worth noting that the tax advice is not sufficiently formed as a professional institution for the effective implementation of the new tax policy of the state and as a reliable assistant of taxpayers in matters of calculating and paying taxes [2].

In the implementation of reforms in the field of effective taxation of the state, on the basis of the world's best experiences of the implementation of tax system development programs and the research of the available opportunities in Uzbekistan in this regard, it is necessary to form effective means of tax control methodology in the country and its regions, economic sectors, taxation of legal entities and individuals.

Tax control consists of a single system of accounting of taxpayers, objects of taxation and objects related to taxation, as well as control of compliance with tax legislation.

Therefore, tax control is carried out by the state tax service

bodies by means of accounting of taxpayers, objects related to taxation, revenues to the budget and state special funds, tax audits and other forms provided for by tax laws.

Tax control is the activity of authorized bodies to control compliance with tax laws by taxpayers and tax agents. Tax authorities carry out tax control:

1. Tax audits.
2. Implements in the form of tax monitoring.

Tax audits are conducted to monitor compliance with tax laws by taxpayers, tax collectors and tax agents.

The tax audit is carried out on the basis of the study and analysis of the information available in the tax authorities about the taxpayer.

Tax authorities conduct the following types of tax audits:

1. Cameral tax inspection.
2. Mobile tax inspection.
3. Tax audit.

In this case, the following are the subjects of tax monitoring: compliance with tax legislation, the correctness of the calculation of taxes and fees by the legal entity against whom tax monitoring is being conducted, and the fact that they have been fully and timely paid (missed) [2].

In the new version of the Tax Code, the responsibility of the state tax service authorities for excessive collection of taxes has been strengthened, tax control forms tested in foreign practice using modern methods have been introduced, and the procedures for calculating and paying taxes have been simplified [3].

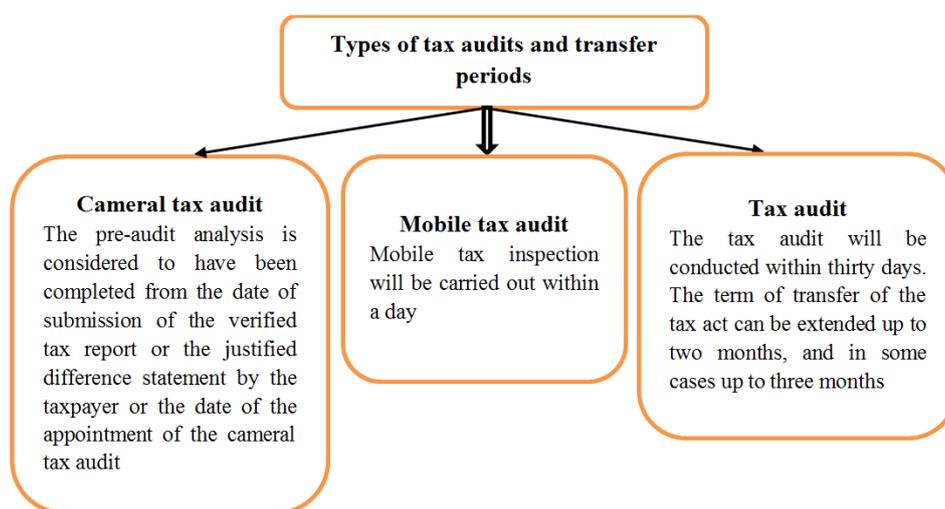


Figure 1. Types and periods of tax audits.

Tax risk management involves the prevention, elimination and reduction of risks as much as possible, the evaluation of their effectiveness, as well as the development and implementation of measures to control the implementation of tax legislation, the continuous updating, analysis and analysis of information available in tax authorities. is a system that provides for revision.

The State Tax Committee of the Republic of Uzbekistan shall determine the strategy and tactics of the tax risk management system, the collection and processing of information, the analysis and assessment of tax risk, the development and implementation of tax risk management measures. In particular, tax risk is the possibility of non-fulfillment or incomplete fulfillment of tax obligations by the taxpayer (tax agent),

which may lead to non-payment or incomplete payment of taxes and fees to the budget system. That is, the level of tax risk represents the state of the risk, which is determined depending on the probability of the occurrence of the risk and its possible consequences.

Tax risk level criteria consists of a set of criteria that allows to assess the risk of non-fulfillment or incomplete fulfillment of tax obligations and then classify taxpayers (tax agents) into categories based on the level of risk.

Tax risk analysis is the systematic use of the information available in the tax authorities for the purpose of determining the circumstances and conditions of occurrence of the risk, their identification and assessment of the possible consequences of non-compliance with the tax legislation.

Tax risk assessment consists of systematically determining the probability of risk occurrence and the consequences of violation of tax legislation when it occurs.

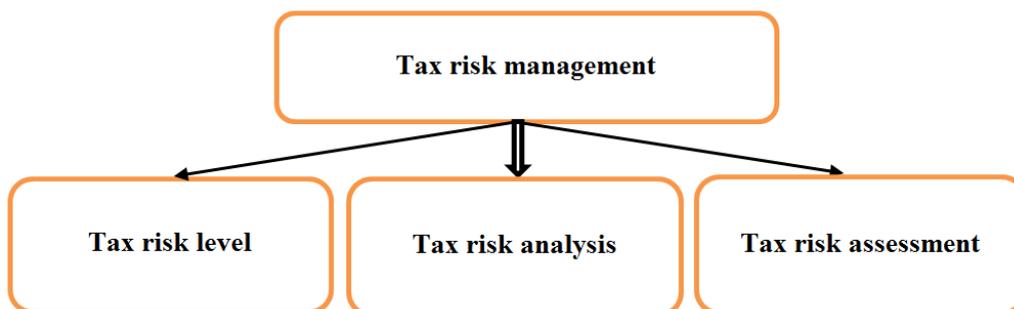


Figure 2. Tax risk management.

Therefore, it can be said that the analysis of tax risk and the assessment of its results is carried out by using a software product.

Taxpayers are divided into low, medium and high risk categories depending on the level of tax risk.

Depending on the level of tax risk, taxpayers are evaluated and divided into categories based on the points determined by the program for determining the level of tax risk and the potential tax risk.

The level of tax risk is calculated based on the following formula:

$$R = S_r / S_p \times 100\% \tag{1}$$

In this:

R — risk level (in percent);

S_r - is the sum of risk points assigned to the taxpayer;

S_p - is the sum of the potential tax risk scores used to determine the risk level.

In this case, the results of the assessment of the tax risk levels are classified in descending order, and when the assessment results are equal, they are classified based on the probability of the unpaid tax amount as follows:

From 81 percent to 100 percent — high risk;

from 30 percent to 80 percent — medium risk;

1 percent to 29 percent — low risk (shown in 3 pictures).

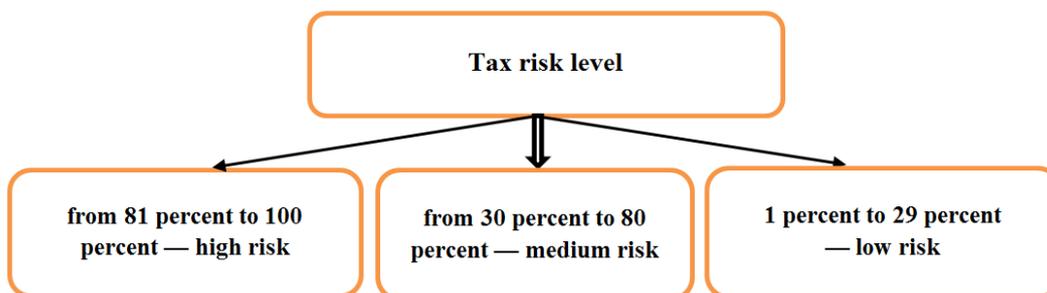


Figure 3. Level of tax risk.

A tax audit is assigned to taxpayers with a high level of tax risk. The tax risk level of the taxpayer is determined once every six months based on the tax risk management system.

In case of non-payment of tax debt for more than 30 cal-

endar days by taxpayers with a low tax risk level, the tax risk level must be determined quarterly.

The practical analysis and theoretical research of the methodology of tax control in the system of state tax service

bodies showed the following shortcomings:

- 1) universally recognized international norms and standards in the field of tax control have not been fully implemented into the national legislation.
- 2) modern forms and methods of information exchange mechanisms between state bodies and organizations, implementation of electronic tax control are not fully developed.
- 3) modern forms and methods of implementing tax control activities, which prevent interference in the activities of honest business entities, are not sufficiently implemented.

4. Conclusions and Proposals

We believe that it is important to improve the tax control methodology to increase business and investment activity, to create a healthy competitive environment, and to ensure the necessary level of collection of taxes and other mandatory payments.

One of the main tasks of the state tax service bodies is to implement the state tax policy and ensure compliance with tax legislation, ensure control over the correct calculation, full and timely payment of taxes, full payment of taxes to the State budget of the Republic of Uzbekistan and state special funds in accordance with the tax legislation and is to ensure that it falls on time.

As can be seen from the above, there is currently no single methodology for increasing the efficiency of tax control. However, efforts are being made to introduce modern methods and mechanisms of effective use of tax control, to ensure the security of the tax system, to modernize the system of state tax service bodies using advanced information and communication technologies in tax control, to use modern forms and methods of organizing tax control as effectively as necessary.

The following measures should be implemented to increase the effectiveness of tax control in the system of state tax service bodies:

- 1) formation of "digital economy" in order to further improve the activity and efficiency of state tax service bodies, as well as to accelerate the implementation of universally recognized international norms and standards in the field of tax control into national legislation;
- 2) to create a completely new system of tax control, to further strengthen measures for the introduction of modern, advanced information and communication technologies that ensure complete data collection and processing for pre-examination analysis and remote control-analysis work;
- 3) development of corporate ethics for the employees of the state tax service bodies and improvement of the methodology of development of tax legislation documents to increase the effectiveness of tax control;
- 4) application of modern information and communication

technologies and advanced automated methods of analysis to the tax control process;

- 5) development of information exchange mechanisms between state bodies and organizations, forms and methods of implementation of electronic tax control;
- 6) implementation of the form and method of implementation of tax control activities that prevent interference in the activities of honest business entities;
- 7) it is necessary to further improve the use of software products for tax risk analysis and assessment of results.

Therefore, the introduction of modern information and communication technologies into the activities of tax authorities, the transparency of tax administration, the improvement of the effectiveness of tax control in matters of taxation, as well as the expansion of access to state services, the interest of business entities in using the "taxpayer's personal cabinet" that provides them with direct service without communication. One of the main tasks is to develop ways to increase and improve the organization, the organizational-state structure of tax authorities to fully cover the taxation objects and expand the taxable base, as well as to mobilize the available resources for timely collection of taxes and other mandatory payments.

Author Contributions

Musagaliev Ajiniyaz Jumagulovich is the sole author. The author read and approved the final manuscript.

Conflicts of Interest

The authors declare no conflicts of interest.

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