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ARGUMENTATIVE ISSUES OF FINANCIAL ESSENCE OF TAX
ADMINISTRATION

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Abstract

These days there are many interpretations of the concept "tax administration". It is difficult to develop scientific research in the field of taxes and taxation, to manage social and economic processes in Russia and in countries abroad. The article presents analysis of conceptual approaches to tax administration interpretation. The economic essence of tax administration does not coincide with the economic substance of tax control. Within the framework of management interpretation, tax administration is considered as tax management, taxation system management and taxation by means of making decisions in the field of taxes and taxation at the country level. The substance of tax administration in the context of management interpretation is similar to the tax policy definition. The main difference between organizational and managerial interpretations is the object of management and administration. The analysis revealed that tax administration comprises the managing and establishing of cooperation and relations between taxation authorities and taxpayers during tax proceedings. It is the period of rapid digitalization of the economy when specific interest in research of the essence of the "tax administration" concept was manifested. Research in the digitalization period is channelled and meets requirements of studying the quality changes of relations between subjects of tax procedures in modern economic and political conditions. Therewith, the importance of effective tax administration for the national security of the country is determined; existing international approaches to establishing mutual relations in the field of taxes and taxation are considered and their advantages and disadvantages are analysed.

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Keywords: Taxation, administration, control, proceedings, relations, tax.



1. Introduction

Taxes are the main source of developing financial resources that are cumulated in the treasury of the country and distributed to meet the requirements of the state and society. Today it is of particular importance to ensure the stability of tax and non-tax revenues for the treasury. It can be achieved through a rational tax policy and the creation of an effective system of tax administration. Though, it is rather difficult in the context of the fluctuating market, the sanctions burden on Russian economic entities, the tense political and economic situation with regard to Russia on the international scene, the global financial crisis, the budget deficit in the state. Table 01 shows the advantages and disadvantages of establishing relations in the field of taxes and taxation from the position of strength, law, interests

Table 01. Advantages and disadvantages of establishing relations in the field of taxes and taxation from the position of strength, law, interests

Advantages of the approach to establish relations in the tax sphere	Disadvantages of the approach to manage relations in the tax sphere
from the position of strength	
- timeliness and completeness of mandatory taxes and other payments for the treasury (high tax collection rate, high level of collection of fees and contributions)	- reduction of business activity of taxpayers and competitiveness of the economy, lag in the national economy - authorized representatives' neglecting legal norms and regulations, the lack of mutual trust between the subjects of tax relations, the increase of the corruption level and tax offences - the need for high labour, time and financial costs for tax control - exploring unfair methods of interaction by tax authorities and taxpayers
from the position of law	
- justice - predictability - equality of subjects of tax relations in the eyes of the law and the court	- the catching-up nature of the development of tax legislation not to lag behind the development of social and economic relations; the significant impact of low quality legislation on the relations between the tax authorities and taxpayers (strong direct and close relations) - legal confrontation (disagreements in the sphere of taxes and taxation arising as a result of ambiguity of interpretation of legal norms) and, as a result, escalation of conflicts and violation of "normal" relations between tax authorities and taxpayers - the need for strict control over the compliance with tax legislation that requires high labour, time and financial costs - the complexity of providing proper knowledge and absolute compliance with tax legislation by tax authorities and taxpayers - taxpayers' evasion from court authorization of tax disputes (as they are afraid of the misinterpretation of the nature of their business and unjustified tax prosecution). It contributes to developing corruption and the shadow economy
from the position of interest	
- the principle of cooperation that rules out the possibility of the formal approach to the application of rules of tax legislation - achieving a balance between the private interests of taxpayers and the public interests of the state - out-of-court settlement of tax disputes	- the difficulty of informing the tax authorities about all relevant tax circumstances of taxpayers' activities and business (a low level of tax culture and the feature of Russian mentality) - the lack of trust of taxpayers to the tax authorities (the state) - impossibility (for a long time) of receiving comments and detailed explanations concerning tax procedures from tax authorities - the complexity of providing tax authorities and taxpayers with proper knowledge about tax legislation, subjects' low level of knowledge about tax relations

2. Problem Statement

Tax administration is a part of tax proceedings that permeates all the spheres of public life. Its having significant drawbacks can lead to a decrease in the level of economic security of the country: tax revenue shortfall, increase in the level of tax crime, negative changes of tax environment, expansion of opportunities for tax evasion, violation of the principles of fiscal federalism and others.

3. Research Questions

The concept "tax administration" dates back to the end of XX century in Russia, but only since 2000s it has been used in the Russian legal framework. However, there is no definition of the concept "tax administration" in the Internal Revenue Code of the Russian Federation.

The ambiguity of the interpretation of the essence of tax administration makes it difficult to do scientific research in the field, as well as it hinders the development of budget, tax, customs and currency administration. The economic literature presents a variety of approaches to the understanding of its essence. According to the authors, modern financial science and official documents contain three conceptual approaches to the interpretation of the recently appeared economic definition of "tax administration»:

- the interpretation of tax administration as tax control;
- the managerial interpretation;
- the organizational interpretation.

Proponents of the first approach (Abramchik, 2005; Kleymenova, 2013) connect tax administration with tax control.

We cannot but agree that monitoring is a prerequisite for the effective implementation of any activity. There is a well-known utterance of Benjamin Franklin: not to observe the workers is to leave your purse open for them.

According to paragraph 82 of the Internal Revenue Code of the Russian Federation "tax control is the activity of authorized bodies to monitor compliance with the legislation on taxes and fees by taxpayers, tax agents and payers of fees, payers of insurance premiums in the manner prescribed by this Code " (Internal Revenue Code of the Russian Federation, 2018).

Existing in the economic literature definitions of tax control can be reduced to the following. Tax control is referred to the activities of tax authorities within their competence, which has the following areas:

- monitoring the correctness of the calculation of taxes (fees, contributions);
- monitoring completeness and timeliness of tax payments (fees, contributions);
- detection and elimination of offences in the field of taxes and taxation;
- compliance with the tax legislation.

In our opinion, this approach does not reveal the essence of tax administration, but within the approach it replaces the concept "tax control". The main difference between the concepts of "tax administration" and "tax control" is their purpose:

- tax control is necessary to monitor compliance with tax legislation in order to identify and eliminate tax offences (the main objective is to promptly identify the offences committed and eliminate their consequences by applying tax liability measures; the object is the activity of the subject of tax relations);

- tax administration is necessary for effective implementation of the mechanism to collect payments provided by the Russian tax legislation. So, its main purpose is to prevent intentional and unintentional violations of tax legislation (the main task is to monitor and prevent the commitment of a tax offence; the object is the tax relations between taxpayers and tax authorities).

The economic essence of tax administration does not coincide with the economic substance of tax control. There is a close relation between them, however, they are not identical categories.

Within the framework of management interpretation, tax administration is considered to be tax management, management of the taxation system and taxation by means of making decisions in the field of taxes and taxation at the country level.

Let us consider the concepts of "administration" and "tax system" separately from the others.

According to the definition given in the economic dictionary, administration is referred to the governance responsibilities of the public agencies (executive and other branches of the government (Raizberg, 2011). It is generally accepted that administration is defined as governance, management, regulation.

The taxation system is represented by the unity of three elements. So, management is considered as the activity of the state to manage the elements of the taxation system (Goncharenko, 2009; Yefremova, 2017).

We adhere to the opinion that the management of taxation and the taxation system is based on three things:

- 1) legislation in the field of taxes and taxation (laws and other statutory instruments);
- 2) tax administration regulating the tax proceedings:
 - a) the procedure of calculation to determine the amount of money and the procedure of payment consisting in the transfer of the money to the state (managing tax proceedings);
 - b) tax relations that arise in the process of fulfilment of tax obligations (regulation of relations of tax authorities and taxpayers while fulfilling tax obligations);
- 3) the tax control.

In our opinion, tax administration is an integral part of the management of the taxation system that provide the timely cumulating of the full amount of money in the treasury of the country.

The substance of tax administration in the context of management interpretation has an enormous similarity with the definition of tax policy. "Tax policy is a course of action, a system of measures taken by the state in the field of taxes and taxation. Tax policy is presented through the types of existing taxes, the amount of tax rates, the establishment of the groups of taxpayers and legal tax units, and through tax concessions" (Reisberg, 2011).

Undoubtedly, tax administration has a direct relation to tax policy in terms of regulation of economic processes. However, the tax policy reflects the general direction of development of the taxation system in the country, while the set of economic, financial and legal measures is intended for the formation and management of the tax system, taxation and tax proceedings in order to fully and timely ensure the receipt of the necessary (expected) amounts of money in the treasury of the country. Tax administration is a mechanism of interaction between tax authorities and taxpayers (payers of fees, contributions) that should

ensure the effective fulfilment of tax obligations. Tax administration is carried out exclusively by tax authorities, and management of the taxation system and taxation are regulated by both tax authorities and other authorities (legislative and executive authorities, Federal Treasury, law enforcement agencies and others).

Thus, the management interpretation of tax administration does not reveal the features of the substance of tax administration but covers a wider range of issues: forecasting of tax revenues, optimization of tax rates, assessment of the tax potential of the region, development of proposals aimed at improving the taxation system, approval of the budget for taxes and others.

Organizational interpretation of tax administration. The main difference between organizational and managerial interpretation is the object of management and administration: management interpretation reveals the essence of tax administration as the management of the elements of the taxation system, while the organizational interpretation allows us to consider tax administration as a component of tax proceedings in terms of organization and regulation of social and economic relations between the tax authorities and taxpayers (payers of fees, contributions) in the performance of tax obligations.

In the organizational interpretation of tax administration there are two approaches: narrow and wide ones. Proponents of the narrow approach (Buzdalina, 2004; Solzhenikina, 2015; Basnukaev, 2015) consider tax administration from the point of view of the collecting of obligatory payments to the treasury of the country in accordance with the Internal Revenue Code and other routine activities of tax authorities aimed at the cumulating of money. We agree that the main objective of the tax authorities is to ensure timely and sustainable cumulating of funds in the treasury of the country in the amount close to the expected values. Therefore, undoubtedly, the advantage of this approach is the emphasis on one of the main objectives of tax administration, while the disadvantage is the lack of understanding of the nature and features of tax administration as an independent process. Proponents of the broad approach (Artemenko, 2010; Yefremova, 2017) believe that tax administration is neither more nor less than the organization and management of tax relations between tax authorities and taxpayers (payers of fees, contributions) in the process of implementing tax obligations.

In our opinion, this approach reveals the peculiarity and the main purpose of tax administration as an independent category that does not correlate with the concepts of "tax control", "taxation system" and "tax policy".

It is the period of rapid digitalization of the economy when specific interest in the researching of the essence of the concept of "tax administration" was manifested. The research in the digitalization period is channelled in a particular way and meets the requirements of studying the quality changes of the relations between the subjects of tax procedures in modern economic and political conditions.

Internationally, there are three approaches to building a system of relations in the field of taxes and taxation (Tsvetkov, 2008a):

- from the position of strength - the state represented by the authorized bodies actively uses various mechanisms to force taxpayers (payers of fees and contributions) to pay the maximum of mandatory payments and suppresses any dissatisfaction rigidly due to the advantage in the power of the state apparatus;

- from the position of law - the relations between the tax authorities and taxpayers are built on the basis of strict compliance with the rules of tax legislation; in case of legal disputes, the main role in their resolution is assigned to an independent court;
- from the position of interests – the establishment of relations is based both on the observance of tax relations of the current legislation by the subjects and involves the finding of a fair balance between the interests of taxpayers and the interests of the state on the basis of the law.

At the present stage of the establishment of tax administration advantages and disadvantages of each approach to building a system of relations in the field of taxes and taxation are presented in table 1.

Taking into account the experience of foreign countries (Ireland, Switzerland, the United States and others), relations based on the position of interests are the most effective in the field of taxes and taxation since such a structure provides all participants with benefits and advantages that are better than any threats and suppressions and they force to act in the necessary for society and economy way (Tsvetkov, 2008b). Also the works of foreign researchers proved that the volume of tax revenues is much higher in the case where there is no strict control and constant control procedures. The tax climate is milder and taxpayers feel the protection of the state (Martinez-Vazquez, & Rider, 2005). However, the main condition for the building of relations from the position of participants' interests is a favourable environment: a high level of tax culture, public perception of tax offences as a model of deviant behaviour, a high level of trust and mutual respect between the subjects of tax relations where interests of the participants are taken into account, etc.

Currently, in Russia the relations between tax authorities and taxpayers are based on the principle of authority-subordination (an intermediate position between the positions of strength and law), which is primarily explained by imperfect tax legislation and non-confidence attitude to the tax authorities and the state, as well as by the low level of tax culture and by the peculiar features of the Russian tax mentality. Meanwhile, it is assumed that the enforcement of the legislation in our country has already been formed, and as for measures to support voluntary compliance with the legislation, the need for their formation and development has been recently realised.

Thus, according to the Strategic Map of the Federal Tax Service for the period 2016-2020, the main directions of its activities include (Strategic Map of the Federal Tax Service for 2016-2020, 2016):

- ensuring compliance with tax laws;
- creating comfortable conditions for the performance of tax duties;
- reducing the administrative burden and simplifying procedures, as well as maintaining an open dialogue with businesses and society;
- strengthening and improving workforce capacity;
- optimizing the activity of tax authorities taking into account efficiency of expenses for its implementation.

4. Purpose of the Study

There are many interpretations of the concept "tax administration". The fact makes it difficult to do and develop scientific research in the field of taxes and taxation, as well as to manage social and economic processes both in Russia and in countries abroad. The purpose of the research of the concept of tax

administration is determined by the need to study the ongoing quality changes in the relations between the subjects of tax relations in modern economic and political conditions.

5. Research Methods

The article presents the analysis of conceptual approaches to interpret tax administration. The economic essence of tax administration does not coincide with the economic substance of tax control. Within the framework of management interpretation, tax administration is considered to be tax management, management of the taxation system and taxation by means of making decisions in the field of taxes and taxation at the country level. The substance of tax administration in the context of management interpretation has an enormous similarity with the definition of tax policy. The main difference between organizational and managerial interpretation is the object of management and administration. The analysis revealed that tax administration, as an integral part of the management of the taxation system, comprises the managing and establishing of cooperation and relations between the taxation authorities and taxpayers within the tax proceedings.

6. Findings

The level of efficiency of the management and regulation of relations between the tax authorities and taxpayers (payers of fees, contributions) depends on both the number of tax offences committed in the economy and the amount of cash flows to the treasury of the country. It is the tax administration that is designed to optimize tax relations by accelerating, simplifying and reducing the costs of implementing tax obligations, increasing the level of tax culture, reducing the tax burden and corruption, making the rules of tax legislation clear and making the taxation system transparent, ensuring fair and equal tax conditions for the subjects of tax relations.

7. Conclusion

To crown it all, based on the analysis conducted, we conclude that the tax administration as an integral part of the management of the taxation system provides early and sustained cumulating of funds to the treasury of the country. It regulates tax proceedings, as directed to manage procedures of tax collecting (calculation and payment of taxes and other obligatory payments) and to optimize relations between the tax authorities and taxpayers (payers of fees, contributions) in the process of implementing tax obligations. The process comprises the complex of measures and procedures aimed at increasing the level of tax culture and building mutual trust between the participants of tax relations. It is also aimed at preventing, suppressing and avoiding tax offences; informing (giving an advisory opinion) taxpayers (payers of fees, contributions); improving ways of interaction between subjects of tax relations; collecting mandatory payments stipulated by the tax legislation.

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