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Evolution of The Content of the Service Function of the Tax Authorities

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ABSTRACT

The subject of the study is the activities of the Federal Tax Service (FTS of Russia), which annually strives to fulfil the objectives of not only increasing tax revenues to the budgets of the budgetary system of Russia, but also to improve the quality level of its activities. The key tool for the fulfillment of this goal for more than a decade remains digital technologies, allowing primarily for the improvement of tax control. **Aim** and **objectives** of the study. The analysis of the evolution of the development of technologies of control activity of tax authorities has led to the conclusion that strategically the control activity of the Federal Tax Service of Russia is increasingly built on the changing significance of other functions of tax authorities, among which the tax authority highlighted the service function. The article considers the foundations of the origin of the service function of tax authorities, transformation processes and development prospects taking into account new tools of interaction between tax authorities and taxpayers. At the same time, it touches upon the new services of the Federal Tax Service of Russia, as well as current directions of solving acute issues, in particular, the transition to EDI, the expansion of tax monitoring subjects, construction of a digital tax code, new tools for pre-trial consideration of tax disputes and minimization of tax risks. The study ultimately resulted in the construction of a scheme of the digital outline of the Russian tax system with the allocation of promising areas for further development.

Keywords: tax administration; service function; digital transformation; digital contour; tax monitoring; pre-check analysis; functional and sectoral approach; risk-oriented approach; tax relations

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INTRODUCTION

The current stage of development of society is characterized by a complex transformation of the relationship between the state and a person who, being a client of state legislative and executive authorities, can interact with it in various statuses: as a citizen (as well as a foreigner or a stateless person); a representative of a business (commercial or non-commercial organization; an individual entrepreneur or self-employed person; a state or municipal employee representing public authority in relations with external clients (citizens and businesses), as well as participating in interdepartmental interaction. The Government of the Russian Federation has set the task of developing public administration in order to organize functional activities and services that allow effectively satisfying human needs and are constantly improving based on the analysis of customer experience and requests.¹ In 2020, Prime Minister of the Russian Federation M. V. Mishustin, speaking with a report on the results of the work of the Government of the Russian Federation, defined one of the five basic values as “building all state services around the needs of people”.²

The human-centric approach to management is interpreted as a relationship with a citizen based on mutual trust, respect, and cost reduction. Public services/functions, improved taking into account the analysis of customer experience at points of interaction and feedback, are convenient for residents of the country. According to the Analytical Centre under the Government of the Russian Federation, citizens’ satisfaction with them varies greatly by region. Thus, 98% of the population likes the services for checking vehicles and regis-

tering with clinics; 44% approve of services in the field of labour and employment, 59% — approve of services in the field of housing and communal services; and 43% — approve of services in the field of social services and security.³

HUMAN-CENTRICITY IN THE TAX POLICY OF THE STATE

The most important factor in development with a human-centric approach is digitalization, because fundamental and rapid changes in the management of economic processes are impossible without fast and high-quality processing of an unprecedented large-scale flow of information. Within the framework of the national project “Digital Economy” (2019–2024), the section “Digital Public Administration” is highlighted.⁴ All legislative and executive bodies in Russia solve the assigned tasks in one way or another.

The Federal Tax Service of Russia was the first executive body to begin forming an eco-landscape of tax administration based on the client-centric model and implying both individuals and legal entities. The principles of client-centricity in the current conditions of increasing requirements for the efficiency of tax administration while ensuring the quality of control over compliance with tax legislation are implemented in the context of the tasks of the service function of tax authorities. In her interview, the head of the Tax Monitoring Department of the Federal Tax Service of Russia M. A. Krashennnikova said: “Our goal is not to weaken or minimize control over taxpayers. The goal is to control effectively” [1]. Digitalization of tax administration in Russia is breakthrough and innovative, which is recognized by the in-

¹ Ministry of Economic Development of the Russian Federation (official website), Customer-centricity standards. URL: https://www.economy.gov.ru/material/directions/gosudarstvennoe_upravlenie/gosudarstvo_dlya_lyudey/standarty_klientocentrchnosti/

² Government of Russia (official website). Annual report of the Government to the State Duma. URL: <http://government.ru/news/40074/>

³ Analytical Center under the Government of the Russian Federation. URL: <https://ac.gov.ru/activity/activity/gosudarstvo-dla-ludej-9>

⁴ Passport of the national project “National Program “Digital Economy of the Russian Federation” (approved by the Presidium of the Council under the President of the Russian Federation for Strategic Development and National Projects, protocol dated 04.06.2019 No. 7). URL: https://www.consultant.ru/document/cons_doc_LAW_328854/

ternational community [2, 3]. It has acquired a new momentum due to serious changes in business processes in the economy. The result was the transformation of the work of the country's tax authorities as a service based on modern digital technologies. Head of the Federal Tax Service of Russia D. Egorov noted that the service function of the tax service can affect the amount of tax payments: "In the future, thanks to digitalization, we can ensure effective tax collection with our services, while reducing the costs of this process".⁵ Digitalization in the tax administration eco-landscape is seen as both a driving force and a challenge from business.

Tax administration tools can be divided into several types:

- control (or control and supervisory, since the modern policy of tax authorities has inextricably linked these two concepts), determining the current activities of tax authorities [4];
- risk-oriented, aimed at early prediction, identification, assessment and prevention of tax risks of the state (capable of having a negative impact on the state of the tax and budget system) through monitoring of the tax authorities;
- service-oriented, the purpose of which is to increase the degree of trust of taxpayers to the tax authorities through the implementation of the policy 'from client-oriented approach — to interaction', as well as the use of appropriate mechanisms and services. However, it is difficult to establish the moment of the beginning of the service function with the predominance of such instruments, including due to the discussion of issues regarding the criteria for their definition.

In particular, it is proposed to consider such a criterion as the formation of the ability of tax authorities to calculate taxpayers' tax liabilities without additional documents (declarations). At

the same time, in modern conditions it is acceptable to argue (although not without objections) that the definition of tax and fee as payments levied from taxpayers (Art. 8 part 1 of the Tax Code of the Russian Federation⁶) contains the idea of abandoning the principle of their self-accrual on the part of the taxpayer.

STAGES OF CREATION OF THE DIGITAL CONTOUR OF THE FEDERAL TAX SERVICE OF RUSSIA

It is possible to recognise that 2003 is a turning point in the issue of the origin of the service function of the Russian tax authorities, when Chapter 28 'Transport Tax' was added to Part 2 of the TC RF. Then Chapter 30 'Property Tax' and Chapter 31 'Land Tax' were introduced into the TC RF in 2004 and 2005 respectively. At that time, the vector of shift towards the establishment of the order in determining the tax base and tax calculation by the tax authorities themselves became evident — this was the content of their service function. The then head of the Federal Tax Service of Russia M. V. Mishustin noted that in the Russian Federation the tax authorities are in fact entrusted not only with the functions of control over compliance with tax legislation, but also with the service function,⁷ which, conventionally speaking, by 2024, based on digital technologies, has passed 7 stages, including various measures and the results of their implementation (see *Figure*).

Service-oriented mechanisms of tax administration continue to be implemented through the introduction of simplified procedures for filing tax returns and paying taxes, as well as creating improved service conditions for taxpayers, which contributes to increasing the confidence

⁵ The Ministry of Finance predicts a simplification of the tax system in Russia. Finam. 14.01.2021. URL: <https://www.finam.ru/publications/item/minfin-prognoziruet-uproschenie-nalogovoiy-sistemy-v-rossii-20210114-133940/> (accessed on 25.02.2023).

⁶ Tax Code of the Russian Federation (TC RF). URL: https://www.consultant.ru/document/cons_doc_LAW_19671/?ysclid=lrkeflzhn706383516

⁷ The Federal Tax Service has decided to create a system of data centres. Federal Tax Service (official website). URL: <https://www.nalog.gov.ru/rn77/news/smi/5602364/> (accessed on 15.08.2023).

of the latter in the tax authorities. However, the full (or reasonably acceptable) implementation of the idea of charging tax liabilities will require a radical transformation of the current interaction between tax authorities and taxpayers. One of the conditions for achieving these goals is the transition to 100% electronic document flow (hereinafter — EDF), through which taxpayers can submit declarations and reporting in electronic form, which simplifies the procedure and reduces the time required for processing of documents by the tax authorities. At the same time, the mechanism itself belongs to the control and supervisory mechanism, as systems and services of tax authorities can perform a number of functions, which allows them to refer to several types of tax administration mechanisms.

In this paradigm, the principles of tax monitoring (introduced in 2015)⁸ as a form of tax control and tax on professional income (introduced in 2019)⁹ can be traced. The immediate goal will be the transition to the charging of turnover taxes, in particular VAT, by the tax authorities — this will be possible when the maximum available and sufficient digital data on sales and purchases is formed. The information thus obtained will allow the tax authority to pre-fill the VAT return and send it to the taxpayer for verification. Such practice exists in some countries. However, we should agree with the statement of D. Egorov at the Tax Forum in the Chamber of Commerce and Industry on 25 October 2023 that ‘the requirement of mandatory transition to electronic invoices is most likely a convenience for the state, because it naturally increases the level of reliability of the volume of tax revenues, however, for the representatives of small businesses, the innovation does not yet meet the positive “value for money”

ratio.¹⁰ In this regard, for the quality of service functions performed by the tax authorities of the Federal Tax Service of Russia, a more comfortable option for taxpayers was chosen in the form of a focus on eliminating difficulties on the way to EDF implementation — this makes it possible to accelerate the spread of the practice of using electronic invoices already on a voluntary basis. A positive result was the fact that at present electronic documents account for 46% of all document turnover in the tax sphere against 10% in 2021.¹¹ In just 10 years the market of EDMS (electronic document management system), ECM (Enterprise content management) and CSP-systems (Content Security Policy)¹² has grown by 175%.¹³

It should be noted that work on EDF implementation continues. A significant step forward in this direction was the development of Electronic Power of Attorney (EPOAR). They formed the basis of a proactively developed model — not mandatory for use, but supported by business. It provides a distributed system that allows users to work on the basis of EPOAR with the rights and accesses they define themselves. The format for stabilisation of trust rules is currently being finalised, which is expected to simplify the existing mechanism and strengthen the institution of trust; accordingly, a simple logical system with access to all government bodies (B 2B) will be created, with the help of which it will be easier for companies to manage business processes.¹⁴

⁸ Federal Law No. 348-FL “On Amending Part One of the Tax Code of the Russian Federation” dated 04.11.2014. URL: <https://base.garant.ru/70782826/>

⁹ Federal Law No. 422-FL dated 27.11.2018 “On conducting an experiment to establish a special tax regime “Professional Income Tax”. URL: <http://publication.pravo.gov.ru/Document/View/0001201811270056?ysclid=lwrlmf4ngt167512902>

¹⁰ Speech by D. V. Egorov at the All-Russian Tax Forum. 25.10.2023. URL: <https://nalogforum.tpprf.ru/den2> (accessed on 03.01.2024).

¹¹ Speech by D. V. Egorov at the All-Russian Tax Forum. 25.10.2023. URL: <https://nalogforum.tpprf.ru/den2> (accessed on 03.01.2024).

¹² EDMS — Electronic Document Management Systems; ECM — Enterprise Content Management — corporate content management systems; CSP (Content Services Platforms) — Content management or content services platforms capable of operating in cloud and hybrid environments.

¹³ . EDMS (Russian market). TAdviser (business portal). URL: <https://clck.ru/3B3LaD>

¹⁴ Speech by Egorov D. V. All-Russian Tax Forum. 25.10.2023. URL: <https://nalogforum.tpprf.ru/den2> (accessed on 03.01.2024).

After reorganising the functioning of a number of internal services, the Russian Federal Tax Service began modernising its external infrastructure in 2013. The Tax Service was one of the first in the country to introduce the Queue Management System, create call centres, and integrate with the portal of state services. The result of the five-year transformation of digital software products was the enshrinement of the concept of 'personal profile of the taxpayer' in the TC RF. It should be noted that even in 2023 such a concept as 'information resources' was not enshrined in all federal legislative acts.

In parallel with the consolidation of the service function of the tax authorities in terms of the methodology of tax assessment and models of relations between tax entities, this function was also considered in the context of a set of software products and mechanisms that improve the efficiency of control over the procedure of tax collection (including the completeness of tax amounts). Over 15 years, the Federal Tax Service of Russia has formed a system of multidirectional mechanisms and services that ensure the collection, systematisation, and processing of taxpayer data – the digital contour of the Federal Tax Service of Russia (see *Figure*).

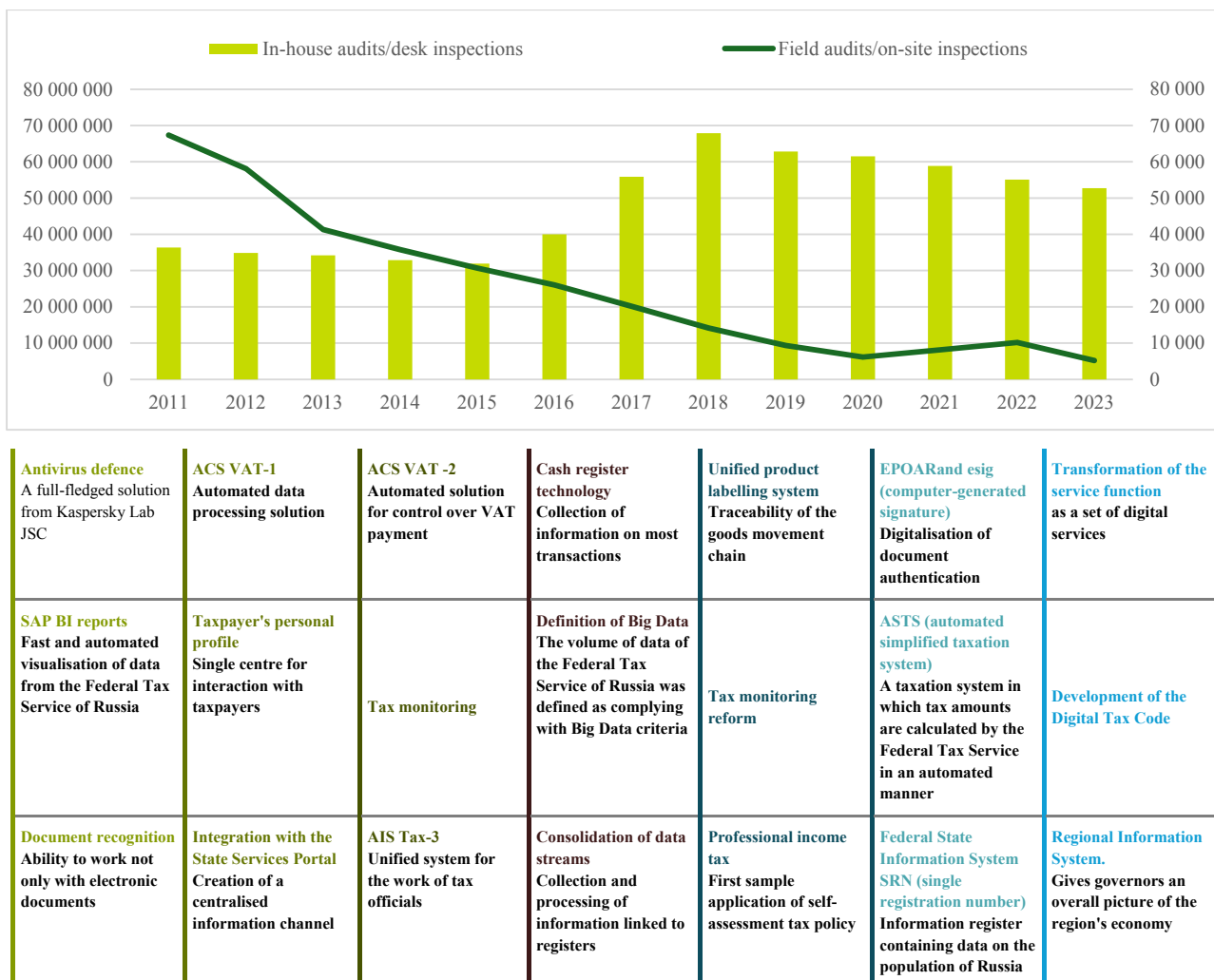


Figure. Digital outline of the Federal Tax Service of Russia for 2023

Source: compiled by the authors.

Thus, by 2007, a service for paying tax payments using the self-service device ‘Electronic Cash Desk’ was introduced in Sberbank branches and commercial banks. Further, in a few years, a service for debt control was created, and in 2010 — “Personal Cabinet of the taxpayer” was introduced. However, the order of development of digital services was fragmented and aimed more at meeting the current needs of the tax authorities.

Since 2010, their policy with regard to digital solutions has changed — the trend was a comprehensive modernisation consisting of 4 components, such as:

- modernisation of the organisational structure of the tax authorities (as a result, since 1 April 2009 out of 49 tax inspections there were 25 with a unified structure and functional order of work) [5];
- application of the process approach through the re-engineering of business processes, namely through the sequential execution of certain technological operations);
- modernisation of the information system (the key element was the creation of an automated information system AIS ‘Tax-3’, which currently performs the functions of a single digital service for the work of tax authorities — its development was started in 2010) [6];
- implementation of modern IT infrastructure (in the period from 2013 to 2015, two large federal data centres [DCs] were built, the activities of which are aimed at accumulating, storing, and processing big data of the Federal Tax Service of Russia; they perform their functions in full to this day).¹⁵

This vector of development already had a methodological basis, because in 2008 the project ‘Modernisation of the Tax Service — 2’ was completed, during which the concept and regulatory and methodological documenta-

tion were developed to ensure the processing, registration, operational and archival storage of information both in paper and electronic form — in particular. The project resulted in three fundamental documents for the practical work of tax specialists:

- The procedure for maintaining an archive of hard copy documents under conditions of centralised data processing.
- Procedure for destroying documents and technological data of temporary storage period formed in the activities of the Federal Tax Service of Russia.
- A draft of technical specifications (functional requirements) for serial software solutions to carry out development work to create a system that ensures processing, registration, operational and archival storage of documents in both paper and electronic form in accordance with unified principles.

Over the five years of work in this area, many products have been implemented that have already become commonplace, but were considered revolutionary at the beginning of the 21st century.

In 2011, the Russian Federal Tax Service purchased a full-fledged antivirus protection solution for its entire information system from Kaspersky Lab, which was a continuation of the cooperation started in 2008 as part of the purchase of 120,000 licences for the Service’s employees following an unsatisfactory experience with ESET software [7]. However, even in 2012, there was a problem of lack of up-to-date antivirus software (even in developed countries, it was only installed on 80–90% of computers) [8].

In 2012 the companies SAP CIS and ABBYY Russia implemented two services that are key to the work of tax specialists: to create ready-made visualised reports in real time (SAP BusinessObjects Edge BI) and streaming document recognition (ABBYY FlexiCapture), which were introduced at the stage of their creation, but are still not widespread among organisations.

¹⁵ Analytical portal of the Federal Tax Service of Russia. URL: <https://analytic.nalog.gov.ru/> (accessed on 18.04.2023).

THE ROLE OF NEW MONITORING IN THE PERFORMANCE OF THE SERVICE FUNCTION

Simultaneously with the digital transformation of tax authorities, a similar process took place on the side of taxpayers. Over 10 years, the volume of data on taxpayers has grown significantly. Most of the information they generated and continue to generate — independently, which determined the need for a powerful analytical tool to control the correctness of calculation and payment of all tax payments.

All of the above in aggregate became the reason for the emergence and widespread introduction of risk-oriented approach in the service function of the tax service, which manifested itself in the development of such a form of tax control as tax monitoring, although recently its implementation was considered theoretically possible, but practically unrealisable in Russia. Monitoring is commonly understood as a system of measures that allow for continuous observation of the state of the object, process, or phenomenon under study, register their most important characteristics, evaluate them, and promptly record the results of the impact of various factors on the object. Tax monitoring will further develop both ‘outwards’ — this will lead to an increase in the number of its potential participants, and ‘inwards’, which will cause an increase in the degree of digitalisation of relations between taxpayers and tax authorities [9].

The first refinements to the mechanism of tax monitoring were made in 2017. In 2021, based on the accumulated experience, it again underwent a large-scale transformation affecting all aspects of its functioning. Thus, the range of potential participants was expanded, the procedure for submitting an application to switch to monitoring and the procedure for early termination were clarified.

From the position of implementation of the task of the tax authorities as a service, it is important to change the procedure for drawing

up a reasoned opinion on the initiative of the tax authority and early termination of monitoring — this procedure has become two-stage. The inspectorate must notify the taxpayer before the moment of drawing up a motivated opinion (making a decision on early termination of monitoring) on the existence of relevant grounds. In response, the taxpayer may provide explanations or make the necessary corrections.

In the future, if the tax authorities focus on tax monitoring, the information aspect of interaction between monitoring participants and tax authorities will increase. The main objectives are to ensure integration of company information systems with AIS Tax-3, and to automate the process of document exchange between taxpayers and inspectorates.¹⁶ The concept of development and functioning of the tax monitoring system in Russia envisages the expansion of the list of its potential participants to more than 7,800 by 2024, as well as ensuring the level of growth of tax monitoring participants not less than 20% per year (actual values of this indicator are as follows: in 2020–115%; in 2021–120%; 2022–62%; 2023–31.2%).¹⁷ One of the tools to expand the number of participants is to lower the entry threshold (e.g., from 1 billion roubles in turnover and assets and 100 million roubles in taxes paid today to 800 million roubles and 80 million roubles respectively in the near future¹⁸).

According to M.A. Krashennnikova, Head of the Tax Monitoring Department of the Federal Tax Service of Russia, the motives for expanding the range of taxpayers involved in tax monitoring are as follows [1]:

¹⁶ Integration with AIS ‘Tax-3’. Taxman. 2023;(1);39.

¹⁷ Tax office “vita nova”. URL: <https://nalogoved.ru/art/13403.html> (accessed on 02.12.2023).

¹⁸ Draft Law No. 577665–8 “On Amending Parts One and Two of the Tax Code of the Russian Federation and Article 8 of the Federal Law “On Amending Part Two of the Tax Code of the Russian Federation and Certain Other Legislative Acts of the Russian Federation, as well as on the invalidation of Certain Legislative Acts (Provisions of Legislative Acts) of the Russian Federation”. URL: <https://sozd.duma.gov.ru/bill/577665–8>

1. Formation of an array of data for analytical processing not only to make decisions to ensure the efficiency and effectiveness of tax control, but also to obtain information about the object by other government agencies, such as the Ministry of Finance of the Russian Federation, in the formation of budget planning indicators.

2. Increased coverage, so that the information obtained becomes more diverse; in particular, data on incorrect or insufficient tax legislation, court decisions, etc. appear, which are then categorised according to the level of standardisation of the causes that caused them. If expert judgement is required, the data are subject to further elaboration. Otherwise, they are processed automatically.

In the conditions of digitalisation and relevant information processing technologies, the boundaries and depth of implementation of the service function of tax authorities are expanding in the interests of not only participants in tax relations, but also other stakeholders. Tax authorities often assume the costs arising in this process (within the framework of their functional activities). Thus, in the system of the Federal Tax Service of Russia for each declaration a 'factor analysis with a depth of up to five years and with a forecast of up to four periods ahead' with the planned transfer of results to taxpayers is performed. For the state such information is valuable in planning budget indicators, as well as in the development of measures to address the tasks of socio-economic development [1]. An important aspect here is also the fact that the materials are actually received by tax authorities in the process of analytical preparation of control measures and tax monitoring, concerning the effectiveness of the use of state support measures by recipients, including those within the framework of national projects.

Analytical work by the tax authorities both in general and as part of the pre-inspection analysis in preparation for an on-site tax audit, in particular, has become the most effective tool for budget replenishment, as it encourages taxpayers to voluntarily clarify already declared tax liabilities.

With the help of the ACS VAT-2 programme, the tax authorities have become quicker in identifying companies used for illegal tax savings and not paying VAT. Thanks to the analytical work, the tax authorities have already collected 158 billion roubles in 2020, 174 billion roubles¹⁹ in 2021, 189 billion roubles in 2022, and in 2023–218 billion roubles.²⁰

CURRENT TRENDS IN IMPROVING THE SERVICE FUNCTION OF THE RUSSIAN TAX AUTHORITIES

The opportunities offered by digitalisation provide a significant stimulus for the development of the service function of tax authorities. Let us focus on a new project that is gradually being implemented — the digital tax code. In fact, it is a set of control directories, registers for tax monitoring and others.²¹ Since the technological model of tax monitoring does not accept paper documents of tax authorities, their electronic version was created. The system as if prescribes a strict regulation of action and does not miss mistakes of taxpayers. Thus, the directories become a tool of self-monitoring for participants of tax relations. At the same time, work continues to ensure that such control exists at the preliminary stage, i.e., before the taxpayer submits documents to the tax authority.

The digital tax code is a tool that frees the tax inspector from controlling standard situations through automatic processing and allows him to focus on complex schemes. An important place is given to the identification of those norms of the current tax legislation that have signs of ambiguous interpretation, as a result of which their application often leads to errors in the course of

¹⁹ The Federal Tax Service considers it necessary to create an institute for tax counselling. Federal Tax Service of Russia (official website). URL: <https://www.nalog.gov.ru/rn02/news/smi/4286090/> (accessed on 18.04.2023).

²⁰ URL: <https://analytic.nalog.gov.ru/>

²¹ Federal Tax Service of Russia (official website). URL: <https://www.nalog.gov.ru/rn77/>

court proceedings or pre-trial resolution taking into account the expert judgement of specialists.

As a constituent element of the service function, it is correct to consider monitoring of tax risks arising from the participants of tax relations on both sides. In this case, the tax authority pays great attention to the standardisation of such risks, as well as deciphering the indicators of tax reporting. As a result, conditions are being created for the implementation of services for the automatic control of a number of tax reporting indicators (for example, income — both from sales and non-operating). As part of the expansion of requirements for the mandatory element of tax monitoring — the internal control system (ICS) — the need to disclose information on atypical, specific transactions (operations) and major transactions (operations) that meet the criteria established in legislation for joint stock companies and limited liability companies was identified. The motivation for making these changes was the need to control the risks arising from their execution.

‘There are also plans to create a common library of tax risks for monitoring purposes. In particular, so that it is possible to form a unified methodological base on controversial issues’ [10]. Moreover, algorithms are being developed to identify potential risks of the development of artificial intelligence, its application in the tax sphere. Thus, additional incentives are created for the transition to monitoring, as the range of grounds for tax audits is narrowed. At the same time, these measures reflect the principles of openness and certainty declared by the state in the process of interaction between participants of tax relations, and maximum automation of such relations.

Monitoring of tax risks of the state involves monitoring the functioning of the tax system in terms of compliance of actual tax revenues to budgets with their planned indicators, as well as the effectiveness of tax benefits and preferences, tax control and administration, correctness of changes in tax legislation, losses of tax revenues due to the shadow economy and tax havens (off-

shore zones), competitiveness of the national tax system, etc. It is important for taxpayers to know the contours of their tax risks in various situations, including those identified during tax audits or by analytical services of tax authorities. The overall objective is to avoid or minimise negative consequences.

Another problem within the service function needs to be solved, namely, the extension of the principles of the Federal Tax Service to inspections of different levels and functionality. Thus, one of the important trends in improving tax administration is the reorientation of the evaluation system from the achievement of economic indicators to the satisfaction of taxpayers with the quality of administration. In order to organise the interaction between the Federal Tax Service of Russia and the largest taxpayers in 2022, a voluntary survey of the latter was conducted [11].

This kind of feedback allows the Federal Tax Service to identify problems, including uncertainties in methodological issues (for example, the organisation of a taxpayer’s work when making a decision to join a tax monitor, or when refusing to join a consolidated group of taxpayers), and to promptly find correct answers [12, 13].

In the second decade of the 21st century, one of the directions of institutional improvement of the system of tax authorities within the framework of updating the model of their interaction with taxpayers was the introduction of functional-sectoral approach [14]. Thus, the tax authorities for transfer pricing (2013), desk audits (2015), debt management (2022), etc. (and even earlier — the tax inspectorate supervising organisations of the financial sector of the economy — banks, stock exchanges, insurance companies, etc.) were institutionalised. As part of the Expert Council under the Federal Tax Service with the participation of representatives of the country’s largest business structures, the above-mentioned surveys of taxpayers are conducted, as well as meetings with them to promptly obtain information on the risks and methodological positions of the

Federal Tax Service on controversial issues. In particular, in 2021, a meeting was held to discuss the metallurgical industry; in 2022, several events were held on the topic of transfer pricing, and in November of the same year — on the settlement of methodological issues in connection with the termination of a consolidated group of taxpayers.

The factors of the transition to a functional tax institution (for example, in the form of a debt management platform) were, firstly, the presence of layers in the relationship between the participants of tax relations (which may hinder the achievement of a meaningful search for ways to resolve the situation), and secondly — the implementation of the service function of the tax authority in the form of, in particular, consulting on possible areas of debt repayment (management). According to the head of the Federal Tax Service of Russia D.V. Egorov, as a result of the creation of an institutional platform for debt management and granting a deferral of 800 billion roubles for 1 rouble — 96 kopecks (cents) of repaid debts were received, and most importantly, companies did not go bankrupt and continue to work.²²

Thus, the formation of a tax authority for debt management based on the functional principle means that the consideration of the substance of tax liabilities involves highly qualified personnel, focused on a predetermined range of problems. Thus, the path, and thus the time between the emergence of a particular claim (issue) and their resolution is significantly reduced.

Another issue of concern to taxpayers concerns the validity of the amount of information requested during counterparty audits, including proof of due diligence measures taken in relation to counterparties, which may help to reduce the administrative burden on taxpayers. To solve this problem, unified information bases on counterparties have been developed — as capacious and accessible as possible. Since March 2022, a

taxpayer — a legal entity in the section of the personal account 'How the tax authorities see me' has a new tab 'Indicators for partners. A taxpayer may access the data of any partner if that partner accepts a request sent via the new service'.²³

In order to increase information openness and trustworthiness of relations with taxpayers, it seems appropriate to abolish in the TC RF the possibility to conduct an on-site inspection of a monitoring participant within the framework of control by a higher tax authority over the activities of a lower one (subparagraph 1, paragraph 5. of Article 89; subparagraph 1, paragraph 4.1. of Article 89.1). Such 'revision' of monitoring results does not contribute to the consistency of taxation.

The Federal Tax Service of Russia continues to search for tools to improve the climate in the course of interaction between participants in tax relations. And in this context, there is another aspect of requesting information. Thus, pre-trial settlement of disputes may often arise due to a real lack of supporting documents. In order to promptly eliminate such tax conflicts, it is correct to suggest the following:

- introduction of a simplified procedure for appealing decisions of tax authorities, namely, directly to the territorial tax authority, and only in the absence of a correct decision — to a higher one;
- directing complaints to the state body or official, whose competence includes dispute resolution.

Thus, additional opportunities are created to expand horizontal ties of a positive nature between taxpayers and tax authorities. Accordingly, the proposal of the head of the Department of pre-trial settlement of tax disputes R.V. Yakushev to introduce the institute of objections to requests for documents [15] seems reasonable. For taxpayers it would allow to suspend the es-

²² Speech by D. Egorov at the Plenary Session of the CCI Tax Forum on 25.10.2023. URL: <https://nalogforum.tpprf.ru/den2/>

²³ Federal Tax Service of Russia (official website). New service 'How the tax authorities see me'. URL: https://www.nalog.gov.ru/rn65/news/activities_fts/12170882/ (accessed on 02.12.2023).

established term for the fulfilment of the request and, in particular, to justify the impossibility/incorrectness of submission of the requested information. Increasing the time limit for collecting information is also relevant in the framework of tax monitoring, for example, in the process of mutual agreement procedure. Since objections must be filed electronically, the tax authorities will have at their disposal information on the number of objections in the territory under the jurisdiction of the tax authority, the quality of responses to them and the dynamics of the process. This will create additional prerequisites for the FTS of Russia to fulfil the most important task within the framework of the service model of operation — to increase the validity of the claims of the tax authorities.

Parallel to the requests, there is also in practice the summons of taxpayers to tax commissions. This controversial issue is widely discussed in economic and legal literature, both practical and scientific [16, 17]. According to par. 4 p. 1. art. 31 of the TC RF, tax authorities have the right to summon a taxpayer on the basis of a written notice to give explanations in connection with either the payment (withholding and remittance) of taxes, or — with a tax audit (or other cases). Inspections at the same time exercise this right actively enough to obtain explanations from the taxpayer on the identified facts of alleged violations outside of tax audits, sometimes exceeding their authority. According to the experts, ‘it is inadmissible to identify this right with the actual actions of summoning to the commissions within the framework of pre-inspection analysis... This form of tax control or procedure in the provisions of tax legislation is absent, therefore, it is illegal and inadmissible’ [16].

It seems that if the regulations are observed, such a control tool within the framework of the service function is positively assessed by subjects of tax relations. Taxpayers have the right to contact tax authorities in the event of detection of certain contradictions between regulatory acts

and tax legislation, which may lead to negative consequences for the interaction of participants in tax relations.

CONCLUSIONS

Improving the service function has been a promising direction for the development of tax legal relations for more than 10 years. In this regard, the importance of analytical tools of tax authorities increases, among which the AIS (Automated information system) “Tax-3” system stands out, summarizing the data obtained as a result of interaction with taxpayers. Thus, the process of integrating tax monitoring participants with the AIS “Tax-3” is one of the steps towards improving the service function of tax authorities, as well as improving the quality of internal tax monitoring of state risks.

However, the required level of efficiency in the implementation of the service function can only be achieved if the tax authorities adhere to the principles of openness, honesty, and integrity in their activities. This is expressed, in particular, in the publication of internal regulatory documents disclosing typical violations in order to prevent the employees from making them in the future. Among the possible violations are: “sending notifications to request documents; the presence in the notifications of a requirement to submit revised tax returns in the absence in the notifications of a detailed description of the grounds for the summons; a summons to the tax authorities for a meeting of the commission on the legalization of the tax base”.²⁴

The article noted the importance of creating not only tools designed specifically to ensure the operation of tax authorities, but also “infrastructure” products that stimulate the

²⁴ Letter of the Federal Tax Service of Russia dated 02.12.2021 No. EA-4-15/16838 “On sending notifications of a taxpayer’s summons to the tax authority within the framework of subparagraph 4 of paragraph 1 of Article 31 of the Tax Code of the Russian Federation”. URL: https://www.consultant.ru/document/cons_doc_LAW_404050/?ysclid=1wuoo43ujo714485850

processes of general digital transformation of participants in tax legal relations. Among them, of particular importance is the implementation of a digital tax code, which can not only simplify tax monitoring, but also stimulate

the processes of automation of tax functions of taxpayers, as well as the inclusion of new participants in tax monitoring by reducing the level of uncertainty and risks of the taxpayer when calculating taxes.

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