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Efficiency of Taxation Bodies' Work: Methods of Estimating and Analysis of Relations with Tax Payers

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Abstract:
The basic goals of the research is to analyze methods of defining the efficiency of the work performed by taxation bodies of the Russian Federation (the RF) and to estimate the level of impact of informational services provided by taxation services and related to compliance with the taxation discipline by subjects of taxation. As a result of the research, scientific approaches were generalized, the discussion review was carried out, and indicators related to estimating the efficiency of the taxation bodies' work were analyzed and supplemented.

It was revealed that the aggregate of criteria recommended for using by the Federal Taxation Service (the FTS) of Russia to estimate the efficiency of the taxation bodies' work was not related to the preventive and prophylactic work of taxation bodies that made up the basis of the partnership model of the taxation administering. The scientific novelty of the work is in the basic conclusions and results of the research that supplement the indicators of estimating the efficiency of the taxation bodies' work, develop theoretical basics and conceptual approaches related to increasing the level of voluntariness of discharging taxation obligations by subjects of taxation of the RF.

When making the research, it was argued that the concept of payment voluntariness allowed to estimate the efficiency of the taxation control in terms of the tax payer's reaction not only to the activities of controlling bodies but also to the taxation policy of the state, as a whole.

The impact of providing informational services by taxation bodies related to complying with the taxation discipline by taxation subjects was proved. The model of the dependence of the level of tax payments voluntariness on carrying out the informational and consulting work of taxation bodies was developed. The reasonability of the legislative acknowledgement of taxation consulting as an important element of the taxation administering was offered. It will allow considerably increasing and strengthening its role as a tool of business development.

Keywords*: taxation administering, control, audits, efficiency, methodology, estimation, taxation bodies, indicators, taxation consulting, interrelation, voluntariness.*

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1. Introduction

The institutional condition for successful implementation of the reforms carried out in the state and achievement and maintaining the economic stability is a steady condition of state finances, and first of all, the efficiency of state process. Taxation administering holds a special place in the taxation process.

The current economic situation related to the instability of the global economy as a whole and the financial system in particular, as well as unpredictability of prices for energy reserves assume difficulties when forming revenues of the budgetary system of the Russian Federation. At the present time Russia continues modernizing the taxation system for the purpose of assigning the tendencies of the economic growth that were outlined in 2016. However, the complex system has not been created for this. To our mind, under modern conditions the potential of tax revenues has been exhausted due to increased tax rates. In this context an important way to increase the collection of taxes is to create institutional conditions to decrease the scales of tax evasion and involving of unaccounted objects in the process of taxation, to increase the taxes payment level of voluntariness including by improving the taxation administering, to increase the quality and efficiency of the taxation bodies work.

In regulatory acts and scientific works of Russian researchers the notion "taxation administering" has been used relatively recently. Herewith, the current Russian legislation does not interpret this notion. At the beginning of 2000, researches of scientists (O.A. Nogina, L.Ya. Abramchik, A.I. Ponomarev, T.V. Ignatova, M.A. Bogatyrev) as a whole defined the taxation administering as a system of measures on carrying out taxation control and applying measures of taxation responsibility. Thus, according to O.A. Nogina, taxation administering is interpreted as a complex of measures focused on full and timely payment of all taxes within the maximum volume subject to the minimum expenses (Nogina, 2002). L.Ya. Abramchik thinks that "Taxation administering is a daily activity of taxation bodies and their officials that provides timely and full tax payments to budgets by tax payers" (Abramchik, 2005). Russian researchers A.I. Ponomarev, T.V. Ignatova, M.A. Bogatyrev define the taxation control as the main component of taxation administering specifying that the criteria of its efficiency include preventing illegal tax evasion (Ponomarev *et al.,* 2009; Medvedeva *et. al.,* 2016; Stroeva *et. al.,* 2015; Liapis and Thalassinos, 2013; Thalassinos and Liapis, 2014).

Further researches of scientists extended the notion of the taxation administering. It was expressed in the duality of its perception. Most often the taxation administering is regarded, firstly, as a system of managing the taxation process as a whole, and secondly as management of the activity of taxation bodies on carrying out the taxation controls and taxes collection. The taxation control is a determining element of the taxation administering (Theriou, 2015; Theriou and Aggelidis, 2014).

Becoming of the state taxation control of the RF during the recent years has taken place under conditions of the taxation legislation instability, and negative attitude of tax payers to the taxation system, as a whole. These circumstances affected the organization and efficiency of the state taxation control. Broad rights of state taxation control bodies in terms of taking administrative and financial measures of impact did not contribute to obtaining the taxation culture by tax payers, increasing their responsibility for discharging their obligations to the state. As a consequence of the changing economic situation, the society has got a need in the most efficient interrelation of taxation bodies with the controlling subdivisions of power structures.

Many issues related to organizing and methodology of control carried out by taxation bodies, regulation and responsibility of officials, practical application of the experience of foreign taxation services in Russia, interrelation of taxation bodies with other controlling bodies, and improvement of the controlling work of taxation bodies require further research.

Over the recent years the Federal Taxation Service (FTS) of Russia has positioned itself as a service provider. It considers its main task in developing the client-focused approach in the taxation administering. Due to it, the research and practical importance of solving the problem related to forming the institute of efficient and high quality control over the tax payer's activity increases. The concept of the taxation administering is expressed in focusing attention on timely revealing of "weak points" and implementing the idea of new philosophy of the interrelation between companies (organizations) and individuals, and taxation bodies.

The above stated pre-determines the urgency of the research theme and allows to formulate the scientific problem about the reasonability to form the institutional conditions to increase the efficiency of taxation bodies work, including by improving the elements of the mechanism of taxation administering as a factor of providing financial safety of the RF.

2. Methodology

To a crucial degree the level of mobilization of taxation revenues depends on the efficiency of the taxation control organization. Generally speaking, the efficiency is a comparison of results from the taken measures and expenses. It is necessary to note that methods of estimating the efficiency of taxation bodies' work were revealed in many scientific works of modern Russian researchers. However, to our mind, they do not make it possible to objectively and fully estimate the efficiency of their work.

Thus, for example, in order to comprehensively estimate the efficiency of the taxation body's work, A.T. Shcherbinin offered to use the coefficient of accruing taxes that is calculated as a share of taxation payments accrued by the tax payer individually in the total sum of accruals (Shcherbinin, 2002; Shmaliy and

Dushakova 2017; Vovchenko *et al.*, 2017). According to Shcherbinin, this indicator allows to take into account the character of interrelations between taxation bodies and tax payers, and to give a comprehensive characteristic to their work. Shcherbinin focused his attention only on the sums related to accrued taxes and dues. However, he did not take into account such an important indicator as the voluntary individual tax payment to the budget by subjects of taxation. This indicator characterizes the final result of interrelations with tax payers. This indicator varies from 30 to 75% depending on the Federation subjects.

Krylov D.V. offers to define the efficiency of the audit on the basis of the coefficient of taxes collection determined as a relation of the general volume of tax revenues in the region to the taxation potential of the region. Herewith, he interprets the term "taxation potential of the region" as a sum of potentials of the taxation base, audit of taxation bodies and indebtedness for tax payments, punitive sanctions and fines of tax payers of the territory under control (Krylov, 2006).

Within the method offered by D.V. Krylov, the taxation base potential is interpreted as the taxation base expressed through the amount of the accrued tax payments. The potential of the audit is characterized by the amount of possible additional accrual of tax payments, punitive sanctions and fines according to the results of the taxation control organization. It is offered to consider the indebtedness potential as the amount of indebtedness that is real for charging at the reporting period. It is necessary to note that it is difficult to define the amount that is real for charging the indebtedness. It must provide both qualitative estimation of indebtedness and the development of planned and methodological measures on its decrease. To our mind, using this methodology, it is possible to plan and forecast the level of collecting taxes in the budgetary system, but not to estimate the efficiency of the audit of taxation bodies. It is also necessary to note that in case of this approach it is not correct to speak about the audit potential because it is impossible to practically define the assumed volume of amounts of additional accruals for the inspected period before the audit. In order to calculate it, it is necessary to know the volumes of goods (works, services) production, expenses for production, veracity of reflecting production and financial indicators of accounting and taxation registers, the level of labor payment, and other aspects of the tax payer's work.

In accordance with the Taxation Code of the RF, the tax payer provides the taxation bodies with the specifically defined documents that show its incomes, tax deductions. However, these documents are not sufficient for defining a possible amount of additional accrual. Besides, the methodology offered by D.V. Krylova includes the double use of the additional accrued amounts during the audit both in relation to the indebtedness amount (if not paid, it will be included in the tax deficiency) and general amount of the additionally accrued payments.

Kartashova G.N. thinks that it is possible to use the indicator of equality between the expected amount of tax payments and the one actually transferred to the budget as a

methodology that allows estimating the efficiency of the taxation bodies audit. This is a so called reserve of the taxation potential for additional charges for the budget in case of field audits of organizations. The lower the amount of such "reserve" is, the more successful the work of taxation bodies must be acknowledged (Kartashova, 1999). The author of this methodology does not reveal a method of forming the expected amount of tax revenues. Besides, so called reserve of the taxation potential is related to the notion of possible additional taxation charges offered in the methodology of D.V. Krylov. It is impossible to calculate it in practice taking into account the above circumstances.

According to I.A. Ivanova and T.A. Efremova, at the present time Russian researchers do not have methodologies that allow estimating the efficiency of taxation administering on the basis of econometric modeling. These methodologies are peculiar of the possibility to form the model with a great number of factors, and by that define the impact of each of them separately, as well as their aggregate impact on the modeled indicator (Ivanova and Efremova, 2015).

In spite of a great number of methodologies that differ according to goals and informational base, the issue about the most appropriate methodology related to estimating the efficiency of the taxation control, and a list of criteria that help to carry it out remains disputable. The majority of the existing methodologies aims at estimating the activity of taxation bodies as a while and do not allow to accurately define the efficiency of a work area. We share the opinion of Professor N.I. Yashchina and Aleksandrov on this issue, and think that the current methodologies do not duly reveal the development of methods to estimate the quality of administering specific types of taxes (Yashina and Aleksandrov, 2016; Faizova *et. al.,* 2016; Xanthopoulos, 2014; Nechaev and Antipina, 2016; Angelakis *et al.,* 2015). To our mind, the development of a methodology to estimate the efficiency of the taxation control based on the analysis of the control and audit activity in terms of types of tax payments will allow to reveal negative factors that affect the efficiency of controlling a specific tax, and to develop measures on eliminating such factors at the planning stage.

It is in 1993 that the central apparatus of the Russian Federal Taxation Service carried out the work on developing the methodology related to estimating the efficiency of taxation bodies' activity. The result of such work was the implementation of the Methodology of Estimating the Efficiency of the RF Taxation Bodies' Work since 1993. During the next years (2003, 2004) this methodology was corrected and supplemented. 1993 and 2003 methodologies were based on estimating the control activity of taxation bodies. In 2004 there was a methodology that allowed estimating the quality of fulfilling the fiscal function by taxation bodies.

In 2008 the Russian Federal Taxation Service offered a considerably supplemented and updated methodology that allowed to comprehensively estimating the key areas of the taxation bodies' activity when organizing the taxation control, while the

methodologies that had been developed earlier were focused on estimating only one area of the work (control or fiscal).

The methodology developed by the Russian Federal Taxation Service and related to estimating the quality and efficiency of taxation bodies' work consists of both quantitative and qualitative analytical indicators containing 15 items. In particular they include performance of the targets on mobilizing the revenues sources to the budgetary system; tempos of revenues growth in the budget as to the level of the relevant period of the previous year; amounts of additional charges when performing the control activities; return of taxes and duties per RUB 1 of the expenses for maintaining taxation bodies; expenses for maintaining taxation bodies per RUB 100 of taxes and duties return, and the reach level of tax payers and objects of taxation, etc. The formed indicators are official and represented on the website of the Russian federal Taxation Service (Musaeva Kh.M. and Sirazhudinova S.I., 2013).

However, in the practice of the Russian Federation out of the above indicators the taxation control efficiency is estimated basically according to two indicators: return of taxes and duties per RUB 1 of the expenses for maintaining taxation bodies, and the expenses for maintaining taxation bodies per RUB 100 of taxes and duties return. It is necessary to note that, on the one hand, the aggregate of criteria recommended using by the Russian FTS for estimating the efficiency of taxation bodies' work is hard.

On the other hand, it still does not allow to rather fully and objectively estimate the quality of taxation bodies' work, and to take into account the specificity of risks related to non-payment of specific types of taxes. And, what is especially important, these indicators are not related to the preventive and prophylactic work of taxation bodies that makes up the basis of the partnership model of the taxation administering. To the author's mind, it is reasonable to supplement the current indicators related to estimating the efficiency of taxation bodies' work with the following:

- Level (coefficient) of voluntary payment of taxes (in terms of organizations, individual entrepreneurs, types of taxes),
- Ratio (coefficient) of taxation disputes settled according to the pre-court procedure by concluding amicable agreements in the total volume of taxation disputes;
- Share (coefficient) of efficient field audits without proceedings in the total audits; number (decrease) in tax-payer's claims.

The concept of taxes payment voluntariness is a crucial methodological point. It allows estimating the efficiency of the taxation control in terms of the tax payer's reaction not only to the activities of controlling bodies but also the taxation policy of the state as a whole. In this context foreign researchers for a reason note that the payment voluntariness must be achieved on the basis of the minimum level of

limitations sanctions. As a whole, it allows to form the healthy macro-economic environment (Gollwitzer, 2010).

3. Results

According to the character of interrelations between the taxation administration and tax payers, the world practice knows two basic models of the taxation administering: aggressive (repressive) model and partnership (preventive). The aggressive model often used for analyzing conduct related to complying with taxation requirements considers tax payers as potential criminals and emphasizes the suppression of illegal conduct through frequent audits and tough punishments. Under contemporary conditions it became clear that this concept was not full. The majority of the developed countries are focused on the partnership model.

The Russian system of taxation administering still maintains elements of the aggressive model (it causes negative attitude of subjects of economy to fiscal bodies and state as a whole). At the modern stage the RF needs to transform the taxation administering into a partnership model of interrelations. It is based on extending possibilities to regulate disputes and more open exchange of information between taxation administrations and tax payers.

The extended "service" concept strengthens the role of the taxation authority as an auxiliary element on providing taxpayers with services. In fact, many modern reforms of taxation administering around the world have included this new service concept, as a rule, with considerable positive effect for the citizens' perception of the taxation administering. In the developed countries the taxation administering is more and more modernized in favor of and for tax payers. For example, in the USA the interrelation between tax payers and taxation authorities is carried out above all on the basis of informational letters. In France the relations between the taxation body – the main taxation department - and a tax payer are established in the form of opinions exchange: every party fights its corner. The taxation administration is obliged to answer the tax payer's questions only in writing. The latter can use these answers for defending his interests. As a rule, tax declarations are compiled by auditor and taxation consultants, often free of charge. Sanctions depend on whether the actions of the taxation subject were purposeful, and if the tax payer helps taxation bodies (Ponomarev *et al.,* 2011).

Nevertheless, while "friendly" goals may improve the taxation body's status, their actual impact on complying with the taxation legislation by tax payers has not been empirically studied. During this research we will make an experiment in order to check out the efficiency of service programs for tax payers both for the encouragement of submitting declarations by tax payers and an increase in the volume of the declared income. We will make the empiric researches on the basis of real data. It is necessary to take into account the in homogeneity of individual motivations among tax payers when it goes about complying with the taxation

discipline, as well as possible differentiated results of the taxation bodies' activity that can move separate individuals from one class of conduct (for example, the one that does not comply with the requirements) to another (the one that complies with the requirements). On the basic level the decision in favor of complying with the taxation requirements can be represented as a theory of economic crimes. Here the tax payer is perceived as a player between two states. In one state the tax payer provides the information about incomes and pays taxes. In another state, the tax payer does not provide the information about incomes and consequently avoids taxes. The tax payer compares the suggested advantage from providing information about incomes and suggested benefit from evading taxes.

We will assume that the subject of taxation earns M income and must decide what part of his income he must declare to the taxation bodies. The declared income R is taxed at the rate *t*. The income that is not declared is not taxed. However, the tax payer can be subject to the audit with the known probability p. In this case all non-declared income is revealed and the fine f is imposed on every tax that was not paid. The tax payer's income Mc if revealed as avoided will be

$$\mathrm{Mc} = \mathrm{M} - \mathrm{tR} - \mathrm{ft}(\mathrm{M} - \mathrm{R}), \quad (1)$$

while if the tax evasion is not revealed, the tax payer's income MN will be

$$\mathrm{MN} = \mathrm{M} - \mathrm{tR}. \quad (2)$$

The taxation subject chooses such value R (the declared income) in order to earn the maximum benefit $\mathrm{EU(M)}$ from avoiding taxes or

$$\mathrm{EU(M)} = \mathrm{pU(MC)} + (1 - \mathrm{p})\mathrm{U}\,(\mathrm{MN}), \quad (3)$$

where it is assumed that the benefit $\mathrm{U(M)}$ is a function only for the income and where E is an expectation parameter. This optimization causes habitual conditions of the first and second order that can be considered to check out the feedback reaction of the tax payer to changes in various parameters. In case where R (the declared income) is less than M (actual income), the probability of audit increases (Sirazhudinova, 2013).

It is necessary to note that this approach is extreme simplifying of the wide-spread action we call "tax evasion". The objective reality where tax payers take decisions is much more complicated. One more simplification includes the fact that this approach researches only the decision about declaring incomes. It is also preceded by the decision about submitting the tax declaration when the issue related to submitting this declaration or not is solved. The traditional analysis of the decision about informing partial data about incomes reflects the tax payer's decision about

submitting the declaration. The reason behind this is that its submitting where taxation obligations are not fully specified considerably differs from the situation when the tax declaration is not submitted at all. Evasion when submitting the tax declaration increases the probability of audit because the tax declaration is found in "the system". The declaration that has not been submitted can cause audit to a considerably smaller degree.

However, if the tax payer who failed to submit the declaration is revealed during the control activity, he will be additionally imposed punitive sanctions. There are also temporary and resourceful expenses for submitting the declaration. The real alternative the tax payer faces is a low probability of revealing non-submitting of the declaration (plus zero expenses of time and resources) against high fines for the revealed non-submitting. In order to make any decision related to the taxation declaration, the tax payer must compare the expected benefit from submitting the declaration with the expected benefit from non-submitting it.

Another important simplification in the standard theory is that it by default assumes that the tax payer knows for sure the real amount of the taxation obligation. In practice, the calculation of the taxation obligation is a rather difficult task. In a number of cases non-declaration of incomes that can be interpreted as evasion is only misunderstanding of regulations by the taxation subject. The complexity in the taxation mode may cause a low level of complying with the taxation discipline because the tax payer more tends to risk, and there is high probability of the response for such complications by purposeful tax evasion.

Thus, the complexity gives "diffuseness" to various elements that have an impact on taking the decision about providing data about incomes by the taxation subject. Tax payers who are neutral to risk will base their data about incomes on average indicators. However, the individuals who are not inclined to risk can foresee the probability of over-payment in case of indefinites and will respond to it by high tax evasion. We will assume that the tax payer's non-informing caused considerable punitive sanctions. In the future this taxation subject can respond by higher evasion thinking that the ambiguity in the taxation obligation is the guilt of the taxation body and the evasion is justified. It follows thence that the level of complying with the taxation legislation can increase if taxation bodies provide tax payers with comprehensive assistance. Transparency and honesty of the taxation administering also have an impact on the compliance with the taxation discipline.

In the aggregate (together) these factors make us change the standard model of tax evasion. We will assume that the individual who submits the tax declaration faces time and financial expenses K for filling out the declaration, and the not-monetary (or psychic) cost related to evasion of his own taxation obligation, if herewith the individual does not submit the declaration, is expressed via the variable y. The taxation subject that entirely complies with the taxation obligations and is not

subject to taxation audit does not undergo changes related to the usefulness from psychic cost of evasion.

We will assume that the declarant may deduct an amount D from the declared income R before paying the taxes. At the same time we will assume that the tax payer has the right for the taxation deduction. The actual level of the permitted deductions is not entirely clear (taking into account the difficulties of the taxation Code of the RF). Then we will assume that the individual who does not submit the declaration avoids the expenses related to submitting K and non-monetary cost *y*. Nevertheless, p is the probability (possible equal to zero) that the individual who has not submitted the declaration will be revealed when taxation bodies perform their control activities. In this case, tax payers have to pay all unpaid taxes at the rate t and punitive sanctions according to the scale f for non-paid taxes. We will assume that the taxation body can provide "services". The higher the service level of the taxation body is, the lower the indefiniteness related to permissible deductions is, and the lower the cost C of filling out the tax declaration is. Besides, the higher the level of service is, the higher the amount of the "psychic cost" y is, and the lower the benefit from the fraud is.

The individual who decided not to submit the declaration had expected benefit that was equal to

$$EU(M) = (1 - p')U(M) + p'U(M - (1 + f')tM). \quad (4)$$

The individual who decides to submit the declaration and state about his income has an income defined by the modified versions of the income in two states. Taking into account the taxation deduction, the IC income is defined according to

$$MC = M - t(R - D) - ftp(M - (R - D)) - K, \quad (5)$$

and the MN income in the equation (2) becomes

$$MN = M - t(R - D) - K - y. \quad (6)$$

The definition of the expected benefit from submitting the declaration (equation 3) is not changed and is analogous to equation 7 or

$$EU(M) = pU(MK) + (1 - p)U(MK). \quad (7)$$

In this case, the tax payer deals with a more complicated calculation. First of all, he decides whether to submit the declaration or not by comparing the indicator of the expected benefit from non-submitting from equation 4 with the expected benefit from submitting and declaring the optimal amount of income and deductions in

equation 7 using the modified definitions MK and MN in equations 5 and 6 respectively. If the individual decides to submit the declaration, he must choose the optimal amount of the declared income and deductions based on the maximum in equations 5 and 7. Thus, the results of the research we made prove that the indefiniteness decreases the tax payer's wish to submit the tax declaration. The low level of declaring is balanced when the taxation body consults and informs tax payers. It assumes that the actions of taxation bodies on improving services for tax payers can be an important tool on fighting against tax evasion.

4. Discussion

Today the taxation administering is interpreted as a process of managing the taxation production performed by taxation administrations (taxation administrations mean state bodies provided by the state with authoritative powers in relation to tax payers). To our mind, the taxation administering as an activity of authorized bodies of management covers not only the fulfillment of the current standards of the taxation legislation but also the collection and analysis of information, including that in relation to procedures of taxation audits and development of measures on reforming the mechanisms of taxes deduction, procedure and methodology of taxation control.

The notion "administering" means not only control processes but also complexes of comprehensive management of the relevant area. That is why the current economic literature also identifies notions "taxation administering" and "taxation system management". To our mind, the taxation administering is a comprehensive notion that requires the system approach. The comprehension of the notion "taxation administering" stipulates a wide range of its definitions: from managing the taxation system and taxation as a whole (the broadest interpretation) to the activity of taxation bodies on controlling the correctness of taxes deduction and payment (narrower understanding).

In accordance with the Taxation Code of the RF (cl. 4 Art. 32), taxation bodies are obliged to perform the explanatory work on applying the taxes and dues legislation, as well as regulatory legislative acts adopted in accordance with it, explain the procedure of filling out forms of the determined reporting, deducting and paying taxes. At the place of their recording tax payers have the right to get from taxation bodies free information about the current taxes and duties, procedure of taxes and duties deduction and payment, rights and obligations of tax payers, powers of taxation bodies and their officials, as well as to get forms of tax declarations and explanations about the procedure related to filling them out.

However, if we judge according to the results, Russia has considerable gaps in many areas where other developed countries have considerable success (Payzulaev, 2012). Thus, earlier in order to extend the activity on taxation consulting on the territory of the Russian Federation as an experiment they established consulting points under the

management of the Taxes and Duties Ministry (TDM) of Russia in the Saratovskaya, Kaluzhskaya, Kirovskaya, Sverdlovskaya, and Moscow Regions, Krasnoyarsk Territory and the city of Moscow. The interrelation of consulting centers and taxation bodies was established on the basis of foundation relations. Statutory documents regulated issues related to the interrelation of the consulting center and the taxation body that established it, as well as issues related to controlling the center activity. Methodic and methodological provision of the work on organizing consulting assistance to tax payers was imposed on the Department on Methodological and Consulting Work of the Taxes and Duties Ministry of Russia (since 2008 the Federal Taxation Service of Russia) with the participation of the federal state establishment "Central Consulting Service of the Taxes and Dues Ministry of Russia". At the present time the Federal Taxation Service of Russia refused from this experiment and acknowledged the non-reasonability to consult tax payers (Nadtochiy, 2012).

When correcting the indicators of the efficiency of the RF taxation bodies' work, famous Russian Professor N.I. Malis offers to study and rationally use the progressive experience of the countries with the developed and smoothly functioning taxation system (Malis, 2012). For example, in France the most important indicator of the taxation body's work is the number of audits assigned per year for one competent official (Bryzgalin *et al.*, 2008). Besides, qualitative indicators are applied, for example, an amount of accrued taxes. Herewith, the reason why the tax is additionally charged is specified and it is stated where the legal violation was purposeful or unconscious (Data Mining in Tax Administration, 2012). Besides, actions of the taxation body on providing full taxes payment to the budget are taken into account. One more indicator of the estimation of work is the correlation between the born expenses and the total amount additionally charged.

In Germany the taxation administering is analyzed by characterizing the work of the taxation bodies' personnel. In order to do it, a system of point estimations is applied. Its essence is in the fact that depending on the category of every inspected company (based on the classification according to the size and sector), the taxation inspector is accrued a specific number of points. Herewith, everybody must accumulate a specific minimum number of points per a reporting year. The point standard is a basis for making up the audits plans for the future reporting period in terms of optimal allocation of loading between employees.

In Sweden in order to estimate the work of taxation bodies, fiscal indicators are practically not used. Instead of them they use data that characterize the terms and quality of complying with all established procedures, including cases of obligatory re-consideration of the taxation service decisions, or the time the tax payer must spend to contact the taxation service. Social aspects are also important. For example, this is the average number of diseases days assigned for one employee per year (Hauptman *et al.*, 2014).

As a whole the developed countries in order to estimate the efficiency of the taxation bodies' work use not the indicators of taxes return as a whole in relation to the expenses related to control, but the indicators that characterize the amounts of taxes that are additionally charged as a result of specific efforts of employees who take control measures, i.e. qualitative indicators.

As it has been stated above, the defining mechanism of the taxation administering is taxation control. The correct selection of forms and methods of taxation control has an impact on the taxation control efficiency. It must take into account the correlation of the degree of damage made to the state as a result of non-compliance with the taxes and duties legislation and expenses of the state it will have to bear to implement these forms and methods. The selection of a type of taxation control depends on a number of factors that say about high risks of violating the taxation and duties legislation. It goes from the results of the controlling activity of the RF taxation bodies that tax payers concede cases of the taxation legislation violation (Table 1).

Table 1: *Analysis of the Results of the Audit of the RF Taxation Bodies for 2013-14*

Indicators	2013	2014	Changes for the period (+/-)	
			absolute value	in percent
Debts according to tax revenues in the RF budgetary system, bln. RUB	1,159.2	1,185.5	26.3	2.3
Desk audit, units:	34,199,832	32,870,730	-1,329,102	-3.89
including the ones that revealed violations, units:	1,765,237	1,965,108	199,871	11.32
Additionally accrued payments according to the results of audits, thous. RUB	51,989,761	56,851,350	4,861,589	9.35
Field tax audits, units:	39,774	34,250	-5,524	-13.89
including the ones that revealed violations, units:	39,315	33,828	-5,487	-13.96
Additionally accrued payments according to the results of audits, thous. RUB	278,639,749	288,418,683	9,778,934	3.51

Sourse: *Compiled according to Federal Taxation Service of Russia, 2016.*

Table 1 shows that in 2014 the tax payers' indebtedness to the RF budgetary system as compared to 2013 increased by 2.3%. In spite of the decrease in the total number of in-office audits almost by 4% in 2014, there is a growth of in-office audits that resulted in revealing violations by 11%. They caused additional charges in the amount of RUB 4,867,589 or more by 9% as compared to 2013 (Table 1). Since 2007 the Federal Taxation Service has been orienting its employees for the in-office taxation audits in relation to the tax payer to be appointed only if the information the taxation bodies have allows to say about possible problems of the tax payer related to taxes payment with a sufficient degree of certainness.

According to the Concept related to planning in-office taxation audits approved by Order of the Russian Federal Taxation Service (FTS) No. MM-3-06/333@ dated May 30, 2007, the selection of tax payers for in-office taxation audits must be based on the high quality pre-audit analysis of all information the taxation bodies have, including external resources and defining cases of taxation violations on its basis. However, the data about the results of taxation audits do not allow to fully state that additionally charged taxes are a result of the high quality analysis of the tax payer's activity. Above all, tax payers must provide documents and information during taxation audits – in-office or field audits. Within the field audit the tax payer can be demanded to provide the documents required for the audit provided by the Taxation Code (TC) of the RF (Article 93). The Code does not establish any limitations in terms of the volume of documents required within the field taxation audit, i.e. practically all documents (Komarova and Zmanovskaya, 2015).

The procedure of requesting documents by taxation bodies within taxation audits was established by Art. 93 of the RF TC. However, the Russian essential legislation act in the area of taxes (the Taxation Code) does not define the procedure of requesting documents during the pre-audit analysis. It is necessary to take into account that the RF TC allows to request documents from tax payers only within taxation audits (in-office or field). It is prohibited to require documents from the tax payer beyond taxation audits.

When performing the practical activity, officials of taxation bodies may face the cases that are not provided by the RF TC. During the pre-audit analysis taxation bodies send the requirements about providing documents and information not only to credit organizations where the tax payer has accounts but also to other tax payers. They also poll testifiers, make expertise and use other methods of control that according to the RF TC can be applied within the field taxation audit.

Thus, it is possible to state that the whole range of powers of taxation bodies within requesting the required information when taking control measures must be legislatively accurately defined both according to powers and procedure of their exercise. On the contrary, these powers become an obstacle on the way of the business development in the Russian Federation because tax payers spend much time for preparing the documents and information demanded by taxation bodies.

5. Conclusion

The research conducted by us on analyzing the indicators and methods of estimating the efficiency of the taxation bodies' work used in the Russian Federation and related to the level of the interrelation of taxation bodies and tax payers in the system of taxation relations enables us to make the following conclusions and offer a number of recommendations:

- Instability of the Russian taxation legislation complicates the analysis of some indicators of efficiency of taxation bodies' work related to tax revenues, taxation base, etc., and does not make it possible to reveal the time dynamics. Due to changing the objects of taxation, cancelling or introducing preferences, changing the procedure of calculating tax amounts in the basic period, it will considerably differ from the one of the previous year or the next taxation period. Objective data that shows the real growth of the taxation base, tax revenues, and taxation objects can be obtained only subject to stable legislation.
- The complexity of practical implementation of various authors' methodologies of estimation, and in a number of cases - their superfluous informality do not allow to objectively estimate the efficiency of the audit of taxation bodies. A lot of developed methodologies require much time for analyzing, and sometimes even special software. It decreases the possibility of quick and high quality implementation the System of estimations and aggregate of indicators recommended for using by the FTS of Russia for estimating the efficiency of work of taxation bodies in spite of the work performed on their improvement. On the one hand, it is complicated. On the other hand, it still does not allow to rather fully and objectively estimate the quality of taxation bodies' work, and to take into account the specificity of risks related to non-payment of certain types of taxes. The set of the offered indicators is not related to the preventive and prophylactic work of taxation bodies that makes up the basis of the partnership model of the taxation administering.
- In spite of the fact that under modern conditions the Russian Federation developed and offered to use various methodologies, in order to estimate the efficiency of the audit, territorial taxation bodies of the RF practically do not apply either of the above methodologies, and only make the horizontal and vertical analysis of audit indicators. According to its results, an analytical note about the results of the audit is made. However, it is not sufficient to use only the comparative analysis of the dynamics and structure of indicators of the audit for the objective estimation of the audit efficiency. Due to it, the work related to improving indicators related to estimating the efficiency of taxation bodies' work and providing their practical implementation in the RF subjects must be continued.
- To our mind, it is reasonable to supplement the indicators related to estimating the efficiency of taxation bodies' work recommended by the FTS of Russia with the following: the level of voluntary payment of taxes (in terms of organizations, individual entrepreneurs, and types of taxes); the ratio of all taxation disputes

settled according to the pre-court procedure by concluding the amicable agreements in the total volume of taxation disputes; the share of efficient field audits without proceedings in the total audits, and the number of tax-payers' claims.

- The concept of taxes payment voluntariness is a crucial methodological point that allows to estimate the efficiency of taxation audit in terms of the tax payer's reaction not only to the actions of controlling bodies but also to the taxation policy of the state as a whole. In this context foreign researchers for a reason specify that payment voluntariness must be achieved on the basis of the minimum level of sanction limitations. It allows to form a healthy macro-economic environment as a whole.
- The research results allow to state that reasons of regular violation of the taxation discipline are explained both by the imperfection of the taxation legislation of the Russian Federation expressed by the lack of balance of interests of the state and taxation subjects, and inefficiency of taxation bodies' activity. Consequently, that taxation discipline must be considered within the system of taxation legal relations as an aggregate of requirements set to the entrepreneurship, state and population.
- According to the empiric research we made by applying methods of mathematical modeling and in relation to analyzing the impact of the interrelation of taxation bodies on the tax payers' behavior, the work must be continued not only on informing but also consulting tax payers for the purpose of increasing the level of compliance with the taxation discipline. The strategy on providing the discharge of taxation obligations under their unconditional importance must be based not only on constraint, revealing, and punishment. There is also need in a wide range of impacts that would reflect as a wide range of motivations that make up the basis of the tax payer's decisions related to complying with the taxation legislation, voluntariness to discharge taxation obligations.

The reasonability of solving the above problems requires deepening the research of problems related to improving the methodology of estimating the efficiency of the work performed by taxation bodies of the Russian Federation taking into account the specificity of territorial development.

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