

EFFICIENCY EVALUATION OF ON-SITE TAX AUDITS IN RUSSIA: REGIONAL ASPECT

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Tax control is of significant importance in the state taxation system. The relevance of the analysis and search of various instruments' optimization methods of tax control increases in the conditions of permanent transformations in the taxation system of the Russian Federation directed to improve tax collection rate and tax authorities' inspection. One of important instruments is on-site tax audits. The essence of on-site tax audit as an instrument of tax control is considered in this paper. The analysis of results of tax authorities' inspection concerning on-site tax audits is carried out, and the efficiency of carrying out of on-site tax audits on the example of the Tyumen region in 2015-2016 is revealed. Conclusions and methods of the efficiency increase of on-site tax audits are performed.

Keywords: tax control, on-site tax audit, plan of on-site tax audits, indicators of tax authorities' inspection, efficiency of on-site tax audits

1. INTRODUCTION

Tax control is the significant instrument of the state regulation. It represents the set of forms and methods of state regulation possessing peculiar features of a fiscal and powerful character. According to Article 82 of the Tax Code of the Russian Federation (hereinafter referred to as the Tax Code), tax control activities of authorized bodies for control of observance by taxpayers, tax agents and payers of charges of the legislation on taxes and fees are recognized. In turn, one of the most efficient and productive instruments of tax control is on-site tax audit allowing sufficiently check the accuracy of tax payment, charges and other obligatory payments and the taxpayer's performance of other obligations assigned by the taxes and fees legislation (the Tax code). The ratio assessment of financial results of tax audit and labor costs for its implementation, the analysis of its productivity is necessary for the increase of social and economic and budget efficiency of tax control.

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1.1. Main characteristics of on-site tax audit.

On-site tax audit, according to Article 89 of the Tax Code establishing legal basis for implementation of this form of tax control implies the control implementation of tax payment accuracy and fees directly in the operation place of the taxpayer's core activity.

In economic literature the following purposes of on-site tax audit are distinguished:

- Monitoring of calculation accuracy, completeness and promptitude in payment of taxes and fees into the budget, statutory compliance of taxes and fees.
- The implementation of precautionary activities.
- Accountability and justice for committed tax crimes.
- Recovery of arrears on taxes and penalty fees (The order of FTS of Russia of 5/8/2015).

The purpose of on-site tax audit is the accuracy and timeliness of tax payment.

It is held on the taxpayer's territory and based on the chief's decision (deputy manager) of a tax authority.

The implementation decision about on-site tax audit should contain the following data:

- the complete and reduced names or a surname, a name, a middle name of the taxpayer;
- the audit matter, that is taxes, calculation and payments' accuracy;
- the audit periods;
- positions, surnames and initials of tax authorities staff, engaged in the audit (The order of FTS of Russia from 5/30/2007).

In case of decision making about on-site tax audit realization the head of tax authority must take into consideration the following restrictions set by the Tax Code:

- the period which is not exceeding three years preceding the arbitration about on-site tax audit can be checked within the on-site tax audit;
- carrying out of recurrent on-site audits on same taxes for the same period is not allowed;
- carrying out of recurrent on-site tax audits of one taxpayer within one calendar year, except of specified adoptions of the relevant decision by the head of Federal Tax Service of Russia is not allowed;
- on-site tax audit cannot continue more than two months, and in certain cases, No. MMB-7-2/189 covered by the Order of FTS of Russia of 5/8/2015, the term of the audit can be increased;

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- on-site tax audits' appointment of branches or representative offices concerning the calculation and payment accuracy of the regional and local taxes can be carried out irrespective of audit of the taxpayer;
- the on-site tax audit performed in connection with the reorganization or liquidation of the company- taxpayer can be carried out irrespective of implementation time and a matter of the previous inspection (Aronov, 2015).

The organization of on-site tax audit includes the following stages:

- 1) rendering of decision about inspection appointment;
- 2) auditing;
- 3) drafting of the document after the audit (Ayubov, 2013).

During on-site tax audit the tax authority has the right to apply the complete list of tax control actions provided by the Tax Code of the Russian Federation:

- discovery of documents;
- documents and objects' collection;
- objects' survey;
- taking inventory of property;
- examination of witnesses;
- execution of the examination;
- involvement of specialists;
- involvement of translators, providing completeness and reliability of final results (Vorobyov, 2015).

The term of on-site tax audit is estimated since the date of rendering the decision about the audit appointment till the day of the document arrangement after the audit. Also, on-site tax audit can be suspended according to the decision of the head (deputy manager) of a tax authority (Komarova, 2015).

The tax audit report should be drawn up according to the results of on-site tax audit within two months since the date of the certificate filing by authorized officers of tax authorities. Requirements to results' registration of tax audit are constituted in Article 100 of the Tax Code of the Russian Federation.

The act of tax audit is signed by persons who were carrying out the corresponding inspection and also by the person under audit. The act of tax audit is delivered to the person under audit or to its representative within five days since the date of this act.

According to Article 101.4 of the Tax Code of the Russian Federation, the act should contain documented facts of the law violation, including conclusions and proposals of the official, on liquidation of the revealed violations and application of tax sanctions.

By results of materials' consideration after the tax audit the head (deputy manager) of tax authority passes the judgment:

- 1) decision in the imposition of sanctions for the commission of a tax offense;
- 2) decision in the non-imposition of sanctions for the commission of a tax offense.

In the decision on the imposition of sanctions for the commission of a tax offense the circumstances of a tax offense are stated by the person under audit as they are established by the inspection, with reference to documents and other data, confirming the defined circumstances, arguments given by the person under audit in his or her defense, and results of these arguments' check, the decision about the imposition of sanctions for the commission of specific tax offenses with the specification of Articles of the Tax code providing these offenses and the applied responsibility measures. The proportion of the revealed arrear and the corresponding penalty fee, and also the fine are specified in the decision in the imposition of sanctions for the commission of a tax offense (Root, 2015; Kuzmenko, 2013).

The circumstances giving occasion to negative response are stated in the decision on the non-imposition of sanctions for the commission of a tax offense. The proportion of the revealed arrear and the corresponding penalty fee can be specified in the decision on the non-imposition of sanctions for the commission of a tax offense (Hardman, 1990).

In certain cases over on-site tax audit the interaction with employees of law-enforcement bodies based on motivated request of tax authority is performed. According to the Order of the Ministry of Internal Affairs of the Russian Federation No. 495 and FTS of Russia of 6/30/2009 No. MM-7-2-347, the motivated inquiry can be sent to a law-enforcement body, both before tax audit and in the process of it.

1.2. The efficiency increase of tax control as a result of approach change to the organization of on-site tax audits

For quite a long time the efficiency and productivity of on-site tax audits was estimated proceeding from an indicator of "scope" by on-site tax audits – that is, ratio of taxpayers' number under on-site tax audit in the current year, to the total quantity of the registered taxpayers.

To guarantee the positive dynamics of this indicator, the constant increase of carried-out on-site an inspection was required that, eventually, has led to decrease in their quality. Besides, this criterion does not reflect the productivity of inspections in any way, without allowing to commensurate "benefits" in the form of additional tax charges and penalties with audit's expenses, that is, to estimate the efficiency of tax control.

The Conceptual Framework for the On-site Tax Audit Planning System which has determined the main priorities, the principles and the directions of one-for-all approach implementation to planning of on-site tax audits has been adopted by the

Order of FTS of Russia of 5/30/2007 No. MM-3-06/333 for the solution of this problem.

According to the Concept, planning of on-site tax audits is the open process based on taxpayers' selection for carrying out of on-site tax audits by criteria of risk of a tax offense committing and which is based on the following principles (The official site of Federal Tax Service of Russia):

- 1) the most favored nation regime for good faith taxpayers;
- 2) promptness in responding to signs of possible of tax offense commission;
- 3) inevitability of taxpayers' punishment in case of detection of law violations about taxes and fees;
- 4) the choice justification of inspection objects.

Selection of objects for carrying out of on-site tax audits according to the Concept is based on the high-quality and comprehensive analysis of all information, possessed by tax authorities (including from external sources), and the determination of "risk zones" on its basis.

The developed Concept contains twelve criteria of tax risks. The choice of taxpayers for the inclusion in the plan of on-site tax audits is performed according to these criteria:

1. The tax burden of the taxpayer is lower than its average level on economic entities in a specific industry (by the economic activity).
2. Loss statement in accounting or tax accounts within several tax periods.
3. Reporting of considerable amounts of tax deductions for a certain period.
4. The advancing growth rate of expenses over growth rate of the income from sales of goods (works, services).
5. Payment of an average monthly salary below average level by the form of economic activity in the subject of the Russian Federation.
6. Numerous approaches to the marginal value established by the Tax code of the Russian Federation empowering the right to apply special tax regimes by taxpayers.
7. An expense amount reflection of most closely approximate to the earned revenue during one calendar year by the individual entrepreneur.
8. Carrying on financial and economic activities on the basis of the conclusion of contractors-dealers or intermediaries contracts without availability of rational economic or other reasons (business purpose).
9. Non-presentation of taxpayer's explanations on the notification of the tax authority about the discrepancy detection of activities' indexes, and (or) non-presentation to tax authority of required documents, and (or) availability of information about their destruction, spoil, etc.

10. Numerous de-registrations and registrations of the taxpayer in the tax administration due to the change of the location.
11. A considerable deviation of the profitability level according to accounting data from the profitability level for this field of activity according to statistical data.
12. Carrying on financial and economic business with high tax risk.

Thus, the accepted Concept has marked the approach change to the organization and planning of on-site tax audits. From the quantitative criterion of “scope” FTS of Russia has passed to the organization of the available and transparent planning system of on-site tax audits on the basis of the principle of bilateral responsibility of taxpayers and tax authorities. Taxpayers aim for the completion of tax liabilities and tax authorities – to the reasonable choice of taxpayers for inspections.

In turn, carrying out on-site checks on the basis of the preliminary identification of “risk zones” allows increasing the productivity probability of each specific audit that, in general, promotes to the efficiency increase of tax control.

1.3. The efficiency analysis of on-site tax audits.

Efficiency of on-site tax audits can be characterized by the system of indicators. They are not approved in regulations; however, it is possible to use indicators, mentioned in the report of Federal Tax Service on a form No. 2-TK “Report based on the results of tax authorities’ inspection”. Thus, the efficiency evaluation of on-site tax audits should be given according to the analysis results:

- The number of the carried-out on-site tax audits (including audits where violations have been revealed);
- Additionally charged payments based on the audit results, including taxes, penalty fees, penalties.

The audit, which revealed violations in the tax legislation with additional tax payments is considered as an effective tax audit. The system productivity of on-site tax audits in general, respectively, can be determined by a share of effective, that is, revealed tax offenses, tax audits in total quantity of the carried-out tax audits following the results of the period, and also shares of the additional tax payments as a result of inspection activities in the amount of actual tax revenues. The indicator of the additional charge amount of tax both for one on-site audit, and for one effective on-site audit for its subsequent comparison with tax audits’ expenses can be also determined for an efficiency evaluation.

METHODOLOGY

The calculation and the analysis of efficiency indicators of the on-site tax audits, carried out for the corresponding periods in the territory subordinated to tax authorities were conducted on the basis of reports about results of tax authorities’

inspection (form No. 2-TK) and reports on the tax debts and charges, penalty fees and tax sanctions in the budget system of the Russian Federation (form No. 4-TM) across the Tyumen region as on 01.01. 2015 and 2016. The statistical data about the state registration of legal entities and individual entrepreneurs (form 1-LE and 1-IE), data about charge and tax receipts, tax revenues and other obligatory payments in the budget system of the Russian Federation was considered in the analysis (form 1-TM).

Research tasks included the analysis and an assessment of:

- the number of carried-out on-site tax audits of organizations and sole proprietors, which have revealed violations;
- the number of carried-out on-site tax audits in terms of groups of taxpayers;
- the number of carried-out on-site tax audits in terms of separate taxes;
- additional payments based on results of on-site tax audits in general, and also in the form of taxes, penalty fees and fines.

The vertical and horizontal indicators' analysis of account forms by results of which conclusions are drawn on the inspection efficiency of tax authorities in the Tyumen region regarding on-site tax audits for the considered period is carried out in the research.

RESULTS

The number of carried-out on-site tax audits in the Tyumen region for the analyzed period (including audits where violations have been revealed) is provided in table 1.

TABLE 1: THE NUMBER OF CARRIED-OUT ON-SITE TAX AUDITS IN THE TYUMEN REGION

<i>Indicators</i>	<i>as of 01.01.2015</i>	<i>as of 01.01.2016</i>	<i>the Deviation (+,-)</i>	<i>Growth rate, %</i>
On-site checks of organizations and sole proprietors	277	360	+83	129,96
With revealed violations	274	359	+85	131.02
Percent of productive checks	98.9	99.7	+0.8	100.80

The total quantity of on-site tax audits as on 1/1/2016 in comparison with a previous period has increased by 83 or 129, 96% (table 1). The bigger gain and growth rate is marked after audits which have revealed violations, respectively 85 and 131.02%. The specific weight of such audits as on 1/1/2016 is bigger of a similar indicator for a previous period. It has grown by 0.8%.

The analysis of number of carried-out on-site inspections in the term of taxpayers' groups (table 2) is of great interest. The number of carried-out on-site tax audits in the Tyumen region in the term of taxpayers' groups

TABLE 2: THE ANALYSIS OF NUMBER OF CARRIED-OUT ON-SITE INSPECTIONS IN THE TERM OF TAXPAYERS' GROUPS

<i>Indicators</i>	<i>as of 01.01.2015</i>	<i>as of 01.01.2016</i>	<i>Deviation (+,-)</i>	<i>Growth rate, %</i>
On-site audits, total	277	360	+83	129,96
On-site audits of organizations	219	283	+64	129,22
On-site audits of individual entrepreneurs	41	53	+12	129,26
On-site audits of sole proprietors	17	24	+7	141,17

It is logical that the greatest number of audits is the inspections of organizations. Their number for the analyzed period has grown by 64. However the greatest growth rate (141.17%) is characteristic of on-site tax audits of sole proprietors. It should be noted that all of them were productive.

Indicators of number of carried-out on-site inspections in the Tyumen region as of 1/1/2016 in comparison with similar indicators across Russia are estimated in table 3

TABLE 3: THE NUMBER OF CARRIED-OUT ON-SITE TAX AUDITS AS ON 1/1/2016

<i>Indicators</i>	<i>Russia</i>				<i>Tyumen region</i>		
	<i>In total</i>	<i>Including productive</i>	<i>The specific weight productive, %</i>	<i>All</i>	<i>Including productive</i>	<i>The specific weight productive, %</i>	<i>Share of the Tyumen region in total quantity, %</i>
On-site audits total	30663	30355	98,99	360	359	99,72	1,18
On-site audits of organizations	26193	25956	99,09	283	282	99,67	1,08
On-site audits of individual entrepreneurs	3201	3171	99,06	53	53	100	1,65
On-site audits of sole proprietors	1269	1228	96,77	24	24	100	1,89

These figures (tables 3) demonstrate that the number of carried-out on-site tax audits in the Tyumen region does not exceed two percent of their total quantity in Russia. At the same time, the number of audits when the taxpayers' violations of the tax legislation were revealed is bigger in the Tyumen region than in the country in general.

The report about results of tax authorities' examination as on 1/1/2016 in a form 2-TC allows analyzing the number of carried-out on-site tax audits and their productivity in the term of separate taxes (table 4).

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TABLE 4: THE NUMBER OF CARRIED-OUT ON-SITE TAX AUDITS AS OF 1/1/2016 IN THE TERM OF SEPARATE TAXES

<i>Indicators</i>	<i>Russia</i>			<i>Tyumen region</i>		
	<i>Total</i>	<i>Including productive</i>	<i>The specific weight productive, % of</i>	<i>Total</i>	<i>Including productive</i>	<i>The specific weight productive, %</i>
Income tax of organizations	20842	14125	67,77	215	129	60,00
The tax on the income of physical persons withheld by tax agents	25626	16569	64,66	283	228	80,56
The value added tax to the goods realized in the territory of Russia	23719	18466	77,85	280	245	87,50
Organizations' property tax	18832	1877	9,97	208	11	5,28
Land tax	9685	1063	10,98	118	10	8,47
Vehicle tax	17690	2451	13,86	200	13	6,50
The tax levied in connection with application of a simplified taxation system	3707	2146	57,89	48	32	66,67
Unified imputed income tax for separate types of activity	4627	741	16,01	59	12	20,33
Single agricultural tax	809	504	62,29	3	3	100

The greatest number of on-site tax audits across Russia is carried out in connection with the tax on the income of physical persons withheld by tax agents – 25,626 (table 4). The greatest percent of audits' productivity is noted on the value added tax on goods realized in the territory of Russia – 77.85. Least of all violations during on-site tax audits are observed in connection with the property tax of organizations. This tendency is generally characteristic for the Tyumen region as well. Most of all audits – 283 – are carried out on the tax on the income of physical persons withheld by tax agents. Superiority in the productivity of audits in the Tyumen region belongs to a single agricultural tax - 100% that is slightly higher, than audits with violations of the law on the value added tax on goods realized in the territory of Russia. The lowest audits' productivity is on the property tax of the organizations as well as in general across Russia.

Efficiency of tax audits as it was mentioned above is estimated also by the amount of additionally added payments after audits. The analysis in this sphere was done by authors (table 5).

TABLE 5: ADDITIONAL PAYMENTS AFTER ON-SITE TAX AUDITS IN THE TYUMEN REGION

<i>Year</i>	<i>Additionally charged payments, thousand rubles.</i>			
	<i>Penalty</i>	<i>fees</i>	<i>taxes penalties</i>	<i>total</i>
As on 01.01.2015	1972588	415159	287645	2675392
As on 01.01.2016	1974447	441288	224554	2640289

Despite increase in 2015 in comparison with 2014 in the number of carried-out on-site tax audits, including productive, which additionally charged payments have decreased by 35103 thousand rubles. It was the result of reduction of added penalties by 63091 thousand rubles (table 6). Concerning the additionally charged taxes and a penalty fee in 2015 growth tendency is noted. The greatest specific weight of additional payments is characteristic of taxes (more than 70%).

TABLE 6: ADDITIONAL PAYMENTS BY RESULTS OF ON-SITE TAX AUDITS AT 01:01. 2016.

<i>Indicators</i>	<i>Russia</i>		<i>Tyumen region</i>	
	<i>total</i>	<i>Including taxes of</i>	<i>total</i>	<i>Including taxes</i>
Additional payments, thousand rubles	270795846	200770683	2640289	1974447

The specific weight of additional payments added by results of on-site tax audits in a similar indicator of Russia makes about 1% that below an indicator of number of carried-out on-site tax audits (table 3).

DISCUSSION

The received results, first, have confirmed that on-site tax audit still remains the efficient instrument of tax control. Secondly, data calculations of on-site tax audits' productivity across the Tyumen region for 2014-2015 testify, in general, the efficiency of the approach to planning of the system of on-site tax audits which is based on the preliminary identification of "risk zones" allowing increasing the productivity probability of each specific audit that promotes the increase of tax control efficiency. Thus, in general, the Concept of on-site tax audits' planning, adopted in 2007, proves its efficiency.

However, in the structure analysis of on-site tax audits productivity across the Tyumen region in 2014-2015 "problem" taxes, characterized by low productivity, have been revealed by authors, among them: the organizations' property tax, the land tax, the vehicle tax, and also the unified imputed income tax for particular types of activity, i.e., local and regional taxes. In view of low productivity of on-site tax audits of these taxes, perhaps, it is necessary to review techniques and approaches to a risks assessment of making tax violations, or to review (to add) selection criteria of taxpayers getting under on-site tax audits by these taxes.

According to results of inspections' dynamics analysis for the considered period, and to the calculation of additional tax charges' share after audits in the amount of actual tax revenues the following conclusion has been drawn, that the gain of additional tax charges is performed more slowly than a gain of number of audits, which indicates the efficiency decrease of inspections. In this case the more

detailed analysis of a stage of tax audits' planning and a stage of their implementation is required.

CONCLUSION

In the conclusion it should be noted that in the conditions of protracted crisis which is endured by the Russian economy it is possible to predict further decrease in tax revenues in the budget of the state due to the business activity reduction in the economy, and as a result of leaving of some business in the shadow economy. Importance of tax control will only increase in such situation. At the same time the development work of on-site tax audits system needs to be continued, without refusing the principles underlain by the Concept however developing the applied techniques and methods.

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