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## Promising areas for improving fiscal control procedures in Ukraine

### Перспективні напрями вдосконалення процедур здійснення фіскального контролю в Україні

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#### Abstract

The aim of the article is to identify promising areas for improving the procedures for fiscal control in Ukraine. The subject of the study is fiscal control of the State. The methodological basis is a number of modern methods of scientific knowledge, in particular: the method of documentary analysis, method of interpretation, monographic method, system and structural method, modeling and predicting method, etc. The results of the research can be used in both theoretical and practical areas in the framework of improving the practical activities of the actors of implementation of fiscal control procedures in Ukraine. Practical meaning. Based on the analysis of scientific views of domestic and foreign scientists and the rules of current legislation, the ways to improve the procedures for fiscal control in Ukraine are identified. Value/originality. The scientific novelty of the article is that it solves the problem of implementing procedures for fiscal control in Ukraine.

**Keywords:** actors of fiscal control control, fiscal control, improvement, procedures.

#### Анотація

Метою статті є визначення перспективних напрямів вдосконалення процедур здійснення фіскального контролю в Україні. Предметом дослідження є фіскальний контроль у державі. Методологічну основу становить низка сучасних методів наукового пізнання, зокрема: метод документального аналізу, метод тлумачення, монографічний метод, системно-структурний метод, метод моделювання та прогнозування, тощо. Результати дослідження можуть бути використані як у теоретичній, так і практичній сфері в рамках вдосконалення практичної діяльності суб'єктів реалізації процедур здійснення фіскального контролю в Україні. Практичне значення. Спираючись на аналіз наукових поглядів вчених та норм чинного законодавства, було встановлено напрями вдосконалення процедур здійснення фіскального контролю в Україні. Наукова новизна статті полягає у тому, що в ній дістала подальшого вирішення проблема реалізації процедур здійснення фіскального контролю в Україні.

**Ключові слова:** вдосконалення, процедури, контроль, фіскальний контроль, суб'єкт фіскального контролю.

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## Introduction

World practice clearly shows that, regardless of the level of development of the State, the results of the tax system of any of them depend on the quality of fiscal control. The need to stabilize the financial system, ensure sustainable budget revenues, compliance with tax discipline as a condition for quality performance by individuals and legal entities of their obligations to the State led to the formation of such a direction of public financial control as fiscal control. Ukraine is no exception, and it also pays a great attention to fiscal control. However, it is too early to say that today in our country a highly effective mechanism of the studied control has been finally formed.

The need to stabilize the financial system, ensure sustainable budget revenues, compliance with tax discipline as conditions of quality performance of natural and legal entities' obligations to the State, led to the formation of a new direction of public financial control – fiscal control. In general, control is a classic element of administrative (managerial) activity; in other words, without monitoring, the management process is neither qualitative nor complete. Control allows to solve a number of tasks related to determining and assessing the level of efficiency of the object of management, as well as to identify and cease possible violations, in particular in the context of tax discipline. At the same time, the practice shows that there are a number of problems in this area, which makes it necessary to find ways to improve the procedures for fiscal control in Ukraine.

In view of the above, the purpose of the scientific article is to work out the ways to improve the procedures for fiscal control in Ukraine. In order to achieve this aim it is necessary to solve the following tasks: to analyze the norms of current legislation governing public relations in the relevant area; to summarize the scientific opinions of the scholars, who have studied some problematic issues related to the procedures of fiscal control in Ukraine.

## Methodology

The application of the method of documentary analysis allows to identify the problems in current legislation, the rules of which regulate this area of public relations.

The method of interpretation helps in the explanation of the concepts of “fiscal control”,

“fiscal efficiency”, “single window” and “single office”.

Monographic method is useful in the examination of scientific works of domestic and foreign scholars, who considered the ways and methods of improving fiscal control.

System and structural method is applied for the determination of priority areas for improving the procedures for fiscal control in Ukraine, as well as for identifying of fiscal control procedures and the demands placed on fiscal control procedures.

Modeling and forecasting method is used to outline promising areas for improving fiscal control procedures in Ukraine.

## Literature Review

A number of scholars have considered some problematic issues related to the procedures of fiscal control in Ukraine in their scientific works. Thus, Pukhalskyi (2021) points out that the issues of developing effective tax control measures on identification of schemes of activity of economic entities, which are used for non-payment or reduction of payments to the budget, have not yet been solved. A range of tax evasion schemes has been revealed, which ultimately lead to the deterioration of the economic situation in the country due to the lack of significant budget-generating taxes. Based on the study, the author proposes recommendations for improving certain tax control procedures, the use of which will help reduce tax evasion.

Dozorets (2015) points out that the conceptual basis for the necessary changes and innovations in the fiscal control of the State Tax Service of Ukraine are the main scientifically sound and socially necessary areas of improving administrative (priority of the «public-service» component) and tax (refocusing on achieving the greatest possible harmonization of relations between bodies of the State Tax Service and business entities) reform.

Shulatova (2014) emphasizes that one of the key criteria for improving the procedures for fiscal control should be the level of efficiency of fiscal activity. The author reveals the relevant areas.

Buday and Kolesov (2019) considered use of digital capabilities to improve the efficiency of control and supervision of different public authorities, including fiscal ones.

Chernikova and Prokoskin (2014) studied the most important and modern trends in the development of the state financial control with an aim of strengthening financial and budget discipline.

### Results and Discussion

Consideration of the areas for improving the procedures for fiscal control should begin by identifying the existing and normative rights of the State Tax Service of Ukraine. The regulation enshrines a fairly wide range of rights of employees of this service (more than 36 points), which often leads to vagueness and unjustified restriction of the rights of taxpayers.

According to Dozorets (2015, pp. 119 – 120) “nowadays there is a need to reform the ideological principles of control over the bodies of the State Tax Service of Ukraine. The integrative purpose of such activities under these conditions should be determined not only in the context of fiscal sustainability and the State capacity to pay, but also aimed at ensuring business development and economic well-being of the society, improving the overall level of tax culture of taxpayers and employees of control bodies, which logically leads to a shift of emphasis on the implementation of not only fiscal and punitive, but above all preventive, prophylactic and methodological functions”.

Shulatova (2014, p. 453) argues that “the peculiarity of the State Tax Service of Ukraine is its fiscal orientation, the main component of which, in her opinion, is the formation of financial resources, filling of the income part of the state budget of Ukraine by accrual, recovery and transfers to the budget of taxes, fees and other social payments and transfer to the budget of taxes, fees and other social payments. In this regard, it is logical that the evaluation of the effectiveness of fiscal activities of the State Tax Service of Ukraine is based on the assessment of the effectiveness of the formation of financial resources of the State, i.e. that is, filling the revenue part of its budget”.

We also agree with the thesis of a number of scientists who add another very important element of fiscal efficiency – a high level of partnership between the fiscal authority and the actors of taxes, fees and other social payments, which results in an appropriate level of awareness of their rights and obligations. languages and economic activity of the latter. Besides, they note that along with the fiscal orientation of the State Tax Service of Ukraine,

its service, control and law enforcement orientation is no less important. Thus, serving as the main focus of the joint tax authority is mainly to create favorable conditions for the payment of taxes, fees and other social payments by their payers and their compliance with tax and customs legislation and administration of a single contribution to compulsory social insurance by providing them with quality services in these areas.

For its part, controlling and law enforcement focus of the State Tax Service of Ukraine, clearly, is closely linked and manifested in the control of compliance with legislation in the tax, customs and administration of a single contribution to compulsory social insurance, and, respectively, in the prevention, detection and elimination of violations of the law in the mentioned areas by performing legally defined actions. From the above, it can be concluded that the nature of the focus of the State Tax Service of Ukraine consists of four components, including fiscal, service, control and law enforcement ones.

According to the practice of the developed countries, the increase in control powers in the fiscal sphere does not always contribute to the amount of revenue from taxpayers. In this aspect, we must agree with the statement of Oliinyk and Muliavka (2016, pp. 109 – 110) that “establishing a proper model of the fiscal service in Ukraine requires a set of special measures of legal, organizational and political nature. Exclusively systemic changes in all directions at the same time will contribute to the improvement of services to citizens and legal entities in the fiscal sphere. In addition, establishing effective fiscal model free of corruption will significantly improve various aspects of the functioning of this service, restore the confidence of taxpayers, minimize further risks. The administrative and legal status of tax authorities is the complex, the main components of which are the competence (rights and obligations), supplemented by responsibility, structure and order (procedure) of the activity”.

It should be agreed that in order to effectively improve the legal norms of tax legislation, the following principles should be followed:

- 1) improvement of legal norms should take place in strict compliance with the principles of the constitutional system, taking into account the fiscal concerns of the State and interest in regulating the functions of taxation to ensure effective market

- infrastructure in the country; tax regulation should take into account the realities of market relations in the country and ensure the progressive development of the country's economy;
- 2) the effectiveness and efficiency of tax regulation for market relations, which are related to capital, private property and tax rates that allow the development of production;
  - 3) institutions of tax legislation should meet the economic requirements of the State and society, the level of tax and legal culture; be understandable, accessible, concise, with little need for interpretation;
  - 4) the institutions of tax legislation should reflect the realities of society and be compatible with the legal system (Kovalchuk 2017, p. 171).

All fiscal control procedures can be divided into the following groups:

- 1) strategic procedures (control to achieve a specific result);
- 2) preventive procedures (control aimed at limiting the possibility of potential risk and preventing a negative outcome);
- 3) evaluation procedures (control to determine whether undesirable outcome was the result of the implementation of the management decision);
- 4) corrective procedures (control designed to correct undesirable results that have already been implemented).

Thus, among the priority areas for improving the procedures for fiscal control in Ukraine, it is appropriate to highlight:

construction and further development of tax authorities as the service: the maximum possible harmonization of relations between tax authorities and business entities ("single window", "single office"). The terms "single window" and "single office" began to be used in 2002 – 2004 when launching a fundamentally new system of local government service for businesses when issuing permissions. At that time, the novelty was not only the norm to ensure the issuance of permits in one room, but also the introduction of a qualitatively new approach to their issuance – the opportunity not to pass all procedures, and entrust them to an administrator who will do it for free. The principle of organizational unity applies to all types of permit documents issued by local authorities, and is essentially a combination of the principles of "single window" and "single office". According

to the law, an entrepreneur has the right to choose the method of obtaining permissions: directly by applying to the relevant local permitting authorities, whose representatives receive the first in one room ("single office principle") or by applying to the administrator ("single window" principle). That is, the "single office" is in fact the union of all permitting services in one room, where the entrepreneur goes through all the necessary procedures; when using "single window" he transfers the necessary package of documents to one person (State administrator) and within the time set by the legislation comes to receive the already formalized permit; detailed legislative consolidation of procedural issues regarding the control activities of tax authorities, clear regulation of directions and methods of control, types, grounds and procedure for the implementation of the latter; establishment of an effective fiscal model free from corruption, which will improve various aspects of its functioning and restore the confidence of taxpayers; reforming the ideological principles of control activities of tax authorities (the purpose of such activities should be determined not only in the context of fiscal sustainability and State capacity to pay, but also to ensure business development and economic well-being of the society, improving the overall tax culture of taxpayers and employees of control bodies); ensuring maximum fiscal efficiency (adequacy of revenue, minimization of expenditures on revenue collection and prevention of evasion of payments to the budget, as well as the flexibility of the tax system); achieving a high level of partnership between the fiscal authority and the actors of taxes, fees and other social payments, which results in an appropriate level of awareness of their rights and responsibilities and economic activity of the latter.

In our opinion, nowadays it is crucial to update the existing approaches to the formation of the list of key principles of control activities of tax authorities (the purpose of such activities should not be limited by ensuring budget filling and the State's capacity to pay; it is also important to secure business development and economic well-being of the society, raise the general level of tax culture of both taxpayers and employees of control bodies).

We believe that fiscal control procedures should meet the following requirements: 1) expediency (fiscal efficiency); 2) sequence; 3) frequency; 4) efficiency; 5) validity; 6) compliance with control objectives.

In addition, it should be emphasized that today, given the new realities, it is extremely important to ensure a high level of partnership between the fiscal authority and the actors of taxes, fees and other social payments, which requires introduction along with effective algorithm of control activity in the field of taxation of agreed modalities for appropriate interaction.

To support the inclusion of this view, we can provide the examples of numerous protests that systematically take place in Ukraine, especially in the capital of our country, regarding the introduction of fiscal registrars for small businesses, regulation of selected market surveillance issues, mandatory use of cash registers, reduction of pressure in the fiscal sphere, etc. In our opinion, these issues have become especially acute as a result of the rapid spread of COVID-19 coronavirus infection since the beginning of 2020 (as Kharytonov et al. (2021, p. 158) correctly point out, the COVID-19 pandemic has been going on for two years now, threatening the lives and health of people, the stable functioning of economic mechanisms, and the social existence of society); small business representatives have repeatedly noted that in the context of a pandemic they will not withstand such innovations. It should be emphasized that the representatives of public authorities partially took into account the demands of the protesters, in particular in relation to the postponement of the mandatory use of cash registers, and made appropriate additions and amendments to national legislation.

Therefore, we consider it necessary to emphasize the need to establish a constructive dialogue between supervisory authorities and taxpayers, in particular in terms of harmonizing fiscal control, taking into account the issues facing taxpayers, and making agreed decisions considering the realities of today. But, at the same time, such a dialogue should take place exclusively within the legal field using the appropriate administrative and legal methods of discourse.

Finally, I would like to draw attention to the need for legislative regulation of issues related to fiscal control, and taking into account the specifics of fiscal services in crisis situations under different legal regimes (martial law, state of emergency, etc.). Given that Art. 92 of the Constitution of Ukraine (Law of Ukraine No. 254k/96-VR, 1996) enshrines the existence of different legal regimes, the problems of fiscal control at this time also need their scientific study in the context of clarifying the peculiarities of the functioning of the relevant administrative and

legal relations. As a result, it will allow to develop a comprehensive mechanism for effective fiscal control in different legal regimes at both regional and national levels.

## Conclusion

Thus, summarizing the above, priority areas for improving the procedures for fiscal control in Ukraine are the following:

- construction and further development of tax authorities as a service: the highest possible harmonization of relations between fiscal authorities and business entities (“single window”, “single office”);
- detailed legislative consolidation of procedural issues regarding the control activities of tax authorities, clear regulation of directions and methods of control, types, grounds and procedure for the implementation of the latter;
- creation of an effective fiscal model free from corruption, which will improve various aspects of its functioning and restore the confidence of taxpayers;
- reforming the ideological principles of control over tax authorities (the purpose of such activities should not be limited by ensuring budget filling and the State’s capacity to pay; it is also important to secure business development and economic well-being of the society, raise the general level of tax culture of both taxpayers and employees of control bodies);
- ensuring maximum fiscal efficiency (adequacy of revenue, minimization of expenditures on revenue collection and prevention of evasion of payments to the budget, as well as the flexibility of the tax system);
- achieving a high level of partnership between the fiscal authority and the actors of taxes, fees and other social payments, which results in an appropriate level of awareness of their rights and responsibilities and economic activity of the latter;
- taking into account the specifics of the work of fiscal services in crisis situations under different legal regimes (martial law, state of emergency, anti-terrorist operation, environmental protection, etc.).

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