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Key Indicators for Assessing the Activities of Tax Authorities and Approaches in Modern Times

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Abstract: The article describes the procedures for assessing the activities of tax authorities, the main purposes of the assessment, scientists who conducted scientific research on this topic, their views, indicators assessing the effectiveness of the activities of tax authorities, their content evaluation. The effectiveness of the activities of tax authorities in the Republic of Uzbekistan and foreign countries, as well as an understanding of their current state.

Keywords: methodology, efficiency of tax authorities, quality indicators, quantitative indicators, tax control, tax audits, electronic tax services

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Introduction

In the relatively short period of operation of the Russian tax system, the criteria for assessing the effectiveness of tax authorities have been repeatedly revised. At each stage of tax reform, new priorities and evaluation criteria were established. However, to date, there is a lack of effective methodological tools for qualitatively and quantitatively assessing the effectiveness of tax administration and control.[1]

A methodology for assessing the effectiveness of territorial tax authorities has now been approved. To assess the performance of a specific tax inspectorate, this methodology uses information provided by the inspectorate, and calculates the following indicators for analysis:

- qualitative indicators (e.g., the percentage of collected payments to the total amount of additional assessments, the share of additional assessments to the total amount of tax payments received, etc.);

- quantitative indicators (such as "total additional taxes and penalties," the amount of additional taxes and penalties per tax authority employee, etc.[2]).

Comparing these indicators between inspectorates allows for an assessment of the level of audit organization, focusing attention on problematic issues, and directing tax authority management toward addressing them. The advantage of this methodology is that it allows for comparison of the work of specific inspectorates. The disadvantage of this methodology is that it uses a large number of qualitative and quantitative indicators, which reduces the quality of the assessment of audit effectiveness.[3]

Literature review

Economists from several countries have presented several methods for evaluating the activities of tax authorities. Including in the Russian Federation, the methodology

developed under the leadership of Professor D. G. Chernik forms the basis of many regional methodologies of the Federal Tax Service Inspection, which sometimes supplement it with their own indicators.[4]

Taking as a basis the methodology for assessing the effectiveness of control measures conducted by tax authorities proposed by Professor D.G. Chernyk, the Federal Tax Service of Russia has developed and annually refined general recommendations and proposed the use of the following indicators [5]:

- a generalized indicator of the effectiveness of tax authorities' control work, calculated as the ratio of additionally accrued taxes, penalties, and fines resulting from desk and field tax audits to the accrued taxes according to the taxpayer's declaration data;
- the penalty accrual coefficient, which is determined as the ratio of the accrued penalty amounts for late transfer of tax payments to the budget to the accrued taxes according to the declaration data;
- error detection coefficient when filling out tax declarations - is calculated as the ratio of the amounts of assessed taxes based on the results of a desk audit to the assessed tax payments according to the declaration data;[6]
- tax concealment or understatement coefficient - calculated as the ratio of assessed tax amounts based on field tax audits to assessed tax payments according to the declaration data;
- the coefficient for applying sanctions for violations of tax legislation - is determined as the ratio of the amounts of fine tax sanctions based on the results of desk and field tax audits to the additionally accrued taxes based on the results of desk and field tax audits

The disadvantage of this methodology is that it requires significant time for analysis, and sometimes special software products.

There are also methods for evaluating the effectiveness of control measures conducted by tax authorities based on statistical comparative analysis, which consist of calculating the indicators of tax authorities' control work, which are subsequently compared with previous years or with indicators from peer entities.

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In practice, another methodology has been developed, through which not only quantitative but also qualitative indicators are investigated and compared.

According to this methodology, it is assumed that in addition to the previously specified criteria, it is advisable to conduct comparisons based on the indicators presented in Table 1.[8]

This methodology utilizes a significant number of indicators, both quantitative and qualitative. This is its undeniable merit. Another advantage is the possibility of using it when analyzing problematic issues in the activities of tax authorities, as well as for comparing the results of specific inspectors, inspections, etc. The disadvantage of this methodology is the use of a large number of comparable indicators to analyze the efficiency of tax authorities' activities.

Table 1. Indicators used to evaluate the effectiveness of control measures conducted by tax authorities[9]

Indicator	Parameter
Quality indicators	The amount of additional assessments per tax authority employee. The amount of additional assessments per documented taxpayer.
Quantitative indicators	The proportion of additionally assessed taxes and other payments based on audit results in total tax revenues. The growth of additionally assessed taxes and other payments in total tax revenues (both in absolute figures and as a percentage of total tax revenues). The proportion of financial sanctions in the total amount of additionally assessed payments. The proportion of additional assessments from desk and on-site audits in the total amount of additionally assessed taxes and payments. The percentage of collections (the proportion of recovered taxes in the total amount of additional assessments).

There are also author's methodologies prepared by various researchers, which are essentially theoretical developments.

Thus, according to the methodology developed by D.V. Krylov, the criterion for the effectiveness of tax administration is determined based on the tax collection ratio, which is calculated as the ratio of the total tax revenue in a region to the region's tax potential. The researcher understands the term "regional tax potential" to be the sum of the potentials of the taxable base, the audit work of tax authorities, and the outstanding tax payments, fines, and penalties of taxpayers in the controlled territory.[10]

The potential for debt is proposed to be considered as the amount of debt actually subject to collection in the reporting period. Determining the amount of debt actually subject to collection is a complex procedure and should include both a qualitative assessment of the debt and the development of planned and methodological measures to reduce it. A somewhat different approach is proposed in the work of A.T. Shcherbinin, who proposes using the tax accrual ratio, which is defined as the ratio of the amount of taxes independently assessed by the taxpayer to the total amount of accrued taxes [11].

According to A.T. Shcherbinin, this indicator allows for the consideration of the nature of the relationship between tax authorities and taxpayers and

provides a comprehensive assessment of their work. However, A. T. Shcherbinin ignored a very important indicator characterizing the end result of the relationship with taxpayers—the actual payment of taxes into the Russian Federation budget system.

According to A. N. Dorofeeva and A. V. Suvorov, the indicator of tax control effectiveness involves assessing its impact on taxpayer behavior. Thus, tax control is considered effective if it leads to a real reduction in the number of tax violations committed. Unfortunately, it is not possible to determine the number of tax violations committed by taxpayers. However, the effectiveness of tax control can be characterized by the ratio of the independence of the tax amounts assessed by the taxpayer and the tax potential of the territory.

Research Methods

The research examined methods such as observation, comparison, and the opinions of domestic and international scholars on assessing the performance of tax authorities. Problems in the field and their solutions were examined, and conclusions and proposals were developed.[12]

Result and discussion.

The methodology of A. N. Dorofeeva and A. V. Suvorov proposes using the following indicators for assessing the effectiveness of tax authorities, which are presented in Table 2 [13].

The complexity of calculations and the impossibility of accurately determining a territory's tax potential make it difficult to apply the tax control effectiveness indicator in practice. Therefore, these authors propose indicators characterizing the effectiveness of individual tax control measures to assess the effectiveness of tax authorities:

- ⊗ an indicator of the intensity of tax authority activity;
- ⊗ an indicator of the quality of audits conducted;
- ⊗ an indicator of the effectiveness of on-site audits;
- ⊗ an indicator of the effectiveness of additional tax assessments.

Table 2. Tax Authority Performance Indicators by A.N. Dorofeeva and A.V. Suvorov

Indicator	Calculation method (parameter)
An indicator characterizing the efficiency of tax control	$E = (SDP + SNP + SSP) / Z$, where <i>SDP</i> –поступившая в бюджет сумма additional payments assessed as a result of tax audits; <i>SNP</i> – the amount received by the budget of payments independently assessed and paid by taxpayers; <i>3</i> – the costs of implementing tax control
Tax control effectiveness indicator	Day. to = NN / NP , where <i>NN</i> is the sum of independently assessed taxes; <i>NP</i> is the tax potential of the territory

Indicator of the intensity of tax authorities' activities	$O = K_{v.p} / (K_{n.o} + K_{n.IP})$, where $K_{v.p}$ is the number of on-site audits conducted by tax authorities during the reporting period; $K_{n.o}$ is the number of taxpayers – organizations registered with tax authorities; $K_{n.IP}$ is the number of taxpayers – individual entrepreneurs registered with tax authorities.
Quality indicator of the inspections carried out	$P = (C_d - C_{y.p.c}) / C_d$, where C_d is the amount of additional payments accrued based on the results of the test; $C_{y.p.c}$ is the amount of the reduction in additional payments based on the decisions of higher judicial authorities.
Performance indicator of on-site inspections	$P_B = B_{r.v.p} / B_{p.v.p}$, where $B_{r.v.p}$ is the number of successful on-site inspections; $B_{p.v.p}$ is the number of on-site inspections conducted.
Performance indicator of additional tax assessments	The amount of additionally collected tax payments based on the results of the audit work per one employee of the tax authority. The proportion of additionally assessed tax payments in the total amount of assessed payments
An indicator characterizing the costs of operating tax authorities	$Z_{n.o} = N / Z$ where H is the amount of taxes received by the consolidated budget; $3c$ is the amount spent on the functioning of the tax authority.

Finally, the last indicator proposed by researchers A.N. Dorofeeva and A.V. Suvorov is an indicator characterizing the costs of tax authority operations. Correlating the amount of taxes received in the consolidated budget with the funds spent on tax authority operations is not sufficient for an objective comparison of tax authority performance. This indicator is applicable to the operation of the entire tax system, functioning over a certain period of time and in a specific country.

Thus, based on the analysis of existing methods and indicators proposed by various researchers, the author believes that the following key indicators for improving tax authority performance are necessary for a realistic assessment of tax authority performance:

- an indicator indicating the proportion of taxpayers filing tax returns electronically;
- an indicator of the effectiveness of pre-trial tax dispute resolution procedures;
- a comprehensive indicator characterizing the work of tax authorities in their main areas of activity;
- the dynamics of tax and fee arrears, penalties, and tax sanctions to budgets at various levels;

- the proportion of taxpayers who satisfactorily assess the quality of tax authorities' work, based on sociological survey data.[14]

The indicator indicating the proportion of taxpayers filing tax returns electronically is one of the most pressing. This is due to the fact that one of the current areas of tax administration is improving the quality and expanding the range of services provided by tax authorities to taxpayers, including organizing taxpayer receptions, promptly reconciling settlements with the budget, and ensuring the timely and complete processing of citizen requests. Here, the primary focus is on increasing the volume of tax returns received from taxpayers electronically and increasing the share of taxpayers with contactless access to the tax authorities' database on the status of their settlements with the budget.

All of this reflects the degree to which taxpayers are encouraged to file tax returns electronically, the availability of electronic services for taxpayers, and the effectiveness of measures taken by tax authorities in the constituent entities of the Russian Federation to create conditions for increasing the volume of tax return filings via telecommunications channels.

For example, in the Republic of Uzbekistan, a system for submitting tax reports via telecommunications channels was introduced in 2015. Currently, 100% of legal entity taxpayers in the Republic submit reports to tax authorities via telecommunications channels. It is important to note that users of the State Tax Committee's websites can familiarize themselves with tax legislation, samples and forms of tax documents, and receive answers to common questions related to taxes, the rights and obligations of taxpayers and tax authorities. The "Tax Payment" and "Taxpayer Personal Account" services are particularly popular among website visitors. An important indicator of tax authority performance is the proportion of taxpayers who rate the quality of tax authority performance satisfactorily, based on sociological surveys. This indicator is determined based on the results of independent sociological studies conducted in the Republic of Uzbekistan and allows for the consideration of taxpayers' critical comments and suggestions, and for improved coordination of tax authority efforts to fulfill priority taxpayer service objectives.

As part of the open dialogue between the President of the Republic of Uzbekistan and entrepreneurs held on August 18, 2023, a Roadmap was approved for the first time to implement proposals and initiatives aimed at systematically addressing requests received from entrepreneurs and fulfilling the priority objectives set out in the Open Dialogue Resolution.

As a result of the implementation of the objectives outlined in this Roadmap, the following opportunities have been created:

- The "Online Mahalla" electronic platform has been introduced, enabling business entities to evaluate the performance of tax authorities.

- Another method for assessing the performance of tax authorities has been created through the interactive "Survey" service on the official website of the Tax Committee under the Cabinet of Ministers of the Republic of Uzbekistan. Currently, the performance of tax authorities is in the evaluation phase.

Anyone can evaluate the performance of each administrative structure, from the district State Tax Inspectorate to the central office, by providing their address and telephone number.

The assessment is based on seven criteria. Each assessment criterion is described below:

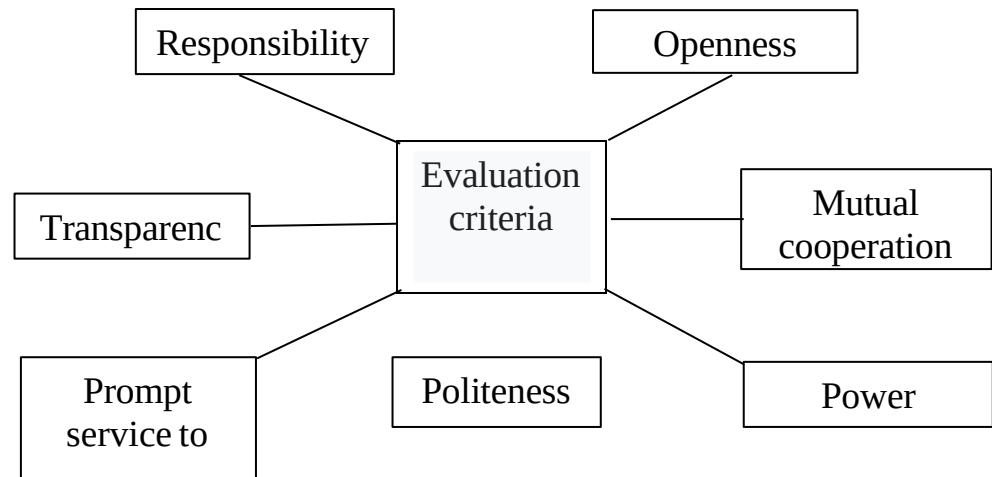


Figure 1. Evaluation criteria

The application of these assessment criteria is one of the key criteria determining the effectiveness of tax authorities. Today, taxpayers regularly evaluate the performance of tax authorities.

To evaluate the performance of tax authorities, taxpayers go to the website www.my.soliq.uz, select the "Individuals" section, select the "Entrepreneur Assistance Questionnaire" section, and proceed to the "Tax Authority Performance Assessment" service section. This creates complexity. It's a very complex system.

It should be easy and convenient for users to evaluate the performance of tax authorities. This is because the user's assessment contributes to improving the effectiveness of tax authorities, correcting deficiencies, and increasing productivity.

Based on the experience of the Russian Federation, we go to the official website of the Federal Tax Service and select the "Individuals" section. If the "Assessment of the Quality of Services of the Federal Tax Service of Russia" section is included in the list of interactive services provided to individuals, the procedures for assessing the performance of tax authorities are specified there. The user uses this type of service, choosing one of their own.[15]

Conclusions and Suggestions

From the above, it can be concluded that the tax authorities still face a number of challenges.

The tax authorities conducted a survey. The results showed that the tax service has almost completely eliminated one of the main shortcomings in its work with taxpayers - queues (117% of respondents reported no queues). However, taxpayers believe the tax service needs to pay more attention to the comfort of waiting areas at tax offices and to present information on information boards in the operating rooms in a more systematic and accessible manner.

Therefore, the author believes that the previously mentioned indicators will allow:

- to qualitatively assess the effectiveness of tax authorities;
- to ensure a high level of tax collection;
- to reduce various costs for taxpayers;
- to create the most convenient conditions for taxpayers in fulfilling their tax obligations;
- to reduce the number of lawsuits by taxpayers through their pretrial settlement by tax authorities;
- based on the experience of the Russian Federation, in order to evaluate the activities of tax authorities, it is advisable to include this type of interactive service as a convenient, separate type of service on the official website.

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