"Dimitrie Cantemir" Christian University
Knowledge Horizons - Economics
Volume 11, No. 1, pp. 69 – 74
P-ISSN: 2069-0932, E-ISSN: 2066-1061

www.orizonturi.ucdc.ro

STATE FISCAL CONTROL: THE EXPERIENCE OF DEVELOPED ECONOMIES

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Abstract *This article comes with a vision of the author on the tax control is an integral part of the financial control, as the object of tax control is economic, distributive relations regarding the formation of financial resources of the state. The priorities of the tax policy, in general, are the need to stimulate positive structural changes in the economy, consistently reducing the total tax burden, as well as qualitative improvement of the tax administration. Use of foreign experience is expedient and will allow to maintain a high level of budgetary incomes and to strengthen the awareness of citizens and organizations of the necessity of financial maintenance functioning of the state by paying taxes, fees, and other mandatory payments.*

Key words:
Fiscal control, developed economies, tax evasion, tax authorities.

JEL Codes:
H26, H87, E62, O23

1. INTRODUCTION

The most important element of the market economy development of any country is the tax system which should correspond to the level of economic development of the state. A prerequisite for the normal functioning of the economy and of the financial system is the financial control, an integral part of the unified state control mechanism. Its purpose is to promote the successful implementation of the financial policy of the state, ensuring the process of formation and efficient use of financial resources.

Financial control acts as a form of realization of the control function of finances, that is inherent in financial properties to serve as a mean of control over production, distribution and use of the aggregate public product and national income. In other words, the control function of finances is an objective basis of the financial control, which facilitates the balance between the need for financial resources and their availability.

2. SOME THEORETICAL ASPECTS OF STATE FISCAL CONTROL THROUGH THE EXPERIENCE OF DEVELOPED COUNTRIES

The object of the financial control is primarily monetary relations arising in the formation and use of the financial resources in the material production and non-production sphere, in all parts of the financial system. Financial indicators are the direct subject of financial control. Thus, financial control is a set of actions and operations to check the financial and related issues of the activity of economic entities and management with the application of specific forms and methods of its organization [5].

The tax control is an integral part of the financial control, as the object of tax control is economic, distributive relations regarding the formation of financial resources of the state. The priorities of the tax policy, in general, are the need to stimulate positive structural changes in the economy, consistently reducing the total tax burden, as well as qualitative improvement of the tax administration. Among all problems in the sphere of the functioning of the modern tax system the problem of building an effective tax control system is especially urgent. The necessary condition for the efficiency of the country's tax system is tax control, ensuring timely and full receipt of tax revenues in the country's budget system.

The main mission of any tax administration is to collect the correct amount of taxes and fees and other contributions owed by taxpayers to the public budget, with minimum costs for both the administration and the taxpayer. The tax administration is the one who must ensure the application and enforcement of the financial-tax legislation by the taxpayers. In this context, control can also be defined as a function of the tax administration. The tax control comprises all activities aimed at verifying the reality, legality, and sincerity of declarations, verifying the correctness and accuracy of the fulfilment, according to law, of the tax liabilities by taxpayers, as well as the investigation activity and finding the tax evasion.

Subjects of fiscal control, called taxpayers, are legal and physical persons, as well as associations without legal personality, which are subjected, according to law, to tax obligations, so, any entity that has the capacity of a taxpayer, i.e. subject of taxation is also subject to fiscal control. The purpose of any modern tax administration is to achieve the highest degree of voluntary tax compliance of taxpayers. The tax control activity, together with the information and education of the taxpayers, is one of the main instruments for improving the voluntary tax compliance.

Tax control – control over the correctness of payment of taxes and charges by legal and physical persons. Tax control is understood as a check of taxpayers 'compliance with the legislation on taxes and fees; identification of tax violations; ensuring the receipt of income tax payments to the budget of all levels.

Different definitions of tax control can be found in the literature.

The control activity is as old as necessary in the social evolution. Control as a general concept is the permanent or periodic analysis of an activity, a situation to follow its course and to take measures to improve it [3].

Control is the specific human activity of verification and permanent, periodic or unannounced analysis of processes, phenomena, operations, information resulting from an area or sector, in order to prevent and liquidated possible deviations and drawbacks [1].

As some Romanian authors report: “The control is an essential attribute, a component of the economic function of the cultural and educational organization of the state. A complex control procedure that gives a clear and real image over the development of the economic activity is represented by the financial and economic analysis, because it research from a qualitative and quantitative point of view the entire economic financial activity of the economic entity. The economy can not be organized and operated without any control from the state systematically."[6; p.192]

The university professor Elena Dobre argues that "tax control is a regulated control that serves unconditionally the tax policy of the state, as it does not apply professional rules of exercise but only legal norms. The following objectives are pursued by fiscal control: the collection of all taxes and fees owed by taxpayers at the deadlines provided by laws and in the amount determined by the tax basis and the quotas applicable to it; the detection of taxes and fees taken from payment to the state budget or local budgets and attracting them to these budgets according to their legal destination; reporting of some legislative shortcomings favouring tax evasion or making it difficult to collect tax revenues in order to improve legal provisions in the field" [4; p. 38].

From the above definitions of tax control, we can conclude that the authors, revealing the concept of this phenomenon, agree that the tax control is intended to ensure completeness, timeliness of payment of taxes and charges to the budget, compliance of the tax legislation, the application of measures of responsibility for these violations [2; p. 61-134].

Being an integral part of financial control, the tax control has common characteristics with it in the part of applied forms and methods of carrying it out and has also the certain specificity, expressed in narrower sphere of influence.

As the specific features of the tax control are highlighted:

– analysis of the activities of tax relations entities (taxpayers and tax agents) is of a continuous nature;

– continuous implementation of monitoring activities in response to the need to secure the flow of financial resources into the budget system;

– legislative establishment of a clear sequence of actions in the implementation of tax control;

– creation of conditions for coordinated actions of authorized state structures in the implementation of joint actions, as well as in the process of information exchange.

The essence of tax control in the modern literature is presented from two sides, being in unity: as a function of public administration and as the activity on the execution of the tax legislation [2; p. 61-134].

Tax control plays a special, significant role in the system of state financial control and represents a set of measures to verify compliance with the legality, expediency and effectiveness of the system of tax authorities in the formation of monetary funds of all governmental levels in the area of tax revenues, to identify reserves to increase tax revenues in the budgets, improvement of tax discipline among taxpayers, compliance with their tax legislation.

The main forms of tax control are as follows:

- ✓ tax audits,
- ✓ verification of accounting and reporting data,
- ✓ inspection of premises and territories used to extract income,
- ✓ other forms.

The most effective form of tax control is the verification of compliance with the tax legislation, correctness of calculation of taxes and fees, completeness and timeliness of their introduction to the budget, the validity of benefits application. Tax control actions cover the whole system of taxation, as well as carried out in the context of individual taxes, tax groups, groups of taxpayers, territories. Tax control penetrates the economy vertically and horizontally, ensuring compliance with the rules of accounting and reporting, the legislative basis of taxation.

In order to objectively assess the essence of tax control, we will consider its concept in two aspects: narrow and broad. *In a broad aspect, tax control is a combination of state regulation measures that ensure the implementation of effective state financial policy and compliance with the state and municipal fiscal interests. In a narrow aspect, tax control is the control of the state in the person of competent authorities for legality and expediency of actions in the process of introduction, payment or collection of taxes and charges.*

At present, the task of improving the quality of state control over tax offenses is considered from two perspectives: (i) by improving the state regulation of relations on calculation and payment of taxes and fees; (ii) by analysing and borrowing the international experience.

The experience of Germany is of considerable interest to us, as the competence of tax control in Germany includes issues of practical implementation of tax policy of the country. The tax code of Germany provides considerable powers of the tax police to conduct searches and personal searches of citizens, detention of suspects and confiscation of documents. The tax police have the right to withdraw documents and obtain the necessary information from almost all public and private institutions in the country, with the exception of certain special services. In the German judicial practice in cases of investigation of tax evasion are distinguished the following stages of offenses: (i) tax evasion; (ii) attempted evasion; (iii) preparatory actions for tax evasion.

The peculiarity of tax control in France is that the French taxpayer should be warned about the tax audit at least one week in advance. The audits are entrusted to the tax centres established in each department, which send notices to payers and study the voluntarily submitted declarations. The declaration must be submitted by all physical persons, regardless of the value of their income. Tax workers carry out two types of control. At their workplaces, they carry out work with declarations-desk control. On-site monitoring is usually carried out in the presence of serious bases for suspicion of concealment of income. The relationship between the tax authority and the taxpayer is built in the form of an exchange of views: each party defends its rightness. As a result of the identification of offenses, the tax authorities apply various sanctions.

In recent years, all tax administrations in the economically developed countries have passed from the quantitative side of fiscal control to the qualitative side. Now, the tax administration treats taxpayers as business partners, they are regarded as customers of the administration. A key role in the tax administration has the declarative principle – taxpayers using in this respect tax declarations, fiscal control returning the burden of verifying the sincerity of declarations, as well as the correctness and the fulfilment according to the deadlines for tax liabilities by taxpayers. In Sweden and Finland, the tax service will independently prepare the tax declarations for taxpayers who then receive the declaration through secure communication channels and can either agree with it or wish to make changes and additions. In the first case, it is sufficient for them to confirm this declaration using the electronic signature mechanism, in the second case they need to get in touch with the tax service and provide the necessary documentary evidence in support of the proposed amendments and changes.

With reference to Romania, the experience of control work of tax authorities showed that there remains an increasing tendency of concealment of incomes, and evasion from payment of taxes. This is facilitated by imperfections of the tax legislation, the considerably high tax burden in some Industries and spheres of activity, low level of tax discipline and distorted mentality of the taxpayer. In this context, the increase of efficiency of tax control is an additional reserve growth of financial flows to budgets at all levels of the country.

3. CONCLUSION

We emphasise that, in the area of fiscal control, namely to reduce the tax evasion and the underground economy, are taken actions such as: the introduction of the random test of compliance with the development of the structure dealing with individuals with large fortunes through the development of competencies and the realization of the compliance programme; combating customs fraud. In order to increase the effectiveness in combating the tax evasion and the reduction of the underground economy will be redesigned the main activities in the sense of: development of the prevention function of control structures; review of the VAT refund procedure; processing of enforced enforcement in an investigative process; strengthening the activity of mutual assistance in order to recover the tax claims.

It would be good for Romania to adopt the fact that in developed countries the analytical work of tax authorities uses a broader arsenal of tools and methods, and the tax authorities have a single common database that includes information on all types of taxes and duties, information from migration authorities, banks and insurance companies, database on transactions in the stock market and on the accounting of real estate objects. Use of foreign experience is expedient and will allow to maintain a high level of budgetary incomes and to strengthen the awareness of citizens and organizations of the necessity of financial maintenance functioning of the state by paying taxes, fees, and other mandatory payments.

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