TAX ADMINISTRATION: SOME ISSUES AND TRENDS

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Abstract

This paper presents a series of practices of tax administrations in different countries of the world, focusing on their functions, mission and responsibilities. Analyzing the main features of tax administrations across the globe, from emerging to top-level, allows self-assessments of their organizations' strengths and weaknesses to describe the current level and identify the steps needed to move to a new level of maturity but I believe that the applicability of best practice should be made after a rigorous analysis of the expected impact and there must be taken into account the differences in national institutional systems, customs, technological progress and the natural resources. A modern and performing tax administration must pay particular attention to the practice of self-evaluation and voluntary compliance, cost reduction and burden diminuation for taxpayers to provide the goods and services needed to increase the standard of living of citizens and ensure economic prosperity.

The tax administration plays an important role in developing and modifying fiscal policies by working with other state institutions to monitor the positive or negative impact of fiscal policy and legislation on tax administration, recommending the necessary changes. Studying the best practices of tax administrations around the world can lead to the achievement and maintenance of a high degree of self-assessment and voluntary compliance of taxpayers' tax obligations - the primary objective of any tax administration.

Keywords: *modern tax administration, international practices, current trends in tax administration, tax compliance.*

Clasificare JEL : *E52, E62*

1. The conceptual framework of tax administration

Efficiency and modernization of tax administration have been studied in numerous papers, reports and studies of the Forum of the Organization for Economic Cooperation and Development on Tax Administration [1], the World Bank [2]; the International Monetary Fund [3], the Inter-American Center for Tax Administration [4] for the countries of Latin America and the Caribbean, providing readers plenty of comparative data on the main issues of taxation around the world.

The tax administration, as a unanimously accepted definition, is the public institution responsible for collecting taxes - mandatory payments made by taxpayers for the purpose of establishing the financial public funds. The views of tax practitioners, researchers and citizens on the amount of tax that a government should collect and which segments of the taxpayer population should bear the burden differs, with taxation being a controversial topic in countries around the world.

Although it varies from country to country and even within the same country, modern taxes are sufficiently similar to fit into a few categories – "income taxes and capital gains, wages, goods, goods and services and international trade - and to allow practitioners to discuss tax systems based on basic taxes such as income tax, value added tax or general sales tax, excise duties, property taxes, property transfer taxes and customs duties" [5].

Collaboration with other government institutions and private sector groups engaged in various tax-related activities makes the tax administration process environment a reference to the country's economic and technological development, business capability, compliance with taxpayers, etc.

Redefining fiscal strategies driven by rapid economic developments and the use of public resources rationally presupposes transparency and accountability, as essential features of a modern tax administration. According to the OECD (2014) [6], "fiscal transparency has reached a new international level, with the automatic exchange of information now the new global standard.

Agreements aim to limit the possibilities for taxpayers to avoid reporting to tax authorities by transferring assets." Nearly 100 tax jurisdictions have assumed the implementation of the new standard for information exchange by 2018 and EU Member States apply the standard for the automatic exchange of information on financial accounts in the field of taxation as early as 2017. "The European Union also concluded automatic information exchange agreements with Switzerland, Liechtenstein and San Marino, Andorra and Monaco." [7]

In a state there may be several public institutions with a role in collecting taxes (customs - for collecting customs duties and VAT on imports and the tax administration - for internal taxes) or a single tax and customs administration. An OECD study (2012) [7] showed that "since 2010, only 9 OECD member states (Austria, Denmark, Estonia, Greece, Ireland, Israel, Mexico, the Netherlands and Spain) have merged tax administrations and customs services". This merger practice was also adapted by other non-OECD countries, including Slovakia in 2012 and Romania in 2013. Another study at the Inter-American Center of Tax Administrations (2012) [7] revealed that "the merger took place only in 7 of the 17 Latin American countries (Argentina, Brazil, Colombia, Guatemala, Honduras, Mexico and Peru)." The trend of mergers between tax administrations and customs authorities, after gaining momentum early 2000s, suddenly ceased. (for example, Canada decided in 2003 to divide these institutions). Mergers have proved to be simple formalities, with no significant implications for the current tax administration activities.

Although the guiding principles of current international practices recommend the operation of separate tax administrations (not including customs), there is no need to diminish the need for ongoing collaboration of institutions through memoranda of understanding and authorized dissemination of information to the extent required by law.

2. Functions, mission and responsibilities of tax administrations

The basic functions that any modern tax administration performs in its direct operations are: registration of taxpayers, taxpayers' guidance, the processing of tax returns and tax payments, taxpayer control, taxpayers' appeals and resolution of appeals by taxpayers, current receipts and collection of tax arrears, tax investigations involve investigating financial transactions declared by taxpayers (especially when there is suspicion of tax fraud).

Assistance functions of the tax administration relate to the resources, support and guidance of staff performing basic functions. These functions are: information technology, legal services, human resources, budget planning and resource management, strategic planning, internal audit, employee integrity surveys (especially in cases of suspected corruption).

In many countries, tax administrations perform certain functions to support non-tax revenue collection. Staff typically provides information, assistance and collection services for various government licensing and fees. For example, "even if it does not have legal authority for them, the Jamaican Fiscal Administration provides information and assistance on the following processes: driving licenses and documentation for motor vehicles; payment of tickets; property taxes; titles for motor vehicles; trade licenses; stamp duty and transfer fees."(Jacobs and other, 2012) [8]

The OECD study (2011) [9] found that "in 33 out of 49 countries, tax administrations have additional non-fiscal burdens, such as social benefits, social assistance, child allowances, student loans, etc. Also, the degree of autonomy of public administrations varies significantly: from the form of internal structures, the allocated budget, the establishment of the necessary staff by budgeting, the negotiation of salary levels." These activities should be carefully defined so as not to affect the role of the core functions and the performance of a modern tax administration.

In order to achieve its functions, a modern tax administration must operate with a computerized integrated fiscal information system that involves the efficient use of computing, automation and data networks. The implementation of modern and integrated computer systems are "indispensable to address the major challenges faced by tax administrations: expanding the tax base, strengthening its organization and management, combating tax evasion, improving tax collection, voluntary compliance." [10]

The main mission of a tax administration is to collect tax revenue owed by taxpayers and necessary to the government for finance the various state (services, infrastructure, investment etc.).

The main responsibilities of the tax administration are: facilitating and encouraging voluntary compliance by taxpayers with the tax legislation of the country, applying tax regulations fairly and impartially; minimizing the costs of collecting tax revenues; compliance monitoring; using resources efficiently, ensuring that employees perform their duties with integrity.

3. Measures to encourage voluntary compliance

In order to achieve a high degree of voluntary compliance of tax regulations, the tax administration should define and implement measures to encourage self-evaluation and promote a voluntary culture of compliance (figure no.1).

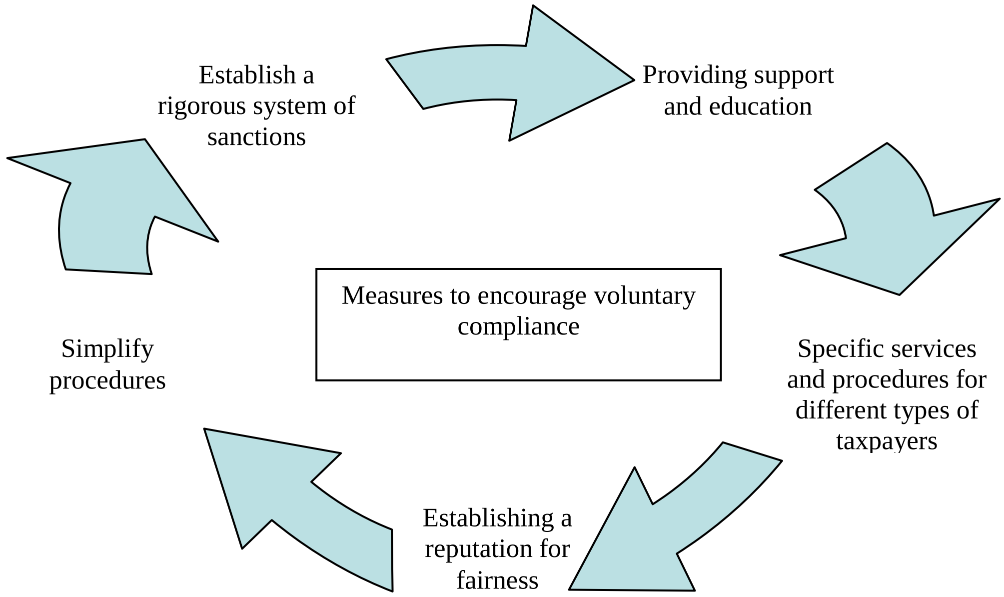

Figure no. 1. Measures to encourage voluntary compliance

Source: Detailed Guidelines for Improved Tax Administration in Latin America and the Caribbean, 2013

These measures include the development and implementation of simple general procedures and facilities for taxpayers to file statements and pay their taxes.

For the large number of self-employed taxpayers who may not have adequate accounting knowledge to determinate tax liabilities, the tax administration may provide simple tax schemes such as: "assessments based on estimated taxpayers' income; setting lump sums based on occupation or economic activity; minimum alternative taxes, such as a minimum tax, regardless of the level of income or economic activity of the taxpayer; or payment of a lump sum based on the turnover of the small enterprise." [11] However, there is the disadvantage that "taxpayers with different taxable profits will pay the same amount of tax if their turnover is the same." (Phillip and other, 2009)[12]. For taxpayers subject to value added tax, tax administrations may lay down simplified tax return requirements by redefining them and requesting additional information only when appropriate.

The tax administration must also provide, with the help of qualified staff, tax assistance services and tax education programs to taxpayers. Employees of tax administrations should provide tax assistance to taxpayers; to respond promptly to questions relating to the issues covered by the job description; to ensure the adequate provision of explanatory brochures, guides, forms, and other materials; to advise taxpayers on how to effectively organize their tax payment activities; to timely solve taxpayers' problems with the tax administration; to ensure and be accountable for compliance with tax procedures.

A system of proper sanctions for non-compliance is motivating taxpayers to comply voluntarily. The country's tax legislation should provide for substantial financial penalties for non-payment of fiscal obligations, lower income reporting, and no accounting records in line with regulatory requirements. Also, serious sanctions should be provided for the facts of tax evasion and tax evasion, and taxpayers' convictions for such facts publicized to the general public to represent strong examples of consequences for those who fail to meet their tax obligations.

The reputation of managing the objections fairly, succeeding in identifying and reducing the potential risk of loss of income, prioritizing compliance monitoring activities and auditing at a proper time, ensuring the safe use of income and spending of public money are other incentives for taxpayers to comply voluntary.

4. Current tax administration issues

Tax administrations around the world, depending on the country's degree of development, benefit from opportunities but also face challenges related to the reduction of operational risks and the use of modern information technologies to carry out their operations.

For developing countries, the opportunities offered by technology are more elusive because the budgets they have for computerization are inadequate to their needs. Moreover, there are often significant levels of corruption due to the low staff remuneration of the private sector.

Tax administrations in most developing countries face many external obstacles to modernization: obsolete fiscal policies, poor regulation, inadequate human resources policies to retain qualified staff, lack of international accounting and professional standards. The limited financial resources for the purchase of computer equipment and data networks make available, to a limited extent, the existence and use of electronic declaration systems, electronic payment and transfer systems, formwork and integrated data management systems of taxes that allow for electronic payments.

In developed countries, tax administrations have rapidly adopted many technological advances in the private sector, such as electronic payment systems, interactive phone systems, and data capture by scanning or imaging paper documents. Tax authorities are taking measures to redesign the core processes and implement rapid methods of receiving, processing and delivering formulas / declarations electronically. It also promotes the increased use of the Internet for the transmission of information and access to tax forms by taxpayers. In Romania, through the Virtual Private Spaces service of the National Public Finance Administration, taxpayers can get information on tax payment obligations, download tax decisions starting with 2013, check their employer's social security contributions, etc.

The problem of "underground economy" is an important issue for tax administrations around the world. Tax administrations in developing countries, due to the large number of people never registered for tax purposes, have to make continuous efforts to identify and comply with non-legality and thereby reduce the tax burden on those taxpayers voluntarily complies. An effective tool for broadening the tax base is the legislation that obliges financial institutions, companies, employers, etc. to send information to the tax administrations on interest payments, dividends, salaries and other payments. Thus, the tax administration by processing and confronting taxpayers' financial data with its fiscal file can establish compliance programs for omissions and discrepancies.

Taxpayer segmentation has been expanded in many countries to ensure adequate evidence of their payment obligations or to facilitate audits under resource efficient use. For example, in the context of simplifyng the operations of small taxpayers, due to the optional tax regimes, tax administrations must ensure "the preservation of a certain level of equity - that is, all taxpayers with similar levels of income are allowed to enter the presumed (preferred) regime or that all taxpayers with similar income levels pay similar amounts tax." [11]

Special attention must be paid to cooperation with public and private sector organizations. Numerous government agencies and institutions at different levels play important roles in supporting fiscal administration. The establishment of memoranda of understanding to authorize and formalize information dissemination agreements within the limits set by law is important given the existence of strict restrictions on the exchange of information between organizations.

In order to have access to the most important information for tax administration compliance activities, positive relationships with all relevant market players must be maintained: business environment, chambers of commerce, professional associations, tax practitioners, etc. In this sense, work-shops and training and information sessions with the participation of representatives of all interested groups can be organized.

Also, periodic meetings for information and consultation of tax news in the field with tax practitioners are very important, as they are almost always representatives of a larger number of taxpayers. Individual professional practitioners (accountants, tax consultants, legal professionals, etc.) are stakeholders in promoting and maintaining voluntary compliance with the taxpayers they represent. A common practice in many countries of the world is the collaboration between tax administrations and the academic environment for students and students to practice internships across the various departments of tax administrations.

The outsourcing of activities to the private sector or other public institutions has somewhat become a trend among tax administrations around the world. Frequently, activities related to information technology but also activities in the field of fiscal compliance in the private sector, in the hope of increasing tax revenues and improving compliance (for example, in Hungary the fraud investigation function was outsourced to a police department and in the United States some cases of tax arrears were outsourced).

5. Conclusions

Tax administrations around the world face common challenges in achieving the planned strategic goals: combating tax evasion, increasing tax compliance, helping taxpayers by providing modern services - quality fiscal assistance, simplifying and modernizing procedures - and, on the other hand, to apply equitable and non-discriminatory treatment, so as to ensure equality of citizens in the face of tax and a healthy business environment.

A modern and efficient tax administration ensures adequate and timely public revenues, allowing the state to provide citizens with goods and services. In other words, a modern tax administration exerts the state's right to tax, but it must be at the right time to do so at a minimum cost and with the least burden on taxpayers.

Reorganization and modernization processes should aim at transforming tax administrations in a flexible and efficient manner, and the emphasis should be on collaboration with taxpayers and on the development of the IT system that will improve the mechanisms for declaring and paying tax liabilities. These processes should be initiated after a rigorous analysis of the impact both on the taxpayer and on the employees of the tax administrations, with particular attention being paid to training and information courses.

Expanded self-evaluation and voluntary compliance by taxpayers, combined with specific compliance and audit programs based on risk assessment strategies, allow the tax administration to manage the tax system efficiently by reducing administrative expenses and increasing revenue.

The best practices of global public administrations need to be carefully analyzed by developing countries that want to achieve a new level of maturity and performance, but I believe that each country must also take into account the country-specific aspects of the differences between the institutional and legal systems governing the activity of natural resources in each country.

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