

4.5 Tax control in the system of economic control: scientific aspect

In today's economic conditions of the economic mechanism the growth of negative processes in the economy and politics advance special requirements for such mechanism's important elements as accounting and economic control. The economic mechanism ensures freedom of private enterprises with the legislative consolidation of guarantees of all types of property protection, which promotes wide involvement of foreign investment into the Ukrainian economy and the development of market.

Control is a managing function that is a system for monitoring and checking the operation process and the status of the control object in order to assess the reasonableness and effectiveness of made management decisions and the results of their realization¹. Control is carried out on the base of information about functioning of the control object. It is intended to ensure the unity of management decision and its realization that in real is the entire process of management. Thus, the control provides an inverse relation that signals about the progress and the state of implementation of management decisions. The purpose of the control technology is to monitor, study, measure and compare controlled processes and objects continuously. The technology of feedback provides a reliable reflection of the results of management influence. The lack of an effective control mechanism is one of the reasons for the collapse of the economy, the intensive growth of non-payments, the shadow economy and the unsuccessful activity of the institute of the state control service.

As a function of social control, control is objectively necessary as it corrects the actions of controlled object. The main purpose is to block the deviations from the given management program. However, when the discrepancies are detected in such a program then the purpose is to recover the managed system to a stable state with the help of all social regulators². This is explained by the fact that, regardless of the specific object of control, the control is a system of processes that monitor the controlled object in order to detect deviations from established norms and to take measures for eliminating and liquidating negative phenomena³.

As a method of feedback, control can be valuable and useful only in case of obtaining and using reliable and relevant information about the status of the controlled object, determining whether all actions are carried out in accordance with the tasks, received directions, the existing laws and decisions. Control is needed not only to detect deviations from the purpose of control but also to assess the causes of these deviations, to specify them by the level of participation of those controlled persons.

In modern economic literature, the concept of "control" is interpreted as⁴:

¹ Dorosh N.I. *Audit: metodolohiya i orhanizatsiya. [Audit: methodology and organization]. - K.: T: "Knowledge". KOO, 2001. - 402p.*

² *ver p.1*

³ *ver p.1*

⁴ Zhadan T.A. *Vnutrishniy kontrolyak ekonomichna katehoriya: systematyzatsiya naukovykh pidkhodiv ta utochnennya zmistu // [Internal control as an economic category: systematization of scientific approaches and clarification of the content] // T.A. Zhadan, SO Yatsenko // Hlobalni ta*

- observation and verification. It means that the essence of control is disclosed through a set of techniques and operations of its implementation, it means - methods;

- the system, namely, the control system is understood as a system of observation and verification. It means the system of relations concerning systematic observation and verification. The system that consists of input and output elements;

- process. Scientists define the category of "control" from the point of view of the process approach;

- function or component of management. It means that control is one of the most important management functions without which it is impossible to realize the other functions: planning, organization, motivation and leadership. Being in close connection with the other management functions, control is approved for the assessing the relevance of these functions to the challenges facing the management. The agent of management receives information about the results of the activity, about those deviations and changes in the situation that may lead to non-fulfillment of tasks or obtaining totally different results with the help of control;

- the mean of warning, detecting and preventing violations. It means that control, as an economic category, is an effective mean of warning, detecting and preventing violations and encroachments on the national wealth of the country. It means that control is an integral part of economic management, its function, method of realization of management decisions. Also it means the source of information about positive and negative phenomena on the areas of production activity. Control is the systematic constructive activity of the heads of control government, aimed at approaching to the actual implementation of the goal.

In fact, there is no control at all but there is control of specific content and forms, including administrative, technical, financial, economic and other specialized types of control. Economic control promotes the increasing of the efficiency of productive and financial activity of enterprises of different patterns of ownership. At the same time, state control and internal control of owners interested in the execution of state orders and contracts are combined. The state protects the interests of users, checking the quality of products, ensures the availability and reliability of information on the quantity and quality of the product range through the control.

Economic control is the function for managing productive forces and production relations. Control has several stages in its development:

- descriptive stage is related to the facts gathering and its primary grouping;
- logical and analytical stage is qualitative analysis of facts and then a combination of qualitative and quantitative mathematical methods of scientific cognition¹.

Consequently, control includes the facts and data of the experiment on the one hand, and a system of knowledge that is a theory that indicates economic control has split into economic science, which has its own subject and method of research on the other hand.

The concept of science is based on its content and functions implementing in society. An important function of science is the knowledge development system that promotes the most rational organization of productive relations and the use of productive forces in the interests of all members of society and everyone in particular.

We can mark out the following most characteristic components of each science: theories; laws; principles, postulates; hypotheses; special methods; specific categories; facts.

Science includes the line of specific functions²:

- cognitive people's satisfaction in knowledge of nature laws and society;
- cultural and educational -- development of cultural, intellectual education of a person;
- practical and effective -- the improvement of production and the system of social relations that means that it is the function of direct productive power of material production.

The subject of science is the connected forms of matter's motion or the features of its reflection in consciousness. Material objects of nature determine the existence of many branches of knowledge. Systematization of scientific knowledge is an adequate reflection, reproduction of the object's structure in the system of scientific knowledge about it. Therefore, science is knowledge made into the system.

Science is a dynamic system of knowledge that reveals new phenomena in society and nature in order to apply them in its practical activity of people.

Economic science develops together with the development of productive forces and industrial relations in specific socio-economic formations. The development of each science is based on its own laws and historical conditions inherited in a certain formation. Nevertheless, there are

¹ Pantelev V.P. *Audit. [Audit] Tutorial*. - K.: "Publishing House "Professional", 2008. - 400p.
² *ibid.*, p. 1

general economic laws that influence the development of science in each formation.

Characteristic features of economic control as a science are¹:

- economic control is a complex science. It can be referred to a number of special, interindustrial, functional;
- the only subject of the science of economic control is the availability, movement, conservation and effectiveness of national wealth use, that is the study and development of ways how to eliminate mismanagement, theft and other violations. Unlike other sciences, economic control study the legality and efficiency of economic activity, reveals its shortcomings, elaborates ways of eliminating them, and analyzes the effectiveness of control measures;
- science of control differs in the specifics of its objects and methods of research;
- science about the control has a specific, active focus on practice.

Consequently, economic control is a dynamic system of economic knowledge aimed at identifying and eliminating negative phenomena in the development of productive forces and industrial relations in order to timely regulate them in the expanded reproduction of a socially necessary product for people being, based on the concept of science.

Thus, economic control as a science²:

- studies the development and improvement of economic control, its means and methods at all the stages of social development and in future society;
- studies patterns of control reproduction processes;
- develops the ways of preserving and effectively using national wealth in the process of expanded reproduction;
- study the reasons and conditions cause to the implementation of violations, and measures for their elimination.

Studying the most important problems of extended reproduction, economic control as a branch of economic science contributes the optimization of national economic programs, territorial distribution of production and also studies labor, material and financial resources in all branches of the national economy for the purpose of its rational usage.

Economic control, as well as all economic science, studies the problems of economic development in Ukraine. Therefore, control can not be limited

¹ Butinets F.F. *Kontrol i reviziya [Control and revision]: A textbook for students of higher educational institutions of the specialty "Accounting and Audit"* / F.F. Butinets, V.P. Bondar, N.G. Vyhovskaya, N.I. Petrenko / Under the editorship of Prof. F.F. Butinets - 4th type., Add. and pr. - Zhytomyr: PE "Ruia", 2006. - 560p.

² *ibid.*, p. 1

only by qualitative definitions of economic laws, categories in resolving these problems. It studies their quantitative relations.

Economic control is narrowly linked to planning, management and accounting. This connection shows itself first of all the fact that functional economic sciences are exploring the same object but with a different target function. In the conditions of technical progress, there is a need for complex study of the object and important problems for example such as the research of the national economy, marketing, market balance, etc.

Consequently, economic control is integrated with other functional economic sciences in its development.

Economic control has the specificity of demonstration in each such system as a function of a definite management system. Thus, state control is an integral part of economic control. The essence of it is to establish the actual state of observance of the requirements of the current tax legislation at the controlled object. It is aimed to ensure legality, financial discipline and rationality in the course of the formation, distribution, possession, use and grant of assets owned by the state, as well as the use of funds remaining in the subject of financial legal relations in connection with provided benefits to payments in budgets, state extrabudgetary funds and loans received under the guarantees of the Cabinet of Ministers of Ukraine¹.

State economic control is the most important function of public administration, aimed at detecting deviations from accepted standards of legality, expediency and effectiveness of financial resources management and other state property.

An important component of state economic control the tax control. It is determined as the activity of tax authorities to monitor the compliance of the organization of taxpayers with the accounting of taxation objects, methods of calculating and paying taxes and tax payments in accordance with the current normative legal acts of the tax field. They detect deviations made during the implementation of tax legislation and the impact of the consequences of violations of tax obligations².

The tax control is defined as a system of measures taken by controlling authorities to control the correctness of accrual, completeness and timely payment of taxes and fees in the Tax Code of Ukraine³. In addition, it means the compliance with legislation of the cash flow regulation, cash operations,

¹ Gutsalenko L.V. *Derzhavnyy finansovyy kontrol: navch. posib. [State Financial Control: Teach. Manual]* / L.V. Gutsalenko, V.A. Deriy, M. Kotsupaty. - K.: ZUL, 2009. - 424p.

² Buryak P. Yu. *Podatkovyy kontrol: pidruchnyk [Tax Control: Textbook]* / P. Yu. Buryak, B.A. Karpinsky, N. S. Zaluaskaya, V. Z. Bilinsky. - K.: Hi-Tech Press, 2007. - 608p.

³ *Podatkovyy kodeks Ukrainy [Electronic resource]* [Tax Code of Ukraine [Electronic resource]]. - Mode of access: <http://zakon4.rada.gov.ua/laws/show/2755-17>.

patenting, licensing and other legislation, the control of which is entrusted to the supervisory control authorities.

Tax control is an integral part of an effective tax system. In practice, tax control is verifying to the correctness of the charge, the completeness and timeliness of paying taxes and other payments to the budget. Consequently, the main purpose of tax control is to prevent potential taxpayers from evicting their payments, as well as to redeem evidenced amounts of taxes and fees by the subject of economic management to the budget. On this basis, tax control is a mean to ensure the organization of timely receipts of tax liabilities fully in accordance with the current legislation that is achieved by preventing, detecting and terminating tax offenses, reimbursement of budget losses in violation of tax laws. Nevertheless, at the same time, the improvement of the tax system requires the creation of institutional conditions for voluntary compliance with tax legislation by taxpayers, changes in control priorities from a purely fiscal direction to direct monitoring of taxpayers' activities. The main purpose of tax control is the identification of cause-and-effect relations of detected violations, the development of specific proposals and measures for improving the legislation and the transition from the forced payments of taxes and fees to the voluntary execution of tax liabilities to the state by juristic and physical persons. The supervisory authorities should make proposals to improve tax legislation in order to eliminate the institutional preconditions and benefits of tax evasion, ensuring the most effective functioning of the tax system based on the analysis of these connections¹.

Tax control is characterized by certain peculiarities²:

1) it is a special state control;

¹ Melnik M.I., Leschukh I.V. *Podatkovyy kontrol v Ukraini: problemy ta priorityty pidvyshchennya efektyvnosti: monohrafiya [Tax Control in Ukraine: Problems and Priorities for Efficiency: Monograph]* / M.I. Melnik, I.V. Leschukh - Lviv: State Enterprise "Institute for Regional Studies" E. The Late NAS of Ukraine", 2015 - 330p.

² Lisovy AV *Rol podatkovoho kontrolyu u systemi derzhavnoho finansovoho kontrolyu [The Role of Tax Control in the System of Public Financial Control]* / AV Lisovy, T. M. Yegorova // *Naukovyy visnyk Natsionalnoho universytetu derzhavnoyi podatkovoyi sluzhby Ukrainy (ekonomika, pravo). [Scientific Bulletin of the National University of the State Tax Service of Ukraine (Economics and Law)]*. - 2011. - №2. - 91-94pp.

³ Lisovy AV *Rol podatkovoho kontrolyu u systemi derzhavnoho finansovoho kontrolyu [The Role of Tax Control in the System of Public Financial Control]* / AV Lisovy, T. M. Yegorova // *Naukovyy visnyk Natsionalnoho universytetu derzhavnoyi podatkovoyi sluzhby Ukrainy (ekonomika, pravo). [Scientific Bulletin of the National University of the State Tax Service of Ukraine (Economics and Law)]*. - 2011. - №2. - 91-94pp.

- 2) it includes the discipline control in the field of taxation, that implies a wide approach to the content of tax control;
- 3) it is characterized by a clear purposefulness;
- 4) it is connected not only with money but also with material resources;
- 5) it reflects the relations between central and local state authorities based on fiscal functions of the state, the peculiarity of realization of which is clearly imperative;
- 6) it is realized through a combination of active actions both obliged and authoritative agents of management. Previously mentioned specific features of tax control are the best disclosed through the definition of its agents of management, object and subject, functions and tasks, and through the types and methods of its implementation.

The following agents of management are involved in the process of tax control:

1) control subjects that in accordance with Art. 41 of the Tax Code of Ukraine are:

- authorities of the state fiscal service – they are responsible for taxes that are counted towards budgets and state trust funds, as well as legislation controlled by authorities of the state fiscal service;

- customs authorities – they are responsible for customs duties, excise taxes, value added tax, other taxes that are in accordance to the tax laws enforced in the case of import (dispatch) of goods and goods into the customs territory of Ukraine or the territory of a free customs zone, export (dispatch) of goods and objects from the customs territory of Ukraine or the territory of a free customs zone.

2) controlled subjects are physical persons (residents and non-residents of Ukraine) and juristic persons (residents and non-residents of Ukraine) and their separate subunits that receive (transmit) taxation objects in accordance with the Tax Code of Ukraine or the other tax legislation. Also they are obliged to pay taxes and fees;

3) tax agents are persons who are responsible for calculation, incomes retention accrued (paid, provided) to the payer and the transfer of taxes to the appropriate budget on behalf and at the expense of the taxpayer.

4) auxiliary subjects: witnesses, translators, experts, witnesses of inquest, technical inventory bureau, commodity exchanges, etc.

The object of tax control is the tax relations between tax audit subjects regarding the implementation of their duties, provided by the current tax legislation, that are assessed in terms of their legality, completeness, reliability and timeliness.

The target of tax control is the correctness of accrual, completeness and timeliness of payment of taxes and fees, correctness of composition and

timely submission of tax returns (computations), maintenance of the legislation in cash flow, conduction of calculation and cash operations, patenting, licensing and other legislation¹.

The sources of information are accounting books, reports, plans, accounts, declarations, invoices and the other documents related to the calculation and payment of taxes and fees to the budgets of all levels. In particular, they include the orders of heads and employees' reports, civil and labor contracts, constituent documents, bank statements, etc.

The main functions of tax control are²:

1) Accounting and analytic function includes account of taxpayers and subjects of taxation, analysis and evaluation of the agents of management work in order to identify the risks of tax evasion, the establishment of the actual indicators of the tax system and its comparison with the plans of the analysis and evaluation of activity in order to make appropriate decisions.

2) Administrative function provides the prevention of the offenses in the tax field. The organization and unity of the actions of all authorities assigned to provide control functions. Development and implementation of administrative decisions in the field of taxation, its optimization and search of ways how to increase the efficiency. Administrative function shows up through the massive explanatory work, consulting implemented by tax authorities, etc.

3) Information function intended to ensure the availability of truthful information about performance and effectiveness of tax control, as the materials of tax control is a source of information for the adoption of management decisions.

4) The control function contains tracking the compliance process and the requirements of the current tax legislation, involvement of persons committed crimes in the field of taxation.

5) Planning.

6) Forecasting activity.

The basic requirements for the implementation of tax control can be formulated based on the research of its essence-content characteristics:

- consistency – involves the implementation of a large number of control and verification actions according to the rules of the law. These actions conduct in a logical sequence and aim at achieving the necessary

¹ Naydenko O.E. *Podatkovyy kontrol: navch. posib. [Tax Control: Teach. Manual]* / O.E. Naydenko - X.: KHNEU, 2012. - 224p.

² Melnik M.I., Leschukh IV *Podatkovyy kontrol v Ukraini: problemy ta priorityety pidvshchennya efektyvnosti: monohrafiya [Tax Control in Ukraine: Problems and Priorities for Efficiency: Monograph]* / M.I. Melnik, IV Leschukh - Lviv: State Enterprise "Institute for Regional Studies" E. The Late NAS of Ukraine", 2015 - 330p.

result, namely the detection of the abuses in the field of taxation and taking measures to avoid this phenomenon in the future;

- objectivity – implies impartiality of tax inspectors actions in the process of control and verification measures;

- comprehensiveness – involves all aspects of the object of control activity implemented by the tax control for the prevention of tax offenses, and in case of their detection the adoption of legal management decisions;

- completeness – contains the use of all measures envisaged by law for the comprehensive exploration of the object of control, identifying all its strengths and weaknesses in the process of fulfilling tax obligations by the tax inspector;

- effectiveness – analysis of the control's results and efficient decision-making about identified deficiencies in the work of both, the business authority and the control authority.

The observance of the above requirements of tax control will ensure an increase of tax administration efficiency in Ukraine.

The main direction of tax control was the development of new methods of checking the correct and complete audits of taxpayers payments to the budget and bringing to justice those who evade taxation. In the context of changes in tax legislation the list of tax control directions has expanded considerably, in particular for¹:

- due account of organizations and physical persons;
- timely payment of taxes and fees;
- the correctness of the calculation and completeness of payment;
- the legal usage of tax privileges;
- the timeliness and correct tax retention the sums of taxes by the tax agents;

- the lawfulness of the reimbursement of the amounts of indirect taxes from the budget;

- timely transfer of tax payments and the execution of warrants of payments and letters of collection;

- observance of tax treatment.

Consequently, the modern system of tax control is complex and multifaceted. Tax control is an integral part of the state economic control. The tax control has its social purpose and therefore it needs further improvement for achieving its fiscal efficiency, the establishment of interaction and harmonization of interests between taxpayers and tax authorities.

¹ *Babin II Podatkove pravo Ukrainy: navch. posibnyk [Tax law of Ukraine: teach. Manual] / L.I. Babin - Chernivtsi: Chernivtsi National University, 2012. - 504pp.*