

Eurasian  
Research Bulletin



# Theoretical foundations of the organization of tax control

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**ABSTRACT**

In this article, research was conducted on ways to improve the methodological foundations of tax audits and evaluate their effectiveness, and conclusions and suggestions were formed within the framework of the research.

**Keywords:**

tax, budget policy, budget, tax administration, financial control, tax inspections, audit, tax audit, international standards of audit, regulatory analysis, tax revenues, tax benefits, tax rate.

**Introduction** The reforms that have been carried out in our republic until now have covered all areas and caused the development of the areas. In particular, regulatory and legal documents were developed for each type of activity, and methodological support of the field was created. In particular, the work carried out on tax control activities shows that today there is sufficient methodological support for audit. In this field. The adopted laws and regulations on the methodological bases of tax audits indicate that the methodological provision of the sector has been created.

**Analysis of literature on the topic:**

S. Miroshnik (2017) gives the author's definition of tax control in his scientific research on tax control: "tax control is a legal assessment of the implementation of tax and legal regulation by economic entities by authorized state bodies, putting an end to violations, is the activity expressed in bringing to responsibility persons who violate the fiscal interests of citizens".

L. I. Kofler, Y. P. Kashirinalar (2017) considers tax control to be an effective mechanism implemented through tax audits as an important condition for the operation of the tax system. In the approach of these scientists, "tax audit is the control action of the tax authority over the correct calculation, timely and complete payment (transfer) of taxes and other mandatory payments to the budget, in this process, the actual tax control results obtained is an economic mechanism by which the data is compared with the data of the tax declaration submitted to the tax authorities".

The scientific views of N. Shestakova (2018) are very important in this regard. This scientist defines tax control as: "a special, profiled system of competent state bodies in the field of control over the implementation of tax legislation, which includes techniques and methods that allow checking compliance with tax discipline, determining the maximum number of tax violations and taking preventive measures is a set of actions".

Russian scientists N.A. Filippova and D. Yu. Makevnina (2018) defines tax control in a broad sense as an integral part of the system of state regulatory measures aimed at ensuring the effective financial policy and economic security of the Russian Federation, achieving a balance between the rights of taxpayers and the legal requirements of the state.

M. Sadchikov (2010) "tax audit is the main form of tax control, it consists of a set of procedural actions of competent authorities to control compliance with the laws on taxes and levies, and it includes the reporting data of the audited persons, considers that decisions of tax authorities are made by comparing them with the real state of financial and economic activity of taxpayers, fee payers and tax agents.

The importance of tax audit is expressed by Barsulaya (2019) as follows: at present, among the types of audit services, there is a greater need for tax audit. According to experts, 30% of the revenue of Russian audit companies is accounted for by tax audits.

In this regard, Ahrens and Lobbecker (1995) wrote the following: "The government hires auditors to check taxpayers' compliance with federal tax laws and tax returns. Tax legislation is very complex and requires a deep knowledge of the tax audit auditor. Economists Sheremet and Suyslar (2005) define tax audit as "tax audit is an audit of correct and complete calculation and payment of taxes, compliance with tax policy."

### **Analysis and discussion of results**

The development of market relations in the Republic of Uzbekistan, the emergence of economic entities with a new form of ownership, changes in the sources of financial resources in their economic activity, the principles of profit distribution and crediting, the formation of prices and the system of calculations, the tax system, the structure of enterprises and their relationships, the allocation of a part of income to the budget going through the processes. In such conditions, new directions and forms of tax control appear, which face situations that were not encountered in the activity of control bodies and that do not exist in the administrative management system.

The scope of tax control will expand, which will require changes to the existing system of tax authorities, methods of tax control, as well as new interpretations of its theoretical aspects.

To date, various theories of tax compliance that form the theoretical basis of tax control strategies include constraint, behaviorism, and signaling theories as widely developed theories. These theories are important in the formation of the scientific basis of tax control, and it is impossible to consider a single theory as perfect. The application of each theory depends on the level of development of this country, economic situation, the tax culture formed by taxpayers, the complexity or simplicity of tax legislation, the number of types of taxes and many other factors.

The main theories of tax compliance—constraint and behaviorist theories—often disagree about the varying degrees of structural complexity (or "complexity") of large, heterogeneous populations of taxpayers. In their most general forms, these approaches are reductionist, seeking to explain the workings of a social system by first understanding the (sometimes complex) motivations of individual taxpayers and then assembling the parts to explain the whole. The so-called "tax compliance puzzle" is the result of models' predictions that are inconsistent with observable tax compliance data. Game-theoretic approaches suggest that this "complexity" approach is insufficient. Knowing only the motivations of individual taxpayers leads to an incomplete understanding of tax compliance as a societal system. Repeated strategic considerations of taxpayers, tax authorities, employers, taxpayers and other agents operating in the system show that the tax compliance system is a multifaceted problem. For example, the taxpayer's behavior is an input to the tax authority's audit power signaling calculus, which feeds (albeit partially) into the taxpayer's individual motivations for compliance, and then feeds back (again, partially) to other agents. decisions about what strategic actions to take. This iterative process is a sign of the dynamic complexity (or simply "complexity" for the purposes of this article) in the tax compliance system. Others have

explained the concept of tax compliance as "complexity" by introducing simple agent-based computational models to explain how multiple components can manage such a system.

One of the first theories, the theory of limitation, was developed in 1972 by American scientists M. Allingham and A. Sandmo (Allingham & Sandmo, 1972). It was built by the Nobel laureate G. Becker on the basis of the theory of criminal economics, which connects the rational choice of an individual with the comparison of expected benefits and losses (costs). The initial position of the theory of constraints is the conditionality of the individual's economic behavior with the rationality of his choice, aimed at obtaining maximum profit. According to this hypothesis, a rational person evaluates the benefits of successful tax evasion based on knowledge of the tax rate, the probability of a tax audit, and the amount of penalties. In this case, a rational choice is made between two alternatives: 1) full declaration of real income ( $W$ ); 2) show less than the actual income ( $X$ ). If the regulatory authorities do not detect reduced income, the second option may be useful. That is, the expected profit (utility -  $U$ ) directly depends on the income and has an inverse relationship with the probability of inspection and the amount of fines. This correlation M. Allingham and A. Sandmo's expected utility model was found considering the following variables (economic parameters); the tax rate ( $t$ ), the probability of inspection ( $P$ ), the amount of fines ( $p$ ) is as follows:

According to the developed static model of taxpayer choice, if the expected profit is positive, the taxpayer chooses to avoid paying taxes. However, empirical data contradicts this theory, which is explained by the specific features of the model, which is expressed in the limited consideration of tax behavior (povedenie) factors (only economic), in a significant simplification of real conditions (rejection of value judgments about probability), this in the event that the probability of a tax audit is low, the amount of fines according to official rules is not taken into account). At the same time, the built model was recognized as a classic and became the basis for

further scientific work in this field and serves as a kind of incentive.

It is the theory of limitation that is the main strategy of tax control, known as the "strategy of coercion". The main incentive in this strategy is the economic deterrence of tax evasion. Focusing on the rational selection of business entities, comparing their expected benefits and losses from tax evasion, the strategy of coercion is a system of formal motivations for business entities (circulation of official rules): control, high level of responsibility (higher fines, confiscation of property, criminal liability) is done through The enforcement strategy involves the elimination of tax non-compliance by business entities through coercive and punitive measures. The entire emphasis on the economic factors of tax behavior necessitates limiting the coercive strategy.

This shortcoming can be overcome using strategies based on behaviorism theory. This theory is based on the recognition that it is impossible to achieve the full efficiency of economic entities due to the influence of many factors and limitations: social, psychological, neurological, etc. In reality, there is no perfect person. Mental, intellectual, cultural and other characteristics of people do not allow them to make a choice in the field of taxation. Behaviourism, which does not deny the various behavioral influences on tax, includes non-economic factors of tax compliance, taking into account a number of variables from psychology, sociology and political science. In particular, spiritual and moral values, education, culture, awareness of the fairness of taxation, trust in the state and tax authorities. As an alternative to the theory of economic constraints, the concept of behavior explains the compliance of tax with social, moral, cultural constraints, trust in authority, etc.

These factors complement the public policy tool in the field of tax compliance, with the exception of coercive measures. A complex combination of determinants of tax compliance is presented in one model by W. Braithwaite (2003). An Australian scientist identified five main components (business, industry, sociological, economic and psychological) as determinants of tax behavior. Their abbreviation formed the

name of the model - BISEP. The variability of the tax behavior of tax subjects is related to a number of government strategies for regulating compliance with tax legislation, thus reflecting the complex interaction between the state and taxpayers as participants in tax relations.

Service strategy as a type of tax control strategy is based on behavioral theory, including the theory of constraint. This harmony of the theoretical base allows for the formation of deterrent and other goals in the strategy of tax control, tasks arising from factors of tax behavior, which should be taken into account in order to have the best effect on the attitude of subjects to their tax obligations; taking into account the multifaceted characteristics of the human factor. Attention to the consideration of psychological factors makes it possible to form a positive attitude towards the tax authorities through the service delivery strategy, to the authorities with an increasing number of tax payers.

The next theoretical concept of tax control strategy is signaling theory. According to this theory, it is not the rules of conduct that determine the behavior of business entities in tax relations, but the signal of the perception of others. A person must be connected to the signal of "acceptable social behavior". A signal source (signal indicator) that encourages compliance with state tax discipline is provided by tax authorities or other persons. Signaling theory emphasizes the perception of economic entities about the power and capabilities of tax authorities as a key factor in tax compliance. In this theory, it is not the possibility of control (as in constraint theory) that motivates tax compliance, but the authority's reputation for tax control power. Tax behavior is considered in a dynamic system, which includes many different interactions with feedback based on the existence of two-way information asymmetry: the taxpayer, knowing about his real income, does not know the real power of the regulatory authorities; and the tax authorities, realizing the real power of tax control, do not know the real incomes of taxpayers.

The signaling theory became the basis for the strategy of trust in the state tax control system. The high importance of the effectiveness of the

cooperation of the competent tax control bodies with the business entities of the tax authorities, they appreciate both the state power and its representative bodies. Since this theory is supported by experimental data on the impact of trust, which is considered "social capital", on the macroeconomic indicators of individual countries, the use of signals in development. the strategy of state tax control cannot be ignored. It is worth noting that the above theoretical concepts of the tax control strategy: 1) have similarities in considering compliance with tax legislation as a system in which business entities are the main element, as well as taking into account causal relationships. ensuring predictability of taxation. behavior: 2) the nature of the driving force (motivational factors), the difference of the conceptual system from theoretical concepts in the level of complexity; 3) if earlier these theoretical concepts were competing, in modern conditions it is understood the need to apply them simultaneously for certain categories of economic subjects.

At the same time, theoretical aspects of tax control are considered as a part of financial control in most literature. From a theoretical point of view, tax control as a part of financial control is a complex category, therefore it should be considered on the basis of systematic analysis as a holistic phenomenon that interacts with other situations, as well as a system consisting of a certain set of interrelated elements.

Russian scientists and practitioners S.O.Shokhin and L.I.Voronina define tax control as a part of financial control as follows: "...the financial and economic activities of enterprises, institutions and organizations in order to objectively assess the economic efficiency of this activity, determine its legality and expediency It is a multi-faceted inter-sectoral system of monitoring the activities of state and public bodies, which has control functions over it, and it is the implementation of economic and financial operations and the determination of state budget revenue reserves. This definition reveals the importance of tax control only from the point of view of state bodies, their functions and tasks aimed at protecting state interests.

Some researchers consider control as an activity. For example, V.G. Afanasev believes that "control" is "work", monitoring and checking the compliance of the object's operation process with the adopted management decisions - laws, plans, norms, standards, rules, orders, etc.; is to determine the results of the subject's influence on the object, the deviation from the requirements of management decisions, the accepted principles of organization and regulation. Determining deviations and their causes, control personnel determine ways to correct the organization of the control object, methods of influencing the object to eliminate deviations, and elimination of obstacles to the optimal operation of the system. This definition expresses the content of financial control more broadly, which includes not only the tasks of detecting deviations, but also taking corrective measures.

A number of scholars consider control to be a process. Thus, N.I. Khimicheva "control is control over the legality and expediency of actions in the field of education, the distribution and use of state and local government funds for the effective socio-economic development of the country and individual regions. At the same time, the importance of financial control is that, in its implementation, they first of all check compliance with the legal order established by state and public bodies, enterprises, institutions, organizations, citizens in the process of financial activity. Thus, it serves as an important way to ensure the legality and appropriateness of the financial activities being carried out. This definition limits financial control to the detection of financial irregularities and ineffective spending.

N.D. Poghosyan states that "control can be defined as a set of regular and continuous processes, through which their participants ensure the effective functioning of the public sector in a legal form, as well as the activities of other economic entities, forms of ownership. It is worth noting that this definition is too broad and does not reflect the content or attributes of control.

According to the definition of A.P. Kozirin, "financial control is the activity of state bodies, which is carried out using certain organizational

forms and methods, and in some cases, non-state bodies, which have the appropriate powers by law, are carried out in order to establish legality and legitimacy, reliability of financial transactions, financial- objective assessment of the economic efficiency of economic activity and the identification of new reserves for its increase, increase of revenues to the budget and preservation of state property is understood. This should be understood as the procedure for the formation, distribution and use of the state, the funds specified in the financial legislation.

L.N. Ovsyannikov defines state financial control as follows: "... is the exercise of the right of the state to protect its financial interests and the financial interests of citizens by legal means." It should be noted that this definition, in our opinion, is too abstract and does not reveal the essence of the studied concept. It should also be noted that financial control is not only the right of the state, but also the obligation of the state to deviate from the accepted norms in the financial sphere and to respond to various types of violations.

The listed elements of the control system together make up the tax control mechanism, which must be regulated by the regulatory legal documents constituting the tax legislation. The elements listed here are not the sum of all financial control procedures in the implementation of financial control, but rather a sequence of actions.

**Conclusions and suggestions:** The basics of organizing tax audits developed during the research work, organizational stages of tax audits, systematic hierarchy of organizing tax audits, principles of tax audits, elements of tax audits, grouping of tax audits according to methods of conducting them, basics of tax audit implementation, the basics of using the "risk analysis system" in the organization of tax audits, the conceptual features of using tax risk in conducting tax audits, the stages before conducting a camera tax audit, the methodological bases of the processes of conducting camera tax audits in tax service bodies, The sequence object and stages of implementation of mobile tax audits, the stages

of conducting tax audits, on the one hand, serve to reveal the essence of tax audits, on the other hand, they create important methodological foundations for their effective implementation as modern approaches to tax audits.

Based on the analysis within the framework of the research work, related to the solution of the problem of ensuring the effectiveness of pre-inspection analyzes based on the use of the "Avtocameral" program in the implementation of tax audits, a proposal on VAT in conducting the analysis before the cameral tax audits through the "Avtocameral" program analysis based on the specified criteria and proposals for obtaining additional information in the "External Source" system will be effective in conducting internal tax audits.

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