

MECHANISMS AND PARTICULARS OF CARRYING OUT FISCAL CONTROLS IN THE TERRITORY OF EUROPEAN UNION COUNTRIES

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Abstract: *This article highlights the practice of European Union countries in administration fiscal mechanisms, in particular: improving the mechanisms for tax control (auditing) of taxpayers (Netherlands), improving the arrears management system (Ireland), creating favorable conditions for taxpayers to comply, including through tax education measures (Sweden), development of pre-completed reports (Sweden, Denmark, Norway, Finland, France, Estonia, Lithuania, Slovenia), risk management and counterfeiting of e-commerce fraud (Denmark, Hungary, United Kingdom, Sweden), implementation of the Action Plan on eroding the tax base and manipulating profits (by virtually all EU countries), consolidating taxpayer information into a single file (Ireland and Sweden), reshaping work processes (Bulgaria, United Kingdom, Finland, Sweden).*

Key words: *administration tax, European practice, fiscal gap, fiscal mechanisms, tax compliance, work processes.*

JEL CLASSIFICATION: E62, E63, H3, H8, Q2

1. INTRODUCTION

In the tax system, an important role belongs to the tax administration and its mechanisms, starting from the fact that through these components the collection of financial resources from civil society is ensured, the techniques and attitude in the collection process having a crucial importance in this process. .

The European practice in the administration of fiscal mechanisms is based on the good practices of the countries within the European Union, with an emphasis on the countries of northern Europe, these being in the world top of the countries with the best tax systems, with a pronounced social note excellent orientation towards taxpayers.

2. FORCED COMPLIANCE

Thus, regarding improving the mechanisms for tax control (audit) of taxpayers, an example to follow is the existing system in the Netherlands.

The basic principle of external control is the principle of "horizontal monitoring". The working method of the Dutch tax authorities has changed from the application of "vertical" monitoring to the application of "horizontal" monitoring. Although vertical monitoring has not disappeared, horizontal monitoring is becoming increasingly important. Vertical monitoring is based on retroactive verification, but horizontal monitoring is a form of work based on mutual trust, understanding and transparency between the entity and the tax authorities. Horizontal monitoring consists of two elements: on the one hand, the establishment of good relations between taxpayers (in various organizational forms) and the tax authorities, which is reflected in the registration of a compliance agreement (discussed above); on the other hand,

Until recently, the relationship between the Dutch tax authorities and taxpayers was built on the dimensions of "vertical" monitoring. Therefore, the refund of taxes was subject to an audit by the tax authorities in order to verify the correctness of the completion of the tax returns.

Such a "vertical" method would lead to a situation of uncertainty for taxpayers in terms of their tax situation and this could not be resolved within a reasonable time. "Horizontal"

monitoring is the new method that the Dutch tax authorities are promoting in order to avoid the disadvantages specific to the vertical method. Today, the "work in the past" method is being replaced by the "work in the present" method, and entrepreneurs are complying with this new method, which offers substantial advantages.

By applying 'horizontal' monitoring, the Dutch tax authorities have arrived at a method of taxpayer compliance that is highly valued. This means that entrepreneurs voluntarily comply with legal provisions, and the results given are possible through mutual trust, understanding and transparency between tax authorities and taxpayers. In other words, both sides work as a united team, and the entrepreneurial / fiscal authority psychological barrier is largely overcome.

The basic task of the "horizontal" method is to find the point of tangency between meeting taxpayers' demands without affecting the correct way to determine tax obligations. The contractor must demonstrate that it is honest from a tax point of view, which involves informing the tax inspector of the tax risks at an early stage by voluntarily providing all relevant facts and circumstances. In turn, the tax inspector provides complete information to the taxpayer about the situation created and the solution to overcome it, which allows the taxpayer to place himself in the segment of tax security.

In general, the advantages of "horizontal" monitoring include:

- "Thing in the past" is replaced by "thing in the present", and the tax authorities, being treated by a transparent attitude on the part of the entrepreneur, will provide a quick decision on the taxpayer's tax situation. Under such conditions, neither party will be in a situation of uncertainty. In addition, the taxpayer will have a fixed point of contact with the tax authorities.
- subsequent controls less rigorous. The current cooperation between the tax authority and the taxpayer means the subsequent avoidance of tax controls, which are carried out only at random in the framework of "horizontal" monitoring.
- agreement or disagreement. "Horizontal" monitoring does not imply the mandatory need to resolve disagreements between the tax authority and the taxpayer under the "Compliance Agreement". Thus, these topics leave room for discussion and, finally, the possibility to continue the discussions in question before the court on the agreement or disagreement regarding a situation. It is important to note that such a practice it is extremely fruitful in its relationship with large taxpayers.

An important moment in terms of risk management and anti-fraud is e-commerce, which is the subject of discussions on both political platforms (European Parliament, European Council, European Commission), which have led to the approval of e-commerce directives, such as Directive 2000/31 / EC of the European Parliament and of the Council of 8 June 2000 on electronic commerce or Directive 2002/20 / EC of the European Parliament and of the Council of 7 March 2002 on the authorization of electronic communications networks and services (Directive authorization) as well as on European technical tax platforms (IOTA, OECD).

Fiscal control of electronic commerce is the verification from a fiscal point of view of transactions between natural and legal persons using electronic means (internet) and / or electronic currencies as an instrument.

In this area, there are certain features of the targeting of e-commerce by EU countries. For example, in Denmark there is a special type of control (audit) - electronic control - which is responsible for monitoring the Internet to identify new trends in e-commerce, which could be a taxable basis for income tax and VAT, search and identification of entities specializing in e-commerce, based on the usual controls carried out by the tax administration. At the same time, in Hungary, the ratings offered by specialized rating sites (such as www.alexa.com), the number of goods sold by the online store (if shown) are used to identify the taxable income of online stores. , the average price of the units traded, the declarations of similar units that were subject to control. In the United Kingdom, monitoring of e-commerce has been put before the Prudential

Regulation Authority and the Financial Conduct Authority since 2013. on the basis of Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65 / EC, 2009/110 / EC and 2013/36 / EU, and of Regulation (EU) no. 1093/2010, and repealing Directive 2007/64 / EC, implemented from 1 November 2009. Thus, a special category of taxpayers, called payment institutions (PI's), has been created, which have become of additional prudential requirements (banks, non-bank card issuers, electronic money issuers, etc.). In Austria, the main focus is on large taxpayers, as they earn a large amount of money, but tend to pay very little in the form of taxes and fees, by allocating profit through different countries and others. The most important sources of money online are: (a) advertising on the Internet (on web pages, in applications, search engines, etc.), marketing of applications (Apps to pay or In-App-Purchase), marketing of goods via the Internet , electronic money, etc. In fact, the tax authority has a special position on bitcoin: it is not considered electronic money, but electronic tool, subject to VAT in the generally established way. To achieve the objectives of e-commerce, the Swedish tax administration has developed a well-structured system, which is considered one of the most efficient in Europe. Thus, there is a set of questions, to which very useful e-commerce investigation resources can be identified, such as: Who is the provider? (Who.is, Uwhois.com); When are the transactions made? (Archive.org); Where are the transactions made? (Netcraft.com); What is the frequency (traffic)? (Alexa.com, Similarweb.com); What's the connection? (Sitedossier.com, Webhosting.info, Opensiteexplorer.org, Bing); What interdependent people are they? (ReverseInternet.com, Sameid.net, Internetofficer.com); What is the situation in terms of trade through the domain? (Dnforum.com, Namepros.com)

Given the ongoing process of globalization and the development of the digital economy strongly focused on intangible assets and activities in a virtual environment, it has recently become increasingly difficult for current tax systems to ensure a fair taxation of profits. , keeping pace with technological development and new international business models. The current tax systems are not adapted to the new information age in which international business is currently conducted.

In the author's opinion, it is extremely important to implement measures to target e-commerce, starting from the importance that the field is gaining today and the tendency to "migrate online" of companies.

Targeting tax base erosion internationally is achieved through the Base Erosion and Profit Shifting (BEPS) Action Plan, which is a technical term that refers to the negative effects of using tax optimization strategies. by multinational companies on national tax systems.

This action plan is implemented by virtually all EU countries (those that are members of the OECD) and is taken up as good practices by other EU countries that are not members of the OECD.

The action plan indicates that, in order to maintain fiscal harmony at international level, it is necessary to take measures as soon as possible to ensure a fair taxation profits. Otherwise, it is possible to witness unilateral decisions by the countries affected by this aggressive fiscal optimization, decisions that will lead to an international fiscal chaos that will manifest itself through the reappearance of double taxation situations.

The plan is structured in three sections and:

- indicates the measures to be taken to combat the erosion of the tax base and the manipulation of profits;
- sets deadlines for implementing these measures; and
- indicates the resources required and sets out how these measures can be implemented.

The report outlines 15 measures to combat aggressive tax optimizations, as follows: (1) adapting and improving current tax systems in the context of an increasingly developed digital

economy; (2) neutralizing the effects generated by the exploitation of the inconsistencies between the fiscal legislations of the states; (3) strengthening the rules regarding foreign companies controlled by residents; (4) limiting the erosion of the taxable base through payments of a financial nature; (5) combating harmful tax practices by considering transparency and economic substance; (6) prevention of abuses through double taxation conventions; (7) prevention of situations in which the status of permanent establishment is artificially avoided; (8) analysis of transfer pricing, taking into account the value chain created within the groups of companies

- Intangible assets; (9) analysis of transfer pricing, taking into account the value chain creating within the groups of companies - Risks and capital; (10) analysis of transfer pricing, taking into account the value chain created within the groups of companies - Other high-risk transactions; (11) the establishment of methodologies for collecting and analyzing the situations in which the erosion of the tax base and the manipulation of profits occur, as well as the establishment of measures to combat such situations; (12) forcing taxpayers to disclose aggressive tax planning structures; (13) review of transfer pricing documentation; (14) streamlining dispute resolution mechanisms; (15) development of a multilateral instrument on international tax issues.

Among the actions provided for in the BEPS plan, an important role is reserved for transfer pricing.

Transfer pricing is a set of mechanisms that are used to assign prices to goods and services that are traded between two subdivisions of the same company. A classic example involves a subdivision that produces a component that is required by another subdivision. The component is used by BD in the manufacture of a product that is sold on an open market.

Respectively, transfer prices are used to determine the revenues of both parties involved in interstate transactions. Transfer prices tend to influence the tax base of countries involved in interstate transactions. Moreover, the globalization of production has made this subject more difficult, but has also generated more situations where economists come up with complicated calculations to make the appropriate determination of a certain tax, valuations and decision topics.

It is extremely important to determine the right way to measure the impact of transfer pricing. There are several accepted methods, which provide a conceptual framework for determining the principle of "the arm's length" principle.

There is no one-size-fits-all way, and the taxpayer should select the method that best suits the "principle of full competition" on prices. In particular, the OECD Guide sets out 5 methods for determining the "principle of full competition" principle in a transaction:

a) the comparable uncontrolled price method (CUP) which is based on comparing prices set in a controlled transaction with prices set in an uncontrolled transaction in comparable circumstances for comparable goods and services;

b) cost plus method (CPM) that uses the cost set by the seller of the goods or services in a controlled transaction. The indicator takes into account the functions performed, the risks assumed, and the assets used, which are added to the cost to apply the "principle of full competition" principle in the controlled transactions;

c) the resale price method (RPM) is based on the resale price at which an asset purchased from an interdependent party (the "parent company" in relation to the "daughter company" or the subdivisions of a single company) is sold. at market price. The transfer price within the company is determined by determining the marginal resale price in an uncontrolled transaction;

d) the transactional net margin method (TNMM) which focuses on the net marginal profit related to an appropriate basis (costs, sales, assets, etc.) realized in controlled transactions;

e) the profit split method (PSM) is based on the identification and proper division of the profit made by interdependent persons in a controlled transaction.

The CUP, RPM and CPM methods are called "traditional", and the other two - "profit-based". Internationally, these methods are used, as shown in Table 1.

Tab.1 Overview of transfer pricing methods in European countries

The country	Method	The country	Method
Austria	CUP, RPM, CPM, TNMM, PSM	Belgium	CUP, RPM, CPM, TNMM, PSM
Czech Republic	CUP, RPM, CPM, TNMM, PSM	Denmark	CUP, RPM, CPM, TNMM, PSM
Finland	CUP, RPM, CPM, TNMM, PSM	France	CUP, RPM, CPM, TNMM, PSM
UK	CUP, RPM, CPM, TNMM, PSM	Hungary	CUP, RPM, CPM
Germany	CUP, RPM, CPM, TNMM, PSM is accepted by the authorities only in certain terms	Italy	CUP, RPM, CPM, PSM, Profitability of invested capital, Gross marginal price per sector economic
Netherlands	CUP, RPM, CPM, TNMM, PSM	Norway	CUP, RPM, CPM, TNMM, PSM
Poland	CUP, RPM, CPM, TNMM, PSM	Russia	CUP, RPM, CPM
Spain	CUP, RPM, CPM, TNMM, PSM	Sweden	CUP, RPM, CPM, TNMM, PSM
Switzerland	CUP, RPM, CPM, TNMM, PSM		

Source: Vragaleva, V. Tax aspects of transfer pricing regulation: perspective of implementation in the Republic of Moldova. in: Annals of "Constantin Brâncuși" University Târgu-Jiu, 2012, vol. 1: Economics, pp. 200-204. ISSN 1844-7007

In the author's opinion, the implementation of the transfer pricing mechanism in the Republic of Moldova is premature. Moreover, starting from the specifics of the external balance of the Republic of Moldova (exports prevail over imports) it is difficult to assume that the use of the mechanism given by domestic economic agents would be interesting from an economic point of view. However, given that all countries in the region have implemented the transfer pricing system, it is important to know the latest trends in this area of taxation.

3. THE WORK PROCESS AND HUMAN RESOURCES

Countries with the best results in the field of remodeling work processes are Bulgaria, the United Kingdom and Finland, which have achieved tangible performance as a result of the actions taken. Bulgaria is one of the European countries that started the work remodeling procedure (BPR Project) in 2005, as part of the Tax Administration Reform. In order to achieve its objectives, a separate subdivision was created within the organizational structure called the Process Analysis and Modeling Directorate, whose initial purpose was to restructure the work processes to unify the functions of collecting taxes and social contributions and to create an agency. us - the National Revenue Agency, optimization of these processes. One of the most important steps in remodeling processes is their description / modeling.

The Bulgarian Tax Administration has also created the Business Process Portal, which contains a description of all processes, which allows the user to: (a) obtain information about the organization and its processes; (b) access to procedures, instructions for document forms directly from the process model; (c) performing analysis, comparison and reporting by process groups or object types from different users; (d) creating an organizational culture at the organizational level.

Such a change has allowed the Bulgarian Tax Administration to streamline and automate processes, overcome outdated processes and procedures, and achieve its goals more efficiently and effectively.

Lean Management has been introduced in the UK tax system since 2005, in order to reorganize internal processes, increase revenues, reduce workload and increase its productivity,

they used a strategy called PaceSetter, which is a set of principles, tools and techniques used by each employee to improve the management process.

So, the strategy is based on 3 fundamental principles, which together will lead to improved performance, namely:

- top management leads the success of the entity;
- the whole team improves the processes;
- people solve problems.

In terms of process improvement, the Strategy has enabled continuous monitoring of processes to understand the impact of each stage of the process on the taxpayer, and to perform their day-to-day tasks optimally, quickly and reliably.

Thus, as a result of the efforts made, there have been a number of successes: (a) on average, average productivity has been improved by 30%; (b) a complete reorganization process has been carried out at institution level; (c) employees actively participate in performance meetings and improvement activities; (d) new performance planning and monitoring techniques have been implemented; (e) the time and costs required to achieve the objectives have been reduced (cost reduction by 50%); (f) increased productivity and quality of work by 30-50%; (g) a sustainable culture of institutional performance has developed.

In order to improve tax administration and streamline the work of the tax system, Finland's tax administration uses a process reorganization method called LEAN. The basic idea of LEAN is to get more benefits, using fewer resources. LEAN does not focus on individual / separate processes, but improves the whole process by eliminating those activities that do not bring value. First of all, LEAN is based on a philosophy of respect for people and confidence in the potential and contribution of each employee. Thus, in the process of reshaping the processes within the Finnish Tax Administration, it was taken into account that: (a) cultural change is a gradual process; (b) is learned through practice (leads to changes in values and attitudes and changes in culture and behavior); (c) small successes are necessary to excite the people involved throughout the remodeling process; (c) we need to consider 2 questions: "How do we change?" and "What are we changing?"

The initial stage of the LEAN was the description of the processes, their mapping and, then, the creation of a whole network of processes. This was followed by the identification of all processes / activities within the value stream, eliminating as much as possible the activities that do not bring value, being generating losses, and the ordering of activities that add value in a continuous flow, without many interruptions, stops and expectations. intermediate. Of course, this process is not performed only once, it is necessary to continuously improve the activity performed, in order to obtain better and better performances.

This made it possible to detect the shortcomings of certain processes, detect non-value processes and facilitate their remodeling, which led to a reduction in the time used by tax officials for certain processes, based on simplifying automation or eliminating processes, while increasing taxpayer satisfaction.

So, LEAN is a philosophy of life, which means continuous improvement, ie an organizational culture that allows everyone to be involved in analyzing and solving problems in current work, motivating and engaging everyone to observe and highlight losses, seeking perfection at every stage and enthusiasm for frequent change in the work environment.

An important aspect is human resource management. Another important aspect is the way in which, within the Swedish Tax Agency, the employee is treated, especially with regard to the work done by the human resources department in order to identify his satisfaction at work. Thus, employees, like taxpayers, are "in the spotlight" and their development needs are maximized. In addition to the internal surveys, an important element is the way of financial motivation of employees, the middle level manager being entrusted with a budget allocated by him according

to the capabilities of each employee (in fact, each subdivision has its own budget, which is used for both payroll, as well as for other activities performed in the interest of the service). The purpose of the surveys is to find out the employees' opinion about what it is like to work at the Tax Agency and how it implements its vision, provisions and strategies. The survey is conducted on behalf of management. The structure of the surveys takes into account values, objectives and results, motivation, leadership, trust in leadership, performance and responsibility, workload and health, manager-collaborator dialogue.

Within AFS, surveys are not mandatory, but more than 90% of employees responded to the last survey, which indicates their involvement and perception of the importance of each respondent.

Presentation of results:

- Different reports, depending on the size of the group of respondents (anonymity)
- The distribution process - from top to bottom, ie the heads who manage larger sectors receive the results entirely on the managed sector. If a boss has less than 4-5 subordinates, he will be presented with the results on 5 questions with the best answers and 5 with the worst results on the subdivision he leads.

If the subdivision has 6-11 employees, more survey results will be submitted. The results are grouped in blocks of up to 4 people.

- communication from management is essential;
- web distribution;
- using indexes to present answers;
- results on questions;
- comparison with the previous survey and other organizations.

Survey results are used to prioritize goals. There is a top 5 questions with good results and a top 5 questions with bad results. As a result, the Personnel Department will make recommendations on how the AFS management could act more effectively, motivating staff, the nature of work incentives, examining the skills needed to streamline tax administration.

4. CONCLUSIONS

Therefore, it is worth mentioning that it is worth taking over the solutions presented above, inspired by the experience of European countries, it is a way to follow in the desire to improve tax administration by modernizing existing mechanisms, applying, of course, national features. For example, the application of a monitoring system

"Horizontal" in the Republic of Moldova, in addition to increasing tax revenues, could increase mutual trust between taxpayers and the tax authority, which could later be extrapolated to other categories of taxpayers and capitalized properly, while implementing the transfer pricing mechanism in the Republic of Moldova it is premature.

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