Economic Security in the Context of Systemic Transformations

DOI: https://doi.org/10.53486/escst2023.15
International Conference, December 07-08, 2023, Chişinău, Moldova

CHALLENGES OF DIGITAL PLATFORMS IMPLEMENTATION FOR COOPERATION OF BUSINESS AND TAX AUTHORITIES

Liudmyla CHVERTKO
PhD, Associate Professor,
Pavlo Tychyna Uman State Pedagogical University, Uman, Ukraine,
ORCID 0000-0003-2788-6991
E-mail: chvertko.l@udpu.edu.ua

Illia PUHOLOVKO
PhD student,
Pavlo Tychyna Uman State Pedagogical University, Uman, Ukraine,
ORCID 0009-0006-4720-8759
E-mail: illia.puholovko@gmail.com

Abstract: *Digitalization and transformation to innovative solutions are essential trends in the development of taxation and other areas. In general, the continuous evolution of IT technologies is a crucial factor in digitizing most processes in the modern world. The Main effects and consequences of digitalization are the collection of large amounts of information (big data), which is analyzed by AI and used to make decisions in various areas of economic and social, government, and legislative activities. Today, humanity accumulates as much data as the human brain cannot comprehend and process in a lifetime. The taxation sphere is not an exception, with more and more tools for taxpayers and regulatory authorities now available in digital form. The newest cooperation services between the taxpayer and the government are designed to improve the work of tax authorities and, most importantly, simplify the process of paying taxes, submitting tax returns, and receiving consultations. All of these services have been operating successfully for some time but still need to be improved and expanded. The digital economy is pushing tax authorities to replace traditional models of tax administration with new models that analyze and use big data and electronic tools online to promote effective cooperation between tax authorities worldwide. However, in line with the development of the Ukrainian tax system and the transformation of the taxpayer-state relationship, implementing electronic data transfer components is not always phased, which creates additional risks for businesses.*

Keywords: *SAF-T, accounting system, reporting, tax authorities, tax management, digitalization.*

UDC: *336.22:004.8(477)*

JEL Classification: *H29.*

INTRODUCTION

The digitalization processes and the introduction of cloud-based database storage technologies, online data rooms, bots, AI, etc., require a complete redesign of the financial and tax accounting systems to optimize the management function. It is hard to imagine future business development without the widespread use and improvement of IT technologies based on the extensive use of digital technology and electronic communication with key stakeholders. The tax management systems will also experience significant changes due to the new extensive technological and operational capabilities of business processes, increased share of intellectual labor, increased public control over economic activity, and at the same time, increased types and scale of security-related risks, proper determination of the tax base and treatment of information received.

DOI: https://doi.org/10.53486/escst2023.15
International Conference, December 07-08, 2023, Chişinău, Moldova

PAPER BODY

Many scientists, including O. Adamyk, T. Bochulia, V. Deriy, S. Vasylyshyn, and others, have highlighted the impact of digital technologies on accounting and analytical support as well as the economic security of companies. Professor T. Bochulia considers the information prepared by the accounting system to be the most valuable information resource. Despite its retrospective nature, accounting data is the basis for further analysis of the financial and economic position of the company [1]. Based on research conducted in the context of tax and accounting reporting development under the impact of digital solutions, it is clear that information security is increasingly closely linked to financial security. As a result, to maintain sufficient financial security, it is necessary to ensure protection against information threats.

On the one hand, new IT technologies in accounting and financial reporting ensure high quality of work and, on the other hand, create many threats that lead to unpredictable and even catastrophic consequences for the company. As defined by B. Zasadnyi, information risks include risks resulting from spam, cyber-attacks, financial reporting fraud, malicious misrepresentation of a company's activities via the Internet, illegal access to commercially sensitive information by unauthorized third parties, etc. [2]. Maintaining the privacy of tax and accounting information should prevent unauthorized access to such records of an entity that contain information about its business activities, the amount of employees' remuneration, shareholders, contractors, clients, and business partners.

Currently, European countries are introducing more and more data exchange formats for tax audit and control in an electronic format, i.e., without the usual visits of controllers, inspection of primary documents, and accounting records of taxpayers. This fiscal relations transformation is being implemented by introducing the Standard Audit File for Tax Purposes (SAF-T). Introduced by the OECD in 2005, the Standard Audit File for Tax Purposes (SAF-T) has always been voluntary. Many European countries are now adopting it as a mandatory type of tax data transfer. The Standard Audit File for Tax Purposes (SAF-T) is an XML file (a set of data converted into a special language) created to standardize procedures and expand the possibilities of using data for business control and audit. This file collects all accounting data of companies related to business activities, enabling the processing and analysis of accounting data sets independently of the software used in each company.

A detailed review of the Concept of e-audit Implementation and the Procedure for Submission of Large Taxpayer Documents in Electronic Form indicate that in Ukraine, it is proposed to introduce the submission of the full range of data (all sections) based on the standard SAF-T scheme with additional elements not defined by the standard scheme. In addition, the Draft Law dated 02.11.2021 No. 6255, "On Amendments to the Tax Code of Ukraine on the Implementation of Electronic Audits (e-audit)," was registered in the Parliament, which provides for the submission of SAF-T not only upon request during the audit but also for the conversion of SAF-T into an annual report, the failure to submit which will result in significant penalties.

Even with the standard presentation of SAF-T data, several problems can arise during the transfer and analysis of the information used to generate each report. Whereas structural validation can be easily performed (using the appropriate XML schema), the integrity of the data can be challenging to maintain due to data entry errors, changes in the data over time, or software errors that are difficult to detect during the generation and conversion of large amounts of data. In addition, the analysis of historical data becomes a

DOI: https://doi.org/10.53486/escst2023.15
International Conference, December 07-08, 2023, Chișinău, Moldova

challenge when you use only SAF-T files, as each file contains separate data on customers, goods, taxes, and primary documents for a certain period. When applying analytical procedures, the relationship and evolution of the data can be threatened because we have a limited picture of the organization at a particular point in time [3].

Another problem that needs to be resolved is a contradiction between the industry-specific legislation and the requirements for submitting SAF-T in Ukraine, particularly regarding information disclosure. By Procedure No. 1393, it is obligatory to provide detailed accounting entries of the entity (in the subsection "Accounting Entries") for each specific transaction, including the type of transaction, the amount, the information on the unique taxpayer ID (legal entity or individual if the transaction is conducted with a contractor), as well as accounting entries related to this transaction and other information provided for in this part of the SAF-T. In cases of reporting such information by banks, which are mainly large taxpayers, the issue of banking secrecy remains open. For banks, transactions on customer accounts are accounting transactions that correspond to income/expense accounts or other balance sheet accounts.

The primary purpose of information security is to ensure that a company operates stably and efficiently now and has a high potential for development in the future. Today, much of the information circulating within companies is classified as confidential, as it determines their business and development. To effectively exchange confidential information, in addition to implementing electronic systems, it is necessary to have a high level of organizational and technical information security. Therefore, the technology for processing and transferring accounting information and software should minimize the risks associated with the loss of records, incomplete or incorrect data input into the accounting system, improper control, and a chain of errors that may lead to false analysis results.

It is also essential to understand the existing risks associated with unfair business practices when transferring large amounts of accounting data on business activities. For example, according to international rules, there are three types of unfair business practices:

- all actions that lead to the commercial activities of one company being presented to the consumer as the commercial activities of another;
- discrediting the commercial activities of a competitor by disseminating false information;
- the illegal use of marks that may mislead the consumer in the course of commercial activities.

According to foreign statistics, some companies specialize in industrial spying and profit from it, using professional and often illegal methods of obtaining information [4].

It should be noted that despite the full-scale war, the digitalization of cooperation with the government in Ukraine has made significant progress, for example, access to information through the Diia portal, transformation of the State Statistics Service portal, non-stop work of the Electronic Taxpayer's Office, which allows to obtain a wide range of information about the presence of one's counterparty in the list of taxpayers who meet the risk criteria of the taxpayer (date of inclusion in/exclusion from such a list, risk criterion), submission of tax and financial statements, etc. However, introducing ambitious tax audit reform projects requires close cooperation between the tax authorities and businesses. Without such cooperation, several risks may arise that will have a negative impact on both sides of the relationship.

DOI: https://doi.org/10.53486/escst2023.15
International Conference, December 07-08, 2023, Chişinău, Moldova

CONCLUSIONS

A company's potential success in digitalization-driven changes will depend on changing the accounting system. This system is the main element of modifications to business processes and the primary source of information support for all stakeholder communities related to the economic security of business units.

One of the sources of business security risks in the information sphere is the continuous increase in the complexity of information systems and data exchange channels. These threats can be expressed as intentional and unintentional errors, failures and disruptions of hardware and software, and harmful activity of criminal groups and criminal elements. As a result, the concentration of a large amount of internal confidential information (which may also be reflected in accounting data when transferring data in the form of SAF-T files) could pose an external threat to the company's commercial activities.

Achieving the optimal level of company accounting systems stability and security, which prevents information loss, illegal sharing, and protection in the best interests of the company owners, is possible only if a systematic scientific approach is taken to developing strategies and tactics for digitalized cyber security. Early development of measures to mitigate digitalization risks is the key to economic security and competitive development of enterprises, as well as the success of the national economy.

BIBLIOGRAPHY

1. BOCHULIA, T. Oblikova skladova informatsiinoho potentsialu pidpryiemstva. *Biuleten Mizhnarodnoho Nobelivskoho ekonomichnoho forumu*, 2013, 1(6) 35–42. ISSN 2074-5370 [viewed 18 December 2023]. Available from: < https://econforum.duan.edu.ua/images/PDF/2013/6.pdf>
2. ZASADNYI, B. Ryzyky systemy bukhhalterskoho obliku v umovakh zastosuvannia MSFZ. *Naukovyi visnyk Uzhhorodskoho natsionalnoho universytetu*. *Seriia: Mizhnarodni ekonomichni vidnosyny ta svitove hospodarstvo*. 2017, vol. 14 (1), 111-115. ISSN 2413-9971 [viewed 18 December 2023]. Available from: <https://dspace.uzhnu.edu.ua/jspui/handle/lib/16738>.
3. OLIVEIRA, B. [et al.]. Improving Organizational Decision Making Using a SAF-T based Business Intelligence System. *CAPSI 2020 Proceedings* [online], 2020, 34. [viewed 18 December 2023]. Available from: <https://aisel.aisnet.org/capsi2020/342020>.
4. HORNYK, V., KRAVChENKO, S., Mekhanizmy zabezpechennia informatsiinoi bezpeky pidpryiemnytskoi diialnosti yak skladnyka informatsiinoi bezpeky derzhavy. *Scientific Notes of Taurida V.I. Vernadsky University, series "Public Administration*", 2020, 206-212. [viewed 18 December 2023]. Available from: <http://www.pubadm.vernadskyjournals.in.ua/journals/2020/2_2020/36.pdf>
5. VASYLISHYN, S. Improving the levers of digitalization risks management of economic security and formation of cybersecurity of the accounting system. *Herald of Economics* [online], 2021. vol. 1(99), 97-110, [viewed 18 December 2023]. Available from: <http://visnykj.wunu.edu.ua/index.php/htneu/article/view/1206>.