

EFFICIENCY OF TAX ADMINISTRATION PROCEDURES. AN ESSENTIAL CONDITION IN THE EUROPEANIZATION PROCESS FOR THE REPUBLIC OF MOLDOVA

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Abstract

This paper analyses the tax administration procedures and their importance in order to ensure the functionality of the tax system. A special role is placed on the analysis of the methods of ensuring the performance of the State Tax Service (SFS) in terms of streamlining the tax administration mechanism in the Republic of Moldova (Moldova) and the efficiency of tax administration procedures in the context of Europeanization, by implementing simple processes and transparency, based on IT solutions and risk-based planning, aimed at optimizing the costs of tax administration, as well as ensuring increased voluntary compliance, by improving collaborative relationships and respecting mutual commitments between SFS and taxpayers.

Keywords: tax administration, local tax system, performance, efficiency, taxpayer, tax services

1. Introduction

Fiscal administration is a complex category, which uses taxes as an object of management and as a tool for regulating economic processes. The correct organization of the fiscal administration is a decisive factor in the efficiency of the fiscal policy in the state.

The efficient functioning of the fiscal system depends on the methods of fiscal administration used, on the correct and efficient record of both taxpayers and fiscal obligations, which is the basic point from which the accumulation of revenues to the budget starts. The type of economic activity, the organizational-legal form, the volume of financial resources used in the development of the business and other elements that characterize the taxpayer's activity directly influence the volume of funds to be paid to the budget. (Cojocaru, Rotaru 2014, 109-114)

2. Methodology

The theoretical and methodological basis of the research served the research of local and foreign scientists, the resources of the global information system, and the periodical scientific and specialized literature. Legislative and normative acts are used in the paper that regulate the

management of the fiscal system as a whole, as well as that of the fiscal administration, in particular. Given the complexity of the topic, the research methods used include general and specific scientific research: research and comparison, scientific abstraction, synthesis, observation, analysis (qualitative, quantitative, historical) logical and systemic, induction and deduction, interdisciplinarity, as well as the method of systemic, monographic, statistical treatment, economic-mathematical modeling, respectively, the use of graphical methods, figures and tables in the exposition and rendering, complete and complex, of the studied economic phenomena and processes.

3. Results and discussions

3.1. Organizing the fiscal administration process in the Republic of Moldova

The State Tax Service (hereinafter SFS) is the main body of tax administration whose main task is the timely and full collection of tax obligations.

The revenues accumulated in the national public budget, managed by the STS, in 2021 increased by 71% compared to 2016. The capacity of the STS to ensure the collection of budget revenues tends to increase, as can be seen in Figure 1.

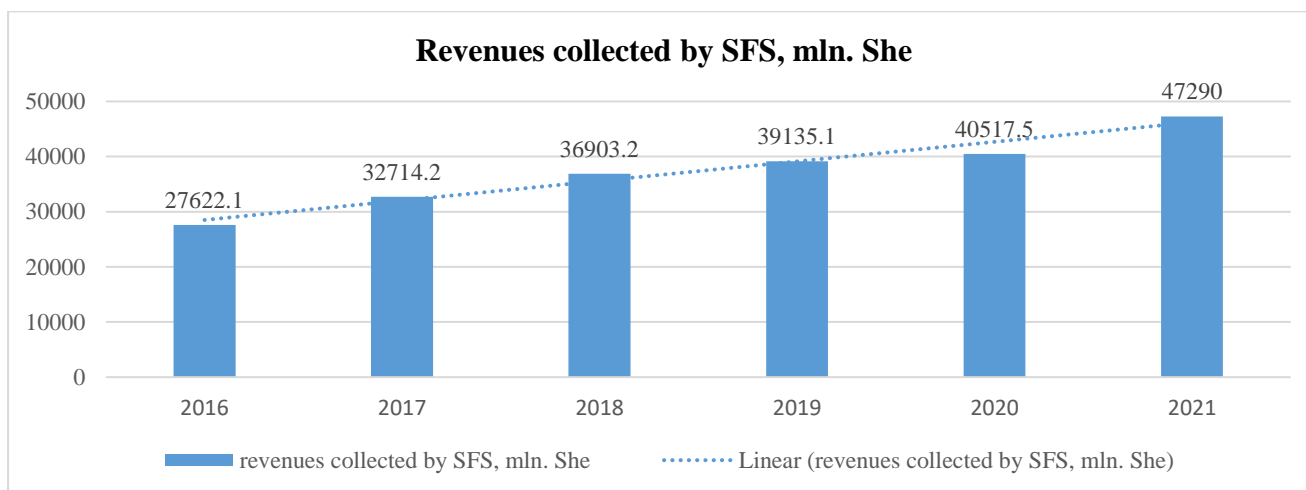


Figure 1. The evolution of the revenues collected by SFS during the years 2016 - 2021, mln. She

Source: SFS Strategic Development Program for 2021 - 2023. Available:

<https://sfs.md/uploads/files/strategia%20de%20deservire/Programul%20de%20dezvoltare%20strategic%C4%83%20a%20SFS%20pentru%20anii%202021%20-%202023%20aprobat%20prin%20Decizia%20CE%20nr-11%20din%2030-06-2021.pdf>

If we analyse the revenues accumulated by the STS in terms of share in GDP, we find that they are an important source of public revenue (see Figure 2)

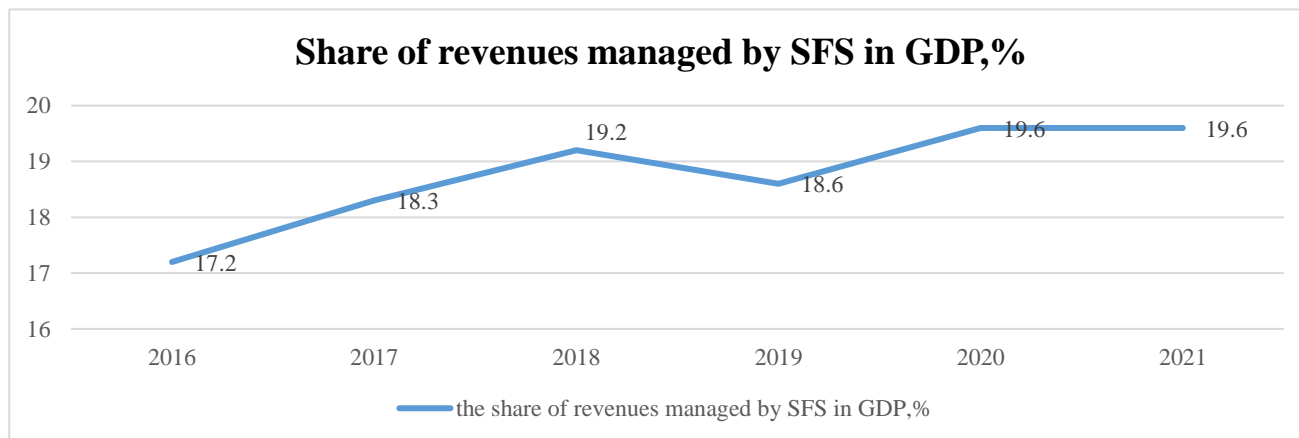


Figure 2. Evolution of revenues collected by SFS during the years 2016 - 2021 as a share in GDP, %

Source: SFS Strategic Development Program for 2021 - 2023. Available:

<https://sfs.md/uploads/files/strategia%20de%20deservire/Programul%20de%20dezvoltare%20strategic%C4%83%20a%20SFS%20pentru%20anii%202021%20-%202023%20aprobat%20prin%20Decizia%20CE%20nr-11%20din%2030-06-2021.pdf>

The mission of the State Tax Service is to ensure a high level of service to taxpayers while managing tax revenues, through a prompt and efficient collection of public money. Among the priority objectives of the State Fiscal Service remains to ensure the share of revenues to the payments administered by the fiscal bodies. (Sirețeanu (Vragaleva) 2019. online).

The State Fiscal Service, in recent years, has managed to carry out a multitude of important reforms, both structurally and operationally. SFS currently operates under the motto "Tax Officer - in the service of the taxpayer", which involves, first of all, the development and provision of quality services based on innovative information technologies, respect and trust of taxpayers, high-performance automated service, reduction the costs of fulfilling tax obligations, the professionalism of employees and high standards of conduct in line with European good practice (Programul de dezvoltare strategică a SFS pentru anii 2021 – 2023.)

Efficient collection of taxes and duties is a cornerstone of an efficient budget system, and voluntary compliance is a priority tool for ensuring revenue. Thus, in the process of fiscal administration, the STS strengthens the relations with the taxpayers by implementing their annual Compliance Programs.

3.2. Strategies for developing the activity of the State Fiscal Service

Compliance measures are carried out on the basis of the compliance programs established annually in the taxpayers 'compliance programs, including through the Compliance Council which is an advisory body set up to provide recommendations and practical solutions to increase taxpayers'

compliance, improve permanent improvement of the quality of tax services, raising the level of transparency and accountability of both taxpayers and tax officials.

Compliance programs focus on several strategic areas, which are, in fact, the main topics in compliance councils, such as: "payroll" (undeclared / undeclared work), construction, transport, public food services, etc.

The modernization of the Fiscal Service, especially in the field of electronic services, facilitates the procedure of voluntary compliance of taxpayers with the payment of tax obligations, which is a strategic objective in the Fiscal Service and a primary task of tax administration.

Electronic tax services are gaining popularity among taxpayers. Thus, during the years 2016 - 2021, the initiatives to automate the processes related to the fiscal administration were continued, developing new systems and offering taxpayers new services, among which: (Programul de dezvoltare strategică a SFS pentru anii 2021 – 2023.)

- SIA “Case management system”, the module “Fiscal control - legal entities” stage I (2018) - allows the formation, storage, evidence and analysis of documents and actions within the fiscal control performed on legal entities;
- SIA "e-Application" developed over the years by the State Tax Service, is an information solution designed to replace the traditional procedure of filing applications by taxpayers with a modern mechanism based on information technologies. Thus, the system allows the electronic processing of applications submitted online by taxpayers and the issuance of certificates by the State Tax Service using the electronic signature to: perform / postpone fiscal controls; modification of the fiscal period; extinguishment of the fiscal obligation by compensation and / or restitution of funds; registration of contracts for the leasing of real estate by individuals; online registration of taxpayers / subdivisions; issuance / extension of entrepreneurial patents, etc. .;
- The module “Single Account” within SIA “Current account of the taxpayer” (2018) - allows the payment of fiscal obligations through a single instrument. In 2019, the “Single Account” module was integrated with the MPay government service, which allows the payment of tax obligations through a single instrument;
- SIA “Management and Issuance of Permissive Acts” upon issuance of the Certificate of Registration as a technical assistance center for cash machines and control (MCC) with fiscal memory (2018) - provides the certificate issuance service through SIA GEAP, which is a one-stop shop for permits issued by the Public Services Agency;
- Income tax refund application through SIA "Electronic Declaration" - offers the possibility to submit online the application for income tax refund paid / withheld in addition to individuals who do not carry out entrepreneurial activity;
- SIA „ Extinguishment of tax obligations through SCITL ”(2017) - aims to optimize the process of organization and record of tax obligations related to taxes and fees administered by local tax collection services. In 2020, the SIA "Extinguishing fiscal obligations through SCITL - version 2.0" was launched;

- SIA, “Creation and circulation of electronic documents between the State Tax Service, banks and payment service providers - individuals” (2018) - allows the electronic transfer of information by banks and payment service providers of information confirming the opening, modification or closure of bank accounts by individuals. In 2019, the module “Creation and circulation of electronic documents between SFS, banks and payment service providers - individuals” within SIA CCDE was updated and offers the possibility to record information received from banks and payment service providers about the opening, modification and the closing of bank / payment accounts of foreign natural and legal persons who do not have taxable objects, do not have tax obligations and are missing from the information system of the STS, including for resident natural persons who have a temporary identity card. In 2020, the SIA “Register of enforcement mandates” was launched in experimental operation, which aims to ensure the IT and information needs of the actors involved in the procedures for enforcement of money claims based on public law provisions according to the Administrative Code;
- SIA, “Electronic service for natural persons for the payment of taxes and fees” (2019) - instrument through which taxpayers have the possibility to transfer through a single payment note, the full amount for the payment of all taxes and fees;
- SIA "e-Invoice" in public procurement, which ensures deliveries by businesses in public procurement in the country, only with the use of electronic tax invoice (2020);
- E-Commerce-VAT SIA (2020), with the following modules: the tax registration module, the tax liability declaration module and the tax liability registration module, which allow non-resident taxable persons to register and submit online VAT returns, ensuring at the same time an electronic record of their obligations and payments;
- SIA “Electronic Cabinet of Taxpayers” (2020) which allows online access of taxpayers to electronic tax services and management of access to services;
- SIA “Electronic Sales Monitoring” stage I (2020), which provides services for entrepreneurs, public authorities and citizens and covers all organizational, functional and technical aspects in the field of sales records and monitoring in the Republic of Moldova. Also, on June 25, 2021, the SIA “Electronic Sales Monitoring” stage II was launched;
- SIA “Electronic Register of Employees” in the budgetary sector (2020) launched in experimental operation, within the following public institutions: Ministry of Finance and subordinated institutions or in which it has the quality of founder, Ministry of Health, Labor and Social Protection, National House of Social Insurance and the National Medical Insurance Company, which contributes to improving the process of registering employees;
- The new web page of the State Fiscal Service (2021), a portal with a multidimensional, dynamic and intuitive structure in which the latest trends in the field of interaction with users and exposure of multimedia elements have been implemented.

Also, in 2021, the system for assessing taxpayers' satisfaction with the services provided by the State Tax Service was launched in the piloting process, an important step in identifying the needs of taxpayers and also improving the quality of their service.

Electronic tax services are enjoying popularity among taxpayers, especially in the conditions of restrictions in the pandemic situation from 2020-2022. Thus, according to the annual national survey "Perception, assimilation and support by the population of e-Government and modernization of government services", published by I.P. "Electronic Government Agency" in 2020 fiscal services are in the top of the most accessed services by respondents (32.8%).

The development of the STS is closely linked to the development of the whole state, in general, and of the administrative system, in particular. The State Fiscal Service has medium and long-term responsibilities and commitments stipulated in various national and sectoral development documents that are to fulfill them.

Currently, the STS benefits from the support and assistance of development partners such as the World Bank, the International Monetary Fund, the US Treasury Department and the Swedish Tax Agency.

With the support of the World Bank in 2017 in the Republic of Moldova was implemented the Project for modernization of fiscal administration TAMP. The development objective of the project and concept was modified in 2019-2020 and refers to "supporting business survival and supporting employment through temporary tax facilities in the context of COVID-19 and improving services provided to taxpayers in the Republic of Moldova."

In September 2018, a new cooperation project was launched with the Swedish Tax Agency for the period 2018 - 2021. The project is funded by the Swedish Agency for International Cooperation and Development. The objectives of the cooperation project are to develop human resource management capacities, to strengthen capacities for the international exchange of information and to improve the management of fiscal arrears.

With the support of the International Monetary Fund, the State Tax Service successfully implemented the Revenue Management Project funded by the Government of the Netherlands which focused on two general objectives: 1) strengthening the management of fiscal administration and organizational arrangements and 2) strengthening basic functions of the tax administration.

The medium-term objectives proposed in the Development Program of the State Fiscal Service for the years 2021 - 2023 are some potential ones, the success of the development being largely dependent on the availability of resources (human, technological, financial) and on national and regional circumstances. Government, uniformity of reforms).

In order to identify ways to streamline tax administration in the Republic of Moldova, taking into account the practice of the European Union, first of all, to identify operational gaps that differ from good European practices. We could specify the following issues related to tax administration:

- Lack of a fully integrated information system;
- Program to raise and improve the quality of fiscal administration and control that needs improvement;

- Reduced capacities in the implementation of project management;
- Insufficient mechanism for controlling and ensuring the quality of activity and information security through work at home;
- Workspace not fully adapted to development capabilities;
- Lack of a functional tool for assessing the level of taxpayers' satisfaction with the services provided by the STS;
- Insufficient practices to investigate complex cases of economic and tax evasion;
- Reduced flexibility in the part related to the modification of the fiscal legislation;
- High degree of complexity of tax evasion schemes.

However, the fiscal administration mechanism in the Republic of Moldova has progressed significantly and is continuously being improved. In this context we could delimit the strengths of the tax administration, which are related to:

- Restructuring the SFS and unifying the tax administration;
- High capacity to manage the receipts at BPN, according to the established tasks;
- Efficiency in collecting taxes and duties and in reducing tax evasion through compliance programs based on risk analysis;
- Activities to ensure and maintain a high level of institutional integrity carried out continuously;
- High capacity to absorb technical assistance provided by external donors;
- Institutional risk management system developed and implemented;
- Human resources training / orientation program / leaders implemented;
- Performance evaluation system implemented and developed;
- Efficient internal communication channels;
- Increased response capacity to illegal actions.

3.3. European practices of efficient fiscal administration and possibilities for their implementation in the Republic of Moldova

It is important to specify that the Republic of Moldova is not yet a full-fledged state within the European Union, currently enjoying only the status of a country with which the EU has concluded an Association Agreement. Respectively, there is no express obligation to comply with national to intra-EU processes. However, in the stated aspirations, an effort in this regard is worth making and creating links between the national and the EU system.

In the context of the entry into force on 1 July 2016 of the Association Agreement between the Republic of Moldova, of the one part, and the European Union and the European Atomic Energy Community, and their Member States, of the other part, signed in September 2014 in Vilnius, Lithuania, an increased interest is presented both by its provisions and by the European legal and procedural basis to which the local legislation and procedures are to be adjusted.

In fact, the signed Association Agreement is the third important document in the existing collaboration over time between the Republic of Moldova and the European Union. The first such document was the Partnership and Cooperation Agreement, concluded on 28 November 1994 and entered into force on 1 July 1998. The second stage of the partnership was the EU-Moldova Action Plan, signed on 22 February 2005.

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's top of the countries with the best tax systems, with a pronounced social note and excellent orientation towards taxpayers.

Given the ongoing process of globalization and the development of the digital economy, which is strongly focused on intangible assets and activities in a virtual environment, it has recently become increasingly difficult for current tax systems to ensure fair taxation. profits, which do not keep pace with technological development and new international business models. Current tax systems are not adapted to the new information age in which international business is currently conducted (Vragaleva, V2012200-204).

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.

4. Conclusions

The State Fiscal Service, in recent years, has managed to carry out a multitude of important reforms, both structurally and operationally. SFS currently operates under the motto "Tax official - in the service of the taxpayer", which involves, first of all, the development and provision of quality services based on innovative information technologies, respect and trust of taxpayers, automated and efficient service, reducing the costs of fulfilling tax obligations, the professionalism of employees and high standards of conduct in line with European good practice.

In order to identify ways to streamline tax administration in the Republic of Moldova, taking into account the practice of the European Union, first of all, to identify operational gaps that differ from good European practices. However, the fiscal administration mechanism in the Republic of Moldova has progressed significantly and is continuously being improved.

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