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MAIN TRENDS OF THE TAX ADMINISTRATION FUNCTIONING: WORLD EXPERIENCE

Abstract. The article describes the structure of the tax administration as one of the most important aspects of the tax policy. Now the competitiveness of the national economies is largely determined by their tax policy, quality and quantity of public services, the ability of the state to encourage business activity in the country. Western countries are aware of the relevance for improving the system of taxation. The article outlines main tendencies of the administration restructuring. There are concentration of processes and more centralised management based largely on tax type or process criteria (e.g. audit and taxpayer information), investing in the automation of work appears to be one of the most successful strategies to reduce processing costs, which improves working process and management in different task areas.

In order to improve governance arrangements, recommendations are given for the effective functioning of the tax administration on the basis of international experience, in particular: to take advantage of opportunities for further automation of workflows and processes; to oversee efforts to study and apply the methods for process optimisation used successfully by other revenue bodies and the private sector; to be alert to the potential for further concentration or consolidation of working processes.

Keywords: tax administration; organisational redesign; workflow management; management strategies.

JEL Classification: F29, F41, F42

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ОСНОВНИ ТЕНДЕНЦІЇ У ФУНКЦІОНУВАННІ ПОДАТКОВОЇ АДМІНІСТРАЦІЇ: СВІТОВИЙ ДОСВІД

Анотація. У статті розглянуто структуру податкових органів як один із важливих аспектів податкової політики. Визначено основні тенденції реструктурування процесів управління збором податкових платежів у різних країнах світу. З метою вдосконалення механізмів державного управління надано рекомендації щодо ефективного функціонування податкових органів на основі світового досвіду.

Ключові слова: податкове адміністрування, організаційний редизайн, документообіг, управління стратегіями.

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ОСНОВНЫЕ ТЕНДЕНЦИИ В ФУНКЦИОНИРОВАНИИ НАЛОГОВОЙ АДМИНИСТРАЦИИ: МИРОВОЙ ОПЫТ

Аннотация. В статье рассмотрена структура налоговых органов как один из важных аспектов налоговой политики. Определены основные тенденции реструктуризации процессов управления сбором налоговых платежей в различных странах мира. С целью совершенствования механизмов государственного управления представлены рекомендации относительно эффективного функционирования налоговых органов на основе мирового опыта.

Ключевые слова: налоговое администрирование, организационный редизайн, управление стратегиями.

Introduction. At the end of the twentieth century the interest and understanding of the importance of improving management of taxation is grown in the global economy. Now the competitiveness of the national economies is largely determined by their tax policy, quality and quantity of public services, the ability of the state to encourage business activity in the country. Western countries are aware of the relevance for improving the system of taxation. Taxes influence on distribution gross domestic product (GDP) that is why tax policy is determined as national security.

Despite of the different world approaches, tax culture in Ukraine is still low. Most of the population do not want to pay taxes, even if they aware the role of tax for social welfare. Theoretic and practices should make effort to improve the system of public administration that will help to create a good business environment in Ukraine and national wealth. The tax management should be the first question in discussion of financial policy.

Brief literature review. Problems of tax regulations in Ukraine were illuminated by economists such as B. Effrosyni, P. Schoukens, & D. Pieters [1]; P. Barrand, & H. Graham [2] et al. For writing articles were used international reporting. However, the definition of scientific and theoretical basis requires further elaboration.

Despite of numerous theoretical developments of domestic scientists, the problem of efficient tax administration remains unresolved. So it is necessary to analyze the foreign experience

of the tax administration and the possibility of using best practices in Ukraine.

Purpose of the article is to determine the ways of the best tax administration and make recommendations.

Results. The two categories that have received the greatest attention are the category organizational redesign, the category business process redesign, workflow management, knowledge management and outsourcing of work.

Traditionally in many countries tax administrations had a decentralized structure. Physical presence at local level was necessary to be in contact with the taxpayer and to perform audits.

Numerous revenue bodies have strategies in place to redesign their organization towards a more centralized approach. Governing the tax processes under one central management is part of these strategies. This centralization tendency has to be placed in the context of technological developments and compliance strategies. Technological developments in services such as e-services and modern call centers make it possible to provide better service in a more efficient way. For compliance activities, physical presence at the local level will often still be needed, but to a lesser extent than before. Many countries switch their strategies from focusing on individual tax returns to a more integrated approach based on compliance risk management. This, however, needs a strong coordination at the central level. See Table 1 below for examples of centralization.

Table 1

Centralization of processes	
Country	Initiative
Hungary	In Hungary, the two existing organizations have been integrated into a new unified organization responsible for almost all government revenue activities (taxes, contributions, duties, customs duties).
Denmark	Denmark has restructured the revenue administration from 2005 to 2010. In 2005 there was a merger between state and the municipal administrations to one unified state administration also including recovery [2]. In 2009, 13 nationwide and specialized units were created within the frames of the unified administration. The administration is organized in six regional units each responsible for two or three of the 13 specialized units. The structure is inspired by the business model of the tax administration based on the main processes: guidance, collection, compliance, recovery, management and development and also support.
Germany	To optimize the organizational structure of tax offices in Germany, various business functions (assessment, collection, treasury and bookkeeping) have been centralized under a uniform management.
France	In 2008, France decided to merge the Revenue Agency with the Public accountancy, in order to create one unified structure. The tax administration offers now dedicated units and contact-points for all taxpayers' segments, individuals, Small and Medium Companies and Large Businesses. This organization strengthens the capacity to collect in complex tax situations, brings together support functions and offers expended services.
Chile	In 2008, Chile began a process aimed at adjusting the structure of the tax administration to a recently established taxpayer classification model. As a result, the local offices were organized into two areas: taxpayer services area and compliance control area, which is structured according to taxpayer.
China	China is facing a rapid growth of the amount of taxpayers and of the scale of companies. To respond to this situation, China is implementing a pilot in several provincial tax offices. The guidance is risk management based on taxpayer classification.

Source: [4]

These examples underline that placing the tax processes under one central management function helps to improve their uniformity and efficiency. The example below from the Finnish Tax Administration is particularly significant in this regard.

operation for over a year) point of view the change has already been very positive. Processes and interpretation of law in corporate tax offices have been harmonized.

There are two approaches for the centralization, one approach according to specific taxes/processes and another one according to taxpayers segments, but there is no uniform way to make the segmentation.

Technological developments make it possible to concentrate tax processes in fewer locations. Examples of these are the division of processes in front-office and back-office processes. Back-office processes can be concentrated to gain efficiency, but also to improve quality. Another consideration for concentration can be scarce competencies or creating economies of scale for processes that demand high investments. See Table 2 for examples of process concentration.

An important trend is the tendency to redesign and optimize the business processes in order to become more efficient and deliver better service to the taxpayer. One of approaches for optimizing processes is lean manufacturing or lean production, often simply «Lean» is a production practice that considers the expenditure of resources for any goal other than the creation of value for the end customer to be wasteful, and thus a target for elimination. Working from the perspective of the customer who consumes a product or service, value is defined as any action or process that a customer would be willing to pay for. Basically, lean is concentrated on preserving value with less work. Some countries have established

Table 2

Concentration of processes	
Country	Initiative
Canada	To enable the management of specific workloads better, regional centres of expertise were established in Canada. These centres of expertise now exist for various workloads. The centres of expertise were created to deal with the large file objections. It was determined that a separate centre would be established in each region and that the work would fall under the responsibility of a chief of appeals in each region. In addition, each centre would be considered a point of reference for specific industries. This would enable industry experts being identified to assist other areas if needed. Furthermore, two intake centres were created. Considering the high volume of work in appeals, it was decided that economies could be created by centralizing the receipt and screening of objections received. Another example relates to the processing of taxpayer relief programmer requests. Previously, requests were allocated and dealt with by various areas of the revenue body, usually the area responsible for the assessment.
Finland	Finland is concentrating tax control and services for large corporate taxpayers, foreign companies having permanent establishment in Finland and non-profitable corporate such as housing companies, associations, foundations and public entities. This concentration must respond to the needs to develop customer relationship management for the purpose of providing services best suited to these groups needs, assessing the tax risks involved in each group and targeting the control best suited to each group.
Spain	Since 2004 the Spanish tax administration has been adapting the organization and the functions of his territorial offices to the social changes. The initiative involves changes in the operational framework, procedures and especially in the organization. The revenue body performed several studies about the procedures performed by local offices and established a flexible classification of local offices. Some control procedures were centralized, and some of the local offices were dedicated to information and assistance to taxpayers. The standard human resources requirements and the functions of these offices were determined. Further to these studies, the calendar for the changes for the new structure has been scheduled.

Source: [5]

a «Lean programmer» to evaluate and improve their processes or followed a more or less related approach. The focus in this is on continuous improvement. Experiences from a number of countries (the United Kingdom, New Zealand, Norway and the Netherlands) indicate that considerable efficiency gains can be achieved. One of the most global and advanced continuous improvement programmers identified is the PaceSetter programmer in the United Kingdom. Each business area is relying on this programme to deliver efficiencies. PaceSetter is a significant part of the programmer of the UK revenue body (HMRC) to increase efficiency, manage the performance of teams and improve the quality of the customer service. Inspired by «Lean» approaches to business improvement, it is a set of principles, supported by tools and techniques that all the staff can use to improve the way they work. Through PaceSetter, HMRC aims to engage employees in streamlining its processes. PaceSetter implementation in a business area usually begins with workshops and training for staff at all levels, followed by a 6-16 week exercise to analyze existing processes, establish which parts really add value, and redesign them to improve performance. Through PaceSetter, HMRC designed a standard approach, which it rolled-out to its largest processing sites. This standard approach aimed to streamline the process by stopping unnecessary steps and establishing a more steady flow of work. Implementing the new approach could involve a variety of changes, such as stopping an initial sort of forms into different categories, advising staff not to print out information available on screen, or moving staff working on sequential steps in the process physically closer together. While individual changes might be small, a number of incremental improvements can make a significant difference over time, particularly in high volume processes such as Self Assessment. Through PaceSetter, HMRC also aims to encourage teams to continuously improve what they do. One of the main tools it uses is visual management». The purpose of visual management is to display relevant, real-time information to teams to prompt them to take appropriate action. This information usually includes measures of quality, productivity and workload. In the Processing parts of HMRC, for example, PaceSetter has led to hourly tracking of the number of forms each team processes, with performance discussed at daily team meetings. Another key feature is introducing teams to a structured approach for identifying concerns and ideas for improvement, and resolving problems. Changes initiated by PaceSetter to streamline business processes have led to some significant increases in output per person per day and enabled reductions in staff.

Monitoring the processes and the performances is an important aspect. The monitoring concerns the level of reaching the key performance indicators, the level of sticking to the uniform and standard way of executing the process and the level of spent time and/or the amount of the operating capacity. At this moment about 80% of administrative processes have been screened. The tax administration has saved 25% in operating capacity.

Norway is implementing a programmer based on Lean thinking. This programmer will contribute to the Norwegian Tax Administration's ability to adapt more effectively to users' expectations and changes in conditions. This example is significant as it applies the Lean thinking not only to IT or administrative processes, but to the whole organization.

The optimization of workflow management is the third important trend. Numerous examples related to this topic were received. The digitalization of work is an important trend. A paperless process enables flexible workload management, by making it easier to share the workload between different offices. It is also possible to centralize specific tasks to one or few offices. It also helps to automate manual bulk processes (Table 3).

From the examples received we can notice that the creation of a digital dossier for each taxpayer, or the implementation of digital audit records are approaches used by revenue bodies to keep a better overview of the workload. It also facilitates the allocation of cases between employees. This is a very effective and appropriate means of coping with peak periods in tax assessment and of avoiding the negative attendant circumstances which regularly arise on account of heavy workloads. Taxpayers benefit from consistently short throughput times and the consistently high quality of the outcome.

In Switzerland a database structured following the VAT law has been built up to ensure that everyone in the tax administration can be at the same level of information about tax practice. Switzerland built up a database structure following the VAT law to share information in the tax administration about the VAT practice. In the tax administration a lot of persons, which have worked for a long time in their jobs and collaborated with the introduction and many changes and adjustments within the VAT rules. With the practice databank it is planned to limit the danger of losing. The database is mostly filled in by specialists' groups. Each group is responsible for an area of VAT, mostly determined by economic branches. Every special problem or case which is not yet found in the database is treated by the

Table 3	
Digitalization of workflow and processes	
Country	Initiative
Switzerland	Switzerland has replaced in 2002 in the VAT administration its paper archive with an electronic archive system by scanning all the taxpayers' documents. Every piece of paper is scanned and put in the electronic dossier of every single taxpayer. The staff treating the taxpayers' declarations and the taxpayers' demands for standard authorizations is administratively supported by a case workflow tool called Open Case management.
Finland	Finland started a project, aimed to digit Despite of numerous theoretical developments of domestic scientists, the problem of efficient tax administration remains unresolved. So it is necessary to analyze the foreign experience of the tax administration and the possibility of using best practices in Ukraine arise the work process in Corporate taxation offices (Income taxation). In Finland about 70% of income tax returns are still filed in paper form. This is why Finland chose to digitalize the tax returns by scanning.
Poland	In 2008 the Ministry of Finance of Poland has established an e-tax programmer. The tax administration aims to take up best practices from corporate management like centralization of the data processing, using service oriented approach – both in the IT and business domains, establishing of services centres, pre-filling and withholders records data exchange. This programmer is a part of a nation-wide e-administration initiative.
Chile	In Chile all auditing related activities and formal tax proceedings (administrative proceedings) carried out at the tax administration offices are registered in an electronic record. Tax auditors and their supervisors have access to such e-records, allowing the latter to evaluate the workload of their team members.
Canada	In Canada it was determined that certain workloads related to objections would be shared on a national and regional basis. This is an effective way to deal with fluctuations in workload levels, as it made it possible for trained staff to work on workload from other offices. Canada also recognized the need to implement a variety of methods to distribute the workload. One of them is the National Workload Allocation Model. Cases are routed to the next available officer, regardless of their geographic location. This only applies to the workload that is normally conducted without meeting the taxpayer in person.

Source: [6]

specialists' group in order to achieve one unique practice for all regions. The decided practice will be inserted in the practice database. Expected is more efficiency through quicker information available on specific problems and equality in treatment through the specialists' groups. Hong Kong is implementing an online library as a pilot system. The Inland Revenue Department is planning to integrate knowledge database into a rich centralized repository of information with value-added features such as advanced searching capabilities.

Conclusions. (Re)structuring the administration (and related process redesign and automation) as a high priority area of focus for working smarter and delivering savings/efficiency gains. However, while they reported many approaches and examples few provided any firm quantified evidence of such gains or details of their approach to measurement. It is evident from the approaches and examples presented that many revenue bodies are redesigning their organization along more centralized lines. Concentration of processes and more centralized management are part of these strategies. However, there are variations in this approach. Some revenue bodies have adopted a more centralized form of organization and management based largely on tax type or process criteria (e.g. audit and taxpayer information) while others have adopted a model based largely on taxpayer segments. Importantly for many revenue bodies also means redesigning and optimizing their key business processes.

The automation of workflows within revenue bodies is another area with potential. Investing in the automation of work appears to be one of the more successful strategies to reduce process costs, as it facilitates faster and easier data processing

and improved work movement and management across work areas. But not all revenue bodies have yet achieved the same level of automation in this regard and for many significant potential remains. Databases are used successfully by some revenue bodies to share information within their staff and to capture the knowledge/experiences of departing employees.

Recommendations:

- to take advantage of opportunities for further automation of workflows and processes;
- to oversee efforts to study and apply the methods for process optimization used successfully by other revenue bodies and the private sector (e.g. Lean approaches);
- to be alert to the potential for further concentration or consolidation of work processes.

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МЕХАНІЗМ ПЕРЕРОБКИ ТВЕРДИХ ПОБУТОВИХ ВІДХОДІВ В ЕКОНОМІЦІ УКРАЇНИ

Анотація. У статті проаналізовано зарубіжний досвід запровадження різних підходів до переробки твердих побутових відходів. Визначено основні шляхи вдосконалення процесу переробки твердих побутових відходів в економіці України. Запропоновано механізм переробки твердих побутових відходів, який доцільно запровадити в Україні через його економічну, технічну та екологічну вигоду. Цей механізм передбачає створення відділень піролізу і когенерації на регіональному полігоні будівельних та промислових відходів із комплексом переробки твердих побутових

відходів. Показано відмінності й переваги зазначеного механізму. Розглянуто можливості його впровадження в Донецькому регіоні.

Ключові слова: тверді побутові відходи, утилізація, переробка, полігон, когенерація, піроліз.

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КОНЦЕПТУАЛЬНЫЕ ПОЛОЖЕНИЯ ПЕРЕРАБОТКИ ТВЕРДЫХ БЫТОВЫХ ОТХОДОВ В ЭКОНОМИКЕ УКРАИНЫ

Аннотация. В статье проанализирован зарубежный опыт внедрения разных подходов к переработке твердых бытовых отходов. Определены основные пути совершенствования процесса переработки твердых бытовых отходов в экономике Украины. Предложен механизм переработки твердых бытовых отходов, который целесообразно внедрить в Украине по причине его экономической, технической и экологической выгоды. Этот механизм предполагает создание отделений пиролиза и когенерации на региональном полигоне строительных и промышленных отходов с комплексом переработки твердых бытовых отходов. Показаны особенности и преимущества отмеченного механизма. Рассмотрены возможности его внедрения в Донецком регионе.

Ключевые слова: твердые бытовые отходы, утилизация, переработка, полигон, когенерация, пиролиз.

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CONCEPT OF SOLID WASTE PROCESSING IN THE ECONOMICS OF UKRAINE

Abstract. An author analyzes the international practice of different types of solid household waste processing. Main directions of solid household waste processing in the economy of Ukraine have been worked out. A mechanism for household solid waste processing is proposed, which is appropriate for introduction in Ukraine because of its economic, technical and environmental benefits. The mechanism is based on establishment of pyrolysis and congregation facilities at regional level and industrial waste landfills including a complex for household solid waste processing. The peculiarities and advantages of the mechanism are indicated. The possibility of the proposed mechanism applying in Donetsk region has considered.

Keywords: household solid waste; utilization; recycling; landfill; congregation; pyrolysis.

JEL Classification: O13, O38, O44