

On strengthening the control potential of value-added tax in the EAEU in the context of digitalization

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Abstract — The article summarizes the results of a study of the level of development of the administration of value-added tax (VAT) in the countries of the Eurasian Economic Union at the present stage, introduces a classification of systems. The following factors were identified as factors in building an effective national control system for VAT: the general level of digitalization in the economy of the country, the availability of legislation and infrastructure for electronic document management between business entities and for the subsequent transmission of data from invoices to a single state base, which allows for monitoring operations and identifying risks. Particular attention is paid to plans for the development of control between member countries of the Eurasian Economic Union, including electronic document management between residents of member countries of the union, the exchange of information between tax authorities, and the launch of a traceability system for goods. According to the authors, the success of the implementation of projects to build an international control system depends on the development levels of national VAT administration systems and their harmonization with supranational legislation. An analysis of the current state and trends in the sphere of control over value-added tax allows us to conclude that the control potential of the tax is significantly strengthened.

Keywords — value-added tax (VAT), digitalization, electronic invoice, system of tax administration, tax control, Eurasian Economic Union (EAEU), goods traceability system

I. INTRODUCTION

The main functions of value-added tax (VAT) are traditionally considered fiscal, regulatory, control. The priority of the fiscal function of taxes is an axiom of tax theory that is present in every theoretical work on tax (L.I. Goncharenko [1], V.G. Panskov [2], A.P. Manushkina [3] and others). However, in the context of the digital transformation of the world economy, there has been a tendency to redistribute the functional potential of the value-added tax in the direction of strengthening the control function (I.G. Scherbakova [4]). The

scale of such a change depends on a number of factors investigated and systematized by the authors. The geographical perimeter of the study was the countries of the Eurasian Economic Union (EAEU), which is currently planning a breakthrough in international control over business.

At the heart of modern VAT administration systems are digital technologies. The problems of electronic interaction at various levels (B2B, B2G, G2G) are widely studied from different angles by the scientific community. The research of foreign scientists (H. Pho, T. Tambo [5], S. Berez, A. Sheth [6], H. Gruber, [7]), as well as Russian ones (A. Babkina, [8], L. Vidyasova, A. Chugunov, [9], D. Zozulya [10]) are of theoretical and practical value. The most complete study of the state of electronic document management in the EAEU and its prospects was carried out by A. Shastishko, A. Shpakova [11]. However, the development of electronic interaction in the context of improving tax administration for VAT is not considered in them, and therefore this work is relevant.

II. RESEARCH METHODOLOGY

The specifics of VAT is the important role of workflow in accompanying the process of accrual and payment of taxes to the budget. For VAT purposes, a special document is provided — an invoice. In the implementation of the offset (invoice) method of calculating VAT, which is widespread in the world, an invoice is a tool for the supplier to present the amount of VAT payable by the buyer (output VAT) as part of the cost of goods sold (services rendered). In turn, for the buyer, the invoice acts as a voucher (certificate) for acceptance of input VAT as a deduction. Circulation of falsified invoices leads to the illegal withdrawal of value-added tax from the budget, which is why tax administration systems for VAT administration are also based on invoices. An invoice draws up each transaction, respectively, the amount of information about

invoices, as a source of information for analyzing and controlling the movement of budget amounts and taxes from the budget, is enormous, and its processing is possible only using modern big data information technologies. It is logical to conclude that the level of state control depends on the general level of digitalization of economy (A.V. Tikhonova, N.P. Melnikova, N.G. Vishnevskaya, [12]) and the quality of information technologies used by tax authorities. The basis for building a modern VAT administration system is an electronic invoice built into the electronic document management system (EDS) in the B2B sector and in B2G electronic reporting. The history of electronic invoices (EI, e-VAT-invoice, e-invoice) begins in 2008 in Brazil, is currently actively distributed in Europe, while such post-Soviet countries as Kazakhstan, Ukraine, Azerbaijan, Russia occupy one of the leading positions in the world by e-invoicing. Serious research of e-invoicing is made by B. Koch. [13, 14].

A. National Level

Regulation of indirect taxes by the EAEU Treaty involves the use of an invoice when documenting cross-border trade if such a document is provided for by national legislation. At the moment, the circulation of invoices is legalized in all EAEU countries, and the last country to introduce an invoice in the document circulation was Belarus, which had previously only used invoices.

We briefly describe the national VAT administration systems of the EAEU member countries.

Russia The VAT administration system in the Russian Federation, built on a document flow for VAT purposes (i.e. an invoice or universal transfer document (UTD), including an invoice), is implemented through the ASK-VAT software package (modules 2, 3). Since its introduction in 2015, it allows you to identify the source of the offset VAT in the budget by comparing the invoice from the buyer's purchase book to the same invoice in the supplier's sales book. Data from taxpayer invoices is transferred to the tax authority base at the time of sending the electronic VAT tax return, which includes data from sales books and purchase books. The result of the comparison can be both confirmation of the source of VAT in the budget, and identification of the gap when the offset VAT is not ensured by payment of VAT to the budget by the direct supplier or its suppliers in the chain. The discovered gap becomes the subject of tax control measures (the system automatically generates requirements for taxpayers to request clarification of discrepancies), and if such measures did not allow to identify the beneficiary of VAT not paid to the budget, then the information is transmitted to the investigating authorities. At the moment, the units of the Federal Tax Service of the Russian Federation have already launched the operation of the ASK VAT-3 module, which, in addition to processing data from tax reports, makes their connection with data on payments, detecting cases of non-payment of the declared tax.

Kazakhstan. The VAT administration system in Kazakhstan is based on electronic invoices (EI). Since 2016, EI have been introduced on a voluntary basis, and since 2019,

they are mandatory for all categories of taxpayers and all types of transactions, i.e. in Kazakhstan, it is impossible to complete any sales operation without issuing an EI. In this case, the issue of invoices is carried out through a single state resource - the EI Information System (EI IS). The EI form is in Russian. Due to the mandatory nature of EDS and its existence on the state platform, VAT reporting has been significantly simplified. The advantages of the Kazakhstan system of VAT administration in comparison with the Russian system is that the state has information on all transactions in almost real time at the time of generation of the invoice in EI IS (in Russia - only at the time of receipt of the electronic VAT declaration), while the composition of information about the transaction is presented at the nomenclature level (in Russia — only according to the final indicators of the transaction). Transactions are analyzed in the Pyramid system, which has no restrictions on the number of levels of taxpayer suppliers and its direct counterparty. The capabilities of the Pyramid system, as well as the rigorous methods of administering taxpayers by the tax authorities of the Republic of Kazakhstan, have become prerequisites for starting a pilot project on improving VAT administration from 10/18/2019. The new principles of administration are applicable to taxpayers with high risk status, as well as to their direct counterparties and provide for desk control before tax reporting, i.e. in fact, in real time, with the possibility of closing access to EI IS to taxpayers who have not fulfilled within 5 days a notification of the tax authority as part of the audit. A new pilot project of the Kazakhstan tax authority demonstrates toughening of VAT administration and at the same time increased system capabilities.

Belarus. The EI was introduced on July 1, 2016 on the basis of a single format legally established, which is mandatory for processing all operations except for export. The EI form is in Russian. EI is issued through the portal of the Ministry of Taxes and Duties of the Republic of Belarus and is signed with an electronic digital signature (DS). The personal account on the portal provides taxpayers with broad analytical capabilities, including checking counterparties and searching for discrepancies with their data. Responsibility for non-compliance with the EI release format is not provided, but non-compliance with the requirements by the supplier deprives the taxpayer-buyer of the deduction.

Armenia. Invoices are issued in electronic form for transactions above the established limit. Sales and purchase reports are submitted to the tax authorities. Most taxpayers submit VAT tax reports electronically, which is stimulated by the tax authorities by assigning the status of a model taxpayer for which tax audits are not planned.

The Kyrgyz Republic The EI system in Kyrgyzstan is in the process of formation. Starting July 1, 2018, the republic envisages the obligation to issue EI for export and import operations. The EI form is approved by law, differs for different types of goods, compiled in Russian. For operations on the domestic market, invoices are issued using numbers from the state register.

The result of the study of the national characteristics of the EI system is presented in Table 1.

TABLE I. NATIONAL APPROACHES TO E-INVOICING

Country	e-VAT-invoicing	Platform	Type of e-VAT-invoicing system	Template of e-VAT-invoice
Armenia	mandatory for transactions above threshold	state portal	centralized-mandatory	statutory, Armenian language
Belarus	mandatory	state portal	centralized-mandatory	statutory, Russian language
Kazakhstan	mandatory	state portal	centralized-mandatory	statutory, Russian language
Kyrgyz Republic	mandatory only for cross-border transactions	state portal	centralized -voluntary	statutory, Russian language
Russian Federation	allowed upon agreement between counterparties	several authorised providers	decentralized-voluntary	statutory, Russian language

Source: developed by the authors based on legislation of EAEU countries

Further prospects for the development of VAT administration in the EAEU countries are associated with harmonization plans at the interstate level, the feasibility of which is confirmed by scientists (A. Ehtisham [15], E. Petrosyan [16], A. Ishkhanov, E. Linkevich [17]).

B. Administration at the EAEU Level

The coordinated development of digital technologies in the EAEU is a priority, which is enshrined in the strategic document - "The Main Directions for the Implementation of the EAEU Digital Agenda until 2025", where the course has been taken to form a single digital space of the EAEU. The document contains both strategic directions and specific projects. One of these projects is the provision of electronic interaction at the business level in order to develop business cooperation within the EAEU. Achieving the goal will require joint efforts at the international level aimed at developing a unified legal framework for EDS and DS, including common document formats. An analysis of the formats and content of details of national EI shows their similarity. However, the implementation of electronic document management plans between enterprises of the EAEU countries is possible only with full unification.

A novelty for the EAEU and the world as a whole was the plan to launch a goods traceability system as a response to the negative effects of uncontrolled movement of goods between the EAEU countries, as well as gray imports. The idea of combating smuggling was reflected in the draft Agreement on the mechanism of traceability of goods imported into the customs territory of the Eurasian Economic Union of April 17, 2018. N 74. The traceability mechanism is based on the practical experience of Kazakhstan, which has committed itself to the traceability of the movement of goods for which lower customs rates are applied in comparison with the EAEU tariffs (the result of unilateral obligations of Kazakhstan upon entry into the WTO). The national traceability system in Kazakhstan has been operating since 2018 and is implemented on the basis of electronic invoices and the virtual state software module Virtual Warehouse (VW). Quantitative data in the context of batches of traceable goods automatically fall from the EI and customs declarations into a separate information module, where a quantitative balance is generated, respectively, the sale of such goods is possible only within the quantity in the state accounting system Virtual warehouse. The tracked goods in Kazakhstan include cars, sugar, refrigerators, televisions, etc. The experience was successful, in connection with which it was decided to extend it to all EAEU countries.

The Russian traceability system should work from July 1, 2020, and is significantly different from the Kazakhstan system, as involves quantitative control of the sale of imported goods subject to traceability, based on a new reporting unit for operations with such goods. The start of traceability in Russia is planned on the basis of a limited assortment of piece goods (refrigerators, monitors, dishwashers and washing machines, child seats, etc.).

An analysis of the traceability mechanism demonstrates the expansion of government control over business. Such control is built on invoices, in connection with this it is carried out by tax authorities, which demonstrates the role of VAT as a tool for monitoring business.

III. RESULTS

A brief overview of national approaches to the treatment of EI within the framework of EDS allows ranking the tax administration systems for VAT in the EAEU in terms of the level of development: Kazakhstan and Russia are significantly ahead of other countries, especially Armenia and the Kyrgyz Republic, which joined the Union relatively recently but are following the "catch-up" scenario as part of the VAT administration. Belarus is approaching the leading countries, introducing a system based on the model of the Republic of Kazakhstan. The effectiveness of the VAT administration system depends on the type of ESF system (EDF), while two factors and their combination are determining for the type of system:

- 1) obligatory EI
- 2) EI release through a single state resource.

The maximum possibilities from the point of view of control are provided by the EI system, based on the obligation to issue electronic invoices on a continuous basis (i.e. for all categories of transactions) through a single state resource, which gives the state an information database in electronic form on transactions in the country in real time, i.e. delayed by the statutory deadline for the release of EI. We call such a system necessarily centralized. However, such a system and especially harsh scenarios of its use for the administration of taxpayers require the smooth operation of the software package, otherwise the taxpayer business will be vulnerable due to the inability to document operations, and, consequently, the implementation of such operations. Kazakhstan is exploiting precisely this type of system. Belarus, Armenia are on the path to its implementation. The EI system of Kyrgyzstan at the moment has a centralized sign but is not yet

mandatory for most types of operations. The Russian system is fundamentally different from the Kazakhstan system, it has a decentralized-voluntary type, which is explained by a systemic restriction in volume due to the size of the country, the number of operations for analysis (comparison: 5.8 million taxpayers in Russia versus 0.2 million in Kazakhstan). However, in terms of complete control coverage, the Russian system is not inferior to the Kazakhstan one by including the data from invoices in the VAT tax return, which must be submitted to the tax authorities electronically. Thus, electronic VAT tax returns submitted by all taxpayers and containing information from the sales book and the purchase book at the line level compensates for the lack of mandatory EI and de facto forms a single resource with data on business transactions at the state level. The development of the Russian EDS system in the direction of binding is very likely in the near future.

Important conclusions for the practical implementation of the project on traceability of goods at both the national and international levels follow from a comparison of the traceability options of Russia (planned for implementation) and Kazakhstan (implemented). In particular, based on the experience of Kazakhstan, we will determine how much the implementation of the Russian approach at a practical level will achieve the stated goals and what accompanying effects may arise.

The declared Russian traceability system involves monitoring the movement of goods not at the information level according to the Kazakhstan version, but at the documentary: taxpayers provide information on the availability of traceable goods at the time the system is launched and then on all movements of the traceable goods through a reporting system based on the VAT document flow (invoices, sales and purchases books). For the circulation of goods bypassing the traceability system, a penalty of 10% of the cost of such goods is provided. Obviously, the format of the system involves a significant increase in the administrative burden on both business and tax authorities due to the new block of detailed reporting. Additionally, you can predict the following business problems associated with the introduction of this system:

- lack of time for introducing changes to the taxpayer accounting systems associated with a change in the format of documents and the accounting methodology in connection with the transition to party accounting,
- delay in the sale of goods at the time of receipt of the batch registration number (the problem is critical for sale on the basis of direct delivery, leads to an increase in storage costs, risks of loss of consumer properties of goods, etc.),
- technical difficulties in the implementation of bundles of goods, including traceable goods.

Unlike the Russian scenario of organizing traceability, the Kazakhstan version is automated. The batch number is

reflected in the EI, issued through the unified state system of EI IS, from which the product data is sent to the Virtual Warehouse (VW). Taxpayers do not participate in the information support of VW module, into which data is automatically received from the EI, electronic import customs declarations, applications for the import of goods and the payment of indirect taxes from the EAEU. The quantitative balance for consignments is maintained automatically in the VW module. If the imported goods have not passed customs clearance, are not declared, their quantity will not be capitalized in the aircraft module. In this case, the sale of this product will be impossible, since VW will not allow the release of EI.

We note the main advantages of the Kazakhstan system compared to Russian traceability:

- 1) no additional reporting for traceability purposes;
- 2) there is no need for taxpayer buyers to verify the reality of the lot number of the goods;
- 3) information on traceable goods is available to the tax authority in real time (compared with availability in Russia by the 25th day of the month following the quarter of the transaction).

We emphasize that these advantages are based on the principles of document circulation for VAT in Kazakhstan, namely: mandatory EI with release through the state system.

In the Russian system of VAT administration, the absence of the obligation of the EI and their passage through a centralized resource is compensated by the mandatory electronic declaration of VAT, including data from invoices. However, building an effective traceability system without the obligation and centralization of EI production is not possible. Indeed, the Russian bill provides for the release of EI, but only for traceable goods. The next step, which will optimize the system, is the centralization of transaction data from disparate EDS providers in Russia. Such measures will provide a reliable control system that operates in real time. This conclusion is applicable to Russia, as well as other EAEU countries.

IV. DISCUSSION OF RESULTS

The study allows us to formulate the criteria for a developed national tax administration system for VAT, harmonized with the supranational system of VAT administration in the EAEU. The criteria are presented in a systematic form in Figure 2 and include four groups of factors characterizing the readiness of the business and government bodies of countries: the general level of digitalization in the country, the presence of a regulatory framework, a mandatory centralized ESF system, informational analytical procedures by state bodies, the existing EDI system between enterprises, between enterprises and state bodies, as well as between EAEU state bodies.

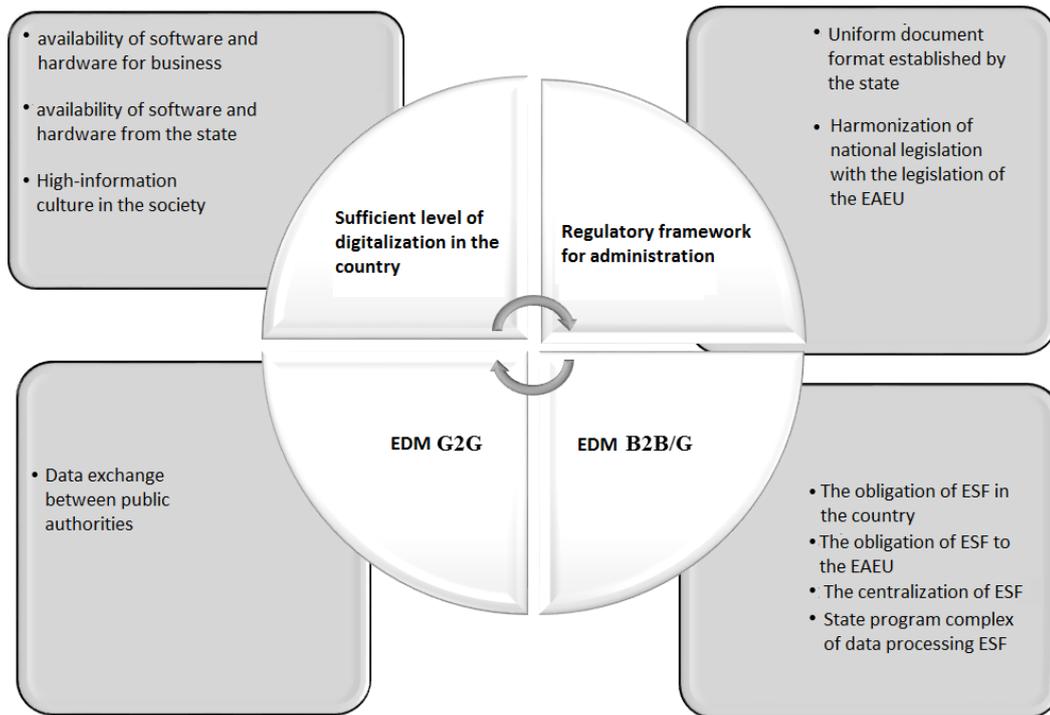


Fig. 1. Criteria for a developed VAT administration system

V. CONCLUSIONS

Modern VAT administration can provide almost total state control of business at the transaction level. The information provided by the VAT administration system, together with the data of payment systems and databases administered by the customs authorities, is a valuable information resource for the state that allows you to monitor, plan, predict the financial and economic indicators of the country as a whole, which confirms the strengthening of the control potential of the value-added tax. Recently, the establishment of interstate control over business in the EAEU integration association has also been based on the VAT document flow, which demonstrates the new capabilities of the VAT administration system in terms of control over cross-border transactions. Real business practice, taking into account the existing control tools, as well as planned (for example, traceability of goods) stimulates the flow of business from the gray zone to the legal one. As the business environment is aligned, an adequate self-assessment is formed on the basis of objective financial indicators, which makes it possible to make balanced managerial decisions regarding its development strategy. Ultimately, such processes in society lead to an expansion of the tax base, and consequently, an increase in tax revenues. Thus, the modern vector of transformation of the function of indirect taxes (VAT in the first place) demonstrates the positive impact of the control function on the fiscal potential of the tax, which is logical, balanced, consistent with the realities of the country and international approaches (even with some lead).

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