

## Transformation of the Legal Mechanism of Taxation Under the Influence of Digitalization: Russian Case Study

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*The article considers the impact of global digitalization of the economy on public tax administration based on the example of the Russian legal system from a comparative perspective. To understand the prospects of domestic taxation mechanisms, they are considered in comparison with similar mechanisms of other states and the legal regulation of foreign countries of Europe (European Union) and the United States while respecting the initiatives and solutions of international organizations (OECD, European Commission) in the context that is examined.*

*A macroeconomic assessment of the effectiveness of the use of digital tax administration is performed, and the stages of its institutional development are highlighted. Digital technologies ensure an increase in the collection of taxes and other obligatory payments, reduce labour costs for tax control, and decrease the administrative burden on businesses.*

*The main approaches to the digital transformation of the modern tax system are considered and new innovative developments and digital technologies in Russia are emphasized. It is noted that, currently, the Russian tax system in the context of the development of the digital economy is moving from an electronic to a 'proactive state'.*

**Keywords:** Digital economy, electronic document management, legal tax regulation, tax administration, tax audit.

### I INTRODUCTION

In the twentieth century, most developed countries taxed and redistributed a growing share of their wealth (either in cash or in kind). This was accomplished by taxing either production or consumption economic activities. The wave of globalization that erupted after World War II and, more importantly, since the early 1990s, made it difficult for countries to tax companies as tax evasion or tax optimization became easier. Even with this type of cross-border activity, since most of the goods sold were from brick and mortar companies, it was more of an implementation issue than one of design. The development of the digital economy, based on increased returns to scale and intangible assets, presented a more fundamental challenge.<sup>1</sup>

The digitalization of the economy is considered a key driver of innovation, economic growth, and social change and poses a major challenge for tax systems.<sup>2</sup> It is

changing political and social institutions as well as the principles of their functioning, the economic structure of society, the labour market, and the human environment.<sup>3</sup> These nascent production relations seem socially fair and adequate for a new level of human development that is aimed at creating better working and resting conditions. The rapid development of the digital economy poses new difficult situations for tax authorities.<sup>4</sup> It is challenging the very concept of tax territoriality based on physical presence in a fundamental and unprecedented way, and market jurisdictions seem to play an increasingly important role in the distribution of tax revenues. New business models in the digital economy are based on modern information and communication technologies and the use of substantial amounts of data which often blur the boundaries between goods and services and significantly vary in approach, form, influence, and monetization (for example, online shopping, social media platforms, digital service subscriptions, and collaboration platforms). At the

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<sup>1</sup> W. Sand-Zantman, *Taxation in the Digital Economy* 15 (Institute d'Economie Industrielle 2018).

<sup>2</sup> M. Olbert & C. Spengel, *International Taxation in the Digital Economy: Challenge Accepted*, 9(1) *World Tax J.* 3–46 (2017).

<sup>3</sup> M. Bauer, *Digital Companies and Their Fair Share of Taxes: Myths and Misconceptions*, ECIPE Occasional Paper, No. 03/2018, 3, 15 (2018).

<sup>4</sup> M. Bacache-Beauvallet & F. Bloch, *Special Issue on Taxation in the Digital Economy*, 20(1) *J. Pub. Econ. Theory* 5–8 (2018).

same time, there is a general consensus that value creation is largely decentralized and not associated with physical presence. These new business models, especially at a time of heightened international tax competition, highlight possible weaknesses in the existing direct taxation system which was originally designed for 'conventional' businesses and continues to rely heavily on physical presence as a threshold for the distribution of tax rights.<sup>5</sup>

The development of information and communication technologies (ICT) has also afforded wide opportunities for tax authorities, specifically:

- increasing the collection of taxes and other obligatory payments;
- increasing the efficiency and quality of the services;
- reducing the burden on taxpayers; and
- reducing public administration expenses in the field of taxation.<sup>6</sup>

Against the background of digitalization of public life, new concepts and processes arise. Legal science cannot always provide unambiguous definitions to the latter or introduce them into relevant legal acts. Thus, the legal mechanism for levying taxes and fees (and other administrative payments) becomes obsolete.

In the digital economy, it is difficult to assign economic transactions to a specific jurisdiction since geographical boundaries are eliminated. This raises issues of collecting VAT for electronic transactions across national borders and relies on intangible assets that are difficult to monetize (algorithms, personal data, network effects). Among prominent examples is the recent growth of tech giants such as Google and Facebook that generated significant amounts of added value, some of which is capitalized on the ad revenue that these firms receive. This revenue from these platforms has grown significantly over time, however, this is mostly recorded in low tax countries.<sup>7</sup>

As an example, in Canada, providers of digital products and services from e-books and online games to streaming services such as Netflix and Spotify are not required to collect and remit sales tax unless they 'do business' there. Instead, consumers of the service are responsible for determining and paying the appropriate federal goods and services tax (GST) or harmonized sales tax (HST that combines the federal and provincial GST) although, in

practice, they rarely do this. This poses two primary issues: Canadian businesses are at a disadvantage compared to their foreign competitors that do not pay GST/HST, and governments fail to collect substantial amounts of tax revenue.<sup>8</sup>

Therefore, in recent years, all of these digitalization-related problems have been the subject of public debate (especially in Europe) and have led to intense formal discussions among politicians at both the national and international levels.<sup>9</sup> Accordingly, they require an adequate change in legal regulation, its adaptation to emerging new economic relations, their proper design, and synchronization with the emerging new digital economy.<sup>10</sup>

In the Base Erosion and Profit Shifting Project (BEPS), the OECD identified tax issues in the digital economy as Action 1. It concluded that digital business models afford significant opportunities for (aggressive) tax planning but also raise broader issues for tax systems. While the OECD describes some of the technological underpinnings and innovative business models of the digital age, the related implications and potential tax issues are not discussed in detail. Rather, the latest report highlights how the business models of multinationals in the IT or e-commerce sector can lead to undesirable outcomes in terms of low or no taxation. OECD tax solutions are characterized by reduced BEPS risks and increased awareness of tax issues rather than solving long-term tax problems caused by digital business models.<sup>11</sup>

Opposing BEPS' Action 1, Moreno and Brauner<sup>12</sup> contended that withholding taxes were at the heart of source taxation and the only technical solution that could guarantee taxation of sources in the digital economy, which was the main goal of the entire BEPS Action 1, while maintaining both the legitimacy and the integrity of the international tax regime. It tackles key issues quickly and transparently by using measures that are familiar and internal to the regime that will thereby increase its stability rather than threaten it. Finally, the withholding tax solution also works 'within the system', addressing core BEPS issues, base erosion, and profit shifting with a focus on large B2B transactions and refraining from populist pseudo-solutions that shielded the digital economy (in violation of the core BEPS principle in Action 1).

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<sup>5</sup> G. Kofler & J. Sinnig, *Equalization Taxes and the EU's Digital Services Tax*, 47(2) Intertax 176–200 (2019).

<sup>6</sup> OECD, *Special feature: Electronic services in tax administration*, in: *Revenue Statistics in Asian Countries 2017: Trends in Indonesia, Japan, Kazakhstan, Korea, Malaysia, the Philippines and Singapore* 13 (OECD Publishing 2017).

<sup>7</sup> M. Köthenbürger, *Taxation of Digital Platforms*, EconPol Working Paper No. 41 8 (2020).

<sup>8</sup> R. Wyonch, *Bits, Bytes, and Taxes: VAT and the Digital Economy in Canada*, CD Howe Institute Commentary no. 487 4 (2017).

<sup>9</sup> Bacache-Beauvallet & Bloch, *supra* n. 4, at 5.

<sup>10</sup> V. A. Waipan, *Theory of Justice: Law and Economics*, Monograph 34 (Justicinform 2017).

<sup>11</sup> J. Englisch, *BEPS Action 1: Digital Economy—EU Law Implications*, 1 Brit. Tax Rev. 280–307 (2015); Olbert & Spengel, *supra* n. 2, at 3.

<sup>12</sup> A. Baez Moreno & Y. Brauner, *Taxing the Digital Economy Post BEPS—Seriously*, 58 Colum. J. Tran'l L. 121 (2019), 121.

A recent tax policy proposal includes the introduction of a destination tax system (DBT) possibly complemented with a tax on cash flows. A DBT implies a shift in tax law from the rate of taxation of profits at source to the concept of taxation of profits in the country of final consumption. The question of where this revenue stream came from is no longer tax related if all countries accept the DBT at the same time. However, the DBT assumes a redistribution of tax revenues, and this change in revenue will be higher than those associated with the digital services tax (DST) proposed by the EU. As DST-related changes are perceived as a political obstacle, the issue may become even more pressing in the context of the DBT. As such, the DBT may not take effect in the near future which will leave the question of how to tax the income of digital platforms in source-based taxation policies.<sup>13</sup>

Intangibles, business and financial functions of major digital multinational firms are extremely mobile because of the nature of digital technologies that allows these firms to grow in fiscally optimal global structures.<sup>14</sup> Most major Internet platforms benefit from low tax rates and from the provisions of international tax treaties that allow them to reduce their corporate income taxes.<sup>15</sup> They manage to transact a large volume of business in major industrialized countries yet pay very low taxes even though their presence in these countries is well established. While these strategies of (legal) tax evasion are not specific to the digital economy, the heavy reliance of transactions with intangibles makes tax evasion easier in the digital economy. Faced with a low level of taxation of major multinational firms, some countries (Italy, France, or Hungary) have reacted by proposing specific taxes on Internet access and use. Other countries (the United Kingdom) have entered into negotiations with multinational firms to increase the tax base.<sup>16</sup>

The provision of digital products and the use of digital platforms have certain characteristics that differentiate them from regular transactions. On the one hand, the cost of producing the first unit of a digital good can be significant but creating an additional copy of digital newspapers or e-books is not expensive, and the marginal costs of production and distribution are zero. On the other hand, points of sale for digital products are geographically

highly mobile. The platform infrastructure can be moved from one jurisdiction to another with little cost, as in the free industry. Digital platforms often tend to be two-way in nature; their income largely depends on the extent to which they can successfully connect different customer groups. For example, Google connects Internet users with advertisers. Users then utilize the Google search service, and advertisers contact these users through ads for which Google charges a fee. A critical aspect of the business model is the management of cross-group network effects. In the context of Google, the price that advertisers are willing to pay increases due to the growing number of users while users may perceive more advertising as an inconvenience and avoid a website when advertising becomes excessive.<sup>17</sup> With regard to taxation, however, considerable controversy prevails in the tax community. The discussions have recently appeared since the publications of the OECD's interim report on the tax challenges arising from digitalization<sup>18</sup> and the European Commission's proposals on new tax rules targeting digital firms.<sup>19</sup> According to the World Bank, the use of electronic document management creates a new approach to financial control referred to as electronic tax administration.<sup>20</sup>

In the digital economy, human capital and information technology play a decisive role in ensuring the sustainable development of the national economy.<sup>21</sup> In this regard, the training of highly qualified specialists taking into account the needs of the market and current trends in the development of digital technologies is of particular importance. The effective implementation of digital technologies is accompanied by accelerated economic growth, an increase in the number of employed individuals, and an increase in the quality of services.

The formation of a new model of public administration leads to a change in the principles of using ICT in public administration. The movement towards a wider understanding of the possibilities of ICT is manifested primarily in the transition from the concept of e-government to the concept of e-governance. If the focus of the first concept is on the openness of government information and the provision of public online services, then a new understanding includes such concepts as collaboration,

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<sup>13</sup> Köthenbürger, *supra* n. 7, at 8.

<sup>14</sup> D. Ospanova et al., *Problems of Administrative Law in the System of Public Administration*, 20(2) J. Legal, Ethical & Reg. Issues 1–6 (2017).

<sup>15</sup> F. Bloch & G. Demange, *Taxation and Privacy Protection on Internet Platforms*, 20(1) J. Pub. Econ. Theory 52–66 (2018).

<sup>16</sup> C. Ernst, K. Richter & N. Riedel, *Corporate Taxation and the Quality of Research and Development*, 21(4) Int'l Tax & Pub. Fin. 494–719 (2014).

<sup>17</sup> H. J. Kind & M. Koethenbuenger, *Taxation in Digital Media Markets*, 20(1) J. Pub. Econ. Theory 22–39 (2018).

<sup>18</sup> OECD, *Tax Challenges Arising from Digitalisation – Interim Report 2018*, OECD/G20 Base Erosion and Profit Shifting Project 6 (OECD Publishing 2018).

<sup>19</sup> European Commission, *Proposal for a Council Directive Laying Down Rules Relating to the Corporate Taxation of a Significant Digital Presence* COM(2018)147 (21 Mar. 2018); European Commission, *Proposal for a Council Directive on the Common System of a Digital Services Tax on Revenues Resulting from the Provision of Certain Digital Services*, COM(2018) 148 (21 Mar. 2018).

<sup>20</sup> J. Sobociński, *Uwarunkowania rozwoju usług e-administracji podatkowej w aspekcie zapewnienia podatkowych dochodów budżetu państwa*, Marketing i Zarządzanie 33 37–50 (2014).

<sup>21</sup> M. Hanlon, J. L. Hoopes & N. Shroff, *The Effect of Tax Authority Monitoring and Enforcement on Financial Reporting Quality*, 36(2) J. Am. Tax'n Ass'n 137–170 (2014).

participation, and consensus.<sup>22</sup> In essence, it is about e-democracy which allows expanding the influence of citizens on the process of adoption and implementation of political decisions.

Openness of developers and digital platforms in terms of taxation is a challenging issue. Sanchez-Cartas<sup>23</sup> argued that ad valorem taxes levied on royalties paid by developers do not affect the length of the exclusivity period, however, when the ad valorem taxes are higher, there is less openness. If such a tax is levied on users, the opposite effect is present. In the case of a unit tax levied on their income, developers will increase the exclusivity period and decrease openness. At the same time, if such taxes are levied on user income, platforms become more open. This effect is also valid for multicast developers; multicast leads to shorter periods of exclusivity due to mitigated competition and for the platforms with limited knowledge of their needs. Taxation of digital platforms is changing the optimal intellectual property policy of platforms. By taxing developer activities, platforms become less open, and the toolbox that is available to developers is smaller. This conclusion applies to advertisers as well. Taxing income generated from advertisers will reduce the openness of platforms, and the number of innovations in this sector will be fewer.

Further improvement of modern digital technologies in tax administration will allow for:

- automatic processing of large volumes of data (big data);
- tax collection that is more efficient;
- conditions that are more comfortable for the taxpayer; and
- the development of the national digital economy.<sup>24</sup>

There is no prepared recipe for the digitization of tax administration. There are only experiences that are often not fully applicable in each country. It is important, however, to clarify two things: first, a digital tax administration is inevitable (not a matter of choice); second, essential changes in the social frameworks and mechanisms do not occur without serious consequences. In short, there are no complete solutions to digitization, but there are a number of unavoidable strategically important steps on the way to the fundamental digitization of tax administration.

In order to structure the study of the problems of digitalization of tax administration, it is proposed to emphasize the following issues:

- internal and external electronic document management in taxation;
- digitalization of tax control; and
- introduction of new forms of tax control through the use of software products, in particular, tax monitoring.

Tax evasion in the digital economy has become a growing concern for a large number of governing bodies, including the European Commission and the OECD. While the issues raised by taxation in the digital economy have recently emerged in public and policy debates, the academic literature on the subject remains minimal.<sup>25</sup> Thus, the purpose of this study is to analyse scientific papers on various aspects of direct and indirect taxation, in particular:

- Internet platforms and e-commerce;
- the laws of countries that are more developed in the studied field; and
- electronic document management and its role in tax administration.

The object of the study is the process of transformation of tax and related procedural legislation, taking into account digital innovations. Achieving the objectives will involve the following tasks:

- consideration of individual digital innovations introduced into the Russian tax administration;
- the impact of digital innovations on the interaction of tax authorities and taxpayers; and
- assessment of prospects for improving the legal framework in order to increase the efficiency and transparency of tax administration.

## 2 METHODOLOGY

The article explores aspects of tax administration and current issues that arise in the process of changing legislation and enforcement in the digital economy. The study uses systemic, institutional, and structural-functional approaches. Based on the approaches, the following is comprehensively analysed:

- the tax system through the prism of digitalization of the economy;
- main results of tax system's reform; and
- ways to introduce digitalization into the tax administration system of the Russian Federation.

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<sup>22</sup> H. Akamah, O.-K. Hope & W. B. Thomas, *Tax Havens and Disclosure Aggregation*, 49(1) J. Int'l Bus. Stud. 49–69 (2018).

<sup>23</sup> J. M. Sanchez-Cartas, *Intellectual Property and Taxation of Digital Platforms*, 1 J. Econ. 25 (2020).

<sup>24</sup> I. A. Tselian et al., *Financial Law as a Public Law Branch: A Fresh Look at the Signs of Publicity*, 22(5) J. Legal, Ethical & Regulatory Issues 1–12 (2019).

<sup>25</sup> M. Olbert, *Corporate Income and Consumption Tax Planning in the Digital Age – Evidence from European Service Firms*, Working Paper 8th EIASM Conference on Current Research in Taxation 3 (2018); W. Schoen, *Ten Questions About Why and How to Tax the Digitalized Economy*, 72(4/5) Bull. for Intl Tax'n 278 (2018).

To study the posed problem, legislative and other regulatory legal acts of the Russian Federation were used. Additionally, in order to understand the prospects of the domestic tax system, its comparison with systems of other states, the regulatory acts of many progressive countries of Europe, the United States, and Australia as well as acts of international organizations were studied (OECD, European Commission).

The empirical analysis includes the Russian context with a special emphasis on the use of electronic document management in tax administration, tax monitoring, and problems arising in accordance with this in legal regulation. Although the results are thus specific for each country and depend on the development of informatization and accounting systems in Russia, the conclusions can be generalized and applied to a wider international discussion on harmonization processes.

Processing is required of the economic and legal framework for taxes and fees that is currently not clear and unstable. This problem arises for the reason that, when calculating taxes and fees, a prerequisite is compliance with tax laws that often change. By analysing studies of previous years, the authors trace the dynamics of changes in tax administration and identify those countries that are close to the Russian Federation in economic terms and have positive dynamics.

### 3 RESEARCH RESULTS

#### 3.1 Internal Electronic Document Management in Tax Legal Relations

In Russia, as in most other countries of the world, electronic tax workflow has become widespread:

- in the exchange of documents with taxpayers and other participants in tax relations;
- in interdepartmental interaction; and
- in the provision of state (municipal) services.

Electronic document management in tax matters (regarding the collection of mandatory payments) has several advantages:

- reduces the number of technical errors;
- efficiency;
- guaranteed delivery of documents; and
- reduction of government spending on tax administration, etc.<sup>26</sup>

The Tax Code of the Russian Federation (TCRF) allows the tax authorities to independently select the methods of documents' delivery:

- in person;
- through a representative;
- by post; or
- electronically, via telecommunication channels or through a personal taxpayer account (for example, Articles 80, 93, 105.29, etc. of the TCRF).

Some documents can be sent exclusively through ICT, for example:

- the tax authority sends a decision to the bank in electronic form when such a decision is about suspending operations of a taxpayer-organization regarding its bank accounts and electronic money transfers (paragraph 4 of Article 76 of TCRF);
- VAT returns are only submitted in electronic form (Article 80 of TCRF); and
- the use of a personal account of the taxpayer is envisaged (Article 11.2 of TCRF).

In order to develop electronic document management, new electronic forms are being created that are used in tax legal relations. Thus, the Federal Tax Service of the Russian Federation has produced a format for submitting a bank guarantee in electronic form. The norms of the TCRF do not restrict taxpayers from choosing the form and method of submitting bank guarantees to the tax authorities. Therefore, taxpayers are entitled to submit a bank guarantee to the tax authority in the form of an electronic document.

In the system of interagency electronic interaction, the Federal Tax Service of the Russian Federation is the main provider of information concerning state and municipal services (it provides approximately seventy types of information). However, despite the widespread dissemination of electronic document management, including the sphere of taxation, there is also a number of systemic inadequacies in the regulatory framework.

In particular, to date, there is no regulatory legal act on electronic document management; there is no concept of an electronic document. Information interaction between federal executive bodies, executive bodies of the constituent entities of the Russian Federation, state extra-budgetary funds through the exchange of documents in electronic form is carried out on the basis of:

- Federal law dated 27 July 2010 No. 210-FZ 'Provision of State and Municipal Services';
- Decree of the Government of the Russian Federation dated 8 September 2010 No. 697 'On a Unified System of Interagency Electronic Interaction'; and
- Decree of the Government of the Russian Federation dated 25 December 2014 No. 1494 'Rules of the exchange of documents in electronic form'.

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<sup>26</sup> M. P. Devereux & R. Griffith, *Evaluating Tax Policy for Location Decisions*, 10(2) *Int'l Tax & Pub. Fin.* 107–126 (2003).

According to these rules, a document in electronic form means an electronic document for which the format is determined in accordance with the rules of clerical work in federal executive bodies. This definition is not complete and comprehensive. In legislation, there is no general definition of 'electronic document'. In law enforcement practice as well as in educational and scientific literature, there are concepts: a document in electronic form, an electronic document that indicates the absence of uniform use of this term.<sup>27</sup>

Another problem is the use of electronic signatures. In order to regulate their use, Federal Law dated 6 April 2011 No. 63-FZ 'On Electronic Signatures' was adopted. The law distinguishes two types of electronic signatures: simple and enhanced. The latter, in turn, can be qualified and unqualified with the most secure being an enhanced qualified signature.<sup>28</sup> Information in electronic form that is signed with a qualified electronic signature is recognized as an electronic document equivalent to a paper document signed with a handwritten signature.<sup>29</sup> It is equally important to ensure the protection of a qualified electronic signature in connection with the increasing exploitation of its unlawful use in tax legal relations.<sup>30</sup>

Steps have been taken in the legislative field and in the practical application of ICT in the provision of administrative services by taxpayers. However, despite the latter, there is still no integrated system of information resources and information interaction between state and local authorities. In addition, electronic document management systems of the aforementioned authorities still have rather limited functionality.<sup>31</sup> The effective implementation of electronic governance is hindered by the insecurity and inflexibility of the national electronic signature system. Increased unfair competition and attempts to monopolize the electronic signature market and electronic document management are also interfere with the process. In the field of information security for society as a whole, digital solutions will bring new risks. Therefore, Russia needs initiatives to actively overcome digital illiteracy as well as optimize cybersecurity practices, data protection, and electronic signatures. It should be noted that, in this area, the legal mechanism must be continuously improved. The development of ICT cannot be left without proper legal regulation, and the use of internal electronic

document management should be supported by the adoption of relevant acts.

### 3.2 External Electronic Document Management in Tax Legal Relations

A business entity and regulatory authorities can build an effective automatic system by using innovative information technologies. Such a system will be based on the data of accounting and taxes and perform control and analytical management function. At the enterprise level, the basis of information support for financial activities is the data on accounting and taxes. At the level of the tax authority, tax returns (received from taxpayers) form the basis of the control and analytical functions.<sup>32</sup>

There is a relatively new method of tax administration. This method allows tax authorities to receive information about the transactions of taxpayers-residents of the Russian Federation through the automatic exchange of information between authorized tax authorities of foreign states.

In 2016, the Russian Federation, represented by the Federal Tax Service of Russia, signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA).<sup>33</sup> The implementation of this international agreement in Russia is currently associated with a number of legal issues that must be addressed. Issues of the automatic exchange of information include:

- identifying the beneficial owners of companies; and
- updating information about the client and his representative.

This problem is of an inter-institutional nature since similar questions are raised by scientists and practitioners in the framework of implementing financial monitoring concerning:

- counteracting the legalization (laundering) of proceeds from crime;
- financing terrorism; and
- financing the proliferation of weapons of mass destruction.

The obligation of legal entities to establish and update information on beneficial owners is formulated in Federal

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<sup>27</sup> M. Schrage, *Rethinking the Value of Customers in a Digital Economy*, MIT Sloan Management Review (2016), <https://sloanreview.mit.edu/article/rethinking-the-value-of-customers-in-a-digital-economy/> (accessed 9 Feb. 2021).

<sup>28</sup> D. T. Larose & C. D. Larose, *Discovering Knowledge in Data: An Introduction to Data Mining*, vol. 4 101 (John Wiley & Sons, 2014).

<sup>29</sup> A. V. Melnichuk & A. B. Samotolkova, *Foreign Experience in Legislative Regulation of the Use of Electronic Signatures in Electronic Documents*, 8 New Generation 164–168 (2015); Schoen, *supra* n. 25, at 278.

<sup>30</sup> Bloch et al., *supra* n. 15, at 52.

<sup>31</sup> A. G. Siluanov, *The Objectives of the Financial Policy of the Russian Federation for the Medium Term*, 21(3) Theory & Prac. 50–56 (2017).

<sup>32</sup> Kind et al., *supra* n. 17, at 22.

<sup>33</sup> I. A. Tsindeliani, *Tax Law: Textbook* 35 (3d ed., Prospect 2019).

law as of 7 August 2001 No. 115-FZ 'On Counteracting the Legalization (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'. Thus, organizations must take reasonable and accessible measures to establish their beneficial owners in order to exclude administrative liability.

In addition, it should be noted that most financial institutions experience difficulties not only with the identification of the above individuals but also with the subsequent regular updating of identification information by both customers and beneficial owners. As a result, the lack of reliable or outdated information negatively affects the quality of information provided to tax authorities of foreign countries and its subsequent use in relation to taxpayers.

It appears that the solution to this issue could be the introduction of administrative responsibility for customers of financial institutions for untimely provision of changes to the identification information of customers, customer representatives, and beneficial owners. Currently, only financial monitoring agents bear this responsibility in accordance with Article 15.27 of the Code of Administrative Offenses of the Russian Federation.

Another important legal issue in tax administration is the obligation of tax authorities to provide the confidentiality of customer information. This would specifically be the customer information that is received in the framework of the automatic exchange of tax information both at the local (state level) and at the global levels.

### 3.3 Tax Audits and Tax Monitoring in the Digital Economy

Tax control is evolving due to the rapid growth of information technologies. The development of business requires analysis and monitoring of plans' and tasks' implementation<sup>34</sup> since there are uncertainties and an enormous number of alternative ways to develop processes and phenomena; asymmetry of information flows; and saturation and oversaturation of information. Thus, the following measures should be taken:

- constant monitoring of the implementation and compliance with economic indicators;
- adjusting activities in operational and strategic plans; and
- monitoring the achievement of goals and objectives.

Currently, the project 'Reform of control and supervisory activity' is being actively implemented. Within the framework of the latter, integrated analytical databases are formed, and the information and analytical subsystems are modernized for the purpose of control work. The implementation of this project will allow:

- reducing the level of financial damage;
- ensuring the fulfillment of tax obligations;
- compliance with the actual characteristics of the objects of taxation;
- reducing the administrative burden on controlled entities in the implementation of state control (supervision); and
- reducing the number of requirements for taxpayers to submit explanations (documents).

Among the innovations, the use of automated control systems should be emphasized which allows for contactless tax administration. In the process of conducting desk audits, the updated ASK-NDS-3 automated control system is used in which tax inspectors will be able to compare VAT not only with assessed tax but also with bank payments. The program compares the data of returns and statements of accounts to identify transactions without payments. It does not matter whether the seller reflects sales in the financial statements. A desk tax audit can be conducted expeditiously through the introduction of a software package. The automated control system mechanism is, among other things, considered to be an effective tool in the field of countering the so-called 'tax carousels'. It is worth noting that fraudulent VAT carousel schemes remain one of the most widespread types of international financial crimes in all EU countries.<sup>35 36</sup>

The European Parliament, in its recommendations on countering VAT fraud, noted, among other things, that one of the options to combat VAT evasion could be the provision of VAT in real time, known as a split payment mechanism, for which VAT is charged by the supplier but paid by the recipient of the invoice in the companies of a B2C type. A real-time automated audit system will allow cross-validation of VAT audits at each level of the product lifecycle and quickly detect VAT leaks.<sup>37</sup>

In Britain, online marketplaces have led to an increase in the number of overseas vendors who do not register for VAT and avoid contact as soon as they are identified by the tax authorities and then return to the market under a new brand name or other legal form. In the United Kingdom, online retailers' profit from VAT fraud by

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<sup>34</sup> V. Anishchenko et al., *Ethical Issues in the E-business in the Conditions of the Information Society Development*, 22 J. Legal, Ethical & Regulatory Issues 1–6 (2019).

<sup>35</sup> N. Hangáčová & T. Strémy, *Value Added Tax and Carousel Fraud Schemes in the European Union and the Slovak Republic*, 26(2) Eur. J. Crime, Crim. L. & Crim. Just. 132–159 (2018).

<sup>36</sup> R.-A. Onea, *VAT: Carousel Fraud in the European Union*, 2 Caiete de Drept Penal 78 (2019).

<sup>37</sup> E. Hadzhieva, *Impact of Digitalisation on International Tax Matters, Study for the Committee on Financial Crimes, Tax Evasion and Tax Avoidance, Policy Department for Economic, Scientific and Quality of Life Policies*, Eur. Parliament (2019).

ignoring the presence of overseas sellers who sell goods to the United Kingdom without charging VAT. Failing to prevent tax evasion both domestically and internationally was made a criminal offense there. VAT evasion caused by foreign sellers not having a permanent establishment status in the United Kingdom has been addressed by new rules introduced by Revenue and Customs Central Authority of the United Kingdom. Hence, online marketplaces became liable for non-payment of VAT by UK sellers.<sup>38</sup>

When proceeding to the topic of excise taxation, it should be noted that, when administering excises, the tax authorities use the data of the Unified State Automated Information System (USAIS) for calculating the volume of production and turnover of ethyl alcohol and alcohol-containing products. The administrator of which is the authorized state body – the Federal Service for Alcohol Market Regulation (Rosalkogolregulirovanie). At the same time, work is underway to pair the USAIS with specialized automated information systems of tax authorities (for example, ‘Tax-3’) in order to compare tax returns on excise taxes with Rosalkogolregulirovanie data. The introduction of the USAIS has significantly increased income to the budget from excises on distilled drinks.<sup>39</sup> Using the USAIS allowed the tax authority to improve tax administration. In particular, the Federal Tax Service of Russia conducts experimental desk checks of returns on excises on ethyl alcohol and (or) excisable alcohol products with a reduction of time from three to two months.

In the case of complete computerization and automation of information and analytical work, both taxpayers and tax authorities can automatically carry out control. Regarding electronic document management in the established format and type, the ‘human factor’ is still necessary for conducting control of the correctness and timeliness of tax payments, the reliability of indicators in tax reporting, and their quality. Hence, if all taxpayers will file tax returns and supporting reports in electronic form, then the tax authorities will have a full base for automatic control.

Tax monitoring in the Russian Federation is a new form of interaction between taxpayers and tax authorities that is also based on digital technologies. Tax monitoring is a system of remote tax control created to improve

authority over the accuracy of calculation, timeliness, and completeness of payment of taxes and other obligatory payments. The form of tax control under consideration implies the possibility of introducing permanent control over the taxpayer, and the taxpayer receives legal certainty regarding the tax policy.<sup>40</sup> Tax monitoring proactively protects the property interests of the state.<sup>41</sup>

Forms of tax control and administration such as tax monitoring are actively and successfully used by such countries as Australia, Austria, Denmark, the Netherlands, Singapore, and the United States. The main idea of introducing the practice of tax monitoring is the voluntary observance of tax and tax requirements of the legislation by taxpayers.<sup>42</sup>

Modern research that considers the issues of tax evasion, tax monitoring costs, and economic growth note that tax monitoring expenses have a direct impact on the levels of the effective tax rate in each country. However, the magnitude of these effects can vary from country to country depending on factors such as differences in real per capita incomes (since increases in static tax rates and decreases in monitoring costs may create stronger incentives for tax evasion when revenues decline and vice versa). The extent can also be attributed to differences in characteristics of specific countries such as disparities in the level of human capital, political views, customs and other socio-economic characteristics.<sup>43</sup>

The command-and-control paradigm has long prevailed among tax authorities struggling with tax evasion and currently remains the dominant paradigm in practice. However, at least since global corporations have adopted increasingly aggressive tax planning and tax evasion strategies rather than illegal actions such as tax evasion, the limitations of the command and control paradigm have become apparent. The move from ‘vertical’ to ‘horizontal monitoring’ is expected to foster mutual trust and cooperation through commercial awareness, impartiality, proportionality, and responsiveness of tax authorities, on the one hand, and disclosure and transparency by taxpayers on the other. The experience of Austria suggests that, at this stage, society is more positive about government initiatives related to horizontal monitoring.<sup>44</sup> This method is, first of all, a new level of communication with taxpayers of which the main purpose is not total control over the

## Notes

<sup>38</sup> M. C. Cano, *UK will Force Online Marketplaces to Collect Overseas Sales VAT*, International Tax Rev. (2020), <https://search.proquest.com/openview/694ec4dc276ee6648bb860c170a4769e/1?pq-origsite=gscholar&cbl=30282> (accessed 9 Feb. 2021).

<sup>39</sup> Siluanov, *supra* n. 31, at 53.

<sup>40</sup> E. A. Tsvetkova, *Comparative Legal Analysis of Alternative Methods of Resolving Tax Disputes by the Example of Russia, the USA, the Netherlands, Germany*, 2 J. Foreign L. & Comp. L. 22–30 (2017).

<sup>41</sup> I. A. Tsindeliani et al., *Main Elements of Taxation in the Conditions of the Development of the Digital Economy*, 24 Utopía y Praxis Latinoamericana 129–137 (2019).

<sup>42</sup> S. I. Ashmarina et al. eds, *Economic Systems in the New Era: Stable Systems in an Unstable World*, Lecture Notes in Networks and Systems vol. 160 (Springer International Publishing 2021).

<sup>43</sup> K. Chatzimichael, P. Kalaitzidakis & V. Tzouvelekas, *Tax Evasion, Tax Monitoring Expenses and Economic Growth: An Empirical Analysis in OECD Countries*, 57(1) Empirical Econ. 285–300 (2018).

<sup>44</sup> J. Enachescu et al., *Horizontal Monitoring in Austria: Subjective Representations by Tax Officials and Company Employees*, 12(1) Bus. Res. 75–94 (2019).



activities of the enterprise and a comprehensive audit of all its operations but the prevention of risky transactions by the taxpayer and determination of the factors (reasons) that cause it.<sup>45</sup>

The work of the tax monitoring system has demonstrated its viability. The advantages of this type of tax administration have led to an increase in the number of organizations that have switched to similar interaction with tax authorities. Figure 1 illustrates the growth of tax monitoring (TM) participants from 2016 to 2019 and the projected increase by 2020:

Both analysis and control use the same account and extra-account data. Calculation information in the field of analysis is the basis for monitoring. At the same time, documented monitoring results become the primary or consolidated sources of analysis of this information. The latter allows the business entity to determine weaknesses in financial and economic activities and detect factors that will help correct the situation and increase efficiency of business activities.<sup>46</sup> Thus, the documents that are the basis for analysis (that can be derived from the control) can be materials from audits, conclusions of auditors, materials from inspections of tax authorities, etc. Based on the results, it can be assumed that, in the future, tax monitoring should become the main form of tax control and gradually replace tax control in the form of field audits.<sup>47</sup>

Internal electronic document management provides convenience, mobility, and speed of interaction. At the same time, a number of inadequacies of its functioning should be noted:

- imperfection of the regulatory legal framework;
- lack of a standardization system for electronic documents;
- imperfection of the storage system and management of electronic documents; and
- unlawful exploitation of qualified electronic signatures in tax legal relations.

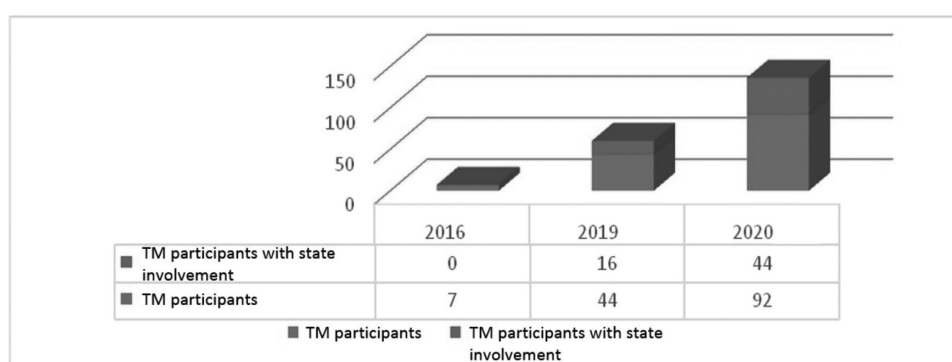
The flexibility of tax administration with digital disturbances should include two primary areas of action.<sup>48</sup> The first is to harmonize the model of electronic (digital) business and the model of tax control applied by tax administration that are adapted to traditional business activities. The second area of operation involves amending the rules on the exchange of information between tax authorities at the international level. This means the need for intensive cooperation between the tax authorities of different countries in order to effectively prevent the avoidance of tax payments. The rapid exchange of tax information is a necessary means for defining the tax base in the case of cross-border income. This is a productive measure for preserving the sovereignty of state tax bases and ensuring the proper implementation of subjective tax law under international agreements.

There are full computerization and automation of tax accounting. In addition, tax reporting and individual calculations are becoming increasingly complicated due to the following aspects:

- the constant expansion of the volume of tax information; and
- the expansion of requests for different directions of tax information in accordance with the needs of internal and external users.

AQ4

Figure 1 The Growth of Tax Monitoring Participants.



Notes

<sup>45</sup> E. Huiskers-Stoop & H. Gribnau, *Cooperative Compliance and the Dutch Horizontal Monitoring Model*, 5(1) J. Tax Administration 1 (2019).

<sup>46</sup> B. Lev & F. Gu, *The End of Accounting and the Path Forward for Investors and Managers* 77 (John Wiley & Sons 2017).

<sup>47</sup> M. M. Proshunin, *Tax Monitoring* 34 (3d ed., Prospect 2019).

<sup>48</sup> R. Lipniewicz, *Tax Administration and Risk Management in the Digital Age*, 6(1) Info. Systems Mgmt. 26 (2017).

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Accordingly, a thorough review requires tax reporting (tax returns) and analytical calculations in tax accounting to simplify tax calculations and avoid duplication of tax and financial information.

#### 4 DISCUSSION

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The digital business taxation debate has generated many different reactions from politicians, citizens, NGOs, and economists. The first reason is because companies such as Amazon, Apple, Facebook, Google, or Yahoo have played a central role in modernizing the economy and have generated billions of dollars in revenue. However, at the same time, these companies have been able to avoid paying the same share of taxes on their income as the more traditional firms have paid. This led to a shortage of budgetary revenues but, more importantly, a general consensus that more fairness is needed in relation to different actors in the economy. This debate is compounded by the fact that the business models of many digital firms – in particular those that rely on the extraction, processing, and sale of information – are much more difficult to define, control, and evaluate.<sup>49</sup>

Tax authorities essentially have the same set of the most important tax goals: to collect more taxes and to charge them more efficiently. In a digital context, this implies the necessary tax reform. The reform should proceed in two parallel directions: first, digitization of the national

tax administration and tax procedures and, second, reform of tax policy and tax rates.

Traditionally, tax procedures include several interconnected and conditioned actions: establishment, collection, and control of tax revenues. Digitization of the national tax administration places emphasis on collecting data and determining tax liabilities which will result in a more secure collection and control of tax revenues.<sup>50</sup>

Based on the world-wide experience from the past few years, the digital profiles of national tax administrations can, at this time, according to EY research, be grouped in the following five levels (Table 1):

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It should be noted that the use of information accumulated by tax authorities is widely practiced in other countries. In the Republic of Chile, for example, the prosecutor has direct access through a secure website to information, such as tax returns, that is held by the tax administration. At the same time, the Chilean tax administration does not have the right to directly exchange information falling under a tax secret with the police. France provides direct access to taxpayer information for tax inspectors working in the National Economic Research Team (Brigade Nationale d'Enquêtes Économiques; BNEE) which functions structurally as that of the judicial police. In Mexico, the tax administration may report tax violations to the police responsible for investigating tax crimes, although additional tax information may be provided only upon request.<sup>52</sup>

As for international taxation initiatives, the BEPS Project has become the largest tax coordination effort

Table 1 Digitalization in Tax Administration in Different Countries.<sup>51</sup>

1. E-file	2. E-accounting	3. E-match	4. E-audit	5. E-assess
Standardized electronic form is used for filing tax returns (required or optional); other income data (e.g., payroll and financial) are filed electronically and matched annually <i>Albania, Bosnia &amp; Herzegovina, Croatia, Kenya, Macedonia, Montenegro, Netherlands, Nigeria, Qatar, Saudi Arabia, Serbia, Slovenia, Sweden, Switzerland, Ukraine</i>	Accounting or other source data are submitted to support filings (e.g., invoices and trial balances) in a defined electronic format to a defined timetable. There are frequent additions and changes at this level <i>Austria, Belgium, Finland, Germany, Greece, Italy, Lithuania, Luxembourg, Norway, South Africa, United Kingdom</i>	Additional accounting and source data are submitted; government accesses additional data (bank statements) and begins to match data across tax types, and potentially across taxpayers and jurisdictions, in real time <i>Australia, Brazil, Czech Republic, Denmark, France, Hungary, Ireland, India, New Zealand, Poland, Portugal, Slovakia, Turkey</i>	Level-2 data are analysed by government entities and cross-checked to filings in real time to map the geographic economic ecosystem; taxpayers receive electronic audit assessments with limited time to respond <i>Russia</i>	Government entities use submitted data to assess tax without the need for tax forms; taxpayers are allowed a limited time to audit government-calculated tax <i>Spain</i>

#### Notes

<sup>49</sup> Sand-Zantman, *supra* n. 1, at 15.

<sup>50</sup> Lipniewicz, *supra* n. 48, at 26.

<sup>51</sup> Ernst & Young, *Tax Authorities are Going Digital* (2017), <http://taxinsights.ey.com/archive/archive-articles/tax-administration-continues-to-go-digital.aspx> (accessed 9 Feb. 2021).

<sup>52</sup> OECD, *Effective Interagency Cooperation in the Fight Against Tax and Other Financial Crimes: Materials of the 2nd Annual Forum on Tax and Crime* (OECD Publishing 2012), [https://www.oecd.org/ctp/crime/Final\\_Russian\\_Domestic\\_Cooperation.pdf](https://www.oecd.org/ctp/crime/Final_Russian_Domestic_Cooperation.pdf) (accessed 9 Feb. 2021).

ever undertaken internationally. This led to unprecedented participation from over 100 countries, and most of them signed the first (if partial) multilateral tax treaty – the MLI. However, the international community is still struggling with the impetus for the project – insufficient taxation of the digital economy. The technical problem is significant due to the complexity of the underlined transactions and the lack of simple tax bases and primarily because of the lack of physical presence which was the most important basis for taxing business income in the international tax regime. However, the political issue overshadows the technical one because simply taxing the digital economy is not enough; countries want to do this and, at the same time, preserve the international tax regime, the stability it provides for international trade and investment, and the resulting economic and political benefits. This could only be accomplished if the regime retained its legitimacy which suffered from the fact that emerging market economies, primarily the BRICS countries, began to demand a vote before BEPS in setting the regime's agenda and a fairer distribution of tax rights, which especially means more taxing sources.<sup>53</sup>

The worldwide achievement of digitalization has been the use of electronic signatures that have become frequently used in tax administration. In the United States, three types of electronic signatures are used: simple, secure, and digital.<sup>54</sup> These types of electronic signatures do not have strict distinctions; however, they differ significantly in the level of evidentiary power, cost, and the creation process.<sup>55</sup> It is also important to participate in a single information exchange process. States have implemented their own systems for collecting information about their taxpayers performing cross-border transactions, for example, the FATCA legislative act adopted in the United States.<sup>56</sup> This will eliminate the possible preferences of some international tax information exchange systems over others.

Regarding the use of technology in tax monitoring, it should be noted that, for the first time, tax monitoring was introduced in the Netherlands back in 2005. The Netherlands Tax Authority offered preferences in examining taxpayer returns in exchange for information.<sup>57</sup> The positive experience of the Netherlands has encouraged

other countries to adopt the idea of tax monitoring. However, at present, it should be noted that there are features of the application of this form of tax control in individual countries which can be explained by the differences in their tax systems.

For example, in the United States where there is no statutory term 'tax monitoring', there is an information exchange between the tax service and the taxpayer in the form of consultations on both taxation issues and transactions. At the same time, US tax officials use propaganda to influence the perception and awareness of individual taxpayers about the effectiveness of tax legislation.<sup>58</sup> Researchers in the field of taxation in the United States are discussing the introduction of tax monitoring that will be used to record and analyse data on the activities of the taxpayer and its impact on taxes paid.<sup>59</sup> In Uganda, monitoring covers taxpayer registration, timely reporting, and timely tax payment.<sup>60</sup> Belarus has been applying tax monitoring since 2012 and, if a taxpayer's arrearages have been revealed during the audit, a taxpayer is offered an opportunity to pay it or to amend the tax document in return for a full exemption from tax liability. Kazakhstan has also introduced tax monitoring which, like in Russia, is conducted in relation to the largest taxpayers.<sup>61</sup>

Latin American countries have adopted a 'layering' approach, splitting tax and accounting data into 'slices', each with its own submission schedule, scope, and format. Brazil's 29 requirements, for example, are encompassed in a digital bookkeeping system, SPED, which entails several report types including an annual digital tax accounting bookkeeping report (ECD) with information such as the general ledger, all tax accounting data, and the tax accounting plan.<sup>62</sup> It also includes an annual income tax report (ECF). Peru has twenty requirements, and Chile has fifteen. In Europe, meanwhile, countries are increasingly adopting SAF-T submission requirements – long described by many commentators as the closest to a consistent approach for managing tax audits. Created by the OECD, SAF-T is intended to provide tax authorities with ready access to relevant data in an easily readable format to allow tax inspections that are more efficient and effective. It was adopted in countries such as Portugal (2008), France

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<sup>53</sup> Baez Moreno et al., *supra* n. 12, at 121.

<sup>54</sup> C. W. Pappas, *Comparative US & (and) EU Approaches to E-Commerce Regulation: Jurisdiction, Electronic Contracts, Electronic Signatures and Taxation*, 31(2) *Denv. J. Int'l L. & Pol'y* 8 (2020).

<sup>55</sup> Kind et al., *supra* n. 17, at 22.

<sup>56</sup> Bauer, *supra* n. 3, at 15.

<sup>57</sup> Bloch et al., *supra* n. 15, at 52.

<sup>58</sup> Hanlon et al., *supra* n. 21, at 137.

<sup>59</sup> J. R. Char et al., *US Patent No. 7,769,647* 13 (US Patent and Trademark Office 2010).

<sup>60</sup> O. Apollo, *Monitoring Taxpayers Compliance and Local Revenue Performance in Local Government: A Case of Lira District Local Government*, 8(22) *Res. J. Fin. & Accounting* 7–19 (2017).

<sup>61</sup> E. V. Migacheva, *Tax Monitoring in the Development of the Digital Economy*, 8 *Fin. L.* 21–25 (2018).

<sup>62</sup> M. Fabbri & D. C. Wilks, *Tax Lotteries: The Crowding-Out of Tax Morale and Long-run Welfare Effects*, 19(2) *J. Legal, Ethical & Reg. Issues* 26–38 (2016).

(2012), and Luxembourg (2013), and 2016 brought similar developments in Poland, Lithuania, and Norway. Countries as diverse as Belgium, Croatia, the Czech Republic, Finland, Latvia, Malta, the Slovak Republic, and Slovenia are also believed to be considering its adoption.<sup>63</sup>

When a Romanian legal entity provides digital services to a non-taxable person in the European Union, the place of provision is considered, by way of exception, to be the Member State in which the consumer is located. In this situation, the business entity either registers for VAT purposes in each Member State where the beneficiary to whom it provides digital services and submits tax returns in the respective Member State is located or registers in the Mini One Stop Shop (MISS) application and submits tax returns through the app. In this situation, the payment of VAT will be made to a special account from which the amount will be transferred to the relevant Member States. The condition for registration in the MISS is the registration of business entities providing digital services as VAT payers.<sup>64</sup>

Digital transformation may require new tax and procedural laws that modernize administrative and procedural provisions for all main taxes. Considering the pace of new technologies, it is imperative that legal systems comply with legislation that takes into account the impact of new technologies on the existing tax system. This applies to many aspects including confidentiality, privacy, terms of use, contract liability between tax administrations and taxpayers, and so on.<sup>65</sup> The challenge here is to replace the tough conservative thinking (that tax lawmakers often practice) with innovative reasoning that can absorb new trends and cope with the new global and digital economy.

## 5 CONCLUSIONS

The state ensures the development of internal electronic document management in tax legal relations in Russia and the use of data accumulated by tax authorities in the framework of interagency information interaction. Tax authorities should ensure that all taxpayers pay actual taxes. This goal can be effectively achieved only if the risk of tax avoidance is reduced. The digital economy forces tax authorities to replace traditional models of tax management with new models that analyse and use substantial amounts of information that are available on the Internet and electronic tools for effective cooperation between tax authorities around the world. Tax authorities in many countries find that digitization can make them stronger, faster, and more effective. Digital tools enable tax

administrations to be more organized and efficient, both in combating abuse and improving the quality of tax reporting and tax collection.

In particular, a single normative legal act regulating the implementation of electronic document management has not been developed; there is no concept of an electronic document which makes it difficult to identify such documents. It is important to provide mechanisms to prevent the misuse of a qualified electronic signature. The procedure for creating an electronic signature based on a single world standard, taking into account international cooperation in the field of taxation, also requires unification. External electronic document management in tax legal relations is launched as automatic exchange of information about taxpayers and their transactions between authorized tax authorities of foreign states.

In addition, important steps to achieve the effectiveness in tax relations on the principle of mutual benefit and on a partnership basis are:

- use of updated (modern) telecommunication technologies and electronic services;
- electronic document management and 100% coverage of taxpayers and identification of payers by electronic signatures;
- simplification of tax reporting in compliance with the principle of convenience and saving time on the preparation and verification of tax returns; and
- accounting automation.

It is also important that the tax authorities ensure the confidentiality of customer information that is obtained through the automatic exchange of tax information both at the local (state) level and at the global level. The application of information technologies by tax authorities increases the efficiency of on-site tax audits while reducing the number of such audits and thereby reducing administrative pressure on the business.

The advent of digital technology has allowed the introduction of a new form of tax control – tax monitoring. It can be assumed that, in the future, tax monitoring may become the main form of tax control and gradually replace tax control in the form of on-site inspections. Summing up, it is relevant to automate tax accounting and tax reporting. Thus, the analytical and control functions of both taxpayers and regulatory authorities can be significantly improved. The practical significance of the study lies in the fact that the main points and conclusions can be used in scientific and practical activities when considering issues of improving tax administration through the introduction of digital software products.

### Notes

<sup>63</sup> Ospanova et al., *supra* n. 14, at 1.

<sup>64</sup> E. Hlaciuc, *International Taxation of Digital Services—necessity or Abuse?* 8(3) *Ecoforum* 1–5 (2019).

<sup>65</sup> K. Baisalbayeva et al., *Digital Transformation of Tax Administration*, Microsoft and Pricewaterhouse Coopers Belastingadviseurs N. V. (2018), <http://info.microsoft.com/rs/157-GQE-382/images/Digital%20Transformation%20of%20Tax%20Administration%20White%20Paper.pdf> (accessed 9 Feb. 2021).