

EFFICIENCY OF TAX DEBT PUBLIC MANAGEMENT METHODS IN UKRAINE

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Abstract: *The article presents the results of tax debt public management methods research on the basis of experience of Ukraine State Fiscal Service work. It was found out that during the analyzed period the most efficient methods of tax debt management are such methods as sending a tax claim, deferred payment (delay of payment) of taxes and dues, and collecting money from debtors' accounts. According to the results of tax debt public management methods analysis, recommendations were given on increasing their application efficiency with the aim of stabilization of the budgetary and taxation system in the state.*

Keywords: *tax debt, tax debt public management, tax debt management methods, tax claim, tax collateral, deferred payment of tax debt, administrative arrest of property.*

INTRODUCTION

Efficient functioning of the state, provision of its activities and financial steadiness, meeting common needs of the society by using financial resources accumulated in budgets to help growth of real economy sector, formation of a proper level of social protection of the population, increase in citizens' welfare level are urgent tasks which Ukraine has to fulfill in a principally new format at present.

The main sources of financing public expenditures in Ukraine are revenue parts of budgets of all levels and incomings to specialized funds, the major source of such resources in the fiscal system being taxes.

In the Ukrainian fiscal practice there are observed insufficient incomings of planned revenues to budgets of all levels due to a number of destabilizing phenomena in the economy, including those caused by inefficiency of the taxation system. Existing imbalances of the taxation system cause imperfection of tax administering and lead to appearance of tax debt which has been growing in recent years and shadow relations in the financial sphere.

Existence of substantial amount of payment debt to budgets of all levels in Ukraine threatens stability of public finances, causes reduction of financing socially important programmes and aggravation of the transformation crisis. As a result, the financial system loses a substantial part of financial resources.

Tax debt is a negative phenomenon; its administering is finance-, labour- and time-consuming. In addition, tax environment is prone to deformation, as tax payers

whose economic activity results are on the same level, eventually get into different financial conditions.

Therefore timeliness of the research is conditioned by the taxation system being on the stage of permanent reformation and by the necessity of developing new more efficient methods of tax debt public management to minimize this debt. Tax debt must be transformed from irretrievable budget losses to resources which can be mobilized in the following periods; however such measures can be effective only if the government takes reasonable administrative actions.

Solution of the problems mentioned above makes it urgent to carry out complex evaluation of tax debt management methods on the basis of experience of Ukraine State Fiscal Service bodies work which could give an opportunity to make more profound theoretical bases and practical developments on increasing tax debt management efficiency.

Theoretical and methodological grounds of the research are scientific works on the problem of tax debt and methods of tax debt management. We should emphasize the works by A. Golovach, V. Onyshchenko, I. Babin, Yu. Tunyk, O. Onyshko, which discuss tax debt management methods, in particular, tax collateral, administrative arrest of property and selling of collateral property of debtors, mostly in the aspect of law as procedures of tax debt redemption, the issue of efficiency of applying these methods being raised partially.

Certain attention to taking measures by supervisory bodies on redemption of tax debt of tax payers is paid in the scientific works by O. Tymchenko, A. Yakovliev, O. Desiatniuk who consider the mentioned issues in terms of economics and law. At the same time, complex research of tax debt management methods effectiveness has not been carried out almost at all.

Paying tribute to achievements of scientists in this field and taking into account a considerable amount of tax debt in the country, we should note that rethinking from the point of view of the Public Administration science is required by theoretical approaches to studying the methods of tax debt management with the aim of increasing their efficiency, which conditions the necessity of further scientific research on this essential problem.

The purpose of this article is to carry out evaluation of tax debt management methods on the basis of experience of Ukraine State Fiscal Service bodies work, and according to its results, give proposals on increasing efficiency of applying these methods with the aim of stabilization of the budgetary and taxation system.

ANALYSIS OF THE EFFICIENCY OF TAX DEBT PUBLIC MANAGEMENT METHODS IN UKRAINE

Tax debt management is an important component of the government tax policy, which is a set of activities carried by the government represented by the State Fiscal Service bodies to provide fulfillment of tax obligations by tax payers due to tax debt redemption.

According to the Tax Code of Ukraine, tax debt redemption is reduction of an absolute value of the sum of such debt, which is confirmed by an appropriate document (Tax code of Ukraine, 2010). Tax debt redemption is made by means of debt self-payment by tax payers, taking measures on tax debt collection by the State Fiscal Service bodies, adding extra sums paid on one type of tax to the account of tax redemption on another tax and debiting uncollectible tax debt.

Attention should be paid to the fact that forced collection of tax debt is a number of measures taken with the aim of tax debt redemption of tax payers without receiving their agreement to their carrying out and without preliminary agreement on the debt sum by imposing a collection obligation on all assets of such a payer (Desiatniuk and Marshalok, 2013).

In the process of carrying out tax debt management, amounts of incomings to the account of tax debt redemption due to management methods application are unequal, which may be evidence of both inefficient application of these methods and presence of certain objective and subjective factors influencing these processes.

Mechanism of tax debt management is implemented with the help of a complex of methods intended to encourage tax payers to make tax payments to budgets on time and in full according to provisions of laws. Scientist O. Desiatniuk considers that such methods are the following: accounting of tax debt and monitoring its causes; finding a place of residence of a debtor and sending a tax claim; having a conversation with a tax payment debtor; analyzing a debtor's assets; deferred payment (delay of payment) of taxes and dues; tax collateral; suspension of operations on a debtor's bank accounts; administrative arrest of a tax payer's property; selling of property under tax collateral; tax debt redemption in case of reorganization or liquidation of tax payment debtor; bankruptcy procedure (Desiatniuk, 2013). According to the author, a list of tax debt management methods should be supplemented with the following efficient methods: collecting tax debt from current accounts of a debtor; withdrawal of cash from cash registers of a debtor; collection of a debtor's receivables.

Thus, composition of tax debt management can be defined as a process of monitoring and estimation of tax debt, as well as applying methods aimed at its redemption and prevention of a possibility of its appearance. By the beginning of 2014, the amount of tax debt in Ukraine was 11.5 billion hryvnias. In 2014-2015, the tax debt was growing rapidly, and by the beginning of 2016, it was four times as large as the debt amount which was calculated at the beginning of 2014, and made up 45.5 billion hryvnias (State Fiscal Service of Ukraine, 2016), which points out inefficiency of tax debt management methods applied to debtors. So, currently it has become necessary to evaluate efficiency of separate methods of tax debt management on the basis of experience of Ukraine State Fiscal Service bodies work.

In case of non-payment of the agreed sum of tax obligation, first a payer is given an opportunity to pay off tax debt voluntarily. Such an approach is absolutely right, as it complies with the policy of harmonization of the public and payers' interests. During this period, the State Fiscal Service bodies limit their measures to sending a tax claim whose purpose is to remind a payer about tax debt emergence and necessity of its voluntary paying off to avoid it forced collection (Tymchenko, 2011).

In order to evaluate efficiency of the discussed method of tax debt management, let us carry out analysis of tax debt paid off by tax payers voluntarily. Dynamics of paid off tax debt in the period of tax claim validity is shown in table 1.

Table 1 Dynamics of paid off tax debt in the period of tax claim validity in 2010-2015 *, million hryvnias.

Year	Money coming in the account of tax debt redemption	Including voluntary payment of a tax payer	Of which – within 60 days since the date of tax debt emergence (tax claim validity period)	A part of incomings,%		
				col.3/col.2 *100	col.4/ col.3 *100	col.4/col.2 *100
1	2	3	4	5	6	7
2010	5063.0	3336.0	1544.3	65.9	46.3	30.5
2011	8588.4	4808.1	2147.8	56.0	44.7	25.0
2012	11354.2	3260.9	1385.7	28.7	42.5	12.2
2013**	2114.8	825.7	368.7	39.0	44.7	17.4
2014	8339.6	2446.6	1524.1	29.3	62.3	18.3
2015	20729.3	5892.2	3493.7	28.4	59.3	16.9

Source: compiled by the author on the basis of the information from official site of State Fiscal Service of Ukraine

Analyzed data prove the tendency of decrease in voluntary tax debt payment by tax payers in the total sum of money incomings in the account of tax debt redemption. Thus, if in 2010, the part of incomings from voluntary tax debt payment made up 65.9 per cent, then in 2014, it decreased to 29.3 per cent and continued its falling in 2015, making up 28.4 per cent. Along with that, the tax debt part paid within the period of tax claim validity in 2014-2015 grows in the total sum of voluntarily paid off tax debt. In 2010, the debt part paid within the period of tax claim validity made up 46.3 per cent; in 2014, it rose to 62.3 per cent and in 2015 it made up 59.3 per cent. Such a situation may be evidence of accidental emergence of tax debt and tax payer's attempts to pay it off as soon as possible, but it may also indicate certain problems in the activity of the State Fiscal Service bodies concerning their failure to take preventive measures in order not to allow tax debt emergence.

Taking into account the fact that the tax debt part voluntarily paid off by tax payers within the period of tax claim validity is quite substantial and varied between 30.5 and 16.9 per cent of total amount of money incomings in the account of tax debt redemption, such a method of tax debt management is quite efficient.

The following method of tax debt management is tax collateral. With the aim of ensuring fulfillment of the tax payer's obligations to pay off tax debt, the tax payer's property is taken as collateral. Tax collateral right emerges according to the Tax Code and does not require any written registration. Despite the fact that tax collateral right emerges on the first day after the deadline set for tax obligation payment; this means of influence on the payer is not efficient enough. Approximately 90 % of enterprises having tax debt do not own movable or real estate property and have tiny amounts of monetary funds, which reveals certain legislation imbalances allowing enterprises with insignificant assets to function. This fact is confirmed by the State Fiscal Service data according to

which in 2010, levy of execution was imposed on debtors' property for the total sum of 7863.9 million hryvnias which makes up 47.0 per cent of tax debt amount; in 2011, it was 10844.1 million hryvnias or 78.6 per cent, in 2012, it was 8807.4 million hryvnias or 87.0 per cent, in 2013 – 7499.8 million hryvnias or 64.9 per cent, in 2014 – 9444.3 million hryvnias or 35.2 per cent, in 2015 – 16413.6 million hryvnias or 36 per cent (State Fiscal Service of Ukraine, 2016), which may also indicate insufficiency of taken measures on finding debtors' liquid property and taking it as collateral by the State Fiscal Service bodies.

There is a sense in the tax collateral right application only if a security means is property which can be sold, and if it is possible to cause some inconveniences for the debtor's activities by such selling; at the same time, the payer tries to give as collateral the property which they will not need in the future.

In addition to the voluntarily paid sum of tax debt, the current laws of Ukraine stipulate measures on tax debt collection by the State Fiscal Service bodies. Dynamics of tax debt redemption by means of tax debt collection measures is shown in table 2.

Table 2 Dynamics of tax debt redemption by means of tax debt collection measures in 2010-2015 .*, million hryvnias.

Indices / Year	2010	2011	2012	2013**	2014	2015
Value of property taken as tax collateral	7863.9	10844.1	8807.4	7499.8	9444.3	16413.6
Incomings due to selling collateral property	234.4	20.5	41.8	17.8	45.7	34.6
A part of incomings due to selling property in the total sum of money coming in the account of tax debt redemption, %	4.6	0.2	0.4	0.8	0.5	0.2
A part of incomings due to selling property in the value of property taken as collateral, %	3.0	0.2	0.5	0.2	0.5	0.2
Monetary funds collected from bank accounts of debtors	0.7	173.0	363.7	114.9	191.6	184.4
A part of incomings due to money collection from bank accounts in the total sum of money coming in the account of tax debt redemption, %	0.01	2.0	3.2	5.4	2.3	0.9
Monetary funds collected from cash registers of debtors	72.0	6.6	14.0	2.3	4.5	4.6
A part of incomings due to collecting cash in the total sum of money coming in the account of tax debt redemption, %	1.4	0.1	0.1	0.1	0.1	0.02

Source: compiled by the author on the basis of the information from official site of State Fiscal Service of Ukraine

The given indices and their dynamics reveal inefficiency of such methods of tax debt management as property selling, collection of monetary funds from bank accounts,

collection of cash. So, only in 2010, a part of incomings due to selling property made up 4.6 per cent of the total sum of money coming in the account of tax debt redemption, during the following periods this part of incomings does not reach even 1 per cent. Let us assume that potential of this method of tax debt management is not realized in full, because a part of property selling in the period from 2011 to 2015 varies between 0.2 and 0.5 per cent of the value of the property taken as tax collateral.

Such a situation is explained by non-liquidity of property taken to be sold, and correspondingly, by absence of any demand in it. Besides, debtor's property selling is carried out by the State Fiscal Service bodies only under the appropriate decision of the court, which takes a certain period of time to be made.

Incomings due to collection of cash from debtors' cash registers are tiny: 1.4 per cent in 2010, from 2011 to 2014 – 0.1 per cent and in 2015 – 0.02 per cent of the total sum of money coming in the account of tax debt redemption. A more prospective one is such a method of tax debt management as collection of monetary funds from debtors' bank accounts. During the period from 2011 to 2014, a part of incomings due to collection of monetary funds from debtors' bank accounts varied between 2.0 and 5.4 per cent of the total sum of money coming in the account of tax debt redemption.

Efficiency of the mentioned methods of management is influenced by both an objective factor – a necessity of a court decision on collection of a debtor's funds, and a subjective one – conscientious execution of their functional duties by heads of the State Fiscal Service tax bodies concerning provision of systematic communication with a debtor with the aim of collecting cash and sending documentary collection orders to banks to withdraw money from a debtor's accounts.

It should be noted that in practice, first a court makes a decision on collecting funds (cash from cash registers and non-cash from accounts), only after this a decision is made on giving a permission to pay off the sum of tax debt of a tax payer at the expense of their property which is taken as collateral. Let us consider that with the aim of increasing efficiency of the mentioned methods of tax debt management the most effective and reasonable method is when a court makes a single decision on tax debt redemption at the expense of funds and collateral property of a debtor. Moreover, on this condition there will be a substantial decrease in expenditures of the State Fiscal Service bodies on preparation, sending, support and execution of a court decision on tax debt redemption.

The next method of tax debt management is deferred payment (delay of payment) of taxes and dues. In case if a tax payer does not have an opportunity to pay off money obligations on the set terms or if he/she already owes money to the budget, one of the ways out of such a situation is to postpone the terms of taxes and dues payment till later dates with their redemption by equal parts (a deferred payment mode) or one-time redemption in full (a payment delay mode). The peculiarity of deferred payment is the fact that it is allowed on condition of the threat of emergence or accumulation of tax debt of a tax payer, and delay of payment can be allowed only in case of force majeure circumstances (Tarasenko, 2013).

Application of deferred payment or delay of monetary obligation payment enables a tax payer to avoid penalty, fines and emergence of tax debt, and application of deferred

payment or delay of tax debt payment enables a tax payer to avoid measures on tax debt collection, in particular, cash collection, property selling, money collection from a tax payer's accounts in the banks rendering service to them.

At the same time, application of deferred tax payment or delay of tax payment causes certain problems with filling the revenue part of the budget to the planned amounts in corresponding periods of the fiscal year. This fact is confirmed by the data of the State Fiscal Service according to which in 2011 the sum of allowed deferred payment (delay of payment) of tax obligation and tax debt made up 19492.7 million hryvnias, in 2012 – 6977.7 million hryvnias, in 2013 – 7968.5 million hryvnias, in 2014 – 7242.9 million hryvnias, in 2015 – 28856.0 million hryvnias (State Fiscal Service of Ukraine, 2016), that may also reveal some drawbacks in the work of the State Fiscal Service bodies concerning carrying out the analysis of financial and economic activities of tax payers who turn to them for a deferred payment permission.

Dynamics of incoming of money paid in the account of deferred tax debt sum redemption is shown in table 3.

Table 3 Dynamics of incoming of money paid in the account of deferred tax debt sum redemption in 2011-2015 *, million hryvnias.

Indices / Year	2011	2012	2013**	2014	2015
Paid in the account of deferred tax debt sum redemption	376.2	598.2	195.5	1104.8	7374.4
A part of incomings due to payment in the account of deferred tax debt sum redemption in the total sum of money coming in the account of tax debt redemption, %	4.4	5.3	9.2	13.2	35.6

Source: compiled by the author on the basis of the information from official site of State Fiscal Service of Ukraine

The analyzed data present evidence of a tendency of permanent growth of a part of incomings due to payment in the account of deferred tax debt sum redemption in the total sum of money coming in the account of tax debt redemption from 4.4 per cent in 2011 up to 35.6 per cent in 2015, and show that this method of tax debt management has a certain potential.

An administrative arrest of a tax payer's property is executed by the State Fiscal Service bodies under the decision of the head of the corresponding body on making such an arrest. The mentioned decision is subject to a compulsory check of its grounding, this check is carried out by the court under the submission of the State Fiscal Service bodies, which is considered in the order of fast-track procedure (Ugrin, 2015). In addition, an administrative arrest of property is allowed in case of a tax payer's refusal from the check of a debtor's property storage condition and preventing from drawing up a property inventory certificate. In recent years, there has been a substantial decrease in incomings due to application of the method of the administrative arrest of assets. Thus, in 2010, such incomings in the account of tax debt redemption made up 354.6 million hryvnias or 7 per cent of the total sum of money coming in the account of tax debt redemption, in 2011 – 68.6 million hryvnias, in 2012 – 66.5 million hryvnias, in 2013 – 11.8 million hryvnias.

Negative tendencies were observed during 2014, when due to such measures only 0.1 million hryvnias came, and in 2015, there were no incomings of this type at all, which reveals inefficiency of this method of tax debt management.

CONCLUSIONS AND PROPOSALS

To sum up the discussed issues, on the basis of the conducted analysis of tax debt management methods application efficiency in Ukraine we can make certain conclusions:

- during the analyzed period the most efficient methods of tax debt management are the following: sending a tax claim, deferred payment (delay of payment) of taxes and dues; collection of money from debtors' accounts;
- efficiency of such methods of tax debt management as cash collection from debtors' cash registers, tax collateral and selling of property taken as collateral is rather low, which requires certain efforts of the State Fiscal Service bodies to increase effectiveness of these methods;
- efficiency of such a method of tax debt management as an administrative arrest of a tax payer's property was falling during the analyzed period, and in 2015, there were no incomings due to this method application at all.

In order to increase the efficiency level of particular methods of tax debt management, it is considered to be reasonable to recommend the following measures implemented through making changes in corresponding laws and legal acts regulating issues of tax debt redemption:

- shortening a tax claim validity term to 30 calendar days, that will significantly reduce current procedural terms of tax debt collection and provide improvement of payment discipline of tax payers;
- taking as collateral the property which makes up not less than two sums of tax debt, that will provide further complete redemption of tax debt at the expense of selling collateral property, taking into account additional expenditures on its estimation and selling at target auctions;
- providing tax debt collection work optimization concerning making changes in laws regulating the procedure of tax debt collection by fiscal bodies (collection of cash and non-cash funds, selling of collateral property of a debtor) under a single decision of a court instead of the current legally set practice of making 2 separate court decisions on debt collection in a certain order;
- adopting legal acts about methodology of conducting analysis of a tax payer's financial circumstances when considering an issue of deferred payment (delay of payment) of taxes and dues;
- providing research of financial conditions for allowing each tax payer to make deferred payment, in particular, a preliminary unscheduled check when applying the tax deferred payment mode.

** In 2013, the Department of Tax Debt Redemption was liquidated in the structure of the Ministry of Incomes of Ukraine, therefore the given indices are valid on 01.05.2013.

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