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ALTERNATIVE WAYS TO MANAGE COOPERATION IN TAX RELATIONS: CHALLENGES OF DIGITALIZATION AND TAX COMPLIANCE
АЛЬТЕРНАТИВНІ МЕТОДИ УПРАВЛІННЯ ВЗАЄМОДІЄЮ В ПОДАТКОВИХ ВІДНОСИНАХ: ВИКЛИКИ ЦИФРОВІЗАЦІЇ ТА ЗАБЕЗПЕЧЕННЯ ПОДАТКОВОГО КОМПЛАЄНСУ

Анотація: *Стаття присвячена дослідженню закономірностей зміни податкових взаємовідносин внаслідок розвитку інформаційних технологій. В статті аналізується вплив впровадження електронного аудиту, подання звітності та інструментів з надання впевненості щодо показників звітності. Розглядається питання достатності лише переведення звітування у електронний формат та можливі альтернативні методи управління взаємодією у цій сфері. Проаналізовано динаміку електронного звітування та своєчасності подання декларацій. Вказано на основні критерії рівня податкового комплаєнсу. Запропоновано альтернативні варіанти співпраці з для мінімізації адміністрування.*

Abstract: *The recent advancements in tax administration have witnessed a significant shift from traditional paper-based reporting to comprehensive digitalization of tax filing and analysis processes. The integration of information and communication technologies into tax relations, alongside the enhancement of tax systems through digital tools—such as electronic registration of tax invoices, electronic reporting, and electronic verification—has streamlined processes and improved tax compliance. However, it remains essential to investigate whether merely transitioning to electronic reporting suffices and to explore alternative management methods for interactions between businesses and regulatory authorities. This article aims to substantiate the patterns of change in tax relations due to the evolution of information technologies and to evaluate alternative options for ensuring the accuracy of tax reporting metrics, which could enhance tax* *compliance levels. Tax management, a subset of overall management, allows for the assessment and analysis of the impact of the tax environment on business operations amidst uncertainty. The challenges posed by the evolving tax landscape, including legislative volatility and subjective interpretations by regulatory bodies, necessitate a reevaluation of tax management practices. Furthermore, the increasing volume of data enables tax administrations to focus limited resources on addressing serious tax violations. This dynamic calls for a shift towards automation and digitization of accounting practices, paving the way for electronic audits. Despite the progress in electronic administration, the core criterion for tax compliance remains the submission of accurate tax reports and the fulfillment of tax obligations. The article discusses the OECD's recommendations for developing alternative cooperation frameworks between tax authorities and businesses, emphasizing the need for transparency and predictability in tax relations. In conclusion, successful transformation of tax relations between businesses and the state requires more than just electronic reporting; it necessitates a unified source of information for assessing tax risks and ensuring compliance. Ukraine is encouraged to adopt advanced practices for identifying tax risks and facilitating electronic tax audits, thereby enhancing the overall efficacy of tax administration.*

Keywords: *tax management, electronic audit, digitalization, accounting, SAF-T, information exchange, insurance, audit*

Ключові слова: *податковий менеджмент, електронний аудит, діджиталізація, бухгалтерський облік, SAF-T, обмін інформацією, страхування, аудит*

Definition of the problem. The nature of tax relationships, which consist of a set of tax rights and obligations on the part of tax authorities acting as a public authority and a set of rights and obligations of taxpayers obliged to accrue and pay taxes, indicates that the parties to these relationships are not equal. In addition to the complexity of the nature of tax relationships and the unequal position of the parties in these relationships, the complexity of the entire tax area, its connection with other areas of law and economics, especially administrative, civil, commercial law, accounting, and the dynamics of changes in tax legislation, justifies the need for businesses to build a high-quality function to manage this area of activity.

In recent years, the tax authorities have made significant progress in the transition from traditional paper-based filing to deep digitalization of the tax reporting and analysis process. In Ukraine, these processes have also been affected by the global coronavirus pandemic and full-scale war, which have caused difficulties in various sectors, including the financial condition of businesses, the welfare of citizens, and government revenues. These circumstances have also limited the interaction between business and the state, which has led to a reliance on technology and new mechanisms of interaction that can not only change business but also transform the environment of interaction in the tax area Integration of information and communication technologies into tax relations, improvement of tax systems with the help of digital tools, including electronic services, such as electronic registration of tax and excise invoices, electronic filing of reports and electronic reconciliation of indicators, has simplified processes and increased the level of tax compliance. At the same time, the issue of whether the transfer of reporting to electronic format is enough and whether alternative methods of managing interaction in this area by both business and tax authorities should be explored.

Analysis of the latest research and publishing. Over the past few years, the issues of implementation and organization of management of tax relations by businesses have received a lot of attention from Ukrainian and foreign researchers. In particular, the problems of tax management are the subject of research by such scientists as T. Dolishnya, I. Zheleznyak, O. Zhydiak, O. Kuzmin, and S. Levytska. The study of the effect of «digital administration» of taxes depending on the complexity of legislation, conducted by T. Krieger, as well as the works of such foreign researchers as K. Boer, H. Gribnau, A. Suharyono, etc.

The purpose of the research (statement of the task). The article aims to substantiate the patterns of change in tax relations due to the development of information technology and to evaluate alternative options for providing assurance on tax reporting indicators which may increase the level of tax compliance.

Summary of the basic content. Tax management, as one of the types of business practices, allows to assess and analyze the impact of tax environment factors on the company's activities in an uncertain environment. Such conditions, which are currently observed in the external tax environment, include volatility, contradictions and uncertainty of the regulatory framework, as well as judgmental interpretation of certain tax provisions by regulatory authorities and other aspects.

As a type of management, tax management includes the performance of various functions, including planning, control, regulation and motivation [1]. At the same time, the subject of tax management is the activities related to the establishment of tax bases, calculation and payment of taxes, preparation and submission of tax reports, assessment of tax risks and interaction with tax authorities. All of this creates a situation in which the tax management function is highly dependent on both the internal environment of the organization and external stakeholders, in particular, government authorities.

On the other hand, the increasing amount of data allows tax authorities to focus limited financial and human resources on the most significant tax violations [2]. As a result, business and the government must solve more complex tasks related to the fulfillment of tax obligations more quickly, with fewer staff and smaller budgets. The solution to this problem may be to abandon human interaction and use automation. In addition, procedures are evolving towards the digitization of accounting, which, accordingly, also makes e-auditing possible [3]. However, digitalization raises a number of challenges related to staff qualifications, the ability to process information and identify inconsistencies.

Although different countries have very different tax systems, certain key points are common to each country's digitalization concepts. The OECD Center for Tax Policy and Administration regularly publishes a series of comparative information on different aspects of tax systems. The Tax Administration Series (TAS) is designed to help tax authorities identify areas that require further reform. According to the study, the share of electronic reporting increased significantly in 2014-2024. In particular, as in 2020, more than nine out of ten corporate income tax and VAT taxpayers filed their tax returns in electronic form. For personal income tax payers, this figure is about 85%. It should be noted that for many countries, 100% electronic reporting has already become a reality. It is expected that over time, the share of paper reporting will decrease even further as more and more countries take measures to encourage more taxpayers to use electronic platforms as much as possible. Thus, this will not only reduce administrative costs for businesses, but may also reduce the administrative burden on taxpayers over time.[4]

However, despite the increase in the electronic administration process, the main criterion for the level of tax compliance remains the fact of filing accurate tax returns and fulfilling tax obligations. In contrast to the e- filing indicators, the timeliness of tax returns filing remained almost unchanged between 2014 and 2020. In addition, according to the OECD, the basic data on the timeliness of filing tax returns also shows significant differences between jurisdictions. [4]

As a result, the timely filing of tax returns is considered to be a more reliable indicator of the efficiency of the tax system and the interaction between tax authorities and businesses. This fact often indicates that some jurisdictions react differently to economic crises and, as a result, to the administration of different types of taxes. Therefore, the question arises as to how the stakeholders should interact in the new environment and what alternative options for providing assurance on tax reporting can be used to minimize unnecessary burdens and provide confidence in possible tax risks.

Alternative options for cooperation with tax authorities should be developed primarily in response to the growing concern of governments and the public about tax evasion by large businesses, according to the Organization for Economic Cooperation and Development. Based on the concept of «enhanced relationships», the OECD Forum on Tax Administration has published an updated concept known as «tax compliance cooperation» [5], which details how tax authorities and taxpayers can build ongoing, trusting relationships instead of the traditional confrontational approach. According to this document, companies should use modern tax control systems and be fully transparent about their operations, financial statements and other tax-related matters. The tax authorities are expected to behave in a predictable manner and provide timely legal certainty to businesses.

In terms of improving the relationship between taxpayers and the government, the experience of Latvia in implementing the «Consult First» principle in the tax area seems to be of considerable interest. This principle stipulates that the tax authorities allow the companies being audited to make preliminary adjustments based on the received advice, as any administrative appeal is a complex process that entails high costs for both the state and business. The application of preliminary agreed adjustments is a tool that can potentially save financial and administrative resources of both parties to tax relations. Regulatory authorities may apply different methods of supervision, taking into account the behavioral history of the companies under their control. This reduces the burden on companies that comply with the requirements on a regular basis. If a company is aware of such tactics, it is more willing to improve its operations and cooperate more actively with government officials to be included in the list of «bona fide» companies. Companies that demonstrate systematic and repeated violations fall into the high-risk category and are therefore more likely to be inspected. Companies that regularly demonstrate positive monitoring results and good cooperation with regulatory authorities are subject to less frequent audits. When detecting violations, the regulatory authorities assess the company's cooperation with the authorities - whether it is open and frankly admits its mistake, actively works to prevent the identified problems, or vice versa - conceals and disputes obvious violations, refuses to correct them or corrects the identified violations only partially

If the company's management is not willing to take risks regarding uncertainties related to tax legislation, this uncertainty can be transferred to a third party - an insurance company that is engaged in risk assessment and distribution and can therefore do so relatively efficiently. Tax risk insurance is a method of risk management and a logical extension of the practice of contractual risk allocation. In particular, these are agreements to compensate for probable losses in the event of tax risks or to allocate potential additional taxes between the parties to the agreement. Since agreements on reimbursement of tax liabilities have existed for a long time, the introduction of tax risk insurance can be seen as a kind of logical evolution of such agreements. Businesses and organizations can use this method to reduce or manage the financial impact of tax uncertainty.

An interesting example that can be used in other spheres of cooperation between business and tax authorities is the audit of business entities under the Diia City tax regime. Thus, in accordance with Article 13 of the Law of Ukraine «On Stimulating the Development of the Digital Economy in Ukraine» No. 1667-IX of July 15, 2021, residents of this tax regime must submit an independent opinion provided by the auditor based on the results of the audit of the Diia City resident's statements provided in its initial compliance report. [6] The main difference between obtaining such an opinion and traditional tax audits is that the control function is actually outsourced to third parties - independent auditors licensed to perform audit activities.

However, the provision of opinions for Diia City residents also has certain problematic issues: the lack of a list of required standards, the high cost of audits for small companies, the reluctance of businesses to order such an audit on a mandatory basis, and the risk of losing their residency status as a result of a negative audit opinion. [7]

At the same time, to evaluate the probability of a tax risk, a third party should have sufficient accounting and tax information from the company. The information to be analyzed should be comparable. According to the National Revenue Strategy, which was presented by the Ministry of Finance of Ukraine on December 28, 2023, a number of legislative changes are planned for 2024-2027 to implement electronic audit, in particular, the mandatory submission of a standard audit file (SAF-T UA) by all large taxpayers, and subsequently by all value added tax payers [8]. This file should contain verified actual data on the existence and condition of assets, equity and liabilities, as well as changes in the taxpayer's financial and economic condition for a certain period, exported from the source accounting system. As a result, this will ensure that the condition of having a single source of information based on which tax risks can be assessed by both the insurer and the tax authorities is met. Digitalization in tax audits impacts key stakeholders, including taxpayers and tax authorities. The use of tax e-audits definitely leads to a significant reduction in the time needed to perform tax audits and an increase in the likelihood of identifying tax fraud. However, the introduction of digital tools in tax audits raises a number of problems, which can be solved by amending the relevant legislative acts. [9]

Findings. Transparency of financial data is becoming increasingly important in the digital age. Access to real-time financial records and digital data integrity can facilitate tax compliance and improve the interaction between taxpayers and stakeholders. The implementation of information technology and data exchange systems is a complex process that requires close cooperation between tax authorities and businesses. Without such cooperation, a number of risks may arise that will have a negative impact on all parties to the relationship. According to research data, the conversion of reporting into electronic format is not sufficient for the successful transformation of tax relations between business and the state, as this may have a rather limited actual effect on the parties.

The tools for ensuring the fulfillment of tax obligations and providing confidence in their completeness should be based on the condition that there is a single source of information on which to assess tax risks on the part of both the state and business. Given the rather high level of maturity of public data, which is confirmed by European studies, it is advisable for Ukraine to implement advanced and sometimes little-known practices of identifying tax risks, providing assurance and passing tax audits electronically. However, this also raises concerns about potentially burdensome tax compliance for taxpayers, such as duplication of reporting and the introduction of additional administrative liability for non-filing and errors.

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