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TAX ADMINISTRATION IN KAZAKHSTAN: MAIN TRENDS, ECONOMIC AND LEGAL FRAMEWORK, SPECIFICS AND URGENT PROBLEMS

In this article we give a definition to tax administration, its legal framework and urgent problems. Findings have brought us to the conclusion that tax administration is a tax policy or management of tax reform which embodies its legal, managerial and technical as well as administrative support of a complex process of tax collection and distribution, day-to-day supervision of unambiguous interpretation across the country and strict observance of tax laws, with respect to protection of taxpayer's rights and prompt settlement of any issues arising during this process. At that, contemporary tax administration must be governed by such principles as individual declaration by taxpayers, benevolent environment of interaction between tax authorities and taxpayers and continuous, reliable and efficient monitoring of correct tax assessment and timely payment of taxes.

Keywords: tax administration, tax policy, taxation culture, tax inspection, taxpayer.

Мадіна Сипатаєва

ПОДАТКОВЕ АДМІНІСТРУВАННЯ В РЕСПУБЛІЦІ КАЗАХСТАН: ОСНОВНІ ТЕНДЕНЦІЇ, ЕКОНОМІЧНА І ПРАВОВА БАЗА, ОСОБЛИВОСТІ І АКТУАЛЬНІ ПРОБЛЕМИ

У статті дано визначення податкового адміністрування, його правові основи і актуальні проблеми. Результати дослідження привели до висновку, що податкове адміністрування по суті є податковою політикою і управлінням податковою реформою, яка втілює правову, управлінську і технічну, а також адміністративну підтримку складного процесу збору податків та їх розподілу, контролю однозначного тлумачення по всій країні і строгого дотримання податкового законодавства, у т. ч. відносно захисту прав платників податків і оперативного врегулювання будь-яких питань, що виникають в ході цього процесу. При цьому сучасне податкове адміністрування повинне керуватися такими принципами як індивідуальні декларації про доходи, доброзичливе середовище взаємодії між податковими органами і платниками податків і безперервний, надійний і ефективний контроль правильності нарахування податку і своєчасність сплати податків платниками.

Ключові слова: податкове адміністрування, податкова політика, культура оподаткування, податкова інспекція, платник податків.

Таб. 2. Літ. 14.

Мадина Сыпатаева

НАЛОГОВОЕ АДМИНИСТРИРОВАНИЕ В РЕСПУБЛИКЕ КАЗАХСТАН: ОСНОВНЫЕ ТЕНДЕНЦИИ, ЭКОНОМИЧЕСКАЯ И ПРАВОВАЯ БАЗА, ОСОБЕННОСТИ И АКТУАЛЬНЫЕ ПРОБЛЕМЫ

В статье дано определение налогового администрирования, его правовые основы и актуальные проблемы. Результаты исследования привели к выводу, что налоговое администрирование по сути является налоговой политикой и управлением налоговой реформой, которая воплощает правовую, управленческую и техническую, а также административную поддержку сложного процесса сбора налогов и их распределения, контроля однозначного толкования по всей стране и строгого соблюдения налогового

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законодательства, в том числе в отношении защиты прав налогоплательщиков и оперативного урегулирования любых вопросов, возникающих в ходе этого процесса. При этом современное налоговое администрирование должно руководствоваться такими принципами как индивидуальные декларации о доходах, доброжелательная среда взаимодействия между налоговыми органами и налогоплательщиками и непрерывный, надежный и эффективный контроль правильности начисления налога и своевременность уплаты налогов налогоплательщиками.

Ключевые слова: налоговое администрирование, налоговая политика, культура налогообложения, налоговая инспекция, налогоплательщик.

Tax administration. One of main objectives of tax lawmaking is to ensure efficient operation of tax authorities and to create a modern mechanism of tax administration which ensures high quality monitoring of compliance with tax laws.

Well-developed market infrastructure includes formation of efficient tax mechanisms which facilitate growing budget revenues and regulation of economic processes, therefore perspective of a tax system as an institutional unity of legislation, administration, separate taxpayer that harmonizes economic relationships in the community seems crucial.

In this connection, a need arises in qualitatively different operation of the tax system underlain by modern principles of state management of civil community in a socially-oriented market economy. One of the elements of fundamental modifications in the tax system includes generation and development of an institute of tax administration.

Administration is a relatively new term in theory and practice of management. It has different meanings, therefore it is necessary to determine its precise meaning. Administration is a process, activities and management method which realize their potential in order to achieve a certain purpose, public or state.

Let's refer to the encyclopedic dictionary [7]. Tax administration is defined as activities of tax authorities to monitor compliance with tax laws. Meanwhile, there are other definitions. Researches ambiguously propose them since tax administration has a lot of interpretations. Let's quote some of them [8, p. 125]. For instance:

- a system through which the state manages tax relations being a subject of tax administration;
- paramount field of research and practice studies and methodological actions being a part of general theory and practice of management;
- a set of methods, techniques and means of information support through which regulatory and management agencies, including tax administration of all levels vector operation of tax mechanism in lawmaking direction and coordinate tax actions under drastic changes in economy and policy.

Quality of institutes of state power is assessed mainly through economic successes of a state. In this factor of quality significant role is assigned to taxation which must have a clear economic content and be one of main conditions for improving economics ensuring further dynamic economic growth in a country.

Sound tax administration is a decent implementation of tax policy. The best tax policy may fail unless tax administration is capable of introducing it in practice [9, page 47].

Tax administration and tax policy of a state are interrelated factors of condition of a socio-political system of state. They interact and any reform in taxation in particular and in fiscal system in general always must provide efficient mechanisms of tax administration.

Thus, "tax administration" is revealed from 3 perspectives.

First, it is a system of management agencies (legislative and administrative agencies). Their scope of responsibilities includes procedural support of passing a tax concept to a next targeted period, i.e. study and discussion, legislative approval. Moreover, they must compile tax budget performance reports and thoroughly study them.

Second, it is a set of rules and guidelines that regulate tax actions and specific taxation method determining the responsibility for breach of tax laws.

Third, it is an information space of exercising management functions [10, p. 374].

In summing up researches on the theoretical and methodological frameworks the following qualitative features of tax administration are proposed:

- ensuring interconnection of fundamental social sciences and dynamic perception of achievements of economic and financial science;
- legal substantiation in improving lawmaking and regulatory framework;
- managing taxation process;
- assistance to receipt of taxes to the budget;
- supervising timely and full tax payment; forecasting tax receipts;
- involvement in inter-budgetary relations and social processes, awareness;
- strict regulation and records of its performance;
- summing up local and foreign experience of taxation;
- improving taxation towards development of a socioeconomic system of the society.

Thus, tax administration is a quite expansive process in terms of its internal economic content, external forms of interaction, conditions of organization, subjects and objects of the administration process itself, aggregate of tasks being solved, target values and significance of performance.

Reforming tax system in order to use taxes as a key tool of economic regulation and stimulation of an economic growth is among key tasks of the contemporary financial system. The Government of Kazakhstan has made much for several past years to create a tax system compliant with the standards of market economy to bring the domestic tax system closer to the world practice.

The Government of the Republic has created more favorable conditions for the social sector, SME, introduced preferential conditions for farmers, cut rates of VAT, social tax, individual income tax, introduced tax preferences under corporate income tax, land tax and property tax. It has significantly improved amortization policy, introduced for leasing operations a regulation whereby it is possible to classify deductions from taxable income interest amounts from financial leasing of fixed assets leased for more than 3 years with a subsequent transfer to a lessee. It has also legislatively fixed monitoring forms and types.

Special place is taken by the issue of legally secured subjects of tax administration under the existing laws.

Table 1. Methods and forms of tax administration

Methods of tax administration	Forms of tax administration
Tax planning	1. Tactical
	assessing tax potential of a region
	approving tax budget
	developing goals
	determining shared distribution of rates and privileges
Tax regulation	2. Strategic
	in tax administration system it is nothing but forecasting a key objective of which is to forecast and evaluate tax potential and receipt of taxes and charges to budgets of all levels
	3. Tax incentives systems
	3.1. Changing deadlines of tax payments
	tax rate efficiency
	tax benefit system
	cancelling prepayments
	reducing tax liabilities
	reducing tax rate
	3.2. Extending tax or investment tax loan
	3.3. Granting delay or payment by installments
	4. System of sanctions
	financial
	administrative
criminal	
Tax management	payer's registration and recording
	reporting acceptance and processing
	accounting receipt of taxes and charged amounts
	monitoring timely receipt of payments
	tax inspections
	implementing inspection materials
	monitoring implementation of inspection materials and payment of charged fines

Specifics and urgent problems of tax administration in Kazakhstan. Tax administration under the law and supplementing the latter can be called a kind of core of tax mechanism from the theoretical and practical viewpoints. All its items (planning, accounting, regulation and monitoring) are management actions of professionals in regulatory, management agencies, in think tanks etc. Provisions of tax law make it possible to arrange a rational system of tax administration and to extend it to the entire tax mechanism.

Along with general and special parts the existing Tax Code of Kazakhstan contains a specialized part “Tax Administration” which regulates the procedures of tax control, application of enforcement of delayed tax liability and measures of forced collection of tax debts as well as provision of state services to taxpayers and other authorized state agencies by tax authorities subject to laws of Kazakhstan [11].

Article 565 of the Tax Code stipulates that tax control is the state control of compliance with tax laws of Kazakhstan, any other laws of Kazakhstan in cases where tax authorities are responsible for monitoring of compliance with it carried out by tax authorities.

Tax control in Kazakhstan is carried out:

- 1) in the form of tax inspection;
- 2) in other forms of state control.

Tax administration is the most socially represented field where the state interacts with the population and business. Certain shortages or defects which may entail dropping receipt of taxes and any other compulsory payments to the budget increase chances of tax offences and finally negatively affect country's economy.

Close study of relevant questions with respect to separate elements of tax administration makes it possible to distinguish the following.

Taxpayer registration recording. Recently introduced one-stop business registration has computerized the procedure of transferring information on registration, liquidation and changes to registration data on a legal entity declared at original registration by justice authorities to tax authorities [12, p.187].

However, even the above mentioned measures on improving tax administration fail to finally solve the problems attributed to registration recording. Implemented procedures of automated registration do not cover the entire range of taxpayers, fail to solve the problems of exposing taxpayers that evade taxation obligations of registration and consequently evade tax payment to the budget in full.

Today, the following major problems arise while recording and maintaining the personal accounts of taxpayers:

- 1) breach of deadlines of issuing aggregate certificates of (no) taxes due. Processing an inquiry for an aggregate certificate requires an uninterrupted operation of communication links and computer equipment, qualified personnel servicing the related system;
- 2) payments from treasury authorities and the State Center of Pension Payments are received in a batch mode at the level of transferring e-documents by email;
- 3) shortage of information resources to process an ever-increasing volume of information on payments and accruals [8; 5].

False and premeditated bankruptcy has become a challenge during collection of the taxes due. More efficient performance requires an automated operation that makes it possible to spot potential taxpayers being false bankrupts. The main advantage of that mode will be an opportunity to analyze financial condition of all taxpayers [14, p. 32].

Today, there is no legal framework that would regulate collection of taxes from the branches (representative offices) of foreign companies in Kazakhstan. Collection of taxes is obstructed because fixed assets of companies are held in head offices located in different countries and inside Kazakhstan they have neither bank accounts, nor chief executives or representatives who must be delivered a notice.

Assistance for tax collection under double tax treaties signed by Kazakhstan is provided for only in 10 treaties out of total 37 (these include double tax treaties of Kazakhstan with the Netherlands, India, Azerbaijan, Uzbekistan, Kyrgyzstan, Iran, Belgium, Turkmenistan, Rumania, Norway) [1, 2]. During negotiation process inclusion of the said article becomes a problem. Along with that, authorized agencies of other foreign nations refuse such assistance due to absence of the Tax Collection Assistance in their double tax treaties.

Harmonization and unification of tax administration within the Customs Union and the Single Economic Space. Today, the most urgent issue in the emerging Customs

Union and its expansion prospects is to match procedures of tax administration of its member states. In Table 2 below we compare the elements of tax control in 8 clauses.

The review of tax audit procedures in the EurAsEC countries allows drawing the following conclusions:

- it is necessary to match and to make consistent forms and methods of tax control which must be spelled out in the laws of these countries (for instance, Kazakhstan and Tajikistan);
- key types of tax audits must be spelled out in laws (for example, in Russia) which is necessary to develop uniform audit procedures;

Table 2. Comparison of elements of tax monitoring [3,4]

	Kazakhstan	Russia	Belarus
1. Tax control form	- taxpayer registration with tax authorities; - receiving tax forms; - audit control; - recording discharge of taxation obligation, obligations of assessing, deducting and transferring compulsory pension payments, assessing and paying social deductions; - taxation review; - monitoring major taxpayers; - tax audits; - supervising compliance with use of cash registers; - supervising excisable goods; - supervising during transfer pricing - supervising procedure of recording, storage, assessment, subsequent use and sale of the property appropriated by the state; - supervising activities of authorized state and local executive authorities with respect to completing tasks of exercising functions designed to execution of Kazakhstan's laws.	Tax audits, receiving explanations from taxpayers, tax agents and charge payers, inspecting data of accounting and reporting examination of premises and sites used to draw income (profit) and other forms provided by the Tax Code of Russia.	Recording taxpayers (other liable parties), tax audits, interviewing payers and other persons, inspecting data of recording and accounting inspecting immovable property, premises and sites that may host objects subject to taxation or used to draw income (profit) and any other forms provided by tax and any other laws.
2. Tax audit types	1) documentary due diligence; sweep inspections; time observations.	1) Office 2) Travelling 3) Face-to-face (if it is possible to obtain information about taxpayer's activities related to other persons)	1) Based on the grounds of appointment: scheduled / unscheduled 2) By types: Office: comprehensive sweep thematic face-to-face

The End of Table 2

	Kazakhstan	Russia	Belarus
3. Coverage period and frequency of tax audit	Comprehensive – at least once a year; Thematic – at least once half a year for one and the same type of tax and other compulsory payment to the budget Face-to-face – when needed. Additional – against complaints, applications.	Tax audit can cover only 3 calendar years of performance of a taxpayer, charge payer and tax agent immediately before inspection.	Scheduled travelling inspection of one and the same payer can be carried out not more than once a year. Unscheduled travelling inspection is carried out by instruction of law enforcement, judicial, supervising bodies of Belarus.
4. Tax audit duration	30 business days. For entities without structural subdivisions and self-employed entrepreneurs – 45 business days, by superior body – 65 business days. For entities with a structural subdivision, major taxpayers – 75 business days, by superior body – 180 business days.	Office audit – 3 months, travelling – 2 months (up to 3 months in exceptional cases). In case of organizations with branches and representative offices duration is extended to 1 month for audit at each branch and representative office	30 business days. Extension by the decision of a chief executive of a tax authority.
5. Final procedures of tax audits	Audit report or if any violations are revealed a notice is delivered to a taxpayer	Certificate and later an audit report within 2 months	Certificate or report
6. Period for appealing against decision of tax authority to a superior tax body	The right for appeal within 30 business days	Within 3 months after the taxpayer became or had to become aware of violation of its rights	Within 5 days

- it is necessary to make consistent periods of audit inspections since each country applies its own estimations: Russia - months, while all other countries - days (business and calendar). It is possible that it is right with using estimation in business days enabling rational distribution of load on tax authorities (since week-ends and holidays are not taken into consideration in case of calendar estimation);

- it is necessary to study an issue of creating uniform forms of documents, including decisions on outcomes of tax inspections.

Ways to improve tax administration in Kazakhstan. Under the conditions of ongoing implementation of socioeconomic development programs of Kazakhstan tax administration must represent comprehensive activities on the one hand designed to improve and optimize tax control tools and on the other hand to stimulate and

encourage taxpayers to efficiently interact with the state which must entail not only efficient operation of the tax system but also stable growth of business activities in Kazakhstan's economy.

It is possible to improve tax administration only in the case of implementation of well-balanced measures which must have effect all elements of the existing tax system: lawmaking, culture of relations, employment of production processes.

Measures to improve tax administration in Kazakhstan must include the following tasks:

1) to enhance supervision of compliance with tax discipline, correct assessment and timely payment of taxes and other compulsory payments, introduction of methods of comprehensive electronic office audit;

2) to increase level and to improve quality of servicing the population, business, other state agencies; to expand and to improve integration of tax services;

3) to optimize tax administration processes, including their re-technical side;

4) to prevent corruption in tax authorities;

5) to improve taxation awareness of taxpayers and as a consequence level of their voluntary compliance with tax laws;

6) to ensure comprehensive advanced vocational training of members of taxation authorities; their compliance with professional etiquette, fair and unbiased treatment of a taxpayer.

Suggested directions to improve tax administration:

1) To improve taxation culture:

- to introduce in activities of tax authorities progressive forms and methods of explanatory work, including the use of cutting-edge information technologies;

- to continuously share information with taxpayers on new tax laws and to cover performance of tax authorities;

- to create an electronic library and a retrieval system on the issues of taxation and tax administration [5];

- to create the websites of tax authorities consultation services where a taxpayer can receive fill information on application of tax laws [5];

- to study applications of taxpayers, prepare and deliver responses to an applicant;

- to respond promptly and provide timely assistance when inquiries are made to the support service, call centers, hot lines, electronic book of complaints;

- to regularly hold seminars, meetings with taxpayers designed to explain and develop offers for the purpose of improving tax laws and tax administration;

- to introduce a subject in the system of secondary education that would cover the fundamentals of taxation within the program Outlines of economics and fiscal awareness;

- to make discussion on taxation draft laws transparent and public.

2) To enhance efficiency of tax control:

To submit to legislative agencies offers to amend some legislative acts of Kazakhstan with respect to the following issues:

- to optimize reporting forms produced by major taxpayers being monitored.

- taxation and administration of indirect taxes under mutual trade within the Customs Union being founded by the Republic of Belarus, Republic of Kazakhstan and the Russian Federation;

- to toughen the requirements to VAT payer registration;
 - to improve administration of excises and state control of market of the excisable products;
 - to improve the system of international taxation and tax control during transfer pricing;
 - to introduce practice of tax courts.
- 3) To improve quality of tax services.
 - 4) To match tax administration system within the Customs Union and the EurAsEC.

One of tasks of tax reforms in EurAsEC countries is to bring together, to match and to make consistent their tax systems and in particular tax administration.

Given that each country has developed its own tax administration system it is possible to perform this task only based on the analysis of applied forms, methods and procedures of administration.

Summing up the above-stated analytical research it is possible to draw conclusion that tax administration in Kazakhstan in its present form is brought in balance with the realities of a new development stage of Kazakhstan. Along with other directions of tax reform it is clearly determined that the new Tax Code must be a law of direct action with coupled administration quality and interests of taxpayers. In that connection, the Tax Code has to the utmost embraced normative legal acts in taxation and has streamlined tax procedures, introduced a separate part dedicated to tax administration.

Given that tax administration in fact is the tax policy in itself, management of tax reform embodies its legal, managerial and technical as well as administrative support of a complex process of tax metering from the point of view of timely and economically sound implementation of program and goal tasks provided by its project, minimization of all possible losses (deviations) from tax collection and distribution; day-to-day supervision of unambiguous interpretation across the country and strict observance of tax laws, including the protection of taxpayers' rights and prompt settlement of any issue arising during that process.

In that connection, modern know-how of tax administration must be governed by the following principles:

- self-sustained declaration of taxable base and charged tax amount by taxpayers;
- benevolent environment of interaction between tax authorities and taxpayers;
- continuous, reliable and efficient supervision of correct assessment and timely payment of taxes and other compulsory payments by taxpayers.

The above-stated measures must improve the conditions for voluntary discharge of tax liabilities by a taxpayer, ensure equal, predictable and uniform conditions for discharging tax liabilities, avoid causes for corruption and procedures that provide conditions for breach of professional etiquette by tax officers.

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