

CHAPTER 10

TAX ADMINISTRATION: THEORY AND RETROSPECTIVE ANALYSIS

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INTRODUCTION

Lorenz von Stein has rightfully noted that taxation is a point where the science of public finance meets the science of public administration. Along with absolute accuracy of the statement, this also invites the need to consider, within the tax issue, organizational and management aspects (besides the traditional fiscal and regulation planes). The latter ones have been under-researched, though in some historical periods in the development of financial science they were given certain attention (in particular, by German representatives of Cameralist school and other devotees of the idea on the leading role of “financial technique”, “tax technique” or “tax levying technique”).

However, the available current developments in the tax administration domain are basically applied and directed at the solution of urgent problems of efficient taxes and duties levying arrangement. Some of these problems though have already had some settlement options in the past, and many of them could be useful today as well (at least, in a part). Besides, the development history is rich material for scientific and abstract construction of tax administration methodology. All of this confirms the need for its study.

10.1. Nature of tax administration

The researches we have carried show that in most cases the start of active use, by practical experts and politicians, of the term “tax administration” pre-empted justification of its nature by financial theory. This caused the situation when every use of this term was another confirmation of difference in meaning and, at times, the indefiniteness of sense. However, as the issue was of reference points for specific decisions that needed clear perception, the problem of defining tax administration was quite acute. In Ukraine, in particular, this became noticeable at the brink of the late 90s of the previous century and beginning of this one, and made the author to, among others, undertake corresponding studies.

We have offered our own approach towards tax administration definition development. We consider that it should be based on the general term “administration” defined as “administrative activity of managers and management bodies, performed mainly through orders and instructions”¹. Taking into account the specific nature of tax levying process arrangement, we have offered the following definition: tax administration is an administrative activity of public executive bodies that involves the arrangement of taxation process, is based on public legislative and regulatory documents and applies socially induced and accepted rules.^{2,3,4,5}

As we can see from the offered definition, the tax administration is based on adherence to two types of rules: defined by the state in the legislative and regulatory documents, and developed by the society in the form of traditions or habits. The first ones are usually called the same way – “rules”, the second ones are most often denoted by the term “habit”. In the science of the economy, they are usually interpreted as follows: habits (customs) are “rules of behaviour in certain spheres of economic activity, business life, not reflected in laws, regulatory documents and agreements, but adhered to in practice”⁶; a rule is “a collection of obligations, requirements, established by higher management segments for lower segments that ensure consistency, coherence and arrangement of the working process...”⁷

In the course of their implementation, the rules require the intentional performance of activities. The habits are vice versa, a result of people’s adjustment to certain procedures. They are concerned with psychological and physiological peculiarities of individuals, are implemented through the periodical repetition of actions by inertia and

¹ Mochernyy, S. V. (Ed.) (2000). *Ekonomichna entsyklopediia [Economic Encyclopaedia]*. (Vol. 1, p. 25). Kyiv: Academy. (in Ukrainian)

² Melnik, V. M. (2003). *Problemy teorii ta praktyky administruvannya podatkov v ukraini [Problems of the theory and practice of tax administration in Ukraine]*. *Actual problems of the economy*, 5, 40–43. (in Ukrainian)

³ Melnik, V. M. (2006). *Opodatkuvannya naukove obgruntuvannya ta orhanizatsiia protsesu [Taxation: scientific substantiation and process organization]*. Kyiv: Computerpress. (in Ukrainian)

⁴ Melnik, V. M. (2008). *Do pytannia formuvannya teoretychnykh zasad administruvannya podatkov [The question of the formation of the theoretical principles of tax administration]*. *Finance of Ukraine*, 9, 3–9. (in Ukrainian)

⁵ Ivanova, Yu. B., & Mayburova, I. A. (Ed.). (2010). *Podatkova Polityka Teoriia Metodolohiia Instrumentarii [Podatkova policy: theory, methodology, tools]*. Kharkiv: VD "INZHEK". (in Ukrainian)

⁶ Mochernyy, S. V. (Ed.) (2000). *Ekonomichna entsyklopediia [Economic Encyclopaedia]*. Vol. 1, p. 594. Kyiv: Academy. (in Ukrainian)

⁷ Mochernyy, S. V. (Ed.) (2000). *Ekonomichna entsyklopediia [Economic Encyclopaedia]*. Vol. 3, p. 27. Kyiv: Academy. (in Ukrainian)

define, to some extent, the behaviour of the members of society, being reflected in their decisions. With the course of time, they are transformed into national customs, cultural and historical traditions of the nation. Taking the latter into account in taxation is extremely important as the efficiency of applying fiscal mechanisms is very much dependent on the reaction of society, psychological perception of novelties by the payers.

Along with the mentioned, we cannot omit the fact that separate habits of individuals may be unjustified both in terms of optimal economic behaviour in certain economic conditions and in terms of the interests of society in general and the state as its political organization. Under their influence, the unjustified, inappropriate, and irrational decisions are made. (At this, the provided assessments may be considered from the viewpoint of any of mentioned agents – other individuals, state, etc.). In cases like this, the habits get into an argument with rules. The major task of the rules becomes to correct behaviour of subjects, to overcome habits. In the tax administration, such corrections are especially topical as regards the habits to reserve what belongs to someone as a private property as these habits become decisions and activities on avoiding taxation, etc.

On the total, the habits and the rules are most important, basic sources of decisions in tax administration. They serve a basis for coordinating the activity of all the subjects in taxation relations and regulating all the concerned processes.

The practical fulfilment of decisions in tax administration requires the availability of adequate management tools and technologies of their use. The humankind developed all the relevant tools in the course of solving taxation optimization and rationalizing issues. Having the range of objectives in taxation, they have developed a system of measures for their achievement (on the basis of the available habits and developed rules). In the process of historical development, these measures were somehow rationalized for maximum neutralizing of subjective components. Depending on the technological specifics of applying the mentioned measures, the corresponding tax administration procedures have formed and management activity directions were defined. The main of them are as follows: accounting activities (taxpayer register and tax accounting); mass awareness-raising and consulting activities; prognostic and analytic activities; control and audit activities.

The mentioned management activity directions consequently provide for use of accounting, social, analytical, and control technologies.

Besides, tax administration should include the strategy and tactics of levying process management. The management tactics are aimed at the attainment of basic tax objectives within the specific social and economic, political, and legislative framework. In the course of operating activity of the state executive bodies, responsible for tax levying, the issues of assuring adherence to the acting rules, administrative spending optimization, the rational arrangement of mutual relations with payers, etc. are resolved. Fiscal services, on the one hand, have to maximize budget incomings and, on the other, to exclude, to the maximum extent, direct intrusions into the sphere of economic activity and not to lead, with their work, to deterioration of business conditions.

In the recent changeable economic and political situation, the role of developing the tax administration strategy is increased. The changes of political authority after every election process must not have a serious influence on efficiency and continuousness of the state fiscal services' activities. All the political forces, replacing each other in the authorities of any country were a priori not interested in irregular tax incomings and subsequent shortages in the funding of state spending. The reason for this is the fact that this has a significant impact on their reputation and terms in office... Therefore, the first task is forming the unchangeable (depending on the election cycle) administrative apparatus that would promptly and skilfully fulfil the decisions of any group of political leaders, elected by the nation. Besides, an important strategic task is a substantiation of the directions for modernizing fiscal and administrative technologies pursuant to possible changes of market conditions, the behaviour of economic subjects – taxpayers, change of orientation of business operations, etc.

The strategy of tax administration should consider the present situation in the country's economy and state political system, as well as perspectives regarding the development of the national market, globalization processes, and the emergence of various risks.

Modern tax administration technologies are hard to apply. Therefore, implementation of specific managerial decisions of strategic and tactical character requires the availability of specifically skilled workers, each with sufficient level of financial and economic knowledge, understanding specifics of establishing relations with people, forming and directing them in accordance with major taxation objectives and acting rules. Among the basic qualities of an officer, needed in the sphere of tax administration, we should single out internal self-sufficiency,

strive for self-development, the ability for self-control, and ability to influence the surrounding people and convince them.

A tax officer who, pursuant to his or her official duties, has to contact (directly or indirectly) with a vast amount of people, has to continually analyse his or her actions and give them objective account, recognize characters and moods of the payers and, correspondingly, select style of communication with them, striving to create the atmosphere of cooperation, partnership, and interaction.

The interaction itself does not exclude an opportunity for conflicts. If, at this, we take into account that it is about managing the processes, after which a part of the property, belonging to a person according to the private property right, is withdrawn for the sake of redistribution, the probability of conflicts is increased. The basis of conflicts in tax administration may arise from the collision of interests, disagreement of thoughts, different vision of values and ways of their achievement. The first case in taxation is inevitable. Representing the interests of the state and performing his or her own duties, the fiscal officer is interested in withdrawing a part of income. A payer, with an account of natural aspirations regarding preservation and collection of private property, is apt to the minimization of such withdrawals. Overcoming of such a conflict is possible only through the clear application of the established rules of tax administration.

The second and the third cases are more complex and require a result-oriented approach of both parties. It is important to reach a mutual understanding of the situation subject matter as soon as possible. The official should apply maximum efforts for smoothing the conflict and reaching the compromise. Although the compromise does not always allow making an optimal decision, a conflict might be made away with and the atmosphere, acceptable for interaction, might be established. However, in case of clear non-conformity of the payer's actions to the defined rules (mainly peculiar to the third case of conflicts), the public representative has to occupy the position of counteraction, oriented exclusively on the acceptance of one point of view.

Therefore, the role of the human factor in tax administration is one of the leading ones. In the perfect situation, its realization allows reaching fairness in taxation, robustly ensuring the levying management process. However, close personal contacts with payers may also generate negative consequences, noted yet in the late 19th century by the classics of financial science, who recommended minimizing personal meetings with tax inspectors and, thus, decreasing the risks of corruption. But in

this case, we should stress that obviously direct contacts were meant. In modern times, there exist obvious opportunities for their replacement with indirect ones (with the mediation of technical means). Therefore, it is important to find the optimal correlation of these two contact types for the arrangement of efficient interaction with payers, as well as spheres and volumes of their implementation.

All sorts of strategic and tactical managerial decisions and actions are directed to specific conscious need of a person or society. In the tax administration, they are oriented at solving issues, important for society, achieving desired taxation results, overcoming irrelevance between the desired and actual situation in taxation. Implementation of the above-mentioned provides for the need in an organizational system what is an inevitable attribute of managerial activity. Its major task is the coordination of actions of separate people regarding the solution of the said problems.

The structure of tax administration organization system in every country was actually formed pursuant to social and political, economic, as well as organizational and technical conditions. It is represented by the public services with fiscal functions. There might be several of them (in Ukraine, these are: state taxation service and state custom service). Each of these services might be viewed as an independent organizational system of lower level as they have all the features, necessary for this: are clearly problem-oriented, have management centres, as well as a certain hierarchical structure.

However, it is already clear that in the countries with several services, instead of one, engaged in tax administration, there must be a unified centre for their coordination. Of course, the Cabinet of Ministers may be considered this sort of centre. Though, it is not clearly problem-oriented with a specific focus solely on taxation. Therefore, this sort of centre is, as a rule, the Ministry of Finance. An equally important in the conditions of multiple tax administration services is an issue of the optimal distribution of functions between them and their subdivisions in order not to allow, on the one hand, responsibility of different sectors for fulfilment of one function and, on the other hand – loss of function in the list of obligations. However, the mentioned, in its turn, brings an issue of arranging interaction of services for the sake of informational exchange and assuring the performance of functions, laid upon them.

Therefore, the tax administration organization system, being formed individually in every country under the influence of specific conditions

and subjective decisions, continually requires rationalization of its structures on the basis of scientific substantiation and further account of regularities and general principles of tax levying process management.

10.2. Retrospective Analysis of Tax Administration

The results of the retrospective analysis show that the arrangement of the taxation process and its management depend on the degree of the state's development. Actually, the latter has also defined methods of public functions (demesnial, regalia, tax) funding. In the Middle Ages, they mainly used the pre-bate form of tax levying. At those times, taxes were considered extraordinary proceeds. In the need of money, a monarch addressed classes and communities that (in case of consent) divided the needed amount between themselves. The methods of dividing were arbitrary. "The great vassals collected the needed amount from their people according to their possessions, or, bluntly counted by the head"⁸. This sort of taxation did not require any special methods of control, but for brute force. Thus, one could not speak of any tax administration methods.

However, at the same time, the different sorts of charges started to be levied (court charges, for various state services, for toll roads, for use of bridges, etc.). Some feudal lords started building bridges in the open plains, making the merchants pay charges. At this, by no means all of the paid amounts reached the royal treasury, staying in the ownership of feudal lords. Due to these artificial obstacles to the development of trade and pocketing of the king's money, the state had to interfere. Though at those times, it was weak and underdeveloped and this did not allow for strictly regulated management of tax levying processes and efficient control of local policymakers. The only thing the state managed to do was to find methods for attracting to treasury more of the collected money. This was the objective, with which they introduced the sale of political offices, concerned with levying of charges. The first experience of this sort was demonstrated by France in the 14th century. The authorities sold an office, receiving the necessary amount for their budget and a purchaser was given a right to levy charges for his own benefit. There were quite a lot of such offices, especially in the court system. The relevant practice had a range of negative consequences. For instance,

⁸ Ozerov, I. Kh. (1917). *Osnovy finansovoy nauki* [Fundamentals of Financial Science]. Issue 1. Moskva: Printing house Association of I.D. Sytina. (in Russian)

“judges, in an attempt to return monies they have spent for purchase of office, dragged the trial out”⁹, etc. Somehow modified French experience was introduced by the Polish-Lithuanian Commonwealth, including Poland, Ukraine, and Lithuania. They provided the title for a collection of taxes for lease¹⁰. Lease takers were increasing due amounts (if compared to those, demanded by the king) for their own benefit.

While levying the taxes from city residents, the principle of collective responsibility was applied. It consisted of the following: the city community was imposed with an obligation to pay the established per annum amount of taxes. The state did not bother with control over every payer – the responsibility for payment of the total amount was borne by the community. The issue of dividing the amount by individual payers was also considered its own business. Professor I. Ozerov called this practice “the most absolute type of state’s withdrawal from levying”¹¹. In the case of big debts, the authorities could apply force and even destroy the entire settlement as a punishment for the community. Who was responsible for debts was often the issue of no importance. The state simply had no resources to find this out. “The collective responsibility with the low financial technique was thriving”¹².

Over time, the taxes became regular proceeds of the state. A significant differentiation of income sources, caused by rapid economic development, led to the emergence of new taxation methods. Their multitude and complexity already require a special tax levying method. To use it, there arises a need to establish the entire apparatus of fiscal bodies. The first to develop was a special methodology of land taxation that provided for measuring, self-assessment of the parcel, declaration of property, and keeping of cadastre. With the course of time, the problem of dishonest declaration generated a need to develop unified regulations for assessment of immovable property with a division of lands by the classes. In the taxation evolution, the land cadastre was developed from a simple representation of geometric data on the parcels to carrying the assessment of their earning power for the classification

⁹ Ozerov, I. Kh. (1917). *Osnovy finansovoy nauki* [Fundamentals of Financial Science]. Issue 1. Moskva: Printing house Association of I.D. Sytina. (in Russian)

¹⁰ Nechai, N. V. (2002). *Narysy z istorii opodatkovannia* [Essays on the history of taxation]. Kyiv: Bulletin of the Tax Service of Ukraine. (in Ukrainian)

¹¹ Ozerov, I. Kh. (1920). *Osnovy finansovoy nauki* [Fundamentals of Financial Science]. Issue 2. Moskva: Printing house Association of I.D. Sytina. (in Russian)

¹² Ozerov, I. Kh. (1917). *Osnovy finansovoy nauki* [Fundamentals of Financial Science]. Issue 1. Moskva: Printing house Association of I.D. Sytina. (in Russian)

purposes. The latter provided for defining the gross income according to different methodologies. Thus, in Prussia, they carried calculation with an account of proceeds for 24 years (before the compilation of cadastre in 19th c.), in Württemberg and France – for 15 years, in Austria – for the least expensive year out of last fifty¹³. The industrial taxation, taxation of houses, monetary capitals and movables were first performed with the similar methodology: levying according to external features of the objects (fields, trade, merchants' belonging to guilds, etc.). The reason for this was rather an absence of other methodology as in the period under analysis, the financial science fixed the taxation practice rather than created novel re-distribution mechanisms. However, some authors state that the reason for this situation was adherence to the “financial technique saving principle”¹⁴.

Since the 19th century, the tax levying according to external features has transformed into taxation according to income level. Capitation, industrial taxes are replaced with income ones. The earning power is considered while imposing taxes on capitals, buildings, etc. The states had to change the tax levying strategy due to considerable stratification of society according to income. In the early 20th c. professor I. Ozierov used the example of capitation tax for the following conclusion: “With the low level of economic life, the capitation tax was most appropriate source of receiving funds as the difference between economic situations of separate members was not as stark as the present one when some people are starving and some, like Rockefeller, get 100 million roubles of net income per annum...”¹⁵

In its turn, the income taxation required a change in levying technology. The new conditions did not allow applying the principle of collective responsibility and the pre-bate form of levying anymore. The simple census and count of the population for capitation tax also turned to be insufficient. The issue of a payer's individualization is brought to the agenda. In fact, every citizen and legal entity had to declare their income. This provided for a need in the development of the unified methodology of their defining, accounting, and control. The latter required increasing and enhancing fiscal services.

¹³ Kulisher, I. M. (1919). *Ocherki finansovoy nauki* [Sketches of financial science]. Petrograd: Nauka i Shkola. (in Russian)

¹⁴ Ozerov, I. Kh. (1917). *Osnovy finansovoy nauki* [Fundamentals of Financial Science]. Issue 1. Moskva: Printing house Association of I.D. Sytina. (in Russian)

¹⁵ Ozerov, I. Kh. (1917). *Osnovy finansovoy nauki* [Fundamentals of Financial Science]. Issue 1. Moskva: Printing house Association of I.D. Sytina. (in Russian)

The very declaration as a note of property state has been known in the tax history for quite a long time. However, there was no methodology for processing and check of declarations. Only external data on the occupation and field could be checked. “There was no control, but for person’s own conscience and a holy terror”¹⁶. We have to emphasize that for theopathetic people of those times, this was enough. The nobility though was paying taxes, governed by the ideas of nobiliary honour. “Prince-electors, counts and barons, cardinals and prelates were paying... according to their conscience, pursuant to the handshake (that replaced oaths) and even the very amount, contributed by them, was infrequently beyond re-counting – their position had to be factored in and their vanity had to be spared”¹⁷. In the Russian Empire, yet since 1775 (since Catherine II has introduced the guild tax) even for merchants (who could not have noble status), there was a provision, according to which the merchant’s announcement of his capital for attribution to 1st, 2nd or 3rd guild was performed “according to the conscience”, there were no checks and denunciations were not considered¹⁸. However, until the 19th century, the tax imposed for each of the three guilds was the same – 1% from the announced capital. Along with that, attribution to higher guild guaranteed winning of state orders. This fact, to some extent, induced merchants to declare bigger amounts. However, upon merchant’s attribution to the 1st guild (if the capital amounted to more than 10 thousand roubles), the state’s hopes for truthful declarations were becoming vane.

The legislation of European countries though even in the 19th century adhered to the principle of careful and delicate attitude to the payer. In Bayern, Hessen, and Austria, the demand to indicate the amounts of proceeds from certain sources was prohibited. It was considered that the payer has to announce only the general amount according to the conscience. In Prussia and Sachsen, they decided not to use declarations at all as the latter diminish social and personal freedom. The tax commission had to, without payer’s assistance, establish his financial situation and, besides, not to hold studies of the circumstances, burdensome and difficult for the payer. In the legislation of Switzerland, they did not even mention

¹⁶ Kulisher, I. M. (1919). *Ocherki finansovoy nauki* [Sketches of financial science]. Petrograd: Nauka i Shkola. (in Russian)

¹⁷ Kulisher, I. M. (1919). *Ocherki finansovoy nauki* [Sketches of financial science]. Petrograd: Nauka i Shkola. (in Russian)

¹⁸ Nechai, N. V. (2002). *Narysy z istorii opodatkovannia* [Essays on the history of taxation]. Kyiv: Bulletin of the Tax Service of Ukraine. (in Ukrainian)

possible violations but only a need to additionally pay tax in a case of discovered fact of “tax amount decrease”¹⁹.

However, the new capitalist reality did not correspond to the patriarchal taxation manners. The ideas of nobiliary honour were either gradually forgotten or simply unknown to the new property class. The poor people started imitating their employee leaders forgetting their former theopathy. Therefore, a change in the psychology of payers, influenced by vivid development of the new social and political formation, led to the death of governments’ expectations for manifestations of patriotism. The incomings to the budget were disappointing. The tax commissions, in their attempt to increase incomings, started violating laws by themselves – they were levying the excessive amounts from the suspected of embezzlement and concealment of income, though their fault has not been proven. And with this generalized declaration without indication of different sources of income, there was no opportunity to check faithfulness of the data. The situation could be remedied only through the declaration of all types of property and amounts of income (all together and with a breakdown by separate sources), along with the strict state control. The first measure for income representation completeness control was a comparison of the data in payers’ declarations with average rates of earnings. However, the labour payment of employees considerably varied and application of average rates led to exceedance (or, vice versa, shortage) of tax amounts for a significant part of the population. Thus, the subsequent step was comparing, in the early 20th c., the declared incomes with the so-called “indirect declarations”, provided by employers (regarding remunerations, paid to salaried employees). The declarations of legal entities (regarding industrial or income tax) were compared with the data in trading books. Though there was no unified methodology for keeping these books, as well as very obligation to fill them in. Therefore, they simultaneously applied the methods of check by comparing with average rates of earnings and with expenses held. However, assessment of incomings according to expenses caused a lot of complaints as it deformed the very nature of income taxation. Considerable difficulties, likewise in our times, were concerned with the check of proceeds from monetary capitals due to the confidentiality of the banking information. This was the reason why in the early 20th c. credit and insurance institutions of the

¹⁹ Kulisher, I. M. (1919). *Ocherki finansovoy nauki* [Sketches of financial science]. Petrograd: Nauka i Shkola. (in Russian)

Russian Empire had to inform tax bodies on contributions of payers, on their current accounts, on storage of securities and commercial operations, carried with the mediation of banks²⁰. This sort of practice was quite unconventional for Europe and was not admitted there. Though this fact caused hot discussions and opposition, the scientists of those years even recommended making all the declarations of income public, referring to the experience of the provinces of Canada. This action, to their mind, had to ensure public control both over the activity of payers and over the activity of fiscal services²¹. And the bankers' discontent with the requirement to inform on the clients' operations was seen like this: "The movable capital uses one principle two-fold, depending on the more convenient side: on the one hand, it develops public character of property relations and declares it useful (bureaux of creditworthiness...); and on the other hand – it rises against it, declaring it almost revolutionary principle, ready to blow down the entire trade and industry, lose the credit, etc."²²

The tax bodies of separate countries yet in the 19th c. started imposing fines not only for underpayment but also for failure to submit (untimely submission) of declarations. This was a reflection of governments' endeavour to ensure universality of declaring and payers' participation in the entire taxation process. This is because while defining taxes from income, self-taxation is not restricted to declaring the income. "...This is just a starting point followed by and resulting in further payer's participation in taxation process, two-directional participation: on the one hand, in the establishment of tax institutions, and on the other hand, in all the stages his own declaration comes through"²³.

Taking the above-mentioned into account, the states are faced with an assignment of the principal renovation of tax bodies. "On the one hand, there was a need to establish self-governed bodies that are trustworthy for the payers afraid of their "omniscience" and aware of the fact that sincerity in this context is never to harm, while deception – always is. On the other hand, it also required mandatory serious supervision, on the part of the government, over the entire taxation

²⁰ Kulisher, I. M. (1919). *Ocherki finansovoy nauki* [Sketches of financial science]. Petrograd: Nauka i Shkola. (in Russian)

²¹ Ozerov, I. Kh. (1917). *Osnovy finansovoy nauki* [Fundamentals of Financial Science]. Issue 1. M. : Printing house Association of I.D. Sytina. (in Russian)

²² Ozerov, I. Kh. (1917). *Osnovy finansovoy nauki* [Fundamentals of Financial Science]. Issue 1. M. : Printing house Association of I.D. Sytina. (in Russian)

²³ Kulisher, I. M. (1919). *Ocherki finansovoy nauki* [Sketches of financial science]. Petrograd: Nauka i Shkola. (in Russian)

process, control over the appropriateness of the actions of representative offices, over the safeguarding of the interests of the treasury”²⁴. We might state that this task is being continuously solved up until today.

In the course of taxation evolution, along with tax administration methodology, the tax services were developed. In the times when the liability to pay taxes was temporary and the taxes did not have a leading role in the state’s proceeds, they were collected by the military. Actually, at those times, that was the only power structure that could assist in the withdrawal of a part of private property for the benefit of the treasury. The examples of this were the ancient Roman “riders” (commanders that headed the military groups collecting the taxes from provinces)²⁵, princely watch groups of Kievan Rus (who personally accompanied the princes during their ride around the subject tribes for collection of taxes), Ukrainian Cossack groups (in the Middle Ages, they protected bridges and passages, as well as levied charge from the merchants), groups of land rulers in other countries of Europe (the sovereigns headed them in their ride around the subject areas for collection of taxes). It was only in medium-level state management that provided for special positions of people, responsible for the treasury. In the medieval cities of Europe with the domination of rebate taxation form, the duties of levying taxes at the local level were laid upon community collectors (for instance, in Ukraine, Poland, and Lithuania in the times of Polish-Lithuanian Commonwealth, this was a duty of the village heads). The latter positions were most often elective and subjected not so much to government, as to community that was responsible to the government on the terms of collective responsibility. Most directly subjected to the authorities were only tax farmers. However, we cannot call them some sort of professional tax apparatus. They performed their obligations to the state only while paying for the post. Later on they levied charges and taxes for their own benefit. But when the taxes obtained regular character, the state first encountered a need to keep the regular specialized staff of officers on every authority level. Western Europe was probably the most advanced in the issues of establishing and reforming tax services. Yet then, the Europeans were concerned with establishing the relations of trust with the payer.

²⁴ Kulisher, I. M. (1919). *Ocherki finansovoy nauki* [Sketches of financial science]. Petrograd: Nauka i Shkola. (in Russian)

²⁵ Nevertheless, the system of fiscal power of Roman Empire was quite diverse and bifurcated. The taxes collected by the military were protected by state slaves. They also kept accounting. Some of the taxes on the fiscal territories were collected by civil officers – procurators fiscal.

I. Kulisher wrote: “Austria and Italy, on the one hand, England – on the other, all the time stress that fiscalism and fiscal incomes are far from being identical and that we may provide tax officer with the cruellest whips and scorpions and this will cause only cease in further increase of incomes...”²⁶. Due to this, some states started a practice of attracting, for tax levying, the representatives of population. They established tax divisions of a mixed type where, beside the officers, the elected representatives of community were working. They were engaged even to the check of declarations. Besides, there existed appeal commissions (of the mixed type as well) for consideration of payers’ complaints, as well as administrative courts (appeal bodies) that settled the disputes and interpreted disputable questions of tax legislation. This already meant the existence of legal supervision over the activity of state bodies, as well as a system for the protection of payer’s rights. The corresponding structures were peculiar to German states (Prussia and Sachsen, in particular), Austria, Hungary, Italy, Netherlands, Scandinavian countries, Switzerland.

A complication of the modern technology of tax administration in the early 21st century requires a high level of professional education for the fiscal service officers. Therefore, engagement of broad public to the fulfilment of at least some functions is problematic. This segment in today’s structure is replaced with opportunities of influencing fiscal decisions on the part of non-governmental auditing and public human rights organizations. What concerns court protection option, it has acquired development up to creation, in certain western countries, of the specialized tax courts.

CONCLUSIONS

The above-mentioned material regarding the nature of tax administration may serve to form the priority directions of scientific and theoretical search, as well as starting the theoretical base of its development. The substantiation of fundamental notions, principles, axioms are major assignments, completion of which will allow bringing tax administration to a level of separate management theory. Its peculiarity will consist in close interaction with public finance as a field of knowledge. The need in such a theory is stipulated by the demands of taxation practice that continuously provides requests regarding the

²⁶ Kulisher, I. M. (1919). *Ocherki finansovoy nauki* [Sketches of financial science]. Petrograd: Nauka i Shkola. (in Russian)

synthesis of rational approaches, modelling of situations, creation of efficient tool kit for levying process management, as well as methods of solving the existing problems.

And the research of historical experience of tax administration allows making conclusions regarding the similar character of many problems at different times. The knowledge of them may become an important factor for avoiding of the recurrent mistakes. This is particularly an issue with establishing the privileged character of certain payers in the relations with fiscal bodies (at times the so-called “big payers”, and at times – the representatives of small business). The history shows that both excessive trust and excessive suspicion (regarding the payer) prejudice the interests of the treasury.

SUMMARY

The author views today’s taxation as a complex phenomenon that requires a wide array of studies with a special sector – issues of tax administration. He pays attention to the fact that there are currently no unified and established views of an issue and theoretical framework of levying process management has been not developed enough. He considers a definition of tax administration, the issues of correlation and coexistence of habits and rules in tax administration, management activity directions in tax administration, strategy and tactics of tax administration, psychological background and role of the human factor in tax administration, organization system of tax administration. He provides results of a retrospective analysis of tax administration subsystem development. The author notes that development history is rich material for scientific and abstract construction of tax administration methodology. On the basis of the latter’s research, he provides conclusions on the similarity of many problems at different times. The understanding of their solution options, in the author’s opinion, may become an important factor in avoiding the recurrent mistakes.

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