

Trends in Management Development during the Reform of the Tax Administration of the Slovak Republic

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Abstract

The sources for the given subject research were preliminary organisational structures and systems of tax administrations that are currently in place in Slovakia as well as in Hungary, Poland, the Czech Republic and Slovenia. The basic presumption of the research is the increase of the system effectiveness en bloc. Based on the trends analysis we assume, that the upcoming reform of the Tax and Customs Administrations shall contribute significantly to the increase of the system effectiveness and at the same time bring along the improvement in positive perceiving of taxes, seen by public as socially unpopular obligations.

Key words: Taxes, tax reform, tax administration, effectiveness, competitiveness

Introduction

The management of the Tax Administration in Slovakia is governed by principles introduced after 1989. Despite the effort of recent years to decrease the number of employees, the system of administration of taxes in Slovakia can be considered as inefficient in terms of increasing competitiveness of the state.

At present, the general tendency is to complain about the rigid, unfriendly bureaucratic apparatus, which brings about unwillingness of the citizens to comply with tax obligations and more and more strict regulations of the state.

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The final consequences of such conditions lead in to the mentioned decrease of competitiveness of the state and decrease of its credibility in the eyes of its citizens.

1. Trends in the Management of the Tax Administration in the Slovak Republic

The starting point of the up-coming trends in the Tax Administration of the Slovak Republic is the Programme Declaration of the Government² from 4 November 2002 which in its Section „Economic Policy“ determines following objectives in the area of the administration of taxes: simplify tax legislation, amend parts of tax laws which allow for ambiguous interpretation, simplify the system of penalties in the tax area, decrease direct taxes, shift the tax burden from the direct taxes on to the indirect taxes, review and reevaluate the application of property tax rates, unify income tax rates, analyse possibilities of introducing a single tax (rate), strengthen own tax incomes of municipalities, determine own tax incomes of higher territorial units, ensure strict, direct, just and efficient tax collection and decrease tax rates, reduce tax evasion, create new system of horizontal financial settlement.

The Slovak Republic, not only thanks to the last tax reform from 2004, introducing single tax rate, has joined the progressive states of the European Union and has significantly strengthened its attractiveness and competitiveness.

From the point of view of levels of managing taxes within the Slovak Republic, the current situation can be defined as official two-level management system; however, by transposing some of the competencies of the Tax Directorate of the Slovak Republic on to the Branch Offices of the Tax Directorate of the Slovak Republic (hereinafter “BO TD”), it actually is a three-level management system, based on the need of efficient management of 102 local tax offices which cannot be assured form one centre. Such organization of the Tax Administration is not optimal from several reasons, which follow:

² <http://www-8.vlada.gov.sk/index.php?ID=918> – Programme Declaration of the Government 2002

- the performance of main business processes is scattered throughout the whole territory, when each local tax office (whether small, middle-sized or large) carries out all processes related to the administration, audit and enforcement of taxes, disabling thus the optimisation of the performance of these processes as well as costs for their performance from the point of view of the tax administration as a whole³,
- the system of the distribution of local tax offices is not flexible enough because it does not enable to adjust the allocation of the main organizational units to the needs of the taxpayers,
- BO TD have become an administrative level of management within the current system of management, and for quite some time the need to concentrate the performance of certain processes (such as book-keeping, salaries) is becoming obvious as these are unnecessarily split between TD SR and BO TD and thus increase the administration and communication intensity (e.g. demand excessive administration and communication),
- in performing the work tasks of the employees of BO TD, some problems occur which are typical for those organizations who apply another levels and types of management apart from the linear management (such as project, technical, methodological etc.).

Based on the above mentioned, the outline of the planned reform takes into regard the principle of justice, neutrality, simplicity and un-ambiguity, efficiency and elimination of double taxation. Analyses of the Institute of Financial Policy from years 2001 – 2004 show the reasons and obvious need for a reform:

- complicated tax legislation – intelligibility,
- too many exceptions, exemptions and allowances leading to social ineffectiveness because the production and consumption is not governed by the demand and offer but by the tax advantages,
- variability of setting tax base enabling optimisation on the side of the taxpayer is increasing administrative costs and decreasing the efficiency of control.

From the point of view of management and organization of the Tax Administration, further reasons can be:

³ RASNER, J., RAJNOHA, R.: *Nástroje riadenia efektívnosti podnikových procesov (Instruments for Managing Effectiveness of Business Processes)*, Zvolen : Technical University in Zvolen, 2007.

- complexity of organizational structure – ambiguity and duplicity of the functions and competences on the central and regional level,
- costly administrative apparatus of the Tax Administration,
- non-transparent project management, decreased possibility of controlling processes,
- unwillingness of taxpayers to pay taxes.

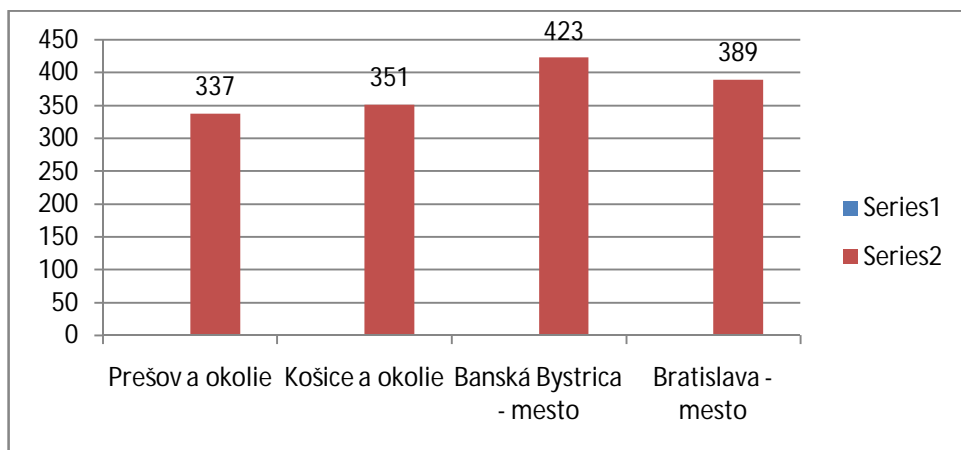
The intention of the Government of the SR declared in the mentioned Programme Declaration of the Government of the SR is to carry out a reform of the Tax Administration in such a way which will make it more effective, with the aim of providing methodological assistance to the compliant taxpayers and detecting those taxpayers who are avoiding taxes. The objective is to create conditions for efficient co-ordination of the public authorities, to guarantee the access of the citizens to the internet and secure the interconnection of information systems of the public authorities. Another priority of the Ministry of Finance of the SR is the reform of the Customs Administration aiming at unification of the processes of collecting taxes, fees, customs and contributions.

The reform should thus proceed in two phases, the first stage shall be the merger of the Tax and the Customs Administrations, the second stage will unify the collection of taxes, fees, customs and insurance contributions.

2. Tax Reform and its Expectations – Selected Results of the Survey

- time schedule of the carried out survey: 25/09/12 – 31/03/13
- geographical structure: Prešov and surroundings, Košice and surroundings, Banská Bystrica – township, Bratislava – township
- age structure of respondents: 18 – 60 years
- employed as: clerks, businessmen, students, some did not disclose their occupation
- representative sample: 1 500
- number of collected and completed questionnaires: 2187

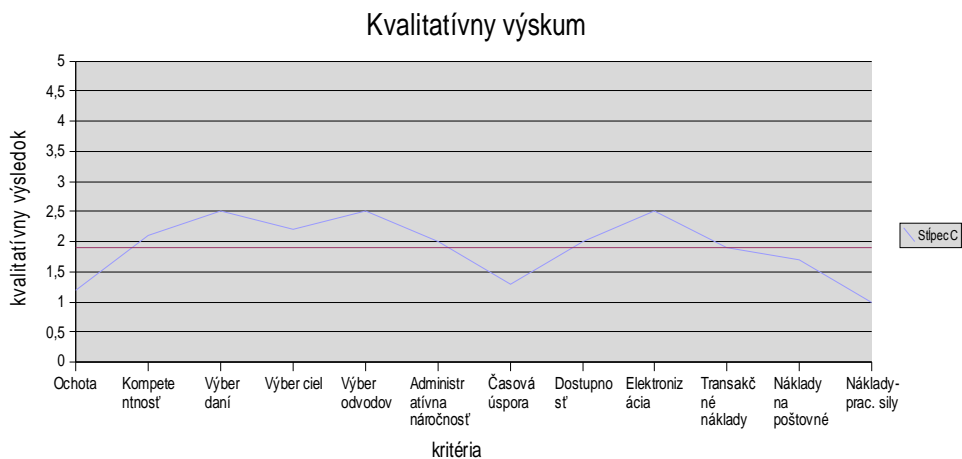
Picture 1: Geographical Structure of the Respondents



(Source: Own research based on the processed questionnaires)

Qualitative Survey

Picture 2: Results of the Survey



(Source: Own research based on the processed questionnaires)

From the total number of submitted completed questionnaires, I have selected 1500 to constitute the representative sample so that the homogeneity remains maintained. The results from Picture 2 show an overall discontent with the tax and customs system in the SR; the most critical being the costs for the workforce dealing with the taxes and customs, as well as time needed to process this agenda.

Taking into account the expected benefits of the tax reform as provided in the document "Outline of the Reform of the Tax and Customs Administrations with the View of Unifying the Collection of Taxes, Fees, Customs and Insurance Contributions", elaborated by the Strategy Section at the Ministry of Finance of the SR, the planned reform should bring about improvement in the perception of all set criteria, and with the highest probability the current discontent will with the gradual introduction (of the reform) change for better.

Conclusion

Slovakia through the above mentioned process of tax reform approaches an effective tax system which will lead to the increase of effectiveness and competitiveness of our state amongst the EU member states. The impacts of the suggested changes can be divided into two main categories. The first category comprises the benefits of the reform of the Tax and Customs Administration in terms of saving the costs and time, growth of value added, efficiency of work etc. The second category is represented by the expenditures used for individual objectives of the reform of the Tax and Customs Administrations. Both of these categories can further be divided into the impact on taxpayer, that is the client / user, and impacts on the public administration. From the financial point of view, the highest importance have the impacts with permanent or repeated effect.

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