

# THE TAX ENTERPRISE MANAGEMENT AND METHODOLOGICAL APPROACHES TO ITS CONSTRUCTION

Lytvynenko Iaroslav  
National Academy of Statistics, Account and Audit  
Ukraine, Kyiv

## Abstract

In condition of market economy an enterprise represents a subject of market relations and independently defines all indicators, including profit. In a general view it is defined as a difference between gross revenues and total expenses and the further development and a direction of activity of the enterprise depends on it. The greatest relative density in the general expenses of the enterprise is occupied with tax payments (in certain cases up to 70 %). Therefore, working out of a tax policy both on prospect, and for the current period is one of the bodies of the further increase in the received profit in the general financial strategy. Thus the leading place belongs to tax management, as main making tax policy of the enterprise and state as a whole. It should consider all factors that have developed in the surrounding economic environment and feature of economic - financial activity. Nowadays conditions tax management becomes the main component of economic strategy of the enterprise on which final indicators of its activity depend. In this connection control of processes of calculation, planning and payment of tax payments is of great importance. Reception of an end result of the enterprise depends on accuracy of its calculation.

The main goal of this article is the definition of essence of components of tax management, methodological approaches at its application in practice of activity of the enterprises.

## Annotation

*The author considers questions of essence, the maintenance and necessity of tax management both at macro-, and at micro-levels and features of each of them. Making elements of tax management are defined and their characteristic is resulted.*

## Keywords.

*Tax management, an information base, an analysis and planning of tax payments, external and internal tax payment, regulation of taxes.*

***JEL Classification: H71, K34***

## Introduction

In questions of tax management the considerable quantity both foreign, and the Ukrainian scientists and experts were engaged in problems of systems of the taxation, questions of their management, definiteness of an essence and methodological approaches. This concern Joseph Pehman, Benjamin Okner, James Miaz, John Rouls, James Mirrliz, John Shtiglits, M.J.Azarov,

V.L.Andrushchenko, A.I.Krisovaty, A.J.Kizim, J.V.Litvinenko, P.M.Melnik, T.M.Reva, O.M.Timchenko, D.G.bilberr, T.F.Utkin and others. Thus it is necessary to notice that separate authors and experts define insufficiently the structure of tax management. Some authors of structure of tax management carry mainly tax forecasting and planning, or only the tax control and the account of tax payments. Within the definition of tax management, its structure is not completely defined. Besides, it is necessary to define that there are no methodological approaches to the characteristic of tax management.

Basic information

As a whole, tax management shows a control of processes of definition, calculation of charge, payment and the control over tax payments, regulation and tax policy optimization as the states, and the enterprises. It covers three levels depending on hierarchy and organizational way of the country. In Ukraine it includes:

1. The state tax management. It covers area of the state tax policy. Its purpose is the organization of such a tax system that would satisfy, on the one hand, everything, or the majority of financial requirements of the state, and on the other hand - it should not be burdensome for tax bearers. Management of this level should be carried out depending on economic and financial strategy of the state and according to the developed tax strategy.

2. Tax management of the enterprise. Its task is working out of a tax policy of the enterprise depending on its economic strategy and activity directions, and also definition of such system of taxes that would give the chance to receive the greatest profits at an optimality of tax payments concerning all levels of a budgetary policy.

3. Tax management of citizens. Area of its application - tax payments of concrete citizens that have private character, and also a choice of such system of payment of taxes which most of all would raise the standard of the well-being of citizens. This sphere also covers directions of activity of citizens when they do not form any enterprise or other organizational structure, and carry out the activity and receive money in return (for example, outwork, cultivation of vegetables on a farmland with their further realization, etc.).

The purpose of the state tax management is a realization and performance of a tax policy of the state, taxation and the control over their reception.

Tax management of this level carries out such tasks:

1. The creation of legislative base, which would meet requirements as a state policy, and aspiration of tax bearers. Its stability should be the main thing thus.

2. Formation, according to legislative base, standard base, which would regulate forms and kinds of tax payments of the enterprises taking into account the development conditions at this moment. First of all it concerns workings out of a design procedure of tax payments, an order of their payment. Thus there should be a relative constancy of this standard base.

3. Formation of system of tax institutes that serve activity of the enterprises and definition of system of requirements, limits of a field of activity and influence on tax bearers.

4. Formation of system of punitive sanctions, on the one hand, concerning those payers who break rules and an order of payment of taxes, and on the other hand - to heads of financial bodies who exceed the powers. The order, a technique of compensation to tax bearers who have been put at acceptance of erroneous decisions by a management of tax departments of those losses should be thus defined.

5. Formation of the effective monitoring system behind tax system at state level.

Tax management should meet special requirements which are obligatory at its organization and carrying out. In practice they have the form of principles on which efficiency of tax management depends also:

1. Unity and interaction with other systems in the general management. Tax management should be integrated into economic and functional system as any decision which concerns payments of taxes, influences the general financial position of the payer, reception of net profit and efficiency of its financial activity. Tax management can define also a choice of kinds of economic activities (especially those having the preferential taxation), possibility of investment development both at the enterprise, and in the state as a whole. Tax management defines also the work stimulation system of workers and their interest in the results of their work, etc. That is tax management should be a part of a uniform control system of the enterprise and to be integrated into this system.

2. Complex character of decision-making concerning the taxation. All administrative decisions should be accepted taking into account action of all control systems by the enterprise and its time. This principle provides orientation of administrative decisions of tax management to an end result and achievement of the purpose of the payer.

3. Dynamism of tax management. The urgency of this principle is defined by different factors. The main thing from them is that in the conditions of market economy and a transition period constantly change both external and internal factors of influence on economy: a rate of inflation, incomes of the population and its well-being, market condition, relations to the country of other states and so forth. Therefore, when accepting administrative decisions concerning a tax policy, it is necessary to consider the conditions under which they were developed. Besides, it is necessary to understand that, even when it is for the better, the decision cannot be taken with the same success once again. It is necessary to modify or accept other decision, at least.

4. Multi-variant approach of approaches at acceptance of administrative decisions. Tax management, as well as any management, provides many variants by working out that there was a possibility of a choice of the most perspective decision, effective and favorable for given conditions. Working out of criteria of an estimation of the decision is for this purpose provided and their parameters are defined. By working out it is necessary to use both the general criteria, and such which are defined directly at the enterprise.

The main goal of tax management of the enterprise is maintenance to it of optimum tax payments taking into account the current legislation. Thus it is necessary to pay attention to the decision of several problems.

Discipline and culture of tax bearers. The majority of heads of the enterprises (as in Ukraine, and abroad) is considered by taxes as losses for the business. But tax collecting, in essence, is a payment for possibility to live and operate in the conditions of a civilized society. Therefore the discipline of payment of taxes defines the degree of civilization of the state, and it influences the definition of an overall objective of a society. In the countries with the developed market economy for the average payer there is no problem of payment of taxes: it is necessary to pay taxes unequivocally. But if there is a possibility, the enterprise develops actions concerning reduction of their size at the expense of privileges which are given by the state.

Combination of the strategic and tactical (current) purpose of tax management. Between these two purposes can exist contradictions. In certain cases reduction of payment of taxes can lead further to increase in their total sum in the end of the strategic period.

Minimization and optimization of payment of taxes. This problem is closely connected to the general policy of the enterprise. Minimization of taxes at the expense of reduction of volumes of activity at preservation or increase in the sizes of the received profit in modern conditions can increase, finally, direct taxes (for example, the profit tax) if the product is realized under the high price with high profitability. It means that in certain cases optimization

of tax payments is more favorable. When deciding upon this problem, we do not consider cases when minimization of taxes occurs at the time decrease, on the basis of taxation or other infringements of the legislation (even if it has no criminal character).

Risk of tax payments for tax bearers. First of all, it is the risk of change the tax laws. Thus it is necessary to mean that they can occur both at level of the higher state legislature (change of laws by the Supreme Rada of Ukraine, standard base at level of the government of Ukraine, the separate ministries and departments), and at local level, and last for the majority of tax bearers is the most risky.

As a whole, working out of tax management consists of different parts.

1. Working out of the general policy of the taxation for the enterprise. The essence of this task consists in that tax management should define all tax system for the concrete enterprise taking into account all factors - first of all the kinds of activity, forms of the organization of the enterprise, subordination, relations with power state structures and so forth. In turn, at the enterprise all taxes, meetings, obligatory payments which the enterprise should pay according to the current legislation are defined.

2. Definition of tax privileges and possibility of their appendix at the enterprise. Each tax, gathering and obligatory payment has the especial privileges which give the chance to reduce tax weight by the enterprise. It means that privileges are a real possibility to reach optimization of tax payments and avoid the infringement in operating the legislation.

3. Calculation of a possible industrial diversification of the enterprise and thus change tax payments. According to the operating tax system to the taxation are subject not only volumes of activity of the enterprise, but also different kinds of its activity. For example, duty rates depend on a kind of a product, a point of production. The rate of the ground tax is also defined depending on that, under what the ground area will be used: under manufacture of separate kinds of production, office accommodations, agricultural grounds, habitation, etc. Therefore before tax management of the enterprise there is a task to develop such industrial strategy of the enterprise which would give the chance to optimize tax payments, to reduce payment of their general size and thus to avoid an adverse tax policy from outside the state (for example to begin release of such production which has no state restrictions of the prices, has tax privileges, etc.).

4. Working out of plans of tax payments as a whole on the enterprise. Performance of this task provides planning of the sizes of taxes, meetings and obligatory payments according to operating specifications, rates and behind the confirmed techniques. Working out of a tax calendar is provided. Performance of this task is of great importance for inoculation to tax bearers of tax culture and an order. On the other hand, it does possible observance of terms of payment of taxes and avoidance of corresponding infringements.

5. Definition and estimation of efficiency of the developed tax policy and system of the taxation of the enterprise. Inherently this task is final and gives the chance to estimate the work spent and utility of tax management as a whole.

Tax management of the enterprise begins with the organization of its information maintenance. Thus it is necessary to define categories of consumers who are divided on external and internal and features of these users. The fullest information is received by internal users who should have accepted the information defined in general and the one that has confidential character. The main requirement at information reception is its optimum character. If the financial expert, who develops tax strategy of the enterprise, receives its insufficient quantity it influences quality of the made corresponding decision. If there's too much information, it complicates the process of its reception, processing, the analysis, the attention of the expert and decision-making process accordingly disperses becomes complicated.

Especial value has efficiency of reception of the information. The tax information base consists of different sources. Laws of Ukraine which the Supreme Rada accepts, decrees of the President of Ukraine, the decision and Cabinet decrees, standard and others subordinate legislation and methodical documents of the ministries and departments, decisions of local authorities and others concern them. For tax management the information which concerns directions of the further strategic development of the state, separate branches and regions has great value in Ukraine.

The analysis of tax payments is one of the major parts of tax management. At the enterprise level, it is divided in a general view on all tax payments, and on individual tax. Its overall objective is not only research of a condition of payment of tax payments, their dynamics, but also definitions of those reserves which were not used in the previous period, findings of those lacks which took place by working out of the plan and their actual payment. At analysis carrying out different methods are applied, but the greatest efficiency is reached, when economic-mathematical methods are applied and modern electronics - the computer techniques are used. Besides, it is necessary to notice that efficiency of carrying out of the analysis in certain degree depends and on qualification and experience of workers which spend him. The analysis is carried out by various methods depending on the tax systems feature that exists in the country.

The central component of tax management is planning of tax payments. At the enterprise level it is divided into the main signs: on carrying out term (future and current); by occupancy (the general and on separate tax payments). In general when planning the tax payments it is necessary to consider the current legislation and, the main thing, those changes which occur in it. Generally instability of operating legal certificates negatively influences accuracy of the spent calculations of tax payments of the enterprise for long time and reduces efficiency of tax strategy as a whole. Therefore on some tax payments and as a whole according to the planning of tax payments it is necessary to consider this factor and to develop their probable forecast for the future. It is reached in cases when forecasting is spent by different methods including economic-mathematical and IT applications. The final goal of process of planning (or forecasting) tax payments is working out of their optimum plan. Its essence consists in minimization of tax payments on a long-term period.

The important component of tax management is the control over accuracy and fidelity of calculation, payment of tax payment, observance of terms of payment and others. Two types of the control are defined for the enterprise:

- External, which is carried out by different state structures and representatives of state structures;
- Internal, that is the control carried out directly at the enterprise by workers who work on it.

The last has special value because it allows preventing possible errors at carrying out of calculations and additional losses for the enterprise. For its carrying out it is necessary to involve enough wide range of experts - economists, financiers, bookkeepers, managers who are engaged in taxes and so forth. The greatest efficiency of this process is reached when following primary working out of calculations of tax payments the double check is carried out by other experts of the enterprise.

The important function of tax management is regulation of tax system. It is carried out on macro- and micro level. An overall objective at macro level (that is the states) is working of such policy that would allow reach completeness and timeliness of payment of tax payments and filling of the state budget. At enterprise level the essence of tax regulation consists in the definition of such actions of the enterprise for payment of tax payments which allow to

optimize payment of their size under conditions of observance of the current legislation, and also decision-making which are connected with reduction of their payment.

Tax regulation has features which distinguish it from economic activities regulation. The main requirement for it is suspension of its carrying out and greater mobility. It is spent on the basis of carrying out of different actions of operative intervention to a course of regulation of tax obligations of subjects of economic activities, and mainly by economic methods. Tax regulation shows the most difficult part of the general system of legal relationship. It has to be correlated to joins the interests tax payers and also of different levels of government (for example, at the final defined rates of the taxation on local tax payments, powers at collecting and their distribution and so forth)

The task, the goal and the maintenance of tax regulation are defined by regulating function of taxes, so this process objectively and necessarily depends on an economic situation. Besides, it gives the chance to reduce the contradiction between regulating the fiscal function of taxes as well. Methods by which tax regulations are carried out depends on different factors: types of tax payment, the subject of the taxation, an economic orientation of actions of the state and so on. All methods of tax regulation are probably to group in two directions: granting of privileges on tax payments and applications of different punitive sanctions.

Necessity of application of these two directions speaks dynamic reconstruction processes. But an economic situation which has developed in the state when the current legislation is very unstable, some tax laws are accepted for short enough time, and changes are constantly made to existing legislative base and additions, demands substantial increase of tax regulation.

#### Conclusions

As a whole, we have to accept that in modern conditions, the tax management has not development enough, especially at the enterprises' level. The paper explains the different reasons, first of all, the theoretical uncertainty of the concept and structure of tax management, then its necessity and character of application.