

Formation of the tax control mechanism under application of transfer pricing conditions in the Republic of Tajikistan

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ABSTRACT-- Under the global conditions of the main streamline towards economical interaction of state is considered to be tax regulation of transfer pricing, it's directly connected with changed budget potential of the country. In conformity with the author's opinions, the mechanism of tax regulation beset with transfer pricing in Tajikistan Republic is mostly manifested towards the development of internationalization of production and in the relevant streamlines there are a large considerable number of factors that should be taken into account in the implementation of tax policy as well.

Tax regulation of transfer pricing is becoming an important area of a state economic interaction in the context of globalization. It is directly related to changes in the country's budget potential. The mechanism of tax regulation of transfer pricing in the Republic of Tajikistan, which has not yet been formed, is largely manifested in the development of internationalization of production and, in this direction, there are a number of factors that should be taken into account in the implementation of tax policy.

From the perspective of the study in this direction the main scientific results were obtained, which include: justification of an adequate mechanism of tax control of transfer pricing in the conditions of the Republic of Tajikistan; development of proposals for the adoption of the regulatory and legal framework of the Republic of Tajikistan in the field of tax regulation of transfer pricing.

Key words-- tax control, transfer pricing, internationalization of production, level of corruption, tax policy.

JEL Classification: H26, H30, H87, H89.

I. INTRODUCTION

Tax control is the most important tool for implementing tax policy in current context, which largely depends on the institutional environment and the empirical features of the organization of the activities of regulatory authorities. Therefore, tax control in a market economy directly affects the implementation of the country's tax policy aimed at controlling the distribution and redistribution of funds in the economy. Within the limits of the present scientific article the necessity of formation of the tax control of transfer pricing in the Republic of Tajikistan is proved.

II. Modern approaches to justify the need for tax regulation of transfer pricing

Some researchers believe that the use of transfer pricing by large corporations is commonplace (Dessatniuk Oksana, Cherevko Olga, 2015). The main reasons for the manipulation of transfer prices are rooted in the problem of balancing the interests of the corporation with those of its individual divisions (Artemenko D.A., Artemenko G.A., 2015). However, within the framework of the Code of Multinational Corporations, this problem can be

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regulated, as the use of transfer pricing leads to the infringement of national interests. Based on this, in the practice of the Republic of Tajikistan, there is also a gradual need for tax regulation of transfer pricing, the mechanism of which is still undeveloped.

Implementing tax regulation of transfer pricing, the object and subject of such regulation should be clearly defined. Within the framework of research by Russian researchers N.G. Ivanova, R.A. Petukhova, this issue is clearly defined. As they note, the object and subject of tax regulation is of a specific nature and it arises in the context of the application of transfer prices by related parties and the implementation of tax control of this process (N.G. Ivanova, R.A. Petukhova, 2015). According to this, when implementing tax regulation of transfer pricing, it is necessary to specify the characteristics of prices that are subject to tax control.

Transfer prices, which arise between related firms in conditions of mutual movement of goods and services, directly affect their profitability (Hrvoje Perčević & Mirjana Hladika, 2017). This is what stimulates the organization of international trade and production relations between related parties, through which they reduce taxable profit. The world practice in the sphere of tax control of transfer pricing shows that this problem is becoming more and more urgent. According to Ukrainian researchers R. Melnychenko, K. Pugachevska and K. Kasyanak, the use of transfer pricing can not only cause damage to a single country in the form of non-payment of taxes to the state budget, but also becomes a threat to the entire global community, as with its use multinational corporations can determine or undermine the international economy through the redistribution of economic resources (Ruslan, Kateryna and Kyrlyo, 2017).

We believe that the analysis and assessment of the effectiveness of tax control in the country should be carried out taking into account the interdependence of subjects of tax control in the implementation of control measures in the context of their close cooperation, as tax control ensures the effectiveness of tax administration. Hence, it follows that the state of tax administration as an element implementing in practice the direction of tax policy, directly depends on tax control.

III. Materials and research methods

During the period of economic reforms, already in the end of the 90s academician R.K. Rakhimov identified the most important problems of the state economic policy and proposed measures to improve it. According to the scientist, the need for state regulation in the conditions of transition economy will have a masked character and the need for it still remains high. (Rakhimov R.K., 2012). Proceeding from these peculiarities of the transition economy, in the beginning of the century there was a question of improving the mechanism of state regulation of the economy, including tax regulation.

In recent years, the issues of the institutional framework of tax control and the behavior of tax authorities in the implementation of this form of public financial control are sharply criticized by Professor Umarov, who assesses the current tax system and the behavior of tax officials as a disincentivizing mechanism that causes deterioration in the stimulation of foreign investment. He emphasizes that the importance of this issue is still not understood by the said authority. Apparently, they do not realize that high level of tax burden, confiscation nature of the tax system, presence of corruption in the actions of some employees of the tax service, assumption of serious shortcomings in the Tax Code serve as instruments for worsening the investment environment. (Umarov Kh.U.,

2014). We agree with H.U. Umarov's opinion that, in reality, there are numerous shortcomings in the activities of tax authorities and the legislative framework of the tax system. But here there is another fact. Tax audits, which Umarov believes to be illegal, were conducted quite legitimately. According to the establishment of the Tax Code of the country, the tax authorities carried out it in accordance with the requirements of tax legislation.

Tax regulation of transfer pricing is accompanied by two interrelated tasks facing the government of any state. If the first direction covers social and economic aspects, the second, as noted by the Russian researcher O.G. Golosnaya, is purely institutional in nature (O.G. Golosnaya, 2017). It follows from this that the tax control of transfer pricing, in addition to protecting the interests of the state in the direction of replenishment of the state budget, also solves problems associated with improving the efficiency of tax administration. However, the issues related to the tax regulation of transfer pricing are not sufficiently addressed in the legislation of the republic.

Some scientists argue that in the process of developing tax legislation, the above practices are not taken into account, and ultimately the institutional framework for taxation lags behind in the implementation of the goals of the tax policy of the country. This is what H.U. Umarov meant by this position. In his opinion, even the new Tax Code is not perfect in terms of investment development (Umarov H.U., 2014). This suggests that the executive authorities pay special attention to this issue, but the developers who took into account the proposal of ten thousand taxpayers in the current Tax Code have not yet reached the essence of this instruction.

In his analytical speech, the First Deputy Chairman of the Tax Committee under the Government of the Republic of Tajikistan A.M. Solekhzoda, analyzing the "BEPS Plan", justifies the need to counter transfer pricing. In his opinion, it will allow to exclude erosion of the national tax base (A.M. Solekhzoda, 2018). However, as it follows from the experience of foreign countries, transfer pricing should not be countered, there is a question of its regulation.

The study of forms and methods of tax control shows that in the practice of tax authorities in the risk management system, different aspects and behavior of taxpayers are assessed. Here we should agree with the opinion of the domestic researcher M.M. Salimova that the behavior of taxpayers depends on the size of the tax burden (Salimova M.M., 2009). Of course, the issue of the tax burden is directly related to the tax control, as in conditions of high tax burden there is a "detour" of tax liabilities by taxpayers. This is especially true in the conditions of tax control of transfer pricing, which is still separated from the practice.

In the international arena, there is a way of assessing tax policy that takes into account the following principles:

1. In calculating the profit and loss tax base is only recognized when it is actually reflected in the report.

Transactions and the taxable base are measured individually.

3. The tax base is calculated in a consistent manner, unless there are exceptional circumstances justifying the changes.

4. The tax base is determined for each financial year (Feranecova, Manova, Mehes, Simonidesova, Staskova and Blasčak, 2017).

However, in the structure of EU tax policy, the tax regulation of transfer pricing has separate directions, which are also carried out in accordance with the principles of the European Commission.

IV. Results and discussions

As noted by the French researcher Michelle Wolfe, in the development of entrepreneurial activity an important role is played by its stimulation. The positive effect of motivation should be achieved through the decentralization of rights in terms of decision-making, i.e. to ensure their greater independence. At the same time, the use of transfer pricing also becomes one of the incentives to activate entrepreneurial activity, as the profit gained through transfer prices ensures the increase of profitability of related persons (Wolff, M., 2007). Similarly, I.E. Umarova argues. Within the limits of the research she marks that through system of transfer pricing transactional expenses are minimised, it also allows to operate the organisation effectively, to distribute resources, to develop strategic decisions (Wolff, M., 2007). This statement is supported by Russian scientists L.A. Tchaikovskaya and O.I. Mamrukova. As they note, transfer pricing as a way to establish prices for transactions between related parties is simultaneously a common tool for conducting economic activities of economic entities, allowing significant changes in costs, increase profitability and competitiveness of individual enterprises of technological chains, functionally designed not only to minimize tax payments, but also to solve other diverse business problems (Tchaikovskaya L.A., Mamrukova O.I., 2012).

The formation of the system of tax control of transfer pricing in the context of globalization of the world economy is also specifically justified in the works of L.P. Grundel. In her opinion, the formation of effective tax administration of transfer pricing in the context of international tax competition will contribute to the harmonization of taxation at the global level and the establishment of global tax competition institutions (Grundel L.P., 2014).

The existing practice of tax control requires improvement of tax legislation, culture and knowledge of tax officials in the direction of tax control of transfer pricing. Here we agree with the Russian scientist's views on improving the mechanism of tax control over transfer pricing. In order to optimize the tax control of transfer pricing, it proposes measures that directly improve the efficiency of tax control in the conditions of supra-nationalization of production. (Grundel L.P., 2015).

Although there are assumptions that tax evasion is lawful, it is also true that it is a list of illegal acts in the area of conduct of related persons in order to avoid paying taxes (Beebeejaun A, 2018). The transfer pricing mechanism does not have a fundamental difference between the countries of the world. In the conditions of a single country, its mechanism has its own specifics, which should be taken into account in the process of tax control. Therefore, in the Republic of Tajikistan, the mechanism of tax control over transfer pricing should be formed as follows (see Figure 1).

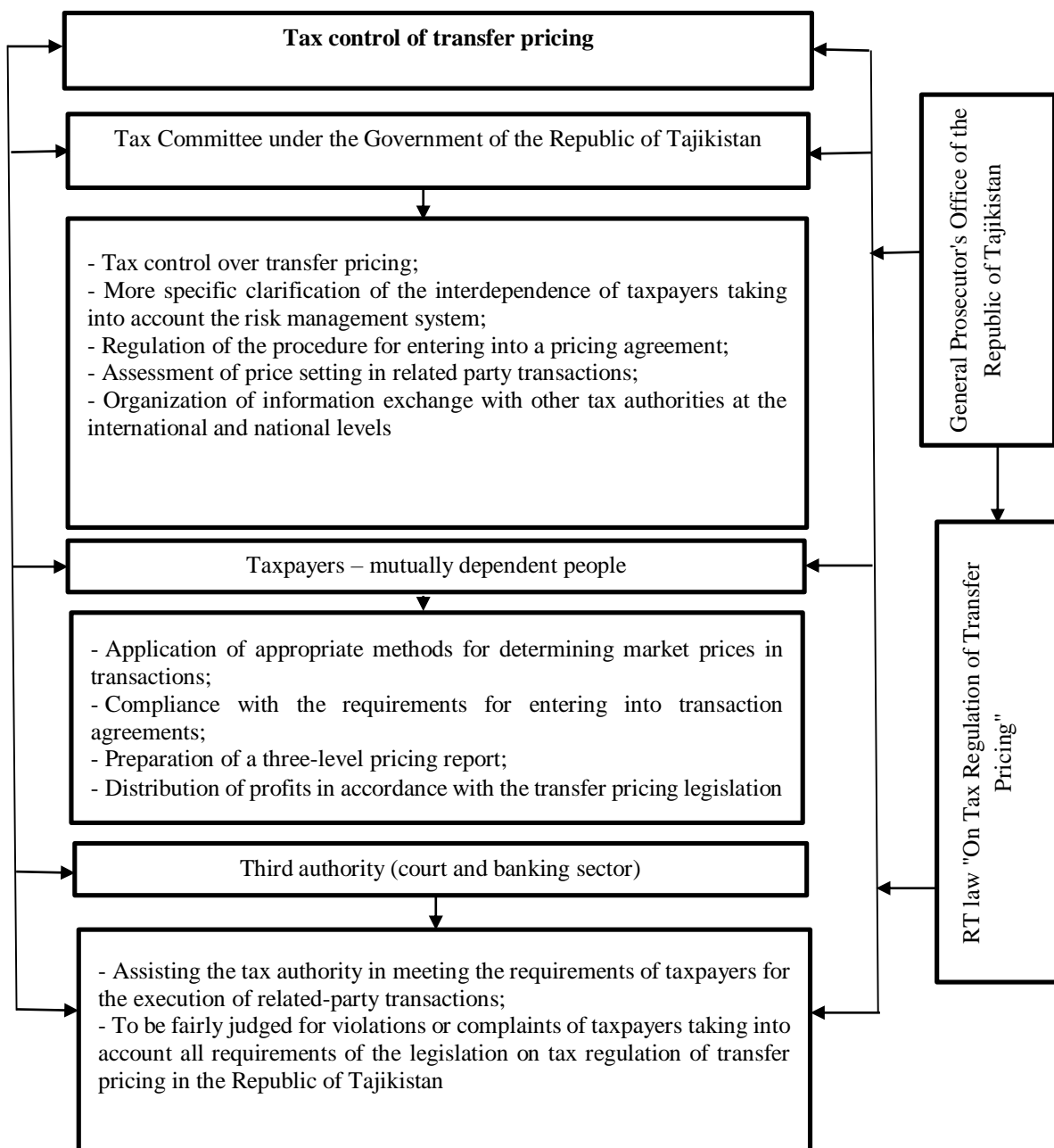


Figure 1: Proposed tax control mechanism for transfer pricing in the Republic of Tajikistan

As there will be a corresponding law in the direction of tax control of transfer pricing, it is assumed that the General Prosecutor's Office of the Republic of Tajikistan will be indirectly involved in this process. The Prosecutor General's Office, by requiring the subjects of tax control over the execution of the law, contributes to the reduction of corruption in this direction. Of course, it is impossible to completely prevent corruption, but the invisible level of corruption in the conditions of compliance with the requirements of this law will leave the arena of interaction of tax regulation subjects.

Conclusion

Implementation of tax regulation in the Republic of Tajikistan should be accompanied by the development and implementation of a specific target program. In this regard, there is a need to develop the State Program "On the implementation of tax regulation of transfer pricing in the Republic of Tajikistan in 2020-2030". In our opinion,

the development and implementation of this program together with the authorized bodies should involve highly qualified specialists and foreign experts in the implementation of the tax policy of the state. It is important that this program takes into account such areas of tax policy as:

- Transformation of tax regulation in the context of higher internationalization of production in the Republic of Tajikistan;
- Principles and main directions of restrictions for foreign companies and other interrelated persons in the country;
- Peculiarities of phased implementation of tax regulation in the Republic of Tajikistan and functions of authorized bodies in this process;
- Clear separation of functions and forms of interaction of tax regulation subjects in the process of implementation of tax regulation of transfer pricing;
- Study of the experience of advanced countries in the direction of tax regulation of transfer pricing and introduction of their positive experience in the implementation of tax regulation of transfer pricing in the Republic of Tajikistan;
- Clear definition of the forms of transfer pricing appearance and definition of the instruments of its regulation on the legislative basis.

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