

Ways to Improve Efficiency of Customs Payments Administration

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Abstract—In conditions of geopolitical tension and instability of the world economy, the objective of national governments is implementing policies aimed for maintaining and increasing budget revenues. The purpose of this study is detecting possibilities to increase the Public Budget revenues by means of improving the efficiency of customs payments administration. On the basis of usage of the systemic-structural, comparative-analytical, formal-logical and hypothetical-deductive methods of scientific knowledge, the place and role of customs payments in the structure of the Public Budget revenues are determined, the main risks of deficiency of the Federal budget revenues administered by the Federal customs service of Russia are revealed, factors contributing to growth or minimising these risks are revealed in the article. On the basis of the analysis of different points of view of Russian and foreign scientists, the necessity of interagency cooperation between customs and tax authorities is proved, in result of which, in a long-term perspective, a multiplier effect, expressed in growth of budget revenues, strengthening the position of bona fide participants of export-import activities, growth in GDP and improvement of international trade conditions, will arise. The necessity of forming a supranational system of interagency electronic interaction for counteracting customs payments evasion is determined.

Keywords—public budget, public budget revenues, customs administration, customs payments, interagency interaction

I. INTRODUCTION

The main objective assigned to the government is to guarantee a decent life of citizens residing on the territory of the country. The solution for this objective is ensured by the availability of stable and permanent sources of financial

resources which allow covering all the expenditure liabilities of the government directed to satisfaction of public needs. The formation of such resources occurs in course of implementation of the budget policy of the government, which represents elaboration and implementation of approaches to determine the main priorities in financing public expenditures and regulating the budget deficit, and reveals itself mainly in the process of mobilization funds to budgets and their use in a budget process.

In conditions of geopolitical tension and instability of the world economy, caused, among other reasons, by the crisis in economies of leading countries in connection with pandemic novel coronavirus infection, the most important objective for governments of countries is to implement policies targeted towards saving and, if possible, to increasing of budget revenues, to revealing and using of additional financial resources.

One of the main components of public budget revenues is customs payments. They account for a significant part of the Federal budget revenues of the Russian Federation. The experience of countries with a developed budget mechanism shows that for improving efficiency of customs payments administration, an effective system of interagency interaction between customs and tax bodies of the country is necessary to cope with evasion of customs payments.

II. METHODS

The basis of the research conducted is a system-structural method allowing:

- to represent the revenue part of the budget as a system unity of its components;
- to consider customs payments as one of the structural components of the budget revenue;
- to determine the place of customs payments in the formation of budget revenues of the Russian Federation

Also, the methodological base of the research conducted can be by a systematic unity of both general scientific dialectical methods of cognition of socio-economic effects, and special scientific methods of studying processes occurring in the budget sphere and in the sphere of customs administration. Using the comparative analysis method allows comparing customs payments with other sources of budget revenues. Consideration of the economic nature of customs revenues goes back to the formal-logical method. Development of recommendations for enhancement of the system of interaction between customs and tax authorities intends applying a hypothetical-deductive method of scientific knowledge.

III. RESULTS

Federal budget revenues administered directly by the Federal customs service of Russia include revenues from the collection of export and import duties, value added tax, excise taxes in case of transferring excisable goods across the customs border of the country, customs fees, and also taxes paid by individuals.

Customs payments occupy a key place in generating Federal budget revenues. This is clearly seen in the table. 1. Directly influencing a number of key economic indicators (demand, supply, level and dynamics of prices), customs payments stimulate development of domestic production, determine its efficiency, as well as the volume of exports and imports of goods.

TABLE I. DEPENDENS OF THE FEDERAL BUDGET ON REVENUES ADMINISTERED BY THE FEDERAL CUSTOMS SERVICE OF RUSSIA

Year	Federal budget revenues, billion rubles.	revenues administered by the Federal customs service (FCS) of Russia, billion rubles	share of customs payments in the revenue part of the Federal budget, in %
2017	15088.9	4575.7	30.3
2018	19454.4	6063.2	31.2
2019	20187.8	5729.1	28.4

^a. compiled by the authors

Functions of the FCS in generating budget revenues include:

- organization, control, and coordination of the execution of the basic powers of the Federal budget revenue administrator by the Federal customs service bodies;
- ensuring, within its competence, receiving funds from customs duties, taxes, special, countervailing and anti-dumping duties, various fees and charges levied by the FCS of Russia;

- organization of work of customs bodies in the field of optimization of payment mechanisms for customs fees and duties made by participants of foreign trade;
- control of the flow of funds and of their timely transfer to the Federal budget revenue by the FCS bodies;
- organization of activities for coordination and record keeping of payments, control over formation of summary reports on primary documents and customs payments.

The dynamics of revenue amounts administered by the Federal customs service of Russia is in table 2.

TABLE II. TRANSFERS OF CUSTOMS PAYMENTS TO THE FEDERAL BUDGET REVENUE FOR 2018-2019

Revenue administered by the customs bodies of the Russian Federation	2018, billion rubles	2019, billion rubles	Change, %
VAT	2613.4	2255.5	-13.69%
Import customs duties	618.2	548.6	-11.25
Export customs duties	2291.3	3025.7	+32.05
Excise taxes on import of goods	88.8	95.2	+7.2
Customs duties and taxes paid by individuals	25.0	16.3	-34.8
Customs fees	20.0	20.3	+1.5
Other payments	72.4	71.6	-1.1

^b. compiled by the authors

As it can be seen from the table, the biggest share in the total volume of customs payments is held by export customs duties and VAT. The revenues from export customs duties increased by the end of the period, but the amount of VAT received by the Federal budget in 2019 decreased by 13.69%.

The task for forming Federal budget revenues in 2019 was completed by 101.59%. The dynamics of this indicator is in Fig. 1.

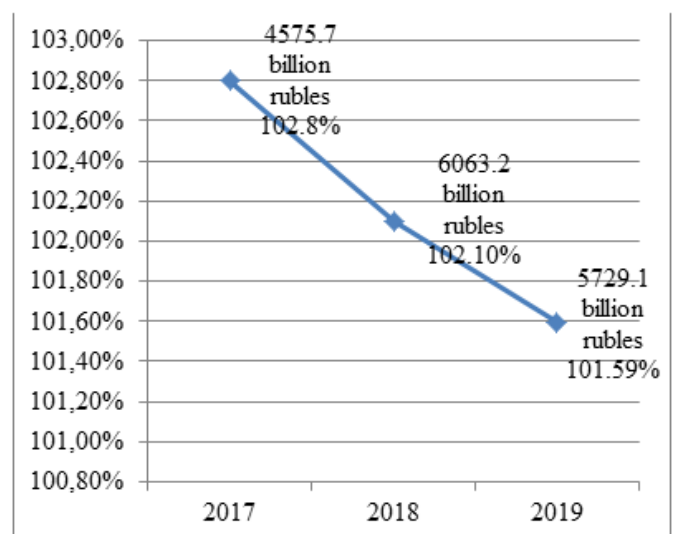


Fig. 1. Level of completing the task on administered revenues in the 2017-2019 [1]

Many factors influence amounts of Federal budget revenues administered by the FCS of Russia.

The main risks of deficiency of Federal budget revenues administered by the Federal customs service of Russia at the present stage of development may include:

- the decline in oil prices. A special feature of Russia's GDP formation is its high dependence on world energy prices. According to the scientists' estimates," the deviation of oil prices of \$1/bbl changes the amount of income by 0.04 percentage points of GDP [2]. In 2019, the amount of oil and gas revenues amounted to 2276.0 billion rubles. Compared to 2018, oil and gas revenues decreased by 24.3%.
- dollar rate. Changes in the exchange rate of the national currency against the dollar also have a significant influence on the budget system's revenues. For Russia, a multiyear dependence of the exchange rate on the dynamics of world oil prices is peculiar, which is determined, at present time, not only by economic but also by political factors.
- the slowdown in economic growth which is not caused by oil prices dropping. The slowdown in growth reduces the main tax bases – in particular, profits, wages fund, value added, and imports.
- risks and threats associated with the use of information technologies
- corruption. In addition to the abovementioned reasons influencing activities of customs bodies, a high enough level of corruption and an improper use of budget funds intended for the development of customs infrastructure also have a big impact.
- customs payments evasion.

Customs payments evasion directly influences the amount of budget revenues of the country. It is worth noting that the procedure for paying customs duties differs from that one of internal taxes, as it is directly connected with the transfer of goods across the customs border. The mechanisms of unlawful conduct in this area may differ significantly from each other.

Customs payments evasion includes:

- partial and incomplete reflection of the components to be included in the transaction prices;
- deliberate increase of expenses, which leads to misrepresentation in a transaction price when determining customs value of the goods;
- representing untrue information about contract discounts which were not actually provided;
- untrue declaring of information about the code of goods when they are imported in disassembled form for purposes of reducing the amount of customs payments; declaring untrue information about the country of origin of the goods, declaring untrue information about the manufacturers of exported goods for purposes of VAT refund, etc.

The factor that contributes to improving the efficiency of customs payments administration and complicates the possibility of customs payments evasion for abusive participants of international trade is the well-established system of information exchange and joint verification activities between tax and customs bodies.

World practice shows that enhancement of the mechanism of interaction between customs and tax bodies leads to a steady growth in the efficiency of fiscal functions. Foreign experience demonstrates the effectiveness of interagency interaction between customs and tax bodies, which is expressed in increasing the revenue part of the public budget due to reduction of the economic crimes quantity, including the fiscal ones. At the same time, such cooperation stimulates the bona fide foreign trade participants and generally leads to an improvement in both the macroeconomic indicators of the national economy and the conditions of international trade between countries.

Tax bodies use the information of customs bodies on trade transactions, checking the compliance of tax returns of a foreign trade participant for whether export and import operations are reflected. In turn, in the practice of detecting smuggling by customs authorities, current information on purchases and sales of specific participants in foreign economic activity for a certain time period, obtained from tax services, is widely used.

At the same time, such cooperation can contribute to expanding the country's foreign trade relations and improve the terms of trade due to encouraging bona fide foreign trade participants by simplifying export-import operations for them, which, in turn, can also be considered as a source of budget revenue growth. In this connection, a differentiated approach based on the categorization of foreign trade participants by the degree of risk of their foreign trade operations based on the data banks of customs and tax services (high risk, medium risk, low risk) is rightful. This will make it possible to shift the focus of strictness of control measures towards abusive foreign trade participants, thereby freeing the bona fide ones from the burden of additional inspections, which will significantly simplify their implementation of foreign trade operations and increase the effectiveness of foreign trade transactions.

The customs and tax authorities of the Russian Federation already apply risk management when assessing the reasonability of verification measures in relation to foreign trade entities and taxpayers. In perspective, an integrated resource of tax and customs information about foreign trade participants, including assessment of their due diligence in terms of tax and customs risks will be created.

Interaction between customs and tax authorities can also include a wide range of measures for preventing fiscal crimes, including those related to laundering of illegally obtained income: customs payments evasion, illegal transfer of cash currency assets, non-declaring or untrue declaring of goods and/or vehicles

The information possessed by customs and tax bodies is complementary. The customs bodies accumulate information

on foreign trade operations, and the information on purchase and sale of goods on the domestic market, as well as on transfer of funds on the accounts of enterprises and organizations is under the jurisdiction of the tax service. Therefore, the exchange, comparison and analysis of data from both structures will minimize the losses of the public budget connected with the underdeclaration of customs value.

This leads to the need to create a unified information system that combines the information resources of tax and customs services within the framework of interagency electronic interaction. At the national level, it involves information interaction between the authorities of one country.

At present time, the Expert Commission has been formed to create a unified mechanism for customs and tax administration [3].

High efficiency of customs administration can be achieved only if a global information cloud which unites information resources of partner countries, i.e. a system of interdepartmental electronic interaction at the supranational level, is formed. For Russia, this should be a system of interdepartmental interaction within the framework of the EAEU.

The formation of a united digital space began in the EAEU (Euro-Asian Economic Union) in 2010, and certain results have already been achieved in this direction, in particular, the process of forming a "one-stop window" mechanism on the territory of the EAEU is ongoing. The Strategy for the development of the customs service of the Russian Federation until 2030 provides the creation of the EAEU SMEV (i.e. SIED) (the System of Interagency Electronic Interaction). Herewith, the basic factor influencing the process of creating such a system is the level of development of national SMEV, which differs significantly in the EAEU-participant countries.

IV. DISCUSSION

The effectiveness of such interaction was confirmed by studies of models of interagency cooperation for purposes of countering financial-economic fraud, conducted in 2017 on the basis of the Organization for economic cooperation and development (OECD) in 47 participant countries. OECD experts noted a significantly lower level of such wrongdoings and a higher degree of their detection in countries with a well-established mechanism of cooperation between customs and tax bodies compared to countries where the mechanism of such interaction was absent or insufficiently developed. The world customs organization (WCO) also underlines the need for such interagency cooperation in the context of ensuring "fair and effective collection of public revenue (RevenuePackage). Thus, in the 2018 WCO annual report "Illegal financial flows and non-declaration", the interaction of customs and tax authorities was considered as one of the priority tools for countering these crimes.

Theoretical aspects of interagency interaction between customs and tax bodies are quite seriously developed, at present time, in both Russian and foreign scientific literature. Thus, according to N. Lipatova and E. Yufereva [4], world

practice shows that such cooperation is the most effective in controlling the declaring customs value in export-import operations within TNCs. A. Kozhankov and Y. Olshanskaya [5] underline the need for information exchange between these agencies for purposes of ensuring compliance with customs regulations and improving the terms of trade. N. Boyko, A. Gabidullina and L. Utyaganova, who studied the experience of EU countries, give grounds for the necessity of well-coordinated interaction between these services based on the positive experience of increasing budget revenues in European countries [6].

In foreign sources, the issues of interaction between customs and tax bodies, despite their effectiveness proven by practice, continue to be the subject of scientific discussion today. Among the proponents of independence of these bodies from each other, in particular, can be mentioned such authors as A. Mann [7], C. Kahn, E. Silva, J. Zilyak [8] and others, who believe that different historical traditions and specific algorithms of these bodies' work contribute to their independence from each other, however these authors admit certain efficiency of these bodies' information interaction.

Another group of researchers grounds the need for interagency interaction between customs and tax authorities by various factors. Thus, M. Meintzer considers it necessary to compare the data of customs and tax statistics to for countering "shadow" schemes and smuggling. [9] The same opinion is held by F. Kalitsinye, who emphasizes the need for cooperation of these bodies for purposes of counteracting the implementation of "shadow" schemes of transferring money abroad for the purpose of laundering through customs offenses related to violation of the procedure of declaring goods and calculating the customs value. [10]. K. Morini and P. Costacurta based on summarising the experience of 40 countries came to the conclusion that this interagency interaction simultaneously contributes to the growth of budget revenues and improving the terms of trade for bona fide foreign trade participants [11]. According to Y. Okazaki, cooperation between these agencies will be the most effective if information interaction between them is carried out on the basis of blockchain technologies [12].

Creating effective mechanisms for interagency interaction between customs and tax bodies will require budget expenditures. However, it should be suggested that in accordance with the models of the endogenous growth theory of R. Barro, [13] according to which these expenditures can be attributed to unproductive (ensuring national security, legal order, public administration, etc.), in future they can be compensated by the effect of these measures. And although a number of researchers, in particular, A. Afonso, T. Jalles [14], S. Acosta-Ormaechea, and A. Morozumi [15] consider that the growth of public expenditures can negatively affect economic growth, in accordance with modern theories of cointegration dependence of GDP on budget expenditures, presented, in particular, by the works of such authors as M. Bayrak, Ö. Esen [16], S. Lamartina, A. Zaghin [17] and their practical testing in the EU and OECD countries, in the long-term perspective, the result of these measures will be sustainable GDP growth. According to M. Martini, an additional positive effect for economic growth will be given by the small and medium-sized

business sector, where reducing the pressure of customs and tax verifications will lead to growth in economic activity [18].

V. CONCLUSION

Thus, an analysis of the experience of interaction between customs and tax bodies in the sphere of preventing economic crimes, as well as assessment of international standards and other regulations developed for today regarding interagency cooperation in this area, allows coming to the following conclusions:

1. For the Russian Federation, formation of cooperative mechanisms between the specified agencies can be considered as a priority for either enhancement of customs administration or ensuring growth of budget revenues, which is confirmed by the official statistics of FCS and the FTS(Federal Tax Service) of Russia on additionally accrued and collected the public budget revenues as a result of joint and coordinated verifying activities.

2. In conditions of modern information society and common usage of Internet technologies for ensuring effective interaction between tax and customs bodies, the following tools tested by world practice can be recommended:

- blockchain technologies according to the WCO method;
- standardization of transmitted data according to the OECD model. Implementation of the WCO Data Model [19] approaches to electronic exchange of information of tax, customs and other supervisory bodies;
- using automatic exchange of tax information as a model for building a similar system for data on international trade transactions for customs purposes;
- applying the latest organizational approaches, including formation of financial investigation centers, and usage of seconded employees; work of task forces of customs and tax bodies; joint training programs.

The above-mentioned tools seem promising enough in the conditions of the economy digitalization, which is steadily leading to the transformation of the customs administration paradigm in the conditions of common e-commerce, e-banking and other information and communication technologies.

The current Agreement [20] "complies with WCO and OECD standards in part of the basic types of interaction, including automatic and on-demand exchange of information, joint verification activities, and joint financial investigation groups" [21].

Enhancement of the mechanism of interaction between tax and customs bodies will speed up interagency integration, increase budget indicators and the effectiveness of international exchange for all its participants.

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