Digitalization of Tax and Customs Control of Foreign Trade Operations

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Abstract. In the context of digitalization of the world and Russian economy, the digitalization of tax and customs control processes for export and import operations becomes an urgent issue. The article analyzes modern approaches to FTS (Federal Tax Service) and FCS (Federal Customs Service) to electronic products and services using that allow companies involved in foreign trade transactions, to implement electronic document management with regulatory authorities. Digitalization of tax and customs control processes allows the state to increase the transparency of customs operations, track and identify goods in real time, increase the collection of customs payments, and simplify the collection of statistical data. For Russian organizations, this is a way to minimize the time and material costs of abandoning paper document management in favor of electronic, as well as increasing confidence in employees of regulatory authorities by automating processes, reducing technical errors in documentation and calculations.

Keywords: Customs payments · Digitalization · Electronic tax services · Excise taxes · Procedures for customs declaration of goods · VAT

1 Introduction

According to the national program “Digital economy of the Russian Federation” implementation plans, the directions for the development of digital technologies and the formation of information security of society are particularly relevant [8]. The introduction of elements of services provision automation and the use of modern digital technologies in the work is becoming an object of attention in the modern business community, in particular in the field of taxation.

The main purpose of the tax control of the Russian Federation on foreign economic operations is to prevent illegal budget losses from reimbursing domestic indirect taxes to exporters and to timely and fully ensure receipt of taxes and customs payments when moving goods across the customs border of the Russian Federation, as well as when receiving income of foreign organizations and non-resident individuals from sources in the Russian Federation. Another purpose of customs control in import operations is to protect the interests of domestic producers, create conditions for fair competition in the domestic market, for such purposes, non-tariff regulation measures are introduced. Such measures include quotas, licensing, technical quality control of products, and the introduction of additional antidumping, special and protective duties.

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The desire to automate taxation processes has become particularly important in recent months due to the current situation in Russia and around the world related to the spread of coronavirus infection. Considering this circumstance, as well as the current level of economic globalization that has developed in recent years, the process of constant systematization of the national tax systems interests of various countries, the complexity and financial cost of tax control, further development of Russia’s foreign economic activity requires the development of a set of effective control measures and improvement of digital mechanisms for interaction between the state and business in tax and customs administration.

In 2018 and 2019, the Federal Customs Service has developed, implemented and optimized a number of technologies, including the APS “Personal account of a foreign trade participant”, designed for personalized information interaction of foreign trade participants with customs authorities [13]. The website of the Federal Tax Service also provides electronic services for foreign trade participants, such as “Checking the presence of the application for the import of goods and payment of indirect taxes (EAEU)”, “Checking the traceability of goods” [14].

2 Methodology

Different methods were used in the research process. These methods include: diagnostic (diagnostic analysis of the state and causes); theoretical (rational knowledge, dialectical logic, etc.); empirical (measurement and generalization of research results, facts description). The need for active implementation of new digital technologies in the control of foreign trade operations is due to the improvement of the accessible process of transferring information from organizations to controlling bodies, which primarily include the Federal Customs Service and the Federal Tax Service. Customs payments: import and export customs duties, customs fees, VAP and excise taxes are not only an actively used tool of state regulation of Russian enterprises’ foreign trade, but also a donor to the federal budget of Russia. It is considered a labour-intensive process to collect a set of documents for export operations when exporting goods abroad confirmation. For export operations, Russian companies are exempt from excise taxes and apply the 0% VAT rate provided that the export transaction is documented within 180 days. Automation of declaring goods at customs, introduction of additional federal tax services for indirect taxation makes it much easier for businesses to collect correctly executed documents, which reduces the tax burden on Russian organizations and encourages them to carry out activities at the international level. For the period from January 2020 to April 2020, the largest share in the structure of Russian goods export in monetary terms is crude oil ($30 US billions), 84 million tons of this crude oil was exported. According to the volume of exported products for this period, vodka with an alcohol concentration of 45.5% is on the first position. 517 million tons of this product was exported to the amount of 35.6 million US dollars. These types of products belong to the excisable products, so the suppliers of these goods in case of failure to confirm the export operation would pay VAT for implementation of these goods in terms of 20% rate and excise duties, the rates of which are determined based on the
The website of the Federal Tax Service provides an electronic service for exporters participating in foreign trade, in particular, “Verification of receipt of information from the Federal Customs Service of Russia on documents required to confirm the 0% VAT rate (excise tax exemption)”. This service allows you to quickly use remote access to find out the latest information from the Federal Customs Service of Russia about the receipt of documents confirming the 0% VAT rate and (or) excise tax exemption.

An important condition for confirming zero VAT is the presence of customs authority notes on the customs declaration. Tax legislation provides for two types of notes: “Release allowed” — on placing goods under the customs procedure of export; “Goods exported” — on the export of goods from the territory of the Russian Federation. In a letter dated 31.07.2018 no. SD-4-3/14795@ FTS explains that if a company submits a customs declaration in electronic form, it is sufficient to provide the “Release allowed” note in the form of information on the goods release [5]. This note will appear in the document automatically when the customs authority finishes checking the declaration and sends the corresponding message to the service for customs declaring procedure. Further, you do not need to put the original stamp “Release allowed” on printed copies of customs declarations.

The note “Goods exported” must be obtained in the form of an original stamp only if the exporting company will submit documents confirming zero VAT to the tax service on paper. The stamp is placed on the customs declaration and on the transport document by the customs authority at the border crossing point. At the same time, the inspector shares information on the goods export into the database of the Federal Customs Service of the Russian Federation and then this information is transmitted to the Federal Tax Service for control (item 17 of the article 165 of the Tax Code of the Russian Federation) [12].

For indirect taxes on import operations, a separate tax declaration is submitted for the member countries of the Eurasian Economic Union. Indirect taxes paid during the import of goods include VAT and excise taxes. Value added tax is paid by all suppliers whose goods are subject to taxation at the rates of 10% and 20%; excise taxes are paid at customs from excisable goods at the rates specified in 193 article of the Tax Code of the Russian Federation. Organizations under special tax regimes generally pay VAT on import operations, since the tax exemption applies only in the implementation of goods on the domestic market of Russia. At the same time, such organizations cannot accept VAT paid at customs as a deduction, but when choosing the Simplified Tax System “income reduced by the amount of expenses”, they can take into account the VAT paid in expenses for tax purposes.

For import operations, the website of the Federal Tax Service also provides electronic services for foreign trade participants: checking the presence of an application for the import of goods and payment of indirect taxes [12], (EAEU); verification of applications lists for the import of goods and payment of indirect taxes from the EAEU countries. These services allow their users to quickly get information in electronic format, which greatly simplifies the procedures for interaction between representatives of state structures and payers of duties and taxes. Government agencies are actively developing and improving virtual communications in order to develop the national
program “Digital economy of the Russian Federation” and within the framework of the requirements for foreign economic activity of the OECD for the centralization of digital technologies according to the “Going Digital” project [6].

3 Results

High efficiency of implementation and application of digital technologies is proved by statistics of the electronic products in foreign economic activity use. In particular, in 2018 and 2019, the Federal Customs Service implemented measures aimed at optimizing and expanding the use of new technologies for customs payments.

Remote payment of customs payments by the entities that carry out the declaration of goods in electronic form has become a popular technology. The main point of the technology is to provide an opportunity to make customs payments using an electronic terminal from your workplace, with the ability to create a document confirming the completion of the customs payment operation.

The share of customs and other payments paid by legal entities using remote payment technology based on the technical means of the customs payment operator in 2019 amounted to 93% or 1,226.16 billion rubles of the payments amount that are paid through the payment system operated by the customs payment operator [13].

In addition, the technology of centralized accounting of customs and other payments using unified personal accounts of customs duty and tax payers opened at the level of the Federal Customs Service of Russia has been optimized. As of December 31, 2019, 164,587 unified personal accounts of Russian legal entities were opened in the ELS resource. The share of funds paid for customs and other payments by legal entities using the ELS resource in 2019 is 100% of the total amount of funds paid by legal entities [13].

The implementation of the ELS technology allowed optimization of most operations with cash:

- time for crediting funds to the payer’s personal account reduced. It is also currently possible to automatically transfer funds to the payer’s personal account even if there are errors in the payment documents in terms of specifying the code of the customs authority,
- the number of requirements for correcting the declaration of goods during the declaration process and refusals to consider applications for refund due to incorrect indication of payment document details reduced. When using ELS payments are made based on the total free balance of funds according to the budget classification code without detailing the payment documents,
- terms for refunds and the number of documents submitted for this purpose reduced. The refund of excessively paid or excessively collected amounts of customs payments, as well as monetary deposit, is carried out in the form of offset against advance payments without the relevant applications and documents from the payer, subject to the submission of an adjustment of the accrual document,
- interaction with the payer on various aspects of controlling the movement of funds on his personal account is concentrated in one customs authority.
To reduce the time and cost of implementing procedures for foreign trade participants, the automated information system “Central register of foreign trade entities” (hereinafter - AIS “CRSVED”) has developed and implemented a mechanism for receiving and processing applications for the provision of state services for maintaining the register of customs representatives, in electronic form on the basis of the federal state information system “Unified portal of state and municipal services (functions)”. Information on this service, as well as the necessary guidelines, is available on the website of the Federal Customs Service of Russia [13].

As of December 31, 2019, 529 organizations were included in the register of customs representatives, which is 5% more than the number of customs representatives included in the specified register as of December 31, 2018. The share of applications for the state service of maintaining the register of customs representatives sent using the Unified Portal for State Services has increased from 5% to 50% of the total number of applications in three years. In 2019, 281 applications for the provision of the state service for maintaining the register of customs representatives were received and processed electronically through the Unified Portal for State Services, which is 59.4% more than in 2018.

Systematic work is underway to optimize the APS “Personal account of a foreign trade participant”. This mechanism was created and operates for the purpose of personalized information interaction of foreign trade participants with customs authorities. Nowadays, it contains 28 services, including the “Personal account” service, which was sent to check the status of the personal account by a foreign trade participant.

In 2019, the APS “Personal account” was improved in terms of the information service “Customs representative»:

- at the beginning of 2019, the service posted a new report form on the activities of the customs representative, approved by the order of the Federal Customs Service of Russia dated December 13, 2018 No. 2036, which changed the composition of information, some sections of information are excluded (fines, specialists and invoices),
- the main page displays a reminder of the reporting periods on the activities of the customs representative,
- since April 2019, notifications, letters and other messages of the Federal Customs Service of Russia have been sent to customs representatives in scanned form, which has accelerated the receipt by the customs representative of information on the results of providing the state service of maintaining the register of customs representatives and other important information,
- you can view the status of processing and directly go to applications sent via the Unified Portal for State Services [7].

Currently, step-by-step work is being carried out to expand the capabilities of the “Personal account of the customs representative” in terms of sending applications for public services, information letters and requests in electronic form by legal entities.

Currently, the Federal Tax Service of Russia, in accordance with the main directions of the digital agenda implementation of the EEU until 2025, plans to introduce a system of digital traceability of imported goods. This system will help control the legality of the turnover of imported products in the unified customs territory of the EEU [1, 14]. Automation of the process will reduce the complexity of the goods registration
procedure and will not increase the burden on market participants. The system will not provide for physical marking of goods; it will be based solely on the documentary principle, when business entities will include the details of traceable goods in the documentation. A result of this development, consumers will be given the opportunity to get all the information on the purchased products, which will allow businesses to reduce their operating costs, and the EEU member states will be able to reduce the level of fraud on the market and control the payment of taxes.

From July 1 to December 31, 2019 The Federal Tax Service of Russia conducted an experiment on the traceability of goods, which was later extended to 30.06.2020 [10]. The experiment involves 10 product groups: refrigeration equipment, industrial vehicles, washing machines, monitors, strollers and safety seats, etc. Taxpayers who make transactions with such goods can participate in the experiment on a voluntary basis. The product traceability system developed by the Federal Tax Service of Russia will allow you to trace the history of the product from the importer to the final consumer.

4 Discussion

The problem of digitalization of taxation in the world is a hotly debated issue among scientists, economists and practitioners. A special role here is played by the Organization for Economic Cooperation (OECD) project “Going Digital”, aimed at digital transformation of the economy and taxation, in particular, at improving the quality of its processes [6]. Turina analyzes the key problems of transition to the digital platform of international taxation, its prospects and difficulties associated with the implementation and integration of processes [15]. Yapar, Bayrakdar, and Yapar in their article analyze the problems of e-commerce and the specifics of their taxation [17]. Many foreign trade operations that are subject to taxes, duties and fees when imported into Russia are purchased by Russian consumers through Internet resources, where questions may arise about declaring goods, paying customs duties, and even double taxation, which makes this article useful for studying in the framework of our research. Gnangnon’s work explores the relationship of digitalization of society, promotion of online trade of services and goods via the Internet with tax reform in developing countries, which has had a positive impact on the development of international trade [3].

Digitization of the declaring goods procedure for the purpose of identifying imported goods and taxing them with customs payments has been analyzed in many articles [4, 9, 16]. Yang is researching blockchain technology (BT), which allows sea transportation to optimize paper document flow in electronic format, which significantly saves time and costs, and also allows you to track goods online [16]. In their research, Henningsson and Henriksen analyze the example of european e-customs and its development prospects [4]. Raus, Flügge, and Boutellier analyze the digitization of the customs as an important element of e-government formation in the EU, highlighting the study of the barriers affecting the slowing of a project of customs implementation procedures, they include: slow adjustment, due to the lack of procedural templates, increased complexity in the process of operations standardization and electronization [9]. Bullock, Haddow, and Coppola have analyzed the importance of customs
territories security, protection of national interests, and management of the moving goods process across customs borders [2].

Shirsavar and Shirinpour discuss the impact of electronic products used in customs administration on the efficiency of export companies on the example of Iranian organizations, in particular, the digitalization of customs procedures allows exporters to increase their competitiveness in international markets by reducing transaction costs [11].

5 Conclusion

Digitalization of economic processes is a modern stage of the evolutionary development of economic entities and their controlling structures. Automation of taxation processes for participants in foreign economic activity allows businesses to reduce the cost of providing document flow for foreign trade transactions, make the process remote and, as a result, more accessible. From the point of view of regulatory authorities, automation of taxation, customs declaration and tracking of goods reduces tax risks and the use of schemes for payment of taxes, duties and fees. Electronic document management and the introduction of additional services increases transparency not only in tax accounting, but also in communication between government agencies and business representatives, which allows us to effectively implement the rights and obligations of all participants in foreign economic activity. An important condition in following modern trends for employees of organizations and officials of the Federal Customs Service and the Federal Tax Service of Russia is the formation of additional competencies related to digital technologies. The main skills of the professionals in this context include: the ability to work with databases on datalogic level of skills accumulation, analysis, processing and presentation (datalogy or data science), the ability to create an information base; ability to formulate and present a coherent chain of blocks (linked list) that contains information (block chain), possession of electronic document management on tax and accounting standards in different platforms, knowledge of the electronic services of FTS and FCS, conducting electronic negotiations. The introduction of digital elements of data analysis in tax and customs administration will help to reduce the time of service delivery, which will have a positive impact on the loyalty of Russian and foreign suppliers to the regulatory authorities and will help to reduce mistakes made due to carelessness.

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