

THE IMPORTANCE OF FEEDBACK IN TAXATION LIABILITY RELATIONSHIPS

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Abstract: the pertinence of the theme is due to the disputable nature of taxation liability problems in legal science. Despite more than fifty years of research, there is still no common opinion as to its definition, functions, principles, classification criteria and relationship with related legal categories. The lack of legal research of the feedback of the violating entity to the authorised body is worth noting as well. Solving these problems would reveal the nature of tax liability to finally improve performance of this public obligation, law and order. The article explores direct and backward communications in taxation. The key approach or method used here is to reveal the impact of both – the tax liability itself and the institute of liability – on business entities' and private individuals' economic activity. The article claims, that bringing to account and entering into a relationship where the violator has to explain and substantiate his actions provides a feedback for the public entity. The purpose of tax liability

is defined as that of an instrument of bringing the legal relationship back to the regulated state. The article is of practical use for legislators, judicial and administrative bodies, as well as in scientific research of legal responsibility problems in all branches of law. Conclusions and suggestions of the article amend and develop the provisions of responsibility legislation being of methodic importance for further research in this area both theoretically and practically.

Keywords: tax liability, public finance, governmental finance, feedback, backward link, regulatory relationship, protective relationship.

1. Introduction

The development of the tax system and changing attitude of the state to taxation and the relevant taxpayer's public liability have changed social relation to a new proportion of economy, government, law and the public authority

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to people (within the social pact, as well).

Taxation relations develop in different ways and social ties become more complex within the state which affects the development of the tax and financial law. The government involves population into policy to include its financial and economic aspects. Taxation may serve an indicator of people's attitude to this public obligation.

A strong and independent state is respected. Taxpayers find it necessary to comply with their tax obligations. Moreover, where the principle of "everyone's obligation to pay legal taxes and duties" is brought to bear, it ensures the social contract performed in the system of direct and backward links in all spheres of social life.

The public administration system is changing fundamentally as well as the legal mechanism of administration of income of all budgets financed mostly by taxes and duties.

Public finance permeate all the administration and social life, whilst the closest touch between taxes and finance makes tax management one of the most important issues. Taxation influences

economic activity of the population and business as well as distribution of the national income, financial policy of the state and finding the best proportion of centralisation and decentralisation in the government, development of managed systems of all levels and functions etc. Taxation decision-making and tax accounting without feedback from the regulated environment cannot provide for an effective tax administration.

Through the financial system, taxation and tax liability monitoring is carried out defining qualitative parameters of all the taxation and financial system. Bringing to account and entering into relations where the violator explains and substantiates his behaviour, provides a feedback to the public authority. [5, c. 7]

In the course of its development, the state and other public entities began to count their income and costs, importantly, not only actual but probable ones. Taxation shall be regarded in its financial, economic and social aspects as a self-regulating system. The flow of information and methods of its registration were becoming more and more complicated.

O.N. Gorbunova sees one of the aspects of a self-regulating system as follows. As a result, it [the mankind] have experientially devised an instrument of self-regulation as a financial plan, a kind of which the budget obviously is however adopted: as a state financial plan, a budget system law, an institution of two laws (whatever its name be), or an appropriation or financing (taxation) act of the Anglo-Saxon common law. [15, c. 14]

Tax liability relations develop within taxation system spreading out to all the adjacent branches of law to include financial, administrative, criminal and civil ones.

The structure and nature of interaction of the actors of the tax liability relationships is defined by the nature of this legal relation itself as well as by its place in the financial law system.

Given, that, as a rule of thumb, managing with money is most effective and nothing better has been invented so far, it becomes clear why the in-depth studying of legal norms regulating this sphere of social life is one of the most pertinent lines of the public-law and special legal research. [15, c. 15]

Taxation norms establish mutual rights and obligations binding the taxpayers with the state into a legal communication community determining their behaviour aimed to withdraw a part of a taxpayer's property as a tax to finance operation of the state.

It is assumed, that by entering a taxation relationship, the taxpayers finance the state in its management of their common affairs and the state receives means required for that. The parties in these relations behave themselves coherently and with the said purpose. [11, c. 83]. M. Weber emphasised in particular, that a social relationship does not imply being understood in the same way by all parties to it, who must not understand each other's motives as well. [12, c. 60]

The state performs its functions making taxation more convenient by influence on the economy, law and other taxation's participants, whilst the taxpayers pay taxes enjoying their rights.

2. Materials and Methods

2.1. Nature and Structure of Communication in Taxation

The state acts in respect of the tax liability to protect and restore

regulatory relations so that a violator could account for his unlawful behaviour and correct it. Liability is a feedback or backward link by its very nature.

A legal relationship taken as a system is a complex phenomenal structure consisting of different components and links. [18, c. 200-201] In modern educational literature, the concepts of “legal relationship composition” and “legal relationship structure” are often identified. V.N. Protassov, for example, is of a different opinion [23, c. 43] in which a legal relationship is composed by its subjects or persons being themselves the elements of this relationship. In this event, the rights and liabilities of the participants are not separate elements of the relationship but rather the legal properties of the elements (subjects) conferred on them by legal norms. These properties determine the legal relationship’s structure understood as the legal links between the subject. [22, c. 759] The public obligation to pay taxes and duties is reserved exclusively for the public authority (the state, a constituent of the Federation, a municipality etc.). Nobody may interfere with this and it may not be put to a referendum. The

public authority acts as a tax creditor through its bodies including the Ministry of Finance, Treasury and Federal Tax Service, whilst the obligation to pay taxes is born by private entities as taxpayers.

Many scientists note, that taxation regulation cannot be analysed without cybernetic methods to include, of course, the works of the founding father of that science, Norbert Wiener, as well as those of the researchers in its various branches such as V.A. Bokarev, M.A. Vassilik, R.L. Krichevsky, A.V. Morozov, A.I. Omarov, A.P. Panfilova, T.N. Persikova, L.A. Petrushenko, M.I. Piskotin, T. Russel, Yu.A. Tikhomirov, G.A. Tumanov and others. The special importance of the feedback link in finance is stressed by O.N. Gorbunova.

Taxpayers meet their liability transferring their funds to treasury while the public authority acts as a tax creditor. All parties to these relations are subordinate to one another their actions being regulated by law. Tax revenues are administrated by the Federal Tax Service of Russia. In this “horizontal” or functional relationship, the tax authority facilitates taxpayers’ liability giving advice, supplying payment details etc.

Along with these “horizontal” relationships, there is the “vertical” tax control where the taxpayer is subordinated to the tax authority acting as a public authority in respect of not only the taxpayers but the municipalities and the treasury.

2.2. Reception of Branch Methods

Relationships in respect of the due discharge of tax liability by a taxpayer may not be regarded as purely vertical or administrative ones (save for the mere obligation to pay a tax). In such relationships, the administrative element is changed being conditioned upon economic factors and taxation law principles. Both the participants are subject to the law without any relations of power between them.

In a tax liability study, the general management methodology is acceptable, i.e. the liability may be researched within the system of direct and backward links of the society as the basis of self-regulation and self-tuning of the state and the society (to include taxpayers) in taxation relationships. [9, c. 146]

The direct and backward links may be classified by their objects as those of a taxpayer:

- with public authority in discharge of the tax liability;

- with FTS of Russia in the system of regulatory and protective relationships;

- in the system of private law, taxation and financial relationships;

- as a responsible subject in the system of prospective responsibility;

- discharging his tax liability as a reaction to a legal arrangement or rule established by the public authority;

- discharging his tax liability in the system of tax control and supporting measures.

To show the importance and role of tax liability in public finance, one has first to determine the significance and role of the system, self-regulation and feedback in regulatory and protective relationships in taxation.

The systemic nature of elements is determined for every social structure dividable into sub-systems with special functions of their own. [3, c. 83] Studying taxation relationships and tax liabilities, one has to keep in mind, that the system tends to self-tuning and self-regulation by its nature. Self-regulation of the tax system proceeds from the principle of the maximum convenience of discharge of the tax liability for the

taxpayer, as well as from the independence of discharge of this liability, economy on tax management and the principle of active repentance.

Tax liability is a part of the whole tax and financial system bound as a whole with a system of ties where roundabout links play an important role. [14, c. 41] The links exchange information, which not management can do without.

Feedback is one of the main principles of any management requiring communication between the controlling body and controlled entity. Therefore, management by feedback is always an information system capable of receiving, storing, using and transmitting information. “Feedback is the internal basis and indispensable condition of development of cybernetic systems. It helps stabilise the “substantial changes” of a system enabling it to retain or even increase its level of organisation.” [21, c. 143-144]

The communication theory describes feedback as reaction of a receiver to the source’s message. In the feedback, communication becomes a bilateral process enabling both parties to correct their goals and behaviour in

respect of each other. In taxation liability relationships, information goes from the violator to the authorised body and backwards, thus, connecting the system’s output and input informing the latter of the result achieved at the output and the need to rebuild the system when it is not.” [15, c. 85]

The public authority or its body receive communication that the legal relation returns from the protective to the regulatory state and about the taxpayer’s attitude to the need to behave properly and that no repressive or protective measures should be applied, that the established rule is effective or expedient etc. The taxpayer receives information on the state of his liability and reaction of the government to the changes in his behaviour, the results of measures applied etc.

The study revealed, that if the taxpayers do not trust the taxation authority in respect of tax collection and distribution, the number of violators increase. [8, c. 199] If you regard taxpayers as reliable persons and treat them accordingly, they will tend to justify your confidence complying with the tax law. The more respect the tax authority shows towards taxpayers, the

rarer are their attempts to evade. Such attitude would encourage them to play fair and pay taxes. Tax authorities all over the world try to “individualise” their services and facilitate them where possible. The Taxpayers’ Charter defines the ways in which tax authorities should treat them. Also, it describes the advantages of cooperation between taxpayers and tax authorities.

Feedback in taxation is a controlling reaction triggered by information – an action aiming to finally improve the level of organisation and performance of the system.

In these relations, feedback is different from the processes in automated systems, since the participants’ feedbacks cannot be predicted absolutely accurately here. An unpredictable reaction may be caused by individual circumstances, performance, accidents etc.

To influence the behaviour of a taxpayer and other liable persons effectively, one has to have good effectors that have to be properly controlled by the whole taxation system, i.e. public authorities, whose communications should be duly combined with information from other

sources to make a consistent output to the effectors. [14, c. 125]

Controlling actions of the state and tax authorities in respect of a taxpayer may be “hard” only when the public liability is being set and management decisions are being taken without account of the actual state of the controlled object and its environment. [15, c. 18]. As soon as the tax responsibility is established, the taxpayer has the widest discretion in respect of the ways to meet his tax obligations, of which he has to inform the FTS. The same principle is used with the tax liability: the tax authority is not watching over the taxpayer to catch him out but rather exchanges information with him enabling him to stop violating the rule and return to the regulated relationship.

Thanks to a relatively adjusted controlling system and a broad range of methods, the relevant bodies are well aware of the actual state of the controlled objects. However, the legal conditions of control do not allow to supervise the objects permanently since the number, frequency, subjects etc. of inspections are defined explicitly. This approach is reasonable. To pay taxes, one has to create added value and earn profit. A

taxpayer is, first of all, an entrepreneur, owner and investor. It is impossible to read and adjust all external and internal conditions of a system.

O.N. Gorbunova reasonably notes, that management decisions are taken when all their consequences are considered to be known beforehand. [16, c. 19] Setting taxation rules, the state presumes tax liabilities to be duly met by taxpayers while the actual conditions may not comply with the preset model. Deviations from the behavioural norm must be adjustable by public bodies as well as by self-regulation.

The main dimension of the modern macro control is spreading of the rational instrumental models over the world: i.e. general social models prevail in similar local conditions. [6, c. 248] Therefore, tax reforms are more heavily influenced by the world community integrated by international institutions substantially limiting the fiscal sovereignty of states. Contemporary authors also note the persistent trend towards restriction of sovereignty by the states themselves [10, c. 7], which is due to the stronger inter-state integration, where some fiscal powers are handed

over to supra-national structures. [4, c. 98]

The very environment and innate laws of the market and competitive economy imply self-regulation of manageable systems capable of self-culturing and adaptation to the changing environment. [20, c. 89]

2.3. Conditions of Communication in Taxation Liability Relationships

These days, tax legislation is developing self-regulation institutions to include the independent choice of partners to define tax consequences of a transaction by the taxpayer, control over “invoicing” of individuals for property taxes by the FTS, definition of transaction prices for taxation purposes, control over tax burden etc.

The main purpose of communication in taxation is to make the taxpayer understand the need to perform his public obligation to transfer a part of his property to the public authority as a tax, as well as to make the state understand the taxpayer behaving within the allowed framework. Informational exchange does not guarantee the efficiency of communication between its counterparties. To achieve this, a

number of conditions shall be met. Under these conditions, the following four basic elements may be singled out:

1. Sender generating ideas or collecting and transmitting information.
2. Message, i.e. information coded with symbols.
3. Channel, i.e. means of transmission.
4. Recipient for whom the information is intended and who interprets it.

Exchanging the information the sender and the recipient pass several inter-related phases. Their goal is to make a message and transmit it through the channel so that both could understand and share the initial idea. It is difficult to achieve since the meaning may be distorted or completely lost at any of the phases, which are as follows:

In the course of feedback, one has to first determine the significant tax liability idea or message to exchange. As mentioned hereinabove, the subject of the feedback is the attitude of the state and the taxpayer himself to his tax liability and where it complies to the governmental rules. The subject of the liability shall be determined as well as

the relevance and pertinence of assessment of the taxpayer's behaviour by himself and the FTS of Russia in view of the situation and taxation purpose.

Awareness of oneself as a part of the society involves understanding of moral rights and obligations. The main point of the ethics is always how to live in respect of others. How to consider other members of the society taking account of their interests? Proper behaviour in respect of the society including that in the matters of taxation and the burden of financing the common costs creates an aspect of feedbacks concerning not only the state but other members of the society. The moral view of life does not require people to behave altruistically but rather to relate their interests and ideals to those of the other people in the society. [2, c. 80]

Conditions and ways of tax liability feedback are defined by tax legislation. The legislator defines the feedback channel and ways of transmission. The channel shall be compatible with those ways. Most often, controlling relationships are used. If the channel is not compatible with the nature of information, the exchange will be less effective and the means of

communication should be reduced to a single channel.

Feedback communication should be considered effective if the taxpayer and tax authority understand the information identically, which is why the information exchange must be bidirectional to ensure that the concept of proper and actual behaviour have been understood.

According to The Telegraph, Her Majesty's Revenue and Customs (UK) prepared a secondary school programme aimed to promote citizenship since 11 years of age by games, videos and quizzes. Revenue officers say, that "it helps to develop financial competences and raises civil responsibility issues making studying more interesting". The module "Good Citizen's Tax Responsibility" suggests to tell the teachers about "the cases of tax non-payments around us" to include tax underpayment by neighbours or relatives. The members of Civitas Foundation for Civil Society compared this initiative to the situation in George Orwell's 1984. "It is reminiscent of the Big Brother since the term "around us" refers most probably to parents and close

relatives. It is not at all British to use children as informers". [13, c. 93]

Note, that feedback may oppose to what the system (public authority or taxpayer) does, thus, being a negative one, or be helpful to the system, thus, being a positive one. Negative feedback is also possible to stabilise the situation which is also true of the feedback at arbitrary actions of the taxpayer. [14, c. 123]

Information returning to the controlling centre (public or tax authority) resists deviation of the controlled variable from the controlling one being, however, dependent on this deviation in a wide variety of ways.

A positive assessment of a taxpayer's actions by FTS or the taxpayer himself would be an example of the positive feedback. When a feedback is possible and stable, it would be useful by making the system's behaviour less dependent on load.

Feedback as a reaction of the recipient to a message of the source implies certain action on the part of the controlling entity that are different bodies and the taxpayer himself. The source may consider this feedback should the messages change afterwards.

Describing feedback in the system of private, tax and financial law we should not in particular the differences between judgemental and non judgemental feedback.

The structure of this relationship may be considered through the example of payment and repayment of the land tax which is local, i.e. payable to local authorities.

Since the state registration of rights (proprietary rights) for a land plot, a taxpayer is liable to the land tax. Rosreestr (Russian Registration Service) communicates the registration to tax authorities. FTS of Russia notifies the taxpayer of the need to pay the tax and the taxpayer pays it to the local budget while the local authority (municipality) counts this amount as potential tax income for the relevant land plot.

If the taxpayer finds that he has overpaid the tax, he turns to the tax authority to return amounts excessively paid. If the application is granted by FTS, the latter writes the required amount off the municipal accounts with the treasury without consent of the tax creditor.

Moreover, a violation of the tax rules by the taxpayer or FTS may be revealed.

Tax policy is a part of the budget and financial policy. Budget laws including the law on the Federal Budget contain provisions related to the tax sphere and changing tax obligations, setting new tax rates, relieving entities from tax payments etc. The Judge of the Constitutional Court of RF, T.G. Morshakova, writes in her Special Opinion to the Judgement of the Constitutional Court No. 3-P(II) of 18 February 1997 that in certain instances separate provisions are included in budget laws to change them.

Another situation may be considered with tax restructuring. Judgement is a legal act regulating budget legal relations (Budget Code of RF p. 2, Art. 3). In a tax liability relationship, the taxpayer may acknowledge violation, correct the declaration and apply to the budget authority for alteration of the tax payment term.

When a decision to restructure a taxpayer's liability is taken, taxation relationship is replaced with budget ones as tax arrears give way to a budget credit.

After that, the tax authority has no legal grounds to set off excessively paid taxes against the budget credit extended to the taxpayer, because the two relations are developing in the two different fields of law.

In tax relations, the creditor may not agree or disagree to a tax repayment and a municipal budget “cannot even assume” such a cost as late as two years after the tax is paid. Financial relations would develop here with a view to the tax ones.

Note, that in the system of the taxpayer and public authority, the treasury and other bodies of the FTS of Russia act as links in the direct and backward information or feedback chain.

In the given example of development of tax relations, all participants of the feedback evaluate information they receive and decide accordingly. A judgemental feedback may provide positive and negative estimates approving the subject or bringing it to account. The positive judgemental feedback may be important to support the parties to the relations, while the negative one performs a corrective function aimed to assess the taxpayer’s behaviour as undesirable and

return him to a controllable condition within the model designed by the state.

2.4. Feedback Effectiveness in Taxation Liability Relationships

Feedback in taxation and taxation liability relationships in particular is a process by which a tax authority transmits its estimates of a taxpayer’s behaviour. Here, not only the information received by the taxpayer about results of his activity matters, but also the exchange of opinions and observations of their legal status, attribution of actions and transactions etc. in the course of discharge of the tax liability.

Effective feedback helps to optimise several aspects of the taxpayer’s activities enabling him to correct his behaviour and determine it for the future.

Positive effects of feedback in taxation are obvious. Firstly, it promotes cooperation with tax authorities. Thanks to a permanent feedback, any contact with the tax-collecting body is perceived by a taxpayer as a prompt to a fruitful dialog rather than a conflict.

Secondly, the need for feedback urges the FTS’s methodologic effort,

preventive measures and invention of new forms of taxpayer monitoring and information.

Thirdly, urgent feedback helps to correct the taxpayer's activities and support his desired line of behaviour avoiding his wrong understanding of the rule.

Information exchange shall be frequent and monitored inherently with every communication determining and legalising the mandatory nature of the previous one. In other words, if a taxpayer submits his accounting and tax policy to the tax authority in a timely manner and the authority does not timely object on it, such policy shall be deemed obligatory for the both parties. If the choice of a partner in the course of VAT refunding has passed a tax audit (usually, in office), this partner should not be regarded as a weak link if a taxpayer's tax relief is refused.

A direct link appears between taxpayers and state authorities when the taxpayers apply to the FTS for information, protection of their rights or a tax-payment order. However, the lack of established feedback would not allow the taxpayers to evaluate and adjust their behaviour.

Feedback shall be as multi-channelled as the direct link relationships are to include, firstly, the feedback channel from public authorities to taxpayers through which taxpayers are informed of results of their applications and, secondly, the feedback channel from taxpayers to the state.

The transparency of procedures initiated by public authorities seems to be the main barrier to violations of the prescribed model of behaviour. [25, c. 25]

As an example, the Decree of the President of RF No. 297 of 13 March 2012 on the National Plan to Fight Corruption for 2012-2013 and Changes to Particular Acts of the President of the Russian Federation on Fighting Corruption authorised the Government to create the effective feedback enabling the state to adjust anti-corruption policies basing upon information on its efficiency received from the people and civil society institutions.

Also, the Government is obliged to implement the unified portal of the RF budget to create additional mechanisms of civil oversight over state and municipal bodies, make their operation and decisions more efficient

and establish in 2012 governmental grants to support civil associations and mass media to create active intolerance for corruption in the society.

Another reason is the growing involvement of non-state actors in legal communication decentralising and deformalising law-making. Non-public groups acting at the domestic and international level are more often to play the key role in the international legalisation development to include the soft law. [1, c. 23]

The legal discourse even has the term “destatisation” of law. The traditional sources of the international law – contract and custom – are not exhausted as regulatory mechanisms. It is more correct to say that they are no longer able to regulate all the variety of relationships begging for regulation. The search for an effective alternative brings about the “soft law” without complicated adoption, ratification, prolongation, modification etc. Moreover, soft law instruments are easier to adapt to the high speed and complexity of the cross-border interactions between public and private entities. “The unique flexibility of the soft law,” – Timothy Meyer writes, –

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“facilitates the development of legal norms in response to politic realities and changing circumstances”. [6, c. 231]

Presently, there is yet another feedback channel of settlement procedures in tax disputes usually related to tax liability. Until 2002, court practice had not implied reconciliation in cases arising out of administrative relationships.

In the absence of legal prohibition for extra-judicial settlement of administrative disputes in the Arbitration Procedure Code adopted in 1995, p. 12 of the Resolution of the Plenary Meeting of the Supreme Arbitration Court No. 13 of 31 October 1996 on Application of the Arbitration Procedure Code of the Russian Federation in Consideration of Cases at First Instance Courts clarified, that settlement of claims arising from administrative relationships (to include tax disputes) was not allowed. Article 190 of the modern Code provides for settlement of public disputes by various procedures *and their results* (B.S.P.) including amicable agreements, where the federal law does not provide otherwise. Settlement of public claims – not only administrative but even criminal

ones – is known to many jurisdictions not being strange to the Russian law as well. In the course of settlement, the parties open all possible feedback channels, reconcile their positions and begin to “hear” each other. The legislator does not provide the exhaustive list of settlement procedures to include mediation, explanation of the right to settle, explanation of ways to fulfil the right for settlement, negotiation, mini-processes and mandatory pre-judicial settlement of claim. Amicable agreement shall not be attributed to the settlement procedure but rather to its result. The title of the section between para 7 and 8 of the Resolution of the Plenary Meeting of the Supreme Arbitration Court of RF of 18 July 2014 No. 50 on Reconciliation of Parties in the Arbitration Process (accessed via Garant on 23 April 2016) points to the same. Proceeding from the APC of RF, save for the amicable agreement, other independent results of a reconciliation may be: the full or partial abandonment of claim (part 2, Art. 49 of the APC), full or partial acceptance of claim (part 3, Art. 49 of the APC), acknowledgement of the circumstances on which the other side bases their requests or arguments, as

well as the agreement on merits of the case (Art. 70 of the APC).

2.5. Tax Liability Controlling Mechanisms in Feedback Relations

In the feedback system, tax liability controlling mechanisms having shown their efficiency may be singled out. Information about bringing to account may be used to qualify a repeated offence. FTS of Russia monitors compliance with the tax liability, fines and other consequences of this liability. Funds received by the budget (to include fines) are registered at personal accounts.

Formally, tax monitoring is provided by the Tax Code of RF since 2015. According to p. 2, Art. 105.29 of this Code, if the monitoring reveals a contradiction between submitted documents (information) and the documents available to the tax authority, the latter reverts to the organisation with the request to explain or correct within 10 days.

The parties having exchanged their opinions may proceed to settlement procedures. According to p. 3, Art. 105.31 of the Tax Code, the federal executive body authorised to control and

supervise in taxation shall relate any change in the motivated opinion or the absence of the same to the organisation in question.

Feedback to tax authorities is more efficient through internet portals. It may be built by means of “online receptions”, trust lines, sociologic studies and focus-groups (types of businesses, social strata etc.), social councils participated by existing social associations, The Civic Chamber and similar institutions of the constituents of the Russian Federation. It seems expedient to use scientific institutions as well to include the Institute of Sociology of RAS. [17, c. 42]

To consider and assess people’s applications as provided by law, relevant administrative rules have to be developed. It is crucially important for these procedures not to be formal but to demonstrate the state’s effort to oppose corruption and cooperate with the people and business community. [17, c. 34]

Analysing the feedback, some criteria of its functioning in respect of the tax liability may be determined.

1. Purposefulness of the feedback which has to be balanced and combine positive and negative moments

representing values of the protective relation to restore the disrupted regulatory one.

2. The feedback and information exchange shall engender cooperation between the taxpayer and tax authority promoting participation of the private in financing of public affairs.

3. Tax liability is always individual despite its general principles and the common tax legislation. Therefore, the feedback must be specific.

4. It must have specific goals.

5. It must be determined and correspond to the circumstances of a particular legal relation.

6. It must be objective and real.

7. The parties to a tax liability relationship must be active participants of the legal relation and the relevant obligation. The violator and the obliged person must be involved in adjustment of their behaviour to reach specified purposes.

8. The feedback must be efficient and comparable to enable the violator compare the results of his behaviour with the preset model.

9. It must be sufficient.

10. It must be functional and effective.

All the aforesaid allows to determine some feedback principles in tax liability relationships:

- Reliability implying the absence of information distortions during transmission.

- Descriptive nature of transmission without evaluation.

Information has to be assessed by the tax authority or another recipient upon receipt for expedience, economic efficiency and legality. Respondents often describe the reaction of a taxpayer to established rules, while tax authorities may use information as required by situation and law.

- Aims to improve behaviour of obliged persons and not to suppress them.

- Readiness to receive information.

- Information is specific, no generalisations. It has to describe a particular situation.

- Constructiveness, usefulness, operability: what is wrong and what can be done.

- Aims to behaviour that can be changed.

- Timeliness and immediacy.

- Checkability.

- Programmability based on determination of a dew and possible way rather than on evaluation of what is already done.

Thus, regulating financial relations with legal norms the state ensures the following tasks done.

Tax liability allows to ensure the system of efficient direct and backward links in the state. The better its principles are regulated by law, the more efficient is the system.

Each area and line of work of the state must give expected results.

It is worth stressing, that system links and dependencies of financial activity of the state reflecting processes taking place in the society and the state have to be fixed with general and unified norms of financial law and the common principles of that activity shall be established. This will guarantee both: centralised management of economic, social and political processes by financial planning and management through the market mechanism. [16, c. 24]

Thus, feedback decreases the dependence of the tax system on

taxpayers' properties and peculiarities of their activities.

The backward informing link and examples of feedback in taxation provided above represent only some particular applications of a rather complicated theory which has not been developed well enough. All this branch of science is developing very fast and is worth paying much more attention to it. "The father of cybernetics" spoke about that about a century ago and his words remain topical nowadays. [14, c. 142]

The study of feedback in taxation allows to make a number of conclusions.

Bringing to account and entering into relationships where the violator explains and substantiates his behaviour provides a feedback to the public entity and determines qualitative indicators of the whole taxation and financial system's performance pretty accurately.

Controlling actions of the state and tax authorities in respect of a taxpayer may be "hard" only when the public liability is being set.

When there is a feedback, communication is bilateral enabling both parties to adjust their goals and

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behaviour in respect of one another. In other words, in taxation liability relationships, information goes from the violator to the authorised body and backwards, thus, connecting the system's output and input informing the latter of the result achieved at the output and the need to rebuild the system when it is not."

Feedback in taxation and taxation liability relationships in particular is a process by which a tax authority transmits its estimates of a taxpayer's behaviour. Here, not only the information received by the taxpayer about results of his activity matters, but also the exchange of opinions and observations of the course of discharge of the tax liability, their legal status, attribution of actions and transactions etc.

The public authority or its body receives information about return of the legal relationship from the protective to regulated state, about the taxpayer's attitude to the necessity to behave properly and the absence of the need for a suppressive or protective measure, effectiveness of the established rule etc. The taxpayer, in turn, is inform about the state of his obligation, reaction of the

state to changes in his behaviour, results of controlling measures etc.

3. Findings

Thus, in the course of analysis, some functional criteria and principles of feedback in tax liability relationships were revealed.

In taxation, the state acts to protect and restore regulatory relationships so that the violator would give account for his unlawful behaviour and act to behave properly. Liability relationships in management have the nature of a backward link. Self-regulation of the tax system proceeds from the principle of the maximum convenience of discharge of the tax liability for the taxpayer, as well as from the independence of discharge of this liability, economy on tax management and the principle of active repentance. The main purpose of communication in taxation is to make the taxpayer understand the need to perform his public obligation to transfer a part of his property to the public authority as a tax, as well as to make the state understand the taxpayer behaving within the allowed framework. Feedback communication should be considered effective if the

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taxpayer and tax authority understand the information identically. Positive effects of feedback in taxation are obvious. Firstly, it promotes cooperation with tax authorities. Thanks to a permanent feedback, any contact with the tax-collecting body is perceived by a taxpayer as a prompt to a fruitful dialog rather than a conflict. Secondly, the need for feedback urges the FTS's methodologic effort, preventive measures and invention of new forms of taxpayer monitoring and information.

4. Discussion

The feedback in tax liability relationships is a controlling reverse effect triggered by receipt of information and aimed to finally increase organisation and performance of the system.

Specific features of tax liability and links between the participants of this legal relationship need to be analysed for interaction between them and compared with those of administrative liability.

It should be noted, that Russian financial law science has paid insufficient attention to the problems of legal regulation of liability in taxation. The existing theoretical and scientific

achievements beg for further analysis, organisation and improvement in view of the modern Russian legislation to include the Constitution and Tax Code.

5. Conclusion

In conclusion of this study it should be noted, that responsibility in taxation implies the obligation of social actors to comply with tax norms fulfilled by their lawful behaviour while irresponsible behaviour contradictory to such norms and violating the established order of taxation entails divestiture provided by tax law. It is the importance of feedback that determines the efficiency of the studied protective institution which is suggested to be viewed through responsible behaviour, legal assessment, enforcement, obligation to comply with norms and reaction of the state.

In the analysis of lawful behaviour from the point of view of its normative nature, the behaviour within models and algorithms established by the state is out of question. However, the behaviour which is principally permitted by the legislator but not prescribed beforehand should also be regarded as normative. Its lawfulness shall be

assessed in the course of the subject's actions. The permission method where the taxpayer chooses the most convenient way of compliance with his tax liability is used quite widely by tax law.

Permission, obligation and prohibition change their goal and algorithm in liability relationships. The widest permission used in regulatory relations changes for obligation in protective ones.

This approach leads to an intermediate conclusion that tax liability may be qualified as a normative, guaranteed and state-secured legal obligation of a taxpayer, tax agent or another person provided by law to respond for his behaviour in respect of compliance with and performance of the tax law.

6. Recommendations

The conclusions and suggestions contained in this article amend and develop the tax liability provisions of the tax law being of methodological importance for further theoretic and practical research in this field. Its findings concerning adjacent matters may be used in researching law systems, tax law functions and

principles, lawful and unlawful behaviour, legal consciousness and relations.

Practical importance of this study is determined by the possibility to apply its conclusions and recommendations in law-making, judicial and administrative practice as well as in scientific research of legal liability in all fields of law.

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