



The positive and negative aspects of tax administration as part of the business environment in Slovakia

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Abstract

The tax system of a country undoubtedly has a major effect on the business climate. An efficiently functioning tax system is also based on proper taxation, the relationship between taxpayers and tax officials, tax office services and every other aspect of tax administration. The aim of this paper is to define the positive and negative aspects of tax administration in Slovakia in terms of the business sphere, to identify any problems and their causes and to propose possible solutions. The partial objective is to verify the hypothesis that there are significant differences between legal entities and natural persons in the way that they approach tax issues. The author of this paper presents her own survey aiming to ascertain the views of businesses on tax administration in Slovakia to capture their experience and suggestions. For this survey, a quantitative method was selected – a written questionnaire. It is clear from the results of the survey that the established hypothesis was confirmed. Overall, however, selected aspects of tax administration in Slovakia and the present trend are perceived mostly positively by the entrepreneurial subjects. Negative perceptions can be considered, respectively, in the following areas: human resources, legislation, financial management information systems and awareness of business entities. Considering the mentioned shortcomings, the author presents some suggestions for solving the problems identified.

Keywords

Businesses, business environment, negative aspects, positive aspects, questionnaire, suggestions, survey, tax administration.

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1. Introduction

Suitable conditions for business activities are the basic prerequisite for long-term economic development. Businesses, as a result of the globalization of the world economy, are increasingly dependent on the conditions of the external environment in which they operate; therefore, the quality of the business environment is of paramount importance to them (Mesík, 2013). Among the important factors that largely affect the business climate is thus the tax system of each country. The importance of taxation as a fiscal policy instrument, which is part of the economic policy of each country, was pointed out by Lisztwanová and Ratmanová (2015).

The tax system should be created with regard to the tax principles that should be understood as the basic rules for its creation and application. Since its inception, financial science has been dealing with tax principles. However, a more coherent theoretical elaboration of this issue was made possible by a representative of economic liberalism, Smith (2001), who formulated the four principles of taxation: the principle of equality (principle of justice), the principle of precision (the principle of certainty), the principle of convenience of payments (the principle of comfort) and the principle of low-cost tax collection (the principle of effectiveness). He stated that tax laws must be formulated clearly to avoid confusion if there is a difference in the subjective notions of law makers and taxpayers and of tax officials and that taxes should be collected at a time and in a manner that is best for the taxpayers. The major sources of inefficiency in tax collection according to Smith are the following: the work of too many officers, tax that constrains businesses, excessive execution, which can ruin taxpayers economically, the collection of tax associated with grievances and annoying harassment of taxpayers. Criteria for effective tax administration and issues that should be addressed were defined by Musgrave and Musgrave (1994). Other economists, such as Schultzová (1995), Stiglitz (1997), Široký (2003) and others, have also been involved in the creation of the tax principles.

The world's experience with the application of tax systems suggests that applying these principles while forming tax systems is a particularly challenging task not only due to the contradictory nature of the principles themselves but also because these systems are subject to frequent changes, especially in the context of changes in the economics or politics of each country.

Domestic and foreign professional and scientific publications emphasize the necessity to remain up to date and the need for reforms in tax systems and related financial management in many countries in the world. Tax system reforms have taken place, for example, in the countries of South and East Asia (Bernardi et al., 2005; Sujjapongse, 2005) and in the countries of Africa (Odd-Helge and Rakner, 2003). Many countries of the EU are trying to increase the efficiency of their tax systems, including the effectiveness of financial administration, with various reforms. In particular, the EU institutions are dealing with the possibilities of increasing the efficiency and effectiveness of tax systems in tax collection (Garnier et al., 2014; Ondrijova et al., 2015; EC, 2016; Profeta, 2016; Tatsos, 2016). Nonneman and Ochotnický (2006) stressed the need to reform the financial administration in the Czech Republic. The convergence of the EU tax systems is occurring at the same time as the reform of public finances (Bušovská, 2014; Švec Bušovská and Bušovský, 2016).

In 2003, the Slovak Government approved the Strategy for Public Finance Management Reform, which includes tax, pension, health care and education finance reforms. Since 2004, the Slovak Republic has undergone fundamental changes in tax and other areas. Following the establishment of the independence of the Slovak Republic, the most significant changes in the tax laws were implemented in 2004. Great attention was paid to the preparation of this important tax reform by many experts in the field (e.g. Lénártová, 2003). The aim of the reform was to create a competitive, transparent and not deformed tax system that would have a positive impact on the business and investment environment for both individuals and companies.

Further reform steps in Slovakia are aimed at improving the efficiency of tax, duty and levy management. The goal of the UNITAS reform is to ensure that the public resources are as efficient as possible from the point of view of the state and the subjects themselves. The potential benefits of this reform have been emphasized by many experts, but in 2012, during the reform's implementation, serious problems and damages occurred. However, the Strategy for the Development of Financial Report 2014–2020 (MF SR, 2013) highlighted further objectives and ways to achieve them.

The available domestic and foreign literature offers a number of works that have analysed tax reforms and financial administration reforms in different countries (as mentioned above). Only a few authors, however, have dealt with the subjects involved, especially the entrepreneurs who accept the reforms. Any tax legislation, tax reform in particular, is perceived very sensitively by taxpayers, and its impacts can be assessed differently by different subjects. Schultzová and Škultéty (2006) pointed out the importance of monitoring these impacts in different areas, not only from the state's point of view but also from business entities' point of view (legal entities and natural persons) and citizens. Ďurinová (2006) explained how the taxpayers' changes in the tax area, which were implemented by the tax reform, were accepted by business entities as well as citizens after the first tax period. It can be said that business entities accepted the tax reform positively. However, there were quite significant differences in the assessment of the reform by business entities and citizens. Larger differences in the assessment mainly arose in relation to the single value added tax rate. Jakúbek et al. (2016) dealt with the perception of the tax system reform in the Slovak Republic among entrepreneurial subjects as well as financial administration. They examined, among other issues, whether there were significant differences between business entities and financial administration authorities in assessing selected tax assessment factors. The results of their analysis show that the aforementioned subjects had different perceptions of the selected factors.

Because the state is interested in increasing the efficiency of the tax collection, it is important to examine the influences on the willingness of businesses to pay taxes and respectively to eliminate their attempts to speculate about how to avoid tax duty. It is evident that an efficiently functioning tax system is also based on proper taxation, the relationship between taxpayers and tax officials and every other aspect of tax administration. The author therefore focuses exclusively on entrepreneurs and examines their perception of tax administration and what they consider to be negative or positive in this area.

The aim of this paper is to define the positive and negative aspects of tax administration in Slovakia in terms of the business sphere, to identify any problems and their causes and to propose possible solutions. Based on the assessment of her own survey, the author has an ambition to complement the above-mentioned research and to add an important issue that exerts an impact on the business environment to contribute to the improvement of this issue. The partial objective is to verify the hypothesis that there are significant differences between legal entities and natural persons in the method of approaching tax issues. The author of this paper presents a survey aimed at determining the views of businesses on tax administration in Slovakia to capture their experience and suggestions. For this survey, a quantitative method was selected – a written questionnaire that offered the opportunity to comment or provide a reason for choosing a particular answer.

The paper continues within the following structure. In the second part, which deals with tax administration in the Slovak Republic in terms of entrepreneurial subjects, the author presents the methodology of the work and the data, including the form of the questionnaire, the surveyed sample of enterprises, the examined factors of perception and the results of the survey. In the third part, the author deduces suggestions for solving the problems. The paper ends with the conclusion.

2. Business point of view of tax administration in Slovakia

The view of the Slovak business community regarding the tax administration can be detected through a survey. The survey conducted also focused on other areas regarding tax, for example the depreciation policy – for the results, see Ďurinová (2015). This paper, however, will deal with matters that are related to tax administration.

2.1 Methodology of work and data

For this survey, a written questionnaire was selected as a quantitative method. Most of the questions were formulated as semi-open questions that offered a set of answers, and in most of them the opportunity was provided to comment or provide a reason for choosing a particular answer. Most businesses participating in the survey presented their business name but requested to remain anonymous. The field phase of the survey was conducted during April and May 2015.

The studied sample of businesses consisted of 200 business respondents, both legal entities and natural persons, from Slovakia. The respondents were deliberately chosen from different parts of Slovakia but were mostly from western Slovakia (54 companies), Bratislava (66 companies), central Slovakia (50

companies) and lastly eastern Slovakia (19 companies); the location was not indicated by 11 business enterprises. Most enterprises were micro (148), then small (22), medium-sized (9) and large (13); the size was not indicated by 8 enterprises.¹ Most companies were service companies (90), then commerce (75) and manufacturing (22) companies, and the line of business was not indicated by 13 companies. In this sample of respondents, there is approximately equal representation of natural persons (99 enterprises) and legal entities (101 enterprises), small and medium-sized enterprises representing the larger part of the sample. The basic information about the analysis set was information on how these businesses perform their tax management. Table 1 and Figure 1 provide an overview.

Based on the responses of the entrepreneurs, it can be concluded that the most significant number of analysed companies approach tax issues externally (40%), followed by companies that calculate their taxes internally through employees (25%); the third-largest group consists of businesses that can figure out their tax issues themselves through the completion of adequate training (18%).

The different distribution has great explanatory power. If we take into account the legal form of a company, we can see that most legal persons (41%) approach tax issues internally through employees, while this method accounts for only about 9% of individuals. In the case of natural persons, the most represented method is managing tax issues externally (nearly 48%).

Table 1 How do you carry out your tax management?

| | Natural persons | Legal entities | Total |
|--|-----------------|----------------|-------|
| Taxes managed internally, employees | 9 | 41 | 50 |
| Taxes managed externally | 47 | 33 | 80 |
| Taxes managed in the company; I do everything myself, without completing any kind of courses or training | 23 | 6 | 29 |
| Taxes managed in the company; I do everything myself, except that I usually take courses or training | 16 | 20 | 36 |
| No answer | 4 | 1 | 5 |
| Total | 99 | 101 | 200 |

Source: Questionnaires for legal entities and natural persons

¹ The number of employees was the sole criterion for classification into the relevant category.

2.2 The survey results

The respondents could express their insights into and experience of managing taxes in the answers to the questionnaire related to tax administration.

The first question asked the respondents to indicate how they approach tax issues. Since this information belongs to the basic information about the analysed file, the overview obtained from the respondents' answers is presented in Table 1 and Figure 1 in the previous subchapter.

The other questions (the selected factors of the perception of tax administration) focused on the forms of tax returns, the electronic filing of forms, tax office services, the development of tax authorities' services and taxpayers' relations with the tax authorities, the UNITAS programme and tax regulation. In the following text, we will mention the selected factors as well as the results of the survey, in which business entities expressed their views on these factors.

Clarity of forms of tax returns

All business entities must submit tax returns, in particular for income tax; therefore, tax returns should be clear and comprehensible. Unclear, complicated forms of tax returns can negatively affect the business environment, which may lead to greater reluctance of businesses to pay the right amount of taxes.

Most enterprises in Slovakia (75.5%) considered the forms of tax returns to be clear, but 30% of natural persons and 16% of legal persons found them to be confusing. The opinions of legal and natural persons on this question are almost identical.

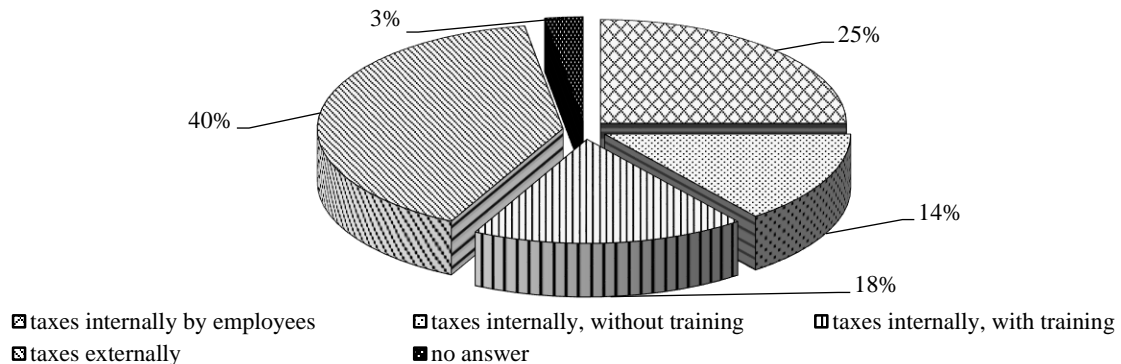


Figure 1 How do you approach your tax management?

Source: Questionnaires for legal entities and natural persons

The most commonly reported comments were mainly related to the fact that tax return forms are often changed and *are written in more legal language*. Some respondents indicated that they do not understand the content of some lines, some areas are duplicated and, in forms for individuals, the last part about insurance contributions is incomprehensible. The respondents also consistently argued that the tax return forms are available very late and are unnecessarily complicated.

Most legal entities that reported tax forms to be unclear manage their taxes and accounting internally. However, most of the natural persons who are not satisfied with the forms have their taxes managed externally.

Electronic tax return filing

With effect from 1 January 2005, the website of the Slovak Tax Directorate introduced the opportunity for taxpayers to register to communicate with the tax authorities electronically (for taxpayers this was a new opportunity to deliver documents electronically to the tax administrator, without a secure e-signature). The possibility to file a tax return via the Internet in 2005, according to the director of the Tax Directorate, was only taken up by 44 subjects, all of whom had an e-signature.

From 1 December 2012, the website of the financial administration made available the application eTax, which by that date allowed all new users to register on the e-services portal and to be authorized for electronic communication. There are two ways to communicate with the tax administration: by means of an advanced e-signature or by means of an e-signature from the filing department website eTax without an advanced e-signature. In the latter case, it is necessary to give the tax administrator the necessary details for delivery on a standard form published on the website of the financial report and conclude with the tax written agreement on electronic delivery (§ 13 paragraph 5 of Act no. 563/2009 Collection of Laws, as amended). This form of communication is provided free of charge.

The financial reports planned to introduce obligatory electronic communication with tax authorities for taxpayers after 2012. After several delays, however, selected groups of taxpayers have been required to submit financial reports electronically only since 1 January 2014. The obligation to submit comments by electronic means is provided in the tax code (§ 14 para. 1 of Act no. 563/2009 Collection of Laws).

The new obligation to communicate electronically applies to all submissions, which will be administered by the taxpayer. Annexes may be sent later in paper form (in person or by mail).

It can be stated that the responses regarding the possibility of electronic tax returns were positive: 65.5% of businesses agreed with the introduction of this option, and 27% agreed with some reservations.

The objections raised by entrepreneurs mainly concerned the frequent failure and site faults of the financial management servers, impaired availability during peak periods and no alternative in an emergency situation, when it is not possible to send statements electronically. Based on the experience of entrepreneurs during high network use, the financial administration portal does not work properly (weak technical support). Some respondents pointed out the problem with the administration of documents in the field of excise duties; others saw recording more data as complicated (in the control statement) and some find parts of the system as unclear. There were reservations about the late updates of forms, causing the forms not to be available in sufficient time and some forms even to be missing. Many did not assess positively the fact that the tax authority communicates only through the electronic registry; sometimes it is unnecessarily complicated, and they criticized the administration concerning the electronic signature. The reservations were mainly related to the high costs and administrative burden of implementing these options. A secure e-signature is expensive for smaller companies, and filing

without a guaranteed electronic key is very similar to filing traditional tax returns (the first page of electronically transmitted documents and a written statement about the filing of documents in electronic form must be delivered to the tax authorities within five working days from the date of filing). It does not make the work of entrepreneurs and their contact with the tax authorities easier.

Anyone can submit tax returns via the Internet, but a person without an e-signature will not avoid visiting the tax office. Only a single authorization visit is necessary, and then the taxpayer can continue to communicate with the tax office electronically. There is no cost involved in obtaining the secure e-signature, and therefore the only remaining costs are the costs of computing and the internet connection.

Many respondents doubt the quality of the whole system of such communication (the possibility of equipment failure, severe verifiability in the case of a dispute, etc.), and among their concerns is the fear of misuse of internal company information.

Entrepreneurs who agree to the electronic filing of tax returns especially appreciate the possibility of saving time, but many would welcome confirmation from the tax office that their form has been received.

Satisfaction with the tax authority

In the area of tax administration in the Slovak Republic, emphasis is placed on open, understandable and timely internal and external communication. External communication interacts with the external environment of the organization, in which the target group consists of the different government bodies, local authorities and mostly taxpayers. The main task of external communication is to ensure that the taxpayers know what they have to do, how they should do it and how they can be motivated to do it.

About three-quarters of business entities (about 72.5%) were satisfied with the services of the tax authorities, while 6.5% were very satisfied. Dissatisfaction was expressed by 17.5% of entrepreneurs; there were no strong differences of opinion between legal entities and individuals.

Most respondents expressed satisfaction especially with the willingness of officials to advise and guide the taxpayer in case of doubt, and many appreciated the improving communication, especially the handling speed of electronic inquiries. Entrepreneurs were satisfied with the workings of the financial office, especially the office for selected taxpayers.

Some respondents complained about reluctant and irritable officials (the officials responded that they are not an advisory body and recommend the use of tax advisors), while others pointed out the low professional level of the tax officials (although the officials are

willing, they often only quote the law and cannot explain the specific questions of general practice, they respond only with reference to paragraphs that are not always right and they do not want to take responsibility for their answers) and the lack of qualifications of the staff in relation to the new information system. Some would welcome more officials pointing out the errors that were detected in the document reviews or the changes in laws. They would appreciate free training (like the Soc. Insurance Institution), the introduction of online accounting and tax advice for small business owners (a telephone hotline) or information for example by SMS about changes in the payments.

Development of services of the tax authority and taxpayer–tax administrator relations

About half of the respondents noticed an improvement in the service of the tax office and therefore the relations with taxpayers, while legal persons (about 55%) assessed the development of services and relations more positively and 41% of respondents saw the relationship as different; only in exceptional cases did (7%) they report deterioration in relations.

Entrepreneurs particularly appreciated the greater possibility of filing tax returns and other forms electronically, which saves them time, thus increasing the efficiency of work on both sides (they are easier to file, there is no need to deal with papers and drive around the city and there was a positive perception of the automatic control of forms). Some respondents positively evaluated the more timely processing of applications, mail service, counselling and financial office helpline and stated that the awareness of tax office workers has increased and workers have a more professional approach; thus, the tax authority has become more of a partner and not merely an executive organ of the Government. Some respondents indicated that the constant changes in legislation do not allow them to improve, as it is necessary to monitor and clarify changes constantly.

UNITAS

The UNITAS programme was initiated in 2008 with the adoption of Government Resolution no. 285/2008 of 7 May 2008 on the Concept of Reform of the Tax and Customs Administration with the aim of unifying the collection of taxes, customs duties and insurance contributions. The Government of the Slovak Republic, in accordance with the manifesto of the Government of the Slovak Republic for the years 2012–2016, has set as a priority the completion of the tax administration reform through the units that unify the collection of taxes, duties and levies and the suppression of tax evasion to secure additional financial resources.

The UNITAS programme is organized in two phases:

Unit I – this represents the combination of the tax administration and customs administration and creates a financial report in two steps:

- the tax administration reform (reduction of the tax authorities), the merging of the Tax Directorate and the Customs Directorate and the creation of the Financial Directorate of the SR;
- the merging of the tax offices and customs offices and the creation of financial authorities.

Unit II – this represents the connection of the choice of insurance contributions for social and health insurance to the financial report.

The aim is to ensure the effective functioning of the financial report – in other words, to reduce the administrative costs and administrative burden – ensuring access for client businesses, which it has failed to achieve yet. In early 2012, the financial management information system collapsed, several support activities failed and the management structure of internal processes was inefficient, resulting in frustration for the institution's staff. The merging of the tax offices and customs offices did finally happen.

The concept of further unifying the collection of taxes, customs duties and insurance contributions within the second phase of UNITAS II contains a proposal to ensure the organization and process of transition for collecting social insurance and contributions to the retirement savings scheme of social insurance and health insurance companies to the Financial Directorate of the Slovak Republic, including redeployment, setting new rules and procedures for the distribution of income, the definition of a single *tax insurance* for staff and a single annual settlement of taxes and insurance.

Most business owners viewed the attempt to unify the collection of taxes, customs duties and insurance contributions through UNITAS as positive (87%), 66% of businesses had no objections and 21% had objections.

Those who had objections to this unification stated that it would be positive if the data were linked between the institutions so that the customs were not separate from the financial office and there was no need to provide documents electronically for both the customs office and the financial office. Several businesses reported that the intention is good but that the programme is very expensive and protracted. Any unification or simplification of payments was considered rational, but some proposed the introduction of a single tax that the state would divide on its own. Some respondents were concerned that the system is dysfunctional and unclear because of their experience with the financial portal.

Tax Code

Tax administration is governed by new legislation: Act no. 563/2009 Coll. on the Tax Administration (Tax Code) with effect from 1 January 2012. The Tax Code is a part of a comprehensive tax and customs reform that seeks to unify the collection of duties, taxes and levies. The Tax Code is based on the previous Act no. 511/1992 Coll. on the Tax Administration and Fees. The intention was to divide the provisions systematically into more complex entities, to unify the terminology and to eliminate ambiguous and indefinite terms. However, some new provisions also present fundamental changes. In general, the Tax Code should ensure more efficient tax administration.

Up to 67% of businesses reported that they cannot compare the Tax Code as a procedural law to the previous Act no. 511/1992 Coll. on the Tax Administration and Fees. Other respondents found that it compared to the previous law mostly positively (23%), indicating that it is clearer and the explanation has been simplified. Those who evaluated it negatively (7.5%) highlighted the ambiguity of certain provisions of the Act and a greater obligation to state businesses, with an excessive or unjustified increase in certain penalties (sanctions and penalty interest).

3. Discussion and problem-solving suggestions

It is clear from the results of the survey that the established hypothesis, which predicted the existence of significant differences between legal and natural persons in the way in which they approach the tax issue, was confirmed. Such a situation can be explained by legal entities usually having among their staff a person who is responsible for the economic management of the company and ensuring the issue of taxes, while individuals, who are generally traders and usually have no employees or economic education, are forced to manage the problem of taxes externally. All the legal entities that stated that their taxes are managed by their employees also perform accounting internally, and all the natural persons who manage their taxes externally (or did not answer) also stated that they manage accounting externally.

Therefore, it can be considered to be a negative point that the tax issue has not yet been simplified sufficiently for small traders to understand it; more precisely, it is more efficient for them to pay for external tax management than to spend time studying the taxation laws.

Although one of the aims of the tax reform was to simplify the entire tax system, in particular the legislation, there are still problems in this area. Some authors who have dealt with the business environment have also pointed out this issue. For example,

Šubertová studied the business environment in the EU (2014), focusing particularly on small and medium-sized enterprises (SMEs) in the Slovak Republic, and stated (2015) that there are, of course, numerous imperfections and possibilities to improve the support for SMEs in a number of areas. She confirmed that the frequent changes in tax legislation make tax collection inefficient. This causes chaos and uncertainty not only in tax issues but also in the strategic planning of tax expenditures. As reported by Harumová and Hyránek (2015), changes in tax laws may have different impacts on the amount of deferred taxes each year. An analysis of the scope of the Law on Income Tax and the frequency of changes in the Slovak Republic was conducted by Šrenkel (2015), who stated that the regulations adopted during its twelve-year history had increased the number of words to twice the original condition and that the frequency of their change was very high. Kmeť (2014) also dealt with the quality of the business environment in this regard. He stated that the business environment in Slovakia has been deteriorating for several years. Nagy (2017) investigated the impact of the tax system on the competitiveness of businesses and the capital inflow and pointed out that the competitiveness of businesses and their investment decisions are determined less by the tax burdens and much more by the transparency of the tax regulation and the time-consuming nature of the administrative tasks connected to taxation.

As a positive point, most Slovak businessmen in the monitored set considered the tax returns to be transparent. However, entrepreneurs – natural persons (such as tradesmen) – were not satisfied with the forms and pointed to the fact that they are very often changed and are written in a complicated way, that is, in *legal language*, which is the reason, why these entrepreneurs manage their taxes externally. Legal language in the forms of tax returns is justified or necessary, because the tax return forms must correspond to the terms used in the Act. Because the forms must comply with the applicable law, the frequent changes in tax return forms are caused by frequent changes in tax laws. Often-changing legislation is therefore reflected in the forms of tax returns.

Most entrepreneurs also welcomed the possibility of submitting tax returns electronically. However, some entrepreneurs had certain reservations (frequent failure and loss of the financial management system, more difficult accessibility during busy periods and no alternative in an emergency).

The services of the tax authorities as well as the development of these services and the relations between the taxpayer and the tax administrator can also be evaluated positively. The problems reported by the respondents related in particular to the low level of

professionalism of tax officers, their unwillingness to bear responsibility for their responses and the lack of qualifications of staff regarding the new information system. The reasons for these problems may be the low level of readiness of financial administration staff, which in turn indicates the lack of preparedness of the financial management authorities, which have not trained their staff sufficiently for difficult changes. However, the weak motivation of these staff members may also be related to this issue, which is reflected in the quality of human resources – the tax authorities. In this context, it is possible to talk about generational deprivation, the absence of experts or problems of specialization.

The aim of the UNITAS programme is to increase the efficiency of tax collection, advance the control of internal processes, save costs in running the financial report and deploy a fully functional information system for financial management that incorporates the functionality needed to combat tax fraud and compatibility for online connection with other relevant state institutions. The positive point is that most business entities have identified with the programme and its intentions. Several businesses reported that the intention is good but that the programme is very expensive and protracted. Any unification or simplification of payments is considered to be rational. The Tax Code, as a procedural law that is part of a comprehensive tax and customs reform, compared with the previous Act no. 511/1992 Coll. on the Tax Administration and Fees, however, cannot be evaluated by the majority of business entities. The positive point is that respondents who were familiar with the law considered it to be clearer and easier.

Overall, it can be stated that the tax administration in the Slovak Republic is perceived positively by entrepreneurial subjects through selected factors. However, based on the survey results, certain negative points and respectively problems were detected. It should be borne in mind that, although the main objective of the tax administration is to ensure sufficient and fluent tax collection, it is much more important for the efficiency of public finances to build lasting confidence among all tax subjects (both the population and the business entities or others) in the sense of paying taxes. With respect to this, their continual training is important, which leads to constant improvement and understanding of taxes with the aim of building positive awareness of the tax and legal systems.

The business environment can be improved from the point of view of the area under investigation. Accordingly, the author presents some suggestions in the following text.

Despite the fact that many respondents criticized in particular the qualifications of tax officials, it is especially necessary to improve and clarify the legislative environment. What matters is to create a stable tax system in the Slovak Republic, which would set out clearly the rights and obligations of taxpayers and especially lead to greater accountability in the fulfilment of tax obligations. The most serious problem is the complexity and ambiguity of the tax laws and their frequent changes. First, it would therefore be necessary to ensure that the laws cannot be amended so frequently and that, if amendments must be made, they must be clear and clearly explained in a timely manner both for tax office workers and tax advisers and for businesses.

In conclusion:

- The amendments should come into force on a given date, which would lead to greater attention on the part of taxpayers and tax administrations.
- It should be ensured that the opponency of proposed changes is on a higher professional level, which can be accomplished by giving experts at various levels of approval enough time, thus avoiding the amendment of already-amended laws.
- It is necessary to remove vague and inadequate formulation of laws and regulations and uncertainty in different definitions of the same concepts in different laws.
- The business legislation should be stabilized as a precondition for motivating taxpayers to engage in business: in other words, to avoid discouraging small and medium-sized enterprises.

It is very important to expand and improve the provision of professional information by tax authorities, because the image of the tax administration formed in a tax entity further derives its approach to the actual tax liability and ultimately to the State. Bearing this in mind, we should especially pay more attention to all starting businesses, set up a free telephone number to handle queries from taxpayers regarding tax issues and consistently publish opinions on the application of tax laws provided by taxable persons through the Internet.

In this regard, there should be improved training or lectures for new businesses so that at the start they have no problems and difficulties with the law. It is also an incentive instrument for start-up businesses to ensure that they are not discouraged by the complex legislative environment, gain confidence in the tax administration staff and are assured that they can contact them at any time about their problems. Indeed, for small business people who are not knowledgeable about difficult tax

issues, a visit from a tax adviser is quite an expensive affair.

To increase the awareness of businesses as well as other taxpayers, the mass media should be used, especially television and radio, which could be included in a regular *tax time* that would point out the various obligations of taxpayers or address specific cases from practice. This would certainly be appreciated not only by businesses but also by other citizens, many of whom have no idea that even the acquisition of a new vehicle from another Member State of the EU becomes a taxable matter for that person, which of course gives rise to obligations.

Timely training and courses in the adoption of new laws for civil servants should be offered so that they are able to provide information to taxpayers adequately as well as to solve problems in the field of tax administration. Due to the high level of fluctuation of these workers, the possibility of greater involvement in their professional development should be considered. In practice, how tax office workers approach taxable entities is important; therefore, it would be appropriate to ensure the training of employees and tax administration in the field of psychology.

It is essential to simplify the compliance with the obligations of taxpayers. Tax returns should be clear and unambiguous, and all the possible alternatives that may occur in practice should be considered. It is therefore very important for the individual lines of the tax forms to be explained and formulated clearly to ensure taxpayers' understanding. For increased use of electronic communication with the tax authorities, they need to give a guarantee to taxpayers that there will be no misuse of corporate information.

Connecting the most important institutions within the country should speed up and streamline the management on both sides. This connection should guarantee a basic overview and comprehensive information for taxpayers, which would reduce the time involved, and a single application would accelerate the tax procedure and ensure that the tax administration would not have to spend so much time gathering information from these institutions. The tax information system must be completed in such a way that it is compatible with the information systems of the EU Member States.

It is also important to improve tax compliance, to adopt legislation designed to prevent the creation of fictitious companies and to ensure the disclosure of those crimes that have resulted in a large amount of irredeemable tax arrears. Greater equity should be sought in penalties for failure to comply with tax obligations with respect to toughening penalties for wilful tax evasion and proven tax evasion, particularly in the case of repeatedly non-paying subjects, carrying

out periodic checks in the case of suspicious taxpayers, simplifying some forms of execution and therefore making the system work. In detecting tax deficiencies, especially in the case of large enterprises, to a large extent the results of an audit report and conclusions can be used. On the other hand, the sanctions in the case of delay should be lessened.

It is necessary to motivate the employees of the tax administration to control and detect tax evasion. The law should apply equally to all. It is therefore necessary to ensure the enforcement of the law and to eliminate cronyism and bribery.

4. Conclusion

This paper dealt with one of the important issues affecting the business environment in Slovakia – tax administration. Attention was paid to the opinions of business entities, which the author gained through a survey. For this survey, a written questionnaire was selected as a quantitative method, which provided the opportunity to comment or provide a reason for choosing a particular answer.

The aim of this paper was to highlight the positive and negative aspects of tax administration in Slovakia, identify any problems and their causes and propose possible solutions. The partial objective was to verify the hypothesis that there are significant differences between legal and natural persons in the method of approaching tax issues.

It is clear from the results of the survey that the established hypothesis was confirmed. This means that the tax issue has not yet been simplified sufficiently for small traders to understand it. Overall, however, the selected aspects of tax administration in Slovakia and the present trend are perceived as mostly positive by the entrepreneurial subjects.

In particular, the following points can be considered as positive:

- Most Slovak businessmen considered tax returns to be transparent.
- The respondents were positive about the possibility of submitting tax returns in electronic form, and two-thirds of business entities agreed with the introduction of this option; however many of them agreed with reservations.
- The majority of the respondents reported their satisfaction with the services of the tax office; approximately one-half of the respondents noted the improvement of the tax office services and thus the relations with taxpayers compared with previous years.

- Most business entities identified with the reform of tax, duty and fee management (i.e. UNITAS) and its intentions.
- The respondents who were familiar with the Tax Code considered it to be clearer and easier than the previous Act no. 511/1992 Coll. on the Tax Administration and Fees.

However, there are shortcomings that need to be addressed in the future in an effort to streamline the tax administration and improve the business environment in Slovakia.

Negative points can be considered, respectively, in the area of human resources, in legislation, in the financial management information system and in business entities' awareness.

In the area of human resources, this refers particularly to the reluctance and irritability of officials, especially during the tax return (officials referred to the fact that they are not advisory bodies and that tax advisers should be used for such purposes), the low level of professionalism of tax officials (officials often cite the law, but they cannot explain it; they only respond in general to specific practical questions, giving references to the paragraphs; not every guideline is right; they do not want to be responsible for their answers; and they study the law later than entrepreneurs), generational obsolescence, the absence of experts and problems of specialization.

In the area of legislation, the negative opinions mainly related to the frequent changes in tax laws and the complexity and ambiguity of some provisions.

In the area of financial management information systems, the criticism mainly referred to the frequent failure of the financial management system, more difficult availability during busy periods and concerns about the misuse of internal business information.

In the area of entrepreneurs' awareness, the negative perceptions were especially from start-up entrepreneurs who have problems grasping the tax issues and the number of obligations that arise from unclear and often-changing legislation.

It is clear that the business environment can still be improved in this area. Considering the mentioned shortcomings, the author made suggestions for solving the problems identified.

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