DETECTION OF TAX EVASION USING TAX AUDITS IN THE SLOVAK REPUBLIC*  

Agnéša Víghová  

Bratislava University of Economics and Management, Department of Small and Medium Business, Furdeka 16, 851 04 Bratislava 5, Slovakia  

E-mail: agnesa.vighova@vsemba.sk  

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Abstract. Tax evasion causes a significant shortfall in revenues from the state budget in the Slovak Republic and the European Union. Therefore, the European Union states are looking for ways to detect tax evasion. The most common tax evasion occurs from value-added tax. It is not possible to eliminate tax evasion, but it is possible to effectively see tax evasion and fight against tax evasion through legislation as well as effective tax control. The article aims to point out illegal tax evasion in the area of value-added tax and to point out the fight against tax evasion. Methods of analysis and comparison were used in the research. The study was carried out based on data from the Financial Administration of the Slovak Republic, where the results of control activities were analyzed with a focus on value-added tax as well as the effectiveness of the control activities of individual tax authorities within the Slovak Republic. I drew attention to the most frequently occurring tax evasions of value-added tax. The continuation of the research will be the analysis of tax evasion in corporate income tax. These research results will be published in the following article.  

Keywords: tax evasion; tax control; Financial Administration of the Slovak Republic, analysis of the detection of VAT; effectiveness of tax controls  


JEL Classifications: H83  

1. Introduction  

In theory and practice, we know the concept of creative accounting. Some elements of the creative accounting of business entities are reflected in tax evasion. Tax evasion is a negative phenomenon in Slovakia and throughout the world (Terzic & Berger, 2020; Li et al., 2021; Ermasova, Haumann & Burke, 2021; Alstadsaeter et al., 2022). It is not entirely possible to eliminate tax evasion, but it is possible to reduce the incidence of tax evasion (Ngah, Ismail & Abd Hamid, 2021; Hungerman, 2022; Rashid et al., 2022; Hola, Zidkova, & Arltova, 2022; Mu, Fentaw, & Zhang, 2022; Slemrod & Velayudhan 2022).

* The paper is the output of a scientific project IGA “Taxation in the context of financial accounting” (Funder: VSEM IGA VSEM, i.e. School of Economics and Management)
To eliminate tax evasion, the control mechanism of the Financial Administration of the Slovak Republic through the tax and customs authorities is built.

2. Literature review

In the Slovak Republic, the primary indirect tax is value added tax. The abovementioned tax is regulated by Act No. 222/2004 Coll. on VAT as amended. In addition to domestic transactions, the mentioned tax applies to foreign commerce, which we call intra-Community supply and intra-Community acquisition of goods and services. In the case of these foreign transactions, there is scope for tax evasion. The Financial Administration of the Slovak Republic ensures the detection of VAT evasion through the control system. These and other findings are presented by the authors in their publications: Balko & Babčák et al. (2009); Beličková et al. (2010); Babčák (2012); Burák (2016); Babčák (2018); Schultzová (2018); Babčák (2019).

Tax evasion exists in every country. Individual states individually create control systems that are aimed at detecting tax evasion. In practice, individual countries define control systems in tax and legal legislation. It is impossible to eliminate tax evasion; it is possible to maximize the fight against tax evasion. The following authors provide information about these facts: Natalizi (2020); Sacer & Zyznarska-Dworczak, (2020); Silva, Jorge & Rodrigues (2021); Tawiah & Gyapong (2021); Stewart & Connolly (2021); Wijekoon, Samkin & Sharma (2021);

Creating an effective control system brings individual countries an increase in the revenue part of the state budget, which is the goal of individual Financial Administrations in the world. The following authors wrote about this idea in their publications: Cachia (2017); Frintrup, Schmidthuber & Hilgers (2020); Lombardi et al. (2020); Pavic (2020); Hellmann & Patel (2021); Roca (2021); Henrique et al. (2020); Miah et al. (2021).

3. Legislative control of business entities in the Slovak Republic and its content

Tax evasions are unwanted phenomena in the economy of the state. Therefore every state is looking for ways to eliminate them (Lincényi & Čársky, 2020; Wijekoon, Samkin & Sharma, 2021). One of the options for reducing tax evasion is tax control (Cachia, 2017). A tax audit is an essential act of tax proceedings. For tax purposes, it means a detailed examination of accounting cases and all documents necessary to determine tax liability in terms of plausibility, completeness and correctness (Balko & Babčák, 2009). Tax administrators have the right to carry out tax control (Beličková et al., 2010; Schultzová, et al. 2018). The fundamental rights and obligations of tax subjects and tax administrators, the course of tax control, appeal proceedings, and enforcement proceedings - are defined in Act no. 563/2009 Coll. tax code as amended (Burák, 2016). Tax authorities' employees carry out institutional assurance of tax control within the Slovak Republic's Financial Administration. Financial administration in the Slovak Republic consists of the following institutions:

a) The Financial Directorate of the SR;
   b) Tax offices (8 tax offices, one tax office for large tax entities, 39 tax office branches and 29 tax office contact points);
   c) Customs offices (9 customs offices, 62 customs office branches and 18 customs office stations);

The Financial Directorate of the Slovak Republic is a budgetary organization connected to the state budget through the fiscal chapter of the Ministry. The mentioned institution is the employer of employees who work in the public interest at the Financial Directorate of the Slovak Republic, tax authorities, customs authorities and the Criminal Office of the Financial Administration. The employees of these institutions have the status of state employees, whose service office is the Financial Directorate of the Slovak Republic.
The Financial Directorate of the Slovak Republic fulfils the following tasks:
- manages and controls tax offices, customs offices and the Criminal Financial Administration Office;
- develops a concept for the development of financial management following the strategy for the development of financial management;
- ensures the uniform application of special regulations and international agreements by which the Slovak Republic is bound by financial administration in the area of taxes, fees and customs and proposes their changes;
- informs persons about their rights and obligations in matters of taxes and fees and their rights and obligations according to a special regulation;
- advises municipalities in matters of taxes and local fees that they administer, in cases of tax administration and of a particular rule, and higher territorial units on tax issues that they can impose according to a special regulation;
- decides on appeals against the decisions of the tax authorities, customs authorities and the Criminal Financial Administration Office and examines their findings outside the appeal procedure;
- ensures and implements mutual international assistance and cooperation in tax administration and in the recovery of specific financial claims following the international agreement to which the Slovak Republic is bound and a special regulation based on the authorization of the Ministry of Finance of the Slovak Republic;
- ensures and implements mutual international assistance and cooperation in the performance of customs supervision and tax supervision under the international treaty to which the Slovak Republic is bound and special regulations.

The tax office section of the financial administration is a progressive organization connected to the budget of the financial directorate. Among other functions, tax authorities perform the following:
- perform tax administration;
- make decisions in administrative proceedings;
- control the collection and payment of administrative fees, which are revenue of the state budget, return administrative fees paid with stamps, impose fines and recover administrative expenses, which are revenue of the state budget, and transfer the total amount of administrative fees remitted by other administrative bodies to the state budget;
- return court fees based on the decision of the court or the state court administration body, cover the total amount of court fees paid by the courts to the state budget;
- inform tax subjects about their rights and obligations in matters of taxes and special regulations - notify law enforcement authorities of criminal offences in connection with violations of special rules; informs the financial directorate about these suspicions.

A schematic view of the main functions of the Slovak tax authorities is presented in Figure 1 below.

![Figure 1. A schematic view of the main functions of the Slovak tax authorities](Source: Ministry of Finance of the Slovak Republic www.finance.gov.sk/lfp)

The customs office section of the financial administration supervises compliance with laws, special regulations, other generally binding legal regulations and international agreements, which ensure the implementation of trade policy, financial policy and agricultural policy in the circulation of goods in contact with third countries and on the internal market if they so stipulate special regulations and takes measures to prevent illegal actions during the
import, export and transit of goods. The customs section of the Financial Administration also supervises compliance with particular regulations (e.g. laws on individual excise taxes). In addition to these activities, customs authorities perform the following tasks:

- ensure cooperation in a defined area with state administration bodies in the performance of tasks according to special regulations,
- search for persons who have violated tax regulations or customs regulations, detect and prevent violations of tax regulations or customs regulations, perform tasks in the prevention, official detection and suppression of violations of customs regulations,
- ensure the safety of the transportation of seized goods; they escort charged or paraded persons suspected of committing a crime,
- provide cooperation to the Žilina Customs Office in verifying the fulfilment of the conditions for granting the status of an approved economic entity according to a special regulation,
- inform the European Commission to the extent and under the requirements established by a particular statute in matters falling within its competence.

Figure 2 summarizes the main functions of customs offices.

![Figure 2. Schematic view of the main functions of the customs offices of the Slovak Republic](source: Ministry of Finance of the Slovak Republic www.finance.gov.sk/lfp)

The Criminal Office of Financial Administration is an advance payment organization connected to the budget of the Financial Directorate with its seat in Bratislava. The Criminal Office of Financial Administration exercises its jurisdiction over the entire territory of the Slovak Republic. This institution fulfils the following tasks:

- searches for persons who have violated tax regulations or customs regulations, detects and prevents violations of tax regulations or customs regulations, performs duties in the prevention, official investigation and suppression of violations of customs regulations,
- ensures the safety of transportation of seized goods, escorts seized or paraded persons suspected of committing a crime,
- provides cooperation to the Žilina Customs Office in verifying the fulfilment of the conditions for granting the status of an approved economic entity according to a special regulation,
- informs the European Commission to the extent and under the requirements established by a particular rule in matters falling within its competence.
The primary mission of the Financial Administration of the Slovak Republic is to ensure the uniform collection of taxes and duties in the total amount of the claim of the Slovak Republic and the EU, to ensure the protection of fiscal interests, trade policy measures and security interests of the state and the EU. The Financial Administration of the Slovak Republic fulfills the tasks that arise from the relevant legislation, especially in ensuring compliance with tax and customs regulations and preventing their violations, in the area of direct taxes and fees according to special regulations, in the supervision of compliance with generally binding legal rules, EU regulations and international contracts that ensure the implementation of tax policy, customs policy. The most important task of the Financial Administration of the Slovak Republic is to provide the performance of tax audits. With this function, it fights against illegal tax evasion. Tax evasion represents an undesirable situation for the state and the state budget. According to information from the Financial Policy Institute of the Slovak Ministry of Finance in the Slovak Republic, the estimated loss of VAT revenue reached 2.3 billion. Eur. This information shows that the most extensive tax evasions are in the Slovak Republic on value-added tax. Value added tax belongs to indirect taxes (consumption tax). The taxpayer pays indirect taxes, that is, the burden primarily on the final consumer because they form part of the realization price of taxable services.

4. Value added tax - a key tax in the Slovak tax system.

In the Slovak Republic, the VAT area is governed by Act No. 222/2004 Coll. on VAT, as amended.

   a) The mentioned legal norm in § 4 defines when the accounting units must be the payers of this tax. Mandatory registration as a VAT payer is referred to when the taxable person has reached the statutory turnover. The statutory amount of turnover for compulsory registration is 49,790 Euros for a maximum of 12 previous consecutive calendar months. In the case of reaching this turnover, the taxable person is obliged to apply for registration as a VAT payer to the relevant tax office no later than the 20th day of the month following the month in which he exceeded the statutory turnover. As a payer, he becomes a taxpayer on the day specified in the registration certificate.

   b) Legal registration occurs when a natural or legal person acquires a business or a part of it from a taxpayer, for example, based on bankruptcy, and is not yet a value-added taxpayer. In this case, the acquirer of the property or its part becomes a taxpayer by law from the business's acquisition date or its organizational component. Of course, the property's new acquirer must inform the tax office about this fact within ten days.

   c) Voluntary registration - a natural or legal person can apply for registration even if he has not reached the statutory turnover. In this case, it is a voluntary registration.

Regardless of whether it is mandatory, statutory or voluntary registration, the proof of registration of a taxable person is a registration certificate issued by the tax authority, in which the tax administrator assigns the taxpayer an identification number for value-added tax.

The identification number for value added tax is not only a certain administrative requirement, i.e. the registered entity is obliged to indicate it on all documents issued by it, but it also serves as "information" for the customer - the payer, that the goods are taken from the taxpayer and can deduct the input tax applied to him. The VAT identification number also plays an essential role in acquiring goods from another member state when the acquirer of the goods in the country is obliged to prove himself with the assigned identification number. Only in that case can a supplier from another member state supply him with tax-free goods. The acquirer then taxes these goods with a domestic value-added tax.

The member state assigns the business entity an identification number for value-added tax, which contains a specified number of numbers and characters. This number begins with a prefix indicating the relevant member state in which the entity's VAT identification number was assigned (see T).
Table 1. National codes of tax identification numbers of EU states

<table>
<thead>
<tr>
<th>EU state</th>
<th>Code</th>
<th>EU state</th>
<th>Code</th>
<th>EU state</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>BE</td>
<td>Netherlands</td>
<td>NL</td>
<td>Austria</td>
<td>AT</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>BG</td>
<td>Ireland</td>
<td>IE</td>
<td>Romania</td>
<td>RO</td>
</tr>
<tr>
<td>Cyprus</td>
<td>CY</td>
<td>Lithuania</td>
<td>LT</td>
<td>Slovakia</td>
<td>SK</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>CZ</td>
<td>Latvia</td>
<td>LV</td>
<td>Slovenia</td>
<td>SI</td>
</tr>
<tr>
<td>Denmark</td>
<td>DK</td>
<td>Luxembourg</td>
<td>LU</td>
<td>Spain</td>
<td>SE</td>
</tr>
<tr>
<td>Estonia</td>
<td>EE</td>
<td>Hungary</td>
<td>HU</td>
<td>Sweden</td>
<td>SE</td>
</tr>
<tr>
<td>Finland</td>
<td>FI</td>
<td>Malta</td>
<td>MT</td>
<td>Italy</td>
<td>IT</td>
</tr>
<tr>
<td>France</td>
<td>FR</td>
<td>Germany</td>
<td>DE</td>
<td>Northern Ireland</td>
<td>XI</td>
</tr>
<tr>
<td>Greece</td>
<td>EL</td>
<td>Poland</td>
<td>PL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Croatia</td>
<td>HR</td>
<td>Portugal</td>
<td>PT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: European Commission https://ec.europa.eu/taxation_customs/vies/

As part of international cooperation with EU countries, the Financial Administration of the Slovak Republic operates the VIES system, which is an electronic tool for checking the validity of the VAT number of economic entities registered in the European Union for cross-border transactions related to goods or services. It is possible to verify the VAT number of a VAT payer in another member state (Northern Ireland) via the VIES web service; this request is sent via a secure connection to the relevant national database, where it is checked whether the given number is entered in the database as a value-added tax identification number. If so, "Valid" will be displayed. If so, "Invalid" will be displayed.

Depending on national data protection laws, some Member States (Northern Ireland) may also publish the name and address associated with the relevant VAT identification number in the format they are recorded in national databases.

A registered VAT payer maintains:
- records of taxable transactions made and received,
- submits a tax return on his behalf,
- in the control report, he provides data for his performed and received taxable services
- in the summary report provides data on cross-border deliveries of goods and services
- issues an invoice upon delivery of goods or services.

Table 2 contains the development of the number of VAT payers in Slovakia.

Table 2. Development of the number of VAT payers

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of registered VAT payers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>249 967</td>
</tr>
<tr>
<td>2020</td>
<td>243 762</td>
</tr>
<tr>
<td>2019</td>
<td>232 703</td>
</tr>
</tbody>
</table>

Source: Annual report of the Financial Administration of the Slovak Republic

Because business entities carry out business activities not only within Slovakia but also outside the territory of the Slovak Republic, there is room for illegal tax evasion. Tax evasion is defined as an unlawful measure in which the tax liability is concealed or ignored, i.e. the taxpayer pays less tax than he is required to pay by law by hiding income or information from the tax authorities (Babčák, 2018). Law no. 222/2004 Coll., on VAT valid in the Slovak Republic was amended several times; the current events of foreign business activities were addressed in the amendments to the laws; despite this, there is still room for the emergence of illegal transactions. That's why the Financial Administration of the Slovak Republic also focused on the detection of tax evasion in the area of VAT as part of its control activities.
5. Analysis of the detection of VAT tax evasion through the control activities of the Financial Administration of the Slovak Republic

The Financial Administration of the Slovak Republic secures the income part of the state budget through the control activity of direct and indirect taxes. The control activity of the financial administration is carried out with the focus of detecting tax evasion from tax controls of the value-added tax. Table 3 contains a numerical expression of VAT evasion detection and a comparison of the period 03/2022 with the period 03/2021.

Table 3. The numerical expression of detection of tax evasion from VAT tax audits

<table>
<thead>
<tr>
<th>Tax Office</th>
<th>The volume of findings from Tax Audits as of 03/2022</th>
<th>The volume of findings from Tax Audits as of 03/2021</th>
<th>Index 2022/2021</th>
<th>Difference between 2022-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bratislava</td>
<td>7 799 732 €</td>
<td>7 453 276 €</td>
<td>1,05</td>
<td>346 456 €</td>
</tr>
<tr>
<td>Trnava</td>
<td>16 887 849 €</td>
<td>8 243 885 €</td>
<td>2,05</td>
<td>8 643 964 €</td>
</tr>
<tr>
<td>Trenčín</td>
<td>6 958 748 €</td>
<td>5 015 043 €</td>
<td>1,39</td>
<td>1 943 705 €</td>
</tr>
<tr>
<td>Nitra</td>
<td>9 434 160 €</td>
<td>13 380 496 €</td>
<td>0,71</td>
<td>-3 946 336 €</td>
</tr>
<tr>
<td>Žilina</td>
<td>9 607 698 €</td>
<td>10 032 437 €</td>
<td>0,96</td>
<td>-424 739 €</td>
</tr>
<tr>
<td>Banská Bystrica</td>
<td>6 729 832 €</td>
<td>14 753 859 €</td>
<td>0,46</td>
<td>-8 024 027 €</td>
</tr>
<tr>
<td>Prešov</td>
<td>8 802 318 €</td>
<td>3 153 377 €</td>
<td>2,79</td>
<td>5 648 941 €</td>
</tr>
<tr>
<td>Košice</td>
<td>5 757 521 €</td>
<td>8 690 751 €</td>
<td>0,66</td>
<td>-2 933 230 €</td>
</tr>
<tr>
<td>Office for large economic entities</td>
<td>5 098 309 €</td>
<td>7 115 374 €</td>
<td>0,72</td>
<td>-2 017 065 €</td>
</tr>
<tr>
<td><strong>Together</strong></td>
<td><strong>77 076 168 €</strong></td>
<td><strong>77 838 498 €</strong></td>
<td><strong>0,99</strong></td>
<td><strong>-762 330 €</strong></td>
</tr>
</tbody>
</table>

Source: Financial Directorate of the Slovak Republic

Table 3 shows a decrease in the detection of tax evasion for 762,330 euros. An incorrect selection of subjects causes the mentioned decrease. This conclusion is also proved by Table 4, which contains the number of inspections carried out and the effectiveness of VAT inspection activities.

Table 4. Overview of performed VAT controls by tax authorities and the effectiveness of controls

<table>
<thead>
<tr>
<th>Tax Office</th>
<th>Number of Tax Audits</th>
<th>of which the number of controls where VAT tax evasion was detected</th>
<th>Effectiveness of VAT controls in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bratislava</td>
<td>322</td>
<td>218</td>
<td>67,7%</td>
</tr>
<tr>
<td>Trnava</td>
<td>172</td>
<td>131</td>
<td>76,2%</td>
</tr>
<tr>
<td>Trenčín</td>
<td>120</td>
<td>83</td>
<td>69,2%</td>
</tr>
<tr>
<td>Nitra</td>
<td>158</td>
<td>120</td>
<td>75,9%</td>
</tr>
<tr>
<td>Žilina</td>
<td>150</td>
<td>95</td>
<td>63,3%</td>
</tr>
<tr>
<td>Banská Bystrica</td>
<td>136</td>
<td>99</td>
<td>72,8%</td>
</tr>
<tr>
<td>Prešov</td>
<td>140</td>
<td>99</td>
<td>70,7%</td>
</tr>
<tr>
<td>Košice</td>
<td>156</td>
<td>123</td>
<td>78,8%</td>
</tr>
<tr>
<td>Office for large economic entities</td>
<td>25</td>
<td>13</td>
<td>52,0%</td>
</tr>
<tr>
<td><strong>Together</strong></td>
<td><strong>1 379</strong></td>
<td><strong>981</strong></td>
<td><strong>71,1%</strong></td>
</tr>
</tbody>
</table>

Source: Financial Directorate of the Slovak Republic

Table 4 shows a 71.1% overall effectiveness of tax controls in detecting VAT evasion.
VAT evasion from the point of view of keeping the accounting agenda:

- Delivery of goods and services according to Sections 8 and 9 of Act No. 222/2004 Coll. o VAT (output tax)
  1. Failure to issue tax documents (invoices and documents from the electronic cash register) means that the accounting unit provided services or delivered goods, and the income is not registered in the accounting records. The stated tax evasion is the non-declaration of VAT and income tax reduction.
  2. We are amending data on the number of taxable payments in the tax period on accounting documents.
  3. Deliberate non-payment of tax resulting from the submitted tax return (the reason may be secondary insolvency).
  4. Chain fraud occurs when the tax liability is shifted to more and more entities through targeted re-invoicing. At the same time, different tax periods are used, or a missing trader is also involved in the chain.

- Tax deduction (input tax)
  1. Registration of documents for fictitious taxable transactions enabling tax deduction. In some cases, business entities buy or sell such records among themselves.
  2. Duplicate tax deduction from the same document (in practice, mainly from ERP documents, as these documents enter the summary statement in one amount if the VAT for one business partner does not exceed EUR 3,000).
  3. Multiple deductions of tax on the same goods by different taxable persons.
  4. It is deducting tax from goods and services that are the subject of personal consumption by a business entity.

VAT evasion in Intra-Community trade

With the entry of the Slovak Republic into the European Union, the supply of goods and services between the Slovak Republic and the other EU member states is no longer referred to by the terms import and export but by the terms intra-community supply and intra-community acquisition of goods and services. Intra-Community delivery is exempt from VAT, but the right to deduction arises when VAT is paid. The basic premise of intra-Community trade for VAT purposes is that both the supplier and the customer are persons registered for VAT in different states of the European Union, and the goods are transported from one EU member state to another. As part of the financial administration internet portal, there is a VIES system through which it is possible to check online whether a business partner is or has been a VAT payer in individual EU member states.

The following tax evasions arise in connection with intra-Community trade:
  1. Non-declaration of VAT on received services from providers from another EU member state in cases where tax liability arises from the received service.
  2. Stores with used goods imported from another EU member state.
  3. Business of foreign business entities on the territory of the Slovak Republic without VAT registration and its subsequent failure to remit VAT to the budget of the Slovak Republic.
  4. Fictitious delivery of goods by a domestic taxable person to another EU member state and the related exemption from VAT. The sale is made domestically, and the tax is not remitted to the state budget. 5. Carousel frauds, which make up the largest share of the volume of VAT evasion. The main idea of these frauds is that a business company registered as a VAT payer concludes an actual or fictitious business
with a payer in another EU country and, according to individual rules, does not have to pay tax when delivering goods from another member state.

5. The main signs of carousel scams are:
- a large number of mutually trading companies connected by property or personnel;
- a large number of companies united by property or personnel with their headquarters at the same address;
- unusual business operations;
- unreasonable manipulation of the price of goods, free shipping, accessible storage of goods, etc.;
- multiple business transactions with the same goods or in similar amounts;
- long-term low tax liability or frequent excessive VAT deductions;
- trading focused on a particular type of commodity with a high value;
- although the company declares large turnovers, it has only minimal or no assets or employees recorded in the accounts;
- sale, or company transfers to foreign owners or suspicious persons;
- missing accounting documents on business items.

Leaks from relations with third countries (import/export)

Third countries are not in the territory of the European Union, while the relevant regulations regulate the import and export conditions concerning them. When doing business with third countries, the following tax evasions may arise:
- illegal import of goods and their subsequent sale in the country without declaration and payment of VAT;
- legal importation of goods should subsequently be delivered to another EU member state under the VAT exemption regime while the delivery does not occur. Later, the sale is carried out in the country unofficially, and the tax is ultimately not remitted to the state budget. In practice, these are often excise goods;
- fictitious export of goods and the related application of excessive VAT deduction.

Final evaluation and recommendations

As part of the research project, based on the performed analysis, we found the following facts:
- The effectiveness of tax controls in the area of VAT is 71.1% - the stated percentage is low,
- Law no. 222/2004 Coll. About VAT is legislative, which is amended very often (4-5 times a year)
- A low number of inspectors and high turnover of employees performing VAT inspection.

These facts resulted in the following recommendations:
- Better selection of tax subjects for inspection. I propose increasing the efficiency of selecting topics for tax inspection. For example, to draw attention to the field of construction, where the many VAT evasion occurs. - Ensure the stability of the legislation governing VAT
- Increase the number of inspectors and strengthen control activities in value-added tax. In the case of VAT, the most significant tax evasions occur in Slovakia and within the European Union.
- I recommend making the information from the audit reports available to all auditors, not just those belonging to the top management of the financial administration. This decision would improve and simplify the selection of tax entities for inspection.
- Re-introduction of the payment of security for newly registered value-added taxpayers.
- Introduction of liability for value-added tax - the payer to whom goods or services are or are to be delivered in the country is liable for value-added tax.
In conclusion, it can be said that the stability of VAT legislation and established control mechanisms ensure adequate detection of tax evasion, which provides the revenue part of the state budget. The legislative process that governs VAT is changing, as it is a tax that will affect international transactions of business entities.

References


European Commission [https://ec.europa.eu/taxation_customs/vies/](https://ec.europa.eu/taxation_customs/vies/)


Ministry of Finance of the Slovak Republic www.finance.gov.sk/lfp


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Agneša VÍGHOVÁ, PhD, is head of Department of Small and Medium Business at Bratislava University of Economics and Management (the Slovak Republic). Scientific field: accounting, taxation, statutory audit.
ORCID ID: https://orcid.org/0000-0001-8094-0067