



TAX VIOLATIONS: CAUSES, PREVENTIVE MEASURES AND IMPROVEMENT OF DETECTION SYSTEMS

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***Abstract.** This paper examines the economic, institutional, and behavioral factors that cause tax violations and analyzes the effectiveness of modern prevention and detection mechanisms. The study evaluates international best practices, risk-based tax administration, digital monitoring systems, and data-driven control methods. Particular emphasis is placed on improving the tax compliance environment in developing economies by strengthening analytical tools, expanding information exchange systems, and enhancing the transparency of tax processes.*

***Keywords:** tax violations, tax compliance, risk-based monitoring, digital tax administration, fiscal governance, tax evasion.*

INTRODUCTION

In most economies, tax revenues form the primary source of public finance and ensure the functioning of the state. However, tax violations remain a serious challenge for fiscal stability, especially in countries where the informal economy is widespread, regulatory mechanisms are weak, and tax administration is undergoing major reforms. Tax violations not only reduce budget revenues but also undermine trust in government institutions, distort competition, and weaken the

effectiveness of fiscal policy. Therefore, understanding the underlying causes and adopting modern preventive and detection mechanisms are essential for strengthening tax discipline. This research focuses on identifying the main drivers of tax violations, reviewing international experience, and proposing an improved detection framework applicable to developing economies.

LITERATURE REVIEW

International literature emphasizes that tax violations are influenced by a combination of economic pressures, institutional gaps, psychological incentives, and administrative shortcomings. P. Slemrod (2014) notes that non-compliance often arises when tax systems are overly complex, administrative procedures are inefficient, and taxpayers perceive the probability of detection as low. According to OECD (2020), digitalization, data integration, and risk-based auditing significantly enhance the ability of tax authorities to detect irregularities in real time. Researchers such as R. Bird & E. Zolt (2018) highlight that high tax burdens and excessive regulations increase incentives for evasion, while transparent communication and simplified procedures improve voluntary compliance. Several studies (Luttmer & Singhal, 2014; Keen & Slemrod, 2021) show that taxpayer morale, fairness of the tax system, and public trust in institutions play an equally important role in shaping compliance behavior. Overall, the literature supports the view that modern analytical tools, inter-agency cooperation, and automated monitoring systems significantly strengthen tax enforcement capacity.

METHODOLOGY

The research is based on a combination of comparative, analytical, and structural approaches aimed at examining the causes of tax offenses

and assessing the effectiveness of current prevention and detection mechanisms. First, a comparative analysis was conducted to evaluate how different countries structure their tax compliance systems and the tools used to prevent tax violations. This helped identify globally recognized practices such as risk-oriented tax administration, automated audit mechanisms, and digital monitoring platforms. Second, analytical methods were applied to study the main socio-economic, behavioral, and institutional factors contributing to tax offenses. This included examining financial stability indicators, levels of tax burden, legislative complexity, and administrative efficiency. Third, the research employed structural analysis to assess the interaction between tax authorities, financial institutions, and regulatory agencies. Special attention was given to understanding how integrated data systems and coordinated supervision affect the detection of tax violations.

Finally, the study reviewed statistical reports, national legislation, and international research publications to evaluate the strengths and weaknesses of the existing tax monitoring framework

RESULTS AND DISCUSSION

The findings of the study indicate that tax offenses are closely linked to a combination of institutional weaknesses, insufficient monitoring tools, and behavioral factors among taxpayers. The analysis showed that economic instability and the high level of informal activity significantly increase the likelihood of non-compliance, particularly in sectors where cash transactions dominate. One of the key results concerns the limited effectiveness of traditional audit methods. In many cases, tax inspections rely on manual verification procedures, which prolong the audit process and reduce the accuracy of identifying discrepancies. The absence of fully

automated data-sharing systems among tax authorities, banks, and other regulatory institutions creates gaps in detecting suspicious financial operations. This issue is especially evident in the monitoring of small and medium-sized businesses, where underreporting and fragmented accounting practices are frequently observed. The research also revealed that insufficient taxpayer awareness contributes directly to the growth of tax offenses. Many individuals and business entities lack clear understanding of their obligations, available incentives, and potential penalties for non-compliance. As a result, unintentional errors occur alongside deliberate evasion attempts. Improving taxpayer education and simplifying the legislative framework were identified as crucial measures for reducing such violations.

Another significant result relates to the benefits of implementing digital audit mechanisms. Countries that have introduced automated declaration checks, electronic invoicing systems, and real-time transaction monitoring demonstrate a notably lower rate of tax offenses. The analysis showed that digitalization not only improves timely detection but also strengthens preventive measures by reducing human intervention and increasing transparency. Risk-based assessment models, when properly integrated, provide tax authorities with the ability to identify high-risk taxpayers earlier and allocate auditing resources more efficiently. Furthermore, the study confirmed that strengthening institutional capacity is essential for improving detection accuracy. Regular training of tax inspectors, implementation of internal control procedures, and improved coordination between agencies contribute to more effective oversight. The combination of advanced digital tools and well-trained personnel forms a robust system capable of

identifying sophisticated schemes, including fictitious transactions, fraudulent reporting, and concealed cash flows.

Overall, the results highlight the need for a comprehensive approach that integrates legislative simplification, digital transformation, risk-oriented supervision, and continuous taxpayer engagement. By addressing these interdependent factors, tax authorities can significantly reduce the occurrence of tax offenses and enhance the long-term stability of the fiscal system

CONCLUSION

The study demonstrates that tax violations arise from a combination of economic constraints, institutional weaknesses, and behavioral factors. International experience shows that the most effective solutions are based on digitalization, risk-based monitoring, and transparent administrative procedures. By adopting integrated data systems, enhancing analytical capacity, and modernizing detection mechanisms, developing countries can significantly improve tax discipline and reduce revenue losses. Additionally, strengthening taxpayer education and promoting a culture of compliance contribute to greater fiscal sustainability and long-term economic stability.

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