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COMBATING TAX EVASION: THE ROLE OF AUDITING, CONTROL AND MONITORING

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Abstract. *The purpose* of the article is to determine the role of audit, tax control, and monitoring in the system of combating tax evasion, as well as to substantiate the directions for improving their effectiveness in the context of the digital transformation of public administration and the increasing complexity of financial transactions. Tax evasion remains one of the most significant threats to the financial security of the state, as it reduces budget revenues, distorts fair competition, weakens public trust in tax institutions, and limits the government's capacity to finance social and economic development. Therefore, strengthening the mechanisms of tax compliance and improving the effectiveness of control instruments are essential priorities for modern tax administration. *Methodology*. The research is based on a combination of general scientific and special research methods. The methods of analysis and synthesis were used to examine the theoretical foundations of tax evasion and identify its main causes and consequences. Comparative analysis enabled the assessment of domestic and international approaches to tax control and audit. The methods of generalization, systematization, and logical reasoning were applied to determine the interaction between audit, tax control, and monitoring within an integrated framework for combating tax offenses. The study also considers current trends in digitalization, risk-oriented approaches, and the application of information technologies in tax administration. *Results.* The article investigates tax evasion as a complex socio-economic phenomenon that negatively affects fiscal sustainability and economic development. Particular attention is paid to the functions of audit, tax control, and monitoring as complementary instruments for detecting, preventing, and minimizing tax violations. The study identifies the most effective mechanisms for enhancing tax compliance, including risk-based audit selection, automated monitoring systems, digital reporting, data analytics, artificial intelligence, and interagency information exchange. *Practical implications*. The findings of the research may be applied by public authorities to improve tax policy, modernize tax administration, strengthen audit procedures, and implement advanced monitoring technologies. The proposed recommendations may also be useful for business entities seeking to improve financial discipline, internal control systems, risk management, and tax transparency. *Value/originality.* The originality of the study lies in providing a comprehensive and integrated approach to understanding the interaction between audit, tax control, and monitoring in combating tax evasion under contemporary economic conditions. The research highlights the growing importance of digital technologies and risk-oriented management in improving the effectiveness of tax control and ensuring sustainable public finance.

Keywords: tax evasion, tax audit, tax control, monitoring, financial security, digitalization.

JEL Classification: H26, M42, H83

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1. Introduction

In modern conditions of economic development, the problem of tax evasion has become particularly pressing and poses one of the key challenges to the state's financial security. This is due both to internal economic imbalances and to the impact of globalization, which is transforming the mechanisms by which national tax systems operate. Significant volumes of the shadow economy, the proliferation of complex tax minimization schemes, the intensification of transnational financial flows, and the digitalization of economic activity significantly complicate tax administration and reduce the effectiveness of the state's fiscal policy (Smith, 1976, 1980).

The issue becomes particularly complex in the context of economic globalization, when business entities get the opportunity to shift capital, profits, and assets between jurisdictions with varying tax burdens. This creates conditions for the use of offshore zones, transfer pricing mechanisms, hybrid financial instruments, and other aggressive tax planning tools. As a result, the tax base erodes and profits are removed from taxation, which negatively impacts the revenue side of the state budget (Keynes, 1936).

In the context of contemporary economic transformations, tax evasion is taking on new, more complex, and covert forms. Among these, it is worth highlighting the use of fictitious business transactions, the creation of shell companies, the use of schemes involving related parties, as well as the use of digital financial instruments, including electronic payment systems and cryptoassets. Such trends significantly complicate the process of identifying violations of tax legislation, as traditional control methods often do not allow for a timely response to new challenges (Wagner, 1911).

The consequences of tax evasion are systemic and multifaceted, extending far beyond purely fiscal losses and significantly affecting the overall socioeconomic development of a country. In particular, the main negative effects include a decline in state budget revenues, which reduces the government's financial capacity to perform its essential functions and implement public policies. In addition, tax evasion leads to violations of the principles of fairness and equality in taxation, thereby undermining taxpayer morale and reducing the level of voluntary compliance.

Another important consequence is the distortion of the competitive environment, as non-compliant taxpayers gain unfair economic advantages over those who adhere to tax regulations. This creates imbalances in market conditions and discourages honest business practices. Furthermore, the spread of tax evasion contributes to a decline in public trust in government institutions and the tax system as a whole, weakening institutional credibility and governance effectiveness. In the long term, these factors may result in a slowdown in economic growth, reduced investment attractiveness, and hindered social development.

In the context of the digitalization of the economy, the problem of tax evasion is becoming increasingly complex and significant. The rapid growth in the volume of electronic transactions, along with the expansion of e-commerce, digital platforms, and financial technologies, creates new channels and mechanisms for concealing income and minimizing tax liabilities. As a result, traditional tax control instruments are often insufficiently effective, which necessitates their transformation and adaptation to new digital realities.

An important direction for improving the effectiveness of combating tax evasion is the implementation of modern information and analytical technologies. In particular, the use of Big Data, artificial intelligence, and machine learning enables in-depth analysis of large and diverse datasets, facilitates the identification of hidden patterns and high-risk transactions, and supports the prediction of potential tax violations. Moreover, the automation of monitoring and control processes enhances the speed and accuracy of decision-making, improves responsiveness to emerging risks, and reduces the influence of the human factor. Overall, the integration of advanced digital technologies contributes to the development of a more efficient, transparent, and adaptive system of tax administration capable of effectively addressing contemporary challenges.

Tax audits play an equally important role in the system for combating tax violations, as they provide a comprehensive review of taxpayers' financial and business activities and help identify violations at an early stage. Effective tax control, in turn, involves the use of a risk-based approach, which allows regulatory authorities to focus their resources on the most problematic areas. Systematic monitoring of financial transactions ensures continuous oversight of taxpayers' activities and the timely detection of irregularities.

Thus, combating tax evasion requires a comprehensive, multi-level approach that integrates auditing, control, and monitoring with modern digital technologies. It is also important to improve the regulatory framework, enhance tax compliance, and develop international cooperation in the exchange of tax information. Implementing these measures will help increase the transparency of financial flows, minimize tax risks, strengthen financial security, and ensure the stability of the state's budget system in the face of global challenges.

2. Economic Crisis Effects on Consumer Behavior

Both foreign and domestic scholars have extensively studied issues related to tax control and combating tax evasion, emphasizing the growing complexity of tax systems in the context of globalization and digitalization. In particular, Richard Murphy and James Alm have made significant contributions to the development of tax administration theory by substantiating the importance of transparency, accountability, and effective control mechanisms within the tax system. Their research highlights that the efficiency of tax collection largely depends on the level of trust between taxpayers and the state, the clarity of tax legislation, and the ability of institutions to detect and prevent violations in a timely manner.

At the same time, contemporary foreign studies increasingly focus on behavioral aspects of taxation, the role of digital tools in compliance monitoring, and the use of big data analytics to identify tax risks. These approaches contribute to a shift from traditional post-audit models toward preventive and risk-oriented tax control systems.

Among Ukrainian researchers, particular attention is devoted to improving tax audits, strengthening the institutional capacity of regulatory authorities, and implementing risk-based approaches in tax administration. Scholarly works in this field substantiate the necessity of modernizing control procedures, optimizing audit methodologies, and enhancing the analytical capabilities of tax authorities. Considerable emphasis is also placed on aligning national practices with international standards and recommendations, especially in the context of European integration processes and the adaptation of Ukraine's tax system to EU requirements (Pryshliak, 2022).

However, despite significant achievements in this area, the issue of integrating modern digital technologies into the tax control system remains insufficiently explored. In particular, the potential of artificial intelligence, automated data processing, electronic audit systems, and digital platforms for monitoring taxpayer activities requires deeper theoretical justification and practical implementation. The application of such technologies can substantially increase the efficiency, objectivity, and timeliness of control procedures, reduce administrative costs, and minimize opportunities for tax evasion. Moreover, digitalization enables a transition from traditional retrospective control to proactive and preventive models based on real-time data analysis and risk assessment.

The purpose of this article is to define the role of audit, control, and monitoring in the system for combating tax evasion, as well as to identify ways to enhance their effectiveness under current economic conditions. Achieving this goal involves analyzing existing approaches to tax control, assessing the impact of digital transformation on control mechanisms, and substantiating practical recommendations aimed at improving the functioning of the tax administration system, increasing compliance, and strengthening fiscal discipline.

3. Differences in Consumer Spending Behavior Among Age Groups

In today's economic environment, tax evasion remains one of the most pressing issues, as it directly affects the financial stability of the state and the effectiveness of its fiscal policy. The increasing complexity of financial transactions, the globalization of economic processes, and the development of digital technologies create new opportunities for minimizing tax liabilities, which requires the improvement of government enforcement tools. In this context, audits, tax control, and monitoring play a key role, forming the foundation of the system for combating tax violations.

A tax audit is one of the most important tools for detecting tax evasion. Its purpose is to conduct a comprehensive review of a business entity's financial and operational activities to verify the accuracy of tax returns and the correctness of tax liability calculations. An audit not only allows for the detection of past violations but also helps prevent them in the future by providing recommendations for improving accounting systems and internal controls. Of particular importance is the implementation of a risk-based approach to auditing, which ensures that resources are focused on the most problematic and potentially risky taxpayers (Ishchenko, 2021, 2022).

Tax control is an integral part of state regulation aimed at ensuring compliance with tax legislation. It includes a range of measures, such as desk audits, documentary reviews, and on-site inspections, analysis of tax returns, as well as monitoring the timeliness and completeness of tax payments. The effectiveness of tax control depends largely on the level of its organization, the use of modern information systems, and the transparency of procedures. An important direction for the development of tax control is its automation and integration with other government information resources.

Monitoring within the tax evasion prevention system serves to continuously track taxpayers' financial and economic activities. Its primary objective is the timely detection of high-risk transactions and potential violations. Modern monitoring systems rely on the use of big data, analytical algorithms, and artificial intelligence technologies, which improve the accuracy and speed of information processing. This enables a shift from a reactive control model to a preventive one, aimed at preventing violations.

The interaction of audit, control, and monitoring ensures a comprehensive approach to combating tax evasion. Monitoring allows for the identification of potential risks, tax control enables the verification of violations, and audit facilitates an in-depth analysis and provides recommendations for their resolution. Such integration of tools contributes to improving the efficiency of the tax system and reducing the level of the shadow economy.

In the context of the digitalization of the economy, the introduction of innovative technologies into the field of tax administration is of particular importance. The use of electronic services, automated risk analysis systems, blockchain technologies, and other digital tools helps increase the transparency of financial transactions and reduce opportunities for tax evasion. At the same time, this requires an appropriate regulatory framework and an increase in digital literacy among both tax authority staff and taxpayers.

Thus, an effective fight against tax evasion is possible only through the comprehensive use of audits, tax enforcement, and monitoring, supplemented by modern digital technologies. This allows not only for the detection and prevention of tax violations but also for the creation of a transparent, fair, and effective tax environment, which is the foundation of the country's sustainable economic development.

4. Survey Methodology

This study employs a comprehensive methodological framework combining general scientific and specialized approaches to investigate tax evasion and the role of audit, control, and monitoring mechanisms in combating it.

A system approach is applied to examine tax administration as an integrated structure in which audit, control, and monitoring function as interrelated elements. This allows for identifying internal linkages and evaluating their combined effectiveness.

The analytical method is used to decompose the phenomenon of tax evasion into its structural components, including forms, causes, and consequences. This is complemented by the synthesis method, which enables the generalization of findings and formulation of conclusions regarding effective countermeasures.

A comparative analysis is conducted to assess international practices in tax compliance and enforcement, allowing for the identification of best practices and their potential applicability.

The study also utilizes statistical methods to analyze trends in tax revenues, shadow economy indicators, and the prevalence of tax evasion. These methods provide an empirical basis for evaluating the scale and dynamics of the problem (Serpeninova, 2024).

To assess risks and detect irregularities, risk-based analysis techniques are employed, focusing on identifying high-risk taxpayers and suspicious transactions.

In addition, financial analysis methods are used to evaluate the accuracy and reliability of financial reporting, which is essential for detecting inconsistencies related to tax evasion.

Given the increasing role of digitalization, the study incorporates modern data analysis tools, including Big Data and artificial intelligence technologies, which enable large-scale data processing, pattern recognition, and predictive analytics in tax administration.

The combination of these methods ensures the reliability, validity, and comprehensiveness of the research results and allows for a deeper understanding of mechanisms for combating tax evasion in the context of digital transformation.

5. Findings

Tax evasion is defined as deliberate actions undertaken by taxpayers aimed at reducing their tax liabilities through concealment of income, manipulation of financial reporting, or the use of illegal schemes. This phenomenon represents a significant threat to fiscal stability and undermines the principles of fair taxation.

The key drivers of tax evasion include excessive tax burden, imperfections in tax legislation, low levels of tax culture, and insufficient state control. In addition, globalization and the digitalization of economic processes contribute to the emergence of new forms of tax evasion, making detection and prevention more complex.

Tax audit serves as a crucial instrument for detecting violations of tax legislation and ensuring compliance. It involves a systematic examination of the financial and economic activities of business entities to verify the accuracy and reliability of tax reporting.

The primary functions of tax audit include the identification of tax evasion practices, the assessment of risks associated with potential tax violations, the

Table 1
Key Aspects of Tax Evasion and Control

Aspect	Description	Impact
Tax Evasion	Deliberate illegal actions to reduce tax liabilities	Decreases budget revenues, distorts economic fairness
Main Causes	High tax burden, weak legislation, low tax culture, poor enforcement	Encourages non-compliance and shadow economy growth
Digital Challenges	Use of digital tools and cross-border transactions	Complicates detection and monitoring
Tax Audit	Systematic review of financial activities and reporting	Identifies violations and ensures compliance
Monitoring & Control	Continuous oversight by tax authorities	Prevents fraud and improves transparency
Technological Tools	Big data analytics, automation, e-reporting	Enhances efficiency and accuracy of tax control

Source: compiled by the authors based on their own research

prevention of financial fraud and abuse, and the verification of compliance with tax laws and regulations. In modern conditions, tax audit is not limited to the detection of violations but also serves as an analytical and preventive instrument aimed at improving the overall effectiveness of tax administration. By applying risk-oriented approaches and advanced analytical tools, tax audits enable the early detection of irregularities and contribute to minimizing fiscal losses.

Through the implementation of these functions, tax audit enhances transparency, strengthens the integrity of the tax system, and promotes fair competition among economic entities. It also facilitates the improvement of internal control systems within organizations, encouraging taxpayers to adopt more responsible and compliant behavior.

Tax control, in turn, encompasses a comprehensive set of measures aimed at verifying the accuracy and timeliness of tax calculation and payment. It includes various forms of control, such as desk audits based on submitted reports, documentary inspections involving detailed analysis of financial and accounting records, and on-site (field) audits conducted directly at the taxpayer's premises. Each of these forms plays a distinct role in ensuring the completeness and reliability of tax obligations (Drozd, 2021).

Effective tax control contributes to improving tax discipline, reducing the scale of the shadow economy, and increasing budget revenues. Moreover, it performs a preventive function by acting as a deterrent against potential violations, as the increased probability of detection and enforcement encourages voluntary compliance. In the context of digital transformation, the integration of automated monitoring systems and data analytics further enhances the efficiency, objectivity, and responsiveness of tax control mechanisms, making them more adaptive to contemporary economic challenges.

In the context of digital transformation, tax monitoring has become an essential component of modern tax administration, reflecting the transition from traditional, retrospective control models to proactive and real-time supervision. It is based on the use of advanced analytical tools, digital platforms, and integrated information systems that enable continuous observation, evaluation, and forecasting of taxpayers' activities. This approach enhances the ability of tax authorities to detect irregularities at early stages and to respond promptly to potential risks (Ishchenko, 2025).

The application of Big Data technologies and artificial intelligence significantly expands the analytical capacity of tax administration. In particular, these technologies enable the processing of large volumes of structured and unstructured financial data from multiple sources, the identification of high-risk transactions and suspicious patterns, the prediction of potential tax violations based on behavioral models, and the automation of control and analytical procedures. As a result, tax authorities can improve decision-making processes, reduce human error, and increase the overall efficiency, accuracy, and objectivity of tax control. Furthermore, the use of digital tools facilitates better coordination between different regulatory bodies and enhances information exchange at both national and international levels (Krysovatyy, 2024, 2025).

Enhancing the effectiveness of measures aimed at combating tax evasion requires a comprehensive, systematic, and multi-level approach that combines institutional, legal, technological, and behavioral components. The following directions are particularly important:

– Implementation of risk-based approaches to tax audits and inspections, which allow for the concentration of control efforts on high-risk taxpayers and transactions, thereby optimizing the allocation of administrative resources;

Table 2
Functions and Forms of Tax Audit and Control

Category	Element	Description	Outcome
Tax Audit Functions	Identification	Detection of tax evasion schemes and hidden income	Reveals violations
Tax Audit Functions	Risk Assessment	Evaluation of potential tax compliance risks	Enables targeted audits
Tax Audit Functions	Prevention	Reduction of fraud and abusive practices	Minimizes financial losses
Tax Audit Functions	Compliance Assurance	Verification of adherence to tax legislation	Strengthens legal discipline
Tax Control Forms	Desk Audit	Examination of submitted tax returns without taxpayer presence	Quick and cost-effective control
Tax Control Forms	Documentary Inspection	In-depth review of financial documents and records	Ensures reporting accuracy
Tax Control Forms	Field Audit	On-site verification of taxpayer activities	Provides comprehensive assessment
Tax Control Impact	Fiscal Effect	Increase in tax revenues	Supports state budget stability
Tax Control Impact	Behavioral Effect	Deterrence of violations through enforcement	Improves tax discipline
Tax Control Impact	Economic Effect	Reduction of shadow economy	Promotes fair competition

Source: compiled by the authors based on their own research

– Improvement and harmonization of tax legislation, ensuring its clarity, consistency, and alignment with international standards, which reduces opportunities for tax avoidance and legal ambiguities;

– Expansion of digitalization in tax administration processes, including the development of electronic services, digital reporting systems, and automated audit tools, which enhance transparency and reduce administrative burdens;

– Strengthening tax culture and voluntary compliance, through educational initiatives, increased taxpayer awareness, and the development of trust between taxpayers and the state;

– Ensuring transparency and accountability of tax authorities, which contributes to reducing corruption risks, increasing public confidence, and improving the overall effectiveness of tax governance.

In general, the integration of digital technologies with modern approaches to audit, control, and monitoring creates the foundation for a more adaptive, efficient, and transparent tax administration system capable of effectively counteracting tax evasion in a rapidly changing economic environment.

Enhancing the effectiveness of anti-evasion measures requires a comprehensive and systematic approach that integrates institutional, legal, technological, and behavioral components of tax administration. In the context of increasing economic complexity and digitalization, isolated measures are insufficient; instead, a coordinated strategy aimed at preventing, detecting, and minimizing tax violations is necessary. The following directions are particularly important:

– Implementation of risk-based approaches to tax audits and inspections, which enable tax authorities to focus on high-risk taxpayers and transactions through the use of analytical models and risk assessment systems, thereby improving the efficiency of control activities and optimizing resource allocation;

– Improvement and harmonization of tax legislation, aimed at ensuring clarity, consistency, and alignment with international standards, reducing legal ambiguities, and limiting opportunities for aggressive tax planning and evasion schemes;

– Expansion of digitalization in tax administration processes, including the introduction of electronic reporting systems, automated audit tools, real-time data exchange, and the use of advanced technologies such as Big Data and artificial intelligence, which enhance transparency, speed, and accuracy of tax control;

– Strengthening tax culture and voluntary compliance, through educational initiatives, increased awareness, and the development of trust-based relationships between taxpayers and the state, which contribute to reducing the shadow economy and fostering responsible tax behavior;

– Ensuring transparency and accountability of tax authorities, which is essential for minimizing corruption risks, improving public confidence, and enhancing the legitimacy and effectiveness of the tax system as a whole.

Overall, the implementation of these directions contributes to the formation of a modern, efficient, and adaptive tax administration system capable of effectively counteracting tax evasion and ensuring sustainable fiscal development.

The conducted study demonstrates that tax evasion remains a systemic and multifaceted problem that significantly affects the efficiency of national tax systems and undermines fiscal sustainability. The analysis confirms that traditional forms of tax evasion are increasingly complemented by more sophisticated schemes driven by globalization and digitalization.

It has been established that tax audit plays a decisive role in identifying and preventing violations of tax legislation. Its effectiveness is largely determined by the implementation of risk-based approaches and the quality of financial data analysis. At the same time,

Table 3
Digital Technologies in Tax Monitoring

Technology	Application	Benefit
Big Data Analytics	Processing and analyzing large datasets	Improves detection of irregularities
Artificial Intelligence	Risk assessment and anomaly detection	Enhances predictive capabilities
Automation Tools	Streamlining audit and control processes	Reduces human error and time costs
Digital Reporting Systems	Electronic submission and verification of tax data	Increases transparency and efficiency

Source: compiled by the authors based on their own research

Table 4
Key Directions for Improvement

Direction	Description	Expected Result
Risk-Based Audits	Targeting high-risk taxpayers using analytical models	More efficient use of resources
Legislative Improvement	Eliminating gaps and inconsistencies in tax laws	Reduced opportunities for evasion
Digitalization	Implementation of modern IT solutions in tax processes	Faster and more accurate administration
Tax Culture	Promoting voluntary compliance and awareness	Higher level of taxpayer responsibility
Transparency	Open and accountable tax authority operations	Increased public trust

Source: compiled by the authors based on their own research

tax control mechanisms ensure compliance through a combination of preventive and enforcement measures, contributing to increased tax discipline and reduced levels of the shadow economy.

The findings also indicate that tax monitoring, particularly when supported by advanced digital technologies such as Big Data and artificial intelligence technologies, significantly enhances the ability of tax authorities to detect irregularities, assess risks, and predict potential violations. These technologies enable real-time data processing and improve the accuracy of decision-making in tax administration (Aleskerova, 2018).

Furthermore, the study reveals that the effectiveness of combating tax evasion depends on the integration of audit, control, and monitoring into a unified system. Fragmented approaches are less effective compared to coordinated strategies that combine analytical tools, legal frameworks, and institutional capacity.

The results also highlight that non-technical factors, such as the level of tax culture, transparency of public institutions, and trust in government, play a critical role in shaping taxpayer behavior. Strengthening voluntary compliance is therefore as important as enhancing control mechanisms (Kaletnik, 2025)

Overall, the research confirms that a comprehensive approach – based on the synergy of traditional control methods and modern digital solutions – is essential for reducing tax evasion and improving the overall efficiency of tax systems in the context of digital transformation.

6. Conclusions

In summary, it is important to emphasize that effective counteraction to tax evasion is not only a matter of budget revenue generation, but also a key factor in strengthening trust in public institutions and ensuring fair conditions for doing business. Systematic tax audits, proper control, and continuous monitoring enable the timely detection of violations and help prevent their recurrence, thereby fostering a strong culture of tax compliance.

At the same time, digitalization opens new opportunities for improving tax administration. The use of big data analytics, automated audit systems, and electronic document management enhances the transparency, efficiency, and accuracy of control procedures. This not only reduces the burden on compliant taxpayers but also makes tax evasion schemes more difficult to implement.

Therefore, the integration of advanced technologies with traditional tax control mechanisms is essential for building a modern, efficient, and transparent tax system. In the long run, such an approach will contribute to increasing tax compliance, strengthening fiscal discipline, and ensuring sustainable economic development.

Therefore, the combination of traditional control mechanisms with innovative technological solutions is essential for building an effective, adaptive, and fair tax system. In the long term, this approach will contribute to sustainable economic development, enhance investment attractiveness, and strengthen the financial security of the state.

Moreover, it is crucial to ensure the continuous development of institutional capacity, including the professional training of tax officials and the modernization of administrative practices. In addition, international cooperation and the exchange of information between tax authorities play a significant role in combating cross-border tax evasion and addressing challenges arising from the globalized economy.

Ultimately, a balanced approach that integrates legal, organizational, and technological measures will foster the creation of a resilient tax system capable of effectively responding to modern challenges and ensuring long-term fiscal sustainability.

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