

Šerif Isović, MSc.  
Acting Director of the Tax Administration of the Federation of BiH,  
Husrefa Redžića Street 4,  
71000 Sarajevo, e-mail: puinfo@fpu.gov.ba

**THE RELATION BETWEEN THE ACCOUNTING PROFESSION AND THE  
TAX ADMINISTRATION  
ODNOS RAČUNOVODSTVENE PROFESIJE I POREZNE  
ADMINISTRACIJE**

**Abstrakt**

*The aim of this paper is to point out the significance and impact of good cooperation between the accounting profession and the tax administration in the process of executing tax liabilities. Developing taxpayers' awareness of legal accounting and payment of public revenues is a key issue for each country, and in addition to the tax authority, accounting profession is of particular importance. Today, almost any business process is unthinkable without an adequate connection with the accounting profession, and it is more than ever before in the service of public interest, which is primarily based on the need for legal and fair reporting on the business operations of business entities. The accounting profession should play a significant role in suppressing all types of tax fraud, evasion and all other forms of illegality. This should also be achieved through preventive action, i.e. that accountants discourage their advice and instructions from fraud and avoiding of paying public revenues. The accounting profession should be based on the principles of legality, professionalism and ethics, since any other understanding and treatment leads to the removal of the accounting profession from legality.*

*The Tax Administration needs sufficient accounting and financial evidence in order to obtain reasonable conclusions on which to base its opinion on whether the tax liabilities have been paid and declared in accordance with applicable regulations. Cooperation between the tax administration, taxpayers and the accounting profession should represent the establishment of partnership relations and the desire to achieve a common goal - legal collection of public revenues. This cooperation should primarily be based on the correct understanding, setting-up and execution of mutual rights, obligations and the building of partnership relations, and the outcomes of these relationships are measurable and will be reflected through the results of public revenue collection.*

*Key words: accounting profession, taxpayers, cooperation, Tax Administration of the Federation of BiH*

*JEL classification: M40, M41 and H20*

**Sažetak**

*Cilj ovog rada je da ukaže na značaj i uticaj dobre saradnje računovodstvene profesije i porezne uprave u postupku izvršavanja poreznih obaveza. Razvijanje svijesti poreznih obveznika o zakonitom obračunu i plaćanju javnih prihoda je ključno pitanje za svaku državu, a u tome pored poreznog organa poseban značaj ima i računovodstvena profesija. Danas je gotovo nezamislivo bilo koji poslovni proces bez adekvatne povezanosti sa računovodstvenom profesijom i ona je u ovom vremenu više nego ikada do sada u službi javnog interesa koji se primarno temelji na potrebi zakonitog i fer izvještavanja o poslovanju poslovnih subjekata. Računovodstvena profesija treba da ima značajnu ulogu u suzbijanju svih vrsta poreznih prevara, utaja i svih ostalih oblika nezakonitosti. To treba da se postiže i kroz preventivno djelovanje, tj. da računovođe svojim*

savjetima i uputama odvrćaju od prevara i izbjegavanja plaćanja javnih prihoda. Računovodstvena profesija treba biti utemeljena na principima zakonitosti, profesionalizma i etičnosti, jer svako drugačije shvatanje i postupanje vodi ka udaljavanju računovodstvene profesije od zakonitosti.

Poreznoj upravi su neophodni dostatni računovodstveno-finansijski dokazi da bi mogla izvući razumne zaključke na kojima će zasnivati svoje mišljenje o tome da li su porezne obaveze obračunate plaćene i prijavljene u skladu sa važećim propisima.

Saradnja između porezne uprave, poreznih obveznika i računovodstvene profesije treba da predstavlja uspostavljanje partnerskih odnosa i težnju ka ostvarivanju zajedničkog cilja – zakonite naplate javnih prihoda. Ta saradnja se prioritetno treba zasnivati na pravilnom razumijevanju, postavljanju i izvršavanju međusobnih prava, obaveza i izgradnji partnerskih odnosa, a izlazni rezultati ovih odnosa su mjerljivi i iskazat će se kroz rezultate naplate javnih prihoda.

*Ključne riječi: računovodstvena profesija, porezni obveznici, saradnja, Porezna uprava Federacije BiH*

*JEL klasifikacija: M40, M41 i H20*

## **Introduction**

Tax activities, by their structure, are very complex and consist of a larger number of participants. The main participants in tax processes and activities are: lawmakers, taxpayers, tax authorities - accountants, auditors and other entities. In order to pursue and achieve the social goal, optimal and legal collection of public revenues, the concept of cooperation and synergy should be a joint activity of all participants in the tax process. An important catalyst for participants in the tax process is the accounting information. Accounting with its activities in each company should enable a realistic presentation of the real financial position, business results and cash flows according to the real values of assets, liabilities and capital, on the basis of which different users of financial reports could use them in making economic decisions. The responsibility of the accountant is not solely to meet the needs of an individual employer but to act in the public interest and to act in accordance with applicable regulations and the Code of Ethics for professional accountants. Co-operation between the tax administration and the accounting profession and mutual expectations should be based on their competencies and tasks that are regulated by applicable regulations, developing mutual cooperation, transparent and partnership relations based on positive regulations. The best way to cooperate is to do all your work and activities lawfully, timely and professionally.

### **1. Accounting profession and its importance in society**

Accounting profession throughout the world takes a central role in society. Without the existence of this profession, it is impossible for any economic community to function. Accounting is used in all business segments and without it successful business is inconceivable. The roots of this profession appear in the 19th century. There are a number of accounting definitions, and one of them is that accounting is the systematic collection, development, and analysis of information about the financial condition of an organization. According to *Puškarović* (2015), the most commonly encountered definition of accounting in textbooks, but also in professional terms, is the one given by the American Institute of Authorized Public Accountants, which defines accounting as *"the art of writing, classifying, and summarizing in a significant way and in money terms, jobs and events that are, at least, of a financial nature, and interpreting their results."* This institution later also provides an advanced definition of accounting. According to this definition, accounting is *"the process of identifying, measuring, and communicating economic information to enable information-based judgment and decision-making by user information"* (American Accounting

*Association, 1966).*

Like accounting, the accounting profession itself is exposed to constant changes due to the globalization and development of society, so its goal is to constantly modernize and change. Accounting is a noble profession that requires a high level of professionalism (Akenborg, Tenison, 2014). It is one of the fundamental professions in every society and it is very important that it is educated and organized in a quality way (Žager and Dečman, 2015, 269). This profession is subject to continuous improvement from specialized areas and is present in the public and private sectors (Dražić-Lutilsky et al., 2010). It makes it different from other professions of the facts of accepting responsibility and its actions in the public interest. The objective of the accounting profession is fulfilled if four conditions are met: the validity of information, the quality of the services provided, professionalism and trust. Vidaković (2002) states that accounting and auditing is the product of an economic and overall social system in which the key role of the state in regulating this field is crucial. Accounting profession is extremely important because all financial information is provided to information users by the accounting process, and they are crucial for business decisions of taxpayers, investors, creditors, but also for tax institutions. Accurate accounting information is the result of quality financial information and reports, and the reliability of their quality is of great importance to tax administrations and to the quality management of a tax policy of a country. The accounting profession should be ethical in the function of public interest, tax process, taxpayers and tax administrations. Moral education, knowledge of ethics, personal and business morals that must guide them in their actions in dealing with others, the environment and society as a whole, makes up a professional accountant not only an educated expert, but of a complete human person, who truly has the meaning and significance of the notion of personality (Janković and Vlačić, 2010, 85). This profession together with tax administrations should establish the synergies that are necessary for the efficient and effective collection of public revenues that will provide benefits to the community and society as a whole. Only professional and moral employees of the accounting profession, tax administrations and taxpayers are the foundation and guarantee of optimum collection, that is, the improvement and stability of public revenue collection, which is a condition of the progress of modern society.

### **1.1. Accounting profession and ethics in the function of developing tax awareness (with a focus on the Federation of BiH)**

In every society and community, the development of taxpayers' awareness of legal accounting and the payment of public revenues is an extremely important issue. In this particular importance is also the accounting profession, which through its ethical behavior should positively influence the behavior and awareness of taxpayers and society in general. The accounting profession belongs to a very important ethical task in the interactive relations between taxpayers and the tax administration. It is important for the establishment and development of cooperation of all participants in the tax system. Today, almost any business process is unthinkable without an adequate connection with the accounting profession, and today it is more than ever in the service of public interest. Its public interest is primarily based on the need for legal and fair reporting on the business of businesses. Accountants today are professionals who require a high level of professionalism and ethics based on knowledge, competencies and experience. Accounting ethics in its definition includes a set of generally accepted moral norms based on ethical values that are necessary to apply when compiling and presenting financial information related to an institution and an enterprise. The basic principles of ethics of professional accountants and auditors are: objectivity, integrity, professional competence, trustworthiness and professional behavior (Malinić, 2011).

The accounting profession is now organized through various associations and associations. In the world, this is the International Federation of Accountants (IFAC), the European Federation of Accountants (FEE), the European Association of Accountants (EAA), the American Institute of

Public Accountants (AICPA), the Financial Accounting Standards Board (US GAAP). In Bosnia and Herzegovina, these are: the Accounting and Auditing Commission of BiH, the Federation of Accountants, Auditors and Financial Workers of the Federation of Bosnia and Herzegovina (SRRiF-FBiH), the Association of Accountants and Auditors of the Federation of BiH (URR FBiH), Association of accountants, auditors, tax advisors and financial employees of BiH (JAFIS), Association of Accountants, Auditors and Financial Workers of RS (SRR-RS).

The professional behavior of an accountant is regulated by the Code of Ethics for Professional Accountants. The IFAC has issued an international code with the idea that it will be the basis for drafting national codes with detailed rules, guidelines and standards of conduct. Today, the *Code of Ethics for Professional Accountants* is in force (2015 edition). Certain changes have taken place in this release, which entered into force on April 15, 2016, except for the changes in section 290 that came into force for audits and financial statements for periods beginning on or after the 15<sup>th</sup> of April 2016. The Code is designed to apply to all professional accountants, regardless of whether they are in the public domain, industry, commercial, public sector or education. According to this Code, a professional accountant is anyone who performs audits, accounting, taxes, and similar consultations. In addition to IFAC, the second most recognized organization as the creator of ethical codes for professional accountants is AICPA. Through its membership of the IFAC members, through its membership, the IFAC mission promotes the public interest through the strengthening of the global accounting profession and the contribution to the development of strong international economies by establishing and promoting adherence to high quality professional standards, supporting international harmonization of such standards and extending issues that are in the public interest where professional expertise is most relevant. Today, the IFAC consists of 175 members of the alliance in more than 130 countries and jurisdictions, representing nearly 3 million accountants in public practice, education, civil service, industry and trade.

When it comes to BiH, it is important to emphasize that complex socio-economic relations, post-war situation in society and political relations within BiH society are of great importance to the status and quality of the accounting profession. Due to the complexity of the tax system and the state of B&H, this section will focus on only one part, which is the Federation of Bosnia and Herzegovina, with a special emphasis on the Tax Administration of the Federation of BiH, which is responsible for the application of tax regulations at the Federation entity as part of the state of BiH. SRRiF-FBiH is a non-governmental, non-profit, professional association of certified accounting technicians, certified accountants, certified auditors as well as other accounting, auditing, financial workers and other related professions in the Federation and Bosnia and Herzegovina. The role of the SRRiF-FBiH is defined in its Statute (*Federation of Accountants, Auditors and Financial Workers of the Federation of Bosnia and Herzegovina, 2017*), according to which it operates in the function of:

- development of accounting, auditing, financial profession and other related professions,
- promoting and maintaining the highest standards of professional competence,
- the provision of quality services for professional training and training of its members in terms of necessary qualifications, vocational training, certification and licensing, and performing other activities and activities from the scope of the professional accounting authority.

The SRRiF-FBiH Statute prescribed the basic tasks, which are:

- to work on the translation, publication and raising awareness of the importance of implementing the standards as well as all accompanying instructions, explanations and guidelines of the International Federation of Accountants and the International Accounting Standards Board and other competent bodies,
- to provide professional training, testing and certification of its members, as well as licensing, in accordance with the standards and guidelines of the competent international organizations and bodies in this field,

- to act in the direction of ensuring the continuous professional development of professional accountants and
- to carry out other activities and responsibilities of a professional accounting officer.

In accordance with the Fundamental Principles of the Code of Ethics for Professional Accountants (IFAC, 2015), which is in force and applies in the territory of the Federation of BiH, the accountant should act in accordance with the following basic principles:

a) *Honesty* - be honest and honest in all professional and business relationships. The principle of honesty imposes an obligation on accountants to be honest in all professional and business relationships. A professional accountant will not knowingly be associated with reports, submissions, communications, or other information where he/she believes that information: contains a material misstatement or misleading allegation, contains carelessly worded statements or information, or omit or distort the information that should be included where such a discharge or distortion led to the creation of a misconception.

b) *Objectivity* - do not allow bias, conflict of interest, or inappropriate influence of others over his professional or business judgment. The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business estimates due to bias, conflict of interest or undue influence of others. A professional accountant will not perform a professional activity or service if the circumstance or relationship creates prejudice or improperly affects the professional judgment of an accountant in connection with that service.

c) *Professional competence and due attention* - to maintain professional skills and knowledge at the level necessary to ensure that a client or employer will receive a competent professional service based on contemporary achievements in practice, legislation and techniques, and act diligently and in accordance with professional and professional standards that can be apply.

d) *Confidentiality* - to respect the confidentiality of information acquired on the basis of professional and business relations, and therefore not to disclose any such information to third parties without special and appropriate approval, unless it has no legal or professional right or obligation to publish, nor use information for the personal benefit of a professional accountants or third parties. The principle of confidentiality imposes an obligation on all accountants to refrain from: publishing confidential information obtained through professional and business relationships outside the auditing company or employer's organization without proper and specific approval, or if there is no legal or professional right or duty to publish and use confidential information obtained on the basis of professional and business relationships for their own benefit or the benefit of third parties.

e) *Professional behavior* - act in accordance with relevant laws and regulations, and avoid any action that discredits the profession. The principle of professional behavior imposes an obligation on all professional accountants to comply with relevant laws and by-laws, and avoid any action that a professional accountant knows or should know to impair the reputation of the profession.

Although the principles outlined above are intended for accountants, they represent universal and general values that in their work can and should be consumed to the fullest extent by other participants in the tax system, and especially employees in tax administrations.

## **2. Tax Administration of the Federation of Bosnia and Herzegovina - role and tasks**

The Tax Administration of the Federation of BiH (Tax Administration) is a federal administration within the Federal Ministry of Finance, whose basic task is the application and supervision of the application of tax regulations and regulations on collection of contributions. Tax Administration is one of four tax administrations in BiH. In addition to the Tax Administration of the Federation of BiH in BiH, there is also the Indirect Taxation Authority of BiH, the Tax Administration of the Republic of Srpska and the Tax Administration of Brčko District. The result of such a regulated tax

policy is derived from the BiH Constitution. The competence of the Tax Administration is regulated by the Law on the Tax Administration of the Federation of BiH. The strategic plan of the Tax Administration defines its mission, vision and core values. The Tax Administration's mission is collecting - collection of public revenues by the correct application of tax laws, with better cooperation with taxpayers and as little as possible expenses, in order to increase the social well-being. Within the framework of the vision, the Tax Administration aims to be a modernly equipped tax authority that is highly professional, efficient, economical and dynamic, with satisfied, educated, capable and ambitious employees, respected by taxpayers - citizens, entrepreneurs, associations and non-governmental organizations, and higher executive and legislative bodies. The values of the Tax Administration are the principles on which current and future activities are based in order to fulfill the mission and realize the vision.

Principles are continuously implemented by all employees. The basic values of the Tax Administration are (*Tax Administration of the Federation of BiH*, 2014) are:

- consistent and mutual application of legal regulations by taxpayers and the Tax Administration of the Federation of BiH,
- mutual respect and trust between the Tax Administration of the Federation of BiH and taxpayers,
- efficiency and effectiveness in work and collection of public revenues,
- professionalism, impartiality and respect for the ethical code of the employees in order to protect the interests of the institution and common values.

According to the currently valid work strategy, the basic objectives of this tax administration are to be a fair, rational and efficient administration, which among other things includes:

- full application of the applicable laws and regulations in the process of accurate determination and collection of tax liabilities,
- the tendency towards the full and timely execution of all obligations arising in the way of collection of public revenues for which it is competent,
- respecting all rights of taxpayers with equal treatment and treatment towards everyone, i.e. that there are no privileged taxpayers,
- continuous tendency towards improving the level of quality of services and services to taxpayers, which will enable them to operate more easily and as easily and cheaply as possible to settle their tax liabilities,
- establishing clear and transparent communication with taxpayers, all governmental and non-governmental institutions, the media and the general public,
- development of material, personnel and financial capacities and conditions for timely execution of all tasks for which it was founded,
- establishment and preservation of a system in which all employees have a status exclusively according to knowledge, work, work results, moral code of conduct, that there are no privileged,
- strengthening the reputation and reputation through the development of expertise and professionalism and functioning in accordance with the law.

The Tax Administration is responsible for carrying out activities in the field of all types of federal, cantonal, city and municipal taxes and contributions, special fees, membership fees from tourist communities, membership fees of crafts chambers and fines for tax offenses.

The scope of work of the Tax Administration of the Federation of BiH is regulated by the Law on the Tax Administration of the Federation of BiH (*Official Gazette of the Federation of Bosnia and Herzegovina*, 2002), which is:

- registration and identification of taxpayers,
- management of tax records and tax accounting,
- receipt and control of tax returns, recording of tax liabilities in tax accounting, collection and return of tax liabilities,

- determining the timeliness, legality and regularity of submitted tax returns,
- collection of tax debt by regular and compulsory means,
- conducting inspection supervision,
- management of a unique system of registration, control and collection of contributions, fiscalization system and gaming system,
- developing services to taxpayers, informing and educating taxpayers,
- cooperation with tax authorities and other governmental institutions in the Federation and Bosnia and Herzegovina, as well as cooperation with international institutions and organizations,
- other tasks in accordance with the regulations.

In the course of carrying out their tasks, the Tax Administration and its employees, within the scope of their powers, have the obligation and the right to strictly adhere to all Federation laws. In order to carry out this task, this body seeks to continuously improve its knowledge of tax obligations, to constantly strive and provide the prerequisites for the constant improvement and equalization of the quality of services throughout the Tax Administration, thus enabling subscribers to have adequate support and services that will help them understand and predict their tax obligations and reduce errors (*Isović, 2017*). One of the basic objectives of the Tax Administration is the education and training of employees who will work in this administration, because only educated, capable and moral employees can adequately respond to all the challenges. In spite of the large financial and material constraints and the lack of tax officials, the Tax Administration makes great efforts to efficiently and rationally fulfill its obligations and advocates a just, rational and efficient administration to build a just, clear and stable tax system that will respond to the needs of development earth.

## **2.1. Cooperation of the Tax Administration of the Federation of BiH and taxpayers**

Cooperation between the Tax Administration and taxpayers represents the establishment of partnership relations in the pursuit of a common goal. Cooperation should be based on the correct understanding, setting-up and execution of mutual rights, obligations and the building of partnership relations. Tax administration and taxpayers in the framework of joint work, through general action on efficient and rational implementation of tax legislation, must understand, understand and accept mutual rights and obligations. Within the framework of mutual rights and obligations, based on the law, for easier communication, it is important to understand what is expected, in order to have systematic functioning of cooperation in mutual relations, mutual satisfaction and fulfillment of the common goal - legal collection of public revenues. In order for the Tax Administration to fulfill its obligations efficiently, rationally and impartially, it is necessary for the Tax Administration and taxpayers to know and practice all mutual rights and obligations and to establish and develop a relationship of mutual trust and appreciation. These relationships should be transparent, open, professional and as such will be effective and enable taxpayers to more easily and easily fulfill their tax obligations, and to the Tax Administration to be more rational and efficient in collecting public revenues. The administration should be assisted in all ways by the taxpayers who show that they want to fulfill their tax obligations, and show the determination to take all measures against those who want to avoid their obligations and direct them to lawful treatment.

Establishing communication between taxpayers and the Tax Administration should be based on mutual understanding in order to achieve a common goal - legal payment of public revenues. The rights of taxpayers are determined by *the Law on the Tax Administration of the Federation of BiH, the Code of Ethics of Civil Servants in the Federation of BiH and other applicable regulations from the scope of work of this institution*. According to the above, taxpayers can and should expect the Tax Administration to:

- implement laws in a consistent and consistent manner, while respecting the principles of non-discrimination on any ground and without any undue influence;
- charge only the amount of taxes, that is, public revenue that the taxpayers are obliged to pay in accordance with the law (neither the mark nor the mark less);
- treat with due care, to be fair to them, assuming that taxpayers are telling the truth, unless there is a reliable reason to be considered contrary;
- in accordance with the law, provide complete and accurate information that will enable them to realize and realize their tax obligations and avoid any possible errors in the calculation and payment of taxes;
- enable the taxpayers to clarify all the facts relevant to the calculation and payment of taxes with its employees, during the inspection and determination of obligations;
- respect the right of taxpayers to submit: complaints, appeals and lawsuits on decisions on established obligations and that their acts and evidence will be taken into account and be carefully considered and explained and will correct any errors in their acts.
- keep data and information representing a tax secret, that without the consent of the obliged person, they will not give this information to other persons, except in cases when it is prescribed by law;
- recognize the right to refund and make a decision on more or wrongly paid tax;
- in case of delay in payment, calculate and charge interest in accordance with the law;
- enable taxpayers to obtain an adequate service, contact the tax officers in connection with their cases and resolve any request for assistance in a timely and complete manner;
- take all measures to prevent the avoidance of payment of taxes, contributions and any other public revenue and apply all the statutory measures and sanctions;
- continuously improve their knowledge of tax liabilities in order to be able to provide appropriate support and provide taxpayers with services to help them understand and anticipate their tax obligations and reduce errors.

From the same legal regulations that determine the rights of taxpayers, the expectations and rights of the Tax Administration are defined. As taxpayers have their expectations, the Tax Administration expects taxpayers to:

- comply with tax laws and fulfill their tax obligations within prescribed deadlines;
- truthfully and accurately present data in tax returns and submit tax returns in accordance with the prescribed deadlines;
- it will not knowingly and deliberately avoid taxation regulations and that it will promptly seek advice on the obligation and manner of execution of tax obligations;
- keep the books and records in a manner determined by the applicable regulations and ensure the keeping and keeping of books, records and documentation in the deadlines prescribed by applicable laws, and at least for a period of five years from the date of maturity of the tax return for the tax relating to those books and records;
- understand and accept the right and obligation of the Tax Administration to conduct tax supervision, and that it will not endeavor to influence inappropriately the control, accounting and payment of public revenues and other activities;
- for the purpose of rapid and efficient implementation of inspection supervision and tax supervision procedures to cooperate, to be honest in communication and, at the request of its authorized employees, to provide: business books, business and other documentation, accurate and complete information relevant to the determination of tax liabilities;
- respect the impartiality and independence of this administration, to be open, honest and cooperative in all matters that are important for determining their tax obligations and achieving the objectives and role of the Tax Administration;
- inform the Tax Administration in due time and within the prescribed deadlines when there are changes that are significant for their tax status and the Tax Administration;

- read the information, communications and messages sent to them by the Administration, whether it is sent to the taxpayers personally or through general communications, through the Administration website or some long form of communication.

## **2.2. Results of the work of the Tax Administration of the Federation of BiH and future expectations**

In its work, the Tax Administration continuously records upward results in the collection of direct public revenues. Thus, in 2016, taxpayers paid about 4.5 billion KM of public revenues, which in comparison with 2015 represented a higher payment of 350 million KM or expressed in percentages, more by 8.51%. Positive trend of collection of revenues was realized in the first ten months of 2017. Namely, in the period January - October 2017, public revenues for which the Tax Administration are responsible in the amount of 3,977,813,673 KM, and in comparison with the same period last year, they increased by 9,61%, or by 348,769,099 KM. These results are the result of systematic work, development and application of the principle of professionalism and legality in the daily work of employees of this administration, raising the discipline and overall awareness of taxpayers and citizens about their obligation to report and pay taxes. In addition to the positive results in the collection of public revenues, a positive trend has been noted in the past period in other segments of the Tax Administration's work, which represents a progress towards creating a modern, efficient and economical system of tax administration, improving the efficiency and effectiveness of all business processes, raising the quality of services and reducing costs fulfillment of tax obligations. The Tax Administration is strongly oriented to be the best service to taxpayers and to build transparent relationships based on applicable laws. On this path, it is oriented towards seeking new and better solutions leading to progress and stability. Ethical principles and behavior of its employees are fundamental principles and behavioral patterns.

The Tax Administration has an open call for taxpayers to be its partner, since the Tax Administration sincerely wants to be a partner to all taxpayers who legally operate, and the imposition of fines is solely the means by which the full implementation of tax laws is achieved. The Tax Administration uses every opportunity to publicly thank all taxpayers who properly carry out their tax obligations and invite all taxpayers to operate legally, to use their money to improve their business, investment, development, to pay salaries to employees rather than making hard-earned money They spend on paying penalties and interest. The Tax Administration calls upon taxpayers to execute their obligations timely, to voluntarily declare and pay them, to report to each employee, or to operate in accordance with tax and other applicable regulations, as this is the best and safest way of doing business. The principles of legality, professionalism, ethics, trust, respect and understanding between the Tax Administration and taxpayers are the basis for fulfilling mutual expectations and cooperation, and the outcomes of these principles are measurable and will represent results in the collection of public revenues (*Isović, 2017a*). In honoring these principles, an accounting profession plays an important role that together with the tax administration will encourage taxpayers to align their business with the law.

## **3. Accounting profession and Tax Administration of the Federation of BiH - situation and perspectives**

Accountants are, as a rule, taxpayers, so everything that has been said above for relations between taxpayers and tax administration is mainly related to accountants. Accounting profession is needed for all participants in the exchange of accounting and business information that are established on the principles of professionalism and legality. The role of the accounting profession, based on the principles of professionalism and ethics, is important for the efficient and effective functioning of the tax system.

Tax procedures should be based on precise and verifiable transactions. The Law on Accounting and Auditing in the FBiH (*Official Gazette of the Federation of BiH*, 2009) stipulates that the contents of the accounting document must clearly and credibly show the type and extent of changes that have occurred, the nature of business changes, technical characteristics with the possibility of timely supervision, and that a credible document is considered accounting a document on the basis of which a third party who has not participated in a business event can undoubtedly and without any doubt determine the nature and extent of the business event. The accounting profession should and must be based on the principles of legality, professionalism and ethics, since any other understanding and treatment would mean the removal of the accounting profession from the legality and reality. The Tax Administration needs sufficient relevant and competent accounting and financial evidence to obtain reasonable conclusions on which to base its opinion on whether or not tax returns have been prepared in accordance with the law and whether taxes are calculated and paid in the prescribed amounts. In this process it is necessary that the tax administration develops the financial and accounting knowledge of all its employees working on tax returns, calculation and cutting of tax liabilities, inspection supervision, etc.

Taxation relies on accounting rules that do not match the tax, so it is necessary to provide through the accounting system the information necessary for easy calculation and control of public revenues. Accounting is based on accounting regulations; however, in contemporary society, the need to align financial accounting with the principles of comprehensibility, clarity, simplicity and convenience is becoming more and more important, and this profession should ensure the keeping of records of relevance to tax matters, which should be true, accurate and correct and as such are an important source of information for the Tax Administration. Therefore, continuous tax consultations are also needed to better understand and implement tax accounting. The tax administration of the Federation of BiH in the coming period intends to intensify its activities in the segment of tax consulting and education of its employees and taxpayers. It currently does so in accordance with its available capacities and with the lack of funding through internal seminars, websites and various media outlets. The business policy of the Tax Administration is to publish every information on its work on its website and through the media, which in the past period was a significant support to this tax authority. Through various instructions and guides that are publicly available to taxpayers and accounting profession, the Tax Administration seeks to improve its services and be the best service for both, and in this way, in this way, with better cooperation, achieve good results in collection, strengthening of tax awareness and discipline, but also to improve its reputation and position in society. These are various instructions on how to proceed, instructions on completing tax returns, instructions on deadlines for filing tax returns, electronic submission of tax returns, electronic filing of applications, guides for access to information, check of betting sheets, check of paid contributions, checking of paid contributions reporting fiscal devices, etc. However, in the next period, within the framework of its communication strategy, the Tax Administration intends to intensify its public tax consultations with the support of the authorities and the necessary additional financial resources, in which the role of the accounting profession will be very important.

Accounting and taxation education is very important for the detection and prevention of tax fraud for the accounting profession and the Tax Administration, so accounting and taxpayers must be familiar with both accounting and tax regulations in order to be able to operate within the limits and in the manner prescribed by law. A significant problem for taxpayers and accountants is that there is a fairly complicated, complicated legal tax framework, the unrestricted regulation and their frequent changes that lead to the uncertainty of the entire social system, and are actively working on taxpayers, taxpayers and accountants, which increases costs adaptation and education. Because of this, the accounting profession and the Tax Administration need to exhibit significant synergy and jointly strive to make the laws more rational, more comprehensive, not to produce ambiguity and ambiguity, to minimize the need for additional interpretations by their quality, and to ensure long-

term sustainability and sustainability of tax solutions in order to the risks of non-payment, evasion and fraud, or uncertainties brought about by any change in tax policy, have been reduced. The stability or long-term nature of tax and accounting solutions will inevitably lead to raising the level of knowledge and professionalism in these areas, and certainly to greater legal certainty of taxpayers.

In its work on the territory of the Federation of BiH, the tax administration continuously discovers additional tax liabilities, a large number of undeclared workers working while not registered in unregistered business entities, taxpayers who do not record turnover, and other illegal activities. For example, only in 2016, the Tax Administration established more than 400 million KM additional liabilities and submitted 39 official reports to the competent prosecutor's offices because of the existence of grounds for suspicion that tax crimes were committed, and in the first three quarters of 2017, additional tax liabilities were imposed from over 143 million KM. On the other hand, in only 45 fast one day actions conducted in the last period, this administration found: 4,066 undeclared workers, 3,481 non-invoicing entities, 1,576 subjects who worked without a license, 1,051 entities without an installed fiscal device. Due to these irregularities, it sealed 2,502 facilities and issued 6,872 misdemeanor orders with fines in the amount of 16,805,900.00 KM. These data point to the fact that the accounting profession is not comprehensive, that there is no adequate information exchange with the Tax Administration, and that there is a significant area for establishing better cooperation. These data logically produce the question: *What is the "role and responsibility" of the accounting profession in these forms of law violations and does this profession reduce and behave in a preventive manner?* It is certain that accountants who maintain business books to taxpayers, who violate the penalties imposed on them, have knowledge and responsibility in this regard. The accounting profession should play a significant role in combating fraud and manipulation in general, and therefore tax scams. This is best achieved through preventive action, i.e. that accountants discourage their advice and instructions from fraud and avoid paying public revenues. The accounting profession, even after suspecting the possibility of fraud or after fraud detection, may act in a manner that informs the Tax Administration of such information. However, practically this is rarely happening. Accountants, in many cases, are silent and silently tolerate unlawful business in a kind of way. Such behavior should be changed in the coming period, including the prescription of penal policy for accountants who do not report this behavior or do so. The current penal policy does not support this. This is confirmed by the fact that when it comes to the work of the Tax Administration of the FBiH, there is no single case in which the accountant reported the unlawful treatment of a taxpayer. Namely, via e-mail for gray economy applications, and open telephone lines from the 10<sup>th</sup> of 2015 to the end of October 2017, about 2,670 applications were received. The most applications were from citizens, but they were also from disenfranchised workers or taxpayers who report other taxpayers. After processing, all applications were analyzed by intelligence-investigative inspectors and delivered to the competent cantonal offices for treatment and control. By analyzing submitted applications, it was found that none of the applications came from an accountant. It is very clear that the accounting profession has a direct insight into the business of the subject and is aware of the irregularities, since no accountant who keeps a business account for one taxpayer cannot not notice that the taxpayer did not correctly calculate and pay the tax liabilities that are required by law. Given the importance of performing accounting and auditing tasks, this profession may and should have a significant role in preventing illegal activities of taxpayers and responsible persons. Therefore, the Tax Administration addressed the accountants and auditors on a number of occasions with a public call. The Management Board has publicly invited certified accountants, authorized and internal auditors to not participate in the work for which they are authorized, or provide advice to taxpayers and responsible persons in the conduct of illegal activities in the business, and to report to the Tax Administration those who do so. Calls always included a note that the Tax Administration will pay special attention in the following period to accountants and auditors whose clients appear as actors for avoiding and not

paying public revenues, and that some irregularities made by the BH Federation Criminal Code qualify as criminal offenses in the area of taxation which prescribe penalties of imprisonment and fines. The position of the Tax Administration of the FBiH is that the accounting profession must serve the public interest and act in accordance with the applicable laws and regulations, and to refrain from any behavior that can harm the public interest and be discredited for this profession. Acting in the public interest and in accordance with the rules of the profession, accountants need to protect themselves and the profession they perform, because the principles of professionalism and legality are the foundation for meeting mutual expectations and good cooperation.

## **Conclusion**

The cooperation of the tax authority, accounting profession and taxpayers and expectations as a result of mutual cooperation should be based on the fact that each of these participants acts in accordance with applicable regulations, standards and ethical principles, while continuously maintaining professional competence. Maintaining the professional competence of taxpayers and accountants should be based on continuous monitoring and the adoption of relevant professional, professional and business achievements. Professional behavior should be built in accordance with relevant laws and avoiding any activity that discredits the profession. Accounting and tax regulations are very important for the accounting profession, the Tax Administration of the Federation of BiH and taxpayers, so accounting and taxpayers must be familiar with the accounting and tax regulations in order to be able to operate within the framework and in the manner prescribed by law. Only professional and moral employees of the accounting profession, tax administration and taxpayers are the foundation and guarantee of good cooperation. Everyone needs to act diligently, professionally, legally, ethically, to understand and understand each other's rights and obligations, and build mutual respect and trust.

Cooperation and expectations between the Tax Administration of the Federation of BiH, the accounting profession and the taxpayer should be a continuous process based on joint work. Cooperation should be based on the correct mutual understanding, setting-up and implementation of mutual rights, obligations and building partnership relations, so that it can function systematically. It is important that the Tax Administration of the Federation of BiH in its further strategic commitments continues to incorporate the concept of the importance of the synergy of accounting profession and your administration. Both must necessarily work together to adopt laws that will be understandable, comprehensive, long-term sustainable, to respect the economic power of the taxpayer and the needs of the development of the state.

In accordance with its mission and vision, the Tax Administration will continue to improve its knowledge of tax liabilities in order to be able to provide appropriate support and provide taxpayers with services to help them understand, calculate, pay and plan their tax liabilities and reduce possible errors. This body is committed to providing support to taxpayers in its entire means that show their intention and wish to fulfill all their tax obligations, and on the other hand is determined to take all measures against those who want to avoid their obligations and direct them to the legitimate treatment.

The principles of legality, professionalism, ethics, trust, respect and understanding of taxpayers, accounting profession and tax administration are the foundation for the fulfillment of mutual rights, expectations and cooperation, and the outcomes of these relationships are measurable and will be reflected through satisfactory results of public revenue collection, which will all positively affect the development of the economy of the social welfare of a country.

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