

TAX PRIVILEGES IN RUSSIAN FEDERATION: A CHANGE IN AN ESTABLISHING ORDER

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Abstract

Tax benefits are the most important instrument of state regulation of economy that affects a condition of the institutional environment of entrepreneurial development. Taxes of the Russian Federation are established at three levels: federal, regional and local. At the present time tax benefits for all kind of taxes of the Russian Federation can be established at the Federal level of management. Thereafter additional tax benefits can be introduced at the regional and local levels. New principles of establishment of tax benefits which are supposed to be applied in the Russian Federation according to the Main directions of tax policy for the mid-term perspective are considered in the article.

In article the new principles of establishment of tax benefits which are supposed to be applied in the Russian Federation according to the Main directions of tax policy for the medium term are considered.

Keywords: Tax policy, Tax incentives, Tax expenditures budget, the budgets of the sub-federal level

1. INTRODUCTION

A tax system of any state carries two opposite functions: fiscal and regulating. That's why effectiveness of a tax system's functioning is estimated according to group's measures, characterising 1) a process of state budget's profit part forming 2) a level of influencing of tax system on social processes, on country's economic development.

Tax benefits are an essential element of a tax system. They have negative result on the profitable part of country's budget, but they allow to support some social life directions that need it. Tax benefits influence on the tax expenditures budget, that's why the government must estimate the level of tax benefits' effectiveness. The government can't reject from using tax benefits, because a lot of branches of economy, small businesses, and separate groups of population need some special support from the government.

Thus, the formation of state tax policy should take into account the effects of both kinds of tax benefits. The results of the application of tax benefits reflect on the state of regional and municipal budgets, as well as on the economic development of these areas, on the course of social processes in the regions and

municipalities. These facts must be considered while planning and establishing new tax benefits and cancelling existing tax benefits.

2. RESULTS AND DISCUSSIONS

Tax benefits are one of the main instruments of state regulation of the economy and social processes, but tax benefits cause decreasing in the volume of public revenues (Shakirova, R. K., 2015, pp. 146-156). However, tax benefits affect the quality of the institutional environment of entrepreneurship in the country (Shakirova, R. K., 2016, pp. 63-75; Shakirova, R. K., 2016, pp. 287–302).

To ensure the balance of the tax system of the Russian Federation it's necessary to provide compliance with the principles of fiscal federalism (Shakirova, R. K., 2015, pp. 129-134; Shakirova, R. K., 2015, pp. 100-105). Using the principles of fiscal federalism while brining tax benefits is the basis for efficient public finance and investment management (Shakirova, R. K., 2015, pp. 89-92).

The use of tax benefits has significant impact on revenues of regional budgets (Shakirova, R. K., 2015, pp. 86-92), but cancellation tax benefits leads to deterioration of the institutional environment for business development (Shakirova, R. K., 2014, pp. 171–183). The result of a spontaneous elimination of tax benefits is increasing tax risks of enterprises (Stafiyevskaya, M. V., 2015, pp. 53-58; Stafievskaya M. V., Nikolayeva L. V., Kreneva S. G., Shakirova R. K., Semenova O. A., Larionova T. P., Filyushin N. V., 2015, pp. 127-136; Stafievskaya M. V., Sarycheva T. V., Nikolayeva L. V., Vanyukova R. A., Shakirova R. K., Ryzhova L. I., Arutyunyan S. M. and Norkina K. V ., 2016, pp. 1776-1779).

Tax benefits of federal, regional and local level should be set with the considering possible impact on the socio-economic development of territories (Shakirova, R. K., 2016, pp. 28-47).

Main directions of tax policy for the medium term are taken in Russia annually. The main directions of tax policy for 2015-2017 years were approved in 2014.

This document establishes the priority of the Russian Federation in the field of fiscal policy in the medium and long term to further increase the efficiency of the tax system.

The main objectives of fiscal policy proclaimed:

- preservation of budgetary reliability and to obtain the necessary amount of budget revenues (strengthening the fiscal function of taxes);
- support business and investment activities, providing tax country's competitiveness on the world stage (in other words an increase in the regulatory component of the tax system).

Regulatory and fiscal components of the state tax policy can be improved by manipulation with tax benefits.

According to the date of Federal Tax Service of the Russian Federation in 2013 in the Republic Mari El the personal property tax was not paid because of tax benefits by 33.4% of registered taxpayers, the amount of benefits was 33024 thousand rubles - 55.4% of the amount of tax assessed to pay.

Land tax benefits were used by 13.9% of registered organizations, the sum which was not paid because of tax benefits was 62 508 thousand rubles or 69.2% of the amount of tax assessed. All these parameters for land tax benefits used by individuals had significantly lower figures.

The proportion of taxpayers who used the benefits for property tax for organizations was 3.3%, while the sum of tax benefits was 364 775 thousand Rubles - 28.4% of the amount assessed for payment.

In 2013 tax benefits of federal level on personal property in Republic of Mari El was 99.5%, the land tax of organizations - 23.8%, property tax for organizations - 25, 8%.

In 2015, in connection with the cancellation of some benefits, the amount of tax, which wasn't received in the budget because of giving tax benefits to taxpayers, declined. During this period, the value of benefits went down on the land tax - to 65.8% of the amount of assessed tax, on property tax of individuals - down to 38.9%.

For property tax for organizations the size of given benefits increased to 38.6% (10.2%) in connection with the provision of federal benefits for taxation of movable assets and regional benefits to organizations engaged in large investments in the economy of Mari El.

In 2015, part of federal benefits on property taxes remained quite high and even slightly increased (table 1).

Table 1. Comparison of amounts assessed to the pay as taxes and the amounts of granted tax benefits for land and property taxes in Mari El Republic in 2015

Figures	Property tax		Land tax	
	organizations	private individual	organizations	private individual
Amount of money to be paid in budget, mln. rub	1505,2	90,4	94,1	45,3
Amount of money which didn't come into the budget because of tax benefits, mln. rub	581,7	35,1	61,9	0,03
Including benefits of Federal level %	53,4	99,7	19,4	0
benefits of regional and local levels %	46,6	0,3	80,6	100
Tax benefits, % of the amount of tax assessed to be paid	38,6	38,9	65,8	0,1

Note: compiled by the author.

Consequently, decisions to establish tax benefits made at federal level have significant impact on revenue stability of regional and local budgets. In the connection with this, the tax policy of Russian Federation should be built on the basis of following principles:

- 1) rejection of establishing new benefits on regional and local taxes at federal level;
- 2) the gradual adoption of resolutions about canceling of most existing federal benefits for regional and local taxes;
- 3) transfer introduction of new benefits on federal taxes and special tax regimes concerning revenues that go to budgets of the sub-federal level and dimensioning these benefits to regional or local authorities;
- 4) introduction the performance of evaluation procedures for new tax benefits as a mandatory element of the benefits administration process. The establishment of new tax incentives for a limited period with a further decisions on prolongation them according to the analysis of its effectiveness;
- 5) inclusion in the budget process procedures for assessing the overall size and dynamics of tax expenditure budgets of all levels;
- 6) identifying "source" while the decision about introduction of new tax benefits or other incentive mechanism under the tax policy is made. Cancellation of inefficient benefits could be a source (possibly replacement with the same amount of tax expenses).

A noteworthy detail is that Article 56 of the RF Tax Code does not provide a sufficiently precise definition of the term 'tax benefit'. This weak point of Russian tax legislation should be corrected. In this regard, the following definition is suggested: tax benefits are an instrument of tax policy, which is a legal reduction of tax liabilities of certain categories of taxpayers as a result of the application of special rules of the legislation on taxes and fees to achieve various socio-economic objectives. In addition, to date, a problem of the choice of methods of tax benefits assessment remains unresolved.

Monitoring of tax benefits in the regions is practiced for the last several years. In the Republic Mari El part of tax benefits is constantly changing and it is often reduced:

- In 2014 some benefits on the property tax and transport tax were canceled at the regional level by the law of RME 41-3t dated 30.10.2014;
- In 2015 the reduced rate on tax paid in connection with the use of the simplified taxation system by small businesses was terminated;
- In 2017 several benefits on transport tax are going to be cancelled.

The constant decrease in the number of tax benefits and changes the order of their application leads to instability of tax system, to deterioration of the quality of institutional environment of entrepreneurship development. This fact must be taken into account when dealing with issues relating to the establishment and cancellation of tax benefits.

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